**Q2 2023 Commentary**

The Canadian ETF industry experienced a rise of 3.7% over the second quarter with assets capping at $378.5 billion at the end of June 2023. Quarterly net creations tallied at $9.6 billion, a 21.5% decrease from the previous quarter. June was the best-selling month of the quarter, which saw monthly net creations of $4.3 billion. The June 2023 year-to-date net creations added up to $21.9 billion—$3.5 billion above the twelve-month tally of the same period last year.

Equity, the largest ETF category emerged as the best-selling asset class of Q2, tallying $2.7 billion in net creations, of which around three-quarters was amassed in June 2023 attracting $2.0 billion for the month. Looking at sub-asset class composition, emerging markets equity mandates led the way, with net creations tallying $1.5 billion over the quarter, while sector equities followed with $759 million. International equities rounded out the top three with $648 million.

Fixed income was the second-best seller of Q2 2023, attracting $3.4 billion in net creations. Investment grade bond funds were responsible for the lion’s share of net sales, as mix bond funds outsold the broader category with $1.6 billion in quarterly net creations. Corporate and government bond funds finished Q2 with a combined total of $1.9 billion in net creations. Meanwhile, high-yield bond ETFs ended the quarter with $95 million in net redemptions. Money market funds totalled with $2.6 billion in quarterly net creations. Multi-asset class category accounted for a total of $462 million in net creations for Q2 2023.

With reference to ETF sponsors, 26 out of 42 registered positive net creations over Q2 2023, with BlackRock Canada in the lead at $1.9 billion in net inflows. Vanguard Canada accounted for $1.3 billion, while Horizons ETFs brought in $1.1 billion in quarterly net creations. BlackRock Canada sponsored three of the top 10 best-selling ETFs of Q2 2023, all of them being index-tracking mandates.

Looking at product development, Q2 saw 42 ETFs added to the Canadian exchange. In terms of asset class composition, the quarter’s launches favored equities, as 24 funds had equity mandates, while fixed income mandates had nine ETFs. BMO Asset Management was the most prolific fund sponsor, with 8 ETF launches for Q2 2023, while RBC Global Asset Management and CI Investments launched seven and six ETFs, respectively, over the quarter.