THE PERFORMERS

CANADA'S INFLUENTIAL THOUGHT LEADERS

DAVID SCANDIFFIO *President & CEO, CIBC Asset Management*
DOUG MACDONALD *Managing Director & Head, Institutional Asset Management*

"EVOLVING MARKETS AND AN EVOLVING REGULATORY ENVIRONMENT LEAD TO CHANGING CLIENT NEEDS... OUR CONSULTATIVE APPROACH WITH CLIENTS ENABLES US TO BUILD SOLUTIONS THAT HELP THEM ACHIEVE THEIR INVESTMENT OBJECTIVES; THE CURRENT ENVIRONMENT IS NO EXCEPTION."

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Managing Director & Head, Institutional Asset Management

"CIBC ASSET MANAGEMENT'S VISION IS TO BE THE LEADER IN CLIENT RELATIONSHIPS. THAT STARTS WITH HAVING AN ACUTE UNDERSTANDING OF OUR CLIENTS AND HOW THEIR NEEDS ARE EVOLVING."

DAVID SCANDIFFIO
President & CEO, CIBC Asset Management

What is CIBC Asset Management's vision?

DAVID SCANDIFFIO: It's an exciting time here. Consistent with the vision laid out by CIBC President and CEO Victor Dodig and the broader leadership team, CIBC Asset Management's vision is to be the leader in client relationships. That starts with having an acute understanding of our clients and how their needs are evolving.

Wealth management in general, and asset management in particular, are key areas of growth for our bank. With over $110 billion in assets under management, we are already one of the largest asset managers in Canada. Our path for continued growth rests on our commitment to be laser focused on our clients—this involves focusing on investment solutions that anticipate our clients' evolving needs. We aim to be the provider of choice for our partners.

What have you learned about the industry from working with institutional investors?

DS: Having a keen understanding of the needs and thoughts of institutional investors is absolutely critical for our long-term success. Institutional investors are, of course, the sharpest part of the market, so key investment trends, more often than not, begin in this segment. As a result, the most interesting product development ideas often generate from discussions with these sophisticated investors. By serving institutional investors, we are also inevitably better equipped to deliver solutions for clients in our other channels.

How is your team positioned to serve institutional clients?

DS: Our organizational structure is designed to allow teams to adapt and evolve our solutions as client needs evolve. At CIBC Asset Management, we have an amazing and experienced team that understands how to do this; the client mindset has simply become part of the culture here. Our approach is founded on a more than 40-year history working collaboratively with institutional investors. Our success is a result of listening and truly understanding what investment outcomes clients want to achieve, and then having the flexibility and resources to build solutions designed to meet those goals.

What is the No. 1 challenge facing institutional investors today?

DOUG MACDONALD: We're in a low-growth environment, with growth rates in Canada at just over one per cent, and we are experiencing lingering low yields, with 10-year bond yields not much above one per cent. Furthermore, risk markets, such as equities, are extremely volatile. Together, these factors make it very challenging for institutional investors to achieve their goals or generate sustained income and growth without taking on excessive risk.

What types of investments are plans gravitating towards?

DM: This low-growth, low-yield environment has led many institutional investors to take both a more holistic view in managing risk in their portfolio, and expand their investable universe to include non-traditional asset classes. In addition, many pension plans are investing their asset portfolio using a liability-driven approach. By reducing some of this uncompensated interest rate risk, their risk budget can be allocated to other forms of risk where one is better compensated such as credit, liquidity etc. The need for income and growth remains and, because it's difficult to achieve that through traditional asset classes—such as government bonds and domestic equities—plan sponsors have been looking towards asset classes that will help to achieve their goals including high-yield debt, global equities and alternative investments such as infrastructure, real estate, hedge funds or currency.

What opportunities are you seeing in the market today?

DM: One area where we are receiving a lot of interest is in the currency market. The tremendous volatility that is occurring in currency—not just with the Canadian/U.S. dollar relationship but with cross-currency relationships across the globe—is providing opportunities for plan sponsors. Many Canadian pension plans have significant assets in foreign equities and foreign fixed-income, as well as growing allocations to foreign-currency denominated alternatives.

Significant moves in currency markets can have a tremendous impact on overall portfolio returns. Plans are now recognizing the need to actively manage their currency risk, and we fully support that view. We treat it not merely as a decision of whether or not to hedge, but as another asset class where alpha can be generated by understanding each cross-currency relationship. Currency as an asset class also has a low correlation with equities and fixed-income, so allocating to this asset class can help plans increase their overall risk-adjusted rate of return. That said, should a plan decide to take a passive hedging approach, we will support that view as well.

What excites you most when you look ahead?

DM: Evolving markets and an evolving regulatory environment lead to changing client needs. From our perspective, our consultative approach with clients enables us to build solutions that help them achieve their investment objectives; the current environment is no exception. While low rates of growth, low yields and high volatility present challenges, they can also provide a real opportunity for clients willing to look at different solutions. That's what's exciting—working with clients and constructing solutions that can be very effective in this type of environment. Overall, our approach and our deep solution toolbox can really help institutional investors navigate through various challenging market environments.

CIBC Asset Management