

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

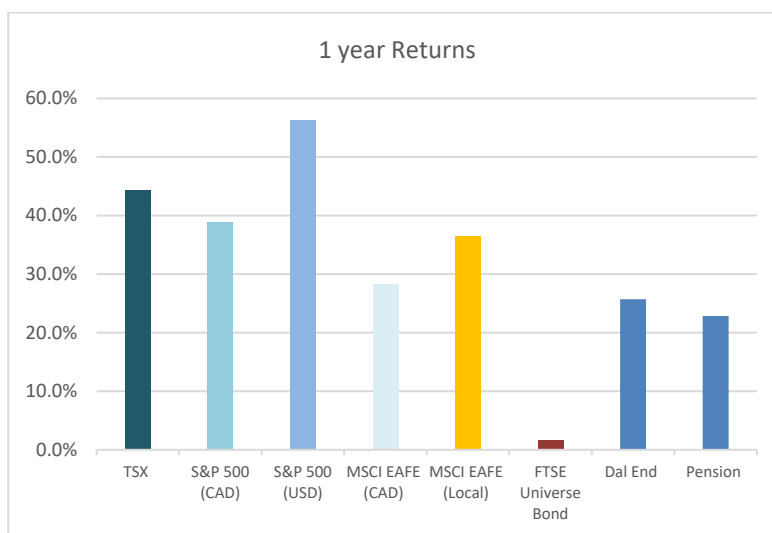
**ANNUAL REPORT TO
Finance, Audit, Investment & Risk Committee, Board of Governors
Endowment Funds
Pension Trust Fund
Retirees' Trust Fund**

June 2021

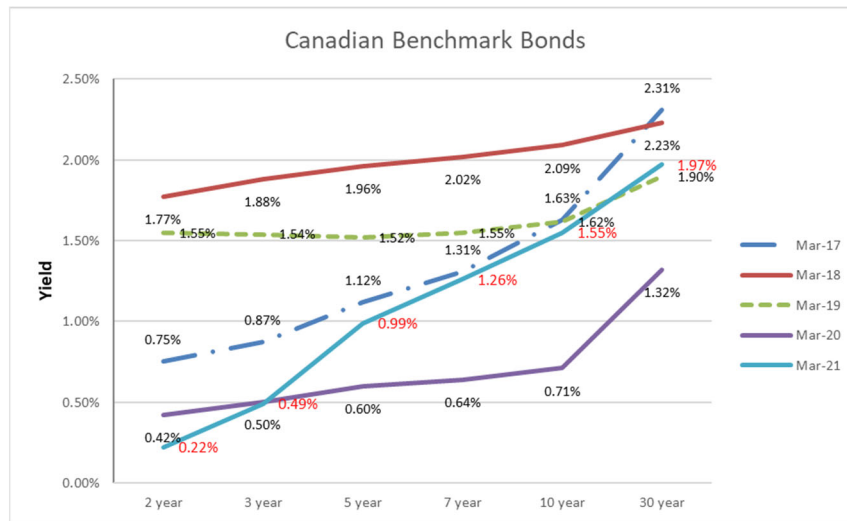
Chair, Members of the Finance, Audit, Investment & Risk Committee:

Market Overview & Summary

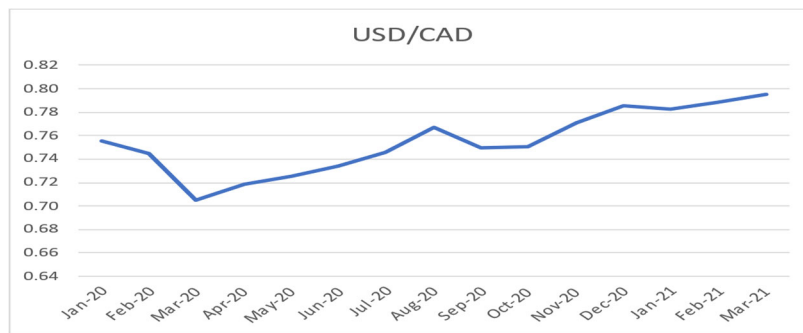
The year 2020 is not one that will soon be forgotten. April 2020 was the start of an incredible recovery across almost all asset classes. The market recovery occurred despite great economic stress in the economy. Unemployment levels climbed to levels not seen since the Great Depression as major developed countries were essentially subject to a complete shutdown, as workers of almost every sector were sent home. Hardest hit sectors include hospitality and travel. There was unprecedented amount of policy stimulus deployed to help cushion the effects of the shutdown. However, after the 5 week drop of 20% to 25% in February and March 2020, markets started to recover. By late August 2020, the S&P 500 (USD) had returned to pre-pandemic February levels, and then in early September hitting new all-time highs. The market recovery was somewhat unusual when compared to previous market recoveries in that this one was led by large cap growth stocks, primarily technology as consumer spending as consumers turned to digital shopping and entertainment spending more time and money in and on their homes. Dalhousie's endowment fund and its pension plan earned 25.7% and 22.8% for the fiscal year ending March 31, 2021.



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. Interest rates plunged to near zero with the expectation that they would remain there for the foreseeable future. Governments jumped in with unprecedented relief programs and spending stimulus to assist businesses and laid-off workers. However, the start of 2021 saw fixed income markets decline as bond yields steepened with the spread between the 2 and 10 years reaching a multi-year high. Long term bond yields rose on inflation worries as vaccination programs rolled out, crude oil prices soared, and fiscal stimulus programs continued, while the short end remained steady at near zero as central banks remained committed to keeping interest rates low.



The Canadian dollar lost ground versus other major currencies, especially the USD at the start but had recovered by August to early 2020 levels before pushing further as oil prices started to rise, with the Canadian dollar, still seen by many as a petro-currency.



| Annualized returns as of March 31, 2021 | 1 year | 2 years | 3 years | 4 years | 10 years |
|---|--------|---------|---------|---------|----------|
| Canada -TSX | 44.24% | 11.24% | 10.19% | 8.00% | 6.00% |
| U.S. -S&P 500, CAD | 38.76% | 16.99% | 15.81% | 14.39% | 16.87% |
| U.S. -S&P 500, USD | 56.34% | 20.59% | 16.77% | 16.07% | 13.91% |
| EAFE - CAD | 28.29% | 7.93% | 5.15% | 6.58% | 8.27% |
| EAFE - local currency | 36.54% | 9.25% | 7.07% | 6.63% | 7.50% |
| Canada Bonds - FTSE universe | 1.61% | 3.02% | 3.77% | 3.16% | 3.98% |
| CPI | 2.20% | 1.54% | 1.65% | 1.82% | 1.58% |

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 for the first 9 months of the year ending March 31, 2021 that were dominated by large companies in the digital economy. However, the first quarter of 2021 saw small and mid-cap stocks outperform large cap, and value outperform growth, which benefitted Dalhousie's Funds. The Funds' allocations to private investments in real estate, infrastructure, and private equity contributed to performance.

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-six 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 8.7% as compared to an annualized objective of 7.1%.

The other principal 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. The endowments' market value is 48% ahead of the indexed target for this 41 year period.

