

*Endowment Funds Performance
(Year ending Sept 30th, 2014)*

prepared for University Board of Governors

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

Quarterly Market Overview

Global equity markets posted mixed returns as geopolitical tensions rose.

Canadian Equity

- The S&P/TSX Composite Index posted a return of -0.6% for the third quarter and 12.2% for the year-to-date. The index posted one-year performance of 20.4% as of September 30th, 2014.
- The consumer staples and industrials sectors were the top performers for the third quarter, producing returns of 12.5% and 9.4%, respectively. The poorest performing sectors for the third quarter of 2014 were the materials sector (-10.1%) and the energy sector (-6.6%).
- Large cap stocks outperformed small cap stock. Growth stocks also outperformed value stocks.

International Equity

- The MSCI EAFE Index produced a return of -1.2% (vs +1.0% in local currencies) in the third quarter, hampered by CAD's appreciation against most major currencies. The U.K. market returned -1.4% while the other European markets posted a much weaker return of -2.9% for the quarter.
- Japanese markets posted a comparatively strong return for the third quarter, with the MSCI Japan Index reporting a 2.6% return.
- MSCI Emerging Markets Index returned 1.4%.
- Internationally, growth stocks outperformed value stocks for the third quarter.

U.S. Equity

- US equity investments were helped by the appreciation of USD against CAD. The S&P 500 Index returned 6.1% (vs 1.1% in USD) in the third quarter and 14.0% (vs 8.3% in USD) for the year-to-date.
- Health Care was the top performing sector this quarter, with performance of 10.6%. The energy sector was the worst performing sector for the third quarter, despite being the best performing sector last quarter. It returned -4.1%.
- U.S. growth stocks edged out value stock performance in the third quarter, as measured by the Russell 3000 Growth and Value indices. Growth stocks also outperformed value stocks over the one-year period.

Fixed Income

- The FTSE TMX Canada Bond Universe Index returned 1.1% in the third quarter and 5.9% for the year-to-date. The index posted one-year performance of 6.3% as of September 30th, 2014.
- Government bonds were the top performing sector in the Canadian bond market this quarter, returning 1.2% and bringing year-to-date and one-year performance to 6.1% and 6.2% respectively.
- **REAL ESTATE** : The IPD index returned 1.3% for the quarter.



Endowment Results Overview

(Gross Returns for the 12 Months Ended Sept 30th, 2014)

The Total Plan returned 15.3% for the last 12 months, underperforming policy benchmark by 1.4%.

Canadian Equity

- Underperformed the SPTSX index by 1.1%. Within
- the industry sectors, Energy was the largest contributor to the underperformance. Further downside was from Financials and Consumer Discretionary.
- Materials sector is the major favorable contributor to the performance through both underweighting of the sector and stock selection.
- The minimal exposure to the health care sector remains a detractor from performance.

International Equity

- Outperformed the MSCI EAFE (Net) index by 3.4%
- Tweedy Browne outperformed by 3.4% while LSV also beat the index by 1.6%.
- LSV's Emerging Markets mandate beat the index by 3.7%.
- Emerging market stocks look cheap compared to developed market countries, particularly after the run up in developed market stocks over the past several years.

U.S. Equity

- Underperformed the S&P 500 index by 1.7%
- Although both our small cap and mid cap portfolios outperform or are in line with their respective segment benchmarks, they underperformed large cap stocks, and hence S&P 500 Index.
- The most significant contributor to underperformance was the Info Tech sector. -1.5% mostly due to lower weight than the benchmark.
- Other sectors that negatively affected the results over the period included health care and industrials, while consumer discretionary and energy aided overall performance.

