

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

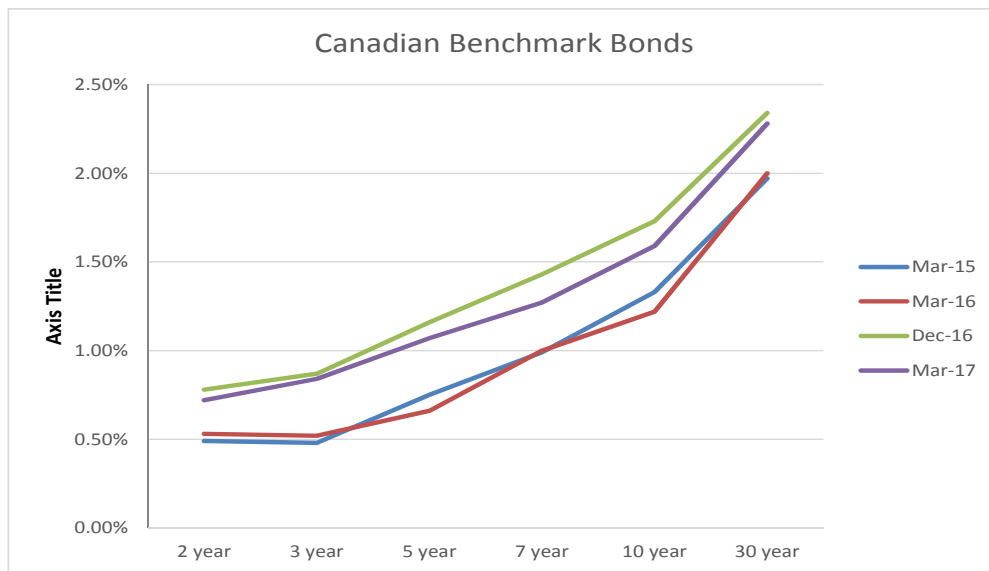
**ANNUAL REPORT TO
Finance, Audit, Investment & Risk Committee, Board of Governors
Endowment Funds
Pension Trust Fund
Retirees' Trust Fund**

June 2017

Mr. Chair, Members of the Board of Governors:

Market Overview & Summary

The Bank of Canada maintained a cautious stance over the past year, maintaining a 0.5% bank rate to support what it believes is still a fragile economy. As a result, movements in rates across the yield curve were kept within a tight band. Only bonds with terms exceeding ten years offered yields that equalled or exceeded inflation. In contrast, the U.S. Fed has seen some strength in the American economy, and has begun to increase rates. Canadian government bonds continue to trade at yields that are lower than their U.S. counterparts.



Oil prices hovered close to \$50 a barrel for most of the year, thus the Canadian dollar primarily traded in a narrow \$US 0.75 to \$US 0.77 range for much of the year, and closing the year at the lower end. This movement provided a slight boost to unhedged investments in the U.S. markets. In contrast, the Canadian dollar strengthened against many of the other international currencies, thereby reducing a Canadian investor's returns in foreign markets. Equity markets seemed unfazed by populist movements and political shake-up, and instead generated strong double-digit returns.

<i>Annualized returns as of March 31, 2017</i>	1 year	2 years	3 years	4 years	10 years
Canada -TSX	18.62%	5.27%	5.82%	8.27%	4.70%
U.S. -S&P 500, CAD	20.86%	12.06%	17.55%	21.06%	9.11%
U.S. -S&P 500, USD	17.17%	9.21%	10.37%	13.13%	7.51%
EAFE - CAD	15.19%	3.86%	7.04%	11.83%	2.56%
EAFE - local currency	18.00%	2.39%	7.27%	9.24%	2.33%
Canada Bonds - TMX universe	1.51%	1.15%	4.09%	3.27%	4.82%
CPI	1.57%	1.42%	1.34%	1.39%	1.58%

Except for a small health care sector that declined over 40%, the Canadian equity market experienced healthy gains across the majority of industry sectors. The financial, industrial and materials sectors posted the strongest returns in the 23% to 24% range.

The Dalhousie Funds continued to receive steady returns from their private investments in real estate, infrastructure, and private equity. Public investments in real estate and infrastructure also contributed strong absolute returns. Allocations to corporate debt and debt portfolios with shorter durations enabled the Funds to outperform the broad Canadian bond market.

