September 30, 2015 Endowment Quarterly Investment Report

Performance Review

University of Guelph Endowment Funds

3rd Quarter 2015

Prepared by:

Pavillion Advisory Group Ltd.
1250 René-Lévesque Blvd. West, Suite 4030
Montreal, Quebec
H3B 4W8 Canada

Endowment Funds Results Overview

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

The Total Endowment Funds returned 2.8% for the last 12 months versus 6.6% for the benchmark.

Canadian Equity

- The Canadian equity portfolio lost 11.9% over the past year, 3.5% below the return of the S&P/TSX index.
- Both the Endowment'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 11.9% 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 9.5% for developed markets. However, emerging markets lost 2.8% over the past year.
- The developed markets managers (with 21.2% of the total Endowment funds) performed poorly in the past year. LSV and Tweedy Browne underperformed the MSCI EAFE benchmark by 0.3% and 0.9% respectively.
- The emerging markets manager (LSV) lagged the MSCI Emerging Markets index by 2.7% over the

U.S. Equity

- U.S. equity markets performed extremely well in Canadian dollar terms with a 1-year return of 19.2% for the S&P500.
- The Endowment's U.S. equity investments performed well with a return of 21.3%, outperforming the benchmark by 2.1%.
- The U.S. large cap manager (Fiduciary) beat the S&P 500 index by 140 basis points, and significant value was added versus their respective indexes by the small- (5.6%) and mid-cap (6.1%) portfolios managed by Wedge.

