



# INVESTMENT FUNDS REPORT 2023

**IFIC**

THE INVESTMENT  
FUNDS INSTITUTE  
OF CANADA

L'INSTITUT DES FONDS  
D'INVESTISSEMENT  
DU CANADA

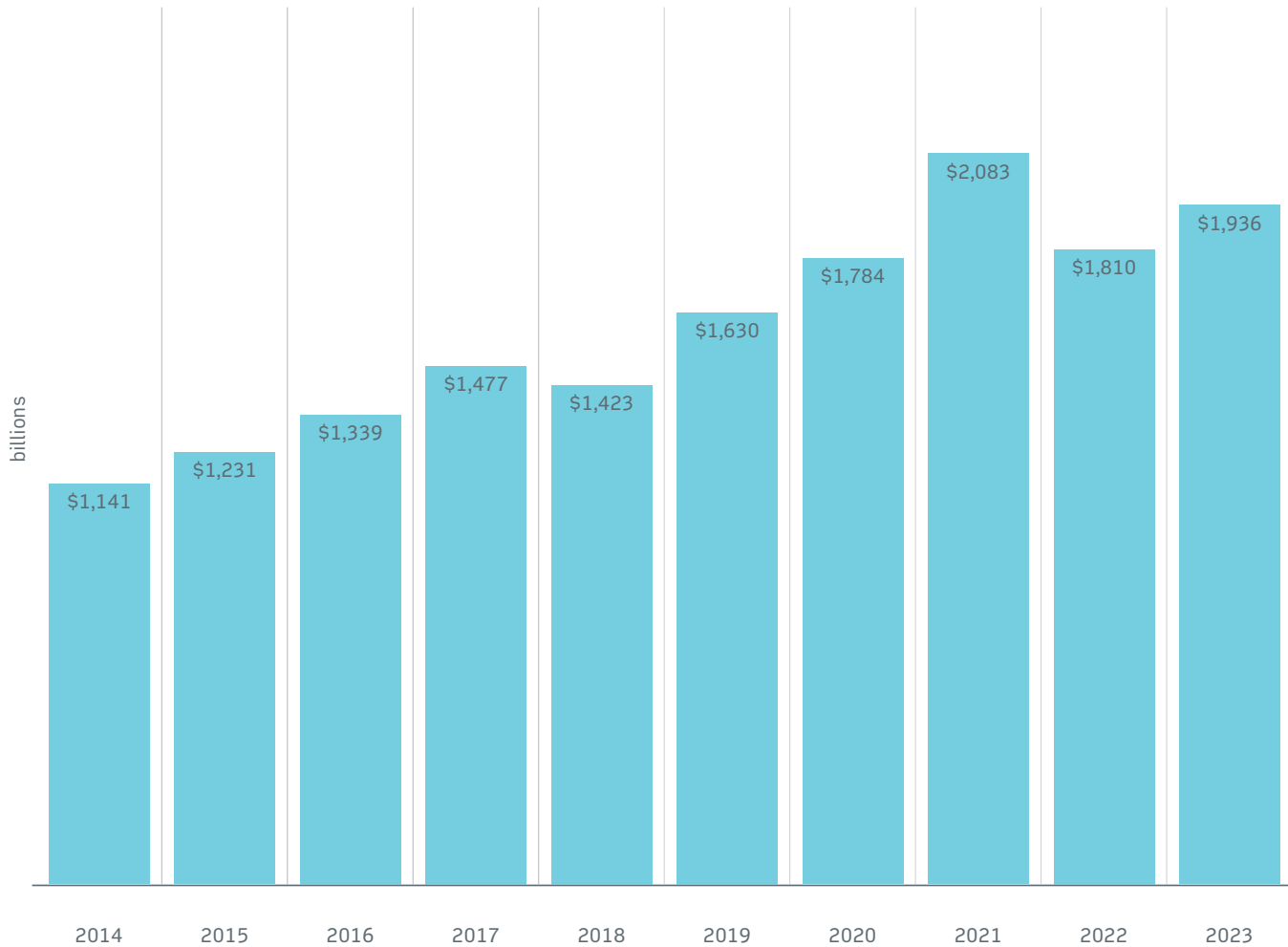


**The Investment Funds Report** captures information about Canada's investment funds landscape in 2023. This report provides statistics and analysis of mutual fund and exchange traded fund (ETF) sales and assets under management.

### About IFIC

The Investment Funds Institute of Canada is the voice of Canada's investment funds industry. IFIC brings together approximately 150 organizations, including fund managers, distributors and industry service organizations, to foster a strong, stable investment sector where investors can realize their financial goals. By connecting Canada's savers to Canada's economy, our industry contributes significantly to Canadian economic growth and job creation.

## Mutual Fund Net Assets

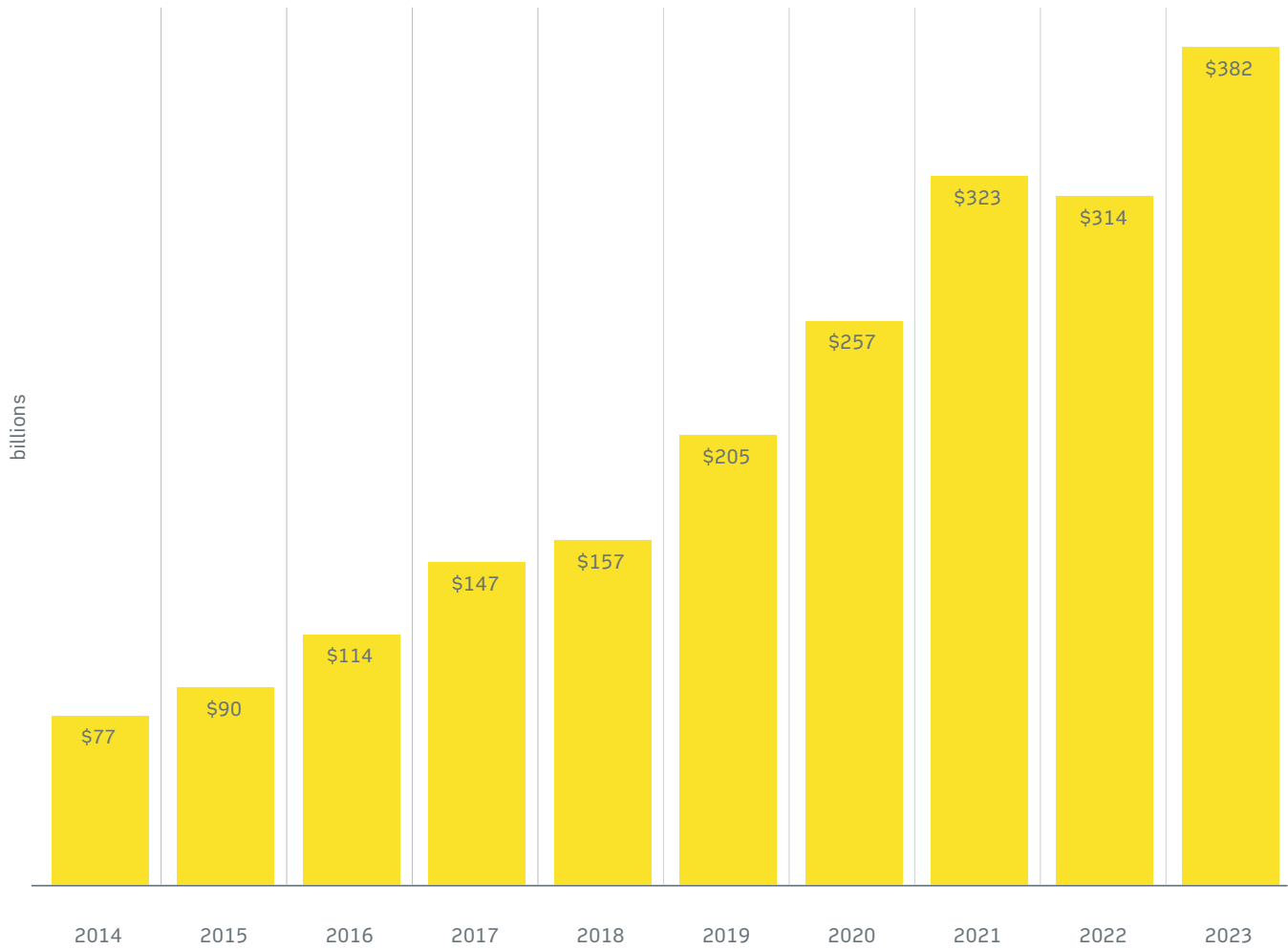


At the end of 2023, Canadian mutual fund assets totalled \$1.936 trillion.

Mutual fund assets increased by 7.0% during the year reversing a decline in assets in 2022. This increase was despite overall net redemptions, as seen on pg. 8.

From the low of the Covid-related market downturn in March 2020, assets have increased by \$490 billion by end of 2023.

