



# The Passive vs. Active Fund Monitor

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# Summary

This report analyzes the assets under management, market shares, and flows of net new money in and out of passively and actively managed retail funds, including ETFs and mutual funds. Excluded from the sample are money market funds, funds-of-funds, and segregated funds sold by Canadian life insurance companies.

Morningstar recently modified their classification of passive funds and are no longer segregating sector, inverse, and leverage funds. We estimate that these categories of index funds add 2% to the market share of passive funds in Canada and 3% in the US.

Last year, passive funds dominated capital inflows and increased their market share around the world. Passive funds attracted more new money than active funds in Canada, the US, and the world excluding North America.

In 2024, Canadian passive funds increased their market share from 17.5% to 19.5% thanks to a record inflow of \$54 billion. Meanwhile, Canadians added only \$21 billion to active funds. Passive funds now represent \$450 billion of roughly \$2.3 trillion in total assets under management (AUM) in the Canadian retail fund industry. We estimate that Canadian passive funds posted a weighted average management expense ratio (MER) of 0.27%, compared to 1.33% for active funds. In the US, passive funds increased their market share from 50% to 53%. US passive funds attracted \$886 billion in 2024, while active funds suffered a \$166 billion outflow. For the world excluding North America, the market share of passive funds increased from 26% to 30% in 2024. For the world, the passive market share amounted to 43% at the end of 2024, up from 40% in the previous year.

Canadian passive funds have almost doubled their market share since 2015, going from 10.2% to 19.5%. During that time, passive funds attracted a cumulative \$219 billion in net new money, compared to only \$114 billion for active funds. During the same period, US passive funds have increased their market share from 30% to 53% and attracted a net inflow of \$5.8 trillion, compared to a \$2.5 trillion outflow for active funds. For the world excluding North America, the market share of passive funds doubled, increasing from 14% to 30%. Worldwide, passive funds have expanded their market share from 23% to 43%. Over ten years, passive funds have attracted \$8.6 trillion compared to an outflow of \$839 billion for active funds.

Passive funds dominate flows in the US and increased their market share by 2% to 3% annually in the last ten years. As expected, they passed the 50% mark before 2025. Outside of North America, passive funds hold almost a third of the market and make gains of at least two percentage points annually. The Canadian retail fund business is changing at a much slower pace, but unless the current trend in favour of passive turns around, the business of financial advice will have to change. Active fund selection services will likely be abandoned by investors in favour of wealth management, financial, and tax planning services.

<sup>1</sup> The data for the Canadian market is in CAD, while figures for the US and world markets are in USD.

This report was written by Raymond Kerzérho. The ideas, opinions, and recommendations contained in this document are those of the authors and do not necessarily represent the views of PWL Capital Inc.

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# Introduction

This report describes the competitive landscape for passively and actively managed retail funds from 2015 to 2024 in Canada, the United States, and worldwide.

Section 1 describes the methodology used in this study.

Section 2 describes the Canadian retail fund market. We look at the dollar amounts, market share, and flow of funds for passive and active funds. We also look at the types of passive funds offered on the Canadian market. Finally, we examine Canada's management expense ratios (MERs) for passive and active funds.

Sections 3, 4, and 5 present the dollar amounts, market share, and flow of funds for passive and active retail funds in the US, the world excluding North America, and the world overall.

## 1. Methodology

The data in this report is provided by Morningstar Direct and covers all mutual funds and exchange-traded funds combined in Canada, the United States, and the world. To mitigate the survivorship bias of our study, the data includes funds that disappeared during the period being considered.

Morningstar made a major change to their reporting on passive and active funds. While they used to exclude sector, leverage and inverse funds from their data on passive (or "index") funds, those funds are now all grouped together. This report therefore studies passive "index" funds as a whole, regardless of type.

The data excludes all money market funds (because they are not core to the competition between active and passive funds), funds of funds (to avoid double counting), and segregated funds sold by Canadian life insurance companies (because they are insurance contracts rather than pure investment products).

To determine the composition of Canadian passive funds, we classified them manually into four categories: "Market-Cap Weighted," "Factor," "Sector" and "Other."

We estimated the MER of each Canadian-domiciled fund as the highest of the following three: the latest annual MER, the latest semi annual MER, and the management fee. In addition, we documented average MERs for three subcategories of mutual funds: "Commission-Based," "Do-It-Yourself," and "Fee-Based Advice."

## 2. Canadian Market

### 2.1 Market Share

In 2024, the market share of passive funds increased by a record 2%, from 17.5% to 19.5%. This represents the ninth consecutive annual increase in market share. The market share of passive funds has almost doubled since 2015, rising from 10.2% to 19.5%. Correspondingly, the market share of actively managed funds has slipped from 89.8% to 80.5%.

The Canadian data shows an upward trend in the market share of passive funds and a strong growth rate for these funds between 2015 and 2024. Passive funds experienced an impressive 351% growth rate during this period, compared to only 112% for active funds. In other words, passive funds grew three times as fast as active funds during the period.

**Table 1 - Assets Under Management in Canada (CAD Billions)**

	Passive	Active
2015	99	873
2016	117	948
2017	143	1,047
2018	145	1,002
2019	184	1,158
2020	225	1,359
2021	296	1,620
2022	277	1,425
2023	330	1,560
2024	448	1,846
<b>Growth 2015-2024</b>	351%	112%

