2026 ETF Outlook

Turning access into advantage.

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2026: a pivotal year

Summary points

1. Asset managers increasingly launch active strategies as ETFs.
2. Advisors no longer view systematic ETFs as experimental.
3. Liquid alternatives can now be incorporated directly into portfolios.

A maturing market enters a new phase

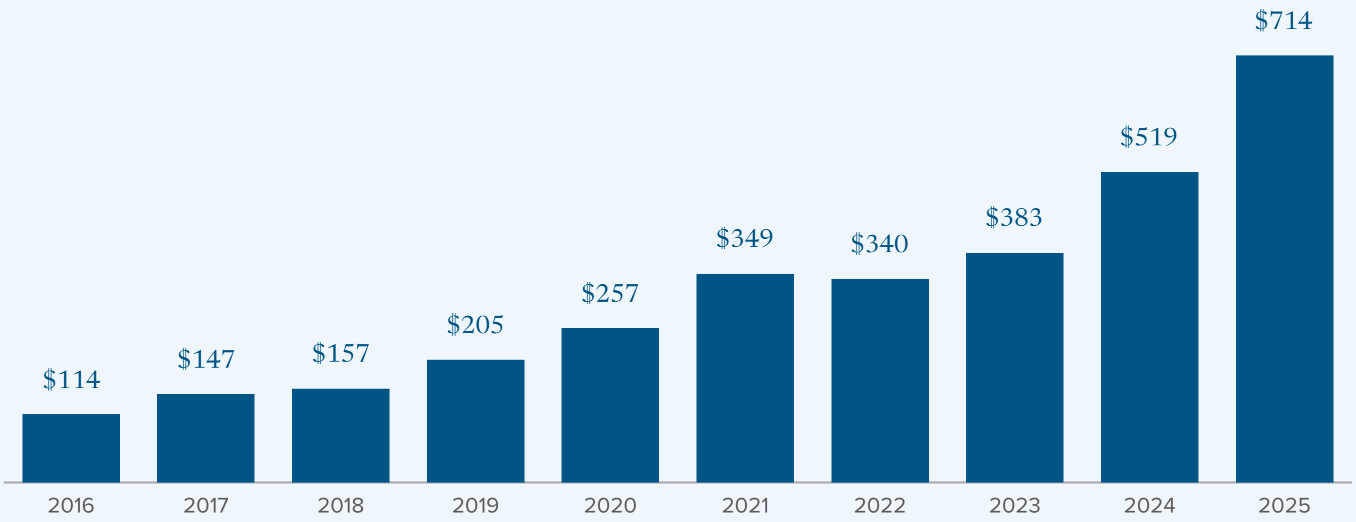
Canada's ETF market continues to stand out as one of the fastest-growing globally. By the end of 2025, assets in Canadian ETFs reached a record $714 billion — a remarkable 37.6% increase, up from roughly $519 billion at the close of 2024.

The first half of 2025 alone saw $55 billion in net inflows, marking the strongest six-month period in the Canadian industry's history.

These numbers confirm what many advisors have already experienced first-hand: ETFs have become the default vehicle for portfolio construction in Canada. Advisors are turning to ETFs not only for low-cost exposure, but increasingly for active management, systematic strategies and diversified alternatives that can be tailored to individual client goals.

The conversation around ETFs has evolved. No longer about access alone, the new opportunity is about advantage and how advisors can use ETFs more intelligently to deliver better outcomes for clients. In 2026, three trends will define that evolution: the rise of active ETFs, the integration of systematic and factor approaches, and the growing role of alternatives within the ETF structure.

FIGURE 1: Canadian ETFs AUM ($B)



Source: Morningstar. As at December 31, 2025. Canadian-listed ETF assets include holdings by retail investors as well as institutions and holdings by other investment funds.

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Active ETFs come of age

Active ETFs have moved from niche to mainstream. In Canada, the segment now represents roughly 28% of all ETF assets, and has grown fifteen-fold over the past decade, outpacing both traditional passive ETFs and mutual funds.

