June 30, 2016 Endowment Quarterly Investment Report

Performance Review

University of Guelph Endowment Funds
2nd Quarter 2016

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Endowment Funds Results Overview

(Gross Returns for the 12 months ended June 30th, 2016)

The Total Endowment Funds were flat with a 0% return over the last 12 months, underperforming their hedged benchmark by 1.4% and their unhedged benchmark by 2.3%.

Canadian Equity

- The Canadian equity portfolio lost 3.3% over the past year, 3.1% 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.
- The S&P/TSX index was flat with a -0.2% return over the past year while both Burgundy and Sionna underperformed this benchmark by 3.9% and 1.3% respectively.

U.S. Equity

- U.S. equity markets performed well in Canadian dollar terms with a 1-year return of 8.2% for the S&P500.
- In comparison, the Endowment's U.S. equity investments 1-year return of 4.6% was relatively low.
- The U.S. large cap manager (Fiduciary) lagged the S&P 500 index by 2.3%, and the mid cap mandate managed by Wedge lagged its benchmark by 5.5%. The sole outperformer was Wedge's small cap strategy, which beat the Russell 2000 Value Index by 2.5% over the past year.

Non-North American Equity

- In Canadian dollars, non-North American equities underperformed both Canada and the U.S. with a return of -6.1% for developed markets. Emerging markets lost 8.1% over the past year.
- Tweedy Browne did well in falling markets with a

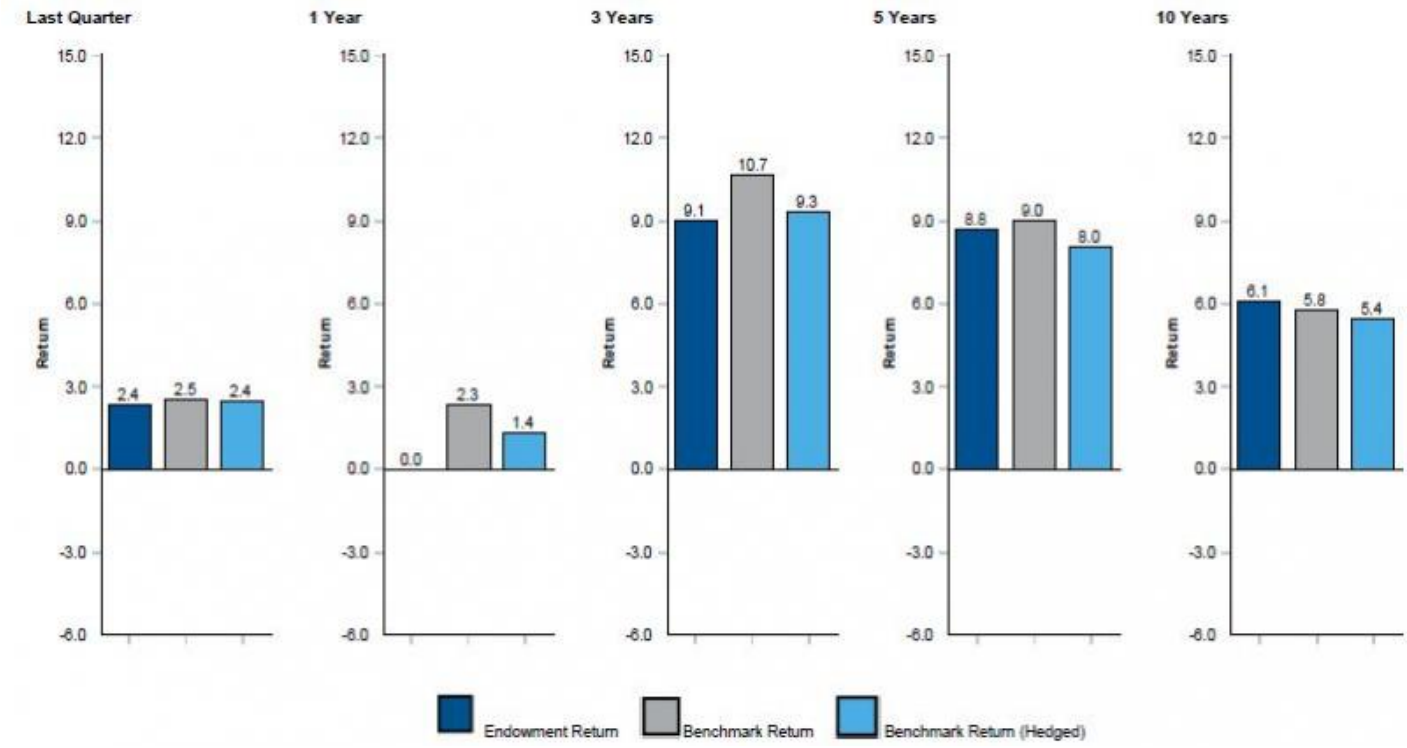
Fixed Income

- The Canadian fixed income portfolio is indexed to the FTSE TMX Universe and, as expected, closely matched its return of 5.2%.
- The cash return was slightly negative due to losses on internal foreign exchange transactions.

