



The University of Western Ontario

Joint Pension Board Retreat Active Management Review

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September 9, 2009

Active Management Debate

- Joint Pension Board's views on active management
- Review of active management performance
- Opening statements (10 min each)
- Rebuttal remarks (5 min each)
- Questions from audience (20 min)
- Closing arguments (5 min each)
- Vote

JPB's Views on Active Management

"It is the belief of the Joint Pension Board, based upon the survey of research that has been done for the Board, advice from the Board's investment consultant, and the Board's own historical experience, that in general active investment management cannot be expected to outperform passive management on a risk adjusted basis. Furthermore, the Board recognizes that active management is more costly than passive management. Finally, passive management has the advantage of making investment choices clearer to members."

Possible grounds for exception:

- Implementation problems: for some asset classes it may be difficult to adopt a completely passive management policy.
- Attractive active management: in some instances there may be good reasons to believe that such a manager could achieve out-performance and be easily monitored as to effectiveness.
- No clearly attractive passive benchmark available.

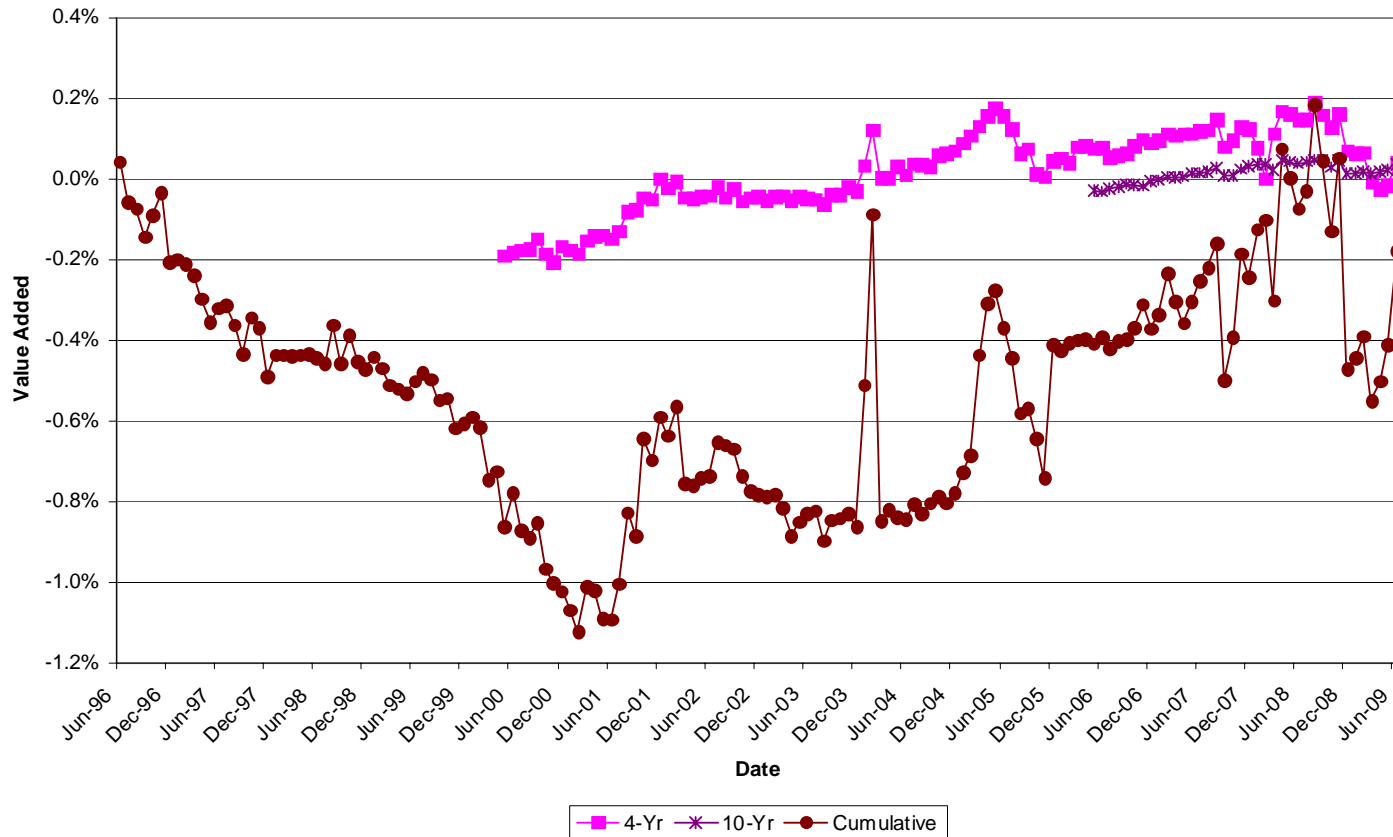
Actively Managed Strategies

The following strategies are actively managed on the Western Retirement Plans

- Money Market
- Global Bonds
- Canadian Equities
- EAFE Equities
- Global Equities
- U.S. Small Cap Equities

