

INVESTING LIKE A PENSION FUND

Launched in November 2016, the Alignvest Strategic Partners Fund targets high-net-worth investors and smaller institutions that want similar exposure to what you would normally see with a pension fund. A mutual fund trust with quarterly liquidity, it sells itself on offering global diversification and an alternative investment strategy. In developing the product, Alignvest knew it was in safe hands with its chief investment officer, Don Raymond, who had served as chief strategist and head of public markets at the Canada Pension Plan Investment Board as it increased its assets from \$11 billion to \$220 billion.

"We are marketing primarily to high-net-worth Canadians and also defined-contribution pension plans," Raymond says. "What we have built complements or can replace a traditional 60/40 portfolio. Our long-term strategic allocation would be 45% global equities, 10% in investment-grade bonds, 20% in alternative assets or real assets, and 25% in alternative strategies."

Investing like a huge institutional player

requires a comprehensive approach that provides exposure to many different asset classes. Such diversification is not easily obtained and requires expertise to ensure risk is minimized.

"We start with a long-term, absolute return objective – so global equities, global fixed income, global real estate and infrastructure," Raymond says. "We start from a passive perspective, then add active components to the portfolio

national infrastructure plans – but who exactly is going to foot the bill for the new roads, bridges, rail and airports? That important point hasn't been resolved yet, and as Raymond outlines, political will doesn't always convert to cold, hard cash.

"Infrastructure [projects] – roads, rail, bridges – are long-term investments, so invariably you will have multiple changes in governments," he says. "Unless you have a stable regulatory environment, it is



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In terms of infrastructure, that could mean investing in the typical roads, bridges and airports. It could also mean finding investments that other funds may have overlooked. In that regard, Alignvest proves its value as an asset manager that is willing to go the extra mile.

"We are looking at a water investment in Australia, which I believe is the only jurisdiction where you can buy the actual physical water source," Raymond says. "In most cases, you buy the delivery source – the pipes – but in Australia, you purchase the water rights themselves. The regulator decides how much water can be drained from the river system, so you are buying at various access points along the river."

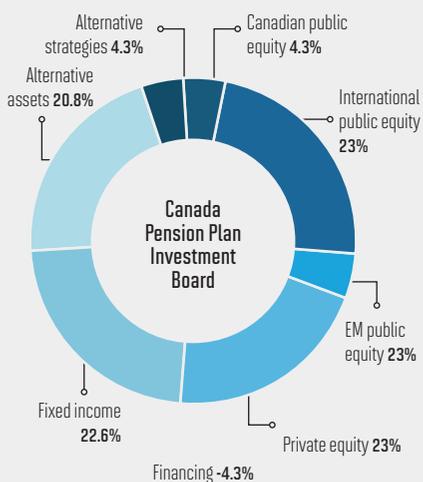
Closer to home, both Justin Trudeau and Donald Trump have committed to

very hard to draw investors in."

In Canada, the Liberal government will launch its Infrastructure Bank later this year, using \$35 billion in public funding to attract private investors. The long-term goal is to bring in between \$4 to \$5 in private money for every dollar of public funds to be used on new projects. Ottawa wants the country's largest pension funds and overseas sovereign wealth funds to come on board, but this will require certain safeguards, Raymond says.

"If they can get the governance right on an infrastructure bank, it's a terrific idea," he says. "They need to create an environment for investors with more certainty on what the regulatory regime will be. It would be nice if governments were aggregating the assets in such a way as it isn't a whole bunch of small projects. It's much better to have some larger projects that could change the market."

PENSION PLAN INVESTMENT MIX



Source: CPPIB 2016 annual report