

# Chapter 2: Canadian ETFs

## Summary

Canada's ETF market posted record flows of \$38 billion in 2021, logging a record high of \$255 billion and registering a five-year compound annual growth rate (CAGR) of 26% through year-end 2022. 2022 may have brought performance challenges, but positive (if modest) ETF flows continued, with the structure gathering a further \$13.4 billion. Cerulli remains optimistic for the structure's continued asset gathering in Canada, but also urges managers to be cautious of excess product proliferation. There are now approximately 1,200 products competing for a relatively limited asset pool in a structure whose benefits can be lessened by low trading volumes and high bid-ask spreads.

As of January 2023, Canada's two key securities industry self-regulatory organizations, IIROC and MFDA, will merge into one. This shift may benefit the ETF structure by easing its use for those advisors registered with the MFDA who currently are reported to make up a very small portion of retail assets (2%), although this is expected to multiply (to 6%) through 2024. As a greater variety of advisors are able to access ETFs, it will be critical for issuers to have meaningful content and place significant resources behind education efforts for those advisors to increase their uptake.

Cerulli's polling shows that Canada's ETF distributors remain focused on the provision of the active strategies that can charge more relative to far less expensive passive product. Managers perceive significant unmet demand for options trading/defined outcome strategies (45% of participants reported unmet demand) as well as alternatives (40%) while some of the industry's focus strategies from prior years (*e.g.*, cryptocurrency) come under pressure. When evaluating product rollouts, managers should consider the new market environment of higher rates, which can make income easier to generate for advisors and therefore make some of the most successful strategies (*e.g.*, covered call offerings) incrementally less attractive.

## Key Points

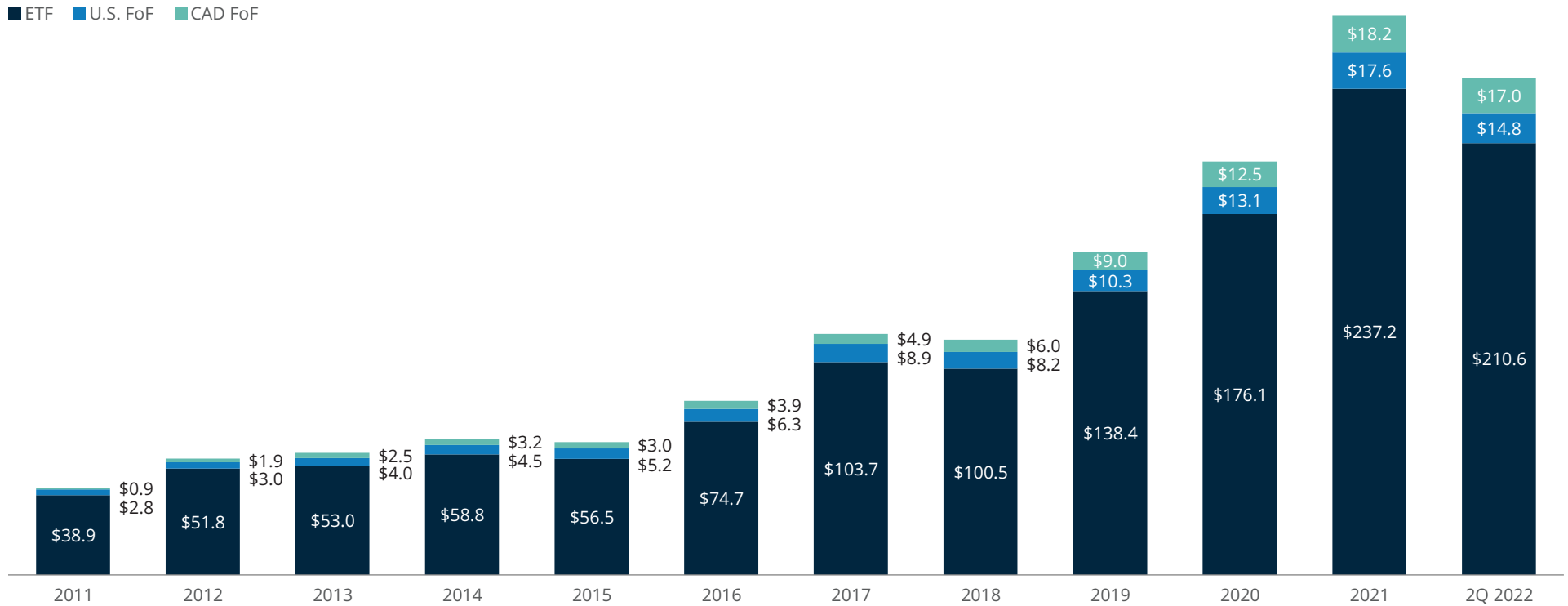
- Canada's ETF distributors believe advisors increasing their ETF allocations and advisor movement to fee-based practices to be top growth drivers (47% and 37% rate them as major growth drivers over the next 12 months, respectively), followed by the greater use of active ETFs (32%) and use by MFDA firms/advisors (32%). Distributors place less stock in the greater use of strategic beta ETFs (56% rate these funds as not a growth driver) and report the same for sustainable product (39%). **(Exhibit 2.04)**
- On average, Canada's issuers report that 83% of assets are sourced from retail channels as opposed to institutional (17%). While retail assets are heavily concentrated in the full-service brokers channel (61%), this concentration is expected to decrease to 54% through 2024, while the concentration in the self-serve broker channel is expected to increase to 21%. **(Exhibit 2.15)**
- The asset-weighted average management fee for Canadian ETFs remains a relatively stagnant 29 basis points, with active ETFs charging the most at approximately 55 basis points and passive ETFs costing approximately 19 basis points. Still, investors are able to access passive Canadian equity ETFs for an asset-weighted average management fee of 8 basis points. **(Exhibit 2.26)**

## Key Recommendations

- Managers that already offer sustainable ETFs report that the exposures are mostly implemented via negative/exclusionary screening (64%), positive screening (55%), and ESG integration (45%). Cerulli notes that while these are widely owned, the exposures most likely to resonate with end-investors (and more enthused advisors) are climate-focused, sustainably-themed, and impact exposures as they are all perceived as more pure-play strategies. **(Exhibit 2.13)**
- Cerulli continues to note that Canada's ETF industry is highly product-saturated, which results in tremendous competition but also lead to exposures that are less liquid—more than 500 ETFs in Canada, or greater than 40% of the total—trade less than 1,000 shares per day, suggesting that using a mutual fund may well be a better option for an advisor. Distributors should be highly mindful of ETF structure challenges that can make it less advantageous than a mutual fund where advisors do not have to cross bid-ask spread. **(Exhibit 2.19)**
- Issuers continue to struggle when it comes to identifying the ideal distribution structure. Canada's market size may not allow for the same staffing levels—and often standalone status for the products—as used by U.S. managers, but Cerulli encourages managers to ensure ETFs are still being positioned fairly relative to mutual funds. **(Exhibit 2.20)**

**Exhibit 2.01**  
**Canadian ETF Assets, 2011–2Q 2022 (\$ billions)**

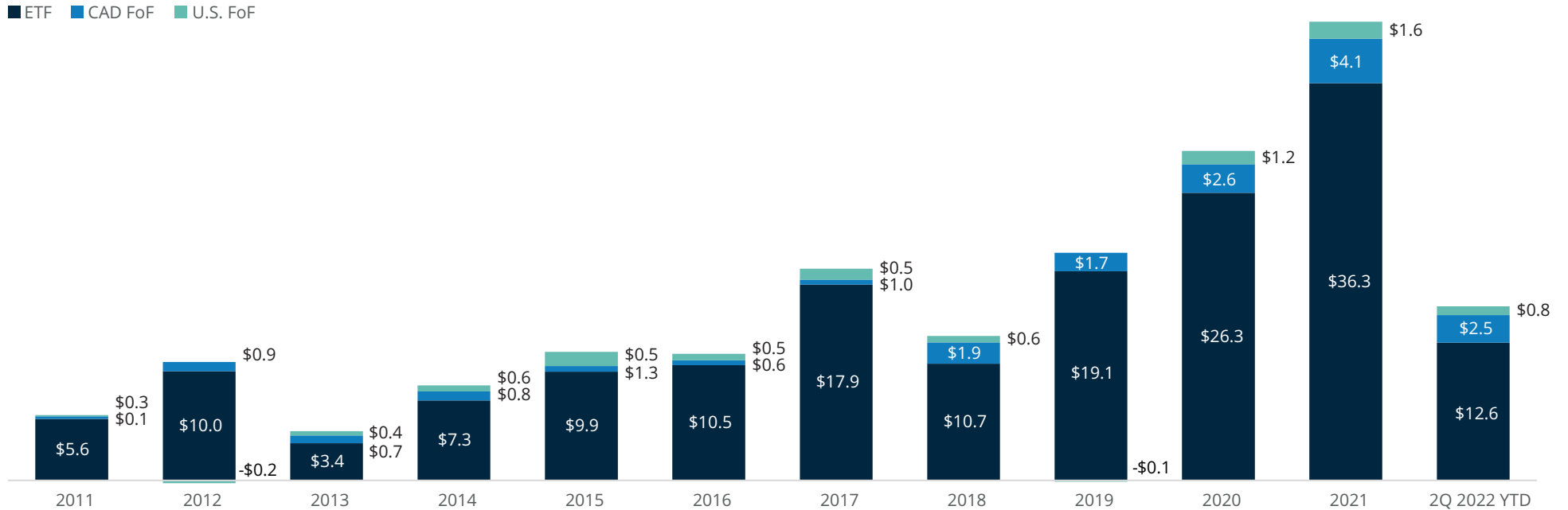
Source: Morningstar Direct | Analyst Note: U.S. FoFs refers to funds classified as fund of funds where the underlying holdings are US ETFs. CAD FoFs are fund of funds where the underlying holdings are Canadian ETFs.



- Canada’s ETF market represented \$225 billion in assets (non-funds of funds and funds of funds that held US ETFs) as of 2Q 2022, a performance-related decline from the \$255 billion in assets as of year-end 2021.
- Cerulli’s Canadian ETF reporting presents assets of Canadian fund of fund ETFs but does not include them in sizings as it would result in the double counting of assets.

**Exhibit 2.02**  
**Canadian ETF Flows, 2011–2Q 2022 YTD (\$ billions)**

Source: Morningstar Direct | Analyst Note: U.S. FoFs refers to funds classified as fund of funds where the underlying holdings are U.S. ETFs. CAD FoFs are fund of funds where the underlying holdings are Canadian ETFs.



- Canada’s ETF flows logged a record \$37.9 billion in 2021; however, they are on track for a strong decline (capturing \$13.4 billion through 2Q 2022) due to market volatility.

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## Exhibit 2.03

## Canadian ETF Issuers Ranked by Assets, 2Q 2022 (\$ millions)

Sources: Morningstar Direct, Cerulli Associates | Analyst Note: All data with exception of fund count excludes funds of funds with Canada-domiciled ETF holdings.

