

November 1<sup>st</sup>, 2023

**RE: Category Change Proposal; issue for comment**

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The CIFSC continuously monitors and analyses the categorization of funds, the current category definitions and structures, as well as any new and developing trends in the investment funds industry. The purpose of the review is to ensure the logical, consistent categorization of investment funds and to maximize the similarity of investment strategies and risk-return profiles within each category. Categories should have a sufficient number of funds to allow for meaningful comparisons and rankings within the category.

As a result of the most recent review the committee is publishing, for a 30-day comment period, the following three proposals. After the 30-day comment period the committee will review the comments and determine, by private vote, whether or not to proceed with the changes. To submit comments please use the 'Contact' link on the home page or click [here](#).

**1. Proposed two new categories: US Dividend & Income Equity and Global Dividend & Income Equity**

Canadian investors remain highly focused on dividend-oriented strategies and asset managers have answered that demand with increased products with dividend-oriented objectives. In the last decade, almost 25% of all Canadian equity or Canadian equity biased strategies launches have been classified by CIFSC in the Canadian Dividend & Income Equity category. At the same time, Canadian investors have been decreasing the home bias in their portfolios, adding to internationally oriented products.

The rising interest and need for both income and non-domestic investments presents an opportunity for CIFSC to carveout funds with these characteristics from the two largest equity categories on our platform: US and Global Equity. Having categories with clearly defined income objectives will better serve investors by creating a comparable peer group that is rated and ranked against each other.

**Proposed Category Definition: US Dividend & Income Equity**

*Funds in the US Dividend & Income Equity category must have a stated mandate to invest primarily in income-generating securities and must invest at least 90% of their equity holdings in securities domiciled in the US. In addition, these funds must invest at least 50% of their non-cash assets in income-generating securities such that the 3-year weighted average yield on the equity component of the fund's portfolio is at least 1.25x above the 3-year weighted average yield of the S&P 500 Index. The fund's average capitalization must exceed the US small/mid cap threshold.*

**Reference Benchmark Definition: S&P 500 Index** - The index widely regarded as the best single gauge of large-cap U.S. equities. According to our Annual Survey of Assets, an estimated USD 15.6 trillion is indexed or benchmarked to the index, with indexed assets comprising approximately USD

7.1 trillion of this total (as of Dec. 31, 2021). The index includes 500 leading companies and covers approximately 80% of available market capitalization.

A list of funds that would potentially qualify for the new category can be found in **APPENDIX A**.

**Proposed Category Definition: Global Dividend & Income Equity**

*Funds in the Global Dividend & Income Equity category must have a stated mandate to invest primarily in income-generating securities and must invest more than 10% and less than 90% of their equity holdings in Canada or the U.S. In addition, these funds must invest at least 50% of their non-cash assets in income-generating securities such that the 3-year weighted average yield on the equity component of the fund's portfolio is at least 1.25x above the 3-year weighted average yield of the MSCI World Index. The fund's average capitalization must exceed the Global small/mid cap threshold.*

**Reference Benchmark Definition:** MSCI World Index - The index captures large and mid-cap representation across 23 Developed Markets (DM) countries\*. With 1,512 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

A list of funds that would potentially qualify for the new category can be found in **APPENDIX B**.

A revised flow chart can be found in **Appendix C**.

**2. Proposed update to category definition: Multi-Sector Fixed Income**

Since its launch in March 2023, the Multi-Sector Fixed Income has grown to approximately 80 funds. CIFSC has identified ambiguity in the definitions language however leading to potential sources of inconsistencies. In particular, the committee believes the definition would benefit from specific high yield thresholds and

