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## December 2015 Endowment Quarterly Investment Report

### Performance Review

University of Guelph Endowment Funds

4th Quarter 2015

Prepared by:

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## Endowment Funds Results Overview

(Gross Returns for the 12 months ended December 31st, 2015)

The Total Endowment Funds returned 2.9% for the last 12 months versus 8.6% for the benchmark.

### Canadian Equity

- The Canadian equity portfolio lost 11.7% over the past year, 3.4% below the return of the S&P/TSX index.
- Both the Endowment's Canadian equity managers (Burgundy, Sionna) underperformed the index for the year. However, Burgundy is responsible for the bulk of the underperformance, with lower returns and a higher dollar allocation.
- The lack of dedicated small cap exposure helped returns as small caps underperformed large caps by more than 5.5% over the past year.

### Non-North American Equity

- In Canadian dollars, non-North American equities outperformed Canada but lagged the U.S. with a return of 19.0% for developed markets. Emerging markets gained 2.5% over the past year.
- The developed markets managers (with 21.7% of the total Endowment funds) performed inconsistently over the past year. LSV beat the MSCI EAFE by 2.2%, while Tweedy Browne lagged by a wider 4.1%.
- The emerging markets manager (LSV) lagged the MSCI Emerging Markets index by 6.1% over the past year, although it outperformed from 2012 to 2014.

### U.S. Equity

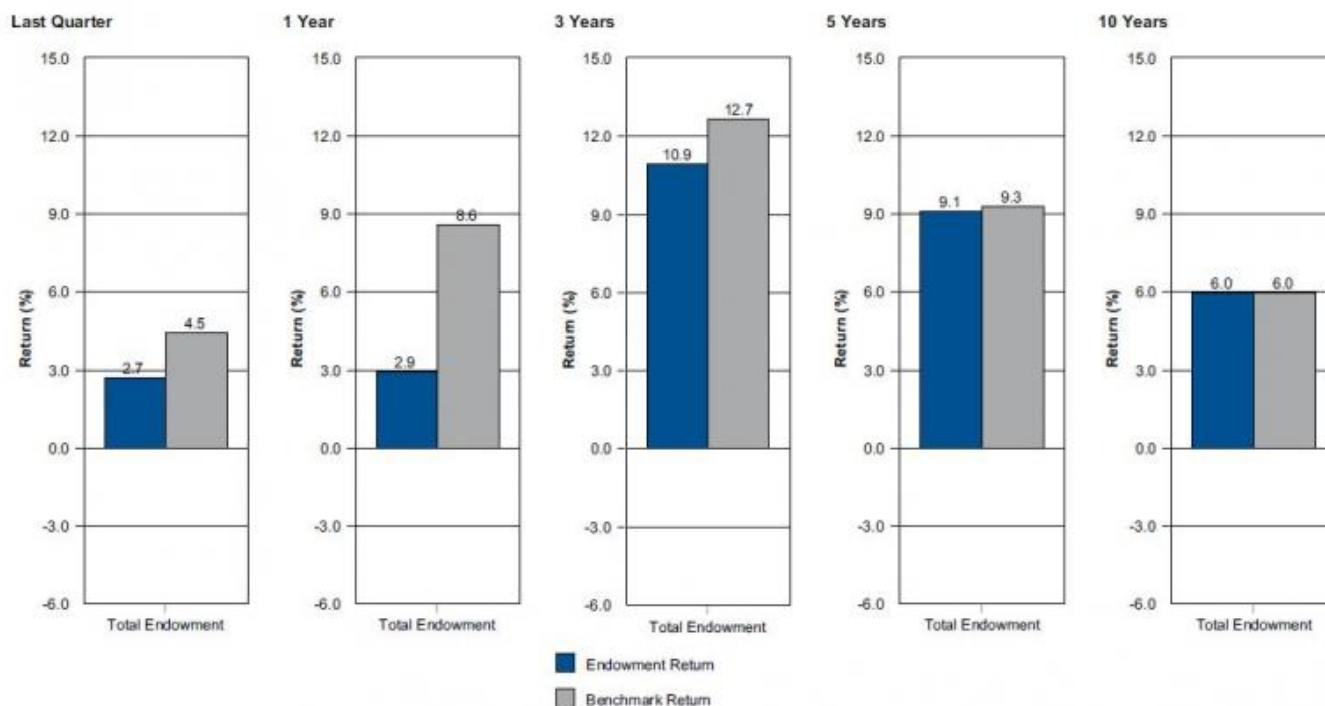
- U.S. equity markets performed extremely well in Canadian dollar terms with a 1-year return of 21.7% for the S&P500.
- However, the Endowment's U.S. equity investments did not perform as well, with a return of 16.2%.
- The U.S. large cap manager (Fiduciary) lagged the S&P 500 index by 3.6%, and the mid cap mandate managed by Wedge lagged its benchmark by 1.3%. The sole outperformer was Wedge's small cap strategy, which beat the Russel 2000 Value Index by 5.0% over the past year.

