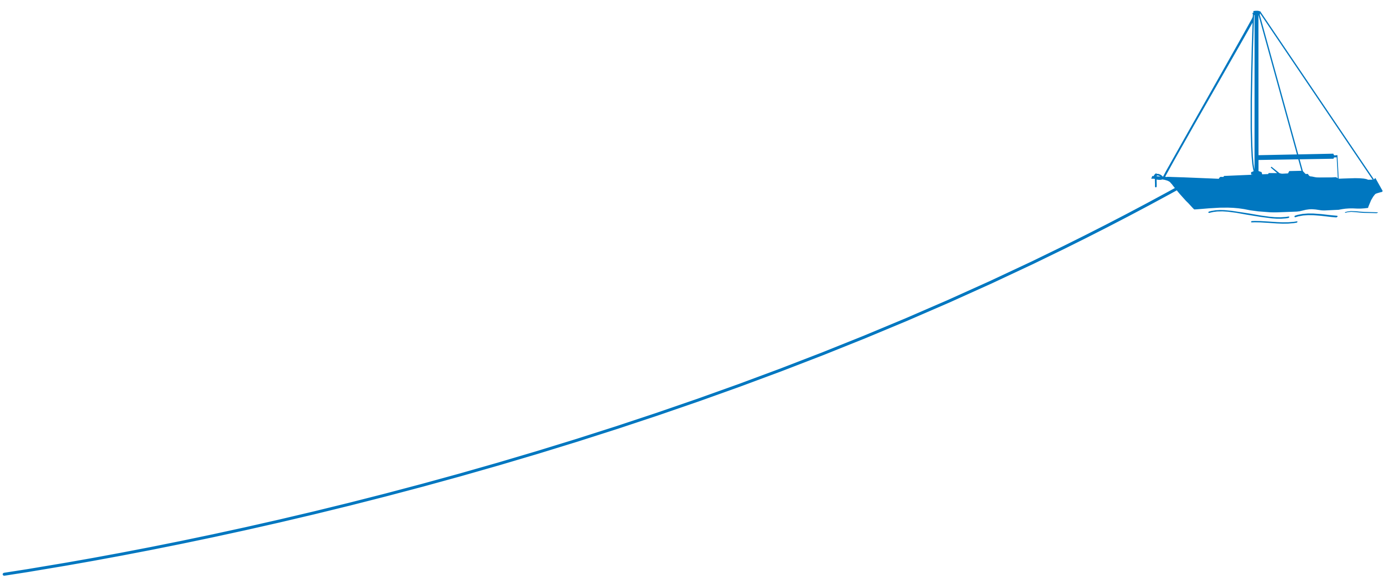
Find a safe harbour, far from the volatility
of unpredictable waters.

Liability Driven Investing



McLean Budden
LOOK FORWARD™

A Look at McLean Budden

Since opening our doors in 1947, McLean Budden has grown to become one of Canada's most respected investment management companies. From offices in Toronto, Montréal, Vancouver and Chicago, we manage over $32 billion on behalf of pension, foundation & endowment, private wealth and mutual fund clients.

We firmly believe in long-term balanced investing. Through a robust team-based approach, extensive research and continuous client consultation, McLean Budden takes great care to ensure that every solution measures up to the unique requirements of each client – including the need to avoid unnecessary risk. After all, every investor should be able to look forward to investment planning that steers them clear of unnecessary risk and liability.

Liability Driven Investing

Among the many diverse investment strategies developed at McLean Budden, Liability Driven Investing (LDI) is an approach to managing pension fund surpluses/deficits. LDI differs from the traditional approach by taking into account both the assets and liabilities of a pension fund. LDI can reduce the volatility in cash contributions and/or financial statements generated from a plan sponsor's defined benefit pension plan.

When do you consider Liability Driven Investing?

Pension fund sponsors may want to consider an LDI policy if:

> Reducing financial statement volatility or cash contribution volatility are top priorities for their organization; or

> Their pension fund is at least 90% funded on a solvency or going-concern basis; or

> Pension funding is impacting reinvestments in other areas of your business.

Our Expertise

McLean Budden offers LDI solutions through our accomplished team of in-house LDI experts. We have custom-built systems and processes to analyze pension risk, we staff an internal credit research team and we can offer derivative management if necessary.

Our Approach

McLean Budden's approach to LDI features tailored solutions to meet risk budget objectives and utilizes basic capital market products for "de-risking" and "re-risking" strategies.

We are able to maximize our performance because of relative strengths in duration and curve management, corporate credit exposure and active equity management.

Our Process

McLean Budden's unique LDI process consists of four key steps:

Risk Analysis
Identify and quantify the existing risks within a pension fund such as interest rate risk (i.e. duration risk), inflation risk, equity market risk and currency risk.

Risk Budgeting
Shift the focus from asset allocation to risk allocation, including the creation of a "minimal risk" portfolio.

Optimization
Optimization is made up of two separate steps:

1. "De-risking": Create an investment strategy that is aligned with the desired risk budget target. The outcome from this step is creation of the benchmark portfolio.
2. "Re-risking": Creates an investment strategy that attempts to outperform the benchmark portfolio created in the de-risking phase while remaining within the target risk budget.

Monitoring
Monitoring includes a quarterly review of the investment strategy versus the benchmark portfolio, adjustment of the investment strategy and benchmark portfolio as the liability profile changes and a review of counterparty risk, if derivatives are included in the investment strategy.

The McLean Budden LDI Process

Source: McLean Budden

McLean Budden Investment Philosophy

A team approach to portfolio management is a McLean Budden hallmark. Individual teams meet on a weekly basis to implement any changes to the model portfolios.

As for our philosophy, there is one word that best sums it up: balance. The basic objective of our investment management is to exceed client objectives without incurring unnecessary risk in pursuit of this goal.

More specifically, our balance-based principles of investment are:

> To add value in the management of each asset category

> To add value and lessen volatility in asset mix management

> To manage portfolios within the long-term risk/reward profile of each client

Look Forward™– you see these two words beneath our logo. We believe in them. For we believe superior equity investing is, over time, the largest potential source of "added value" to a fund. Our equity management focuses on security selection to add most of the value. Companies with stable earnings growth, strong management teams and sound balance sheets are emphasized.

In other words, we look forward in our investing, so that our clients can look forward to the results.

Investment Managers Since 1947

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