

IIAC SECURITIES INDUSTRY & CAPITAL MARKETS CHARTBOOK

2009-2018



INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

PREFACE

The Investment Industry Association of Canada (IIAC) is pleased to provide this Chartbook illustrating the major trends shaping Canada's securities industry and capital markets over the past decade.

Through the financial crisis industry performance suffered as investment dealers succumbed to market headwinds and unfavourable business conditions. The result was a significant restructuring of Canada's securities industry marked by dealer consolidation, reduced employment and changes to dealer business models.

However, the industry has proven resilient, not only regaining lost ground but achieving new heights on many notable fronts.

The IIAC Chartbook illustrations reveal that the industry has played a pivotal role in expanding Canadian financial markets over the past decade and supporting the growing capital needs of the country's governments and businesses – essential building blocks for a prosperous economy. With more than \$2.5 trillion in client assets under management the industry has become a key channel for accumulating and growing investor savings.

Changing demographics, new regulations, market and macroeconomic uncertainty and the growth of digital-advice and Financial Technology (Fintech) will be just some of the forces to shape the Canadian securities industry in the years ahead. The IIAC will monitor closely how the industry confronts these challenges and we look forward to sharing our observations in a future edition of this Chartbook.

Sincerely,



Jack Rando, CFA
Managing Director
Investment Industry Association of Canada

ABOUT THE INVESTMENT INDUSTRY ASSOCIATION OF CANADA (IIAC)

THE IIAC IS THE PROFESSIONAL ASSOCIATION REPRESENTING CANADA'S SECURITIES INDUSTRY. OUR 120 MEMBER FIRMS LOCATED ACROSS CANADA SUPPORT CAPITAL RAISING, SECURITIES TRADING AND WEALTH ADVISORY. THE IIAC WORKS WITH ITS MEMBERS TO ENSURE A STRONG VOICE ON THE ISSUES THAT MATTER TO OUR INDUSTRY AND TO CANADIAN INVESTORS.

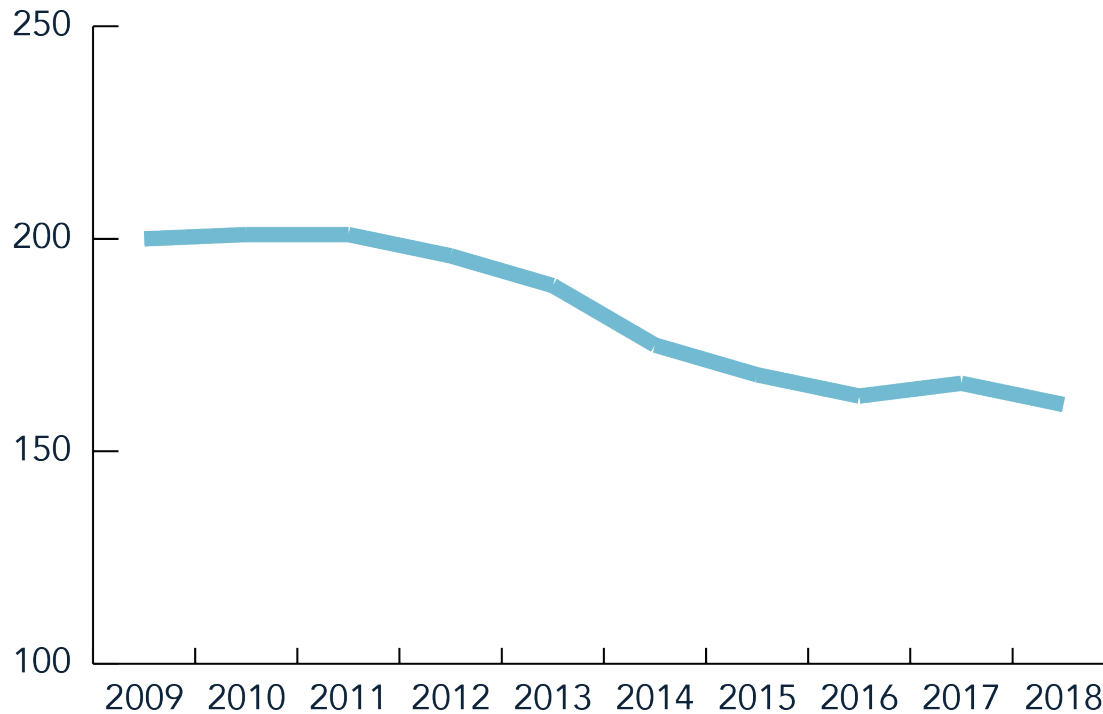


INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

SECURITIES INDUSTRY

Number of IIROC Firms

2009-2018



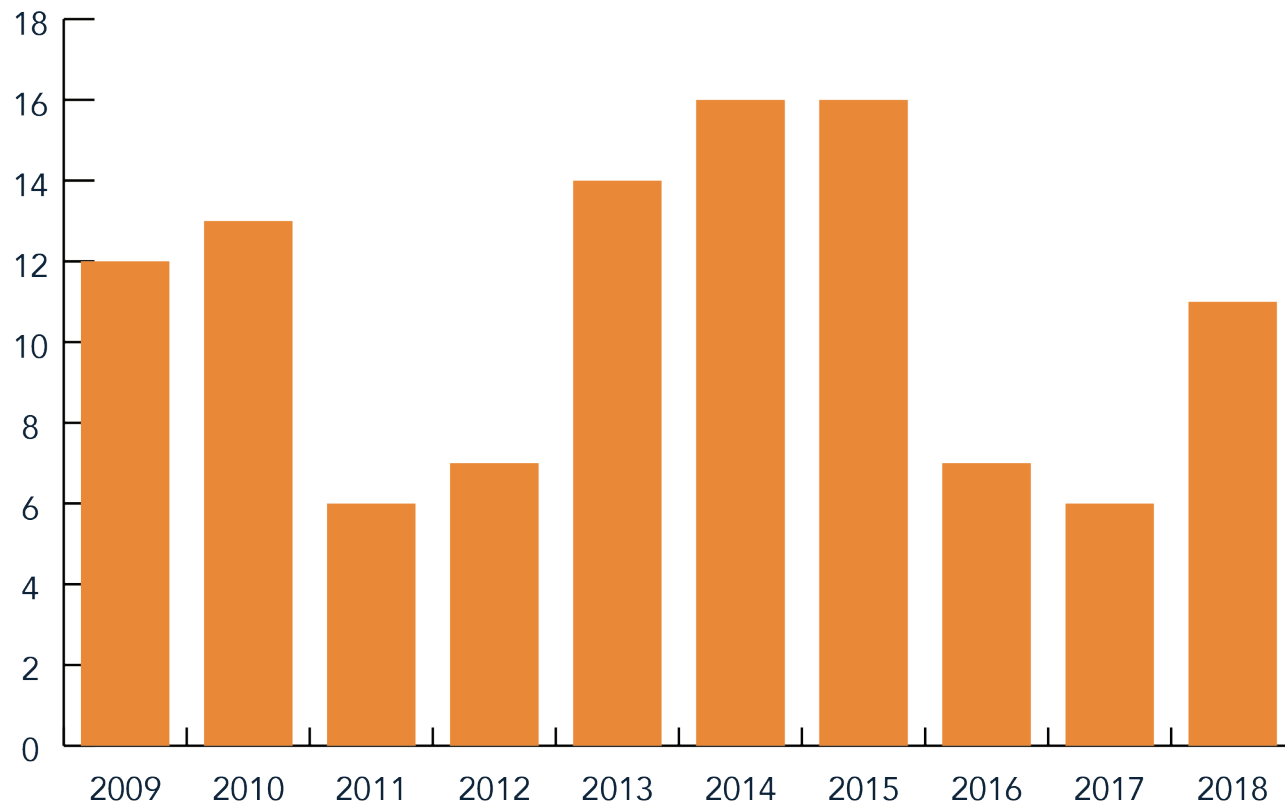
AT THE END OF 2018 THE NUMBER OF IIROC REGULATED FIRMS TOTALED 161. THIS REPRESENTS 25% FEWER FIRMS THAN THE INDUSTRY'S PEAK IN 2011. THE DECLINE IN FIRMS IS ATTRIBUTED TO SEVERAL FACTORS INCLUDING STRUCTURAL CHANGES IN THE MARKET AND DIFFICULT BUSINESS CONDITIONS FOR FIRMS IN CERTAIN SECTORS OF THE INDUSTRY.

SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

*Only includes IIROC firms filing monthly financial reports

Number of IIROC Resignations, Amalgamations, Suspensions or Terminations

2010-2018, IN \$ BILLIONS

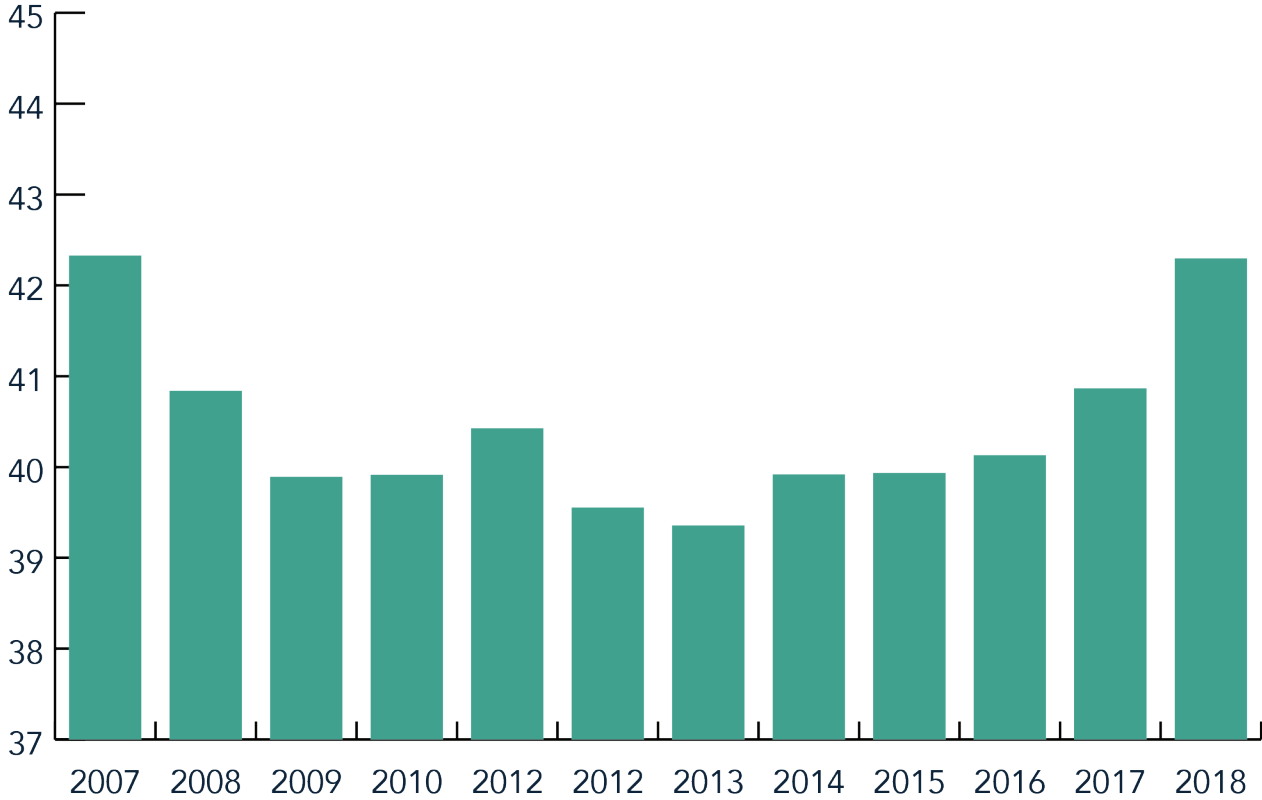


SOURCE: IIROC MEMBER NOTICES, IIAC COMPILED

SINCE THE FINANCIAL CRISIS, CANADA'S SECURITIES INDUSTRY HAS WITNESSED EXTENSIVE CONSOLIDATION AS FIRMS WITH UNSUSTAINABLE BUSINESS MODELS SHUTTERED WHILE OTHERS SOUGHT TO BUILD SCALE THROUGH ACQUISITION. OVER 100 DEALERS CLOSED, AMALGAMATED OR WERE SUSPENDED OR TERMINATED BY IIROC IN THE PAST DECADE. THE PACE OF CONSOLIDATION SLOWED IN 2016 AND 2017 BUT TICKED UP AGAIN IN 2018.

Securities Industry Total Employment in Thousands

2007 - 2018



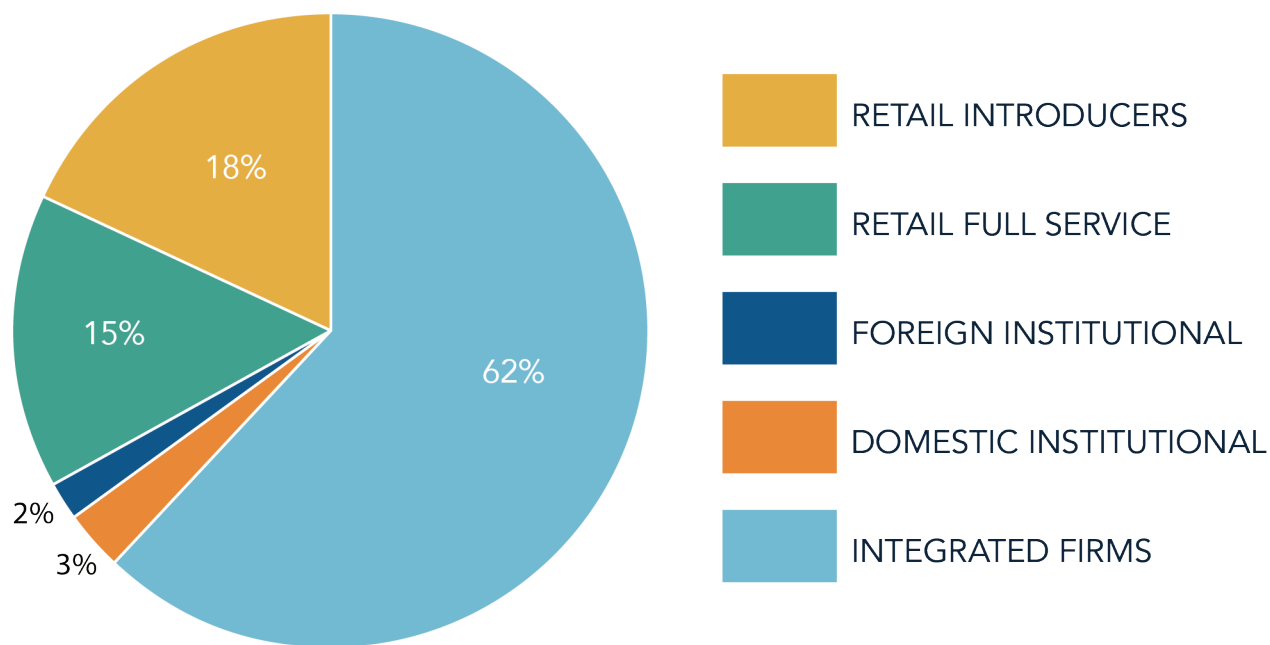
SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

INDUSTRY EMPLOYMENT

ALSO STUMBLED AFTER THE FINANCIAL CRISIS AS FIRMS SHED JOBS AND RESTRUCTURED OPERATIONS IN THE FACE OF PREVAILING BUSINESS CONDITIONS. EMPLOYMENT BOTTOMED OUT IN 2013 BUT IS NOW BACK TO PRE-CRISIS LEVELS, THIS DESPITE THE FEWER NUMBER OF INDUSTRY FIRMS.

Securities Industry Employment by Dealer Segment

2018

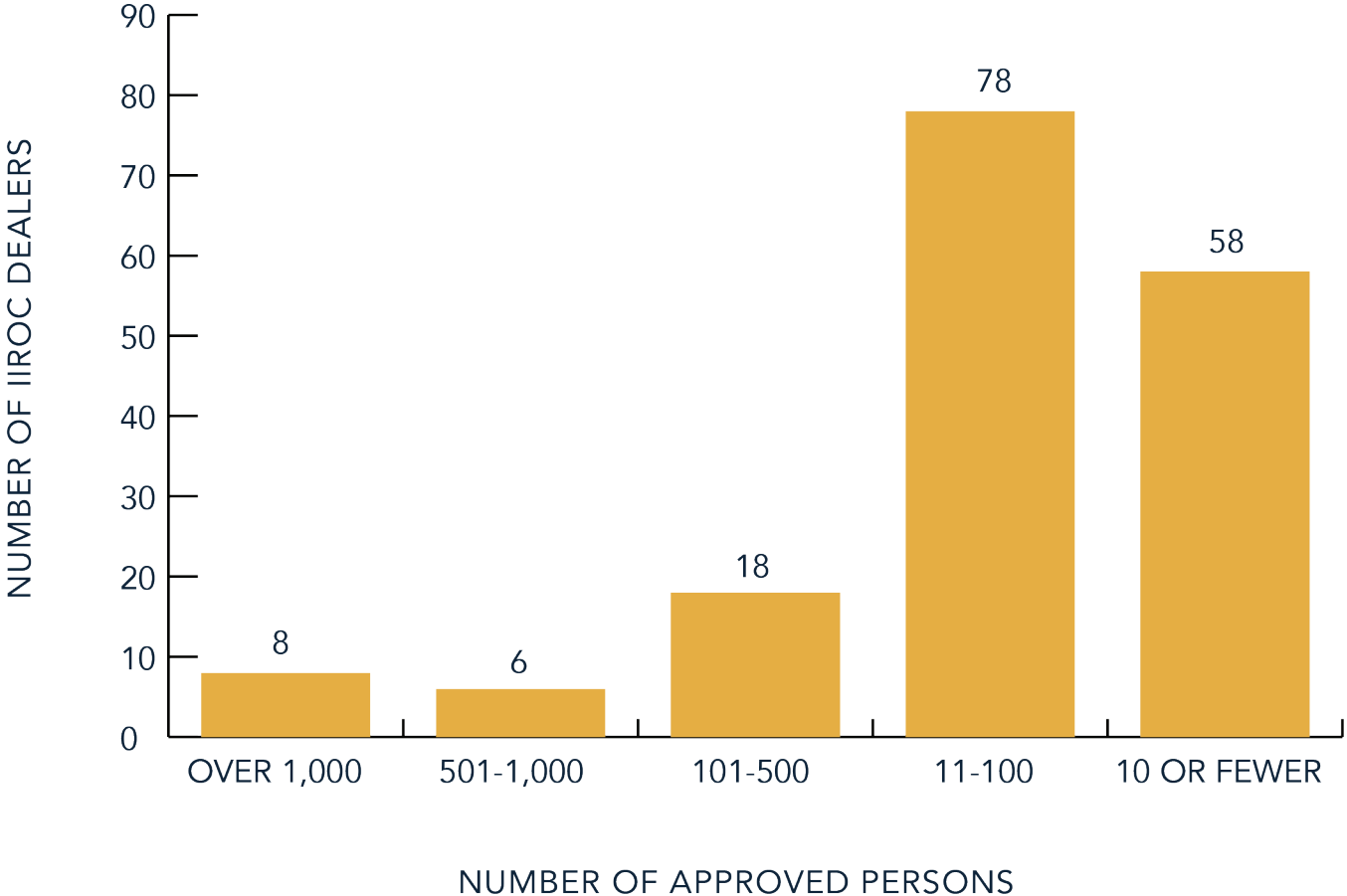


INTEGRATED FIRMS CONTINUE TO ACCOUNT FOR THE BULK (OVER 60%) OF SECURITIES INDUSTRY EMPLOYMENT. EMPLOYMENT COMPOSITION IS BELIEVED TO HAVE CHANGED CONSIDERABLY OVER THE PAST DECADE TO REFLECT THE NEW BUSINESS ENVIRONMENT. INCREASED REGULATIONS, THE ARRIVAL OF NEW TECHNOLOGIES AND HEIGHTENED ATTENTION TO CYBER-RISKS ARE JUST SOME OF THE FACTORS THAT HAVE INFLUENCED HIRING DECISIONS.

SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

IIROC Dealers by Number of Approved Persons

2018



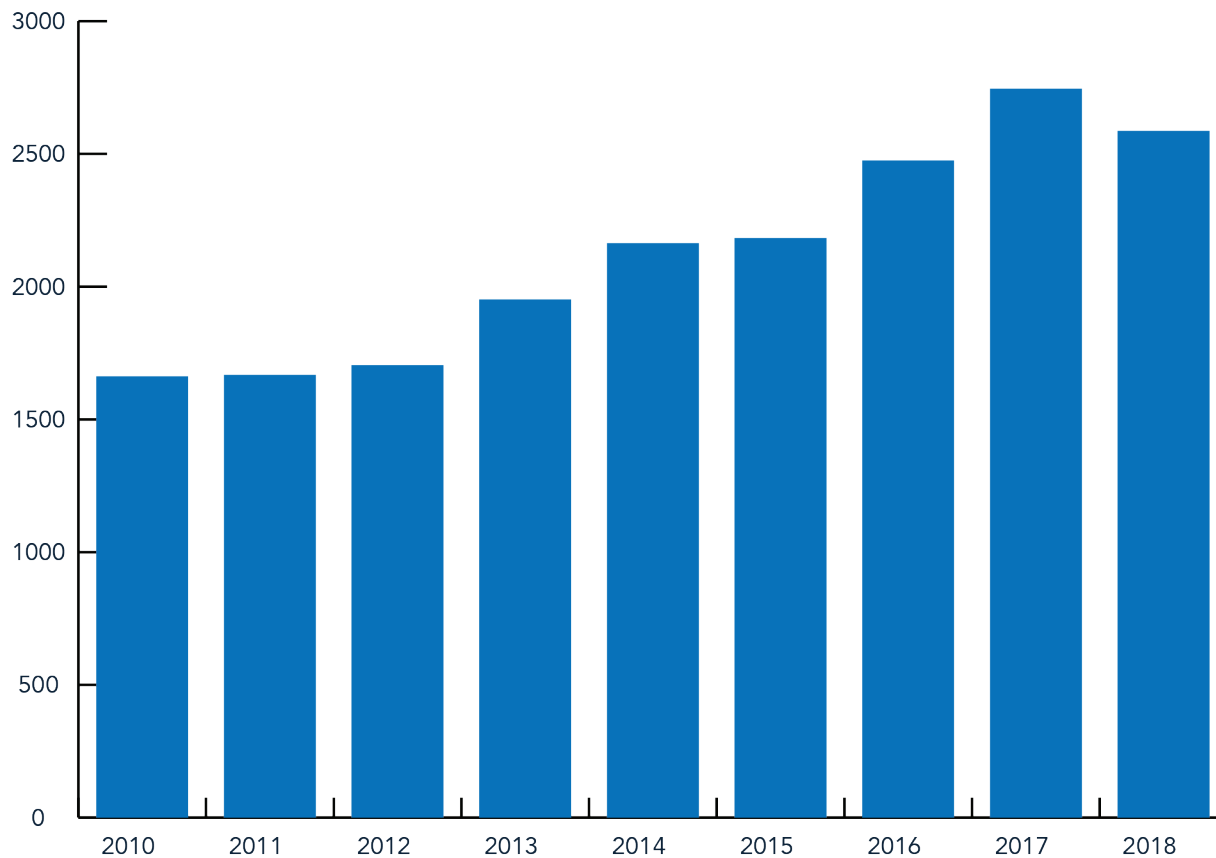
MOST INVESTMENT DEALERS

ARE SMALL IN SIZE WITH 58 FIRMS, OR APPROXIMATELY ONE THIRD OF IIROC MEMBERS, EMPLOYING TEN OR FEWER LICENSED PERSONS IN 2018. ONLY 14 FIRMS (8%) EMPLOYED MORE THAN 500 LICENSED PERSONS IN 2018.

