

September 30, 2017 Pension Quarterly Investment Report

Performance Review

University of Guelph Pension Plans

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Pension Plans Results Overview

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

The Total Plan gained 7.3% over the last 12 months, an outperformance of 0.4% vs its unhedged benchmark, and an underperformance of 0.3% vs its hedged benchmark.

Canadian Equity

- The Canadian equity portfolio matched the S&P/TSX index return of 9.2% over the past year.
- Results are mixed for the plan's large cap managers. Burgundy and Sionna outperformed the S&P/TSX by 1.2% and 3.2% respectively. However, CC&L lagged the benchmark by 4.2%.
- The plan's Canadian small cap manager (Sionna) had solid performance (10.7%) over the last year, beating the BMO Small Cap index by 6.6%.

Global/Non-North American Equity

- In Canadian dollars, Non-North American equities outperformed both Canada (9.2%) and the U.S. (12.9%), with the MSCI EAFE Index returning 13.8%.
- LSV beat the MSCI EAFE index by 3.1%, while Tweedy Browne lagged the index by 2.3%. As a result, the plan's Non-North American equity outperformance during the past year was 0.4%.
- Global equities, as measured by the MSCI World ex- Canada index, returned 13.2% over the last year. The pension plan's only Global equity manager, Acadian, matched the index 1-year return.

U.S. Equity

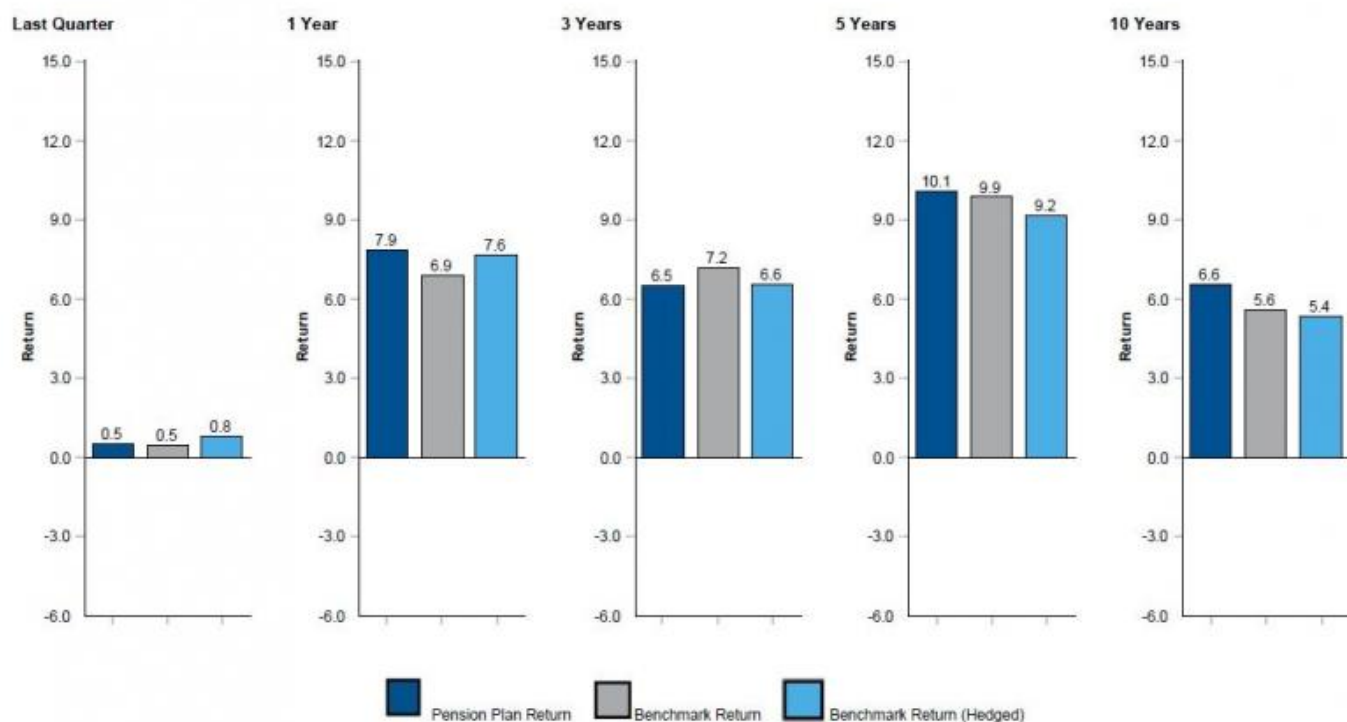
- U.S. large caps had solid performance as the S&P 500 returned 12.9% in Canadian dollar terms over the last year.
- The plan's U.S. equity investments (including U.S. small and mid-caps) generated a return of 11.3%, underperforming the S&P 500 by 1.6%.
- The plan's large cap manager (Barrow) beat the Russell 1000 Value index by 1.7%. The mid-cap portfolio managed by Wedge also added 3.9% versus its index, but the firm's small-cap strategy lagged the Russell 2000 Value Index by 4.5%.

