

Investment Manager’s Report to The Members of NDT Industry Pension Plan 2019 Review

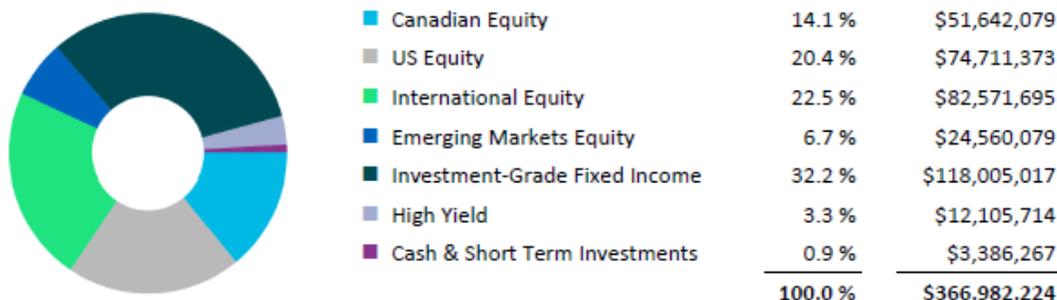
A. Background of The Plan’s Investment Manager - Leith Wheeler Investment Counsel Ltd.

Leith Wheeler Investment Counsel Ltd. is an independent, Vancouver-based investment manager managing client assets of \$21.3 billion. The firm was formed in 1982 and currently comprises 98 employees, including 45 portfolio managers and investment analysts. The firm is owned by the employees. Leith Wheeler has been managing assets for the Plan since 2005.

B. Investment Objectives and Constraints of the Pension Plan

The investment manager is expected to maintain a high quality, diversified portfolio at all times. The Leith Wheeler portfolio has a conservative long term target asset allocation of 37% in bonds and 63% in equity. Our portfolio was slightly overweight equities in December and underweight bonds, as can be seen in the pie chart below.

C. Portfolio Asset Allocation at December 31, 2019



Benchmark	Weight
TSX Composite	14.0 %
S&P 500 (C\$)	20.0 %
MSCI EAFE - Net (C\$)	20.0 %
MSCI Emerging Markets - Net (C\$)	9.0 %
FTSE Canada Universe	37.0 %

D. Investment Performance and Commentary for 2019

What a difference a year makes. 2018 ended with markets under pressure and many stock indices falling over 10%. We wrote in our fourth quarter 2018 report that negative headlines about global trade concerns had probably become too pessimistic and that fundamental economic conditions were still quite strong. As a result, with more attractive valuations we positioned your portfolio with an overweight to stocks heading into 2019 which worked out very well.

Most of the major equity markets across the globe provided double-digit returns during the year. Our equity portfolios also delivered strong returns but had difficulty keeping up with the hot markets of 2019, which saw the continued dominance of several expensive technology stocks. Bond returns were also strong, as

accommodative central bank policy pushed bond yields lower for most of the year.

For The Members of NDT Industry Pension Plan during 2019, the performance was 13.3%. The target (benchmark performance) for 2019 was 15.1%. Over the last five years, the portfolio has been growing at 6.6% per annum, while the target (benchmark performance) was 6.7%.

Heading into 2020, we felt that stock prices were reasonable, given low interest rates and a calming of trade wars, but we knew that valuations were not cheap. Given this backdrop, we had trimmed back stocks in your portfolio. Little did we know that in incredibly short order, we would be dealing with the most dramatic event in our lifetimes. It is not an exaggeration to label the first quarter of 2020 a one in 100-year event. Markets responded swiftly to the Coronavirus spread with Canadian, US and international equity indices all declining in the first quarter of 2020.

While the circumstances we are living through are amongst the most challenging we have ever faced in our lifetimes, it has also created opportunity for long term investors. The market volatility and broad-based selloff has provided a unique environment for us to invest in companies at prices we have not seen since the Global Financial Crisis in 2008. We have been able to add a number of new companies to your portfolio that we have followed for years but were previously too expensive for us to own.

Throughout our history as long-term, value investors we have always viewed periods of uncertainty as opportunities to further improve the quality of the portfolio. We have gone through many bear markets and challenging periods before but, inevitably, things recover. The ability to add to high quality companies at prices we have not seen in over a decade will benefit your portfolio as markets recover over time.

We appreciate your support, and I would be pleased to answer any questions that you may have.

Yours truly,



Perry Teperson
Vice President, Portfolio Manager
Leith Wheeler Investment Counsel Ltd.

To read the latest insights and perspectives from our team: www.leithwheeler.com