CIBC Mellon Canadian Asset Owner Study 2025-26

BALANCING CONTROL AND CAPABILITY:

HOW ASSET OWNERS ARE REASSESSING INTERNAL MODELS, EXTERNAL MANAGERS AND OPERATING DESIGN

CIBC MELLON

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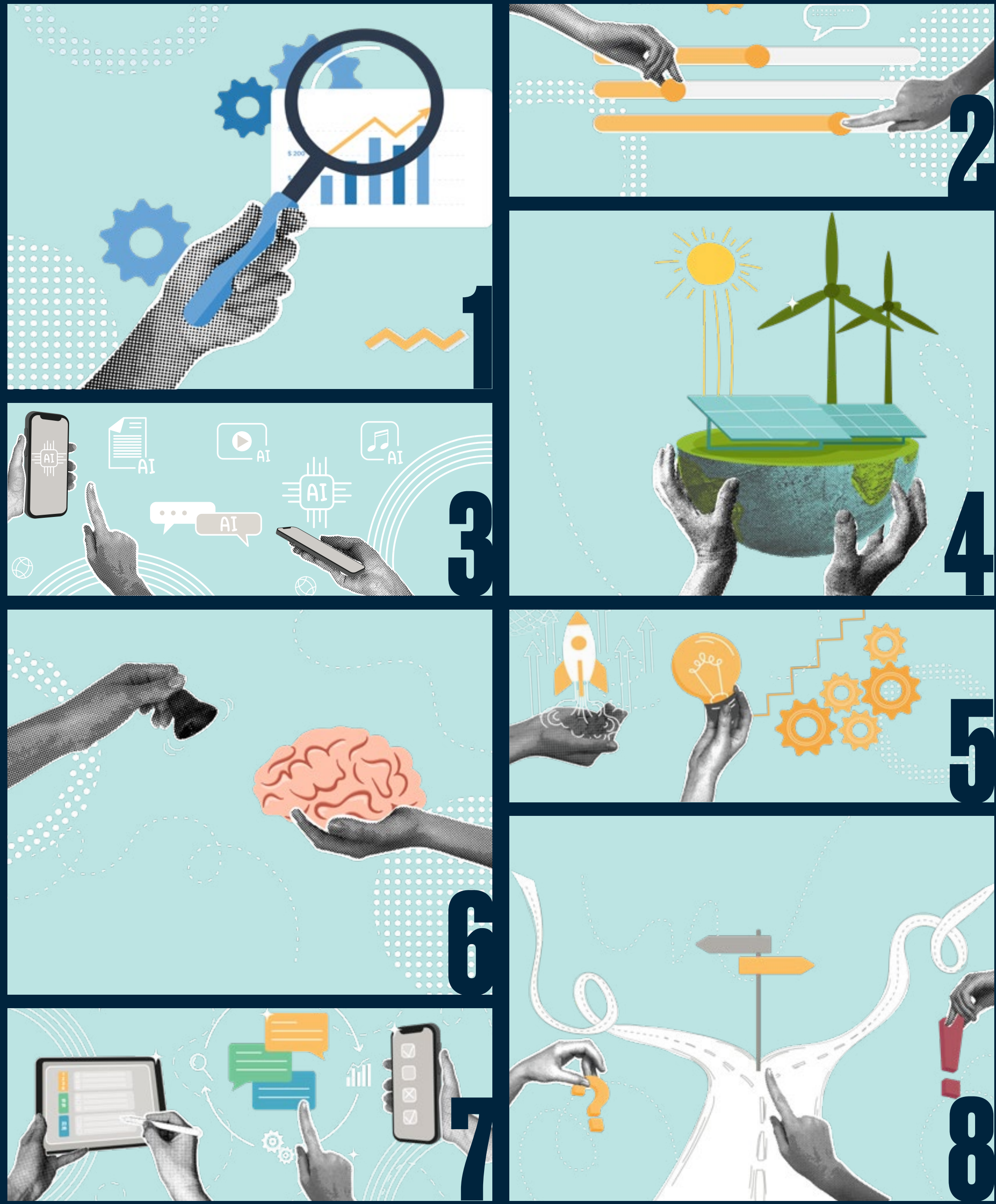
Research topics in focus include:



FOREWORD: BUILT TO LAST

Having weathered the inflationary surge and rate volatility of 2022-24, the Canadian pension industry's most pressing concern has returned to the hard choices of scale.