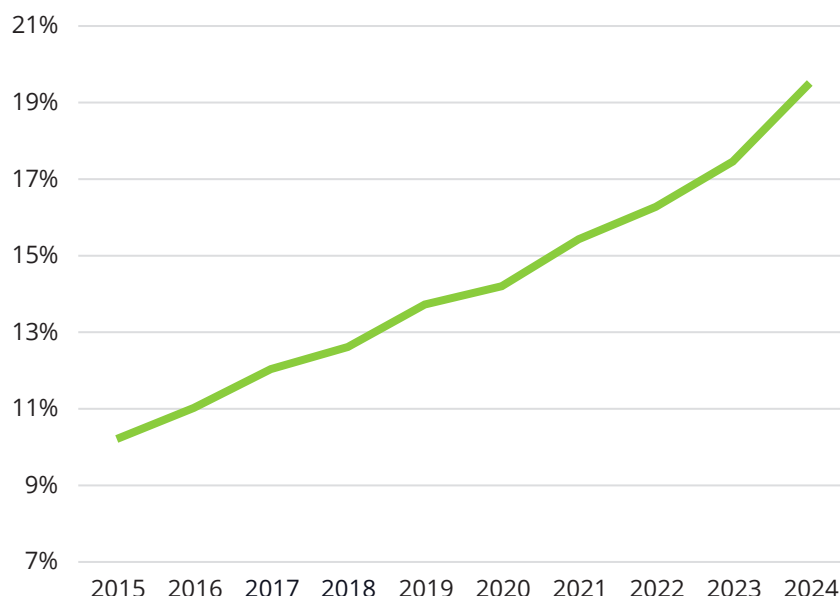
Source: Morningstar

**Table 2: Market Share — Canada**

	Passive	Active
2015	10.2%	89.8%
2016	11.0%	89.0%
2017	12.0%	88.0%
2018	12.6%	87.4%
2019	13.7%	86.3%
2020	14.2%	85.8%
2021	15.4%	84.6%
2022	16.3%	83.7%
2023	17.5%	82.5%
2024	19.5%	80.5%

Source: Morningstar

**Chart 1 - Passive Fund Market Share in Canada**



Source: Morningstar

## 2.2 Flow of Funds

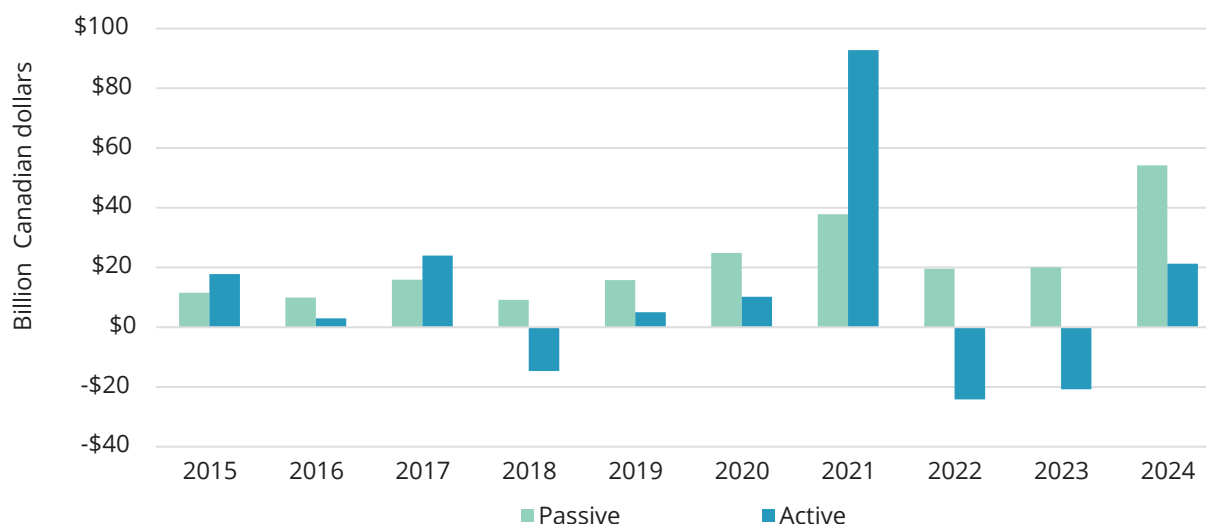
Passive funds had their best year on record in 2024, collecting \$54 billion. In the meantime, active funds collected \$21 billion. Since 2015, the net flow into passive funds has been positive every year, with a total inflow of \$219 billion over ten years. Over that same period, the money flow in active funds was only \$114 billion. The flows into passive funds are stable and positive over time, whereas they are volatile and inconsistent for active funds, as illustrated by Chart 2.

**Table 3: Canada Flow of Funds (CAD Billions)**

	Passive	Active
2015	11.5	17.8
2016	9.9	3.0
2017	15.9	24.0
2018	9.1	-14.7
2019	15.8	5.0
2020	24.9	10.2
2021	37.8	92.8
2022	19.6	-24.2
2023	20.0	-20.8
2024	54.2	21.3
2015–2024	218.8	114.3

