

Skye Collyer

Hi, I'm Skye Collyer, Vice President, Business Development at Horizons ETFs. Welcome to our latest episode of Generation ETFs, where we're dedicated to exploring everything you need to know about ETF investing. Today is a very special episode for our listeners, as we're just days away from the countdown to the official launch of our 10th edition of the Biggest Winner Trading Competition. This is a highly anticipated simulated ETF trading contest. And this year marks a milestone, it is our 10th edition of the contest. So, we're going to help you get ready, set, go for what could be our biggest Biggest Winner yet.

Skye Collyer

Here are the details. The trading competition is six weeks long, running May 31st to July 9th, with \$13,000 in cash prizes to be won. You get started with \$100,000 in virtual cash to trade TSX listed ETFs in our simulated, risk-free trading environment. Then it's up to you to trade and grow the portfolio to generate the highest six-week performance return. The champion wins a \$7,500 cash grand prize, the runner-up takes home a cool \$2,500 in cash. And what's more, there's also \$500 awarded to the weekly champion for each six weeks, so it means it's never too late to sign up over the six-week contest.

Skye Collyer

The Biggest Winner Trading Competition is supported by National Bank Direct Brokerage as our sponsor. Joining me today is Roger Chandhok, Director of Equity Derivatives at National Bank Financial. Roger provides coverage for ETF investors from the ETF sales and trading desk, and oversees the publication of the daily and weekly ETF industry commentary, which is a must read for those following Canada's ETF sector. Thanks so much for joining us today, Roger.

Roger Chandhok

Thank you very much for having me. I'm so glad National Bank can be part of this.

Skye Collyer

Let's talk about trading ETFs. They're used by millions of investors and are one of the fastest growing investment products globally. But what are some of the key features investors need to know if they're just getting started or if they're looking to hone and build their knowledge about ETFs in general?

Roger Chandhok

Sure. Yeah. I guess traditionally speaking, do-it-yourself investors would go on their brokerage sites or their online brokerage sites, and they trade single securities, usually stocks or equities. Now the beauty about ETFs is they trade like stocks on the stock exchanges and you can trade them on your online platforms. The difference, however, is that they typically track a basket of securities or an index, right? So for example, you might have an ETF, which is one ticker, but it tracks the S&P 500[®] Index or the S&P/TSX 60[™] Index.

Roger Chandhok

And there has been so much innovation over the past few years that now there are so many ETFs, there are over 1,000 now in Canada. There are ETFs, for example, if you wanted to track the Canadian oil and gas space or global technology stocks, for example. There's ETFs for different commodities. We even have cryptocurrency ETFs now, Bitcoin and Ethereum, so there's so much choice out there. Good thing to remember though about ETFs is that instead of like stocks where you're buying a single company, here you tend to be buying a basket of securities.

Skye Collyer

Yeah. That diversity is so important. And when you're actually doing the buying and selling of the ETFs on the day, you look at this thing called NAV. What is NAV and why is it important?

Roger Chandhok

Yeah, so NAV is, I guess, a term that gets thrown around a lot. It's your net asset value of the fund, which is essentially the value of the fund at the end of the day, what's it worth? Investors always want to know what a fund is worth, it's a very important metric. If you want to, for example, track your performance over time, NAV is something you would use for that. And also just as a sanity check. If you're trading the ETF, you want to get an idea if your trading it around what it's worth. Beauty about an ETF though is you don't have to wait for the end of the day, you can trade it all day, every day when markets are open.

Roger Chandhok

And investors are concerned, are they getting a fair price? You can rest assured that you are. There are professional money market makers that are posting bids and offers in the market on the exchanges that are reflective of the value of the underlying portfolios in those funds. So if those portfolios are moving around in the day, the ETFs will always track very closely to the value of the underlying portfolios.

Skye Collyer

You're getting pretty much real-time trading data. Yeah. And so, I guess this falls into my next question regarding liquidity. Can you talk to us about volume and liquidity and how that works with ETFs?

Roger Chandhok

Sure. Yeah. So liquidity is, for your do-it-yourself investors, liquidity is never really an issue. It's not something to be concerned about. It is a consideration for some of your large institutional portfolio managers who are trading many millions of dollars throughout the day, but for your

do-it-yourself investors, it's not a problem. So, one, there are professional market makers, as I mentioned, who are posting bids and offers and trading the ETF, and they're accessing the underlying markets, the underlying portfolios. So all the individual stocks inside a portfolio trade millions of dollars every day, so there's a lot of liquidity there. On top of that, the ETFs trade on the exchanges, so there are a lot of other market participants buying and selling the actual ETF units. So once you put all this together, you get ETFs that have extremely large liquidity profiles. So for your do-it-yourself investors, liquidity should not be a concern.

Skye Collyer

That's great to know. And I guess the question that's always on investors' minds are fees. Talk to us about management fees when it comes to ETFs.

