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## June 30, 2017 Endowment Quarterly Investment Report

### Performance Review

University of Guelph Endowment Funds  
2<sup>nd</sup> Quarter 2017

Prepared by:

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### Endowment Funds Results Overview

(Net of fees returns for the 12 months ended June 30<sup>th</sup>, 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

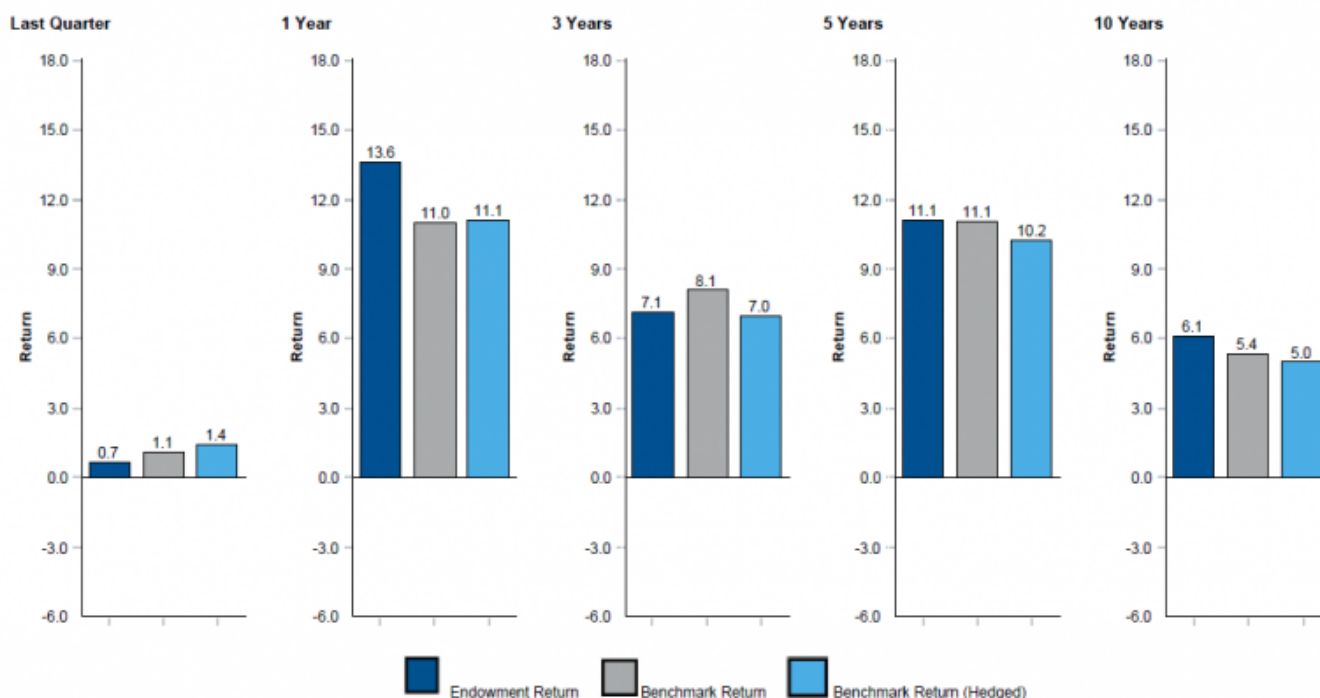
#### Fixed Income

- 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<br>Market % of<br>Value portfolio | Annualized Performance (%) |                |         |         |          | Annual Performance (%) |              |              |              |              |      |
|-------------------------|--|----------------------------|----------------|---------|---------|----------|------------------------|--------------|--------------|--------------|--------------|------|
|                         |  | to Date                    | Quarter 1 year | 3 years | 5 years | 10 years | 2016 to 2017           | 2015 to 2016 | 2014 to 2015 | 2013 to 2014 | 2012 to 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, 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                   | 577                  | 0.4                        | 17.9 | 17.1                   | 20.3 | 9.3  | 17.9 | 8.2   | 25.9 | 25.8 | 24.8 |
| Index (CAD)               |                      |                            |      |                        |      |      |      |       |      |      |      |
| 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, 21.4         | 3.3                        | 21.6 | 9.3                    | 15.4 | 6.1  | 21.6 | -2.9  | 10.8 | 26.9 | 23.4 |
| MSCI EAFE                 | 678                  | 3.6                        | 20.8 | 8.5                    | 14.6 | 3.5  | 20.8 | -6.1  | 12.7 | 25.3 | 23.3 |
| Composite                 |                      |                            |      |                        |      |      |      |       |      |      |      |
| 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, 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     | 509                  | 3.6                        | 24.2 | 8.4                    | 9.5  | 4.3  | 24.2 | -8.1  | 11.6 | 15.8 | 6.8  |
| Index                     |                      |                            |      |                        |      |      |      |       |      |      |      |
| 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     | 115,65 27.6          | 1.2                        | 0.3  | 4.0                    | 3.6  | 5.4  | 0.3  | 5.3   | 6.3  | 5.5  | 0.5  |
| FTSE TMX                  | 1,862                | 1.1                        | 0.0  | 3.8                    | 3.3  | 5.1  | 0.0  | 5.2   | 6.3  | 5.3  | -0.2 |
