



# 2021

## Investment Funds Report

**IFIC**

THE INVESTMENT  
FUNDS INSTITUTE  
OF CANADA

L'INSTITUT DES FONDS  
D'INVESTISSEMENT  
DU CANADA

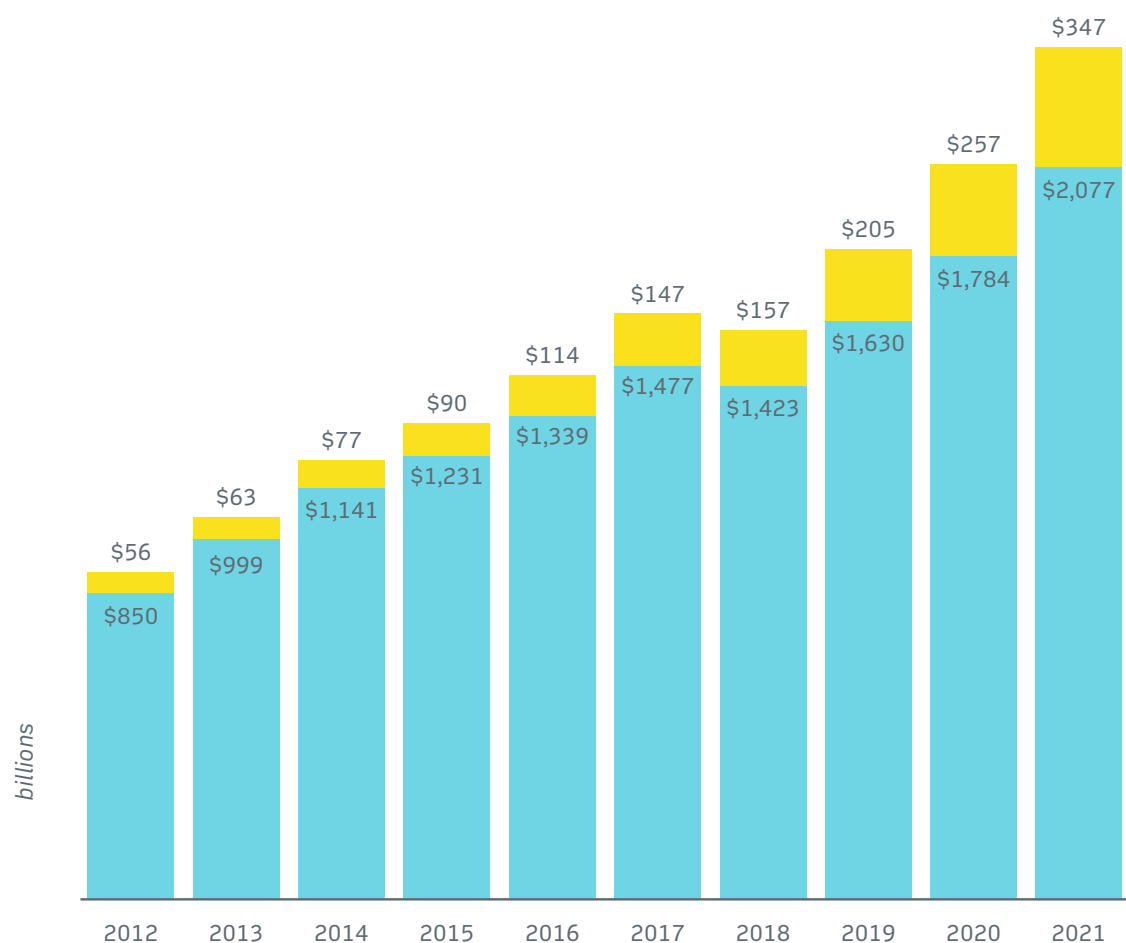


**The Investment Funds Report** captures information about Canada's investment funds landscape in 2021. This report provides statistics and analysis of mutual fund and exchange traded fund (ETF) sales and assets under management.

## 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.

## Net Assets of Mutual Funds and ETFs

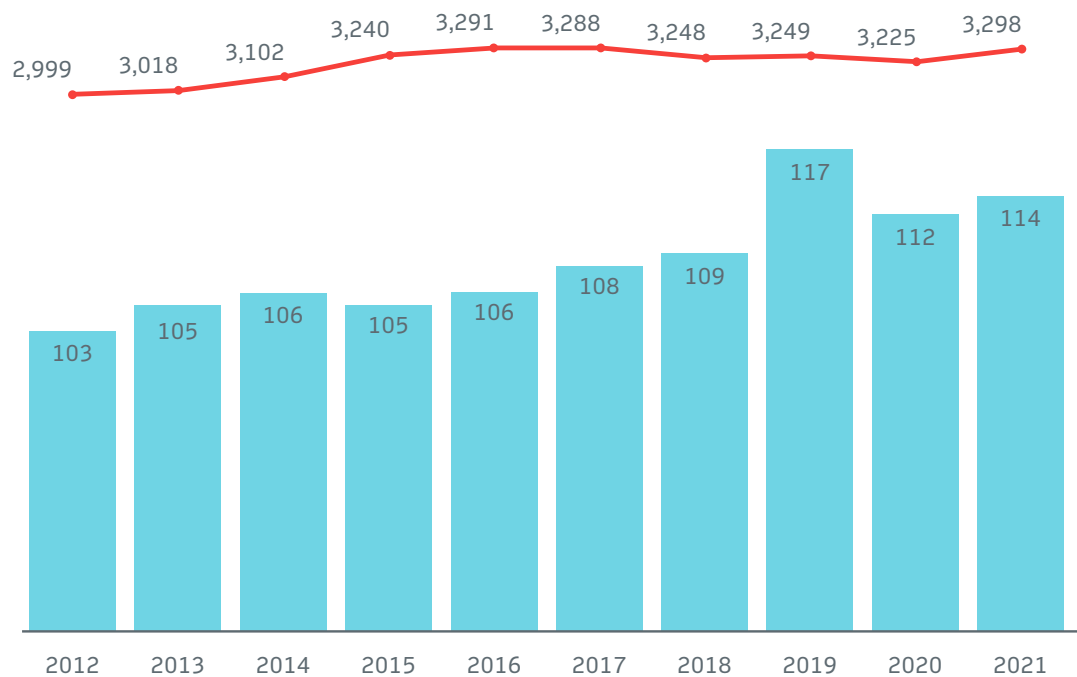


**At the end** of 2021, Canadian mutual fund assets totalled \$2.08 trillion and ETF assets totalled \$347 billion. Due to record sales and positive market effect, mutual fund assets increased by 16% and ETF assets increased by 35% throughout 2021. Over the last ten years, mutual fund assets grew by over 2.5 times, adding \$1.3 trillion and ETF assets grew by more than 8 times, adding \$304 billion.