**Current Category Definition**

Funds in the Multi-Sector Fixed Income category have an investment mandate stating that they strategically or tactically diversify their assets across several fixed income sectors including, but not limited to, government, municipal/provincial, corporate (including preferred shares), securitized (including asset-backed securities, collateralized loans, mortgage-backed securities, etc.), and high yield debt. Geographic exposure can span both developed and emerging markets. Canadian Fixed Income should be less than 90% to qualify. Inclusion in this category may be based on i) a written fixed income allocation policy meeting the above definition (i.e., in a fund's prospectus or written investment policy) that is explicit in defining a multi-sector mandate; ii) a portfolio manager's or sub-adviser's stated or known approach to managing portfolios; or iii) the fund's historical fixed income allocation tendencies. Namely, funds in this category should have no more than 65% of their holdings in a single fixed income sector and should demonstrate that they span at least three fixed income sectors over time, defined as a weighted average exposure of at least 10%.

The CIFSC notes that funds in this category have, or are permitted to have, an average credit quality below investment grade (Lower than BBB or equivalent) and can hold in excess of 40% of the

portfolio in high yield fixed income securities for prolonged periods of time, which would otherwise qualify the fund for the High Yield Fixed Income category.

### **Proposed Category Definition**

Funds in the Multi-Sector Fixed Income category must have an investment mandate stating that they strategically or tactically diversify their assets across several fixed income sectors including, but not limited to, government, municipal/provincial, corporate (including preferred shares), securitized (including asset-backed securities, collateralized loans, mortgage-backed securities, etc.), and high yield debt. Geographic exposure can span both developed and emerging markets. Canadian Fixed Income must be less than 90% to qualify. In addition, funds in this category must have no more than 65% of their holdings in a single fixed income sector and demonstrate that they span at least three fixed income sectors over time, defined as a weighted average exposure of at least 10%.

Despite the above, these funds must invest primarily in investment-grade fixed-income securities, such that the average credit quality of the portfolio is investment grade (BBB or equivalent rating or higher) and not more than 40% of the portfolio's holdings are invested in high yield fixed income securities.

A list of funds that would potentially move from the Multi-Sector Fixed Income category as a result of this change can be found in **APPENDIX D**.

### **APPENDIX A**

The following is a preliminary list of funds that would potentially move to the **US Dividend & Income Equity** category if the CIFSC formally votes to implement the category. This is a preliminary list put together by the CIFSC and will change if the category is implemented. Funds that will be affected by the change will be notified and given the opportunity to dispute if necessary.

<b>Fund Name</b>	<b>Current Category</b>
BMO Covered Call US High Div ETF F	U.S. Equity
BMO US Dividend ETF (CAD)	U.S. Equity
BMO US Dividend F	U.S. Equity
BMO US Dividend Hedged to CAD ETF	U.S. Equity
BMO US Dollar Dividend F	U.S. Equity
BMO US Hi Div Cov Call Hdgd to CAD ETF	U.S. Equity
BMO US High Dividend Covered Call ETF	U.S. Equity
Bristol Gate Concentrated US Equity ETF	U.S. Equity
Canada Life US Dividend F5	U.S. Equity
CI U.S. Dividend Class F	U.S. Equity
CI U.S. Dividend Registered F	U.S. Equity
CI U.S. Dividend US\$ CI EF	U.S. Equity
CI U.S. Equity Priv Tr I	U.S. Equity
CI WisdomTree US Qual Div Gr ETF Non-Hdg	U.S. Equity
CI WisdomTree US Qual Div Gr Var Hdg ETF	U.S. Equity

