

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

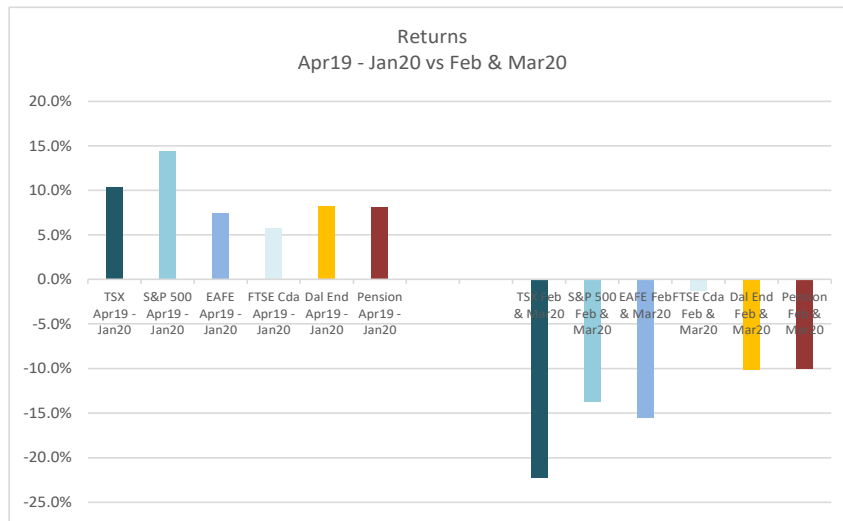
**ANNUAL REPORT TO
Finance, Audit, Investment & Risk Committee, Board of Governors
Endowment Funds
Pension Trust Fund
Retirees' Trust Fund**

June 2020

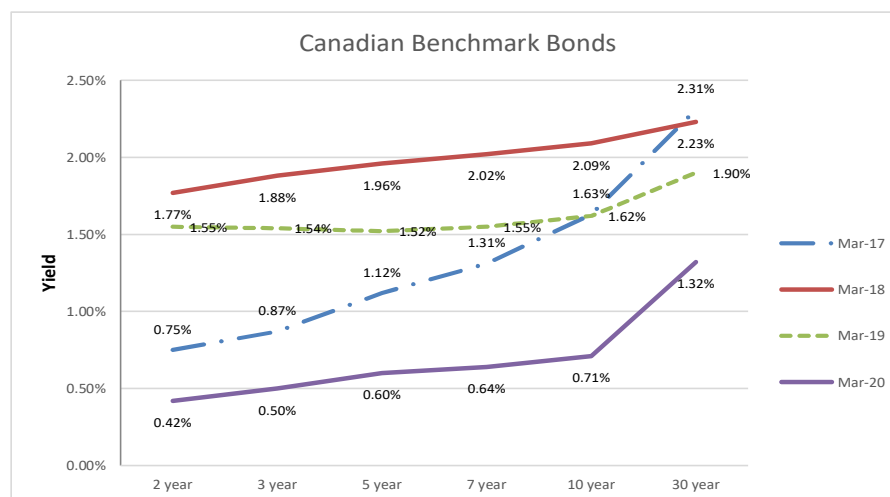
Chair, Members of the Finance, Audit, Investment & Risk Committee::

Market Overview & Summary

The first ten months of the April 2019 to March 2020 period experienced buoyant financial markets, led by large cap growth securities. Dalhousie's endowment fund and its pension plan earned 8.3% and 8.1% during these ten months. Then in mid-February, the markets were rattled by the rapid spread of COVID 19 in Europe and its migration to North America. Economies of major developed countries were essentially subject to a complete shutdown, as workers of almost every sector were sent home. Equity markets went into free fall with panic selling, and even bond markets tightened up. In a matter of a few weeks, equity markets had shed 20% to 25% of their values, ending one of the longest bull markets in history. The markets managed a bit of a rebound in the last few days of March 2020. Over these last two months, Dalhousie's endowments experienced a 10.1% decline, while the pension plan had a -10.0% return.



