
Wednesday, August 16, 2017

Public Session

11:20 a.m. to noon

North Campus, ERC 3023

Toll-Free: 1-877-385-4099 Participant Passcode: 1028954#

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

Staff: Robert Bailey, Douglas Holdway, Craig Elliott, Cheryl Foy, Brad MacIsaac, Sue McGovern

Guests: Leila Fiouzi & Taylor Woodward (PH&N), Stephanie Chow

AGENDA

No.	Topic	Lead	Allocated Time	Suggested End Time
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 the Meeting of May 24, 2017* (M)	Chair	5	11:25 a.m.
6	Investment Review			
6.1	First Quarter Investment Review* (U)	PH&N	15	11:40 a.m.
7	Investment Learning – Economic Outlook for 2018*	PH&N	15	11:55 a.m.
8	Other Business	Chair	3	
9	Termination (M)		2	12:00 p.m.
	P - Presentation			
	M - Motion			
	U - Update			
	D - Discussion			
	* Documents attached			

Becky Dinwoodie, Secretary

**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



Presentation to University of Ontario Institute of Technology

Public Session

Leila Fiouzi, CFA
Vice President & Investment Counsellor

Taylor Woodward, CFA
Associate

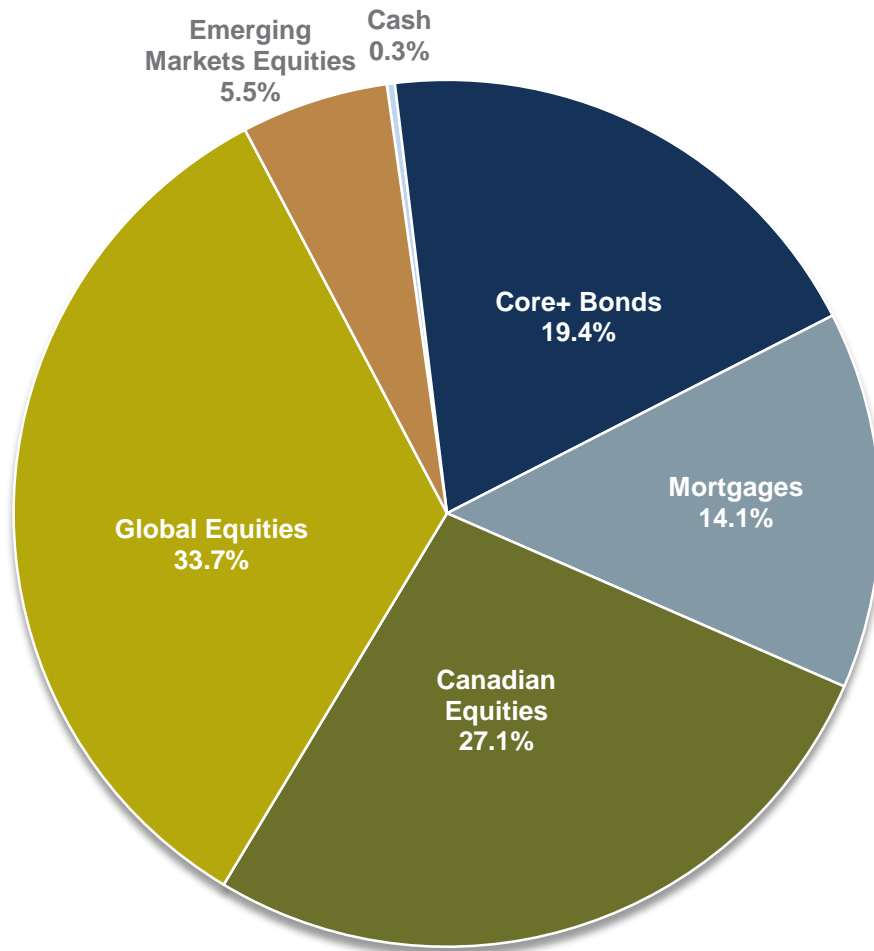
August 16, 2017



Wealth Management
PH&N Investment Counsel

University of Ontario Institute of Technology

Asset Mix as at June 30, 2017



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

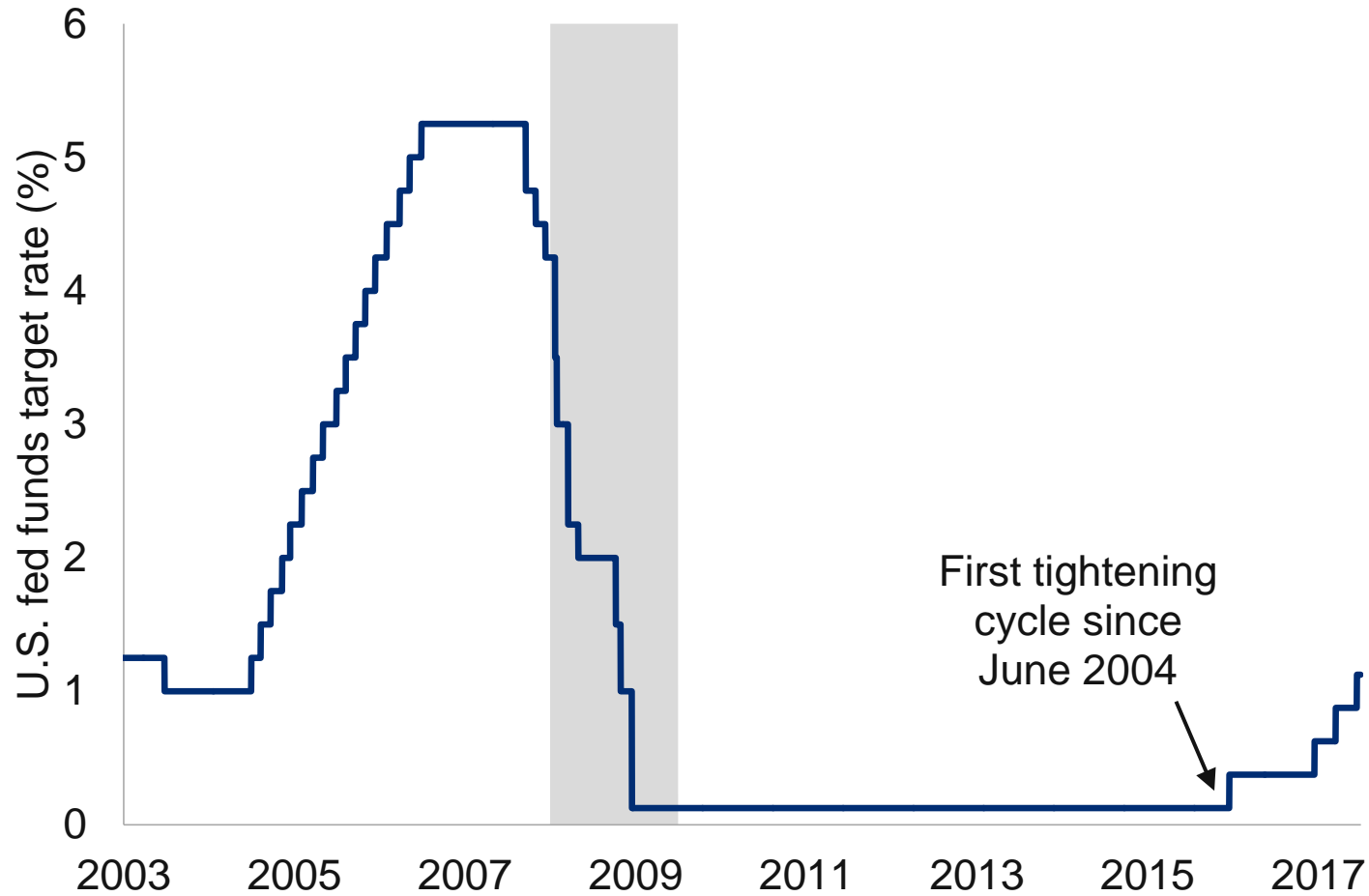
Economic Review



U.S. Rate Hikes

Continue to Putter Along

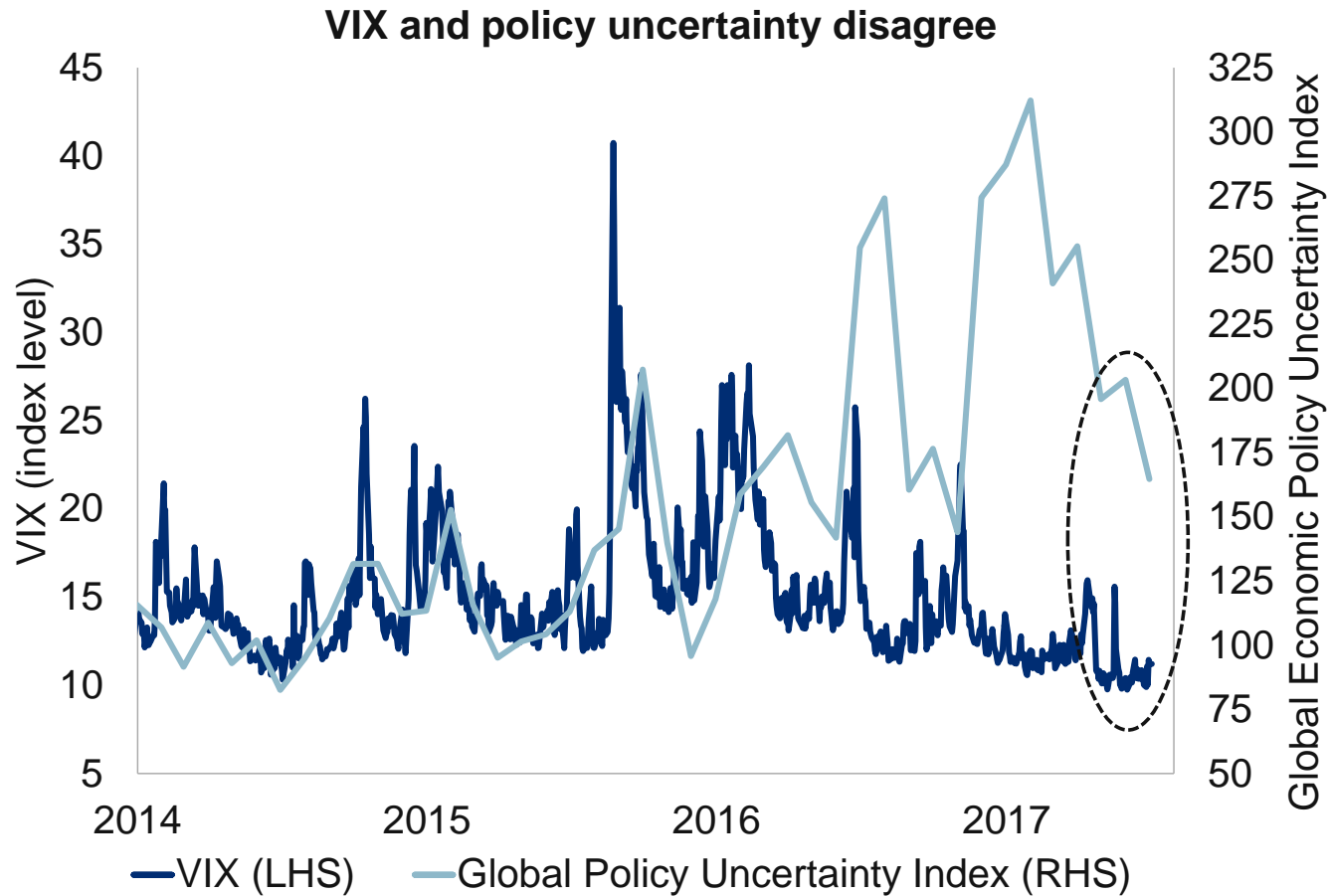
U.S. Fed tightening, but remains accommodative



Note: Shaded area represents recession.

Source: Federal Reserve Board, Haver Analytics, RBC GAM

Complacency Defines Market



Note: Global Economic Policy Uncertainty Index weighted by PPP-adjusted GDPs; mean=100. Source: Bloomberg, Haver Analytics, RBC GAM