The direct investment models that defined Canadian pension excellence for two decades are under review. Several of the largest players are weighing their exposure to direct deals, with intentions to tilt toward co-investments and traditional partnerships with established asset managers, particularly in private equity. While many acknowledge that scale alone does not guarantee an operational or performance edge, the recent trend is far from a wholesale abandonment of the direct, in-house approach. Instead, it should be viewed more as a timely and necessary reappraisal.

Consolidation, meanwhile, is gathering regulatory momentum. Ontario's November 2025 legislative amendments eased the path for defined contribution plans to convert to jointly sponsored structures, enabling the scale aggregation that the respondents in our ongoing research series are increasingly pursuing.

The logic is clear: internalize asset management, then leverage that capability to absorb external assets. Whether this concentration delivers the governance improvements and cost efficiencies promised, or creates institutions too large to manage effectively, remains the industry's central wager.

Parallel to this, climate strategy has become a fault line that is drawing increasing attention. While La Caisse de dépôt et placement du Québec advanced a $400bn climate action framework, earning endorsement from the Climate Bonds Initiative, CPP Investments abandoned its net-zero 2050 commitment in May 2025, citing "legal uncertainty" under strengthened Competition Act rules. The move, which followed $7.1bn in new fossil fuel investments, has drawn litigation and criticism from advocacy groups.

This research captures Canadian asset owners at this pivotal moment. They are increasingly sophisticated in their investment approaches, cautious in their public posture, and concentrated in their organizational structure. Evergreen challenges of longevity risk, macroeconomic uncertainty, and the integration of ESG factors into fiduciary decision-making are colliding with more emergent risks such as technology and data capabilities, and a global regime shift in asset allocation priorities. What follows is an assessment of how these allocators are adapting to this confluence of pressures, and where their current trajectory may take them.

CYNTHIA SHAW-PEREIRA
Vice President, Head of Asset Owner Segment, CIBC Mellon

BRENT MERRIMAN
Vice President, Marketing and Strategic Insights, CIBC Mellon

"Canadian asset owners are making consequential decisions about scale, governance and operating design – often all at once. This research captures where those decisions are converging, and what they signal for the industry's trajectory."

CYNTHIA SHAW-PEREIRA
Vice President, Head of Asset Owner Segment,
CIBC Mellon

METHODOLOGY

In Q4 2025, CIBC Mellon's research provider interviewed 50 asset owners headquartered in Canada. Respondents were drawn from firms with assets under management (AUM) of at least CAD$750m.

Among the asset owners surveyed:

HAD ASSETS UNDER MANAGEMENT (AUM) EXCEEDING:

38%	32%	30%
CAD$750M-5BN	CAD$5BN-20BN	CAD$20BN+

ORGANIZATIONS PRIMARY STRUCTURE:

Multi-employer/Jointly-sponsored independent pension entity (non-government/arms-length)	26%
Government entity or agency (e.g. government pension or pension asset manager), including federal, provincial, and municipal entities)	20%
Endowment/Foundation	16%
Single-employer or corporate pension entity	16%
Family office	12%
Indigenous government/trust/settlement corporation	10%

KEY FINDINGS

Respondents' investment allocation to crypto/digital assets fell over the last 12-24 months, from 7.4% on average to 5.7%. Respondents expect allocations to this asset class will continue to decline in the near term, with an average target allocation of just 3.1% in 12-24 months' time.

The greatest hurdles respondents face in respect of stakeholder reporting are all data-related. These include data enrichment (46% of top-two votes), disparity of data sources (40%), and the visibility and traceability of data, data consistency, and integration (36%).

Around two-thirds of respondents are incorporating AI into investment decision-making processes (66%) or using AI tools for productivity assistance (e.g. document summarization, meeting minutes, drafting emails) (62%). Only a small share (19%) are deploying AI agents, digital employees or similar autonomous processes.

On average, respondents report that around 60% of their portfolio is managed in-house. Of those who have taken more asset management in-house, 90% have seen a cost-saving. This represents an acceleration of a trend identified in this project since 2021, where in the past the portion of in-house management was reported at just over 50%.