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-two 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 8.6% 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

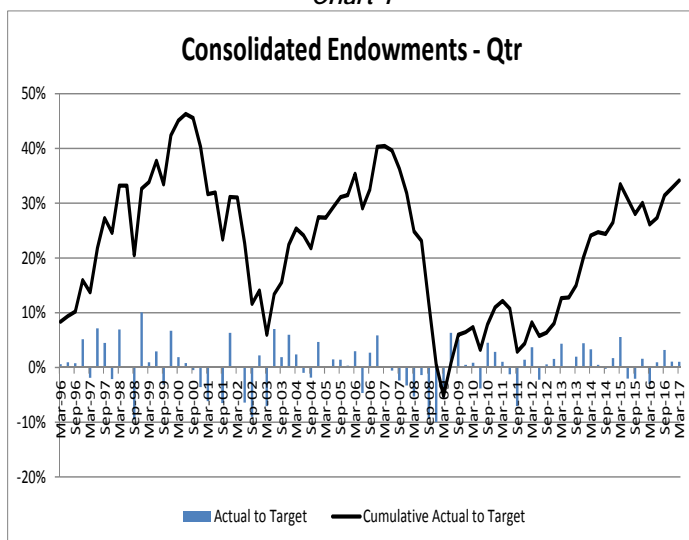
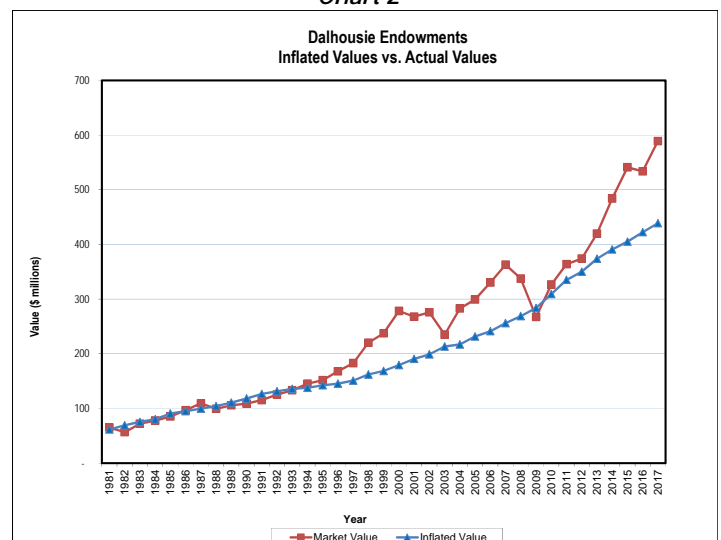


Chart 2



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-one years to the Funds' most recent June 30, 2016 fiscal year-ends, despite volatility of the markets. The PTF had an annualized net return of 7.9% as compared to the actuarial target of 6.8% over this 21-year

period. Likewise, the RTF was ahead of its 5.05% objective with a 7.6% 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

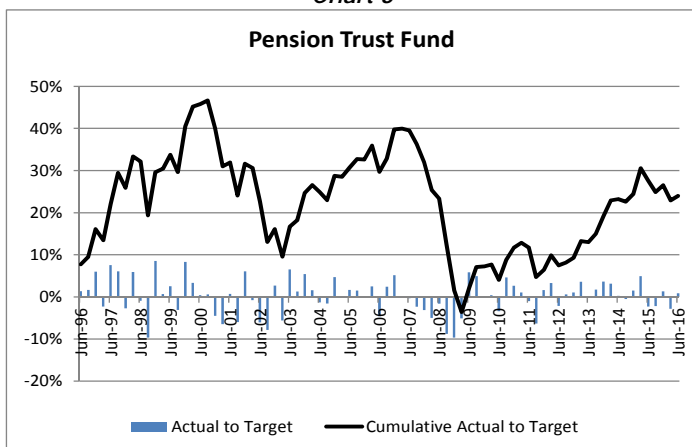
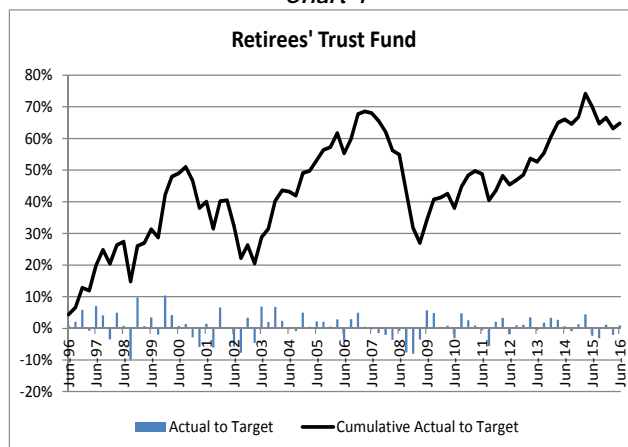


