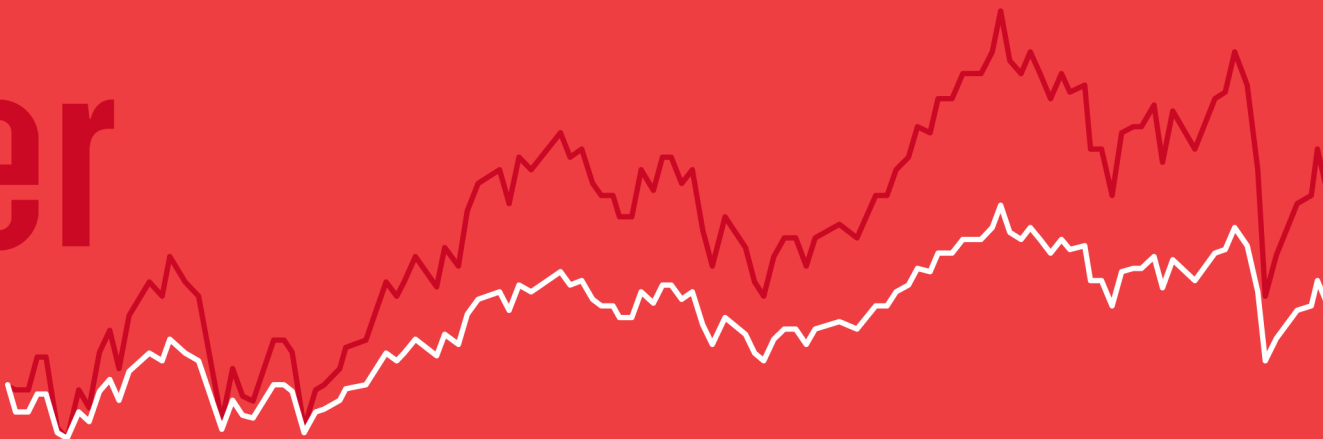




Silver



2025 Canadian Fund Fee Study

A comprehensive look at investment fund fees in Canada.



Gold



Bronze



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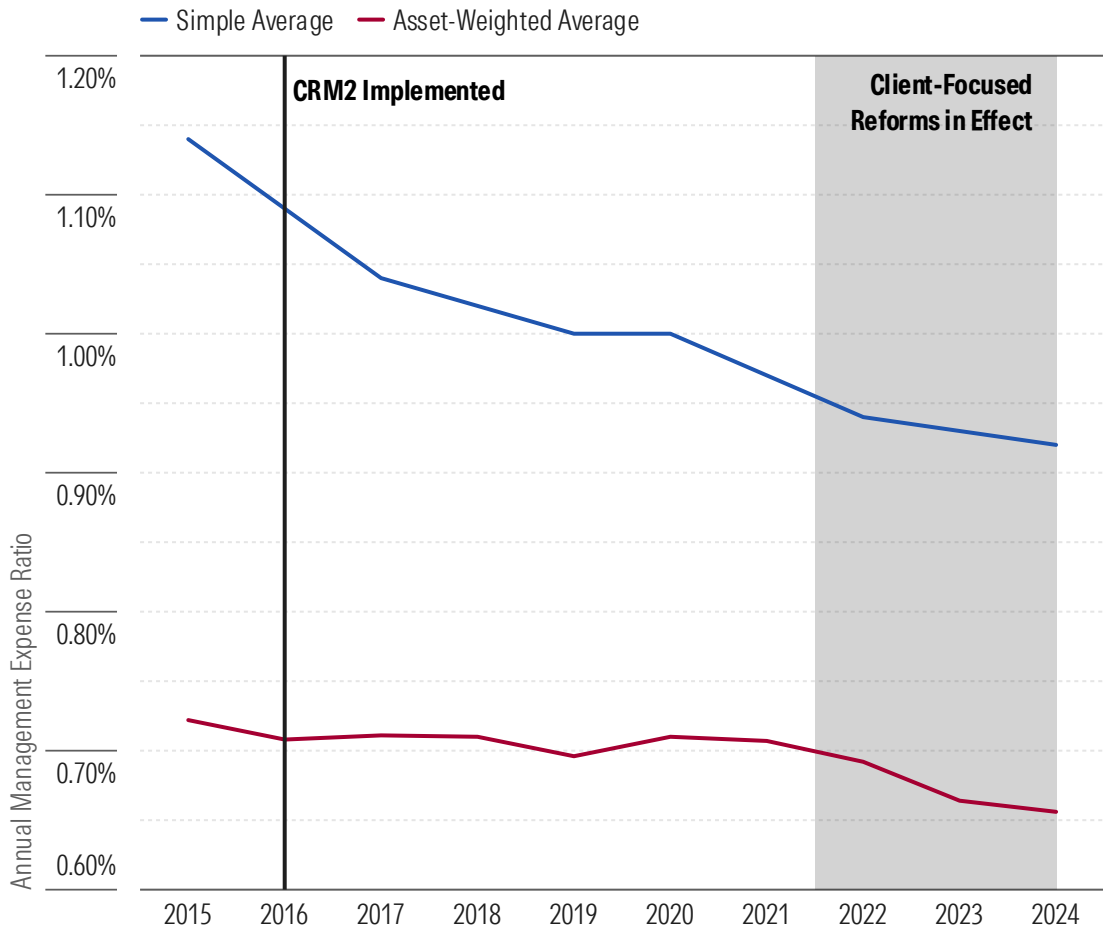
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A Persistent March Toward Cheaper Funds

- Investors want cheaper strategies, and fund companies have delivered. The simple and asset-weighted fee averages for Canadian funds declined over the last 10 years by 22 and 7 basis points, respectively.
- Passive funds show greater sensitivity to fees, as the cheapest half of passive strategies took in nearly all net flows. These strategies often offer similar exposures to one another, making cost the primary factor for investors.
- Alternative funds, which often have higher costs and extra performance fees, have been an exception.
- Price matters. Cheaper funds took in more flows than expensive ones and were less likely to close over the period examined.
- Two regulatory changes promoted greater fee transparency and put more pressure on costs: the 2016 Client Relationship Model Phase 2 (CRM2) and 2022 Client-Focused Reforms.
- There's more work to do. Investors in bundled share classes implicitly pay a portion of their fees to their advisor. These could be negotiated separately if they switched to an unbundled share class, like exchange-traded funds or fee-based share classes. We estimate that investors pay CAD 10 billion in annual fees that fall into this situation.