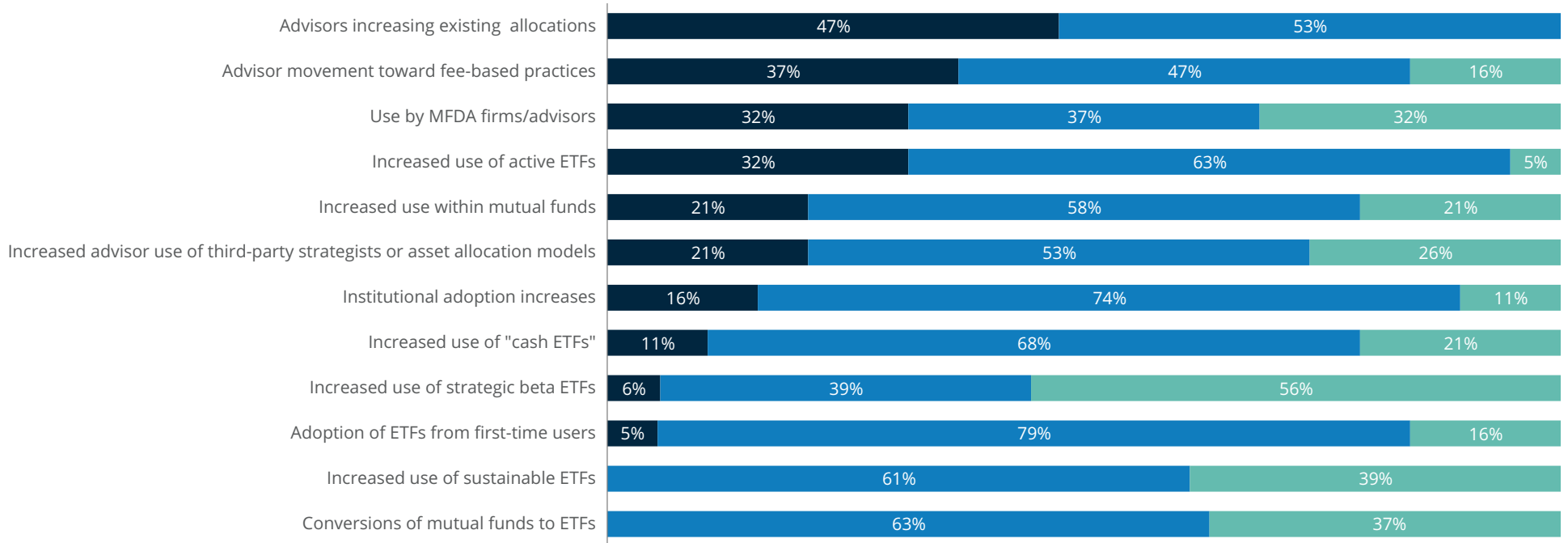
Rank	Issuer	2Q 2022 Assets	2Q 2022 YTD Net Flows	Number of ETFs	Marketshare	YOY Asset Growth	Asset-Weighted Management Fee
1	iShares	\$63,617.5	\$1,861.0	155	28.2%	-6%	0.23%
2	BMO	\$59,379.8	\$2,307.3	162	26.3%	-6%	0.26%
3	Vanguard	\$28,899.2	\$2,589.7	37	12.8%	3%	0.14%
4	Horizons	\$15,769.1	\$2,346.1	105	7.0%	6%	0.30%
5	CI Investments	\$9,842.2	-\$165.4	117	4.4%	-8%	0.53%
6	Mackenzie	\$8,978.9	\$723.9	46	4.0%	5%	0.31%
7	TD	\$5,691.3	\$753.3	37	2.5%	1%	0.20%
8	National Bank (Canada)	\$4,395.3	\$1,192.3	15	2.0%	23%	0.67%
9	Purpose Investments	\$3,555.4	\$586.3	63	1.6%	3%	0.52%
10	Invesco	\$3,152.2	\$93.7	74	1.4%	-8%	0.33%
11	RBC	\$2,396.3	\$199.6	37	1.1%	-6%	0.41%
12	Fidelity International	\$2,020.3	\$286.4	36	0.9%	0%	0.44%
13	CIBC	\$1,949.2	-\$159.4	27	0.9%	8%	0.28%
14	Manulife	\$1,796.8	\$102.9	20	0.8%	8%	0.37%
15	Harvest Portfolios	\$1,762.1	\$552.5	25	0.8%	36%	0.75%
16	Dynamic Funds	\$1,654.0	-\$185.2	15	0.7%	-26%	0.68%
17	PIMCO	\$1,415.5	\$0.0	7	0.6%	-8%	0.74%
18	Evolve Funds	\$1,041.4	\$37.2	41	0.5%	-11%	0.48%
19	Franklin Templeton	\$1,036.0	-\$440.8	21	0.5%	-44%	0.21%
20	Hamilton Capital	\$964.0	\$331.0	9	0.4%	68%	0.57%
21	AGF	\$872.7	-\$126.1	10	0.4%	-7%	0.48%
22	Ninepoint	\$834.1	\$304.9	13	0.4%	510%	1.15%
23	1832 Asset Management	\$766.2	\$217.9	8	0.3%	122%	0.07%
24	DGAM	\$744.1	-\$49.3	15	0.3%	-16%	0.42%
25	Desjardins	\$630.5	-\$55.6	2	0.3%	2%	1.00%
26	Picton Mahoney	\$416.2	\$61.4	7	0.2%	28%	0.95%
27	Brompton Group	\$372.5	\$18.1	9	0.2%	43%	0.78%
28	3iQ	\$301.7	-\$158.9	2	0.1%	-66%	1.00%
29	First Trust	\$284.0	\$37.3	29	0.1%	-5%	0.55%
30	Middlefield	\$185.4	\$15.4	4	0.1%	-7%	0.80%
31	Guardian Capital	\$166.0	\$104.1	14	0.1%	99%	0.78%
32	IA Clarington	\$93.9	-\$3.2	5	0.0%	-4%	0.49%
33	Emerge	\$86.4	\$8.5	7	0.0%	-66%	0.80%
34	Bristol Gate Capital Partners	\$77.3	\$4.6	2	0.0%	-9%	0.70%
35	Lysander	\$68.2	-\$1.2	1	0.0%	-6%	0.65%
36	Accelerate	\$41.1	\$9.0	5	0.0%	20%	0.77%
37	Arrow Hedge Partners	\$28.8	\$4.4	2	0.0%	105%	0.85%
38	Starlight	\$25.0	-\$1.5	2	0.0%	-9%	0.90%
39	Russell Investments	\$22.6	-\$3.2	3	0.0%	-6%	0.72%
40	SmartBe	\$16.6	-\$3.5	4	0.0%	-25%	0.69%
41	Evermore Capital	\$7.6	\$2.4	8	0.0%	-	-
42	NCM Investments	\$4.0	\$0.0	1	0.0%	11%	0.85%
43	Caldwell Investment Management	\$3.6	\$0.0	1	0.0%	-7%	0.75%
<b>Total</b>		<b>\$225,365.0</b>	<b>\$13,397.7</b>	<b>1,203</b>	<b>100%</b>	<b>-2.4%</b>	<b>0.29%</b>

- The top-seven ETF issuers in Canada remained the same year over year. The top-10 issuers controlled 90.2% of Canada's ETF industry.
- National Bank (Canada) posted 23% asset growth year over year through 2Q 2022 on the back of strong flows into its Sustainable Canadian Equity (NSCE) and other products.

**Exhibit 2.04**  
**Canadian ETF Issuers: Drivers of ETF Asset Growth, 2022**

Sources: Cerulli Associates, in partnership with CETFA | Analyst Note: Respondents were asked to rate how these factors will drive ETF industry growth over the next 12 months.

■ Major driver ■ Somewhat of a driver ■ Not a driver



- Advisors increasing existing allocations (47%), movement toward fee-based practices (37%), and increased use of active ETFs (32%) are perceived to be the key ETF asset growth drivers.
- No polled distributors (0%) list conversions of mutual funds to ETFs or increased use of sustainable ETFs as key asset growth drivers.
- Few managers have high expectations for strategic beta ETFs, with 56% reporting they would not contribute to ETF asset growth.

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## Exhibit 2.05

## Canadian ETF Assets, Net Flows, and Fund Count by Management Type, 2017–2Q 2022 (\$ billions)

Source: Morningstar Direct | Analyst Note: All data with exception of fund count excludes fund of funds with Canada-domiciled ETF holdings.

Assets	2017	2018	2019	2020	2021	2Q 2022
Active	\$21.2	\$23.8	\$34.8	\$44.8	\$59.1	\$55.6
Passive	\$80.0	\$74.2	\$98.9	\$127.4	\$172.1	\$150.2
Strategic beta	\$11.5	\$10.7	\$15.0	\$17.0	\$23.7	\$19.6
<b>Total</b>	<b>\$112.7</b>	<b>\$108.8</b>	<b>\$148.7</b>	<b>\$189.2</b>	<b>\$254.9</b>	<b>\$225.4</b>

Net Flows	2017	2018	2019	2020	2021	2Q 2022 YTD
Active	\$5.7	\$4.7	\$7.2	\$9.1	\$10.3	\$5.5
Passive	\$11.5	\$5.4	\$10.3	\$16.8	\$24.5	\$8.3
Strategic beta	\$1.7	\$1.2	\$1.5	\$1.7	\$3.1	-\$0.4
<b>Total</b>	<b>\$18.9</b>	<b>\$11.3</b>	<b>\$19.0</b>	<b>\$27.5</b>	<b>\$37.9</b>	<b>\$13.4</b>

Fund Count	2017	2018	2019	2020	2021	2Q 2022
Active	236	305	362	448	529	550
Passive	270	279	304	341	417	458
Strategic beta	162	174	195	202	200	195
<b>Total</b>	<b>668</b>	<b>758</b>	<b>861</b>	<b>991</b>	<b>1,146</b>	<b>1,203</b>

- Despite leading in fund count at 550 active ETFs, such exposures only held \$55.6 billion as of 2Q 2022, compared to \$150 billion in 458 passive ETFs.
- Both active and passive fund count grew through 2Q 2022, while strategic beta fund count declined. Strategic beta funds are also the only ones in outflows through 2Q 2022 YTD.

## Exhibit 2.06 - Part 1

## Canadian ETF Assets, Net Flows, Fund Count, and Asset-Weighted Management Fee by Asset Class Databank, 2017–2Q 2022 (\$ millions)

Sources: Morningstar Direct, Cerulli Associates | Analyst Note: All data with exception of fund count excludes fund of funds with Canada-domiciled ETF holdings.

