

# Performance Review

University of Guelph Endowment Funds

2<sup>nd</sup> Quarter 2019

Prepared by:

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## Endowment Funds Results Overview

(Net of fees returns for the 12 months ended June 30<sup>th</sup>, 2019)

**The Total Endowment Funds gained 2.7% over the last 12 months, underperforming the composite benchmark by 3.0%.**

### Canadian Equity

- The Canadian equity portfolio lost 0.8% over the past year, underperforming the S&P/TSX Composite index by 4.7%.
- The S&P/TSX Composite index posted a 3.9% return over the past year. Burgundy and Sionna underperformed the benchmark by 5.8% and 3.0% respectively.

### Non-North American Equity

- In Canadian dollars, non-North American equities in developed markets underperformed Canada (3.9%) and the U.S. (9.7%) with a return of 0.9%, while emerging markets equities gained 0.9% over the past year.
- Tweedy Browne outperformed the MSCI EAFE index by 2.3% while LSV underperformed the MSCI EAFE Value index by 3.5%.
- The emerging markets manager (LSV) underperformed the MSCI Emerging Markets Value index by 2.5% over the past year.

### U.S. Equity

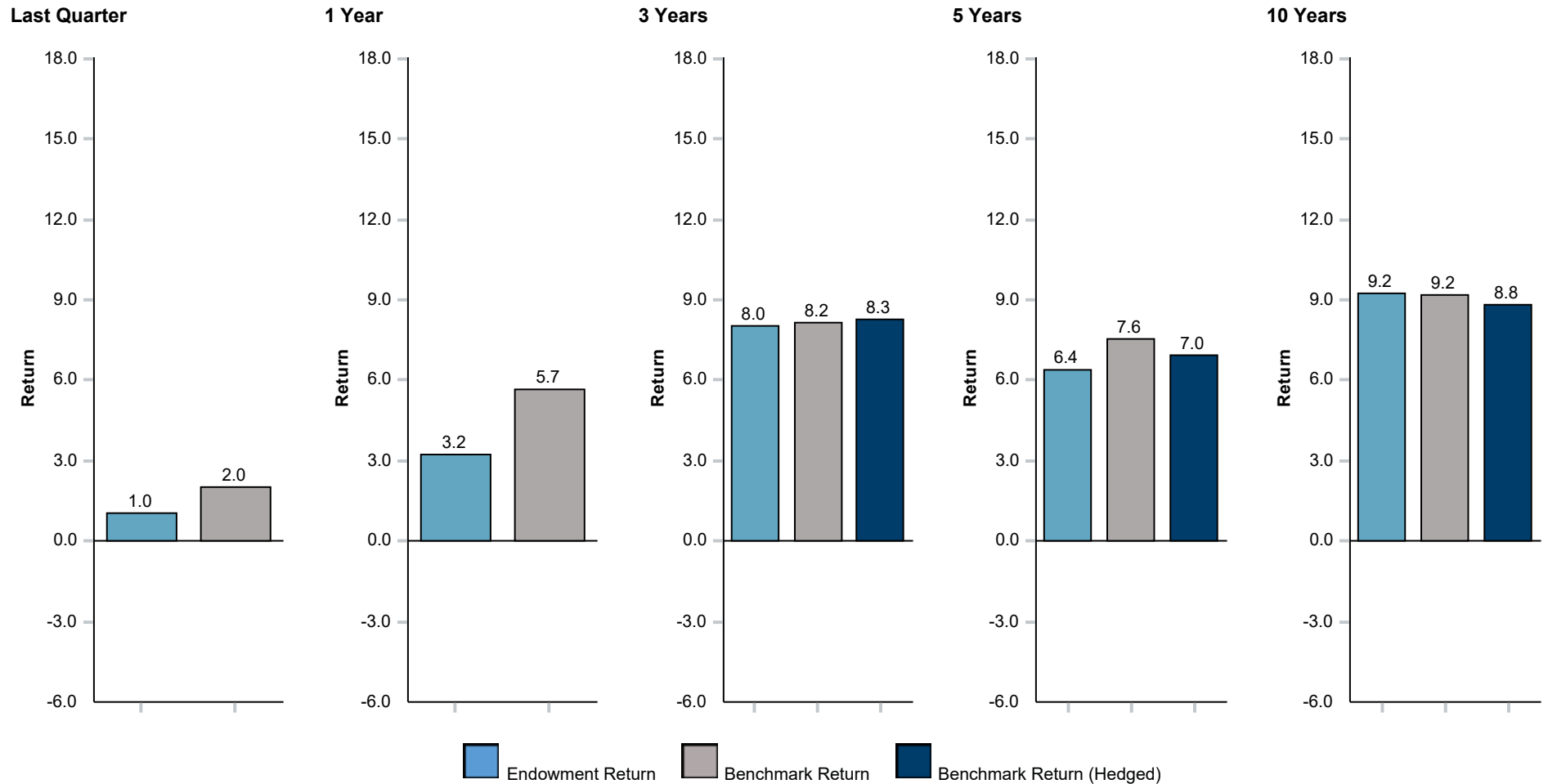
- The Endowment's U.S. equity investments gained 2.3% over the last year, underperforming the S&P 500 index by 7.4%.
- The U.S. large cap manager (Fiduciary) underperformed the S&P 500 index by 0.9%. The mid cap mandate managed by Wedge lagged its benchmark by 6.7%, while Wedge's small cap strategy beat its benchmark, the Russell 2000 Value Index, by 2.8% over the past year.

