

# Open Pension Meeting

December 3, 2010

*thinking forward*

# Agenda

- Discussion of Key Events during 2009/10
- Capital Markets Performance to June 30, 2010 with 3<sup>rd</sup> Quarter Update
- Overview of Pension Fund as of June 30, 2010 & September 30, 2010
  - ✓ Asset allocation by Manager and Asset Mix
  - ✓ Fund performance
- Manager Presentations
  - ✓ Background on firm
  - ✓ Performance as of June 30, 2010
  - ✓ Investment Outlook
- Questions

## Key events during the year

*thinking forward*

# Key events during the year

- Finalized implementation of the new strategic asset allocation based on asset mix study conducted in 2007-2009
- Agreed to move to an integrated global equity mandate from separate US and EAFE mandates after comprehensive discussions on a structuring of the global equity portfolio
  - Provide greater opportunity for managers to generate superior returns
  - More effective approach to access emerging markets such as China, India and Brazil
  - Less costly approach to manager diversification
- Decided to split global equity assets (approximately \$100m) equally between two managers
  - The overall allocation to global equities remained unchanged, at 30% of the total fund

# Key events during the year (cont'd)

- Search for new managers conducted in 1<sup>st</sup> Quarter of 2010
  - Robust search process that considered eight managers
  - Met four finalists candidates on April 9, 2010
- Selected Sprucegrove and Baillie Gifford to manage global equities
  - Sprucegrove was chosen because of its value style that emphasizes bottom up, fundamental research
  - Baillie Gifford was chosen because it favors growth companies and for its expertise in emerging markets
- Revised Statement of Investment Policy and Procedures
  - Approved by Board of Governors in June 2010
- Pension Governance Sub-committee completed a draft Governance Manual
  - Submitted to Mercer for review

# Capital Markets

# Capital Market Performance: June 30, 2010

## Year Ending June 30, 2010

DEX 91-Day T-Bill Index	0.3%
DEX Universe Bond Index	6.9%
DEX Long Bond Index	10.9%
S&P/TSX Composite Index	12.0%
S&P 500 Index (\$Cdn)	4.7%
MSCI EAFE Index (\$Cdn)	-2.7%
MSCI Emerging Markets Index (\$Cdn)	13.0%
Median Manager in Mercer Balanced Universe	6.9%

# Impact of Interest Rates and Currency

- Yield on long term bonds has decreased which increases liabilities of pension fund
  - Yield for the DEX Long Bond Index:
    - June 30, 2009: 4.91%
    - June 30, 2010: 4.47%
- For the unhedged Canadian investor, foreign equity returns were dampened by the strong appreciation of the Canadian dollar

Returns	1 Year to June 30	Year-to-Date 2010 (to Nov 23)
Global Equities in CAD \$*	1.4%	3.3%
Global Equities in Local Currency*	12.1%	5.2%

\*As measured by the MSCI World Index.



# Capital Market Performance: Since June 30, 2010

	Q3 2010	Q4- To Date*
DEX 91-Day T-Bill Index	0.1%	0.1%
DEX Universe Bond Index	3.2%	-1.2%
DEX Long Bond Index	5.6%	-2.3%
S&P/TSX Composite Index	10.3%	3.8%
S&P 500 Index (\$Cdn)	7.4%	3.3%
MSCI EAFE Index (\$Cdn)	12.5%	1.4%
MSCI Emerging Markets Index (\$Cdn)	14.1%	1.0%
Median Manager in Mercer Balanced Universe	7.1%	--

\* October 1, 2010 to November 23, 2010

# Key Issues Facing Pension Plan Sponsors

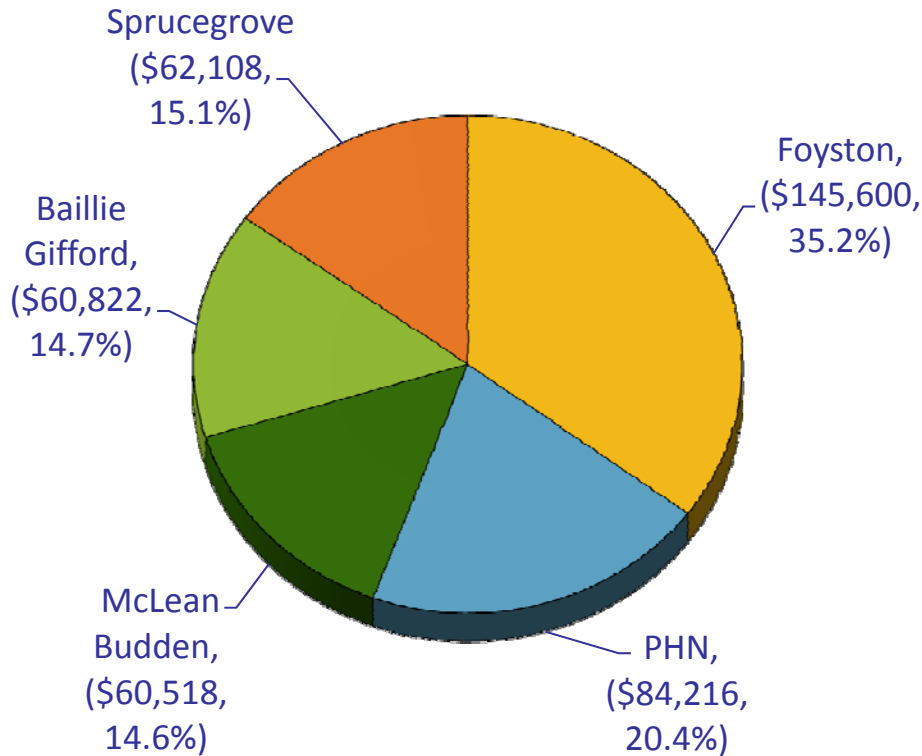
- ✓ Volatile markets and currencies cause great fluctuations in pension costs
- ✓ Low interest rates and low returns on pension funds result in increased pension costs for plan sponsors
- ✓ Much uncertainty about performance of markets and direction of interest rates
- ✓ Managing risk and diversification in pension portfolios
- ✓ Governance

# Performance Results

*thinking forward*

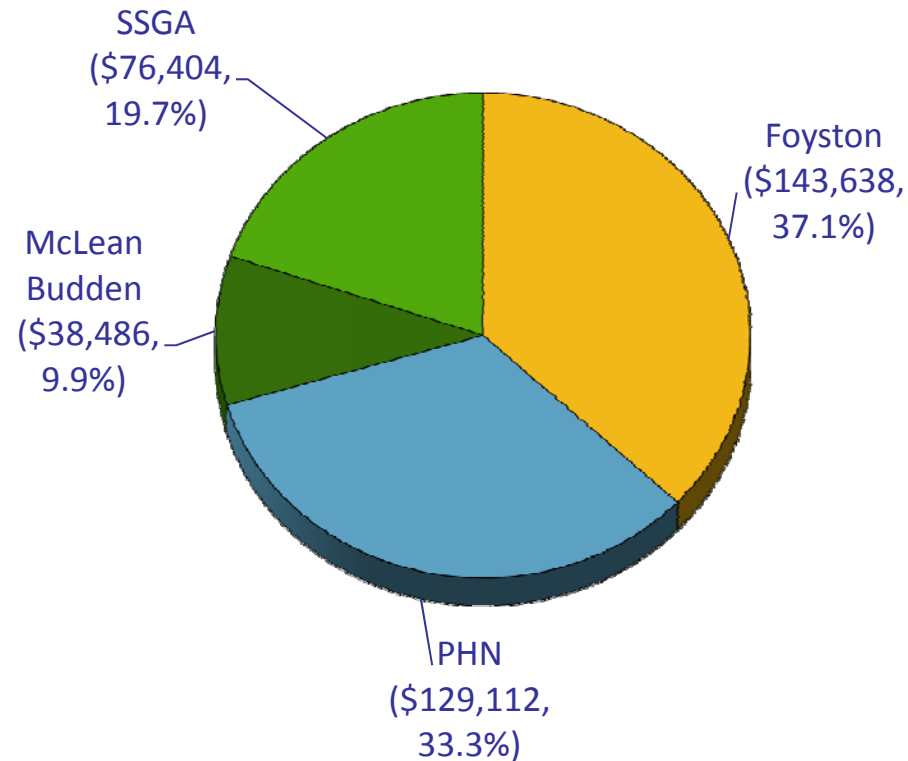
# Asset Allocation by Manager (\$000)

**June 30, 2010**



**Total Market value of the Plan -  
\$415,406,000**

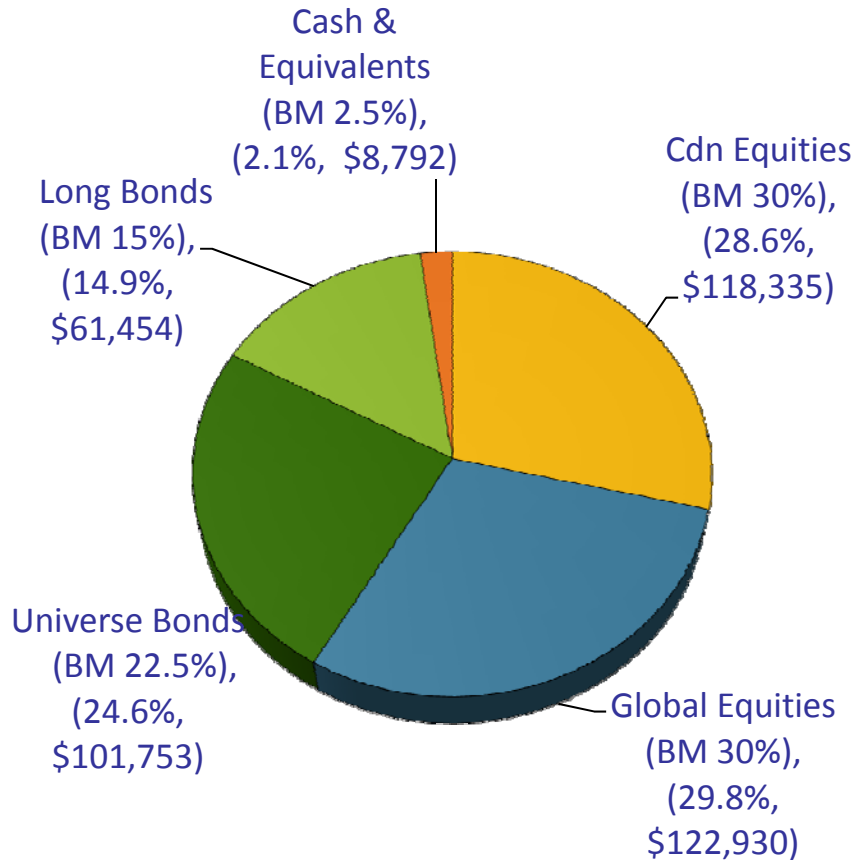
**June 30, 2009**



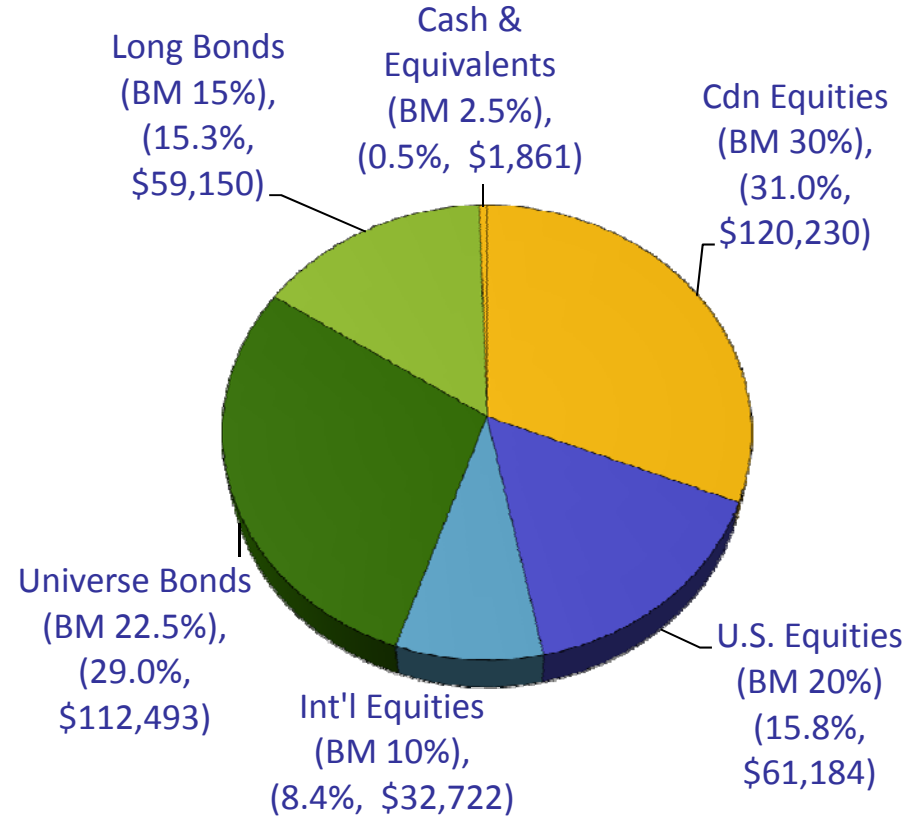
**Total Market value of the Plan -  
\$389,027,000**

# Asset Mix (\$000)

June 30, 2010



June 30, 2009



# Annualized Rates of Return as of June 30, 2010

	Mkt Value at Jun 30/10  (000's)	One Year To Jun 30/10	Annualized to June 30, 2010		
			2 Years	3 Years	4 Years
<b>Total Fund</b>	\$ 415,406	7.93%	-0.47%	-1.09%	2.83%
<b>U of Windsor Benchmark</b>		7.66%	-1.96%	-1.46%	2.16%
<b>Value added target BM+55 bp</b>		8.21%	-1.41%	-0.91%	2.71%
<b>Additional value added (shortfall)</b>		-0.28%	0.94%	-0.18%	0.12%
<b>Faculty Plan portion</b>	\$ 288,706	69.5%			
<b>Non-Faculty Plan portion</b>	\$ 126,700	30.5%			