Over two-thirds of respondents (68%) are pursuing consolidation by seeking assets from retail investors and/or individual retirees. This is the most common method of consolidation that respondents are currently following, and a further 22% are considering this course.

Respondents in Canada reported a very high degree of priority around environment, social & governance (ESG) factors in their thinking. For instance, 78% engage in impact investing activities, and 68% engage in exclusionary screening of specific sectors and companies. However, many noted this work would be carried out without making public statements "greenhushing".

Trends shaping investment strategy:

DECLINING CRYPTO/DIGITAL ASSET ALLOCATIONS
7.4% → 5.7% now → 3.1% expected

STAKEHOLDER REPORTING HURDLES
Data enrichment (46%)
Disparate sources (40%)
Visibility, consistency, integration (36%)

AI ADOPTION
66% for investment decisions
62% for productivity tools
19% use AI agents/autonomous processes

IN-HOUSE ASSET MANAGEMENT
60% managed in-house
90% who increased in-house management saw cost savings

CONSOLIDATION FOCUSED ON RETAIL/ RETIREE ASSETS
68% are targeting these assets
22% considering this approach

ESG PRIORITY WITH "GREENHUSHING"
78% engage in impact investing
68% use exclusionary screening
Many avoid public statements ("greenhushing")

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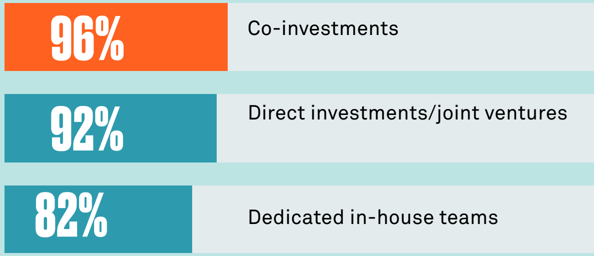
INVESTMENT STRATEGIES

“Canadian asset owners have spent two decades building the capability to underwrite their own deals. What began as an effort to reduce fee leakage has become central to how the largest plans generate net returns.”

RACHEL WONG
Senior Relationship Manager,
CIBC Mellon

INVESTMENT STRATEGIES

ADOPTION RATES OF INVESTMENT MODELS



Canadian asset owners accelerated their move up the investment value chain over the past two decades. This trend was led by the participation in private markets by the Maple 8, who took greater direct control of capital deployment while becoming more selective in their use of external managers.

The motive was clear: reduce fee leakage and improve net returns by building internal deal underwriting capability. This saw the country's largest pension funds stepping into lead-investor roles rather than remaining passive LPs. The "Canadian model" became a global benchmark.

The investment model preferences captured in our survey show an industry that has largely internalized the infrastructure of value creation. Co-investments – minority stakes taken by asset owners alongside general partners, allowing reduced fee burdens while maintaining manager relationships – are now nearly universal, employed by 96% of respondents.

Direct investments and/or joint ventures follow closely at 92%, while 82% maintain dedicated in-house asset management teams. For nearly a third of respondents (32%), direct investments and/or joint ventures are now the primary investment model, up noticeably from 24% in our previous study.

This represents a striking inversion of the outsourcing momentum documented in earlier editions of this research. In 2022, amid pandemic disruption, 72% of respondents had been expanding relationships with outsourced investment managers; by late 2023, that figure had moderated to 56%.

