CIFSC CANADIAN INVESTMENT FUNDS STANDARDS COMMITTEE

September 30, 2025

Re: Balanced Category Revision Proposal; issue for comment

The CIFSC continuously monitors fund categorization, category definitions and structures, and emerging 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 enough funds to allow for meaningful comparisons and rankings within the category.

As part of this ongoing review, and following input from industry stakeholders, the CIFSC is publishing, for a 60-day comment period, the following proposed changes to the Canadian and Global Balanced categories:

- Increasing the number of balanced categories from 3 to 4
- Redefining the equity ranges for all balanced categories
- Renaming all balanced categories

The CIFSC is further proposing the following changes to the classification of alternative assets:

- Reclassifying private equity and private credit from "Other" to "Equity" and "Fixed Income"
- Identifying infrastructure and digital assets as distinct asset types under "Other"
- Classifying derivatives by their underlying asset type and economic exposure

Following the 60-day comment period the Committee will review the comments and determine, by private vote, whether to proceed with the changes. To submit comments please use the 'Contact' link on the home page of CIFSC.org or click here.

The deadline to submit comments is December 31, 2025.

1.0 Background and Issues

1.1 Overview

The CIFSC balanced category group contains 6 individual categories—3 Canadian and 3 global. The balanced category group is restricted by an initial test which specifies balanced funds "must invest between 5% and 90% of their non-cash assets invested in equity securities and between 10% and 95% of their non-cash assets in fixed-income securities." Non-cash assets are defined as a fund's total assets less its Other assets and Cash and Cash Equivalents.

The individual categories are defined by an upper and lower equity threshold:

- Fixed Income Balanced (5–40% equity)
- Neutral Balanced (40–60% equity)
- Equity Balanced (60–90% equity)

Equity is measured as a percentage of total assets, defined as a fund's total assets less all "Other" investments.

1.2 Issues with current framework

1.2.1 Threshold Placement

The current structure defines three balanced categories with equity thresholds at 40% and 60%. The 60% threshold aligns directly with the long-standing 60/40 asset mix, widely regarded as the standard balanced benchmark for investors with moderate risk tolerance. Similarly, the 40% threshold aligns with the traditional 40/60 allocation.

Because these thresholds sit directly on these widely used asset mixes, market fluctuations and tactical adjustments can easily push funds above or below them. This can trigger unnecessary category changes, limit allocation flexibility, and split what would otherwise be considered a reasonable peer group.

1.2.2 Discretionary Approach to Classification

Due to this sensitivity, the CIFSC applies a more cautious approach to balanced funds than to other categories. Funds are not reclassified upon crossing a threshold without sufficient evidence that the change reflects a sustained shift in equity allocation rather than temporary market movements or tactical adjustments. A degree of discretion is therefore applied around the thresholds to account for short-term fluctuations.

1.2.3 Broad Equity Ranges and Peer Group Comparability

The current equity ranges are also very broad, with the widest Canadian band spanning 35 percentage points. Such broad ranges make peer comparisons less meaningful, as funds within the same category can pursue different mandates and exhibit diverse risk–return profiles. This reduces the comparability and consistency of category groupings.

1.2.4 Naming Limitations

While the current naming conventions are functional, they are also unique and make it difficult to introduce new categories. Adding a fourth category within this framework would be difficult without disrupting consistency or clarity.

1.3 Classification of Alternative Assets

Balanced funds are increasingly incorporating alternative assets into their asset mix. The CIFSC's holdings-based methodology for balanced funds measures only the equity/fixed income mix and does not include alternative assets. Currently, private equity, private credit, infrastructure, and digital assets are not identified as distinct asset types.

Challenges exist to fitting many alternative assets and fund holdings within the measurement of traditional equity and fixed income as used by the balanced thresholds.

By contrast, alternatives such as private equity and private credit are broadly aligned in their risk and return characteristics and are increasingly used by balanced funds as substitutes or enhancements to traditional equity or fixed income exposure. Excluding

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these assets from equity/fixed income calculations no longer reflects how they are applied in portfolio construction.

2.0 Proposal: New Balanced Category Structure

The CIFSC is proposing the following revised Canadian and Global Balanced category structure. The proposed framework introduces four categories with updated equity ranges and a new naming convention.

