

Investment Trends

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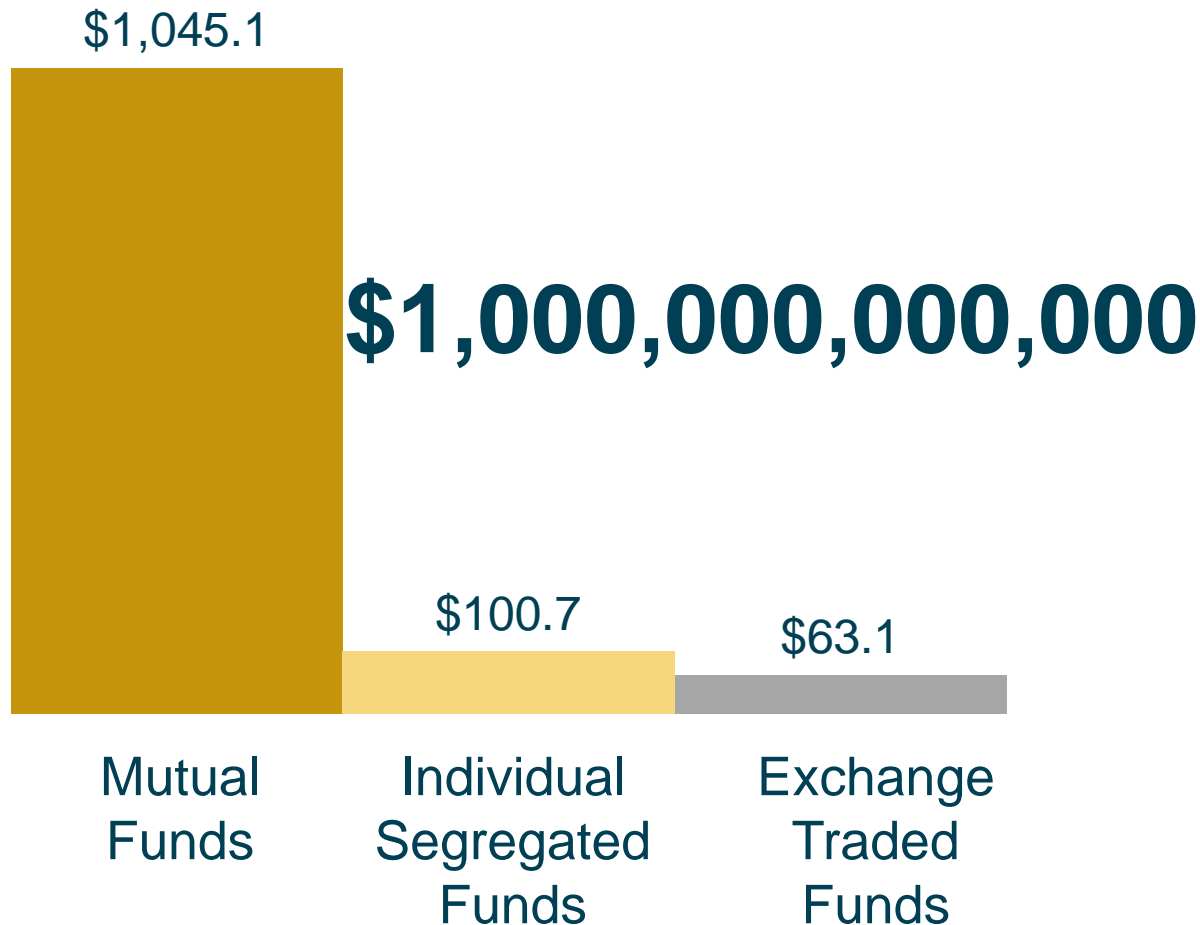
“FOLLOW THE MONEY.”

All the President's Men



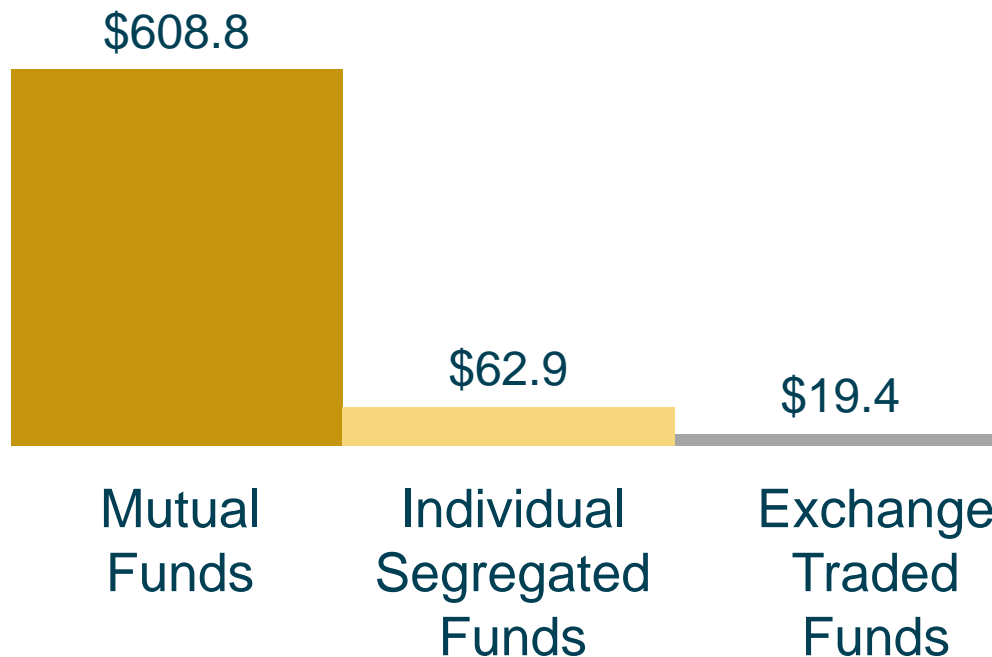
Investment Funds

Assets as of December 31, 2013 (Billions)



