



Canada/U.S. Review

An IFIC Review of Mutual
Fund Statistics in Canada and the U.S.

August 2005

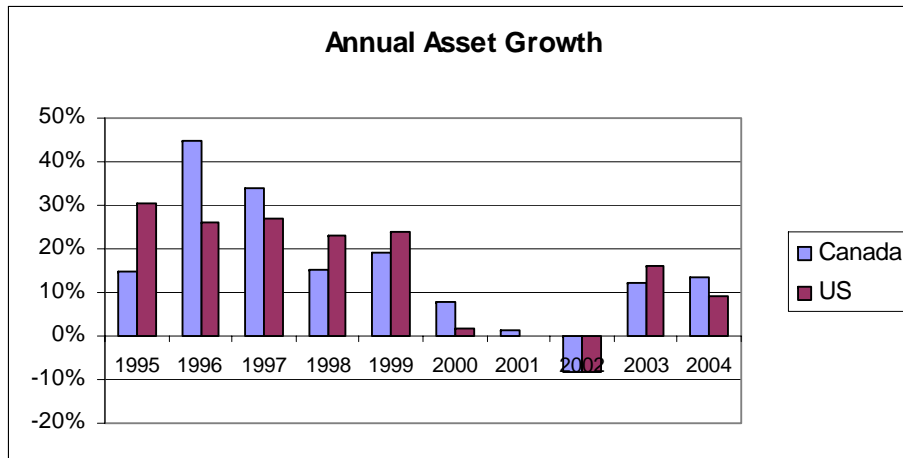
Prepared by Erwin Go, Manager, Statistics

Highlights in this review include:

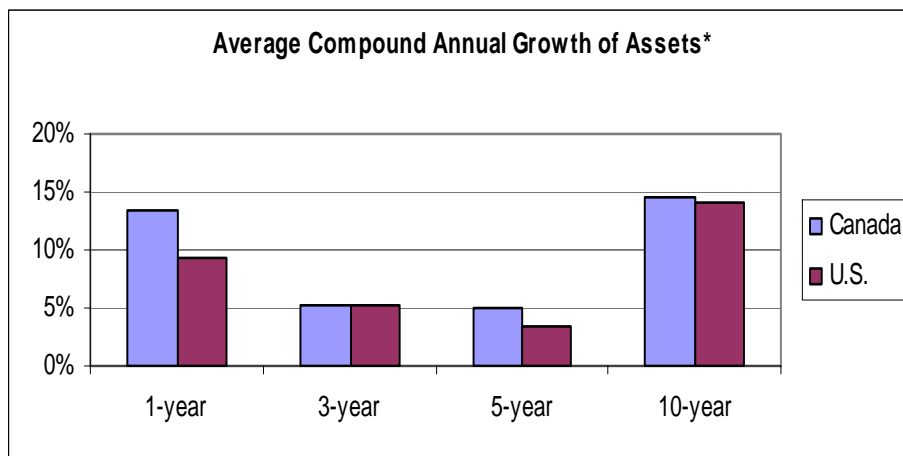
- Between 1994-2004, Balanced funds were the No. 1 choice for Canadians, while U.S. investors preferred Money Market funds
- The Canadian mutual fund industry has a greater proportion of its assets in long-term funds, while the U.S. has a greater proportion in short-term funds
- Annual growth in assets in the Canadian mutual fund industry surpassed that of the U.S. especially last year
- Equities are back in favour for U.S. investors, but not so much for Canadian investors
- The U.S. continues to hold the lion's share of the world's mutual fund market, but this has been dropping since 1998

Note*: All U.S. mutual fund data provided by Investment Company Institute (www.ici.org)

Asset Growth



Annual growth in assets in the Canadian mutual fund industry was fairly consistent with growth in the U.S. within the last ten years. This consistency in growth can likely be attributed to the similarity in financial markets for both countries and a significant amount of investment into U.S. and International Equity Funds by Canadian investors (about 9%).



Canada fared slightly better than the U.S. when comparing compound annual growth in fund assets over the period, outperforming them in the one-, three-, five- and 10-year ranges.

