Mullooly Asset Show Episode 47: The Quincy Jones ETF

Tom Mullooly: Believe it or not, there are still some investors out there who have never heard of exchange traded funds. In Episode 47, we're going to take a deep dive.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is Episode number 47. People ask us all the time, where do we get these topics that we cover in our videos? They come from you. If you've got a question or a topic that you'd like us to cover, get in touch with us. You can send us an email or just pick up the phone. Tim, what are we going to cover today?

Tim: I read in the news that Quincy Jones is going to have his own ETF. Is that for real?

Tom Mullooly: Quincy Jones is not going to manage his own exchange traded fund. I want everybody to understand. He has really nothing to do with this. He's just leant his name, and I guess the Quincy Jones ETF sounds better than the Smooth Jazz ETF or really what this is, this exchange traded fund is being launched, is about streaming music. This is really a basket of companies that are in streaming media or the streaming music or media and entertainment niche, and that is the whole concept with exchange traded funds. We're losing count of all the exchange traded funds that are out there. There's just so many that are being created every week.

One takeaway that you should probably put in your back pocket is there's now over 100 companies that have issued or are issuing exchange traded funds. There's over 100 outfits that can make ETFs. The first one was back in 1993 with the S&P 500, and they turned that into an exchange traded fund. The whole idea with an exchange traded fund is that it works like a basket of stocks, just like a mutual fund would, but built into a mutual fund, you have to pay a manger, you have to pay all the trading costs, you've got built-in tax issues if you're an individual investor. a lot of these problems either go away or they get minimized with exchange traded funds.

They sound sophisticated because we call them ETFs or exchange traded funds. The main thing you need to know with the name exchange traded is that a mutual fund doesn't trade on an exchange. It owns stocks that trade on an exchange, but the price of a mutual fund will only change once a day after the market closes. What they do is they figure out, "Hey, all the stocks in our basket of a mutual fund, this, they went up, down, sideways today." They do all the math, and at 6 o'clock, after the market closes, they post the price, up or down, for the entire basket that day.

An exchange traded fund doesn't wait till the end of the day. The price changes automatically, and the price is based on the underlying stocks that are in the basket that are going up, down, all the way throughout the trading day. They're recalculated every 15 seconds while the markets open, and that's why they're called exchange traded funds. That's really the main difference between mutual funds and exchange traded funds. There's a lot of other benefits that we've written about on our website, and you should check it out. Just go to the search bar and type in ETF, but another point that you really need to understand is that in the 20 something years, 23 or 24 years, since the first ETF came out in 1993, the S&P 500, the ticker symbol was SPY, S-P-Y. They didn't launch another ETF for a couple of years when they made an ETF out of the Dow Jones Industrial Average. That ticker symbol is DIA for diamond. Then they went a long period of time where there were no ETFs being issued. They didn't really know if these things were going to catch on or not.

Today, if you want to get really specific with a niche or a sector, pretty easy, pretty easy to do. There's now over a trillion dollars in exchange traded funds. That's from zero to over a trillion in 20 something years.

Today, we talk about this Quincy Jones Smooth Jazz ETF for media and entertainment. It's streaming music providers, but if you want to own a basket of drone makers or drone-related companies, ticker symbol is IFLY, I-F-L-Y. If you want to buy or own a basket of companies that are tied into mobile payments, paying through your phone, the ticker symbol is IPAY, unlike me when we're out at dinner, IPAY. The ticker symbol is I-P-A-Y. If you are interested in cyber security, there's two exchange traded funds. HACK and CYBER are their symbols. There's a social media one. Social media, these companies don't really make money, but they've got a lot of promise of the future. Their symbol is S-O-C-L. There's actually an exchange traded fund that invested in lithium battery makers. Ticker symbol is L-I-T.

Please understand, these are not recommendations to buy these things. We're just trying to show you that if you want to get really specific and down into a niche in your investments, you can do it. Instead of going out there and buying these individual stocks, you can just buy the whole basket.

Great question that we got. Thanks for sending that in. That pretty much wraps up Episode 47, Tom Glavine, and we will see you in Episode 48. Thanks for watching.