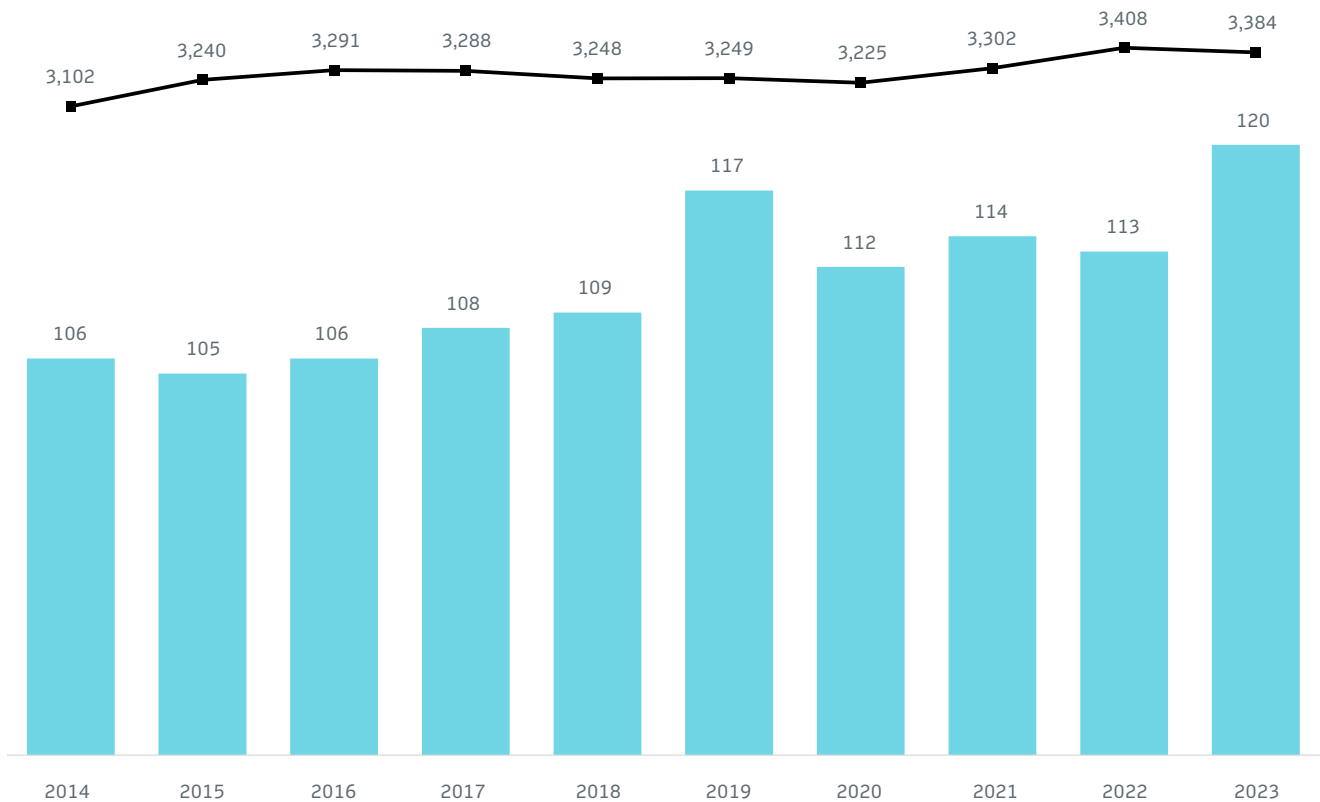
## ETF Net Assets



Positive net sales combined with positive market effect contributed to a 21.9% increase in assets. ETFs reversed a decline in assets seen in 2022 and reached their highest total ever at the end of the year.

Over the last ten years, ETF assets have increased by close to six times.

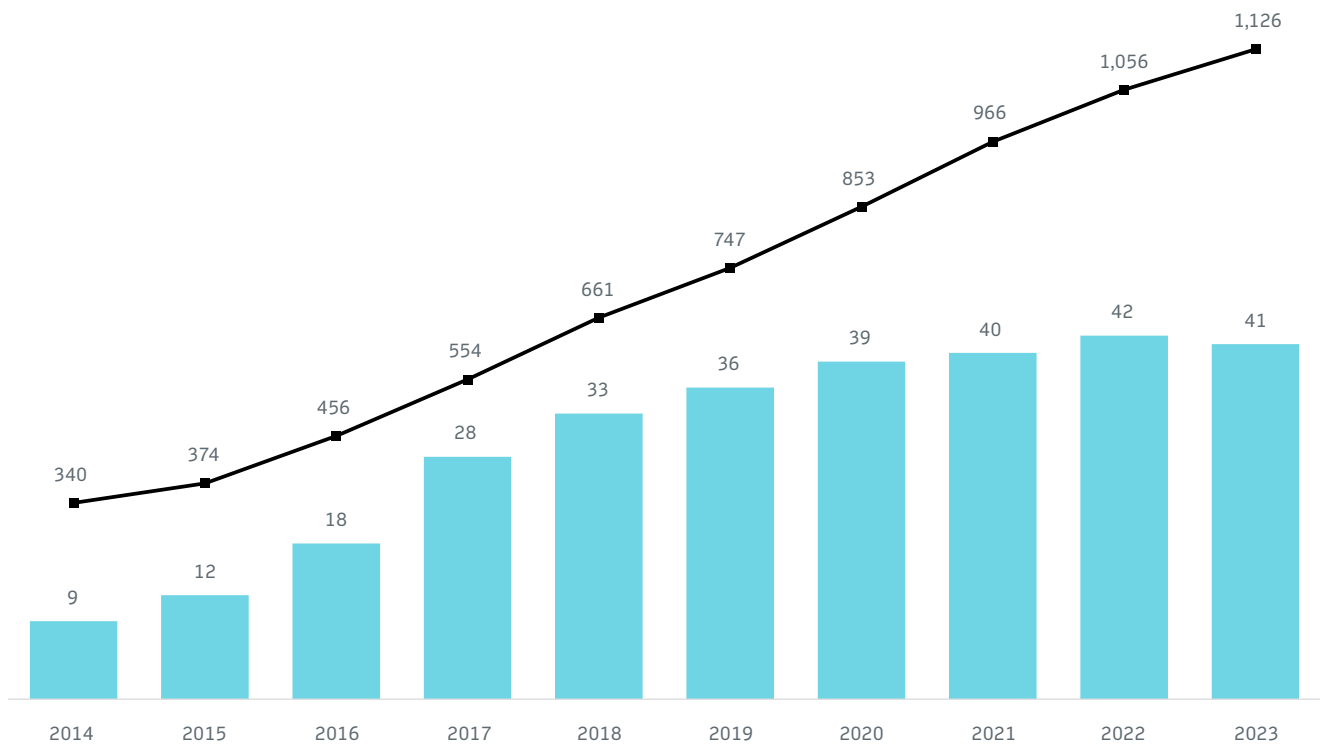
## Mutual Fund Managers and Number of Funds



There were 120 companies offering mutual funds at the end of 2023. There was a net increase of 7 firms in 2023. While there was a total of 160 fund launches throughout the year, the number of available funds saw a net decrease of 24 funds as many of the larger fund companies streamlined their product offerings. This brings the total number of funds on offer to 3,384.

 Fund Managers  
 Funds

## ETF Managers and Number of Funds

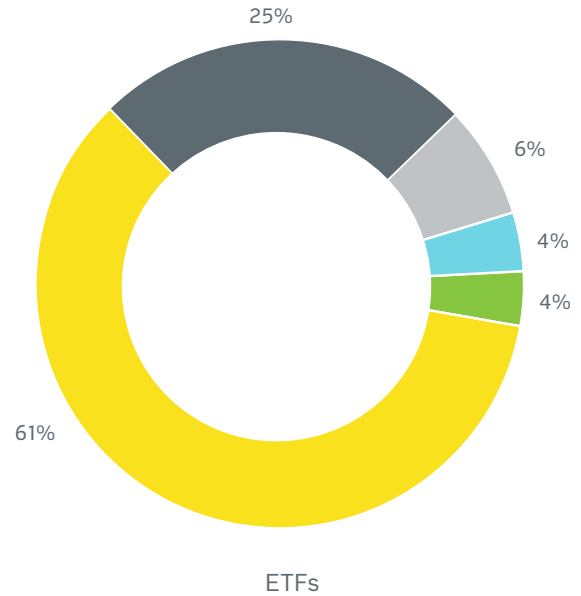
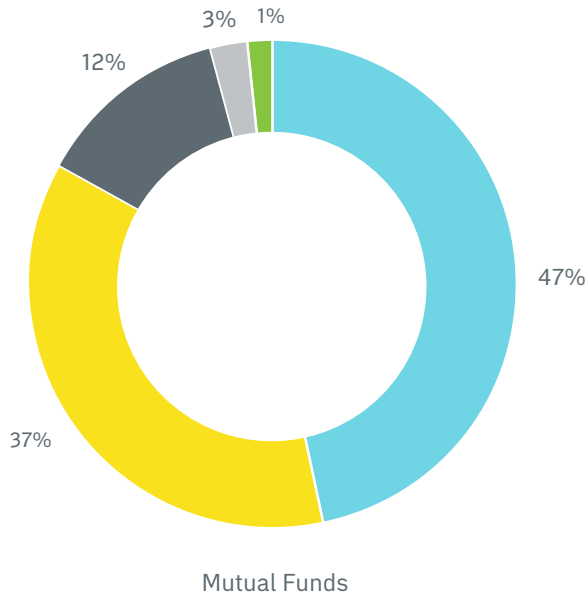


At the end of 2023, there were 41 investment fund companies offering ETFs, representing a net decrease of one company. The majority of these companies, 33 out of 41, offer both ETFs and mutual funds. Throughout 2023, on a net basis, 70 ETFs were added, bringing the total number of ETF funds on offer to 1,126.

