

What is an ETF?

An exchange-traded fund (ETF) is a pooled investment vehicle similar to a mutual fund, but is traded on an exchange, like a stock. ETFs cover a broad range of asset classes and can give exposure to specific markets, sectors or investment strategies.

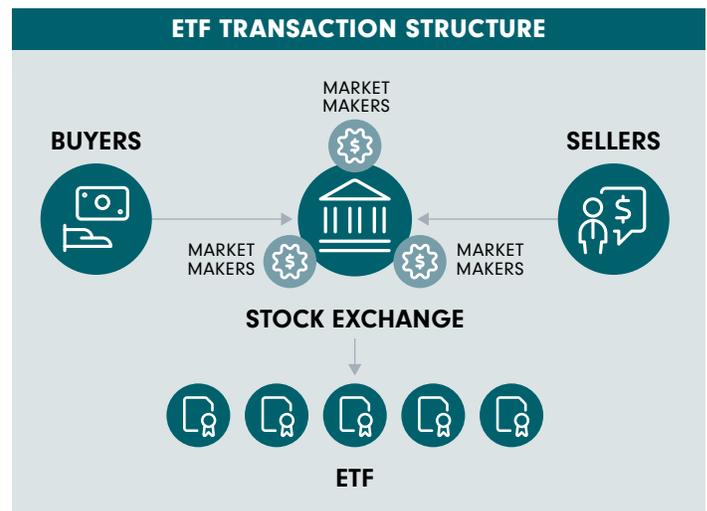
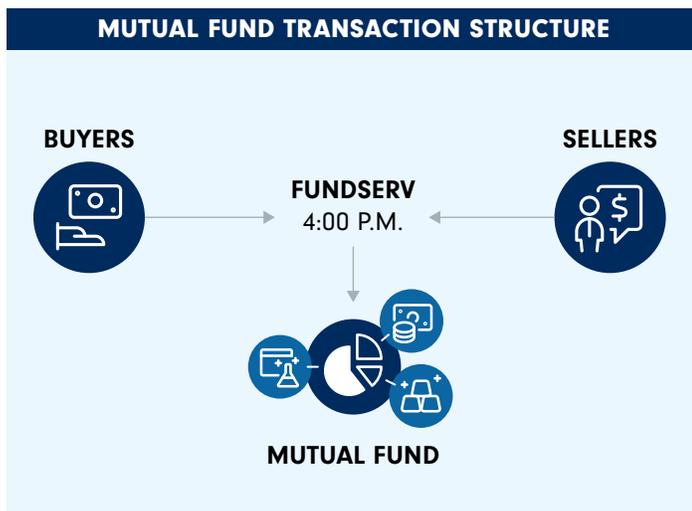
ETFs share characteristics of both stocks and mutual funds



How are ETFs bought and sold?

You can purchase an ETF through a brokerage on a per-share basis. Similar to stocks, ETFs are bought and sold during the day when the major exchanges are open and are priced continuously during normal exchange hours.

- An ETF has a ticker symbol, and its intraday price can be easily obtained throughout the trading day.
- ETFs have no investment minimums.*
- An ETF's number of outstanding shares can change daily because of the continuous creation of new shares and the redemption of existing shares.



* Account level minimums may apply.

ETF investment strategies

Passive

- Passive ETFs track a benchmark index such as the TSX or S&P 500.
- The performance of the shares and the market capitalization of the companies in a particular index will be replicated closely by the ETF, without the involvement of an active fund manager, keeping costs low.

Strategic beta (factor, smart beta)

- Usually track an index that has been weighted to deliver a specific outcome, such as income or low volatility.
- Because strategic beta funds track indexes that are more complex than passive ETFs, the cost tends to be a bit higher.

Active

- The portfolio manager can adjust the portfolio as needed or desired, while not being subject to the set rules of an index.
- Active ETFs seek to outperform the broad market index and can use a variety of investment strategies to achieve their objectives. Similar to strategic beta funds, active ETFs will also have a higher cost than passive ETFs.

Why consider investing in ETFs?

Diversification

ETFs, like mutual funds, are composed of a portfolio of stocks or bonds. Adding a diversified investment such as an ETF to your portfolio, versus investing in an individual stock or a bond, may help you to reach long-range financial goals while minimizing risk.

Cost

Since ETFs are available in a variety of investment strategies, the costs can vary. Passive ETFs that track indexes, with no active management, often have little turnover, so management and transaction fees tend to be the lowest in the industry. It is also important to assess the overall cost of an ETF, such as brokerage commissions and bid-ask spreads, when you are making a trade.

Trading flexibility

ETFs trade like stocks and employ a wide range of trading techniques that may allow you to execute investment strategies in response to market movements. These include selling an ETF "short" or purchasing an ETF with limit, market or stop orders.

For more information, contact your advisor or visit [fidelity.ca](https://www.fidelity.ca) to view the complete lineup of Fidelity ETFs.



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