

Select Portfolio Management, Inc

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Exchange Traded Funds and Index Mutual Funds Compared

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As they become more widely known, exchange traded funds (ETFs) are growing in popularity with investors. ETFs offer investors the ability to invest in a large and growing number of market indexes or sectors. While ETFs and index mutual funds have many similarities, they also have a number of important differences.

Feature	ETFs	Index Mutual Funds
Intra-day trading	Yes	No, orders placed during the day are executed at the close of trading
Diversification across a number of securities	Yes	Yes
Tracks index or sector	Yes	Yes
Buy on margin	Yes	No
Sell short	Yes	No
Expenses	Brokerage fees are incurred with each transaction, and there is a spread between bid and ask prices	May have any or all of the following: <ul style="list-style-type: none"> • management fees • 12b-1 fees • redemption fees • sales loads
Tax considerations	ETFs typically make fewer capital gains distributions	Must distribute any capital gains and dividends annually to investors, which may create a taxable event
Redemptions	Must be sold through a broker	Shares may be redeemed directly with fund company

Before investing in a mutual fund or exchange traded fund, carefully consider its investment objectives, risks, fees, and expenses, which can be found in the prospectus available from the fund. Read it carefully before investing.

This material does not constitute the rendering of investment, legal, tax or insurance advice or services. It is intended for informational use only and is not a substitute for investment, legal, tax, and insurance advice. State, national and international laws vary, as do individual circumstances; so always consult a qualified investment advisor, attorney, CPA, or insurance agent on all investment, legal, tax, or insurance matters. The effectiveness of any of the strategies described will depend on your individual situation and on a number of other factors.

Advisory Services Offered Through Select Portfolio Management, Inc.

A Registered Investment Advisor

Securities Offered Through Securities Equity Group

Member FINRA www.finra.org , SIPC www.sipc.gov

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