Chart 1

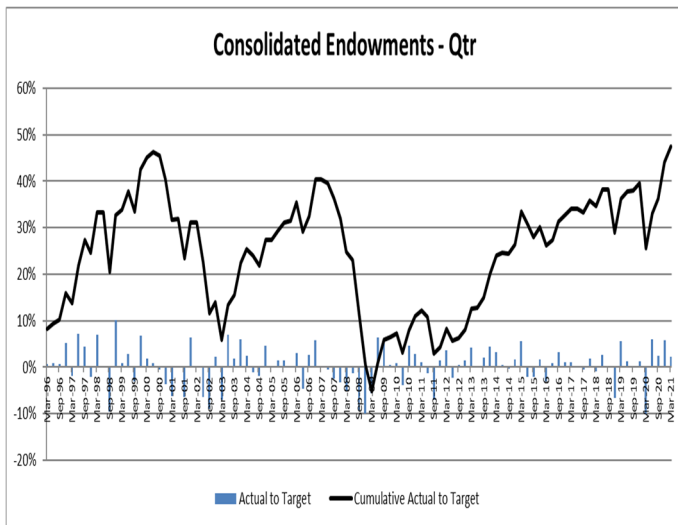
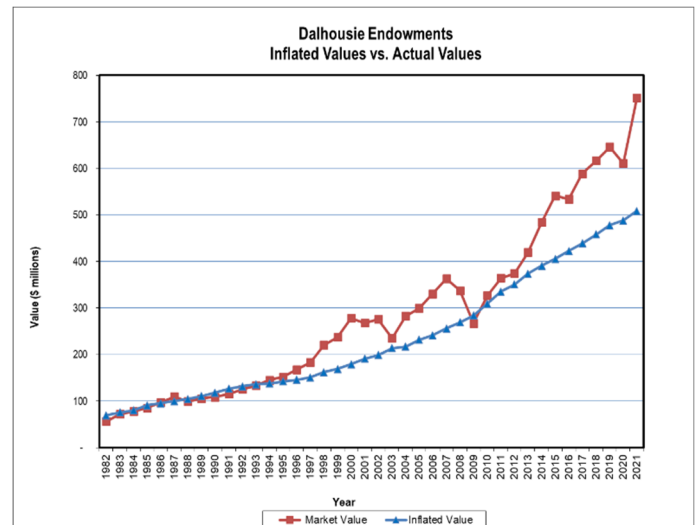


Chart 2



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, 2020 fiscal year-ends, despite volatility of the markets. The PTF had an annualized net return of 7.7% as compared to the actuarial target of 6.6% over this 25-year period. Likewise, the RTF was ahead of its 5.05% objective with a 7.3% 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 on January 31, 2020. 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

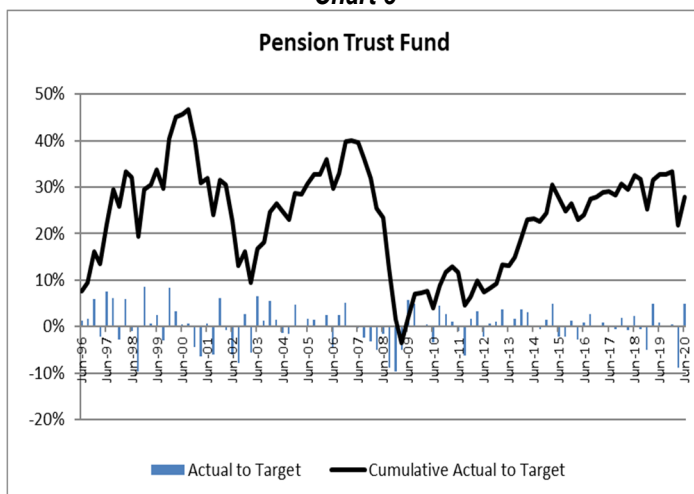
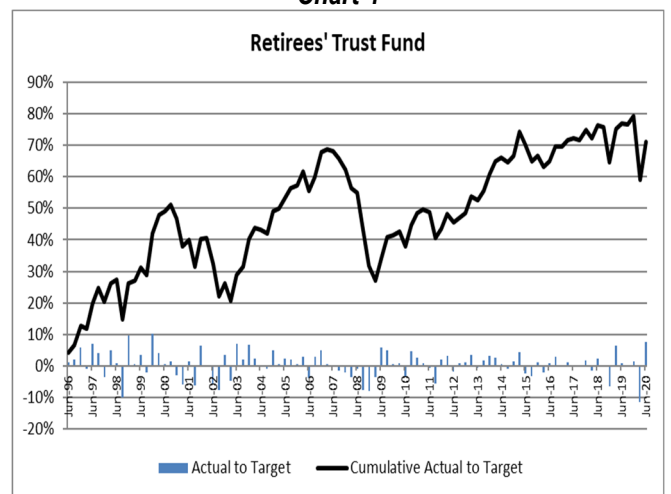


Chart 4



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.

