

## Listed Learnings Webinar Series

# Are Active ETFs about to BOOM ?

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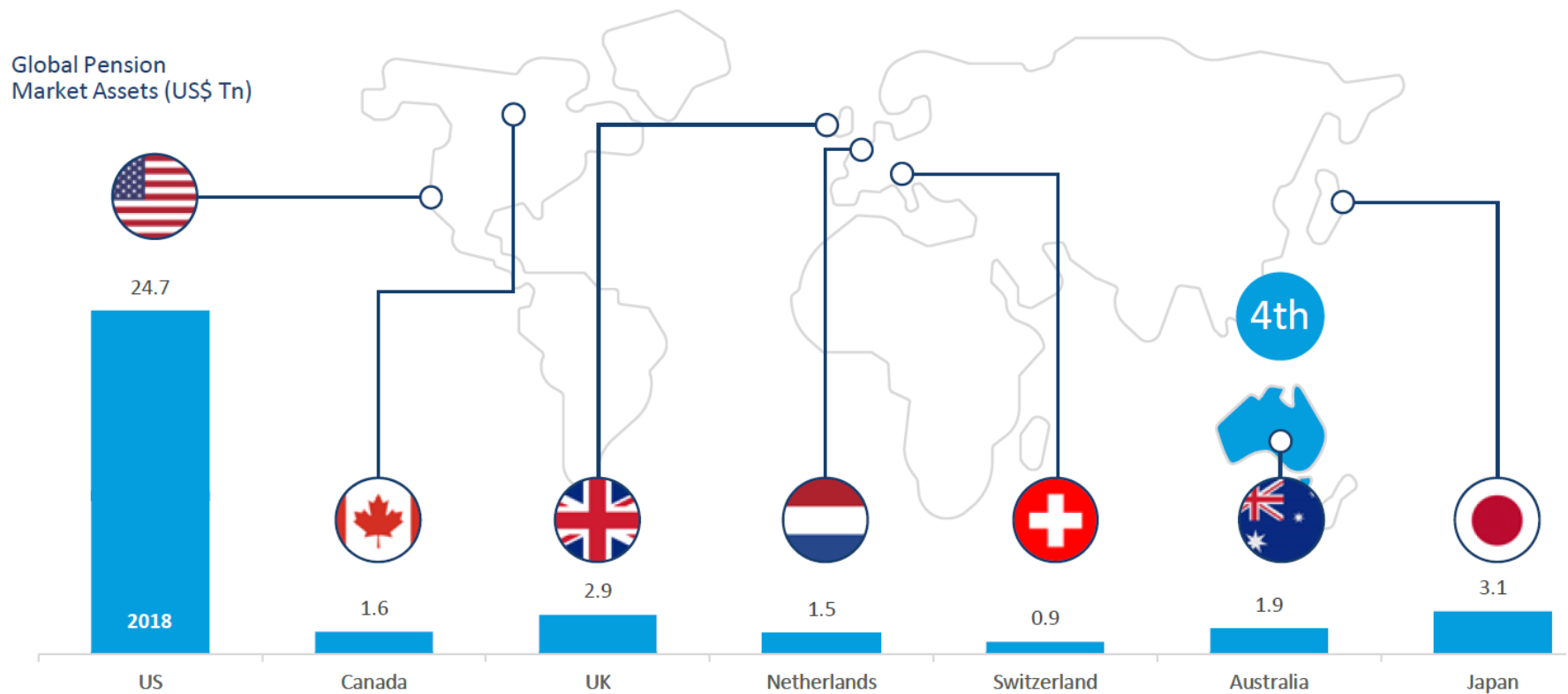
**TD Securities**



