A self-confessed stock nerd recommends that investors swallow the NEO Exchange red pill

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I am a self-confessed stock nerd. Digging through a company's quarterly MD&A, Annual Information Form and corporate presentation entertain me, at least when I'm not fishing, playing hockey or drinking beer. The latest example of this geekiness was when I was recently asked if I had heard about the NEO Exchange. I'm guessing the person who asked was anticipating that, like most people they had brought it up with before, I would have no idea and they would go on to give me some quick insight into this unique, but not so new Canadian Tier 1 stock exchange. Instead, their question may have backfired, as I went on to talk about the first stocks I bought, things I liked about the exchange and other innovations I found interesting, which may or may not interest others. At that point, the tables were turned on me and I was challenged to ask everyone I knew (and yes I have plenty of friends) if they had heard of the NEO Exchange. I was both surprised and not surprised at how little virtually all my acquaintances knew about this subject, so that has inspired today's article.

In case you are wondering, my first exposure to the Aequitas NEO Exchange, which was their name back in 2018 (fortunately they rebranded to something a little easier to remember and spell), was a new issue as part of an RTO transaction whereby Ethereum Capital Inc. (NEO: ETHC) became public and the new issuer moved over from the TSX Venture. That was February 2018 and my exposure and interest in the NEO Exchange were born. Sadly, I didn't have the patience to turn that particular investment into the healthy gain it would be if I still held it today. Instead, I eventually booked a 44% loss and moved on. Nevertheless, I'm very happy that this transaction introduced me to this exchange and I've watched it grow ever since. Granted the exchange itself was launched in 2015, but until 2018 it was mostly ETF offerings with ETHC and Halo Collective Inc. (NEO: HALO) being some of the first actual stock listings. I know that because I also owned HALO and I did make money on that trade.

But enough about my NEO trading history, you need to know why you should have a look at the NEO Exchange today. For starters, it's the second Tier 1 exchange in Canada, along with the TSX, which means that NEO-listed securities meet stringent, disclosure-based listing requirements you can trust. This gives potential qualified Canadian issuers a legitimate option to list with an alternative, much like U.S. equity issuers can choose between the NYSE and Nasdaq. **Choice is almost always a good thing.**

Then there are NEO's founding principles of fairness, liquidity, efficiency and service, where NEO is making waves as a bold and disruptive capital markets technology firm. A great example of fairness is the NEO speed bump and unique order-matching technology that give long-term investors a fair chance to participate in trading without being continuously outpaced by predatory High-Frequency Trading (HFT). It also rejects any traders willing to pay fees for additional trading advantages, including co-located trading technology and access to faster market data. You may recall the Robinhood scandal about selling customers order flow. All examples of the kind of questionable behavior that NEO is trying to protect investors from.

However, what really got my attention the first time I went to the website to get a quote on ETHC was the fact that it was real-time data AND there was depth of market information. For frugal, do it yourself traders this is the holy grail of information. Both of these data sets typically cost a reasonable amount of money for subscriptions or access. I refuse to do a cost/benefit analysis on what having real time data may or may not have cost me over the years because it would probably highlight that I should have broken out my wallet and paid the fees. But with the NEO Exchange website, I can stick to my frugal trading ways and have all the information I want at my fingertips.

Then there is the newest innovation that has also garnered my interest – Canadian Depositary Receipts (CDRs). You may or may not be familiar with American Depositary Receipts (ADR). An ADR is a negotiable certificate issued by a U.S. depositary bank representing a specified number of shares, typically one share, of a foreign company's stock. The ADR trades on U.S. stock markets like any domestic share. It offers investors a way to purchase stock in overseas companies that would not be available otherwise. Being the disruptive innovator they are, the NEO Exchange has fashioned (along with their partner CIBC) a Canadian equivalent. The first listing is a company you may have heard of before – Amazon. In this example, it is a fractional share (so you don't have to cough up US$3,375/share) and exposure to U.S. Dollar currency risk is minimized through built-in currency hedging, allowing you to own the company, not the currency. It's 1/200 of an Amazon share and it closed yesterday at C$21.20. So almost no currency risk and a bite sized version….let me get out my list of U.S. stocks I want CDRs done for.

The NEO Exchange is not publicly listed, so there is no investment thesis here. Just some insight into an exchange I think everyone, even non-stock nerds, should be aware of. So take the red pill and get on with your journey (there is no way I could spend a whole article talking about NEO and not eventually make a reference to "The Matrix").

The NEO Exchange's Erik Sloane on being the Tier 1 stock exchange for the 'innovation economy'

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In a recent InvestorIntel interview, Chris Thompson speaks with Erik Sloane, Chief Revenue Officer of the NEO Exchange about being the Tier 1 stock exchange for the 'innovation economy' of Canada.

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Erik went on to say that NEO is Canada's second Tier 1 stock exchange and is backed by some of the most reputable financial organizations in the country. As one of the only two senior exchanges in Canada, Erik explained how NEO Exchange provides companies a choice which they didn't have before. He also provided an update on the launch of the first-ever Canadian Depositary Receipt (CDR) on the NEO Exchange allowing Canadians to invest in global companies through fractional share ownership with a built-in currency hedge. Referencing the rise in the Canadian Special Purpose Acquisition Companies (SPACs) market Erik told InvestorIntel that "NEO has been the listing exchange of choice for 10 SPACs in Canada."

To watch the full interview, [click here]

About the NEO Exchange

The NEO Exchange is a Canadian 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.

To learn more about the NEO Exchange, [click here]

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If you have any questions surrounding the content of this interview, please email info@investorintel.com.

