

# Performance Review

University of Guelph Pension Plans

1<sup>st</sup> Quarter 2015



UNIVERSITY  
*of* GUELPH

CHANGING LIVES  
IMPROVING LIFE

Prepared by:

Pavilion Advisory Group Ltd.  
1250 René-Lévesque Blvd. West, Suite 4030  
Montreal, Quebec  
H3B 4W8 Canada



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## Pension Plans Results Overview

(Gross returns for the 12 months ended March 31<sup>st</sup>, 2015)

**The Total Plan returned 12.5% for the last 12 months, an underperformance of 1.1% vs. its composite benchmark**

### Canadian Equity

- The Canadian equity portfolio returned 7.2% over the past year, beating the S&P/TSX index by 0.3%.
- Results are mixed for the plan's large cap managers. CC&L has been steadily outperforming over all reported periods (1-year outperformance of 6.2%), while Burgundy and Sionna lagged by 3.9% and 1.4% respectively.
- Despite the relatively poor performance of small cap stocks in Canada, the plan's manager (Sionna) performed extremely well, outperformed the index by 15.8%.

### Global/Non-North American Equity

- In Canadian dollars, Non-North American equity largely underperformed the U.S. but outperformed Canada with the MSCI EAFE index returning 14.2%.
- The plan's Non-North American equity performance deteriorated during the past year with a 3.1% underperformance. Both LSV and Tweedy Browne trailed the MSCI EAFE over the last year.
- Global equity, as measured by the MSCI World ex-Canada index, performed very well in Canadian dollars, adding 22.9% in one year. The pension's only Global equity manager, Acadian, outperformed the index by 240 basis points.

### U.S. Equity

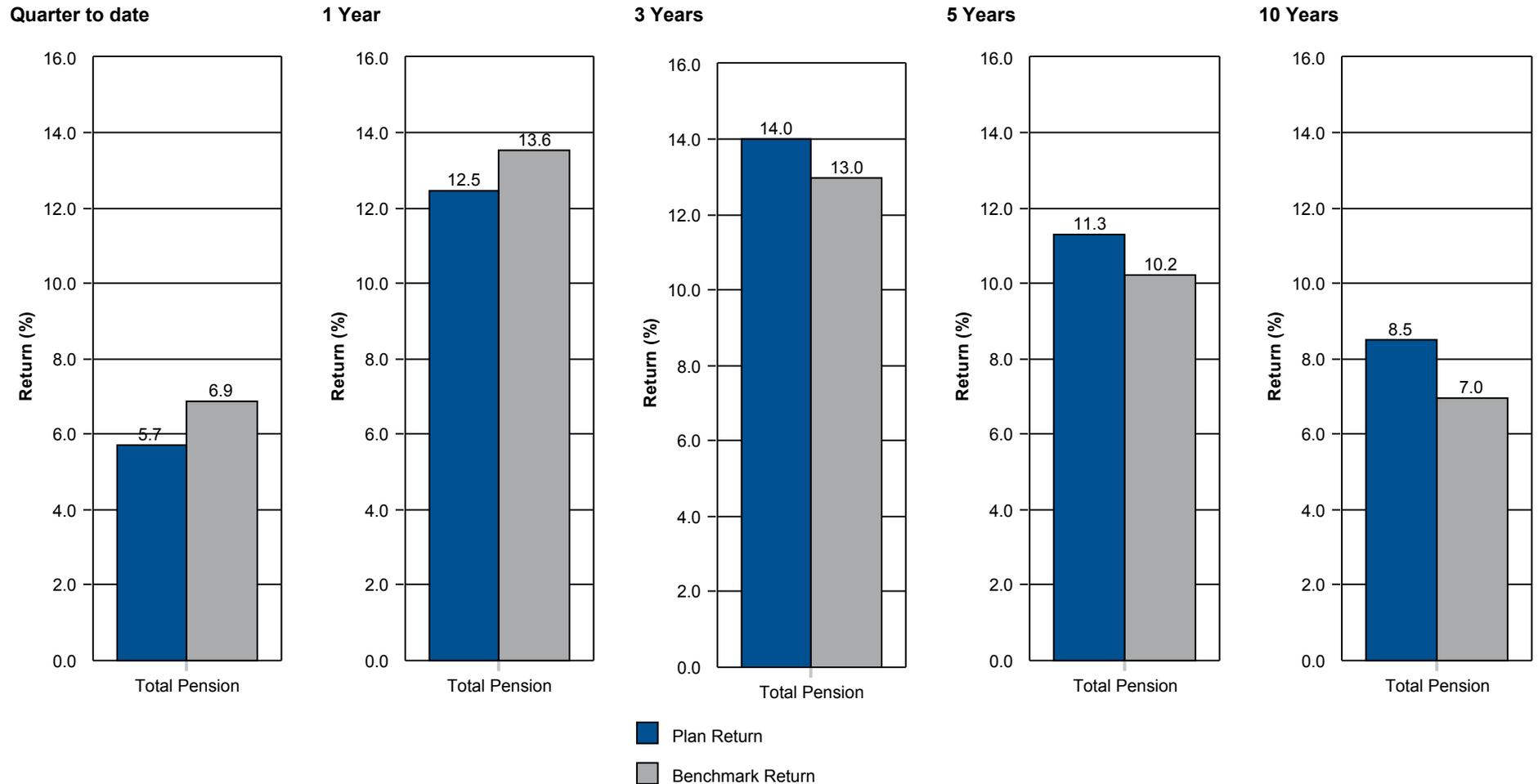
- U.S. equity markets also performed very well in Canadian dollar terms, with a 1-year return of 29.4% for the S&P500.
- The plan's U.S. equity investments performed well with a return of 30.2%, outperforming the benchmark by 80 basis points.
- While the plan's large cap manager (Barrow) lagged the Russel 1000 index by 2.4%, significant value was added versus their respective indices by the small- (7.4%) and mid-cap portfolios (7.8%) managed by Wedge.

