

Performance Review

University of Guelph Endowment Funds

4th Quarter 2017

UNIVERSITY
of GUELPH

CHANGING LIVES
IMPROVING LIFE

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Endowment Funds Results Overview

(Net of fees returns for the 12 months ended December 31st, 2017)

The Total Endowment Funds gained 8.5% over the last 12 months, underperforming the unhedged benchmark by 1.8% and the hedged benchmark by 2.4%.

Canadian Equity

- The Canadian equity portfolio gained 5.1% over the past year, 4.0% below the return of the S&P/TSX index.
- Burgundy returned 2.6% over the past year, and Sionna returned 9.7%.
- The S&P/TSX index posted a 9.1% return over the past year. Burgundy underperformed the benchmark by 6.5%, while Sionna beat the benchmark by 0.6%.

Non-North American Equity

- In Canadian dollars, non-North American equities in developed markets outperformed both Canada (9.1%) and the U.S. (13.8%) with a return of 17.3%, while emerging markets equities gained 28.7% over the past year.
- Tweedy Browne and LSV underperformed the MSCI EAFE index by 2.3% and 0.9% respectively.
- The emerging markets manager (LSV) underperformed the MSCI Emerging Markets index by 6.0% over the past year.

U.S. Equity

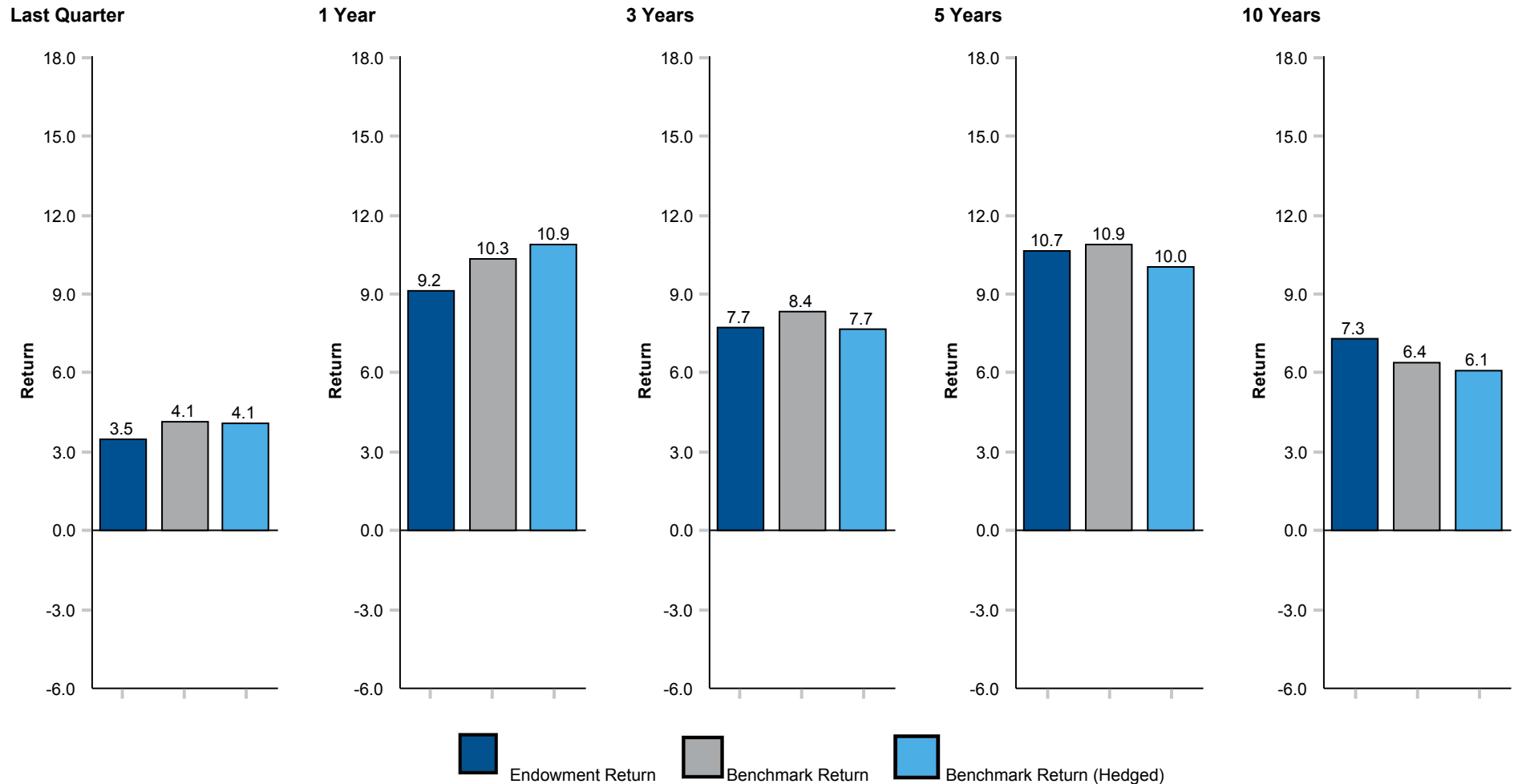
- U.S. equity markets performed well in Canadian dollar terms with a 1-year return of 13.8% for the S&P500.
- The Endowment's U.S. equity investments gained 8.0% over the last year, underperforming the S&P500 index by 5.8%.
- The U.S. large cap manager (Fiduciary) lagged the S&P 500 index by 2.5%. The mid cap mandate managed by Wedge beat its benchmark by 5.2%, while Wedge's small cap strategy underperformed its benchmark, the Russell 2000 Value Index, by 2.2% over the past year.

