



**BOARD OF GOVERNORS
Investment Committee**

Monday, June 3, 2019
2:00 p.m. - 4:00 p.m.
North Campus, ERC 3023
Toll-Free: 1-877-385-4099 Participant Passcode: 1028954#

Members: Stephanie Chow (Chair), Doug Allingham, Ferdinand Jones, Thorsten Koseck, Mark Neville, Maria Soros, Steven Murphy

Staff: Becky Dinwoodie, Cheryl Foy, Susan McGovern, Pamela Onsiang

Guests: Leila Fiouzi, Connor Glassco and Taylor Woodward (PH&N)

AGENDA

No.	Topic	Lead	Allocated Time	Suggested End Time
	PUBLIC SESSION			
1	Call to Order	Chair		
2	Agenda (M)	Chair		
3	Conflict of Interest Declaration	Chair		
4	Chair's Remarks	Chair		
5	Approval of Minutes of Public Session of Meeting of February 20, 2019* (M)	Chair		2:05 p.m.
6	Investment Review			
6.1	Fourth Quarter Investment Review* (U)	PH&N	15	2:20 p.m.
6.2	Investment Learning - Normalizing Central Bank Policy* (D)	PH&N	15	2:35 p.m.
6.3	Investment Committee Annual Board Report* (D)	C. Foy	10	2:45 p.m.
7	For Information: PH&N Investor Seminar*			
8	Other Business	Chair		
9	Adjournment (M)			2:50 p.m.
	BREAK		10	

No.	Topic	Lead	Allocated Time	Suggested End Time
	NON-PUBLIC SESSION (material not publicly available)			3:00 p.m.
10	Call to Order	Chair		
11	Conflict of Interest Declaration	Chair		
12	Approval of Minutes of Non-Public Session of Meeting of February 20, 2019* (M)	Chair		3:05 p.m.
13	Investment Review			
13.1	Third Quarter Investment Review - Portfolio Components* (M)	PH&N	20	3:25 p.m.
14	Annual Investment Manager Performance Review* (P)(D)	Pamela Onsiong	15	3:40 p.m.
15	Other Business	Chair		
16	<i>In Camera</i> Session	Chair		
17	Termination (M)	Chair		3:55 p.m.

Becky Dinwoodie, Secretary



**BOARD OF GOVERNORS
Investment Committee**

**Minutes of the Public Meeting of Wednesday, February 20, 2019
11:30 a.m. to 12:40 p.m., ERC 3023**

Members: Stephanie Chow (Chair), Doug Allingham, Ferdinand Jones, Thorsten Koseck, Mark Neville, Maria Saros, Steven Murphy

Staff: Becky Dinwoodie, Craig Elliott, Cheryl Foy, Susan McGovern

Guests: Connor Glassco & Taylor Woodward (PH&N)

1. Call to Order

The Chair called the meeting to order at 11:30 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 wished everyone a Happy New Year. He welcomed guests T. Woodward and C. Glassco. L. Fiouzi was unable to attend due to a scheduling conflict.

(F. Jones arrived at 11:32 a.m.)

5. Approval of Minutes of Public Session of Meeting of November 19, 2018

The Chair noted the correction made to the spelling of M. Saros' last name.

Upon a motion duly made by D. Allingham and seconded by M. Saros, the Minutes were approved as amended.

F. Jones noted that he was absent at the last meeting due to a class scheduling conflict.

6. Investment Review

a. Third Quarter Investment Review

T. Woodward reviewed the third quarter investment results. The university's portfolio fell short of benchmark by about 20 basis points. Over the longer term, the portfolio has demonstrated good absolute return. The report highlighted the month of January because of the market rebound. T. Woodward advised that the -0.83 difference between the university's portfolio and the benchmark in January was because it was a lower quality rally and the university has a high quality portfolio. The portfolio is largely on target for the asset mix. The most notable divergence was Canadian equities, which was underweight by almost 3%. T. Woodward also reviewed the end of year distributions, which totalled \$759,851 in 2018.

b. Annual ESG Report

T. Woodward reviewed the types of projects in which RBC is involved. He reminded the committee that ESG represents Environment, Social, and Governance factors that are integrated into the investment process to identify those that may impact a company's valuation. ESG involves looking beyond financial statements to better identify risk and opportunity. ESG is about investment performance as opposed to ethical issues.

There was a discussion regarding the Governance component of ESG. T. Woodward clarified that potential corruption issues would be captured in the Governance evaluation of a company. He emphasized the importance of board independence and used the Volkswagen board as an example of lack of independent oversight. There was also a discussion regarding how the guidelines are determined. T. Woodward advised that there are guidelines, which are flexible. He reaffirmed that ESG does not involve judging a company by ethical standards - it involves examining risks that would negatively affect a company's performance down the road. ESG is another way of giving an edge in investments.

Referring to the recent SNC scandal, there was a discussion regarding the point at what which PH&N decides to divest. T. Woodward advised that PH&N is always looking at the cost of contingent liability; if the current reward of investing in a company outweighs the potential future cost of liabilities, then PH&N will continue to invest in the business now.

Another factor that is looked at is how a company treats its employees (e.g. Glassdoor)? In order to assess ESG well, factors must be examined in depth. Business practices examined include:

- Colleagues
- Customers
- Suppliers
- Environment

Global regulations, investor led initiatives and link to performance are driving the growth in responsible investment.

