

Performance Review

University of Guelph Endowment Funds

2nd Quarter 2018

UNIVERSITY
of GUELPH

CHANGING LIVES
IMPROVING LIFE

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Endowment Funds Results Overview

(Net of fees returns for the 12 months ended June 30th, 2018)

The Total Endowment Funds gained 6.9% over the last 12 months, underperforming the unhedged benchmark by 1.0% and the hedged benchmark by 1.2%.

Canadian Equity

- Burgundy and Sionna, and therefore the Canadian equity portfolio as a whole, matched the S&P/TSX index return of 10.4% over the past year.

Non-North American Equity

- In Canadian dollars, non-North American equities in developed markets underperformed both Canada (10.4%) and the U.S. (15.8%) with a return of 8.7%, while emerging markets equities gained 10.0% over the past year.
- Tweedy Browne and LSV underperformed the MSCI EAFE index by 2.3% and 2.7% respectively.
- The emerging markets manager (LSV) underperformed the MSCI Emerging Markets index by 7.0% over the past year.

U.S. Equity

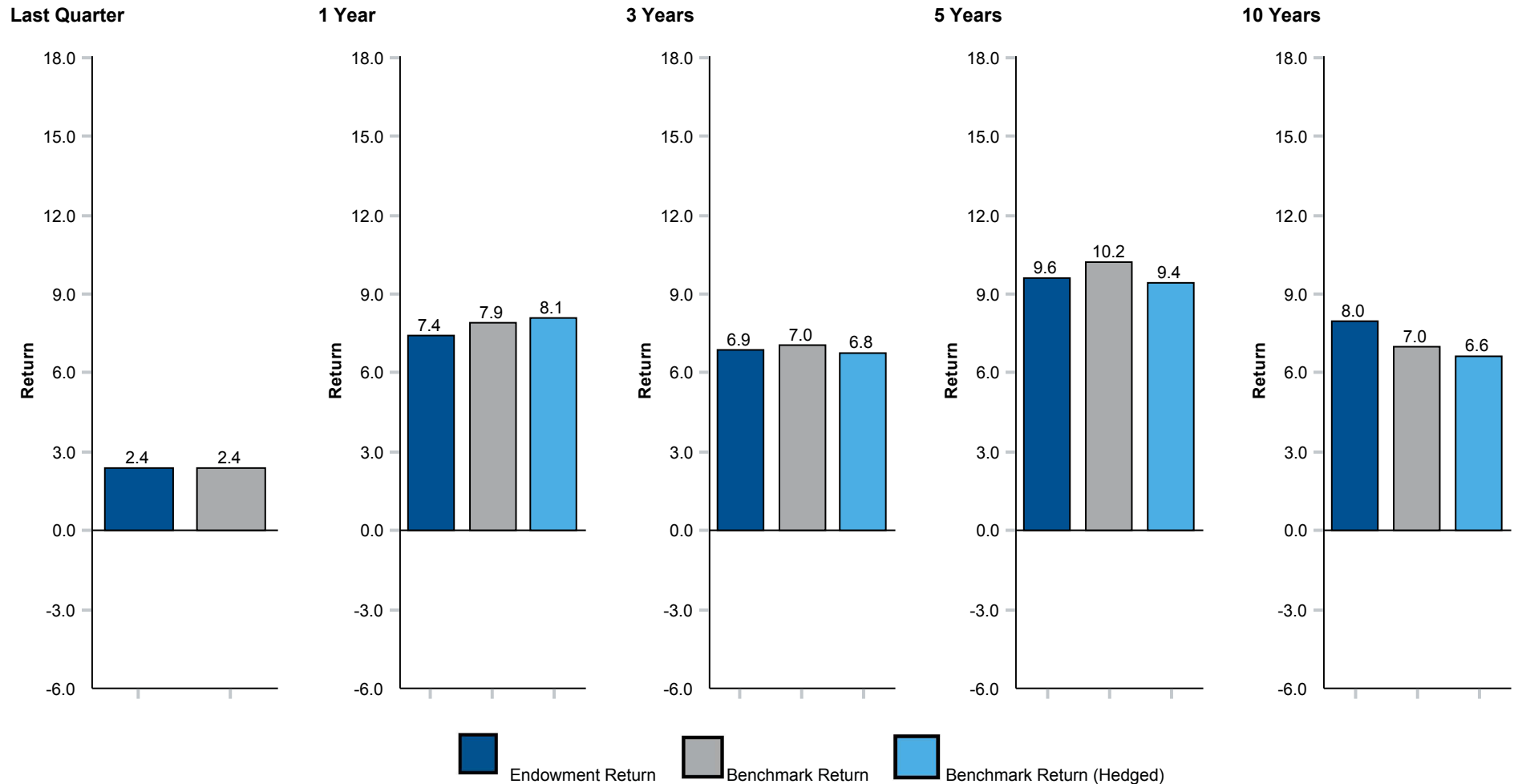
- The Endowment's U.S. equity investments gained 11.1% over the last year, underperforming the S&P500 index by 4.7%.
- All the plan's U.S. equities managers lagged their benchmarks. The U.S. large cap manager (Fiduciary) lagged the S&P 500 index by 2.0%. The mid cap mandate managed by Wedge lagged its benchmark by 0.2%, while Wedge's small cap strategy lagged its benchmark, the Russell 2000 Value Index, by 6.2% over the past year.

