ETF & MUTUAL FUND UPDATE

IN THIS ISSUE

Market Radar		
Markets	TSX Composite	S&P 500
P/E	20.14	30.07
Yield (%)	3.14	1.88
YTD Performance (%)	9.28	8.60
Top Performers	ETF	Mutual Fund
1-Month	Purpose Bitcoin CAD ETF	3iQ Global Cryptoasset Class I
YTD	Ninepoint High Interest Savings	3iQ Global Cryptoasset Class I
3-Year	Blockchain Technologies ETF	Signature Global Technology Corp Cl P
Market data as of April 5th, 2021; top performers as of month-end.		
Note: We are no longer including leveraged ETFs in top performers list		

When A Small Is A Tall: The Case For Small Caps Today

By Rita Silvan, CIM

Small caps are having a moment. The S&P/TSX Small Cap Index is already at 9.7 per cent (YTD March 9) and the S&P 600 Small Cap Index is in the double digits at 17.5 per cent YTD (hedged to CAD$). Since early November the Russell 2000 index of small US-listed companies has shot up by more than 47 per cent compared to the S&P 500 which grew 19.5 per cent. Investors have started to take notice: The day following the US election, investors poured US$714 million in BlackRock's iShares Russell 2000 ETF (IWM), followed by the SPDR S&P 400 mid-cap Growth ETF (MDYG) whilst pulling US$345 million from the iShares Core S&P 500 ETF (IVV).[1]

Is this evidence of the wisdom of crowds? Should investors join the party and tilt their portfolios toward small caps? Market watchers believe we're only at the start of the runway for strong small cap returns as economic activity resumes post-pandemic. Here's the current thesis for small caps along with pros and cons.

First, what constitutes "small cap" can range widely. Companies valued anywhere from $100 million to up to $3 billion fall into this bucket. Most conservative investors shy away from "micro- and nano-cap" investing but there is valid rationale for including some exposure to quality small caps in a diversified, long-term portfolio, particularly at this point in the economic cycle.

Why Invest In Small Caps?

• Less crowded trades. Small cap stocks are less likely to be covered by research analysts which means they often fly under-the-radar and with more reasonable valuations than crowded trades in big brand names. Lower valuations imply better returns in the future.

• Not all small cap companies are the same. While some small family-owned businesses may remain undervalued for long periods of time, those with private equity or activist investors are more likely to acquire accretive businesses or be acquired themselves, thus releasing gains to investors sooner.

• Higher returns. Investors in small caps need to be more patient with longer periods of underperformance, less liquidity, and more price volatility. However, based on historical data, they are also likely to be well compensated for their troubles as small caps tend to outperform

1 https://www.ft.com/content/d331376c-ead5-449d-88d0-5bd88194e97a]

large caps over the long term.

Small cap companies are more leveraged to the business cycle than their bigger brethren. Economists expect that lagging effects of monetary and fiscal stimulus will result in global economic recovery in late 2021 and well into 2022. They are more sensitive to this phase of the business cycle. Yes, those companies that are highly leveraged will feel the pain of gradually rising interest rates but not all small companies carry debt. Many are well capitalized and even pay dividends and regularly buyback shares.

For Canadian investors, there are several small cap ETFs to consider which come in unhedged or hedged to Canadian dollar versions.

Here Are Some Canadian ETFs To Consider:

BMO S&P US Small Cap Index

This ETF comes in 3 flavours:

- hedged to Canadian dollar (ZSML.F), unhedged (ZSML), and U.S currency (ZSML.U).
- The fund aims to replicate the S&P 600 Index of 600 U.S.-based small-cap companies including criteria such as liquidity and financial viability.
- Fund constituents are rebalanced quarterly.
- MER: 0.22%
- Yield: 1.12% (quarterly distribution)

Pros: Includes screening by profitability factor, thus potentially higher quality constituents.

Cons: None.

iShares U.S. Small Cap Index ETF XSU (Hedged)

- Tracks Russell 2000. (Top 2,000 small-caps in the U.S. based on market-cap weighting as of June).
- MER: 0.36%
- Yield: 0.83%

Pros: One-stop shopping for diversification

Cons: Market cap weighting is a crude instrument when it comes to determining quality in small caps. For example, smaller companies are more likely to be highly leveraged zombies, propped up by low interest rates and the “evergreening” of bank loans.

