



Lakehead
UNIVERSITY

retirement

PLAN REVIEW

Fall/Winter 2018

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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.

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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, 2018				
	1 year	3 year	4 year	10 year
Lakehead Pension Total Portfolio	6.2	8.1	6.8	8.1
<i>Benchmark</i>	<i>6.9</i>	<i>7.3</i>	<i>6.3</i>	<i>7.2</i>
Lakehead Short Term Account*	1.4	1.0	1.0	n/a
<i>Benchmark</i>	<i>1.2</i>	<i>0.7</i>	<i>0.7</i>	<i>0.8</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.

Understanding Investment Risks & Volatility

There are four different types of risk to consider when making your investment selection:

Volatility:

Volatility is the risk we normally associate with stocks or equity type funds because the price of these investments tends to fluctuate according to market conditions. Despite these fluctuations, markets have historically always rebounded. It is important to determine the level of volatility that you are comfortable with when making investment decisions, bearing in mind that over the long-term, typically the greater the volatility of a fund the greater the potential for higher returns.

Interest Rate Risk:

Interest rate risk is the risk associated with guaranteed type investments, like guaranteed investment certificates (GICs) and bonds. When you purchase a GIC for a term of five years with a specific interest rate of two per cent, you've locked in that two per cent return for the five-year period. During that same period, if interest rates rise to three per cent you've missed out on the opportunity to earn the higher rate of interest.

Inflation Risk:

Inflation risk is the risk that your investments and

savings will not keep pace with inflation. Inflation risk is a way of measuring the actual purchasing power of your savings in today's dollars. If we return to the example of the GIC above, which is earning two per cent when the overall rate of inflation in the economy is four per cent, your real return is -2.0 per cent. You are not keeping pace with inflation. Inflation risk applies to both guaranteed and equity type investments.

Currency risk:

Currency risk is the risk that arises from the change in price of one currency to another. If money is converted to another currency to make an investment, changes in the value of the Canadian dollar will affect the return when the money is converted back.

It is extremely important that you select investments that have an appropriate risk level based on your individual circumstances. To assess how much risk is appropriate, you should consult a professional financial advisor and use the information and decision-making tools available through the record-keeper, including the investor profile questionnaire. It is also important to revisit these tools and your answers periodically to ensure they remain appropriate.

Key financial steps to take before retiring

1. Pay off debt

Once you retire, your ability to earn additional income for debt payments is reduced. If you have outstanding debts, you should work out a plan to eliminate as much as possible before retirement.

2. Align your investment strategy

Re-assess your investment portfolio to determine whether your money is invested in a way that seeks to optimize your cash flow through retirement. If you hold too much high-risk investments that can jeopardize your future cash flow, now may be the time to redefine the ideal strategy for your situation. Alternatively, you may be invested too conservatively, which can have a cost of foregone potential income.

3. Continue saving

During our working careers, we are normally advised to keep three to six months' worth of expenses in an emergency savings account. After retirement, our ability to find new income is often reduced and many advisors recommend keeping up to two years' worth of living expenses in safe, liquid savings – should something unexpected happen.

4. Estate planning

Is your estate planning up to date? Have you reviewed your will recently? Do you have powers of attorney in place? Have you named estate administrators, beneficiaries, trustees, guardians for minor children? Make sure you have everything up-to-date!

5. Get professional advice

Getting professional advice is the best way to ensure that your money and estate are well taken care of. While the costs may seem high, it is worthwhile to get qualified financial advice to help avoid costly mistakes.



MARKET REVIEW

Canadian Equities

- Canadian equities lagged during the third quarter, with the S&P/TSX Composite returning -0.6%. This was largely due to the significant underperformance of the materials and energy sectors.
- The financials and industrials sectors, which comprise of 45% of the index, were the largest relative contributors during the quarter.

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 3.3% and 5.8% respectively for the quarter.
- The MSCI EAFE Index (C\$) was down -0.3% for the quarter.
- The MSCI Emerging Markets (C\$) Index also fell this quarter, returning -2.7%.

Fixed Income

- The Bank of Canada and the U.S. Federal Reserve raised both of their key interest rates by 0.25% during the quarter.
- The FTSE TMX Canada Universe Bond Index decreased by 1.0% for the quarter.
- The corporate and federal sectors outperformed the index, while the municipal and provincial sectors underperformed.

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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