

**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**

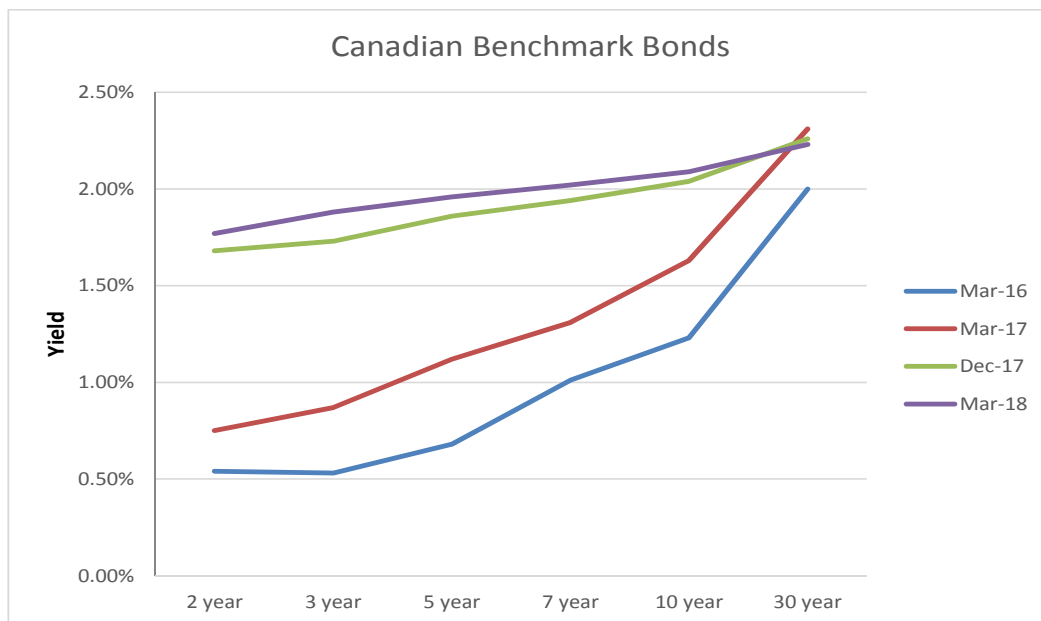
*June 2018*

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*Mr. Chair, Members of the Board of Governors:*

Market Overview & Summary

The Bank of Canada commenced a tightening process over the past year, increasing the target rate three times for a total of 0.75% and matching the increases made to the U.S. Fed Funds rate. Debt issues in the 2 year to ten year segment of the Canadian market followed. However, the longer end of the market did not see much movement in rates, resulting in a flattening of the yield curve.



Oil prices (West Texas Intermediate) that started the year at \$51 rose to \$65 by March 31, 2018. This movement provided some support for the Canadian dollar versus the U.S. dollar, increasing in value from \$0.747 to \$0.776. However, the Canadian dollar depreciated against the basket of the other international currencies. Equity markets were sluggish in Canada with only growth oriented stocks from isolated sectors such as health care and information technology showing strong returns. International equity returns were also modest, and growth stocks yielded 8.1% versus 2.7% for value oriented stocks. The U.S. market was the

exception in generating double digit .returns, but was consistent with other markets in that large cap growth stocks outperformed. Information technology, financials and consumer discretionary were strong sectors in the U.S. market.

