

State Street Global Advisors
Investment Manager Review
December 8, 2009

EXECUTIVE SUMMARY

- On December 8, 2009 Martin Bélanger met with the following State Street Global Advisors professionals from 1:30 p.m. to 5:00 p.m. at their Boston, Massachusetts offices:
 - Mark Bischoff, Principal, Relationship Management
 - Larry Carlson, Senior Managing Director, Head of Relationship Management
 - Louis Basque, Senior Product Engineer (by phone)
 - Chris Rice, Senior Managing Director, Head of Global Trading
 - Jacqueline Angell, Vice President, Compliance
 - Yann Dépin, Vice President, Currency Management (by phone)
 - David Chin, Vice President, Senior Portfolio Manager
- SSgA's S&P 500 Index Strategy is ranked "Hire" by Russell
- SSgA's S&P MidCap 400 Index Strategy is unranked by Russell
- SSgA's Canadian Bond Fund is ranked "Retain" by Russell
- SSgA's Long-Term Bond Fund is ranked "High Interest" by Russell
- SSgA's Money Market Fund is unranked by Russell
- SSgA's Target Date Funds are unranked by Russell
- SSgA is a very large organization with extensive resources, although its size prevents it from being nimble at times (e.g. the requirement to provide the exact dollar amount of a contribution two business days in advance makes transitions difficult and they don't provide much flexibility regarding the way they issue performance reports)
- Since our last review, the only change in investment personnel related to our portfolio is the departure of Nick Arvanitis, Head of Canadian Fixed Income. I feel that he has been adequately replaced by Peter Lindley, who was previously Head of Investments for Canada.
- Although the positive tracking error on the Canadian Bond Fund is higher than the target listed in the investment guidelines, it can be explained SSgA's participation in new bond issues that were better priced than on the secondary market
- The tracking error of the Long-Term Bond Fund is in line with the investment guidelines
- The Target-Date Funds are behaving according to the investment guidelines in terms of projected maturity value and duration constraints
- The Immunized Bond Fund is behaving according to the investment guidelines in terms of asset/liability matching, duration constraints and liquidity
- The Money Market Fund has met the target value added of 15 bps annualized over the four-year period ending November 30, 2009 and the fund has been in compliance with the revised investment guidelines since November 19, 2009
- The U.S. Equity Large Cap Hedged strategy within the Diversified Equity Fund has posted a positive tracking error of 268 bps since inception in April 2009. Most of the tracking error came in September 2009 when the "B" Funds were merged with the

legacy funds. The tracking error for the tier 3 U.S. Equity Large Cap Fund is within guidelines.

- The tracking error for the tier 3 U.S. Equity Large Cap Unhedged Fund has been within guidelines since inception
- The U.S. Equity MidCap Hedged Strategy has had a negative tracking error of 15 bps since inception, most of it (11 bps) occurred in September during the transition from Northwater
- SSgA has made significant investments to its compliance process in recent months to reduce the legal risks to the organization
- SSgA or its parent company are currently defending 3 major litigation claims:
 - A Wells Notice from the U.S. Securities and Exchange Commission regarding the management of some fixed income strategies managed from its U.S. operations
 - Claim filed by the Attorney General of California under the California False Claims Act regarding the way State Street's custody business is handling foreign currency transactions on behalf of its clients
 - A lawsuit from a Canadian client who had its money frozen as a result of SSgA using Lehman Brothers International Europe as a prime broker for a 130/30 product
- The investment teams managing money for UWO are not directly involved with these claims and State Street advised me that they have set aside sufficient funds to cover potential settlements. As such it shouldn't have a material impact on the management of our portfolios.
- All accounts are in compliance with the portfolio guidelines, no major issues have been raised as a result of recent regulatory reviews and SSgA has adequate Code of Conduct and potential conflicts of interests have been disclosed
- Environmental, social and governance issues are taken into account in the credit analysis process for actively managed portfolios

RECOMMENDATION

- State Street Global Advisors has managed adequately for us the various portfolios that we have invested with them, especially the specially fixed income products, such as the target date funds, and the Money Market Fund.
- The firm has been exposed to litigation in recent months, but we do not foresee any material impact on our portfolios based on the information provided to us by SSgA at this time.
- SSgA has made significant investments into its compliance process to prevent future litigation.
- The firm can show a lack of flexibility at times but it does meet our needs.
- I don't recommend making any changes to our relationship with State Street Global Advisors.