SOURCE: IIROC ANNUAL REPORT 2017-2018

Client Assets Under Management

2010-2018, IN \$ BILLIONS

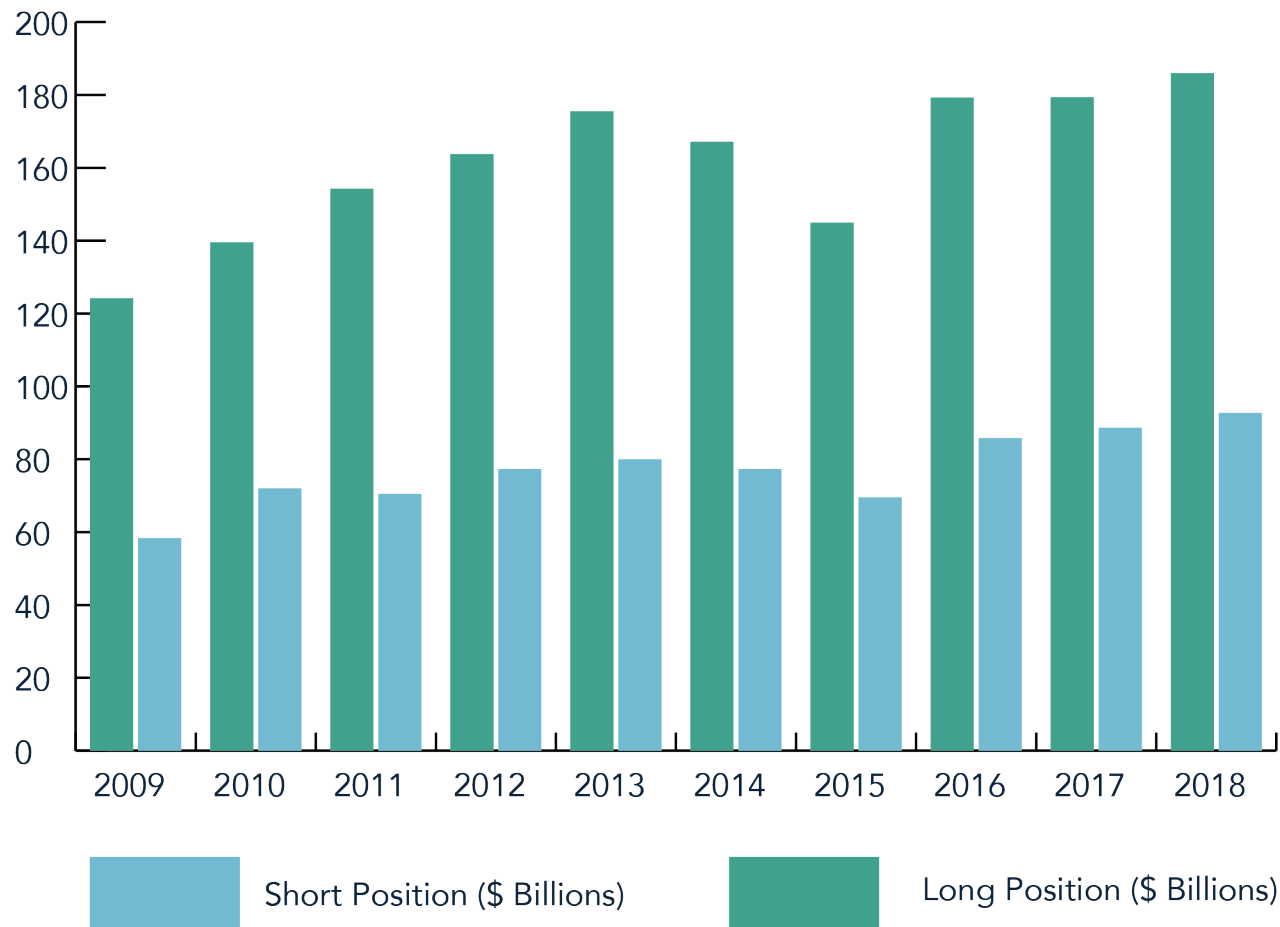


SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

THE CANADIAN SECURITIES INDUSTRY REMAINS A KEY CHANNEL FOR ACCUMULATING AND GROWING INVESTOR SAVINGS. AT THE END OF 2018 THE INDUSTRY HAD CLIENT ASSETS UNDER MANAGEMENT IN EXCESS OF \$2.5 TRILLION, A 55% INCREASE FROM 2010. THIS GROWTH IS IN PART DUE TO INDUSTRY EFFORTS IN ATTRACTING NEW, AND RETAINING EXISTING, CLIENTS. ALSO BENEFITING THE INDUSTRY HAS BEEN AN EXTENDED BULL-MARKET THAT HAS RESULTED IN A RISE IN PORTFOLIO VALUES OVER THE LAST DECADE.

Dealer Inventories – Long and Short Positions

2009-2018, IN \$ BILLIONS

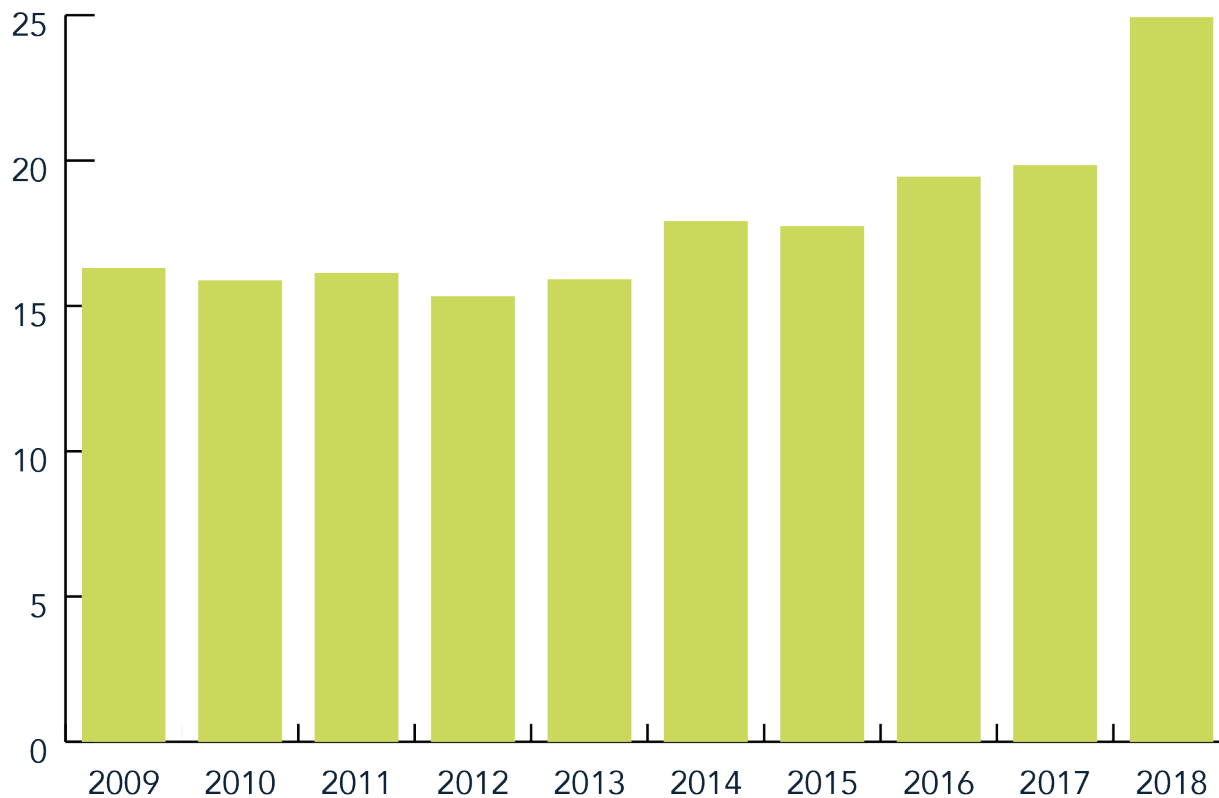


SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

INVESTORS DEPEND ON THE SECURITIES INDUSTRY EACH DAY TO SUPPORT LIQUIDITY IN DOMESTIC CAPITAL MARKETS THROUGH THE BUYING AND SELLING OF SECURITIES ON THEIR OWN ACCOUNT. AT THE END OF 2018 DEALERS HELD NEARLY \$190 BILLION IN LONG INVENTORY POSITIONS AND A FURTHER \$92 BILLION IN SHORT INVENTORY POSITIONS. RECORD LEVELS FOR BOTH. SHORT POSITIONS HAVE REMAINED ON AVERAGE AT ABOUT 50% OF THE VALUE OF LONG POSITIONS. THE RISK CAPITAL PUT UP BY DEALERS TO MAINTAIN THESE INVENTORIES IS VITAL TO OUR EFFICIENT MARKETS.

Securities Industry Total Revenue

2009-2018, IN \$ BILLIONS

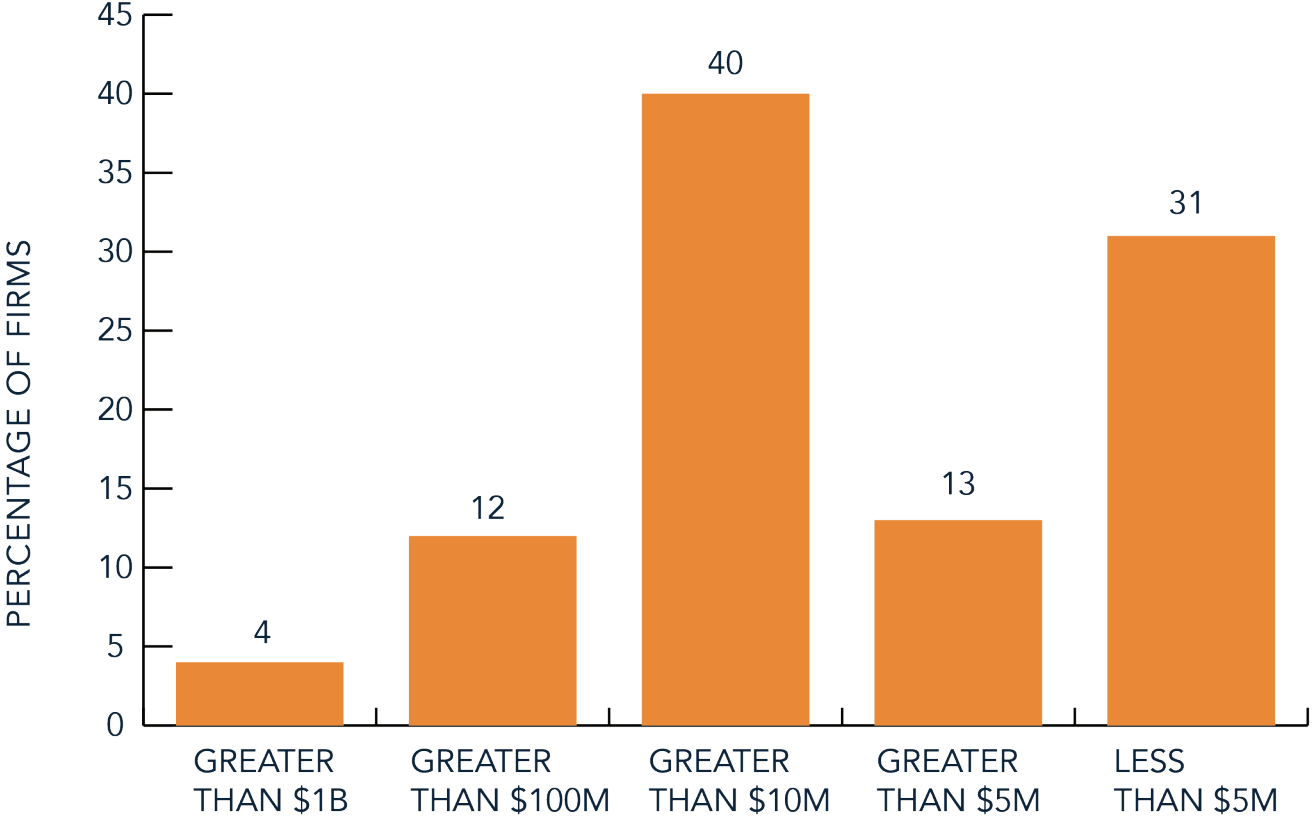


SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

IN RECENT YEARS, INDUSTRY REVENUES HAVE AGAIN STARTED TO TREND UPWARD CULMINATING IN THREE CONSECUTIVE YEARS OF RECORD LEVELS. THE \$23 BILLION EARNED IN 2018 ESTABLISHED A NEW HIGH WATERMARK FOR THE INDUSTRY. OVER THE LAST DECADE, TOTAL REVENUES IN THE SECURITIES INDUSTRY HAVE HAD A COMPOUNDED ANNUAL GROWTH RATE OF 4.3%.

IIROC Dealers by Revenue*

2018



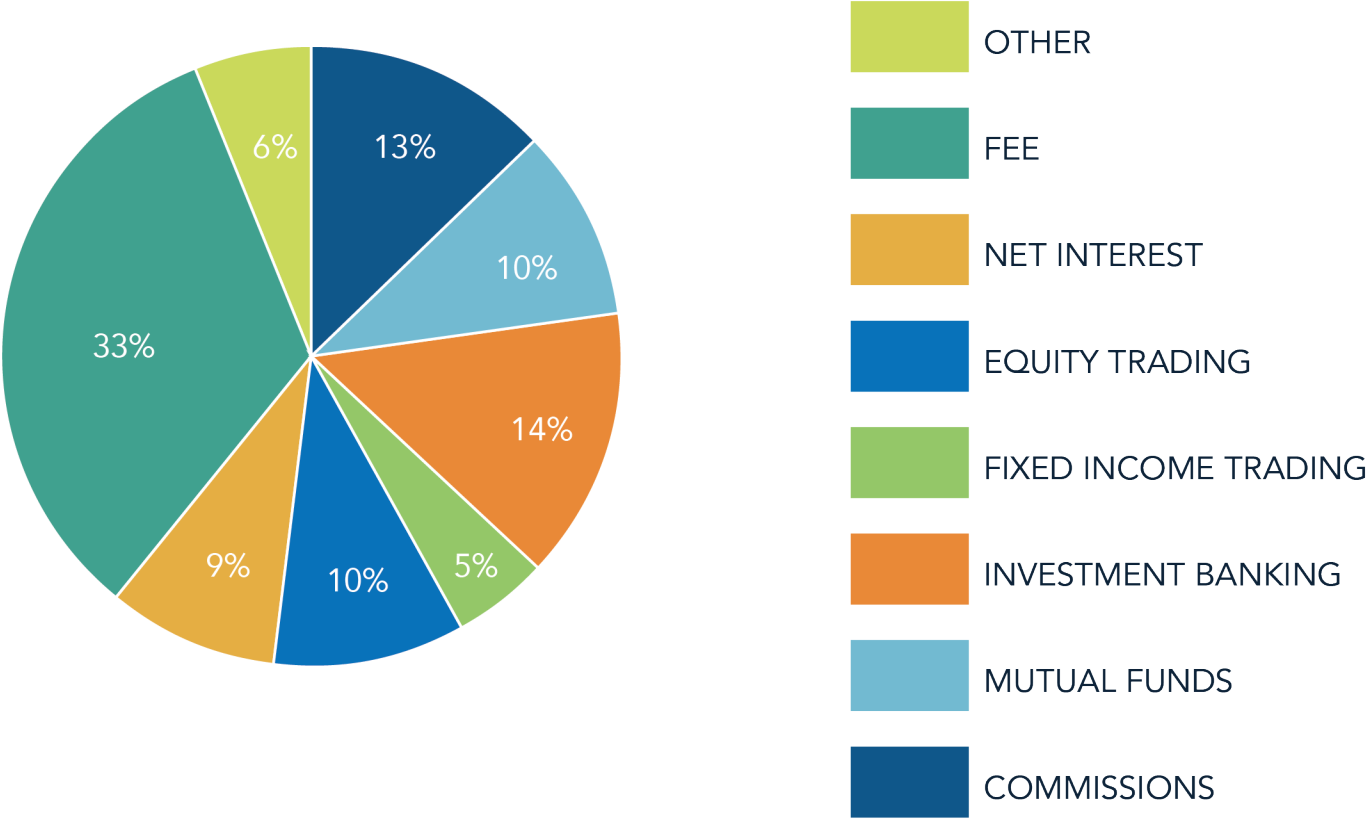
NEARLY A THIRD OF IIROC DEALERS HAD REVENUES OF JUST \$5 MILLION OR LESS IN 2018. THIS COMPARES TO 16% OF DEALERS HAVING REVENUE GREATER THAN \$100 MILLION FOR THE SAME PERIOD.

*Based on 185 IIROC Members reporting revenue between April 1, 2017 – March 31, 2018

SOURCE: IIROC ANNUAL REPORT 2017-2018

Securities Industry Total Revenue Breakdown

2018

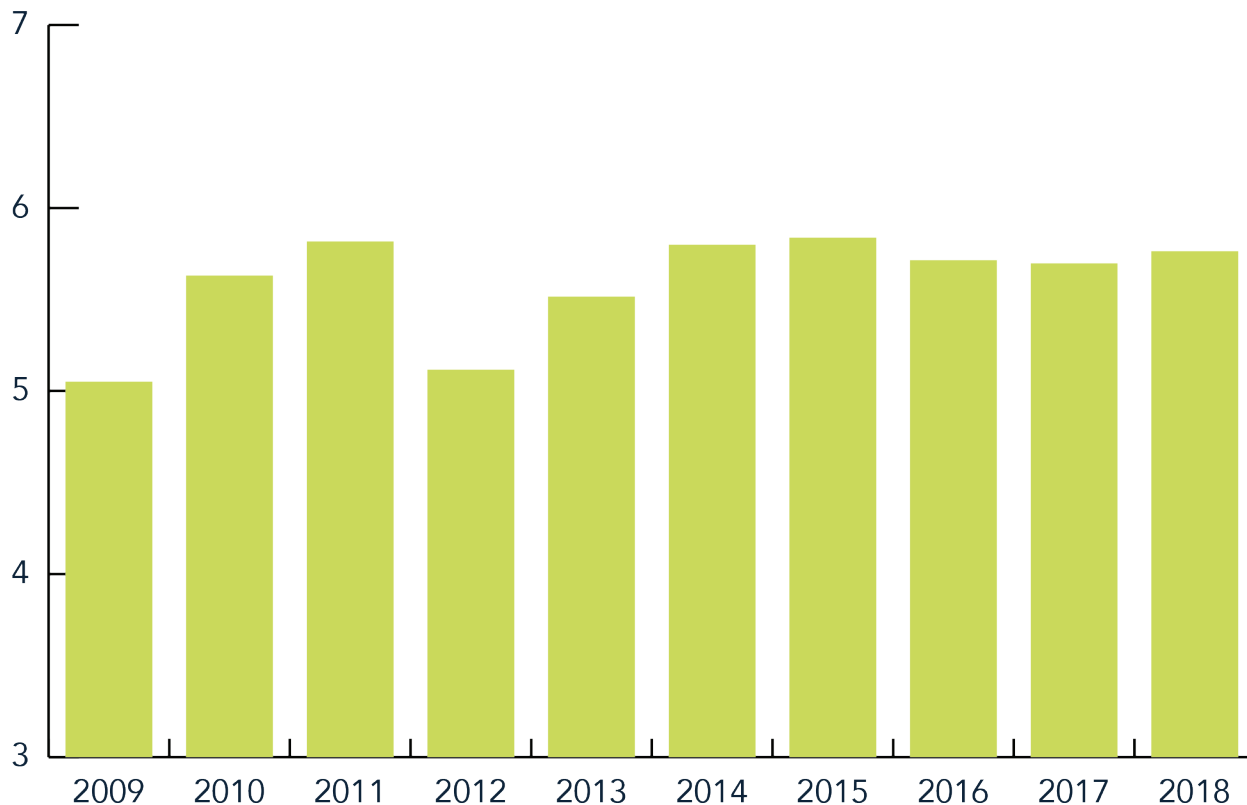


THE SECURITIES INDUSTRY'S DIVERSIFIED REVENUE STREAM HAS HELPED PROVIDE A BUFFER DURING UNSETTLED MARKET CONDITIONS. TODAY, FEE REVENUES HAVE DISPLACED COMMISSION REVENUES AS THE INDUSTRY'S LARGEST REVENUE CATEGORY.

SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

Securities Industry Total Commission Revenue

2010-2018, IN \$ BILLIONS



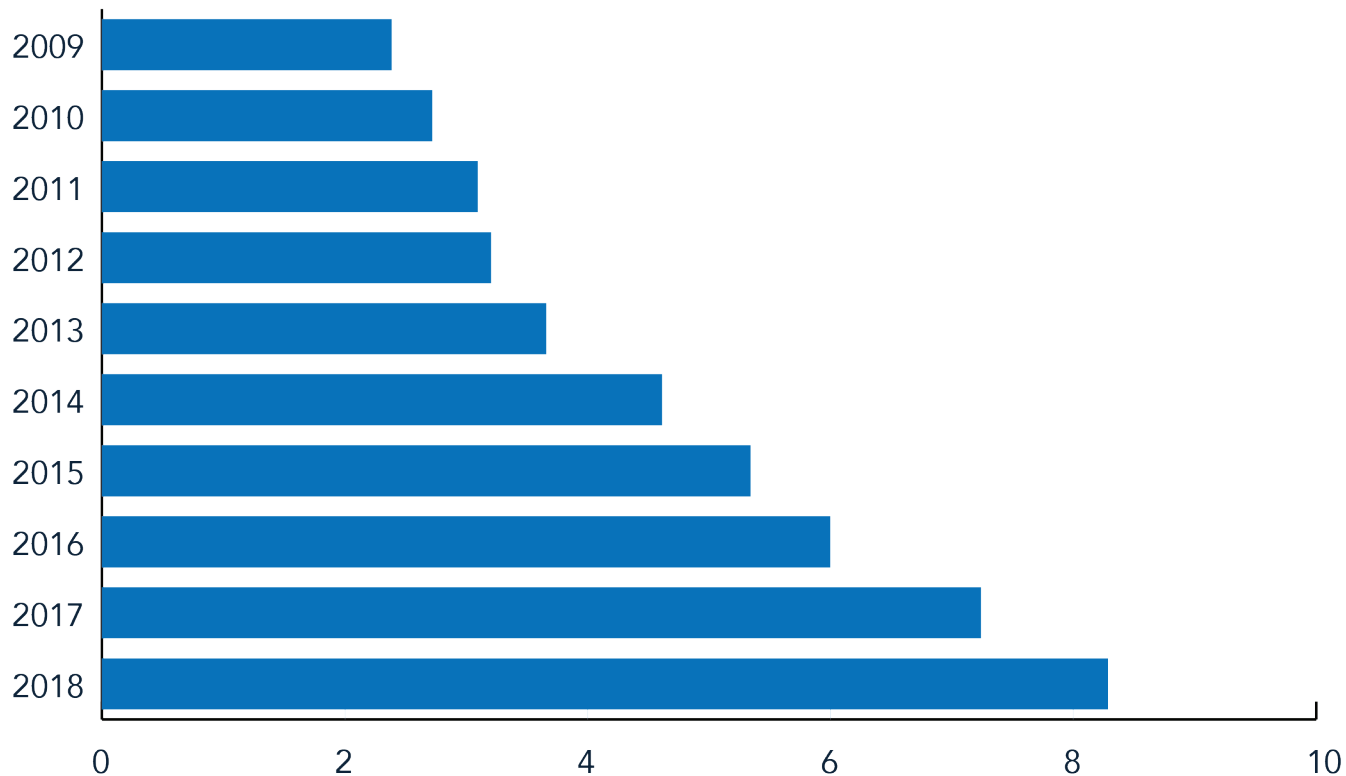
SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

SINCE 2009, TOTAL

COMMISSION REVENUES HAVE REMAINED RELATIVELY FLAT, WITH A MINOR DIP IN 2012. IN 2018 A QUARTER OF INDUSTRY REVENUES (INCLUDING MUTUAL FUNDS) CAME FROM COMMISSIONS. COMMISSIONS REPRESENT A SMALLER PORTION OF INDUSTRY REVENUES THAN PRIOR YEARS AS INVESTORS AND ADVISORS HAVE TRANSITIONED AWAY FROM TRANSACTION-BASED ACCOUNTS.