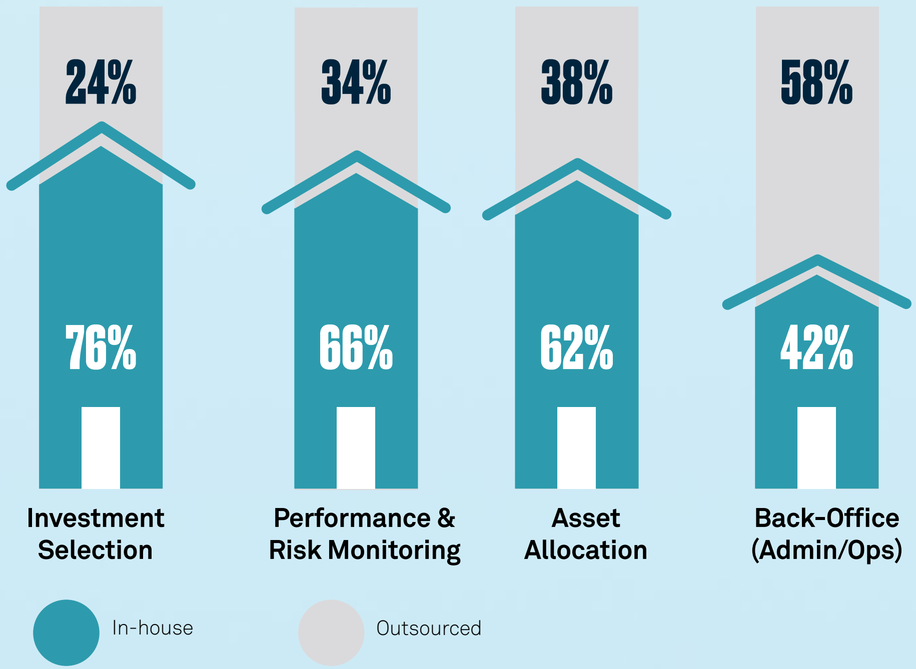
The latest data reveals a pronounced inflection: only 22% now describe their investment activities as predominantly outsourced, while 32% manage allocations and selections primarily in-house regardless of asset class, strategy, or geography. The largest cohort (46%) takes a nuanced approach, balancing internal and external management depending on asset class specifics and their existing roster of in-house talent.

In Canada, the typical method has been deploying direct teams for private markets where operational control and fee reduction yield greatest advantage. Simultaneously, external relationships are maintained for more specialist areas like infrastructure and derivatives.

This functional differentiation is instructive. Investment selection (76%), performance and risk monitoring (66%), and asset allocation (62%) remain firmly in-house, with respondents indicating intentions to maintain or deepen this insourcing.

Conversely, back-office functions – which are highly commoditized and scale-dependent – are predominantly outsourced, with 58% of respondents planning to maintain or increase this externalization. In all, the strategic core is largely internal, while the operational periphery is managed by third parties.

IN-HOUSE VS. OUTSOURCED FUNCTIONS IN CANADIAN PRIVATE MARKETS



One plan described their approach as, “in-sourcing the brain, while outsourcing the muscle” – bringing in talent to drive value on complex private market deals, long term strategies and ESG mandates, while leveraging external managers for more widely accessible public market strategies where plentiful competition or very high scale providers can offer attractive cost profiles for outsourcing.

“Canadian plans are running a more nuanced model. They are leading deals where they have the talent, co-investing to keep fee burden in check, and engaging external managers where specialist expertise earns its keep.”

JASPER CLARKE
Senior Relationship Manager,
CIBC Mellon

ALLOCATION PROFILES

Geographic allocations reveal a preference for the familiar. Home-market bias persists, with 62% of respondents having increased Canadian allocations over the past year, coinciding with strong recent performance from the country's core sectors such as energy and commodities. Similarly close to home, 60% boosted US exposure, though global investors have begun to diversify away from the country in recent months. Developed market diversification continues with 40% raising European allocations, while 38% raised their Asia-Pacific investment.

The corollary is equally telling – 42% maintain zero exposure to Mexico, Central & South America, while 52% are unallocated to the Middle East & Africa. Where allocations do exist in these regions, they are largely static or declining: 28% trimmed Latin American exposure and 24% reduced Middle East & Africa holdings, against minimal increases of 2% and 8%, respectively.

Portfolio allocations remain remarkably stable across the survey group, with three core asset classes dominating: public equities (18.6% current allocation), fixed income (12.4%), and private equity (11.1%). What is notable about Canadian asset owners is their move into direct investing in private markets, which tentatively started in the early 2000s and was catalyzed by the 2008 global financial crisis.

How has your organization changed its geographic allocations over the past year?