2020/21 Committee & Trustee Activity

The Committee and trustees meet a number of times during the 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. 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.

A full modelling study for the spend rate and asset allocation of the Endowment Fund was completed. A key part of the study was determining what was the appropriate and prudent amount of risk to assume in investment strategy and spending rate. This was done through integrating various spend rates with a relatively narrow range of asset mixes to determine the impact on the risk budget. The results were measured as to their impact on the Endowments' major objectives. The study resulted in some changes in the current asset mix, including a decrease of 5% from public equities, 7.5% from fixed income, and an offsetting 12.5% increase in real assets, split between real estate and infrastructure. It is expected that the revised asset mix will take 18-24 months to implement.

The study showed that the revised asset mix improves all objective measures and brings the probability of preserving capital over the next 15 years to over 70%.

Full asset and liability studies for the PTF and RTF has been started and will be completed by July 2021.

The Committee and Trustees also completed a virtual annual review of each Fund's investment managers.

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 \$2.4 million received from externally-held endowments supported program spending of \$23.4 million for 2020/21. With the inclusion of \$3.7 million of investment and related administrative costs, total 2020/21 spending was \$27.1 million.

During the past year, the University's Endowment Funds increased by \$141.9 million from \$618.8 to \$760.7 million. Market value appreciation totalled \$157.9 million of investment returns, and \$29.0 million was withdrawn for the year's spending allocations. \$9.9 million in new gifts and designated net transfers were received, and \$3.1 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, 2021 | March 31, 2020 |
| Burgundy Asset Management | Canadian Equities | \$ 58.7 | \$ 37.0 |
| Montrusco Bolton | Canadian Equities – dividend growth | 27.8 | 22.3 |
| Fiera Capital Management | Canadian Equities – market neutral | 25.1 | 20.0 |
| Ashford Capital Management | US Equities | 51.5 | 29.8 |
| Fiera Capital Management | US Equities – Large Cap | 60.9 | 50.2 |
| Wellington Management Canada LLC | US Equities – SMID | 15.1 | 12.3 |
| State Street Global Asset Management | US Equities – Mid Cap Index | 36.1 | 24.2 |
| Addenda Capital Inc. | NNA Equities | 37.9 | 31.2 |
| Burgundy Asset Management | NNA Equities | 38.6 | 31.9 |
| Fiera Capital | NNA Equities | 47.5 | 37.0 |
| CIBC Global Asset Management | Canadian Bond – Index | 56.2 | 55.3 |
| Addenda Capital Inc. | Canadian Bonds - active | 27.9 | 27.1 |
| BlackRock Asset Management | Canadian Bonds - active | 32.1 | 31.8 |
| Canso Investment Counsel | Canadian Bonds - active | 39.5 | 33.0 |
| Brookfield | Private Loans & Mortgage | 5.4 | 5.6 |
| Crestline | Private Debt | 7.4 | 4.8 |
| Commonfund Capital | Private Equity | 68.1 | 56.1 |
| JP Morgan | Private Equity | 26.1 | 21.0 |
| BMO F&C | Private Equity | 17.0 | 15.2 |
| Pantheon | Private Equity | 1.5 | 1.6 |
| Lazard Asset Management | Infrastructure securities | 12.8 | 10.8 |
| Macquarie | Infrastructure – Renewable Energy | 1.8 | 0.8 |
| JP Morgan | Infrastructure & Shipping | 12.1 | 13.2 |
| Commonfund | Infrastructure | 0.5 | - |
| CBRE Clarion | Global Real Estate Securities | 22.6 | 18.3 |
| Brookfield | Global Real Estate | 1.9 | 1.2 |
| Fiera | Canadian Real Estate | 10.7 | 11.3 |
| Canadian Urban | Canadian Real Estate | 6.5 | 6.4 |
| Crestpoint | Canadian Real Estate | 4.1 | 3.8 |
| Jarislowsky Fraser | Global Balanced | 2.4 | 2.1 |
| | General* | 4.9 | 3.5 |
| TOTAL ASSETS | | \$760.7 | \$618.8 |