Securities Industry Fee Revenue

2009-2018, IN \$ BILLIONS

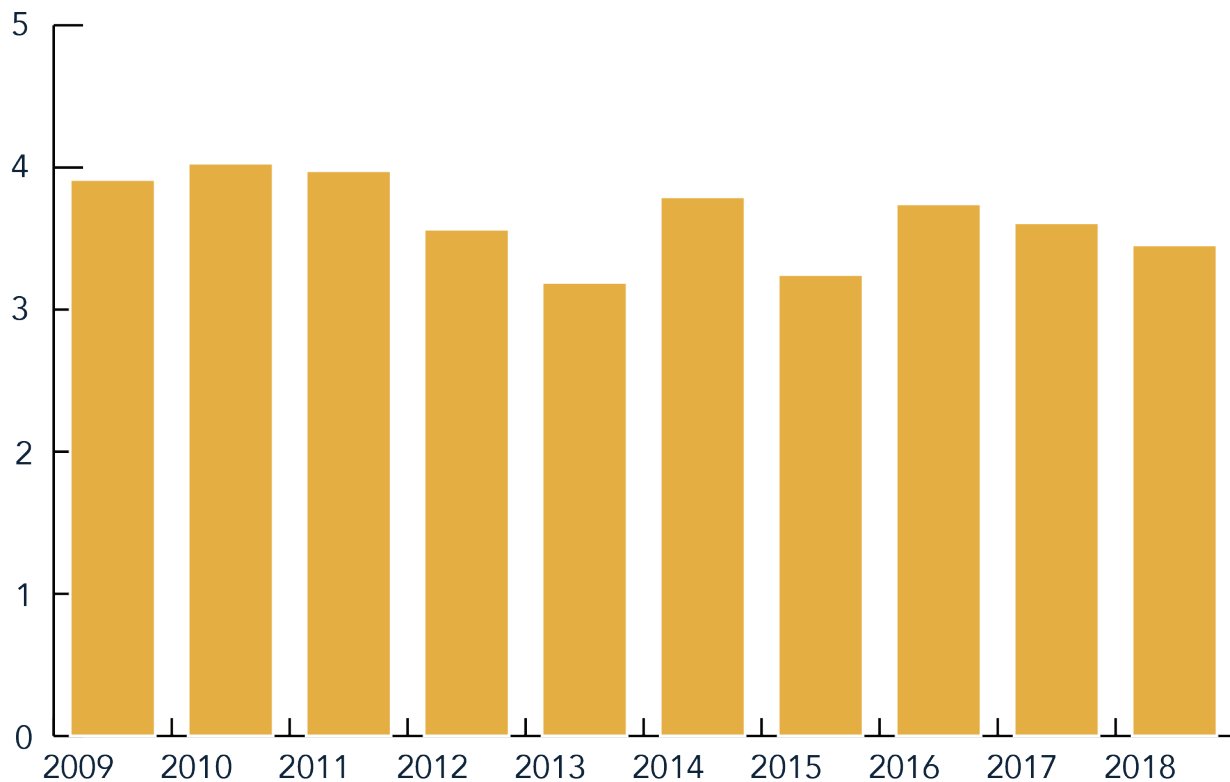


SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

OVER THE PAST DECADE REVENUES DERIVED FROM FEE-BASED ACCOUNTS HAVE GROWN BY NEARLY 350% WITH AN ANNUAL AVERAGE GROWTH RATE OF OVER 13%. CONTRIBUTING TO THIS GROWTH HAS BEEN THE INCREASED POPULARITY OF DISCRETIONARY MANAGED AND FEE-BASED BROKERAGE ACCOUNTS WITHIN THE INVESTMENT INDUSTRY COMBINED WITH THE MARKET APPRECIATION OF INVESTOR PORTFOLIOS. FEES (EXCLUDING MUTUAL FUND TRAILERS AND M&A ADVISORY) ACCOUNTED FOR 33% OF INDUSTRY REVENUES IN 2018.

Securities Industry Investment Banking Revenue

2009-2018, IN \$ BILLIONS

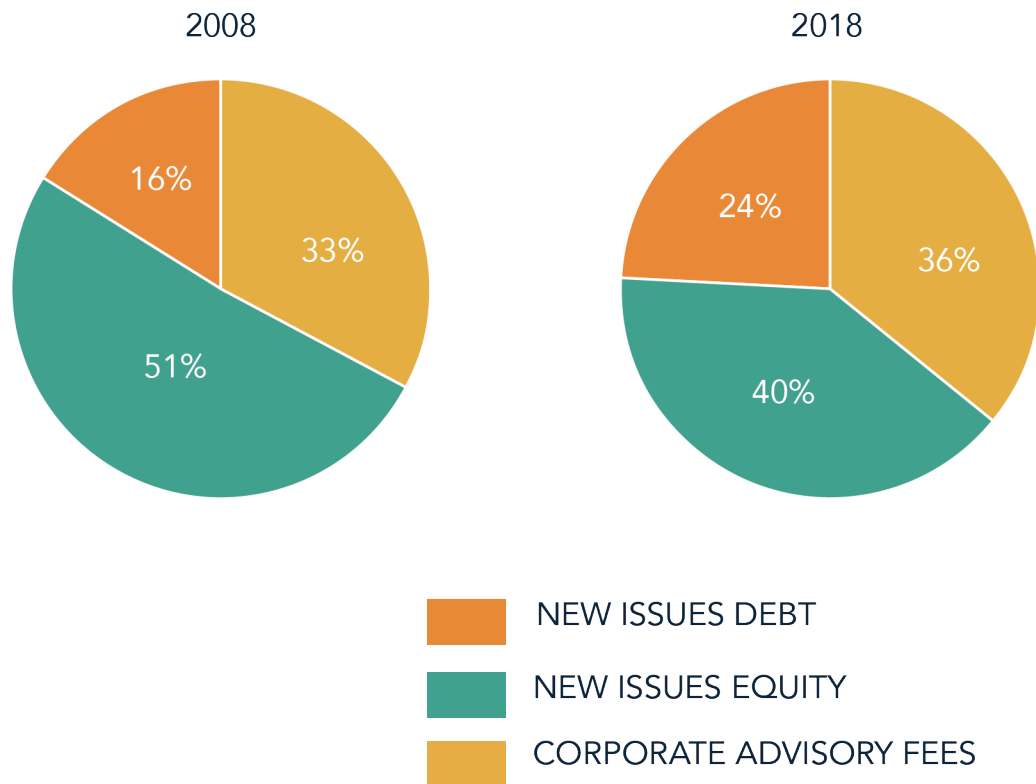


SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

SINCE 2009 INVESTMENT BANKING REVENUES HAVE FLUCTUATED BETWEEN THE \$3 BILLION TO \$4 BILLION RANGE. THEY TOTALED \$3.5 BILLION IN 2018 REPRESENTING 15% OF INDUSTRY TOTAL REVENUES. LARGE INTEGRATED FIRMS CAPTURED OVER TWO-THIRDS OF INDUSTRY INVESTMENT BANKING REVENUE.

Composition of Investment Banking Revenue

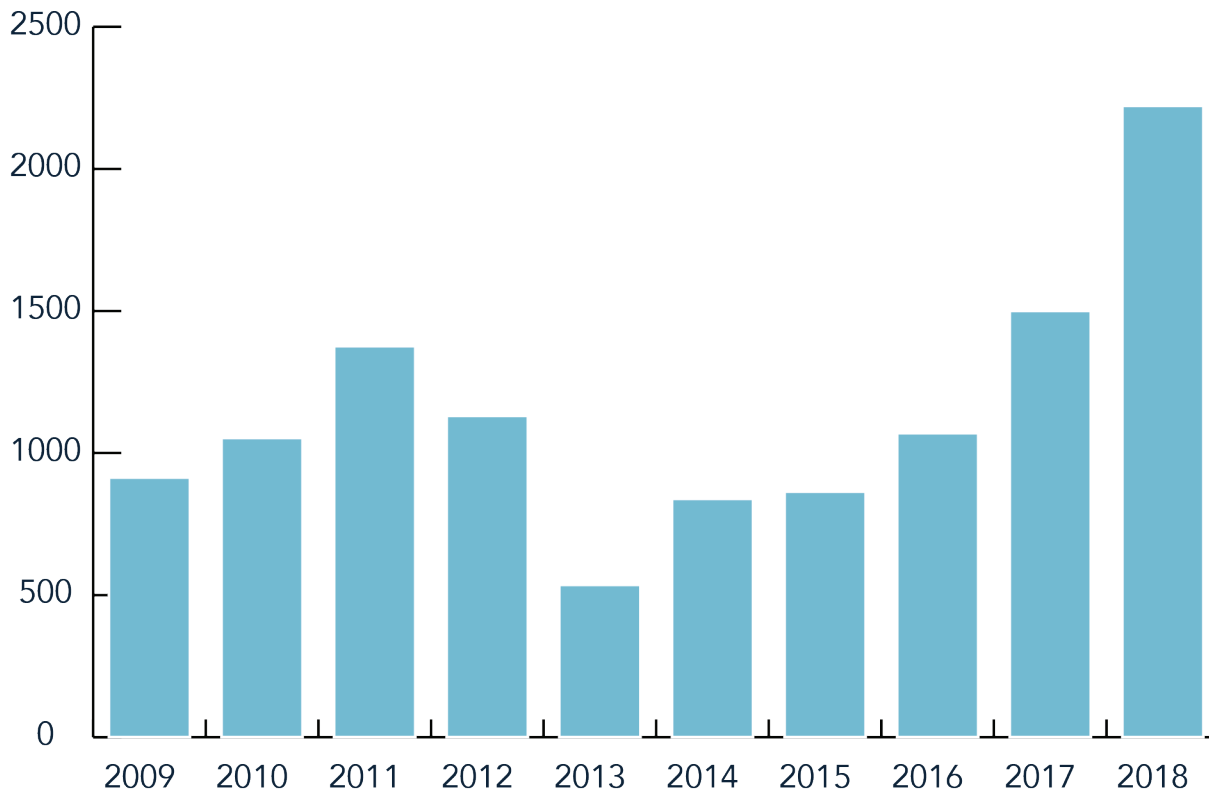
2008 - 2018



WHILE EQUITY UNDERWRITINGS CONTINUE TO REPRESENT THE LARGEST COMPONENT OF INVESTMENT BANKING, ITS SHARE HAS FALLEN FROM 51% IN 2008 TO 40% IN 2018. REVENUES FROM DEBT UNDERWRITINGS GREW FROM 16% TO 24% DURING THE SAME PERIOD AS GOVERNMENT AND CORPORATE BORROWERS, ATTRACTED BY HISTORICALLY LOW BORROWING RATES, INCREASINGLY TURNED TO RAISE CAPITAL VIA THE CREDIT MARKETS.

Net Interest Revenues

2009-2018, IN \$ BILLIONS



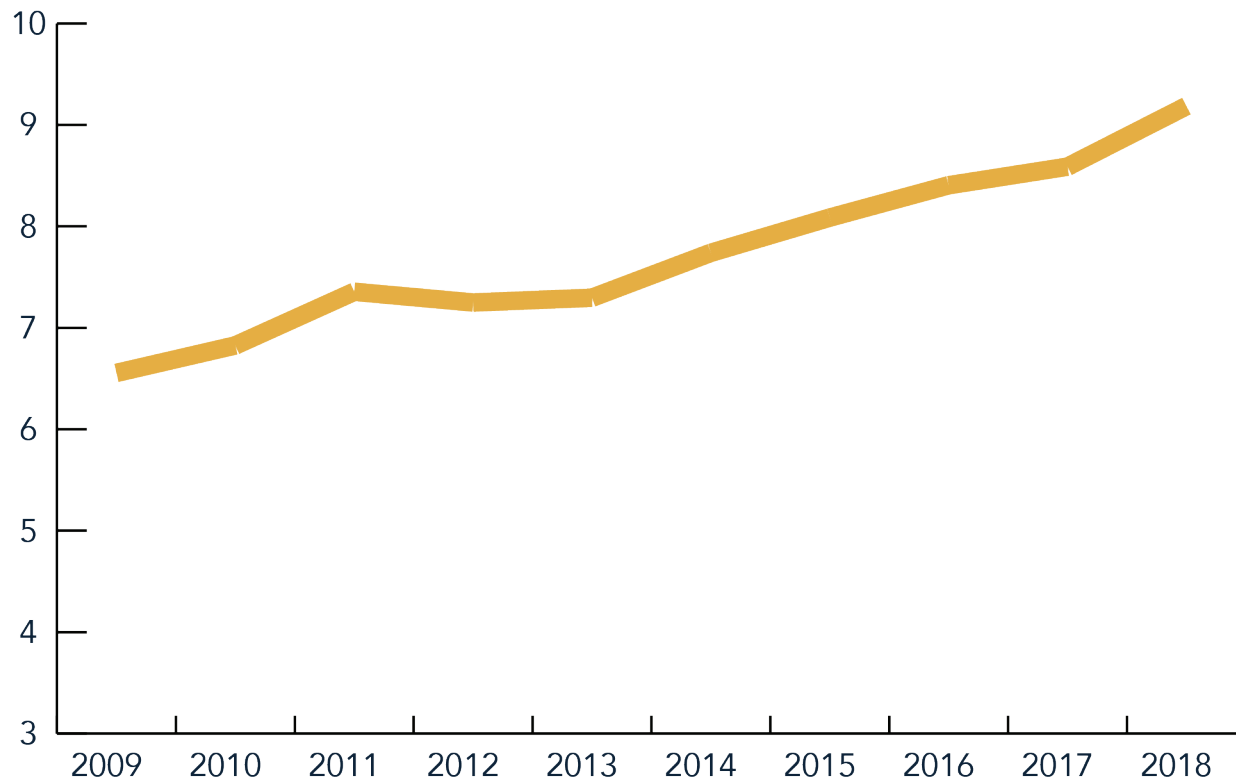
SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

NET INTEREST REVENUES

INCREASED FROM JUST SHY OF \$1 BILLION IN 2009 TO \$1.3 BILLION BY 2011 BEFORE DECLINING TO A 10-YEAR LOW OF \$536 MILLION IN 2013. THE LOW INTEREST RATE ENVIRONMENT IN THE AFTERMATH OF THE FINANCIAL CRISIS MADE IT DIFFICULT FOR FINANCIAL INSTITUTIONS TO EARN ADEQUATE SPREADS ON LOANS. THESE REVENUES STARTED GROWING AS GLOBAL FINANCIAL MARKETS WITNESSED STABILITY AND INTEREST RATES WERE SLOWLY RAISED. BY 2018 NET INTEREST REVENUES SURPASSED \$2.2 BILLION.

Securities Industry Operating Expenses

2009-2018, IN \$ BILLIONS

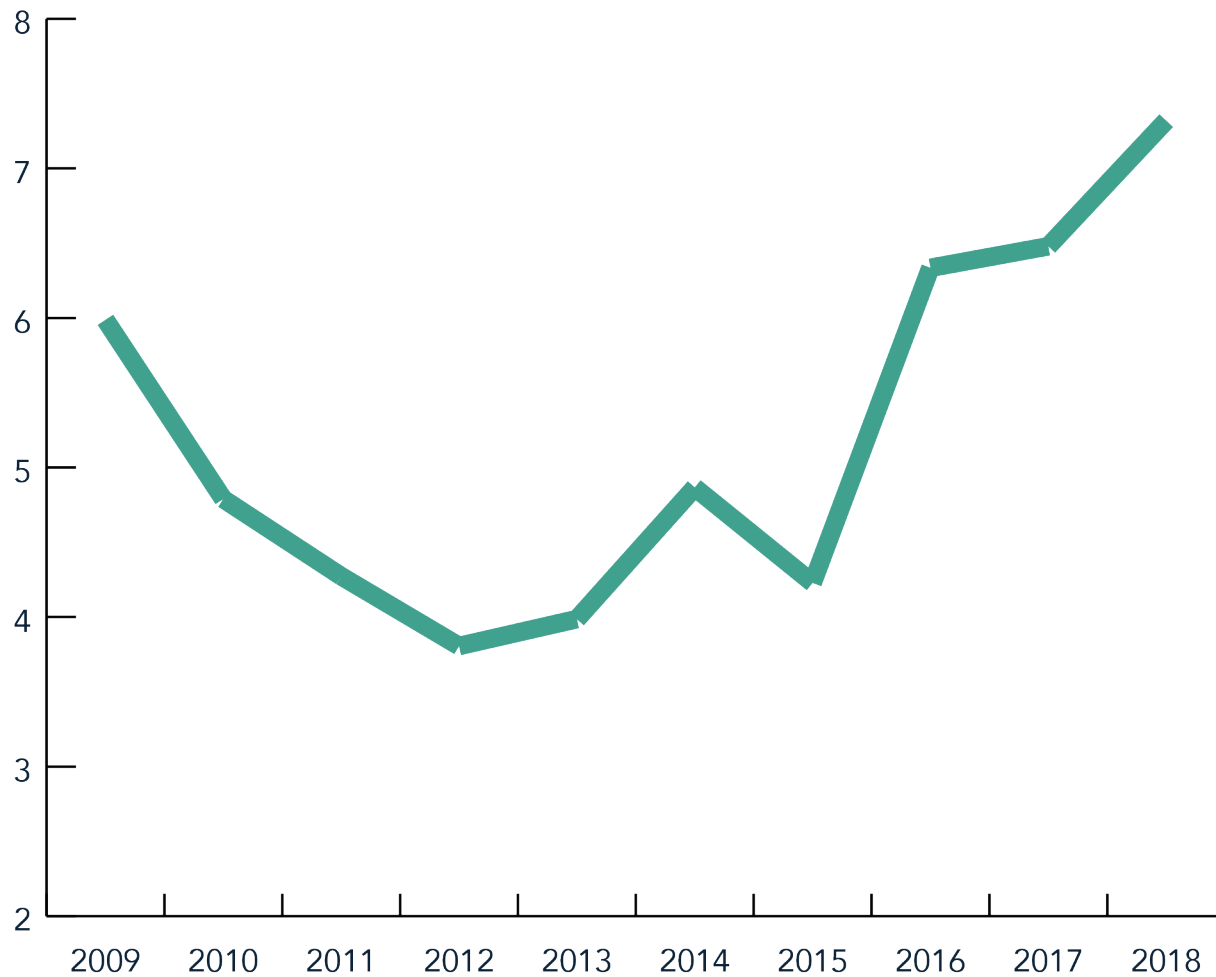


SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

OPERATING EXPENSES FOR THE SECURITIES INDUSTRY HAVE SOARED BY 40% SINCE 2009 TOTALING MORE THAN \$9 BILLION IN 2018. SOME OF THE MAIN COST PRESSURES FOR THE INDUSTRY HAVE STEMMED FROM INCREASED REGULATIONS AND INVESTMENTS MADE IN NEW TECHNOLOGIES. THE SPEND ON NEW TECHNOLOGIES HAVE FOCUSED ON IMPROVING THE CLIENT EXPERIENCE, DEALING WITH CHANGES TO MARKET STRUCTURE/ REGULATIONS AND MANAGING RISKS SUCH AS THOSE RELATED TO CYBER THREATS.

Securities Industry Operating Profit

2009-2018, IN \$ BILLIONS



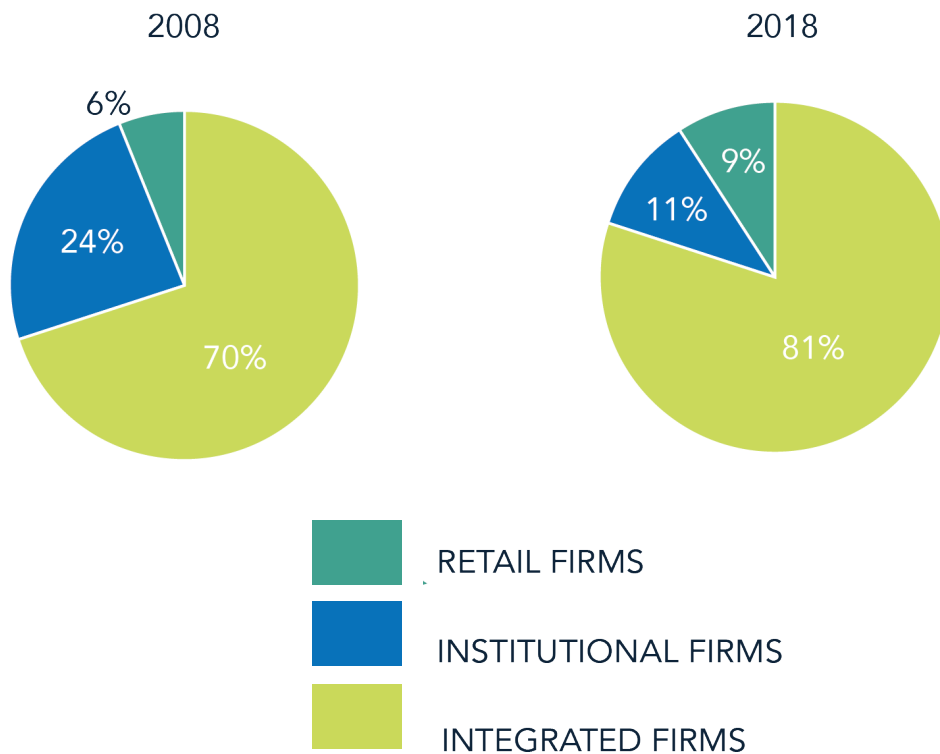
SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

INDUSTRY PROFITABILITY

FELL SHARPLY BETWEEN 2009 AND 2012 BUT HAS SINCE RECOVERED TO REACH NEW HIGHS. OVER THE PAST DECADE, INDUSTRY PROFITABILITY BOTTOMED OUT AT \$3.8 BILLION IN 2012. THE \$7.3 BILLION IN PROFITS POSTED IN 2018 IS A RECORD FOR THE INDUSTRY.

Distribution of Industry Profit

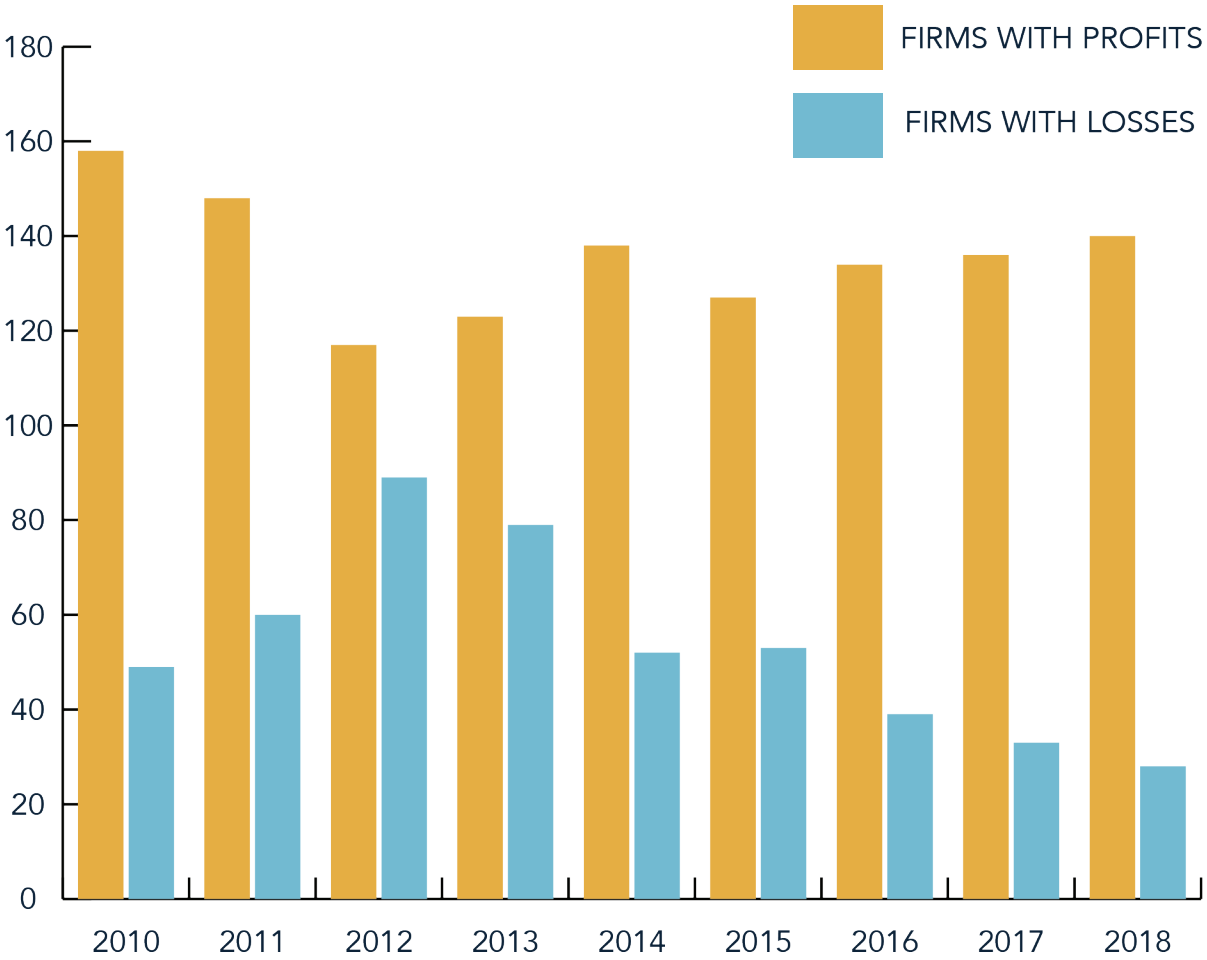
2008-2018



THE INDUSTRY'S INTEGRATED FIRMS REPRESENTED OVER 80% OF INDUSTRY PROFITS IN 2018 COMPARED TO 70% IN 2008. THESE LARGER FIRMS HAVE BEEN COMPETING MORE AGGRESSIVELY DOWNSTREAM WHILE ALSO UTILIZING SCALE TO MORE EFFICIENTLY ABSORB INDUSTRY FIXED-COSTS AND BOLSTERING MARGINS. DURING THE SAME TIME PERIOD, INSTITUTIONAL FIRMS' SHARE OF INDUSTRY PROFITS HAS DECREASED TO LESS THAN HALF OF WHERE IT STOOD IN 2008.

