2025 Canadian Active ETF Landscape

A widely used and convenient structure carries some risk.

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Introduction and Key Takeaways

What is an Active ETF?

For the purposes of this report, it is an exchange-traded fund that does not track an index, stock, cryptocurrency, or commodity. The term covers a variety of strategies including:

- Cashlike (high-interest savings accounts and money market funds)
- Quantitatively managed (strategic-beta/factor-based investing ETFs)
- Traditional actively managed portfolios
- Derivative income (covered-call/put-write funds)
- Thematic strategies
- Defined outcomes (buffers and accelerator ETFs)
- Target risk (allocation funds, ranging from all-equity to all-fixed-income risk options)

Key Takeaways:

- Active ETF assets have grown fifteenfold over the past 10 years ended March 2025, far outpacing passive ETFs (four times) and active mutual funds (nearly doubled).
- Much of this growth came from cheap target-risk funds and cashlike strategies.
- Target maturity and covered-call bond strategies comprise much of the latest launches.
- Assets were concentrated in very few funds. Only 5% of surviving funds have more than CAD 1 billion while 53% had less than CAD 50 million as of March 2025.
- Liquidations account for 66% of active ETF terminations over the last 10 years ended March 2025, compared with 42% for mutual funds.
- Active ETFs offer cost savings relative to mutual funds, but alternative active ETFs' performance fees make them 22% more expensive as of March 2025.
- Many established providers remain dominant but new entrants have transformed the landscape over the decade.
- Bank-owned asset managers drive new listings, with industry giants close behind.

Source: Morningstar Direct, authors calculations. Data as of March 2025.

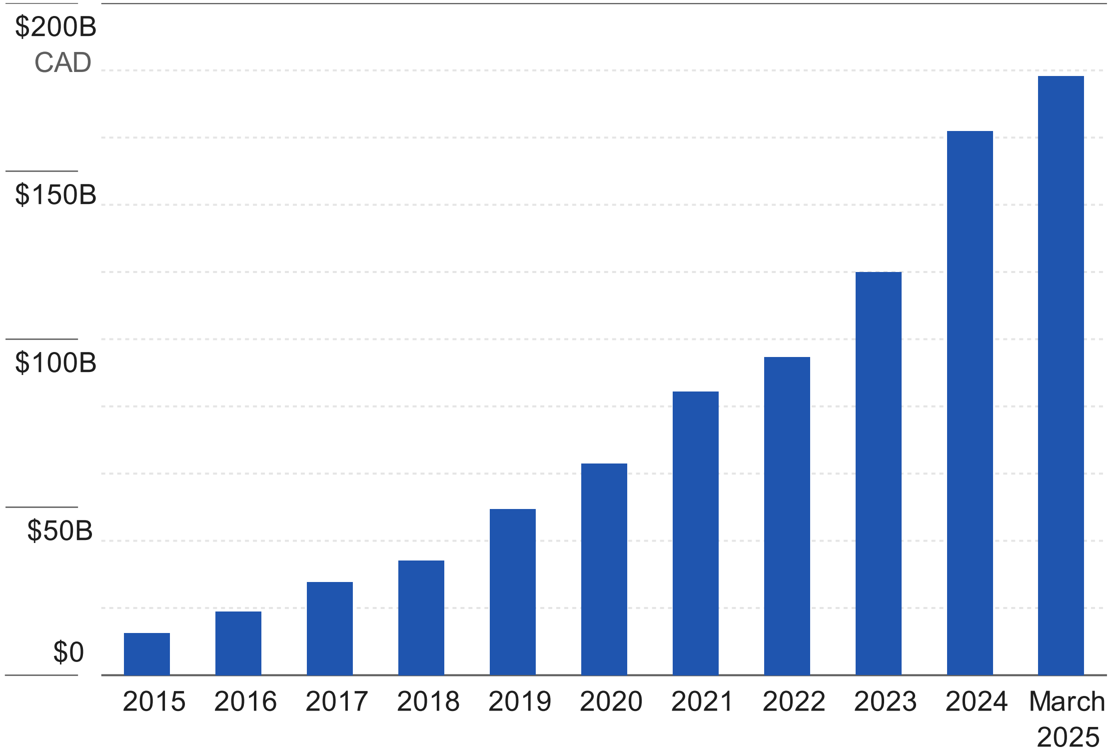
Assets and Flows

Sustained Interest of Active ETFs Fuels Growth

Active ETFs continue to attract investor interest. In the last year through March 2025, they took in CAD 42 billion of flows. Active ETF assets grew fifteenfold over the last 10 years, outpacing passive ETFs, which quadrupled, mostly due to strong and consistent flows. And it's not slowing—the first three months of 2025 were the top three for flows over the period in absolute terms.

