BOARD OF GOVERNORS
Investment Committee

Wednesday, November 16, 2016
Public Session
10:45 a.m. to 12:00 p.m.
North Campus, ERC 3023
Toll-Free: 1-877-385-4099 Participant Passcode: 1028954#

Members: Nigel Allen (Chair), Miles Goacher, Adele Imrie, Tim McTiernan, John Speers, Tyler Turecki

Staff: Craig Elliott, Cheryl Foy, Michael Owen, Sue McGovern, Deborah Saucier

Guests: Leila Fiouzi (PH&N)

AGENDA

No.	Topic	Lead	Allocated Time	Suggested End Time
1	**Call to Order**	Chair	1	
2	**Agenda (M)**	Chair	2	
3	**Conflict of Interest Declaration**	Chair	2	
4	**Chair's Remarks**	Chair	5	
5	**Approval of Minutes of the Meeting of August 10, 2016* (M)**	Chair	5	11:00 a.m.
6	**Investment Review**		30	
6.1	Second Quarter Investment Review*	PH&N		
6.2	Annual Report on ESG*	PH&N		11:30 a.m.
7	**Investment Learning – Potential Impact of US Election on economy and financial markets***	PH&N	15	11:45 a.m.
8	**Other Business**	Chair	5	11:50 a.m.
9	**Termination (M)**			
	P - Presentation			
	M - Motion			
	U - Update			
	D - Discussion			
	* Documents attached			

Becky Dinwoodie, Secretary

BOARD OF GOVERNORS
Investment Committee

Public Session Minutes for the Meeting of August 10, 2016
1:25 p.m. to 2:30 p.m., ERC 3023

Attendees: Nigel Allen (acting Chair), Adele Imrie (*via teleconference*), Glenna Raymond, John Speers

Staff: Becky Dinwoodie, Craig Elliott, Sue McGovern

Guests: Stephen Pitts and Peter Dawkins from PH&N

Regrets: Miles Goacher, Jonathan Hackett, Tim McTiernan

1. Call to Order

The Chair called the meeting to order at 1:28 p.m.

2. Agenda

Upon a motion duly made by J. Speers and seconded by A. Imrie, the Agenda was approved as presented.

3. Conflict of Interest Declaration

None.

4. Chair's Remarks

The Chair kept his remarks very brief.

5. Approval of Minutes of the Meeting of May 11, 2016

Upon a motion duly made by G. Raymond and seconded by J. Speers, the Minutes were approved as presented.

6. Investment Review
6.1 First Quarter Investment Review

The Chair welcomed S. Pitts and P. Dawkins to the meeting and invited them to present the first quarter investment review. S. Pitts reviewed the highlights of the second quarter. The portfolio demonstrated a strong performance across fixed income and equity markets. On the equity side, we continue to see strong performance by Canadian equities. We are starting to see recovery in the commodities and energy sectors. There was a return of 2.6%, which is roughly in-line with the benchmark. We have a good stock selection in the Canadian market for the energy sector.

P. Dawkins discussed the investment returns. There has been consistent outperformance over the past 5 years and since inception.

7. Investment Learning – Brexit Impact

P. Dawkins presented to the Committee on the impact of Brexit. He started by reminding the Committee that there are many geopolitical influences on the global economy. While Brexit is a big event, there are also many other geopolitical events at play.

P. Dawkins provided a summary of the history of referendums to leave the UK, Scotland and Quebec. He also provided an overview of the Brexit vote, including examining the reasons for leaving and the next steps. A significant amount of work must be done to accomplish Britain's exit. He advised that the immediate reaction was negative and things seemed to settle afterwards. The financial markets had a tempered reaction.

The biggest impact was that the vote to leave was not anticipated by the markets - the prior indicators were wrong, which resulted in a sharp sell off in equities. The sell-off lasted approximately 48 hours and then bounced back over the next few weeks. Almost everything except the pound has recovered.

The biggest impact was felt in the European markets and much of it was due to the uncertainty around the sustainability of the EU in general.

S. Pitts reviewed the performance of the global equity markets and the financial conditions post-Brexit. The markets have returned to a sense of normalcy. There has not been the tightening of financial conditions that could have been associated with the outcome. The EU will likely negotiate fairly hard with the U.K. He also reviewed the economic fallout from Brexit. In the short term, there is uncertainty, restrained business investment within UK, and a 50% chance of recession. In the longer term, they anticipate there will be an approximate 2% decline in the UK GDP over the next 5-10 year period.

Peripheral European Banks continue to see high levels of non-performing loans. Italy has become a concern. Under EU rules, it is difficult for a government to bailout the banks. He also reviewed global trade and corporate profits – global trade is in contraction and there has been a global earnings slowdown.

U.S. recession typically occurs about a year after the government starts to raise interest rates. Since rates raised last week, there is a possibility of recession in mid 2017.

Slow global growth is driven by 3 types of factors:

1. Structural: demographics, EM deceleration, less globalization, high debt
2. Crisis-induced: less business investment, skill decay
3. Recent shocks: tighter financial conditions, high policy uncertainty, Brexit

The UOIT portfolio is well-positioned to face these as it is diversified across Canadian and global equities.

There was a brief discussion as to the possible reasons why manufacturing is improving. There was also a discussion regarding the benefits of Germany's involvement in the European Union.

8. Other Business

None.

9. Termination

Upon a motion duly made by G. Raymond and seconded by J. Speers, the Chair terminated the meeting at 2:15 p.m.