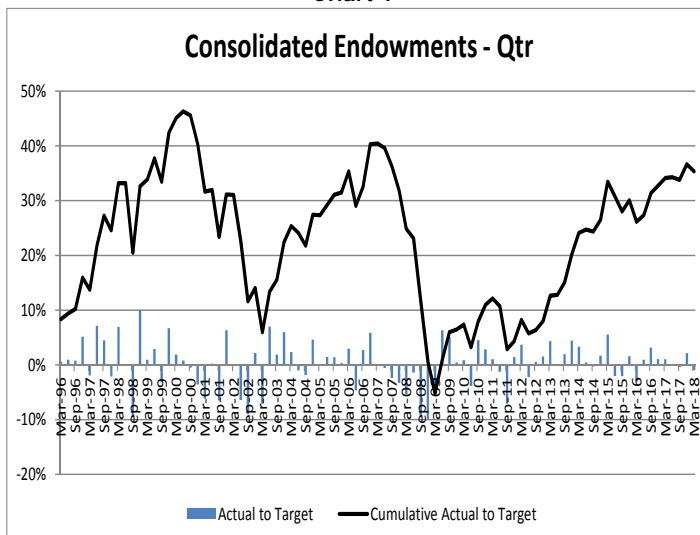
<i>Annualized returns as of March 31, 2018</i>	1 year	2 years	3 years	4 years	10 years
Canada -TSX	1.71%	9.84%	4.07%	4.78%	4.47%
U.S. –S&P 500, <i>CAD</i>	10.22%	15.41%	11.45%	15.68%	12.02%
U.S. –S&P 500, <i>USD</i>	13.99%	15.57%	10.78%	11.26%	9.50%
EAFE - <i>CAD</i>	10.99%	13.07%	6.19%	8.01%	5.11%
EAFE – <i>local currency</i>	5.36%	11.50%	3.37%	6.79%	4.53%
Canada Bonds – TMX universe	1.36%	1.43%	1.22%	3.40%	4.37%
<i>CPI</i>	2.31%	1.94%	1.72%	1.59%	1.67%

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. Continued allocations to corporate debt and debt portfolios with shorter durations enabled the Funds to outperform the broad Canadian bond market.

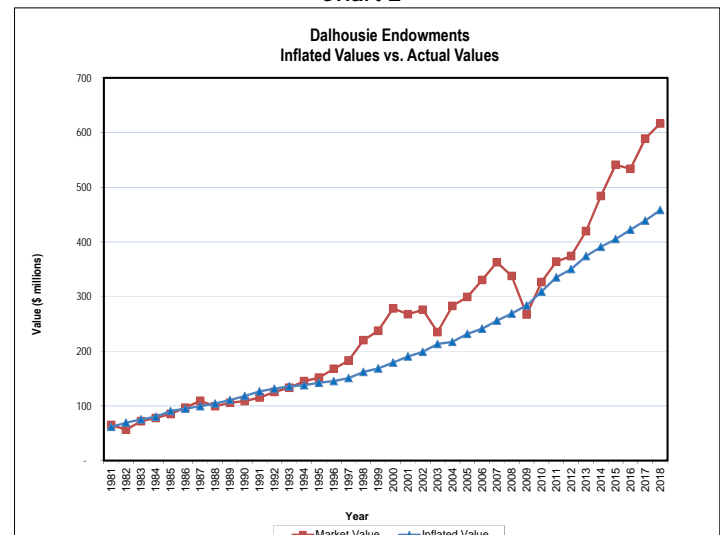
Dalhousie has followed a total rate of return ('TROR') investment approach for its endowments in conjunction with a banded inflation spending model to provide stable and sustainable spending levels, while preserving the real purchasing power of the gifted capital. Chart 1 illustrates that over the last twenty-three 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. Since 1990 when TROR was adopted, the market value of the endowments in aggregate has stayed ahead of the indexed values on a fairly consistent basis as demonstrated by Chart 2.

