BNY | INVESTMENTS

The 5 Ws of EXCHANGE-TRADED FUNDS (ETFs)

WHAT is an ETF?

An exchange-traded fund (ETF) is a basket of securities that are bought and sold on a stock exchange throughout the day. In many ways, an ETF is a hybrid between a stock and a mutual fund. Like a mutual fund, an ETF can be actively managed or built to track the performance of an index.

ETFs are comprised of many underlying assets, such as stocks, bonds and commodities across an array of industries. Investors can also utilize ETFs as long-term core holdings or as an expression of tactical asset-allocation views.

WHO can invest in an ETF?

ETFs could potentially be an investment vehicle for almost anyone, including those who are more tax sensitive.*

WHEN may ETFs be a suitable option?

We believe ETFs may make sense for those looking for:

- Broad diversified exposure to a particular asset class
- Tactical exposure to a certain area of the market
- Active management in a taxable account

WHERE can investors access ETFs?

ETFs can be accessed through the stock exchange via a brokerage account.

WHY consider ETFs in a portfolio?

The growing appeal of ETFs ** and their use by investors ranges widely from those who utilize them as potential cost-effective tools for diversification, to those who may use them as the base for core portfolios.

Potential benefits of ETFs include:

Liquidity – Dependent on composition and trading volume of underlying securities, ETFs can be created and redeemed on demand.

Transparency – Investors can verify their positions daily at the conclusion of each trading day.

Tactical allocation – Generally quick and easy to transact, ETFs can be bought and sold the same as a single stock. Tactical allocation is an active investment approach that may help to take advantage of market trends or economic conditions.

Comparatively low transaction costs – ETFs are considered more cost effective than mutual funds because they typically have lower expenses. However, since buying or selling ETF shares on an exchange may require the payment of brokerage commissions, trading activity may increase the cost of ETFs.

U.S. tax efficiency – ETFs may offer tax benefits and potential for lower capital gains.*

* ETF tax efficiency can be derived from certain structural elements, including: turnover which in passive strategies is typically lower than in active; in-kind redemptions, in which no capital gains are realized. This can allow investors more control over the timing of their tax liabilities based on when they generally sell their position. Please consult your own tax advisor or financial professional for more detailed information on tax issues as they relate to your specific situation.

** Both the number of U.S. ETFs and assets in dollars in ETFs have grown every year since 2006 according to data by ETFGI cited in 'U.S. ETF Industry Assets Climb to Record $9.7T in August,' etf.com. Sep. 16, 2024.

IMPORTANT INFORMATION

All investments involve risk including loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing.

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

ETF shares are listed on an exchange, and shares are generally purchased and sold in the secondary market at market price. At times, the market price may be at a premium or discount to the ETFs per share net asset value (NAV). In addition, ETFs are subject to the risk that an active trading market for an ETF's shares may not develop or be maintained. Buying or selling ETF shares on an exchange may require the payment of brokerage commissions.

ETFs trade like stocks and are subject to investment risk, including possible loss of principal. The risks of investing in ETFs typically reflect the risks associated with the types of instruments in which the ETF invests. Diversification cannot assure a profit or protect against loss.

ETF tax efficiency can be derived from certain structural elements, including; turnover in passive strategies are typically lower than that in active; and there can be structural tax benefits from in- kind redemptions. When assets are delivered from the ETF via an in-kind transfer, no capital gains are realized. This can allow investors more control over the timing of their tax liabilities based on when they generally sell their position. This information is general in nature and is not intended to constitute tax advice. Please consult your own tax advisor or financial professional for more detailed information on tax issues as they relate to your specific situation.

ETFs generally have lower expenses than actively managed mutual funds due to their different management styles. Most ETFs are passively managed and are structured to track an index, whereas many mutual funds are actively managed and thus may have higher management fees. Since buying or selling ETF shares on an exchange may require the payment of brokerage commissions, trading activity may increase the cost of ETFs.

The ETF will issue (or redeem) fund shares to certain institutional investors known as "Authorized Participants" (typically market makers or other broker-dealers) only in large blocks of fund shares known as "Creation Units." BNY Mellon Securities Corporation ("BNYMSC"), a subsidiary of the BNY, serves as distributor of BNY Mellon ETFs. BNYMSC does not distribute fund shares in less than Creation Units, nor does it maintain a secondary market in fund shares. BNYMSC may enter into selected agreements with Authorized Participants for the sale of Creation Units of fund shares.

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