

January 2023: Money moving overseas

- U.S. ETFs received \$40 billion in January, primarily into foreign equities and fixed income ETFs.
- U.S. equity ETFs bled assets slightly, while Europe and Emerging Markets equity ETFs gained traction.
- Investors withdrew assets from money market ETFs and took on more credit and duration exposure.
- Blockchain/crypto-themed ETFs rebounded strongly in January but are still well below 2022's peak.

Summary (Table 1, Chart 1): U.S. ETFs received \$40 billion in new money in January, flowing primarily towards foreign equity and fixed income ETFs. U.S. Broad/Large-Cap ETFs suffered their third consecutive month of redemptions; strategic U.S. equity ETFs (such as sector, thematic and factor products) also finished the month with a net outflow. Within fixed income ETFs, investors were inclined towards Emerging Markets bonds and longer-duration products.

Equity ETFs by Geography (Table 3): Despite a rosy-looking start to 2023 for U.S. stocks (the S&P 500 Index gained 6% in January), U.S. equity ETFs had a rough kickoff, finishing January with \$2.6 billion in outflows. New creations were predominantly concentrated in broad European and Emerging Markets equity ETFs. Europe-focused equity ETFs welcomed \$5.1 billion in January, a whopping 14.3% growth in terms of flow as a percentage of starting AUM. JPMorgan BetaBuilders Europe ETF (BBEU) topped the single product inflow with \$3.6 billion in fresh money.

As for Emerging Markets, we observed that investors expressed their bullishness by switching from defensive ETFs (iShares MSCI EM Min Vol Factor ETF, EEMV, \$2.4 billion outflow) to broad market exposure (IEMG and EEM, \$5.0 billion inflow combined). Besides strong demand for broad beta ETFs, \$2.0 billion still flowed into China-focused equity ETFs. Since China announced its reopening plan in November last year, China-focused equity ETFs have gained a cumulative \$3.5 billion of inflow, which represents almost 19% of this category's starting asset in November 2022.

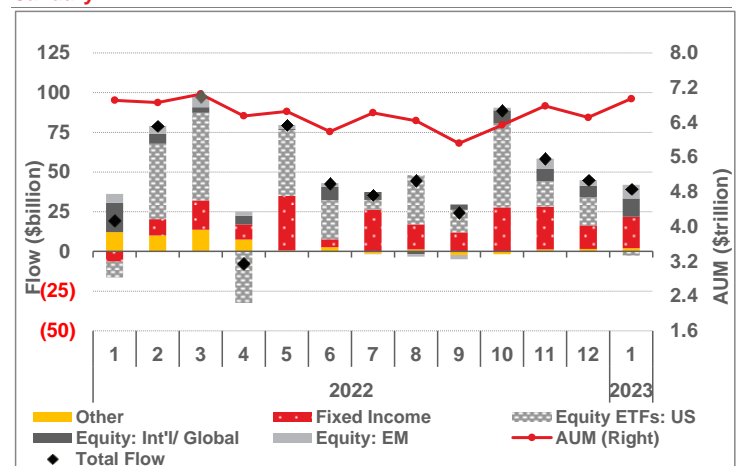
We observed a "January effect" over nearly 30 years of U.S. ETF history, which is distinct from the wider stock market's January effect; in the world of U.S.-listed ETFs, money tends to move from U.S. equity into foreign equity products in January. Since March 1996, when the first foreign equity ETF was launched in the U.S., January is the only month in which foreign equity ETFs outsell U.S. equity ETFs (19 out of 27 Januarys), while December flows tend to favour U.S. equities (23 out of 27 Decembers). One hypothesis could be that in December, investors unwind their tax loss positions by selling individual stocks, cycling temporarily into U.S. equity ETFs.

Table 1: ETF Flows by Category

	AUM (\$B)	Mkt Shr	Jan 2023 Flow (\$B)	Jan 2023 Flow/AUM
Equity	\$5,317		\$17.6	0.4%
U.S. Broad/Large-Cap	\$1,624	23%	-\$2.2	-0.1%
U.S. Other	\$2,438	35%	-\$0.4	0.0%
Int'l / Global	\$958	14%	\$11.5	1.3%
Emerging Markets	\$296	4%	\$8.7	3.3%
Fixed Income	\$1,349	19%	\$19.8	1.5%
Commodity	\$137	2%	\$0.4	0.3%
Multi-Asset	\$69	1%	-\$0.8	-1.2%
Levered Long	\$51	1%	-\$1.8	-4.1%
Inverse	\$24	0%	\$4.2	17.7%
Crypto-Asset	\$1	0%	\$0.0	8.4%
Total	\$6,947	100%	\$39.5	0.6%

Source: NBF ETF Research, Bloomberg. Data as of January 31, 2023.