Every strategy RBC implements involves ESG in the screening process. One of the challenges of implementing socially responsible investing is the variation in people’s standards of what is acceptable (e.g. religious organization screening out AI companies).

T. Woodward discussed the variation in ESG scores among the three main third party ESG data providers: Sustainalytics, FTSE, and MSCI. He emphasized the very nuanced aspects of ESG. He also explained the distinction between ESG and Socially Responsible Investing (SRI) strategies. SRI is an exclusionary strategy and ESG is an additional investment assessment tool, not a determinative tool. There was a discussion about the Canadian market’s evolution and the example was given of using ESG scores to choose the best in class among oil producers in the Canadian market.

c. Investment Learning - ESG

T. Woodward reviewed the results of the 2018 Responsible Investing Survey. He reviewed what is driving the short-term focus. ESG is a way of offsetting short-term focus. RBC votes shareholder proxies and one of the most contentious issues is compensation. In 2018, 72% of respondents either somewhat or significantly use ESG principles as part of their investment decision-making - increase of 11% in only one year. Adoption of ESG across asset classes is increasing quickly, but predominantly used for equity asset class.

Diversity of Board

RBC is part of the 30% investor club, which is pushing for all boards to have at least 30% gender diversity by 2022. This will help the performance and risk management of an organization by having diversity of thought. While the goal is to reach a minimum of 30% gender diversity, the actual composition is not specified. The committee had a discussion about why the goal is only 30%. Unfortunately, the pipeline is not in place to hit a goal of 50%. The survey results show support for adopting gender diversity targets (62.9% of respondents). There was also a discussion about effective investor engagement - the drive for change will largely come from shareholders. T. Woodward and C. Glassco responded to questions from the committee members.

d. Statement of Investment Policies Amendment (SIP)

C. Elliott presented the proposed change to the asset class range in the SIP. Due to the recent strategy changes in the Asset Class Management Procedure, the range set out in the SIP must also be updated. The proposed amendment to section 6.1 involves changing the range for the Canadian equities in order to align with the Asset Class Management Procedures:

Section 6.1 - Asset Mix and Ranges

- In Table 6.1, change the range for Canadian Equities from 20-40% to 10-30%

Asset Class	Range
Cash & Short Term	0-10%
Fixed Income	20-50%
Canadian Equities	20-40% 10-30%

Asset Class	Range
Global Equities	25-45%

A question was raised about whether the range needs to be changed now since it currently falls within the target. C. Elliott advised that he anticipates the Canadian equities range will continue to drop.

Upon a motion duly made by M. Saros and seconded by D. Allingham, the Investment Committee recommended the amendment to the Statement of Investment Policies, as presented, to the Audit and Finance Committee for recommendation to the Board of Governors for approval.

7. Endowment

a. Endowment Disbursement Report

C. Elliott provided an overview of the endowment disbursement recommendation. There are earnings available of \$2.5M to disburse for the upcoming year. The university must disburse a minimum of 3-4% and the Disbursement Committee recommended disbursing 4% (\$550,000) for bursaries and scholarships. S. Murphy added that in light of the OSAP changes, it is important to disburse as much as possible. In response to a question about whether any of this funding could be used to help support clubs that might experience shortfalls due to the ancillary fee changes, C. Elliott clarified that the endowment fund agreements limit the use of funds to scholarships/bursaries.

In the past, the committee has recommended disbursing over 4% because of the portfolio's positive returns. C. Elliott advised that there remains \$219,000 to be disbursed from last year's endowment funds.

The committee considered recommending a disbursement greater than \$550,000 in light of student need. There was a discussion regarding the criteria used to determine eligibility for scholarships/bursaries. The criteria depends on the terms of the grant and can be based on grades, Faculty, or gender, etc.

Upon a motion duly made by T. Koseck and seconded by M. Neville, the Investment Committee recommended that the Audit & Finance Committee recommend the disbursement of up to \$600,000 from Endowment Funds for distribution as student awards in 2019-20.

8. Other Business

9. Adjournment

There being no other business, upon a motion duly made by D. Allingham, the public session of the meeting adjourned at 12:48 p.m.

