

Performance Review

University of Guelph Endowment Funds

4th Quarter 2014

UNIVERSITY
of GUELPH

CHANGING LIVES
IMPROVING LIFE

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Endowment Funds Results Overview

(Gross Returns for the 12 months ended December 31st, 2014)

The Total Endowment Fund returned 10.8% for the last 12 months versus 11.7% for the benchmark.

Canadian Equity

- The Canadian equity portfolio returned 7.5% in 2014, 310 basis points below the return of the S&P/TSX index.
- Both the plan's managers (Burgundy, Sionna) underperformed the index for the year.
- The lack of dedicated small cap exposure helped returns as small caps underperformed large caps by more than 10% in 2014.

Non-North American Equity

- In Canadian dollars, Non-North American equity underperformed both Canada and the U.S. in 2014 with a return of 3.6% for developed markets and 7.4% for emerging markets.
- The plan's developed markets managers performed well with value added of 160 basis points. While LSV underperformed the MSCI EAFE benchmark by 80 basis points, Tweedy outperformed by 260 while having a larger weight in the portfolio.
- The plan's emerging markets manager (LSV) performed well in 2014 with a return 230 basis points above the MSCI Emerging Markets index.

U.S. Equity

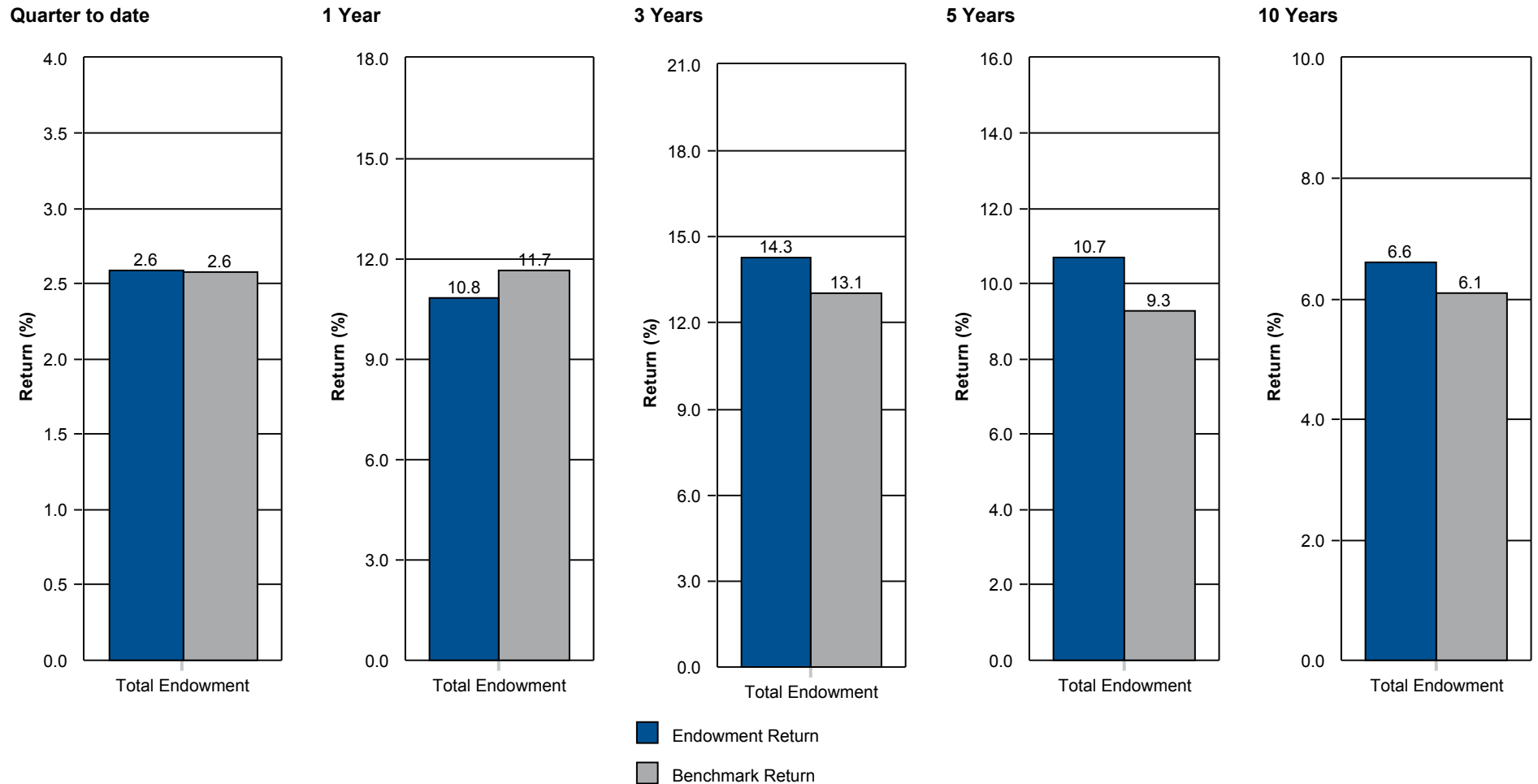
- U.S. equity markets performed extremely well in Canadian dollar terms with a 2014 return of 23.9% for the S&P500.
- The Endowment's U.S. equity investments performed well with a return of 24.4%, outperforming the benchmark by 50 basis points. The allocation to small-cap stocks was a drag on performance.
- While the plan's large cap manager (Fiduciary) underperformed the S&P500 index return, significant value of roughly 500 basis points was added versus their respective indexes by the small- and mid-cap portfolios managed by Wedge.