### Fixed Income

- The Canadian fixed income portfolio is indexed to the FTSE TMX Universe and, as expected, matched its return of 10.3% over the past year.
- The 6.5% 1-year return for Cash includes a private equity investment that was held at book for many years and was written up to market value and exited in 2014.
- The real estate portfolio managed by Greystone underperformed its index by 80 basis points.
- Currency hedging, which is implemented for risk control rather than to generate returns, was a drag on performance as it cost the portfolio 120 basis points.

# Total Pension Portfolio Vs Composite Benchmark

As of March 31, 2015 (Gross of Fees, Annualized for Periods over 1 Year)



Returns are presented gross of fees in CAD.

Current Composite Benchmark: 25% S&P/TSX Comp Capped + 20% MSCI EAFE (\$CAD) + 20% S&P 500 (\$CAD) + 28% FTSE TMX Universe + 2% FTSE TMX 91 Day T-Bill + 5% IPD Canada Annual Property Index

# Annualized Asset Class Performance

As of March 31, 2015 (Gross of Fees)

	Allocation		Performance(%)										
	Market Value (\$)	% of portfolio	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
<b>Canadian Equity</b>	<b>313,005,523</b>	<b>23.3</b>	<b>2.9</b>	<b>7.2</b>	<b>14.4</b>	<b>14.0</b>	<b>7.0</b>	<b>9.5</b>	<b>14.6</b>	<b>6.7</b>	<b>6.3</b>	<b>7.2</b>	<b>9.1</b>
S&P/TSX Composite Index			2.6	6.9	11.4	9.6	4.4	7.4	12.5	4.6	4.6	5.3	7.4
<i>Relative Performance</i>			0.3	0.3	3.0	4.4	2.6	2.1	2.1	2.1	1.7	1.9	1.7
<b>US Equity</b>	<b>235,392,045</b>	<b>17.5</b>	<b>11.5</b>	<b>30.2</b>	<b>31.8</b>	<b>28.4</b>	<b>22.6</b>	<b>21.1</b>	<b>22.5</b>	<b>14.7</b>	<b>9.8</b>	<b>9.4</b>	<b>9.5</b>
S&P 500			10.4	29.4	30.8	25.7	22.0	19.6	19.9	12.3	8.3	8.6	8.5
<i>Relative Performance</i>			1.1	0.8	1.0	2.7	0.6	1.5	2.6	2.4	1.5	0.8	1.0
<b>Non-North American Equity</b>	<b>228,984,664</b>	<b>17.0</b>	<b>12.3</b>	<b>11.1</b>	<b>20.2</b>	<b>19.1</b>	<b>14.6</b>	<b>13.6</b>	<b>16.4</b>	<b>8.2</b>	<b>4.7</b>	<b>6.5</b>	<b>7.4</b>
MSCI EAFE Index			14.9	14.2	20.9	18.5	12.8	11.4	13.7	5.2	2.7	4.4	5.9
<i>Relative Performance</i>			-2.6	-3.1	-0.7	0.6	1.8	2.2	2.7	3.0	2.0	2.1	1.5
<b>Global Equity</b>	<b>117,956,903</b>	<b>8.8</b>	<b>14.3</b>	<b>25.3</b>	<b>28.7</b>	<b>24.4</b>	<b>20.5</b>	<b>18.7</b>	<b>18.2</b>	<b>9.0</b>	<b>5.1</b>	<b>6.8</b>	<b>7.7</b>
MSCI World Ex Canada			12.4	22.9	26.8	22.6	17.9	16.1	17.2	9.1	5.8	6.8	7.5
<i>Relative Performance</i>			1.9	2.4	1.9	1.8	2.6	2.6	1.0	-0.1	-0.7	0.0	0.2
<b>Canadian Fixed Income</b>	<b>383,760,489</b>	<b>28.5</b>	<b>4.2</b>	<b>10.3</b>	<b>5.5</b>	<b>5.2</b>	<b>6.3</b>	<b>6.1</b>	<b>6.0</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>5.6</b>
FTSE TMX Universe Index			4.2	10.3	5.4	5.1	6.3	6.0	5.9	5.8	5.8	5.7	5.6
<i>Relative Performance</i>			0.0	0.0	0.1	0.1	0.0	0.1	0.1	-0.1	-0.1	0.0	0.0
<b>Real Estate</b>	<b>57,228,850</b>	<b>4.3</b>	<b>0.8</b>	<b>5.8</b>	<b>8.0</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
IPD Canadian Property Index			2.8	8.6	9.4	10.7	11.8	11.9	10.2	9.1	9.6	10.4	11.2
<i>Relative Performance</i>			-2.0	-2.8	-1.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Internal Cash (STIF)*</b>	<b>9,358,316</b>	<b>0.7</b>	<b>0.2</b>	<b>6.5</b>	<b>3.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>1.1</b>	<b>1.8</b>	<b>16.0</b>	<b>14.6</b>
FTSE TMX Canada 91 Day T-Bill - C\$			0.2	0.9	1.0	1.0	1.0	0.9	0.8	1.1	1.5	1.8	1.9
<i>Relative Performance</i>			0.0	5.6	2.1	-0.9	-0.8	-0.7	-0.6	0.0	0.3	14.2	12.7

\*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 1-year return of 6.5%. 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 taking the previous quarter's return and converting it to a monthly basis (Index data from CIBC Mellon).

