



New ETF Survey Says Buy CI Financial Corp.

Description

The Canadian arm of **BlackRock, Inc.** ([NYSE:BLK](#)) conducted an online survey of more than 400 people aged 21-75 with a minimum of \$100,000 in investable assets and some awareness of ETFs.

The highlight of the survey has to be the finding that 62% of those who don't own ETFs plan to begin using them within the next three years. In June, ETF assets in Canada crossed the \$100 billion mark, suggesting the real growth is still to come given the number of people who haven't bought but plan to.

The findings will definitely make the holidays brighter for Canada's existing 18 ETF providers; new entrants such as New York-based **WisdomTree Investments, Inc.** ([NYSE:WETF](#)) will be especially happy about their decision to join the fray.

At the top of the list of beneficiaries is sure to be **CI Financial Corp.** ([TSX:CIX](#)), whose 2015 acquisition of First Asset one year later is looking like a stroke of genius.

Although its \$2.3 billion in assets under management only puts it sixth in terms of market share at 2.1%, well behind BlackRock's commanding lead at 47.8%, its assets grew 3.9% in October. Of the eight ETF providers with more than \$1 billion under management, First Asset had the second-highest increase for the month. Only CI, **Bank of Montreal**, and **Purpose Investments** gained market share in October.

Year-to-date the picture looks even more interesting. BlackRock has lost 5.6% market share with BMO grabbing 2.8% market share putting it a strong second position, Vanguard another 1% market share with the remaining 15 ETF providers accounting for the rest.

One downer for CI is that its market share for 2016 has remained flat at 2.1%, while its assets under management have grown 19.9%, suggesting that others have grown their assets at a faster pace. Take RBC Global Asset Management as an example. It's gained just 0.2% market share in the first 10 months of the year, but it's grown assets 35.6% to \$2 billion.

So, if CI wants to grab market share, it's going to need more months like October or the **Royal Banks** of the world are going to march right past.

I see CI doing two things to help on that front.

The first is to actually set up the robo-advisory it was said to be launching in 2015 through Assante Wealth Management, its network of 750 financial advisers across the country. While the original idea was to use mutual funds as the vehicle of choice for smaller advisor accounts that don't require as much of the personal touch, it's abundantly clear that ETFs are taking over from mutual funds as the go-to investment for most Canadian's portfolios.

BlackRock's survey suggests ETF owners still put more money into mutual funds—24% compared to 20% of their assets—but that's changing, and the robo-advisor is the perfect distribution vehicle.

Second, and this has less to do with First Asset here in Canada, is its new business in Australia, which it acquired in early November. It's a [game-changer](#) for the company because it gives it access to the Australian financial services market, which, in many ways, is far more advanced than here in Canada.

Grant Samuel, a mutual fund company with eight funds and AUD\$6 billion under management, gives CI the perfect conduit to bring its best mutual funds and ETFs to Australian investors. One of the reasons BlackRock has gotten so big is its international reach. iShares is in many countries outside the U.S., and Canada amassing US\$1.1 trillion in assets under management globally, or almost 25% of its US\$4.6 trillion total.

I'm not suggesting it can come anywhere close to BlackRock's size. However, they've proven that the world has become far more global in nature; CI continuing to broaden its horizons will pay dividends down the road for both First Asset and the company as a whole.

Sure, investors have choices when it comes to owning a piece of one of the 18 ETF providers—about 10 are listed in the U.S. or Canada—I just happen to believe CI Financial is one of the better ways to go outside the banks.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CIX (CI Financial)

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