Fixed Income

- The Canadian fixed income portfolio slightly outperformed the FTSE TMX Universe index by 0.2%.
- The infrastructure portfolio managed by Brookfield underperformed its index by 4.8% 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 December 31, 2017 (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 since January 2017.

Asset Class Performance

As of December 31, 2017 (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-2016	1 Year Ending Dec-2015	1 Year Ending Dec-2014	1 Year Ending Dec-2013	1 Year Ending Dec-2012	
Canadian Equity	80,537,276	18.2	3.0	5.6	6.3	9.5	6.2	28.9	-11.7	7.5	21.6	11.7	
S&P/TSX Composite Index			4.5	9.1	6.6	8.6	4.6	21.1	-8.3	10.6	13.0	7.2	
<i>Relative Performance</i>			-1.5	-3.5	-0.3	0.9	1.6	7.8	-3.4	-3.1	8.6	4.5	
US Equity	93,496,942	21.1	5.3	8.7	13.0	20.8	12.8	14.2	16.2	24.4	43.0	15.9	
S&P 500 Index (CAD)			6.8	13.8	14.4	21.2	11.1	8.1	21.6	23.9	41.3	13.4	
<i>Relative Performance</i>			-1.5	-5.1	-1.4	-0.4	1.7	6.1	-5.4	0.5	1.7	2.5	
Non-North American Equity	94,205,933	21.3	4.0	16.7	11.8	14.3	8.0	1.2	18.2	5.2	32.6	16.6	
MSCI EAFE Composite			4.5	17.3	11.2	13.5	4.9	-2.0	19.4	4.1	31.5	15.2	
<i>Relative Performance</i>			-0.5	-0.6	0.6	0.8	3.1	3.2	-1.2	1.1	1.1	1.4	
Emerging Markets Equity	23,263,875	5.3	6.3	23.8	11.4	10.0	--	14.5	-2.6	9.7	6.4	20.0	
MSCI Emerging Markets Index			7.7	28.7	12.4	9.7	4.5	7.7	2.4	7.0	4.3	16.0	
<i>Relative Performance</i>			-1.4	-4.9	-1.0	0.3	--	6.8	-5.0	2.7	2.1	4.0	
Canadian Fixed Income	122,025,014	27.6	2.1	2.7	2.8	3.2	5.0	2.0	3.6	8.9	-1.0	5.3	
FTSE TMX Canada Universe Bond Index			2.0	2.5	2.6	3.0	4.7	1.7	3.5	8.8	-1.2	3.6	
<i>Relative Performance</i>			0.1	0.2	0.2	0.2	0.3	0.3	0.1	0.1	0.2	1.7	
Infrastructure	24,039,769	5.4	3.9	3.5	14.6	--	--	8.9	33.5	11.8	--	--	
CPI + 5%			1.2	6.9	6.7	6.4	6.5	6.5	6.6	6.5	5.7	6.0	
<i>Relative Performance</i>			2.7	-3.4	7.9	--	--	2.4	26.9	5.3	--	--	
Internal Cash	4,845,634	1.1	-0.1	-0.8	-1.0	-1.3	1.2	-0.3	-1.8	-1.8	-1.9	0.0	
FTSE TMX Canada 91 Day T-Bill			0.2	0.6	0.6	0.7	1.0	0.5	0.6	0.9	1.0	1.0	
<i>Relative Performance</i>			-0.3	-1.4	-1.6	-2.0	0.2	-0.8	-2.4	-2.7	-2.9	-1.0	

