

LIABILITY DRIVEN INVESTMENTS

Speakers:

Bernard Augustin, Addenda Capital

Glenn Barry, Sun Capital Advisers

Emmanuel Matte, Standard Life Investments

Marc-André Soublière, Air Canada Pension Funds

Moderator:

Patrick Ercolano, Fonds commun de placement des régimes de retraite de l'Université Laval

TMX Group

Equities

Toronto Stock Exchange
TSX Venture Exchange
TMX Select
Equicom

Derivatives

Montréal Exchange
CDCC
Montréal Climate Exchange

Fixed Income

Shorcan

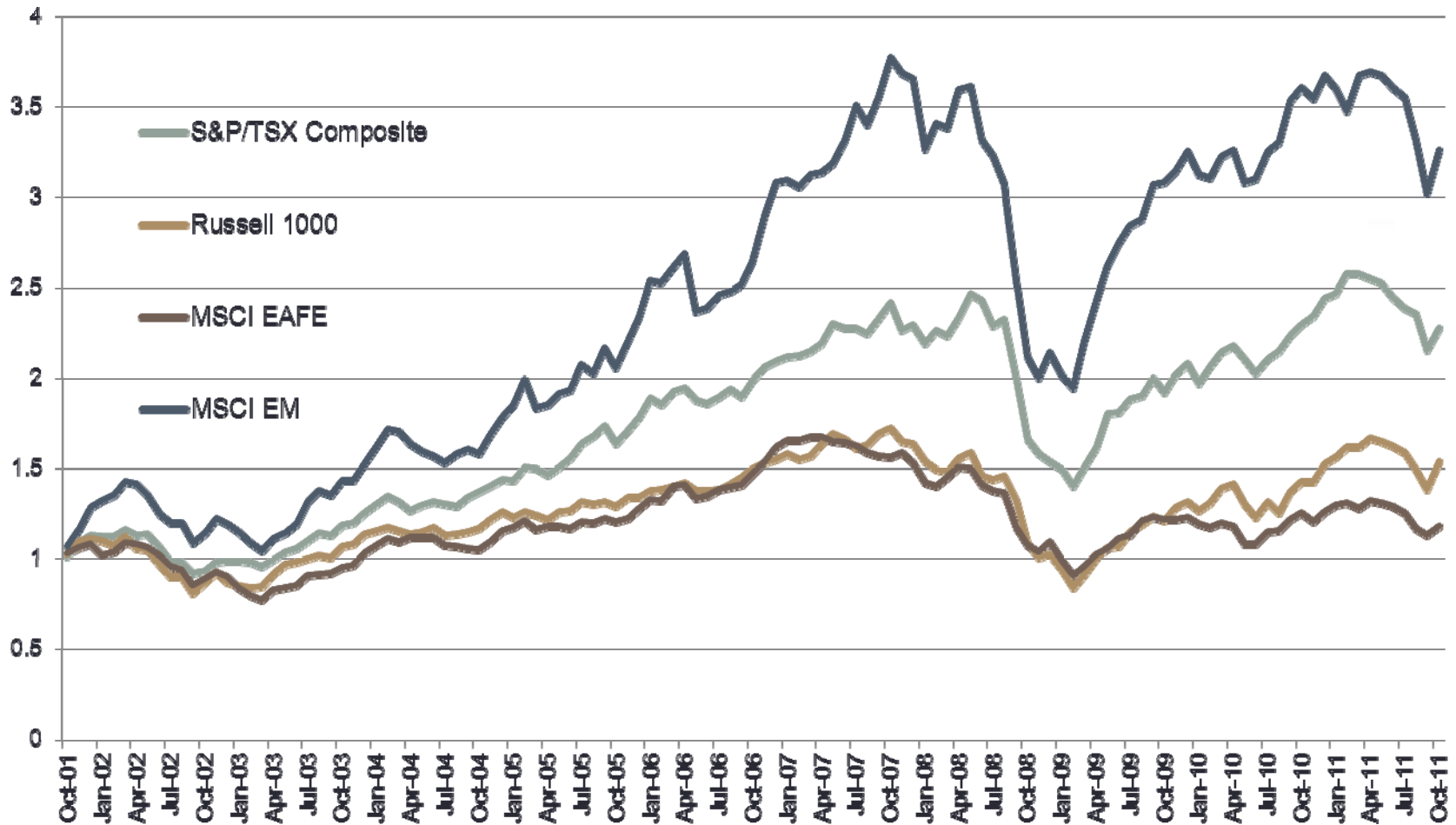
Energy

NGX

Data

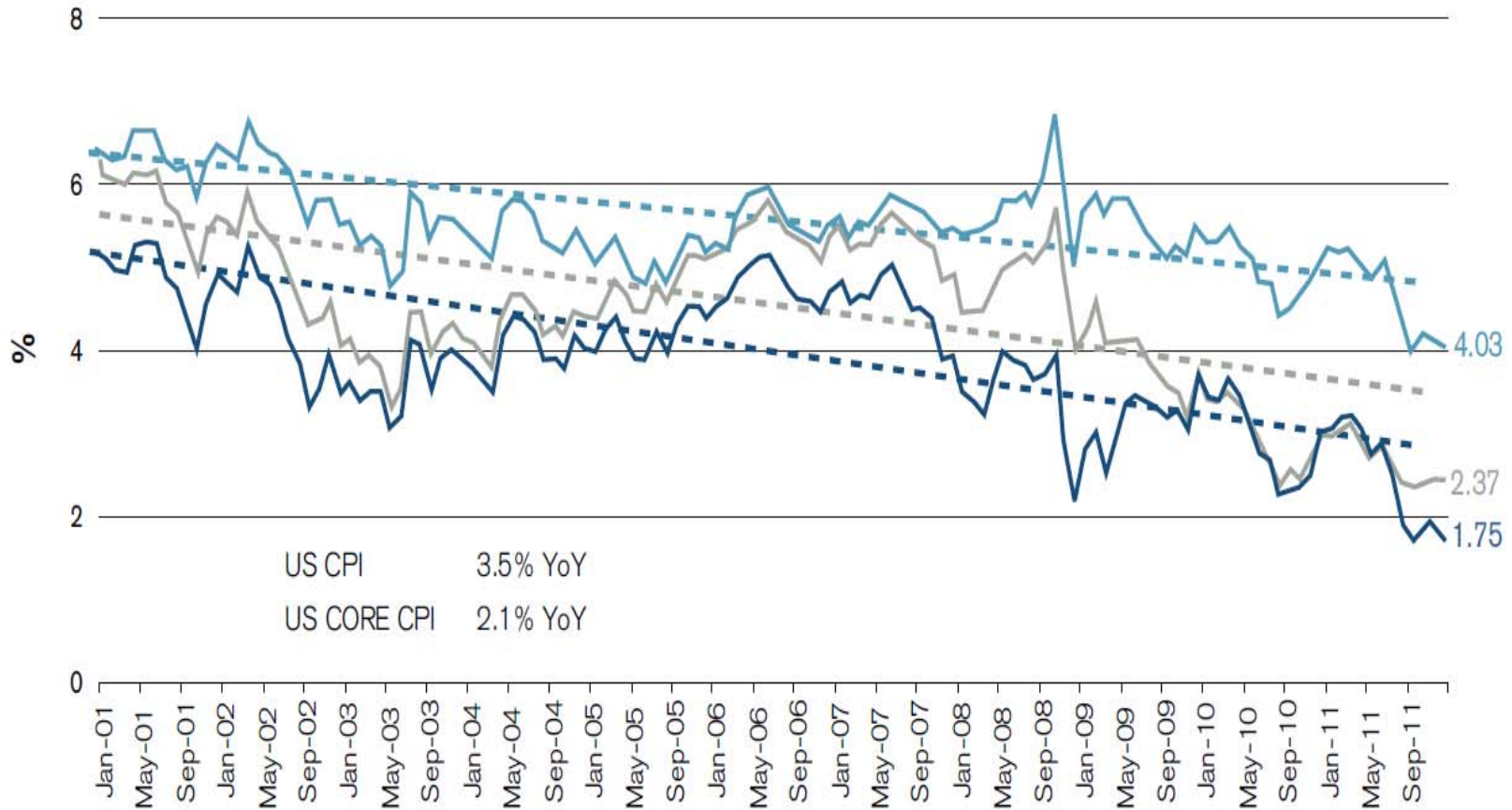
TMX Datalinx
TMX Atrium
PC Bond

Investment Performance of Last 10 Years



Investment Performance of Last 10 Years

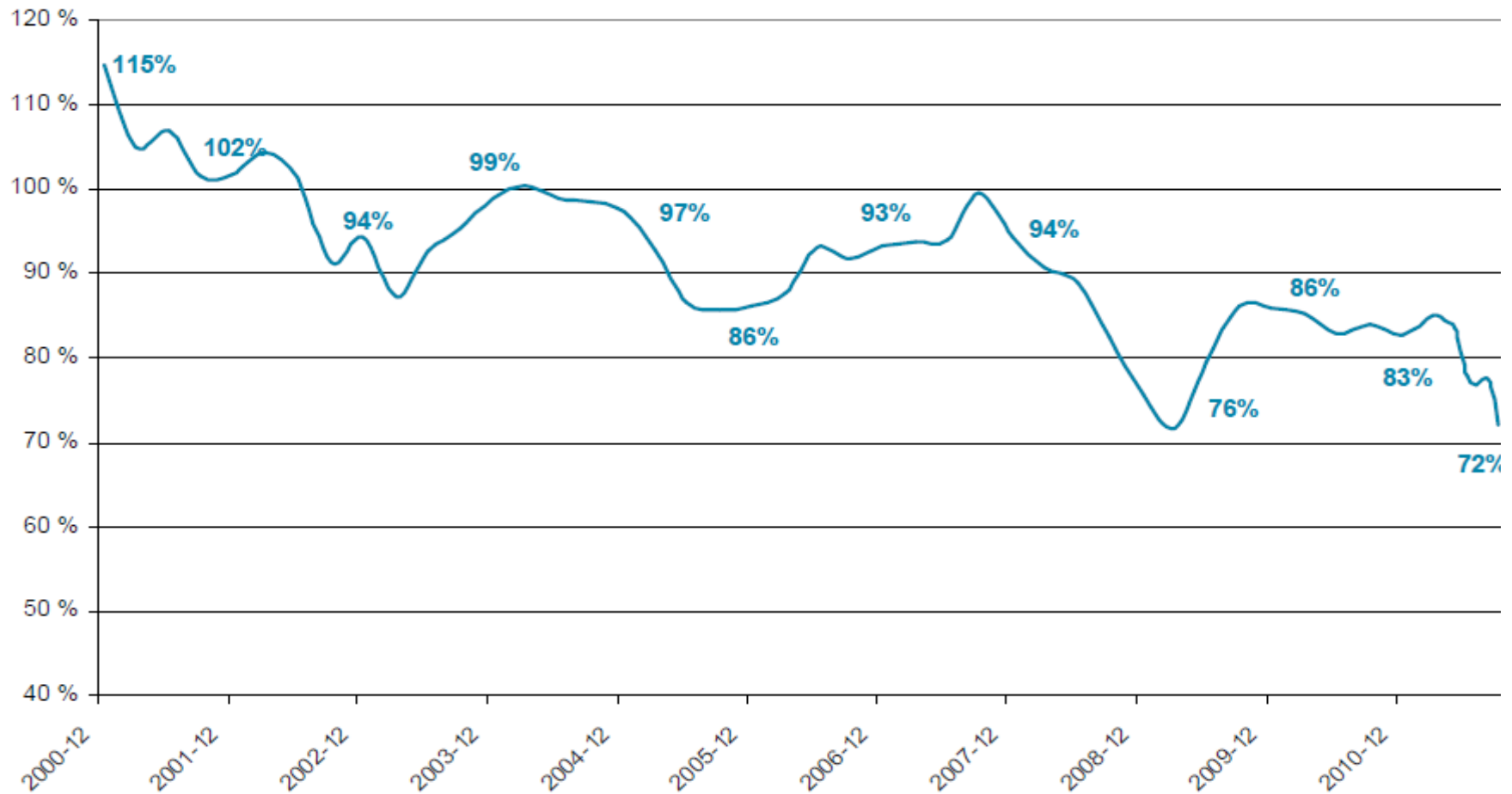
Historical yields of traditional fixed income assets



