

## March 2016 Endowment Quarterly Investment Report

### Performance Review

University of Guelph Endowment Funds  
1st Quarter 2016

Prepared by:  
Pavilion 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 March 31st, 2016)

The Total Endowment Funds lost 3.3% over the last 12 months, underperforming their hedged benchmark by 1.3% and their unhedged benchmark by 2.0%.

#### Canadian Equity U.S. Equity

- The Canadian equity portfolio lost 8.5% over the past year, 1.9% below the return of the S&P/TSX index.
- Burgundy is responsible for the bulk of the underperformance, with lower returns and a higher dollar allocation. Sionna matched the S&P/TSX return over 1 year (-6.6%).
- The lack of dedicated small cap exposure helped returns as small caps underperformed large caps by 0.6% 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 -6.4% for developed markets. Emerging markets lost 9.8% over the past year.
- The developed markets managers (with 20.4% of the total Endowment funds) both beat the MSCI EAFE. Tweedy Browne did well in falling markets with an outperformance of 3.4%, while LSV beat the index by a smaller but significant 1.1%.
- The emerging markets manager (LSV) lagged the MSCI Emerging Markets index by 2.3% over the past year, although it outperformed from 2012 to 2014.

#### U.S. Equity

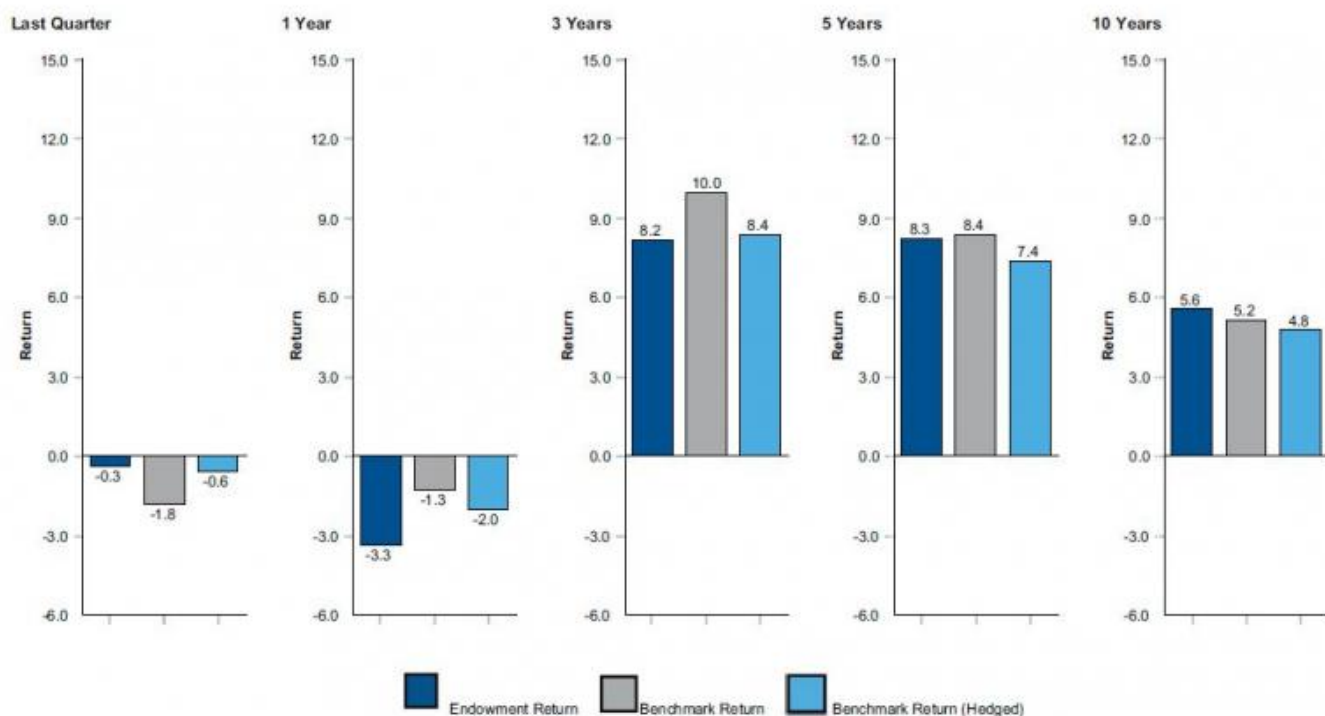
- U.S. equity markets performed well in Canadian dollar terms with a 1-year return of 3.9% for the S&P500.
- However, the Endowment's U.S. equity investments did not perform as well, with a return of -0.2%.
- The U.S. large cap manager (Fiduciary) lagged the S&P500 index by 1.7%, and the mid cap mandate managed by Wedge lagged its benchmark by 3.4%. The sole outperformer was Wedge's small cap strategy, which beat the Russel 2000 Value Index by 5.2% 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 0.8%.
- The cash return was negative due to losses on internal foreign exchange transactions.
- The infrastructure portfolio managed by Brookfield outperformed its index by 2.6% over the past year. Short-term returns should be interpreted with caution due to important foreign exchange fluctuations.

