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Mutual Funds, Exchange-Traded Funds, Unit Investment Trusts, and Closed-End Funds





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	Open-End Mutual Fund	Exchange-Traded Fund	Unit Investment Trust (UIT)	Closed-End Fund
What it is	A fund that pools the money of many investors and invests in many different securities, selected according to the fund's investing objective and strategy. Most mutual funds are open-end mutual funds; the number of shares varies with demand and the amount of money invested in the fund.	A fund that, like a mutual fund, pools the money of many investors and invests in many securities. Typically, an ETF invests in the securities included in a specific index.	A fund that pools the money of many investors. A UIT invests in a fixed portfolio and holds those securities without buying or selling until the trust's expiration date. A UIT typically holds one specific type of security--for example, municipal bonds.	A fund that pools the assets of many investors. Unlike an open-end mutual fund, a closed-end fund is created by an initial public offering (IPO), has a fixed number of shares and is typically traded on a major exchange, such as the New York Stock Exchange.
Advantages	<p>Diversification</p> <p>Professional selection of individual securities</p> <p>If actively managed, manager has flexibility to adjust to changing market conditions (within fund's investment guidelines)</p> <p>A portion of total return may be capital gains, which may have tax advantages</p>	<p>Diversification</p> <p>A portion of total return may be capital gains, which may have tax advantages</p> <p>Typically, lower expenses than an actively managed fund</p> <p>Can be traded throughout the day or bought on margin</p> <p>No minimum investment</p>	<p>Diversification</p> <p>Certainty about the specific investments in the trust</p> <p>Bond UITs' fixed interest payments provide greater stability of income</p> <p>Able to target specific date for return of principal (bond UIT)</p> <p>Professional selection of individual securities</p>	<p>Manager has flexibility to adjust to changing market condition (within fund's investment guidelines)</p> <p>No minimum investment</p> <p>Manager's investment decisions are not affected by investor redemptions of shares</p> <p>A portion of total return may be capital gains, which may have tax advantages</p>



<p>Disadvantages</p>	<p>No assurance that you will receive the amount you invested when you sell your shares</p> <p>Income amount may vary from payment to payment with changes in portfolio</p> <p>Value of shares can be affected by high level of shareholder redemptions</p> <p>May require minimum investment</p>	<p>No assurance that you will receive the amount you invested when you sell your shares</p> <p>Income amount may vary from payment to payment</p> <p>Trading fees can make dollar-cost averaging expensive</p>	<p>May not allow automatic reinvestment of UIT income back into the trust</p> <p>If interest rates rise, bond UIT's income may lag other investments with more flexibility</p> <p>Typically, a minimum investment is required</p> <p>No assurance that you will receive the amount invested when you sell your shares</p>	<p>No assurance that you will receive the amount invested when you sell your shares</p> <p>Income amount may vary from payment to payment with changes in portfolio</p> <p>Potentially large spread between bid and ask prices</p>
<p>Price stability</p>	<p>No. Share price is determined at end of each trading day, based on net asset value of the fund's investments, which may be affected by interest rates, bond credit ratings, manager's selection of individual securities and maturities, and level of fund redemptions.</p>	<p>No. Share price is determined throughout the day by supply and demand, much as a stock's is.</p>	<p>Yes, if bond UIT is held to trust's termination date. No, if shares are sold early or if UIT holds stocks; may be affected by changes in interest rates, credit ratings of individual bonds, or stock prices.</p>	<p>No. Price of shares is determined throughout the day by supply and demand, much as a stock's price is. Price is typically lower than its NAV, but may also be higher.</p>
<p>Actively managed?</p>	<p>May be actively or passively managed</p>	<p>Not typically</p>	<p>Passively managed after initial purchase of securities for trust</p>	<p>Typically, actively managed</p>
<p>Fixed number of shares?</p>	<p>No</p>	<p>No</p>	<p>Yes (called "units")</p>	<p>Yes, at time of initial public offering. However, fund may also offer existing shareholders the right to buy additional shares.</p>
<p>Termination date?</p>	<p>No</p>	<p>No</p>	<p>At preset termination date; may be determined by maturities of bonds in trust</p>	<p>No</p>



Liquidity	Highly liquid; fund company will redeem shares at any time at current NAV	May or may not be easy to find a ready buyer Issuer would only redeem shares by buying them on the open market	Somewhat liquid, depending on provisions of trust. Trust will typically buy back investors' units at approximate current NAV	Fund company does not redeem shares, which are bought and sold on the open market May or may not be easy to find a ready buyer
Reinvest income automatically?	Yes	Possible, but might not be cost-effective	Typically, no	Typically, no, though some closed-end funds may offer a dividend reinvestment plan
Costs	Yearly management fees and expenses	Transaction cost for purchase or sale	Upfront fee for initial purchase of units	Transaction cost for purchase or sale

Diversification does not guarantee a profit or ensure against a loss.

Before investing in a fund, carefully consider its investment objective, risks, fees, and expenses, which can be found in the prospectus available from the fund. Read it carefully before investing.

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