

THE EXPANDING ETF UNIVERSE

30+ Years and Going Strong

An exchange-traded fund (ETF) is a basket of securities that, in many ways, is like a hybrid between a stock and a mutual fund. When the first ETF launched on January 22, 1993,¹ few could have imagined how popular this form of investing would become.

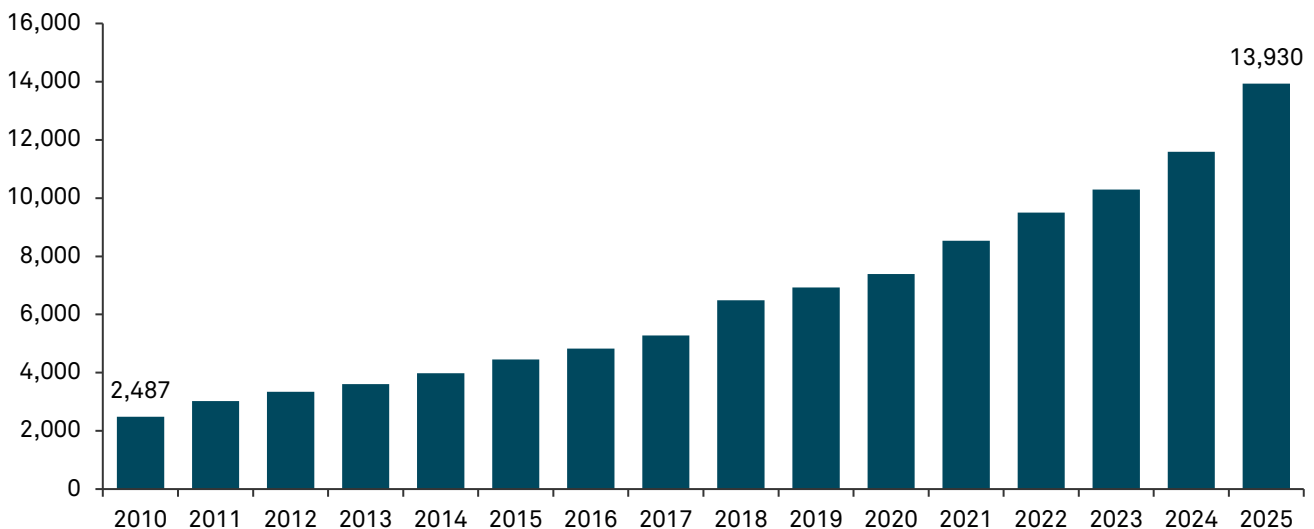


Over the past 10 years, global ETF assets have grown almost sixfold.”

ETFs have come a long way from “plain vanilla” access to select and well-known indices, to actively managed ETFs, fixed income offerings, as well as specialist “baskets” following a defined theme. U.S. ETF assets are projected to more than double to \$25 trillion by the end of this decade as more investors may turn to this fast-growing asset class for low-cost, diversified market exposure.²

The appeal of ETFs extends outside U.S. borders. By the end of 2025, there were approximately 14,000 ETFs trading around the world, with assets rising sharply.³ Over the past 10 years, global ETF assets have grown almost sixfold, from \$3.4 trillion to over \$19.1 trillion.⁴

Number of ETFs Worldwide from 2010-2025



Source: ETFGI, accessed April 2026. For illustrative purposes only.

Understanding ETFs

Since their introduction, investors have found many use cases for ETFs given their ability to offer a simple and direct way to quickly invest in a diversified security set and/or asset classes. Like a mutual fund, an ETF can be actively managed or designed to track the performance of an index. Like a stock, an ETF can be bought and sold on an exchange with varying share prices throughout the day.

ETFs can be comprised of many underlying assets, including stocks, bonds and commodities across an array of industries. Investors can utilize ETFs both as long-term core holdings and as expressions of tactical asset-allocation viewpoints.

Advantages of ETFs

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

Here are some potential benefits of investing in ETFs:



Liquidity

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



Transparency

Investors can see what they own daily (as opposed to quarterly), at the conclusion of each trading day.



Tactical allocation

Quick and easy to transact, ETFs can be bought and sold the same as a single stock.



US tax efficiency

Investors are generally not affected by the liabilities related to the redemptions made by other shareholders.⁵



Moderately 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.

How ETFs work: Step-by-step

The ETF ecosystem comes together in a seamless manner to facilitate buying and selling ETF shares. Like many industries, each party plays a critical role to ensure the supply chain can efficiently meet the demand of investors for all listed ETFs.