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 and currency overlay (currency hedging).

Asset Class Performance

As of December 31, 2017 (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-2016	1 Year Ending Dec-2015	1 Year Ending Dec-2014	1 Year Ending Dec-2013	1 Year Ending Dec-2012
Total Endowment												
Gross of Fees	442,682,300	100.0	3.5	9.2	7.7	10.7	7.3	11.3	2.9	10.8	19.6	12.5
Net of Fees			3.3	8.5	7.1	10.0	6.7	10.7	2.3	10.2	19.1	12.0
<i>Relative Performance</i>			0.2	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.5	0.5
Endowment Policy Benchmark (Hedged)			4.1	10.9	7.7	10.0	6.1	7.6	4.6	10.8	16.7	10.3
<i>Relative Performance</i>			-0.6	-1.7	0.0	0.7	1.2	3.7	-1.7	0.0	2.9	2.2
Total Endowment (Gross of Fees)	442,682,300	100.0	3.5	9.2	7.7	10.7	7.3	11.3	2.9	10.8	19.6	12.5
Total Endowment ex. FX Overlay			3.6	8.4	8.7	11.8	7.8	9.9	7.7	12.3	21.4	11.9
<i>Relative Performance</i>			-0.1	0.8	-1.0	-1.1	-0.5	1.4	-4.8	-1.5	-1.8	0.6

