

Aon Hewitt
Investment Consulting

Performance Review and Investment Manager Evaluation

The City of Hamilton Master Trust

Period Ending 30 June 2015

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Executive Summary

Executive Summary

Commentary and Recommendations

As of 30 June 2015

| Mandate | Comments | Recommendations |
|-------------------|--|---|
| Total Fund | <ul style="list-style-type: none"> ▪ The Total Fund's Q2 return of -2.6% was slightly below the benchmark return. ▪ Positive asset allocation due to an overweight in global equities and underweight in bonds was more than offset by below-Index results within Canadian and global equities. ▪ The funded ratio increased to 70.0% from 68.7% at 31 March 2015. The bond allocation as of 30 June 2015 was within the range determined acceptable for the current ratio of 70%, therefore, the asset mix does not require rebalancing. ▪ The following SIPP regulation requirements were announced: <ul style="list-style-type: none"> • Pension plan administrators will need to file a SIPP with the Superintendent within the first 60 days of 2016; and • SIPPs must include information as to whether or not environmental, social and governance factors are incorporated into a plan's investment policies and procedures and, if so, how those factors are incorporated. • Effective March 2015, FSCO released investment guidance notes for 'prudent investment practices for derivatives' which identifies derivatives information that should be included in the SIPP. | <ul style="list-style-type: none"> ▪ Continue to monitor. ▪ A Statement of Investment Policies and Procedures (SIPP) is a requirement under current Federal and Provincial regulations. ▪ Aon Hewitt recommends updating the SIPP to comply with the regulatory requirements and filing it with the regulators by the 2016 deadline. |
| Guardian | <ul style="list-style-type: none"> ▪ Guardian's Q2 return of -2.3% trailed the Index return by 70 basis points. ▪ Zero exposure to the Health Care sector was the largest detractor. Overall stock selection also had a negative impact. ▪ Adam Low, Vice President, Equity Analyst, joined Guardian's Canadian Equity Team. | <ul style="list-style-type: none"> ▪ No action required. |
| Letko | <ul style="list-style-type: none"> ▪ Letko's Q2 return of -1.7% was 10 basis points below the Index return. ▪ Strong stock selection, particularly within the Industrials sector was more than offset by negative sector allocation. ▪ Sankalp Sachdeva joined the Letko as an analyst/portfolio manager while Kjeld Gattinger, an analyst/portfolio manager responsible for the technology and engineering & construction industries, left Letko. | <ul style="list-style-type: none"> ▪ No action required. |

Executive Summary

Commentary and Recommendations

As of 30 June 2015

| | | |
|------------------------|---|--|
| <p>Aberdeen</p> | <ul style="list-style-type: none"> ▪ Aberdeen's Q2 return of -2.6% continued to trail the Index return. ▪ Weak stock selection was the main source of underperformance. ▪ Aberdeen Asset Management Inc. announced that it has entered into an agreement to acquire Arden Asset Management, LLC, a provider of hedge fund solutions with offices in New York and London. The transaction is subject to regulatory approval from the UK FCA and notification to the Irish Central Bank. It is also subject to obtaining the approval of the Board of Trustees and shareholders of certain mutual funds. The aim is to complete the transaction during the fourth quarter of 2015. | <ul style="list-style-type: none"> ▪ Aberdeen's equity strategies (which accounted for £99 billion of AUM as at 30 June 2015) experienced £4.5 billion in net outflows over the quarter taking net outflows from its equity strategies over the last nine months to £8.5 billion. While we believe the level of net outflows experienced to date is manageable for Aberdeen's business, Aberdeen's relative equity performance has continued to deteriorate over the last quarter which could trigger further outflows. ▪ At this time, we retain our Qualified rating for the global equity strategies, but will continue to monitor the situation closely. ▪ Monitor performance and the manager carefully. |
| <p>Brandes</p> | <ul style="list-style-type: none"> ▪ Brandes' Q2 return of 0.1% was 120 basis points above the Index return. ▪ Strong stock selection within the Financials sector added the most value. | <ul style="list-style-type: none"> ▪ Continue to monitor. |
| <p>GMO</p> | <ul style="list-style-type: none"> ▪ GMO's Q2 return of -0.8% outperformed the Index return by 30 basis points. ▪ Both fund allocation and stock selection added value. | <ul style="list-style-type: none"> ▪ No action required. |
| <p>TDAM</p> | <ul style="list-style-type: none"> ▪ TDAM's long bond portfolio's Q2 return of -4.7% was 10 basis points below the Index return. ▪ A below-Index duration had a positive impact; however, this was more than offset by an overweight in long corporate bonds as well as selection in provincial bonds. | <ul style="list-style-type: none"> ▪ No action required. |

