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ASSET ALLOCATION A KEY DRIVER FOR CANADIAN INVESTORS

CFA Charterholders Are ‘Somewhat More Pessimistic’ About 2006

Oil/Gas, Mining/Extraction, Power, IT/Communications Seen As Key Sectors, But Portfolio Diversification Should Guide Investment Decisions

‘Wild Cards’ In Outlook Forecast: Unexpected Change in Oil Prices, Terrorism, Interest Rates

(View full results)

Charlottesville, VA, December xxx — Allocating assets to achieve a diversified portfolio tops the list of key considerations for investors in reviewing their investments’ performance and deciding on a strategy for 2006 and beyond, according to a survey released today of investment professionals in Canada who hold the Chartered Financial Analyst ® designation.

In creating a portfolio, holdings should be spread among several asset classes (stocks, bonds, for example), a variety of countries, and many industry sectors, the CFA® charterholders surveyed advised. Too often, they said in their open-ended responses, Canadian investors “chased last year’s winners,” assuming that “past performance will carry forward into the future,” as two respondents specifically put it.

“After you decide to save and invest, diversification is your most important decision for reaching your retirement and other financial goals,” said Beth Hamilton Keen, CFA a Calgary-based investment counselor and vice president for a major Canadian discretionary investment counseling firm. “You can reduce your portfolio risk by spreading your investments across a wide range of unrelated companies, industry sectors, and types of assets.”

The findings come from a survey of CFA charterholders about Canadian investors and the investment outlook for 2006. The survey was conducted during the second two weeks of November and drew 455 responses from throughout Canada. Full details are available at:

http://is4.instantsurvey.com/Report/ViewReport.jsp?SurveyId=23009&ReportId=bar&iid=101150&uid=227&h=7-Cn_qSujFBTXq51FE_VWw Note: we'll need to have a URL on CFA site.

CFA charterholders have expertise in wealth management through extensive training and experience. They assess clients' comprehensive financial needs and evaluate both investment opportunities and risks using sophisticated financial tools in order to develop, monitor, and modify investment strategies.

Investment Outlook

Sixty-five percent said they were "somewhat more pessimistic (positive absolute returns but lower than 2005)" about the overall outlook for the Canadian securities market for 2006, while only 17 percent thought the market would perform "about the same as 2005."

When asked to name the one "wild card" that could throw their forecast off, an "unexpected change in oil prices" was cited most often, followed by terrorism, and a change in interest rates.

When asked to select the sectors that promised the most opportunity for Canadian investors in 2006, oil and gas topped the list (49 percent), followed by mining/extraction (40 percent), power (including hydroelectric generation) (34 percent), and information technology/communications (27 percent).

The greatest risks in 2006, the survey participants said, are in oil and gas (65 percent), automotive (41 percent), and mining/extraction (31 percent).

"The sectors CFA charterholders noted as having the greatest opportunities and risks should be viewed within the broader context of each investor's portfolio – the extent to which it is highly diversified and meets the investor's tolerance for risk," said Tom Trainor, CFA managing director of a Toronto-based private client counseling firm. "Investors should distinguish between short-term and long-term needs and goals in their portfolio and ensure their entire portfolio is appropriately structured to meet them."

Counsel For Investors

If there was one thing that CFA charterholders said they would like their clients to do in 2006, 44 percent said it would be to have them focus on long-term objectives and not short term performance while 26 percent said it would be to have them "invest more often/allocate more from payroll to savings." It seems that most Canadian investors aren't doing as much regular investing as their advisors would recommend.

"Those surveyed often cited the need of investors not to expect that recent returns in the Canadian equity markets will continue at this pace," said Hamilton. "There's a propensity to look into the rear view mirror – chasing returns by selling losers to buy last year's winners."

Seventy-one percent of those surveyed said they thought that more than half of their clients are “on target through their investments to reach their retirement goals.”

Forty-four percent said their clients were not “too reliant on the value of their house as part of their overall net worth,” while 32 percent thought their clients were. *Thirty-two percent said that their clients were too reliant on the value of their house as part of their overall net worth”, while 44 percent didn’t think their clients were.* This is explained by the fact that advisors with the CFA charter are the preferred advisors for investors with high net worth in Canada.

While financial advisers remain the primary source (48 percent chose this response) that clients rely upon for their information, the media (27 percent) was the second most relied-upon source.

Political, Economic, Social Factors Affecting Economy

The upcoming federal election, tax treatment of income trusts, and other government policies were cited most often by CFA charterholders in an open-response question about the political events that will have the greatest impact on Canadians’ investment performance.

Inflation, oil, and interest rates were singled out as the most important economic factors. The aging population, consumer spending, and health care costs were noted most frequently as the key social factors.

CFA Institute:

CFA Institute is the global, non-profit professional association that administers the Chartered Financial Analyst® (CFA®) curriculum and examination program worldwide, publishes research, conducts professional-development programs, and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute has nearly 80,000 members in 124 countries and territories, including the world’s 67,000 CFA charterholders, as well as 131 affiliated professional societies in 52 countries and territories. CFA Institute is headquartered in Charlottesville, Va., USA, with regional headquarters in London, Hong Kong, and New York. More information may be found at www.cfainstitute.org. (Bloomberg users can find CFA Institute at 497458Z).