■ Mutual Funds  
■ ETFs

It is important to note, as explained in the notes at the back of this report, that ETF data has not been adjusted to remove double-counting where ETFs invest in other ETFs. IFIC will begin reporting ETF asset and sales data with double-counting removed in 2022.

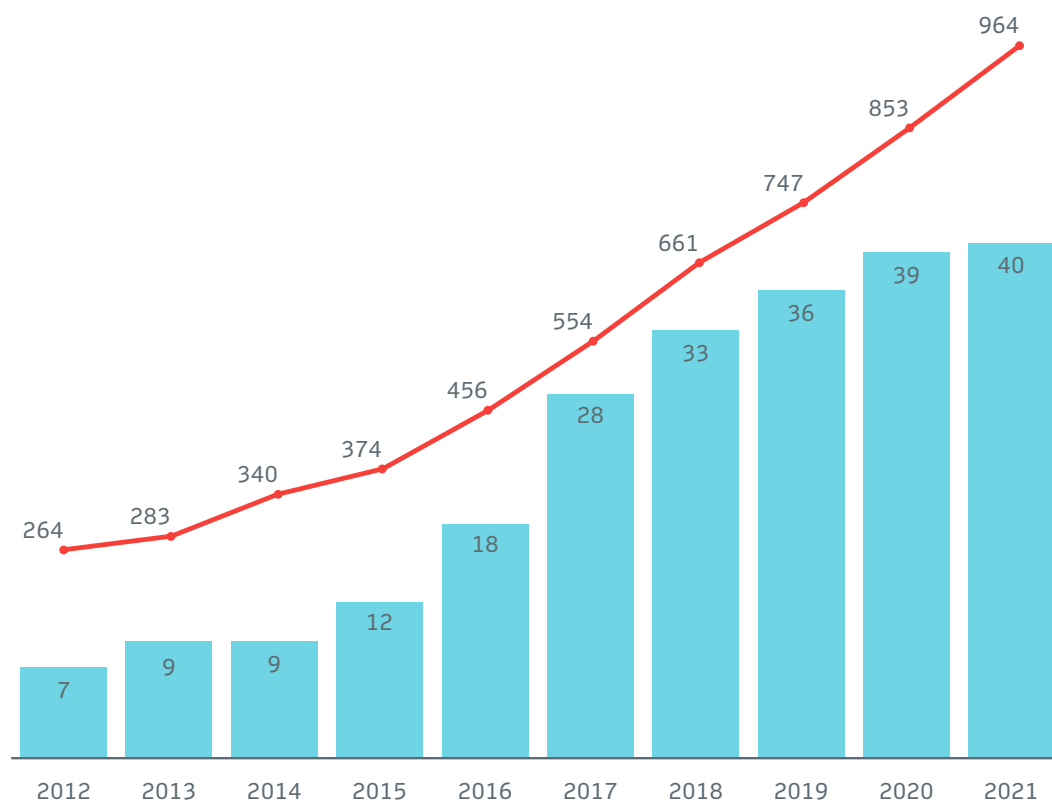
# Mutual Fund Managers and Number of Funds



**There were 114** companies offering mutual funds at the end of 2021. There was a net increase of two firms in 2021. The number of available mutual funds increased by 73 on a net basis in 2021, bringing the total number of funds on offer to 3,298. Many of the new fund launches included products with responsible investing investment objectives and strategies. There were also eight cryptocurrency mutual funds launched. These themes are presented in greater detail on pages, 15 and 16 of the report.

Fund Managers  
Funds

## ETF Managers and Number of Funds



**At the end** of 2021, there were 40 investment fund companies offering ETFs, more than double the number of companies offering ETFs five years ago. The majority of these companies offer both ETFs and mutual funds. This growth is emblematic of an industry that is in a strong growth phase. Throughout 2021, on a net basis, 111 ETFs were added, bringing the total number of ETF funds on offer to 964.

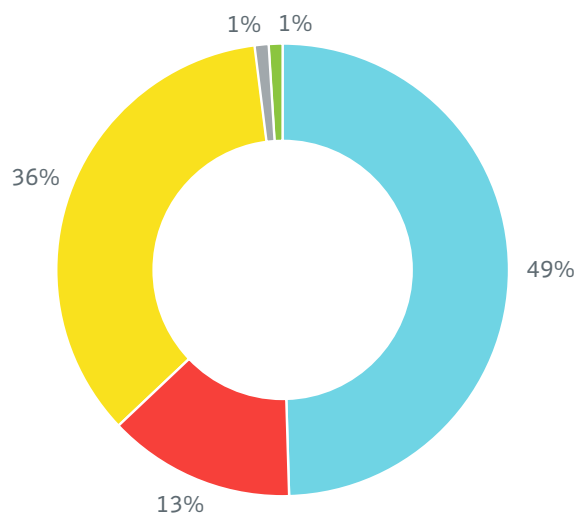
Many of the new launches were responsible investing funds and cryptocurrency funds.

■ Fund Managers  
— Funds

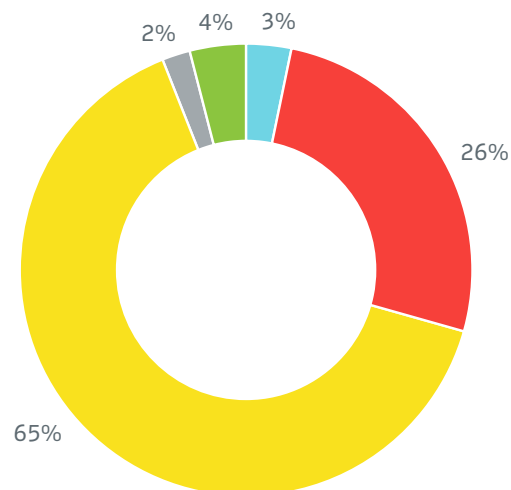
## Mutual Fund and ETF Assets by Broad Asset Class



