

# Keep it fresh: It's time to change the way you build your fund lineup



“Fundamental investment principles provide insights into future approaches to product development, fund manager selection and monitoring,” says Craig Christie, Vice-President, Group Retirement Savings & Investments at Canada Life during the Benefits and Pensions Monitor event ‘Keep it fresh: It’s time to change the way you build your fund lineup’. “We’ve all been living through some historical market times,” he said.

The first six months of 2022 were among the toughest starts in developed markets in over 50 years. The U.S. market was on pace to post its fourth worst annual return going back to the 1940s. Even the domestic fixed income space posted negative returns not seen since the 1980s. In the past it was a good counterbalance to falling equity markets. “Despite the challenges we’re facing, we do survive these types of crises,” he said. Much like in the 1950s after various crises, there were significant market gains.

## Innovation

“An important element of product development is not innovating for the sake of innovation itself,” said Vathsala Martin, Assistant Vice-President, Product Development, Wealth Solutions at Canada Life. “The reality is innovation should be meaningful.”

Canada Life does this by taking a people-first approach. It considers plan members and their needs across their varying stages of life. Whether they’re in the accumulation stage or focused on decumulation in retirement.

Key considerations for product development also include an awareness of relevant trends. An example of this is sustainable investing. Global sustainable assets reached \$35.3 trillion USD in 2020.<sup>1</sup> Or one could look at growth in alternatives. The Canadian Alternative Investment Association says that by 2025,

alternatives expect to be 18 to 24% of the total global investment market. In 2004, this was only 6%.<sup>2</sup>

It’s also vital to get feedback and conduct regular reviews of your investments. You will want to make sure the products and services considered meet the needs of the target market.

There’s also a need for post-retirement focused solutions. Canada’s aging population has grown; in 1971, there were 7.8 persons aged 15 to 64 for every person aged 65 and older. Today, it’s 3.5.<sup>3</sup> “This tells us there needs to be a focus on creating solu-



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tions for this population,” said Martin.

Also, in Canada, people are living longer. In 1950, the life expectancy was 68 years. Today, it’s 83 years.<sup>4</sup> With people living longer, there’s a need to make sure their savings last the rest of their lives. Retirees need solutions that provide growth and downside protection. This means launching products isn’t about bringing them to the market. “It’s about making sure the plan meets the objectives it intends on delivering,” said Martin.

## Objective Review

When selecting funds, plan sponsors should work with their consultants, record keepers and other experts. It’s recommended they perform a deep analysis and make sure plan members have a menu of funds for different economic environments.

When reviewing funds and fund managers, sponsors should look through an objective lens. “It can be tempting to let recent poor performance push you into making a change. It’s important to stay objective and use a rules-based approach to fund evaluation. Make sure you’re comparing apples to apples when making a change,” said Tyler Wiley, Assistant Vice-President, Investment Funds Wealth Solutions, Investment Management and Research at Canada Life.

Every analysis should include an objective review of the qualitative factors using a standardized rules-based approach.

Environmental, social, and governance (ESG) factors should be part of every qualitative review. This continues to be important to plan sponsors and members. When deciding on specific factors, it’s a good idea to review current industry best practices and use institutional surveys.

“And it’s important to be nimble,” he said. “Especially in an evolving space like ESG.” You need to be adaptive to real-world experience. If something isn’t working, you need to update it. “Ultimately, your analysis should allow you to get comfortable with the fund. Or help determine if you’ve lost conviction because it’s not performing how you expected it to,” Wiley concluded.

**BPM**

1. Source: Global SustainableInvestment Review 2020, Global Sustainable Investment Alliance

2. Source: The next decade of Alternative Investments: From Adolescence to Responsible Citizenship, CAIA Association

3. Source: Statistics Canada, Demographic estimates by age and sex, provinces and territories

4. Source: Macrotrends, Canada Life Expectancy 1950-2023

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