■ Fund Managers  
— Funds

# Mutual Fund and ETF Assets by Broad Asset Category

December 2023



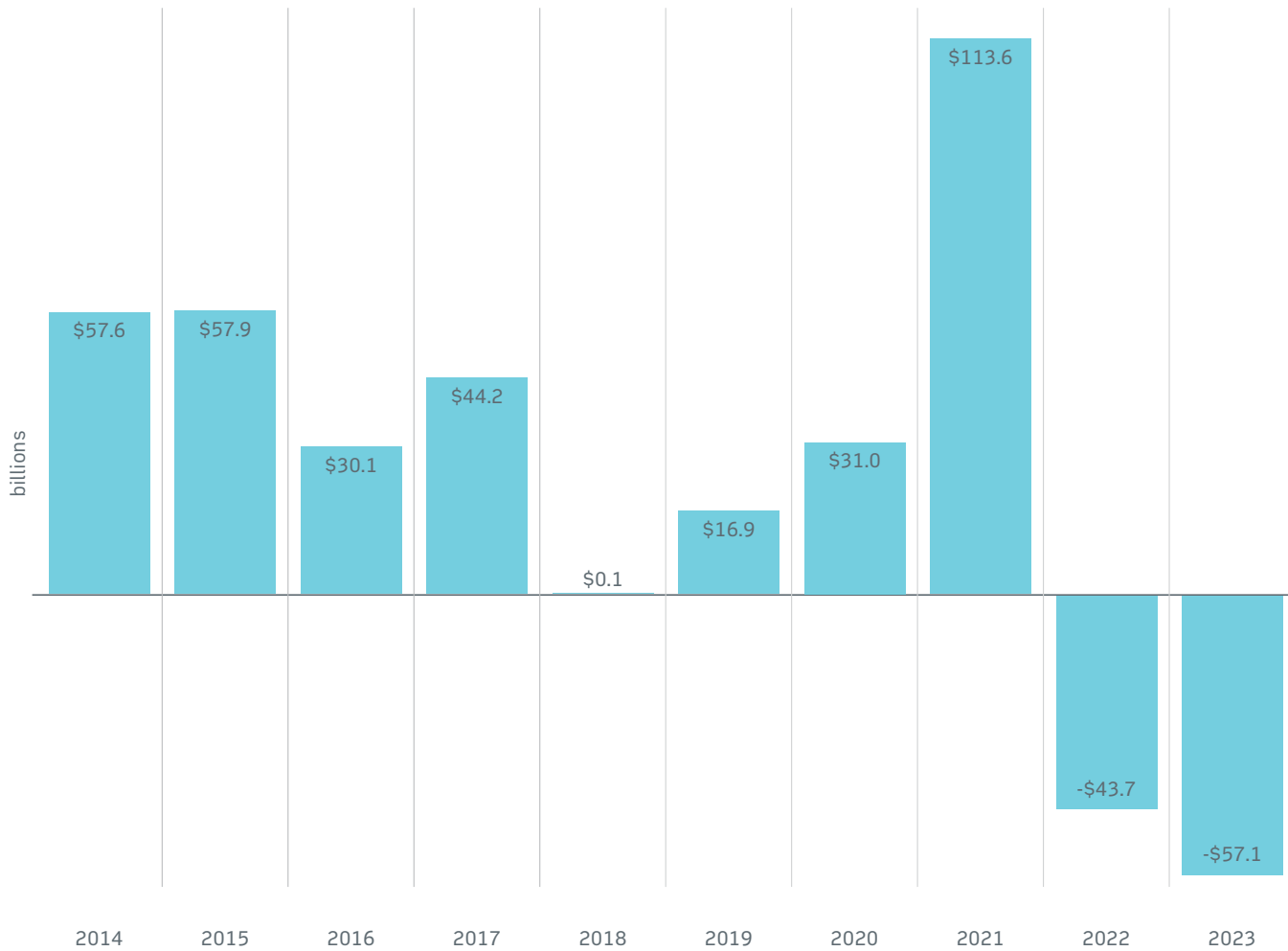
The largest portion of Canadian mutual fund assets at the end of 2023 were in the balanced fund category, comprising 47% of total fund assets. The balanced category includes funds that invest in a mix of stocks and bonds as well as funds that invest in a mix of separate stand-alone funds. Equity funds were the second largest category, with 37% of assets.

For ETFs, equity funds accounted for 61% of total fund assets at year-end and bond funds accounted for 25%.

Money market funds are a very small part of the Canadian fund industry, however, associated with the rise in interest rates, the money market asset category saw the largest relative growth compared to all other assets categories. In 2023, money market mutual fund assets grew by 48% and money market ETF assets grew by 56%.

- *Balanced*
- *Bond*
- *Equity*
- *Money Market*
- *Specialty*

## Mutual Fund Net Sales



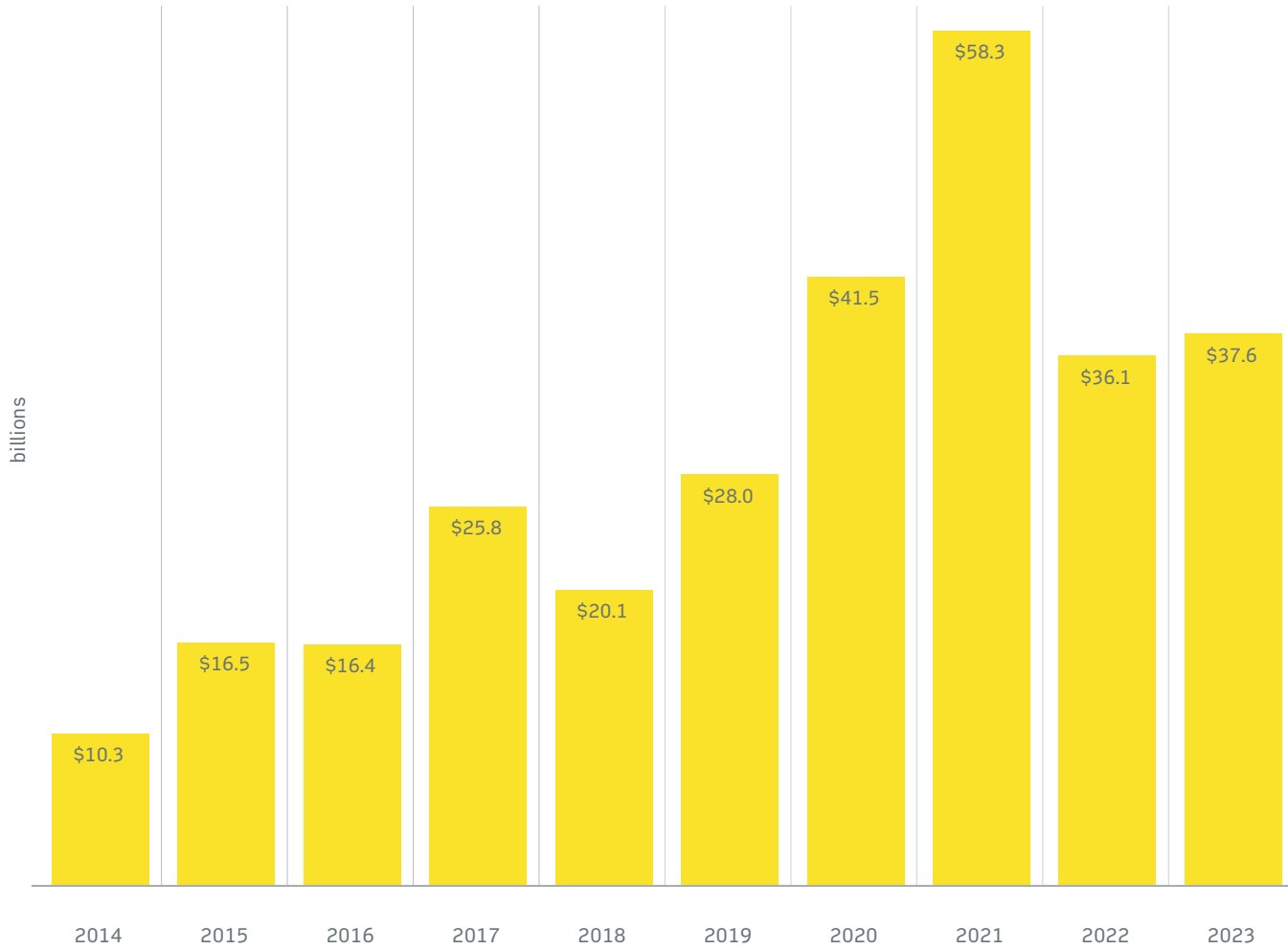
Mutual fund net redemptions totalled \$57.1 billion in 2023, representing the largest annual net redemptions on record in dollar terms and the second consecutive year of net redemptions. While large in dollar terms, this amounted to 3.2% of beginning-year assets.