Economic Overview

Developed-Market Indicators Showing More Resilience

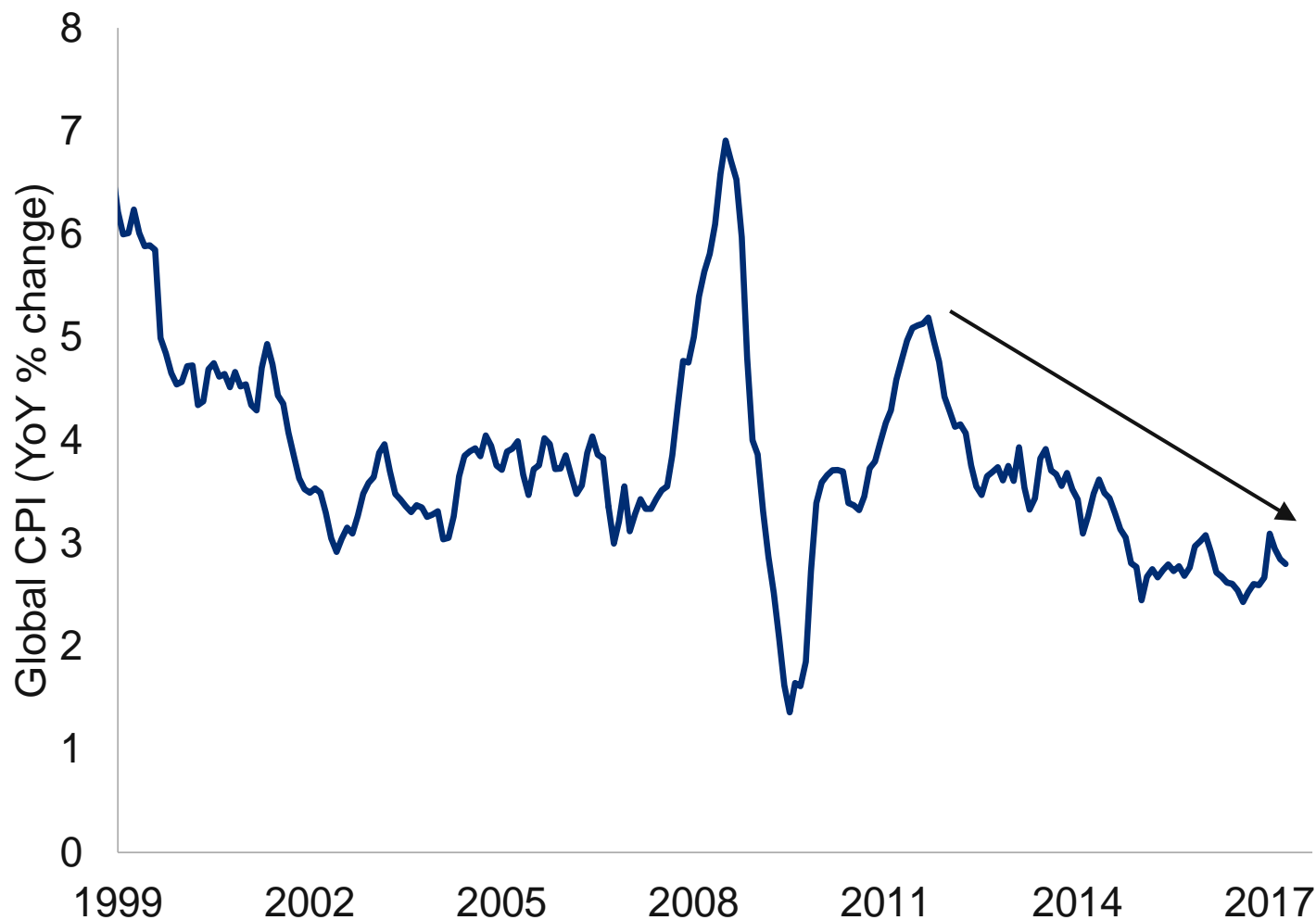


Note: PMI refers to Purchasing Managers Index for manufacturing sector, a measure for economic activity. Source: Haver Analytics, RBC GAM