# Annual Rates of Return as of June 30, 2010

	Market Value June 30/10 (000's)	% MV	Annual to June 30/10	Annual to June 30/09	Annual to June 30/08	Annual to June 30/07	Annual to June 30/06
Total Fund	\$415,406		7.9%	-8.2%	-2.3%	15.6%	5.3%
U of Windsor Benchmark			7.7%	-10.6%	-0.5%	13.8%	6.9%
<b>Allocation by Manager:</b>							
Foyston, Gordon & Payne	\$145,600	35.0%	11.8%	-3.0%	1.0%	14.0%	6.7%
Phillips, Hager & North	84,216	20.3%	11.2%	-3.0%	3.2%	13.9%	5.4%
McLean Budden	60,518	14.6%	6.3%	-25.5%	6.1%	16.6%	7.0%
Baillie Gifford	60,822	14.6%	N/A				
Sprucegrove	62,108	15.0%	N/A				
Cash	2,142	0.5%					
State Sreet Global Advisors - US Index *	-		6.5%	-15.0%	-17.0%	15.3%	-1.3%
State Street Global Advisors - EAFE Index*	-		-3.5%	N/A	N/A	N/A	N/A
Foyston, Gordon & Payne International *	-		2.2%	-13.9%	-15.9%	25.7%	10.0%
	<u>\$415,406</u>	<u>100%</u>					

\* Terminated June 14, 2010

# Impact of Investment Performance for Faculty Plan

**Gross fund return 7.72% for the year ended June 30, 2010**

**Net return of 7.29%**

- Money Purchase balances increased by 7.29% for active members
- Money Purchase pensions for all retirees increased by:
  - 0.35% for those who retired before July 1, 2004
  - 0.35% for those who retired on and after July 1, 2004  
(Actual increase is 50% of excess average return over 6% and mortality adjustment)
- Minimum Guaranteed pensions for all retirees increased by 0.75%



# Impact of Investment Performance for Employees' Plan

**Gross fund return 7.70% for the year ended June 30, 2010**

**Net return of 7.02%**

- Rate of credited interest on employee contributions for the year ending June 30, 2010 is 1.78%
- Average Fund Return for pension increases 2.50%
  - 4 year average of fund return
- Pensions remain unchanged
  - Actual increase is 50% of excess average return over 6%, limited to 50% of the CPI increase (0.75% at June 30, 2010)

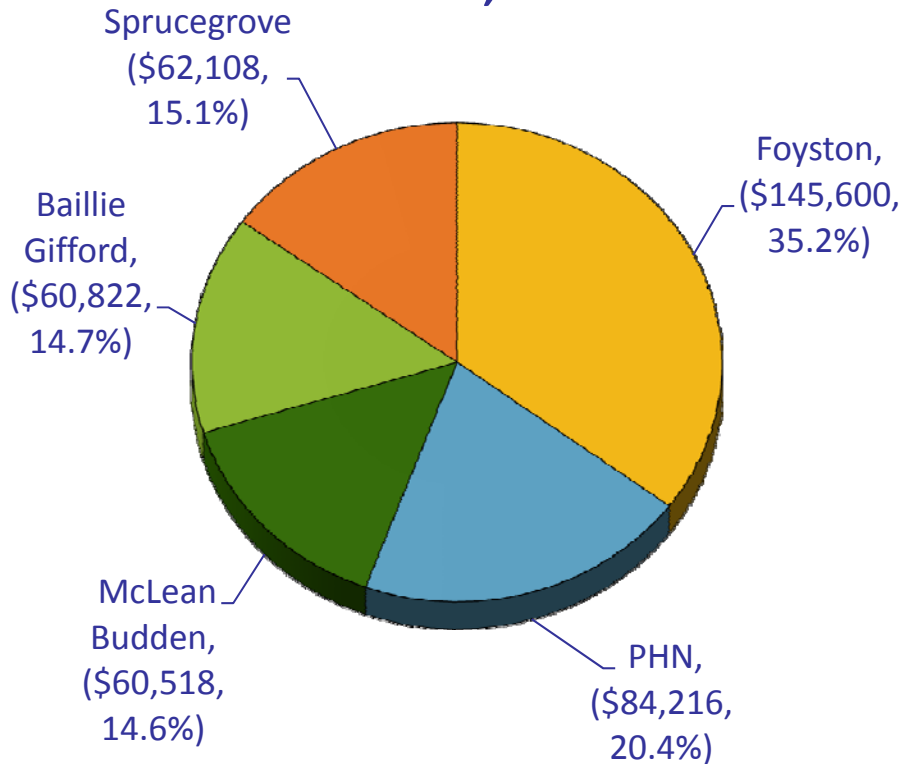
# Annualized Rates of Return as of September 30, 2010

	Mkt Value at Sep 30/10 (000's)	Recent QTR		Annualized to September 30, 2010		
		To Sep 30/10 (3 mths)	One Year To Sep 30/10	2 Years	3 Years	4 Years
<b>Total Fund</b>	\$ 447,758	7.84%	8.97%	7.73%	1.71%	3.56%
<b>U of Windsor Benchmark</b>		7.70%	8.52%	6.38%	1.05%	3.06%
<b>Value added target BM+ 90 bp *</b>		7.93%	9.42%	7.28%	1.95%	3.96%
<b>Additional value added (shortfall)</b>		-0.09%	-0.45%	0.45%	-0.24%	-0.40%
<b>Faculty Plan portion</b>	\$ 310,849 69.4%					
<b>Non-Faculty Plan portion</b>	\$ 136,909 30.6%					

\* Prior to June 30, 2010 Value added target was 55 bps

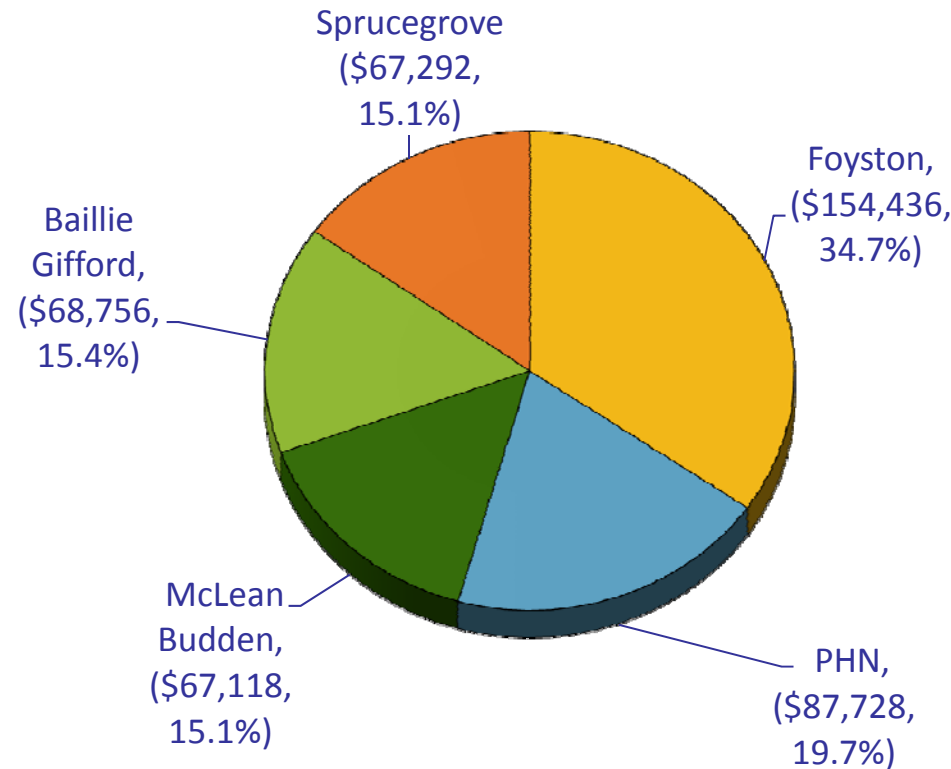
# Asset Allocation by Manager (\$000)

## June 30, 2010



Total Market value of the Plan -  
\$415,406,000

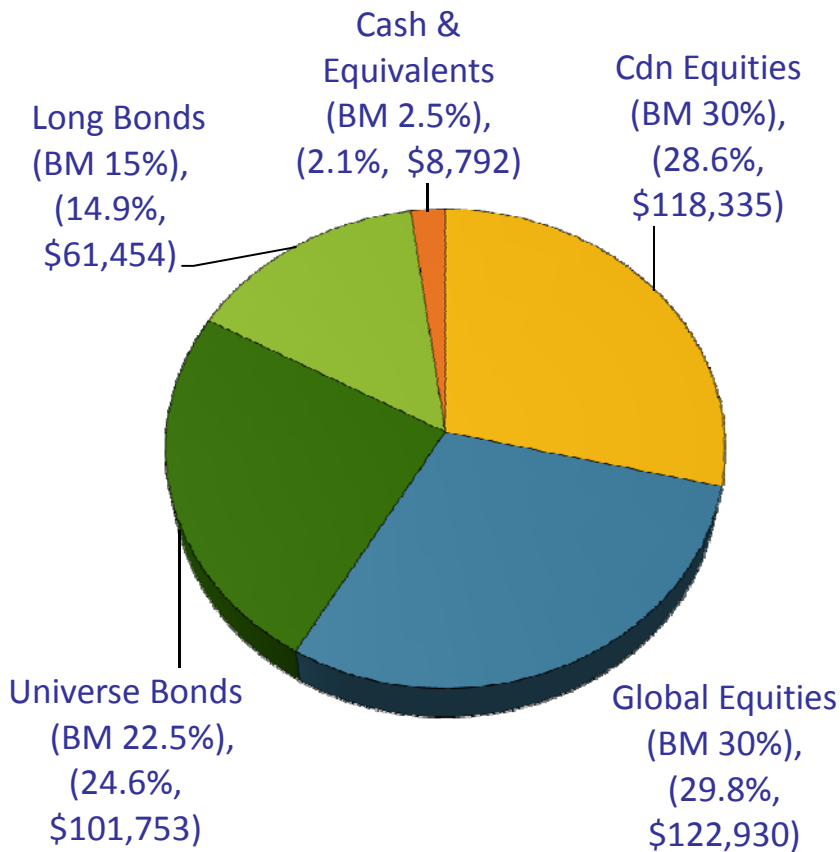
## September 30, 2010



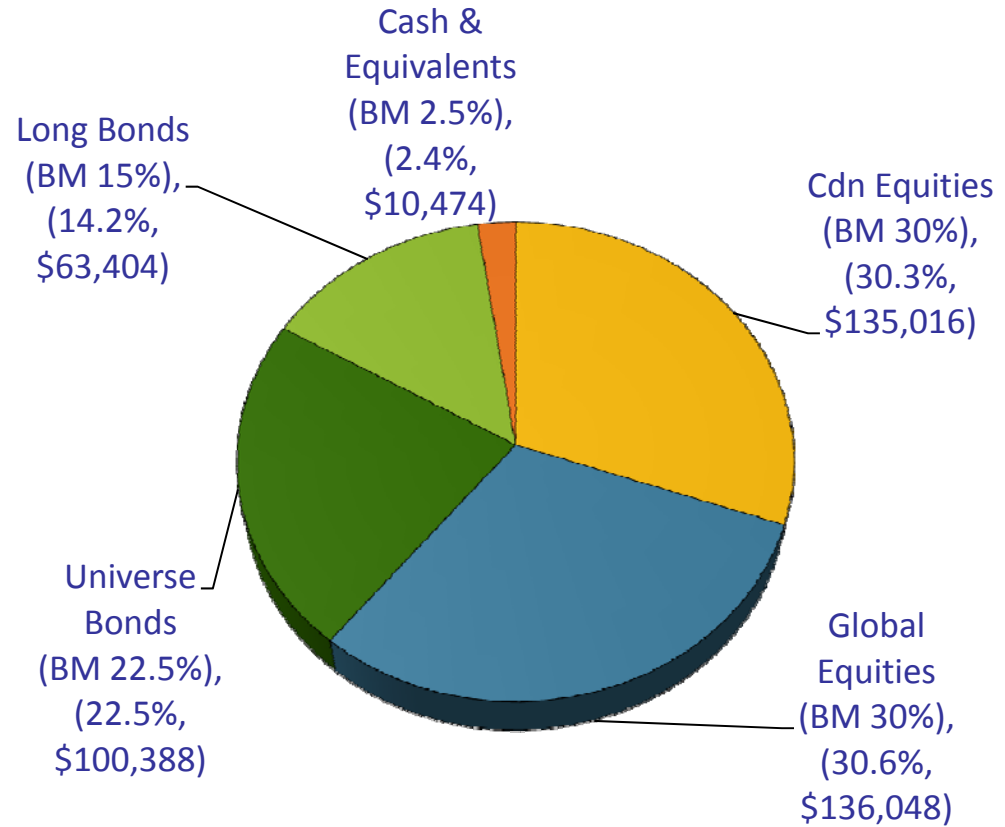
Total Market value of the Plan  
\$447,758,000

# Asset Mix (\$000)

**June 30, 2010**



**September 30, 2010**



# Investment Manager Presentations

1. Foyston, Gordon & Payne
  - Stephen Copeland
2. McLean Budden
  - Scott Connell
3. Baillie Gifford
  - John Carnegie
4. Sprucegrove
  - Marcel Leroux
5. Phillips, Hager & North
  - Michel Rhéaume