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

ENDOWMENT FUND PERFORMANCE

| | Annualized Returns to | | | |
|----------|-----------------------|-------------|----------------|-------------|
| | March 31, 2021 | | March 31, 2020 | |
| | Fund | Benchmark** | Fund | Benchmark** |
| 10 Years | 9.5% | 8.8% | 8.4% | 7.4% |
| 4 Years | 9.2% | 9.0% | 6.3% | 6.3% |
| 3 Years | 9.7% | 9.8% | 4.1% | 4.1% |
| 2 Years | 10.7% | 10.8% | 2.5% | 2.7% |
| 1 Year | 25.7% | 25.3% | -2.6% | -2.1% |

** 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 1st. For the first nine months of this fiscal year, the Pension Trust Fund's assets increased \$67.0 million from \$744.7 million to \$811.7 million. The Fund transferred \$61.3 million to the Retirees' Trust Fund for new retirements, disbursed \$4.1 million in benefit payments, and incurred \$3.5 million in expenses. Market appreciation accounted for an additional \$101.3 million. The Fund received \$34.6 million in new contributions.

DALHOUSIE UNIVERSITY
PENSION TRUST FUND

| Manager | Asset Class | Market Value (\$ Millions) | | |
|--------------------------------------|-----------------------------------|----------------------------|----------------|----------------|
| | | March 31, 2021 | June 30, 2020* | March 31, 2020 |
| Burgundy Asset Management | Canadian Equities | \$ 58.6 | \$40.5 | \$ 34.8 |
| Montrusco Bolton | Canadian Equities | 24.0 | 20.5 | 20.0 |
| Fiera Capital Management | Canadian Equities | 26.8 | 21.8 | 21.4 |
| Ashford Capital Management | US Equities | 39.6 | 34.9 | 25.3 |
| Fiera Capital | US Equities – Large Cap | 48.4 | 47.1 | 41.0 |
| Wellington Management Canada LLC | US Equities – SMID | 11.9 | 11.2 | 10.4 |
| State Street Global Asset Management | US Equities – Mid Cap | 27.4 | 24.2 | 20.4 |
| Addenda Capital Inc | NNA Equities | 37.4 | 34.0 | 30.7 |
| Burgundy Asset Management | NNA Equities | 38.0 | 35.1 | 31.4 |
| Fiera Capital | NNA Equities | 42.6 | 38.8 | 34.7 |
| CIBC Global Asset Management | Canadian Bond - Index | 65.8 | 70.1 | 66.1 |
| Addenda Capital Inc. | Canadian Bonds - active | 35.1 | 38.0 | 35.9 |
| BlackRock Asset Management | Canadian Bonds – active | 49.1 | 53.1 | 51.0 |
| Canso Investment Counsel | Canadian Bonds – active | 43.5 | 40.7 | 36.6 |
| Crestline | Private Debt | 10.2 | 6.5 | 6.7 |
| Brookfield | Private Loans & Mortgage | 6.6 | 6.5 | 6.8 |
| Commonfund Capital | Private Equity | 70.3 | 52.9 | 58.9 |
| JP Morgan | Private Equity | 22.6 | 17.5 | 18.8 |
| BMO F&C | Private Equity | 21.2 | 20.2 | 20.3 |
| Pantheon Ventures Ltd. | Private Equity | 1.5 | 1.4 | 1.6 |
| Lazard Asset Management | Infrastructure securities | 16.6 | 15.4 | 14.0 |
| Macquarie | Infrastructure – Renewable Energy | 3.4 | 1.3 | 1.6 |
| JP Morgan | Infrastructure & Shipping | 14.5 | 14.6 | 15.8 |
| Commonfund | Infrastructure | 0.5 | - | - |
| CBRE Clarion | Global Public R.E. | 35.8 | 31.0 | 29.0 |
| Brookfield | Global Real Estate | 5.3 | 3.4 | 3.3 |
| Fiera | Canadian Real Estate | 20.0 | 19.5 | 20.1 |
| Canadian Urban | Canadian Real Estate | 8.5 | 8.7 | 8.4 |
| Crestpoint | Canadian Real Estate | 11.2 | 9.9 | 10.3 |
| | Cash in Bank & Other | 15.1 | 25.8 | 17.8 |
| TOTAL ASSETS | | \$811.7 | \$744.7 | \$693.1 |