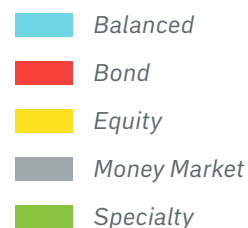
December 2021



Mutual Funds



ETFs

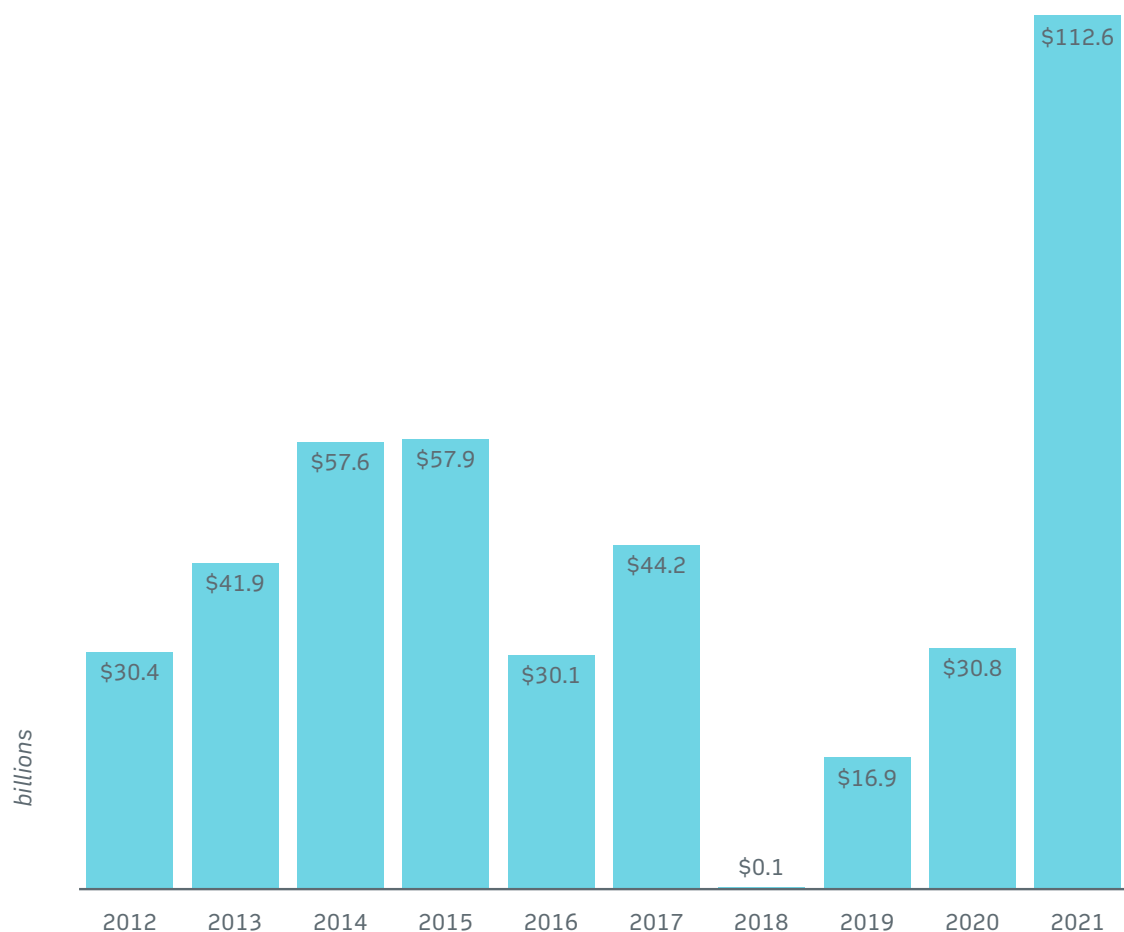


**The largest segment** of Canadian mutual fund assets at year-end 2021 were in the balanced fund category, comprising 49% of total fund assets. The balanced category includes funds that invest in a mix of stocks and bonds as well as funds that invest in a mix of separate stand-alone funds. Equity funds were the second largest category, with 36% of assets.

For ETFs, equity funds accounted for 65% of total funds at year-end and bond funds accounted for 26%. While the balanced fund category currently represents a small portion of overall ETF assets, a number of established ETF providers now offer fund of fund ETFs.

Money market funds are a very small part of the Canadian fund industry. Most ETF money market funds invest primarily in high-interest savings accounts, known as HISAs.

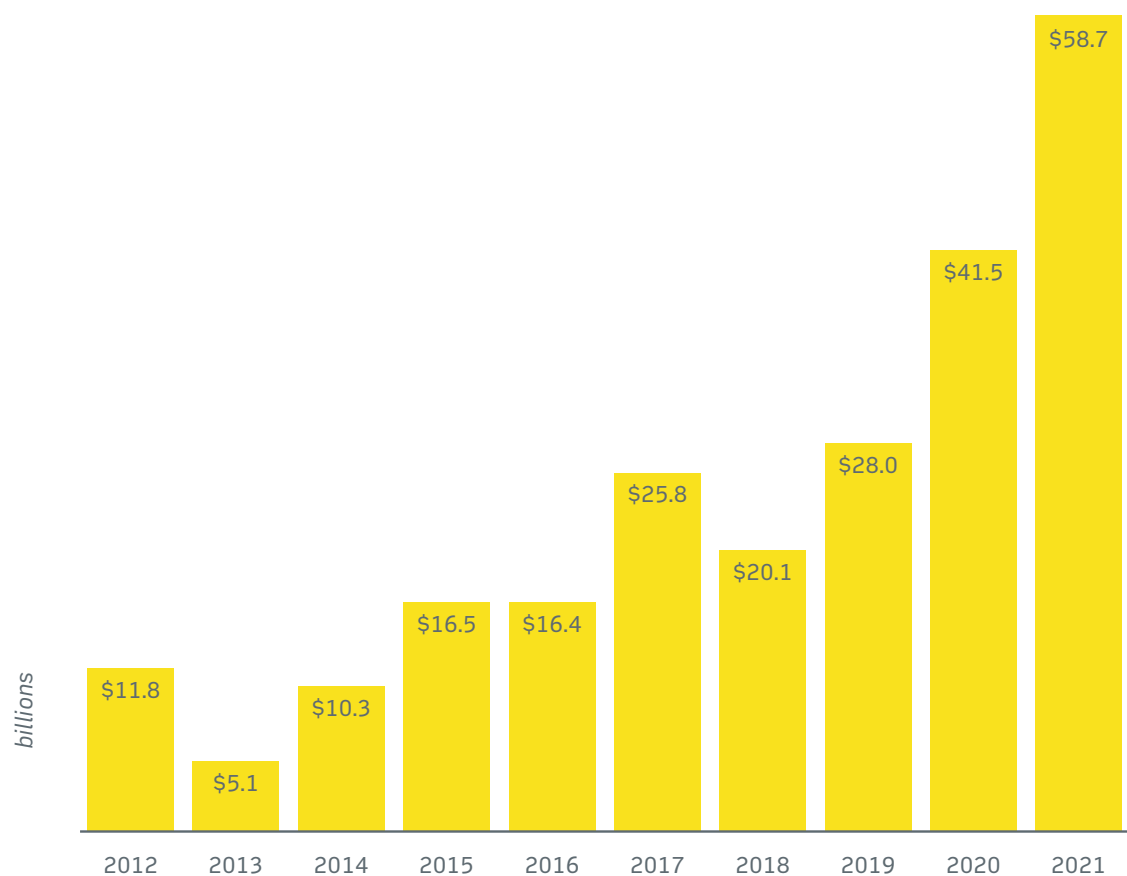
## Mutual Fund Net Sales



**Mutual fund net sales** totalled \$112.6 billion in 2021, representing the largest annual net sales on record. The total net sales for 2021 exceeds the total net sales of the previous four years combined. Compared to 2020, mutual fund net sales increased in 2021 by more than 3.5 times.

