

June 30, 2015 Endowment Quarterly Investment Report

Performance Review

University of Guelph Endowment Funds

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Endowment Funds Results Overview

(Gross Returns for the 12 months ended June 30th, 2015)

The Total Endowment Funds returned 8.2% for the last 12 months versus 11.1% for the benchmark.

Canadian Equity

- The Canadian equity portfolio lost 3.5% over the past year, 2.3% below the return of the S&P/TSX index.
- Both the plan's Canadian equity managers (Burgundy, Sionna) underperformed the index for the year.
- The lack of dedicated small cap exposure helped returns as small caps underperformed large caps by more than 13% over the past year.

Non-North American Equity

- In Canadian dollars, non-North American equity underperformed the U.S. but outperformed Canada with a return of 12.7% for developed markets and 11.6% for emerging markets.
- The developed markets managers (with 17.3% of the total endowment funds) performed poorly in the past year. LSV and Tweedy Browne underperformed the MSCI EAFE benchmark by 0.5% and 3.1% respectively.
- The emerging markets manager (LSV) slightly lagged MSCI Emerging Markets index by 1.9% over the past year, although it outperformed over two and three years.

U.S. Equity

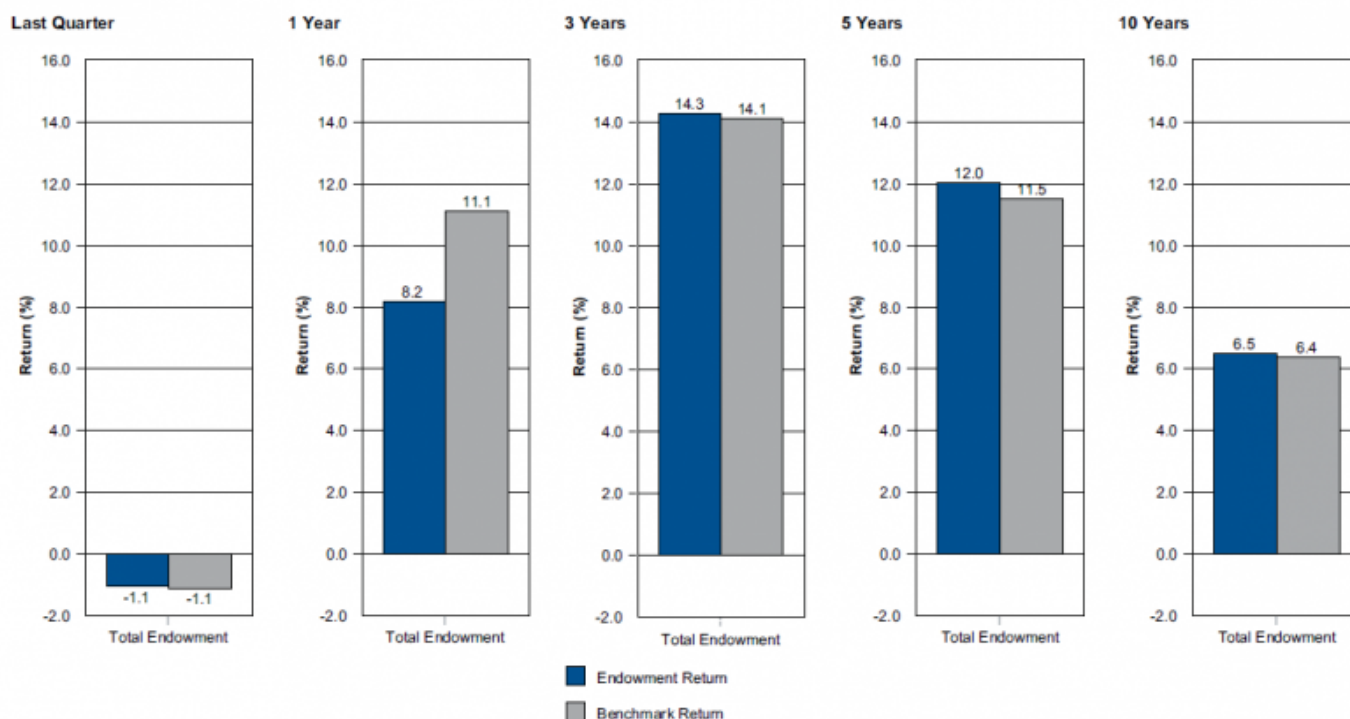
- U.S. equity markets performed extremely well in Canadian dollar terms with a one-year return of 25.9% for the S&P500.
- The Endowment's U.S. equity investments performed well with a return of 26.6%, outperforming the benchmark by 70 basis points.
- While the U.S. large cap manager (Fiduciary) lagged the S&P500 index by 70 basis points, significant value was added versus their respective indexes by the small-(6.5%) and mid-cap (9.5%) portfolios managed by Wedge.