Some exposure to companies involved in controversial weapons, tobacco, civilian firearms, thermal coal, and UN Global Contract violators. Relatively low MSCI ESG Quality Score.

iShares S&P U.S. Small Cap Index

- XSMC (unhedged); XSMH (CAN-hedged)
- Tracks the S&P Small Cap 600 Index. Rebalanced quarterly.
- MER: 0.22%
- Distribution Yield: 1.29%

Pros: Includes screening by profitability factor, thus potentially higher quality constituents.

Cons: Some exposure to companies involved in controversial weapons, tobacco, civilian firearms, thermal coal, and UN Global Contract violators. Relatively low MSCI ESG Quality Score.

iShares S&P/TSX Small Cap Index XCS

- Exposure to Canadian small cap companies. Rebalanced quarterly.
- MER: 0.60%
- Distribution Yield: 1.38%

Pros: Exposure to all-Canadian companies; may experience added torque due to post-pandemic economic activity and increased demand for raw materials, energy, and other commodities.

Cons: Energy (including oil sands), materials, and mining companies compose nearly 40% of holdings so there is not a lot of sector diversification. Relatively low MSCI ESG Quality Score.

Manulife Multi-Factor U.S. Small Cap

- MUSC.B (unhedged) and MUSC (hedged to CAN) track the performance of the John Hancock Dimensional Small Cap Index and is rebalanced in

- March and September of each year. (Sub-advisor is Dimensional Fund Advisors.)
- MER: 0.62%
- Dividend Yield: 1.69%

Pros: Diversification to a wide range of small-cap U.S. stocks screened on factors such as lower valuations; minimal portfolio turnover to control trading costs, taxes, cash drag.

Cons: Only 0.22% weighting in Canadian small cap companies vs. 98% U.S. Higher MER.

Disclosures: Authors, directors, partners and/or officers of 5i Research have financial or other interest in IWM.

Commodity ETFs

by Richard Morrison, CIM

Commodity Exchange-Traded Funds (ETFs) come in two forms: Funds that track commodity prices and funds holding a portfolio of commodity-related companies. Commodities are cyclical, and many ETFs that track commodity prices pay irregular dividends, which means they have zero diversification and high risk. They must be actively-traded, and you must generally guess future prices correctly to profit. Although you might get lucky, you can't simply buy their units, put them in a drawer and expect to be ahead in a year, three years or even five.

In commodity company ETFs, unitholders have an advantage because managers of the companies in the fund's portfolio are trying to maximize shareholder value by locating new mines or oil fields, acquiring competitors, and declaring dividends. On the downside, resource companies face risks such as environmental disasters or labour disruptions not felt by a pure commodity fund. An ETF that holds a basket of such companies eliminates such company-specific risks.

Commodities are regarded as good hedges against inflation, which itself has been dormant for many years. As measured by Statistics Canada's Consumer Price Index (CPI), the annual inflation rate in Canada has rarely exceeded two per cent in any of the past 16 years. The greatest increase in CPI was measured at 2.9% in 2011, while CPI increased by less than one per cent in 2009 and 2013. During COVID-afflicted 2020, the CPI climbed by just 0.7%.

Risk-averse investors who don't like the volatility of commodity ETFs but remain concerned about inflation should consider real return bonds, whose payouts are indexed to inflation. The bonds are illiquid, so they should be held via the iShares Canadian Real Return Bond Index ETF (XRB) or the BMO Real Return Bond Index ETF (ZRR). Each fund has a portfolio of government bonds and has achieved steady returns in the 3.6% to 3.8% range over the past ten years, with little volatility.

The best-known specific commodity ETFs track the price of gold, silver, oil and gas. For the more venturesome who are determined to speculate, here are some specific minerals and the tickers for the ETFs that focus on them: copper (CPER, COPX, JJC), platinum (SPPP, PPLT, PLTM, PGM), nickel (JJN), tin (JJT), aluminium (JJU) and lead (LD). The Van Eck Vectors Coal ETF (KOL) stopped trading in December.

There are more than 100 commodity ETFs trading on U.S. stock markets and less than two dozen that trade in Canada. To keep things simple for now, only Canadian ETFs are mentioned here.