There are always multiple factors responsible for changes in investor behaviour. However, it is likely that the strong sales year in 2021 was partly driven by the increased savings some households were able to achieve during the pandemic combined with strong equity markets. Throughout the year, the S&P/TSX Composite Index increased in value by 21%.

## ETF Net Sales

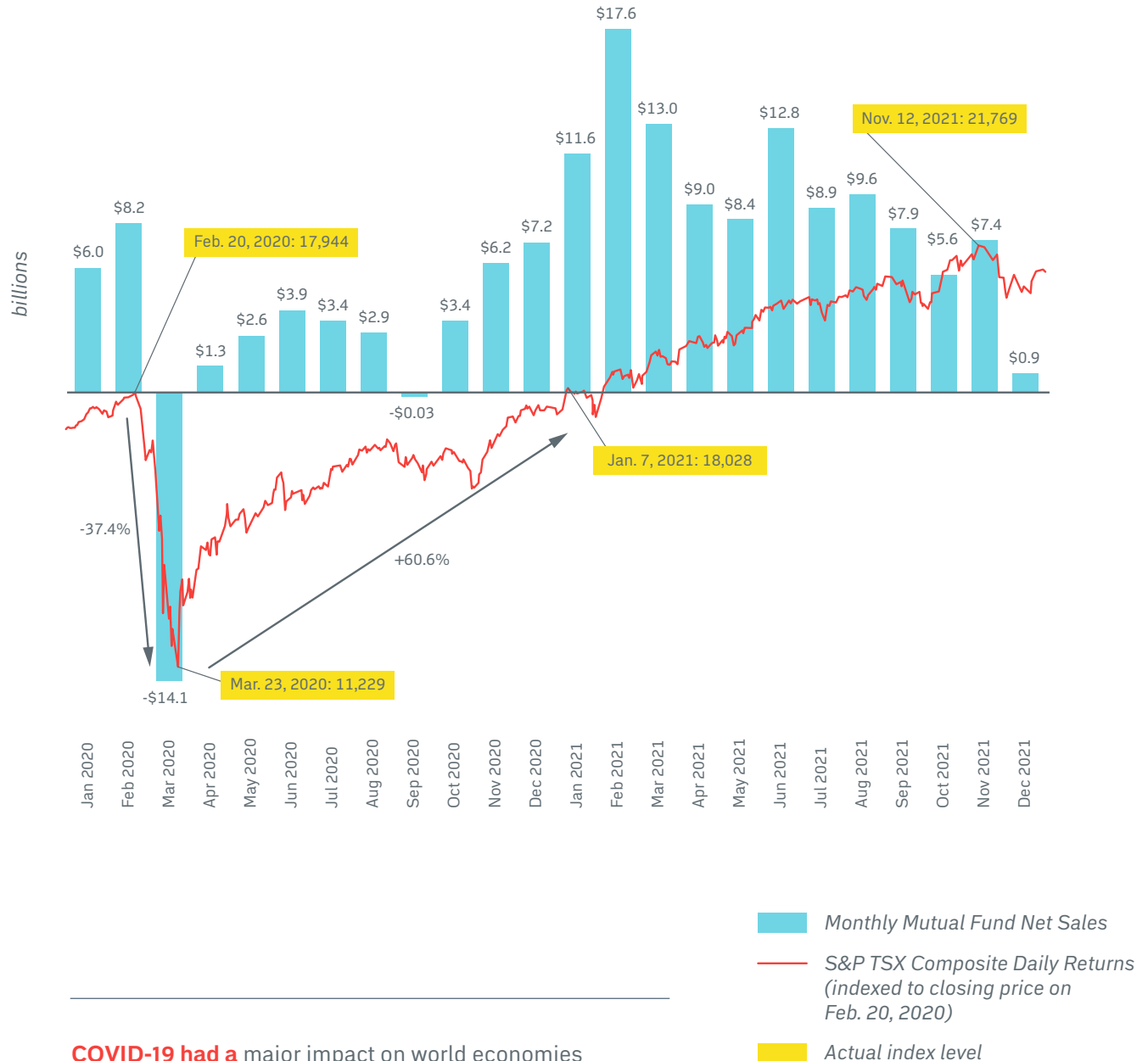


**ETF net sales** totalled \$58.7 billion in 2021. As with mutual funds, 2021 was the largest year on record for net sales. Compared to 2020, ETF net sales increased by 41%.

While the relative growth in ETF net sales in 2021 is not as dramatic as it was for mutual funds, ETFs have shown a more consistent trend of increasing sales over the last several years.



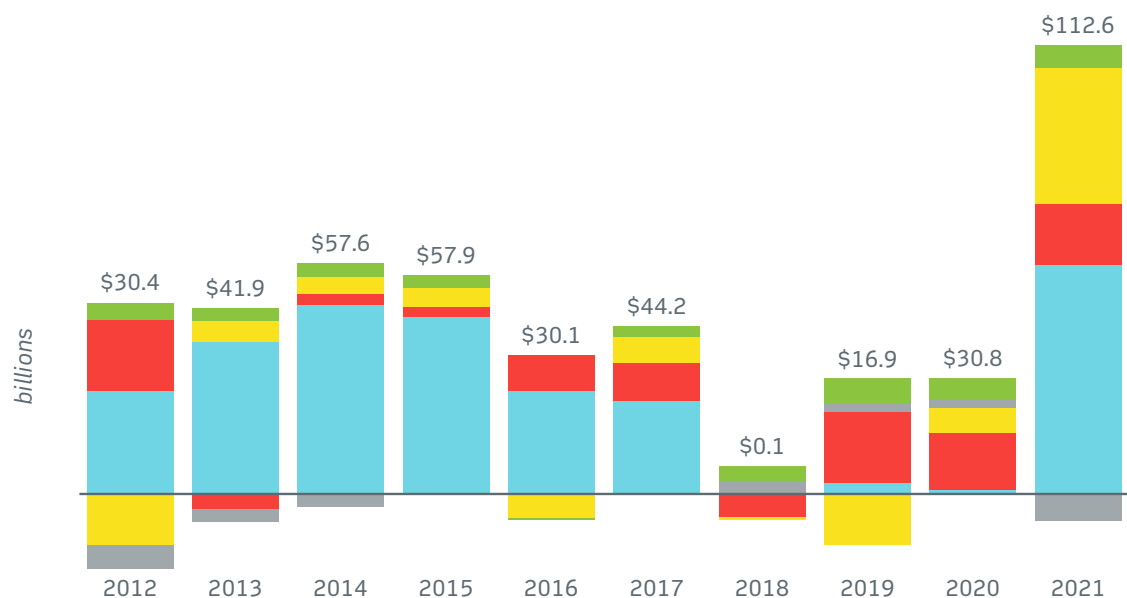
## Mutual Fund Net Sales



**COVID-19 had a** major impact on world economies and Canadian and global markets. Despite the steep drop in the S&P TSX Composite Index in March of 2020, the value of the S&P TSX Composite Index had fully recovered by January 7, 2021 and continued to rise throughout the year.

