

Performance Review

University of Guelph Endowment Funds

4th Quarter 2018

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Endowment Funds Results Overview

(Net of fees returns for the 12 months ended December 31st, 2018)

The Total Endowment Funds lost 2.4% over the last 12 months, underperforming the unhedged benchmark by 1.1% and the hedged benchmark by 0.9%.

Canadian Equity

- The Canadian equity portfolio lost 8.8% over the past year, matching the S&P/TSX index.
- The S&P/TSX index posted a -8.9% return over the past year. Burgundy outperformed the index by 0.5% while Sionna underperformed the benchmark by 0.6%.

Non-North American Equity

- In Canadian dollars, non-North American equities in developed markets outperformed Canada (-8.9%) and underperformed the U.S. (4.2%) with a return of -5.6%, while emerging markets equities lost 6.5% over the past year.
- Tweedy Browne outperformed the MSCI EAFE index by 4.4% while LSV underperformed the benchmark by 4.5%.
- The emerging markets manager (LSV) outperformed the MSCI Emerging Markets index by 0.3% over the past year.

U.S. Equity

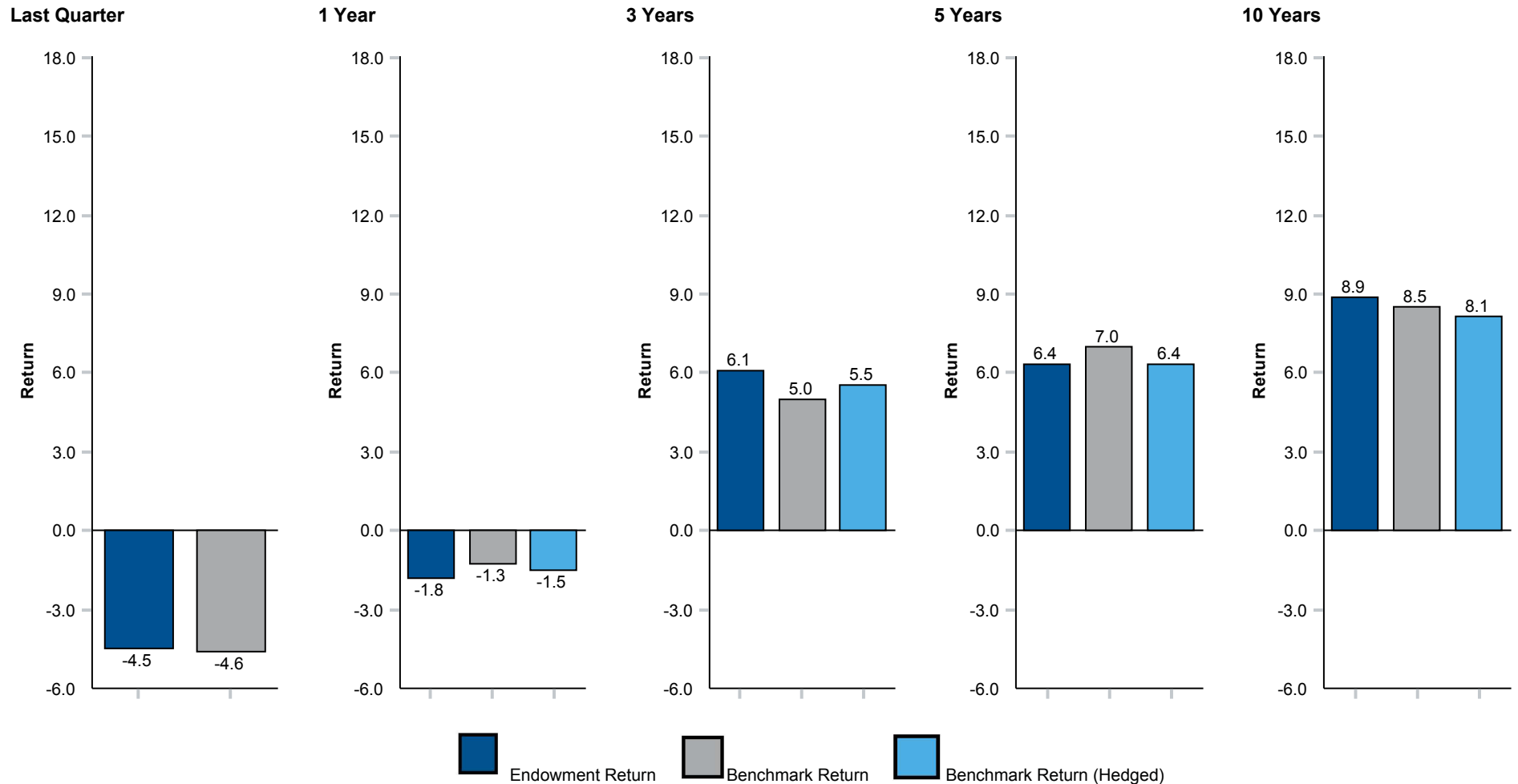
- The Endowment's U.S. equity investments lost 1.7% over the last year, underperforming the S&P500 index by 5.9%.
- The U.S. large cap manager (Fiduciary) beat the S&P 500 index by 0.8%. The mid cap mandate managed by Wedge lagged its benchmark by 4.0%, while Wedge's small cap strategy lagged its benchmark, the Russell 2000 Value Index, by 2.4% over the past year.

