Manulife Investments

ETFs

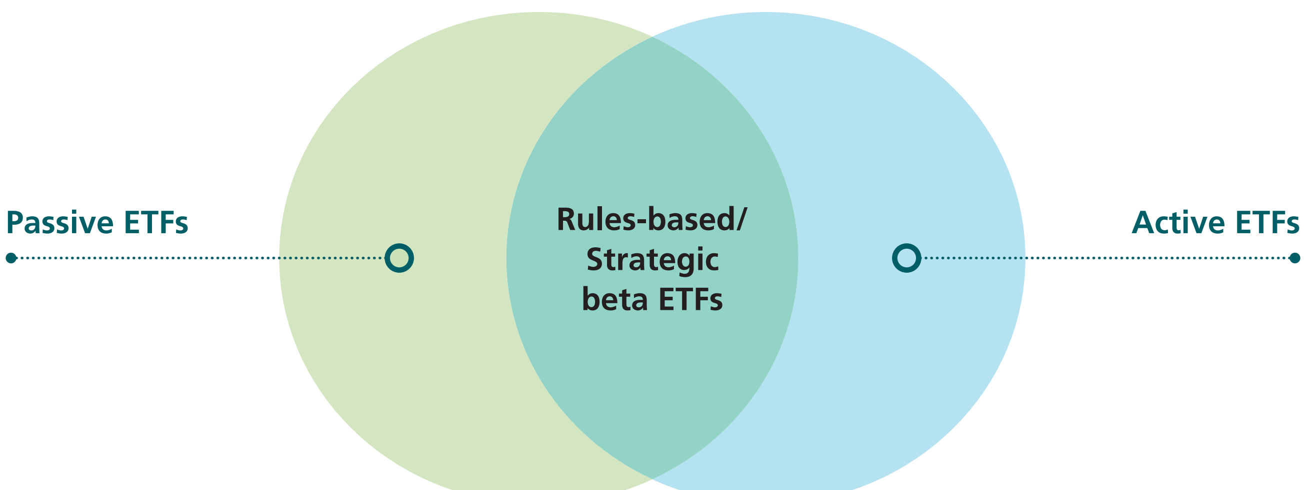
Debunking Five Common ETF Myths

Myth #1

ETFs are passive investments

Going back about 25 years, ETFs first began as passive funds that tracked commercial benchmarks and, until recent years, had traditionally remained strictly passive. However, more than half the number of ETFs available today implement a strategic beta (rules-based) or fully active strategy.[1]

ETFs today can encompass different styles of management



[1] Investors Economics, 4Q 2016 ETF and Index Fund Report

Myth #2

ETFs are complicated

Simply described, an ETF is a mutual fund that trades on an exchange. Its complexity is much the same as a mutual fund. ETFs do feature certain efficiencies by virtue of being exchange traded, typically having lower operating costs and increased tax efficiency. In respect of complexity, the most important difference is that, similar to stocks, investors should be aware of best practices for purchasing or selling them.

Myth #3

ETFs are trading strategies, not core strategies

Similar to stocks, one of the benefits of ETFs is their intraday liquidity as they trade on an exchange. However, just because you can trade an ETF regularly, it doesn't mean you have to, or that you should. Many ETFs are diversified and provide broad market exposure. While they certainly can be used for short-term exposure, ETFs can be an effective way to achieve long-term growth particularly when you consider the compounded benefit of lower fees.

Myth #4

The trading volume of an ETF is equal to its liquidity

Unlike a stock, the true liquidity of an ETF is actually related to the underlying securities in the portfolio, not the number of units or volume of the specific ETF. While it may not be reflected in the secondary market volume on the exchange, if two ETFs invested in the same portfolio, the ETF that traded 1,000 units would have the same liquidity as the ETF that traded 100,000 units.

Myth #5

ETFs are more risky than mutual funds

Similar to a mutual fund, the risk of an ETF is determined by its holdings. An ETF and a mutual fund that hold the same portfolio would have the same degree of risk. While some ETFs provide leveraged or inverse exposure to asset classes, the majority of ETFs simply provide access to an asset class or a strategy.

To learn more about the benefits of investing in Manulife ETFs, visit **Repsource.ca/ETFs** or contact your Manulife Investments Sales Team.

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