March 2016 Endowment Quarterly Investment Report

Performance Review

University of Guelph Endowment Funds
1st Quarter 2016

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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.

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.

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.

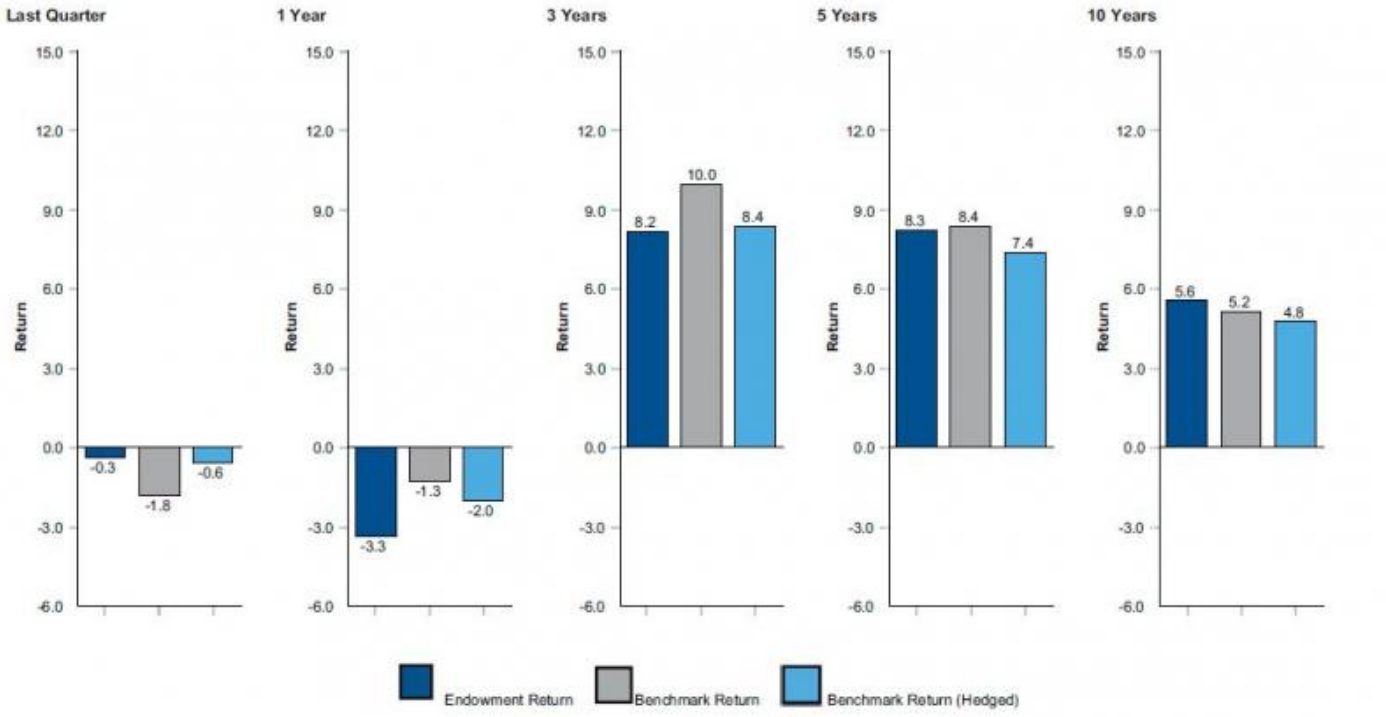
Fixed Income

- 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.

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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		Performance(%)								
	Market Value ($)	% of portfolio	Year to Date	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Y
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 Com			4.5	-6.6	0.0	5.0	5.3	2.1	4.9	9.6	3.2

