ETFs in brief

Exchange-traded funds are set up to mirror the performance of a stock-market index or sub-index. They hold a more or less fixed selection of securities that represent the holdings of that index or sub-index and will allow the fund to "track" its performance.

The MER (Management Expense Ratio) is generally much lower on traditional ETFs than on conventional mutual funds. That's because most traditional ETFs take a much simpler approach to investing. Instead of actively managing clients' investments, ETF providers invest so as to mirror the holdings and performance of a particular stock-market index.

ETFs practice this "passive" fund management style, in contrast to the "active" management that conventional mutual funds traditionally provide at much higher costs.

This traditional, passive style usually keeps turnover very low, and that in turn keeps trading costs down for your ETF investment.

How We Assess an ETF's Risk

To help you decide if certain ETFs are suitable for your portfolio and investment temperament, we classify them into three easy-to-understand categories: **Conservative**, **Aggressive** and **Income**. To determine how an ETF fits into one of those three classifications, we examine a number of factors. They include

Stock holdings. We look carefully at the specific stocks the ETF holds, and their prospects. We also look at the track record of the ETF's managers to see if they are likely to make good stock selections.

Diversification. The broader the ETF's holdings, the less volatile its performance is likely to be.

Liquidity. We look at an ETF's size and how many units trade hands per day. With more liquidity, the bid/ask spread for units of a fund will be narrower.

Political and currency risk. This is especially important for country-specific ETFs and those that focus on international stocks, outside of Canada and the U.S.

Exchange-traded Funds featured in this issue

ETF	Symbol*	Price $	P/E	Divd. Yield %	MER %	Market Cap $ millions	TSINetwork ETF Rating	Advice
iShares Core MSCI All Ctry. Ex Cda	XAW-T	59	15.7	1.2	0.22	4,700	Aggressive	Buy
BMO S&P/TSX Capped Composite	ZCN-T	49	16.6	2.0	0.06	18,600	Aggressive	Buy
Purpose Telus T Yield Shares	TY-O	4.15	18.6	29.0	1.22	4.0	Aggressive	Sell
BMO MSCI Emerging Markets	ZEM-T	32	11.5	1.9	0.27	3,500	Aggressive	Buy
Vanguard Global Value Factor	VVL-T	77	10.0	1.5	0.38	911.7	Conservative	Buy
Fidelity US Value	FCUV-T	28	13.0	1.5	0.39	4,700	Conservative	Buy
CI Morningstar Canada Value	FXM-T	42	11.5	1.8	0.64	553.4	Aggressive	Buy
iShares MSCI Mexico	EWW-N	78	11.0	2.7	0.50	1,600	Aggressive	Buy
BMO Autocallable Income Palantir	PLTA-O	23	n.a.	—	0.40	1.2	Aggressive	Sell

**T—trades on Toronto Exchange (price and market cap are in Cdn. dollars), N—New York Exchange (U.S.), Q—Nasdaq (U.S.), O—Over-the-counter/other markets. P/E—Stock price divided by 12-month forward earnings per unit; Dividend Yield—Annual dividend rate divided by unit price.*

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