## Total Endowment Portfolio Vs Endowment Policy Benchmark Benchmark

As of March 31, 2016 (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. The Hedged Endowment Policy Benchmark has the same composition as the Endowment Policy Benchmark, but all foreign indices are 50% hedged back to Canadian dollars.

## Annualized Asset Class Performance

As of March 31, 2016 (Gross of Fees)

Annualized Asset Class Performance	Allocation Market % of Value (\$)	Performance(%) Year to 1 Year Date	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	
Canadian Equity	58,153,753, 17.7	5.7	-8.5	-2.6	4.5	6.8	4.0	6.1	10.1	4.8
S&P/TSX Composite Index Relativ		4.5	-6.6	0.0	5.0	5.3	2.1	4.9	9.6	3.2
		1.2	-1.9	-2.6	-0.5	1.5	1.9	1.2	0.5	1.6

Relative Performance										
US Equity S&P 500	80,963, 24.6	-3.9	-0.2	14.2	19.6	20.1	17.4	17.8	19.7	13.0
Relative Performance										
Non-North American Equity MSCI EAFE (net)	67,178, 20.4	-8.1	-3.6	3.9	11.9	13.2	11.0	10.6	12.9	6.4
Relative Performance										
Emerging Markets Equity MSCI Emerging Markets Index	15,986, 4.9	-1.1	-12.1	1.0	3.1	4.1	2.2	N/A	N/A	N/A
Relative Performance										
Canadian Fixed Income FTSE TMX Canada University Bond Index	85,121, 25.9	1.4	0.8	5.5	4.0	4.2	5.3	5.3	5.8	5.5
Relative Performance										
Infrastructure CPI + 5%	18,657, 5.7	-6.8	9.1	17.5	N/A	N/A	N/A	N/A	N/A	N/A
Relative Performance										
Internal Cash	163,433	0.0	-0.3	-0.2	-1.4	-1.8	-1.4	0.2	1.6	1.4
Relative Performance										
FTSE TMX		0.1	0.5	0.7	0.8	0.9	0.9	0.9	0.8	1.0



# March 2016 Endowment Quarterly Investment Report

Published on Financial Services (<https://www.uoguelph.ca/finance>)

