



Lakehead
UNIVERSITY

retirement

PLAN REVIEW

Fall/Winter 2019

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PERFORMANCE SUMMARY



INVESTMENT STRATEGY

Capital Markets are unpredictable over short time periods and a well-diversified portfolio will help protect your capital over the long-term. Successful long-term investors do not focus on poor performance in any given year – they review their strategy and make sure it is well aligned with their long-term objectives. Completing a ‘Risk Profile’ will help to determine the type of investor you are. If you are unsure of the best strategy for you, you should seek independent professional advice before making your investment decisions.

Period Ending September 30, 2019

	1 year	3 year	4 year	10 year
Lakehead Pension Total Portfolio	3.4	5.8	6.9	7.9
<i>Benchmark</i>	<i>7.0</i>	<i>6.4</i>	<i>7.2</i>	<i>7.4</i>
Lakehead Short Term Account	1.9	1.4	1.3	n/a
<i>Benchmark</i>	<i>1.7</i>	<i>1.1</i>	<i>0.9</i>	<i>0.9</i>

**Performance shown is for the underlying pooled fund.*

Plan Governance

Plan Governance is handled by the Pension Board and Pension Advisory Committee.

The Professional Plan is administered by the Pension Board which is advisory to the Board of Governors. The Pension Board consists of the following members:

- Two Members of the Faculty (Bargaining Units #1 and #2);
- One Pensioner;
- One Member of Non-Faculty Staff; and
- Two persons chosen by the Board of Governors.

The Employee Plans is administered by the Pension Advisory Committee, which is advisory to the Board of Governors of the University. The Committee consists of:

- Two members appointed by the Board of Governors;
- One member of each bargaining unit;
- One member of non-union staff; and
- One member of non-union Technical staff.

Lakehead's Investment Structure and Managers

Investment Structure

Lakehead University Main Pension Plan

Lakehead Pension Total Portfolio — The pension plan investment structure is comprised of a number of underlying investment funds managed by various investment management firms (see below). The goal of the investment mix is to provide long term capital growth and capital preservation. The Portfolio is currently invested in Canadian large-cap and mid-cap equities, Canadian bonds, Canadian commercial mortgages, American large-cap and small cap equities and International large-cap and small-cap equities.

Underlying Investment Managers

Main Pension Plan

Balanced Fund

Jarislowsky Fraser Total Portfolio — Invests in the pooled JF Canadian equity and bond funds. The target allocation is a 50-50 split between the two funds. The JF Canadian equity fund emphasizes buying long-term growth at a reasonable price. The JF Bond fund is managed based on safety of principal, conservative duration management, and optimization of yield.

Canadian Equity Fund

CGOV Canadian Equity — Attempts to buy companies at a sufficient discount to their intrinsic values. The companies are diversified across a minimum of globally recognized industry sectors with the mandate limited to 25 companies. The fund is not expected to exhibit index-like characteristics.

American Equity Fund

Dimensional US Equity Small Cap Value — Invests primarily in securities of small-cap U.S. companies.

Global Equity Funds

Letko Brosseau Equity — Invests in the Letko Brosseau RSP Equity fund. Equity portfolios typically consist of 80 to 120

Lakehead University Short Term Account

Short Term Account — The Short Term Account is comprised of one underlying investment fund managed by Jarislowsky Fraser (JF). The underlying fund is a money market fund. Money market funds invest in short term interest bearing (or discount) securities of governments, corporation and other short term borrowers with a time horizon generally under one-year. The rate of return for the fund should be consistent with short term Canadian interest rates.

companies diversified by sector, geography, and individual security. The process is driven by security selection.

State Street Global Advisors (SSgA) — A portfolio of primarily large capitalization global equity stocks that is intended to match the return on the MSCI World Index.

International Equity Fund

Dimensional International Small Cap Value — Invests primarily in securities of small-cap international (non-U.S.) companies.

Fixed Income Funds

Addenda Bond Fund — Invests in a diversified portfolio of bonds and provides investors with interest income and safety of principal along with opportunities for moderate capital growth.

