

**DALHOUSIE UNIVERSITY
INVESTMENT COMMITTEE
PENSION TRUST FUND and RETIREES' TRUST FUND TRUSTEES**

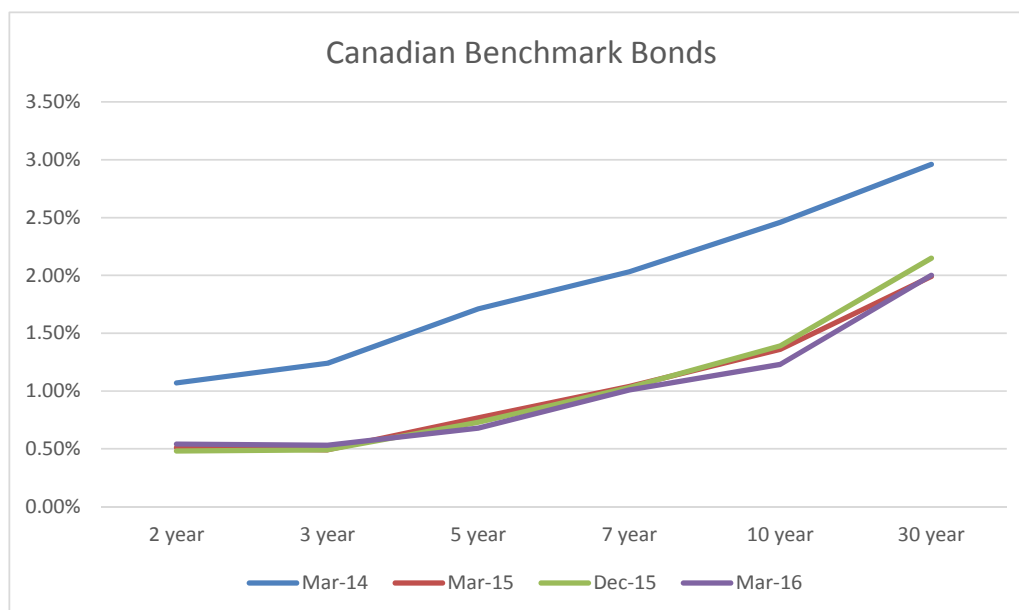
**ANNUAL REPORT TO BOARD OF GOVERNORS
Endowment Funds
Pension Trust Fund
Retirees' Trust Fund**

June 2016

Mr. Chair, Members of the Board of Governors:

Market Overview & Summary

The low interest scenario continued through the past 12 months that ended March 31, 2016. Early in the period there was some anticipation of economic growth, with WTI oil increasing from \$50 per barrel to \$61 by June 2016, and interest rates on mid-term bonds had increased slightly. Subsequently, oil supplies started to outpace demand resulting in a slide in oil prices, bottoming out at \$26 per barrel in January 2016. The Bank of Canada surprised the market in July 2015 by lowering the overnight rate by 0.25% to 0.50%. As the following graph illustrates, bond rates then experienced similar declines across the yield curve.



Declining oil prices and interest rates had a depreciating effect on the Canadian dollar. The Canadian dollar started the period at \$US 0.79 and had reached \$US 0.83. However, as oil prices and interest rates declined, the Canadian dollar depreciated to below \$US 0.69 before recovering to \$US 0.769 by March 31, 2016. The Canadian dollar weakened against other major currencies as well, offsetting some of the decline in the unhedged returns of foreign equities.

<i>Annualized returns as of March 31, 2016</i>	1 year	2 years	3 years	4 years	10 years
Canada -TSX	- 6.57%	- 0.06%	5.02%	5.30%	4.05%
U.S. –S&P 500, <i>CAD</i>	3.91%	15.94%	21.12%	19.82%	8.15%
U.S. –S&P 500, <i>USD</i>	1.78%	7.11%	11.82%	12.35%	7.01%
EAFE - <i>CAD</i>	- 6.36%	3.18%	10.73%	11.36%	2.88%
EAFE – <i>local currency</i>	- 11.17%	2.27%	6.47%	8.95%	1.82%
Canada Bonds – TMX universe	0.78%	5.41%	3.86%	4.03%	5.22%
<i>CPI</i>	1.27%	1.23%	1.34%	1.25%	1.65%

The Canadian equity market was dragged down by the energy and commodity sectors that represent over 30% of the market. The health care sector, although only 1% of the Canadian market declined 80%, contributing to a 0.8% drag on the overall market.

