Amundi
Investment Solutions

Trust must be earned

# The role of ETFs

Fundamentals

**MARKETING COMMUNICATION**
The information contained in this document is primarily intended for index ETFs, i.e. those whose investment objective is to replicate a market index, whether upwards or downwards.

# What is an ETF?

## An exchange-traded fund (ETF) is an investment fund that tracks the performance[1] of a chosen index[2]. It does so by investing in a range of assets intended to replicate the index holdings.

ETFs allow for efficient investing[3] 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.

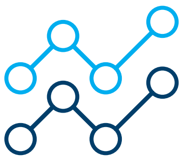
The ETF market has grown significantly in popularity since the structure first came to market in 1993.


By the end of June 2025, approximately $16.8 trillion were managed within ETFs globally compared to just $417 billion in 2005[4].

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.

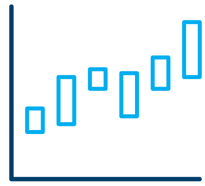
1 Past market trends are not a reliable indicator of future ones.
2 For more information regarding the index methodology, please refer to index provider website.
3 Investment involves risks. For more information, please refer to the Risk section below.
4 Source ETFGI as of end June 2025.

**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. Traditional actively managed funds charge a premium fee for this outperformance objective, which is one of the contributing factors to the higher fees of traditional actively managed funds.

ETFs and traditional 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 traditional actively managed funds[5].

**Transparency**
ETFs track publicly 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[6] structure adds additional strong disclosure constraints and transparency for investors.

**Diversification**
Diversification[7] 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[8] 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 2350 ETFs listed in Europe[9], 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 artificial intelligence or responsible investing[10] indices.

5 For more information regarding all the costs supported by the fund, please refer to its Key Information Document (KID). Transaction cost and commissions may occur when trading ETF.
6 UCITS: "Undertakings for Collective Investment in Transferable Securities" – European Directive 2014/91/EU.
7 Diversification does not guarantee a profit or protect against a loss.
8 For more information regarding all the costs supported by the fund, please refer to its Key Information Document (KID). Transaction cost and commissions may occur when trading ETF.
9 Source ETFGI as of end June 2025.
10 Information on Amundi's responsible investing can be found on amundietf.com and amundi.com. The investment decision must take into account all the characteristics and objectives of the Fund, as described in the relevant Prospectus.

# 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.

**The three most popular usage of ETFs amongst investors:**

- Long-term 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. In this way, investors attempt to access cost-efficient to the gradual market increases over the long term.

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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# 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.**



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**Amundi Asset Management (Amundi AM)**

French "Société par Actions Simplifiée" - SAS with a share capital of €1 143 615 555. Portfolio management company approved by the French Financial Markets Authority (Autorité des Marchés Financiers) under no.GP 04000036.

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