Source: Morningstar

**Chart 2: Canada Flow of Funds**

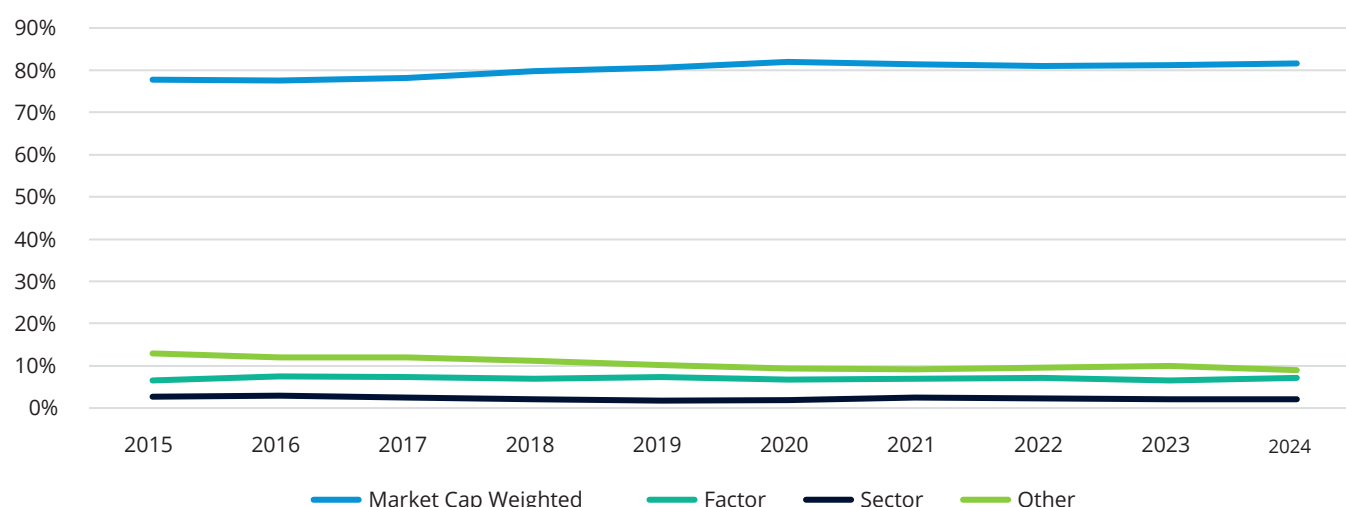


Source: Morningstar

## 2.3 Composition of Passive Funds

It should be noted that funds labelled “passive” may have different characteristics. First, the “Market-Cap Weighted” category accounts for 81.7% of passive funds. A second category, “Factor” passive funds, consists of both single-factor (dividend, value, growth, low volatility, etc.) and multi-factor index funds and represents 7.2% of passive funds. Dividend-oriented funds are the dominant type of factor funds in Canada. Sector funds represent a tiny 2.1% of passive funds. Finally, the “Other” category, which accounts for 9% of passive funds, includes mostly thematic and other non-market-cap-weighted index funds. The details of each category of passive funds are provided in Appendix E. Chart 3 below shows the composition of Canadian passive funds since 2015. Despite the growing abundance of new “innovative” ETF offerings, the market-cap-weighted share has consistently hovered around 80% of passive funds. We can therefore infer that the market share of market-cap-weighted funds has doubled since 2015, growing from 8% to 16%.

**Chart 3: Composition of Passive Funds 2015–2024**



Source: Morningstar

## 2.4 Management Expense Ratios

We estimate the weighted average MER for active Canadian ETFs at 0.72%, compared to 0.23% for passive ETFs, for a difference of 0.49%. Mutual funds are divided into three categories. First, active mutual funds labelled “Commission-Based” by Morningstar cost an average MER of 1.96%, compared to 0.88% for passive mutual funds—a 1.08% difference. Active mutual funds labelled “Do-it-Yourself” cost 1.18%, compared to 0.33% for their passive equivalent, a difference of 0.85%. Lastly, active mutual funds labelled as “Fee-Based Advice” (also known as “F Class”) cost 0.90%, compared to 0.35% for their passive counterparts, a difference of 0.55% in favour of passive funds.

All in all, we estimate the weighted average MER at 1.33% for active mutual funds and ETFs, compared to 0.27% for their passive counterparts, resulting in a 1.06% difference between the cost of active and passive funds. If we combine only ETFs and mutual funds structured for fee-based advice, active funds display a weighted average MER of 0.87%, compared to 0.23% for passive products, a net difference of 0.64%.



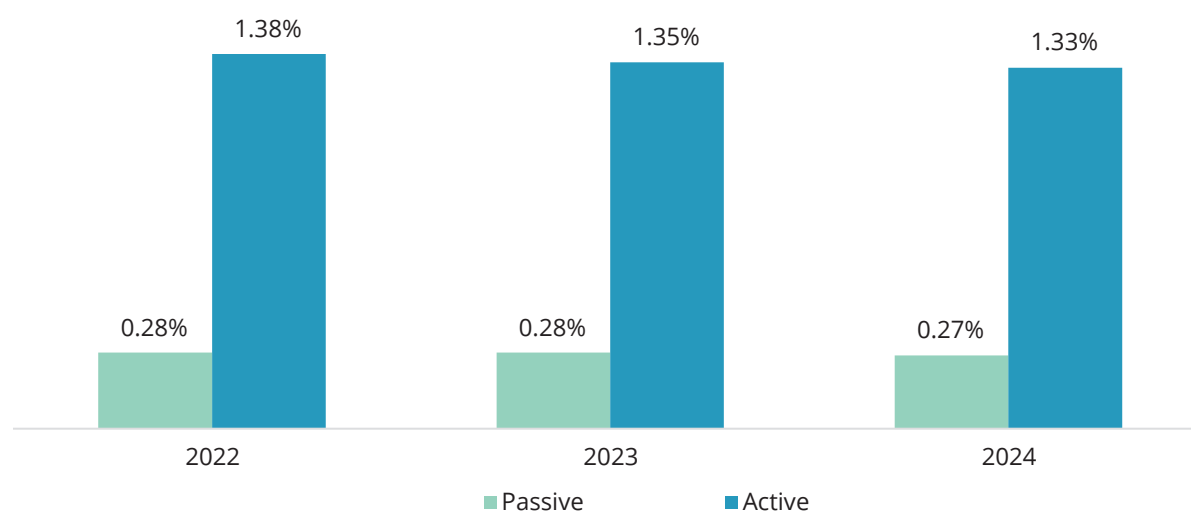
**Table 4: Management Expense Ratios**

	Active	Passive	Difference
ETFs	0.72%	0.23%	0.49%
Mutual Funds (Commission-Based)	1.96%	0.88%	1.08%
Mutual Funds (Do-It-Yourself)	1.18%	0.33%	0.85%
Mutual Funds (Fee-Based Advice)	0.90%	0.35%	0.55%
ETFs + Mutual Funds	1.33%	0.27%	1.06%
ETFs + Mutual Funds (Fee-Based Advice)	0.87%	0.23%	0.64%

Source: Morningstar

As shown in Chart 4, the MERs of passively managed ETFs and mutual funds declined by 0.01% in 2024, while the MERs of their actively managed rivals dropped by 0.02%.