Becky Dinwoodie, Secretary

RBC PH&N Investment Counsel

Presentation to University of Ontario Institute of Technology

Public Session

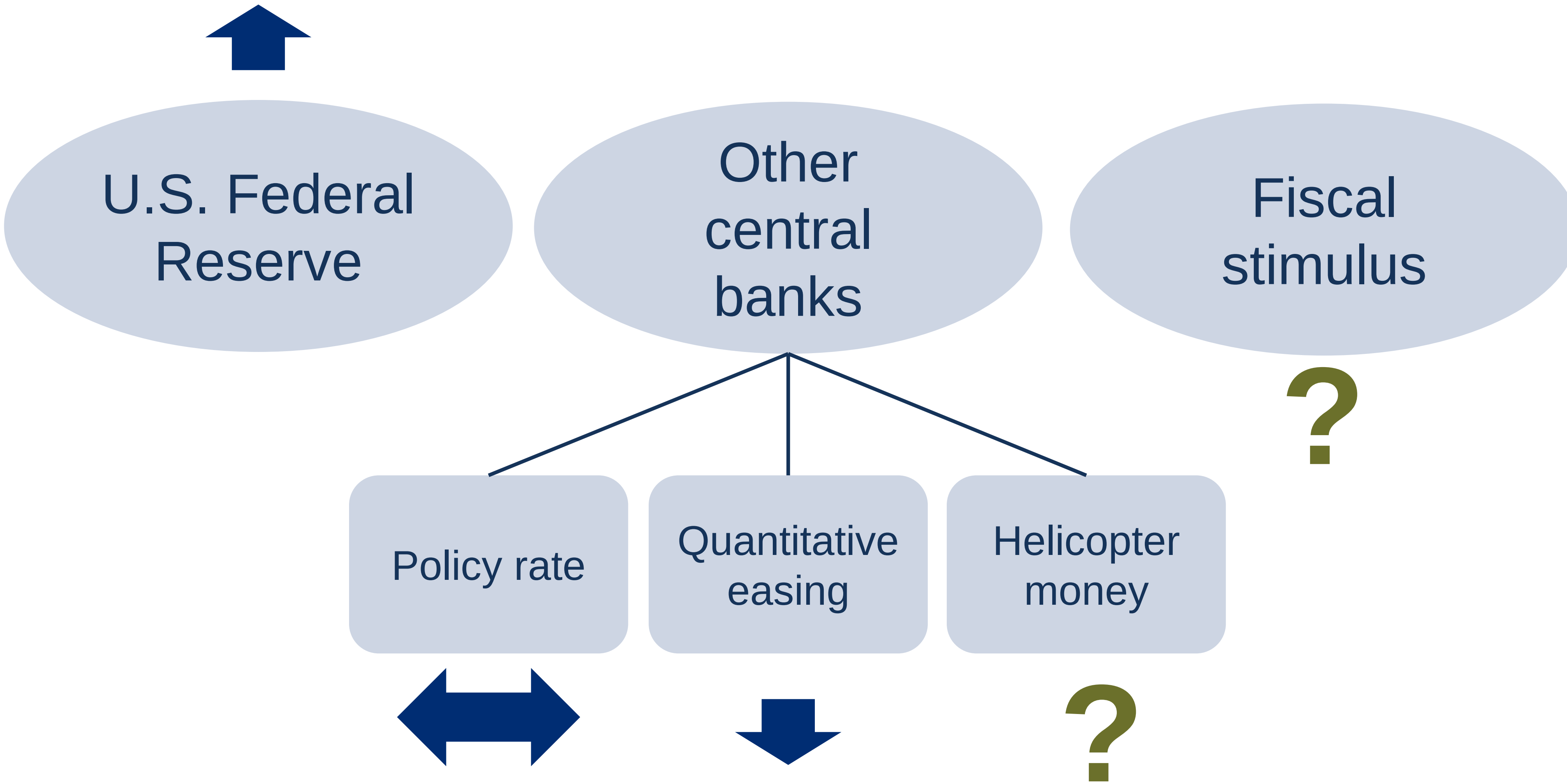
Leila Fiouzi, CFA
Vice President & Investment Counsellor

Peter Dawkins
Associate

November 16, 2016

Wealth Management
PH&N Investment Counsel

Policymakers Heading Off in All Directions



Source: RBC GAM

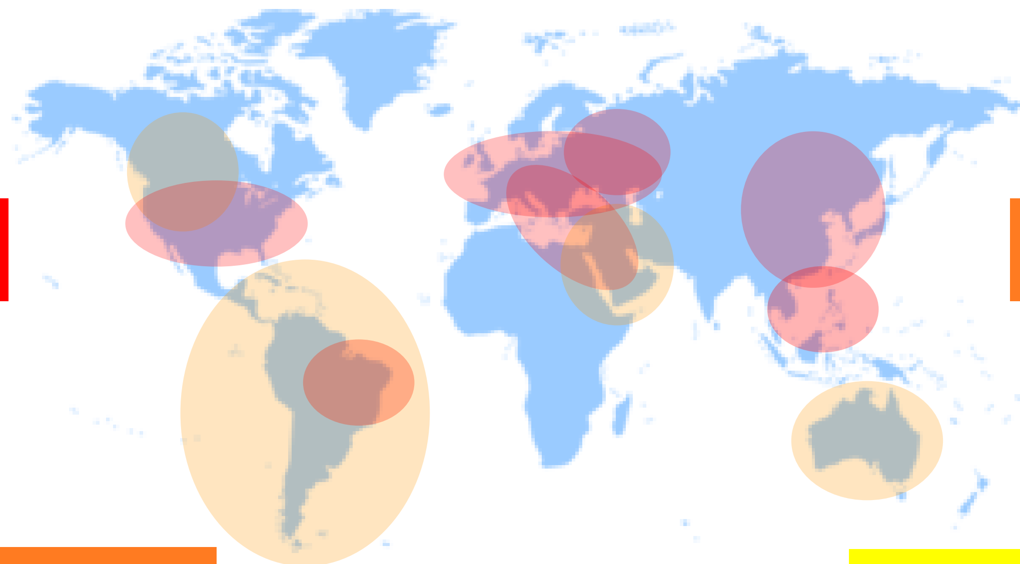
Global Risk
Substantial and Evolving

MATURING BUSINESS CYCLE

DEBT HOT SPOTS

CHINA

GEOPOLITICS



EM SLOWDOWN

RESOURCE SHOCK

FED RATE HIKES

Source: RBC GAM

Summary Investment Returns
September 30, 2016

Market Value: Investment Account $21,520,527
Cash Account $ 487,994

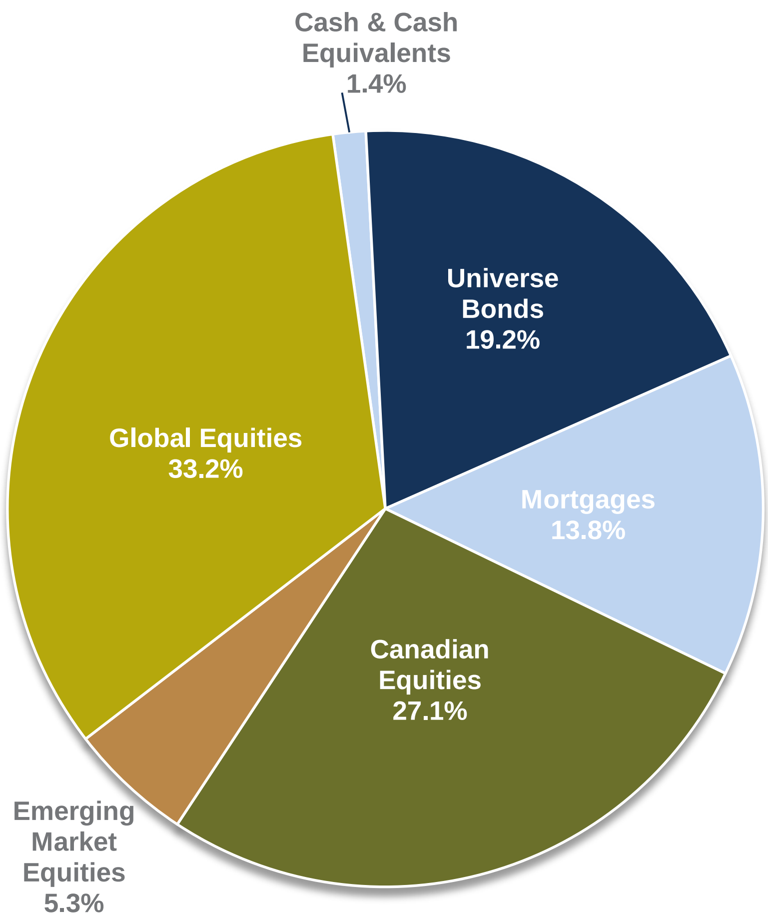
	Three Months %	One Year %	Three Years %	Five Years %	Since Inception* %
UOIT (Investment A/C)	5.01	10.64	9.60	9.90	8.28
Benchmark	*4.30*	*9.29*	*7.79*	*8.26*	*7.36*
Difference	+0.71	+1.35	+1.81	+1.64	+0.92

