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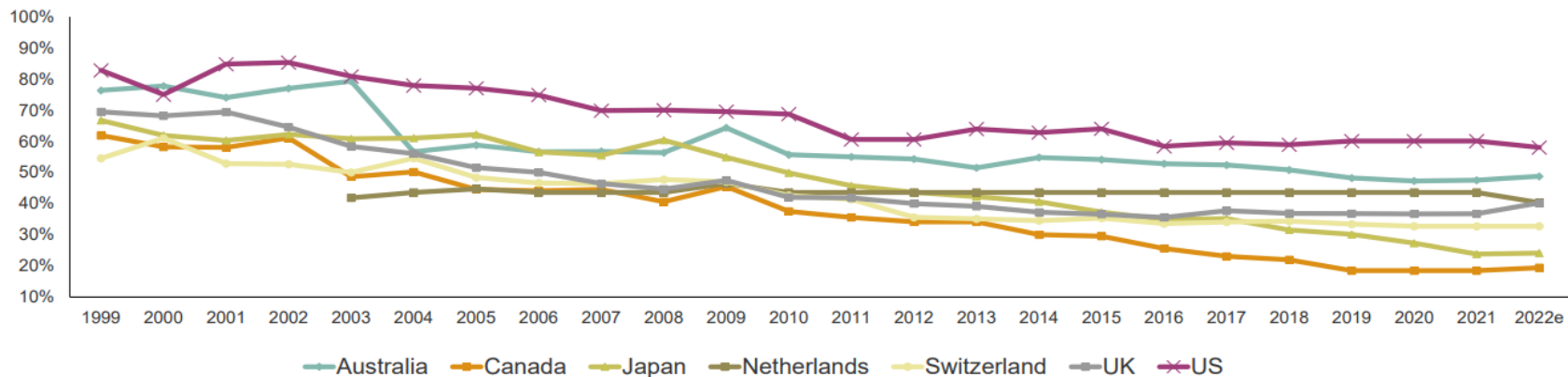
Canadian Pension System's
Divestment of Canadian Assets:
The Canary in the Coal Mine

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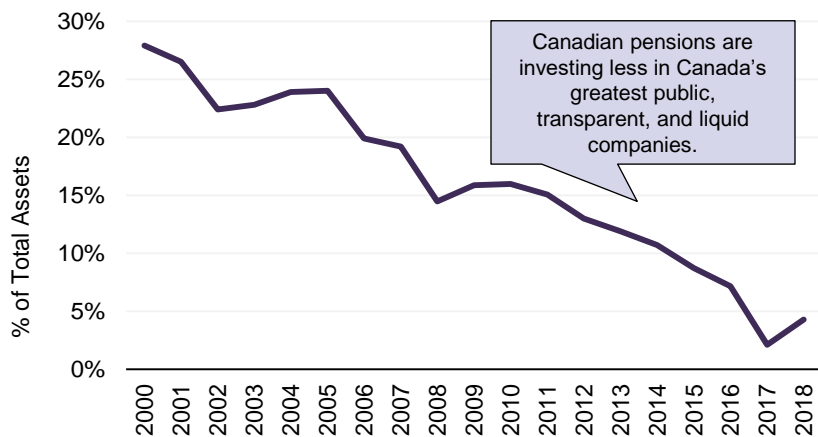
Executive Summary

Canada Has Cut Back On Investing In Its Greatest Asset - Itself^(1,2)

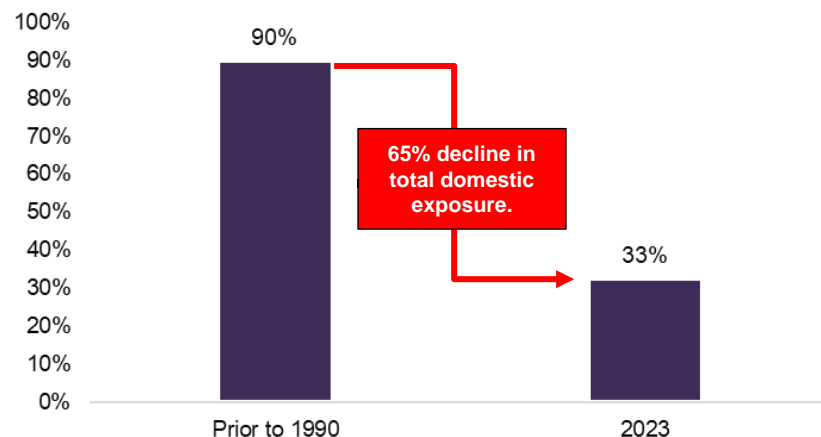
Canada's Domestic Equity Over Total Equity Exposure Has Declined The Most Out of Peers⁽¹⁾



