

# THE TRUMP EFFECT

# As populism and protectionism reach levels unseen since the 1930s, what are the effects on global markets and what should institutional investors be considering?

By *Martha Porado*

**T**hough President Trump hasn't been successful in following through his promise to construct a wall on the border between the United States and Mexico, he's certainly stoked serious divisionism, with signals popping up the world over that nations are tugging on their drawbridges where trade, migration and other economic activities are concerned.

Whether it's the U.S. and China trading tariff blows or the long-standing market jitters over Brexit, Canada's institutional investors are watching the rise of protectionism in a time when they hold the most geographically diverse set of assets ever, says Kristina Hooper, chief global market strategist at Invesco.

"International trade, in terms of a percentage of global GDP, has grown dramatically in the last few decades," she says. Looking back to the last global wave of populism, in the 1930s, it's important to remember that global trade made up far less of the world's overall economic activity than it does today, she adds.

## The three former amigos

Beginning close to home, the renegotiations of the North American Free Trade Agreement dragged on for many months, with the United States Mexico Canada Agreement finally concluded at the end of September.

"Bilateral trade agreements are inefficient. They bring out the worst in countries," says Hooper. "There tends to be a beggar-thy-trading-partner mentality that you can usually eradicate with multilateral deals."

As headlines followed the back and forth, Mexican assets experienced serious downward pressure, says Louis Lau, director of investments at Brandes Investment Partners. This has been the case for virtually the entire time Trump has been in office, he adds, noting for investors seeking growth in emerging markets, that pressure has made it a great time to be overweight Mexico.

"We're invested in relatively defensive [Mexican] businesses like REITs where, granted, some of the buildings may be rented out to auto manufacturers, but also supermarkets, warehouses and shopping malls, so it's a fairly diversified set."

For Canadian and U.S. equities, smaller-cap stocks without much exposure to global supply chains could do perfectly well in a more constrained trade environment, says Erik Weisman, chief economist and portfolio manager at MFS Investment Management in Boston. And larger companies leading the way, especially technology giants, are likely to have stored enough capital to handle harder times, he adds.

"I want to know when I'm looking at companies, how exposed are you in terms of your supply chain to the outside world? And how big a footprint do you have to begin with? If you're a big player and you've got lots of resources, you'll be fine."

However, putting up protectionist barriers is more than just tariffs, Weisman points out. One industry that's typically considered to be very domestic-facing, and therefore less affected by tariffs, is construction. But

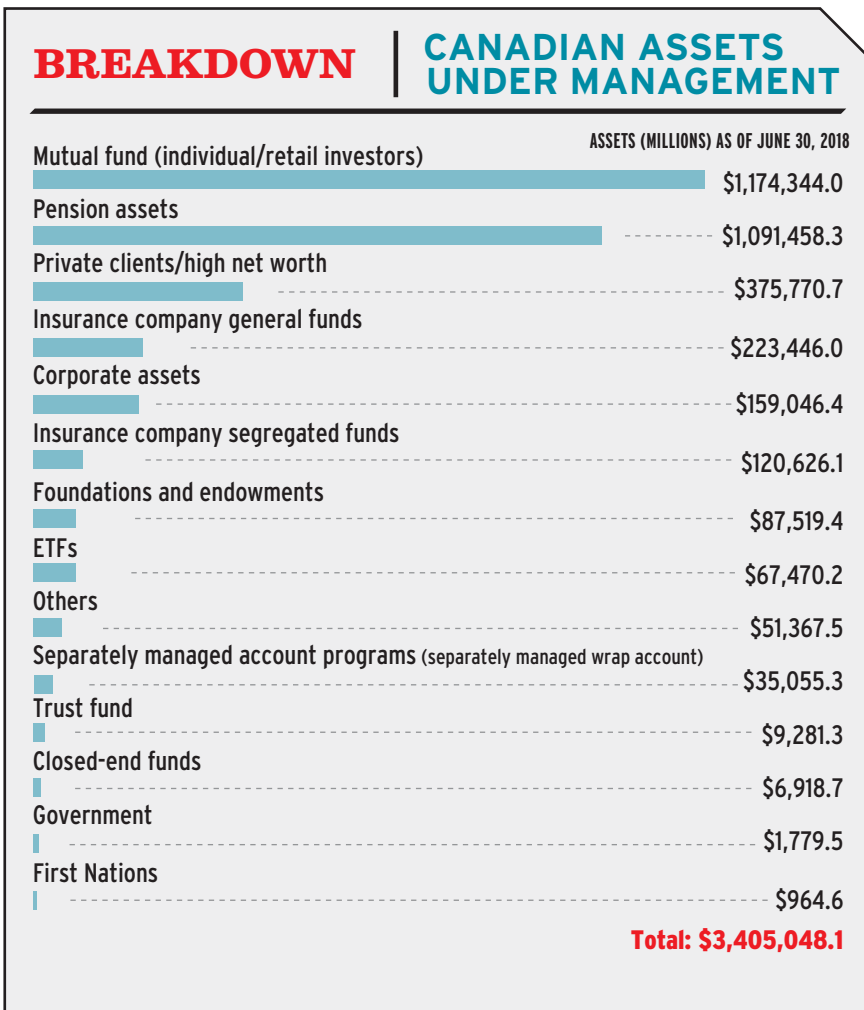
anti-immigration sentiment and policy could disrupt that industry's traditional labour force, which demonstrates how the various elements of deglobalization play off of each other, he says.

