

Canadian ETF Flows: January 2017 Providers Proliferating Amid Broad Inflows

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- **ETFs attracted \$1.7 bln in January of 2017, bringing total assets under management to \$116 bln**
- **Canadian and U.S. equity both had high flows, with some sector shifts out of REITs into financials**
- **Canadian mutual fund company AGF introduced its first ETFs under the “QuantShares” brand**
- **iShares partnered with Dynamic Funds and launched five actively managed ETFs**

Flow by Category: (Table 1)

Canadian ETFs had net inflows of \$1.7 billion in January, spread broadly across most asset classes and categories. Canadian equity saw \$389 mln created, with U.S. not far behind at \$354 mln while international equity was muted. Fixed income flows were \$799 mln on a net basis, with aggregate bonds and prefs the primary beneficiary at the expense of outflows from government bonds.

Flow by Provider: (Table 2)

Top three providers iShares, BMO and Vanguard all had high flows in January, while new products from smaller providers have started to show investor traction. RBC's new launch for actively managed preferred shares (RPF) had \$53 mln in creations. Mackenzie's quantitatively-driven “maximum diversification” index series of products also saw inflow activity, notably to **MXU**, its ETF for the developed world ex-North America which had inflows of \$39 mln. One new provider entered the Canadian marketplace in January: Toronto-based **AGF Investments** introduced seven new ETFs under its new QuantShares brand—four “enhanced core” products for basic asset class exposure for Canadian, U.S., International and Emerging Market Equity, and three multi-asset portfolios employing quantitative risk management and asset or sector allocation methods. **Dynamic Funds** entered the ETF space by partnering with iShares through their launch of five actively managed ETFs: three dividend mandate equity ETFs offering exposure to Canada, U.S. and global markets, one preferred share ETF and one crossover bond ETF. (For details, please see our industry note published on Nov. 23, 2016).

Flow by Product: (Table 3 Next Page)

Flows within the BMO ETF suite showed some rotation from international equity (**ZDM**) and into broad Canadian Equity (**ZCN**). Aggregate bonds also made a strong showing, with about \$200 mln inflows into each of **XBB** (iShares Canadian Universe Bond) and **ZAG** (BMO Aggregate Bond). In terms of sector flows, **XRE** (iShares S&P/TSX Capped REIT) had \$124 mln redeemed in January, while **XFN** (iShares Capped Financials) had \$157 mln created. Preferred shares had notable inflows, in particular **ZPR** (BMO Laddered Pref) and the new actively-managed ETF, RBC Canadian Preferred Share ETF (**RPF**). Although some government bond ETFs were on both the inflow (**XGB**) and outflow (**PGL**, **CLF**) side of the table in January, the category has experienced outflows on a net basis.

Chart 1: Canadian ETF Flows by Month

Source: National Bank Financial, Bloomberg

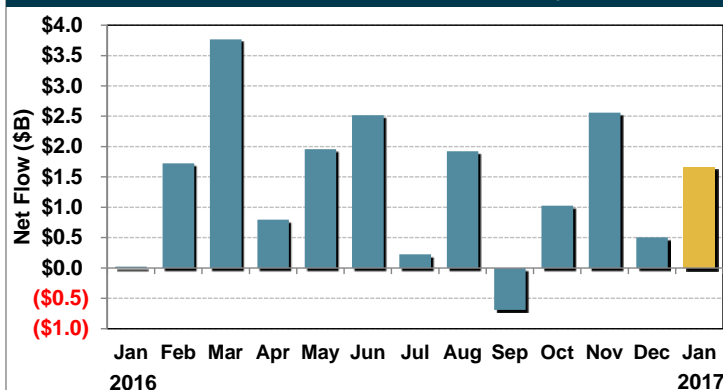


Table 1 - ETF Flows by Category - January 2017

Category	AUM (\$M)	AUM (%)	Flow (\$M)	% Flow
Equity	\$72,589		\$776	1.1%
Canadian Equity	\$36,887	31.9%	\$389	1.1%
U.S. Equity	\$21,840	18.9%	\$354	1.6%
Int'l Equity	\$13,862	12.0%	\$34	0.2%
Fixed Income	\$39,293	34.0%	\$799	2.1%
Commodity	\$644	0.6%	\$14	2.3%
Multi-Asset	\$2,177	1.9%	\$64	3.1%
Levered Long	\$630	0.5%	\$13	1.9%
Inverse	\$394	0.3%	-\$10	-2.5%
Total	\$115,727		\$1,657	1.5%