Investment Funds

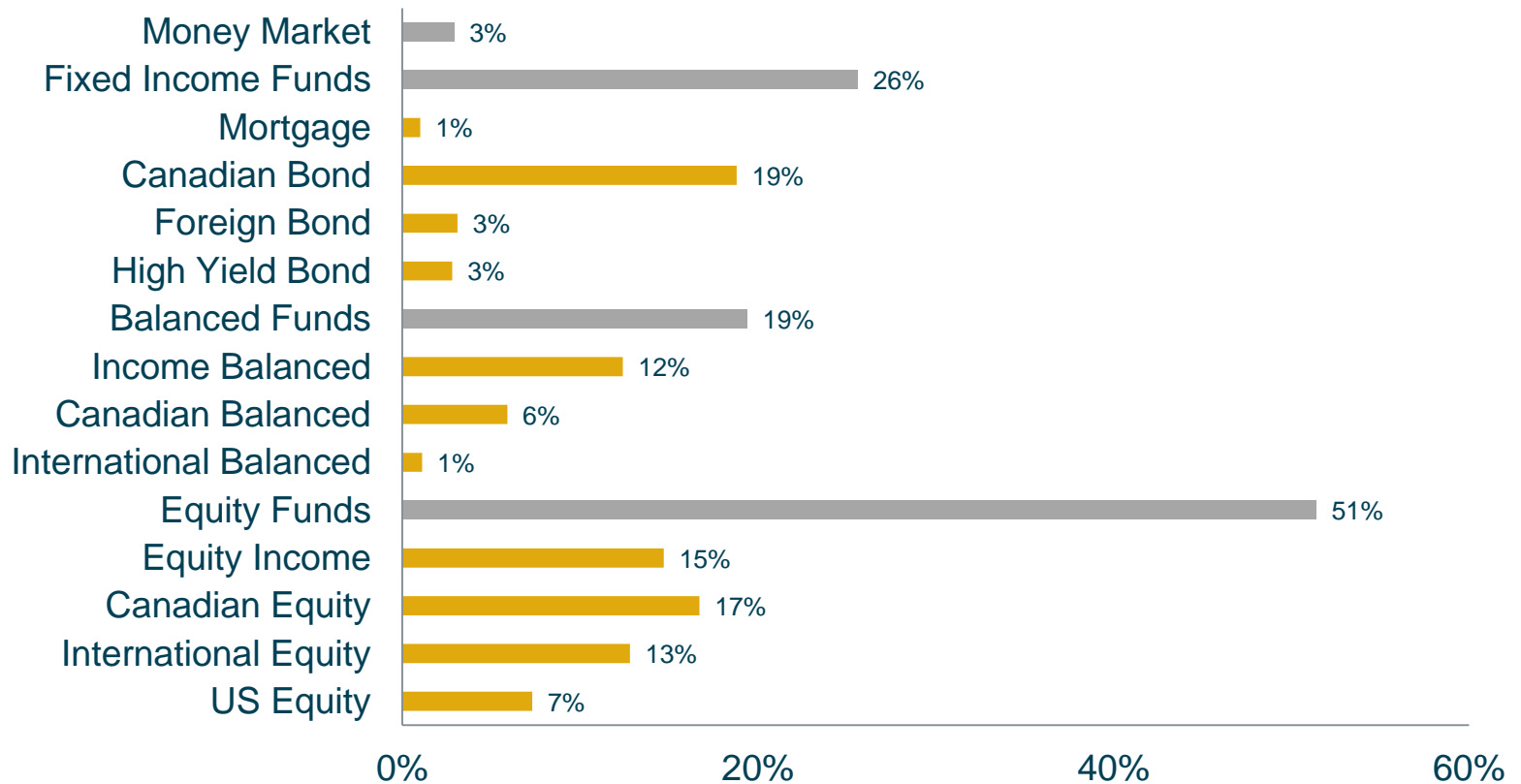
Assets as of December 31, 2008 (Billions)