Active ETF Assets

December 2015 through March 2025

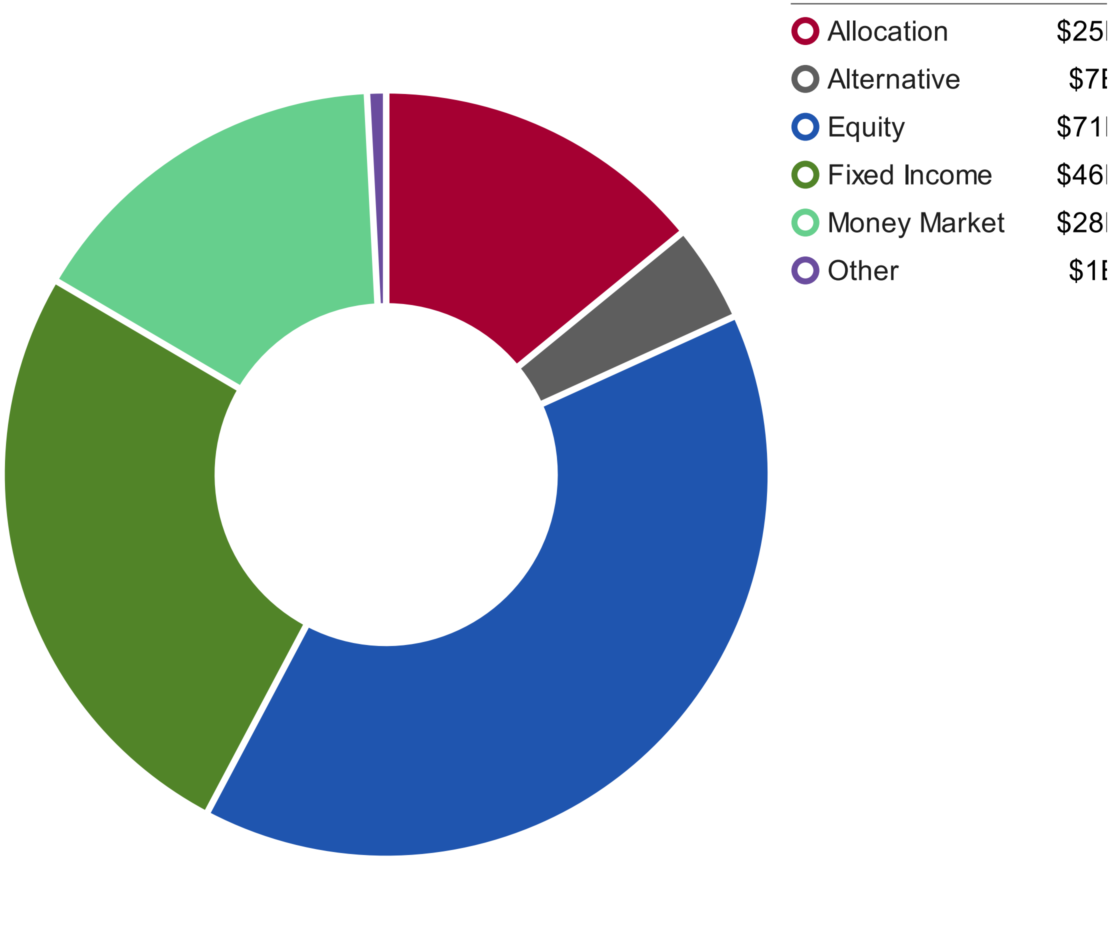


One-Year Trailing Organic Growth Rate

April 2015 through March 2025

Bond and Stock Strategies Dominate

Active ETF Breakdown by Global Broad Category Group
As of March 2025



- More than three quarters of active ETF assets are in single asset-class strategies.
- Equity strategies were the biggest group: 39.7% of active ETF assets as of March 2025.
- Money market funds grew the fastest. The group made up 16% of active ETF assets as of March 2025, 8 times more than it did 10 years ago.
- Alternative strategies represent 3.7% of active ETF assets, or CAD 6.5 billion. It grew eightfold, the most in relative terms, in the five years ended March 2025.
- Low interest rates in 2021 and the sharp rise of short-term rates in 2022 and early 2023 stymied fixed-income fund flows in those years.
- Allocation funds from Vanguard, iShares, and Fidelity are some of the largest individual active ETFs. Vanguard's low cost and simple design attracted the attention of investors and other providers when the firm launched its initial set of allocation ETFs in 2018.

Source: Morningstar Direct. Data as of March 31, 2025.

Target-Risk Funds Gain Ground

- Most active ETFs are traditional, with investment teams making portfolio decisions for higher fees than other ETFs in this study.

- Cashlike funds—high-interest savings accounts, or HISAs, and other money market strategies—exploded in popularity in 2022 as higher rates and low fees attracted investment. A small number of strategies have much of the assets.

- Thematic funds—those with either a Canadian Investment Funds Standards Committee, or CIFSC, Responsible Investing flag or a Morningstar-assigned thematic label—grew the most on a relative basis in the five years ending March 2025.

- Defined-outcome funds are the newest and smallest segment of the active ETF market; BMO Global Asset Management's buffer and accelerator strategies dominate the area.

- Derivative income funds, on average, are the most expensive segment, pricier than even traditional active funds. These include covered-call strategies that have been around for more than a decade.

- Target-risk funds, including allocation suites' all-equity options, include some of the largest active ETFs. Such funds use cheap passive building blocks to implement allocation strategies.

Active ETF Breakdown by Segment

As of March 2025

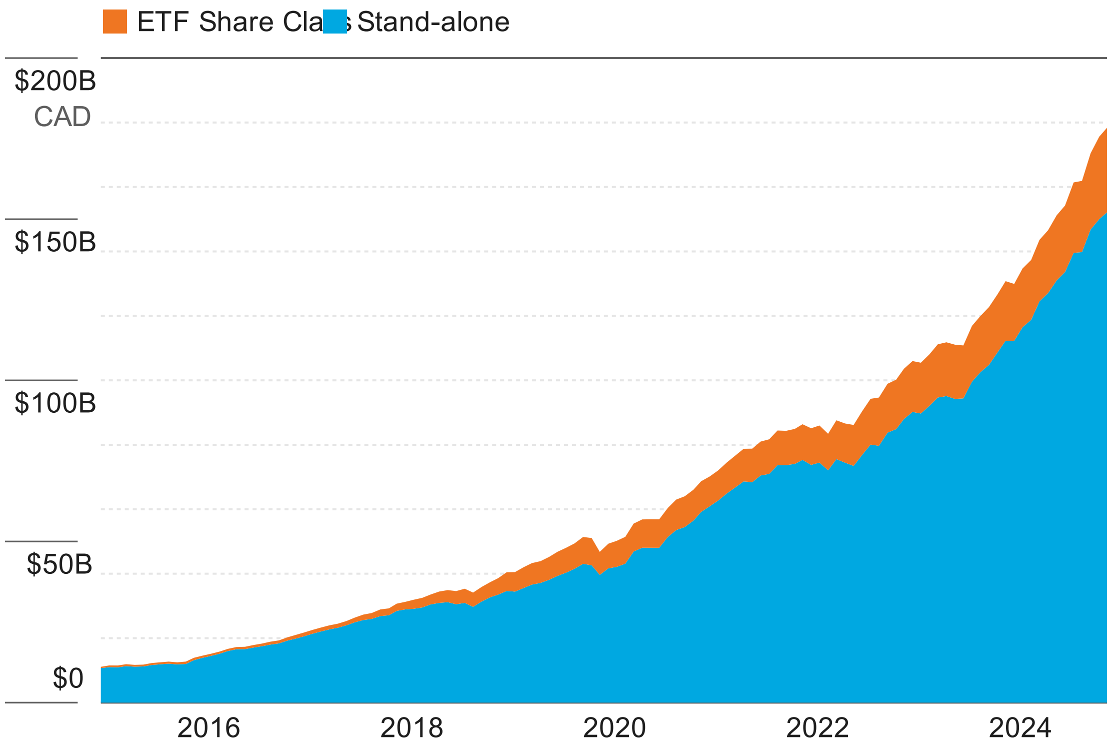
Segment Name	Assets CAD Billic	Count	3-Year Organic Growth R	Average F
Target Risk	40.5	75	32%	0.34
Defined Outcome	0.6	21	29%	0.62
Derivative Income	23.4	134	20%	0.67
Cash-Like	33.5	27	55%	0.10
Quantitative	25.4	102	23%	0.30
Thematic	9.6	54	33%	0.47
Traditional Active	63.6	409	18%	0.63

Source: Morningstar Direct, authors calculations. Data as of March 2025. Funds can hold more than one label, so assets and counts will not aggregate to other figures in this report.
Canadian Investment Funds Standards Committee Responsible Investing flags list can be found here.

ETF Share Classes More Expensive, Growing Fast

Assets by Structure

April 2015 through March 2025



Simple Average Fee by Sector

April 2015 through March 2025

Some strategies offer both traditional mutual fund and ETF share classes. This hybrid structure crossed the CAD 1 billion mark in February 2017. Its grown 24 times as much since then, far more relative to all other stand-alone active ETFs, which increased by sevenfold. The average fees of each structure have diverged over time. The average ETF share class charged 44 basis points more than the average stand-alone ETF as of March 2025.

Source: Morningstar Direct, authors calculations. Data as of March 2025.

