



# ETF Salesperson Survival Guide

***Quick Reference for Client Conversations***

*Benefits • ETFs vs Mutual Funds • Product Types • Trading • Client Usage • Myth-Busting*

SALES REFERENCE

# What's Inside

Seven sections covering everything a sales professional needs to know about ETFs — benefits, product types, trading mechanics, client use cases, how to handle objections, and the differences between ETFs, ETNs, and ETCs. Keep it on your desk.

<p><b>SECTION 01</b> <b>Benefits of ETFs</b></p> <p>The roles that make an ETF work — issuers, authorised participants, market makers, and exchanges.</p>	<p><b>SECTION 02</b> <b>ETFs vs Mutual Funds</b></p> <p>How ETF shares are built and unwound through the creation and redemption mechanism.</p>
<p><b>SECTION 03</b> <b>Types of ETFs</b></p> <p>The daily disclosure file that powers arbitrage, and what happens when it breaks down.</p>	<p><b>SECTION 04</b> <b>ETFs vs ETNs vs ETCs</b></p> <p>Why ETFs trade away from NAV, how that gap closes, and when it persists by design.</p>
<p><b>SECTION 05</b> <b>How ETFs Trade</b></p> <p>On-exchange quotes versus RFQ trading, and how a market maker actually prices a spread.</p>	<p><b>SECTION 06</b> <b>Client Usage of ETFs</b></p> <p>Order types, NAV versus risk trading, and the habits that improve execution quality.</p>
<p><b>SECTION 07</b> <b>Myths About ETFs</b></p> <p>Why ETF liquidity depends on the underlying basket, not on AUM or daily volume.</p>	

## SECTION 01

# Benefits of ETFs

## INTRODUCTION

ETFs combine the best features of individual securities and pooled funds. Understanding these benefits — and being able to explain them clearly — is the foundation of every ETF sales conversation.

### 1. Intraday Liquidity

Unlike mutual funds, which price once daily at NAV, ETFs trade throughout the day at live market prices. Clients can buy or sell at any moment during market hours, respond immediately to news, and manage execution precisely.

### 2. Transparency

ETF holdings are disclosed daily (or through indicative values in real time), so clients always know what they own. This contrasts with most active mutual funds, which disclose holdings only quarterly with a significant lag.

### 3. Cost Efficiency

ETFs typically carry lower ongoing charges than actively managed mutual funds. Passive ETFs benefit from simple index methodologies and low portfolio turnover; even active ETFs frequently cost less than equivalent active funds due to the efficiency of the ETF wrapper.

### 4. Diversification in a Single Trade

A single ETF purchase gives exposure to dozens, hundreds, or even thousands of underlying securities. Clients gain diversification immediately, without the need to build individual positions one security at a time.

### 5. Flexibility of Use

ETFs can serve as long-term core holdings, short-term tactical tilts, hedging tools, cash-management instruments, or transition-management vehicles. Few other products serve so many different portfolio roles simultaneously.

### 6. Accessibility

ETFs are available through virtually every brokerage account. Fractional-share capabilities and low minimums on many platforms make them accessible to investors at every level, from large institutions to retail savers using monthly savings plans.

★ SALES TIP

The most common client question is: 'What makes an ETF different from a fund?' Lead with intraday liquidity, transparency, and cost — these three resonate across virtually every client segment.

## SECTION 02

# ETFs vs Mutual Funds

## INTRODUCTION

ETFs and mutual funds both pool investor capital into a diversified portfolio, but they operate very differently. Knowing where the differences are sharpest gives you a clear, confident answer whenever a client asks why they should make the switch.

### 1. Pricing and Trading

**Mutual funds** price once at end-of-day NAV; investors submit orders before a daily cut-off and receive the same price regardless of when they trade. **ETFs** trade on exchange throughout the day like stocks, with live prices visible at all times. For clients who value execution control, ETFs win clearly here.

### 2. Transparency

**Mutual funds** typically disclose holdings quarterly, with a lag that can be 30–60 days. **ETFs** disclose holdings daily (or via real-time indicative values), so clients know exactly what they hold at all times.

### 3. Cost

**Mutual funds** often carry higher management fees, distribution charges, and potential redemption fees. **ETFs** generally have lower ongoing charges, no subscription or redemption fees, and no minimum holding periods — though brokerage commissions apply on exchange trades.

### 4. Minimum Investment

**Mutual funds** may require minimum subscriptions of €1,000–€5,000 or more. **ETFs** can be purchased for the price of a single share — sometimes less with fractional dealing — making them accessible at virtually any investment size.