Fixed Income

- The Canadian fixed income portfolio matched the FTSE TMX Universe index return of 0.8%.
- The infrastructure portfolio managed by Brookfield outperformed its index by 2.9% over the past year. Short-term returns should be interpreted with caution due to the long-term nature and illiquidity of the investment.

Total Endowment Portfolio Vs Endowment Policy Benchmark

As of June 30, 2018 (Gross of Fees, Annualized for Periods over 1 Year)



Returns are presented gross of fees in CAD.

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, 2018 (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-2017	1 Year Ending Jun-2016	1 Year Ending Jun-2015	1 Year Ending Jun-2014	1 Year Ending Jun-2013	
Canadian Equity	80,798,368	18.2	7.5	10.9	7.0	8.4	5.8	14.2	-3.3	-3.5	26.8	18.4	
S&P/TSX Composite Index			6.8	10.4	7.0	9.2	4.2	11.0	-0.2	-1.2	28.7	7.9	
<i>Relative Performance</i>			0.7	0.5	0.0	-0.8	1.6	3.2	-3.1	-2.3	-1.9	10.5	
US Equity	98,400,552	22.1	6.0	11.8	11.8	17.7	14.5	19.5	4.6	26.6	27.4	28.1	
S&P 500 Index (CAD)			5.5	15.8	13.9	18.5	13.1	17.9	8.2	25.9	25.8	24.8	
<i>Relative Performance</i>			0.5	-4.0	-2.1	-0.8	1.4	1.6	-3.6	0.7	1.6	3.3	
Non-North American Equity	94,256,078	21.2	0.0	7.1	8.1	12.2	8.9	21.6	-2.9	10.8	26.9	23.4	
MSCI EAFE Composite			1.0	8.7	7.2	11.7	6.0	20.8	-6.1	12.7	25.3	23.3	
<i>Relative Performance</i>			-1.0	-1.6	0.9	0.5	2.9	0.8	3.2	-1.9	1.6	0.1	
Emerging Markets Equity	22,136,597	5.0	-8.2	4.0	6.5	9.8	--	30.3	-10.8	9.7	20.6	8.6	
MSCI Emerging Markets Index			-6.0	10.0	7.9	10.2	5.3	24.2	-8.1	11.6	15.8	6.8	
<i>Relative Performance</i>			-2.2	-6.0	-1.4	-0.4	--	6.1	-2.7	-1.9	4.8	1.8	
Canadian Fixed Income	122,765,600	27.6	0.5	0.9	2.2	3.6	4.8	0.3	5.3	6.3	5.5	0.5	
FTSE TMX Canada Universe Bond Index			0.5	0.8	2.0	3.5	4.5	0.0	5.2	6.3	5.3	-0.2	
<i>Relative Performance</i>			0.0	0.1	0.2	0.1	0.3	0.3	0.1	0.0	0.2	0.7	
Infrastructure	26,272,550	5.9	2.0	11.7	13.6	--	--	19.0	10.3	31.5	--	--	
CPI + 5%			1.7	7.5	6.7	6.7	6.6	6.0	6.5	6.0	7.5	6.3	
<i>Relative Performance</i>			0.3	4.2	6.9	--	--	13.0	3.8	25.5	--	--	
Internal Cash	120,258	0.0	0.0	-0.4	-0.5	-1.0	1.0	-0.8	-0.2	-2.6	-1.0	-1.9	
FTSE TMX Canada 91 Day T-Bill			0.3	1.0	0.6	0.8	0.9	0.5	0.5	0.9	1.0	1.0	
<i>Relative Performance</i>			-0.3	-1.4	-1.1	-1.8	0.1	-1.3	-0.7	-3.5	-2.0	-2.9	