Becky Dinwoodie, Secretary



Presentation to Ontario Tech University

Public Session

Leila Fiouzi, CFA
Vice President & Investment Counsellor

Connor Glassco
Associate

June 3, 2019

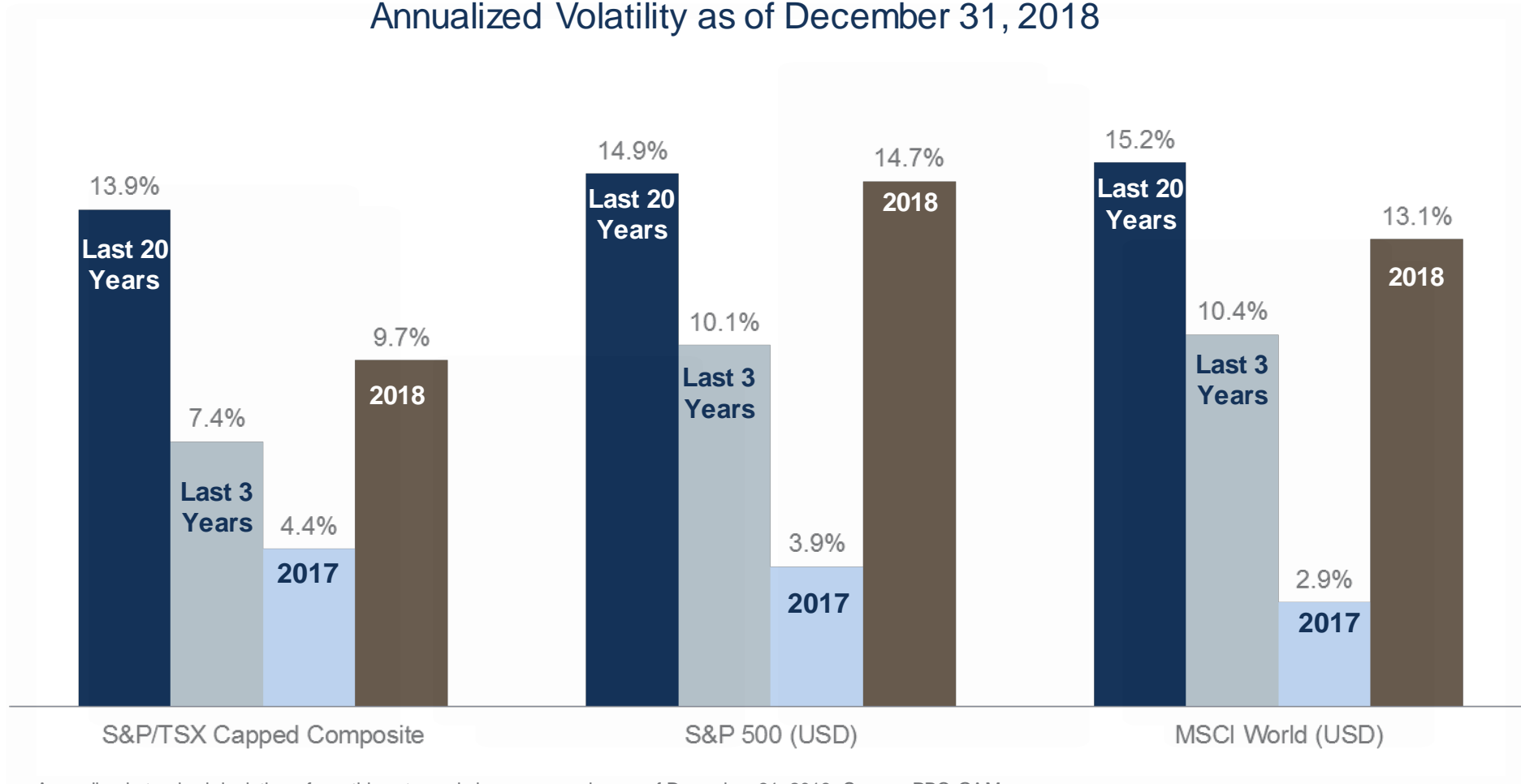


Wealth Management
PH&N Investment Counsel

Equities and Macroeconomic Environment

Volatility has Returned after Record Lows Set in 2017

Annualized Volatility as of December 31, 2018



1. Annualized standard deviation of monthly returns, in base currencies, as of December 31, 2018; Source: RBC GAM

Summary Investment Returns

March 31, 2019

Market Value: Investment Account \$ 26,321,678
 Cash Account \$ 336,515

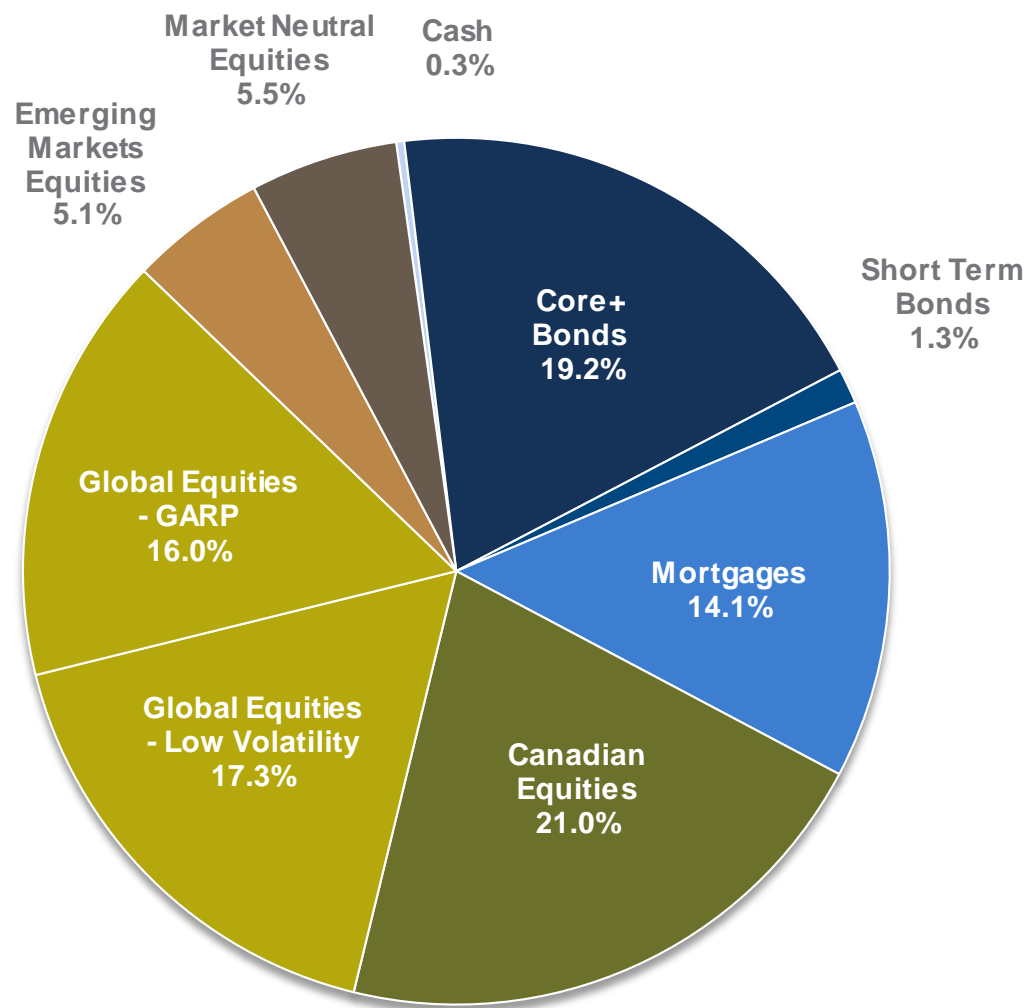
	Three Months (%)	One Year (%)	Three Years (%)	Five Years (%)	Since Inception (%)	Month of Apr. 2019 (%)
UOIT	7.23	5.46	8.90	7.39	8.06	1.64
<i>Benchmark**</i>	<u>7.70</u>	<u>6.00</u>	<u>7.74</u>	<u>6.11</u>	<u>7.09</u>	<u>2.26</u>
Difference	-0.47	-0.54	+1.16	+1.28	+0.97	-0.62
<i>*Inception date Aug 31, 2010</i>						
UOIT (Cash AC)	0.71	2.09	1.41	1.25	1.23	0.18
<i>FTSE TMX Canada 30 Day T-Bill Index</i>	<u>0.39</u>	<u>1.43</u>	<u>0.89</u>	<u>0.81</u>	<u>0.81</u>	<u>0.14</u>
Difference	+0.32	+0.66	+0.52	+0.44	+0.42	+0.04
<i>*Inception date Nov 30, 2013</i>						

