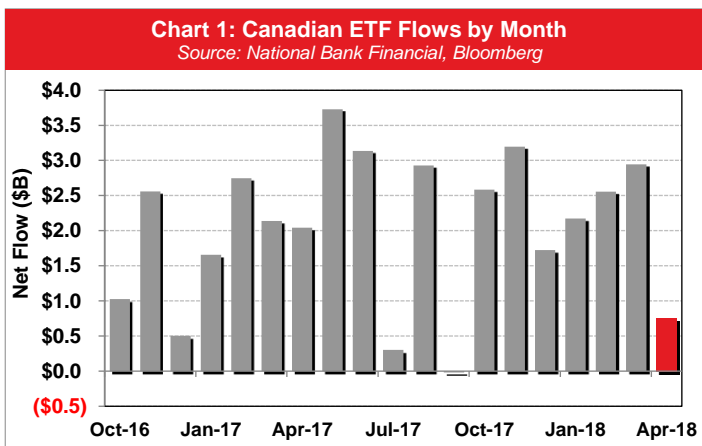


April 2018 – A relatively quiet month for ETF flows and launches

- Canadian ETFs attracted \$706 million in flows in April. Assets now stand at \$153 billion
- Fixed Income saw continued shifts from Investment Grade and High Yield to Aggregate and Government Bond
- Investors rotated away from Canadian Equity amid its macroeconomic uncertainties
- A rather light month for ETF launches, one new provider (Brompton Funds) converted its CEFs into ETFs

Flows by Category: (Table 1) Canadian ETFs had an inflow of \$706 million in April 2018, bringing assets to a new total of \$153 billion. Canadian equity ETFs had a small outflow before accounting for a large redemption from XIU. Apart from the inflows into low-cost passive index ETFs, some Canadian sector ETFs (such as Energy and Technology sector ETFs) also attracted investor dollars, on the back of higher monthly total returns compared with the broader S&P/TSX composite index. Canadian Financial sector ETFs, however, had redemptions in April against a backdrop of macroeconomic uncertainties such as NAFTA negotiations and household indebtedness. Similarly, U.S. Financial ETFs had a month of outflows. Inflows into



International equity ETFs were led by index tracking passive products for Emerging Market and EAFE regions. On the Fixed Income side, investors continue to upgrade along the credit spectrum, moving out of High Yield and Investment Grade into Government Bond ETFs. The Multi-asset category attracted \$297 million in April, led by some recent product launches, Close-end fund conversions and covered call ETFs.

Flows by Provider: See Table 2

April 2018 was a relatively slow month for ETF launches in Canada:

- **Brompton Funds** completed conversion of its two covered call mandates—global health care (HIG) and global technology (TLF)—into ETFs in April. The two funds had approximately \$80 million in AUM before conversion.
- **Purpose** rebranded three strategies from its acquired LOGiQ funds and launched three actively-managed ETFs in April: A High Yield Fixed Income ETF (SYLD), a global equity ETF (PINV) and a multi-asset ETF (PINC).

iShares reclassified all of its advisory class ETF units into common units of the corresponding ETFs in April. These share classes paid trailing commissions to advisors, and they were a

Category	AUM (\$M)	AUM (%)	Flow (\$M)	% Flow
Equity	\$91,669		\$281	0.3%
Canadian Equity	\$38,157	24.9%	-\$391	-1.0%
U.S. Equity	\$28,774	18.8%	\$432	1.5%
Int'l Equity	\$24,738	16.1%	\$239	1.0%
Fixed Income	\$49,935	32.6%	\$130	0.3%
Commodity	\$642	0.4%	\$1	0.2%
Multi-Asset	\$10,111	6.6%	\$297	3.0%
Levered Long	\$598	0.4%	-\$31	-5.1%
Inverse	\$351	0.2%	\$28	8.3%
Total	\$153,305		\$706	0.5%