# Annualized Asset Class Performance

As of March 31, 2015 (Gross of Fees)

	Allocation		Performance(%)										
	Market Value (\$)	% of portfolio	Year To Date	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
<b>Total Pension (Net of Fees)</b>	<b>1,345,083,863</b>	<b>100.0</b>	<b>5.6</b>	<b>11.9</b>	<b>14.2</b>	<b>13.5</b>	<b>10.7</b>	<b>10.8</b>	<b>12.6</b>	<b>7.9</b>	<b>6.3</b>	<b>7.5</b>	<b>8.2</b>
Composite Benchmark			6.9	13.6	15.0	13.0	10.0	10.2	12.2	6.8	5.5	6.1	7.0
<i>Relative Performance</i>			-1.3	-1.7	-0.8	0.5	0.7	0.6	0.4	1.1	0.8	1.4	1.2
<b>Total Pension (Gross of Fees)</b>	<b>1,345,083,863</b>	<b>100.0</b>	<b>5.7</b>	<b>12.5</b>	<b>14.7</b>	<b>14.0</b>	<b>11.1</b>	<b>11.3</b>	<b>13.0</b>	<b>8.3</b>	<b>6.7</b>	<b>7.9</b>	<b>8.5</b>
Composite Benchmark			6.9	13.6	15.0	13.0	10.0	10.2	12.2	6.8	5.5	6.1	7.0
<i>Relative Performance</i>			-1.2	-1.1	-0.3	1.0	1.1	1.1	0.8	1.5	1.2	1.8	1.5
<b>Total Pension ex. FX Overlay (Gross of Fees)</b>	<b>1,345,686,791</b>	<b>100.0</b>	<b>7.0</b>	<b>13.7</b>	<b>16.5</b>	<b>15.1</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Composite Benchmark			6.9	13.6	15.0	13.0	10.0	10.2	12.2	6.8	5.5	6.1	7.0
<i>Relative Performance</i>			0.1	0.1	1.5	2.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Effect of Passive Currency Hedge</b>	<b>-602,926</b>	<b>0.0</b>	<b>-1.3</b>	<b>-1.2</b>	<b>-1.8</b>	<b>-1.1</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

