Amundi ASSET MANAGEMENT | ETF

The role of ETFs

MARKETING COMMUNICATION

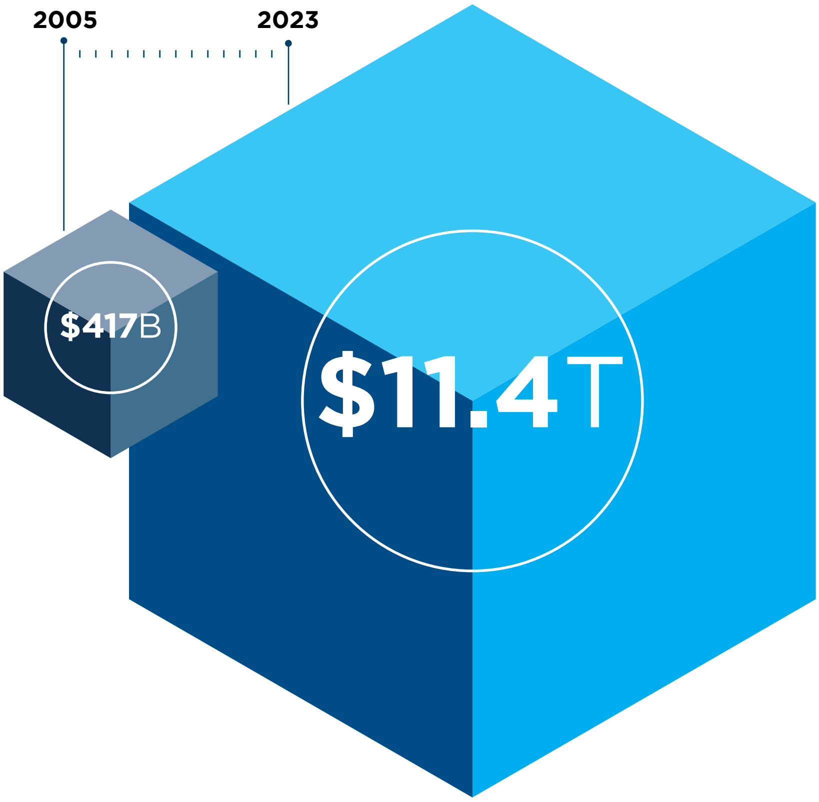
Fundamentals

What is an ETF?

An exchange-traded fund (ETF) is an investment fund that tracks the performance of a chosen index. It does so by investing in a range of assets intended to replicate the index holdings.

ETFs allow for efficient investing in financial markets and provide access to a wide range of asset classes. Investors can choose the product or products most suited to their goals and the level of risk they are willing to take.

The ETF market has grown significantly in popularity since the structure first came to market in 1993.

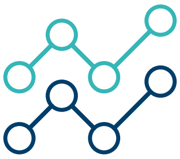


By the end of 2023, approximately $11.4 trillion were managed within ETFs globally compared to just $417 billion in 2005.[1]

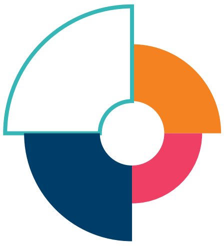
It now offers a wealth of choice for investors across geographical and sectoral stocks, corporate or government bonds, as well as a wide range of thematic and sustainable investments.

1 Source ETFGI as of end December 2023.

Key ETF characteristics:



ETFs are professionally managed but considered to be "passive" products as they track market indices



ETFs invest in a variety of assets to replicate the index performance

ETFs are traded on an exchange, similar to company shares

A tool for a diversified portfolio.

Similar to mutual funds, ETFs have portfolio managers who instruct trades on behalf of the fund in order to achieve its investment objective. However, for ETF managers, these decisions are guided by replicating the index performance as closely as possible. The expected performance of the ETF before fees is in line with that of its underlying market, giving investors a degree of certainty in expectations.

In contrast, one of the main objectives of active managers is to outperform an index or benchmark. They use various methods to help them determine which assets can help them achieve the fund goals. Actively managed funds charge a premium fee for this outperformance objective, which is one of the contributing factors to the higher fees of actively managed funds.

ETFs and actively managed funds can work alongside each other as part of a diversified portfolio, to help investors reach their goals.

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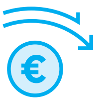
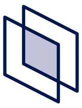
Why an ETF?

There are many inherent characteristics of ETFs that make them an attractive component of an investment portfolio:



Cost-effective

Price is one of the foremost benefits of ETFs; they generally carry a much lower cost compared to that of actively managed funds.