Central banks across the globe responded quickly by lowering rates, and provided additional market support through asset purchases, thereby adding liquidity to a very tight market. With the shutdown of almost every economic sector, unemployment skyrocketed. Governments jumped in with unprecedented relief programs and spending stimulus to assist businesses and laid-off workers. As a consequence, government debt levels have exploded, although the servicing costs have been eased by near zero interest rates. As communities struggle through the onslaught of the pandemic and watch for the reduction of its spread, it is very uncertain of how quickly people can safely return to work start a recovery of the economy, while being cautious to minimize the impact of a likely return of the virus.



Unlike past major market downturns, the traditional value stocks did not provide the best defensive characteristics. Instead, the digital economy showed the best resilience, and in some cases actually benefited, as demand from people working and isolated at home for online shopping, streaming services, video conferencing, and required broadband to accommodate these services exploded. The Canadian dollar lost ground versus other major currencies. The Canadian dollar, still seen by many as a petro-currency, was hurt by the slumping demand for oil. As well, the U.S. dollar was re-established as the major reserve currency when the market panic arose. The upside for Canadian investors was that their returns in foreign markets improved as a result of the depreciation of the Canadian dollar.

Annualized returns as of March 31, 2020	1 year	2 years	3 years	4 years	10 years
Canada -TSX	-14.21%	-3.69%	-1.93%	2.85%	4.10%
U.S. -S&P 500, CAD	-1.36%	5.80%	7.25%	10.50%	14.28%
U.S. -S&P 500, USD	-6.98%	0.92%	5.10%	8.00%	10.53%
EAFE - CAD	-9.19%	-4.81%	0.19%	3.75%	6.20%
EAFE - local currency	-12.58%	-5.19%	-1.79%	2.82%	4.36%
Canada Bonds - FTSE universe	4.45%	4.86%	3.68%	3.13%	4.34%
CPI	0.89%	1.39%	1.70%	1.66%	1.69%

The Dalhousie Funds' allocations in the public markets to lower capitalization, particularly in the U.S., and lower exposure to growth stocks felled behind the markets that were dominated by large companies in the digital economy. However, the Funds' allocations to private investments in real estate, infrastructure, and private equity provided a beneficial offset. With extremely low interest rates, duration risk has increased somewhat, although it is expected that rates may continue at this level for some time before the world's economies fully recover. Should we be surprised with a rapid recovery that could place pressure on interest rates, the Funds' shorter duration profiles from their allocations to corporate debt, private debt and active duration strategies will reduce any resulting duration risk.

The endowments at Dalhousie are managed under a total rate of return ('TROR') investment approach along 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-five years, the endowment funds have achieved sustainable spending despite a number of significant downturns, as the return objective over time 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 8.1% as compared to an annualized objective of 7.1%.

The other principle endowment objective is the preservation of the real economic value of the capital. Since 1980, a full decade before TROR was fully 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. Although the target was missed for the most recent year, the endowments' market value is 25% ahead of the indexed target for this 40 year period.

