

Endowment Funds Performance (Year ending June 30th, 2013)

prepared for Investment Subcommittee

(Note: all returns and values are expressed in Canadian Dollars- CAD's)

Quarterly Market Overview

Canadian Equity

- The S&P/TSX index returned -4.1% for the quarter but remained positive for the 1 year period.
- Materials sector declined sharply (-23.3%) due to fears of slowdown in China and a strengthening US dollar. Gold stocks also came under intense selling pressure as the price of gold neared \$1200/ounce.
- On the other hand the sharp rise in bond yields contributed to the underperformance of interest sensitive sectors including Telecom (-11.6%), REITs (-7.1%) and utilities.
- Bank of Canada kept the overnight rate steady at 1%

International Equity

- The MSCI EAFE index returned 3.1% over the quarter. The Japanese market posted an impressive 8.4% return for the quarter and 26.7% for the one year period .
- The MSCI emerging markets index returned -4.4%, with the Latin American markets dropping -12.3% . The one year performance of the MSCI EM index remained positive at 6.8%.
- Markets seem to have been negatively impacted by a slowdown in manufacturing activity in China and continued sluggish growth in Europe. The plunge in emerging market equity prices has driven the valuations down towards their lowest levels in 5 yrs.

U.S. Equity

- The U.S markets continued their strong run before reversing course slightly in June amongst increasing worries from the federal reserve.
- S&P 500 index returned 6.9% over the quarter with all 10 S&P sectors posting positive performance led by the Financial and Consumer Discretionary sectors which posted returns of 11.4% and 10.9% respectively. The Utilities sector posted the weakest return of 1%.

Fixed Income

- Bond yields rose sharply towards the end of the quarter as a result of comments by US Fed Chairman.

Bond Yields	28/06/2013	28/03/2013	Change
Canada:			
1-Year Gov't	1.13%	1.03%	0.10%
5-Year Gov't	1.80%	1.30%	0.50%
10-Year Gov't	2.44%	1.77%	0.67%
30-Year Gov't	2.90%	2.50%	0.39%

- The Dex Bond Universe returned -2.4% for the second quarter and -0.2% for the 1 year period ending June 30, 2013. Long term bonds produced the biggest negative return this quarter, returning -4.6%, followed by mid-term bonds at -2.85%. Short term bonds posted a slightly negative return of -0.57% for the quarter.

Endowment Results: Relative to major asset class indices

(Gross Returns for the 12 Months Ended June 30th, 2013)

Canadian Equity

- Outperformed the index by 9.9%.
- Within the industry sectors, Materials was the largest contributor to relative outperformance. Despite poor results in this sector for the index, manager stock selection led to outperformance.
- Consumer staples was the best performing sector in the portfolio led by Loblaws which had a return of 52% over the last year.

International Equity

- Underperformed the MSCI EAFE (Net) index by 1.2% and outperformed the MSCI Emerging markets index by 1.9%
- After consistently outperforming the index for the last few years Tweedy Browne underperformed (by 1.7%) as a result of their rising cash reserves, however they are still ahead of the benchmark on a YTD basis. LSV had better relative performance beating the index by 3.3%.
- LSV's Emerging Markets mandate beat the index by 1.8% . The portfolio's deep value and small cap bias relative to the benchmark help up pretty well through to the end of June.

U.S. Equity

- Outperformed the S&P 500 index by 4.4%
- Exposure to US small and mid cap stocks continue to benefit the portfolio as they outperformed the larger cap stocks.
- Within the mid and small cap portfolios the best performing sectors were Health Care (45.3%) , Consumer Discretionary (35.5%) and Financials (35.2%). The largest contributor to the relative outperformance was Information technology which returned 25.5% vs 11.5 % for the index.
- Approximately 57 % of the US equity exposure is a large cap passive index ETF (SPDR S&P 500 ETF) which is expected to track the index return.