**Chart 4: Weighted Average MERs for Passive and Active Mutual Funds and ETFs in Canada**



Source: Morningstar

## 3. US Market

### 3.1 Market Share

In 2024, the US market share of passive funds increased by three percentage points, from 50% to 53%. Over ten years, the data shows a significant increase in market share for passively invested funds, from 30% to 53%. The market share of active funds, on the other hand, declined from 70% to 47% over the same period. Passive funds also experienced an astonishing 286% growth rate from 2015 to 2024, compared to only 50% for active funds. The growth rate of passively managed funds outpaced active ones by almost 6:1. In dollar terms, passive funds increased their AUM by \$12 trillion, compared to only \$4.8 trillion for active funds. Active funds increased their AUM based solely on market gains, having recorded sizable outflows during 2015–2024. By contrast, passive funds have attracted considerable interest in the last ten years (details in Section 3.2).

**Table 5: Assets Under Management in the US (USD Trillions)**

	Passive	Active
2015	4.2	9.6
2016	5.0	9.9
2017	6.6	11.4
2018	6.5	10.3
2019	8.4	12.2
2020	10.0	13.6
2021	12.6	15.3
2022	10.9	11.8
2023	13.3	13.1
2024	16.2	14.4
Growth 2015–2024	286%	50%

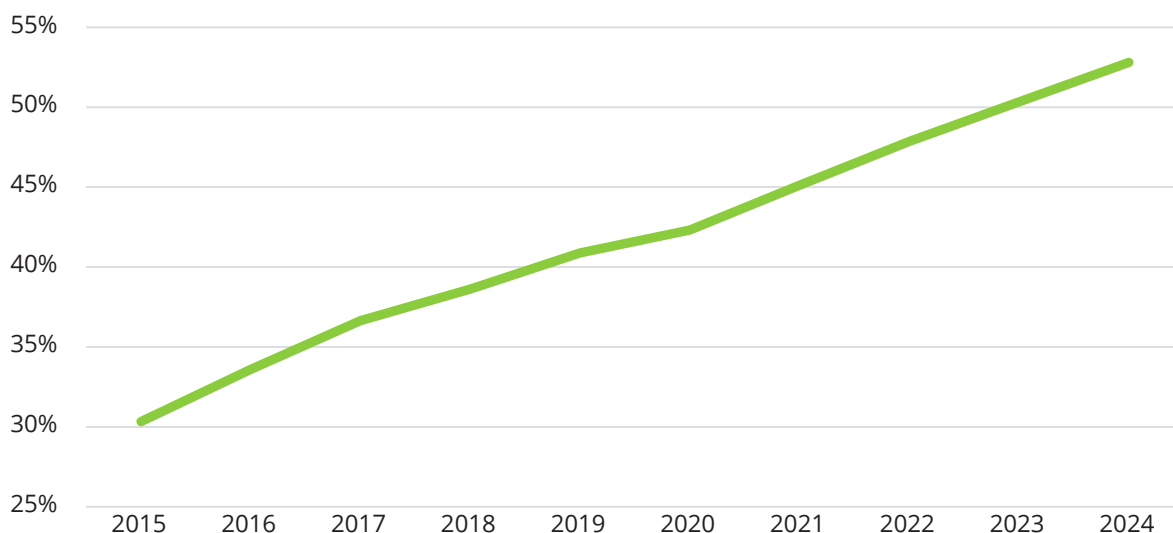
Source: Morningstar

**Table 6: Market Share — US**

	Passive	Active
2015	30%	70%
2016	34%	66%
2017	37%	63%
2018	39%	61%
2019	41%	59%
2020	42%	58%
2021	45%	55%
2022	48%	52%
2023	50%	50%
2024	53%	47%

Source: Morningstar

### Chart 5: Passive Fund Market Share in the US



Source: Morningstar

## 3.2 Flow of Funds

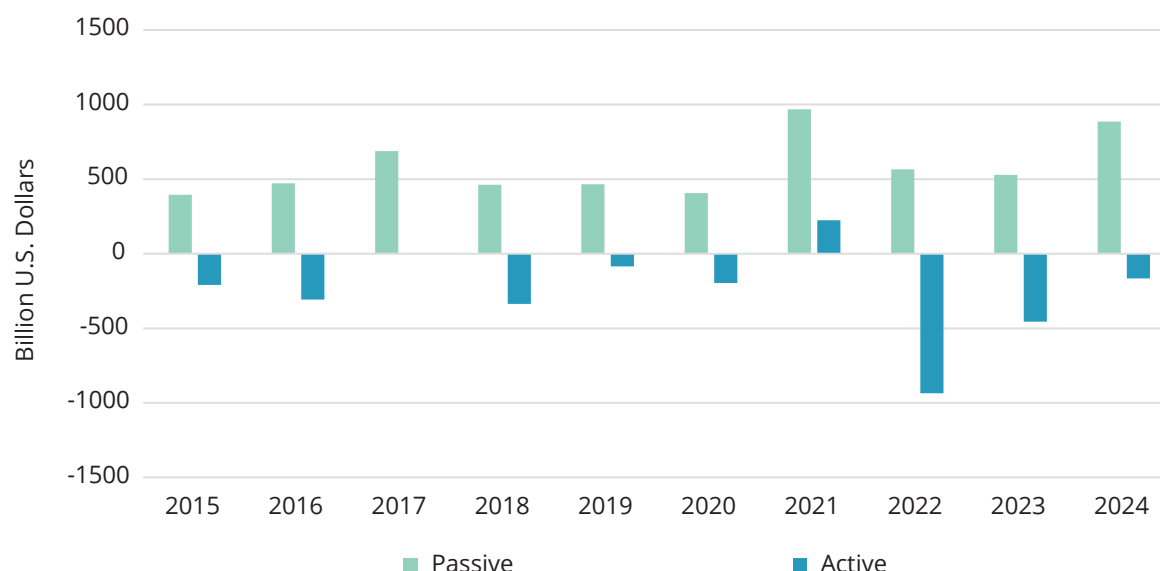
Table 7 and Chart 6 illustrate US money flows in and out of passive and active funds between 2015 and 2024. In 2024, passive funds attracted \$886 billion in new money, whereas active funds were hit with \$166 billion in withdrawals. Active funds experienced negative cash flows in nine of the last ten years. From 2015 to 2024, passive funds attracted \$5.8 trillion in net new money, compared to a \$2.5 trillion net outflow for active funds.