Fixed Income

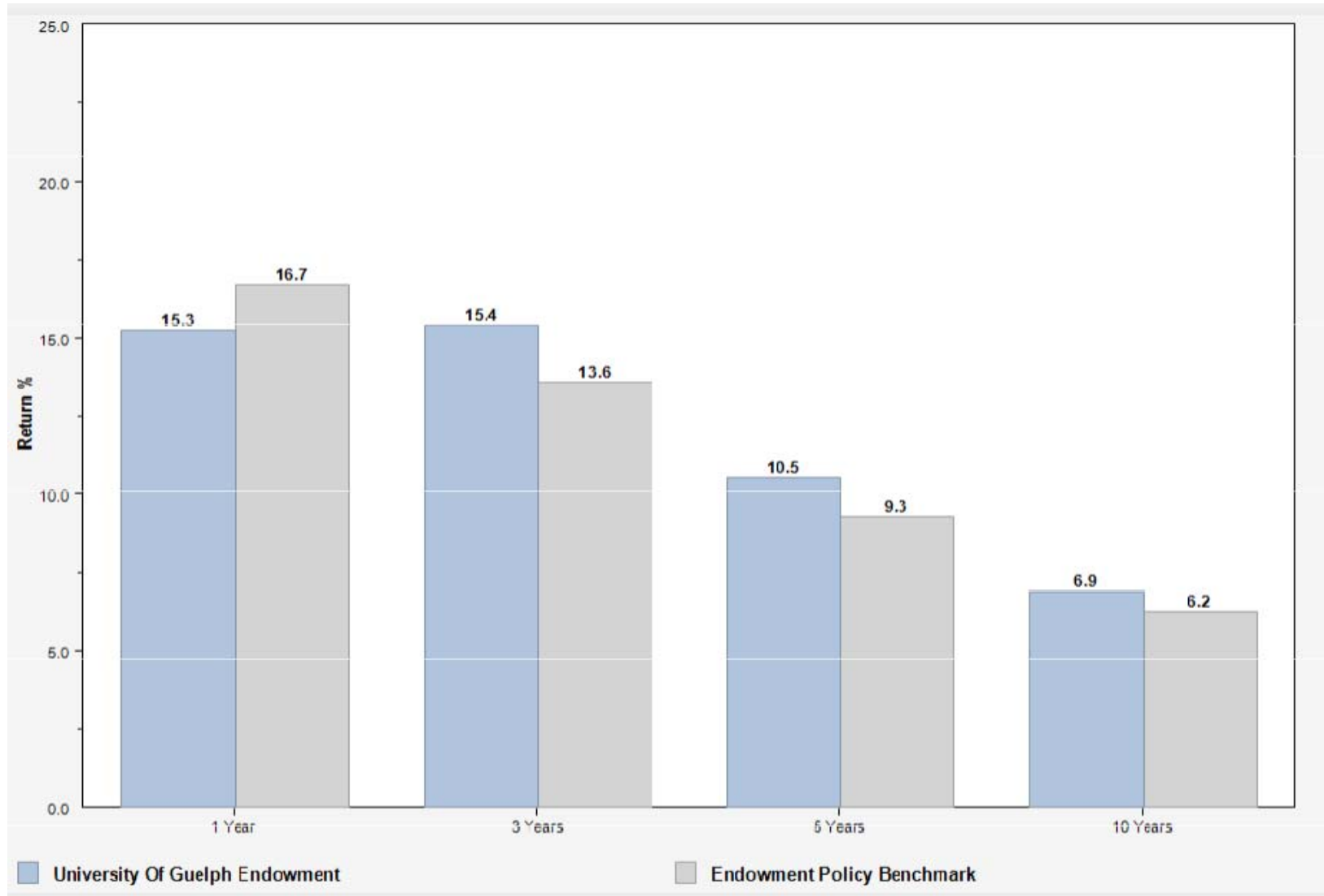
- 6.5% versus 6.3% for the Dex Bond Universe.
- This is a “passive” mandate and normal variance to the index is expected to be relatively small

Infrastructure

- On May 16th, 2013 the Investment Subcommittee hired Brookfield Asset Management Inc. as the Infrastructure manager committing \$19 million to Brookfield Infrastructure Fund II
- Approximately \$ 9.5 mill of the \$ 19 mill has been called thus far.