There are always multiple factors responsible for changes in investor behaviour. However, 2023 sales were certainly impacted throughout the year by market volatility, economic uncertainty, and rising inflation and interest rates which contributed to higher debt-servicing costs and declining savings rates.

While sales were positive in the first two months of the year, they turned to net redemptions in March and remained negative each month for the rest of the year.

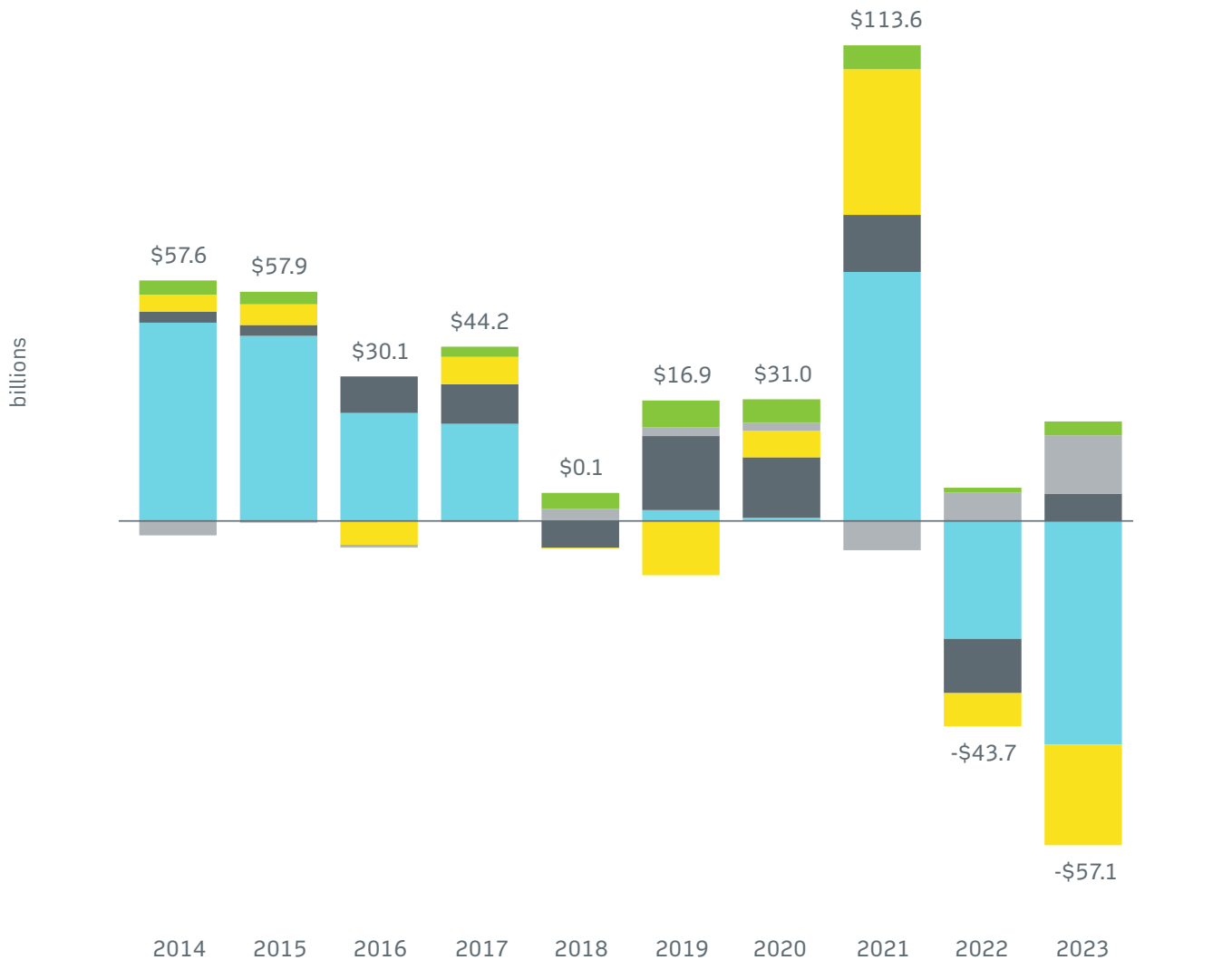


## ETF Net Sales



ETF net sales totalled \$37.6 billion in 2023. Compared to 2022, ETF net sales were slightly higher. Close to one quarter of total annual net sales were made in the last two months of the year as markets rallied to close out the year.

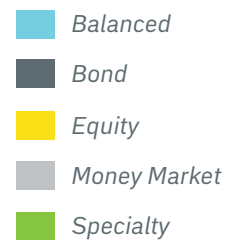
## Mutual Fund Net Sales by Asset Category



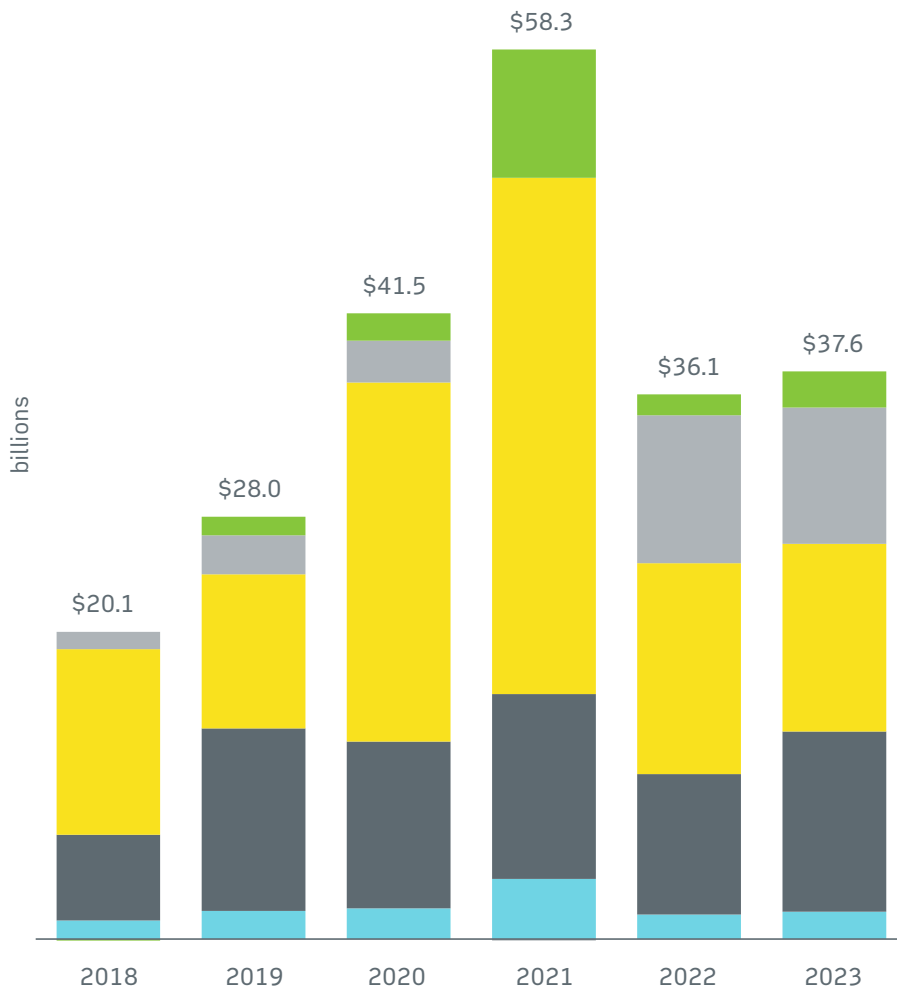
In 2023, balanced funds experienced \$56.9 billion in net redemptions and equity funds recorded \$25.6 billion in net redemptions. Reflecting a flight to safety, bond fund sales returned to positive sales territory in 2023, with \$7.0 billion in net sales. Money market funds, benefiting from higher interest rates, saw net inflows of \$14.8 billion in sales continuing the trend from 2022.

The other area with positive sales in 2023 was in specialty funds<sup>1</sup>, a category that includes alternative funds. Many alternative funds provide exposure to alternative asset classes and employ alternative strategies such as short selling and leverage with the aim of delivering returns less correlated with equity and bond markets compared to conventional funds. Specialty funds saw net sales of \$3.5 billion in 2023, 74.5% of which went to alternative funds.

<sup>1</sup> Specialty funds include alternative funds, commodity funds, real property funds and other miscellaneous funds.

