

## Glossary of Terms

<b>Absolute Return Strategies (asset)</b>	Investment strategies that are typically created by investing in assets to provide returns which are independent of public capital market directions.
<b>Active Management</b>	An investment strategy used by management with the goal of outperforming an industry benchmark or index.
<b>Actuarial Assumptions</b>	In relation to pension plans, these assumptions (or estimates) are made for the purposes of calculating benefits, taking into account variables including life expectancy, return on investments, interest rates, and compensation. By calculating the possible payout of benefits, the actuary can determine what contributions are required and what amount the pension plan's sponsor should set aside as readily available cash.
<b>Actuarial Valuation</b>	A valuation carried out by an actuary, on a regular basis, to determine a pension plan's ability to meet its future benefit obligations. It also provides an estimate of the plan's funding position by comparing the value of the pension fund's assets with its liabilities.
<b>Actuary</b>	A professional advisor or entity whose responsibility is to evaluate present and future pension liabilities in order to determine the financial condition of a pension plan, by following recognized actuarial methods as established by the Canadian Institute of Actuaries.
<b>Alternative Investments (asset)</b>	Investments which are expected to have only modest correlations with traditional public equity or fixed income investments. These investments are expected to provide portfolio diversification benefits and typically include real estate, infrastructure, absolute return strategies and private equity investments.
<b>Annualized (rate of return)</b>	A rate of return expressed over one year, although the actual rate of return being annualized is for periods longer or shorter than one year.
<b>Asset</b>	An investment of economic value, owned by an investor. For example, public stocks, bonds, and real estate investments would all be considered financial assets.
<b>Asset Allocation</b>	The proportion of each investment asset class, such as equities, bonds, short-term assets, etc., that could comprise an investment portfolio.
<b>Asset Class</b>	A group of investment assets with similar expected performance and risk characteristics.
<b>Benchmark</b>	An industry standard against which rates of return can be measured, such as equity and bond market indices developed by stock exchanges and investment dealers.

<b>Bi-annual</b>	Happening twice a year.
<b>Biennial</b>	Happening every two years.
<b>Bond (assets)</b>	<p>Debt security held by an investor, who has to pay the owner a fixed rate of interest during the term of the loan and to return the principal or face value when the loan matures. The following are types of debt securities that can be purchased:</p> <ul style="list-style-type: none"> <li>- government bonds (bonds sold by national, provincial/state and municipal governments);</li> <li>- corporate bonds (bonds sold by private sector companies); and</li> <li>- real return bonds (bonds which have a portion of their payment obligation tied to the rate of inflation).</li> </ul> <p>See also <b>Fixed Income</b>.</p>
<b>Business Continuity Plan</b>	Set of documents, instructions, and procedures which enable a business to respond to accidents, disasters, emergencies, and/or threats, without any stoppage or hindrance in its key operations. Also called business resumption plan, disaster recovery plan, or recovery plan.
<b>Commodities</b>	Assets of value, of uniform quality, that are produced in large quantities by many different producers. Generally, these are basic resources and agricultural products such as iron ore, crude oil, gasoline, natural gas, coal, ethanol, salt, sugar, coffee beans, soybeans, aluminum, rice, wheat, gold and silver.
<b>Compliance</b>	Procedures undertaken at regular intervals or on an on-going basis to ensure internal and external controls and regulations are satisfied.
<b>Counterparty (exposure)</b>	The customer, bank, or securities dealer with whom an investment or derivatives transaction is conducted.
<b>Cumulative (rate of return)</b>	A total, compounded rate of return covering (generally) more than one year. For example, if a fund earns 15% in the first year, 36% in the second year and -7% in the third year, its cumulative return is 45.45%. Its annual average compound return, by comparison, is 13.3%. It is always advisable to look at the individual annual returns that make up cumulative and compound returns in making judgments about the quality and consistency of returns.
<b>Currency Hedging</b>	An investment taken to reduce the risk or potential loss arising from the change in the value of the currency of a foreign asset against the Canadian dollar.
<b>Currency Overlay</b>	A currency hedging technique aimed at protecting an investor's international currency exposure. Currency hedges are adjusted on a frequent basis, to protect the Canadian dollar value of foreign investments.