### Fixed Income

- The Canadian fixed income portfolio is indexed to the FTSE TMX Universe and, as expected, closely matched its return of 3.5%.
- The cash return was negative due to losses on internal foreign exchange transactions.
- The infrastructure portfolio managed by Brookfield outperformed its index by 26.8% in 2015, largely 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 4.8%.

## Total Endowment Portfolio Vs Endowment Policy Benchmark

As of December 31, 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 December 31, 2015 (Gross of Fees)

Annualized Asset Class Performance

e	Allocation	Performance(%)									
	Market % of	Year to 1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years		
	Value portfolio	Date									
	(\$)										
Canadian Equity	55,115,389	16.4	-11.7	-11.7	-2.6	4.9	6.6	4.0	5.5	8.7	3.7

Allocation	Performance(%)										
	S&P/TS	-8.3	-8.3	0.7	4.6	5.3	2.3	4.7	8.6	2.2	
	X Com										
	posite										
	Index										
	Relativ	-3.4	-3.4	-3.3	0.3	1.3	1.7	0.8	0.1	1.5	
	e Perfor										
	mance										
	US 88,511, 26.3	16.2	16.2	20.3	27.4	24.4	19.7	19.4	18.2	13	
	Equity 405										
	S&P	21.7	21.7	22.8	28.6	24.7	20.4	18.4	16.8	11	
	500										
	Relativ	-5.5	-5.5	-2.5	-1.2	-0.3	-0.7	1.0	1.4	2.0	
	e Perfor										
	mance										
	Non- 73,264, 21.7	18.2	18.2	11.5	18.1	17.7	13.5	12.1	13.3	7.8	
	North A 592										
	merican										
	Equity										
	MSCI	19.0	19.0	11.1	17.3	16.7	10.8	9.3	9.7	3.8	
	EAFE										
	(net)										
	Relativ	-0.8	-0.8	0.4	0.8	1.0	2.7	2.8	3.6	4.0	
	e Perfor										
	mance										
	Emergi 16,208, 4.8	-2.6	-2.6	3.4	4.4	8.1	2.8	N/A	N/A	N/A	
	ng 012										
	Markets										
	Equity										
	MSCI E	2.5	2.5	4.7	4.6	7.3	2.2	3.9	9.7	1.4	
	mergin										
	g										
	Markets										
	Index										
	Relativ	-5.1	-5.1	-1.3	-0.2	0.8	0.6	N/A	N/A	N/A	
	e Perfor										
	mance										
	Canadi 83,934, 24.9	3.6	3.6	6.2	3.7	4.1	5.0	5.4	5.9	5.7	
	an 180										
	Fixed										
	Income										
	FTSE	3.5	3.5	6.1	3.6	3.6	4.8	5.1	5.2	5.3	
	TMX										
	Canada										
	Univers										
	e Bond										
	Index										
	Relativ	0.1	0.1	0.1	0.1	0.5	0.2	0.3	0.7	0.4	
	e Perfor										
	mance										
	Infrastr 19,237, 5.7	33.5	33.5	22.2	N/A	N/A	N/A	N/A	N/A	N/A	
	ucture 529										
	CPI +	6.7	6.7	6.6	6.5	6.4	6.6	6.7	6.7	6.6	
	5%										
	Relativ	26.8	26.8	15.6	N/A	N/A	N/A	N/A	N/A	N/A	

