CANADA STRONG FUND

TECHNICAL BACKGROUNDER

Department of Finance Canada
Ministère des Finances Canada

Canada



Canada **Strong** Fund

Technical Backgrounder

1. Introduction

The government is launching Canada's first national sovereign wealth fund – the Canada Strong Fund (CSF). This new fund will strengthen Canada's economy, strengthen Canada's long-term financial position and benefit current and future generations of Canadians.

The world is undergoing a series of fundamental shifts, as the rules-based international order and the trading system that powered Canada's prosperity for decades are being reshaped. In this more fragmented and unpredictable world, Canada is acting decisively to protect its economic sovereignty, strengthen its strategic industries and position Canada for the decades ahead.

The government's plan to Build Canada Strong has established the roadmap to develop the major projects and companies that will drive Canada's future economy. As companies and other partners invest and succeed here, Canadians should also have a stake – so that everyone benefits. The CSF represents a new ownership opportunity for Canada and Canadians. By investing in key strategic Canadian projects and companies on a commercial basis, the fund will play a role in securing Canada's future and building wealth for Canadians for the long term.

This Technical Backgrounder articulates the mandate, activities, financial instruments and governance of the CSF at its inception.

2. Mandate and Approach

The Canada Strong Fund will invest in Canadian companies and projects on behalf of Canadians, giving Canadians a direct equity stake in Canada's growth agenda and allowing them to share in the returns of these investments. The CSF will ensure that all Canadians have the opportunity to participate in Canada's economic growth and long-term prosperity.

The CSF will have a domestic-only mandate and will:

- invest on a fully commercial basis alongside other private-sector investors;
- have the opportunity to purchase a minority ownership position in projects and companies that receive federal support, on private-sector terms;
- make other targeted investments in strategically important Canadian companies and projects; and
- operate at arm's length from government.

The long-term vision for the Fund is one of prudent investment and sustained returns for Canada and Canadians that will generate long-term national wealth.

The CSF will be distinct from existing federal financing Crown corporations or funding programs. The Fund will be focused on investing in Canadian projects and companies that will deliver long-term returns, acting

in a manner similar to a private sector investor. It will not overlap existing government initiatives that provide concessional financing or contribution funding for firms and projects in specific sectors.

2.1 Investment Strategy

The Canada Strong Fund will develop a pipeline of investible opportunities through two main streams.

Stream 1: Co-Investments

The CSF will work closely with the federal entities providing support to projects or companies to establish co-investment opportunities for the Fund. Federal support consists of concessional loans, equity investments or financial contributions (either repayable or non-repayable). Support can also be non-financial in nature, such as the support and coordination provided by the Major Projects Office (MPO). These pathways to co-investment will look slightly different for each individual circumstance. The provision of federal support – through another federal financing vehicle or the MPO – will normally include an opportunity for the CSF to make a minority co-investment on private-sector terms .

This approach will:

- ensure each investment opportunity is effectively vetted by commercial operators in their respective sectors/businesses;
- guarantee financial alignment with the key investors who are putting their own capital at risk; and
- leverage the management expertise of its lead capital providers.

Stream 2: Strategic Investments

Launching, growing and scaling Canadian domestic champions will drive economic growth and strengthen national sovereignty, while providing opportunities to grow the CSF's portfolio and generate long-term equity returns for Canadians. The CSF will also selectively make direct investments in high-potential companies and projects offering attractive long-term returns and supporting Canada's economic strength and resilience. Through strategic investments, the CSF will play a role in strengthening strategic sectors, localising essential technologies and knowledge, and catalysing competitive ecosystems that will fuel Canada's productivity and long-term wealth creation.

The CSF will be empowered to source and diligence Strategic Investment opportunities itself. For most Strategic Investments, the CSF will continue to invest alongside other investors on commercial terms. On certain occasions, the CSF may make a Strategic Investment on its own, if a particular investment meets the CSF's risk-adjusted return expectations and there is a compelling case for significant economic benefits to the country. All investments should be on commercial terms, targeting market risk-adjusted return expectations.

Stream 1 Example: Major Projects Office Project



A hydroelectric generation and transmission project referred to MPO has received a recommendation to be included on the project list.

As part of MPO's regulatory review process, it works with the project proponent to secure an opportunity for the CSF to participate in financing this project. The CSF determines that this opportunity meets its risk-adjusted return targets, and it offers structured financing to the proponent (e.g., a long-term loan that has the option to convert to equity) along the same terms as its principal investor. This structure will allow the CSF to participate in the funding of a major project that converts to equity once the project enters into service.

