

Toronto Stock Exchange ETF Report

TSX reached a historic milestone in Q2, surpassing the \$150B milestone in April. In looking back at the history of ETFs on TSX, it took 22 years to reach the \$50B mark in 2012, four years to hit the next \$50B increment when ETFs surpassed \$100B in 2016, and now only two years later, ETFs have reached the next \$50B milestone.

Check out the new education corner on page 3 to read about best practices for trading ETFs and understanding the true liquidity of ETFs.

New Providers

BROMPTON
EXCHANGE TRADED FUNDS

Brompton

Brompton Funds, a division of Brompton Group, which was founded in 2000, is an experienced investment fund manager with approximately \$2 billion in assets under management. In April 2018, Brompton converted two seasoned closed-end funds into ETFs: Global Healthcare Income & Growth ETF (TSX: HIG) and Tech Leaders Income ETF (TSX: TLF). The conversions provide unitholders with the benefits of increased trading liquidity, reduced bid/ask spreads, and lower MER. The investment strategies of the ETFs remain focused on an active selection of large-cap global Healthcare or Technology equities, complemented by an actively managed covered call program to enhance monthly cash distributions.

 **Scotia**
Global Asset Management™

Scotia Global Asset Management

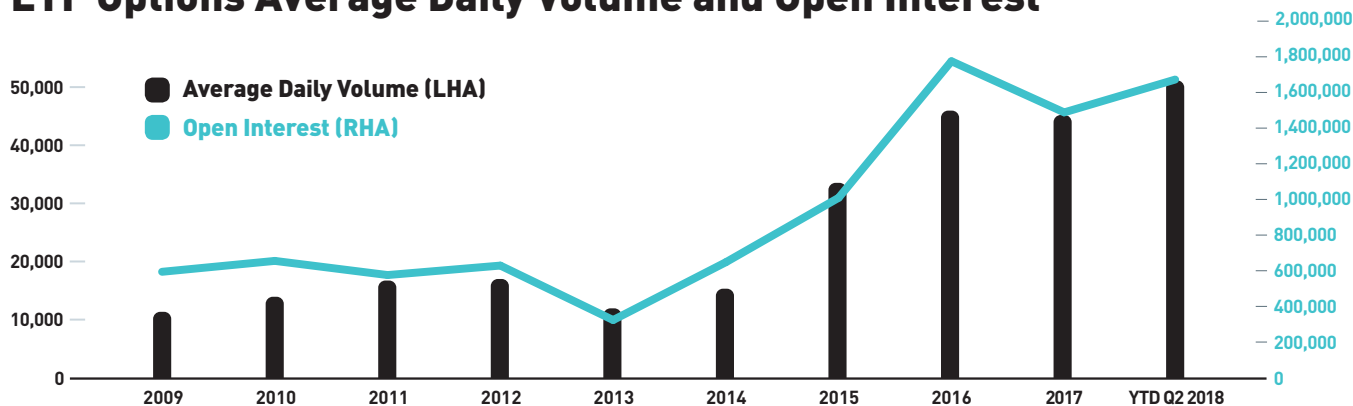
Scotia Global Asset Management launched a suite of multi-discipline, multi-manager, single asset class ETF portfolios on May 30, 2018. Scotia Strategic Fixed Income ETF Portfolio (TSX: SFIX), Scotia Strategic Canadian Equity ETF Portfolio (TSX: SCAD), Scotia Strategic U.S. Equity ETF Portfolio (TSX: SUSA) and Scotia Strategic International Equity ETF Portfolio (TSX: SINT) combine the multi-manager, multi-discipline portfolio approach that advisors and investors have long embraced with the increasingly sought after trading flexibility, tax efficiency and lower costs of ETFs.

Underlying ETFs are screened and selected from a broad universe of index tracking, factor-based and actively managed ETFs from Canadian and U.S. providers, and carefully combined to create optimized asset class exposure. Scotiabank's wholly-owned 1832 Asset Management L.P. is the Portfolio Manager of the Scotia Strategic ETF Portfolios.