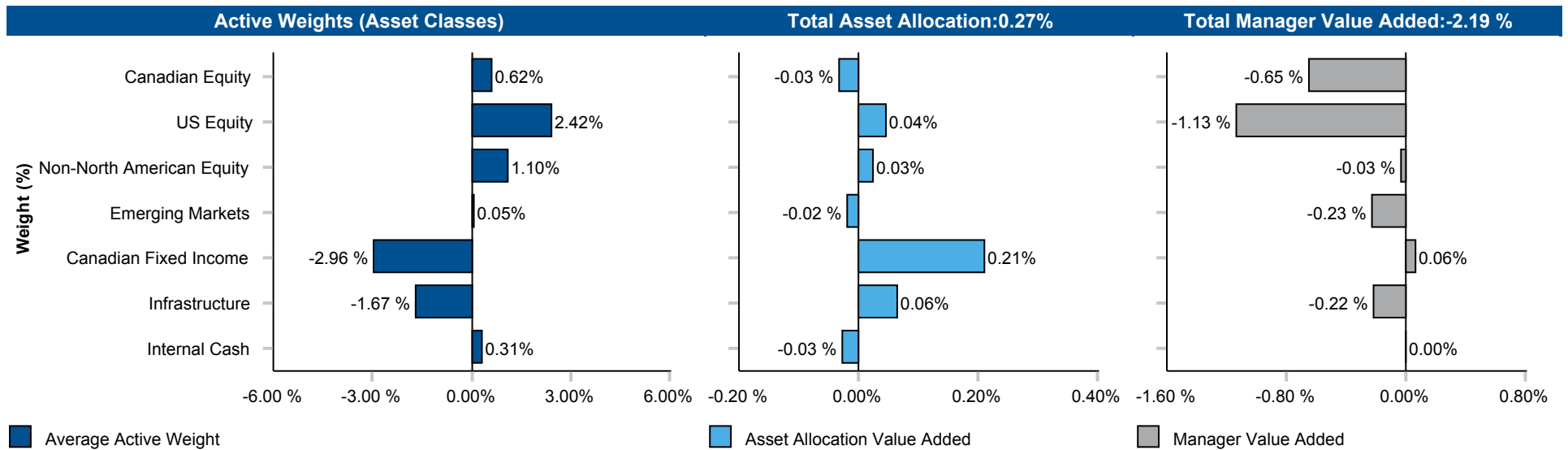
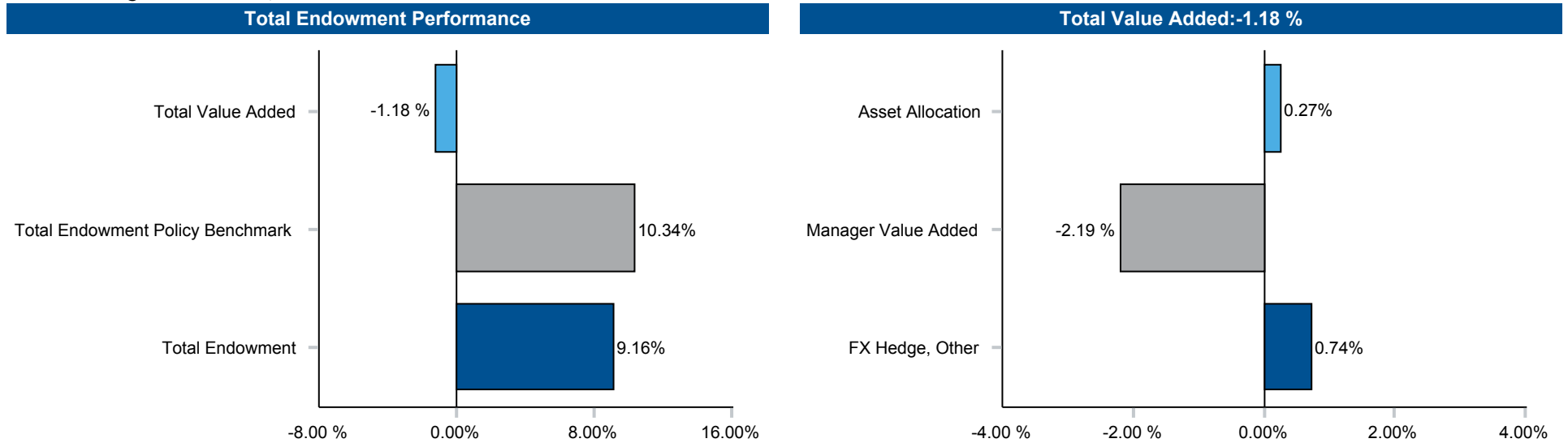
Endowment Policy Benchmark (Hedged): 30% FTSE TMX Bond Universe + 7.5% Infrastructure (CPI+5%) + 17.5% S&P/TSX Composite + 20% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index. All foreign indices are 50% hedged back to Canadian dollars from November 2010 to June 2017, 37.5%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

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Performance Attribution

Total Endowment Funds Vs Endowment Policy Benchmark

1 Year Ending December 31, 2017



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.

