

## 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 shares of a stock 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
Global X Robotics & AI	RBOT-T	35	27.9	0.1	0.65	65.9	Aggressive	Buy
iShares Future Exponential Tech.	XT-N	73	23.0	1.0	0.46	3,700	Aggressive	Buy
iShares MSCI Canada	EWC-N	57	21.0	1.4	0.50	4,100	Conservative	Sell
iShares S&P/TSX 60	XIU-T	49	20.5	2.4	0.18	21,100	Conservative	Buy
BMO S&P US Mid Cap 400	ZMID-T	52	16.2	1.3	0.17	303.4	Aggressive	Buy
iShares Core Dividend	DIVB-N	57	15.0	2.4	0.05	1,300	Conservative	Buy
Schwab US Dividend Equity	SCHD-N	32	13.7	3.3	0.06	78,400	Conservative	Buy
CI WisdomTree Cdn. Qual. Divd.	DGRC-T	51	15.4	2.4	0.23	786.5	Conservative	Buy
iShares MSCI Chile	ECH-N	46	12.5	1.8	0.59	1,300	Aggressive	Buy
CI Equity+ Asset Allocation	CEOP-O	20	n.a.	—	1.00	1.0	Aggressive	Hold
JP Morgan Intl. Dev. Equity Active	JIDE-T	42	n.a.	—	0.55	14.0	Aggressive	Hold

\*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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