

# NEO EXCHANGE

## CDRs - CANADIAN DEPOSITARY RECEIPTS™

Buy U.S. Stocks, in Canadian Dollars

### A More Canadian Approach

Canada represents just over 3% of the world's capital markets.<sup>1</sup> This means that investors who limit their investments to domestic markets could be missing out on up to 97% of investment opportunities globally. In order for Canadian investors to geographically diversify their investments they face both foreign exchange costs in order to purchase stocks in a foreign currency and exchange rate risk from holding stocks traded in a foreign currency. Canadian Depositary Receipts™ (CDRs) are an investment product that addresses these issues by reducing the barriers and costs associated with global investing, making it easy for Canadian investors to gain exposure to the world's markets.



Exposure to U.S. stocks in Canadian Dollars



More affordable access to the world's largest companies



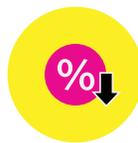
Buy or sell like any ordinary stock or ETF



Eliminates need to convert Canadian Dollars into US Dollars



Offers protection against currency fluctuations



Low foreign exchange costs

There is a diverse selection of CDRs available to trade in the Canadian market, which can be found on the CDR Directory page of the [CDR website](#). You can invest in recognizable companies such as Apple, Walt Disney, Berkshire Hathaway, Amazon and more.

### Key Features of CDRs

#### Trades in Canadian Dollars

Each CDR trades on a Canadian stock exchange in Canadian Dollars. This means that Canadian investors do not need to convert their Canadian dollars to U.S. Dollars in order to get exposure to U.S. companies.

#### Lower trading price

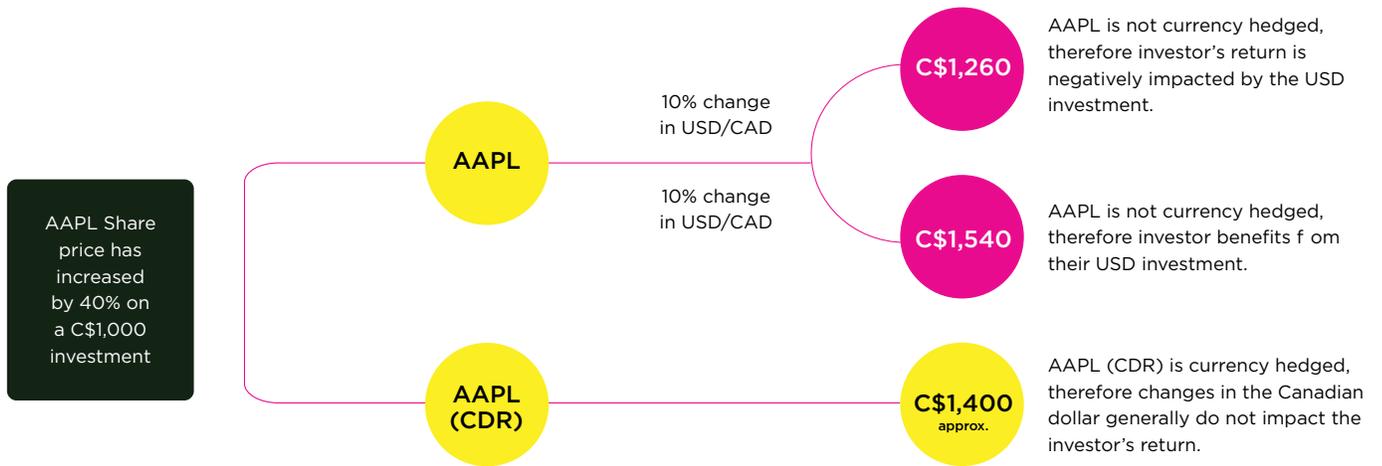
Each CDR represents fractional ownership of the underlying foreign share (the "CDR Ratio"). When CDRs are initially listed on an exchange, the price per CDR is set at approximately \$20 CAD. In comparison, shares of many of the largest companies in the world trade at significantly higher prices. CDRs make investing in these companies more accessible to the average investor.

