

IN SICKNESS AND IN WEALTH

Volatile markets have taken their toll on the **Top 40 Money Managers** of 2008. But they recognize that this crisis, too, will pass.

BY CAROLINE CAKEBREAD



This *Top 40 Money Managers Report* is looking a little off-colour, as ailing markets and the resulting roller-coaster ride of volatility have spread to the money management industry as well. As the markets continue to move up and down, only one thing is certain: never before have we seen so much red in the Top 40 list.

Since 1977, the year we first ran this report, we've tracked the industry through a recession, a burst tech bubble and a massive coordinated terrorist attack that hit at the core of global financial markets. Just when we thought we'd seen and weathered it all, 2008 has brought seismic shifts to the pension industry in Canada, and to the money managers at its heart.

As the credit crunch spreads, giant financial institutions evaporate and governments struggle to intervene effectively, the spectre of a global recession is looming. And all of this has had a tremendous impact on the money management industry in Canada.

Total pension assets under management on the 2008 Top 40 list have shrunk for the first time ever, down 4.1% overall. And while this report is admittedly a snapshot of the industry taken at an unflattering time when volatile markets were down, this year's Top 40 managers agree that these are tough times—and they're going to stay tough. Plan sponsors and money managers alike are holding their breath, waiting to see what surprises the markets have in store for them.

But thankfully, no one is panicking. Instead, the report finds Canadian money managers working hard to communicate with clients, assessing the situation as it unfolds and learning some hard lessons from what they all agree is an unprecedented time in the global financial markets.

Ups and Downs

To see just how low some of these numbers are, let's compare them to the results in 2001—the worst year in the history of *Benefits Canada's Top 40 Money Managers* report. Back then, as the tech bubble continued to burst and the industry felt the severe impact of the 9/11 terrorist attacks, the report showed a large drop in the growth of pension assets. While the heady days of 2000 had resulted in a major jump of 17.3% year over year, 2001 saw that number shrink to just 2.9% growth.

That was a bad year—but this one is worse. Pension assets under management have dipped overall, with a -4.1% showing. All told, only 17 of the managers on our list clocked any growth at all. In total, 23

managers experienced losses, outstripping the 19 managers that saw their Canadian pension assets shrink in the post-tech bubble, post-9/11 environment of 2001.

Those losses didn't make a huge dent in the top 10 (note that the Caisse de dépôt et placement du Québec and Bimcor were removed from the list for other reasons unrelated to market conditions). Barclays Global Investors Canada Ltd. took the top spot, with \$51.6 billion in Canadian pension assets under management and a small gain of 0.1%. In the No. 2 spot, TD Asset Management showed assets under management of \$38.7 billion and a gain of 2.8%.

However, broad losses on the list also extended to the top 10 managers, with pension assets for five of them sliding south. One of the biggest gainers in 2007, global player AllianceBernstein Institutional Investments, experienced a 9.0% drop in the value of pension assets under management but still managed to move up to the No. 5 spot.

The market volatility had a severe impact on many of the Top 40, with managers of all types and strategies moving up and down. Alternative manager Northwater Capital Management Inc. (No. 36) saw a 32.8% dip in pension assets under management, while global manager Natcan Investment Management's (No. 31) assets fell by 31.8%.

The rare gainers included Addenda Capital Inc. (No. 9, up 22.6%), real estate manager Bentall (No. 16, up 13.2%) and CIBC Global Asset Management (No. 14, up 10.2%). GE Asset Management Canada Company appeared on the list this year (No. 38) with a gain of 1.7%.

Addenda Capital Inc. also led the fastest-growing list (by dollar amount), followed by Connor, Clark & Lunn Financial Group (No. 2) and Bentall (No. 3). Alternative managers Integra Capital Management Corp. (No. 8) and Integrated Asset Management Corp. (No. 9) also made it onto the fastest-growing list this year, boosting their assets by \$982.8 million and \$950.0 million, respectively.

Steady As She Goes

So how are managers reacting in these unprecedented times? Michael Barnett, executive vice-president, institutional retirement services, with Fidelity Investments Canada ULC (No. 20) in Toronto, says things haven't changed all that much on the business side. "We've got a busy October ahead of us," he says, noting that plan sponsors are still pressing

ahead with their investment plans and decisions for the year. "These are challenging times for everyone but what we've seen is, if plan sponsors made decisions, they are moving forward with them. You just can't freeze," he explains, adding that he expects to see this activity continue.

Brendan George, senior vice-president with Aon Consulting in Vancouver, agrees that plan sponsors are holding steady to see what happens. "Almost all are staying the course," he says. "They feel it's a short-term thing, although it will take awhile to recover. As a result, they are avoiding knee-jerk reactions." At any rate, trying to get out of equities now would be a mistake, he says. "It's too late."

Malcolm Hamilton, worldwide partner with Mercer in Toronto, shares that sentiment. "You have to worry and be concerned, but there's not a lot you can do," he says. "It's late in the game to be doing significant

repositioning, so people are going to have to cross their fingers and try to ride it out."

Duncan Webster, chief investment officer and head of CIBC Global Asset Management, says that his firm is working hard to keep in touch with clients. "There has been an intensification of contact with clients to keep them informed. They're wondering what has changed structurally in the markets—that is a distinction from previous market episodes," he adds. Webster says his firm always looks closely at its portfolios from a liquidity standpoint. "We are giving them a good scrub," he explains. "We're ensuring that we have a good deal of liquidity in our portfolios, focusing on very high-quality credits in our bond portfolios and looking for solid-value stocks in our equity portfolios."

Neil Matheson, vice-president, economics and portfolio management, with Standard Life Investments Inc. (No. 17) in Montreal,

TOP 10 FASTEST GROWING \$

As of June 30, 2008

Company	Pension Assets (millions)		Variance \$
	2008	2007	
1 Addenda Capital Inc.	\$21,434.0	\$17,479.0	\$3,955.0
2 Connor, Clark & Lunn Financial Group	\$20,764.0	\$19,240.2	\$1,523.8
3 Bentall	\$11,461.0	\$10,128.0	\$1,333.0
4 CIBC Global Asset Management	\$13,543.0	\$12,288.9	\$1,254.1
5 Pictet Asset Management Ltd.	\$1,542.6	\$340.4	\$1,202.2
6 BlackRock	\$2,469.0	\$1,323.0	\$1,146.0
7 TD Asset Management Group	\$38,746.0	\$37,692.0	\$1,054.0
8 Integra Capital Management Corp.	\$4,126.1	\$3,143.3	\$982.8
9 Integrated Asset Management Corp.	\$3,000.0	\$2,050.0	\$950.0
10 PIMCO Canada Corp.	\$3,027.1	\$2,110.9	\$916.2