Stream 1 Example: Strategic Response Fund Contribution



A semiconductor company has applied for contribution support through the Strategic Response Fund (SRF) to expand its operations and bring a new graphics processing unit to market, helping it compete globally.

The CSF will have the opportunity to take a minority stake in this company at the same time and on the same terms as new investors providing funding. As the company scales up to become a global supplier of highly specialised processors, the CSF and Canadians will share in the gains of this ownership.

Stream 1 Example: Canada Infrastructure Bank Loan



The Canada Infrastructure Bank (CIB) advances a concessional loan to enable road and power infrastructure to be built so a mining company developing a critical mineral project can reach a final investment decision.

As part of the CIB's financial offering, it provides the opportunity for the CSF to make an equity investment based on terms set by the lead investor.

Stream 2 Example: Direct Investment



The government's recent strategic investment in Cohere provides an example of the type of investment that could be undertaken by the Fund once established. The government has committed to invest in Cohere's Series E equity round on a commercial basis alongside private investors, taking a stake in a Canadian artificial intelligence company. This investment will help Cohere scale and compete globally, expand its computing infrastructure and Canadian workforce, and maintain its headquarters in Canada.

Under a similar future scenario, the Fund would conduct its own due diligence and could invest alongside private sector investors on commercial terms, taking a minority equity position in a company. Such an investment could help anchor and scale a strategically important Canadian

company while enabling Canadians to participate in the financial returns generated by its growth.

2.2 Range of Investment Instruments

The primary instruments for the Canada Strong Fund's investment, both for Co-Investments and Strategic Investments, will be:

- common and preferred shares: the CSF will be a shareholder with substantially the same rights and exposed to the same upside and downside as the lead private investor in the company or project;
- trust or partnership equity instruments: the CSF will invest at substantially equal terms with the other lead private investors; and
- structured products: the CSF will pursue hybrid debt/equity investments in select cases where the lead private sector investor is providing capital in this manner.

The Canada Strong Fund will have the flexibility to invest across the capital structure on the same basis with a lead private investor where present.

Non-Controlling Interest

In making Co-Investments and Strategic Investments, the CSF will focus on generating long-term returns for Canadians. Through those investments, the CSF will participate on a minority basis and will not assume a controlling share of any project or company.

3. Capitalisation

The capital base for the Canada Strong Fund will be sourced and established through the following channels:

- initial capital commitment from the federal government of $25 billion that is advanced from the Consolidated Revenue Fund
- pooled capital from the cash proceeds of retail investment product (see Section 4); and
- capital from the proceeds of the monetisation of government assets or the transfer of ownership shares from existing commercial government assets.

Over time, the CSF may reinvest a portion of net proceeds into additional CSF investments.

Federal Asset Monetisation

The Government of Canada currently has assets that could be commercialised.

For example, Canada's airports are gateways to the world and critical economic infrastructure that connect Canadians, support trade and tourism, provide national and regional connectivity, and help businesses reach new markets. The government will tender operating concession contracts for Canada's largest airports, which will drive greater investment into these important assets. As has happened in other countries, the operating concessions will attract private investors with experience operating large, fast-growing airports. These successful, experienced investors will help Canada's largest airports grow and achieve greater operating efficiencies. These contracts will preserve affordability and yield fiscal dividends for Canadians while retaining federal ownership of airport land and assets.

The Canada Strong Fund may participate in each consortium as a passive shareholder with a minority equity stake, ensuring that Canadians financially benefit from the growth and efficiency gains. It also may receive a share of the capital from the proceeds of contracts in order to reinvest into new Canadian projects or companies, growing the invested capital base across the economy.

4. Retail Investment Product

The Canada Strong Fund will be unique among sovereign wealth funds in providing Canadians the opportunity to benefit directly from its activities through a retail investment product. Through this product, Canadians can get direct exposure to assets such as infrastructure or venture capital widely utilised by institutional investors such as pension funds, and can invest some of their savings to directly support Canada's growth and resilience agenda, if they choose.

The government plans to offer a CSF-linked principal protected note (PPN) that would have the same features set out in the *Spring Economic Update 2026:*

- *accessibility and simplicity*: Canadians will be able to easily purchase, hold, and redeem a CSF investment product;
- *principal protection*: the investment product will provide downside protection ensuring that investors' principal is protected; and
- *upside participation*: as the CSF succeeds, investors will be able to share in the upside.

Canadians would be able to purchase this product through participating financial institutions.

