

**IIAC**  **ACCVM**  
Investment Industry Association of Canada Association canadienne du commerce des valeurs mobilières

## Q3 – 2023 IN REVIEW

---

# MUTUAL FUND REPORT

# Table of Contents



## 2023 Q3: Mutual Fund AUM Weakens

Mutual Fund Industry - Assets Under Management.....	3
---	---

## Mutual Funds AUM Looking Soft

Mutual Fund & Money Market Net Assets.....	4
Correlation of Industry AUM & Market Level.....	4
Correlation of Industry AUM Growth & Market Return.....	4

## Segmenting the Mutual Fund Industry AUM

Mutual Fund Share Class Segments.....	5
Class Composition within Fund Categories.....	5
Mutual Fund Share Class Dynamics.....	5
Prevalence of Selected Fund Qualities within Industry AUM.....	6
Currency Denominations of Canadian Mutual Funds AUM.....	6
Distribution of Fund of Funds AUM by Broad Fund Category.....	6
Currency Denomination Trend of Canadian Mutual Funds AUM.....	6

## Industry AUM across Broad Fund Categories

Mutual Fund AUM Distribution by Broad Category.....	7
Mutual Funds AUM Broad Fund Category Dynamics.....	7
AUM Trend across Broad Fund Categories.....	7

## Equity Funds Distribution & Trends

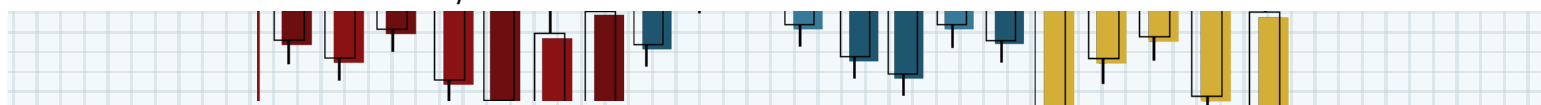
Equity Funds Net Assets Distribution.....	8
AUM Trend across Equity Fund Categories.....	8
Equity Fund Category Dynamics.....	8

## Allocation Funds Distribution & Trends

Allocation Funds Net Assets Distribution.....	9
AUM Trend across Allocation Fund Categories.....	9
Allocation Fund Category Dynamics.....	9

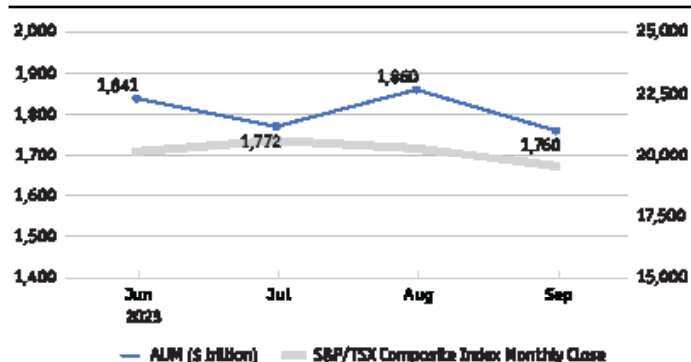
## Fixed-Income Distribution & Trends

Fixed-Income Net Assets Distribution.....	10
AUM Trend across Allocation Fund Categories.....	10
Fixed-Income Net Assets by Fund Classification.....	10



# 2023 Q3: MUTUAL FUND AUM WEAKENS

## Mutual Fund Industry - Assets Under Management (AUM), Jun 2023 - Sep 2023



Produced by the IIAC with data derived from YCharts.

During the third quarter, Canadian mutual fund holdings experienced a downturn, with overall Assets Under Management (AUM) declining by 4.4%, from \$1,840.7 billion in June to \$1,760.4 billion in September. This reduction mirrors the 3.0% fall observed in the S&P/TSX Composite Index during the same period, which dropped from 20,155 in June to 19,541 in September.

Notably, both the mutual fund industry's overall AUM and the S&P/TSX Composite Index underwent a downturn of 5.4% and 3.7%, respectively, in the month of September, a period historically known for its adverse impact on stocks.

This trend was consistent across all asset categories in the mutual fund industry. The weak performance in the third quarter can largely be attributed to a series of economic factors:

### Subdued performance in Q3 2023 can be aligned to several factors:

- A notable increase in inflation, which rose from 2.8% at the end of June to 3.8% by the end of September.
- A 4.1% month-over-month rise in the average retail price for gasoline.
- Weakness in global market performance, as evidenced by:
  - a. A 4.1% decline in the NASDAQ Composite, falling from \$13,788 at the end of June to \$13,219 by the end of September.
  - b. A 4.4% drop in the S&P Euro, from €1,933.07 in June to €1,847.21 in September.
  - c. A 3.7% decrease in the MSCI Emerging Markets Index, from \$989.48 USD at the end of June to \$952.78 USD by the end of September.