Fixed Income

- The Canadian fixed income portfolio is indexed to the FTSE TMX Universe and, as expected, closely matched its return of 8.8% in 2014.
- The cash return was negative due to losses on internal foreign exchange transactions.
- The infrastructure portfolio managed by Brookfield outperformed its index by 510 basis points in 2014. There was a large difference between the gross and net of fees returns due to accounting adjustments.
- Currency hedging, which is implemented for risk control rather than to generate returns, was a drag on performance in 2014 as it cost the portfolio 150 basis points.

Total Endowment Portfolio Vs Endowment Policy Benchmark

Annualized periods ending December 31, 2014 (Gross of Fees)



Returns are presented gross of fees in CAD.

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

Annualized Asset Class Performance

Periods Ending December 31, 2014 (Gross of Fees)

As of December 31, 2014

	Allocation		Performance(%)									
	Market Value (\$)	% of portfolio	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
Canadian Equity	62,777,579	19.3	7.5	14.3	13.5	8.4	9.3	8.7	5.7	5.6	6.5	8.5
S&P/TSX Composite Index			10.6	11.8	10.2	5.1	7.5	11.7	3.8	4.6	5.9	7.6
<i>Relative Performance</i>			-3.1	2.5	3.3	3.3	1.8	-3.0	1.9	1.0	0.6	0.9
US Equity	92,770,780	28.5	24.4	33.4	27.3	20.6	20.1	18.5	12.7	8.4	9.4	8.5
S&P 500			23.9	32.3	25.7	20.1	17.8	16.0	9.8	7.0	7.9	7.3
<i>Relative Performance</i>			0.5	1.1	1.6	0.5	2.3	2.5	2.9	1.4	1.5	1.2
Non-North American Equity	63,073,671	19.4	5.2	18.1	17.6	12.3	10.9	12.5	6.4	3.0	5.5	5.5
MSCI EAFE (net)			3.6	16.5	15.9	8.8	7.5	8.2	1.8	0.8	3.4	4.1
<i>Relative Performance</i>			1.6	1.6	1.7	3.5	3.4	4.3	4.6	2.2	2.1	1.4
Emerging Markets Equity	16,812,410	5.2	9.7	8.0	11.9	4.2	N/A	N/A	N/A	N/A	N/A	N/A
MSCI Emerging Markets Index			7.0	5.6	9.0	2.1	4.2	11.0	1.3	3.3	6.1	8.4
<i>Relative Performance</i>			2.7	2.4	2.9	2.1	N/A	N/A	N/A	N/A	N/A	N/A
Canadian Fixed Income	79,799,149	24.5	8.9	3.8	4.3	5.4	5.7	6.2	6.0	5.6	5.4	5.4
FTSE TMX Universe Index			8.8	3.7	3.7	5.1	5.4	5.4	5.6	5.3	5.2	5.3
<i>Relative Performance</i>			0.1	0.1	0.6	0.3	0.3	0.8	0.4	0.3	0.2	0.1
Infrastructure	10,262,712	3.2	11.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CPI + 5%			6.7	6.5	6.3	6.6	6.8	6.7	6.6	6.7	6.8	6.8
<i>Relative Performance</i>			5.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Internal Cash	681,552	0.2	-1.8	-1.8	-1.2	0.7	2.3	2.0	2.1	N/A	N/A	N/A
FTSE TMX Canada 91 Day T-Bill - C\$			0.9	1.0	1.0	1.0	0.9	0.8	1.2	1.6	1.9	1.9
<i>Relative Performance</i>			-2.7	-2.8	-2.2	-0.3	1.4	1.2	0.9	N/A	N/A	N/A