### Fixed Income

- The Canadian fixed income portfolio matched the FTSE TMX Universe index return of 7.4%.
- The infrastructure portfolio managed by Brookfield underperformed its index by 0.6% over the past year. Short-term returns should be interpreted with caution due to the long-term nature and illiquidity of infrastructure investments.

# Total Endowment Portfolio Vs Endowment Policy Benchmark

As of June 30, 2019 (Gross of Fees, Annualized for Periods over 1 Year)



Returns are presented gross of fees in CAD.

Current 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 July to September 2017, 25% hedged from October to December 2017, 12.5% hedged from January 2018 to March 2018, 0% hedged since April 2018.

# Asset Class Performance

As of June 30, 2019 (Gross of Fees)

	Allocation		Quarter To Date	Annualized Performance(%)					Annual Performance(%)				
	Market Value (\$)	% of portfolio		1 Year	3 Years	5 Years	10 Years	1 Year Ending Jun-2018	1 Year Ending Jun-2017	1 Year Ending Jun-2016	1 Year Ending Jun-2015	1 Year Ending Jun-2014	
<b>Canadian Equity</b>	<b>80,077,647</b>	<b>17.7</b>	<b>-0.5</b>	<b>-0.4</b>	<b>8.1</b>	<b>3.3</b>	<b>8.0</b>	<b>10.9</b>	<b>14.2</b>	<b>-3.3</b>	<b>-3.5</b>	<b>26.8</b>	
S&P/TSX Composite Index			2.6	3.9	8.4	4.7	7.8	10.4	11.0	-0.2	-1.2	28.7	
<i>Relative Performance</i>			-3.1	-4.3	-0.3	-1.4	0.2	0.5	3.2	-3.1	-2.3	-1.9	
<b>US Equity</b>	<b>95,704,164</b>	<b>21.2</b>	<b>1.6</b>	<b>3.0</b>	<b>11.2</b>	<b>12.8</b>	<b>16.2</b>	<b>11.8</b>	<b>19.5</b>	<b>4.6</b>	<b>26.6</b>	<b>27.4</b>	
S&P 500 Index (CAD)			2.0	9.7	14.4	15.3	16.1	15.8	17.9	8.2	25.9	25.8	
<i>Relative Performance</i>			-0.4	-6.7	-3.2	-2.5	0.1	-4.0	1.6	-3.6	0.7	1.6	
<b>Non-North American Equity</b>	<b>93,190,188</b>	<b>20.6</b>	<b>0.6</b>	<b>-0.3</b>	<b>9.1</b>	<b>6.9</b>	<b>10.3</b>	<b>7.1</b>	<b>21.6</b>	<b>-2.9</b>	<b>10.8</b>	<b>26.9</b>	
MSCI EAFE Index			1.7	0.9	9.9	7.0	8.7	8.7	20.8	-6.1	12.7	25.3	
<i>Relative Performance</i>			-1.1	-1.2	-0.8	-0.1	1.6	-1.6	0.8	3.2	-1.9	1.6	
<b>Emerging Markets Equity</b>	<b>22,665,579</b>	<b>5.0</b>	<b>-1.4</b>	<b>3.4</b>	<b>11.9</b>	<b>6.5</b>	<b>--</b>	<b>4.0</b>	<b>30.3</b>	<b>-10.8</b>	<b>9.7</b>	<b>20.6</b>	
MSCI Emerging Markets Index			-1.5	0.9	11.3	7.2	7.4	10.0	24.2	-8.1	11.6	15.8	
<i>Relative Performance</i>			0.1	2.5	0.6	-0.7	--	-6.0	6.1	-2.7	-1.9	4.8	
<b>Canadian Fixed Income</b>	<b>131,884,054</b>	<b>29.2</b>	<b>2.5</b>	<b>7.5</b>	<b>2.8</b>	<b>4.0</b>	<b>4.8</b>	<b>0.9</b>	<b>0.3</b>	<b>5.3</b>	<b>6.3</b>	<b>5.5</b>	
FTSE TMX Canada Universe Bond Index			2.5	7.4	2.7	3.9	4.5	0.8	0.0	5.2	6.3	5.3	
<i>Relative Performance</i>			0.0	0.1	0.1	0.1	0.3	0.1	0.3	0.1	0.0	0.2	
<b>Infrastructure</b>	<b>27,951,971</b>	<b>6.2</b>	<b>0.1</b>	<b>7.5</b>	<b>12.6</b>	<b>15.7</b>	<b>--</b>	<b>11.7</b>	<b>19.0</b>	<b>10.3</b>	<b>31.5</b>	<b>--</b>	
CPI + 5%			1.9	7.0	6.8	6.6	6.8	7.5	6.0	6.5	6.0	7.5	
<i>Relative Performance</i>			-1.8	0.5	5.8	9.1	--	4.2	13.0	3.8	25.5	--	
<b>Internal Cash</b>	<b>815,922</b>	<b>0.2</b>	<b>0.1</b>	<b>2.0</b>	<b>0.3</b>	<b>-0.4</b>	<b>1.0</b>	<b>-0.4</b>	<b>-0.8</b>	<b>-0.2</b>	<b>-2.6</b>	<b>-1.0</b>	
FTSE TMX Canada 91 Day T-Bill			0.4	1.6	1.0	0.9	0.9	1.0	0.5	0.5	0.9	1.0	
<i>Relative Performance</i>			-0.3	0.4	-0.7	-1.3	0.1	-1.4	-1.3	-0.7	-3.5	-2.0	