Fixed Income

- The Canadian fixed income portfolio is indexed to the FTSE TMX Universe and, as expected, closely matched its return of 6.3%
- The cash return was negative due to losses on internal foreign exchange transactions.
- The Infrastructure portfolio managed by Brookfield outperformed its index by 25.5% in one year. There is a large difference between the gross and net of fees returns due to accounting adjustments that occurred in August 2014.
- Currency hedging, which is implemented for risk control rather than to generate returns, was a drag on performance over the past year as it cost the portfolio 3.2%.

Total Endowment Portfolio Vs Endowment Policy Benchmark

As of June 30, 2015 (Gross of Fees, Annualized for Periods over 1 year)



Returns are presented gross of fees in CAD

Endowment Policy Benchmark: 27.5% FTSE TMX Bond Universe + 5% Infrastructure (CPI+5%) + 20% S&P/TSX Composite + 25% S&P 500(\$CAD) + 17.5% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index.

Annualized Asset Class Performance

As of June 30, 2015 (Gross of Fees)

| | Allocation | Performance(%) | | | | | | | | | | |
|-------------------------|-----------------|----------------|---------|---------|---------|---------|---------|---------|---------|---------|-------|-----|
| | Market % of | Year to 1 | 2 Years | 3 Years | 4 Years | 5 Years | 6 Years | 7 Years | 8 Years | 9 Years | 10 | |
| | Value Portfolio | Date | Year | Years | Years | Years | Years | Years | Years | Years | Years | |
| | (\$) | | | | | | | | | | | |
| Canadian Equity | 62,608, 18.5 | 0.0 | -3.5 | 10.6 | 13.3 | 7.8 | 9.3 | 9.9 | 5.3 | 5.1 | 6.9 | 7.5 |
| S&P/TSX Composite Index | 131 | | | | | | | | | | | |
| Relative Performance | | 0.9 | -1.2 | 12.8 | 11.1 | 5.3 | 8.3 | 8.9 | 3.1 | 3.5 | 5.5 | 6.9 |
| | | -0.9 | -2.3 | -2.2 | 2.0 | 2.5 | 1.0 | 1.0 | 2.2 | 1.6 | 1.4 | 0.6 |
| US Equity | 90,748, 26.8 | 10.2 | 26.6 | 27.0 | 27.4 | 22.1 | 21.8 | 20.9 | 15.6 | 10.3 | 10.8 | 9.2 |
| S&P 500 | 842 | | | | | | | | | | | |
| Relative Performance | | 9.1 | 25.9 | 25.9 | 25.5 | 21.8 | 21.2 | 18.3 | 12.7 | 8.5 | 9.2 | 8.1 |
| | | 1.1 | 0.7 | 1.1 | 1.9 | 0.3 | 0.6 | 2.6 | 2.9 | 1.8 | 1.6 | 1.1 |
| Non- | 70,561, 20.8 | 12.4 | 10.8 | 18.6 | 20.2 | 14.2 | 14.5 | 13.2 | 9.2 | 5.5 | 6.1 | 6.5 |

