**Q4 2022 Commentary**

The Canadian ETF industry saw a rise of 8.8% over the fourth quarter reaching C$339.6 billion in assets at the end of December 2022. There was still a decline of 2.5% on an annual basis. Fourth quarter net creations totalled $15.3 billion, compared to $4.8 billion recorded last quarter; December was the best-selling month of the quarter, which saw monthly net creations of $7.3 billion-marking the highest monthly net creations since September 2020 while the December 2022 year-to-date sales added up to just $38.5 billion—$19.9 billion below the twelve-month tally of the same period last year.

Fixed income emerged as the best-selling asset class of Q4, tallying $6.2 billion, of which over two-thirds was garnered in the final month of the quarter. Investment grade bond funds were responsible for the majority of the asset class sales with $5.3 billion in quarterly net creations, as mixed bond funds outsold the broader category with $2.7 billion, whereas corporate and government bond funds finished Q4 with $2.6 billion. Meanwhile, high-yield bond ETFs attracted an additional $825 million.

Equities, the largest ETF category found themselves as the second best-selling asset category, with $4.6 billion. U.S. equities carried the broader share, garnering $2.4 billion during Q4. Sector equities followed with $584 million, as utilities and infrastructure and technology remained in high demand, European equities ended the quarter with negative sales. Cryptocurrency ETFs were at the bottom of the ranking, with around $90 million redeemed over the quarter, with almost $59 million redeemed during December alone.

Concerning ETF sponsors, BMO Asset Management replaced Vanguard Canada as this quarter’s best-selling ETF sponsor, accounting for $4.2 billion in quarterly net creations. CI Investments followed with $2.2 billion, sponsoring the season’s best-selling ETF, CI High Interest Savings ETF accounting for $1.6 billion in quarterly net flows. Blackrock Canada ranked third, with $2.0 billion in positive sales over the quarter.

Looking at product development, Q4 saw 26 new ETFs launched throughout the three months, with most of the launches happening during the month of November. 23 out of 26 products were actively managed funds, while the other 3 were passive ETFs. Asset class preference gravitated heavily toward the equity mandates, as 19 funds were launched during the season, along with six fixed income ETFs and one multi-class ETF.

\*\*Created by Investment Economics