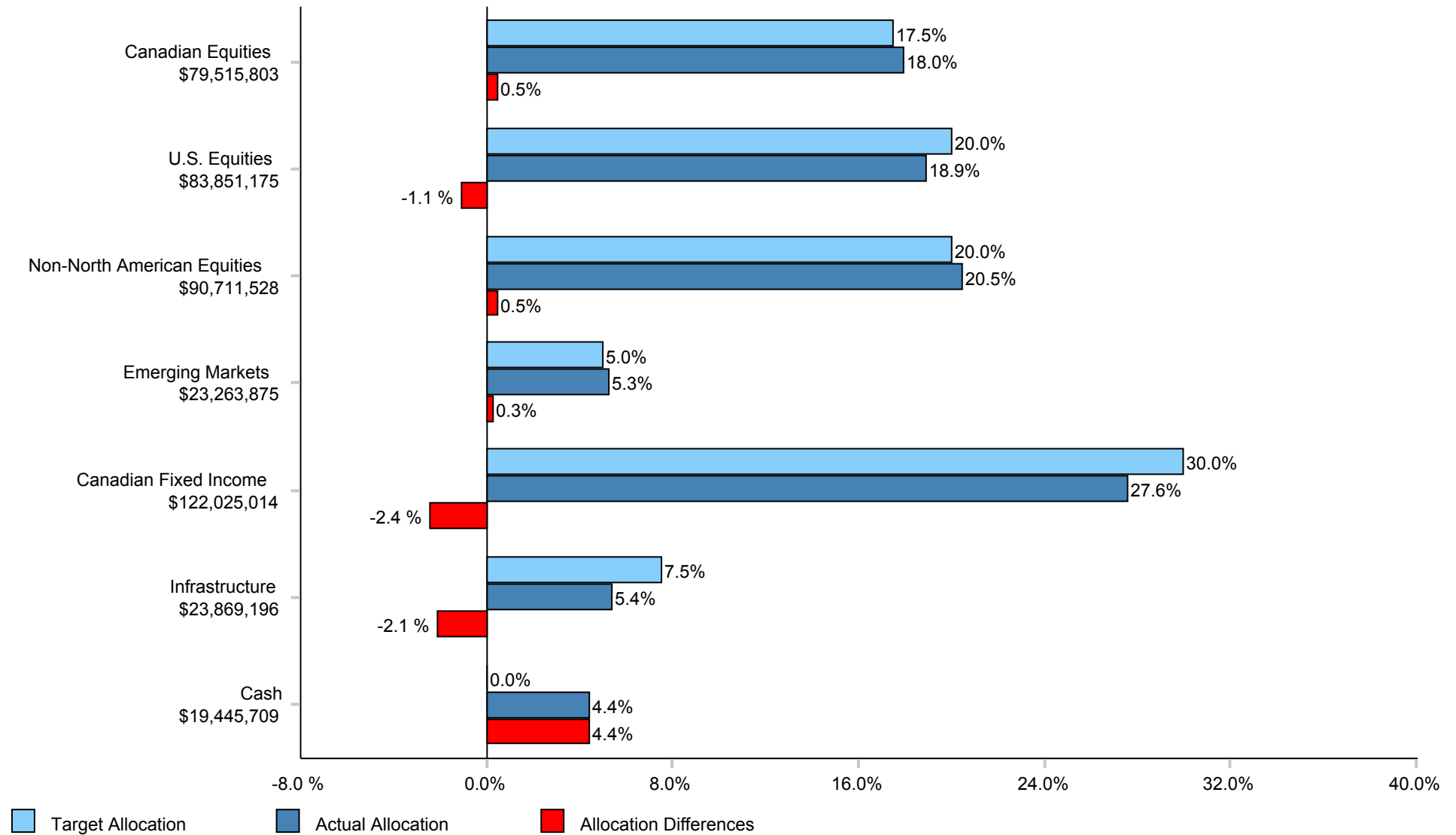
“Other” includes the effects of all other factors on the Total Endowment’s relative returns, including rebalancing and residual trading activity.

