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A blurred, blue-tinted image of a document with a pen resting on it, positioned on the left side of the slide.

June 1, 2010

Investment Performance Report at March 31, 2010 Saint Mary's University Pension Plan

Anik Paquet, Montreal

**NOT COMPLETE
WITHOUT COMMENTARY**



Agenda

- Market review – what happened in 2009
- Performance review of SMU funds
- Active manager issues
- Changes to portfolios and managers
- Managing risk



Market Review

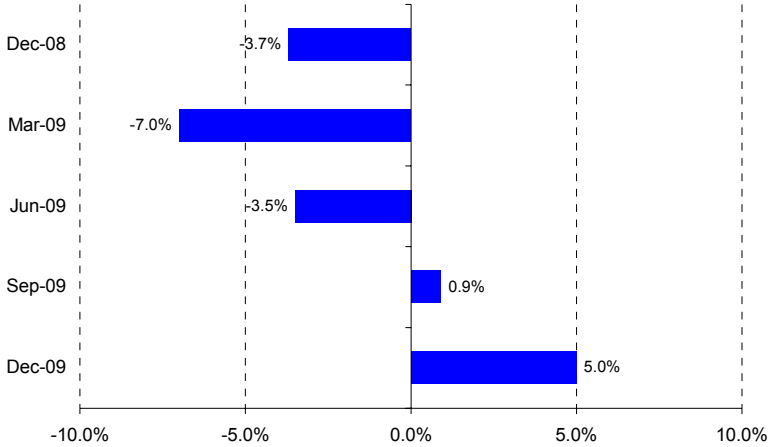
What happened in 2009



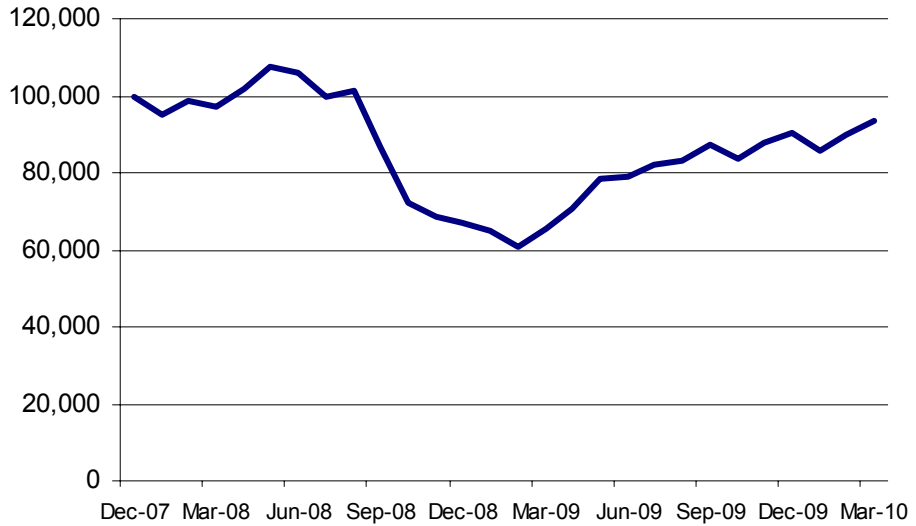
Economic Environment

Recovery appears to be well under way

Quarterly Annualized GDP Growth Rate



\$100,000 Invested in S&P/TSX Composite Index at December 31, 2007



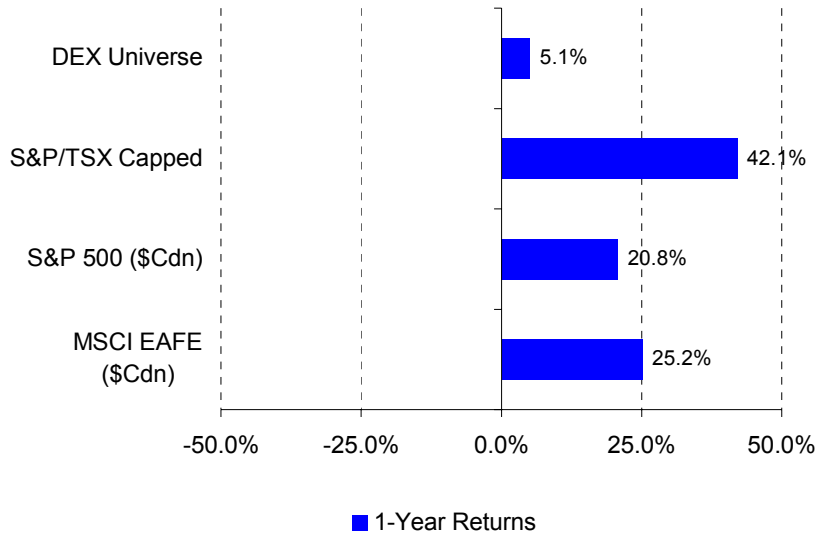


Market Indices Return

As at March 31, 2010 (1-year)