CIBC Qx U.S. Low Volatility Div ETF	U.S. Equity
Fidelity U.S. Dividend Sys Ccy H F	U.S. Equity
Fidelity US Div for Rsg Rts CcyNetrl ETF	U.S. Equity
Fidelity US Div for Rsg Rts Idx ETF F	U.S. Equity
Fidelity US Div Private Pool F5	U.S. Equity
Fidelity US Dividend Ccy Netrl Ser F	U.S. Equity
Fidelity US Dividend for Rising Rts ETF	U.S. Equity
Fidelity US Dividend Registered F	U.S. Equity
Fidelity US Dividend Series F5	U.S. Equity
Fidelity US High Div CcyNetrl Idx ETF F	U.S. Equity
Fidelity US High Div Idx ETF F	U.S. Equity
Fidelity US High Dividend Ccy Netrl ETF	U.S. Equity
Fidelity US High Dividend ETF	U.S. Equity
Fidelity US Div for Rsg Rts Ccy Netrl Idx ETF F	U.S. Equity
First Trust Morningstar Div Lrs ETF CADH	U.S. Equity
FT Value Line® Dividend ETF CAD Hdg Comm	U.S. Equity
Harvest Diversified Equity Income ETF A	U.S. Equity
Invesco S&P US Div Aristocrats ESG	U.S. Equity
iShares Core MSCI US Qual Div ETF CADH	U.S. Equity
iShares Core MSCI US Quality Div ETF	U.S. Equity
iShares US Dividend Grwrs ETF CADH Comm	U.S. Equity
iShares US High Dividend Equity ETF	U.S. Equity
iShares US High Dividend Equity ETF CADH	U.S. Equity
Leith Wheeler U.S. Dividend Fund Sr F	U.S. Equity
Manulife Smart U.S. Dividend ETF Unh	U.S. Equity
NEI US Dividend A	U.S. Equity
PH&N U.S. Dividend Income Fund D	U.S. Equity
RBC Quant US Div Ldrs (CAD Hedged) ETF	U.S. Equity
RBC Quant US Dividend Leaders ETF (CAD)	U.S. Equity
RBC U.S. Dividend Covered Call ETF	U.S. Equity
RBC U.S. Dividend Cur Neutral Fund FT5	U.S. Equity
RBC U.S. Dividend Fund F	U.S. Equity
RBC US Dividend Covered Call ETF	U.S. Equity
Renaissance US Equity Income	U.S. Equity
Purpose US Dividend Fund	U.S. Equity
London Life U.S. Dividend	U.S. Equity
CAN U.S. Dividend	U.S. Equity
Great West Life U.S. Dividend	U.S. Equity
Mackenzie US Dividend Fund	U.S. Equity
Middlefield U.S. Equity Dividend Class	U.S. Equity
Dynamic U.S. Equity Income Fund	U.S. Equity

Middlefield U.S. Equity Dividend ETF (MUSA)	U.S. Equity
IA Clarington U.S. Dividend Growth Fund	U.S. Equity

## APPENDIX B

The following is a preliminary list of funds that would potentially move to the **Global Dividend & Income Equity** category if the CIFSC formally votes to implement the category. This is a preliminary list put together by the CIFSC and will change if the category is implemented. Funds that will be affected by the change will be notified and given the opportunity to dispute if necessary.