During the last quarter, we have produced papers on the following topics. Although these topics may not be directly applicable to your Fund, they may be of general interest and provide some insight into Aon Hewitt's global research. For copies of the papers, or for more details, please contact your Aon Hewitt Investment Consultant.

| Topic | Summary |
|---|--|
| <p>China Through Train</p> | <p>This paper examines the improving access that international investors are gaining to equity investment in China. Access to the domestic "A-Share" equity market has recently improved as the Chinese authorities have allowed investment in these shares through the "Shanghai-Hong Kong Stock Connect" scheme, otherwise known as the "through-train".</p> <p>This development is significant because it will provide an improved representation of the China opportunity set, these shares will likely be included into mainstream equity indices and alpha opportunities for active managers if this market should be enhanced. In a wider context, these changes represent one of many investment opportunities available to Emerging Market investors.</p> <p>http://www.aon.com/canada/attachments/thought-leadership/report_aon_All-Aboard-Through-Train.pdf</p> |
| <p>Reinsurance Investing</p> | <p>This paper highlights the potential benefits to investing in insurance linked securities. The reinsurance market is a large, diverse market which is expanding beyond the sphere of traditional reinsurance companies. The demand for reinsurance capital has increased significantly over recent years and it is now possible for investors to access this market through various avenues. Importantly, the returns and risks of catastrophe reinsurance are generated through the occurrence and severity of peak perils: hurricanes, windstorms, earthquakes, etc. This less-correlated return stream, with true independence of risk, provides diversification within a portfolio of more traditional financial assets which are subject to common and potentially systemic macroeconomic risks.</p> <p>http://www.aon.com/canada/attachments/thought-leadership/report_aon_reinsurance-investing-june2015.pdf</p> |
| <p>Global Equity – What's the Benchmark</p> | <p>This paper discusses the use of the two main global equity indexes, MSCI World and MSCI All Country World Index.</p> <p>Most investors, especially in Canada, are using either the MSCI World Index or the MSCI All Country World Index ("ACWI") to benchmark their active global equity managers depending on the managers' exposure to emerging markets. We believe that the choice of indices should depend on the active equity managers' allowable exposure to emerging markets. Given most unconstrained managers have or can have some exposure to emerging markets; we believe using the MSCI ACWI to be the most appropriate for monitoring relative performance given the increased opportunity set.</p> <p>http://www.aon.com/canada/attachments/thought-leadership/investment_insights/pub_aon_investment-insights-July2015.pdf</p> |
| <p>Understanding How Much Alternative Assets Your Portfolio Can Handle</p> | <p>This paper discusses managing liquidity risk for Defined Benefit Plans with de-risking glide paths.</p> <p>Many defined benefit plans with de-risking glide paths can use alternative assets to improve their de-risking programs due to such assets' return potential and diversification benefits. But it is critical to ensure that any illiquidity risk is tolerable. The specific level of illiquid assets a pension plan can hold is highly customized to its circumstances, including cash outflows, cash inflows, asset allocation glide path and potential "events" like pension liability settlements. Investors considering alternative assets should perform multi-year stress-testing projections to understand their liquidity profile.</p> <p>http://www.aon.com/canada/attachments/thought-leadership/report_aon_alternative-assets-072015.pdf</p> |

