June 30, 2017 Endowment Quarterly Investment Report

Performance Review

University of Guelph Endowment Funds
2nd Quarter 2017

Prepared by:

Pavilion Advisory Group Ltd.
1250 René-Lévesque Blvd. West, Suite 4030
Montreal, Quebec
H3B 4W8 Canada

Endowment Funds Results Overview

(Net of fees returns for the 12 months ended June 30th, 2017)

The Total Endowment Funds gained 13.0% over the last 12 months, outperforming the unhedged benchmark by 2.0% and the hedged benchmark by 1.9%.

results overviewEndowment Funds Results Overview

Canadian Equity

- The Canadian equity portfolio gained 13.7% over the past year, 2.7% above the return of the S&P/TSX index.
- Both Burgundy and Sionna contributed to the outperformance with 12.9% and 14.8% returns respectively.
- The S&P/TSX index posted an 11.0% return over the past year while Burgundy and Sionna outperformed this benchmark by 1.9% and 3.8% respectively.

U.S. Equity

- U.S. equity markets performed well in Canadian dollar terms with a 1-year return of 17.9% for the S&P500.
- The Endowment's U.S. equity investments gained 18.7% over the last year, outperforming the S&P500 index by 0.8%.
- The U.S. large cap manager (Fiduciary) lagged the S&P 500 index by 0.5%. The mid cap mandate managed by Wedge beat its benchmark by 4.5%, while Wedge's small cap strategy underperformed its benchmark, Russell 2000 Value Index, by 6.0% over the past year.

Non-North American Equity

- In Canadian dollars, non-North American equities in developed markets outperformed both Canada (11.0%) and the U.S. (17.9%) with a return of 20.8%, while emerging markets equities gained 24.2% over the past year.
- Tweedy Browne underperformed the MSCI EAFE index by 4.6%, while LSV outperformed the benchmark by 4.9%.
- The emerging markets manager (LSV) outperformed the MSCI Emerging Markets index

