TD Asset Management

ETF Basics Brochure 10 Minutes

ETF Basics

Understanding Exchange-Traded Funds (ETFs)

1 | What is an ETF?

An Exchange-Traded Fund, also referred to as an "ETF," is a mutual fund that can be bought or sold on a stock exchange.

Mutual Fund + **Stock Exchange** = **ETF**

Mutual Fund

A professionally managed portfolio of securities, like stocks and bonds

Stock Exchange

A place where investments such as stocks can be bought or sold during defined trading hours

ETF

An ETF is simply a mutual fund that is bought and sold like a stock

DID YOU KNOW?

The first ETF in the world was created in Canada in 1990. This transformed the investment industry and offered a more flexible way for investors to get access to different markets.

2 | Benefits & Risks of ETFs

Before buying an ETF, it is important for investors to research offerings so that they align with their particular goals and risk tolerance. Depending on an investor's unique needs, it may be advisable to consult an investment professional.

Benefits of Investing with ETFs

- **Professional Management:** Get access to the experience and expertise of investment managers across many asset classes.
- **Diversification:** Typically hold a large number of investments which can potentially lower risk.
- **Lower Cost:** On average, ETFs tend to have lower fees than comparable mutual funds.
- **Taxes:** ETFs can potentially result in lower taxes when compared to similar mutual funds. Please read **How Exchange-Traded Funds are Taxed >** for further information.
- **Flexibility:** Can be traded any time the stock exchange is open.
- **Transparency:** Holdings are generally disclosed on a daily basis to investors.

Common Risks

- **Market Risk:** Since ETFs are investments, there will always be a chance your investment may go down.
- **Asset Risk:** While most ETFs offer diversification, some are only invested in a small number of securities, sectors, regions, or even just a single security.
- **Trading Risk:** Since ETFs trade on an exchange, there may be other fees to consider such as commissions or spreads. Never be afraid to ask questions and seek advice when trading ETFs. Please read the prospectus for further descriptions of the risks associated with a specific ETF.

3 | Types of ETFs

The management style of ETFs are generally divided into Passive and Active.

Passive ETFs

Passive ETFs, also known as index investing, seek to track the market rather than actively attempting to outperform the market and typically have a lower cost.

Active ETFs

Active ETFs use the expertise of a portfolio manager to select securities with the goal to potentially outperform the market and typically have a higher cost.

Both Passive and Active ETFs can hold different types of investments and be segmented in many ways.

Examples include but are not limited to:

Equities (Stocks)

- Geography
- Sector
- Theme

Bonds

- Geography
- Government Bonds
- Corporate Bonds

Other

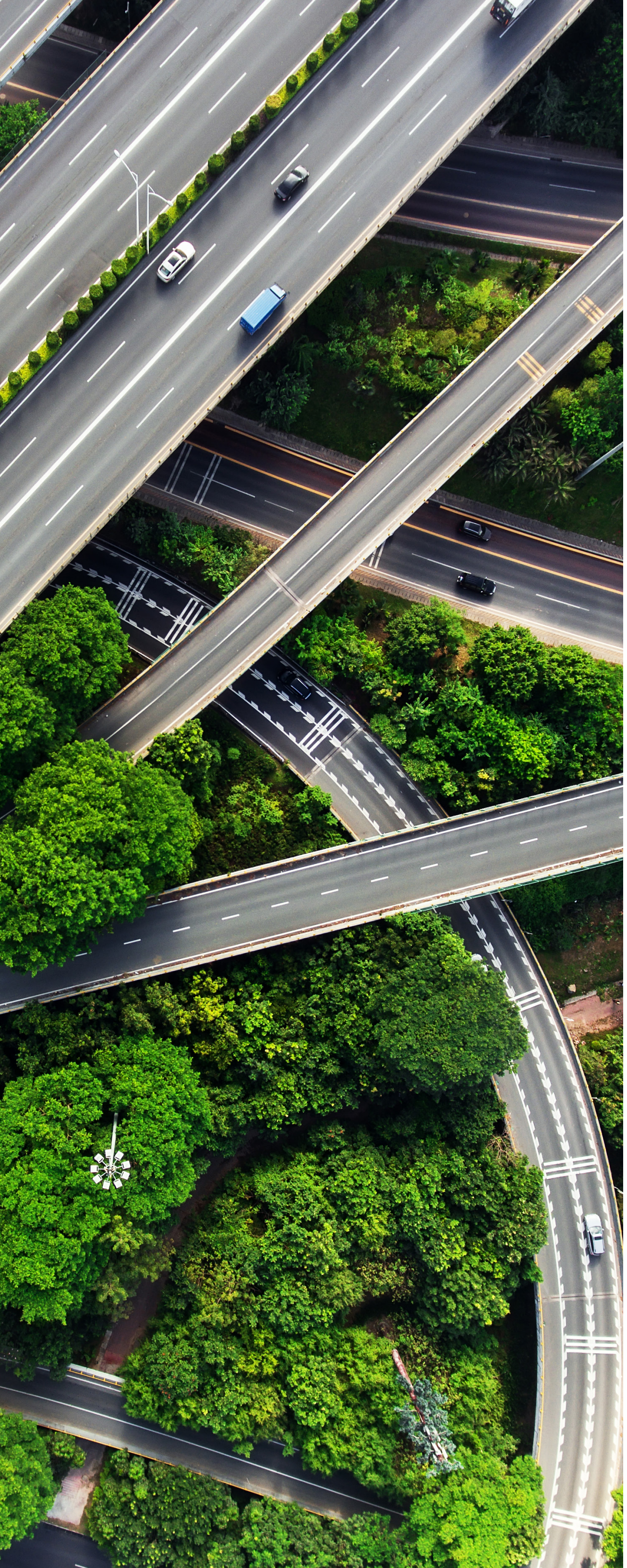
- A mix of stocks and bonds
- Commodities
- Derivatives

4 | How to buy

ETFs can either be purchased through an investment professional on your behalf, or you can purchase yourself through a discount brokerage.

Here’s an example of buying from a broker

Investor	Broker	ETF Shares
1	2	3
Investor places an order with a broker	Broker enters the order on the exchange	Order is filled and ETF shares are delivered to the investor



Ways to invest with us

Below are some options to invest in TD ETFs within TD. If you are not a client of TD or already work with an investment professional, feel free to ask them about our **ETF lineup >**.

TD Easy Trade™	New to investing? Or looking for zero-commission ETFs? (Do-It-Yourself)	**Learn more >**
TD Direct Investing	Canada's largest online brokerage[1], with industry leading research tools and market research insights. (Do-It-Yourself)	**Learn more >**
TD advisor	TD offers a one-to-one relationship with a dedicated TD Wealth advisor. (With an advisor)	**Learn more >**

[1]Investor Economics, Retail Brokerage and Distribution Report, Spring 2023.

TD ETFs

For information about TD ETFs, including general information about ETFs, visit **td.com/etf**.

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