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 and currency overlay (currency hedging).

Asset Class Performance

As of June 30, 2018 (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 Jun-2017	1 Year Ending Jun-2016	1 Year Ending Jun-2015	1 Year Ending Jun-2014	1 Year Ending Jun-2013
Total Endowment												
Gross of Fees	444,750,004	100.0	2.4	7.4	6.9	9.6	8.0	13.6	0.0	8.2	19.9	15.0
Net of Fees			2.3	6.9	6.3	9.0	7.4	13.0	-0.6	7.4	19.4	14.5
<i>Relative Performance</i>			0.1	0.5	0.6	0.6	0.6	0.6	0.6	0.8	0.5	0.5
Endowment Policy Benchmark (Hedged)			2.4	8.1	6.8	9.4	6.6	11.1	1.4	8.8	18.4	12.1
<i>Relative Performance</i>			0.0	-0.7	0.1	0.2	1.4	2.5	-1.4	-0.6	1.5	2.9
Total Endowment (Gross of Fees)	444,750,004	100.0	2.4	7.4	6.9	9.6	8.0	13.6	0.0	8.2	19.9	15.0
Total Endowment ex. FX Overlay			2.4	7.1	7.2	10.6	8.5	13.8	1.2	11.4	20.5	15.7
<i>Relative Performance</i>			0.0	0.3	-0.3	-1.0	-0.5	-0.2	-1.2	-3.2	-0.6	-0.7

