



# ScotiaRED

## ETF EDGE

## YOUR CANADIAN ETF SNAPSHOT: WEEK ENDING FEBRUARY 24

### Notable Weekly Market News

- The [Investment Funds Institute of Canada \(IFIC\)](#) announced [January's net flows and assets](#) for investment funds: mutual funds and ETFs. Despite a strong rally to start 2023, both mutual funds and ETFs suffered outflows last month. Mutual funds saw C\$-477M outflows – a huge improvement from December (C\$-8.7B) but drastically lower YoY (+C\$7.2B Jan '22). January marks the 10<sup>th</sup> consecutive month of redemptions for MFs. After recording the largest monthly inflow of 2022 in December, ETFs saw exits of C\$-491M last month. The last time ETFs saw net monthly outflows was June 2022. Refer to the [stats here](#) for more detail.
- The US Securities and Exchange Commission [proposed](#) in November to overhaul how shares of mutual funds are priced – comment letters from [the biggest US asset managers show fierce opposition](#). The main regulatory change the SEC is pushing for is the introduction of a “swing pricing” mechanism for mutual fund shares – this price adjustment aims to protect the fund’s investors from bearing the costs when others enter or exit. Still, players like BlackRock, Charles Schwab, Fidelity, and Morgan Stanley are pushing back on this change, saying it would “impose unnecessary new burdens, reduce transparency to investors, increase costs and ultimately do little to protect long-term shareholders”. We believe this result could continue pushing retail ETF usage higher.
- **Relevant Global Flows:**
  - Last week, investors [rotated out of equities and corporate bonds into government bond ETFs](#), likely in search of safety as the macro backdrop remains uncertain. Credit ETFs were ditched irrespective of rating as **LQD** (IG) and **JNK** (HY) posted deep outflows last week – with both seeing more than US\$1B in exits. In turn, investors are favouring Treasury ETFs, adding ~US\$2B to the ultra-short and long ends of the curve.

### New ETF Products

New ETF Preliminary Filings			
Date Filed	Fund Manager	ETF	Investment Objective
No new ETF preliminary filings last week			
New ETF Approvals			
Date Approved	Fund Manager	ETF	Investment Objective
February 23, 2023	TD Asset Management	TD Active US Enhanced Dividend CAD Hedged ETF (TUEX) <ul style="list-style-type: none"> <li>• <a href="#">Prospectus</a></li> </ul>	Seeks to earn income and generate moderate capital growth by investing primarily in, or gaining

	Inc.	<ul style="list-style-type: none"> <li>• <a href="#">Fact Sheet</a></li> </ul>	exposure to, dividend-paying equity securities of issuers located in the United States, hedged to the Canadian dollar
February 23, 2023	TD Asset Management Inc.	TD Canadian Bank Dividend Index ETF (TBNK) <ul style="list-style-type: none"> <li>• <a href="#">Prospectus</a></li> <li>• <a href="#">Fact Sheet</a></li> </ul>	Seeks to track the performance of the Solactive Canadian Bank Dividend Index (CA GTR), which uses a rules-based weighting methodology that ranks the constituent issuers based on dividend growth and puts more weight in the issuers with higher dividend growth
February 23, 2023	TD Asset Management Inc.	TD Global Technology Leaders CAD Hedged Index ETF (TECX) <ul style="list-style-type: none"> <li>• <a href="#">Prospectus</a></li> <li>• <a href="#">Fact Sheet</a></li> </ul>	Seeks to track the performance of the Solactive Global Technology Leaders Hedged to CAD Index (CA NTR)

### New ETF Launches

Date Launched	Fund Manager	ETF	Investment Objective
February 21, 2023	CI Investments Inc.	CI Utilities Giants Covered Call ETF (CUTL/CUTL.B) <ul style="list-style-type: none"> <li>• <a href="#">Prospectus</a></li> <li>• <a href="#">Fact Sheet</a></li> </ul>	Seeks to provide Unitholders with (i) regular cash distributions, (ii) the opportunity for capital appreciation by investing on an equal weight basis in a portfolio of equity securities of at least the 20 largest utility companies measured by market capitalization listed on a North American stock exchange, and (iii) lower overall volatility of returns on the portfolio than would be experienced by owning a portfolio of securities of such issuers directly
February 23, 2023	Invesco Canada Ltd.	Invesco S&P/TSX Canadian Dividend Aristocrats ESG Index ETF (ICAE) <ul style="list-style-type: none"> <li>• <a href="#">Prospectus</a></li> <li>• <a href="#">Fact Sheet</a></li> </ul>	Seeks to replicate the performance of the S&P/TSX Canadian ESG Dividend Aristocrats FMC Weighted Index
February 23, 2023	Invesco Canada Ltd.	Invesco S&P International Developed Dividend Aristocrats ESG Index ETF (IIAE/IIAE.F) <ul style="list-style-type: none"> <li>• <a href="#">Prospectus</a></li> <li>• <a href="#">Fact Sheet</a></li> </ul>	Seeks to replicate the performance of the S&P International Developed Ex-North America & Korea ESG Dividend Aristocrats FMC Weighted Index
February 23, 2023	Invesco Canada Ltd.	Invesco S&P US Dividend Aristocrats ESG Index ETF (IUAE/IUAE.F) <ul style="list-style-type: none"> <li>• <a href="#">Prospectus</a></li> </ul>	Seeks to replicate the performance of the S&P ESG High Yield Dividend Aristocrats FMC Weighted Index