strong outperformance of 7.8%, while LSV lost 2.2% more than MSCI EAFE index.
- The emerging markets manager (LSV) lagged the MSCI Emerging Markets index by 2.7% over the past year, although it outperformed from 2012 to 2014.
- The infrastructure portfolio managed by Brookfield outperformed its index by 3.8% 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

As of June 30, 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 since November 2010.

Asset Class Performance

As of June 30, 2016 (Gross of Fees)

	Allocation		Annualized Performance(%)					Annual Performance(%)					
	Market Value ($)	% of portfolio	Quarter to Date	1 Year	3 Years	5 Years	10 Years	2015 to 2016	2014 to 2015	2013 to 2014	2012 to 2013	2011 to 2012	2010 to 2011
Canadian Equity	62,741,557	18.1	3.7	-3.3	5.8	5.5	5.8	-3.3	-3.5	26.8	18.4	-6.7	15.5
S&P/TSX Composite Index			5.1	-0.2	8.3	4.2	4.9	-0.2	-1.2	28.7	7.9	-10.3	20.9
Relative Performance			-1.4	-3.1	-2.5	1.3	0.9	-3.1	-2.3	-1.9	10.5	3.6	-5.4
US Equity	83,406,107	24.0	3.2	4.6	19.0	18.4	10.2	4.6	26.6	27.4	28.1	7.7	20.5
S&P 500 Index (CAD)			2.9	8.2	19.7	19.0	9.1	8.2	25.9	25.8	24.8	11.4	18.7
Relative Performance			0.3	-3.6	-0.7	-0.6	1.1	-3.6	0.7	1.6	3.3	-3.7	1.8
Non-North American Equity	69,749,914	20.1	0.5	-2.9	10.9	10.6	5.1	-2.9	10.8	26.9	23.4	-1.9	15.8
MSCI EAFE Composite			-0.8	-6.1	9.9	8.4	3.6	-6.1	12.7	25.3	23.3	-8.5	18.9
Relative Performance			1.3	3.2	1.0	2.2	1.5	3.2	-1.9	1.6	0.1	6.6	-3.1
Emerging Markets Equity	16,139,881	4.6	1.2	-10.8	5.7	2.7	N/A	-10.8	9.7	20.6	8.6	-10.9	N/A
MSCI Emerging Markets Index			1.2	-8.1	5.9	2.5	5.5	-8.1	11.6	15.8	6.8	-10.9	16.4
Relative Performance			0.0	-2.7	-0.2	0.2	N/A	-2.7	-1.9	4.8	1.8	0.0	N/A
Canadian Fixed Income	93,399,053	26.9	2.7	5.3	5.7	5.4	5.8	5.3	6.3	5.5	0.5	9.4	5.2
FTSE TMX Canada Univers			2.6	5.2	5.6	5.2	5.6	5.2	6.3	5.3	-0.2	9.5	4.7

