

JUNE 2019

The Alberta Capital Market

A|S|C
Alberta Securities Commission

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Each year the ASC issues four reports, created to provide timely and relevant information for market participants and reporting issuers. These reports include the annual report, the Alberta capital market report, the oil and gas review and the corporate finance disclosure review. These reports can be found on albertasecurities.com.

Executive Summary

ABOUT THIS REPORT

The Alberta Capital Market (ACM) report is an annual publication by the Alberta Securities Commission (ASC) that provides a descriptive analysis of the Alberta capital market in relation to other major Canadian capital markets. The report offers market context for ASC staff, market participants, and the general public. It includes analysis of both publicly available and regulatory data, such as prospectus-exempt financings and Alberta registrants. New in the 2019 report is the inclusion of regulatory data from prospectuses and other documents filed with the ASC for 2016, 2017 and 2018. The report draws on information from ASC records, the TMX Group Limited (TMX), Intercontinental Exchange, Inc. (ICE), the System of Electronic Document Analysis and Retrieval (SEDAR), and Bloomberg Finance L.P. (a financial information service). Combining these sources allows analysis of:

- all listed reporting issuers¹ (RIs) on the basis of principal regulator² (PR);
- prospectus and prospectus-exempt financings;
- the Alberta registrant community; and
- energy commodity contracts transacted in Alberta.

The Appendix outlines the methodology used to assemble the combined data of reporting issuers.

Alberta Issuers

Chart 1 shows the number of active Alberta PR reporting issuers listed on an exchange, which would be considered by many investors to be the "public market." At the end of 2018, the ASC had primary regulatory responsibility for 421 such issuers, which was 4.8 per cent fewer than a year earlier and 31 per cent fewer than at the end of 2014.³

The decline in the number of Alberta issuers has also been significant for non-reporting issuers, also shown in Chart 1. The issuers counted as non-reporting (and unlisted) are those issuers headquartered

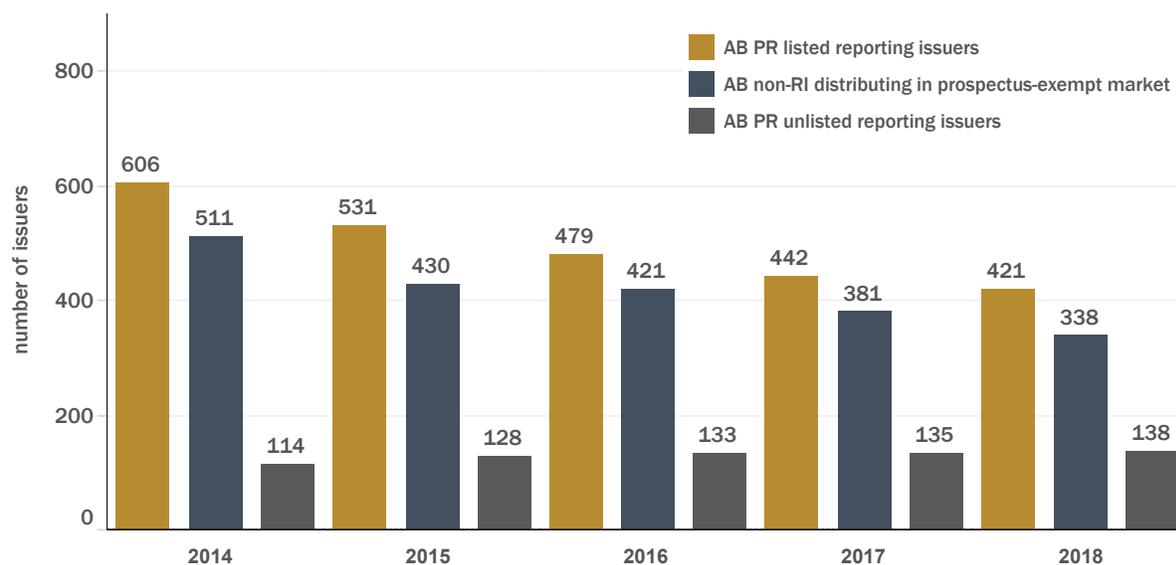
¹ References to reporting issuers in this report means reporting issuers that report in Alberta. There are several ways an issuer may be a "reporting issuer" as defined in the *Securities Act* (Alberta) under section 1 (ccc). Reporting issuers are not required to have listed securities, although reporting issuers typically have one or more securities listed on at least one exchange. In addition, issuers are not required to report in all jurisdictions.

² An issuer's "principal regulator" is the securities regulatory authority or regulator, as determined in Multilateral Instrument 11-102 *Passport System*. Most often an issuer's PR is the securities regulatory authority or regulator of the province or territory in which the issuer has its head office (or for investment funds, where the investment fund manager has its head office), or to which it has the most significant connection.

³ Listed and unlisted reporting issuers that were cease traded have been excluded.

in Alberta that actively raised capital under an available prospectus exemption during the year. Many investors would refer to this as the "prospectus-exempt market" or "private market." In 2018, there were at least 338 Alberta-based non-reporting issuers active in the prospectus-exempt market, down 11 per cent from 2017 and down 34 per cent since the end of 2014.⁴

Chart 1: Number of Alberta issuers



Alberta PR reporting issuers represented 11 per cent of the total 3,851 reporting issuers in Alberta listed on at least one exchange, with a total market capitalization of \$778 billion or 21 per cent of all reporting issuers in Canada. The market capitalization of all listed Alberta PR issuers decreased 14 per cent during the year from the 2017 total of \$904 billion – a five-year high. Oil and gas issuers continued to be the largest industry in Alberta, with a combined market capitalization of \$333 billion in 2018, or 43 per cent of the total market capitalization of Alberta PR issuers, down from \$447 billion and 49 per cent, respectively, in 2017. Utilities and pipelines were the second largest industry in 2018 with a market capitalization of \$202 billion, or 26 per cent of the total market capitalization of Alberta PR issuers, down from a market capitalization of \$224 billion and up from 25 per cent of the total market capitalization in 2017.

Not surprisingly, the market capitalization of Alberta PR issuers engaged in the oil and gas industry declined as related commodity prices declined. WCS Western Canadian Select crude declined more than 60 per cent from the beginning of 2018 to November (with historically wide spreads to West Texas Intermediate), before rebounding to finish 2018 down 6.3 per cent. AECO natural gas prices fell 41 per cent during the year. Lower commodity prices generally result in lower cash flow expectations for oil and gas issuers.

Listed reporting issuers regularly access capital through the prospectus-exempt market. Of the 421 Alberta PR reporting issuers, 118 were active in the prospectus-exempt market. In 2018, there were 897 active issuers in the Alberta market (including both reporting issuers raising capital publicly or in the prospectus-exempt market, and non-reporting issuers raising capital in the prospectus-exempt market)

⁴ Non-reporting issuers do not have a "principal regulator." Thus, this report used the location of the issuer's head office, as identified in regulatory filings.

under the jurisdiction of the ASC, down 6.4 per cent from 958 in 2017. The general decline over the last five years in the number of active Alberta issuers that are either reporting issuers or that are actively raising capital could be due to a variety of reasons, including consolidation among listed issuers, take overs by foreign entities, going-private transactions where the issuer ceases to be a reporting issuer, or issuers weighing the costs and benefits of being a reporting issuer or being listed on a stock exchange. A recent factor in the decline of the number of active Alberta issuers may be that oil and gas issuers have struggled with depressed commodity prices, particularly because of limited export capacity for Western Canadian crude oil. However, given that the number of active Alberta issuers has been in decline since 2011, recent challenges of depressed commodity prices and export capacity are likely not the dominant factor in the longer trend. Of note, the number of unlisted Alberta PR reporting issuers has been gradually increasing since 2014 and amounted to 138 in 2018, up from 135 in 2017.

Issuers may raise capital from investors under a prospectus or under available prospectus exemptions such as the frequently used accredited investor exemption.⁵ Prospectuses are used for initial public offerings (IPOs) and subsequent financings for issuers that are already reporting issuers.

Chart 2 (on the following page) depicts total reported financings by Alberta issuers in 2018 of \$20.1 billion, including total prospectus distributions and prospectus-exempt distributions. Of the total financings, at least \$2.0 billion, or 10 per cent, were distributions to Alberta investors.⁶ This 2019 ACM report includes prospectus distributions based on regulatory data from prospectuses and other documents filed with the ASC. Additional data is shown starting on page 38.⁷ Total financings are shown on page 4 according to whether the issuer was reporting or non-reporting, whether the financing was by prospectus or prospectus exemption, and whether the securities were listed on an exchange or unlisted. Reporting issuers raised \$17.3 billion, or 86 per cent of total reported financings, while non-reporting issuers raised the remaining \$2.7 billion, or 14 per cent. Reporting issuers (including both those with securities listed on an exchange and those with securities not listed on an exchange) issuing securities via prospectus, made up the largest proportion of the total financings reported in 2018, at \$6.6 billion or 33 per cent each, meaning that 66 per cent of all reported financings were by prospectus. The second largest financing category was reporting issuers relying on prospectus exemptions, at \$4.1 billion, or 21 per cent of the total capital raised, which was primarily through distribution of listed securities. Non-reporting issuers raised \$2.7 billion relying on prospectus-exemptions, or 14 per cent of the total capital raised (all of which were unlisted securities.)

⁵ See National Instrument 45-106 *Prospectus Exemptions* for the most commonly available exemptions.

⁶ Based on reports of exempt distribution and notices of proceeds filed with the ASC.

⁷ As in previous editions, this ACM report includes financings by listed issuers from the TMX starting on page 21, which is a subset of all financings by prospectus.

Chart 2: Reported financings by Alberta issuers, reporting and non-reporting

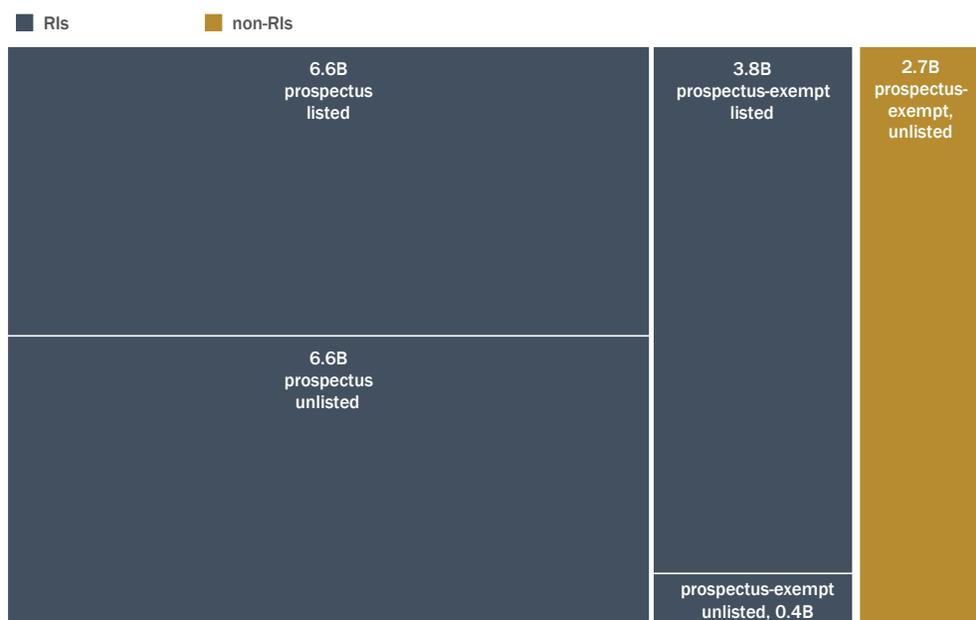
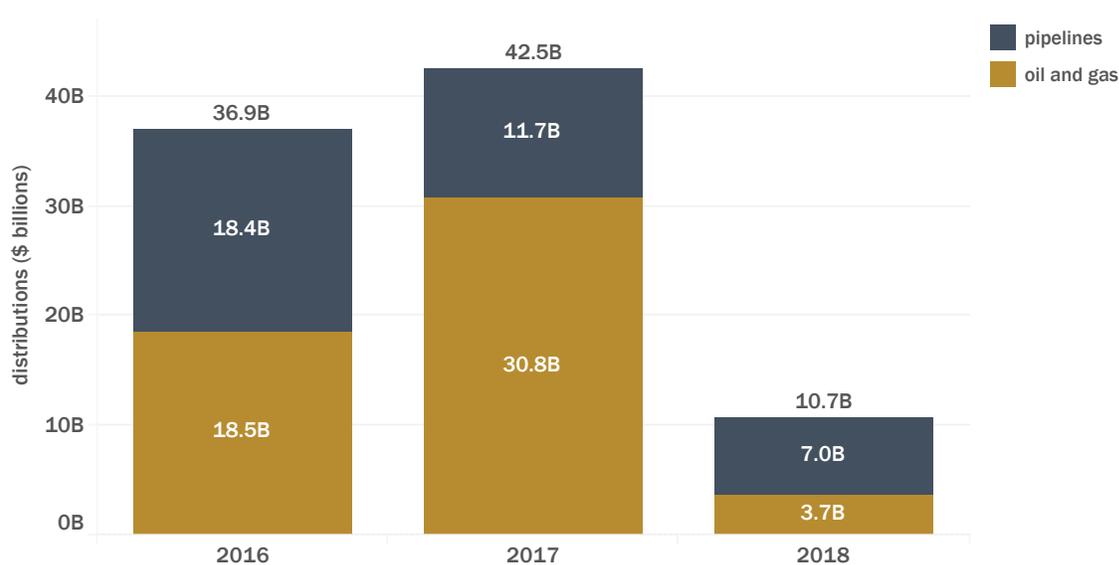


Chart total: 20.1B

Financings in 2018 by oil and gas and pipelines issuers specifically are reflected in Chart 3. Total financings under prospectus and prospectus exemptions by Alberta oil and gas and pipelines issuers totalled \$10.7 billion, down dramatically by 75 per cent from \$42.5 billion in 2017. The sharp decrease in oil and gas and pipelines financings is more pronounced than the general decrease in financings by Alberta issuers as shown later in Chart 36.

Chart 3: Total oil and gas and pipelines financings by Alberta issuers, reporting and prospectus exempt



Alberta Registrants

In general, market participants that are in the business of trading or advising in securities or managing investment funds are required to be registered with securities regulators and/or through self-regulatory organizations as a dealer or adviser (similar to licensing used in some foreign jurisdictions). There are a number of registration categories, the most common being investment dealer, exempt market dealer, mutual fund dealer, portfolio manager and investment fund manager. In Alberta, investment dealers are overseen by the Investment Industry Regulator Organization of Canada (IIROC), and mutual fund dealers are overseen by the Mutual Fund Dealers Association (MFDA). Under the passport system, regulation of other dealers and advisers is principally conducted by the securities regulator in the jurisdiction where the firm's head office is located. As of December 31, 2018, there were 119 firms principally regulated in Alberta (down from 123 firms a year ago), out of a total of 903 registered firms in Alberta. Out of the 119 firms, 99 were directly overseen by the ASC, 15 by IIROC and five by the MFDA.

Of the 119 firms principally regulated in Alberta, 51 were registered in one category, 20 were registered in two categories and 48 were registered in three categories. The most common category of registration was investment fund manager (69 firms), followed by the exempt market dealer category (61 firms), the portfolio manager category (53 firms), the restricted portfolio manager category (29 firms), the investment dealer category (15 firms) and the mutual fund dealer category (seven firms).

Energy Markets

The oil and gas industry (43 per cent) and related utilities and pipelines industry (26 per cent) accounted for 69 per cent of the market capitalization of Alberta PR issuers. The number of issuers in the oil and gas industry represented 41 per cent and in the utilities and pipelines industry, it was 3.3 per cent of the total number of Alberta PR issuers. These proportions were somewhat smaller than 2017 when the oil and gas industry accounted for 49 per cent of the market capitalization of Alberta PR issuers and the utilities and pipelines industry accounted for 25 per cent, or 74 per cent combined. The proportion of the number of issuers in the oil and gas industry was also smaller than in 2017 when 44 per cent of all Alberta PR issuers were active in oil and gas while 2.9 per cent were active in utilities and pipelines.

There is an active energy trading market in Alberta. Total energy contracts transacted on ICE NGX (formerly Natural Gas Exchange Inc., now part of the Intercontinental Exchange, Inc.) in 2018 was 11,936 PJ (petajoules), down 14 per cent from 13,847 PJ in 2017.⁸ The bulk of trading continued to be physical Canadian natural gas (contracts with physical settlement), which accounted for 82 per cent of total trading on NGX in 2018. The second-largest volume of trading was in physical U.S. natural gas at 11 per cent of the total.

⁸ There are other regulated entities and trading venues in Alberta where commodities can be traded. This report only uses NGX data as an indicator of trading natural gas and power contracts.

Listed Issuer Markets

This section provides a comparative analysis of the number and size of the listed reporting issuers in Canada and financings in the public market. The analysis includes all issuers listed on the TSX and TSXV, as well as issuers listed on other exchanges that are reporting issuers⁹ in Alberta. The information was based on data from the TMX, supplemented with data from the ASC, SEDAR, and Bloomberg. Creating a more comprehensive dataset required some assumptions, such as industry classifications, which are discussed where relevant. The Appendix contains technical details on methodology and some analysis of the assumptions made. All data is based on calendar year-end. Monetary amounts originally in a foreign currency were converted to Canadian dollars based on the prevailing spot foreign exchange rate as of December 31, 2018.

LISTED REPORTING ISSUERS

Chart 4: Number of listed reporting issuers, by PR

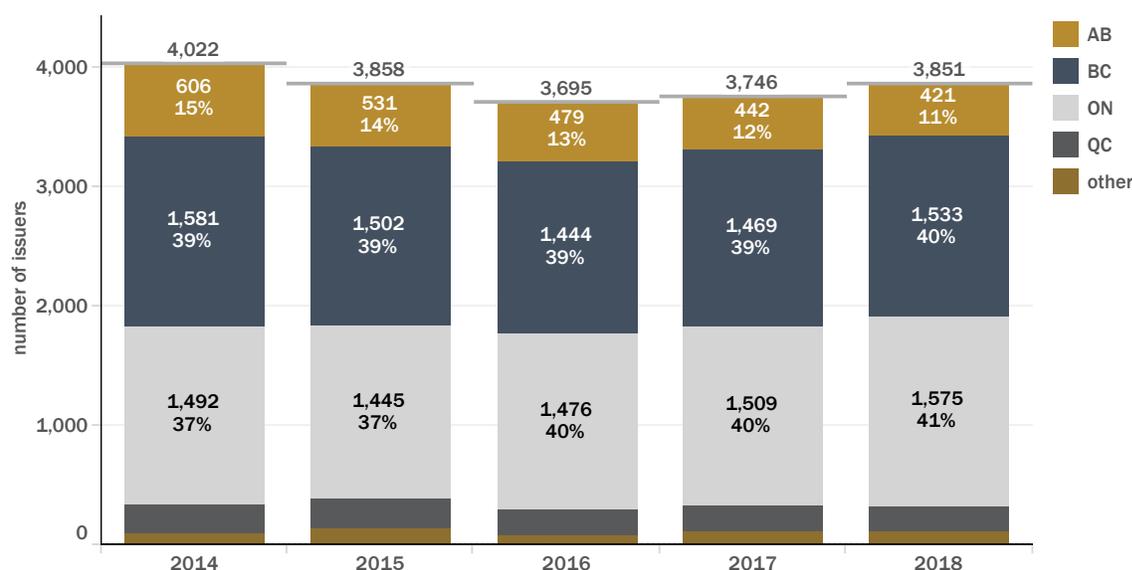


Chart 4 shows the number of listed reporting issuers over the last five calendar years, broken down by the largest four principal regulators (Alberta, British Columbia, Ontario and Quebec) and the remaining Canadian jurisdictions grouped into "other." In 2018, Alberta was PR to 421 reporting issuers, representing 11 per cent of the total 3,851 listed reporting issuers. This proportion is a decline from a five-year high of 15 per cent in 2014. Ontario continued to have the greatest number of listed reporting issuers with 1,575 issuers (41 per cent), of which a large number (672 issuers) were ETFs and other funds. British Columbia had 1,533 issuers (40 per cent) and Quebec had 211 issuers (six per cent).