Allocation	Performance(%)										
	Performance										
Internal Cash	4,933,237	1.5	-1.8	-1.8	-1.8	-1.8	-1.3	0.2	1.6	1.4	1.6
FTSE TMX Canada			0.6	0.6	0.8	0.8	0.9	0.9	0.8	0.8	1.1
91 Day T-Bill											
Relative Performance			-2.4	-2.4	-2.6	-2.6	-2.2	-0.7	0.8	0.6	0.5
Total Endowment (Net of Fees)	337,087,797	100.0	2.3	2.3	6.2	10.3	10.7	8.6	8.8	9.6	6.0
Endowment Policy Benchmark			8.6	8.6	10.1	12.7	11.9	9.3	9.2	9.8	5.8
Relative Performance			-6.3	-6.3	-3.9	-2.4	-1.2	-0.7	-0.4	-0.2	0.2
Total Endowment (Gross of Fees)	337,087,797	100.0	2.9	2.9	6.8	10.9	11.3	9.1	9.4	10.1	6.6
Endowment Policy Benchmark			8.6	8.6	10.1	12.7	11.9	9.3	9.2	9.8	5.8
Relative Performance			-5.7	-5.7	-3.3	-1.8	-0.6	-0.2	0.2	0.3	0.8
Total Endowment ex. Currency	341,204,345	101.2	7.7	7.7	9.9	13.6	13.2	10.7	N/A	N/A	N/A
Hedge Endowment Policy Benchmark			8.6	8.6	10.1	12.7	11.9	9.3	9.2	9.8	5.8
Relative Performance			-0.9	-0.9	-0.2	0.9	1.3	1.4	N/A	N/A	N/A
Effect			-4.8	-4.8	-3.1	-2.7	-1.9	-1.6	N/A	N/A	N/A

Allocation      Performance(%)  
of  
Passive  
Currenc  
y  
Hedge

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)

Annual Asset Class Performance

e	Performance(%)								
	Jan-2015	Jan-2014	Jan-2013	Jan-2012	Jan-2011	Jan-2010	Jan-2009	Jan-2008	Jan-2007
	To	To	To	To	To	To	To	To	To
	Dec-2015	Dec-2014	Dec-2013	Dec-2012	Dec-2011	Dec-2010	Dec-2009	Dec-2008	Dec-2007
Canadian Equity	-11.7	7.5	21.6	11.7	-5.5	13.0	30.5	-25.7	6.3
S&P/TSX Composite Index	-8.3	10.6	13.0	7.2	-8.7	17.6	35.1	-33.0	9.8
Relative Performance	-3.4	-3.1	8.6	4.5	3.2	-4.6	-4.6	7.3	-3.5
US Equity	16.2	24.4	43.0	15.9	2.6	18.0	10.9	-16.5	-17.1
S&P 500	21.7	23.9	41.2	13.5	4.6	9.1	7.7	-21.4	-10.1
Relative Performance	-5.5	0.5	1.8	2.4	-2.0	8.9	3.2	4.9	6.8
Non-North American Equity	18.2	5.2	32.6	16.6	-2.1	5.4	20.9	-24.0	-17.1
MSCI EAFE (net)	19.0	3.6	31.0	14.8	-10.0	2.1	12.2	-29.3	-5.8
Relative Performance	-0.8	1.6	1.6	1.8	7.9	3.3	8.7	5.3	-12.1
Emerging Markets Equity	-2.6	9.7	6.4	20.0	-15.9	N/A	N/A	N/A	N/A
MSCI Emerging	2.5	7.0	4.3	16.1	-16.2	13.0	52.4	-41.6	18.1