June 2020

# Three of the Top 5 savings markets globally

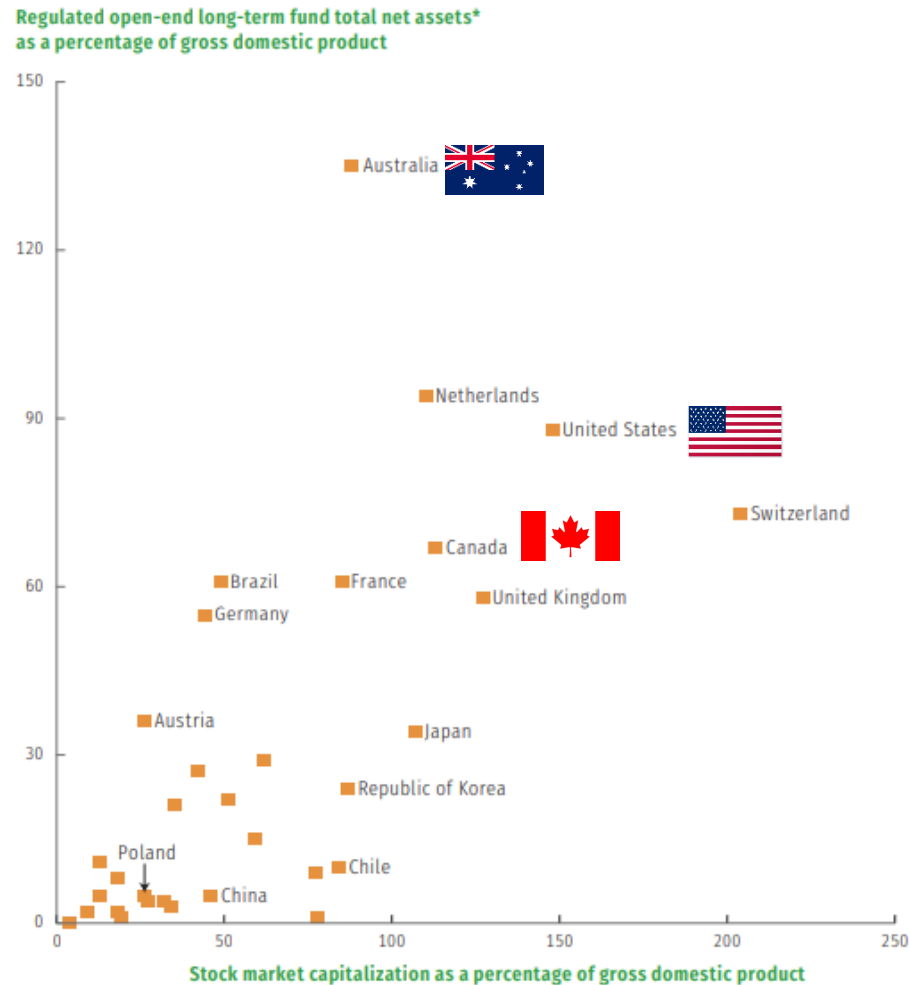
Australia is home to one of the world's largest pools of capital