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.
 Endowment Policy Benchmark: 30% FTSE TMX Bond Universe + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index.
 Cash amounts and percentages presented exclude residual manager cash balances and FX overlay (currency hedging).

Annualized Asset Class Performance

Periods Ending December 31, 2014 (Gross of Fees)

As of December 31, 2014

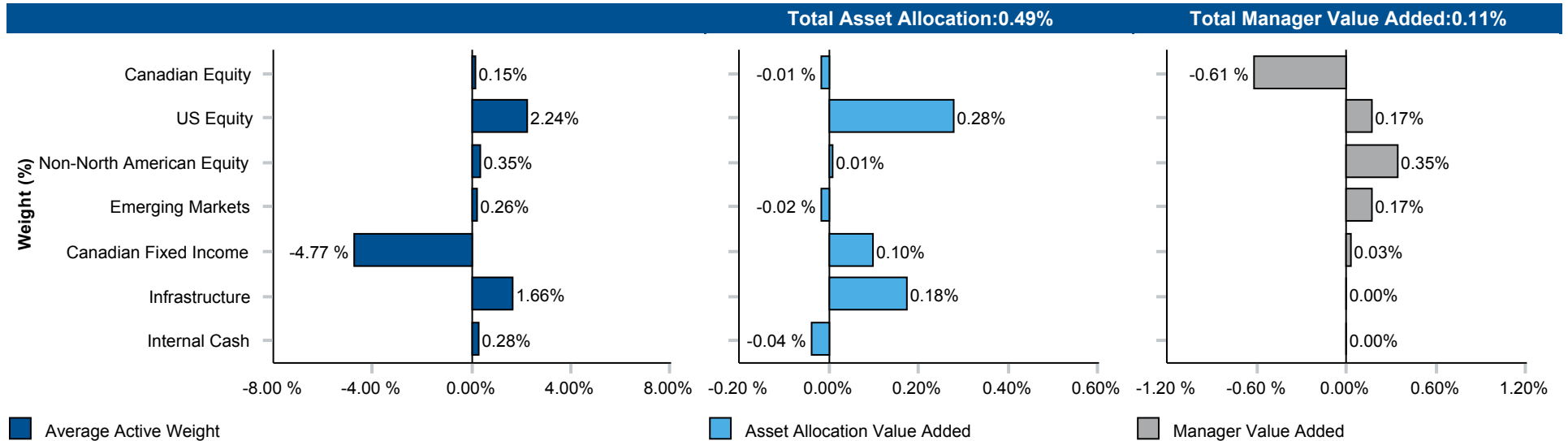
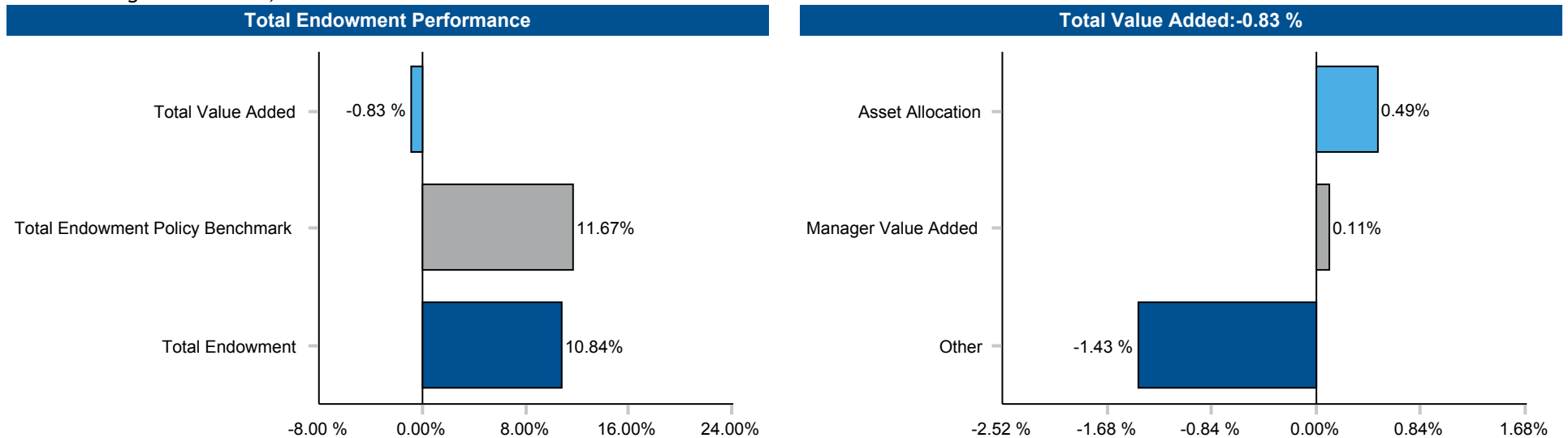
	Allocation		Performance(%)									
	Market Value (\$)	% of portfolio	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
Total Endowment (Gross of Fees)	325,213,861	100.0	10.8	15.2	14.3	10.7	10.7	11.4	7.1	5.3	6.3	6.6
Endowment Policy Benchmark			11.7	14.8	13.1	9.5	9.3	10.0	5.4	4.6	5.7	6.1
<i>Relative Performance</i>			<i>-0.9</i>	<i>0.4</i>	<i>1.2</i>	<i>1.2</i>	<i>1.4</i>	<i>1.4</i>	<i>1.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.5</i>