TOP 10 FASTEST GROWING %

As of June 30, 2008

Company	Pension Assets (millions)		Variance %
	2008	2007	
1 Baring Asset Management Inc.	\$220.8	\$34.0	550.3%
2 T. Rowe Price	\$371.2	\$76.0	388.4%
3 Pictet Asset Management Ltd.	\$1,542.6	\$340.4	353.2%
4 HSBC Global Asset Management (Canada) Ltd.	\$1,287.1	\$539.6	138.5%
5 AIG Investments	\$1,226.6	\$519.8	136.0%
6 Acuity Investment Management Inc.	\$1,375.8	\$697.4	97.3%
7 HIM Money, Inc.	\$270.0	\$144.6	86.7%
8 BlackRock	\$2,469.0	\$1,323.0	86.6%
9 Dimensional Fund Advisors	\$557.0	\$343.0	62.4%
10 Hillsdale Investment Management Inc.	\$382.0	\$248.0	54.0%

Source: Firms participating in *Benefits Canada's 2008 Top 40 Money Managers Survey*

TOP 5 FASTEST GROWING % LESS THAN \$1.0 BILLION

As of June 30, 2008

Company	Pension Assets (millions)		Variance %
	2008	2007	
1 Baring Asset Management Inc.	\$220.8	\$34.0	550.3%
2 T. Rowe Price	\$371.2	\$76.0	388.4%
3 HIM Money, Inc.	\$270.0	\$144.6	86.7%
4 Dimensional Fund Advisors	\$557.0	\$343.0	62.4%
5 Hillsdale Investment Management Inc.	\$382.0	\$248.0	54.0%

TOP 5 FASTEST GROWING % \$1.0 BILLION TO \$10.0 BILLION

As of June 30, 2008

Company	Pension Assets (millions)		Variance %
	2008	2007	
1 Pictet Asset Management Ltd.	\$1,542.6	\$340.4	353.2%
2 HSBC Global Asset Management (Canada) Ltd.	\$1,287.1	\$539.6	138.5%
3 AIG Investments	\$1,226.6	\$519.8	136.0%
4 Acuity Investment Management Inc.	\$1,375.8	\$697.4	97.3%
5 BlackRock	\$2,469.0	\$1,323.0	86.6%

TOP 5 FASTEST GROWING % GREATER THAN \$10.0 BILLION

As of June 30, 2008

Company	Pension Assets (millions)		Variance %
	2008	2007	
1 Addenda Capital Inc.	\$21,434.0	\$17,479.0	22.6%
2 Bentall	\$11,461.0	\$10,128.0	13.2%
3 CIBC Global Asset Management	\$13,543.0	\$12,288.9	10.2%
4 Connor, Clark & Lunn Financial Group	\$20,764.0	\$19,240.2	7.9%
5 Standard Life Investments Inc.	\$10,597.0	\$10,157.0	4.3%

Source: Firms participating in *Benefits Canada's 2008 Top 40 Money Managers Survey*

says his firm has been shifting assets in anticipation of the coming crisis. "We've been moving our clients more defensively over a period of 18 months," he adds, noting that Standard Life shifted to one of the lowest equity allocations among Canadian managers in favour of cash and bonds. It also made a move to reduce exposure to energy and materials, and reduced exposure to credit.

Stunning Times

Many believe that today's market events mark a new era in the money management industry, and all admit they've never seen anything quite like this in their careers. "Stunning is the word everyone is using," says Nereo Piticco, president and chief investment officer of PCJ Investment Counsel

(part of Connor, Clark & Lunn Financial Group) in Toronto. "Even decades-long veterans in the investment industry are using that word. And we're only starting to see the rising defaults," he says, adding that more will happen in the next six to 12 months.

Webster notes that the massive coordinated intervention on the part of central banks and governments is also unprecedented. "In previous times and in a normal cycle, you have some combination of monetary and standard fiscal policy," he explains. However, this time around is very different. "We are seeing a change, potentially in entire regimes, in terms of who owns capital. Government intervention is changing the rules of the game."

For his part, Hamilton believes that the

MONEY MANAGERS VIRTUAL ROUND TABLE

We brought together senior representatives from money management firms in a "virtual round table" to discuss the issues facing Canada's largest pension asset managers. Highlights of this dialogue are provided on the following pages. The full discussion is available online at www.benefitscanada.com/extras.

PARTICIPANTS

Roger Beauchemin, president and chief executive officer, McLean Budden
Benoît Durocher, vice-président exécutif et chef stratège économique, Addenda Capital

Peter Lindley, head of investments, State Street Global Advisors (Canada)

Rajiv Silgado, chief executive officer, Barclays Global Investors Canada

Perry Teperson, vice-president, Leith Wheeler

Rob Vanderhooff, chief investment officer, Greystone Managed Investments

Damon Williams, head of institutional portfolio management, Phillips, Hager & North

What impact has the credit crisis had, and what are the long-term implications?



Perry Teperson: The crisis has had a material impact on the funded positions of our industry's

largest clients, the defined benefit (DB) pension funds. It has also been a wake-up call that the worst-case expectations may be met.

Longer term, I expect to see less risk-taking in bond portfolios and more of an examination of the merits of alternative investments. People should also become more wary of the new alternative product that offers them higher returns with less risk. Hedge funds promised investors a smoother ride than equities, yet many hedge funds this year have blown up on bets that commodities would continue to rise.

**Rajiv Silgado:**

I agree that the funded positions of all DB pension funds have eroded significantly

over the last few months. This is going to lead to a serious rethink of how pension monies are invested today.

I believe that plans will start considering their liabilities much more carefully in the future, and will look to design and implement asset portfolios that correlate more closely with those liabilities. Canada's asset management industry will need to be ready to provide robust solutions that accomplish that while providing the required returns.

**Roger Beauchemin:**

The de-risking and de-leveraging that we have seen, and continue to see, has

been astonishing. The effect on pension assets has been severe, and central banks are still trying to put trust back in the financial system. Can it happen again? Yes, and it likely will, in time.

The long-term implications for the management of pension assets would likely include a fundamental focus on risk, far less tolerance for opacity, complexity and leverage, and a better appreciation of full market and business cycles. There will continue to be innovation, but there will also be a return to basics and fundamentals, a longer-term approach and discipline. And I agree with Rajiv that plan sponsors will likely place significantly more focus on the liability side of the ledger.