# INVESTMENT PRESENTATION

## University of Windsor Pension Plan Open Pension Committee Meeting

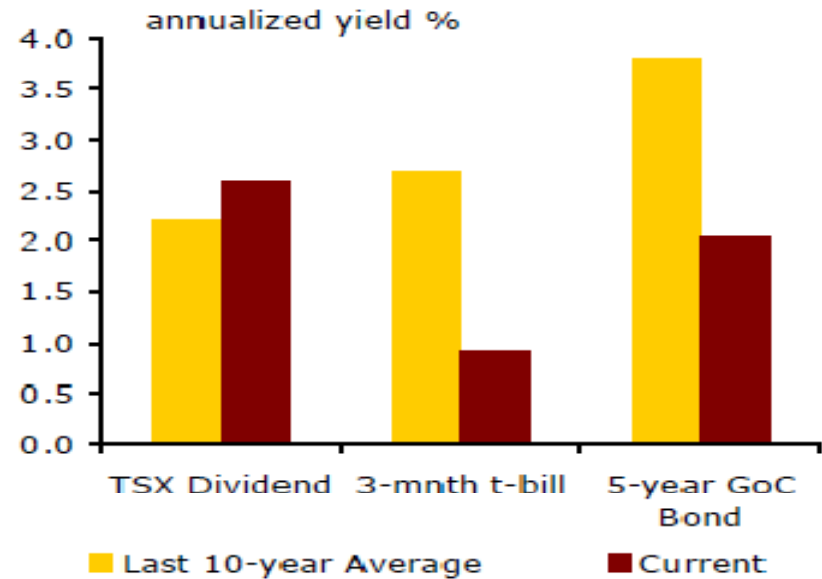
Steve Copeland, CFA  
Senior Vice President

December 3, 2010



- Low market returns expectation – fundamental value, stock selection critical through volatility
  - Economic headwinds
  - Consumer spending
  - High unemployment
  - Deleveraging
- Strategy > Value Drivers:
  - High dividend yield, solid coverage
  - Stable and visible earnings
  - Low P/E
  - Defensive positioning, quality, yield

## Only Dividends Still Above Long-Run Average



Source: CIBC World Markets

# Short Term Market Timing Difficult: Volatility

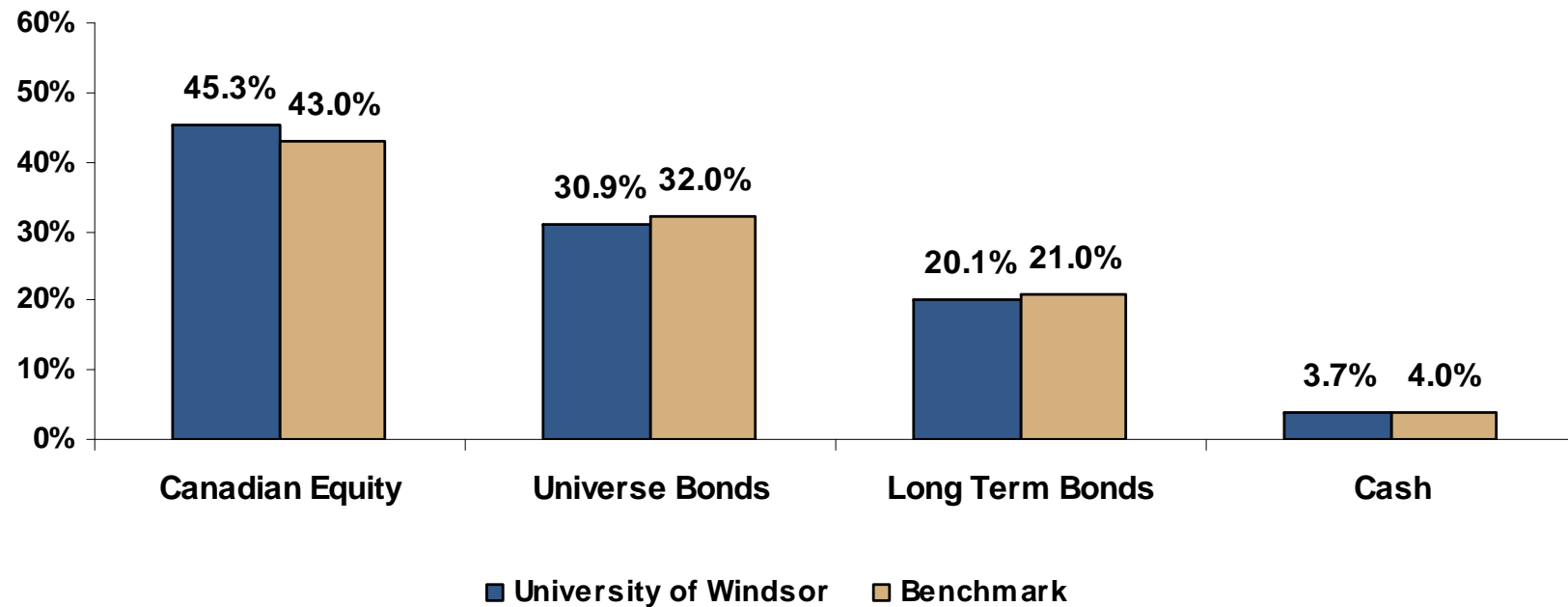
**YTD**  
**U of W Canadian Equities 8.1%**  
**S&P/TSX Composite 7.5%**  
**+0.6%**



Source: StockCharts.com

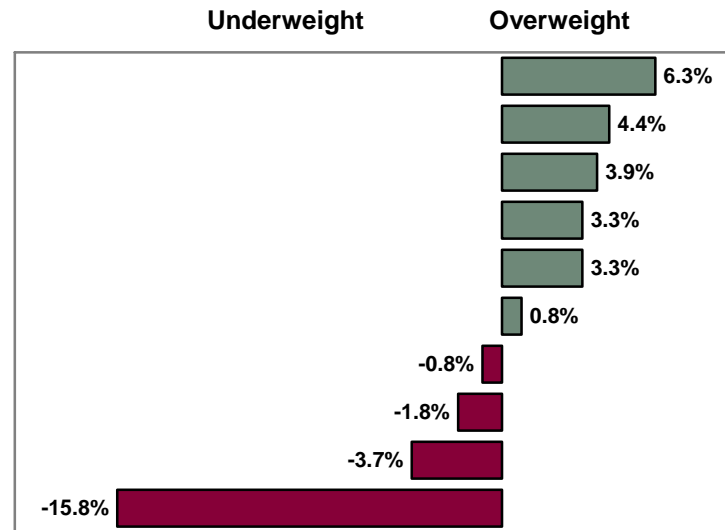


# University of Windsor Pension Plan – Asset Mix



# Canadian Equity Sector Allocation

Sector	S&P/TSX*	University of Windsor
Telecom Services	4.5%	10.8%
Energy	25.7%	30.1%
Consumer Staples	2.7%	6.6%
Financials	29.4%	32.7%
Consumer Discretionary	4.5%	7.8%
Information Technology	2.4%	3.2%
Health Care	0.8%	0.0%
Utilities	1.8%	0.0%
Industrials	5.7%	2.0%
Materials	22.6%	6.8%

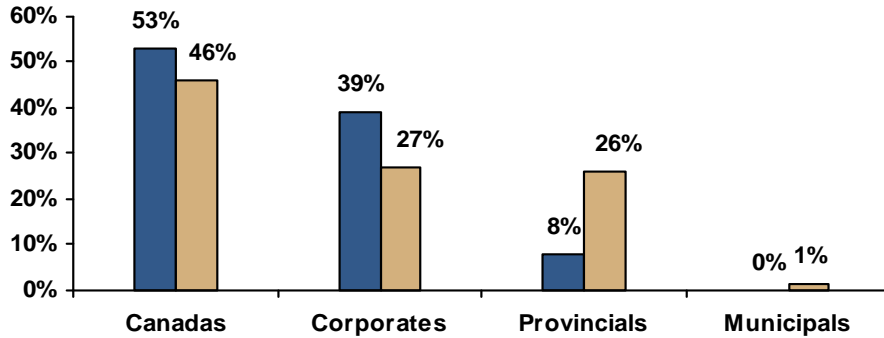


- Small Cap (+14%) and Gold Sector (+18%) rally year-to-date
- Oil price flat – Energy Sector return slightly negative

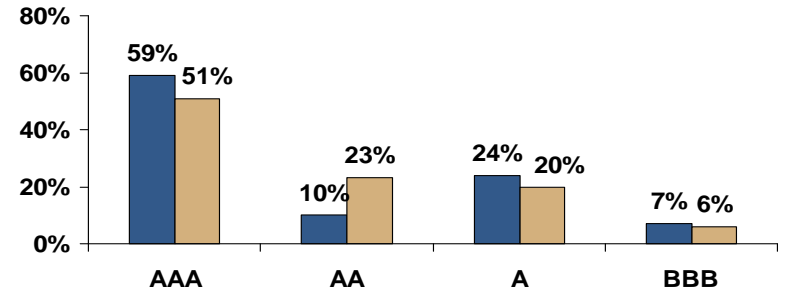
\*Source: National Bank Financial – September 30, 2010

# Portfolio Overview - Fixed Income

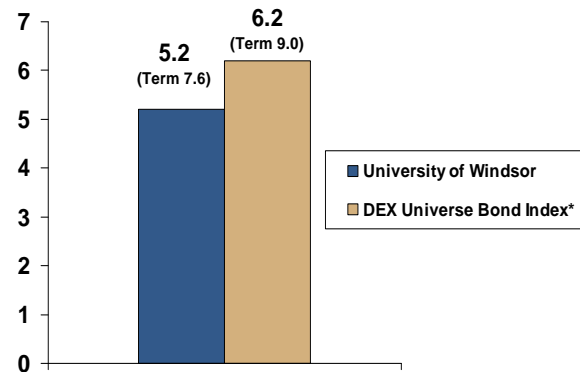
Sector Weightings



Credit Quality



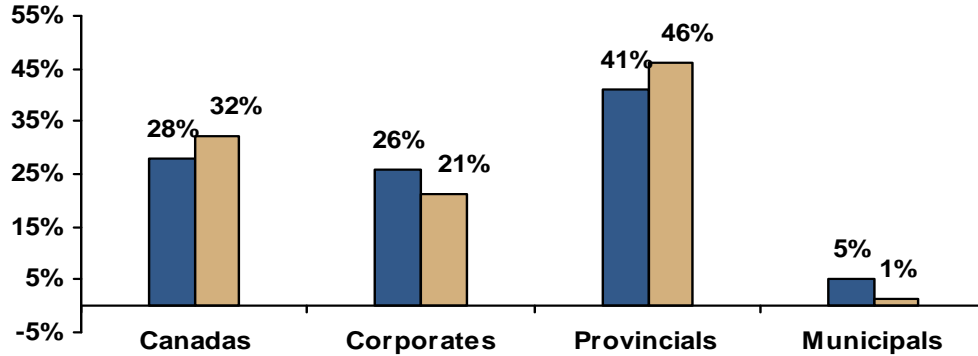
Modified Duration/Term in Years



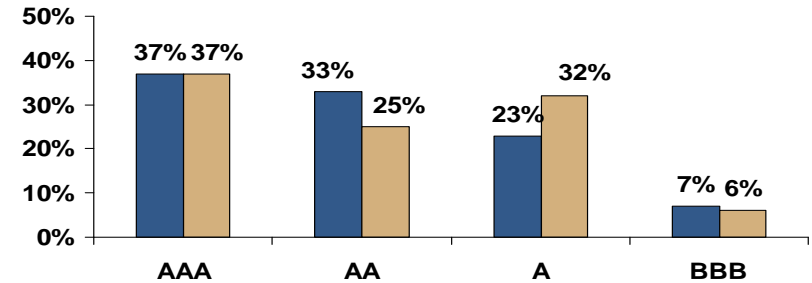
\*Source: PC Bond Analytics – October 31, 2010