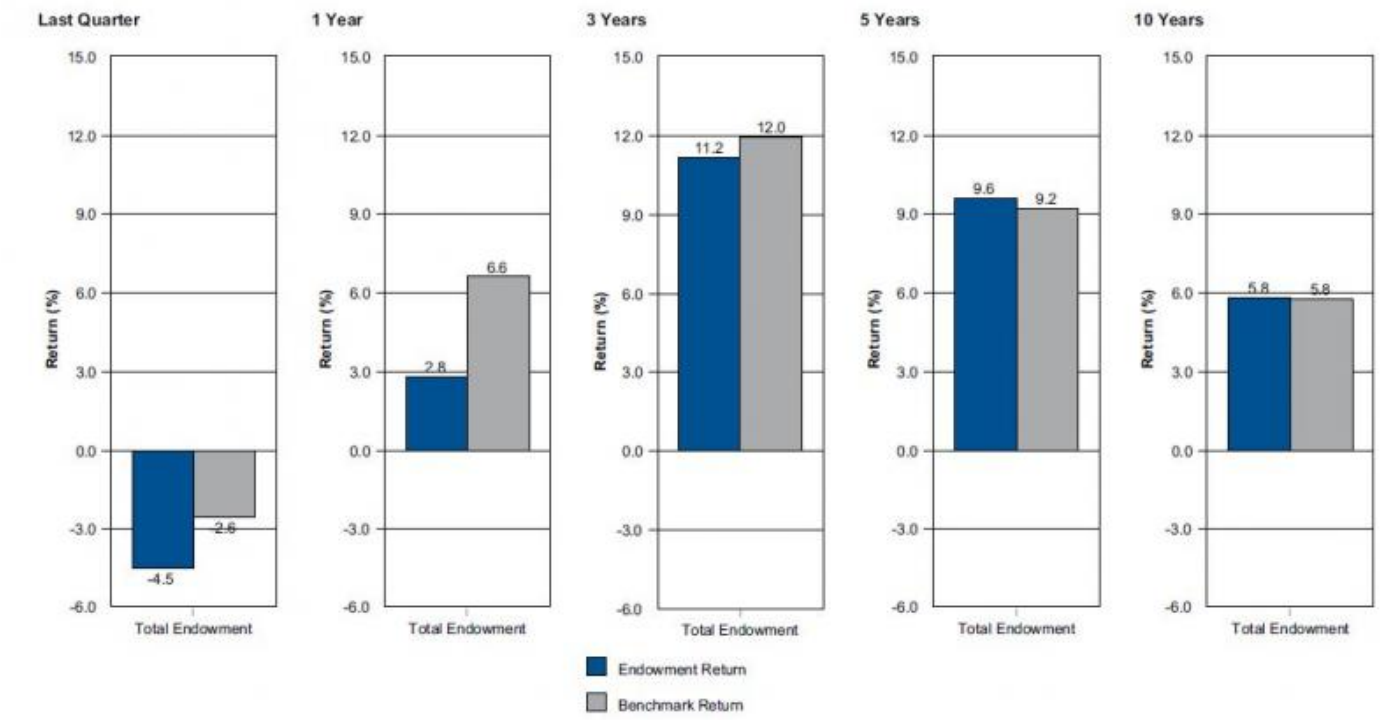
Fixed Income

- The Canadian fixed income portfolio is indexed to the FTSE TMX Universe and, as expected, closely matched its return of 5.3%.
- The cash return was negative due to losses on internal foreign exchange transactions.
- The infrastructure portfolio managed by Brookfield outperformed its index by 24.7% in one year, thanks to a falling Canadian dollar over the period.
- 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 4.5%.

past year, although it has outperformed over longer time periods.

Total Endowment Portfolio Vs Endowment Policy Benchmark

As of September 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 September 30, 2015 (Gross of Fees)
Annualized Asset Class Performance

	Allocation		Performance(%)								
	Market Value ($)	% of Portfolio	Year to Date	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Y
Canadian Equity	56,377,496	17.5	-9.8	-11.9	2.0	6.9	8.6	6.0	6.6	6.1	3.7
S&P/TSX Composite Index			-7.0	-8.4	5.0	5.7	6.6	4.5	5.6	4.9	2.2
Relative Perfor			-2.8	-3.5	-3.0	1.2	2.0	1.5	1.0	1.2	1.5

mance										
US Equity	84,132, 26.1 313	9.0	21.3	24.2	26.4	25.6	20.2	18.9	15.1	11
S&P 500		9.7	19.2	24.6	24.6	24.2	19.6	17.1	13.5	9.2
Relative Performance		-0.7	2.1	-0.4	1.8	1.4	0.6	1.8	1.6	2.2
Non-North American Equity	68,436, 21.2 243	10.1	9.3	12.8	18.0	16.3	11.9	11.0	11.5	6.0
MSCI EAFE (net)		9.7	9.5	11.4	17.1	14.6	9.7	7.8	7.3	2.5
Relative Performance		0.4	-0.2	1.4	0.9	1.7	2.2	3.2	4.2	3.5
Emerging Markets Equity	15,921, 4.9 334	-4.5	-5.5	5.3	6.6	7.8	2.4	N/A	N/A	N/
MSCI Emerging Markets Index		-1.8	-2.8	5.1	5.4	6.7	2.1	4.2	6.4	1.2
Relative Performance		-2.7	-2.7	0.2	1.2	1.1	0.3	N/A	N/A	N/
Canadian Fixed Income	81,859, 25.4 147	2.6	5.4	5.9	3.5	4.3	4.7	5.2	6.1	5.9
FTSE TMX Canada Universe Bond Index		2.5	5.3	5.8	3.4	3.9	4.5	4.9	5.7	5.5
Relative Performance		0.1	0.1	0.1	0.1	0.4	0.2	0.3	0.4	0.4
Infrastructure	17,294, 5.4 653	26.7	30.7	N/A	N/A	N/A	N/A	N/A	N/A	N/
CPI + 5%		5.0	6.0	6.6	6.4	6.4	6.8	6.8	6.4	6.7
Relative Performance		21.7	24.7	N/A	N/A	N/A	N/A	N/A	N/A	N/
Internal Cash	400,63 6	0.1	-1.8	-2.6	-1.8	-1.8	-1.5	0.2	1.6	1.5	1.7
FTSE TMX Canada			0.5	0.8	0.8	0.9	0.9	0.9	0.8	0.9	1.3