## Last Week's Summary

- Canadian ETF AuM dropped last week to C\$355B (+5% YoY).
  - Canadian ETF volumes jumped slightly vs. the previous week – investors traded C\$11.5B last week.
  - Weekly ETF volumes as % of TSX total volume rose significantly to 11.5%, surpassing the 2022 average (11.1%) (2<sup>nd</sup> chart below).
- Weekly flows (C\$1,423.4M/+0.4%) remained strong last week despite a shortened week and far softer equity flows. (1<sup>st</sup> chart below).
  - **Weekly fixed income flows (C\$915.1M/+1.1% of AuM) outpaced cash flows (C\$262.6M/+1.5% of AuM) ...**
  - **...while weekly specialty/alternative flows (C\$-5.1M/-0.2% of AuM) led outflows, even if these were nearly flat.**
- Equity investors **bought blend** (C\$1,262.5M/+0.9% of AuM) and **sold growth** (C\$1,036.6M/-1.9% of AuM).
  - **Sector-wise: financials** (C\$491.3M/+3.9% of AuM) largely led sector inflows, followed by **energy** (C\$96.6M/+2.4% of AuM) and **health care** (C\$53.4M/+1.8% of AuM).
- Fixed income investors bought **corporate** (C\$571.2M/+2.5% of AuM) and **universe** (C\$196.4M/+0.5% of AuM) bond ETF strategies. Investors largely bought **high-yield-rated** bond ETFs (C\$517.3M/+8.2% of AuM). Investors favoured **mid maturities** (C\$643.3M/+4.7% of AuM).
  - **Cash-like and money market ETFs keep attracting inflows (C\$264.3M/+1.6% of AUM).**
- **Commodity ETFs** saw inflows after a small break last week, powered by energy and gold ETFs.
  - Investors bought **natural gas** (C\$10.3M) and **crude oil** (C\$8.5M) ETFs.
- Weekly **cryptocurrency** flows (C\$-4.1M/-0.2% of AuM) were negative for a third week in a row.
  - **Ether** led selling (C\$-7.8M), while **bitcoin** ETFs took in minimal inflows (C\$3.8M).
- Weekly flows into **active strategies** (C\$192.5M/+0.2% of AuM) slowed down significantly last week.
  - Investors bought into most active strategies, except factor/multi-factor (C\$-108.1M).
- AUM of **ESG-focused ETFs** dropped to C\$10.8B, as sustainable funds continue seeing inflows.
  - Concentration in the space is overlooked: 5 ESG ETFs were launched last week (142 total)... 90% of ESG inflows were directed to only one existing ETF (**NSCB**).
- Hamilton Capital (C\$48.2M/+2.2% of AuM) and BMO GAM (C\$1,357.2M/+1.5% of AuM) gathered the most assets (as % of AuM) among issuers.
  - Last week, Canadian Banks (**BMO's ZEB**) and EAFE equities (**BMO's ZEA**) topped individual inflows, as broad Canadian equities were sold (**XIU, HXT**).

