The role of ETFs

MARKETING COMMUNICATION

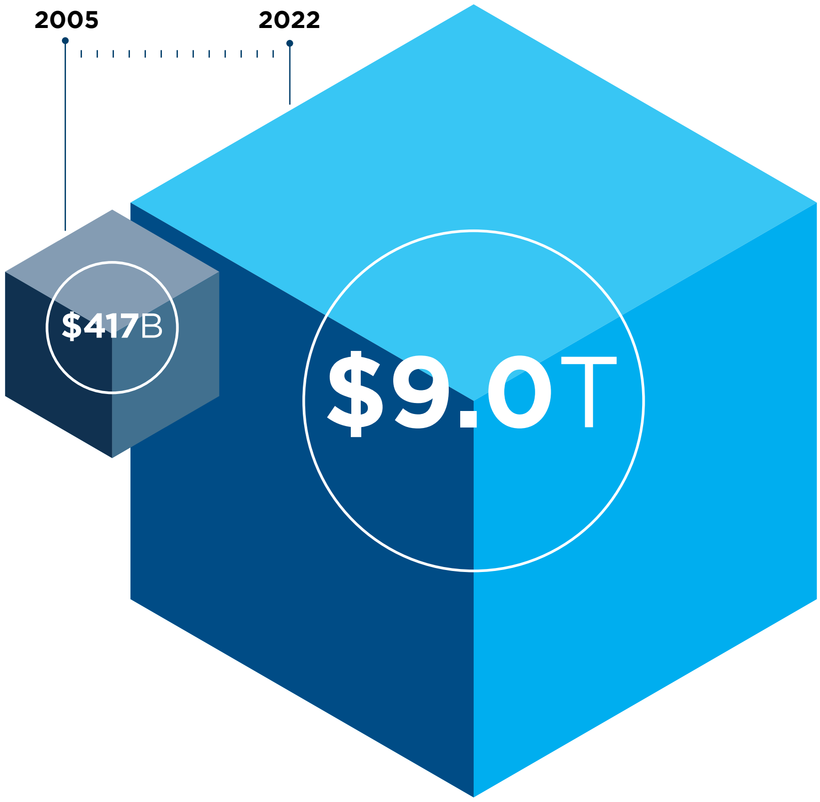
Fundamentals

What is an ETF?

An exchange-traded fund (ETF) is an investment fund that tracks the performance of a chosen index. It does so by investing in a range of assets intended to replicate the index holdings.

ETFs allow for efficient investing in financial markets and provide access to a wide range of asset classes. Investors can choose the product or products most suited to their goals and the level of risk they are willing to take.

The ETF market has grown significantly in popularity since the structure first came to market in 1993.

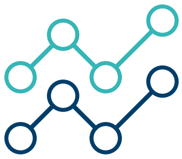


By the end of 2022, approximately $9.0 trillion were managed within ETFs globally compared to just $417 billion in 2005.[1]

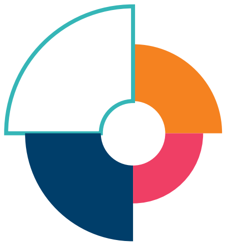
It now offers a wealth of choice for investors across geographical and sectoral stocks, corporate or government bonds, as well as a wide range of thematic and sustainable investments.

1 Source ETFGI as of end December 2022.

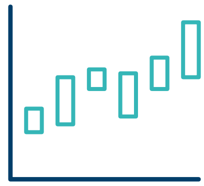
Key ETF characteristics:



ETFs are professionally managed but considered to be "passive" products as they track market indices



ETFs invest in a variety of assets to replicate the index performance



ETFs are traded on an exchange, similar to company shares

A tool for a diversified portfolio.

Similar to mutual funds, ETFs have portfolio managers who instruct trades on behalf of the fund in order to achieve its investment objective. However, for ETF managers, these decisions are guided by replicating the index performance as closely as possible. The expected performance of the ETF before fees is in line with that of its underlying market, giving investors a degree of certainty in expectations.

In contrast, one of the main objectives of active managers is to outperform an index or benchmark. They use various methods to help them determine which assets can help them achieve the fund goals. Actively managed funds charge a premium fee for this outperformance objective, which is one of the contributing factors to the higher fees of actively managed funds.

ETFs and actively managed funds can work alongside each other as part of a diversified portfolio, to help investors reach their goals.

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Why an ETF?

There are many inherent characteristics of ETFs that make them an attractive component of an investment portfolio:

Cost-effective

Price is one of the foremost benefits of ETFs; they generally carry a much lower cost compared to that of actively managed funds.

Transparency

ETFs track publically disclosed indices with transparent, rules-based methodologies. This means ETF investors typically know what they are getting, and there is a lower risk of style drift. As these funds are traded on an exchange, there is also clear visibility of the funds' pricing at any given point. In Europe, the UCITS[2] structure adds additional strong disclosure constraints and transparency for investors.

Diversification

Diversification is a key risk management tool for investors, so it is good to know that each UCITS ETF is composed of variety of assets aimed replicating index performance. This makes these funds an efficient diversifier in a portfolio. The relatively lower cost of ETFs also allows for cost-effective access to indices and markets where traditional funds may not be ideally positioned to add value.