The Dalhousie Funds mitigated some of the weakness in public market equities by having diversified its portfolios through the inclusion of private investments in real estate, infrastructure, and private equity.

Dalhousie developed a total rate of return (‘TROR’) investment approach for its endowments in conjunction with a banded inflation spending model to provide stable and sustainable spending levels, while preserving the real purchasing power of the gifted capital. Chart 1 illustrates that over the last twenty-one years, the endowment funds have achieved sustainable spending as the return objective has been met. The bars depict the Funds’ returns versus the objectives on a quarterly basis. The endowment return objective is the spend rate plus administrative fees plus inflation. Since 1995, the Funds’ annualized return was 8.4% as compared to an annualized objective of 7.2%, despite two major downturns in global equity markets, 2002-03 and 2008-09, during this period.

The other principle endowment objective is the preservation of the real economic value of the capital. Chart 2 shows that after the TROR was adopted in 1990, the market value of the endowments in aggregate has stayed ahead of the indexed values on a fairly consistent basis.

Chart 1

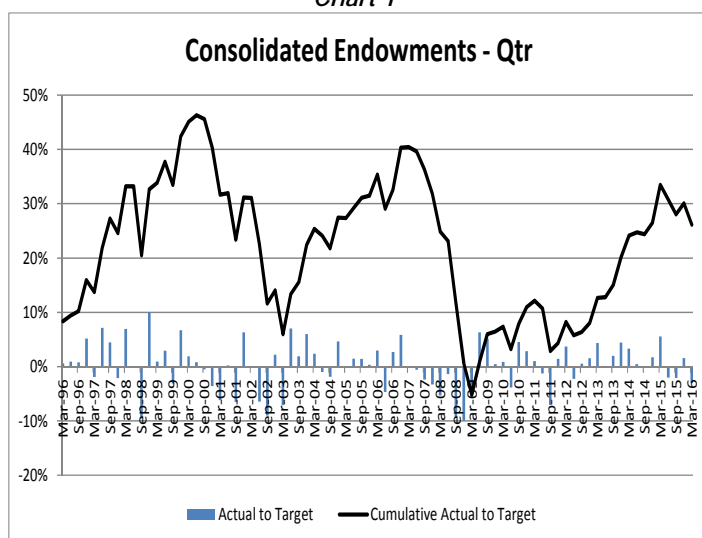
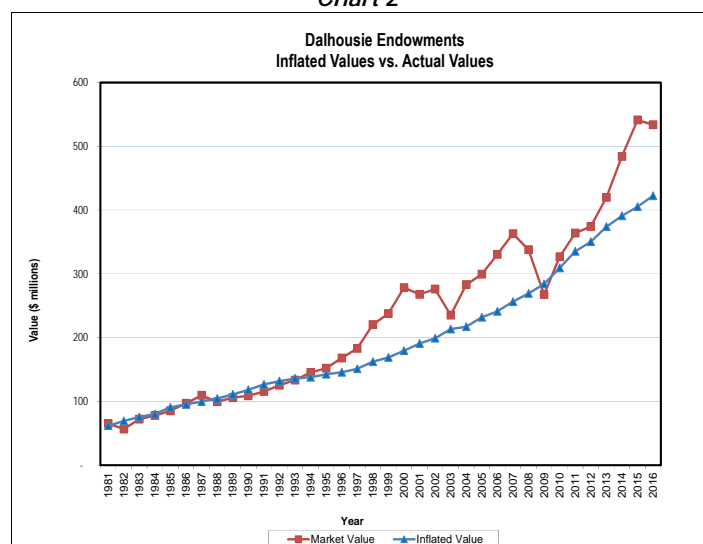


Chart 2



The Pension Trust Fund (‘PTF’) and the Retirees’ Trust Fund (‘RTF’) in aggregate supply the assets to fund the obligations of the Dalhousie University Staff Pension Plan. As Charts 3 and 4 illustrate, the two funds have each met and exceeded their respective return targets over the last twenty years to the Funds’ most recent June 30, 2015 fiscal year-ends, despite volatility of the markets. The PTF had an annualized net return of 8.2% as compared to the actuarial target of 6.8% over this 20-year period. Likewise, the RTF was ahead of its 5.05% objective with a 7.9% annualized net return. As in the case with the University’s endowment investments, the PTF and RTF had to contend with the two major declines in equity markets during this period. Despite each fund exceeding its respective return targets, the Plan sits in a deficit position. Improving mortality rates have

increased the plan liabilities significantly, and use of previous surpluses for benefit enhancements, contribution holidays and surplus distributions have also contributed to the deficit.