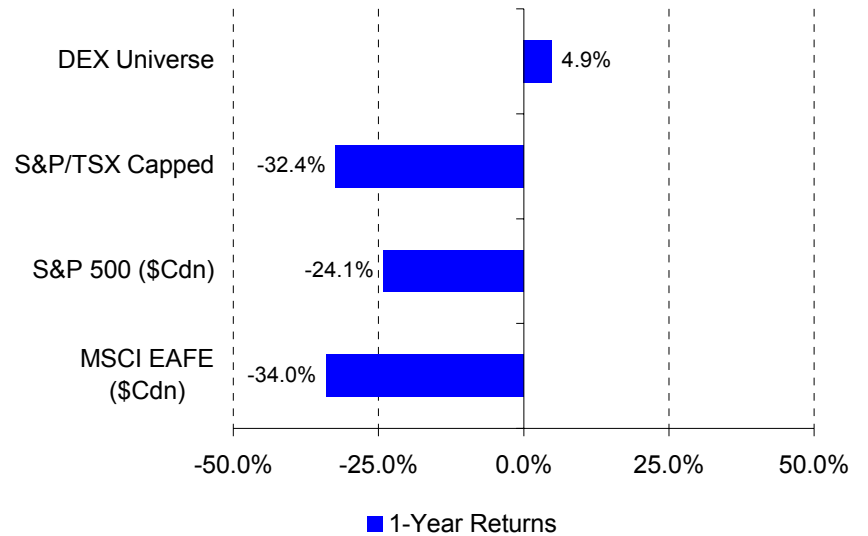
As at March 31, 2010

1-Year Returns



As at March 31, 2009

1-Year Returns

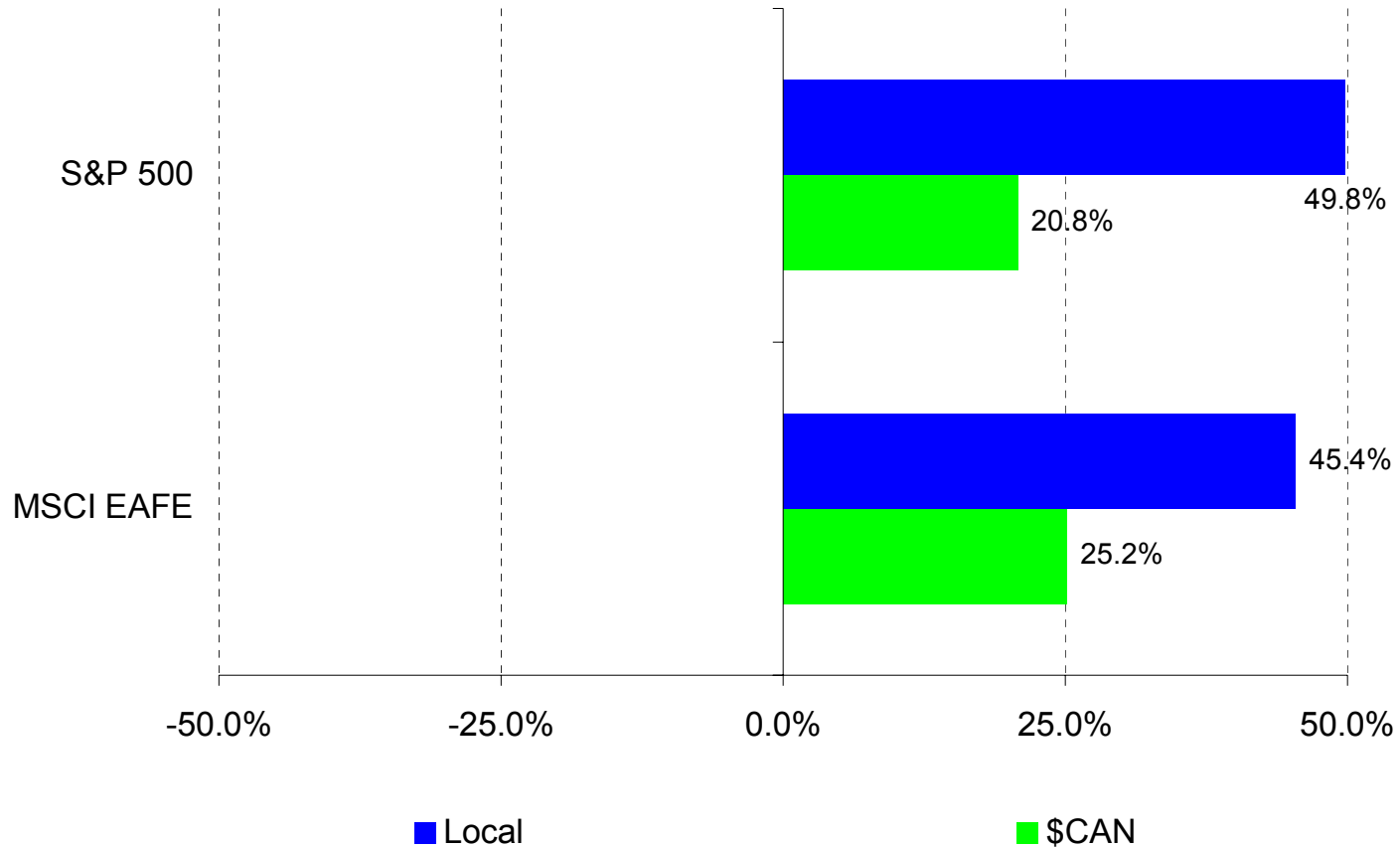


What a difference a year makes!