*Inception date Aug 31, 2010

	Three Months %	One Year %	Three Years %	Five Years %	Since Inception* %
UOIT (Cash A/C)	0.22	0.86	-	-	0.99
Benchmark	*0.12*	*0.46*	-	-	*0.67*
Difference	+0.10	+0.40	-	-	+0.32

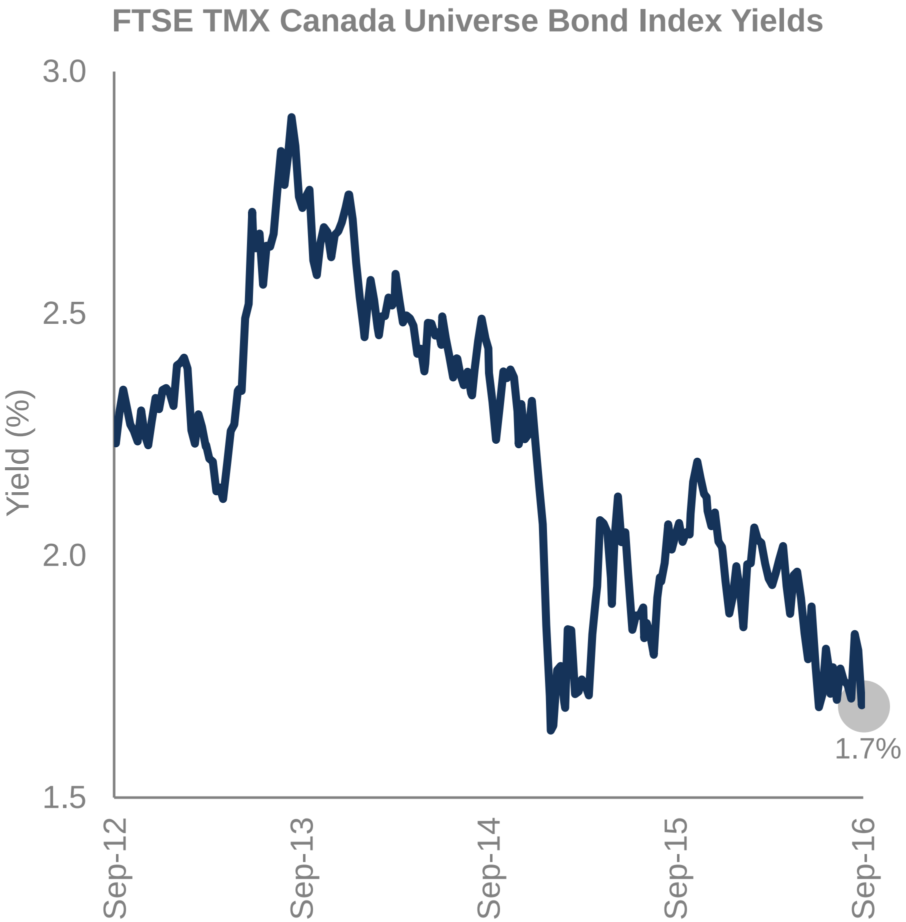
*Inception date Nov 30, 2013

University of Ontario Institute of Technology
Asset Mix as at September 30th, 2016



Asset Class	Target Allocation (%)
Cash and Cash Equivalents	0.0
Conventional Mortgages	15.0
Universe Fixed Income	20.0
Canadian Equities	27.0
Global Equities	33.0
Emerging Market Equities	5.0

Bond Market Review
Yields Volatile but Lower



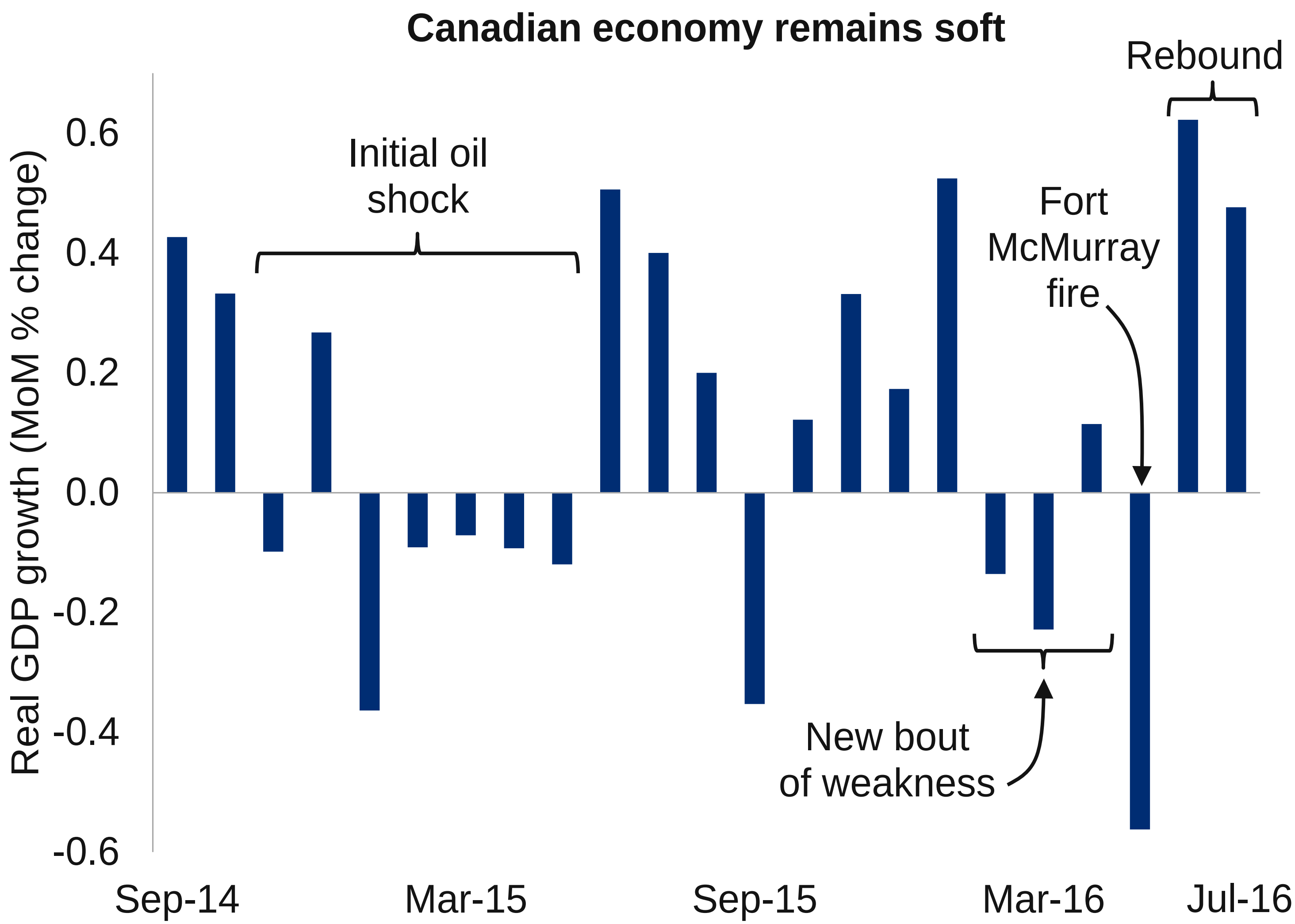
Source: FTSE TMX Global Debt Capital Markets Inc.