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.

# Asset Class Performance

As of June 30, 2019 (Gross of Fees)

	Allocation		Quarter To Date	Annualized Performance(%)				Annual Performance(%)				
	Market Value (\$)	% of portfolio		1 Year	3 Years	5 Years	10 Years	1 Year Ending Jun-2018	1 Year Ending Jun-2017	1 Year Ending Jun-2016	1 Year Ending Jun-2015	1 Year Ending Jun-2014
<b>Total Endowment</b>												
<b>Gross of Fees</b>	<b>452,289,526</b>	<b>100.0</b>	<b>1.0</b>	<b>3.2</b>	<b>8.0</b>	<b>6.4</b>	<b>9.2</b>	<b>7.4</b>	<b>13.6</b>	<b>0.0</b>	<b>8.2</b>	<b>19.9</b>
Net of Fees			0.9	2.7	7.4	5.8	8.6	6.9	13.0	-0.6	7.4	19.4
<i>Relative Performance</i>			<i>0.1</i>	<i>0.5</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.5</i>	<i>0.6</i>	<i>0.6</i>	<i>0.8</i>	<i>0.5</i>
Endowment Policy Benchmark (Hedged)			2.0	5.7	8.3	7.0	8.8	8.1	11.1	1.4	8.8	18.4
<i>Relative Performance</i>			<i>-1.0</i>	<i>-2.5</i>	<i>-0.3</i>	<i>-0.6</i>	<i>0.4</i>	<i>-0.7</i>	<i>2.5</i>	<i>-1.4</i>	<i>-0.6</i>	<i>1.5</i>