Overall, the confusion created by protectionist policies could stall the growth in the amount of public equities on the market, says Weisman, noting more companies are remaining private as a result. "You have to cultivate an environment to have an efficient and attractive publicly traded market," he says. "And it's interesting to me that, at least in the U.S., you're not seeing more listings, you're seeing fewer listings and you're seeing more companies that have chosen not to go that route."

### Chasing China

While the full effect of the new North American trade agreement remains to be felt, the U.S. will likely be able to shift its focus more squarely on China now that it's settled, says Jeremy Kronick, associate director of research at the C.D. Howe Institute.

Indeed, one of the components of the new deal is a shot across China's bow, as the USMCA states its countries will have to notify each other when entering trade agreements with non-market economies, he says. "To me, that's a veiled attempt to single out China,



## TOP 10 | TOTAL CANADIAN ASSETS UNDER MANAGEMENT

ASSETS (MILLIONS) AS OF JUNE 30, 2018

Company	2018 CANADIAN AUM
1   Phillips, Hager & North Investment Management (RBC Global Asset Management)	\$319,561.6
2   TD Asset Management Inc.	\$295,110.9
3   BlackRock Asset Management Canada Ltd.	\$179,695.8
4   CIBC Asset Management Inc.	\$167,346.2
5   Fidelity Canada Institutional	\$136,720.9
6   CI Investments Inc. (including CI Institutional Asset Management)	\$132,633.0
7   Mackenzie Investments	\$127,398.0
8   1832 Asset Management LP (Scotiabank)	\$126,681.0
9   Manulife Asset Management Ltd.	\$126,161.0
10   BMO Global Asset Management	\$117,472.0
<b>Top 10 total:</b>	<b>\$1,728,780.4</b>

Source: Firms participating in the Canadian Institutional Investment Network's fall 2018 top 40 money managers survey

## BREAKDOWN

## PENSION ASSET BY CLASS

ASSETS (MILLIONS) AS OF JUNE 30, 2018

Canadian bonds	24.16%
Canadian equity	13.44%
Global equity	12.28%
Balanced	7.82%
Real estate equity	6.27%
Overlay strategies	6.19%
U.S. equity	5.23%
EAFE equity	3.33%
Emerging Markets	3.21%
Infrastructure	2.632%
Other	2.625%
International equity	2.25%
Hedge funds	1.68%
Money markets	1.03%
Target-date fund	0.98%
Private equity	0.94%
Mortgage	0.93%
Global bonds	0.88%
Private debt	0.76%
Commodities	0.45%
Target-date risk	0.44%
Target-date/risk (combo)	0.417%
Other equity	0.416%
Real return bonds	0.36%
Emerging markets debt	0.34%
U.S. bonds	0.31%
High yield	0.29%
Cash/short-term	0.15%
Other bond	0.11%
REITS	0.06%
International bonds	-0.0209%
ETFs	0.0009%

Source: Firms participating in the Canadian Institutional Investment Network's fall 2018 top 40 money managers survey

saying if you want to go down the route of dealing with a non-market economy like China you need to consult with the other parties in this agreement," says Kronick.

