

## Update on changes to Western's Diversified Equity Fund - November 2021

**Note:** If you require this information in an alternate format please contact [hrhelp@uwo.ca](mailto:hrhelp@uwo.ca).

Western's Joint Pension Board has completed the implementation of the changes to the Diversified Equity Fund announced in January 2021. As per the earlier announcement and comments in footnotes 1, 2, and 3 on page 4, the Board has completed the transition to remove hedging and has hired CC&L to manage the additional 5% allocation to Emerging Markets. In November 2021 5% of assets were transitioned from the Canadian Equity component to Emerging Markets to fund the approved targets as outlined in the chart. There is no action required by members.

The original announcement follows on the next pages.

### Diversified Equity Fund Portfolio Allocation By Mandate and Manager (Target Allocations approved by the Joint Pension Board)

Component Manager/Mandate	Before	After	Change
<b>Canadian Equity</b>	<b>30%</b>	<b>20%</b>	<b>-10%</b>
CC&L Q Canadian Equity Growth Fund	15%	10%	
Beutel Goodman Fundamental Canadian Equity	15%	10%	
<b>US Equity</b>	<b>20%</b>	<b>10%</b>	<b>-10%</b>
SSgA (Windwise) US Equity Index Fund Hedged to \$Canadian	10%	0%	
BlackRock US Equity Index (Unhedged)	0%	10%	
SSgA (Windwise) U.S. Managed Volatility Fund	10%	0%	
<b>International Equity</b>	<b>16%</b>	<b>10%</b>	<b>-6%</b>
MFS International Equity II Fund	8%	5%	
AB Canada International Value Equity Fund	8%	5%	
<b>Global Equity</b>	<b>24%</b>	<b>35%</b>	<b>+11%</b>
T. Rowe Price Global Growth Equity Pool	12%	12.5%	
Oakmark Global Equity Limited Partnership	12%	0%	
Fiera Oakmark Global Canada Pooled Fund	0%	12.5%	
BlackRock CDN MSCI ACWI ex-Canada Index Fund	0%	10%	
<b>Global Small Cap Equity</b>	<b>5%</b>	<b>5%</b>	<b>-</b>
Arrowstreet (Canada) Global Small Cap Fund	5%	5%	
<b>Global Low Volatility Equity</b>	<b>0%</b>	<b>10%</b>	<b>+10%</b>
Fidelity Global Low Volatility Strategy	0%	10%	
<b>Emerging Markets Equity</b>	<b>5%</b>	<b>10%</b>	<b>+5%</b>
William Blair Emerging Markets Leaders Pooled Fund	5%	5%	
CC&L Q Emerging Markets	0%	5%	

January 19, 2021

## Western Pension Plans

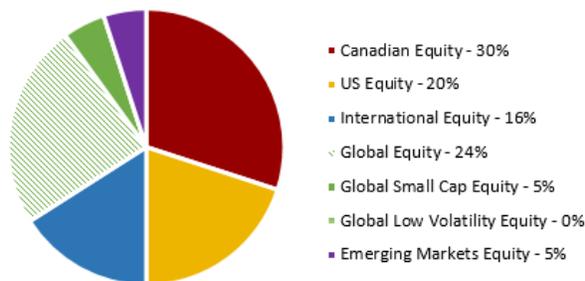
### Manager and Investment Changes for the Western Pension Plans

Western has announced that the Academic Staff Pension Board and Administrative Staff Pension Board, working together as the Joint Pension Board, have approved changes to the underlying asset mix of the Diversified Equity Fund. The change also impacts members invested in the Balanced Growth and Balanced Income portfolios, as they include investment in the Diversified Equity Fund. This document provides plan members with details on these changes.

Decisions are guided by the Board's [governance policy](#) and supported by internal professional investment staff as well as external investment consultants from Mercer Canada Limited (Mercer).

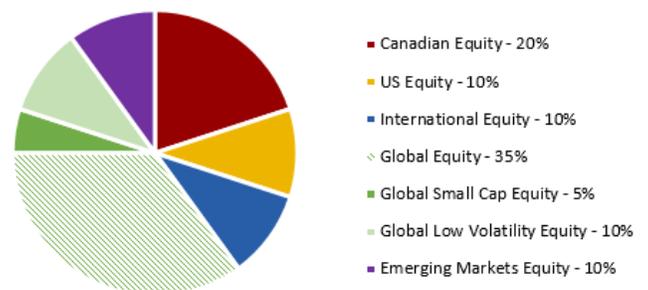
The Diversified Equity Fund is a multi-manager and multi-mandate equity investment option. The applicable target weights of the underlying components are established by the Joint Pension Board and can change from time to time. The actual portfolio mix can vary during a month but is rebalanced to the target weights at the end of each month. The fees for each fund or portfolio reflect the fees associated with the underlying investment mandates.