The number of reporting issuers in Canada increased again in 2018, continuing the trend that occurred in 2017 that reversed the prior downward trend that had existed since 2012 (not shown). Overall, the number of reporting issuers increased by 2.8 per cent in 2018. However, the number of Alberta PR issuers declined by 4.8 per cent in 2018.

⁹ See footnote 1.

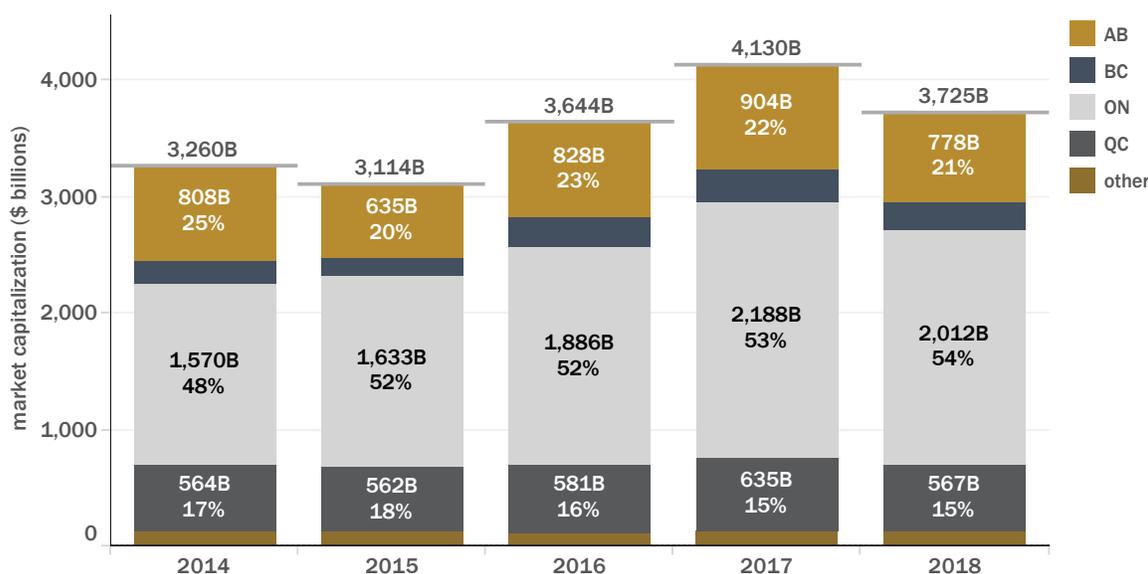
Chart 5: Market capitalization at December 31 of listed reporting issuers, by PR

Chart 5 shows that the market capitalization of all listed reporting issuers in Canada (including foreign-based issuers) decreased 9.8 per cent in 2018 to \$3,725 billion from \$4,130 billion in 2017. The market capitalization of listed reporting issuers with a Canadian head office decreased by 11 per cent in 2018 to \$2,659 billion from \$2,997 billion.

There was a decrease in the market capitalization of listed reporting issuers in each of the four larger jurisdictions from 2017 to 2018. The largest decreases were in Alberta and British Columbia which each had a 14 per cent decrease. Quebec had the next largest decrease in market capitalization of listed reporting issuers at 11 per cent (to \$567 billion in 2018) followed by Ontario with a decrease of eight per cent (to \$2,012 billion).

Comparatively, Chart 4 shows that the number of Alberta PR listed reporting issuers decreased by 4.8 per cent and British Columbia issuers increased by 4.4 per cent. Quebec issuers exhibited a year-over-year decrease of 2.3 per cent while Ontario issuers had a 4.4 per cent increase.

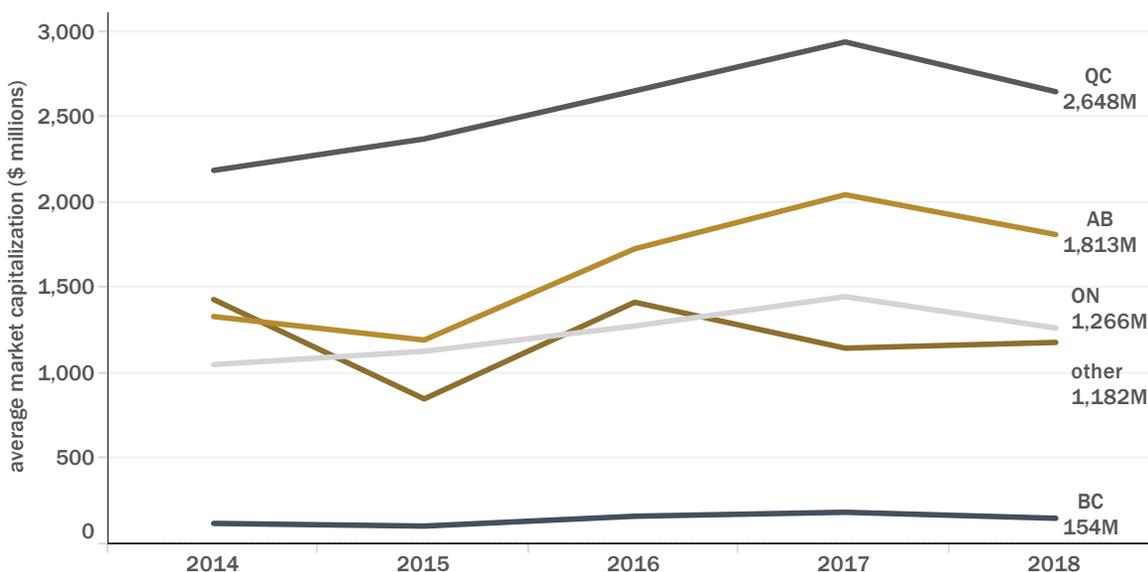
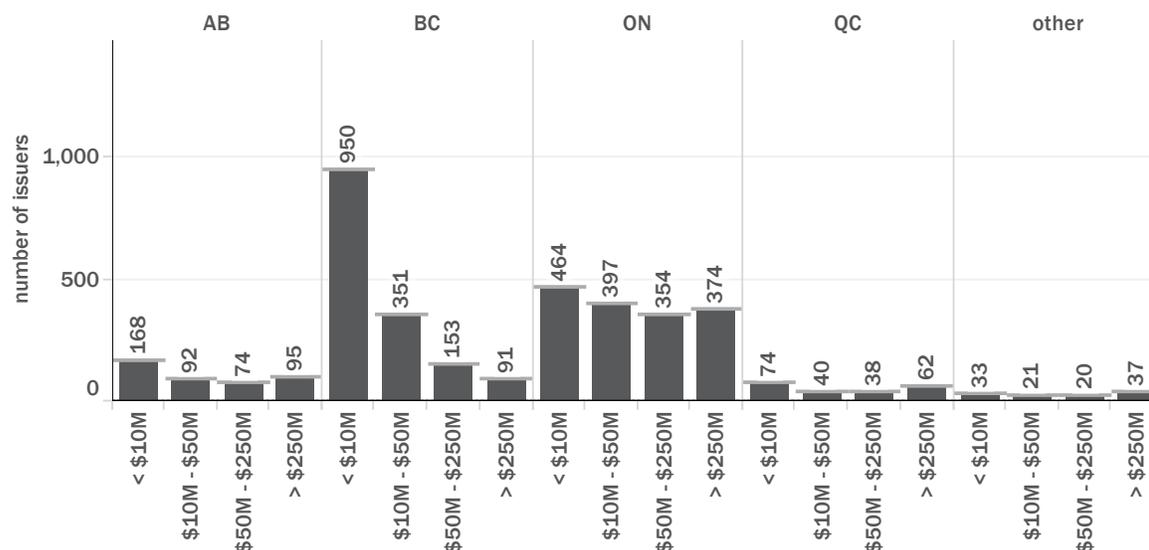
Chart 6: Average market capitalization of reporting issuers, by PR

Chart 6 shows an unweighted average of market capitalization by PR for reporting issuers. As implied by the previous two charts, British Columbia PR issuers tend to have a much smaller market capitalization than issuers in other jurisdictions as there are many junior mineral exploration companies in the province. British Columbia PR issuers had an average market capitalization of \$154 million at the end of 2018, far less than Ontario, the next smallest average of the four provinces, with an average market capitalization of \$1,266 million. The province with the largest issuer market capitalization was Quebec, with an average of \$2,648 million, followed by Alberta at \$1,813 million. The combined jurisdictions in the "other" category had an average of \$1,182 million. Quebec has the fewest number of reporting issuers out of the four larger jurisdictions. The average market capitalization for Quebec issuers is considerably influenced by the market capitalization of the Royal Bank of Canada, headquartered in Quebec, with a market capitalization of about \$140 billion at the end of 2018. However, even excluding the Royal Bank of Canada, the average market capitalization for Quebec issuers was \$2,001 million at the end of 2018 – still significantly larger than other jurisdictions.

Chart 7: Distribution of reporting issuers by market capitalization, for 2018

As noted previously, the distribution of reporting issuers by market capitalization was quite different across the major jurisdictions. Chart 7 shows the distribution of reporting issuers by PR at the end of 2018 by market capitalization. All jurisdictions exhibited a greater number of issuers with market capitalizations in the two categories less-than-\$50 million than the two categories greater-than-\$50 million, except the combined jurisdictions in the "other" category. There were 168 Alberta PR issuers in the less-than-\$10 million category, which was 77 per cent more than the 95 issuers in the greater-than-\$250 million category. However, there were 944 per cent more British Columbia PR issuers in the less-than-\$10 million category than the greater-than-\$250 million category. This reflects the tendency for British Columbia PR issuers to have a smaller market capitalization than reporting issuers in other provinces. Quebec PR issuers exhibited 19 per cent more issuers in the less-than-\$10 million category than the greater-than-\$250 million category. In Ontario, there were 24 per cent more issuers in the less-than-\$10 million category than the greater-than-\$250 million category.

Compared with 2017 (data not shown), the number of Alberta PR issuers in 2018 increased in the less-than-\$10 million and \$10 million to \$50 million categories yet decreased in the \$50 million to \$250 million and greater-than-\$250 million categories.

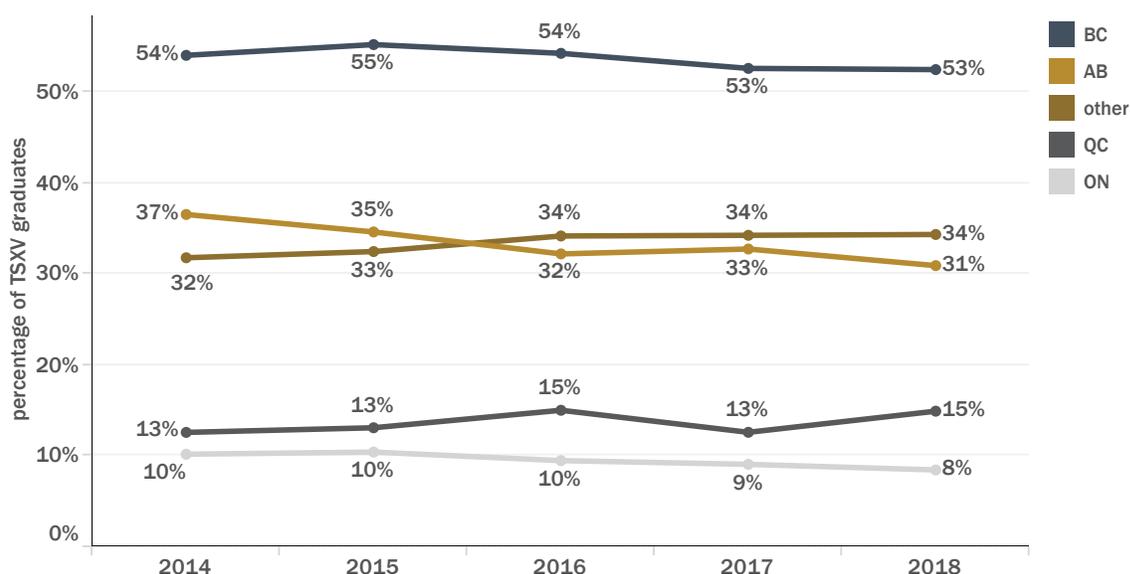
Chart 8: Percentage of TSX listed issuers that graduated from TSXV, by PR

Chart 8 is based only on TMX data, which has a field indicating whether each issuer listed on the TSX is a TSXV "graduate". This means that the issuer was at one time listed on the TSXV exchange and subsequently met the listing requirements to move its listing to the TSX, Canada's biggest exchange for larger issuers.¹⁰ Alberta and British Columbia have significant resource-based economies, which is reflected by the industry classifications of issuers in these provinces (see Chart 11 and Chart 12 for further industry details). Many issuers in oil and gas and mining begin as small, private issuers and may, in time, progress to be listed on the TSXV, and later the TSX. Chart 8 shows that at the end of 2018, 31 per cent of Alberta PR issuers listed on the TSX were once listed on the TSXV. This was exceeded only by British Columbia PR issuers at 53 per cent. In contrast, only 8.5 per cent of Ontario PR issuers and 15 per cent of Quebec PR issuers were TSXV graduates at the end of 2018. The "other" category was unchanged in 2018 from the 34 per cent of TSXV graduates in 2017.

¹⁰ The amount of time an issuer has been listed on the exchange impacts the proportion of TSXV graduates. For example, if issuers listed on the TSX are filtered to include only those listed in the last 10 years (compared to no time limit as used in the chart), in 2018, the percentage of Quebec graduates increases to 30 per cent (from 15 per cent) and for B.C. to 66 per cent (from 53 per cent) while Alberta and Ontario are relatively unchanged.

Chart 9: Number of listings of reporting issuers by exchange or region

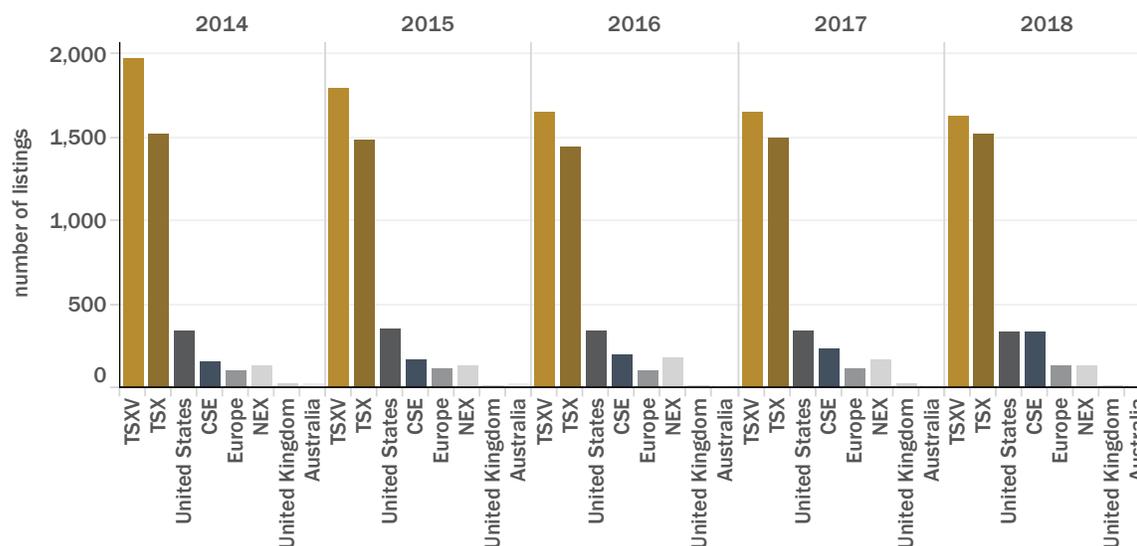


Chart 9 compares the number of listings of Canadian reporting issuers¹¹ on exchanges in major foreign regions with listings on the TSX, TSXV and other Canadian exchanges. Issuers may be inter-listed, which means they may have listings on multiple exchanges. Listings on the TSX and TSXV were based on data from the TMX while all other listings for reporting issuers were based on data from Bloomberg and SEDAR. Chart 9 indicates a slight increase in listings on the TSX (1.5 per cent), a slight decrease on the TSXV (1.3 per cent), and a substantial increase in listings on the CSE (45 per cent) in 2018. Alberta RI CSE listings have been increasing since 2014, which could be a function of competition in the exchange industry as well as smaller companies entering into emerging industries.

¹¹ Other exchanges and major foreign regions with few listings of Alberta RIs are not represented in this chart including the Neo Exchange, exchanges categorized by the issuer as 'other' on SEDAR, and the region of Asia.

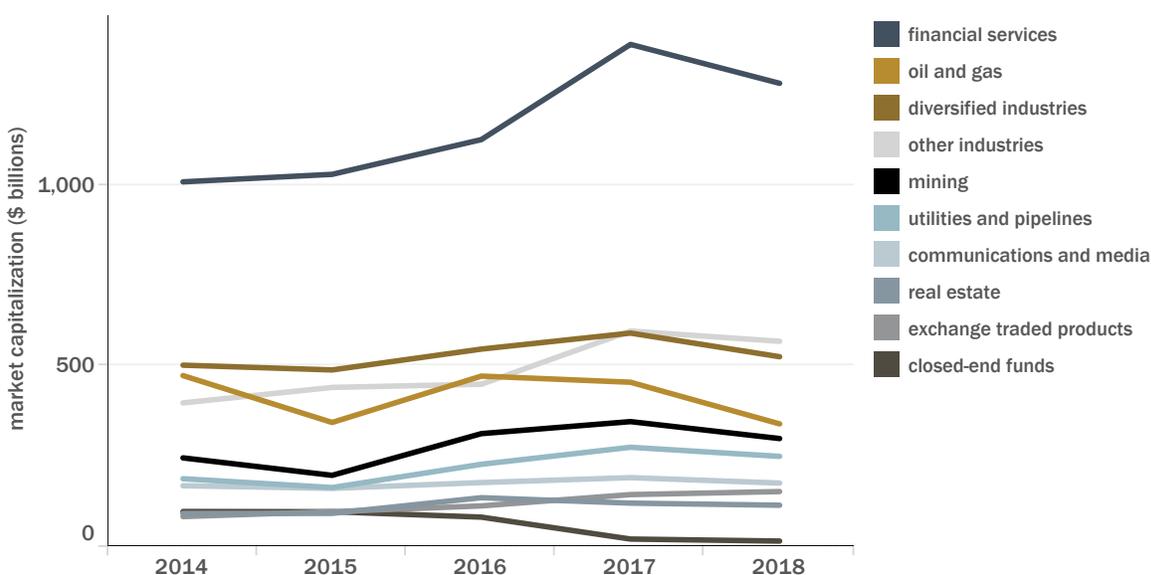
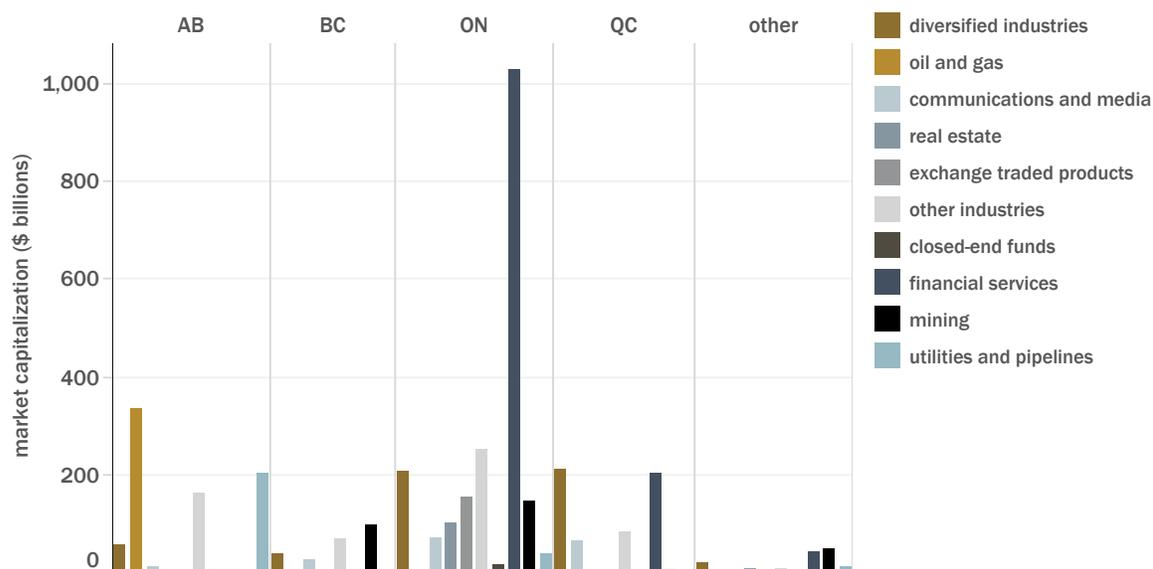
Chart 10: Total market capitalization of all reporting issuers, by industry

Chart 10 shows the change in total market capitalization of major industries for all reporting issuers over the last five years.¹² Nationally, financial services was the largest industry in terms of market capitalization among reporting issuers in each of the last five years. It had a market capitalization of \$1,280 billion at the end of 2018, down 7.7 per cent from 2017 and represented 34 per cent of the total market. Oil and gas issuers decreased by 25 per cent in market capitalization to \$340 billion at the end of 2018 and represented 9.1 per cent of the market. Oil and gas issuers ranked fourth, behind financial services (\$1,280 billion or 34 per cent), other industries (\$568 billion or 15 per cent), and diversified industries (\$525 billion or 14 per cent).¹³

¹² For this analysis, the industry classification by the TMX was preferred, with the SEDAR industry classification used if the issuer was not listed on either the TSX or TSXV. The SEDAR industry classification was changed to a TMX industry classification when reasonable; otherwise the issuers were classified to other industries. A detailed discussion about this methodology is available in the Appendix.