Canada											
91 Day											
T-Bill											
Relative Performance			-0.4	-0.7	-2.1	-2.6	-2.3	-0.7	0.7	0.6	0.4
Total Endowment	328,88	100.0	-0.5	-3.9	3.9	7.6	8.9	7.7	8.4	10.5	6.3
(Net of Fees)											
Endowment Policy Benchmark			-1.8	-1.3	6.7	10.0	9.9	8.4	8.7	10.8	6.1
Relative Performance			1.3	-2.6	-2.8	-2.4	-1.0	-0.7	-0.3	-0.3	0.2
Endowment Policy Benchmark (Hedged)			-0.6	-2.0	5.5	8.4	8.7	7.4	8.0	10.3	5.6
Relative Performance			0.1	-1.9	-1.6	-0.8	0.2	0.3	0.4	0.2	0.7
Total Endowment	328,88	100.0	-0.3	-3.3	4.5	8.2	9.5	8.3	9.0	11.1	6.9
(Gross of Fees)											
Endowment Policy Benchmark			-1.8	-1.3	6.7	10.0	9.9	8.4	8.7	10.8	6.1
Relative Performance			1.5	-2.0	-2.2	-1.8	-0.4	-0.1	0.3	0.3	0.8
Endowment Policy Benchmark (Hedged)			-0.6	-2.0	5.5	8.4	8.7	7.4	8.0	10.3	5.6
Relative Performance			0.3	-1.3	-1.0	-0.2	0.8	0.9	1.0	0.8	1.3

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 Hedged Endowment Policy Benchmark has the same composition as the Endowment Policy Benchmark, but all foreign indices are 50% hedged back to Canadian dollars.

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	Performance(%)									
	Apr-2015 To	Apr-2014 To	Apr-2013 To	Apr-2012 To	Apr-2011 To	Apr-2010 To	Apr-2009 To	Apr-2008 To	Apr-2007 To	Apr-2006 To
	Mar-2016	Mar-2015	Mar-2014	Mar-2013	Mar-2012	Mar-2011	Mar-2010	Mar-2009	Mar-2008	Mar-2007
Canadian Equity	-8.5	3.6	20.2	14.2	-6.7	17.2	37.6	-25.5	-0.2	13.1
S&P/TSX Composite Index	-6.6	6.9	16.0	6.1	-9.8	20.4	42.1	-32.4	4.0	11.4
Relative Performance	-1.9	-3.3	4.2	8.1	3.1	-3.2	-4.5	6.9	-4.2	1.7
US Equity	-0.2	30.6	31.4	21.6	7.2	19.6	31.6	-22.6	-20.9	14.2
S&P 500	3.9	29.4	32.2	16.0	11.5	10.5	21.2	-24.1	-15.5	10.5
Relative Performance	-4.1	1.2	-0.8	5.6	-4.3	9.1	10.4	1.5	-5.4	3.7
Non-North American Equity	-3.6	12.0	29.6	17.0	2.9	8.7	27.2	-29.5	-15.6	13.9
MSCI EAFE (net)	-6.4	13.7	27.5	13.3	-3.2	5.5	25.0	-34.4	-13.4	18.8
Relative Performance	2.8	-1.7	2.1	3.7	6.1	3.2	2.2	4.9	-2.2	-4.9
Emerging Markets Equity	-12.1	16.1	7.6	6.9	-5.1	N/A	N/A	N/A	N/A	N/A
MSCI Emerging Markets Index	-9.8	15.7	7.3	4.2	-6.0	13.5	46.9	-34.9	8.2	19.6
Relative Performance	-2.3	0.4	0.3	2.7	0.9	N/A	N/A	N/A	N/A	N/A
Canadian Fixed Income	0.8	10.4	1.0	4.9	10.0	5.3	8.4	3.5	4.7	5.3
FTSE	0.8	10.3	0.8	4.5	9.7	5.1	5.1	4.9	5.8	5.5

