



University of Saskatchewan Academic Money Purchase Pension Plan

Investment Review

Annual General Meeting Presentation – March 8, 2016

Prepared by Aon Hewitt

Agenda

- Plan Objectives & Guiding Risk Philosophy
- Investment Objectives
- Role of the Pension Committee
- Market Update
- Expected Risk/Return Spectrum of Investment Options
- Performance Update to December 31, 2015
- Plan Utilization by Fund
- Plan Utilization by Manager
- Investment Options Overview

Plan Objectives & Guiding Risk Philosophy

Plan Objectives

"It is recognized that the long-term objective of Members is to maximize the value of benefits derived from the Plan contributions, subject to an acceptable degree of risk."

Guiding Risk Philosophy

"As members have differing risk preferences, several investment options are available to allow members to customize a portfolio to meet their investment needs.

To achieve appropriate long-term investment goals, members should invest in assets that have uncertain returns, such as Canadian equities, foreign equities and non-government bonds.

However, the overall level of risk can be reduced by diversifying the asset classes within the Life Cycle funds and, where appropriate, further diversifying within each individual asset class by Investment Manager."

Investment Objectives

Life Cycle Funds

To earn a rate of return that exceeds the rate of return earned on a benchmark portfolio.

Active Managers

1. *To generate a return in excess of a benchmark index, with a level of volatility consistent with the investment mandate provided to the Investment Manager.*
2. *To deliver above median returns over four year periods relative to an active manager peer universe.*

Passive Managers

To deliver a total return with a permissible tracking error of $\pm 0.1\%$ per year to the relevant benchmark.

Role of the Pension Committee

Establish and maintain investment policy

- Investment objectives
- Asset mix / manager structure
- Permitted investments

Monitor investment performance versus Plan objectives

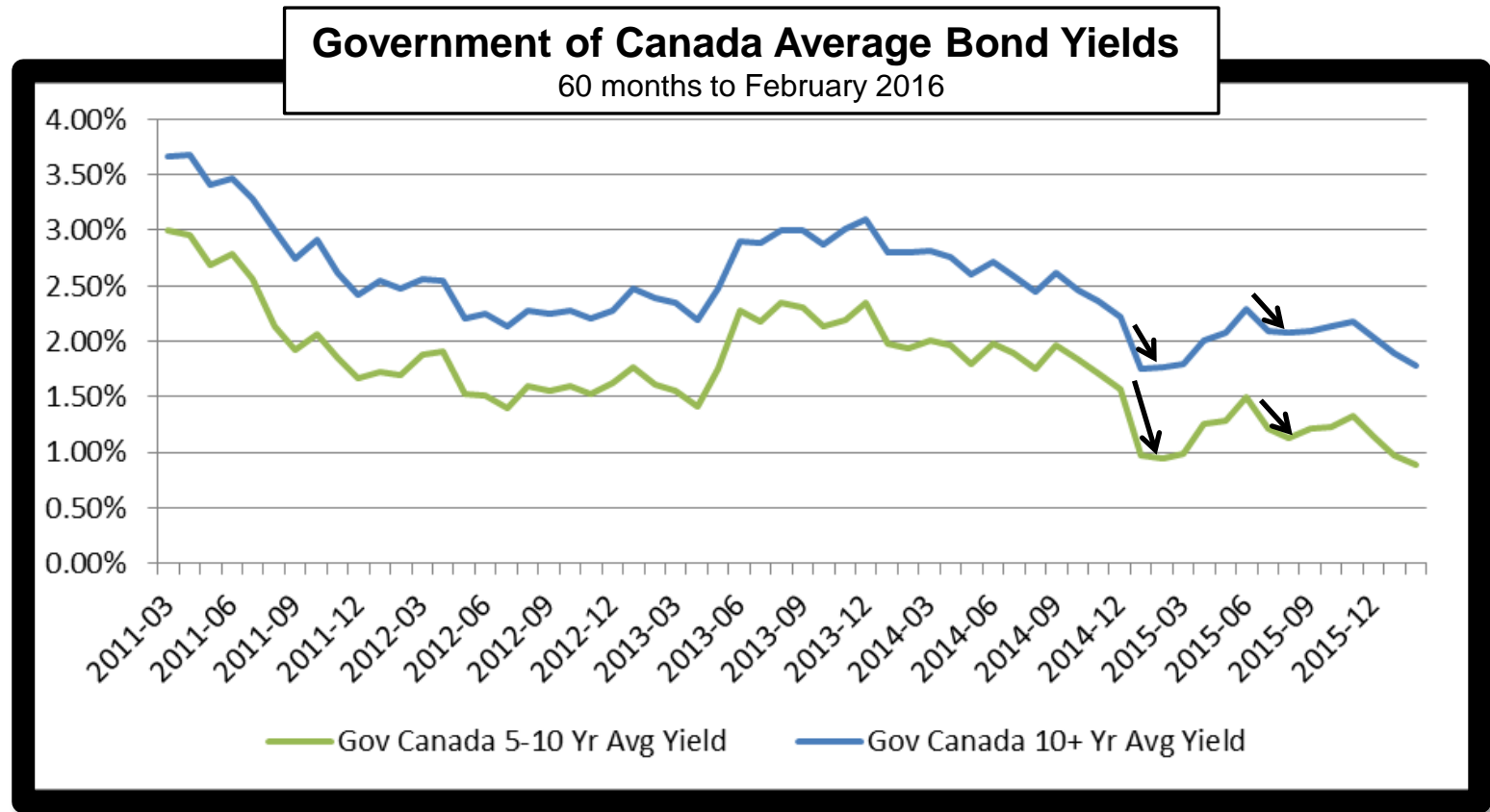
- Overall fund
- Individual managers
- Compliance with investment policy

Replace investment managers as required

Members are reminded of their responsibility to review periodically the portfolio structure of their participation in the Plan and to revise it as appropriate given their needs.