Fixed Income

- The Canadian fixed income portfolio changed from CIBC Universe Bond in November 2016 to CIBC Short-Term Bond and CIBC Long-Term Bond. Addenda Mortgage and Robeco Global HY Bond were added in September 2017.
- The total fixed income portfolio underperformed its benchmark by 0.8%.
- We note that the bond portfolio is being transitioned from a FTSE/TMX Universe index to a combination of the Short-Term and Long-Term indexes. During this period it will be difficult to benchmark.
- The real estate portfolio managed by Greystone beat its index by 4.2%, while the new infrastructure investment managed by Brookfield matched its index return of 4.7%.

Total Pension Portfolio Vs Composite Benchmark

As of September 30, 2017 (Gross of Fees, Annualized for Periods over 1 Year)



Returns are presented gross of fees in CAD. Current Composite Benchmark: 20% S&P/TSX Comp Capped + 20% MSCI EAFE Net (\$CAD) + 20% S&P 500 (\$CAD) + 10% FTSE TMX ST Bond Index + 17.5% FTSE TMX LT Bond Index + 2.5% FTSE TMX 91 Day T-Bill + 5% IPD Canada Annual Property Index + 5% Barclays Global High Yield Index Hedged to CAD. The Hedged Benchmark has the same composition as the Composite Benchmark, but all foreign indices are 50% hedged back to Canadian dollars from December 2011 to March 2017, 37.5% hedged from March to June 2017, 25% hedged from June to September 2017, 12.5% hedged since September 2017.

Asset Class Performance

As of September 30, 2017 (Gross of Fees)

	Allocation Market % of Value Portfolio (\$)	Annualized Performance(%) Quarter 1 Year 3 Years 5 Years 10 Years	Annual Performance(%)					1 Year Ending Sep-201 6	1 Year Ending Sep-201 5	1 Year Ending Sep-201 4	1 Year Ending Sep-201 3	1 Year Ending Sep-201 2
			1 Year	3 Years	5 Years	10 Years	1 Year Ending Sep-201 6	1 Year Ending Sep-201 5	1 Year Ending Sep-201 4	1 Year Ending Sep-201 3	1 Year Ending Sep-201 2	1 Year Ending Sep-201 1
Canada	278,600, 19.3	4.0	9.6	4.7	10.0	5.3	14.9	-8.8	20.5	16.6	14.5	
n Equity	553											
S&P/TSX Comp		3.7	9.2	4.5	8.1	4.1	14.2	-8.4	20.4	7.1	9.2	
Composite Index												
Relative Performance		0.3	0.4	0.2	1.9	1.2	0.7	-0.4	0.1	9.5	5.3	
US	225,005, 15.6	-1.4	11.8	14.3	20.2	10.9	10.4	20.8	26.6	33.0	24.3	

