

January 2020: A Strong Start to the New Decade

- Canadian ETFs attracted \$4.1 billion in January 2020, the third consecutive month of inflows above \$4 billion
- Inflows spread across all asset classes, with Fixed Income leading the pack
- A flurry of new ETFs launched in January; seven providers launched 25 ETFs
- New ETF provider Russell Investments debuted by launching an ETF series of four existing mutual funds

Summary: Canadian ETFs accumulated \$4 billion dollars in January, marking a strong start to the year and the decade. U.S. Equity and International Equity ETFs enjoyed inflows while Canadian equity had redemptions. Fixed Income ETFs attracted \$2 billion dollars, again led by Canadian aggregate bond ETFs. Multi-asset ETFs saw a flurry of new launches and large inflows.

Flows by Asset Class, Category, and Product: (Table 1 & Tables 4 - 11 on page 3)

Equity ETFs inflows were evenly spread between the U.S. and International regions, shrugging off the volatility triggered by geopolitical tensions and the spread of coronavirus. On the U.S. side, low cost broad market equity ETFs (ZSP, QUU) and the newly-launched option strategy ETF (ZPAY) climbed the leaderboard. For international equity, both Emerging Markets (ZEM) and International Developed Markets (XEF) carried the momentum of inflows from year-end 2019 into January 2020. Outside of a typical and large outflow from XIU, Canadian equity gathered \$170 million, with ZCN topping the inflow in this category. On the outflow side, Canadian Financial (XFN) and Energy (XEG) sector ETFs, as well as a few single factor ETFs from CI First Asset experienced redemptions. **Thematic equity** ended the month with the highest inflow as percentage of starting assets. Because these ETFs started with comparatively low assets, they do not appear on the top inflow table, but the high percentage inflows were still notable in such themes as Marijuana ETFs (HMMJ) and ESG (QEF and ETHI). In addition, BMO launched a suite of seven ESG ETFs, making it the biggest month for new ESG launches since March 2019. More details below in the New Launches section.

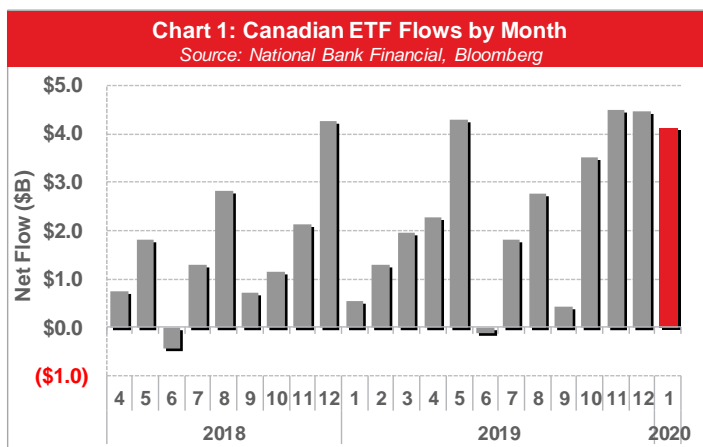


Table 1 - ETF Flows by Category - January 2020

	AUM (\$M)	Mkt Shr (%)	January 2020	
			Flow \$M	Flow/AUM
Equity	\$128,869		\$1,546	1.2%
Canada	\$48,707	23%	-\$185	-0.4%
United States	\$44,034	21%	\$805	1.9%
International	\$36,128	17%	\$926	2.6%
Fixed Income	\$73,480	35%	\$2,125	3.0%
Commodities	\$1,029	0%	\$42	4.5%
Multi-Asset	\$6,321	3%	\$448	7.7%
Inverse / Levered	\$1,225	1%	-\$44	-3.4%
Total	\$210,923	100%	\$4,118	2.0%

*Equity Flows include option strategies; Source: NBF, Bloomberg

Fixed Income ETFs have remained the clear champion in flows with another \$2 billion in January. Canada aggregate bond ETFs (ZAG, TDB, ZDB, XBB) and cash-alternative “savings accounts” ETFs (CSAV, PSA) again saw large monthly inflows among all categories. In addition, a long-term U.S. Treasury ETF (ZTL), as well mid-term U.S. Investment Grade Corporate bond ETF (ZMU) showed up on the top inflows table, contributing to the strong showing of the U.S./North America bond category. Canada government bond ETFs had a slight outflow, led by XGB. Preferred share ETFs shed assets with \$111 million in outflows, mostly from ZPR and HPR.

