



## TD US\$ ETF Series Extension



- On April 5, 2022, TD Asset Management Inc. (TDAM) expanded their ETF lineup by adding a US\$ series to 5 existing ETFs: TGED.U, TUED.U, TEC.U, TDOC.U, and TPU.U
- This US\$ series extension provides investors with more options and flexibility to invest in our most innovative ETFs
- Keep reading below for further information regarding what was launched and how this series can benefit Canadian investors

### Q: What was launched and what other US\$ ETFs are available?

On April 5, 2022 TDAM added 5 new US\$ series options. These ETFs are a series extension of previously available ETFs. Below are the new and existing ETFs available now in a US\$ series.

#### New



TD Active Global Enhanced Dividend ETF - US\$ >



TD Active U.S. Enhanced Dividend ETF - US\$ >



TD Global Technology Leaders Index ETF - US\$ >



TD Global Healthcare Leaders Index ETF - US\$ >



TD U.S. Equity Index ETF - US\$ >

#### Existing



TD Select US Short Term Corporate Bond Ladder ETF - US\$ >

## Q: Why were these ETFs chosen to offer a US\$ Series?

1. **You asked and we delivered.** To satisfy the increasing demand for currency alternatives by Canadian investors, we are expanding our product shelf to include more US\$ options.
2. These five ETFs each have **significant exposure to US\$ securities** in their underlying portfolio.
3. These ETFs are among our most popular and **innovative strategies**, and now with **added flexibility** for our clients with the addition of a US\$ Series.

## Q: Benefits of US\$ denominated, Canadian-listed ETFs?

1. **No Foreign Currency Conversion Fees**
  - a. Allows investors to use their U.S. dollars to buy Canadian-listed US\$ investments directly rather than incurring foreign exchange fees when converting into CAD.
2. **Tax Advantages**
  - a. Avoid U.S. Estate Taxes
    - i. When an investor owns U.S.-listed ETFs, they may be exposed to U.S. estate taxes on the value of the ETFs whereas a Canadian-listed US\$ ETF holding the same securities is not subject to U.S. Estate tax.
  - b. Unrecoverable vs. Recoverable Foreign Withholding Tax in an Unregistered Account
    - i. If a Canadian investor owns a U.S.-listed ETF that owns foreign stocks, foreign withholding taxes may apply. While the applicable U.S. withholding tax may be recovered by claiming the U.S. withholding tax as a foreign tax credit, the additional foreign withholding tax **is not recoverable**.
    - ii. If a Canadian investor owns a Canadian-listed ETF that owns foreign stocks, foreign withholding taxes may apply and **are recoverable** (up to the applicable tax treaty amount) by claiming foreign tax credits.

**\*\*NOTE\*\*** Always check the underlying holdings of Canadian-listed ETFs. If a Canadian-listed ETF holds a U.S.-listed ETF as opposed to holding the individual securities, the same rules of directly holding the U.S.-listed ETF may apply, and as a result the foreign withholding taxes may not be recoverable.

- c. Avoid Filing T1135
  - i. Form T1135 is a mandatory filing for any Canadian with certain foreign property with a cumulative total **cost** over \$100,000 (CAD).

### What would need to be reported

#### U.S.-listed ETFs or mutual funds such as:

- SPY
- QQQ
- VOO

#### Securities traded on the U.S. exchanges such as:

- AAPL
- AMZN
- TSLA

### What does not need to be reported

#### U.S.-listed ETFs or mutual funds such as:

- Canadian-listed ETFs
- Canadian-listed mutual funds

### 3. US\$ Income

- a. Any income from a TD US\$ ETF will be paid out in US\$, again helping to avoid foreign currency conversion fees. This differs from some US\$ purchase options offered by mutual funds where the currency of the investment might be in US\$, but any income may still be in CAD.

## Q: How do you determine the Net Asset Value (NAV) on the US\$ Series?

The underlying securities of the funds are valued using standard valuation practices in their local currencies first. To obtain the Canadian dollar NAV, each underlying security is converted to CAD using the appropriate exchange rate. The USD NAV will be calculated based on the CAD version of the ETF daily.

For example, if the fund's underlying holdings added up to USD \$100 and the FX rate from USD to CAD was 1.28, the underlying holdings of the fund when converted to CAD would then be worth \$128 CAD. For the USD NAV, the CAD NAV is referenced and the \$128 is converted back to \$100 for the purpose of the USD NAV. Note that the FX rates used for valuation purposes are the same rate both ways. There is no spread applied.

**Note:** This is only for price determination. There is no actual conversion taking place, and no fees are being charged.

## Q: Typical situations that can benefit from US\$ Canadian ETFs?

### 1. Canadians with U.S. dollars to invest

- a. Any Canadian who has U.S. dollars could benefit from US\$ ETFs, as they can avoid both conversion fees and potential adverse tax consequences.

### 2. Snowbirds

- a. Many Canadians travel during the winter months or may have second homes in the U.S. or abroad. Because of this, they may have bank accounts in the U.S. and might have significant amounts of US\$. Many investors find it easier to invest directly in the U.S. stock market despite having their primary residence in Canada. A conversation with an investment professional could help investors determine if the benefits of investing in US\$ Canadian-listed ETFs are a better solution for their needs.

### 3. Own well-known U.S.-listed ETFs

- a. Many clients in Canada are familiar with U.S.-listed tickers that have exposure to the likes of the S&P 500 (SPY) or the NASDAQ-100 (QQQ), however they may be missing out on the benefits of using Canadian-listed ETFs instead for similar exposure.
- b. Here are some common exposures that TD now offers in US\$ ETF solutions:
  - i. Top 500 U.S. Large Cap Companies – **TPU.U**
  - ii. Broad Technology – **TEC.U**
  - iii. Broad Healthcare – **TDOC.U**
  - iv. Active U.S. Enhanced Dividend Strategy – **TUED.U**
  - v. Active Global Enhanced Dividend Strategy – **TGED.U**

# Investments

For information about TD ETFs, including general information about ETFs, visit [TD.com/ETFs](https://www.td.com/ETFs) or speak to your investment professional

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