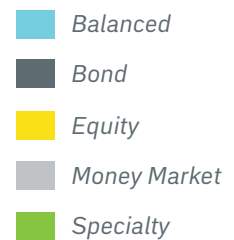


## ETF Net Sales by Asset Category

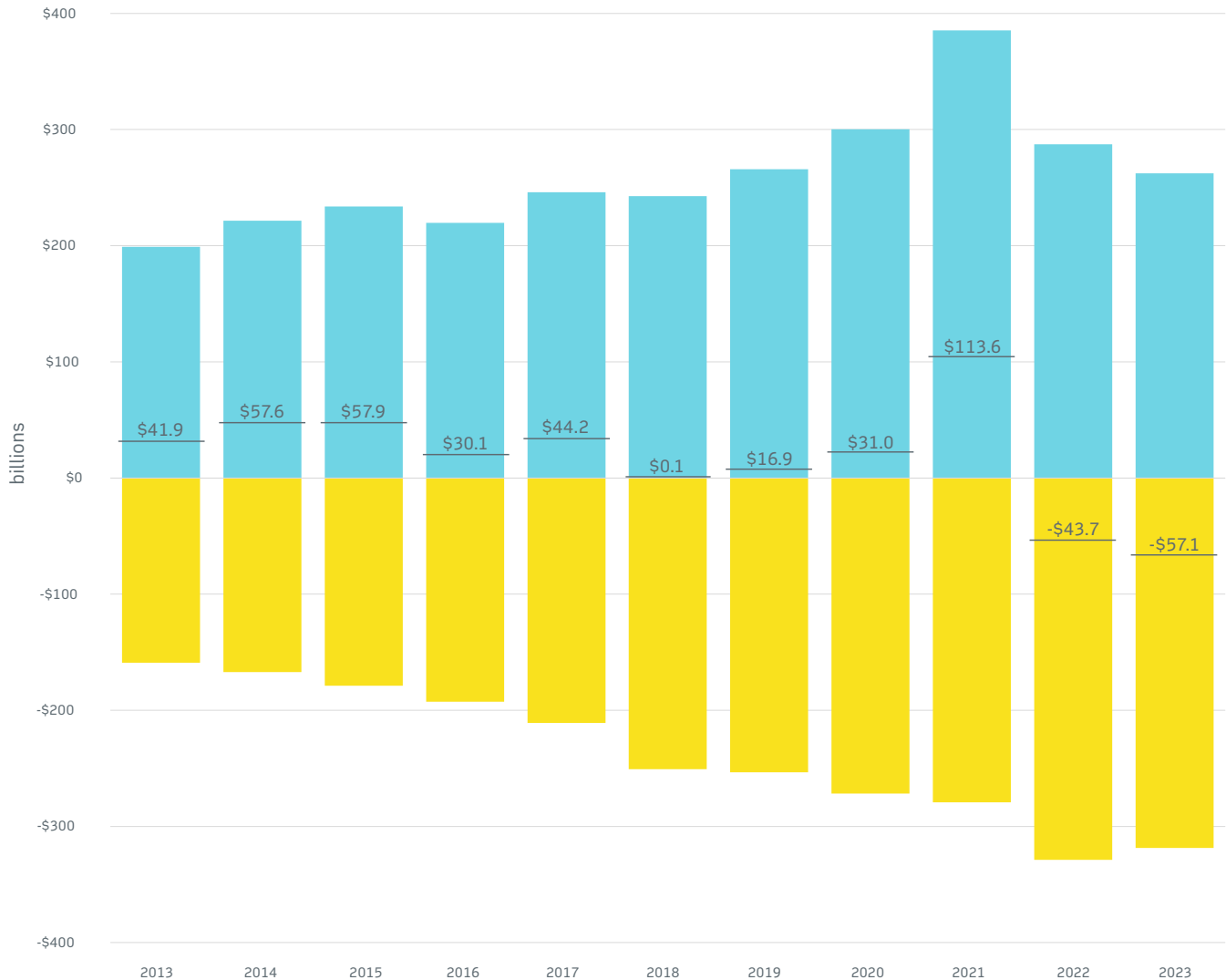


Consistent with previous years, all major asset categories saw net inflows in 2023. Equity ETFs brought in \$12.4 billion in net sales, representing 33.1% of total net sales, bond funds recorded in \$11.9 billion, or 31.7% of total net sales, specialty funds attracted \$2.4 billion, or 6.4% of total net sales and balanced funds posted in \$1.8 billion, or 4.8% of total net sales. The majority of inflows into ETF money market funds went into high interest saving funds, a theme explored in greater detail on page 17 of the report.

*Note: IFIC's ETF database showing net sales by asset class is limited to data going back to 2018.*



## Mutual Fund Sales



Gross sales comprise all new fund sales including new money entering the mutual fund industry as well as money moving from one fund company to another.

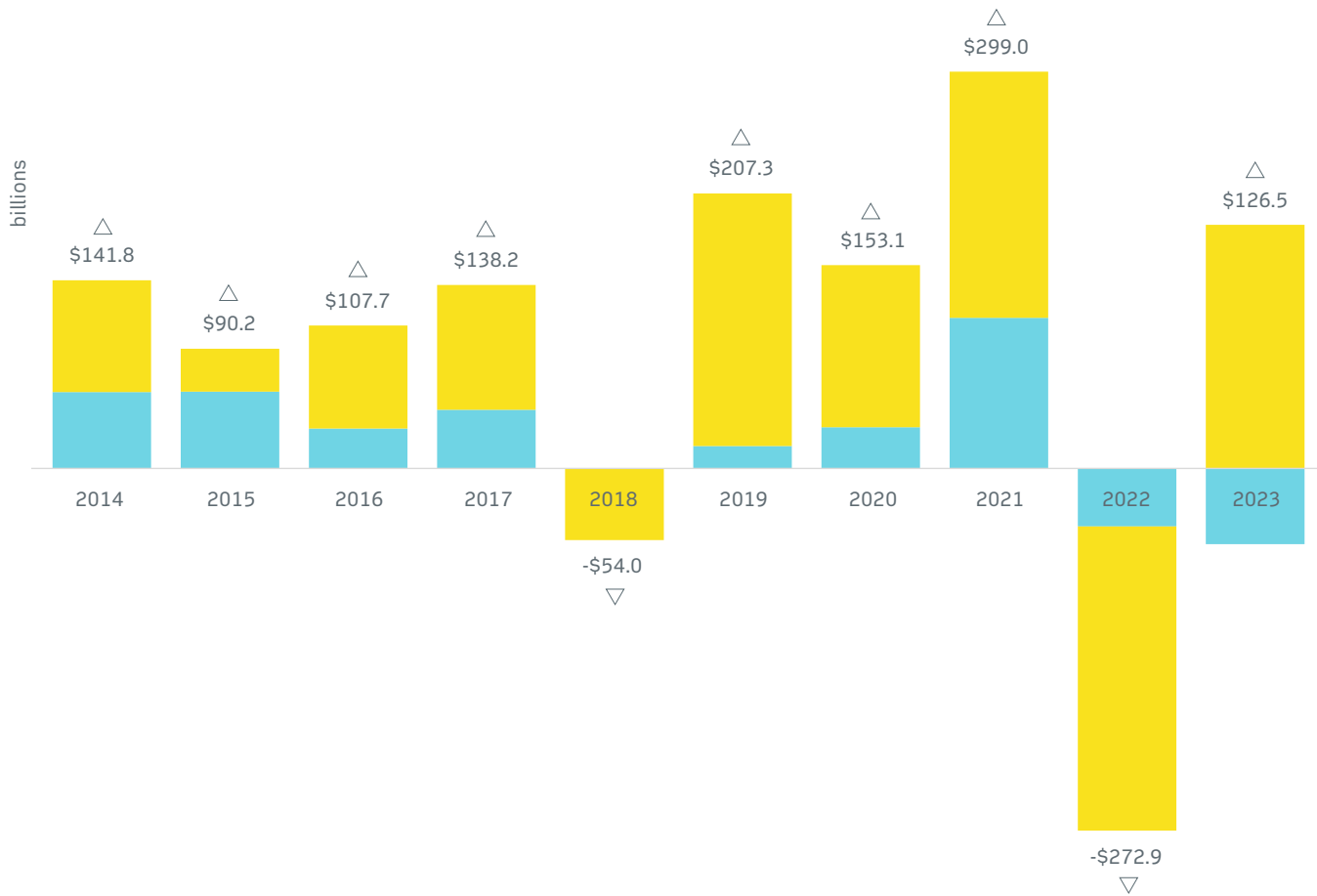
Similarly, gross redemptions reflect money leaving the industry altogether as well as money moving from one fund company to another.

Along with gross redemptions and market effect, gross sales determine the size and direction of industry asset growth.

In 2023, despite overall negative net sales, mutual funds did generate \$262.3 billion in gross sales. Gross redemptions totalled \$318.6 billion.