The product would have defined maturities (e.g., five years, seven years, ten years) and a base coupon rate. Investors would be guaranteed that the principal of their investment remains protected at maturity, and receive higher returns subject to the performance of the CSF. As the CSF earns positive investment returns, investors will receive a share of those returns through periodic interest payments and an enhanced value at maturity.

The CSF will work with the financial sector to develop key design features of the retail product that are important to Canadians, such as distribution channels and redemption rights, with a view to launching the product in early 2027.

Example – Canada Strong Notes

Beverly invests $5,000 in a 10-year Canada Strong Note through her financial institution in order to save for her grandson Eric's post-secondary education.

The Canada Strong Note provides annual coupon payments to Beverly. Beverly takes comfort in knowing that, over the 10-year period, no matter the performance of the CSF, her initial $5,000 investment will be protected. In addition, she will receive returns linked to the performance of the Canada Strong Fund.

Before investing, Beverly reviews the product's features, including how returns are calculated, when payments may be made, and any conditions related to early redemption. Beverly can discuss any questions she may have about the Canada Strong Note with an advisor at a participating financial institution.

5. Governance

The Canada Strong Fund will operate at arms-length from government. Independence and professional management will ensure the Fund can make long-term, financially sound investment decisions as a fiduciary to its investors. This governance structure strengthens transparency, credibility, and long-term performance.

5.1 Implementation

The government will work to establish the CSF as a freestanding Crown corporation through legislation within its first year of operations.

In the interim period before this legislation is in force, the CSF will be incorporated as a wholly-owned subsidiary of the Canada Development Investment Corporation (CDEV), providing the CSF with immediate legal existence.

From the date of incorporation, the CSF will operate under its own dedicated Board of Directors and its own Chief Executive Officer. The CSF will have authority to hire and manage its own staff and build out its investment team from the date of incorporation. The CSF Board will be responsible for setting compensation for CSF employees to ensure the CSF can attract and retain the talent needed to deliver on its mandate.

To ensure arms-length, professional management, the Board of Directors will be established with seven board directors including the CSF CEO, the Deputy Minister of the Department of Finance Canada, and five Independent Directors with relevant private sector investment or corporate expertise. One of the Independent Directors will serve as Board Chair.

5.2 Alignment of CSF and the Other Federal Entities

The Canada Strong Fund joins a federal ecosystem of Crown corporations dedicated to investing in promising companies and projects through financing solutions. The government believes that for each of these federal financing vehicles to have a maximum impact, they must have clear, focused mandates. Working together in a coordinated way, with each entity playing its role, will maximally enable private sector capital to be unlocked to finance Canada’s growth and resilience.

As set out in Budget 2026, the government conducted a mandate review of federal financing Crown corporations. The CSF will be distinct from existing federal financing Crown corporations or funding programs, as it will not overlap with existing government initiatives that provide concessional financing or contribution funding. As outlined in 2.1, the CSF will have the opportunity, but not the obligation, to invest

on commercial terms in eligible projects and companies in which these entities invest. For CSF investments, existing entities such as the Canada Infrastructure Bank or the Canada Growth Fund could be leveraged to provide concessional financing support, unlocking capital from the CSF and other private sector investors to invest on commercial terms.

5.3 Public Reporting, Transparency, and Accountability

The government will establish a market-leading reporting framework for the Canada Strong Fund that will ensure public transparency and accountability regarding investment policies, deal selection, retail investor protection, and performance evaluation of the CSF against its mandate.

The government will report on the performance of the CSF through quarterly and annual reports published on the CSF's website and will table an annual report in Parliament. These reports will meet the highest standards of disclosure for public investment funds, ensuring transparency and accountability to Canadians.

5.4 Performance Evaluation

The Canada Strong Fund will ultimately be measured by the amount of wealth it creates for Canadians, both for taxpayers and those who choose to make direct investments.

The CSF will benchmark its performance against private sector comparators.

The performance of the CSF will determine the upside value retail investors receive on their initial investment as well as the timing and size of distributions. The government will develop the mechanism to track the value of the CSF and the distribution and redemption policies through targeted consultations.

The CSF will actively monitor the performance of its investments, ensuring responsiveness to changing market and operating conditions, and accountability for results against the CSF's mandate. This monitoring will include:

- operational oversight: execution of projects and implementation of corporate plans as per terms agreed to with investment partners, for the achievement of economic benefits;
- financial oversight: responsible management of financial risks and realisation of expected returns; and
- strategic oversight: an ongoing relationship with investment partners to mitigate risks such as the change of control of partner investors or a decision by partner investors to divest some, or all, of a project.