Chart 1

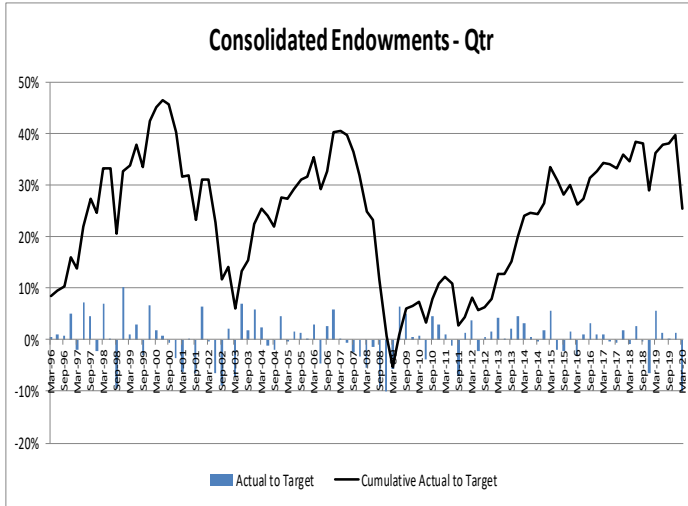
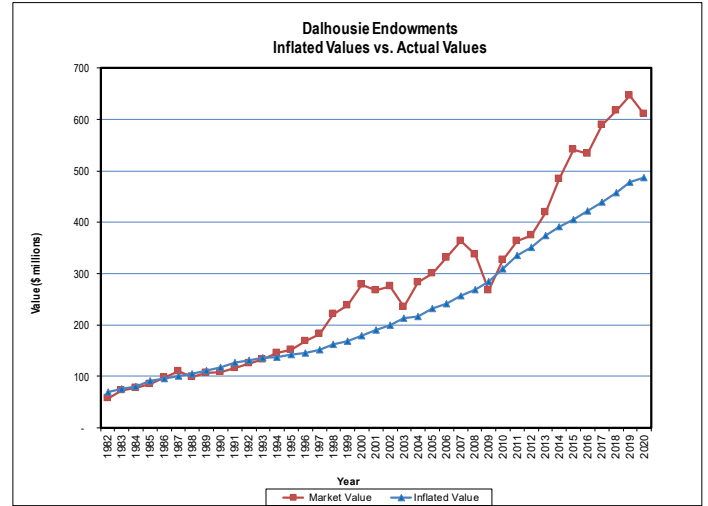


Chart 2



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-five years to the Funds’ most recent June 30, 2019 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 23-year period. Likewise, the RTF was ahead of its 5.05% objective with a 7.6% annualized net return. 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 had a deficit position at its last actuarial valuation in March 31, 2019. 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

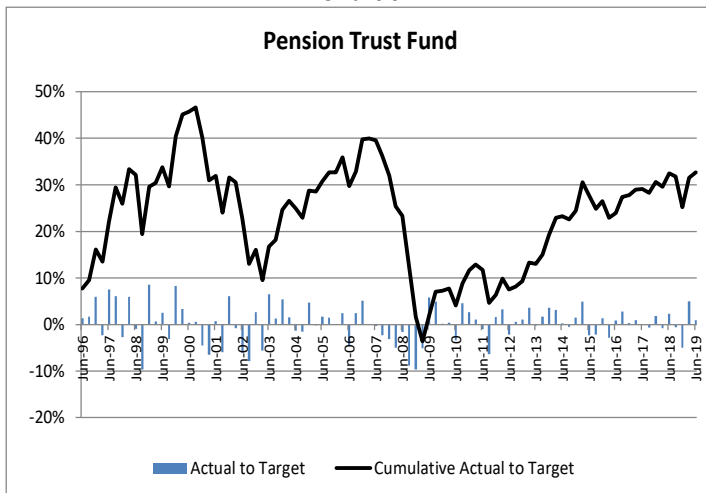
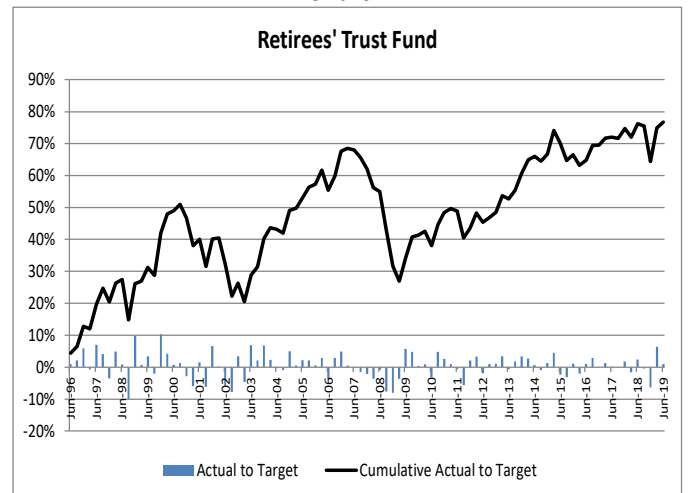


Chart 4



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.

2019/20 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, private real estate, and private infrastructure strategies. Each Fund also made changes in international equity strategies to provide for a greater degree of ESG (environmental, social, governance) integration. The Committee and Trustees reviewed each Fund's investment risk as well as ESG assessment with the assistance of a semi-annual risk dashboard. Reviews are made at each of the investment manager, asset class and total fund levels.