**Chart 1**



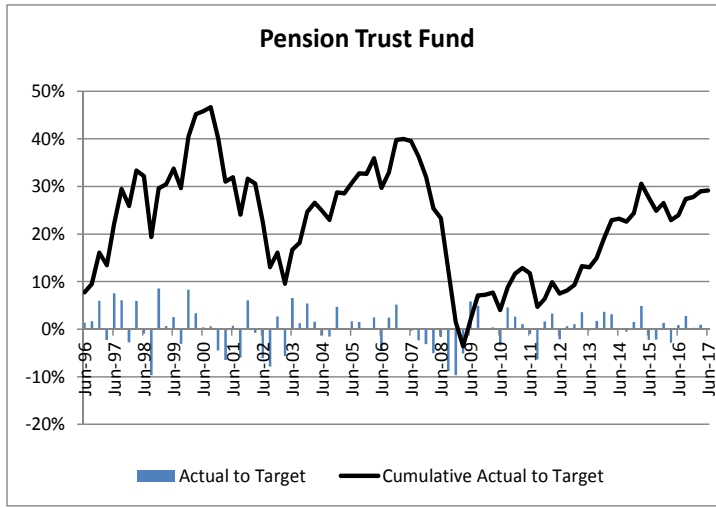
**Chart 2**



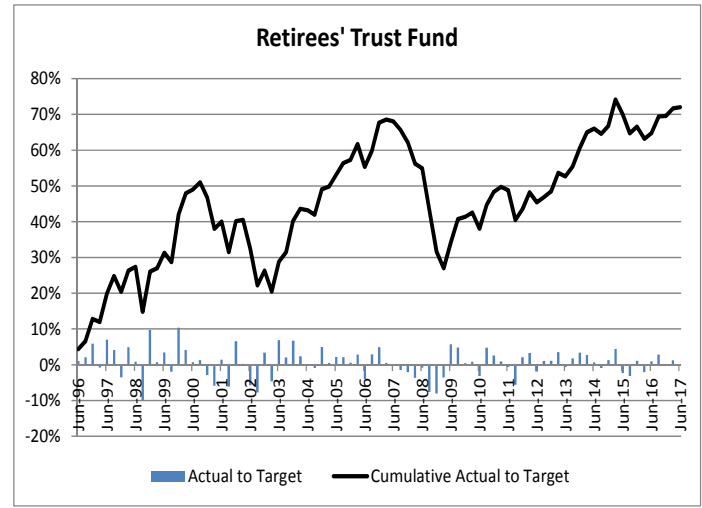
The obligations of the Dalhousie University Staff Pension Plan are supported by the combined assets of the Pension Trust Fund ("PTF") and the Retirees' Trust Fund ("RTF"). The following Charts 3 and 4 illustrate that the two funds have each met and exceeded their respective return targets over the last twenty-two years to the Funds' most recent June 30, 2017 fiscal year-ends, despite volatility of the markets. The PTF had an annualized net return of 8.0% as compared to the actuarial target of 6.7% over this 22-year period. Likewise, the RTF was ahead of its 5.05% objective with a 7.7% 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 past 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 more recent policy allocation to private investments will require some time to be actually funded, thus return results will continue to differ from the PTF for a while.

Each Fund also have defined asset mix return benchmarks that serve as secondary reference points. Over the past year the endowments posted a 7.4% return that slightly exceeded its 6.9% policy benchmark. The PTF was also were ahead of its policy benchmark for the year (7.1% vs 6.5%), while the RTF which did not have the benefit of mature private equity exposures was behind its benchmark ( 5.8% vs 6.0%). Appendix A summarizes each Fund's investment objectives and related investment structure.

## 2017/18 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 three new subscriptions, as well as additional subscriptions to a private debt strategy and a private real estate strategy. After a search and a number of months of customized development, a robust risk dashboard review platform was added. This will provide the Committee and Trustees with a semi-annual profile and review of each Fund's investment risk as well as ESG assessment. This will be reviewed at each of the investment manager, asset class and total fund levels.

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 continued valued contributions during this past busy year.

Respectfully submitted,

*Aubrey Palmeter*

Chair, Investment Committee

**DALHOUSIE UNIVERSITY**  
*Endowment Funds*

Dalhousie University over the years received a number of generous gifts that have established over 1,400 endowments. The 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. Program spending from these endowments plus \$1.9 million received from externally-held endowments and related contributions totalled \$19.2 million for 2017/18. With the inclusion of \$3.4 million of investment and related administrative costs, total 2017/18 spending was \$24.5 million.

