

ECONOMIC VIEWPOINT

Canada Strong Fund: A Solution in Search of a Problem

By Randall Bartlett, Deputy Chief Economist

HIGHLIGHTS

- ▶ The Government of Canada recently announced the creation of Canada's first sovereign wealth fund—the Canada Strong Fund (CSF). But there have been a lot more questions than answers since the announcement, including: What is it? How will it work? And why is it being created?
- ▶ The first thing to note is that the Canada Strong Fund is not a sovereign wealth fund (SWF), at least not as they are understood elsewhere in the world. The debt-financed nature of the CSF is very different from the surplus resources that provide the seed capital for true SWFs.
- ▶ Instead, the Canada Strong Fund appears to be a domestic development fund, like the many others that have been created over the past decade. Indeed, it's worth asking what sets the CSF apart from other federal funds. Where the CSF may differ is that it can invest in large projects and the equity of Canadian companies at commercial rates of return along with the private sector. But this begs the question: Why not let the private sector make the investments?
- ▶ Adding to the confusion around the CSF's mandate is the opportunity for retail investors to participate. First, only those with savings can take advantage of this opportunity. Second, the CSF is much like existing investment products, like principal protected notes and market-linked guaranteed investments. Both types of financial products are currently sold by Canadian financial institutions, meaning there is a risk that the CSF will crowd out the private sector.
- ▶ At the end of the day, the Canada Strong Fund is a solution in search of a problem. The federal government would be better off focusing on reducing and harmonizing regulations and other barriers to investment within Canada rather than on launching a new, complicated development fund.

The Government of Canada recently announced the creation of Canada's first "sovereign wealth fund"—the Canada Strong Fund (CSF). Since then, we've had a lot of questions about what it is, how it will work and why it's being created. In this note, we try to answer those questions the best we can, given the lack of details provided in the [Spring Economic Update \(SEU\) 2026](#).

What's the Canada Strong Fund?

According to the federal government's SEU 2026, the Canada Strong Fund "is a Government of Canada fund ... [that] ... will invest in strategic Canadian projects and companies alongside other investors—with a clear objective to achieve commercial returns ... Initially, the government will provide \$25 billion over 3 years, on a cash basis, to seed the Canada Strong Fund. The Fund will increase over time, both

from the returns that it generates, and through other assets that the government may allocate to it. Asset optimisation will help address two complementary priorities: unlocking the full value of existing federal assets and directing that capital toward investments with the highest potential return for Canada and Canadians... From infrastructure to advanced manufacturing to energy and mining, the Fund will have a mandate to deliver market-rate returns ... the Canada Strong Fund will participate alongside other investors ... with the Fund focused primarily on equity investments... Where the federal government is active, the Canada Strong Fund will focus on complementing these efforts—investing only in minority positions alongside private capital in this growing pipeline of projects and companies ... The Canada Strong Fund will operate at arms-length from government. We will create a new Crown corporation, and its work will be guided by a CEO and a qualified independent board

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of directors... The government intends to offer Canadians the opportunity to participate directly in the Fund through a new, broadly accessible retail investment product... The government intends to consult on the specific design of this product, but Canadians can expect the following features ... Broadly accessible ... Easy and simple to purchase, hold, and transact ... investors will be able to share in the upside, while their initial invested capital will be protected."

What the Canada Strong Fund Isn't

Now that we've outlined the federal government's description of what the Canada Strong Fund is, we can definitively say what it isn't: a sovereign wealth fund (SWF).

What is a Sovereign Wealth Fund?

According to the [Sovereign Wealth Fund Institute](#) (SWFI), "a sovereign wealth fund is a state-owned investment fund or entity that is commonly established from: balance of payments surpluses; official foreign currency operations; the proceeds of privatizations; governmental transfer payments; fiscal surpluses; and/or receipts resulting from resource exports."

At latest count, the world's 100 largest SWFs managed a total of more than \$16.5T in assets ([SWFI, 2026](#)). The six largest SWFs accounted for about half that amount (table 1). The closest Canadian example of a sovereign wealth fund historically is Alberta's Heritage Savings Trust Fund (\$31.9B), established in 1976 to collect a portion of Alberta's non-renewable resource revenue ([Government of Alberta, 2026](#)).