Source: Investor Economics

Mutual Funds

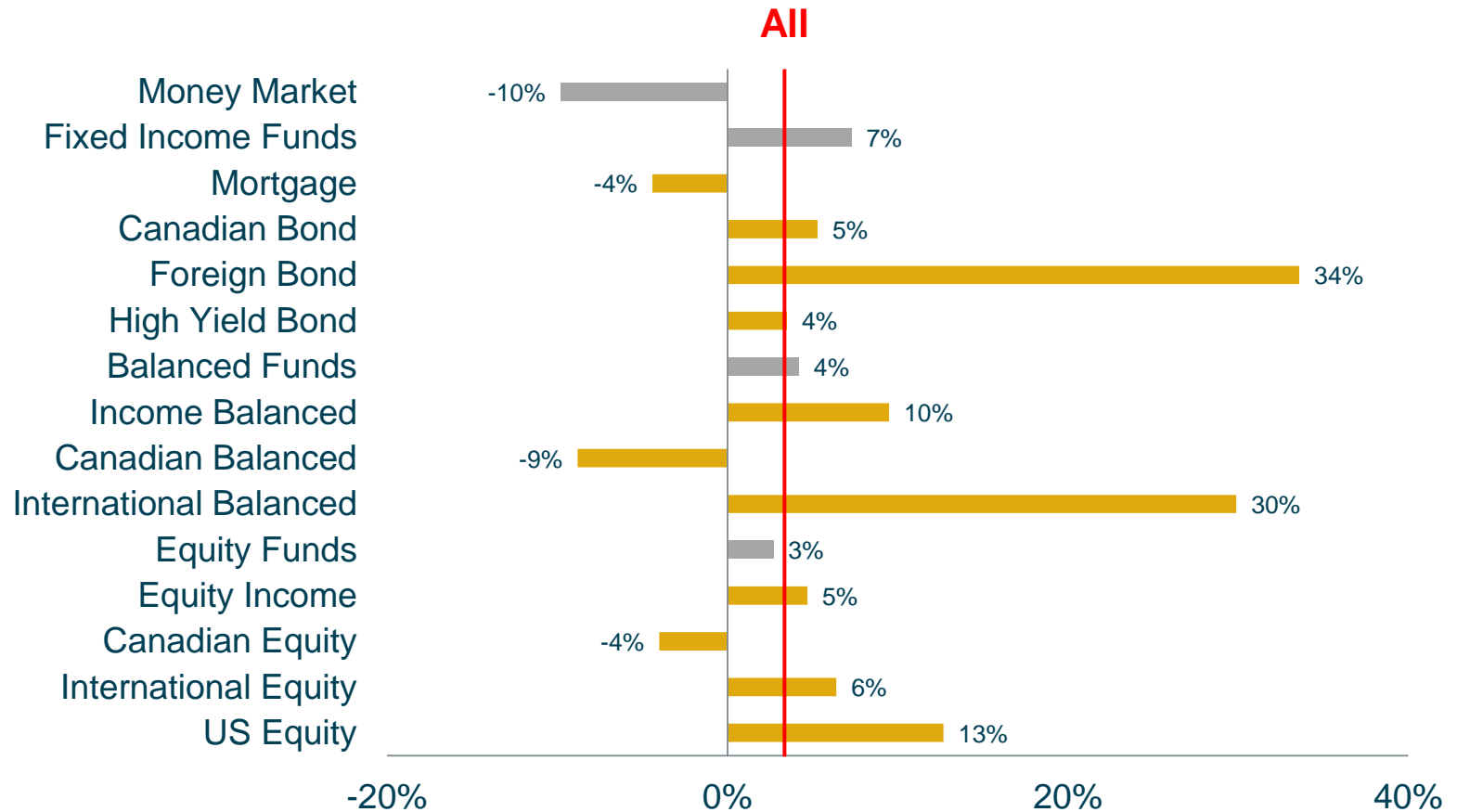
Asset Share as of December 31, 2013



$$\begin{aligned} &\text{Net Flows} \\ &= \\ &\text{Gross Sales} \\ &- \\ &\text{Redemptions} \\ &+ \\ &\text{Transfers in} \\ &- \\ &\text{Transfers Out} \end{aligned}$$

