GSI Newsletter - May 2017

ELCIC Group Services Inc.

An informational bulletin for members of the ELCIC Pension Plan

May 2017

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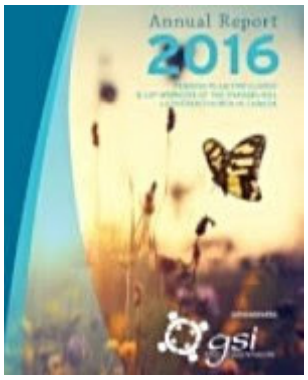


2016 Annual Report

The ELCIC Pension Plan Annual Report for 2016 is now available on our *website*.

If you would like to receive a printed copy of this report please contact the GSI office.

Investment Results - January to March 2017

The ELCIC Pension Plan return for the first quarter of 2017 is 3.0% (before expenses) when combining the results of the Fixed Income Fund and the Growth Fund. Assets in individual member accounts are allocated between these two funds based on the

member's age, so the individual returns will vary based on the allocation.

Here is a breakdown of the results by fund and investment manager:

ELCIC Pension Plan Jan to Mar 2017	ELCIC Pension plan	Median Balanced Pooled Fund		Excess return
All funds combined	3.0%	3.0%		0.0%
Fixed Income Fund Jan to Jun 2016	**ELCIC portfolio**	**Index Benchmark**	**CPI + 1%**	**Excess return**
Bond Fund	1.3%	1.2%		0.1%
Mortgage Fund	1.1%	0.7%		0.4%
Total Fixed Income Fund	1.2%		1.4%	-0.2%
Growth Fund Jan to Jun 2016	**ELCIC portfolio**	**Index Benchmark**	**CPI + 5%**	**Excess return**
Canadian equity value	2.0%	2.4%		-0.4%
Canadian equity growth	0.9%	2.4%		-1.5%
Global equity sustainability fund	7.5%	5.9%		1.6%
Total Growth Fund	4.4%		2.4%	2.0%

Fixed Income Fund

Phillips, Hager & North (PH&N), the fixed income investment manager posted a return of 1.3% for the first quarter of 2017 which continues their slightly better than the index performance trend. PH&N cites their overweight in corporate bonds, which have performed well, as the reason for the out performance. However, as PH&N believes the risk for reward is shifting and due to the recent market strength, they took some profits in the higher beta positions and actively reduced the corporate exposure over the quarter.

Growth Fund

Jarislowsky Fraser (JF), the Canadian equities value manager earned 2% this

quarter which was slightly less than the S&P/TSX Composite. While they believe their overall stock selection was positive, they site the underweight in the Materials sector caused by the portfolio's lack of exposure to gold producers, as the main reason for lagging behind the benchmark.

"Despite uncertainty on a variety of levels," states Jarislowsky Fraser, "economic growth is healthy and seemingly on an upward trajectory." Yet they say their outlook remains cautious as stocks in most equity markets "look slightly expensive".

Manulife Asset Management (MAM) mentioned the addition of several companies to the portfolio this quarter including: Teck Resources Limited, First Quantum Mineral Ltd, Lundin Mining Corporation and Potash Corporation of Saskatchewan.

Manulife reports in their Outlook, "We believe Canadian equities are fairly valued, with healthy expectations for earnings growth in 2017 supporting current valuations."

Allianz GI Global Sustainability Fund outperformed the index this quarter by 1.6%. They state that this is due to positive contributions in "stock selection, sector weights and country allocations". Allianz sees favorable signs in the economic indicators in their outlook, but note that political risks in the US and Europe may make it difficult to find attractive investments.

Responsible Investing: Environmental, Social and Governance (ESG) Considerations

Allianz Global Sustainability Fund was appointed as the global equity investment manager last year for the ELCIC Pension Plan. A key selection criteria in choosing Allianz, was their commitment to using factors related to ESG considerations to make investment decisions for the Sustainability Fund. We would like to share with you an excerpt from one of their publications that demonstrates one example of how they exercise this strategy.

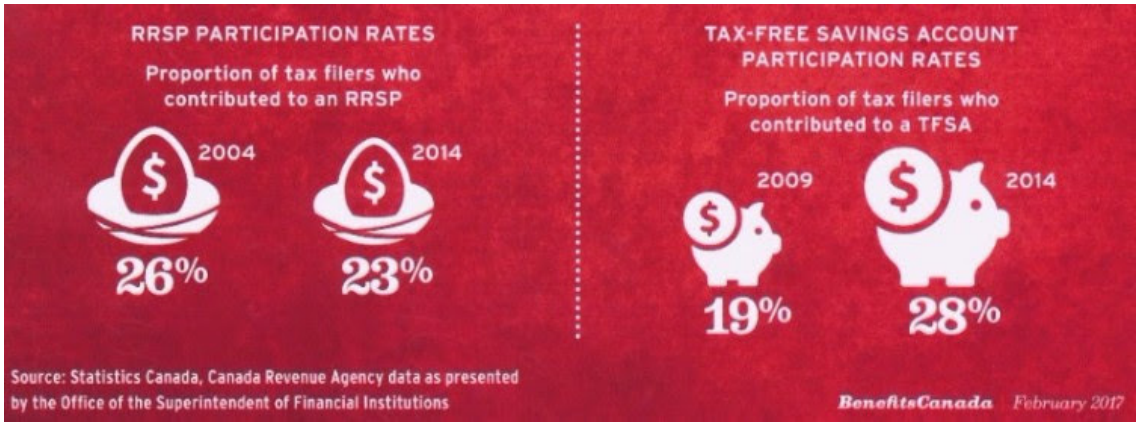
"Investors should consider a drug company's access to medicines strategy before taking a position in a company."

The 'Allianz Global Investors Material ESG Framework' for the pharmaceutical industry includes an allocation to 'Commercial Strategies for Access to Medicines'. Unlike other material ESG factors such as health and safety, which may be included in frameworks for many sectors, access to medicines is a material ESG factor applied exclusively to companies in the pharmaceutical industry.

Although the concept broadly applies for companies in developed countries selling to patients and customers in emerging markets, we apply the metric to large and small

companies in all regions. The factor considers the impact of a company's products on society and measures a company's strategy to develop drugs that address the world's greatest needs. Evaluating a company's "commercial" strategy to providing affordable medicines to poorer patients, though seemingly paradoxical, intentionally points out these approaches can be integrated into for-profit business models with financial benefits to shareholders in the long term.

RRSP Participation versus TFSA Participation



GSI administers pension and benefits plans that enhance the well-being of employees who serve in the ELCIC and its affiliates.

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