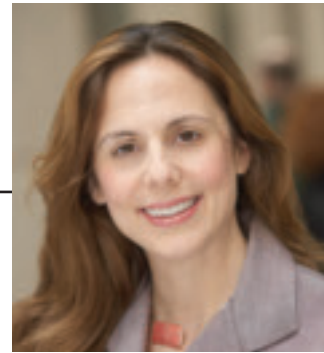


# The Alpha Generation

Risk management grows up.



EDITORIAL

Risk just isn't what it used to be. It's not like the risks have gone away—it's that the approaches to managing them have had to change with the times. When *Canadian Investment Review* set the agenda for its first ever Risk Management Conference, asset allocation was front and centre. Back then, it was all about double-digit performance and plan sponsors were anxious to find ways to manage fat returns and introduce contribution holidays. A lot has changed since those heady days of high returns. For one thing, markets have slid their way down a slippery slope. And, of course, plan sponsors have discovered a whole new world—it's called alpha.

The advent of alpha-generating investments has led to a revolution in risk management. Hedge funds, infrastructure investments, and other such strategies have helped pension funds generate returns, but they also require a different approach when it comes to managing risk at the total fund level. As plan sponsors look to include new sources of alpha in their portfolios, new strategies are cropping up to help ensure they are able to meet their liabilities down the road.

This issue of *Canadian Investment Review* reflects the changes that have taken hold of the industry, starting

with an article by Horace "Woody" Brock. As they keynote speaker at this year's Risk Management Conference, Dr. Brock takes apart the notion of market risk, reconceptualizing it to include the impact of investor beliefs on the way markets move. If you think markets are efficient, then Brock's article might challenge your beliefs.

The conference coverage that follows reflects the major changes underway in risk management today, from liability-driven investing to hedge funds to new ways to use fixed income. Whether or not these strategies will be around for the long-term depends on the risks plan sponsors face in the future and the kinds of tools they require to help them manage those risks. Whatever the case, this magazine will continue to strive to stay ahead of the curve. And when it comes to risk management today, it's never been more important to keep focused on the future. ■

—Caroline Cakebread

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