

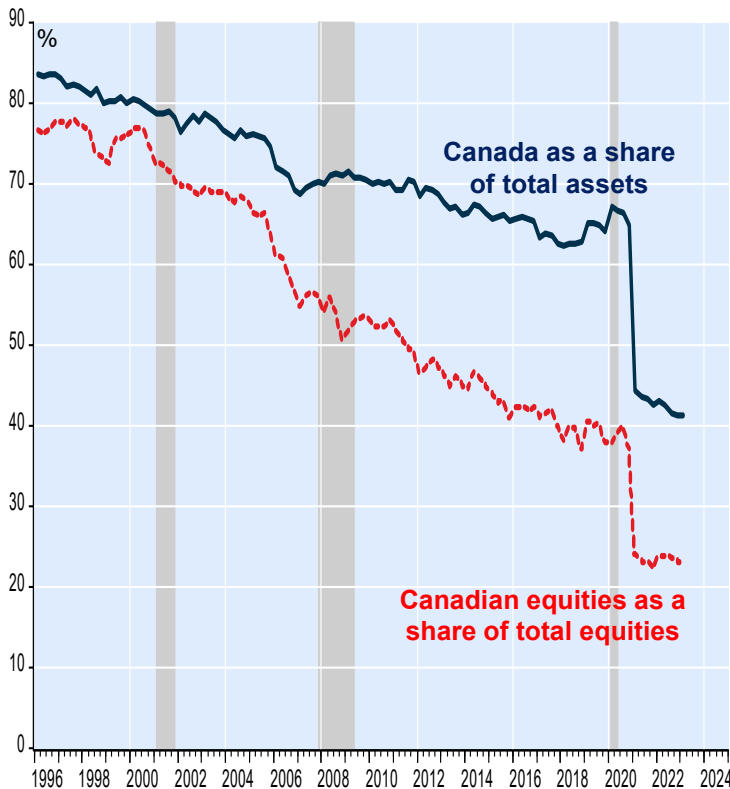
## Canada Watch

By Stéfane Marion

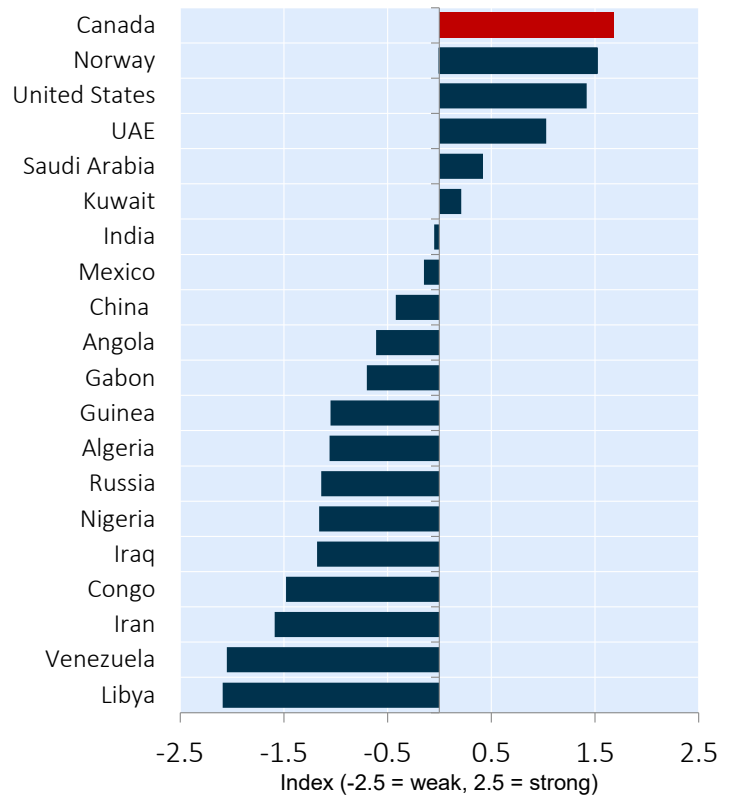
Data recently released by Statistics Canada showed that the assets of our trustee pension funds grew to \$2.2 trillion in the first quarter of 2023 (equivalent to 80% of GDP). As most of the growth was once again concentrated in foreign assets, the share of Canadian assets in the total fell to an all-time low of 41.1%. As today's Hot Chart shows, Canadian holdings are less than half of what they were in the mid-1990s. In equities, the disinterest of pension funds has been even more brutal, with their exposure to Canadian equities falling from 77% to a paltry 22% of total equities. While we understand the need for international diversification, a balance is needed at a time when the decline in Canada's GDP per capita is being exacerbated by a decline in our capital stock due to surging FDI outflows from Canada. As Peter Letko, a respected Canadian portfolio manager, recently pointed out, "a country that stops investing in its future on the basis of diversification alone will wither". Interestingly, we note that the World Bank recently ranked Canada as having one of the highest regulatory quality indexes in 2022. On the basis of governance alone, we believe there is a strong case for our pension funds to invest more domestically. For those still wondering, the "G" in ESG stands for "governance".

### Canada: Our pension funds continue to shun domestic assets

Canadian assets as a % of total assets and share of Canadian equities in total pension fund equity holdings



Regulatory quality index for OPEC countries plus CA, MX, NO, CN and IN (2022)



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