These factors collectively contributed to the overall subdued performance of the mutual fund industry in the third quarter.

## Note to Our Readers: Methodology Update

In our ongoing commitment to provide accurate and insightful information in our funds reports, IIAC has modified our approach to aggregating Assets Under Management (AUM). This enhancement is designed to better present a comprehensive and accurate representation of Canadian fund investments.

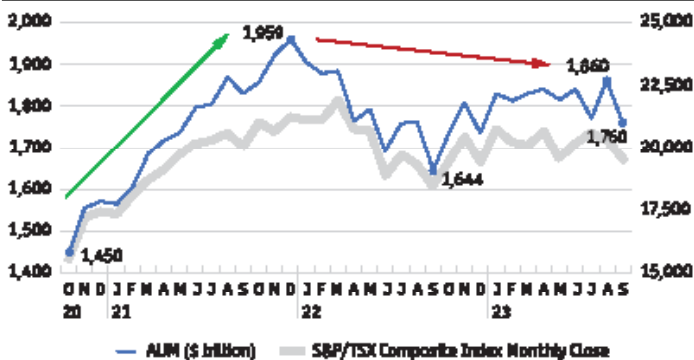
From this release forward, the update will result in Total AUM figures lower than those previously reported.

Previously, our methodology involved separate processing cycles for Mutual Funds and ETFs. In some circumstances, this caused Total Fund AUM to be counted toward both categories. To address this, we have combined the processing of ETF and Mutual Fund data, allowing for a more refined analysis and accurate grouping of related sub-funds. This change is pivotal in ensuring that each fund's AUM is precisely represented, avoiding overlaps as were encountered in the past.

Our refined approach aggregates sub-fund AUM to form a more accurate depiction of Total Fund AUM. The new, unified process reduces the risk of processing errors and helps ensure that the AUM figures presented are a more accurate reflection of the market realities.

# MUTUAL FUNDS AUM LOOKING SOFT

**Mutual Fund & Money Market Net Assets, Oct 2020 - Sep 2023**



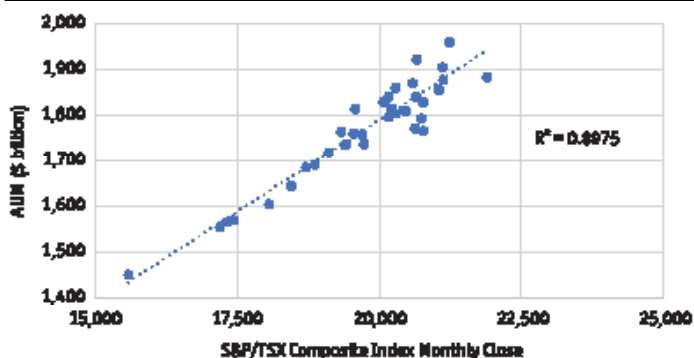
Produced by the IIAC with data derived from YCharts.

In the span of the last three years, Canada's Mutual Fund industry has witnessed a substantial 21.4% increase in Assets Under Management (AUM). This rise saw figures climb from \$1,450.5 billion in October 2020 to \$1,760.4 billion in September 2023. A notable surge occurred from October 2020 to December 2021, where AUM spiked by 35.1%, peaking at \$1,959.0 billion in December 2021.

However, this period of growth was followed by a downturn due to volatile markets affected by rising inflation, geopolitical unrest, and macroeconomic factors, leading to a 7.5% decrease in AUM from January 2022's \$1,903.8 billion to September 2023's \$1,760.4 billion.

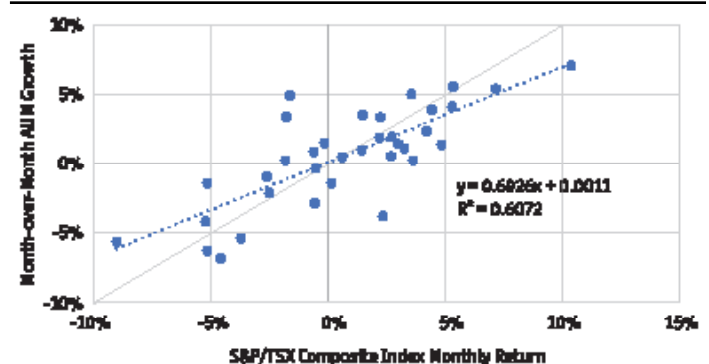
Despite an overall decline since January 2022, there was a brief resurgence of 7.1% from September 2022's \$1,643.7 billion to September 2023.