Outperforming the TSX and Venture Exchange – The Canadian Securities Exchange or CSE woos Americans

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"One of the things that we look at is the turnover ratio, which measures the value of the trading divided by the market cap of the stocks. Despite the fact that our market cap has been rising so has the trading volume. We routinely look at it on a monthly basis. Using that measure, the liquidity on the CSE has exceeded that of the TSX and the Venture Exchange for well over 2 years.

We do not tell people that that means we have a more liquid market. We tell people that that means we have a no less liquid market." States Rob Cook, Senior Vice President of Market Development of The Canadian Securities Exchange, in an interview with InvestorIntel Corp. CEO Tracy Weslosky.

Tracy Weslosky: Hockey stick performance in the market, let us talk about the CSE. You have outperformed pretty much everybody. Can you give us some of the highlights Rob?

Rob Cook: The highlights have gone on for many years, but it has been the last couple of years that we have seen the hockey stick that we were always hoping would come about and we had a lot of confidence that it would because we just went over 1% at a time to our exchange, to our market model, to the way that we do business. It has been very gratifying to see the recent results. The number of companies that are listing, the amount of money that they are raising and financing has just been tremendous.

Tracy Weslosky: Let us talk to the numbers. Many investors out there are a little more short-term memory and they are looking forward. With the CSE, your market cap has increased from X to X in the last year.

Rob Cook: It has increased from a little over $4 billion to close to $14 billion.

Tracy Weslosky: In addition to that, how many new companies have listed in the last year?

Rob Cook: Could not tell you in 12 months, but I do know in 9 months. I think we are up 126 companies, which is going to already exceed our largest year before.

Tracy Weslosky: I have always perceived it to be a fallacy that your volume of trading is lower than other exchanges. Can you correct that fallacy?

Rob Cook: Yes, quite easily. One of the things that we look at is the turnover ratio, which measures the value of the trading divided by the market cap of the stocks. Despite the fact that our market cap has been rising so has the trading volume. We routinely look at it on a monthly basis. Using that measure, the liquidity on the CSE has exceeded that of the TSX and the Venture Exchange for well over 2 years. We do not tell people that that means we have a more liquid market. We tell people that that means we have a no less liquid market. What we have today, and the recent past, is we have stocks that investors are really interested in trading so it is extremely active.

Tracy Weslosky: I was recently speaking at an investment conference and I was stating that one of the areas we are following are the Americans that have started to trade in Canada and list specifically on the CSE. Are they all cannabis stocks or are you actually getting other types of stories right now Rob?

Rob Cook: We are getting a few other stories. Because of the increased interest in the cannabis sector and the fact that we have had several from the United States that have come to us already it has broadened the awareness, but we have always had a few. When we launched our exchange in 2003 we only had 3 companies and 1 of those was American. That company raised about $100 million dollars while it was listed on the CSE…to access the complete interview, click here

Cannabis and Blockchain, the CSE's record breaking year

written by InvestorNews | August 6, 2021

May 31, 2018 – "I am here to give you an update on the CSE. In a word we are busy. 2017, we were busy. It was a record year. We have had a record year almost every year, but this one exceeded all others. At the end of the year we had 35 companies with a market cap each of over $100 million dollars. It was the first time that our companies collectively and there were about 310 on average last year I would say, that raised over a billion dollars in financing." states Rob Cook, Senior Vice President of Market Development of the Canadian Securities Exchange, in a recent presentation at the 7th Annual InvestorIntel Summit – Buds, Batteries & Blockchain 2018.

Rob Cook: I am here to give you an update on the CSE. In a word we are busy. 2017, we were busy. It was a record year. We have had a record year almost every year, but this one exceeded all others. At the end of the year we had 35 companies with a market cap each of over $100 million dollars. It was the first time that our companies collectively and there were about 310 on average last year I would say, that raised over a billion dollars in financing. Due to the volume of our trading, it was the first time that our 300 odd companies traded more on a couple of days in December more than all of the companies on the TSX Venture Exchange in each of volume, value and trades. We had a lot of trading. Here is our 5-year trading trend. I think it is fair to call this a hockey stick. There are not too many hockey sticks that you will see in a graph that are not projections. This one is historical. We are happy with that. You can see there is active trading, but is there liquidity? It is a small stock exchange. Most people seem to assume that there is going to be less liquidity on the CSE than on other stock exchanges that have a much bigger list. Turnover is a measure of liquidity. It is one that is easy to find. You take the value of the trading of all the shares and you divide that by the market cap of the companies whose shares you are trading. This is a monthly slide. I think you can guess that the red line is the CSE because it is the highest on the slide. I may not be showing it to you if it was not, right? The black line is the TSX and it is a more stable trading environment partly because it is larger, partly because it is large cap stocks. Typically it runs 4% to 5% a month turnover in trading. Our peak was over 30% in December. Yes, that was powered largely by cannabis. Some people claimed it was all cannabis. It is not true. It is only about 90%. It has obviously come off quite a bit since then, but in March our turnover was 13% compared with 5% on the other exchanges in Canada. We are not actually showing this to tell you that our market is more liquid than their market. What we have always told people is that the stock exchange does not give you liquidity. Liquidity is a function of investors' interest in trading the securities that are listed on your exchange. Obviously there was a lot of investor interest. All of the investors in our marketplace are part of the Canadian capital markets so we have the same dealers, the same investors. We do have different companies. That was a very big year for us. This slide shows growth in listings on the CSE. It goes back to 2007…to access the complete presentation, click here