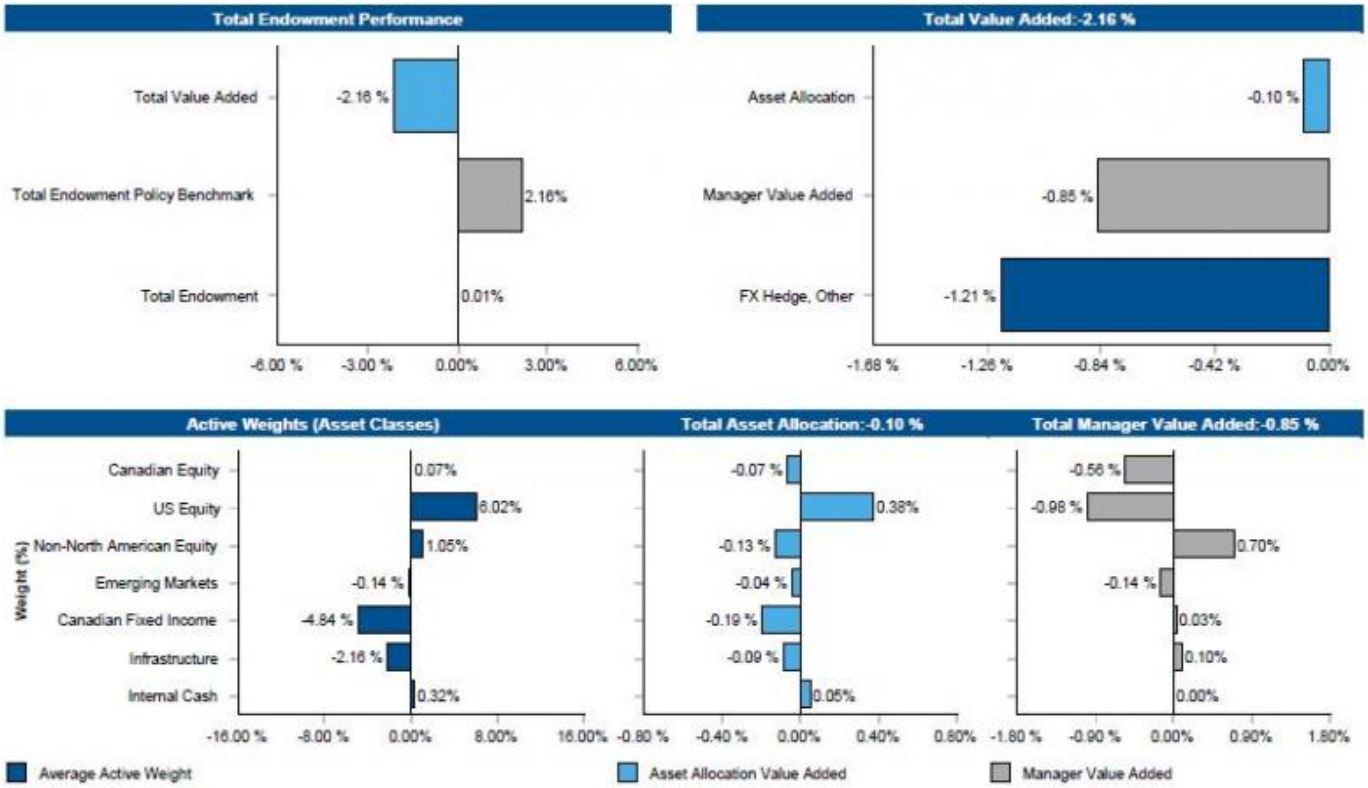
e Bond Index												
Relative Performance		0.1	0.1	0.1	0.2	0.2	0.1	0.0	0.2	0.7	-0.1	0.5
Infrastructure	18,921,356	5.5	0.8	10.3	N/A	N/A	N/A	10.3	31.5	N/A	N/A	N/A	N/A
CPI + 5%			1.9	6.5	6.6	6.5	6.7	6.5	6.0	7.3	6.3	6.6	8.2
Relative Performance			-1.1	3.8	N/A	N/A	N/A	3.8	25.5	N/A	N/A	N/A	N/A
Internal Cash	1,825,582	0.5	0.0	-0.2	-1.3	0.4	N/A	-0.2	-2.6	-1.0	-1.9	7.8	8.0
FTSE TMX Canada 91 Day T-Bill			0.1	0.5	0.8	0.9	1.6	0.5	0.9	1.0	1.0	1.0	0.9
Relative Performance			-0.1	-0.7	-2.1	-0.5	N/A	-0.7	-3.5	-2.0	-2.9	6.8	7.1
Total Endowment	347,158,516	100.0	2.4	0.0	9.1	8.8	6.1	0.0	8.2	19.9	15.0	1.9	16.1
Gross of Fees													
Net of Fees			2.2	-0.6	8.4	8.2	5.6	-0.6	7.4	19.4	14.5	1.4	15.6
Relative Performance			0.2	0.6	0.7	0.6	0.5	0.6	0.8	0.5	0.5	0.5	0.5
Endowment Policy Benchmark (Hedged)			2.4	1.4	9.3	8.0	5.4	1.4	8.8	18.4	12.1	0.6	15.6
Relative Performance			0.0	-1.4	-0.2	0.8	0.7	-1.4	-0.6	1.5	2.9	1.3	0.5
Total Endowment (Gross of Fees)	347,158,516	100.0	2.4	0.0	9.1	8.8	6.1	0.0	8.2	19.9	15.0	1.9	16.1
Total Endowment ex. FX Overlay			2.4	1.2	10.8	10.0	6.7	1.2	11.4	20.5	15.7	2.6	15.2
Relative Performance			0.0	-1.2	-1.7	-1.2	-0.6	-1.2	-3.2	-0.6	-0.7	-0.7	0.9

Endowment Policy Benchmark (Hedged): 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 foreign indices are 50% hedged back to Canadian dollars since November 2010.