The category's rapid expansion reflects a broader advisor shift: a desire to combine active insight with the liquidity and efficiency of the ETF wrapper.

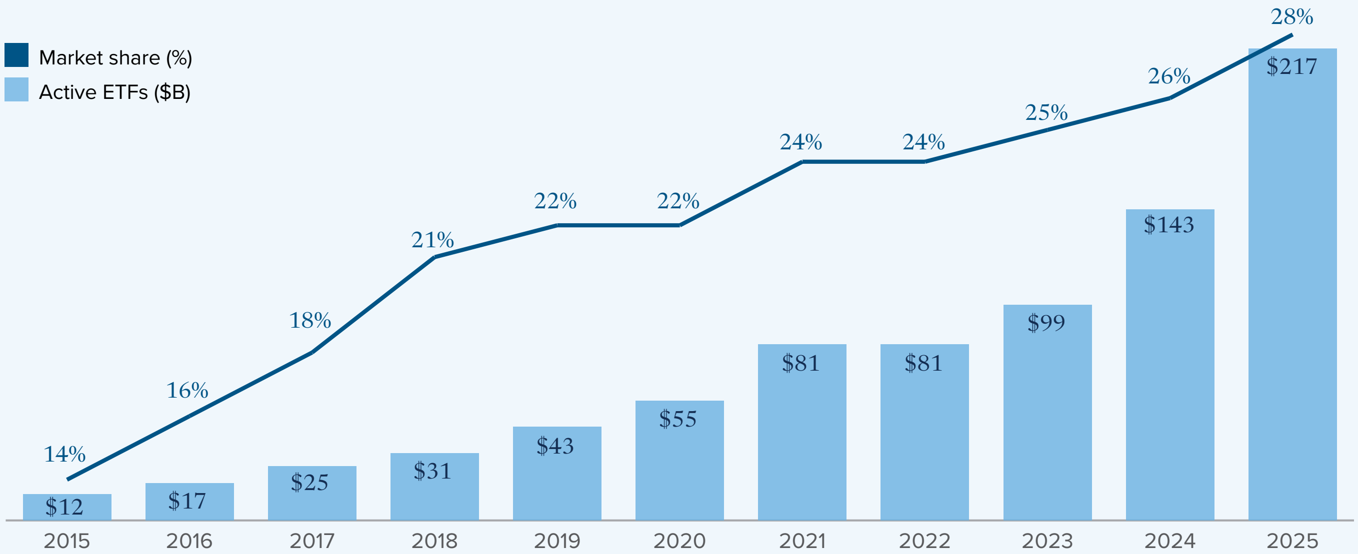
The distinction between "active" and "ETF" is fading. Managers with proven track records are increasingly launching active strategies as ETFs, offering advisors the same fundamental research and conviction-based decision-making once found only in mutual funds.

For clients, this evolution means they no longer have to choose between professional insight and modern efficiency. Active ETFs provide both and they are being used in model portfolios, in core equity sleeves and in targeted income solutions.

The trend is also being reinforced by regulatory change. With the Client Relationship Model III (CRM3) expected to bring greater fee transparency and cost comparison across investment products, advisors may increasingly favour ETFs as cost-efficient, easy-to-explain solutions that align with evolving client expectations. As CRM3 shines a brighter light on total costs and value delivered, ETFs — particularly active ETFs with clear mandates — are well positioned to benefit.

For Canadian advisors, this momentum presents an opportunity to differentiate their value proposition by leveraging active ETFs to express strategic and tactical views, manage risk and demonstrate expertise in portfolio construction.

FIGURE 2: Active ETFs growth



Source: Morningstar. As at December 31, 2025.

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Systematic strategies hit their stride

While active ETFs gain attention, systematic and factor-based strategies are quietly becoming the backbone of modern ETF portfolios. Canadian advisors have embraced these approaches to fine-tune exposures and manage cycles with greater discipline.

With record industry inflows, many are now allocating to “smart beta” strategies that tilt toward quality, value, growth, momentum or low volatility by using data-driven processes to enhance portfolio resilience.