**Rob Vanderhoof:**

Certainly, the funded positions of DB plans have taken a hit—not only in terms of the

investment portfolios, but with respect to future returns as well.

But, equally significant, sponsors of defined contribution (DC) plans face perhaps their greatest communications and member education challenge. Members are looking for information on whether their investments have been caught up in the credit crunch and assurance that positive action is being taken.

Plans now understand that the

TOP 20 TOTAL ASSETS UNDER MANAGEMENT

As of June 30, 2008

Company	Assets (millions)	
	2008	2007
1 TD Asset Management Group	\$149,198.0	\$146,304.0
2 Barclays Global Investors Canada Ltd.	\$74,716.1	\$73,582.9
3 CI Financial	\$67,845.0	\$69,502.0
4 Phillips, Hager & North Investment Management Ltd.	\$67,277.2	\$67,509.3
5 CIBC Global Asset Management	\$65,442.0	\$63,379.2
6 MFC Global Investment Management	\$56,816.3	\$98,457.0
7 Fidelity Investments Canada ULC	\$53,398.0	\$50,059.9
8 Jarislowsky, Fraser Ltd.	\$47,791.0	\$54,175.0
9 AGF Management Ltd.	\$45,110.9	\$49,051.0
10 AllianceBernstein Institutional Investments	\$42,782.0	\$44,233.0
11 Invesco Trimark	\$40,190.0	\$52,182.0
12 Addenda Capital Inc.	\$39,323.0	\$27,776.0
13 State Street Global Advisors Ltd.	\$39,024.8	\$41,779.5
14 McLean Budden Ltd.	\$37,925.0	\$40,588.0
15 Connor, Clark & Lunn Financial Group	\$36,469.3	\$34,745.8
16 Jones Heward Investment Counsel Inc.	\$34,911.3	\$33,565.1
17 Industrial Alliance Group	\$33,727.4	\$32,218.0
18 Greystone Managed Investments Inc.	\$33,116.3	\$31,736.0
19 Standard Life Investments Inc.	\$27,852.2	\$27,777.0
20 Scotia Cassels Investment Counsel Ltd.	\$27,176.0	\$25,302.0
Top 20 Total	\$1,020,091.7	
Money Management Industry Total: 2008	\$1,654,496.5	
Money Management Industry Total: 2007	\$1,689,528.4	
Variance %	-2.1%	

Source: Firms participating in Benefits Canada's 2008 Top 40 Money Managers Survey

current level of government intervention represents the biggest test of monetary policy since the Depression. "There has never been a depression in my lifetime," he notes. "However, the official view is that the bankers and governments made mistakes in the late 1920s and early 1930s that exacerbated the downturn and turned it into a depression." According to Hamilton, economists generally believe that policy-makers learned a lesson from their inaction during that time.

Today's economic situation is providing governments with an opportunity to prove that they can do better this time around. This is the "thing that nags," says Hamilton. "They won't make the same mistake, that's true. But with all the debt lying around, it's hard not to make a mistake. I think there's a risk you could inadvertently stumble into the thing you were trying to avoid."

Indeed, says Hamilton, governments have already done a lot—but to no avail. "If you make a list of everything the government can throw at this, it's just about all been done. Interest rate cuts, tax cutting, bigger

deficits...we're getting near the end of the list, and nothing has really worked." As U.S. consumers tighten their belts and the psychology of despair spreads across world economies, things could get a lot worse. "The American consumer has been the wonder of our time," says Hamilton. But now, without consumer spending power fuelling global growth, it's tough to say when things will get better.

Is there any light on the horizon, or are we in for a long haul?

Harold Scheer, president and chief investment officer with Baker Gilmore & Associates (part of Connor, Clark & Lunn Financial Group) in Montreal, says it's going to take some time for conditions to improve. "The buildup in excess leverage before was so extreme. We're working through all this de-leveraging, and banks are afraid to lend to other banks. It will take time. The U.S. consumer has to rebuild their savings—70% of the U.S. economy was based on consumption, so it's going

CONT'D ON PAGE 25

TOP 40 MONEY MANAGERS

Canadian assets (millions) under management as of June 30, 2008

▲▼ indicates an increase or decrease in variance from 2007 to 2008.

1 Barclays Global Investors Canada Ltd.
Rank 2007: 2 ▲ 0.1%
Total Pension Assets 2008: \$51,639.8
Total Pension Assets 2007: \$51,611.0
Total Assets 2008: \$74,716.1

2 TD Asset Management Group
Rank 2007: 3 ▲ 2.8%
Total Pension Assets 2008: \$38,746.0
Total Pension Assets 2007: \$37,692.0
Total Assets 2008: \$149,198.0

3 Phillips, Hager & North Investment Management Ltd.
Rank 2007: 4 ▼ 6.1%
Total Pension Assets 2008: \$33,894.4
Total Pension Assets 2007: \$36,091.1
Total Assets 2008: \$67,277.2

4 State Street Global Advisors Ltd.
Rank 2007: 5 ▼ 5.4%
Total Pension Assets 2008: \$33,062.3
Total Pension Assets 2007: \$34,935.6
Total Assets 2008: \$39,024.8

5 AllianceBernstein Institutional Investments
Rank 2007: 7 ▼ 9.0%
Total Pension Assets 2008: \$25,979.0
Total Pension Assets 2007: \$28,535.0
Total Assets 2008: \$42,782.0

6 McLean Budden Ltd.
Rank 2007: 8 ▼ 8.7%
Total Pension Assets 2008: \$25,550.0
Total Pension Assets 2007: \$27,971.0
Total Assets 2008: \$37,925.0

7 Jarislowsky, Fraser Ltd.
Rank 2007: 6 ▼ 16.3%
Total Pension Assets 2008: \$24,089.0
Total Pension Assets 2007: \$28,783.0
Total Assets 2008: \$47,791.0

8 Greystone Managed Investments Inc.
Rank 2007: 9 ▲ 1.8%
Total Pension Assets 2008: \$23,882.1
Total Pension Assets 2007: \$23,461.0
Total Assets 2008: \$33,116.3

9 Addenda Capital Inc.
Rank 2007: 11 ▲ 22.6%
Total Pension Assets 2008: \$21,434.0
Total Pension Assets 2007: \$17,479.0
Total Assets 2008: \$39,323.0

10 Connor, Clark & Lunn Financial Group
Rank 2007: 10 ▲ 7.9%
Total Pension Assets 2008: \$20,764.0
Total Pension Assets 2007: \$19,240.2
Total Assets 2008: \$36,469.3