Global Inflation No Longer Rock-Bottom but Still Fairly Low

Less Worries About Deflation, A Narrower Range For Expectations

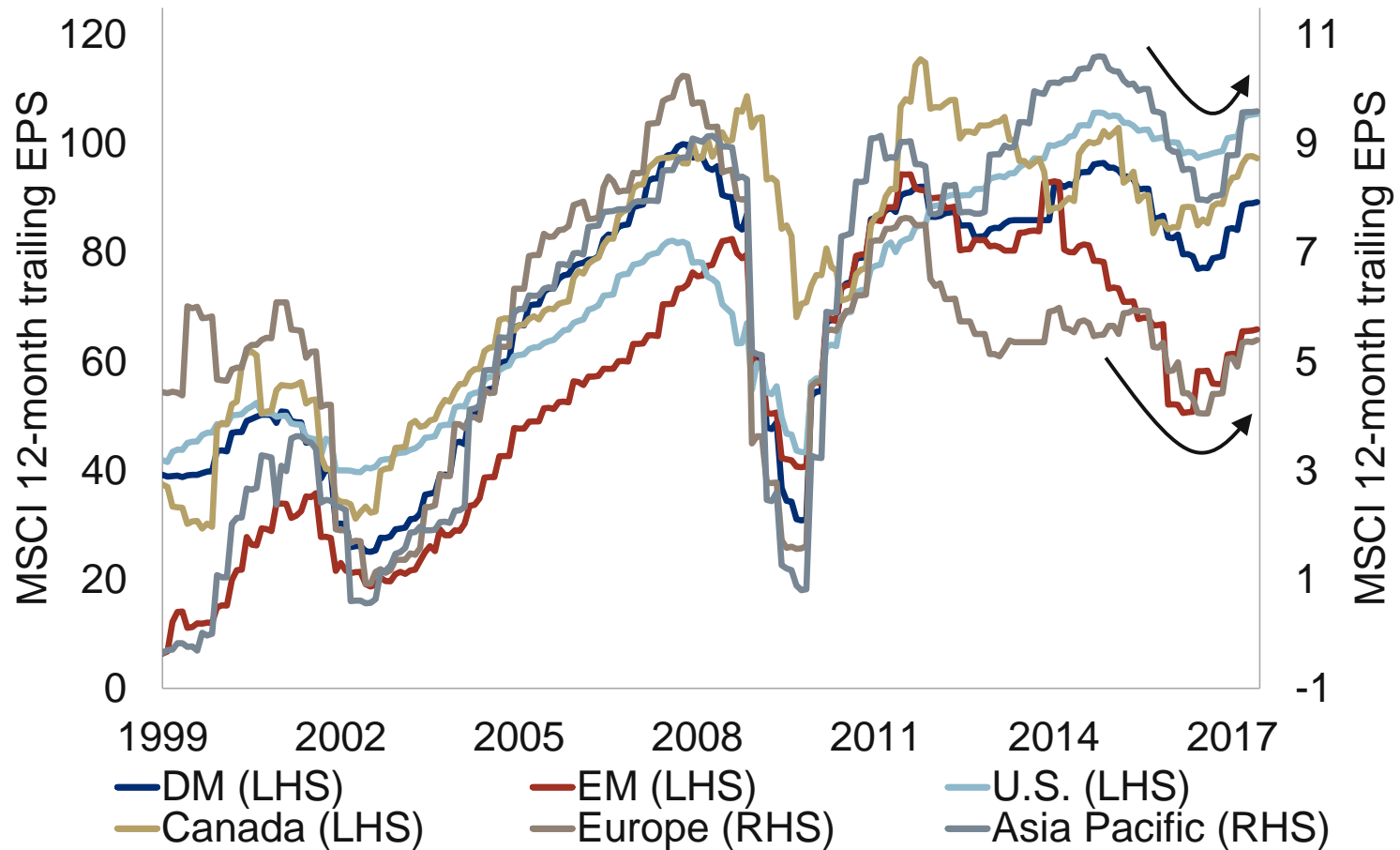
World inflation declines anew



Source: IMF, Haver Analytics, RBC GAM

Corporate Profits On the Rise Even Before Tax Cuts

Global corporate earnings on upswing



Note: Earnings per share (EPS) in U.S. dollars for developed markets (DM), emerging markets (EM), U.S. and Asia Pacific; euros for Europe; Canadian dollars for Canada. Source: MSCI, Bloomberg, RBC GAM

