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New ETF providers on the block

How firms are seeking to establish a footprint in the near-trillion-dollar market

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If you're a fresh face in Canada's ETF industry these days, you need to get creative in the competition for assets.

Between fee wars, dominant players and product saturation in certain pockets, asset managers face an uphill battle making a name for themselves — and their funds — in the near-trillion-dollar market.

Tight lineup, narrow focus

Meanwhile, some firms are entering the market with conviction in a single ETF.

Lightwater Partners Ltd. debuted its first and only ETF in March to invest in the Canadian economy and "fill a real void in the market" for Canadian oil and gas exposure, said Jerome Hass, a partner with the independent Toronto-based investment manager. He noted that Canada is the world's fourth-largest oil and gas producer, but there are relatively few asset managers offering dedicated funds with concentrated exposure to the domestic sector.

The $1-million All-Canadian Oil & Gas ETF invests in an actively managed portfolio of 12–16 Canadian mid-cap stocks. These companies run "the whole gamut of oil and gas" including production, exploration, development, transportation and related energy-service businesses, Hass said, providing an alternative for institutional and retail investors who want broader exposure beyond the "same five or six oil and gas stocks."

Asked how the fund is doing, he said it's still "early days" so he's unable to talk about performance, but the U.S.-Iran war has been a tailwind due to elevated oil prices. The firm is working to promote the fund through word of mouth.

Also, launching an ETF rather than a mutual fund was an intentional decision, because it's "easy for any investor to buy and sell," he added.

There are no new launch plans for now: "We are focused on this one," Hass said.

'Plenty of room to grow'

Hawkins recalled industry discourse around oversaturation in the market about 15 years ago, when there were less than 10 ETF providers and a couple hundred ETFs in Canada, due to similarities between the passive investment products on offer at the time.

With approximately 50 providers who collectively offer around 2,000 ETFs spanning a wide range of active and passive strategies today, the industry veteran believes "there's still going to be plenty of room to grow."

"I don't think there's oversaturation, because [the industry is] still getting innovative," he added.

"And, at the end, investors or advisors don't benefit from a number of ETFs. They just benefit from better ideas."