While the steep market drop was associated with \$14.1 billion in net redemptions, this represented only 0.9% of mutual fund assets, showing that mutual fund investors overall stayed the course.

## Mutual Fund Net Sales by Asset Class



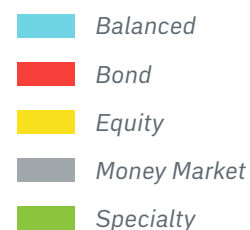
**In 2021, balanced** funds brought in \$63 billion in net sales, representing 56% of total net sales, equity funds brought in \$37 billion, or 33% of total net sales, bond funds brought in \$14.4 billion or 13% of total net sales, and specialty funds<sup>1</sup> brought in \$5.8 billion, or 5% of total net sales.

Over the last decade, balanced mutual funds<sup>2</sup> have attracted a relatively large portion of total net sales, especially in years where there are strong overall net sales. Compared to the last ten years, 2021 was unique in having a relatively high level of balanced fund and equity fund net sales.

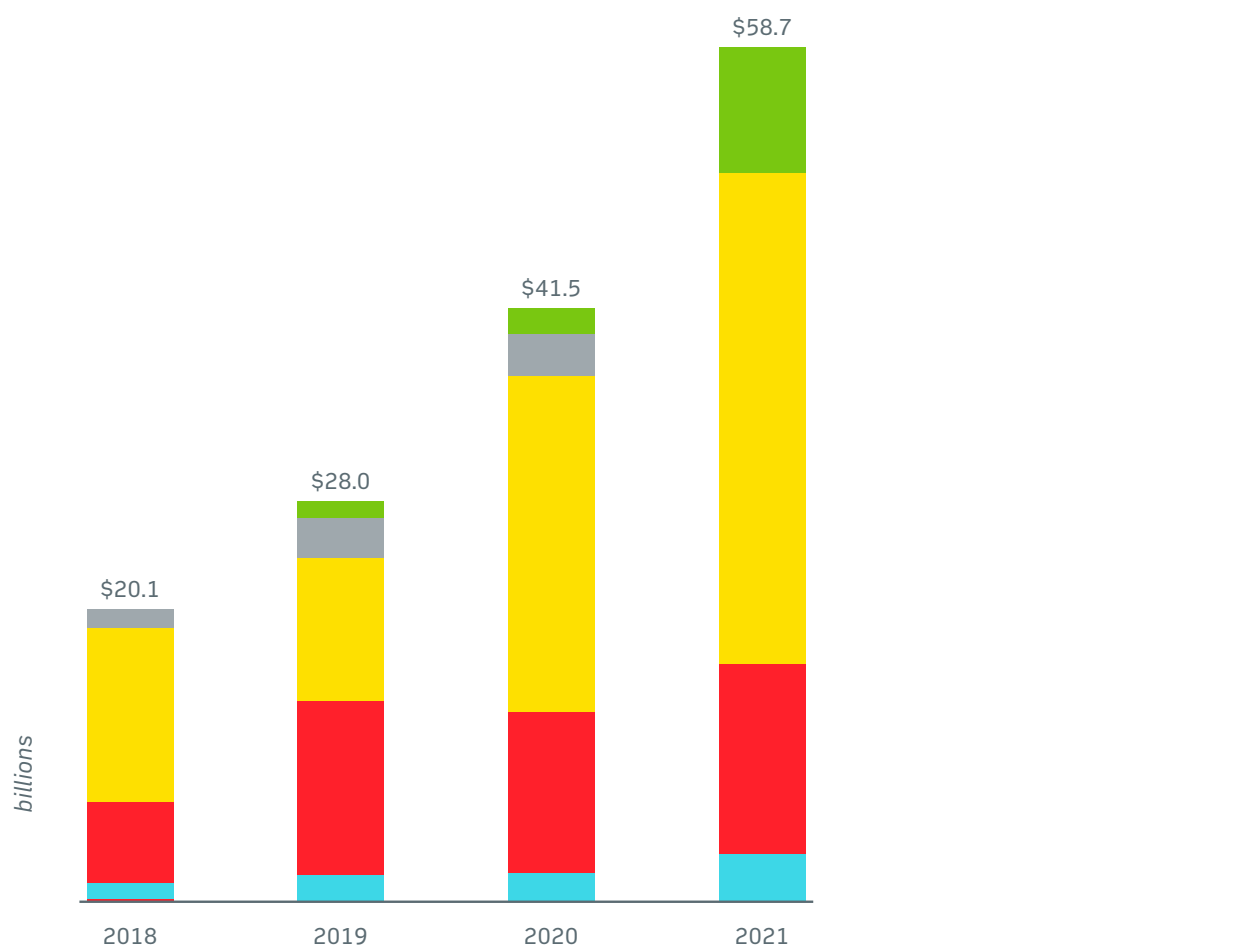
Money market mutual funds saw net redemptions of \$7.4 billion. Money market funds tend to attract new sales in falling markets and see redemptions when stock market performance is strong, as was the case in 2021.

1. Specialty funds include alternative funds, commodity funds, real property funds and other miscellaneous funds.

2. 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.