ORGANIZATION

- State Street Global Advisors is the asset management division of State Street Corporation
- The firm has 1960 employees, including 445 investment professionals as of September 30, 2009

- The firm had \$1.862 trillion in assets under management as of September 30, 2009
- SSgA Canada has two offices, 107 employees and \$32.1 billion of assets under management as of September 30, 2009
- Western had \$329 million in assets under management with SSgA as of November 30, 2009 (\$107 million in U.S. equities and \$222 million in Canadian fixed income and money market)
- SSgA gained 1800 new clients and lost 726 clients in 2009; in Canada they gained 84 new accounts and lost 24
- SSgA reduced its workforce in November 2008 and February 2009 by 6% to 8%; layoffs have been concentrated in the front office and supporting side
- The CEO of State Street Corporation, Ronald Logue, is retiring in March 2010 and will be replaced by Jay Hooley, the firm's current Chief Operating Officer
- SSgA recently moved from a regional CIO structure to one that is based on asset classes

FIXED INCOME MANDATES

Canadian Bond Fund

	As of November 30, 2009							Inception Date
	1-Mth	3-Mth	YTD	1-Yr	3-Yr	5-Yr	Since Inception	
Canadian Bond	1.25%	2.09%	7.46%	10.38%	5.51%	5.85%	6.07%	Nov 2003
DEX Universe Bond	1.33%	2.19%	6.93%	10.01%	5.39%	5.75%	6.04%	
<i>Tracking Error</i>	<i>-0.08%</i>	<i>-0.10%</i>	<i>0.53%</i>	<i>0.37%</i>	<i>0.12%</i>	<i>0.10%</i>	<i>0.03%</i>	

- The objective of the Canadian Bond Fund is to match the risk/return parameters of the DEX Bond Universe
- The Fund has a target tracking error of less than 10 bps per year
- The Canadian Bond Fund had a positive tracking error of 37 bps for the year ending November 30, 2009; the value added was due to SSgA's participation in new bond issues that were better priced than on the secondary market
- Process hasn't changed: Combine a stratified sampling approach, optimization techniques and a strict credit policy to provide the core to a fixed income allocation

Portfolio Characteristics as of September 30, 2009

	UWO Canadian Bond Fund	DEX Universe Bond Index
Yield to maturity	3.11%	3.17%
Modified duration	6.0 years	6.0 years
Convexity	0.76	0.74
Universe weighting by sector:		
Federal	44.4%	46.6%
Provincial	24.2%	24.6%
Municipal	1.7%	1.4%
Corporate	29.7%	27.4%
Number of issues	478	1038
Average credit rating	AA	AA

Long-Term Bond Fund

	As of November 30, 2009							Inception Date
	1-Mth	3-Mth	YTD	1-Yr	3-Yr	5-Yr	Since Inception	
Long-Term Bond	1.51%	2.70%	8.07%	13.61%	4.18%	6.89%	7.47%	Nov 2003
DEX Long-Term Bond	1.52%	2.61%	7.94%	13.67%	4.08%	6.82%	7.38%	
<i>Tracking Error</i>	<i>-0.01%</i>	<i>0.09%</i>	<i>0.13%</i>	<i>-0.06%</i>	<i>0.10%</i>	<i>0.07%</i>	<i>0.09%</i>	

- The objective of the Long-Term Bond Fund is to match the risk/return parameters of the DEX Long-Term Overall Index
- The Fund has a target tracking error of less than 10 bps per year
- The Long-Term Bond Fund met that target for the year ending November 30, 2009 with a tracking error of -6 bps
- Process hasn't changed: Combine a stratified sampling approach, optimization techniques and a strict credit policy to provide the core to a long bond allocation

Portfolio Characteristics as of September 30, 2009

	UWO Canadian Long-Term Bond Fund	DEX Long-Term Bond Index
Yield to maturity	4.64%	4.66%
Modified duration	12.4 years	12.3 years
Convexity	2.28	2.27
Universe weighting by sector:		
Federal	31.7%	31.2%
Provincial	47.1%	47.0%
Municipal	0.8%	1.0%
Corporate	20.4%	20.8%
Number of issues	199	378
Average credit rating	AA	AA