Market Update

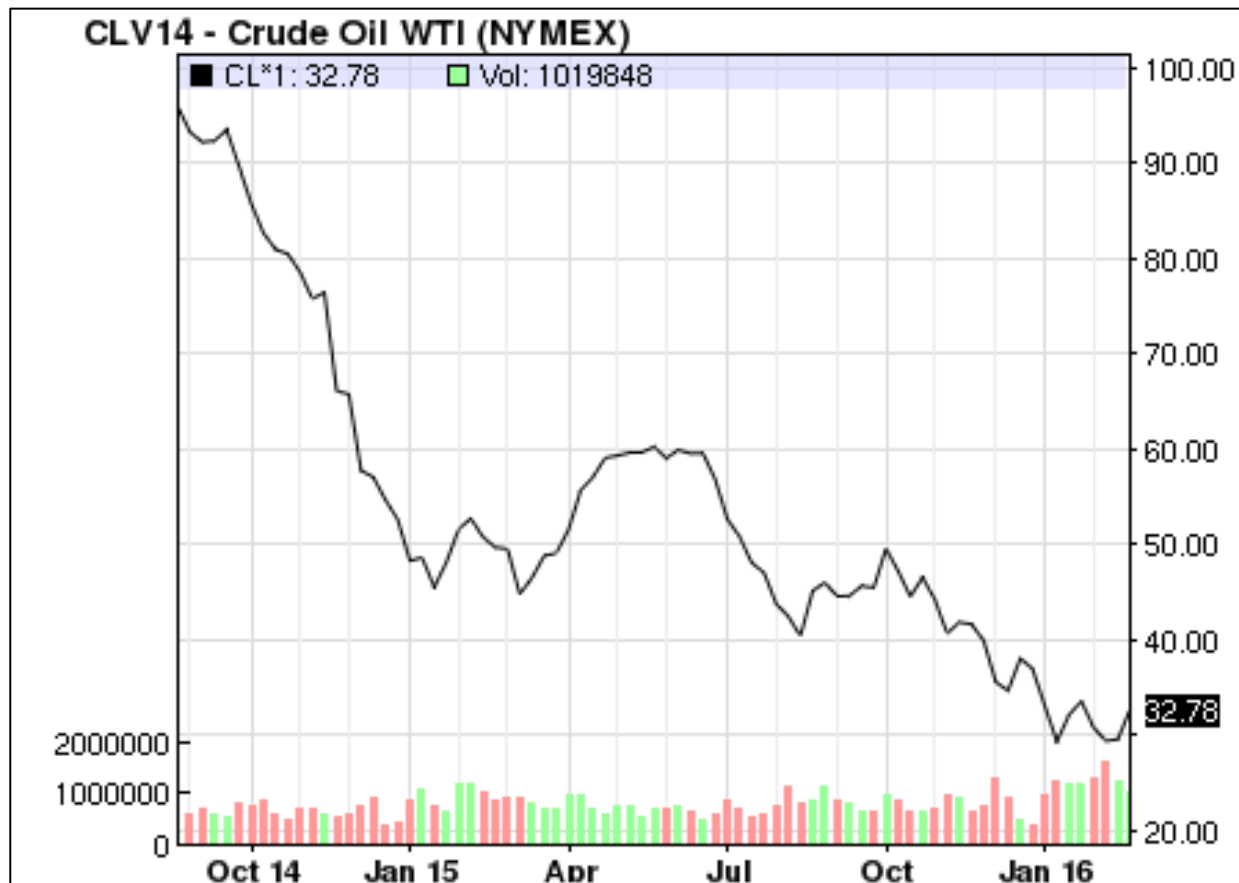
Lower For Longer? Canadian Bond Yields



→ Bank of Canada rate cuts

Market Update (continued)

Lower For Longer? The Price of Oil



Source: NASDAQ as of February 26, 2016 in US dollar terms.

Market Update (continued)

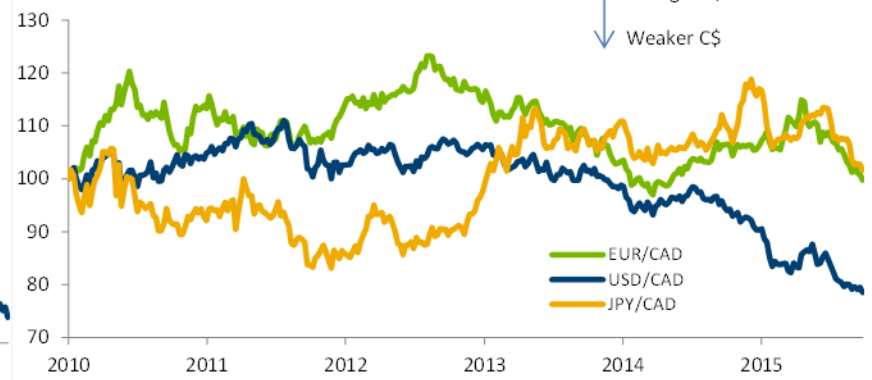
Lower For Longer? Canadian Dollar Weakness

TRADE WEIGHTED CANADIAN DOLLAR INDEX
(1997 = 100)