Roger Chandhok

Sure. Well, for a competition like this, which is very short-term, and you're looking to get access to investments that will help you hit a home run in terms of short-term returns, fees probably wouldn't be my priority or something to look at. But if you're looking to invest long-term for retirement or perhaps an asset like a home purchase in a few years, then yes, fees should absolutely matter to you. The management fee is basically the amount that's taken out of the fund and used to pay the manager of the fund. So if you're comparing for your long-term investments to similar products, and the fees are very different, the management fee is something that you should definitely prioritize in your decision-making process.

Skye Collyer

Thanks for that. Yeah, we covered a lot. We talked fees, we talked diversification, NAV and price for real-time trading data, of course, intraday liquidity. So when you kind of walk us through that, it makes buying and selling ETFs sound pretty straightforward, but I'm sure our investors are wondering if you have any key tips and tricks you can share for investors who want to make the most of their ETF trading experience, whether it's for the Biggest Winner Trading Competition or just for their own portfolio.

Roger Chandhok

Absolutely. We call this good trading hygiene. We throw that term around a lot, and we do have a few tips for retail investors. A few come to mind. So first one is use limit orders and not market orders. Just for example, if you see an ETF that you want to buy and you're see it trading around \$10.25, put your limit order around there and don't enter a market order. So the limit order will prevent you from buying it much higher than you'd like, or selling it much lower than you'd like. So definitely use limit orders.

Roger Chandhok

Another tip, I guess, is to avoid trading right after the market opens at 9:30. Markets tend to be a little bit volatile at the open. There could be overnight news or other things that are causing markets to be a little bit more volatile at the open. And because of that, ETFs bid offer spreads might be a little bit wider right after the open. After a few minutes, after this market settled down and this price discovery mechanism takes effect and the bid offer spreads of ETFs will start to tighten up. So you should wait anywhere from a few seconds to 10 minutes, depending on the ETF. But yeah, absolutely wait a few minutes.

Roger Chandhok

Another tip I would say is pay attention to the underlying portfolio of the ETF that you're investing in. You could be trading an ETF that's listed on a Canadian stock exchange, but hold securities that are in other areas. So if you're holding a U.S. equity ETF, you might want to look at when there's holidays. So I know Independence Day is coming up, that's a day when U.S. markets are closed, but those ETFs are still going to trade in Canada. So you might want to look at the bid offer spreads on that day. They might be a little wider, you might think, "Well, is it good to trade today or should I perhaps wait till tomorrow?" So bottom line, pay attention to the portfolio inside the ETF.

Skye Collyer

Awesome tips. Thanks so much, Roger. Yeah. I mean, being aware of timing your trades, using limit orders, these are key to making the most of your trading experience. Now, for our listeners looking to take home the champion prize, it's \$7,500 in cash, what would you say are some of the key strategies they'll want to keep in mind to deliver the top performance return over that six-week completion period? Bearing in mind, of course, it's a risk-free, simulated trading environment, so the sky's the limit.

Roger Chandhok

Yeah. I guess there are a number of ways you can go about this. But I guess maybe one approach would be to view your investment universe in asset classes, right? So there are equities, there are bonds and fixed income, there's commodities, there's alternative investments. And within these categories, you want to find investments that you think are going to do very well in the near-term, the next few weeks. You probably want to look within the equity category, because certainly there's some categories in there that could do very well. There are very niche exposures now that you can get with the ETFs, like disruptive innovation, clean energy, things like that. Commodities might be an interesting area.

Roger Chandhok

Now, one great tool for a competition like this, since you are using virtual money, are your leveraged or inverse ETFs, which provide two times the daily return of an index or a commodity or negative daily returns. And from what I know, in past years in this competition, people who have done very well in this competition have used those quite a bit. So those might be some interesting tools. Oh, and I should also mention there even cryptocurrency ETFs. Bitcoin has been known to have huge swings, so that might be another good option for you.

Skye Collyer

Those are great ideas. Yeah, I'll just jump in to remind our listeners that Horizons is the only provider of leveraged, inverse, and inverse leveraged ETFs in Canada. We call those our BetaPro ETFs. So if you've ever been afraid to bet your savings on a bullish or bearish view of oil, gold, nat gas, Bitcoin, as Roger pointed out, now's your chance. This is a risk-free, simulated environment to have fun and really hone your trading skills.

Roger Chandhok

Yeah, I agree. I think this is an excellent opportunity to learn, and I look forward to competing with all of you. I'll join this as well. I've joined this competition in the past. I haven't done very well in any years. I guess I have a little bit of a conservative approach, so maybe this year I'll be a little bit more aggressive. So I'm looking forward to it.

Skye Collyer

That's great, as am I. And let the best trader win. Thank you so much, Roger, for your time, and to National Bank for your sponsorship. We're really looking forward to this year's Biggest Winner Trading Competition. So to date we've hosted tens of thousands of Canadians in the Biggest Winner and have awarded more than \$100,000 in real cash prizes. So again, if you haven't already signed up, the virtual trading competition is officially open to register now, and we hope you'll join us for this year's Biggest Winner 10, which could be our biggest Biggest Winner yet.

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by Mirae Asset

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