TMX										
Canada										
Universe										
Bond										
Index										
Relative Performance	0.0	0.1	0.2	0.4	0.3	0.2	3.3	-1.4	-1.1	-0.2
Infrastructure	9.1	26.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CPI + 5%	6.5	6.2	6.4	6.2	7.0	8.2	6.5	6.1	6.5	7.5
Relative Performance	2.6	20.3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Internal Cash	-0.2	-2.6	-2.7	-0.1	6.9	8.9	0.0	2.1	N/A	N/A
FTSE	0.5	0.9	1.0	1.0	0.9	0.8	0.3	2.4	4.6	4.2
TMX										
Canada										
91 Day T-Bill										
Relative Performance	-0.7	-3.5	-3.7	-1.1	6.0	8.1	-0.3	-0.3	N/A	N/A
Total Endowment (Net of Fees)	-3.9	12.3	15.4	13.0	2.9	11.9	24.4	-19.2	-10.3	12.0
Endowment Policy Benchmark	-1.3	15.2	16.9	9.5	2.9	9.9	24.9	-22.0	-8.4	12.6
Relative Performance	-2.6	-2.9	-1.5	3.5	0.0	2.0	-0.5	2.8	-1.9	-0.6
Endowment Policy Benchmark (Hedged)	-2.0	13.6	14.5	9.7	2.4	10.9	24.9	-22.0	-8.4	12.6
Relative Performance	-1.9	-1.3	0.9	3.3	0.5	1.0	-0.5	2.8	-1.9	-0.6
Total Endowment (Gross of Fees)	-3.3	13.1	15.9	13.6	3.4	12.4	25.2	-18.8	-10.0	12.3
Endowment Policy Benchmark	-1.3	15.2	16.9	9.5	2.9	9.9	24.9	-22.0	-8.4	12.6
Relative Performance	-2.0	-2.1	-1.0	4.1	0.5	2.5	0.3	3.2	-1.6	-0.3
Endowment Policy Benchmark	-2.0	13.6	14.5	9.7	2.4	10.9	24.9	-22.0	-8.4	12.6



nt Policy  
Benchma  
rk  
(Hedged)  
Relative  
Performa  
nce

-1.3	-0.5	1.4	3.9	1.0	1.5	0.3	3.2	-1.6	-0.3
------	------	-----	-----	-----	-----	-----	-----	------	------

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 Hedged Endowment Policy Benchmark has the same composition as the Endowment Policy Benchmark, but all foreign indices are 50% hedged back to Canadian dollars.

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.

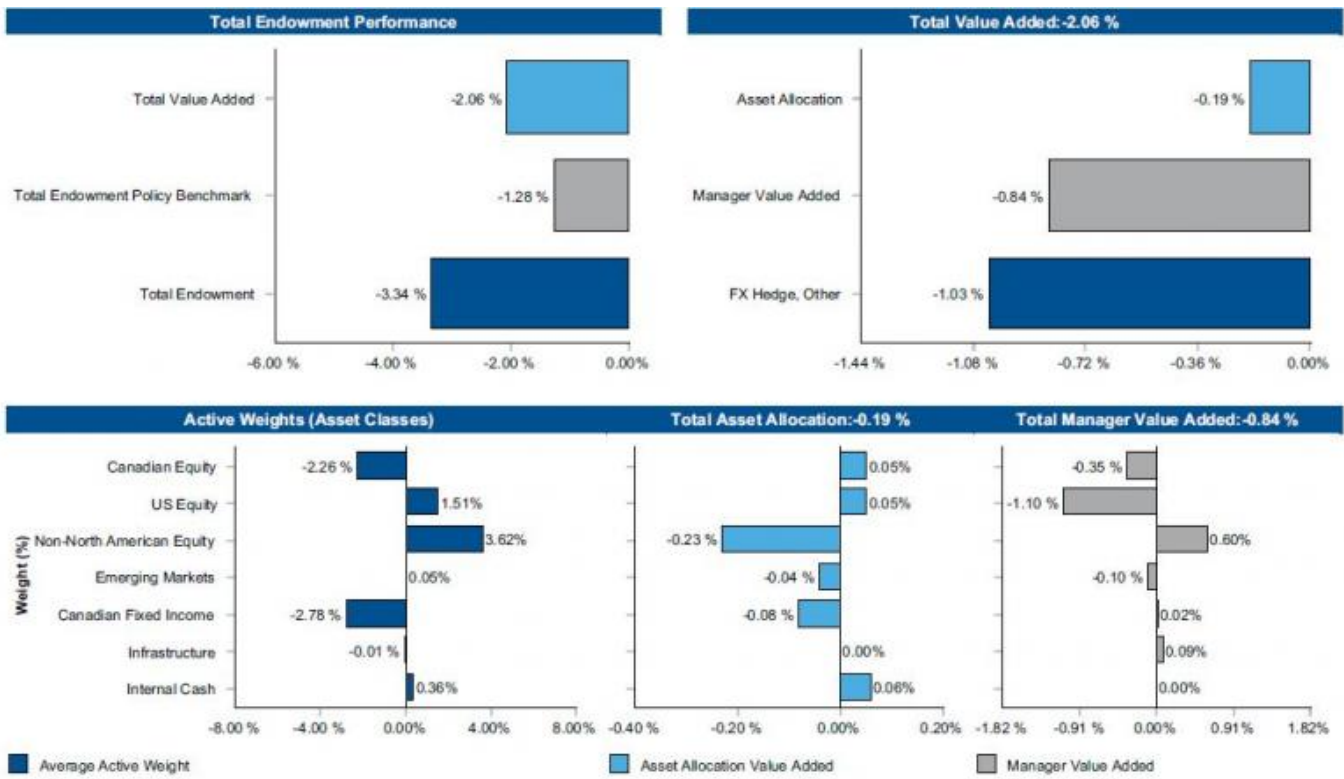
Cash amounts and percentages presented exclude residual manager cash balances and currency overlay (currency hedging)