### Table 7: US Flow of Funds (USD Billions)

	Passive	Active
2015	395	-210
2016	472	-308
2017	689	-2
2018	463	-336
2019	465	-85
2020	406	-195
2021	968	224
2022	566	-936
2023	529	-456
2024	886	-166
2015–2024	5,840	-2,469

Source: Morningstar

**Chart 6: US Flow of Funds**



Source: Morningstar

## 4. World Markets Excluding North America

### 4.1 Market Share

Table 9 and Chart 7 document the evolution of the passive market share for the world excluding North America (Canada and the US) over the past ten years. In 2024, the market share of passive funds increased by four percentage points, from 26% to 30%. Over ten years, the market share for passively invested funds has more than doubled, from 14% to 30%. Passive funds also experienced an astonishing 304% growth rate from 2015 to 2024, roughly six times the 52% growth rate for active funds. In dollar terms, passive funds increased their assets under management by \$4 trillion, compared to \$4.3 trillion for active funds.



**Table 8: Assets Under Management — World ex-North America (USD Trillions)**

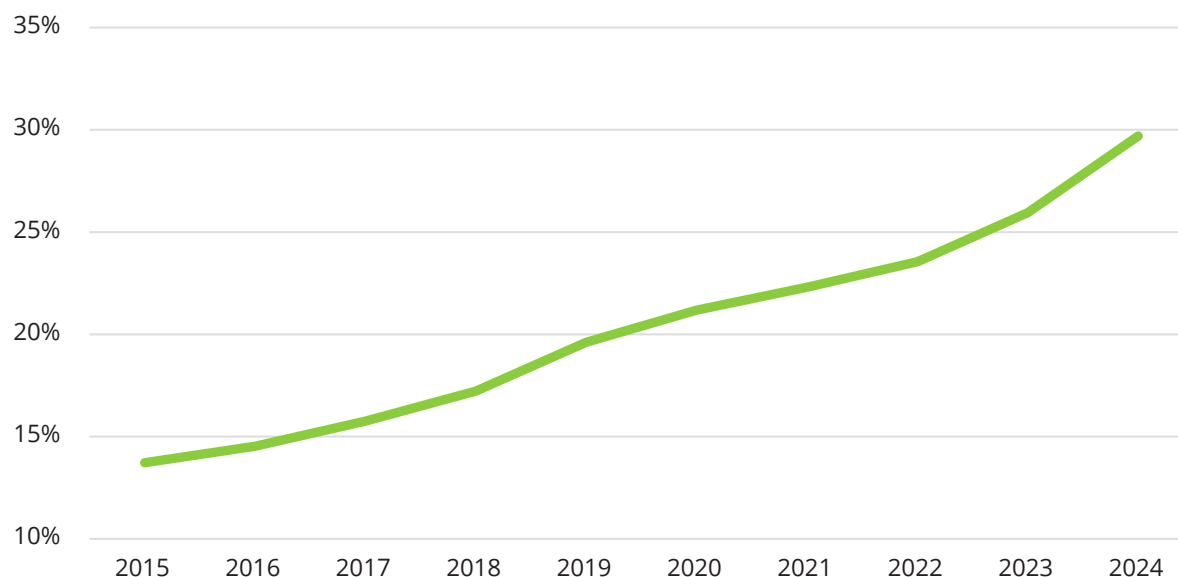
	Passive	Active
2015	1.3	8.3
2016	1.5	8.8
2017	2.1	11.0
2018	2.1	9.9
2019	2.8	11.5
2020	3.5	12.9
2021	4.1	14.2
2022	3.6	11.6
2023	4.5	12.8
2024	5.3	12.6
<b>Growth 2015–2024</b>	304%	52%

Source: Morningstar

**Table 9: Market Share — World ex-North America**

	Passive	Active
2015	14%	86%
2016	15%	85%
2017	16%	84%
2018	17%	83%
2019	20%	80%
2020	21%	79%
2021	22%	78%
2022	24%	76%
2023	26%	74%
2024	30%	70%