11 BNY/Mellon Asset Management Ltd.
Rank 2007: 13 ▲ 4.3%
Total Pension Assets 2008: \$15,255.3
Total Pension Assets 2007: \$14,622.8
Total Assets 2008: \$18,056.0

12 Letko, Brosseau & Associates Inc.
Rank 2007: 12 ▼ 0.3%
Total Pension Assets 2008: \$14,645.0
Total Pension Assets 2007: \$14,690.0
Total Assets 2008: \$24,550.0

13 Beutel Goodman & Company Ltd.
Rank 2007: 14 ▼ 3.2%
Total Pension Assets 2008: \$14,114.0
Total Pension Assets 2007: \$14,587.0
Total Assets 2008: \$15,683.0

14 CIBC Global Asset Management
Rank 2007: 18 ▲ 10.2%
Total Pension Assets 2008: \$13,543.0
Total Pension Assets 2007: \$12,288.9
Total Assets 2008: \$65,442.0

15 JPMorgan Asset Management
Rank 2007: 16 ▼ 5.3%
Total Pension Assets 2008: \$12,446.0
Total Pension Assets 2007: \$13,137.0
Total Assets 2008: \$17,029.0

16 Bentall
Rank 2007: 22 ▲ 13.2%
Total Pension Assets 2008: \$11,461.0
Total Pension Assets 2007: \$10,128.0
Total Assets 2008: \$17,586.0

17 Standard Life Investments Inc.
Rank 2007: 21 ▲ 4.3%
Total Pension Assets 2008: \$10,597.0
Total Pension Assets 2007: \$10,157.0
Total Assets 2008: \$27,852.2

18 UBS Global Asset Management Canada
Rank 2007: 17 ▼ 16.3%
Total Pension Assets 2008: \$10,556.0
Total Pension Assets 2007: \$12,604.5
Total Assets 2008: \$22,978.8

19 Franklin Templeton Institutional
Rank 2007: 19 ▼ 11.0%
Total Pension Assets 2008: \$10,300.0
Total Pension Assets 2007: \$11,573.0
Total Assets 2008: \$17,881.0

20 Fidelity Investments Canada ULC
Rank 2007: 25 ▲ 6.2%
Total Pension Assets 2008: \$9,085.0
Total Pension Assets 2007: \$8,557.0
Total Assets 2008: \$53,398.0

21 New Brunswick Investment Management Corp.
Rank 2007: 24 ▼ 1.4%
Total Pension Assets 2008: \$8,693.8
Total Pension Assets 2007: \$8,818.9
Total Assets 2008: \$8,693.8

22 Sprucegrove Investment Management Ltd.
Rank 2007: 20 ▼ 24.9%
Total Pension Assets 2008: \$8,622.4
Total Pension Assets 2007: \$11,487.1
Total Assets 2008: \$10,428.0

23 Guardian Capital LP
Rank 2007: 27 ▼ 3.9%
Total Pension Assets 2008: \$7,823.5
Total Pension Assets 2007: \$8,144.2
Total Assets 2008: \$16,086.3

24 Leith Wheeler Investment Counsel Ltd.
Rank 2007: 30 ▲ 5.3%
Total Pension Assets 2008: \$7,599.0
Total Pension Assets 2007: \$7,219.0
Total Assets 2008: \$9,453.0

25 Wellington Management Company, LLP
Rank 2007: 23 ▼ 22.2%
Total Pension Assets 2008: \$7,441.0
Total Pension Assets 2007: \$9,565.0
Total Assets 2008: \$9,929.0

26 Fiera Capital Inc.
Rank 2007: 29 ▼ 2.1%
Total Pension Assets 2008: \$7,426.3
Total Pension Assets 2007: \$7,589.1
Total Assets 2008: \$18,941.8

27 Foyston, Gordon & Payne Inc.
Rank 2007: 31 ▼ 15.6%
Total Pension Assets 2008: \$6,025.0
Total Pension Assets 2007: \$7,137.0
Total Assets 2008: \$13,365.0

28 Capital Guardian Trust Co.
Rank 2007: 26 ▼ 28.5%
Total Pension Assets 2008: \$5,850.4
Total Pension Assets 2007: \$8,183.2
Total Assets 2008: \$7,178.5

29 GWL Investment Management Ltd.
Rank 2007: 33 ▼ 12.2%
Total Pension Assets 2008: \$5,784.9
Total Pension Assets 2007: \$6,585.5
Total Assets 2008: \$16,927.4

30 Sceptre Investment Counsel Ltd.
Rank 2007: 36 ▲ 3.5%
Total Pension Assets 2008: \$5,683.5
Total Pension Assets 2007: \$5,493.0
Total Assets 2008: \$9,519.7

31 Natcan Investment Management
Rank 2007: 28 ▼ 31.8%
Total Pension Assets 2008: \$5,525.0
Total Pension Assets 2007: \$8,102.0
Total Assets 2008: \$26,330.0

32 Morguard Investments Ltd.
Rank 2007: 39 ▲ 13.8%
Total Pension Assets 2008: \$5,381.0
Total Pension Assets 2007: \$4,727.4
Total Assets 2008: \$7,530.0

33 Legg Mason Canada Inc.
Rank 2007: 34 ▼ 16.3%
Total Pension Assets 2008: \$5,315.0
Total Pension Assets 2007: \$6,352.0
Total Assets 2008: \$10,993.0

34 MFC Global Investment Management
Rank 2007: 40 ▲ 8.4%
Total Pension Assets 2008: \$5,012.2
Total Pension Assets 2007: \$4,624.0
Total Assets 2008: \$56,816.3

35 Invesco Trimark
Rank 2007: 37 ▼ 12.6%
Total Pension Assets 2008: \$4,780.0
Total Pension Assets 2007: \$5,468.0
Total Assets 2008: \$40,190.0

36 Northwater Capital Management Inc.
Rank 2007: 32 ▼ 32.8%
Total Pension Assets 2008: \$4,688.9
Total Pension Assets 2007: \$6,980.8
Total Assets 2008: \$5,354.0

37 Goldman Sachs Asset Management, LP
Rank 2007: n/a ▲ 0.8%
Total Pension Assets 2008: \$4,494.0
Total Pension Assets 2007: \$4,460.0
Total Assets 2008: \$6,888.0

38 GE Asset Management Canada Company
Rank 2007: n/a ▲ 1.7%
Total Pension Assets 2008: \$4,313.3
Total Pension Assets 2007: \$4,243.2
Total Assets 2008: \$4,386.9