The Endowment Policy Benchmark (Hedged) has the same components as the Endowment Policy Benchmark, but all foreign indices are 50% hedged back to Canadian dollars.

## Performance Attribution

Total Endowment Funds Vs Endowment Policy Benchmark

1 Year Ending March 31, 2016



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.

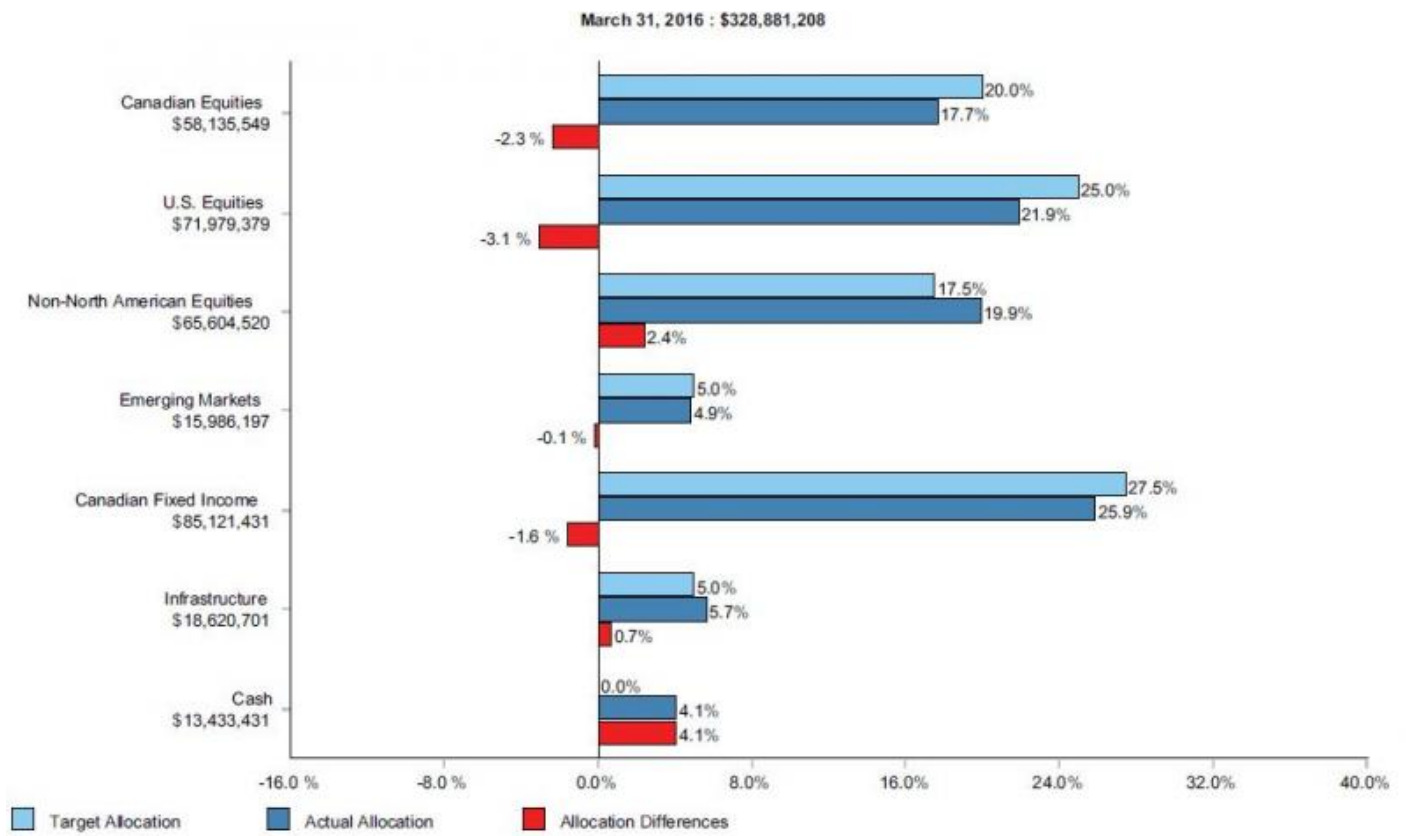
“Other” includes the effects of all other factors on the Total Endowment's relative returns, including rebalancing and residual trading activity.