Headways in U.S. Labour Market

Wage Growth Improving

U.S. wage growth ascending steadily

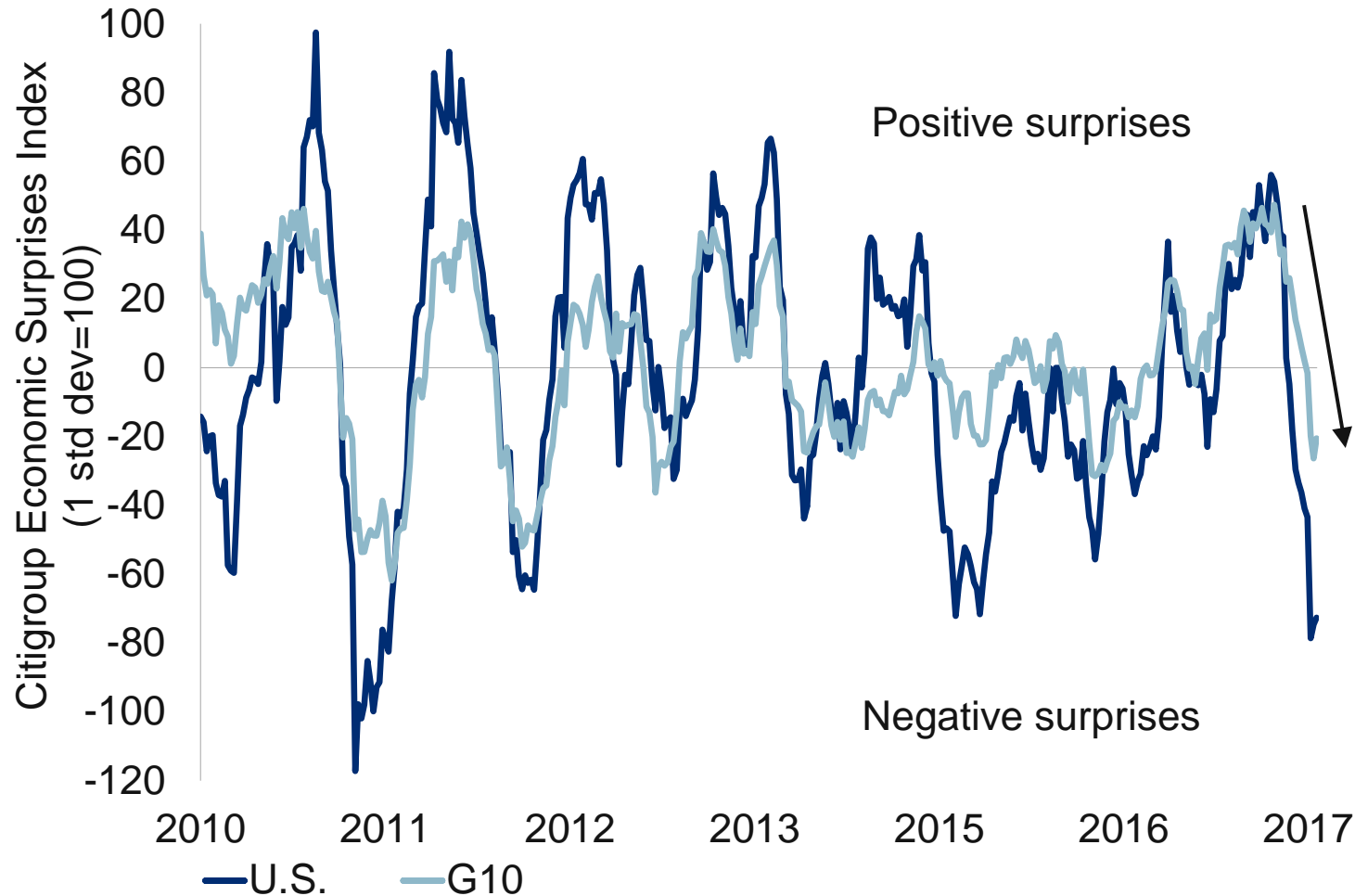


Note: 3-month moving average of median of year-over-year percent change of wages for job stayers. Source: Federal Reserve Bank of Atlanta, Haver Analytics, RBC GAM

Late Cycle Blues?

