



Lakehead  
UNIVERSITY

# *retirement*

**PLAN REVIEW**

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Fall/Winter 2021

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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](http://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, 2021				
	1 year	3 year	4 year	10 year
Lakehead Pension Total Portfolio	18.2	7.7	7.3	9.1
<i>Benchmark</i>	<i>13.5</i>	<i>9.1</i>	<i>8.5</i>	<i>8.6</i>
Lakehead Short Term Account*	0.3	1.2	1.3	1.2
<i>Benchmark</i>	<i>0.2</i>	<i>1.0</i>	<i>1.1</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.

# WHAT IS AN INVESTMENT BENCHMARK?

Did you know your plan sponsor regularly benchmarks the returns of your workplace retirement plan's menu of investment options? Benchmarks are an important tool in evaluating the performance of an investment fund.

Financial market indexes are often used as a standard to benchmark the returns of investment fund managers. An index is a basket of investment holdings that represents a segment of the financial markets. For example, the S&P 500 is a stock market index tracking the performance of roughly 500 of the largest publicly traded stocks in the United States. Typically, investors are interested to know how their funds have performed relative to the broader financial markets.

When evaluating an investment fund's performance, it is important to choose an appropriate benchmark that is representative of the investments held in the fund. For example, the S&P/TSX Composite Index represents the stocks of the largest companies that trade on the Toronto Stock Exchange. This index is commonly used to benchmark Canadian equity funds. The FTSE Canada Universe Bond Index

represents the Canadian investment grade bond market and is commonly used to benchmark core bond funds.

When benchmarking the returns of an investment fund, it is crucial to compare the returns of the fund and the benchmark over the same time periods. However, even the most skilled active managers will experience periods of underperformance, particularly over shorter periods. Remember that investing is a long-term exercise and emphasis should be placed on longer time frames.

## Financial Literacy Month in Canada

November is Financial Literacy Month in Canada. This year, the Financial Consumer Agency of Canada is 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 and more:

- Managing expenses
- Managing savings
- Navigating the financial marketplace
- Managing debt
- Life events and your money

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 increased by 0.2% during the third quarter of 2021.
- The top performing sectors in the quarter were the consumer staples, industrials, and real estate sectors.
- Canadian equities outperformed emerging markets equities and underperformed U.S. equities, international equities, and global equities during the quarter.
- Within the S&P/TSX Composite Index, the consumer discretionary, health care, information technology, and materials sectors all generated negative returns.

## Foreign Equities

- World markets, represented by the MSCI World Index (C\$), and the U.S. market represented by the S&P 500 Index (C\$) were up 2.4% and 2.9% respectively for the quarter.
- The MSCI EAFE Index (C\$) rose by 1.9%.

## Fixed Income

- The U.S. Federal Reserve maintained its key interest rate at a range of 0-0.25% during the

quarter until there are further improvements in maximum employment.

- Similarly, the Bank of Canada decided to hold its key interest rate at 0.25% until its inflation objective is sustainably achieved.
- The U.S. Federal Reserve remain positive about the strong recovery in economic activities within the nation through robust real GDP growth and strengthened household spending, at the same time, short-term supply-chain constraints within the semiconductor industry remains a concern.
- The U.S. Federal Reserve has continued to commit to maintaining an accommodative stance on monetary policy until maximum employment and price stability are achieved. North of the border, the Bank of Canada continues to commit to its quantitative easing program at a target pace of \$2 billion per week, down from \$3 billion per week in Q2 2021.

## 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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