Canadian Balanced Categories	Permitted Equity Range	Global Balanced Categories	Permitted Equity Range
Canadian Balanced – 5–25% Equity	5–25%	Global Balanced - 5–25% Equity	5–25%
Canadian Balanced - 25–45% Equity	25–45%	Global Balanced - 25–45% Equity	25–45%
Canadian Balanced - 45–65% Equity	45–65%	Global Balanced - 45–65% Equity	45–65%
Canadian Balanced - 65–90% Equity	65–90%	Global Balanced - 65–90% Equity	65–90%

2.1 Rationale for the New Structure

The new equity ranges are intended to provide flexibility at critical allocation thresholds while reducing the constraints posed by the current framework. Funds targeting a 60/40 mix will now fall within a permitted equity range of 45–65%, while those targeting 40/60 will fall within 25–45%. Completing the group, the lower-end category permits 5–25% equity and the upper-end category 65–90%.

While the upper limit for the balanced categories has been moved above the highest AUM asset mixes at 60% and 40%, they have intentionally been increased by just 5% to minimize disruption to the existing balanced fund ecosystem.

These new ranges will reduce the likelihood that normal market movements or small tactical adjustments will trigger a category change for funds at important asset thresholds. They also allow the CIFSC to distinguish between temporary allocation shifts around key thresholds and structural changes to a fund's long-term asset mix.

Accordingly, the discretion previously applied by the CIFSC to account for short-term changes in asset mix will be replaced with closer monitoring of adherence to category thresholds. Any fund with a three-year weighted equity allocation outside the permitted range for its balanced category will be flagged for reclassification.

In addition to broadening the bands around key asset mixes, the introduction of a fourth balanced category narrows the currently wide ranges. Categories will now use 20-percentage-point equity bands (25 percentage points at the upper end), creating more appropriate peer groups with less dispersion in risk–return profiles.

The proposed definitions are included in ***Appendix A****, and the updated CIFSC flow chart is provided in* ***Appendix B****, outlining how the Committee will assess category qualification.*

2.2 New category naming scheme

The proposed new category names mark a departure from the traditional balanced names used by the CIFSC, while maintaining an asset-based focus. The names follow the asset-based nomenclature used by all CIFSC categories, ensuring consistency with other category groups and reflecting the Committee's broader classification approach.

The new names use a consistent structure, with "Canadian Balanced" and "Global Balanced" placed at the start of each name, with the equity range appended (e.g., Canadian Balanced – 5–25%). This format allows users to readily identify both the category and its equity focus.

In addition, the naming structure is easily expandable, allowing for the integration of any changes that may be required in the future.

3.0 Proposal: Changes to the Classification of Alternative Assets

The CIFSC proposes to reclassify private equity and private credit from the "Other" category to their respective traditional asset groups: equity and fixed income. Infrastructure will remain classified as "Other" but will be identified as a distinct asset type within that category. Derivatives will also be classified according to their underlying asset class and economic exposure, where data permits. The following updated asset classification chart illustrates these changes.

Cash	Cash and Short-Term Notes
Fixed Income	Mortgages, Mortgage-Backed Securities, and Asset-Backed Securities[1]
	Bonds (bonds with a term to maturity of less than one year are considered cash)
	Convertible Bonds
	Preferred Shares
	Convertible Preferred Shares
	Floating Rate Notes
	Private Credit
Equity	Common Equities
	Income Trusts
	Private Equity
Commodity	Physical Commodities
	Commodity Derivatives
Other	Futures[2]
	Options[2]
	Other Derivatives[2]
	Rights[2]
	Warrants[2]
	Real Estate
	Infrastructure
	Digital Assets
	Investment Funds
	Other Assets and Liabilities

[2]*Derivatives—including futures, options, rights, and warrants—will be classified according to their underlying asset class and, where sufficient data is available, measured using economic exposure. If the underlying asset cannot be identified, derivatives will remain classified as "Other."*

3.1 Rationale

Including private equity and private credit in the respective equity and fixed income asset groups reflects the growing use of alternative assets by balanced funds as components of their overall risk and return profiles. Although these assets can differ significantly in risk–return profile compared with traditional equity and fixed income, excluding them entirely from the equity/fixed income mix no longer provides an accurate representation of balanced fund exposures or how these assets function within diversified strategies.

This change also ensures that the definitions of Total Assets and Non-Cash Assets remain consistent, as both will continue to exclude "Other." By moving private equity and private credit into equity and fixed income, the "Other" category will be more clearly limited to assets that do not align with either side of the traditional mix. Commodities, real assets, infrastructure, and digital assets will remain classified as "Other," with both infrastructure and digital assets explicitly identified as distinct asset types within the asset class.

Blanket classification of all derivatives—including futures, options, rights, and warrants—as "Other" does not reflect the fact that many of these instruments reference underlying assets already defined within the CIFSC asset classification chart. Classifying derivatives according to their underlying asset types will provide a more accurate representation of their role in portfolio allocations. To complement this, derivatives should also be measured using economic exposure, ensuring their actual impact is reflected in asset-based category calculations.