Executive Summary

Trailing Period Performance

As of 30 June 2015

| | Allocation | | Performance (%) | | | | | | | | | |
|---------------------------------------|----------------------|-------|-----------------|--------------|-----------|-----------|-----------|-----------|-----------|-----------|--|--|
| | Market Value (\$000) | % | 1 Quarter | Year To Date | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years | 10 Years | | |
| Total Fund | 333,647 | 100.0 | -2.5 (100) | 3.7 (72) | 6.3 (74) | 12.9 (70) | 11.8 (84) | 9.3 (54) | 9.9 (75) | 6.5 (75) | | |
| Benchmark Value Added | | | -2.6 (100) | 4.5 (59) | 8.3 (52) | 13.6 (51) | 11.2 (94) | 8.6 (78) | 9.5 (79) | 6.6 (74) | | |
| | | | 0.0 | -0.8 | -2.0 | -0.7 | 0.6 | 0.7 | 0.4 | -0.1 | | |
| Canadian Equities | 96,327 | 28.9 | -1.9 (85) | -0.2 (72) | 1.1 (50) | 14.5 (50) | 16.0 (19) | 10.1 (10) | 12.3 (12) | 9.0 (13) | | |
| Guardian (including cash) | 34,325 | 10.3 | -2.3 (92) | -0.4 (78) | 0.7 (54) | 13.0 (65) | 11.7 (80) | 7.8 (51) | 10.5 (47) | 7.3 (57) | | |
| S&P/TSX Composite Value Added | | | -1.6 (69) | 0.9 (60) | -1.2 (69) | 12.8 (66) | 11.1 (85) | 5.3 (91) | 8.3 (88) | 6.9 (72) | | |
| | | | -0.7 | -1.3 | 1.9 | 0.2 | 0.6 | 2.5 | 2.2 | 0.4 | | |
| Letko (including cash) | 62,002 | 18.6 | -1.7 (70) | 0.0 (70) | 1.4 (48) | 15.3 (43) | 18.2 (6) | 11.3 (7) | 13.1 (9) | 9.9 (5) | | |
| S&P/TSX Composite Value Added | | | -1.6 (69) | 0.9 (60) | -1.2 (69) | 12.8 (66) | 11.1 (85) | 5.3 (91) | 8.3 (88) | 6.9 (72) | | |
| | | | -0.1 | -0.9 | 2.6 | 2.5 | 7.1 | 6.0 | 4.8 | 3.0 | | |
| Global Equities | 102,055 | 30.6 | -1.5 (78) | 9.1 (88) | 10.5 (92) | 17.1 (93) | 17.6 (95) | 13.5 (88) | 14.3 (87) | 3.9 (100) | | |
| Aberdeen | 40,896 | 12.3 | -2.6 (94) | 6.3 (97) | 7.6 (96) | 14.7 (97) | 15.4 (97) | 12.5 (92) | 13.7 (96) | - | | |
| MSCI World (Net) (CAD) Value Added | | | -1.1 (64) | 10.6 (77) | 18.9 (62) | 22.0 (61) | 22.3 (61) | 16.4 (64) | 16.8 (57) | 6.6 (80) | | |
| | | | -1.5 | -4.3 | -11.3 | -7.3 | -6.9 | -3.9 | -3.1 | - | | |
| Brandes | 17,044 | 5.1 | 0.1 (29) | 12.0 (52) | 15.3 (81) | 23.2 (40) | 24.5 (30) | 17.4 (45) | 17.4 (50) | 5.5 (92) | | |
| MSCI World (Net) (CAD) Value Added | | | -1.1 (64) | 10.6 (77) | 18.9 (62) | 22.0 (61) | 22.3 (61) | 16.4 (64) | 16.8 (57) | 6.6 (80) | | |
| | | | 1.2 | 1.4 | -3.6 | 1.2 | 2.2 | 1.0 | 0.6 | -1.1 | | |
| GMO | 44,115 | 13.2 | -0.8 (57) | 11.4 (64) | 12.5 (89) | 18.3 (87) | 18.7 (91) | 14.5 (82) | 14.9 (83) | - | | |
| MSCI World (Net) (CAD) Value Added | | | -1.1 (64) | 10.6 (77) | 18.9 (62) | 22.0 (61) | 22.3 (61) | 16.4 (64) | 16.8 (57) | 6.6 (80) | | |
| | | | 0.3 | 0.8 | -6.4 | -3.7 | -3.6 | -1.9 | -1.9 | - | | |
| Bonds | 133,500 | 40.0 | -4.1 | 2.7 | 7.5 | 7.8 | 3.7 | 5.4 | 5.3 | 5.2 | | |
| TDAM Long Bonds | 68,152 | 20.4 | -4.7 (82) | 1.9 (86) | 9.0 (86) | 8.5 (76) | 4.9 (56) | - | - | - | | |
| FTSE TMX Long Term Bond Value Added | | | -4.6 (69) | 2.2 (59) | 10.1 (34) | 8.9 (47) | 4.8 (66) | 8.1 (49) | 7.9 (60) | 6.6 (59) | | |
| | | | -0.1 | -0.3 | -1.1 | -0.4 | 0.1 | - | - | - | | |
| TDAM Real Return Bonds | 65,274 | 19.6 | -3.5 | 3.3 | 5.8 | 7.0 | 1.5 | - | - | - | | |
| FTSE TMX Real Return Bond Value Added | | | -3.7 | 3.4 | 5.6 | 6.9 | 1.0 | 4.3 | 5.7 | 5.4 | | |
| | | | 0.2 | -0.1 | 0.2 | 0.1 | 0.5 | - | - | - | | |
| Operating Account | 1,765 | 0.5 | | | | | | | | | | |

