

**Public Session Minutes for the Meeting of November 19, 2018
10:30 a.m. to 11:25 a.m., ERC 3023**

Attendees: Stephanie Chow (Chair), Doug Allingham, Ferdinand Jones, Thorsten Koseck, Mark Neville, Maria Saros (*videoconference*), Steven Murphy, Craig Elliott (non-voting), Susan McGovern (non-voting)

Staff: Cheryl Foy, Becky Dinwoodie

Guests: Leila Fiouzi, Connor Glassco, and Taylor Woodward from PH&N, Christine McLaughlin

1. Call to Order

The Chair called the meeting to order at 10:42 a.m.

2. Agenda

Upon a motion duly made by D. Allingham and seconded by T. Koseck, 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 first Investment Committee of the Board year and noted there were several new members on the committee. The Chair invited everyone to introduce themselves.

5. Approval of Minutes of the Meeting of August 15, 2018

Upon a motion duly made by T. Koseck and seconded by D. Allingham, the Minutes were approved as presented.

6. Investment Review

6.1 Second Quarter Investment Review

L. Fiouzi introduced C. Glassco, a new associate on the investment team. She advised that headline inflation has been rising, which has been driven by energy prices, tariffs, and higher minimum wages. She provided an overview of the USMCA and discussed the net positives (e.g. preservation of trade dispute mechanism) and net negatives (e.g. continuation of the steel and aluminum tariffs). L. Fiouzi also reviewed the trend of equity market volatility. Volatility is the biggest cause of capital loss. There has been low volatility levels over the last few years. Volatility has increased in 2018, which is not unusual and is just reverting to previous levels. Investment managers are structuring portfolios to react better to volatility. PH&N will be recommending adding low volatility equities to the portfolio.

The committee received a summary of the investment returns. The cash account allows the university to meet its disbursement objectives. L. Fiouzi discussed the portfolio's performance for the month of October, with a return of -4.97% versus -4.45% for the benchmark. She also discussed the difference between the university's portfolio and the benchmark over the past 3-month period. She advised that this is not a cause for concern as three months is a short period.

The portfolio is close to target for bonds and equities and is a bit overweight in global equities. In early November, a small allocation was made to market neutral equities in order to better position the portfolio to handle a volatile market. L. Fiouzi clarified that the currency effect on US equities is reflected in the benchmark.

They expect positive returns in equities over the next 12 months, but not as high as the past few years. L. Fiouzi reviewed the factors influencing the anticipated decline in the equity market and explained why stock valuations are seen to remain fair.

6.2 Investment Learning – Cannabis & Canadian Market Implication

T. Woodward introduced the cannabis education session. He reviewed the history of cannabis in Canada, which became legal for medical use in 2001. Canada is the first G20 nation to legalize recreational cannabis. There are many unknowns in terms of scale and opportunity in the market. T. Woodward presented the Stats Can estimate of the market size of cannabis based on expenditure levels and reviewed the consumption of cannabis by province.

The government believes the market will grow over the next five years. There is currently a shortage in supply. T. Woodward discussed the impact of an excise tax on the price of cannabis. The rate at which a province taxes cannabis can have a tremendous impact on the legal market, which has been observed following legalization in the US. There was a discussion regarding the variance in excise tax rates across provinces.

C. Glassco presented the estimated financial market implications. Investor interest grew in anticipation of the legalization of cannabis in Canada. He reviewed the Canadian Marijuana Index, which was launched in 2015. There are 18 licenced producers in the index. He summarized the

reasons behind the cannabis shortage. Health Canada has imposed stringent conditions on the quality of cannabis and producers are encountering difficulties storing dried cannabis (mold problems). Many market observers anticipate we could encounter over supply. Since legalization, all of the companies are down 30% or more, which reflects the volatility of the market.

Canada will be well positioned if cannabis is legalized nationally in the United States, as Canada will be better equipped to handle the demand. C. Glassco discussed the investment considerations of cannabis. There was a discussion regarding the market impact on related products (e.g. fertilizer, greenhouses, etc.).

6.3 Review of:

(a) Statement of Investment Policies (SIP)

C. Foy presented the proposed changes to the SIP for the committee's consideration. Most of the amendments are housekeeping items.

Upon a motion duly made by S. Chow and seconded by T. Koseck, the Investment Committee recommended the amendments to the Statement of Investment Policies, as presented, to the Audit and Finance Committee for recommendation to the Board of Governors for approval.

7. Terms of Reference Review

C. Foy reviewed the recommended changes to the Terms of Reference.

Upon a motion duly made by S. Chow and seconded by D. Allingham, the Investment Committee recommended the proposed amendments to the Investment Committee Terms of Reference, as presented, for approval by the Board of Governors.

8. Other Business

9. Adjournment

There being no other business, upon a motion duly made by T. Koseck and seconded by F. Jones, the public session of the meeting adjourned at 11:58 a.m.

Becky Dinwoodie, Secretary