This evolution reflects a shift in mindset. Advisors are no longer viewing systematic ETFs as experimental; they see them as essential building blocks for precision and repeatability. In a market environment characterized by persistent macro uncertainty, systematic strategies offer structure and transparency attributes increasingly prized by both advisors and clients.

The conversation in 2026 will move from whether to use factors to how best to integrate them. The goal is not to replace active management, but to combine it with disciplined, rules-based exposures that reinforce long-term consistency. As technology and analytics become more embedded in advisory practice, systematic ETFs will form a cornerstone of modern model portfolios, supporting advisors in delivering process-driven outcomes without sacrificing flexibility.

A maturing market enters a new phase

Active ETFs come of age

Systematic strategies hit their stride

Alternatives find a home in the ETF structure

Advisors as portfolio architects

Blending art and science

What this means for Canadian advisors

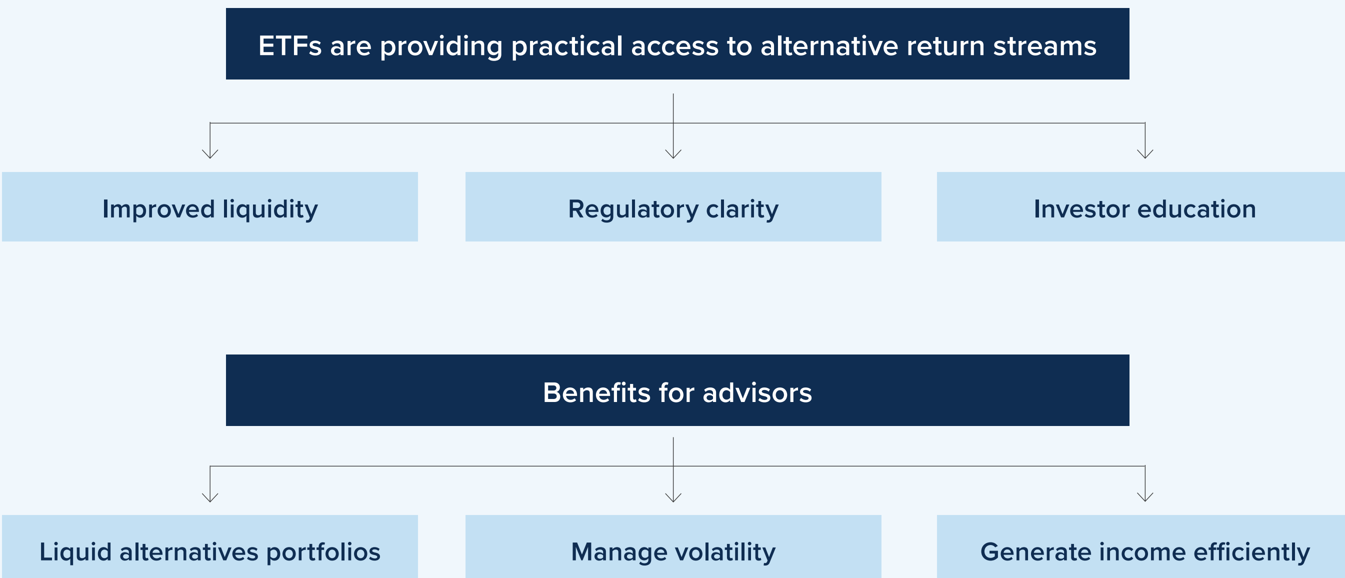
Alternatives find a home in the ETF structure

Another defining trend is the rapid expansion of alternative strategies in ETF form. The Canadian market has been a leader in innovation in this space, offering advisors exposure to areas once reserved for institutional investors, including commodities, credit and hedged-equity strategies.

As investors seek to diversify beyond the traditional 60/40 mix, ETFs are providing practical access to differentiated return streams. Improved liquidity, regulatory clarity and investor education have made these solutions more accessible than ever. Advisors can now incorporate liquid alternatives directly into portfolios to achieve a broader set of objectives, including managing volatility, generating income, and enhancing portfolio returns through alpha extension strategies.