| Canada University Bond    |                      |                            |      |                        |      |      |      |       |      |      |      |
| Index                     |                      |                            |      |                        |      |      |      |       |      |      |      |
| 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, 5.8          | 0.5                        | 19.0 | 19.9                   | N/A  | N/A  | 19.0 | 10.3  | 31.5 | N/A  | N/A  |
| CPI + 5%                  | 720                  | 1.6                        | 6.0  | 6.2                    | 6.5  | 6.6  | 6.0  | 6.5   | 6.0  | 7.5  | 6.3  |
| Relative                  |                      | -1.1                       | 13.0 | 13.7                   | N/A  | N/A  | 13.0 | 3.8   | 25.5 | N/A  | N/A  |

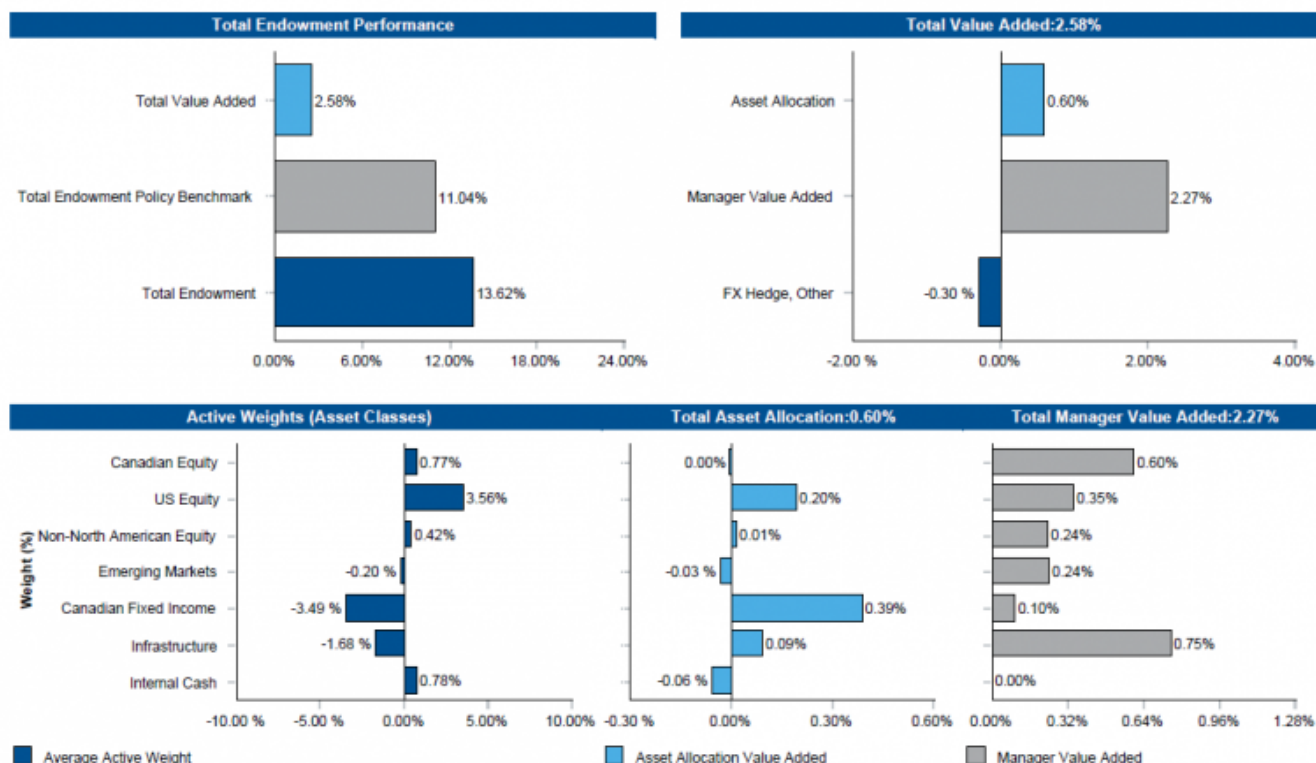
| Allocation                          | Annualized Performance (%) |       |      |      | Annual Performance (%) |      |      |      |      |      |      |      |  |
|-------------------------------------|----------------------------|-------|------|------|------------------------|------|------|------|------|------|------|------|--|
|                                     | Relative 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                     |                            |       | 0.1  | 0.5  | 0.6                    | 0.8  | 1.2  | 0.5  | 0.5  | 0.9  | 1.0  | 1.0  |  |
| 91 Day T-Bill                       |                            |       |      |      |                        |      |      |      |      |      |      |      |  |
| Relative Performance                |                            |       | -0.9 | -1.3 | -1.8                   | -2.1 | 0.2  | -1.3 | -0.7 | -3.5 | -2.0 | -2.9 |  |
| Total Endowment                     | 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 |  |
| Gross of Fees                       |                            |       |      |      |                        |      |      |      |      |      |      |      |  |
| 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                     | 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 |  |
| (Gross of Fees)                     |                            |       |      |      |                        |      |      |      |      |      |      |      |  |
| Total Endowment ex. FX              |                            |       | 0.5  | 13.8 | 8.7                    | 12.3 | 6.7  | 13.8 | 1.2  | 11.4 | 20.5 | 15.7 |  |
| FX Overlay                          |                            |       |      |      |                        |      |      |      |      |      |      |      |  |
| 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



