retirement

PLAN REVIEW

Fall/Winter 2024

Contents

PERFORMANCE SUMMARY+ INVESTMENT STRATEGY

YOUR INVESTMENT FUNDS

PLAN MEMBER RESPONSIBILITIES

READY TO RETIRE

MARKET REVIEW

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 September 30, 2024

	1 Year	**3 Year**	**4 Year**	**10 Year**
Lakehead Pension Total Portfolio	22.7	7.3	9.9	7.2
Benchmark	*22.2*	*6.6*	*8.2*	*7.2*
Lakehead Short Term Account*	5.1	3.5	2.7	1.8
Benchmark	*5.1*	*3.5*	*2.6*	*1.6*

*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.

Plan Member Responsibilities

Participating in a Capital Accumulation Plan (CAP), such as a workplace DCPP, RRSP, or TFSA, is a great way to work toward your financial goals, however it comes with some important responsibilities that every member should know.

Recently, the Guidelines for Capital Accumulation Plans were updated for the first time since 2004. These guidelines clarify what is expected from everyone involved, including CAP sponsors, administrators, service providers, and members. They also highlight industry best practices and what information members should receive.

As a member, it is important for you to understand the basics of your CAP, including its features, benefits, and risks. Members are responsible for making investment choices and staying updated on account performance. CAP sponsors (your employer) and service providers provide valuable information, including investment statements, educational materials, and retirement forecasting tools, so make sure to take advantage of the resources available to you.

Additionally, being aware of investment fees and/or potential penalties on redemptions, over-contribution, etc. is essential for avoiding unexpected costs. Furthermore, it's important to reflect on how your participation in your employer's CAP aligns with your overall financial goals.

If you find yourself with more questions than answers, seeking advice from a qualified financial advisor is a wise decision. Regularly reviewing your investment choices can also help you adjust to changing circumstances.

Lastly, keep your personal information and beneficiary designations up to date. This ensures clear communication and that your benefits go to the right people. When it is time to end your participation in the CAP, make informed decisions about your next steps.

By taking these responsibilities seriously, CAP members like yourself can effectively manage their accounts and work toward their financial goals. Active involvement and informed choices are essential for a successful future.

Ready to Retire

Debt Management Strategies: Paying Off Debt and Avoiding Debt Traps

As you near the next chapter in your life, managing debt becomes essential to securing financial peace of mind. Reducing or eliminating outstanding debts can help protect your savings and free up resources for the future. Here are a few practical strategies that may help get you closer to financial freedom.

1. **Target High-Interest Debt**

If you have several obligations, start with those that carry the highest interest rates, such as credit cards or personal loans. Paying these off first helps reduce the total interest you pay, keeping more of your savings intact.

2. **Debt Snowball**

The snowball method focuses on paying off your smallest debts first, giving you psychological wins along the way.

3. **Refinancing**

If you still have a mortgage or other loans, investigate refinancing options, especially when interest rates are favorable.

4. **Debt Consolidation**

Debt consolidation is another option that simplifies your payments and may lower your interest rate.

5. **Limit New Debt**

It's vital to try to avoid taking on new debt during this time if you can. Cutting back on discretionary spending and stay mindful of using credit cards. Reducing or eliminating unnecessary debt now can prevent future financial strain.

Watch Out for Lifestyle Inflation

Be mindful of large, unplanned purchases like new cars or luxury vacations. While it is tempting, adding to your debt load could delay your financial goals.

By focusing on paying off your loans and staying vigilant of lifestyle inflation, you can approach the future with less stress and more security.

MARKET REVIEW

Canadian Equities

- Canadian equities reversed the previous quarter's negative performance and returned 10.5% overall.
- Cyclical sectors such as financials, utilities, health care, and materials were the main contributors to the recovery, they returned 17.0%, 16.6%, 16.5%, and 12.2%, respectively.
- The best performing sector was real estate, rebounding from the sharp decline in Q2 and generating a return of 23% for the quarter.
- The worst performing sectors were energy and industrials, generating returns of 2.0% and 2.7%, respectively.
- The S&P/TSX Composite Index outperformed all major peer indices over the quarter, leading the S&P 500 by 6%, the MSCI World by 5.4%, the MSCI EAFE by 4%, and the MSCI Emerging Markets by 3%.

Foreign Equities

- U.S. markets, represented by the S&P 500 Index (C$), returned 4.5% for the quarter.
- International markets, represented by the MSCI EAFE Index (C$), returned 6.0%.
- Global markets, represented by the MSCI World Index (C$), returned 5.1%.
- Emerging markets, represented by the MSCI Emerging Markets Index (C$), returned 7.5%.

Fixed Income

- The Bank of Canada lowered its key interest rate again with two 25-basis-point cuts during the quarter, decreasing it from 4.75% to 4.25%. Meanwhile, the Federal Reserve made its first key rate cut in over a year with a 50-basis-points reduction.
- The overall Canadian bond performance, represented by the FTSE Canada Universe Index, extended the previous quarter's gains and returned 4.7% for the quarter.
- U.S. government bond yields declined, with the 10-year U.S. Treasury yield decreasing by 62 basis points to 3.8%.
- Canada's year-over-year inflation cooled further and reached 1.6% in September, falling below the Bank of Canada's long-term inflation target of 2%.

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