The Committee and Trustees also completed a annual review of each Fund's investment policies. 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. Although there were no major changes in underlying investment and economic assumptions, the Committee has scheduled a full modelling study for this upcoming year as it has been seven years since the last full detailed study of the endowment fund. Full studies for the PTF and RTF will be scheduled to follow the completion of the endowment study.

The members of the Investment Committee and Trustees for the past year are listed on the last page of this report.

DALHOUSIE UNIVERSITY Endowment Funds

Dalhousie University has over 1,400 endowments that provide annual funding to the operating budget to support academic chairs and salaries, fellowships, scholarships, student bursaries, library enhancement, research, equipment and facilities. Investment returns from these endowed gifts plus \$2.2 million received from externally-held endowments supported program spending of \$22.9 million for 2019/20. With the inclusion of \$3.4 million of investment and related administrative costs, total 2019/20 spending was \$26.3 million.

During the past year, the University's Endowment Funds declined by \$27.0 million from \$645.8 to \$618.8 million. Market value declines totalled \$15.9 million of investment returns, and \$28.0 million was withdrawn for the year's spending allocations. \$7.8 million in new gifts and designated net transfers were received, and \$9.1 million was received in net disbursements from investments.

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

Manager	Asset Class	Market Value (\$ Millions)	
		March 31, 2020	March 31, 2019
Burgundy Asset Management	Canadian Equities	\$ 37.0	\$ 54.8
Monrusco Bolton	Canadian Equities – dividend growth	22.3	23.6
Fiera Capital Management	Canadian Equities – market neutral	20.0	20.7
Ashford Capital Management	US Equities	29.8	33.0
Fiera Capital Management	US Equities – Large Cap	50.2	49.4
Wellington Management Canada LLC	US Equities – SMID	12.3	15.4
State Street Global Asset Management	US Equities – Mid Cap Index	24.2	30.8
First Eagle	Non-North American Equities	-	24.4
Addenda Capital Inc.	NNA Equities	31.2	25.4
Burgundy Asset Management	NNA Equities	31.9	26.1
Fiera Capital	NNA Equities	37.0	29.2
CIBC Global Asset Management	Canadian Bond – Index	55.3	52.2
Addenda Capital Inc.	Canadian Bonds - active	27.1	26.1
BlackRock Asset Management	Canadian Bonds - active	31.8	30.5
Canso Investment Counsel	Canadian Bonds - active	33.0	32.5
Brookfield	Private Loans & Mortgage	5.6	3.6
Crestline	Private Debt	4.8	4.3
Commonfund Capital	Private Equity	56.1	52.7
JP Morgan	Private Equity	21.0	20.0
BMO F&C	Private Equity	15.2	12.1
Pantheon	Private Equity	1.6	2.2
Lazard Asset Management	Infrastructure securities	10.8	10.8
Macquarie	Infrastructure – Renewable Energy	0.8	-
JP Morgan	Infrastructure & Shipping	13.2	11.9
CBRE Clarion	Global Real Estate Securities	18.3	21.4
Brookfield	Global Real Estate	1.2	
Fiera	Canadian Real Estate	11.3	16.2
Canadian Urban	Canadian Real Estate	6.4	6.5
Crestpoint	Canadian Real Estate	3.8	3.0
Jarislowsky Fraser	Global Balanced	2.1	2.1
	General*	3.5	4.9
TOTAL ASSETS		\$618.8	\$645.8

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

ENDOWMENT FUND PERFORMANCE

	Annualized Returns to			
	March 31, 2020		March 31, 2019	
	Fund	Benchmark**	Fund	Benchmark**
10 Years	8.4%	7.4%	10.8%	9.8%
4 Years	6.3%	6.3%	7.1%	6.7%
3 Years	4.1%	4.1%	9.4%	9.2%
2 Years	2.5%	2.7%	7.7%	7.3%
1 Year	-2.6%	-2.1%	7.9%	7.8%

** 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 decreased \$65.5 million from \$758.6 million to \$693.1 million. The Fund transferred \$61.4 million to the Retirees' Trust Fund for new retirements, disbursed \$5.8 million in benefit payments, and incurred \$3.2 million in expenses. Market depreciation accounted for another decrease of \$29.1 million. The Fund received \$34.0 million in new contributions.