Returns are presented gross of fees in CAD.

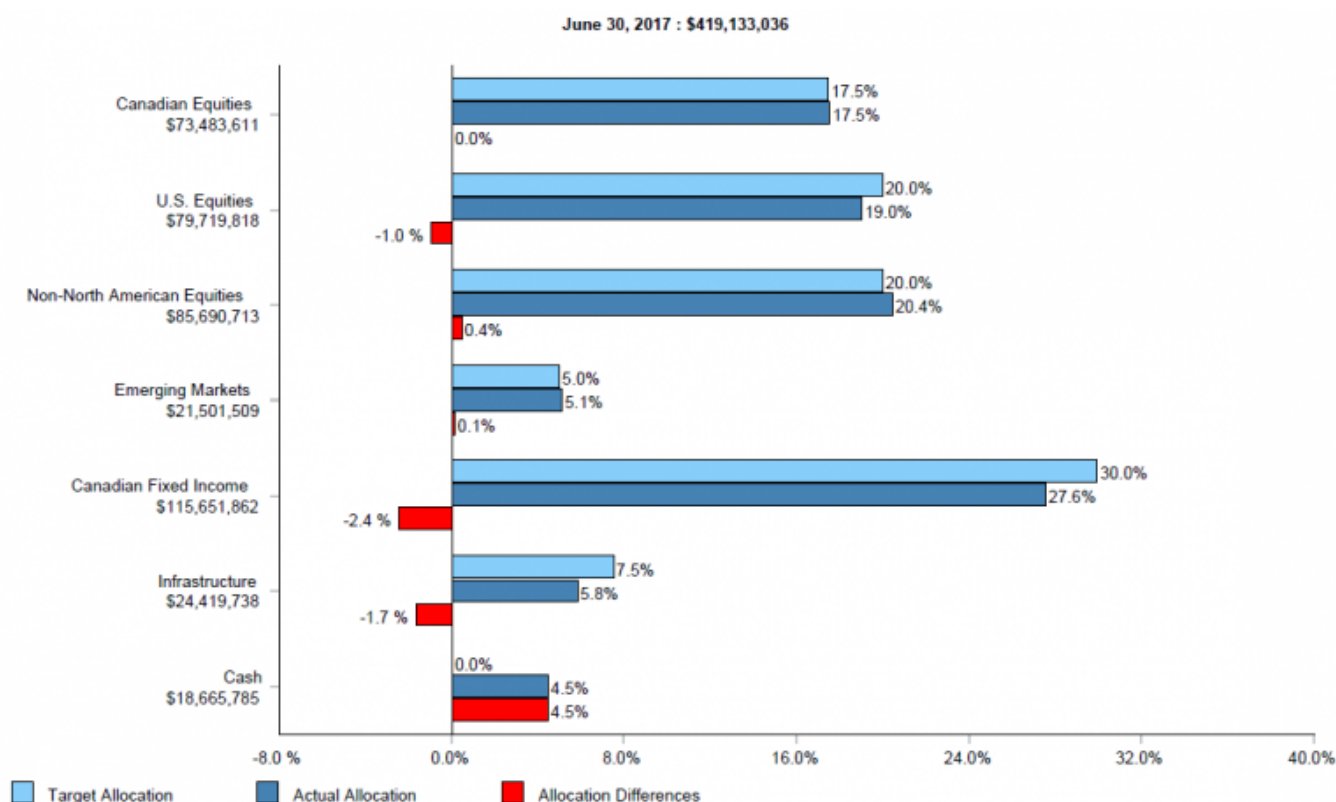
Endowment Policy Benchmark: 30% FTSE TMX Bond Universe + 7.5% Infrastructure (CPI+5%) + 17.5% S&P/TSX Composite + 20% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index.

