Q4 11

NEW ISSUES & TRADING

# EQUITY

## Fading Optimism Impedes Equity Issuance

The Canadian equity market raised $50.8 billion in 2011. Optimism permeated throughout the market in early 2011, and high levels of issuance ensued. Increased issuance activity in Q1 and Q2 helped boost annual total by 12% from 2010. Bullish investor sentiment gradually waned, however, and the pace of equity issuance slowed as the year progressed. S&P/TSX Composite Index underperformed its peers and closed below where it had started 12 months earlier. Resurgence of preferred shares in Q4 buffered decline in common equity issuance and poignantly underscores additional security sought by investors.

Following last year's record investment in the IPO market, investors grew more wary of committing capital to new offerings. Consequently, the IPO market for common equity sustained a 32% decline year-over-year. Absence of mega IPO deals contributed to the dent in IPO activity. While significantly less capital was raised through IPOs, there was a 16% increase in the number of IPO issues which came to the market. The $5.3 billion raised through IPOs represent about 13% of total equity capital in 2011, and this ratio—well above the historical average—shows healthy investor interest in new business financing.

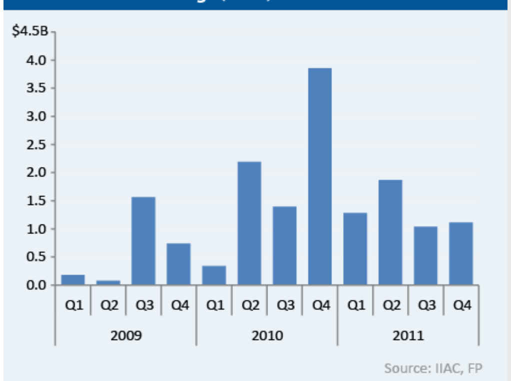
Although secondary and private issues tapered off in the second half of the year, both issue types reported annual growth of 28% and 15%, respectively. High dividend yield, coupled with dividend tax benefits, enhanced attractiveness of stocks over fixed-income securities, and portfolio rebalancing no doubt proved conducive for well-established issuers to tap into the capital market.

Income trust issuance totaled $4.8 billion in 2011, 12% below last year's level. Eleven fewer trust issues came to the market, but the deal size averaged higher at $90 million.

S&P/TSX Composite returned -11% for the year and underperformed S&P 500 and Dow Jones. Solid performance of defensive sectors proved ineffective in counterbalancing significant losses in energy and materials which account for half of TSX constituents by market value. Information Technology was the biggest laggard as RIM lost more than 70% in value. Trading volume held more or less steady on TSX and Venture exchanges, while ATS activity grew roughly 30% both in volume and value traded.

**S&P/TSX and S&P 500 Indexes**


**Initial Public Offerings (IPOs)**




**Common Equity Issuance**

# Q4 2011

## Summary of Equity Issuance

| | Quarter-over-Quarter | | | % Change | | Annual Year-over-Year | | | % Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q4 11 | Q3 11 | Q4 10 | Q4/Q3 11 | Q4 11/10 | 2011 | 2010 | 2009 | 2011/2010 | 2010/2009 |
| $ Billions **Issuance** | | | | | | | | | | |
| Common equity | 7.9 | 8.2 | 16.8 | -3.0% | -52.6% | 41.1 | 36.7 | 42.7 | 12.0% | -14.1% |
| Income trusts | 1.5 | 0.3 | 0.9 | 359.2% | 67.4% | 4.8 | 5.4 | 8.0 | -11.7% | -32.8% |
| Preferred shares | 2.2 | 0.8 | 0.5 | 186.8% | 363.8% | 4.3 | 4.3 | 9.7 | -0.7% | -55.7% |
| Limited partnerships | 0.1 | 0.1 | 0.0 | 75.9% | 523.8% | 0.7 | 0.7 | 1.4 | -1.5% | -50.3% |
| **Total Equity Issuance** | **11.7** | **9.3** | **18.1** | **25.4%** | **-35.6%** | **50.8** | **47.1** | **61.9** | **7.9%** | **-23.9%** |
| Number **Issues** | | | | | | | | | | |
| Common equity | 675 | 547 | 935 | 23.4% | -27.8% | 2877 | 2843 | 2719 | 1.2% | 4.6% |
| Income trusts | 23 | 7 | 12 | 228.6% | 91.7% | 53 | 64 | 75 | -17.2% | -14.7% |
| Preferred shares | 11 | 2 | 4 | 450.0% | 175.0% | 22 | 27 | 45 | -18.5% | -40.0% |
| Limited partnerships | 8 | 3 | 3 | 166.7% | 166.7% | 25 | 36 | 42 | -30.6% | -14.3% |
| **Total Number of Issues** | **717** | **559** | **954** | **28.3%** | **-24.8%** | **2977** | **2970** | **2881** | **0.2%** | **3.1%** |