Gold and Silver Bullion ETFs

Figures from Dallas, Texas-based Gold Price group show the dramatic gains in gold and silver over the past two years. The company's Goldprice.org site shows gold bullion rising from less than USD $1,200 per ounce in the summer of 2018 to a peak of more than USD $2,000 in the summer of 2020. The price has since settled back to between USD $1,700 and USD $1,800 per ounce.

The performance of silver, detailed at Silverprice.org, has generally tracked gold, but there have been some important differences. Between 2016 and 2019, silver had traded between USD $14 and USD $18 per ounce, then skyrocketed to more than USD $29 an ounce last summer before settling back to the USD $26 to USD $27 range.

An ounce of gold typically trades at roughly 65 times the price of an ounce of silver, but the ratio, sometimes called the mint ratio, varies widely since silver has more industrial applications than gold. The gold/silver ratio spiked early last year, as an ounce of gold bought 125 ounces of silver, but the ratio has since slipped closer to 65.

As mentioned earlier, bullion ETFs pose a significant risk, and investors must be both patient and alert, as significant losses may occur while you are at work, on vacation or otherwise not watching.

iShares Gold Bullion ETF (CGL, CGL.C)

This fund, launched in 2009, has $844 million in assets invested in 115,500 ounces of gold and carries a management expense ratio (MER) of 0.55%. The fund comes in either hedged (CGL) or unhedged (CGL.C) versions. The fund had a banner 2019, up 16.8% followed by a 22.7% gain in 2020 but has slipped 8% so far in 2021.

iShares Silver Bullion ETF (SVR, SVR.C)

Like the Gold Bullion fund, iShares Silver Bullion ETF was launched in 2009 and comes in hedged (SVR) and unhedged (SVR.C) versions. The fund's $103.9 million in assets is invested in about 98.43 tonnes of silver. It carries an MER of 0.66%.

Horizons Gold (HUG)

This small fund, launched in 2009, has just $38 million in assets designated to track the Solactive Gold Front Month MD Rolling Futures Index ER, and carries an MER of 0.45%. The fund had a solid 2019, generating gains of more than 16%, followed by a superb 2020 with gains of almost 20%. Over 10 years, however, returns have been flat.

Horizons Silver ETF (HUZ)

Another Horizon fund launched in 2009, this fund has just $34 million in assets aimed at tracking a silver futures index. The fund returned 12% in 2019 and jumped 39% in 2020. It carries an MER of 0.78%.

Purpose Gold Bullion Fund (KILO, KILO.B, KILO.U)

This relatively new fund, launched in 2018, comes in FX-hedged (KILO) unhedged (KILO.B) and U.S. dollar (KILO.U) versions. KILO's $290 million is held in physical gold at the Royal Canadian Mint that can be delivered to unitholders. The fund's management fee of 0.2% is part of an overall MER of 0.25%.

Sprott Funds

Sprott has physical bullion trusts holding gold and silver (CEF), gold (PHYS), silver (PSLF) and platinum/palladium (SPPP), along with funds holding shares in gold miners (SGDM) and junior gold miners (SGDJ).

Purpose Silver Bullion Fund (SBT, SBT.B, SBT.U)

This fund holds $56 million in silver bullion in a vault at a Canadian bank. Like the Purpose gold bullion fund, the silver bullion fund comes in hedged, unhedged and U.S. dollar versions but unlike the gold fund it has no dividend reinvestment, pre-authorized purchase or systematic withdrawal plan and cannot be held in registered accounts. The fund's MER is 0.45%.

Material ETFs

Investors who want more safety and diversification than offered by commodity-specific funds can consider ETFs that hold an assortment of material producers.

iShares S&P/TSX Capped Materials Index ETF (XMA)

This fund, launched in 2005, has $121 million in assets allocated among 50 companies, mostly gold and silver miners but a few that specialize in materials such as copper, potash, coal, zinc, nickel, tin and timber. Like most commodity ETFs, recent results have been excellent, with gains of 24% in 2019 followed by a further 21% climb last year. The fund carries an MER of 0.61%.

iShares S&P/TSX Global Base Materials Index ETF (XBM)

This fund, launched in 2005, has $121 million in assets allocated among 50 companies, mostly gold and silver miners but a few that specialize in materials such as copper, potash, coal, zinc, nickel, tin and timber. Like most commodity ETFs, recent results have been excellent, with gains of 24% in 2019 followed by a further 21% climb last year. The fund carries an MER of 0.61%.

