

Canadian ETF Industry Report: September 2018

Four asset managers entered the Canadian ETF Industry this month: Fidelity Investments Canada ULC, Coin Capital Investment Management Inc., Starlight Capital and First Block Capital Inc.

Fidelity's first suite of ETFs consist of six dividend factor ETFs, covering the Canadian, US and International market. The ETFs seek to replicate Fidelity's in-house indices that are based on three dividend factors: dividend yield, payout ratio and dividend growth for FCCD, FCUD, FCUH and FCID. A fourth factor, correlation to 10-year U.S. Treasury yields, is considered for FCRR and FCRH.

Starlight Capital is a subsidiary of Starlight Investments, an asset management company specialized in real estate investment with over 150 real estate professionals managing over \$9-billion of capital. The firm brings its real estate expertise to the ETF market with the launch of Starlight Global Real Estate Fund ("**SCGR**") and Starlight Global Infrastructure Fund ("**SCGI**").

Two blockchain ETFs were introduced to the Canadian ETF product line-up this month, now at six blockchain ETFs. It has been one of the most prominent themes in the investment industry this year but blockchain ETFs in Canada have not been as successful as expected, the largest one attracted only \$10.8-million in AUM.

First Block Capital entered the ETF industry with the FBC Digital Ledger Technology Adopters ETF ("**FBCN**"). The ETF may invest up to 25% of its net assets in companies actively involved in blockchain. The remaining will be invested in blue-chip companies that are using Distributed Ledger Technology in their business lines to improve their operations.

Coinsquare, Canada's premier cryptocurrency trading platform, launched its first ETFs through a subsidiary, Coin Capital Investment Management Inc. Coin Capital focuses on emerging technologies including blockchain, artificial intelligence and cryptocurrencies. The Coincapital STOXX Blockchain Patents Innovation Index Fund ("**LDGR**") seeks to replicate, to the extent possible, the performance of the iSTOXX® Yewno Developed Markets Blockchain Index. The Coincapital STOXX B.R.AI.N. Index Fund ("**THNK**") invests in companies that are exposed to four technology-oriented themes: Biotechnology, Robotics, Artificial Intelligence and Nanotechnology. Its underlying index is the iSTOXX Developed Markets B.R.AI.N. Index.

SEPTEMBER ETF LAUNCHES AND TERMINATIONS:

LAUNCHES

TICKER	NAME	ASSET CLASS	MGT. FEE	EXCHANGE
FCCD	Fidelity Canadian High Dividend Index ETF	Equity	0.35%	TSX
FCRR	Fidelity U.S. Dividend for Rising Rates Index ETF	Equity	0.35%	TSX
FCRH	Fidelity U.S. Dividend for Rising Rates Currency Neutral Index ETF	Equity	0.38%	TSX
FCUD	Fidelity U.S. High Dividend Index ETF	Equity	0.35%	TSX
FCUH	Fidelity U.S. High Dividend Currency Neutral Index ETF	Equity	0.38%	TSX
FCID	Fidelity International High Dividend Index ETF	Equity	0.45%	TSX
HCB	Hamilton Capital Canadian Bank Dynamic-Weight ETF	Equity	0.55%	TSX
EQE	Invesco S&P Europe 350 Equal Weight Index ETF	Equity	0.30%	NEO
EQE.F	Invesco S&P Europe 350 Equal Weight Index ETF	Equity	0.30%	NEO
DRFC	Desjardins RI Canada Multifactor - Low CO ₂ ETF	Equity	0.50%	TSX
DRFU	Desjardins RI USA Multifactor - Low CO ₂ ETF	Equity	0.50%	TSX
DRFD	Desjardins RI Developed ex-USA ex-Canada Multifactor - Low CO ₂ ETF	Equity	0.60%	TSX
DRMC	Desjardins RI Canada - Low CO ₂ Index ETF	Equity	0.25%	TSX
DRMU	Desjardins RI USA - Low CO ₂ Index ETF	Equity	0.25%	TSX
DRCU	Desjardins RI Active Canadian Bond - Low CO ₂ ETF	Fixed Income	0.35%	TSX
LDGR	Coincapital STOXX Blockchain Patents Innovation Index Fund	Equity	0.64%	TSX
THNK	Coincapital STOXX B.R.AI.N. Index Fund	Equity	0.64%	TSX
SCGR	Starlight Global Real Estate Fund	Equity	0.90%	NEO
SCGI	Starlight Global Infrastructure Fund	Equity	0.90%	NEO
PMIF.U	PIMCO Monthly Income Fund (US\$)	Fixed Income	0.75%	TSX
FBCN	FBC Distributed Ledger Technology Adopters ETF	Equity	0.65%	NEO
ONEB	ONE North American Core Plus Bond ETF	Fixed Income	0.55%	TSX