# Portfolio Overview - Fixed Income Long Term Fund

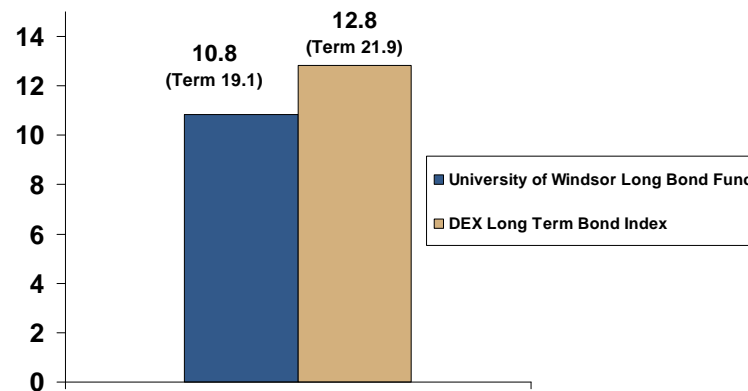
### Sector Weightings



### Credit Quality



### Modified Duration/Term in Years



\*Source: PC Bond Analytics – October 31, 2010

# Investment Management Presentation for

UNIVERSITY  
*of* WINDSOR

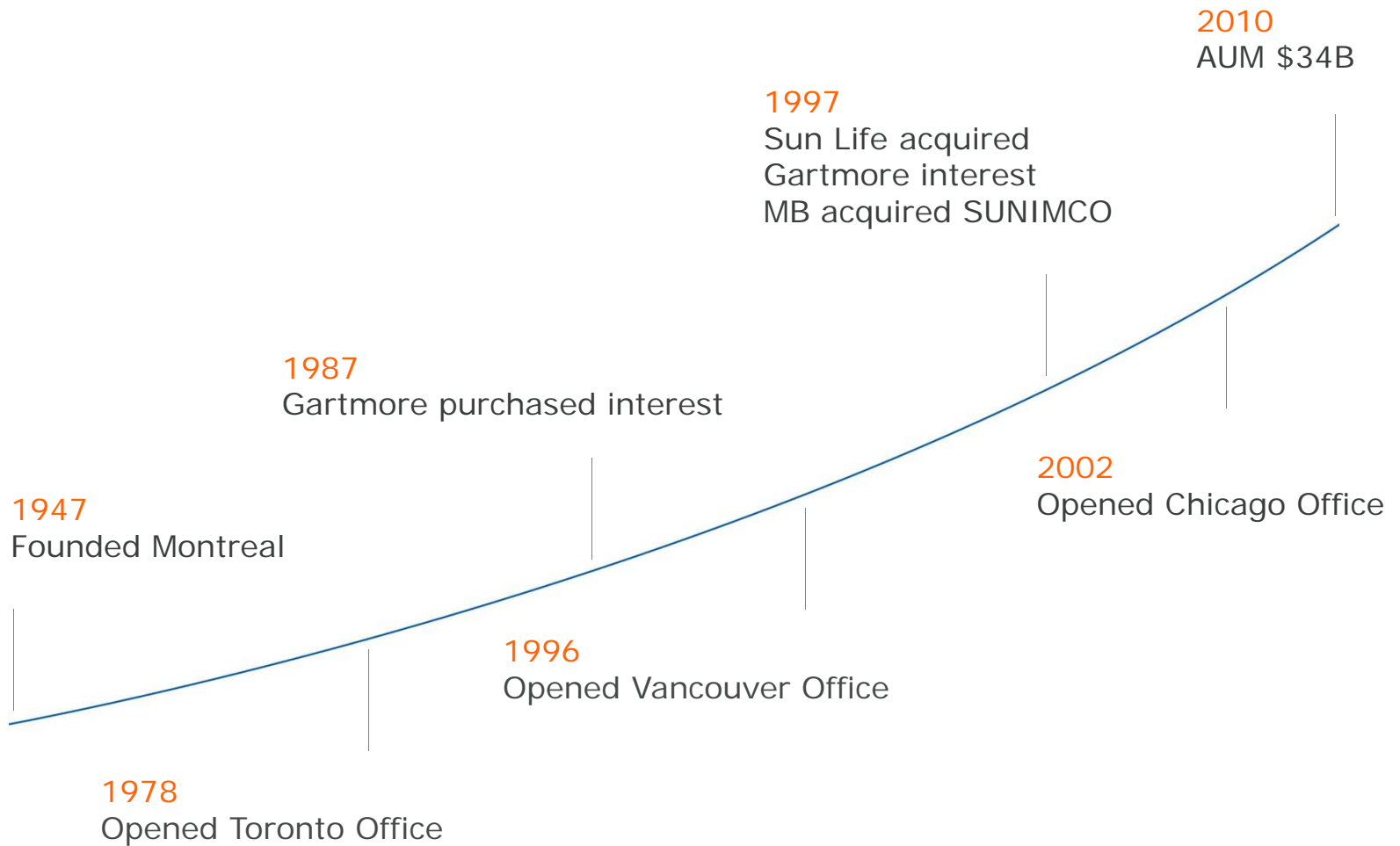
Pension Open House

December 3, 2010

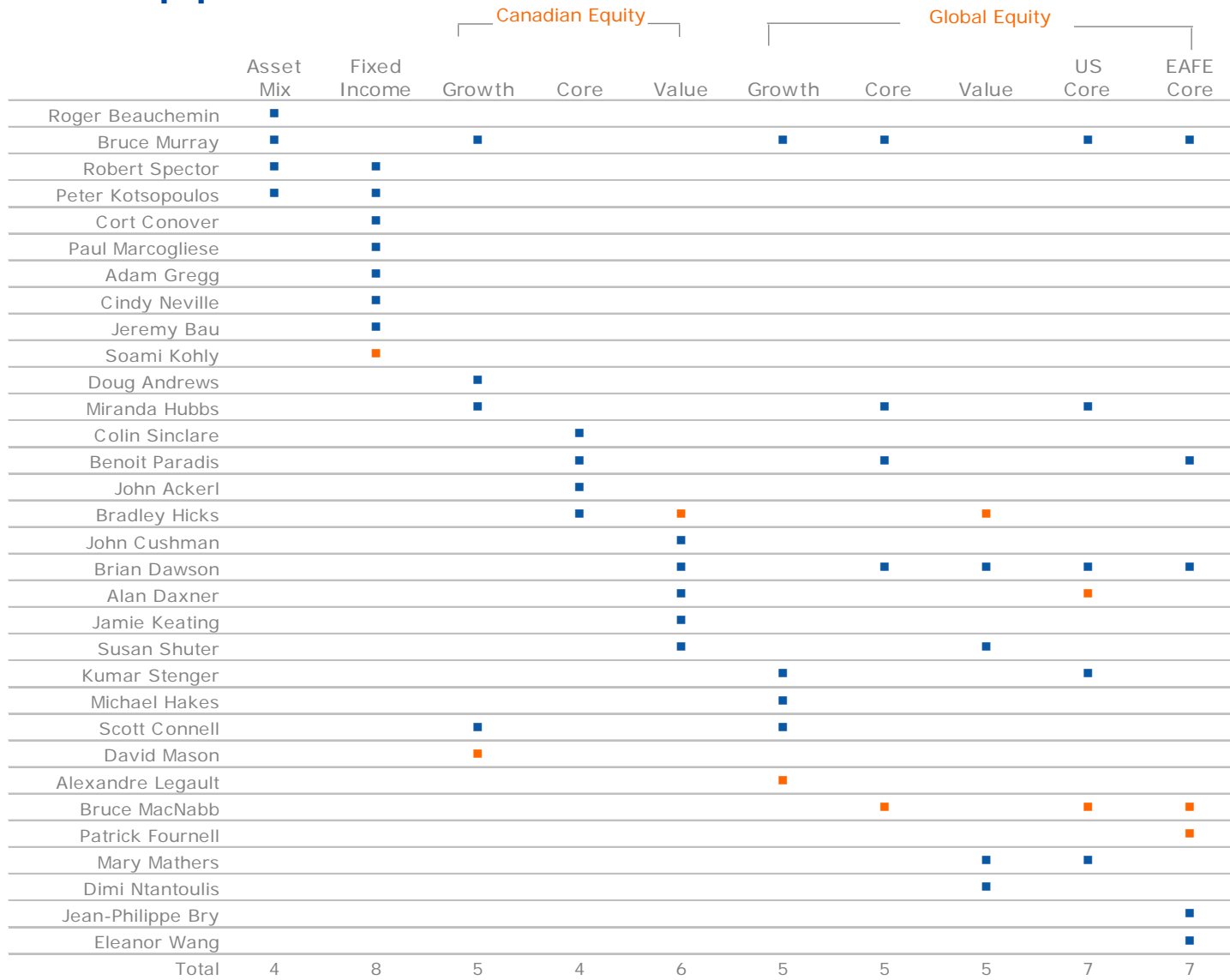
Scott Connell, Vice President  
Bruce Murray, Executive Vice President



# The Company



# Team Approach



■ Product Specialist

# Global Research

	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Information Technology	Telecom	Health Care	Financials	Utilities	Industry Experience	MB Experience
Ryan Ball		■			■						5	5
Ian Bigney	■										9	9
Jean-Philippe Bry									■		24	2
Scott Connell				■		■					13	11
John Cushman	■						■			■	29	5
Brian Dawson			■	■			■				25	21
Michael Hakes				■	■						19	8
Miranda Hubbs	■									■	16	8
Jamie Keating									■		18	3
Mary Mathers			■			■					13	11
Bruce Murray		■	■			■					34	20
Dimi Ntantoulis				■				■			13	4
Benoit Paradis				■							18	13
Yoshiko Saba				■		■					27	7
Susan Shuter				■	■						29	24
Kumar Stenger			■			■			■		22	8
Eleanor Wang		■	■								20	10
Total	3	3	5	7	3	5	2	1	3	2	20	10



# Equity Portfolio Management

## Key Investment Factors

- > Above average earnings growth
- > Financial strength
- > Strong management

## Weekly Meeting

### Manage Existing Positions

- > Address variances vs. target weight
- > Discuss company news
- > Consider recent price target changes

### Consider New Positions

- > Discuss low return stocks in the portfolio
- > Evaluate options in portfolio vs. focus list
- > Present new research
- > Consider recent price target changes

### Review Risk Controls

## Performance

### Periods Ending June 30, 2010

	YTD	1 Year	2 Years	3 Years	4 Years	Inception*
MB Canadian Equity Growth	-6.3	6.3	-11.0	-5.8	2.8	7.1
BMO/TSX Comp CAP 10%	-2.6	12.0	-8.8	-3.9	2.2	7.1

### Periods Ending October 31, 2010

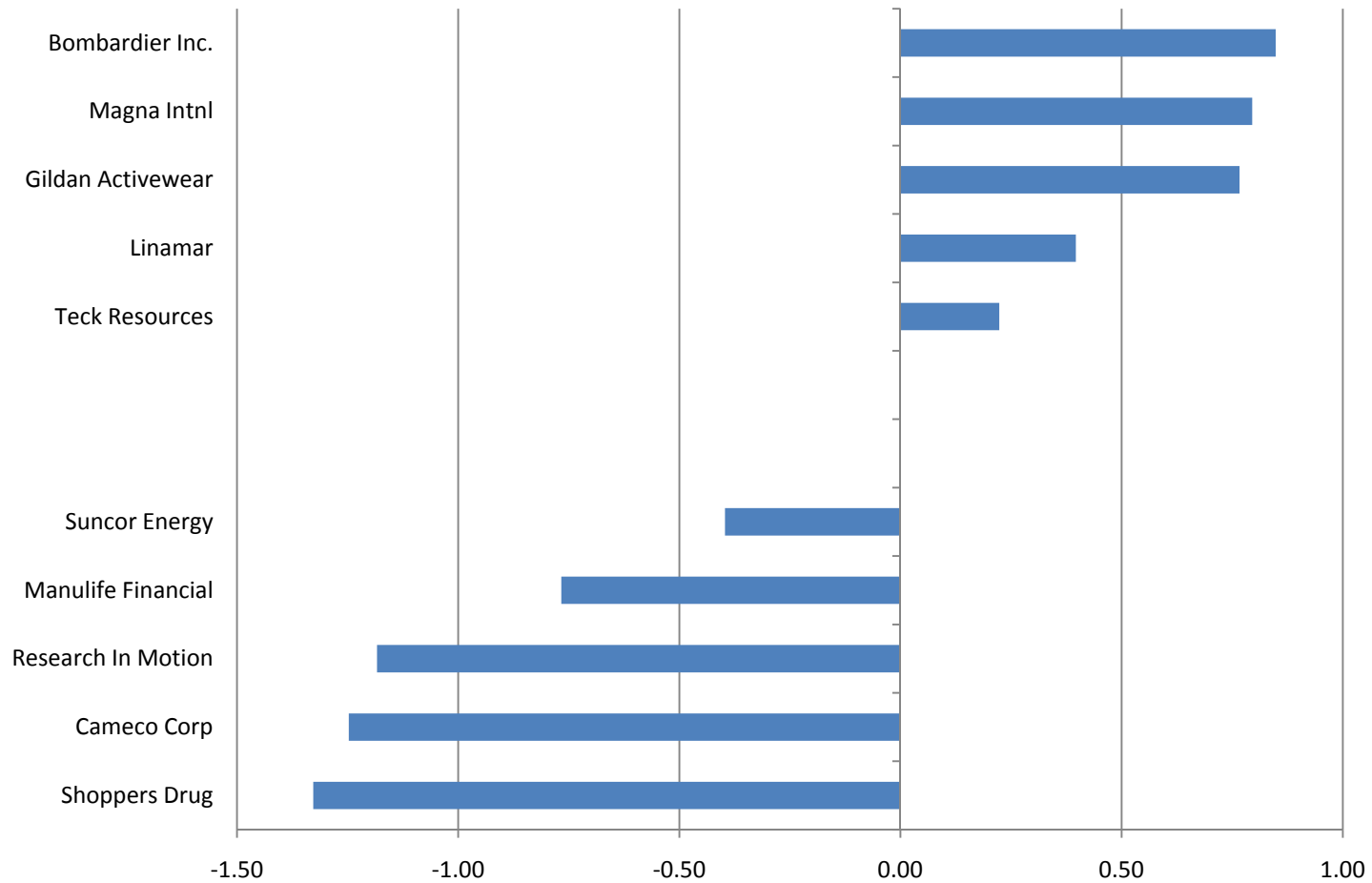
	YTD	1 Year	2 Years	3 Years	4 Years	Inception*
MB Canadian Equity Growth	6.8	16.0	18.3	-3.5	3.7	8.4
BMO/TSX Comp CAP 10%	10.4	19.5	17.6	-1.7	3.6	8.3

\* McLean Budden has managed Canadian Equity Growth for the Plan since January, 2002

# Canadian Equity Growth

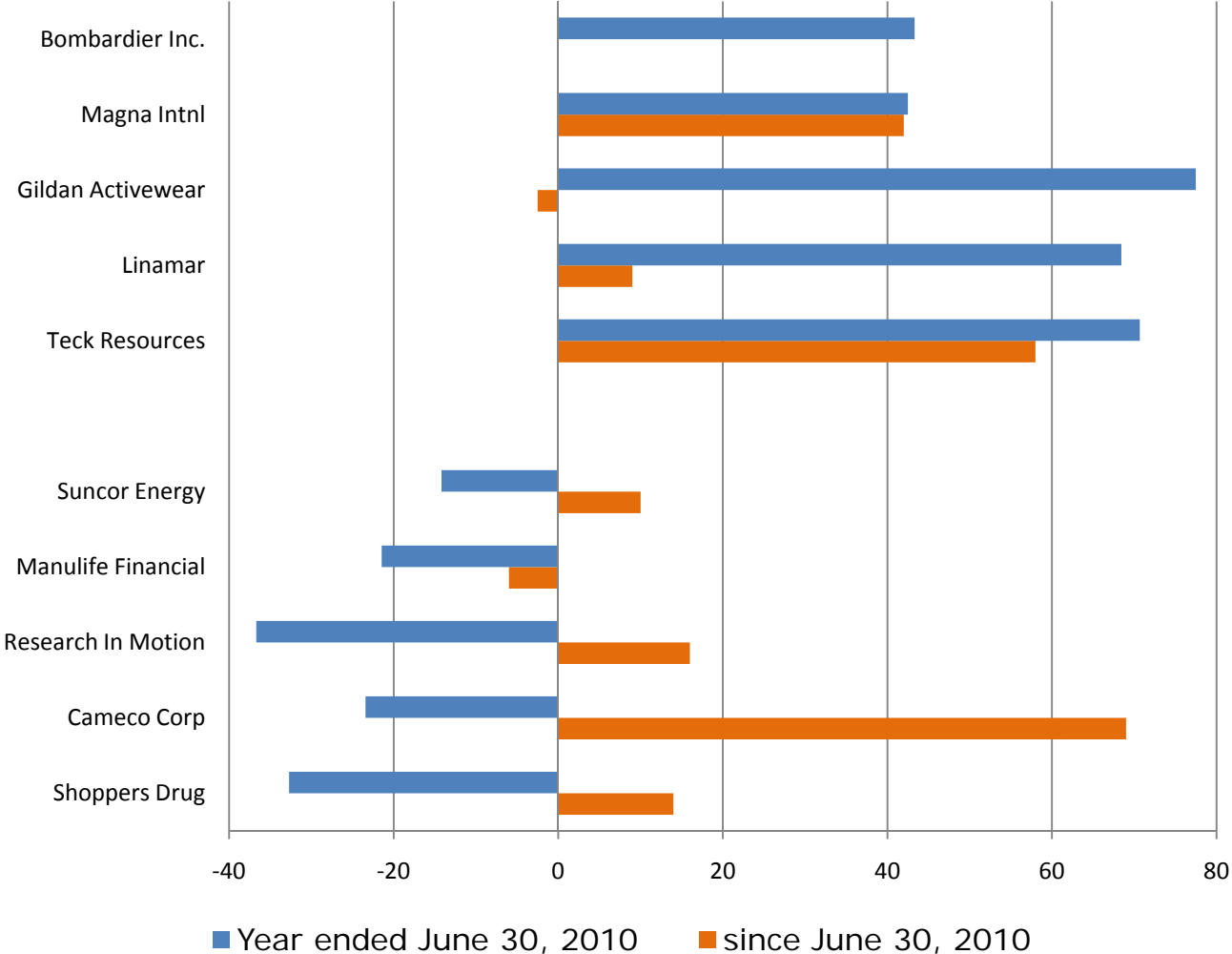
## Portfolio Attribution – Contribution to Portfolio Return