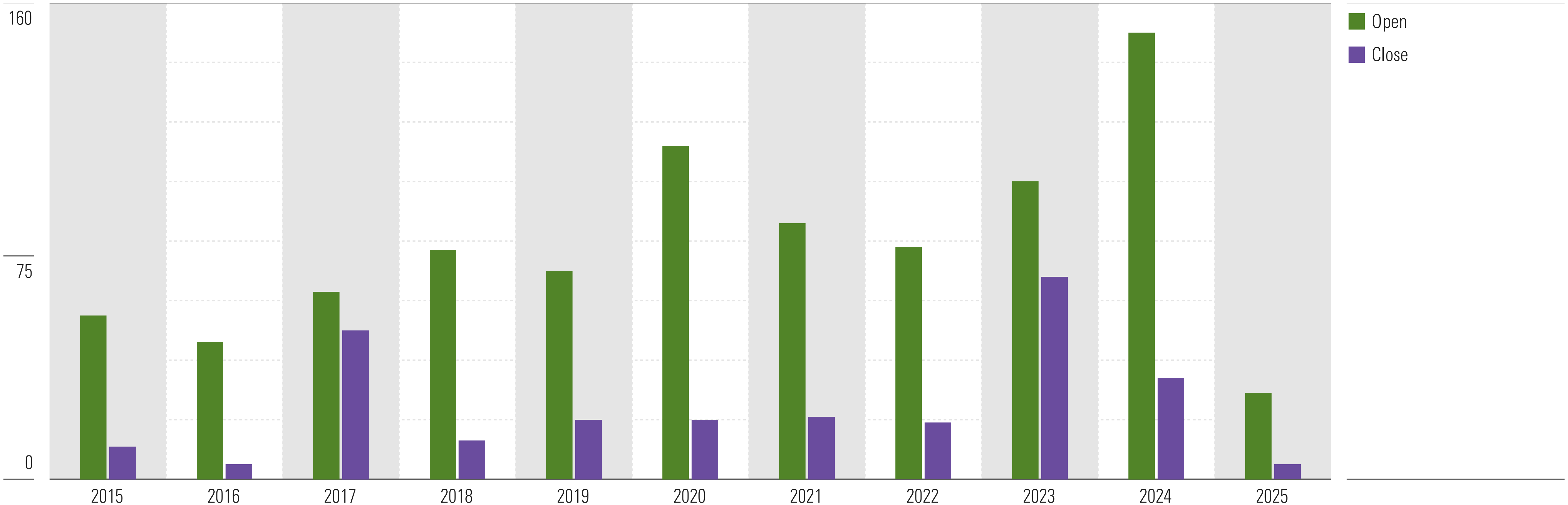
Launches and Closures

Record Launches and Closures Since 2023

Active ETF assets were concentrated in a handful of strategies and most others struggled to gain attention. A quarter of all active ETFs observed in this report were delisted over the last 10 years while half held less than CAD 50 million in March 2025. Only 39 funds held more than CAD 1 billion on that date, and they account for more than half of active ETF assets.

Launches and Closures by Year

April 2015 through March 2025



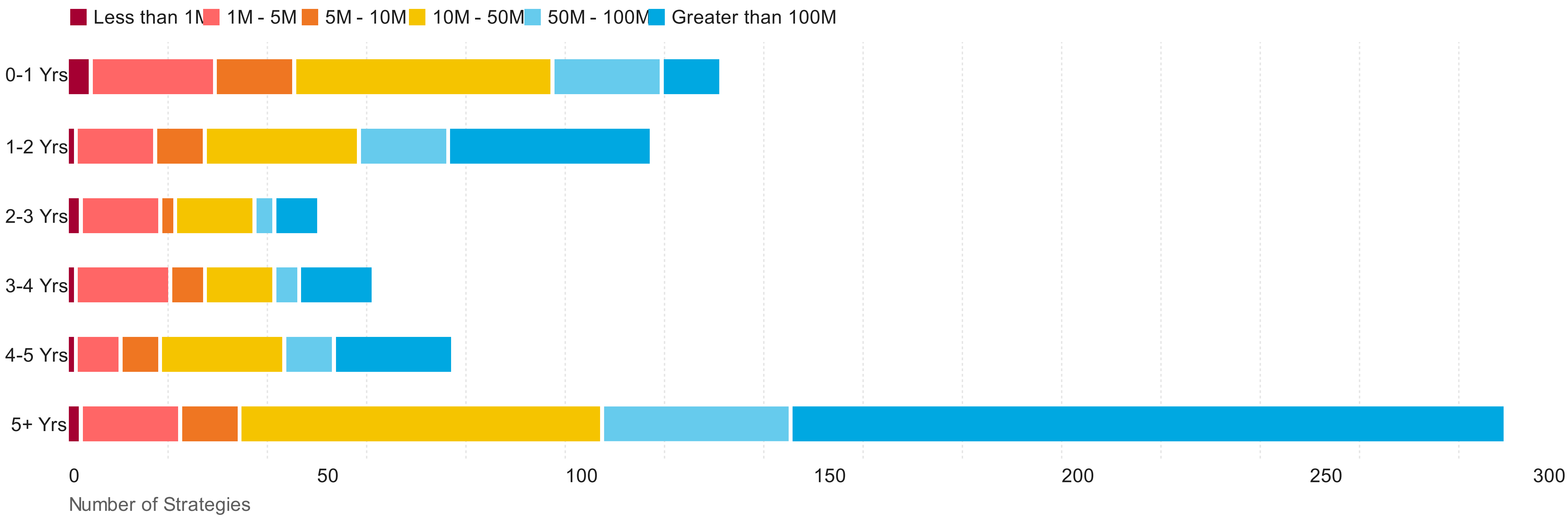
Source: Morningstar Direct. Data as of March 2025.
Both 2015 and 2025 are partial years.

Beware the Small-Scale ETF

Many active ETFs were miniscule, and investors in them faced extra costs via wider bid-ask spreads and the risk of liquidation. Four out of five active ETF closures between April 2015 and March 2025 involved ETFs with less than CAD 10 million in assets. One fourth of active ETFs were that small as of March 2025. In most cases investors should steer clear of such strategies.

