

Ontario Pension Board: Emerging Markets Strategy & Experience

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OPB's Goals:

To protect the long-term vitality of the Plan; and
To achieve stable and affordable benefits and contributions.

Strategic Asset Allocation is the most important investment decision

Mitigate risk of:
(1) Deep/long-term funding **shortfall**;

(2) Significant short/medium term volatility in the Plan's **funded status**.

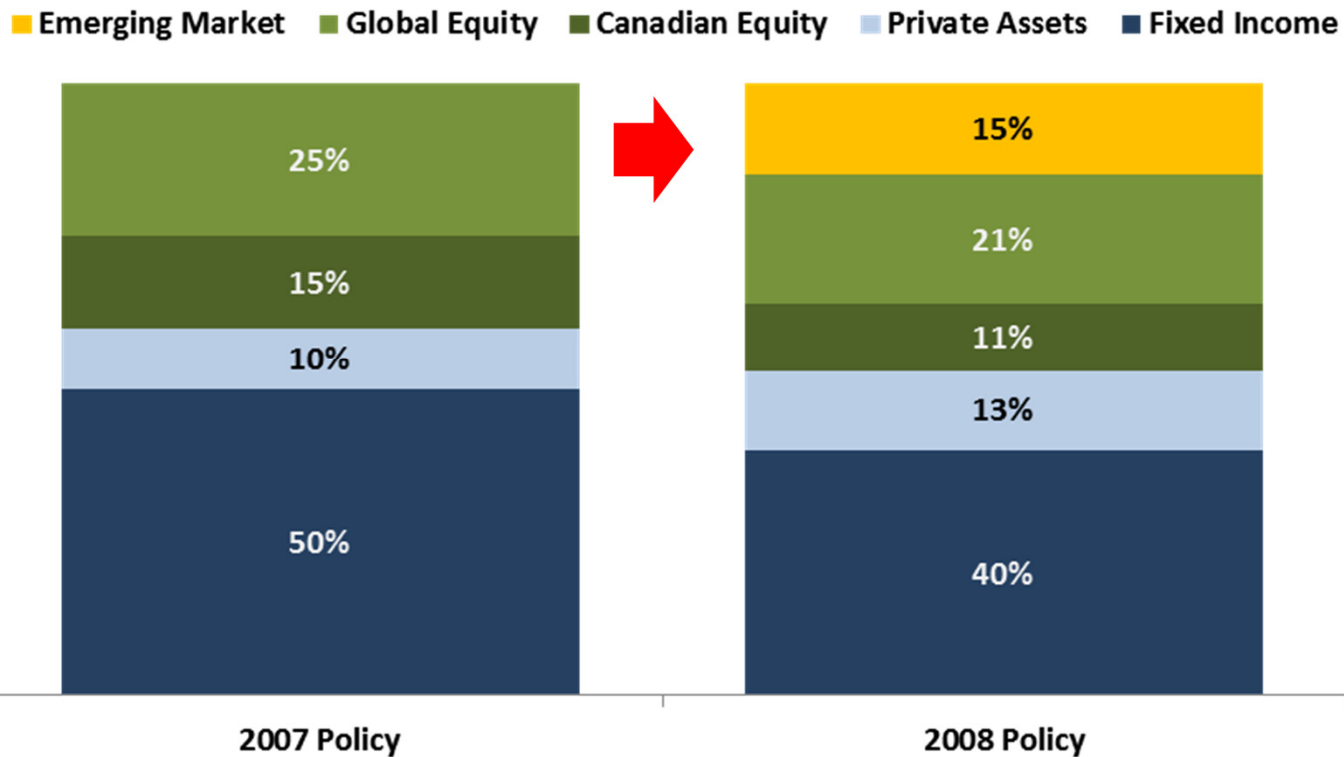
Diversification and **Capital Preservation** are key tenets of the Investment Portfolio.

- ❖ Ontario Pension Board is a \$23 billion pension plan with 15 investment professionals covering both public and private markets.

OPB's Transition Toward Emerging Markets



- ❖ **OPB's initial move towards Emerging Markets started with the 2008 Strategic Asset Allocation:**



