

# CANADA AT THE CROSSROADS

"Canada is at a critical junction of its development," say Roger Martin, Dean, Rotman School of Business at The University of Toronto, and Michael Porter, Bishop William Lawrence University Professor at Harvard Business School.

In their recent study, *Canadian Competitiveness: A Decade After the Crossroads*, Martin and Porter point out that while major strides have been taken over the past 10 years to improve Canada's economic outlook, Canada is once again at a crucial turning point. "Canada has enjoyed a spectacular macroeconomic turnaround since 1991," they tell us. Using their 1991 study, *Canada at the Crossroads* as a starting point, they note that since that time, the debt has been substantially reduced from the worst of all the G7 nations at 6.6% to an impressive surplus of 0.9%. "Canada has also become more export-oriented with exports as a share of the GDP increasing from 25.2% in 1989 to 43.2% in 1999, the highest share among G7 countries."

However they caution that "Canada took the lesser path from the crossroads in 1991. There has not been a clear and relentless focus on upgrading productivity and pursuing global competitiveness." In particular, they point out problematic gaps in the microeconomic structure of the Canadian business environment: "The new, more fundamental challenge is to improve Canada's microeconomic business environment and upgrade the strategies and operations of its companies."

For more information, you can find a copy of the full report at [www.rotman.utoronto.ca/research/competitive.htm](http://www.rotman.utoronto.ca/research/competitive.htm)



## WINNERS OF BARCLAYS GLOBAL INVESTORS CANADA AWARD

**B**arclays Global Investors Canada, together with *Canadian Investment Review*, are pleased to announce the winners of the first annual Barclays Global Investors Canada Research Award for excellence in Canadian capital markets research.

Lawrence Kryzanowski, Ned Goodman Chair in Investment Finance, Concordia University, and Jocelyne Ménard, Senior Analyst, TD Bank Risk Management Group, have won this year's prize for their paper,

"Migration Behaviour of Long-Term Bond Ratings of Canadian Corporate Issuers."

A version of the winning paper will be published in the Fall 2001 edition of *Canadian Investment Review*.

Submissions for next year's award must be received by Feb. 1, 2002. For further information, go to *Canadian Investment Review's* Web site, [www.investmentreview.com](http://www.investmentreview.com). Or contact the editor, Caroline Cakebread at [ccakebread@rmpublishing.com](mailto:ccakebread@rmpublishing.com), tel. (416) 596-5400.

## Wealth of world's high net worth individuals rose 6% in 2000, report shows

Despite drops in most of the world's equity markets, the wealth of high net worth individuals around the world rose 6% to US\$27 trillion in 2000. A report released by Merrill Lynch and Cap Gemini Ernst & Young reveals that the number of high wealth individuals worldwide grew 2.9%, or by 180,000 individuals, to almost 7.2 million people last year.

High net worth individuals (HNWIs) are defined as those people with investable assets of at least US\$1million, excluding real estate.

Here in Canada, the number of HNWIs rose nearly 3% to an estimated 177,000 people at the end of last year. The report attributes this rise to the 4.2% increase in the value of Canadian markets – in 2000, it was the fourth best performing market in the world. Asia, including Japan, was the only region to report a drop in wealth.

### GROWTH IN HIGH NET WORTH WEALTH BY REGION

region	rise since 1999	rise since 1986	market share
Africa	steady	166%	1.9%
Asia	- 9%	600%	18.2%
Europe	7.5%	440%	26.8%
Latin America	6.5%	275%	12.3%
Middle East	18%	216%	4.8%
North America	9%	313%	32.7%

Firm nets **32.71%** annual return on own investment  
in strategy designed to take advantage of market inefficiencies

PanAgora Asset Management, Inc. recently announced the launch of a proprietary investment strategy that seeks to produce results which are independent of movements in the equity markets. The PanAgora Structured Market Neutral Strategy has been engineered to have low volatility in a broad range of economic and market conditions. After thoroughly researching market patterns that lead to the creation of this strategy, PanAgora invested its own capital in December of 1999, generating a net return of 32.71% for the year 2000. Features include its unique source of alpha, its lack of style bias and its low correlation with the returns of other market neutral strategies. It is suggested that this strategy will be attractive in light of the stock market's current downward trend.