Chart 3

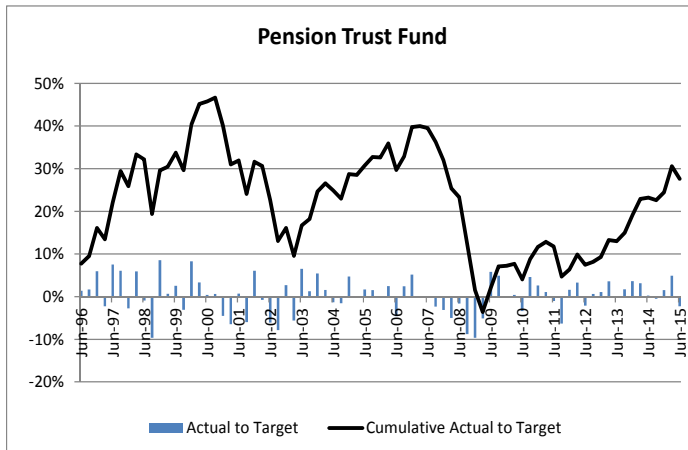
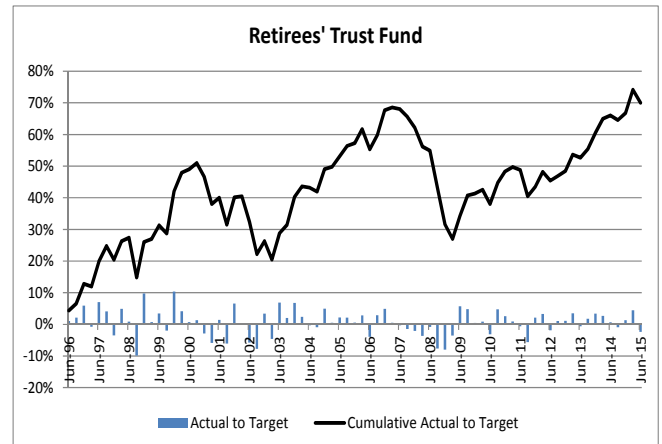


Chart 4



Each Fund's primary return objective is defined by its funding requirement – currently the endowment has a 4.95% real return targets, while the PTF and RTF have targets of 6.00% and 5.05% respectively. The PTF target represents its actuarial discount rate, while the RTF's 5.05% represents the return hurdle required after which excess returns can be applied for pension indexation. As a result, each Fund has had its own distinct set of investment objectives that have yielded over time different asset mix policies for each Fund, and consequently different return results. With the growth of the RTF assets, its asset mix policy has drifted closer to that of the PTF to where they match today. However, the RTF's new allocation to private investments will require some time to grow, thus return results will continue to differ from the PTF for a while.

The asset mix return benchmarks serve as secondary reference points. Over the past year in the weak public markets, the endowments posted a 0.2% return as compared to its policy benchmark of -0.4%. The two pension funds were behind their respective policy benchmarks for the year (PTF: -0.1% vs 0.3%; RTF: -1.1% vs -0.4%). Both the PTF and the RTF have been later in making private equity allocations, and thus are not on the same pace of exit distributions that the endowments are realizing from earlier commitments. Appendix A summarizes each Fund's investment objectives and related investment structure.

2015/16 Committee & Trustee Activity

The Committee and trustees meet a number of times during each year to provide oversight and insight on the strategic direction of the Funds. The Committee and Trustees review investment performance each quarter, using a number of measures including each Fund's return requirement, investment policy benchmark, and to a lesser extent, peer universe comparisons. Each Fund's specific return requirement is obviously the most important measure over time. However, each Fund's investments are subject to the variations of market conditions, and as such, the investment policy benchmark is another important measure.