Source: Bank of England

CANADIAN DOLLAR RELATIVE TO EUR, USD AND JPY
REBASED TO 100 AT 12/31/2009

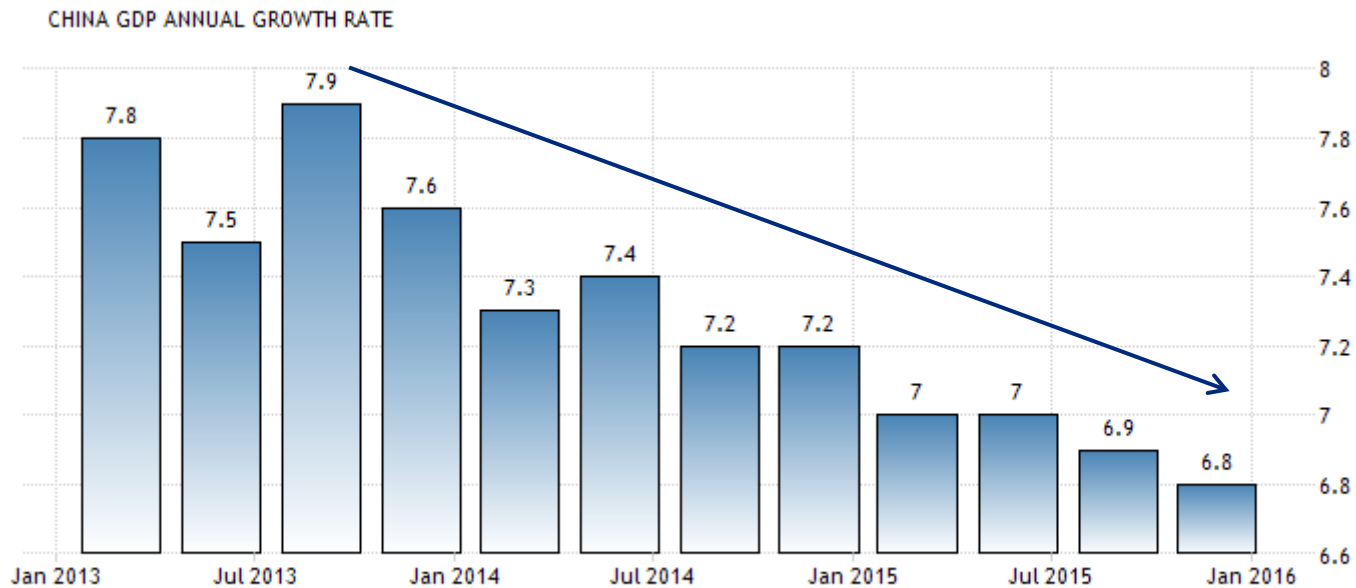


Source: DataStream

Market Update (continued)

Economic Headwinds Persist

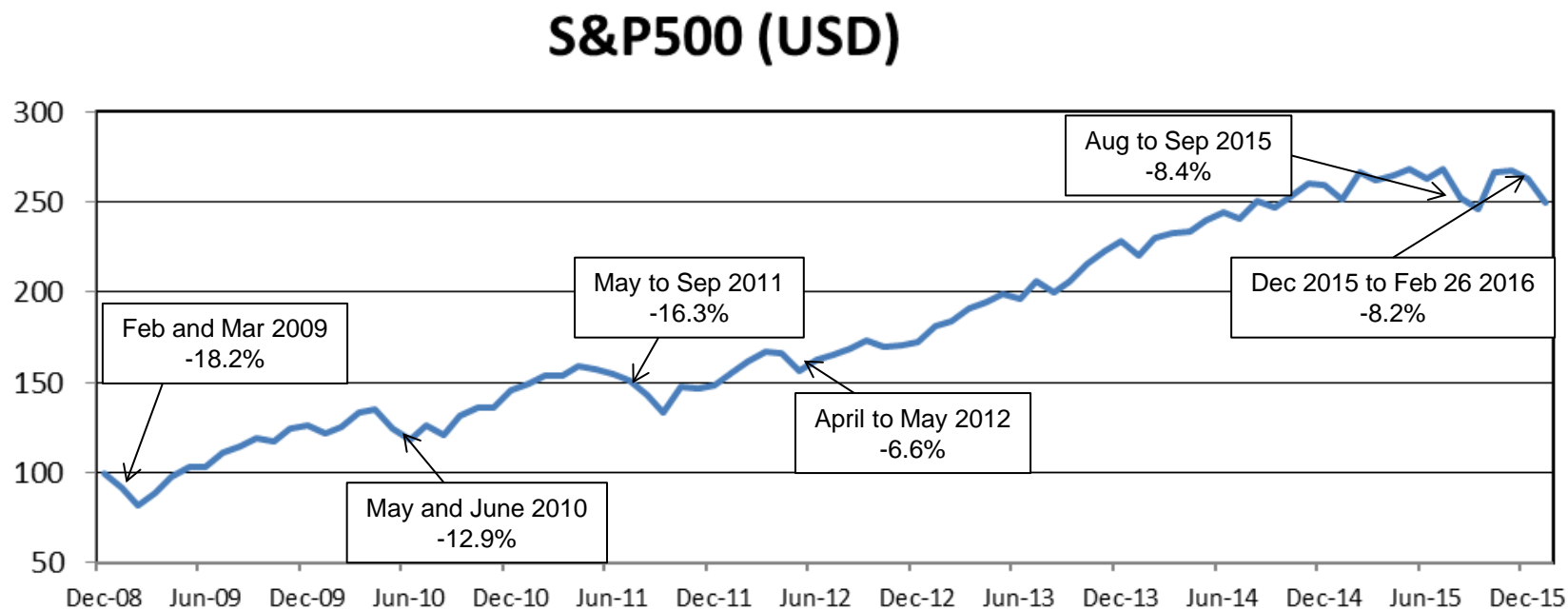
- China growth slowing
- U.S. raises interest rates
- Global stimulus packages continue



SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

Market Update (continued)

Has the Rally in Equity Markets Finally Stalled?



