



Lakehead
UNIVERSITY

retirement

PLAN REVIEW

Fall/Winter 2022

Contents

PERFORMANCE SUMMARY

**YOUR INVESTMENT FUNDS +
INVESTMENT STRATEGY**

TAX BENEFITS OF YOUR WORKPLACE RETIREMENT PLAN

READY TO RETIRE

MARKET REVIEW

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

User ID: Lakehead-Member | Password: learning

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, 2022				
	1 year	3 year	4 year	10 year
Lakehead Pension Total Portfolio	-9.7	2.9	3.0	6.9
<i>Benchmark</i>	<i>-9.5</i>	<i>3.1</i>	<i>4.1</i>	<i>6.5</i>
Lakehead Short Term Account*	1.0	0.9	1.1	1.1
<i>Benchmark</i>	<i>0.9</i>	<i>0.8</i>	<i>1.0</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

Burgundy Global Equity — Follows a value philosophy with a quality bias, on the basis that capital preservation is a key element in generating strong returns over the long term. Burgundy's objective is to buy high quality businesses at attractive valuations and hold them for the long term. Valuation is built based on 5-year cash flows model which is discounted back at 8% or higher.

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.

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.

T. Rowe Price Global Growth Equity — Seeks long-term capital appreciation and applies a growth-oriented approach, but with a mind-set that valuation always matters in generating alpha and in controlling absolute and relative risks. The strategy also maintains a focus on companies that they believe offer sustainability and robustness in their future earnings and cash flow growth, that have strong business models, and that apply rational deployment of capital.

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.

Tax Benefits of Your Workplace Retirement Plan

Did you know the reduction in your take-home pay is less than your contribution to your retirement plan? That's because your contributions are made on a pre-tax basis, meaning you receive an immediate tax deduction.

For example, someone who contributes 5% of pay to their retirement savings plan with a gross income of \$51,000 per year would contribute \$213 per month. This money is invested and has the potential to compound and grow through time. If they have a marginal tax rate of 25%, then on an after-tax basis their take-home pay is only reduced by \$159. There is an immediate tax deduction of \$53.

If you earn \$51K/yr and contribute...		
	Nothing each pay	5% each pay
Gross pay*	\$4,250	\$4,250
Contribution	\$0	\$213
Less Tax (25%)	\$1,062	\$1,009
Take Home Pay	\$3,188	\$3,028

*Monthly gross pay

Workplace retirement plans provide members with an easy and convenient way to save for retirement through regular payroll deductions. By contributing through payroll, you will receive an immediate tax deduction at source. You do not need to wait until you file your tax return to benefit from the tax deduction, as is the case when you contribute to a personal RRSP.

Your take-home pay won't drop by as much as you think! This makes saving for your future a little more affordable.

Financial Literacy Month

November is Financial Literacy Month in Canada. The Financial Consumer Agency of Canada is once again publishing resources on key building blocks that have been proven to help Canadians develop the skills, capacity, and behaviours that lead to financial resilience.

Check out their website for great resources on the following topics:

<https://www.canada.ca/en/financial-consumer-agency/campaigns/financial-literacy-month.html>

- How to manage your money when interest rates rise
- What steps to take when making a plan to pay off debt
- What to consider before borrowing money
- Knowing your rights when borrowing money
- and many more...

Financial literacy month is also a good opportunity to revisit your workplace retirement plan to ensure you are maximizing your savings rate and that your investments are aligned with your financial goals.



MARKET REVIEW

Canadian Equities

- Canadian equities declined -1.4% during the third quarter of 2022.
- The top performing sectors were consumer discretionary & industrials, both generating quarterly returns of 4.2%.
- The worst performing sector was communication services, generating a quarterly return of -7.5%.
- The S&P/TSX Composite Index slightly underperformed S&P 500 Index but outperformed MSCI EAFE Index.
- The U.S. Federal Reserve raised its key interest rate from 1.75% to 3.25% during the quarter and anticipates further increases in the interest rate target range.
- The Bank of Canada increased its key interest rate from 1.50% to 3.25%.
- The 10-year U.S. Treasury yield rose 82 basis points (bps) to 3.83%, while the 10-year Government of Canada bond yield fell 6 bps to 3.16%.

Foreign Equities

- International markets, represented by the MSCI EAFE Index (C\$), and the U.S. market, represented by the S&P 500 Index (C\$), returned -3.4% and 1.3% respectively for the quarter.
- World markets, represented by the MSCI World Index (C\$) were flat for the quarter.
- The Canadian yield curve inverted, with the spread between 30-year bonds and 2-year bonds reaching its most negative spread since 1990 at -82 bps in September.
- The labour market remains strong in Canada & the U.S. with unemployment rates at 5.4% & 3.7%, respectively.

Fixed Income

- Global central banks accelerated their pace toward a neutral monetary policy stand through large interest rate hikes.
- Inflation rates remain high, but have shown signs of finding a peak as central banks hope interest rate hikes will be enough to eventually bring it down to target levels.

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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