Fixed Income

- The Canadian fixed income portfolio matched the FTSE TMX Universe index return of 1.4%.
- The infrastructure portfolio managed by Brookfield outperformed its index by 10.2% 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 December 31, 2018 (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 December 31, 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 Dec-2017	1 Year Ending Dec-2016	1 Year Ending Dec-2015	1 Year Ending Dec-2014	1 Year Ending Dec-2013	
Canadian Equity	72,435,878	17.2	-10.8	-8.4	7.6	3.4	8.4	5.6	28.9	-11.7	7.5	21.6	
S&P/TSX Composite Index			-10.1	-8.9	6.4	4.1	7.9	9.1	21.1	-8.3	10.6	13.0	
<i>Relative Performance</i>			-0.7	0.5	1.2	-0.7	0.5	-3.5	7.8	-3.4	-3.1	8.6	
US Equity	86,432,714	20.5	-9.0	-1.1	7.1	12.2	14.7	8.7	14.2	16.2	24.4	43.0	
S&P 500 Index (CAD)			-8.6	4.2	8.6	14.1	14.3	13.8	8.1	21.6	23.9	41.3	
<i>Relative Performance</i>			-0.4	-5.3	-1.5	-1.9	0.4	-5.1	6.1	-5.4	0.5	1.7	
Non-North American Equity	87,768,535	20.8	-6.7	-4.8	4.0	6.9	10.4	16.7	1.2	18.2	5.2	32.6	
MSCI EAFE Composite			-7.5	-5.6	2.8	6.2	7.9	17.3	-2.0	19.4	4.1	31.5	
<i>Relative Performance</i>			0.8	0.8	1.2	0.7	2.5	-0.6	3.2	-1.2	1.1	1.1	
Emerging Markets Equity	21,823,428	5.2	-0.8	-5.2	10.4	7.5	--	23.8	14.5	-2.6	9.7	6.4	
MSCI Emerging Markets Index			-2.2	-6.5	9.0	7.3	9.5	28.7	7.7	2.4	7.0	4.3	
<i>Relative Performance</i>			1.4	1.3	1.4	0.2	--	-4.9	6.8	-5.0	2.7	2.1	
Canadian Fixed Income	123,773,263	29.4	1.8	1.5	2.1	3.7	4.7	2.7	2.0	3.6	8.9	-1.0	
FTSE TMX Canada Universe Bond Index			1.8	1.4	1.9	3.5	4.2	2.5	1.7	3.5	8.8	-1.2	
<i>Relative Performance</i>			0.0	0.1	0.2	0.2	0.5	0.2	0.3	0.1	0.1	0.2	
Infrastructure	27,878,194	6.6	7.2	18.1	10.0	14.7	--	3.5	8.9	33.5	11.8	--	
CPI + 5%			0.6	6.6	6.7	6.6	6.6	6.9	6.5	6.6	6.5	5.7	
<i>Relative Performance</i>			6.6	11.5	3.3	8.1	--	-3.4	2.4	26.9	5.3	--	
Internal Cash	905,784	0.2	0.1	1.5	0.1	-0.6	1.0	-0.8	-0.3	-1.8	-1.8	-1.9	
FTSE TMX Canada 91 Day T-Bill			0.5	1.4	0.8	0.8	0.8	0.6	0.5	0.6	0.9	1.0	
<i>Relative Performance</i>			-0.4	0.1	-0.7	-1.4	0.2	-1.4	-0.8	-2.4	-2.7	-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.