Chart 4



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 the endowments posted a 13.1% return that met its policy benchmark. 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%). The RTF also met its 11.1% benchmark, while the PTF's 11.8% return slightly exceeded its 11.6% benchmark. Appendix A summarizes each Fund's investment objectives and related investment structure.

2016/17 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.

Each of the Funds made additional commitments to private equity with two new subscriptions, and each added subscriptions to a new private debt strategy. These additions were made to maintain allocations to these investment strategies. The Funds are still waiting for capital to be called against these commitments.

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 continued valued contributions during this past busy 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 2016/17 fiscal year, total endowment program spending along with investment and administrative expenses was \$24.6 million. There was an additional \$2.1 million of spending support from externally-held endowments and related contributions. Over the past year, the Endowment investments grew from \$527.0 million to \$581.3 million. The year-over-year change consisted of \$9.7million in new gifts and \$0.1 million in net transfers for designated purposes. The year's 13.1% investment return added \$67.4 million. The Funds were reduced by \$22.9 million in withdrawals for the year's 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, 2017</i>	<i>March 31, 2016</i>
Burgundy Asset Management	Canadian Equities	\$ 53.4	\$ 43.2
Montrusco Bolton	Canadian Equities – dividend growth	22.9	19.2
Fiera Capital Management	Canadian Equities – market neutral	21.0	21.4
Ashford Capital Management	US Equities	30.5	20.7
Wedge Capital Management L.L.P.	US Equities – Large Cap	57.5	47.0
Wellington Management Canada LLC	US Equities – SMID	14.2	11.8
State Street Global Asset Management	US Equities – Mid Cap Index	32.5	26.1
First Eagle	Non-North American Equities	23.5	20.9
Addenda Capital Inc.	NNA Equities	22.5	20.2
Burgundy Asset Management	NNA Equities	23.1	20.7
Fiera Capital	NNA Equities	23.5	20.3
CIBC Global Asset Management	Canadian Bond – Index	38.4	37.8
Addenda Capital Inc.	Canadian Bonds - active	23.1	22.5
BlackRock Asset Management	Canadian Bonds - active	28.4	27.9
Canso Investment Counsel	Canadian Bonds - active	26.4	24.8
Commonfund Capital	Private Equity	48.6	45.2
JP Morgan	Private Equity	17.5	17.8
BMO F&C	Private Equity	7.4	6.9
Pantheon	Private Equity	3.6	4.8
Brevar Howard	Absolute	-	1.4
Lazard Asset Management	Infrastructure securities	9.2	7.8
JP Morgan	Infrastructure & Shipping	9.8	9.6
CBRE Clarion	Global Real Estate Securities	18.2	17.9
GPM	Canadian Real Estate	11.8	12.0
Canadian Urban	Canadian Real Estate	8.2	8.2
	General*	6.1	10.9
TOTAL ASSETS		\$581.3	\$527.0

* 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, 2017</i>		<i>March 31, 2016</i>	
	<i>Fund</i>	<i>Benchmark**</i>	<i>Fund</i>	<i>Benchmark**</i>
10 Years	6.3%	5.7%	6.1%	5.5%
4 Years	11.1%	10.1%	10.5%	9.2%
3 Years	8.9%	8.5%	10.4%	9.1%
2 Years	6.4%	6.1%	6.9%	6.2%
1 Year	13.1%	13.1%	0.2%	-0.4%

** 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 increased by \$38.6 million to \$702.6 million. The Fund's 9.1% investment return over this period added \$58.8 million, and \$37.4 million in new contributions were received. Disbursements from the Fund included \$54.7 million in various benefit payments and \$2.9 million in expenses.

