

**Alberta WCB
Policies &
Information**

Chapter:

GENERAL POLICIES

Subject:

INVESTMENT POLICY

Authorization:

Date:

BoD Resolution 2018/07/42

November 27, 2018

APPLICATION 2: INVESTMENT BELIEFS

1. *What are WCB's investment beliefs?*

The key investment beliefs include:

- The long-term asset mix is the main determinant of a portfolio's risk and return.
- Diversification of asset classes, implementation strategies, and securities can improve the risk and return characteristics of the portfolio.
- There is a relationship between risk & return – in the absence of skill, higher returns require taking higher risk.
- Over longer time periods equities will outperform bonds to compensate investors for assuming higher risk.
- Asset mix can positively impact the relationship between assets and liabilities and reduce funded position volatility.
- Over longer time periods currency exposure should not add or detract value. Over shorter time periods some currency exposure can act as a diversifier but large exposures can increase portfolio volatility.
- Short term market timing is an inefficient strategy for consistently increasing portfolio returns.
- Market inefficiencies create opportunities to enhance returns and reduce risk, however the level of inefficiency can vary by asset class, region, market and time period.
- Effective implementation strategies can improve the net returns and/or lower the risk of the portfolio.

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2. *What decisions are influenced by the investment beliefs?* Almost all of the investment management decisions are influenced by the investment beliefs. The beliefs can influence the asset mix decision, portfolio strategy, manager structure, and the selection of investment managers and securities.
3. *When is this policy application effective?* This policy application (Application 2 – Investment Beliefs) is effective January 1, 2019, except when noted otherwise in a specific policy section(s).

Previous versions

- [Policy 0104 Part II - April 2018](#)
- [Policy 0104 Part II - January 2018](#)
- [Policy 0104 Part II - March 2017](#)
- [Policy 0104 Part II - January 2017](#)
- [Policy 0104 Part II - January 2016](#)
- [Policy 0104 Part II - August 2015](#)
- [Policy 0104 Part II - January 2015](#)
- [Policy 0104 Part II - January 2014](#)
- [Policy 0104 Part II - November 2011](#)
- [Policy 0104 Part II - November 2010](#)
- [Policy 0104 Part II - November 2009](#)
- [Policy 0104 Part II - November 2008](#)
- [Policy 0104 Part II - October 2005](#)
- [Policy 0104 Part II - January 2004](#)
- [Policy 0104 Part II - April 2002](#)
- [Policy 0104 Part II \(1st Issue\) - June 1998](#)