Following a review of the U.S. equity compositions of the funds, it was decided to add a blended small & mid mandate, or ``SMID`` to the funds. After a search and interview process, Wellington Management was selected to fill the mandate. These new mandates were funded by slightly reducing the large cap and small cap allocations.

The international public equity manager line-up was also revised. Following staff's annual review of Sprucegrove, some concerns were identified and it was decided to replace this mandate. In the end, three managers were selected; Addenda, Burgundy, and Fiera. These new mandates were funded in February 2016.

Additional private equity commitments were also completed in the past year. Allocations were made by each Fund to North American mid-market, emerging markets, and to European mid-market.

The Committee and Trustees also completed a review of each Fund's investment policies. These policies are reviewed annually. The primary investment objectives and underlying assumptions were revisited and compared to those defined during the development of the policies. The investment policies were reaffirmed given that the primary investment objectives remained valid and that there were no major changes in underlying investment and economic assumptions.

The members of the Investment Committee and Trustees for the past year are listed on the last page of this report. I wish to thank the other Committee members and the Trustees for their support during my brief term as Chair, and for their valued contributions during this past busy and challenging year.

Respectfully submitted,

Aubrey Palmeter

Chair, Investment Committee

DALHOUSIE UNIVERSITY
Endowment Funds

Dalhousie University's Endowment Funds provide annual funding to the operating budget to support academic chairs and salaries, fellowships, scholarships, student bursaries, library enhancement, research, equipment and facilities. For the 2015/16 fiscal year, total endowment program spending along with investment and administrative expenses was \$21.5 million. There was an additional \$1.9 million of spending support from externally-held endowments and related contributions. Over the past year, the Endowment investments declined from \$534.4 million to \$527.0 million. The year-over-year change consisted of \$12.0 million in new gifts and \$1.6 million in net transfers for designated purposes. The year's 0.2% investment return added \$1.1 million. These additions were more than offset by the \$22.1 million that was withdrawn for spending allocations.

Both the endowment spending and the investment policies are reviewed frequently to ensure that spending is kept at a sustainable level to enable preservation of the real economic value of the corpus and to provide an intergenerational equality balance. Dalhousie uses a banded inflation model that commences spending at a target percentage of market value and increases spending at the rate of inflation so long as the spending remains within a band percentage of market value. Target spending commences at 4.25%, with a 3.75% lower band and a 5.00% upper band.

DALHOUSIE UNIVERSITY
ENDOWMENT FUNDS

<i>Manager</i>	<i>Asset Class</i>	<i>Market Value (\$ Millions)</i>	
		<i>March 31, 2016</i>	<i>March 31, 2015</i>
Burgundy Asset Management	Canadian Equities	\$ 43.2	\$ 47.0
Montrusco Bolton	Canadian Equities – dividend growth	19.2	20.1
Fiera Capital Management	Canadian Equities – market neutral	21.4	18.7
Ashford Capital Management	US Equities	20.7	24.4
Wedge Capital Management L.L.P.	US Equities – Large Cap	47.0	55.0
Wellington Management Canada LLC	US Equities – SMID	11.8	-
State Street Global Asset Management	US Equities – Mid Cap Index	26.1	27.7
Sprucegrove Investment Management	Non-North American Equities	-	69.7
First Eagle	Non-North American Equities	20.9	20.5
Addenda Capital Inc.	NNA Equities	20.2	-
Burgundy Asset Management	NNA Equities	20.7	-
Fiera Capital	NNA Equities	20.3	-
CIBC Global Asset Management	Canadian Bond – Index	37.8	37.4
Addenda Capital Inc.	Canadian Bonds - active	22.5	22.2
BlackRock Asset Management	Canadian Bonds - active	27.9	26.4
Canso Investment Counsel	Canadian Bonds - active	24.8	23.8
Commonfund Capital	Private Equity	45.2	37.9
JP Morgan	Private Equity	17.8	15.3
BMO F&C	Private Equity	6.9	-
Pantheon	Private Equity	4.8	5.1
Crestline Investors, Inc.	Absolute Return – Hedge Fund of Funds	-	11.7
Brevan Howard	Global Macro	1.4	5.8
BlueCrest Capital	Global Macro	-	5.2
Lazard Asset Management	Infrastructure securities	7.8	6.5
JP Morgan	Infrastructure & Shipping	9.6	9.2
CBRE Clarion	Global Real Estate Securities	17.9	17.6
GPM	Canadian Real Estate	12.0	11.9
Canadian Urban	Canadian Real Estate	8.2	8.2
	General*	10.9	7.1
TOTAL ASSETS		\$527.0	\$534.4

* Includes other funds invested in a manner as specified by donor and cash in-transit.