## Performance(%)

### Markets

#### Index

Relative -5.1

2.7

2.1

3.9

0.3

N/A

N/A

N/A

N/A

#### Performance

Canadian 3.6

8.9

-1.0

5.3

8.7

7.0

8.9

4.4

2.7

#### Fixed

#### Income

FTSE 3.5

8.8

-1.2

3.6

9.7

6.7

5.4

6.4

3.7

#### TMX

#### Canada

#### Universe

#### Bond

#### Index

Relative 0.1

0.1

0.2

1.7

-1.0

0.3

3.5

-2.0

-1.0

#### Performance

Infrastructure 33.5

11.8

N/A

N/A

N/A

N/A

N/A

N/A

N/A

CPI + 5% 6.7

6.6

6.4

6.0

7.3

7.5

6.4

6.2

7.6

Relative 26.8

5.2

N/A

N/A

N/A

N/A

N/A

N/A

N/A

#### Performance

Internal -1.8

-1.8

-1.9

0.0

6.7

9.1

0.3

2.6

N/A

#### Cash

FTSE 0.6

0.9

1.0

1.0

1.0

0.5

0.6

3.3

4.4

#### TMX

#### Canada

#### 91 Day T-Bill

Relative -2.4

-2.7

-2.9

-1.0

5.7

8.6

-0.3

-0.7

N/A

#### Performance

Total End 2.3

10.2

19.1

12.0

0.3

9.8

14.4

-15.6

-7.1

#### owment

#### (Net of

#### Fees)

Endowme 8.6

11.7

17.9

9.7

-0.6

8.5

13.6

-18.2

-1.1

#### nt Policy

#### Benchma

#### rk

Relative -6.3

-1.5

1.2

2.3

0.9

1.3

0.8

2.6

-6.0

#### Performance

Total End 2.9

10.8

19.6

12.5

0.8

10.5

14.9

-15.2

-6.7

#### owment

#### (Gross of

#### Fees)

Endowme 8.6

11.7

17.9

9.7

-0.6

8.5

13.6

-18.2

-1.1

#### nt Policy

#### Benchma

#### rk

Relative -5.7

-0.9

1.7

2.8

1.4

2.0

1.3

3.0

-5.6

#### Performance

**Performance(%)**

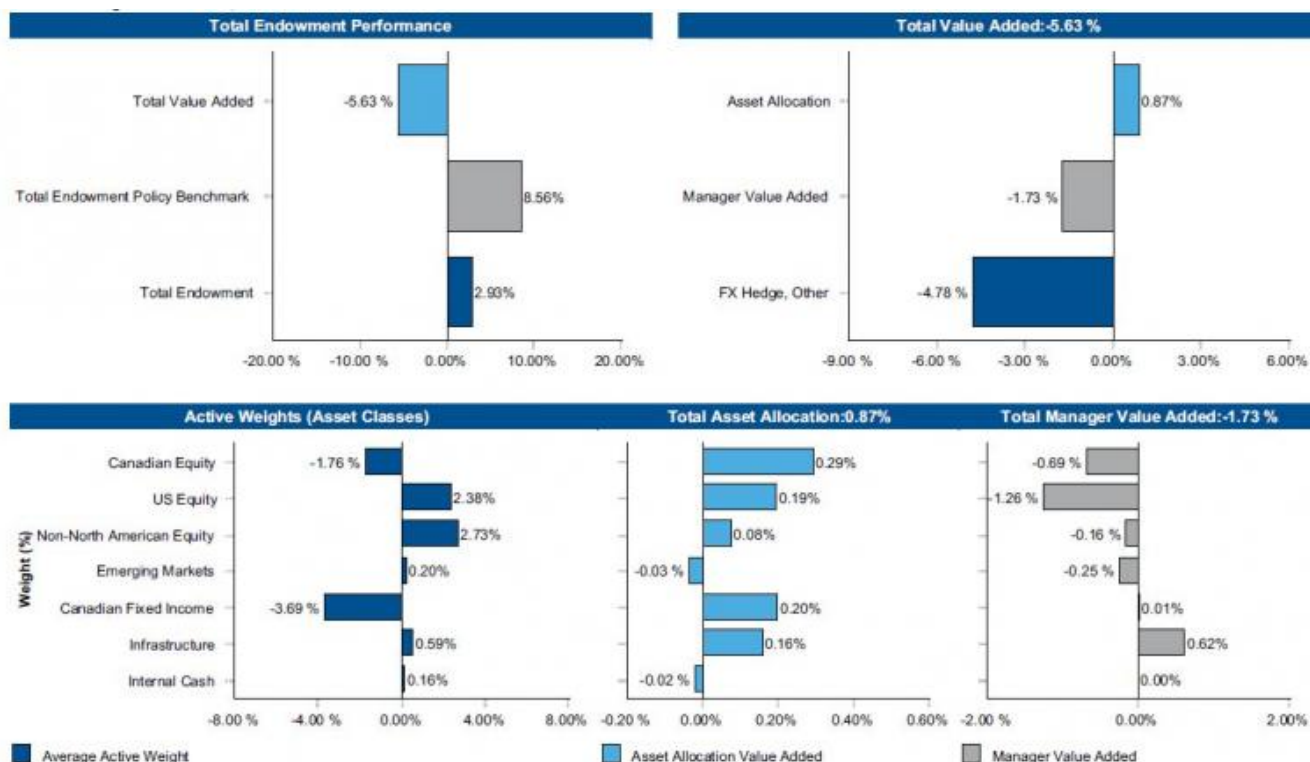
nce									
Total End 7.7	12.3	21.4	11.9	1.2	N/A	N/A	N/A	N/A	N/A
owment									
ex.									
Currency									
Hedge									
Endowme8.6	11.7	17.9	9.7	-0.6	8.5	13.6	-18.2	-1.1	-1.1
nt Policy									
Benchma									
rk									
Relative -0.9	0.6	3.5	2.2	1.8	N/A	N/A	N/A	N/A	N/A
Performa									
nce									