### 5. Tax Efficiency (US Context)

In the US, the in-kind creation and redemption mechanism allows ETFs to avoid distributing capital gains in most circumstances, giving them a material tax advantage over mutual funds. In Europe, ETFs and mutual funds are broadly similar on investor-level tax treatment.

## 6. Distribution

**Mutual funds** often pay trail commissions to distributors, creating conflicts of interest. **ETFs** are typically sold on a clean share-class basis without embedded distributor payments, aligning well with post-MiFID fee-transparency requirements.

### ★ SALES TIP

When a client says their adviser recommends a mutual fund, the key questions to ask are: what is the ongoing charge, how often are holdings disclosed, and is there a minimum holding period? ETFs frequently win on all three.

## SECTION 03

# Types of ETFs

## INTRODUCTION

The ETF universe spans a wide range of strategies and structures. Knowing the main categories — and how to position each one in a client conversation — gives you the range to address almost any portfolio need.

### 1. Market-Cap Index ETFs

Track a broad benchmark weighted by market capitalisation: S&P 500, MSCI World, Bloomberg Global Aggregate. The core building blocks for most portfolios. **Positioning:** low cost, maximum diversification, long-term wealth building.

### 2. Factor / Smart Beta ETFs

Target specific return drivers — value, momentum, quality, low volatility, dividend yield. Sit between passive and active, applying rules-based tilts to improve risk-adjusted returns. **Positioning:** performance enhancement, risk reduction, or income generation without active manager risk.

### 3. Thematic ETFs

Provide exposure to structural trends — artificial intelligence, clean energy, robotics, healthcare innovation. More concentrated and often higher turnover than broad-market ETFs. **Positioning:** long-term conviction plays and satellite portfolio positions.

### 4. ESG and Sustainable ETFs

Screen or weight holdings based on environmental, social, and governance criteria. Several sub-types exist: exclusionary screens, best-in-class selection, Paris-aligned climate benchmarks, and impact strategies. **Positioning:** alignment with sustainability mandates, regulatory requirements, and client values.

### 5. Fixed Income ETFs

Provide bond exposure — government, investment grade, high yield, emerging market, short duration, inflation-linked. Historically difficult to access in efficient size; ETFs offer far better liquidity than individual bonds for most clients. **Positioning:** income, portfolio diversification, duration management.

## 6. Active ETFs

Portfolio managers make active security selection decisions within the ETF wrapper. Disclosure frameworks vary by jurisdiction. Costs are higher than passive ETFs but typically lower than equivalent active mutual funds. **Positioning:** clients who want active management with ETF liquidity and transparency.

### ★ SALES TIP

Most sales conversations start with a core equity ETF, then build out. The fastest-growing categories are active ETFs and fixed income ETFs — clients already invested in passive equity are natural next conversations.

## SECTION 04

# ETFs vs ETNs vs ETCs

## INTRODUCTION

All three sit under the exchange-traded product (ETP) umbrella and trade on exchange like shares, but their legal structures, risk profiles, and use cases are meaningfully different. Clients often confuse them, and getting this right matters for suitability and disclosure conversations.

### 1. ETFs: The Baseline

An ETF is a fund. It holds actual assets — securities, cash, or (for synthetic ETFs) collateral and a swap — inside a regulated fund wrapper such as UCITS. Because the assets are legally segregated from the issuer, investors are protected if the ETF provider becomes insolvent. ETFs are the most widely regulated and investor-protected structure in the ETP family.

### 2. ETNs: Exchange Traded Notes

An ETN is a **debt security**, not a fund. It is an unsecured promise from a bank or financial institution to pay a return linked to the performance of an index or strategy, typically at maturity. There are no underlying assets held separately: the investor is an unsecured creditor of the issuer.

#### Key risk: issuer default

If the ETN issuer becomes insolvent, investors may lose some or all of their investment regardless of how the underlying index performed. This counterparty risk is the defining difference from an ETF. The 2008 collapse of Lehman Brothers made this real — several Lehman-issued ETNs became worthless overnight.

#### When ETNs appear

ETNs are common for strategies that are difficult or impractical to replicate through a fund — certain commodity futures curves, volatility indices, or highly specialised factor strategies. They are sometimes the only way to access a particular exposure in exchange-traded form.

### 3. ETCs: Exchange Traded Commodities (or Currencies)

An ETC is a **debt instrument** that provides exposure to a single commodity or basket of commodities — gold, silver, oil, agricultural products, and so on. Like ETNs, ETCs are not funds, but they differ in one important way: most physically-backed ETCs (particularly precious metals) hold the actual commodity in a secure vault, meaning the counterparty risk is partially mitigated by physical collateral.

