

Business Trends: Discretionary Relationships growing

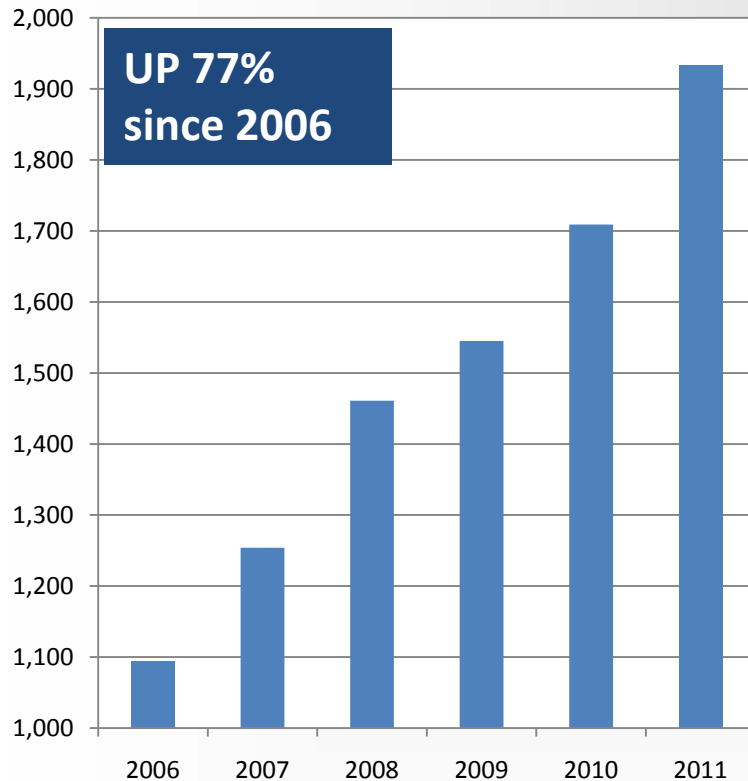
Another sign of the times?

Victor Toth, CEO Insight Objects Inc.

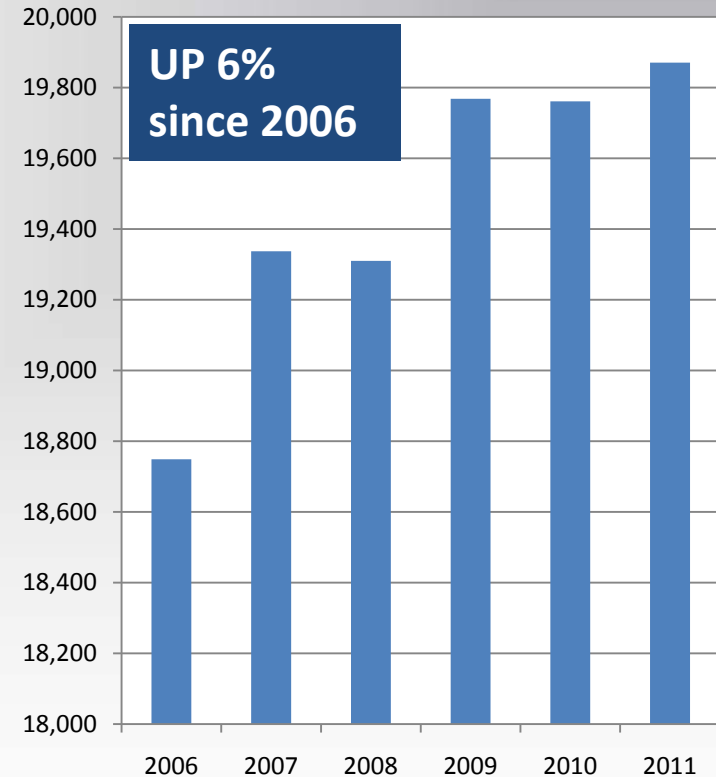


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Number of RRs Approved for Discretionary



Total Number of RRs (Retail)