Chart 1: U.S.-Listed ETF Flow and AUM by month - \$39.5 billion in January



Source: NBF ETF Research, Bloomberg. Data as of January 31, 2023.

Equity Sector ETFs (Table 4): Perhaps boosted by the encouraging GDP data and the Fed downshifting the pace of rate hikes, the U.S. market has reversed sharply from 2022’s bearish trends. All cyclical sectors finished with gains, led by Consumer Discretionary and Communication, which were the worst-performing sectors in 2022. Contrary to 2022’s outperformances, defensive sectors are now at the bottom of the sector performance table and all but energy finished in the red. On the ETF side, while the January flow pattern corresponded to a shift from defensive to cyclical sectors, net creations remained low. Only Materials ETFs had significant inflow of \$1.4 billion, or 3.5% of their starting AUM. The S&P 500 Materials sub-index had the best three-month return among S&P 500 sector indices, supported by rising metal prices.

Equity Factor ETFs (Table 7): While sector flows might reflect some degree of a returning risk-on environment, dividend/income’s continuing dominance in factor ETF flows suggests that stability remains the primary goal for investors seeking equity exposure. The overall factor demand, however, slid to its lowest level since 2020 September, with ‘only’ \$1.9 billion in net creations.

Fixed Income ETFs (Table 5, 6): Fixed income ETFs saw \$19.8 billion of inflow in January. Just like equity ETFs, bond ETFs offering Emerging Markets exposure surged in popularity. Besides the growing optimism for the region’s economy, the weakening greenback also helped lift investors’ confidence in Emerging Markets bonds. On the maturity side, assets flowed mostly towards mid- to long-duration ETFs, whereas ultra-short-term bond ETFs faced outflows.

ESG ETFs (Table 11): In January, U.S.-listed ESG ETFs had \$766 million of outflows, of which more than 80% was a one-time institutional-size redemption from iShares ESG Aware MSCI USA ETF (**ESGU**). On the inflow side, Emerging Markets equities received significant traction in the ESG space, an echo of broader appetite for the region. While most of the money went into the iShares ESG Aware MSCI Emerging Markets ETF (**ESGE**), which closely tracks the broad Emerging Markets benchmark, some investors also used ESG ETFs as a strategic play. For instance, Freedom 100 Emerging Markets ETF (**FRDM**), which weighs countries based on ‘freedom metrics’ and excludes some of the world’s largest economies like China and India, gained \$31 million in January, or 10% of its starting AUM.

Top Performing ETFs (Table 2): January’s top performing ETFs are all blockchain and/or crypto-related, which was one of the most hard-hit thematic ETF categories in the 2022 calendar year. Despite these ETFs’ skyrocketing returns, investors who bought in last year are probably still deeply underwater. **WGMI** (Valkyrie Bitcoin Miners), for example, is down 83% since its debut in February 2022.

Table 2: Best Performing ETFs* – January 2023

Ticker	Name	Total Return (%)	AUM (\$M)	Flow (\$M)
1 WGMI	Valkyrie Bitcoin Miners ETF	97.0	4	↑
2 DAM	Vaneck Digital Asset Mining ETF	77.2	1	0
3 DAPP	VanEck Digital Transformation ETF	64.1	29	0
4 BKCH	Global X Blockchain ETF	63.9	61	2
5 BITQ	Bitwise Crypto Industry Innovators ETF	61.3	54	0
6 SATO	Invesco Alerian Galaxy Crypto Economy ETF	55.1	3	0
7 IBLC	iShares Blockchain And Tech ETF	54.1	6	0
8 BITS	Global X Blockchain & Bitcoin Strategy ETF	50.6	10	-0
9 GFOF	Grayscale Future of Finance ETF	46.3	5	0
10 FDIG	Fidelity Crypto Industry And Digital Payments	44.6	24	0

*Excluding leveraged/inverse ETFs. Source: NBF ETF Research, Bloomberg. Data as of January 31, 2023.