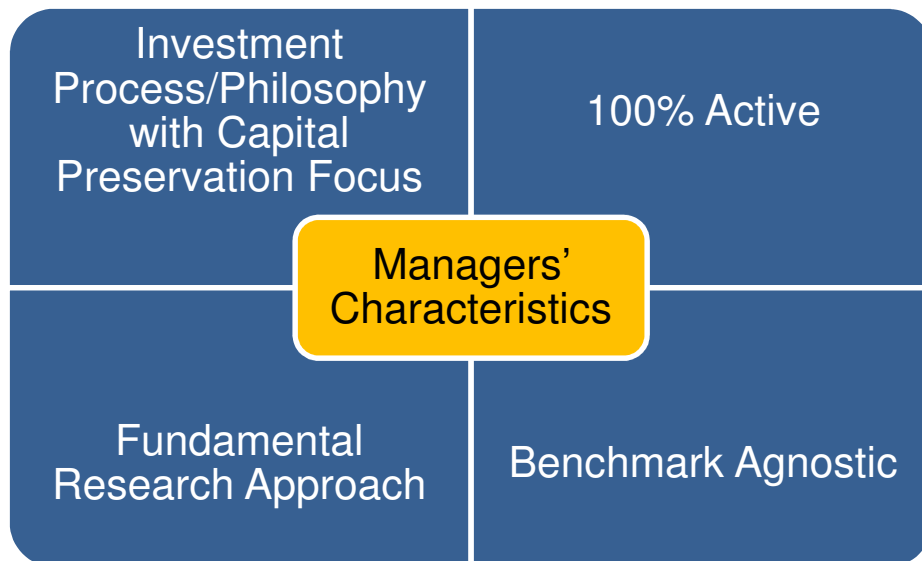
Emerging Markets Return/Risk within the Total Plan Context



❖ **Expectations of the Emerging Markets:**

- i. Emerging markets will be the key driver of future global growth
- ii. Emerging market risk will be one of the largest contributors to the Plan's surplus volatility

OPB's Approach



Expected Performance Characteristics

- Longer term **outperformance** with **lower** absolute risk
- High tracking error to benchmarks
- Good downside protection
- Some underperformance during significant up-markets

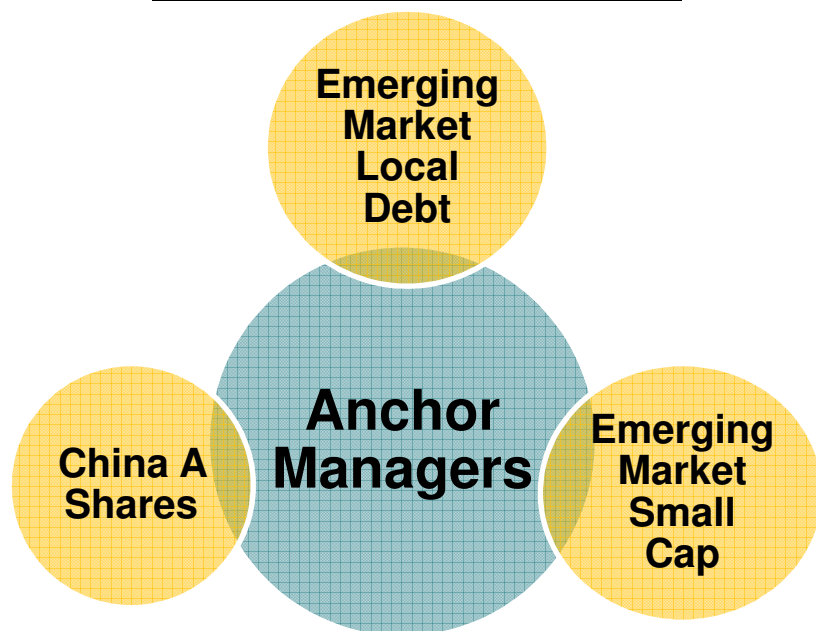
How did we structure our EM exposure?



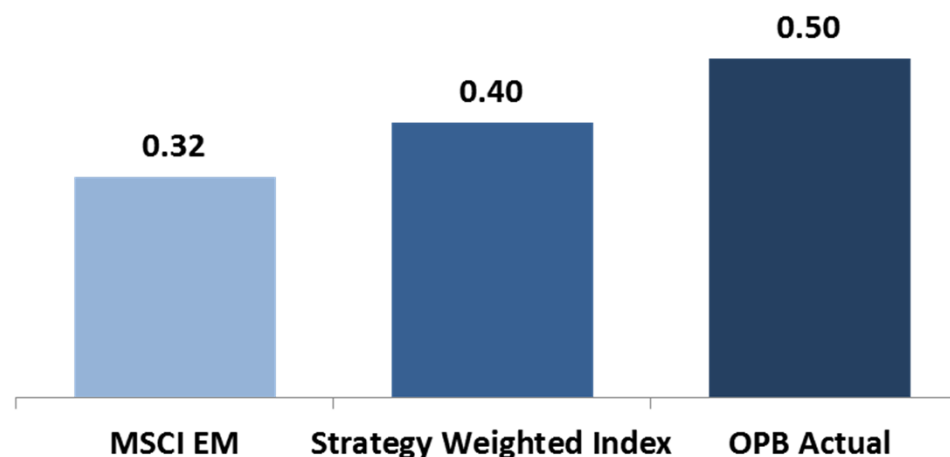
OPB's Goal:

- ✓ Over the longer-term, to outperform the MSCI Emerging Market Index and **achieve the outperformance with lower absolute risk.**

"Anchor + Satellite" Structure



Return/ Risk Ratio (5yr Dec 2014)



Key Questions for Asset Owners