**Correlation of Industry AUM & Market Level, Oct 2020 - Sep 2023**



Produced by the IIAC with data derived from YCharts.

**Correlation of Industry AUM Growth & Market Return, Oct 2020 - Sep 2023 (percent)**



Produced by the IIAC with data derived from YCharts.

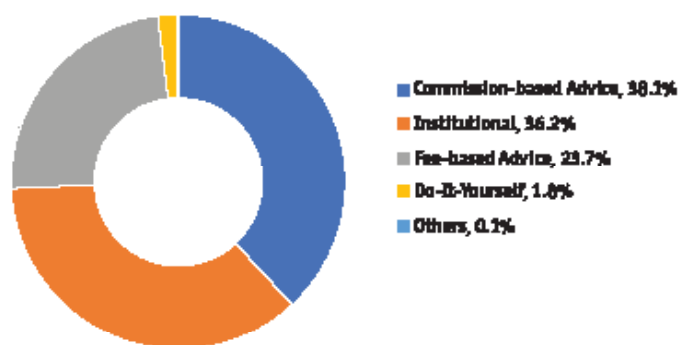
The R-squared value of 0.6072 indicates a weakly positive correlation between Mutual Fund industry AUM changes and market returns. This correlation, coupled with a 15% excess in positive AUM gain periods, suggests persistent investors' confidence in the market.

The monthly AUM growth rate has consistently outperformed market returns by an average of 0.62%, which could be attributed to effective management strategies and investors' adherence to their investment strategies.

The mutual fund industry's AUM has shown a statistically significant positive correlation with market index performance, highlighting the influence of bullish market conditions on industry growth.

# SEGMENTING THE MUTUAL FUND INDUSTRY AUM

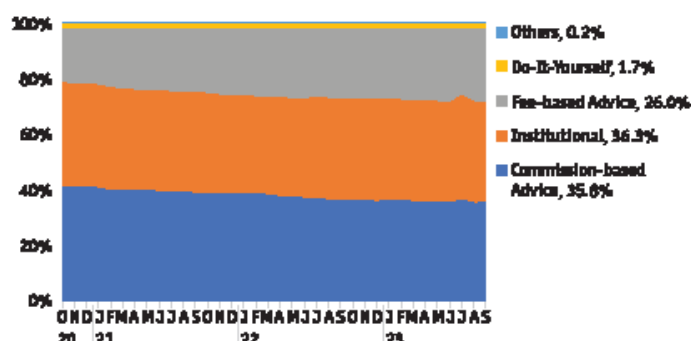
**Mutual Fund Share Class Segments,  
Oct 2020 - Sep 2023 (average percent)**



Produced by the IIAC with data derived from YCharts.

Over the past three years, a consistent trend has been observed in the distribution of Assets Under Management (AUM) within Canada's Mutual Fund industry, with three primary categories dominating the landscape. These categories, comprising Commission-based Advice, Institutional advice, and Fee-based advice, collectively represented over 98.0% of the total Mutual Fund AUM holdings.

**Mutual Fund Share Class Dynamics,  
Oct 2020 - Sep 2023 (percent)**



Produced by the IIAC with data derived from YCharts.

However, this period also marked notable shifts in their relative contributions. Commission-based Advice experienced a decrease of 5.7%, moving from 41.5% to 35.8%, while Institutional saw a slight reduction of 1.1%, from 37.4% to 36.3%.

In contrast, the share of Fee-based advice grew by 7.1%, up from 19.0% to 26.0%. The Do-it-yourself share class, though a smaller part of the overall portfolio, also recorded a decrease, declining from 2.0% to 1.7% of the total AUM.

