Financial Statements of

DALHOUSIE RETIREES' TRUST FUND

Year ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Trustees of the Dalhousie Retirees' Trust Fund

Opinion

We have audited the financial statements of the Dalhousie Retirees' Trust Fund (the "Fund"), which comprise:

- the statement of net assets available for benefits as at June 30, 2019
- the statement of changes in net assets available for benefits for the year then ended,
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at June 30, 2019, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of the Dalhousie Retirees' Trust Fund Trust Agreement as described in note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation

We draw attention to Note 2 to the financial statements which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the Dalhousie Retirees' Trust Fund Trust Agreement; this includes determining that the applicable financial reporting framework is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Halifax, Canada

October 16, 2019

DALHOUSIE RETIREES' TRUST FUND

Statement of Changes in Net Assets Available for Benefits

Year ended June 30, 2019, with comparative information for 2018
(In thousands of dollars)

	2019	2018
Assets:		
Investments (note 3):		
Canadian equities	$ **94,767**	$ 92,663
U. S. equities	**118,952**	115,875
Non-North American equities	**105,928**	103,798
Total equities	**319,647**	312,336
Private equity	**29,488**	24,324
Real assets	**120,329**	110,095
Total alternatives	**149,817**	134,419
Bonds and long-term notes	**176,724**	162,661
Mortgages	**1,425**	2,412
Total fixed income	**178,149**	165,073
Cash and short-term investments	**16,262**	7,035
Total investments	**663,875**	618,863
Accrued income receivable	**261**	244
Due from Pension Trust Fund	**1,768**	23
Total assets	**665,904**	619,130
Less liabilities:		
Benefits payable	**415**	395
Due to Dalhousie University	**43**	4,247
Accrued expenses	**515**	468
Total Liabilities	**973**	5,110
Net assets available for benefits	$ **664,931**	$ 614,020

See accompanying notes to financial statements.

DALHOUSIE RETIREES' TRUST FUND

Statement of Changes in Net Assets Available for Benefits

Year ended June 30, 2019, with comparative information for 2018
(In thousands of dollars)

		2019		2018
Additions:				
Capital transferred from the Dalhousie Pension Trust Fund for retirement benefits	**$**	**66,065**	$	70,700
Additions from investments:				
Current period change in fair value of investments		**22,299**		31,745
Income from investments (note 4)		**15,271**		15,475
		37,570		47,220
Interest income		**139**		90
Total additions		**103,774**		118,010
Deductions:				
Administrative expenses (note 5)		**3,414**		3,254
Pension benefits		**49,449**		45,593
Total deductions		**52,863**		48,847
Increase in net assets for the year		**50,911**		69,163
Net assets available for benefits, beginning of year		**614,020**		544,857
Net assets available for benefits, end of year	**$**	**664,931**	$	614,020

See accompanying notes to financial statements.

Year ended June 30, 2019
(In thousands of dollars)

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1. Description of plan:

The Dalhousie Retirees' Trust Fund (the "Fund" or "Retirees' Trust Fund") is one of two funds, the Dalhousie Pension Trust Fund being the other, that constitute the assets of the Dalhousie University Staff Pension Plan (the "Plan"). The Plan is a contributory defined benefit pension plan covering employees of Dalhousie University (the "University"). Under the Plan, contributions are made by the employees and the University. The Plan is registered under the Pension Benefits Act of Nova Scotia and is registered with the Canada Revenue Agency. The University is the Administrator of the Plan.

(a) Funding policy:

The University is required to meet the cost of all benefits not met by required contributions of members. The determination of the value of these benefits is made on the basis of an actuarial valuation.

(b) Current service pension:

The current service pension provides for a pension of 2% of the average best three years of pensionable salary received by the member multiplied by the number of years of participation in the plan up to a maximum of 35 years.

(c) Survivor's pension:

The normal form of pension payable to members with spouses includes a 66.67% survivor pension in respect of credited service up to June 30, 2004 with a minimum guarantee of 60 monthly payments. For credited service after June 30, 2004, the pension is paid for the member's life with a minimum guarantee of 84 monthly payments, which can be actuarially converted to provide for a survivor's pension.