Parentheses contain percentile rankings.



Executive Summary

Trailing Period Performance

As of 30 June 2015

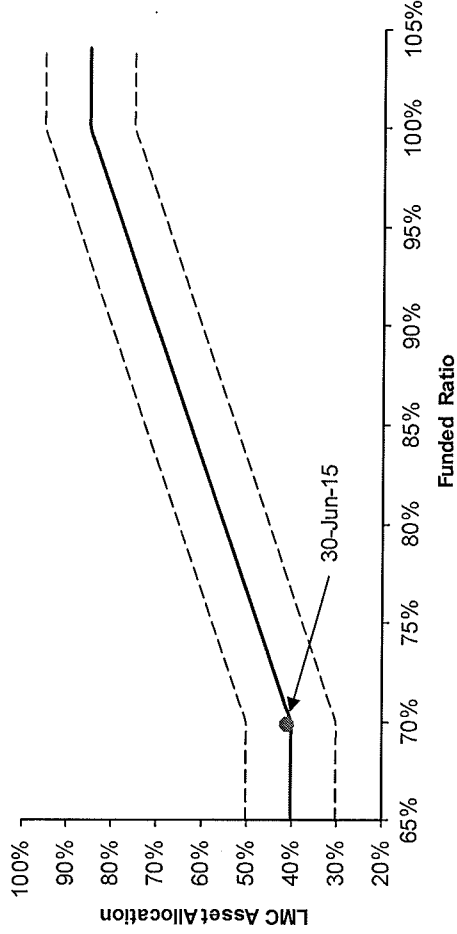
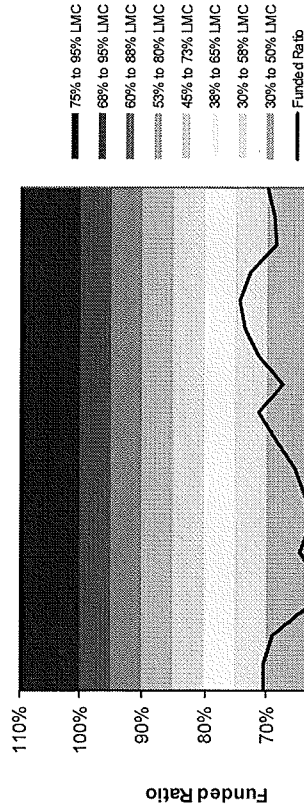
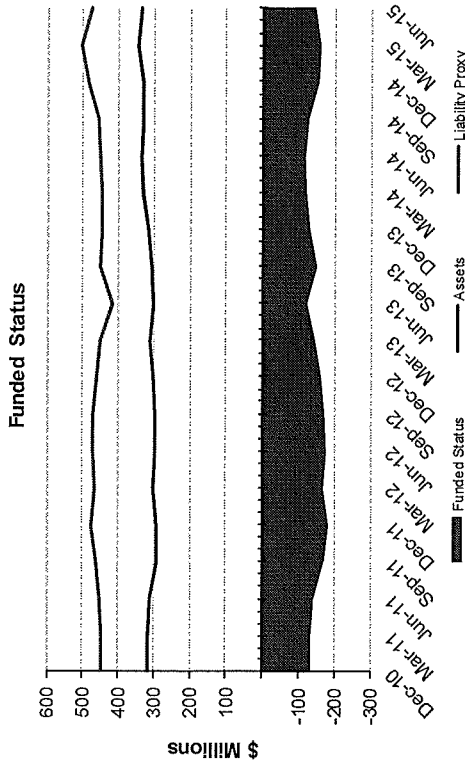
| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---------------------------|-----------|-----------|-----------|------------|-----------|-----------|------------|------------|-----------|-----------|-----------|
| Total Fund | 6.3 (74) | 19.8 (29) | 9.6 (73) | 2.3 (18) | 12.1 (91) | 7.7 (48) | -9.4 (57) | -5.4 (89) | 17.6 (4) | 8.2 (33) | 10.8 (64) |
| Benchmark | 8.3 (52) | 19.1 (42) | 6.5 (96) | 1.4 (29) | 13.2 (69) | 8.1 (44) | -10.6 (68) | 0.3 (33) | 14.6 (50) | 8.2 (33) | 11.1 (56) |
| Value Added | -2.0 | 0.7 | 3.1 | 0.9 | -1.1 | -0.4 | 1.2 | -5.7 | 3.0 | 0.0 | -0.3 |
| Canadian Equities | 1.1 (50) | 29.7 (49) | 19.0 (14) | -5.9 (20) | 21.4 (43) | 11.0 (55) | -21.1 (56) | -0.6 (66) | 30.6 (5) | 16.7 (63) | 19.8 (40) |
| Guardian (including cash) | 0.7 (54) | 26.7 (81) | 9.3 (82) | -3.1 (8) | 21.6 (40) | 4.6 (99) | -22.3 (45) | 4.0 (43) | 29.0 (11) | 13.3 (81) | 17.7 (64) |
| S&P/TSX Composite | -1.2 (69) | 28.7 (68) | 7.9 (95) | -10.3 (56) | 20.9 (54) | 12.0 (44) | -25.7 (62) | 6.7 (31) | 22.7 (62) | 19.6 (43) | 18.0 (61) |
| Value Added | 1.9 | -2.0 | 1.4 | 7.2 | 0.7 | -7.4 | 3.4 | -2.7 | 6.3 | -6.3 | -0.3 |
| Leiko (including cash) | 1.4 (48) | 31.1 (29) | 24.2 (1) | -6.9 (25) | 20.4 (62) | 14.2 (17) | -17.4 (16) | -3.1 (75) | 29.7 (11) | 17.7 (55) | 20.4 (35) |