**Class Composition within Fund Categories, Oct 2020 - Sep 2023  
(percent of fund category)**

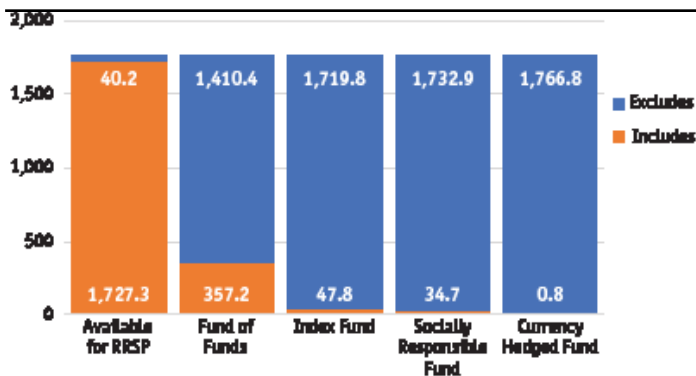
Broad Category	Share Class				
	Commission-based Advice	Institutional	Fee-based Advice	Do-It-Yourself	Others
Equity	31.6%	41.8%	23.9%	2.7%	0.1%
Allocation	65.8%	9.3%	23.7%	1.2%	0.0%
Fixed Income	10.7%	66.1%	22.0%	0.9%	0.2%
Money Market	47.9%	31.7%	14.9%	5.6%	0.0%
Alternative	15.8%	20.3%	59.0%	1.4%	3.5%
Miscellaneous	0.3%	99.6%	0.1%	0.0%	0.0%
Commodities	54.0%	2.0%	41.1%	2.8%	0.0%

Produced by the IIAC with data derived from YCharts.

The top three share classes consistently demonstrated dominance across all asset categories, as evidenced by their prominent representation in the top two clusters for each asset category.

# SEGMENTING THE MUTUAL FUND INDUSTRY AUM

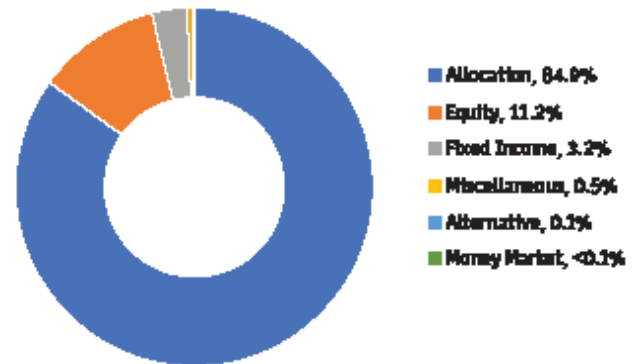
**Prevalence of Selected Fund Qualities within Industry AUM, Oct 2020 - Sep 2023 (\$ in billions)**



Produced by the IIAC with data derived from YCharts.

In the last three years, the mutual fund landscape has been markedly characterized by the dominance of funds eligible for Registered Retirement Savings Plans (RRSPs), with an overwhelming 97.7% of offerings falling under this category.

**Distribution of Fund of Funds AUM by Broad Fund Category, Oct 2020 - Sep 2023 (average percent)**

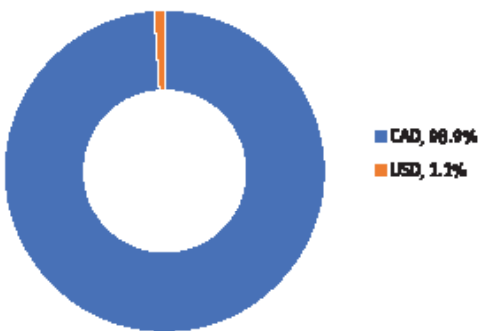


Produced by the IIAC with data derived from YCharts.

Funds of Funds emerge as a notable component, contributing 20.2% to the overall portfolio. This is followed by Index Funds, which account for 2.7%, and Socially Responsible Funds, making up 2.0% of offerings.<sup>1</sup>

Within the Funds of Funds segment, Allocation funds represented a substantial 84.9%, with Equity at 11.2% and Fixed Income at 3.2%.<sup>2</sup>

**Currency Denominations of Canadian Mutual Funds AUM, Oct 2020 - Sep 2023 (average percent)**



Produced by the IIAC with data derived from YCharts.

Canadian Dollar-denominated assets have consistently represented nearly 99% of the overall portfolio in the past three years.

**Currency Denomination Trend of Canadian Mutual Funds AUM, Oct 2020 - Sep 2023 (percent)**



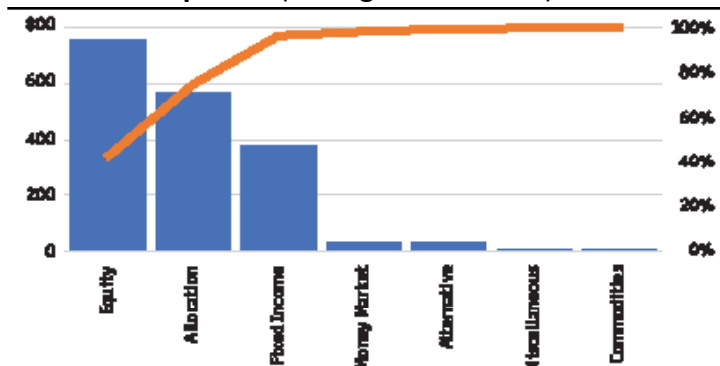
Produced by the IIAC with data derived from YCharts.