Simple Average vs. Asset-Weighted Average

All Canadian-domiciled funds

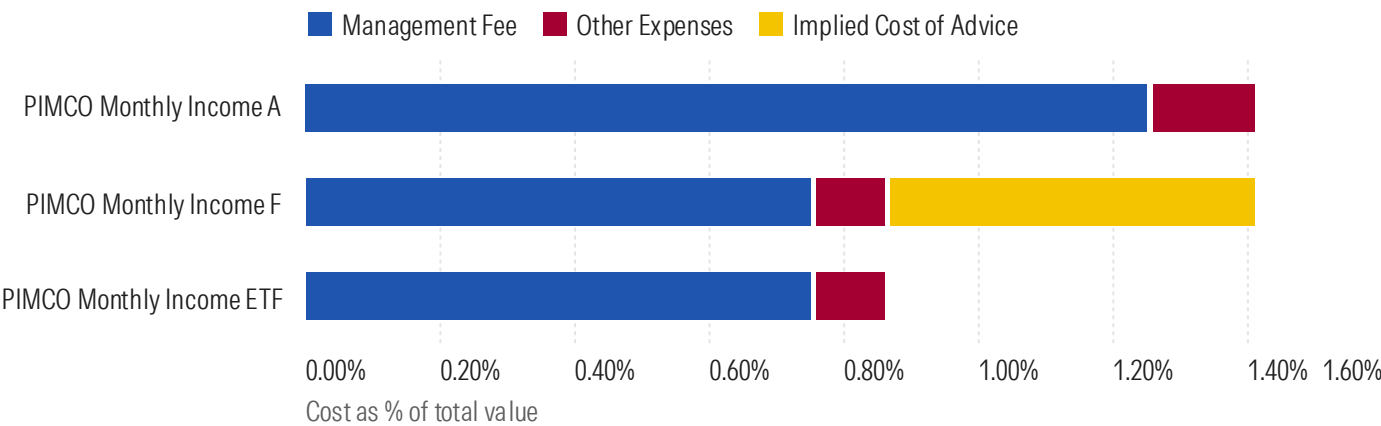


Fee Primer

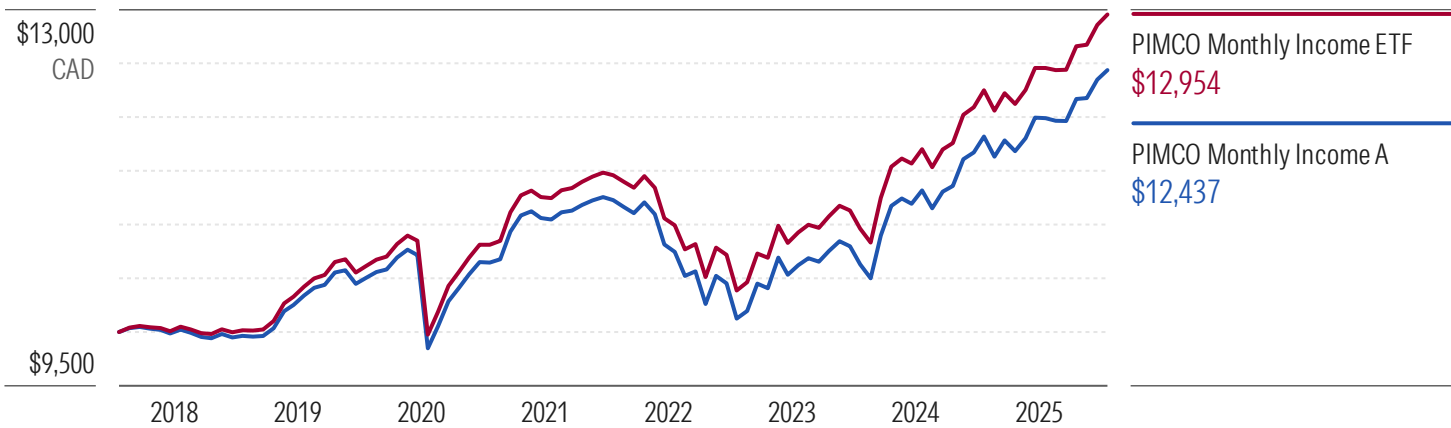
What's in a Fee?

- The Management Expense Ratio is the reported cost that includes the management fee paid to the investment manager, operating expenses, and taxes.
- Investors pay more than the stated MER; transaction costs, deferred sales charges, and load fees can all add to the total cost of owning a mutual fund.
- Commission-based share classes have an embedded cost paid to advisors while fee-based share classes and ETFs allow investors to negotiate advisor costs separately.
- Fees are important; they are the only factor influencing performance that investors can control. You can't predict performance, but you can decide what to pay for it.
- For example, Pimco Monthly Income A (the commission-based share class) returned 5 percentage points less than the ETF solely based on the difference in fees, or around \$500 per \$10,000 invested, over eight years through September 2025.

Fee Breakdown, Pimco Monthly Income



The Impact of Fees



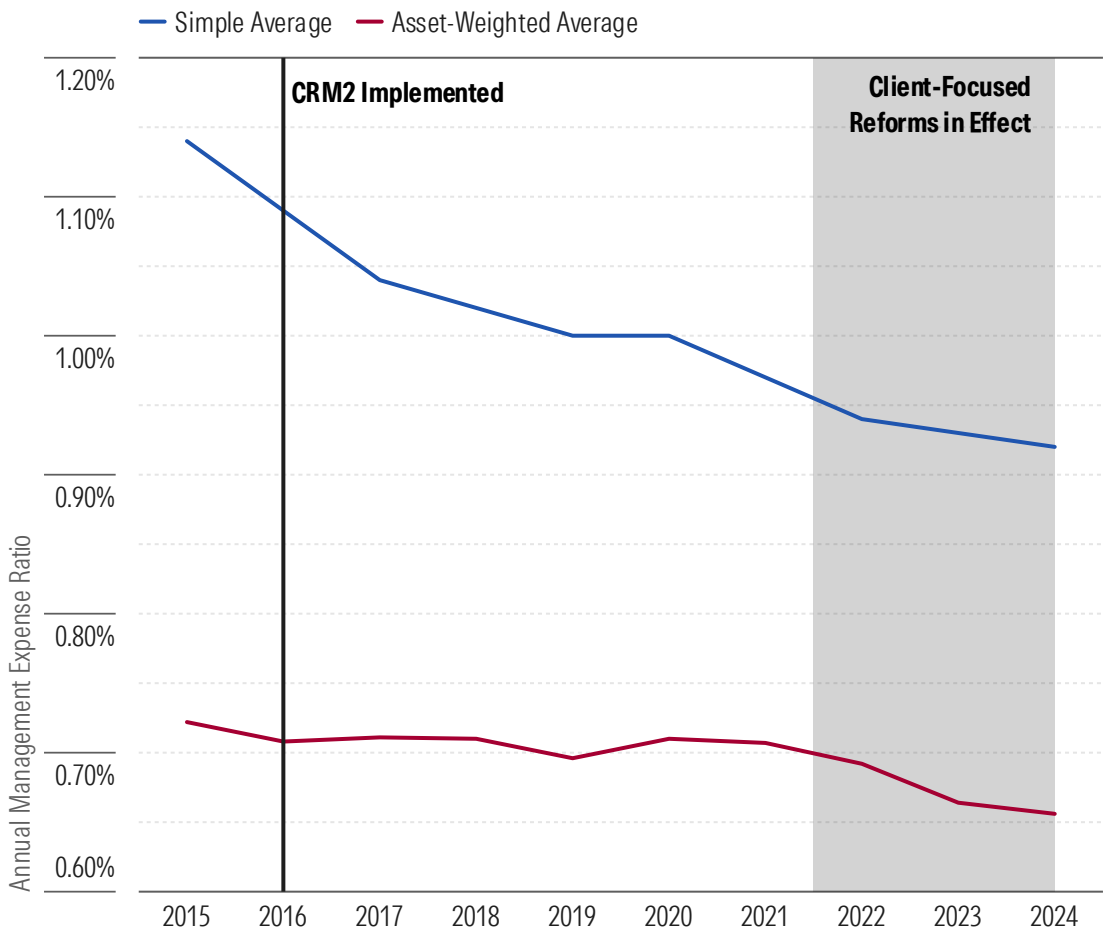
Source: Morningstar Direct, Pimco Canada Prospectus.
Fee data as of September 2025.

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Regulatory Changes Increased Transparency, Helped Drive Down Cost

Simple Average vs. Asset-Weighted Average

All Canadian-domiciled funds, unbundled share classes



- The Canadian Securities Administrators implemented two series of reforms that impacted fee disclosures: the Client Relationship Model 2 in 2016 and Client-Focused Reforms in 2022.
- CRM2 included enhanced fee reporting for mutual funds and ETFs. Fees for the previous year were stated in dollar terms in annual reports, for example.
- [A research report](#) by the CSA assessed the impact of CRM2 on fees between 2013 and 2020, noting a general decline. We find much of the same.
- The Client-Focused Reforms revamped rules for investment advisors, particularly around “know your product” and “know your client” requirements. Part of this included a requirement for advisors to document that they’ve considered fees (alongside features, performance, and risk) in their recommendations to investors.
- Both asset-weighted and simple average fees continued to decline after the CFRs were implemented.

Source: Morningstar Direct, author’s calculations, CSA website.

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The Move to Total Cost Reporting

Example of Total Cost Reporting Display

Per Ontario Securities Commission

Investment fund company fees: Amounts you paid to investment fund companies that operate the investment funds (e.g., mutual funds) in your account, and in investment fund related fees.

Fund Expenses ¹ – See the fund expenses % shown in the table below	\$645.00
Redemption fees on deferred sales charge (DSC) investments ²	\$50.00
Total you paid to investment fund companies	\$695.00
Your total cost of investing ³	\$815.00

Our Compensation

What we received	
Total you paid us, as indicated above	\$120.00
Trailing commissions ⁴ paid to us by investment fund companies, included in the fund expenses above	\$342.00
Total we received for advice and services we provided to you	\$462.00

- New regulations will change fee reporting for the 2026 fiscal year; investors will see different reports in 2027.
- The most notable change is “Total Cost Reporting.”
- Total Cost Reporting requires fund companies to track and disclose all investment fund-related fees as a percentage of net asset value in absolute dollars and reveal who gets those fees.
- For example, the table to the left shows that the client paid \$695 in the prior calendar year to fund companies, which includes \$342 in embedded commissions paid back to the advisor.
- The Fund Expense Ratio is the summation of Management Expense Ratio and Trading Expense Ratio TER, a better reflection of what the investor pays. It also can highlight the higher cost of fund managers who trade more frequently.
- This new regulation does not change what investors already pay but disaggregates the fee into its components.
- Representative Cost Inclusive of Transaction Fees is Morningstar’s equivalent data point for FER.