Energy Sector

A prolonged slump in oil prices—compounded by Ottawa's determination to make fossil fuels obsolete—led to a miserable decade for Canada's energy sector until it came alive last summer. Canadians can buy shares in the U.S. Oil Fund.

iShares S&P/TSX Global Energy Index ETF (XEG)

This fund, which has $974 million in assets invested in 14 of the largest, most well-established names in the industry, pays out an annual average distribution that yields about 1.2%. The fund has an MER of 0.61%. The prolonged misery in the Canadian oil patch is reflected in the fund's 10-year annualized return of -8.9% to the end of February. A rally of more than 40% over the past six months has lifted the unit price near $8, representing a bonanza for those who were able to buy near $5 last year. Unfortunately, unitholders who'd bought in any of the previous nine years suffered huge losses. A rally to $8 from $5 is small consolation to someone who'd paid $15 or $20 for their units.

BMO Equal Weight Oil and Gas ETF (ZEO)

This fund is even more concentrated than its iShares competitor, with its $124 million in assets allocated among just nine equally weighted Canadian energy giants. The fund pays a generous annualized distribution of 4.44% and, like the iShares fund, has a 0.61% MER. Like the iShares fund, long term results are dismal as investors who bought in 2011 lost an average of 7.8% each year. The fund has recovered by more than 21% over the past six months.

CI First Asset Energy Giants Covered Call ETF (NXF, NXF.B)

This fund, available as either hedged or unhedged to the Canadian dollar, has $405 million in assets allocated in giant energy companies based outside Canada. The largest 15 energy companies are roughly equally weighted. NXF's managers write covered call options on no more than 25% of the portfolio to generate income and reduce volatility.

The fund, which carries an MER of 0.65%, pays out a quarterly dividend yielding 4.4%. Since its launch in 2015, the fund has dropped by an average of 5.1% a year, while the rally of the past six months generated a 21% gain.

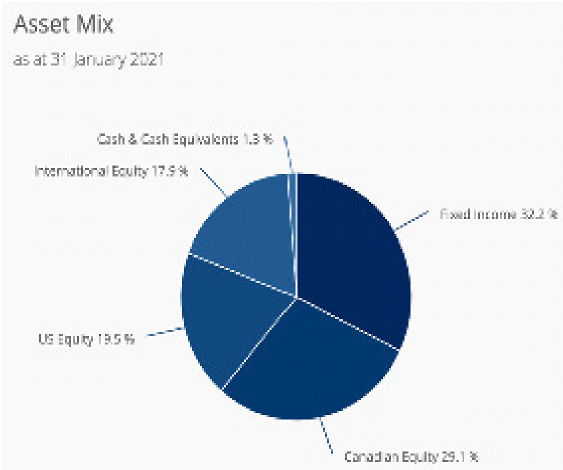
Beutel Goodman Balanced Fund BTG306/ BTG772/BTG106

by Barkha Rani

The objective of this popular fund is to increase long-term capital value by investing in Canadian, U.S. and international securities, across equities and fixed income securities. The fund manager uses a value-based approach to select equity investments, which means actively searching for stocks that are fundamentally undervalued. The fund's fixed income portfolio consists of a diversified group of Canadian government and Canadian corporate bonds. The asset mix of the fund is aimed to fall within the range of 60% equity and 40% fixed income and is often used in both Defined Benefit or Defined Contribution Registered Pension Plan (RPPs) portfolios.

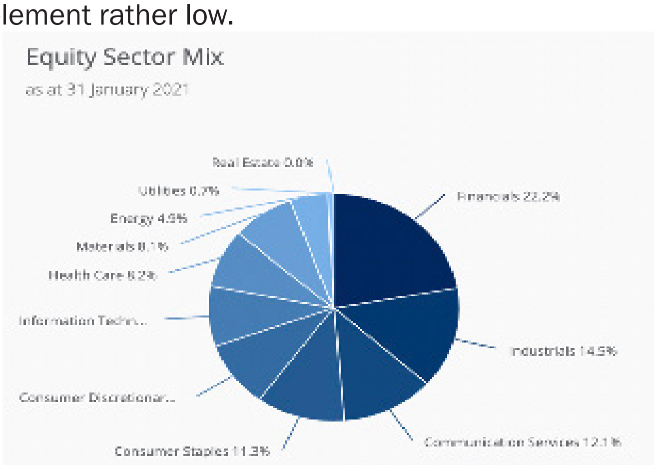
Beutel Goodman Balanced Fund (BTG306) manages nearly $3.67 billion in assets and charges a management expense ratio (MER) of 1.06-1.20% (or