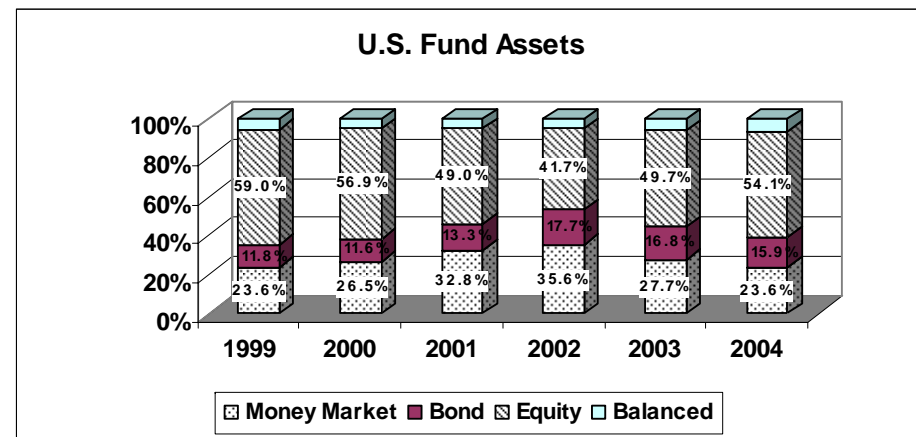
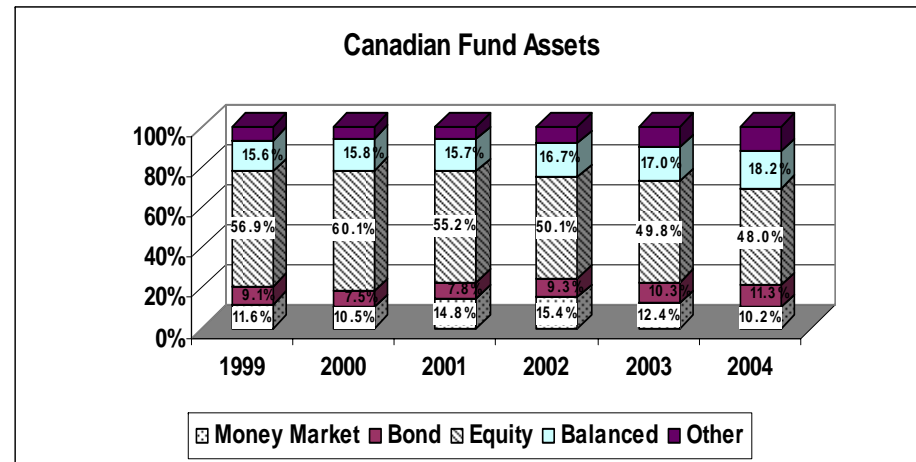
*Figures as of the end of December 31, 2004

Breakdown of Fund Assets

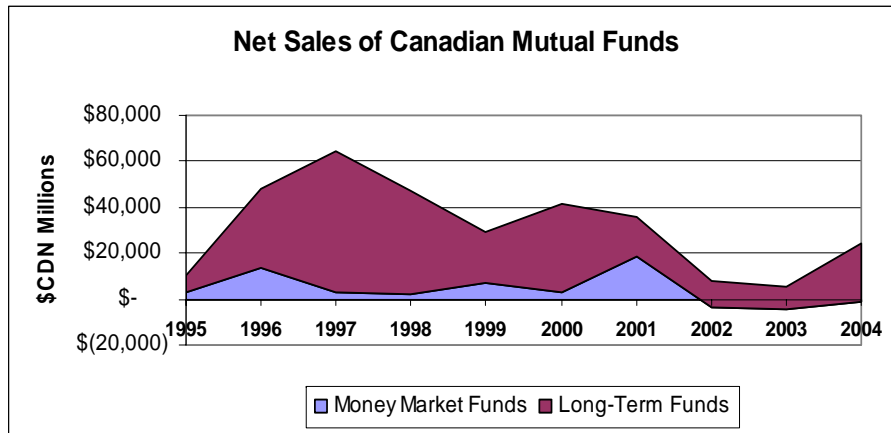
The make up of Canadian mutual fund assets differs slightly from U.S. fund assets. Sales of Money Market funds are more predominant in the U.S. than Canada, so it's not surprising that Money Market funds make up a much larger portion of total U.S. fund assets.

In Canada, Balanced funds represent a significant portion of assets, increasing their share in the past couple years as their popularity rose. Balanced fund sales represented almost half of total sales in Canada over the past two years.