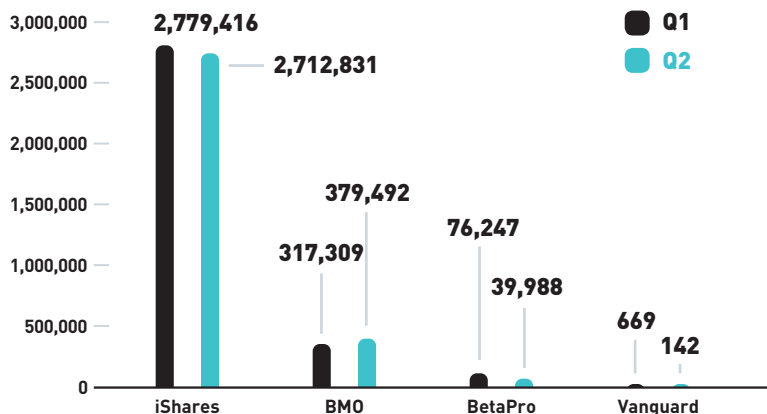
MX ETF Sector Overview

In December 2016, the Montreal Exchange (“MX”) launched Share futures (“SSF”) on 20 corporate issuers. Shortly thereafter, the MX rolled it out to futures on over 100 corporate issuers. Given the early success in SSF, the Montreal Exchange launched futures on a dozen ETFs, including the first future on the Cannabis sector, the first Canadian corporate bond future as well as the first Canadian equal weight bank future. Thanks to our partners BlackRock, BMO Asset Management and Horizons ETFs.

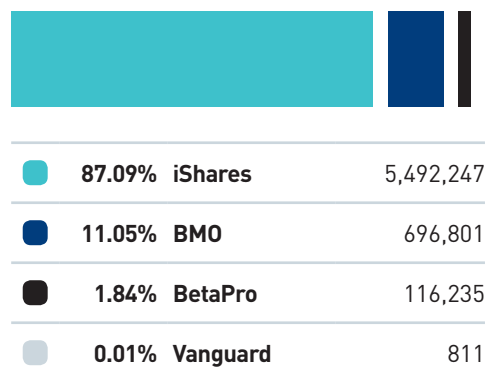
ETF Options Average Daily Volume and Open Interest



2018 Quarterly Volume Evolution per ETF Provider



ETF Options Volume by Provider (Q2 2018 YTD)



Top 10 Most Traded ETF Options (Volume)

	Symbol	Apr	May	Jun	YTD Q2 2018
iShares S&P/TSX 60 Index ETF	XIU	724,530	760,640	760,054	4,565,290
iShares S&P/TSX Capped Energy Index ETF	XEG	201,683	66,877	40,406	670,995
BMO Equal Weight Banks Index ETF	ZEB	40,176	78,996	102,628	312,868
BMO S&P 500 Index ETF	ZSP	10,038	86	40,031	180,846
iShares S&P/TSX Capped Financials Index Fund	XFN	7,747	43,764	41,127	110,265
iShares S&P/TSX Global Gold Index ETF	XGD	4,260	8,046	40,567	106,088
BMO MSCI EAFE Hedged To CAD Index ETF	ZDM	-	40,000	20	90,020
BMO S&P/TSX Capped Composite Index ETF	ZCN	18,020	10,115	27,499	84,908
Horizons Medical Marijuana Life Sciences Index ETF	HMMJ	5,346	4,387	6,727	55,674
iShares Core S&P 500 Index ETF (CAD-Hedged)	XSP	1,354	750	5,816	26,109

ETF Education Corner

True Liquidity of an ETF

Many investors wrongly assume that the daily trading volume of an ETF is the definitive indicator of its liquidity. But what is generally used to determine a stock's liquidity, i.e., average daily trading volume, cannot necessarily be applied to ETFs. In the world of ETFs, trading volume does not necessarily indicate the liquidity of an ETF - minimal trading activity does not necessarily mean wider bid-ask spreads, greater costs or no buyers for sellers. ETF liquidity is primarily a function of the liquidity of its underlying basket of securities, that is, the securities in the benchmark that it tracks - true ETF liquidity is based on the volume of the component securities.

ETFs utilize a creation and redemption mechanism which allows market makers to tap into highly liquid underlying holdings to create or redeem ETF units at the end of each trading day so as to remedy supply and demand imbalances in the market and to mitigate the price impact of any single trade. The deeper and more liquid the underlying index or benchmark, the more efficiently priced the ETF.

Best Trading Practices

Once you have chosen the ETFs that are right for your portfolio, you are ready to purchase units of the ETF. To do so, you can use a full service or discount/online broker in the same way you would to purchase stocks. You can buy or sell ETFs any time the stock market is open - ETFs are traded throughout normal trading hours at the then current market price. ETFs have ticker symbols just like stocks. Generally, you are able to use the same order types as you would for a stock purchase or sale, including market, limit, stop limit, day and good til cancelled (GTC) orders. The purchase of ETFs can be executed in either a cash or margin account, and in either a registered or non-registered account. If you plan on selling ETFs short, those trades must be done in a margin account.

It can be best to avoid market orders and instead use limit orders. A market order is the default order. It attempts to complete your trade as soon as possible at the best available current price. A limit order allows you to set a maximum price when you buy and a minimum price when you sell. It allows you to buy up to a specified number of shares or units of an ETF at a specified price.

