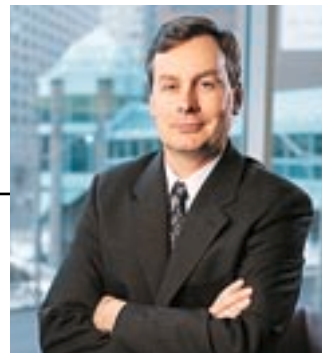


Seeking clarity

On turning stumbling blocks into building stones.



EDITORIAL

I've heard lately from several pension plan sponsors who say they are looking for ideas on how to better manage the increasing complexity of pension funds. Plan sponsors are not alone in the predicament of dealing with complexity: Whose job is getting simpler these days? However, factors such as the bear market and innovations in investment products have created new challenges for sponsors. So it's understandable they have questions: Where do I look for positive returns in the current market environment? How are the risks of the plan shared? How do I explain alternative investments to my trustees?

These are good questions. And many are wondering where to turn for assistance. Obviously, money managers and other service providers can help, as can industry events such as conferences. But, research can also play a role in managing complexity and finding clarity. It can bring new ideas and tools to the table, diagnose challenges, anticipate trends and offer solutions.

Good research can also challenge the status quo. An example of this is the cover story for this edition of *Canadian Investment Review*, the paper that earned the 2003 Barclays Global Investors Canada Research Award. The paper, "Incentive Fees, Valuation and Performance of Labour Sponsored Investment Funds," was co-authored by Scott Anderson, associate professor of finance at the

School of Business Management at Ryerson University in Toronto, and Yisong Tian, associate professor of finance at the Schulich School of Business at York University.

The paper studies manager compensation and performance of labour sponsored funds in Canada. Their findings present a frank challenge to this branch of the investment industry (see page 20). Not surprisingly, Anderson's and Tian's paper attracted a great deal of attention when the prize was awarded.

"The paper suggests that contract terms matter," says Anderson. "The more often you calculate fees, the more expensive they are when all other factors are equal. For institutional investors, this means the nuts and bolts of the contract are worth paying attention to."

The third annual Barclays paper was chosen by an independent and impartial panel of judges selected by *Canadian Investment Review*. We offer our congratulations to Anderson and Tian.

It has been said that research serves to turn stumbling blocks into building stones. To that end, we hope all the research published here helps plan sponsors and other participants in the capital markets find clarity within complexity. ■

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