** Current Custom benchmark: 20% FTSE TMX Canada Universe Bond Index; 15% FTSE TMX Canada Short Term Overall Bond Index; 24% S&P/TSX Capped Composite Index; 31% MSCI World Net Index (C\$); 5% MSCI Emerging Markets Net Index (C\$); 5% FTSE Canada 30 Day T-Bill Index.

Note: All performance is shown gross of annual investment management fees of 31 basis points

University of Ontario Institute of Technology

Asset Mix as at March 31, 2019



Funds	Target Allocation (%)
Cash and Cash Equivalents	0.0
Mortgages	15.0
Core Plus Bonds	20.0
Canadian Equities	24.0
Global Equities	31.0
Emerging Markets Equities	5.0
Market Neutral Equities	5.0

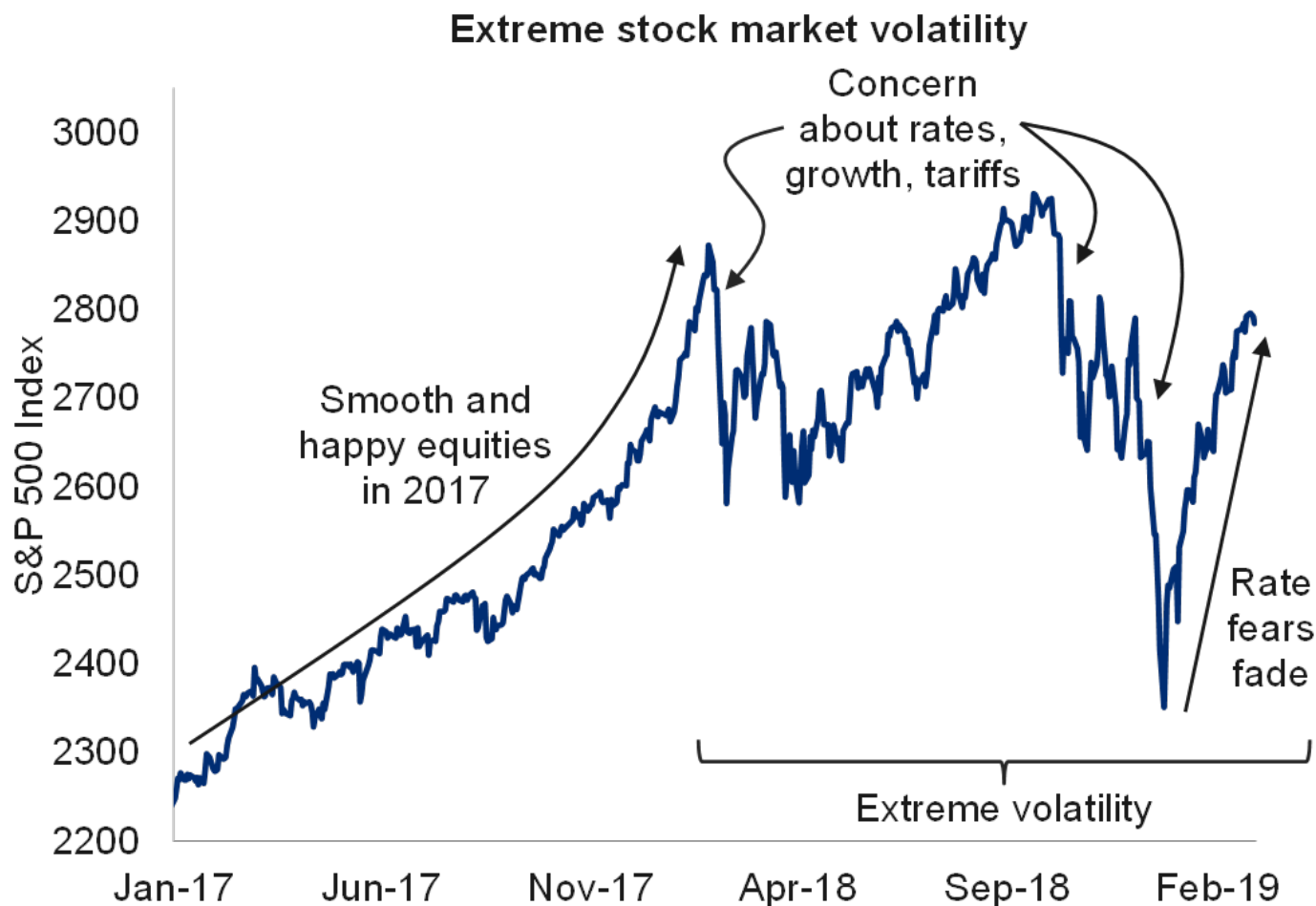
* Temporary position as we await drawdown for the PH&N Mortgage Pension Trust