CANADA:
62% increased allocation
38% maintained allocation

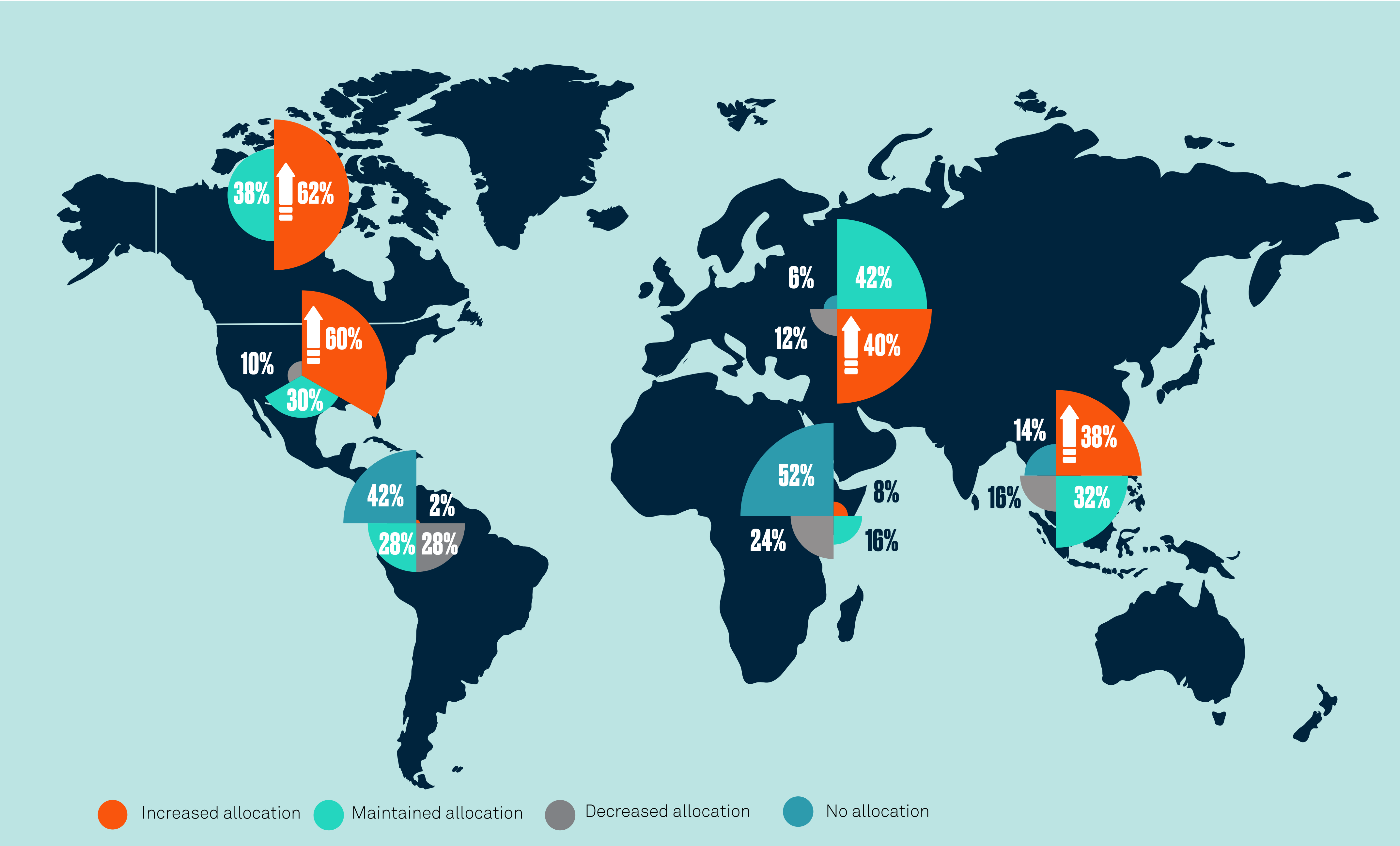
UNITED STATES:
60% increased allocations
30% Maintained
10% decreased

