September 30, 2016 Endowment Quarterly Investment Report

Performance Review

University of Guelph Endowment Funds

3rd Quarter 2016

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Endowment Funds Results Overview

(Gross Returns for the 12 months ended September 30th, 2016)
The Total Endowment Funds gained 9.9% over the last 12 months, matching their hedged benchmark and outperforming their unhedged benchmark by 0.2%.

Canadian Equity

- The Canadian equity portfolio gained 15.8% over the past year, 1.6% above the return of the S&P/TSX index.
- Both Burgundy and Sionna contributed to the strong performance with 15.6% and 16.7% returns respectively.
- The S&P/TSX index posted a 14.2% return over the past year while both Burgundy and Sionna outperformed this benchmark by 1.4% and 2.5% respectively.

Non-North American Equity

- In Canadian dollars, non-North American equities in developed markets underperformed both Canada and the U.S. with a return of 4.9%, while emerging markets equities gained 14.9% over the past year.
- Tweedy Browne and LSV outperformed the MSCI EAFE index by 1.4% and 1.0% respectively.
- The emerging markets manager (LSV) outperformed the MSCI Emerging Markets index by 0.1% over the past year.

U.S. Equity

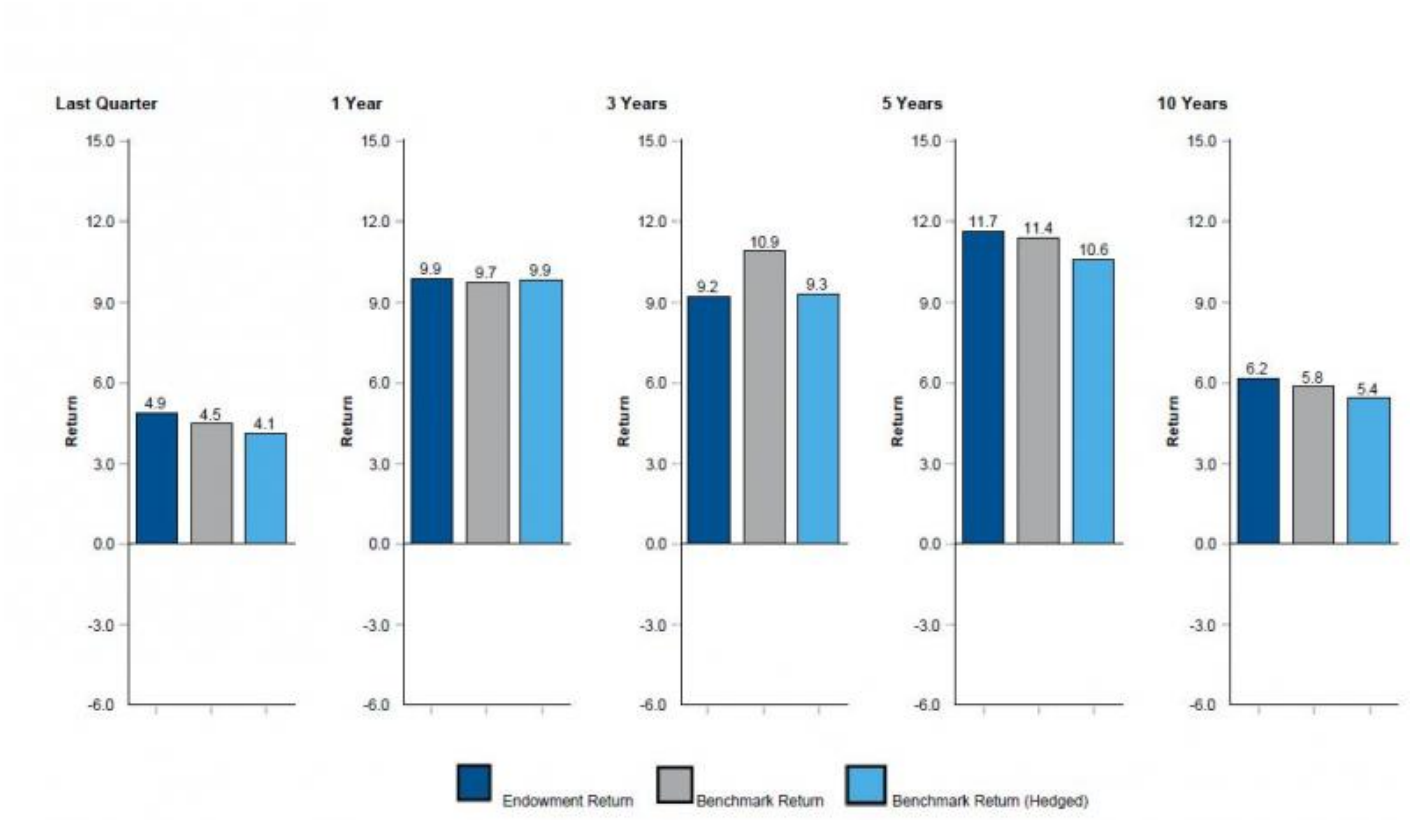
- U.S. equity markets performed well in Canadian dollar terms with a 1-year return of 13.2% for the S&P500.
- The Endowment's U.S. equity investments gained 11.8% over last year, underperforming the S&P500 index by 1.4%.
- The U.S. large cap manager (Fiduciary) lagged the S&P 500 index by 2.0%, and the mid cap mandate managed by Wedge lagged its benchmark by 5.4%. Wedge's small cap strategy also underperformed its benchmark, Russell 2000 Value Index, by 1.6% 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 6.3%.
- The cash return was slightly negative due to losses on internal foreign exchange transactions.

