



4 Things Investors Can Learn From This \$97 Billion Fund

Description

The Ontario Municipal Employees Retirement System, better known as OMERS, is Canada's largest pension fund. It manages over \$97 billion in assets for the benefit of hundreds of thousands of government employees spread across the province of Ontario. As such, it is one of the key institutional players in the country's capital markets.

As you can imagine, managing the retirement fund for such a large cohort of government employees in Canada's most populous state is a big deal. The fund paid retired pensioners an average of \$31,295 in 2018. With this commitment in mind, the fund's investment strategy needs to strike the perfect balance between risks and returns.

Fortunately, OMERS has managed to implement a highly sophisticated and pragmatic investment plan that has delivered a respectable 6.6% compounded annual return over the past 20 years. The fund's underlying portfolio offers the average investor a few lessons in value creation.

Go global

Although the beneficiaries of the pension fund are all located in a single province, the fund's managers haven't restricted themselves to Canadian borders in their pursuit for investment opportunities. Only 30% of the portfolio is based in Canada, with the largest chunk (44%) deployed in the United States. Investments also reach Europe, Asia, and emerging markets.

If the provincial government pension fund can avoid a home bias, the average investor should too. Being overexposed to any economy is a risk that can be easily eliminated.

Focus on stability

The OMERS investment fund aims for a 7-11% total return on average every year. However, the fund's commitments mean it must prioritize stability over the pursuit of high returns. As a consequence, the portfolio is spread out between six asset classes.

The largest portion (33%) is in public equities, but real estate, infrastructure, and inflation-linked government bonds are also a part of the mix. Regular investors can follow a similar framework to diversify their Tax-Free Savings Account and stabilize their performance across business cycles.

Add technology

A small fraction of the portfolio (\$1 billion) is invested in the OMERS venture fund. This fund seeks out cutting-edge startups and innovative technologies that can add a significant boost to the overall portfolio if successful.

At the time of writing, the fund was invested in companies like the cryptocurrency-trader Digital Currency Group and privacy-focused search engine Duck Duck Go. The fund also held a stake in **Shopify**, currently Canada's most [valuable technology company](#).

The average investor shouldn't shy away from technology investments and startups listed on the venture exchange in pursuit of market outperformance.

Consider the impact

Not only is environmental-impact part of the investment selection process at OMERS, but the fund managers also seem to imply that being good for society is also good for the bottom line. Here's an excerpt from their website:

"We believe that well-run organizations with sound environmental, social and governance (ESG) practices will perform better, particularly over the long term."

With more public companies adopting these ESG policies, it's becoming easier for retail investors to make societal and environmental impacts a part of their investment strategy.

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