This is a useful tactic when trading in a highly volatile market or when trading a low volume ETF which might have a wider bid-ask spread. This approach could provide a better sense of where your trade would get filled. In Canada, market makers are assigned to each security listed on a senior exchange in order to maintain minimum spreads and guarantee fills.

It is generally best to trade ETFs as close to the time zone as trading in their underlying assets in order to minimize tracking errors and premiums/discounts and be able to gain access to the most liquidity. It is therefore wise to trade ETFs when the market for the underlying basket is open. For example, if trading in Canada an ETF with European stocks in the underlying basket, it is wise to trade that ETF in the morning trading hours. Any time a market maker cannot buy the underlying stocks in real time, this could result in wider bid-ask spreads or greater premiums or discounts to NAV.

Caution should be taken during the first few minutes of the trading day and the end of the day as these tend to be the most volatile trading times. In the morning ETFs are going through an adjustment phase where the previous day's closing price is being compared to the current value of the underlying securities. Also, some securities in a particular basket may not begin trading the moment the market opens, and in those cases market makers need to estimate fair value and may need to widen their spreads until they have better price discovery. Similarly, at the end of the trading day, hedging activities undertaken by market participants can result in rapid pricing changes and wider bid-ask spreads. Toward the end of the trading day a number of stocks become less liquid because they are not as actively traded and this reduced price discovery translates into wider spreads on the ETF.

New ETF Listings

Q2 2018

NAME	Fund Family	Listing Date	Symbol
BMO Global Communications Index ETF	BMO	May 8, 2018	COMM
BMO Core Plus Bond Fund	BMO	May 29, 2018	ZCPB
BMO Global Multi-Sector Bond Fund	BMO	May 29, 2018	ZMSB
BMO Global Strategic Bond Fund	BMO	May 29, 2018	ZGSB
Evolve Innovation Index ETF	Evolve ETFs	May 2, 2018	EDGE
First Asset Health Care Giants Covered Call ETF	First Asset	June 12, 2018	FHI FHI.B
First Trust International Capital Strength ETF	First Trust	May 17, 2018	FINT
Franklin Liberty Global Aggregate Bond ETF (CAD-Hedged)	Franklin Templeton	May 14, 2018	FLGA
Franklin Liberty Senior Loan ETF (CAD-Hedged)	Franklin Templeton	May 14, 2018	FLSL
Franklin Liberty U.S. Investment Grade Corporate ETF (CAD-Hedged)	Franklin Templeton	May 14, 2018	FLUI
Horizons Blockchain Technology & Hardware Index ETF	Horizons ETF	June 21, 2018	BKCH BKCH.U
Invesco S&P 500 Equal Weight Index ETF	Powershares	May 29, 2018	EQL EQL.F EQL.U
Purpose Global Innovators Fund	Purpose Investments	April 5, 2018	PINV
Purpose Multi-Asset Income Fund	Purpose Investments	April 5, 2018	PINC
Purpose Strategic Yield Fund	Purpose Investments	April 5, 2018	SYLD
Purpose Managed Duration Investment Grade Bond Fund ETF	Purpose Investments	June 21, 2018	IGB
RBC U.S. Banks Yield (CAD Hedged) Index ETF	RBC ETF	May 15, 2018	RUBH
RBC U.S. Banks Yield Index ETF	RBC ETF	May 15, 2018	RUBY RUBY.U
Scotia Strategic Canadian Equity ETF Portfolio	Scotia	May 30, 2018	SCAD
Scotia Strategic Fixed Income ETF Portfolio	Scotia	May 30, 2018	SFIX
Scotia Strategic International Equity ETF Portfolio	Scotia	May 30, 2018	SINT
Scotia Strategic U.S. Equity ETF Portfolio	Scotia	May 30, 2018	SUSA

Closed-End Funds (CEFs) converted into ETFs

ETF NAME	ETF Symbol	Conversion Date	CEF Name	CEF Ticker
Global Healthcare Income & Growth ETF	HIG	April 3, 2018	Global Healthcare Income & Growth Fund	HIG.UN
Tech Leaders Income ETF	TLF	April 3, 2018	Tech Leaders Income Fund	TLF.UN

ETF Exchange

Join us for a local installment of the ETF Exchange, the Lunch and Learn series for Investment Advisors and Portfolio Managers, where you will hear from industry experts who will share their insights on the ETF sector.

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Halifax
September 13, 2018

REGISTER

CE Credit: All dates listed are to be confirmed pending approval from IIROC.

2018 National Sponsors



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