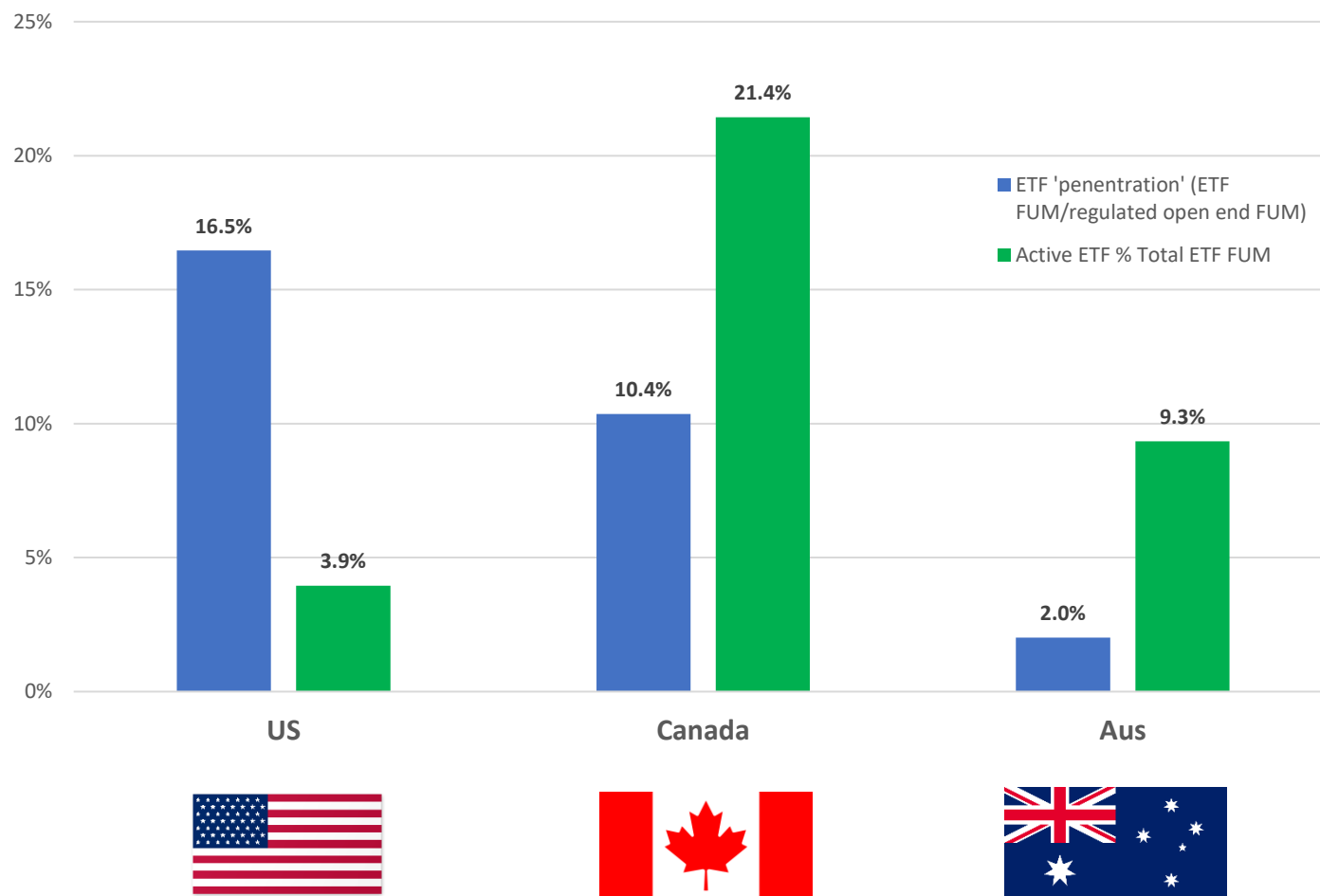
Source: Willis Towers Watson Global Pension Assets Study 2019.

<sup>a</sup>Deloitte Australian Superannuation Sector. USD/AUD exchange rate as at 31 December 2018.