Total Endowment Portfolio Vs Benchmark (Gross Of Fees)

Annualized Periods Ending Sept 30th, 2014



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 Sept 30th, 2014

	YTD	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
	%	%	%	%	%	%	%	%	%	%	%
Total Gross of Fees	8.0	15.3	15.6	15.4	11.4	10.5	9.5	6.3	6.1	6.1	6.9
*Total Net of Fees	7.5	14.6	15.0	14.8	10.8	10.0	9.0	5.8	5.6	5.6	6.4
Total Fund ex Currency Overlay											
(Gross) ¹	8.8	17.1	17.1	15.8	--	--	--	--	--	--	--
**Endowment Benchmark	8.9	16.7	14.7	13.6	9.9	9.3	8.2	4.9	5.3	5.5	6.2
Canadian Equity	10.7	19.2	18.9	16.9	11.3	10.8	9.6	6.3	8.0	7.3	10.2
S&P/TSX Comp Index	12.2	20.4	13.6	12.1	7.9	8.7	7.3	3.9	6.1	6.4	8.5
US Equity	12.7	28.5	29.9	28.4	21.0	18.1	13.8	9.8	8.2	8.2	7.5
S&P 500 Total Return Index											
(\$CAD)	14.0	30.2	27.4	25.9	19.7	16.6	12.5	7.8	7.3	7.2	6.8
Non-North American Equity	5.7	16.8	24.1	19.8	13.9	11.9	11.6	5.3	6.3	7.4	8.0
MSCI EAFE Comp (\$CAD)	3.7	13.3	21.1	16.3	9.7	7.4	6.9	1.5	2.7	3.9	5.0
Fixed Income	6.0	6.5	2.6	4.0	4.5	5.2	6.2	5.9	5.3	5.1	5.4
Dex Bond Universe	5.9	6.3	2.5	3.4	4.2	4.9	5.7	5.6	5.1	5.0	5.4

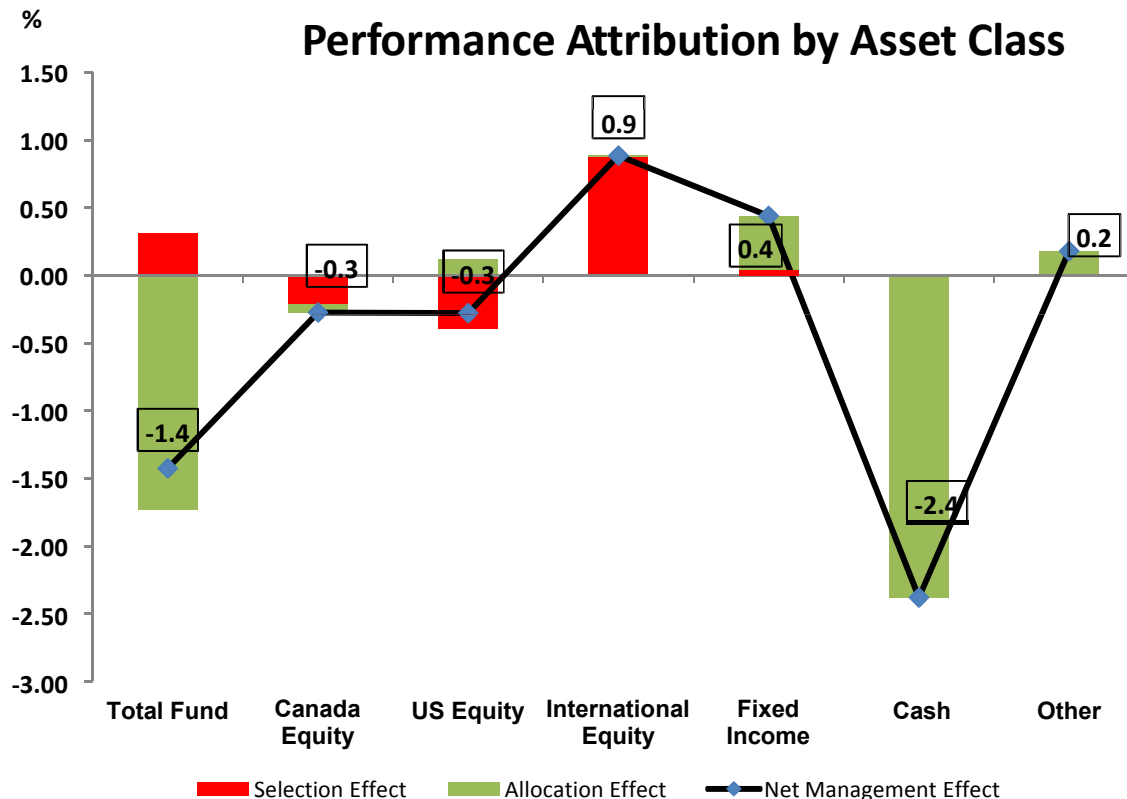
**Endowment Policy Benchmark: 30% DEX Bond Universe + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index