Money Market

Value Added Analysis
Money Market Fund



Money Market

Rolling Period Value Added - Money Market Fund

	Investment Horizon									
	3-Yr		4-Yr		5-Yr		6-Yr		10-Yr	
# of periods of positive value added	66	54.10%	63	57.27%	54	55.10%	54	62.79%	29	76.32%
# of periods of negative value added	56	45.90%	47	42.73%	44	44.90%	32	37.21%	9	23.68%
Average value added per period	0.01%		0.01%		0.01%		0.01%		0.01%	

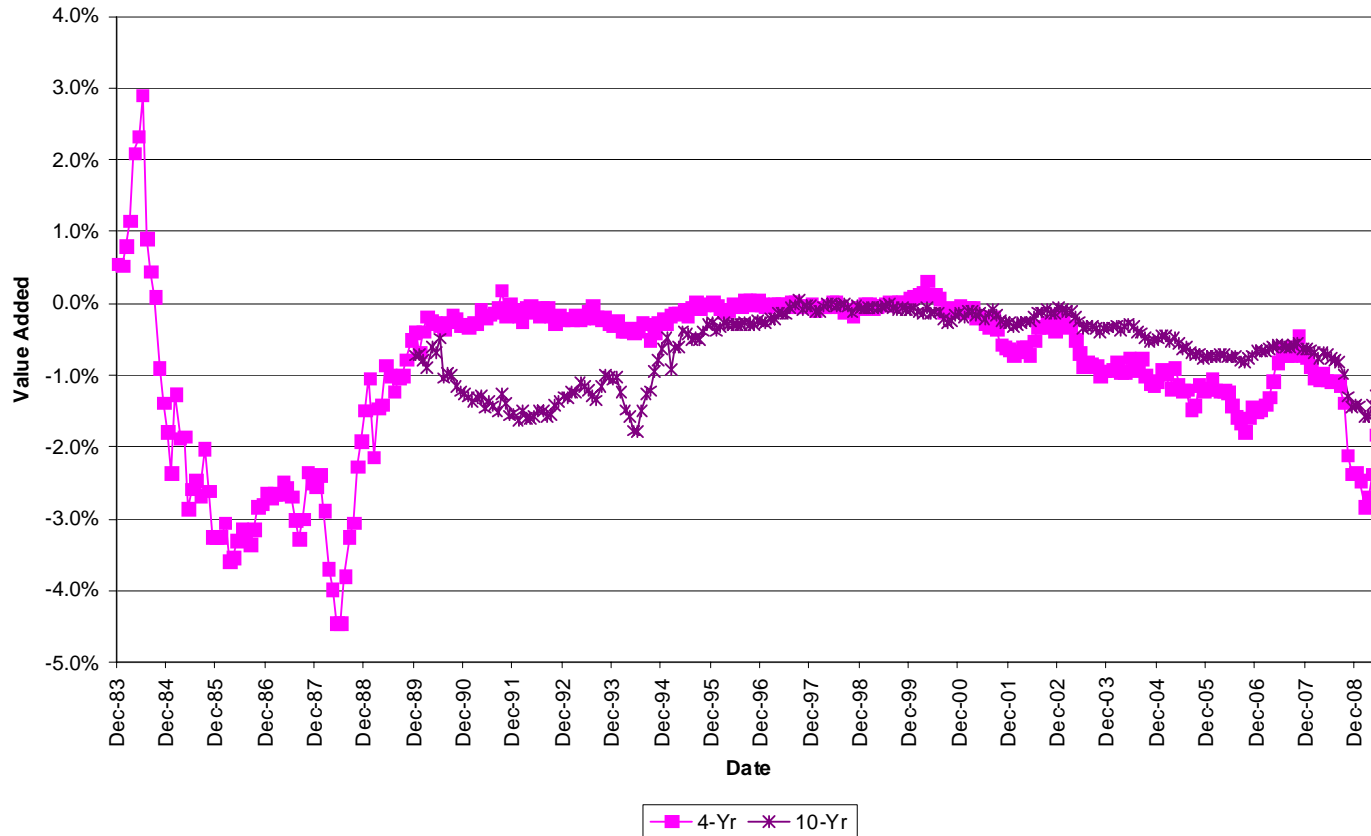
Volatility (Annualized Standard Deviation of Returns) - Money Market Fund

	3-Yr	4-Yr	5-Yr	6-Yr	10-Yr
Money Market Fund	0.46%	0.44%	0.42%	0.49%	0.49%
DEX 91-Day T-Bills	0.44%	0.39%	0.37%	0.35%	0.39%