Fixed Income

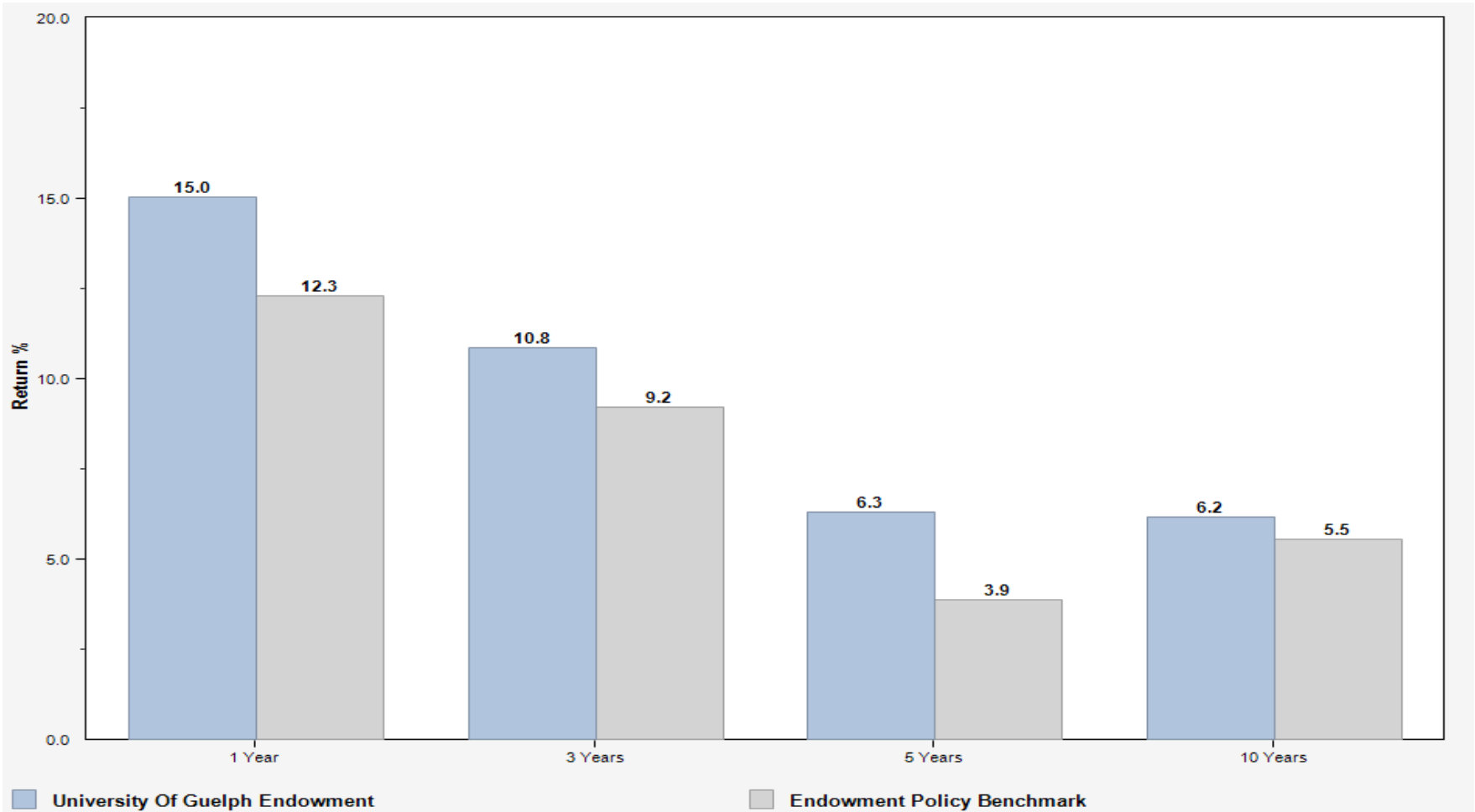
- 0.5% versus -0.2% for the Dex Bond Universe.
- The performance over this period includes the return of the previous 'Core plus' manager that was terminated in August 2012.
- This is a "passive" mandate and normal variance to the index is expected to be relatively small

Infrastructure

- On May 16th, 2013 the Investment Committee hired Brookfield Asset Management Inc. as the Infrastructure manager committing \$19 million to Brookfield Infrastructure Fund II

Total Endowment Portfolio Vs Benchmark (Gross Of Fees)

Annualized Periods Ending June 30th, 2013



Endowment Policy Benchmark : 30% DEX Bond Universe + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index