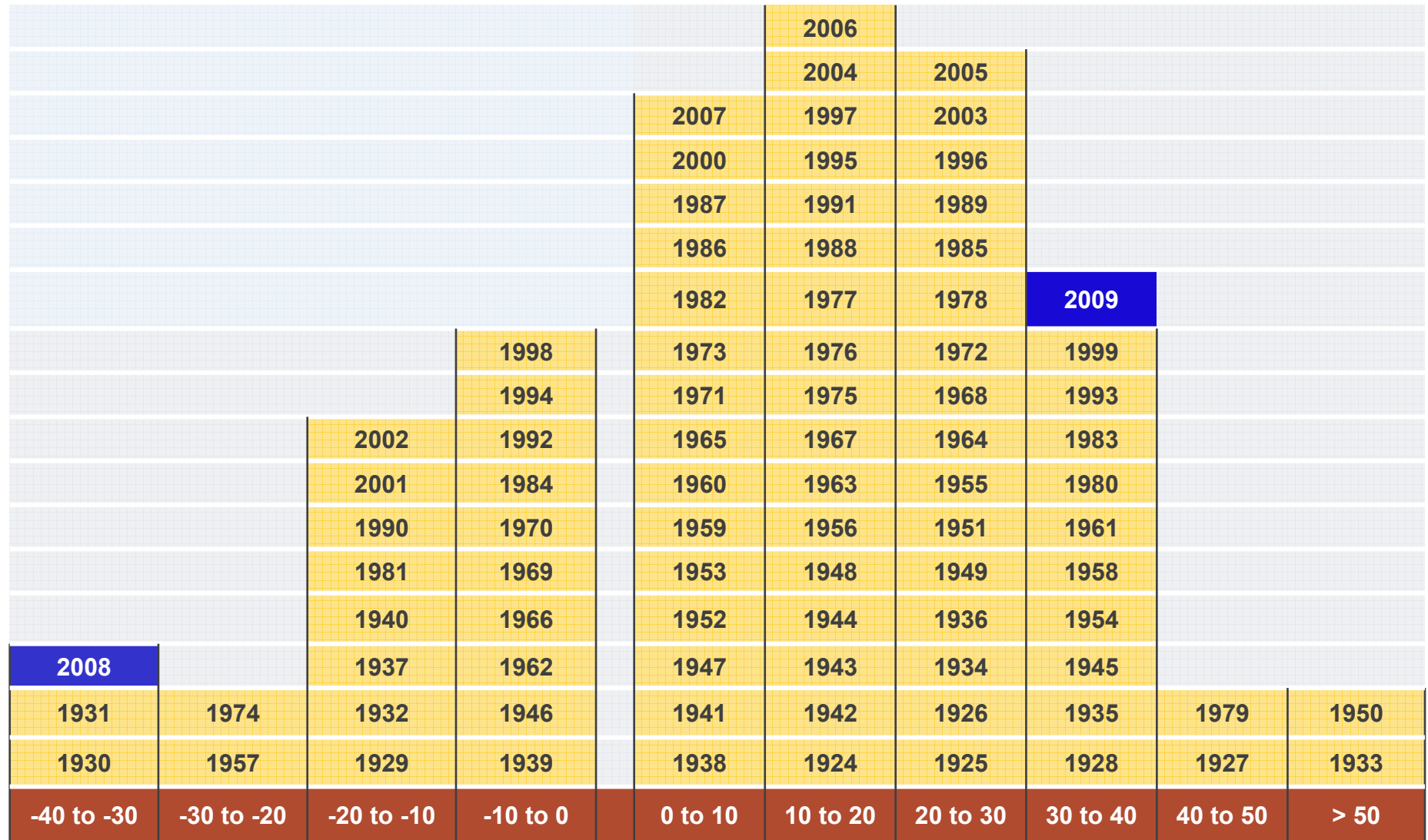
Currency Impact for a Canadian Investor

As at March 31, 2010 (1-year)

As at March 31, 2010



Canadian Equities



Annual Rates of Return

Source: Canadian Institute of Actuaries (1924 to 1955); Toronto Stock Exchange (1956 to 2008)



Fund Performance Review

Gross Performance to March 31, 2010

Money Market (Sun Life Financial) (2.6% of funds)

Period	Fund Return	Value Added	Quartile Ranking
1 year	0.45%	0.11%	Q2
2 years	1.41%	0.04%	Q4
3 years	2.52%	0.08%	Q3
4 years	2.92%	0.04%	Q4
5 years	2.89%	0.02%	Q4

Gross Performance to March 31, 2010

Canadian Equity (BlackRock) (was 12.0% of funds*)

Period	Fund Return ¹	Value Added	Quartile Ranking
1 year	38.9%	-1.8%	Q3
2 years	-0.3%	2.2%	Q2
3 years	1.2%	1.8%	Q2
4 years	3.8%	0.9%	Q2
5 years	8.9%	1.3%	Q1

¹ Benchmark for the Fund is S&P/TSX Equity Index

* Note: Effective March 2010, this fund was replaced with the CC&L Canadian Equity Fund. (More to follow).