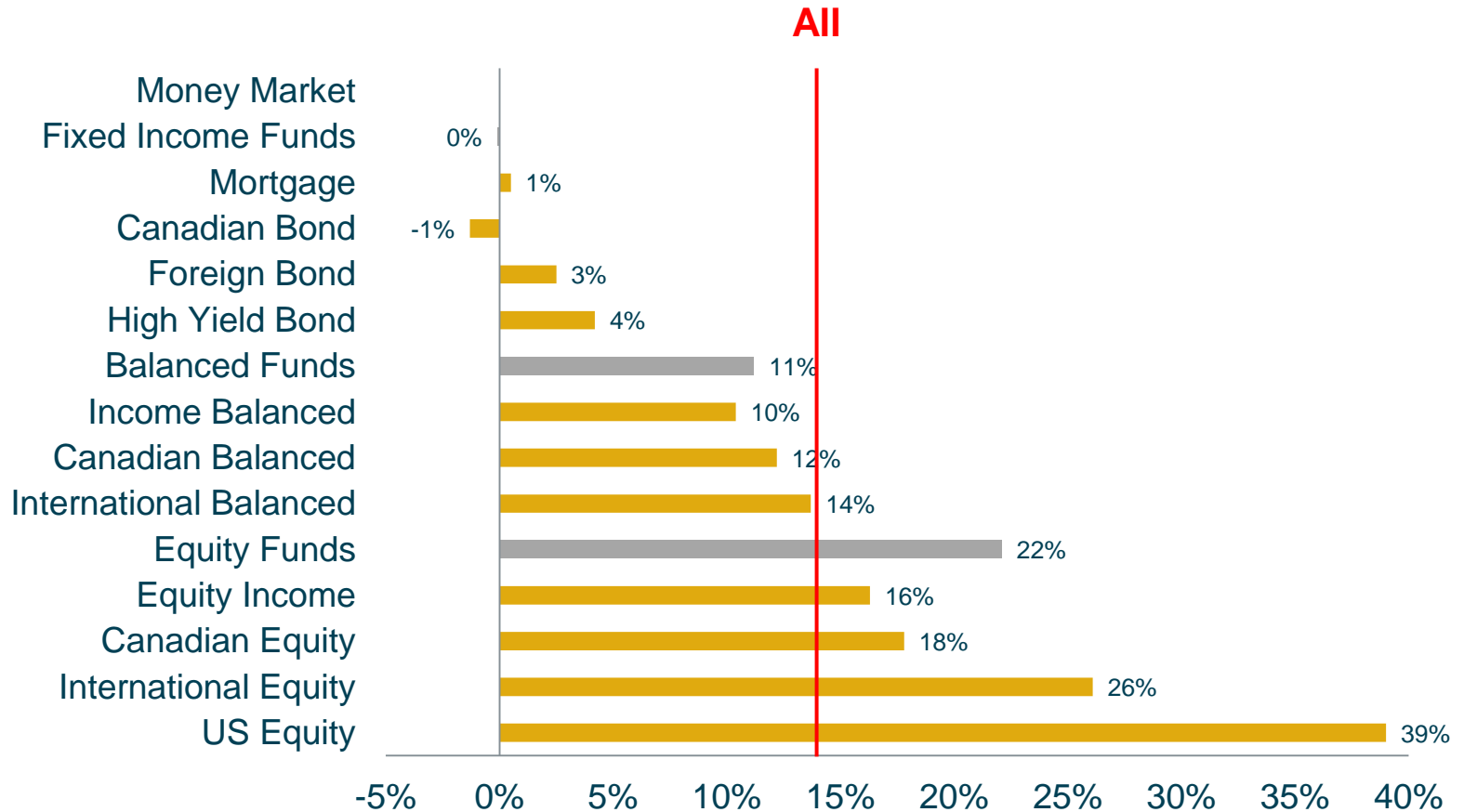
Mutual Funds

2013 Net Flows as % of 1/1 Assets



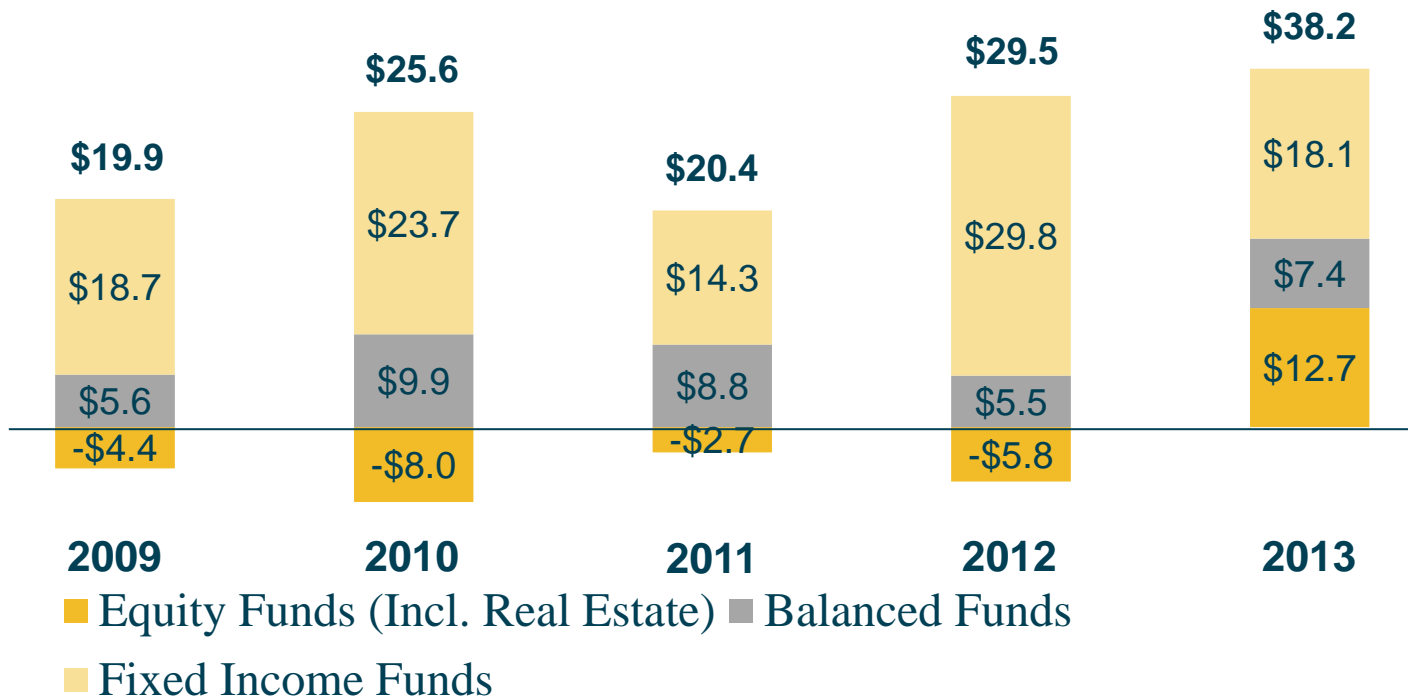
Mutual Funds

2013 Asset-Weighted Returns



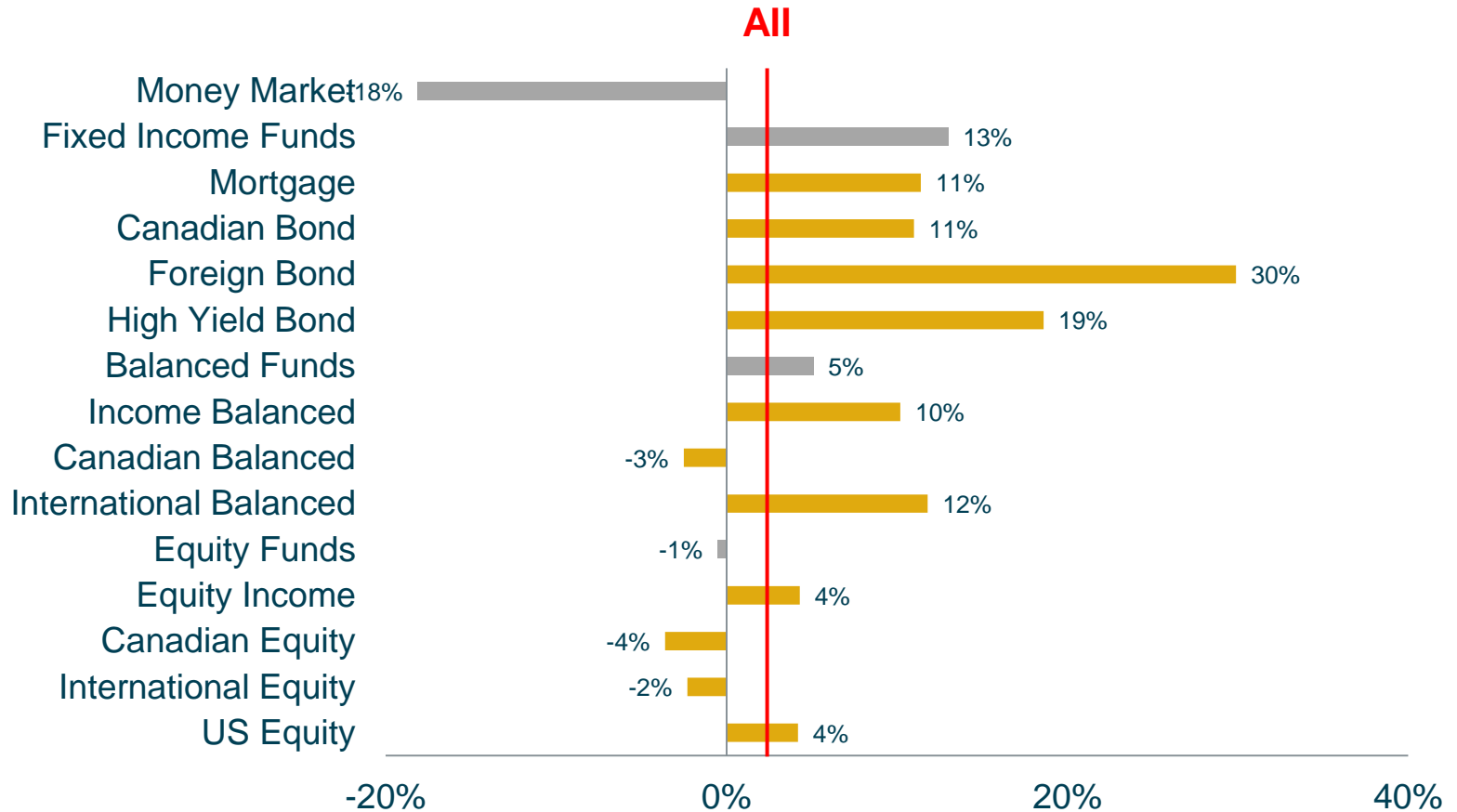
Mutual Funds

Net Flows as % of 1/1 Assets (Billions)



