

Market turbulence batters Canadian pensions

TORONTO, October 17, 2008 — Plummeting equity markets hurt pension plans in the third quarter as the ongoing financial crisis gained global intensity, 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 pension plans suffered the largest quarterly decline in a decade, tumbling 8.6 per cent in the three months ending September 30. "Year-to-date, Canadian pensions are down 10.1 per cent," noted Don McDougall, Director of Advisory Services for RBC Dexia. "It hasn't been pretty – and judging by the performance in October so far, the situation is not getting any better."

Canadian equity was the hardest-hit asset class, plunging 18.2 per cent as commodity prices dragged the resource-heavy S&P TSX Composite Index to its lowest quarterly result since September of 1998. Energy stocks lost 28.3 per cent, while materials dropped 33.6 per cent over the period. "Fortunately, most Canadian funds had already trimmed their exposure to resources," McDougall explained. "By locking in gains earlier in the year, pensions deftly outperformed the index by 1.7 per cent."

Global equities fell 11.2 per cent, matching the MSCI World Index in the latest quarter. "Ironically, US stocks and a stronger greenback helped cushion the blow," said McDougall. In Canadian dollar terms, the MSCI EAFE index slumped by 16.8% over the quarter, an 18-year record drop.

In domestic bonds, Canadian pensions slipped 1.5 per cent in the quarter – far below the 0.4 per cent dip in the DEX Universe broad market benchmark. McDougall observed, "Spreads varied considerably: longer maturity bonds dropped 3.1 per cent, while real return bonds lost 9.0 per cent – their worst quarter in 14 years."

About RBC Dexia Investor Services

RBC Dexia Investor Services offers a complete range of investor services to institutions worldwide. Our unique offshore and onshore solutions, combined with the expertise of our 5,200 professionals in 16 markets, help clients grow their business and sustain enhanced performance through efficiency improvements and robust risk management processes. Equally-owned by RBC and Dexia, the company ranks among the world's top 10 global custodians with USD 2.8 trillion in client assets under administration.

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