Source: Morningstar

**Chart 7: Passive Fund Market Share — World ex-North America**


Source: Morningstar

## 4.2 Flow of Funds

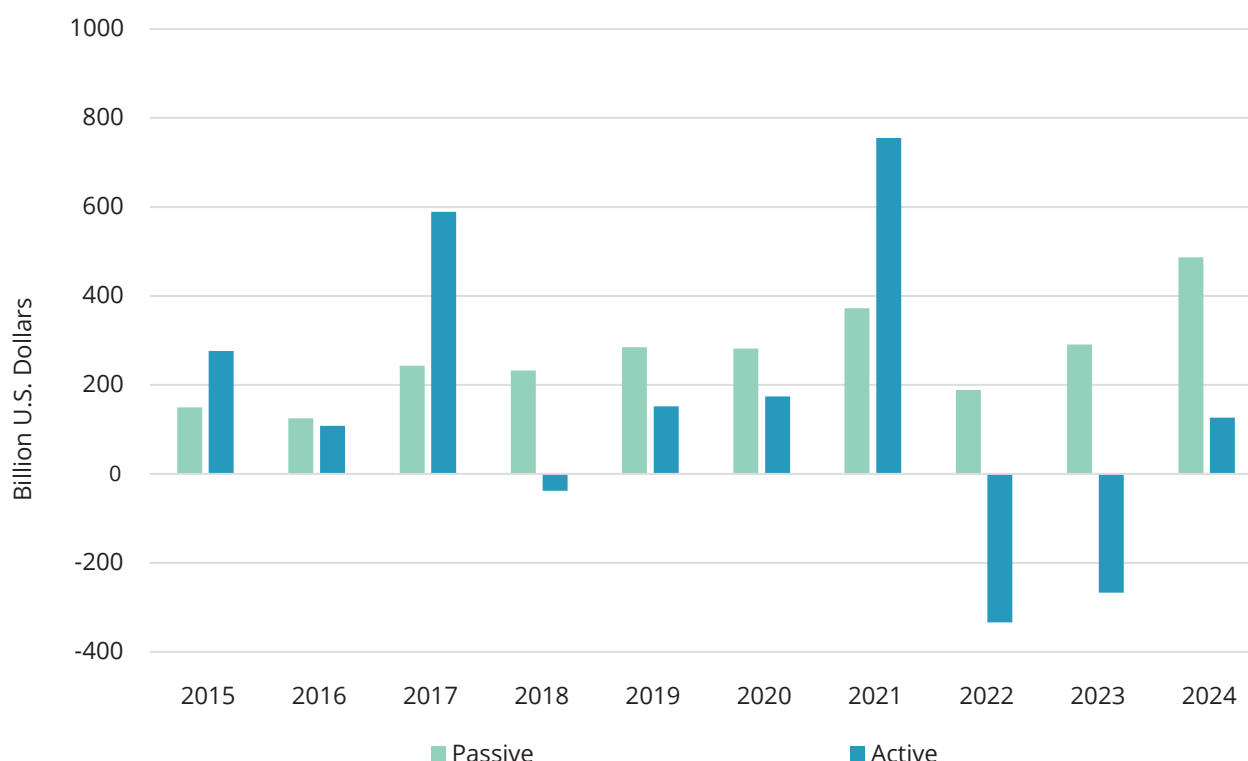
Table 10 and Chart 8 illustrate the flow of funds in and out of passive and active funds for the world excluding North America. In 2024, passive funds experienced record inflows of \$487 billion, while active funds only attracted \$127 billion. Over ten years, passive funds gained \$2.7 trillion in net new assets, compared to \$1.5 trillion for active funds. Passive funds have experienced positive flows every year since 2015.

**Table 10: Flow of Funds — World ex-North America (USD Billions)**

	Passive	Active
2015	150	276
2016	125	108
2017	244	589
2018	233	-38
2019	285	152
2020	282	174
2021	373	755
2022	188	-334
2023	291	-267
2024	487	127
2015–2024	2,655	1,542

Source: Morningstar

**Chart 8: Flow of Funds — World ex-North America**



Source: Morningstar

# 5. World Markets

## 5.1 Market Share

In 2024, the world's market share of passive funds increased by three percentage points, from 40% to 43%. Over ten years, the data shows a sharp increase in the market share of passive funds, which climbed from 23% to 43%.

Worldwide, passive fund assets have experienced spectacular growth of 291% since 2015, compared to only 53% for active funds. In dollars, assets under management for passive funds grew by \$16 trillion, compared to \$10 trillion for their active counterpart. Globally, passively managed funds have increased their market share steadily since 2015.

**Table 11: Assets Under Management — World (USD Trillions)**

	Passive	Active
2015	5.6	18.5
2016	6.6	19.4
2017	8.8	23.2
2018	8.7	21.0
2019	11.4	24.6
2020	13.6	27.5
2021	16.9	30.7
2022	14.6	24.5
2023	18.0	27.1
2024	21.8	28.3
<b>Growth 2015–2024</b>	291%	53%