Canadian Public Equities as a % of Total Assets⁽²⁾



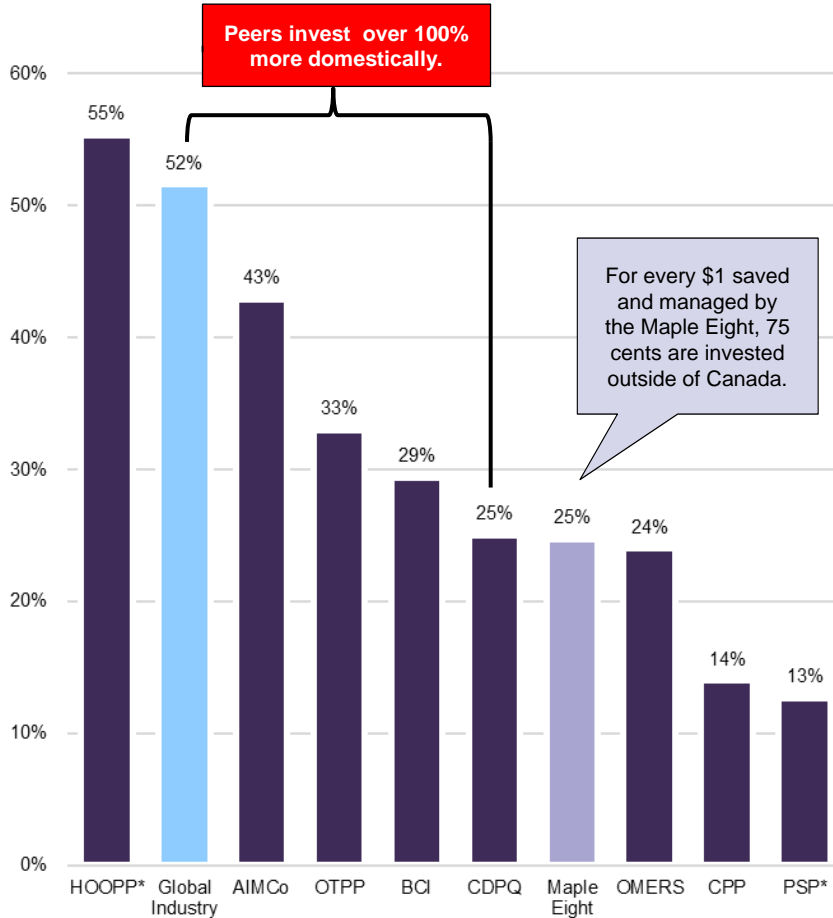
Total Canadian Exposure Has Plummeted⁽³⁾



Canada has significantly cut back investing domestically compared to all peers! Most pronounced in Canadian public markets, but also in all forms of domestic investment.

Pension Funds Are Planting Trees Elsewhere

Total Domestic Exposure As a % of Net Assets^(1,2)



