

# Performance Review

University of Guelph Endowment Funds

1<sup>st</sup> Quarter 2019

Prepared by:

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

UNIVERSITY  
*of* GUELPH

CHANGING LIVES  
IMPROVING LIFE

## Endowment Funds Results Overview

(Net of fees returns for the 12 months ended March 31<sup>st</sup>, 2019)

**The Total Endowment Funds gained 4.1% over the last 12 months, underperforming the composite benchmark by 1.9%.**

### Canadian Equity

- The Canadian equity portfolio gained 7.2% over the past year, underperforming the S&P/TSX Composite index by 0.9%.
- The S&P/TSX Composite index posted an 8.1% return over the past year. Burgundy outperformed the index by 1.3% while Sionna underperformed the benchmark by 4.4%.

### Non-North American Equity

- In Canadian dollars, non-North American equities in developed markets underperformed Canada (8.1%) and the U.S. (13.5%) with a return of 0.3%, while emerging markets equities lost 3.7% over the past year.
- Tweedy Browne outperformed the MSCI EAFE index by 2.5% while LSV underperformed the benchmark by 6.4%.
- The emerging markets manager (LSV) underperformed the MSCI Emerging Markets index by 0.9% over the past year.

### U.S. Equity

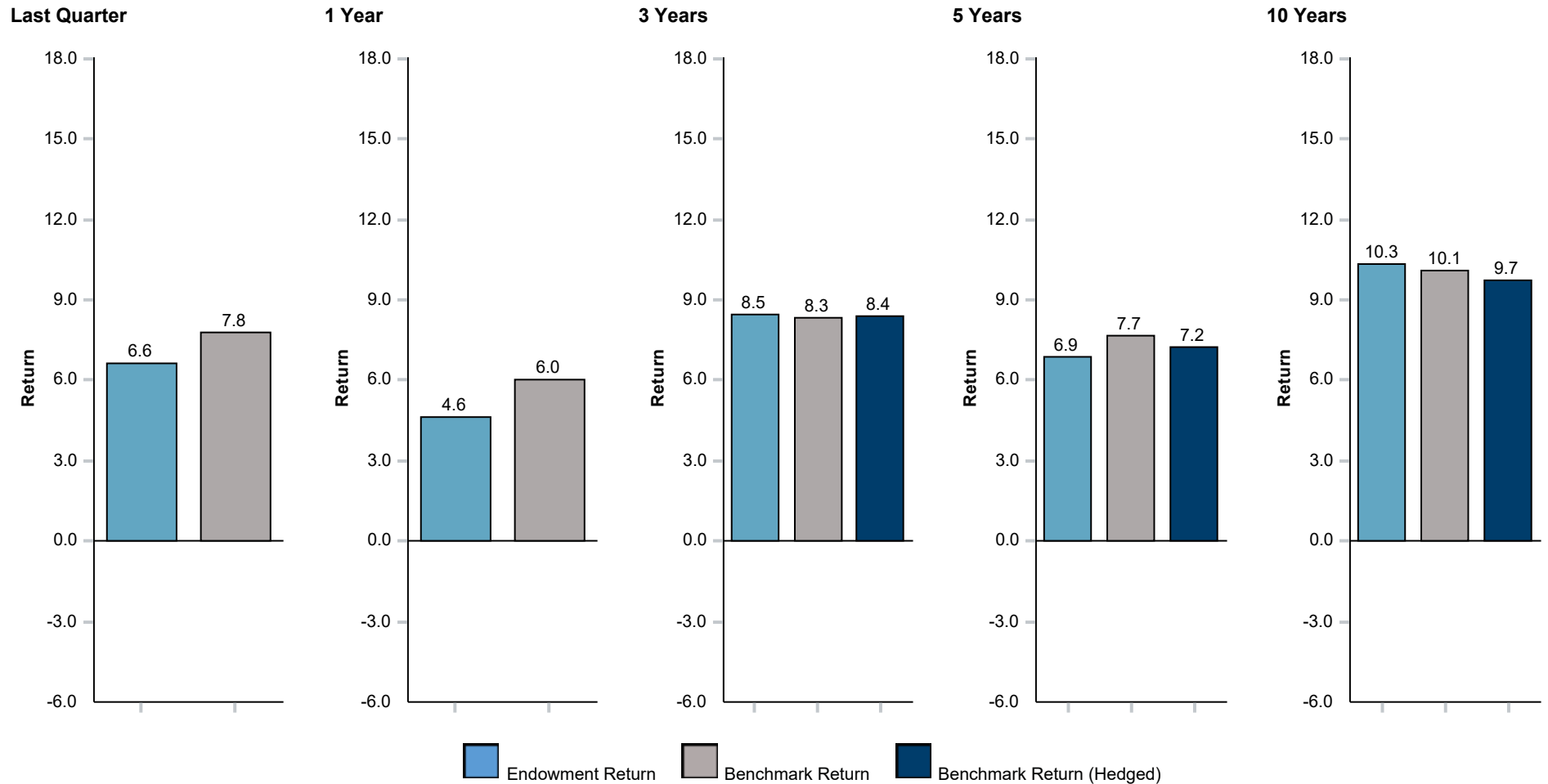
- The Endowment's U.S. equity investments gained 6.7% over the last year, underperforming the S&P500 index by 6.8%.
- The U.S. large cap manager (Fiduciary) underperformed the S&P 500 index by 1.9%. The mid cap mandate managed by Wedge lagged its benchmark by 5.0%, while Wedge's small cap strategy lagged its benchmark, the Russell 2000 Value Index, by 1.0% over the past year.