January 2023 ETF Flows: Tables 3 - 9

Geography	AUM (\$B)	Mkt Shr	Flow (\$B)	Flow/AUM
U.S.	\$4,063		-\$2.6	-0.1%
Broad/Large Cap	\$1,624	31%	-\$2.2	-0.1%
U.S. Other	\$2,438	46%	-\$0.4	0.0%
International Developed	\$582		\$8.9	1.7%
Broad Int'l Dev	\$453	9%	\$3.3	0.8%
Broad Europe	\$45	1%	\$5.1	14.3%
Japan	\$21	0%	-\$0.1	-0.3%
Canada	\$10	0%	\$0.0	0.1%
Other Developed	\$53	1%	\$0.5	1.1%
Emerging Markets	\$296		\$8.7	3.3%
Broad Cap Weighted	\$197	4%	\$6.5	3.7%
China (A+H)	\$32	1%	\$2.0	7.7%
Other EM	\$68	1%	\$0.1	0.2%
Global/Regional	\$376	7%	\$2.6	0.8%
Total Displayed	\$5,317	100%	\$17.6	0.4%

Source: National Bank of Canada, Bloomberg

Sector	AUM (\$B)	Mkt Shr	Flow (\$B)	Flow/AUM
Materials	\$48	6%	\$1.4	3.5%
Communication Services	\$28	3%	\$0.4	1.8%
Industrials	\$34	4%	\$0.2	0.5%
Consumer Discretionary	\$27	3%	\$0.1	0.6%
Utilities	\$26	3%	\$0.1	0.5%
Consumer Staples	\$31	4%	\$0.0	0.0%
Financials	\$63	8%	\$0.1	-0.1%
Real Estate	\$77	9%	-\$0.4	-0.6%
Energy	\$88	11%	-\$0.7	-0.8%
Health Care	\$105	13%	-\$0.9	-0.9%
Technology	\$148	18%	-\$2.0	-1.5%
ESG	\$89	11%	-\$0.9	-1.0%
Thematic	\$61	7%	\$0.0	0.0%
Total Displayed	\$826	100%	-\$2.6	-0.3%

*Includes all geographic focus; Source: National Bank of Canada, Bloomberg
QQQ is classified as a broad market ETF and does not belong to technology sector

Rank	Ticker	Name	Flow (\$B)	Flow/AUM
1	IEMG	iShares Core MSCI Emerging Markets ETF	\$3.6	5.7%
2	BBEU	JPMorgan BetaBuilders Europe ETF	\$3.6	114.5%
3	VTV	Vanguard Value ETF	\$2.6	2.7%
4	SCHO	Schwab Short-Term U.S. Treasury ETF	\$2.6	25.1%
5	LQD	iShares iBoxx \$ IG Corporate Bond ETF	\$2.5	7.1%
6	EMB	iShares JP Morgan USD EM Bond ETF	\$2.4	16.8%
7	JEPI	JPMorgan Equity Premium Income ETF	\$2.4	14.0%
8	SPY	SPDR S&P 500 ETF Trust	\$2.3	0.6%
9	TLT	iShares 20+ Year Treasury Bond ETF	\$2.0	7.4%
10	SCHD	Schwab US Dividend Equity ETF	\$1.5	3.4%
11	HYG	iShares iBoxx High Yield Corporate Bond ETF	\$1.4	9.1%
12	VTI	Vanguard Total Stock Market ETF	\$1.4	0.5%
13	BNDX	Vanguard Total International Bond ETF	\$1.4	3.2%
14	EEM	iShares MSCI Emerging Markets ETF	\$1.4	6.1%
15	AGG	iShares Core U.S. Aggregate Bond ETF	\$1.3	1.6%
16	MBB	iShares MBS ETF	\$1.3	5.4%
17	RSP	Invesco S&P 500 Equal Weight ETF	\$1.2	3.8%
18	IEF	iShares 7-10 Year Treasury Bond ETF	\$1.1	5.0%
19	COWZ	Pacer US Cash Cows 100 ETF	\$1.1	11.1%
20	TLH	iShares 10-20 Year Treasury Bond ETF	\$1.1	18.1%

Source: National Bank of Canada, Bloomberg

Type	AUM (\$B)	Mkt Shr	Flow (\$B)	Flow/AUM
U.S. Aggregate	\$304	23%	\$2.3	0.8%
U.S. Government	\$411	30%	\$5.0	1.3%
U.S. Municipals	\$102	8%	\$0.2	0.2%
U.S. I.G. Corporate	\$226	17%	\$7.4	3.5%
Developed Markets&Global	\$142	11%	\$2.4	1.8%
Emerging Markets	\$31	2%	\$2.8	10.4%
Sub-investment Grade	\$90	7%	\$0.4	0.5%
Convertibles and Preferreds	\$42	3%	-\$0.9	-2.3%
Total Displayed	\$1,349	100%	\$19.8	1.5%