The Pendulum Has Swung Too Far...⁽³⁾

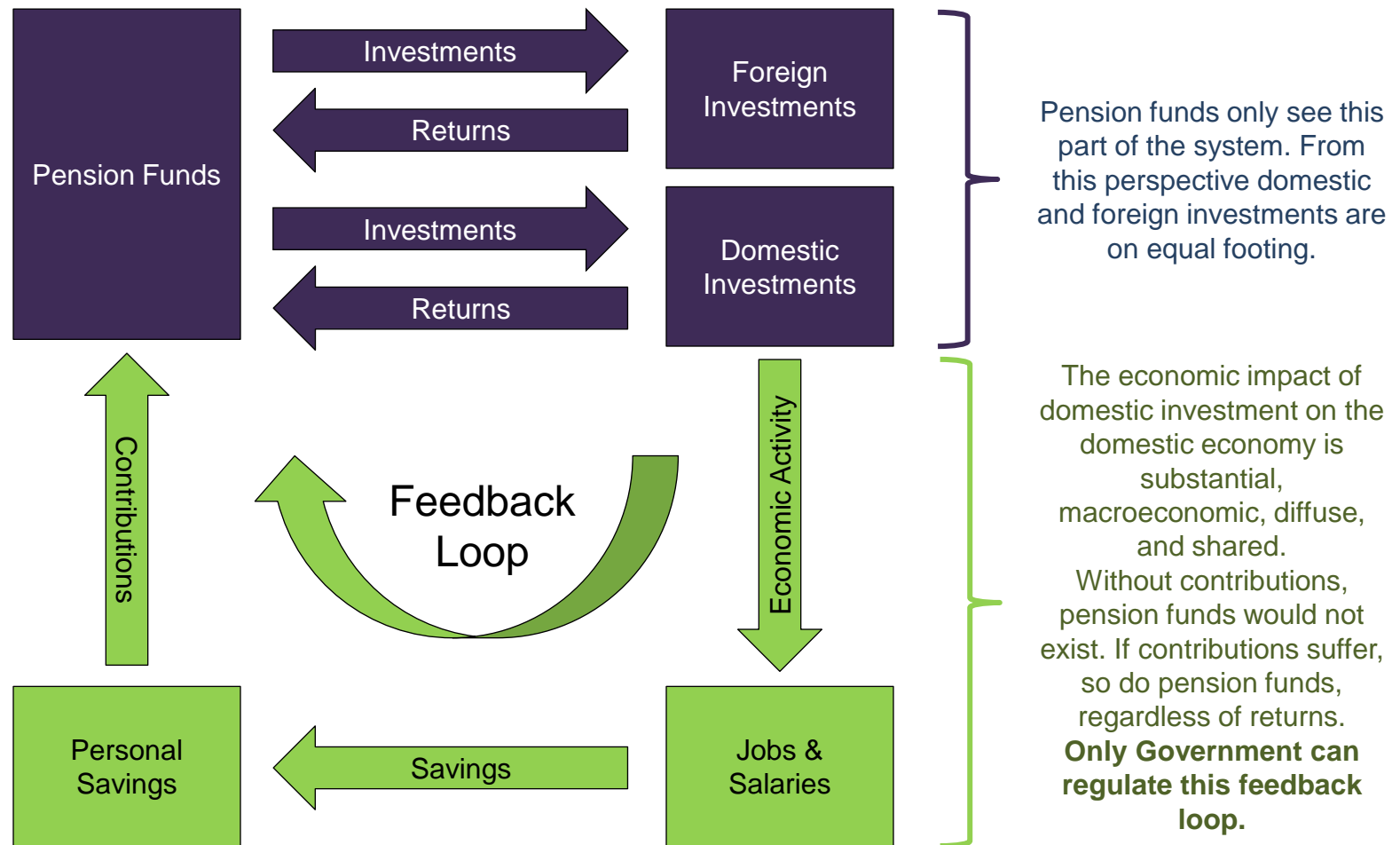
- Prior to 1990, pension funds needed to invest 90% of their assets in Canada.
- In the 1990s, the Canadian government lifted its 10% cap on foreign investments. After gradually raising the threshold, the Foreign Property Rule was eliminated in 2005.
- Since then, pension funds have directed billions into foreign companies, infrastructure, and real estate.
- In 2023, for every \$1 managed by the Maple Eight, over 75 cents is invested outside of Canada.
- The **pendulum has swung too far** and more should be done to support our own economy.

Collective Maple 8 Investment By Asset Class⁽¹⁾

Asset Class	Total	CAD		Non CAD		
		Total	CAD	Total	CAD	Non CAD
Public Equities	\$449	\$52	\$396	22%	3%	19%
Private Equities	\$424	\$29	\$394	21%	1%	19%
Fixed Income	\$442	\$266	\$176	21%	13%	9%
Credit	\$210	\$34	\$176	10%	2%	9%
Real Estate	\$271	\$88	\$183	13%	4%	9%
Infrastructure	\$269	\$41	\$228	13%	2%	11%
Total:	\$2,064	\$511	\$1,553	100%	25%	75%

For every \$1 managed by the eight largest pension funds in Canada, 75 cents is invested outside of Canada. Peers invest over 100% more in their domestic economies.

