



More Bad News for Alberta: Pension Fund Lost a Massive \$2.1 Billion

Description

A pension fund manager will invest the money to achieve returns. Holding cash as savings won't cut it. Otherwise, there won't be enough [pension payments](#) in the long run. However, it's also the fund manager's lookout to be aware of the risks and manage them.

A case in point is Alberta Investment Management Corp. (AIMCo), one of the largest and most diversified institutional investment fund managers in Canada. The investment portfolio, consisting of pension, endowment, and government funds in Alberta is worth approximately \$120 billion.

The pension fund manager hit the headlines in 2020 after reporting \$2.1 billion in losses. The outsized losses are unprecedented. Some sources are saying that AIMCo executives were not fully aware of the risks they were taking. Meanwhile, external reviewers point to a single [investment strategy](#) as the reason for the fiasco.

Volatility-based investment strategy

On March 14, 2020, the board of AIMCo learned of the significant losses incurred on the Volatility Trading Strategy, or VOLTS. To mitigate further losses from the one public equities strategy, the board approved a plan to wind down and permanently close VOLTS. AIMCo lost about 2% of the value of assets under management.

A major criticism against VOLTS is that it was a money-losing approach. Christina Gray, a Member of the Legislative Assembly of Alberta who sits on the heritage fund committee, said AIMCo took an unacceptable risk. The strategy jeopardized pensions in Alberta.

After pulling the plug on VOLTS, AIMCo is reviewing its strategies to prevent the re-occurrence of the blow-out. Affected pension funds are expressing outrage over the considerable losses. Meanwhile, the woes of Alberta are compounding. The province is already reeling from a weak economy, mass layoffs, and low oil prices.

Winning strategy

If there is stock worthy of consideration in the pandemic, it should be **TELUS** ([TSX:T](#))([NYSE:TU](#)). Even amateur investors will understand why. Without looking at the dividend offer yet, a dominant player in the telecom industry can endure economic downturns.

The services TELUS provides are essential and invaluable in personal and business affairs. How would Canadians keep in touch without mobile, TV, and internet services? All are vital during lockdowns. Expect exponential growth in customer subscriptions when working from home and online learning become the norm post-pandemic.

The simple analogy of TELUS's business should merit investor attention already. However, the real takeaway is the generous dividend. This top-tier telco stock yields 4.93%. Your \$20,000 idle cash will generate \$986 in passive income. A holding period of 15 years will raise your capital to \$41,164.71.

If Canadians were to rely heavily on the internet and mobile networks, the choice would be TELUS. The company boasts of the fastest internet speed and network superiority. Over the next three years, TELUS will invest \$40 billion in critical technology to support the rollout of its 5G networks.

Never a money-losing approach

The losses are regrettable, because the hard-working people in Alberta anchor their retirement on the fund. Investors or fund managers should, at all times, be mindful of the risks and use the appropriate strategies to contain them. No one should be using a money-losing approach.

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