

An EZ Approach to ETF Portfolio Building

This week's AAI **Weekly Digest** highlights these “must-read” AAI articles:



AAI Model Fund Portfolio: Don't Fear Real Estate or the Stock Market

Real estate has been underperforming; this is mirrored by the performance of the Model Fund portfolio's exchange-traded fund (ETF) that invests in real estate investment trusts (REITs). It is not unusual for real estate to have its own cycles; this is why it is valuable for diversification. However, over the long term, real estate has about the same returns as the overall market.

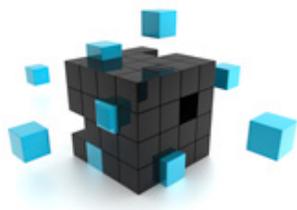
Tracking the S&P 500 With Mutual Funds and ETFs

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There are more than 40 mutual funds and exchange-traded funds (ETFs) widely available to investors that explicitly list the S&P 500 in their name. These funds track the large-cap index or follow a strategy based on a variant weighting or a subset of the index. The challenge for investors seeking passive exposure to the large-cap index is choosing which fund to invest in. The decision

depends on both the characteristics being sought and the willingness to look closely at the strategy a fund is designed to follow. This article discusses some of the basic differences between the various S&P 500 funds.



Inverse and Leveraged ETFs

As exchange-traded funds (ETFs) have grown in popularity, the types of ETFs have grown as well. In addition to traditional ETFs that track well-known stock market indexes and ETFs designed to track the movements of a specific sector, investors have the option to invest in inverse ETFs, leveraged ETFs or even inverse leveraged ETFs. This article provides an overview of these unique ETFs.

An EZ Approach to ETF Portfolio Building



As investment products increase in number, complexity and cost, many individuals are plaintively searching for an investment approach guided by two very basic principles: keep it simple and keep it cheap. Exchange-traded funds (ETFs) offer a useful starting point for such an investment approach. But with more than 1,400 index-based and actively managed ETFs domiciled in the U.S. to choose from and an infinite number of ETF portfolio combinations, how can you keep it simple? In fact, building a diversified portfolio of exchange-traded funds is not nearly as complicated as it may at first seem.

Our Member Question for this week is:

A recent [Bloomberg](#) article quotes the managers of the FPA Capital Fund as saying that exchange-traded funds are “weapons of mass destruction” that have removed the consideration of underlying company fundamentals and valuation and have created the potential for a market sell-off. Do you agree with their assessment?

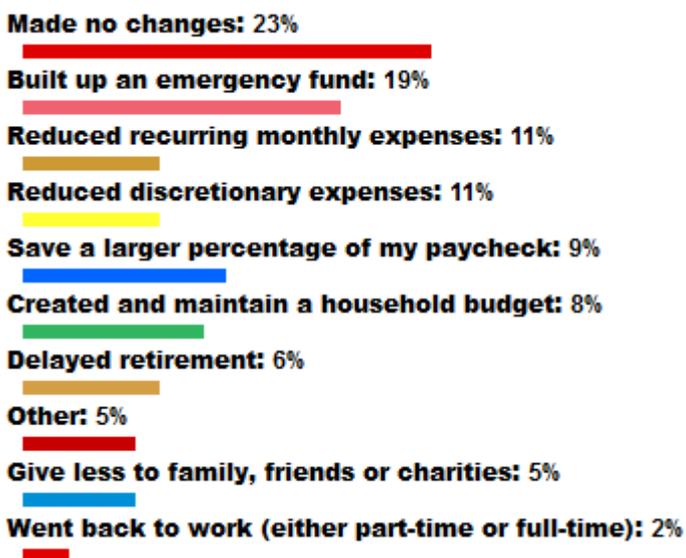
[Vote Now »](#)

Vote to answer this week’s Special Question:

If you prefer closed-end mutual funds over exchange-traded funds (ETFs), or vice versa, what factors drive your preference?

Last Week’s Results:

Ten years after the start of the financial crisis, what steps have you taken to improve your financial situation? Click all that apply.

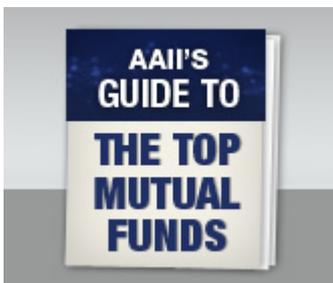


Poll results are as of 9 a.m. (Central) on Monday. 3,199 respondents.



[The Impact of the Financial Crisis, 10 Years Later](#)

It has now been 10 years since the start of the financial crisis of the Great Recession. Many individuals are still feeling the effects of the economic and financial downturn. For others, the loss of money, homes and jobs led to fundamental changes in their financial situation. Last week's reader survey and special question delved into how our readers were affected by the financial crisis and what steps they have taken since to protect themselves from the next one.



[AAII's Guide to Top Mutual Funds 2017](#)

Selecting a mutual fund, while less time-consuming than investing in individual securities, does require some homework. No one should put money into an investment that is not understood. This does not require a detailed investigation of the fund's investments, but it does require an understanding of the fund's investment objective, strategy, risks and performance history. The latest update to AAI's Individual Investor's Guide to the Top Mutual Funds covers nearly 1,600 funds and lists the total return performance of common index benchmarks, summarizes average performance and risk of the fund categories used in this guide, allows you to compare the performance of the 50 most widely held funds, lists the 50 best- and worst-performing funds of 2016 and much more.

The AAI Weekly Digest is one of the many **benefits** of AAI membership. To learn more, consider a **risk-free 30-day Trial AAI Membership** to start becoming an effective

manager of your own assets.