Multi-Asset ETFs attracted \$448 million inflows, or 7.7% of starting assets. Asset allocation ETFs and market neutral ETFs were the most popular. CI First Asset launched five liquid alternative ETFs, which we classify under multi-asset. CIBC, Fidelity and BMO introduced new products in the multi-asset category as well; descriptions appear below in the New Launches section.

Flows by Provider (Table 2): New provider Russell Investments joined the fray with four ETF series of existing mutual funds, bringing the total number of ETF providers in Canada to 36. BMO and Vanguard both enjoyed sizable inflows across the majority of their lineup. Outside of the top three providers, Picton Mahoney, TD Asset Management, CIBC, Evolve, AGF and Fidelity all had high percentage inflows based on starting assets.

New Launches (Table 3): New provider Russell Investments entered the market this month, contributing four to the total of 25 new ETF launches in January. Dynamic iShares announced name changes on all of its ETFs, unifying them under the “Dynamic” brand. However, we still group their assets and flows under RBC iShares in Table 2 for now, since there has been no change in their organizational structure. Most of the new ETF launches are multi-asset or ESG-focused. Details are provided below and in Table 3.

CIBC launched one asset allocation ETF.

- CIBC Flexible Yield ETF CAD-Hedged (**CFLX**) invests primarily in CAD-hedged units of Renaissance Flexible Yield Fund, which invests in high yield debt and investment grade bonds around the world.

BMO added 11 new ETFs; seven of them are ESG focused.

- BMO MSCI Canada ESG Leaders Index ETF (**ESGA**), BMO MSCI USA ESG Leaders Index ETF (**ESGY**), BMO MSCI EAFE ESG Leaders Index ETF (**ESGE**), BMO MSCI Global ESG Leaders Index ETF (**ESGG**). They track MSCI ESG Leaders Index series which include companies with the highest ESG ratings representing 50% of the market cap in each sector and region of the parent index series.
- BMO ESG Corporate Bond Index ETF (**ESGB**) tracks the Bloomberg Barclays MSCI Canadian Corporate Sustainability Index.
- BMO ESG US Corporate Bond Hedged to CAD Index ETF (**ESGF**) tracks the Bloomberg Barclays MSCI US Corporate Sustainability Index.
- BMO Balanced ESG ETF (**ZESG**) invests in ETFs that hold global equity and fixed income securities with ESG ratings higher than their peers.
- BMO Global High Dividend Covered Call ETF (**ZWG**) invests primarily in dividend paying securities of global companies. It will write covered call options on these securities depending on market volatility and other factors.

- BMO Premium Yield ETF (**ZPAY**, **ZPAY/U**, **ZPAY/F**) invests primarily in U.S. large cap companies’ stocks and long/short call and put options on the securities.

CI First Asset added five ETF series of existing mutual funds. The ETFs fall under alternative mutual funds.

- CI Munro Alternative Global Growth ETF (**CMAG**) invests primarily in long/short international growth equities with a long bias.
- CI Lawrence Park Alternative Investment Grade Credit ETF (**CRED**, **CRED/U**) invests primarily in long/short positions in investment grade corporate debt in the developed world.
- CI Marret Alternative Absolute Return Bond ETF (**CMAR**, **CMAR/U**) invests primarily in global debt across the credit spectrum.

Fidelity launched two asset allocation ETFs. They invest in dividend-paying equities and fixed income securities of respective regions.

- Fidelity Canadian Monthly High Income ETF (**FCMI**).
- Fidelity Global Monthly High Income ETF (**FCGI**).

Harvest launched one active bond ETF.

