University of Saskatchewan Academic Money Purchase Pension Plan

Investment Review

Annual General Meeting Presentation – February 2015

Prepared by Aon Hewitt

Empower Results®

Agenda

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- Investment Objectives
- Role of the Pension Committee
- Expected Risk/Return Spectrum of Investment Options
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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 +/- 10 basis points 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.

Expected Risk/Return Spectrum of Investment Options

Investment Managers

BlackRock
Canadian Equity - Active Canadian Equity Fund
Bonds - Universe Bond Index Fund
U.S. Equity - U.S. Equity Index Fund

Triasima
Canadian Equity - All Cap Canadian Equity Fund

Mawer*
International Equity – International Equity Fund

Sun Life
Money Market Fund

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

Manager Change in 2014 – International Equity Fund

August 2014: Mawer replaced Phillips, Hager & North ("PH&N") / Sky as the investment manager of the International Equity Fund

Reasons for replacement of PH&N/Sky:

1. Risks associated with the firm – key person risk, client concentration, and turnover amongst the analyst ranks.
2. The strategy's underperformance against the benchmark and its peers.
3. The strategy's variability versus the benchmark.

Key qualities of Mawer as the new manager:

1. 100% employee ownership promotes alignment of interests.
2. The firm has experienced very little staff turnover.
3. Strong absolute and risk-adjusted performance against the benchmark and its peers.

Performance Update to December 31, 2014

	1 Quarter	1 Year	4 Years	10 Years
Life Cycle Funds				
Conservative Life Cycle Fund	3.0	9.6	6.5	5.7
Conservative Benchmark	2.6	9.5	6.4	5.7
Value Added	**0.4**	**0.1**	**0.1**	**0.0**
Balanced Life Cycle Fund	3.6	11.3	8.9	6.3
Balanced Benchmark	2.5	11.1	8.9	6.2
Value Added	**1.1**	**0.2**	**0.0**	**0.1**
Aggressive Life Cycle Fund	3.9	12.1	10.0	6.5
Aggressive Benchmark	2.4	11.8	10.1	6.4
Value Added	**1.5**	**0.3**	**-0.1**	**0.1**
Canadian Equity Fund - BlackRock & Triasima*	**-0.5**	**9.0**	**7.1**	**8.2**
S&P/TSX Capped Composite	-1.5	10.6	5.1	7.6
Value Added	**1.0**	**-1.6**	**2.0**	**0.6**
U.S. Equity Fund - BlackRock	**8.7**	**23.9**	**20.0**	**7.3**
S&P 500	8.8	23.9	20.1	7.3
Value Added	**-0.1**	**0.0**	**-0.1**	**0.0**
International Equity Fund - Mawer**	**4.0**	**6.0**	**6.4**	**4.0**
MSCI EAFE (Net) (CAD)	-0.1	3.7	8.8	4.1
Value Added	**4.1**	**2.3**	**-2.4**	**-0.1**
Fixed Income Fund - BlackRock	**2.7**	**8.8**	**5.1**	**5.3**
FTSE TMX Universe Bond	2.7	8.8	5.1	5.3
Value Added	**0.0**	**0.0**	**0.0**	**0.0**
Money Market Fund - Sun Life	**0.3**	**1.0**	**1.1**	**2.1**
FTSE TMX 91-Day T-Bill	0.2	0.9	1.0	1.9
Value Added	**0.1**	**0.1**	**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, 2014

	Dec 2014 ($)	%
Money Market		
SunLife	9,260,749	1.9
Fixed Income		
BlackRock	14,180,186	2.8
Life Cycle Funds		
Conservative	19,904,400	4.0
Balanced	381,071,867	76.4
Aggressive	28,137,241	5.6
Canadian Equity		
Canadian Equity	21,023,953	4.2
U.S. Equity		
BlackRock	17,264,417	3.5
International Equity		
Mawer	8,203,458	1.6
Total Fund		
Total Fund	499,046,270	100.0

Plan Utilization by Manager

As of December 31, 2014

	Dec 2014 ($)	Dec 2014 %
BlackRock		
Canadian Equity	53,696,443	10.8
U.S. Equity	101,097,368	20.3
Universe Bonds	188,362,894	37.7
Mawer		
International Equity	92,672,081	18.6
Sun Life		
Money Market	9,260,749	1.9
Triasima		
Canadian Equity	53,956,736	10.8
Total Fund		
Total Fund	499,046,270	100.0

Market Update

Equity Markets Continue To Rally

Sources: S&P, MSCI.

Market Update

Bond Managers Still In "Party" Mode

Market Update

Commodity Markets in Turmoil

Source: NASDAQ as of January 23, 2015 in US dollar terms.

Canadian Dollar In Decline

Source: Bloomberg, Bank of England.

Appendix – 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 matched the blended benchmark of indices.

Performance

(gross of fees)

10-year annualized return is 5.7%

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 blended benchmark of indices.

Performance

(gross of fees)

10-year annualized return is 6.3%

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 blended benchmark of indices.

Performance

(gross of fees)

10-year annualized return is 6.5%

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.

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 trailed the S&P/TSX Capped Composite Index in 2014. The 10-year annualized returns of both BlackRock and Triasima have exceeded the Index and the median Canadian equity manager in the Aon Hewitt Manager Universe.
- Both strategies are rated "Buy" by Aon Hewitt.

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.

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. Although the 10-year annualized return of the Fund trails both the Index and the median international equity manager, Mawer's 10-year return exceeds the Index and the median manager.
- The strategy is rated "Buy" by Aon Hewitt.

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.
- Not rated by Aon Hewitt.

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