39 Brandes Investment Partners, L.P.
Rank 2007: 35 ▼ 31.6%
Total Pension Assets 2008: \$4,284.0
Total Pension Assets 2007: \$6,265.0
Total Assets 2008: \$11,574.0

40 Integra Capital Management Corp.
Rank 2007: n/a ▲ 31.3%
Total Pension Assets 2008: \$4,126.1
Total Pension Assets 2007: \$3,143.3
Total Assets 2008: \$4,502.3

2008 Total: \$539,912.2
2007 Total: \$562,731.7
% Variance: ▼ 4.1%

Notes:

- As of September 2008, Caisse de dépôt et placement du Québec will no longer be included in the ranking of the Top 40 Money Managers.
- As of May 2008, Bimcor Inc. will no longer be included in the ranking of the Top 40 Money Managers.
- Invesco Trimark was formerly listed as AIM Trimark Investments.
- On April 22, 2008, Addenda Capital Inc. combined its activities with those of Co-operators Investment Counselling Ltd.
- In addition to assets under management of \$7.2 billion, Northwater Capital manages approximately \$6.4 billion of beta and currency exposures using swaps and currency forwards where the backing assets are held elsewhere.

Figures in this report are based on responses provided by the survey participants. *Benefits Canada* assumes no responsibility for the accuracy of the data provided.

TOP 20 POOLED FUND MANAGERS

As of June 30, 2008

Company	Assets (millions)
1 Barclays Global Investors Canada Ltd.	\$35,869.2
2 TD Asset Management Group	\$20,477.0
3 McLean Budden Ltd.	\$16,474.0
4 State Street Global Advisors Ltd.	\$9,323.3
5 Phillips, Hager & North Investment Management Ltd.	\$8,002.4
6 Standard Life Investments Inc.	\$7,191.4
7 Jarislowsky, Fraser Ltd.	\$6,001.0
8 Fidelity Investments Canada ULC	\$5,648.0
9 Connor, Clark & Lunn Financial Group	\$5,583.2
10 Sprucegrove Investment Management Ltd.	\$5,382.3
11 GWL Investment Management Ltd.	\$5,261.1
12 Invesco Trimark	\$4,780.0
13 Franklin Templeton Institutional	\$4,233.0
14 AllianceBernstein Institutional Investments	\$4,037.0
15 Russell Investments Canada Ltd.	\$3,960.1
16 SEI	\$3,844.1
17 UBS Global Asset Management Canada	\$3,688.0
18 CIBC Global Asset Management	\$3,154.0
19 Integra Capital Management Corp.	\$2,705.5
20 London Capital Management Ltd.	\$2,694.9
Top 20 Total	\$158,309.5
Money Management Industry Total: 2008	\$208,747.6
Money Management Industry Total: 2007	\$228,383.7
Variance %	-8.6%

Source: Firms participating in *Benefits Canada's 2008 Top 40 Money Managers Survey*

CONT'D FROM PAGE 16

to be contracting," he says, adding that we haven't seen the end of defaults. "There are going to be more defaults—not just among homeowners, but in the broader economy as a result of the slowdown."

He also sees the leveraged buyout market taking a hit. "Those deals were being done in the frenzied financial markets into the summer of last year." And that party on Wall Street is definitely over. Fortunately, the monetary and fiscal stimulus by U.S. policy-makers is very impressive and should prevent a severe economic recession, although the recovery period will be long.

Shifting Ground

Although plan sponsors are staying the course today, there will likely be some changes on the horizon when things settle down. But that will take time, says George. "Even those who are thinking of changing money managers are holding off to see what happens. It's going to take another six to 12 months to see how it all unfolds. Markets

are so volatile and extreme that switching managers during this turmoil is risky."

In particular, he thinks that some bond managers are likely to take a hit, with plan sponsors making changes down the road. "There were big differences in performance," says George. "Some [fixed income managers] have done really well. They preserved capital and stayed out of credit." However, he says, others had big credit exposure. "Not now, but maybe next year, we'll see some musical chairs on the fixed income side—you'll see some winners and losers."

Barnett also sees shifting ground ahead in the form of further consolidation of money managers in the Canadian space. "I think this type of market environment accelerates it further," he says. George sees a future made up of mega players that can offer products across most asset classes. "The middle ground will disappear, and the bulk of assets will be with the big players," he says.

Warren Stoddart, co-chief executive officer of Connor, Clark & Lunn Financial

search for yield is not without risk. Far from being a panacea, hedge funds and certain alternative investments can, and do, carry considerable tail risk. Funds need to consider their role in the ongoing crisis, assess changes in their investment policies and review procedures.



Benoît Durocher: The crisis is a reminder that market risks remain the largest risk factors for most

pension plans. The trend toward getting a better understanding of the various risk factors affecting pension plans through asset/liability management and liability driven investing solutions will continue. But in most situations, perfect liability-matching is not a viable option, and plan sponsors will continue to seek higher investment returns through asset classes that are deemed more risky.

Although investment risk can be measured and managed, it will not be eliminated. One must remember that investing pension assets is a long-term process. Seeking short-term opportunities in this unstable environment is a high-risk venture.



Damon Williams: Market conditions as we are currently experiencing are frightening for many

clients. The importance of a money management partner that can help them understand recent market events, provide them with calm, well-considered investment advice and help them avoid making knee-jerk portfolio changes has never been higher.

Increased consolidation of money managers in the hands of global financial institutions is a result of the mergers and takeovers this crisis has forced. In addition, financial institutions in general have become more interested in money management as a business line in today's capital-constrained environment, due to its very low capital requirements.

This consolidation and concentration of money managers in the hands of global financial institutions will likely mean an acceleration of a trend already in place in Canada: the bifurcation of the market into large

multi-product firms offering a wide range of global capabilities—many of whom will come from outside of the country—and niche players increasingly focused on one or two narrow areas of specialty.

We will also see, in the DB environment, more strategies focused on risk identification and control—particularly, relative to liabilities. With low government interest rates and equity markets having plummeted, conditions for pension plan solvency will be awful this year. As a result, many pension plan sponsors will be taking a very hard look at the asset/liability mismatch risks present in their portfolios and asking whether they are appropriate.



Peter Lindley: The impact on institutional money managers has been significant. The current credit crisis

has underscored the necessity for them to do their own credit research and not to rely solely on rating agencies. Larger firms typically conduct their own credit research and focus more on independent risk and compliance functions—key areas that will receive greater attention going forward.

I expect that one outcome will be a revisiting of best practice. We will also see greater interest in market neutral or absolute return strategies, with a major caveat among investors being a requirement to invest in liquid assets if the strategies require leverage. Liability driven investment solutions will continue to generate investor demand as, once again, we are experiencing falling interest rates and declining stock prices.