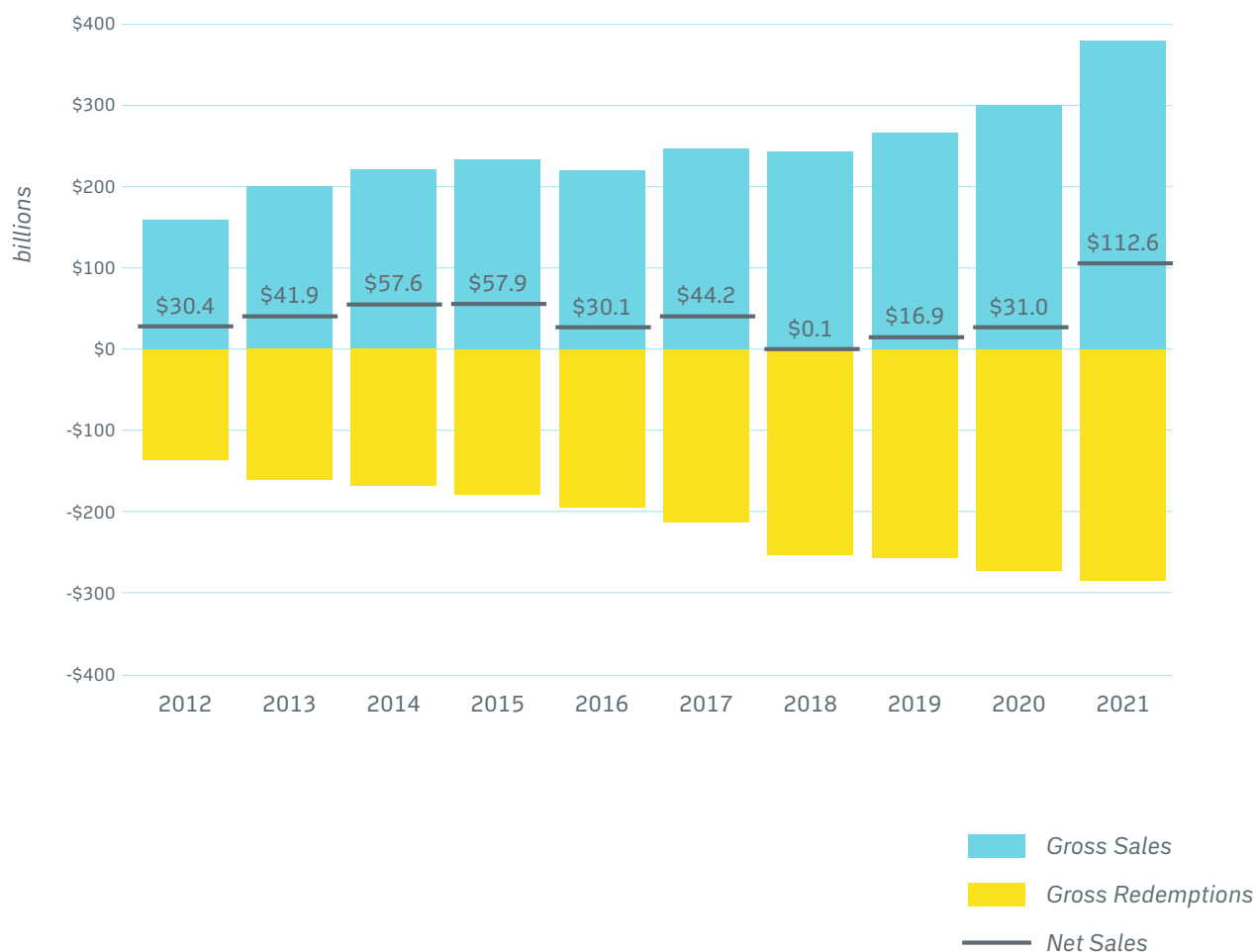
## ETF Net Sales by Asset Class



**In 2021, ETF** equity funds brought in \$34.5 billion in net sales, representing 59% of total net sales, bond funds brought in \$12.4 billion, or 21% of total net sales, and specialty funds brought in \$8.5 billion, or 14% of total net sales. As noted in the previous page, specialty funds include alternative funds. Much of the ETF specialty net sales were cryptocurrency funds. This is described in more detail on page 16 of the report. Balanced funds brought in \$4 billion in sales and remain a very small part of the ETF landscape.

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

## Mutual Fund Sales



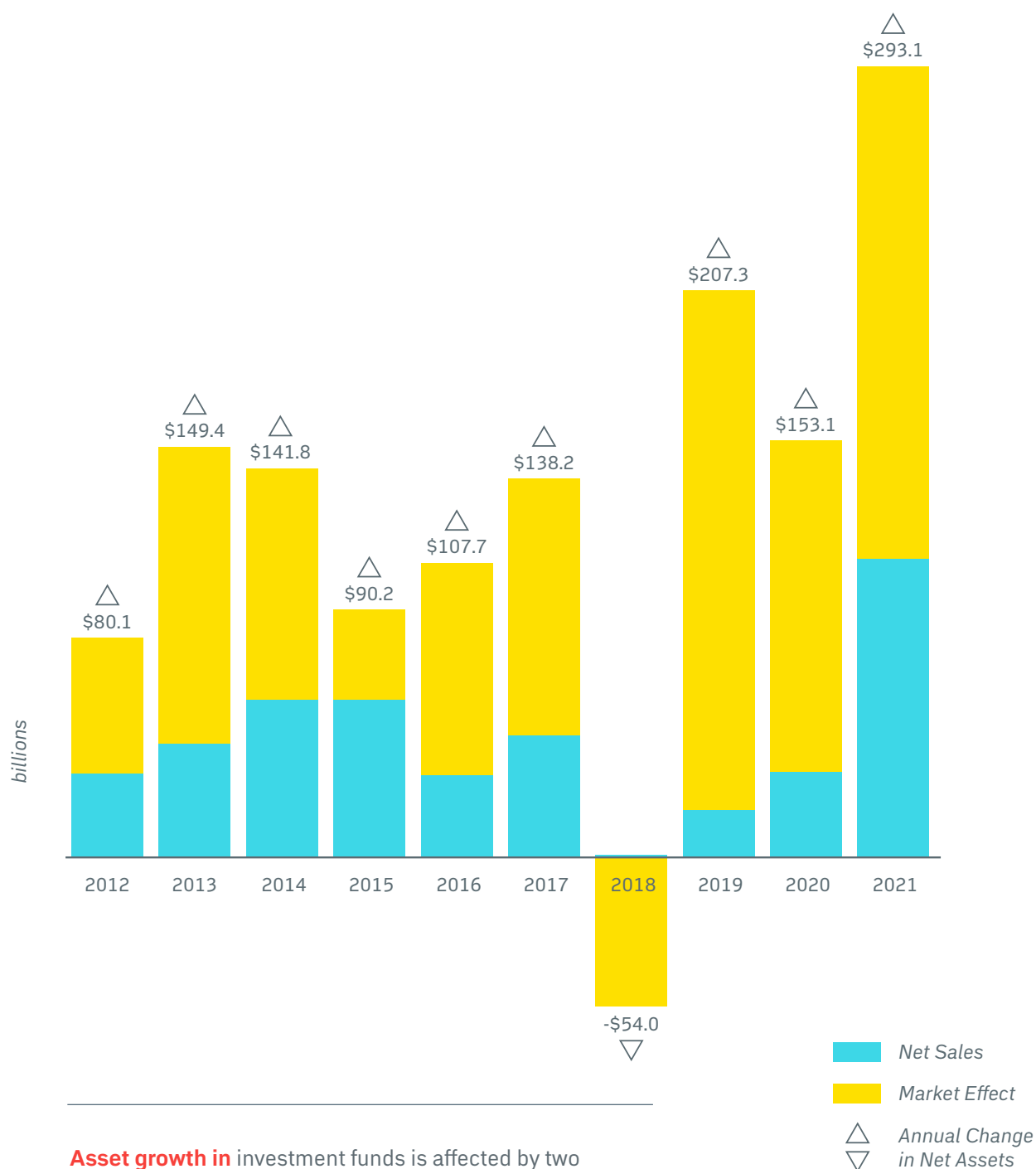
**Gross sales comprise** all new fund sales including new money entering the mutual fund industry as well as money moving from one fund company to another.