Provider	AUM (\$M)	Mkt Shr (%)	January 2020 Flow (\$M)	Flow/AUM
1 RBC iShares	\$73,116	34.7%	-\$97	0%
2 BMO	\$65,565	31.1%	\$2,039	3%
3 Vanguard	\$25,742	12.2%	\$726	3%
4 Horizons	\$10,456	5.0%	-\$17	0%
5 CI First Asset	\$8,837	4.2%	\$122	1%
6 Mackenzie	\$4,979	2.4%	\$172	4%
7 Purpose	\$4,286	2.0%	\$189	5%
8 Invesco	\$4,285	2.0%	-\$24	-1%
9 Franklin Templeton	\$1,951	0.9%	\$56	3%
10 PIMCO	\$1,820	0.9%	\$24	1%
11 TDAM	\$1,716	0.8%	\$395	30%
12 AGF	\$1,349	0.6%	\$119	10%
13 Fidelity	\$1,231	0.6%	\$112	10%
14 WisdomTree	\$1,014	0.5%	\$1	0%
15 Harvest	\$749	0.4%	\$16	2%
16 Desjardins	\$639	0.3%	\$31	5%
17 Evolve Funds	\$636	0.3%	\$88	16%
18 CIBC	\$577	0.3%	\$96	20%
19 Manulife	\$339	0.2%	\$0	0%
20 First Trust	\$298	0.1%	\$14	5%
21 Brompton Funds	\$258	0.1%	\$7	3%
22 Hamilton	\$237	0.1%	-\$2	-1%
23 NBI	\$219	0.1%	\$9	4%
24 Bristol Gate	\$205	0.1%	\$10	5%
25 Picton Mahoney	\$107	0.1%	\$26	32%
26 IA Clarington	\$84	0.0%	\$5	6%
27 Lysander	\$81	0.0%	-\$3	-3%
28 Middlefield	\$57	0.0%	-\$1	-2%
29 SmartBe	\$35	0.0%	\$3	9%
30 Arrow Capital	\$13	0.0%	-\$2	-14%
31 Starlight	\$12	0.0%	\$1	13%
32 Emerge	\$11	0.0%	\$0	0%
33 Scotia Bank	\$8	0.0%	-\$1	-9%
34 Russell Investments	\$4	0.0%	\$4	NA
35 Auspice	\$3	0.0%	\$0	0%
36 Accelerate	\$3	0.0%	\$0	0%
Total	\$210,923	100.0%	\$4,118	2.0%

Source: NBF, Bloomberg

- Harvest US Investment Grade Bond Plus ETF (**HUIB**). It invests primarily in investment grade corporate debt in U.S. dollars and/or issued by corporations that are headquartered, or do substantial business, in the U.S.

Russell Investments added four ETF series of existing mutual funds.

- Russell Investments Global Unconstrained Bond Pool ETF (**RIGU**) is a portfolio of actively managed global fixed income securities.
- Russell Investments Fixed Income Pool ETF (**RIFI**) invests primarily in Canadian fixed income securities that are rated BBB or higher.
- Russell Investments Real Assets ETF (**RIRA**) invests in a global basket of securities in real estate, infrastructure, commodities and real return bonds.
- Russell Investments Global Infrastructure Pool ETF (**RIIN**) invests primarily in equity and fixed income securities issued by companies that are involved in infrastructure.

Vanguard launched one asset allocation ETF.

- Vanguard Global Aggregate Bond Index ETF CAD-Hedged (**VGAB**) tracks the Bloomberg Barclays Global Aggregate Float Adjusted Composite Index (CAD-hedged) by holding two Vanguard aggregate bond ETFs (**VBU**, **VBG**).