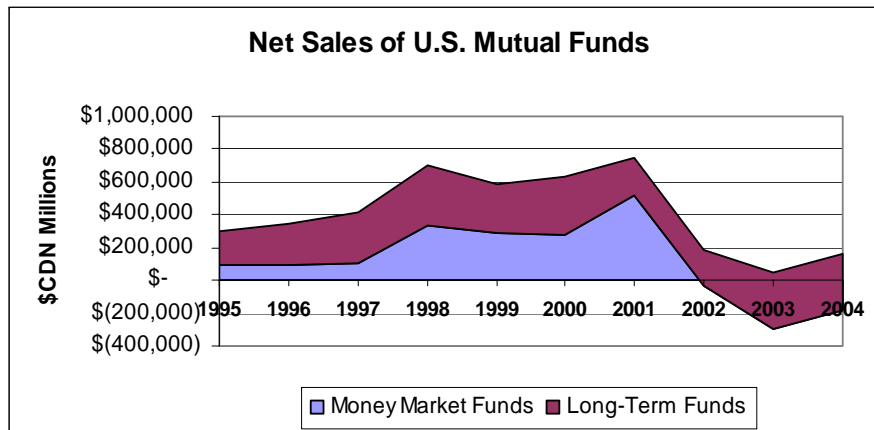
Equity funds continue to represent the majority of assets in both countries. While Balanced funds have gained favour in the eyes of Canadian investors, Equity funds seem to be top of mind in the U.S., where their market share rose for the second consecutive year.



Net Sales



The trend lines for net sales show that sales peaked in each country at different times. Net sales for the Canadian mutual fund industry were the strongest from 1996-1998, while the U.S. industry had its strongest sales from 1998-2001. Both countries showed similar trends during the bear market periods between 2002-2004.

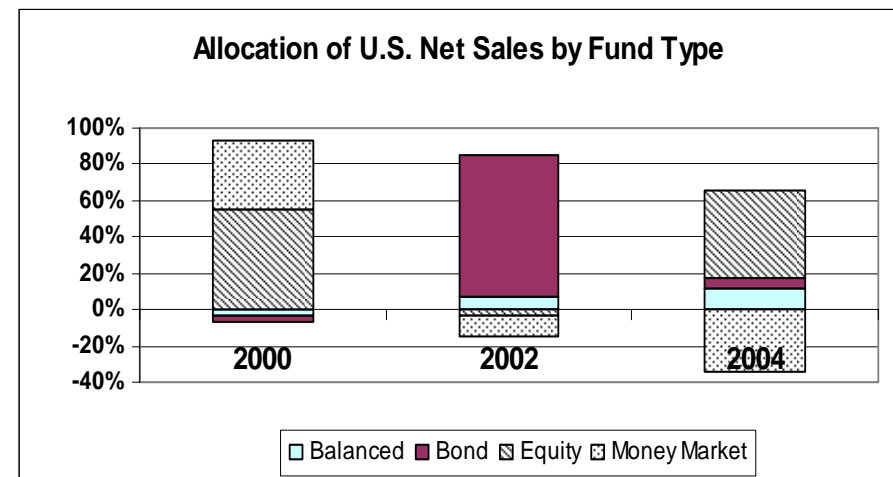
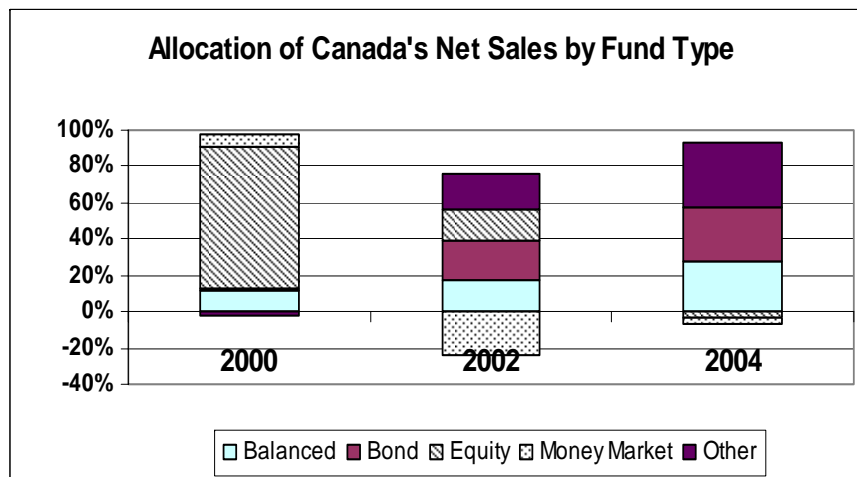


While the strength of the U.S. industry's sales come from both Money Market and long-term funds during this period, Canada's strength, with the exception of 2001, primarily came from sales of long-term funds.