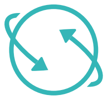


Transparency

ETFs track publically disclosed indices with transparent, rules-based methodologies. This means ETF investors typically know what they are getting, and there is a lower risk of style drift. As these funds are traded on an exchange, there is also clear visibility of the funds' pricing at any given point. In Europe, the UCITS[2] structure adds additional strong disclosure constraints and transparency for investors.

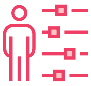
Diversification

Diversification is a key risk management tool for investors, so it is good to know that each UCITS ETF is composed of variety of assets aimed replicating index performance. This makes these funds an efficient diversifier in a portfolio. The relatively lower cost of ETFs also allows for cost-effective access to indices and markets where traditional funds may not be ideally positioned to add value.



Accessibility

ETFs are widely available, easy to trade and offer an efficient way to invest, with easily understandable investment objectives. The UCITS framework, with regulations designed to protect investors, has contributed to this accessibility.



Choice

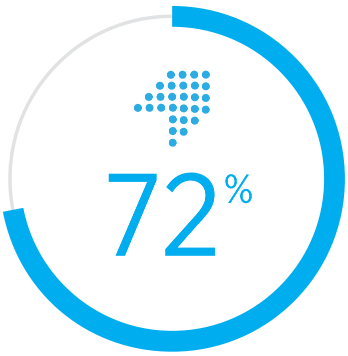
With over 2100 ETFs listed in Europe[3], investors have a breadth and depth of choice to match with their investment views and achieve their goals. This ranges from tracking well-known global stock indices, such as the Euro Stoxx 50, to region-specific indices such as the S&P 500, and includes sector-specific or thematic ETFs such as smart cities or responsible investing indices.

2 UCITS: "Undertakings for Collective Investment in Transferable Securities" – European Directive 2014/91/EU
3 Source ETFGI as of end December 2023.

The role of ETFs

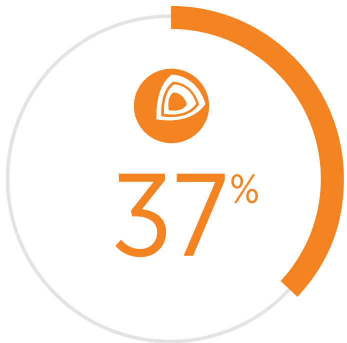
As ETFs have grown in popularity over the past 25 years, they have become an increasingly mainstream part of investors' portfolios. Just over half of the investors surveyed in a recent study[4] indicate they use ETFs as a long-term allocation to form the core holdings of their portfolio.

The three most popular usage of ETFs amongst professional investors:



Long-term strategic asset allocation where investments are kept over a long run and/or changed periodically

Exposure to specific theme or sector for a core portfolio allocation notably



Tactical asset allocation where investments change dynamically based on market conditions

Many investors buy ETFs that are representative of specific financial markets, which enables them to buy and hold the ETF for a long period, regardless of fluctuations in the market.

However, the flexibility of ETFs means they can also be used to make tactical and timely allocations, and their inherent diversification allows them to be used for investors to easily gain exposure to new sectors or geographies.

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4 Source: The Trackinsight Global ETF Survey 2023 – Survey of 549 global professional investors representing 20 countries, with a $900bn exposure to ETFs.

Amundi ETF

Amundi, the largest European ETF provider, offers over 300 UCITS ETFs covering a wide range of asset allocation needs and a broad spectrum of ESG and Climate investing goals.

For more information on how to invest in Amundi ETF, please visit **www.amundietf.com**.

KNOWING YOUR RISK

It is important for potential investors to evaluate the risks described below and in the fund's Key Investor Information Document ("KIID") and prospectus available on our website www.amundietf.com.

CAPITAL AT RISK - ETFs are tracking instruments. Their risk profile is similar to a direct investment in the underlying index. Investors' capital is fully at risk and investors may not get back the amount originally invested.

UNDERLYING RISK - The underlying index of an ETF may be complex and volatile. For example, ETFs exposed to Emerging Markets carry a greater risk of potential loss than investment in Developed Markets as they are exposed to a wide range of unpredictable Emerging Market risks.

REPLICATION RISK - The fund's objectives might not be reached due to unexpected events on the underlying markets which will impact the index calculation and the efficient fund replication.