1. The fund qualities given here are self-reported by management firms and are not mutually exclusive: for example, a hypothetical fund could potentially be a Fund of Funds with an added goal of being Socially Responsible.

2. To avoid double-counting of Fund of Funds holdings within the industry AUM, these are discounted according to the degree of Canadian exposure within each fund's holdings.

# INDUSTRY AUM ACROSS BROAD FUND CATEGORIES

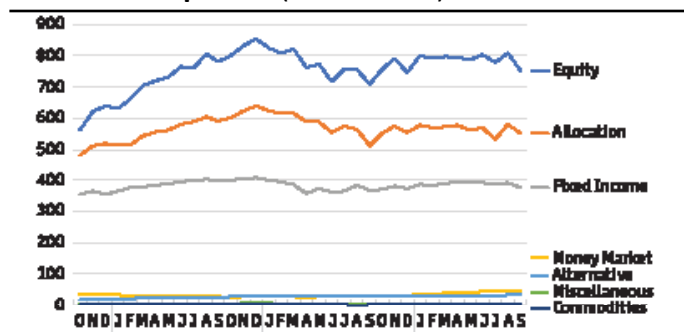
**Mutual Fund AUM Distribution by Broad Category, Oct 2020 - Sep 2023 (average \$ in billions)**



Produced by the IIAC with data derived from YCharts.

Over the last three years, Equity, Allocation, and Fixed Income funds collectively accounted for over 95% (96.4%) of the total mutual fund AUM portfolio. Equity funds averaged 42.7%, followed by Allocation funds at 32.1%, and Fixed Income funds at 21.6%.

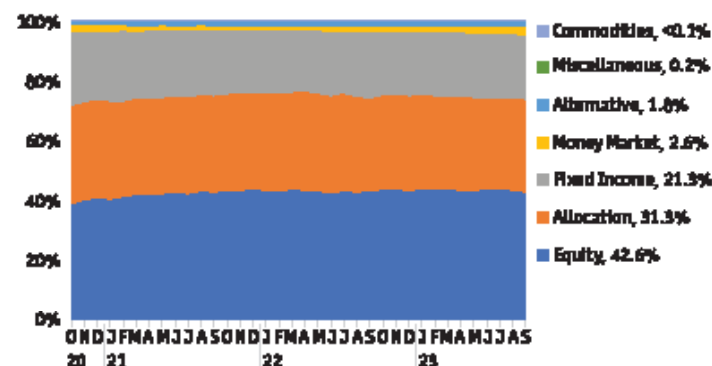
**AUM Trend across Broad Fund Categories, Oct 2020 - Sep 2023 (\$ in billions)**



Produced by the IIAC with data derived from YCharts.

AUM growth rates varied significantly across all fund categories over the last three years. Alternative funds led expansion with a remarkable 105.5% increase, followed by Equity funds at 33.8% and Money Market funds at 33.6%. Fixed Income funds experienced the smallest increase at 6.2%, followed by Allocation funds at 14.7%. Commodities funds and Miscellaneous funds saw a decline of 17.8% and 4.4% in their AUM, respectively.

**Mutual Funds AUM Broad Fund Category Dynamics, Oct 2020 - Sep 2023 (percent)**

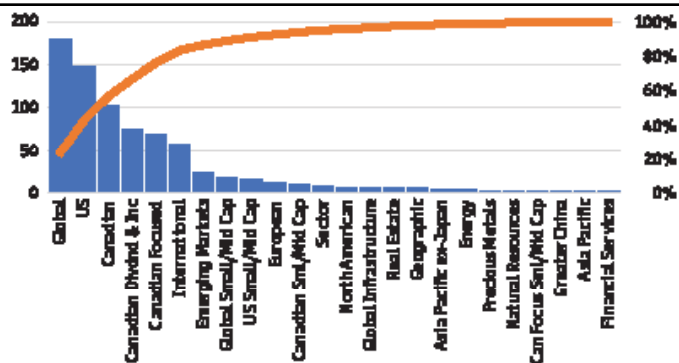


Produced by the IIAC with data derived from YCharts.

