



## Q1 2022 Commentary

Canadian ETF industry opened the year on a high note despite rumbling regulatory shifts, market corrections and fears of inflation. Assets peaked at C\$352.2 billion at the end of March 2022, a 1.1% quarterly, or 26.7% annual growth rate. What may have looked like a timid trailing three-month increase was in fact a significant win for the product type when compared to long-term mutual funds, which posted a quarterly asset decline of 4.0%, down to \$1,975 billion.

Sales results established ETFs as the product of choice which punched above its weight: \$15.9 billion was tallied over the first quarter, or 4.6% of beginning assets, compared to \$17.5 billion for long-term mutual funds, or 0.9% of beginning assets. Q1 2022 became the second best-selling quarter on record for Canadian ETFs, behind only the results of Q2 2021, when \$18.9 billion was garnered in the first three months of the year.

Equities continued their reign over ETF sales, bringing in \$10.9 billion, or 68.7% of the industry's total. January 2022 was the best-selling month for the category on record, attracting \$5.4 billion in net creations. Looking at sub-asset class composition, Canadian equity mandates led the way, tallying \$4.7 billion over the quarter, while U.S. equities followed with \$3.2 billion. International equity ETFs rounded out the top three with \$1.6 billion.

Fixed income funds placed second with \$2.9 billion generated throughout the three-month period. Investment grade bond ETFs were responsible for the lion's share to the category's total, at \$2.5 billion in net creations, while high-yield bond funds accounted for another \$410 million. Multi-asset class ETFs capped Q1 with \$986 million in net creations, of them \$700 million brought in by ETFs of ETFs. Cryptocurrency mandates, which now account for 20 products on the Canadian exchanges, tallied a combined total of \$618 million over the quarter, as January saw the product category descend into its first ever net redemptions of \$115 million. Followed by a swift recovery the very next month to \$325 million in monthly sales, and continued by an even more fruitful March with \$408 million, the asset class still fell short of the average monthly net creations of \$645 million it enjoyed throughout 2021, and was far below the show-stopping \$2.7 billion in sales, which cryptocurrency mandates attracted throughout April 2021.

Concerning ETF sponsors, a major shift on the leaderboard as BMO Asset Management ascended as the quarter's best-selling firm with \$3.5 billion in net creations. The company sponsored five of the top 10 best-selling ETFs of Q1 2022, all of them index-tracking mandates. Vanguard Canada placed second, with \$3.1 billion in sales, while BlackRock Canada rounded out the top three with \$2.9 billion and its iShares S&P/TSX 60 Index ETF as the quarter's most in-demand product, which attracted \$1.7 billion over the three-month period.

Q1 2022 saw two new firms join the roster of Canadian ETF sponsors: Mulvihill Capital Management and Evermore Capital Management, bringing the total numbers of industry players to 42. The latter made headlines in February by introducing Evermore Retirement ETFs: Canada's first suite of eight actively-managed target-date asset allocation ETFs available at five-year intervals from 2025 to 2060. With management fees at 35 basis points (bps), each fund ultimately represented yet another brand-



new angle for advisors and investors to view and consider what ETFs could offer. With this release Evermore Capital Management was among the three most prolific sponsors of the quarter, another two being BMO Asset Management and Invesco ETFs, each launching eight new funds during the period.

Overall, 52 ETFs were introduced throughout the first three months of the year. Of them, 24 index-tracking funds, and 28 funds employing active management strategies, including the new multi-cryptocurrency CI Galaxy Multi-Crypto ETF by CI Investments, which provides exposure to both bitcoin and ether. Equities were a focus category for 40 newly-minted ETFs, seven were fixed income-oriented, while another four were multi-asset class funds. The season was ripe with ESG-minded launches as 21 such mandates were added to the Canadian exchanges, including the entire Invesco ETFs line-up, and a suite of four Responsible Investing Index ETFs by Scotia Asset Management.

Canadian- and U.S.-listed ETF assets held by Canadian investors equalled \$412.5 billion at the close of December 2021, increasing at 7.4% and 12.8% trailing three- and six-month growth rates, respectively. Retail ETF investors saw assets grow by 7.8% in Q4 2021 and accounted for the majority \$256.4 billion, or 62.2% of the total. Canadian-listed ETFs held by retail investors remained as the largest category, at \$192.5 billion, a share gain of 16 bps to account for 46.7% of all ETF ownership.

The full-service brokerage (FSB) channel accounted for \$130.5 billion at the end of Q4 2021, or 50.9% of retail ETF assets. Commission-based accounts grew by 26.1% over the period to \$47.2 billion in assets, while fee-based ETF ownership increased a modest 2.4% over the three months, capping December with \$83.3 billion in assets. The online/discount brokerage (ODB) channel remained on its upward trajectory, further expanding its share of the total ETF ownership to 38.4% with \$98.3 billion in assets at the end of Q4 at a 5.5% growth rate. Robo-advice platforms accounted for \$17.9 billion in assets, or 7.0% of retail ETF ownership, growing by 6.3% from the previous quarter and more than double last year's levels of \$8.7 billion.