

# MASS Exodus?

New research shows Canadian money flowing into global mandates...

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When the Department of Finance put an end to the Foreign Property Rule in early 2005, many in the industry didn't think plan sponsors would move their money out of Canada anytime soon. However, recent research done by the Canadian Pension Fund (CPF) Investment Directory shows that, when it comes to new mandates awarded between fall 2004 and fall 2005, Canadian investors have moved away from domestic standbys such as equities and bonds and poured money into global products such as EAFE. The research is contained in the CPF's most recent Business Activity Report, which looks at the new mandates and types of mandates being awarded in Canada. It is based on a survey of 129 money managers with business activities in Canada. They cover the spectrum of institutional asset management, representing 75% of the market, with \$1,777,871.4 million in assets under management.

This table, which focuses on active mandates, shows just how swift the turn from Canadian equities to global assets has been, particularly when compared with the same period in 2004, before the elimination of the Foreign Property Rule. Between 2004 and 2005, actively managed mandates have seen a good deal of growth in global equity (up to \$1,269.2 billion from \$510.2 million) and in relatively "new" areas such as EAFE, emerging markets, real return bonds, and managed futures. Meanwhile other management types have decreased. In particular, there has been a steep drop in the area of Canadian equity, which sank

from just under \$3.5 billion in 2004 to just over \$1.3 billion in 2005—a major drop of more than \$2 billion. Still another trend that can be noted from Table 1 is the large growth in the "Other" category between 2004 and 2005. According to this survey, \$2,003.0 million, or nearly half, of "Other" mandates relate to currencies and currency management. Again, currency is playing a major role as Canadian investors look abroad for new investment opportunities. ■

**TABLE 1: MANDATES BY MANAGEMENT TYPE AND ACTIVE MANAGEMENT STYLE, FALL 2004 – FALL 2005 COMPARISON**

	Fall 2005 ACTIVE		Fall 2004 ACTIVE		Difference	
	No.	Value in C\$ million	No.	Value in C\$ million	No.	Value in C\$ million
Cdn. Equity	43	\$1,328.1	78	\$3,446.1	-35	-\$2,118.0
U.S. Equity	22	1,134.4	30	2,647.4	-8	-1,513.0
EAFE Developed Markets	17	1,349.0	10	875.2	7	473.8
EAFE including Emerging Markets	16	1,997.8	15	1,602.3	1	395.5
Emerging Markets	6	122.7	3	102.5	3	20.2
Global Equity	24	1,269.2	28	510.2	-4	759.0
Cdn. Bonds	52	2,565.0	66	5,157.2	-14	-2,592.2
Int'l Bonds	2	0.6	1	5.0	1	-4.4
Corporate/High Yield Bonds	2	242.8	5	157.5	-3	85.3
Real Return Bonds	4	26.6	0	0.0	4	26.6
Cash/Short Term	30	491.9	48	575.8	-18	-83.9
GIC	0	0.0	0	0.0	0	0.0
Hedge Funds	6	187.6	9	333.2	-3	-145.6
Managed Futures	1	0.3	0	0.0	1	0.3
Real Estate	4	212.8	18	538.9	-14	-326.1
Mortgages	1	46.9	2	110.9	-1	-64.0
Private Equity	2	3.8	2	130.0	0	-126.2
Private Placement	0	0.0	0	0.0	0	0.0
Venture Capital	0	0.0	0	0.0	0	0.0
Domestic Balanced	32	568.1	21	605.6	11	-37.5
Global Balanced	52	1,242.4	90	1,296.8	-38	-54.4
Other	358	2,978.7	213	940.7	145	2,038.0
<b>Total</b>	<b>674</b>	<b>\$15,768.7</b>	<b>639</b>	<b>\$19,035.2</b>	<b>35</b>	<b>-\$3,266.6</b>