The University's Endowment Funds grew by \$29.9 million to \$611.2 over the past year. This year-over-year growth included \$11.5 million in new gifts and designated net transfers, along with \$42.6 million of investment returns. Offsetting the additions was \$24.2 million provided for the year's spending allocations.

The endowment spending and associated 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 4.25% percentage of the gift and increases spending at the rate of inflation in subsequent years so long as the spending remains within a band of 3.75% to 5.00% of each endowment's market value.

**DALHOUSIE UNIVERSITY**  
**ENDOWMENT FUNDS**

<i>Manager</i>	<i>Asset Class</i>	<i>Market Value (\$ Millions)</i>	
		<i>March 31, 2018</i>	<i>March 31, 2017</i>
Burgundy Asset Management	Canadian Equities	\$ 52.5	\$ 53.4
Montrusco Bolton	Canadian Equities – dividend growth	23.7	22.9
Fiera Capital Management	Canadian Equities – market neutral	21.1	21.0
Ashford Capital Management	US Equities	37.8	30.5
Wedge Capital Management L.L.P.	US Equities – Large Cap	59.7	57.5
Wellington Management Canada LLC	US Equities – SMID	14.2	14.2
State Street Global Asset Management	US Equities – Mid Cap Index	33.5	32.5
First Eagle	Non-North American Equities	24.0	23.5
Addenda Capital Inc.	NNA Equities	24.5	22.5
Burgundy Asset Management	NNA Equities	25.5	23.1
Fiera Capital	NNA Equities	27.0	23.5
CIBC Global Asset Management	Canadian Bond – Index	39.0	38.4
Addenda Capital Inc.	Canadian Bonds - active	23.4	23.1
BlackRock Asset Management	Canadian Bonds - active	29.3	28.4
Canso Investment Counsel	Canadian Bonds - active	25.3	26.4
Brookfield	Private Loans & Mortgage	1.7	-
Commonfund Capital	Private Equity	49.5	48.6
JP Morgan	Private Equity	18.5	17.5
BMO F&C	Private Equity	11.2	7.4
Pantheon	Private Equity	3.0	3.6
Lazard Asset Management	Infrastructure securities	9.6	9.2
JP Morgan	Infrastructure & Shipping	11.1	9.8
CBRE Clarion	Global Real Estate Securities	18.5	18.2
GPM	Canadian Real Estate	13.6	11.8
Canadian Urban	Canadian Real Estate	8.9	8.2
Crestpoint	Canadian Real Estate	2.1	-
	General*	3.0	6.1
<b>TOTAL ASSETS</b>		<b>\$611.2</b>	<b>\$581.3</b>

\* 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, 2018</i>		<i>March 31, 2017</i>	
	<i>Fund</i>	<i>Benchmark**</i>	<i>Fund</i>	<i>Benchmark**</i>
10 Years	7.6%	6.6%	6.3%	5.7%
4 Years	8.5%	8.1%	11.1%	10.1%
3 Years	6.8%	6.4%	8.9%	8.5%
2 Years	10.2%	10.0%	6.4%	6.1%
1 Year	7.4%	6.9%	13.1%	13.1%

\*\* 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 1<sup>st</sup>. For the first nine months of this fiscal year, the Pension Trust Fund's assets decreased slightly by \$6.3 million to \$712.1 million. The Fund received \$34.0 million in new contributions, and its 7.1% investment return for this period added \$35.7 million. Disbursements from the Fund included \$72.7 million in various benefit payments and \$3.3 million in expenses.