### Fixed Income

- The Canadian fixed income portfolio matched the FTSE TMX Universe index return of 5.3%.
- The infrastructure portfolio managed by Brookfield outperformed its index by 1.5% 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 March 31, 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 March 31, 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 Mar-2018	1 Year Ending Mar-2017	1 Year Ending Mar-2016	1 Year Ending Mar-2015	1 Year Ending Mar-2014	
<b>Canadian Equity</b>	<b>80,597,314</b>	<b>18.0</b>	<b>11.4</b>	<b>7.7</b>	<b>9.5</b>	<b>4.5</b>	<b>9.9</b>	<b>0.3</b>	<b>21.7</b>	<b>-8.5</b>	<b>3.6</b>	<b>20.2</b>	
S&P/TSX Composite Index			13.3	8.1	9.3	5.4	9.5	1.7	18.6	-6.6	6.9	16.0	
<i>Relative Performance</i>			-1.9	-0.4	0.2	-0.9	0.4	-1.4	3.1	-1.9	-3.3	4.2	
<b>US Equity</b>	<b>94,350,259</b>	<b>21.0</b>	<b>9.3</b>	<b>7.4</b>	<b>11.8</b>	<b>12.7</b>	<b>17.2</b>	<b>5.2</b>	<b>23.7</b>	<b>-0.2</b>	<b>30.6</b>	<b>31.4</b>	
S&P 500 Index (CAD)			11.2	13.5	14.7	15.2	16.6	10.2	20.8	3.9	29.4	32.4	
<i>Relative Performance</i>			-1.9	-6.1	-2.9	-2.5	0.6	-5.0	2.9	-4.1	1.2	-1.0	
<b>Non-North American Equity</b>	<b>92,860,187</b>	<b>20.7</b>	<b>6.0</b>	<b>-0.8</b>	<b>9.1</b>	<b>7.0</b>	<b>11.7</b>	<b>10.7</b>	<b>18.2</b>	<b>-3.6</b>	<b>12.0</b>	<b>29.6</b>	
MSCI EAFE Composite			7.7	0.3	9.0	6.8	10.1	11.5	15.7	-5.9	14.2	28.3	
<i>Relative Performance</i>			-1.7	-1.1	0.1	0.2	1.6	-0.8	2.5	2.3	-2.2	1.3	
<b>Emerging Markets Equity</b>	<b>23,048,166</b>	<b>5.1</b>	<b>5.9</b>	<b>-3.7</b>	<b>12.9</b>	<b>8.0</b>	<b>--</b>	<b>14.6</b>	<b>30.2</b>	<b>-12.1</b>	<b>16.1</b>	<b>7.6</b>	
MSCI Emerging Markets Index			7.6	-3.7	12.3	8.1	10.0	21.2	21.3	-9.8	15.7	7.5	
<i>Relative Performance</i>			-1.7	0.0	0.6	-0.1	--	-6.6	8.9	-2.3	0.4	0.1	
<b>Canadian Fixed Income</b>	<b>128,650,360</b>	<b>28.7</b>	<b>4.0</b>	<b>5.4</b>	<b>2.9</b>	<b>3.9</b>	<b>4.9</b>	<b>1.5</b>	<b>1.8</b>	<b>0.8</b>	<b>10.4</b>	<b>1.0</b>	
FTSE TMX Canada Universe Bond Index			3.9	5.3	2.7	3.8	4.4	1.4	1.5	0.8	10.3	0.8	
<i>Relative Performance</i>			0.1	0.1	0.2	0.1	0.5	0.1	0.3	0.0	0.1	0.2	
<b>Infrastructure</b>	<b>27,992,708</b>	<b>6.2</b>	<b>0.7</b>	<b>9.6</b>	<b>12.9</b>	<b>14.7</b>	<b>--</b>	<b>10.1</b>	<b>19.3</b>	<b>9.1</b>	<b>26.5</b>	<b>--</b>	
CPI + 5%			2.7	6.9	6.9	6.6	6.8	7.3	6.6	6.3	6.2	6.7	
<i>Relative Performance</i>			-2.0	2.7	6.0	8.1	--	2.8	12.7	2.8	20.3	--	
<b>Internal Cash</b>	<b>847,235</b>	<b>0.2</b>	<b>0.1</b>	<b>2.0</b>	<b>0.2</b>	<b>-0.4</b>	<b>1.0</b>	<b>-1.2</b>	<b>0.0</b>	<b>-0.2</b>	<b>-2.6</b>	<b>-2.7</b>	
FTSE TMX Canada 91 Day T-Bill			0.4	1.5	0.9	0.8	0.8	0.8	0.5	0.5	0.9	1.0	
<i>Relative Performance</i>			-0.3	0.5	-0.7	-1.2	0.2	-2.0	-0.5	-0.7	-3.5	-3.7	