Asset Class Performance

Annualized Periods Ending June 30th, 2013

	<u>YTD</u>	<u>1 Yr</u>	<u>2 Yr</u>	<u>3 Yr</u>	<u>4 Yr</u>	<u>5 Yr</u>	<u>6 Yr</u>	<u>7 Yr</u>	<u>8 Yr</u>	<u>9 Yr</u>	<u>10 Yr</u>
	%	%	%	%	%	%	%	%	%	%	%
Total Gross of Fees	7.3	15.0	8.3	10.8	10.3	6.3	3.5	4.9	4.7	5.2	6.2
*Total Net of Fees	7.1	14.5	7.8	10.3	9.8	5.8	3.0	4.4	4.2	4.7	5.7
Total Fund ex Currency Overlay (Gross)¹	8.4	15.7	8.9	--	--	--	--	--	--	--	--
**Endowment Benchmark	6.0	12.3	6.6	9.2	8.8	3.9	1.9	3.8	4.1	4.5	5.5
Canadian Equity	7.3	17.8	4.8	9.5	9.4	3.2	3.3	5.8	6.7	9.1	10.6
S&P/TSX Comp Index	-0.9	7.9	-1.6	5.4	7.0	-0.5	0.6	3.5	5.4	6.8	8.4
US Equity	21.8	29.2	18.3	19.3	17.1	10.7	4.8	6.1	4.8	3.7	4.9
S&P 500 Total Return Index (\$CAD)	20.6	24.8	17.9	18.2	14.6	7.8	3.2	4.9	4.1	3.3	4.6
Non-North American Equity	8.1	21.6	7.5	12.2	10.2	4.3	0.3	3.4	4.7	4.5	6.8
MSCI EAFE Net (\$CAD)	10.3	22.8	5.7	9.8	6.4	0.1	-2.5	0.6	2.3	2.5	5.0
Fixed Income	-1.6	0.5	4.8	4.9	5.6	6.1	6.0	5.8	4.9	5.6	5.4
Dex Bond Universe	-1.7	-0.2	4.6	4.6	5.2	5.5	5.7	5.6	4.8	5.6	5.3

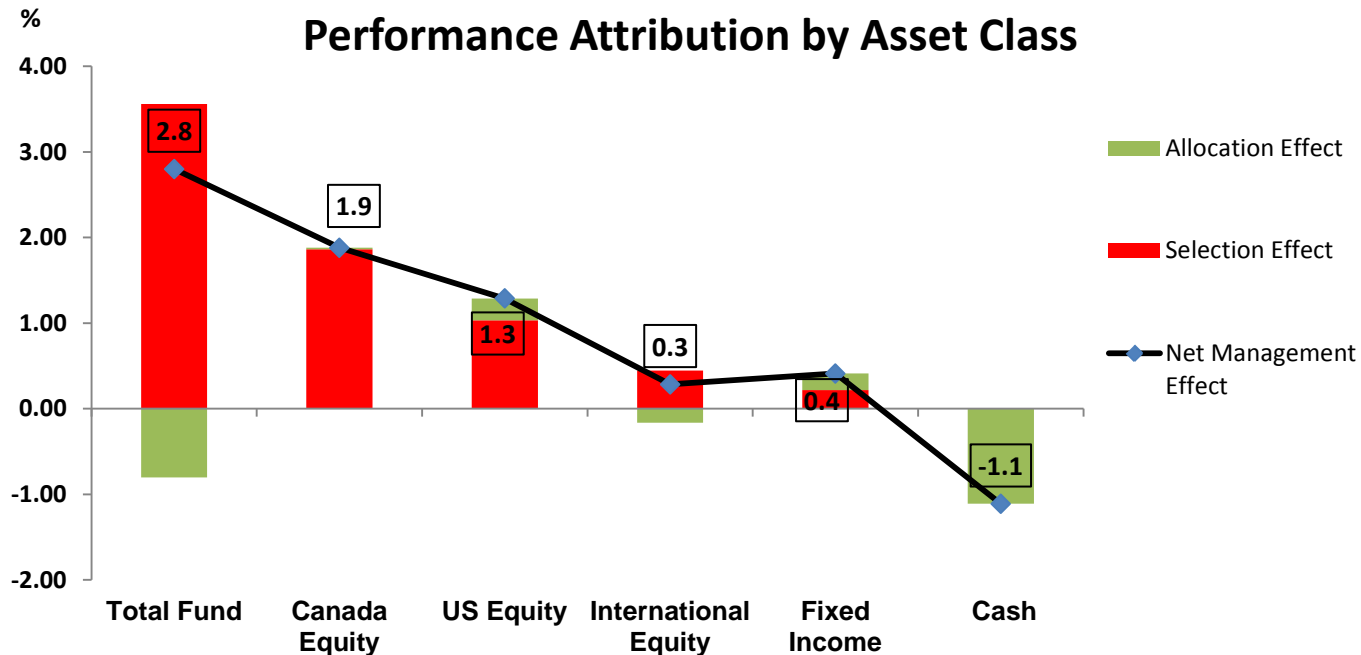
**Endowment Policy Benchmark: 30% DEX Bond Universe + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index