Equity 472											
S&P 500 Index (CAD)		0.6	12.9	15.0	19.8	9.9	13.2	19.2	30.2	24.7	22.9
Relative Performance		-2.0	-1.1	-0.7	0.4	1.0	-2.8	1.6	-3.6	8.3	1.4
Non-North American Equity 249,636,17.3	483	1.5	15.2	10.1	15.0	6.6	6.2	9.2	16.4	29.4	11.8
MSCI EAFE Composite		1.6	13.8	9.5	14.2	4.2	4.9	10.0	13.8	29.8	7.9
Relative Performance		-0.1	1.4	0.6	0.8	2.4	1.3	-0.8	2.6	-0.4	3.9
Global Equity 112,094,7.8	356	0.2	14.1	12.5	17.8	6.5	8.7	14.8	26.2	26.4	16.4
MSCI World Ex Canada		1.0	13.2	12.8	17.5	7.4	9.7	15.5	22.7	27.3	15.9
Relative Performance		-0.8	0.9	-0.3	0.3	-0.9	-0.1	-0.7	3.5	-0.9	0.5
Fixed Income 457,632,31.8	143	-2.3	-3.0	2.8	2.7	4.7	6.4	5.3	6.4	-1.2	5.5
Fixed Income Benchmark		-2.5	-2.2	3.1	2.8	4.8	6.3	5.3	6.3	-1.3	5.5
Relative Performance		0.2	-0.8	-0.3	-0.1	-0.1	0.1	0.0	0.1	0.1	0.0
Real Estate 69,296,54.8	07	2.2	10.9	7.6	8.3	N/A	6.1	5.7	8.3	10.7	N/A
IPD Canadian Property Index		1.6	5.6	6.6	8.3	8.4	7.2	7.1	9.2	12.4	13.6
Relative Performance		0.6	5.3	1.0	0.0	N/A	-1.1	-1.4	-0.9	-1.7	N/A
Infrastructure 20,570,11.4	80	-1.9	10.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dow Jones Brookfield Global Infrastructure Index		-0.4	4.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Relative Performance		-1.5	5.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Performance											
Internal Cash (STIF)*	28,373,620.0	-0.1	2.1	2.3	2.6	1.8	4.3	0.6	6.0	-0.1	-5.6
FTSE		0.1	0.5	0.6	0.7	1.1	0.5	0.8	0.9	1.1	0.9
TMX											
Canada											
91 Day											
T-Bill											
Relative Performance		-0.2	1.6	1.7	1.9	0.7	3.8	-0.2	5.1	-1.2	-6.5
Total Pension (Gross of Fees)	1,440,591,400.0	0.5	7.9	6.5	10.1	6.6	9.4	2.5	15.5	15.8	13.5
Net of Fees		0.4	7.3	6.1	9.6	6.1	8.8	2.1	15.0	15.4	13.0
Relative Performance		0.1	0.6	0.4	0.5	0.5	0.6	0.4	0.5	0.4	0.5
Composite Benchmark (Hedged)		0.8	7.6	6.6	9.2	5.4	9.6	2.6	14.9	11.6	11.3
Relative Performance		-0.3	0.3	-0.1	0.9	1.2	-0.2	-0.1	0.6	4.2	2.2
Total Pension (Gross of Fees)	1,440,591,400.0	0.5	7.9	6.5	10.1	6.6	9.4	2.5	15.5	15.8	13.5
Total Pension ex. FX overlay		0.1	7.3	7.3	11.0	N/A	9.1	5.5	16.8	16.5	12.6
Relative Performance		0.4	0.6	-0.8	-0.9	N/A	0.3	-3.0	-1.3	-0.7	0.9