DALHOUSIE UNIVERSITY
PENSION TRUST FUND

<i>Manager</i>	<i>Asset Class</i>	<i>Market Value (\$ Millions)</i>		
		<i>March 31, 2017</i>	<i>June 30, 2016*</i>	<i>March 31, 2016</i>
Burgundy Asset Management	Canadian Equities	\$ 55.9	\$ 50.0	\$ 48.1
Montrusco Bolton	Canadian Equities	22.8	21.0	19.8
Fiera Capital Management	Canadian Equities	24.0	24.6	24.5
Ashford Capital Management	US Equities	38.0	30.4	27.6
Wedge Capital Management L.L.P.	US Equities – Large Cap	55.5	50.1	48.7
Wellington Management Canada LLC	US Equities – SMID	13.2	11.3	10.9
State Street Global Asset Management	US Equities – Mid Cap	33.5	28.0	26.9
First Eagle	NNA Equities	22.7	20.7	20.3
Addenda Capital Inc	NNA Equities	24.2	21.4	21.7
Burgundy Asset Management	NNA Equities	24.9	22.9	22.3
Fiera Capital	NNA Equities	25.2	22.3	21.9
CIBC Global Asset Management	Canadian Bond - Index	61.8	64.4	62.7
Addenda Capital Inc.	Canadian Bonds - active	36.0	35.8	35.0
BlackRock Asset Management	Canadian Bonds – active	47.6	47.5	46.7
Canso Investment Counsel	Canadian Bonds – active	39.8	38.5	37.3
Commonfund Capital	Private Equity	49.3	44.7	44.0
JP Morgan	Private Equity	17.8	18.6	18.3
BMO F&C	Private Equity	11.7	10.5	10.9
Pantheon Ventures Ltd.	Private Equity	3.7	4.3	4.8
Brevan Howard	Absolute Return	-	-	1.8
Lazard Asset Management	Infrastructure securities	12.8	10.7	10.9
JP Morgan	Infrastructure & Shipping	11.9	11.7	11.7
CBRE Clarion	Global Public R.E.	29.1	29.3	28.6
GPM	Canadian Real Estate	15.4	15.9	15.8
Canadian Urban	Canadian Real Estate	10.9	11.0	10.8
	Cash in Bank & Other	14.9	18.4	16.5
TOTAL ASSETS		\$702.6	\$664.0	\$648.5

PENSION TRUST FUND PERFORMANCE

	<i>Annualized Returns to</i>					
	<i>March 31, 2017</i>		<i>June 30, 2016*</i>		<i>March 31, 2016</i>	
	<i>Fund</i>	<i>Benchmark**</i>	<i>Fund</i>	<i>Benchmark**</i>	<i>Fund</i>	<i>Benchmark**</i>
10 Years	6.0%	5.5%	6.5%	5.9%	5.8%	5.4%
4 Years	10.1%	9.3%	10.6%	9.6%	9.2%	8.6%
3 Years	8.3%	8.1%	10.0%	9.4%	8.9%	8.6%
2 Years	5.9%	5.8%	6.9%	6.2%	6.0%	6.4%
1 Year	11.8%	11.6%	3.5%	3.5%	-0.1%	0.3%

*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 \$484.2 million to \$541.6 million, an increase of \$57.4 million, over the first nine months of its fiscal year which commenced on July 1, 2016. The Fund received \$47.1 million in transfers for new retirees from the Pension Trust Fund, and generated an investment return of \$43.0 million for the period. For these nine months, it made \$30.5 million in benefit payments and incurred \$2.2 million in expenses.