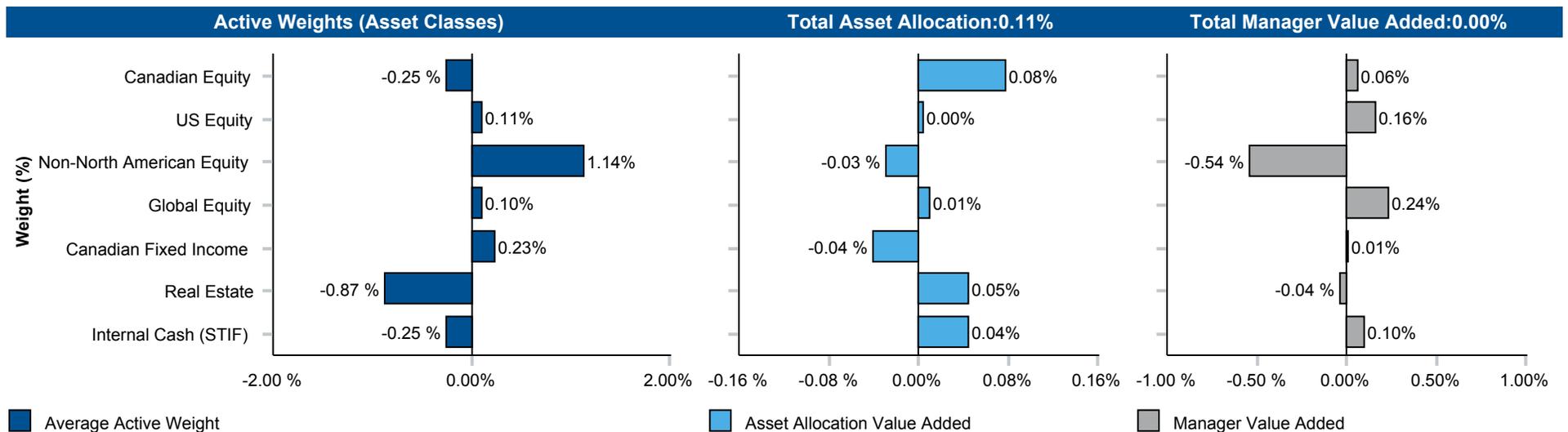
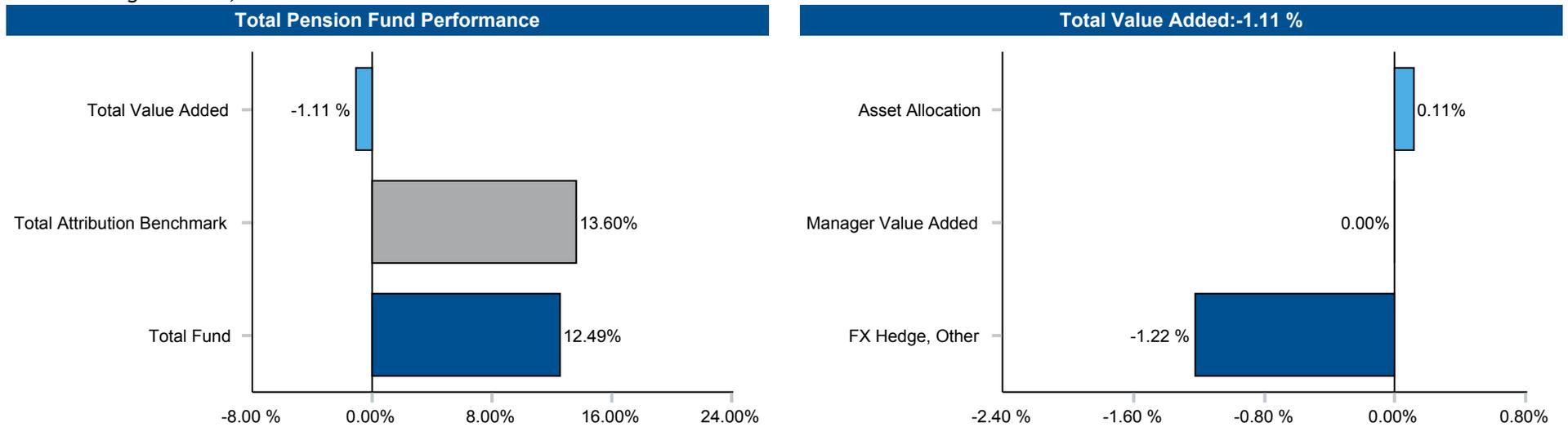
Current Composite Benchmark: 25% S&P/TSX Comp Capped + 20% MSCI EAFE (\$CAD) + 20% S&P 500 (\$CAD) + 28% FTSE TMX Universe + 2% FTSE TMX 91 Day T-Bill + 5% IPD Canada Annual Property Index.

\*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 1-year return of 6.5%. 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 taking the previous quarter's return and converting it to a monthly basis (Index data from CIBC Mellon).

# Performance Attribution

## Total Pension Plans Vs Attribution Benchmark

1 Year Ending March 31, 2015



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 follows: 25% S&P/TSX Comp Capped + 16% S&P 500 (\$CAD) + 16% MSCI EAFE (\$CAD) + 8% MSCI World + 28% FTSE TMX Universe + 5% IPD Canada Annual Property Index + 2% FTSE TMX 91 Day T-Bill.

The Benchmarks do not assume currency hedging.