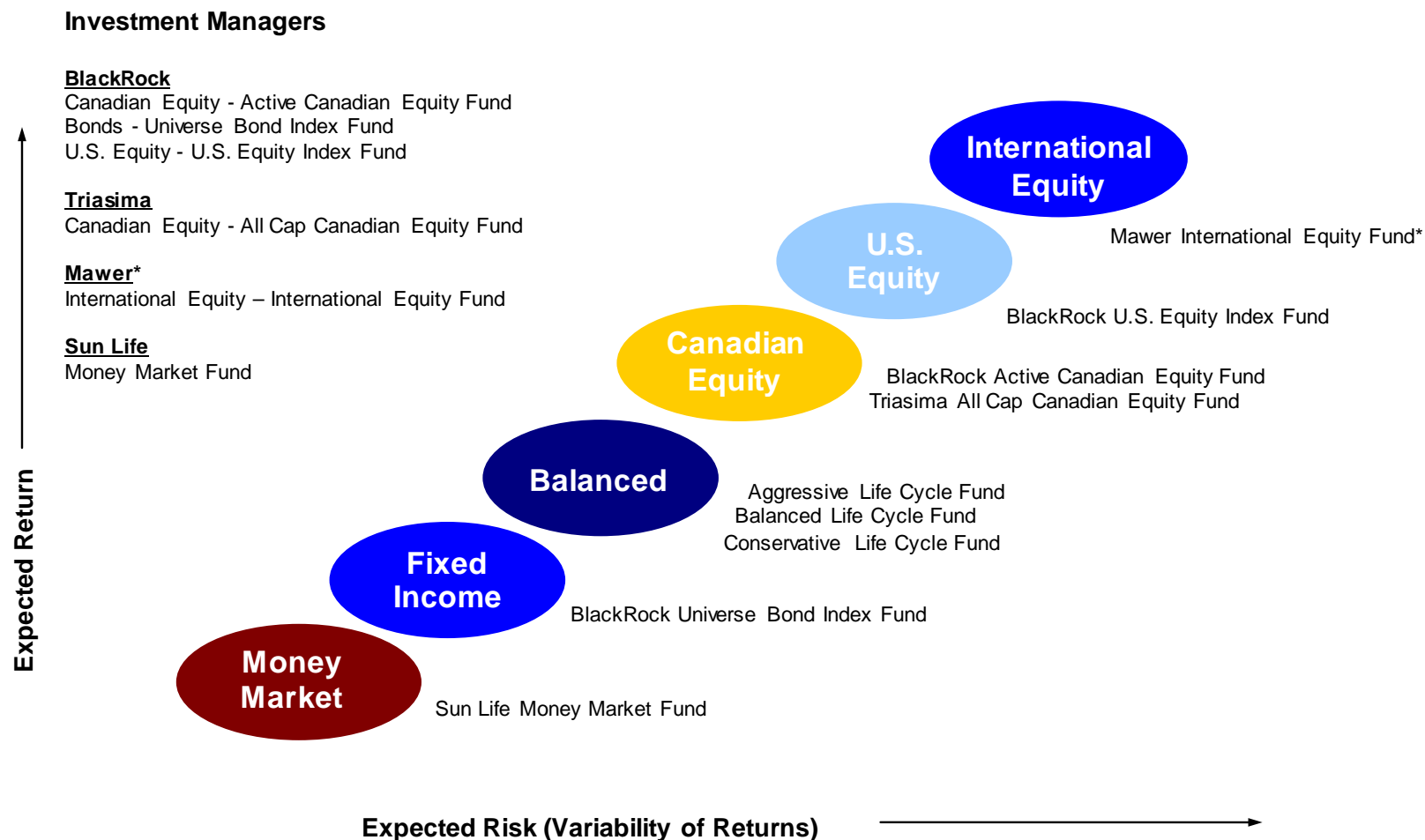
Sources: S&P, MSCI.

Market Update (continued)

“Periodic outbreaks of those two super-contagious diseases, fear and greed, will forever occur in the investment community. The timing of these epidemics will be unpredictable. And the market aberrations produced by them will be equally unpredictable, both as to duration and degree. Therefore, we never try to anticipate the arrival or departure of either disease. Our goal is more modest: we simply attempt to be fearful when others are greedy and to be greedy when others are fearful.”

Warren Buffett
October 1, 2008

Expected Risk/Return Spectrum of Investment Options



*Mawer replaced Phillips, Hager & North / Sky as the International Equity Manager in August 2014.

Performance Update to December 31, 2015

	1 Quarter	1 Year	4 Years	10 Years
Life Cycle Funds				
Conservative Life Cycle Fund	2.1	5.4	6.2	5.5
Conservative Benchmark	2.0	4.9	5.9	5.4
Value Added	0.1	0.5	0.3	0.1
Balanced Life Cycle Fund				
Balanced Life Cycle Fund	4.2	9.2	11.5	6.3
Balanced Benchmark	3.9	7.5	10.6	6.0
Value Added	0.3	1.7	0.9	0.3
Aggressive Life Cycle Fund				
Aggressive Life Cycle Fund	5.3	11.1	14.2	6.6
Aggressive Benchmark	4.9	8.8	13.0	6.2
Value Added	0.4	2.3	1.2	0.4
Canadian Equity Fund - BlackRock & Triasima*				
Canadian Equity Fund - BlackRock & Triasima*	-0.6	-3.0	8.4	5.5
S&P/TSX Capped Composite	-1.4	-8.3	5.3	4.4
Value Added	0.8	5.3	3.1	1.1
U.S. Equity Fund - BlackRock				
U.S. Equity Fund - BlackRock	10.9	21.5	24.6	9.1
S&P 500	10.9	21.6	24.7	9.2
Value Added	0.0	-0.1	-0.1	-0.1
International Equity Fund - Mawer**				
International Equity Fund - Mawer**	8.9	21.8	17.9	5.4
MSCI EAFE (Net) (CAD)	8.5	19.0	16.7	4.8
Value Added	0.4	2.8	1.2	0.6
Fixed Income Fund - BlackRock				
Fixed Income Fund - BlackRock	1.0	3.5	3.6	5.0
FTSE TMX Universe Bond	1.0	3.5	3.6	5.0
Value Added	0.0	0.0	0.0	0.0
Money Market Fund - Sun Life				
Money Market Fund - Sun Life	0.2	0.8	1.0	1.9
FTSE TMX 91-Day T-Bill	0.1	0.6	0.9	1.7
Value Added	0.1	0.2	0.1	0.2

Returns are reported gross of fees and are annualized for periods greater than one year.

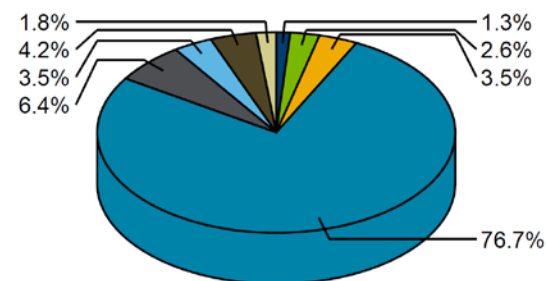
*BlackRock and Triasima became the Canadian Equity Fund managers in December 2013.