Assets	2017	2018	2019	2020	2021	2Q 2022
U.S. Equity	\$20,436.8	\$20,802.5	\$30,278.4	\$41,128.9	\$60,807.4	\$50,113.4
Canada Fixed Income	\$33,888.7	\$31,510.1	\$40,315.7	\$46,282.3	\$52,761.4	\$46,955.4
Canada Equity	\$24,810.8	\$21,648.9	\$29,029.3	\$33,811.3	\$49,321.5	\$45,987.2
International Equity	\$15,168.2	\$15,492.6	\$20,856.5	\$27,485.3	\$35,078.6	\$29,050.1
Sector Equity	\$12,224.5	\$11,192.8	\$13,632.7	\$16,931.1	\$25,971.4	\$24,052.2
International Fixed Income	\$2,870.9	\$4,104.9	\$7,426.1	\$12,473.2	\$13,832.3	\$12,783.9
Money Market	\$575.6	\$1,378.8	\$3,450.6	\$5,776.8	\$5,244.6	\$6,526.1
Alternative	\$1,374.9	\$1,014.9	\$1,811.6	\$2,452.1	\$7,971.5	\$6,024.2
U.S. Fixed Income	\$216.8	\$533.1	\$456.7	\$501.6	\$1,281.8	\$1,433.7
Commodities	\$521.6	\$468.0	\$718.1	\$1,467.4	\$1,236.7	\$1,229.7
Allocation	\$569.6	\$603.6	\$738.7	\$904.0	\$1,350.9	\$1,209.1
<b>Grand Total</b>	<b>\$112,658.2</b>	<b>\$108,750.4</b>	<b>\$148,714.3</b>	<b>\$189,214.0</b>	<b>\$254,858.1</b>	<b>\$225,365.0</b>

Fund Count	2017	2018	2019	2020	2021	2Q 2022
International Equity	138	155	176	201	238	249
U.S. Equity	122	134	149	180	199	199
Sector Equity	98	121	137	142	166	182
Canada Fixed Income	130	145	152	160	166	171
Alternative	43	42	54	68	111	126
Canada Equity	63	70	74	84	90	87
International Fixed Income	34	48	58	79	83	86
Allocation	22	25	34	44	46	56
U.S. Fixed Income	1	2	6	10	21	21
Commodities	13	13	16	15	16	16
Money Market	4	3	5	8	10	10
<b>Total</b>	<b>668</b>	<b>758</b>	<b>861</b>	<b>991</b>	<b>1146</b>	<b>1203</b>



## Exhibit 2.06 - Part 2

## Canadian ETF Assets, Net Flows, Fund Count, and Asset-Weighted Management Fee by Asset Class Databank, 2017–2Q 2022 (\$ millions)

Sources: Morningstar Direct, Cerulli Associates | Analyst Note: All data with exception of fund count excludes fund of funds with Canada-domiciled ETF holdings.

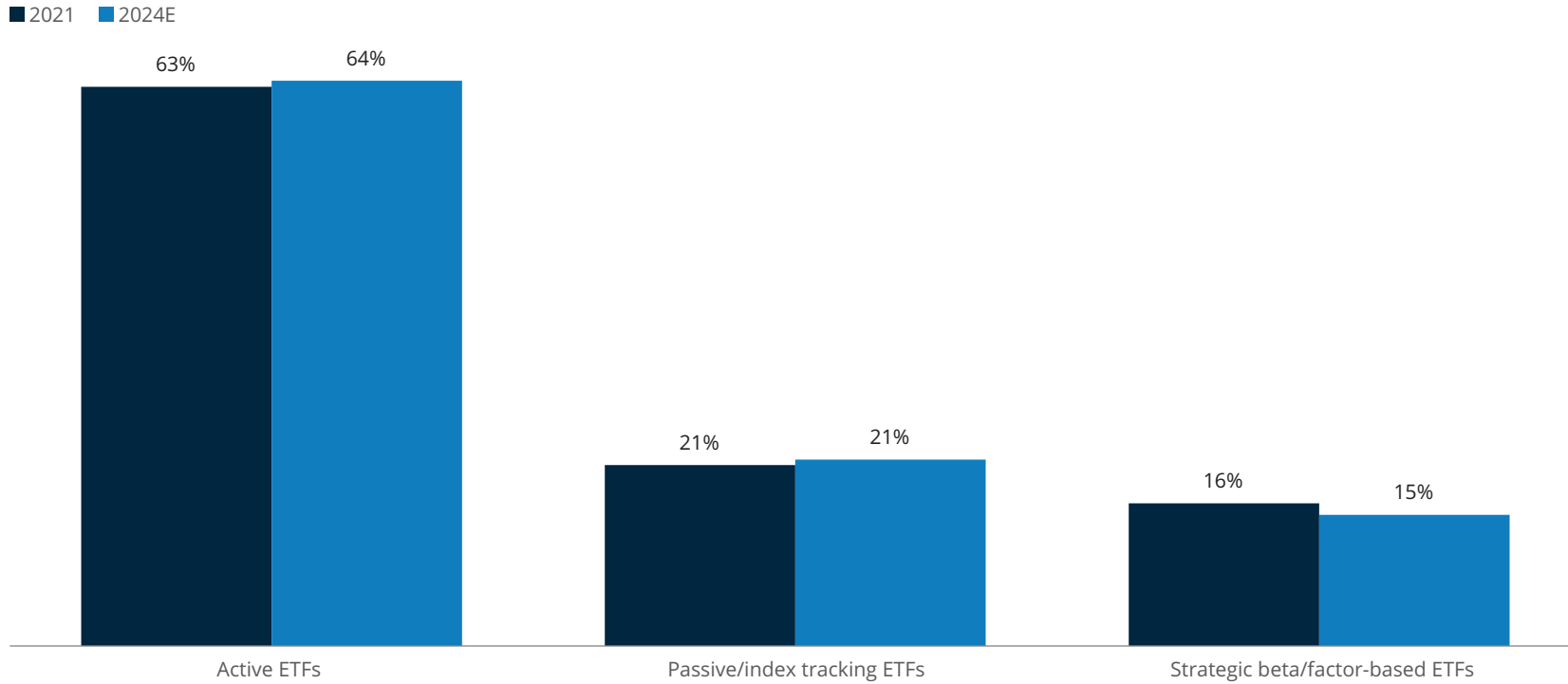
Net Flows	2017	2018	2019	2020	2021	2Q 2022 YTD
Canada Equity	\$2,015.4	\$1,518.6	\$1,783.1	\$2,996.6	\$6,893.9	\$2,793.1
U.S. Equity	\$2,951.2	\$2,500.1	\$3,205.1	\$4,978.8	\$7,948.8	\$2,400.7
Sector Equity	\$1,698.1	\$1,209.8	-\$81.6	\$2,824.5	\$3,882.6	\$2,096.0
Money Market	\$179.5	\$838.8	\$2,019.9	\$2,123.5	-\$593.8	\$1,405.7
Canada Fixed Income	\$5,819.3	\$1,469.5	\$6,549.7	\$3,731.2	\$6,924.2	\$1,372.3
International Equity	\$4,758.1	\$2,356.2	\$2,634.1	\$4,790.3	\$5,222.3	\$1,066.6
International Fixed Income	\$923.6	\$1,028.5	\$2,202.8	\$4,436.7	\$1,473.0	\$982.3
Alternative	\$256.6	-\$178.9	\$673.0	\$874.4	\$5,247.7	\$870.9
U.S. Fixed Income	\$207.4	\$351.3	-\$111.3	\$54.8	\$762.7	\$275.8
Allocation	\$54.0	\$166.5	\$11.5	\$170.4	\$275.2	\$102.3
Commodities	\$24.5	\$1.2	\$110.5	\$536.2	-\$167.0	\$32.1
<b>Grand Total</b>	<b>\$18,887.8</b>	<b>\$11,261.6</b>	<b>\$18,996.9</b>	<b>\$27,517.4</b>	<b>\$37,869.6</b>	<b>\$13,397.7</b>

Management Fee	Asset-Weighted	Simple Average	Median
Canada Fixed Income	0.24%	0.34%	0.25%
U.S. Equity	0.17%	0.37%	0.30%
Canada Equity	0.18%	0.38%	0.35%
International Equity	0.34%	0.51%	0.50%
Sector Equity	0.56%	0.60%	0.60%
International Fixed Income	0.48%	0.42%	0.45%
Alternative	0.84%	0.93%	0.95%
Money Market	0.15%	0.16%	0.17%
Allocation	0.56%	0.49%	0.55%
Commodities	0.47%	0.43%	0.45%
U.S. Fixed Income	0.49%	0.36%	0.30%
<b>Total</b>	<b>0.29%</b>	<b>0.49%</b>	<b>0.45%</b>

**Exhibit 2.07**

**Canadian ETF Issuers: Current and Expected Revenue Estimates by Management Type, 2021 vs. 2024E**

Sources: Morningstar Direct, Cerulli Associates, in partnership with CETFA | Analyst Note: Responses are averaged and presented for directionality of trend.



- Polled issuers expect a very slight increase in the portion of revenues they generate in active and passive ETFs (currently reported at an average of 63% and 21%, respectively), at the expense of strategic beta ETFs.

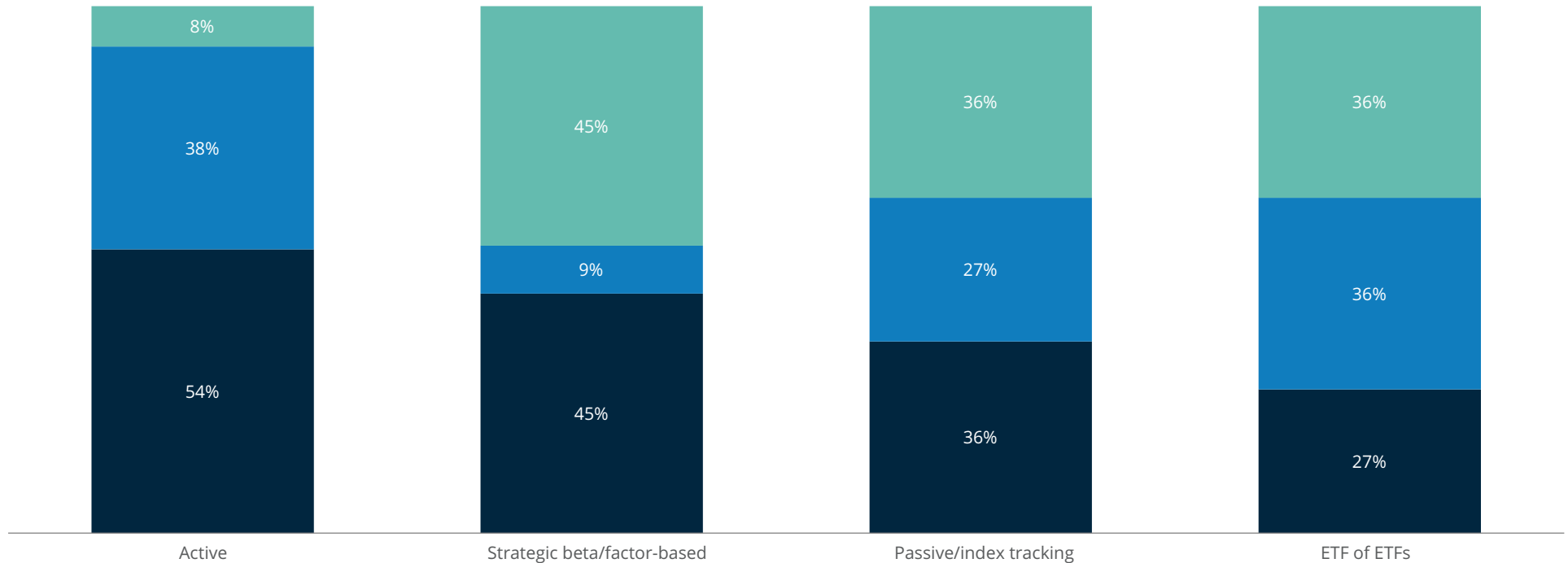
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**Exhibit 2.08**

**Canadian ETF Issuers: 12-Month Product Development Plans by Management Type, 2022**

Sources: Cerulli Associates, in partnership with CETFA | Analyst Note: Other responses for strategies firms are currently developing or planning to develop include digital assets, alternatives, and leveraged/inverse funds.