EUROPE
40% increased allocations
42% maintained
12% decreased
6% no allocation

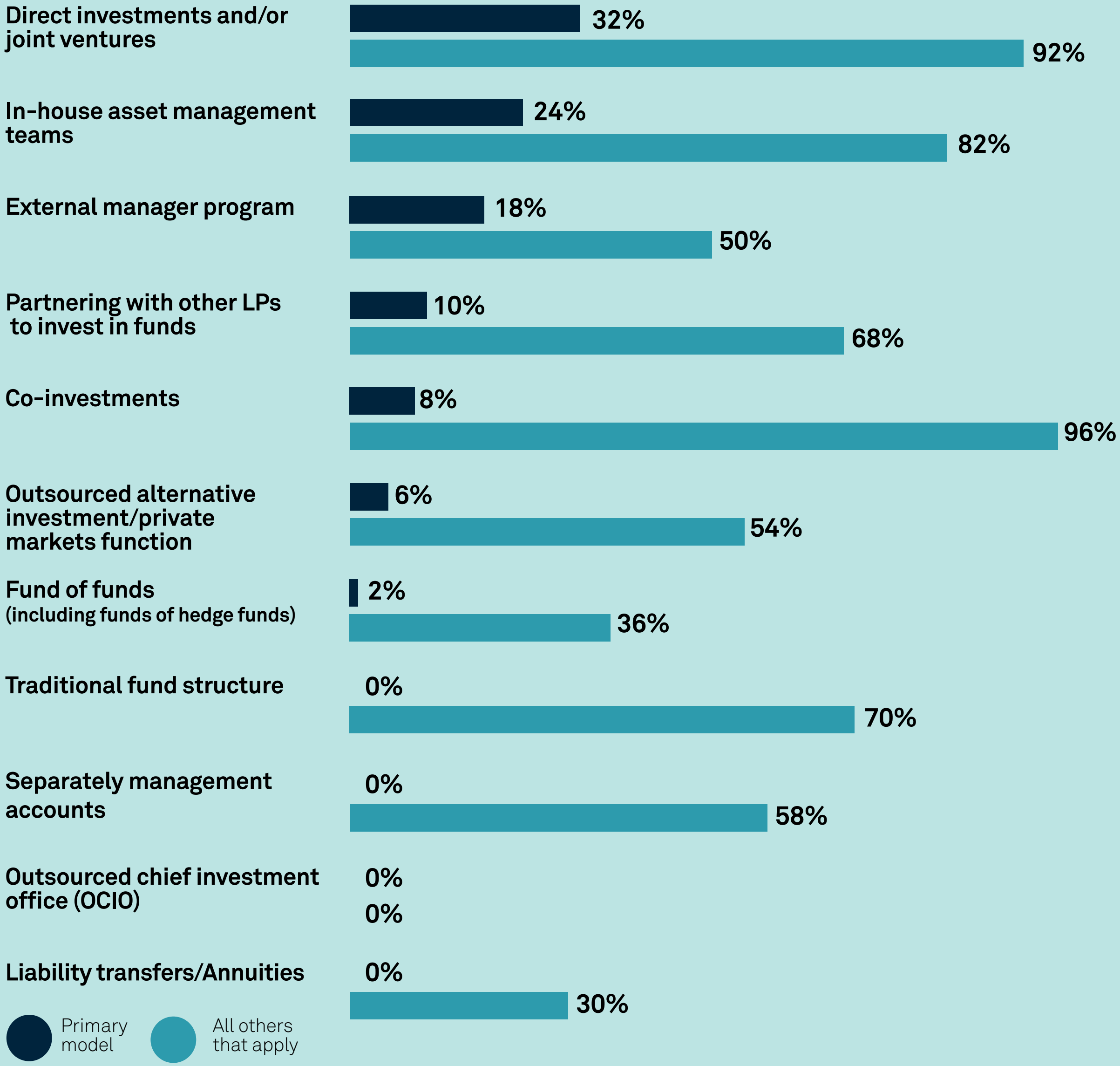
ASIA-PACIFIC
38% increased allocation
32% maintained
16% decreased
14% no allocation

LATIN AMERICA
(MEXICO, CENTRAL & SOUTH AMERICA)
42% no allocation
28% decreased allocation
28% maintained allocation
2% increased allocations.

MIDDLE EAST & AFRICA
52% have zero exposure.
16% maintained allocation
24% decreased allocation
8% increased allocation


38%
62%
10%
60%
30%
6%
42%
12%
40%
52%
8%
24%
16%
14%
38%
16%
32%
42%
2%
28%
28%
Increased allocation
Maintained allocation
Decreased allocation
No allocation

Which investment models does your firm employ?



More recently, this direct model has come under review, prompted by the underperformance of deals made in the cheap-money COVID period. Several of the largest Canadian pensions such as CPP Investments, OMERS, and Ontario Teachers have become more selective in their direct buyout activity and are seeking to forge deeper manager relationships.