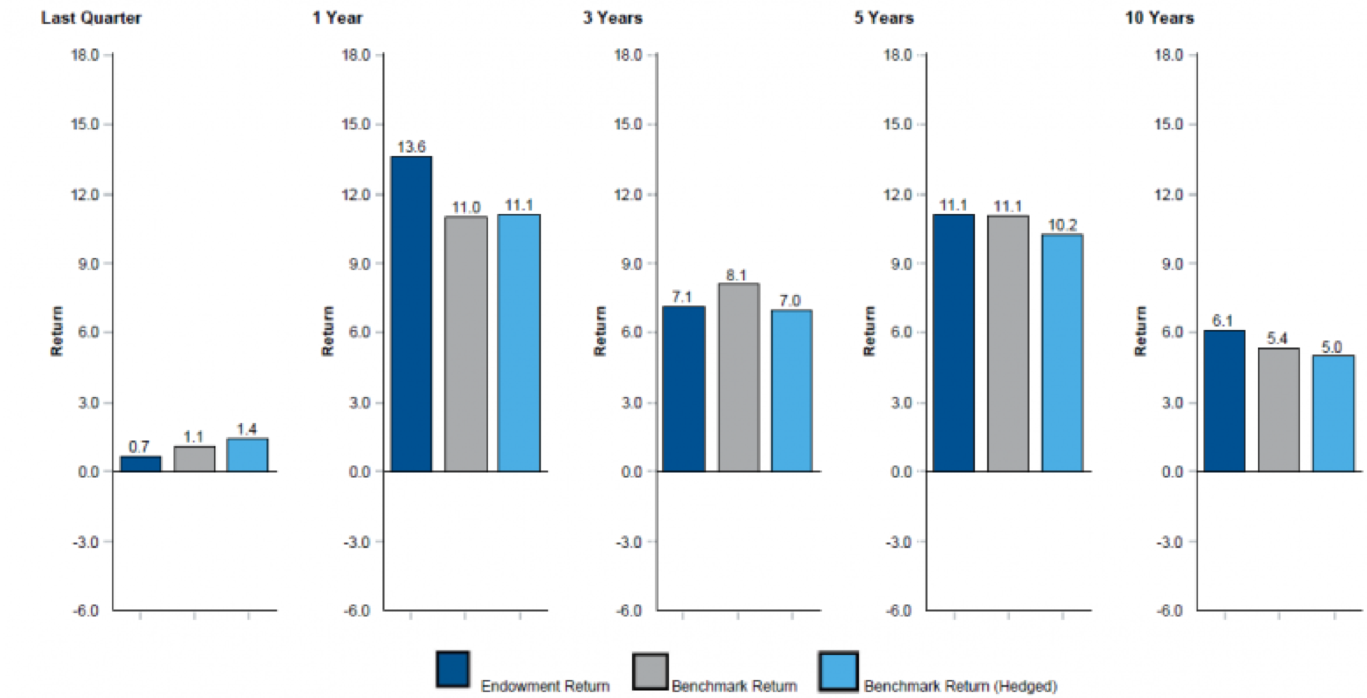
Fixed Income

- The Canadian fixed income portfolio slightly outperformed the FTSE TMX Universe index by 0.3%.
- The infrastructure portfolio managed by Brookfield outperformed its index by 10.9% over the past year. Short- term returns should be interpreted with caution due to the long term nature and illiquidity of the investment.

Endowment Funds Results Overview
by 4.9% over the past year.

Total Endowment Portfolio Vs Endowment Policy Benchmark

As of June 30, 2017 (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, 37.5% hedged since June 2017.

Asset Class Performance

As of June 30, 2017 (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	2016 to 2017	2015 to 2016	2014 to 2015	2013 to 2014	2012 t 2013
	Canadian Equity	74,169,244	17.7	-2.7	14.2	2.1	9.8	5.1	14.2	-3.3	-3.5	26.8	18.4
	S&P/TSX Composite			-1.6	11.0	3.1	8.7	3.9	11.0	-0.2	-1.2	28.7	7.9

Allocation			Annualized Performance (%)		Annual Performance (%)							
Index												
Relative Performance			-1.1	3.2	-1.0	1.1	1.2	3.2	-3.1	-2.3	-1.9	10.5
US Equity	89,858,577	21.4	-0.2	19.5	16.5	20.9	10.6	19.5	4.6	26.6	27.4	28.1
S&P 500 Index (CAD)			0.4	17.9	17.1	20.3	9.3	17.9	8.2	25.9	25.8	24.8
Relative Performance			-0.6	1.6	-0.6	0.6	1.3	1.6	-3.6	0.7	1.6	3.3
Non-North American Equity	89,879,678	21.4	3.3	21.6	9.3	15.4	6.1	21.6	-2.9	10.8	26.9	23.4
MSCI EAFE Composite			3.6	20.8	8.5	14.6	3.5	20.8	-6.1	12.7	25.3	23.3
Relative Performance			-0.3	0.8	0.8	0.8	2.6	0.8	3.2	-1.9	1.6	0.1
Emerging Markets Equity	21,501,509	5.1	1.3	30.3	8.5	10.8	N/A	30.3	-10.8	9.7	20.6	8.6
MSCI Emerging Markets Index			3.6	24.2	8.4	9.5	4.3	24.2	-8.1	11.6	15.8	6.8
Relative Performance			-2.3	6.1	0.1	1.3	N/A	6.1	-2.7	-1.9	4.8	1.8
Canadian Fixed Income	115,651,862	27.6	1.2	0.3	4.0	3.6	5.4	0.3	5.3	6.3	5.5	0.5
FTSE TMX Canada Universe Bond Index			1.1	0.0	3.8	3.3	5.1	0.0	5.2	6.3	5.3	-0.2
Relative Performance			0.1	0.3	0.2	0.3	0.3	0.3	0.1	0.0	0.2	0.7
Infrastructure	24,476,720	5.8	0.5	19.0	19.9	N/A	N/A	19.0	10.3	31.5	N/A	N/A
CPI + 5%			1.6	6.0	6.2	6.5	6.6	6.0	6.5	6.0	7.5	6.3
Relativ			-1.1	13.0	13.7	N/A	N/A	13.0	3.8	25.5	N/A	N/A