**Mawer became the International Equity Fund manager in August 2014.

Plan Utilization by Fund

As of December 31, 2015

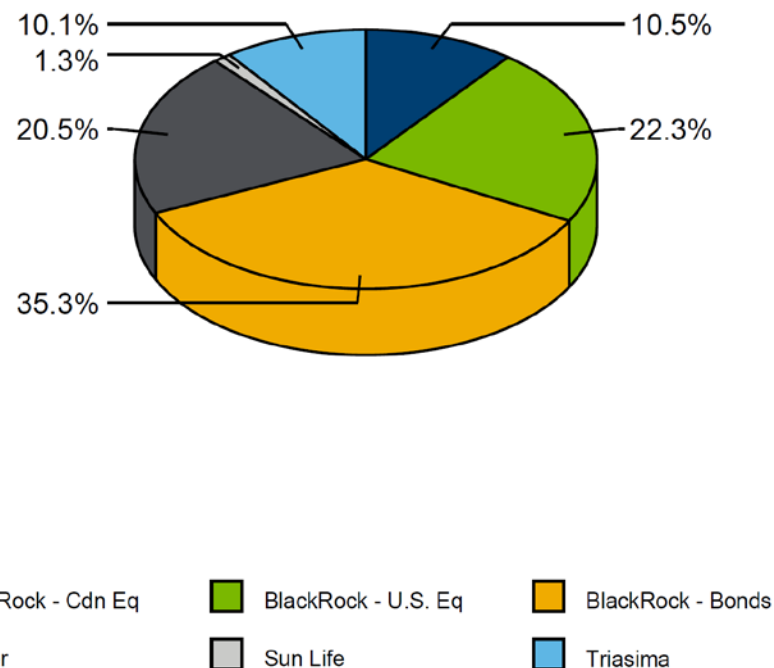
	(\$)	%
Money Market		
SunLife	6,931,797	1.3
Fixed Income		
BlackRock	14,546,212	2.6
Life Cycle Funds		
Conservative	19,367,880	3.5
Balanced	423,524,716	76.7
Aggressive	35,528,018	6.4
Canadian Equity		
Canadian Equity	19,466,736	3.5
U.S. Equity		
BlackRock	22,938,313	4.2
International Equity		
Mawer	10,053,072	1.8
Total Fund		
Total Fund	552,356,742	100.0



Plan Utilization by Manager

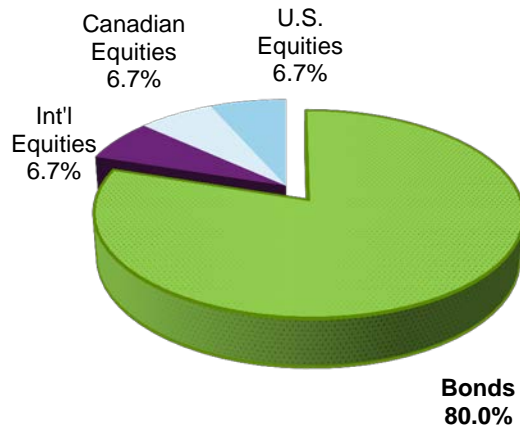
As of December 31, 2015

	Dec 2015	
	(\$)	%
BlackRock		
Canadian Equity	58,259,675	10.5
U.S. Equity	123,327,994	22.3
Universe Bonds	195,058,850	35.3
Mawer		
International Equity	113,249,761	20.5
Sun Life		
Money Market	6,931,797	1.3
Triasima		
Canadian Equity	55,528,665	10.1
Total Fund		
Total Fund	552,356,742	100.0



Investment Options Overview - Conservative Life Cycle Fund

Fund Structure

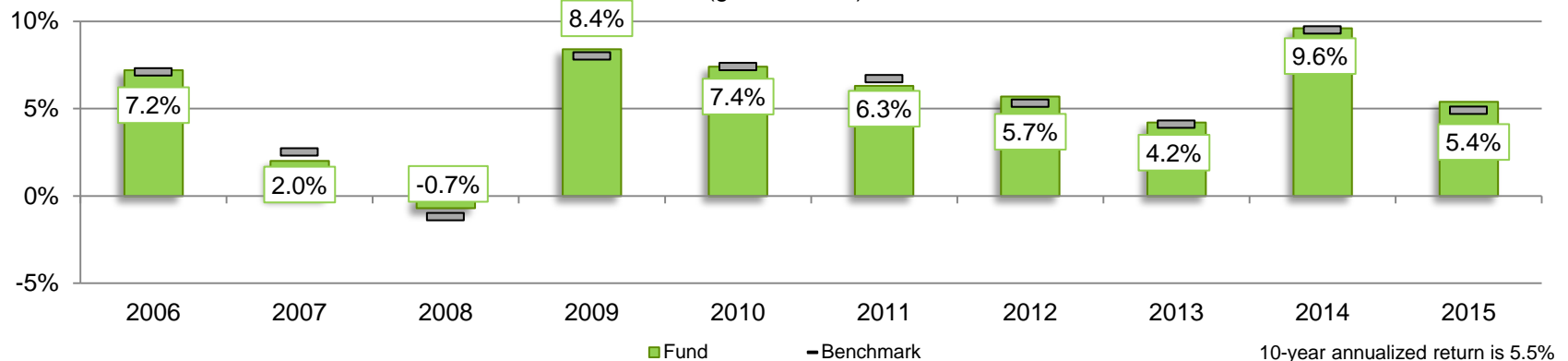


Conservative Life Cycle Strategy Summary

- Most conservative balanced fund option offered.
- Bonds and U.S. equities are passively managed by BlackRock.
- Canadian equities are co-managed actively by BlackRock and Triasima.
- International equities are managed actively by Mawer.
- Performance over the past ten years has exceeded the return of the blended benchmark of indices.
- All strategies within the Fund are rated "Buy" by Aon Hewitt.