- Target annualized value added of 15 bps
- Average annual value added after fees of 1 bp over 3 to 10-year horizons
- Slightly more volatile than benchmark

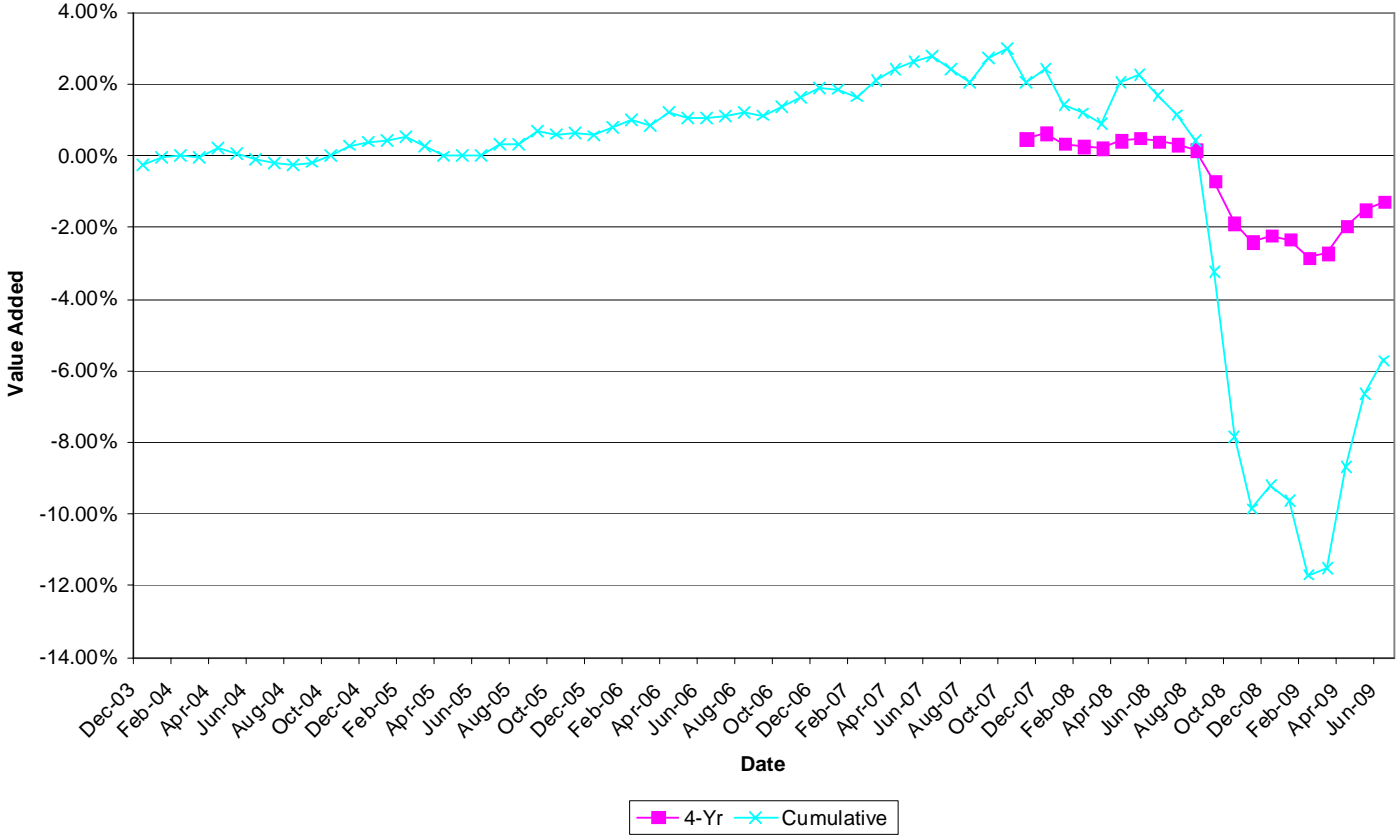
Global Bonds – Diversified Bond Fund

Value Added Analysis
Diversified Bond Fund



Global Bonds – AllianceBernstein Global Bond Fund

Value Added Analysis
AllianceBernstein Global Bonds



Global Bonds – Diversified Bond Fund

Rolling Period Value Added - Diversified Bond Fund

	Investment Horizon									
	3-Yr		4-Yr		5-Yr		6-Yr		10-Yr	
# of periods of positive value added	65	20.38%	35	11.40%	27	9.15%	30	10.60%	1	0.43%
# of periods of negative value added	254	79.62%	272	88.60%	268	90.85%	253	89.40%	234	99.57%
Average valued added per period	-0.83%		-0.84%		-0.84%		-0.79%		-0.62%	

