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## September 30, 2017 Endowment Quarterly Investment Report

### Performance Review

#### University of Guelph Endowment Funds

Prepared by:

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### Endowment Funds Results Overview

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

The Total Endowment Funds gained 9.2% over the last 12 months, outperforming the unhedged benchmark by 2.0% and the hedged benchmark by 1.0%.

#### Canadian Equity

- The Canadian equity portfolio gained 11.2% over the past year, 2.0% above the return of the S&P/TSX index.
- Both Burgundy and Sionna contributed to the outperformance with 10.3% and 12.8% returns respectively
- The S&P/TSX index posted a 9.2% return over the past year while Burgundy and Sionna outperformed this benchmark by 1.1% and 3.6% respectively.

#### Non-North American Equity

- In Canadian dollars, non-North American equities in developed markets outperformed both Canada (9.2%) and the U.S. (12.9%) with a return of 13.8%, while emerging markets equities gained 17.0% over the past year.
- Tweedy Browne underperformed the MSCI EAFE index by 2.7% while LSV outperformed the benchmark by 3.1%.
- The emerging markets manager (LSV) outperformed the MSCI Emerging Markets index by 0.3% over the past year.

#### U.S. Equity

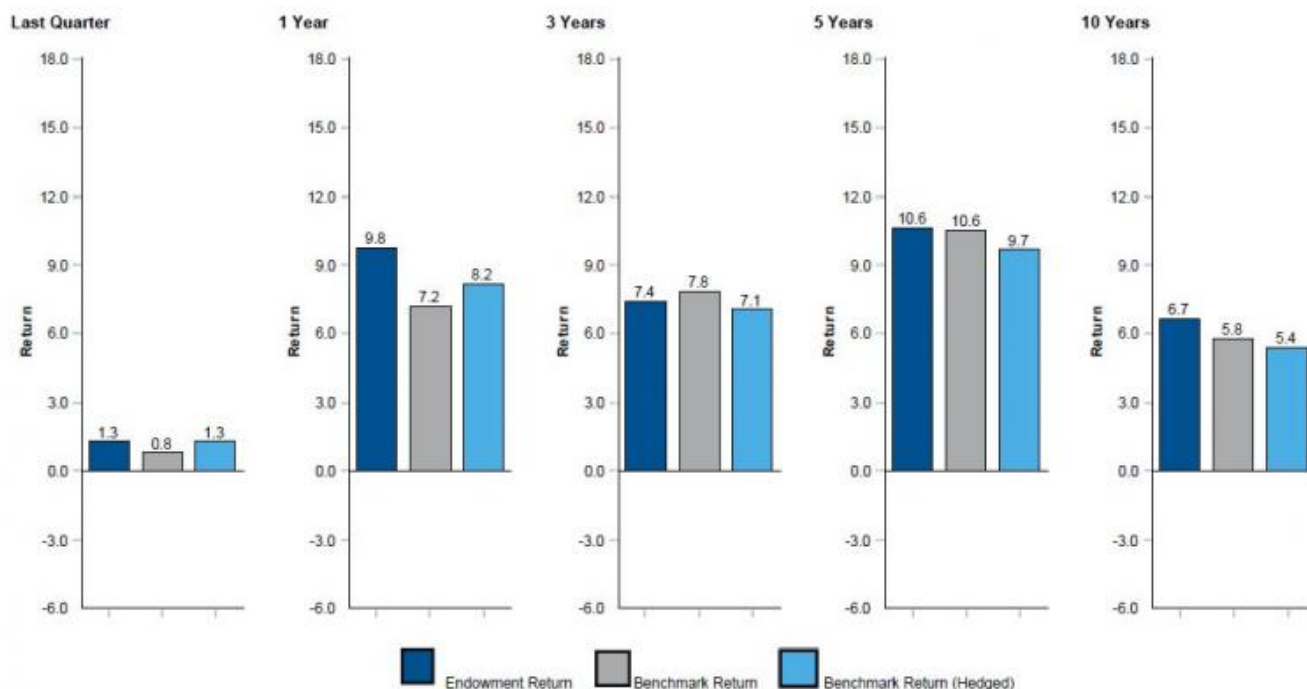
- U.S. equity markets performed well in Canadian dollar terms with a 1-year return of 12.9% for the S&P500.
- The Endowment's U.S. equity investments gained 11.8% over the last year, underperforming the S&P500 index by 1.1%.
- The U.S. large cap manager (Fiduciary) lagged the S&P 500 index by 0.7%. The mid cap mandate managed by Wedge beat its benchmark by 4.4%, while Wedge's small cap strategy underperformed its benchmark, the Russell 2000 Value Index, by 4.8% over the past year.