■ Currently developing ■ Planning to develop ■ No plans to develop



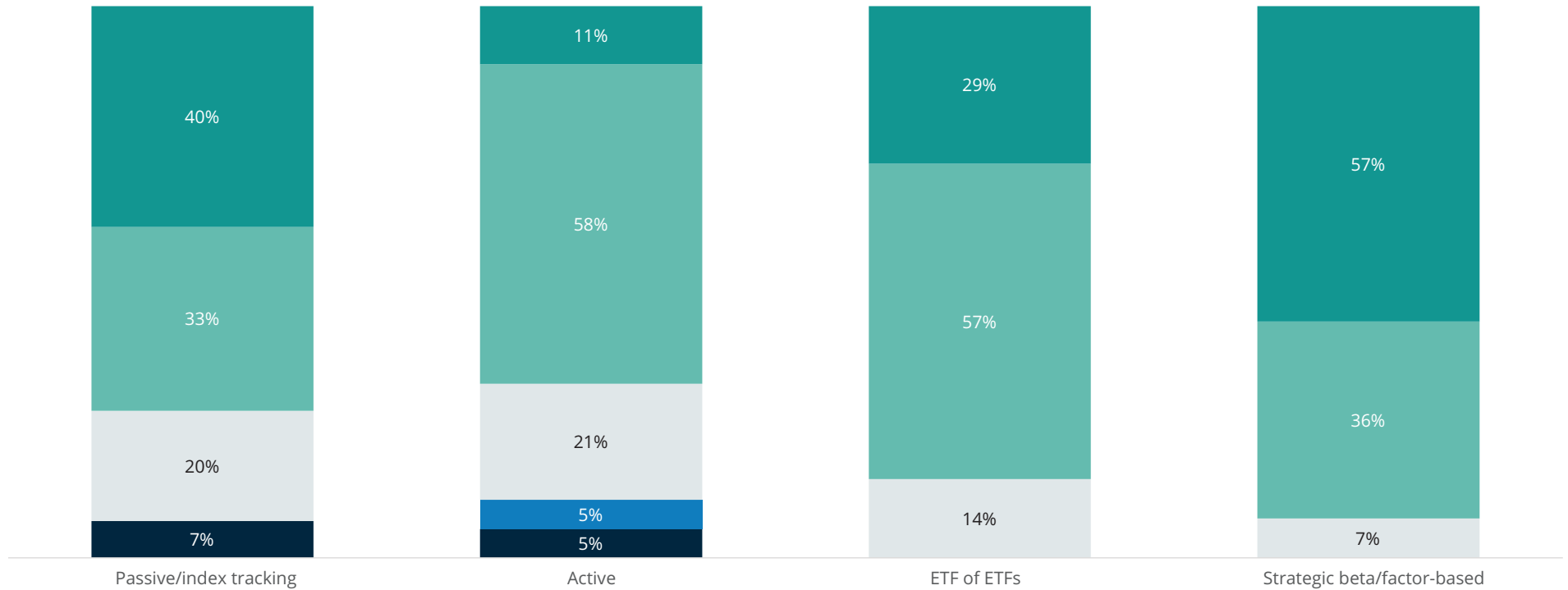
- ETF distributors report they are currently most likely to be developing active ETFs. A majority (54%) report they are currently developing such product.
- Firms are split about their plans to launch strategic beta product. About half (45%) report they are currently developing such product, but the same portion report they have no plans to develop strategic beta ETFs.

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**Exhibit 2.09**  
**Canadian ETF Issuers: Estimated Product Launches by Management Type, 2022**

Sources: Cerulli Associates, in partnership with CETFA

More than 10 6-10 3-5 1-2 None



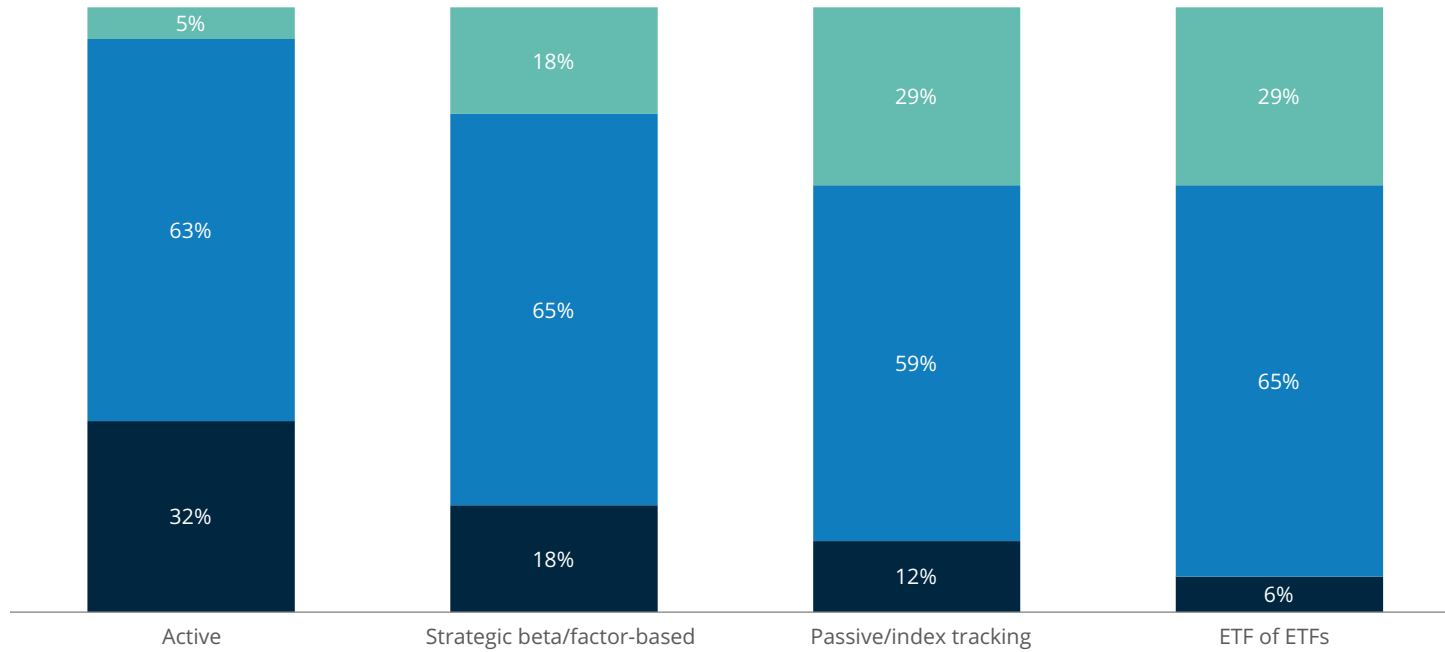
- Only 11% of polled participants did not report planning to launch at least one active product in 2022, suggesting this would remain a strong product development focus.
- Only a sliver of issuers (7%) plan to launch more than two strategic beta ETFs.
- Despite issuers' focus on active ETF product, more than half of the 81 ETFs launched through 2Q 2022 YTD are passive exposures such as the Ninepoint Energy Series ETF (NNRG) and BMO's Japan ETF (ZJPN).

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**Exhibit 2.10**  
**Canadian ETF Issuers: Estimated Product Closures by Management Type, 2022**

Sources: Cerulli Associates, in partnership with CETFA | Analyst Note: "3 to 5," "6 to 10," and "More than 10" were provided responses but not selected by any participants.

■ 1-2 ■ None ■ Do not currently offer



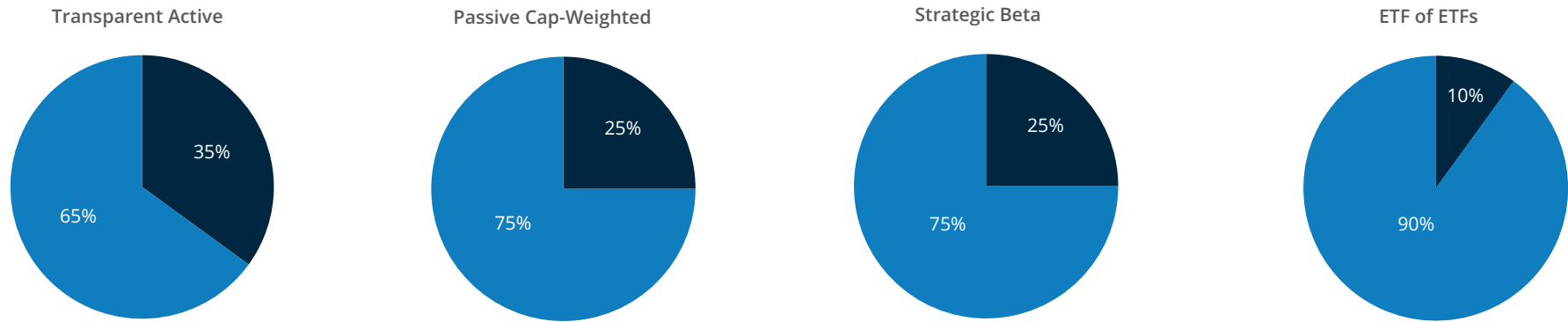
- ETF distributors did not report planning to close a significant number of products, with about one-third (32%) reporting they expect to close one or two active ETFs.
- ETF closures remain overall modest. Overall, 33 products were closed in 2021 and a further 24 through 2Q 2022 YTD, with CI Investments closing seven funds.

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**Exhibit 2.11**  
**Canadian ETF Issuers: Sustainable ETFs Offered, 2022**

Source: Cerulli Associates

■ Currently offer ■ Do not offer



- Polled distributors are most likely to offer transparent active sustainable strategies (35% currently offer), while unlikely (only 10%) to offer ETFs of ETF sustainable strategies.
- Not shown in the chart, 55% of polled participants report they already offer at least one sustainable ETF product.

