

**Public Session Minutes for the Meeting of August 15, 2018  
10:00 a.m. to 10:45 a.m., ERC 3023**

**Attendees:** Stephanie Chow (Chair), Nigel Allen, Doug Allingham, Craig Elliott (non-voting), Thorsten Koseck, Steven Murphy, Yowsif Yakub

**Staff:** Becky Dinwoodie

**Guests:** Leila Fiouzi from PH&N

**Regrets:** Susan McGovern

**1. Call to Order**

The Chair called the meeting to order at 10:00 a.m.

**2. Agenda**

*Upon a motion duly made by D. Allingham and seconded by S. Murphy, 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 everyone to the last meeting of the 2017-2018 Board year. She thanked Y. Yakub for his contributions, as it was his last meeting as a Board member. She wished him well in his future endeavours.

**5. Approval of Minutes of the Meeting of May 31, 2018**

*Upon a motion duly made by D. Allingham and seconded by Y. Yakub, the Minutes were approved as presented.*

## 6. Investment Review

### 6.1 First Quarter Investment Review

L. Fiouzi reviewed the portfolio's performance in the last quarter. She confirmed that the cash account is used for scholarships. The portfolio performance is compared to a benchmark that fully represents the asset allocation with passive investment. The portfolio performed +0.33 better than the benchmark in the last quarter. The asset mix is generally on target, being a bit overweight in equities. The RBC economist predicts a Canadian recession at about 35% for 2019.

### 6.2 Investment Learning – Tariffs 101

L. Fiouzi reviewed the types of trade war ammunition, including:

- tariffs;
- non-tariff barriers:
  - import quota
  - border thickness (cost of moving products across the border)
  - technical barrier (additional regulations)
- investments; and
- export restrictions.

A country subject to US tariffs could try to impose its own export restrictions (e.g. Chinese “rare Earths metals”). Other pressure points include: immigration restrictions, constrain individual firms (example of ZTE & Huawei), access to money clearance system, government procurement contracts, or inflame public sentiment (boycotts).

(S. Chow arrived in person at 10:13 a.m.)

#### Theoretical Tariff Considerations

The positive consequences for a country imposing a tariff:

- more domestic production; and
- tariff tax revenue.

The downside of imposing a tariff include:

- higher product prices;
- less specialization;
- less selection; and
- supply chain headaches.

The net effect is usually negative for the country imposing the tariff. The consequences are almost always a net negative for the country facing the tariff. There is increasing concern among the U.S. public with respect to the impact of tariffs. Tariffs are already resulting in higher product prices (e.g. steel mill products).

## **U.S. & China Trade Tariff Threats**

L. Fiouzi discussed the potential impact on China of trade tariff threats.

Who gets hurt most?

- US & China are 2 of the largest global economies
- Would affect other countries, as well (e.g. as price of steel increases globally, will affect price of German products)
- Tariffs will hurt multinationals
- Automotive sector would be hard hit (e.g. Mexico imports most of its auto parts & exports most of the products)

L. Fiouzi also discussed the potential impact of tariffs on certain industries, the auto industry in particular. Canada would be one of the countries least impacted by an auto tariff. She explained that there is a mechanism in the U.S. for companies to apply for an exemption from a tariff. She also examined the impact of the duration of tariffs. The worst outcome would be a full on trade war that has a long duration.

There was a discussion regarding how tariffs are taken into account when balancing an equity trading fund. When factoring in tariffs, the history of how a company handles adversity is considered.

## **Turkish Currency Prices**

There was a discussion regarding the history of relations between Turkey and the U.S. and how the devaluation of the Turkish currency might affect the markets.

### **7. Other Business**

### **8. Adjournment**

*There being no other business, upon a motion duly made by D. Allingham and seconded by S. Chow, the public session of the meeting adjourned at 10:40 a.m.*

Becky Dinwoodie, Secretary