Source: National Bank of Canada, Bloomberg

Maturity	AUM (\$B)	Mkt Shr	Flow (\$B)	Flow/AUM
Broad/Mixed	\$663	49%	\$10.2	1.6%
Ultra Short Term	\$164	12%	-\$4.1	-2.5%
Short Term	\$267	20%	\$2.9	1.1%
Mid Term	\$151	11%	\$4.0	2.8%
Long Term	\$67	5%	\$4.6	7.9%
Target Maturity	\$35	3%	\$2.4	7.5%
Rate Hedged	\$2	0%	-\$0.2	-12.3%
Total Displayed	\$1,349	100%	\$19.8	1.5%

Source: National Bank of Canada, Bloomberg

Factor	AUM (\$B)	Mkt Shr	Flow (\$B)	Flow/AUM
Income	\$404	21%	\$4.3	1.1%
Quality	\$39	2%	\$1.0	2.7%
Small/Mid Cap	\$453	24%	\$0.4	0.1%
Momentum	\$25	1%	\$0.3	1.1%
Value	\$429	23%	-\$0.1	0.0%
Growth	\$334	18%	-\$2.8	-0.9%
Low Vol	\$67	4%	-\$3.2	-4.6%
Multi-Factor and Other	\$148	8%	\$2.0	1.4%
Total Displayed	\$1,898	100%	\$1.9	0.1%

*Includes all geographic focus, excluding sector ETFs; Source: NBC, Bloomberg

Rank	Ticker	Name	Flow (\$B)	Flow/AUM
1	QQQ	Invesco QQQ Trust Series 1	-\$4.4	-3.0%
2	IWF	iShares Russell 1000 Growth ETF	-\$3.9	-6.6%
3	IWD	iShares Russell 1000 Value ETF	-\$3.3	-6.0%
4	EEMV	iShares MSCI EM Min Vol Factor ETF	-\$2.4	-30.0%
5	BIL	SPDR Bloomberg Barclays 1-3 Month T-Bill ETF	-\$1.8	-6.6%
6	IWM	iShares Russell 2000 ETF	-\$1.5	-3.0%
7	VIG	Vanguard Dividend Appreciation ETF	-\$1.2	-1.8%
8	GOVT	iShares US Treasury Bond ETF	-\$1.0	-4.7%
9	SGOV	iShares 0-3 Month Treasury Bond ETF	-\$1.0	-13.4%
10	EFA	iShares MSCI EAFE ETF	-\$1.0	-2.1%
11	SHYG	iShares 0-5 Year High Yield Corporate Bond ETF	-\$0.9	-13.1%
12	XLK	Technology Select Sector SPDR Fund	-\$0.9	-2.3%
13	SHV	iShares Short Treasury Bond ETF	-\$0.9	-4.3%
14	ESGU	iShares ESG Aware MSCI USA ETF	-\$0.8	-4.3%
15	HDV	iShares Core High Dividend ETF	-\$0.8	-6.5%
16	ITOT	iShares Core S&P Total US Stock Market ETF	-\$0.8	-2.0%
17	ICVT	iShares Convertible Bond ETF	-\$0.8	-41.4%
18	IWB	iShares Russell 1000 ETF	-\$0.8	-2.8%
19	XOP	SPDR S&P Oil & Gas Exploration & Production	-\$0.7	-14.9%
20	BSV	Vanguard Short-Term Bond ETF	-\$0.7	-1.9%

Source: National Bank of Canada, Bloomberg

Table 10: ETF Provider Table

	AUM (\$B)	Mkt Shr	Jan 2023	
			Flow (\$B)	Flow/AUM
1 BlackRock iShares	\$2,338	34%	-\$0.2	0.0%
2 Vanguard	\$2,015	29%	\$12.1	0.6%
3 State Street SSGA	\$1,037	15%	\$3.8	0.4%
4 Invesco	\$353	5%	-\$1.0	-0.3%
5 Charles Schwab	\$281	4%	\$5.3	2.0%
6 First Trust	\$141	2%	\$1.1	0.8%
7 JPMorgan	\$99	1%	\$7.5	8.5%
8 Dimensional Holdings	\$80	1%	\$2.6	3.6%
9 ProShares	\$61	1%	\$1.6	2.7%
10 WisdomTree	\$59	1%	\$0.4	0.8%
11 VanEck	\$57	1%	\$0.2	0.4%
12 Global X	\$39	1%	-\$0.1	-0.2%
13 Fidelity	\$33	0%	\$0.4	1.4%
14 Goldman Sachs	\$28	0%	-\$0.4	-1.6%
15 Direxion	\$26	0%	\$0.6	2.8%
16 Pacer Financial	\$22	0%	\$1.4	7.2%
17 Northern Trust	\$22	0%	\$0.0	-0.2%
18 American Century	\$22	0%	\$0.9	4.9%
19 PIMCO	\$21	0%	-\$0.4	-1.9%
20 DWS Xtrackers	\$20	0%	\$0.3	1.7%
Top 20 Total	\$6,753	97%	\$36.1	
Total ETF	\$6,947	100%	\$39.5	

Source: NBF ETF Research, Bloomberg. Data as of January 31, 2023.

