



UNDERSTANDING YOUR INVESTMENT OPTIONS

Mutual Funds, Exchange-Traded Funds (ETFs), and Individual Stocks & Bonds

When building a portfolio, different investment types serve different purposes. ETFs, individual stocks and bonds, and Mutual funds each offer unique benefits. Understanding how they work helps investors make more informed decisions and better appreciate how modern portfolios are built. Most successful portfolios don't rely on a single approach, but instead use a thoughtful combination designed to manage risk, improve efficiency, and support long-term goals.



Mutual Funds

What they are

Mutual funds pool investor money to invest in a diversified mix of stocks, bonds, or other assets. They are professionally managed and designed to align with a specific investment objective.

Key characteristics

- Priced once per day after markets close
- Actively or passively managed
- Designed for long-term, broadly diversified investing

Benefits

- Built-in diversification
- Access to a wide range of asset classes
- Simplifies investment decisions, particularly for investors who prefer a hands-off approach

Considerations

- Typically higher expenses than some alternatives
- Limited tax efficiency and less control over the timing of gains in taxable accounts
- No intraday trading or pricing flexibility
- Since mutual funds are pooled, emotional decisions made by other investors during market volatility can have a negative impact on long-term returns



Exchange-Traded Funds (ETFs)

What they are

ETFs hold a diversified basket of investments while offering greater flexibility, efficiency, and transparency than traditional mutual funds. Many track indexes, while others are actively managed.

Key characteristics

- Trade throughout the day at market prices
- Transparent, rules-based structure
- Often cost-efficient

Benefits

- Broad diversification at a lower cost
- Generally more tax-efficient
- Intraday liquidity and pricing flexibility
- Precise exposure to specific markets, sectors, and strategies—allowing portfolios to be built more intentionally

Considerations

- Market prices fluctuate throughout the day
- Indexed ETFs capture broad market exposure but carry broader market risk than sector or theme-specific ETFs
- Requires thoughtful selection and ongoing portfolio oversight



Individual Stocks & Bonds

What they are

Individual securities represent direct ownership in a company (stocks) or a loan to a company or government entity (bonds).

Key characteristics

- Performance tied to a single issuer
- Offers targeted exposure
- Requires active monitoring

Benefits

- Full transparency and control
- Ability to customize strategies based on income, tax, or planning needs
- Bonds may provide predictable income and stability
- With no holding costs, they are more cost-effective than mutual funds or ETFs
- Greater ability to manage and control risk when thoughtfully diversified within a broader portfolio strategy

Considerations

- Higher concentration risk if not properly diversified
- Requires discipline and expertise, which is why these investments are often most effective when managed as part of a broader, professionally guided strategy

How These Options Work Together

While mutual funds can provide broad exposure, many modern portfolios increasingly rely on ETFs and individual securities to achieve greater efficiency, flexibility, and control. ETFs allow for more intentional portfolio design, while individual stocks and bonds can be used selectively to address specific income, tax, or planning needs. Our role is to help determine when and how to use each so your portfolio is built thoughtfully, managed proactively, and aligned with your goals through changing markets.

If you have questions, please reach out. We're always here to help.

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ETFs are subject to market volatility, including the risks of their underlying investments. They are not individually redeemable from the fund and are bought and sold at the current market price, which may be above or below their net asset value.

Bonds are subject to availability and market conditions; some have call features that may affect income. Bond prices and yields are inversely related: when the price goes up, the yield goes down, and vice versa. Market risk is a consideration if sold or redeemed prior to maturity.

Investments are subject to risk, including the loss of principal. Some investments are not suitable for all investors, and there is no guarantee that any investing goal will be met. Past performance is no guarantee of future results. Talk to your financial advisor before making any investing decisions.

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