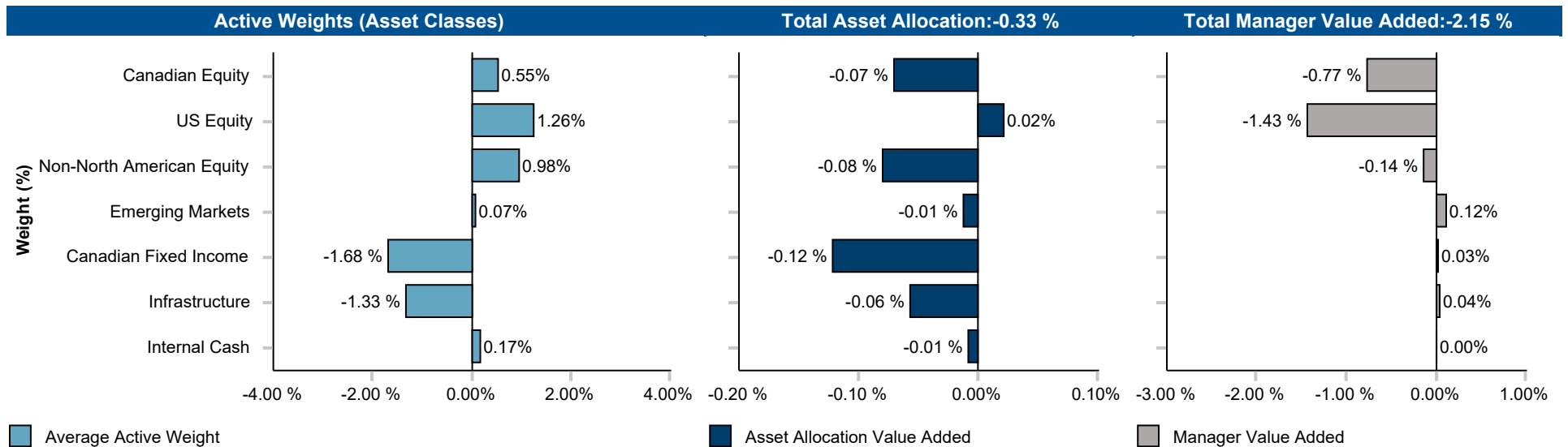
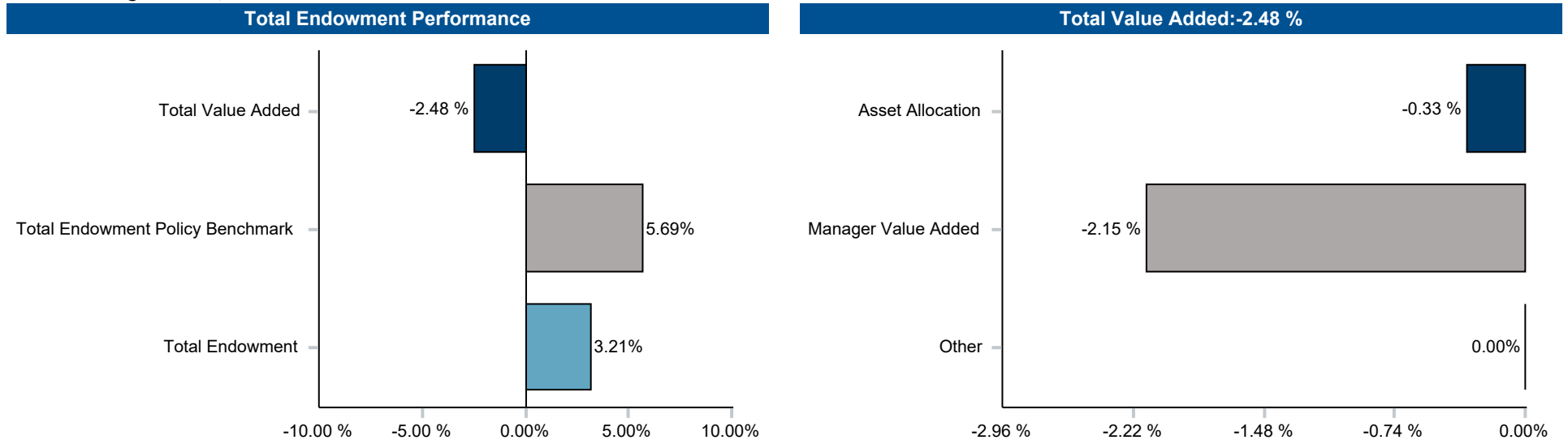
Current Endowment Policy Benchmark (Hedged): 30% FTSE TMX Bond Universe + 7.5% Infrastructure (CPI+5%) + 17.5% S&P/TSX Composite + 20% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index. All foreign indices are 50% hedged back to Canadian dollars from November 2010 to June 2017, 37.5% hedged from July to September 2017, 25% hedged from October to December 2017, 12.5% hedged from January 2018 to March 2018, 0% hedged since April 2018.