Volatility (Annualized Standard Deviation of Returns) - Diversified Bond Fund

As of June 30, 2009

	3-Yr	4-Yr	5-Yr	6-Yr	10-Yr
Diversified Bond Fund	4.80%	4.37%	4.11%	4.09%	4.03%
DEX Universe	3.64%	3.51%	3.35%	3.46%	3.63%

As of December 31, 2007

	3-Yr	4-Yr	5-Yr	6-Yr	10-Yr
Diversified Bond Fund	2.83%	2.88%	3.22%	3.45%	3.65%
DEX Universe	3.04%	3.02%	3.39%	3.41%	3.66%

Drawdown Analysis - Diversified Bond Fund

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Diversified Bond Fund	-7.42%	-1.34%	-1.52%	-2.00%	-1.83%	-1.49%	-2.47%	-1.50%	-1.13%	-1.90%	-1.43%
DEX Universe	-2.77%	-1.90%	-1.38%	-1.77%	-2.03%	-1.36%	-1.86%	-1.27%	-1.50%	-1.98%	-1.21%
Value Added	-4.65%	0.57%	-0.14%	-0.23%	0.20%	-0.13%	-0.61%	-0.23%	0.37%	0.08%	-0.22%

Capture Ratios - Diversified Bond Fund

	3-Yr	4-Yr	5-Yr	6-Yr	10-Yr	Since Inception
Up Capture Ratio	93.3%	88.5%	84.7%	87.5%	89.9%	91.7%
Down Capture Ratio	132.9%	119.1%	119.2%	113.7%	111.3%	90.3%



Western

Global Bonds – Diversified Bond Fund

- Negative value added after fees over DEX Universe Bond Index over 3, 4, 5, 6 and 10-year periods ending June 30, 2009
- More volatile than DEX Universe Bond Index over 3, 4, 5, 6 and 10-year periods ending June 30, 2009
- As of December 31, 2007, less volatile than DEX Universe Bond Index over 3, 4, 5 and 10-year periods
- Larger drawdown than DEX Universe Bond Index 7 of the past 11 years
- Up capture ratios lower than 100% and down capture ratios greater than 100%

Global Bonds – AllianceBernstein Global Bond Fund

Rolling Period Value Added - AllianceBernstein Global Bonds

	Investment Horizon					
	3-Yr		4-Yr		5-Yr	
# of periods of positive value added	22	68.75%	10	50.00%	0	0.00%
# of periods of negative value added	10	31.25%	10	50.00%	8	100.00%
Average value added per period	-0.48%		-0.78%		-1.77%	

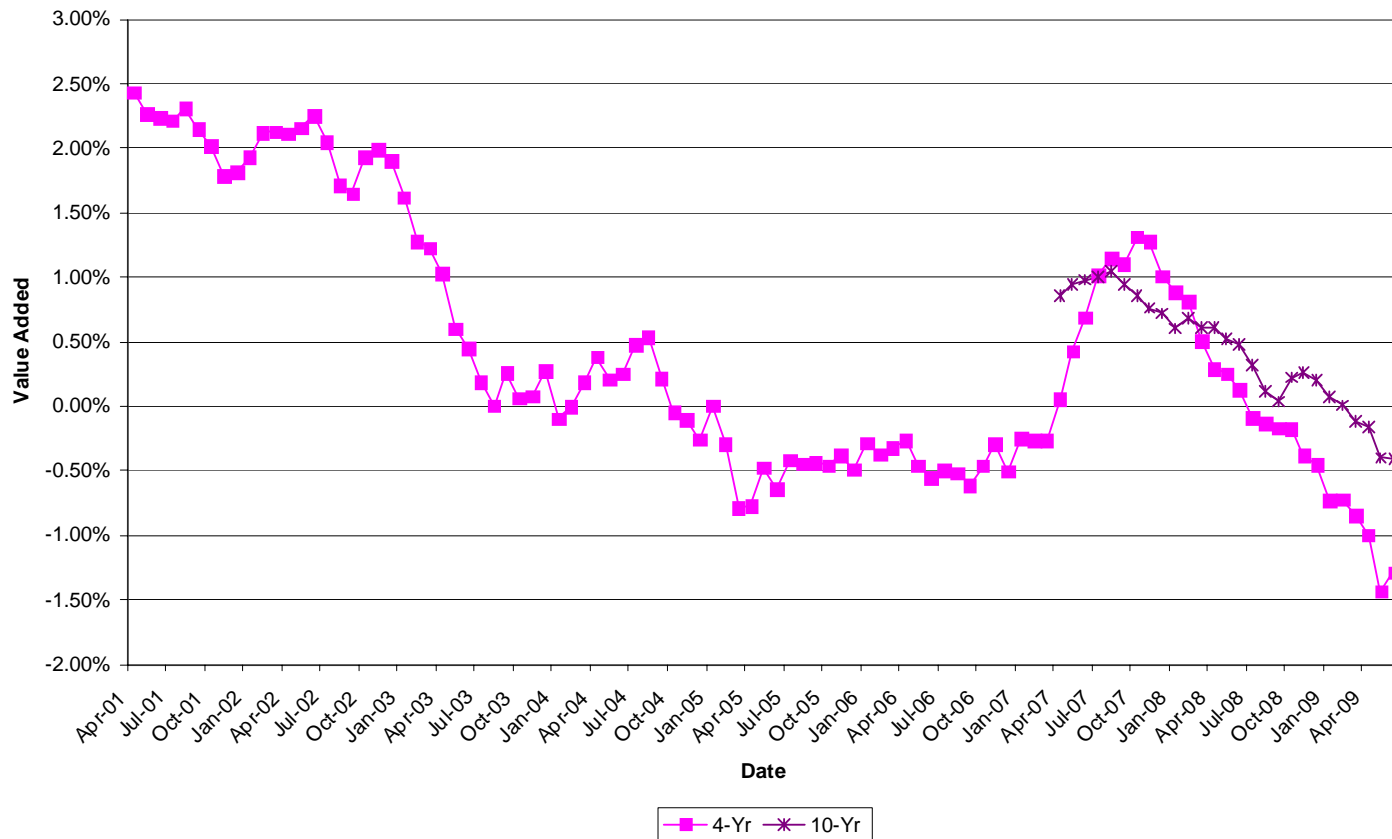
Volatility (Annualized Standard Deviation of Returns) - AllianceBernstein Global Bonds