Assets of Surviving Funds by Age

As of March 2025



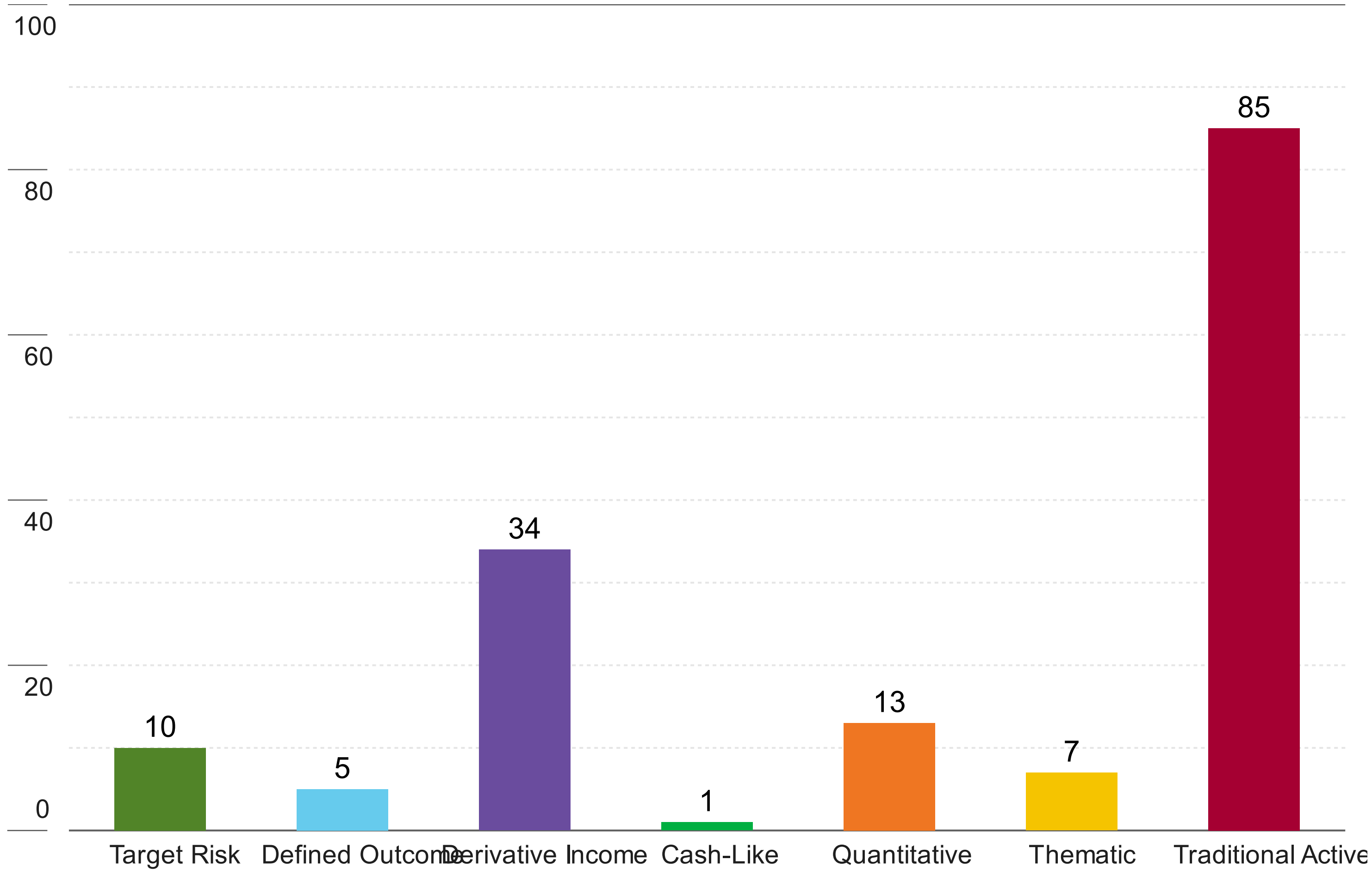
Source: Morningstar Direct. Data as of March 2025.

Innovative Bond ETFs Underpin Launches

- Traditional active ETFs like target-maturity bond series continue to grow. Multiple Fidelity entries tacked on ETF versions of popular mutual funds.
- Options-based income overlays on bond strategies made up a significant number of new launches in the derivative income segment.
- Quantitative strategies by Fidelity and Manulife round out their current capabilities.
- ETF share classes of existing allocation strategies by Franklin Templeton headline target-risk ETF launches.
- The thematic ARK strategies, which made up three of the seven launches in the segment, are set to close[1] in July 2025.

One-Year New Listings by Segment

As of March 2025



Source: Morningstar Direct. Data as of March 2025.

1 https://newsroom.bmo.com/2025-04-16-BMO-Announces-the-Termination-of-Certain-BMO-Mutual-Funds

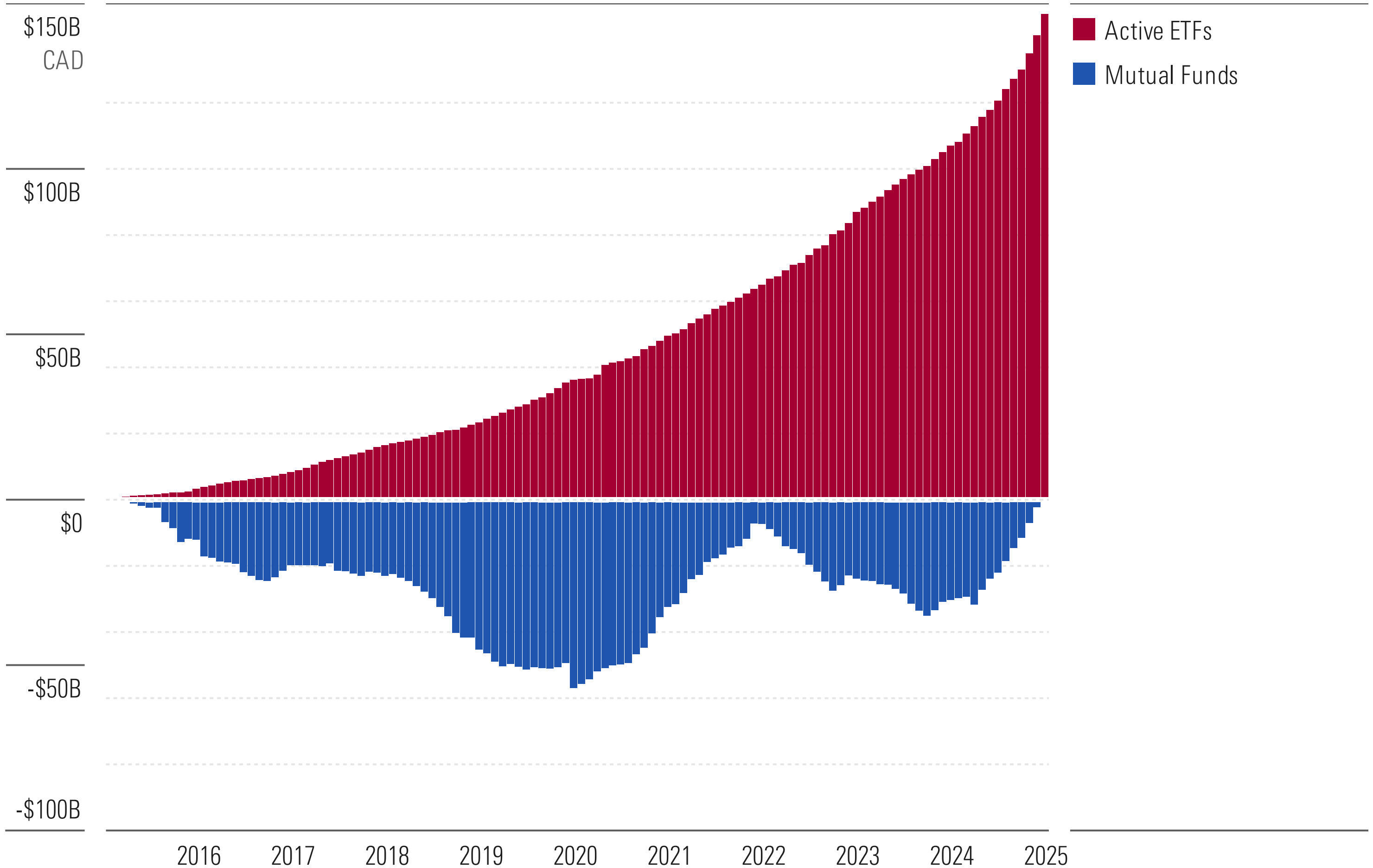
Active ETFs vs. Mutual Funds

Growth of Active ETFs Outmaneuver Mutual Funds

- As of March 2025, active ETFs had CAD 178 billion in assets, one sixth of active mutual funds' assets.
- Canadian investors have preferred active ETFs; they piled about CAD 150 billion into them in the last decade—82% of their current assets. Meanwhile mutual funds experienced CAD 117 million in outflows.
- Active ETFs are an evolution of mutual funds, but there are important differences.
- Active ETFs are generally cheaper and more accessible, but investors who used them can incur higher trading costs, and providers cannot as easily limit ETF strategies' capacity by closing them to new investors.