With Canadian ETF assets growing at a 23% compound annual growth rate over the past ten years, product innovation will only accelerate. The challenge and opportunity for advisors will be discernment: distinguishing between alternative ETFs that genuinely add diversification and those that merely repackage market beta. As more strategies enter the space, education and due diligence will remain central to delivering effective outcomes.

FIGURE 3



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Advisors as portfolio architects

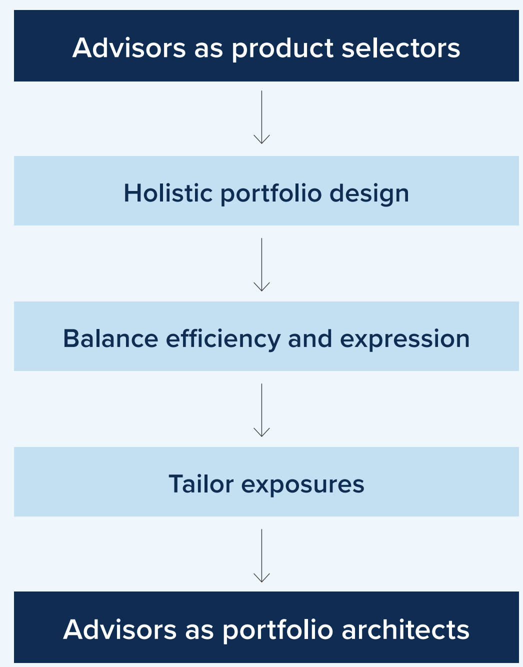
As the ETF landscape deepens, advisors have evolved from product selectors to portfolio architects.

The abundance of ETF solutions across active, systematic and alternative categories demands a more holistic approach to portfolio design. Advisors are increasingly building portfolios that balance efficiency with expression, tailoring exposures to match client objectives, time horizons and risk tolerance.

This evolution is transforming practice management. ETFs offer clear advantages in transparency and communication, empowering advisors to explain costs, exposures and performance attribution in client-friendly language. With CRM3 amplifying the focus on value and fee clarity, advisors who integrate ETFs into their models will find it easier to illustrate the link between product selection, cost efficiency and client outcomes.

ETFs are also helping advisors serve an increasingly diverse client base. The flexibility of the structure allows for strategies designed to meet a broad range of investor needs, from younger investors prioritizing growth and accessibility, to retirees focused on income and capital preservation, yet mindful of the need for growth to support longevity and legacy goals. In this way, ETFs are connecting generations, providing tools that adapt across life stages, goals and risk levels.

FIGURE 4: The evolution of advice



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Blending art and science

The ETF's evolution has reached a point where the distinction between art and science is blurring. The next phase of growth belongs to advisors who can integrate both, by combining human insight with systematic discipline, and active skill with data-driven structure.

In this context, the ETF is more than an instrument; it is the connective tissue between investment philosophy and portfolio execution. Active ETFs bring adaptability and conviction. Systematic ETFs bring consistency and precision. Alternative ETFs provide diversification and durability. Together, they form the modern foundation of outcome-oriented portfolio design.

Advisors who master this blend — who can translate an expanding ETF shelf into tailored, multi-generational client outcomes — will lead in this new era.

Active ETFs

Provide adaptability and conviction.

Systematic ETFs

Offer consistency and precision.

Alternative ETFs

Ensure diversification and durability.

What this means for Canadian advisors

For Canadian advisors, 2026 represents a pivotal year. With ETF assets surpassing $700 billion and growth expected to continue above 20% annually, ETFs have become the primary structure through which Canadians access markets.

Advisors who embrace this evolution by integrating active management, systematic precision and alternative diversification will be best positioned to deliver differentiated performance and deepen trust with clients.

The combination of industry growth, regulatory change and generational diversity points to a simple conclusion: the ETF is no longer just a wrapper. It is the preferred language of modern portfolio construction, one that speaks to transparency, adaptability and outcome-driven investing. In 2026, advisors who can fluently speak that language will transform access into advantage.

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