Target Date Funds

	As of November 30, 2009							
	1-Mth	3-Mth	YTD	1-Yr	3-Yr	5-Yr	Since Inception	Inception Date
TDF 2010	0.07%	0.20%	1.96%	3.34%	4.57%	4.69%	5.21%	May 2004
TDF 2012	0.94%	1.61%	3.64%	6.23%	5.89%	N/A	6.71%	May 2006
TDF 2014	1.71%	2.65%	4.27%	8.12%	N/A	N/A	8.00%	May 2008

	As of November 30, 2009	
	Current Projected Maturity Value	Projected Maturity Value, at Inception
TDF 2010	131.7	131.8
TDF 2012	129.6	129.2
TDF 2014	126.4	125.1

- The objective of the target-date funds is to provide an attractive return relative to Government of Canada Zero Coupon Bond of similar maturities while offering liquidity prior to maturity
- Benchmark: The projected maturity value per unit as determined at the inception date of each TDF, based on the returns on Government of Canada residuals with maturity dates closest to the maturity dates of each TDF.
- Duration: +/- 5% versus benchmark
- Projected maturity values are greater than at inception for TDF 2012 and TDF 2014 and slightly lower for TDF 2010, but within tolerance range
- Duration constraint met
- Although yields have come down significantly in recent months, the funds have performed as expected

As at September 30, 2009

	Target Date Fund – June 2010	Target Date Fund – June 2012	Target Date Fund – June 2014
Fund Duration	0.69	2.70	4.74
Benchmark Duration	0.67	2.65	4.61
Difference	+3.0%	+1.9%	+2.8%

Immunized Bond Fund

	As of November 30, 2009							
	1-Mth	3-Mth	YTD	1-Yr	3-Yr	5-Yr	Since Inception	Inception Date
Immunized Bond	1.20%	1.92%	4.04%	6.65%	5.09%	N/A	5.30%	Sep 2006
DEX Universe Bond	1.33%	2.19%	6.93%	10.01%	5.39%	5.75%	6.04%	
Value Added	-0.13%	-0.27%	-2.89%	-3.36%	0.30%	N/A	N/A	

- Fund that the General Account of the Administrative Staff Pension Plan is invested in
- The performance goals: 1) Matching assets and liabilities; 2) Duration: +/- 0.25 years of the target modified duration provided by the university; and 3) Providing sufficient liquidity to pay monthly pension benefits have been met.

As at September 30, 2009

	Immunized Bond Fund
Fund Duration	5.17
Benchmark Duration	4.97
Difference	+0.20

Money Market Fund

	As of November 30, 2009							Inception Date
	1-Mth	3-Mth	YTD	1-Yr	3-Yr	5-Yr	Since Inception	
Money Market	0.12%	0.27%	1.04%	1.05%	3.01%	3.18%	3.03%	Nov 2003
DEX 91-Day T-Bills	0.02%	0.07%	0.59%	0.93%	2.89%	3.03%	2.90%	
<i>Value Added</i>	<i>0.10%</i>	<i>0.20%</i>	<i>0.45%</i>	<i>0.12%</i>	<i>0.13%</i>	<i>0.15%</i>	<i>0.13%</i>	

- The objective of the Money Market Fund is to provide a high level of current income while preserving capital
- The Money Market Fund has a target value added of 15 bps per annum over a four-year rolling period; as of November 30, 2009 the Fund's four-year return was 3.32%, compared to 3.15% for the benchmark, for 0.17% of value added
- As of November 19, 2009, the Money Market Fund became in compliance with the new investment guidelines that were agreed on in December 2008
- Because of previous pricing discrepancies between SSgA and Northern Trust, our custodians, SSgA stopped providing reporting for a while; the issue has since been resolved
- Process hasn't changed:
 - Opportunistic trading
 - Sector rotation
 - Control interest rate risk through targeted duration and specific performance benchmarks

	UWO Money Market Fund	DEX 91-Day T-Bills Index
Average yield	0.61%	0.22%
Weighted average maturity	53 days	91 days
Sector weights:		
Governments	57.7%	100%
Senior Bank Notes	17.6%	0%
Senior Bank FRN	13.3%	0%
Non Bank Corporate FRN	11.1%	0%
ABS	0%	0%
AAA Bank Sponsored ABCP	0%	0%
Cash	0.3%	0%