(d) Income taxes:

The Dalhousie Retirees' Trust Fund is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

2. Basis of presentation and summary of significant accounting policies:

These financial statements have been prepared in Canadian dollars, which is the Fund's functional currency, on a going concern basis and in accordance with the financial reporting requirements prescribed by the Dalhousie Retirees' Trust Fund Trust Agreement. The basis of accounting used in these financial statements materially differs from Canadian accounting standards for pension plans in Section 4600, Pension Plans, in Part IV of the CPA Canada Handbook because it excludes the Plan's pension obligations and related disclosures, as well as certain financial instrument disclosures. Consequently, these pension fund financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations. These financial statements present the information of the Fund as a separate reporting entity independent of the sponsor and participants of the Plan.

2. Basis of presentation and summary of significant accounting policies (continued):

Summary of significant accounting policies:

(a) The accompanying financial statements have been prepared on an accrual basis and present the net assets available for benefits and changes in net assets available for benefits.

(b) Investments:

(i) Valuation of investments:

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values determined using closing market prices. Short-term notes and Treasury Bills maturing within a year are stated at cost, which together with accrued interest approximates fair value given the short-term nature of these investments. The fair value of other investments is based on closing market quotations as at June 30. Where quoted prices are not available, estimated fair values are calculated using market comparable company's or securities and recent transaction multiples.

(ii) Investment transactions and transaction costs:

Investment transactions are recorded on the trade date. Brokers' commissions and other transaction costs are recorded in the statement of changes in net assets available for benefits when incurred.

(iii) Index linked mortgages:

The interest rate is adjusted annually according to the change in the Consumer Price Index. In 2019, mortgage payments reduced the principal on a book value basis by $903 (2018 - $1,469). The cumulative decrease to date totals $20,119.

(iv) Income from investments:

Income from investments includes interest income and dividend income. Income from securities directly held is recorded on an accrual basis. For certain private investments, income is recorded when received. Income from other fund investments is recognized upon the receipt of those funds' statements in which income declarations have been made.

(v) Current period change in fair value of investments:

Current period change in fair value of investments includes all net realized and unrealized capital gains.

Gains or losses on sale or maturity of investments, based on the difference between average costs and proceeds, net of any selling expenses, are recorded at the time of disposition of the investment.

(vi) Foreign currency exchange contracts:

Future foreign currency exchange contracts are entered into to manage foreign currency exposures. These contracts are not designated and documented as hedging relationships in accordance with Part II of the CPA Canada Handbook Accounting Section 3856: Financial Instruments, and, accordingly, are measured at fair value.

2. Basis of presentation and summary of significant accounting policies (continued):

(vii) Alternative investments:

Alternative investments include private equity, real estate and infrastructure investments.

(c) Financial assets and financial liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Fund becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

The Fund measures all of its investments at fair value through the statement of changes in net assets available for benefits.

All other non-derivative financial assets are measured at amortized cost.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain or loss on sale of investments.

(ii) Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Fund becomes a party to the contractual provisions of the instrument. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The Fund considers its accounts payable and accrued liabilities to be a non-derivative financial liability.

2. Basis of presentation and summary of significant accounting policies (continued):

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets available for benefits when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(d) Interfund accounts:

The interfund balance between the Dalhousie Retirees' Trust Fund and the University and/or the Dalhousie Pension Trust Fund attracts interest at prime less 2%.

(e) Transfers from Dalhousie Pension Trust Fund:

When an employee retires, the actuarial value of retirement benefits is transferred from the Dalhousie Pension Trust Fund and is recorded on the effective date of retirement.

(f) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from translations are included in the current period change in fair value of investments.

Foreign currency denominated transactions are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(In thousands of dollars)

3. Investments:

Investments are presented by mandate, which may include cash, short-term investments, or other investments that are presented separately on the statement of net assets available for benefits.

