

## **CANADIAN EQUITY CANDIDATES**

### **Due Diligence Agenda**

### **University of Western Ontario DC Pension Plan**

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#### **ORGANIZATION & PERSONNEL: (15 minutes)**

- Review the history of your organization including:
  - when founded;
  - ownership, including any changes contemplated in the near future;
  - succession planning; and,
  - changes since incorporation.
- Review your business goals and objectives over the next three-year period including:
  - asset growth and number/type of accounts;
  - plans for additional services or products; and,
  - additional personnel requirements.
- Review the general background of the key professionals within your organization including:
  - biographies;
  - roles and responsibilities;
  - compensation structure; and,
  - number of staff and turnover, over the last three years.
- Identify the key personnel who would be involved in managing and servicing this portfolio.
- Briefly describe your portfolio management and administrative systems.
- Describe your processes for evaluating and managing business risk.
  - specifically comment on any resource or business changes that have occurred, or are expected, as a result of the economic downturn
  - disaster recovery plans

#### **ASSETS UNDER MANAGEMENT: (5 minutes)**

- Provide a breakdown of assets under management and number of clients, over the last three years, for:
  - total firm assets;
  - total Canadian equity assets;
  - total assets in this mandate/product; and,
  - total assets managed for Canadian institutional clients, by mandate.

- What is your capacity for the amount of Canadian equity assets you can manage in this product?
- Date this mandate was introduced

**STYLE/DECISION-MAKING PROCESS: (90 minutes)**

*Canadian Equity Management*

- Describe your investment management philosophy, style and approach to the decision-making process for managing Canadian equity portfolios in this mandate, including a review of the following aspects:
  - philosophy and approach;
  - industry weighting versus security selection
  - adherence to discipline;
  - techniques/models/tools utilized;
  - approach to research;
  - specific portfolio structural biases or constraints;
  - investment time horizon;
  - portfolio construction process;
  - annual portfolio turnover; and
  - cash management, including maximum allocations.
- Describe the role of all investment professionals in the decision-making process for this product.
- Discuss risk factors and controls that are evaluated and their impact on the portfolio.
- Review a current portfolio highlighting specific portfolio characteristics and the strategy that led to these characteristics.
- Describe your process for ongoing evaluation of specific decisions and strategies. What tools do you use and how do you learn from them to improve decision-making?
- Describe your procedures for the voting of proxies and the type of reporting you provide to clients.
- Identify changes to your style or approach during the last 3-year period.

**COMPLIANCE PROCEDURES: (15 minutes)**

- Describe your process for monitoring the compliance of your firm's investment activities including:

- Do you have a designated compliance officer and what are the functions performed?
- Indicate whether your staff has been involved in any improper trading activities, and outline the controls you have in place, or are introducing, to prevent this.
- Describe your process for ensuring compliance with a client's specific guidelines and constraints.
- Code of Conduct / Ethical Issues
- Are you currently under investigation by any regulatory body?
- Is your firm or its key personnel facing material litigation?

**PERFORMANCE: (15 minutes)**

- Review the performance and volatility of a representative Canadian equity portfolio, or a CFA composite, on an annual basis and on a four-year, moving-average basis. Results should be before fees and reflect time periods ending March 31, 2009. We request that the product for comparison purposes be measurable against the S&P/TSX Composite index. Advise whether you consider other indices in the evaluation of your product.
- Please provide historical monthly returns since inception.
- Please provide performance attribution analysis, including sector and security selection.
- Are your performance numbers GIPS compliant? If not, why not?
- Review performance expectations over a market cycle:
  - identify value added and volatility expectations; and,
  - specify the type of market environment that will be least favourable to your approach.
- How are trading execution and opportunity costs measured and controlled?

**CLIENT SERVICING: (10 minutes)**

- Describe the type and frequency of reporting that you will provide.
- Discuss the frequency of client meetings that you will provide.
- The University will send trade instructions on a monthly basis on the fourth last business day of the month, for settlement on the last business day of the month. Discuss your firm's capacity to meet this requirement.

- Describe your on-boarding process with new clients.

**SUMMARY AND FEES: (10 minutes)**

- Is an eligible pooled fund offered, or planned to be offered, to Canadian pension fund investors? If so, describe any investment constraints, trading restrictions and fee differentials. Is it RRSP eligible?
- Present your standard fee schedule, and any alternative fee options.
- Provide references for clients with similar mandates.

**Q&A and Office Tour (time permitting):**

**Total Time (2.5 – 3.0 hours)**