¹³ Note that issuers self-report their industry on SEDAR and within “other” industries, the five largest companies by market capitalization accounted for 49 per cent of the category total in 2018. These issuers were Adobe Systems Incorporated, Valero Energy Corporation, Johnson Controls International PLC, Advanced Micro Devices, Inc., and Lululemon Athletica Inc. Interestingly, with the exception of Lululemon Athletica, all of the mentioned issuers are foreign-headquartered.

Chart 11: Total market capitalization of reporting issuers by industry and PR, for 2018

As shown in Chart 11, regional industry differences become more apparent when broken down by PR jurisdiction. Chart 11 shows total market capitalization by industry and PR for year-end 2018. In this chart, the dominance of oil and gas, and related utilities and pipelines, among Alberta PR issuers stands out. These industries represented a combined market capitalization of \$535 billion (71 per cent) of Alberta PR issuers. (More specific analysis of Alberta PR issuers begins on page 22.) British Columbia PR issuers in the mining industry represented \$98 billion (41 per cent) of the total in British Columbia. Among Ontario PR issuers, financial services totalled \$1,031 billion (51 per cent) of all industries, followed next by other industries totalling \$251 billion (12 per cent). In Quebec, diversified industries represented \$209 billion (37 per cent) while financial services represented \$203 billion (36 per cent) of market capitalization.

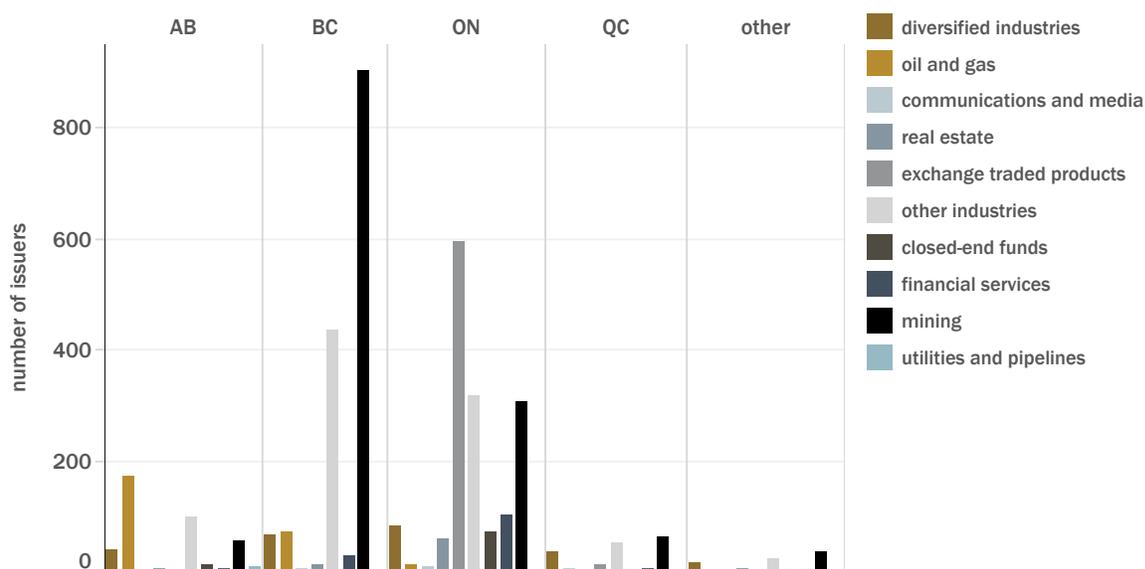
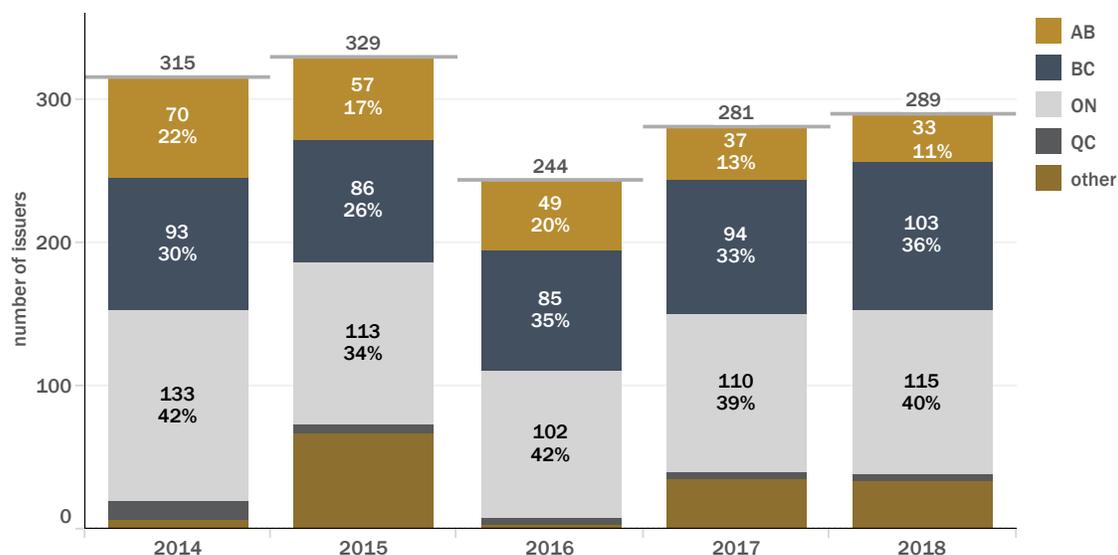
Chart 12: Total number of reporting issuers by industry and PR, for 2018

Chart 12 shows a breakdown similar to Chart 11, but by number of issuers. Among Alberta PR issuers, oil and gas (including oil and gas services), was still the leading industry, represented by 174 issuers (41 per cent) out of 429 issuers. While the oil and gas industry in Alberta dominated all others on a market capitalization basis, there were still a significant number of issuers engaged in other industries: 101 (24 per cent) in other industries, and 58 (14 per cent) in the mining industry. The number of utilities and pipelines issuers ranked sixth at 14 issuers (3.3 per cent), but represented 26 per cent on a market capitalization basis.

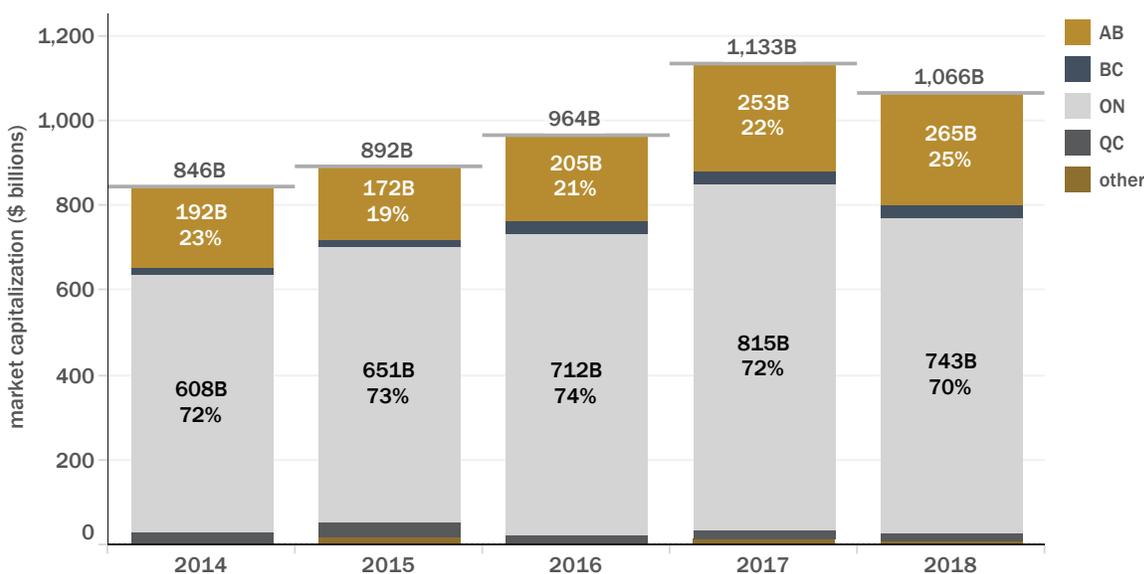
A total of 902 (58 per cent) of British Columbia PR issuers were engaged in the mining industry followed by 437 (28 per cent) in other industries. ETFs and other funds represent a significant component of the total 1,589 Ontario PR issuers, with 595 (37 per cent) issuers being exchange traded products, and 77 (4.8 per cent) being closed-end funds. The balance of the Ontario PR issuers were comprised of 310 (20 per cent) issuers in mining, 318 (20 per cent) issuers in other industries and 106 (6.7 per cent) issuers in financial services. In Quebec, 67 (31 per cent) issuers were in mining, 57 (27 per cent) issuers in other industries, and 41 (19 per cent) issuers in diversified industries.

FOREIGN REPORTING ISSUERS

Chart 13: Number of foreign reporting issuers, by PR



The percentage of reporting issuers headquartered outside Canada has ranged from 6.9 per cent to 8.0 per cent over the last five years. Chart 13 shows the total number of foreign issuers, determined by the head office reported on SEDAR. The 289 foreign issuers at the end of 2018 was a slight increase from the 281 foreign issuers at the end of 2017. Also shown in Chart 13 is the breakdown of foreign issuers by PR. The number of foreign issuers was greatest in Ontario at 115 (40 per cent), followed by British Columbia at 103 (36 per cent), Alberta at 33 (11 per cent) and Quebec at five (1.7 per cent). Foreign reporting issuers with Alberta as the PR represented 7.7 per cent of all Alberta PR issuers at the end of 2018.

Chart 14: Total market capitalization of foreign reporting issuers by PR

As shown in the prior chart, the number of reporting issuers with foreign headquarters in 2018 was smaller than the number in 2014 by 8.3 per cent. In contrast, Chart 14 shows that the market capitalization of foreign issuers has increased by 26 per cent over the last five years to \$1,066 billion in 2018 from \$846 billion in 2014. Some of this increase was attributable to a large increase in the market capitalization of Ontario PR foreign-headquartered reporting issuers, which has increased 22 per cent from \$608 billion in 2014 to \$743 billion in 2018. The total market capitalization of these Ontario PR issuers has been influenced by large issuers like Visa Inc., Barclays Bank PLC, Valero Energy Corporation, Credit Suisse AG, and Johnson Controls International PLC, which accounted for a combined \$559 billion of market capitalization in 2018 or 75 per cent of the foreign issuers with an Ontario PR. It should be noted that not all of these issuers had securities listed on a Canadian exchange and the market capitalization of the issuers' listed equity on a foreign exchange in Canadian dollars has been used in calculating the totals.¹⁴

¹⁴ Some foreign issuers choose to become reporting issuers in Canada to facilitate capital raising in Canada, but do not necessarily list on a Canadian exchange if they already have a listing on another exchange.

FOCUS ON LISTED REPORTING ISSUERS PRINCIPALLY REGULATED IN ALBERTA

Chart 15: Total market capitalization of industries for Alberta PR issuers

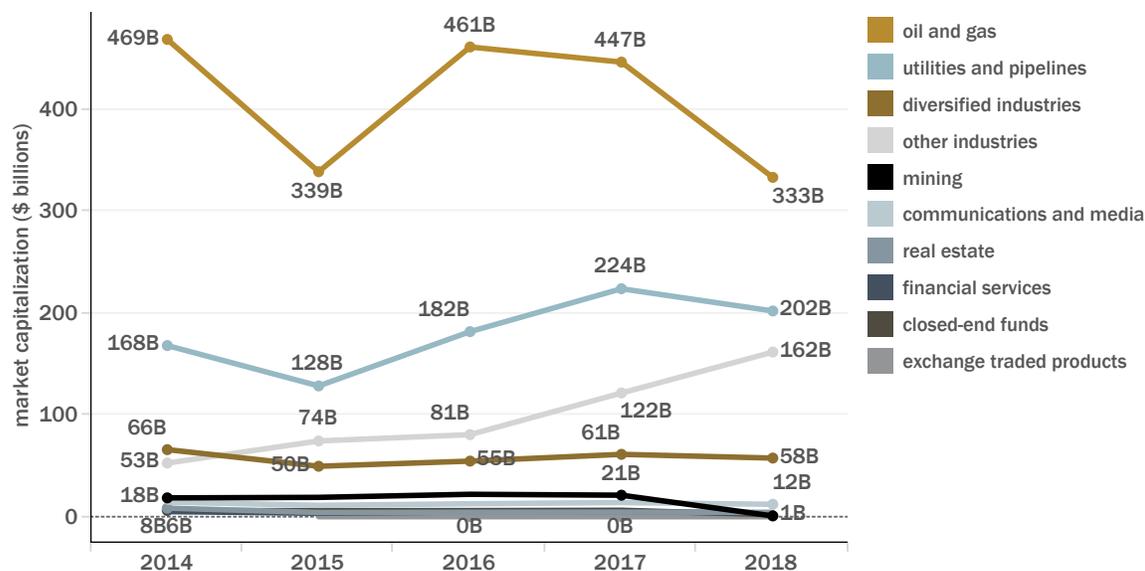


Chart 15 is similar to Chart 10, except that it includes only Alberta's 429 listed PR issuers, representing a total market capitalization of \$778 billion at the end of 2018. As expected, oil and gas issuers represented the largest industry on the basis of market capitalization at \$333 billion (43 per cent of the total). Oil and gas issuers experienced a 25 per cent decrease in market capitalization in 2018 related to depressed commodity prices and constrained pipeline export capacity for crude oil. Utilities and pipelines was the industry with the next largest market capitalization at \$202 billion at the end of 2018, down 9.8 per cent from 2017. In Chart 15, oil and gas services were included in oil and gas, which comprised nearly \$11 billion of the industry at the end of 2018. By comparison to the oil and gas industry in total, the market capitalization of oil and gas services decreased by 31 per cent since 2017 (\$15 billion). The remaining industries in aggregate (i.e. other than oil and gas, and utilities and pipelines) experienced a 3.7 per cent increase in market capitalization in 2018 to \$242 billion from \$234 billion in 2017.

Chart 16: Distribution of Alberta PR issuers by market capitalization, by industry and domicile, for 2018

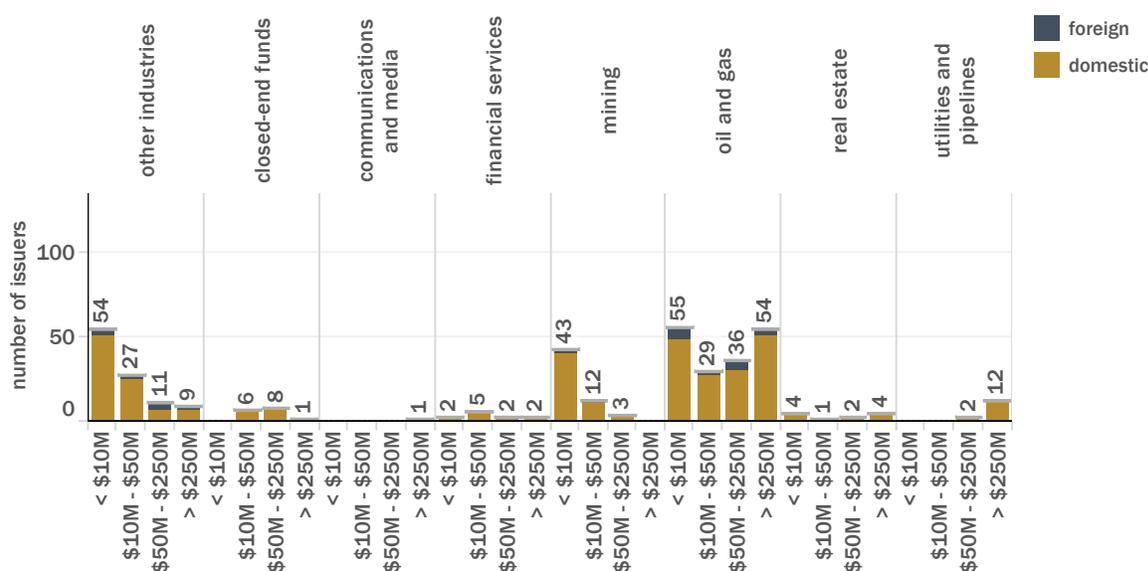


Chart 16 shows the distribution by industry of the market capitalization of Alberta PR issuers at the end of 2018. The chart also shows a split by foreign or domestic headquarters. In the case of oil and gas (including oil and gas services), the number of Alberta PR issuers in the lowest and highest market capitalization ranges decreased compared with 2017. The greater-than-\$250 million category was the most affected, as detailed in Table A, with the number of issuers decreasing by 21 per cent.

Table A: Distribution of Alberta PR oil and gas issuers, 2018 versus 2017

Category	Number of oil and gas issuers		
	2018	2017	Change
<\$10M	55	58	5.2 per cent decrease
\$10M - \$50M	29	31	6.5 per cent decrease
\$50M - \$250M	36	37	2.7 per cent decrease
>\$250M	54	68	21 per cent decrease
Total	174	194	10 per cent decrease

Seventeen oil and gas issuers (9.8 per cent) were foreign reporting issuers in Alberta, down from 19 (9.8 per cent) in 2017. This was slightly higher than the average of 7.7 per cent for all Alberta PR issuers in 2018 (8.4 per cent in 2017).