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 March 31, 2019 (Gross of Fees)

	Allocation		Annualized Performance(%)					Annual Performance(%)				
	Market Value (\$)	% of portfolio	Quarter To Date	1 Year	3 Years	5 Years	10 Years	1 Year Ending Mar-2018	1 Year Ending Mar-2017	1 Year Ending Mar-2016	1 Year Ending Mar-2015	1 Year Ending Mar-2014
<b>Total Endowment</b>												
<b>Gross of Fees</b>	<b>448,346,229</b>	<b>100.0</b>	<b>6.6</b>	<b>4.6</b>	<b>8.5</b>	<b>6.9</b>	<b>10.3</b>	<b>5.7</b>	<b>15.5</b>	<b>-3.3</b>	<b>13.1</b>	<b>15.9</b>
Net of Fees			6.5	4.1	7.9	6.3	9.7	5.1	14.8	-3.9	12.3	15.4
<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>0.6</i>	<i>0.7</i>	<i>0.6</i>	<i>0.8</i>	<i>0.5</i>
Endowment Policy Benchmark (Hedged)			7.8	6.0	8.4	7.2	9.7	7.0	12.3	-2.0	13.6	14.5
<i>Relative Performance</i>			<i>-1.2</i>	<i>-1.4</i>	<i>0.1</i>	<i>-0.3</i>	<i>0.6</i>	<i>-1.3</i>	<i>3.2</i>	<i>-1.3</i>	<i>-0.5</i>	<i>1.4</i>