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Equity

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Fees)

| | | | | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|
| Endowment Policy Benchmark | 6.7 | 11.1 | 15.1 | 14.1 | 10.8 | 11.5 | 10.4 | 6.8 | 5.3 | 6.3 | 6.4 |
| Relative Performance | -2.0 | -3.7 | -1.9 | -0.4 | 0.3 | 0.0 | 0.5 | 1.1 | 0.1 | 0.0 | -0.4 |
| Total Endowment (Gross of Fees) | 5.0 | 8.2 | 13.9 | 14.3 | 11.1 | 12.0 | 11.5 | 8.4 | 6.0 | 6.8 | 6.5 |
| Endowment Policy Benchmark | 6.7 | 11.1 | 15.1 | 14.1 | 10.8 | 11.5 | 10.4 | 6.8 | 5.3 | 6.3 | 6.4 |
| Relative Performance | -1.7 | -2.9 | -1.2 | 0.2 | 0.3 | 0.5 | 1.1 | 1.6 | 0.7 | 0.5 | 0.1 |
| Total Endowment ex. Currency Overlay | 6.8 | 11.4 | 15.9 | 15.8 | 12.3 | N/A | N/A | N/A | N/A | N/A | N/A |
| Relative Performance | 0.1 | 0.3 | 0.8 | 1.7 | 1.5 | N/A | N/A | N/A | N/A | N/A | N/A |
| Effect of Passive Currency Hedge | -1.8 | -3.2 | -2.0 | -1.5 | -1.2 | N/A | N/A | N/A | N/A | N/A | N/A |

Endowment Policy Benchmark: 27.5% FTSE TMX Bond Universe + 5% Infrastructure (CPI+5%) + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 17.5% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index.

All returns are reported gross of fees in CAD except for the Total Endowment where returns are displayed both net and gross of fees. EAFE stands for Europe, Australasia and Far East.

Cash amounts and percentages presented exclude residual manager cash balances and currency overlay (currency hedging).

Annual Asset Class Performance

(Gross of Fees)

| | Performance% | | | | | | | | | |
|------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Jul 2014 to Jun 2015 | Jul 2013 to Jun 2014 | Jul 2012 to Jun 2013 | Jul 2011 to Jun 2012 | Jul 2010 to Jun 2011 | Jul 2009 to Jun 2010 | Jul 2008 to Jun 2009 | Jul 2007 to Jun 2008 | Jul 2006 to Jun 2007 | Jul 2005 to Jun 2006 |
| Canadian Equity | -3.5 | 26.8 | 18.4 | -6.7 | 15.5 | 13.2 | -18.5 | 3.7 | 22.3 | 13.1 |
| S&P/TSX | -1.2 | 28.7 | 7.9 | -10.3 | 20.9 | 12.0 | -25.7 | 6.7 | 22.7 | 19.6 |