Total Endowment (Net of Fees)	325,213,861	100.0	10.2	14.5	13.7	10.2	10.1	10.8	6.6	4.8	5.8	6.1
Endowment Policy Benchmark			11.7	14.8	13.1	9.5	9.3	10.0	5.4	4.6	5.7	6.1
<i>Relative Performance</i>			<i>-1.5</i>	<i>-0.3</i>	<i>0.6</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>	<i>1.2</i>	<i>0.2</i>	<i>0.1</i>	<i>0.0</i>
Total Endowment ex. Currency Overlay	326,177,852	100.3	12.3	16.8	15.1	11.5	N/A	N/A	N/A	N/A	N/A	N/A
Endowment Policy Benchmark			11.7	14.8	13.1	9.5	9.3	10.0	5.4	4.6	5.7	6.1
<i>Relative Performance</i>			<i>0.6</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Effect of Passive Currency Hedge	-963,992	-0.3	-1.5	-1.6	-0.8	-0.8	N/A	N/A	N/A	N/A	N/A	N/A

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 Cash amounts and percentages presented exclude residual manager cash balances and FX overlay (currency hedging).

Performance Attribution

Total Endowment Vs Endowment Policy Benchmark

1 Year Ending December 31, 2014



Returns are presented gross of fees in CAD.