Table 1
The Largest Sovereign Wealth Funds Dwarf the Canada Strong Fund

Sovereign wealth funds	Assets (USD trillions)
Norway Government Pension Fund Global	2.0
China's SAFE Investment Company	2.0
China Investment Corporation	1.6
Abu Dhabi Investment Authority	1.1
Kuwait Investment Authority	1.1
Singapore's GIC Private Limited	0.9
Remaining 94 of the 100 largest sovereign wealth funds	7.8
Total	16.5

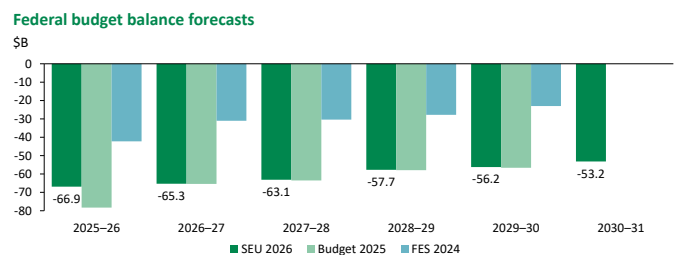
Sovereign Wealth Fund Institute and Desjardins Economic Studies

Capitalization through public surpluses is part of what differentiates SWFs from public pension funds, whose initial capital comes from member contributions. Earnings are then reinvested. Pension plans must also consider future liabilities, as benefits are ultimately paid to pensioners. Not so with SWFs.

Why the CSF Isn't a Sovereign Wealth Fund

The Canada Strong Fund isn't a sovereign wealth fund because it is not funded from wealth generated in Canada. In fact, quite the opposite. The Government of Canada intends to acquire the \$25B in seed capital through debt issuance, as the federal government plans to continue to run substantial budget deficits (graph 1). This stands in sharp contrast to the commodity and non-commodity wealth built up by other countries and placed in their SWFs for investment.

Graph 1
Federal Deficits Are Expected to be Large and Long Lasting



SEU: Spring Economic Update; FES: Fall Economic Statement
Government of Canada and Desjardins Economic Studies

What might bring the CSF closer to the definition of a sovereign wealth fund is if it were capitalized by assets. One option would be to sell existing non-financial assets to generate cash for investment. Indeed, SEU 2026 says that the federal government is exploring "alternative models of ownership" of Canadian airports, of which the Government of Canada owns some of the largest in the country (table 2). The Prime Minister has reinforced the intent to explore this option since then ([Bloomberg, 2026](#)). Based on C.D. Howe Institute estimates from 2014 and 2017, the total value of airports owned by the federal government could be upwards of \$50B. Other countries like Australia and the UK have done this in the past, with mixed but broadly positive results. Indeed, Canadian pension

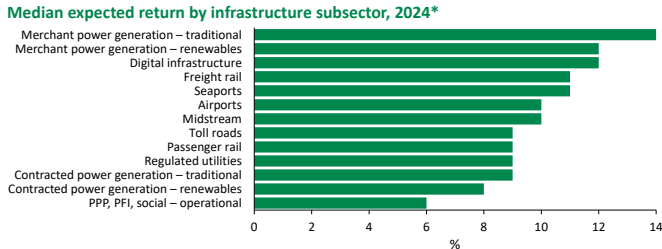
Table 2
The Government of Canada Owns Some of Canada's Largest Airports

Airports owned by the Government of Canada		
Victoria (YVJ)	Winnipeg (YWG)	Fredericton (YFC)
Vancouver (YVR)	Thunder Bay (YQT)	Moncton (YQM)
Prince George (YXS)	London (YXU)	Saint John (YSJ)
Kelowna (YLW)	Toronto Pearson (YYZ)	Charlottetown (YYG)
Edmonton (YEG)	Ottawa (YOW)	Halifax (YHZ)
Calgary (YYC)	Montreal Trudeau (YUL)	Gander (YQX)
Saskatoon (YXE)	Montreal Mirabel (YMX)	St. John's (YYT)
Regina (YQR)	Quebec City (YQB)	18 smaller airports

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funds have ownership stakes in airports and other types of infrastructure assets around the world. And while the expected annual return on airport investments is solid at around 10%, there is a possibility of earning a higher return on other types of infrastructure (graph 2).