## Common Equity Issuance

| | Quarter-over-Quarter | | | % Change | | Annual Year-over-Year | | | % Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q4 11 | Q3 11 | Q4 10 | Q4/Q3 11 | Q4 11/10 | 2011 | 2010 | 2009 | 2011/2010 | 2010/2009 |
| $ Billions **Issuance** | | | | | | | | | | |
| Initial public offerings | 1.1 | 1.0 | 3.9 | 7.1% | -71.2% | 5.3 | 7.8 | 2.6 | -31.8% | 204.0% |
| Secondary issues | 5.1 | 5.5 | 10.0 | -7.4% | -48.5% | 25.2 | 19.8 | 31.5 | 27.6% | -37.2% |
| Private placements | 1.7 | 1.6 | 2.9 | 5.9% | -42.2% | 10.6 | 9.2 | 8.7 | 15.4% | 5.2% |
| **Total Common Equity** | **7.9** | **8.2** | **16.8** | **-3.0%** | **-52.6%** | **41.1** | **36.7** | **42.7** | **12.0%** | **-14.1%** |
| Number **Issues** | | | | | | | | | | |
| Initial public offerings | 58 | 58 | 86 | 0.0% | -32.6% | 242 | 209 | 98 | 15.8% | 113.3% |
| Secondary issues | 86 | 47 | 143 | 83.0% | -39.9% | 550 | 338 | 300 | 62.7% | 12.7% |
| Private placements | 531 | 442 | 706 | 20.1% | -24.8% | 2085 | 2296 | 2321 | -9.2% | -1.1% |
| **Total Number of Issues** | **675** | **547** | **935** | **23.4%** | **-27.8%** | **2877** | **2843** | **2719** | **1.2%** | **4.6%** |

## Income Trust Issuance

| | Quarter-over-Quarter | | | % Change | | Annual Year-over-Year | | | % Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q4 11 | Q3 11 | Q4 10 | Q4/Q3 11 | Q4 11/10 | 2011 | 2010 | 2009 | 2011/2010 | 2010/2009 |
| $ Billions **Issuance** | | | | | | | | | | |
| Initial public offerings | 0.3 | 0.0 | 0.4 | n.m. | -18.4% | 2.1 | 1.9 | 2.5 | 9.0% | -23.6% |
| Secondary issues | 1.2 | 0.3 | 0.4 | 263.9% | 168.5% | 2.7 | 3.4 | 5.3 | -21.4% | -35.5% |
| Private placements | 0.0 | 0.0 | 0.1 | 80.0% | -87.0% | 0.0 | 0.1 | 0.3 | -83.4% | -66.0% |
| **Total Trust Issuance** | **1.5** | **0.3** | **0.9** | **359.2%** | **67.4%** | **4.8** | **5.4** | **8.0** | **-11.7%** | **-32.8%** |
| Number **Issues** | | | | | | | | | | |
| Initial public offerings | 8 | 0 | 5 | n.m. | 60.0% | 20 | 19 | 22 | 5.3% | -13.6% |
| Secondary issues | 13 | 5 | 6 | 160.0% | 116.7% | 29 | 43 | 49 | -32.6% | -12.2% |
| Private placements | 2 | 2 | 1 | 0.0% | 100.0% | 4 | 2 | 4 | 100.0% | -50.0% |
| **Total Number of Issues** | **23** | **7** | **12** | **228.6%** | **91.7%** | **53** | **64** | **75** | **-17.2%** | **-14.7%** |