DALHOUSIE UNIVERSITY
RETIREES' TRUST FUND

<i>Manager</i>	<i>Asset Class</i>	<i>Market Value (\$ Millions)</i>		
		<i>March 31, 2017</i>	<i>June 30, 2016*</i>	<i>March 31, 2016</i>
Burgundy Asset Management	Canadian Equities	\$ 45.4	\$ 38.3	\$36.9
Montrusco Bolton	Canadian Equities	18.0	14.0	13.1
Fiera Capital	Canadian Equities	22.4	16.2	16.1
Ashford Capital Management	US Equities – Small Cap	25.1	18.8	17.1
Wedge Capital Management L.L.P.	US Equities – Large Cap	42.2	35.5	34.6
Wellington Management Canada LLC	US Equities – SMID	15.9	13.6	13.2
State Street Global Asset Management	US Equities – Mid Cap	27.3	22.9	21.9
First Eagle	NNA Equities	21.7	17.9	17.5
Addenda Capital Inc	NNA Equities	21.9	17.5	17.7
Burgundy Asset Management	NNA Equities	22.4	18.6	18.1
Fiera Capital	NNA Equities	22.7	18.2	17.8
CIBC Global Asset Management	Canadian Bond - Index	37.2	37.6	36.6
Addenda Capital Inc	Canadian Bonds - active	32.5	32.3	31.6
BlackRock Asset Management	Canadian Bonds - active	40.1	40.0	39.3
Canso Investment Counsel	Canadian Bonds - active	42.2	41.1	39.8
Commonfund Capital	Private Equity	6.8	4.4	3.8
BMO F&C	Private Equity	8.4	7.5	7.8
Brevan Howard	Global Macro	-	-	1.3
Lazard Asset Management	Infrastructure securities	23.0	18.7	19.0
JP Morgan	Infrastructure & Shipping	8.6	8.4	8.6
First National	Index Linked Mortgages	4.4	5.7	6.1
CBRE Clarion	Global Public Real Estate	24.5	20.5	20.0
GPM	Canadian Real Estate	9.8	10.1	10.0
Canadian Urban	Canadian Real Estate	6.5	6.5	6.5
	Cash in Bank & Other	12.6	19.9	23.7
TOTAL ASSETS		541.6	484.2	\$478.1

RETIREES' TRUST FUND PERFORMANCE

	<i>Annualized Returns to</i>					
	<i>March 2017</i>		<i>June 30, 2016*</i>		<i>March 31, 2016</i>	
	<i>Fund</i>	<i>Benchmark**</i>	<i>Fund</i>	<i>Benchmark**</i>	<i>Fund</i>	<i>Benchmark**</i>
10 Years	5.8%	5.4%	6.2%	5.8%	5.6%	5.3%
4 Years	8.6%	8.4%	9.0%	8.4%	8.2%	7.6%
3 Years	7.0%	7.6%	8.4%	8.4%	7.8%	7.5%
2 Years	4.8%	5.2%	5.2%	5.7%	5.0%	6.0%
1 Year	11.1%	11.0%	2.3%	2.7%	-1.1%	-0.4%

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

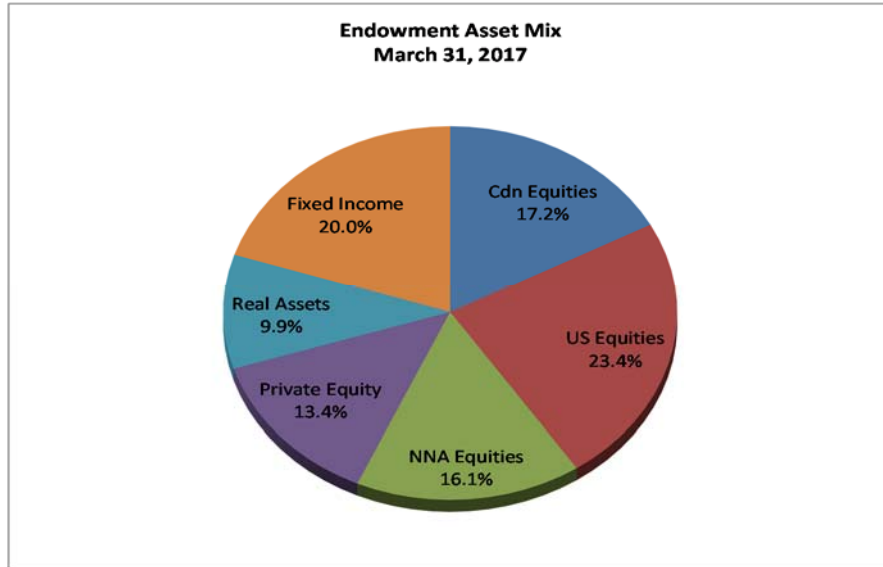
** The benchmark is the index return of the Fund's policy asset allocation