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 December 31, 2015



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.

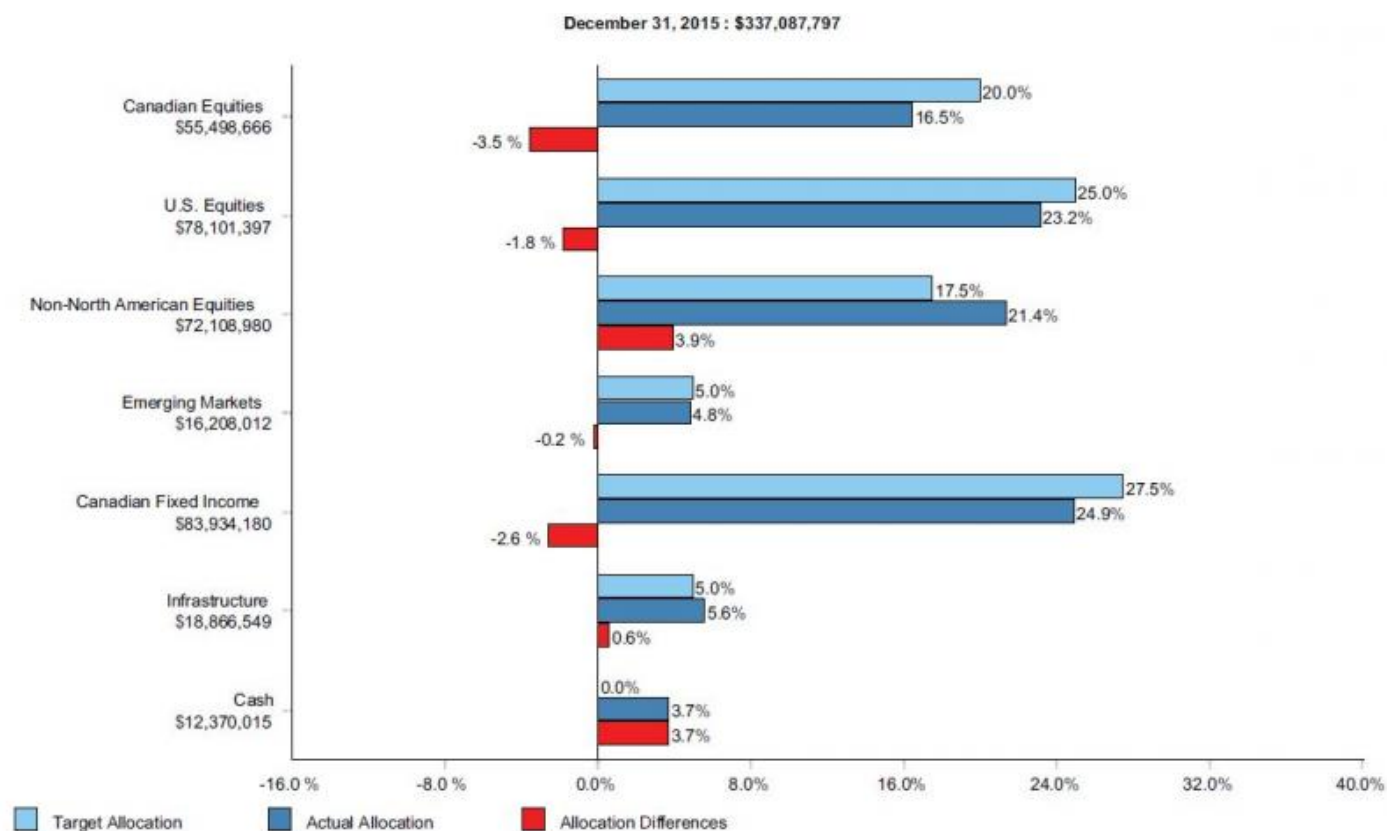
The Benchmarks do not assume currency hedging.

