



# ETFs, Active ETFs and Mutual Funds; What's the Difference?

Investors have more choice than ever in how to invest. Choosing how to invest depends on your goals: is price control and trading flexibility important? Or, do you want to put your investment on autopilot? There are potential benefits of both mutual funds and exchange-traded funds (ETFs) and many investors use both in their portfolios.

**Mutual funds** allow investors to pool their funds to purchase a selection of securities, offering investors the benefit of professionally managed portfolios at an affordable cost.

An **exchange-traded fund (ETF)** is a security which can be purchased or sold on a stock exchange. ETFs represent a selection of securities and typically track the performance of an index. The price of an ETF share fluctuates throughout the trading day as they are bought and sold on an exchange.

**Passive ETFs** are designed to track an index and can be a cost-effective way to access a broad market or a specific sector. For example, an ETF that tracks the S&P 500 will offer exposure to the top 500 companies by market capitalization in the United States. It's also possible to invest in specific sectors and themes, such as health care, fast-food restaurants, or geographic regions using ETFs.

**Active ETFs** offer the possibility of outperforming an index, using an active investment process overseen by portfolio managers, who select specific companies to include in the fund. Investing in categories where specific knowledge or experience offers the potential for better long-term returns is a typical use-case for active ETFs.

	ETF	Mutual Fund
<b>Buy or sell</b>	On an exchange throughout the day	Through mutual fund companies, or brokerage firms
<b>Pricing</b>	Intraday pricing- can trade closer to underlying fair-value NAV throughout day	Priced once a day, at market close
<b>Ability to view holdings</b>	Full holdings are published each day	Published each quarter, often on a 30-day lag
<b>Potential tax implications</b>	Generally considered more tax efficient, capital gains are triggered by investor activity, when they sell their ETF shares	Fund trading activity may generate capital gains which are distributed to all fund investors
<b>Automatic investment or reinvestment</b>	Brokerage platform specific	Can reinvest dividends or automatically contribute additional funds
<b>Minimum investment</b>	One share	Varies by fund, can be as low as \$1000

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### Important Information

You should carefully consider the investment objectives, risks, charges and expenses of the Matthews Asia Funds before making an investment decision. A prospectus or summary prospectus with this and other information about the Funds may be obtained by visiting [matthewsasiasia.com](http://matthewsasiasia.com). Please read the prospectus carefully before investing.

The value of an investment in the Fund can go down as well as up and possible loss of principal is a risk of investing. Investments in international, emerging and frontier markets involve risks such as economic, social and political instability, market illiquidity, currency fluctuations, high levels of volatility, and limited regulation. Additionally, investing in emerging and frontier securities involves greater risks than investing in securities of developed markets, as issuers in these countries generally disclose less financial and other information publicly or restrict access to certain information from review by non-domestic authorities. Emerging and frontier markets tend to have less stringent and less uniform accounting, auditing and financial reporting standards, limited regulatory or governmental oversight, and limited investor protection or rights to take action against issuers, resulting in potential material risks to investors. Investing in small- and mid-size companies is more risky than investing in larger companies as they may be more volatile and less liquid than large companies. In addition, single-country and sector funds may be subject to a higher degree of market risk than diversified funds because of concentration in a specific industry, sector or geographic location. Pandemics and other public health emergencies can result in market volatility and disruption.

The views and information discussed herein are as of the date of publication, are subject to change and may not reflect current views. The views expressed represent an assessment of market conditions at a specific point in time, are opinions only and should not be relied upon as investment advice regarding a particular investment or markets in general. Such information does not constitute a recommendation to buy or sell specific securities or investment vehicles. Investment involves risk. Past performance is no guarantee of future results. The value of an investment in the Fund can go down as well as up. The information contained herein has been derived from sources believed to be reliable and accurate at the time of compilation, but no representation or warranty (express or implied) is made as to the accuracy or completeness of any of this information. Matthews Asia and its affiliates do not accept any liability for losses either direct or consequential caused by the use of this information.

S&P 500 Index is a market-capitalization weighted index of 500 large companies and is generally considered to be representative of the U.S. stock market.

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