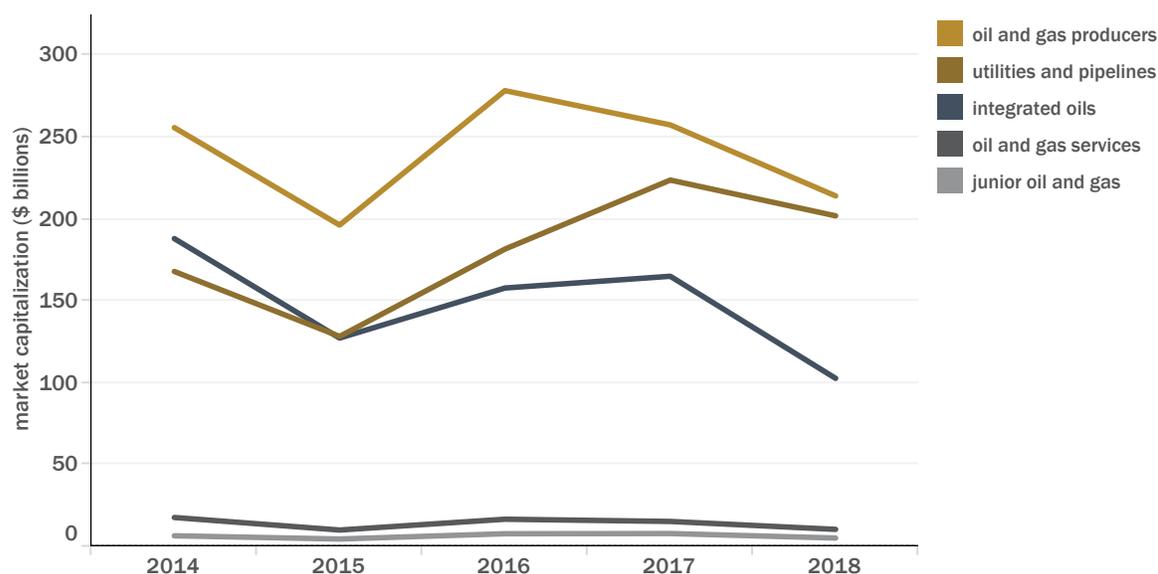
Chart 17: Total market capitalization of oil and gas sectors for Alberta PR issuers

Chart 17 and Chart 18 focus more specifically on the oil and gas, and utilities and pipelines industries. For this analysis (explained in more detail in the Appendix), the sub-categorization available in issuers' profiles on SEDAR has been used to further refine the classification of issuers listed on the TSX or TSXV reported in oil and gas and diversified industries, or industrial products and services categories by the TMX.¹⁵ If the industry of a reporting issuer was not listed on the TSX or TSXV, the classification was based on the issuer's SEDAR profile. It should be noted that issuers select their industry classification on SEDAR.

By market capitalization, producers were the largest oil and gas sector among Alberta PR reporting issuers in each of the last five years. This sector experienced a 17 per cent decrease in market capitalization in 2018 to \$214 billion. The next largest sector was utilities and pipelines, with a market capitalization of \$202 billion, a decrease of 9.8 per cent from the end of 2017. Integrated oils decreased 38 per cent to \$103 billion. Junior oil and gas, and oil and gas services were each only a small fraction of the other categories at \$5.3 billion and \$11 billion respectively. The junior oil and gas sector decreased by 34 per cent from 2017 while the oil and gas services sector decreased by 31 per cent.

¹⁵ The TMX includes oil and gas services in diversified industries or industrial products and services. Oil and gas services have been separated from diversified industries and industrial products and services in this report and instead included in oil and gas.

Chart 18: Distribution of oil and gas Alberta PR issuers by market capitalization and domicile, for 2018

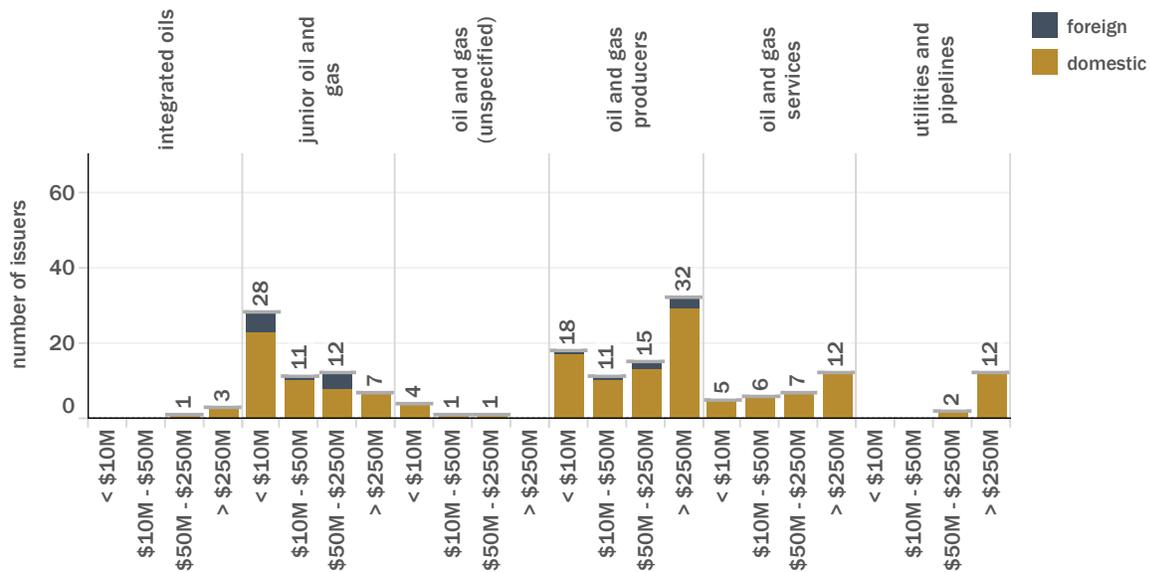


Chart 18 shows the distribution of Alberta PR issuers in oil and gas and utilities and pipelines by market capitalization for 2018. This chart is similar to Chart 16 except that it shows greater detail for the oil and gas issuers. As expected, there was a greater concentration of junior oil and gas issuers in the less-than-\$10 million range and, conversely, a greater concentration of oil and gas producers in the greater-than-\$250 million range. Compared with 2017 (not shown), the integrated oils experienced a decrease in the greater-than-\$250 million category and the less-than-\$10 million category.

ANALYSIS OF FINANCINGS BY LISTED ISSUERS

The analysis in this section is limited to the financings of reporting issuers that are listed on the TSX or TSXV. Similar to the prior section, issuers have been analyzed according to PR.

Chart 19: Total equity financings by TSX and TSXV listed issuers, by financing type

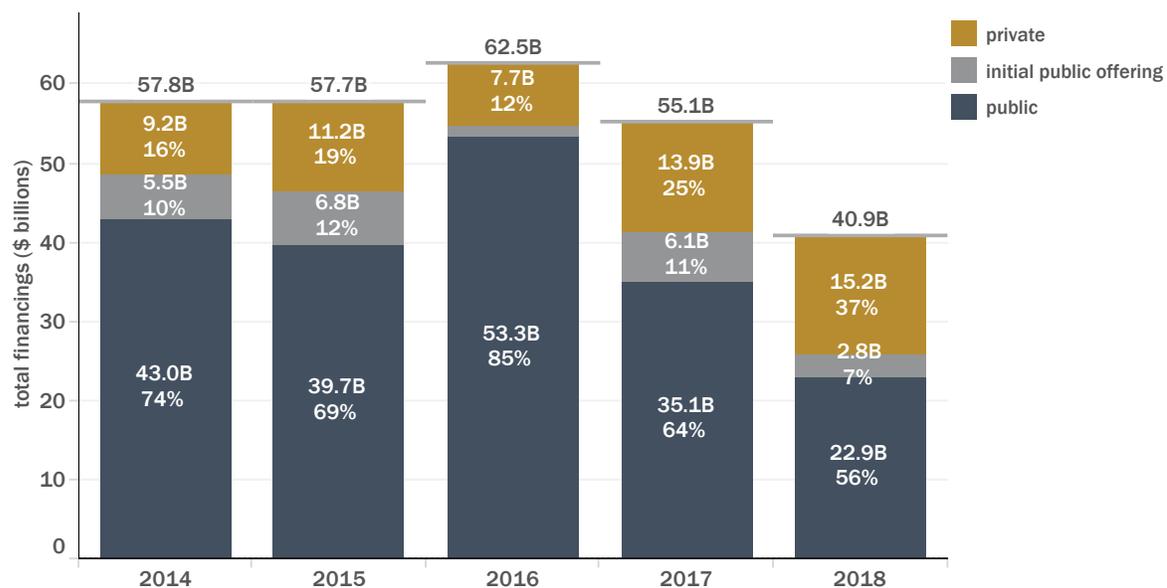
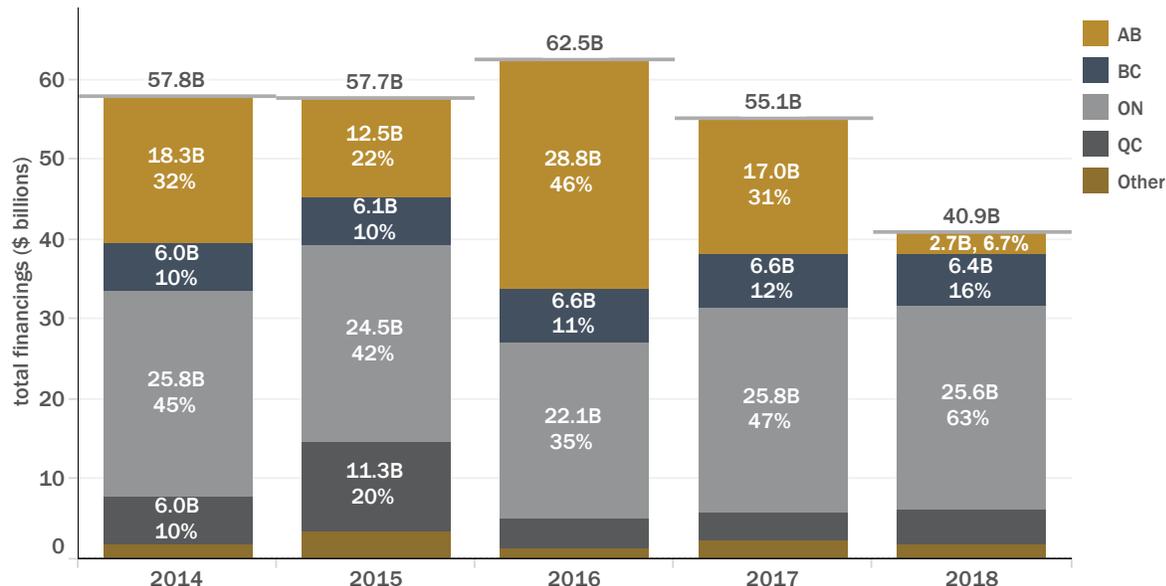


Chart 19 shows equity financings over the last five years by issuers listed on the TSX or TSXV. Total financings by these issuers decreased 26 per cent to \$40.9 billion in 2018 from \$55.1 billion in 2017. The chart also shows financings according to major financing type. Both the public and IPO financings must be qualified by a prospectus, and could have been grouped together. However, for this chart IPOs have been shown separately as they represent financings where a previously unlisted issuer (private issuer) becomes a listed issuer (public issuer). Private financings are those conducted without a prospectus, where the issuer must have a valid prospectus exemption.¹⁶ Please note that the private financings classified in Chart 19 are only for issuers listed on the TSX and TSXV, and only for listed securities. These private financings represented a relatively small subset of the prospectus-exempt market. For a more comprehensive analysis of prospectus-exempt markets, see page 24.

As shown in Chart 19, the dominant type of financing of these listed issuers has been non-IPO public financings. In 2018, non-IPO financings on the TSX and TSXV totalled \$38.1 billion, representing 93 per cent of the total amount raised, down from \$49.0 billion (89 per cent of the total) in 2017. Conversely, there was a higher proportion of private financings in 2018 (37 per cent) than in 2017 (25 per cent) and a smaller proportion of IPOs in 2018 (6.9 per cent) than in 2017 (11 per cent).

¹⁶ Such as those available in National Instrument 45-106 *Prospectus Exemptions*.

Chart 20: Total equity financings by TSX and TSXV listed issuers, by PR



As shown in Chart 20, listed issuers with Alberta as PR conducted total financings of \$2.7 billion (6.7 per cent) in 2018, down significantly from \$17.0 billion (31 per cent) in 2017. The decrease in Alberta PR financings activity represented in the chart was the largest year-over-year decrease in at least five years. The percentage of 2018 Alberta PR financing activity was 14 percentage points lower than the proportion of total market capitalization represented by all reporting issuers with Alberta PR at 21 per cent (Chart 5). Ontario PR issuers raised the greatest proportion of total financings at \$25.6 billion (63 per cent) of the total in 2018, compared to \$25.8 billion (47 per cent) raised in 2017. This is nine percentage points more than Ontario PR issuers' share of total market capitalization at year-end 2018 (54 per cent). Quebec PR issuers raised a total of \$4.4 billion (11 per cent) in 2018, which is greater than the \$3.5 billion raised in 2017. British Columbia PR issuers raised a total of \$6.4 billion (16 per cent) in 2018.

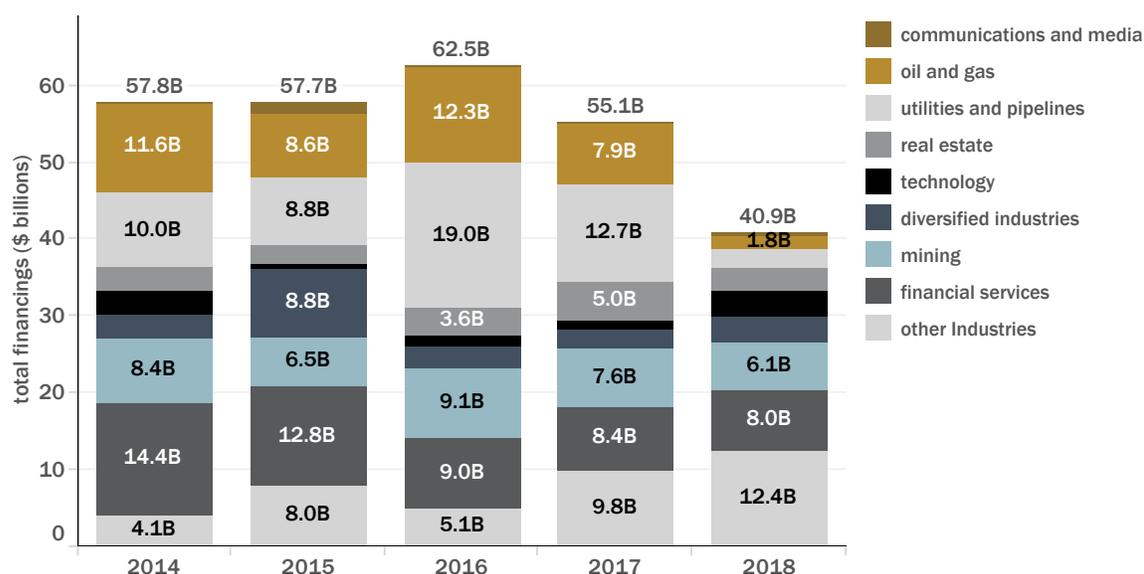
Chart 21: Total equity financings by TSX and TSXV listed issuers, by industry

Chart 21 shows a breakdown by TMX industry classification for issuers listed on the TSX or TSXV. Total equity financings in 2018 amounted to \$40.9 billion, a decrease of 26 per cent from the 2017 level of \$55.1 billion. In 2018, the industries that raised the most amount of capital were financial services, mining, diversified industries and technology. This is a change from the previous four years in which utilities and pipelines and oil and gas were often among the top capital-raising industries.

In 2018, financial services raised the greatest amount of capital at \$8.0 billion, approximately equal to that raised in 2017. However, the percentage of the total that financial services industry financings made up increased to 20 per cent from 15 per cent a year earlier due to lesser overall financings. Financings from the utilities and pipelines industry amounted to \$2.4 billion in 2018, a decrease of 81 per cent from the 2017 level of \$12.7 billion. The oil and gas industry issued \$1.8 billion in equity financings in 2018, a 78 per cent decrease from the \$7.9 billion issued in 2017. The large decrease in Alberta PR issuer financings contributed significantly to the decrease in the oil and gas and pipelines industry financings.

Financings by issuers within the "other industries"¹⁷ category raised \$12.4 billion in 2018, up from \$9.8 billion in 2017. The largest financings in the "other industries" category were by Canopy Growth Corporation, Bradmer Pharmaceuticals Inc. (Galaxy Digital Holdings Ltd.), Cobalt 27 Capital Corp., and Aphria Inc. Two industries in 2018 that increased in the amount of financings were technology (up 173 per cent from 2017 to \$3.3 billion) and diversified industries (which raised \$3.3 billion in 2018, up from \$2.4 billion in 2017).

¹⁷ "Other industries" includes industries that the issuer or data source has specified as "other", or where industry data was not available.

Prospectus-Exempt Markets

ISSUERS IN THE PROSPECTUS-EXEMPT MARKET

In Canada, the general requirement for any issuer raising capital by issuing securities is to do so via prospectus. There are a number of prospectus exemptions available in National Instrument 45-106 *Prospectus Exemptions*, some of which require the distributions to be reported to a securities regulator using the Report of Exempt Distribution.¹⁸ The analysis in this section is based on the distributions reported to the ASC. However, this data is unfortunately incomplete as various financings (e.g. by private issuers) are not required to be reported.

Securities law prior to June 30, 2016 permitted investment funds to file 30 days following the fund's fiscal year-end. Given that the fiscal year-end of an investment fund may not be the same as the calendar year-end, the data reported by investment funds in previous years was typically incomplete at the time of publication of previous Alberta Capital Market reports. Subsequent publications of the report included revised data for the prior year in cases of investment funds that reported following the publication of the report. The effect of the lag was more pronounced when analyzing distributions to Alberta investors than by Alberta issuers, as investment funds tend to be headquartered outside Alberta.¹⁹

On June 30, 2016, the filing deadline for investment funds was changed to 30 days following the end of the calendar year.²⁰ This change was part of amendments made to revise the Report of Exempt Distribution, which included the streamlining of certain information requirements and the introduction of new requirements.²¹ Despite the change in filing requirements, the 2018 data is not yet complete due to the substantial number of Reports of Exempt Distribution filed in the first quarter of 2019 being processed. Data for distributions in 2018 that have been recorded to date have been included in this report.

Chart 22 shows the number of issuers that accessed capital in the prospectus-exempt market in Alberta during the calendar year, independent of the location of the issuers' head office. In 2018, using the information available, 2,274 issuers were active in Alberta, of which reporting issuers made up 841 (37 per cent). One reason reporting issuers may choose to raise capital in the prospectus-exempt market is that it can be a more cost-effective means of raising funds than in the public market where a prospectus is required.

¹⁸ See part 6 of NI 45-106 and Form 45-106F1 *Report of Exempt Distribution*.

¹⁹ For example, the amount of investment by Albertans for the 2016 calendar year was reported in the 2017 Alberta Capital Market (ACM) report as \$14.9 billion, which was revised to \$15.8 billion in the 2018 ACM report. In contrast, the amount of investment by Albertans for the 2017 calendar year was reported in the 2018 ACM report as \$13.4 billion, which has been revised to \$22.6 billion in this report.

²⁰ See subsection 6.2(2) of NI 45-106.

²¹ For further information about the changes to Form 45-106F1 *Report of Exempt Distribution* and reporting requirements, see CSA *Notice of Amendments to National Instrument 45-106 Prospectus Exemptions relating to Reports of Exempt Distribution*, published on April 7, 2016.