Investment Personnel

- Nick Arvanitis, Head of Canadian Fixed Income, left SSgA for a client in September 2009;
 - Peter Lindley, Head of Investments was appointed on an interim basis and they were looking for a permanent replacement
 - Subsequently SSgA moved from regional to asset class CIOs, making the position of Head of Investments for Canada obsolete
 - Peter Lindley has now been appointed permanently to the position
- There are 8 investment professionals on the Canadian Bond team; the team is supported by SSgA Global Credit Team
- They just added one credit analyst to support Omar Slim, the senior credit analyst; the corporate sector is becoming more important
- Yves Desjardins is the lead portfolio manager on the passive fixed income strategies
- Claudio Ferri is the lead portfolio manager on the Money Market Fund

Other

- Significant improvements regarding liquidity have been observed in the fixed income market in terms of narrowing of the bid/ask spreads, although there's still no active market in some areas (such as non-bank ABCP); lack of liquidity has not been an issue for our portfolios based on the universe of securities we invest in
- Environmental, social and governance factors are taken into consideration within the credit analysis process (e.g. environmental assessment will be taken into consideration when analyzing Ontario Hydro)

U.S. EQUITY MANDATES

Performance Analysis

	As of November 30, 2009			
	1-Mth	3-Mth	Since Inception	Inception Date
U.S. Equity Large Cap Hedged (Diversified Equity Fund)	5.88%	9.91%	28.51%	April 2009
S&P 500 Hedged	5.87%	7.68%	25.83%	
<i>Tracking Error</i>	<i>0.01%</i>	<i>2.23%</i>	<i>2.68%</i>	
U.S. Equity Large Cap Hedged (Tier 3)	5.84%	N/A	3.98%	September 2009
S&P 500 Hedged	5.87%	N/A	3.89%	
<i>Tracking Error</i>	<i>-0.03%</i>	<i>N/A</i>	<i>0.09%</i>	
U.S. Equity Large Cap Unhedged	3.73%	N/A	2.17%	September 2009
S&P 500 Unhedged	3.74%	N/A	2.18%	
<i>Tracking Error</i>	<i>-0.01%</i>	<i>N/A</i>	<i>-0.01%</i>	
U.S. Mid Cap Hedged	3.93%	N/A	-0.93%	September 2009
S&P Midcap 400	3.96%	N/A	-0.78%	
<i>Tracking Error</i>	<i>-0.03%</i>	<i>N/A</i>	<i>-0.15%</i>	

U.S. Equity Large Cap Strategy

- The objective of the S&P 500 Index Strategy is to match the returns and characteristics of the S&P 500 Index as closely as possible
- They maintain costs as low as possible by using cross trading and by using futures contracts
- The Fund has a target tracking error of less than 10 bps per year
- The Fund, for the strategy managed within the Diversified Equity Fund, had a positive tracking error of 268 bps since inception in April 2009
- Most of the tracking error came in September 2009 when the “B” Funds were merged with the legacy funds. A contribution of \$39.9 million was made to an account with a starting balance of \$8.5 million. Since the contribution was made at a currency exchange rate of 1.0687 CAD/USD and the closing rate for the day was 1.0733 CAD/USD, a gain was created. The U.S. dollar increased by 0.43% for the day, which created a gain of \$171,175. This gain represents 2.01% of the initial balance of \$8.5 million. If we subtract this gain from the realized return of 5.59%, we get 3.58%, which is in line with the benchmark return of 3.64%

**Attribution Analysis – S&P 500 Hedged
September 2009**

September 2009 Contribution	\$39,903,012
Closing exchange rate (CAD/USD)	1.0733
Contribution exchange rate (CAD/USD)	1.0687
Currency gain (%)	0.43%
Currency gain (\$)	\$171,754
Starting account balance	\$8,544,286
Currency gain as a % of starting balance	2.01%
Fund return for September 2009	5.59%
Minus: currency gain	2.01%
Adjusted return	3.58%
Benchmark return	3.64%
Adjusted tracking error	-0.06%

- The tracking error for the two Tier 3 funds (U.S. Equity Large Cap Hedged and U.S. Equity Large Cap Unhedged) was in line with expectations, although we only have two months of history

U.S. Equity Midcap Hedged

- The objective of the S&P MidCap 400 Index Strategy is to match the returns and characteristics of the S&P MidCap 400 Index as closely as possible
- They maintain costs as low as possible by using cross trading and by using futures contracts
- The Fund has a target tracking error of less than 10 bps per year
- The Fund had a negative tracking error of 15 bps for the two months since inception. Most of the tracking error (11 bps) was due to the transition that took place in September 2009.

