Lakehead University

retirement

PLAN REVIEW

Spring/Summer 2023

Contents

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 March 31, 2023

	1 year	3 year	4 year	10 year
Lakehead Pension Total Portfolio	1.8	10.6	5.6	7.1
Benchmark	*-1.2*	*9.0*	*5.7*	*6.9*
Lakehead Short Term Account*	2.8	1.2	1.4	1.2
Benchmark	*2.8*	*1.1*	*1.3*	*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.

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.

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.

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.

STOCKS AND BONDS 101

What is a bond?

When a company or government needs to borrow money, they can issue bonds to investors. A bond is essentially a loan that the company or government borrows from investors, with the promise of paying them back with interest over a certain period of time.

When you buy a bond, you are essentially lending money to the issuer of the bond. In exchange for lending them money, the issuer promises to pay you back the principal amount (the amount you lent) plus interest over the life of the bond.

Bonds are a way for companies and governments to raise money, and they are generally considered to be less risky than stocks because bondholders are paid before stockholders in the event of bankruptcy. Bonds are also a popular investment choice for those looking for a steady stream of income, as the interest payments are typically paid out regularly over the life of the bond.

What is an equity?

Equities are also known as stocks. When you buy a stock, you are essentially buying a small piece of ownership in a company. Companies sell stocks to raise money for things like expanding their business or funding new projects.

As a stockholder, you have the right to share in the company's profits in the form of dividends. If the company does well and makes a profit, the value of your stock may go up, allowing you to sell it for more than you paid for it and make a profit. However, if the company doesn't do well, the value of your stock may go down, and you may end up losing money if you sell it.

Investing in stocks can be risky, but it can also be a way to potentially earn a higher return on your investment than you would with a more conservative investment, like a savings account.

What are Equity and Bond Funds?

Bond and stock funds are investment vehicles that allow you to invest in a diverse portfolio of bonds or stocks, without having to buy each one individually.

A bond fund is a collection of bonds issued by different companies or governments (including federal, provincial, municipal). Similarly, an equity fund is a collection of stocks issued by different companies. When you invest in a bond fund or equity fund, your money is pooled with other investors' money, and the fund manager uses that money to buy a variety of different bonds or stocks. The returns you earn are based on the performance of the bonds or stocks in the fund, and the fund manager takes care of managing the portfolio.

Bond and stock funds are a way to diversify your investments, which can help reduce risk. By investing in a fund, you are spreading your money across multiple bonds or stocks, which can help protect you if one bond or stock doesn't perform well. However, it's important to remember that there is still risk involved, and you should carefully consider your investment goals and risk tolerance before investing in a fund.

Essential Estate Planning Tips for Retirement

You may be surprised to learn that more than half of Canadians over the age of 18 do not have a last will or testament. Estate planning is crucial for everyone to ensure your assets are managed and distributed according to your wishes.

A will specifies how your assets will be distributed after your death. It should identify an executor and designate beneficiaries for retirement accounts, life insurance policies, and other assets, as well as name guardians for minors if applicable.

Below are some things to think about when building and managing an estate plan:

1. Review and update your estate plan regularly, especially after major life events, to ensure it reflects your current wishes. This includes reviewing and updating beneficiary designations regularly to account for changes in personal circumstances or family dynamics. With regards to your retirement or pension arrangement through your employer, your beneficiary designations can be updated through your recordkeeper's online member site.
2. Plan for incapacity with a power of attorney for financial matters and a healthcare directive or living will for medical decisions.
3. Communicate your estate planning wishes with loved ones to ensure that your intentions are known, to minimize confusion or disputes.
4. Consider a trust for added flexibility and control in asset distribution. A trust can protect your assets from creditors, lawsuits and other potential risks as well as potentially reduce the taxable value of an estate.
5. Plan for charitable giving by including charitable trusts, naming charities as beneficiaries, or establishing donor-advised funds.

Seek professional help from an estate planning attorney or financial advisor to ensure your estate plan is legally valid and meets your needs. By understanding and considering these estate planning tips, you can ensure peace of mind and a smooth transition of your assets according to your wishes.

MARKET REVIEW

Canadian Equities

- Canadian equities rose 4.6% during the first quarter of 2023.
- The top performing sectors were information technology, materials and consumer staples, all generating returns above 7.0%.
- The worst performing sector was energy, generating a return of -2.3%.
- The S&P/TSX Composite Index underperformed the S&P 500, MSCI World, MSCI Japan, and the MSCI EAFE Index.

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 8.5% and 7.4% respectively for the quarter.
- Global markets, represented by the MSCI World Index (C$), returned 7.7% for the quarter.

Fixed Income

- Global central banks slowed the pace of rate hikes during the quarter.
- The U.S. Federal Reserve raised its key interest rate from 4.5% to 5.0% during the quarter.
- The Bank of Canada increased its key interest rate from 4.25% to 4.5% during the quarter, and stated it'll pause further interest rate hikes while they monitor short-term economic conditions.
- Bond market yields moved wildly over the quarter, with the FTSE Universe Bond Index average yield falling from 4.3% at the start of the quarter to a low of 3.74% in mid-January then climbing back to 4.38% by early March.
- After peaking at 4.38% about a week before the Silicon Valley Bank (SVB) collapse, yields ended the month of March in a volatile fashion falling to 3.74% before closing at 3.95%.
- The SVB collapse sent markets reeling and moved the Fed from its previously extremely hawkish position to one where traders had moved to near 0% odds of a May rate hike before changing again to 50% odds of a rate hike as signs point to the banking crisis in the US being contained to some degree.
- Central banks were concerned that the recent market ruction sparked by the collapse of SVB would weigh on economic growth, this caused drastic changes in the market's view on year-end interest rate estimates.

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.

CREATED BY:

HUB | PROTEUS

INVESTMENT & GOVERNANCE SPECIALISTS