COUNTERPARTY RISK - Investors are exposed to risks resulting from the use of an OTC swap (over-the-counter) or securities lending with the respective counterparty(-ies). Counterparty(-ies) are credit institution(s) whose name(s) can be found on the fund's website amundietf.com. In line with the UCITS guidelines, the exposure to the counterparty cannot exceed 10% of the total assets of the fund.

CURRENCY RISK – An ETF may be exposed to currency risk if the ETF is denominated in a currency different to that of the underlying index securities it is tracking. This means that exchange rate fluctuations could have a negative or positive effect on returns.

LIQUIDITY RISK – There is a risk associated with the markets to which the ETF is exposed. The price and the value of investments are linked to the liquidity risk of the underlying index components. Investments can go up or down. In addition, on the secondary market liquidity is provided by registered market makers on the respective stock exchange where the ETF is listed. On exchange, liquidity may be limited as a result of a suspension in the underlying market represented by the underlying index tracked by the ETF; a failure in the systems of one of the relevant stock exchanges, or other market-maker systems; or an abnormal trading situation or event.

VOLATILITY RISK – The ETF is exposed to changes in the volatility patterns of the underlying index relevant markets. The ETF value can change rapidly and unpredictably, and potentially move in a large magnitude, up or down.

CONCENTRATION RISK – Thematic ETFs select stocks or bonds for their portfolio from the original benchmark index. Where selection rules are extensive, it can lead to a more concentrated portfolio where risk is spread over fewer stocks than the original benchmark.

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The Funds are Amundi UCITS ETFs. The Funds can either be denominated as "Amundi ETF" or "Lyxor ETF". Amundi ETF designates the ETF business of Amundi.

Amundi UCITS ETFs are passively-managed index-tracking funds. The Funds are French or Luxembourg open ended mutual investment funds respectively approved by the French Autorité des Marchés Financiers or the Luxembourg Commission de Surveillance du Secteur Financier, and authorised for marketing of their units or shares in various European countries (the Marketing Countries) pursuant to the article 93 of the 2009/65/EC Directive.

The Funds can be French Fonds Communs de Placement (FCPs) and also be sub-funds of the following umbrella structures:

For Amundi ETF:

• Amundi Index Solutions, Luxembourg SICAV, RCS B206810, located 5, allée Scheffer, L-2520, managed by Amundi Luxembourg S.A.

For Lyxor ETF:

- Multi Units France, French SICAV, RCS 441 298 163, located 91-93, boulevard Pasteur, 75015 Paris, France, managed by Amundi Asset Management
- Multi Units Luxembourg, RCS B115129 and Lyxor Index Fund, RCS B117500, both Luxembourg SICAV located 9, rue de Bitbourg, L-1273 Luxembourg, and managed by Amundi Asset Management
- Lyxor SICAV, Luxembourg SICAV, RCS B140772, located 5, Allée Scheffer, L-2520 Luxembourg, managed by Amundi Luxembourg S.A.

Before any subscriptions, the potential investor must read the offering documents (KID and prospectus) of the Funds. The prospectus in French for French UCITS ETFs, and in English for Luxembourg UCITS ETFs, and the KID in the local languages of the Marketing Countries are available free of charge on www.amundi.com, www.amundi.ie or www.amundietf.com. They are also available from the headquarters of Amundi Luxembourg S.A. (as the management company of Amundi Index Solutions and Lyxor SICAV), or the headquarters of Amundi Asset Management (as the management company of Amundi ETF French FCPs, Multi Units Luxembourg, Multi Units France and Lyxor Index Fund),. For more information related to the stocks exchanges where the ETF is listed please refer to the fund's webpage on amundietf.com.

Investment in a fund carries a substantial degree of risk (i.e. risks are detailed in the KID and prospectus). Past Performance does not predict future returns. Investment return and the principal value of an investment in funds or other investment product may go up or down and may result in the loss of the amount originally invested. All investors should seek professional advice prior to any investment decision, in order to determine the risks associated with the investment and its suitability.

It is the investor's responsibility to make sure his/her investment is in compliance with the applicable laws she/he depends on, and to check if this investment is matching his/her investment objective with his/her patrimonial situation (including tax aspects).

Please note that the management companies of the Funds may de-notify arrangements made for marketing as regards units/shares of the Fund in a Member State of the EU or the UK in respect of which it has made a notification.

A summary of information about investors' rights and collective redress mechanisms can be found in English on the regulatory page at https://about.amundi.com/Metanav-Footer/Footer/Quick-Links/Legal-documentation with respect to Amundi ETFs.

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UNITED KINGDOM

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Amundi Asset Management (Amundi AM)

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