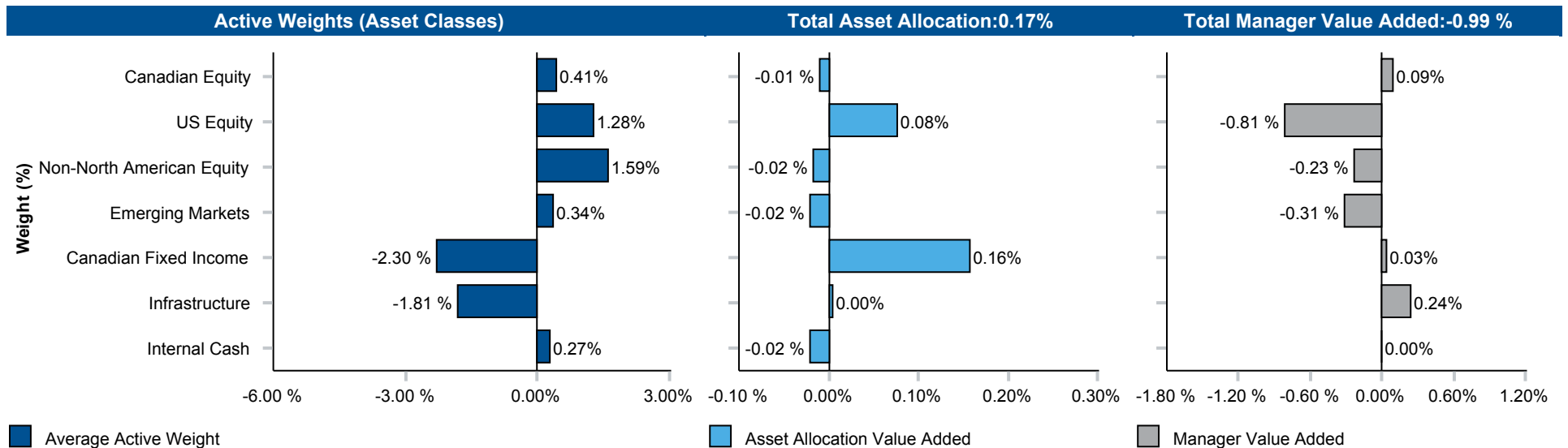
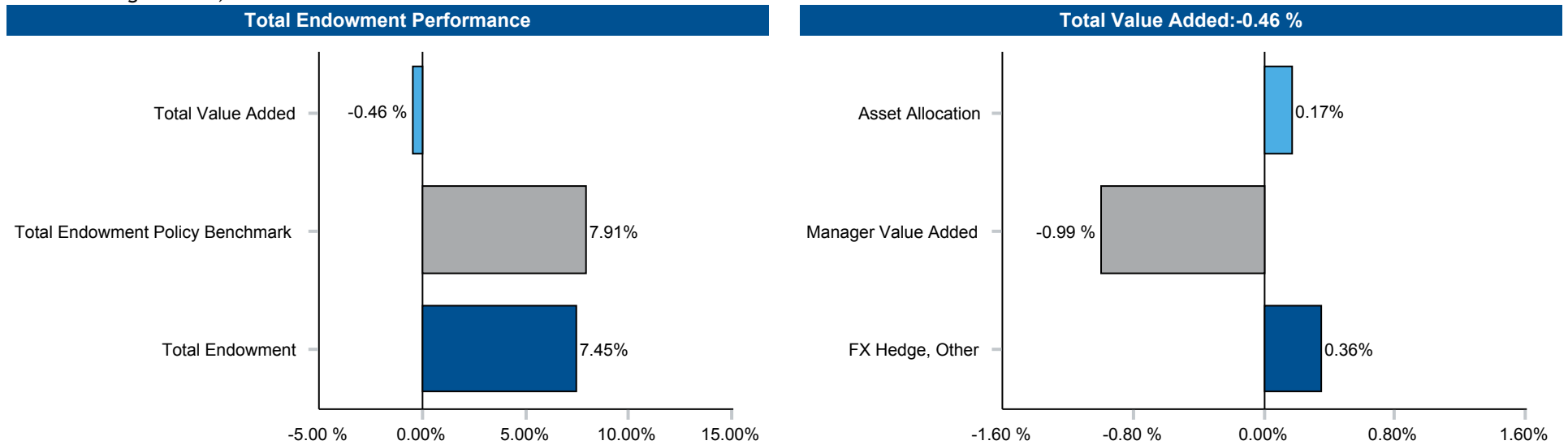
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Performance Attribution

Total Endowment Funds Vs Endowment Policy Benchmark

1 Year Ending June 30, 2018



Returns are presented gross of fees in CAD.

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.