In terms of both public equity markets and real tangible assets, China is opening up to western investment in a big way, says Janet Rabovsky, a partner at Ellement. "I think you can't, ultimately, shy away from China."

The recent inclusion of Chinese companies in MSCI Inc.'s emerging market index is essentially forcing investors using that index to put money into Chinese equities, she points out.

With the U.S. antagonizing China with multiple tariffs, should investors be worried about its growth potential? Rabovsky says the conflict's terms of engagement are already out of date, making the U.S.'s demands less powerful. "I think the one thing that Trump and his advisors are missing is that China is no longer exporting deflation. China is, by dollar-weighted GDP, the largest economy, or it will be soon. It's reverted to internal growth."

By internalizing the growth of its own economy, China could be insulated from the Trump administration's tactics, says Rabovsky.

However, the world's two largest economies duking it out is a net negative, says Dave Lafferty, senior vice-president and chief market strategist at Natixis Investment Managers. "You never want a first fight between the two biggest guys on the playground," he says. "Nothing good can come of that, even if individually it may not be that painful. But just because of the magnitude of what we're talking about, there is the potential for major spillover damage for everyone else."

The fight could severely affect emerging markets, where pension plans are heavily weighted at the moment, says Lafferty. He also agrees China is trying to become a more self-reliant economy and Trump's behaviour could simply push it further in the direction it's already headed.

# TOP 40

# MONEY MA

<b>TD ASSET MANAGEMENT INC.</b> <b>1</b>	
Rank 2017: <b>1</b>	▲6.5%
2018 CPA:	\$100,454.4
2017 CPA:	\$94,349.9
Total assets 2018:	\$295,110.9

<b>CONNOR, CLARK &amp; LUNN FINANCIAL GROUP</b> <b>6</b>	
Rank 2017: <b>7</b>	▲12.5%
2018 CPA:	\$31,929.3
2017 CPA:	\$28,369.4
Total assets 2018:	\$69,996.5

<b>GOLDMAN SACHS ASSET MANAGEMENT LP<sup>1</sup></b> <b>11</b>	
Rank 2017: <b>15</b>	▲35.8%
2018 CPA:	\$24,343.8
2017 CPA:	\$17,931.0
Total assets 2018:	\$31,223.1

<b>WELLINGTON MANAGEMENT GROUP LLP</b> <b>16</b>	
Rank 2017: <b>17</b>	▲9.1%
2018 CPA:	\$18,704.0
2017 CPA:	\$17,138.0
Total assets 2018:	\$25,395.0

<b>BLACKROCK ASSET MANAGEMENT CANADA LTD.</b> <b>2</b>	
Rank 2017: <b>2</b>	▼-0.2%
2018 CPA:	\$87,626.7
2017 CPA:	\$87,812.3
Total assets 2018:	\$179,695.8

<b>BROOKFIELD ASSET MANAGEMENT</b> <b>7</b>	
Rank 2017: <b>9</b>	▲7.8%
2018 CPA:	\$28,691.0
2017 CPA:	\$26,625.0
Total assets 2018:	\$91,155.0

<b>FIDELITY CANADA INSTITUTIONAL</b> <b>12</b>	
Rank 2017: <b>11</b>	▲3.6%
2018 CPA:	\$23,753.1
2017 CPA:	\$22,937.6
Total assets 2018:	\$136,720.9

<b>BNY MELLON ASSET MANAGEMENT LTD.</b> <b>17</b>	
Rank 2017: <b>16</b>	▼-1.4%
2018 CPA:	\$17,276.0
2017 CPA:	\$17,516.0
Total assets 2018:	\$28,020.0