Economy no longer beating expectations

Global economic surprises submerged in negative territories

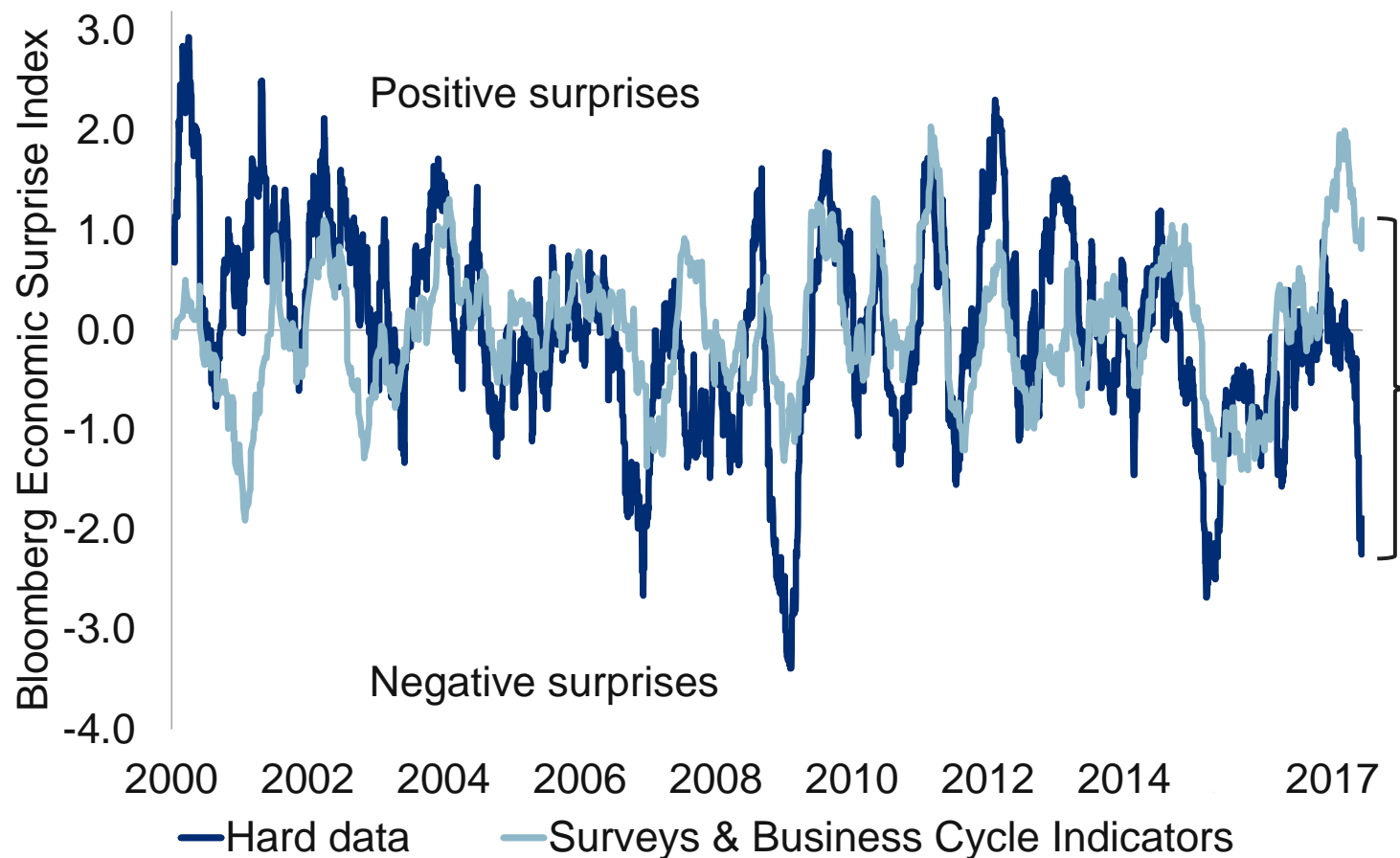


Source: Citigroup Alpha Surprise Index, Bloomberg, RBC GAM

Hard vs. Soft Data Disconnect

Concerning as Hard Data Measures True Economic Activity

Massive gap between soft and hard data surprises