posite Index										
Relative Performance		1.2	-1.9	-2.6	-0.5	1.5	1.9	1.2	0.5	1.6
US Equity	80,963, 24.6275	-3.9	-0.2	14.2	19.6	20.1	17.4	17.8	19.7	13
S&P 500		-5.7	3.9	15.9	21.1	19.8	18.1	16.8	17.4	11
Relative Performance		1.8	-4.1	-1.7	-1.5	0.3	-0.7	1.0	2.3	2.1
Non-North American Equity	67,178, 20.4407	-8.1	-3.6	3.9	11.9	13.2	11.0	10.6	12.9	6.4
MSCI EAFE (net)		-9.7	-6.4	3.2	10.7	11.4	8.3	7.8	10.1	3.2
Relative Performance		1.6	2.8	0.7	1.2	1.8	2.7	2.8	2.8	3.2
Emerging Markets Equity	15,986, 4.9197	-1.1	-12.1	1.0	3.1	4.1	2.2	N/A	N/A	N/A
MSCI Emerging Markets Index		-1.6	-9.8	2.1	3.8	3.9	1.8	3.7	9.0	2.2
Relative Performance		0.5	-2.3	-1.1	-0.7	0.2	0.4	N/A	N/A	N/A
Canadian Fixed Income	85,121, 25.9431	1.4	0.8	5.5	4.0	4.2	5.3	5.3	5.8	5.5
FTSE TMX Canada Universe Bond Index		1.4	0.8	5.4	3.9	4.0	5.1	5.1	5.1	5.1
Relative Performance		0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.7	0.4
Infrastructure	18,657, 5.7084	-6.8	9.1	17.5	N/A	N/A	N/A	N/A	N/A	N/A
CPI + 5%		1.5	6.5	6.3	6.4	6.3	6.5	6.7	6.7	6.6
Relative Performance		-8.3	2.6	11.2	N/A	N/A	N/A	N/A	N/A	N/A
Internal	163,43	0.0	-0.3	-0.2	-1.4	-1.8	-1.4	0.2	1.6	1.4	1.4

Cash	3										
FTSE TMX Canada 91 Day T-Bill			0.1	0.5	0.7	0.8	0.9	0.9	0.9	0.8	1.0
Relative Performance			-0.4	-0.7	-2.1	-2.6	-2.3	-0.7	0.7	0.6	0.4
Total Endowment (Net of Fees)	328,881,208	100.0	-0.5	-3.9	3.9	7.6	8.9	7.7	8.4	10.5	6.3
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 (Gross of Fees)	328,881,208	100.0	-0.3	-3.3	4.5	8.2	9.5	8.3	9.0	11.1	6.9
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 Mar-2016	Apr-2014 To Mar-2015	Apr-2013 To Mar-2014	Apr-2012 To Mar-2013	Apr-2011 To Mar-2012	Apr-2010 To Mar-2011	Apr-2009 To Mar-2010	Apr-2008 To Mar-2009	Apr-2007 To Mar-2008	Apr-2006 To 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
RelativePerformance	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	0.8	10.4	1.0	4.9	10.0	5.3	8.4	3.5	4.7	5.3

Fixed Income										
FTSE TMX Canada Universe Bond Index	0.8	10.3	0.8	4.5	9.7	5.1	5.1	4.9	5.8	5.5
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 TMX Canada 91 Day T-Bill	0.5	0.9	1.0	1.0	0.9	0.8	0.3	2.4	4.6	4.2
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	-2.0	-2.1	-1.0	4.1	0.5	2.5	0.3	3.2	-1.6	-0.3

