



## Q4 2021 Commentary

Canadian ETF industry continued a victorious march throughout 2021, setting new records and solidifying its status among the global leaders in ETF product innovation. At the close of December 2021, Canadian ETF assets totalled \$348.6 billion, a 35.5% year-over-year growth rate.

Unprecedented for the product type sales resulted in \$58.5 billion in annual net creations, making 2021 the best-selling year in Canadian ETF history and outselling the previous year's tally by \$16.3 billion. Q2 2021 was responsible for the highest quarterly ETF inflows on record, with \$18.9 billion garnered throughout the three months, while Q4 2021 was the best-selling fourth quarter ever, at \$15.1 billion in net creations for the period.

Equity mandates once again finished the year as the best-selling asset class, accounting for \$35.9 billion, or 61.4% of all product sales, the highest annual tally for the category in Canadian ETF history. Canadian equities contributed \$11.8 billion to the total, becoming the highest-grossing sub-asset class, while U.S. and sector equity ETFs rounded out the top three with \$9.5 billion and \$5.0 billion in annual net creations.

While not quite reaching the highs of the previous two years, 2021 was still the third best-selling year for fixed income mandates as \$11.7 billion was recorded throughout the 12 months, with investment grade bond ETFs making up the lion's share of the total at \$9.0 billion in net creations.

Cryptocurrency, the newest category on the asset class board, quickly ascended to the top three as roaring demand, particularly in the first half of the year, ensured its raging success with \$7.1 billion in sales garnered throughout the 11 months of its existence. Meanwhile, multi-asset class category saw the highest-grossing year in its history, more than doubling the results of the previous year and setting the record at \$4.2 billion in 2021 net creations, \$3.8 billion of which entirely through the various ETF portfolio offerings that have been growing in popularity over the past few years.

Breaking the nine-year pattern, Vanguard Canada replaced BMO Asset Management as the best-selling ETF sponsor, accounting for \$12.1 billion of product's annual net creations, and sponsoring three of the year's top 10 best-selling ETFs. BlackRock Canada followed closely with \$11.1 billion in annual ETF sales, while BMO Asset Management placed third with a tally of \$9.2 billion. Meanwhile, the title of the year's best-selling ETF belonged to a cryptocurrency mandate, the 3iQ CoinShares Bitcoin ETF, which generated \$3.2 billion since its launch in March 2021.

Looking at product development, Canada's groundbreaking role on the global cryptocurrency map has arguably remained as the most notable and newsworthy topic of the year. The True North has proudly claimed a number of firsts: the world's first cryptocurrency ETF (the Purpose Bitcoin ETF), the world's first inverse cryptocurrency ETF (the BetaPro Inverse Bitcoin ETF) and North America's first multi-cryptocurrency ETF (the Evolve Cryptocurrencies ETF). A total of 19 such mandates are currently available to investors on Canadian exchanges, and it's safe to say the industry is sure to see more as the new year unfolds.



Concerning management strategies, active ETFs accounted for 71 out of 159 launches of 2021, including two actively managed multi-cryptocurrency ETFs: the Evolve Cryptocurrency ETF and the Purpose Cryptocurrencies ETF (CAD-Unhedged). Purpose Investments was also the most prolific sponsor of new actively managed mandates, launching 10 such funds over the course of the year. The remaining 88 new ETFs were all passive strategies, tracking either a given index, or a given cryptocurrency futures market. Horizons ETFs was the undisputed leader in terms of new passive ETF launches, releasing 15 funds, including crypto ETFs and a series of highly-specific thematic ETFs.

ESG investing continued to be a persistent trend of 2021, with at least 35 ETFs focused on sustainable or green investing launched throughout the year. CIBC Asset Management was the most prolific firm working in this direction, rolling out its Sustainable Investment Solutions over the Summer, which encompass six asset allocation solutions, including respective ETF series.

Canadian- and U.S.-listed ETF assets held by Canadian investors equalled \$384.0 billion at the close of September 2021, increasing at 5.0% and 16.6% trailing three- and six-month growth rates, respectively. Retail investors saw ETF asset growth of 3.5% throughout the quarter and accounted for the majority \$237.2 billion, or 61.8% of the total assets. Canadian-listed ETFs held by retail investors remained as the largest category, at \$172.8 billion, albeit recorded a share loss of 19 bps to account for 45.0% of the total ETF ownership, impacted by a hushed 0.8% trailing three-month growth rate far below the category's previous five-year average quarterly growth rate of 5.4%.

The full-service brokerage (FSB) channel accounted for \$118.2 billion at the end of Q3 2021, or 49.8% of retail ETF assets, dropping just below the 50%-mark for the first time in history. The online/discount brokerage (ODB) channel stayed on track of the continuous upward trend, further expanding its share of the total ETF ownership to 39.3% with \$93.2 billion in assets at the end of Q3, and at 7.4% growth rate, becoming the second fastest-growing retail channel of the quarter. Robo-advice platforms kept up the pace, increasing 7.2% over the same period to hold 7.1%, or \$4.3 billion of all retail ETF assets, compared to just \$1.9 billion at the end of September last year.