	3-Yr	4-Yr	5-Yr
AllianceBernstein Global Bonds	6.41%	6.18%	6.62%
Benchmark	4.08%	4.75%	5.65%

- Target annualized value added of 100 bps over rolling 3-yr periods
- Underperformed benchmark over 3, 4 and 5-year horizons on average by 48 to 177 bps annually before fees
- More volatile than benchmark over 3, 4 and 5-year horizons

Canadian Equities

Value Added Analysis
Canadian Equity Fund



Canadian Equities

Rolling Period Value Added - Canadian Equity Fund

	Investment Horizon									
	3-Yr		4-Yr		5-Yr		6-Yr		10-Yr	
# of periods of positive value added	63	56.76%	57	57.58%	43	49.43%	52	69.33%	23	85.19%
# of periods of negative value added	48	43.24%	42	42.42%	44	50.57%	23	30.67%	4	14.81%
Average value added per period	0.47%		0.45%		0.30%	0	0.17%	0	0.44%	

Volatility (Annualized Standard Deviation of Returns) - Canadian Equity Fund

	3-Yr	4-Yr	5-Yr	6-Yr	10-Yr
Canadian Equity Fund	19.26%	18.10%	16.67%	15.66%	16.02%
S&P/TSX	19.39%	18.03%	16.52%	15.63%	16.58%

Drawdown Analysis - Canadian Equity Fund

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Canadian Equity Fund	-38.64%	-6.60%	-4.09%	-5.55%	-4.89%	-3.86%	-19.07%	-34.01%	-18.74%	-4.83%	-25.23%
S&P/TSX	-37.69%	-6.22%	-4.35%	-5.65%	-5.92%	-3.51%	-20.58%	-38.22%	-21.37%	-6.09%	-27.47%
Value Added	-0.95%	-0.38%	0.26%	0.10%	1.03%	-0.35%	1.51%	4.21%	2.63%	1.26%	2.24%

Capture Ratios - Canadian Equity Fund

	3-Yr	4-Yr	5-Yr	6-Yr	10-Yr	Since Inception
Up Capture Ratio	94.4%	98.0%	99.7%	97.8%	95.8%	96.0%
Down Capture Ratio	103.7%	103.2%	103.5%	102.4%	97.4%	95.4%