Cumulative Flows – Active ETFs vs. Active Mutual Funds

As of March 2025

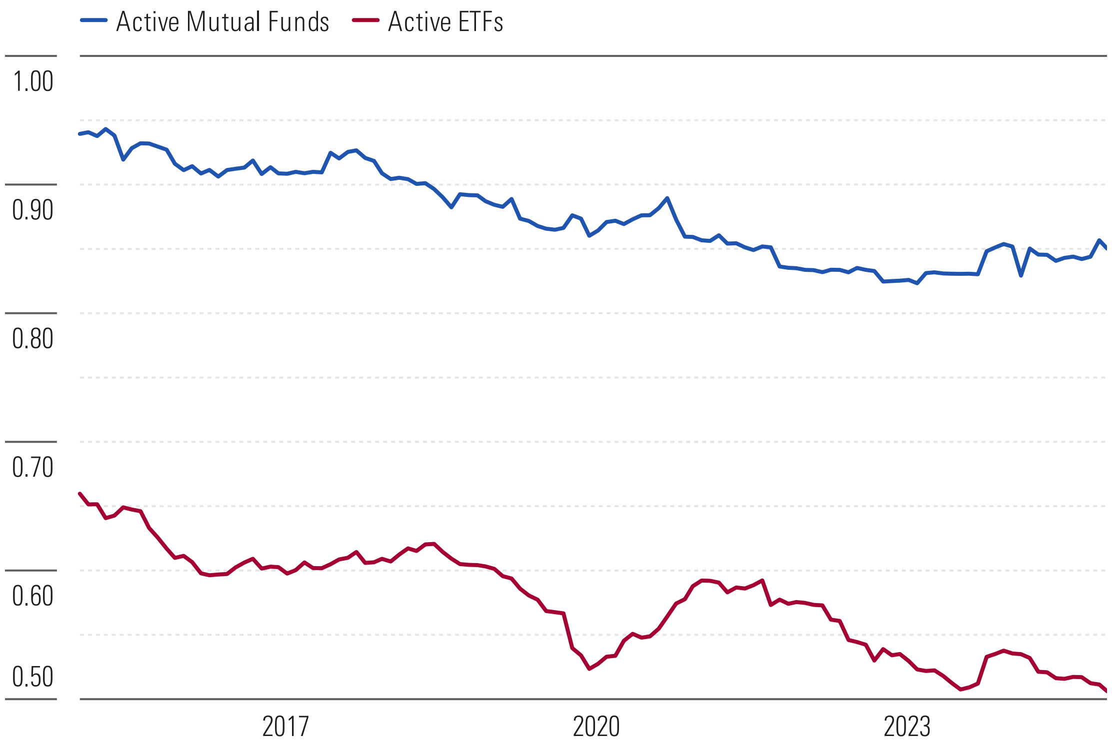


Active ETFs Cost Less, But Not For Alternatives

On average, investors pay less for active ETFs than for fee-based and do-it-yourself share classes of active mutual funds. Allocation, equity, and money market ETFs, for example, charge fees 64%, 37%, and 36% less, respectively, than their mutual fund counterparts. Alternative ETFs, however, cost 22% more as performance fees—extra fees that vary depending on fund results—on some of the largest ETFs that boosted the asset-weighted average starting in 2024.