Chart 22: Number of issuers active in the Alberta prospectus-exempt market during the calendar year

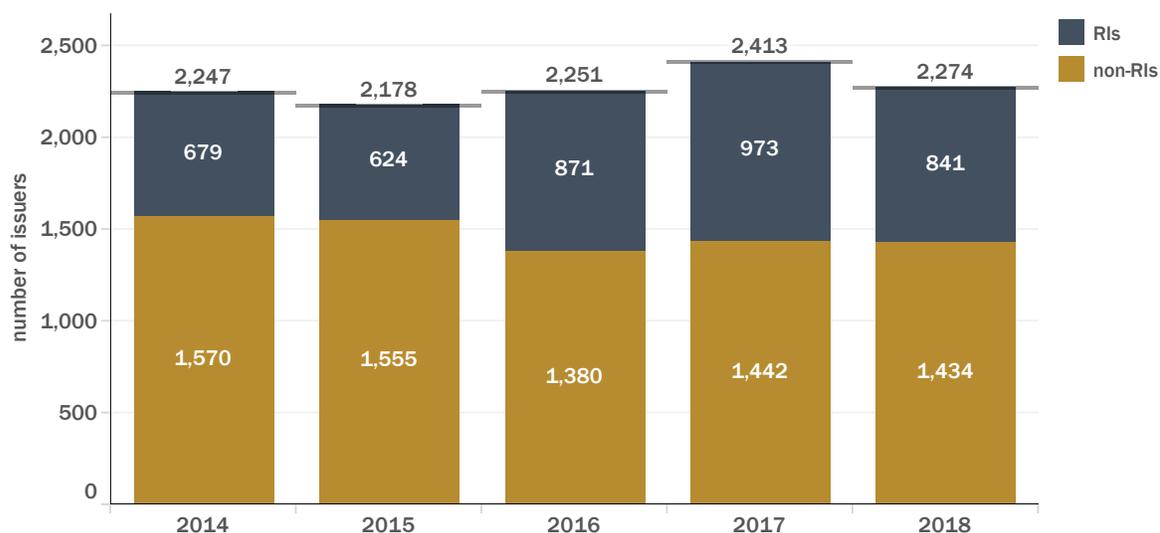


Chart 23: Number of Alberta-based issuers active in the prospectus-exempt market during the calendar year

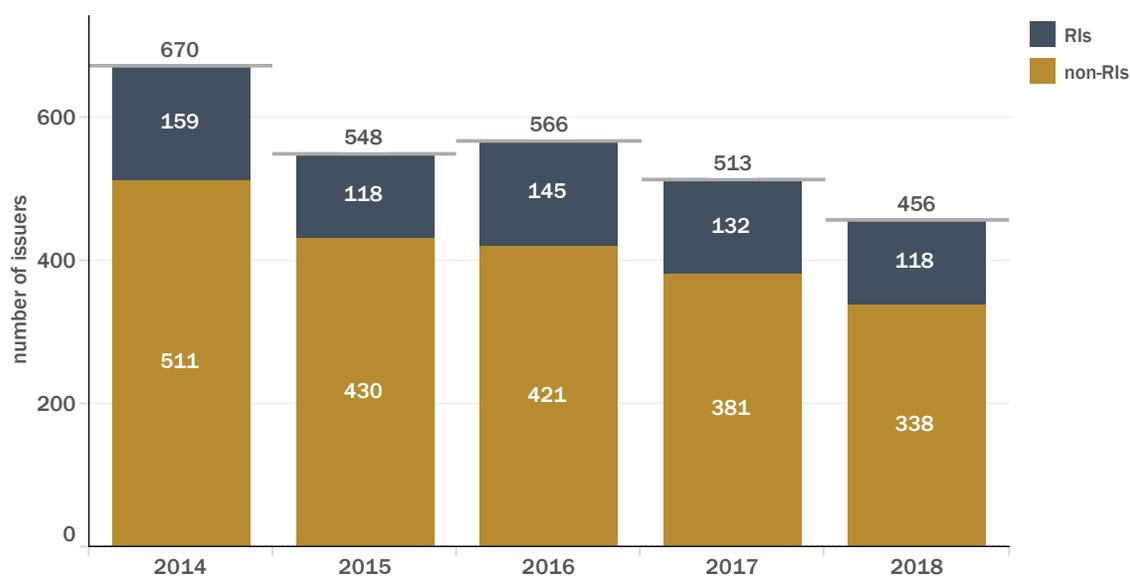


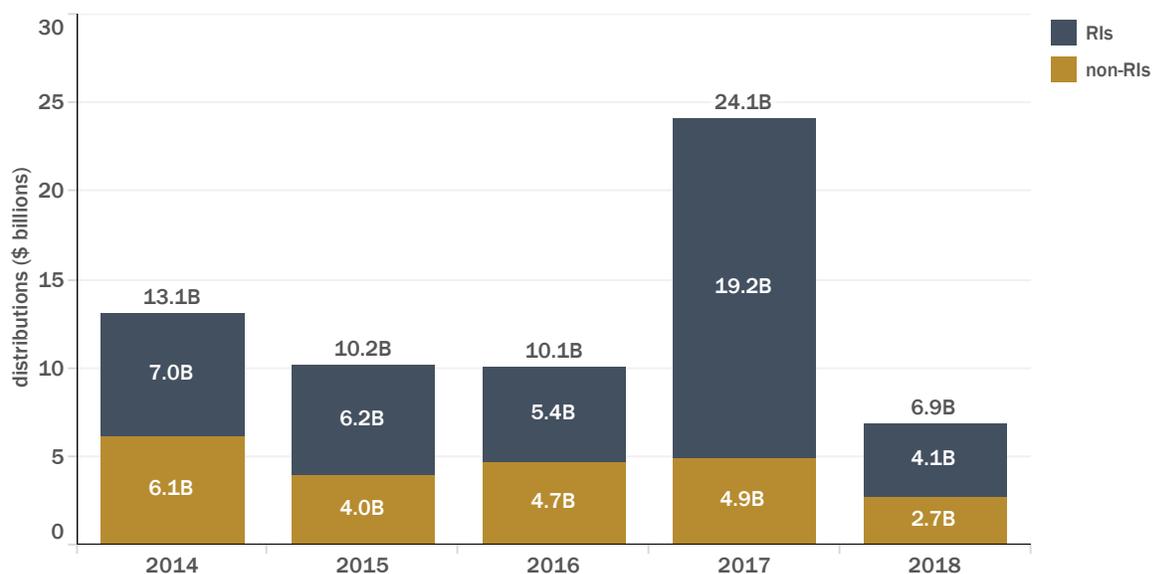
Chart 23 shows the number of Alberta-based issuers that accessed capital in the prospectus-exempt market during the calendar year. Of the reports of exempt distribution that have been filed and processed for 2018, 118 (26 per cent) were reporting issuers. In 2017, 132 (26 per cent) of the Alberta-based issuers active in the prospectus-exempt market were reporting issuers.

The Alberta capital market is not a closed system. Alberta issuers can distribute securities anywhere in the world where local securities laws permit. Similarly, Alberta investors may purchase securities of

any issuer, provided the issuer meets the requirements of Alberta securities law. Prominent industries also vary by province and country, where capital raising can occur with or without a prospectus. For these reasons, when analyzing the prospectus-exempt market, it is necessary and more informative to analyze issuers and investors separately, which is the approach in the following two sections.

PROSPECTUS-EXEMPT FINANCINGS BY ALBERTA ISSUERS

Chart 24: Total raised in the exempt market by Alberta-based issuers, by reporting type



For prospectus exemptions that are reportable, Alberta securities law requires Alberta-based issuers to report exempt distributions to the ASC, regardless of the jurisdiction of the investor. This is because distributions to investors outside of Alberta are considered distributions "from" Alberta. Chart 24 shows the total capital raised by Alberta-based issuers over the last five years, segmented by whether the issuer was a reporting issuer or non-reporting issuer. Typically, more than half of the capital raised in the prospectus-exempt market has been by reporting issuers choosing to rely on a prospectus exemption.

In 2018, the total amount of funds distributed by Alberta-based issuers was \$6.9 billion which was a large decrease from the \$24.1 billion distributed in 2017. However, in 2017, a number of large distributions by reporting issuers contributed to total distributions being larger-than-average (compared to the five-year average) exacerbating the 2018 decline. Besides 2017, there has been a downward trend in distributions since at least 2014. In 2018, the proportion of total capital raised in the exempt market by Alberta-based reporting issuers was 60 per cent in 2018, down from 80 per cent in 2017, yet similar to 54 per cent in 2016. Many of these reporting issuers have securities listed on an exchange, although not all the securities distributed are listed on an exchange. For example, debt securities (as discussed on page 29) are frequently not listed on an exchange.

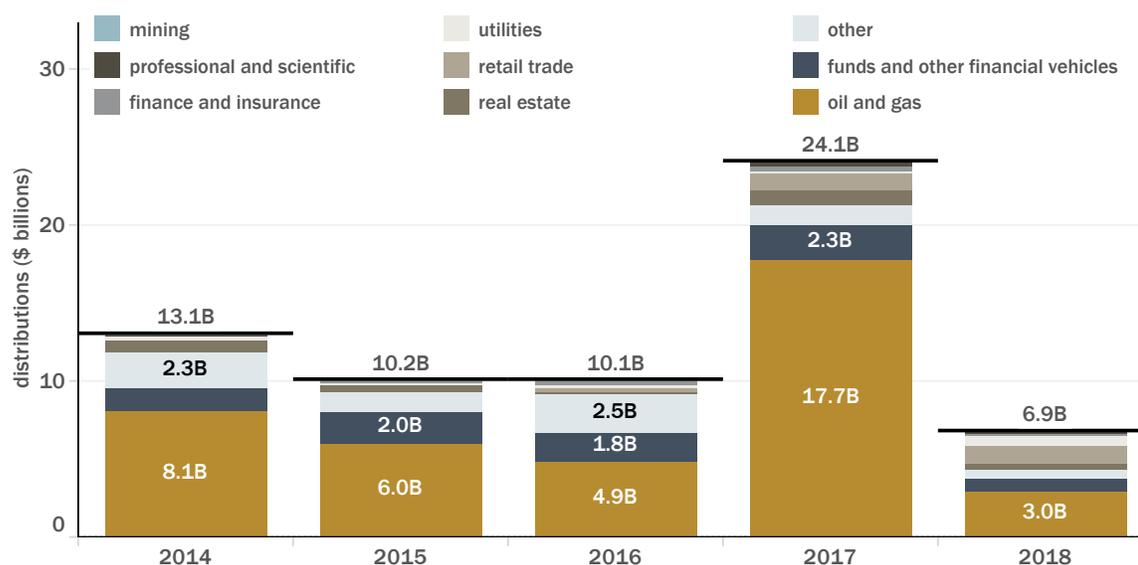
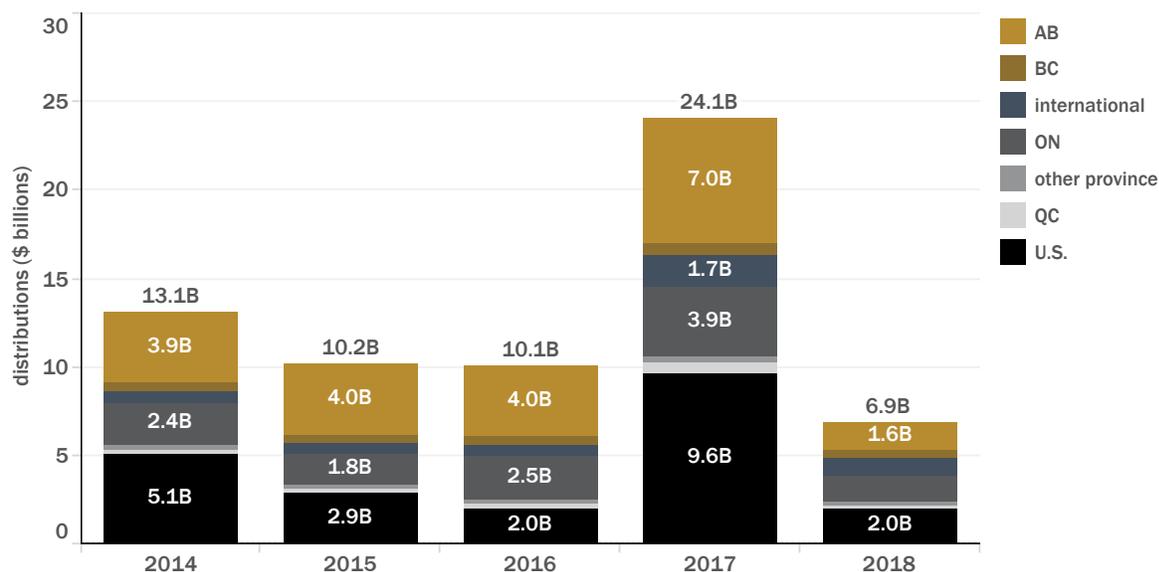
Chart 25: Total raised in the prospectus-exempt market by Alberta-based issuers, by industry

Chart 25 shows capital raised by Alberta issuers in the prospectus-exempt market segmented by industry.²² In Alberta, the most prominent industry over the last five years was oil and gas. In 2018, the oil and gas industry raised \$3.0 billion, which was down 83 per cent from the 2017 amount of \$17.7 billion. It is worth noting that in 2017, a few large exempt distributions were made by oil and gas issuers. For example, the five largest distributions in 2017 totaled \$12.7 billion compared to \$2.8 billion in 2016.

Based on data available for this report, funds and other financial vehicles raised \$0.8 billion by Alberta issuers in 2018, down from \$2.3 billion in 2017. Note that some reports of exempt distribution by investment fund issuers are being processed at the time of this report. Note also that in Chart 25, other industries include industry categories that are not otherwise shown and which, prior to the changes in industry reporting referred to above, issuers selected if none of the other categories applied.

²² On June 30, 2016, issuers filing reports of exempt distribution were required to disclose which industry they operated in using North American Industry Classification System (NAICS) codes. Previously, issuers chose from broader industry categories in the Report of Exempt Distribution. For comparative purposes, the results in Chart 25 are displayed using the NAICS codes and the legacy industry classification system has been mapped to the NAICS categories accordingly. Please note that the two systems are not directly comparable and certain assumptions have been made for analytical purposes.

Chart 26: Total raised in the exempt market by Alberta-based issuers, by investor location



As shown in Chart 26, on average, Alberta-based issuers have raised in aggregate approximately one-third of their capital in the prospectus-exempt market from Albertans over the past five years. Another significant source of capital for Alberta-based issuers is from investors based in Ontario and the U.S., which have larger institutional investor bases. In 2018, \$2.0 billion or 28 per cent of the funds raised by Alberta-based issuers was from U.S. investors, which was a considerable decrease from \$9.6 billion or 40 per cent in 2017, but in line with the 2016 amount.

Chart 27: Total raised in the prospectus-exempt market by Alberta-based issuers, by security type

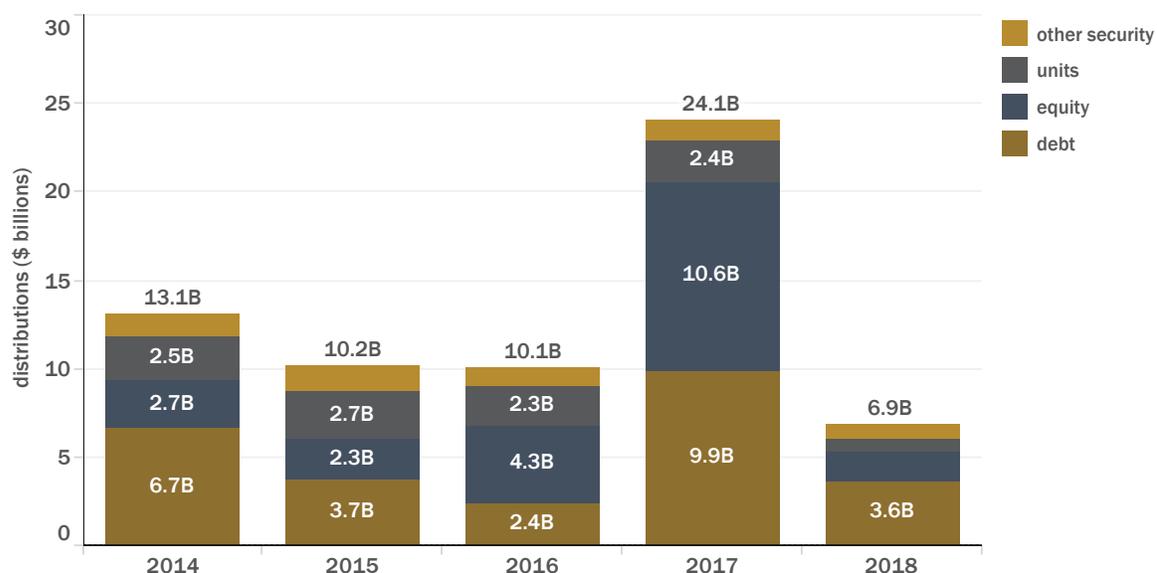


Chart 27 shows a broad breakdown by type of security distributed by Alberta-based issuers. In three of the past five years (based on distributions reported to date), debt securities were the most common type of securities issued. In 2018, \$3.6 billion was raised through the issuance of debt securities, representing 53 per cent of the total. This was down from the 2017 amount of \$9.9 billion, but in line with the three-year average from 2014-2016. The amount of units issued in 2018 was also down from the five-year average. However, this may be due to the investment fund issuer data not yet being fully processed.

Chart 28: Total raised in the prospectus-exempt market by Alberta-based issuers, by exemption

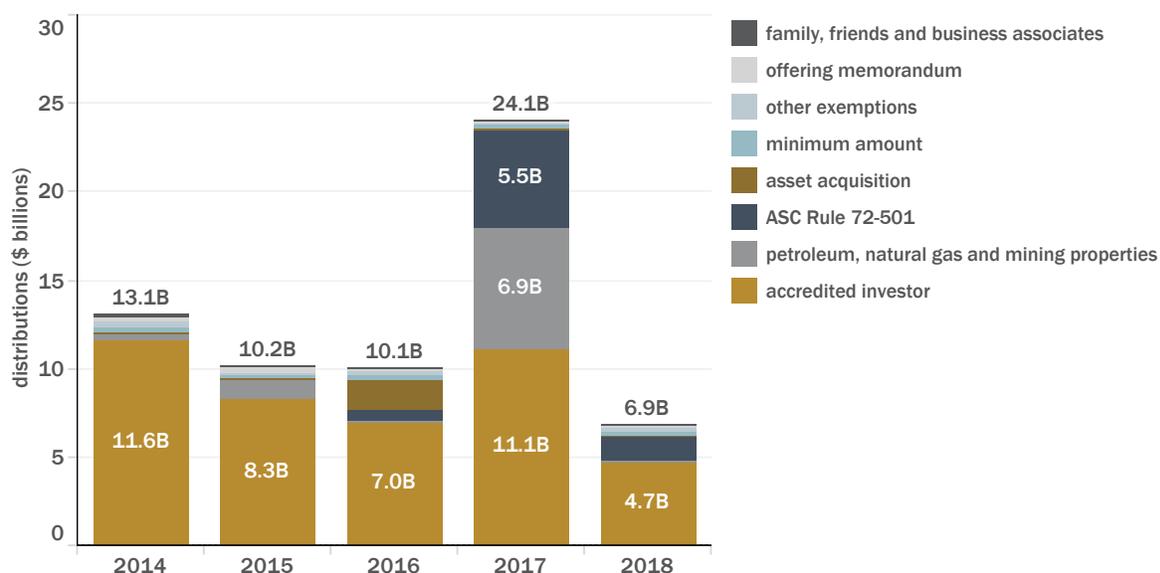


Chart 28 shows the capital raised by Alberta-based issuers in the prospectus exempt market, segmented by exemption.²³ The greatest amount of capital was raised under the accredited investor (AI) exemption at approximately \$4.7 billion in 2018 (68 per cent of the total). This represents a significant decline from the \$11.1 billion (46 per cent) raised under the AI exemption in 2017. The second largest amount of capital raised by prospectus exemption was under ASC Rule 72-501,²⁴ which provides exemptions to facilitate distributions to investors outside of Canada, with \$1.3 billion being raised in 2018, down from \$5.5 billion in 2017. Approximately \$0.1 billion was raised under the offering memorandum (OM) exemption in 2018, relatively equal to the 2017 amount.