Normalizing Central Bank Policy



RBC GAM – Spring 2019 Global Investment Outlook

Central Banks to the Rescue



Note: As of 2/28/2019. Source: WSJ, Haver Analytics, RBC GAM

Central Bank Mandate

Multi-dimensional Objectives

Price stability

- Promotes confidence in the currency
- Allows households and businesses to plan savings, expenditures and investments
- Low inflation preferred to no inflation to move-forward expenditures and avoid deflationary trap

Economic growth

- Long-term sustainable economic growth with low unemployment and stable inflation
- Above trend leads to higher inflation, lower savings and excessive credit growth
- Below trend leads to deflation, unemployment and higher debt burden

Financial stability

- Lender of last resort (liquidity provider during crises)
- Monitor asset prices and financial bubbles
- Banking supervision

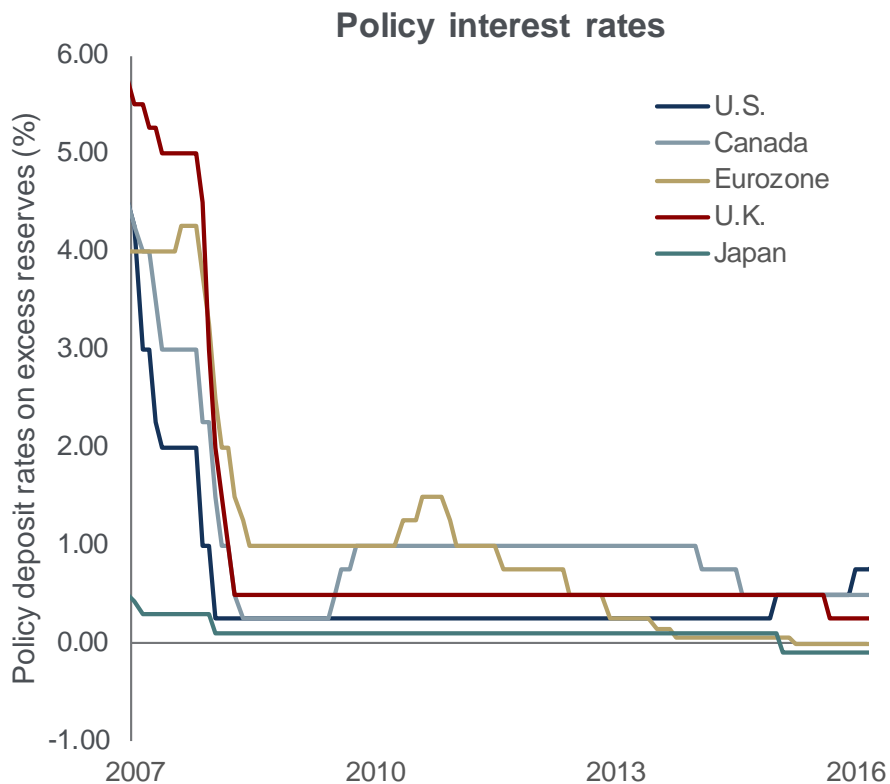
Deployment of Monetary Policy Tools Since Financial Crisis

Deployment of monetary policy tools					
Policy tool	Canada	U.S.	U.K.	Eurozone	Japan
Policy rate	✓	✓	✓	✓	✓
More and easier liquidity	✓	✓	✓	✓	✓
Forward guidance	✓	✓	✓	✓	✓
Quantitative easing	✗	✓	✓	✓	✓
Credit easing	✗	✓	✓	✓	✓
Negative rates	✗	✗	✗	✓	✓

