



ETF: Exchange Traded Funds

A FinLit Lesson

By KARA

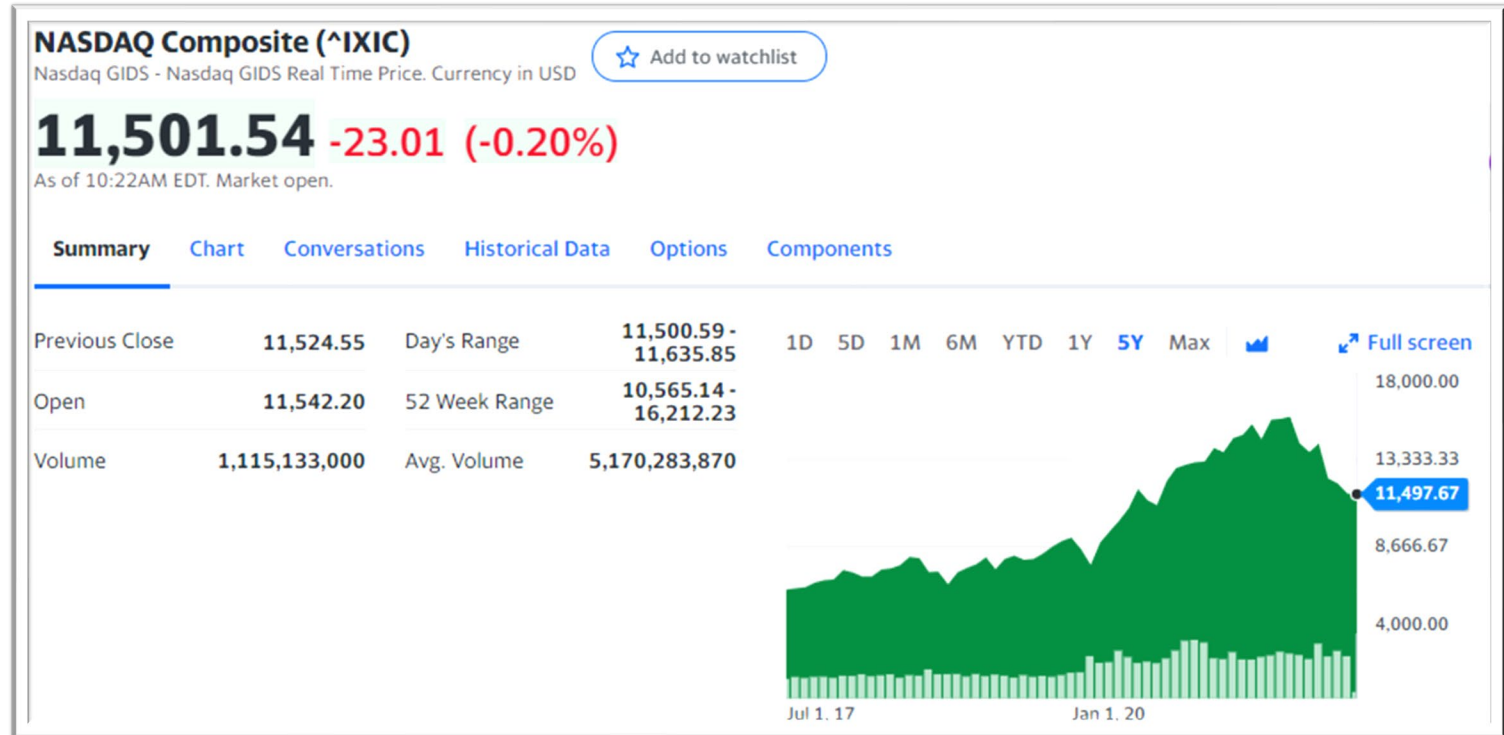
US Stock Exchanges and Stock Indexes

A stock exchange is where stocks are bought, sold and traded. The US Exchanges are the NYSE and the NASDAQ.