91 Day T-Bill Relative Performance			-2.3	-3.4	-2.6	-2.7	-2.4	-0.7	0.8	0.6	0.4
Total Endowment (Net of Fees)	322,876,636	100.0	-0.2	2.2	8.2	10.6	11.5	9.1	8.6	8.0	5.3
Endowment Policy Benchmark			3.9	6.6	11.5	12.0	11.8	9.2	8.6	7.9	5.1
Relative Performance			-4.1	-4.4	-3.3	-1.4	-0.3	-0.1	0.0	0.1	0.2
Total Endowment (Gross of Fees)	322,876,636	100.0	0.2	2.8	8.9	11.2	12.1	9.6	9.2	8.6	5.9
Endowment Policy Benchmark			3.9	6.6	11.5	12.0	11.8	9.2	8.6	7.9	5.1
Relative Performance			-3.7	-3.8	-2.6	-0.8	0.3	0.4	0.6	0.7	0.8
Total Endowment ex. Currency Hedge	324,421,822	100.5	4.0	7.3	12.1	13.7	13.6	N/A	N/A	N/A	N/A
Endowment Policy Benchmark			3.9	6.6	11.5	12.0	11.8	9.2	8.6	7.9	5.1
Relative Performance			0.1	0.7	0.6	1.7	1.8	N/A	N/A	N/A	N/A
Effect of Passive Currency Hedge			-3.8	-4.5	-3.2	-2.5	-1.5	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(%)									
	Oct-2014 to Sep-2015	Oct-2013 to Sep-2014	Oct-2012 to Sep-2013	Oct-2011 to Sep-2012	Oct-2010 to Sep-2011	Oct-2009 to Sep-2010	Oct-2008 to Sep-2009	Oct-2007 to Sep-2008	Oct-2006 to Sep-2007	Oct-2005 to Sep-2006
Canadian Equity	-11.9	18.0	17.5	13.8	-3.8	9.3	3.3	-11.5	20.8	2.4
S&P/TSX Composite Index	-8.4	20.4	7.1	9.2	-3.6	11.6	0.5	-14.4	22.8	9.2
Relative Performance	-3.5	-2.4	10.4	4.6	-0.2	-2.3	2.8	2.9	-2.0	-6.8
US Equity	21.3	27.2	30.8	23.5	0.8	12.5	-5.4	-11.3	-2.9	8.4
S&P 500	19.2	30.1	24.7	22.9	2.8	5.3	-5.9	-16.6	3.6	6.2
Relative Performance	2.1	-2.9	6.1	0.6	-2.0	7.2	0.5	5.3	-6.5	2.2
Non-North American Equity	9.3	16.4	29.1	11.5	-4.1	6.3	15.0	-25.9	-1.1	17.5
MSCI EAFE(net)	9.5	13.3	29.4	7.4	-7.9	-1.3	4.3	-25.7	11.1	14.2
Relative Performance	-0.2	3.1	-0.3	4.1	3.8	7.6	10.7	-0.2	-12.2	3.3
Emerging Markets Equity	-5.5	17.4	9.2	11.5	-16.6	N/A	N/A	N/A	N/A	N/A
MSCI Emerging Markets index	-2.8	13.8	5.9	10.8	-14.6	15.2	20.7	-28.4	41.2	15.8
Relative Performance	-2.7	3.6	3.3	0.7	-2.0	N/A	N/A	N/A	N/A	N/A
Canadian Fixed Income	5.4	6.5	-1.1	6.7	6.0	7.9	11.7	4.2	1.1	3.5
FTSE TMX Canada Universe Bond	5.3	6.3	-1.3	5.5	6.7	7.3	10.3	4.6	1.6	4.0