Number of IIROC Firms with Profits and Losses

2010 - 2018

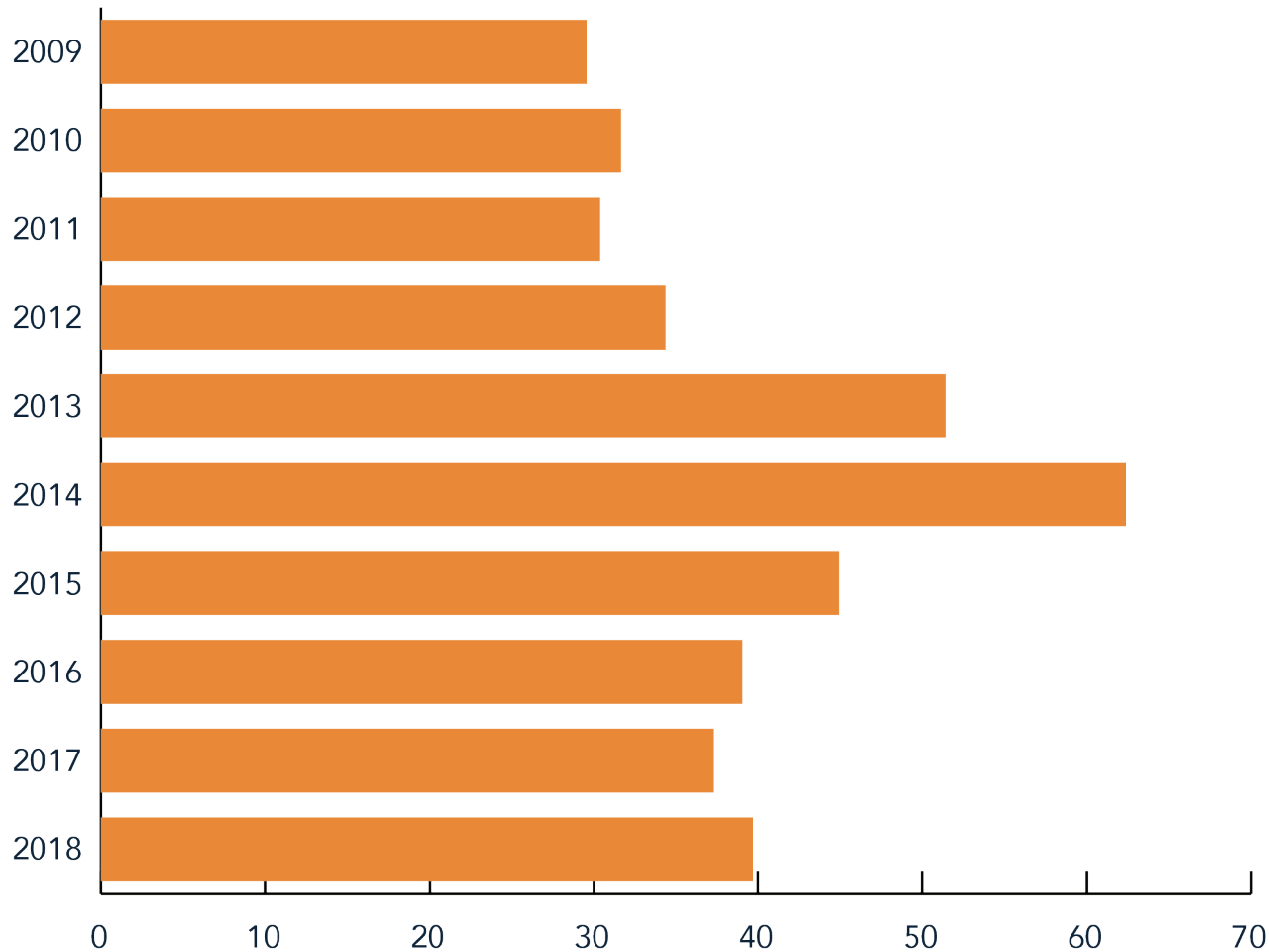


SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

IMPROVED MARKET CONDITIONS COMBINED WITH THE INDUSTRY'S FOCUS ON COST CONTAINMENT HAS, HOWEVER, RESULTED IN FEWER FIRMS LOSING MONEY. WHILE EIGHTY-NINE SECURITIES DEALERS REPORTED LOSSES IN 2012 JUST 28 REPORTED LOSSES IN 2018.

Securities Industry Regulatory Capital

2009-2018, IN \$ BILLIONS



SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

TO SAFEGUARD INVESTORS
IIROC ESTABLISHES MINIMUM
CAPITAL REQUIREMENTS
FOR ITS DEALER MEMBERS.
INDUSTRY REGULATORY CAPITAL
TOTALLED \$40 BILLION IN 2018,
ONE-THIRD MORE THAN 2009
LEVELS.

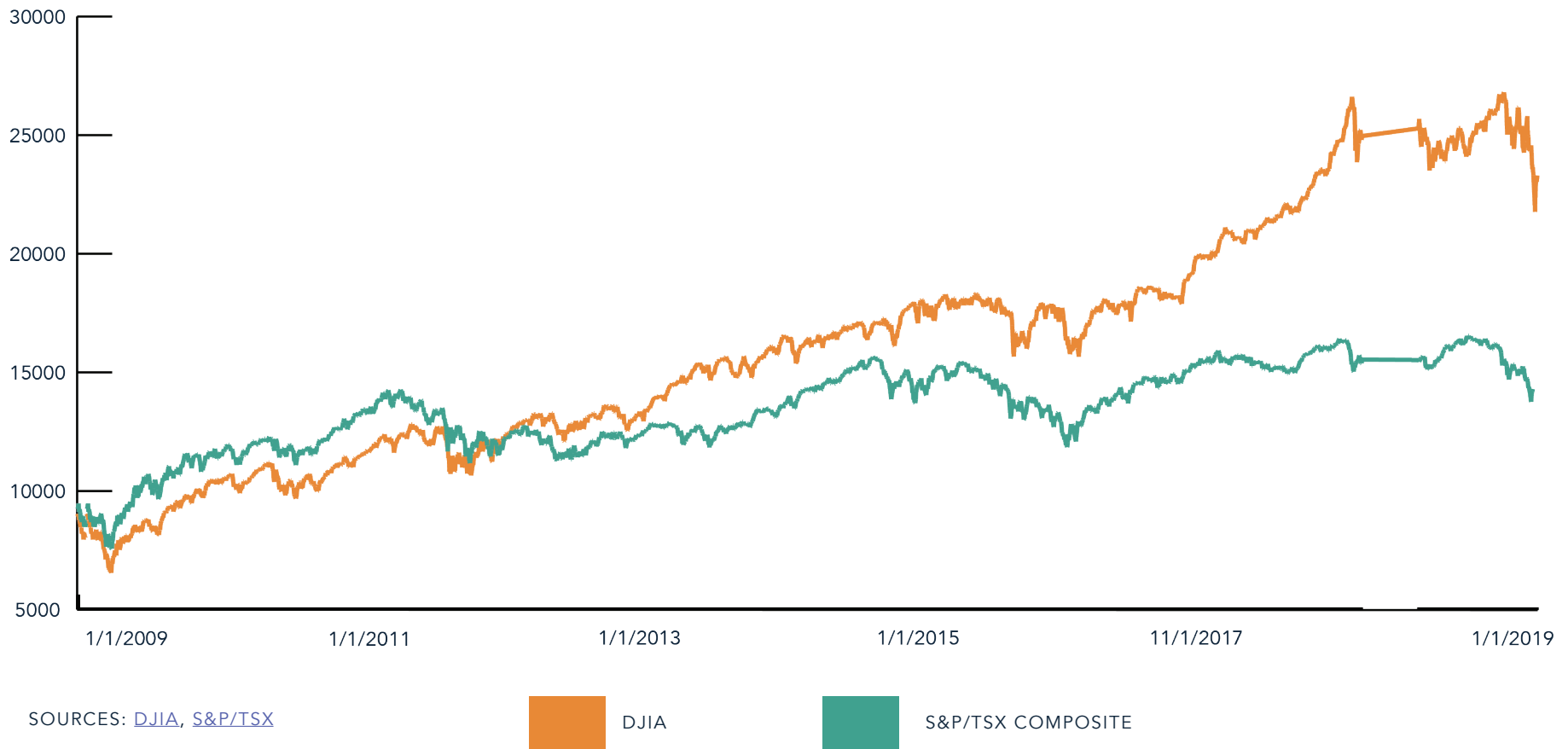


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EQUITY MARKETS

S&P/TSX Composite Index vs Dow Jones Industrial Average

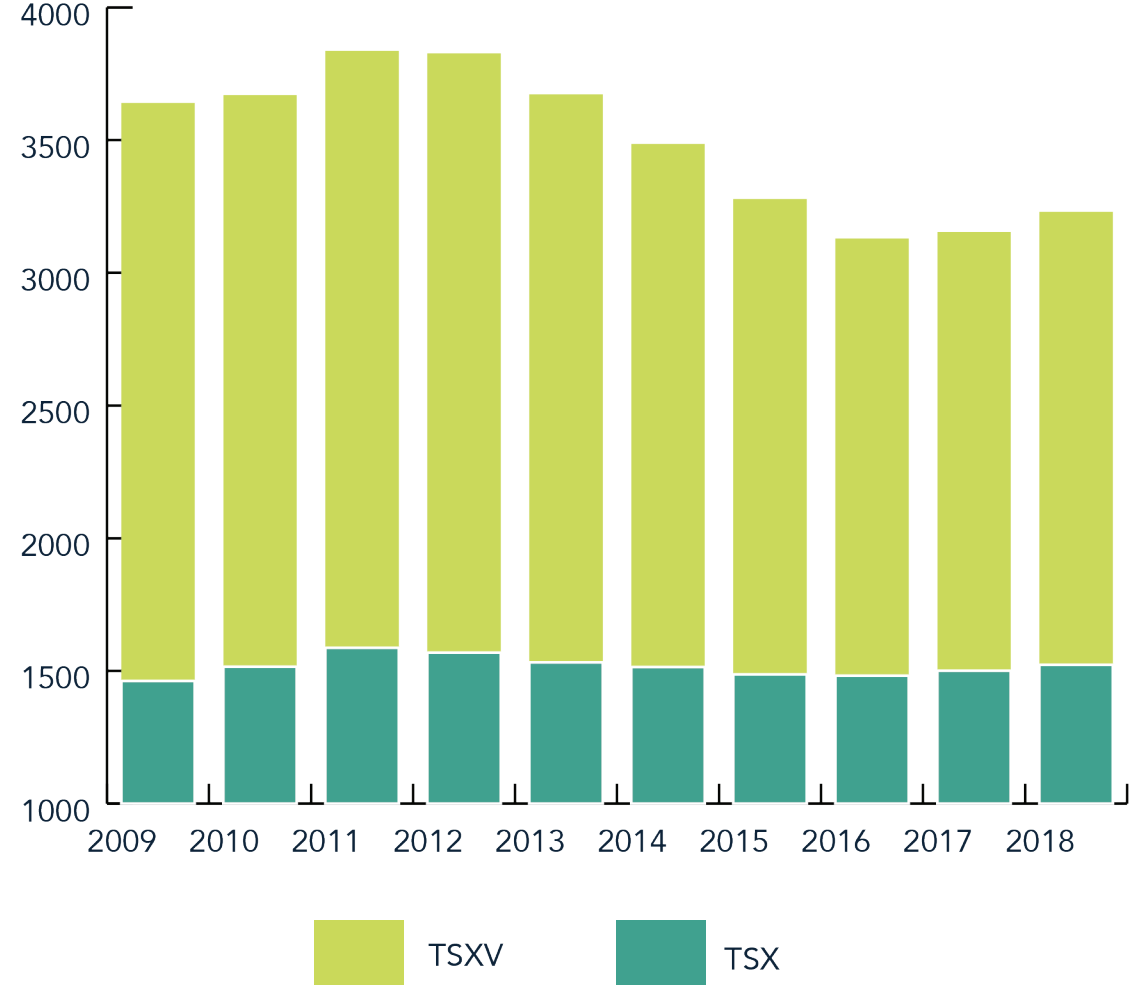
2009-2018



THE S&P/TSX COMPOSITE INDEX CLOSED AT 14,322.86 POINTS AT THE END OF 2018. THOUGH DOWN SLIGHTLY FROM THE PRIOR YEAR, THE INDEX IS STILL UP CONSIDERABLY FROM THE TROUGHS SEEN DURING THE FINANCIAL CRISIS AND EUROZONE DEBT CRISIS. NORTH AMERICAN EQUITY MARKETS HAVE BEEN ON A HISTORICALLY LONG BULL-RUN DESPITE INCREASED GLOBAL TRADE TENSIONS, POLITICAL UNCERTAINTY IN THE U.S AND EUROPE AND MIXED SIGNALS FROM GLOBAL ECONOMIC INDICATORS.

Number of Listed Companies on the TSX and TSXV

2009 - 2018

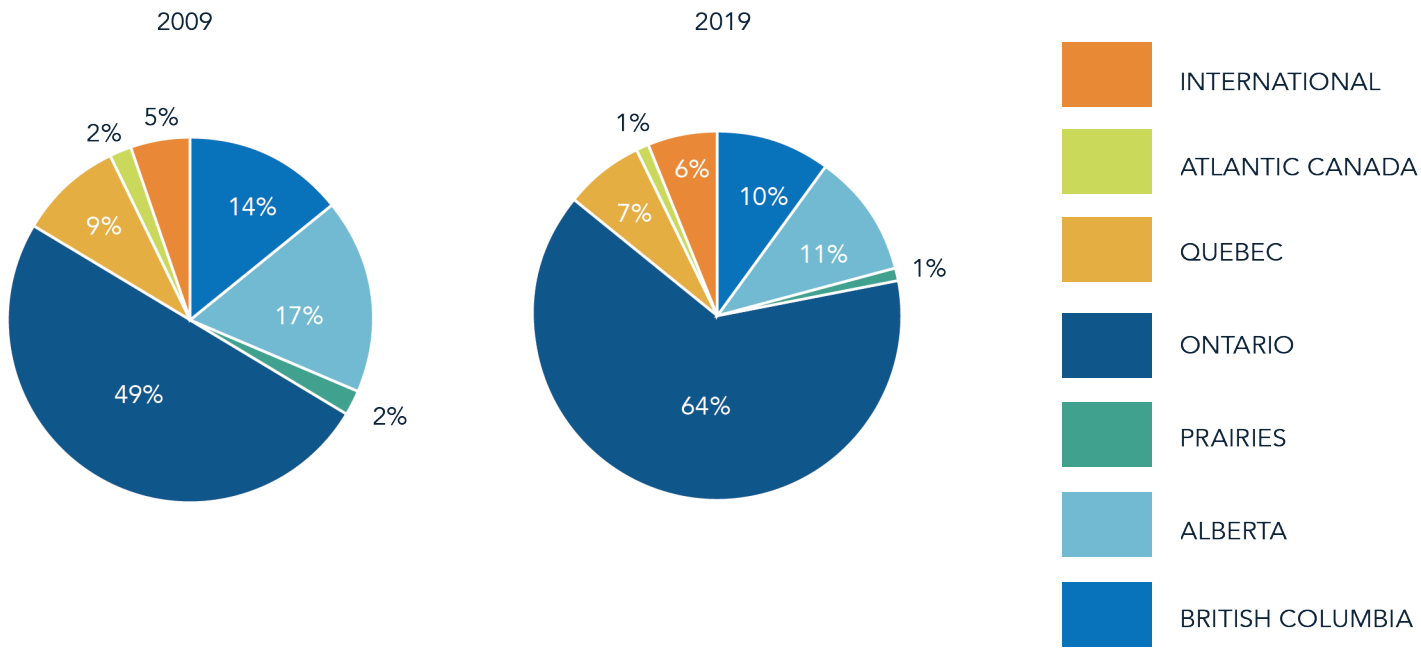


THE TMX GROUP IS ONE OF THE LARGEST GROUP OF EXCHANGES IN THE WORLD WITH OVER 3,200 COMPANIES LISTED AT THE END OF 2018. JUNIOR COMPANIES LISTED ON THE VENTURE EXCHANGE TOALED 1,523 COMPARED TO 1,707 SENIOR COMPANIES TRADED ON THE TSX.

SOURCE: [TMX MiG Reports](#) FROM 2009-2018

Companies Listed on the TSX by Head Office Location

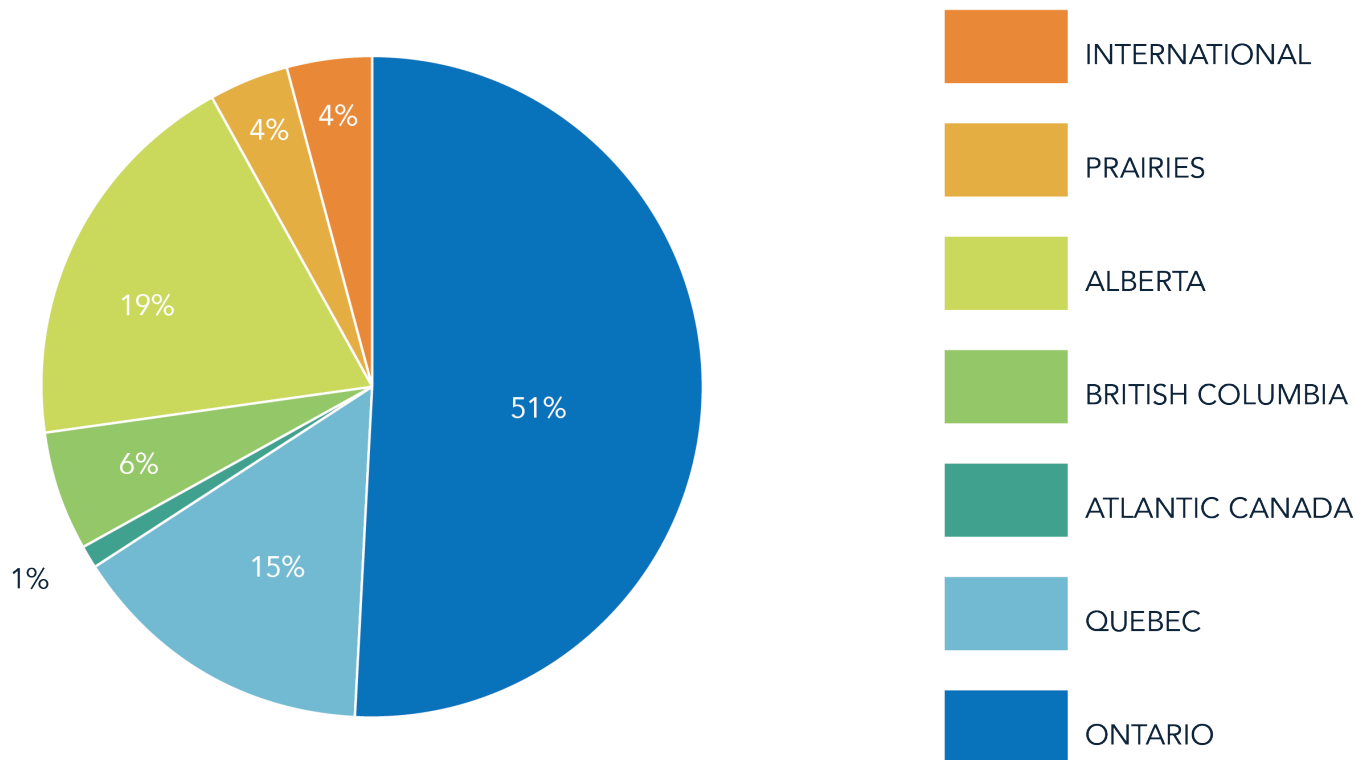
2009 - 2018



IN 2009, 49% OF THE COMPANIES LISTED ON THE TSX WERE HEADQUARTERED IN ONTARIO. BY 2018 THAT NUMBER HAD INCREASED TO 64%. 6% OF THE COMPANIES LISTED ON THE TSX ARE HEADQUARTERED INTERNATIONALLY, A SLIGHT INCREASE FROM THE 5% IN 2009.

SOURCE: [TMX MIG REPORT](#) FROM 2018

Ontario Companies Amount to 51% of TSX Value in 2018

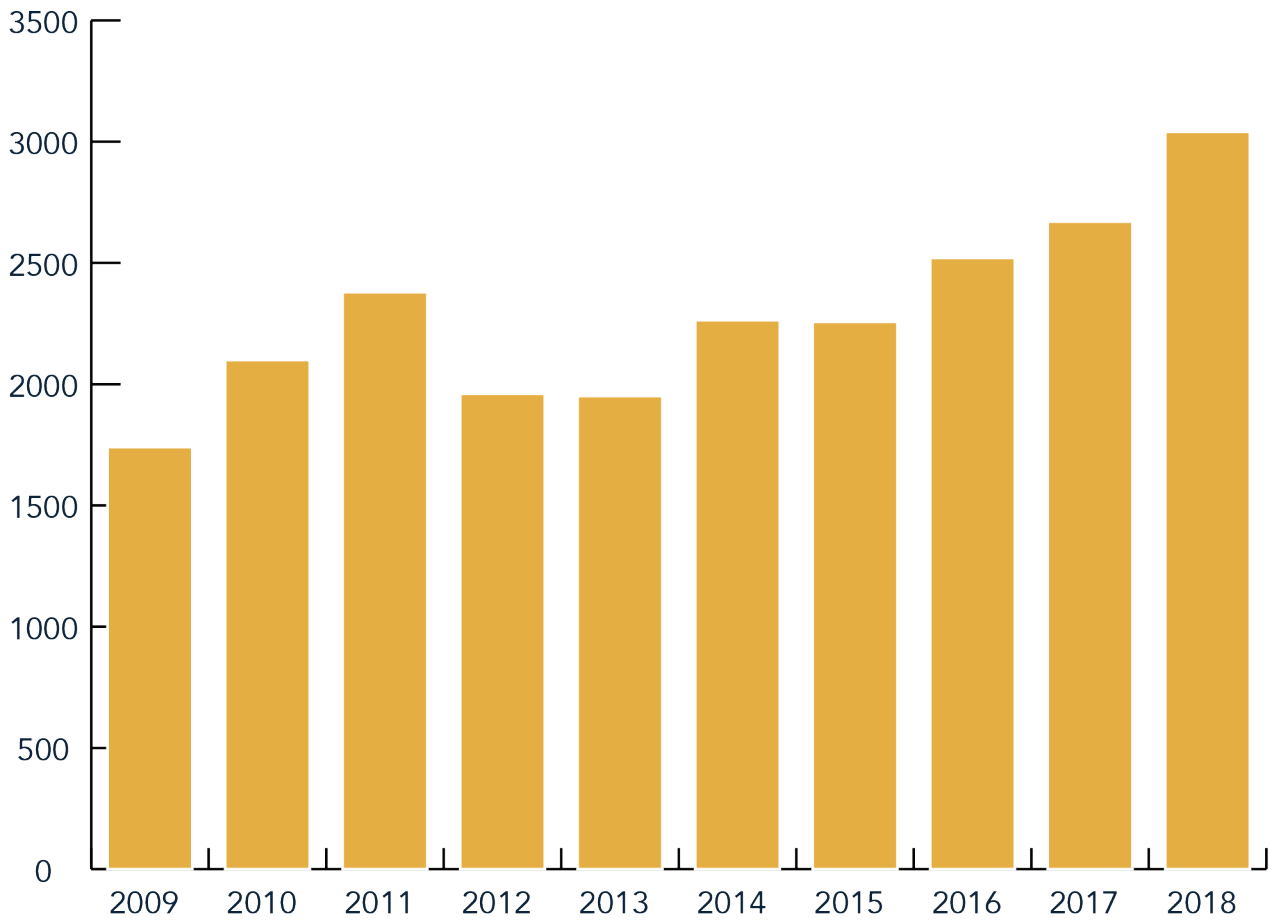


SOURCE: [TMX MIG REPORT](#) FROM 2018

THE QUOTED MARKET VALUE OF THE TSX WAS \$2.65 TRILLION AT THE END OF 2018, 50% HIGHER THAN THE \$1.77 TRILLION REPORTED AT THE END OF 2009. 51% OF THE TSX'S MARKET VALUE WAS ATTRIBUTED TO ONTARIO BASED COMPANIES IN 2018. INTERNATIONAL COMPANIES REPRESENTED ONLY 4% OF THE TSX'S MARKET VALUE IN 2018.