Table 3: New Launches - January 2020

Name	Ticker	Mgmt Fee (%)	Focus
1 CIBC Flexible Yield ETF CAD-Hedged	CFLX	0.75	Asset Allocation
2 BMO MSCI Canada ESG Leaders Index ETF	ESGA	0.15	ESG Equity
3 BMO MSCI USA ESG Leaders Index ETF	ESGY	0.20	ESG Equity
4 BMO MSCI EAFE ESG Leaders Index ETF	ESGE	0.25	ESG Equity
5 BMO MSCI Global ESG Leaders Index ETF	ESGG	0.25	ESG Equity
6 BMO ESG Corporate Bond Index ETF	ESGB	0.15	ESG Bond
7 BMO ESG US Corporate Bond Hedged to CAD Index ETF	ESGF	0.20	ESG Bond
8 BMO Balanced ESG ETF	ZESG	0.18	Asset Allocation
9 BMO Global High Dividend Covered Call ETF	ZWVG	0.65	High Dividend
10 BMO Premium Yield ETF	ZPAY	0.65	Covered Call
11 BMO Premium Yield ETF - USD	ZPAY/U	0.65	Covered Call
12 BMO Premium Yield ETF CAD-Hedged	ZPAY/F	0.65	Covered Call
13 CI Munro Alternative Global Growth ETF	CMAG	0.90*	Alternative
14 CI Lawrence Park Alternative Investment Grade Credit ETF	CRED	0.80*	Alternative
15 CI Lawrence Park Alternative Investment Grade Credit ETF (US\$)	CRED/U	0.80*	Alternative
16 CI Marret Alternative Absolute Return Bond ETF	CMAR	0.80*	Alternative
17 CI Marret Alternative Absolute Return Bond ETF - USD	CMAR/U	0.80*	Alternative
18 Fidelity Canadian Monthly High Income ETF	FCMI	0.50	Asset Allocation
19 Fidelity Global Monthly High Income ETF	FCGI	0.55	Asset Allocation
20 Harvest US Investment Grade Bond Plus ETF	HUIB	0.48	IG Bond
21 Russell Investments Global Unconstrained Bond Pool ETF	RIGU	0.70	Unconstrained Bond
22 Russell Investments Fixed Income Pool ETF	RIFI	0.50	Canadian Bond
23 Russell Investments Real Assets ETF	RIRA	0.90	Real Asset
24 Russell Investments Global Infrastructure Pool ETF	RIIN	0.95	Infrastructure
25 Vanguard Global Aggregate Bond Index ETF (CAD-Hedged)	VGAB	0.30	Aggregate

* Performance fee applicable. Source: National Bank of Canada, SEDAR, Providers

January 2020 ETF Flows: Tables 4 - 11

Table 4 - Top Single Long ETF Inflows - January 2020

Ticker	Name	Flow (\$M)	Flow/AUM
1 CSAV	CI First Asset High Interest Savings ETF	\$263	18%
2 ZAG	BMO Aggregate Bond Index ETF	\$217	4%
3 ZSP	BMO S&P 500 Index ETF	\$207	3%
4 TDB	TD Canadian Aggregate Bond Index ETF	\$181	66%
5 ZEM	BMO MSCI Emerging Markets Index ETF	\$179	15%
6 PSA	Purpose High Interest Savings ETF	\$170	7%
7 ZFL	BMO Long Federal Bond Index ETF	\$144	9%
8 ZTL	BMO Long-Term US Treasury Bond Index ETF	\$137	370%
9 ZPAY	BMO Premium Yield ETF	\$123	NA
10 XEF	iShares Core MSCI EAFE IMI Index ETF	\$108	3%
11 ZDB	BMO Discount Bond Index ETF	\$100	11%
12 XBB	iShares Core Canadian Universe Bond Index ETF	\$99	3%
13 ZMN	BMO S&P/TSX Capped Composite Index ETF	\$98	2%
14 ZMU	BMO Mid-Term US IG Corporate Bond CAD-H	\$97	7%
15 VGRO	Vanguard Growth ETF Portfolio	\$92	9%
16 FCGB	Fidelity Global Core Plus Bond ETF	\$91	37%
17 ZIC	BMO Mid-Term US IG Corporate Bond Index ETF	\$90	6%
18 QUU	Mackenzie US Large Cap Equity Index ETF	\$87	16%
19 VBAL	Vanguard Balanced ETF Portfolio	\$85	9%
20 VAB	Vanguard Canadian Aggregate Bond Index ETF	\$83	3%

Source: National Bank of Canada, Bloomberg;