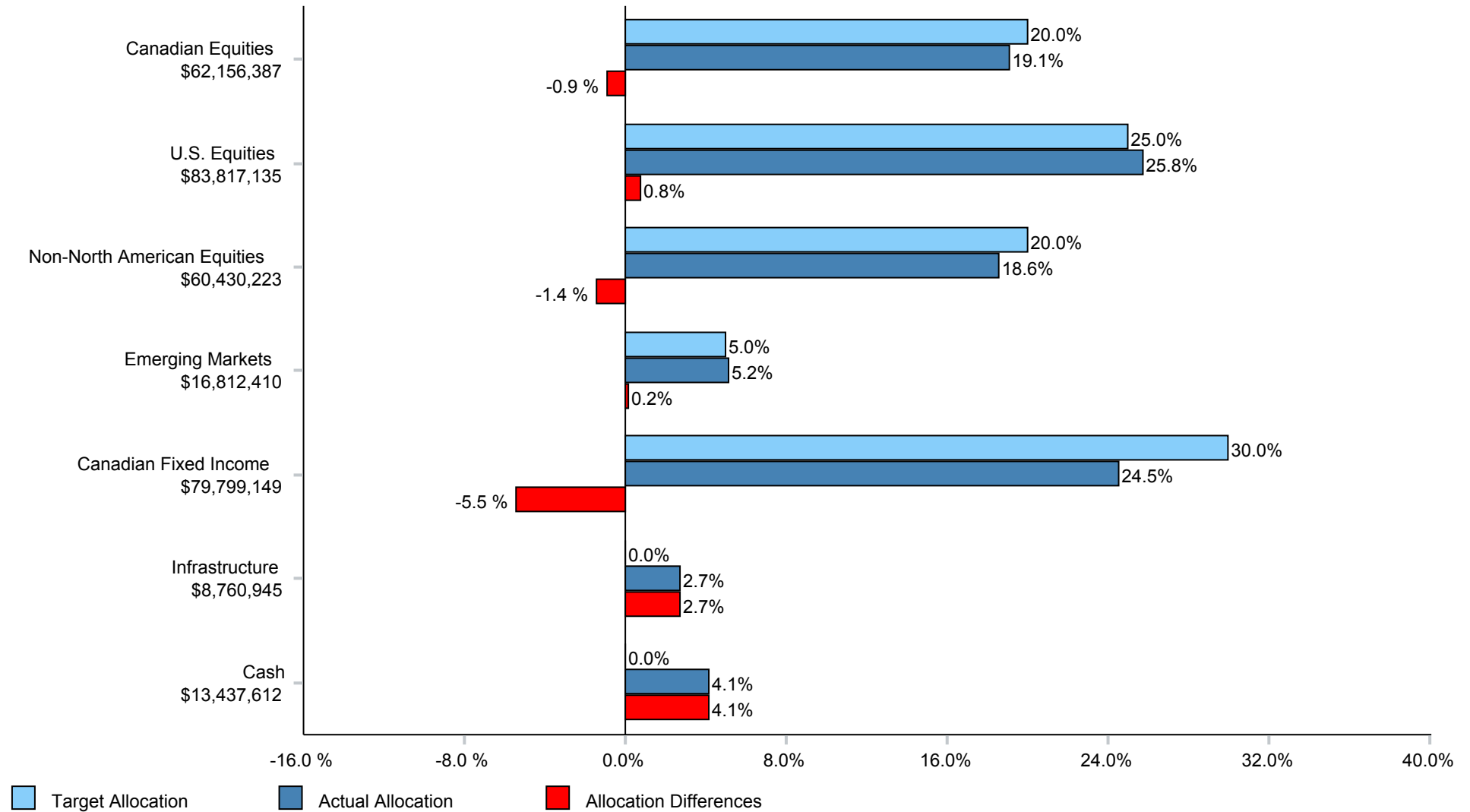
EAFE stands for Europe, Australasia and Far East. Endowment Policy Benchmark : 30% FTSE TMX Bond Universe + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index. The composite Benchmark does not assume currency hedging, the effect of which is outlined above. "Other" includes the effects of all other factors on the Funds' relative returns, including rebalancing and part of the foreign currency exposure of the Endowments