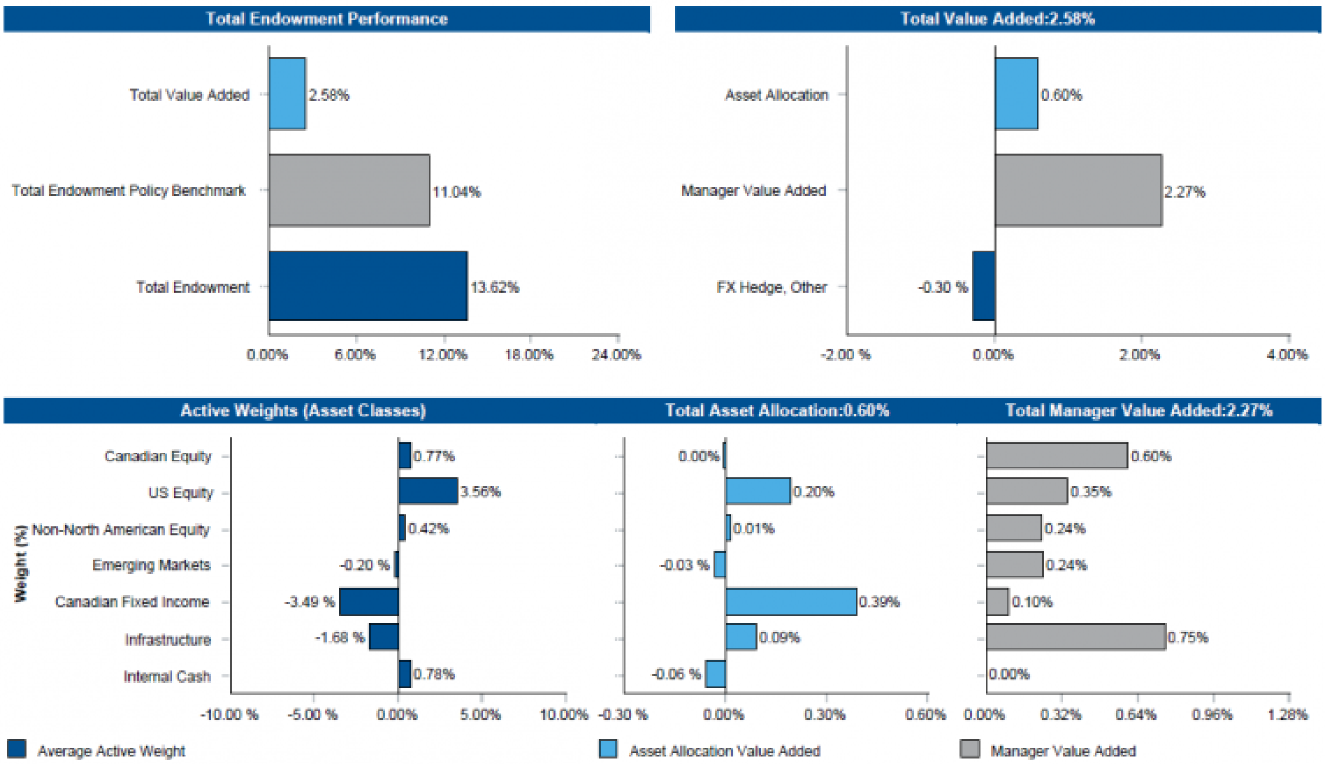
Allocation			Annualized Performance (%)					Annual Performance (%)				
e Performance												
Internal Cash	329,943	0.1	-0.8	-0.8	-1.2	-1.3	1.4	-0.8	-0.2	-2.6	-1.0	-1.9
FTSE TMX Canada 91 Day T-Bill			0.1	0.5	0.6	0.8	1.2	0.5	0.5	0.9	1.0	1.0
Relative Performance			-0.9	-1.3	-1.8	-2.1	0.2	-1.3	-0.7	-3.5	-2.0	-2.9
Total Endowment Gross of Fees	419,133,036	100.0	0.7	13.6	7.1	11.1	6.1	13.6	0.0	8.2	19.9	15.0
Net of Fees			0.6	13.0	6.5	10.5	5.5	13.0	-0.6	7.4	19.4	14.5
Relative Performance			0.1	0.6	0.6	0.6	0.6	0.6	0.6	0.8	0.5	0.5
Endowment Policy Benchmark (Hedged)			1.4	11.1	7.0	10.2	5.0	11.1	1.4	8.8	18.4	12.1
Relative Performance			-0.7	2.5	0.1	0.9	1.1	2.5	-1.4	-0.6	1.5	2.9
Total Endowment (Gross of Fees)	419,133,036	100.0	0.7	13.6	7.1	11.1	6.1	13.6	0.0	8.2	19.9	15.0
Total Endowment ex. FX Overlay			0.5	13.8	8.7	12.3	6.7	13.8	1.2	11.4	20.5	15.7
Relative Performance			0.2	-0.2	-1.6	-1.2	-0.6	-0.2	-1.2	-3.2	-0.6	-0.7