Total Returns As of September 30, 2016	3 Mths %	1 Yr %	4 Yrs %
Short Term Overall Bond Index*	0.5	2.0	2.3
Universe Bond Index*	1.2	6.3	4.1
Long Term Overall Bond Index*	2.4	12.6	6.2
Sector (Mid Term Overall Bond Index)			
Canada	0.5	4.8	3.8
Provincial	0.9	6.3	4.8
Corporate	1.5	7.0	5.4

* Representative components of the FTSE TMX Canada bond indices (formerly DEX)

Challenges to the Canadian Economy

Oil, Fire, maybe Housing?



Source: Statistics Canada, Haver Analytics, RBC GAM

Global Equity Market Performance

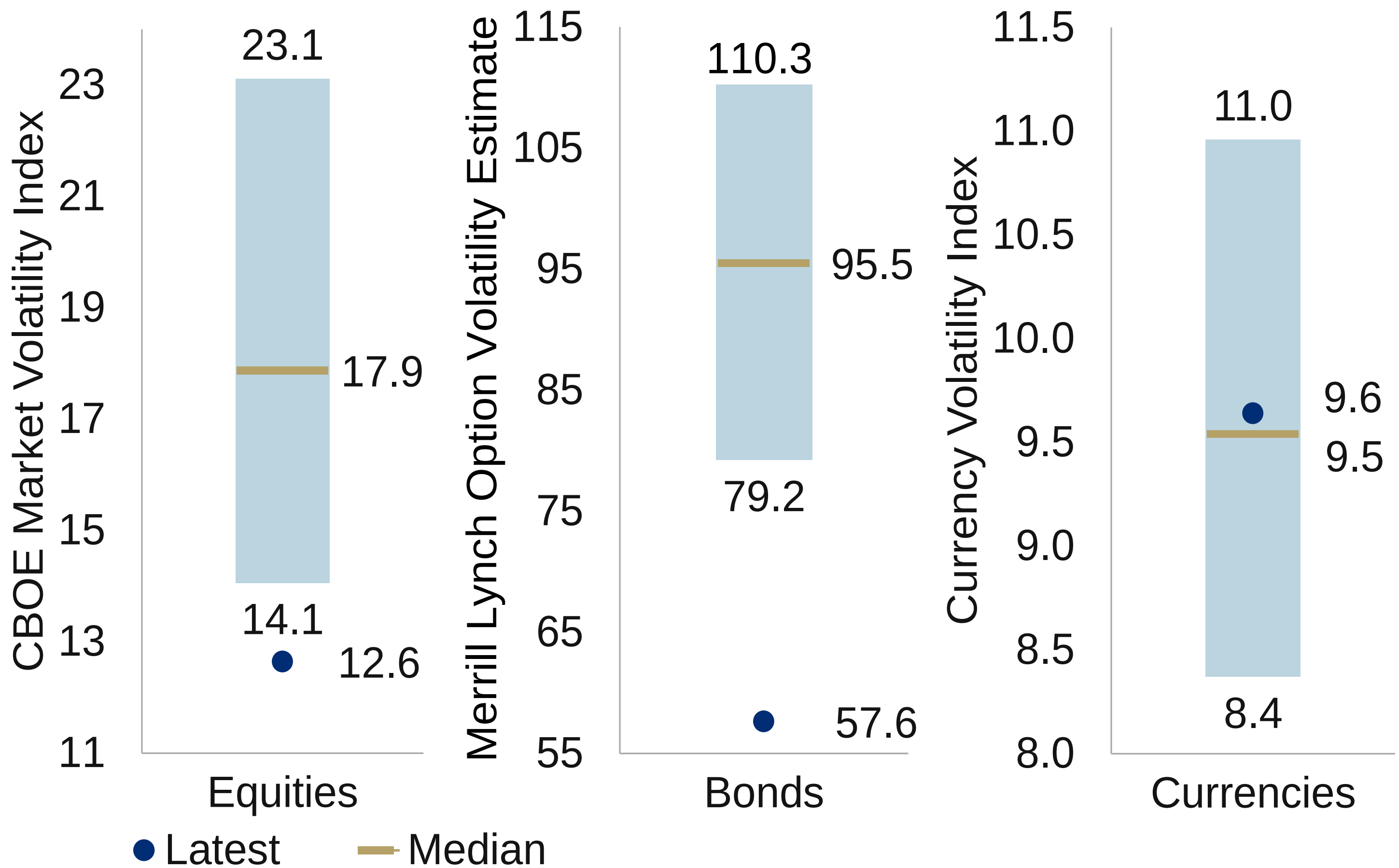
Brexit Impact Short lived

- Canadian markets boosted by recovering resource prices
- EM market performance led by investor demand for yield and U.S. dollar weakness
- European markets recovered from post-Brexit losses
  - Regional economic actively largely unchanged since referendum