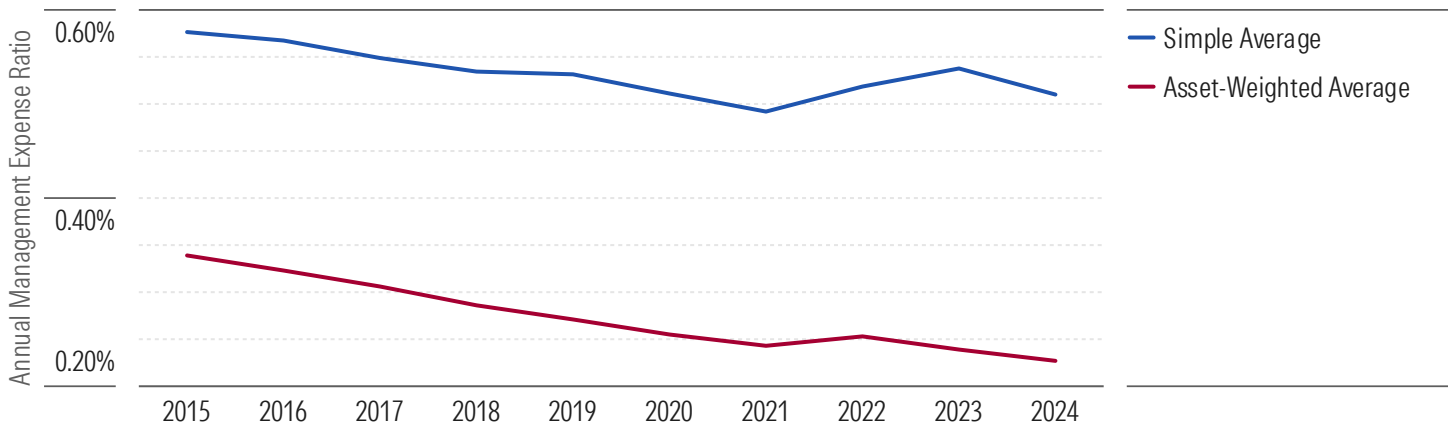
Source: getsmarterwithmoney.ca
Example displayed is a snippet of the whole report that can be found in the website above.

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Passive Funds

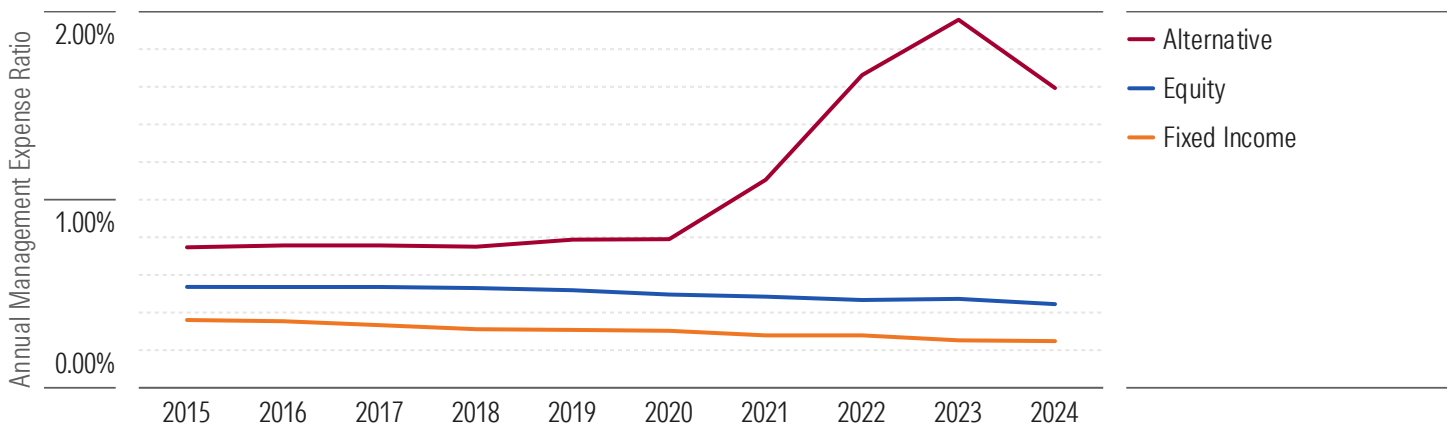
Cheaper Passive Funds Garner More Attention

Simple Average vs. Asset-Weighted Average, Passive Funds



- From 2015 through 2024, the asset-weighted fee for passive funds declined 11 basis points (0.11%) to 0.23%.
- The simple average in contrast fell only 7 basis points in the past 10 years to 0.51%. The decline slowed after hitting a low in 2021.
- There is room for both measures to fall further as the cheapest passives available in key categories range from 4 to 16 basis points.

Simple Fee Averages by Major Asset Classes, Passive Funds



- The slower decline of the simple average stems from an increase in the number of higher-priced alternative passive strategies.
- New launches into cryptocurrencies and derivative-laden strategies often came with a higher price tag. The number of passive alternative strategies grew tenfold since the start of 2020 through September 2025.

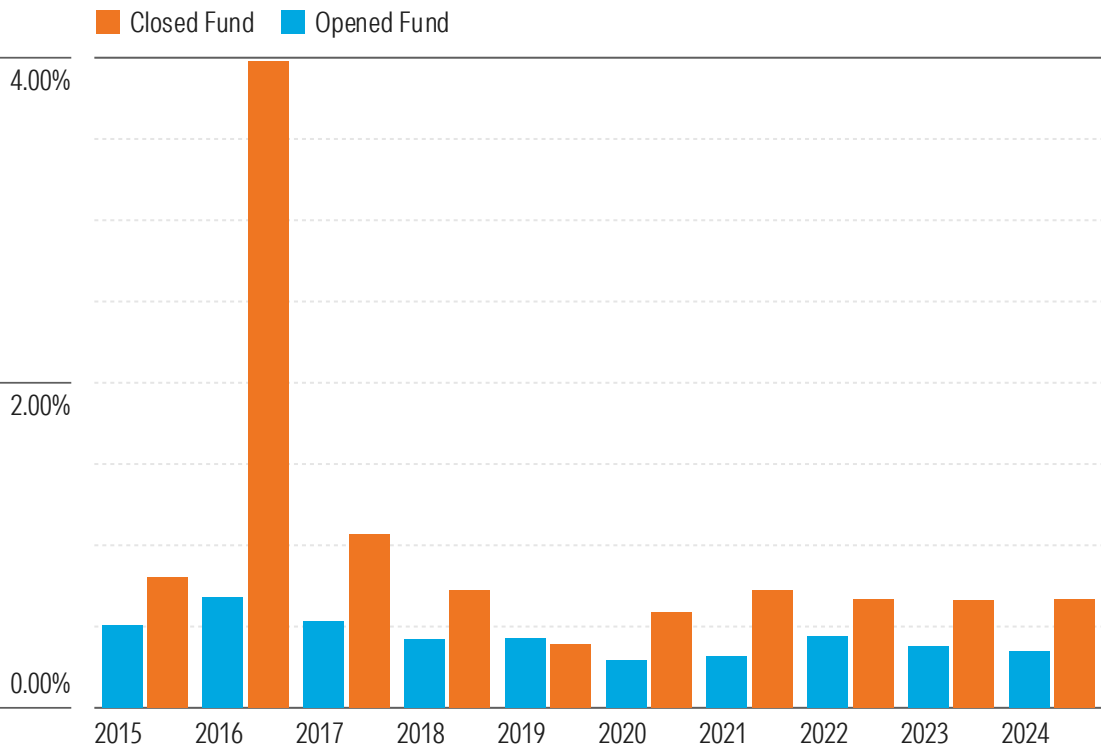
Source: Morningstar Direct, author's calculations.
Number of strategies = 874

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Fund Companies Launching Cheaper, Closing Costlier

The shuttering of expensive passive funds and opening of cheaper ones brought down the simple average across most asset classes. In every year, except 2019, the average opened fund registered a lower fee than the average closed one. A series of fund closures from now-defunct Simple Investments caused an abnormal 2016.

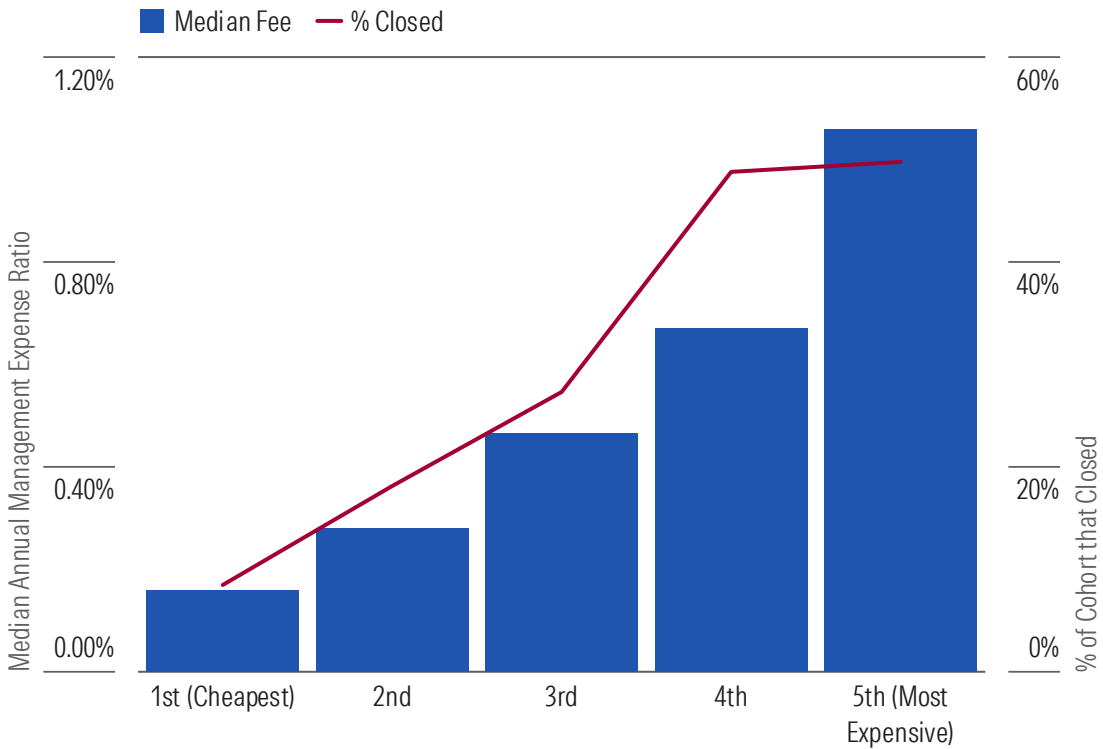
Median Fees of Opened and Closed, Passive Funds



Around 300 passive strategies closed over the period examined, but this disproportionately came from the most expensive cohort. Nearly half of all passive funds with fees greater than 0.50% were either merged or liquidated.