DALHOUSIE UNIVERSITY
PENSION TRUST FUND

Manager	Asset Class	Market Value (\$ Millions)		
		March 31, 2020	June 30, 2019*	March 31, 2019
Burgundy Asset Management	Canadian Equities	\$ 34.8	\$ 54.2	\$ 55.1
Montrusco Bolton	Canadian Equities	20.0	22.5	22.1
Fiera Capital Management	Canadian Equities	21.4	24.9	24.9
Ashford Capital Management	US Equities	25.3	32.4	33.7
Fiera Capital	US Equities – Large Cap	41.0	40.7	39.7
Wellington Management Canada LLC	US Equities – SMID	10.4	13.6	13.3
State Street Global Asset Management	US Equities – Mid Cap	20.4	26.1	25.9
First Eagle	NNA Equities	-	24.1	23.6
Addenda Capital Inc	NNA Equities	30.7	28.2	26.5
Burgundy Asset Management	NNA Equities	31.4	27.7	27.3
Fiera Capital	NNA Equities	34.7	31.5	30.6
CIBC Global Asset Management	Canadian Bond - Index	66.1	67.8	66.1
Addenda Capital Inc.	Canadian Bonds - active	35.9	39.2	38.3
BlackRock Asset Management	Canadian Bonds – active	51.0	52.6	51.1
Canso Investment Counsel	Canadian Bonds – active	36.6	38.8	38.1
Crestline	Private Debt	6.7	4.8	6.0
Brookfield	Private Loans & Mortgage	6.8	4.6	4.5
Commonfund Capital	Private Equity	58.9	56.5	55.6
JP Morgan	Private Equity	18.8	18.6	18.8
BMO F&C	Private Equity	20.3	17.9	17.4
Pantheon Ventures Ltd.	Private Equity	1.6	1.9	2.2
Lazard Asset Management	Infrastructure securities	14.0	15.8	15.1
Macquarie	Infrastructure – Renewable Energy	1.6	-	-
JP Morgan	Infrastructure & Shipping	15.8	14.1	14.5
CBRE Clarion	Global Public R.E.	29.0	33.9	34.2
Brookfield	Global Real Estate	3.3	2.0	-
Fiera	Canadian Real Estate	20.1	27.0	26.5
Canadian Urban	Canadian Real Estate	8.4	8.6	8.6
Crestpoint	Canadian Real Estate	10.3	8.4	8.2
	Cash in Bank & Other	17.8	20.2	7.8
TOTAL ASSETS		\$693.1	\$758.6	\$735.7

PENSION TRUST FUND PERFORMANCE

	Annualized Returns to					
	March 31, 2020		June 30, 2019*		March 31, 2019	
	Fund	Benchmark**	Fund	Benchmark**	Fund	Benchmark**
10 Years	8.0%	7.2%	9.6%	8.6%	10.1%	9.2%
4 Years	6.3%	6.1%	7.6%	7.3%	6.8%	6.4%
3 Years	4.6%	4.4%	9.1%	8.5%	9.0%	8.5%
2 Years	3.3%	3.3%	8.1%	7.6%	7.6%	7.0%
1 Year	-1.3%	-0.7%	6.8%	7.2%	8.2%	7.4%

* 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, 2019, its asset value declined from \$664.1 million to \$ 640.6 million, a decrease of \$23.5 million. The Fund received \$61.4 million in transfers for new retirees from the Pension Trust Fund. Market value decreases amounted to \$41.4 million for the period. For these nine months, it made \$40.6 million in benefit payments and incurred \$2.9 million in expenses.