Each of the exemptions shown in Chart 28 are available when specific conditions are met by the issuer. These conditions may be found in the relevant sections of National Instrument 45-106 *Prospectus Exemptions* and ASC Rule 72-501 *Distributions to Purchasers Outside Alberta*. However, exemptions shown in Chart 28 also depend on the circumstances of the purchaser, summarized in Table B (on the next page) as context to the data in this report.

²³ Specific examples shown in Chart 31 are Section 2.12 Asset Acquisition, Section 2.13 Petroleum, Natural Gas and Mining Properties, Section 2.3 Accredited Investor, Section 2.5 Family, Friends and Business Associates, Section 2.9 Offering Memorandum, Section 2.10 Minimum Amount Investment, as well as other exemptions available in National Instrument 45-106 *Prospectus Exemptions* and reported to the ASC under Part 6. ASC Rule 72-501 *Distributions to Purchasers Outside Alberta*, is also included in Chart 28.

²⁴ In August 2018, the ASC amended ASC Rule 72-501. The new rule expanded upon the exemptions available when an Alberta issuer seeks to distribute securities to investors outside of Canada. It also provides a prospectus exemption for distributions made under the OM exemption within Canada and an exemption for the resale of securities outside of Canada. See ASC Rule 72-501 *Distributions to Purchasers Outside Alberta*.

Table B: Summary of certain qualifications for individual investors

Exemption	Summary of certain provisions applicable to individuals
Accredited investor	Specified institutions as well as individuals who are accredited based on meeting specified income, net financial asset or net asset thresholds.
Family, friends and business associates	Investors who are a director, executive officer or control person of the issuer, or of an affiliate of the issuer, and specified family members, close personal friends or close business associates of such persons.
Offering memorandum	Investors who have received a valid Form 45-106F2 Offering Memorandum of the issuer and in the case of individuals are either purchasing not more than \$10,000 of securities under the offering memorandum exemption within a 12-month period (prior to April 30th, 2016 the limit was \$10,000 per distribution) or are an eligible investor based on meeting specified income or net asset thresholds. Effective April 30, 2016, eligible investors are limited to \$30,000 invested in a 12-month period, or \$100,000 if the investor receives advice ²⁵ that the investment is suitable.
Minimum amount	Investors purchasing a minimum of \$150,000 of securities in a single transaction from a single issuer. Effective May 5, 2015 this exemption was no longer be available to issuers distributing to individuals.
ASC Rule 72-501	The securities distributed cannot be beneficially owned by an Alberta resident.

Chart 29: Total number of reports of exempt distribution filed by Alberta-based issuers, by industry

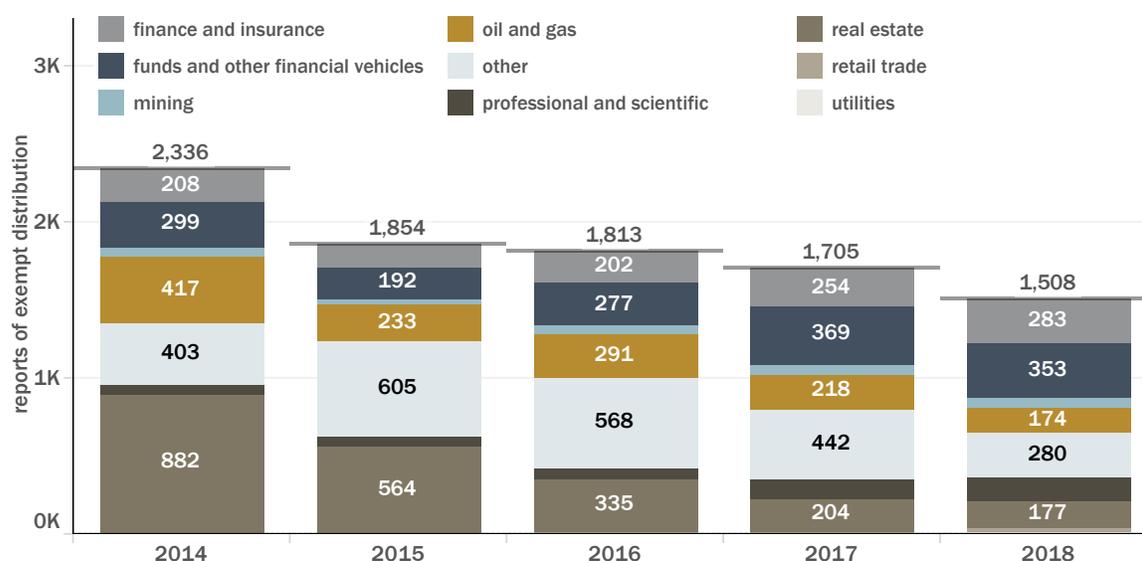


Chart 29 displays the number of reports of exempt distribution filed by Alberta-based issuers, segmented by industry. Overall, there were 1,508 reports of exempt distribution filed in 2018, a decrease of 12 per cent from the 1,705 recorded in 2017. The decreased number of reports continued a downward trend that began in 2015, a year in which total reports fell by 21 per cent from 2014.

²⁵ From a portfolio manager, investment dealer, or exempt market dealer registered under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

The greatest number of reports of exempt distribution in 2018 were filed by funds and other financial vehicles at 353, a decrease of 4.3 per cent from the 2017 figure of 369. The industry category that filed the next greatest number of reports was finance and insurance at 283, an increase of 11 per cent from the 254 reports filed in 2017. Oil and gas issuers in Alberta filed 174 reports of exempt distribution in 2018, a decrease of 20 per cent from the 218 filed in 2017.

INVESTMENTS IN THE PROSPECTUS-EXEMPT MARKET BY ALBERTANS

This section analyzes the capital invested by Albertans versus capital raised by Alberta issuers, which reveals some significant differences. As shown in Chart 31, the greatest proportion of investments by Albertans in the prospectus-exempt market from 2014-2017 was investment funds. As previously mentioned, the 2018 investment funds data is not yet complete therefore the discussion will focus mostly on 2017 and prior years' data.

Chart 30 shows a breakdown by Albertans' investments in reporting issuers versus non-reporting issuers in the prospectus-exempt market. In 2017, \$15.6 billion (69 per cent) out of a total \$22.6 billion raised was invested by Albertans in non-reporting issuers. The proportion of investment in non-reporting issuers by Albertans over the four years prior to 2018 was much greater than the comparable analysis of Alberta-based issuers shown in Chart 24, which showed that only 20 per cent of Alberta-based issuers were non-reporting in 2017 (46 per cent in 2016). The primary reason for the greater concentration of non-reporting issuers in Chart 30 is that investment funds distributing securities in the prospectus-exempt market tend to be non-reporting issuers.

Chart 30: Total invested in the prospectus-exempt market by Albertans, by issuer reporting type

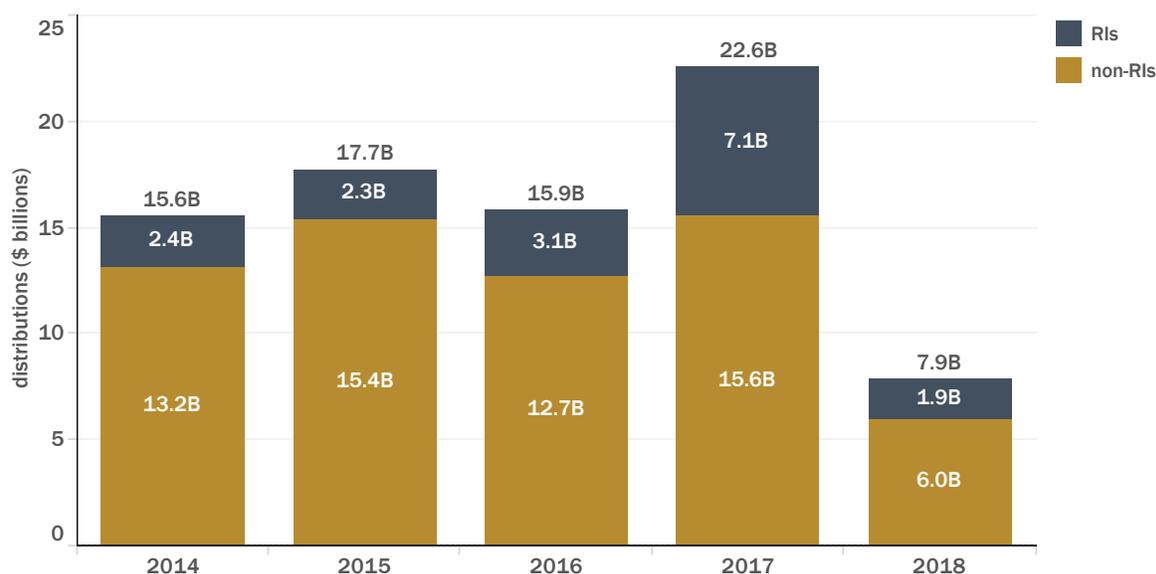
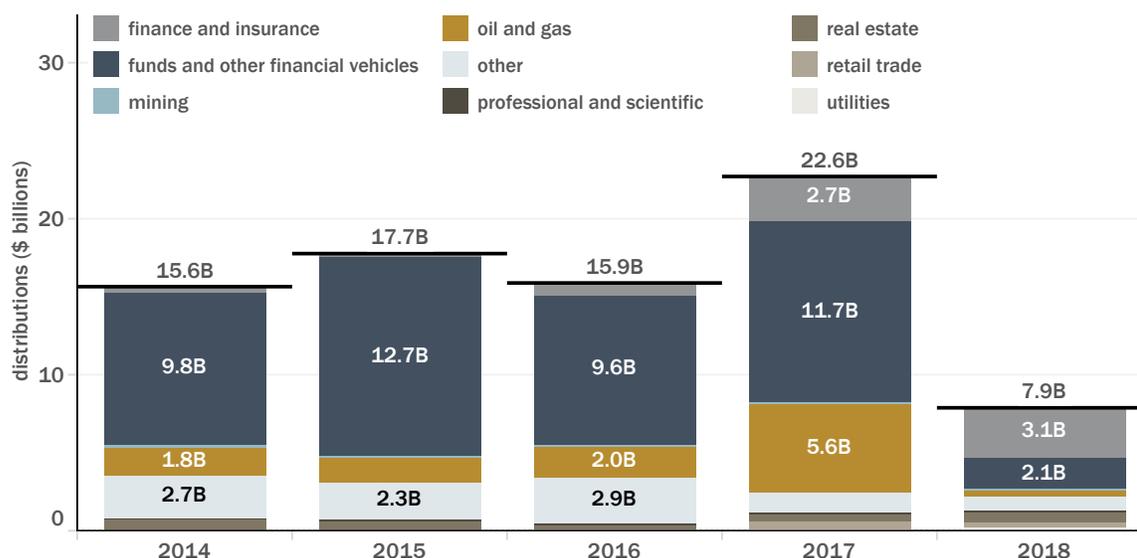


Chart 31: Total invested in the prospectus-exempt market by Albertans, by industry



As shown in Chart 31, the greatest proportion of new capital from Alberta-based investors in 2014-2017 was invested in the funds and other financial vehicles industry. In 2017, \$11.7 billion (52 per cent) of investments by Albertans were in funds and other financial vehicles, compared with 60 per cent in 2016.

With information available to date, investments in oil and gas issuers decreased to \$0.4 billion in 2018 from \$5.6 billion in 2017, and investments in other industries decreased to \$0.9 billion in 2018 from \$1.3 billion in 2017. Note that the funds and other financial vehicles category is under-represented in the above chart as all of the data has yet to be processed for 2018. Based on filings received, an estimated \$9.9 billion of distributions to Albertans in 2018 are being processed, nearly all of which will likely be attributed to funds and other financial vehicles. These additional filings would bring the total for 2018 to more than \$17 billion and the total for funds and other financial vehicles to more than \$12 billion.

Chart 32: Total invested in the prospectus-exempt market by Albertans, by issuer location

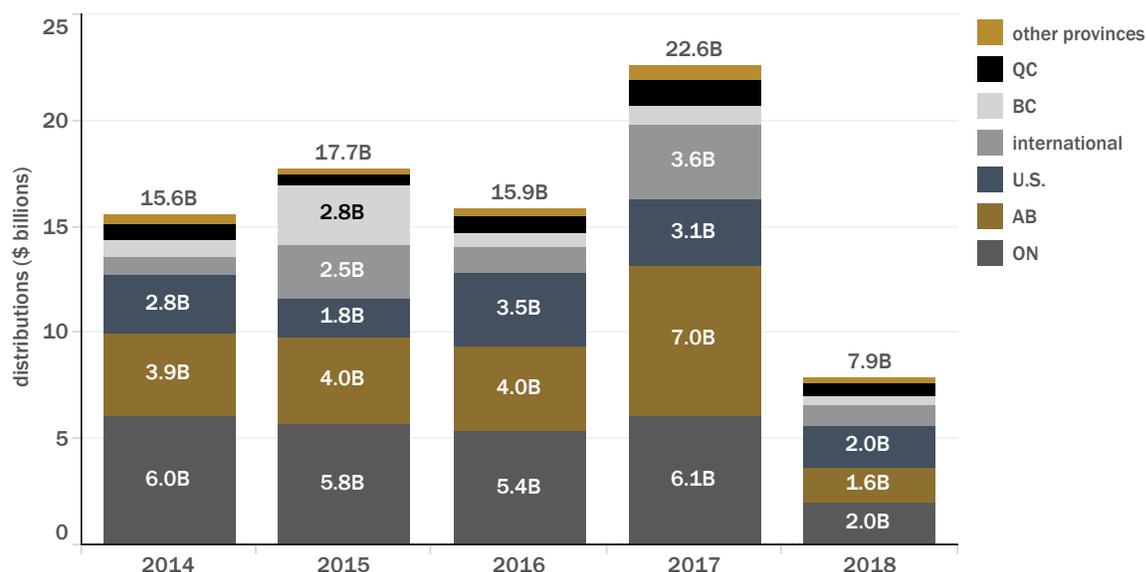


Chart 32 shows the major jurisdictions in which Albertans invested in the prospectus-exempt market over the last five years. In 2017, the largest amount of capital, \$7.0 billion, was invested in issuers located in Alberta, which was approximately 31 per cent of the \$22.6 billion total raised. Of the information available for 2018, Albertans invested \$1.6 billion (20 per cent) in Alberta-based issuers and \$2.0 billion (25 per cent) in issuers located in the U.S. Note that investment fund issuers typically have head offices in Ontario therefore the 2018 amount for Ontario issuers in the above chart is likely to be revised upwards in subsequent reports when the complete set of data has been processed.

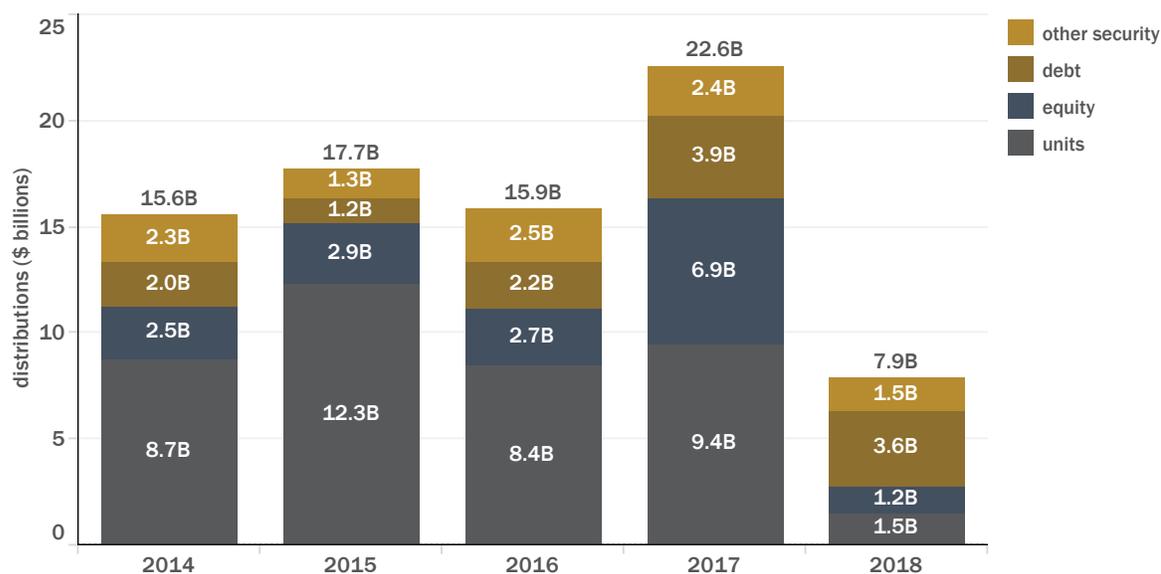
Chart 33: Total invested in the prospectus-exempt market by Albertans, by security type

Chart 33 segments total funds invested by Albertans by the type of security purchased. Based on the significant investment in investment funds, it is not surprising that the most purchased type of security was units in 2017, for a total of \$9.4 billion (42 per cent). Non-investment fund issuers typically raise capital through equity or debt securities. In 2018, \$3.6 billion of debt securities were purchased by Albertans in the prospectus-exempt market, 8.8 per cent less than the \$3.9 billion raised in 2017. In 2018, \$1.2 billion of equity securities were purchased by Albertans in the prospectus-exempt market, down 82 per cent from the \$6.9 billion invested in 2017. Note that the amount invested in units by Albertans in 2018 is likely to be revised upwards in subsequent reports as most of the unprocessed data is from investment fund issuers which typically issue securities in units.