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

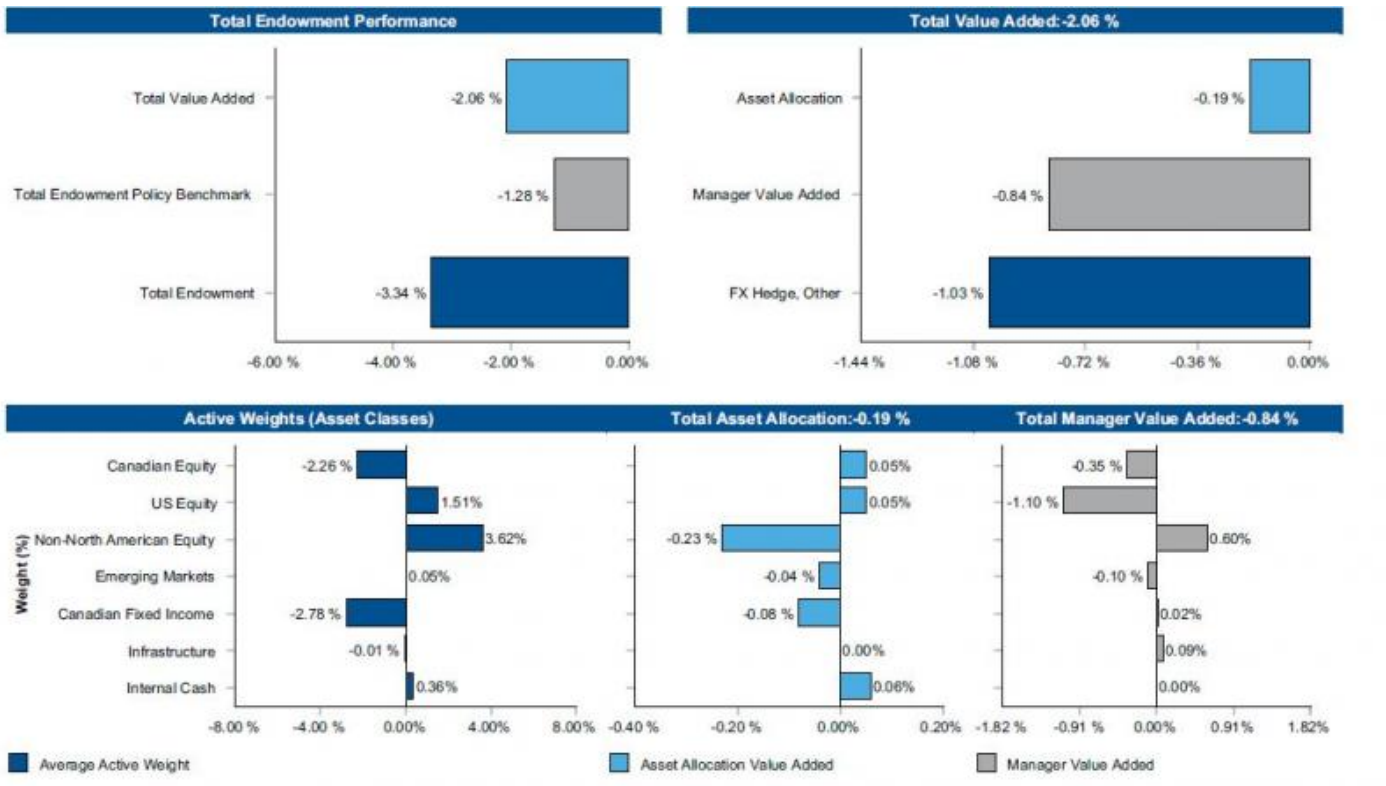
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.
The Endowment Policy Benchmark (Hedged) has the same components as the Endowment Policy Benchmark, but all foreign indices are 50% hedged back to Canadian dollars.