## Mutual Fund Annual Asset Growth: Net Sales vs Market Effect

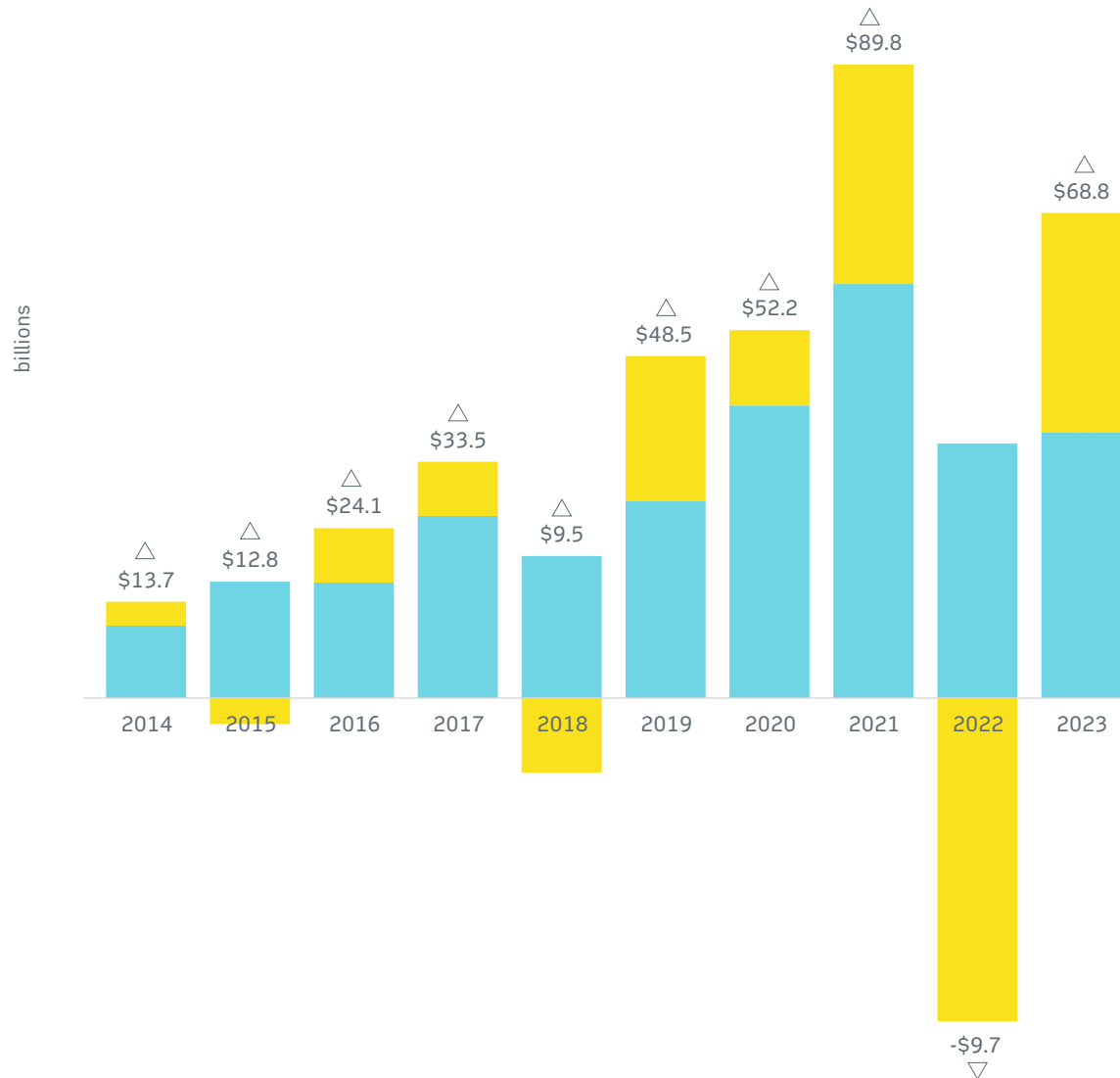


Asset growth in investment funds is affected by two factors, overall sales and the rise and fall of the underlying value of the stocks, bonds and other securities held by the funds. The latter is known as the market effect.

In 2023, despite negative net sales of \$57.1 billion, assets increased by 7.0% from 2022, due to positive market effect.

- Net Sales
- Market Effect
- △ Annual Change in Net Assets
- ▽ Annual Change in Net Assets

## ETF Annual Asset Growth: Net Sales vs Market Effect

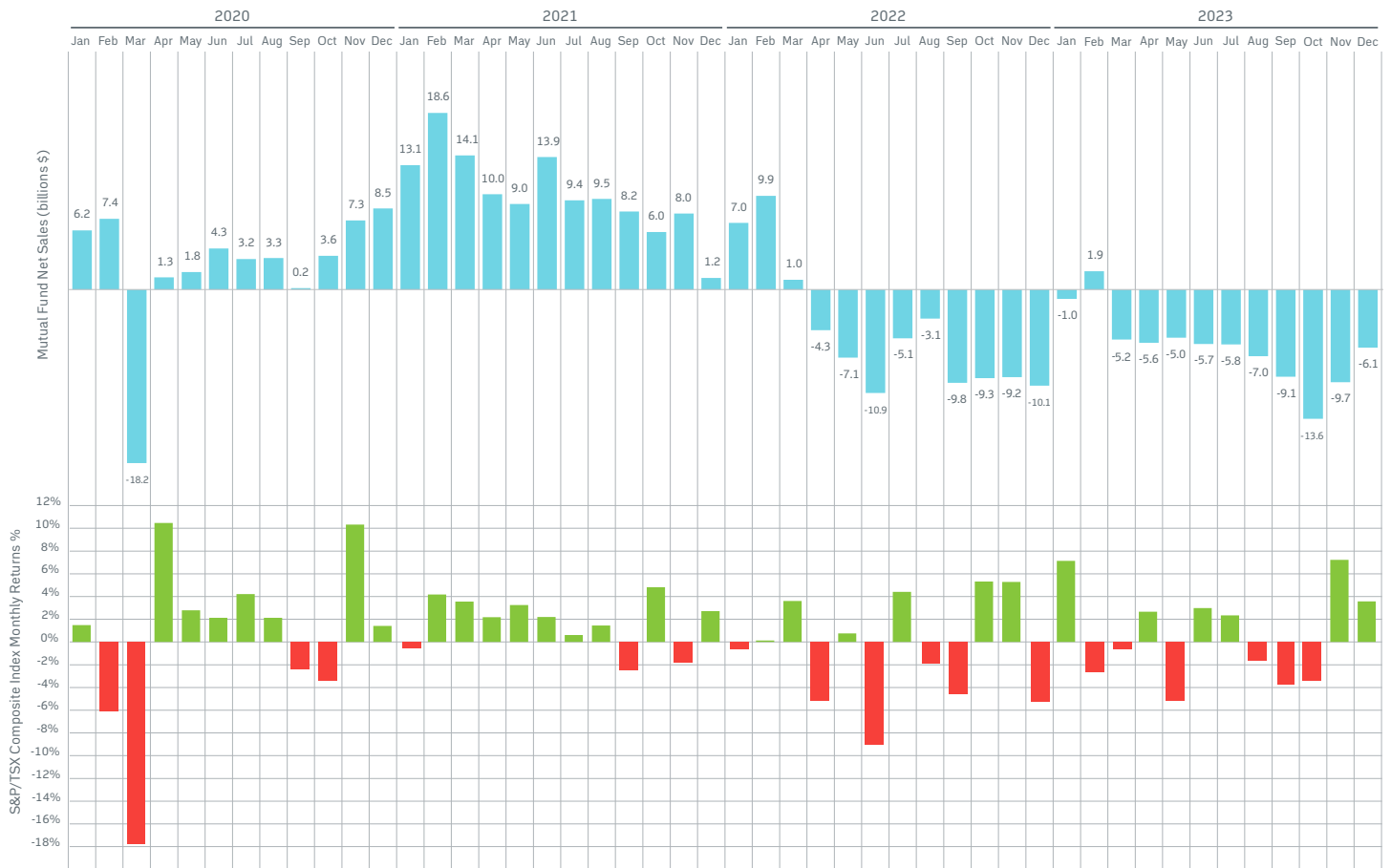


In 2023, ETF assets increased by 21.9%, due to both positive net sales and positive market effect. Compared to mutual funds, changes in ETF assets are typically more dependent on sales than market effect because of the smaller relative asset base.

*The annual change in assets for 2022 used adjusted 2021 year-end figures (with double-counting removed) in order to reflect the accurate impact of market effect.*