| | | | | | | | | | | |
|----------------------------------|-------------|-------------|-------------|--------------|-------------|-------------|--------------|--------------|-------------|-------------|
| Composite Index | | | | | | | | | | |
| Relative Performance | -2.3 | -1.9 | 10.5 | 3.6 | -5.4 | 1.2 | 7.2 | -3.0 | -0.4 | -6.5 |
| US Equity | 26.6 | 27.4 | 28.1 | 7.7 | 20.5 | 16.4 | -11.4 | -20.7 | 14.7 | -3.8 |
| S&P 500 | 25.9 | 25.8 | 24.8 | 11.4 | 18.8 | 4.5 | -15.6 | -17.1 | 15.3 | -1.4 |
| Relative Performance | 0.7 | 1.6 | 3.3 | -3.7 | 1.7 | 11.9 | 4.2 | -3.6 | -0.6 | -2.4 |
| Non-North American Equity | 10.8 | 26.9 | 23.4 | -1.9 | 15.8 | 6.9 | -12.1 | -17.1 | 11.0 | 10.6 |
| MSCI EAFE (net) | 12.3 | 24.8 | 22.7 | -9.0 | 18.5 | -3.2 | -21.4 | -14.7 | 21.5 | 14.9 |
| Relative Performance | -1.5 | 2.1 | 0.7 | 7.1 | -2.7 | 10.1 | 9.3 | -2.4 | -10.5 | -4.3 |
| Emerging Markets Equity | 9.7 | 20.6 | 8.6 | -10.9 | N/A | N/A | N/A | N/A | N/A | N/A |
| MSCI Emerging Markets Index | 11.6 | 15.8 | 6.8 | -10.9 | 16.5 | 12.8 | -17.4 | 0.1 | 39.1 | 23.3 |
| Relative Performance | -1.9 | 4.8 | 1.8 | 0.0 | N/A | N/A | N/A | N/A | N/A | N/A |
| Canadian Fixed Income | 6.3 | 5.5 | 0.5 | 9.4 | 5.2 | 7.5 | 8.0 | 6.0 | 4.3 | -1.2 |
| FTSE TMX Universe Index | 6.3 | 5.3 | -0.2 | 9.5 | 4.7 | 6.9 | 7.0 | 6.8 | 4.8 | -0.7 |
| Relative Performance | 0.0 | 0.2 | 0.7 | -0.1 | 0.5 | 0.6 | 1.0 | -0.8 | -0.5 | -0.5 |
| Infrastructure | 31.5 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| CPI + 5% | 6.0 | 7.3 | 6.3 | 6.6 | 8.2 | 6.2 | 4.8 | 8.4 | 7.1 | 7.5 |
| Relative Performance | 25.5 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Internal Cash | -2.6 | -1.0 | -1.9 | 7.8 | 8.0 | 0.0 | 1.4 | 3.5 | N/A | N/A |
| FTSE Canada 91 Day T-Bill-C\$ | 0.9 | 1.0 | 1.0 | 1.0 | 0.9 | 0.3 | 2.0 | 4.1 | 4.3 | 3.2 |
| Relative Performance | -3.5 | -2.0 | -2.9 | 6.8 | 7.1 | -0.3 | -0.6 | -0.6 | N/A | N/A |

| | | | | | | | | | |
|------------------------|-------------|-------------|------------|-------------|------------|-------------|--------------|--------------|-------------|
| ce | | | | | | | | | |
| Total End 7.4 | 19.4 | 14.5 | 1.4 | 15.6 | 8.1 | -8.8 | -10.1 | 13.6 | 3.2 |
| owment | | | | | | | | | |
| (Net of | | | | | | | | | |
| Fees) | | | | | | | | | |
| Endowme 11.1 | 19.2 | 12.3 | 1.2 | 14.6 | 4.9 | -12.4 | -4.9 | 15.1 | 7.0 |
| nt Policy B | | | | | | | | | |
| enchmark | | | | | | | | | |
| <i>Relative P -3.7</i> | <i>0.2</i> | <i>2.2</i> | <i>0.2</i> | <i>1.0</i> | <i>3.2</i> | <i>3.6</i> | <i>-5.2</i> | <i>-1.5</i> | <i>-3.8</i> |
| <i>performanc</i> | | | | | | | | | |
| e | | | | | | | | | |
| Total End 8.2 | 19.9 | 15.0 | 1.9 | 16.1 | 8.6 | -8.3 | -9.6 | 13.9 | 3.6 |
| owment | | | | | | | | | |
| (Gross of | | | | | | | | | |
| Fees) | | | | | | | | | |
| Endowme 11.1 | 19.2 | 12.3 | 1.2 | 14.6 | 4.9 | -12.4 | -4.9 | 15.1 | 7.0 |
| nt Policy B | | | | | | | | | |
| enchmark | | | | | | | | | |
| <i>Relative P -2.9</i> | <i>0.7</i> | <i>2.7</i> | <i>0.7</i> | <i>1.5</i> | <i>3.7</i> | <i>4.1</i> | <i>-4.7</i> | <i>-1.2,</i> | <i>-3.4</i> |
| <i>performanc</i> | | | | | | | | | |
| e | | | | | | | | | |
| Total End 11.4 | 20.5 | 15.7 | 2.6 | N/A | N/A | N/A | N/A | N/A | N/A |
| owment | | | | | | | | | |
| ex. | | | | | | | | | |
| Currency | | | | | | | | | |
| Overlay | | | | | | | | | |
| <i>Relative P 0.3</i> | <i>1.3</i> | <i>3.4</i> | <i>1.4</i> | <i>N/A</i> | <i>N/A</i> | <i>N/A</i> | <i>N/A</i> | <i>N/A</i> | <i>N/A</i> |
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| e | | | | | | | | | |