#### Physically backed vs futures-based

**Physical ETCs** hold the actual commodity. The investor's exposure is backed by the real asset — the gold in the vault, for example. Credit risk to the ETC issuer is real but offset by the value of the physical

holding. **Futures-based ETCs** use derivatives to track commodity prices and do not hold the physical asset; they introduce roll costs and basis risk on top of the usual counterparty considerations.

#### 4. Side-by-Side Comparison

The three key dimensions that clients need to understand are structure, counterparty risk, and regulatory protection:

**ETF** — fund structure, assets held separately, strongest investor protection, widest product range.

**ETN** — unsecured debt, full issuer counterparty risk, no fund-level protection, suited to strategies impractical to hold in a fund.

**ETC** — secured or unsecured debt, commodity exposure only, physical backing available for precious metals, regulated under different frameworks than UCITS ETFs.

#### 5. What This Means in a Client Conversation

Most retail and institutional clients should default to ETFs for regulated, fund-level investor protection. ETNs are appropriate only for sophisticated clients who understand issuer risk and are seeking an exposure unavailable in ETF form. ETCs make sense where physical commodity exposure is needed and the client understands the difference between a fund and a debt instrument.

#### 6. Regulatory Labelling

In Europe, not all ETPs labelled 'ETF' by providers or platforms are UCITS funds. Some are ETNs or ETCs that trade on exchange and track an index but carry materially different risk. Always check the KIID or prospectus: the legal structure is disclosed there. If it says 'debt security' or 'note', it is not an ETF.

##### ★ SALES TIP

The fastest way to explain the difference: 'An ETF owns the assets — you own a share of the fund. An ETN is an IOU from the bank — if the bank fails, the IOU may be worthless. An ETC is similar to an ETN but usually backed by the physical commodity.' Then ask the client: how much counterparty risk are they comfortable with?

## SECTION 05

# How ETFs Trade

## INTRODUCTION

You don't need to be a trading expert to sell ETFs — but understanding the basics prevents you from being caught out, and signals credibility to clients who ask how execution actually works.

### 1. Two Markets, One Product

**Secondary market:** investors trade existing ETF shares on exchange, just like a stock, at a live quoted price. **Primary market:** authorised participants (large banks and broker-dealers) create or redeem shares directly with the issuer in large blocks. The primary market keeps the ETF price honest; the secondary market is where your clients trade day to day.

### 2. Spread and NAV

The spread is the difference between the price to buy (offer) and the price to sell (bid). A tighter spread means lower transaction cost. ETF prices trade close to NAV because arbitrageurs close any gap by creating or redeeming shares — this mechanism is unique to ETFs and is the key reason they trade more efficiently than closed-end funds.

### 3. What Drives the Spread

Spreads are tighter when: the underlying securities are liquid; multiple market makers are competing; markets in the underlying country are open; and the strategy is straightforward. Spreads are wider for: complex strategies, illiquid underlyings (e.g. high-yield bonds), and at the market open when pricing is still settling.

### 4. Order Types to Know

**Limit orders** let the client specify the maximum price to pay or minimum price to accept — always recommended for less liquid ETFs. **Market orders** execute immediately at the best available price but can result in wider-than-expected fills in thin markets. **RFQ (request-for-quote)** allows institutional clients to solicit competing quotes from multiple market makers for large orders.

### 5. When to Trade (and When Not To)

The first 30 minutes after market open and the last 15 minutes before close typically carry the widest spreads. For ETFs tracking international markets, trading when those markets are closed can also widen spreads. The middle of the session, when all relevant markets are live, usually offers the best liquidity.

## 6. Liquidity Is in the Underlying

A key point clients often misunderstand: an ETF's trading volume is not its liquidity ceiling. If the underlying basket is liquid (e.g. large-cap US equities or Treasury bills), an AP can create new shares on demand. True liquidity is in the underlying market, not in the ETF's own trading history.

### ★ SALES TIP

If a client says 'the volume looks thin,' ask: what does the underlying market trade? For a large-cap index or government bond ETF, the answer is usually trillions per day — far more than the client needs. Low ETF volume is not the same as low liquidity.

## SECTION 06

# Client Usage of ETFs

## INTRODUCTION

Different clients use ETFs for fundamentally different reasons. Tailoring your conversation to how a specific client type already thinks about their portfolio makes the product relevant immediately.

### 1. Institutional Asset Managers

Use ETFs for cash management and cash equitisation (staying invested while waiting to deploy capital), portfolio transitions between managers or strategies, tactical allocation overlays on top of core mandates, and as hedging tools for specific factor or sector exposures.