Source: RBC Gamsource, MSCI, S&P, in C$ returns

Market Volatility
Markets are Too Complacent

Market volatility has been low lately



Note: Top and bottom of box represent the 75th and 25th percentiles for CBOE Market Volatility Index and Merrill Lynch Option Volatility Estimate since 1990; and for Deutsche Bank Currency Volatility Index since 2001. Source: Bloomberg, RBC GAM

Wealth Management
PH&N Investment Counsel

Equity vs Economy

Equity Strength Starting to Diverge from Economic Strength

Note: MSCI All Country World Index (MSCI ACWI) in local currency.
Source: Citigroup Alpha Surprise Index, Bloomberg, RBC GAM

U.S. Elections – Educational Component (To be provided)

RBC Wealth Management
PH&N Investment Counsel

Agenda Item 6.2

2016 SEMI-ANNUAL REPORT
June 2016

CORPORATE GOVERNANCE & RESPONSIBLE INVESTMENT

RBC Global Asset Management

RBC Global Asset Management's (RBC GAM) Corporate Governance and Responsible Investment (CGRI) group is pleased to present our Semi-Annual CGRI Report that highlights our responsible investment activities for the first half of 2016.

Proxy voting

Proxy voting is an important part of our portfolio management process as it provides us with a method of conveying our views on the governance of our investee companies. Most companies in developed markets hold their annual meetings during the spring and as a result, this is when the bulk of proxy voting activity takes place. RBC GAM has developed a comprehensive set of custom Proxy Voting Guidelines that detail how we vote on the most common proposals put forward at shareholder meetings.

Updates to the RBC GAM Proxy Voting Guidelines

Corporate governance best practices are constantly evolving and our Proxy Voting Guidelines are reviewed and updated annually. Over recent years we have seen shareholder expectations regarding shareholder rights, disclosure, and compensation change considerably. We update our guidelines annually and the more significant updates that were made in January 2016 include:

- **Say-on-pay**: Most companies now provide an opportunity for shareholders to provide feedback to a board on a company's executive compensation practices through a non-binding vote, which is referred to as "say-on-pay." Our Proxy Voting Guidelines set out the main principles we will apply when considering say-on-pay proposals and outline how we will assess executive compensation.
- **Board diversity**: There is growing evidence to suggest that a more diverse board will be a more effective board. We updated our board diversity guideline to include guidance on when we will vote against directors due to a lack of diversity. In particular, if a board has no female directors and has not adopted a policy on board diversity we will vote against directors who sit on the nominating committee of the board.
- **Water risk disclosure**: Water supply is becoming a material risk for many companies as the competition for limited water resources grows. For example, companies may now be competing with agriculture, local communities, and protected areas for water resources. It is important that shareholders understand how companies are managing their water related risks and our updated Guidelines support better reporting of these risks.
- **Overboarding**: "Overboarded" is the term used for directors who sit on an excessive number of boards to the point where they may not be able to commit sufficient time and effort to effectively discharge their responsibilities as directors.

This year, we changed our Guidelines to reduce the maximum number of boards that a current CEO can sit on from three to two (their own board and one other). However, in order to allow for appropriate transition, we are phasing in this new guideline over two years.

The updated guidelines are available on the CGRI webpage of our website at www.rbcgam.com.

Proxy voting record

We take an active approach to all of our proxy voting. Our proxy voting team reviews all of the ballots for all of our funds and votes our shares in our clients' best interests. Below is a summary of our voting statistics for the first half of the year.

Proxy voting statistics[1] (January 1 – June 30, 2016)

Proxy voting snapshot

	Canada	U.S.	Overseas	Total
Ballot items voted	3,533	11,031	12,995	27,559
Votes WITH management	3,024	9,769	11,844	24,637
Votes AGAINST management	509	1,262	1,151	2,922
% of votes AGAINST management	14%	11%	9%	11%

Summary of ESG votes

	Canada		U.S.		Overseas		Total	
Proposal type	With Mgt	Against Mgt	With Mgt	Against Mgt	With Mgt	Against Mgt	With Mgt	Against Mgt
Board independence	87%	13%	93%	7%	92%	8%	92%	8%
Shareholder rights	0%	100%	20%	80%	100%	0%	22%	78%
Executive compensation	85%	15%	76%	24%	73%	27%	76%	24%
Environmental & social	100%	0%	21%	79%	75%	25%	25%	75%
Total	86%	14%	89%	11%	91%	9%	89%	11%

[1] The proxy voting statistics include voting for all of RBC GAM with the exception of BlueBay Asset Management LLP and externally managed sub-advised funds.

Our historical proxy voting records are available on our CGRI webpage.

Proxy season observations

Every proxy season certain issues and trends emerge that define what was important to shareholders in that particular year. This proxy season, noteworthy trends have included increased company-initiated engagements, shareholder push back on pay and concerns about climate change. We also continue to see a growing willingness by shareholders to vote against proposals by management and support proposals by other shareholders. We have summarised below some of the trends we have seen in proxy voting during the first half of this year.

Companies actively engaging with their shareholders

During this proxy season, we noticed that more companies actively reached out to shareholders when there was concern that there may be a significant vote against management on any issue. Companies appeared to be closely monitoring the proxy research, recommendations on voting and the status of votes as they were cast. We had significantly more engagements with the boards and management of our investee companies during this proxy season than in previous years, with most of these engagements being initiated by the companies themselves. In general, we view this as a positive development as it allows shareholders to better understand the companies' perspectives and ensure our votes are being cast in accordance with our clients' best interests. We are encouraged by companies' growing willingness to engage in an open dialogue and are optimistic that it will lead to improved governance practices going forward. While we were pleased with the increase in engagements during proxy season, we continue to encourage companies to engage on potentially contentious issues outside of proxy season in order to ensure that there is sufficient time for a meaningful dialogue.

> This proxy season, noteworthy trends have included increased company-initiated engagements, shareholder push back on pay and concerns about climate change.

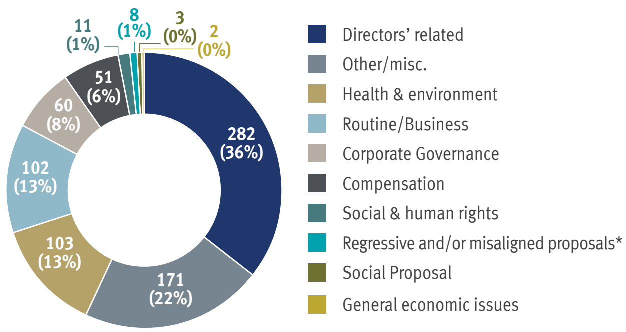
Shareholders push back on pay

The structure and quantum of executive compensation has been an ongoing corporate governance issue for many years. This year, we saw a number of majority and substantial minority votes against say-on-pay proposals. Since the vote is non-binding, there is no direct consequence resulting from an "against" vote but it sends a strong and public message. In Canada, a high profile example was Canadian Pacific Rail. A number of shareholders were unhappy with a very generous severance paid to the former CFO of the company in addition to a poor link between performance and executive pay. Ultimately this resulted in 50.1% of shares being voted "against" say-on-pay. We also saw a substantial "against" vote at U.K.-based BP plc., where more than 59% of shareholders rejected the remuneration report due to concerns about the poor link between executive pay and performance.