¹ – Currency hedging manager was added in November 2010

* 8-10 Year Net of Fee returns are internal estimates

Endowment Fund Results: Relative to Endowment Policy Benchmark (for the 12 Months Ended June 30th, 2013)

- Endowment Fund Policy Benchmark: 30% DEX Bond Universe + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index
- 12-month Total Gross Portfolio return of 15.0% versus Composite Benchmark returns of 12.3%. The chart below summarizes the attribution of returns relative to the Benchmark. The selection effect measures the investment manager's ability to select securities within a given segment relative to a benchmark. The allocation effect measures the value added by deviating from the benchmark weights. The combined effect is the Net Management Effect. The Chart below shows strong security selection across the board.

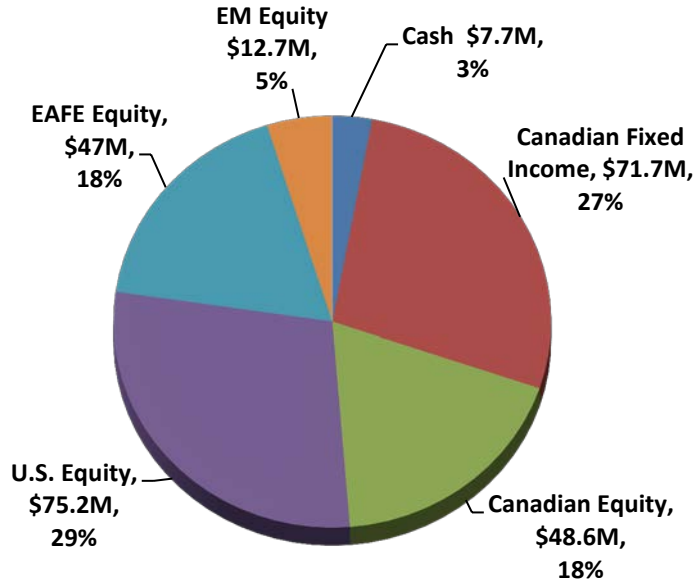


Note : Emerging Market equity is combined with EAFE equity and shown as international equity. Cash return includes currency hedging effect.

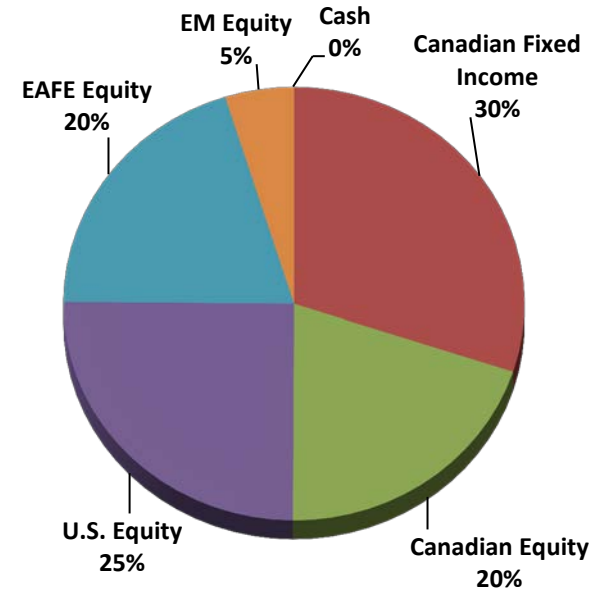
Endowment Asset Mix as of June 30th, 2013

(Total Assets \$ 262.9 Million)