Performance Attribution

Total Endowment Funds Vs Endowment Policy Benchmark

1 Year Ending March 31, 2016



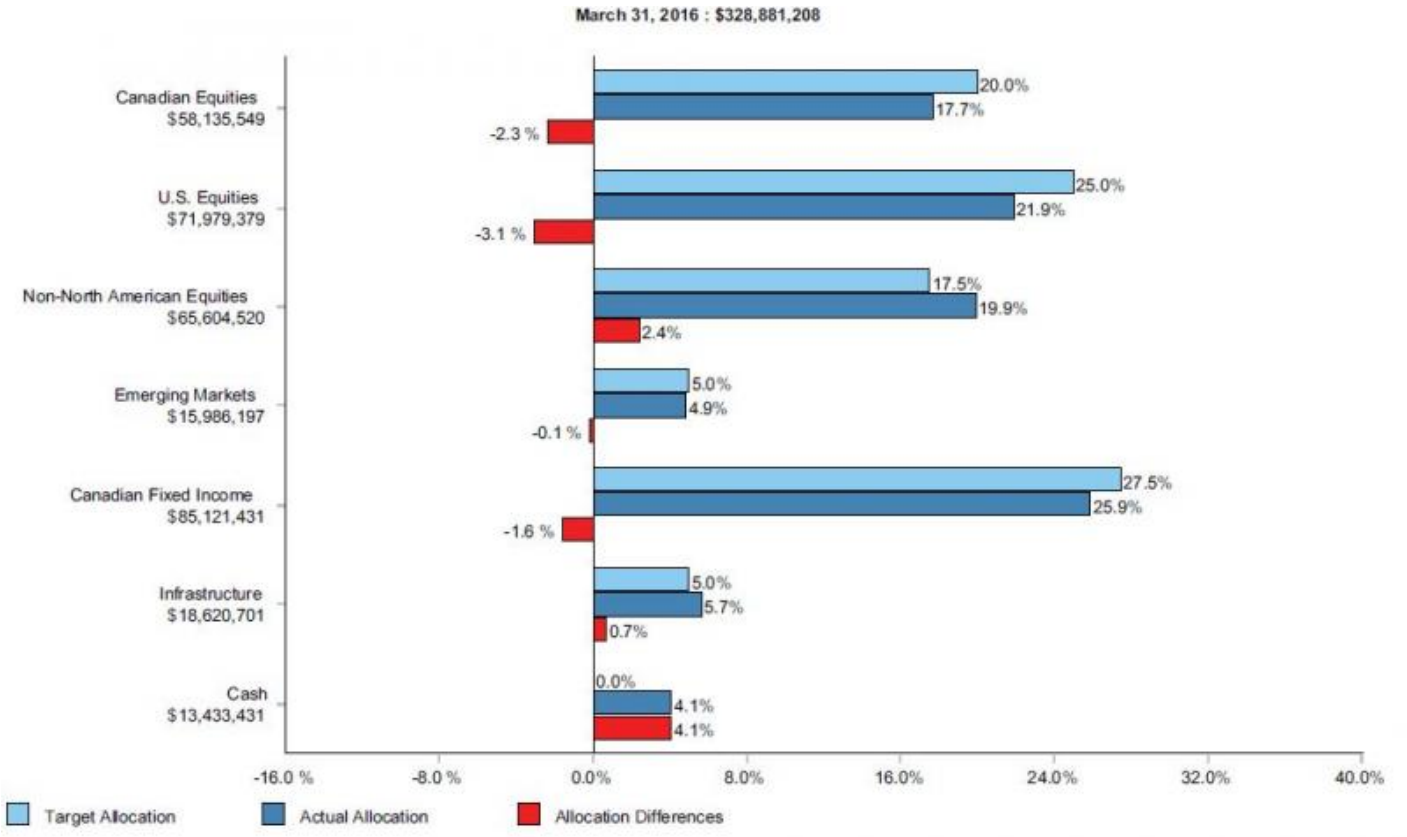
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The Benchmarks do not assume currency hedging.
“Other” includes the effects of all other factors on the Total Endowment's relative returns, including rebalancing and residual trading activity.