#### Offers protection against currency fluctuations

When Canadian investors directly purchase foreign shares they not only have exposure to changes in the share price but also to the volatility of the foreign currency. CDRs have an embedded notional currency hedge to mitigate this risk. The CDR ratio is adjusted daily to account for the notional currency hedge. For example, for CDRs representing interests in U.S. shares, if the Canadian Dollar increases in value compared to U.S. dollars, then the notional hedge protects the CDR investor and the CDR Ratio is adjusted to represent a larger number of underlying shares for each CDR. Conversely, if the Canadian Dollar decreases in value compared to U.S. Dollars, the CDR Ratio is adjusted to represent a smaller number of underlying shares for each CDR.

The diagram below illustrates how the notional currency hedge works. In these examples a Canadian investor's hypothetical Canadian Dollar returns from purchasing Apple Inc. shares (AAPL) in U.S. Dollars are compared to returns from purchasing Apple CDRs (AAPL (CDR)) in Canadian Dollars. With CDRs, changes in the exchange rate do not impact an investor's Canadian Dollar returns due to the notional currency hedge (though some tracking discrepancies may arise due to the spread embedded in the notional FX forward rate used to provide the hedge, as well as the difference between short-term interest rates in the United States and Canada). Instead of considering returns on the shares and changes in the USD/CAD exchange rate, investors can just focus on the share performance.

"Canadian Depositary Receipt" and "CDR" are trademarks of Canadian Imperial Bank of Commerce, used under license by NEO Exchange Inc.



### What is a CDR ratio?

Each CDR is economically equivalent to owning a fractional number of shares of a global company's stock. The specific number of shares that each CDR represents is called the "CDR Ratio." For example, if the CDR Ratio is 0.20, this means that an investor would have to purchase 5 CDRs to obtain the economic equivalent of owning 1 underlying share.

### Do I have voting rights?

CDR investors will be entitled to indicate how to exercise voting rights on the underlying shares by giving CIBC instructions through CIBC's online voting portal at [cdr.cibc.com](http://cdr.cibc.com). CIBC, as the Depositary, will then use its commercially reasonable best efforts to vote the underlying shares in accordance with the investors' instructions. The number of shares each investor can vote will depend on how many CDRs they hold and how many shares each CDR reflects (i.e., based on the CDR Ratio).

### What are the tax implications?

Every investor must consider their own tax advice and CIBC does not offer tax advice. It is the expectation that the Canadian tax consequences of owning CDRs will be the same as if the investor held the underlying security directly. Taxes may be withheld by the CDR company's local or national government or tax authority. For example, for an underlying security issued out of the U.S., an investor may be subject to U.S. withholding taxes. For this purpose, an investor should provide their broker-dealer an applicable U.S. Internal Revenue Service Form W-8 (i.e., Form W-8BEN for Individuals, W-8BEN-E for Entities, etc.).

No United States person within the meaning of Section 7701(a)(30) of the U.S. Internal Revenue Code (a "U.S. Person") may be a Holder of CDRs of any Series or enter into any transaction for the purchase or acquisition of CDRs of any Series.

CDRs are qualified investments that can be held in TFSAs, RRSPs, RRIFFs, RESPs, DPSPs and RDSPs.

### Will I receive dividends?

Any dividends paid on the reference shares underlying CDRs will be paid to CDR investors in Canadian Dollars, which may be subject to withholding in the same manner as if the underlying shares were directly held by the investor. - See the discussion below regarding tax implications.

### Is it easy to buy and sell CDRs?

Each Series of CDRs is listed on a Canadian stock exchange, and CDRs can be traded like other stocks and ETFs.

The liquidity of a common share of a company is based on the average daily traded volume on the exchange. Generally, liquidity is the ability to buy or sell an asset easily and at a fair price. With CDRs, instead of just looking at the CDR's average daily traded volume to determine liquidity, it is important to consider the volume traded on the underlying company's share. This is similar to the trading mechanics that apply for exchange-traded-funds (ETFs). In order to provide market liquidity CDRs will reference highly liquid global shares that trade on major exchanges.