Endowment Asset Mix

Actual Allocation vs. Investment Policy Allocation

As of December 31, 2014

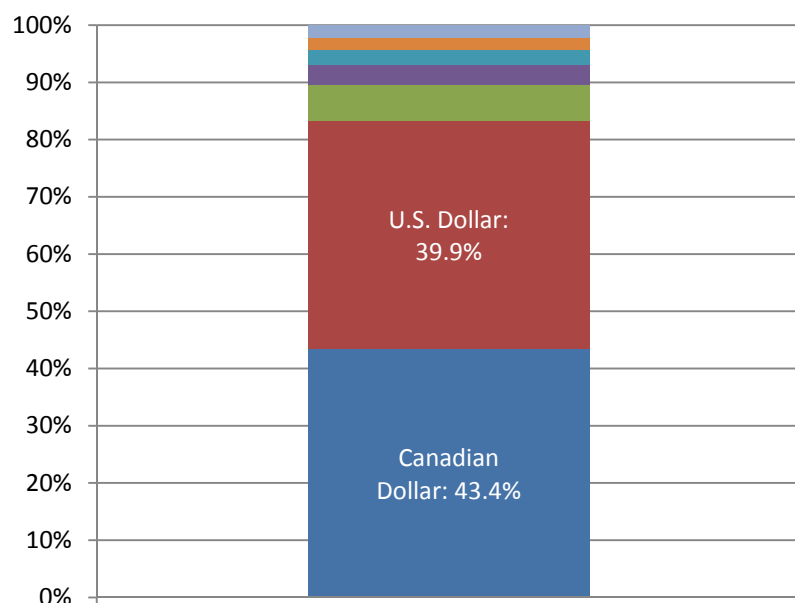
December 31, 2014 : \$325,213,861



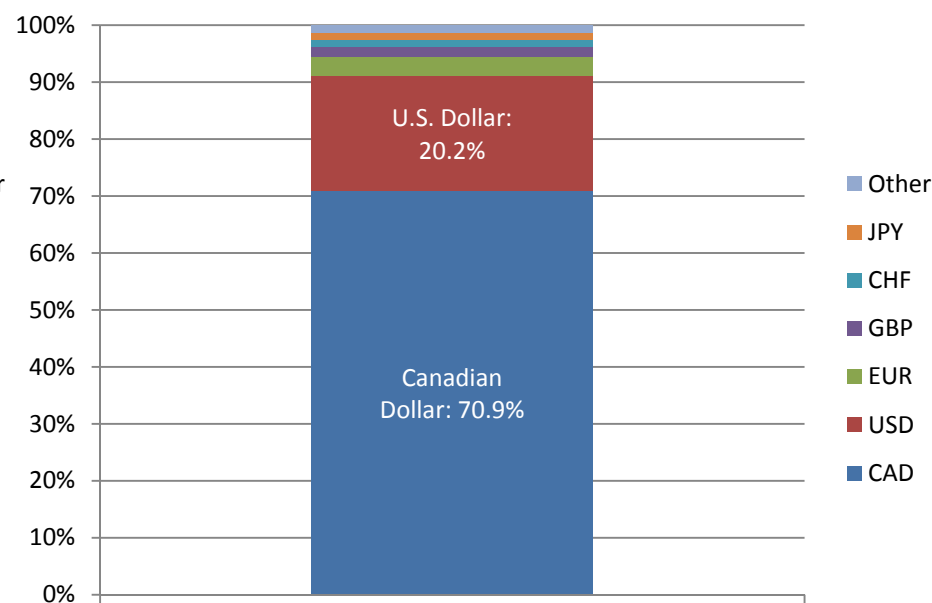
Note: this actual allocation displays the aggregate managers' holdings regardless of their mandate. Cash includes internal cash directly owned by the Endowments and manager residual cash balances (data from CIBC Mellon).