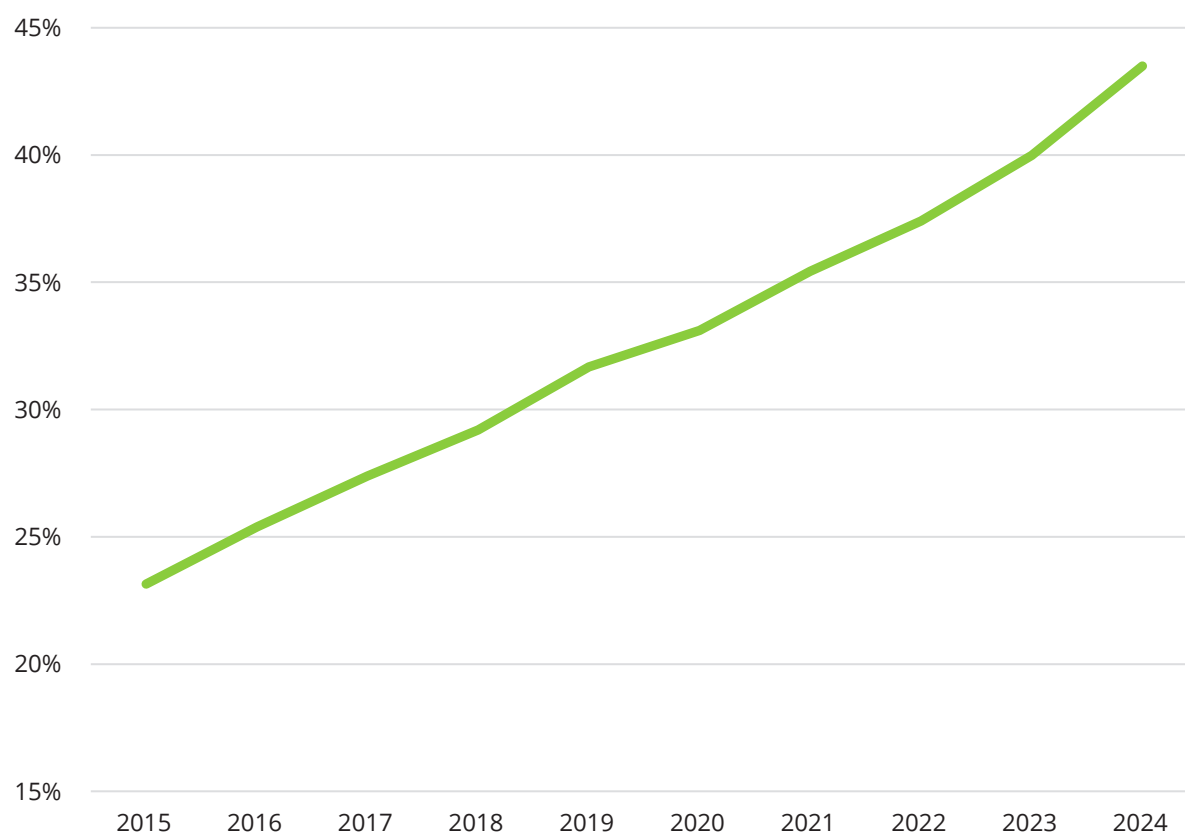
Source: Morningstar

**Table 12: Market Share — World**

	Passive	Active
2015	23%	77%
2016	25%	75%
2017	27%	73%
2018	29%	71%
2019	32%	68%
2020	33%	67%
2021	35%	65%
2022	37%	63%
2023	40%	60%
2024	43%	57%

Source: Morningstar

### Chart 9: Passive Fund Market Share — World



Source: Morningstar



## 5.2 Flow of Funds

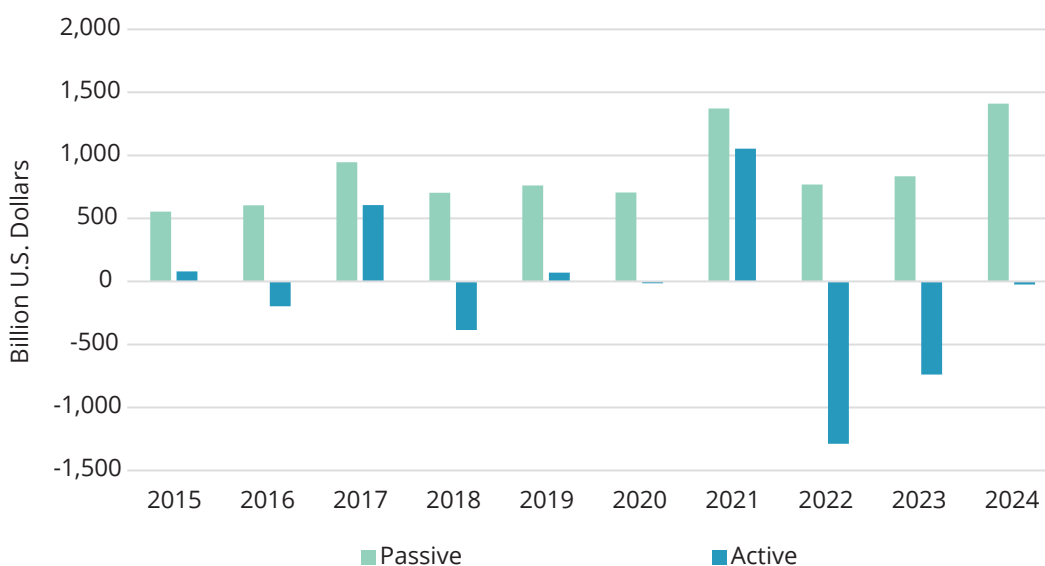
Table 13 and Chart 10 document contributions to passive and active funds globally between 2015 and 2024. In 2024, passive funds raised \$1.4 trillion in new money, compared to withdrawals totalling \$24 billion for active funds. Since 2015, passive funds have raised \$8.7 trillion in new money, compared to an outflow of \$839 billion for active funds.

**Table 13: Flow of Funds — World (USD Billions)**

	Passive	Active
2015	553	79
2016	604	-198
2017	945	605
2018	703	-385
2019	762	70
2020	706	-14
2021	1,371	1,053
2022	770	-1,288
2023	834	-738
2024	1,411	-24
2015–2024	8,658	-839

Source: Morningstar

**Chart 10: Flow of Funds — World**



Source: Morningstar

# Conclusion: Is the World Turning Passive?

In 2024, passive funds attracted large positive net amounts and gained market share in Canada, the United States, and the world excluding North America. Meanwhile, active funds were unable to attract new money in aggregate. Passive funds have increased their market share every year since 2015 to reach a global market share of 43%. They also outrageously dominated the flows for a third consecutive year in all regions.

Overall, passive funds are being widely adopted by retail investors worldwide. But while the global market share of passive funds in retail markets is impressive, we caution against drawing the simplistic conclusion that 43% of the market is passively managed.

First, 43% is the share of the global retail fund market, which represents only a portion of the capital market. Other market players such as banks, insurers, pension funds and sovereign wealth funds may hold very different allocations to passive funds.

Second, funds are classified as “index” or “passive” depending on whether they are managed according to an index. A lot of these funds mimic specialized indices and are therefore not reflective of a truly passive investment methodology. Following a careful examination of the Canadian fund market, we conclude that roughly 80% of the assets managed by index funds can reasonably be considered “passive,” while 20% are positioned in a narrow segment of the market, such as sector, thematic, or factor index funds.

Third, even portfolios holding truly passive funds are often managed with an active approach based on “tactical” views. Plenty of individual investors and financial advisors can’t resist the temptation of market timing, no matter how flawed this activity may be. Holding passive funds does not make, in and of itself, a passive investor.

Thus, the fear that “the whole market is turning passive” and that “nobody pays attention to security valuations anymore” is vastly exaggerated.