Index										
Relative Performance	0.1	0.2	0.2	1.2	-0.7	0.6	1.4	-0.4	-0.5	-0.5
Infrastructure	30.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CPI + 5%	6.0	7.1	6.1	6.2	8.4	6.9	4.2	8.6	7.6	5.7
Relative Performance	24.7	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	-0.6	7.5	8.9	0.8	3.2	N/A	N/A
FTSE TMX Canada 91 Day T-Bill	0.8	0.9	1.1	0.9	1.0	0.4	1.3	3.7	4.4	3.7
Relative Performance	-3.4	-1.9	-3.0	-1.5	6.5	8.5	-0.5	-0.5	N/A	N/A
Total Endowment (Net of Fees)	2.2	14.6	15.5	14.3	-0.2	6.6	4.1	-11.5	4.3	6.0
Endowment Policy Benchmark	6.6	16.6	12.9	11.3	-0.4	5.7	3.3	-12.4	8.6	8.3
Relative Performance	-4.4	-2.0	2.6	3.0	0.2	0.9	0.8	0.9	-4.3	-2.3
Total Endowment (Gross of Fees)	2.8	15.3	16.0	14.9	0.3	7.1	4.7	-11.1	4.7	6.3
Endowment Policy Benchmark	6.6	16.6	12.9	11.3	-0.4	5.7	3.3	-12.4	8.6	8.3
Relative Performance	-3.8	-1.3	3.1	3.6	0.7	1.4	1.4	1.3	-3.9	-2.0
Total Endowment ex. Currency Hedge	7.3	17.1	17.0	13.2	N/A	N/A	N/A	N/A	N/A	N/A
Endowment Policy Benchmark	6.6	16.6	12.9	11.3	-0.4	5.7	3.3	-12.4	8.6	8.3
Relative Performance	0.7	0.5	4.1	1.9	N/A	N/A	N/A	N/A	N/A	N/A

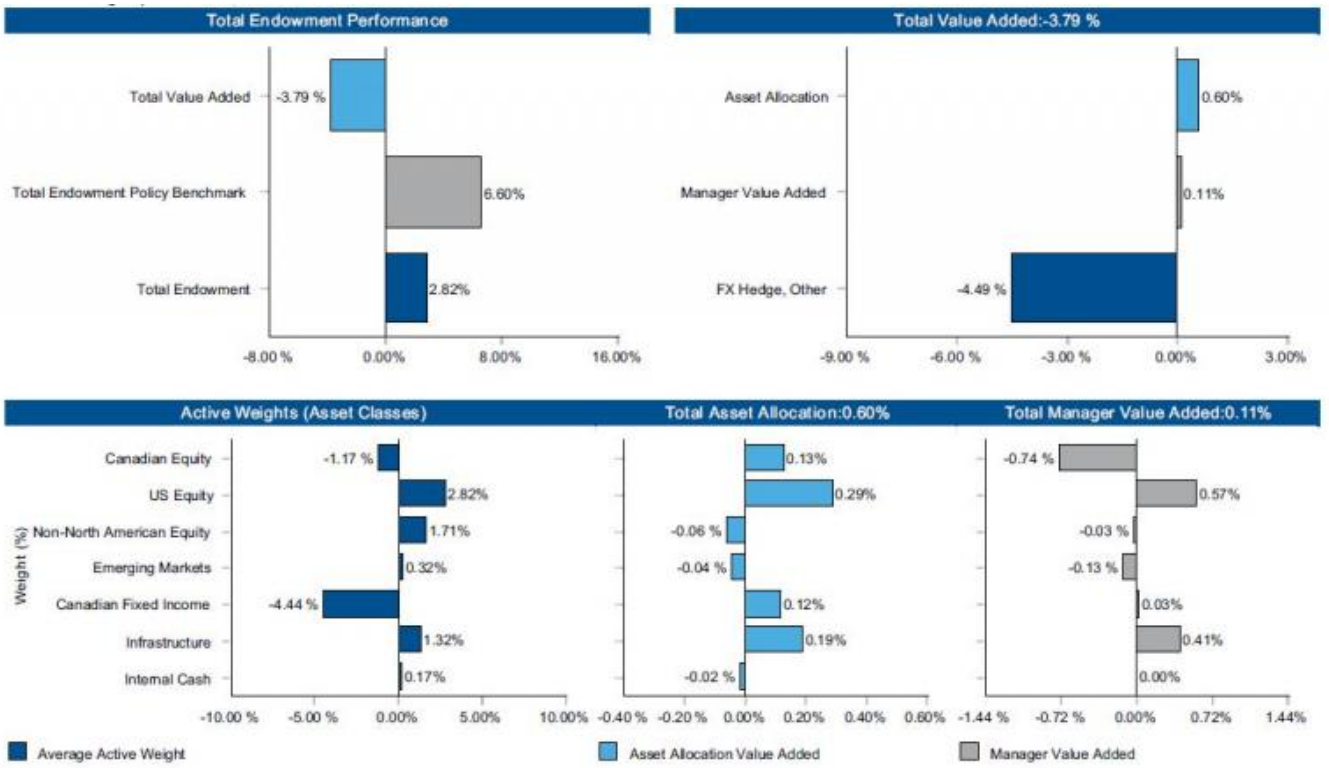
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Performance Attribution