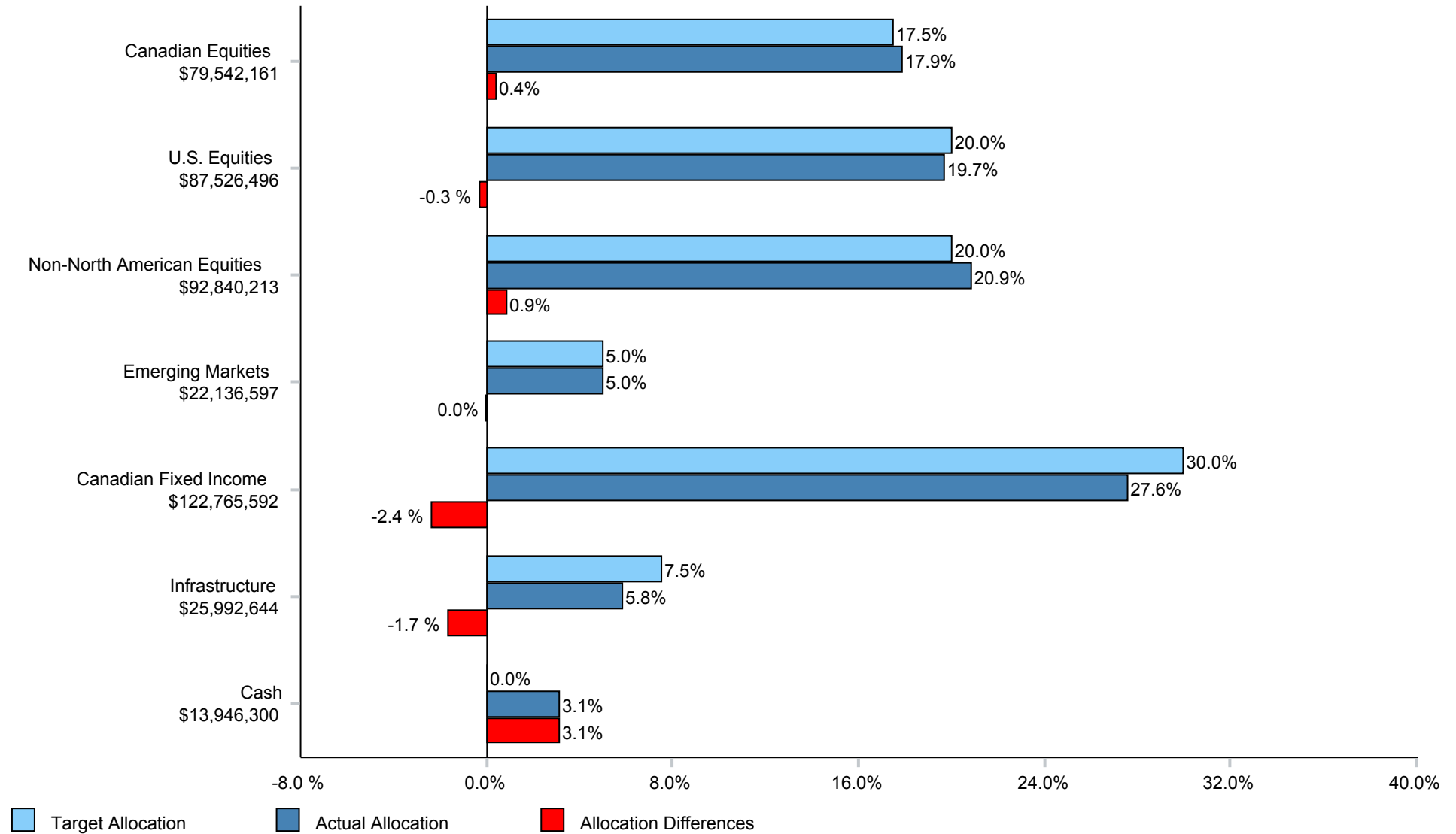
“Other” includes the effects of all other factors on the Total Endowment’s relative returns, including rebalancing and residual trading activity.