### 2. Insurance Companies and Pension Funds

Use ETFs for efficient implementation of strategic asset allocations, fixed income duration management, ESG mandate compliance, and as temporary holdings during liability-driven investment adjustments. Transparency and daily liquidity are key requirements for ALM-driven portfolios.

### 3. Private Banks and Wealth Managers

Use ETFs as the building blocks of model portfolios, both discretionary and advisory. Low cost and high transparency suit the post-MiFID fee-disclosure environment. Thematic and ESG ETFs are popular for engaging clients with specific values or investment views.

### 4. Financial Advisers

Use ETFs to build cost-efficient diversified portfolios for clients across risk profiles. ETFs enable advisers to demonstrate value through asset allocation and rebalancing rather than fund selection. Core-satellite approaches — low-cost index ETFs at the core, thematic or active ETFs as satellites — are the dominant model.

### 5. Retail Investors

Use ETFs through digital platforms, savings plans, and mobile apps. Key motivations: low cost, diversification, and accessibility. Monthly savings plans investing small amounts into one or two broad-market ETFs are the most common entry point. Thematic ETFs (AI, clean energy) are particularly popular with younger investors.

## 6. Hedge Funds and Trading Desks

Use ETFs as hedging instruments, express macro views efficiently, trade factor and sector exposures with precision, and access markets where individual-security execution would be expensive or complex. ETFs are often the most efficient vehicle for implementing a broad-market short or a sector-rotation trade.

### ★ SALES TIP

The fastest conversion from a mutual fund client to an ETF client usually comes from showing them the cost comparison and the holdings transparency. Run the numbers on total cost of ownership — not just the OCF, but the spread and any platform fee — and the comparison usually speaks for itself.

## SECTION 07

# Myths About ETFs

## INTRODUCTION

Client objections often come from misconceptions that have been repeated often enough to feel like fact. Having a clean, confident answer to each one is the difference between a stalled conversation and a closed sale.

### 1. “ETFs are only for passive investors”

**Reality:** Active ETFs are one of the fastest-growing product categories globally. Any strategy that can be run inside a mutual fund can now be offered in an ETF wrapper — from systematic quantitative strategies to fundamental stock-picking. The ETF is a distribution and trading mechanism, not an investment philosophy.

### 2. “ETFs will blow up in a crisis”

**Reality:** During the March 2020 COVID sell-off and the 2008 financial crisis, ETFs continued to trade throughout. In fact, during March 2020, credit ETFs provided price discovery when the underlying bond market was effectively closed — the ETF price told the market where bonds would trade before bonds themselves could. ETFs did not cause or amplify the volatility.

### 3. “Low volume means low liquidity”

**Reality:** An ETF's on-screen volume is not its liquidity. A Treasury-bill ETF with \$10 million AUM and 1,000 shares traded daily has the liquidity of the entire T-bill market behind it. What matters is the liquidity of the underlying basket, not the ETF's own trading history. An authorised participant can create new shares on demand if the underlying market is liquid.

### 4. “ETFs always trade at a discount to NAV”

**Reality:** ETFs can trade at a premium or a discount, but the arbitrage mechanism keeps the gap very small for liquid ETFs under normal conditions — typically just a few basis points. Larger, persistent gaps appear only in genuinely illiquid markets or during extreme stress, and in those cases the ETF price is usually the more accurate reflection of fair value than the lagging NAV.

### 5. “ETFs are too complicated for retail clients”

**Reality:** The mechanics behind ETFs are complex, but using one is simple: you buy a share and you own a diversified portfolio. Millions of retail investors across Europe and the US use ETFs through savings plans and digital platforms without needing to understand creation/redemption mechanics. The complexity is in the plumbing, not in the product itself.

## 6. “You need a large ticket to use ETFs efficiently”

**Reality:** While some institutional execution strategies (such as large-block RFQ trades) work better at size, retail investors can access the full range of ETFs from a single share. Fractional-share platforms allow investment from as little as €1. For smaller clients, the savings-plan route — monthly automatic investments in a broad-market ETF — is one of the most efficient investment vehicles available.

### ★ SALES TIP

The most powerful myth-busting technique is the real example: the March 2020 credit ETF story, or showing a client the spread on an S&P 500 ETF at 1–2 basis points. Data and real-world evidence beat argument every time.

READY TO SELL?

## Deepen Your Knowledge with the Blackwater ETF Programme

*Full certificate training covering ETF structure, regulation, trading, and distribution — from foundation level to advanced practitioner.*

[training@blackwateretf.com](mailto:training@blackwateretf.com)

[ETFTrainingHub.com](https://ETFTrainingHub.com)



---

### Use this cheat sheet to

Answer the most common client questions quickly and confidently.

Handle objections with data and real-world examples.

Position the right ETF type for the right client need.