Gross Performance to March 31, 2010

International Equity (Acadian) (3.1% of funds)

Period	Fund Return	Value Added	Quartile Ranking
1 year	21.1%	-4.1%	Q4
2 years	-15.8%	-6.7%	Q4
3 years	-15.7%	-5.2%	Q4
Returns below are combination of Acadian and UBS ¹			
4 years	-8.3%	-4.5%	Q4
5 years	-4.0%	-4.6%	Q4

¹ The Acadian fund was only used from March 31, 2007 onward. For 4 and 5-year periods, the result shown is a combination of the UBS performance (to March 31, 2007) and Acadian (from April 1, 2007).

Gross Performance to March 31, 2010

Index Passive Funds (BlackRock) (bonds: 8.8%; US Equity: 3.7% of funds)

Period	Fixed Income	US Equity
1 year	5.3%	20.9%
2 years	4.9%	-4.2%
3 years	5.2%	-8.2%
4 years	5.3%	-3.8%
5 years	5.2%	-1.6%

Gross Annual Performance*

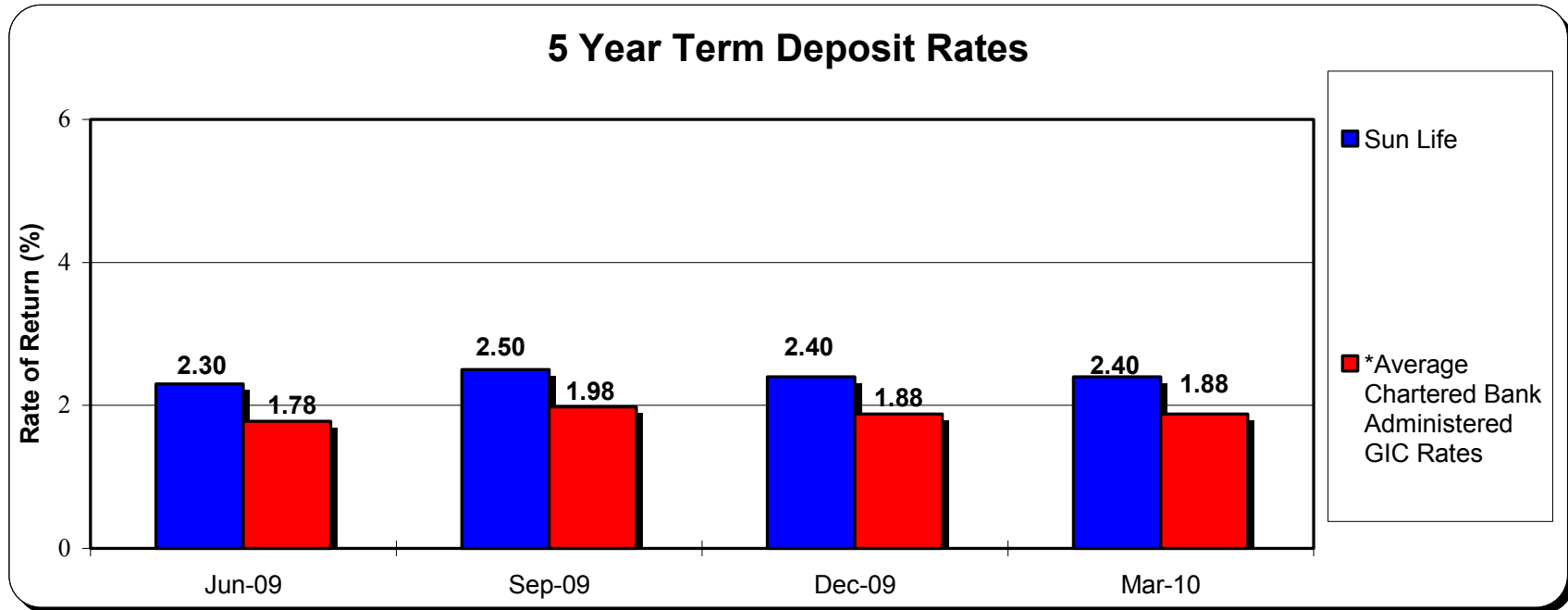
SMU Portfolios (61.8% of funds)