A stock market index tracks the ups and downs of a group of stocks (*or other assets like crypto, commodities, etc.*)

NASDAQ

NASDAQ: The NASDAQ is the technology and innovation driven exchange. It also functions as an index. It can be risky to invest in; but it can have big pay outs!



NASDAQ: The Nasdaq includes companies like Amazon, Microsoft, Tesla, AMD, Nevida and Apple. The most common ETF of the NAS is the QQQ. The Qs track the top 100 companies traded on the NASDAQ.

The DOW DJI Index

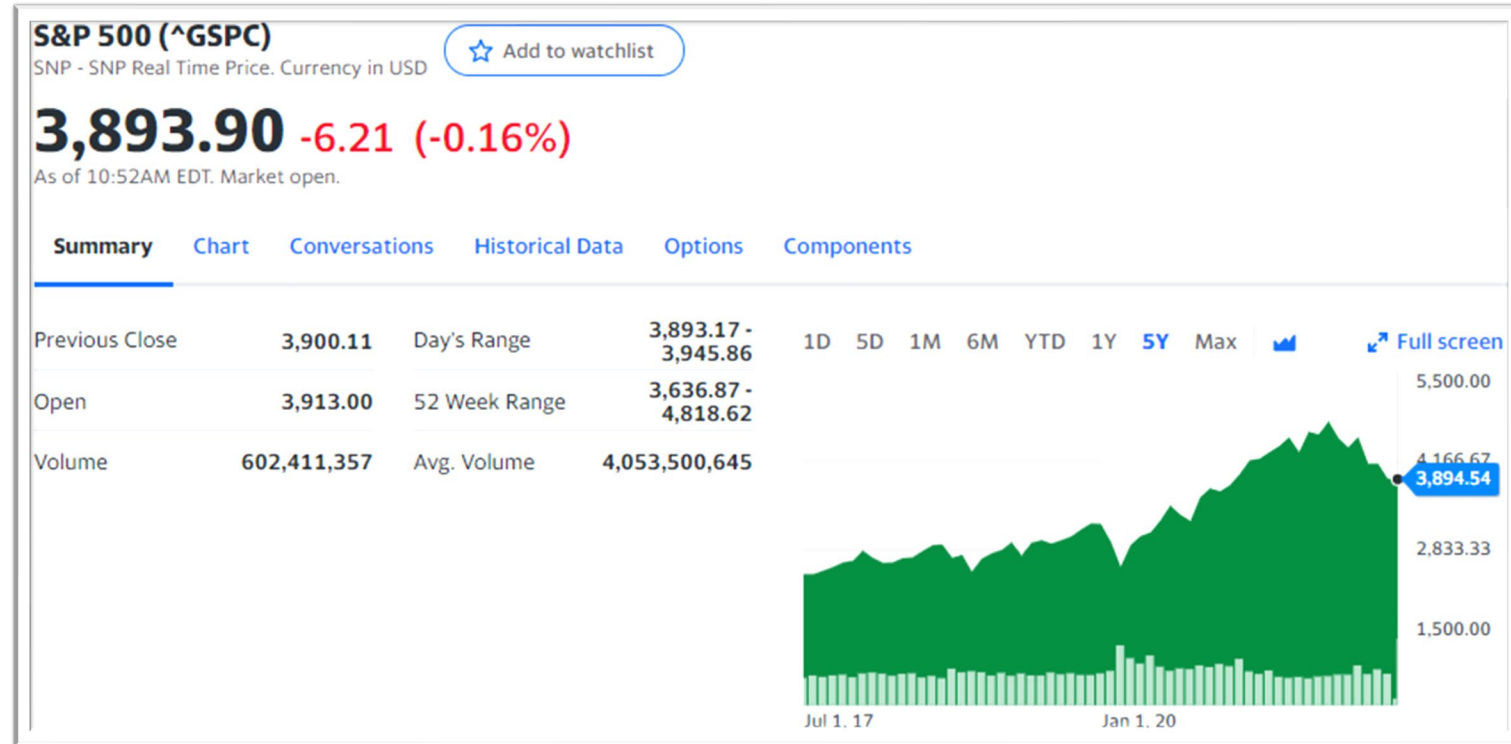
DOW JONES (Industrial Average): The stocks within the DJI come from a range of industries, from healthcare to technology, but are united by all being blue chip stocks.