## Endowment Asset Mix

Actual Allocation vs. Investment Policy Allocation

As of March 31, 2016

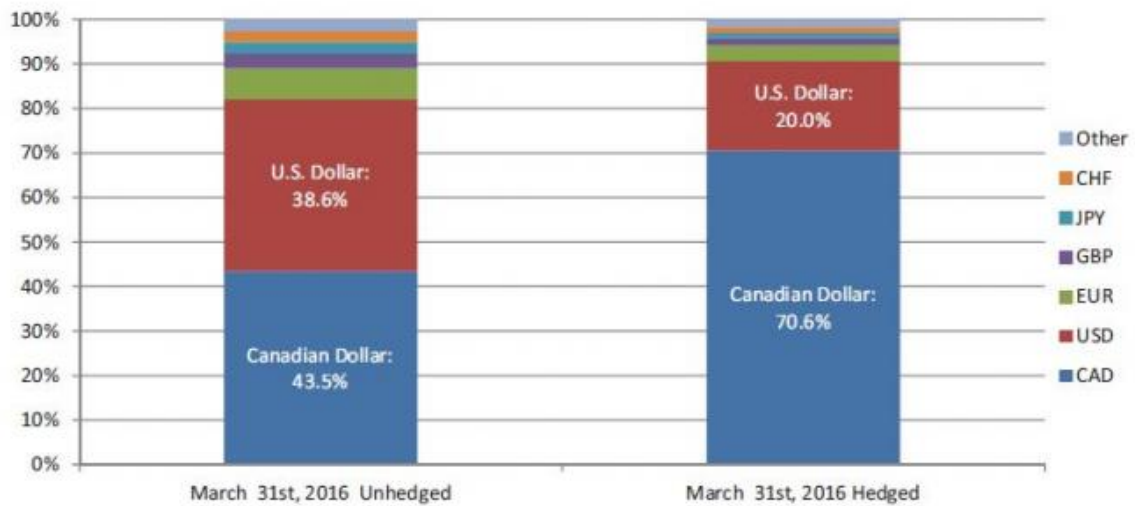




Note: This actual allocation displays the aggregate managers' holdings regardless of their mandate. Cash includes internal cash directly owned by the Endowments and manager residual cash balances (data from CIBC Mellon).