# Countries with more developed equity markets tend to have more developed fund industries



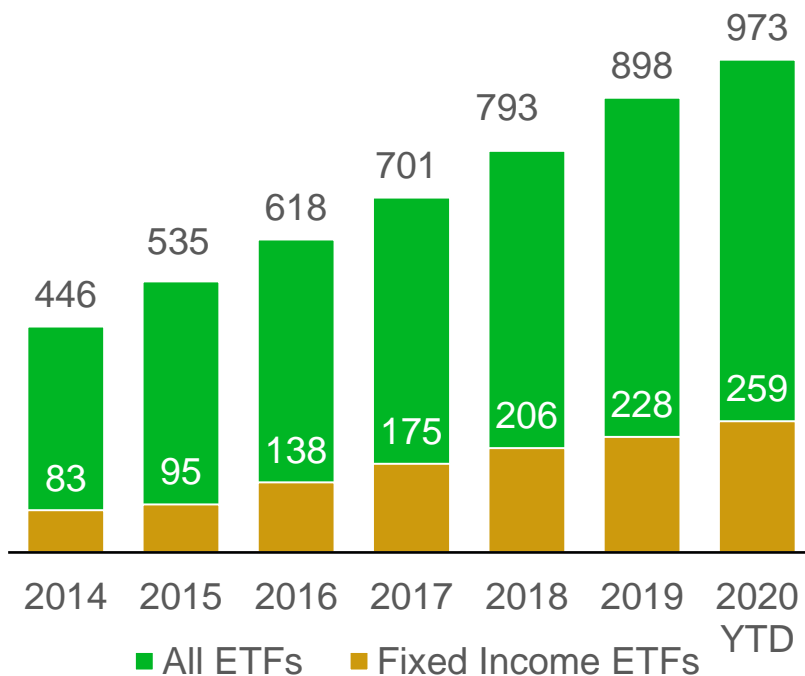
# Different stages of ETF evolution



# Canadian ETF Industry Growth

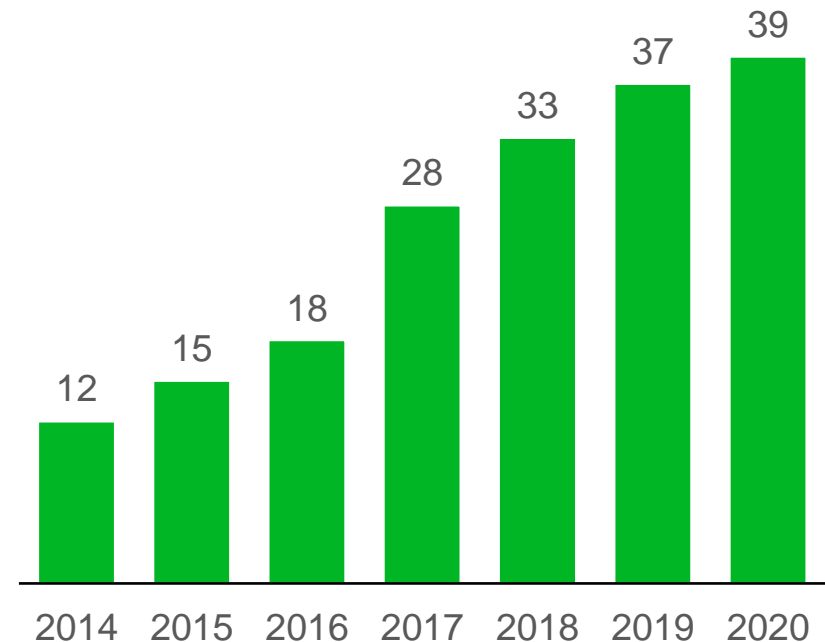


## Number of Canadian ETFs



14.5% 5 Year # ETFs CAGR

## Number of Canadian ETF Providers

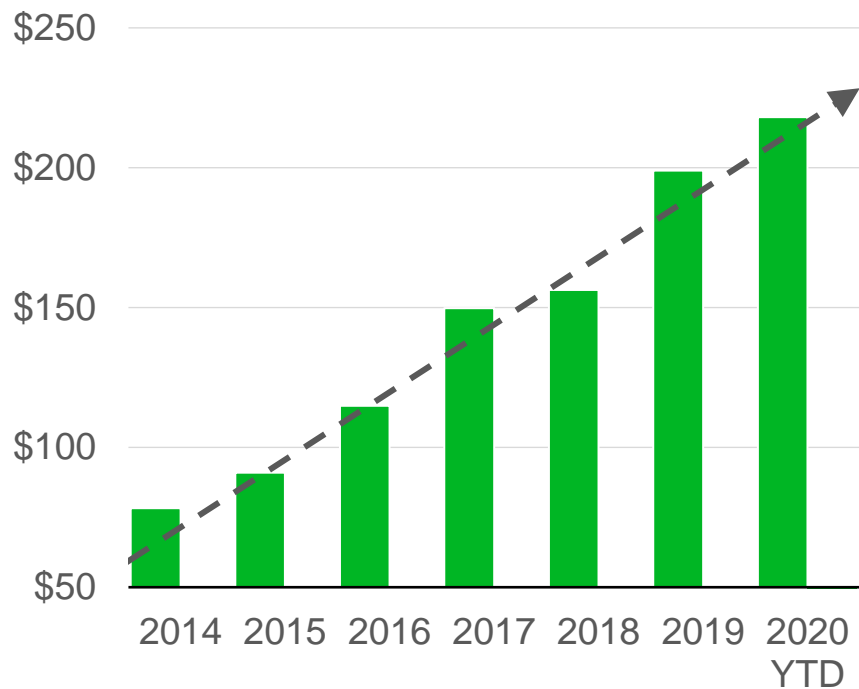


Multiple Consolidations Since 2017

# Canadian ETFs – Role of Active Manager

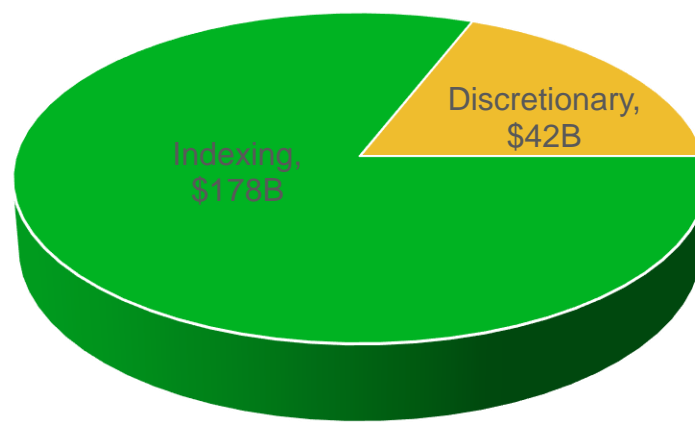


Total Canadian ETF AUM (\$B)