Accessibility

ETFs are widely available, easy to trade and offer an efficient way to invest, with easily understandable investment objectives. The UCITS framework, with regulations designed to protect investors, has contributed to this accessibility.

Choice

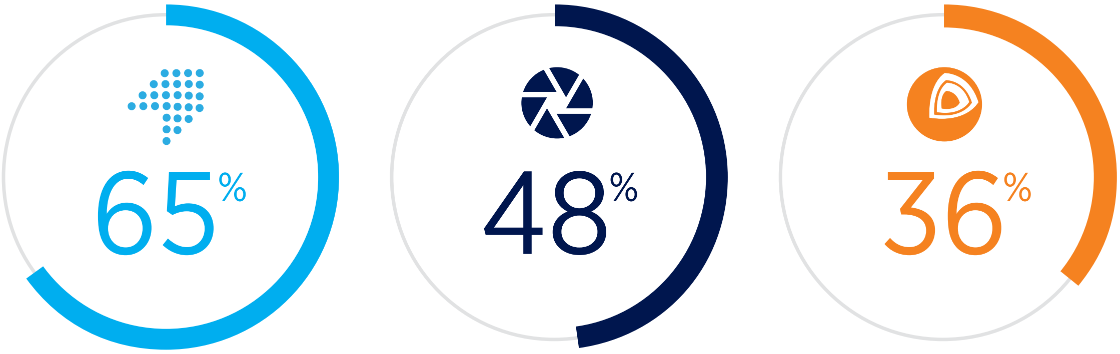
With over 2000 ETFs listed in Europe[3], investors have a breadth and depth of choice to match with their investment views and achieve their goals. This ranges from tracking well-known global stock indices, such as the Euro Stoxx 50, to region-specific indices such as the S&P 500, and includes sector-specific or thematic ETFs such as smart cities or responsible investing indices.

2 UCITS: "Undertakings for Collective Investment in Transferable Securities" – European Directive 2014/91/EU
3 Source ETFGI as of end December 2022.

The role of ETFs

As ETFs have grown in popularity over the past 25 years, they have become an increasingly mainstream part of investors' portfolios. Just over half of the investors surveyed in a recent study[4] indicate they use ETFs as a long-term allocation to form the core holdings of their portfolio.

The three most popular usage of ETFs amongst professional investors:



Long-term strategic asset allocation where investments are kept over a long run and/or changed periodically

Exposure to specific theme or sector for a core portfolio allocation notably

Tactical asset allocation where investments change dynamically based on market conditions

Many investors buy ETFs that are representative of specific financial markets, which enables them to buy and hold the ETF for a long period, regardless of fluctuations in the market.

However, the flexibility of ETFs means they can also be used to make tactical and timely allocations, and their inherent diversification allows them to be used for investors to easily gain exposure to new sectors or geographies.

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4 Source: The Trackinsight Global ETF Survey 2022 – Survey of 347 global professional investors representing 20 countries, with a $415bn exposure to ETFs.

Amundi ETF

Amundi, the largest European ETF provider, offers over 300 UCITS ETFs covering a wide range of asset allocation needs and a broad spectrum of ESG and Climate investing goals.

For more information on how to invest in Amundi ETF, please visit **www.amundietf.com**.

Important Information

Marketing communication

Key risks

- Risk of the loss of invested capital. Investors may not get back the original amount invested and may lose all of their investment.
- Risk associated with the markets to which the ETF is exposed. The price and value of investments are linked to the liquidity risk of the components. Investments can go up as well as down.
- Risk associated with the volatility of the securities/currencies composing the underlying index.
- The fund investment objective may only be partially reached.

This is a marketing communication. Please consult the Prospectus and the Key Investor Document ("KID") before making a final investment decision.

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Amundi UCITS ETFs are passively-managed index-tracking funds. The Funds are French, Luxembourg or Irish open ended mutual investment funds respectively approved by the French Autorité des Marchés Financiers, the Luxembourg Commission de Surveillance du Secteur Financier or the Central Bank of Ireland, and authorised for marketing of their units or shares in various European countries (the "Marketing Countries") pursuant to the article 93 of the 2009/65/EC Directive.

Before any subscription, the potential investor must read the offering documents (KID and prospectus) of the Funds. For more information related to the stocks exchanges where the ETF is listed please refer to the fund's webpage on amundietf.com. Investment in a fund carries a substantial degree of risk (i.e. risks are detailed in the KID and prospectus). All investors should seek professional advice prior to any investment decision, in order to determine the risks associated with the investment and its suitability. It is the investor's responsibility to make sure his/her investment is in compliance with the applicable laws she/he depends on, and to check if this investment is matching his/her investment objective with his/her patrimonial situation (including tax aspects).

Some of the Funds mentioned in this document may not be authorized for distribution in your country.

The Funds are neither sponsored, approved nor sold by the index providers. The index providers do not make any declaration as to the suitability of any investment. A full description of the indices is available from the providers.

This document was not reviewed, stamped or approved by any financial authority.

Information reputed exact as of 1 June 2023.

Amundi Asset Management (Amundi AM)

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