¹ – Currency hedging manager was added in November 2010

* 9-10 Year Net of Fee returns are internal estimates

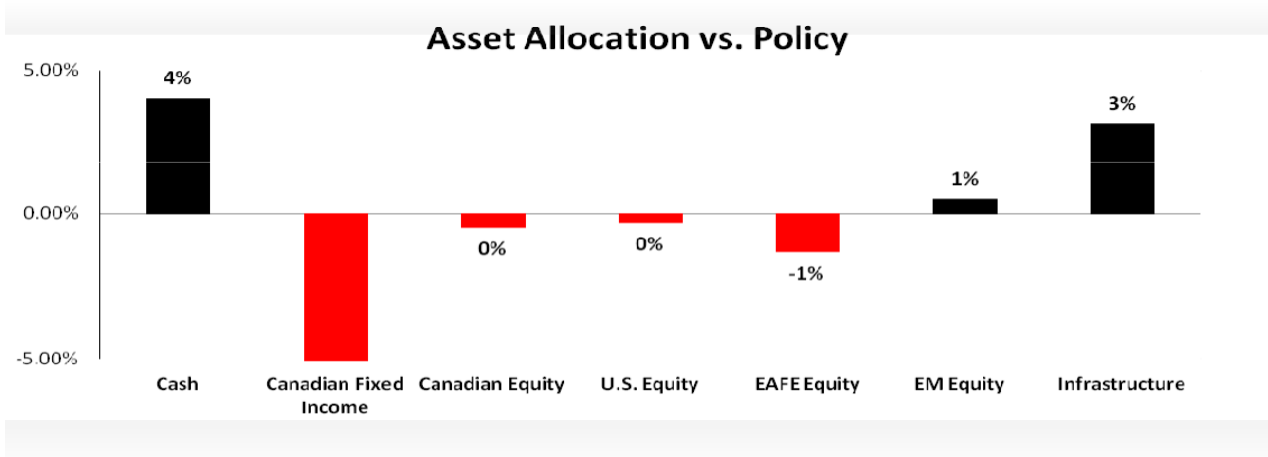
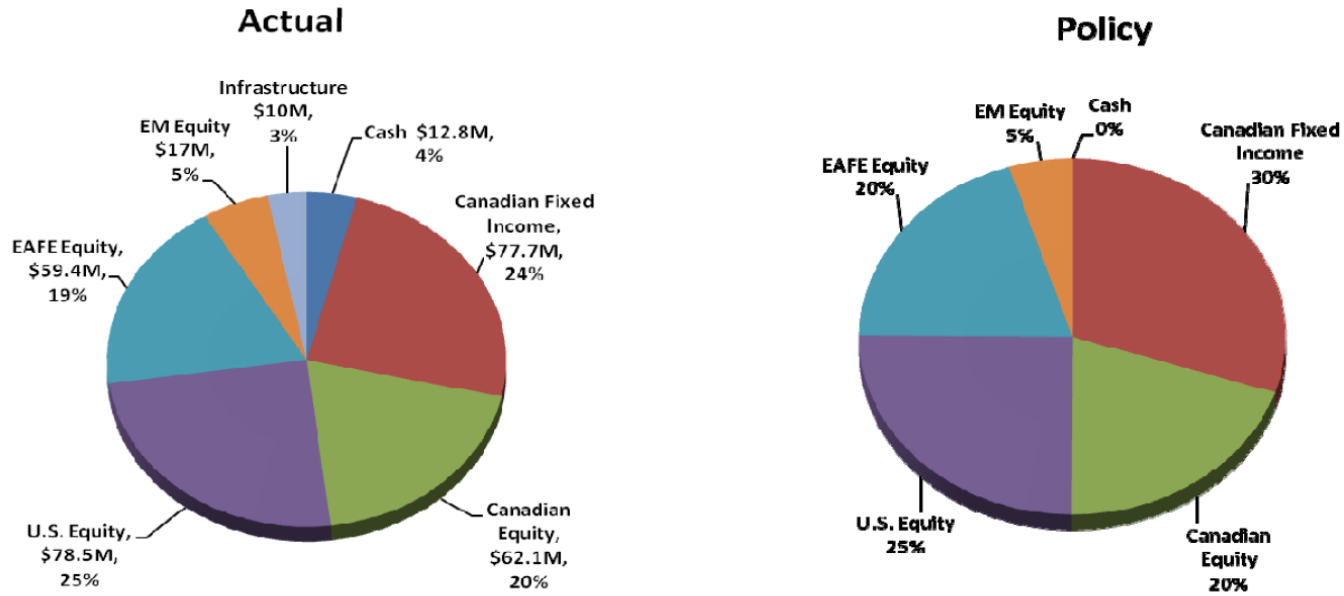
Endowment Fund Results: Relative to Endowment Policy Benchmark (for the 12 Months Ended Sept 30th, 2014)