#### 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 6.4% over the past year. Short-term returns should be interpreted with caution due to the long-term nature and illiquidity of the investment.

### Total Endowment Portfolio Vs Endowment Policy Benchmark

As of September 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 from November 2010 to June 2017, 37.5% hedged from June to September 2017, 25% hedged since September 2017.

## Asset Class Performance

As of September 30, 2017 (Gross of Fees)

Allocation	Market % of Value (\$)	Annualized Performance(%) Quarter 1 Year to Date	Annual Performance(%)					Annual Performance(%)				
			1 Year	3 Years	5 Years	10 Years	1 Year Ending Sep-2016	1 Year Ending Sep-2015	1 Year Ending Sep-2014	1 Year Ending Sep-2013	1 Year Ending Sep-2012	1 Year Ending Sep-2011
<b>Canada</b>	<b>78,307,618.5</b>	<b>5.7</b>	<b>11.7</b>	<b>4.5</b>	<b>9.6</b>	<b>5.6</b>	<b>15.8</b>	<b>-11.9</b>	<b>18.0</b>	<b>17.5</b>	<b>13.8</b>	
<b>n Equity</b>	<b>42</b>											
S&P/TSX Composite Index		3.7	9.2	4.5	8.1	4.1	14.2	-8.4	20.4	7.1	9.2	
Relative Performance		2.0	2.5	0.0	1.5	1.5	1.6	-3.5	-2.4	10.4	4.6	
<b>US</b>	<b>89,277,821.1</b>	<b>-0.5</b>	<b>12.5</b>	<b>15.1</b>	<b>20.5</b>	<b>11.6</b>	<b>11.8</b>	<b>21.3</b>	<b>27.2</b>	<b>30.8</b>	<b>23.5</b>	
<b>Equity</b>	<b>48</b>											
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		-1.1	-0.4	0.1	0.7	1.7	-1.4	2.1	-3.0	6.1	0.6
<b>Non-North American Equity</b>	<b>90,812,221.4</b>	<b>1.3</b>	<b>14.8</b>	<b>10.1</b>	<b>14.9</b>	<b>6.9</b>	<b>6.2</b>	<b>9.3</b>	<b>16.4</b>	<b>29.1</b>	<b>11.5</b>
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		-0.3	1.0	0.6	0.7	2.7	1.3	-0.7	2.6	-0.7	3.6
<b>Emerging Markets</b>	<b>21,942,35.2</b>	<b>2.3</b>	<b>18.4</b>	<b>8.8</b>	<b>10.5</b>	<b>N/A</b>	<b>15.0</b>	<b>-5.5</b>	<b>17.4</b>	<b>9.2</b>	<b>11.5</b>
MSCI Emerging Markets Index		4.0	17.0	9.3	9.5	4.0	14.9	-2.8	13.8	5.9	10.8
Relative Performance		-1.7	1.4	-0.5	1.0	N/A	0.1	-2.7	3.6	3.3	0.7
<b>Canadian Fixed Income</b>	<b>119,552,28.2</b>	<b>-1.8</b>	<b>-2.7</b>	<b>3.0</b>	<b>2.8</b>	<b>5.0</b>	<b>6.5</b>	<b>5.4</b>	<b>6.5</b>	<b>-1.1</b>	<b>6.7</b>
FTSE TMX Canada Universe Bond Index		-1.8	-3.0	2.8	2.7	4.7	6.3	5.3	6.3	-1.3	5.5
Relative Performance		0.0	0.3	0.2	0.1	0.3	0.2	0.1	0.2	0.2	1.2
<b>Infrastructure</b>	<b>23,785,05.6</b>	<b>-2.8</b>	<b>14.2</b>	<b>14.3</b>	<b>N/A</b>	<b>N/A</b>	<b>0.1</b>	<b>30.7</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
CPI + 5%		1.5	6.6	6.3	6.4	6.6	6.3	6.0	7.1	6.1	6.2
Relative Performance		-4.3	7.6	8.0	N/A	N/A	-6.2	24.7	N/A	N/A	N/A
<b>Internal Cash</b>	<b>871,411 0.2</b>	<b>0.0</b>	<b>-0.7</b>	<b>-1.2</b>	<b>-1.3</b>	<b>1.3</b>	<b>-0.3</b>	<b>-2.6</b>	<b>-1.0</b>	<b>-1.9</b>	<b>-0.6</b>
FTSE TMX Canada 91 Day T-Bill		0.1	0.5	0.6	0.7	1.1	0.5	0.8	0.9	1.1	0.9
Relative Performance		-0.1	-1.2	-1.8	-2.0	0.2	-0.8	-3.4	-1.9	-3.0	-1.5
<b>Total Endowment</b>	<b>424,100,100.0</b>	<b>1.3</b>	<b>9.8</b>	<b>7.4</b>	<b>10.6</b>	<b>6.7</b>	<b>9.9</b>	<b>2.8</b>	<b>15.3</b>	<b>16.0</b>	<b>14.9</b>