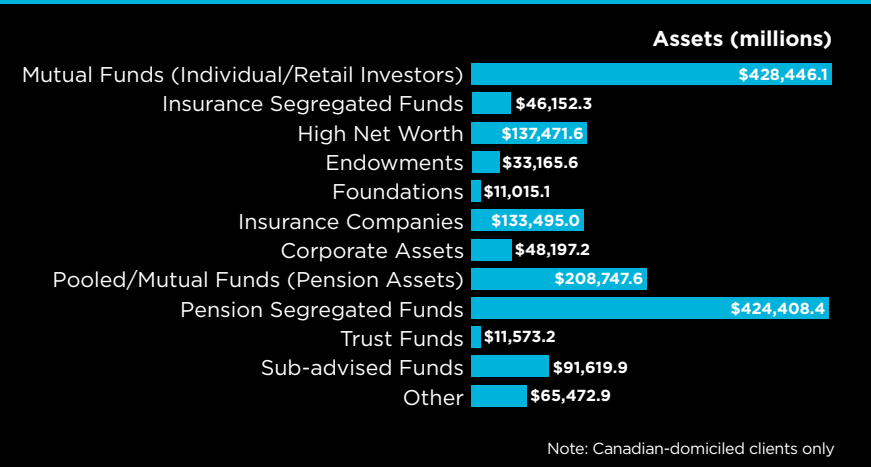
Could a similar event occur again?

Perry Teperson: As long as there is human emotion in the market, there will be bubbles that burst from time to time. No doubt, there will be more regulation and less risk-taking that comes out of this. Hopefully, we will all be a little smarter for it.

Rob Vanderhooff: In only a few quarters, we've seen markets swing from irrational exuberance to paralyzing fear, where logic no longer

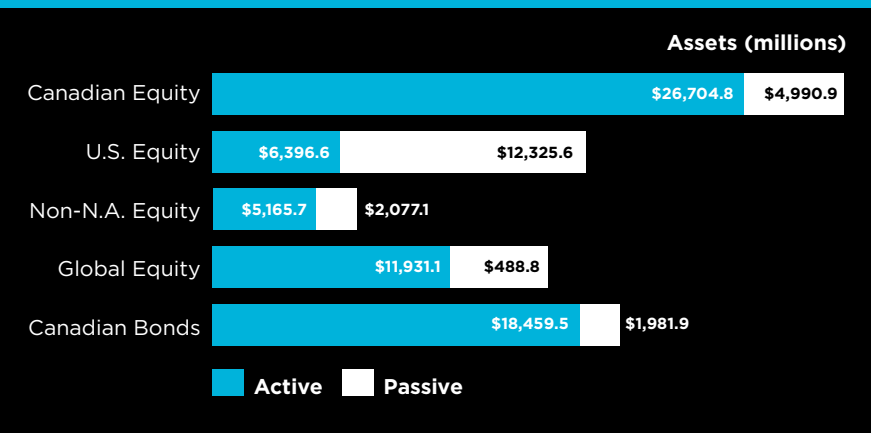
TOTAL CANADIAN ASSETS UNDER MANAGEMENT

As of June 30, 2008



BREAKDOWN OF POOLED FUND ASSETS

As of June 30, 2008



Source: Firms participating in *Benefits Canada's 2008 Top 40 Money Managers Survey*

Group, also sees more consolidation on the horizon, although he's watched it happen for a few years now. "It's not new," he notes, but he does see pressure on the smaller managers due to the big drops in the market. As infrastructure costs go up and assets go down, Stoddart believes that some smaller players will ultimately get squeezed by falling revenues, and that could lead to the disappearance of smaller names in the money manager landscape in Canada.

Benefits and Opportunities

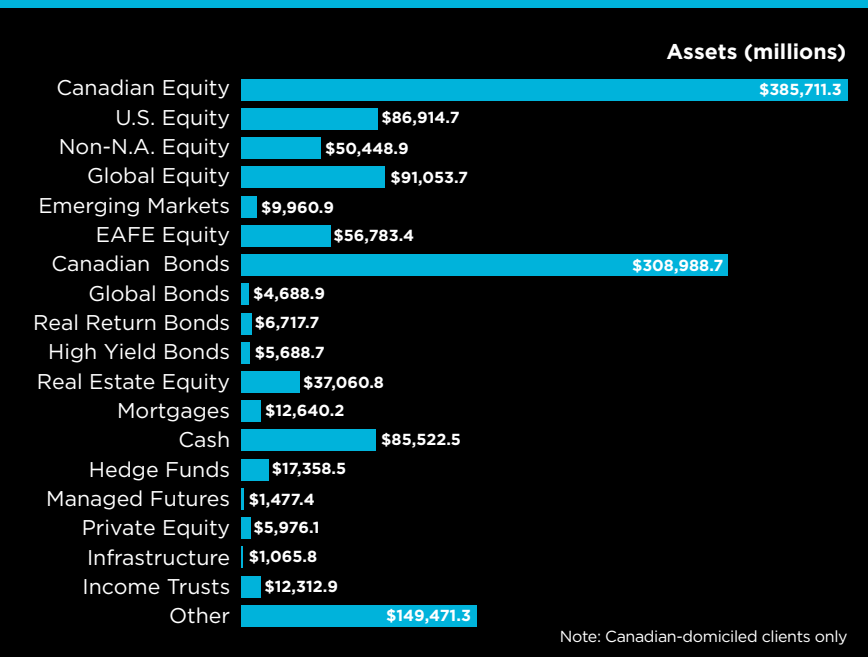
While some in the industry are going to feel the squeeze, others are set to benefit from the market turmoil. George says that value managers are snapping up bargains. "They are taking advantage of some of the stock that's dropped precipitously." Indeed, Marcel Leroux, vice-president, marketing, with value-focused Sprucegrove Investment Management Ltd. in Toronto, has seen

a move away from value in recent years. However, this market is bringing value back in style. "Prior to the third quarter, the value investing style was out of favour," he explains. "Now it's back, relatively speaking. We see that as a positive development for the future."

George also says that alternatives are going to get more attention from plan sponsors concerned about heavy correlations between equity markets and the volatility they're seeing. While he says that the mega funds have embraced alternative investments in a big way, other plan sponsors are lagging behind. "Our client base has been looking at alternative strategies for two to three years," he says. "Some of them have done better in the current market environment. Real estate has held up well so far—particularly Canadian real estate." Infrastructure and certain hedge funds have also managed to perform better

TOTAL CANADIAN ASSETS UNDER MANAGEMENT BY ASSET CLASS

As of June 30, 2008



Source: Firms participating in *Benefits Canada's 2008 Top 40 Money Managers Survey*

than equities in the turmoil.