Table 5 - Top Single Long ETF Outflows - January 2020

Ticker	Name	Flow (\$M)	Flow/AUM
1 XIU	iShares S&P/TSX 60 Index ETF	-\$356	-4%
2 ZST	BMO Ultra Short-Term Bond ETF	-\$206	-31%
3 XGB	iShares Canadian Government Bond Index ETF	-\$157	-21%
4 PGL	Invesco Long Term Government Bond Index ETF	-\$128	-33%
5 XFN	iShares S&P/TSX Capped Financials Index ETF	-\$72	-7%
6 XRE	iShares S&P/TSX Capped REIT Index ETF	-\$61	-4%
7 ZPR	BMO Laddered Preferred Share Index ETF	-\$59	-3%
8 HPR	Horizons Active Preferred Share ETF	-\$52	-4%
9 XEG	iShares S&P/TSX Capped Energy Index ETF	-\$37	-5%
10 HXQ	Horizons NASDAQ 100 Index ETF	-\$37	-31%
11 RWX/B	CI First Asset MSCI Int'l Low Risk Weighted ETF	-\$35	-16%
12 FCUQ	Fidelity US High Quality Index ETF	-\$35	-34%
13 VXM/B	CI First Asset Morningstar Int'l Value Index ETF	-\$34	-8%
14 RWW/B	CI First Asset MSCI World Low Risk Weighted ETF	-\$34	-9%
15 WXM	CI First Asset Morningstar CA Momentum Index ETF	-\$33	-4%
16 CEW	iShares Equal Weight Banc & Lifeco ETF	-\$32	-18%
17 XSP	iShares Core S&P 500 Index ETF CAD- Hedged	-\$31	-1%
18 XFC	iShares Edge MSCI Multifactor Canada Index ETF	-\$28	-28%
19 MGB	Mackenzie Core Plus Global Fixed Income ETF	-\$27	-14%
20 FQC	CI First Asset MSCI CA Quality Index Class ETF	-\$26	-5%

Source: National Bank of Canada, Bloomberg;

Table continues on the next page

Table 6 - ETF Flows by Category - January 2020

Asset Class	AUM (\$M)	Mkt Shr	Flow (\$M)	Flow/AUM
Equity	\$128,869	61%	\$1,546	1.2%
Fixed Income	\$73,480	35%	\$2,125	3.0%
Commodities	\$1,029	0%	\$42	4.5%
Multi-Asset	\$6,321	3%	\$448	7.7%
Inverse / Levered	\$1,225	1%	-\$44	-3.4%
Total	\$210,923	100%	\$4,118	2.0%

*Equity Flows include option strategies; Source: National Bank of Canada, Bloomberg

Table 7 - Equity ETF Flows by Geography - January 2020

Geography	AUM (\$M)	Mkt Shr	Flow (\$M)	Flow/AUM
Canada	\$48,707	38%	-\$185	-0.4%
United States	\$44,034	34%	\$805	1.9%
DM: Broad	\$15,492	12%	\$257	1.7%
DM: Regional & Country	\$5,336	4%	\$65	1.2%
Emerging Markets	\$4,559	4%	\$243	5.4%
Global	\$10,741	8%	\$362	3.5%
Total	\$128,869	100%	\$1,546	1.2%

*Equity Flows include option strategies; Source: National Bank of Canada, Bloomberg

Table 8 - Equity ETF Flows by Sector* - January 2020

Sector	AUM (\$M)	Mkt Shr	Flow (\$M)	Flow/AUM
Financials	\$6,208	39%	-\$138	-2.2%
Real Estate	\$3,438	22%	\$58	1.8%
Basic Materials	\$1,489	9%	\$19	1.3%
Utilities	\$1,433	9%	\$15	1.1%
Health Care	\$1,362	9%	\$6	0.4%
Energy	\$837	5%	-\$46	-4.7%
Technology	\$811	5%	\$17	2.2%
Other	\$375	2%	\$24	7.0%
Total	\$15,951	100%	-\$47	-0.3%

*Includes all geo focuses and Covered Call Strategies; Source: NBF, Bloomberg

Table 9 - Equity ETF Flows by Focus - January 2020

Focus	AUM (\$M)	Mkt Shr	Flow (\$M)	Flow/AUM
Cap-weighted	\$75,929	59%	\$992	1.3%
Dividend / Income	\$16,974	13%	\$310	1.9%
Factor: Low Vol	\$9,421	7%	\$140	1.6%
Factor: Multi-factor	\$2,490	2%	\$60	2.5%
Factor: Fundamental	\$3,180	2%	-\$59	-1.8%
Sector	\$15,951	12%	-\$47	-0.3%
Thematic	\$2,782	2%	\$117	4.4%
Other	\$2,141	2%	\$32	1.5%
Total	\$128,869	100%	\$1,546	1.2%

*Equity Flows include option strategies; Source: National Bank of Canada, Bloomberg