## Canadian ETF Weekly Snapshot

**43**

**ETF Providers**  
(+2% YoY)

**132**

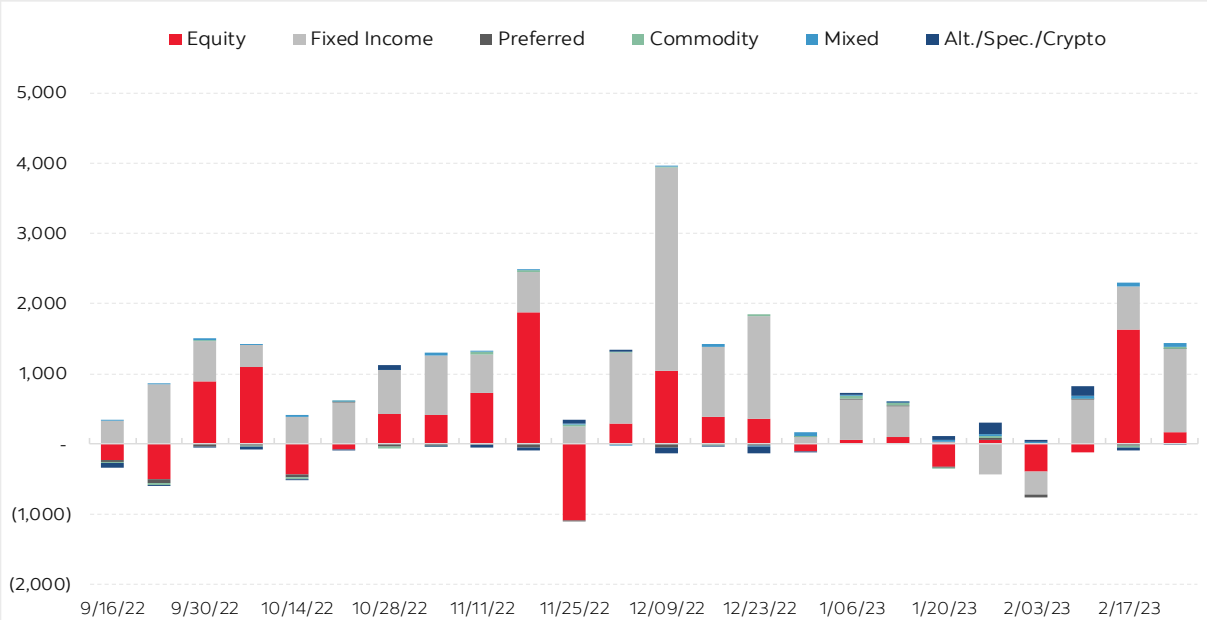
**ETFs**  
(+12% YoY)

**\$355B**

**CAD AUM**  
(+5% YoY)

**\$11.5B**

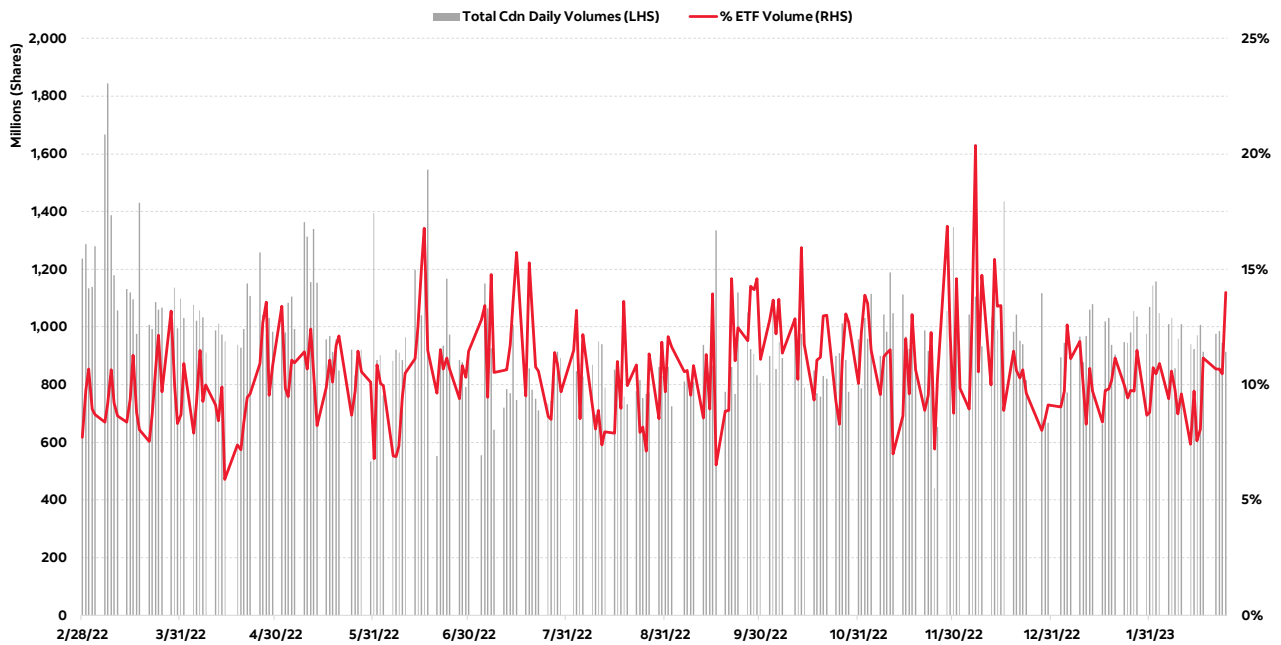
**Traded**  
(Last Week)



Source: Scotiabank ETF Services Estimates, Bloomberg Finance L.P.

Data is specific to Canadian-listed ETFs only

## ETFs as % of Canadian Exchange Daily Volumes



Source: Scotiabank ETF Services Estimates, Bloomberg Finance L.P.

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Sources: Scotiabank GBM estimates and Bloomberg Finance LP.

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