Total Value Traded on all Canadian Marketplaces

2009-2018, IN \$ BILLIONS

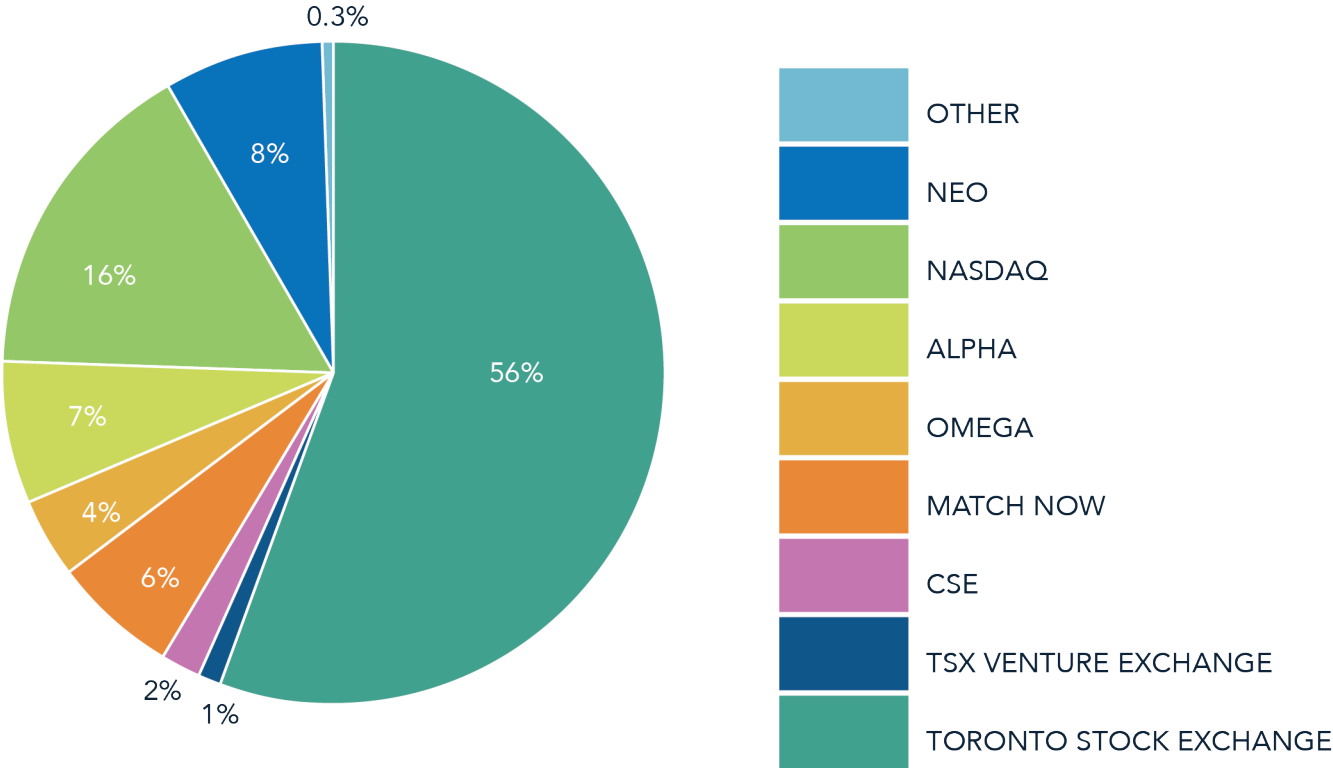


SOURCE: IIROC

THE TOTAL VALUE OF SHARES TRADED ON ALL CANADIAN MARKETPLACES SURPASSED \$3 TRILLION AT THE END OF 2018, A 75% INCREASE FROM 2009. FOR THE 2009 – 2018 PERIOD THE VALUE TRADED HAS INCREASED AT A COMPOUNDED ANNUAL GROWTH RATE OF ALMOST 6%. CONTRIBUTING TO THE INCREASE HAS BEEN THE APPRECIATION IN STOCK PRICES DURING THE PERIOD COMBINED WITH INCREASED PARTICIPATION IN EQUITY MARKETS FROM RETAIL AND INSTITUTIONAL INVESTORS.

Market Share by Marketplace – Value Traded

AS AT Q4 2018

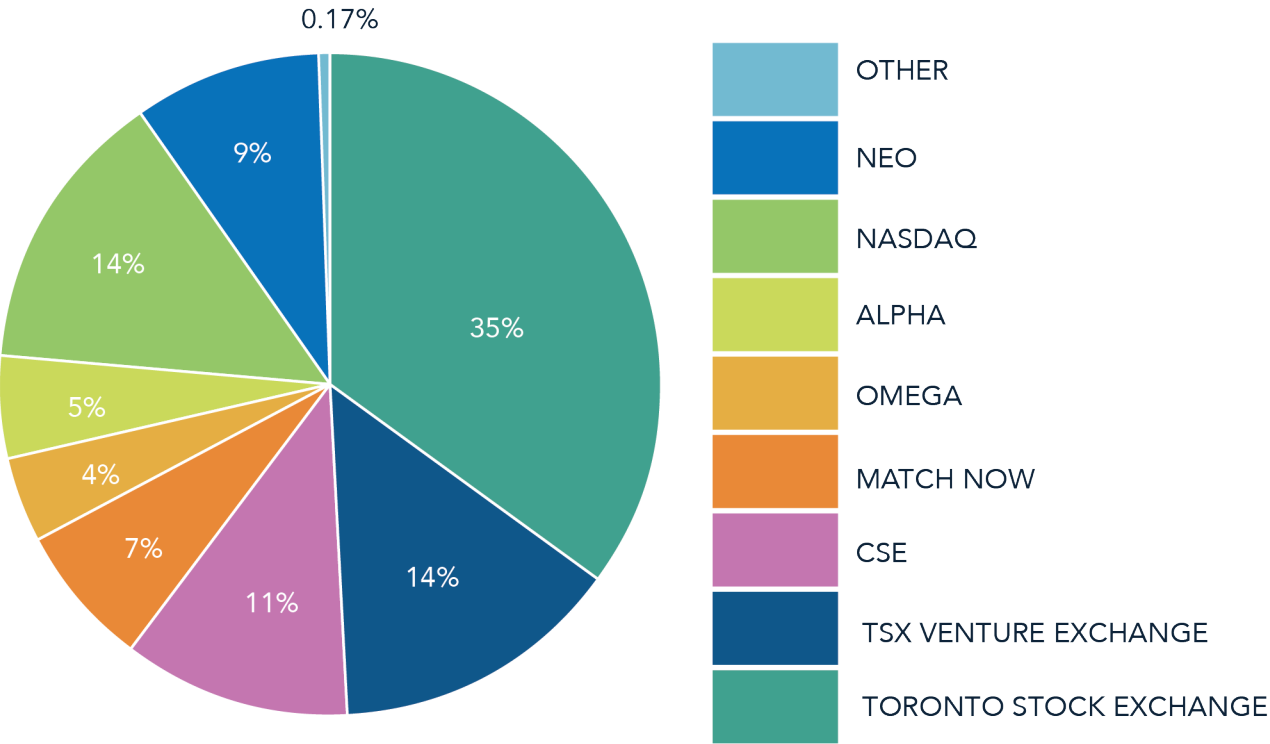


SOURCE: IIROC

DOMESTIC COMPETITION IN THE TRADING OF SHARES HAS INTENSIFIED OVER THE PAST DECADE WITH THE ESTABLISHMENT OF ALTERNATIVE TRADING SYSTEMS (ATSS) IN CANADA. THE TORONTO STOCK EXCHANGE, HOWEVER, STILL HOLDS THE HIGHEST SHARE OF THE MARKET IN TERMS OF TOTAL VALUE OF SHARES TRADED ON A VENUE, AT 56%.

Market share by Marketplace – Volume Traded

AS AT Q4 2018

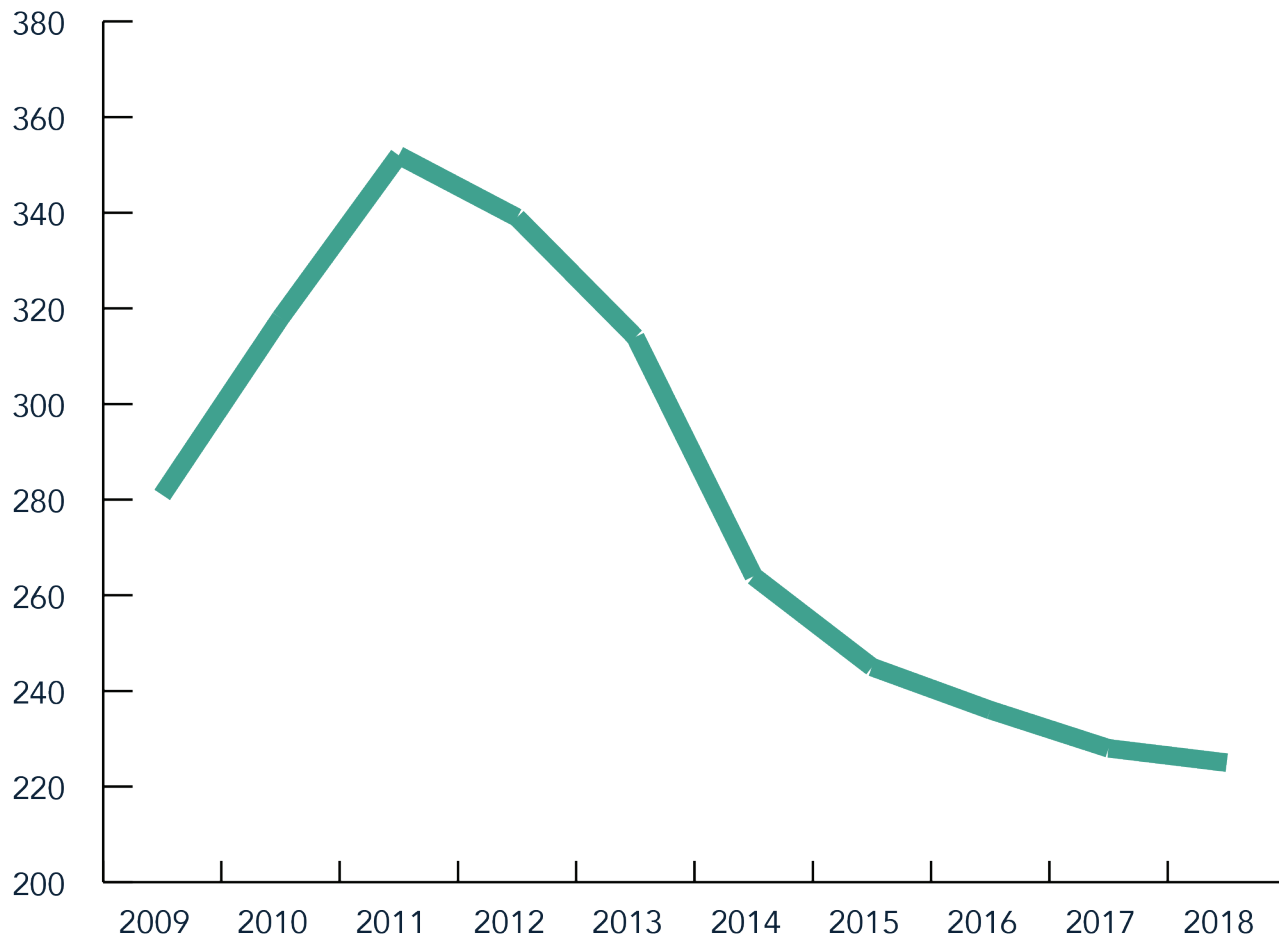


THE TORONTO STOCK EXCHANGE ALSO LEADS IN TERMS OF VOLUME TRADED ON ALL MARKETPLACES IN CANADA. AT 35% IT IS MORE THAN DOUBLE THE SECOND MOST ACTIVE EXCHANGES, THE TSXV AND NASDAQ BOTH OF WHICH STOOD AT 14% DURING THE FINAL QUARTER OF 2018.

SOURCE: IIROC

Number of Canadian Interlisted Stocks

2009 - 2018

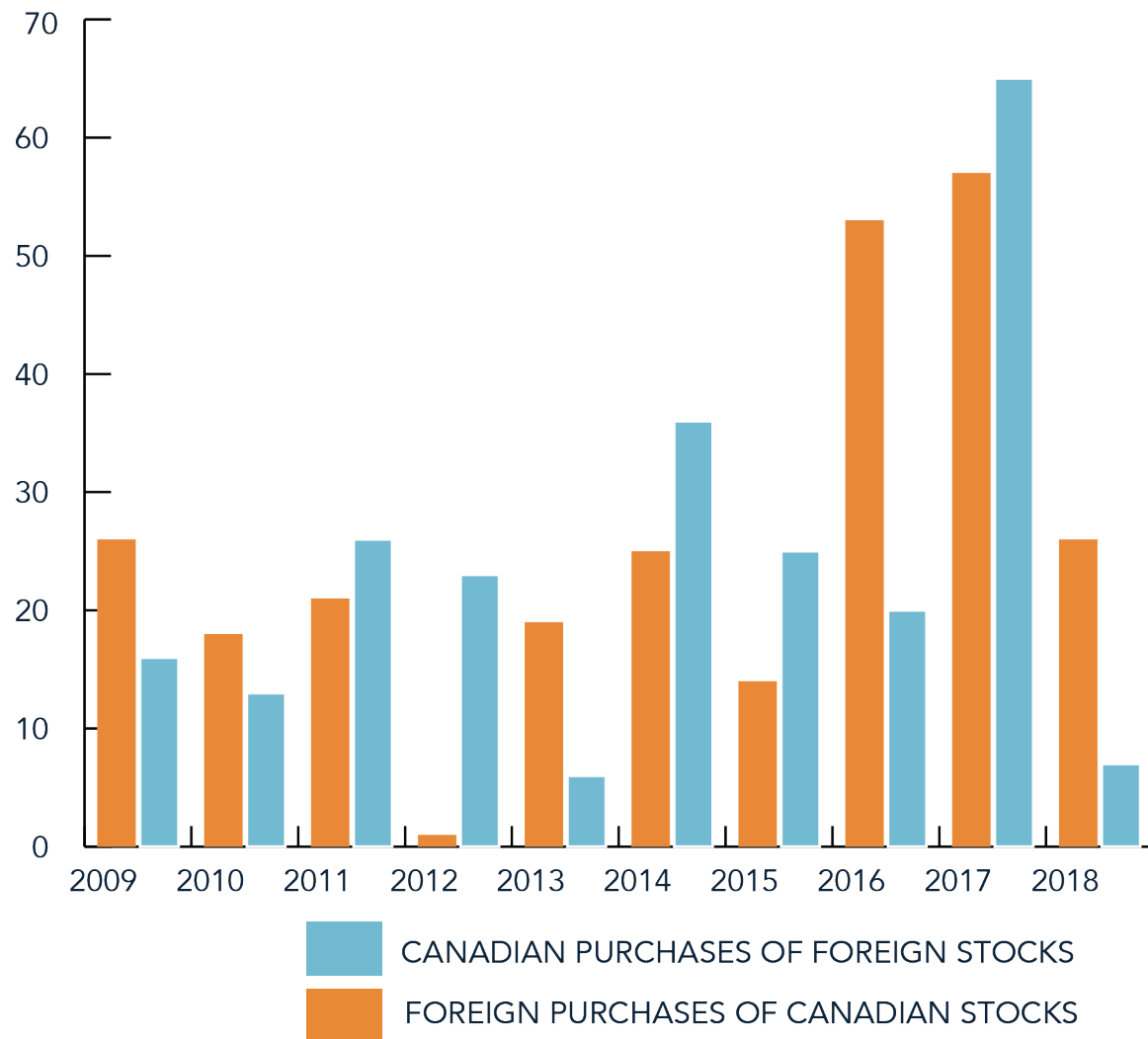


SOURCE: [TMX ANNUAL REPORTS](#) FROM 2009-2018

SINCE 2011 THE NUMBER OF CANADIAN INTERLISTED STOCKS DECLINED AT AN AVERAGE ANNUAL RATE OF 5.4%. WHILE LISTING ON MORE THAN ONE EXCHANGE ALLOWS A COMPANY'S SHARES TO GAIN BROADER ACCESS TO AN INTERNATIONAL GROUP OF INVESTORS THE COST OF LISTING ON NUMEROUS EXCHANGES AND ADDITIONAL REGULATORY REQUIREMENTS MAY SERVE AS DETERRENENTS.

International Transactions in Equities

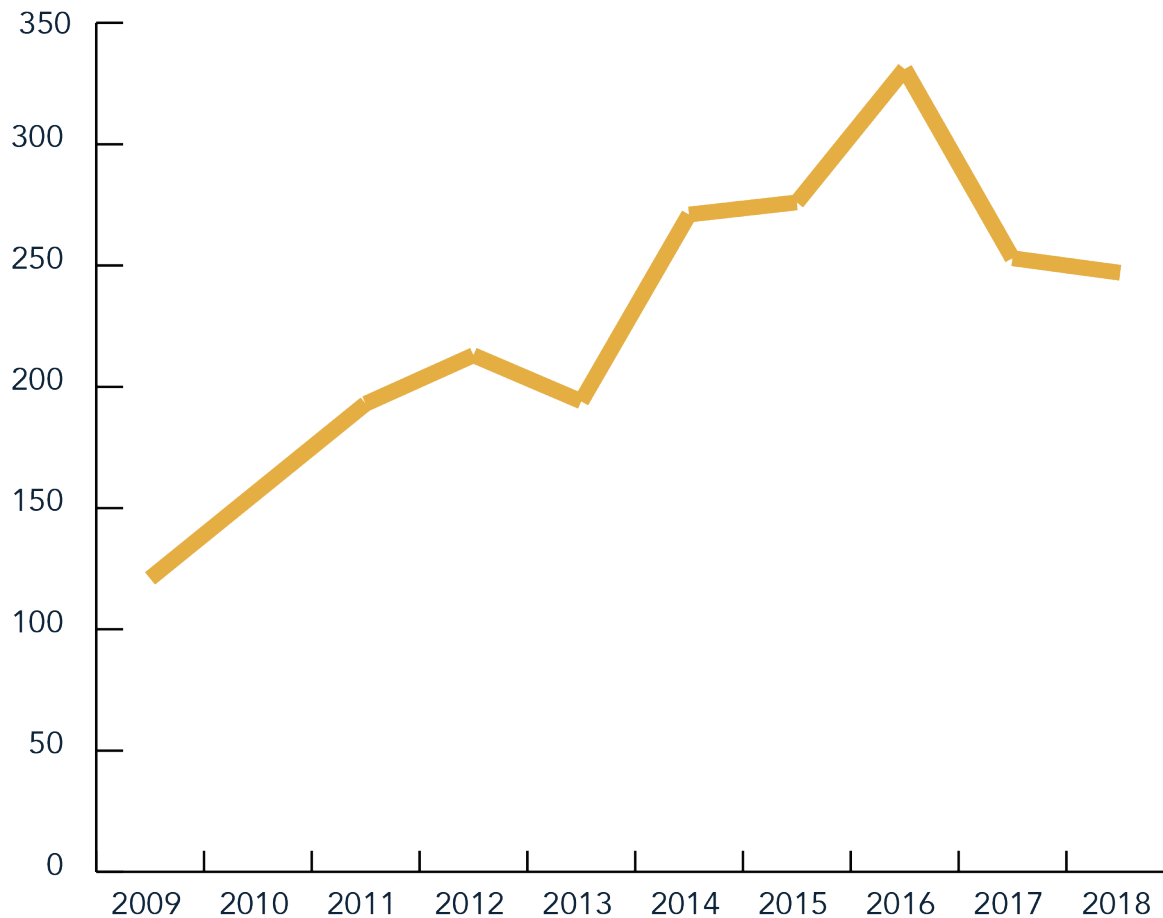
2009-2018, IN \$ BILLIONS



FOREIGN PURCHASES OF CANADIAN EQUITIES RANGED FROM LESS THAN \$1 BILLION IN 2012 TO \$57 BILLION IN 2017. CANADIAN PURCHASES OF FOREIGN EQUITIES WERE EQUALLY VOLATILE RANGING BETWEEN \$6 AND \$65 BILLION.

Mergers and Acquisitions

2009-2018, IN \$ BILLIONS

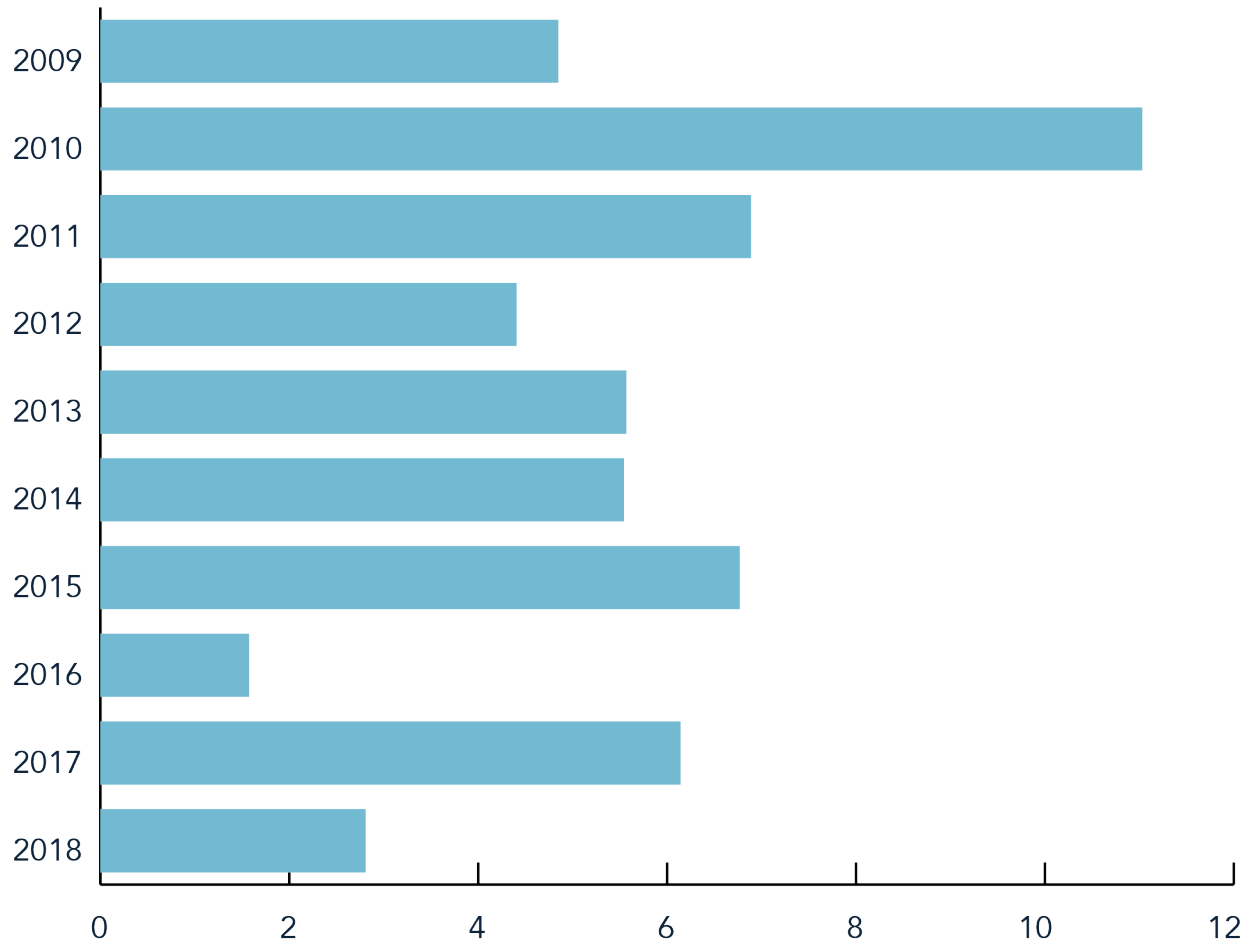


INVESTMENT DEALERS PLAY AN INSTRUMENTAL ROLE IN ADVISING CORPORATE CLIENTS ON MERGERS AND ACQUISITIONS (M&A). IN 2018 THE VALUE OF ALL M&A ACTIVITY IN CANADA AMOUNTED TO 247 BILLION, DOWN FROM THE \$331 BILLION RECORDED FOR 2016 BUT STILL MORE THAN DOUBLE THE LEVELS WITNESSED IN 2009.

