

# Dear Minister of Finance of Canada and Provincial Finance Ministers,

We are concerned with the decline in Canadian investments by pension funds and its impact on the Canadian economy. Millions of Canadians have contributed to their pensions with wages earned in Canada.

Pension funds represent approximately 37% of institutional savings in Canada, a size comparable to the banks. Contrary to the banks and insurance companies that focus mainly on debt, pension funds are unique in their ability to be patient long term equity investors, just what Canada needs to forge its future.

Canadian Pension Funds have reduced their holdings of publicly traded Canadian companies from 28% of total assets at the end of 2000 to less than 4% at the end of 2023.

It is estimated that the eight largest pension funds in Canada have more invested in China (roughly \$88B) than they do in Canadian public and private equities (roughly \$81B). Their holdings of all Canadian based equity investments including public and private companies, real estate, and infrastructure is down to approximately 10% of total assets.

Why should we care?

Canada's gross domestic product (GDP) per capita has fallen from 95% of US GDP per capita in 1980 to 75% in 2023. Non-residential investment per worker in Canada is less than half that of the United States. For every dollar Canadians invest in startups, the United States invests \$40.

Canada benefits from enormous advantages. It is one of the most developed economies in the world and has been a wonderful place to invest. Over the last 25 years Canadian equity markets have topped the G7 countries and have consistently delivered very competitive returns.

Investment opportunities exist in many countries, and we believe pension funds should be able to invest anywhere in the world. However, investments made in Canada do not impact just pension portfolios; they also have a considerable impact on the country's economy: generating jobs, improving incomes, and increasing contributions to retirement plans. Less investment in Canadian businesses increases their cost of capital, discounts their value, reduces their ability to grow, and makes Canada less attractive.

Pension funds should not fear but rather embrace with enthusiasm the challenge of investing in Canada. The positive impact these investments have on their member's incomes and development should not be ignored.

Without government sponsorship and considerable tax assistance, pension funds would not exist. Government has the right, responsibility, and obligation to regulate how this savings regime operates.

Canada has great companies, true global champions These competitive businesses deserve our support, and we must create many more. Increasing investments in Canada should be a national priority.

Given their importance to the Canadian economy we, the undersigned, would support an effort by the Minister Finance of Canada and the Provincial Ministers of Finance to amend the rules governing pension funds to encourage them to invest in Canada. Consideration should also be given to incentivize other investors to allocate more capital to domestic investment.

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