		2019		2018
Canadian Equities Mandates:				
Burgundy Asset Management – Canadian equities	**$**	**28,509**	$	29,450
Burgundy Focus Canadian Equity Fund		**20,097**		20,405
Montrusco Bolton Equity Income Trust Fund		**21,728**		20,010
Fiera North American Market Neutral Fund		**23,196**		22,704
U.S. Equities Mandates:				
Ashford Capital Management - U.S. small cap equities		**35,187**		34,871
Wedge Capital Management - U.S. large cap equities		**-**		44,928
Fiera US Equity – U.S. large cap equities		**43,121**		-
Wellington Management – U.S. SMID cap equities		**16,489**		16,304
State Street S&P MidCap Index Fund		**29,828**		29,625
Non-North American Equities Mandates:				
First Eagle International Value Fund		**23,022**		22,322
Addenda EAFE Fund		**26,282**		24,705
Burgundy EAFE Fund		**25,384**		24,740
Fiera EAFE Fund		**29,336**		26,592
Private Capital Mandates:				
F&C – fund of funds		**13,990**		12,658
Commonfund Capital Partners L.P. – fund of funds		**13,572**		10,387
JP Morgan Asset Management – fund of funds		**1,926**		1,279
Real Estate and Infrastructure Mandates:				
CU Real Property (6) Limited Partnership - Canadian real estate		**5,150**		7,049
GPM Real Property (11), (12) & (13) - Canadian real estate		**19,566**		18,052
CBRE Clarion Securities - global real estate		**38,748**		35,590
Lazard Global Listed Infrastructure (Canada) Fund		**38,078**		34,371
JP Morgan Global Maritime Investment Fund		**2,321**		2,434
JP Morgan Infrastructure Investments Fund		**7,830**		7,743
Crestpoint Real Estate		**7,345**		5,108
Brookfield SREP III		**1,741**		-
Fixed Income Mandates:				
CIBC Pooled Canadian Bond Index Fund		**40,816**		37,977
Addenda Capital Bond Fund		**35,341**		33,102
Canso Broad Corporate Fund		**37,215**		34,738
BlackRock CorePlus Universe Bond Fund		**49,690**		46,298
Canso Private Loan Fund		**6,104**		6,391
Brookfield Real Estate Finance Fund V		**3,561**		2,361
Crestline Specialty Lending II		**3,997**		1,787
First National Financial – index linked mortgages		**1,425**		2,412
Balance carried forward	**$**	**650,595**	$	616,393

Year ended June 30, 2019
(In thousands of dollars)

3. Investments (continued):

		2019		2018
Balance carried forward	**$**	**650,595**	$	616,393
Other:				
State Street Global Advisors, Ltd. - currency hedging		**2,735**		(1,343)
RBC Investor Services - cash and notes		**6**		8
Bank of Nova Scotia - bank account		**10,539**		3,805
Total investments	**$**	**663,875**	$	618,863

4. Income from Investments:

		2019		2018
Canadian equities	**$**	**2,873**	$	2,446
U.S. equities		**1,156**		1,248
Non-North American equities		**1,968**		2,021
Private equity		**(260)**		(297)
Real assets		**3,963**		3,614
Bonds and long-term notes		**5,170**		6,183
Cash and short-term investments		**401**		260
Total administrative expenses	**$**	**15,271**	$	15,475

5. Administrative expenses:

		2019		2018
Investment management fees	**$**	**2,676**	$	2,606
Investment custodial, performance, consulting fees		**259**		273
Benefits administration		**205**		170
Benefits actuarial and consulting fees		**186**		118
Audit fees		**12**		12
General administration		**76**		75
Total administrative expenses	**$**	**3,414**	$	3,254

6. Financial instruments and investment risks:

Financial instruments are utilized to replicate certain market exposures or to assist in the management of investment risks. Investments are primarily exposed to foreign currency, interest rate, market and credit risks. The Fund has set formal policies and procedures that establish an asset mix among equity, fixed income and alternative investments, requires diversification of investments within categories, and limits exposure to individual investments, counterparties and foreign currencies.

(a) Fair value of financial assets and financial liabilities:

The fair values of investments are as described in note 2(b). The fair values of other financial assets and liabilities, being cash and short-term investments, accrued income receivable, due to Dalhousie University, and accrued expenses approximate their carrying values due to the short-term nature of

6. Financial instruments and investment risks (continued):

these instruments. All twenty index linked mortgages mature between 2022 and 2027.

(b) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Guidelines, to mitigate the impact of market risk.

(c) Interest rate risk:

The Fund's fixed income investments are subject to the risk of rising interest rates. Should interest rates rise by 1.0%, it is estimated that the broad Canadian fixed income market could depreciate 8.9% in value. For the Fund, this could result in a loss of $15.8 million, or 2.4% of the total Fund. The Fund seeks to manage this risk by diversifying its exposures to the Canadian fixed income market, by investing a portion in a pooled fund that utilizes broad holdings to replicate the overall Canadian fixed income market, a portion to a pooled fund strategy that changes the duration of the portfolio to position itself for anticipated interest rate movements, a fund that utilizes multiple strategies and markets to manage return, an allocation of the overall fixed income to Canadian corporate credit fixed income strategies that offer higher yield and that experience interest rate movements that differ from the broad market, and a final portion to floating rate debt.