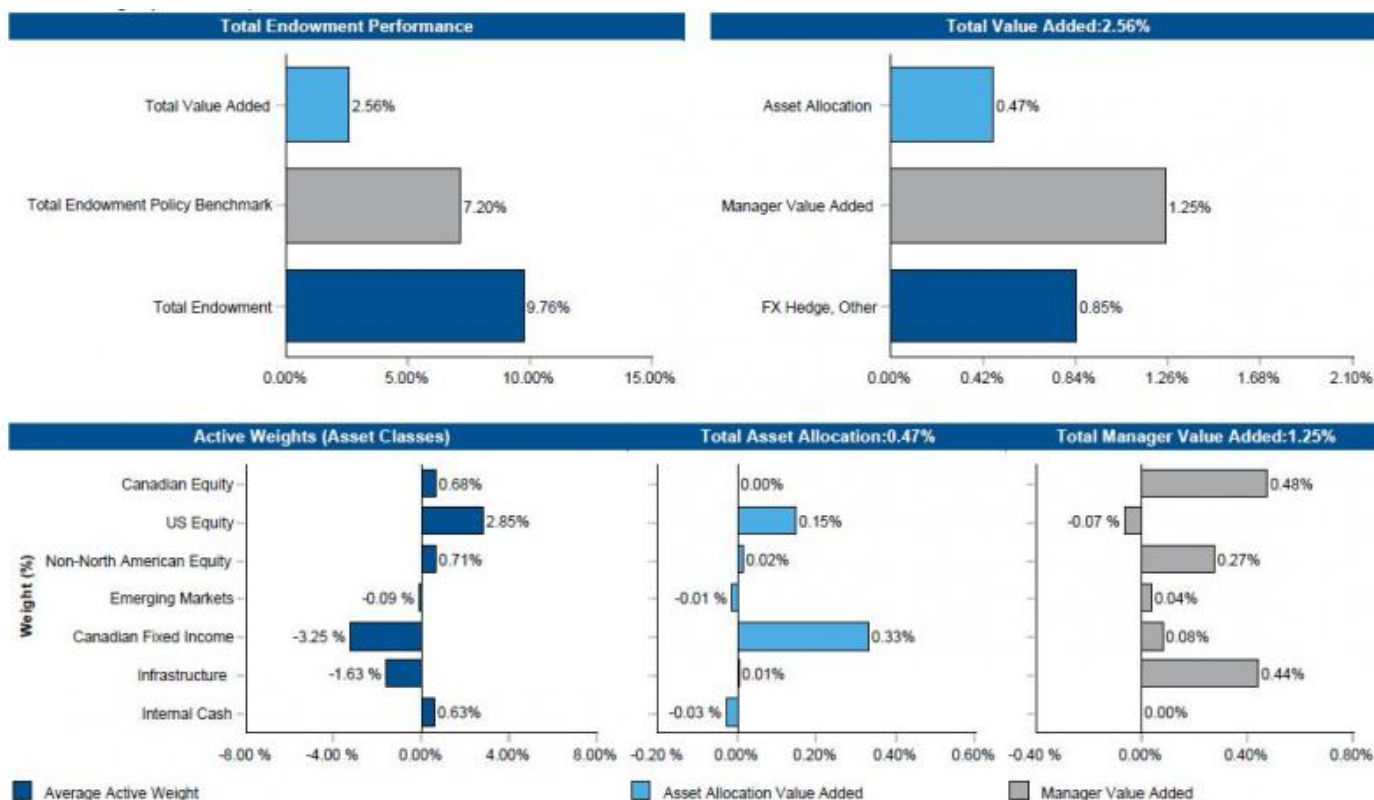
<b>nt</b>										
<b>(Gross of Fees)</b>										
Net of Fees	1.2	9.2	6.8	10.0	6.1	9.2	2.2	14.6	15.5	14.3
Relative Performance	0.1	0.6	0.6	0.6	0.6	0.7	0.6	0.7	0.5	0.6
Endowment Policy Benchmark (Hedged)	1.3	8.2	7.1	9.7	5.4	9.9	3.3	15.1	12.2	12.8
Relative Performance	0.0	1.6	0.3	0.9	1.3	0.0	-0.5	0.2	3.8	2.1
<b>Total Endowment</b>	<b>1.3</b>	<b>9.8</b>	<b>7.4</b>	<b>10.6</b>	<b>6.7</b>	<b>9.9</b>	<b>2.8</b>	<b>15.3</b>	<b>16.0</b>	<b>14.9</b>
<b>(Gross of Fees)</b>										
Total Endowment ex. FX overlay	0.6	8.8	8.5	11.8	7.1	9.4	7.3	17.1	17.0	13.2
Relative Performance	0.7	1.0	-1.1	-1.2	-0.4	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 from November 2010 to June 2017, 37.5% hedged from June to September 2017, 25% hedged since September 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 September 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.