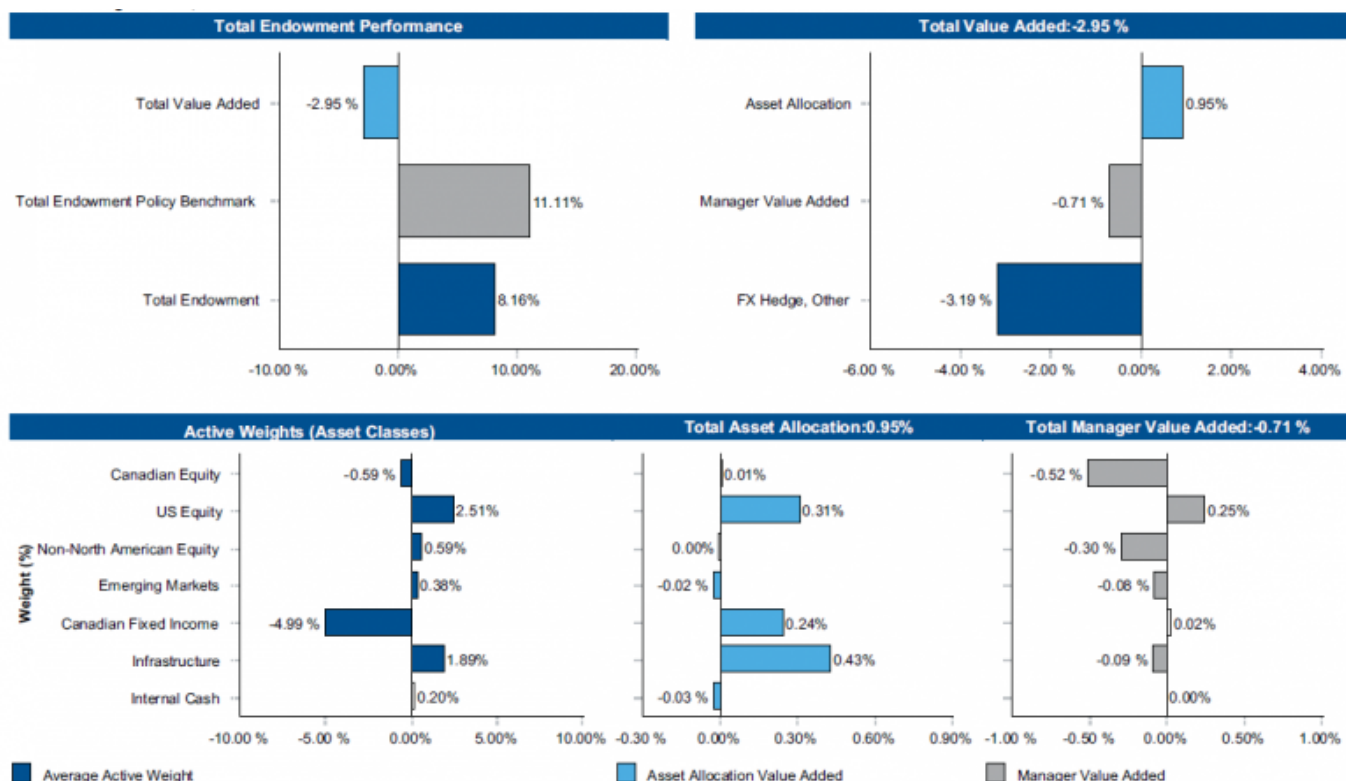
Endowment Policy Benchmark: 27.5% FTSE TMX Bond Universe + 5% Infrastructure (CPI +5%) + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 17.5% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index.