3.2 Implementation

Where underlying fund data is available, category thresholds will be assessed using allocation data that includes alternative fund holdings. This ensures that alternative asset and fund exposures are properly captured within the equity/fixed income mix rather than excluded.

While data providers make every effort to obtain accurate holdings information, derivative economic exposure is often not reported. In such cases, fund managers need to supply supplementary data so that providers with the necessary capabilities can calculate the economic exposure of derivative positions. Data providers will continue to work with fund managers, administrators, and custodians to improve the accuracy and consistency of derivative reporting.

The CIFSC also recognizes that certain alternative assets and funds may have hedging or risk-mitigating characteristics that are not reflected in their net equity or fixed income exposures. In these cases, the CIFSC will rely on data provided by fund managers to determine a fund's effective equity and fixed income exposures for categorization purposes.

4.0 Transition Timeline

The following timeline is designed to allow for industry feedback, careful consideration of comments, and an orderly transition to the new framework. It provides sufficient time for fund managers to prepare for potential reclassifications while ensuring clarity and transparency throughout the process.

- **Proposal published: September 30, 2025**
  Balanced proposal is published for a 60-day public comment period.
- **Final day to submit comments: December 31, 2025**
  Deadline for submitting comments on the balanced proposal.
- **Final definitions published: March 31, 2026**
  If the proposal is adopted, final definitions are published and fund managers are notified of potential reclassifications.
- **Reclassification dispute window: April 1, 2026 – May 21, 2026**
  Fund managers may dispute reclassification requests resulting from the proposal.
- **Final reclassification list published: June 1, 2026**
  Formal list of funds to be moved as a result of the proposal is published.
- **Proposal changes implemented: March 31, 2027**
  Changes are implemented and reclassified funds are moved to new categories.

5.0 Consultation and Feedback

The Canadian Investment Fund Standards Committee (CIFSC) would like to thank industry stakeholders for their valued input to the proposed balanced category changes. Commenters included:

Securities and Investment Management Association (SIMA)
CI Global Asset Management
Fidelity Investments Canada ULC
Franklin Templeton Canada
Scotia Global Asset Management

The Committee's responses to stakeholder feedback are presented in the sections below. References to "the Committee" represent the views of the voting membership of the CIFSC.

	Feedback	CIFSC Response
1	Five categories: 5–25%, 25–40%, 40–60%, 60–75%, 75–90%	The Committee believes that moving thresholds away from the 40% and 60% equity levels is a core objective of this proposal. These cut-offs divide peer groups, increase the frequency of reclassifications, and introduce discretion into monitoring. We also aim to ensure equity bands are both narrowed and appropriately spaced to improve peer group comparability while minimizing disruption for managers and investors. Some commenters noted that investor profiles and fund suites often include five categories. However, in practice only four of these represent balanced options, with the fifth serving as a high-equity option. This distinction reinforces the Committee's view that four balanced categories, with 20–25% equity bands, are sufficient. This structure achieves the proposal's goals: removing thresholds at key asset mixes, allowing greater flexibility, and enhancing peer comparability—while broadly aligning with how the industry operates in defining balanced strategies.

2	Four categories: 5–30%, 30–50%, 50–70%, 70–90%	The Committee agrees that four categories are optimal. However, raising the thresholds to 50% and 70% would represent too large a shift from current practice and would risk unnecessary disruption for the industry and investors.
3	Four categories: 5–25%, 25–45%, 45–65%, 65–90%	The Committee agrees with this suggestion. Four categories at these levels balance the need for change with the goal of minimizing disruption, while also moving thresholds away from key asset mixes.
4	Classifying target-risk and traditional balanced funds together	The Committee agrees. While these fund types serve different investors, they are managed in a functionally similar manner and should remain in the same categories.
5	Adding a 2–5% buffer around thresholds	The Committee is concerned that a formal buffer would be interpreted as a new effective limit rather than a temporary allowance. It would also complicate monitoring and create uncertainty for both managers and investors. The 5% adjustment of thresholds at the most common asset mixes addresses this concern. The Committee believes that clearly defined thresholds provide the simplest framework for category monitoring and investor understanding.
6	Extending the weighted average period to five years	The Committee acknowledges that tactical allocation shifts may persist for extended periods. However, the three-year weighted average remains a reasonable evaluation horizon. The Committee believes that frequent reclassifications under the current system are largely a result of thresholds being placed at 40% and 60%. By moving those thresholds, the proposal addresses the underlying cause rather than extending the measurement period.

