

Leaving Home?

Without the FPR, many appear to be shifting out of Canadian equities...

EDITORIAL



Many in the industry said it wouldn't happen—at least not right away. Early last year, when former finance minister Ralph Goodale did away with the dreaded foreign property rule, most believed that Canadian institutional investors would take their time before going global. However, according to new data, they appear to be moving into global asset classes much faster than anyone anticipated. The Canadian Pension Fund Directory's most recent Business Activity Report shows that new mandates awarded in Canada in 2005 reflect an unmistakable boost in global assets compared to data for the same period in 2004.

At the same time, there's a drop in Canadian equities—and a pretty big drop at that. When it comes to active mandates, the value of new mandates being awarded to Canadian equities dropped to \$1,328 billion in fall 2005 from \$3,446 billion for fall 2004—a whopping \$2,118 billion difference.

During the same time period, substantial gains were made in active mandates in global areas such as EAFE and emerging markets. Notably, active global equity mandates surged to \$1,269.2 billion in fall 2005 from just \$510.2 million in fall 2004. We look at the data a bit more closely later on in this issue (see "Mass Exodus?") but at a glance these numbers show a picture of Canadian investors looking very clearly beyond the border for new opportunities

after the elimination of the 30% cap.

One thing is becoming certain: Canadian plan sponsors are broadening their horizons in the search for better returns. In this issue of *Canadian Investment Review*, we have new research to help you navigate these new areas both domestic and abroad. John Ilkiw takes a look back at the history of options while Lawrence Kryzanowski et al. bring groundbreaking new research on TSX-listed income trusts in "The True Costs of Income Trusts." In "Seize the Momentum of Global Equity Industries," we take global equities beyond borders to examine the role industry plays in international performance. Finally, with coverage of the 2005 Alternative Investment Conference in "Alternative Worlds" we have our eye on the horizon, keeping you one step ahead of the trends.

On a final note, it is my pleasure to return to *Canadian Investment Review* as editor, working to bring you the latest research and data as you strive to make informed decisions in challenging times. ■ —Caroline Cakebread

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