<b>PHILLIPS, HAGER &amp; NORTH INVESTMENT MANAGEMENT (RBC Global Asset Management)</b> <b>3</b>	
Rank 2017: <b>3</b>	▲0.2%
2018 CPA:	\$63,651.1
2017 CPA:	\$63,507.5
Total assets 2018:	\$319,561.6

<b>BEUTEL, GOODMAN &amp; CO. LTD.*</b> <b>8</b>	
Rank 2017: <b>6</b>	▲0.9%
2018 CPA:	\$27,916.3
2017 CPA:	\$27,672.4
Total assets 2018:	\$40,956.0

<b>GLC ASSET MANAGEMENT GROUP LTD.</b> <b>13</b>	
Rank 2017: <b>12</b>	▲4.5%
2018 CPA:	\$22,592.0
2017 CPA:	\$21,626.0
Total assets 2018:	\$55,334.0

<b>LETKO, BROUSSEAU &amp; ASSOCIATES INC.</b> <b>18</b>	
Rank 2017: <b>18</b>	▲0.6%
2018 CPA:	\$17,198.4
2017 CPA:	\$17,102.9
Total assets 2018:	\$29,402.0

<b>MANULIFE ASSET MANAGEMENT LTD.</b> <b>4</b>	
Rank 2017: <b>4</b>	▲6.9%
2018 CPA:	\$43,924.0
2017 CPA:	\$41,079.0
Total assets 2018:	\$126,161.0

<b>CIBC ASSET MANAGEMENT INC.</b> <b>9</b>	
Rank 2017: <b>10</b>	▲4.9%
2018 CPA:	\$27,324.5
2017 CPA:	\$26,043.5
Total assets 2018:	\$167,346.2

<b>GREYSTONE MANAGED INVESTMENTS INC.</b> <b>14</b>	
Rank 2017: <b>14</b>	▲9.6%
2018 CPA:	\$22,324.7
2017 CPA:	\$20,366.6
Total assets 2018:	\$33,555.1

<b>MFS INVESTMENT MANAGEMENT CANADA LTD.</b> <b>19</b>	
Rank 2017: <b>19</b>	▲2.4%
2018 CPA:	\$17,169.3
2017 CPA:	\$16,774.6
Total assets 2018:	\$30,321.1

<b>FIERA CAPITAL CORP.</b> <b>5</b>	
Rank 2017: <b>5</b>	▲10.6%
2018 CPA:	\$34,057.1
2017 CPA:	\$30,786.7
Total assets 2018:	\$83,970.9

<b>STATE STREET GLOBAL ADVISORS LTD.</b> <b>10</b>	
Rank 2017: <b>8</b>	▼-11.2%
2018 CPA:	\$25,155.9
2017 CPA:	\$28,330.5
Total assets 2018:	\$54,086.4

<b>J.P. MORGAN ASSET MANAGEMENT (CANADA) INC.</b> <b>15</b>	
Rank 2017: <b>13</b>	▲2.7%
2018 CPA:	\$20,981.0
2017 CPA:	\$20,437.0
Total assets 2018:	\$25,171.0

<b>PIMCO CANADA CORP.</b> <b>20</b>	
Rank 2017: <b>22</b>	▲9.9%
2018 CPA:	\$16,820.0
2017 CPA:	\$15,304.0
Total assets 2018:	\$42,066.0

“When you have one country that decides to place itself first, when you get that America-first policy, it typically is very contagious, and causes other countries to want to pull back and place their interests first. So we have, I think, a domino effect that is occurring.”