(d) Credit risk:

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss. Credit risk is mitigated through the management of the Fund assets within generally accepted parameters of safety and prudence, using a diversified investment program. Investments must adhere to specific limitations as outlined in the Fund's Statement of Investment Policies and Guidelines.

(e) Liquidity risk:

Liquidity risk refers to the risk that the Fund does not have sufficient cash to meet its current payment liabilities, including benefit payments, and to acquire investments in a timely and cost-effective manner. The liquidity position of the Fund is monitored regularly with updated cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(f) Other price risk:

Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices (other than those arising from foreign currency or interest rate risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. An adverse change of 1% would lead to an approximate $5.6 million decline in the Fund's overall value. Since all other variables are held constant in assessing price risk sensitivity, it is possible to extrapolate a 1% absolute change in the fair value to any absolute percentage change in fair value.

(In thousands of dollars)

6. Financial instruments and investment risks (continued):

(g) Derivative financial instruments:

Derivatives are financial contracts, the value of which are derived from the value of underlying assets or interest rates or exchange rates. Foreign currency risk arises from the Fund's holding of foreign currency-denominated investments. Foreign currency risk is managed by the Fund's currency hedging policy. The Fund utilizes derivative contracts directly for managing exposure to foreign currency volatility. Pooled funds or fund-of-funds that the Fund invests in may also use derivative contracts to replicate or to reduce the exposure to certain financial markets or specific securities. Derivative contracts, transacted either on a regulated exchange market or in the over-the-counter market directly between two counterparties, include the following.

(i) Future and forward contracts:

Future and forward contracts are contractual obligations either to buy or sell a specified amount of money market securities, bonds, equity indices, commodities or foreign currencies at predetermined future dates and/or prices. Future contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining. Forward contracts are customized contracts transacted in the over-the-counter market.

(ii) Option contracts:

Option contracts are agreements in which the right, but not the obligation, is acquired by the option purchaser from the option writer either to buy or sell, on or before a specified date, a predetermined amount of a financial instrument at a stated price.

At June 30, the Fund directly had the following derivative contracts outstanding:

	Notional Amounts		Fair Values	
	2019	2018	**2019**	2018
Foreign exchange contracts:				
Forwards	**$ 110,119**	$ 109,377	**$ 2,735**	$ (1,343)

The foreign currency exposure at June 30 is summarized as follows ($ Canadian):

	2019	2018
Through direct investment:		
United States	**$ 72,379**	$ 115,219
Europe, Asia, Far East	**16,856**	15,612
Through pooled funds:		
United States	**107,897**	55,616
Europe, Asia, Far East	**118,014**	111,017
Total	**$ 315,146**	$ 297,464

(In thousands of dollars)

6. Financial instruments and investment risks (continued):

(iii) Fair values:

Canadian accounting standards for pension plans require disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the financial statement date. The three levels are defined as follows:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

Level 2: Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose values are determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes mutual and pooled funds, hedge funds, Government of Canada, provincial and other government bonds, Canadian corporate bonds, and certain derivative contracts.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes private equity investments and securities that have liquidity restrictions.

The following is a summary of the disclosures of the fair value and the level in the hierarchy:

Financial Assets	**2019**	2018
Level 1		
Equity securities - Canadian	**$ 29,894**	$ 30,610
Equity securities - non-Canadian	**89,039**	130,533
Cash	**10,539**	3,805
Level 2		
Pooled funds - Canadian equities	**65,021**	63,119
Pooled funds - non-Canadian equities	**215,051**	162,355
Pooled funds - fixed income	**164,487**	154,527
Short-term and other	**2,741**	(1,335)
Level 3		
Private equity	**29,488**	24,324
Private real assets	**43,953**	40,386
Private debt	**13,662**	10,539
	$ 663,875	$ 618,863

7. Commitments:

Certain of the alternative investments contain contractual capital commitments. As at June 30, 2019, the Fund had outstanding future commitments of $1.3 million (2018 - $3.0 million) in Canadian real estate; US $10.4 million (2018 – US $12.7 million) and €4.9 million (2018 - €5.2 million) in private equity investments; US $9.3 million (2018 – US $12.0 million) in private debt; and US $4.7 million (2018 – US $6.0 million) in private global real estate.

8. Related party transactions:

During the year, the University provided investment administration, benefit administration, payroll, and accounting services. These recoverable service costs for 2019 were $369 (2018 - $304), and were included in administrative expenses for the year. The transactions were in the normal course of operations and were measured at the exchange amount.