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

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

In 2021, mutual funds generated the largest ever gross sales, at \$383.8 billion. As a percentage of beginning-year assets, gross sales were 22% in 2021 compared to an average of 20% over the past ten years. In 2021, redemptions were \$278.7 billion.

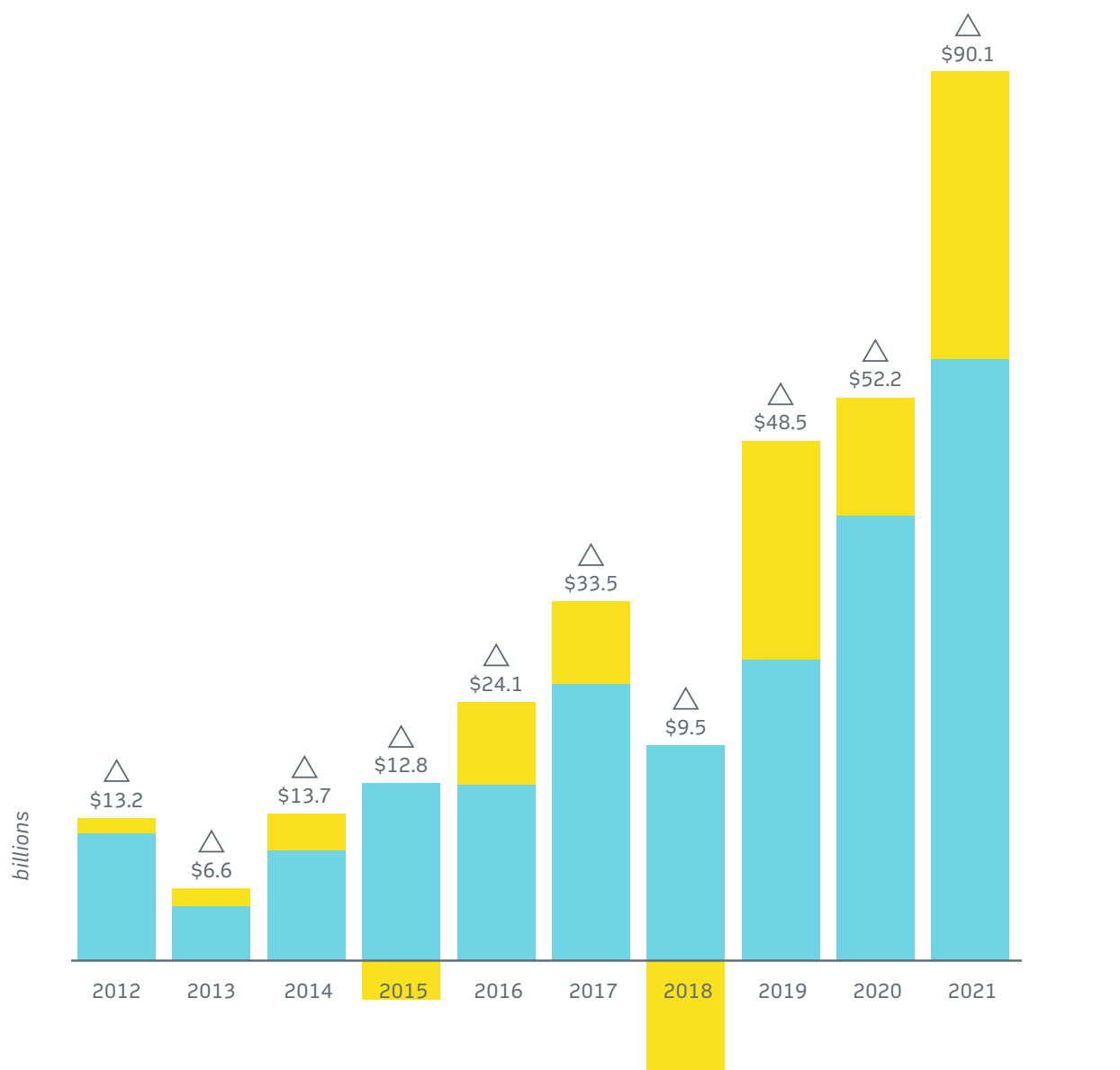
## Mutual Fund Annual Asset Growth: Net Sales vs Market Effect



**Asset growth in** investment funds is affected by two main 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 2021, assets grew by \$293.1 billion, due to both positive net sales and a positive market effect. As asset sizes increase, so does the potential impact of market effect.

