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## March 31, 2015 Endowment Quarterly Investment Report

### Performance Review

#### University of Guelph Endowment Funds

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### Endowment Funds Results Overview

(Gross Returns for the 12 months ended March 31<sup>st</sup>, 2015)

The Total Endowment Funds returned 13.1% for the last 12 months versus 15.2% for the benchmark.

#### Canadian Equity

- The Canadian equity portfolio returned 3.6% over the past year, 3.3% below the return of the S&P/TSX index.
- Both the plan's Canadian equity managers (Burgundy, Sionna) underperformed the index for the year.
- The lack of dedicated small cap exposure helped returns as small caps underperformed large caps by more than 15% over the past year.

#### Non-North American Equity

- In Canadian dollars, non-North American equity underperformed the U.S. but outperformed Canada with a return of 13.7% for developed markets and 15.7% for emerging markets.
- The developed markets managers (with 20.6% of the total endowment funds) performed poorly in the past year. Both LSV and Tweedy Browne underperformed the MSCI EAFE benchmark by 2.2%.
- The emerging markets manager (LSV) performed slightly better than the MSCI Emerging Markets index over the past year and two years.

#### U.S. Equity

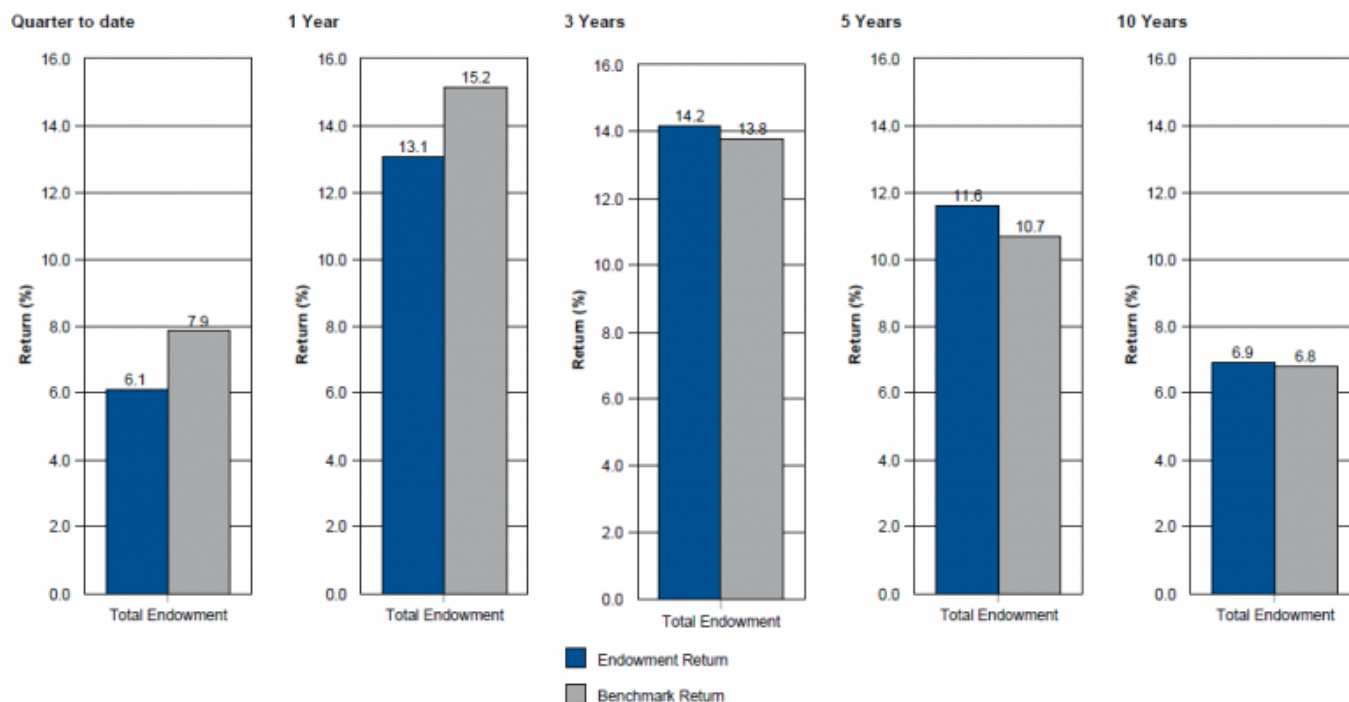
- U.S. equity markets performed extremely well in Canadian dollar terms with a 1-year return of 29.4% for the S&P500.
- The Endowment's U.S. equity investments performed well with a return of 30.6%, outperforming the benchmark by 120 basis points.
- While the U.S. large cap manager (Fiduciary) was effectively in line with the S&P500 index, significant value was added versus their respective indexes by the small-(7.3%) and mid-cap (8.1%) portfolios managed by Wedge.