DALHOUSIE UNIVERSITY
RETIRES' TRUST FUND

Manager	Asset Class	Market Value (\$ Millions)		
		March 31, 2020	June 30, 2019*	March 31, 2019
Burgundy Asset Management	Canadian Equities	\$ 33.2	\$ 48.7	\$ 49.6
Montrusco Bolton	Canadian Equities	19.9	21.7	21.3
Fiera Capital	Canadian Equities	22.2	23.2	23.3
Ashford Capital Management	US Equities – Small Cap	30.8	35.2	33.0
Fiera Capital	US Equities – Large Cap	43.4	43.1	42.0
Wellington Management Canada LLC	US Equities – SMID	12.7	16.5	16.1
State Street Global Asset Management	US Equities – Mid Cap	24.4	29.8	29.6
First Eagle	NNA Equities	-	23.0	22.6
Addenda Capital Inc	NNA Equities	31.1	26.3	24.7
Burgundy Asset Management	NNA Equities	31.4	25.4	25.0
Fiera Capital	NNA Equities	36.2	29.3	28.0
CIBC Global Asset Management	Canadian Bond - Index	41.6	40.8	39.8
Addenda Capital Inc	Canadian Bonds - active	35.4	35.3	34.6
BlackRock Asset Management	Canadian Bonds - active	49.6	49.7	48.3
Canso Investment Counsel	Canadian Bonds - active	42.6	43.3	42.6
Crestline	Private Debt	5.6	4.0	5.1
Brookfield	Private Loans & Mortgage	5.2	3.6	3.4
Commonfund Capital	Private Equity	16.2	13.6	13.3
BMO F&C	Private Equity	16.6	14.0	13.6
JP Morgan	Private Equity	2.6	1.9	1.8
Lazard Asset Management	Infrastructure securities	33.7	38.1	36.4
Macquarie	Infrastructure – Renewable Energy	0.7	-	-
JP Morgan	Infrastructure & Shipping	11.4	10.2	10.4
First National	Index Linked Mortgages	0.9	1.4	1.6
CBRE Clarion	Global Public Real Estate	33.3	38.9	39.3
Brookfield	Global Real Estate	2.9	1.7	
Fiera	Canadian Real Estate	15.6	19.6	19.2
Canadian Urban	Canadian Real Estate	5.0	5.2	5.1
Crestpoint	Canadian Real Estate	9.0	7.3	7.2
	Cash in Bank & Other	27.4	13.3	19.5
TOTAL ASSETS		\$640.6	\$664.1	\$656.4

RETIRES' TRUST FUND PERFORMANCE

	Annualized Returns to					
	March 2020		June 30, 2019*		March 31, 2019	
	Fund	Benchmark**	Fund	Benchmark**	Fund	Benchmark**
10 Years	6.8%	6.7%	8.5%	8.0%	9.0%	8.4%
4 Years	4.9%	5.6%	6.6%	6.7%	5.7%	5.9%
3 Years	2.9%	3.8%	8.1%	8.2%	8.0%	8.0%
2 Years	1.5%	2.8%	7.0%	7.1%	6.6%	6.5%
1 Year	-4.1%	-1.3%	5.9%	6.9%	7.9%	7.6%

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

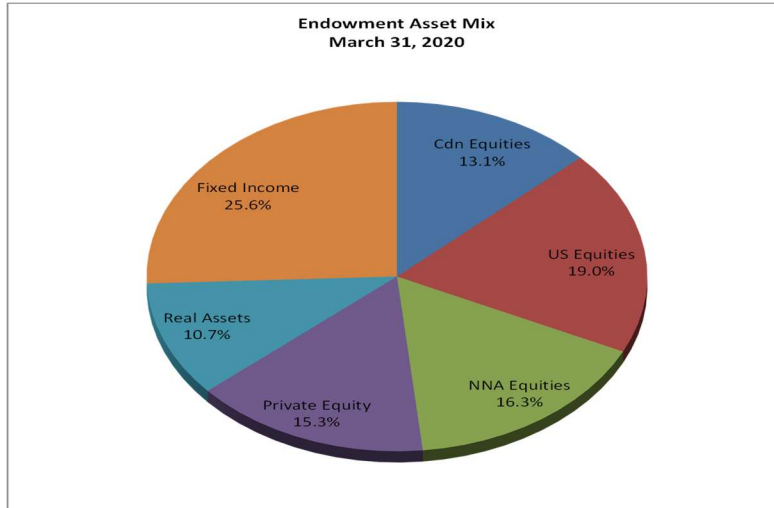
** The benchmark is the index return of the Fund's policy asset allocation