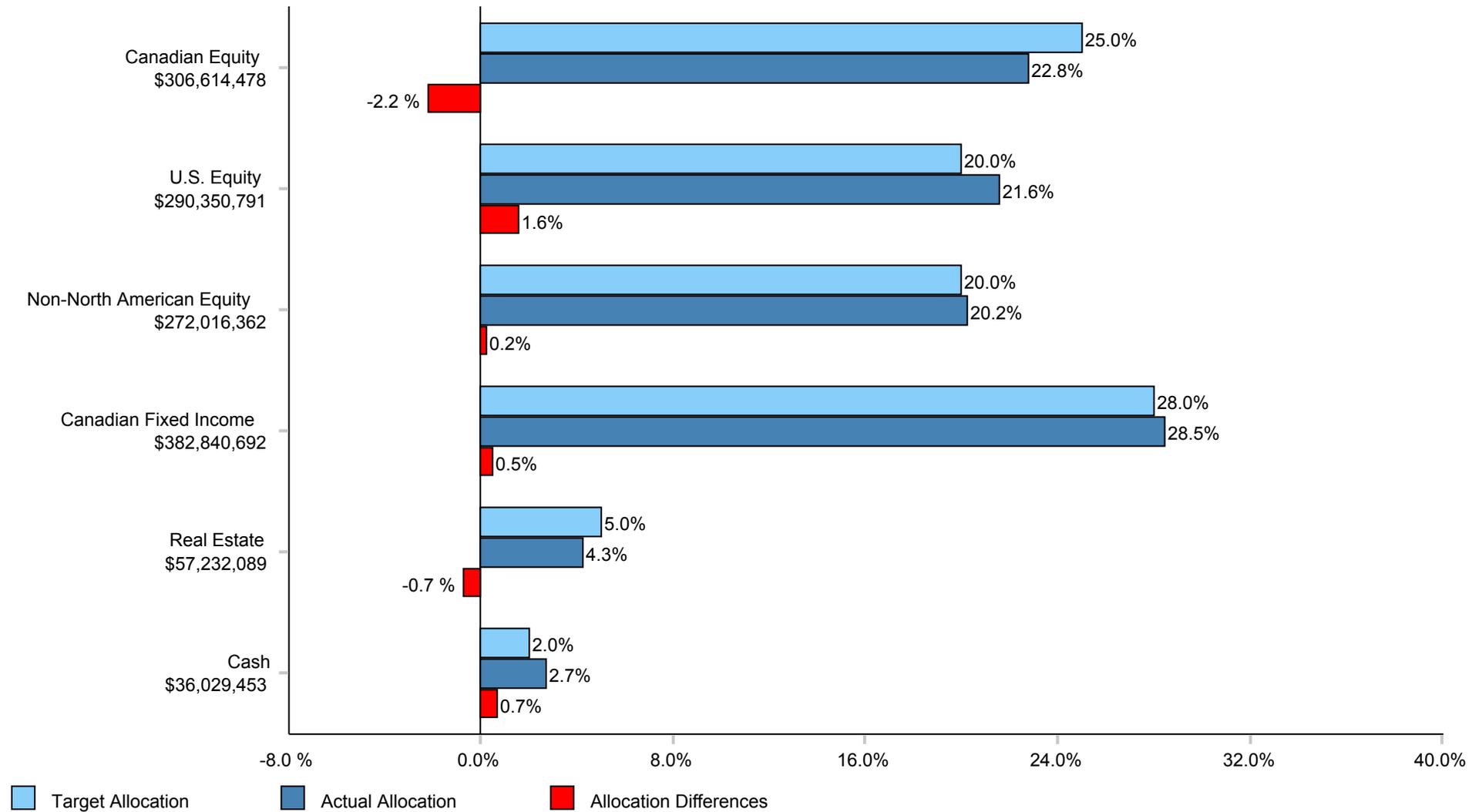
“Other” includes the effects of all other factors on the Total Pensions Plans' relative return, including rebalancing and residual trading returns.