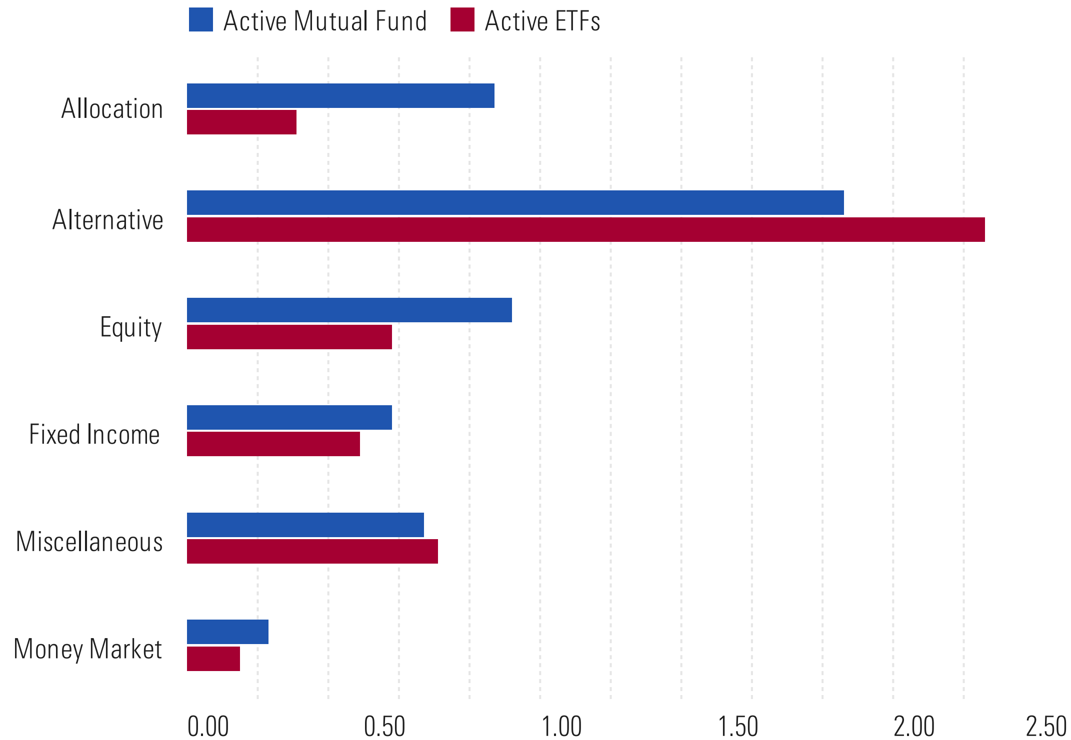
Asset-Weighted Fees

Active ETFs vs. Active Mutual Funds



Asset-Weighted Fees by Broad Asset Class

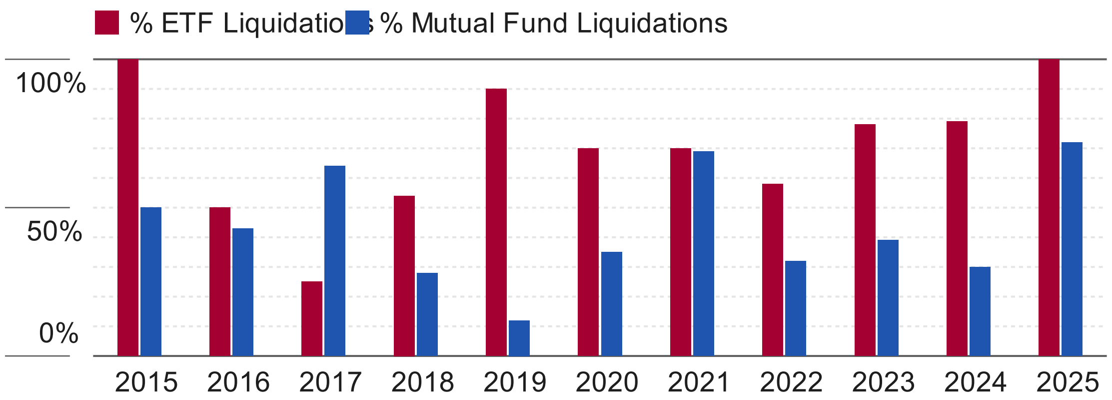
Fees as of March 2025



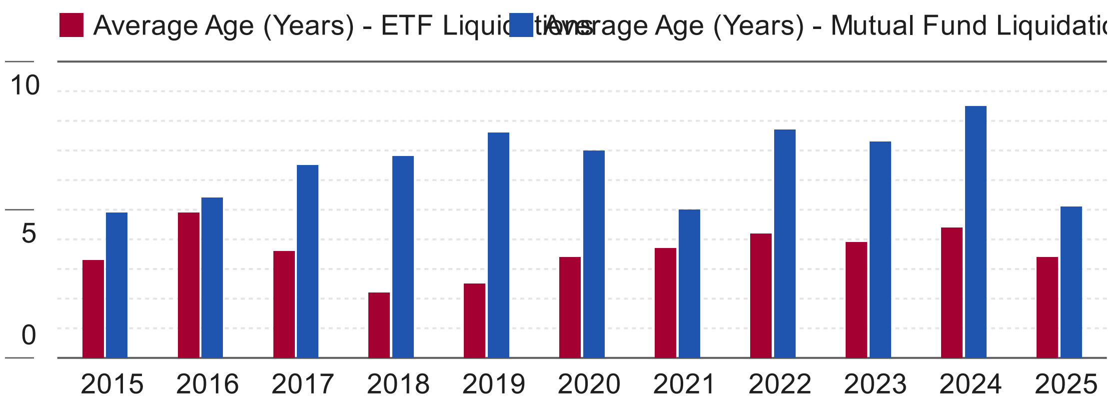
Source: Morningstar Direct. Data as of March 2025. Mutual fund fees include only fee-based and do-it-yourself share classes.

Active ETFs Have Had Shorter Lifecycles

Liquidation as Percentage of all Closures by Structure



Average Age in Years of Liquidated Funds



- Liquidations were the most preferred method to terminate funds. Over the last 10 years, liquidations account for 66% of all active ETF terminations as compared with 42% for mutual funds.
- Only 2017 saw more mutual fund liquidations due to changes in the tax benefits of corporate-class funds, which drove closures higher.
- Active ETFs liquidations occur much earlier in their lives than mutual funds'. Over the last decade, the average age of a liquidated active ETF was 3.6 years, almost half that of liquidated mutual funds.
- Four in five thematic fund liquidations occurred with less than three years of history—much higher than the next two highest segments: derivative income (56%) and traditional active (50%).
- Market dynamics such as consolidation due to CI Global Asset Management's acquisition of First Asset in 2015, Horizons ETFs and First Asset's advisor share class ETF phase-out in 2017, Evermore's short-lived foray into target-date ETFs, and the sudden closure of Emerge ETFs in 2023 contributed to active ETF mortality.

Source: Morningstar Direct. Data as of March 2025. Mutual Fund universe excludes institutional share classes.

Some Things Change, Some Things Stay the Same for Active ETFs vs. Mutual Funds

Active ETFs vs. Mutual Funds

Benefits, Drawbacks, and Similarities

	Active ETFs	Mutual Funds
The Benefits		
Lower fee	• Often priced at similar level as fee-based share class mutual funds.	• Prices depend on distribution channel: commission-based, fee-based, and do-it-yourself.
Flexible trading	• Investors can buy or sell ETFs throughout the trading day like stocks. • Ability to go long, sell short, buy on margin, trade options, and lend to others at a fee.	• Priced at their end-of-day net asset value (NAV). • No short-selling or options. • Sales loads and sometimes redemption fees can increase trading costs.
The Drawbacks		
Limited capacity management	• Cannot close to new investors without liquidating. • Susceptible to style drift or liquidity issues should assets exceed the mandate's capacity limits.	• Can close to new investors to manage capacity.
Higher trading costs	• Investors pay the difference of the bid price (what buyers offer) and ask price (what sellers offer) when purchasing ETFs. • The market price isn't always connected to the fund's NAV, and investors can potentially pay more than the fund's worth. • Illiquid areas of the market (such as, microcaps, obscure bonds) or small asset bases can mean higher costs through wider bid-ask spreads or divergence from NAV.	• Trades are priced at end-of-day net asset value.
The Similarities		
No preferential tax treatment	• ETFs do not have any preferential tax treatments. Capital gains tax applies to both short-term (held less than or equal to one year) and long-term (held more than one year) gains are taxed at the investor's marginal tax rate when transactions occur in taxable investment accounts.	
No extra transparency	• Unlike in other markets, Canadian-domiciled ETFs do not need to publicly disclose holdings daily, and they have the same disclosure requirements as mutual funds.	

Source: Morningstar Research.

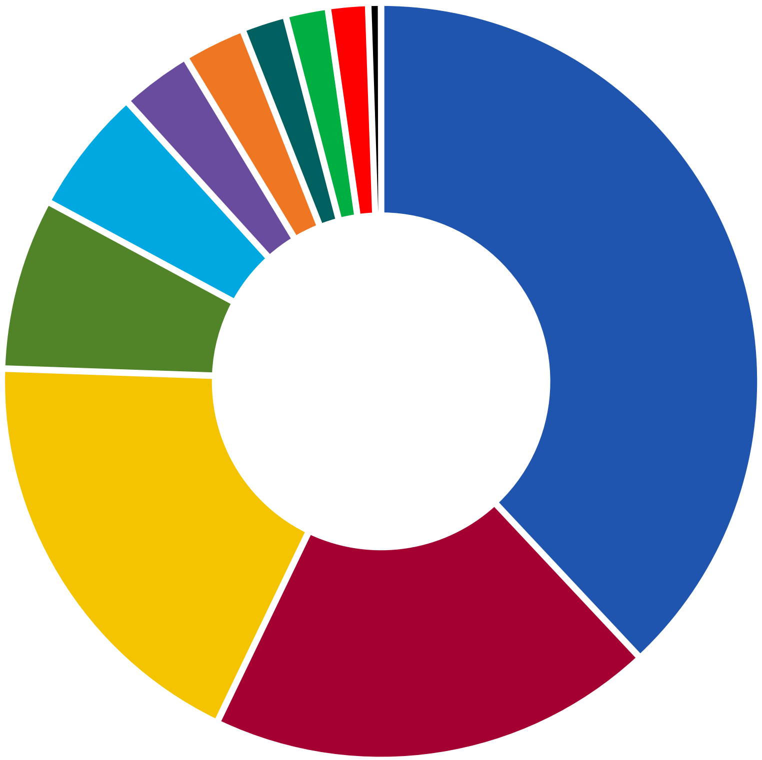
Providers and ETFs

New Entrants Redefine the Playing Field

BMO GAM, Global X, iShares, and CI Investments remain top players in active ETFs by total assets. However, Vanguard, National Bank Investments, or NBI, and Fidelity climbed to leading positions. New entrants continue to disrupt the Canadian active ETF market, with firms outside the top 10 growing from less than 1% to 21% market share. Other providers with more than CAD 2 billion in assets now include Harvest Portfolios, Mackenzie Investments, Hamilton Capital, Pimco, CIBC Asset Management, Evolve ETFs, Manulife, and Dynamic Funds.