## Trading Volume and Value

| | Quarter-over-Quarter | | | % Change | | Annual Year-over-Year | | | % Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Q4 11 | Q3 11 | Q4 10 | Q4/Q3 11 | Q4 11/10 | 2011 | 2010 | 2009 | 2011/2010 | 2010/2009 |
| Billions of shares **Volume** | | | | | | | | | | |
| TSX | 24.1 | 24.6 | 29.5 | -1.9% | -18.4% | 103.6 | 104.6 | 118.5 | -0.9% | -11.8% |
| TSX Venture | 11.8 | 11.6 | 23.3 | 1.3% | -49.6% | 65.0 | 67.9 | 46.8 | -4.3% | 45.1% |
| ATS | 18.9 | 19.8 | 20.4 | -4.6% | -7.6% | 85.6 | 65.0 | 27.4 | 31.7% | 137.2% |
| **Total Trading Volume** | **54.7** | **56.0** | **73.3** | **-2.2%** | **-25.3%** | **254.2** | **237.5** | **192.7** | **7.0%** | **23.2%** |
| $ Billions **Value** | | | | | | | | | | |
| TSX | 334.6 | 371.7 | 368.7 | -10.0% | -9.2% | 1,480.2 | 1,390.7 | 1,398.4 | 6.4% | -0.5% |
| TSX Venture | 5.4 | 7.5 | 13.4 | -27.7% | -59.8% | 42.5 | 34.4 | 16.1 | 23.8% | 113.5% |
| ATS | 198.2 | 208.2 | 195.4 | -4.8% | 1.4% | 856.5 | 674.5 | 325.8 | 27.0% | 107.0% |
| **Total Trading Value** | **538.2** | **587.4** | **577.5** | **-8.4%** | **-6.8%** | **2,379.2** | **2,099.6** | **1,740.3** | **13.3%** | **20.6%** |

Source: TSX

## Top Common Equity Issues

| **Issuer** Source: IIAC, FP | **Value** ($ Millions) | **% of total** |
|---|---|---|
| Royal Canadian Mint | 529.0 | 6.7% |
| Brookfield Infrastructure Partners L.P. | 481.0 | 6.1% |
| Franco-Nevada Corporation | 391.0 | 4.9% |
| Veresen Inc. | 348.6 | 4.4% |
| Pengrowth Energy | 300.1 | 3.8% |

## Common Equity Issuance by Sector

| **Sector** Source: IIAC, FP | **Value** ($ Millions) | **% of total** |
|---|---|---|
| Financial | 72.8 | 0.9% |
| Manufacturing | 72.3 | 0.9% |
| Mining | 1,937.8 | 24.4% |
| Oil and Gas | 2,688.2 | 33.9% |
| Other | 2,156.0 | 27.2% |
| Real Estate | 524.7 | 6.6% |
| Services | 1.7 | 0.0% |
| Utilities | 485.2 | 6.1% |
| **Total** | **7,939.0** | |

## Income Trust Issuance by Sector

| **Sector** Source: IIAC, FP | **Value** ($ Millions) | **% of total** |
|---|---|---|
| Financial | 456.2 | 30.7% |
| Mining | 191.3 | 12.9% |
| Other | 15.3 | 1.0% |
| Real Estate | 822.9 | 55.4% |
| **Total** | **1,485.6** | |



# Comments

*Equity New Issues and Trading* is produced quarterly by the Investment Industry Association of Canada (IIAC). We want to hear from you. Send feedback and suggestions for future editions to capitalmarkets@iiac.ca.

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