Year ended June 30, 2010



# Canadian Equity Growth

## Portfolio Attribution - Return



# Canadian Equity Growth

## Portfolio Holdings

June 30, 2010

CONSUMER			INTEREST SENSITIVE					
	MB Fund	S&P/TSX Composite		MB Fund	S&P/TSX Composite		MB Fund	S&P/TSX Composite
<b>Consumer Discretionary</b>			<b>Health Care</b>			<b>Financials</b>		
Magna	3.7 %	0.6 %	Other	0.0 %	0.5 %	TD Bank	6.8 %	4.7 %
Thomson Reuters	3.2	1.1	<b>Sub-Total</b>	<b>0.0</b>	<b>0.5</b>	Royal Bank	6.2	5.7
Gildan Activewear	2.2	0.3				Bank of Nova Scotia	4.6	4.0
Tim Hortons	2.1	0.5	<b>Telecommunication Services</b>			Manulife Financial	4.0	2.1
RONA	1.7	0.2	Rogers Communications	1.9 %	1.3 %	Brookfield Asset Management	2.6	0.9
Linamar	1.2	0.1	Other	0.0	3.3	TMX Group	0.8	0.2
Other	0.0	2.1	<b>Sub-Total</b>	<b>1.9</b>	<b>4.6</b>	Other	0.0	12.5
<b>Sub-Total</b>	<b>14.1</b>	<b>4.8</b>				<b>Sub-Total</b>	<b>25.1</b>	<b>30.1</b>
			<b>TOTAL CONSUMER</b>	<b>18.4 %</b>	<b>12.4 %</b>			
<b>Consumer Staples</b>						<b>Utilities</b>		
Shoppers Drug Mart	2.4 %	0.6 %				TransAlta	1.8 %	0.3 %
Other	0.0	2.0				Other	0.0	1.3
<b>Sub-Total</b>	<b>2.4</b>	<b>2.6</b>				<b>Sub-Total</b>	<b>1.8</b>	<b>1.7</b>
						<b>TOTAL INTEREST SENSITIVE</b>	<b>26.9 %</b>	<b>31.8 %</b>
			<b>BASIC INDUSTRIES</b>			<b>TOTAL EQUITIES</b>	<b>100.0 %</b>	<b>100.0 %</b>
<b>Industrials</b>			<b>Materials</b>					
Bombardier	3.5 %	0.6 %	Teck Resources	3.0 %	1.2 %			
Canadian National Railway	3.0	2.3	Goldcorp	2.5	2.7			
Finning	1.6	0.2	Potash	2.4	2.1			
WestJet Airlines	0.9	0.1	Agrium	2.1	0.6			
Other	0.0	2.5	First Quantum Minerals	0.9	0.3			
<b>Sub-Total</b>	<b>9.1</b>	<b>5.7</b>	Other	0.0	13.8			
			<b>Sub-Total</b>	<b>11.0</b>	<b>20.8</b>			
<b>Energy</b>			<b>Information Technology</b>					
Suncor Energy	7.1 %	3.8 %	Research In Motion	5.8 %	2.0 %			
Canadian Natural Resources	4.4	3.0	Open Text	2.2	0.2			
Talisman	4.2	1.3	Other	0.0	0.6			
Cameco	3.5	0.7	<b>Sub-Total</b>	<b>8.0</b>	<b>2.8</b>			
Cenovus	3.4	1.6						
EnCana	3.1	1.9	<b>TOTAL BASIC INDUSTRIES</b>	<b>54.7 %</b>	<b>55.8 %</b>			
Athabasca Oil Sands	0.5	0.0						
Trican Well Service	0.5	0.2						
Other	0.0	14.1						
<b>Sub-Total</b>	<b>26.7</b>	<b>26.6</b>						

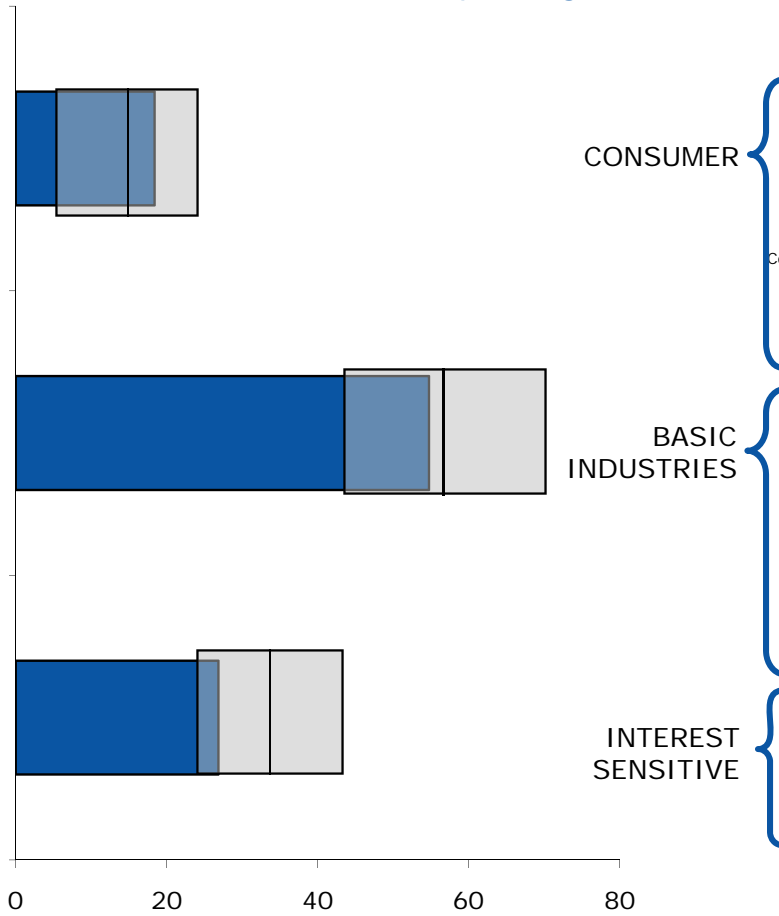
# Canadian Equity Growth

## Risk Controls

June 2010

### Economic Sectors

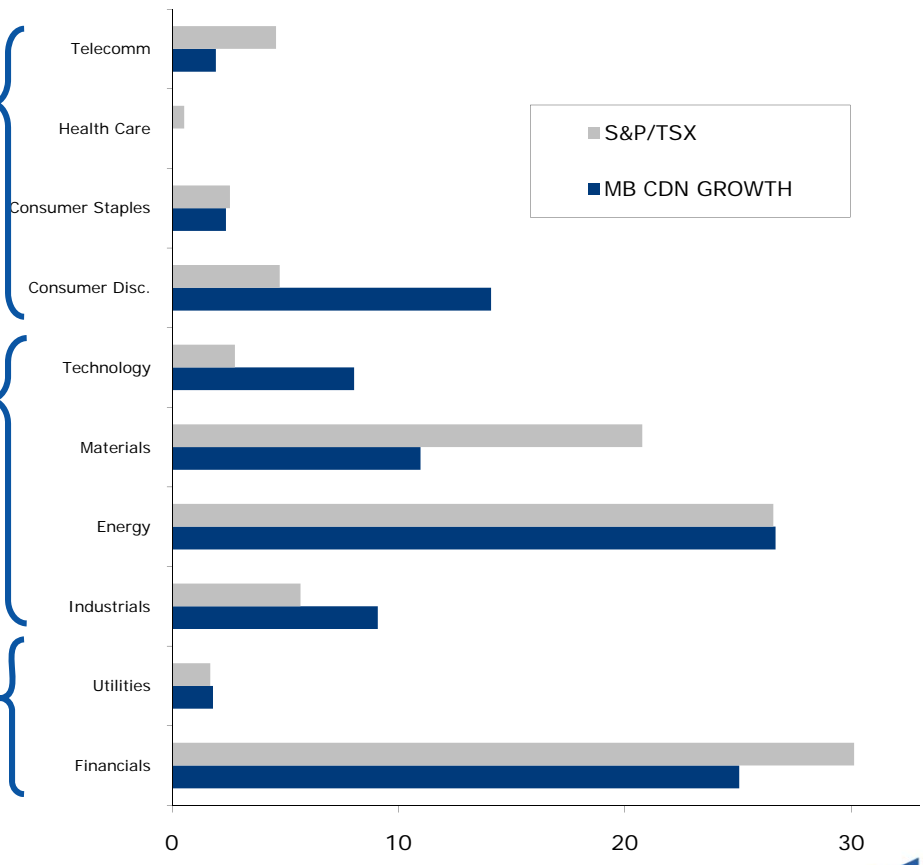
75%-125% S&P/TSX Comp. Weight or +/-10%



June 2010

### Industry Sectors

50%-150% S&P/TSX Comp. Weight or +/-10%



Single stock +/- 5% of S&P/TSX Comp. Weight

Investment Managers Since 1947

[www.mcleanbudden.com](http://www.mcleanbudden.com)

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# **BAILLIE GIFFORD**

University of Windsor Pension Plans

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December 3, 2010

*John Carnegie*





## Baillie Gifford

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Long established asset management partnership

- Stability: organic growth since 1908
- Autonomy: owned by 35 full-time partners
- Single focus: investment management
- Add value through stock selection



© Baillie Gifford

Global investors for over a century

## Relationship with Baillie Gifford

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Baillie Gifford appointed by University of Windsor Pension Plans in 2010

Funds received on June 30, 2010

Objective: To outperform the MSCI AC World Index

Portfolio valuation as at October 31, 2010: C\$70,735,339



© Baillie Gifford

## Global Alpha

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High conviction portfolio

Every holding is an active position

— Own only 20 of top 100 stocks

High active share

— Only 10% overlap with the benchmark

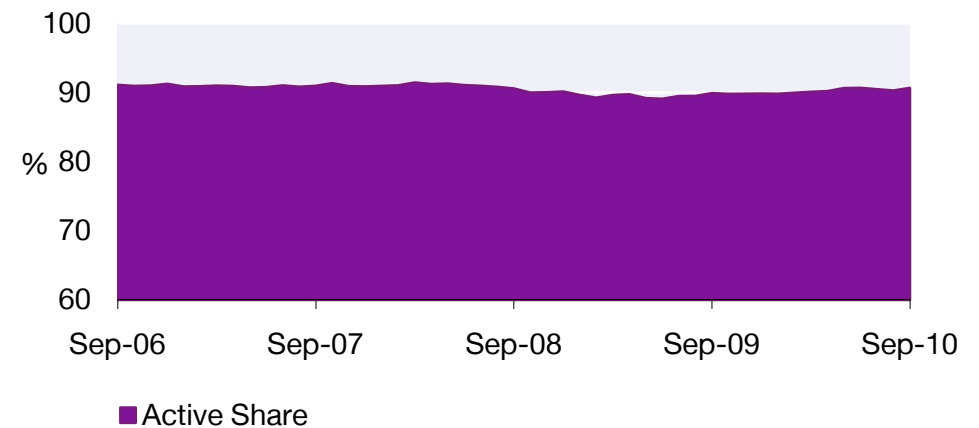
Time horizon: 3-5 years

— Average turnover\* 23% p.a.