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# Performance Attribution

## Total Endowment Funds Vs Endowment Policy Benchmark

1 Year Ending June 30, 2019



Returns are presented gross of fees in CAD.

Current 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.

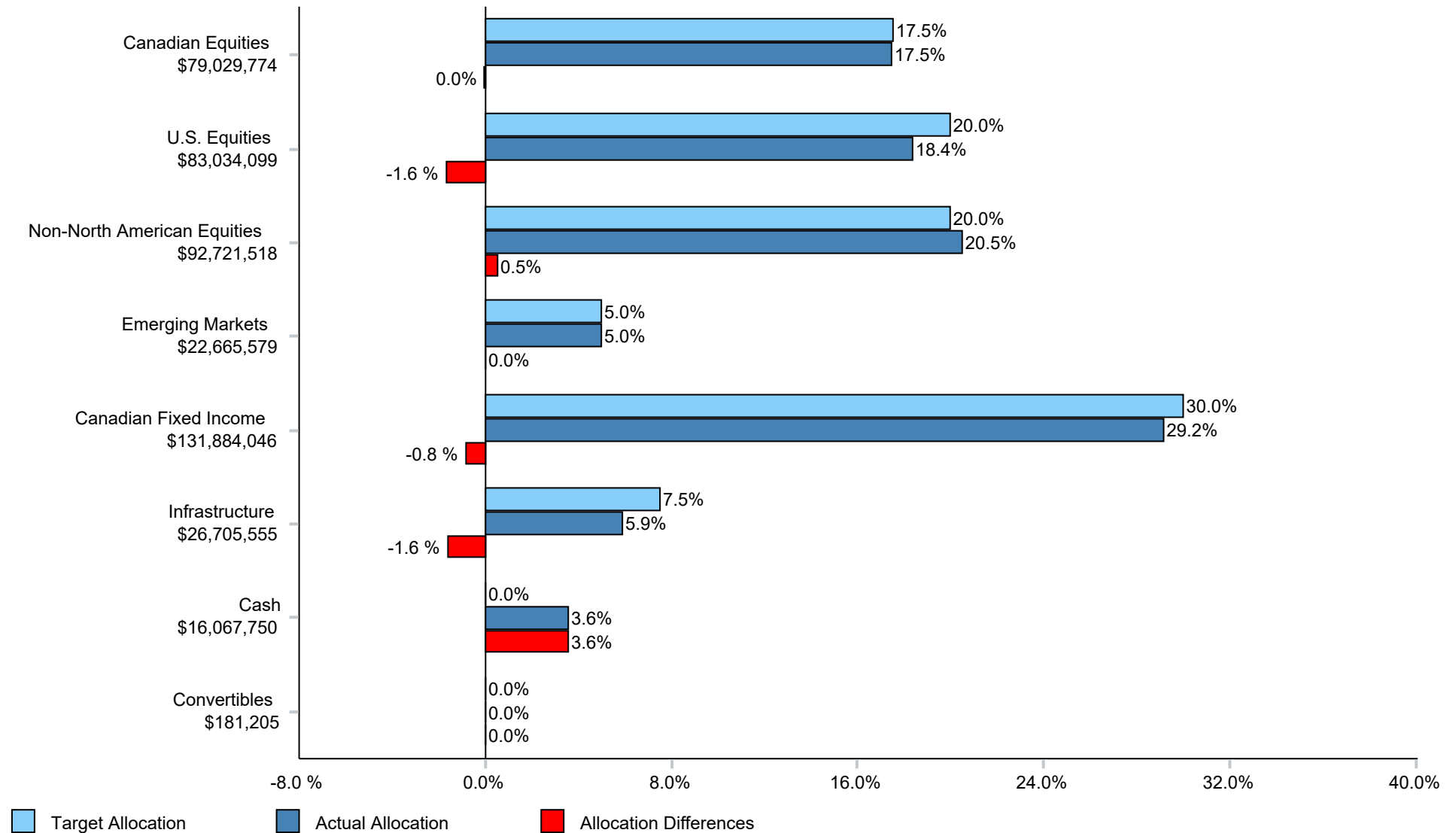
“Other” includes the effects of all other factors on the Total Endowment’s relative returns, including rebalancing and residual trading activity.