Closure Rates by Fee Quintile, Passive Funds

Last 10 Years ended September 2025



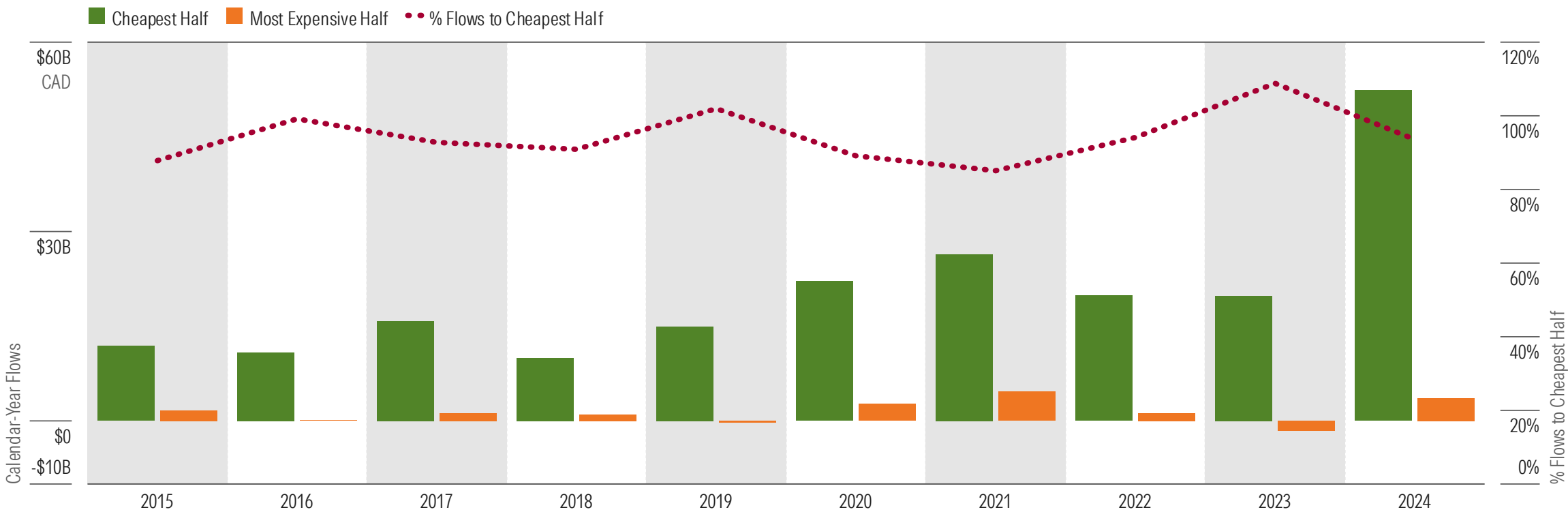
Source: Morningstar Direct, author's calculations.

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Investors Prefer the Inexpensive Passive Fund

Index-tracking funds offer similar exposures, making cost the primary factor for investors. As a result, cheaper passive funds have captured the majority of assets and flows, with the lowest-cost half accounting for 83% of assets and 93% of net flows—a difference of CAD 190 billion over the period. The most popular passive strategies are priced within a few basis points of the cheapest options in their categories, underscoring the intense competition on fees.

Calendar-Year Flows by Fee Type, Passive Funds



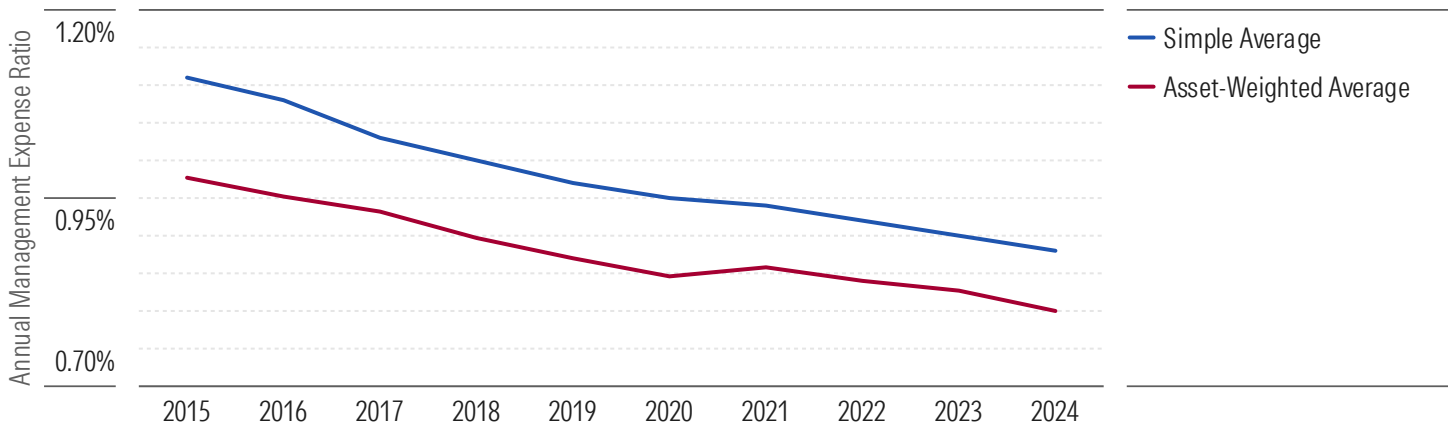
Source: Morningstar Direct, author's calculations.

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Active Fund of Funds

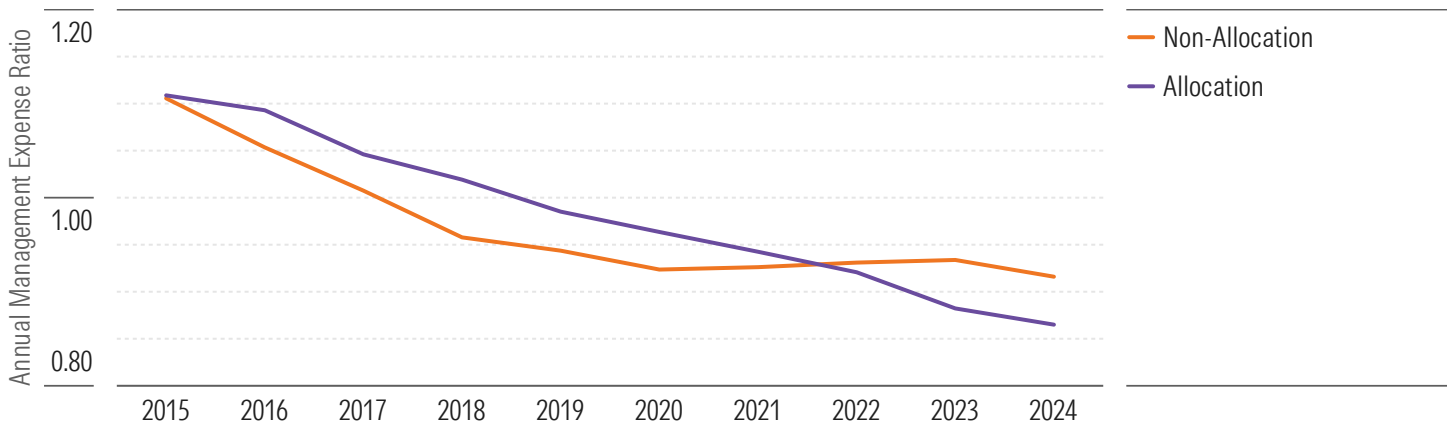
Allocation Fund of Funds Drove Fees Lower

Simple Average vs. Asset-Weighted Average, Active Fund of Funds



- Funds of funds in Canada posted the largest decline in asset-weighted fees, falling from 0.98% to 0.80% between 2015 and 2024.
- The simple average fee also dropped, moving from 1.11% to 0.98% over the same period.
- Increased use of cheap allocation ETFs from providers like Vanguard and iShares pushed fees lower across both measures.