Total Endowment Funds Vs Endowment Policy Benchmark

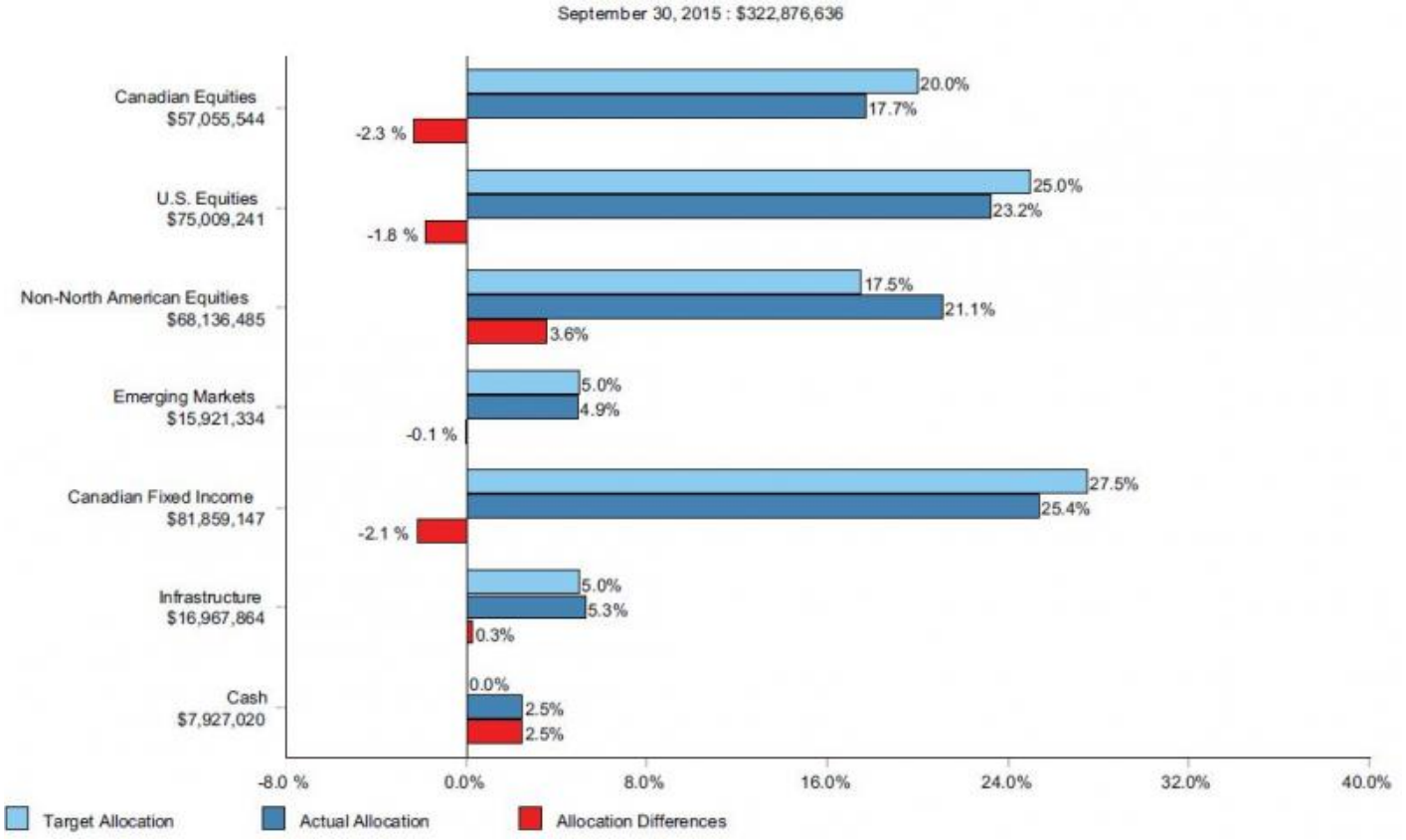
1 Year Ending September 30, 2015



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

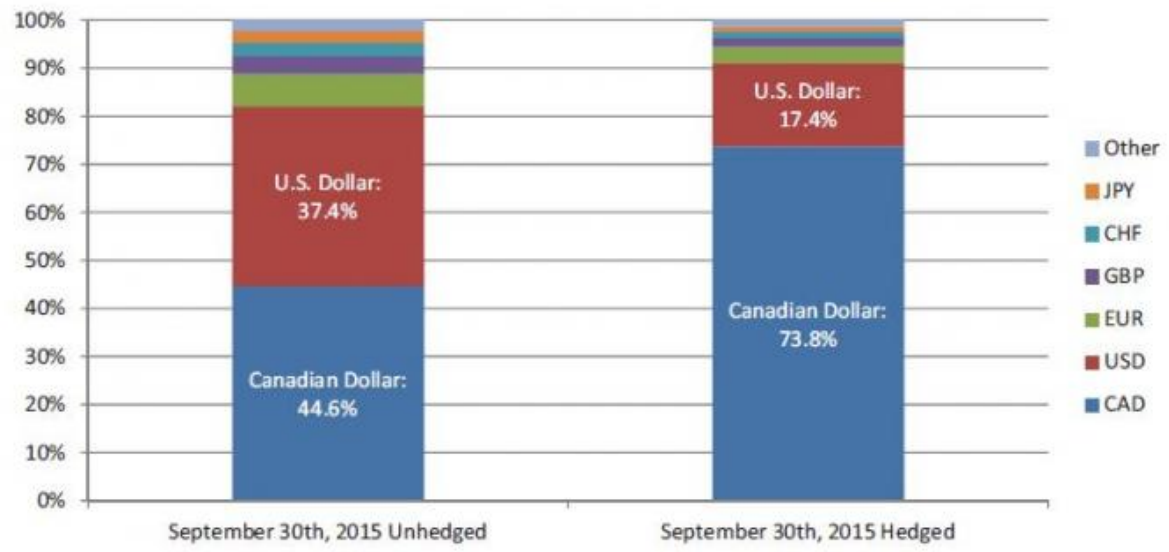
Actual Allocation vs. Investment Policy Allocation
As of September 30, 2015



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 September 30th, 2015



Currency	September 30th, 2015 Unhedged	Gross Exposure (CAD)	Hedge (CAD)	September 30th, 2015 Hedged	Net Hedged Exposure (CAD)
Canadian Dollar	44.6%	151,021,276	97,462,546	73.8%	248,483,822
U.S. Dollar	37.4%	126,607,830	-68,037,876	17.4%	58,569,954
Euro	6.8%	22,906,706	-11,999,918	3.2%	10,906,788
British Pound	3.8%	12,695,126	-6,559,222	1.8%	6,135,903
Swiss Franc	2.7%	9,254,286	-4,826,870	1.3%	4,427,416
Japanese Yen	2.5%	8,313,614	-4,537,325	1.1%	3,776,290
Other	2.2%	7,591,309	-3,046,521	1.3%	4,544,788

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

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



Over the last 12 months the total Endowment portfolio increased $5.4 M to $322.9 M consisting of:
– Total contributions of $7.0 M and distributions of $8.4 M.
– 1-year return (net of investment management fees) of 2.2% compared to 14.6% for the year ended September 2014.

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