# Pension Plans Asset Mix

## Actual Allocation vs. Investment Policy Allocation

As of March 31, 2015

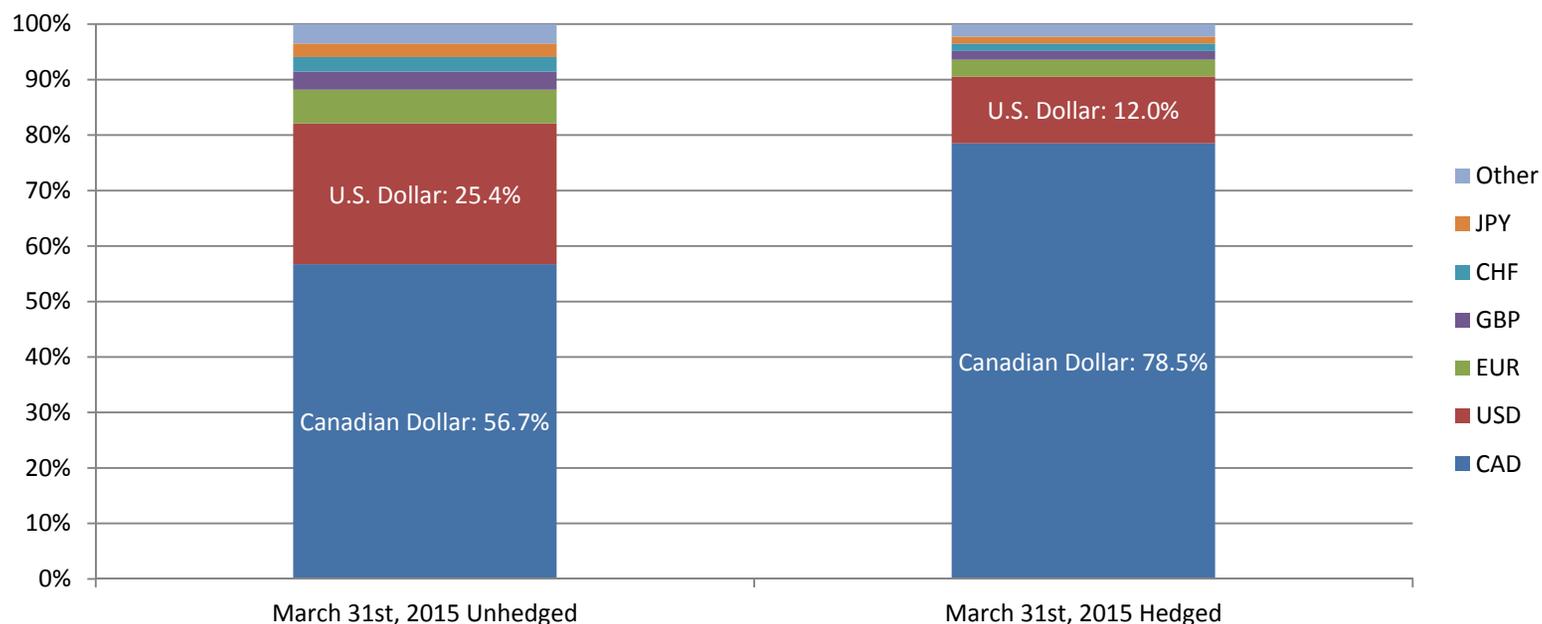
March 31, 2015 : \$1,345,083,865



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). Real Estate includes Greystone Real Estate and a residual position in Banyan Private Equity (\$3,239).