Canadian ETF AUM Currently At \$218B

Canadian AUM (\$B) by Strategy



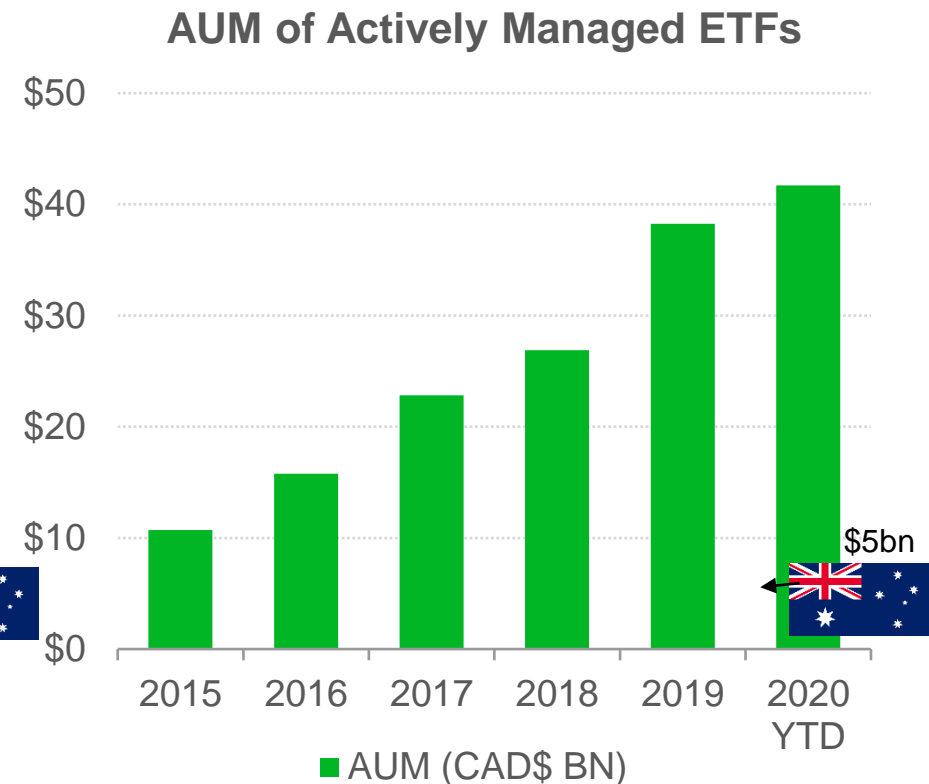
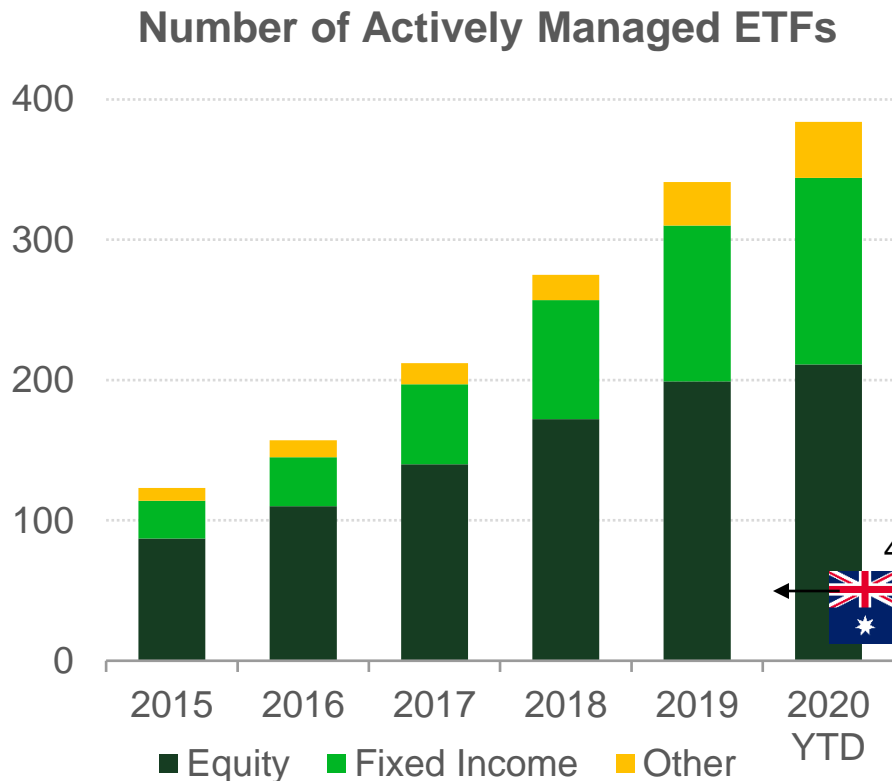
Actively Managed ETFs are ~20% of the Overall Canadian ETF Industry