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).

Performance Attribution

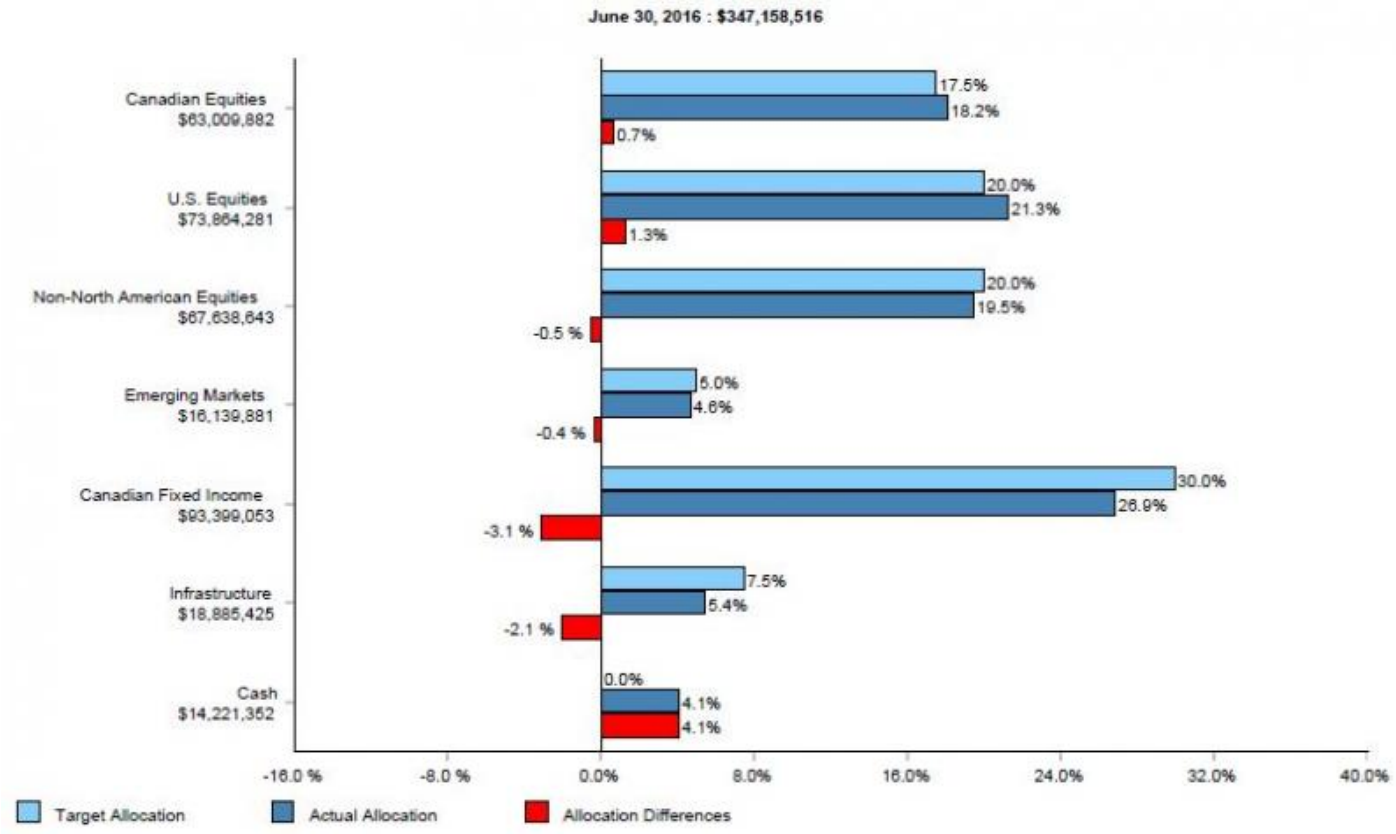
Total Endowment Funds Vs Endowment Policy Benchmark
1 Year Ending June 30, 2016