# NAGERS

CANADIAN ASSETS (MILLIONS) UNDER MANAGEMENT AS OF JUNE 30, 2018

CPA = CANADIAN PENSION ASSETS

▲ ▼ Indicates an increase or decrease in assets from 2017 to 2018

<b>MERCER GLOBAL INVESTMENTS CANADA LTD.</b>	<b>21</b>
Rank 2017: <b>23</b>	▲16.5%
2018 CPA:	\$16,231.0
2017 CPA:	\$13,929.0
Total assets 2018:	\$18,784.0

<b>MAWER INVESTMENT MANAGEMENT LTD.</b>	<b>26</b>
Rank 2017: <b>27</b>	▲7.9%
2018 CPA:	\$10,929.3
2017 CPA:	\$10,132.7
Total assets 2018:	\$48,675.0

<b>ALLIANCEBERNSTEIN CANADA INSTITUTIONAL INVESTMENTS*</b>	<b>31</b>
Rank 2017: <b>31</b>	▲8.6%
2018 CPA:	\$9,205.1
2017 CPA:	\$8,473.3
Total assets 2018:	\$17,118.0

<b>ARROWSTREET CAPITAL LP<sup>3</sup></b>	<b>36</b>
Rank 2017: <b>46</b>	▲45.6%
2018 CPA:	\$6,305.0
2017 CPA:	\$4,330.0
Total assets 2018:	\$9,954.0

<b>JARISLOWSKY, FRASER LTD.<sup>2</sup></b>	<b>22</b>
Rank 2017: <b>20</b>	▼-0.7%
2018 CPA:	\$16,002.0
2017 CPA:	\$16,118.0
Total assets 2018:	\$38,097.0

<b>BURGUNDY ASSET MANAGEMENT LTD.</b>	<b>27</b>
Rank 2017: <b>26</b>	▲2.5%
2018 CPA:	\$10,397.1
2017 CPA:	\$10,141.7
Total assets 2018:	\$23,980.7

<b>SCHRODER INVESTMENT MANAGEMENT LTD.</b>	<b>32</b>
Rank 2017: <b>N/A</b>	▲12.1%
2018 CPA:	\$8,321.4
2017 CPA:	\$7,421.9
Total assets 2018:	\$9,631.5

<b>MORGUARD INVESTMENTS LTD.</b>	<b>37</b>
Rank 2017: <b>33</b>	▼-17.7%
2018 CPA:	\$6,209.3
2017 CPA:	\$7,543.7
Total assets 2018:	\$12,301.0

<b>FRANKLIN TEMPLETON INSTITUTIONAL</b>	<b>23</b>
Rank 2017: <b>21</b>	▼-4.6%
2018 CPA:	\$14,614.0
2017 CPA:	\$15,323.0
Total assets 2018:	\$46,410.0

<b>ADDENDA CAPITAL INC.</b>	<b>28</b>
Rank 2017: <b>28</b>	▼-3.3%
2018 CPA:	\$9,594.2
2017 CPA:	\$9,920.3
Total assets 2018:	\$27,248.4

<b>CANSO INVESTMENT COUNSEL LTD.</b>	<b>33</b>
Rank 2017: <b>36</b>	▲11.8%
2018 CPA:	\$7,106.0
2017 CPA:	\$6,355.4
Total assets 2018:	\$24,521.0

<b>INVESCO</b>	<b>38</b>
Rank 2017: <b>38</b>	▲2.6%
2018 CPA:	\$6,175.0
2017 CPA:	\$6,021.0
Total assets 2018:	\$39,995.6

<b>SUN LIFE GLOBAL INVESTMENTS</b>	<b>24</b>
Rank 2017: <b>24</b>	▲14.8%
2018 CPA:	\$13,671.8
2017 CPA:	\$11,912.4
Total assets 2018:	\$22,649.3

<b>INDUSTRIAL ALLIANCE INVESTMENT MANAGEMENT INC.</b>	<b>29</b>
Rank 2017: <b>29</b>	▲1.9%
2018 CPA:	\$9,531.6
2017 CPA:	\$9,349.9
Total assets 2018:	\$91,616.6

<b>ACADIAN ASSET MANAGEMENT</b>	<b>34</b>
Rank 2017: <b>37</b>	▲15.8%
2018 CPA:	\$7,071.2
2017 CPA:	\$6,105.3
Total assets 2018:	\$8,552.9