# Endowment Asset Mix

## Actual Allocation vs. Investment Policy Allocation

As of June 30, 2019

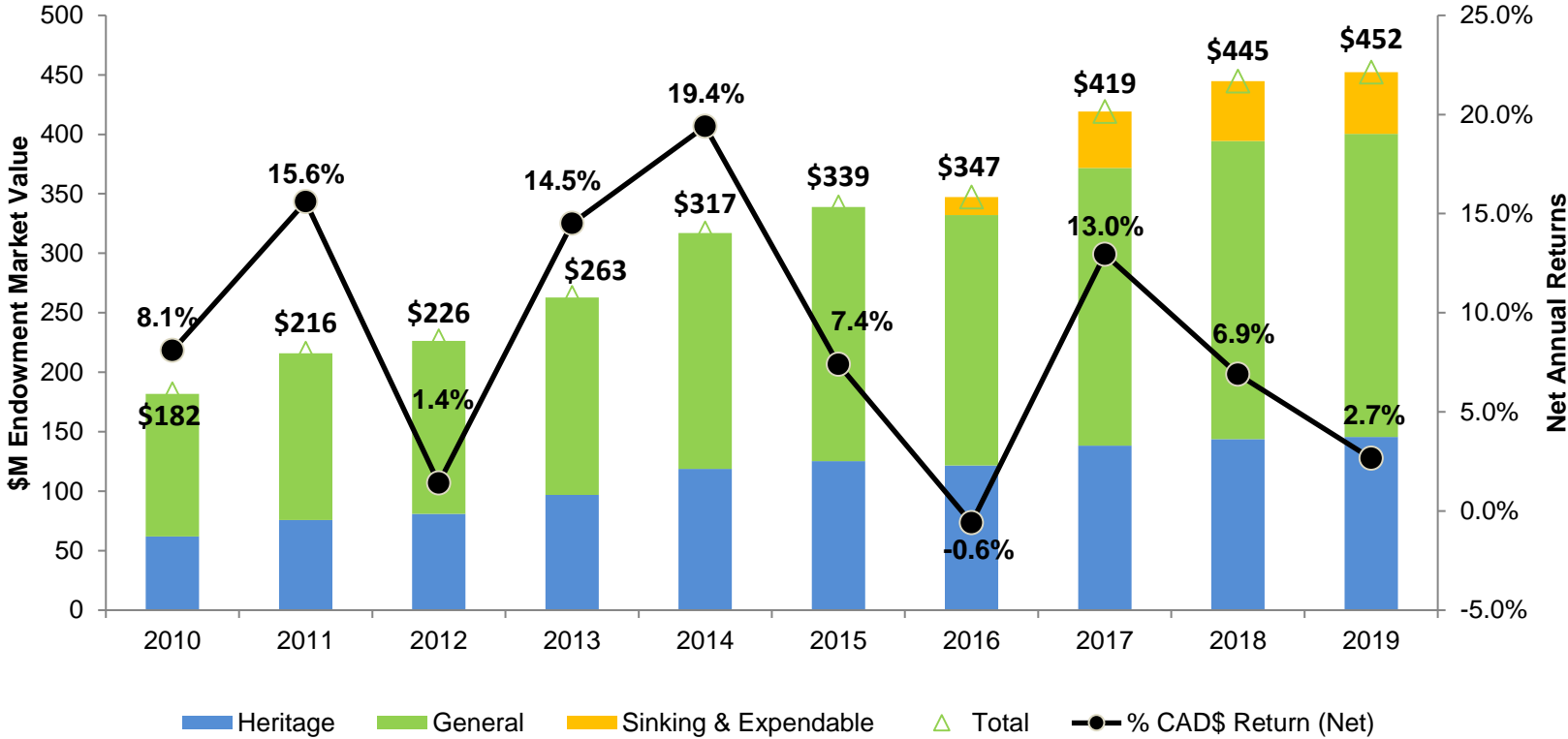
June 30, 2019 : \$452,289,526



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

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



Over the last 12 months the total Endowment portfolio increased \$7.5 M to \$452.3 M consisting of:

- Total contributions of \$1.6 M and distributions of \$5.6 M.
- 1-year return (net of investment management fees) of 2.7% compared to 6.9% one year ago.

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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