TERMINATIONS

TICKER	NAME	ASSET CLASS	DATE	AUM	MGT. FEE
FCY	First Asset Cambridge Core U.S. Equity ETF	Equity	2018-12-03	\$2.482 M	0.70%
FCY.B	First Asset Cambridge Core U.S. Equity ETF	Equity	2018-12-03	\$2.509 M	0.70%
FCW	First Asset Cambridge Global Dividend ETF	Equity	2018-12-03	\$2.041 M	0.70%
FCW.B	First Asset Cambridge Global Dividend ETF	Equity	2018-12-03	\$7.357 M	0.70%

Desjardins issued a suite of ESG (Environmental, Social and Governance) ETFs: three Desjardins Multifactor Low CO₂ ETFs, two Desjardins Cap-Weighted Low CO₂ ETFs and an active low CO₂ Fixed Income ETF.

Securities selected for inclusion in a Desjardins Multifactor Low CO₂ ETF's portfolio will have investment characteristics that aggregate six factors: size, valuation, volatility, momentum, profitability and investment, constructed in a manner designed to outperform the cap-weighted Index of the applicable Scientific Beta universe over the long term and controlling geographic and sector exposures to mitigate relative country and sector risk, while taking into account carbon risk exposure by aiming to significantly reduce the weighted average carbon intensity level of each Desjardins Multifactor Low CO₂ ETF's portfolio relative to the applicable cap-weighted Index and ensuring that all Constituent Issuers meet Pre-Determined ESG Standards.

Securities selected for inclusion in a Desjardins Cap-Weighted Low CO₂ ETF's portfolio will consist of large and mid-cap companies selected from the applicable Scientific Beta universe, constructed in a manner designed to generally exclude companies with the highest carbon intensities subject to sector protection rules and companies that fail to meet Pre-Determined ESG Standards.

The Desjardins RI Active Canadian Bond – Low CO₂ ETF will actively invest primarily in debt securities issued by Canadian governments, government agencies and corporations that meet certain ESG criteria, aiming to reduce the investment carbon intensity of the overall portfolio.

FEE REDUCTION

TICKER	NAME	PREVIOUS MGT. FEE	NEW MGT. FEE
MKB	Mackenzie Core Plus Canadian Fixed Income ETF	0.55%	0.40%
MFT	Mackenzie Floating Rate Income ETF	0.65%	0.60%
MHYB	Mackenzie Global High Yield Fixed Income ETF	0.65%	0.60%
MUB	Mackenzie Unconstrained Bond ETF	0.55%	0.50%
MCSB	Mackenzie Canadian Short Term Fixed Income ETF	0.49%	0.35%
MWMN	Mackenzie Global Leadership Impact ETF	0.60%	0.55%
MIVG	Mackenzie Ivy Global Equity ETF	0.85%	0.75%
MPCF	Mackenzie Portfolio Completion ETF	0.60%	0.45%
MKC	Mackenzie Maximum Diversification Canada Index ETF	0.60%	0.45%
MUS	Mackenzie Maximum Diversification US Index ETF	0.60%	0.45%
MEU	Mackenzie Maximum Diversification Developed Europe Index ETF	0.60%	0.50%
MWD	Mackenzie Maximum Diversification All World Developed Index ETF	0.60%	0.50%
	Mackenzie Maximum Diversification All World Developed ex North	0.60%	0.50%
MXU	American Index ETF		
MEE	Mackenzie Maximum Diversification Emerging Markets Index ETF	0.60%	0.50%
TDB	TD Canadian Aggregate Bond Index ETF	0.10%	0.08%
TTP	TD Canadian Equity Index ETF	0.07%	0.05%
TPU	TD S&P 500 Index ETF	0.10%	0.08%
THU	TD S&P 500 CAD Hedged Index ETF	0.10%	0.08%

Competition intensifies as ETF sponsors continue to lower fees. On October 12, Mackenzie strengthened its pricing commitment by reducing the management fees of 14 ETFs by up to 15 bps.

Some ETF sponsors are looking into index fees as a way to cut cost. TD Asset Management announced that it is switching the index provider of its ETF to Solactive AG. Consequent to the change, TD will reduce the management fees of TDB, TTP, TPU and THU by 2 bps each, effective on or about November 20. In 2016 and 2017, BMO adopted a similar strategy by replacing S&P with Solactive indices for its equal weight sector ETFs.

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