- 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 15.3% versus Composite Benchmark returns of 16.7%. 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 positive security selection and negative allocation effect stemming from cash.



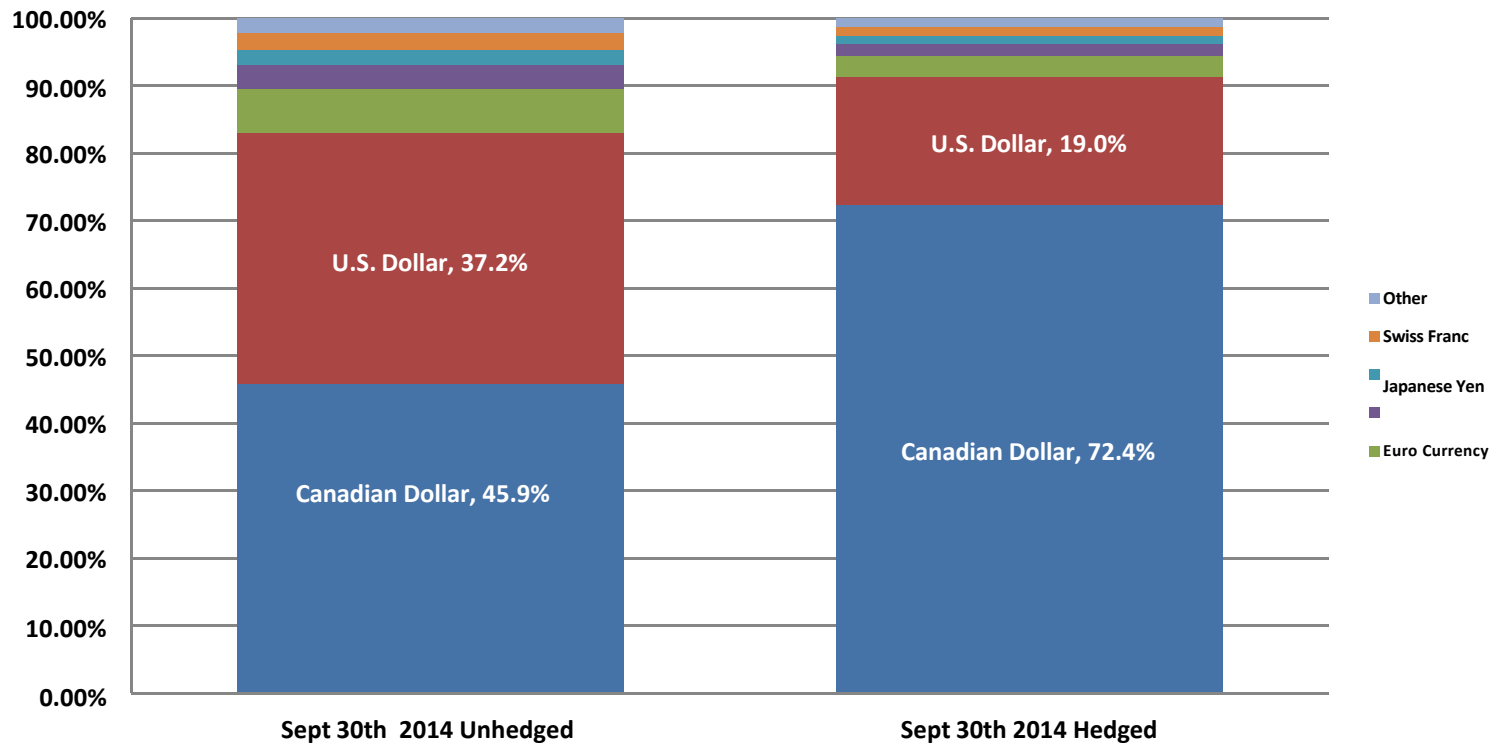
Note : Emerging Market equity is combined with EAFE equity and shown as international equity. Cash return includes currency hedging effect.