■ Net Sales  
■ Market Effect  
△ Annual Change in Net Assets  
▽

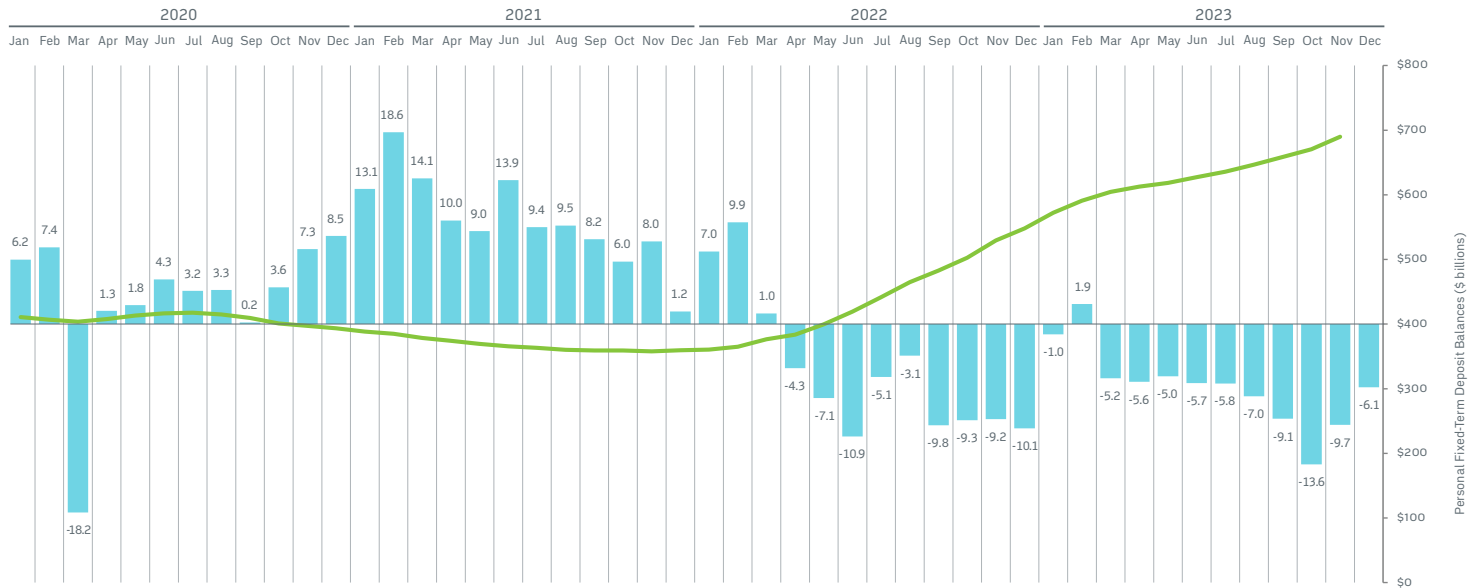
# Monthly Net Sales into Long-term Mutual Funds vs. S&P/TSX Composite Monthly Returns



Source: IFIC and TSX.

Sales of long-term mutual funds are related to the rise and fall of stock prices. While the S&P/TSX Composite Index did close higher for the year, rising by 8.1%, there were six months where returns for the index were negative and no more than two consecutive months with positive returns. This volatility likely affected investor confidence and contributed to the overall negative net sales for the year.

# Monthly Net Sales into Long-term Mutual Funds vs. Personal Fixed-Term Deposits



Source: IFIC and Bank of Canada.

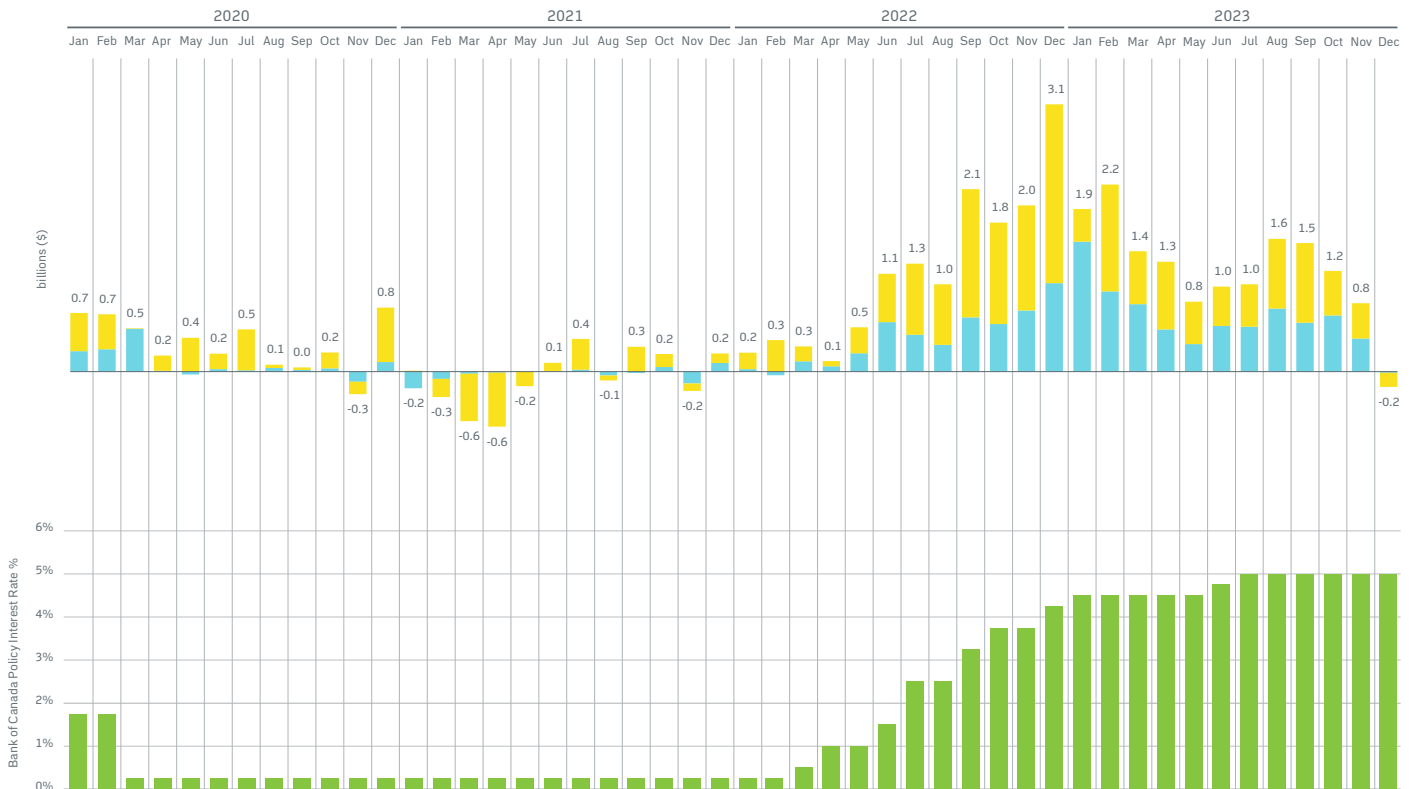
Market volatility in 2023 likely had a negative impact on long-term mutual fund sales, however, there was also certainly some impact from rising interest rates and the associated growing investor preference for fixed term deposits, including guaranteed interest certificates (GICs). With rates for short-term products nearing or even reaching 6% in 2023, investors had the opportunity to shift towards lower-risk options compared to long-term funds. While long-term fund sales were negative in 2023, Canadian personal fixed-term deposits grew by \$141.8 billion, or by 25.9%<sup>2</sup>.

<sup>2</sup> Personal fixed-term deposits figures are to November 30, 2023.

■ Long-term Mutual Fund Net Sales (billions \$)  
— Personal Fixed-Term Deposits



# Monthly Net Sales into High Interest Savings Funds vs. Bank of Canada Policy Interest Rate



Source: IFIC and Bank of Canada.

At the end of 2023, there was a total of \$14.8 billion in high interest savings mutual funds and \$22.5 billion in high interest savings ETFs. The underlying investments of these funds are high interest deposit accounts at major Canadian financial institutions. As the Bank of Canada has raised rates throughout 2022 and 2023, the yields of these funds have similarly risen. In 2023, net sales into high interest saving funds accounted for \$7.5 billion, which represented 50.5% of all money market mutual fund sales. Net sales into high interest saving ETFs amounted to \$7.1 billion, which was 78.1% of all money market ETF sales.

Mutual Funds  
ETFs

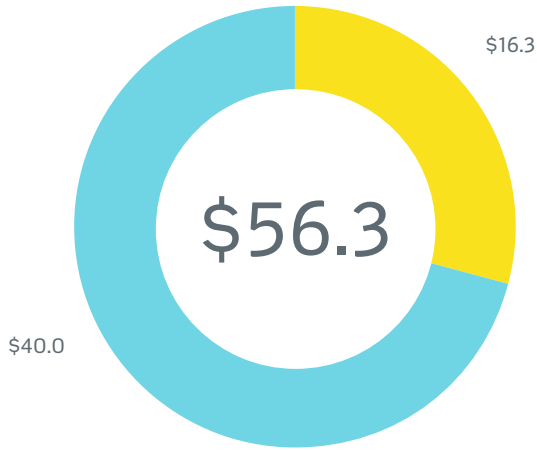
In the fall of 2023, the Office of the Superintendent of Financial Institutions (OSFI) announced a rule change requiring banks to hold more capital against HISA fund deposits. The rule, which takes effect January 31, 2024, has the potential to reduce HISA fund yields.

Note: Combined mutual fund and ETF asset and sales totals do not remove potential cross-product double-counting.