Total Endowment Portfolio Vs Endowment Policy Benchmark

As of September 30, 2016 (Gross of Fees, Annualized for Periods over 1 Year)



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 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 September 30, 2016 (Gross of Fees)

Asset Class Performance	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
Canadian Equity	70,450,947	18.6	8.0	15.8	6.4	10.0	6.5	15.8	-11.9	18.0	17.5	13.8
S&P/TSX Composite Index			5.5	14.2	8.0	8.1	5.3	14.2	-8.4	20.4	7.1	9.2
Relative Perfor			2.5	1.6	-1.6	1.9	1.2	1.6	-3.5	-2.4	10.4	4.6

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US Equity	88,024,880	23.2	5.7	11.8	19.9	22.8	9.9	11.8	21.3	27.2	30.08	23.5
S&P 500 Index (CAD)			5.1	13.2	20.7	21.9	9.0	13.2	19.2	30.2	24.7	22.9
Relative Performance			0.6	-1.4	-0.8	0.9	0.9	-1.4	2.1	-3.0	6.1	0.6
Non-North American Equity	77,770,454	20.5	7.2	6.2	10.6	14.2	5.3	6.2	9.3	16.4	29.1	11.5
MSCI EAFE Composite			7.8	4.9	9.5	13.0	4.0	4.9	10.0	13.8	29.8	7.9
Relative Performance			-0.6	1.3	1.1	1.2	1.3	1.3	-0.7	2.6	-0.7	3.6
Emerging Markets Equity	18,128,304	4.8	12.6	15.0	8.5	9.2	N/A	15.0	-5.5	17.4	9.2	11.5
MSCI Emerging Markets Index			10.5	14.9	8.3	8.3	6.0	14.9	-2.8	13.8	5.9	10.8
Relative Performance			2.1	0.1	0.2	0.9	N/A	0.1	-2.7	3.6	3.3	0.7
Canadian Fixed Income	103,099,355	27.2	1.3	6.5	6.1	4.7	5.4	6.5	5.4	6.5	-1.1	6.7
FTSE TMX Canada Universe Bond Index			1.2	6.3	6.0	4.4	5.2	6.3	5.3	6.3	-1.3	5.5
Relative Performance			0.1	0.2	0.1	0.3	0.2	0.2	0.1	0.2	0.2	1.2
Infrastructure	21,615,972	5.7	1.2	0.1	N/A	N/A	N/A	0.1	30.7	N/A	N/A	N/A
CPI + 5%			1.0	6.3	6.5	6.4	6.7	6.3	6.0	7.1	6.1	6.2
Relative Performance			0.2	-6.2	N/A	N/A	N/A	-6.2	24.7	N/A	N/A	N/A
Internal Cash	700,315	0.2	-0.1	-0.3	-1.3	-1.3	N/A	-0.3	-2.6	-1.0	-1.9	-0.6