Equity funds saw an increase in their contribution by 4.0% (from 38.7% to 42.6%), while Fixed Income funds and Allocation funds decreased by 3.1% (from 24.4% to 21.3%) and 1.8% (from 33.1% to 31.3%) respectively.

# EQUITY FUNDS DISTRIBUTION & TRENDS

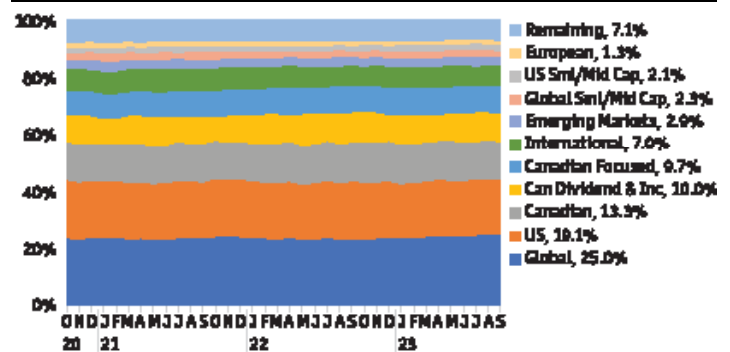
**Equity Funds Net Assets Distribution, Oct 2020 - Sep 2023 (average \$ in billions)**



Produced by the IIAC with data derived from YCharts.

Within the Equity funds sector, the leading 10 Equity fund categories make up an impressive 92.6% of total equity fund holdings. Further emphasizing this concentration, the top 5 categories alone represent a substantial 76.2% of the industry Equity fund AUM.

**Equity Fund Category Dynamics, Oct 2020 - Sep 2023 (percent)**

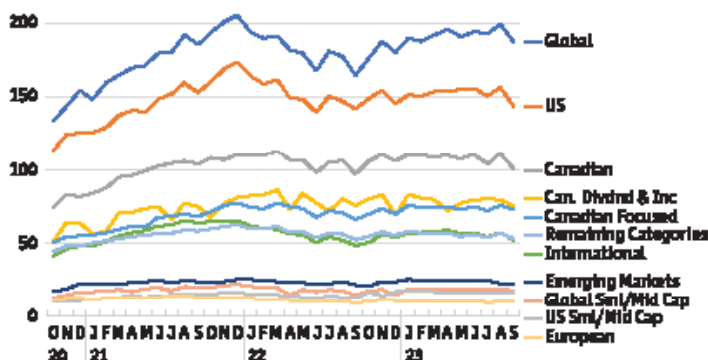


Produced by the IIAC with data derived from YCharts.

Over the same period, the top three categories - Global equity, US equity, and Canadian equity - have consistently represented 23.8%, 19.6%, and 13.7% respectively of the overall equity AUM portfolio.

The percentage contributions of all major Equity categories have remained within a well-defined range with minimal variation.

**AUM Trend across Equity Fund Categories, Oct 2020 - Sep 2023 (\$ in billions)**



Produced by the IIAC with data derived from YCharts.

In the past three years, all major equity fund categories, with the exception of European Equity funds, recorded positive growth. The US Small/Mid Cap Equity funds led this upward trend with a remarkable overall growth of 59.5%. This was closely followed by Canadian Focused Equity funds, which grew by 46.5%, and Global Small/Mid Cap Equity funds, which increased by 44.7%.

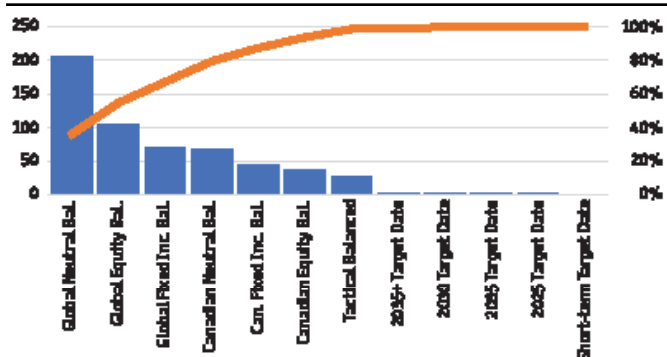
European Equity funds, however, deviated from this pattern, experiencing a decrease in AUM by 7.6%.

In a broader view, the remaining Equity fund categories achieved an increase of 20.2% in their collective AUM.