Table 11: ESG ETF Flows by Categories

Category	AUM (\$M)	AUM (%)	January 2023	
			Flow (\$M)	Flow/AUM
Equity	\$90,316	92%	-\$923	-1.1%
Broad - U.S.	\$47,937	49%	-\$1,120	-2.4%
Broad - DM	\$8,489	9%	-\$87	-1.1%
Broad - EM	\$4,812	5%	\$272	6.5%
Broad - Global	\$4,040	4%	\$7	0.2%
Environment	\$8,269	8%	\$99	1.3%
Clean Energy	\$13,275	13%	-\$152	-1.2%
Social	\$2,573	3%	\$19	0.8%
Other	\$563	1%	\$8	1.5%
Commodities	\$1,009	1%	-\$4	-0.5%
Multi-Asset	\$60	0%	\$3	5.0%
Fixed Income	\$7,166	7%	\$159	2.3%
Total Displayed	\$98,551	100%	-\$766	-0.8%

Source: NBF ETF Research, Bloomberg. Data as of January 31, 2023.

Appendix 1 - Glossary

Exchange Traded Funds (ETFs) are open-ended mutual funds in continuous distribution. This report also includes other Exchange Traded Products such as notes, grantor trusts, limited partnerships and unit investment trusts.

AUM (Assets Under Management): AUM is expressed in local currency, which is the U.S. dollar for the purpose of this report.

Market Share/AUM (%): AUM as % of category total AUM on the last line of the table.

Flow: The net dollar amount of fund creations and redemptions for the period based on daily NAV and the change in Shares Outstanding. Flows are expressed in local currency, which is the U.S. dollar for the purpose of this report.

Maturity: We categorize fixed income ETFs into the following maturity brackets:

- **Broad/Mixed:** ETF that holds issues from across more than one maturity bucket (short, mid and/or long-term).
- **Floating Rate:** ETF that mainly invests in floating rate issues with periodic interest rate resets.
- **Long-Term:** ETF that mainly invests in long-term issues and has a weighted average maturity greater than 10 years.
- **Mid-Term:** ETF that mainly invests in intermediate-term fixed issues and has a weighted average maturity between three and 10 years.
- **Short-Term:** ETF that mainly invests in short-term issues with weighted average maturity less than three years.
- **Target Maturity:** ETF that has a target maturity, such as a fixed date or year.
- **Rate Hedged:** ETF that uses derivatives to mitigate interest rate risk and to maintain a zero or negative portfolio duration.

NAV (Net Asset Value per share): ETF price is used when NAV is not available.

Flow/AUM (Flow as % AUM): Flow as a percentage of assets under management from the beginning of the period.

Defensive Sectors: We classify Consumer non-cyclicals, Energy, Health Care, Utilities as defensive sectors.

Cyclical Sectors: We classify Consumer Cyclical, Financials, Real Estate, Industrials, Information Technology, Materials, Communication Services as cyclical sectors.

All numbers are as of last month's final business day.

Appendix 2 - Equity ETF by Factor Categories

We group Factor Equity ETFs (exclude cap-weighted ETFs, sector ETFs and thematic ETFs) into the categories below. These groupings follow NBF's discretion and can differ from the ETF Provider's definition and classification from other sources.

Small/Mid-Cap: A fund with small/mid-cap focus.

Income: A fund with the primary goal of providing income. We classify a fund as belonging to the Income category when its strategy focuses on providing income or the fund self-identifies as using an income strategy, even though it may incorporate other factors in addition to income.

Value: A fund that invests primarily in the stocks that are considered undervalued using metrics such as price-to-earnings, price-to-book, EV/EBITA, etc.

Growth: A fund that invests primarily in fast-growing stocks using metrics such as earnings growth, sales growth, momentum, etc.

Momentum: A fund that invests primarily in high momentum stocks using metrics such as period returns.

Quality: A fund that invests primarily in high quality stocks using metrics like ROE, debt/equity and earnings growth.

Low Vol or Risk: A fund that aims to achieve reduced portfolio volatility, either by screening for low volatility stocks, low beta stocks and/or minimizing the portfolio volatility.

Other: Any non-cap weighted factor strategy that is not covered by otherwise defined categories. This includes equal-weight, multi-factor, AlphaDEX and other fundamental-based ETFs.

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