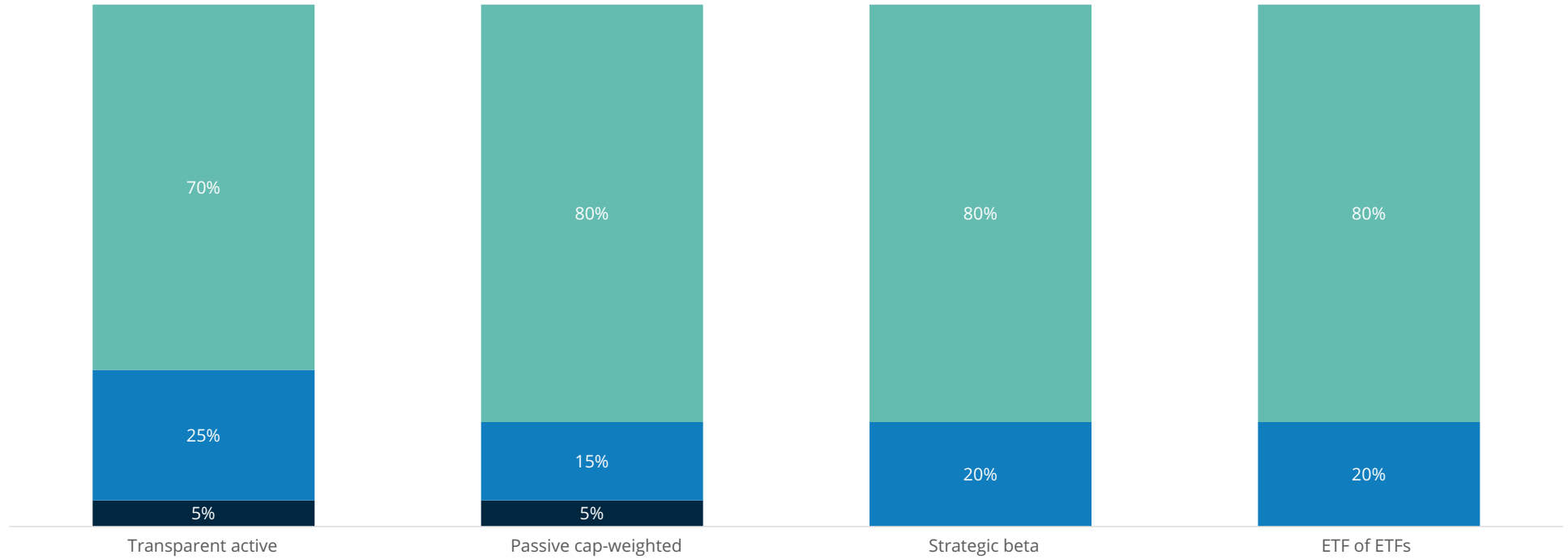
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**Exhibit 2.12**

**Canadian ETF Issuers: Estimated Product Launches of Sustainable ETFs, 2022**

Source: Cerulli Associates | Analyst Note: No managers reported they are planning launch six to 10 or more than 10 sustainable ETFs in any category.

■ 3-5 ■ 1-2 ■ None

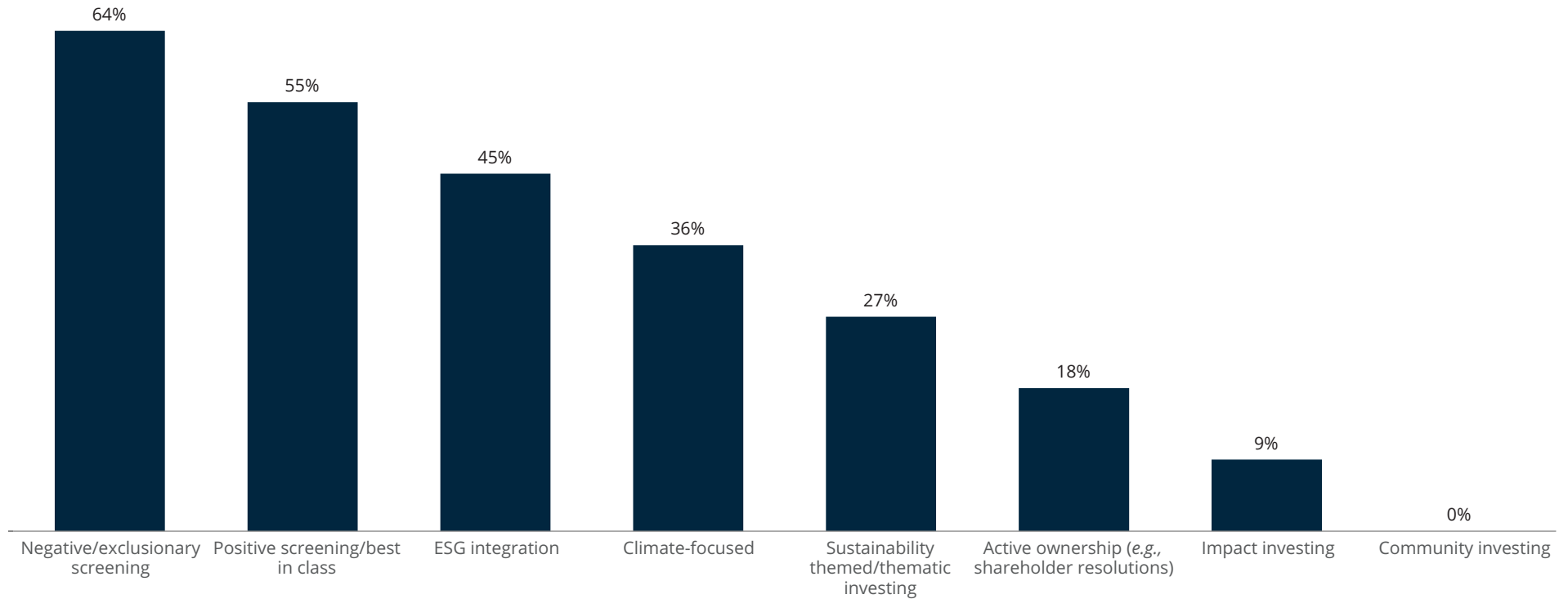


- Few managers report planning to launch extensive sustainable product. Only a sliver (5%) report they expect to launch transparent active and passive cap-weighted ETFs.

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**Exhibit 2.13**  
**Canadian ETF Issuers: Approach to Sustainable ETFs, 2022**

Source: Cerulli Associates | Analyst Note: Managers that offer sustainable ETFs were asked this question, and were instructed to select all choices that applied.



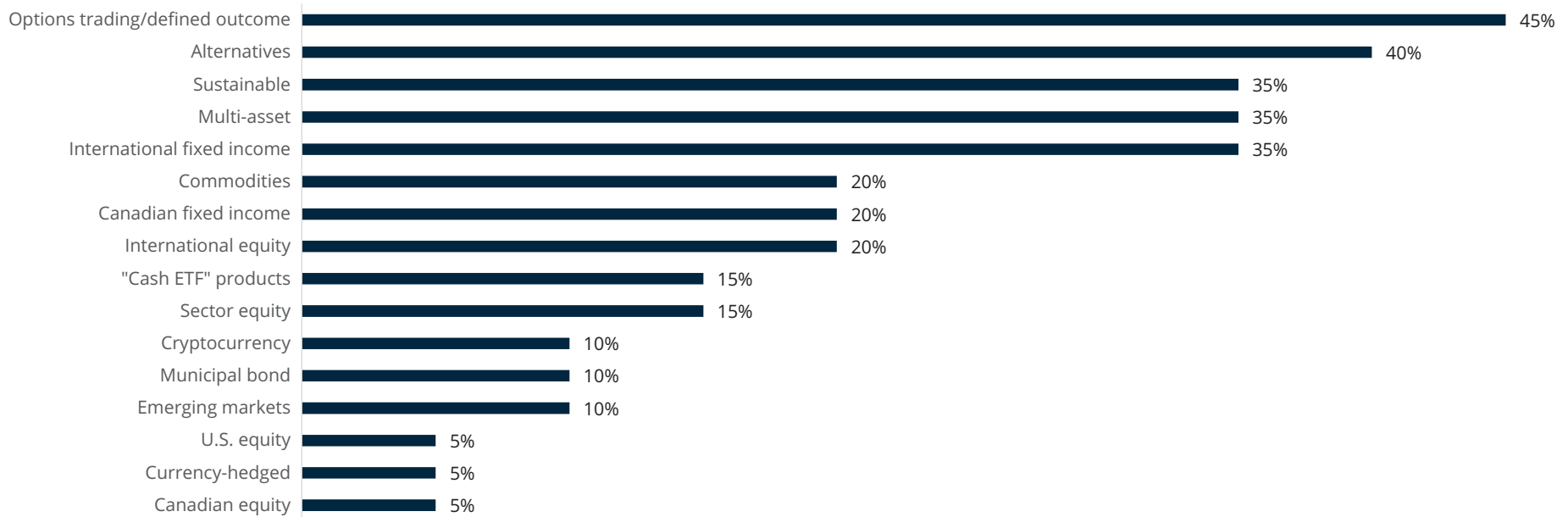
- Canada’s ETF issuers are most likely to report offering strategies that use a negative/exclusionary screening approach (64%).
- The approaches can vary in implementation practicality versus their interest to advisors and end-investors. Cerulli perceives the latter to be most interested in climate, sustainable thematic, and impact sustainable strategies.

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**Exhibit 2.14**  
**Canadian ETF Issuers: Perceived Unmet Demand by Asset Class, 2022**

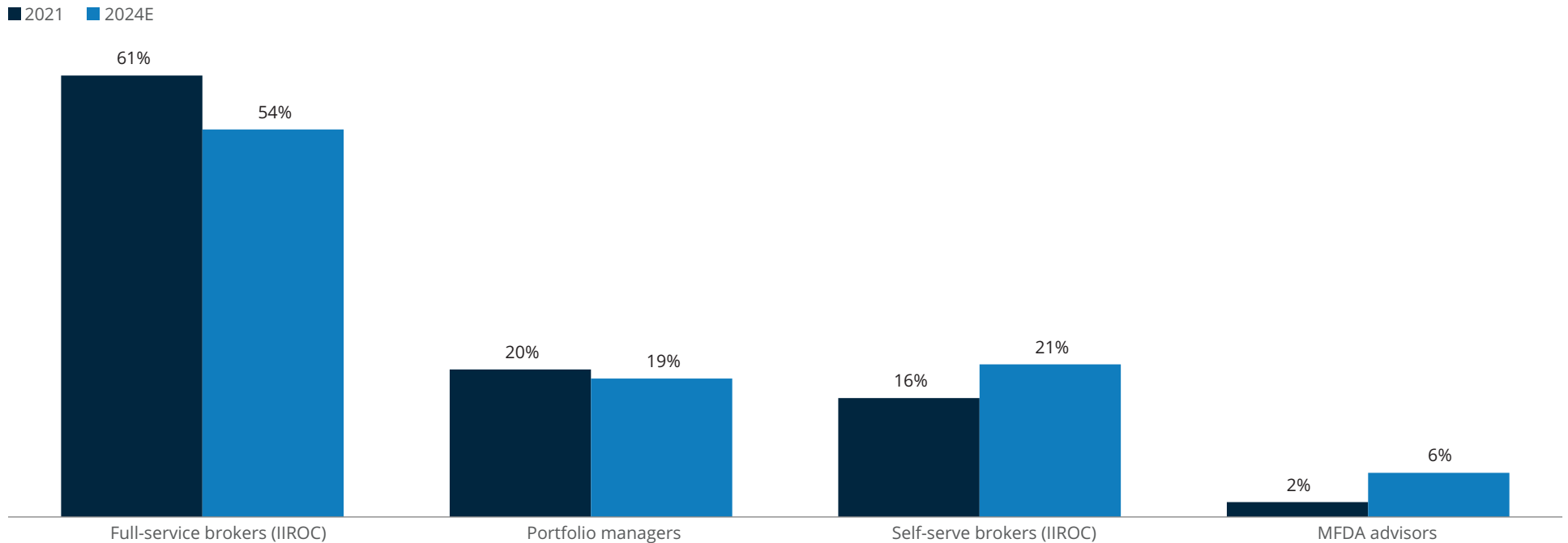
Sources: Cerulli Associates, in partnership with CETFA | Analyst Note: One issuer provided "mid-cap U.S." as an Other response, which was classified into U.S. equity in the chart.