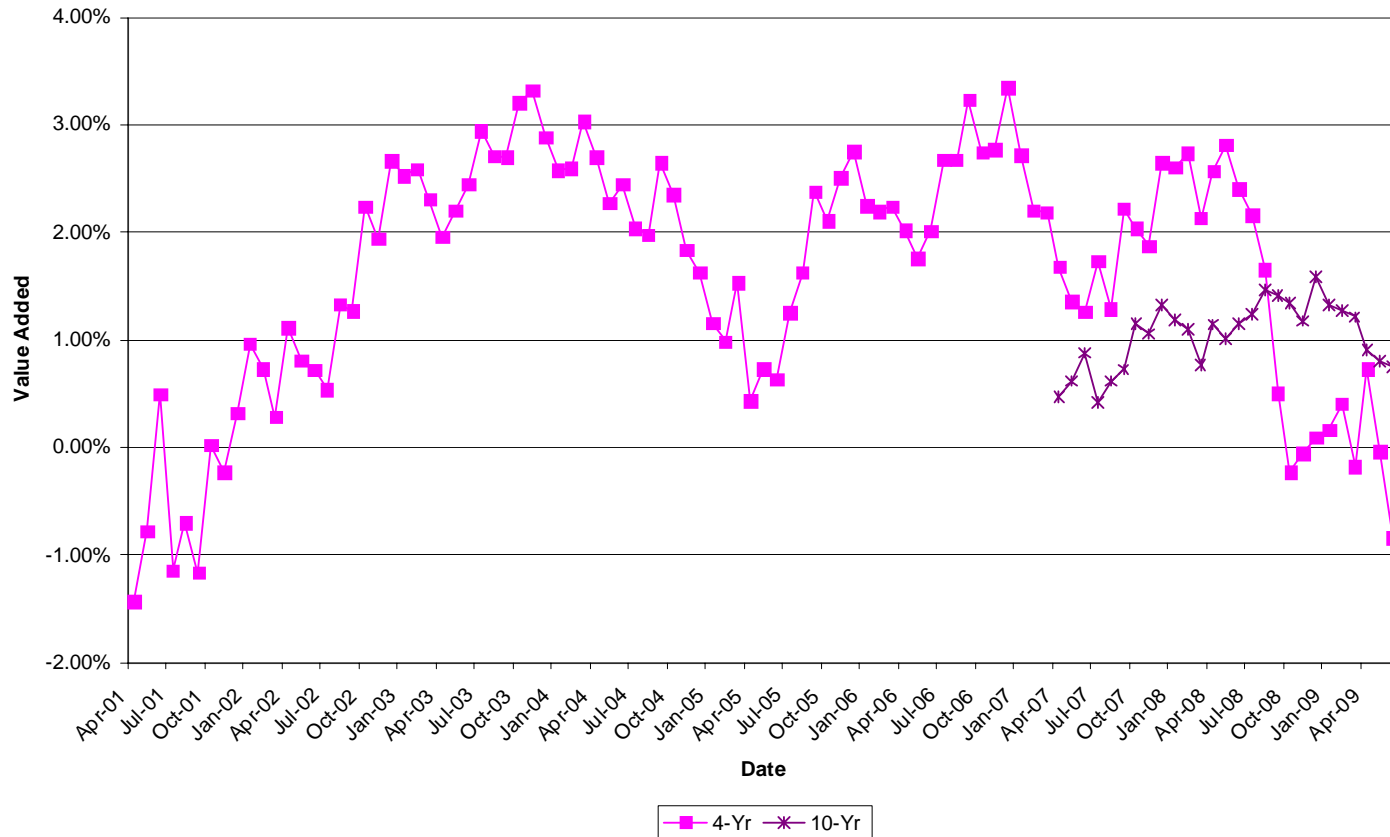


Canadian Equities

- Target value added of 200 bps over 4-yr rolling periods
- Outperformed benchmark after fees on most 3, 4, 6 and 10-year horizons
- Average annual value added after fees ranging from 17 bps to 47 bps
- Volatility similar to benchmark
- Smaller drawdown than benchmark 8 of the last 11 years
- Up and down capture ratios close to 100%

Non-North American Equities

Value Added Analysis
Non-North American Equity Fund



Non-North American Equities

Rolling Period Value Added - Non-North American Equity Fund

	Investment Horizon									
	3-Yr		4-Yr		5-Yr		6-Yr		10-Yr	
# of periods of positive value added	84	75.68%	88	88.89%	78	89.66%	68	90.67%	27	100.00%
# of periods of negative value added	27	24.32%	11	11.11%	9	10.34%	7	9.33%	0	0.00%
Average value added per period	1.38%		1.62%		1.55%		1.53%		1.04%	

Volatility (Annualized Standard Deviation of Returns) - Non-North American Equity Fund

	3-Yr	4-Yr	5-Yr	6-Yr	10-Yr
Non-North American Equity Fund	17.76%	16.58%	15.22%	14.37%	14.44%
MSCI EAFE	16.71%	15.50%	14.56%	14.11%	14.20%

Drawdown Analysis - Non-North American Equity Fund

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Non-North American Equity Fund	-32.41%	-7.14%	-5.47%	-3.34%	-2.95%	-29.25%	-24.62%	-23.18%	-5.88%	-3.44%	-17.91%
MSCI EAFE	-27.47%	-8.43%	-5.18%	-4.32%	-5.94%	-29.03%	-21.67%	-30.91%	-11.97%	-4.06%	-13.92%
Value Added	-4.94%	1.28%	-0.29%	0.98%	3.00%	-0.22%	-2.95%	7.74%	6.09%	0.63%	-3.99%