Endowment Asset Mix as of Sept 30th, 2014 (Total Assets \$317.5 Million)



Note : Cash includes manager residual cash balances. Internal cash balance of \$ 1.0 mill and a negative currency hedging position of \$ 1.1 mill

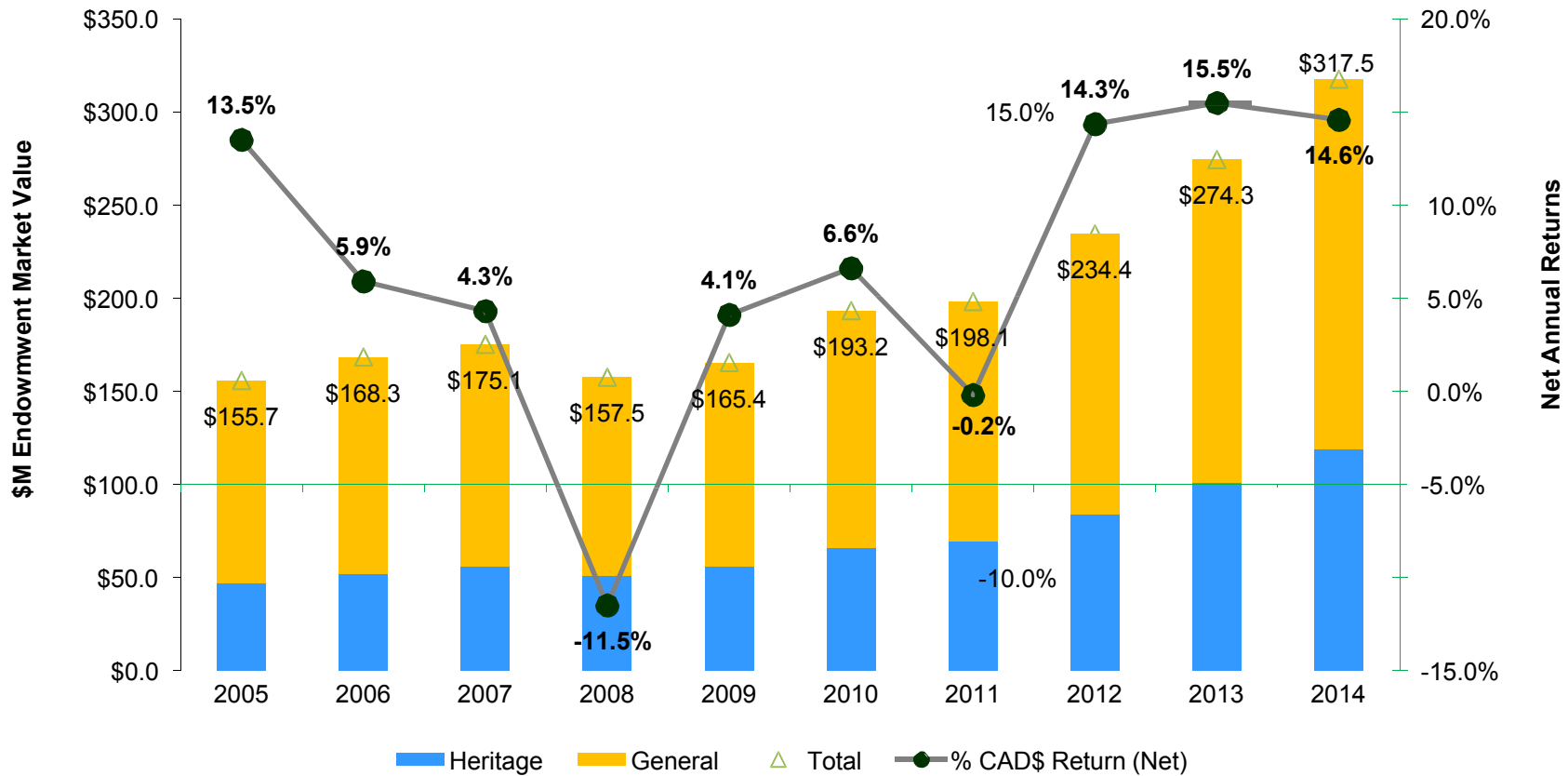
Endowment Currency Exposure as of Sept 30th, 2014



