

Loonie spoils pension gains in third quarter

Toronto, October 19, 2007 — Canada's soaring dollar again wreaked havoc on pension funds in the third quarter, according to a survey just released by RBC Dexia Investor Services, which maintains the industry's most comprehensive universe of Canadian pension plans and money managers.

Within the CAD 340 billion RBC Dexia universe, Canadian pensions lost 0.7 per cent in the quarter ended September 30, 2007, trimming year-to-date results to just 1.8 per cent.

Currency losses continued to eclipse global equity returns. Year-to-date, the MSCI World index climbed 8.0 per cent in local currency terms, but this translates into a -4.1 per cent *drop* in value when converted into Canadian dollars. "Particularly with the loonie's steep rise against the US dollar – up 17.0 per cent this year alone – foreign exchange exposure has jumped back into the spotlight," observed Don McDougall, Director Advisory Services, RBC Dexia Investor Services. "Given that foreign stocks constitute about half the equity allocation of a typical pension fund, Canadian plan sponsors are sharpening their focus on currency management."

Canadian equities returned only 0.6 per cent to pension funds in the latest quarter, trailing the S&P TSX Composite index by 1.4 per cent. "Domestic stocks rallied in the month of September, driven mainly by Materials and Technology," explained McDougall. "Unfortunately, most pension funds were underexposed to these key sectors." Year-to-date, the picture is rosier: pension plans gained 11.3 per cent, marginally outpacing the benchmark index.

Despite the developing credit freeze, bonds were the top-performing asset class in the quarter: Canadian pensions earned a modest 1.7 per cent, matching the Scotia Capital Universe Bond Index.

About RBC Dexia Investor Services

RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide. Established in January 2006, we are a joint venture equally owned by Royal Bank of Canada and Dexia. We rank among the world's top 10 global custodians, with USD 2.6 trillion in client assets under administration. Our innovative products and services help clients maximise operational efficiency, minimise risk and enhance portfolio returns. And our more than 4,500 professionals in 15 markets offer proven expertise to enhance clients' business performance.

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