As these alternatives continue to outperform, plan sponsors could start to pull further out of equity markets. "Different equity markets don't offer a diversification benefit anymore," says George. And just how well plan sponsors do in these tough times depends on their asset allocations. "It boils down to what our exposure was to equities versus alternatives," he notes. "Allocating 10% to alternatives hasn't helped enough."

Tristram Lett, managing director, alpha beta strategies, with Toronto-based Integra Capital Management Ltd., says that while newspaper headlines are pointing to hedge funds as the culprit in the current market volatility, they are already coming out on top when it comes to performance. "When you sit down and analyze the data, hedge funds are going to be the big winners," he says, looking ahead to when markets calm down in the months ahead. "They've outperformed long-only investors," he adds, and you only have to look at the hit taken by the Toronto Stock Exchange to see that. "It's down 40%. There aren't many hedge funds that are down that much, and many are up. I don't know a single equity fund that is up." Lett sees the big winners as global macro and managed futures, followed by short bias strategies as of the end of September.

Other alternatives will also provide a hiding place for gun-shy investors. One of

the gainers on the list this year is Vancouver real estate firm Bentall. Malcolm Leitch, Bentall Investment Management's chief operating officer, says that while it's still considered an alternative, real estate has moved into the mainstream in pension portfolios. And it's faring well so far, particularly in Canada.

"For 24 months, we've seen plan sponsors taking a more serious look at real estate—particularly those plan sponsors that have never been in it before," says Leitch. Except during the early 1990s, real estate has managed to weather most market challenges, including the tech wreck. "Income returns have been stable for 20 years or so, and pension funds find that attractive," he adds. However, investors looking for more of the double-digit capital appreciation that real estate experienced in the last few years need to temper their expectations going forward. "We keep telling plan sponsors that it's not the norm and [not to] expect the returns of the past few years to repeat themselves," notes Leitch.

And there are some challenges ahead for real estate. Leitch says this business houses the economy and the businesses that drive it. "As the economy goes down, leasing markets slow down," he explains. "Although Canada is stronger relative to the U.S., people read the papers and are delaying new leasing decisions. People are being cautious in their real estate decisions, at least in

prevails. Certainly, similar 'enthusiasms' can happen again, although rarely for the same root cause.

Benoît Durocher: Regulations may be put in place following the current crisis, but the market will always find a way around them. There is no fail-safe way of ensuring that the market will not get ahead of itself. However, central banks have learned a lot from the current crisis.

Damon Williams: Not only could it happen again, it certainly will. The phenomenon of investment bubbles building and bursting is driven by cycles of greed and fear—fundamental human characteristics. But the specifics of each bubble are different. And even if you manage to identify a bubble before it bursts, it can persist for a long time. The pressure for investors to participate in them, rather than to sit them out and miss out on extremely high short-term returns, can be immense.

Peter Lindley: Having witnessed several 'once-in-a-lifetime' events—from Black Monday in '87 to the tech bubble bursting—it seems highly likely that another similar event could occur in the future. The challenge will be in being able to anticipate the market shock early enough to be able to avoid or withstand it.

New regulations and the elimination of the independent investment banks will likely mean that it will be several years before a similar credit crisis materializes. However, this is not to say that a different type of crisis will not unfold much sooner.

How do you prepare for and deal with volatile times like these? Are there any opportunities?

Rajiv Silgado: What has transpired over the last 12 to 14 months has been unprecedented in many ways. It would have been practically impossible to anticipate and prepare for.

However, one practical solution for investors is to always have a full view of the investment risks in their portfolios and where those are coming from. They need, at all times, to know and understand not just the asset allocation of their portfolios, but also the underlying risks.

TOP 10 ENDOWMENT FUND MANAGERS

As of June 30, 2008

Company	Assets (millions)
1 Jarislowsky, Fraser Ltd.	\$3,628.0
2 Pareto Investment Management Ltd.	\$3,545.0
3 TD Asset Management Group	\$3,038.0
4 Phillips, Hager & North Investment Management Ltd.	\$2,533.5
5 Letko, Brosseau & Associates Inc.	\$2,271.0
6 Scotia Cassels Investment Counsel Ltd.	\$1,836.0
7 Connor, Clark & Lunn Financial Group	\$1,810.1
8 CIBC Global Asset Management	\$1,751.0
9 McLean Budden Ltd.	\$1,630.0
10 Natcan Investment Management	\$1,514.0
Top 10 Total	\$23,556.6
Money Management Industry Total: 2008	\$33,165.6

TOP 10 FOUNDATION FUND MANAGERS

As of June 30, 2008

Company	Assets (millions)
1 Fiera Capital Inc.	\$1,748.7
2 Mawer Investment Management Ltd.	\$1,306.2
3 TD Asset Management Group	\$1,153.0
4 Guardian Capital LP	\$934.4
5 State Street Global Advisors Ltd.	\$839.1
6 Burgundy Asset Management Ltd.	\$813.4
7 Legg Mason Canada Inc.	\$433.0
8 Highstreet Asset Management Inc.	\$379.4
9 HSBC Global Asset Management (Canada) Ltd.	\$345.2
10 Leith Wheeler Investment Counsel Ltd.	\$310.0
Top 10 Total	\$8,262.4
Money Management Industry Total: 2008	\$11,015.1

Source: Firms participating in *Benefits Canada's 2008 Top 40 Money Managers Survey*

the short term, and they aren't committing to new space." Alberta is a province to watch—after years of booming real estate growth, shrinking oil prices will take their toll on space. "That's likely to hurt," he says, but on balance, Canada is in much better shape than the rest of the world.

There are also some good opportunities on the bond side, according to Webster. Corporate bonds are in decent shape on an absolute yield basis, he says. Which is good because, according to him, "investors are looking for yield in any form they can get it." Yields on corporate bonds are becoming attractive as everyone piles into government and sovereign markets, pushing down yields in those areas and creating opportunities in other parts of the fixed income market.

Another Perfect Storm?

It's an unprecedented series of events, to be sure, but what lessons are we learning as it all unfolds? According to Hamilton, there is a fundamental lack of understanding when it comes to risk and how to manage it. "I don't think people should say 'perfect storm' anymore," he says. "Because when a perfect storm comes along every four years, it's not that rare anymore—and people have to ask why the perfect storm is coming along so regularly." Hamilton says the industry needs to get serious about risk management. "Risk is real. It's not a matter of making bold predictions or being patient and waiting two years for it to blow over."