# ALLOCATION FUNDS DISTRIBUTION & TRENDS

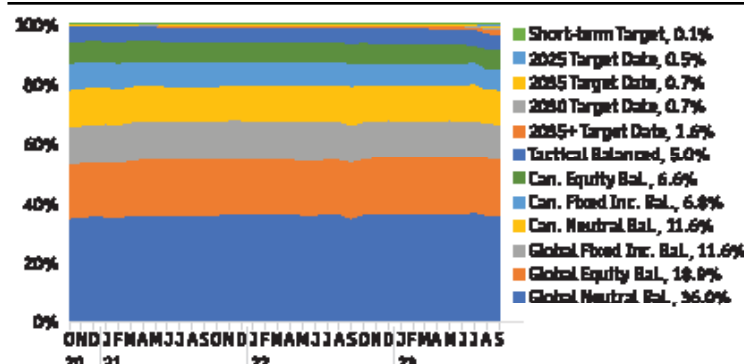
Allocation Funds Net Assets Distribution, Oct 2020 - Sep 2023 (average \$ in billions)



Produced by the IIAC with data derived from YCharts.

Among the Allocation funds category, a significant concentration is evident in the top seven fund types, which together account for 98.5% of the total portfolio. Notably, the Global Neutral Balanced funds and Global Equity Balanced funds, as the leading sub-categories, represent a substantial portion of this segment. Specifically, these two categories alone comprise 54.9% of the overall Allocation funds AUM holdings.

Allocation Fund Category Dynamics, Oct 2020 - Sep 2023 (percent)



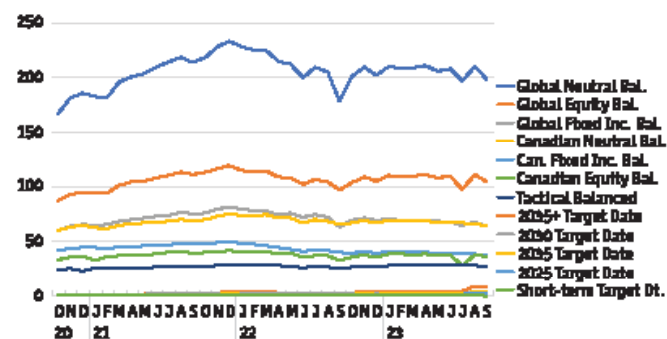
Produced by the IIAC with data derived from YCharts.

The top seven categories consistently accounted for over 96.5% of the Allocation funds in the past three years.

Comparing October 2020 and September 2023 values, Canadian Fixed Income Balanced funds, Global Fixed Income Balanced funds, and Canadian Neutral Balanced funds saw a decline of 1.9%, 1.0%, and 1.0% respectively in their percentage contributions. In contrast, the 2035+ Target Date Portfolio funds, Global Equity Balanced funds, and Global Neutral Balanced funds recorded increases of 1.3%, 0.7%, and 1.2% respectively.

The remaining categories maintained a well-defined range of percentage contribution.

AUM Trend across Allocation Fund Categories, Oct 2020 - Sep 2023 (\$ in billions)



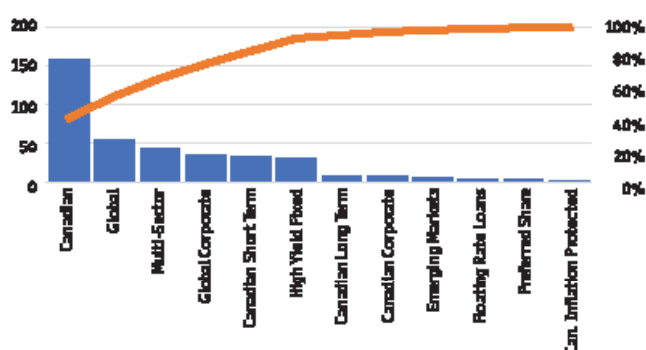
Produced by the IIAC with data derived from YCharts.

Except for Canadian Fixed Income Balanced funds and Short Term Target Date Portfolio funds, which recorded declines of 10.7% and 9.5% respectively, all other Allocation fund sub-categories have seen increases over the last three years.

The most significant growth was in the 2035+ Target Date Portfolio funds, expanding by 653.3%, followed by the 2035 Target Date Portfolio funds at 393.4% and the 2030 Target Date Portfolio funds at 233.9%. Within the top 5 major fund categories, Global Equity Balanced funds recorded the largest increase of 19.3%, followed by Global Neutral Balanced funds at 18.5%.

