LIBERTYSHARES

Measuring and Quantifying ETF Liquidity

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Liquidity is something most investors say they want, but they often aren't exactly sure how to quantify or measure it. Our David Mann and Megan Rust address the subject when it comes to exchange-traded funds (ETFs).

Here are some highlights from Dave and Megan's discussion in the video below.

- When thinking about liquidity of an ETF, it's important to consider the liquidity of its underlying basket of securities.
- As ETFs have become more popular, the trading of them has also become more efficient.
- There's a lot of commentary available on the best time to trade, but we think it's just as important to understand the typical spreads of the specific ETF of interest and then trade when you see those spreads.

Want to learn more? Check out David's previous articles with more on the subject: "ETF Liquidity Revisited" and "Leaping Over ETF AUM Hurdles."

Important Legal Information

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of October 22, 2019, and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change. Investments involve risks. The value of investments can go down as well as up, and investors may not get back the full amount invested.

What Are the Risks?

Franklin LibertyQ US Equity ETF

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. To the extent the fund concentrates in a specific industry or a group of industries, the fund will carry much greater risks of adverse developments and price movements in such industries than a fund that invests in a wider variety of industries; there is also the risk that the fund will perform poorly during a slump in demand for securities of companies in such industries. There can be no assurance that the fund's multi-factor stock selection process will enhance performance. Exposure to such investment factors may detract from performance in some market environments, perhaps for extended periods. Performance of the fund may vary significantly from the performance of an index, as a result of transactions costs, expenses and other factors. These and other risks are discussed in the fund's prospectus.

ETFs trade like stocks, fluctuate in market value and may trade at prices above or below their net asset value. Brokerage commissions and ETF expenses will reduce returns. ETF shares may be bought or sold throughout the day at their market price, not their Net Asset Value (NAV), on the exchange on which they are listed. Shares of ETFs are tradable on secondary markets and may trade either at a premium or a discount to their NAV on the secondary market.

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.