"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 December 31, 2015

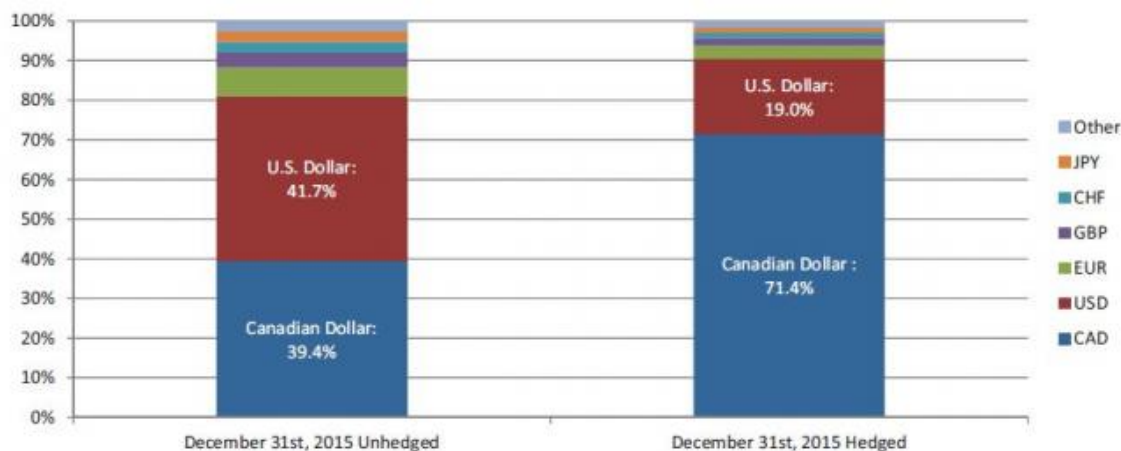




Note: This actual allocation displays the aggregate managers' holdings regardless of their mandate. Cash includes internal cash directly owned by the Endowments and manager residual cash balances (data from CIBC Mellon).

## Endowment Currency Exposure

As of December 31st, 2015



Currency	December 31st, 2015 Unhedged	Gross Exposure(CAD)	Hedge(CAD)	December 31st, 2015 Hedged	Net Hedged Exposure(CAD)
Canadian Dollar	39.4%	134,415,509	106,410,738	71.4%	240,826,247
U.S. Dollar	41.7%	142,438,474	-78,383,255	19.0%	64,055,219
Euro	7.1%	24,353,668	-12,957,079	3.4%	11,396,589
British Pound	3.8%	12,834,492	-6,496,878	1.9%	6,337,614
Swiss Franc	2.7%	9,251,457	-4,662,628	1.4%	4,588,829
Japanese Yen	2.7%	9,283,950	-4,755,766	1.3%	4,528,184
Other	2.5%	8,626,795	-3,271,680	1.6%	5,355,115

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

December Market Values and Net 1-Year Returns to December 31st of Each Year

December Market Values and Net 1-Year Returns to December 31<sup>st</sup> of Each Year



Over the last 12 months the total Endowment portfolio increased \$11.9 M to \$337.1 M consisting of:

- Total contributions of \$6.0 M and distributions of \$1.4 M.
- 1-year return (net of investment management fees) of 2.3% compared to 10.2% for the year ended December 2014.



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