Simple Average, Allocation vs. Nonallocation, Active Fund of Funds

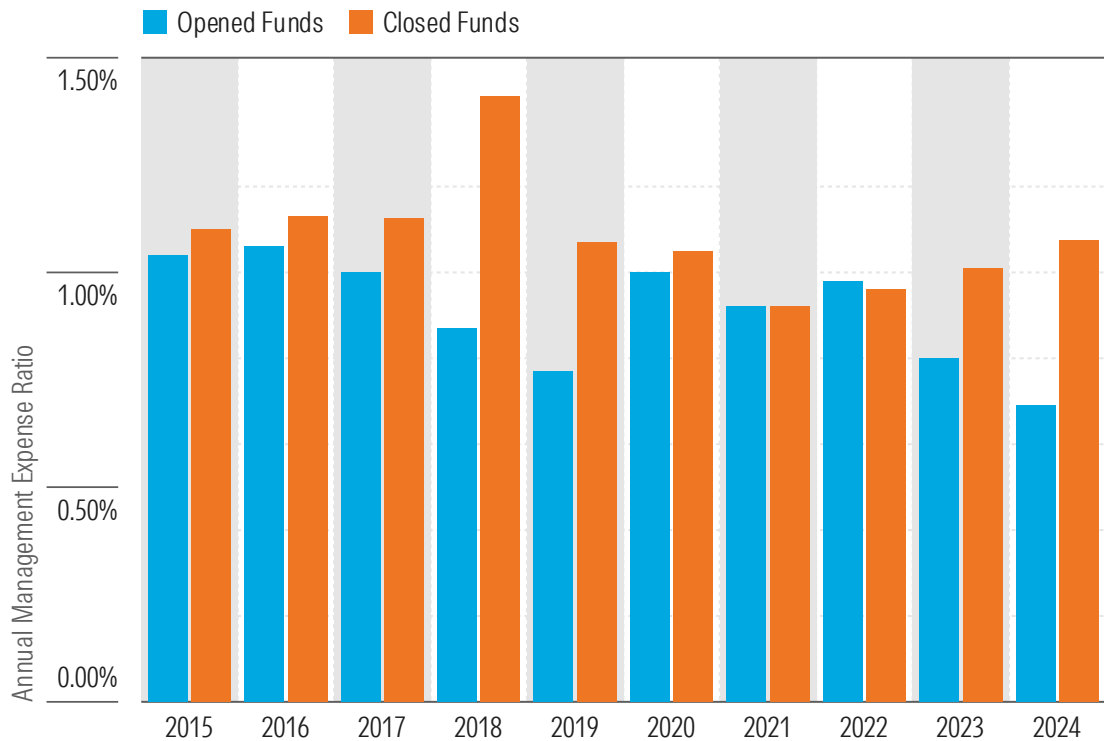


- Allocation funds drove most of the fee decline, as they make up the majority of fund of funds by number and assets in Canada.
- Allocation fund of funds only recently became cheaper than their nonallocation counterparts.

Most Expensive Fund of Funds Closed More Often

Except for in 2021 and 2022, newly launched funds have consistently had lower fees than those that closed. This trend has pushed the simple average down. New launches in 2024 set a record for the lowest fees going back to 2015.

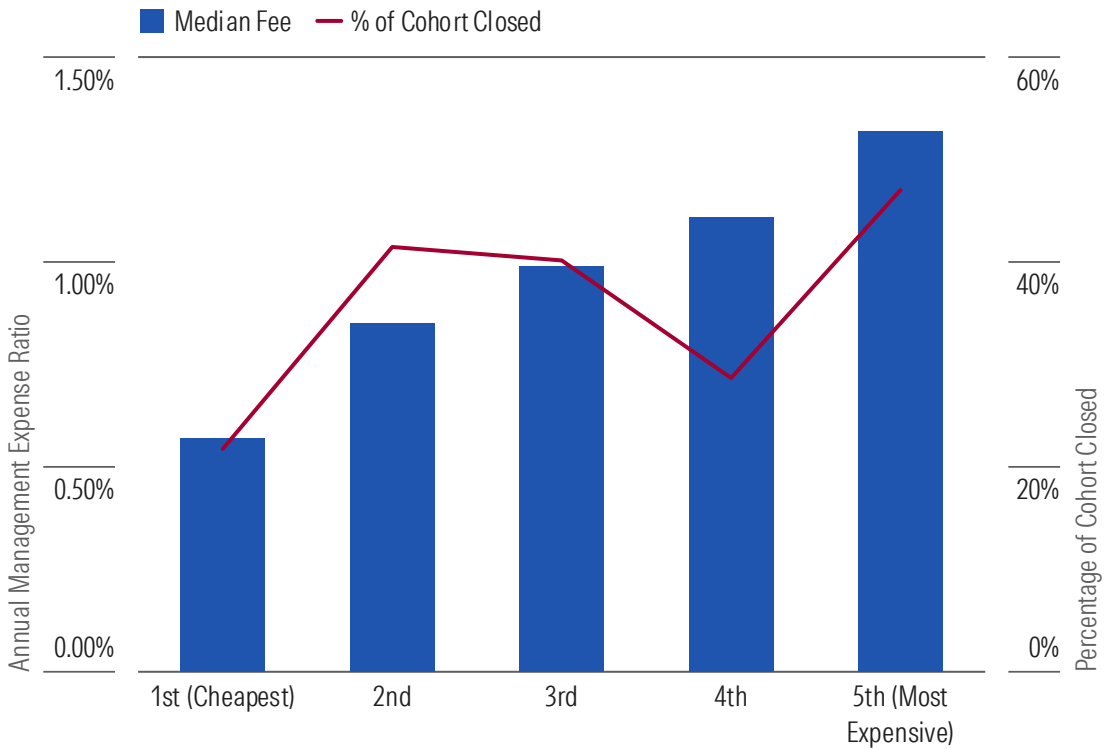
Median Fees of Opened and Closed, Active Fund of Funds



Fee differences among the middle quintiles are minimal, making it harder to spot a clear trend. However, the most expensive funds saw the highest closure rate at 47%, while the cheapest funds had the lowest at 22%.

Closure Rates by Fee Quintile, Active Fund of Funds

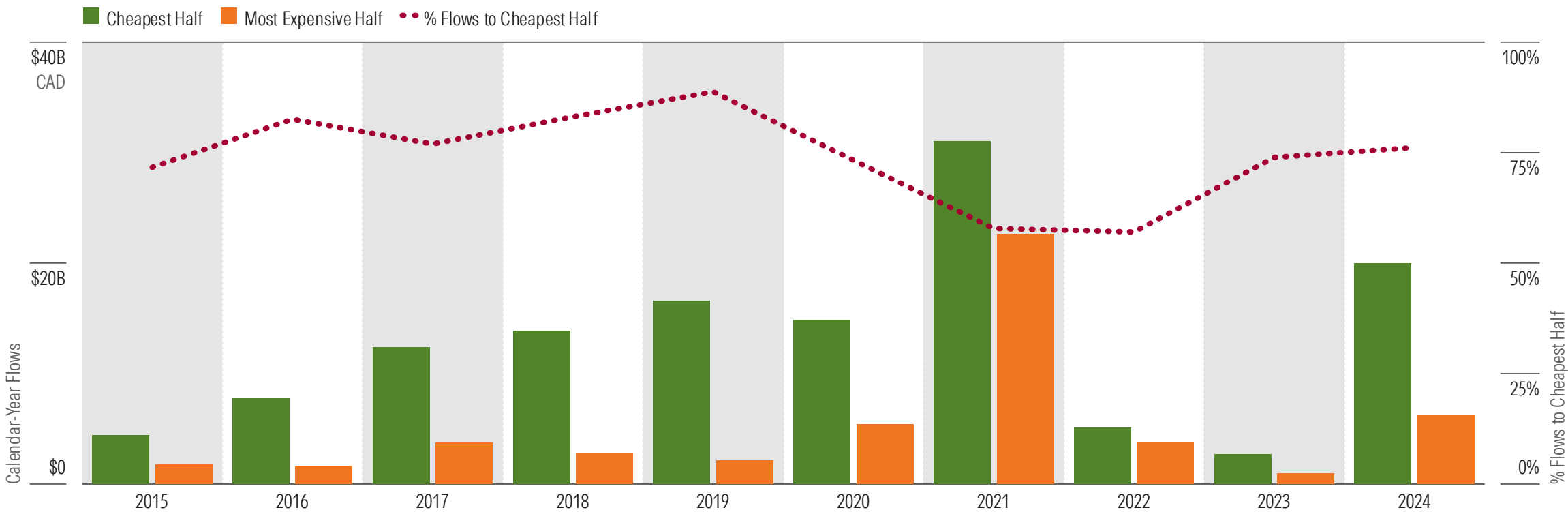
Last 10 Years ended September 2025



Cheaper Fund of Funds Remain Popular

Cheaper funds consistently attract more investor flows, capturing 72% of inflows and holding 69% of assets since 2015. While 2021 was an exception, with both expensive and cheap funds drawing strong inflows, and 2022 and 2023 saw unusual retrenchment, the trend remains clear: the lowest-cost funds lead in asset-gathering year after year.