# Disclosure Rules in Canada



- **Local Regulators Clarify Disclosure Rules Late 2016**
  - Allows for non-disclosure to investors and/or APs
- **30% of Canadian Listed ETFs are Non-transparent**
- **Varying Degrees of Disclosure:**
  - Fully Transparent: Provides daily disclosure to all APs and public.
  - Partial Disclosure: Provides daily disclosure to all APs, and quarterly disclosure to the public.
  - Selective Disclosure: Only provides daily disclosure to the DB, and quarterly disclosure to the public and other willing APs.
  - Fully Non-transparent: No daily disclosure to APs or investors. Only quarterly.

# Evolution of Actively Managed ETFs

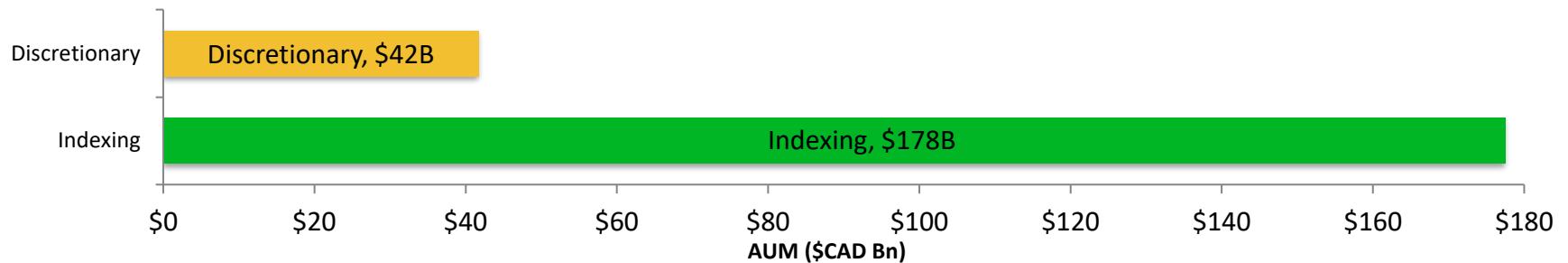


Steady Growth of Actively Managed ETF Launches

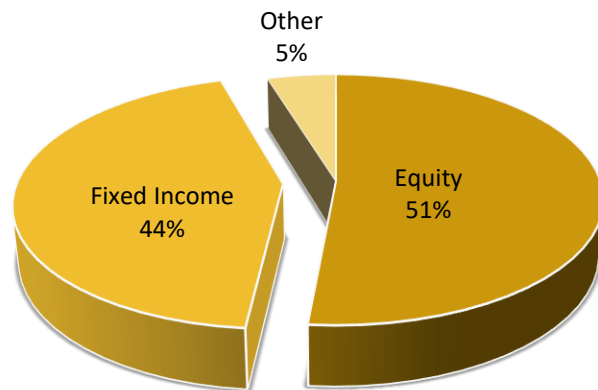
AUM CAGR of 38% Over the Past Five Years (vs indexed ETFs 5-year CAGR of 19%).