Source: National Bank Financial, Bloomberg

Provider	AUM (\$M)	AUM (%)	Flow (\$M)	% Flow
1 iShares	\$59,136	38.6%	-\$132	-0.2%
2 BMO	\$48,365	31.5%	-\$99	-0.2%
3 Vanguard	\$15,612	10.2%	\$307	2.0%
4 Horizons	\$9,475	6.2%	\$96	1.0%
5 RBC	\$5,155	3.4%	\$11	0.2%
6 First Asset	\$4,139	2.7%	\$46	1.1%
7 PowerShares	\$3,398	2.2%	-\$15	-0.4%
8 Mackenzie	\$2,258	1.5%	\$245	12.2%
9 Purpose	\$1,821	1.2%	\$14	0.8%
10 PIMCO	\$556	0.4%	\$64	13.0%
11 Harvest	\$512	0.3%	\$11	2.3%
12 WisdomTree	\$497	0.3%	\$55	12.6%
13 First Trust	\$412	0.3%	-\$34	-7.7%
14 Desjardins	\$357	0.2%	-\$23	-6.1%
15 AGF	\$348	0.2%	\$4	1.2%
16 Franklin Templeton	\$288	0.2%	\$27	10.4%
17 Manulife	\$281	0.2%	\$3	0.9%
18 Hamilton Capital	\$206	0.1%	\$14	7.4%
19 Evolve Funds	\$173	0.1%	\$23	15.2%
20 Lysander	\$104	0.1%	\$3	2.5%
21 Brompton Group	\$85	0.1%	\$82	N.A.
22 TDAM	\$75	0.0%	-\$1	-1.0%
23 Auspice	\$23	0.0%	\$0	0.1%
24 Equium Capital	\$9	0.0%	\$0	0.0%
25 Bristol Gate	\$8	0.0%	\$4	100.5%
26 Galileo	\$5	0.0%	\$0	0.0%
27 Arrow Capital	\$5	0.0%	\$0	0.0%
28 Excel Funds	\$1	0.0%	\$0	-24.7%
Total	\$153,305		\$706	0.5%

Source: National Bank Financial, Bloomberg

holdover from the company's acquisition of Claymore ETFs in 2012. As a result of the conversion, the number of advisory class ETFs in Canada has fallen to single digits. BMO had a \$99 million outflow this month mainly from its equal weight banks ETF (ZEB). Some outflows from its fixed income suite of products might be related to ZAG's gradual transition from a pure fund-of-fund structure (holding nine building block BMO ETFs) into directly holding underlying bonds, in addition to ETFs. This month we also consolidated Redwood ETF's assets and flows into parent company Purpose.

As of this writing (May 02, 2018), Evolve Funds has launched Evolve Innovation Index ETF (EDGE).

Flows by Product: (Tables 3 and 4) As investors have grown increasingly cost conscious, low-cost broad market ETFs dominate the leaderboard month after month. Mackenzie's newly launched U.S. Equity ETF (8 bps in management fee) and Canadian Equity ETF (5 bps in management fee) saw inflows this month. On the outflow side, financial sector ETFs, investment grade bonds, High Yield ETFs and some multi-factor ETFs saw redemptions.

Table 3 - April 2018 Top Single Long ETF Inflows

Ticker	Name	Flow (\$M)	% Flow
1	QUU Mackenzie US Large Cap Equity Index ETF	\$97	221%
2	ZSP BMO S&P 500 Index ETF	\$71	2%
3	QCE Mackenzie Canadian Large Cap Equity	\$66	218%
4	XIC iShares Core S&P/TSX Capped Composite	\$65	1%
5	PGL PowerShares Ultra Liquid LT Government Bond	\$62	14%
6	PMIF PIMCO Monthly Income Fund	\$61	13%
7	XBB iShares Core CanadianUniverse Bond Index ETF	\$58	3%
8	XEG iShares S&P/TSX Capped Energy Index ETF	\$56	7%
9	ZCN BMO S&P/TSX Capped Composite Index ETF	\$54	2%
10	VCN Vanguard FTSE Canada All Cap Index ETF	\$52	4%