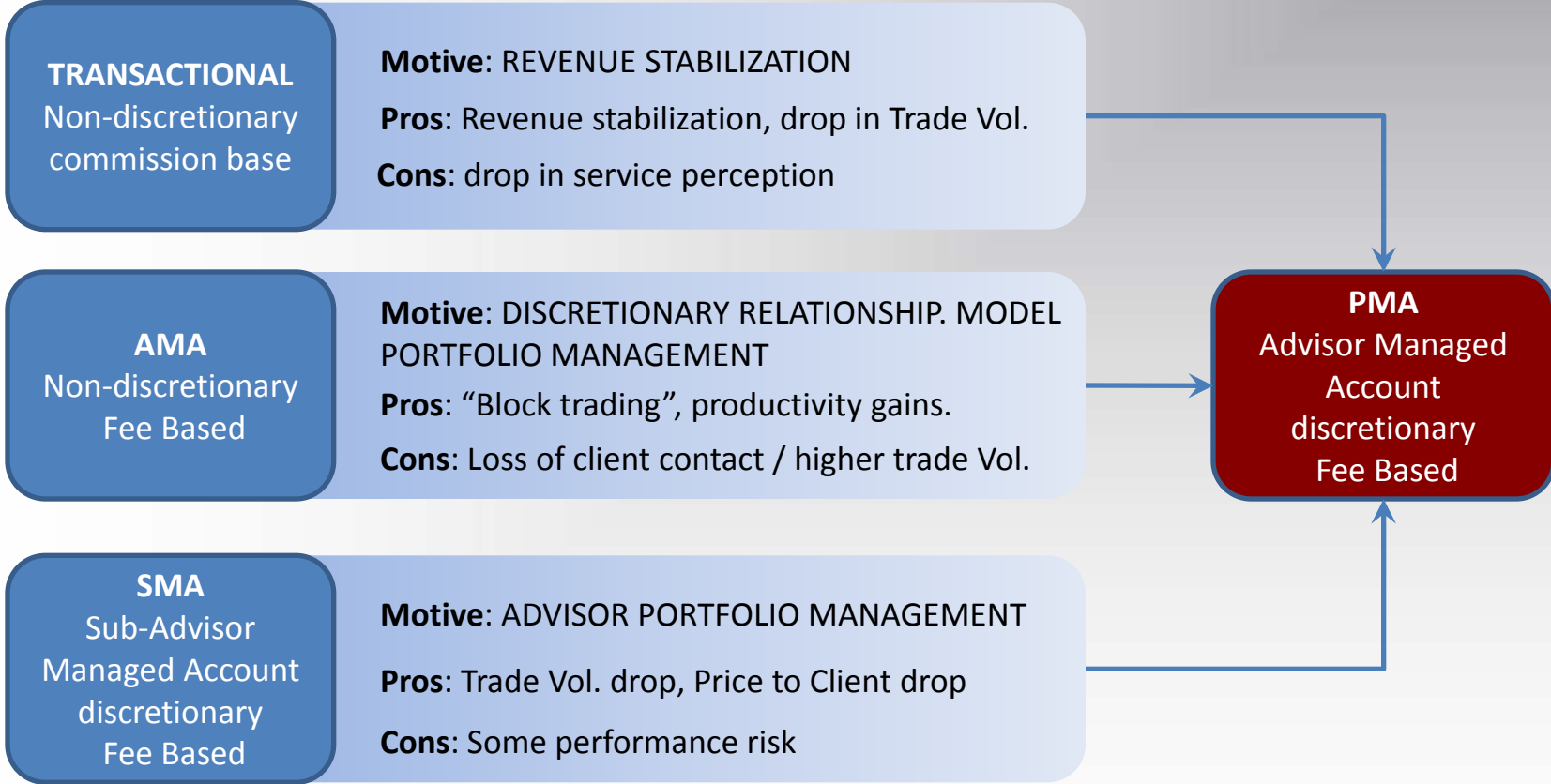


Data Source: IIROC

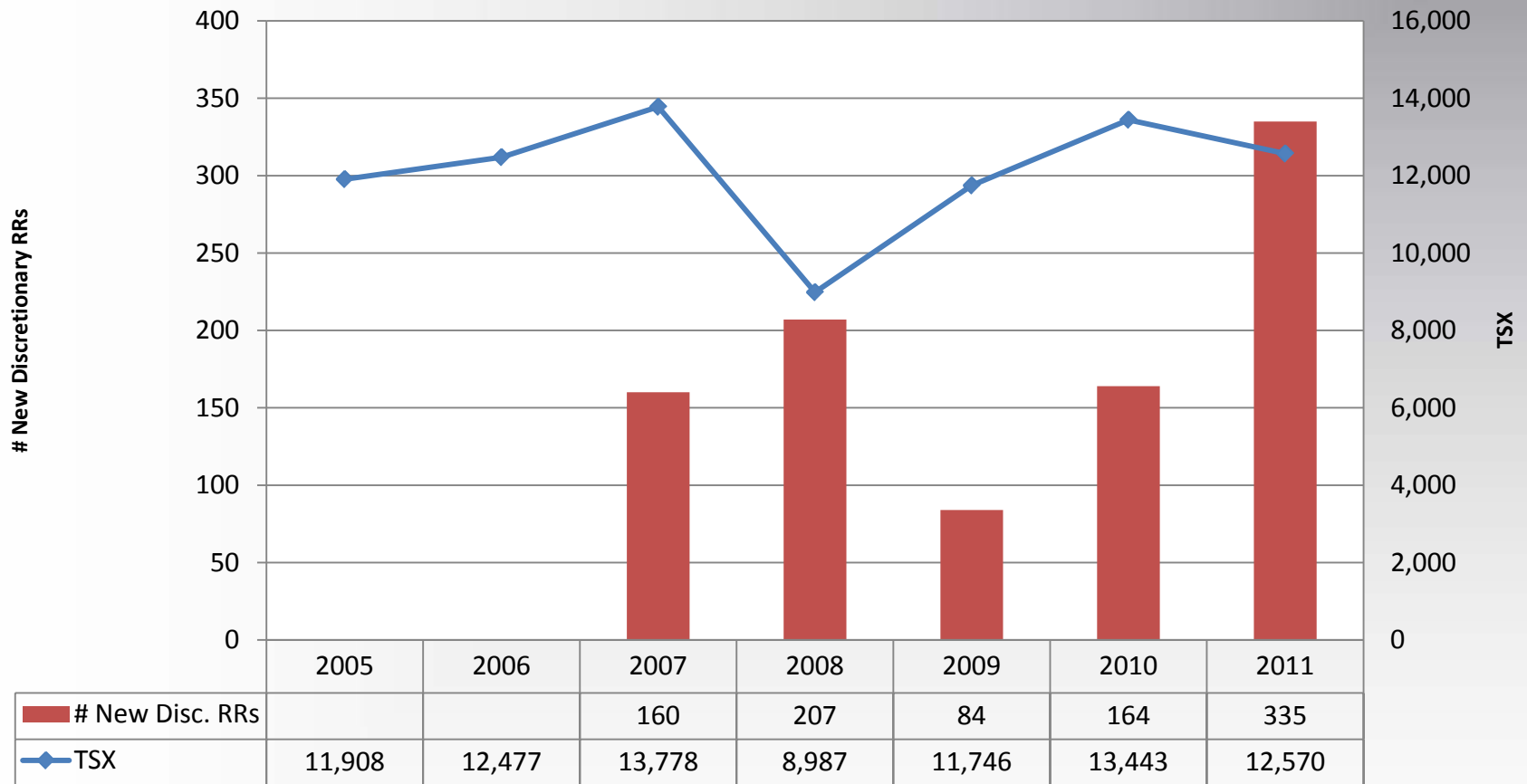
2011 Annualized /No cyclical considerations discounted



Origin of the apparent migration to PMA programs



Is there a one year lag between the TSX performance and the appetite of RR's to become Discretionary PM's?



2011 Annualized /No cyclical considerations discounted



Conclusion

- This trend needs to be observed with more historical data to confirm that in fact is a long term phenomenon.
- The motives behind the trend could be due to pricing pressure, IAs thinking that they can deliver the same performance as SMA Sub-advisors, and IAs could be looking for efficiency gains through a discretionary relationship.
- SMA to PMA: There are possible tangible benefits to the firm from a profitability perspective if trading marginal costs drop significantly and the IA does not fall into a fee discounting trap.
- Firms need to be extremely vigilant about performance of this accounts under adverse market conditions.