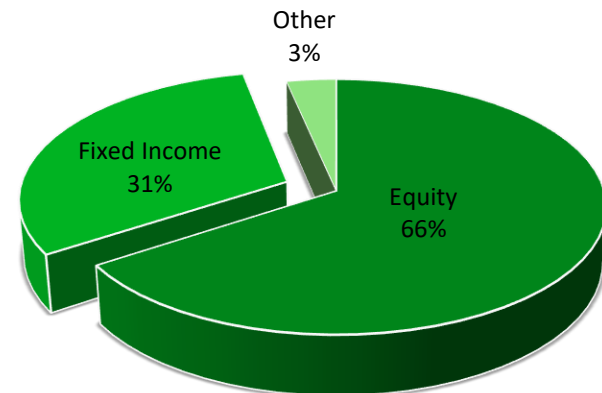
# Active ETFs – Asset Class Breakdown



Discretionary by Asset Class



Indexing by Asset Class



Fixed Income ETFs Make up 33% of Total ETF Assets. Account for 44% of Actively Managed AUM

# Active ETFs – Where is the Growth?



## ■ Active Fixed Income

- Global Fixed Income
- Preferred Shares

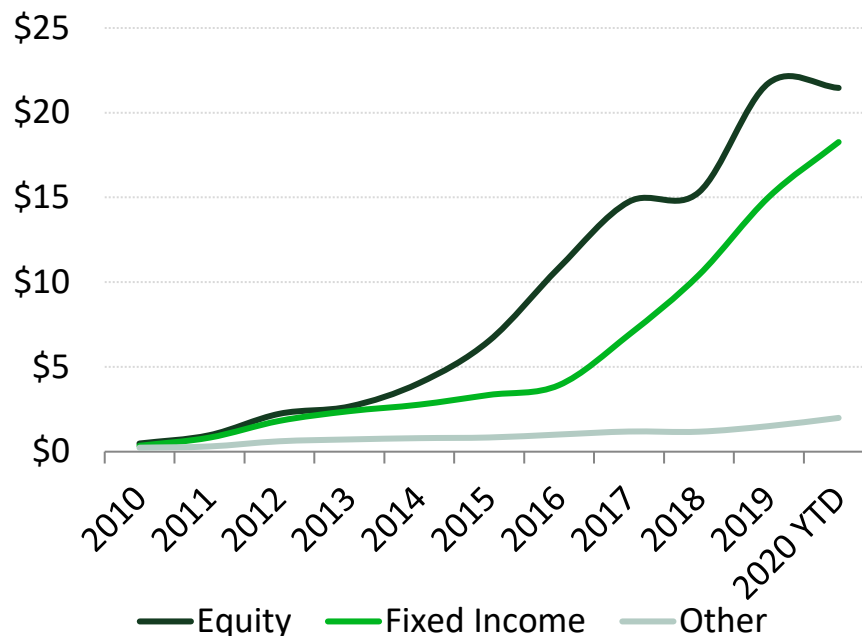
## ■ Active Equity

- Fundamental Funds

## ■ Other:

- Asset Allocation ETFs
- Liquid Alternative ETFs
- Real Asset/Infrastructure ETFs

Active ETF Growth by Asset Class



Actively-managed Fixed Income ETFs Have Driven Much of the Growth. Mixed for Equities

# Active ETFs – The Canuck Experience



## ■ Who is Buying?

- Advisors the main buyers
- Direct Investing catching on. Longer awareness curve.
- Institutional buying more selective. Addressing gaps in expertise.

## ■ Fees

- Active ETFs are the only ETF subset seeing a rise in average fees.
- New funds generally priced lower to mutual fund equivalent.
- ETF classes of an exiting fund generally priced in line with mutual fund.