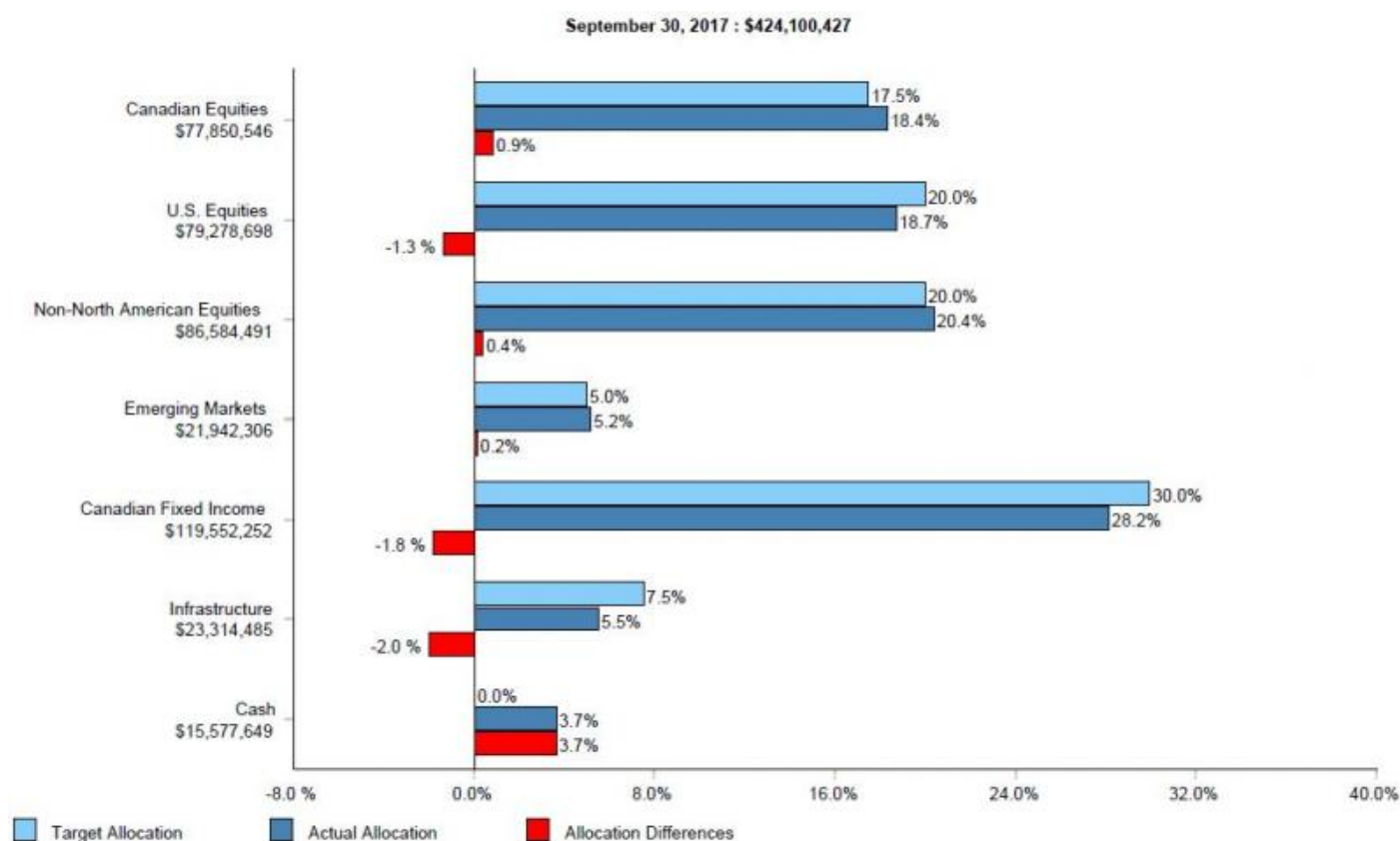
The Benchmarks do not assume currency hedging.