# FIXED-INCOME DISTRIBUTION & TRENDS

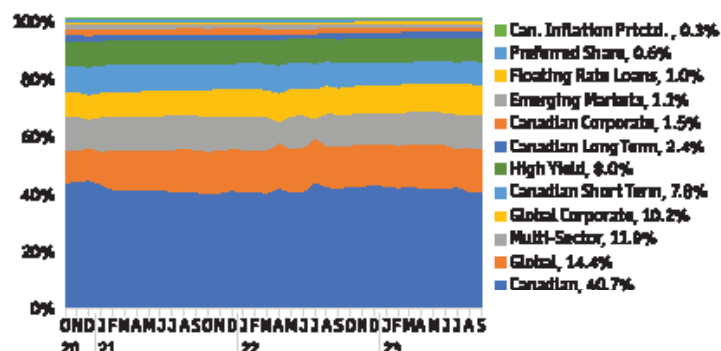
**Fixed-Income Net Assets Distribution**  
Oct 2020 - Sep 2023 (average \$ in billions)



Produced by the IIAC with data derived from YCharts.

The top 6 fixed income fund categories comprised a significant 93.3% of the overall fixed income fund portfolio, with the top 3 categories—Canadian Fixed Income funds, Global Fixed Income funds, and Multi Sector Fixed Income funds—making up approximately two-thirds (67.6%) of the total AUM.

**Fixed-Income Net Assets by Fund Classification,**  
Oct 2020 - Sep 2023 (percent)



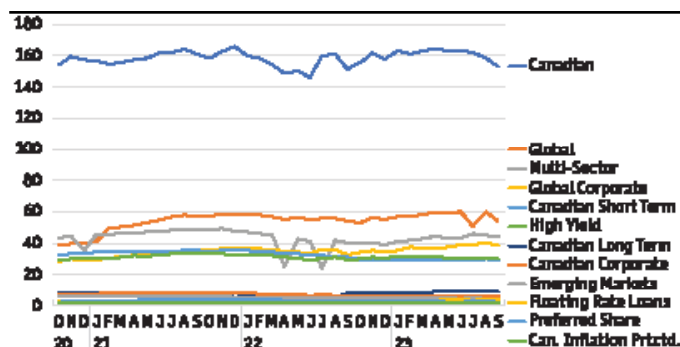
Produced by the IIAC with data derived from YCharts.

The top five categories consistently represented over 83.4% of the Fixed Income AUM portfolio in the last three years.

Comparing October 2020 and September 2023 values, Canadian Fixed Income funds and Canadian Short Term Fixed Income funds recorded declines in their percentage contributions of 2.8% and 1.5% respectively.

Conversely, Global Fixed Income funds and Global Corporate Fixed Income funds exhibited increases of 3.5% and 2.2% respectively in their percentage contributions.

**AUM Trend across Allocation Fund Categories, Oct 2020 - Sep 2023**  
(\$ in billions)



Produced by the IIAC with data derived from YCharts.

Half of the twelve Fixed Income funds categories experienced increasing AUM over the last three years. Global Fixed Income funds led with an expansion of 40.1%, followed by Global Corporate Fixed Income funds at 36.1% and Floating Rate Loans funds growing by 26.2%.

Conversely, Emerging Markets Fixed Income funds saw the most significant reduction of 30.2% in overall AUM, followed by Canadian Inflation Protected Fixed Income funds falling 20.0% and Canadian Corporate Fixed Income funds decreasing by 15.8%.

# DISCLAIMER

This material is not distributed or intended for investor use.

Any charts, graphs and tables included in this material are for illustrative purposes only. All data, overviews and commentaries are provided for informational purposes only and are not intended as and do not constitute financial, investment, tax, legal or other advice. Please seek professional advice for your particular situation. The Investment Industry Association of Canada (the "IIAC") does not provide financial, investment, tax, legal or other advice.

This material is not intended to be and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation to buy or sell.

Past performance is not a guarantee or reliable indicator of future results. Views expressed in this material are as of the quarter indicated, based on information available at that time, and may change based on economic, market or other conditions. Information contained in this material has been compiled from sources believed to be reliable, but not guaranteed, and no representation or warranty, express or implied, is made by the IIAC with respect to its timeliness or accuracy. The IIAC does not assume any duty to update any of the information in this material.

This material has not been reviewed by and is not registered with any securities or other regulatory authority.

No part of this material may be reproduced in any form, or referred to in any other publication, without the IIAC's express written permission.

## Comment Please!



The Mutual Fund Report is produced quarterly by the Investment Industry Association of Canada (IIAC).

We want to hear from you. Send suggestions for future editions and feedback to [publicaffairs\\_affairespublique@iiac.ca](mailto:publicaffairs_affairespublique@iiac.ca).