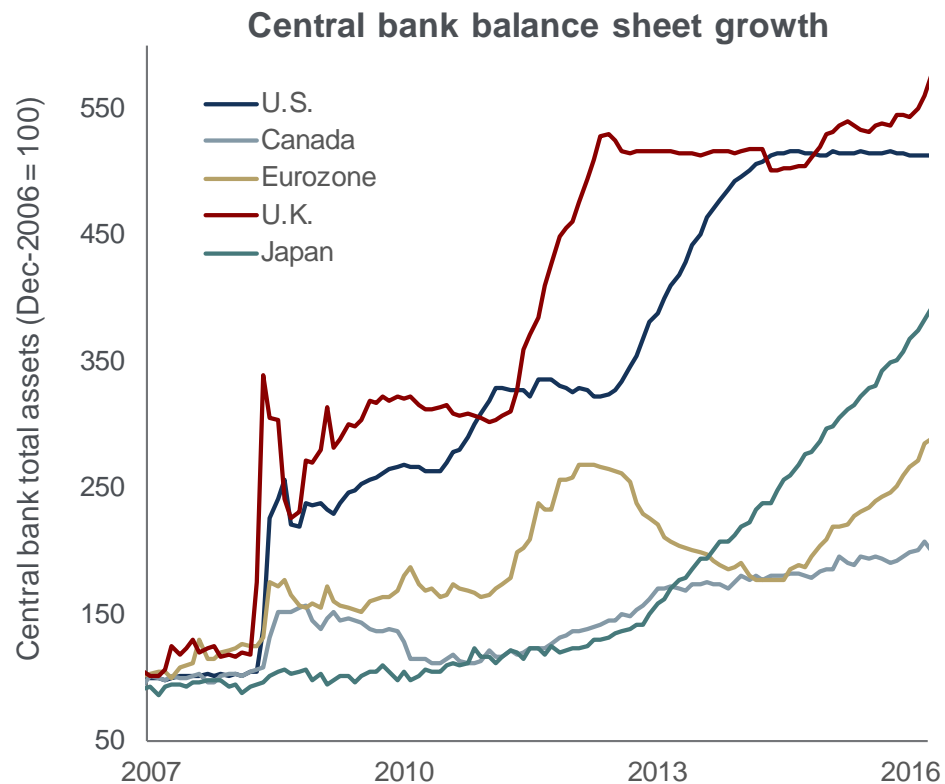
Note: Monetary policy deployed during and after the financial crisis.