This means they have a history of strong financial performance. The DJI is one of the few price-weighted market indexes and contains only 30 companies at any time.

The S&P Index

S&P (Standard and Poor's): The S&P is a market-capitalization-weighted index of 500 leading publicly traded companies in the U.S.



It is often considered the best index to invest in because of the companies that are included. The most common ETF fund for the S&P is SPY; this stock reflects the S&P as 10% per share; if the S&P index is 4000, the cost of one share of SPY is \$400.00.

Index Funds Explained



Index Funds are primarily based off of the three indexes we just talked about and can be bought and traded through a tool called an ETF or an Exchange Traded Fund.

Money
Money
Money

Despite occasional declines, in the long-run, the S&P 500 Index has delivered average annual gains of about 8% each year.

If such returns were to continue going forward, \$10,000 invested now would be worth — without any additions — well over \$68,000 in 25 years!

And if that investor were to add \$3,600 each year — at the end of the year — as additional savings to the amount, the total amount would be over \$333,000!!!

How does an ETF Work?

ETFs are not issued by a single company like stocks are.



First, a brokerage purchases all the stocks that are going to be included in the fund.



The brokerage then sells shares of the ETF to investors. When you're an ETF shareholder, you'll receive a portion of the ETF's profits.



ETFs are bought and sold on stock exchanges, just like stocks and other types of securities.



When you purchase an ETF, you don't own any of the stocks included in the fund. You only own a portion of the profits. It's like being a shareholder of a corporation.

ETF vs. Stock: The Similarities

Both ETFs and stocks are traded and are relatively easy to buy or sell at a moment's notice.

Both stocks and ETFs pay dividends.

ETF vs. Stock: The Differences

Number of Shares: When a company issues stocks, only a fixed number of shares are issued. ETFs, on the other hand, attempt to accurately match the average share price of the stocks included in the fund (called the “net asset value”).

ETFs Can Provide Diversification: Most people want to have diverse investments. Diversification is helpful because it lessens the chance that a downward swing in one stock or market sector will destroy your investment earnings.

Not all ETFs will provide you with diversity. Like those representing only a single industry, highly focused ETFs may only provide as much diversification as an individual stock.

SPY ETF

An S&P 500 ETF like SPY spreads your investment over 500 of the largest U.S. companies.

The SPY ETF is diversified and includes all of the market sectors based on their percentage in the S&P 500 index.

The diversification comes is handy when the stock market gets rocky!

One Share of Everything on the S and P
Index would Cost...

\$3,693.23

One Share of the SPY ETF...