Period	Conservative (30% equity)	Moderate (50% equity)	Balanced (60% equity)	Growth (70% equity)	Aggressive (80% equity)
Year ending 31-Mar-2010	11.5%	15.7%	18.0%	19.9%	22.3%
Year ending 31-Mar-2009	-7.2%	-14.5%	-18.0%	-21.5%	-24.8%

** Simulated returns based on current target mixes and actual past gross returns of underlying funds.*

GIA Competitiveness

5-Year GIAs (8.1% of funds)



* Bank of Canada chartered bank administered interest rates for 5-year GICs.



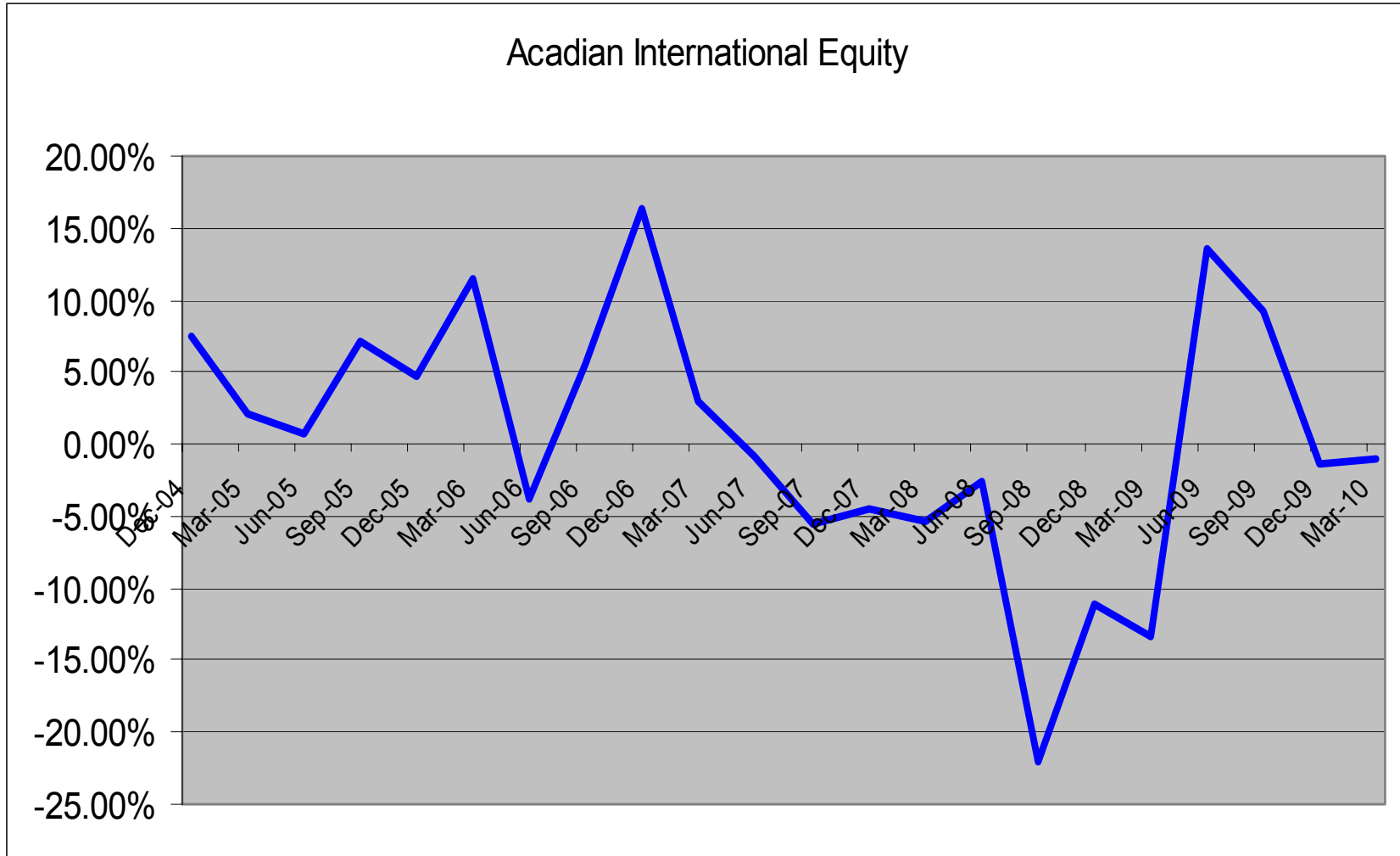
Active Manager Issues

Changes to Canadian Equity Manager from BlackRock to Connor Clark & Lunn

What's the same?	What's changing?	What are the advantages?
<ul style="list-style-type: none">▪ Similar core style, <i>i.e.</i>, no strong style bias▪ Low tracking error (should expect returns close to the index but should add value against it over time)	<ul style="list-style-type: none">▪ Before 100% quant▪ Now 50% quant, 50% fundamental GARP	<ul style="list-style-type: none">▪ More faith in the C,C. & L research team (With BlackRock, there is concern that over time, the computer models underlying the fund will no longer be as strong as they once were.)

Active Manager Issues

Underperformance at Acadian – Starting to See Improvement





Changes to Portfolios and Managers

Changes to Portfolios Made in March 2010

What's the same?	What's changing?	What are the advantages?
<ul style="list-style-type: none"> ▪ Names ▪ Asset mixes 	<ul style="list-style-type: none"> ▪ One unit value for the portfolio instead of individual values for each underlying fund ▪ More efficient rebalancing mechanism 	<ul style="list-style-type: none"> ▪ Better communications: <ul style="list-style-type: none"> – A single Morningstar sheet per portfolio – Easy to track on member statements and website ▪ Allows you to compare the portfolio's returns whereas before you had no performance history ▪ Small fee reduction ▪ Added flexibility: can combine portfolios and funds à la carte in the same account