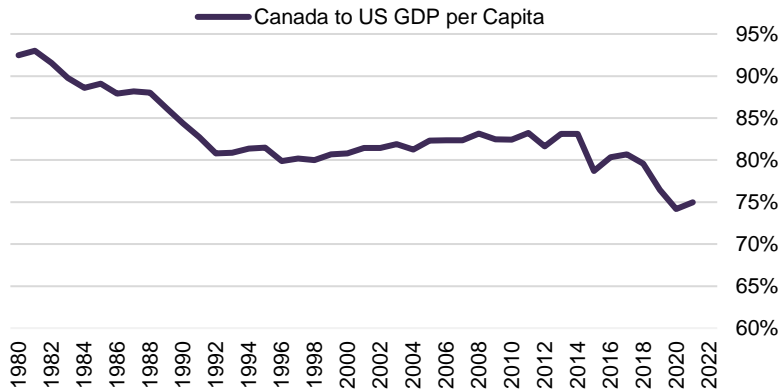
The Impact Of Domestic Investment



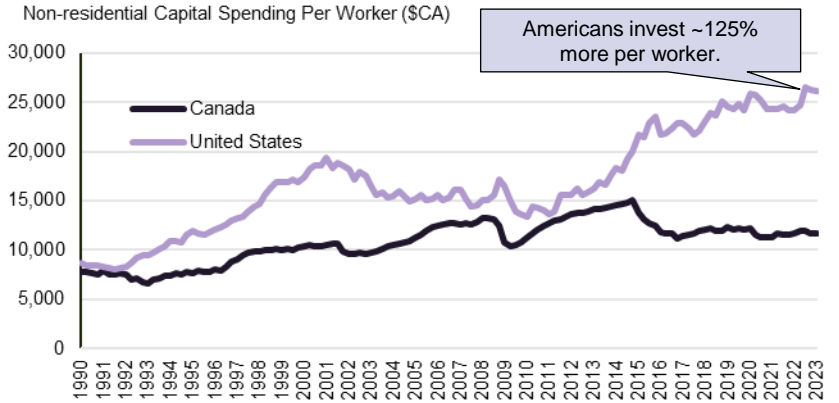
Pension funds account for 36% of Canadian institutional savings which are ideal for long-term equity risk⁽¹⁾ – the domestic impact of these investments must not be ignored.

Canada Is Underinvesting

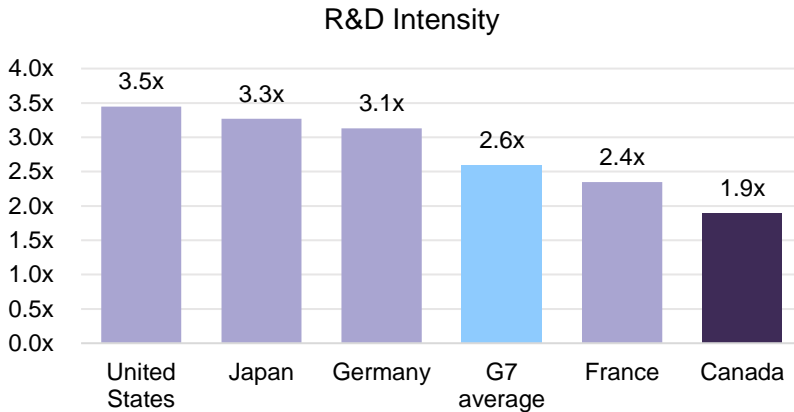
Canadian GDP Per Capita Has Fallen To 75% of US⁽¹⁾



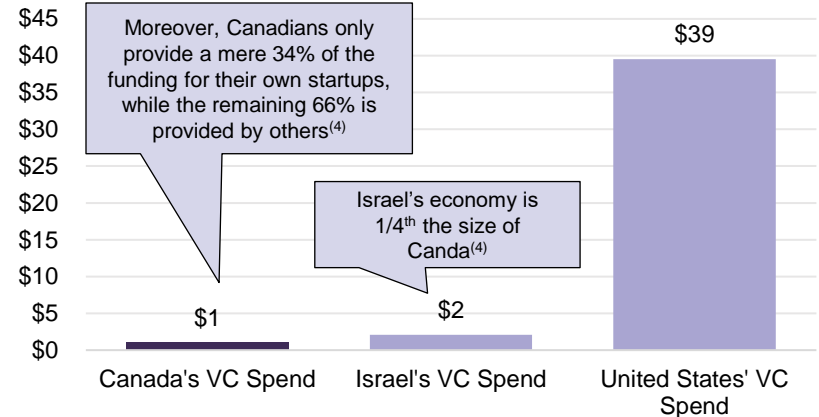
Canada Is Underinvesting In Its Workers⁽²⁾



