# Product distinctions

## How does an ETF differ from other products?

There are an increasing number of ways investors can access investment funds. Some are available on a securities exchange (ASX or CBOE) and others aren't, whilst some are actively managed while others track an index. The table below highlights some of the key differences between the types of investment vehicles.

| | ETF | Managed Fund | Listed Investment Company (LIC) | Listed Investment Trust (LIT) |
|---|---|---|---|---|
| **Availability** | Quoted or Listed | Unlisted | Listed | Listed |
| **Management style** | Actively and passively managed | Actively and passively managed | Actively managed | Actively managed |
| **Corporate structure** | Unit trust | Unit trust | Company | Unit trust |
| **Liquidity** | ▪ Open-ended<br>▪ Trades on the securities exchange<br>▪ Market maker provides ongoing liquidity | ▪ Open-ended<br>▪ Does not trade on the securities exchange<br>▪ Status as a liquid or illiquid fund can depend on underlying investments | ▪ Closed-ended<br>▪ Can only grow through placements, rights and Distribution Reinvestment Plans (DRPS)<br>▪ Trades on the securities exchange | ▪ Closed-ended<br>▪ Trades on the securities exchange |
| **Pricing** | ▪ Live pricing on the securities exchange<br>▪ Generally expected to trade at a tight spread around the NAV, depending on the activities of the market maker<br>▪ Instant price confirmation<br>▪ No cooling off rights (same as other listed securities) | ▪ Entry/exit price generally not known until trade + 1 day<br>▪ Cooling off rights as outlined in the Product Disclosure Statement (PDS) | ▪ Live pricing on the stock exchange<br>▪ Can trade at a significant premium or discount to NAV | ▪ Live pricing on the stock exchange<br>▪ Can trade at a significant premium or discount to NAV |
| **Disclosure** | Holdings disclosure frequency varies from daily disclosure to monthly or quarterly on a lagged basis, subject to securities exchange requirements | Typically, holdings are disclosed monthly with a 30-day lag | Required to disclose NAV monthly, but not required to provide portfolio information | Required to disclose NAV monthly, but not required to provide portfolio information |
| **Minimum investment** | No minimum | Typically A$25,000 | No minimum | No minimum |
| **Application process including anti-money laundering and know-your-customer (AML/KYC) requirements** | ▪ Must have a broker account<br>▪ No application form, AML or KYC required apart from the initial application for a brokerage account | ▪ Investing directly requires an application form, AML and KYC documents for each fund manager | ▪ Must have a broker account<br>▪ No application form, AML or KYC required, apart from the initial application for a brokerage account | ▪ Must have a broker account<br>▪ No application form, AML or KYC required, apart from the initial application for a brokerage account |
| **Franking credits** | **All trust structures (including LITs)** Trusts have the ability to pass through to investors the tax components of the trust's income, including franking credits | | LICs have the ability to pay franked dividends | LITs have the ability to pass through to investors the tax components of the LIT's income, including franking credits |

# How do I access ETFs?

An ETF is bought and sold via a broker in the same way you buy or sell a share on a securities exchange. The difference is that this one trade gives you access to a diversified portfolio of shares. You can view your ETF holdings alongside any other direct share holdings you have.

## Via your broker or licensed adviser*

1. Place a 'buy or sell' ETF order with your broker.
2. Your broker initiates a transaction with the stock exchange via the ticker code.
3. The stock exchange settles the transaction via CHESS.

## Direct with online trading account

If you have an online trading account, you can type in the fund's ticker code and invest immediately.

## Where do I go for more information?

Fidelity offers a range of Active ETFs to investors, which are available at **www.fidelity.com.au/funds/#active-etfs**

If you're new to investing, you might like to learn more on our learning hub, available at **www.fidelity.com.au/learning-hub/**

**fidelity.com.au**

* Your adviser must be licensed to buy and sell shares on a securities exchange.



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