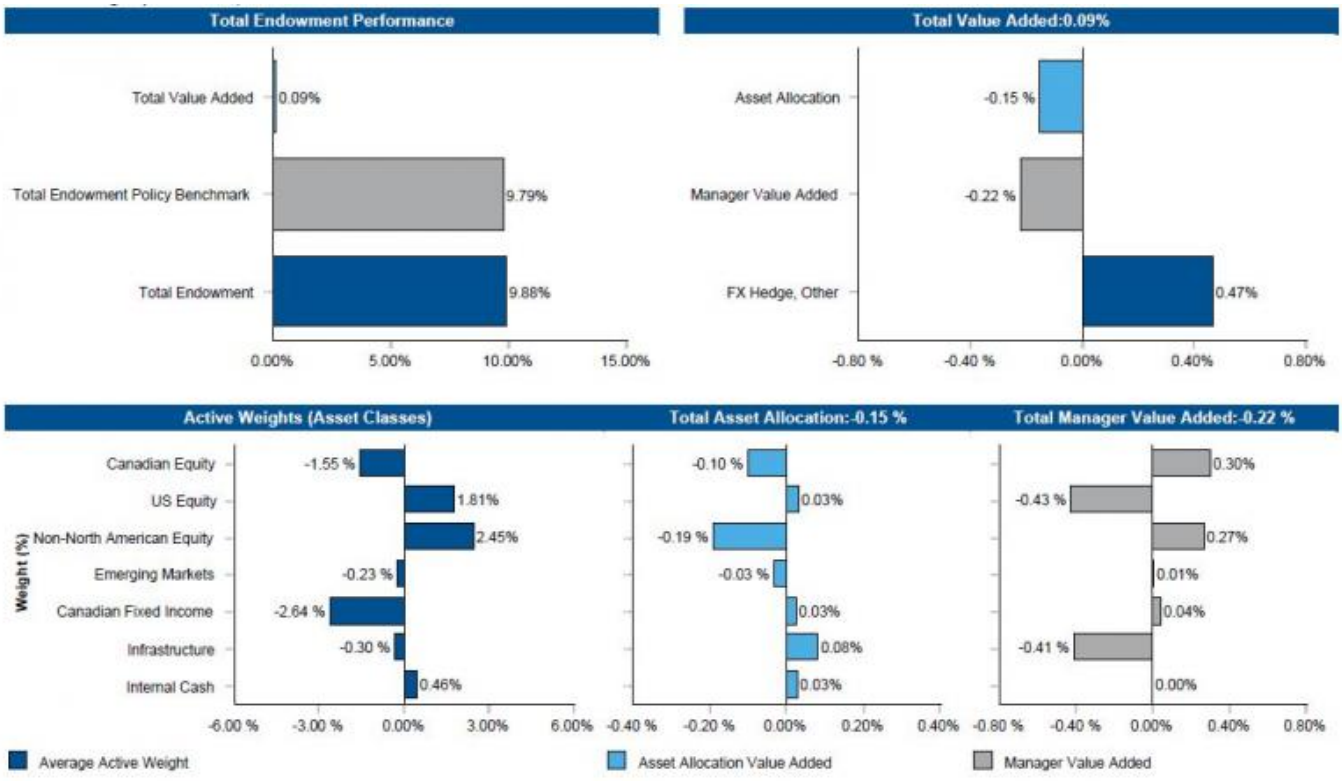
FTSE TMX Canada 91 Day T-Bill			0.1	0.5	0.7	0.8	1.5	0.5	0.8	0.9	1.1	0.9
Relative Performance			-0.2	-0.8	-2.0	-2.1	N/A	-0.8	-3.4	-1.9	-3.0	-1.5
Total Endowment	378,695,333	100.0	4.9	9.9	9.2	11.7	6.2	9.9	2.8	15.3	16.0	14.9
Gross of Fees												
Net of Fees			4.7	9.2	8.5	11.0	5.6	9.2	2.2	14.6	15.5	14.3
Relative Performance			0.2	0.7	0.7	0.7	0.6	0.7	0.6	0.7	0.5	0.6
Endowment Policy Benchmark (Hedged)			4.1	9.9	9.3	10.6	5.4	9.9	3.3	15.1	12.2	12.8
Relative Performance			0.8	0.0	-0.1	1.1	0.8	0.0	-0.5	0.2	3.8	2.1
Total Endowment (Gross of Fees)	378,695,333	100.0	4.9	9.9	9.2	11.7	6.2	9.9	2.8	15.3	16.0	14.9
Total Endowment ex. FX Overlay			5.2	9.4	11.2	12.7	6.7	9.4	7.3	17.1	17.0	13.2
Relative Performance			-0.3	0.5	-2.0	-1.0	-0.5	0.5	-4.5	-1.8	-1.0	1.7