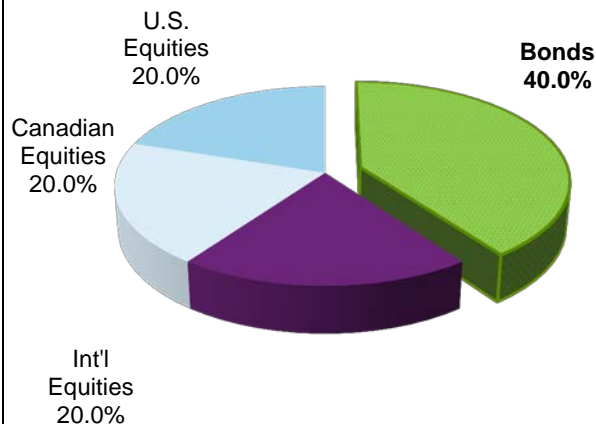
Performance

(gross of fees)



Investment Options Overview - Balanced Life Cycle Fund

Fund Structure

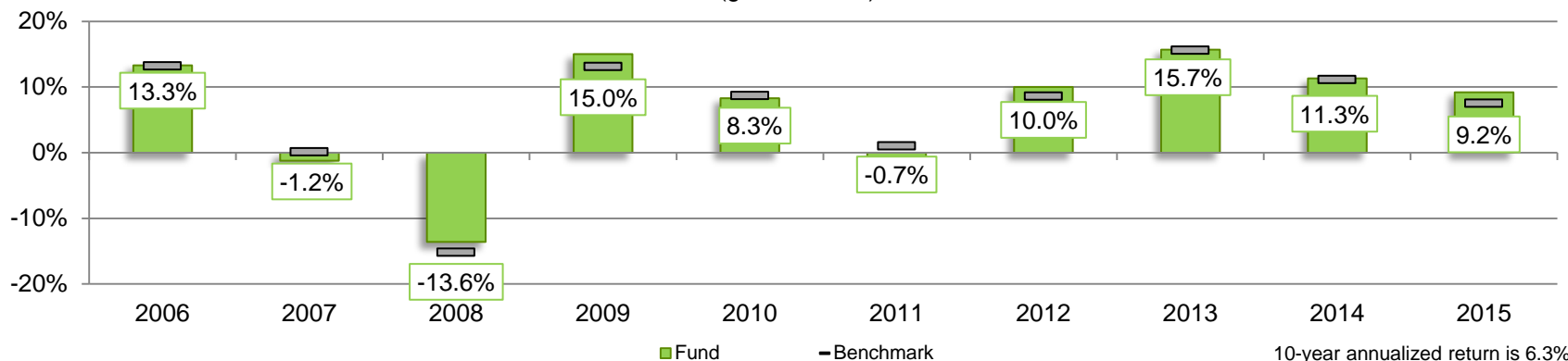


Balanced Life Cycle Strategy Summary

- Default balanced fund option.
- Bonds and U.S. equities are passively managed by BlackRock.
- Canadian equities are co-managed actively by BlackRock and Triasima.
- International equities are managed actively by Mawer.
- Performance over the past ten years has exceeded the return of the blended benchmark of indices.
- All strategies within the Fund are rated "Buy" by Aon Hewitt.

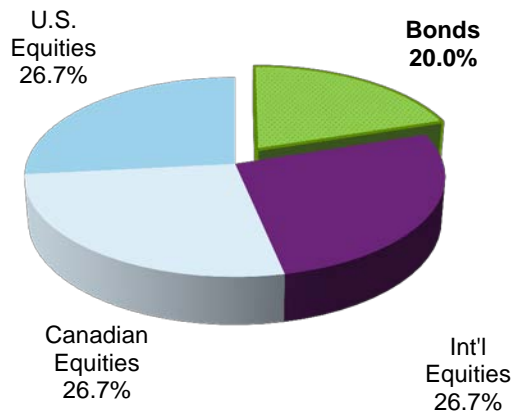
Performance

(gross of fees)



Investment Options Overview - Aggressive Life Cycle Fund

Fund Structure

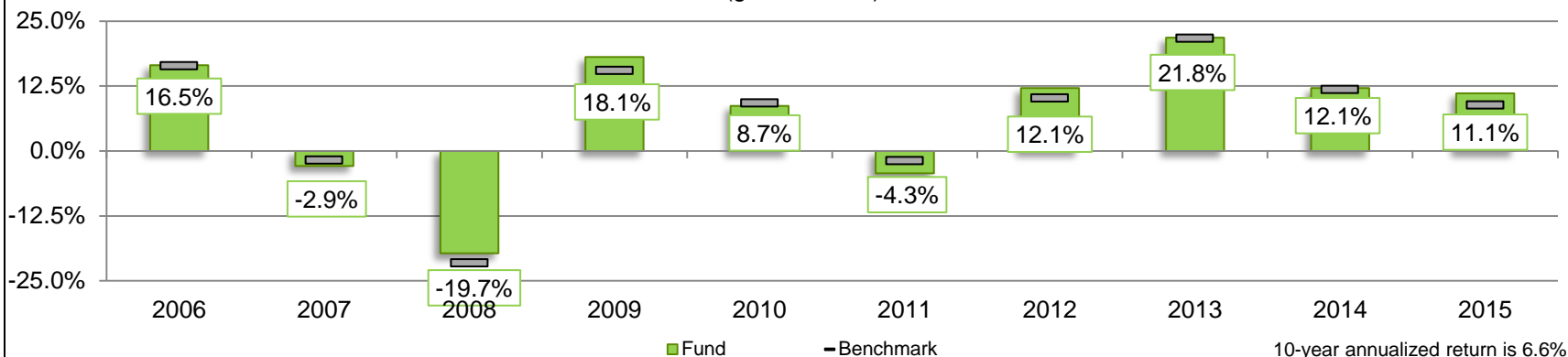


Aggressive Life Cycle Strategy Summary

- Most aggressive balanced fund option.
- Bonds and U.S. equities are passively managed by BlackRock.
- Canadian equities are co-managed actively by BlackRock and Triasima.
- International equities are managed actively by Mawer.
- Performance over the past ten years has exceeded the return of the blended benchmark of indices.
- All strategies within the Fund are rated "Buy" by Aon Hewitt.