## Endowment Currency Exposure

As of March 31st, 2016

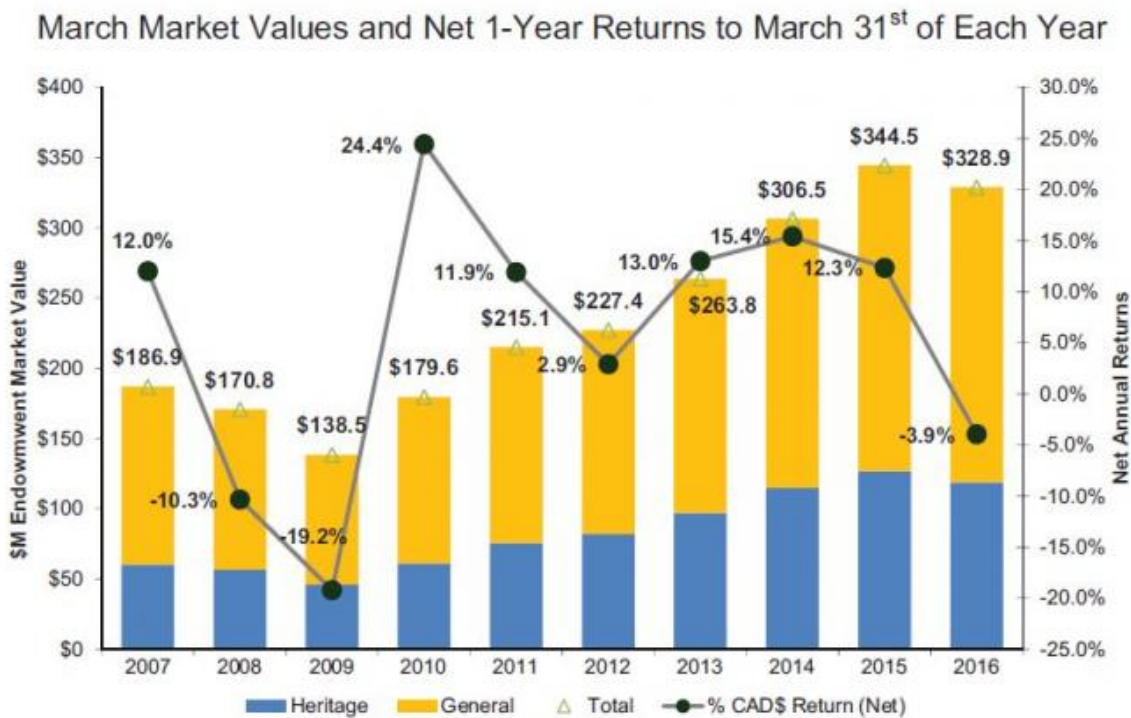


Currency	March 31st, 2016 Unhedged	Gross Exposure (CAD)	Hedge (CAD)	March 31st, 2016 Hedged	Net Hedged Exposure (CAD)
Canadian Dollar	43.5%	141,886,950	90,262,463	70.6%	232,149,413
U.S. Dollar	38.6%	125,853,921	-59,963,150	20.0%	65,890,771
Euro	6.9%	22,511,910	-10,874,504	3.5%	11,637,406
British Pound	3.4%	11,026,374	-5,512,987	1.7%	5,513,387
Swiss Franc	2.6%	8,076,489	-4,046,600	1.3%	4,029,889
Japanese Yen	2.5%	8,400,354	-4,182,186	1.2%	4,218,168
Other	2.6%	8,467,582	-3,025,407	1.7%	5,442,175

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

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



Over the last 12 months the total Endowment portfolio decreased \$15.6 M to \$337.1 M consisting of:

- Total contributions of \$7.2 M and distributions of \$8.8 M.
- 1-year return (net of investment management fees) of -3.9% compared to 12.3% one year ago.

**Source URL:** <https://www.uoguelph.ca/finance/march-2016-endowment-quarterly-investment-report>