\$367.95

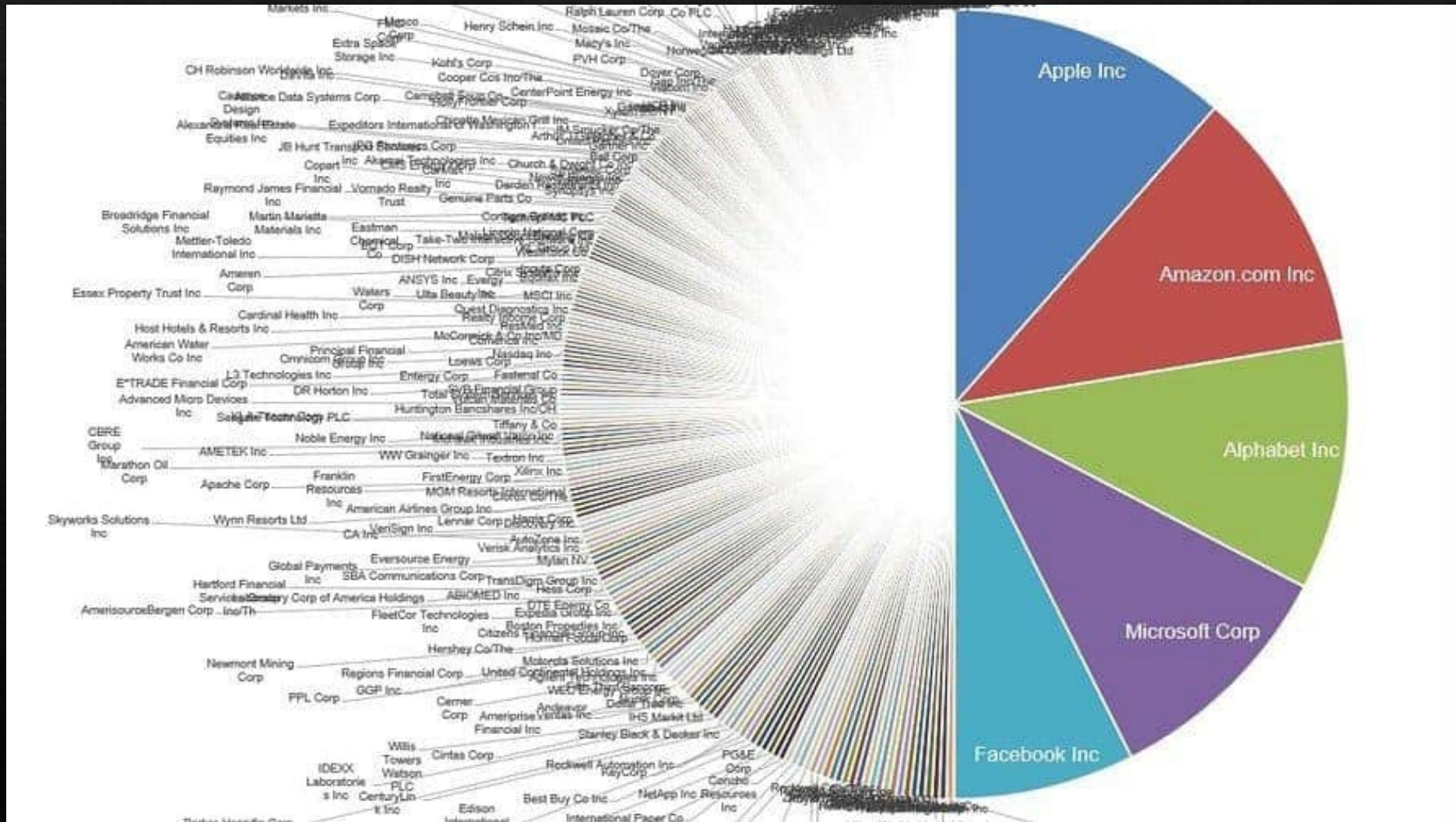
What are some companies you think you would like to own part of?


What do you use everyday?

Who makes those items?

Wow! That's Crazy!

So, what's in the SPY ETF?



