
**Public Session Minutes for the Meeting of November 22, 2017
10:00 a.m. to 11:00 a.m., ERC 3023**

Attendees: Stephanie Chow (Chair), Nigel Allen, Craig Elliott, Yowsif Yakub

Staff: Robert Bailey, Becky Dinwoodie, Cheryl Foy

Guests: Leila Fiouzi and Taylor Woodward from PH&N

Regrets: Doug Allingham, Susan McGovern, Tim McTiernan, John Speers

1. Call to Order

The Chair called the meeting to order at 10:06 a.m.

2. Agenda

Upon a motion duly made by N. Allen and seconded by Y. Yakub, the Agenda was approved as presented.

3. Conflict of Interest Declaration

There were no conflict of interest declarations.

4. Chair's Remarks

The Chair welcomed the committee to the first meeting of the academic year. She asked the attendees to introduce themselves and reminded them that they were starting with the public session of the meeting.

5. Approval of Minutes of the Meeting of August 16, 2017

Upon a motion duly made by N. Allen and seconded by Y. Yakub, the Minutes were approved as presented.

6. Investment Review

6.1 Second Quarter Investment Review

(C. Foy arrived at 10:10 a.m.)

L. Fiouzi reviewed the summary of the second quarter investment returns and asset mix. The portfolio performed .90% over benchmark for the period. The portfolio's assets were marginally overweight in equities and marginally underweight in pension trust.

7. Investment Learning – Exchange Traded Funds

L. Fiouzi delivered an educational session on Exchange Traded Funds (ETF) and distributed a handout on ETF to the committee. She discussed the origin of ETF and their early success in Canadian equity markets. The number of ETF providers has increased significantly since 2014. L. Fiouzi explained the types of ETF: broad beta, narrow beta, rules-based, and active. The more exotic the ETF, the higher the embedded cost.

L. Fiouzi discussed the difference between how ETF work as compared to mutual funds, as well as how ETF are created. She emphasized the importance of the arbitrage function. With a mutual fund, the value of the fund is known at all times. A potential problem with an ETF is that it can be traded during the day. Therefore, there are instances where the price of an ETF differs from the price of its underlying securities. This is less likely to happen with a very liquid ETF. The market maker plays a role in the creation of ETF and resolving any disparity in prices right away. ETF providers will strike the NAV daily at 4:00 p.m.

L. Fiouzi presented an analysis of the costs associated with ETF. Generally, there are lower management expense ratios for ETF.

L. Fiouzi reviewed the value of active management with the committee. As of July 2017, 80% of RBC managed funds performed better than benchmark. ETF perform better in efficient markets and L. Fiouzi advised that the NYSE is the most efficient.

8. Other Business

9. Termination

There being no other business, upon a motion duly made by Y. Yakub and seconded by N. Allen, the public session of the meeting adjourned at 11:03 a.m.

Becky Dinwoodie, Secretary