Here are a few key terms to help understand how ETFs work:

Authorized Participant

A large broker/dealer that acts as a bridge between the exchange and the issuer. They help ETFs trade at prices close to the market value/ net asset value (NAV) of their portfolio holdings. Shares are issued/ redeemed to Authorized Participants in large blocks, known as “creation units.”

Premiums and Discounts

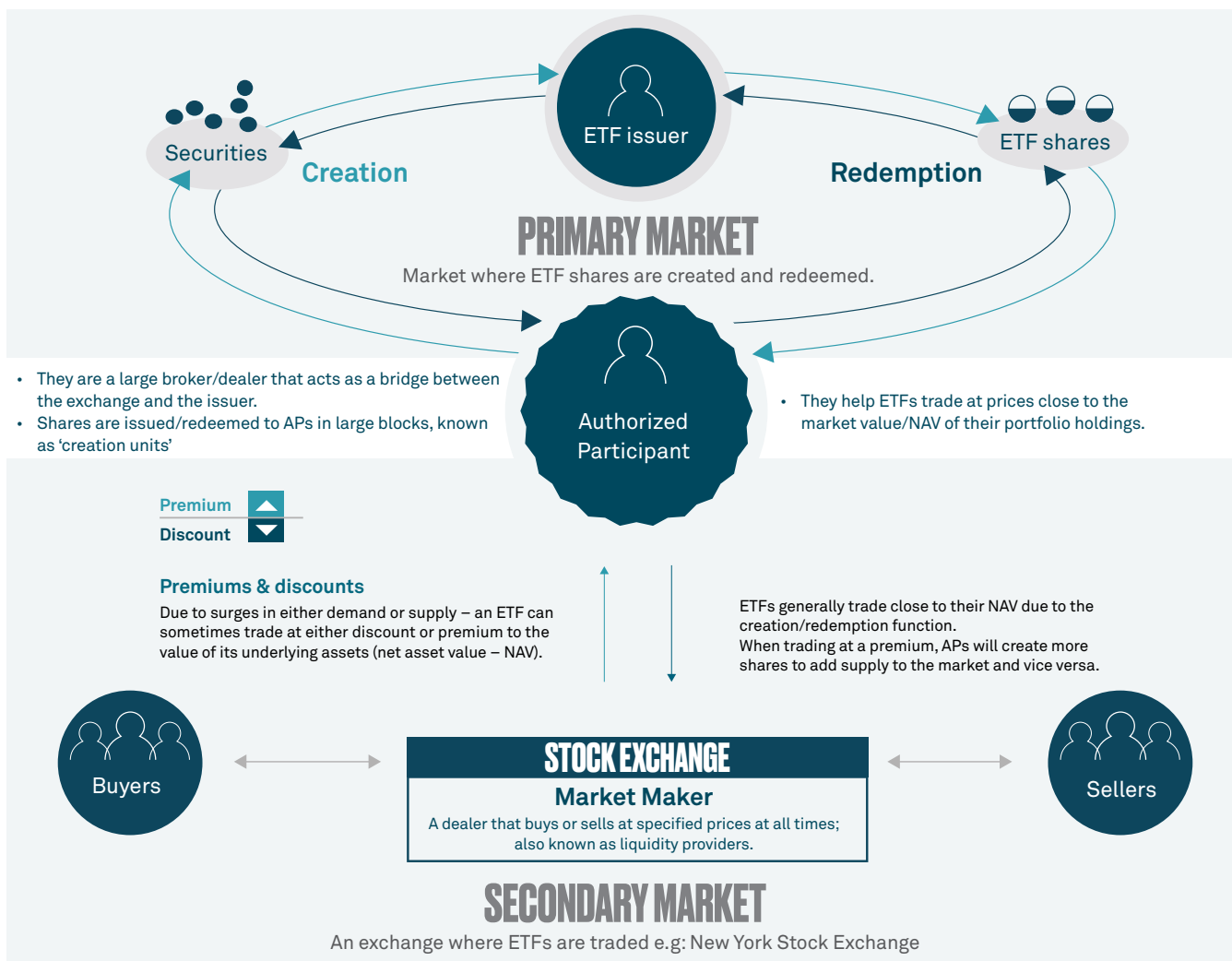
Due to surges in either demand or supply- an ETF can sometimes trade at either discount or premium to the value of its underlying assets. ETFs generally trade close to their NAV due to the creation/redemption function. When trading at a premium, Authorized Participants will create more shares to add supply to the market and vice versa.

Market Maker

A dealer that buys or sells at specified prices at all times; also known as liquidity providers.

Primary Market

Market where ETF shares are created and redeemed.