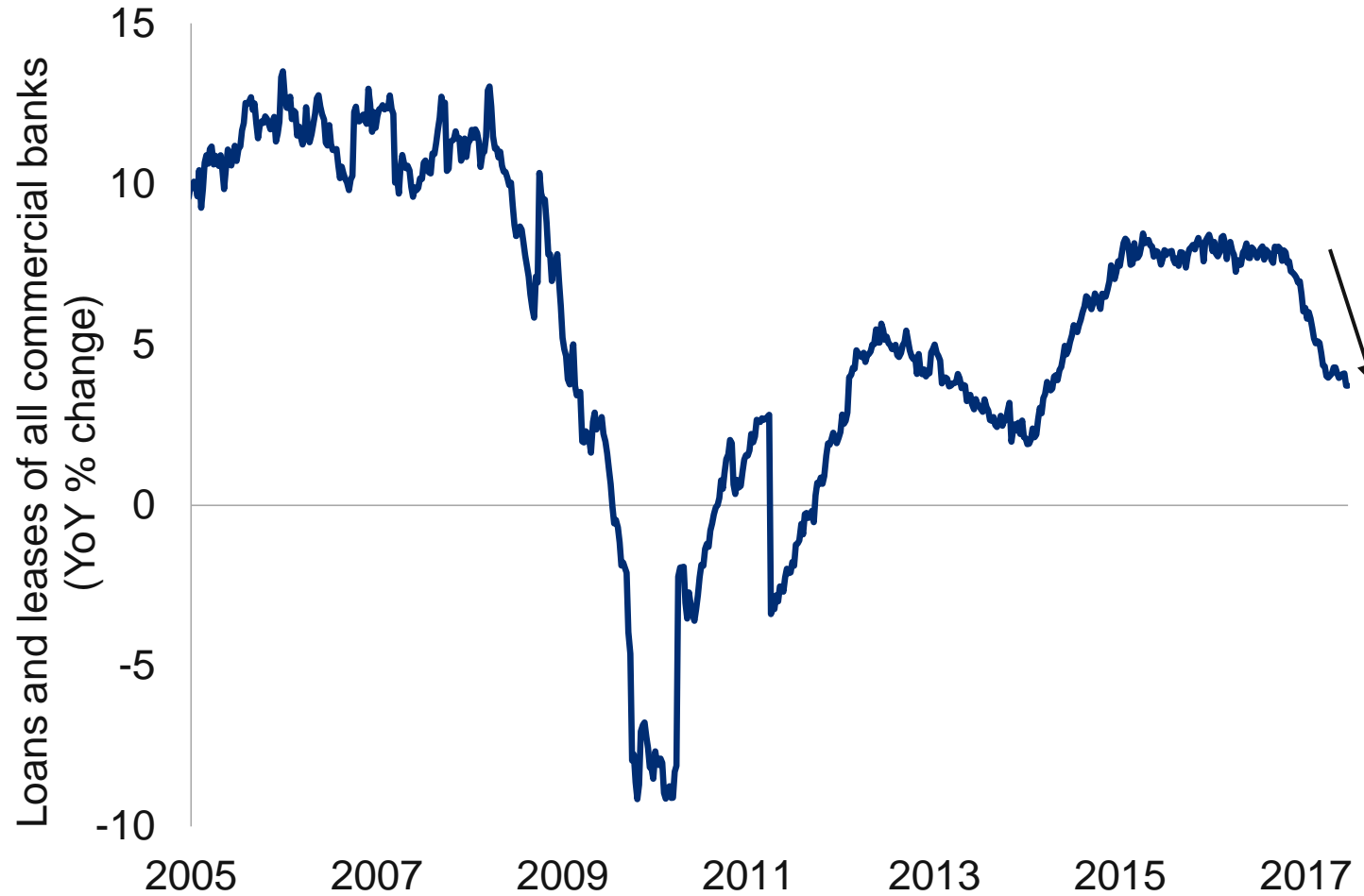


Note: Hard data estimated by averaging subcomponents that measure data surprises in industrial sector, housing and real estate, labor market, personal/household sector and retail and wholesale sector. Source: Morgan Stanley Research, Bloomberg, RBC GAM

