



Lakehead
UNIVERSITY

retirement

PLAN REVIEW

Fall/Winter 2020

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Access newsletters online:

Lakehead University Plan Members have access to Proteus' website where you can view current and past newsletters, Proteus' performance updates, investment manager presentations and other pension plan related documents.

www.proteusperformance.com

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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, 2020				
	1 year	3 year	4 year	10 year
Lakehead Pension Total Portfolio	2.1	3.9	4.9	7.3
<i>Benchmark</i>	6.9	6.9	6.5	7.3
Lakehead Short Term Account*	1.3	1.5	1.4	1.2
<i>Benchmark</i>	1.3	1.4	1.1	1.0

**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.

ESG Investing: An Introduction

Over the past several years, Environmental, Social and Governance or ESG has become more prevalent in the investment industry as many investment products reference it, and many investment professionals discuss it.

While ESG factors have impacted investing decisions for decades, recently it has garnered more prominence. Individual investors and corporations are becoming more conscious about the social and environmental impacts of companies they are invested in. Universities, Endowments, Foundations, and other Corporate Investors have experienced significant pressure to be cognizant of the ESG impacts of their investment allocations. Some institutions have been pressured to adopt investment principles specifically addressing ESG and, in some cases, have been pressured to divest from certain investments (e.g. fossil fuels or tobacco). Even at the regulatory level ESG is starting to attract attention; in 2016, the Ontario Pension Benefits Act added a reporting requirement to acknowledge consideration of ESG investing in every registered Statement of Investment Policies and Procedures (SIPP).

ESG by itself is not sufficient to evaluate an investment opportunity, but it is a good addition to numerous qualitative and quantitative criteria.

Following is a brief overview of the components of ESG in the context of evaluating an investment opportunity:

Environmental factors look at a company from the perspective of pollution, resource waste or conservation, and animal treatment practices. Logically, a company that is profitable, but risks a significant lawsuit due to environmental damage may face costs that would impact shareholder value or tarnish the brand itself.

Social factors relate to the management of the company's business relationships (including its employees). A few common concerns are unsafe or unfair working practices both internally and externally.

Governance factors include ensuring a company keeps accurate and transparent standards for employees and shareholders. This also includes controlling possible conflicts of interest that could impact shareholder value. If a company is controlled by a small group of investors, others would want to be assured they have a common alignment of interests for corporate growth and profitability.

ESG is an evolving field, as are investor preferences on ESG matters. As ESG evolves, its importance will continue to grow. ESG investing is not a trend and is here to stay. Not only are the level of assets and the number of ESG driven funds likely to increase with time, but the materiality of ESG issues will be more widely accepted.

Saving for Retirement

When it comes to planning for your retirement savings, it's important to plan accordingly and determine how much you'll need to save. It is imperative to have an organized financial plan and adequate savings.

Although various guidelines do exist, at the end of the day it really comes down to crunching the numbers yourself, while taking into account the age you'd like to retire, what lifestyle you'd like to live and what additional retirement income streams will be available to you. Fortunately, to help you better determine your retirement savings goals, there are a variety of retirement income calculators online. You can also discuss your savings plans with your financial advisor.

It is also important to understand the rules and regulations that apply to the government-sponsored plans, such as the Canada Pension Plan (CPP)/Quebec Pension Plan (QPP) and Old Age Security (OAS). These programs generally do not provide enough income on their own to ensure financial security, but they do offer additional support.

To examine your own savings needs, based on your unique circumstances, please use one of the online tools provided on your plan administrators' website, or contact a financial advisor.



MARKET REVIEW

Canadian Equities

- Canadian equities increased by 4.7% during the third quarter.
- The Canadian equity market is heavily concentrated in the financials and energy sectors. These sectors YTD have contributed -4.1% and -6.1% to the overall index return, respectively. They have been adversely impacted by the economic and border closures, resulting in increased uncertainty regarding future growth and earnings potential.
- Shopify is now the largest publicly held company in Canada and represents over 60% of the information technology sector in Canada. Shopify has contributed 4.8% over the YTD period and 5.3% over the 1-year period to the index's performance.

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 6.0% and 6.8% respectively for the quarter.

- The MSCI EAFE Index (C\$) rose by 2.9%.
- All equity markets were positive in the third quarter.

Fixed Income

- Over the third quarter, the Bank of Canada (BoC) met twice and at both meetings maintained their target for the overnight rate at the effective lower bound of 0.25%.
- The BoC reiterated its accommodating stance and implied that low rates will be here for the foreseeable future.
- In their most recent statement, the BoC stated they will hold the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2% inflation target is sustainably achieved.

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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