US CPI 3.5% YoY
 US CORE CPI 2.1% YoY

Barclays US Aggregate Yield-to-Worst Barclays US Treasury 7-10 Year Yield-to-Worst Barclays Long Government/Credit Index Yield-to-Worst

Median Solvability of Canadian Pensions



Source : Aon

Challenges For LDI Implementation

- Convincing decision makers
- Internal Team
 - Size
 - Expertise
- Liabilities structure
- Structuring the strategy considering:
 - Asset default potential
 - Actuarial assumptions
 - Interest rate mismatch
- Allocation
 - Specific proportion to assets or liabilities
 - Glidepath

Timing

- Low interest rates environment
- Underfunded pension status
- Equity markets
- Crowding out effect
- Long term vs. short term

LDI Risks

- Quantifying risk
- Credit risk in swaps and other products
- Counterparty risk
- Liquidity risk
- Basel III implementation and liquidity requirement

Strategic vs Tactical

- Alpha vs. Beta
- Hedge fund allocation
- Managing the strategy:
 - Duration
 - Credit
 - Spreads
 - Yield curve
 - Products
- Economic View
- US vs. Canadian markets
- Overseas markets

Tools for Implementation

- Swaps
- Repos
- Swaptions
- Listed derivatives
- Investment structure:
 - Fund
 - Overlay
 - Leverage

Impact of LDI Implementation & Measurement

- Impact for investors
- Economic impact
- Debt emission
- Liquidity
- Volume
- Regulations, reporting & fiscal
- Measurement
 - Alpha
 - Beta
- Benchmarks
 - Libor +
 - Bonds benchmark
 - Liabilities

Future Developments

In a perfect world, what new products would be helpful for an LDI manager?



Questions?