Asset Class Performance

As of December 31, 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 Dec-2017	1 Year Ending Dec-2016	1 Year Ending Dec-2015	1 Year Ending Dec-2014	1 Year Ending Dec-2013
Total Endowment												
Gross of Fees	421,017,795	100.0	-4.5	-1.8	6.1	6.4	8.9	9.2	11.3	2.9	10.8	19.6
Net of Fees			-4.6	-2.4	5.5	5.7	8.3	8.5	10.7	2.3	10.2	19.1
<i>Relative Performance</i>			0.1	0.6	0.6	0.7	0.6	0.7	0.6	0.6	0.6	0.5
Endowment Policy Benchmark (Hedged)			-4.6	-1.5	5.5	6.4	8.1	10.9	7.6	4.6	10.8	16.7
<i>Relative Performance</i>			0.1	-0.3	0.6	0.0	0.8	-1.7	3.7	-1.7	0.0	2.9

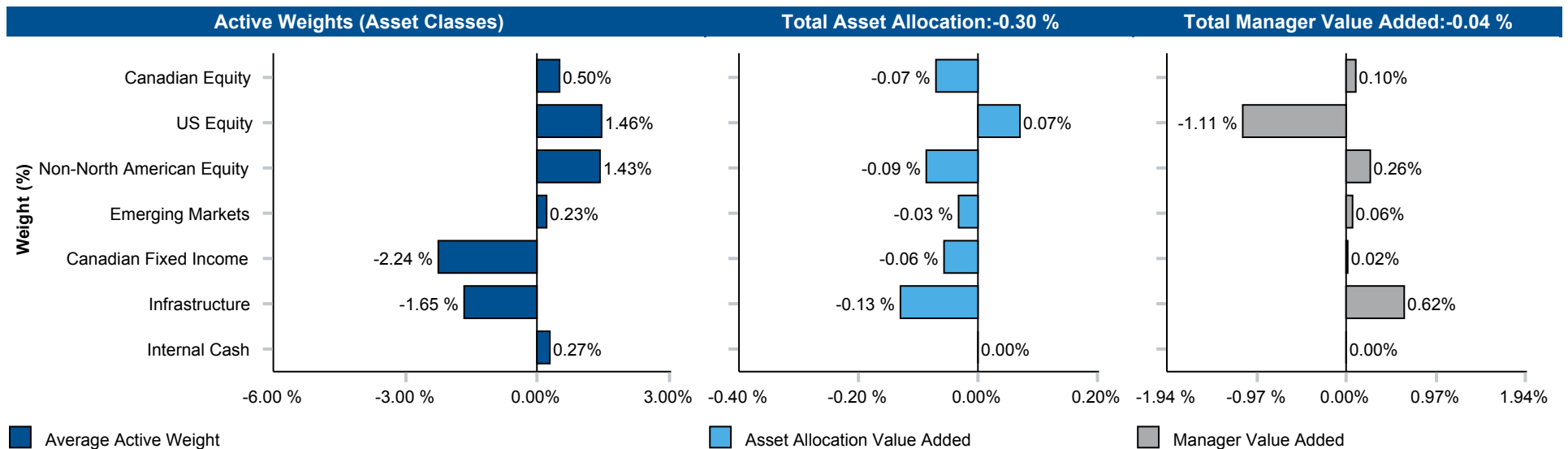
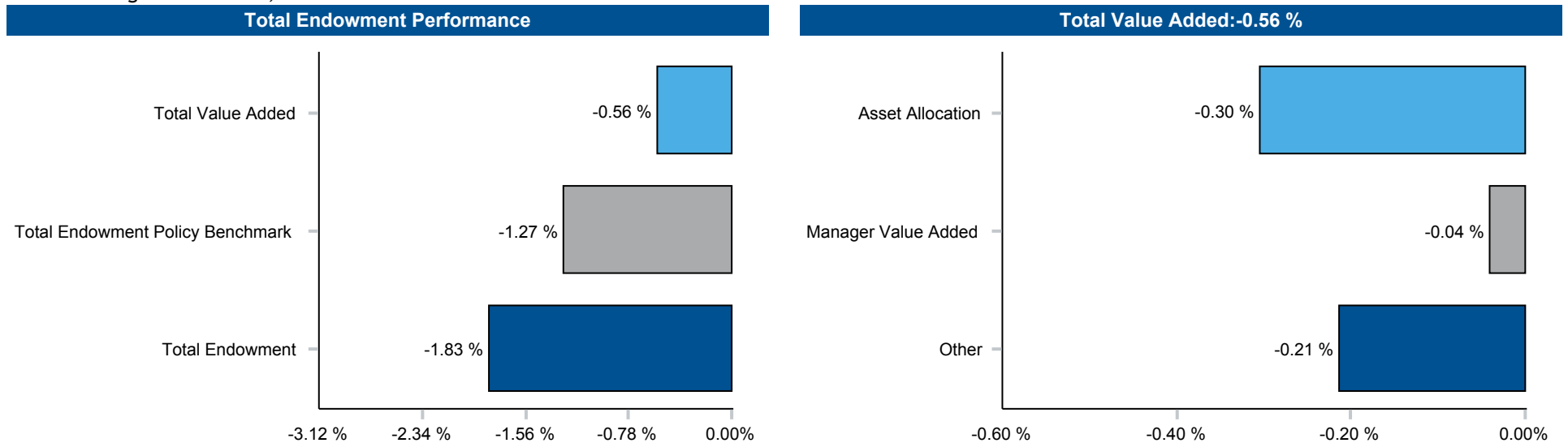
Current Endowment Policy Benchmark (Hedged): 30% FTSE TMX Bond Universe + 7.5% Infrastructure (CPI+5%) + 17.5% S&P/TSX Composite + 20% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index. All foreign indices are 50% hedged back to Canadian dollars from November 2010 to June 2017, 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 December 31, 2018



