ETF Investing - Best Practices

ADVISORS ASSET MANAGEMENT

An Exchange Traded Fund (ETF) is an innovative investment vehicle that combines features of a traditional open-ended mutual fund and an individual stock. Like a mutual fund, an ETF gives an investor exposure to a basket of securities. However, an ETF differs from a mutual fund because ETF shares are traded on an exchange, like a stock. ***Below are some of best practices which should be considered when investing in ETFs.***

01 Beware of the Open & Close.

Markets can be unpredictable at the start and end of the trading session. For this reason, we recommend avoiding the first and last 15 minutes of each day's trading session. These windows are typically more volatile which can lead to wider bid/ask spreads, pricing inefficiencies and unfavorable execution prices.

02 Use Limit Orders over Market Orders.

Limit orders give an investor more control by setting the share amount and specific price a buy or sell order is executed. Placing market orders leave investors exposed during periods of market uncertainty or volatility. While there are many other order types, the preferred order type for investors should be the limit order.

03 International ETFs.

Investors are likely to get the best pricing at times when the markets of the underlying securities are open. Once an underlying market is closed, the use of valuation proxies, such as futures or other ETFs, can cause uncertainty in pricing, and lead to wider bid/ask spreads, pricing inefficiencies and unfavorable execution prices.

04 Tune Out the Volume.

Average Daily Volume (ADV) is not the best indicator of an ETF's liquidity. An investor should look at the liquidity of the underlying basket to discover the ETF's true trading capacity. This is known as **implied liquidity**.

The table on the right shows the average daily volume and implied liquidity of AAM ETFs as of 1/29/2024.

AAM ETF	Avg Daily Volume (# shares)	Implied Liquidity (# shares)	Implied Liquidity ($)
SPDV	9,795	29,636,000	$878,412,000
DMDV	429	4,450,000	$100,664,000
EEMD	3,791	888,465	$16,756,000
PFLD	91,184	11,225,000	$7,376,186
SMIG	67,560	5,009,757	$126,596,558
TRFM	10,052	2,390,000	$76,136,000

Why AAM Exchange-Traded Funds?

Invest with experts. For over 40 years, Advisors Asset Management (AAM) has remained dedicated to developing and offering innovative solutions across various investment wrappers.

AAM offers a suite of innovative Exchange Traded Funds (ETFs). In addition to offering the benefits of the ETF wrapper – diversification, transparency, low-cost, trading flexibility and tax-efficiency – our practical ETF solutions focus on helping investors meet their cash-flow and capital appreciation goals.

To learn more about AAM's ETFs, contact your AAM Representative or visit www.aamlive.com/ETF.

You can also call us at 1.866.606.7220.

Past performance is no guarantee of future results. Investing involves risk, including the possible loss of principal.

The investment objectives, risks, charges and expenses must be considered carefully before investing. The Fund's statutory and summary prospectus contains this and other important information about the investment company, and may be obtained by calling 800.617.0004 or visiting www.aamlive.com. Read it carefully before investing.

Risks: Shares of any ETF are bought and sold at market price (not NAV) and may trade at a discount or premium to NAV. Shares are not individually redeemable from the Fund and may be only be acquired or redeemed from the fund in creation units. Brokerage commissions will reduce returns. Companies with high yield or payout ratio may underperform other securities in certain market conditions and reduce or discontinue paying dividends entirely while included in the index. The Fund's return may not match or achieve a high degree of correlation with the return of the underlying Index. To the extent the Fund utilizes a sampling approach, it may experience tracking error to a greater extent than if the Fund had sought to replicate the Index. Diversification does not assure a profit or protect against a loss in a declining market.

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Definitions: **Bid Price** refers to the highest price a buyer will pay to buy a specified number of shares of a stock at any given time. **Ask Price** refers to the lowest price at which a seller will sell the stock. **Spread** is the difference between two prices. **Limit Order** is an order to buy or sell a stock with a restriction on the maximum price to be paid (with a buy limit) or the minimum price to be received (with a sell limit). If the order is filled, it will only be at the specified limit price or better. **Market Order** is an order to buy or sell a stock at the market's current best available price. A market order typically ensures an execution, but it doesn't guarantee a specified price. **Execution Price** is the price at which an order to buy or sell securities is completed. **Futures** are financial contracts obligating the buyer to purchase an asset or the seller to sell an asset at a predetermined future date and price. w**Average Daily Volume (ADV)** is the historical average number of shares traded within a day in a given stock. It is a metric used to assess the liquidity and popularity of an ETF. **Implied Liquidity** is a measure of the potential trading volume of an ETF based on the liquidity of its underlying assets. It is a forward-looking metric that indicates the ability to trade a significant amount of ETF shares without significantly impacting the market price.

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