Graph 2
Private Infrastructure Investment Is Known for Outstanding Returns



PPP: Public Private Partnership; PFI: Private Finance Initiative; * As of Q1 2024, reflecting an expected 1-year total shareholder return for operational assets.

JP Morgan Asset Management Infrastructure Research and Desjardins Economic Studies

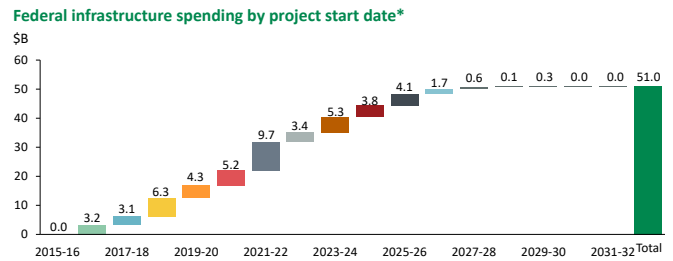
Another deviation from the definition of a sovereign wealth fund is that the Canada Strong Fund’s focus is entirely on investing domestically as opposed to geographically diversifying its investments. The ability of retail investors to participate also seems like another “made in Canada” innovation that takes the CSF further away from being considered an SWF.

If Not a Sovereign Wealth Fund, Then What Is the CSF?

By all appearances, the Canada Strong Fund seems to be another domestic development fund introduced by the federal government, similar to others created over the past decade. These include, but aren’t limited to, the Canada Infrastructure Bank (\$30B), Canada Growth Fund (\$15B) and Canada Indigenous Loan Guarantee Corporation (\$10B). And this is in addition to Export Development Canada (EDC) and the Business Development Bank of Canada (BDC). The federal government assured Canadians in the SEU 2026 that “where the federal government is active, the Canada Strong Fund will focus on complementing these efforts...” However, at this time, it is not clear what investment gaps have gone unaddressed by pre-existing investment vehicles, and how these will be filled by the Canada Strong Fund. The Parliamentary Budget Officer raised similar concerns in its [recent assessment of the SEU](#).

Large infrastructure projects may be one area where the CSF could add value. Federal funding for infrastructure has slowed considerably since 2024 (graph 3). As [we wrote](#) nearly a year ago regarding federal infrastructure investment and the Trans Mountain Expansion (TMX) pipeline in particular, projects of national interest that are not commercially viable could justify a large ownership stake by the Government of Canada. The

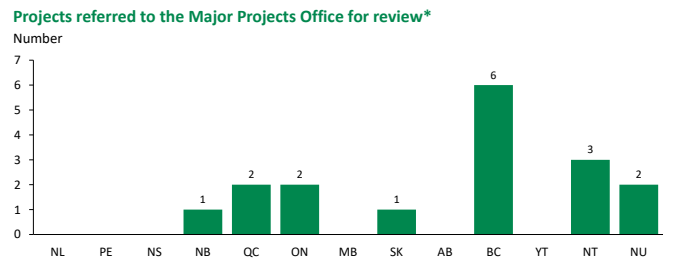
Graph 3
The Federal Infrastructure Investment Pipeline Is Currently Weak



* As of April 24, 2026. Housing, Infrastructure and Communities Canada and Desjardins Economic Studies

Canada Infrastructure Bank currently tends to deploy relatively small amounts of capital toward opportunities that may not be commercially viable otherwise. There are, of course, the projects under review by the Major Projects Office (graph 4), all of which currently have private sector proponents. However, that begs the question: if the investment opportunities targeted by the CSF are large and are expected to provide solid commercial returns, why are funds borrowed by the Government of Canada needed at all?