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Performance Attribution

Total Endowment Funds vs Endowment Policy Benchmark
1 Year Ending June 30, 2015



Returns are presented gross of fees in CAD

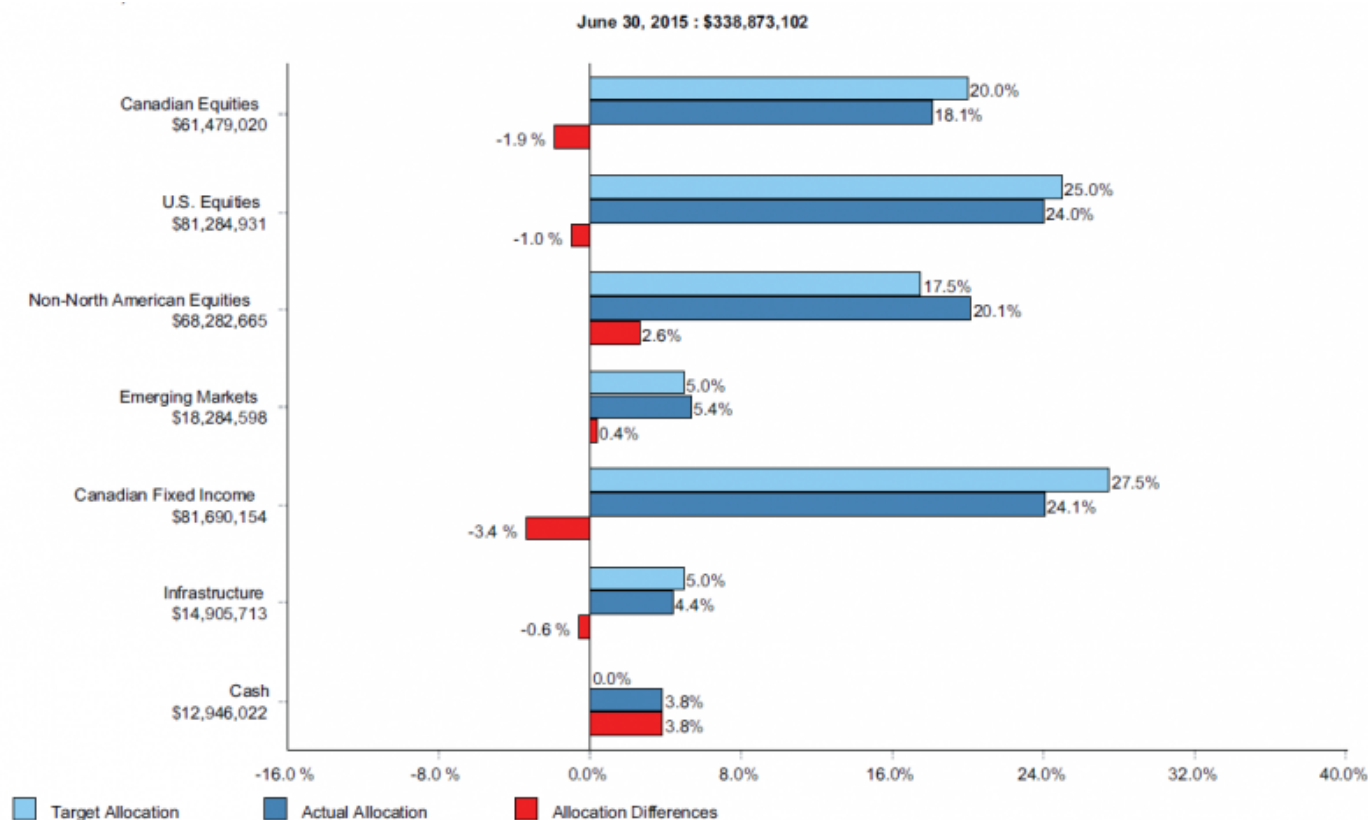
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The Benchmarks do not assume currency hedging.