Source: National Bank Financial, Bloomberg;





















Table 2 - ETF Flows by Provider - January 2017

Provider	AUM (\$M)	AUM (%)	Flow (\$M)	% Flow
1 iShares	\$53,892	46.6%	\$150	0.3%
2 BMO	\$34,922	30.2%	\$787	2.3%
3 Vanguard	\$9,989	8.6%	\$317	3.3%
4 Horizons	\$6,427	5.6%	\$61	1.0%
5 PowerShares	\$3,089	2.7%	-\$40	-1.3%
6 First Asset	\$2,576	2.2%	\$72	2.9%
7 RBC	\$2,377	2.1%	\$140	6.2%
8 Purpose	\$1,322	1.1%	\$52	4.1%
9 First Trust	\$410	0.4%	\$17	4.3%
10 Harvest	\$183	0.2%	\$0	0.0%
11 Mackenzie	\$177	0.2%	\$65	57.2%
12 WisdomTree	\$91	0.1%	\$0	0.0%
13 TDAM	\$61	0.1%	-\$1	-2.4%
14 Lysander	\$50	0.0%	\$5	10.1%
15 Questrade	\$50	0.0%	\$1	2.3%
16 Sphere	\$36	0.0%	\$2	5.9%
17 Hamilton Capital	\$28	0.0%	\$12	72.2%
18 Auspice	\$27	0.0%	\$0	0.0%
19 AGF	\$17	0.0%	\$17	N.A.
Total	\$115,727		\$1,657	1.5%

Source: National Bank Financial, Bloomberg

For required disclosures, please refer to the end of the document.

Table 3: January 2017 Flows

INFLOWS					OUTFLOWS				
Top Single Long ETF Inflows					Top Single Long ETF Outflows				
Ticker	Name	Flow (\$M)	% Flow		Ticker	Name	Flow (\$M)	% Flow	
1	ZCN BMO S&P/TSX Capped Composite Index ETF	\$434	25%		1	ZDM BMO MSCI EAFE Hedged to CAD Index ETF	-\$326	-45%	
2	XBB iShares Canadian Universe Bond Index ETF	\$231	11%		2	XIU iShares S&P/TSX 60 Index ETF	-\$164	-1%	
3	ZAG BMO Aggregate Bond Index ETF	\$201	9%		3	XRE iShares S&P/TSX Capped REIT Index ETF	-\$124	-9%	
4	ZSP BMO S&P 500 Index ETF	\$165	6%		4	ZFM BMO Mid Federal Bond Index ETF	-\$108	-22%	
5	XFN iShares S&P/TSX Capped Financials Index ETF	\$157	14%		5	XSB iShares Canadian Short Term Bond Index ETF	-\$98	-4%	
6	ZPR BMO Laddered Preferred Share Index ETF	\$148	9%		6	XMH iShares S&P US Mid-Cap Index ETF CAD-H	-\$93	-53%	
7	VSC Vanguard Canadian Short-Term Corporate Bond	\$54	5%		7	PGL PowerShares Ultra Liquid LT Government Bond	-\$83	-18%	
8	XGB iShares Canadian Government Bond Index ETF	\$54	14%		8	ZLB BMO Low Volatility Canadian Equity ETF	-\$77	-6%	
9	RPF RBC Canadian Preferred Share ETF	\$53	36%		9	ZDY BMO US Dividend ETF	-\$75	-6%	
10	XWD iShares MSCI World Index ETF	\$52	13%		10	CLF iShares 1-5 Year Laddered Government Bond	-\$56	-6%	

Source: National Bank Financial, Bloomberg

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