Graph 4
The Major Projects Office Is Reviewing 17 “Nation-Building Projects”



* As of April 24, 2026. Major Projects Office and Desjardins Economic Studies

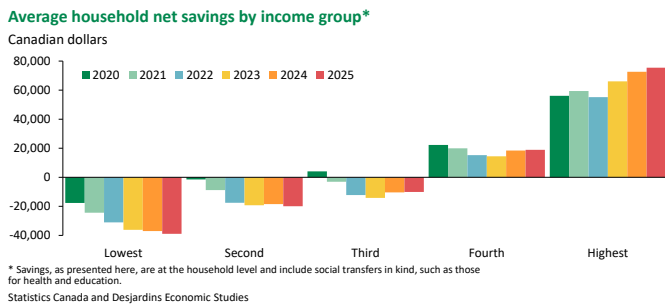
Other differences from existing federal government investment vehicles are even less clear. For instance, the sparse details on the CSF so far suggest the federal government could take an equity stake in Canadian companies. We believe this is ill-advised, as governments of all levels and political persuasions in Canada have a spotty track record of picking winners and losers. And there are already public lending vehicles to support promising up-and-coming Canadian companies, such as EDC and BDC.

[Investment Opportunities for Retail Investors](#)

So, if the CSF is a development fund by another name, why add to the confusion by allowing retail investors to participate? Some have argued that this will allow the federal government to attract more capital to the fund by capitalizing on Canadians’ newfound

patriotic zeal. However, as only half of Canadian households currently have a positive savings rate, this opportunity will be heavily skewed toward Canada’s highest income earners (graph 5).

Graph 5
The Savings Gap Continues to Widen in Canada



With principal protection and some upside potential, the federal government’s proposed return structure for the CSF’s retail investors sounds a lot like a [principal protected note](#) (PPN). In the case of a PPN, the principal is similarly 100% guaranteed at maturity, but this financial product targets more attractive potential returns compared to traditional term investments. Some have also compared investing in the CSF to [market-linked guaranteed investments](#), which guarantee the principal and a minimum return at maturity while also offering variable return potential depending on market growth. What the retail investment opportunity with the CSF doesn’t seem to be is something akin to the old Canada Savings Bonds. Of course, for Canadians to take an interest in this investment opportunity, its expected returns will need to be similar to or better than products offered by competing financial institutions. In a world where savings are finite, that implies the CSF will be attracting capital that would otherwise be invested through the private sector. Economists call this crowding out, and it’s something governments of a more market-oriented persuasion typically try to avoid. Investors will also want to know what they’re investing in, and some may have concerns around the environmental, social or governance impacts of the CSF’s investments.

The lack of CSF design details also leaves the basic question unanswered: What happens if the underlying investment fails or doesn’t yield cash dividends on a regular basis? Will the government (and, by extension, taxpayers) backfill any loss of principal and ensure a minimum return? If so, wouldn’t the incentive be to make only very safe investments, which may defeat the derisking purpose and offer little added value versus investing in publicly listed private companies? Now, it may be that there is a more complex tranche structure underlying the design the federal government has in mind, but as of now these questions remain unanswered.

Conclusion

All this to say, it appears on its face that the Canada Strong Fund is a solution in search of a problem. The Government of Canada says it wants to invest along with the private sector in projects and companies that provide market returns. However, it hasn’t made the case for why the private sector couldn’t do all the heavy lifting itself. The CSF will also invest in handpicked Canadian companies in select sectors, clearly outlining an industrial policy by another name and stepping on the toes of existing federal funds. Then there is the retail aspect of the CSF, and the crowding out of the private sector through competing investment products. All told, the CSF seems to be headed down the same road as every other development fund that came before it, albeit an even more winding one.

Instead of borrowing to fund investments that the private sector could finance instead, the federal government may be better off directing its attention toward further reducing barriers to investment in Canada. For instance, the [Fall Economic Statement 2024](#) announced some progress toward unlocking pension investment in Canada, including a lower threshold for investing in municipal utilities and airports. Prior to Budget 2025, the federal government followed through on its commitment to significantly lower barriers to interprovincial trade, and many provinces did the same. And there is the “One Project, One Process” framework, whereby the federal government is working with its provincial counterparts to accelerate project assessment through the mutual recognition of environmental and other regulations. These are all steps in the right direction, and there is a lot more that can be done on these fronts without the distraction of a new, complicated development fund.