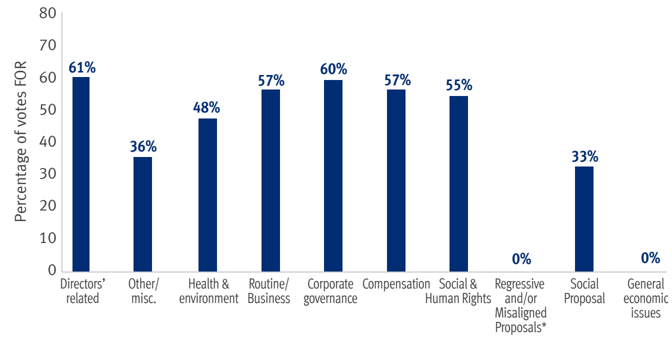
Concerns about climate change

This proxy season, we saw a number of shareholder proposals related to climate change – particularly for companies in the energy industry. Management at a number of fossil fuel producers such as BP, Royal Dutch Shell, Statoil, Rio Tinto, Anglo-American, Glencore and Suncor took the slightly unusual step of supporting shareholder proposals for improved climate risk reporting. Proposals were also filed by shareholders of Exxon and Chevron, asking for enhanced disclosure of climate-related risks and for the companies to adopt policies to manage these risks. Although these proposals did not receive majority support, approximately 40% of shareholders voted in favour of them. There appears to be growing shareholder interest in encouraging energy companies to disclose their risks related to climate change and how they are managing those risks.

Shareholder proposals by category



Votes "FOR" by shareholder proposal category



* Regressive and/or Misaligned Proposals are shareholder proposals that seek to oppose the advancement of Environmental or Social disclosure and/or practices at an issuer. As a result, RBC GAM generally does not support these proposals.

RBC GAM's first shareholder proposal

A shareholder proposal is a resolution put forward by a shareholder or a group of shareholders for consideration at a company's annual meeting. Although they are not binding on the company, the expectation is that a company will implement a proposal or take some kind of significant action to address the issue when a majority of its shareholders support a shareholder proposal. As such, shareholder proposals can be very effective catalysts for change, especially when other methods of engagement prove ineffective.

After extensive engagement over several years and in collaboration with the British Columbia Investment Management Corporation (bcIMC), RBC GAM filed two shareholder proposals with a large Canadian mining company asking the company to: i) nominate additional independent board directors with operational mining expertise; and ii) implement changes to the company's governance structure.

After ongoing engagement with the company, it agreed to implement the first proposal and nominated an experienced geological and mining engineer as an independent director of the board at the 2016 annual meeting, where he was subsequently elected. The company has also agreed to nominate an additional independent director with operational mining expertise at the 2017 annual meeting.

After engaging with the independent directors of the board in response to the second proposal, bcIMC and RBC GAM agreed to withdraw their second proposal in exchange for the company's commitment to provide more detailed disclosure of its corporate governance practices and changes to the structure of its executive compensation plan.

Engagements

"Engagement" refers to the direct dialogue between a shareholder and the board or management of a company in which it is invested. RBC GAM actively engages with its investee companies on numerous ESG issues. Below is a snapshot of our engagement activity during the first half of 2016.

Compensation

We have been engaging with a number of companies on compensation issues. The most common concerns we have relate to poor links between pay and performance, overall excessive compensation, poorly designed equity compensation plans and inappropriate peer group comparisons. Over the last six months, we have held detailed engagements on executive compensation with seven large Canadian companies, one European company and one South African company.

Overboarding

As reflected in the recent amendment to our Proxy Voting Guidelines (described above), we have become concerned with the overboarding of some directors, particularly those directors who are also current CEOs of listed companies. As a result, we have amended our guidelines to indicate that current CEOs should only sit on two public company boards (their own plus one other). To minimize any disruption as a result of this change, we will not implement this change for two years. As a courtesy, we have sent letters to the chairs of boards that may be impacted in the future by this change to our Proxy Voting Guidelines.

The Western Sahara

A shareholder proposal was filed with Potash Corp. of Saskatchewan Inc. (Potash) this year that prompted our direct engagement with the company. The proposal asked for a third-party assessment of the company's human rights responsibilities regarding the sourcing of phosphate rock from the Western Sahara. Potash's involvement in the region is indirect, in that it buys phosphate rock from a company in the Western Sahara that is owned by the Moroccan Government (OCP SA) in order to produce food-grade phosphoric acid. The history of the region is complex, but the Moroccan government currently directly administers the Western Sahara and, as a result, the region is considered occupied territory under international law. The Moroccan government has been criticized for its human rights record in the region, particularly its treatment of the local Sahrawi people.

In previous engagements with the company on this issue, we determined that Potash has been doing a good job of managing and disclosing the risks in sourcing materials from the region. They have undertaken site visits and engaged with NGOs and other monitoring groups to gain an understanding of the human rights situation. Potash has also adopted adequate policies and procedures relating to human rights in the region, and provides good disclosure to shareholders on the associated risks and how they manage those risks. As a result, in 2015 we voted against a similar shareholder proposal for a third-party assessment of the company's human rights responsibilities, as we believed that such a report would not provide additional value to shareholders.