Endowment Asset Mix

Actual Allocation vs. Investment Policy Allocation

As of December 31, 2017

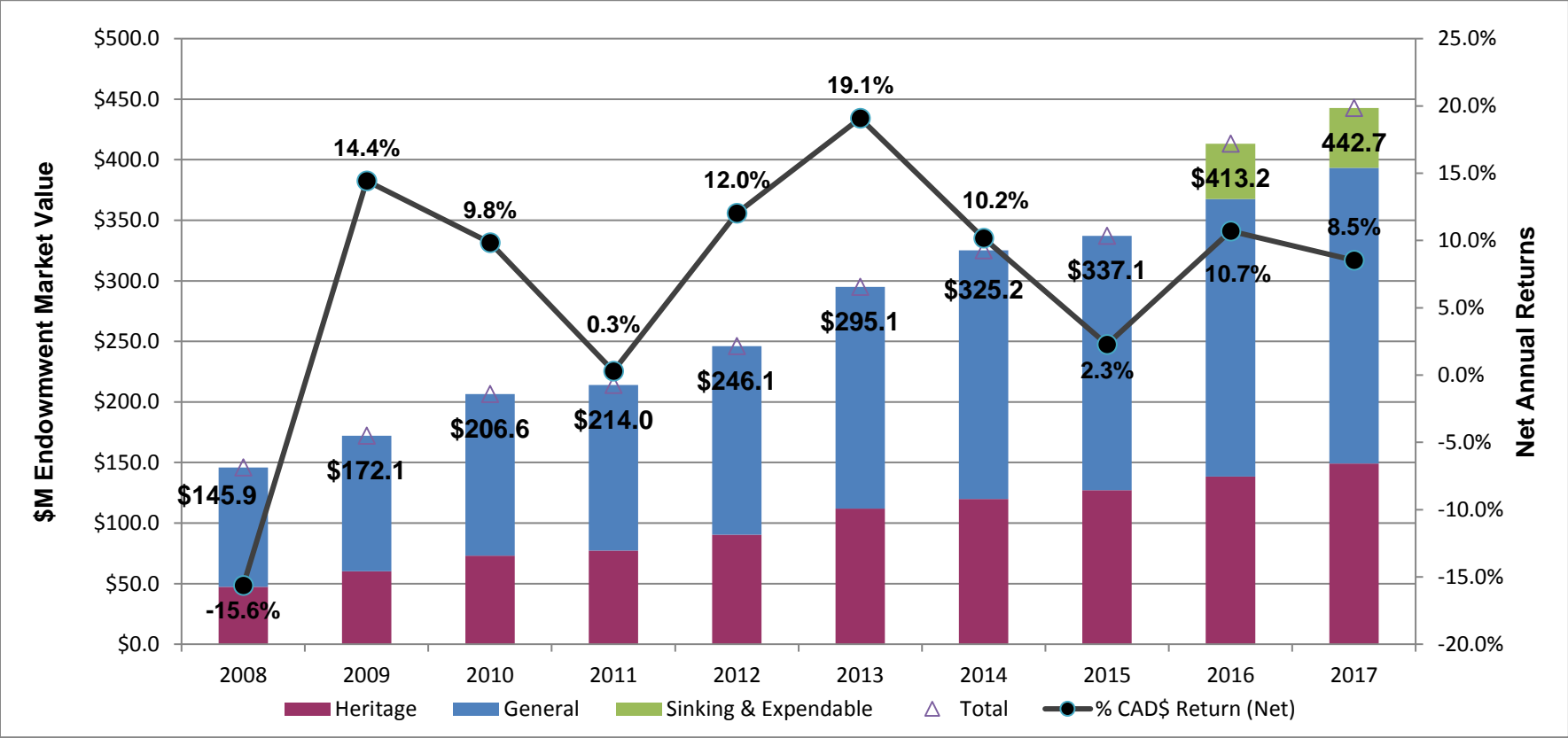
December 31, 2017 : \$442,682,300



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 increased \$29.5 M to \$442.7 M consisting of:

- Total contributions of \$4.6 M and distributions of \$9.4 M.
- 1-year return (net of investment management fees) of 8.5% compared to 10.7% 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.