- Canada's ETF distributors see the greatest opportunity to offer options trading/defined outcome and alternative ETFs (45% and 35% reported unmet demand, respectively).
- The 35% of distributors reporting unmet demand for sustainable exposures is a notable decrease from the 65% in 2021.
- ETF distributors perceive little unmet demand (5%) for U.S. equity exposures and dwindling unmet demand for cryptocurrency exposures (10% of polled participants report unmet demand in 2022 vs. 30% in 2021).

**Exhibit 2.15**  
**Canadian ETF Issuers: Breakdown of Retail ETF Assets by Firm Type, 2021 vs. 2024E**

Source: Cerulli Associates



- ETF distributors expect full-service brokers to decrease in terms of their retail asset marketshare (from 61% to 54%) while self-serve brokers and MFDA advisors are expected to increase retail asset marketshare.
- While the retail assets allocated to MFDA advisors did not increase year over year (3% reported in 2020), they are expected to increase to 6% through 2024.

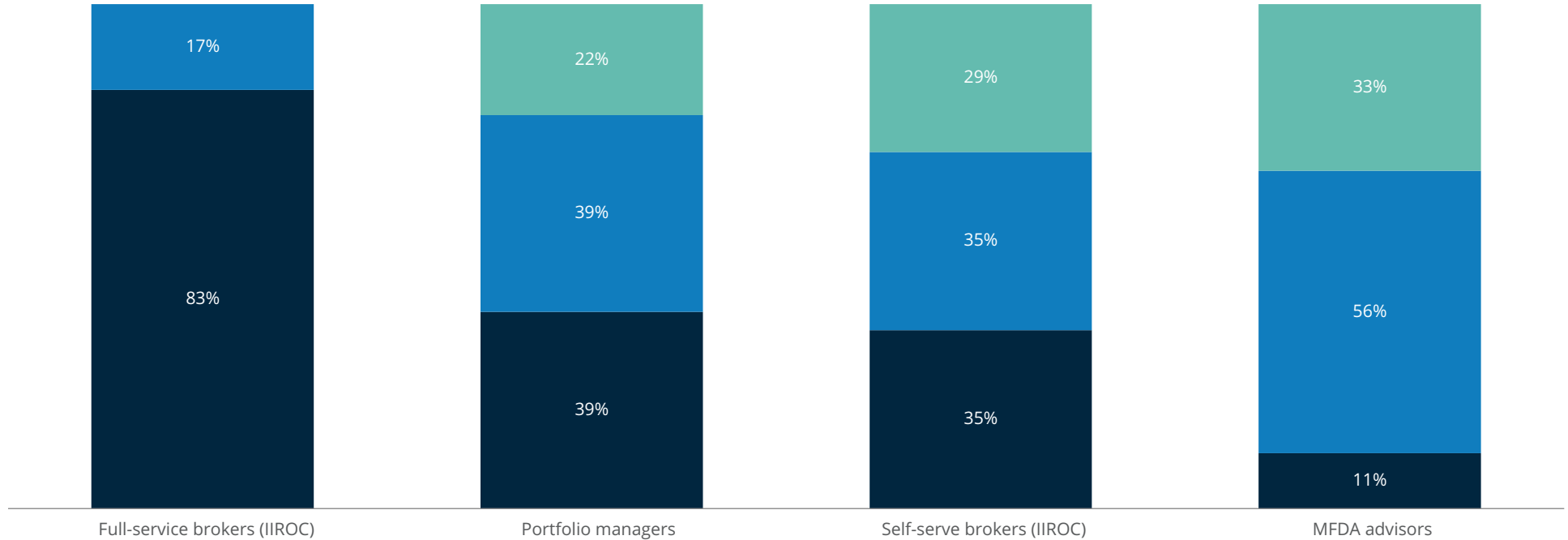
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**Exhibit 2.16**

**Canadian ETF Issuers: Focus on Retail ETF Distribution During the Next 12 Months by Channel, 2022**

Source: Cerulli Associates | Analyst Note: One respondent indicated “self-directed” distribution as a primary focus.

■ Primary focus ■ Secondary focus ■ Not a focus



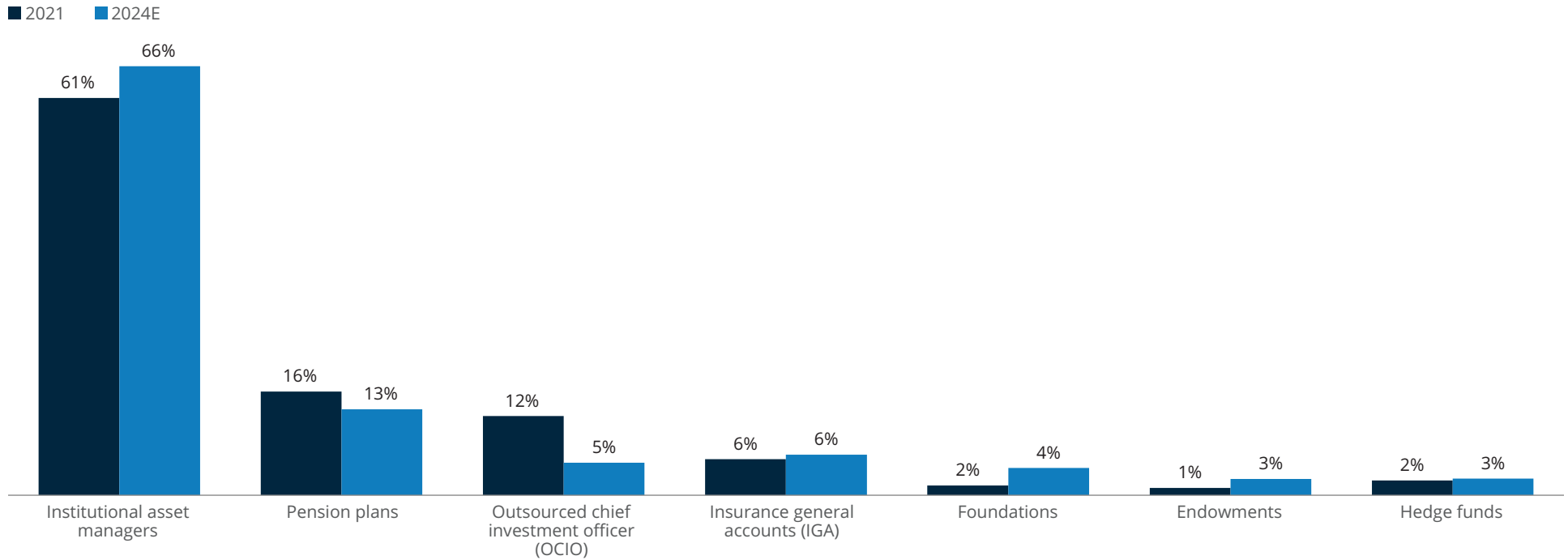
- Managers remain reluctant to label MFDA advisors a primary focus, instead continuing to place the greatest attention on full-service brokers (100% rate as either a primary or secondary focus).

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**Exhibit 2.17**

**Canadian ETF Issuers: Breakdown of Institutional ETF Assets by Firm Type, 2021 vs. 2024E**

Source: Cerulli Associates | Analyst Note: Only nine ETF distributors completed this question.



- Managers report the most significant (and growing) portion of their assets as coming from institutional asset managers (including other asset managers) while other institutional segments play a smaller supporting role.

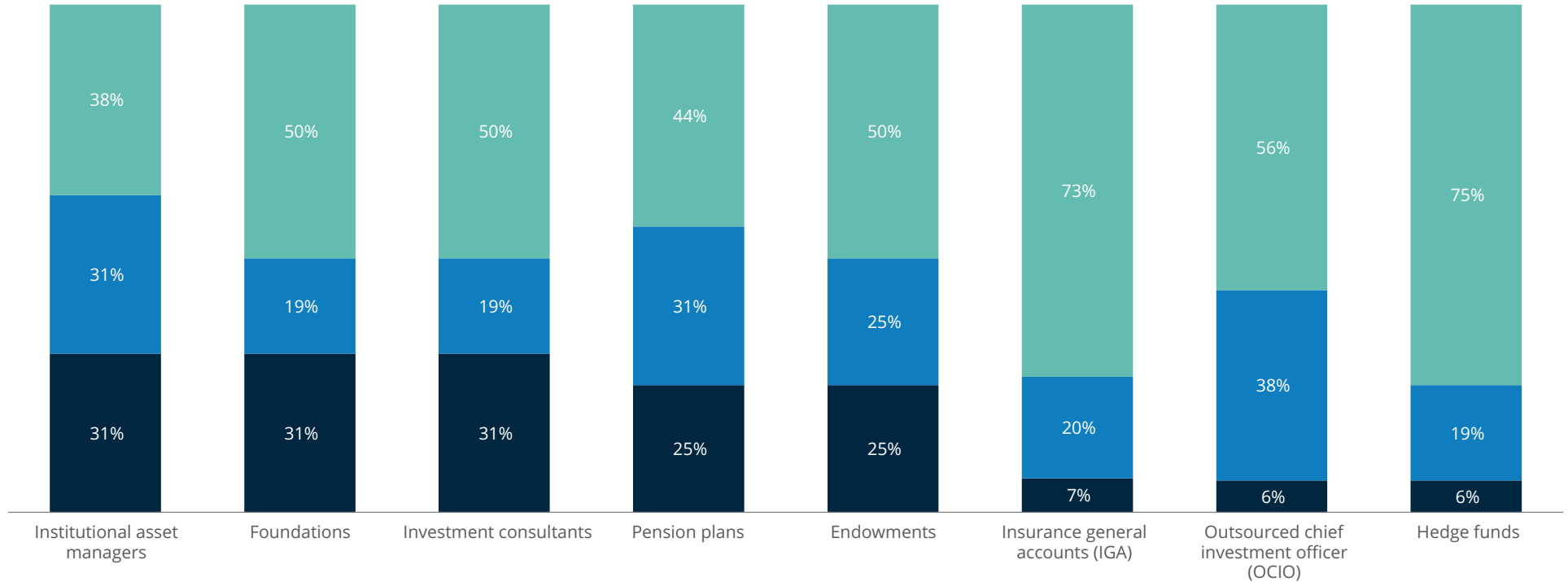
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**Exhibit 2.18**