#### Diversified Equity – Before



Fees: 0.50% of funds invested per year

#### Diversified Equity – After



Fees: 0.53% of funds invested per year

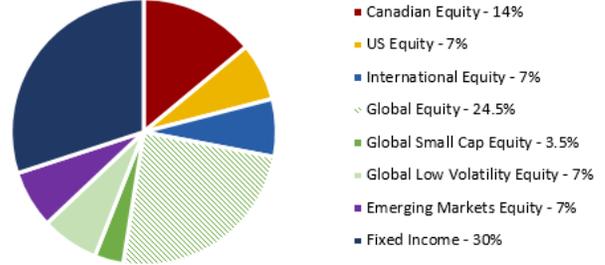
The Balanced Growth portfolio and Balanced Income portfolio offer a set of diversified multi-manager and multi-mandate balanced investment options. The applicable target weights are also established by the Joint Pension Board and can change from time to time. These options are combinations of the Diversified Equity Fund and Diversified Bond Fund options. Balanced Growth holds 70% Diversified Equity Fund and 30% Diversified Bond Fund. The Balanced Income portfolio holds 30% Diversified Equity Fund and 70% Diversified Bond Fund. These allocations will not change, but the underlying components will reflect the new mix of the Diversified Equity Fund. The actual portfolio mix can vary over a month but is rebalanced to the target weights at the end of each month.

### Balanced Growth – Before



Fees: 0.46% of funds invested per year

### Balanced Growth – After



Fees: 0.48% of funds invested per year

### Balanced Income – Before



Fees: 0.41% of funds invested per year

### Balanced Income – After



Fees: 0.42% of funds invested per year

### Details of the Allocation Changes

The Joint Pension Board, with the support of internal investment experts and their external investment consultants at Mercer Canada, seek, evaluate, hire and monitor investment managers to manage each unique component of the Diversified Equity Fund. Here is a detailed summary of the allocations and the investment managers and their mandates:

**Diversified Equity Fund Portfolio Allocation**  
**By Mandate and Manager**  
(Target Allocations approved by the Joint Pension Board)

<b>Component Manager/Mandate</b>	<b>Before</b>	<b>After</b>	<b>Change</b>
<b>Canadian Equity</b>	<b>30%</b>	<b>20%</b> <sup>1</sup>	<b>-10%</b>
CC&L Q Canadian Equity Growth Fund	15%	10%	
Beutel Goodman Fundamental Canadian Equity	15%	10%	
<b>US Equity</b>	<b>20%</b>	<b>10%</b>	<b>-10%</b>
SSgA (Windwise) US Equity Index Fund Hedged to \$Canadian	10%	10% to 0% <sup>2</sup>	
BlackRock US Equity Index (Unhedged)	0%	0% to 10% <sup>2</sup>	
SSgA (Windwise) U.S. Managed Volatility Fund	10%	0%	
<b>International Equity</b>	<b>16%</b>	<b>10%</b>	<b>-6%</b>
MFS International Equity II Fund	8%	5%	
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Arrowstreet (Canada) Global Small Cap Fund	5%	5%	
<b>Global Low Volatility Equity</b>	<b>0%</b>	<b>10%</b>	<b>+10%</b>
Fidelity Global Low Volatility Strategy	0%	10%	
<b>Emerging Markets Equity</b>	<b>5%</b>	<b>10%</b>	<b>+5%</b>
William Blair Emerging Markets Leaders Pooled Fund	5%	5%	
New Emerging Markets Equity Manager	0%	5% <sup>3</sup>	

<sup>1</sup> The Canadian Equity component will initially reduce to 25% (12.5% target investment by each manager) and will reduce to 20% (10% target investment by each manager) once a new Emerging Markets Equity Manager has been sourced and implemented.

<sup>2</sup>The transition from US Equity Hedged to US Equity Unhedged will take place through a systematic process (reduction of hedged and increase of unhedged component) on a quarterly basis beginning January 31, 2021.