Chart 34: Total invested in the prospectus-exempt market by Albertans, by exemption relied on by issuer

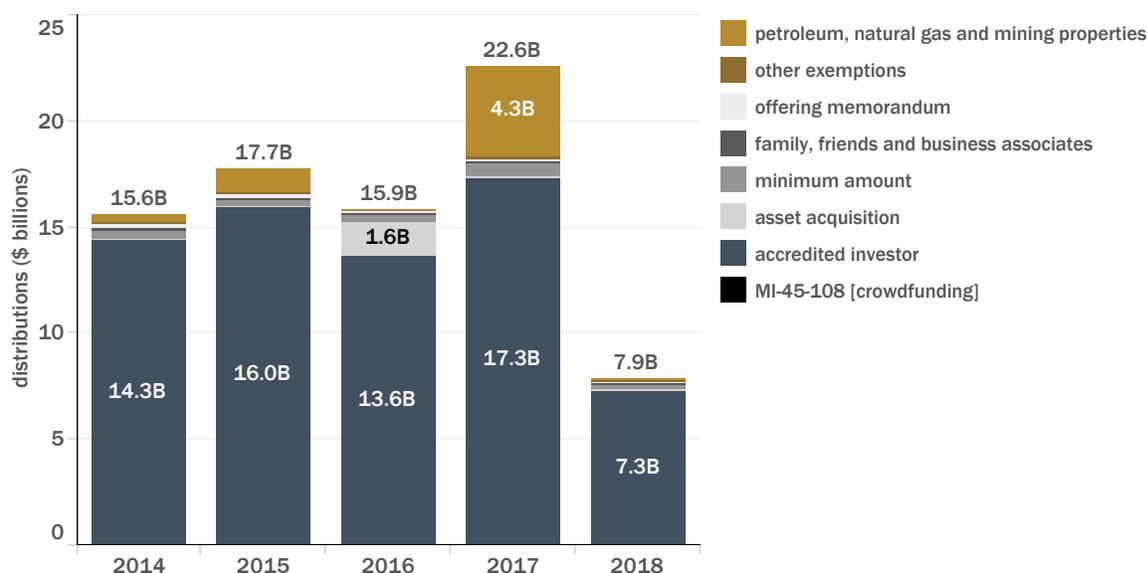
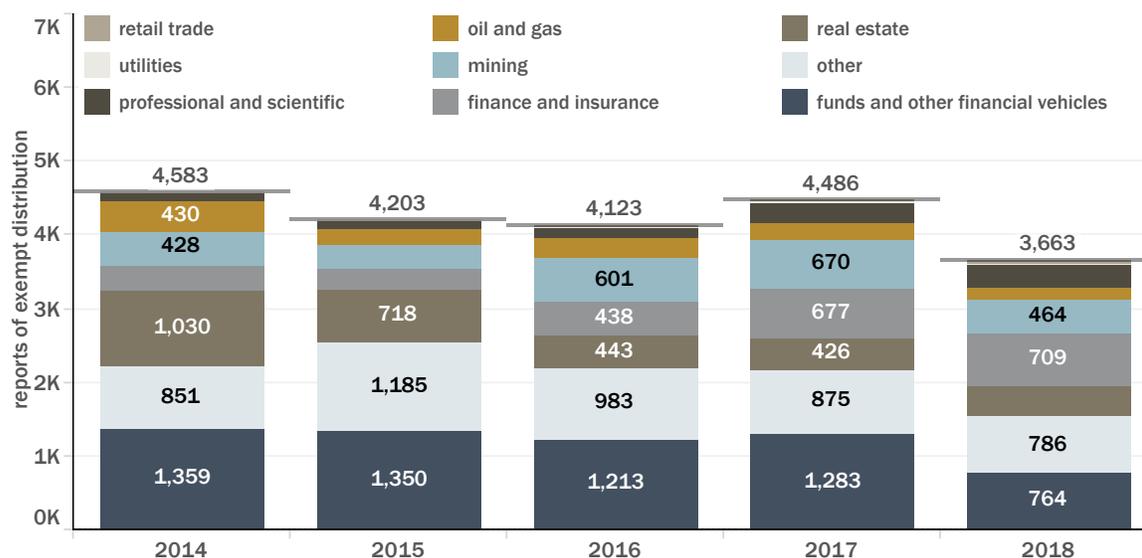


Chart 34 illustrates the dominant reliance on the accredited investor (AI) exemption by issuers to distribute prospectus-exempt securities to Albertans.²⁶ In 2017, \$17.3 billion (77 per cent) of the total \$22.6 billion was invested by Albertans who qualified as accredited investors. In 2018, using the information available to date, the accredited investor exemption was the exemption utilized by issuers to raise the greatest amount of capital, at \$7.3 billion, followed by the minimum amount exemption at \$0.1 billion.

²⁶ Although the conditions of some of the exemptions shown here (accredited investor, family, friends and business associates, minimum amount invested, offering memorandum and ASC Rule 72-501), are based on the investor, it is still the issuer that relies on the prospectus exemption to distribute the securities. See Table B on page 31 for a summary.

Chart 35: Total number of reports of exempt distribution for Alberta investors, by industry

In Chart 35, the number of reports of exempt distribution for Alberta investors is shown by industry. In 2017, 4,486 reports of exempt distribution were filed, an increase of 8.8 per cent compared to the 2016 figure of 4,123. In 2017, the industry category that filed the most reports of exempt distribution was funds and other financial vehicles at 1,283 (29 per cent of the total).

Interestingly, the oil and gas industry ranked lower in the number of reports of exempt distribution filed per industry in 2017. It ranked seventh compared to its second-place ranking in Chart 31 showing the dollar amount Albertans invested in exempt distributions per industry. These ranking results are due to the oil and gas industry issuing a higher-than-average dollar amount per report of exempt distribution compared to the average report of distribution for all industries.

Using the information available to date, 3,663 reports of exempt distribution were filed in 2018 with the largest industry of issuance being other industries at 786.²⁷

²⁷ This number will likely increase as we are still processing a number of reports of exempt distribution.

Total Reported Financings by Alberta Issuers

The ASC has a database of reported prospectus distributions based on issuer filings. The data includes listed and unlisted securities distributed by prospectus, beginning in 2016. This section includes amounts reported as having been raised in distributions by prospectuses and as reported in reports of exempt distribution filed with the ASC.²⁸

Chart 36: Financings by Alberta issuers, prospectus offerings and prospectus-exempt distributions

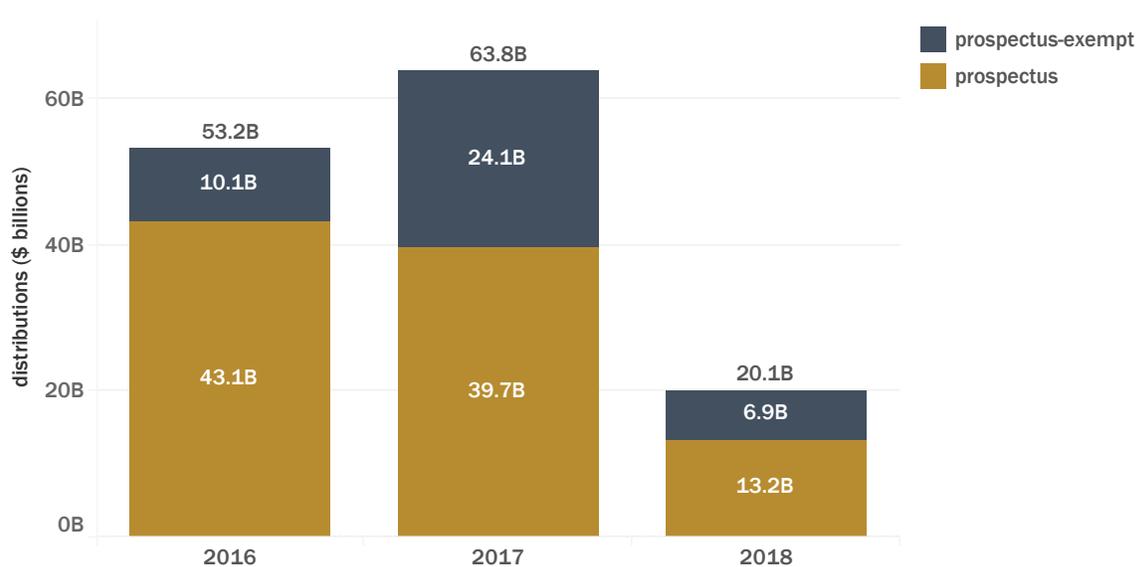


Chart 36 displays the amount of capital raised²⁹ in these two markets from 2016 to 2018. Clearly, financings from Alberta issuers decreased considerably in 2018 from 2016 and 2017. In 2018, \$20.1 billion of capital was raised by Alberta issuers, of which \$13.2 billion (66 per cent) was from prospectus offerings and \$6.9 billion (34 per cent) was from prospectus-exempt distributions. Compared with 2017, the total amount of capital raised in 2018 decreased substantially by \$43.7 billion (69 per cent), of which prospectus offerings decreased by \$26.5 billion (67 per cent) and exempt distributions decreased by \$17.3 billion (72 per cent). The proportion of exempt distributions in 2018 (34 per cent) was slightly lower than the 38 per cent in 2017, while the proportion of prospectus offerings in 2018 (66 per cent) was slightly higher than in 2017 (62 per cent).

²⁸ Prospectuses and Reports of Exempt Distribution are required to be filed with the ASC by issuers distributing securities by prospectus or by reportable prospectus exemptions. The prospectus data reported in this section excludes distributions from issuers that are investment funds or scholarship funds, and for prospectuses that are considered At-The-Market (ATM) offerings or exchange offerings (exchanging one type of debt for another).

²⁹ Distributions based on the total of proceeds as reported on the Report of Exempt Distribution and the final amount raised at the closing of the prospectus offering plus over-allotment option amounts, if exercised, as reported by issuers to the ASC.

Note that financing data sourced from ASC filings differs materially compared to the analysis of financings by listed issuers sourced from TMX data (page 21). The primary difference between the two data sources is that the ASC data includes debt financings whereas the TMX data only contains equity financings. For a full reconciliation please see Chart 47 in the Appendix.

Chart 37: Prospectus offerings and prospectus-exempt distributions by Alberta issuers, by security type

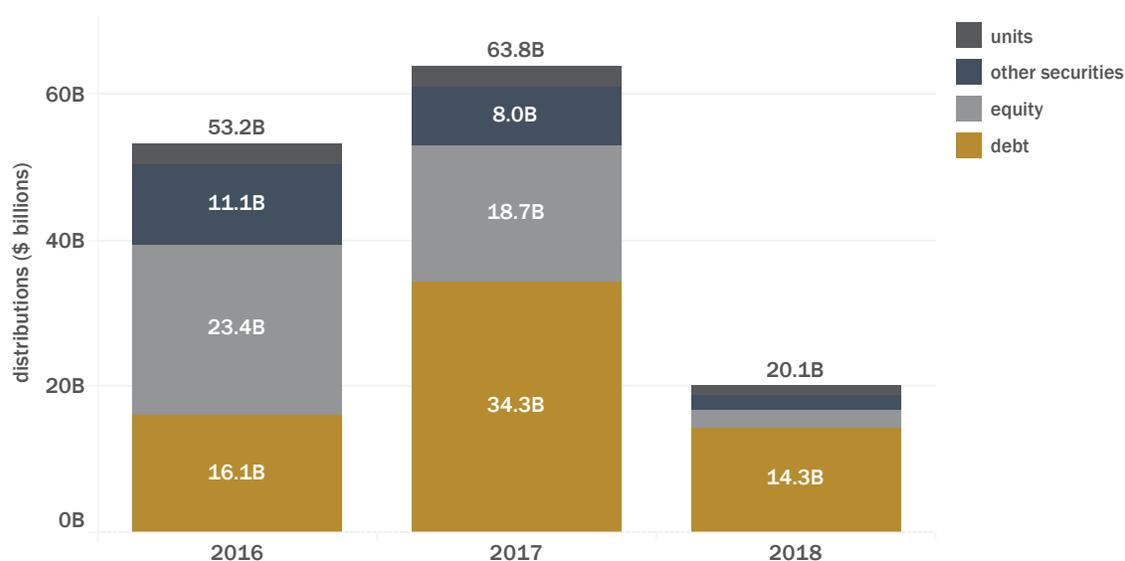


Chart 37 shows a breakdown by security type of distributions by Alberta issuers from 2016 to 2018. Debt securities were the most common security type issued in the most recent two years (2017 and 2018), which represents a shift from equity being the most common in 2016. In 2018, debt securities accounted for \$14.3 billion (71 per cent) of the total amount raised. In 2017, issuers distributed \$34.3 billion in debt securities, or 54 per cent of the total. In 2016, equity securities were the most common form of securities distributed at \$23.4 billion (44 per cent) while debt securities made up \$16.1 billion (30 per cent of the total). Units and other security types represent the remainder of amounts raised during the time period of the chart. Note that units and other securities may contain securities that are combinations of equity and debt securities.

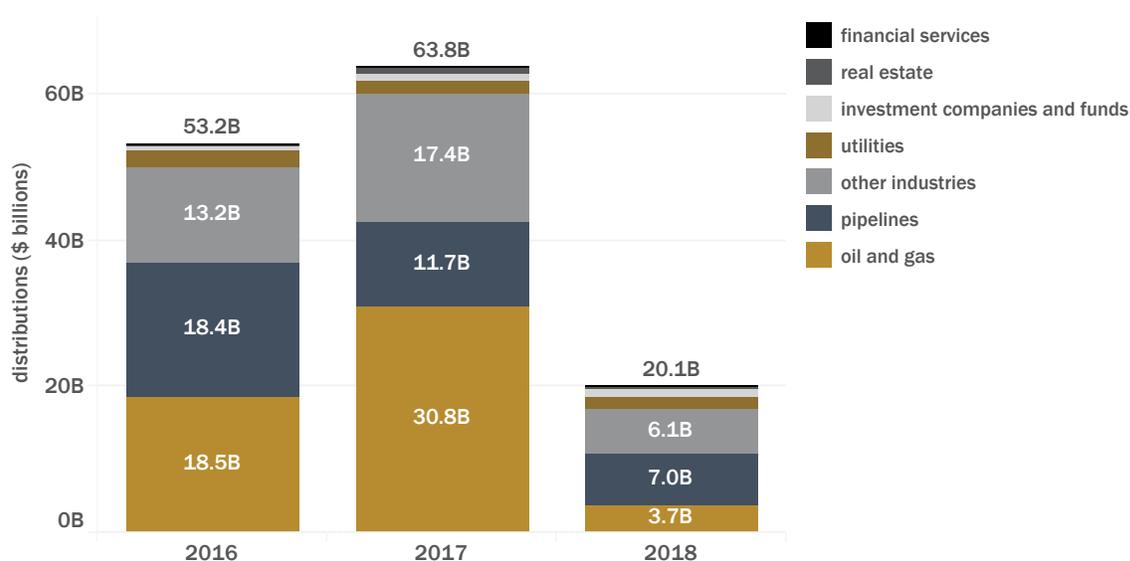
Chart 38: Prospectus offerings and prospectus-exempt distributions by Alberta issuers, by industry

Chart 38 displays the amount of securities distributed by Alberta issuers via prospectus offerings and prospectus-exempt distributions by industry.³⁰ In 2018, the industry that raised the greatest amount of capital was pipelines, at \$7.0 billion (35 per cent of the total), a decrease of 40 per cent from 2017 of \$11.7 billion (18 per cent of the total). Other industries³¹ raised the second-greatest amount of capital in 2018 at \$6.1 billion (30 per cent), down 65 per cent from \$17.4 billion in 2017. The oil and gas industry raised the third-greatest amount of capital in 2018, at \$3.7 billion (19 per cent of the total) which was a decrease of \$27.1 billion (88 per cent) from the previous year's amount of \$30.8 billion. Of note, oil and gas was the industry through which the greatest amount of capital was raised during the 2016 to 2017 timespan. The industry ranking changed in 2018 with the oil and gas industry being the industry in which issuers raised the third-greatest amount of capital.

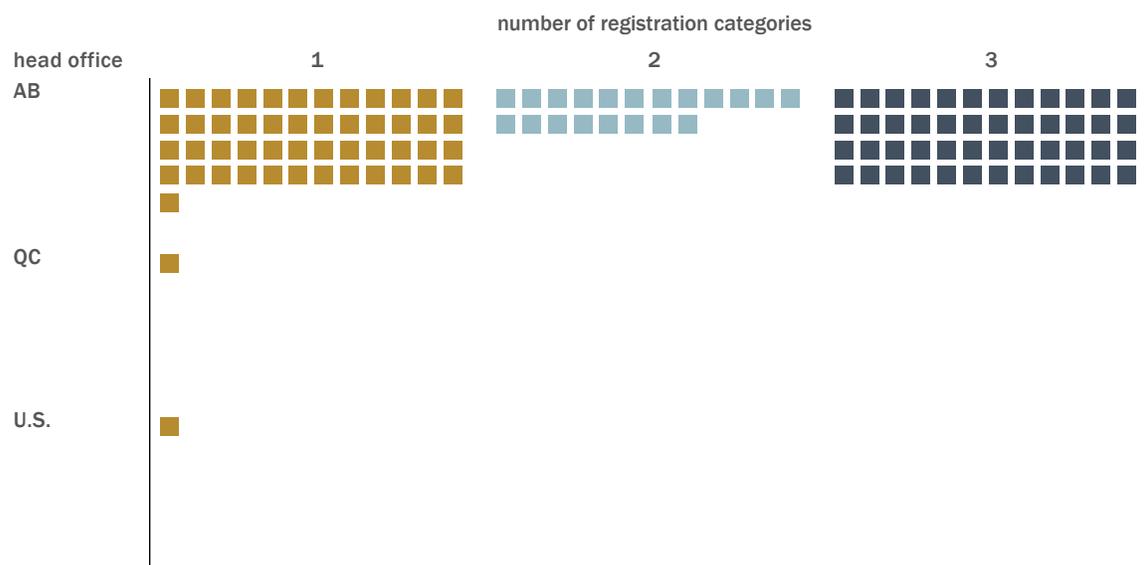
³⁰ Industry categories are based on the industry that issuers specified in their SEDAR profile. Note that the categorization used in this chart is different than the industry classification used in the prospectus-exempt markets section of this report, which is based on NAICS codes for recent years that are reported by issuers on the Report of Exempt Distribution. The industry classification also differs from the form used in other sections of this report for public financings which utilized a combination of TMX and Bloomberg data.

³¹ The other category includes industries not otherwise specified in the chart.

Registration

Market participants must register if they are in the business of trading or advising in securities or managing investment funds, unless the firm is able to rely on an available exemption.³² There are several categories of firm registration. These include dealer categories, adviser categories and the investment fund manager category. This section provides an overview of the registered firms that are principally regulated by the ASC and the categories in which they are registered.

Chart 39: Distribution of Alberta PR firms by number of registration categories



As of December 31, 2018, there were 119 firms principally regulated in Alberta, versus 123 firms a year earlier. Chart 39 shows how many firms were registered in one, two or three categories. Of all Alberta PR registered firms, 51 firms (43 per cent) were registered in a single category (53 firms in 2017), 20 firms (17 per cent) were registered in two categories (21 firms in 2017) and 48 firms (40 per cent) were registered in three categories (49 firms in 2017). The firms registered in two categories were typically registered in the investment fund manager and either the portfolio manager or restricted portfolio manager category. The firms registered in three categories were typically registered in the exempt market dealer, investment fund manager, and either the portfolio manager or restricted portfolio manager category.

³² See National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

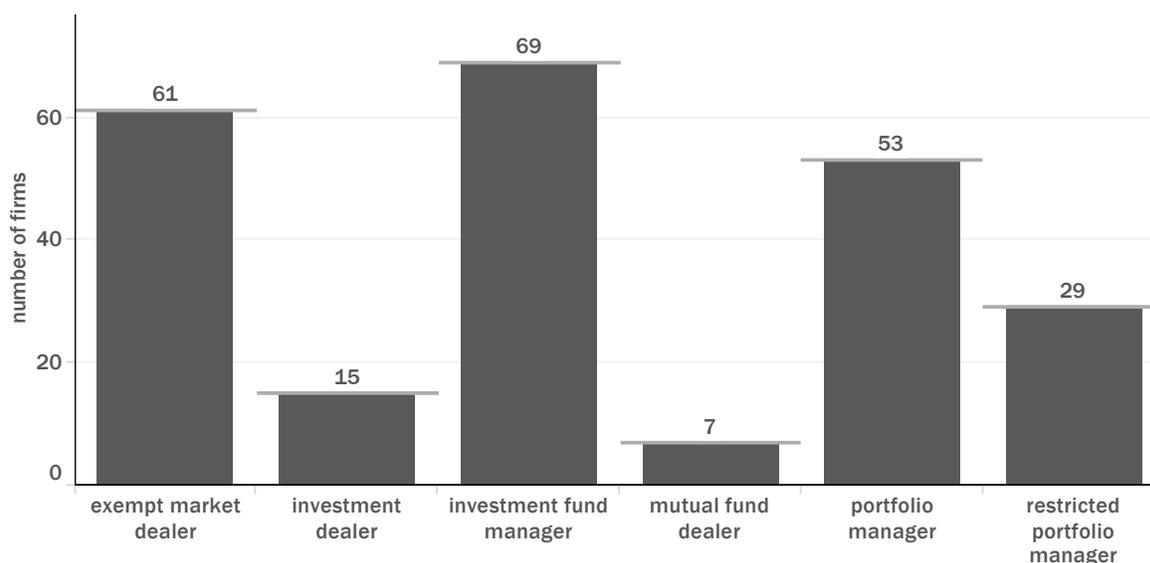
Chart 40: Number of Alberta PR firms in each registration category

Chart 40 shows the total number of registrations in each category.³³ Since firms may register in multiple categories, the sum of all registrations is not the same as the total number of firms principally regulated by the ASC. As of the date of this report, the most common category of registration among Alberta PR firms was investment fund manager, with 69 firms registered (compared to 71 in 2017), followed by exempt market dealer, with 61 firms registered (63 in 2017). The next most common was portfolio manager with 53 firms (54 in 2017) and restricted portfolio manager with 29 firms (31 in 2017). There were also 15 firms registered in the investment dealer category (16 in 2017) and seven firms registered in the mutual fund dealer category (six in 2017).