"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 September 30, 2017

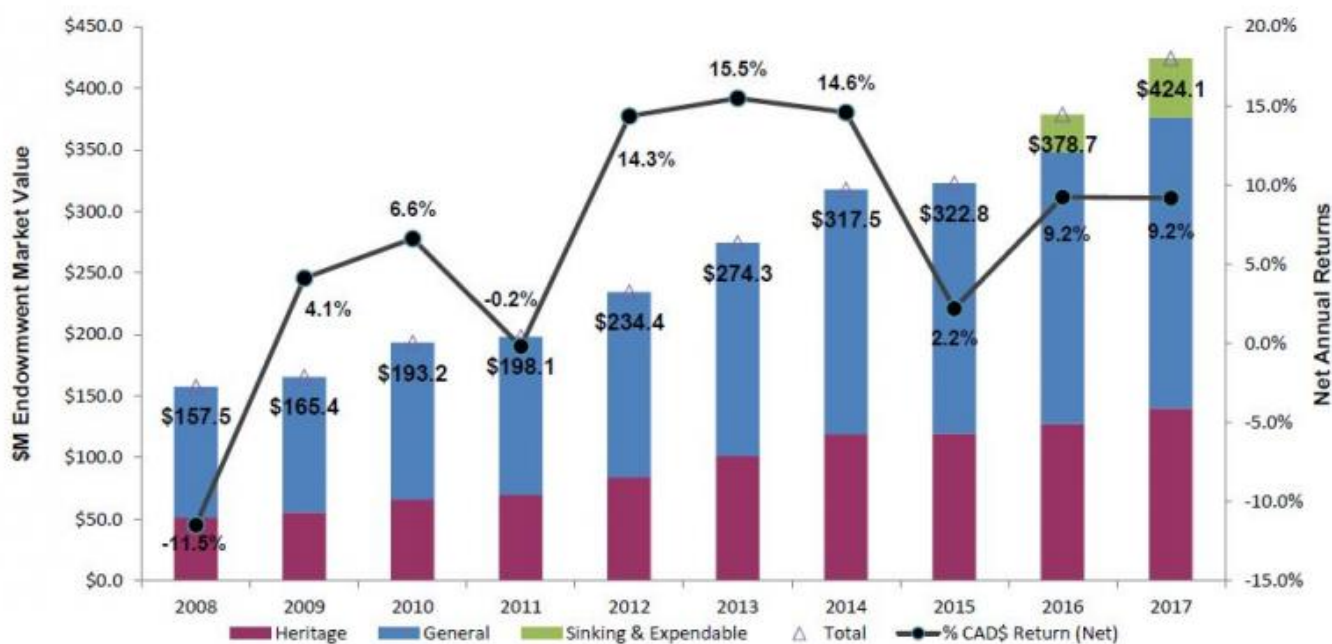


Note: This actual allocation displays the aggregate managers' holdings regardless of their mandate. Cash includes internal cash directly owned by the Endowments and manager residual cash balances (data from CIBC Mellon).

## Growth of Endowment Assets

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

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



Over the last 12 months the total Endowment portfolio increased from \$378.7 M to \$424.1 M consisting of:

- Total contributions of \$19.2 M and distributions of \$9.4 M
- 1-year return (net of investment management fees) of 9.2%, same as the year ended September 2016. 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

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