# Responsible Investment Funds

December 2023

Net Assets (billions)



Manufacturers

40

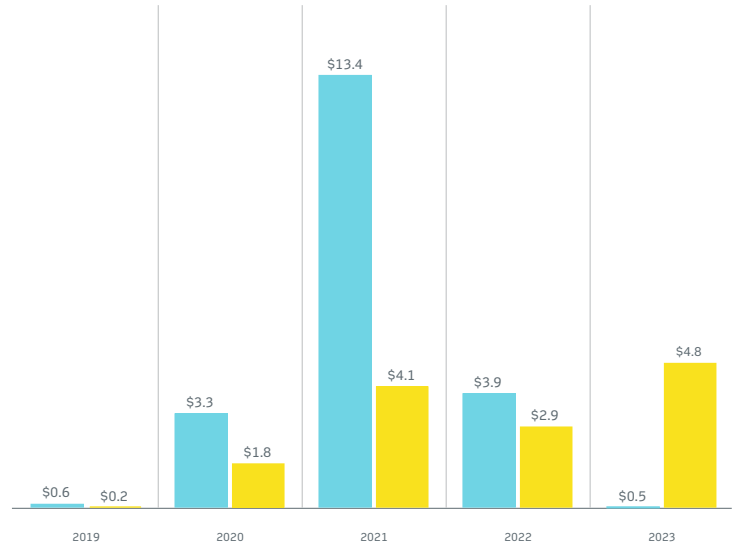
20

Funds

253

116

Net Sales (billions)



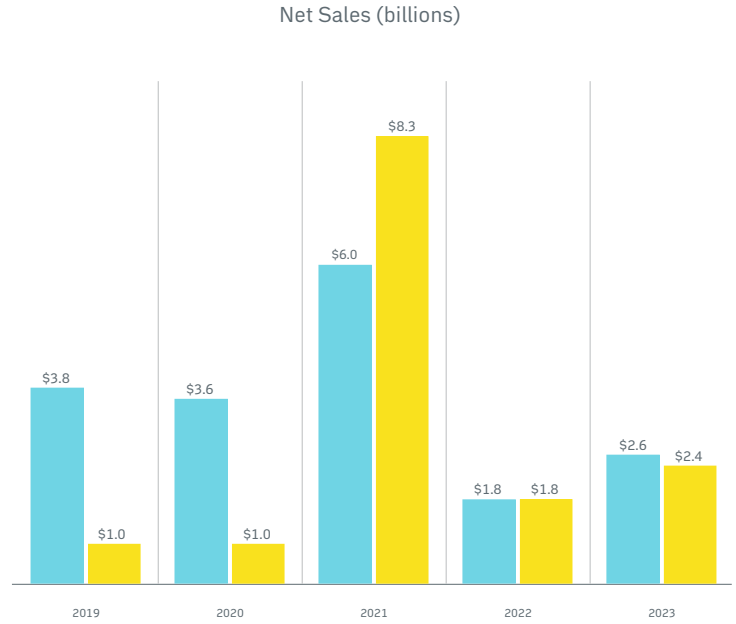
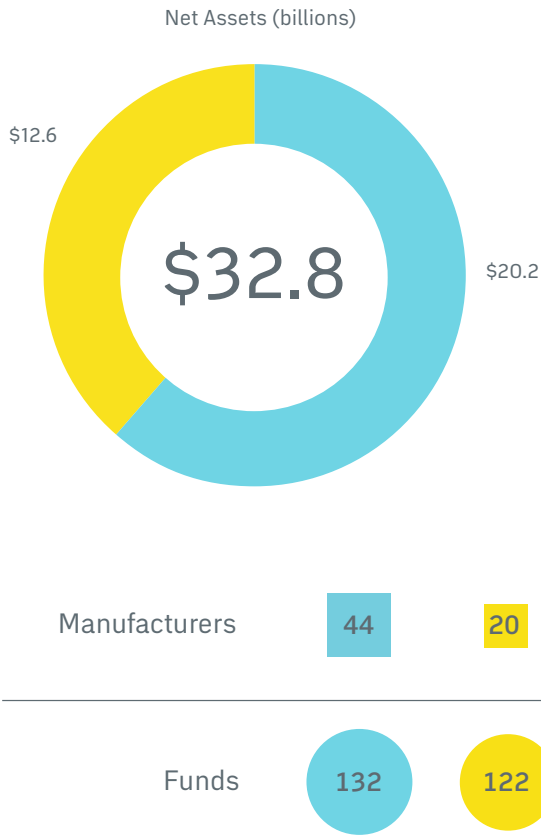
At the end of 2023, there was a total of \$40.0 billion in responsible investment (RI) mutual fund assets and \$16.3 billion in responsible investment ETF assets. This represents 2.1% of total mutual fund assets and 4.3% of total ETF assets, respectively. In 2023, RI mutual funds were one of the few areas of positive growth for the mutual fund industry. Overall, mutual fund net sales totalled \$538 million. ETF net sales totalled \$4.8 billion.

Prior to 2023, for IFIC to consider a fund a responsible investment fund, the fund prospectus must have mentioned an explicit responsible investing or ESG mandate in its investment objective or described a recognized approach to RI in its investment strategy. Starting in 2023, IFIC began using the [CIFSC RI Identification Framework](#) developed by the Canadian Investment Funds Standards Committee to identify RI funds.

■ Mutual Funds  
■ ETFs

# Alternative Investment Funds\*

December 2023

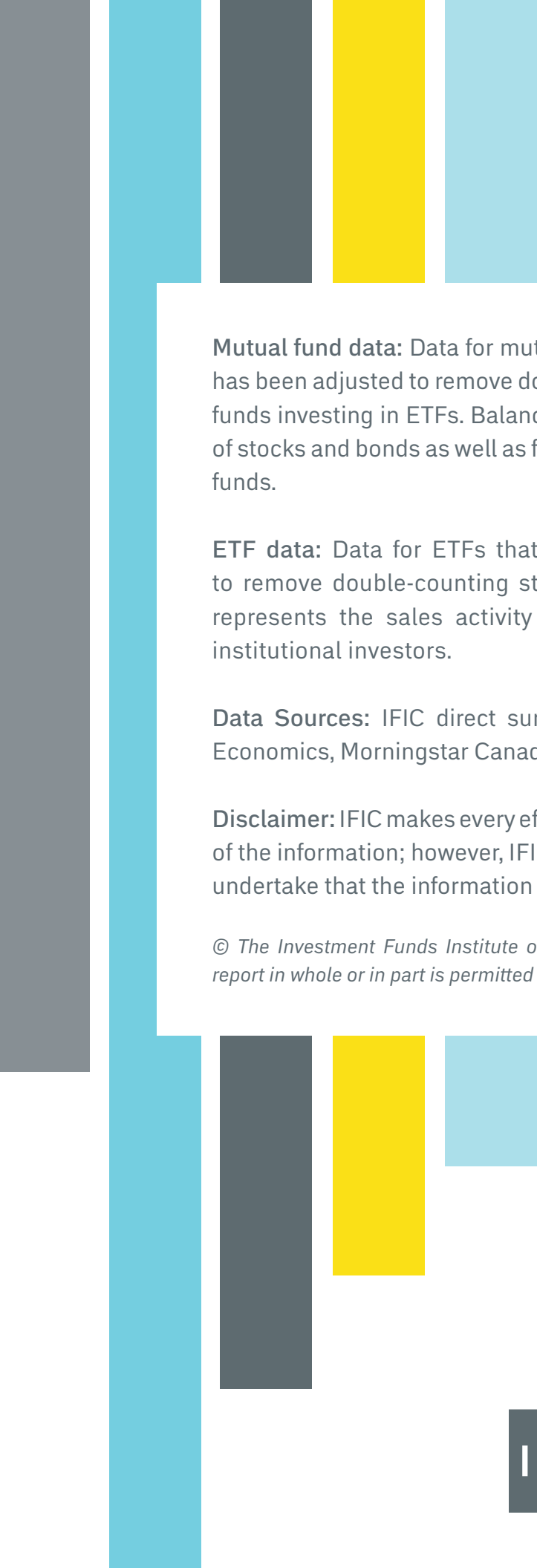


Mutual fund managers were first permitted to sell prospectus-qualified alternative investment funds, also known as “liquid alts”, in 2019.

At the end of 2023, alternative mutual fund assets totalled \$20.2 billion, and alternative ETF assets totalled \$12.6 billion. This represents 1.0% of total mutual fund assets and 3.3% of total ETF assets, respectively.

*\*An alternative investment fund is a type of mutual fund or ETF that is permitted under securities legislation (National Instrument 81-102 Investment Funds (“NI 81-102”)) to adopt fundamental investment objectives that permit them to engage in certain investment strategies—including short-selling, borrowing, and use of derivatives—that other mutual funds and ETFs are not permitted to engage in.*

■ Mutual Funds  
■ ETFs



**Mutual fund data:** Data for mutual funds that invest in other mutual funds has been adjusted to remove double counting. Figures also include mutual funds investing in ETFs. Balanced funds include funds that invest in a mix of stocks and bonds as well as funds that invest in a mix of separate mutual funds.

**ETF data:** Data for ETFs that invest in other ETFs has been adjusted to remove double-counting starting with January 2022 data. ETF data represents the sales activity of Canadian retail investors as well as institutional investors.

**Data Sources:** IFIC direct survey data was complemented by Investor Economics, Morningstar Canada Inc. and TSX and NEO Exchange.

**Disclaimer:** IFIC makes every effort to verify the accuracy and completeness of the information; however, IFIC does not guarantee, warrant, represent or undertake that the information provided is correct or accurate.

*© The Investment Funds Institute of Canada. No reproduction or republication of this report in whole or in part is permitted without permission.*

**IFIC**

**THE INVESTMENT  
FUNDS INSTITUTE  
OF CANADA**

**L'INSTITUT DES FONDS  
D'INVESTISSEMENT  
DU CANADA**