Returns are presented gross of fees in CAD.
Endowment Policy Benchmark: 30% FTSE TMX Bond Universe + 7.5% Infrastructure (CPI+5%) + 17.5% S&P/TSX Composite + 20% S&P 500 ($CAD) + 20% MSCI EAFE Net ($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

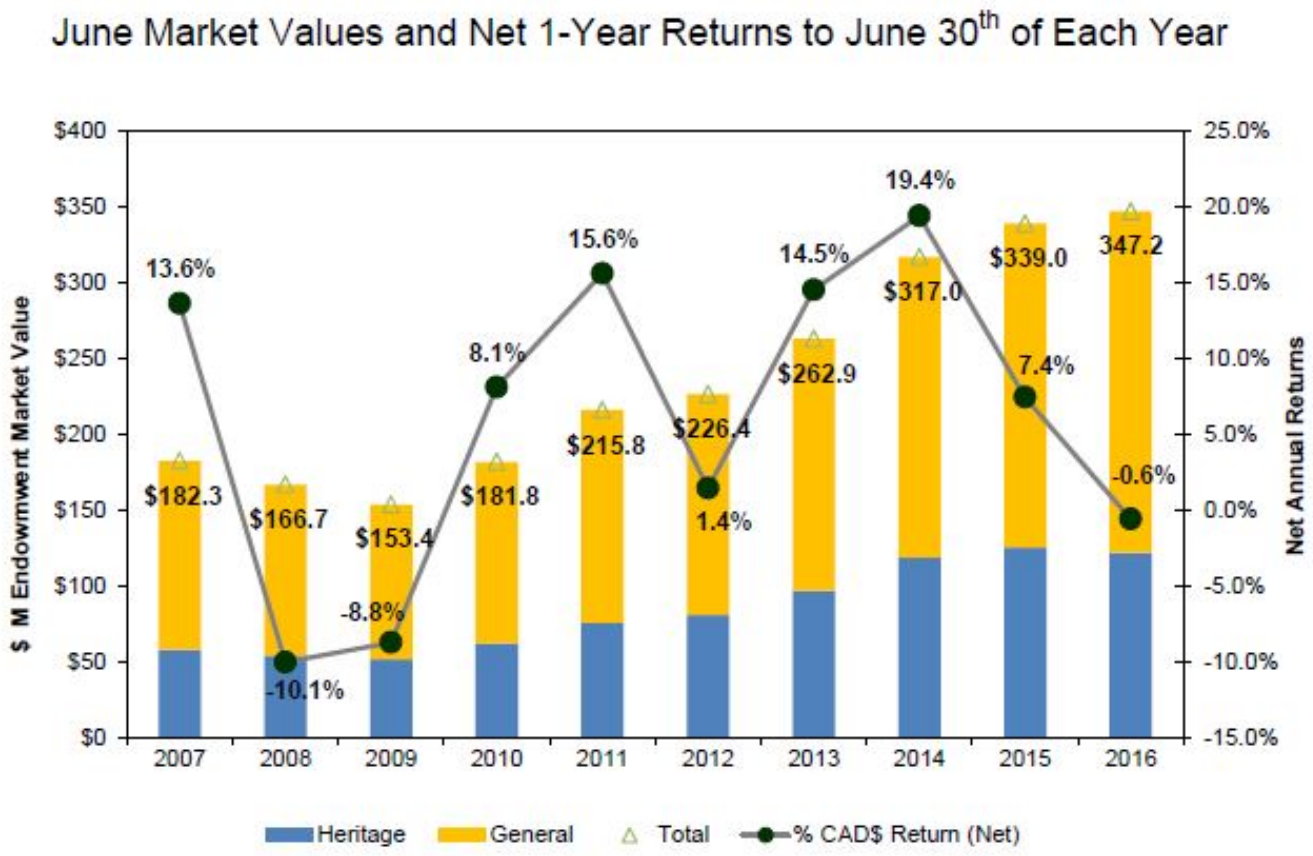
Actual Allocation vs. Investment Policy Allocation
As of June 30, 2016



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).

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 $8.2 M to $347.2 M consisting of:

– Total contributions of $18.2 M and distributions of $7.4 M.
– 1-year return (net of investment management fees) of -0.6% compared to 7.4% one year ago.

Source URL:https://www.uoguelph.ca/finance/reports/endowment-funds/june-30-2016-endowment-quarterly-investment-report