



"WE BELIEVE ALL ORGANIZATIONS, REGARDLESS OF THEIR SIZE, CAN BENEFIT FROM INTEGRATING EQUITIES, BONDS, PRIVATE DEBT AND PRIVATE REAL ASSETS WITHIN THEIR INVESTMENT PROGRAMS."

ROB VANDERHOOFT
CEO and Chief Investment Officer
Greystone Managed Investments Inc.

Rob Vanderhooft joined Greystone Managed Investments Inc. in 1991, the firm's third year of operation. In 1998, he was promoted to chief investment officer, and in 2006, Rob was appointed CEO. Outside of Greystone, he currently sits on the boards of the Canadian Coalition for Good Governance, the Regina Airport Authority and the Saskatchewan Roughriders Football Club. Benefits Canada asked him about what makes a multi-asset portfolio successful.

Given your experience, what do you believe makes for a strong multi-asset investment program?

Integration is one of the most important, but often underappreciated, components of a successful investment program. Investors often narrow their focus on total returns within each asset class; however, at Greystone, we believe each asset class plays a specific role in multi-asset portfolios. This includes factors such as total returns and risk contribution, as well as diversification between asset classes. Additional factors such as governance, trading, liquidity, operations, reporting and compliance are also important, particularly when integrating assets from private markets.

We've purposely structured our investment teams and processes to support our integration philosophy. It starts with our asset strategy team; the chief investment officers for equities, bonds and alternatives are accountable to one another for their risk, return and operational contributions to multi-asset portfolios. We also expect our investment teams to deliver competitive solutions within their asset classes. The requirement for strong products in stand-alone asset classes and multi-asset integration has informed our philosophy and process within each of our underlying strategies. We believe this approach makes us a strong partner for single asset or balanced investment solutions for our clients.

In its balanced portfolios, Greystone seeks to add value through asset-mix decisions. How do you determine your tactical weights between asset classes?

We evaluate asset class opportunities over a number of time horizons. Long-term return expectations are set annually based on a building-block approach that considers potential returns across equity, fixed income, private debt and real assets. This provides us with a multi-cycle time

horizon, typically seven to 10 years, and helps determine benchmark weights. Over this time horizon, we also seek to understand these asset classes' volatility and diversification potential. Quarterly, our asset strategy team—comprising chief investment officers, portfolio managers, and risk management and trading staff—meets to determine our outlook over a 12- to 18-month horizon. Here we focus on where we are in the economic cycle; this will inform our asset class biases relative to the benchmarks. As an example, today, we are closely evaluating if we will remain in later-cycle economic growth or if we are close to a recession.

Weekly, our asset strategy team meets to assess markets across asset classes—as well as any significant fundamental events, such as Brexit or NAFTA renegotiations—that may have an impact on our outlook. This allows us to fine-tune portfolio targets and rebalance portfolios, and to determine if we need to change our focus.

How have your multi-asset portfolio offerings evolved in recent years?

For the last two decades, investors have continued to increase their allocation to

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alternative investments. We're somewhat unique; Greystone has a 30-year history of integrating public and private asset classes within our clients' portfolios. This is important to us as we believe all organizations, regardless of their size, can benefit from integrating equities, bonds, private debt and private real assets within their investment programs. In recent years, our experience and skills have allowed us to bring previously difficult-to-access asset classes, such as real estate and infrastructure, to small and midsize defined benefit plans, defined contribution plans, and endowments and foundations.

While we've seen less interest from our clients in traditional balanced funds, what has resonated with them are single-provider solutions, which can provide for alternatives along with traditional asset classes in one stop. Clients have appreciated the benefits of access to a diversified portfolio, fee synergies from a well-rounded manager/client relationship, liquidity management of private asset classes by the investment manager, and transparency into how private asset classes contribute to risk and return.

You've mentioned the benefits of alternatives. Why are they more important today?

The low interest rate environment makes it difficult for investors to meet their total return objectives; as a result, they move to riskier assets to get sufficient returns. In our experience, private asset

classes—such as infrastructure, real estate and certain mortgage segments—can enhance expected returns without increasing expected risk. Private markets can potentially enhance returns because they're traded infrequently and require specialized skill sets to access, and there are fewer providers of capital overall.

For example, imagine an investor faced with two investments, each providing identical risks and fundamental exposures. Investment A trades on a stock exchange and can therefore be sold to cash almost on demand. Investment B is a private market exposure, meaning that the ability to buy and sell involves considerably more time and valuation uncertainty. The investor should demand and receive a higher return for Investment B, as he or she has given up the option of immediate conversion to cash. The trick for investors is ensuring they're truly harvesting a private market premium at a reasonable cost as opposed to other market risks.

With the recent announcement of TD Bank acquiring Greystone, what excites you most about the future?

I've always believed a successful investment management firm should have an eye to growth to stay relevant to clients and employees. In that spirit, we're very excited to be joining a firm that aligns with our cultural values and provides scale so we can continuously

create new products and reach new investors. In addition to expanding our alternative capabilities, this is a tremendous opportunity to provide a wider array of investors with access to our equity, fixed income and multi-asset solutions.



GREYSTONE HAS BEEN ACKNOWLEDGED FOR ITS STRONG CULTURE. DESCRIBE THE IMPORTANCE OF INSTILLING A STRONG CULTURE.

We realized early that to grow, we must maintain a culture that focuses on clients, employees and the community as a whole. It's about driving innovation, building partnerships and creating an environment where everyone can achieve their goals—in their careers, their lives and their long-term investments. Being relevant to clients and meeting their needs is easier to achieve in a growing organization, but it's also important during that growth to remain relevant to employees. When the culture is open and discussion prevails, we can achieve a great deal. At Greystone, we strive to maintain an environment that consistently benefits our clients, our staff and our communities.