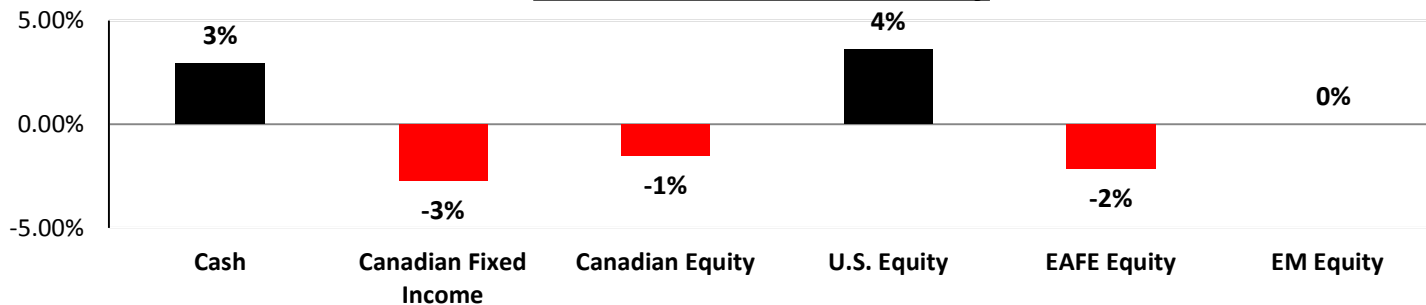
Actual



Policy



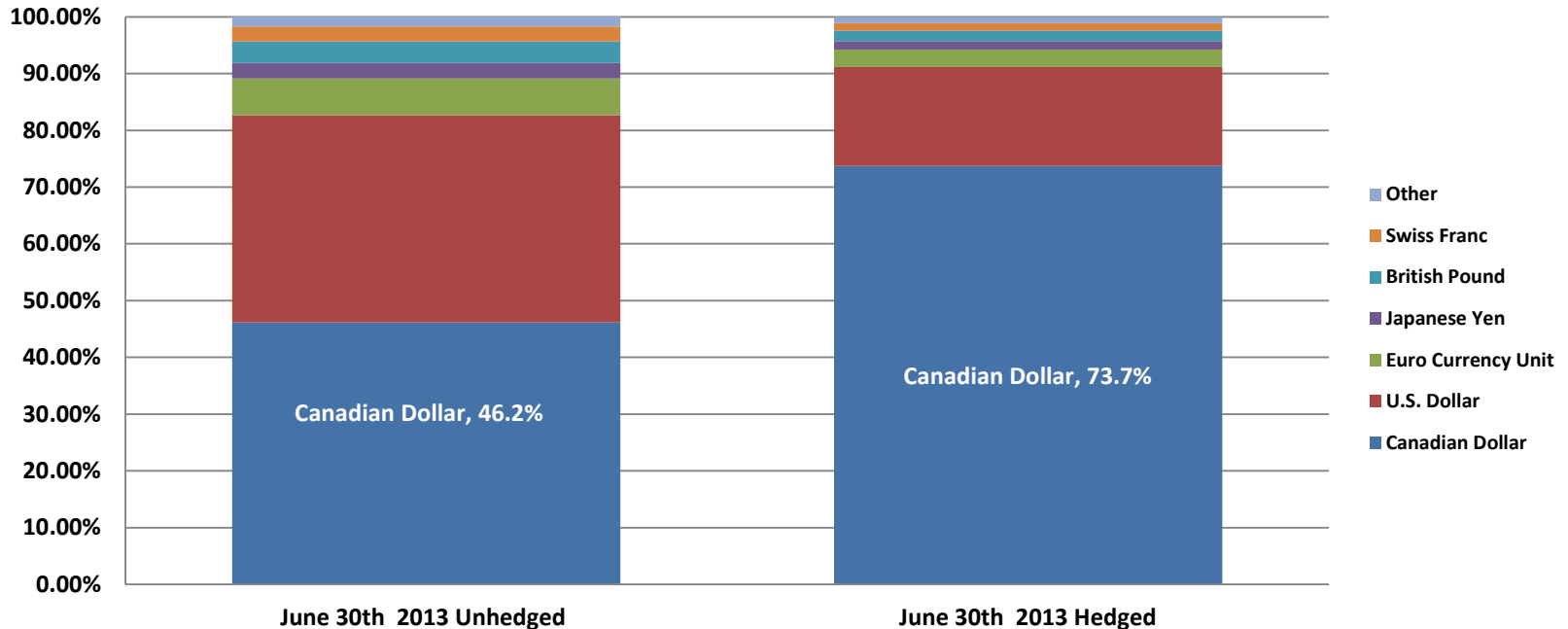
Asset Allocation vs. Policy



Note : Cash includes manager residual cash balances. Internal cash balance of \$ 131K and a negative currency hedging position of -1.27 mill