Nevertheless, passive funds have gained acceptance, and this trend may persist in the future. Passive funds offer advantages that active funds can hardly compete with, including lower management fees, lower transaction costs, consistently higher returns, transparency, tax efficiency, and peace of mind for investors.

We encourage investors to adopt a passive approach to managing their portfolios. “Passive investing” does not mean doing nothing, but it does significantly reduce the burden of managing a portfolio. The first step is to determine one’s target asset mix. The second is to achieve that mix with total market index funds of individual asset classes (fixed income, Canadian equity, US equity, international equity, etc.) or with a passive asset allocation fund. The third step (which doesn’t apply for asset allocation funds, since they’re rebalanced by the fund manager) is to rebalance the portfolio as needed to stay aligned with the target asset mix.

# Appendix A: Canadian ETF Data

**Table 14: Assets Under Management (CAD Billions)**

	Passive	Active
2015	71	11
2016	88	17
2017	112	25
2018	115	30
2019	146	40
2020	182	49
2021	244	69
2022	230	67
2023	274	82
2024	378	111

Source: Morningstar

**Table 15: Market Share**

	Passive	Active
2015	87%	13%
2016	84%	16%
2017	82%	18%
2018	79%	21%
2019	78%	22%
2020	79%	21%
2021	78%	22%
2022	77%	23%
2023	77%	23%
2024	77%	23%

Source: Morningstar

**Table 16: Flow of Funds (CAD Billions)**

	Passive	Active
2015	12.1	2.7
2016	10.3	4.5
2017	16.4	6.5
2018	10.2	5.1
2019	16.1	6.6
2020	24.6	9.1
2021	35.1	15.0
2022	18.3	7.8
2023	19.1	10.2
2024	52.0	15.9
2015–2024	214.1	83.2

Source: Morningstar

# Appendix B: Canadian Mutual Fund Data

**Table 17: Assets Under Management (CAD Billions)**

	Passive	Active
2015	28	862
2016	29	931
2017	32	1,022
2018	30	972
2019	38	1,118
2020	43	1,310
2021	52	1,551
2022	47	1,357
2023	56	1,479
2024	70	1,736

Source: Morningstar

**Table 18: Market Share**

	Passive	Active
2015	3%	97%
2016	3%	97%
2017	3%	97%
2018	3%	97%
2019	3%	97%
2020	3%	97%
2021	3%	97%
2022	3%	97%
2023	4%	96%
2024	4%	96%

Source: Morningstar

**Table 19: Flow of Funds (CAD Billions)**

	Passive	Active
2015	-0.6	15.1
2016	-0.4	-1.5
2017	-0.5	17.5
2018	-1.0	-19.7
2019	-0.3	-1.6
2020	0.3	1.1
2021	2.7	77.8
2022	1.3	-32.0
2023	1.0	-31.0
2024	2.3	5.4
2015-2024	4.7	31.1

Source: Morningstar



# Appendix C: US ETF Data

**Table 20: Assets Under Management (USD Billions)**

	Passive	Active
2015	2.1	0.0
2016	2.5	0.0
2017	3.4	0.0
2018	3.3	0.1
2019	4.3	0.1
2020	5.3	0.2
2021	6.9	0.3
2022	6.2	0.3
2023	7.6	0.5
2024	9.4	0.9

Source: Morningstar

**Table 21: Market Share**

	Passive	Active
2015	99%	1%
2016	99%	1%
2017	99%	1%
2018	98%	2%
2019	98%	2%
2020	97%	3%
2021	96%	4%
2022	95%	5%
2023	94%	6%
2024	92%	8%

Source: Morningstar

**Table 22: Flow of Funds (USD Billions)**

	Passive	Active
2015	223	6
2016	268	6
2017	445	16
2018	289	27
2019	307	25
2020	451	56
2021	818	82
2022	504	88
2023	462	122
2024	823	286
2015–2024	4,590	715

Source: Morningstar

# Appendix D: US Mutual Fund Data

**Table 23: Assets Under Management (USD Trillions)**

	Passive	Active
2015	2.1	9.6
2016	2.5	9.9
2017	3.2	11.3
2018	3.2	10.3
2019	4.1	12.1
2020	4.7	13.4
2021	5.6	15.0
2022	4.7	11.5
2023	5.7	12.6
2024	6.7	13.6

Source: Morningstar

**Table 24: Market Share**

	Passive	Active
2015	18%	82%
2016	20%	80%
2017	22%	78%
2018	24%	76%
2019	25%	75%
2020	26%	74%
2021	27%	73%
2022	29%	71%
2023	31%	69%
2024	33%	67%

Source: Morningstar

**Table 25: Flow of Funds (USD Billions)**

	Passive	Active
2015	172	-216
2016	204	-315
2017	243	-18
2018	174	-363
2019	158	-110
2020	-45	-252
2021	151	142
2022	62	-1,023
2023	67	-578
2024	63	-451
2015-2024	1,250	-3,184

Source: Morningstar

# Appendix E: Classification of Canadian Passive Funds

Morningstar categorizes several types of funds as “passive.” As soon as a fund is managed according to an index, it is classified as “passive.” For example, bitcoin ETFs are considered “passive.” We manually classified funds that better reflect the passive philosophy of investing as “market-cap weighted.”

## Category #1: “Market-Cap Weighted”

- Broad-based
- Stock market segments: Large, mid-, and small cap.
- Bond market segments: short, mid-, and long term; government and corporate.
- Specific market venue: e.g. NASDAQ.

## Category #2: “Factor”

- Dividend
- Low volatility
- Quality
- Fundamental index
- Momentum
- Multi-factor
- Value/Growth

## Category #3: “Sector”

- Market-cap-weighted sector funds.

## Category #4: Other

- ESG
- Equally weighted
- Private assets
- Hedge fund
- Thematic
- Bond ladder
- Target date
- AUM < \$10M
- Inverse/Leveraged
- Commodity
- Dow Jones Average
- Option strategies
- Crypto
- Religion based



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