



Q2 2021 CETFA Commentary

The second quarter of 2021 proved to be momentous for Canadian-listed ETFs, as assets crossed the \$300 billion milestone to end at \$307.7 billion at the close of June, marking a 10.7% quarterly growth. While it took the Canadian ETF market 26 years to reach its first \$100 billion in May 2016, it took three and a half years after that to surpass the \$200 billion mark in November 2019 and another one and a half years for the subsequent hundred billion.

June 2021 capped the mid-year mark as the best-selling quarter for Canadian-listed ETFs on record, as \$18.9 billion in net creations was tallied throughout the three-month period, outselling the first quarter's results by \$5.0 billion and bringing the year-to-date sales total to \$32.7 billion. The sales result of the first six months of 2021 was less than \$10 billion short of the entire 2020 annual sales tally.

The top three best-selling ETF sponsors accounted for 56.5% of all sales, with BlackRock Canada and BMO Asset Management recording net creations of \$3.6 billion and \$3.5 billion throughout the quarter, respectively. A nascent sponsor with cryptocurrency products on its shelf, 3iQ, was the newest entrant on the Canadian ETF market and rounded out the top three with another \$3.5 billion in quarterly net creations. The firm sold the quarter's best-selling mandate—the 3iQ CoinShares Bitcoin ETF—and attracted \$3.1 billion in under three months since its inception on the Toronto Stock Exchange in April 2021. Meanwhile, Vanguard Canada ranked in fourth place with \$3.0 billion, while TD Asset Management set out as the fifth best-selling sponsor with \$877 billion garnered over the same period.

Equity mandates were the leading asset class of Q2 2021 in terms of sales, totalling \$9.8 billion in net creations over the course of three months—a quarterly sales result yielding only to the all-time high \$10.4 billion equity ETF tally recorded in Q1 2020. Canadian-listed ETFs accounted for \$4.1 billion of the category's quarterly sales and became the leading equity sub-asset class as advisors and investors alike turned their focus back on domestic growth opportunities. U.S. equity and international equity mandates attracted another \$2.4 billion and \$1.4 billion, respectively. Sector equities, meanwhile, collectively brought in \$1.2 billion in net creations, with technology ETFs responsible for \$382 million of the sub-category's total.

Fixed income funds saw one of the best-selling quarters on record and closed out Q2 2021 with \$4.4 billion in net creations, or 23.5% of all ETF sales. Mix bond and government bond mandates accounted for \$1.5 billion and \$1.3 billion in quarterly net creations, respectively, while corporate bond ETFs were responsible for another \$1.1 billion. High-yield bond ETFs collectively brought in \$526 million over the three-month period.

With respect to the second quarter's new launches, a total of 37 ETFs joined Canadian stock exchanges between April and June 2021. Passive strategies accounted for the lion's share of new ETFs, as 24 such funds were added over the period, while 13 were actively-managed mandates. The quarter heavily favoured equities, which accounted for 24 of the newly-introduced ETFs. Just five fixed income mandates were launched over Q2, while the incipient cryptocurrency category



expanded further by welcoming eight additional funds, catering to the growing demand unfazed by the market turmoil.

Sponsor 3iQ made headlines in April 2021 with its 3iQ CoinShares Bitcoin ETF when it amassed over \$1.0 billion in assets within three weeks since its launch in April 2021. The company has also since launched the 3iQ CoinShares Ether ETF, joining CI Investments, Evolve Funds and Purpose Investments which each introduced an ethereum-tracking ETF over the second quarter.

Horizons ETFs was the most prolific sponsor of the quarter, launching a total of seven passively-managed funds: two bitcoin ETFs, among which was the world's first inverse bitcoin mandate, the BetaPro Inverse Bitcoin ETF, four sector equity ETFs with focuses on technology and energy, and an ESG-oriented Horizons S&P Green Bond Index ETF. Overall, at least seven of all ETF launches were funds with distinct ESG strategies.

On the distribution front, as the first three months of 2021 drew to a close, ETFs held by Canadian investors reached \$329.2 billion in assets, marking a 7.3% quarterly growth. A combination of strong sales and favourable market effect helped Canadian-listed ETF ownership amount to \$277.9 billion over the period, or 84.4% of the total ETF ownership, while U.S.-listed mandates accounted for the remaining \$51.3 billion in assets. The share of retail ETF ownership declined slightly by three basis points (bps) over the first three months of the year, closing out the quarter with \$200.2 billion in assets. The full-service brokerage (FSB) channel remained as the largest channel of the retail ETF market, controlling 53.5% share of assets, or \$107.2 billion at the close of March 2021. The online/discount brokerage (ODB) conduit recorded reached \$74.2 billion, representing 37.1% of the market, while robo-advice closed out March 2021 as the fastest-growing channel of the season, reaching a \$10.0 billion milestone in assets by the end of March 2021, or 5.0% of the retail ETF market.

This analysis was developed by Investor Economics.