

Canadian ETF Industry Report: March 2019

The industry recovered from a tumultuous year end, finishing the first quarter of 2019 with assets under management of \$172.7 billion.

RBC iShares introduced their first suite of ETFs since they announced a strategic alliance earlier this year. The offering provides equity or fixed income exposure to environmental, social and governance (ESG) investments. Socially responsible investment has been taking off as investors become more socially conscious.

The ESG equity ETFs seek to track MSCI ESG Focus Indices. The indices are designed to target companies with positive environmental, social and governance (ESG) characteristics while closely representing the risk and return profile of the MSCI Canada Investable Market Index, the MSCI USA Index, the MSCI EAFE Index or the MSCI Emerging Markets Index, respectively.

The ESG fixed income ETFs seek to replicate Bloomberg Barclays MSCI ESG Fixed Income Indices, designed to reflect the performance of Canadian investment-grade bonds, emphasizing bonds from issuers generally evaluated for favourable ESG practices, while exhibiting risk and return characteristics similar to those of the Bloomberg Barclays Canada Aggregate Bond Index or the Bloomberg Barclays 1-5 Year Canada Aggregate Bond Index, respectively.

Equium Capital exited the industry by closing its only ETF, the Equium Global Tactical Allocation Fund ETF Series ("ETAC"). The ETF struggled to attract sufficient assets since it was introduced back in November 2017 with AUM under \$15 million. In an investment commentary, Equium Capital attributed the termination to "intensifying competition in the ETF market".

Competition is indeed fierce in the market. ETF product line-up almost doubled, and the number of ETF providers tripled in the past five years. The arrival of the remaining biggest banks, Scotiabank and CIBC, and their massive distribution network exacerbate rivalry. More ETF terminations are expected with a few ETF providers exiting the industry this year.

MARCH ETF LAUNCHES AND TERMINATIONS:

LAUNCHES

TICKER	NAME	ASSET CLASS	MGT. FEE	EXCHANGE
XESG	iShares ESG MSCI Canada Index ETF	Equity	0.20%	TSX
XSUS	iShares ESG MSCI USA Index ETF	Equity	0.25%	TSX
XSEA	iShares ESG MSCI EAFE Index ETF	Equity	0.30%	TSX
XSEM	iShares ESG MSCI Emerging Markets Index ETF	Equity	0.35%	TSX
XSAB	iShares ESG Canadian Aggregate Bond Index ETF	Fixed Income	0.18%	TSX
XSTB	iShares ESG Canadian Short Term Bond Index ETF	Fixed Income	0.18%	TSX

TERMINATIONS

TICKER	NAME	ASSET CLASS	DATE	AUM	MGT. FEE
ETAC	Equium Global Tactical Allocation Fund	Multi-Asset	2019-03-29	\$2.06 M	0.95%
REEM	RBC Emerging Markets Equity Index ETF	Equity	2019-04-05	\$25.4 M	0.25%
RQG	RBC Target 2019 Corporate Bond Index ETF	Fixed Income	2019-11-15	\$31.66 M	0.20%

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