Source: RBC GAM

Post Financial Crisis Monetary Easing



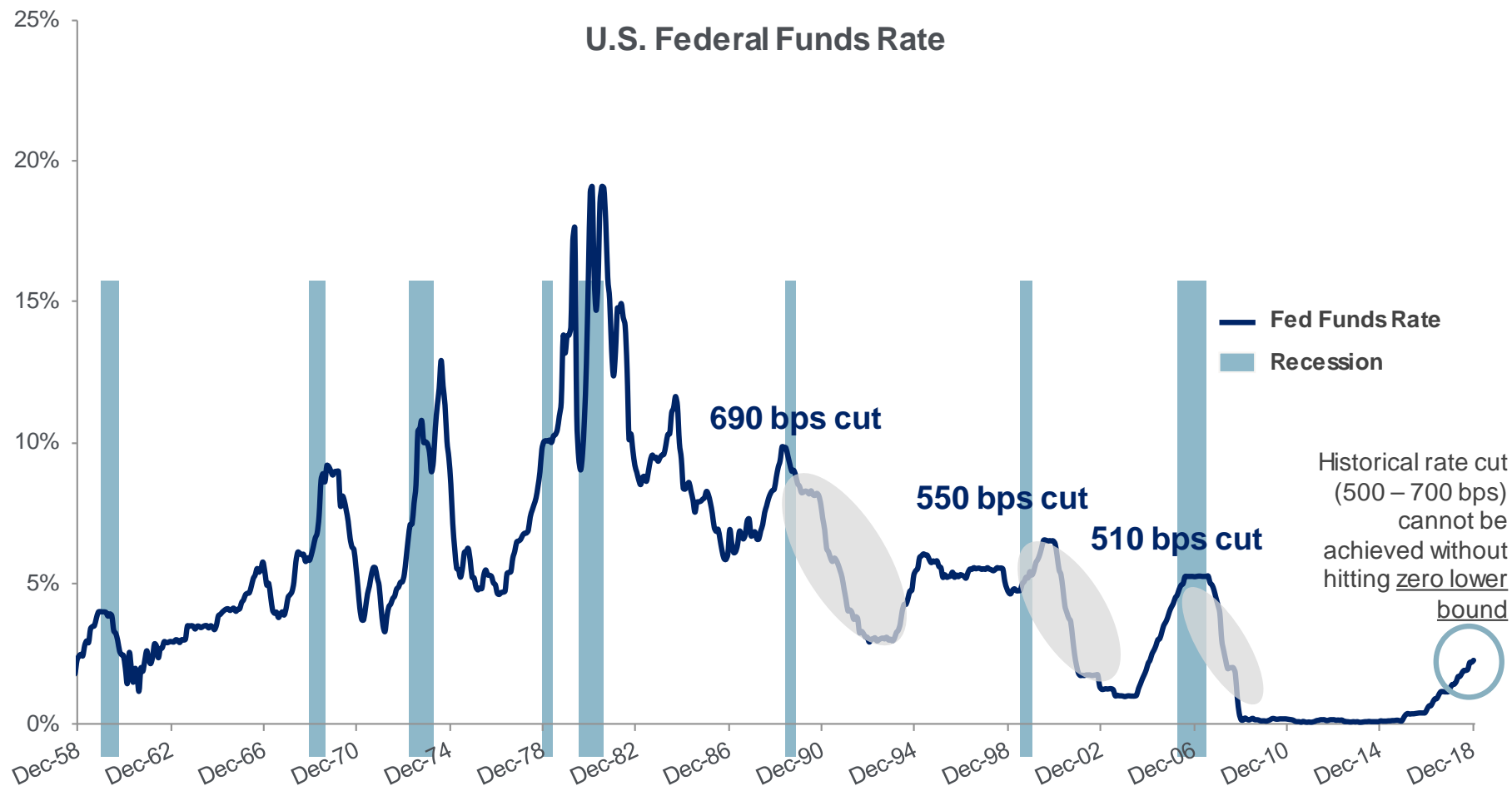
Source: Bloomberg



Source: Bloomberg

Central Bank Framework


Targeting the Overnight Rate as Primary Policy Framework



Source: Haver Analytics

Overcoming the Zero Lower Bound

Unconventional Monetary Policy

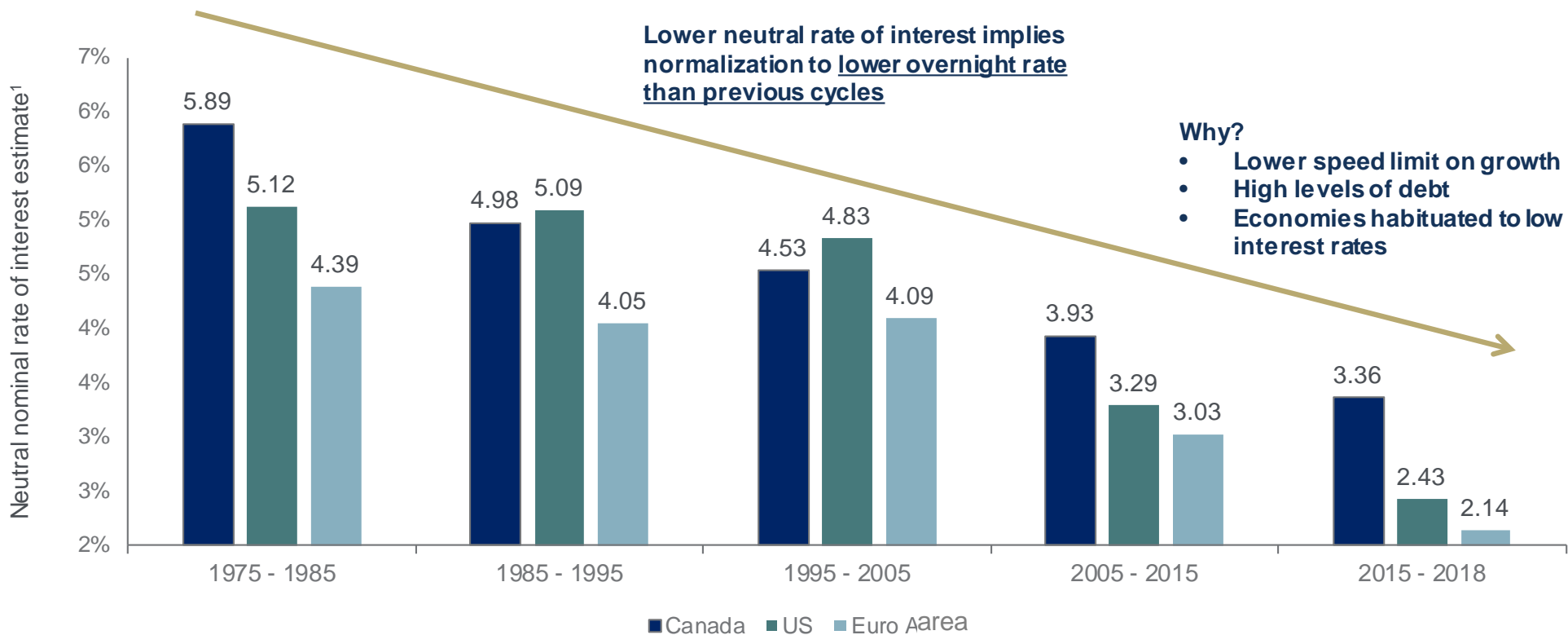
<p>Conventional</p>  <p>Unconventional</p>	Historically used	
	Forward guidance	“The BoC will keep rates lower for longer”
	Quantitative easing	“The Fed will purchase \$75B of MBS per month”
	Negative interest rates	“The ECB will charge 0.4% on reserves”
	Long term rate targeting	“The BoJ commits to buying 10-yr bonds at 0%”
	Not tested	
	Higher inflation target	“The CB will target a 4% inflation rate”
Price-level targeting	“The CB will target a 2% price-level growth”	
Helicopter money	“The CB will finance a fiscal stimulus package”	

Indicators of Monterey Policy Success

We are Arguably There...

- ✓ Low borrowing costs
- ✓ Decent market liquidity
- ✓ Improved risk appetite
- ✓ Deflation avoided
- ✓ Sustained economic growth