"Other" includes the effects of all other factors on the Total Endowment's relative returns, including rebalancing and residual trading activity.

Endowment Asset Mix

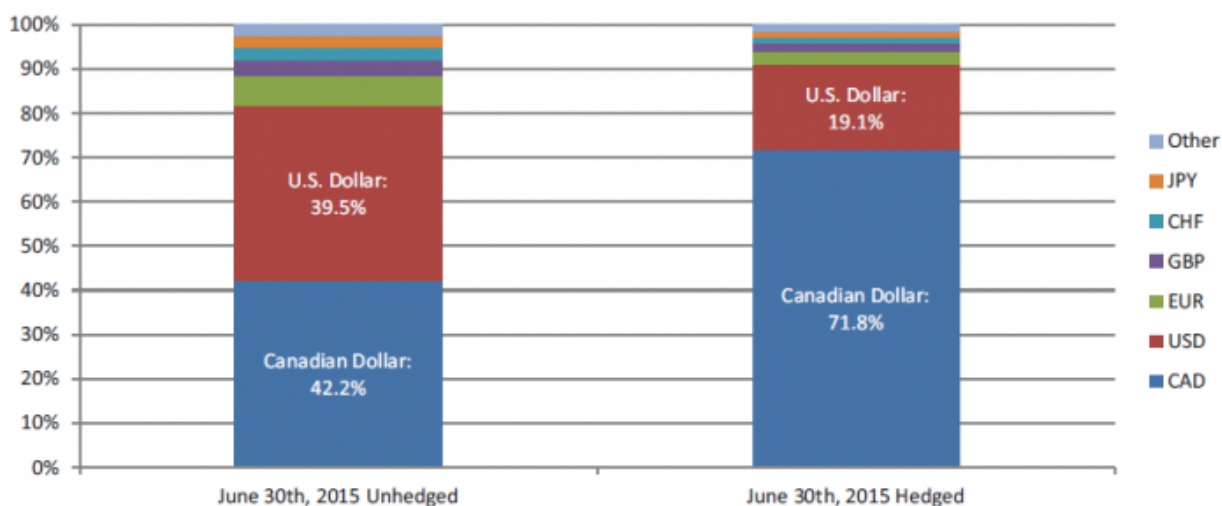
Actual Allocation vs Investment Policy Allocation
As of June 30, 2015



Note: this actual allocation displays the aggregate managers' holdings regardless of their mandate: Cash includes internal cash directly owned by the Endowments and manager residual cash balances (data from CIBC Mellon).