Currency	Sept 30 th , 2014 Unhedged %	Gross Exposure (CAD in millions)	Hedge (CAD in millions)	Sept 30 th , 2014 Hedged %	Net Hedged Exposure (CAD in millions)
Canadian Dollar	45.9	\$141.87	\$88.89	72.4	\$230.76
U.S. Dollar	37.2	\$123.20	-\$63.98	19.0	\$59.22
Euro Currency	6.6	\$20.44	-\$10.28	3.2	\$10.16
British Pound	3.5	\$11.33	-\$5.71	1.8	\$5.62
Japanese Yen	2.3	\$7.03	-\$3.53	1.2	\$3.50
Swiss Franc	2.5	\$8.03	-\$3.96	1.2	\$4.07
Other	2.1	\$6.70	-\$2.53	1.3	\$4.17

Growth of Endowment Assets

Net Annual Returns and Market Values at Sept 30th, 2014



Total Endowment portfolio increased \$ 43.2 M to \$ 317.5 M consisting of:

- Net additions of \$3.3 M
- Annual return (net of investment management fees) of 14.6% compares to 15.5 % for the same period in 2013.

Asset Mix by Manager as of Sept 30th, 2014

Manager	Date Hired	Asset Mandate	Market Value	% of Portfolio
Burgundy	Aug-12	Canadian Equity	44.7	14.1%
Sionna All Cap	Sep-07	Canadian Equity	19.6	6.2%
CIBC	Aug-12	Canadian Fixed Income	77.7	24.5%
Tweedy Browne	Dec-03	EAFE Equity	35.4	11.1%
LSV Asset Mgmt.	Sep-07	EAFE Equity	26.8	8.4%
LSV - Emerging Ma	Oct-10		17.0	5.4%
Wedge	Oct-06	U.S. Midcap	19.2	6.0%
Wedge Small Cap	Jun-08	U.S. Small Cap	16.0	5.0%
SPDRS (ETF)	Aug-12	U.S. Equity	20.9	6.6%
Fiduciary	Jan-14	U.S. Equity	30.3	9.5%
Brookfield IF	Nov-13	Infrastructure	10.0	3.2%
Internal	Nov-10	Cash	1.0	0.3%
Mesirow		Passive Currency Hedg	-1.1	-0.3%
Total			\$ 317.5	100.0%