Lower Neutral Rate of Interest

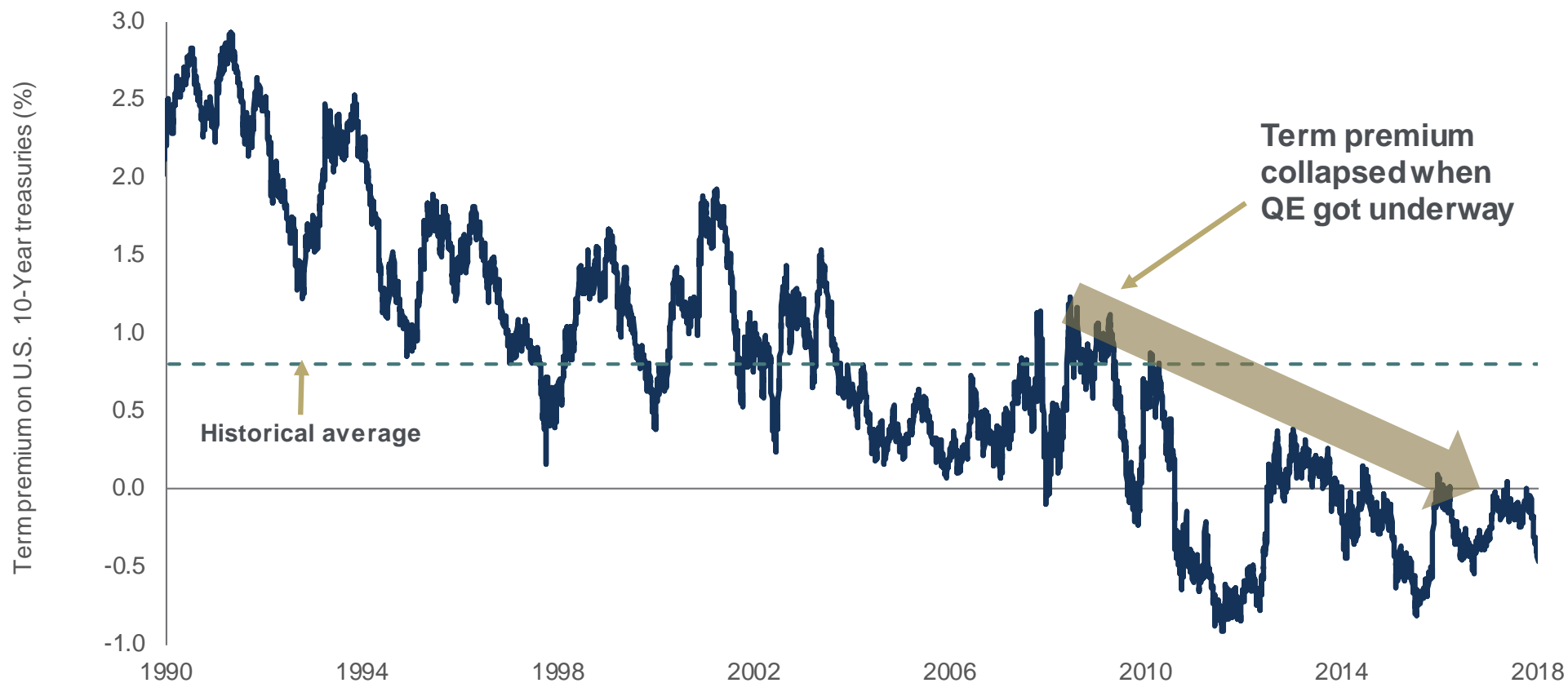


¹ Assuming 2% inflation premium.

Source: "Measuring the Natural rate of Interest: International Trends and Determinants" by Kathryn Holston, Thomas Laubach, and John C. Williams, Journal of International Economics.

Term Premium Remains Depressed

No Term Premium Revival in Quantitative Tightening?



Source: Kim & Wright (2005), Federal Reserve

Looking Ahead for Central Banks

- Era of monetary stimulus not completely over
- Sustainable interest rates to be lower than before
- Global economy more vulnerable to future downturns
- Central bank toolkits and mandates have permanently broadened

Implications for institutional investors

What does it mean for markets?

- Expect more volatility
 - QE-inflated asset prices, suppressed market volatility, and reduced dispersion in asset performance
- Expect lower fixed income returns
 - We expect credit, liquidity and alpha, to become much more important sources of return in a fixed income portfolio

What does it mean for investors?

- Security selection and ability to add alpha will be increasingly important going forward
- Tactical asset mix adjustments and active management should play a bigger role
- Important to capitalize on extra return available in private markets and less liquid assets

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Wealth Management
PH&N Investment Counsel

Investment Committee

2018-2019 Annual Report

2018-2019 Work Plan

MANDATE-DRIVEN PRIORITIES

Investment

- Quarterly investment reviews
- Investment learning on topical subjects
- PH&N annual report on ESG
- Statement of Investment Policies & Asset Class Management Procedures (annual review)
- Annual Investment Manager performance review
- Endowment disbursement recommendation & receipt of annual Endowment Report
- Review of Endowment Policy

Accomplishments

Terms of Reference

- Recommended updates to committee Terms of Reference

Investment Reviews

- PH&N Investment Manager (“PH&N”) provided the Committee with detailed reporting & review on a quarterly basis

Investment

- Reviewed & recommended amendments to Statement of Investment Policies & Asset Class Management Procedures to allow for investment in low volatility strategy

Responsible Investment Policy

- the Committee received & reviewed PH&N’s annual report on ESG

Accomplishments

Endowment

- Recommended disbursement of up to \$600,000 from the Endowment Funds to be distributed as student awards in 2019-20

Investment Learning

- PH&N delivered educational presentations on several topics, including:
 - Cannabis & Canadian Market Implication
 - ESG
 - Normalizing Central Bank Policy

Investment Manager Performance Review

- Completed fifth annual quantitative & qualitative review of PH&N

Future Planning

Review of Quarterly Investment Reports

- Continue to analyse investment reports, and make timely reallocations to maximize portfolio effectiveness

Investment

- Conduct annual performance review of Investment Manager
- Continued educational sessions for the Committee