APPENDIX A
Investment Objectives & Asset Mix

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*

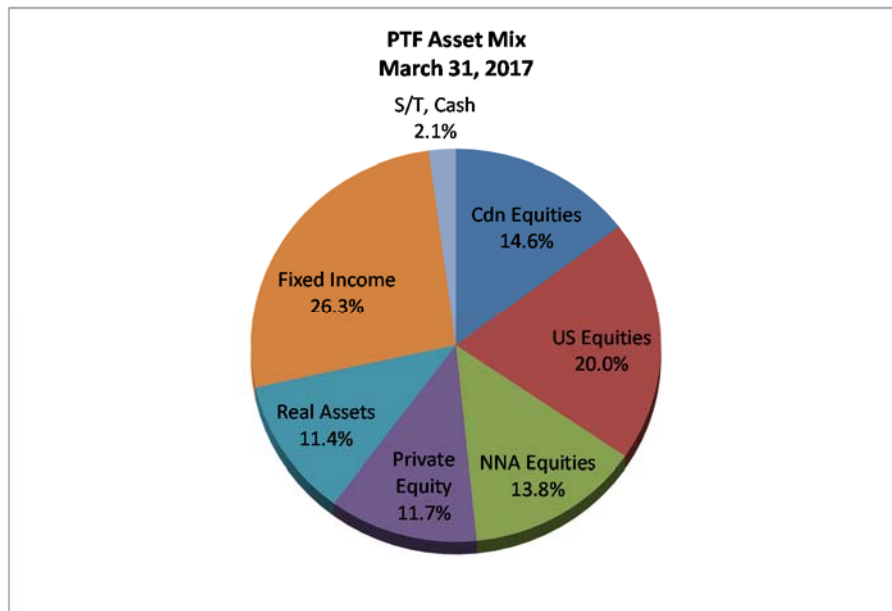
Target: CPI + 4.95%



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.*

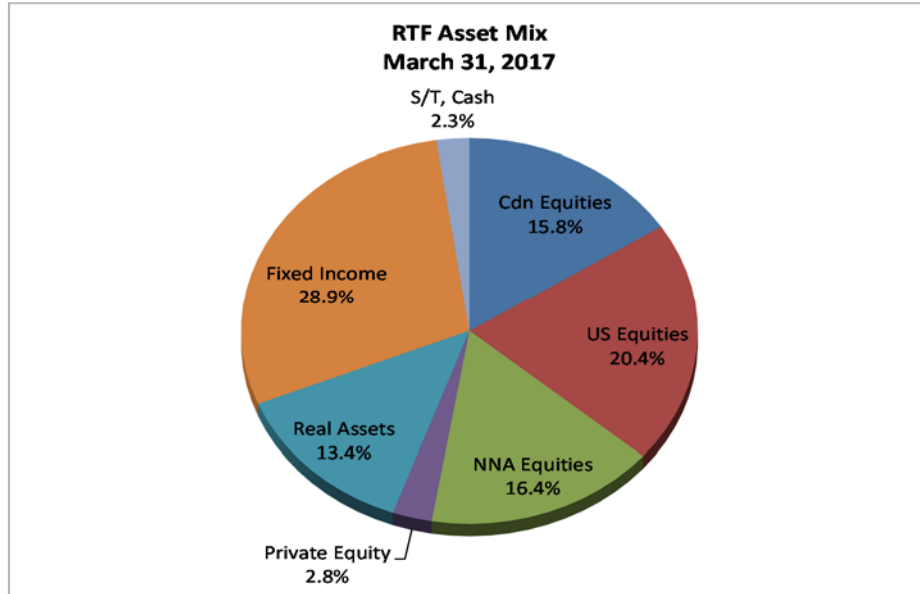
Target: Actuarial Assumption of 6.00%



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
2016-17**

		Investment Committee	Pension Trust Fund	Retirees' Trust Fund
Mr. Aubrey Palmetter (Chair)	Board Representative / Nominee	√	√	√
Mr. Jody Forsyth	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)