Endowment Currency Exposure as of June 30th, 2013

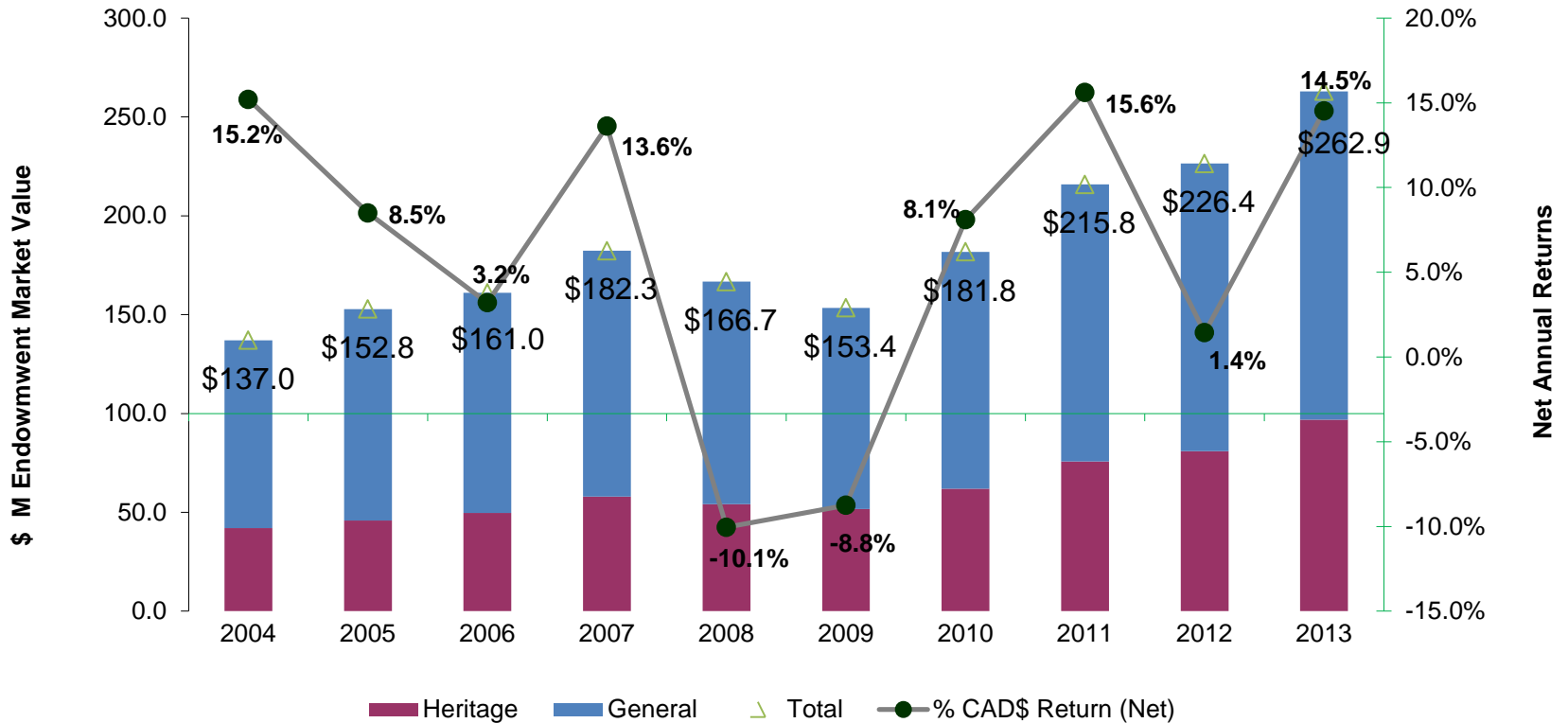
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Currency	June 30 th , 2013 Unhedged %	Gross Exposure (CAD in millions)	Hedge (CAD in millions)	June 30 th , 2013 Hedged %	Net Hedged Exposure (CAD in millions)
Canadian Dollar	46.18	\$122.0	\$71.8	73.71	\$193.8
U.S. Dollar	36.49	\$96.4	-\$50.6	17.43	\$45.8
Euro Currency	6.45	\$17.0	-\$8.9	3.08	\$8.1
Japanese Yen	2.73	\$7.2	-\$3.4	1.46	\$3.8
British Pound	3.82	\$10.1	-\$5.1	1.90	\$5.0
Swiss Franc	2.61	\$6.9	-\$3.4	1.32	\$3.5
Other	1.7	\$4.6	-\$1.7	1.1	\$2.9