Market Share by Provider

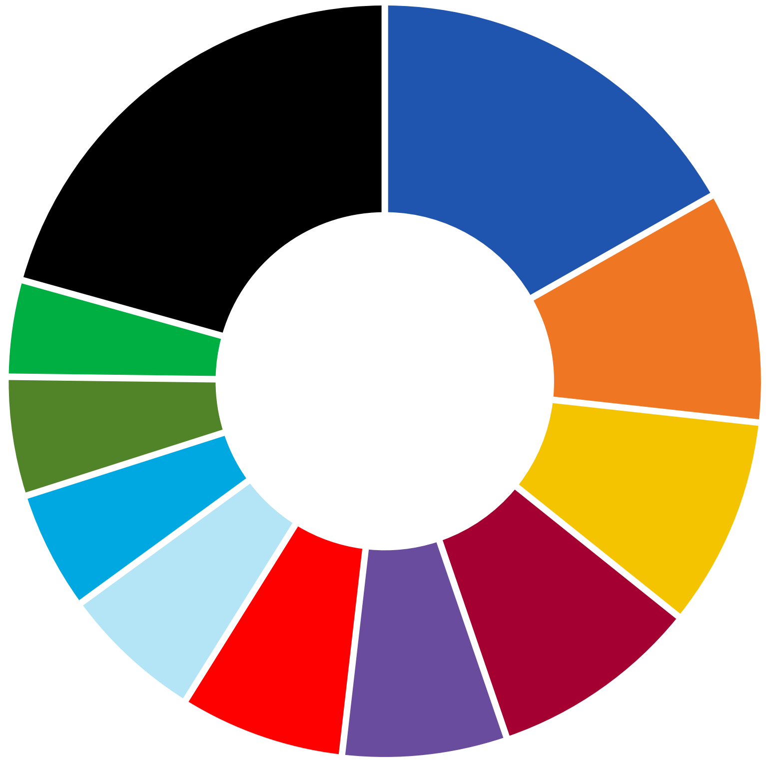
As of April 2015



BMO	38.86%
iShares	19.38%
Global X	18.68%
RBC	7.29%
Purpose Investments	5.29%
CI Investments	2.9%
Invesco	2.5%
Harvest Portfolios	1.7%
First Trust	1.6%
Horizons	1.5%
Other Providers	0.3%

Market Share by Provider

As of March 2025



BMO	17%
Vanguard	10%
Global X	9%
iShares	9%
CI Investments	7%
National Bank (Canada)	7%
Fidelity International	6%
Purpose Investments	5%
RBC	5%
TD	4%
Other Providers	21%

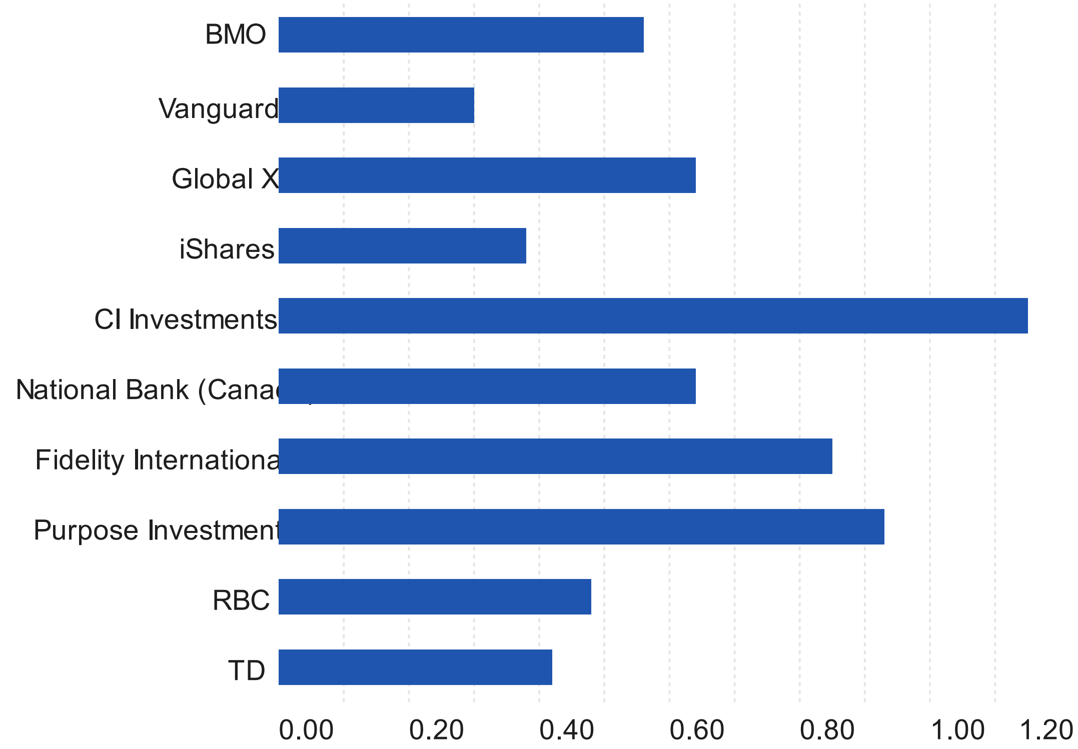
Source: Morningstar Direct. Data as of March 2025.

Top Providers' Assets Concentrated in Key Segments

Organic Growth Rate and Main Segment by Largest Provider
As of March 2025

Provider	AUM (CAD Bi	OGR - 1 Ye	Main Segment/s
BMO	30.7	25%	Derivative Income & Quantitat
Vanguard	18.1	26%	Target Risk
Global X	16.9	29%	Cash-Like
iShares	16.5	56%	Target Risk
CI Investments	12.9	-10%	Cash-Like & Traditional Active
National Bank (Canada)	12.4	0%	Traditional Active & Thematic
Fidelity International	10.6	136%	Allocation & Traditional Active
Purpose Investments	8.7	19%	Target Risk
RBC	8.1	32%	Traditional Active
TD	6.4	90%	Traditional Active

Simple Average Active ETF Fee by Provider
As of March 2025



Providers tend to specialize. BMO GAM has a foothold in derivative income and quantitative ETFs first listed in 2011. iShares and Vanguard have a tight range of low-cost target-risk ETFs. Global X, CI Investments, and Purpose Investments are concentrated in cashlike ETFs but offer a range of active equity and fixed-income ETFs. Fidelity's significant growth stems from a combination of low-cost target-risk strategies and ETF share classes of its existing mutual funds.

Source: Morningstar Direct, authors calculations. Data as of March 2025. *CI Investments, Fidelity International, and Purpose Investments offer alternative ETFs that charge performance fees.