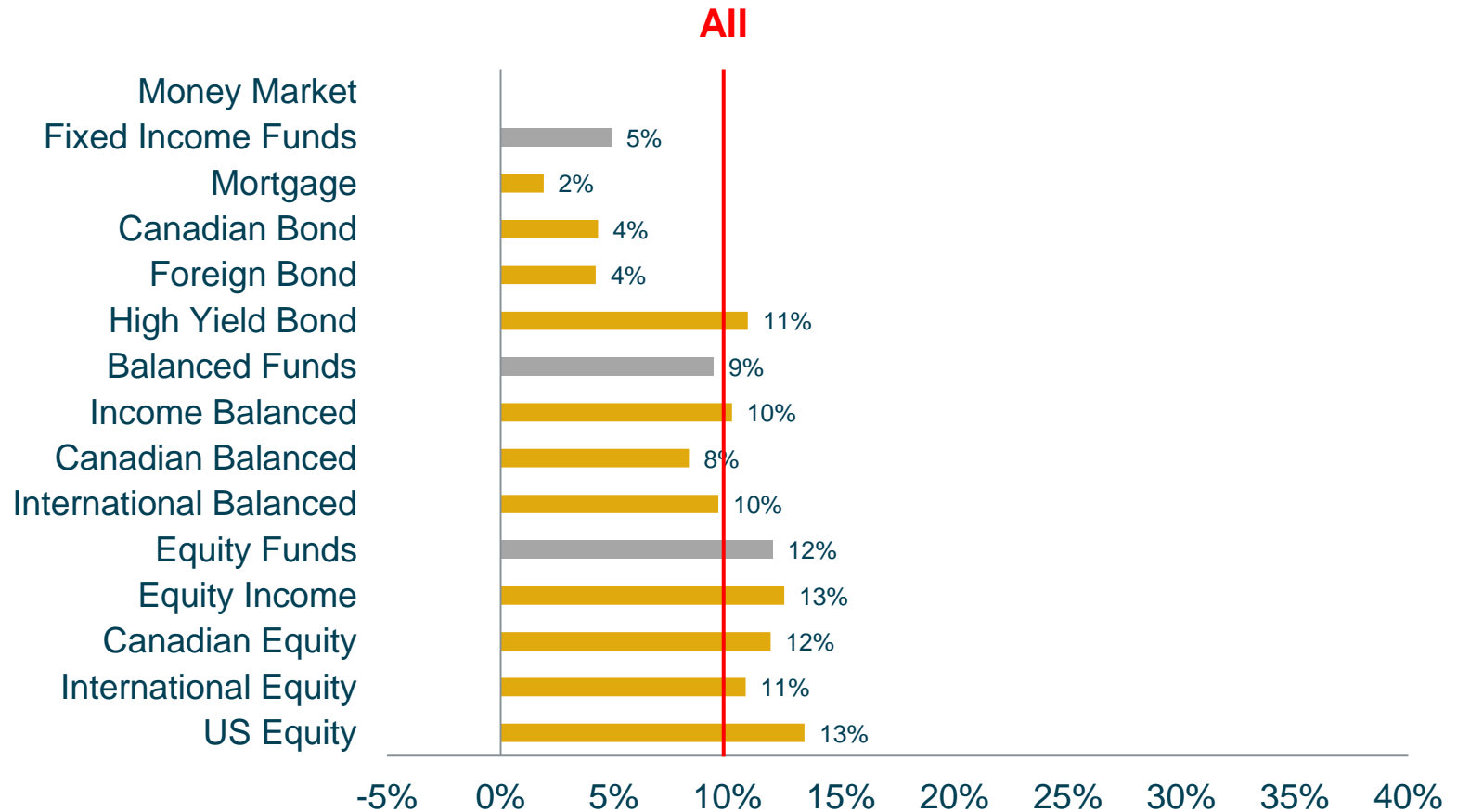
Mutual Funds

5-Year Annualized Net Flows as % of 1/1 Assets



Mutual Funds

5-Year Annualized Asset-Weighted Returns



INVESTMENT THEMES

Bonds James, Bonds...

- Investors continue to want income; aging population may continue this trend
- Canadian interest rates low; expected to stay flat and then rise
- Strategies attracting interest...
 - Global fixed income
 - Emerging market debt
 - High yield debt
 - Floating rate debt / bank loans

Equities

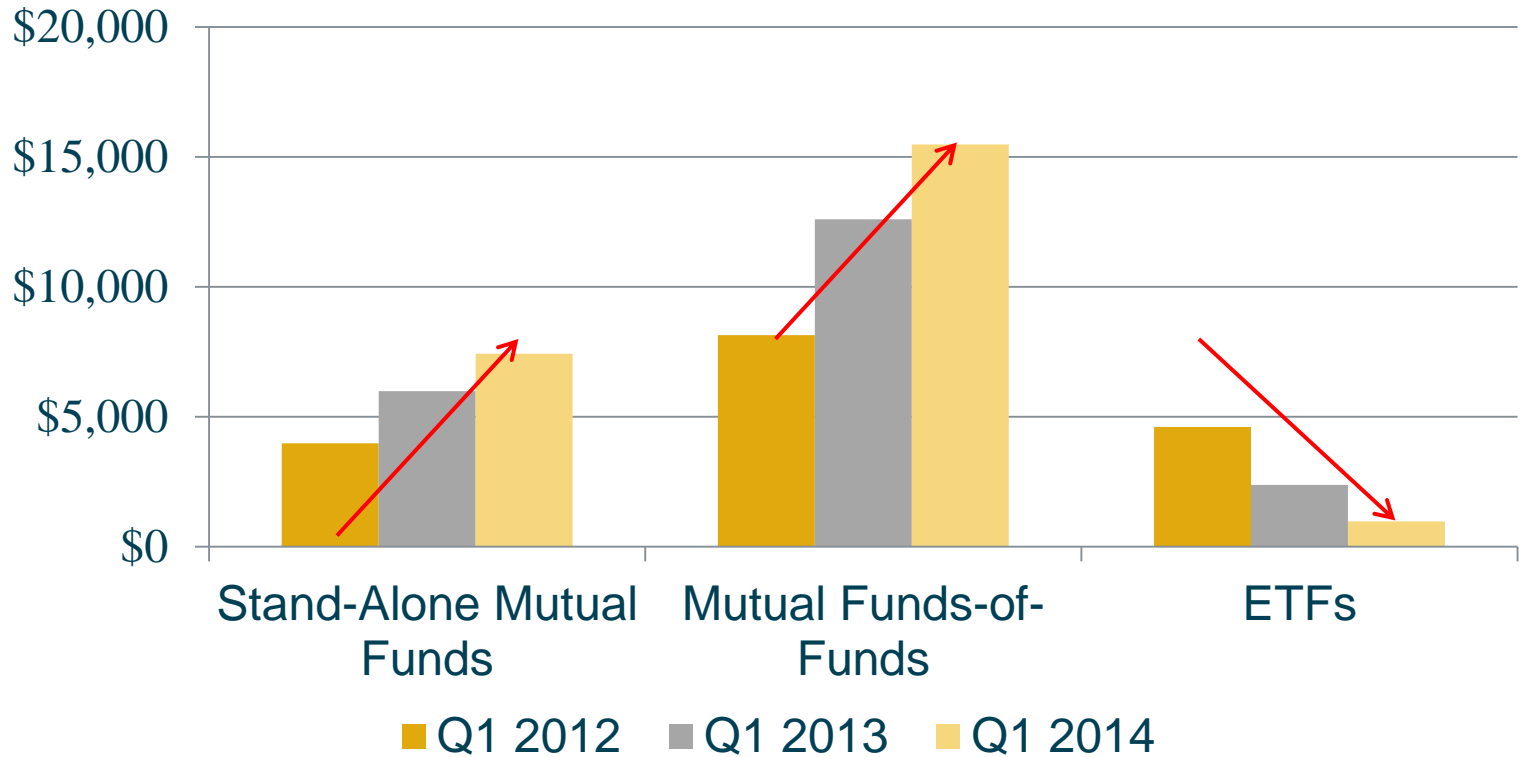
- Ongoing concerns about Canadian economy (unemployment, housing, debt, China, currency)
- Strategies attracting interest...
 - US
 - International / global
 - Emerging markets