Growth of Endowment Assets

Net Annual Returns and Market Values at June 30th, 2013



Total Endowment portfolio increased \$ 36.5 M to \$ 262.9 M consisting of:

- Net additions of \$ 4.4 M
- Annual return (net of investment management fees) of 14.5 % compared to 1.4 % for the same period in 2012.

Investment Return Summary for June 2004 - June 2013

Annualised Return Summary

	<u>YTD</u>	<u>1 Year</u>	<u>2 Years</u>	<u>3 Years</u>	<u>4 Years</u>	<u>5 Years</u>	<u>6 Years</u>	<u>7 Years</u>	<u>8 Years</u>	<u>9 Years</u>	<u>10 Years</u>
Total Fund Gross	7.3%	15.0%	8.3%	10.8%	10.3%	6.3%	3.5%	4.9%	4.7%	5.2%	6.2%
*Total Fund Net	7.1%	14.5%	7.8%	10.3%	9.8%	5.8%	3.0%	4.4%	4.2%	4.7%	5.7%
Benchmark	6.0%	12.3%	6.6%	9.2%	8.8%	3.9%	1.9%	3.8%	4.1%	4.5%	5.5%

Annual Return Summary

	<u>YTD</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Total Fund Gross	7.3%	15.0%	1.9%	16.1%	8.6%	-8.3%	-9.6%	13.9%	3.6%	8.9%	15.5%
*Total Fund Net	7.1%	14.5%	1.4%	15.6%	8.1%	-8.8%	-10.1%	13.6%	3.2%	8.5%	15.2%
Benchmark	6.0%	12.3%	1.2%	14.6%	7.6%	-13.7%	-7.4%	15.9%	6.5%	7.1%	15.7%

Endowment Policy Benchmark : 30% DEX Bond Universe + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index

* 8-10 Year Net of Fee returns are internal estimates

Asset Mix by Manager as of June 30th, 2013

Manager	Date Hired	Asset Mandate	Market Value (\$M)	% of Portfolio	Mandate Objective over 4 yrs	Management Fees (%)
Burgundy	Aug-12	Canadian Equity	36.0	13.7%	S&P/TSX Total Return + 1.5%	0.45
Sionna All Cap	Sep-07	Canadian Equity	15.7	6.0%	S&P/TSX Total Return + 1.6%	0.45
CIBC	Aug-12	Canadian Fixed Income	71.7	27.3%	Dex Bond Universe	0.06
Tweedy Browne	Dec-03	EAFE Equity	33.0	12.6%	MSCI EAFE Index (CAD \$) + 3.0%	1.35
LSV Asset Mgmt.	Sep-07	EAFE Equity	21.3	8.1%	MSCI EAFE Index (CAD \$) + 2.5%	0.66
LSV - Emerging Mkts	Oct-10	EM Equity	12.7	4.8%	Outperform MSCI EM Index	1.00
Wedge	Oct-06	U.S. Midcap	15.2	5.8%	Russel Midcap Value + 2.0%	0.70
Wedge Small Cap	Jun-08	U.S. Small Cap	16.6	6.3%	Russel Small Cap Value + 2.3%	1.00
SPDRS (ETF)	Aug-12	U.S. Equity	41.8	15.9%	S&P 500	0.10
Internal		Cash	0.13	0.0%		
Mesirow	Nov-10	Passive Currency Hedge	-1.27	-0.5%	Hedge 50 % of Foreign Currency	0.04
Total			<u>\$ 262.9</u>	<u>100.0%</u>		