PENSION TRUST FUND PERFORMANCE

| | Annualized Returns to | | | | | |
|----------|-----------------------|-------------|----------------|-------------|----------------|-------------|
| | March 31, 2021 | | June 30, 2020* | | March 31, 2020 | |
| | Fund | Benchmark** | Fund | Benchmark** | Fund | Benchmark** |
| 10 Years | 8.9% | 8.3% | 8.9% | 8.5% | 8.0% | 7.2% |
| 4 Years | 8.6% | 8.4% | 6.6% | 7.6% | 6.3% | 6.1% |
| 3 Years | 9.1% | 9.1% | 5.4% | 6.8% | 4.6% | 4.4% |
| 2 Years | 9.6% | 9.9% | 4.0% | 6.5% | 3.3% | 3.3% |
| 1 Year | 21.8% | 21.5% | 2.2% | 6.1% | -1.3% | -0.7% |

* 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, 2020, its asset value increased from \$687.4 million to \$798.9 million, an increase of \$111.5 million. The Fund received \$61.3 million in transfers for new retirees from the Pension Trust Fund. Market value increases amounted to \$97.2 million for the period. For these nine months, it made \$43.6 million in benefit payments and incurred \$3.4 million in expenses.

DALHOUSIE UNIVERSITY
RETIRES' TRUST FUND

| Manager | Asset Class | Market Value (\$ Millions) | | |
|--------------------------------------|-----------------------------------|----------------------------|----------------|----------------|
| | | March 31, 2021 | June 30, 2020* | March 31, 2020 |
| Burgundy Asset Management | Canadian Equities | \$ 55.0 | \$ 38.6 | \$ 33.2 |
| Montrusco Bolton | Canadian Equities | 24.8 | 20.3 | 19.9 |
| Fiera Capital | Canadian Equities | 27.8 | 22.7 | 22.2 |
| Ashford Capital Management | US Equities – Small Cap | 57.4 | 42.5 | 30.8 |
| Fiera Capital | US Equities – Large Cap | 58.9 | 49.9 | 43.4 |
| Wellington Management Canada LLC | US Equities – SMID | 18.9 | 13.5 | 12.7 |
| State Street Global Asset Management | US Equities – Mid Cap | 39.6 | 29.0 | 24.4 |
| Addenda Capital Inc | NNA Equities | 37.8 | 34.4 | 31.1 |
| Burgundy Asset Management | NNA Equities | 37.9 | 35.0 | 31.4 |
| Fiera Capital | NNA Equities | 46.5 | 40.6 | 36.2 |
| CIBC Global Asset Management | Canadian Bond - Index | 42.3 | 44.1 | 41.6 |
| Addenda Capital Inc | Canadian Bonds - active | 36.5 | 37.5 | 35.4 |
| BlackRock Asset Management | Canadian Bonds - active | 53.1 | 54.2 | 49.6 |
| Canso Investment Counsel | Canadian Bonds - active | 50.3 | 47.1 | 42.6 |
| Crestline | Private Debt | 8.8 | 5.5 | 5.6 |
| Brookfield | Private Loans & Mortgage | 5.1 | 5.0 | 5.2 |
| Commonfund Capital | Private Equity | 28.5 | 17.7 | 16.2 |
| BMO F&C | Private Equity | 18.4 | 16.8 | 16.6 |
| JP Morgan | Private Equity | 7.5 | 3.3 | 2.6 |
| Lazard Asset Management | Infrastructure securities | 40.0 | 37.0 | 33.7 |
| Macquarie | Infrastructure – Renewable Energy | 1.5 | 0.6 | 0.7 |
| JP Morgan | Infrastructure & Shipping | 10.4 | 10.5 | 11.4 |
| Commonfund | Infrastructure | 0.5 | - | - |
| First National | Index Linked Mortgages | 0.6 | 0.9 | 0.9 |
| CBRE Clarion | Global Public Real Estate | 41.1 | 35.6 | 33.3 |
| Brookfield | Global Real Estate | 4.7 | 3.0 | 2.9 |
| Fiera | Canadian Real Estate | 15.9 | 15.3 | 15.6 |
| Canadian Urban | Canadian Real Estate | 5.1 | 5.2 | 5.0 |
| Crestpoint | Canadian Real Estate | 9.8 | 8.7 | 9.0 |
| | Cash in Bank & Other | 14.4 | 13.0 | 27.4 |
| TOTAL ASSETS | | \$798.9 | \$687.4 | \$640.6 |