Canada Is Underinvesting In Innovation⁽³⁾



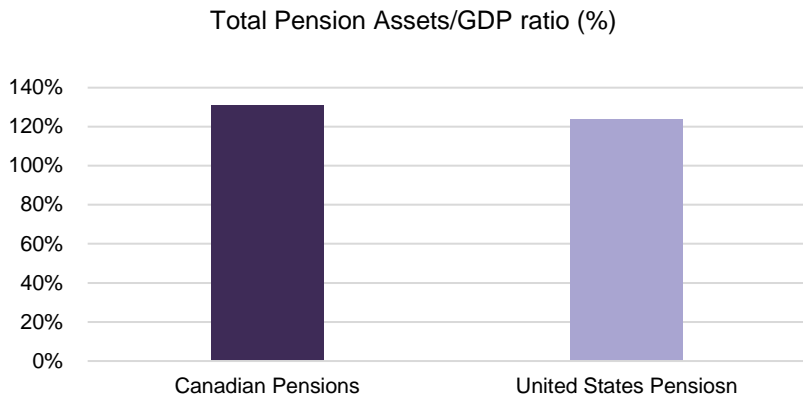
Canada Is Underinvesting In Its Startups⁽⁴⁾



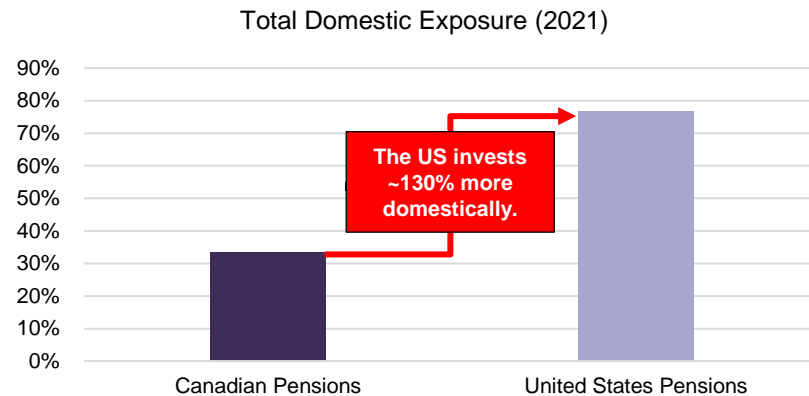
**Canada's GDP per capita has fallen to 75% of the United States.
Canada invests substantially less in our own startups, R&D, and our workers.**

Canada Is Not Too Small To Invest In^(1,2)

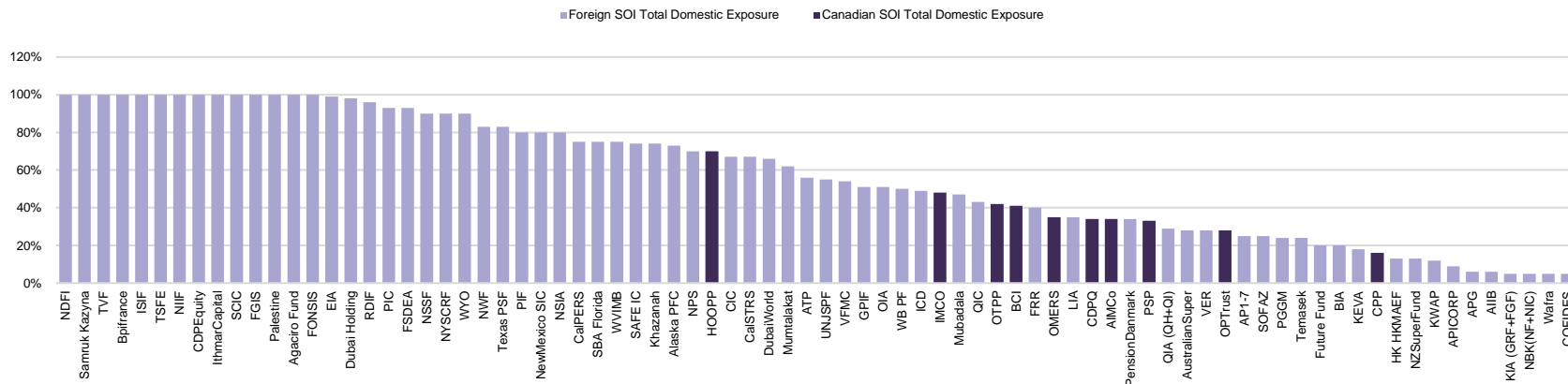
Canada's Pensions Assets Have The Same Relative Size as US⁽¹⁾



Yet We Invest Substantially Less Domestically⁽²⁾



Canada's Total Domestic Exposure Greatly Lags Peers (Top 100 State-Owned Investors by AUM, 2021)^(2,3)



Canada's pension assets as a share of GDP are in-line with the United States, yet American pensions invest 130% more domestically – Canada is rich with opportunity.