2.04% for BTG306), making it highly competitive on the fee front compared to its mutual fund peers. The current asset mix stands at 32% fixed income, 29% Canadian equity, 20% U.S. equity, and international equity 18%, with the rest accounted for by cash. Compared to its ETF peers such as VBAL (18%) and XBAL (16%), BTG funds allocate a higher weighting to Canadian equities (nearly 30%) relative to other asset classes.



Source: Beutel Goodman website

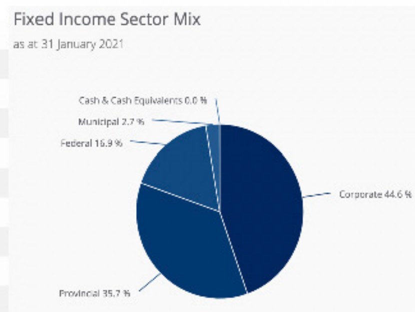
Looking at the equity holdings within the fund, the top three sectors are Financials, Industrials, and Communication Services. While we prefer passive investing over active investing, with Canadian equity highly concentrated on banks, energy, and mining with less diversification compared to other geographies, this BTG fund offers a breath of fresh air given the change in its sector exposure. It can be seen from the holdings presented below that the balanced fund consists of high capitalization equity choices keeping the risk element rather low.



Source: Beutel Goodman website

The fixed income exposure consists of 45% Corporate, 36% Provincial, and 17% Federal Bonds as its largest categories. All fixed income securities are rated BBB and above, and nearly 55% are rated AA and above. The fund lives up to its "low to medium" risk rating given its spread over fixed income and equity securities.

Company	%
TD Bank Common	2.7
RBC Common	2.5
Ontario 1.050 Sep-08-27	2.1
Rogers Communications Common CL B	2.0
Quebec 3.100 Dec-01-51	1.3
Nutrien Common	1.3
Sun Life Financial Common	1.3
Brookfield Asset Management Common CL A	1.2
Magna Common	1.1
American Express Common	1.0



Source: Beutel Goodman website

BTG offers exposure to select international equities, primarily developed international markets, the main advantage of active investing versus passive. The markets include Europe, U.K., Japan and the Pacific Region, with no exposure to emerging markets. Given that various developed nations see economic cycles at various speeds, we think this offers a healthy exposure for those looking for handpicked selections in developed international markets.

Putting it all together, the fund manages around 212 securities within its portfolio with the top ten investments accounting for nearly 20% of the total assets. We think this is a healthy number without going overboard or over-diversifying which generally tends to be the case with its ETF peers.

The fund charges an MER of 1.06%/1.20%/2.04% depending on the class selected. We think the first two rates are highly competitive on the mutual fund front. The relatively "low-cost" coupled with a distribution yield in the 6.0% range offers a convenient fund option for many long-term income-based portfolios. The yield is attractive to those looking for a balanced fund with ample distribution.

How is the yield so high compared to its peers? Capital gains. With nearly 60% of the total distribution coming from capital gains, let's look at what it actually means. A capital gains distribution made by a fund is a portion of the proceeds from selling of securities. Funds sell investments that have increased in value, resulting in capital gains. The distribution is the investor's share of the proceeds from the fund's transactions. Regardless of whether an investor chooses to receive the distribution as a cash payment or a reinvestment in more units, they are required to include distributions as part of taxable income for the year (with the exception of return of capital (ROC) distributions). Capital gains receive a preferential treatment, as only 50% of the capital gain is taxable. In this regard, BTG Balanced fund hold a tax advantage compared to those funds that hold high-dividend securities and return dividends to investors as distributions.

