



ETFs are funds that allow investors to trade on the exchange. They have recently become more popular in Hong Kong, but how much do you know about their benefits?

The first benefit is diversification.

ETFs invest in a basket of assets. For example, an equity ETF would invest in multiple stocks simultaneously in accordance to the index. ETFs can diversify risks, reduce volatility as compared to investing in a single stock, and avoid missing opportunities for individual asset appreciation.

The second advantage is lower cost.

Actively managed funds require fund managers to conduct frequent transactions or conduct a large amount of research, so the costs involved would be relatively higher. Most ETFs are designed based on the indexes. The easiest way is to replicate the index's performance by investing in the same index constituents. Therefore, the management fees of passive ETFs tend to be lower, which would help investors in reducing costs and increasing investment returns.

The third benefit is higher transparency.

Mutual funds do not disclose all holdings information promptly, so investors may not know about the underlying securities that they have invested in. Instead, ETFs are more transparent, making it easier for investors to deploy their investments by having real-time access to detailed information such as index constituents.

The fourth benefit is higher flexibility.

ETFs are listed on exchanges like stocks. Any investor can make transactions at market prices anytime during trading hours, which is quite flexible.

After learning about the four benefits of ETFs, we will talk about how to choose the ETFs that are suitable to your needs next time. Please stay tuned!



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