**DALHOUSIE UNIVERSITY**  
**PENSION TRUST FUND**

<i>Manager</i>	<i>Asset Class</i>	<i>Market Value (\$ Millions)</i>		
		<i>March 31, 2018</i>	<i>June 30, 2017*</i>	<i>March 31, 2017</i>
Burgundy Asset Management	Canadian Equities	\$ 53.4	\$ 54.5	\$ 55.9
Montrusco Bolton	Canadian Equities	22.8	23.1	22.8
Fiera Capital Management	Canadian Equities	24.2	23.7	24.0
Ashford Capital Management	US Equities	37.3	39.9	38.0
Wedge Capital Management L.L.P.	US Equities – Large Cap	48.6	55.5	55.5
Wellington Management Canada LLC	US Equities – SMID	13.1	12.7	13.2
State Street Global Asset Management	US Equities – Mid Cap	27.7	33.2	33.5
First Eagle	NNA Equities	23.2	22.7	22.7
Addenda Capital Inc	NNA Equities	25.6	25.6	24.2
Burgundy Asset Management	NNA Equities	26.7	25.9	24.9
Fiera Capital	NNA Equities	28.2	26.6	25.2
CIBC Global Asset Management	Canadian Bond - Index	62.7	62.5	61.8
Addenda Capital Inc.	Canadian Bonds - active	36.5	36.2	36.0
BlackRock Asset Management	Canadian Bonds – active	49.0	48.3	47.6
Canso Investment Counsel	Canadian Bonds – active	38.1	40.3	39.8
Brookfield	Private Loans & Mortgage	2.0	1.0	-
Commonfund Capital	Private Equity	51.6	48.6	49.3
JP Morgan	Private Equity	17.9	19.1	17.8
BMO F&C	Private Equity	16.8	12.5	11.7
Pantheon Ventures Ltd.	Private Equity	3.1	3.5	3.7
Lazard Asset Management	Infrastructure securities	13.4	13.6	12.8
JP Morgan	Infrastructure & Shipping	13.5	12.2	11.9
CBRE Clarion	Global Public R.E.	29.6	29.2	29.1
GPM	Canadian Real Estate	20.5	16.0	15.4
Canadian Urban	Canadian Real Estate	11.8	11.1	10.9
Crestpoint	Canadian Real Estate	5.7	-	-
	Cash in Bank & Other	9.1	20.9	14.9
<b>TOTAL ASSETS</b>		<b>\$712.1</b>	<b>\$718.4</b>	<b>\$702.6</b>

**PENSION TRUST FUND PERFORMANCE**

	<i>Annualized Returns to</i>					
	<i>March 31, 2018</i>		<i>June 30, 2017*</i>		<i>March 31, 2017</i>	
	Fund	Benchmark**	Fund	Benchmark**	Fund	Benchmark**
10 Years	7.2%	6.3%	6.0%	5.5%	6.0%	5.5%
4 Years	8.0%	7.7%	10.2%	9.7%	10.1%	9.3%
3 Years	6.3%	6.0%	8.3%	7.6%	8.3%	8.1%
2 Years	9.4%	9.0%	7.2%	7.0%	5.9%	5.8%
1 Year	7.1%	6.5%	11.0%	10.5%	11.8%	11.6%

\*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*

For the first nine months of the Retirees' Trust Fund's fiscal year that commenced on July 1, 2016, its asset value grew from \$544.0 million to \$ 598.1 million, an increase of \$54.1 million. The Fund received \$65.4 million in transfers for new retirees from the Pension Trust Fund, and generated an investment return of \$25.1 million for the period. For these nine months, it made \$33.8 million in benefit payments and incurred \$2.6 million in expenses.