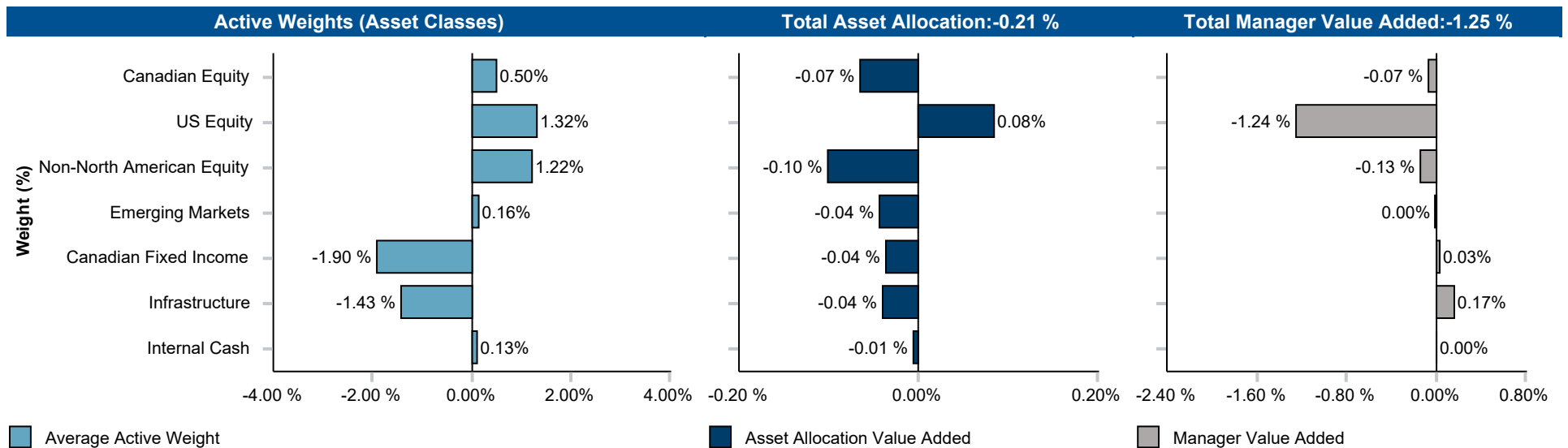
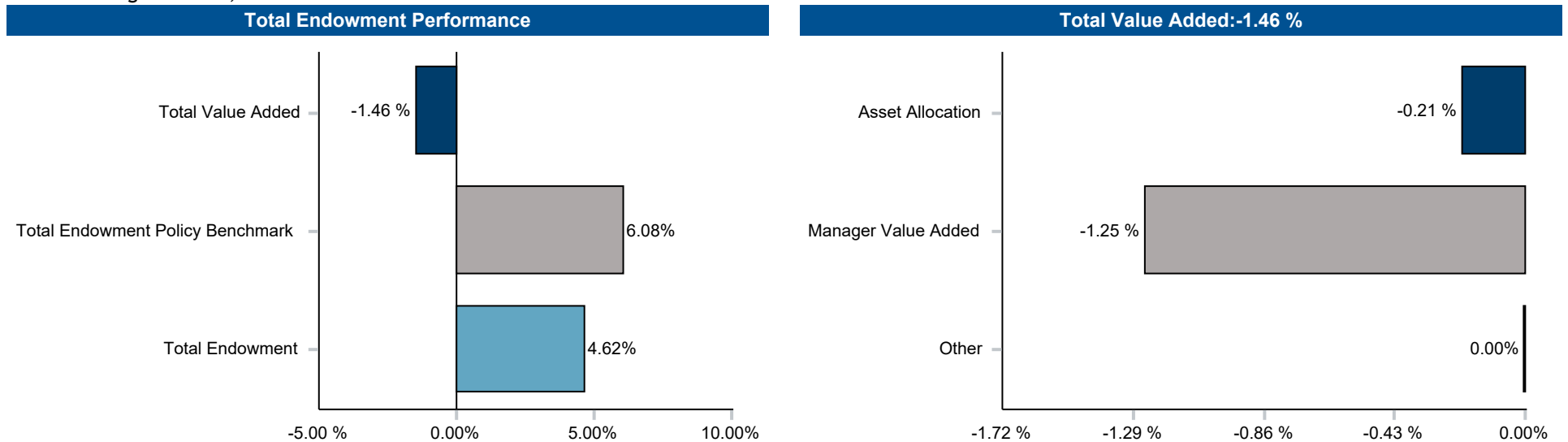
Current Endowment Policy Benchmark (Hedged): 30% FTSE TMX Bond Universe + 7.5% Infrastructure (CPI+5%) + 17.5% S&P/TSX Composite + 20% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index. All foreign indices are 50% hedged back to Canadian dollars from November 2010 to June 2017,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

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.