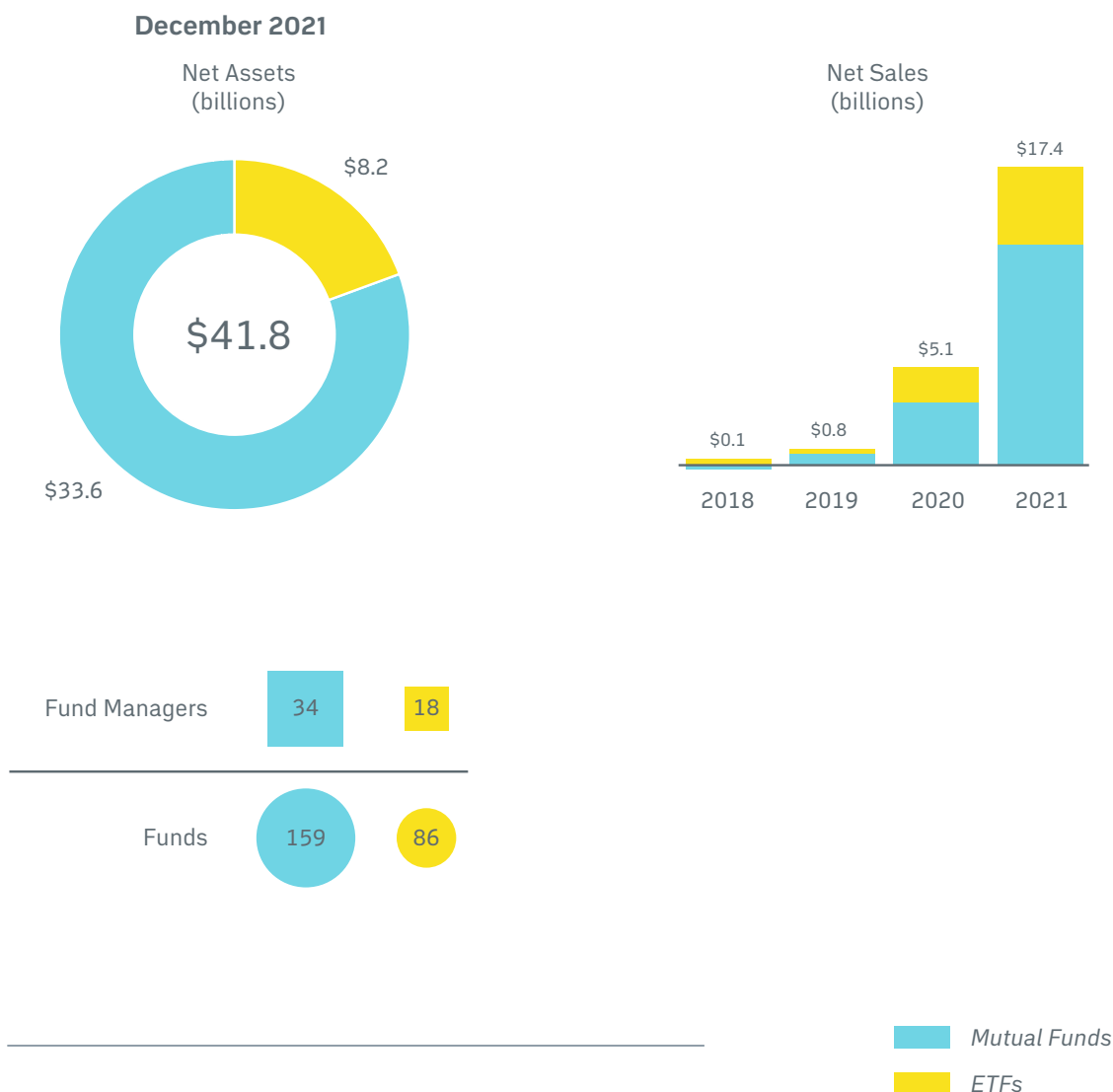
## ETF Annual Asset Growth: Net Sales vs Market Effect



**In 2021, ETF** assets grew by \$90.1 billion. As with mutual funds, growth was due to positive net sales and positive market effect. Compared to mutual funds, ETF asset growth is more dependent on sales than market effect because of the smaller relative asset base.

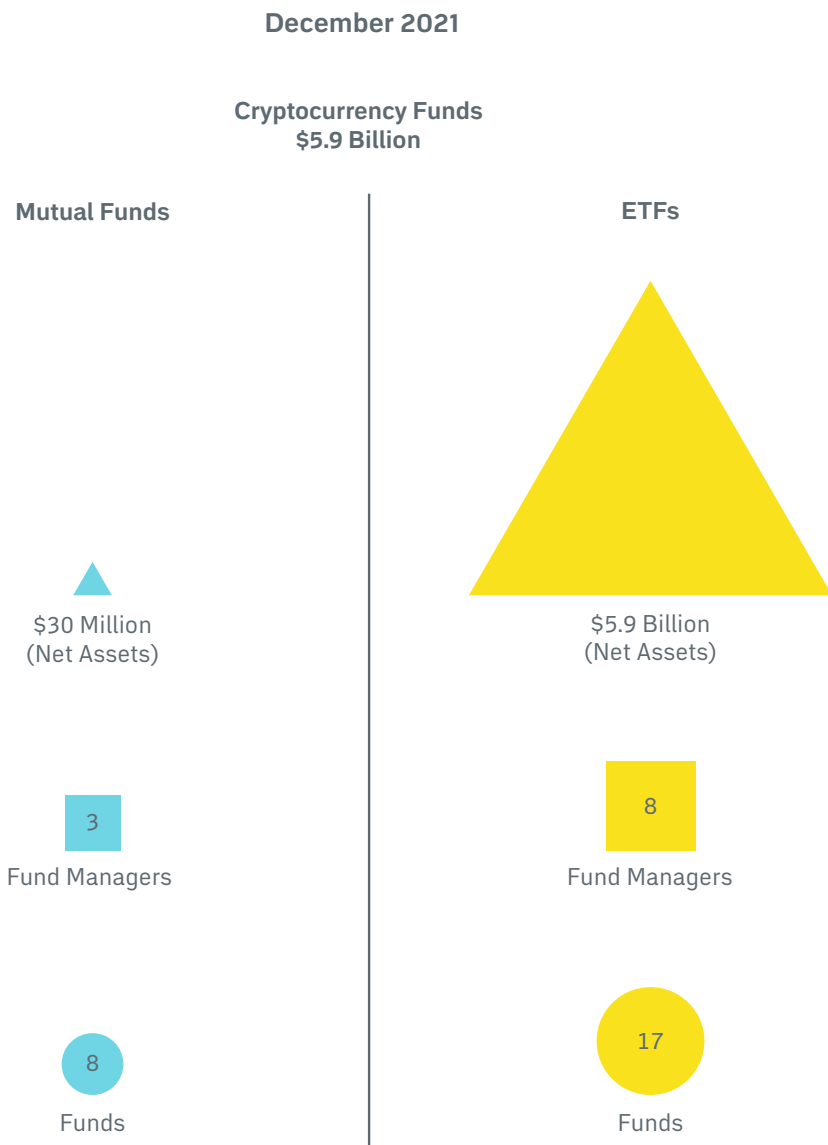
■ Net Sales  
■ Market Effect  
△ Annual Change in Net Assets

## Responsible Investment (RI) Funds



**At the end** of 2021, there was a total of \$33.6 billion in responsible investment (RI) mutual funds and \$8.2 billion in responsible investment ETFs. This represents 1.6% of total mutual fund assets and 2.4% of total ETF assets, respectively. Despite the small relative amount of mutual fund and ETF assets, there was a dramatic increase in RI net sales in the last two years. In 2021, RI mutual fund net sales totalled \$13.2 billion, which is 11.7% of total industry net sales and ETF net sales totalled \$4.2 billion, or 7.2% of total industry net sales.

For IFIC to consider a fund a responsible investment fund, the fund prospectus must mention an explicit responsible investing or ESG mandate in its investment objective or describe a recognized approach to RI in its investment strategy.



**In 2021, regulators** approved the launch of Canada's first cryptocurrency mutual funds and ETFs, and, by the end of the year, eight mutual funds and 17 ETF cryptocurrency funds were launched. At the end of 2021, there was \$30 million in mutual fund cryptocurrency assets and \$5.9 billion in ETF cryptocurrency assets. The funds currently in existence invest in either Bitcoin or Ethereum, though three active fund invests in both of these cryptocurrencies.



**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. Mutual fund data represents the sales activity of Canadian retail investors.

**ETF data:** Data for ETFs that invest in other ETFs has not been adjusted to remove double counting. 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., Toronto Stock Exchange and NEO Exchange.

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



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