

Globe Investor | Number Cruncher

Funds that give ETFs a run for their money

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What we're looking at

Mutual funds that beat exchange-traded funds. There are situations where mutual funds are your best or only option. Let's see which in the Canadian equity category have compared well with low-fee ETFs over the long term.

Our screen

We started with Globeinvestor.com's database of 77 Canadian equity funds that have been around for a decade or longer, including both mutual funds and ETFs but excluding segregated funds and U.S.-dollar funds. We then screened for the top 10-year performers and ranked them from best to worst.

What we found

Only four Canadian equity funds beat at least one of the two Canadian equity ETFs with a 10-year track record, the iShares S&P/TSX 60 Index Fund (XIU-T17.00-0.40-2.30%) and the iShares S&P/TSX Capped Composite Index Fund (XIC-T18.80-0.42-2.19%). For that reason, we relaxed our standards a bit and included a few funds that came reasonably close to ETF returns.

What we ended up with is a varied list of funds that offers something to both advised and self-directed investors. For people with advisers, IA Clarington Canadian Conservative Equity and Fidelity Canadian Disciplined Equity are options because they pay full trailing commissions (compensation for adviser included in fund fees). The latter follows the unusual approach of keeping the sector weightings of the S&P/TSX composite index, while actively managing the stocks that make up those weightings.

Do it yourselfers might consider TD Canadian Index-e, which is part of TD's ultra low cost e-series of index funds. Think of these funds as offering nearly all the low-fee benefits of ETFs, but with zero costs to buy them. With ETFs, you generally have to pay brokerage commissions to buy them (exception: Some online brokers now offer a limited menu of ETFs with no trading costs).

Other good DIY options include the funds on this list from the low-fee Mawer, Leith Wheeler and Beutel Goodman families. The usual knock against basing mutual fund investing decisions on past returns is that they tell you nothing about where your funds will be 10 years in the future. But these three fund companies are among the steadiest out there. They use a team approach that avoids the problem of the departing star manager, and they use the same conservative strategies for their funds that they do for their pension, endowment and high net worth clients.

Mutual Funds that Beat or Almost Beat ETFs: The Canadian Equity Fund Category

Fund	Assets (\$ Mil.)	MER (%)	Returns to Sept. 30 (%) 1 Year	3 Year (%)	5 Year (%)
Mawer Canadian Equity	143.5	1.22	1.89	4.58	3.73
Leith Wheeler Canadian Equity B	107.6	1.52	-3.61	-0.11	0.86
Fidelity Cdn Disciplined Equity B	1142.8	2.27	-5.43	1.92	2.22
ISHARES S&P/TSX 60 INDEX ETF	10505.1	0.17	-4.45	0.69	2.68
TD Canadian Index-e	n/a	0.33	-3.8	2.41	2.4
ISHARES S&P/TSX CAPPED COMP. INDEX ETF	1228.3	0.27	-3.82	2.36	2.68
Ferique Equity	454.1	0.75	-5	3.98	3.02
Desjardins Environment	177.7	2.35	-7.18	-0.48	1.93
Beutel Goodman Canadian Equity-D	1662.6	1.49	-4.57	3.04	2.36
RBC Canadian Index	583.2	0.7	-4.07	2.1	2.13
IA Clarington Cdn Conservative Equity	370.8	2.41	2.63	5.62	2.98
Altamira Canadian Index	260	0.65	-4.88	0.35	1.88
Cdn equity fund average		2.58	-6.2	0.32	-0.05

ETFs are shown in capital letters. Source: Globeinvestor.com