

Canadian-domiciled private market funds: structural advantages for Canadian investors

Canadian investors seeking private market exposure have, at times, faced a difficult choice: accept the tax and reporting complexity of US or offshore structures, or forgo access altogether. It is only quite recently that Canadian-domiciled feeder structures into US domiciled funds have become an alternative. It is important for advisors and investors to understand how domicile — the country where a fund is established — directly affects after-tax outcomes, estate exposure and reporting requirements. Understanding these differences helps with evaluating efficiency and long-term suitability.

Summary comparison of tax considerations for Canadian and foreign fund structures

Canadian-domiciled funds typically offer more efficient tax outcomes, reduced administrative complexity and simpler estate planning, compared to US or offshore structures.

	Canadian-domiciled fund	US/offshore domiciled fund
Withholding tax	One layer of withholding on foreign income; more efficient flow-through.	Possibility of two layers — at international (non-US) source and again in Canada — reducing after-tax returns.
US estate tax exposure	No US estate tax for Canadian residents.	Possible exposure to US estate tax on US-domiciled assets.
Income character	Retains Canadian treatment (capital gains, eligible dividends).	Often recharacterized as higher-taxed foreign income, which is less favourable than capital gains or Canadian dividends
Reporting and currency	Canadian T-slips, CAD-denominated reporting, straightforward tax compliance.	Dual filings, possibility of mismatched year-ends, foreign currency adjustments and foreign asset reporting requirements.
Registered plan eligibility	Eligible for RRSPs, RRIFs and TFSAs.	Ineligible — foreign funds are generally not considered “qualified investments” under CRA rules.



Availability of private market solutions in Canada

In the past, Canadian investors have had limited access to private market opportunities through domestic structures, as most global funds were designed for US investors. While this has evolved in recent years, important operational differences remain between Canadian- and US-domiciled structures.

Operational and portfolio integration benefits

When compared to US or offshore domiciled structures, Canadian-domiciled private market funds offer practical advantages for both advisors and investors:

- **Simplified implementation:** no foreign filings or cross-border administrative requirements; open-ended trust format.
- **Seamless portfolio integration:** compatible with discretionary and registered accounts.
- **Canadian reporting and regulation:** statements in Canadian dollars, Canadian GAAP accounting and CRA-compliant tax slips.

These features make it easier to incorporate private markets into client portfolios while reducing administrative complexity and cross-border risk.

Understanding Canadian feeder structures into US-domiciled funds

Many leading US managers now offer Canadian feeder vehicles that invest into US master funds. These structures can mitigate some of the challenges traditionally associated with offshore or US-based fund structures, as outlined above, by allowing Canadian investors to participate in global strategies while retaining compliance with Canadian reporting and withholding standards.

However, investors should understand that these feeder structures can differ meaningfully from fully Canadian-domiciled funds and come with their own operational trade-offs:

- **NAV timeliness:** because these vehicles typically rely on the master fund's valuation cycle, there can often be wider gaps in reporting and NAV strikes between the US and Canadian master-feeder funds compared to when both are within Canada, affecting client experience and liquidity expectations.
- **Fee structure rigidity:** channel exclusivity agreements often govern management and performance fee schedules. These agreements generally come with significantly higher AUM thresholds for US master funds, increasing risk potential of not meeting those criteria. If AUM thresholds are not met, fees can revert to less favourable tiers, affecting long-term investor economics and competitive positioning versus fully Canadian-domiciled funds, where thresholds may be less aggressively set.
- **Operational dependency:** Fund administration, cash movements and audit timelines are still tied to the master fund's infrastructure. Many US funds may include multiple offshore vehicles, which could behave differently than the master fund. These differences may add complexity and limit flexibility for Canadian distributors and advisors compared to locally managed structures.

In short, while Canadian feeders have narrowed the practical gap with fully domestic structures, Canadian-domiciled vehicles remain superior in ease of integration, regulatory alignment and operational predictability. They also provide added assurance through their legal structure. These funds are typically established as provincially-based partnerships or trusts and reviewed by Canadian legal, tax and accounting professionals. While Canadian-based feeder funds that invest in foreign master vehicles — in Luxembourg or the Cayman Islands, for example — may at times achieve similar financial results, fully Canadian-domiciled funds offer greater confidence through Canadian oversight, familiar documentation and the reputational comfort of a structure formed and governed in Canada.



Mackenzie Northleaf private markets platform

Mackenzie Investments works in strategic partnership with Northleaf Capital Partners, one of Canada's leading private markets managers with over 20 years of experience and approximately \$33 billion in assets under management. Through this strategic relationship, Mackenzie has expanded access for Canadian investors by offering Canadian-domiciled solutions that simplify the tax and reporting requirements of long-term, illiquid private investments.

The platform offers Canadian investors access to domestically managed:

- **Global private equity:** mid-market private companies offering growth and value creation opportunities beyond what's available in large-cap private equity and public markets.
- **Private credit:** senior secured mid-market loans offering historically attractive risk-adjusted returns with floating-rate protection.
- **Private infrastructure:** a mid-market OECD infrastructure portfolio designed to seek stable, inflation-linked cash flows from essential assets.

Additionally, the platform includes a multi-asset private markets fund — an integrated, single-ticket solution providing access to all three asset classes — along with a prospectus-based private credit interval fund. Together, these offerings deliver institutional-quality access through Canadian structures designed for efficiency, transparency and ease of integration.

Canadian structure.
Global reach.
Institutional expertise.

Key takeaways

Structure drives outcomes: fund domicile influences tax efficiency and reporting simplicity.

Canadian access, simplified: Mackenzie's suite provides institutional-quality private markets through domestic structures.

Integration made easier: open-ended, CAD-based funds fit seamlessly into portfolios.

Built for Canadian investors: global private markets expertise delivered through local solutions.

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