Addenda Commercial Mortgages Fund — Invests in commercial mortgages which are held until maturity unless their annual review process indicates a cause for concern.

Keep Calm and Diversify

The name of the game over the long-term is diversification. Diversifying your portfolio is the easiest way to mitigate the risks associated with certain asset classes and the investment market as a whole. Asset classes tend to behave differently under various market and/or economic conditions. Some of them perform well during extreme market conditions, while some will do just the opposite.

One of the reasons why group savings plans are popular is that they are built with diversification in mind. Some offer investment options that are diversified by the financial market (e.g. stocks vs. bonds), by market capitalization (e.g. large vs. small companies), or by investment philosophy (e.g. value vs. growth). You should also diversify your portfolio across more than one fund and asset class (unless the fund you picked is a balanced type or a target-date fund), each with a different strategy and market exposure.

A well diversified portfolio allows you to stay focused on the long-term. The appropriate mix of the traditional asset classes - cash, fixed income, and equities will depend on your investment objective and other factors such as investment time horizon and comfort with volatility. Diversification, however, does not prevent loss; no matter how diversified your portfolio is, risk can never be eliminated

completely. Give diversification a chance and you might just sleep better at night while your portfolio is hard at work.

Diversification also helps you in another way; it reduces the temptation or need to move money from one type of investment to another in anticipation of what will happen next, i.e. market timing. Market timing fails because the markets have unpredictable patterns of return, and their major movements typically occur in short and sporadic bursts. Attempting to predict what the next best performing asset class will be, and trying to avoid the worst performing one, is counter-productive at best. Investors often react emotionally to short-term market developments (such as panic), despite their long-term investment horizons. This proves to be a losing strategy. The average investor typically misses out on long-term investment opportunities, as they exhibit more of a short-term focus. Don't be that investor. Stay invested, diversify and trust the process.

Ready to Retire

Considering Life Beyond Retirement

No matter how fulfilling a career can be, a disciplined investor must consider life beyond retirement and its requirements. Retirement looks different for each individual; for some it may involve travelling and increased time spent on their favourite hobbies. For others, it might mean a chance to devote more time to family and friends or the opportunity to shift gears and pursue a new career opportunity.

Surprisingly, even though most people spend 30+ years of their lifetime working towards retirement, industry surveys show that a large majority of people spend less than one hour each year planning for retirement.

Retirement planning does not need to be difficult, even a simple plan is better than leaving things to chance. Deciding whether you are ready to retire boils down to two main questions: 1) How much income do I need to sustain my standard of living? And 2) Where is the money going to come from? These questions necessitate regular evaluation as an individual's circumstances change as they progress through life's many stages. It is a good exercise to evaluate your portfolio annually (ie. end of the year) and it's continued fit with your financial goals up to and throughout retirement.

Constructing a well thought out investment plan and portfolio allows you the ability to measure your progression towards your financial goals, helping ensure that when the time is right, you will be ready to retire.



MARKET REVIEW

Canadian Equities

- Canadian equities, as measured by the S&P/TSX Composite Index, returned 2.5% in the third quarter of 2019.
- The utilities sector led the index, followed by the real estate, consumer staples, and financials sectors.
- The only two sectors to yield a negative return were the industrials and health care sectors.
- Energy, the second most heavily weighted index sector underperformed the index for the fifth consecutive time.

International Equities

- World markets, represented by the MSCI World Index (C\$), and the U.S. market represented by the S&P 500 (C\$) were up 2.0% and 3.0% respectively for the quarter.

- The MSCI EAFE Index (C\$) was up 0.3% for the quarter.
- The MSCI Emerging Markets (C\$) Index declined this quarter, returning -2.8%.

Fixed Income

- The Bank of Canada maintained its key interest rate of 1.75% during the third quarter of 2019.
- The U.S. Federal Reserve cut the key interest rate twice during the quarter, to the targeted range of 1.75%-2.0%.
- The FTSE Canada Universe Bond Index was up 1.2% for the quarter.

A note about the performance summary:

Returns are shown before fees unless indicated. Past performance of a fund is not necessarily indicative of future performance.

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