Performance

(gross of fees)

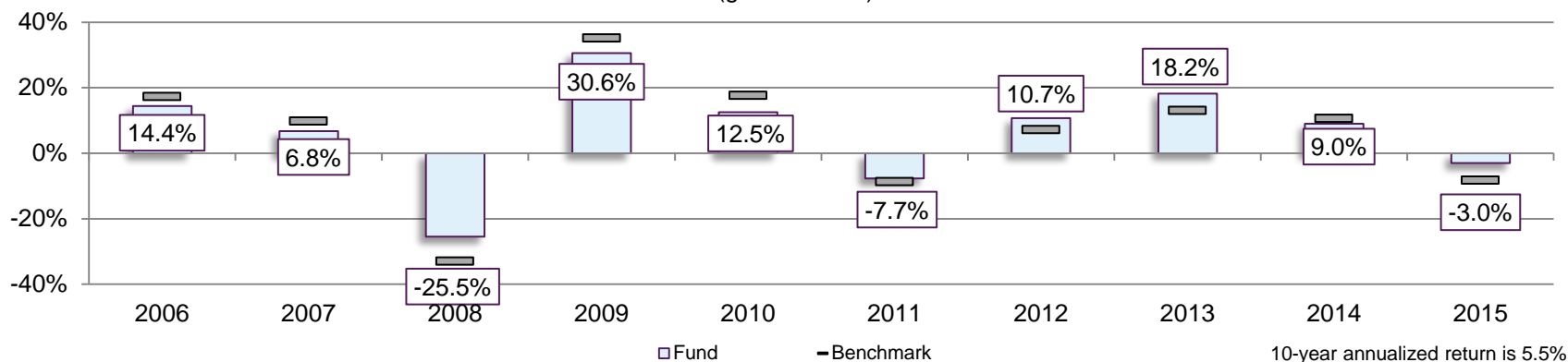


Investment Options Overview - Canadian Equity Fund

Canadian Equity Strategy Summary

- Actively co-managed by BlackRock and Triasima since December 2013.
- The BlackRock Active Canadian Equity Fund has a quantitative core style investment approach that seeks to outperform the benchmark in small amounts in all market conditions.
- The Triasima All Cap Canadian Equity Fund utilizes a core investment style that blends quantitative, fundamental and thematic approaches in order to outperform the benchmark.
- The performance of the combined strategies of the Fund exceeded the return of the S&P/TSX Capped Composite Index in 2015. The 10-year annualized returns of the Fund, as well as both BlackRock and Triasima, have exceeded the performance of the Index.
- Both strategies are rated “Buy” by Aon Hewitt.

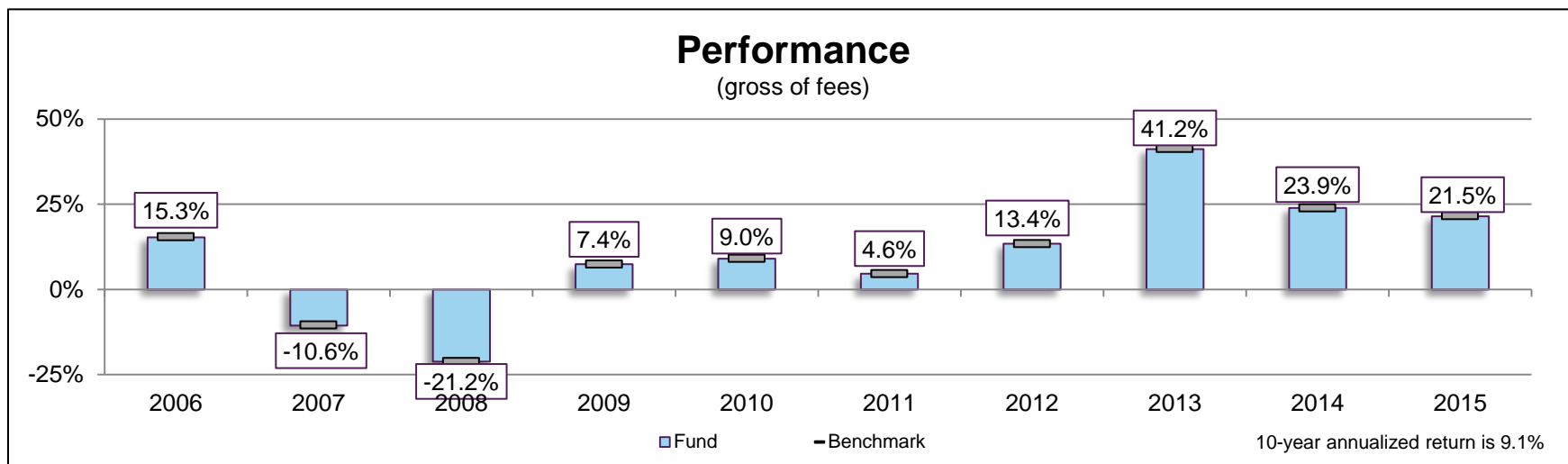
Performance (gross of fees)



Investment Options Overview - U.S. Equity Fund

U.S. Equity Strategy Summary

- Passively managed by BlackRock.
- Seeks to replicate the performance of the S&P500 Index in Canadian dollar terms.
- Invests in the 500 largest U.S. public companies by market capitalization.
- Has delivered a total return within the permissible tracking error of +/- 10 basis points per year to the benchmark in nine of the past ten years.
- The strategy is rated “Buy” by Aon Hewitt.



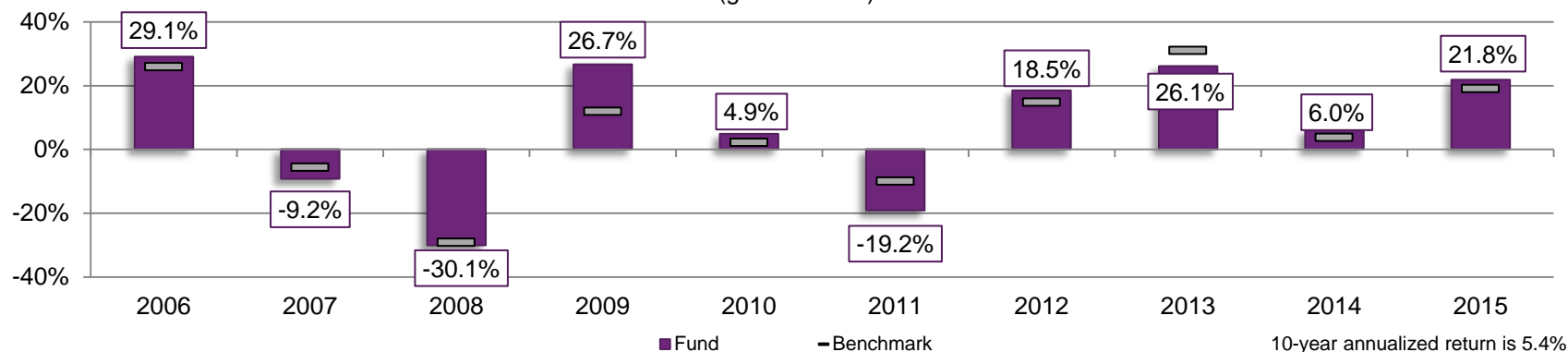
Investment Options Overview - International Equity Fund