**Canadian ETF Issuers: Focus on Institutional ETF Distribution During the Next 12 Months by Channel, 2022**

Source: Cerulli Associates

■ Primary focus ■ Secondary focus ■ Not a focus



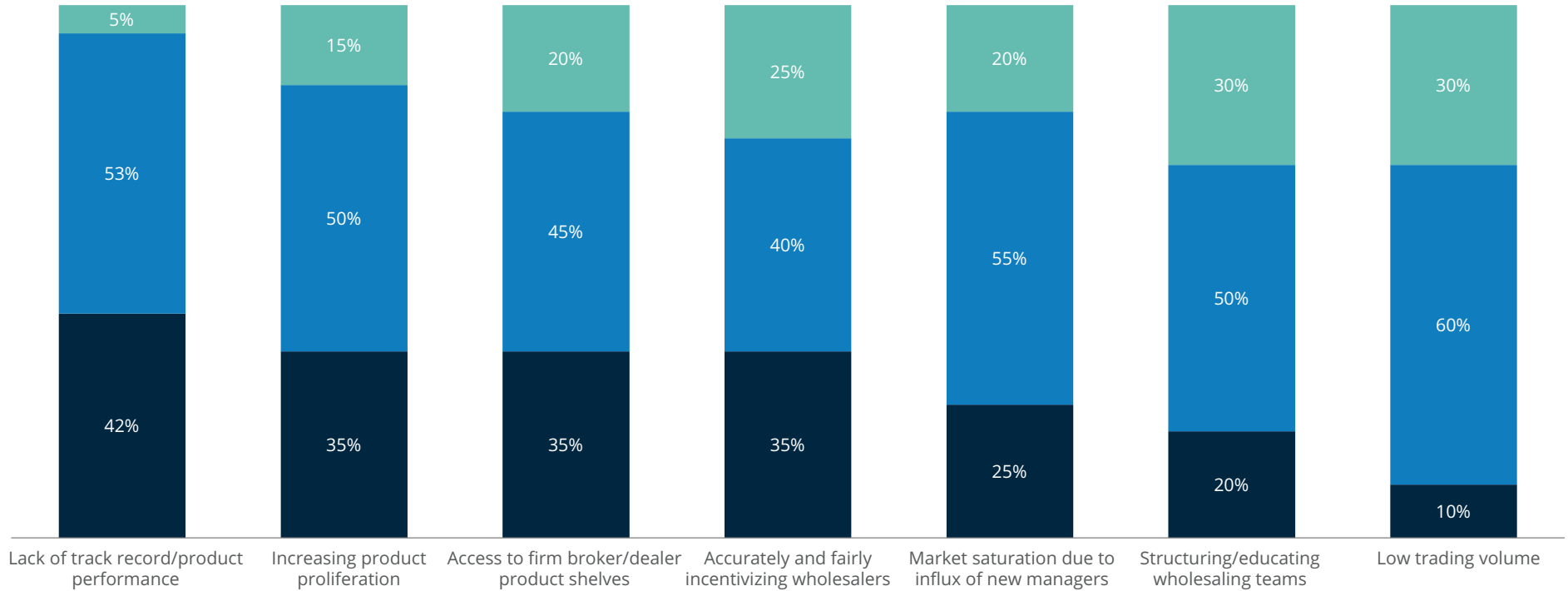
- Despite the significant asset sourcing from institutional asset managers, ETF distributors target a wide variety of institutional client segments. Still, hedge funds receive particularly light focus (only 6% rate them a primary focus)—likely due to short holding periods and niche needs.

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**Exhibit 2.19**  
**Canadian ETF Issuers: Challenges to Growth of ETF Assets, 2022**

Sources: Cerulli Associates, in partnership with CETFA | Analyst Note: One respondent provided “Brand recognition” as an Other challenge.

■ Major challenge ■ Moderate challenge ■ Not a challenge



- Canada’s ETF distributors point to a lack of track record as a top challenge (42% rate as a major challenge) but increasing product proliferation (35%) is close behind.
- With more than 1,200 products holding about \$225 billion as of 2Q 2020, product proliferation and low ETF trading volumes—resulting in heightened bid/ask spreads—are related challenges for issuers of all but the largest products.

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**Exhibit 2.20**  
**Canadian ETF Issuers' Distribution Structure Comparison, 2022**

Source: Cerulli Associates | Analyst Note: Where managers responded for specific roles but left others blank, Cerulli reports the roles left blank as not staffed.

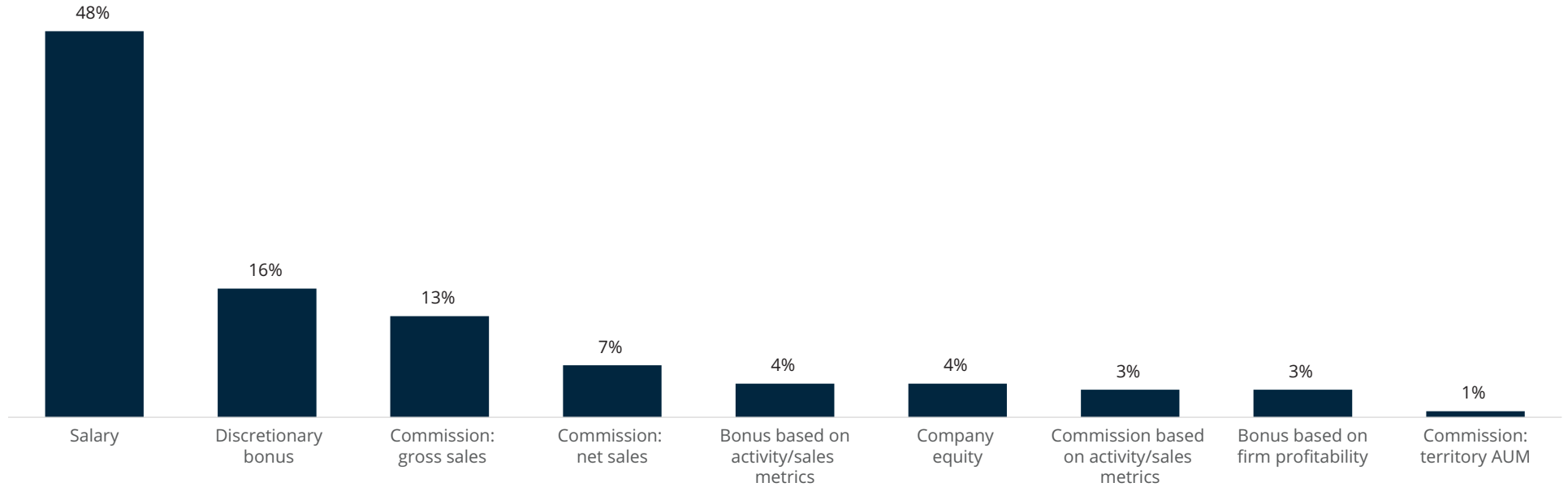
Functional Role	Average Number of Staff	% of Companies with Role	Increase Number of Employees	Maintain Same Number of Employees	Decrease Number of Employees
Head of ETF sales	1	53%	21%	79%	0%
Generalist internal wholesalers selling multiple product lines	7	65%	33%	58%	8%
Generalist external wholesaler selling multiple product lines	10	59%	42%	58%	0%
Generalist hybrid wholesaler selling multiple product lines	1	18%	20%	80%	0%
ETF specialist (responsible for supporting generalist wholesalers)	1	24%	23%	77%	0%
ETF-specific wholesaler (primarily responsible for ETF sales in own territory)	1	18%	8%	92%	0%
Capital markets specialist	0	41%	8%	92%	0%
ETF portfolio strategist	0	18%	8%	92%	0%
Institutional ETF sales person (e.g., institutional asset managers, pension plans)	1	24%	17%	83%	0%

Functional Role	Compensated by Salary	Compensated by Commission	Compensated by Salary and Commission
Head of ETF sales	17%	0%	83%
Generalist internal wholesalers selling multiple product lines	27%	0%	73%
Generalist external wholesaler selling multiple product lines	0%	0%	100%
Generalist hybrid wholesaler selling multiple product lines	20%	0%	80%
ETF specialist (responsible for supporting generalist wholesalers)	0%	0%	100%
ETF-specific wholesaler (primarily responsible for ETF sales in own territory)	33%	0%	67%
Capital markets specialist	71%	0%	29%
ETF portfolio strategist	67%	0%	33%
Institutional ETF sales person (e.g., institutional asset managers, pension plans)	40%	0%	60%

- Firms are most likely to report planning increasing headcount for generalist external wholesalers who sell multiple product lines.
- ETF issuers report single-digit ETF specialist and ETF specific wholesaler counts, suggesting that distributors are viewing the products as complementary offerings versus standalone business lines.

**Exhibit 2.21**  
**Canadian ETF Wholesaler Compensation Structure, 2022**

Source: Cerulli Associates | Analyst Note: Respondents were asked for the approximate compensation structure for wholesalers who sell ETFs. “Team sales target bonus” was provided as a response but was not selected by any participants.



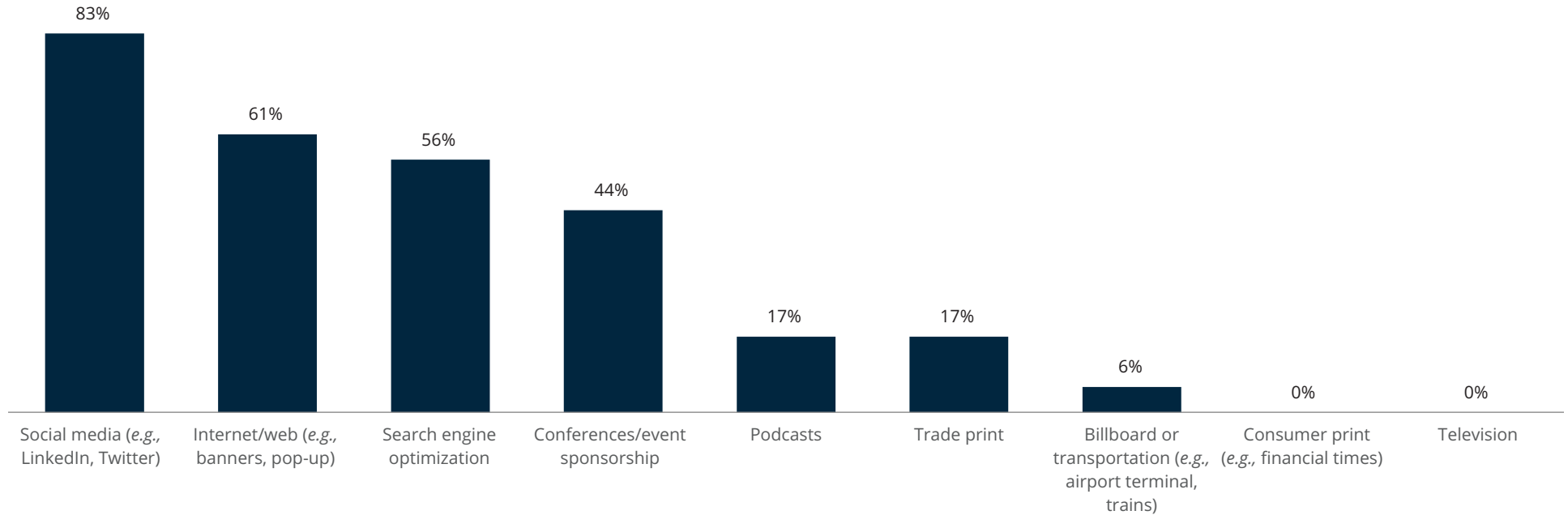
- Issuers report approximately 48% of wholesaler compensation as coming from salary with a discretionary bonus being the next-largest bucket. Gross and net sales commissions also receive meaningful use (13% and 7% of compensation, respectively).