Liquid Alternatives

- Liquid
 - Convertible to cash without material impact to price
- Alternatives
 - Generally not publicly traded, often illiquid, low correlations to stocks / bonds, often use derivatives
 - Examples: Real estate, hedge funds, commodities, infrastructure, absolute return

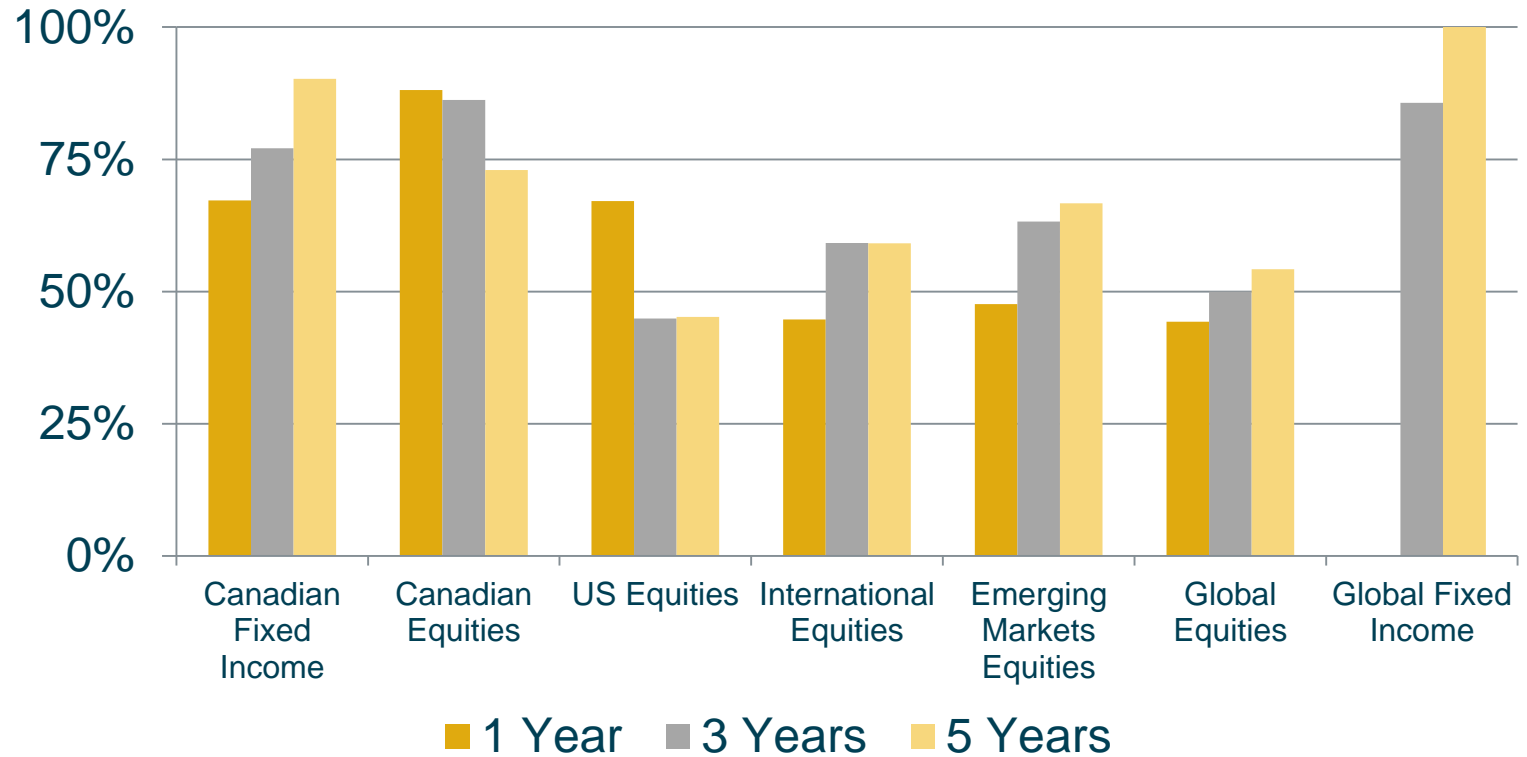
Active Versus Passive

RRSP Season Net Flows (Billions)