1. [Thinking Ahead Institute](#).
2. [Global SWF 2021 Annual Report](#), Top 100 State Owned Investors (SOIs), data set used to estimate country domestic exposure by aggregating funds by country. United States consist of US\$1285 bn of AUM with 77% invested domestically, while Canada consist of US\$1294 bn AUM with 33% invested domestically.
3. [Global SWF 2021 Annual Report](#) estimates, Top 100 SOIs with domestic exposure greater than 0%. Graph depicts 80 funds.

Maple Eight Asset Class Breakdown⁽¹⁾

% of Assets	HOOPP (\$103)			AIMCo (\$158)			OTPP (\$244)			BCI (\$215)			CDPQ (\$402)			OMERS (\$128)			CPP (\$570)			PSP (\$244)			Total (\$2064)		
	%	CAD	Non CAD	%	CAD	Non CAD	%	CAD	Non CAD	%	CAD	Non CAD	%	CAD	Non CAD	%	CAD	Non CAD	%	CAD	Non CAD	%	CAD	Non CAD	%	CAD	Non CAD
Public Equities	14%	2%	13%	31%	6%	25%	7%	0%	7%	26%	0%	26%	30%	6%	24%	13%	2%	11%	24%	2%	22%	16%	2%	14%	22%	3%	19%
Private Equities	12%	2%	10%	9%	2%	7%	25%	4%	22%	12%	0%	12%	14%	2%	11%	24%	2%	22%	33%	0%	33%	14%	0%	14%	21%	1%	19%
Fixed Income	60%	46%	13%	23%	23%	0%	33%	15%	18%	27%	12%	15%	19%	10%	9%	10%	10%	0%	12%	9%	3%	20%	6%	14%	21%	13%	9%
Credit	0%	0%	0%	5%	0%	5%	5%	4%	1%	9%	7%	2%	13%	2%	11%	10%	0%	10%	13%	0%	13%	12%	0%	12%	10%	2%	9%
Real Estate	11%	6%	5%	17%	10%	7%	11%	7%	4%	16%	7%	8%	13%	3%	10%	23%	6%	18%	9%	2%	7%	16%	3%	14%	13%	4%	9%
Infrastructure	3%	0%	3%	15%	2%	14%	19%	3%	16%	10%	2%	8%	11%	2%	9%	19%	5%	15%	9%	2%	7%	22%	2%	20%	13%	2%	11%
Total:	100%	55%	45%	100%	43%	57%	100%	33%	67%	100%	29%	71%	100%	25%	75%	100%	24%	76%	100%	14%	86%	100%	13%	87%	100%	25%	75%

Our Closing Remarks

Pension Funds Are Leaving Canada, But They Are Not to Blame

- Canadian pensions adhere to sound financial principles of expected returns, risks, and diversification, but the macroeconomic impact on Canadians' jobs, incomes and pension contributions go beyond traditional portfolio risk and return analysis.

Only Government Regulations Can Deal With The Problem

- The level of domestic investment impacts system costs and risks, which can only be considered at the macroeconomic level by the government. Given that pension funds are highly subsidized government creations, governments have the authority, responsibility, and an economic imperative to regulate them.

Canada Must Start Investing In Itself

- Canada's 3% weight in the MSCI index is often referred to as an appropriate investment target. Using this bogey means that the smaller a country is, the less it should invest in itself, a patently inappropriate conclusion. Another reference might be the United States where pension funds invest more than 70% in their domestic economy.

The message is clear – invest more in Canada.

Further Reading

We invite you to read:

FAQs

- A short “Pension System Frequently Asked Questions” which further examines the impact of the pension system on the domestic economy, why government regulation is required, the comparative capacity of the Canadian economy to absorb investments, and the recommended tools to bring about change.

Research
paper

- A longer paper on several unintended and undesirable problems with the pension system and how regulations can deal with them.

Both documents available upon request.

End Notes

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