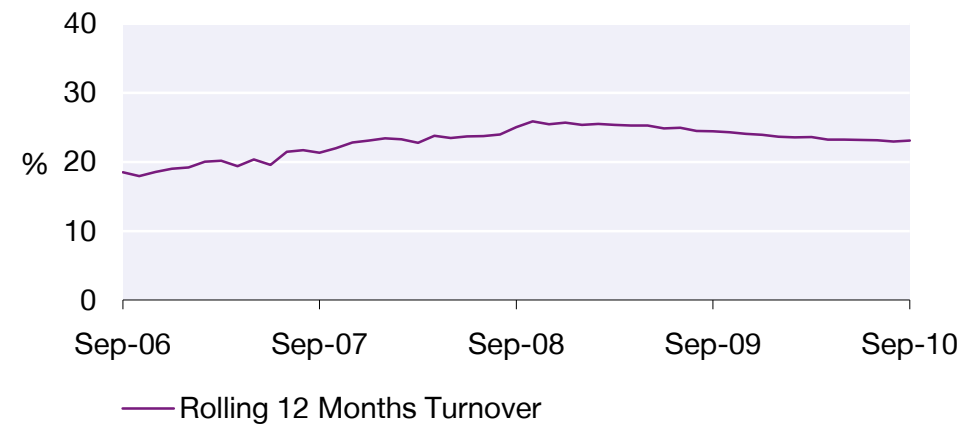
\* As at 30<sup>th</sup> September 2010

A truly active approach

Global Alpha Active Share



Turnover for a Typical Global Alpha Portfolio



Source: Baillie Gifford/APT

## Differentiated Approach to Portfolio Construction

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Focus on our best growth ideas

Open-minded approach to growth

— Growth stalwarts

— Rapid growth

— Cyclical growth

— Latent growth

Regional and industry exposure a derivative of stock selection

## Global Best Ideas

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	<b>Growth Stalwarts</b>	<b>Rapid Growth</b>	<b>Cyclical Growth</b>	<b>Latent Growth</b>	
High Conviction >1.5%	5 Stocks Schindler	3 Naspers	5 Svenska Handelsbanken	2 Prudential	15 Stocks 30.0%
Average Sized ~1%	15 Stocks Waters	14 Baidu	14 Richemont	7 Yamaha Motor	50 Stocks 50.6%
Incubator Holdings ~0.5%	4 Stocks Stericycle	9 BIM	8 Bed Bath & Beyond	11 FLIR	32 Stocks 17.0%
	25 Stocks 27.9%	27 Stocks 24.3%	28 Stocks 28.6%	21 Stocks 16.8%	

Source: Baillie Gifford & Co, as at 31<sup>st</sup> October 2010

Cash: 2.4%

All stocks shown are examples

## Outlook

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Optimistic bias evidenced by an increased weighting in rapid growth stocks

The headlines have been dominated by small European countries and misinformation on China

Global equities are attractively valued, notably those offering growth and quality

Global Alpha is capitalising on growth driven by a range of opportunities

## Appendices

## Performance

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	Fund %	Benchmark %	Relative %
Since Inception* to October 31, 2010 (%)	16.1	13.6	+2.5

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Source: Baillie Gifford, gross of fees

\* June 30, 2010



## Recent Transactions For Six Months to October 31, 2010

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### New Buys

- Coca Cola Hellenic Bottling
- Ryanair
- Roche
- FLIR
- Stericycle
- Inpex
- Namco Bandai
- Odontoprev
- Bank Negara Indonesia

## Recent Transactions For Six Months to October 31, 2010

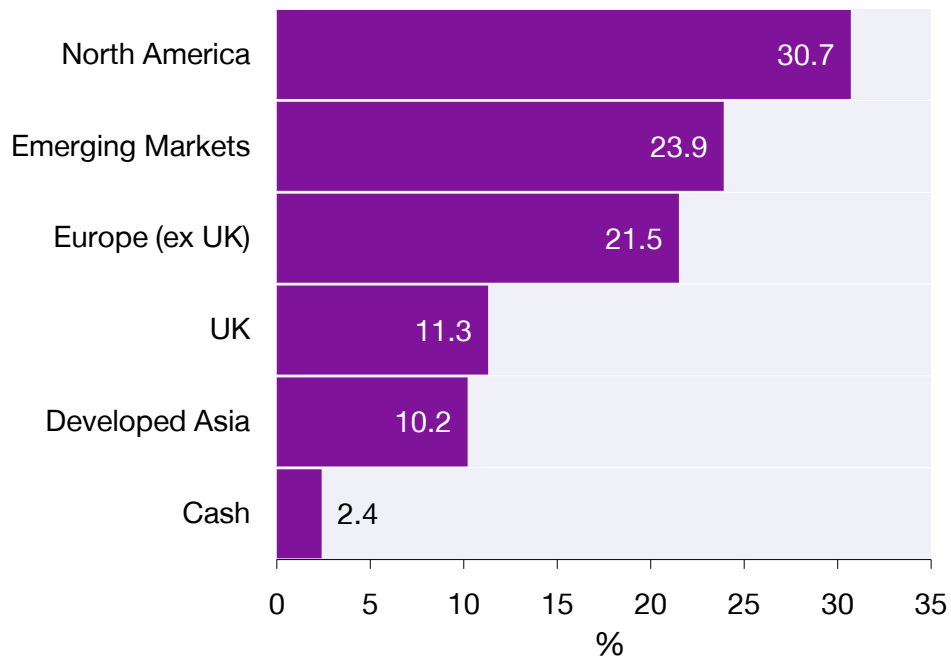
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### Complete Sales

- EDF
- SAP
- Seadrill
- Berkshire Hathaway
- M&T Bank
- Schlumberger
- Varian Medical Systems
- Asahi Breweries
- Canon
- Kao

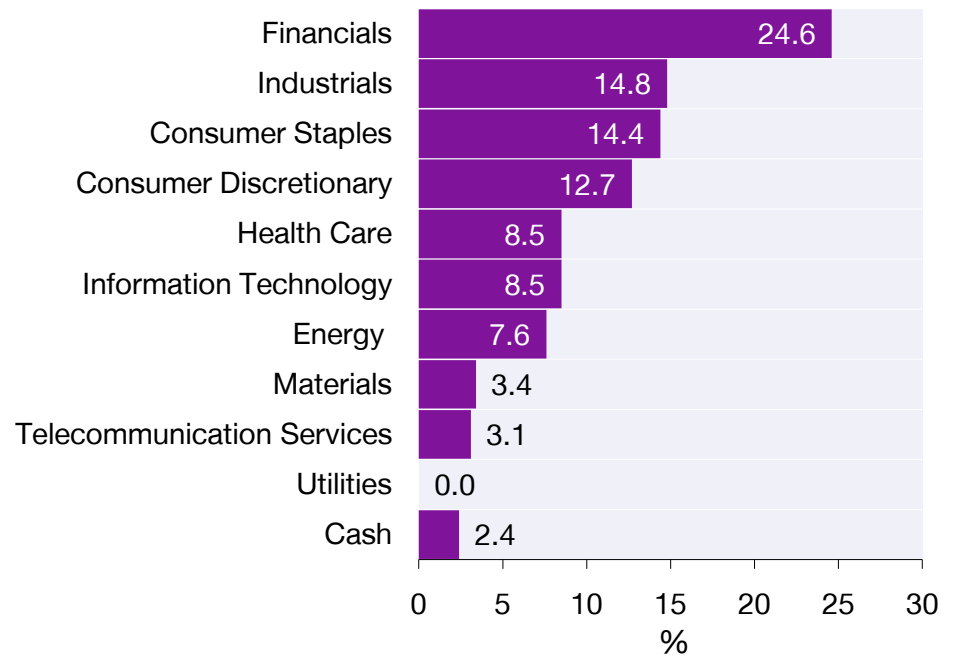
# Region And Sector Exposure

Portfolio Absolute Regional Positions



As at October 31, 2010

Portfolio Absolute Sector Positions



As at October 31, 2010

## The Global Alpha Team

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Charles Plowden

Joint Senior Partner  
Investment Manager

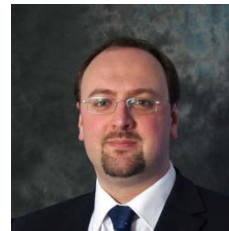
27 years with Baillie Gifford  
27 years' experience



Malcolm MacColl

Investment Manager

11 years with Baillie Gifford  
11 years' experience



Spencer Adair

Investment Manager

10 years with Baillie Gifford  
10 years' experience



John Carnegie

4 years with Baillie Gifford  
15 years' experience

## List of Holdings

Stock	Fund %	Stock	Fund %	Stock	Fund %
<b>North America</b>	<b>30.7</b>	Praxair	0.8	Vale	1.3
Walgreen	2.3	Altria Group	0.6	America Movil	1.3
Pepsico	2.0	Whole Foods Market	0.6	Petrobras	1.2
Fairfax Financial	1.6	Progressive	0.6	BM&F Bovespa	1.1
Google	1.6	Patterson Companies	0.6	Itau Unibanco	1.1
Philip Morris Intl	1.5	Bed Bath & Beyond	0.5	TSMC	1.1
Wellpoint	1.5	Mohawk Industries	0.5	Samsung Electronics	1.0
Omnicom	1.4	National Oilwell Varco	0.5	China National Building Material	1.0
Markel	1.3	Moody's Corp	0.5	China Mobile	0.9
Amazon	1.2	New York Community Bancorp	0.5	Walmex	0.8
International Game Tech.	1.1	Stericycle	0.5	Garanti Bankasi	0.8
EOG Resources	1.1	Walt Disney	0.4	Standard Bank	0.8
Waters	1.1	Medco Health	0.4	Odontoprev	0.8
eBay	1.0	Agco	0.4	SINA Corp	0.8
Wal-Mart Stores	0.9	FLIR	0.4	BIM Birlesik Magazalar	0.7
Johnson & Johnson	0.9			Gazprom	0.7
Deere	0.8	<b>Emerging Markets</b>	<b>23.9</b>	Shanda Interactive	0.7
Ritchie Bros Auctioneers	0.8	Naspers	2.9	Anadolu EFES	0.6
Cisco	0.8	OGX	1.8	Baidu	0.6

## List of Holdings

Stock	Fund %	Stock	Fund %	Stock	Fund %
Dragon Oil	0.5	AP Moller Maersk	0.8	<b>Developed Asia</b>	<b>10.2</b>
EFG Hermes	0.5	Celesio	0.6	DBS Group	1.9
Mirae Asset Securities	0.5	Hellenic	0.5	Brambles	1.6
Bank Negara Indonesia	0.4	Jyske Bank	0.5	Yamaha Motor	1.0
		Ryanair	0.5	Japan Tobacco	1.0
<b>Europe</b>	<b>21.5</b>	CRH	0.3	Inpex	1.0
Svenska Handelsbanken	2.6			Olympus	0.9
Schindler	2.1	<b>UK</b>	<b>11.3</b>	HK Exchanges & Clearing	0.8
Nestlé	2.0	Prudential	2.2	Namco Bandai	0.8
Atlas Copco	1.8	Wolseley	1.9	MS&AD Insurance	0.7
Richemont	1.7	HSBC	1.2	Rohm	0.5
GBL	1.5	Rolls-Royce	1.2		
Reed Elsevier	1.2	Bunzl	1.0	<b>Cash</b>	<b>2.4</b>
Deutsche Börse	1.0	British American Tobacco	0.9		
Julius Baer Gruppe	1.0	Vodafone	0.9	<b>Total</b>	<b>100.0</b>
Roche	0.9	Cairn Energy	0.8		
ABB	0.9	Man Group	0.7		
Investor	0.8	Aggreko	0.5		
Teva Pharmaceutical	0.8				

As at 31<sup>st</sup> October 2010



**University of Windsor**  
**December 3, 2010**

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**Marcel Leroux**



## *Sprucegrove at a glance*

- Experienced Global Equity Management Team – *Average investment experience of 14 years*
- 100% Employee Owned – *23 shareholders out of 28 employees*
- \$18.1 Billion Under Management – *for only 3 mandates*
- Bottom-Up, Research-Driven, Value Philosophy
- Consistent Approach and Methodology
- Founded in 1993



# Investment Philosophy

## *Ownership of Value*

- Quality Companies at Attractive Valuations

## *Emphasis on Stock Selection*

- Bottom-up Process

## *Long-Term Investors*

- Low Portfolio Turnover – *averaged 12.6% over the last 5 years*

## *Internal Research*

- “Working List” of Quality Companies

## *Characteristics of “Working List” Companies*

- Record of High and Consistent Profitability
- Market Leadership/Competitive Advantage
- Financial Strength
- Opportunity to Grow the Business
- Capable Management

# Global Equity Mandate Policy Guidelines

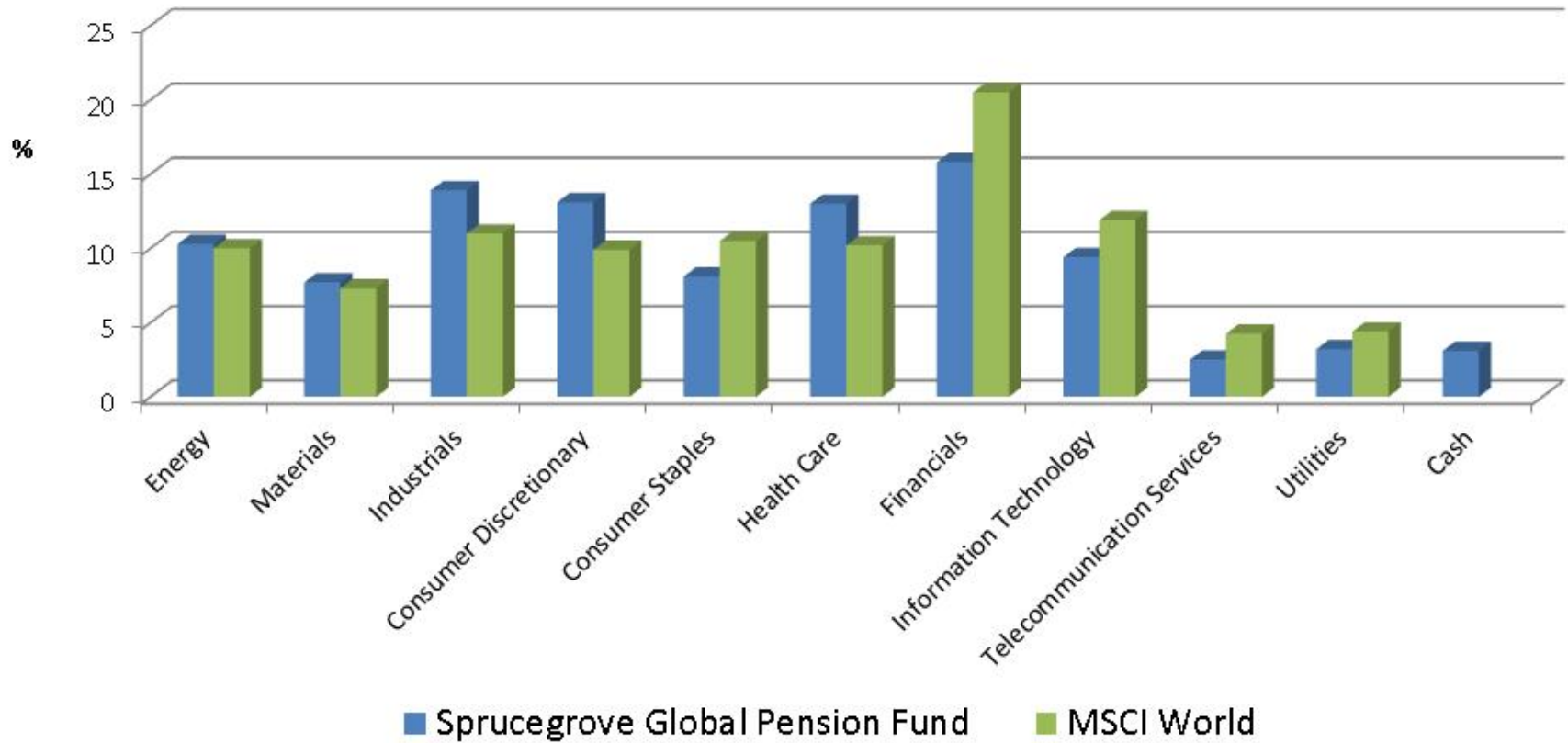
	Minimum	Maximum
<b>Country Exposures</b>		
▪ Japan	0%	30%
▪ U.K.	5%	20%
▪ U.S.	20%	65%
▪ All other MSCI World countries	0%	15%
▪ Total non-MSCI World countries	0%	10%
<b>Sector</b>		
▪ # of Sectors Invested in	7	10
▪ Weighting per Sector	0%	30%
<b>Cash</b>	0%	10%
<b>Number of Securities</b>	60	-
<b>Allocation to one Security</b>	-	5%

