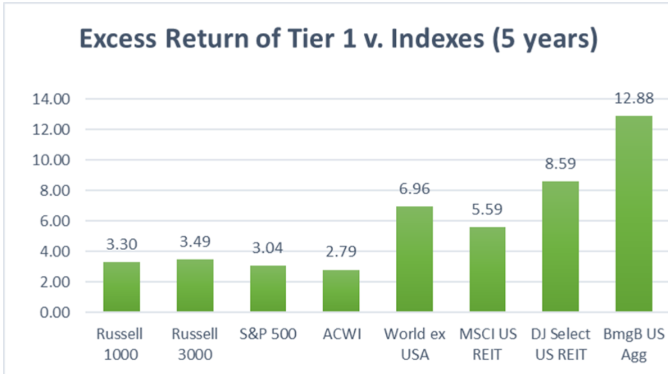
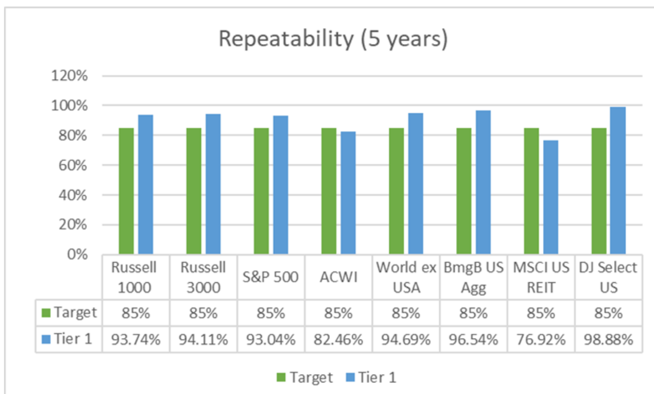
June 2023

If you want this,



then you need this:



If you google ‘How do I beat the stock market?’ you will get some interesting answers, and a whole lot of Investment Firms’ self-serving marketing hype.

Eventually, you will get to the research papers that confirm at least 85% of Investment Funds underperform the market (Index) net of fees, over a five - year period. If you add in the ‘survivorship bias’ impact (i.e., funds that are closed because they under perform), then more than 90% of the Investment Funds underperform the Index.

That is a depressing number, you have less than a 10% likelihood to outperform the market over a 5 - year period (net of fees). It is probably not that surprising when you consider that even Quartile 1 equity investment funds, on average, under perform their respective Index 40% of the time (Mercer – Equity Manager Selection – February 2019 – page 7).

I know this firsthand from my working career. Back in the mid 90’s (I know, dating myself) I was working at Safeway as part of the Labour Relations team. We were making DB pension plan contributions in excess of $100 million per annum to various jointly trusteed pension plans (Teamsters, IUOE, BCT, UFCW, etc.). Some Investment Funds performed well; some were less than okay.

Our new CEO took a personal interest in the funds' performance; he was an M. Economics / 'speak with data' guy. Long story short – we started to develop and use analytics to assess the 3 key drivers of Pension Plan success – Risk, Return, and Repeatability / Likelihood to Outperform. Over the next 5 years, every pension fund improved their Funding Ratio by a minimum of 1% per annum.

'Speak with data' is one of the best lessons I learned in my career. I incorporated this approach into my company – Just Analytics. In order to be a Tier 1 Fund, an investment fund must have at least an 85% likelihood to **outperform** (not under perform) the Index, net of fees, over a 5 - year period. The odds are now substantially in your favour!

By the way, our definition of "outperform" is an average of at least 2% per annum more investment growth than the relevant Index(es) - so 10% incremental investment growth over a 5 - year period.

Roughly 3% of investment funds achieve Tier 1 status.

Why bother?

Funding DB Pension Plans is a very expensive proposition. Longer life expectancy for plan members will continue to drive cost increases and the need for more funds.

You have essentially two funding choices – fund it from operating cash flow or fund it from improved investment returns - the choice is yours. If you want to spend your operating cash flow on other priorities (research, M&A, share buybacks / dividends, capital spending programs, etc.) then reach out and let's build you a custom Pension Plan portfolio that will significantly improve your funding ratio.

Bottom Line

Leveraging Repeatability, via predictive analytics, is critical to identifying the investment funds that are most likely to outperform the market (Index).

So, your investment funds can have a 10% likelihood to beat the Index by some (minimal) amount or they can have an 85% likelihood to beat their Index by 10%+ over a 5 - year period.

What's your preference?

As always, thank you for your time. Feel free to reach out if you would like to chat, my cell # is 403 818 0671.

Regards

Greg