

**Public Session Minutes for the Meeting of May 24, 2017
10:40 a.m. to 11:50 a.m., ERC 3023**

Attendees: Nigel Allen (Chair), Adele Imrie (*via teleconference*), Tim McTiernan, Tyler Turecki

Staff: Becky Dinwoodie, Craig Elliott, Cheryl Foy, Doug Holdway, Sue McGovern

Guests: Stephen Pitts and Peter Dawkins from PH&N

Regrets: Miles Goacher, John Speers

1. Call to Order

The Chair called the meeting to order at 10:44 a.m.

2. Agenda

Upon a motion duly made by T. Turecki and seconded by T. McTiernan, the Agenda was approved as presented.

3. Conflict of Interest Declaration

There was none.

4. Chair's Remarks

The Chair kept his remarks brief. He welcomed S. Pitts and P. Dawkins from PH&N and expressed that he was looking forward to the learning session.

5. Approval of Minutes of the Meeting of February 15, 2017

Upon a motion duly made by T. Turecki and seconded by T. McTiernan, the minutes were approved as presented.

6. Investment Review

6.1 Fourth Quarter Investment Review

P. Dawkins presented the fourth quarter report and the investment returns of the portfolio, in particular. The portfolio has had a strong performance since inception. He confirmed that the portfolio is slightly overweight on global equities and emerging markets equities.

7. Investment Learning – Diversified Growth Funds

P. Dawkins discussed changes in the investment environment over time. He advised that investors must work much harder today to achieve the same rate of return as they did in 1995. A more diversified portfolio requires more education and expertise to understand the asset classes available. Investment managers have an array of risk management strategies from which to choose.

What is a Diversified Growth Fund?

Diversified Growth Funds (DGF):

- look to deliver equity-like returns with less risk
- have capital appreciation & an income side
- are not a tactical asset allocation vehicle
- focus on long-term perspective with risk management
- are the evolution of a “balanced fund”

P. Dawkins reviewed the evolution of the DGF, as well as the sub-classes of DGF strategies:

- a) diversified beta;
- b) dynamic; and
- c) diversified inflation.

He also presented an example of an asset allocation snap shot in a leading dynamic DGF. Primarily pensions are using them. P. Dawkins walked through examples of a Diversified Beta Fund and a Dynamic DGF portfolio. He also compared the performance of a baseline equity portfolio with that of a diversified beta fund. The Diversified Beta Fund declined by less over time. P. Dawkins clarified how the simulation was developed. There is pronounced volatility reduction and less risk but at a slightly reduced return.

Considerations for Investors

Benchmarking is important to help understand a portfolio’s performance and evaluate the investment manager. It is difficult to benchmark a DGF, as there is a lack of performance history for these types of funds. Also, investing in DGFs would look different from other institutions.

Summary of Value Proposition of DGF:

- multi-asset, multi-strategy approach
- potential to reduce downside risk
- simplifying governance of the investments

PH&N is currently investigating the structure. It is more of an institutional product. PH&N is unable to advise as to how fees would compare since they do not yet provide the product. The management structure of DGFs also varies. There was a discussion regarding the advantages of a DGF strategy for UOIT. Fees would be a big component in deciding whether the University should use this as a strategy.

8. PH&N Investor Seminar – March 13, 2017

C. Elliott reported on his attendance at the PH&N Investor Seminar in March. The four main topics discussed at the seminar were:

- a) Making Sense of Macroeconomic Uncertainty;
- b) The Liquidity Risk Premium
- c) Diversified Growth Funds – “Winning Without Losing”; and
- d) ESG: A Source of Alpha and Reduced Risk – how PH&N uses ESG as a strategy to engage companies, use of proxy voting.

He informed the Committee that the seminar was helpful and well attended.

9. Other Business

There was none.

10. Termination

There being no other business, upon a motion duly made by T. McTiernan and seconded by T. Turecki, the meeting terminated at 11:19 a.m.

Becky Dinwoodie, Secretary