



WSIB Investment Beliefs

DEFINED BENEFIT RETIREMENT FUNDS

Executive Summary

The following document sets out various investment beliefs of the WSIB. These beliefs pertain specifically to the defined benefit assets of the Fund and do not necessarily apply to the other types of assets under management.

Mission

- 1) The mission of the Fund is to maximize returns at a prudent level of risk. The time horizon for this mission is long-term (i.e., 15+ years).

Risk

- 2) Only some investment risks can be clearly defined and measured at the present time (or ever in some cases).
- 3) The Commingled Trust Fund (CTF) should be compensated at least fairly for the investment risks it takes.
- 4) Risk must be considered at the investment, asset class, and portfolio level.
- 5) The WSIB has a long investment horizon and therefore is subject to complex and systemic global risks that unfold over time, including financial risks resulting from global climate change. Many of these risks are difficult to quantify, but nevertheless, we consider all identifiable risks in our investment process and believe thoughtful consideration of these evolving global challenges is inseparable from long-term investment strategy and performance. We believe that a full disclosure of these risks anticipated by the companies in which we invest and the investment managers with whom we partner, along with full disclosure of what they are doing to manage these risks, is necessary for us to invest responsibly by including long horizon risk assessment in our investment process.

Asset Allocation

- 6) A broadly diversified portfolio is preferable to a liability-driven portfolio because it offers higher expected returns while also assuring benefit security over the long-term.
- 7) The relative performance of asset classes and investment styles is generally subject to reversion to the mean, although timing such move is challenging.

Active Management

- 8) Active management in an asset class is warranted if:
 - a. The asset class, segment(s) of the asset class, or investment strategy is reasonably inefficient;
 - b. There exist managers or partners with skill, persistent performance, and sufficient capacity to meet the WSIB's needs; and
 - c. The WSIB is able to cost-effectively identify and retain those skilled managers or partners.
- 9) While skilled private equity and real estate partners demonstrate persistence in performance, even they will inevitably have less successful funds; therefore, there is a need for diversification among general partners.



- 10) Investment or asset class constraints and/or mandates reduce investment returns.
- 11) Most good investment opportunities attract investment capital and so do many poor investment opportunities.

Performance Measurement

- 12) The primary performance measure for the total Fund is performance relative to the Fund's passive policy benchmark.
- 13) The most relevant performance measure for a public market investment manager is performance relative to an appropriate passive market benchmark.
- 14) Currently available performance benchmarks for private markets have significant shortcomings and should be used with discretion.
- 15) Expenses of the Fund are expenditures of assets of the trust and, therefore, should be carefully measured and managed.

Organizational Core Competencies

- 16) The WSIB must fulfill the mission of the Fund in a manner consistent with the highest fiduciary standards. In keeping with this belief, we abide by the following principles:
 - a. Integrity is not negotiable; and
 - b. Prudence is best demonstrated by a well documented and sound process.
- 17) The success of the investment program and the fulfillment of our mission does not depend on a single competency, but rather requires multiple competencies, including:
 - a. Clear, rational, and strongly held investment beliefs;
 - b. Excellence in board governance;
 - c. Highly skilled staff;
 - d. Alignment of investment policies and practices with investment beliefs;
 - e. Operational excellence and continuous improvement; and
 - f. Effective utilization of best-in-class managers, investment partners, and advisors.