Investment Personnel

- SSgA has 69 investment professionals in its Global Structured Products Group
- The team is supported by 23 global traders, 80 operations professionals and 18 data analysts
- The portfolio manager for the S&P 500 Index Strategy is David Chin
- The portfolio manager for the S&P MidCap 400 Index Strategy is Dwayne Hancock

Other

- There are no issues observed with liquidity for the S&P 500 and S&P MidCap 400 strategies

Passive Currency Management

- We reviewed the passive currency management strategy with Yann Dépin, Vice President, Currency Management

- The target tracking error is 8 to 10 bps; the tracking error is caused by the one-day market lag between the calculation of the profit and loss at the end of the month and the re-investment of the profit or loss the following day
- SSgA uses 35-day forward contracts
- SSgA does business with a minimum of four counterparties and at least three have to be major financial institutions

COMPLIANCE

- SSgA is in compliance with the investment objective, investment guidelines and investment constraints of our mandates
- State Street Corporation (SSgA's parent company) is currently defending three major litigation claims:
 - Wells Notice from the U.S. Securities and Exchange Commission:
 - On June 25, 2009 SSgA received a notice that the SEC intends to pursue a civil enforcement action, related to an ongoing investigation of money management arm SSgA's management of those fixed-income strategies during 2007 and prior periods.
 - The suit is related to U.S. fixed income securities that were exposed to subprime mortgages; SSgA has faced a number of lawsuits from institutional clients alleging that SSgA had exposed those strategies to more risk than its clients were led to believe
 - It has to be noted that these strategies were managed out of the U.S. by a completely separate team to SSgA Canada, which manages UWO's fixed income strategies
 - So far State Street (the parent company) has set aside more than \$800 million to address the legal exposure
 - Management of SSgA believes that the lawsuits has little impact on portfolio management
 - Claim filed by the Attorney General of California under the California False Claims Act:
 - On October 20, 2009, the Attorney General of California filed a claim against State Street under the California False Claims Act.
 - The claim deals with the way State Street, as a custodian, handles its foreign currency transaction on behalf of its clients
 - State Street has a subsidiary, State Street Global Markets, that may execute foreign exchange transactions on behalf of its custody clients, where the potential conflicts arise
 - State Street denies any wrongdoing and will defend themselves against these charges
 - Lawsuit in Canada regarding the use of Lehman Brothers as a prime broker for a 130/30 strategy
 - An action has been filed by a Canadian client against SSgA Canada and State Street Bank and Trust Company ("SSBTC") with respect to an investment in a common trust fund of SSBTC that used Lehman Brothers International Europe as prime broker.

- Assets of the common trust fund have been frozen further to the bankruptcy of Lehman Brothers International Europe (“LBIE”).
 - State Street believes the appointment of LBIE as prime broker was appropriate and they intend to defend themselves against this litigation
- SSgA has made significant changes to its compliance process over the past 18 to 24 months
 - SSgA’s Chief Compliance Officer now reports to SSgA’s Chief Legal Officer and to the Chief Compliance Officer of State Street Corporation
 - A number of individuals were hired to strengthen the compliance department
 - The firm has separated the risk management and compliance functions
- The SEC’s last review was done in 2007 and no major issues were raised
- The Federal Reserve Bank did a review recently and no major issues were raised
- SSgA has an adequate Code of Ethics that employees have comply with
- SSgA has adequate policies in place regarding personal trading and the use of soft dollars; they use soft dollars to pay for research regarding index constituents
- The firm has an adequate policy regarding conflicts of interest:
 - Employees need prior approval to engage in any activity that may be perceived as a conflict of interest
 - SSgA initially asked every employee to disclose potential conflicts of interest
 - Employees were asked to resign from their engagement if there was a conflict
- PriceWaterhouseCoopers audits SSgA’s financial statements; Ernst & Young audits its funds

TRADING OVERVIEW

- We met with Christopher Rice, the Head of Global Trading
- We reviewed equity and currency trading
- SSgA has three regional trading desks that operate 24 hours a day
- SSgA seeks all sources of liquidity to minimize transaction costs:
 - They use internal/external crossing as permitted
 - They use futures, exchange for physical¹ and swaps
 - They use agency and principal trades
- They analyze trade execution
- Overall SSgA has adequate trading capabilities for our portfolios due to its size, its market knowledge and risk controls

¹ An Exchange for Physical (EFP) is the simultaneous selling of a stock and buying of a Single Stock Future or the buying of a stock and the selling of a Single Stock Future.