U.S. Bank Lending Softens

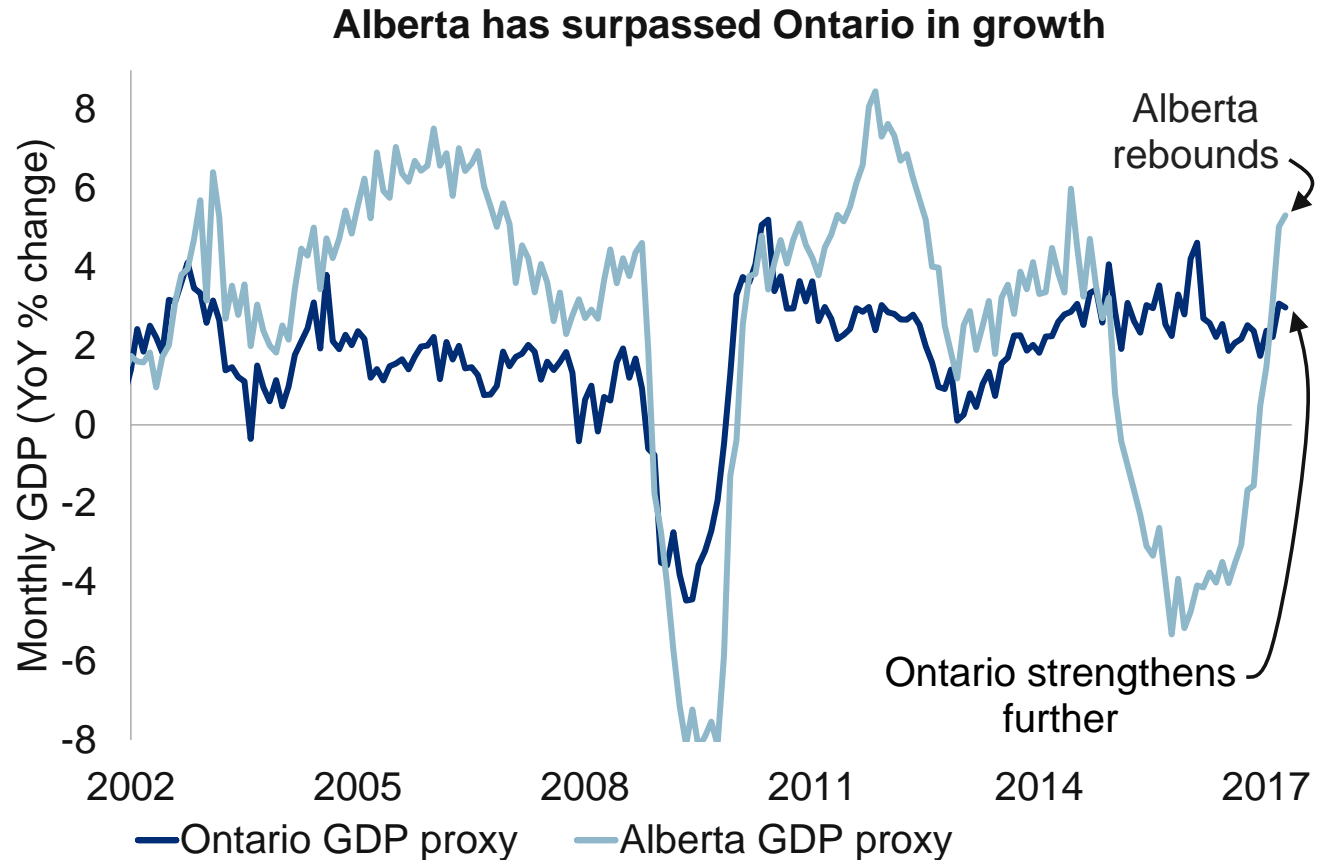
Banks Tightening Credit Standards

U.S. credit creation has slowed notably



Source: FRB, Haver Analytics, RBC GAM

Canadian Recovery Happened Faster than Expected



Note: Monthly provincial GDP estimated from available monthly economic variables, combined via principal component analysis and then regressed against annual provincial GDP. Source: Haver Analytics, RBC GAM

Canadian Labour Market

Strong Employment, but not yet Wages



Note: Employment in 22-month lead.

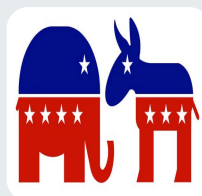
Source: Statistics Canada, Haver Analytics, RBC GAM

Key Themes for 2017 and Beyond



Better growth

- Synchronized uptick
- Peaking



U.S. fiscal policy

- Tax cuts and deregulation
- Tariffs, immigration, higher yields



Happy markets

- “Risk on” trade dominated
- Less forceful in future?



European politics

- Brexit could be softer
- Climbed EU election wall of worry



Rise of populism

- Growth negative/inflation positive
- Elevated uncertainty



Shifting policy priorities

- Monetary stimulus past peak
- But not a lot of fiscal stimulus



Retreat of globalization

- For a mix of natural and artificial reasons



Higher inflation

- From oil, economy, protectionism
- Now in temporary retreat

Source: RBC GAM

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