ENDOWMENT FUND PERFORMANCE

	<i>Annualized Returns to</i>			
	<i>March 31, 2016</i>		<i>March 31, 2015</i>	
	Fund	Benchmark**	Fund	Benchmark**
10 Years	6.1%	5.5%	7.5%	7.1%
4 Years	10.5%	9.2%	11.4%	10.0%
3 Years	10.4%	9.1%	14.2%	12.6%
2 Years	6.9%	6.2%	15.9%	14.2%
1 Year	0.2%	-0.4%	14.0%	13.3%

** The benchmark is the index return of the Fund's policy asset allocation.

DALHOUSIE UNIVERSITY
Pension Trust Fund

The Pension Trust Fund's fiscal year commences on July 1st. For the first nine months of this fiscal year, the Pension Trust Fund's assets declined by \$20.8 million to \$648.5 million. The Fund's 1.0% investment return over this period added \$9.7 million, and \$36.5 million in new contributions were received. Disbursements from the Fund included \$63.9 million in various benefit payments and \$3.1 million in expenses.

DALHOUSIE UNIVERSITY
PENSION TRUST FUND

<i>Manager</i>	<i>Asset Class</i>	<i>Market Value (\$ Millions)</i>		
		<i>March 31, 2016</i>	<i>June 30, 2015*</i>	<i>March 31, 2015</i>
Burgundy Asset Management	Canadian Equities	\$ 48.1	\$52.2	\$ 53.1
Montrusco Bolton	Canadian Equities	19.8	20.3	20.7
Fiera Capital Management	Canadian Equities	24.5	23.9	23.1
Ashford Capital Management	US Equities	27.6	33.4	33.4
Wedge Capital Management L.L.P.	US Equities – Large Cap	48.7	58.7	60.9
Wellington Management Canada LLC	US Equities – SMID	10.9	-	-
State Street Global Asset Management	US Equities – Mid Cap	26.9	26.6	27.3
Sprucegrove Investment Management	NNA Equities	-	75.3	76.8
First Eagle	NNA Equities	20.3	19.7	19.8
Addenda Capital Inc	NNA Equities	21.7	-	-
Burgundy Asset Management	NNA Equities	22.3	-	-
Fiera Capital	NNA Equities	21.9	-	-
CIBC Global Asset Management	Canadian Bond - Index	62.7	61.1	62.2
Addenda Capital Inc.	Canadian Bonds - active	35.0	34.2	34.5
BlackRock Asset Management	Canadian Bonds – active	46.7	44.8	45.8
Canso Investment Counsel	Canadian Bonds – active	37.3	37.0	37.2
Commonfund Capital	Private Equity	44.0	36.7	34.1
JP Morgan	Private Equity	18.3	16.5	16.4
BMO F&C	Private Equity	10.9	7.6	
Pantheon Ventures Ltd.	Private Equity	4.8	5.4	5.2
Crestline Investors, Inc.	Absolute Return – Hedge Fund of Funds	-	13.7	13.9
Brevan Howard	Global Macro	1.8	7.0	7.2
BlueCrest Capital	Global Macro	-	6.6	6.4
Lazard Asset Management	Infrastructure securities	10.9	9.9	10.3
JP Morgan	Infrastructure & Shipping	11.7	10.7	11.2
CBRE Clarion	Global Public R.E.	28.6	25.6	28.0
GPM	Canadian Real Estate	15.8	15.6	15.6
Canadian Urban	Canadian Real Estate	10.8	11.1	10.8
	Cash in Bank & Other	16.5	15.7	11.6
TOTAL ASSETS		\$648.5	\$669.3	\$665.5