Yearly Flows, Active Fund of Funds



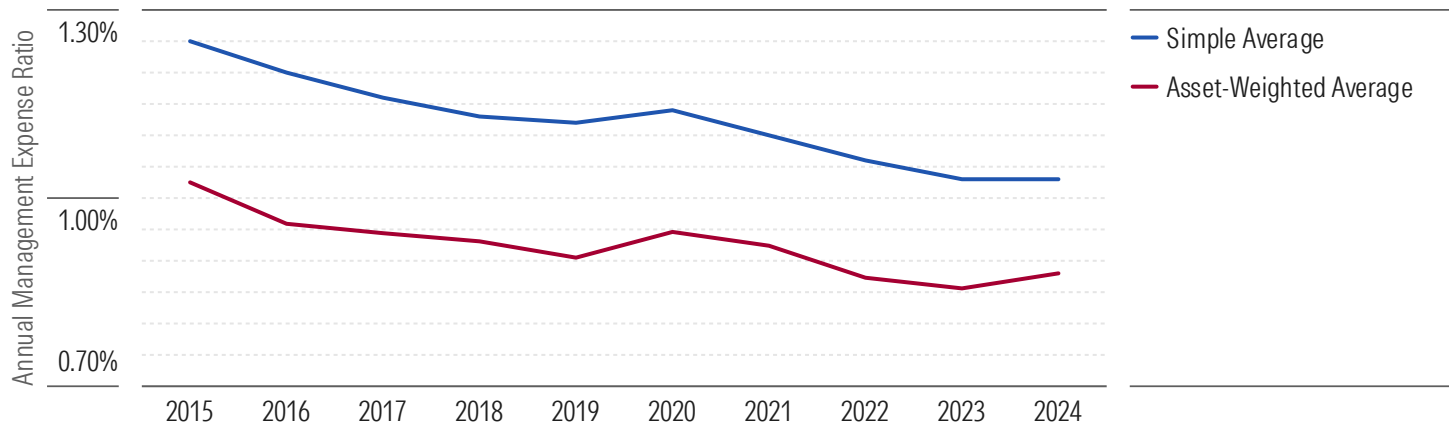
Source: Morningstar Direct, author's calculations.

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Active Conventional Funds

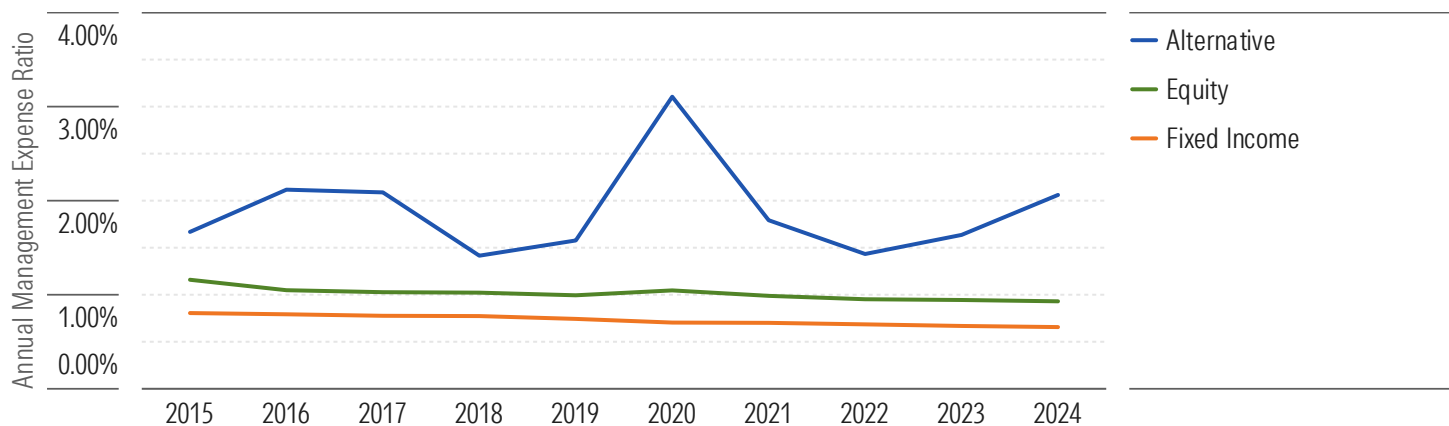
Conventional Funds Fees Go Lower, Investors Go Cheaper Ex-Alternatives

Simple Average vs. Asset-Weighted Average, Active Conventional Funds



- The simple average fee of conventional funds, or non-fund of funds, fell by 24 basis points over the last 10 years, more than the drop for passive fund and fund of funds.
- The asset-weighted average, though, fell by 7 basis points, the least of the cohorts. This would indicate that while funds are getting cheaper, investors aren't putting their money into cheaper funds at a similar pace.

Asset-Weighted Averages by Major Asset Classes, Active Conventional Funds

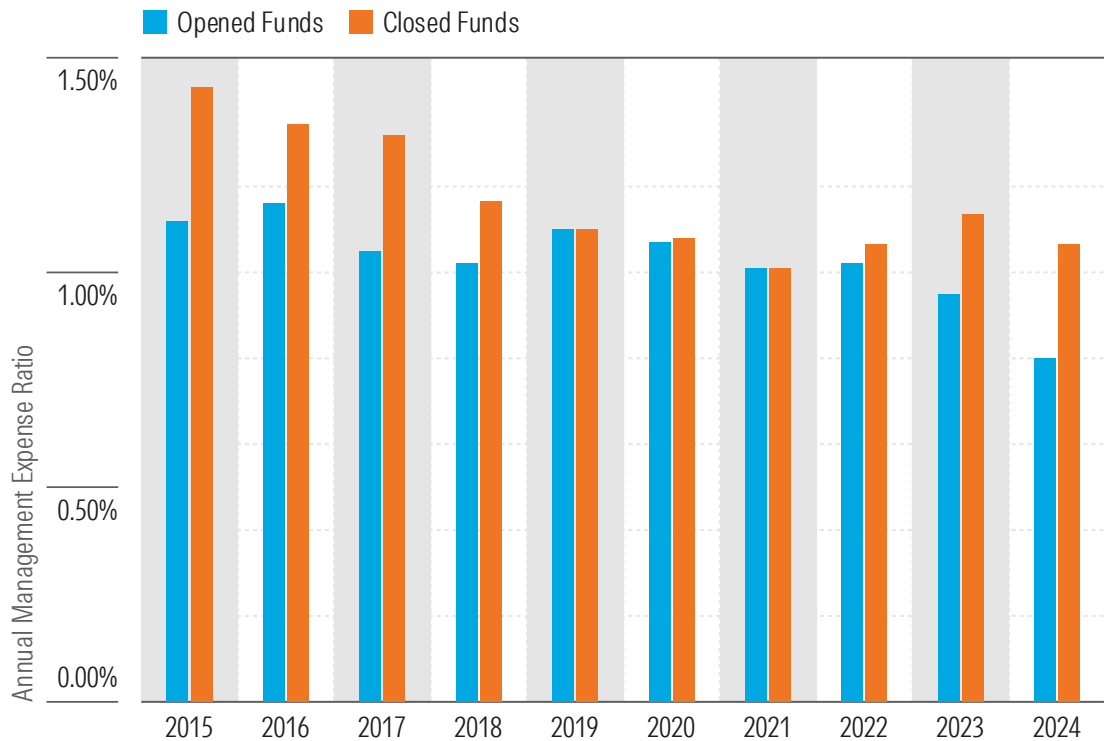


- Alternative funds often have more complex and/or outright higher fees than traditional funds.
- This was especially true over the last 10 years where actively managed conventional alternative strategies saw their MERs spike due to performance fees, which are incentives that pay managers for achieving excess returns.
- The weighted-average fee stagnated as alternative assets grew. The same measure for equity and fixed-income funds fell by 22 and 14 basis points, respectively.

Cheaper Funds Tend to Survive

Median fees for both opened and closed funds declined over the past decade, though progress was uneven. Fee reductions stalled between 2019 and 2022, but momentum picked up after the Client-Focused Reforms took effect at the start of 2022.

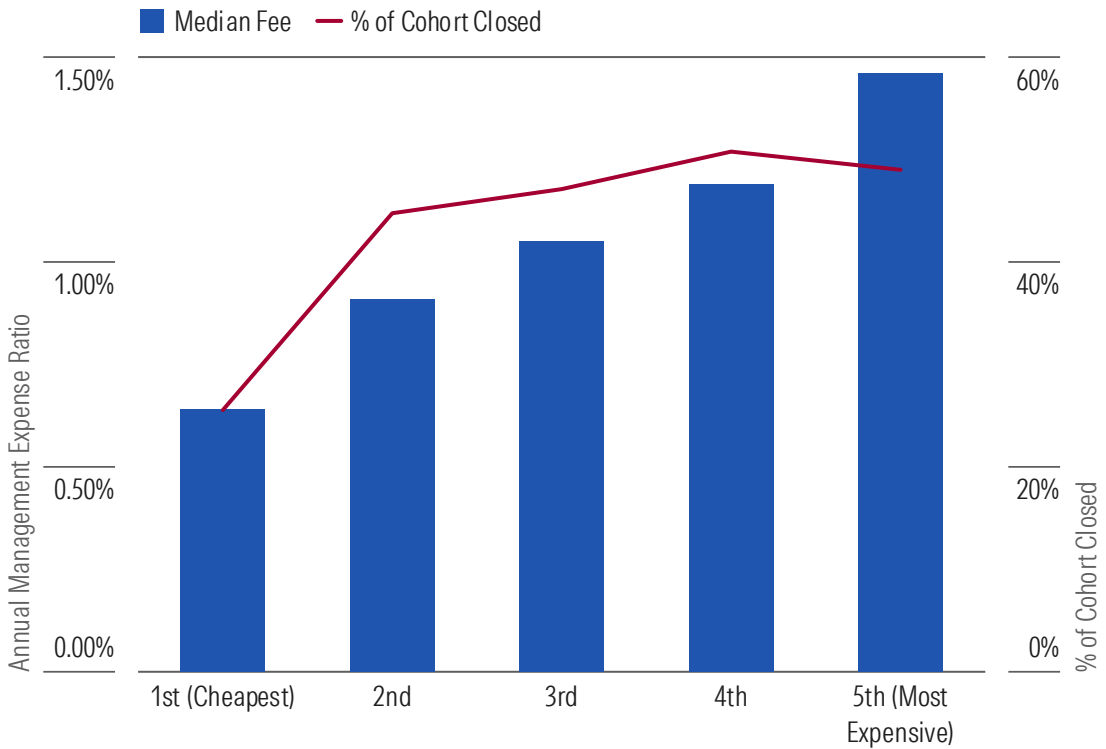
Median Fees of Opened and Closed, Active Conventional Funds



Closure rates for all but the cheapest funds ranged from 44% to 51%. In contrast, the cheapest cohort saw a much lower closure rate at 26%.