Capture Ratios - Non-North American Equity Fund

	3-Yr	4-Yr	5-Yr	6-Yr	10-Yr	Since Inception
Up Capture Ratio	96.1%	100.9%	93.4%	89.9%	92.8%	93.9%
Down Capture Ratio	104.5%	104.3%	92.3%	91.9%	90.8%	95.0%

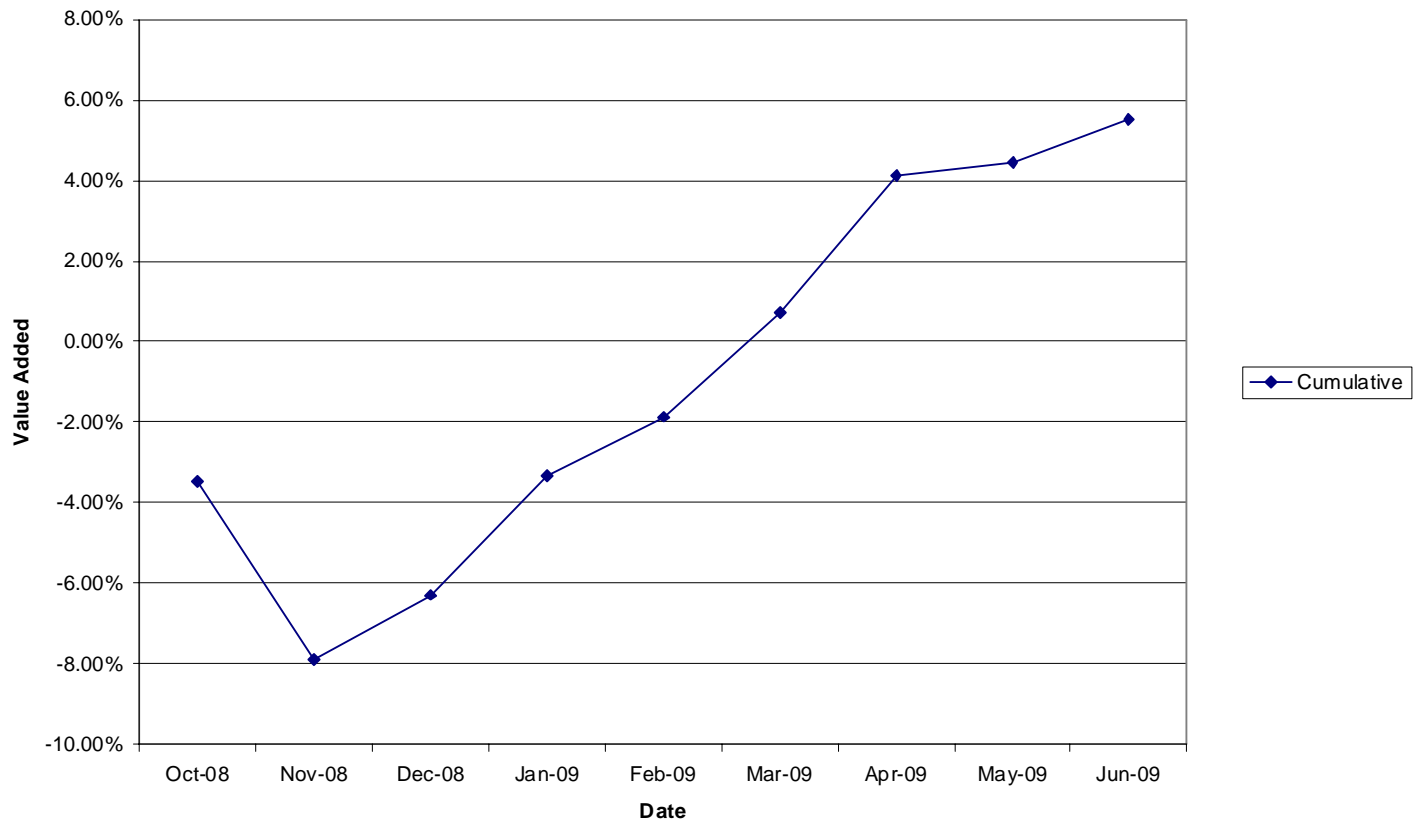


Non-North American Equities

- Target annualized value added of 300 bps over 4-yr rolling periods
- Outperformed benchmark after fees on more than 77% of 3, 4, 5, 6 and 10-year horizons
- Average annual value added after fees ranging between 104 bps to 162 bps
- More volatile than benchmark over 3, 4, 5, 6 and 10-year horizons
- Smaller drawdown than benchmark 6 of the last 11 years
- Up and down capture ratios generally between 90% and 95%