Mechanics of ETFs

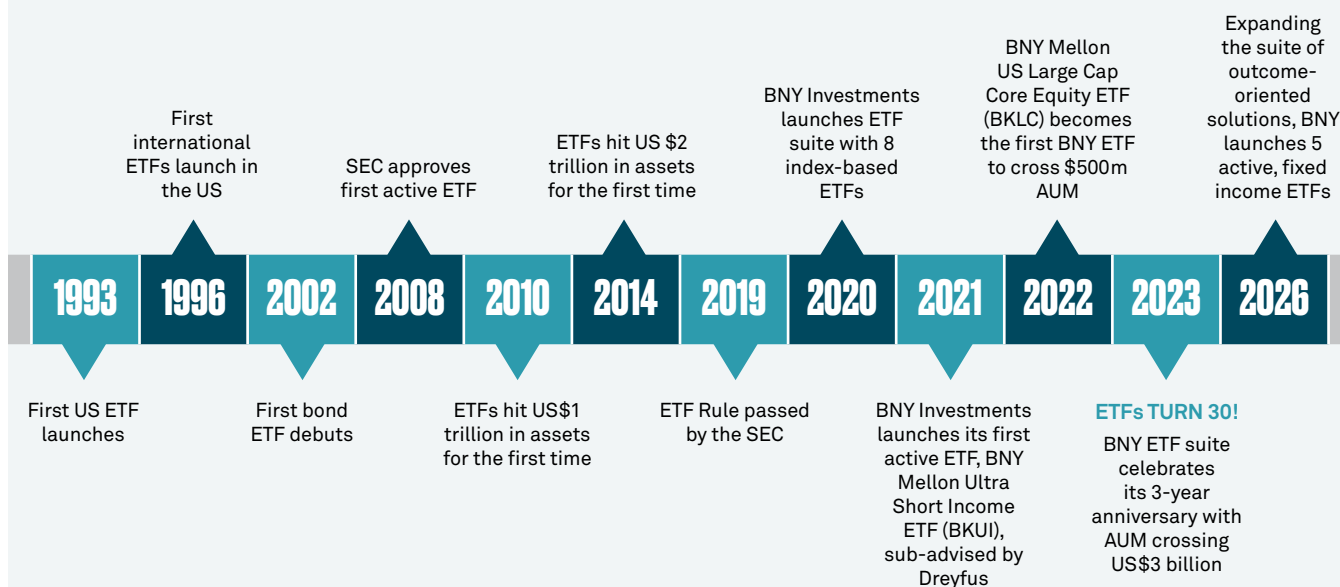
- 1 Buyer initiates request, which is often done through a brokerage account.
- 2 The order goes through a Market Maker, which can be done on the Stock Exchange or in the over the counter (OTC) market.
- 3 If new shares are needed, a Market Maker will work with an Authorized Participant to place an order to create new ETF shares with the ETF Issuer.
- 4 ETF Issuer creates new shares of the ETF.
- 5 ETF shares go back to the Authorized Participant.
- 6 Authorized Participant sends ETF shares back to the Market Maker.
- 7 Market Maker sends the shares to the Buyer.

History of ETFs

ETFs have evolved considerably over the years, changing the investment landscape. Here are some of the ways ETFs have grown to become a mainstream investment vehicle.

Key ETF Milestones

The past 30 years have seen many ETF milestones in both the industry and at BNY Investments. Here are a few highlights:



Sources: US Securities and Exchange Commission. As of September 30, 2024.
 A quarter century of exchange-traded fun! May 2019.
 CNBC. The first ETF is 30 years old this week. It launched a revolution in low-cost investing. January 2023.
 Investopedia. A brief history of exchange-traded funds. January 2022.
 Forbes. Attack of the ETFs. March 2009.
 VettaFI. A brief history of ETFs. June 2015.
 Investopedia. ETF rule: What it is and why it matters. September 2022.
 BNY Investments. 2023 and 2026.

SEC - Securities and Exchange Commission
 AUM - Assets Under Management

Endnotes

1. Investopedia. A brief history of exchange-traded funds. Accessed August 2019.
2. Reuters, Citigroup. April 2026.
3. ETFGI. March 2026.
4. ETFGI. March 2026. Based on data from 2016-2025.
5. 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.

For More Information

BNY ETFs

bny.com/investments

1-800-843-5466

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 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 ("BNYSC") serves as distributor of BNY ETFs. BNYSC does not distribute fund shares in less than Creation Units, nor does it maintain a secondary market in fund shares. BNYSC may enter into selected agreements with Authorized Participants for the sale of Creation Units of fund shares. BNY Mellon ETF Investment Adviser, LLC is the investment adviser of the ETFs. BNY Mellon ETF Adviser, LLC and BNY Mellon Securities Corporation are subsidiaries of BNY.

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MARK-915230-2026-04-10