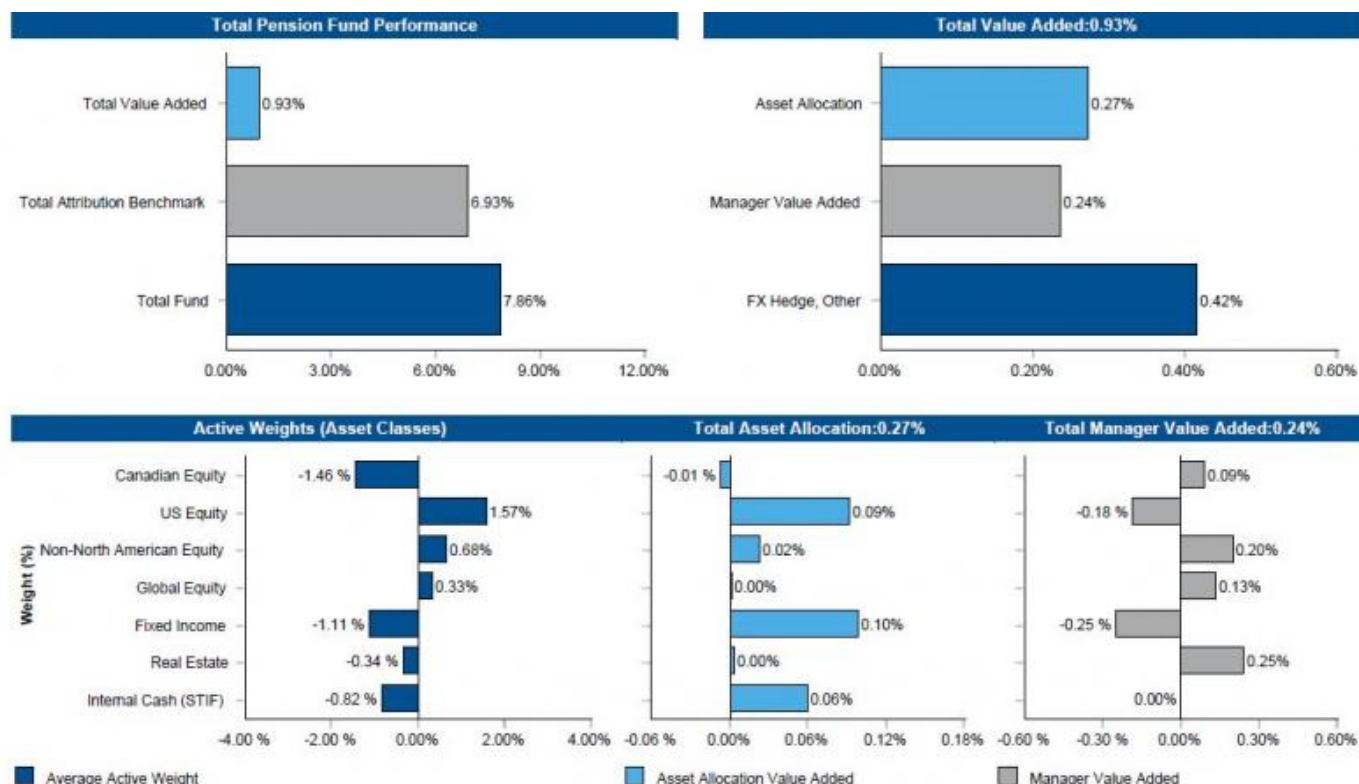
Current Fixed Income Benchmark: 30.8% FTSE TMX ST Bond Index + 53.8% FTSE TMX LT Bond Index + 15.4% Barclays Global High Yield Hedged to CAD.

Current Composite Benchmark: 20% S&P/TSX Comp Capped + 20% MSCI EAFE Net (\$CAD) + 20% S&P 500 (\$CAD) + 10% FTSE TMX ST Bond Index + 17.5% FTSE TMX LT Bond Index + 2.5% FTSE TMX 91 Day T-Bill + 5% IPD Canada Annual Property Index + 5% Barclays Global High Yield Index Hedged to CAD. The Hedged Benchmark has the same composition as the Composite Benchmark, but all foreign indices are 50% hedged back to Canadian dollars from December 2011 to March 2017, 37.5% hedged from March to June 2017, 25% hedged from June to September 2017, 12.5% hedged since September 2017.

*Cash amounts and percentages presented exclude residual manager cash balances and FX overlay (currency hedging). However, they include the proceeds of the former Banyan Private Equity position, which explains its high 2-year return. All returns are reported gross of fees in CAD except for the Total Pension Plan where returns are displayed both net and gross of fees. EAFE Stands for Europe, Australasia and Far East. The IPD Canadian Property Index is published quarterly with a 2-month lag, it is approximated by CIBC Mellon.

Performance Attribution

Total Pension Plans Vs Attribution Benchmark
1 Year Ending September 30, 2017



Returns are presented gross of fees in CAD.

The Attribution Benchmark was created to account for small variations of asset allocation between the Total Pension Plans and their Composite Benchmark. Its composition is as follow: 20% S&P/TSX Comp Capped + 16% S&P 500 (\$CAD) + 16% MSCI EAFE Net (\$CAD) + 8% MSCI World + 10% FTSE TMX ST Bond Index + 17.5% FTSE TMX LT Bond Index + 5% IPD Canada Annual Property Index + 2.5% FTSE TMX 91 Day T-Bill + 5% Barclays Global High Yield Hedged to CAD.

"Other" includes the effects of all other factors on the Total Pensions Plans' relative return, including rebalancing and residual trading returns.

Pension Plans Asset Mix

Actual Allocation vs Investment Policy Allocation
As of September 30, 2017

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

Growth of Pension Assets



Over the last 12 months the Total Pension portfolio increased from \$1,357.7 M to \$1,440.6 M consisting of:

- Total contributions of \$61.5 M and distributions of \$76.7 M.
- 1 year return (net of investment management fees) of 7.3% compared to 8.8% one year ago.

Source URL: <https://www.uoguelph.ca/finance/september-30-2017-pension-quarterly-investment-report>