Allocation of Sales

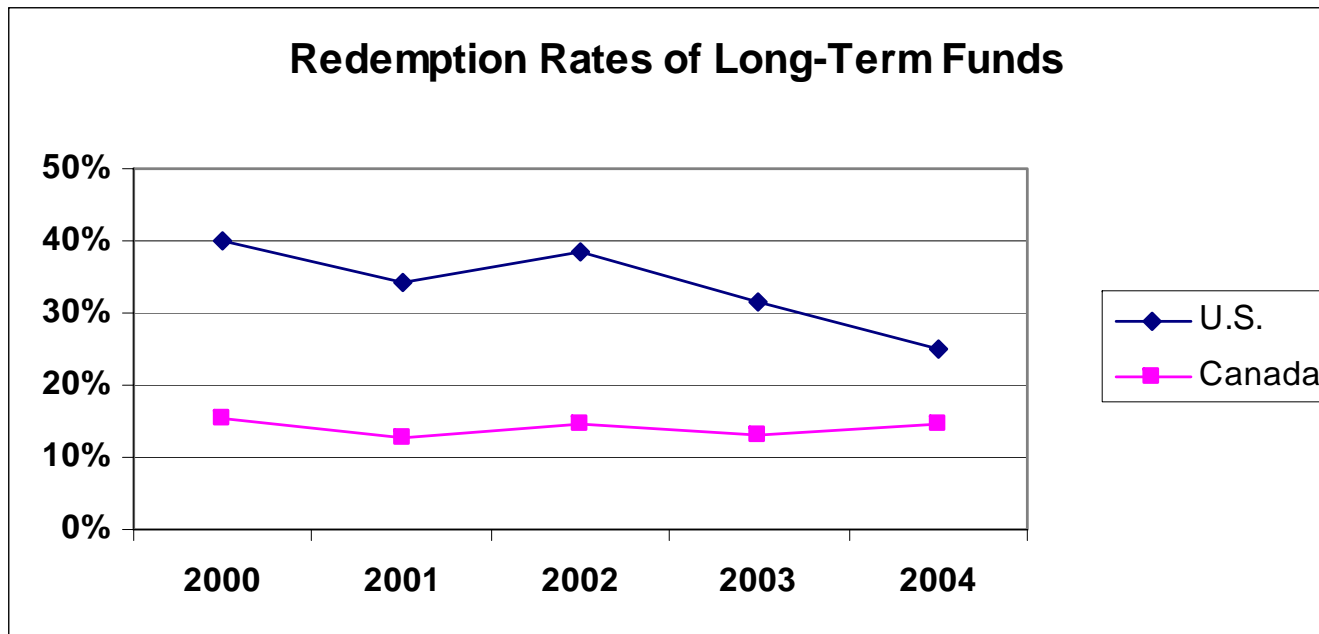
Equity funds were the choice of mutual fund investments for both Canadian and U.S. investors back in 2000.

However, while Equity funds are back in favour for U.S. investors, Canadians have shied away from these investments. Instead, Canadians put their monies into more conservative funds such as Balanced, Bond, and Dividend & Income funds.