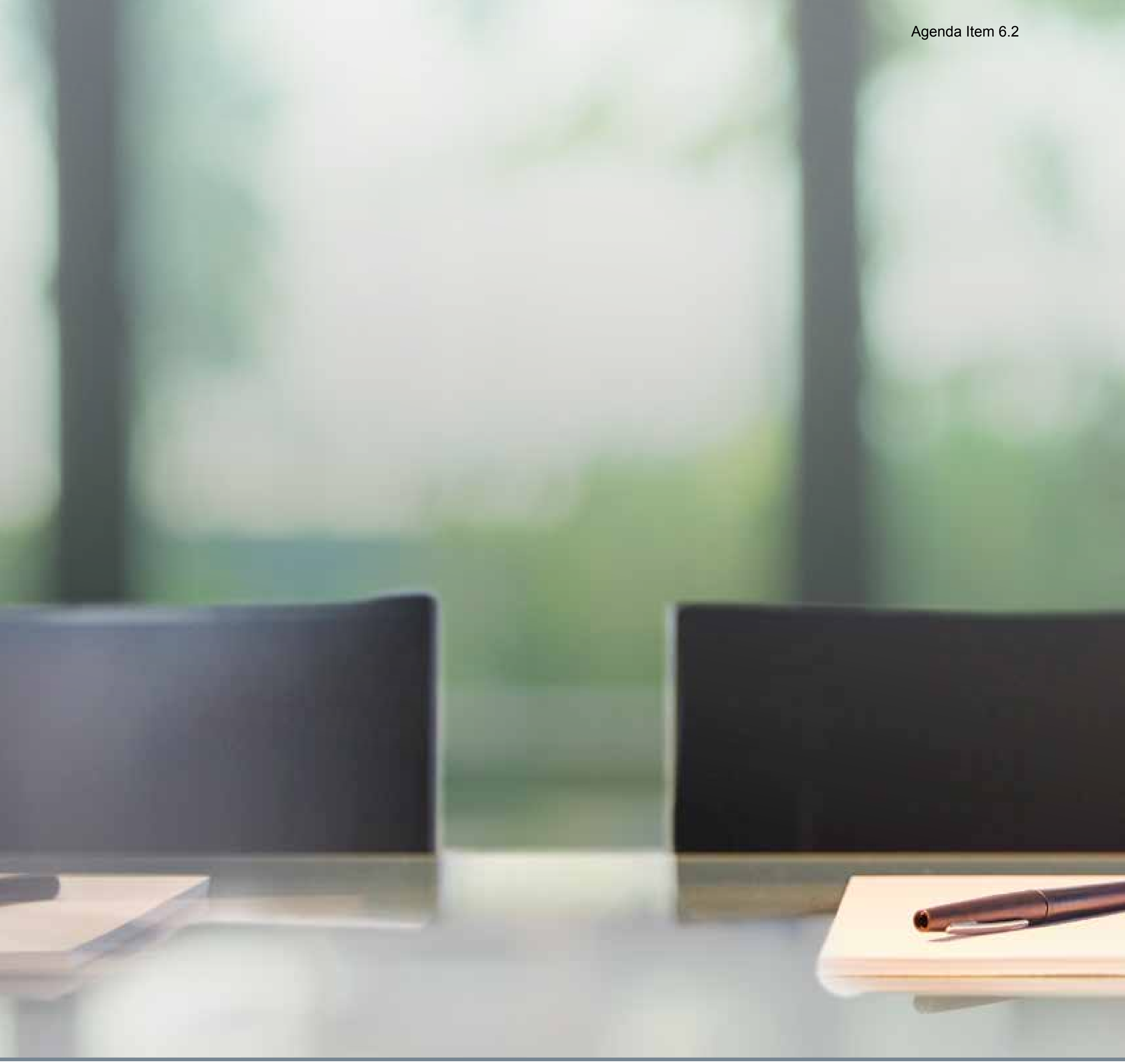
However, due to recent changes in the Western Sahara, in particular the Moroccan government expulsion of the human rights organisations that were monitoring the situation in the region, many human rights groups believe there is now an increased risk of human rights violations. We concluded that the company is facing increased risks by sourcing phosphate from the region and, as a result, the third-party human rights assessment report requested by the shareholder proposal was warranted.

Collaborative engagements

We recognize that engagement can often be more effective when done collaboratively, with other investors. We are an active participant in the collective engagements organized by the Canadian Coalition for Good Governance (CCGG), which is the preeminent corporate governance organization in Canada. CCGG, with participation from representatives of RBC GAM and other members, held engagements with the boards of 14 Canadian companies throughout the first six months of the year to discuss governance issues.

Other ESG initiatives

- In March 2016 RBC GAM prepared and filed a voluntary PRI Transparency Report. Although we are not required to file our first report until March 2017, we saw this as an opportunity to build our internal ESG reporting capacity and to identify any reporting gaps before we are required to report in 2017. The PRI assesses signatories' approaches to its Principles of Responsible Investment based on its assessment methodology. In our Summary Assessment Report, the PRI gave our overall strategy a score of A+, with a score of A in every other category, with the exception of one where we were given a score of B. Our Summary Assessment Report is available on our website.
- On May 4, 2016 RBC GAM joined a number of global fixed income investors by becoming a signatory to the Principles of Responsible Investment (PRI) Statement on ESG in Credit Ratings. This new PRI initiative aims to increase the systematic and transparent integration of ESG factors into credit ratings.
- In May 2016, RBC GAM joined the PRI Cyber Security Advisory Committee which will develop a collaborative engagement strategy focused on companies' approach to cyber security and increased transparency regarding companies' risk mitigation, budgeting, training and recovery action plans.



Global Asset Management

(07/2016)
016GAM111_(07-2016)_CGRI_SA_REPORT_EN_V1_9 08/02/2016

November 9, 2016

A Consequential Vote for Change

The U.S. made history last night by electing Donald Trump as the next President of the United States. In so doing, he becomes the first winner without a political or military background, and he represents a return of the Republicans to the White House after an eight-year absence.

While many are describing his victory as "stunning," this isn't completely accurate. Serious political forecasters had looked for Democratic candidate Hillary Clinton to win, but still granted Trump a roughly 30% chance of victory on Election Day. We argued throughout the election race that his prospects were even a bit better than this, though certainly not to the point of outright victory as a base case. To understand how unshocking this is, imagine rolling a six-sided die. Now imagine it coming up with a one or a two. It happens all the time. That was the likelihood that Trump would win.

The proper descriptor for this election result is "highly consequential." The two candidates campaigned on almost diametrically opposite platforms, and Trump in particular brought a host of populist ideas that are very different than the long-standing U.S. policy mix.

In a strange sort of way, Trump's victory is a bit like Barack Obama's win in 2008, despite the fact that the two embody very different visions of the world. Both were/are candidates promising change from the status quo, and managed to find support in a large base of voters who felt disenfranchised. U.S. voters are clearly still casting about for a better path forward after decades of rising inequality and years of sluggish economic growth.

Trump's path to victory

With a handful of states still in play, Trump has managed to capture 290 of the 538 electoral colleges. His path to victory required virtually all swing states to go his way and indeed they did, despite seeming to lean toward Clinton on election morning. These included Florida, Ohio, and North Carolina. He also snatched states that were thought to be in Clinton's grasp, like Pennsylvania, Wisconsin, and likely Michigan. In general, it was a surge of rural voters who put Trump over the top in many such states.