Fees Remain Low

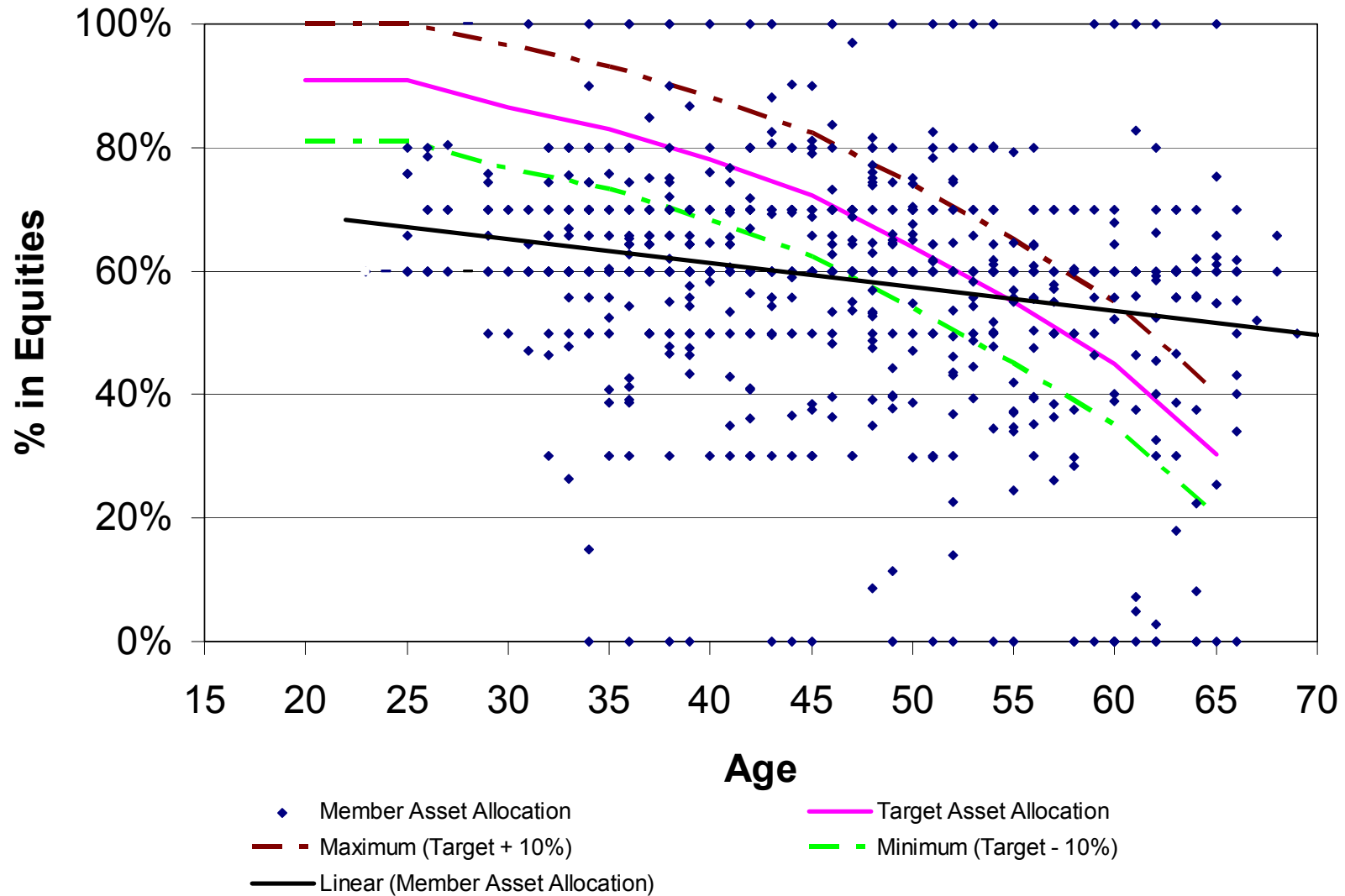
Period	Fee before GST
Money Market Fund	0.15%
Canadian Bond Index Fund	0.16%
Canadian Equity Fund	0.25%
U.S. Equity Index Fund	0.16%
International Equity Fund	0.91%

- In addition to fees noted above, the segregated funds experience operating expenses on an as incurred basis. The expenses typically range from 0.03% to 0.05% p.a.
- These fees are substantially lower than retail mutual fund fees (even within high-net-worth programs), resulting in a big advantage for Pension Plan members



Managing Risk

Investment Patterns of SMU DC Participants



Tolerance for Short Term Risk Varies with Proximity to Retirement

Two examples

What if 30% decline in account balance?



Jane, age: 35

Service: 2 years

Salary: \$50,000

Balance: \$15,000

Projected retirement replacement ratio (% of average pay at retirement):

- From government programs: 31%
- From current balance: 4%
- From future contributions & investment returns thereon: 42%

Total 77%

New Balance: \$10,500

- ⇒ 31%
- ⇒ 3%
- ⇒ 42%
- ⇒ 76% ↓ 1%



John, age: 60

Service: 30 years

Salary: \$100,000

Balance: \$500,000

Projected retirement replacement ratio (% of average pay at retirement):

- From government programs: 18%
- From current balance: 41%
- From future contributions & investment returns thereon: 5%

Total 64%

New Balance: \$350,000

- ⇒ 18%
- ⇒ 29%
- ⇒ 5%
- ⇒ 52% ↓ 12%



Tools Offered under the SMU Plan

- Sun Life Tools
 - Risk assessment questionnaire
 - Retirement planning tools
 - www.sunlife.ca/member
- Five target risk asset allocation portfolios
- If not using pre-built portfolios:
 - Remember the benefits of diversification
 - Periodically check to see whether you need to re-balance your allocation back to your target
- Remember: risk tolerance will likely change over your career
 - Check your risk tolerance periodically and make changes as you deem appropriate

Notices and risk warnings

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