ETFs From iShares, Vanguard, and Global X Lead Flows

The Top 15 Largest Active ETFs
As of March 2025

Name	Ticker	Assets (CAD bil)	Morningstar Category	Fee	Flows 1 Year (CAD bil)	Segment
iShares Core Equity ETF	XEQT	6.9	Global Equity	0.20	3.2	Target Risk
Global X High Interest Savings ETF	CASH	6.6	Canadian Money Market	0.11	2.0	Cash-Like
Vanguard Growth ETF Portfolio	VGRO	6.6	Global Equity Balanced	0.24	1.0	Target Risk
Vanguard All-Equity ETF Portfolio	VEQT	6.4	Global Equity	0.24	2.0	Target Risk
CI High Interest Savings ETF	CSAV	6.3	Canadian Money Market	0.15	-1.6	Cash-Like
BMO Low Volatility Canadian Equity ETF	ZLB	4.3	Canadian Equity	0.39	0.2	Quantitative
BMO Ultra Short-Term Bond ETF	ZST	3.9	Canadian Short Term Fixed Income	0.17	2.7	Cash-Like
Purpose High Interest Savings Fund	PSA	3.4	Canadian Money Market	0.17	-0.4	Cash-Like
Vanguard Balanced ETF Portfolio	VBAL	3.4	Global Neutral Balanced	0.24	0.4	Target Risk
Pimco Monthly Income ETF	PMIF	3.1	Multi-Sector Fixed Income	0.86	0.6	Traditional Active
iShares Core Growth ETF Portfolio	XGRO	3.0	Global Equity Balanced	0.20	0.6	Target Risk
NBI Sustainable Canadian Bond ETF	NSCB	2.9	Canadian Fixed Income	0.61	-0.1	Thematic
BMO Covered Call Canadian Banks ETF	ZWB	2.9	Financial Services Equity	0.71	-0.3	Derivative Income
Fidelity All-in-One Balanced ETF	FBAL	2.8	Global Neutral Balanced	0.40	1.7	Target Risk
NBI Unconstrained Fixed Income ETF	NUBF	2.5	Multi-Sector Fixed Income	0.78	0.0	Traditional Active

- Cheap target-risk strategies intended to provide broad market exposure and cashlike strategies are Canadian investors' most popular choices.
- Many providers offer mutual funds that own active ETFs. This makes it easier for those who can't trade ETFs directly to invest; it also helps boost their asset size.
- Fund-of-fund allocations also bolstered assets for BMO Low Volatility Canadian Equity ETF and NBI Sustainable Canadian Bond ETF.
- Even though they have higher fees, active fixed-income ETFs like Pimco Monthly Income ETF and NBI Unconstrained Fixed-Income ETF (managed by J.P. Morgan Asset Management) are popular choices.

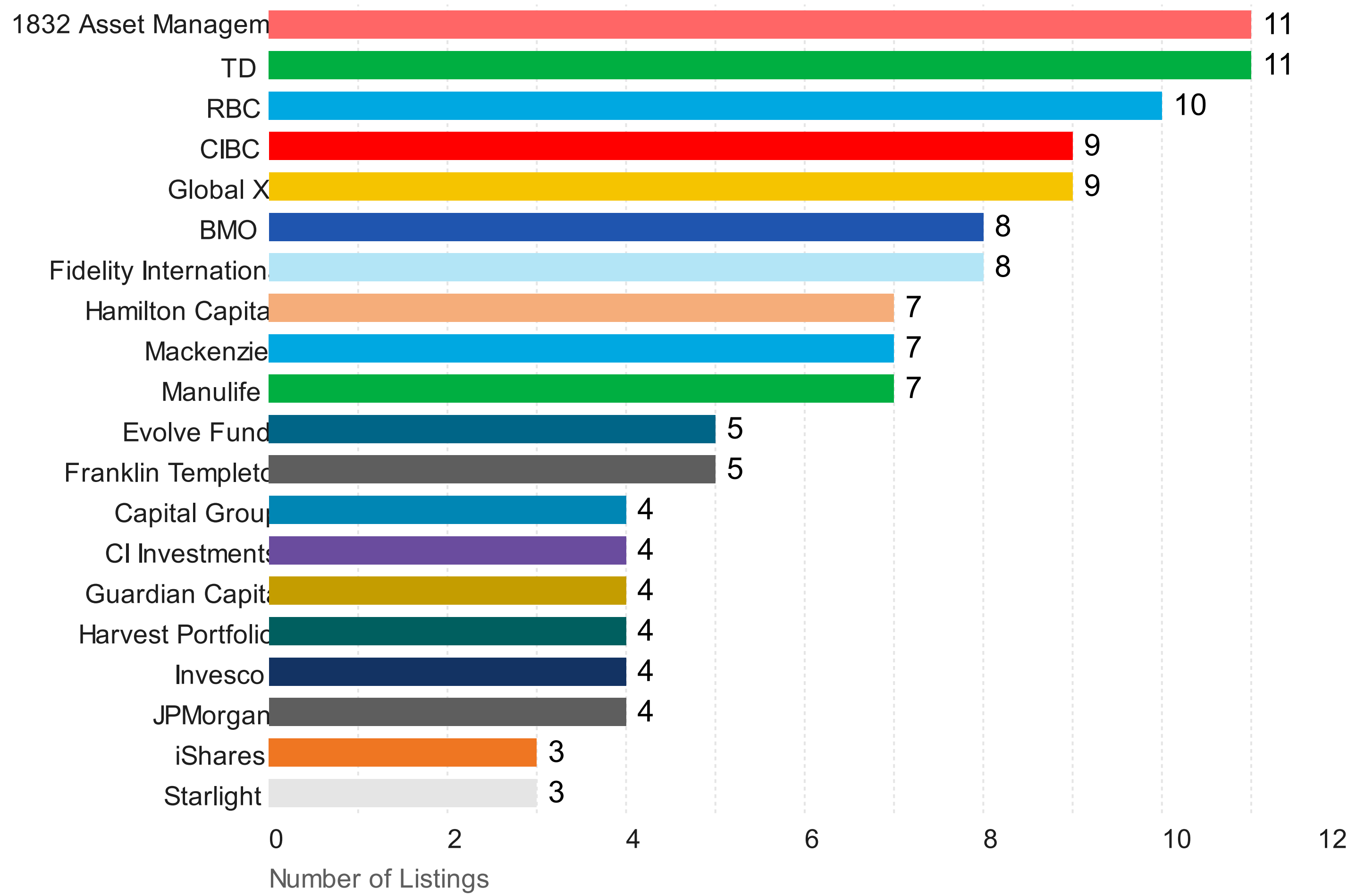
Source: Morningstar Direct, author calculations. Data as of March 2025.

Bank-Owned Providers' Top New Listings

- Bank-owned providers 1832 Asset Management, TD Asset Management, RBC Global Asset Management, CIBC Asset Management, and BMO GAM were responsible for more than one third of all new listings.
- BMO GAM, RBC GAM, and TD Asset Management all listed target maturity fixed-income Active ETFs over the last year.
- Mackenzie Investments and Manulife each listed a combination of quantitative and traditional active strategies.
- New entrants from the US included:
  - Capital Group—listed ETFs similar to existing active mutual funds available in Canada.
  - J.P. Morgan Asset Management—listed active equity and derivative income strategies.

Top 20 Providers by New Active ETF Listings

1 Year ended March 2025



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