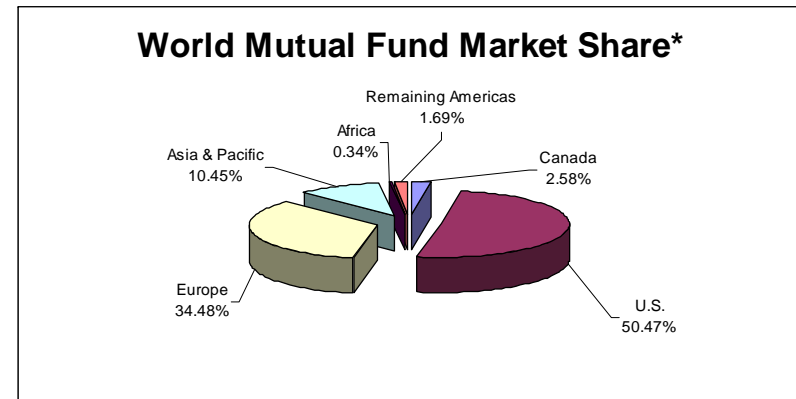
Redemption Rates

For many years, redemption rates for long-term mutual funds in Canada were consistently lower than their U.S. counterparts possibly indicating that Canadian investors hold their mutual funds for the long term.

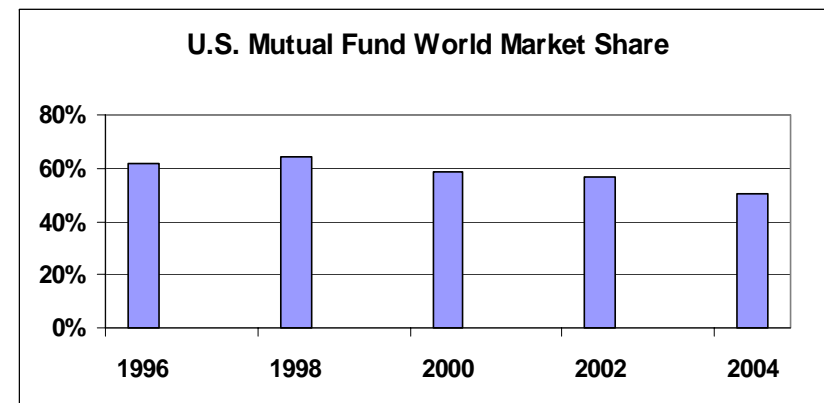
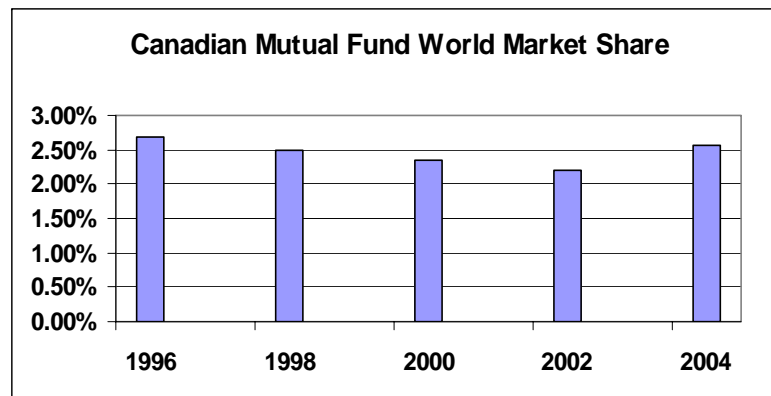


International Mutual Fund Assets

Net assets for International mutual funds totalled US\$16.1 trillion as of December 31, 2004, up 14.3% from 2003. Canada's market share increased for the second consecutive year to 2.58%, the highest Canada's market share has been since 1997. The market share for the U.S. has steadily declined since 1998, to 50.5% from 64.2%. Much of the market share decline in the U.S. and the rise in Canada can be attributed to the international decline in the U.S. dollar. Over the past two years, the average compound return for the Canadian currency against the U.S. dollar was 14.6%.



*Figures as of the end of December 31, 2004



Number of Funds

The U.S. mutual fund industry only has about four times more funds than Canada, despite a market size that is 20 times greater than Canada. This could indicate the diverse choice of funds Canadian investors have compared to their U.S. counterparts.

Fund Type	Canada			U.S.		
	No. of Funds	% of Total	Avg Assets per Fund in (\$CDN Millions)	No. of Funds	% of Total	Avg Assets per Fund in (\$CDN Millions)
Balanced	270	14%	334.6	510	6%	1,140.6
Bond	197	10%	285.7	2,041	25%	759.9
Equity	1,239	65%	192.9	4,550	57%	1,158.2
Money Market	110	6%	458.9	943	12%	2,438.7
Other	99	5%	618.8	n/a	n/a	n/a
Total	1,915	100%	259.7	8,044	100%	1,211.4