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, 37.5% hedged since June 2017.

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, 2017



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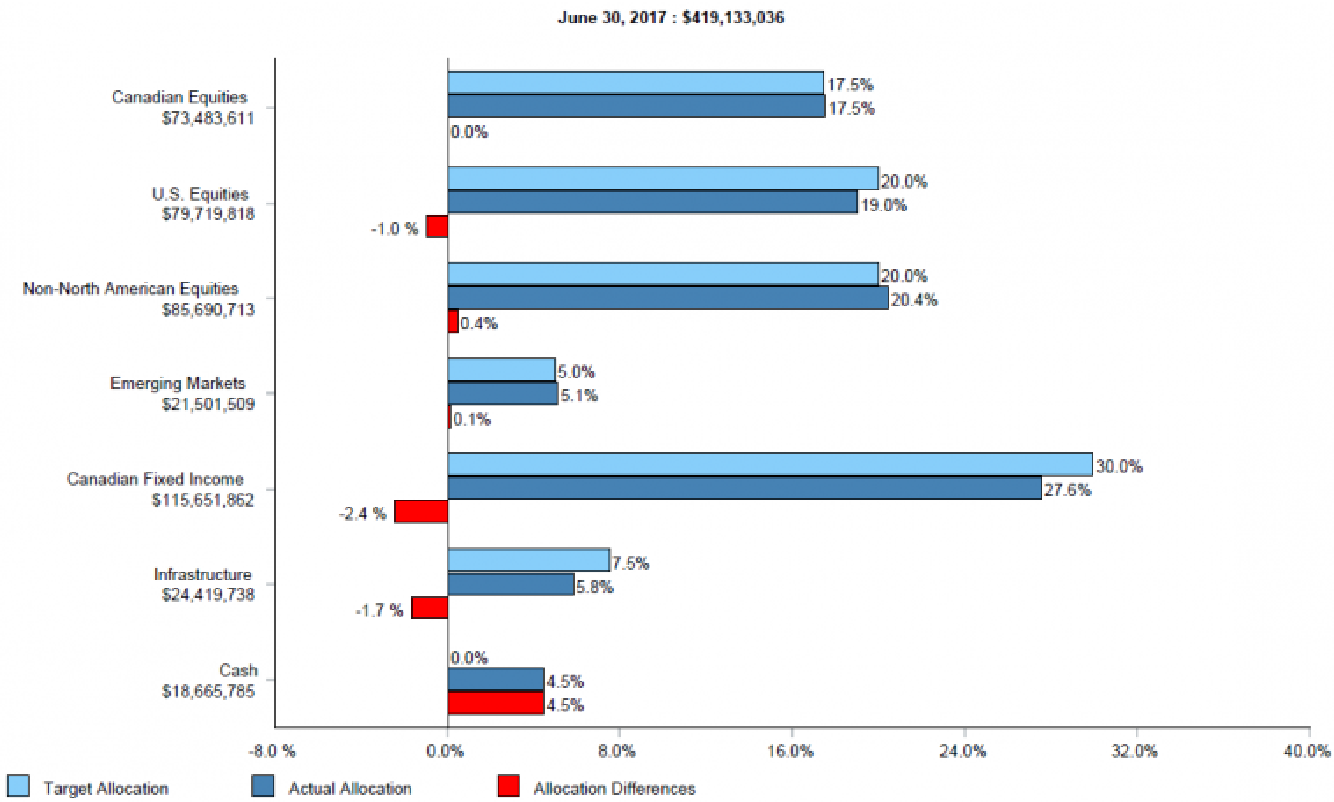
The Benchmarks do not assume currency hedging.
“Other” includes the effects of all other factors on the Total Endowment's relative returns, including rebalancing and residual trading activity.