We think these funds are a way for investors to tie in a portfolio without the hassle of handpicking selections and avoiding over-diversification, which is often an unintended characteristic of passive investing. The distributions made are advantageous to those looking for income-like benefits without being limited to ROC or overweight on energy and financials. The relatively low-cost, superior performance compared to both ETF and mutual fund peers, and income-like benefits is why we give this fund thumbs up. It might not fit every portfolio, but it is a competitive option for those looking for the above utility.

Tax-Efficient RRSPs

by Moez Mahrez, CFA

In our last two issues, we discussed the main rules of thumb we think investors should focus on for tax efficiency within non-registered accounts and Tax-Free Savings Accounts (TFSAs). The common thread revolves around withholding tax on foreign dividends for all accounts. However, some ancillary points are unique to each account.

Here is a quick summary of what works best in non-registered and Tax-Free Savings Accounts (TFSA) in case you need a refresher.

Non-registered:

- Non-registered accounts have the potential to recover some withholding tax through foreign tax credits
- High foreign dividend income makes tax efficiency matter more. Canadian-listed Exchange-Traded Funds (ETFs) that hold foreign securities directly are the best option
- Tax-efficiency is less important when an ETF pays only a small dividend or distribution
- Canadian dividends are the most efficient taxable investment income in a non-registered account due to the dividend tax credit
- Investors can use tax-loss selling to gain tax-efficiency
- Non-registered accounts are a good place to hold some speculative investments due to tax-loss selling and not having to worry about losing contribution room
- Discount bonds can provide greater tax-efficiency on fixed-income (less interest, more capital gains)

TFSA:

- TFSAs are never exempt from the U.S. or other foreign withholding tax and cannot be recovered through any foreign tax credits
- The same points apply to high vs low-paying foreign dividends as for non-registered
- Good for stable growth stocks
- Your chance to hold premium bonds without worrying about the high tax rate on interest income

Now let's turn to Registered Retirement Savings Plans (RRSPs) and other retirement accounts..

Now, let us talk about tax-efficiency in RRSPs.

RRSPs: The best place for U.S. dividends

There is a provision in the Canada-U.S. tax treaty that exempts RRSPs/Registered Retirement Income Funds (RRIFs) (as well as their locked-in counterparts, Locked-in Retirement Accounts (LIRAs) and Life Income Funds(LIFs)) from the withholding tax on U.S. dividends. This full exemption from tax is unique to the RRSP and does not apply to TFSAs, even though they are considered tax-sheltered accounts. This makes RRSPs the ideal place for U.S. dividends. The big advantage with U.S. dividends (compared to dividends of other foreign equities) is that they can enjoy the compounding effects of being reinvested without a tax drag. However, Canadian investors should remember that the only way to get this exemption is by owning a U.S.-listed ETF (or stock).

Holding U.S. dividends in an RRSP can also make sense from a retirement point of view. As an individual gets closer to retirement (and in retirement), dividend income typically becomes more important. If an investor approaches retirement with a larger nest egg, risk tolerance tends to decrease. Holding U.S. dividend-focused ETFs or stocks can therefore be a great way to create stability in a portfolio well before retirement while allowing those dividends to compound conservatively. For Canadians, RRSPs and U.S. dividends are a match made in heaven.

Clearing up the BMO US equity ETFs issue

One question we get quite often is: "Can my RRSP be exempt from U.S. withholding tax if I hold BMO's S&P500 ETF?" The short answer is: No. Here is the long answer:

BMO ETFs hold securities directly in the fund rather than through another U.S.-listed ETF, which compares to what Vanguard and Blackrock do, making international exposure less tax-efficient for Canadians. This makes many BMO ETFs a great option for foreign equity exposure as there is only one layer of withholding tax. ETFs such as BMO MSCI Emerging Markets Index ETF (ZEM) and BMO MSCI EAFE Index ETF (ZEA), as well as other ETFs such as Blackrock iShares Core MSCI EAFE IMI Index ETF (XEF) which get foreign exposure by buying individual securities directly, are good for Canadian investors seeking exposure to non-U.S. international equities. Some ETFs do get direct exposure, so investors should check the holdings in the fund facts to make sure the entire holding is not another U.S.-listed ETF.

On the other hand, BMO U.S. equity ETFs are Canadian-listed and automatically deduct U.S. withholding tax regardless of the account they are held in. This makes sense because it is very difficult for the Canadian ETF provider to know or account for which account type an investor is using. Even if we assume account type information was available, this would be an accounting nightmare for ETF providers.