#### Fixed Income

- The Canadian fixed income portfolio is indexed to the FTSE TMX Universe and, as expected, closely matched its return of 10.3%
- The cash return was negative due to losses on internal foreign exchange transactions.
- The Infrastructure portfolio managed by Brookfield outperformed its index by 20.2% in one year. There is a large difference between the gross and net of fees returns due to accounting adjustments that occurred in August 2014.
- Currency hedging, which is implemented for risk control rather than to generate returns, was a drag on performance over the past year as it cost the portfolio 240 basis points.

### Total Endowment Portfolio Vs Endowment Policy Benchmark

As of March 31, 2015 (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 + 20% S&P/TSX Composite + 25% S&P 500(\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index.

## Annualized Asset Class Performance

As of March 31, 2015 (Gross of Fees)

	Allocation		Performance(%)										
	Market Value (\$)	% of Portfolio	Year to Date	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
Canadian Equity	63,890,641	18.5	1.9	3.6	11.6	12.4	7.3	9.2	9.4	6.1	5.4	6.3	7.8
S&P/TSX Composite Index			2.6	6.9	11.4	9.6	4.4	7.4	12.5	4.6	4.6	5.3	7.4
Relative Performance			-0.7	-3.3	0.2	2.8	2.9	1.8	-3.1	1.5	0.8	1.0	0.4
US Equity	94,190,333	27.3	11.9	30.6	31.0	27.8	22.3	21.7	23.3	15.4	10.1	10.5	9.6
S&P 500			10.4	29.4	30.8	25.7	22.0	19.6	19.9	12.3	8.3	8.6	8.5
Relative Performance			1.5	1.2	0.2	2.1	0.3	2.1	3.4	3.1	1.8	1.9	1.1
Non-North American	70,867,189	20.6	12.6	12.0	20.5	19.3	15.0	13.7	15.9	7.9	4.7	5.7	6.6