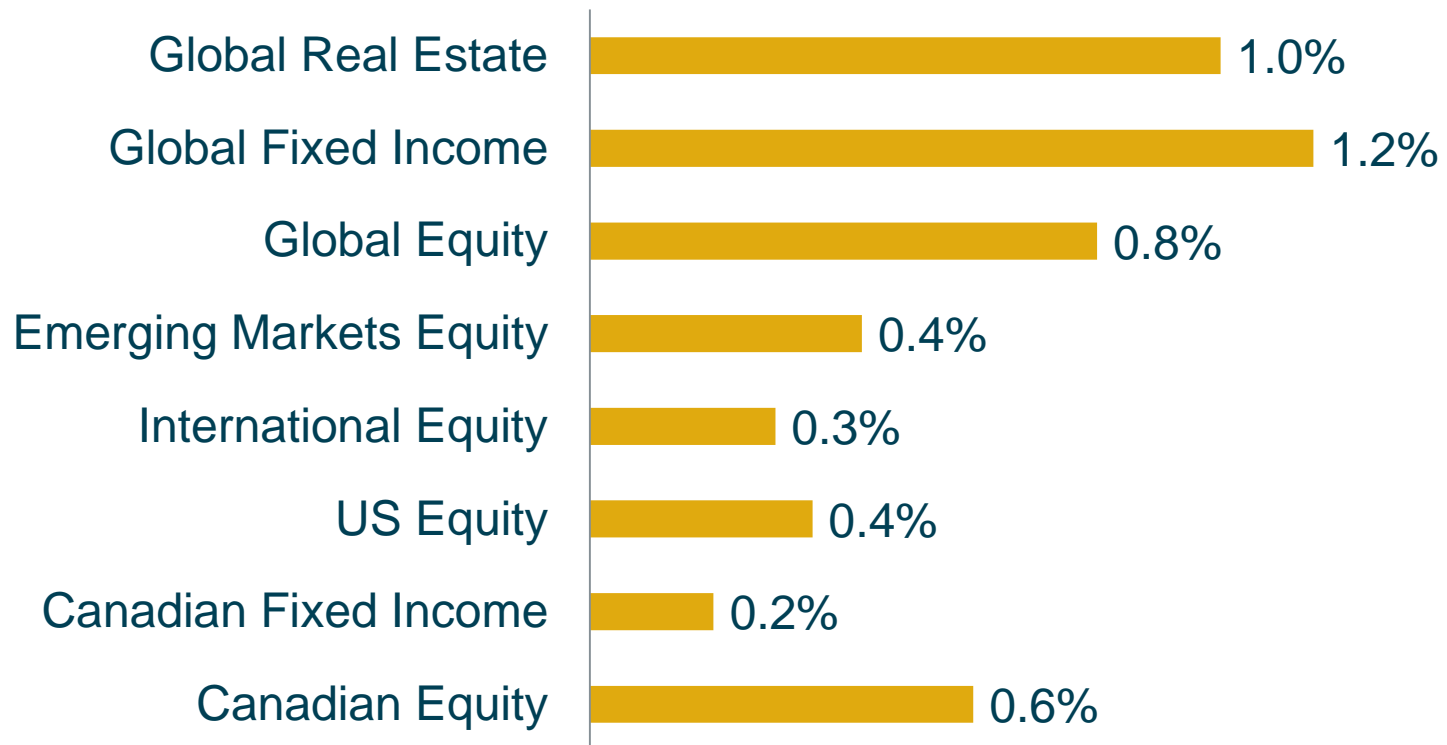
Active Versus Passive

% of Funds Beating Benchmark as of 3/31/2014



Active Versus Passive

10-Year Excess Returns as of 12/31/2013



Active Versus Passive

Group DC Plans

	Active Only	Passive Only	Active & Passive
Fixed income	24%	43%	33%
Balanced	83%	5%	13%
Asset allocation / target risk	43%	51%	6%
Target date	33%	63%	4%
Equity – Canadian	52%	3%	45%
Equity – US	15%	51%	34%
Equity – International	47%	17%	36%
Equity - Global	81%	4%	15%

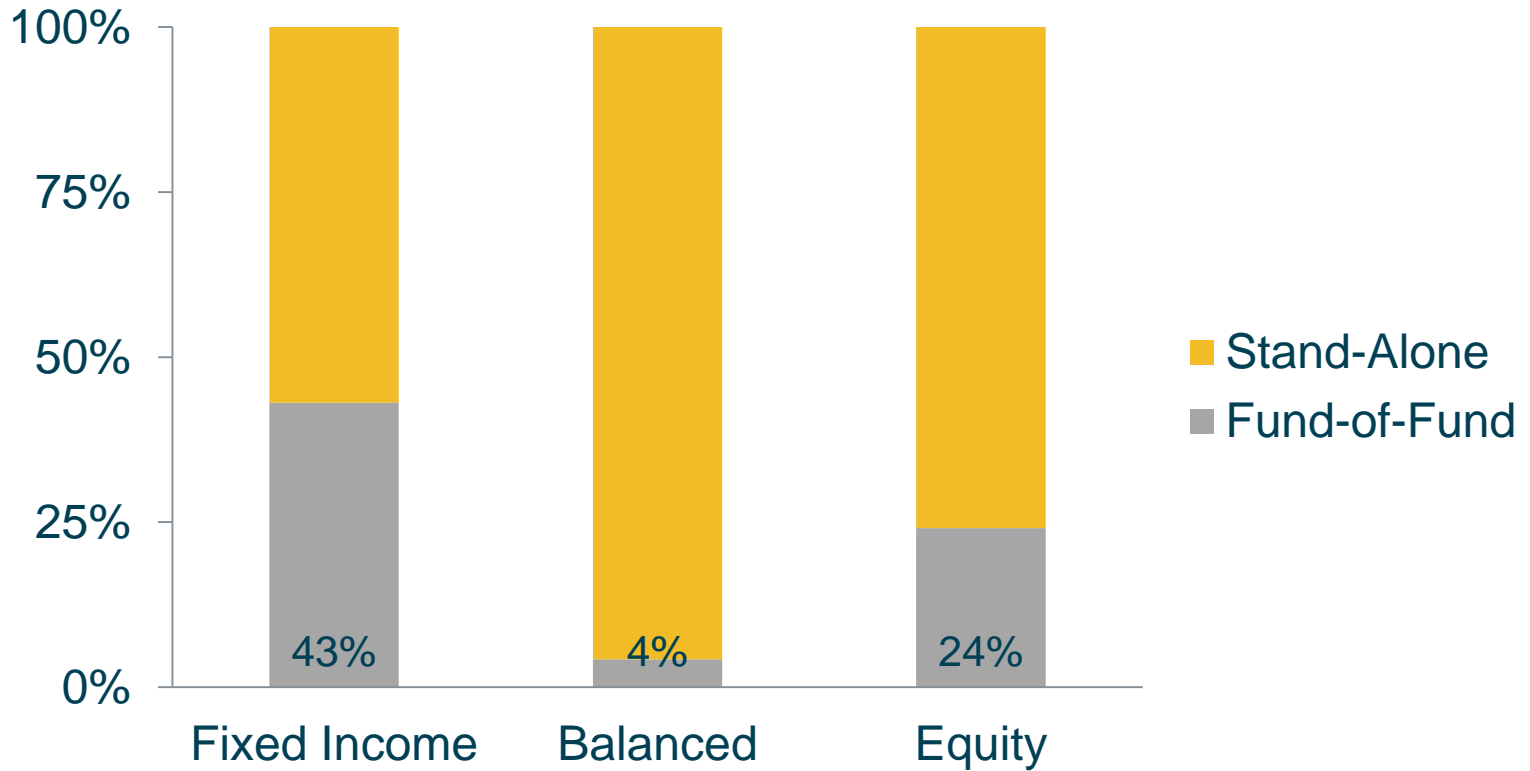
Smart Beta

- aka: advanced beta, alternative beta, strategic beta, factor-weighted, closet alpha
- Cap-weighted indices overweight overvalued companies and underweight undervalued companies
- Other weights:
 - Equal weights, weights by sales, dividends, assets, cash flow, volatility, momentum, etc.
- Rationale: Higher returns, lower volatility, lower fees (relative to active)

