



## 5 Minutes for Business

### Navigating the Storm - How to deal with a Volatile Global Environment

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**By: Mark Wiseman, CEO of the Canada Pension Plan Investment Board**

I am quite excited to be the first guest writer of the Canadian Chamber of Commerce's *5 Minutes for Business*. Although our country represents only about 3% of the global economy, we have a wide array of world-class companies. Banking, mining, and oil and gas tend to hog the spotlight, but Canadians are breaking ground in areas like robotics, retail and pharmaceuticals (not to mention pension fund management). Our business community makes me proud, and it's a pleasure to be able to address it here.

Amidst all of our collective successes, there is no doubt that our economy is still going through a difficult period. At the Canada Pension Plan Investment Board (CPPIB) our fiscal year ends on March 31, so I was reflecting on the past twelve months. Oil prices shrivelled and Toronto's stock market was down 6.6%. But Canadians are in good company. Stocks had fallen 5.3% in the U.K., 11.1% in Japan, and China's A-shares lost nearly 20% of their value over the last twelve months (after being up 39% during the March-June, 2015 period). The U.S. managed to take the trophy by eking out a 1.8% gain.

I thought back to September, when I visited our office in Brazil. Just as I boarded my flight home, S&P downgraded that country's government debt to junk status, following a 9-month slide of nearly 40% for Brazilian equities. A short time later I was in Asia and reporters were asking me why we were still looking to invest in China amid that country's stock market crash. It's not hard to find something for a global investor such as CPPIB (we have offices in 7 countries and invest approximately \$280-billion around the world) to worry about, and I'm constantly being asked how we deal with this type of environment.

The truth is our situation is very unique. CPPIB's exceptionally long investment horizon, coupled with our funding model, enables us to withstand more volatility than other pension plans. Other factors, such as the certainty of our assets, also help allow us to be unusually patient investors. Indeed, as we work to grow the Canada Pension Plan Fund, not only for today's contributors but for future generations, the prudent thing for us to do is to take on a bit more risk than most other plans. We can withstand occasional losses, even significant ones, in pursuit of higher long-term returns.

So while the impacts of lower oil prices continue to spread and Brazil's economy suffers through a dramatic reversal of fortunes, at CPPIB we can continue to hunt for good opportunities in these types of markets. Yes, Chinese growth is failing to meet economists' expectations. But when you look through a long-term lens, you see that that country will still be the dominant driver of the global economy. For CPPIB, significant market challenges often create some of the best investment opportunities.

Last month Finance Minister Bill Morneau asked me to sit on his 14-member advisory council on economic growth. As the press release states, the council is tasked with "finding ways to overcome the challenges posed by an aging population as Canada seeks to achieve sustainable, long-term growth." Amid challenges there are opportunities. I referred at the outset to the pioneering work that Canadians are doing in a wide array of industries. I believe that the current difficulties the economy faces will create new business opportunities for enterprising Canadian companies that find solutions to evolving problems. When I consider this country's long-term potential, I can't help but be optimistic.

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