## ■ Trading Environment

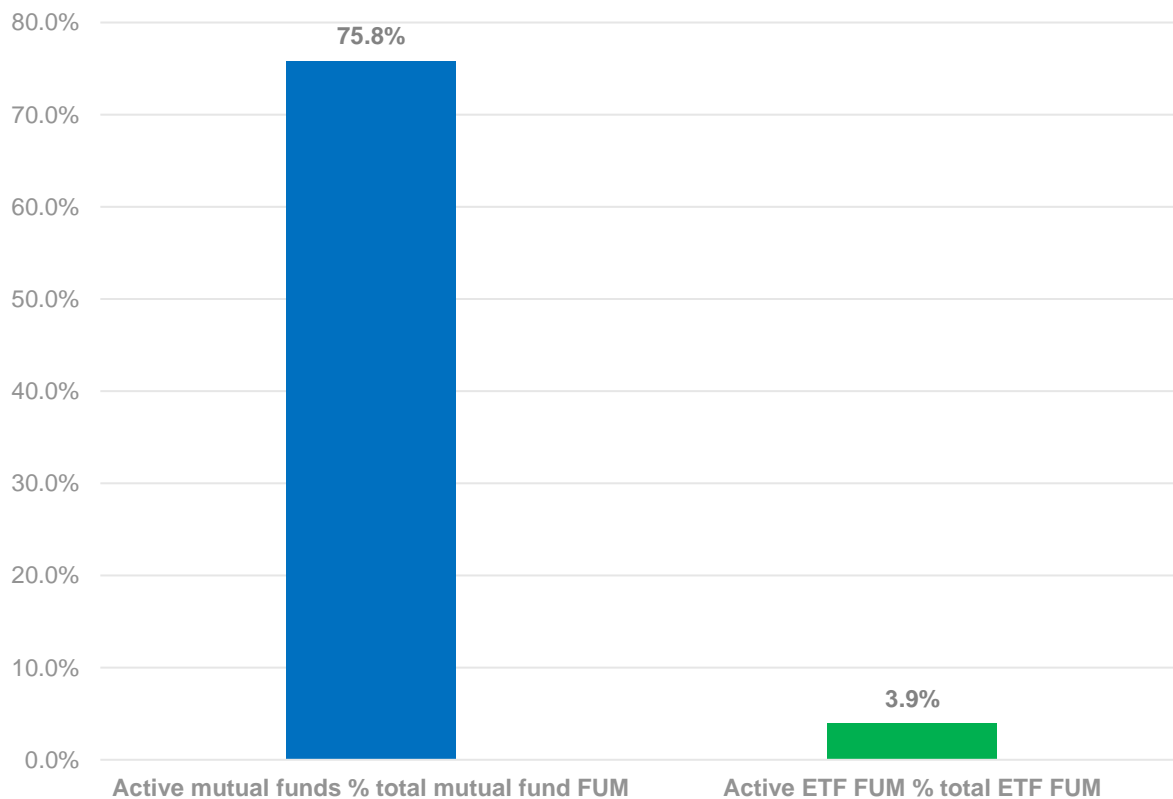
- Spreads and liquidity vary greatly depending on disclosure to AP, asset class, and AP support. Find indicative example ETF spread below based on AP disclosure level:

Level of Disclosure to AP	Full Basket	Proxy Basket	Portfolio Characteristics	NAV History Only
Indicative Spread (bps)	10	12	15	20

# US active ETFs about to BOOM ?



Active management & Active ETF penetration in the US



Source: ETFGI, ICI 2019 annual factbook. Regulated funds are defined as collective investment pools that are substantively regulated, open-end investment funds

ETF EDGE

## 'The mutual fund industry is in trouble,' investor warns as hidden-asset ETFs hit the scene

PUBLISHED SAT, APR 11 2020 9:11 AM EDT

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Heather Bell

## Fidelity Debuts 3 ETFs Via Own Active Model

June 04, 2020

Today Fidelity has launched a lineup of three ETFs that implement

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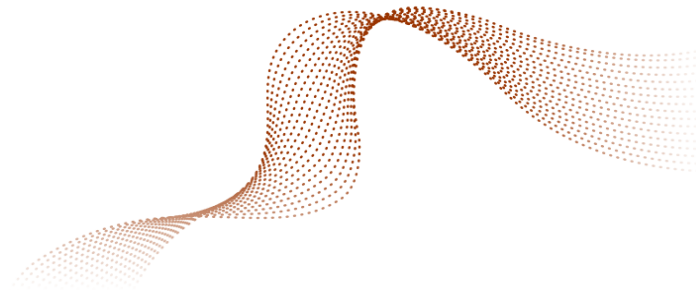
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Heather Bell

## More New Active ETFs Ahead

June 09, 2020

BlackRock has filed with the Securities and Exchange Commission



## Listed Learnings Webinar Series

# Audience Q&A

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