

Market Overview

DJIA	12,264.23	-0.44%	-54.39
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S&P	1,400.80	-0.41%	-5.80
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NASDAQ	2,393.25	-0.38%	-9.04
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ETFs Made Easy

By **Marvin Appel**
TheStreet.com Contributor
3/6/2007 12:05 PM EST
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Exchange-traded funds provide the means for small and large investors to flexibly invest in securities that represent a variety of markets and investment sectors, and they are among the most rapidly growing and diverse investment vehicles in the U.S.

Because ETFs provide intraday liquidity, lower management costs, (frequently) better performance, opportunities for more efficient tax management and generally greater flexibility in portfolio construction and maintenance than mutual funds, many investors have started to use them. However, a certain level of understanding is essential to effective ETF investing, and that's why I wrote [Investing with Exchange Traded Funds Made Easy](#).

Despite their advantages over mutual funds, investing in ETFs requires in many ways more savvy on the part of investors. There are additional decisions that might be required in their use, as well as additional pitfalls. [Investing with Exchange-Traded Funds Made Easy](#) gives insight into the varieties, constructions, structures, pitfalls and opportunities that ETFs provide; shows how they differ from mutual funds; explains how investors can benefit from these differences; and describes how ETF traders can construct lower-risk, higher-return portfolios from these instruments.

Successful investing requires the employment of investment strategies that are designed to contain risk as well as to achieve desirable rates of capital growth. Bear



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markets over the years have produced losses in major market indices such as the **S&P 500** in the order of 45% or more, and losses of more than 75% in more speculative market areas. Such losses are disastrous to many investors.

Investors can contain losses through well-designed portfolio diversification strategies, through the use of tactics that ensure the selection of the best-performing investments at the start of each investment period, through the monitoring of volatility (risk) levels of your holdings, and through familiarization with historical risk/reward relationships of the various market sectors and indices in which you are contemplating investment. This book aims to teach you these skills so you can do the necessary research online, on your own.

It also shows investors how to relate to the trading liquidity of each ETF: which ETFs are easy to trade because there is always a large supply of buyers and sellers (i.e.: highly liquid markets), and which ETFs may incur above-average trading costs for you because their markets are not liquid.

I sought from the start to show how to use ETFs to construct balanced investment portfolios, which you can readily alter to suit either changing market conditions or changing investor lifestyles.

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Asking the right questions is the key to successful trading.

Marvin Appel is CEO of Appel Asset Management and vice president of Signalert in Great Neck, N.Y., which manages more than \$300 million for individual clients. He also edits the highly acclaimed investment newsletter, Systems and Forecasts. He has been featured on CNNfn, CNBC, CBS Marketwatch.com and Forbes.com, and has presented at conferences ranging from the World Series of Exchange Traded Funds to the American Association of Individual Investors.

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