Best practices when buying or selling CDRs are similar to those for ETFs. In particular, investors may wish to consider placing a limit order, which specifies the price at which the investor is willing to buy or sell the CDRs, but investors also have the option to place market orders to buy or sell CDRs. Market orders are filled as soon as possible at the currently available price quoted on the Canadian stock exchange.

### Are there any fees?

While CDRs do not have any ongoing management fees, CIBC earns revenue for providing the notional currency hedge. The FX forward rate used for the notional currency hedge will on average have a spread of less than 0.50% per year. This FX forward rate is posted daily to the directory on the [CDR website](#).

## About the NEO Exchange

The NEO Exchange is Canada's Tier 1 stock exchange for the innovation economy, bringing together investors and capital raisers within a fair, liquid, efficient, and service-oriented environment. Fully operational since June 2015, NEO puts investors first and provides access to trading across all Canadian-listed securities on a level playing field. NEO lists companies and investment products seeking an internationally recognized stock exchange that enables investor trust, quality liquidity, and broad awareness including unfettered access to market data.

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## CDRs Now Trading on NEO

### Communication Services

SYMBOL	NAME
DIS	WALT DISNEY CDR (CAD HEDGED)
GOOG	ALPHABET INC. CDR (CAD HEDGED)
MVRS	META CDR (CAD HEDGED)
NFLX	NETFLIX CDR (CAD HEDGED)
VZ	VERIZON CDR (CAD HEDGED)

### Consumer Discretionary

SYMBOL	NAME
AMZN	AMAZON.COM CDR (CAD HEDGED)
HD	HOME DEPOT CDR (CAD HEDGED)
MCDS	MCDONALDS CDR (CAD HEDGED)
NKE	NIKE CDR (CAD HEDGED)
SBUX	STARBUCKS CDR (CAD HEDGED)
TSLA	TSLA CDR (CAD HEDGED)

### Consumer Staples

SYMBOL	NAME
COLA	COCA-COLA CDR (CAD HEDGED)
COST	COSTCO CDR (CAD HEDGED)
PG	PROCTOR & GAMBLE CDR (CAD HEDGED)
WMT	WALMART CDR (CAD HEDGED)

### Financials

SYMBOL	NAME
BOFA	BANK OF AMERICA CDR (CAD HEDGED)
BRK	BERKSHIRE HATHAWAY CDR (CAD HEDGED)
GS	GOLDMAN SACHS CDR (CAD HEDGED)
JPM	JPMORGAN CDR (CAD HEDGED)
MA	MASTERCARD CDR (CAD HEDGED)
PYPL	PAYPAL CDR (CAD HEDGED)
VISA	VISA CDR (CAD HEDGED)

### Healthcare

SYMBOL	NAME
ABBV	ABBVIE CDR (CAD HEDGED)
CVS	CVS PHARMACY CDR (CAD HEDGED)
PFE	PFIZER CDR (CAD HEDGED)
UNH	UNITEDHEALTH CDR (CAD HEDGED)

### Information Technology

SYMBOL	NAME
AAPL	APPLE CDR (CAD HEDGED)
AMD	ADVANCED MICRO DEVICES CDR (CAD HEDGED)
CRM	SALESFORCE.COM CDR (CAD HEDGED)
CSCO	CISCO CDR (CAD HEDGED)
IBM	IBM CDR (CAD HEDGED)
MSFT	MICROSOFT CDR (CAD HEDGED)
NVDA	NVIDIA CDR (CAD HEDGED)

### Industrials

SYMBOL	NAME
HON	HONEYWELL CDR (CAD HEDGED)
UPS	UPS CDR (CAD HEDGED)

## Stay in the Know

To learn more about CDRs now trading on the NEO Exchange, [click here](#).

Stay up to date about current listings and be the first to know about upcoming CDR launches. Subscribe below.

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