# Regional and Country Exposures – Ending June 30, 2010



\* Emerging Markets: Brazil, China, Hungary, India, Korea, Malaysia, South Africa

# Sector Exposures – Ending June 30, 2010



## Top 10 Holdings – Ending June 2010

<b>Stock</b>	<b>% of Fund</b>	<b>Country</b>	<b>Sector</b>
Markel	3.4	U.S.	Financials
Johnson & Johnson	2.8	U.S.	Health Care
Novartis	2.5	Switzerland	Health Care
3M	2.4	U.S.	Industrials
Merck	2.2	U.S.	Health care
Wells Fargo	2.1	U.S.	Financials
HSBC	2.1	U.K.	Financials
Berkshire Hathaway	2.0	U.S.	Financials
Carnival	2.0	U.S.	Consumer Discretionary
Pfizer	1.9	U.S.	Health Care

The **top ten** holdings represented **23.4%** of the Fund.

# Investment Results - \$CDN

## Annualized Performance ending September 30, 2010

	<b>Third Quarter</b>	<b>Year- To-Date*</b>	<b>1 Year*</b>	<b>5 Years*</b>	<b>10 Years*</b>	<b>15 Years*</b>
<b>Sprucegrove Global Pension Fund</b>	<b>8.4%</b>	<b>2.8%</b>	<b>4.7%</b>	<b>(0.2%)</b>	<b>2.7%</b>	<b>6.9%</b>
MSCI World \$CAD	<b>9.8</b>	<b>0.4</b>	<b>2.0</b>	<b>(1.2)</b>	<b>(3.0)</b>	<b>3.4</b>

Inception of University of Windsor: June 16, 2010

*\*for information purposes only*

See performance footnotes in the Appendix

# Performance Footnotes

## Sprucegrove Investment Returns

Investment returns reflect historical gross performance with no deduction for investment management fees. Returns are calculated on a time weighted, total return basis which includes dividend and interest income, realized and unrealized gains or losses, transaction costs and other expenses, if any. Investment management fees will reduce stated returns. For example, a 90 basis point fee applied to an investment with an annual gross return of 10% will provide a compounded net return of 9.04% after 1 year and a 54.16% return after 5 years.

## MSCI Indices

The Morgan Stanley Capital International World Index is presented as a benchmark for investment performance. The Index is the arithmetical average, weighted by market value of the performance of companies representing the stock markets of Europe, Australia, North America and the Far East Markets. Returns shown assume reinvestment of dividends.

## Specific Recommendations

Examples of specific holdings are intended to demonstrate our investment process and should not be construed as representative of investment performance. It should not be assumed that investments made in the future will be profitable or will equal any results presented. A list of all securities purchased and sold within the past year (together with dates and prices) is available upon request.

## Possibility of Loss

Investors should be aware that market conditions affect performance and that investment programs carry with them the possibility of loss.



# Investment Management Presentation to



## Open Committee Meeting

*December 3, 2010*

*Presented by: Michel Rhéaume, Vice President*

# University of Windsor

## Returns to June 30, 2010

	Qtr (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
University of Windsor	3.5	5.5	10.8	3.5	5.9
Benchmark*	3.6	5.3	10.4	3.5	6.0
Universe Bonds	2.6	4.4	9.3	7.7	5.6
DEX Universe Bond Index	2.9	4.2	6.9	6.9	4.9
Long Bonds	5.0	7.7	n.a.	n.a.	n.a.
DEX Long Bond Index	5.0	7.8	n.a.	n.a.	n.a.

\*Benchmark:

Dec. 1, 2009 to June 30, 2010: 6% DEX 91-Day T-Bill, 56% DEX Universe Bond Index and 38% DEX Long Bond Index.  
 Sept. 1, 2008 to Nov. 30, 2009: 4% DEX 91-Day T-Bill, 38% DEX Universe Bond Index, 26% DEX Long Bond Index and 32% S&P/TSX Capped Composite Index.

Dec. 1, 2004 to Aug. 30, 2008: 57% DEX Universe Bond Index and 43% S&P/TSX Composite Index.

# University of Windsor

## Returns to September 30, 2010

	Qtr (%)	YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	4 Yrs (%)	Oct. (%)
University of Windsor	4.2	10.0	9.0	10.1	4.6	5.8	0.3
Benchmark*	3.9	9.4	8.7	8.4	4.6	6.0	0.1
Universe Bonds	3.2	7.7	8.5	11.6	8.4	6.7	0.4
DEX Universe Bond Index	3.2	7.5	7.3	8.8	7.4	5.9	0.2
Long Bonds	5.9	14.0	12.3	n.a.	n.a.	n.a.	0.1
DEX Long Bond Index	5.6	13.9	12.3	n.a.	n.a.	n.a.	0.0

\*Benchmark:

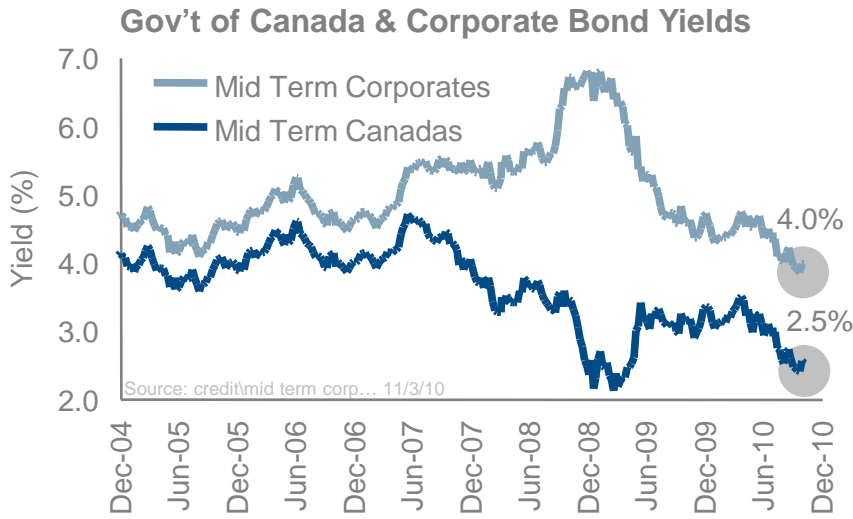
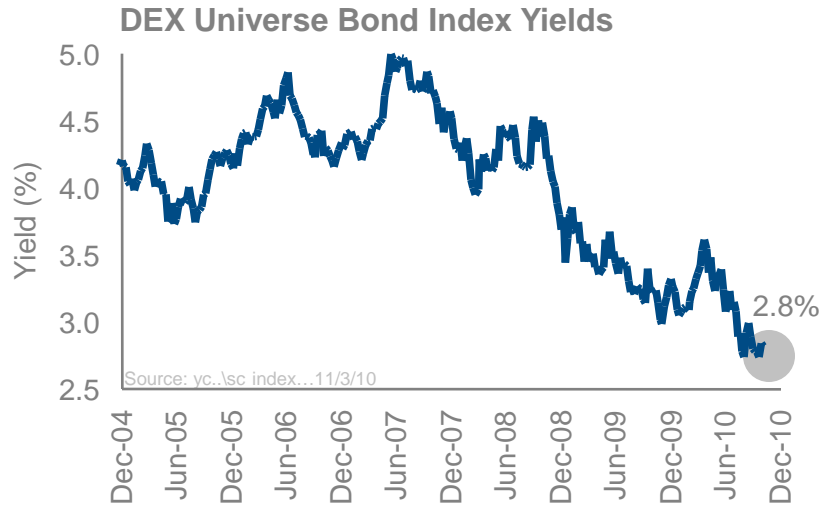
July 1, 2010 to Present: 7% DEX 91-Day T-Bill, 56% DEX Universe Bond Index and 37% DEX Long Bond Index.

Dec. 1, 2009 to June 30, 2010: 6% DEX 91-Day T-Bill, 56% DEX Universe Bond Index and 38% DEX Long Bond Index.

Sept. 1, 2008 to Nov. 30, 2009: 4% DEX 91-Day T-Bill, 38% DEX Universe Bond Index, 26% DEX Long Bond Index and 32% S&P/TSX Capped Composite Index.

Dec. 1, 2004 to Aug. 30, 2008: 57% DEX Universe Bond Index and 43% S&P/TSX Composite Index.

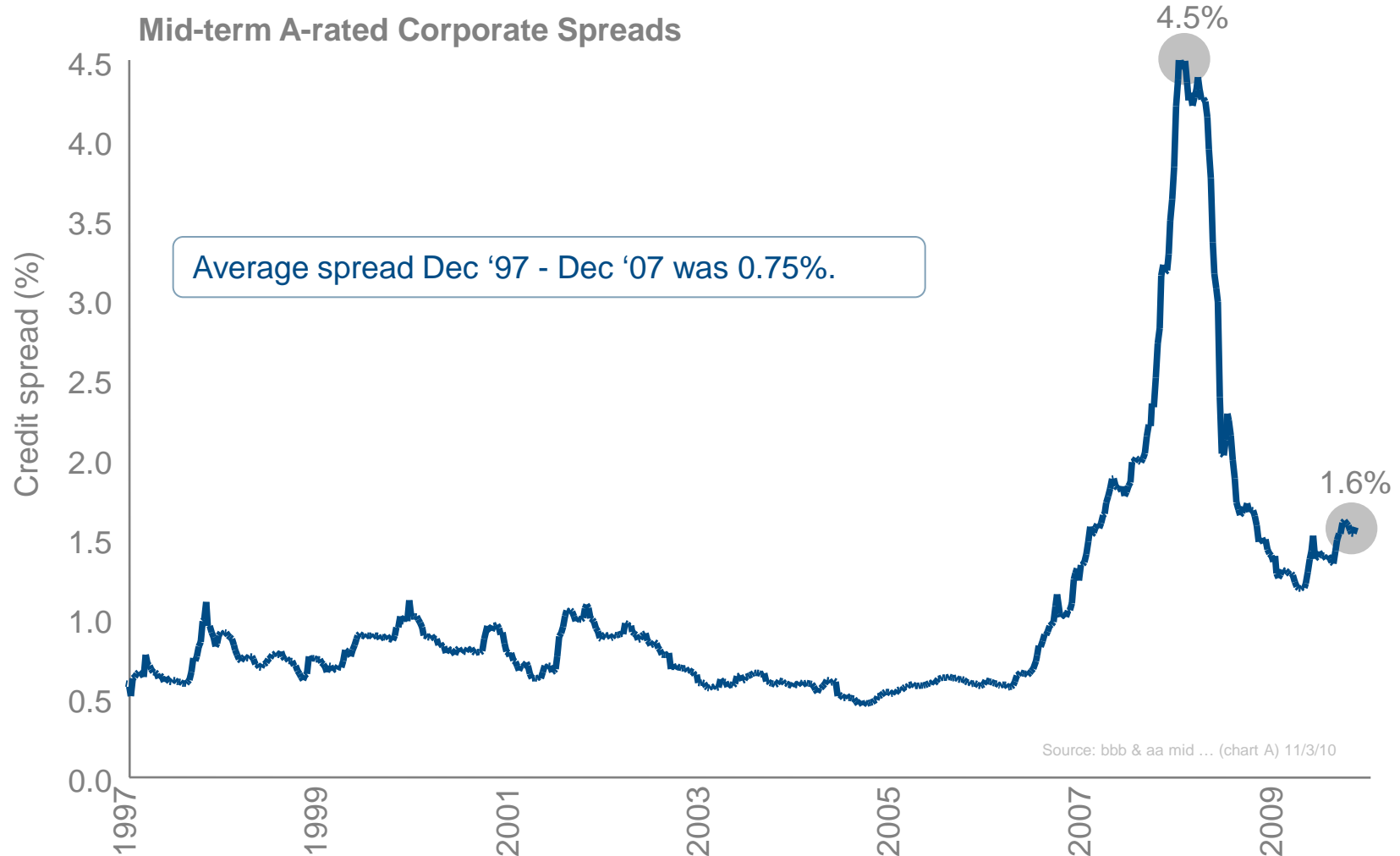
# Market Review



September 30, 2010	3 Mths %	1 Yr %	4 Yrs %	Oct '10 %
DEX Long Bond Index	5.6	12.3	6.5	0.0
DEX Universe Bond Index	3.2	7.3	5.9	0.2
DEX Short Bond Index	1.6	4.3	5.4	0.3
<b>Sector (Mid-term)</b>				
Canada	3.5	7.6	6.7	0.1
Provincial	4.3	8.0	6.9	0.6
Corporate	3.6	10.1	7.4	0.6
<b>Sector (Long-term)</b>				
Canada	5.1	12.2	6.8	-0.6
Provincial	6.1	10.8	6.1	0.5
Corporate	5.4	15.7	6.6	-0.3