RETIRES' TRUST FUND PERFORMANCE

| | Annualized Returns to | | | | | |
|----------|-----------------------|-------------|----------------|-------------|----------------|-------------|
| | March 2021 | | June 30, 2020* | | March 31, 2020 | |
| | Fund | Benchmark** | Fund | Benchmark** | Fund | Benchmark** |
| 10 Years | 8.0% | 7.9% | 7.9% | 7.9% | 6.8% | 6.7% |
| 4 Years | 7.8% | 8.1% | 6.6% | 7.6% | 4.9% | 5.6% |
| 3 Years | 8.5% | 8.9% | 5.4% | 6.8% | 2.9% | 3.8% |
| 2 Years | 9.0% | 9.8% | 4.0% | 6.5% | 1.5% | 2.8% |
| 1 Year | 24.0% | 22.1% | 2.2% | 6.0% | -4.1% | -1.3% |

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

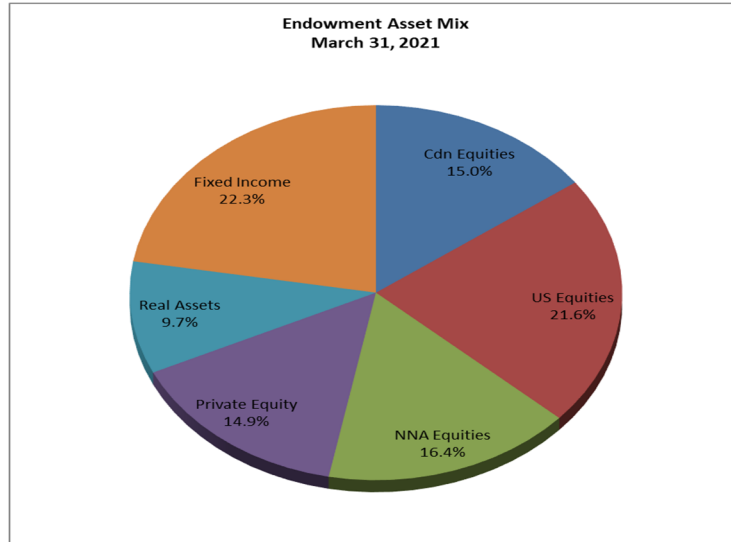
** The benchmark is the index return of the Fund's policy asset allocation