7	Treatment of private equity, private credit, infrastructure, and real estate	The proposal identifies private equity, private credit, and infrastructure as separate asset types. The Committee agrees that private equity and private credit should be classified within equity and fixed income, respectively. Direct holdings of infrastructure and real estate remain classified as “Other” because they represent ownership of physical assets rather than securities. Infrastructure and real estate equity are classified as equity; the proposal’s reference to "Other" applies specifically to direct holdings. Likewise, infrastructure and real estate debt are classified as fixed income.
8	Derivative classification	The Committee agrees that derivatives should be classified by their underlying asset class and economic exposure whenever possible. Data limitations remain a challenge: reported market values may not align with economic exposure, and in many cases the reported data does not provide sufficient detail to calculate it. In addition, the ability to measure economic exposure depends on the capabilities of each data provider.
9	Look-through for alternative funds	The Committee agrees. Current policy requires the use of look-through security-level allocations to evaluate thresholds, including for alternative funds. The proposal reiterates this approach to confirm that it applies equally to alternative fund holdings.

10	Treatment of “Other” in Total Assets	The Committee agrees that revisions are warranted. The proposal includes reclassifying private equity and private credit into equity and fixed income, and classifying derivatives by underlying exposure where possible. These changes reduce the impact of excluding “Other”. The asset types that remain in “Other” (e.g., commodities, real estate, digital assets, unclassified derivatives) are not sufficiently comparable to equity or fixed income for classification purposes. Including them in the equity calculation would dilute measured equity exposure by offsetting it with unclassified or uncorrelated assets. From a conservative standpoint, these assets could be considered part of equity risk unless clearly classified otherwise. Excluding them from the calculation therefore represents a middle ground: it avoids lowering measured equity exposure, while also preventing misclassification of genuinely distinct asset types. Where allocations do not reflect effective equity exposure, the Committee will rely on data provided by the fund manager to assign a category.
11	Using volatility measures for alternatives	The Committee acknowledges that certain strategies are not fully captured by a straightforward equity/fixed income split. However, introducing risk-based metrics would represent a fundamental shift from CIFSC’s current methodology, which is asset-based across all categories. Such a change would also increase complexity in monitoring and require significant industry and investor education.

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The CIFSC welcomes stakeholder feedback on the proposed changes to the balanced categories and alternative asset classification until December 31, 2025. Comments may be submitted through the CIFSC contact form here.

Sincerely,

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Appendix A

Balanced Funds

Funds in the Balanced Funds group must invest between 5% and 90% of their non-cash assets invested in equity securities and between 10% and 95% of their non-cash assets in fixed-income securities.

Canadian Balanced – 65–90% Equity
Funds in the Canadian Balanced – 65–90% Equity category must invest at least 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities.* In addition, they must invest greater than 65% but less than or equal to 90% of their total assets in equity securities.

Canadian Balanced – 45–65% Equity
Funds in the Canadian Balanced – 45–65% Equity category must invest at least 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities.* In addition, they must invest greater than 45% but less than or equal to 65% of their total assets in equity securities.

Canadian Balanced – 25–45% Equity
Funds in the Canadian Balanced – 25–45% Equity category must invest at least 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities.* In addition, they must invest greater than 25% but less than or equal to 45% of their total assets in equity securities.

Canadian Balanced – 5–25% Equity
Funds in the Canadian Balanced – 5–25% Equity category must invest at least 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities.* In addition, they must invest greater than 5% but less than or equal to 25% of their total assets in equity securities.

Global Balanced – 65–90% Equity
Funds in the Global Balanced – 65–90% Equity category must invest less than 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities.* In addition, they must invest greater than 65% but less than or equal to 90% of their total assets in equity securities.

Global Balanced – 45–65% Equity
Funds in the Global Balanced – 45–65% Equity category must invest less than 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities.* In addition, they must invest greater than 45% but less than or equal to 65% of their total assets in equity securities.

Global Balanced – 25–45% Equity
Funds in the Global Balanced – 25–45% Equity category must invest less than 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities.* In addition, they must invest greater than 25% but less than or equal to 45% of their total assets in equity securities.

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Global Balanced – 5–25% Equity

Funds in the Global Balanced – 5–25% Equity category must invest less than 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities.* In addition, they must invest greater than 5% but less than or equal to 25% of their total assets in equity securities.

*Includes the fund's Canadian dollar-denominated cash and cash equivalents.

Appendix B

BALANCED TESTS