# Performance Attribution

## Total Endowment Funds Vs Endowment Policy Benchmark

1 Year Ending March 31, 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.

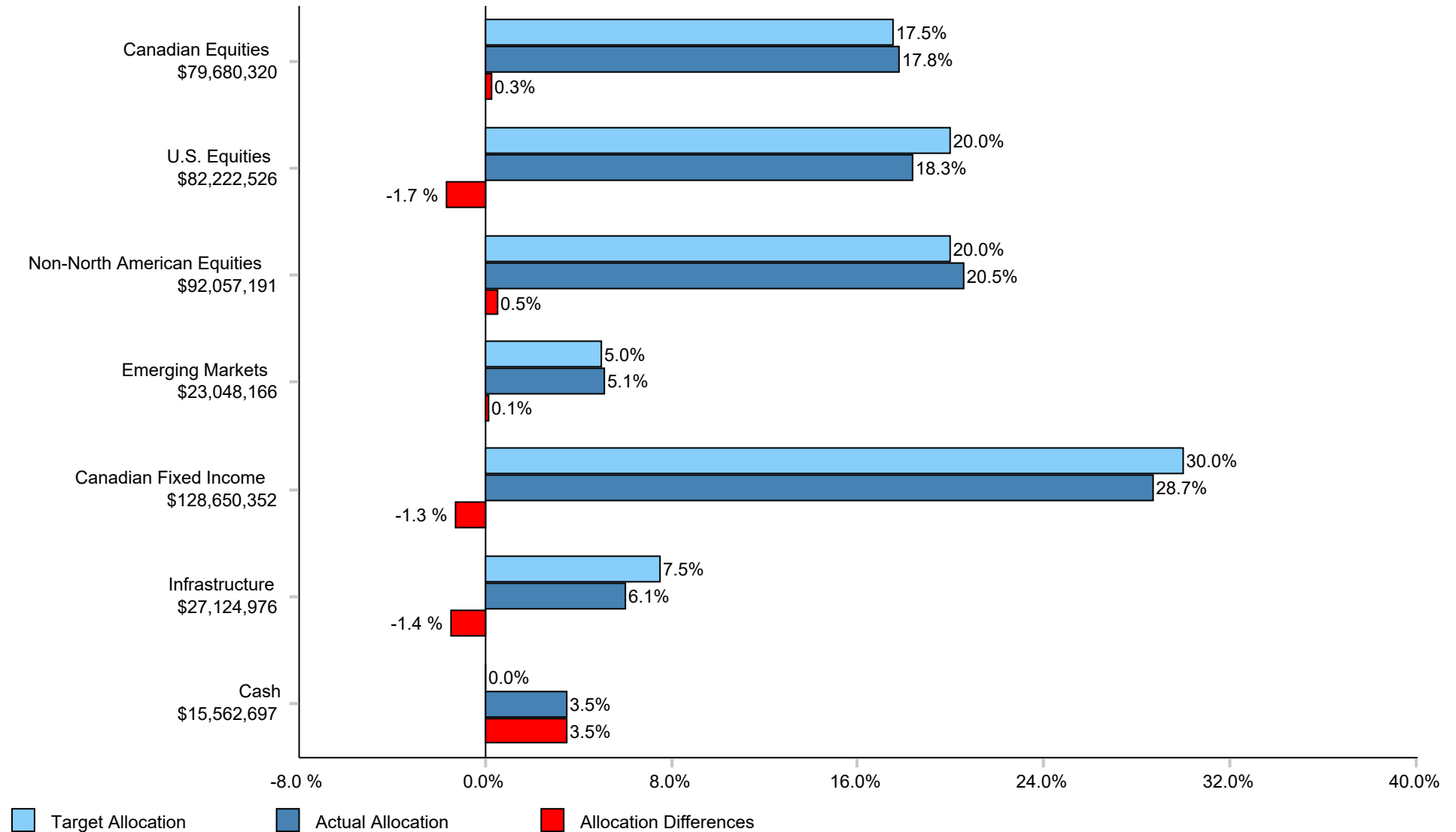
“Other” includes the effects of all other factors on the Total Endowment’s relative returns, including rebalancing and residual trading activity.