THE SOLUTION AS THE SOLUTION

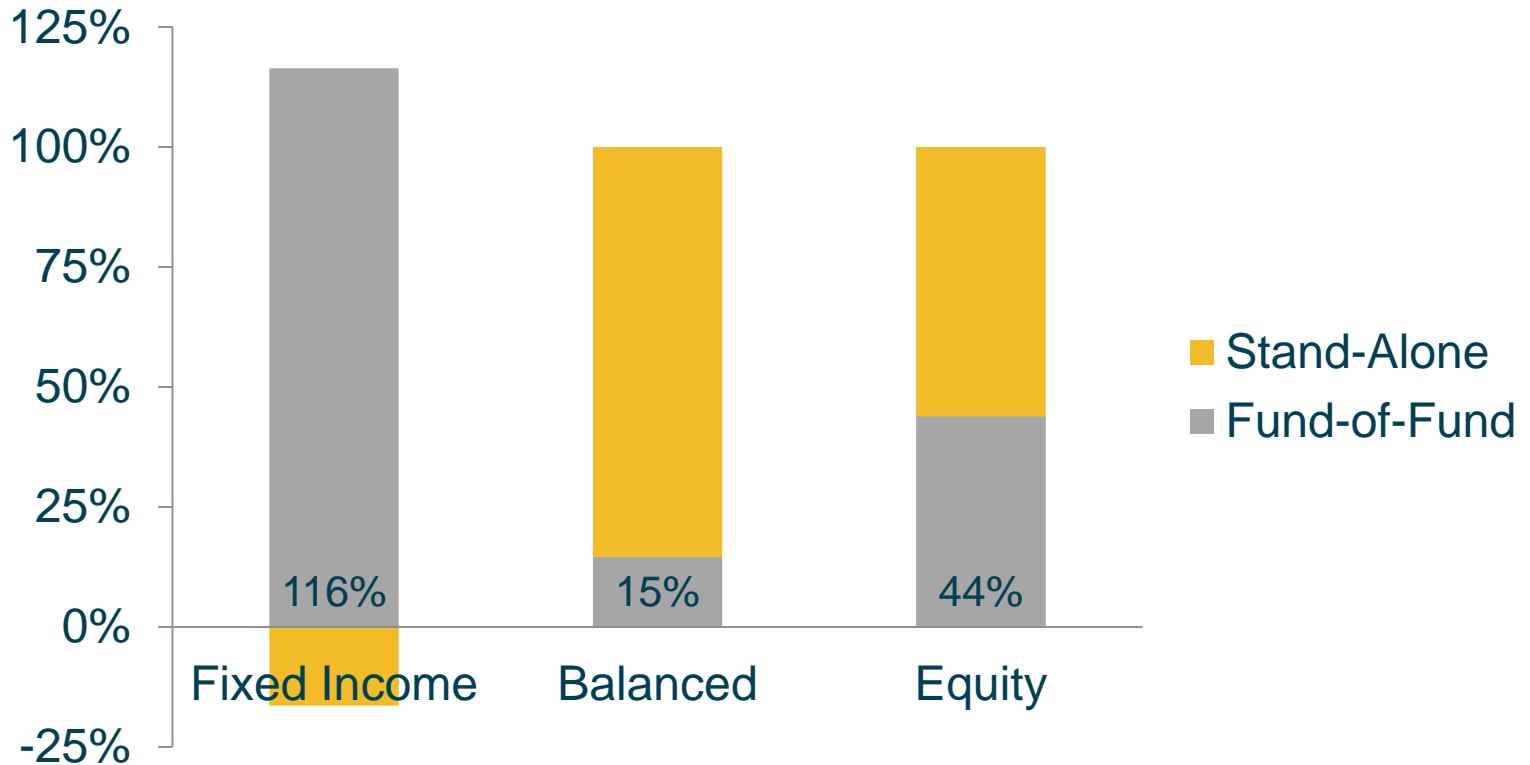
Mutual Funds

Asset Share as of December 31, 2013



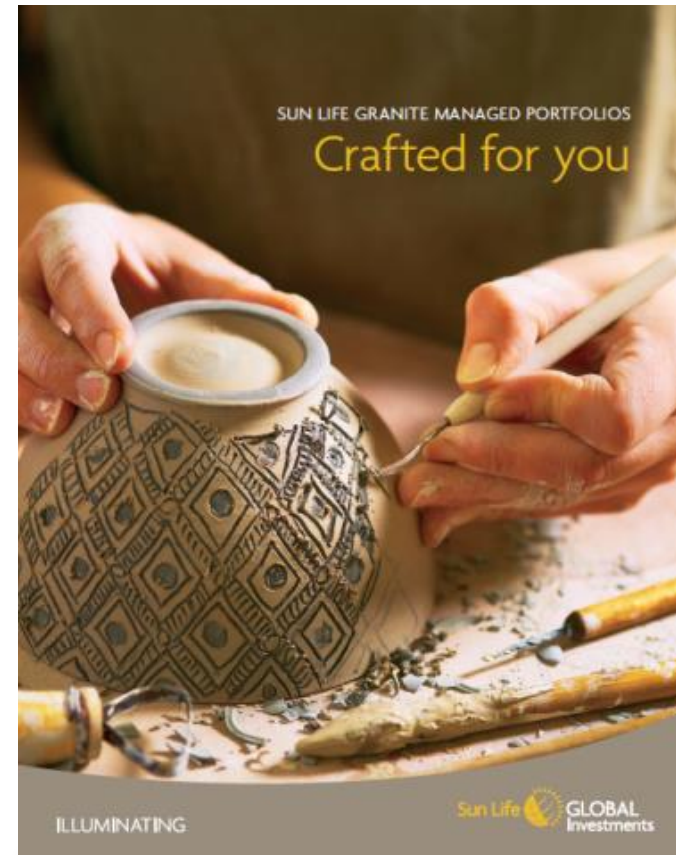
Mutual Funds

2013 Net Flows



Investment Solutions

- Multi-risk
- Multi-asset
- Multi-manager
- Strategic / tactical
- Non-traditional assets



QUESTIONS