SOURCES: CROSBIE & COMPANY CANADIAN M&A 2013 YEARLY REPORT, CROSBIE & COMPANY CANADIAN M&A REPORT – Q4 2018

Initial Public Offerings- Equity Capital Raised

2009-2018, IN \$ BILLIONS

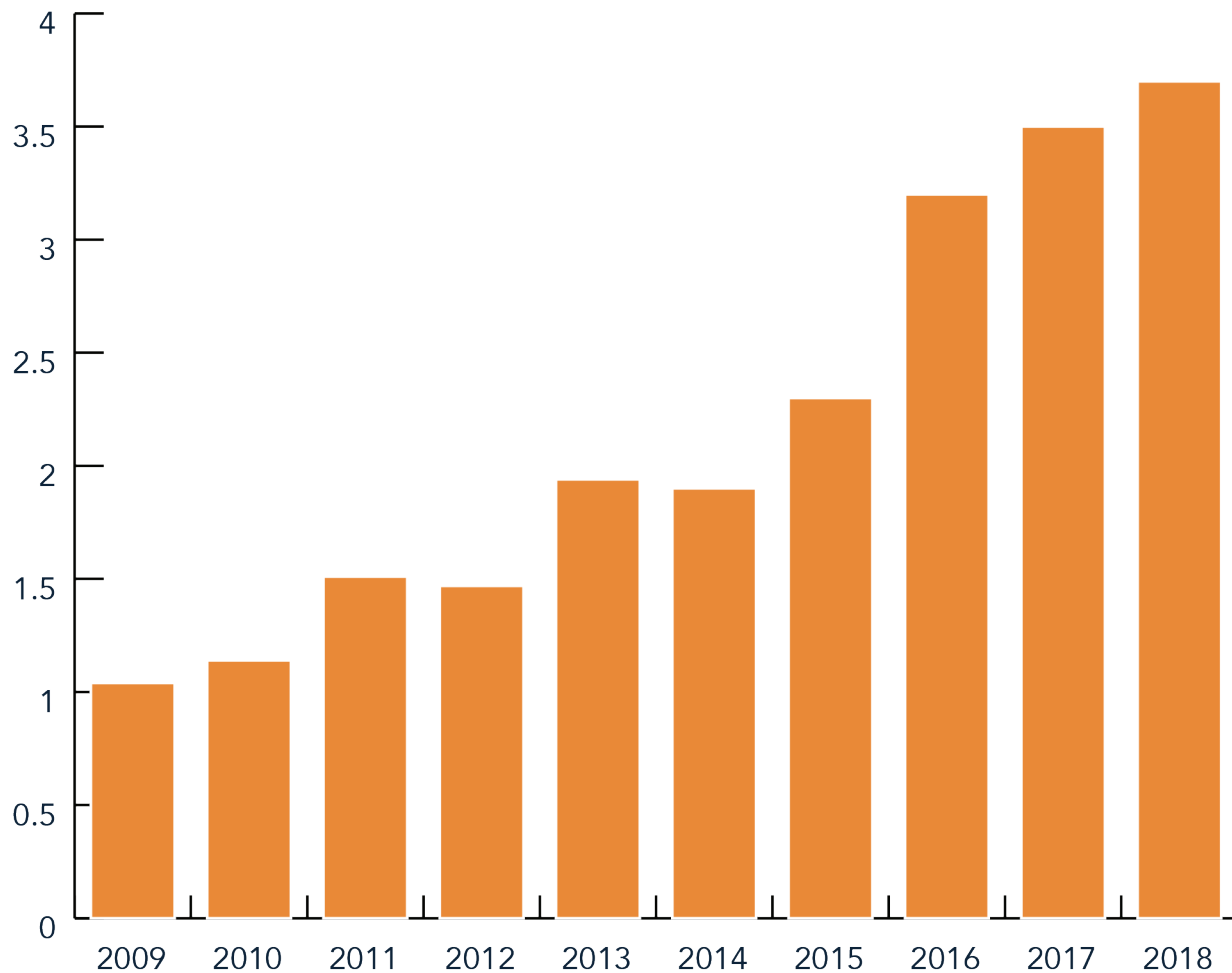


SOURCE: [TMX MIG REPORTS](#) FROM 2009-2018

OVER THE LAST DECADE,
OVER \$55 BILLION IN CAPITAL
WAS RAISED ON THE TMX VIA
INITIAL PUBLIC OFFERINGS
(IPOS). BILLIONS MORE WERE
RAISED VIA SECONDARY
OFFERINGS. THE SECURITIES
INDUSTRY SUPPORTS CAPITAL
RAISING BY ADVISING ISSUERS,
UNDERWRITING OFFERINGS
AND PLACING NEW ISSUES
WITH CLIENTS.

Canadian Venture Capital Funding

2009-2018, IN \$ BILLIONS



SOURCE: FOR 2009-2013: [GOVERNMENT OF CANADA VENTURE CAPITAL MONITOR](#)
FOR 2014-2018: [CANADIAN VENTURE CAPITAL AND PRIVATE EQUITY ASSOCIATION MARKET REPORTS](#)

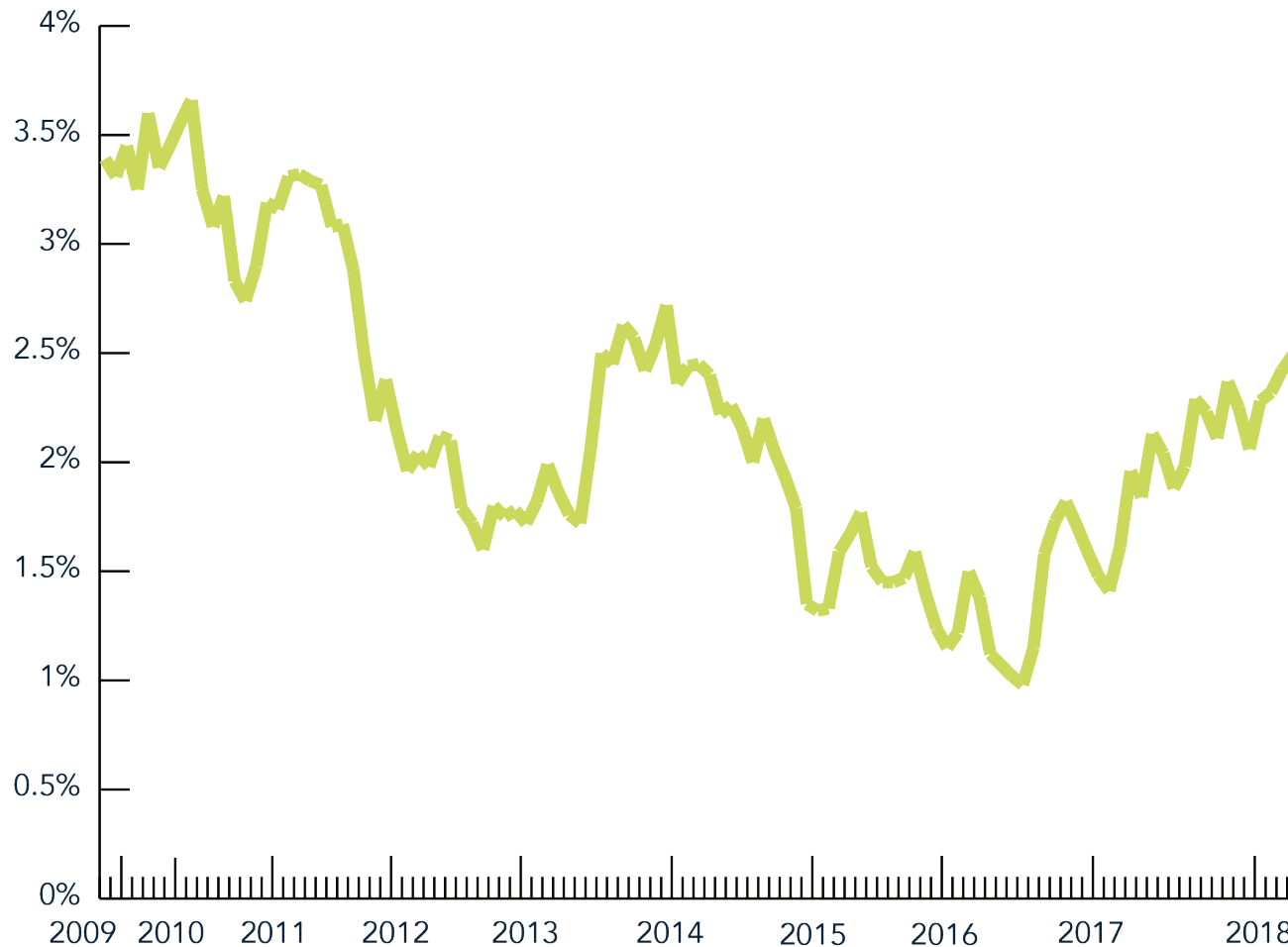
FUNDING FOR START-UP OR EARLY STAGE COMPANIES WITH HIGH GROWTH POTENTIAL IS CRITICAL FOR ECONOMIC PROSPERITY. VC FUNDING IN CANADA INCREASED FROM \$1 BILLION IN 2009 TO ALMOST \$4 BILLION IN 2018. THIS IS AN ANNUAL AVERAGE GROWTH RATE OF 13.5%.



FIXED INCOME MARKET

Government of Canada Benchmark 10-Year Bond Yields

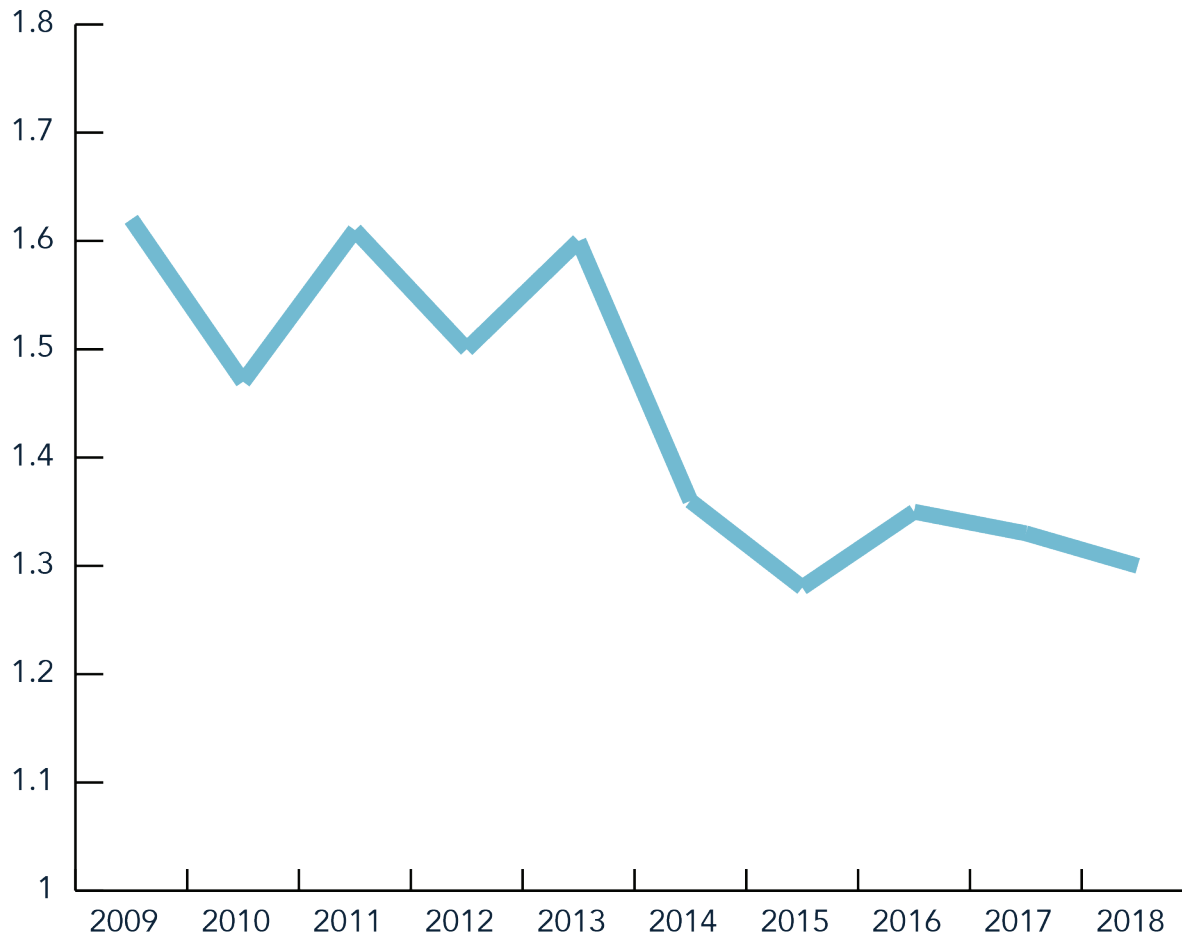
2009 - 2018



BOND YIELDS IN CANADA
TRENDED DOWNWARD
BETWEEN 2009 – 2017 TO
REFLECT SOFT ECONOMIC
CONDITIONS AND INVESTOR
EXPECTATIONS OF FUTURE RATE
CUTS. IN 2017, AS CONFIDENCE
IN THE DOMESTIC AND GLOBAL
ECONOMY IMPROVED BOND
YIELDS STARTED INCHING UP
BEFORE SLIDING ONCE AGAIN
IN THE TAIL END OF 2018 AND
INTO 2019. THE YIELD ON
THE 10 YEAR GOVERNMENT
OF CANADA BOND STOOD AT
1.192% AT TIME OF WRITING.

Government of Canada Treasury Bills – Trading Volume

2009-2018, IN \$ BILLIONS

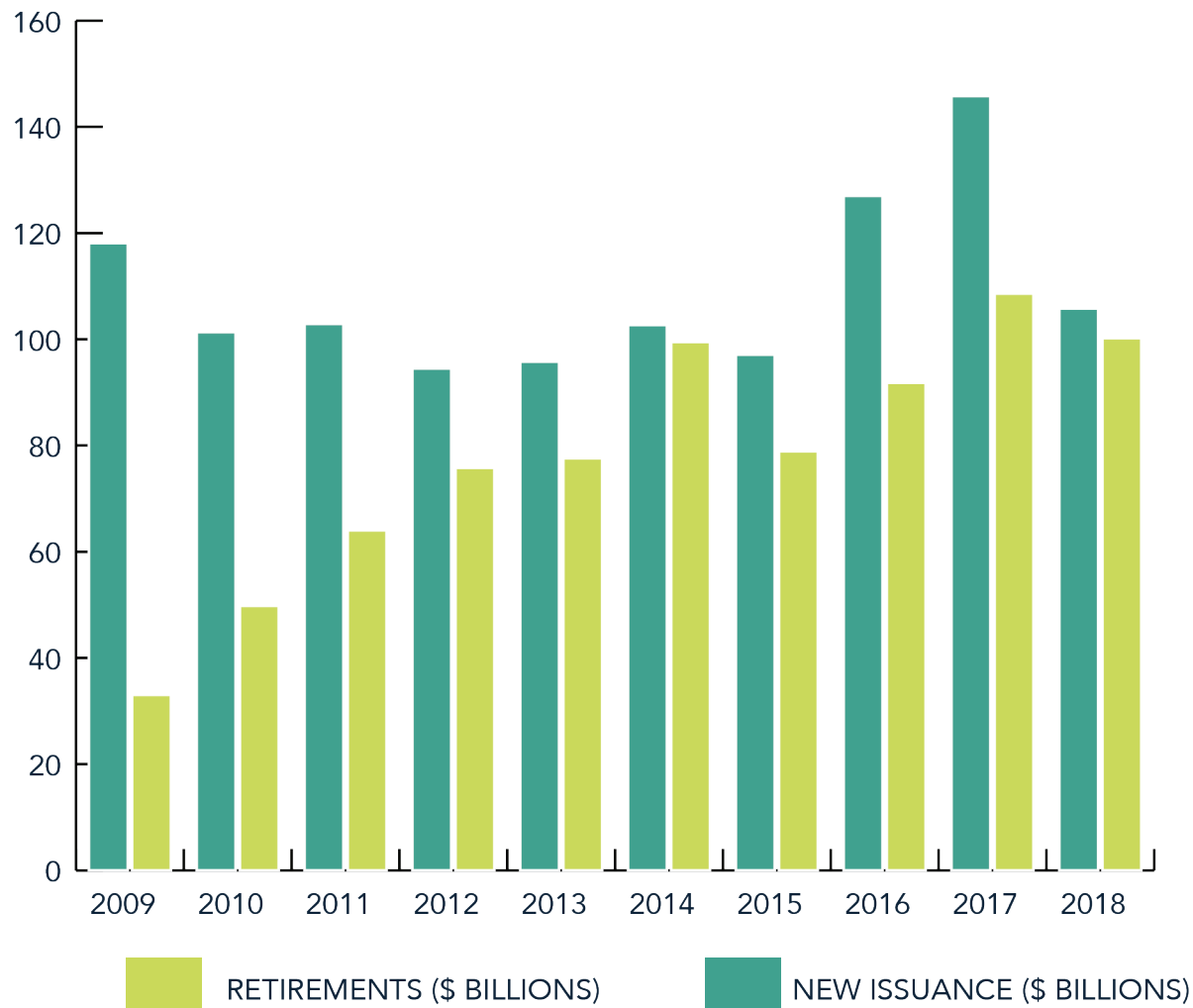


SOURCE: IIROC MARKET TRADING REPORTING SYSTEM (MTRS)

IN CONTRAST TO GOVERNMENT OF CANADA BONDS, TRADING IN GOVERNMENT OF CANADA TREASURY BILLS HAS TRENDED DOWNWARD FOR THE PAST DECADE. THE AVERAGE RATE OF ANNUAL DECREASE HAS BEEN ALMOST 2.2%. THIS IS REFLECTIVE OF LOWER ISSUANCE AND THE CURRENT LOW RATE ENVIRONMENT.

Government of Canada Bond Issues and Retirements

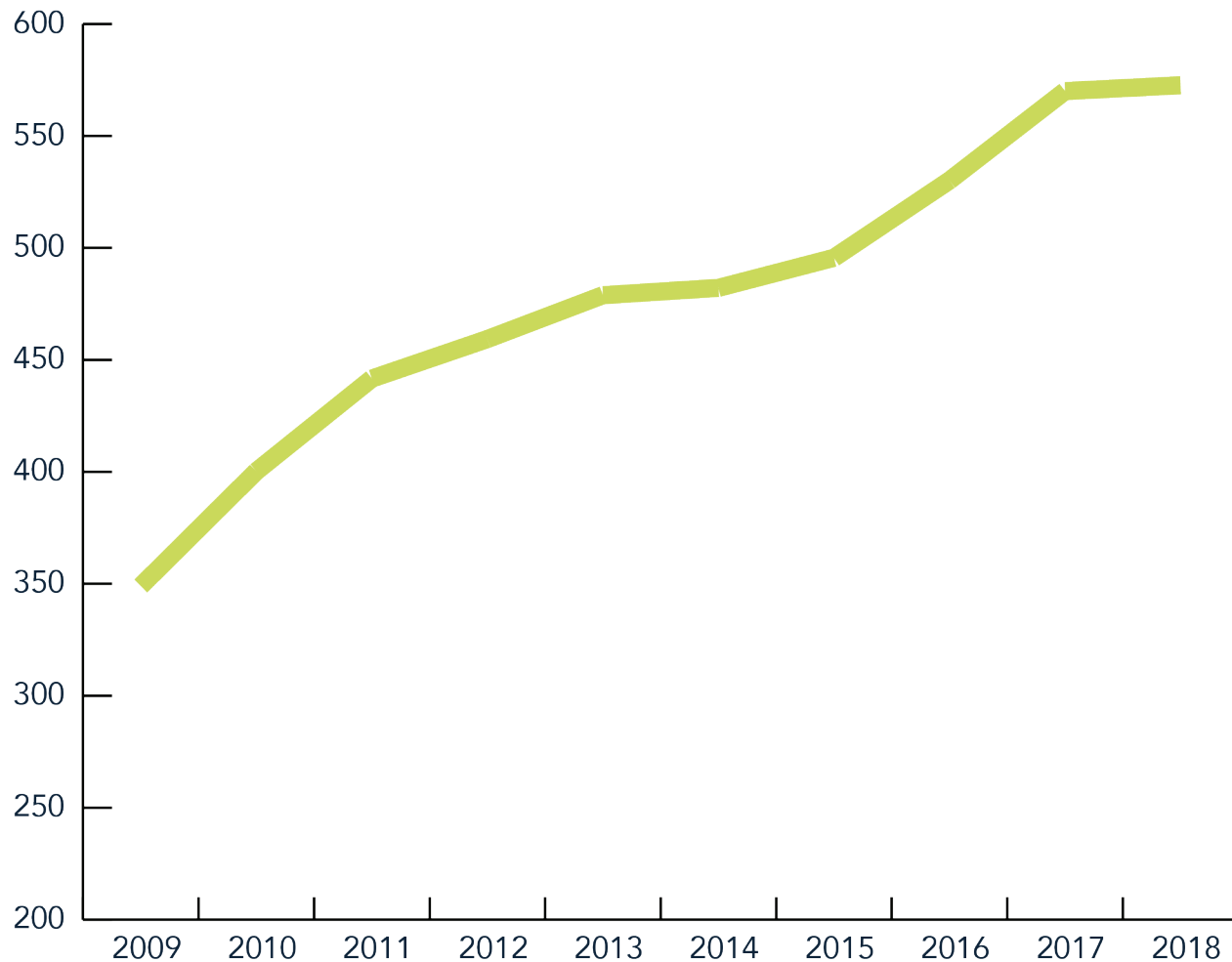
2009-2018, IN \$ BILLIONS



TOTAL GOVERNMENT OF CANADA BOND ISSUANCE DECREASED SLIGHTLY FROM 2009 TO 2012, BUT ON AVERAGE HAS RESUMED AN INCREASING TREND SINCE 2013, WHICH REFLECTS GROWING BORROWING NEEDS OF THE FEDERAL GOVERNMENT.

Government of Canada Total Bonds Outstanding

2009-2018, IN \$ BILLIONS

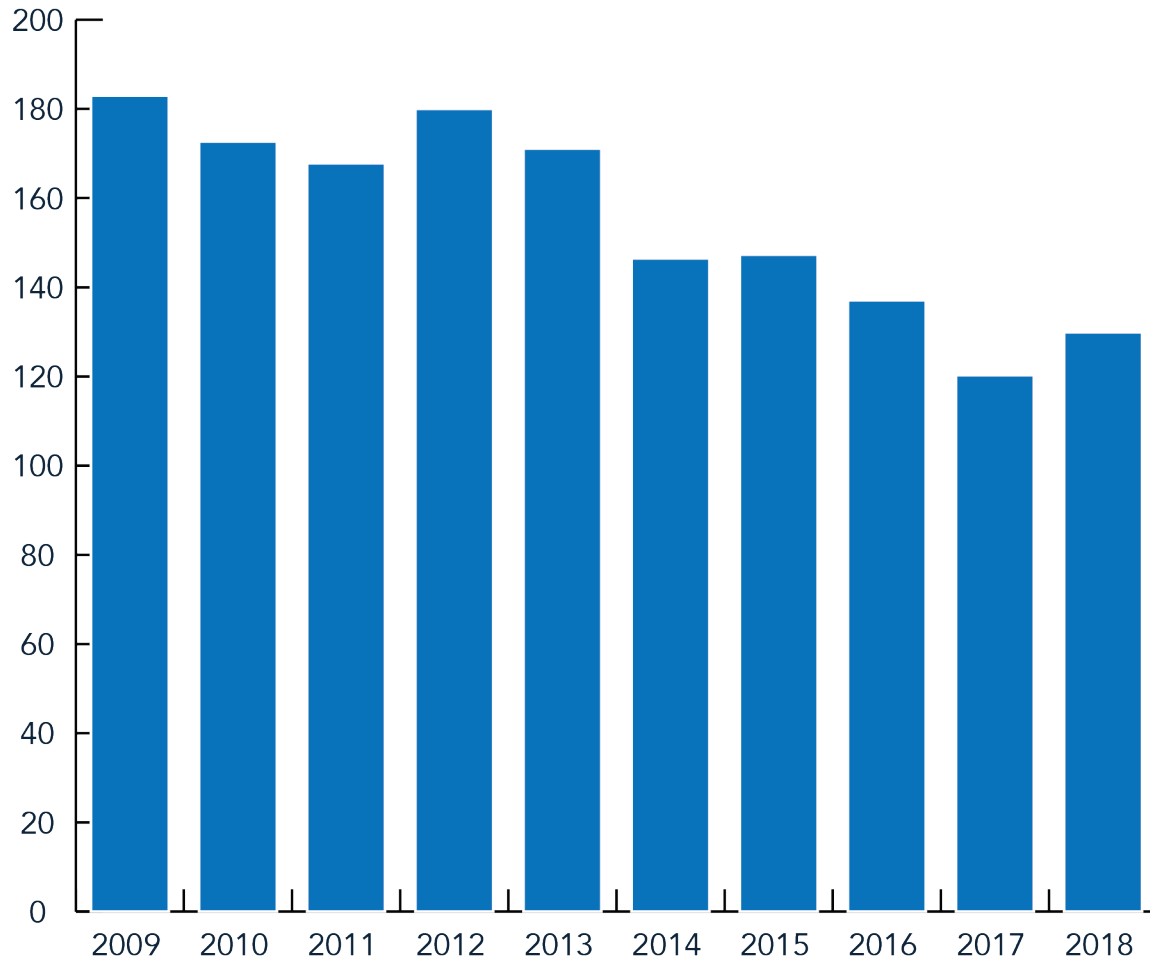


SOURCE: BANK OF CANADA – [TREASURY BILLS AND BONDS OUTSTANDING](#)

THE GOVERNMENT OF CANADA'S TOTAL BONDS OUTSTANDING INCREASED FROM \$349 BILLION IN 2009 TO ALMOST \$573 BILLION IN 2018. THIS IS AN AVERAGE ANNUAL INCREASE OF 5%. THE BANK OF CANADA LARGELY UTILIZES INVESTMENT DEALERS DESIGNATED AS GOVERNMENT SECURITIES DISTRIBUTORS AND PRIMARY DEALERS WHEN CARRYING OUT ITS MARKET OPERATIONS AND THIS BOND ISSUANCE HAS BEEN ORDERLY AND WELL RECEIVED IN THE MARKETPLACE.