| S&P/TSX Composite | -1.2 (69) | 28.7 (68) | 7.9 (95) | -10.3 (56) | 20.9 (54) | 12.0 (44) | -25.7 (62) | 6.7 (31) | 22.7 (62) | 19.6 (43) | 18.0 (61) |
| Value Added | 2.6 | 2.4 | 16.3 | 3.4 | -0.5 | 2.2 | 8.3 | -9.8 | 7.0 | -1.9 | 2.4 |
| Global Equities | 10.5 (92) | 23.9 (71) | 18.6 (83) | 2.0 (29) | 17.6 (61) | -0.1 (80) | -21.2 (68) | -27.0 (98) | 23.1 (23) | 6.5 (73) | -0.3 (79) |
| Aberdeen | 7.6 (96) | 22.2 (82) | 17.0 (88) | 4.3 (18) | 18.3 (53) | - | - | - | - | - | - |
| MSCI World (Net) (CAD) | 18.9 (62) | 25.2 (59) | 22.7 (58) | 0.4 (47) | 18.5 (52) | 0.8 (69) | -19.3 (57) | -14.8 (61) | 18.2 (64) | 6.2 (78) | 0.5 (70) |
| Value Added | -11.3 | -3.0 | -5.7 | 3.9 | -0.2 | - | - | - | - | - | - |
| Brandes | 15.3 (81) | 31.6 (6) | 27.3 (21) | -1.5 (61) | 17.2 (64) | -0.4 (83) | -21.2 (68) | -27.5 (99) | 25.9 (12) | 6.5 (75) | -0.2 (77) |
| MSCI World (Net) (CAD) | 18.9 (62) | 25.2 (59) | 22.7 (58) | 0.4 (47) | 18.5 (52) | 0.8 (69) | -19.3 (57) | -14.8 (61) | 18.2 (64) | 6.2 (78) | 0.5 (70) |
| Value Added | -3.6 | 6.4 | 4.6 | -1.9 | -1.3 | -1.2 | -1.9 | -12.7 | 7.7 | 0.3 | -0.7 |
| GMO | 12.5 (89) | 24.3 (69) | 19.5 (81) | 2.9 (22) | 16.6 (70) | - | - | - | - | - | - |
| MSCI World (Net) (CAD) | 18.9 (62) | 25.2 (59) | 22.7 (58) | 0.4 (47) | 18.5 (52) | 0.8 (69) | -19.3 (57) | -14.8 (61) | 18.2 (64) | 6.2 (78) | 0.5 (70) |
| Value Added | -6.4 | -0.9 | -3.2 | 2.5 | -1.9 | - | - | - | - | - | - |
| Bonds | 7.5 | 8.1 | -3.9 | 10.4 | 5.0 | 7.8 | 6.9 | 6.6 | 4.7 | -0.4 | 12.2 |
| TDAM Long Bonds | 9.0 (86) | 8.0 (42) | -2.0 (27) | - | - | - | - | - | - | - | - |
