

What are ETFs?

Solutions

A television appears onscreen showing an image of a stock ticker and a graph. On Screen text, "ETF".

If you've overheard any conversations about investments or seen finance programs on television, you've likely heard the term "ETF."

A question mark appears on the television screen.

But what is an ETF?

On screen text: Exchange Traded Funds

Image changes to the stock exchange bull and bear with green arrow going up and red arrow going down to represent the rise and fall of the stock market.

ETF's or Exchange traded funds are like mutual funds but they trade on an exchange like the TSX.

*Text on screen: Exchange Traded Funds – Passively Managed – Lower Operating Costs
Image of two pie charts.*

Traditionally, ETFs have been more passively managed and tend to have lower operating costs, often making them a cheaper investment vehicle.

Image of two graphs indicating rise and fall of market with stock exchange bear and bull.

ETFs were originally created to track indexes. For example, an ETF may hold a basket of securities that matches the securities in the S&P TSX Composite Index.

Two graphs merge into one with a red maple leaf overlaid on top.

These ETFs offer exposure to a well-defined market. In this case, Canadian equities.

Graph depicting rising levels on one line and flat earnings on a second line... the second line showing flat earnings falls away. A pressure gauge with the needle pointing into the red, and then gradually dropping down to the green safe level.

Text on screen: outperform, reduce risk

Some ETFs aim to outperform market returns and or reduce risk, focusing on one of two strategies to achieve this.

Text on screen: Strategic Beta ETFs

A complicated math equation fills the screen.

The screen divides to two columns. On the left side are three math equation. On the right side are three factories depicting business.

The screen changes to two pie charts with the words "Strategic Beta ETF" under the left side chart and S&P/TSX Composite Index under the right side chart.

Strategic Beta ETFs apply a set of rules or factors that favour a specific type or security. For example, value, growth or low volatility stocks. As a result, the weightings of securities in a strategic beta ETF portfolio may be quite different from the index.

Text on screen: Actively Managed Portfolios

Left side of screen indicates group of three business professionals. Right side of screen shows a factory within a green circle. A large white checkmark superimposes over the factory within the circle and the quickly rises out of the screen.... Replaced with a new factory within a red circle with a large white X through the image. Image changes again to a financial chart indicating positive growth with 10:00, 13:00 and 16:00 depicted to indicate times of day.

Actively managed ETFs have a portfolio management team that selects individual securities, just like an actively managed mutual fund, but are structured as ETFs to take advantage of ETF features such as potential tax efficiency and pricing throughout the trading day.

Television on screen with images quickly changing from ETFs to a coin to a hand holding a magnifying glass, to a piggy bank, to a pie chart.

All types of ETFs can offer low fees, transparency and potential tax efficiency. They may be a welcome addition to your portfolio.

Text onscreen: Speak with your advisor

Animation of a telephone receiver

The best way to find out is to speak to your advisor about ETFs and other investment solutions.

Manulife Securities

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