<b>NORTHERN TRUST ASSET MANAGEMENT<sup>4</sup></b>	<b>39</b>
Rank 2017: <b>42</b>	▲30.0%
2018 CPA:	\$6,096.5
2017 CPA:	\$4,689.2
Total assets 2018:	\$12,551.1

<b>LEITH WHEELER INVESTMENT COUNSEL LTD.</b>	<b>25</b>
Rank 2017: <b>25</b>	▲6.0%
2018 CPA:	\$12,602.6
2017 CPA:	\$11,885.6
Total assets 2018:	\$19,769.6

<b>BAILLIE GIFFORD OVERSEAS LTD.</b>	<b>30</b>
Rank 2017: <b>30</b>	▲8.7%
2018 CPA:	\$9,259.8
2017 CPA:	\$8,515.0
Total assets 2018:	\$16,190.0

<b>HEXAVEST INC.</b>	<b>35</b>
Rank 2017: <b>32</b>	▼-7.7%
2018 CPA:	\$6,985.7
2017 CPA:	\$7,566.0
Total assets 2018:	\$8,165.1

<b>GUARDIAN CAPITAL LP</b>	<b>40</b>
Rank 2017: <b>35</b>	▼-10.6%
2018 CPA:	\$6,057.9
2017 CPA:	\$6,773.6
Total assets 2018:	\$22,250.0

POWERED BY  
CANADIAN  
**Institutional Investment**  
**NETWORK**

Notes: \*Restated 2017 figure. 1. The increase is due to the re-categorization of certain client types. 2. As of May 1, 2018, Jarislowsky, Fraser Ltd. is a wholly-owned subsidiary of the Bank of Nova Scotia, but operates as a distinct business division. 3. The increase is due to improved reporting tools and positive results from new business development activity. 4. The increase is due to a significant rise in foundation client positions with growth and new mandates. 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. All totals are subject to a +/- variance due to rounding.

**2018 top 40 total: \$864,259.1**  
**2017 top 40 total: \$824,216.9**  
**Variance: ▲4.9%**

Source: Firms participating in the Canadian Institutional Investment Network's fall 2018 top 40 money managers survey

## TOP 5 | FASTEST GROWING (%) – GREATER THAN \$10 BILLION

CPA = CANADIAN PENSION ASSETS; ASSETS (MILLIONS) AS OF JUNE 30, 2018

Company	2018 CPA	2017 CPA	Variance
1  Mercer Global Investments Canada Ltd.	\$16,231.0	\$13,929.0	16.5%
2  Sun Life Global Investments	\$13,671.8	\$11,912.4	14.8%
3  Connor, Clark & Lunn Financial Group	\$31,929.3	\$28,369.4	12.5%
4  Connor, Clark & Lunn Investment Management Ltd.	\$27,175.5	\$24,507.0	10.9%
5  PIMCO Canada Corp.	\$16,820.0	\$15,304.0	9.9%

## TOP 5 | FASTEST GROWING (%) – \$1 BILLION TO \$10 BILLION

CPA = CANADIAN PENSION ASSETS; ASSETS (MILLIONS) AS OF JUNE 30, 2018

Company	2018 CPA	2017 CPA	Variance
1  Hillsdale Investment Management Inc.	\$1,103.0	\$584.0	88.9%
2  Setanta Asset Management Ltd.	\$1,372.0	\$826.3	66.0%
3  Unigestion	\$2,728.4	\$1,853.5	47.2%
4  Arrowstreet Capital LP	\$6,305.0	\$4,330.0	45.6%
5  Janus Henderson Investors	\$1,591.1	\$1,148.3	38.6%

## TOP 5 | FASTEST GROWING (%) – LESS THAN \$1 BILLION

CPA = CANADIAN PENSION ASSETS; ASSETS (MILLIONS) AS OF JUNE 30, 2018

Company	2018 CPA	2017 CPA	Variance
1  Global Alpha Capital Management Ltd. (a Connor, Clark & Lunn Financial Group Co.)	\$180.1	\$54.0	233.5%
2  Wasatch Advisors	\$390.3	\$181.8	114.7%
3  Galibier Capital Management	\$442.6	\$369.1	19.9%
4  CC&L Infrastructure	\$308.2	\$277.0	11.3%
5  Capital Group	\$997.1	\$933.2	6.8%