Piticco points out that risk management tools weren't able to predict the calamities

Rob Vanderhooff: You rarely anticipate market downturns of this magnitude. Market timing, beyond holding modestly more cash in difficult times, is not something we would tend to recommend to clients but rather, to stick to their long-term asset mix policy.

As far as security selection goes, there are always opportunities. Overall, however, a return to a period of strong economic growth continues to be pushed out, as the credit crisis has had an impact on the real economy and consumer confidence. Equity markets tend to move in advance of that economic recovery, though it is looking more and more like late 2009 or early 2010 for sustained economic recovery.

Perry Teperson: Panic has set in among retail investors. While everyone was unprepared, we need to keep a cool head. Our country isn't going bankrupt, and our financial system is stronger than most. We've been through slowdowns before, and they will happen again.

As money managers, we do see some good opportunities in the markets. As an example, some 10-year bonds issued by Canadian banks pay almost 3% more than a government bond today. That's an extraordinary difference in our low interest rate environment.

Peter Lindley: While it is impossible to prepare for every eventuality, what differentiates how businesses perform in volatile times is the strength and diversification of their revenue sources, the liquidity of their balance sheets and not being overly reliant on one form of financing. Companies that have failed in the current environment have had an over-concentration on one business area, often combined with a highly leveraged balance sheet and an over-dependence on short-term financing.

Nonetheless, there are opportunities to be had during volatile times. For example, a well-known American investor secured an equity stake in a large investment bank through preferred shares paying 10% when the stock price had halved from its high a year previously.

On the corporate front, one of the largest banks in the U.S. recently

acquired one of the industry's premier wealth management, capital markets and advisory firms to create one of the largest financial services companies in the world—at a price well below the firm's worth when its shares peaked in early 2007.

To what extent is Canada's economy tied to the U.S.?

Benoît Durocher: There is no doubt that the U.S. casts a wide shadow over its northern neighbour. However, economic policies in both countries have drifted apart in the past few years. For instance, Canada has rid itself—for now, anyway—of deficits that still plague the U.S. government. And the recent rescue package will do nothing to improve this situation, with potential consequences on U.S. dollar-denominated assets.

Canada has also benefited from the clarity of its monetary policy, owing to inflation targeting. As for the U.S., achieving the Federal Reserve's monetary policy goals of maximizing employment, stable prices and moderate long-term interest rates may tilt policy toward reaching one goal at the expense of the others.

Peter Lindley: The U.S. is Canada's No. 1 trading partner, so if there is a U.S. recession, Canada will be affected. But we have to recognize that the strength of the global economy is what largely benefited the Canadian dollar and the massive terms of trade boost we have enjoyed over the last five years.

So, if the rest of the world could decouple from the U.S. slowdown, Canada would be less affected than other countries. Unfortunately, it is becoming clear that problems exist in the U.S. economy and that a global slowdown in economic growth has emerged.

On the positive side, Canada has the world's soundest banking system, according to a survey by the Geneva-based World Economic Forum. Our corporations are generally cash-rich, and our citizens are not overly burdened with credit-related debt. Although Canada cannot escape the fallout from the current economic storm, we are well positioned to withstand the downturn. **BC**

TOP 20 MANAGERS OF HIGH NET WORTH

As of June 30, 2008

Company	Assets (millions)
1 RBC Dominion Securities Inc.	\$18,120.0
2 TD Asset Management Group	\$16,991.0
3 BMO Harris Investment Management Inc.	\$12,526.3
4 AGF Management Ltd.	\$11,546.9
5 Scotia Cassels Investment Counsel Ltd.	\$10,189.0
6 Jarislowsky, Fraser Ltd.	\$9,836.0
7 RBC Private Counsel Inc.	\$9,000.0
8 Letko, Brosseau & Associates Inc.	\$5,527.0
9 Phillips, Hager & North Investment Management Ltd.	\$5,098.6
10 Natcan Investment Management	\$4,555.0
11 McLean Budden Ltd.	\$3,502.0
12 Connor, Clark & Lunn Financial Group	\$3,484.9
13 HSBC Global Asset Management (Canada) Ltd.	\$3,031.2
14 Burgundy Asset Management Ltd.	\$2,436.6
15 TE Wealth	\$2,280.0
16 Cypress Capital Management	\$1,994.8
17 CIBC Global Asset Management	\$1,413.0
18 Leon Frazer & Associates	\$1,150.0
19 Mirabaud & Cie Banquiers Privés	\$1,071.0
20 Montrusco Bolton Investments Inc.	\$1,025.0
Top 20 Total	\$124,778.3
Money Management Industry Total: 2008	\$137,471.6
Money Management Industry Total: 2007	\$117,770.4

Source: Firms participating in *Benefits Canada's 2008 Top 40 Money Managers Survey*

facing the markets today. "Everyone had the same bet, and when it went wrong, the ability to forecast it was abysmal. You can't rely on the black box or sophisticated modelling," he says. As a result, he sees a swing to simpler investments and approaches. "The days of complex securities are over; it's back to basics in portfolio management," he says. At the same time, "clients need to better understand their liabilities. Liability driven investing is going to be important going forward."

Matheson agrees that, in the future, plan sponsors are going to be shifting to liability-focused approaches such as LDI and absolute return strategies. He sees a pullback on the horizon for some traditional products. "Going forward, there will be less interest in classic straight equity products—rather, you need to find asset classes that are going to work in a wider variety of economic cycles."

However, risk management alone isn't enough. George says there's a limit to what risk management can do, although he admits that "many plan sponsors and fund managers aren't doing enough on risk management, and many got caught up in the equity

downdraft." But what risk management system could have predicted the demise of AIG? "Most of those tools do not capture extreme unforeseen events," George adds.

Although there will likely be more time and energy than ever spent on risk management as a result of this crisis, he cautions that these systems aren't foolproof. Instead, diversification is key. Webster agrees that asset allocation and diversification will determine who comes out on top and, as a result, managers that can offer products across many asset classes on a global basis are going to be the big winners in the years ahead.

In the meantime, it seems that everyone can agree that tough markets will persist. Just how red next year's list is will depend on how long and painful the de-leveraging process is, and what surprises pop up as it unwinds. Suffice it to say that it will be monumental. And there will be many lessons learned, for better or for worse, in the months ahead. **BC**

Caroline Cakebread is the editor of *Canadian Investment Review*.
caroline.cakebread@rogers.com