OMERS shut its European direct-investment arm and Asia buyout team in 2024, completing only one direct acquisition in two years. CPP Investments moved struggling direct holdings into an "integrated strategies group" and is now considering more passive co-investments to reduce operational burden. OTPP shuffled its private equity leadership with multiple senior departures. The overarching trend among these industry leaders is a re-expansion of their fund programs and greater emphasis on co-investments to drive net performance due to the operational demands and talent competition inherent in direct buyouts. Canadian pensions are not abandoning direct investing, but strategies are being refined.

Expected allocations for core strategies like equities, fixed income, and private equity may be static, but there is an exception outside of these asset classes. Average exposure to crypto and other digital assets has fallen from 7.4% of portfolios 12-24 months ago to 5.7% currently, with respondents targeting just 3.1% over the coming year – a 58% reduction from peak allocation.

This retrenchment follows high-profile governance failures, most notably the Ontario Teachers' Pension Plan's FTX exposure; the FTX loss was a fundamentally a corporate governance matter related to a comparatively small investment loss (the $95 million loss represented less than 0.05% of Teachers' multi-billion-dollar holdings) rather than technological failure still forced Teachers to issue public statements and face a potential class-action lawsuit over diligence (ultimately dropped in January of 2026).

These perhaps cast a long shadow over digital asset enthusiasm among Canadian fiduciaries. The retail-driven speculative fervour that characterized mid-decade experimentation in this highly volatile market space has given way to sober risk assessment.

Evolving Approaches to Direct Private Market Investing

Canadian pensions are shifting from direct buyouts to more selective deals and co-investments, aiming to reduce operational complexity.

Stable Core Allocations, Declining Digital Asset Exposure

Allocations to equities, fixed income, and private equity are steady, while crypto/digital asset exposure has dropped by 58% from its peak.

Governance Lessons Shape Digital Asset Strategy

Governance challenges—such as the FTX loss—have led to more cautious, risk-aware digital asset strategies.

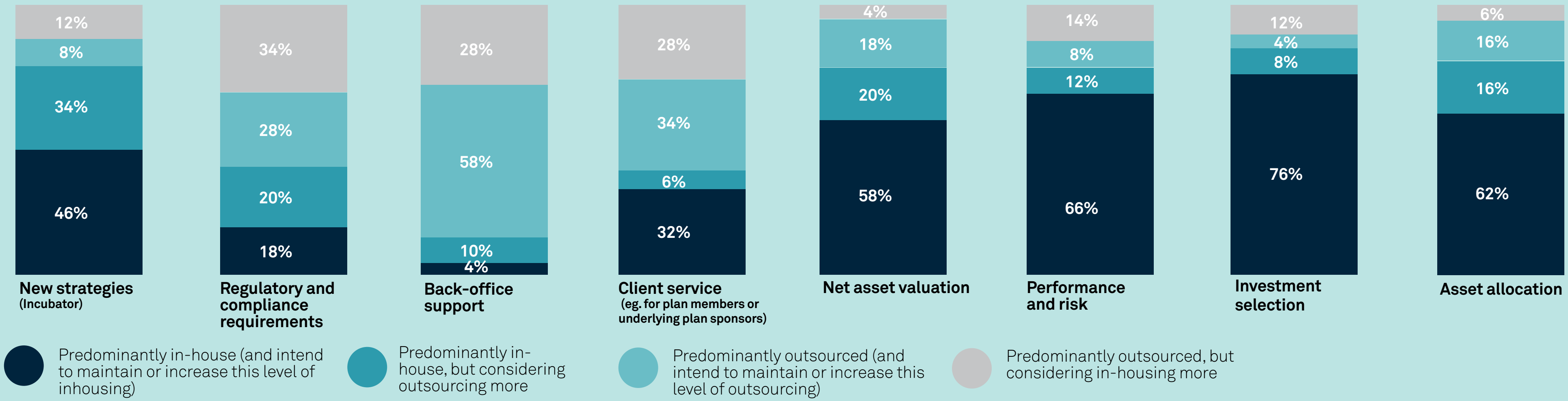
Which of the following service models best describes your firm‘s investment activities?