Source: Firms participating in the Canadian Institutional Investment Network's fall 2018 top 40 money managers survey

## TOP 10 | CAP INVESTMENT MANAGERS

CPA = CANADIAN PENSION ASSETS; ASSETS (MILLIONS) AS OF JUNE 30, 2018

Company	2018 CAP CPA
<b>1</b> BlackRock Asset Management Canada Ltd.	\$23,388.1
<b>2</b> GLC Asset Management Group Ltd.	\$20,561.0
<b>3</b> TD Asset Management Inc.	\$14,240.2
<b>4</b> Sun Life Global Investments	\$13,671.8
<b>5</b> Beutel, Goodman & Co. Ltd.*	\$12,715.2
<b>6</b> MFS Investment Management Canada Ltd.	\$9,771.4
<b>7</b> Fidelity Canada Institutional	\$8,744.5
<b>8</b> Connor, Clark & Lunn Financial Group	\$7,288.2
<b>9</b> Phillips, Hager & North Investment Management (RBC Global Asset Management)	\$6,755.4
<b>10</b> Franklin Templeton Institutional	\$6,065.0
<b>Top 10 total:</b>	<b>\$123,200.8</b>

Note: \*Restated 2017 figure.

### DEAL OR NO DEAL?

Trade restrictive measures, such as new tariffs, are on the rise, according to the World Trade Organization.

WTO members applied an average of **11** trade restrictive measures per month from mid-October 2017 to mid-May 2018. This is up from an average of **9** for the two previous measurement periods. But plenty of trade facilitating measures were also used in the same period, at an average of **13**, which is up from **11** in the previous two periods.

“China is this massive export engine and, if that is weakened, it just forces them to do what they’ve been trying to do anyway,” he says. “If you’re a pension plan, I would be much more focused on whether China can build this domestic demand and this global dominance around their 2025 industrial plan than whether they win or lose a trade skirmish with Trump.”

China is able to take actions allowing it to withstand nearly anything the U.S. may send its way, says Weisman, but the question is whether the country wants to withstand the conflict or win it. “If they’re just trying to weather it, I don’t think they’re going to escalate things any more than they need to; whereas, if they are trying to win it, they might do something a little more proactive, more, I don’t know whether to use the term desperate or assertive.”

### Cracks in the Eurozone

Britain is another segment of the global market worth playing tactically right now, says Lau. “In the wake of Brexit, as we thought about more specific businesses and companies, we became more comfortable investing and even increasing our exposure to the U.K.”

Since Brexit has been dragging on for so long with no real answer to how

the country will position itself within, and without, the European Union, it serves as a good example of how some of the fresher wounds in geopolitical tension could eventually heal, he says.

But Brexit isn’t the only point of protectionist contention in Europe. Recently, France’s President Emmanuel Macron faced competition from Marie Le Pen, whose right-wing ideology, especially her anti-E.U. sentiments, are still cause for worry despite her loss in the election, says Weisman.

The mere fact she was in the running and received as much support as she did is a sign that similar nationalistic feelings are simmering below the surface all over Europe, he says. “I think we were thrown off course when Macron won so easily, because it obscured the fact that Le Pen actually garnered a significant amount of the popular vote.”

Italy is the latest nation dealing with a wave of populism, although its newest government is somewhat convoluted, made up of a coalition between ministers elected from the League party, a right-wing faction, and the Five Star Movement, a more progressive entity. The new government is casting doubts about how willing it is to play by the budgetary rules laid out by the E.U., among other policy concerns.

Hooper attributes much of what’s happening in Italy to the Trump effect. “When you have one country that decides to place itself first, when you get that America-first policy, it typically is very contagious, and causes other countries to want to pull back and place their interests first. So we have, I think, a domino effect that is occurring.”

While Italy surely needs the E.U. more than the E.U. needs Italy, it still wants to keep Italy in the fold, says Hooper, especially when so many countries are clearly being tempted by populist rhetoric.