Source: National Bank Financial, Bloomberg

Table 4 - April 2018 Top Single Long ETF Outflows

Ticker	Name	Flow (\$M)	% Flow
1	XIU iShares S&P/TSX 60 Index ETF	-\$380	-4%
2	ZEB BMO Equal Weight Banks Index ETF	-\$216	-14%
3	PSB PowerShares 1-5 Year Laddered IG Corporate	-\$67	-9%
4	XFF iShares Edge MSCI Multifactor EAFE CAD-H	-\$57	-46%
5	ZAG BMO Aggregate Bond Index ETF	-\$50	-1%
6	XFI iShares Edge MSCI Multifactor EAFE Index ETF	-\$50	-29%
7	ZFH BMO Floating Rate High Yield ETF	-\$49	-9%
8	ZCM BMO Mid Corporate Bond Index ETF	-\$43	-3%
9	HXF Horizons S&P/TSX Capped Financials Index ETF	-\$39	-71%
10	CBO iShares 1-5 Year Laddered Corp Bond Index ETF	-\$36	-2%

Source: National Bank Financial, Bloomberg

Flows YTD: Tables 5 - 9 (Table continued on Next Page)

Canadian ETFs attracted \$8.4 billion in flows in the first four months of 2018, on par with last year's April YTD flows. Unlike last year, when the Fixed Income asset class took up half of the total flows thanks to the rising popularity of ZAG, this category accounts for just 19% of total ETF flows in 2018 YTD. On the other hand, the Multi-Asset category (even without ZWP's structural inflow) is increasingly popular, and International Equity is showing strong demand as investors re-evaluate the U.S. equity market in the current (possibly late) stage of the economic cycle. Similar to what we observed among U.S. sector ETFs in April 2018, Technology and Energy ETFs lead the inflows while Financial and Material sectors suffered outflows. Energy sector ETFs finally had a slight reversal of demand in April as the price of oil grinds higher (Table 9, next page).

Table 5 - ETF Flows by Category - YTD April 2018

Category	AUM (\$M)	AUM (%)	Flow (\$M)	% Flow
Equity	\$91,669		\$4,791	5.4%
Canadian Equity	\$38,157	24.9%	\$542	1.4%
U.S. Equity	\$28,774	18.8%	\$1,460	5.4%
Int'l Equity	\$24,738	16.1%	\$2,789	12.7%
Fixed Income	\$49,935	32.6%	\$1,568	3.2%
Commodity	\$642	0.4%	-\$5	-0.8%
Multi-Asset	\$10,111	6.6%	\$2,180	26.5%
Levered Long	\$598	0.4%	-\$218	-27.6%
Inverse	\$351	0.2%	\$98	32.2%
Total	\$153,305		\$8,412	5.7%

Source: National Bank Financial, Bloomberg

Table 6 - ETF Flows by Provider - YTD April 2018

Provider	AUM (\$M)	AUM (%)	Flow (\$M)	% Flow
1 iShares	\$59,136	38.6%	\$467	0.8%
2 BMO	\$48,365	31.5%	\$2,478	5.3%
3 Vanguard	\$15,612	10.2%	\$1,986	14.5%
4 Horizons	\$9,475	6.2%	\$662	7.3%
5 RBC	\$5,155	3.4%	\$446	9.5%
6 First Asset	\$4,139	2.7%	\$330	8.6%
7 PowerShares	\$3,398	2.2%	-\$21	-0.6%
8 Mackenzie	\$2,258	1.5%	\$958	73.9%
9 Purpose	\$1,821	1.2%	\$127	7.4%
10 PIMCO	\$556	0.4%	\$264	88.3%
11 Harvest	\$512	0.3%	\$83	18.8%
12 WisdomTree	\$497	0.3%	\$119	31.2%
13 First Trust	\$412	0.3%	-\$25	-5.7%
14 Desjardins	\$357	0.2%	\$229	176.1%
15 AGF	\$348	0.2%	\$4	1.3%
16 Franklin Templeton	\$288	0.2%	\$44	18.1%
17 Manulife	\$281	0.2%	\$24	9.3%
18 Hamilton Capital	\$206	0.1%	\$107	110.1%
19 Evolve Funds	\$173	0.1%	\$86	96.5%
20 Lysander	\$104	0.1%	\$15	16.9%
21 Brompton Group	\$85	0.1%	\$82	N.A.
22 TDAM	\$75	0.0%	-\$58	-43.4%
23 Auspice	\$23	0.0%	-\$4	-19.5%
24 Equium Capital	\$9	0.0%	\$2	28.7%
25 Bristol Gate	\$8	0.0%	\$8	N.A.
26 Galileo	\$5	0.0%	\$0	0.0%
27 Arrow Capital	\$5	0.0%	\$0	N.A.
28 Excel Funds	\$1	0.0%	-\$2	-61.5%
Total	\$153,305		\$8,412	5.7%