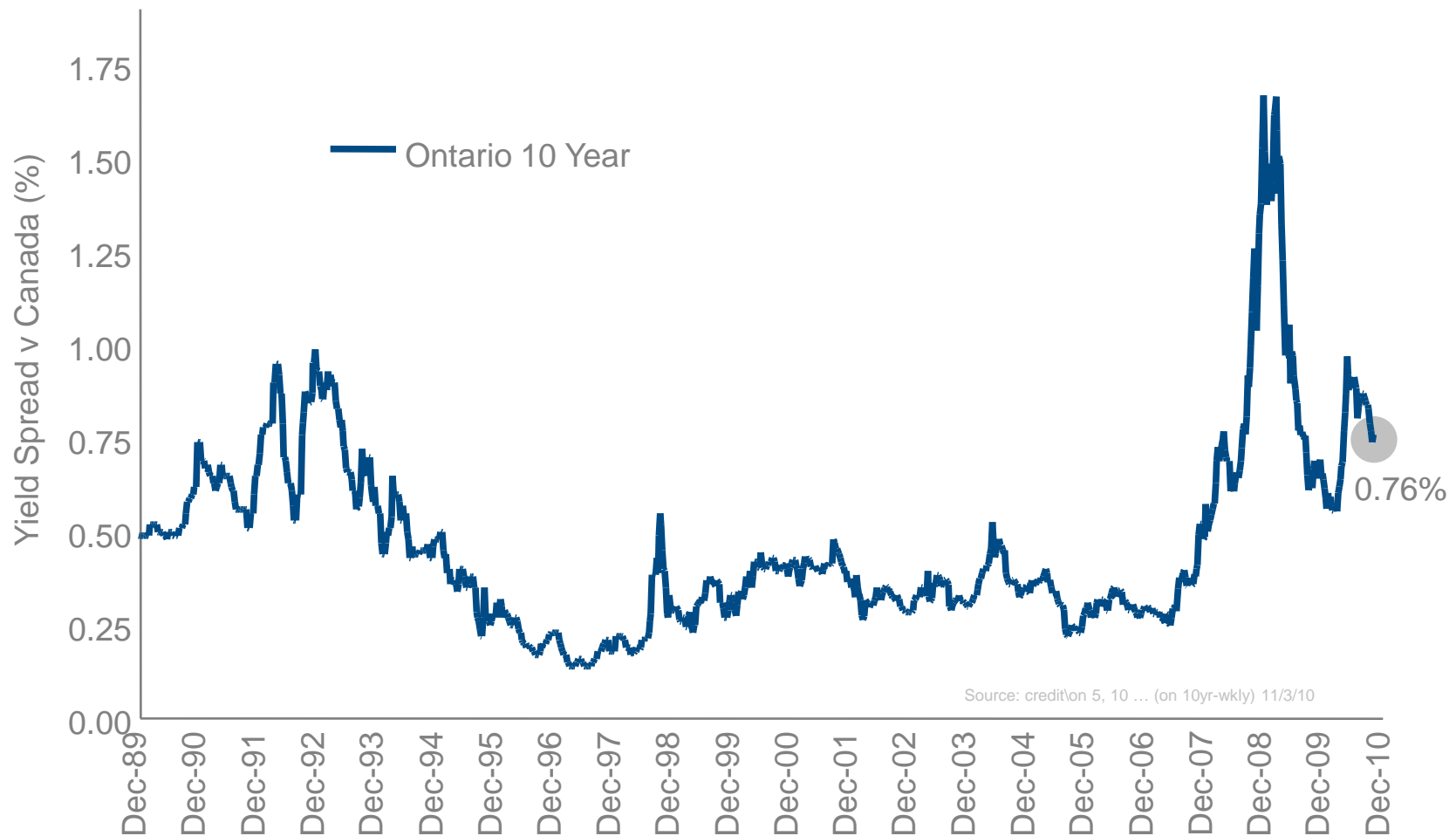
# Corporate Credit Spreads

## Increasing Attractiveness



# Provincial Credit Spreads

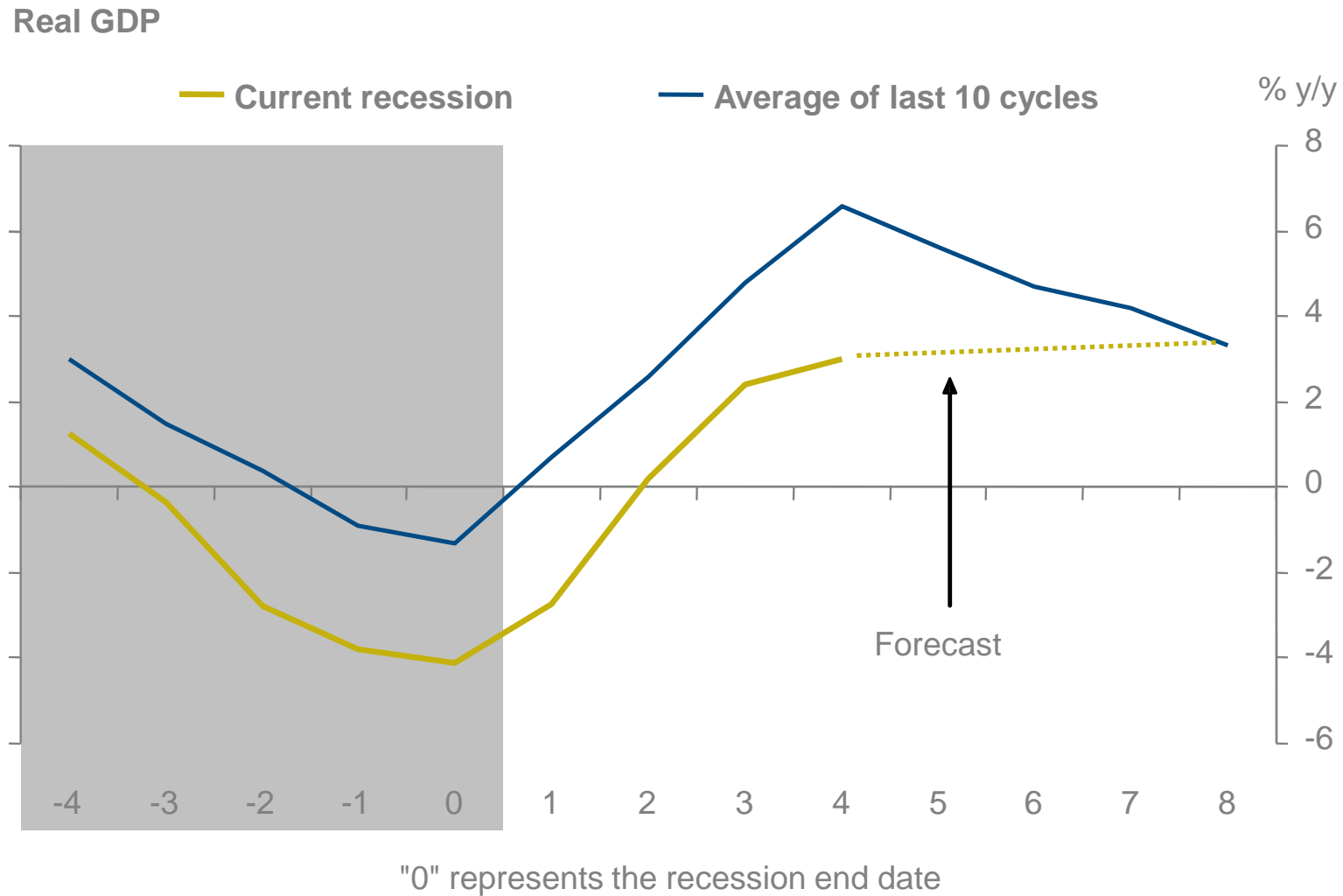
## Attractive Opportunity to Build Yield



# QE: How Should We Gauge Its Success?

- If goal was to boost asset prices, QEs I&II were resounding successes
  - Next, higher asset prices must trigger wealth effect
  - Improved confidence must trigger more investment and hiring
  - Creation of \$1.7 trillion + \$0.6 trillion = \$2.3 Trillion must remove threat of deflation for good
  
- Dealing with the aftermath:
  - Where will this money hose end up pointing? Commodities? High Yield?
  - What will happen to the USD?
  - How will US trading partners react?
  - How high will inflation expectations go?
  - How will the Fed ever remove \$2.3 Trillion from its balance sheet??

# Economic Activity Will Lag Past Cycles



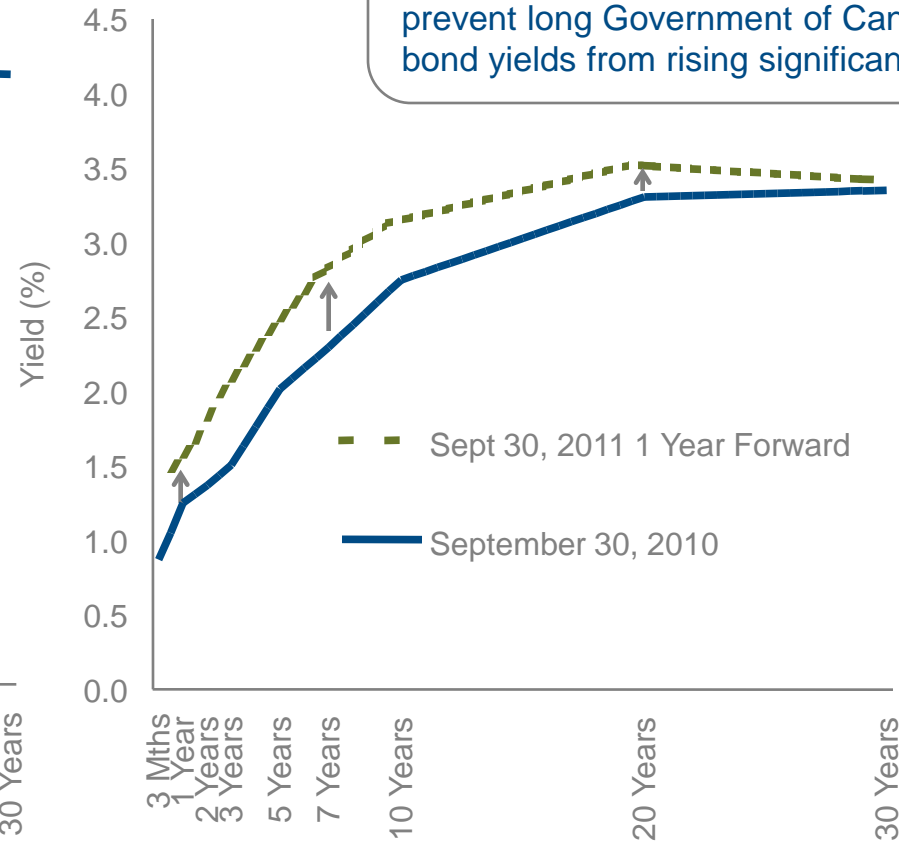
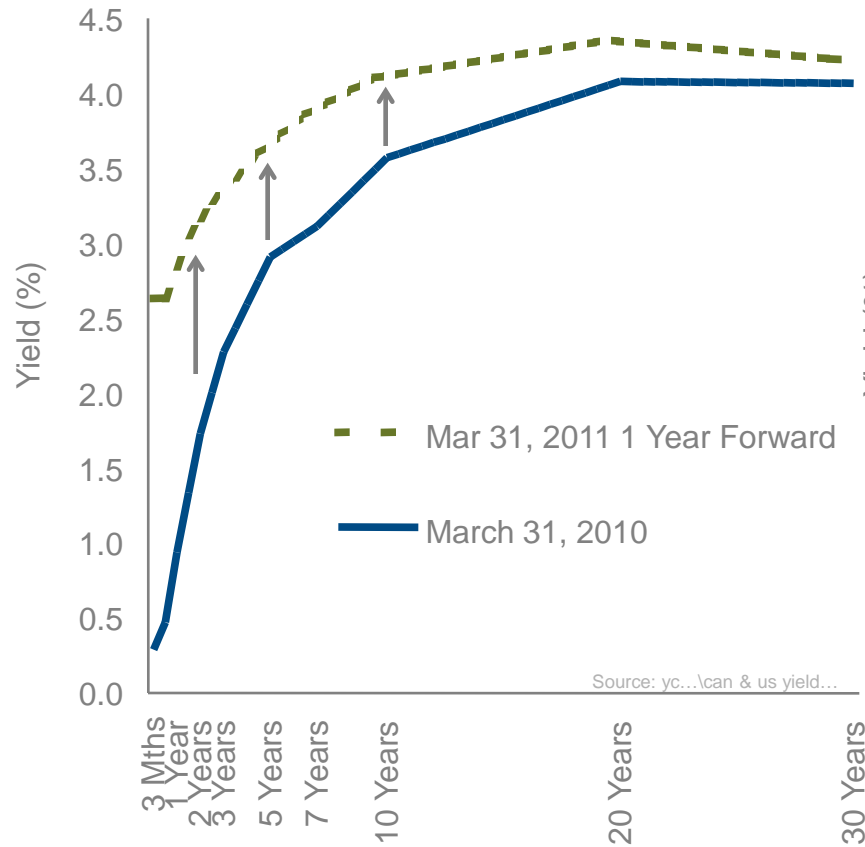
Source: DB US Economic Research



# Interest Rate Anticipation

## Rate Increases Priced into Bond Market

A lack of near-term inflation pressures and the supply/demand dynamics at the long end of the yield curve are likely to prevent long Government of Canada bond yields from rising significantly.



- Market anticipating large rate increases
- Outperformance requires differing view

- Market was too optimistic
- Tempered expected rate increases going forward

# Questions