PENSION TRUST FUND PERFORMANCE

	<i>Annualized Returns to</i>					
	<i>March 31, 2016</i>		<i>June 30, 2015*</i>		<i>March 31, 2015</i>	
	Fund	Benchmark**	Fund	Benchmark**	Fund	Benchmark**
10 Years	5.8%	5.4%	6.7%	6.4%	7.2%	6.8%
4 Years	9.2%	8.6%	10.0%	9.2%	10.8%	9.5%
3 Years	8.9%	8.6%	12.4%	11.6%	13.1%	11.5%
2 Years	6.0%	6.4%	12.7%	12.4%	14.5%	12.9%
1 Year	-0.1%	0.3%	9.6%	8.9%	13.3%	12.9%

*June 30 is the fiscal year end of the Pension Trust Fund

** The benchmark is the index return of the Fund's policy asset allocation

DALHOUSIE UNIVERSITY
Retirees' Trust Fund

The Retirees' Trust Fund's asset value grew from \$457.5 million to \$478.1 million, an increase of \$20.6 million, over the first nine months of its fiscal year which commenced on July 1, 2015. The Fund received \$52.9 million in transfers for new retirees from the Pension Trust Fund. The Fund had an investment loss of \$2.8 million for the period, and it made \$27.4 million in benefit payments and incurred \$2.1 million in expenses.

DALHOUSIE UNIVERSITY
RETIRES' TRUST FUND

<i>Manager</i>	<i>Asset Class</i>	<i>Market Value (\$ Millions)</i>		
		<i>March 31, 2016</i>	<i>June 30, 2015*</i>	<i>March 31, 2015</i>
Burgundy Asset Management	Canadian Equities	\$36.9	\$40.0	\$ 40.7
Montrusco Bolton	Canadian Equities	13.1	13.5	13.8
Fiera Capital	Canadian Equities	16.1	13.8	13.3
Ashford Capital Management	US Equities – Small Cap	17.1	20.8	20.5
Wedge Capital Management L.L.P.	US Equities – Large Cap	34.6	42.6	42.8
Wellington Management Canada LLC	US Equities – SMID	13.2	-	-
State Street Global Asset Management	US Equities – Mid Cap	21.9	22.0	22.6
Sprucegrove Investment Management	NNA Equities	-	53.8	54.9
First Eagle	NNA Equities	17.5	17.0	17.2
Addenda Capital Inc	NNA Equities	17.7	-	-
Burgundy Asset Management	NNA Equities	18.1	-	-
Fiera Capital	NNA Equities	17.8	-	-
CIBC Global Asset Management	Canadian Bond - Index	36.6	35.7	40.9
Addenda Capital Inc	Canadian Bonds - active	31.6	30.9	33.1
BlackRock Asset Management	Canadian Bonds - active	39.3	37.7	38.6
Canso Investment Counsel	Canadian Bonds - active	39.8	39.7	41.2
Commonfund Capital	Private Equity	3.8	2.0	-
BMO F&C	Private Equity	7.8	5.4	-
Crestline Investors, Inc.	Absolute Return – Hedge Fund of Funds	-	9.7	9.9
Brevan Howard	Global Macro	1.3	5.1	5.3
BlueCrest Capital	Global Macro	-	4.8	4.7
Lazard Asset Management	Infrastructure securities	19.0	12.7	13.2
JP Morgan	Infrastructure & Shipping	8.6	7.7	8.0
First National	Index Linked Mortgages	6.1	7.3	7.7
CBRE Clarion	Global Public Real Estate	20.0	16.9	18.5
GPM	Canadian Real Estate	10.0	9.9	9.9
Canadian Urban	Canadian Real Estate	6.5	6.6	6.4
	Cash in Bank & Other	23.7	1.9	6.7
TOTAL ASSETS		\$478.1	\$457.5	\$469.9

RETIRES' TRUST FUND PERFORMANCE

	<i>Annualized Returns to</i>					
	<i>March 2016</i>		<i>June 30, 2015*</i>		<i>March 31, 2015</i>	
	Fund	Benchmark**	Fund	Benchmark**	Fund	Benchmark**
10 Years	5.6%	5.3%	6.6%	6.4%	7.1%	6.8%
4 Years	8.2%	7.6%	9.2%	8.6%	9.7%	8.9%
3 Years	7.8%	7.5%	11.3%	10.3%	11.5%	10.4%
2 Years	5.0%	6.0%	11.5%	11.4%	12.5%	11.7%
1 Year	-1.1%	-0.4%	8.2%	8.9%	11.5%	12.8%