Endowment Asset Mix

Actual Allocation vs. Investment Policy Allocation

As of June 30, 2018

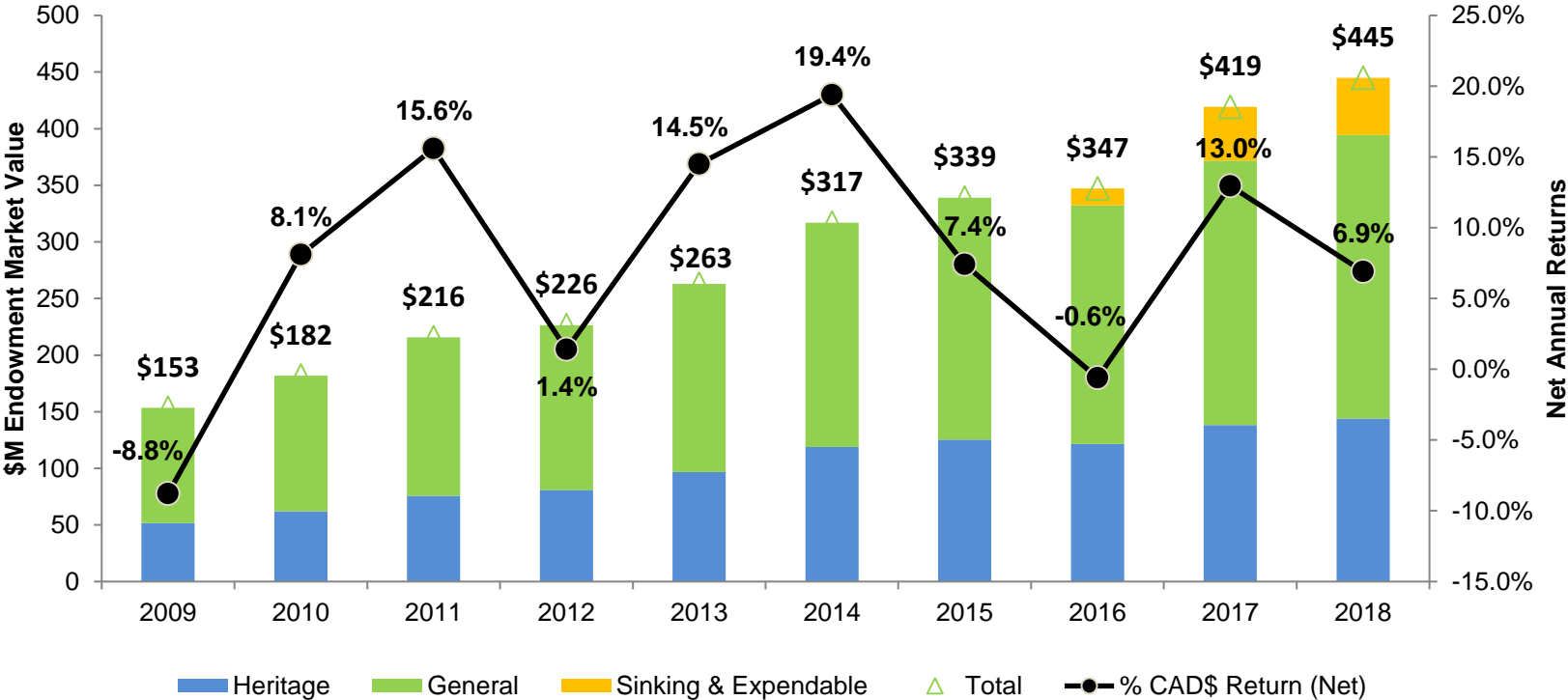
June 30, 2018 : \$444,750,004



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 30th of Each Year



Over the last 12 months the total Endowment portfolio increased \$26 M to \$445 M consisting of:

- Total contributions of \$6.3 M and distributions of \$9.1 M.
- 1-year return (net of investment management fees) of 6.9% compared to 13.0% 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.