| FTSE TMX Long Term Bond | 10.1 (34) | 7.6 (72) | -2.9 (84) | 18.8 (27) | 7.0 (64) | 10.9 (82) | 4.6 (76) | 6.9 (66) | 6.2 (78) | -1.3 (88) | 20.9 (44) |
| Value Added | -1.1 | 0.4 | 0.9 | - | - | - | - | - | - | - | - |
| TDAM Real Return Bonds | 5.8 | 8.2 | -8.5 | - | - | - | - | - | - | - | - |
| FTSE TMX Real Return Bond | 5.6 | 8.1 | -9.9 | 14.9 | 11.7 | 12.2 | -3.8 | 15.2 | 0.1 | 2.9 | 14.2 |
| Value Added | 0.2 | 0.1 | 1.4 | - | - | - | - | - | - | - | - |

Parenttheses contain percentile rankings.

Executive Summary

Funded Status and Glide Path Information

As of 30 June 2015



Snapshot (Wind-Up)

| | 30-Sep-14 | 31-Dec-14 | 31-Mar-15 | 30-Jun-15 |
|--------------------------------------|-----------|-----------|-----------|-----------|
| Market value of assets (\$ Millions) | \$330.2 | \$330.5 | \$347.2 | \$333.6 |
| Liability proxy (\$ Millions) | \$454.1 | \$483.2 | \$505.6 | \$476.7 |
| Funded status (\$ Millions) | (\$123.9) | (\$152.7) | (\$158.4) | (\$143.1) |
| Funded ratio | 72.7% | 68.4% | 68.7% | 70.0% |
| Current LMC Asset Allocation | 38.2% | 39.4% | 40.5% | 40.5% |

Rebalancing

- The rebalancing strategy for this plan requires that assets be rebalanced to the target allocation (indicated by the red line) whenever the LMC Asset Allocation falls outside of the range deemed acceptable for a given funded ratio (indicated by the dashed lines).
- Because the LMC Asset Allocation as of June 30, 2015 is within the range determined acceptable for the current funded ratio (70%), the asset mix does not require rebalancing.