

Exchange-traded funds vs. mutual funds

Key differences

When choosing between exchange-traded funds (ETFs) and mutual funds, it's not just about size—it's about structure. The right investment vehicle can give you greater access to liquidity, help manage the impact of large trades, and ensure fair treatment for every investor.

It's common to question whether ETFs with low assets under management (AUM) can handle large positions. But thanks to their unique design, ETFs are structured to facilitate both small and sizable trades without disadvantaging other investors—whether you own 5% or 50% of the fund.

How ETFs and mutual funds differ

	ETFs	Mutual funds
How trades are executed	Investors buy and sell shares directly on the exchange without involving the fund.	All investor activity flows through the fund, which must buy and sell underlying holdings.
Liquidity drivers	Low-AUM ETFs with liquid holdings can still support sizable trades.	Fund managers skillfully manage daily cash flows to handle trades, and in rare cases, can draw on a line of credit for added flexibility.
Cost and tax efficiency	Generally, ETFs may offer greater tax-efficiency than mutual funds due to their in-kind structure. For cash creations/redemptions, fees are usually passed to the Authorized Participant (AP), helping to protect shareholders from those costs.	Mutual funds pass trading costs on to all existing/remaining shareholders. Large redemptions can trigger capital gains.
Sales charges	Generally, there are no sales loads, but brokerage commissions may apply.	May have sales loads and purchase and redemption fees. Brokerage commissions may apply.
Minimum investments	No minimum investment.	Often have higher minimum investment requirements.
Transparency	Generally, there is full transparency and holdings are provided daily.	Holdings can be on a lag and are generally provided monthly or quarterly.



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Your Capital Markets Advantage

Our Capital Markets Desk acts as your trading resource—offering insights and connections you need for efficient execution.

- **Trade smarter** — Pre-trade guidance on timing, order type, and market conditions.
- **Access liquidity** — Relationships with multiple market makers to help source liquidity.
- **Educate clients** — Resources to simplify ETF trading and strengthen client conversations.

Execute with confidence

Whether you're navigating a large trade or exploring the right investment structure for your portfolio, we're here to help you trade with confidence.

Capital Markets Desk

Call: **212-576-8247** or **212-576-6070**

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Visit our website at: **nylim.com/etf**



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This material has been developed to meet the needs of financial intermediaries.

Past performance is no guarantee of future results. Execution efficiency does not guarantee better investment outcomes. All investments involve risk, including the potential loss of principal. ETFs are subject to market volatility and trading costs.

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