Annualized Manager Performance Periods Ending June 30th, 2013

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	<u>YTD</u>	<u>1 Yr</u>	<u>2 Yr</u>	<u>3 Yr</u>	<u>4 Yr</u>	<u>5 Yr</u>	<u>6 Yr</u>	<u>7 Yr</u>	<u>8 Yr</u>	<u>9 Yr</u>	<u>10 Yr</u>
	%	%	%	%	%	%	%	%	%	%	%
<i>Burgundy Canadian Equity (Gross)*</i>	8.2	--	--	--	--	--	--	--	--	--	--
<i>Burgundy Canadian Equity (Net)*</i>	7.9	--	--	--	--	--	--	--	--	--	--
<i>Sionna (Gross)</i>	4.0	12.6	4.0	8.7	10.4	3.7	--	--	--	--	--
<i>Sionna (Net)</i>	3.8	12.2	3.6	8.3	10.0	3.3	--	--	--	--	--
S&P/TSX Comp Index	-0.9	7.9	-1.6	5.4	7.0	-0.5	0.6	3.5	5.4	6.8	8.4
<i>SPDR US Equity(Gross)*</i>	21.3	--	--	--	--	--	--	--	--	--	--
<i>SPDR US Equity(Net)*</i>	21.3	--	--	--	--	--	--	--	--	--	--
S&P 500 Total Return Index (\$CAD)	20.6	24.8	17.9	18.2	14.6	7.8	3.2	4.9	4.1	3.3	4.6
<i>CIBC (Gross)*</i>	-1.6	--	--	--	--	--	--	--	--	--	--
<i>CIBC (Net)*</i>	-1.6	--	--	--	--	--	--	--	--	--	--
Dex Bond Universe	-1.7	-0.2	4.6	4.6	5.2	5.5	5.7	5.6	4.8	5.6	5.3
<i>Wedge (Gross)</i>	22.2	31.8	19.0	19.9	18.9	11.8	5.8	--	--	--	--
<i>Wedge (Net)</i>	21.8	31.1	18.4	19.3	18.3	11.1	5.1	--	--	--	--
Russell Midcap Value	23.0	32.1	17.9	19.2	18.9	9.7	3.9	5.6	5.4	6.0	8.1
<i>Wedge Small Cap (Gross)</i>	21.2	29.7	16.0	18.7	16.2	--	--	--	--	--	--
<i>Wedge Small Cap (Net)</i>	20.6	28.5	14.9	17.5	15.1	--	--	--	--	--	--
Russell Small Cap Value	21.2	29.1	15.9	17.0	16.4	9.4	2.7	3.9	3.9	3.9	6.6
<i>Tweedy Browne (Gross)</i>	11.0	21.6	12.2	15.1	13.8	9.1	4.9	7.3	7.7	7.5	--
<i>Tweedy Browne (Net)</i>	10.3	20.2	10.8	13.7	12.5	7.8	3.6	6.1	6.6	6.4	--
<i>LSV (Gross)</i>	12.3	26.6	6.4	10.8	7.0	0.9	--	--	--	--	--
<i>LSV (Net)</i>	12.0	25.8	5.8	10.1	6.3	0.3	--	--	--	--	--
MSCI EAFE Comp (\$CAD)	10.7	23.3	6.2	10.3	6.9	0.6	-2.0	1.1	2.8	2.9	5.5
<i>LSV EM (Gross)</i>	-3.6	8.6	-1.9	--	--	--	--	--	--	--	--
<i>LSV EM (Net)</i>	-4.0	7.6	-2.9	--	--	--	--	--	--	--	--
MSCI Emerging Markets Index	-4.0	6.8	-2.5	3.5	5.8	0.7	0.6	5.3	7.4	9.1	11.2

Market Values and Cash Flows

June 30th, 2013 (in millions \$)

HERITAGE FUND:	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Market Value of Fund Balance at Quarter end	96.8	81.0	75.7	62.0	51.6	54.1	57.9	49.7	45.9	42.0
Capital Additions to Fund in period	3.9	4.1	3.8	6.4	2.3	4.0	3.0	3.7	1.7	0.8
Distributions to University in period	-	-	-	-	-	-1.9	-1.5	-1.5	-1.5	-1.5
GENERAL ENDOWMENT:										
Market Value of Fund Balance at Quarter end	166.1	145.4	140.1	119.8	101.8	112.6	124.4	111.3	106.9	95.0
Capital Additions to Fund in period	0.5	3.4	1.9	10.1	-	1.7	0.2	1.5	4.7	0.0
Distributions to University in period	-	-	-	-	-0.8	-1.0	-2.0	-0.5	-1.0	-1.1
TOTAL MARKET VALUE OF ENDOWMENTS	262.9	226.4	215.8	181.7	153.4	166.7	182.3	161.0	152.8	137.0