<sup>3</sup> The Emerging Markets allocation will remain at 5% until a new Emerging Markets Equity Manager has been sourced and implemented. At that time, there will be two Emerging Markets Managers, each with a target investment of 5%.

## Commentary on the changes

The changes reflect a positioning of the fund for future growth based on today's capital markets by shifting from investment in regional silos to a more global approach. This includes:

- **An overall shift to managers with global mandates.** Investing globally expands the opportunity set and ensures a portfolio of best in class companies from a global perspective, including Canadian companies when deemed optimal.
- **A reduction in the “home country bias” by reducing the fixed allocation to Canadian equity.** Canada represents approximately 3% of the world market and is dominated by financial institutions and energy. The new mix reduces the fixed Canadian allocation and maintains the diversification afforded by two managers with different investment strategies. In addition, best-in-class Canadian companies will still be utilized by the global managers when deemed optimal.
- **The removal of currency hedging on the US equity allocation.** The short-term volatility of foreign currency exposure in an equity allocation is often a diversification benefit due to the fairly unique commodity-traded nature of the Canadian dollar. The Canadian dollar tends to appreciate when equity markets are strong and depreciate when equity markets are weak. In effect, hedging currencies can exacerbate the highs and lows of the return stream on equities. This is particularly true for the CAD to USD pairing. Investing in foreign equities introduces some foreign currency risk, but foreign currency exposure is often beneficial. Over almost all periods since the early 2000's, foreign currency exposure has provided additional diversification and the return stream has had less volatility.
- **Increased exposure to Emerging Markets.** There are investment opportunities and potential for economic growth which are omitted from mainstream, developed markets. There is a risk of volatility, which is why the allocation remains small and is not offered on a stand-alone basis among the strategy specific funds.
- **Increased active management.** The Joint Pension Board prefers passive management unless there is an opportunity to be rewarded by active management, and the cost of active management does not out-weigh the benefit.

## Western Pension Plans: Investment Options

There are 13 investment options under the Plans. Options include those that offer support in creating an investment mix, to stand-alone strategy-specific funds that members may use to create their own portfolio.

ASSET CLASS	WESTERN INVESTMENT OPTION
<b>Balanced Portfolios:</b> Pre-set Portfolios of Equity AND Fixed Income	Balanced Growth* (70% Diversified Equity/30% Diversified Bond) Balanced Income (30% Diversified Equity; 70% Diversified Bond)
<b>Diversified:</b> Pre-set Funds of Equity OR Fixed Income	Diversified Equity Fund Diversified Bond Fund
<b>Strategy-specific funds:</b> Cash & equivalents  Fixed Income  Equity	Money Market Guaranteed Daily Interest Account (GDIA)  Canadian Bond Fund Long Term Bond Fund  Canadian Equity Fund Non North American Equity Fund US Equity Fund – Hedged US Equity Fund – Unhedged Socially Responsible Global Equity Fund

\*Balanced Growth is the default investment option under the Plans. This is not to be taken as an investment recommendation by the Board.

**Are you looking for help in choosing or reviewing your investment mix?**

Sun Life Financial administers your account under the Western Pension Plans. Sun Life has a number of tools to assist you in making investment decisions.

You can access support by logging into your Sun Life account. To login, [employees can use the Western web link](#) (your Western credentials), and all plan members can [login directly to Sun Life](#) using your Sun Life credentials. You can call the Sun Life Client Care Centre at 1-866-733-8612 on business days from 8 am to 8 pm.

- **Speak with a specialist.** You may call Sun Life anytime and ask to speak with an Investment Advice Specialist. From time-to-time Western and Sun Life will communicate about the opportunity to book a 1-on-1 appointment with a Sun Life Senior Education Consultant. The next opportunity will be in February.
- **Asset allocation tool.** From your account select my financial centre > Quick links > my money tools.
- **Morningstar Fund Sheets.** From your account select ‘Investment performance’ and then click on the name of the fund you wish to learn about. You may prefer to view as a pdf. Fund Sheets are updated quarterly, approximately 8 weeks after quarter-end.
- **Watch ‘Choosing your investments in the Western Pension Plan’.** This eight-minute webinar is available on demand [on the Sun Life website](#).
- **Attend a webinar.** Increased overall understanding of investments, savings options, and how to manage and plan for financial needs will help to improve the quality of decisions. Explore and register for a [Financial Wellness Webinar](#) with Sun Life.