Source: National Bank Financial, Bloomberg

Table 7 - YTD April 2018 Top Single Long ETF Inflows

Ticker	Name	Flow (\$M)	% Flow
1	ZWP BMO Europe High Dividend Covered Call ETF	\$1,018	NA
2	XIC iShares Core S&P/TSX Capped Composite	\$517	12%
3	VAB Vanguard Canadian Aggregate Bond Index ETF	\$359	27%
4	ZSP BMO S&P 500 Index ETF	\$349	9%
5	XEF iShares Core MSCI EAFE IMI Index ETF	\$320	20%
6	HMMJ Horizons Marijuana Life Sciences Index ETF	\$317	63%
7	ZEA BMO MSCI EAFE Index ETF	\$254	13%
8	ZWE BMO Europe High Dividend Covered Call CAD-H	\$254	32%
9	PMIF PIMCO Monthly Income Fund	\$242	88%
10	ZAG BMO Aggregate Bond Index ETF	\$224	7%

Source: National Bank Financial, Bloomberg

Table 8 - YTD April 2018 Top Single Long ETF Outflows

Ticker	Name	Flow (\$M)	% Flow
1	XIU iShares S&P/TSX 60 Index ETF	-\$800	-7%
2	XBB iShares Core Canadian Universe Bond Index ETF	-\$302	-13%
3	ZCS BMO Short Corporate Bond Index ETF	-\$211	-13%
4	HNU BetaPro Natural Gas 2x Daily B	-\$171	-58%
5	CBO iShares 1-5 Year Laddered Corporate Bond	-\$170	-11%
6	XCB iShares Canadian Corporate Bond Index ETF	-\$166	-9%
7	ZEQ BMO MSCI Europe High Quality CAD-H	-\$162	-36%
8	ZMU BMO Mid-Term US IG Corporate Bond CAD-H	-\$154	-29%
9	XRE iShares S&P/TSX Capped REIT Index ETF	-\$150	-11%
10	ZUD BMO US Dividend Hedged to CAD ETF	-\$118	-44%

Source: National Bank Financial, Bloomberg

Table 9. 2018 Canadian Sector Equity ETF % Flows

	January	February	March	April
Basic Materials	-1%	3%	2%	2%
Cons, non-cyclicals	-5%	0%	6%	5%
Energy	-5%	4%	1%	5%
Financials	-4%	5%	9%	-9%
Industrials	-3%	3%	3%	0%
Real Estate	-3%	3%	0%	1%
Technology	-2%	15%	2%	7%
Utilities	0%	0%	1%	-1%
Composite (XIC)	1%	3%	7%	1%

Source: NBF, Bloomberg

Appendix 1 - Glossary

AUM: Assets Under Management; AUM is expressed in local currency, which is the Canadian dollar for the purpose of this report.

AUM (%): AUM as % of category total AUM on the last line of the table.

Flow: The net dollar amount of fund creations and redemptions for the period based on daily NAV and the change in Shares Outstanding. Flows are expressed in local currency, which is the Canadian dollar for the purpose of this report.

NAV: Net Asset Value per share. ETF price is used when NAV is not available.

% Flow (Flow as % AUM): Flow as a percentage of assets under management from the beginning of the period

All numbers are as of last month's final business day.

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