Government of Canada Treasury Bills Outstanding

2009-2018, IN \$ BILLIONS



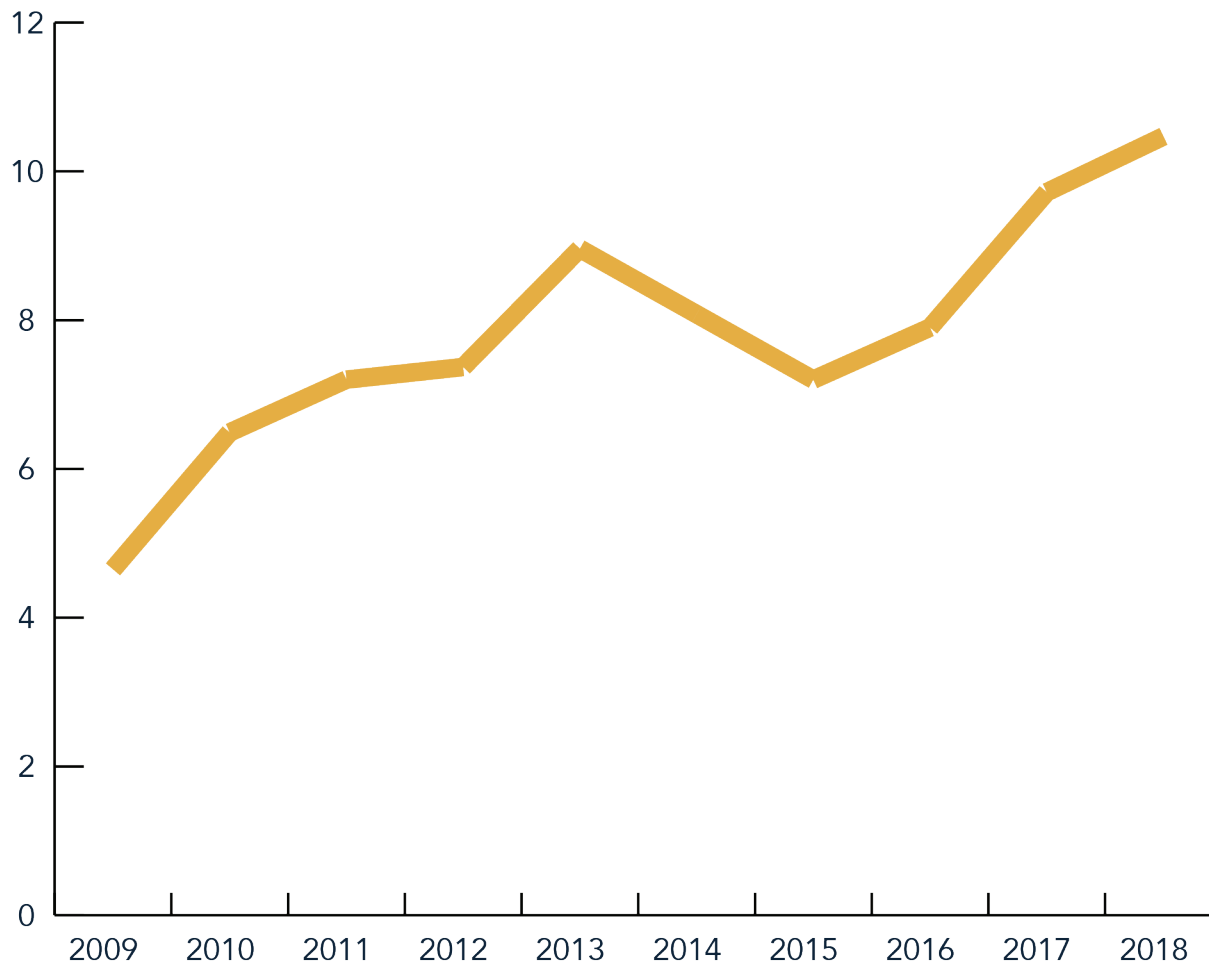
SOURCE: BANK OF CANADA – [TREASURY BILLS AND BONDS OUTSTANDING](#)

TOTAL TREASURY BILLS

OUTSTANDING REMAINED RELATIVELY RANGEBOUND BETWEEN \$168 TO \$183 BILLION FROM 2009 TO 2012. AFTER THIS PERIOD THERE WAS A STEADY DECLINE OF 4.5% ON AN ANNUAL AVERAGE BASIS, WITH TOTAL T-BILLS OUTSTANDING AT \$130 BILLION IN 2018, AS THE BANK OF CANADA EXTENDED THE TERM OF ITS BORROWINGS IN A LOW RATE ENVIRONMENT.

Government of Canada Bonds – Trading Volume

2009-2018, IN \$ BILLIONS

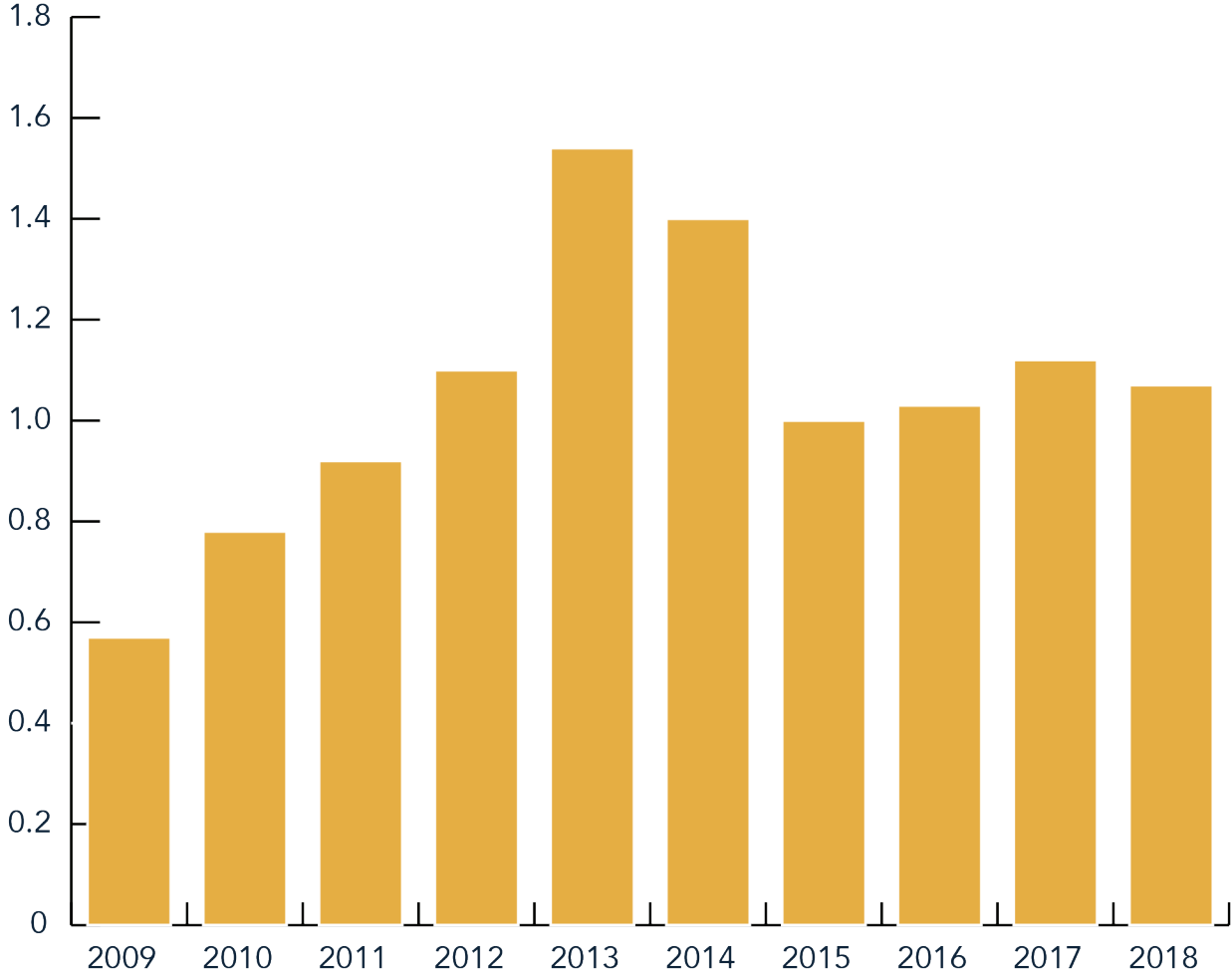


SOURCE: IIROC MARKET TRADING REPORTING SYSTEM (MTRS)

THE TRADING VOLUME OF GOVERNMENT OF CANADA BONDS HAS TRENDED UPWARD FOR THE PAST DECADE. THE AVERAGE RATE OF ANNUAL INCREASE HAS BEEN ALMOST 8.5%. IN 2018 CANADA'S INVESTMENT DEALERS TRADED OVER \$10 TRILLION WORTH OF THESE BONDS, WHICH IS REFLECTIVE OF A GROWING SUPPLY OF BONDS AND A LIQUID MARKET FOR THESE ISSUES.

Bond Market Secondary Trading- Total Provincial Bonds

2009-2018, IN \$ TRILLIONS

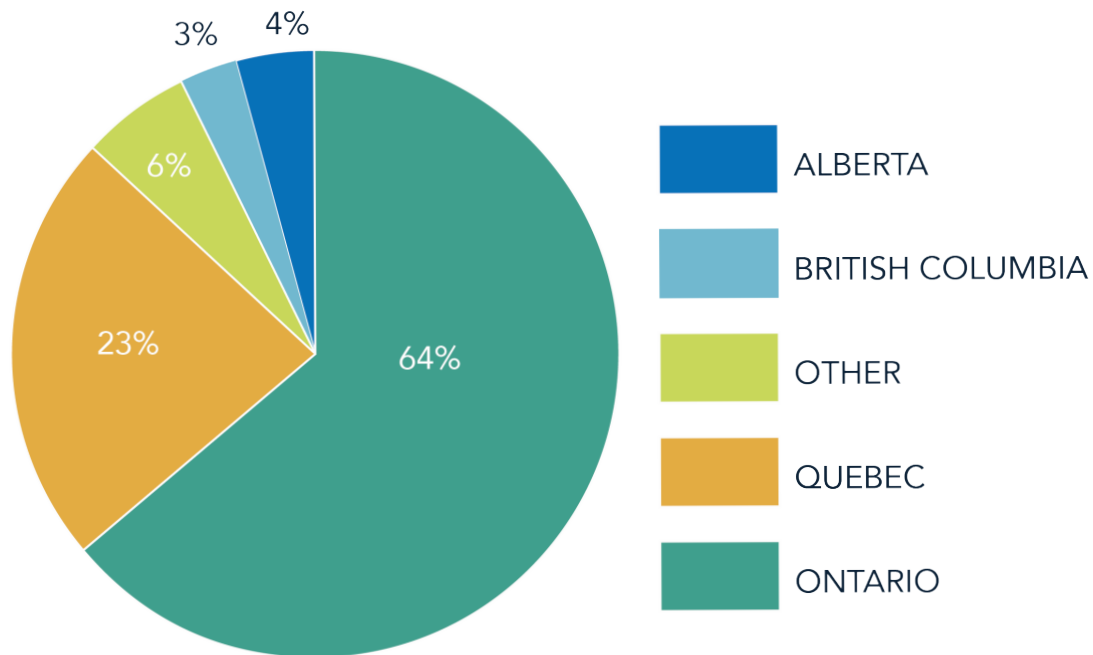


SOURCE: IIROC MARKET TRADING REPORTING SYSTEM (MTRS)

TRADING IN PROVINCIAL BONDS GREW FROM ROUGHLY \$600 BILLION IN 2009 TO \$1.5 TRILLION IN 2013. TRADING VOLUMES SUBSEQUENTLY DECLINED FROM THE 2013 PEAK BUT THE \$1.07 TRILLION RECORDED FOR 2018 STILL REPRESENTS AN 80% RISE FROM 2009 LEVELS.

Trading in Provincial Bonds

2018



AMONG THE PROVINCES, ONTARIO'S BONDS CONTINUE TO BE THE MOST HEAVILY TRADED. IN 2018, ONTARIO BONDS ACCOUNTED FOR ALMOST TWO-THIRDS OF ALL PROVINCIAL BONDS TRADED BY INVESTMENT DEALERS. QUEBEC FOLLOWED WITH 23%. THIS REFLECTS THE LARGE AMOUNT OF NEW ISSUES OF ONTARIO DEBT AND SIGNIFICANT OUTSTANDINGS.

Debt Inventories – Long and Short Positions

2012-2018, IN \$ BILLIONS



SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

CANADA'S INVESTMENT

DEALERS SUPPORT DEBT

MARKET FUNCTIONING BY

MAKING MARKETS OR TRADING

AS PRINCIPAL IN A WIDE RANGE

OF BONDS. IN 2018 DEALERS

MAINTAINED \$128 BILLION

IN LONG BOND POSITIONS.

THESE LONG POSITIONS

WERE FURTHER HEDGED

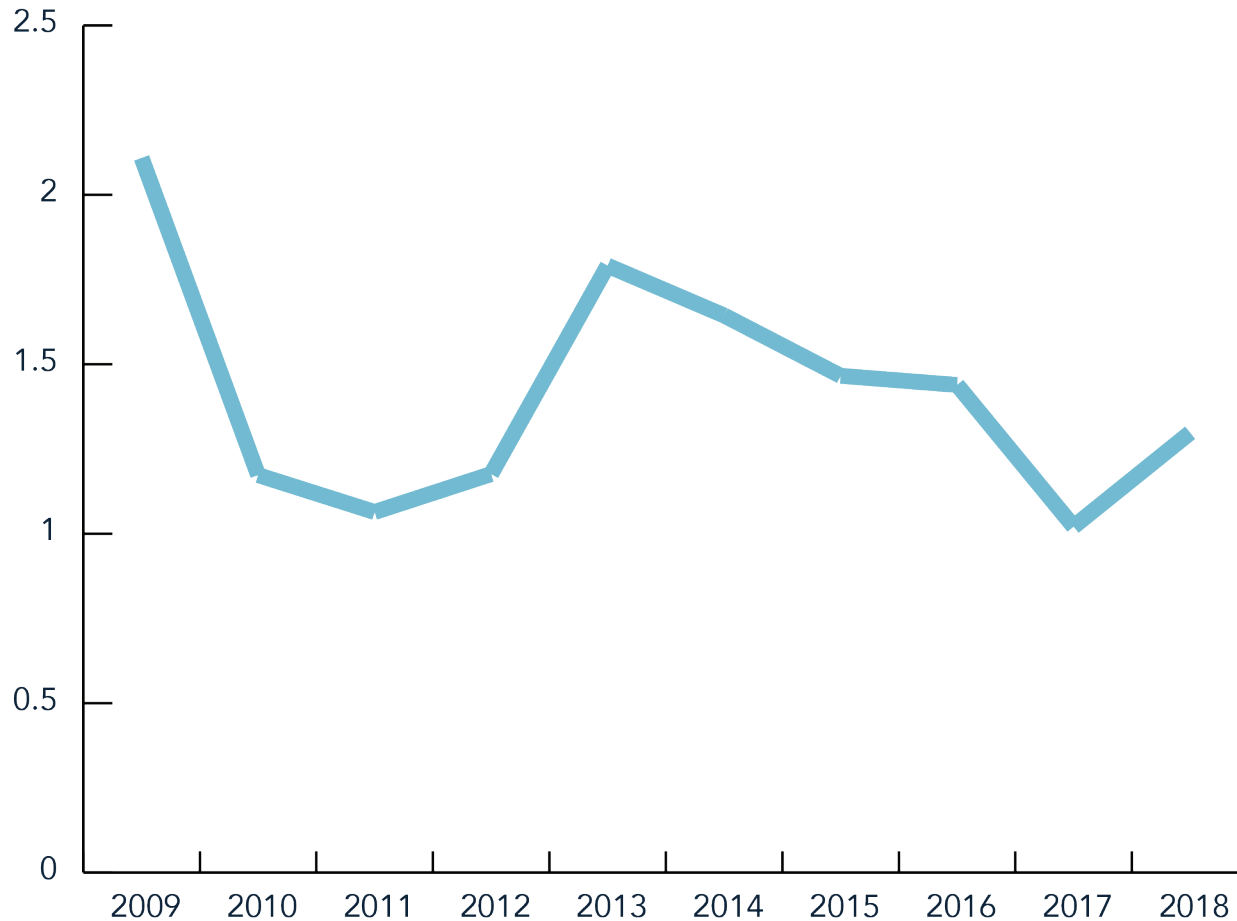
WITH \$62 BILLION IN SHORT

GOVERNMENT OF CANADA

BOND POSITIONS.

Fixed Income Trading Revenues

2009-2018, IN \$ BILLIONS



SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

THE EARLY PART OF THIS DECADE SAW FRAGILE CREDIT MARKETS IN THE AFTERMATH OF THE FINANCIAL CRISIS AND EUROPEAN SOVEREIGN DEBT CRISIS. DIFFICULT TRADING CONDITIONS RESULTED IN INDUSTRY FIXED INCOME TRADING REVENUES FALLING DRASTICALLY BETWEEN 2009 TO 2011. AS MARKET CONDITIONS SETTLED INDUSTRY REVENUES RECOVERED IN 2012 AND 2013 BEFORE SLIDING ONCE AGAIN. IN 2018 FIXED-INCOME TRADING CONTRIBUTED \$1.3 BILLION TO INDUSTRY REVENUES, 27% MORE THAN THE PRIOR YEAR.

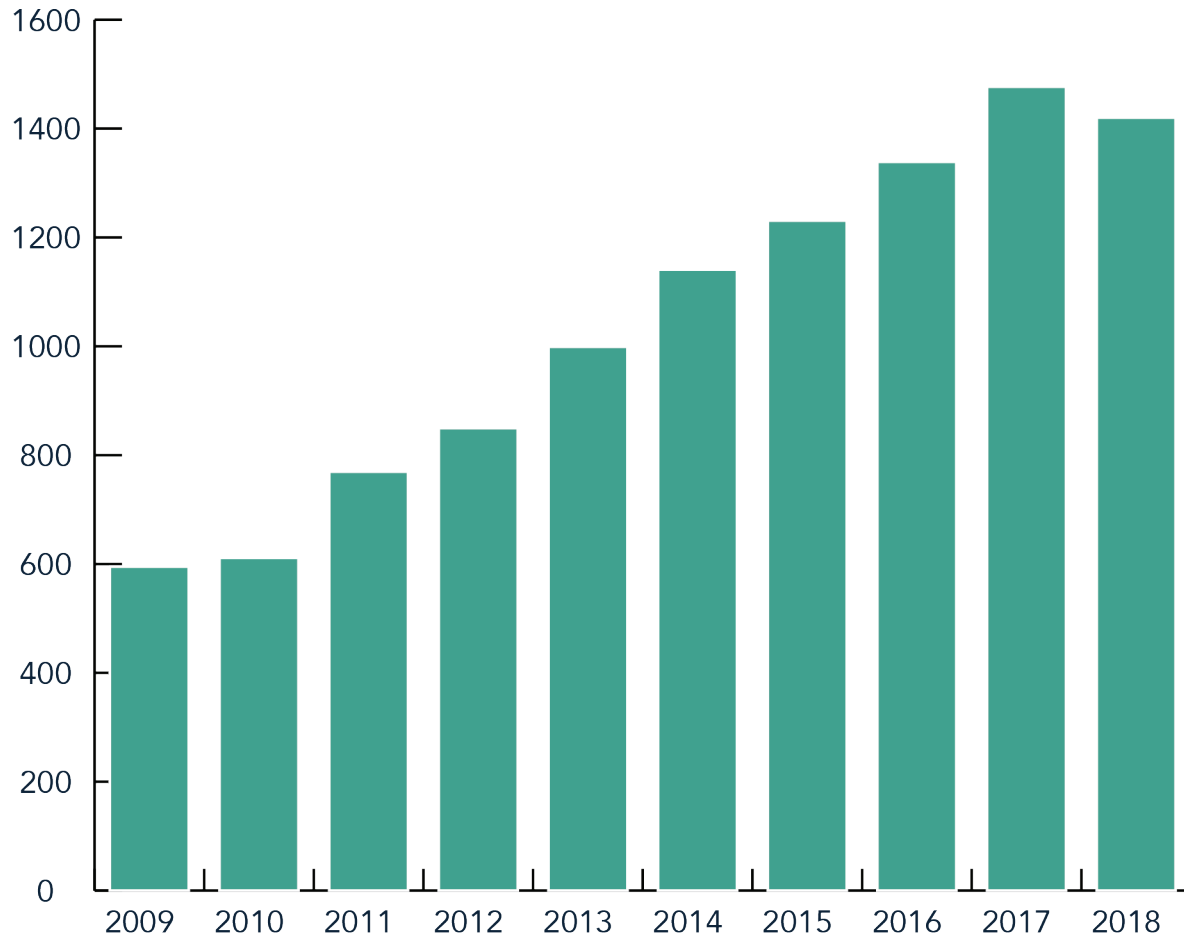


INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

WEALTH MANAGEMENT

Mutual Fund Assets

2009-2018, IN \$ BILLIONS



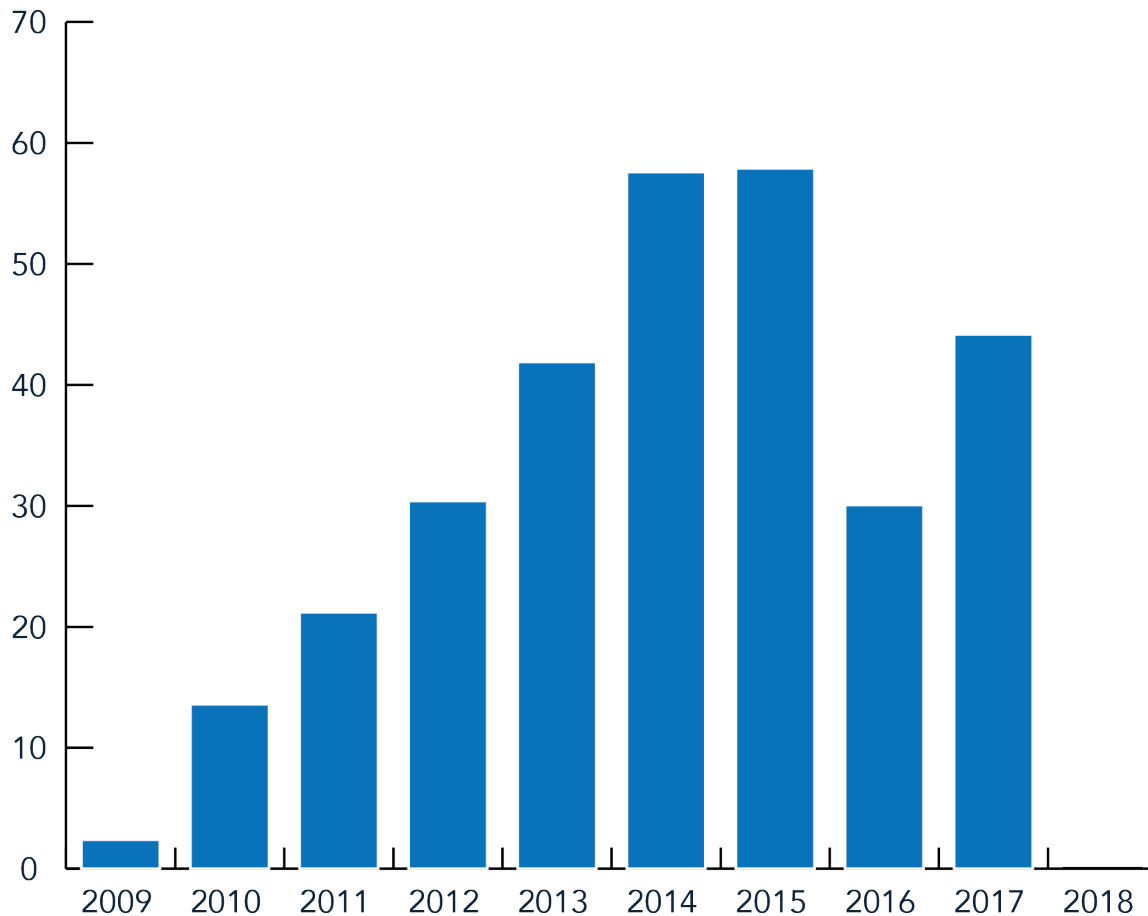
SOURCE: INVESTMENT FUNDS INSTITUTE OF CANADA – [IFIC MONTHLY INVESTMENT FUND STATISTICS](#)

AT THE END OF 2018

CANADIANS HAD OVER \$1.4 TRILLION INVESTED IN MUTUAL FUNDS, MORE THAN TWICE THE AMOUNT THEY HELD IN 2009. THE AVERAGE ANNUAL GROWTH RATE FOR THIS PERIOD WAS 9.1%. BALANCED FUNDS CURRENTLY COMPRISE APPROXIMATELY HALF OF MUTUAL FUND ASSETS WITH EQUITY FUNDS ACCOUNTING FOR ROUGHLY ONE-THIRD.