# Pension Currency Exposure

As of March 31<sup>st</sup>, 2015

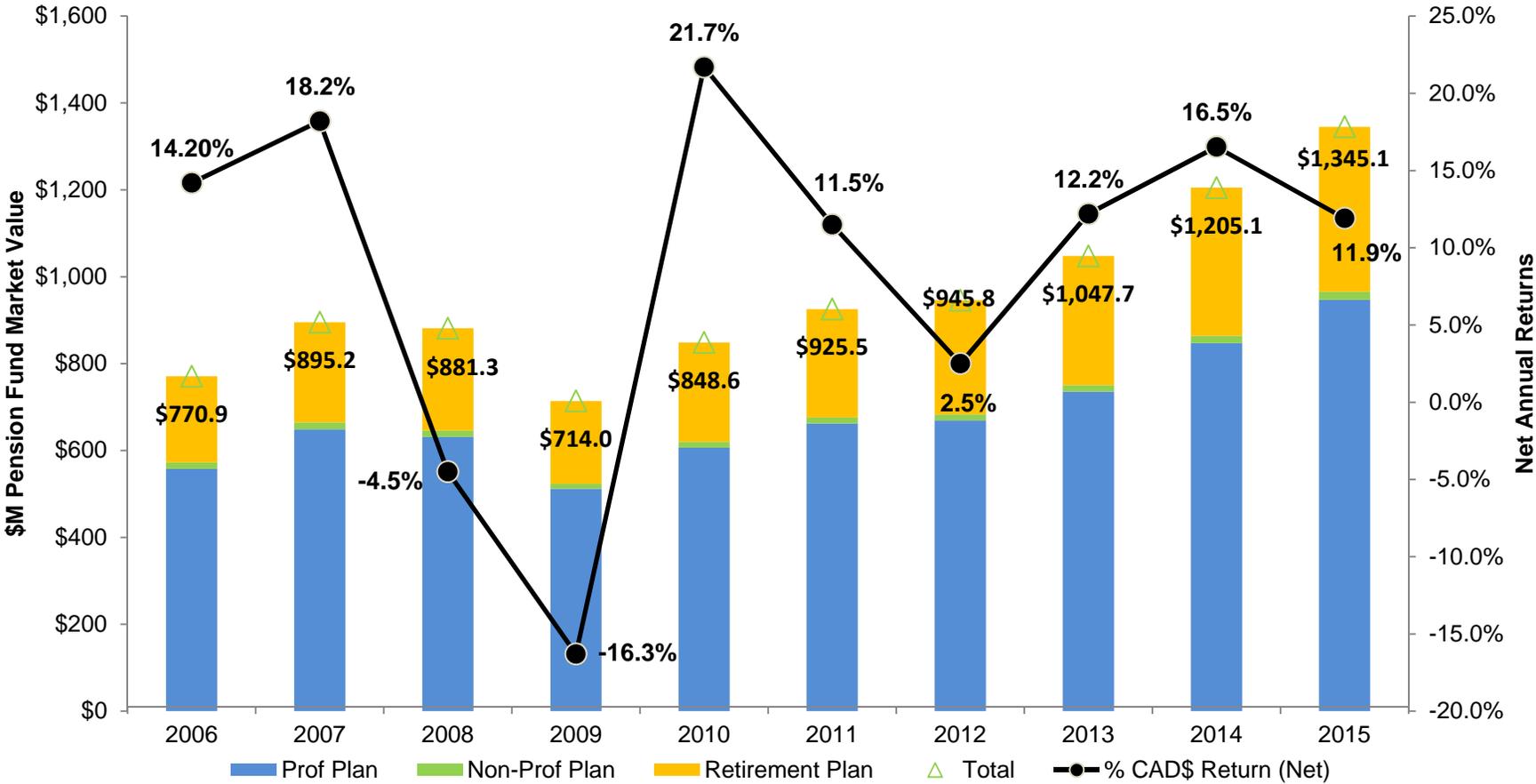


Currency	March 31st, 2015 Unhedged	Gross Exposure (CAD)	Hedge (CAD)	March 31st, 2015 Hedged	Net Hedged Exposure (CAD)
Canadian Dollar	56.7%	763,419,289	292,740,873	78.5%	1,056,160,162
U.S. Dollar	25.4%	341,161,024	-179,440,216	12.0%	161,720,808
Euro	6.1%	82,021,998	-41,414,672	3.0%	40,607,326
British Pound	3.3%	44,207,055	-22,643,761	1.6%	21,563,294
Swiss Franc	2.6%	34,870,676	-16,966,911	1.3%	17,903,764
Japanese Yen	2.4%	32,874,605	-16,079,235	1.2%	16,795,370
Other	3.5%	47,150,000	-16,799,004	2.3%	30,350,996

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 Pension Assets

Annual March Market Values and Net Annual Returns, as of March 31<sup>st</sup>, 2015



Over the last 12 months the Total Pension portfolio increased \$140.0 M to \$1,345.1 M consisting of:

- Total contributions of \$ 62.8 M and disbursements of \$ 63.9 M
- 1-year return (net of investment management fees) of 11.9 % compared to 16.5% one year ago.