Endowment Currency Exposure

As of June 30th, 2015



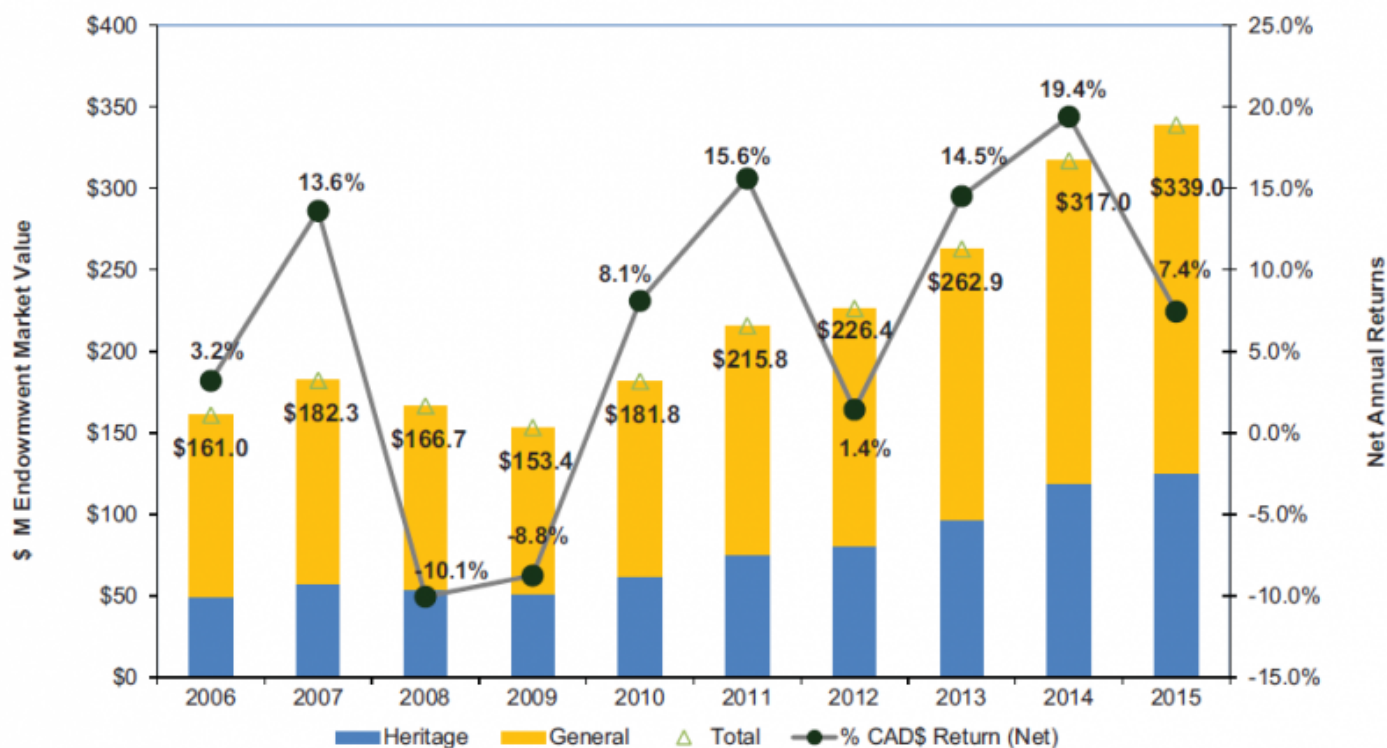
| Currency | June 30, 2015 Unhedged | Gross Exposure (CAD) | Hedge (CAD) | June 30, 2015 Hedged | Net Hedged Exposure (CAD) |
|-----------------|------------------------|----------------------|-------------|----------------------|---------------------------|
| Canadian Dollar | 42.2% | 143,226,594 | 100,132,186 | 71.8% | 243,358,780 |
| US Dollar | 39.5% | 134,133,233 | -69,296,525 | 19.1% | 64,836,708 |
| Euro | 6.6% | 22,531,805 | -11,846,861 | 3.2% | 10,684,943 |

| | | | | | |
|---------------|------|------------|------------|------|-----------|
| British Pound | 3.8% | 12,855,330 | -6,622,416 | 1.8% | 6,232,914 |
| Swiss Franc | 2.8% | 9,339,707 | -4,906,034 | 1.3% | 4,433,673 |
| Japanese Yen | 2.7% | 9,036,669 | -4,660,184 | 1.3% | 4,376,515 |
| Other | 2.4% | 8,164,651 | -3,158,447 | 1.5% | 5,006,204 |

Note: The Net Hedged Exposure equals the fund's original currency exposure to its total investments (Gross Exposure) plus the currency hedge implemented by Mesirow, which is designed to protect the Endowment funds from excessive foreign currency fluctuations.

Growth of Endowment Assets

June Market Values and Net 1-Year Returns to June 30th of Each Year



Over the last 12 months the total Endowment portfolio increased \$22 M to \$339 M consisting of:

- Total contributions of \$7.0 M and distributions of \$8.4 M.
- 1 year return (net of investment management fees) of 7.4% compared to 19.4% for 2014.

Source URL: <https://www.uoguelph.ca/finance/june-30-2015-endowment-quarterly-investment-report>