Just as consequential as Trump's big win is that the House and Senate remained the domain of the Republicans. This was not expected either, and means the Republicans have swept both Congress and the White House. This creates the potential for serious action. Looking back to Obama's first two years in office when Democrats swept the halls of power, Obama and Congress passed Obamacare, a major financial stimulus plan, and banking reform. Before that, George W. Bush had a four-year stint with a Republican sweep and managed to deliver major tax cuts. However, a sweep does not provide unlimited power; the Republicans in Congress are ideologically different from Trump, which could limit policy action. Even the Democrats struggled to get many things done between 2008 and 2010, failing to deliver tax or immigration reform given the need for 60% support in the Senate to easily pass legislation – a threshold the Republicans fell short of in the Senate this election – and given the myopic concerns of Representatives working on a manic two-year election cycle flywheel.

Financial market implications

As expected in this scenario, equities have reacted negatively, with European and Asian equities off around 2-3%, though Japan's stock market fell around 5%. Futures had initially indicated a large decline in U.S. stocks, but the actual outcome has been a modest gain. This may be because the Republican sweep could enable favourable corporate tax reform, besting economic concerns for now. Modelling in the lead-up to the election had suggested that a Trump win could send equities as much as 10% lower, but perhaps the experience of Brexit in June – a huge stock market selloff that was very quickly reversed – has convinced the market to tread more gingerly. That may make the following insight slightly less useful than otherwise, but historical "event" shocks like these have tended to exert their maximum effect on markets over the first two days after the event, and then rebound to prior levels by day 10. In other words, markets often overreact.

The U.S. dollar has weakened modestly relative to the euro, British pound and Japanese yen. This was always a tough one to call as safe haven flows argued for a stronger dollar whereas the economic implications and central bank implications argued for a weaker dollar. The latter appears to be winning. On the other hand, it is no surprise at all that the Mexican peso and Canadian dollar are lower, given talk of dismantling NAFTA.

Yield rebound surprising

Meanwhile, after a safe haven bid that initially sent U.S. yields lower, longer-dated Treasuries have since reversed and yields now appear to be modestly higher. To be honest, this is somewhat surprising. There are undeniably competing forces at work, but we would have thought that a safe-haven bid paired with the prospect of slower economic growth over the long run would dominate debt and inflation concerns in the initial response. However, this has not been the case.

In contrast to long-dated Treasuries, short-dated yields are notably lower as the odds of a U.S. Federal Reserve rate hike in December have just plummeted from quite likely to debatable. This makes sense, given growth and volatility concerns. That said, over the long run, the Fed could eventually find itself having to tighten rates by more than otherwise expected if inflation starts to creep into the U.S. economy – a not-unusual outcome when populist policies are at work. Finally, and much more speculatively, the long-standing Republican desire to “reform the Fed” could become a reality with the Republicans firmly in control. What this precisely means is subject to debate.

Short-term economic implications

It is debatable whether the short-term economic effect of a President Trump is negative or positive. On the positive side of the ledger, Trump is promising a great deal of fiscal stimulus in the form of tax cuts and infrastructure spending. The exact amount remains to be determined through negotiations with Congress. We assume this translates to something like a 0.8% boost to GDP per year for the next two years, all else being equal. It could conceivably be more.

However, there are a number of short-term economic negatives as well, though they are hard to quantify. An elevated feeling of uncertainty could impede economic growth activity, given that he is an unknown political leader, his ideas are only loosely sketched out, and they are quite different from the status quo. For all of these potential dampeners on short-term economic growth, we should acknowledge that the Brexit vote has seemingly not discouraged British economic activity very much at all.

The short-term economic effect also depends on the extent of the market response. The moves so far are fairly tame and so not worth seriously entertaining as constraints on economic growth. But if markets were to become more grim, that could impede spending and investment, too.

Overall, the short-term economic effect is ambiguous, though we will charitably assume that it is a slight positive at this early juncture, reserving the right to revisit as additional information rolls in.

Longer-term economic outlook more negative

The longer-term economic implications of a Trump presidency are clearly negative relative to the current trajectory. Put simply, Trump’s anti-trade and anti-immigration platforms are negative for economic growth. Quantifying the hit to growth is largely dependent on the extent to which trade is reduced and immigration is impacted. We provide a rough sense for the sorts of numbers that could be in play:

- If Trump were to actually deport America’s 11 million illegal immigrants – setting aside the logistical nightmare and the improbability of this actually happening on a large scale – the U.S. population would shrink by a whopping 3%. This would cumulatively subtract a few percentage points from GDP across the period over which it occurred – a painful economic blow.
- Slicing the pace of U.S. immigration growth by half would subtract 0.1 to 0.2 percentage points from U.S. economic growth per year. This doesn’t sound like much, but it adds up over the years – that’s 2 to 4 percentage points of lost economic growth after twenty years.

- Modelling by the non-partisan Peterson Institute calculates that a full-blown trade war with China and Mexico could subtract around 4% from GDP in fairly short order. If actually implemented, that could clearly represent a recession. Of course, to the extent that Trump's actions are likely to be tempered by Congress, advisors, and bureaucrats, the impact might not be quite as dire, with initial models indicating a 1-2% hit to growth.

Of course, so much depends on how Trump chooses to flesh out many of his vaguer platform positions, whether he receives cooperation from Republican leadership, whether he takes their guidance, whether he shifts even slightly toward the centre of the political spectrum, and a myriad of other factors. Political platforms are usually watered down by the time they are actually implemented.

Foreign Policy

Foreign policy has only an indirect effect on economic growth, but it is nevertheless relevant to our analysis for two reasons. First, regardless of the impediments put up by Congress on other matters, presidents enjoy a considerable amount of discretion in the conduct of foreign policy. Thus, a candidate's foreign policy platform has a better chance of implementation than most other proposals and so deserves serious attention. Second, foreign policy can have an economic and financial market effect to the extent that it materially alters military spending or dramatically changes the perception of geopolitical risk in the world.

On this front, there is a considerable amount of uncertainty around the policies a President Trump would plan to enact. He is quite isolationist in some ways, and rather expansionist in others. The common theme is a very high level of geopolitical uncertainty going forward, particularly in the early months.

Bottom Line

We finish with a few last thoughts.

The first is that this constitutes another undeniable victory for the forces of populism in short order, coming after Brexit in the U.K. Let us not underestimate the potential for additional populist victories, with the greatest obvious risk in Europe, where many nations are dissatisfied with their lot in life and a host of major elections are taking place over the next year. Italy and Austria have an opportunity to express their own dissatisfaction before the end of 2016 in (unrelated) votes on December 4th.

Second, populism usually means less economic growth and higher inflation. This growth implication might not be true in the U.S. in the short run given the prospect of fiscal stimulus, but it appears probable over the longer run.

Finally, let us understand that voters generally course-correct over time. If this presidency goes well, they will understandably seek more of it. If it doesn't, they will probably swing back in the opposite direction. Nothing is forever in politics.

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