Note: Market Values include Cash & Equivalents

Annualized Manager Performance Periods Ending Sept 30th, 2014

	YTD	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr	9 Yr	10 Yr
	%	%	%	%	%	%	%	%	%	%	%
<i>Burgundy Canadian Equity (Gross)*</i>	9.8	18.0	--	--	--	--	--	--	--	--	--
<i>Burgundy Canadian Equity (Net)*</i>	9.4	17.4	--	--	--	--	--	--	--	--	--
<i>Sionna (Gross)</i>	10.6	17.9	15.7	15.0	10.7	11.1	9.6	--	--	--	--
<i>Sionna (Net)</i>	10.3	17.5	15.3	14.6	10.3	10.6	9.2	--	--	--	--
S&P/TSX Comp Index	12.2	20.4	13.6	12.1	7.9	8.7	7.3	3.9	6.1	6.4	8.5
<i>SPDR US Equity(Gross)</i>	13.8	29.8	--	--	--	--	--	--	--	--	--
<i>SPDR US Equity(Net)</i>	13.8	29.8	--	--	--	--	--	--	--	--	--
<i>Fiduciary Mgmt US Equity (Gross)**</i>											
<i>Fiduciary Mgmt US Equity (Net)**</i>											
S&P 500 Total Return Index (\$CAD)	14.0	30.2	27.4	25.9	19.7	16.6	12.5	7.8	7.3	7.2	6.8
<i>Wedge (Gross)</i>	13.6	27.6	31.0	29.5	21.6	18.7	14.6	10.8	--	--	--
<i>Wedge (Net)</i>	13.1	26.9	30.2	28.8	20.9	18.1	13.9	10.1	--	--	--
Russell Midcap Value	13.8	27.7	30.6	27.7	19.9	18.2	13.7	9.1	8.1	8.1	8.8
<i>Wedge Small Cap (Gross)</i>	5.0	20.3	28.0	26.5	18.6	16.3	--	--	--	--	--
<i>Wedge Small Cap (Net)</i>	4.2	19.0	26.7	25.2	17.4	15.1	--	--	--	--	--
Russell Small Cap Value	0.2	13.2	22.6	23.5	15.8	13.9	9.2	6.9	5.2	5.7	5.9
<i>Tweedy Browne (Gross)</i>	7.1	17.2	21.9	19.3	14.7	13.7	13.7	8.4	8.9	9.6	--
<i>Tweedy Browne (Net)</i>	6.2	15.8	20.5	17.8	13.4	12.4	12.4	7.1	7.6	8.5	--
<i>LSV (Gross)</i>	4.5	15.4	23.8	18.0	11.3	8.1	7.9	--	--	--	--
<i>LSV (Net)</i>	4.0	14.8	23.1	17.3	10.6	7.4	7.3	--	--	--	--
MSCI EAFE Comp (\$CAD)	4.1	13.8	21.6	16.8	10.2	7.9	7.4	2.0	3.1	4.4	5.5
<i>LSV EM (Gross)</i>	10.8	17.4	13.2	12.7	--	--	--	--	--	--	--
<i>LSV EM (Net)</i>	10.1	16.3	12.2	11.6	--	--	--	--	--	--	--
MSCI Emerging Markets Index	8.1	13.8	9.7	10.1	3.3	5.6	8.0	1.8	6.1	7.2	9.7
<i>CIBC (Gross)</i>	6.0	6.5	--	--	--	--	--	--	--	--	--
<i>CIBC (Net)</i>	6.0	6.4	--	--	--	--	--	--	--	--	--
Dex Bond Universe	5.9	6.3	2.5	3.4	4.2	4.9	5.7	5.6	5.1	5.0	5.4
<i>Brookfield Infrastructure (Gross)***</i>	8.4	-	-	-	-	-	-	-	-	-	-
<i>Brookfield Infrastructure (Net)***</i>	3.5	-	-	-	-	-	-	-	-	-	-

* New mandates added in Q3-2012 ; Former Managers; EBS (September 2006-January 2010), JF (July 1999 - August 2012)

Fiduciary Funded in Jan 2014; * Brookfield added in November 2013



Market Values and Cash Flows

Sept 30th, 2014 (in millions \$)

HERITAGE FUND:	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Market Value of Fund Balance at Quarter end	118.9	101.0	83.9	69.5	65.9	55.6	51.1	55.6	52.0	46.8
Capital Additions to Fund in period	4.4	3.9	4.1	3.8	6.4	2.3	4.0	3.0	3.7	1.7
Distributions to University in period	-1.4	-	-	-	-	-	-1.9	-1.5	-1.5	-1.5
<u>GENERAL ENDOWMENT:</u>	198.6	173.3	150.5	128.6	127.3	109.7	106.4	119.5	116.4	108.9
Market Value of Fund Balance at Quarter end										
Capital Additions to Fund in period	1.8	-	3.4	1.9	10.1	-	1.7	0.2	1.5	4.7
Distributions to University in period	-1.5	-0.5	-	-	-	-0.8	-1.0	-2.0	-0.5	-0.5
TOTAL MARKET VALUE OF ENDOWMENTS	317.5	274.3	234.4	198.1	193.2	165.4	157.5	175.1	168.3	155.7