# Endowment Asset Mix

## Actual Allocation vs. Investment Policy Allocation

As of March 31, 2019

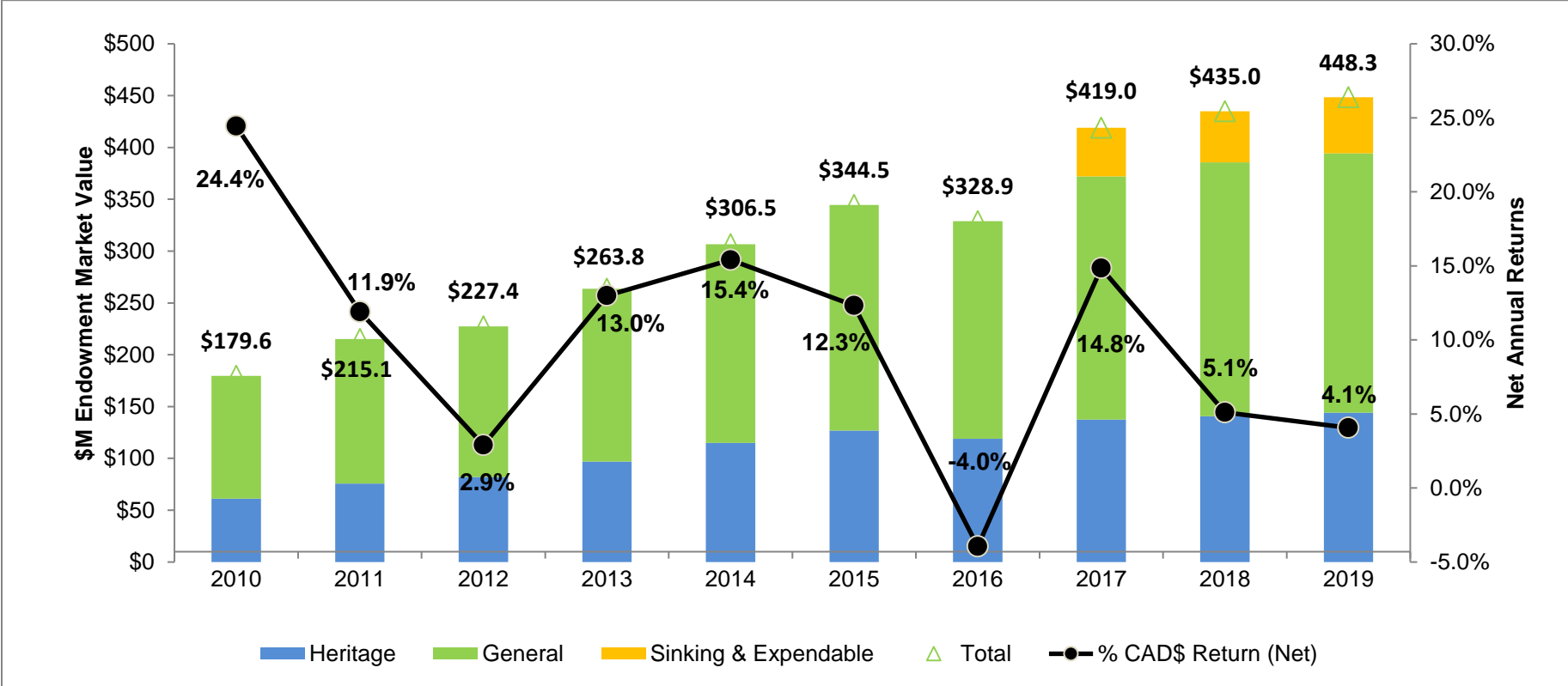
March 31, 2019 : \$448,346,229



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

March Market Values and Net 1-Year Returns to March 31<sup>st</sup> of Each Year



Over the last 12 months the total Endowment portfolio increased \$13.3 M to \$448.3 M consisting of:

- Total contributions of \$0.7 M and distributions of \$4.7 M.
- 1-year return (net of investment management fees) of 4.1% compared to 5.1% 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.



## Important notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2019 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualized investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, contact your Mercer representative.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see [www.mercer.com/conflictsofinterest](http://www.mercer.com/conflictsofinterest).

**Mercer universes:** Mercer's universes are intended to provide collective samples of strategies that best allow for robust peer group comparisons over a chosen timeframe. Mercer does not assert that the peer groups are wholly representative of and applicable to all strategies available to investors.

The value of your investments can go down as well as up, and you may not get back the amount you have invested. Investments denominated in a foreign currency will fluctuate with the value of the currency. Certain investments carry additional risks that should be considered before choosing an investment manager or making an investment decision.

This report has been prepared by Pavilion Advisory Group Limited. Pavilion Advisory Group Limited is an affiliate of Mercer (Canada) Limited and Mercer Global Investments Canada Limited.