Closure Rates by Fee Quintile, Active Conventional Funds

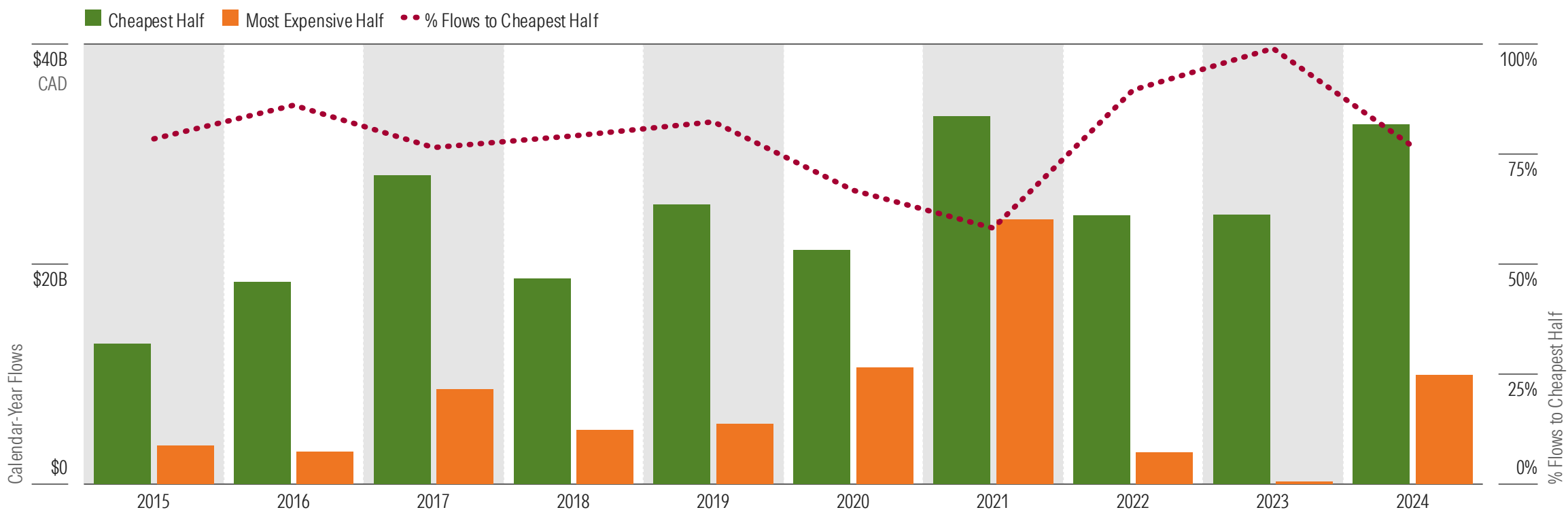
Last 10 Years ended September 2025



A Bumpy Ride for Expensive Strategies

Investors consistently favored lower-cost funds, with three-quarters of inflows going to the cheapest options. On an asset-adjusted basis, the lowest-cost half of funds attracted more relative flows in eight of the past 10 years. The exception was 2021, but this reversed quickly ever since the implementation of the Client-Focused Reforms in 2022.

Calendar-Year Flows by Fee Type, Active Conventional Funds



Source: Morningstar Direct, author's calculations.

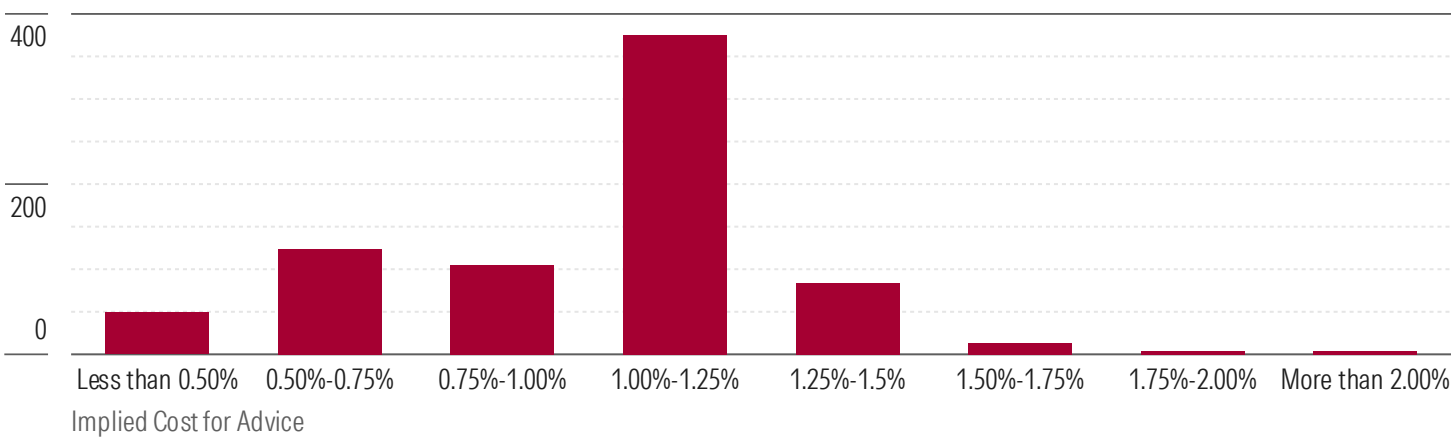
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Fees Today

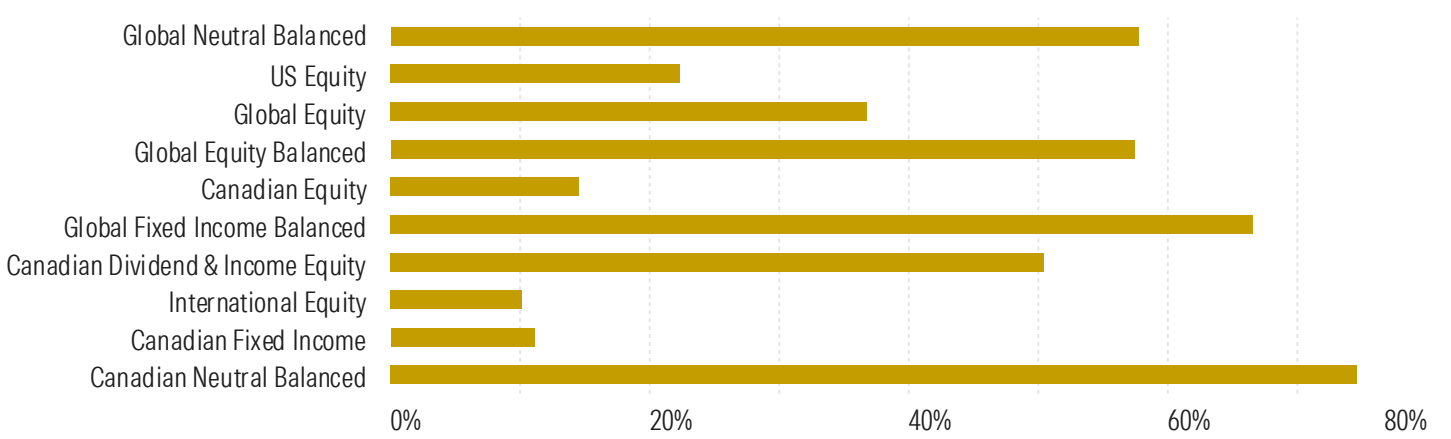
The Implied Cost of Advice

- Bundled share classes often contain a percentage of the fee that is designated for an advisor. Unbundled ones don't, and the advisor is compensated separately.
- The spread between the cost of the bundled and unbundled share classes of the same strategy can be an estimate for the cost of advice.
- Using this method, we estimate that the average implied cost of advice is between 1.08% and 1.10%, a useful comparison for what an advisor might charge.
- Canadians still hold considerable wealth in bundled share classes. Around CAD 1 trillion sits in commission-based share classes as of September 2025.
- We estimate that investors currently pay CAD 10 billion toward this implied cost of advice. This figure can be separately negotiated if they switch to unbundled vehicles.
- Those who want to go about it themselves also have some potential savings. Investors could save CAD 1 billion by switching to ETF versions of the same strategy.