*June 30 is the fiscal year end of the Retirees' Trust Fund

** The benchmark is the index return of the Fund's policy asset allocation

APPENDIX A

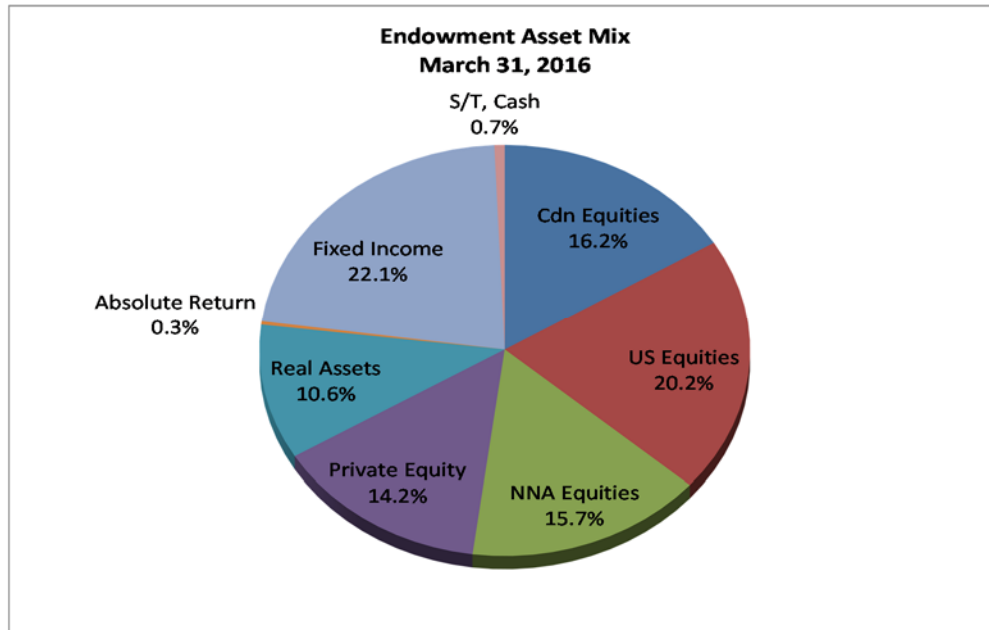
Investment Objectives & Asset Mix

Page 1 of 2

Endowment Objectives:

- *Maintain and preserve the real economic value of the endowment capital;*
- *Optimize spending levels that achieve objective #1 and that provides for:*
 - ✓ *annual spending stability in real terms*
 - ✓ *minimizes the risk of declines in year-to-year spending levels*
- *Moderate growth (1%) of endowment corpus via capital appreciation once objectives #1 and #2 are satisfied*

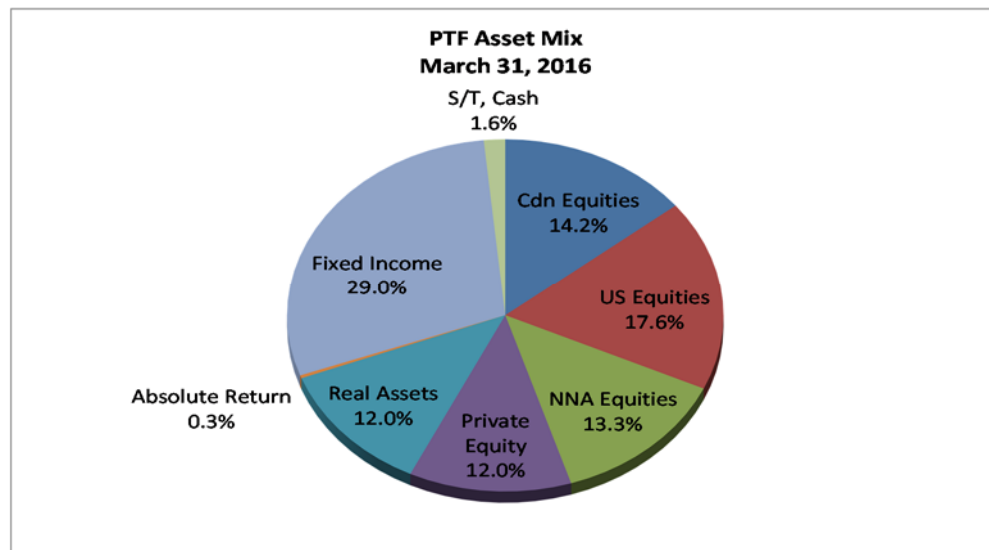
Target: CPI + 4.95%



Pension Trust Fund Objectives:

- *Fully funded obligations - Achieve and maintain a funded ratio of 100%;*
- *Stabilize contribution ratios;*
- *With #1 and #2 satisfied, reduce contribution rates.*

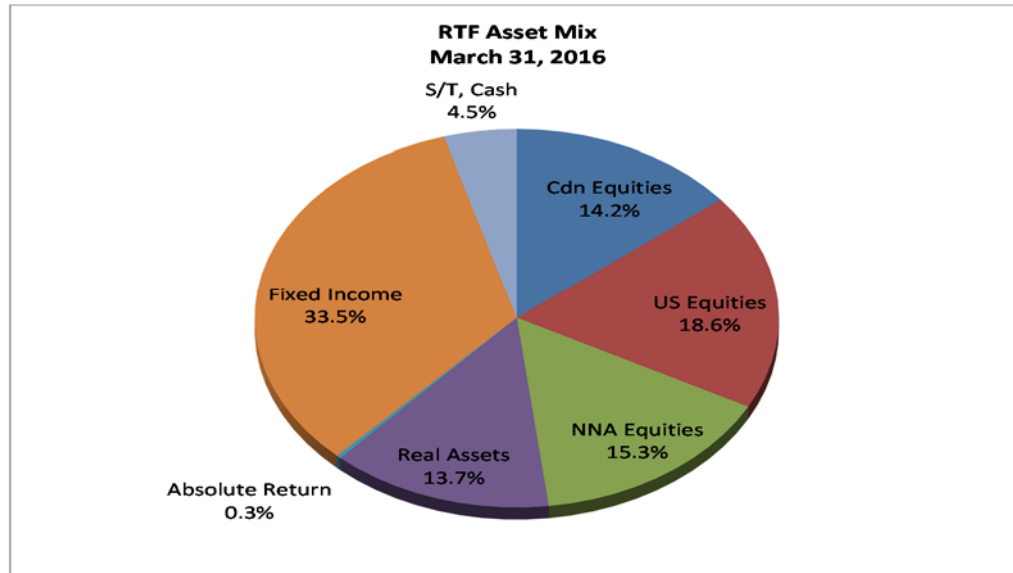
Target: Actuarial Assumption of 6.00%



Retirees' Trust Fund Objectives:

- *Meet the current pension promise;*
- *Provide pension indexation – a secondary objective to #1;*
- *Avoid the requirement for supplemental sponsor funding.*

Target: 5.05%



**DALHOUSIE UNIVERSITY
INVESTMENT COMMITTEE
TRUSTEES OF THE PENSION & RETIREES' FUNDS
2015-16**

		Investment Committee	Pension Trust Fund	Retirees' Trust Fund
Mr. Aubrey Palmeter (Chair)	Board Nominee	✓	✓	✓
Mr. Larry Stordy, Q.C. (ex officio)	Board Nominee	✓		
Mr. Jody Forsyth	Board Nominee	✓	✓	✓
Mr. Rob Sobey (<i>Apr'15 – Jan'16</i>)	Board Nominee	✓	✓	✓
Dr. Richard Florizone (ex officio)	Board Nominee	✓	✓	✓
Mr. Paul Conrod	Non-Board, External	✓	✓	✓
Dr. Greg Hebb	Senate Nominee	✓	✓	✓
Dr. David Cameron	Non-Board, retiree			✓
Mr. Ron Pink, Q.C.	DFA Nominee		✓	✓
Mr. Ian Nason (Vice-President, Finance & Administration)	Senior Officer for Liaison and Member	✓	✓	✓

Support:

Secretary/Staff:

Mr. Colin Spinney (Treasurer)
Ms. Nancy-Beth Foran (Assistant Treasurer)

Consultant:

Mr. Bob Mitchell (in association with Segal Rogerscasey Canada)