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**Exhibit 2.22**  
**Canadian ETF Issuers: Highest-Priority Advertising Strategies, 2022**

Sources: Cerulli Associates, in partnership with CETFA | Analyst Note: Issuers were asked to select their top-three priority types for advertising. One participant provided webinars as an Other response.



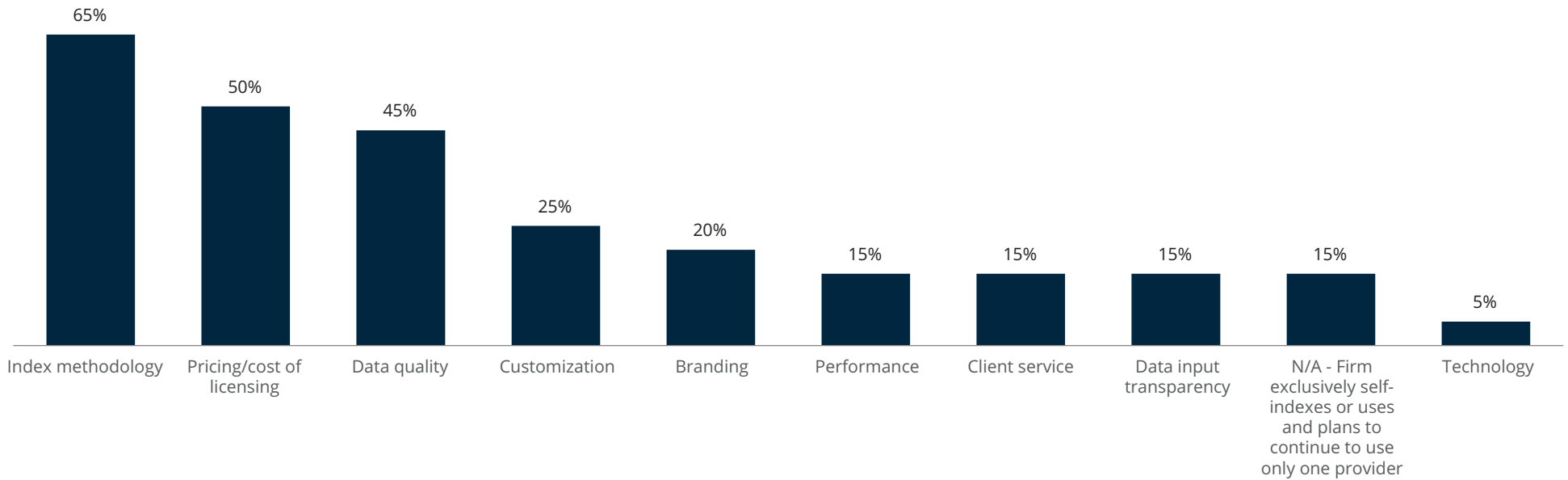
- Managers are most likely to report social media (83%), internet/web banners (61%), and search engine optimization (56%) within their top-three advertising priorities, possibly due to the ease of implementation and targeted reach vs. more traditional media.
- While not included in the chart, issuers often reference webinars/webcasts as an attractive way to educate advisors.

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**Exhibit 2.23**

**Canadian ETF Issuers: Most-Important Attributes When Selecting an Index Provider, 2022**

Sources: Cerulli Associates, in partnership with CETFA



- The index methodology is most often rated a top-three attribute for firms when selecting index providers (65%), but pricing/cost of licensing is a close second (50%)
- Polled issuers are unlikely to rate client service (15%), data input transparency (15%), and technology (5%) as top attributes.

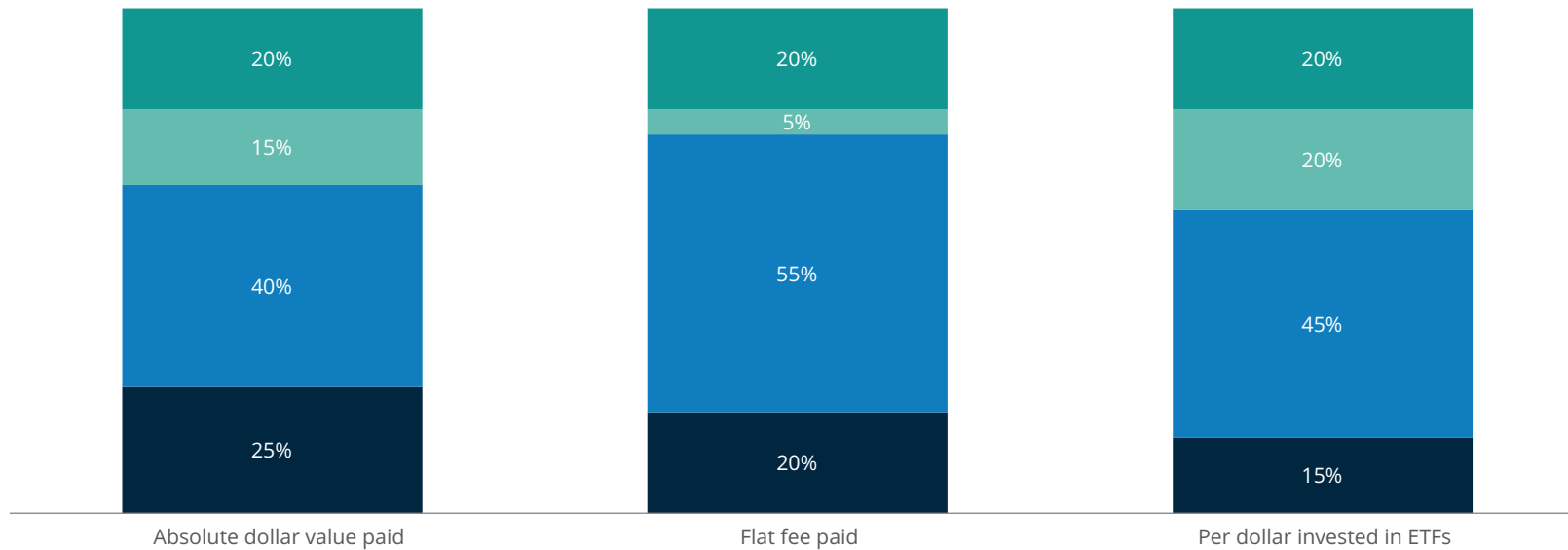
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**Exhibit 2.24**

**Canadian ETF Issuers: Expected Changes to ETF Index Licensing Fees Through 2024**

Sources: Cerulli Associates, in partnership with CETFA

■ Stay the same ■ Increase ■ Generally do not pay ■ Decrease



- Only a minority of managers report plans to pay increased indexing fees whether on an absolute or relative level (e.g., per dollar invested in ETFs). Cerulli perceives that many are comfortable with existing relationships and their ability to negotiate fees to attractive levels.

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## Exhibit 2.25

## Top-15 Canadian ETFs by Assets Databank, 2Q 2022 (\$ millions)

Source: Morningstar Direct | Analyst Note: Rankings are based on 2Q 2022 assets.

Rank	ETF Name	Ticker	Sponsor	Inception Year	2Q 2022 Assets	2Q 2022 YTD Net Flows	Asset Marketshare	YOY Growth	Fund of Fund Category
1	iShares S&P/TSX 60 ETF	XIU	iShares	1999	\$8,414	\$955	3.7%	-2.9%	Not a FoF
2	BMO S&P 500 ETF (CAD)	ZSP	BMO	2012	\$7,078	\$213	3.1%	-6.0%	Not a FoF
3	iShares Core S&P/TSX Capped Compost ETF	XIC	iShares	2001	\$6,734	-\$360	3.0%	-3.2%	Not a FoF
4	iShares Core S&P 500 ETF (CAD-Hedged)	XSP	iShares	2001	\$5,527	\$368	2.5%	-5.9%	US FoF
5	BMO S&P/TSX Capped Composite ETF	ZCN	BMO	2009	\$5,199	-\$26	2.3%	-1.1%	Not a FoF
6	Vanguard S&P 500 ETF	VFV	Vanguard	2012	\$4,804	\$811	2.1%	19.0%	Not a FoF
7	BMO Aggregate Bond ETF	ZAG	BMO	2010	\$4,588	\$340	2.0%	-5.4%	Not a FoF
8	BMO MSCI EAFE ETF	ZEA	BMO	2014	\$3,819	\$509	1.7%	0.1%	Not a FoF
9	iShares Core MSCI EAFE IMI ETF	XEF	iShares	2013	\$3,785	\$17	1.7%	-12.4%	Not a FoF
10	Vanguard US Total Market ETF	VUN	Vanguard	2013	\$3,712	\$507	1.6%	7.4%	Not a FoF
11	iShares Core Canadian Universe Bond ETF	XBB	iShares	2000	\$3,587	\$317	1.6%	-1.3%	Not a FoF
12	Vanguard FTSE Canada All Cap ETF	VCN	Vanguard	2013	\$3,470	\$249	1.5%	7.7%	Not a FoF
13	iShares Core S&P 500 ETF	XUS	iShares	2013	\$3,209	\$116	1.4%	9.6%	US FoF
14	Horizons S&P/TSX 60 ETF	HXT	Horizons	2010	\$2,754	\$820	1.2%	25.0%	Not a FoF
15	Vanguard Canadian Aggregate Bond ETF	VAB	Vanguard	2011	\$2,476	\$62	1.1%	-8.3%	Not a FoF

## Exhibit 2.26

## Canadian ETF Asset-Weighted Management Fees by Asset Class and Management Type, 2022 (\$ billions)

Sources: Morningstar Direct, Cerulli Associates

Asset Class	Active	Passive	Strategic Beta	Total
Canada Fixed Income	0.44%	0.18%	0.33%	0.24%
Canadian Equity	0.45%	0.08%	0.39%	0.18%
U.S. Equity	0.48%	0.12%	0.33%	0.17%
International Equity	0.60%	0.25%	0.47%	0.34%
Sector Equity	0.70%	0.49%	0.37%	0.56%
International Fixed Income	0.66%	0.28%	-	0.48%
Allocation	0.57%	0.31%	-	0.56%
Money Market	0.16%	0.12%	-	0.15%
Alternative	0.94%	0.88%	0.43%	0.84%
Commodities	0.46%	0.59%	-	0.47%
U.S. Fixed Income	0.59%	0.22%	-	0.49%
<b>Total</b>	<b>0.55%</b>	<b>0.19%</b>	<b>0.39%</b>	<b>0.29%</b>

- At 29 basis points, the asset-weighted average management fee for Canadian ETFs has stayed relatively stagnant.
- Active ETFs charge the most at approximately 55 basis points, with alternative and sector equity exposures being the most expensive at 94 and 70 basis points, respectively.