**DALHOUSIE UNIVERSITY**  
**RETIRES' TRUST FUND**

<i>Manager</i>	<i>Asset Class</i>	<i>Market Value (\$ Millions)</i>		
		<i>March 31, 2018</i>	<i>June 30, 2017*</i>	<i>March 31, 2017</i>
Burgundy Asset Management	Canadian Equities	\$ 45.7	\$ 44.1	\$ 45.4
Montrusco Bolton	Canadian Equities	19.7	18.3	18.0
Fiera Capital	Canadian Equities	22.5	22.1	22.4
Ashford Capital Management	US Equities – Small Cap	32.0	26.4	25.1
Wedge Capital Management L.L.P.	US Equities – Large Cap	44.0	42.2	42.2
Wellington Management Canada LLC	US Equities – SMID	14.9	15.3	15.9
State Street Global Asset Management	US Equities – Mid Cap	27.8	27.1	27.3
First Eagle	NNA Equities	22.2	21.7	21.7
Addenda Capital Inc	NNA Equities	23.8	23.2	21.9
Burgundy Asset Management	NNA Equities	24.4	23.3	22.4
Fiera Capital	NNA Equities	25.8	24.0	22.7
CIBC Global Asset Management	Canadian Bond - Index	37.8	37.7	37.2
Addenda Capital Inc	Canadian Bonds - active	32.9	32.7	32.5
BlackRock Asset Management	Canadian Bonds - active	46.3	40.7	40.1
Canso Investment Counsel	Canadian Bonds - active	43.3	42.7	42.2
Brookfield	Private Loans & Mortgage	1.6		
Commonfund Capital	Private Equity	9.2	7.1	6.8
BMO F&C	Private Equity	12.6	8.9	8.4
Lazard Asset Management	Infrastructure securities	32.3	24.3	23.0
JP Morgan	Infrastructure & Shipping	9.7	8.7	8.6
First National	Index Linked Mortgages	2.8	4.0	4.4
CBRE Clarion	Global Public Real Estate	33.9	24.6	24.5
GPM	Canadian Real Estate	14.2	10.2	9.8
Canadian Urban	Canadian Real Estate	7.0	6.6	6.5
Crestpoint	Canadian Real Estate	5.0	-	-
	Cash in Bank & Other	5.6	7.3	12.6
<b>TOTAL ASSETS</b>		<b>\$598.1</b>	<b>\$544.0</b>	<b>\$541.6</b>

**RETIRES' TRUST FUND PERFORMANCE**

	<i>Annualized Returns to</i>					
	<i>March 2018</i>		<i>June 30, 2017*</i>		<i>March 31, 2017</i>	
	Fund	Benchmark**	Fund	Benchmark**	Fund	Benchmark**
10 Years	6.6%	6.1%	5.8%	5.5%	5.8%	5.4%
4 Years	6.7%	7.2%	8.8%	8.9%	8.6%	8.4%
3 Years	5.1%	5.5%	6.8%	7.2%	7.0%	7.6%
2 Years	8.4%	8.5%	6.2%	6.4%	4.8%	5.2%
1 Year	5.8%	6.0%	10.2%	10.2%	11.1%	11.0%

\*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

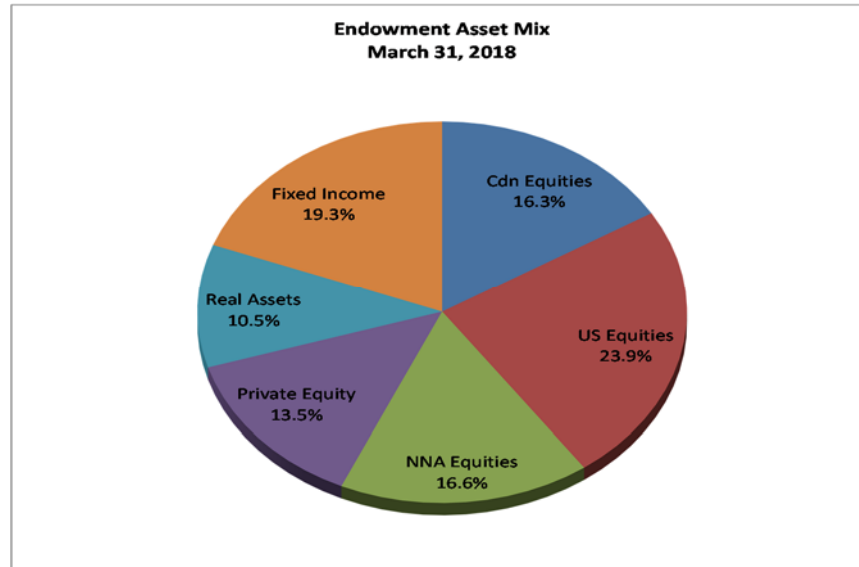
## APPENDIX A Investment Objectives & Asset Mix