Endowment Asset Mix

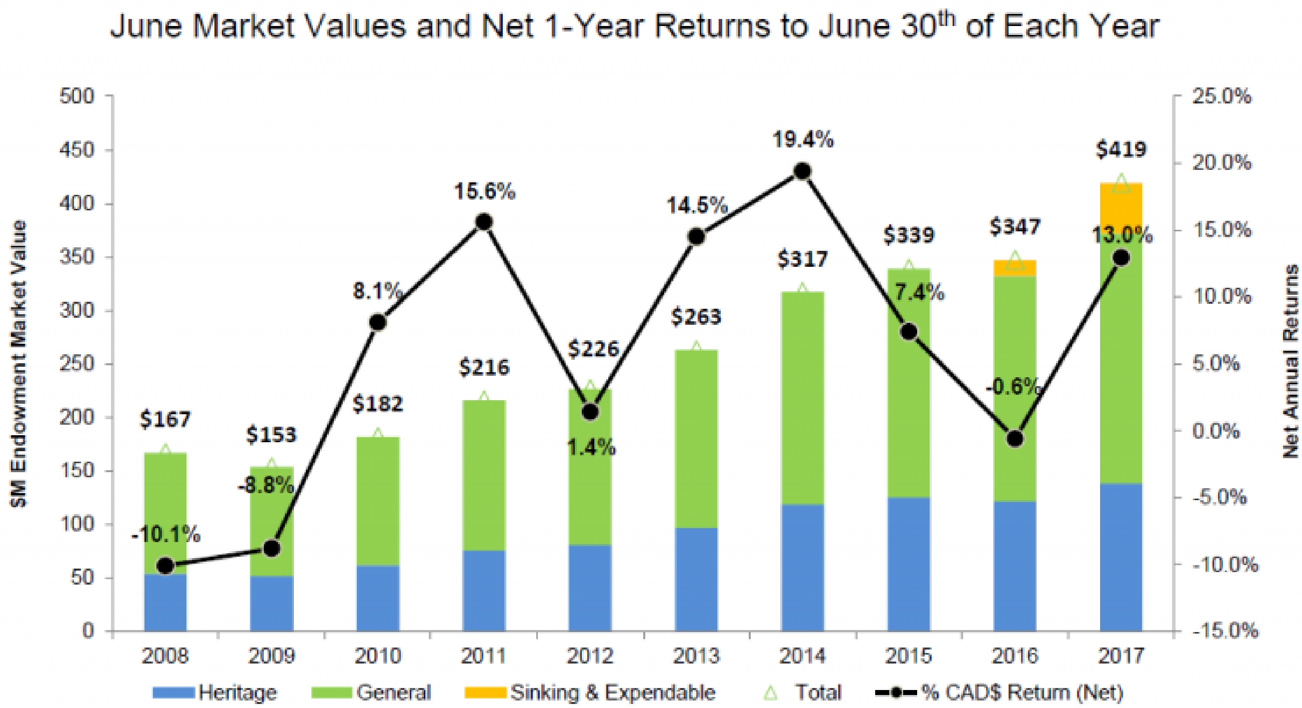
Actual Allocation vs. Investment Policy Allocation
As of June 30, 2017



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 from $347 M to $419 M consisting of:
– Total contributions of $34.2 M and distributions of $9.4 M.
– 1-year return (net of investment management fees) of 13.0% compared to -0.6% 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/june-30-2017-endowment-quarterly-investment-report