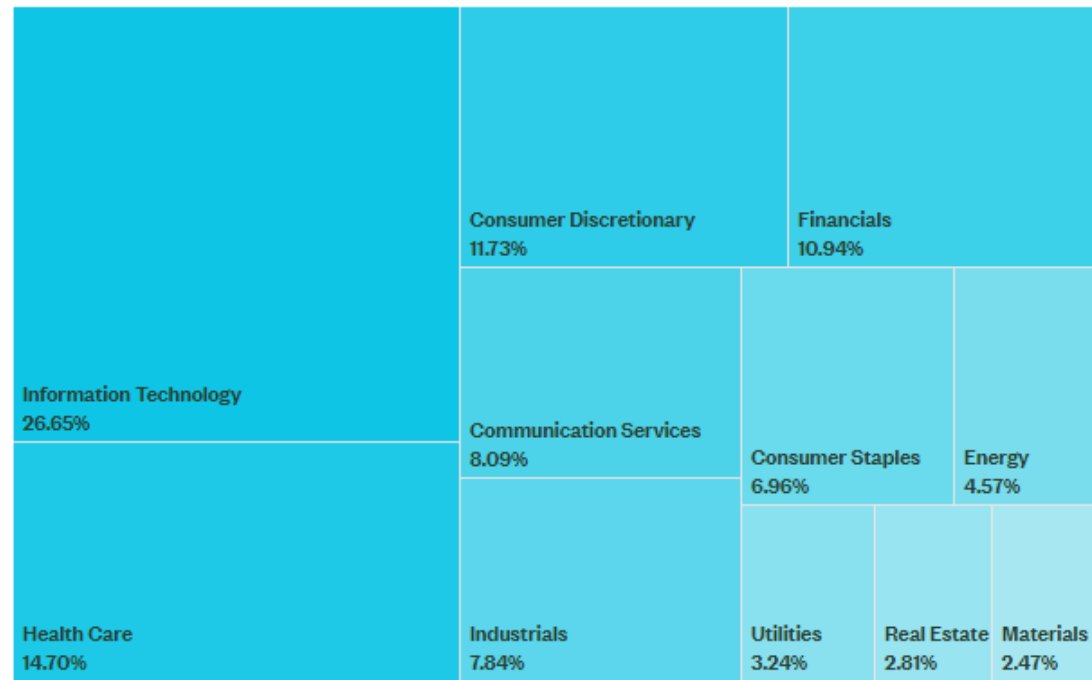


What are Market Sectors? What do they have to do with the SPY?

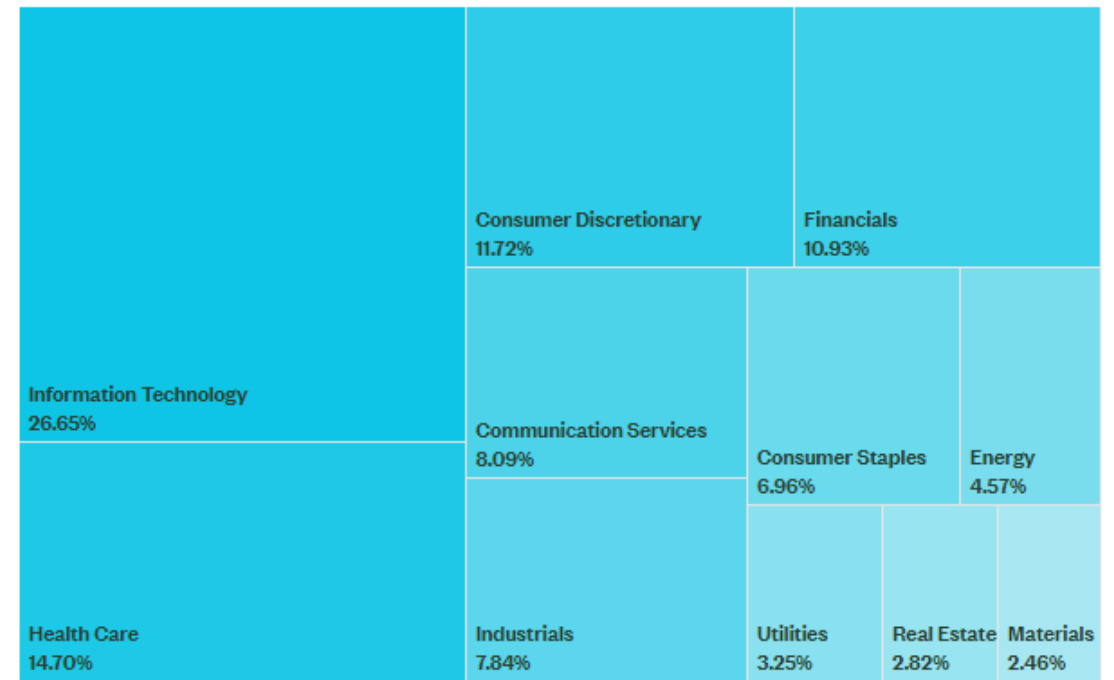
- ◆ A stock market sector is a group of stocks that have a lot in common with each other, usually because they are in similar industries.
- ◆ Sometimes people want to invest in a particular area, like technology, but they don't know what company to invest in.
- ◆ The SPY ETF is diversified and includes all of the market sectors based on their percentage in the S&P 500 index.