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### 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*

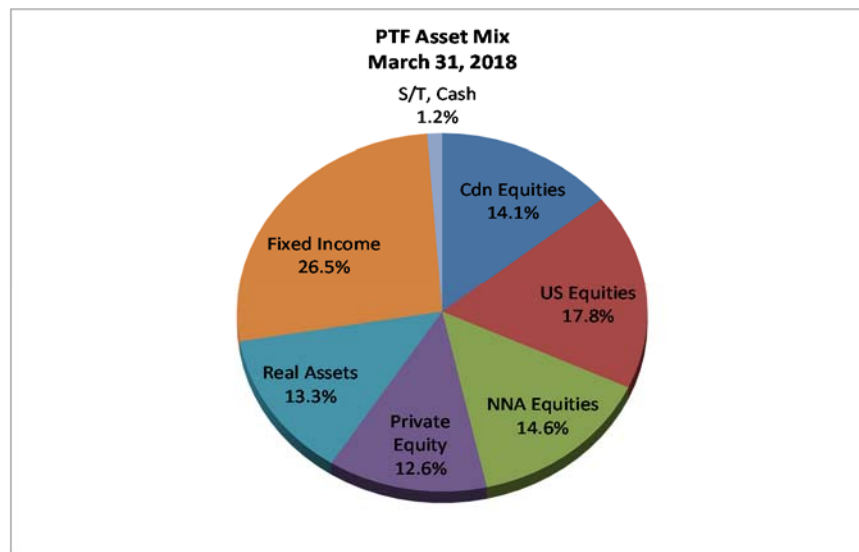
Target: CPI + 4.95%



### 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%

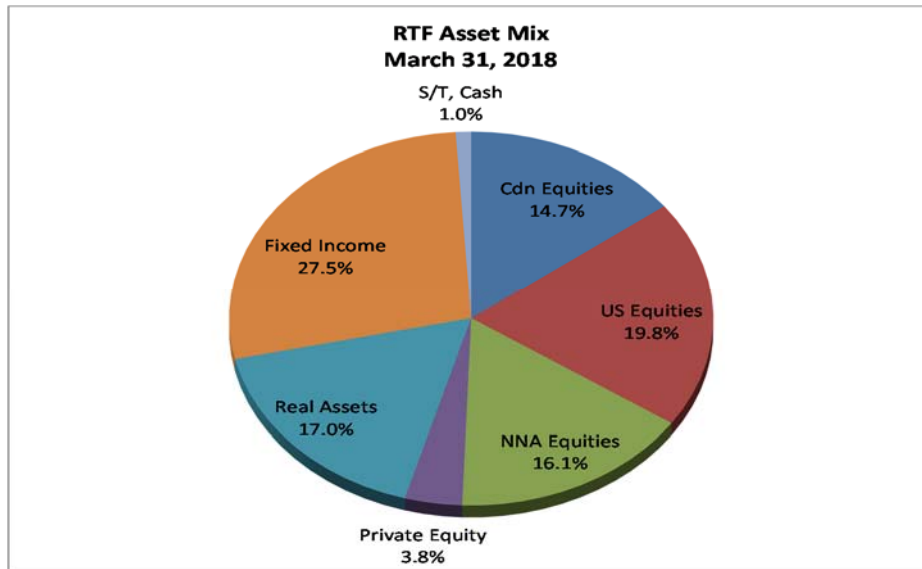




Retirees' Trust Fund Objectives:

- *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  
2017-18**

		Investment Committee	Pension Trust Fund	Retirees' Trust Fund
Mr. Aubrey Palmeter (Chair)	Board Representative / Nominee	√	√	√
Mr. Jody Forsyth	Board Nominee <i>(July 2017 – October 2017)</i>	√	√	√
Mr. Robert Richardson	Board Nominee <i>(February 2018 – present)</i>	√	√	√
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