Table 10 - Fixed Income ETF Flows by Type - January 2020

Type	AUM (\$M)	Mkt Shr	Flow (\$M)	Flow/AUM
Canada Aggregate	\$22,518	31%	\$813	3.8%
Canada Government	\$8,206	11%	-\$61	-0.8%
Canada Corporate	\$12,713	17%	\$203	1.6%
U.S. / North America	\$7,770	11%	\$544	7.7%
Foreign	\$6,012	8%	\$182	3.2%
Sub-Investment Grade	\$4,167	6%	\$58	1.4%
Preferred/Convertible	\$7,472	10%	-\$111	-1.5%
Cash Alternative	\$4,622	6%	\$497	12.1%
Total	\$73,480	100%	\$2,125	3.0%

Source: National Bank of Canada, Bloomberg

Table 11 - Fixed Income ETF Flows by Maturity - January 2020

Maturity	AUM (\$M)	Mkt Shr	Flow (\$M)	Flow/AUM
Broad/Mixed	\$36,973	50%	\$931	2.6%
Ultra Short Term	\$8,624	12%	\$405	4.9%
Short Term	\$15,907	22%	\$137	0.9%
Mid Term	\$6,185	8%	\$372	6.6%
Long Term	\$4,076	6%	\$227	6.2%
Real Return	\$1,019	1%	\$47	5.0%
Target Maturity	\$696	1%	\$6	0.9%
Total	\$73,480	100%	\$2,125	3.0%

Source: National Bank of Canada, 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.

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

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

Market Share (%): category's AUM as % of the total AUM.

MER (Management Expense Ratio): Manager's 2018 annual fee for managing and administering the fund, expressed as a percentage of total fund value. In most cases this includes fees from investing in other ETFs. Where audited MER is unavailable or if the fee has been significantly reduced recently, the MER is estimated using the Stated Management Fee and sales tax.

Canadian MER does not include trading commissions incurred by the ETF, nor does it include trading expenses (such as swap or forward fees). An asterisk (*) indicates that the fund pays additional expenses such as swap or forward fees, which are normally reported under trading expenses. The asterisk can also indicate that the fund charges a performance fee. Data are sourced from annual fillings.

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

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

Appendix 2 - Equity ETF Categories

We group Equity ETFs into the categories below. These groupings follow NBF's discretion and can differ from the ETF Provider's definition and classification from other sources.

Cap-Weighted: A fund that weights securities based on the total or float-adjusted market capitalization of each security.

Dividend/Income: A fund with primary goal of providing income. We classify a fund as belonging to the Income category when its strategy focuses on providing income, or the fund self-identifies as using an income strategy even though it may incorporate other factors in addition to income.

Fundamental: A fund that selects and/or weights securities based on fundamental metrics from a company's financial statements such as balance sheet. Strategies include Value, Growth, Quality, RAFI Fundamental, Earnings, etc.

Low Vol or Risk: A fund that aims to achieve reduced portfolio volatility, either by screening for low volatility stocks, low beta stocks and/or minimizing the portfolio volatility.

Multi-Factor: ETFs that consider more than one NBF-defined factor including Income, Fundamental and Risk.

Sector: ETFs that provide exposure to broad industry sectors classified by the Global Industry Classification Standard (GICS) or other similar classifications. This category contains all sector funds, including ones that screen and/or weight the portfolio using factors.

Thematic: ETFs that provide niche exposures such as blockchain technology, infrastructure, Marijuana companies, Socially Responsible Investing, technology sub-sectors, agriculture, water, sentiment & behavior, etc. This category contains all thematic funds, including ones that screen and/or weight the portfolio using factors.

Other: Any non-cap weighted strategy that is not covered by otherwise defined categories. This includes momentum, equal-weight, share buyback, high beta, proprietary, actively managed, tactical rotation, price-weighted, etc.

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Levered and Inverse Exchange-Traded Funds are very different from most ETFs. They pursue leveraged investment goals, and they are riskier than alternatives that do not use leverage because they magnify the performance of the benchmark on an investment. These ETFs seek daily leveraged investment results. The return of an inverse or levered ETF for periods longer than a single day, especially in periods of market volatility, may be completely uncorrelated to the return of the benchmark over such longer periods. Levered and inverse ETFs are intended to be used as short-term trading vehicles for investors managing their portfolios on a daily basis. They are not to be used by, and are not appropriate for, investors who intend to hold positions.

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