INDEPENDENT AUDITORS’ REPORT

To the Administrator

We have audited the calculation of the combined average annual rate of return for the Contributory Pension Plan for Salaried Employees of McMaster University, including McMaster Divinity College 2000, for the year ended June 30, 2017. The financial information has been prepared in accordance with the approved amendments to Section 2.13 of The Plan text dated July 1, 2002.

Management’s Responsibility for the Financial Information

Management is responsible for the preparation of the financial information in accordance with the approved amendments to Sections 2.13 of The Plan text dated July 1, 2002, and for such internal control as management determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the financial information based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial information whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Opinion

In our opinion, the combined average annual rate of return of 10.07% for The Contributory Pension Plan for Salaried Employees of McMaster University, including McMaster Divinity College 2000, for the year ended June 30, 2017, is prepared, in all material respects, in accordance with the approved amendments to Sections 2.13 of The Plan text dated July 1, 2002.

Chartered Professional Accountants, Licensed Public Accountants

November 20, 2017
Hamilton, Canada
McMASTER UNIVERSITY
CONTRIBUTORY PENSION PLAN FOR SALARIED EMPLOYEES
AVERAGE ANNUAL RATE OF RETURN FOR YEAR ENDING JUNE 30, 2017
(in thousands of dollars)

<table>
<thead>
<tr>
<th>Income</th>
<th>Plan 2000</th>
<th>Original Plan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2)</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>41,698</td>
<td>78</td>
<td>41,776</td>
</tr>
<tr>
<td>Net realized gain on sale of investments</td>
<td>45,409</td>
<td>85</td>
<td>45,494</td>
</tr>
<tr>
<td>Net realized gain/(loss) on sale of units in the Master Trust Fund</td>
<td>13,140</td>
<td>3</td>
<td>13,143</td>
</tr>
<tr>
<td>Change in net unrealized gain/(loss) in investments</td>
<td>96,826</td>
<td>203</td>
<td>97,029</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>197,073</strong></td>
<td><strong>369</strong></td>
<td><strong>197,442</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Plan 2000</th>
<th>Original Plan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment managers</td>
<td>5,157</td>
<td>10</td>
<td>5,167</td>
</tr>
<tr>
<td>Professional</td>
<td>387</td>
<td>4</td>
<td>391</td>
</tr>
<tr>
<td>Administrative</td>
<td>298</td>
<td>0</td>
<td>298</td>
</tr>
<tr>
<td>Trustee and custodial</td>
<td>258</td>
<td>3</td>
<td>261</td>
</tr>
<tr>
<td>Pension filing</td>
<td>47</td>
<td></td>
<td>47</td>
</tr>
<tr>
<td>Audit &amp; Review</td>
<td>18</td>
<td>8</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>5,185</strong></td>
<td><strong>25</strong></td>
<td><strong>5,210</strong></td>
</tr>
</tbody>
</table>

Net Income (Loss) | 190,908 | 344 | 191,252

Net Assets Market Value June 30, 2016 | 1,708,925 | 3,132 | 1,712,057
Net Assets Market Value June 30, 2017 | 1,903,823 | 3,638 | 1,907,461

\[
\text{2017 Rate of Return (1)} \quad \frac{1,907,461 - 1,712,057}{1,712,057} \times 100 = 11.16\%
\]

Calculation of Five Year Average

\[
\% = \frac{11.16 + 1.71 + 8.31 + 18.40 + 10.79}{5} = 10.07\%
\]

(1) Formula as established
(2) Amounts as reported on June 30, 2017 Audited Statements
THE CONTRIBUTORY PENSION PLAN FOR
SALARIED EMPLOYEES OF MCMASTER UNIVERSITY
INCLUDING McMASTER DIVINITY COLLEGE AND THE
CONTRIBUTORY PENSION PLAN FOR SALARIED
EMPLOYEES OF MCMASTER UNIVERSITY, INCLUDING
MCMASTER DIVINITY COLLEGE 2000

Note to the Auditors’ Report

For the year ended June 30, 2017

1. Combined average annual rate of return:

The combined average annual rate of return was determined by combining the results for the year ended June 30, 2017, of the fund of The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College and the fund of The Contributory Pension Plan for Salaried Employees of McMaster University including McMaster Divinity College 2000.