

## Canadian ETF Industry report: February 2018

The Canadian ETF industry is not slowing down despite market uncertainty. The industry welcomes its 28<sup>th</sup> issuer, Bristol Gate Capital Partners Inc., while another asset manager files a preliminary prospectus to enter the ETF space.

Bristol Gate introduced two actively-managed dividend growers ETFs: Bristol Gate Concentrated Canadian Equity ETF (“**BGC**”) and Bristol Gate Concentrated US Equity ETF (“**BGU**”). The ETFs typically invest in dividend-paying securities selected primarily from the S&P/TSX Composite Index for BGC and from the S&P 500 Index for BGU of six or more different sectors.

An additional active manager is set to join the Canadian ETF Industry this year. Brompton Funds, an experienced investment fund manager with approximately \$2-billion in assets under management, has filed a preliminary prospectus to launch its first suite of ETFs. Brompton intends to launch two actively-managed sector ETFs, covering the healthcare and technology industry. The move arises as sector and thematic ETFs gain popularity among investors.

As new market players enter the industry, competition among ETF providers intensifies. During the month, Vanguard lowered the management fee on one of its largest fixed income ETFs, the Vanguard Canadian Aggregate Bond Index ETF (“**VAB**”), by 4 basis points. The new fee of 0.08% makes VAB the cheapest fixed income ETF in terms of management fee in Canada. Similar broad Canadian investment-grade fixed income ETFs such as the BMO Aggregate Bond Index ETF (“**ZAG**”), the TD Canadian Aggregate Bond Index ETF (“**TDB**”) and the recently launched Mackenzie Canadian Aggregate Bond Index ETF (“**QBB**”) charge 0.09%, 0.10% and 0.09%, respectively.

Vanguard is dedicated to low-cost investing and client focus. Since 2012, the asset-weighted management expense ratios (MERs) for Vanguard ETFs have declined by almost half, from 0.27% to 0.15%, compared to the overall ETF asset-weighted industry average of 0.37%.<sup>1</sup> In late February, it introduced its first actively-managed and low cost mutual funds in Canada.

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<sup>1</sup> Source: Vanguard Investments Canada Inc.

## FEBRUARY ETF LAUNCHES:

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TICKER	NAME	ASSET CLASS	MGT. FEE	EXCHANGE
HEUR	Harvest European Leaders Income ETF	Equity	0.75%	TSX
BGC	Bristol Gate Concentrated Canadian Equity ETF	Equity	0.70%	TSX
BGU	Bristol Gate Concentrated US Equity ETF	Equity	0.70%	TSX
BGU.U	Bristol Gate Concentrated US Equity ETF	Equity	0.70%	TSX
LINK	Evolve Blockchain ETF	Equity	0.75%	TSX
SEED	Evolve Marijuana ETF	Equity	0.75%	TSX
HMJR	Horizons Emerging Marijuana Growers Index ETF	Equity	0.85%	NEO
PGB	PowerShares 1-5 Year Laddered All Government Bond Index ETF	Fixed Income	0.15%	NEO
QEF	AGFiQ Enhanced Global ESG Factors ETF	Equity	0.45%	NEO
QIF	AGFiQ Enhanced Global Infrastructure ETF	Equity	0.45%	NEO
PCF	Redwood Energy Credit Fund	Fixed Income	0.70%	NEO
PCF.U	Redwood Energy Credit Fund	Fixed Income	0.70%	NEO

Aequitas NEO Exchange is becoming a key listing venue for ETFs, attracting five additional ETFs (6 listings) this month to its exchange. Last year, NEO exchange appealed to some of the biggest names such as BlackRock, BMO and RBC. An increasing number of providers are choosing to deviate from the TSX and list their ETFs on the new exchange. Approximately 40 ETFs from 8 different issuers are currently listed on NEO exchange.

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