Endowment Policy Benchmark (Hedged): 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.. 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

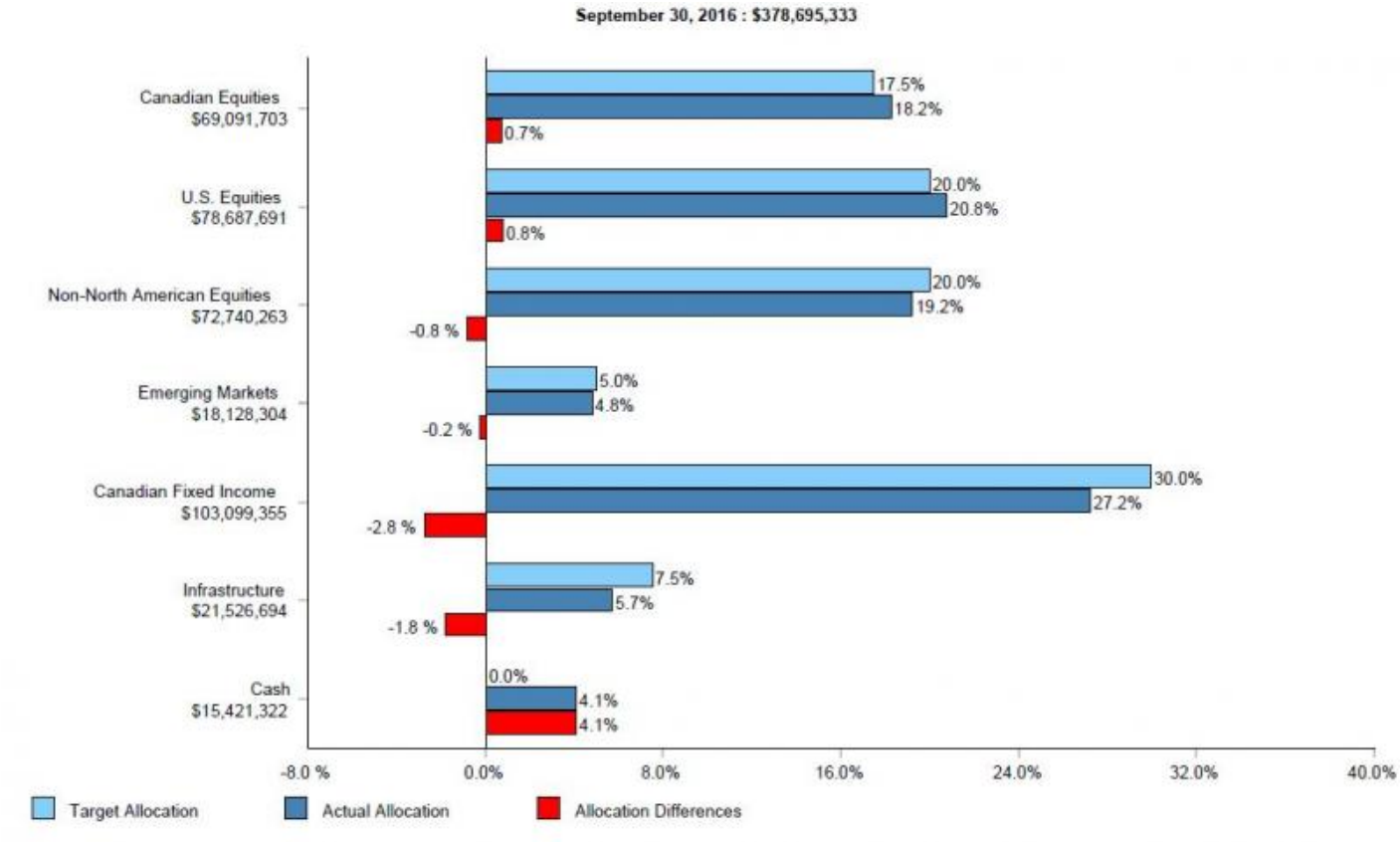


Returns are presented gross of fees in CAD.

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 September 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

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



Over the last 12 months the total Endowment portfolio increased $55.9 M to $378.7 M consisting of:
–Total contributions of $33.2 M and distributions of $7.4 M.
–1-year return (net of investment management fees) of 9.2% compared to 2.2% one year ago.
Per Expendable Fund Investment Policy approved by the Board on Jun. 3, 2016, all sinking funds and a portion of expendable funds are now invested in this portfolio.

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