Sector Allocation

Fund Sector Breakdown as of Sep 22 2022



Index Sector Breakdown as of Sep 22 2022



What are some areas you would like to own?

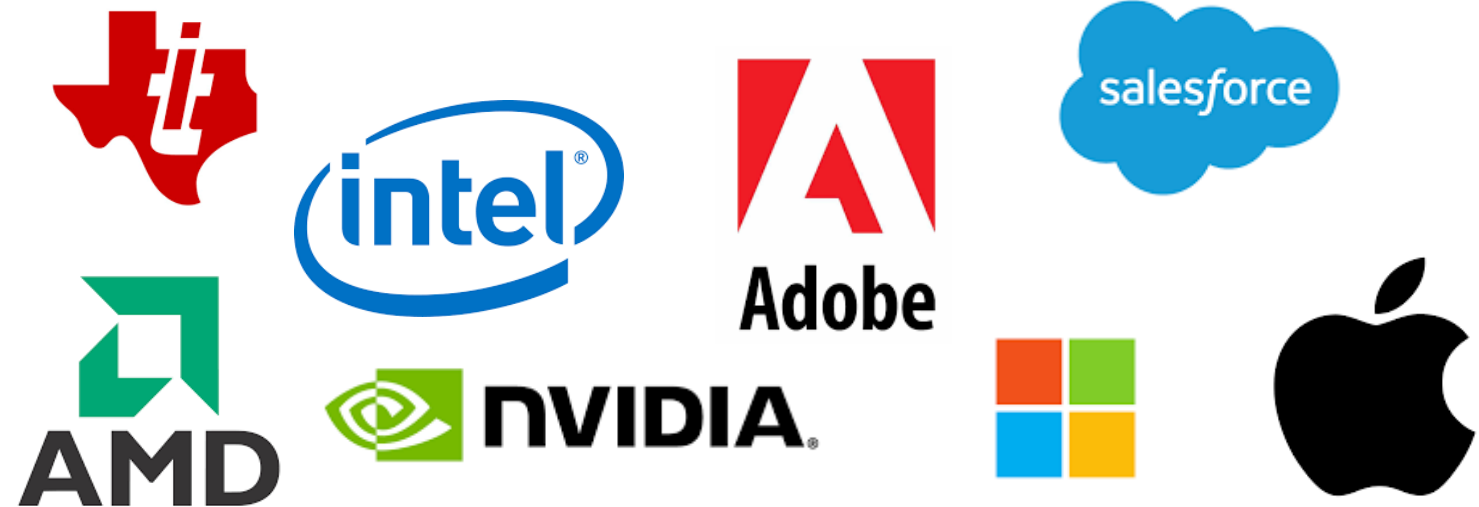
What areas do
you think will
grow?

What areas do
you use
everyday?

What
companies are
part of the
sectors?

Technology

Apple Inc.	AAPL
Microsoft Corporation	MSFT
NVIDIA Corporation	NVDA
Visa Inc. Class A	V
Mastercard Incorporated Class A	MA
Broadcom Inc.	AVGO
Cisco Systems Inc.	CSCO
Accenture Plc Class A	ACN
Salesforce Inc.	CRM
Texas Instruments Incorporated	TXN
QUALCOMM Incorporated	QCOM
Adobe Incorporated	ADBE
Intel Corporation	INTC
International Business Machines Corporation	IBM
Advanced Micro Devices Inc.	AMD



What companies are part of the sectors?

Consumer (Discretionary)

Amazon.com Inc.	AMZN
Tesla Inc	TSLA
Home Depot Inc.	HD
McDonald's Corporation	MCD
NIKE Inc. Class B	NKE
Lowe's Companies Inc.	LOW
Starbucks Corporation	SBUX
TJX Companies Inc	TJX
Target Corporation	TGT
Booking Holdings Inc.	BKNG





Questions?