³³ Categories with zero Alberta PR firms have not been shown.

Energy Markets

Chart 41: Energy transacted on NGX

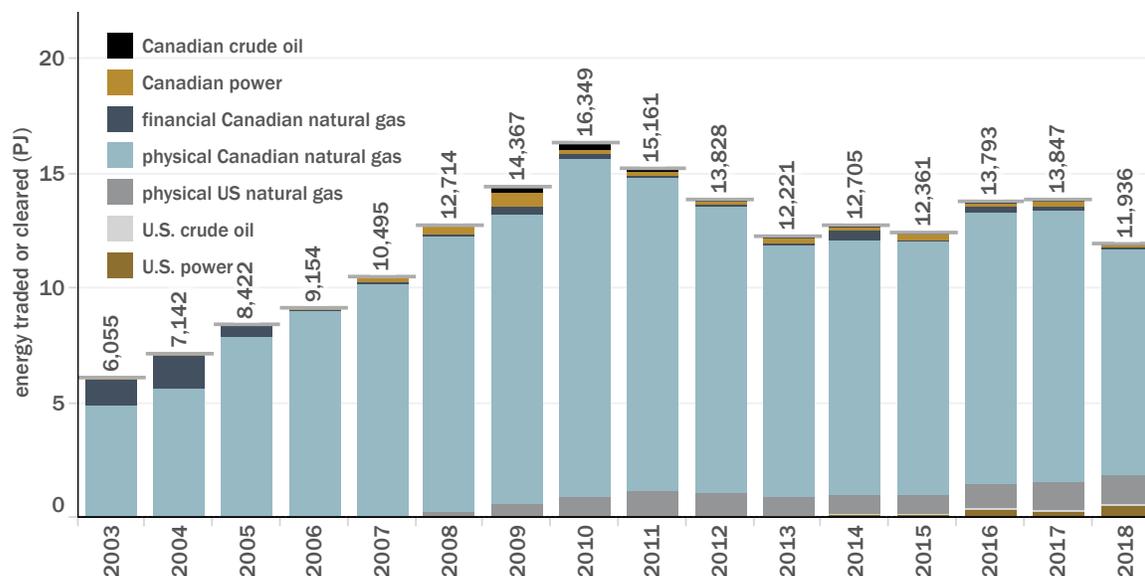


Chart 41 shows the total energy contracts traded or cleared on NGX each year since 2003.³⁴ Total volume transacted in 2018 decreased 14 per cent to 11,936 PJ versus 2017 when 13,847 PJ was transacted across all natural gas, crude oil and power contracts. Combined, natural gas activity amounted to 94 per cent of the energy transactions on NGX in 2018, down marginally from 95 per cent in 2017. Physical Canadian natural gas (contracts with physical settlement) accounted for 82 per cent of total transactions in 2018, which totalled 9,845 PJ, down 17 per cent from 11,840 PJ in 2017. The second-largest volume of transactions was in physical U.S. natural gas, which totalled 1,319 PJ in 2018 (11 per cent of the total), 9.7 per cent greater than 2017 volumes of 1,202 PJ (8.7 per cent). Financial Canadian natural gas (i.e. contracts with financial settlement) decreased 91 per cent to 13 PJ (0.1 per cent) in 2018 from 147 PJ (1.1 per cent) in 2017. Canadian power contracts decreased by 39 per cent in 2018 to 201 PJ (1.7 per cent) of total volumes, down from 329 PJ (2.4 per cent) in 2017, while U.S. power totalled 559 PJ (4.7 per cent), up 70 per cent from 329 PJ (2.4 per cent) a year earlier.

³⁴ There are other regulated entities and trading venues in Alberta where commodities can be traded. This report only uses NGX data as an indicator of trading natural gas and power contracts.

Appendix: Methodology

LISTED ISSUER MARKETS

For the analysis of listed reporting issuers, data has been combined from ASC records, the TMX, SEDAR and Bloomberg. This allowed the report to include all listed reporting issuers in Alberta and to conduct analysis by principal regulator instead of head office location. This section summarizes how this combined data was created and highlights some differences between key fields.

ASC records

The ASC maintains a record of all issuers reporting in Alberta based on reporting by issuers on SEDAR, which includes issuers listed on the TSX, TSXV and other exchanges. This record includes the following fields of interest, among others:

- industry
- location of issuers' head office
- issuers' principal regulator
- the exchanges on which the issuer is listed

TMX data

The TMX has data for issuers listed on the TSX and TSXV exchanges as of December 31 each year. The dataset includes the following fields of interest, among others:

- market capitalization at December 31
- industry, as defined by the TMX
- location of the issuers' head office
- whether the issuer graduated from the TSXV, in the case of TSX-listed issuers

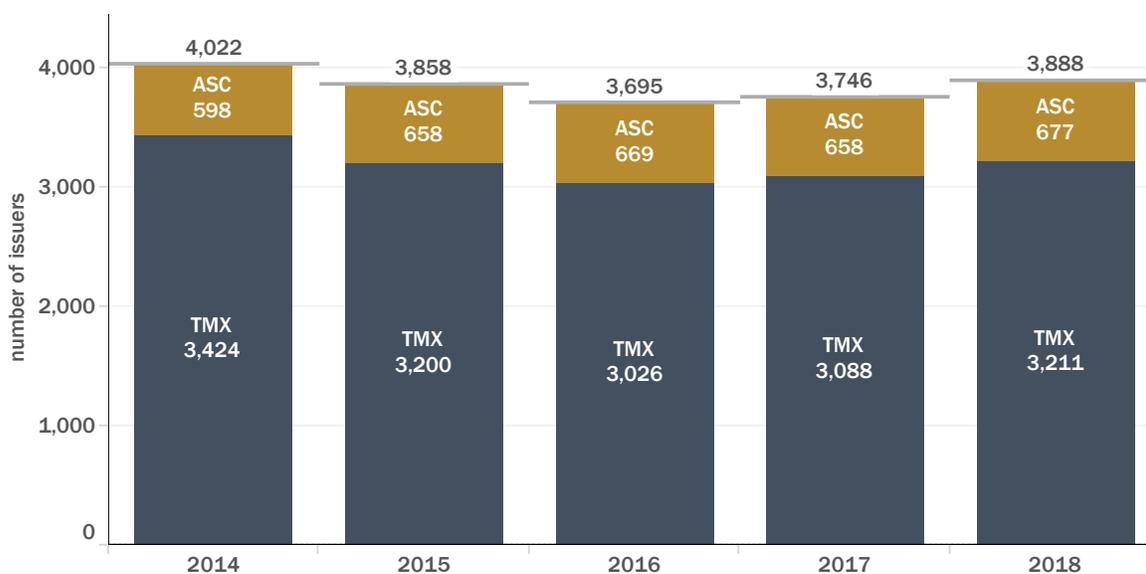
Combined data

Table C shows the primary source for data used in the analysis of listed reporting issuers in this report.

Table C: Data sources for combined dataset

Data Field	Source
Market capitalization	TMX when available, otherwise Bloomberg, with foreign currencies converted into Canadian dollars as at December 31 based on the spot foreign exchange rate at the time. Also, the market capitalization from Bloomberg was used when it was more than two times the market capitalization from TMX.
Industry	TMX when available, otherwise SEDAR. TMX oil and gas, and diversified industries were segmented for this report based on the SEDAR industry selections.
Principal regulator	ASC records.
TSXV graduate	TMX.

As shown in Chart 42 and Chart 43, the combined data provides a more comprehensive picture of the total number of reporting issuers and the market capitalization of those issuers.

Chart 42: Number of issuers by data source

As shown in Chart 42, the number of issuers included in the data is about 21 per cent greater on average with the addition of reporting issuers listed on other exchanges. “TMX” indicates the number of issuers for which the data was sourced from the TMX, and “ASC” indicates the number of issuers for which the data was sourced from ASC records for the purposes of this report.

Chart 43: Market capitalization of issuers by data source



Chart 43 shows that the total market capitalization of all issuers included in the data is about 35 per cent greater on average with the addition of reporting issuers listed on other exchanges.

Chart 44: Total market capitalization by SEDAR head office (top) and PR (bottom) for 2018

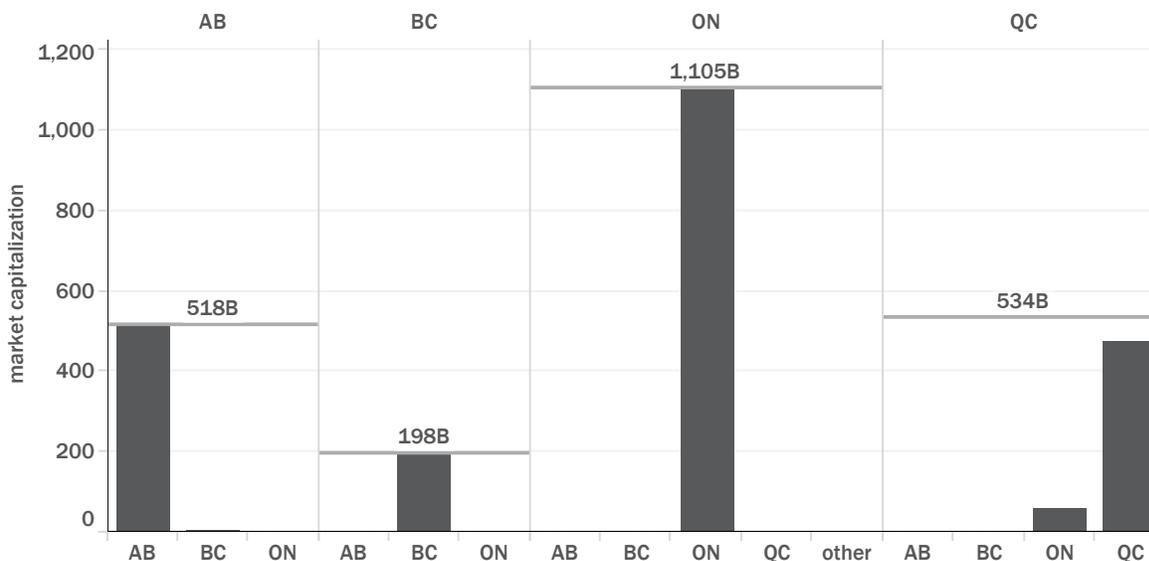
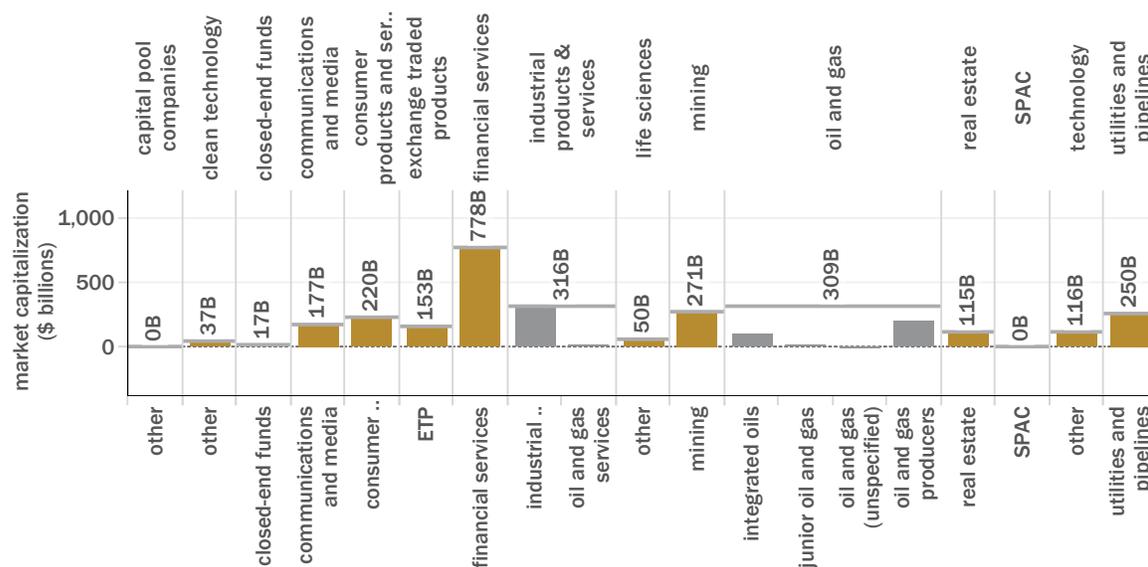


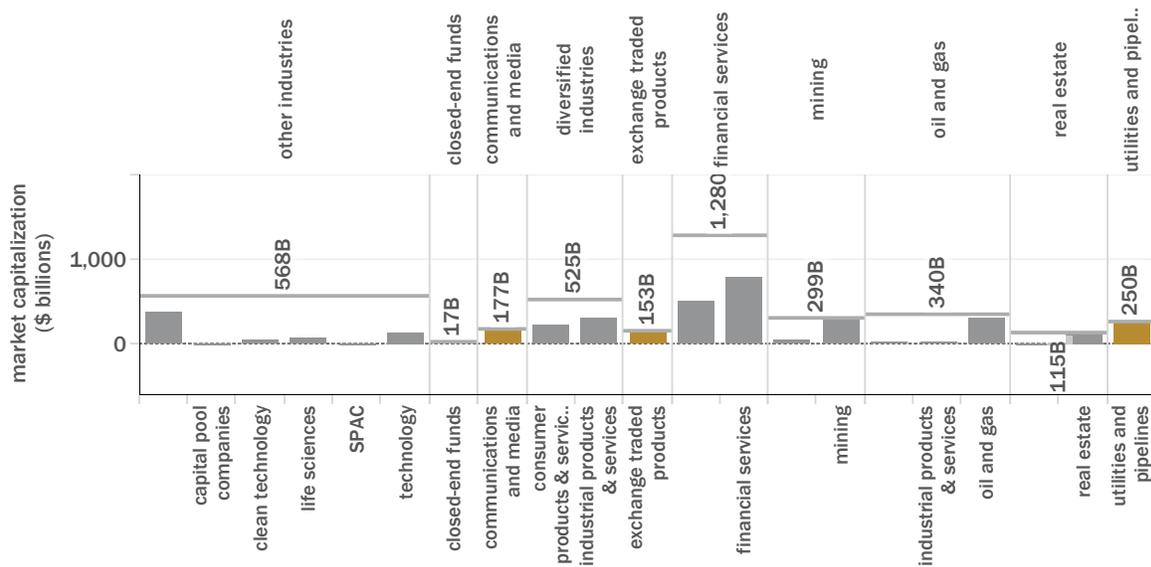
Chart 44 shows total market capitalization of issuers in 2018 with the SEDAR-reported head office on the top axis and the PR on the bottom axis. There are relatively few cases where the two are not the same, with the most noticeable exception being one large issuer headquartered in Quebec with Ontario as the PR. While this report has been prepared on the basis of PR instead of head office location as in prior reports, the overall conclusions drawn on the basis of PR should apply to the head office as well.

Chart 45: Total market capitalization by TMX industry (top) vs. SEDAR (bottom) for 2018

The industry classifications used by the TMX and SEDAR are different, with greater segmentation in the SEDAR sub-categories. For those issuers listed on the TSX or TSXV exchanges, the TMX classification was chosen, with two notable exceptions for the purposes of analysis of the oil and gas industry. All oil and gas issuers are grouped by the TMX in one category, while SEDAR has four sub-sectors: integrated oils, junior oil and gas, oil and gas producers and oil and gas services. Where oil and gas issuers in the TMX data could be mapped to SEDAR, the SEDAR industry classification was used for the purposes of greater segmentation. The TMX also includes oil and gas services in diversified industries and industrial products and services. For the purposes of this report, these issuers were reclassified where possible to oil and gas services. In aggregation, oil and gas services were included in the oil and gas category for purposes of this report, not in diversified industries.

Chart 45 shows the effect of this reclassification for issuers in the TMX dataset on the basis of market capitalization for 2018, with the differences between the TMX and SEDAR classifications distinguished by colour. The TMX industries are listed on the top axis and SEDAR industries are listed on the bottom. Note that certain TMX industry categories were classified into other for purposes of this report.

Chart 46: Total market capitalization by SEDAR industry (top) vs. TMX (bottom) for 2018



Note: blanks show additional reporting issuers not classified by the ASC into TMX classifications.

For reporting issuers listed on other exchanges, the SEDAR industry classification was used, with the placement of issuers into the existing TMX classification where the categories seemed to be consistent. All additional categories were moved to other.

Chart 46 shows the main differences of this placement, on the basis of market capitalization, for all reporting issuers in 2018. The SEDAR classification is shown on top (with sub-categories aggregated) and the TMX category on the bottom. Note that there are several blanks on the bottom axis. These blanks represent issuers listed on other exchanges where the SEDAR-reported industry could not be mapped to an equivalent TMX industry.

PROSPECTUS FINANCINGS

Chart 47: TMX financing data reconciliation to ASC filings

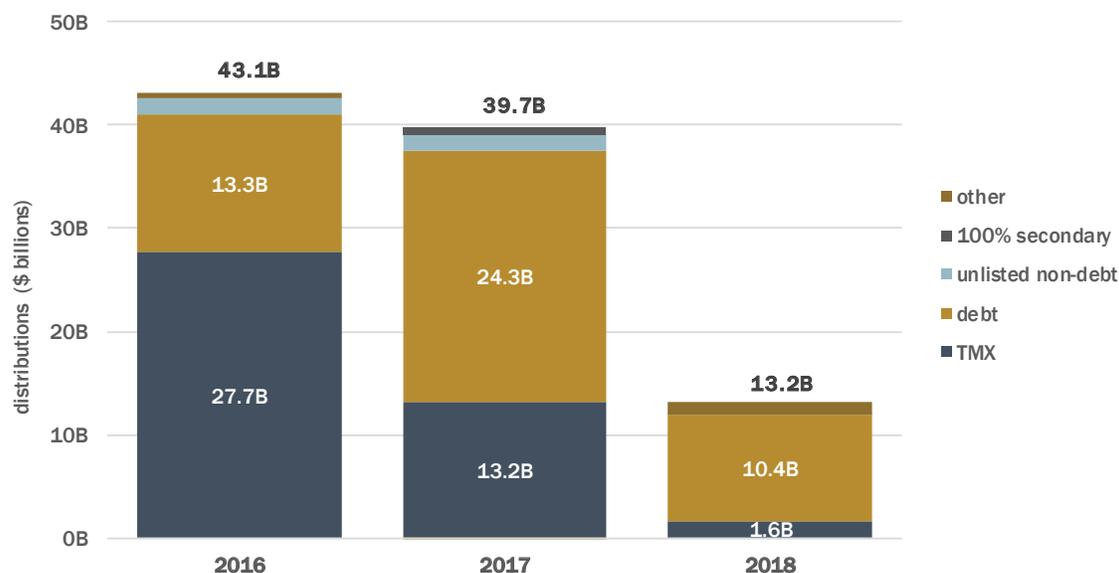


Chart 47 displays the differences between the Alberta issuer financing data sourced from the TMX Group and the data sourced from ASC filings for prospectus distributions. The total for each year corresponds to the total of prospectus distributions reported to the ASC. Note that this comparison does not include information for exempt distributions. As shown in the chart, the primary difference between the two sources is debt financings (not including convertible debentures), which the TMX data does not include. Debt financings makes up 90 per cent of the difference in 2018, 92 per cent in 2017, and 86 per cent in 2016. Other differences are that the ASC data includes prospectus offerings for non-listed securities (e.g. Trans Canada Trust), secondary offerings (i.e. when existing shareholders sell their shares via prospectus), and when applicable, non-TMX offerings from other exchanges such as the Canadian Securities Exchange (CSE). Other minor variances include differences in the exchange rates used to calculate amounts raised for non-Canadian offerings and whether over-allotment options were captured in the data or not.

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