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**

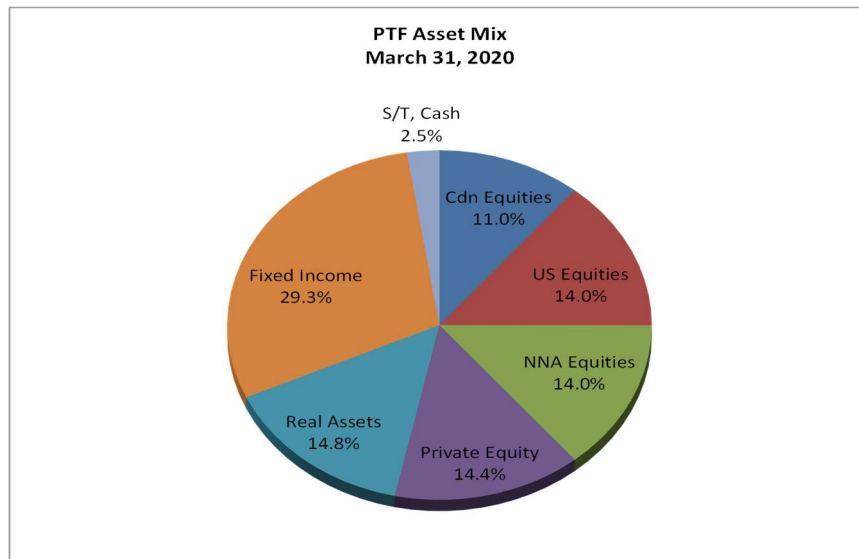
Target: CPI + 4.95%



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.**

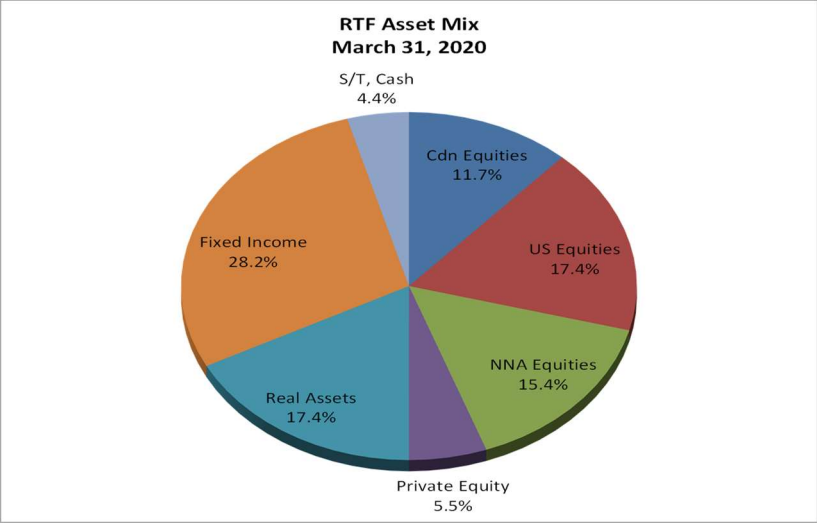
Target: Actuarial Assumption of 6.00%



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
2019-20**

		Investment Committee	Pension Trust Fund	Retirees' Trust Fund
Mr. Robert Richardson (Chair)	Board Representative / Nominee	√	√	√
Mr. Level Chan	Board Nominee (<i>July 1, 2019 – present</i>)	√	√	√
Mr. Paul Conrod	Non-Board, External	√	√	√
Mr. Aubrey Palmeter	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	√	√	√
Ms. Susan Robertson (Asst Vice-President, Financial Services)	Internal Appointment	√		

Support:

Secretary/Staff:

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

Consultant:

Mr. Bob Mitchell