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.

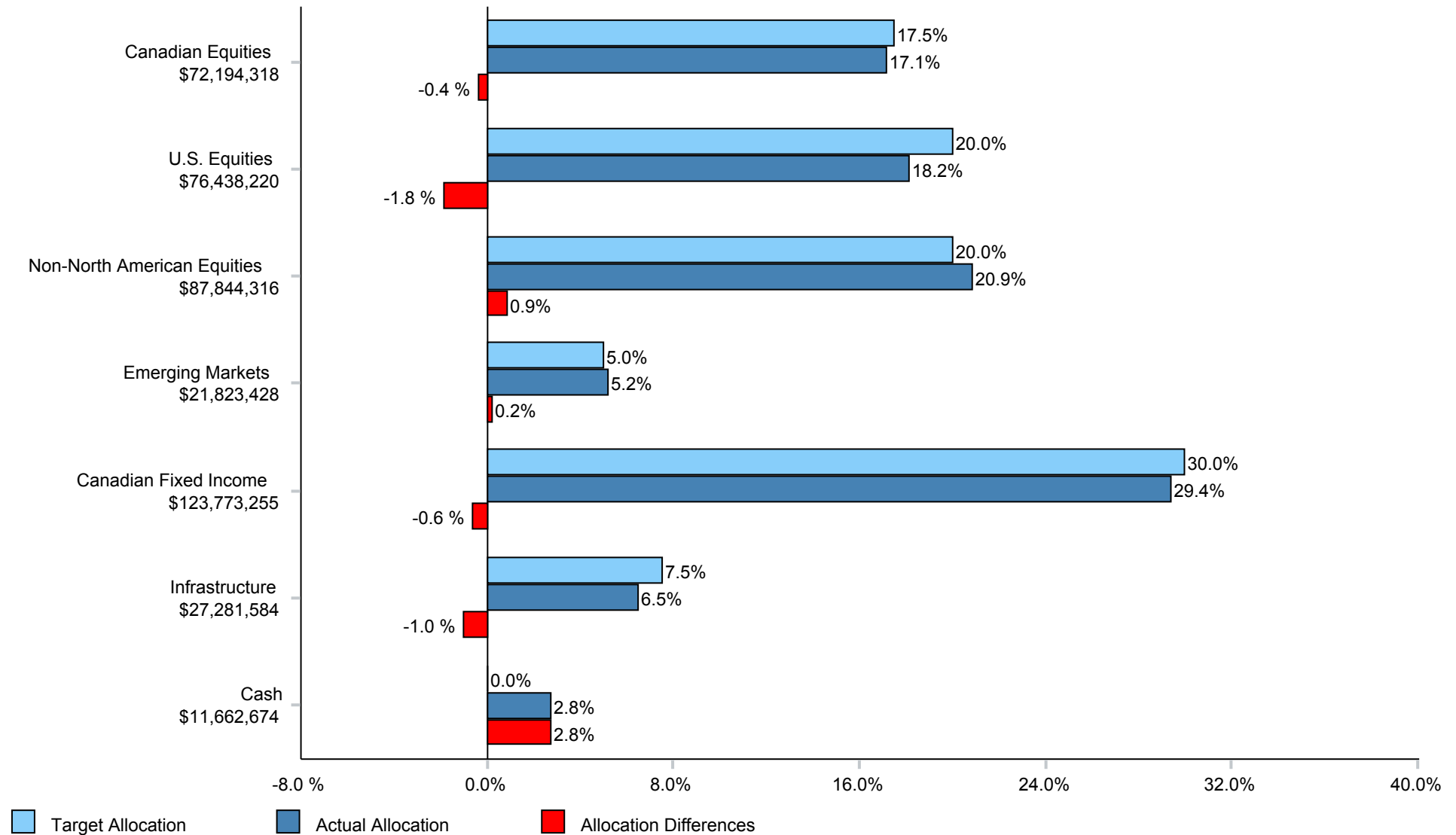
“Other” includes the effects of all other factors on the Total Endowment’s relative returns, including rebalancing and residual trading activity.