Mutual Fund Net Sales

2009-2018, IN \$ BILLIONS



MUTUAL FUND NET SALES

INCREASED SHARPLY FROM

\$2.4 BILLION IN 2009 TO

PEAK AT \$57.9 BILLION IN

2015. SINCE 2015 NET SALES

HAVE DECREASED WITH

2018 RECORDING A MODEST

NET SALES FIGURE OF \$109

MILLION. THE SLIDE IN SALES

CAN BE ATTRIBUTED TO

SEVERAL FACTORS INCLUDING

INCREASED COMPETITION

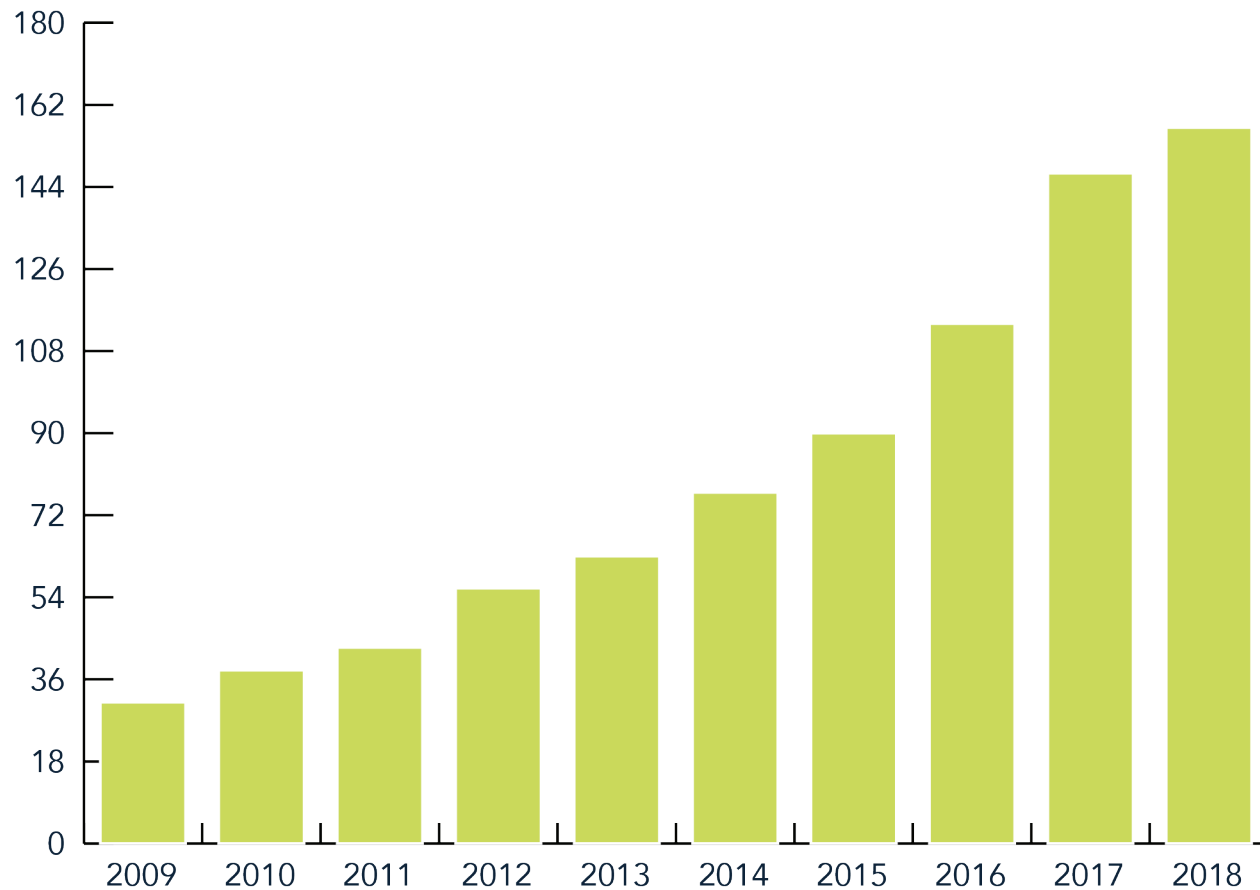
FROM EXCHANGE TRADED

FUNDS.

SOURCE: INVESTMENT FUNDS INSTITUTE OF CANADA – [IFIC MONTHLY INVESTMENT FUND STATISTICS](#)

Exchange Traded Funds Assets

2009-2018, IN \$ BILLIONS

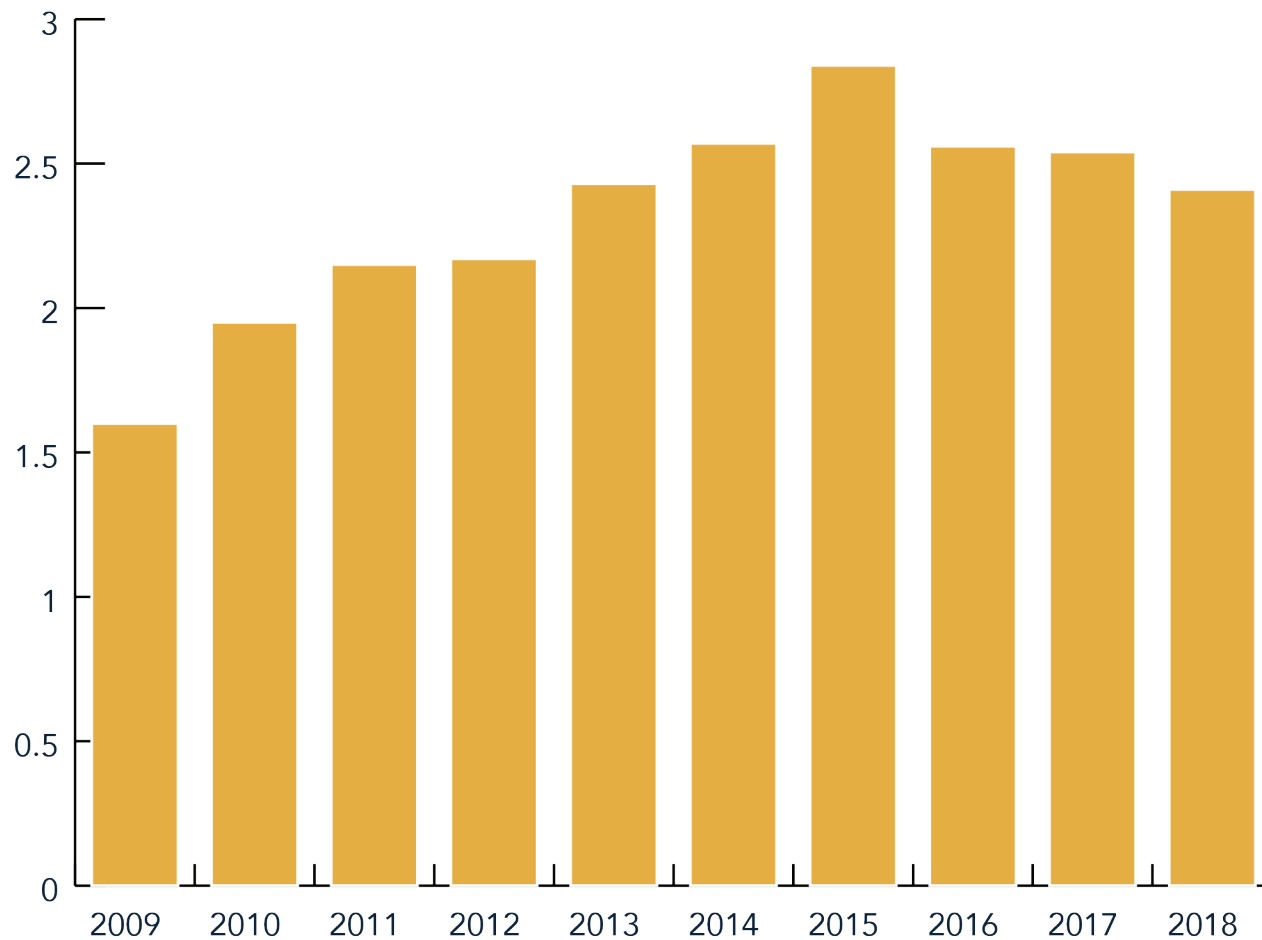


SOURCE: CANADIAN ETF ASSOCIATION

INVESTORS' GROWING FOCUS ON COSTS AND PERFORMANCE HAS RESULTED IN INCREASED POPULARITY OF EXCHANGE TRADED FUNDS (ETFs). SEVERAL NEW ETF PROVIDERS HAVE SURFACED IN CANADA IN RECENT YEARS HELPING ETF ASSETS IN THIS COUNTRY GROW FROM \$31 BILLION IN 2009 TO \$157 BILLION IN 2018. AN AVERAGE ANNUAL GROWTH RATE OF ALMOST 18%.

Mutual Fund Trailers and Commissions

2009-2018, IN \$ BILLIONS

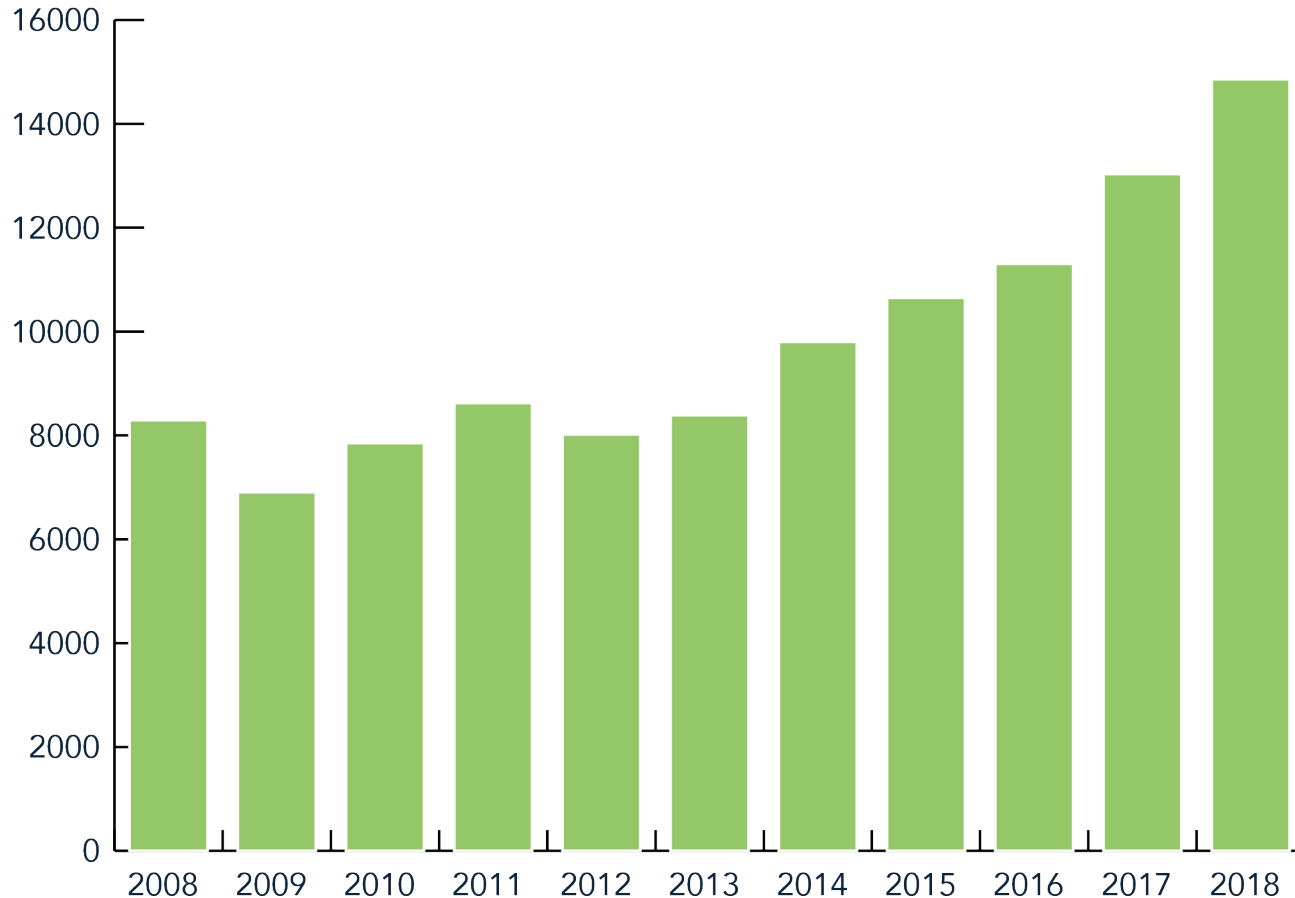


SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

INVESTMENT DEALERS ARE A MAJOR DISTRIBUTION CHANNEL FOR MUTUAL FUNDS. MUTUAL FUNDS REPRESENTED 11% OF SECURITIES INDUSTRY REVENUES IN 2018. MUTUAL FUND TRAILERS AND COMMISSIONS AMOUNTED TO \$2.4 BILLION IN REVENUES IN 2018 COMPARED TO \$1.6 BILLION IN 2009. INDUSTRY MUTUAL FUND REVENUES, HOWEVER, HAVE BEEN ON THE DECLINE FOR THE PAST THREE CONSECUTIVE YEARS.

Industry Retail Revenues

2009-2018, IN \$ MILLIONS

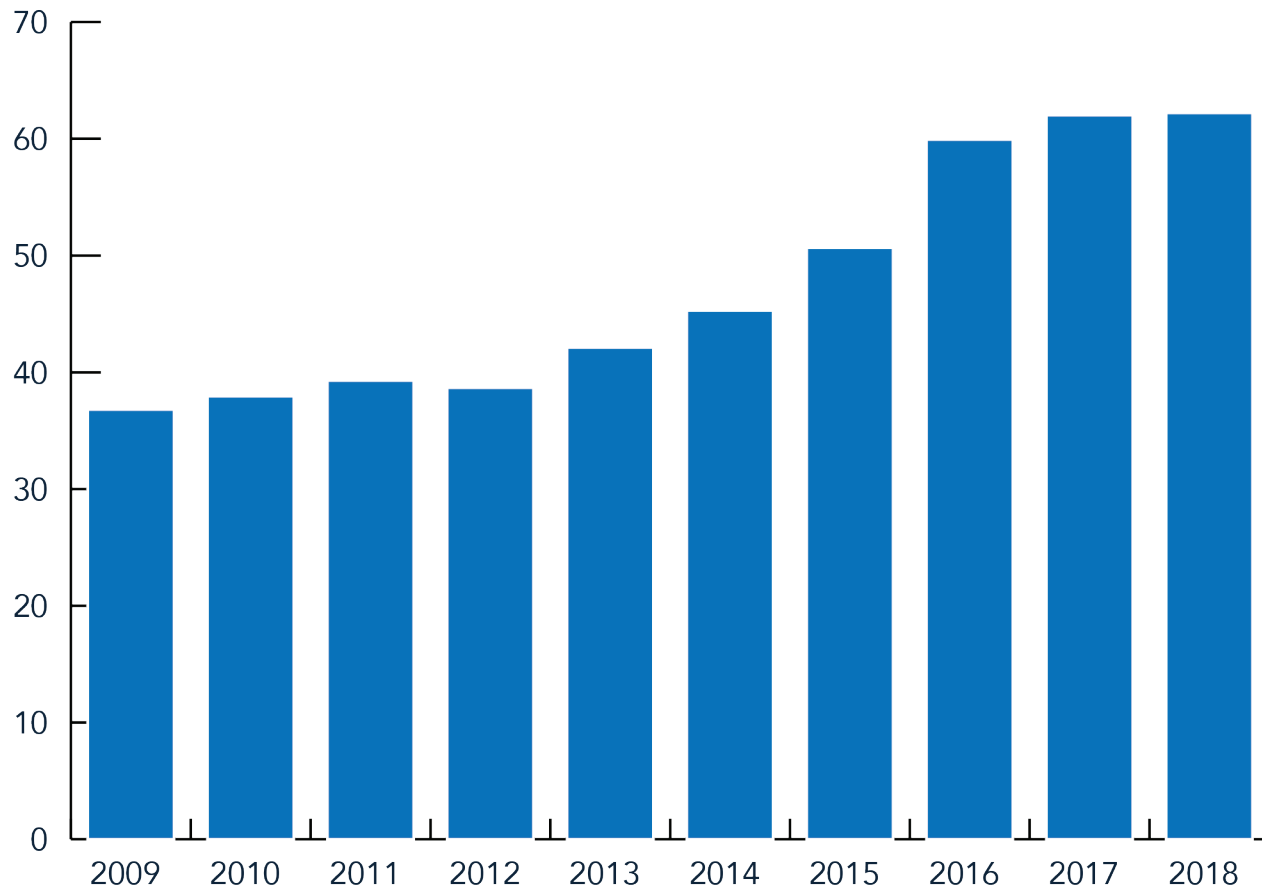


SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

INCREASED DEMAND FOR PROFESSIONAL FINANCIAL ADVICE HAS BOLSTERED WEALTH MANAGEMENT SERVICES WITHIN THE SECURITIES INDUSTRY. AN ESTIMATED \$15 BILLION, OR APPROXIMATELY 65%, OF TOTAL INDUSTRY REVENUES WAS ATTRIBUTED TO RETAIL WEALTH MANAGEMENT ACTIVITIES IN 2018. THIS IS MORE THAN DOUBLE THE WEALTH MANAGEMENT REVENUES EARNED IN 2009. THE AVERAGE ANNUAL GROWTH DURING THIS PERIOD WAS ALMOST 8%.

Client Cash Holdings

2009-2018, IN \$ BILLIONS



SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

AT THE END OF 2018 INVESTORS

HELD OVER \$60 BILLION IN

CASH IN ACCOUNTS WITH

INVESTMENT DEALERS, A 70%

INCREASE FROM 2009. THIS IS

COMMENSURATE WITH THE

GROWTH IN TOTAL INDUSTRY

ASSETS MANAGED DURING

THE PERIOD. SOME OF THIS

CASH THAT CURRENTLY SITS

ON THE SIDELINES WILL BE

DEPLOYED BY INVESTORS AS

BUYING OPPORTUNITIES ARISE.

SOME CASH WILL REMAIN

IN INVESTOR ACCOUNTS AS

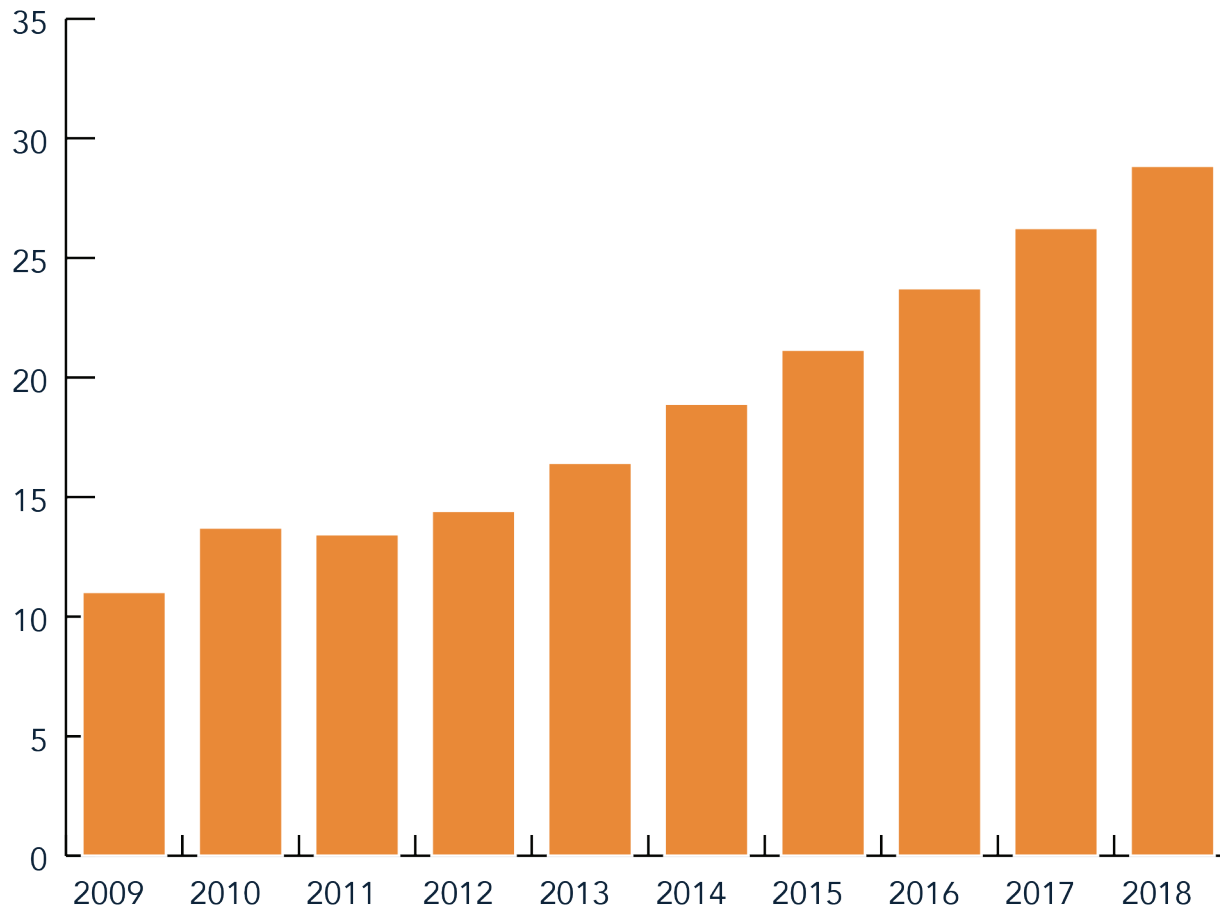
A WAY TO DIVERSIFY THEIR

PORTFOLIOS OR TO ENSURE

QUICK ACCESS TO FUNDS.

Client Margin Debt Outstanding

2009-2018, IN \$ BILLIONS



SOURCE: IIROC MONTHLY FINANCIAL REPORTS, IIAC COMPILED

CLIENT PURCHASES OF SECURITIES THROUGH MARGIN DEBT TUMBLED AFTER THE FINANCIAL CRISIS AS INVESTORS REDUCED LEVERAGE IN THEIR PORTFOLIOS. AS MARKET CONDITIONS IMPROVED AND INVESTORS REGAINED CONFIDENCE, MARGIN LEVELS ROSE. AT THE END OF 2018 THE AMOUNT OF MARGIN DEBT OUTSTANDING APPROACHED \$30 BILLION, BUT STILL REPRESENTED JUST A FRACTION OF TOTAL INDUSTRY ASSETS HELD IN CLIENT ACCOUNTS.



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INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

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