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*

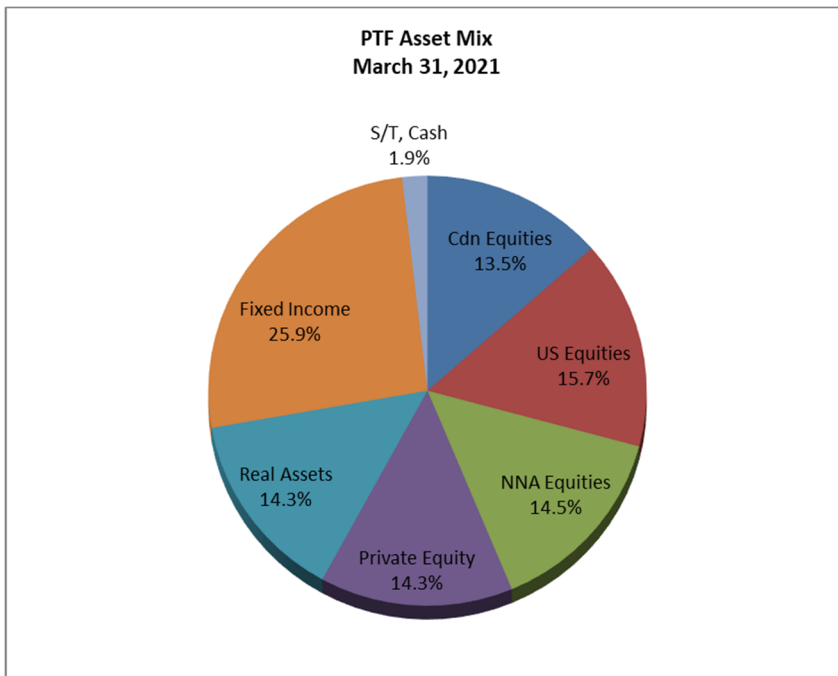
Target: CPI + 4.95%



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.*

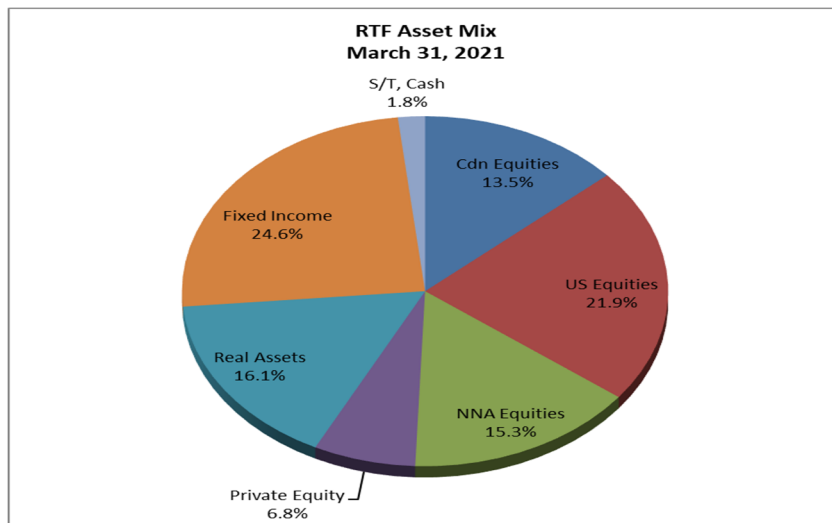
Target: Actuarial Assumption of 6.00%



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
2020-21**

| | | Investment Committee | Pension Trust Fund | Retirees' Trust Fund |
|--|---------------------------------------|-------------------------|-----------------------|-------------------------|
| Mr. Robert Richardson (Chair) | Board Representative / Nominee | √ | √ | √ |
| Mr. Level Chan | Board Nominee | √ | √ | √ |
| 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) – until July 2020 | Senior Officer for Liaison and Member | √ | √ | √ |
| Ms. Gitta Kulczycki (Vice-President, Finance & Administration) – (November 2020 – present) | Senior Officer for Liaison and Member | √ | √ | √ |
| Ms. Susan Robertson (Asst Vice-President, Financial Services) | Internal Appointment | √ | | |

Support:

Secretary/Staff: Mr. Colin Spinney (Treasurer – until December 2020)
Ms. Nancy-Beth Foran (Treasurer (Acting) January 2021 – present / Assistant Treasurer up to December 2020)

Consultant: Mr. Bob Mitchell