Endowment Asset Mix

Actual Allocation vs. Investment Policy Allocation

As of December 31, 2018

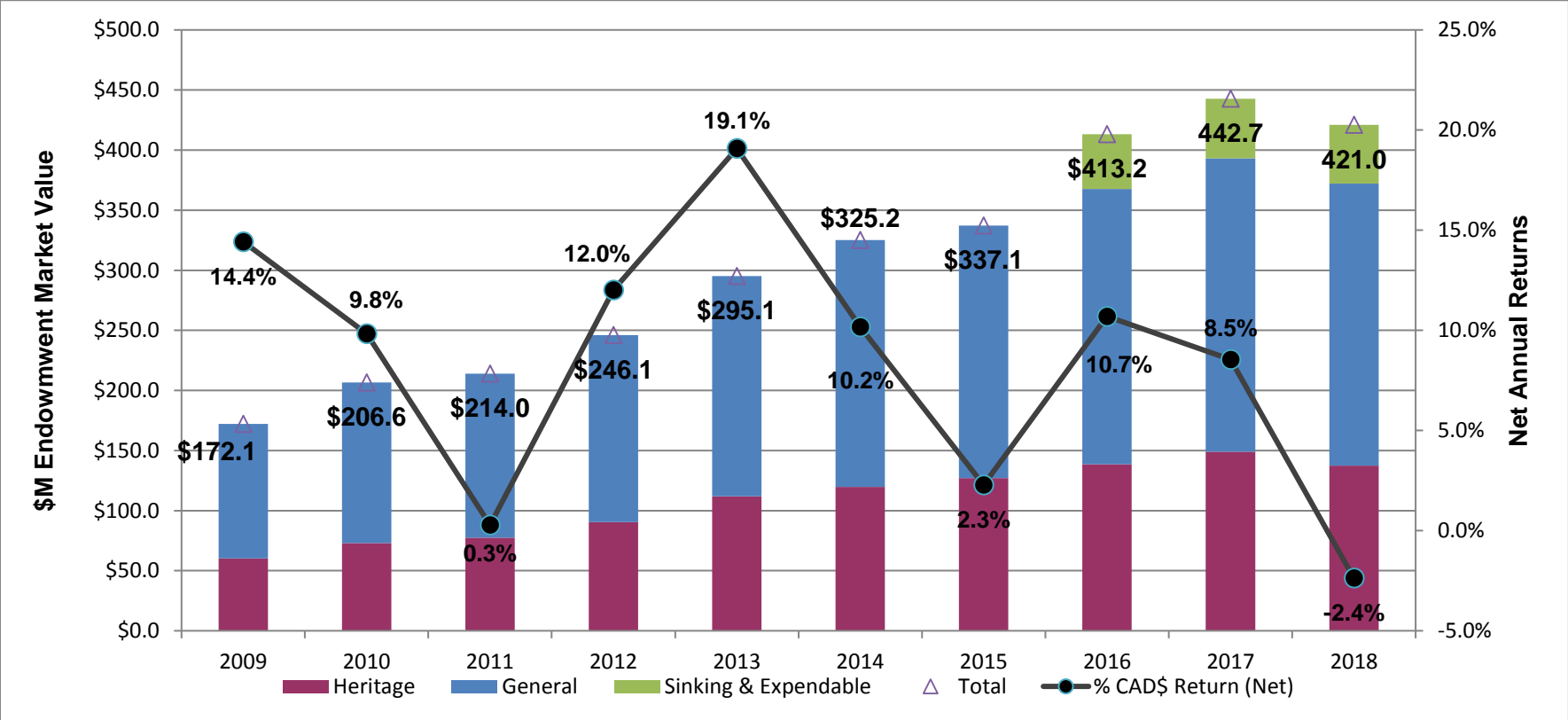
December 31, 2018 : \$421,017,795



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

December Market Values and Net 1-Year Returns to December 31st of Each Year



Over the last 12 months the total Endowment portfolio decreased \$21.7 M to \$421.0 M consisting of:

- Total contributions of \$2.4 M and distributions of \$13.7 M.
- 1-year return (net of investment management fees) of -2.4% compared to 8.5% 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.