

**Public Session Minutes for the Meeting of February 15, 2017  
10:55 a.m. to 12:00 p.m., ERC 3023**

**Attendees:** Nigel Allen (Chair), Miles Goacher, Tim McTiernan, John Speers (*via teleconference*), Tyler Turecki

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

**Guests:** Leila Fiouzi and Peter Dawkins from PH&N

**Regrets:** Adele Imrie

**1. Call to Order**

The Chair called the meeting to order at 10:59 a.m.

**2. Agenda**

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

**3. Conflict of Interest Declaration**

There was none.

**4. Chair's Remarks**

The Chair kept his remarks very brief. He welcomed D. Holdway to the meeting, as he attended his first Investment meeting as a guest. The Chair also welcomed L. Fiouzi and P. Dawkins. He noted that the Committee would be receiving a timely presentation on the effect of U.S. protectionism.

**5. Approval of Minutes of the Meeting of November 16, 2016**

*Upon a motion duly made by T. Turecki and seconded by J. Speers, the Minutes were approved as presented.*

## **6. Investment Review**

### **6.1 Third Quarter Investment Review**

L. Fiouzi provided an overview of the portfolio's performance and reviewed the report with the Committee.

(M. Goacher joined the meeting at 11:08 a.m.)

## **7. Investment Learning – Economic Impact of U.S. Protectionism**

L. Fiouzi informed the Committee that the market reaction to the US election results has been positive and the US currency has strengthened. Further, bond yields have gone up. The credit spreads have narrowed and investors are demanding less risk for holding a bond.

L. Fiouzi reviewed the key drivers of the rally:

- U.S. corporate tax cuts
- Stronger global economy
- Commodity rebound – increase of oil price
- Political maneuvering – personal tax cuts, infrastructure spending, reduce regulation

It is important to examine the starting point. L. discussed economic slack – it has shrunk in a number of countries. The global recession risk has fallen. In the US, the recession risk has not changed much due to the uncertainty of the situation.

### **Protectionism**

We can see slow growth and a disparity in income levels. For the past few years, we have seen globalization weakening and a change in the structure of the global economy. There is more economic parity internationally. The impact of the fall of the Soviet Bloc was discussed. The turning point for China was when it joined the World Trade Organization in 2000.

### **Populism**

The new focus of populism is changing the shift – it reflects that a section of the population feels left behind. A few of the factors contributing to the rise in populism are the decline in manufacturing jobs as a result of automation, and immigration.

L. Fiouzi reviewed the concerns associated with U.S. Protectionism, including:

#### *1. Policy Balloons -*

Trump platform includes potential for:

- 45% China tariff and 35% Mexico tariff
- 35% tariff on U.S. firms that open factories overseas
- "Border adjustability" tariff of 25%

- Blanket 5% tariff

It also includes the potential to cancel the TPP and European trade plans, and to renegotiate NAFTA.

#### *Appointments*

- Political appointments contradict view that Trump will tack to the center
- Peter Navarro, a known China hawk, is set to lead the National Trade Council
- Wilbur Ross, the Commerce Secretary, wants more selective free trade

#### *Powers*

- President can exit trade deals and can veto new trade deals without Congress
- Tariff of up to 15% already allowed against nations with large trade surplus and tariff of up to 50% already allowed against nations that “discriminate” vs U.S.
- U.S. already active: initiated 74 anti-dumping investigations from 2013 to 2015
- American courts not allowed to interfere to stop a trade war

L. Fiouzi examined which countries would be most affected by US protectionism, including Mexico as the biggest exporter to the US. China has the largest trade deficit with the US and is most likely to be the target of protectionist measures. In the short term, Trump’s policies are likely to have a positive impact but will be negative in the long term. The high tech sector is reliant on foreign labour.

The links between the type of government and economic growth were examined. Regardless of what type of society is it, protectionism has a negative impact on the economy. The biggest cause of populism is the displacement of people and the number of internally displaced people is at its highest level.

(J. Speers left the meeting at 11:30 a.m.)

There was also a discussion regarding the reasons for Brexit and the challenges of implementing it. L. Fiouzi identified potential future populist risks - Italy is at highest risk as of November 2016. She noted upcoming changes to monitor, including elections in Iran, Mexico and Russia.

The key themes for 2017 and beyond:

- Better growth prospects
- Financial market rotation
- Rise of populism around the world
- Shift from monetary to fiscal stimulus
- Higher inflation

L. Fiouzi advised that she will be unable to attend the Committee meeting on May 24 and Stephen Pitts will attend instead.

(L. Fiouzi and P. Dawkins left the meeting at 11:42 a.m.)

## **8. Disbursement Committee Recommendation**

C. Elliott presented the endowment disbursement recommendations to the Committee. At our current investment level, we need to disburse between 3-4% of the principal value to cover our gift requirements. The Disbursement Committee recommended a distribution of 4% totalling \$480,000. He identified the members of the Disbursement Committee.

*Upon a motion duly made by M. Goacher and seconded by T. Turecki, pursuant to the recommendation of the Disbursement Committee, the Investment Committee recommended that the Board of Governors approve the disbursement of \$480,000 from the Endowment Funds to be distributed as student awards in 2017-18.*

(D. Holdway left the meeting at 11:47 a.m.)

C. Elliott responded to questions from the Committee. There was a discussion regarding whether we have long-term targets as to where we want to be for scholarships in comparison to other institutions. Consideration must be given to not only how much money we have to disburse, but to whether we have qualified students to whom to disburse the funds. As we think about the growth of the institution, we must think about how to disburse endowments. S. McGovern advised that some of the terms of donations are too specific and it becomes a challenge to find students who meet all of the criteria.

## **9. Annual Review of Statement of Investment Policies (SIP)**

C. Elliott presented the SIP and there were no recommended changes. He responded to questions from the Committee.

## **10. Annual Review of Endowment Policy**

C. Elliott presented the Endowment Policy and there were no recommended changes. He responded to questions from the Committee.

## **11. Other Business**

## **12. Termination**

*There being no other business, upon a motion duly made by T. McTiernan and seconded by T. Turecki, the meeting terminated at 11:54 a.m.*

Becky Dinwoodie, Secretary