Global Equities

Value Added Analysis
Global Equity



Global Equities

Global Equity

% of months with positive value added	77.78%
% of months with negative value added	22.22%
Average monthly value added	0.78%

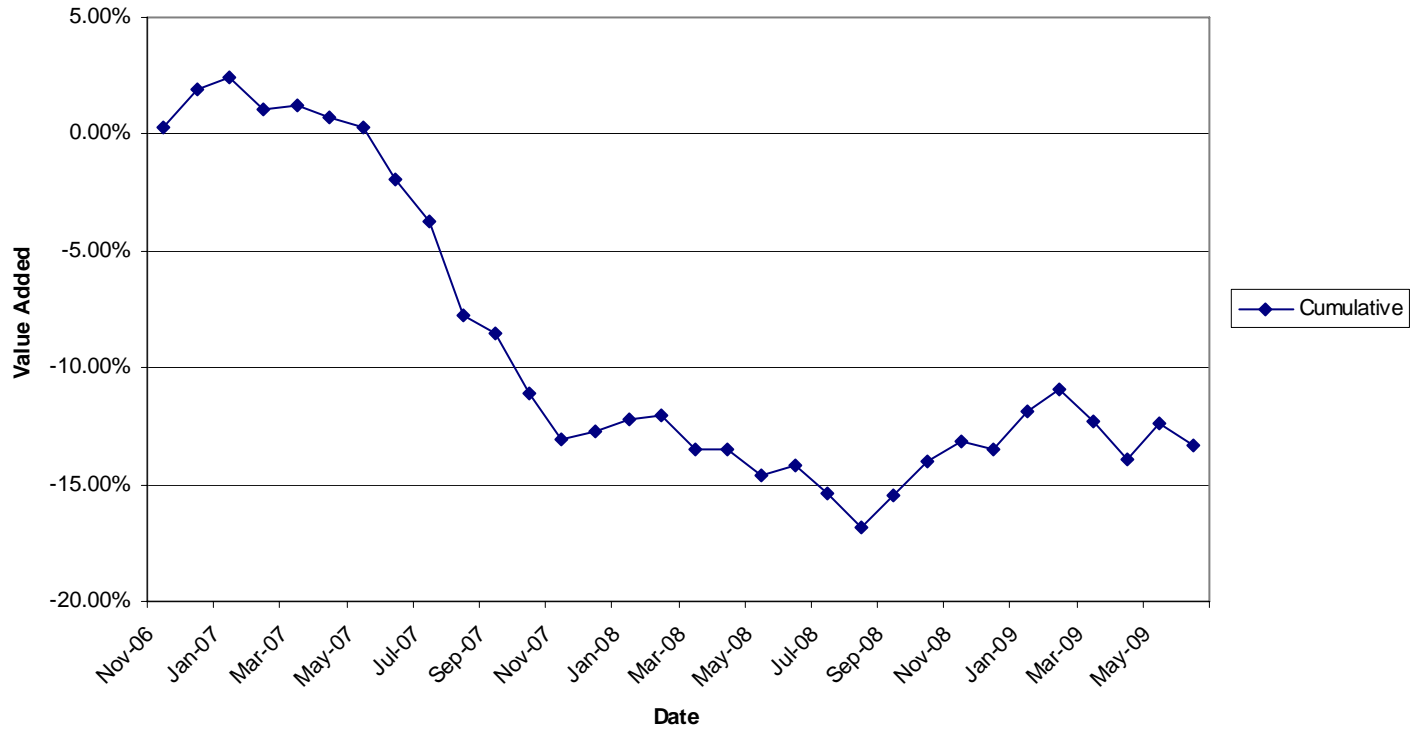
Cumulative return since inception

Global Equity	-4.76%
MSCI World	-10.26%
Value Added	5.50%

- Target annualized value added of 275 bps (150 bps for Harris and 400 bps for T. Rowe Price) over 4-yr rolling periods
- Outperformed benchmark before fees 7 months out of 9 since inception
- Cumulative value added of 550 bps before fees since inception

U.S. Small Cap Equities

Value Added Analysis
U.S. Small Cap Equity



U.S. Small Cap Equities

U.S. Small Cap Equity

% of months with positive value added	34.38%
% of months with negative value added	65.63%
Average monthly value added	-0.63%

Cumulative return since inception

U.S. Small Cap Equity	-41.91%
Russell 2000	-28.63%
Value Added	-13.28%

- Target annualized value added of 250 to 300 bps over 3 to 5-year rolling periods
- Underperformed benchmark before fees 21 months out of 32 since inception
- Cumulative value added of -1328 bps before fees since inception

Debate - Positions

- *“Be it resolved that pension funds should take a passive investment approach in all of their investments”*
- Pro: Stephen Foerster
- Con: Bruce Curwood