46% **Multipe approaches, by asset class; investments are managed in-house or by external teams based on asset class**

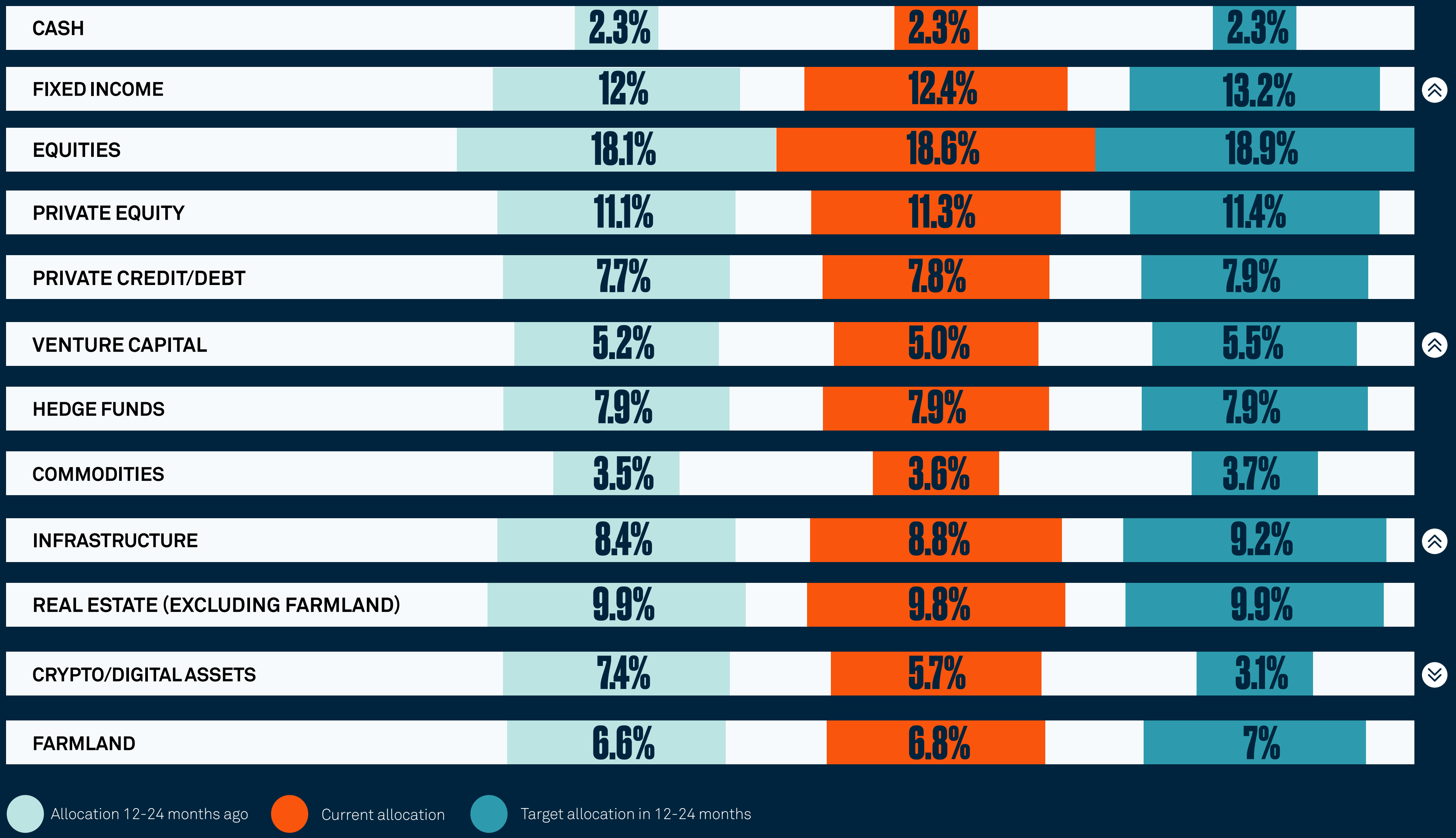
32% **Mostly in-house, allocations and investment selections are management primarily in-house irrespective of investment strategy, asset class or region**

22% **Mostly outsourced, with expert oversight; most investment decisions and acitivities are handled externally, with internal teams providing allocation or oversight**

Of the following functions, which do you currently largely:



How have your levels of investment in the following asset classes changed over the last 12-24 months, and how do you expect them to evolve over the next 12-24 months?



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