Lafferty, however, doubts the new government has the political wherewithal to force Italy’s exit from the E.U., as much as it may make some dramatic statements. Even so, it’s worrying for global fixed income that one of the parties now in charge seems dismissive of what the E.U. has laid out, he says. “Remember, part of the populist campaign promise was lifetime universal income, along with some other budgetary adjustments that would have taken their debt-to-GDP [ratio] to about seven per cent. The E.U. guidelines are three per cent. So they were effectively talking about blowing their budget constraints out of the water,” says Lafferty.

## TOP 10 | DB INVESTMENT MANAGERS

CPA = CANADIAN PENSION ASSETS; ASSETS (MILLIONS) AS OF JUNE 30, 2018

	Company	2018 DB CPA
1	TD Asset Management Inc.	\$86,214.2
2	BlackRock Asset Management Canada Ltd.	\$59,035.6
3	Phillips, Hager & North Investment Management (RBC Global Asset Management)	\$56,895.7
4	Brookfield Asset Management	\$28,691.0
5	Fiera Capital Corp.	\$28,571.3
6	CIBC Asset Management Inc.	\$26,721.7
7	Connor, Clark & Lunn Financial Group	\$24,641.1
8	Goldman Sachs Asset Management LP	\$24,343.8
9	State Street Global Advisors Ltd.	\$21,865.6
10	J.P. Morgan Asset Management (Canada) Inc.	\$20,541.1
<b>Top 10 total:</b>		<b>\$377,521.1</b>

## TOP 10 | ENDOWMENT & FOUNDATION FUND MANAGERS

ASSETS (MILLIONS) AS OF JUNE 30, 2018

	Company	2018 CANADIAN E&F AUM
1	Fiera Capital Corp.	\$8,226.6
2	TD Asset Management Inc.	\$5,754.6
3	BlackRock Asset Management Canada Ltd.	\$4,827.1
4	Mawer Investment Management Ltd.	\$3,824.5
5	State Street Global Advisors Ltd.	\$3,484.9
6	Jarislowsky, Fraser Ltd.	\$3,046.0
7	Burgundy Asset Management Ltd.	\$2,912.9
8	Connor, Clark & Lunn Financial Group	\$2,579.4
9	Phillips, Hager & North Investment Management (RBC Global Asset Management)	\$2,518.5
10	Letko, Brosseau & Associates Inc.	\$2,438.3
<b>Top 10 total:</b>		<b>\$39,612.8</b>

Source: Firms participating in the Canadian Institutional Investment Network's fall 2018 top 40 money managers survey

### POLITICAL RISK

A September 2018 survey by Willis Towers Watson found **55%** of global organizations with revenues greater than **\$1 billion** are experiencing at least one loss exceeding **\$100 million** in value that's associated with political risk.

The key geopolitical threats, according to respondents, were:

- U.S. sanctions policy;
- Emerging market crises;
- Protectionism/trade wars; and
- Populism and nationalist.


"For the third largest bond market in the world, and for people who need to attract foreign capital, that's detrimental. And you've seen it as yields in Italy have not only gone up but spreads to benchmark [sovereign bonds] have widened."

### Following the narrative

Though pension funds typically watch macro movements, it's unwise to get caught up in the day-to-day fluctuations, says Gary Smith, head of investment strategy and risk at the Alberta Teachers' Retirement Fund.

"There is so much noise that comes out from various sources that, if you're trying to chase it every moment, you'll get whiplash from one moment to the next."

While Smith says the pension fund's portfolio is globally diversified and has been for many years, he notes that moves to deglobalize the economy could be a catalyst for the hastening of the natural cyclical downturn. "We're in a cycle that is getting grey hair . . . so I think it is logical to be a little bit more cautious."

Nevertheless, he strongly believes that global allocations are the way to go. "Where do you retreat to? Do you retreat to Canada? If you're doing that, you're really going to take it on the chin in terms of trade. What place is more exposed to trade fluff than Canada? It's hard to think of one." 

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