International Equity Strategy Summary

- Actively managed by Mawer since August 2014.
- The Mawer International Equity Fund's investment style is defined as "Quality at the Right Price". Mawer focuses on wealth-creating companies which are defined as companies that have a return on invested capital greater than their cost of capital. It is this difference between return on capital and cost of capital that Mawer believes allows companies to provide growing economic returns to shareholders. Mawer purchases these companies at what they believe to be a discount to the companies' intrinsic value.
- Mawer's performance has exceeded its benchmark, the MSCI EAFE (Net Dividend) Index in Canadian dollars, since being added to the fund lineup. The 10-year annualized returns of the Fund, as well as Mawer, have exceeded the performance of the Index.
- The strategy is rated "Buy" by Aon Hewitt.

Performance

(gross of fees)



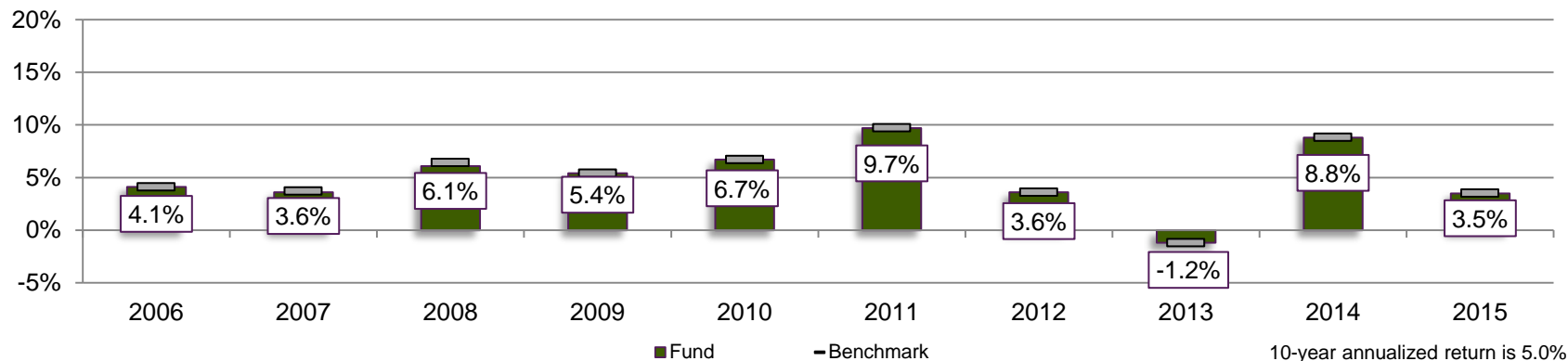
Investment Options Overview - Canadian Bond Fund

Canadian Bond Strategy Summary

- Passively managed by BlackRock.
- Seeks to replicate the performance of the FTSE TMX Canada Universe Bond Index.
- Invests in Government of Canada, provincial, corporate and municipal bonds.
- Invests only in bonds that are rated investment grade (i.e. BBB or higher).
- Invests only in bonds issued in Canada and denominated in Canadian dollars.
- Has delivered a total return within the permissible tracking error of +/- 10 basis points per year to the benchmark in nine of the past ten years.
- The strategy is rated “Buy” by Aon Hewitt.

Performance

(gross of fees)



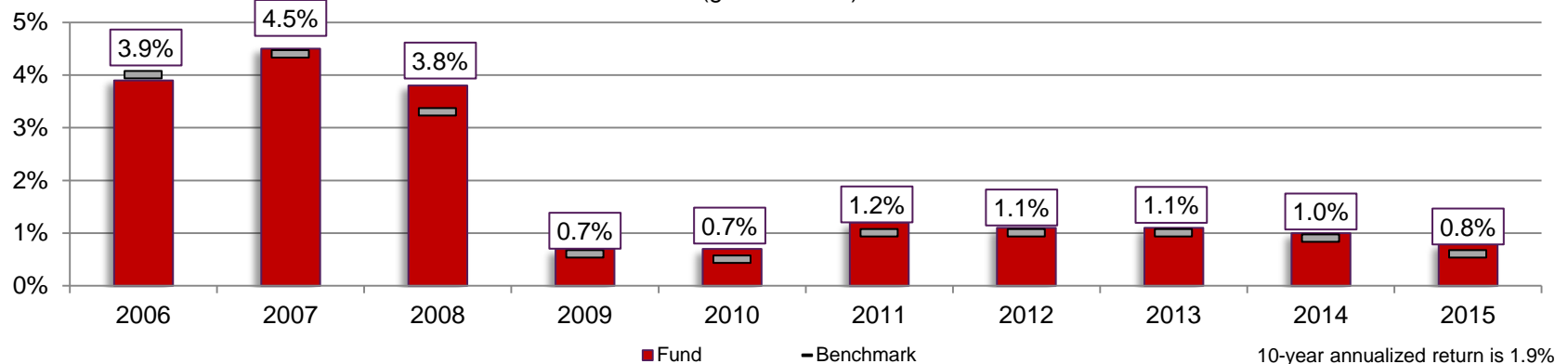
Investment Options Overview - Canadian Money Market Fund

Canadian Money Market Strategy Summary

- Actively managed by Sun Life and sub-advised by MFS Investment Management
- Seeks to exceed the performance of the FTSE TMX Canada 91-Day T-Bill Index.
- The Fund's strategy is to protect capital and to maintain liquidity by investing primarily in Canadian dollar-denominated money market instruments.
- Performance has exceeded the Index in nine of the past ten years but trails the median Canadian money market fund in the Aon Hewitt Manager Universe over the timeframe.
- The Fund represents the only money market option on the Sun Life platform.
- The strategy is not rated by Aon Hewitt.

Performance

(gross of fees)



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