Endowment Currency Exposure

As of Dec 31st, 2014



December 31st Unhedged



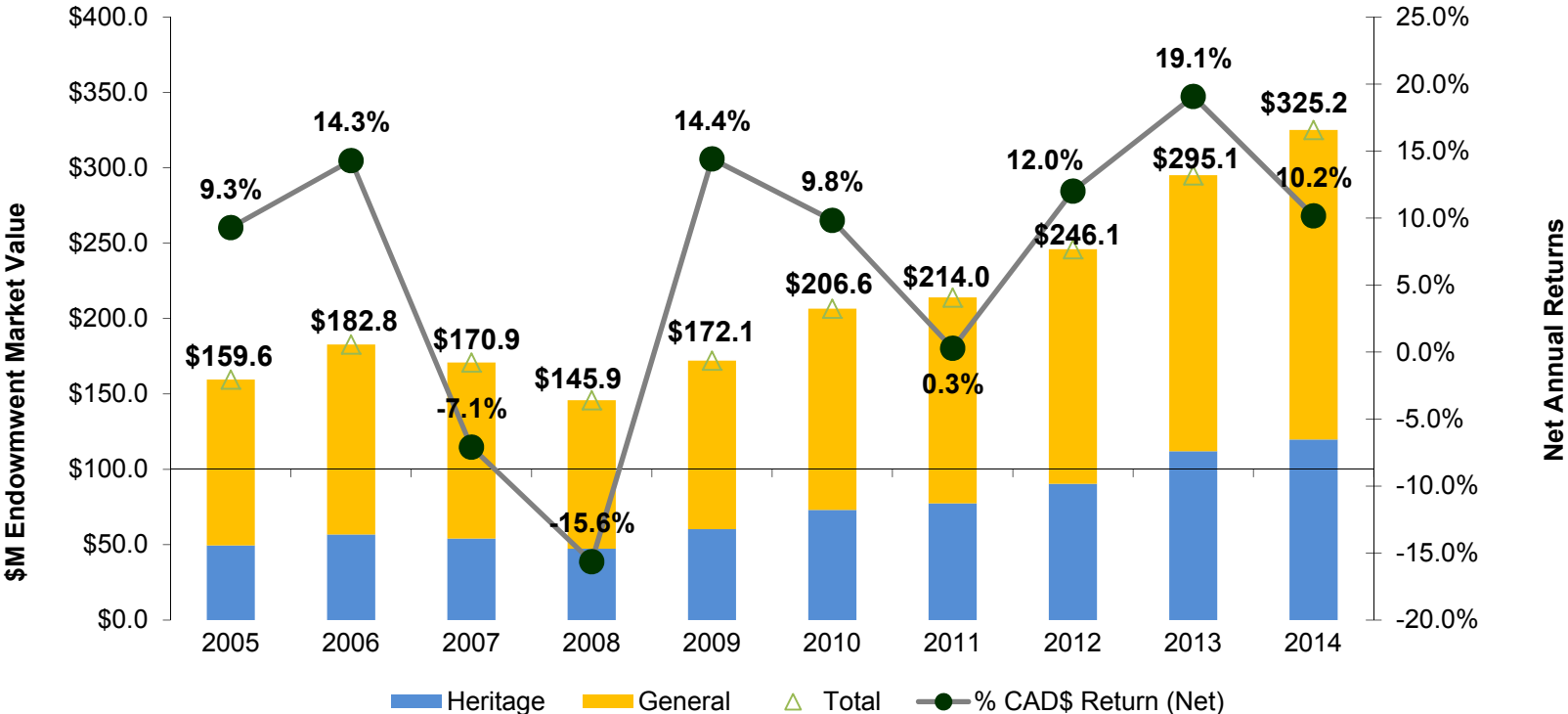
December 31st Hedged

Currency	December 31st, 2014 Unhedged	Gross Exposure (CAD)	Hedge (CAD)	December 31st, 2014 Hedged	Net Hedged Exposure (CAD)
Canadian Dollar	43.4%	141,559,686	89,144,347	70.9%	230,704,033
U.S. Dollar	39.9%	130,220,509	-64,507,529	20.2%	65,712,980
Euro	6.3%	20,436,362	-9,889,393	3.2%	10,546,969
British Pound	3.5%	11,568,688	-5,547,525	1.9%	6,021,163
Swiss Franc	2.5%	8,287,556	-4,120,161	1.3%	4,167,395
Japanese Yen	2.1%	7,005,318	-3,455,675	1.1%	3,549,643
Other	2.2%	7,099,732	-2,588,055	1.4%	4,511,677

Note: The Net Hedged Exposure equals the fund's original currency exposure to its total investments (Gross Exposure) plus the currency hedge implemented by Mesirow, which is designed to protect the pension fund from excessive foreign currency fluctuations.

Growth of Endowment Assets

End-of-Year Market Values and Net Annual Returns as of December 31st, 2014



Over the last 12 months the total Pension portfolio increased \$30.1 M to \$325.2 M consisting of:
 – Total contributions of \$3.8 M and distributions of \$3.4 M.
 – Annual return (net of investment management fees) of 10.2 % compared to 19.1 % for 2013.