Endowment Asset Mix

Actual Allocation vs. Investment Policy Allocation

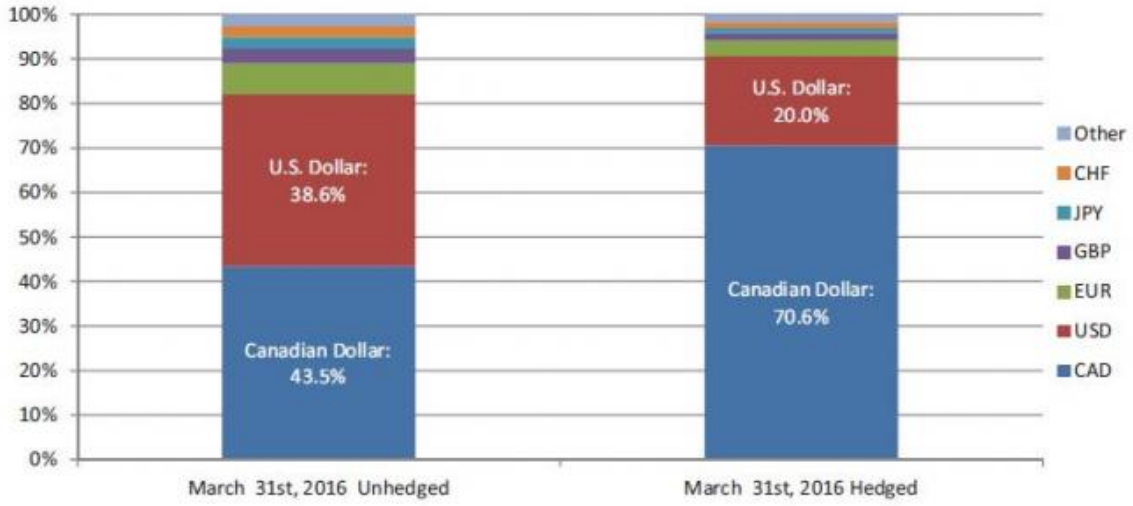
As of March 31, 2016



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

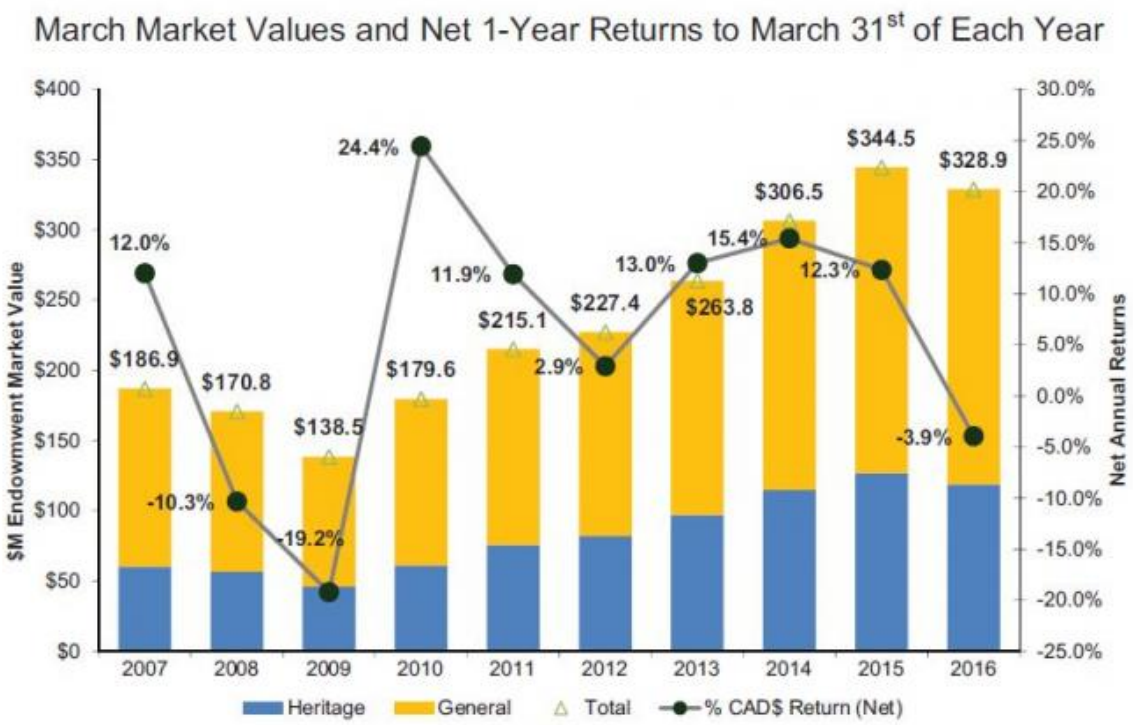


Currency	March31st, 2016Unhedged	GrossExposure (CAD)	Hedge(CAD)	March31st, 2016Hedged	NetHedged Exposure(CAD)
Canadian Dollar	43.5%	141,886,950	90,262,463	70.6%	232,149,413
U.S. Dollar	38.6%	125,853,921	-59,963,150	20.0%	65,890,771
Euro	6.9%	22,511,910	-10,874,504	3.5%	11,637,406
British Pound	3.4%	11,026,374	-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