So how can investors be exempt from U.S. withholding tax? As discussed earlier, the only way to get this unique exemption that RRSPs offer is by buying US stocks and ETFs in directly on a US stock exchange.

Premium bonds

Just like the TFSA, an RRSP is a great place to hold high interest income products because of the high tax rate normally applied. The larger the difference in tax savings in a tax-sheltered account compared to a non-registered account, the more where tax-sheltered accounts show more value from a tax-efficiency perspective..

Asset allocation comes first!

We have said this before and we cannot emphasize it enough: while we may provide tips on which ETFs or asset classes are ideal in each account, tax-efficiency remains a secondary priority compared to making sure investors have an asset allocation that is right for them. We believe proper asset allocation based on time horizon and risk tolerance is the most important factor for long-term returns. For example, a younger investor focused on growth does not need to own a U.S. dividend ETF in their RRSP if the right focus for them is growth. Nonetheless, tax-efficiency does give returns a bit of a boost, especially if compounded over time. Like everything else in investing, it is also about finding the right balance.

Disclosures: Authors, directors, partners and/or officers of 5i Research do not have financial or other interest in any stocks or funds mentioned in the above article.

Canadian Equity						
Product	Product Exchange	UnderlyingHolding* (Holding Exchange)	ETF Example	Taxable Account	Taxable Deferred Account (RRSP)	Taxable-Free Account (TFSA)
ETF	CDN-listed	Stock CDN-listed	XIU	• Dividend eligible for a tax credit.	• Dividends are not taxed.	• Dividends are not taxed.
ETF (REIT)	CDN-listed	Stock (CDN-listed)	XRE	• 'Other income' is fully taxable and not eligible for the dividend tax credit. • 'ROC' is not taxable but it does lower your ACB, increasing any capital gain.	• Dividends are not taxed.	• Distributions are not taxed.
United States Equity						
Product	Product Exchange	UnderlyingHolding* (Holding Exchange)	ETF Example	Taxable Account	Taxable Deferred Account (RRSP)	Taxable-Free Account (TFSA)
ETF	US-listed	Stock US-listed	VTI	• Dividend incurs US withholding tax, which is recoverable. • Dividend fully taxable as ordinary income.	• Dividend incurs no US withholding tax.	• Dividend incurs US withholding tax, not recoverable.
ETF & MF	CDN-listed	Stock US-listed	ZSP		• Dividend incurs US withholding tax, not recoverable.	
ETF	CDN-listed	ETF US-listed	VUN			
International Equity						
Product	Product Exchange	UnderlyingHolding* (Holding Exchange)	ETF Example	Taxable Account	Taxable Deferred Account (RRSP)	Taxable-Free Account (TFSA)
ETF & MF	CDN-listed	Stock Intl-listed	XEF	• Dividend incurs int'l withholding tax, which is recoverable. • Dividend fully taxable as ordinary income.	• Dividend incurs int'l withholding tax, not recoverable.	• Dividend incurs int'l withholding tax, not recoverable.
ETF	CDN-listed	ETF US-listed	VEE	• Dividend incurs int'l withholding tax, not recoverable. • Dividend incurs US withholding tax, which is recoverable. • Dividend fully taxable as ordinary income.	• Dividend incurs int'l withholding tax, not recoverable. • Dividend incurs US withholding tax, not recoverable.	• Dividend incurs int'l withholding tax, not recoverable. • Dividend incurs US withholding tax, not recoverable.
ETF	US-listed	Stock Intl-listed	EEM		• Dividend incurs int'l withholding tax, not recoverable. • Dividend incurs no US withholding tax.	
Canadian Fixed Income						
Product	Product Exchange	UnderlyingHolding* (Holding Exchange)	ETF Example	Taxable Account	Taxable Deferred Account (RRSP)	Taxable-Free Account (TFSA)
ETF (Bond)	CDN-listed	N/A	N/A	• Interest is fully taxable. • Bonds trading at a premium are particularly tax-inefficient.	• Interest is not taxed.	• Interest is not taxed.
ETF (Pref)	CDN-listed	N/A	N/A	• Dividend eligible for a tax credit.	• Dividends are not taxed.	• Dividends are not taxed.

* It is assumed that if the underlying holding is another ETF, the latter ETF holds individual stocks.