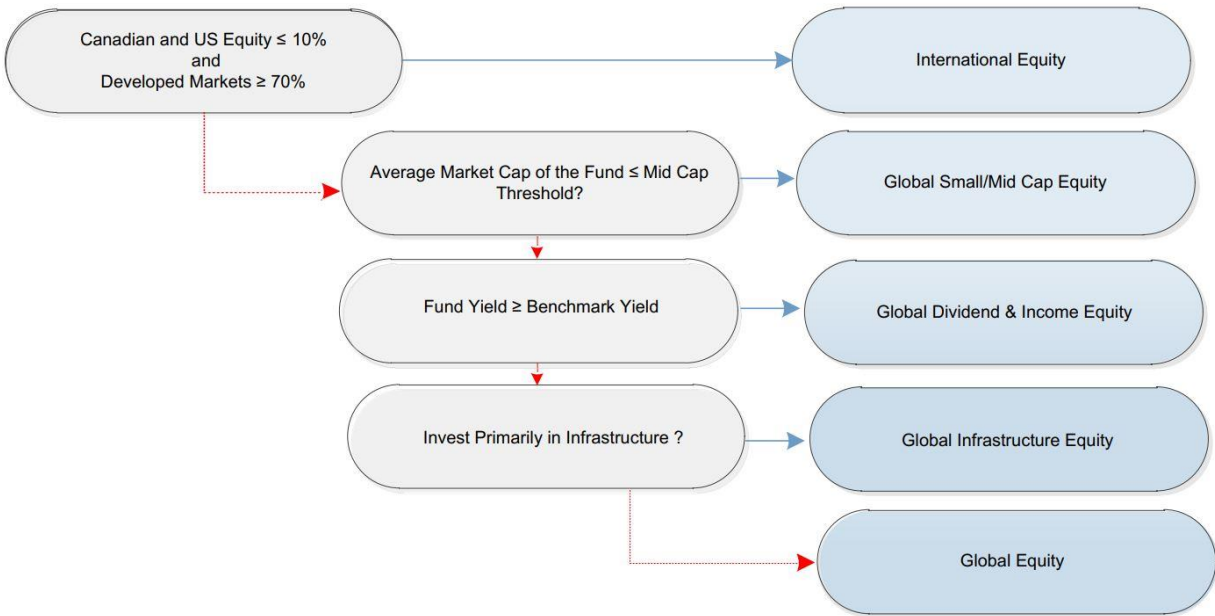
Fund Name	Current Category
AGF Global Dividend Class F	Global Equity
AGF Global Dividend Series F	Global Equity
AGF Global Dividend Strategic Equity	Global Equity
AlphaDelta Global Dividend Inc CI Ser F	Global Equity
Beutel Goodman Global Dividend Class F	Global Equity
BMO Global Dividend A	Global Equity
BMO Global Dividend Opportunities F	Global Equity
BMO Global Enhanced Income F	Global Equity
BMO Global High Dividend Cvr'd Call ETF	Global Equity
Canada Life Global Dividend QFW5	Global Equity
CI Global Dividend Corporate Class F	Global Equity
CI Global Dividend F	Global Equity
CI Global Dividend Opportunities F	Global Equity
CI Global Dividend Opps Corp CI F	Global Equity
CI Global Quality Dividend Mgd Corp CI F	Global Equity
Counsel Global Dividend Sr I	Global Equity
Desjardins Global Dividend A	Global Equity
Desjardins SocieTerra Global Div F	Global Equity
FÉRIQUE World Dividend Equity	Global Equity
Fidelity Tactical Global Div ETF F	Global Equity
Franklin Global Dvd Quality Index ETF	Global Equity
Guardian i3 Global Dividend Growth W	Global Equity
Horizons Active Global Dividend ETF Comm	Global Equity
Invesco Global Dividend ESG ETF Fund Ser A	Global Equity
iShares Core MSCI Gbl Qual Div ETF CADH	Global Equity
iShares Core MSCI Global Qly Div ETF	Global Equity
iShares Global Monthly Div ETF CADH Comm	Global Equity
Lazard Defensive Global Dividend F	Global Equity
Mackenzie Global Sustainable Div ETF	Global Equity
Mackenzie USD Global Dividend F	Global Equity

Manulife Smart Global Dividend ETF	Global Equity
Middlefield Global Energy Transition F	Global Equity
Middlefield Innovation Dividend ETF	Global Equity
Middlefield Innovation Dividend F	Global Equity
Sun Life KBI Global Dividend Priv Pl F	Global Equity
TD Global Shareholder Yield - F	Global Equity
TD Q Global Dividend ETF	Global Equity
Vanguard Global Dividend Series F	Global Equity
Great West Life Global Dividend	Global Equity
CAN Global Dividend	Global Equity
London Life Global Dividend	Global Equity
iShares Core MSCI Global Quality Dividend Index ETF C\$H (XDGH)	Global Equity
CI Global Quality Dividend Managed Fund	Global Equity
RBC QUBE Stable Dividend Global Equity Fund (CAD Hedged)	Global Equity
Middlefield Global Dividend Growers Class	Global Equity
Middlefield Sustainable Global Dividend ETF (MDIV)	Global Equity
TD Global Equity Income Pool	Global Equity
NEI Global Dividend RS Fund	Global Equity
Manulife Global Dividend Growth Fund	Global Equity
Manulife Global Dividend Fund	Global Equity
Manulife Global Dividend Class	Global Equity
Empire Global Dividend Growth Fund	Global Equity
IA Clarington Global Dividend Fund	Global Equity