Estimated # of Strategies by Implied Cost of Advice



% of Retail Assets in Commission-Based Advice Share Classes, 10 Largest Categories

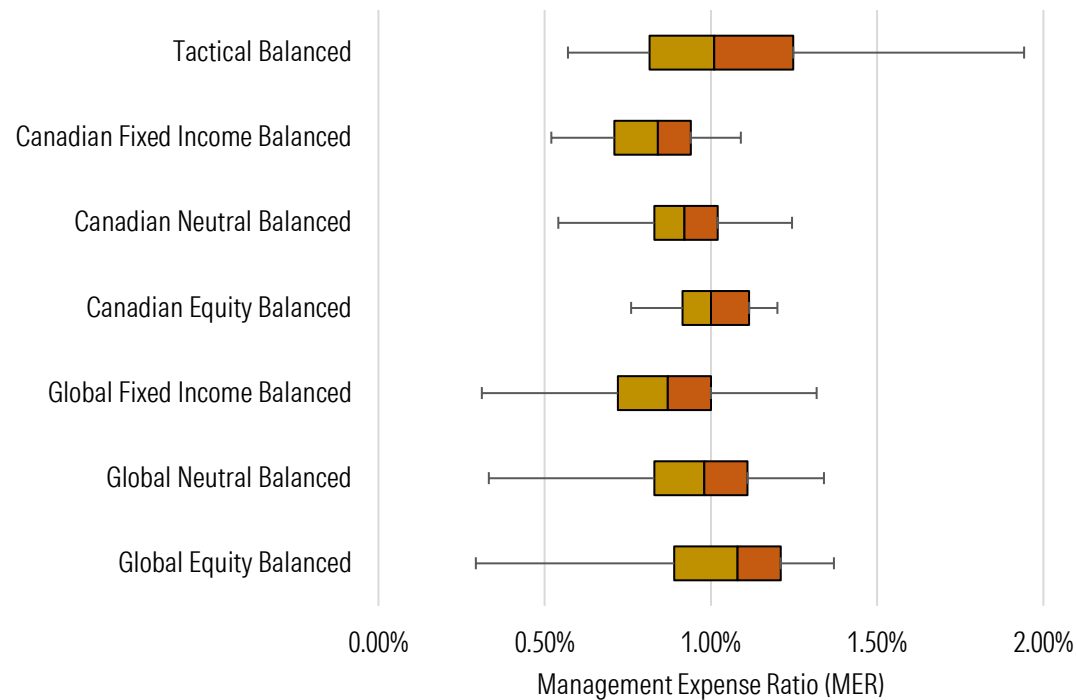


What's a Good Price for an Active Fund?

Lower fees don't always drive investor demand. While Mackenzie, TD, and CIBC offer some of the cheapest funds in categories like US and Canadian equity, these products hold far fewer assets than higher-cost strategies from established leaders such as Vanguard, iShares, and BMO.

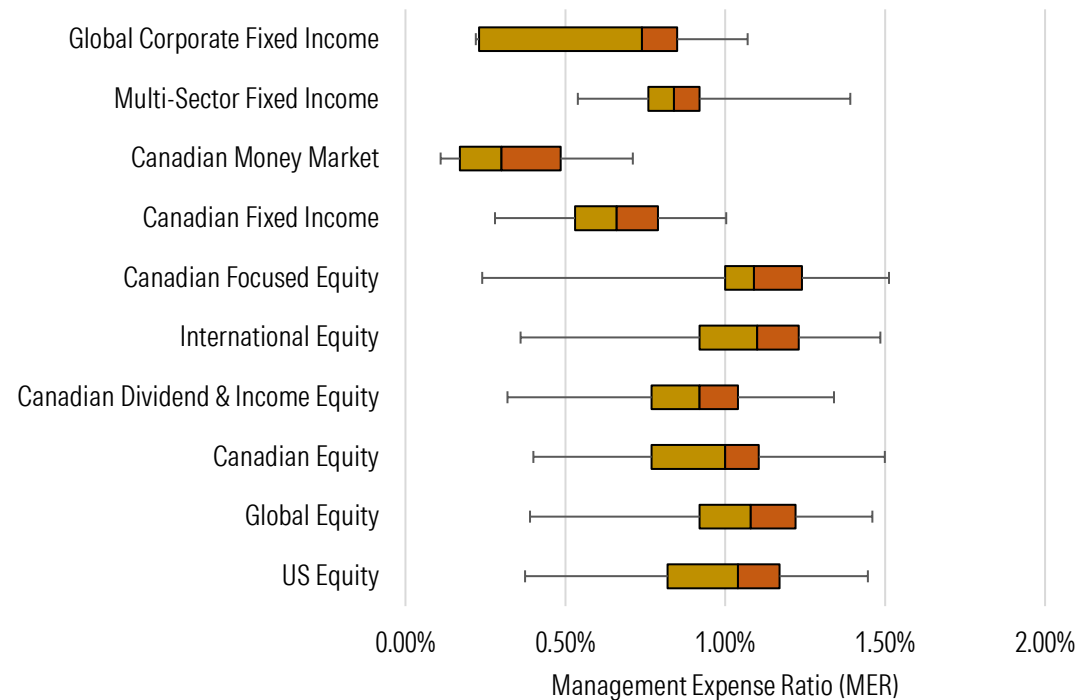
Active Fees, Allocation Categories

Unbundled share classes only



Active Fees, 10 Largest Nonallocation Categories

Unbundled share classes only



Appendix

Methodology

- Stated expenses for fee-based share classes and ETFs reflect the total charges by fund company.
- The Annual Management Expense Ratio data point is what’s used for calendar-year returns.
- Current fees are determined by the greater of the Semi-Annual Management Expense Ratio and Representative Cost ex-Transaction Fee data points. If neither are available, then we use MER.
- Unless otherwise noted, analysis only includes unbundled share classes: fee-based advice share classes, do-it-yourself share classes, and ETFs.
- We use two fee measures to identify trends:
 - Simple average – A gauge on how investment companies are pricing their strategies.
 - Asset-weighted average – Reflects what investors actually pay, based on where assets are.
- The simple average takes the average fee at the strategy and distribution channel level to avoid overweighting strategies with multiple share classes.
- We analyze passive and active funds separately to better isolate investor and asset manager decisions, given the shift toward passive investing.
- We also look at fund of funds separately from non-fund of funds within active strategies to prevent double-counting in asset-weighted calculations.
- A fee threshold is applied for active mutual fund strategies to exclude fee-negotiated share classes or fees based on asset size. ETFs are exempted. The thresholds are below for the following broad category groups:

Money Market:	0.05%
Commodities:	0.20%
Equity:	0.20%
Fixed Income:	0.20%
Allocation:	0.25%
Alternative:	0.30%
Miscellaneous:	0.30%

A Reference Table for Active Fund Prices

Active Fees by Percentile, Allocation Categories

Category	5th	25th	50th	75th	95th
Global Neutral Balanced	0.33%	0.83%	0.98%	1.10%	1.34%
Global Equity Balanced	0.29%	0.88%	1.08%	1.20%	1.37%
Global Fixed Income Balanced	0.31%	0.73%	0.87%	1.01%	1.32%
Canadian Neutral Balanced	0.54%	0.83%	0.92%	1.01%	1.25%
Canadian Fixed Income Balanced	0.52%	0.72%	0.84%	0.95%	1.09%
Tactical Balanced	0.57%	0.81%	1.02%	1.24%	1.88%
Canadian Equity Balanced	0.76%	0.91%	0.99%	1.12%	1.20%

Active Fees by Percentile, 15 Largest Nonallocation Categories

Category	5th	25th	50th	75th	95th
US Equity	0.37%	0.82%	1.04%	1.17%	1.45%
Global Equity	0.39%	0.92%	1.08%	1.22%	1.46%
Canadian Equity	0.40%	0.77%	1.00%	1.11%	1.50%
Canadian Dividend & Income Equity	0.32%	0.77%	0.92%	1.04%	1.34%
International Equity	0.36%	0.92%	1.10%	1.23%	1.49%
Canadian Focused Equity	0.24%	1.00%	1.09%	1.24%	1.51%
Canadian Fixed Income	0.28%	0.53%	0.66%	0.79%	1.00%
Canadian Money Market	0.11%	0.17%	0.30%	0.49%	0.71%
Multi-Sector Fixed Income	0.54%	0.76%	0.84%	0.92%	1.39%
Global Corporate Fixed Income	0.22%	0.23%	0.74%	0.85%	1.07%
Canadian Short Term Fixed Income	0.17%	0.26%	0.43%	0.59%	0.93%
Global Core Plus Fixed Income	0.45%	0.65%	0.80%	0.90%	1.06%
Emerging Markets Equity	0.63%	1.07%	1.17%	1.32%	1.57%
Alternative Equity Focused	0.64%	1.26%	1.57%	2.29%	4.67%
Sector Equity	0.39%	0.73%	0.99%	1.20%	2.38%

Source: Morningstar Direct, author’s calculations. Data as of September 2025.
Only unbundled share classes considered.

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