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, 2017

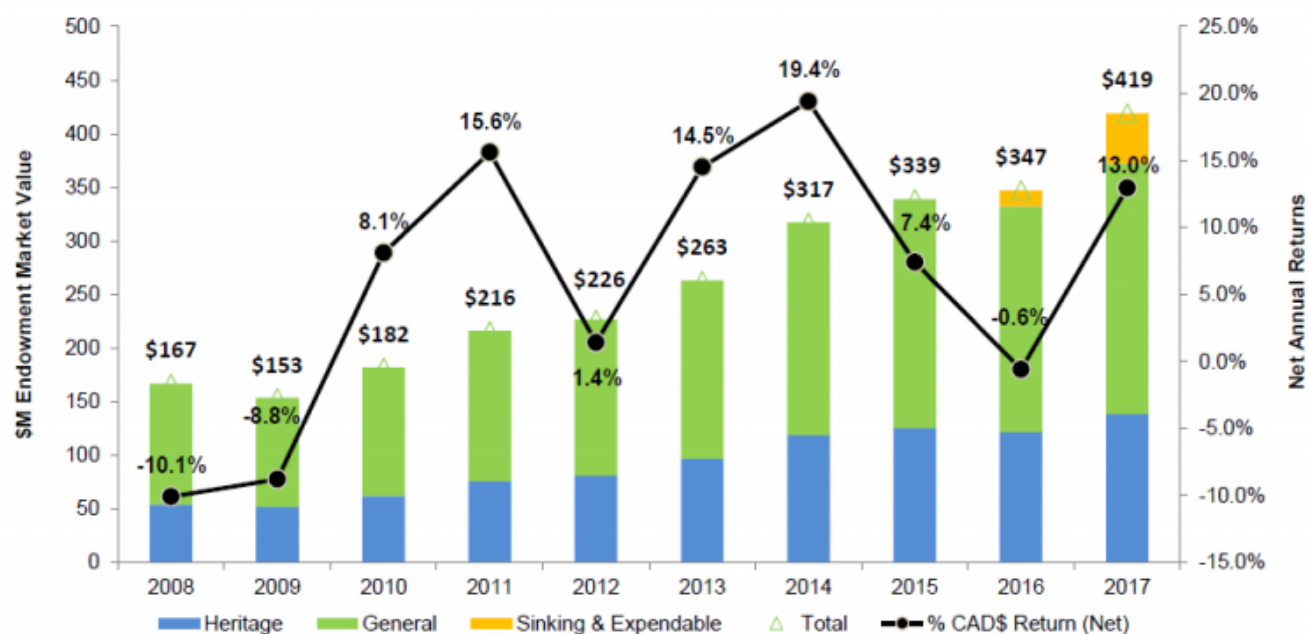


Note: This actual allocation displays the aggregate managers' holdings regardless of their mandate. Cash includes internal cash directly owned by the Endowments and manager residual cash balances (data from CIBC Mellon).

## Growth of Endowment Assets

June Market Values and Net 1-Year Returns to June 30<sup>th</sup> of Each Year

## June Market Values and Net 1-Year Returns to June 30<sup>th</sup> 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>