<b>Defined Benefit Pension Plan</b>	A pension plan in which the employer and employee contributions, and the pension benefit payments are clearly outlined by a series of rules as determined by the plan.
<b>Defined Contribution Pension Plan</b>	A pension plan in which employer and employee contributions are clearly outlined by a series of rules as determined by the plan. Pension benefit payments are typically highly contingent on the long-term investment performance of the plan.
<b>Derivatives</b>	A generic term used to describe a financial instrument or contract <i>derived</i> from some other asset or index, executed between two counterparties. Examples are financial futures or option contracts that may be negotiated privately or be listed on a recognized securities exchange.
<b>Discretionary</b>	Left to a person's discretion, freedom and authority to make decisions or choices.
<b>Fiduciary / Trustee</b>	A person or entity who is legally entrusted with the property (assets) of another person or group of persons (party), required to prudently place the best interests of the party above its own at all times when managing all aspects of the property/assets. Also called a "Trustee".
<b>Fiduciary Duty</b>	The legal responsibility of a fiduciary to conduct themselves with the highest standards of integrity, honesty, independence, fairness, openness and competence when acting for or on behalf of a party. For example, a pension plan trustee holds a fiduciary duty towards the pension plan and its members and beneficiaries.
<b>Fixed Income (assets)</b>	<p>An asset class comprising securities that pays a specific interest rate, such as a bond or money market instrument. They obligate the borrower to pay the owner a fixed rate of interest during the term of the loan and to return the principal or face value when the loan matures. This asset class includes:</p> <ul style="list-style-type: none"> <li>- government bonds (bonds sold by national, provincial/state and municipal governments);</li> <li>- corporate bonds (bonds sold by private sector companies); and</li> <li>- real return bonds (bonds which have a portion of their payment obligation tied to the rate of inflation).</li> </ul> <p>See also <b>Bonds</b>.</p>
<b>Governance</b>	A generic term which describes the ways in which rights and responsibilities are shared between various stakeholders. For corporate governance, the rights and responsibilities are generally shared between the governing board, management and shareholders. For pension plan governance, the rights and responsibilities are shared between the Plan Sponsor / Parties and the Trustee(s).
<b>Inflation-linked Assets</b>	An asset that is expected to provide a return that is highly correlated to the rate of inflation. Investments in real return bonds, real estate and infrastructure are such assets.

<b>Infrastructure (assets)</b>	Assets which provide essential physical facilities or services to a community or business, such as transportation, communication, sewage, water, and electric systems. They are typically long-life assets which have some type of inflation link to their investment return profile. See also <b>Inflation-Linked</b> .
<b>Low Volatility Equity (assets)</b>	An investment strategy which uses public equity assets to build a portfolio that is expected to provide similar long-term investment returns to Public Equity portfolios but with less risk.
<b>Market Neutral Strategy</b>	An investment strategy that is deployed using public equity securities, however, is designed to provide returns independent of the direction of public equity markets. Similar to the <b>Absolute Return Strategies</b> .
<b>Nominal Return</b>	A type of rate of return on an investment that is expressed as a percentage of the total amount invested.
<b>Pooled Funds</b>	A fund in which multiple investors contribute assets and hold them as a group. A common example of a pooled fund is a unit trust fund.
<b>Portfolio</b>	A group of investments and financial instruments that are grouped together for specific investment purposes.
<b>Private Equity (assets)</b>	Equity investments in companies that are not publicly traded on a recognized stock exchange. Private equity is a type of <b>Alternative Investment</b> asset.
<b>Private Markets</b>	Investment assets that are not readily traded through public trading systems or exchanges.
<b>Public Equity (assets)</b>	Equity investments in companies that are typically subject to the reporting requirements of a national regulatory body and are publically traded on a stock exchange. This asset class includes: <ul style="list-style-type: none"> <li>- Canadian equity (Canadian companies, also called domestic equity); and</li> <li>- international equity (companies outside of Canada, including the United States, Europe, and Asia).</li> </ul>
<b>Real Estate (assets)</b>	Investments in physical buildings or land holdings which typically receive regular rental payments and may be subject to longer-term value appreciation. They are typically long-life assets which have some type of inflation link to the investment return profile. See also <b>Inflation-Linked</b> .
<b>Real Return</b>	The return on an investment determined by subtracting the rate of inflation from the nominal return, usually for a specific measurement period.
<b>Risk</b>	The variability of investment returns, either in absolute terms or versus a benchmark.

<b>Risk Management Framework</b>	A series of well-defined independent risk management systems and processes within various business teams. The process involves the participation of VIMC's Board of Directors, management, and external service providers.
<b>Shared-risk or Target Benefit Pension Plan</b>	A pension plan that is administered on a risk management basis in order to provide secure pension benefits, but without their absolute guarantee. The pension contributions and pension benefit payments, as well as related actions and decisions, are subject to the financial strength of the plan as clearly outlined in the plan's funding policy.
<b>Short-term Assets</b>	A security that generally matures in one year or less.
<b>Stakeholders</b>	A person, group, organization, or system that affects or can be affected by an organization's actions.
<b>Strategic Plan</b>	A strategic document that outlines an organization's overall mission, vision, and values which helps to direct the annual business planning activities of the organization.
<b>Succession Plan</b>	The identification and development of potential successors for key positions in an organization, through a systematic evaluation process and supplemental training programs.
<b>Trading Practice</b>	Standard activities, methods, and procedures established to handle day-to-day or frequently occurring events.
<b>Trustee / Fiduciary</b>	A person or entity who is legally entrusted with the property (assets) of another person or group of persons (party), required to prudently place the best interests of the party above its own at all times when managing all aspects of the property/assets. Also called a " <b>Fiduciary</b> ".
<b>Valuation</b>	The process of determining the value of an asset or security. This may involve the use of the most recent price of a publicly traded security, or a more subjective methodology used for private assets.
<b>Volatility</b>	The size and frequency of changes in an asset's value over a short period of time.