**Q3 2023 Commentary**

The Canadian ETF industry experienced a decline of 0.5% over the third quarter with assets totalled $376.6 billion at the end of September 2023. Quarterly net creations totalled at $8.3 billion, a 14.25% decrease from the previous quarter. July was the best-selling month of the quarter, which saw monthly net creations of $3.5 billion. The September 2023 year-to-date net creations added up to $30.2 billion— $6.95 billion above the tally of the same period last year.

Equity, the largest ETF category, tallied $2.1 billion in quarterly net creations, over 62% of these sales were garnered in the first month of the quarter, attracting $1.3 billion in July 2023. Looking at sub-asset class composition, Canadian equity mandates led the way, with net creations tallying $1.4 billion over the quarter, while emerging markets equity followed with $723 million. International equities rounded out the top three with $360 million. The five best-selling sector equity ETFs in Q3 2023 accounted for a combined total of $704 million of positive net creations.

Fixed income, the second-largest ETF category of Q3 2023, attracted $3.0 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 $1.1 billion in quarterly net creations. Corporate and government bond funds finished Q3 with a combined total of $1.6 billion in net creations. Meanwhile, high-yield bond ETFs ended the quarter with $317 million in net creations.

Focusing on ETF sponsors, 25 out of 42 registered positive net creations over Q3 2023, with Vanguard Canada in the lead at $1.6 billion in net inflows. Horizons ETFs accounted for $1.3 billion, while BlackRock Canada brought in $741 million in quarterly net creations, sponsoring the best-selling ETF for the period. BMO Asset Management sponsored three of the top 10 best-selling ETFs of Q3 2023.

Looking at product development, Q3 saw 38 ETFs added to the Canadian exchange. In terms of asset class composition, the quarter’s launches continued favouring equities, as 29 funds had equity mandates, while fixed income mandates had five ETFs. BMO Asset Management was the most prolific fund sponsor, with eight ETF launches for Q3 2023, while Horizons ETFs and Invesco launched six ETFs each, over the quarter.

*Data provided by Investor Economics*