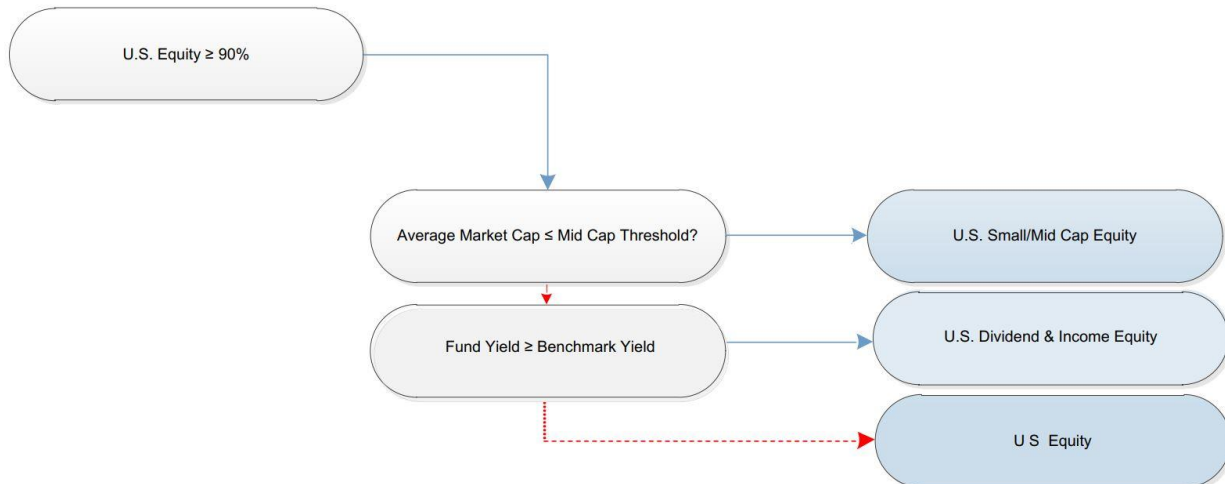
**APPENDIX C**

The creation of the two proposed categories above would impact the Equity Test Flow Chart and the North American Equity Test Flow Chart as per below:

**Equity Test:**



**North American Equity Test:**



## Appendix D

The following is a preliminary list of funds that would potentially move from the **Multi-Sector Fixed Income** category if the CIFSC formally votes to implement the category. This is a preliminary list put together by the CIFSC and will change if the category is implemented. Funds that will be affected by the change will be notified and given the opportunity to dispute if necessary.

<b>Fund Name</b>	<b>New Category</b>
Dynamic Active Credit Strategies Private Pool	High Yield
FDP Global Fixed Income Portfolio	High Yield
Russell Investments Global Credit Pool	High Yield
Russell Investments Global Credit Class	High Yield
Evolve Active Global Fixed Income Fund Hedged	High Yield
Evolve Active Global Fixed Income Fund (EARN) - Hedged ETF	High Yield
Fidelity Strategic Income Currency Neutral Fund	High Yield
RBC \$U.S. Strategic Income Bond Fund	High Yield
Fidelity Strategic Income Fund	High Yield
Capital Group Multi-Sector Income Fund (Canada)	High Yield
BMO Global Strategic Bond Fund	High Yield
CI Global Unconstrained Bond Private Pool	High Yield
TD Active Global Income ETF	High Yield
Fiera Global Multi-Sector Income Fund	High Yield
Manulife Corporate Fixed Income Private Segregated Pool	High Yield

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