<b>merica</b>											
<b>n</b>											
<b>Equity</b>											
MSCI	14.7	13.7	20.4	18.0	12.3	10.9	13.1	4.7	2.2	3.9	5.4
EAFE											
(net)											
Relative	-2.1	-1.7	0.1	1.3	2.7	2.8	2.8	3.2	2.5	1.8	1.2
Perform											
ance											
<b>Emergi 18,386, 5.3</b>	<b>9.6</b>	<b>16.1</b>	<b>11.7</b>	<b>10.1</b>	<b>6.1</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>ng Mar 747</b>											
<b>kets</b>											
<b>Equity</b>											
MSCI E	11.9	15.7	11.4	8.9	5.0	6.6	12.5	4.0	4.6	6.1	9.3
merging											
Markets											
Index											
Relative	-2.3	0.4	0.3	1.2	1.1	N/A	N/A	N/A	N/A	N/A	N/A
Perform											
ance											
<b>Canadi 83,118, 24.1</b>	<b>4.2</b>	<b>10.4</b>	<b>5.6</b>	<b>5.4</b>	<b>6.5</b>	<b>6.3</b>	<b>6.6</b>	<b>6.2</b>	<b>6.0</b>	<b>5.9</b>	<b>5.7</b>
<b>an 207</b>											
<b>Fixed</b>											
<b>Income</b>											
FTSE	4.2	10.3	5.4	5.1	6.3	6.0	5.9	5.8	5.8	5.7	5.6
TMX Un											
iverse											
Index											
Relative	0.0	0.1	0.2	0.3	0.2	0.3	0.7	0.4	0.2	0.2	0.1
Perform											
ance											
<b>Infrastr 13,739, 4.0</b>	<b>14.0</b>	<b>26.5</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>ucture 164</b>											
CPI +	1.7	6.3	6.4	6.3	6.5	6.8	6.8	6.7	6.6	6.7	6.8
5%											
Relative	12.3	20.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Perform											
ance											
<b>Internal 779,551 0.2</b>	<b>-1.8</b>	<b>-2.6</b>	<b>-2.6</b>	<b>-1.8</b>	<b>0.3</b>	<b>2.0</b>	<b>1.6</b>	<b>1.7</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Cash</b>											
FTSE	0.2	0.9	1.0	1.0	1.0	0.9	0.8	1.1	1.5	1.8	1.9
TMX											
Canada											
91 Day											
T-Bill -											
C\$											
Relative	-2.0	-3.5	-3.6	-2.8	-0.7	1.1	0.8	0.6	N/A	N/A	N/A
Perform											
ance											
<b>Total E 344,500 100.0</b>	<b>5.9</b>	<b>12.3</b>	<b>13.9</b>	<b>13.6</b>	<b>10.8</b>	<b>11.0</b>	<b>13.2</b>	<b>7.8</b>	<b>5.4</b>	<b>6.1</b>	<b>6.4</b>
<b>ndown ,014</b>											
<b>ent (Net</b>											
<b>of</b>											
<b>Fees)</b>											
Endow	7.9	15.2	16.0	13.8	11.0	10.7	12.4	6.9	5.4	6.0	6.8

ment												
Policy B												
enchma												
rk												
Relative	-2.0	-2.9	-2.1	-0.2	-0.2	0.3	0.8	0.9	0.0	0.1	-0.4	
Perform												
ance												
<b>Total E 344,500100.0</b>	<b>6.1</b>	<b>13.1</b>	<b>14.5</b>	<b>14.2</b>	<b>11.4</b>	<b>11.6</b>	<b>13.7</b>	<b>8.4</b>	<b>5.9</b>	<b>6.6</b>	<b>6.9</b>	
<b>ndowm ,014</b>												
<b>ent</b>												
<b>(Gross</b>												
<b>of</b>												
<b>Fees)</b>												
Endow	7.9	15.2	16.0	13.8	11.0	10.7	12.4	6.9	5.4	6.0	6.8	
ment												
Policy B												
enchma												
rk												
Relative	-1.8	-2.1	-1.5	0.4	0.4	0.9	1.3	1.5	0.5	0.6	0.1	
Perform												
ance												
<b>Total E 344,972100.1</b>	<b>8.2</b>	<b>15.5</b>	<b>17.1</b>	<b>15.9</b>	<b>12.7</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
<b>ndowm ,452</b>												
<b>ent ex.</b>												
<b>Curren</b>												
<b>cy</b>												
<b>Overlay</b>												
Endow	7.9	15.2	16.0	13.8	11.0	10.7	12.4	6.9	5.4	6.0	6.8	
ment												
Policy B												
enchma												
rk												
Relative	0.3	0.3	1.1	2.1	1.7	N/A	N/A	N/A	N/A	N/A	N/A	
Perform												
ance												
<b>Effect -472,43 -0.1</b>	<b>-2.1</b>	<b>-2.4</b>	<b>-2.6</b>	<b>-1.7</b>	<b>-1.4</b>	<b>N/A/</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	
<b>of Pass 8</b>												
<b>ive Cur</b>												
<b>rency</b>												
<b>Hedge</b>												

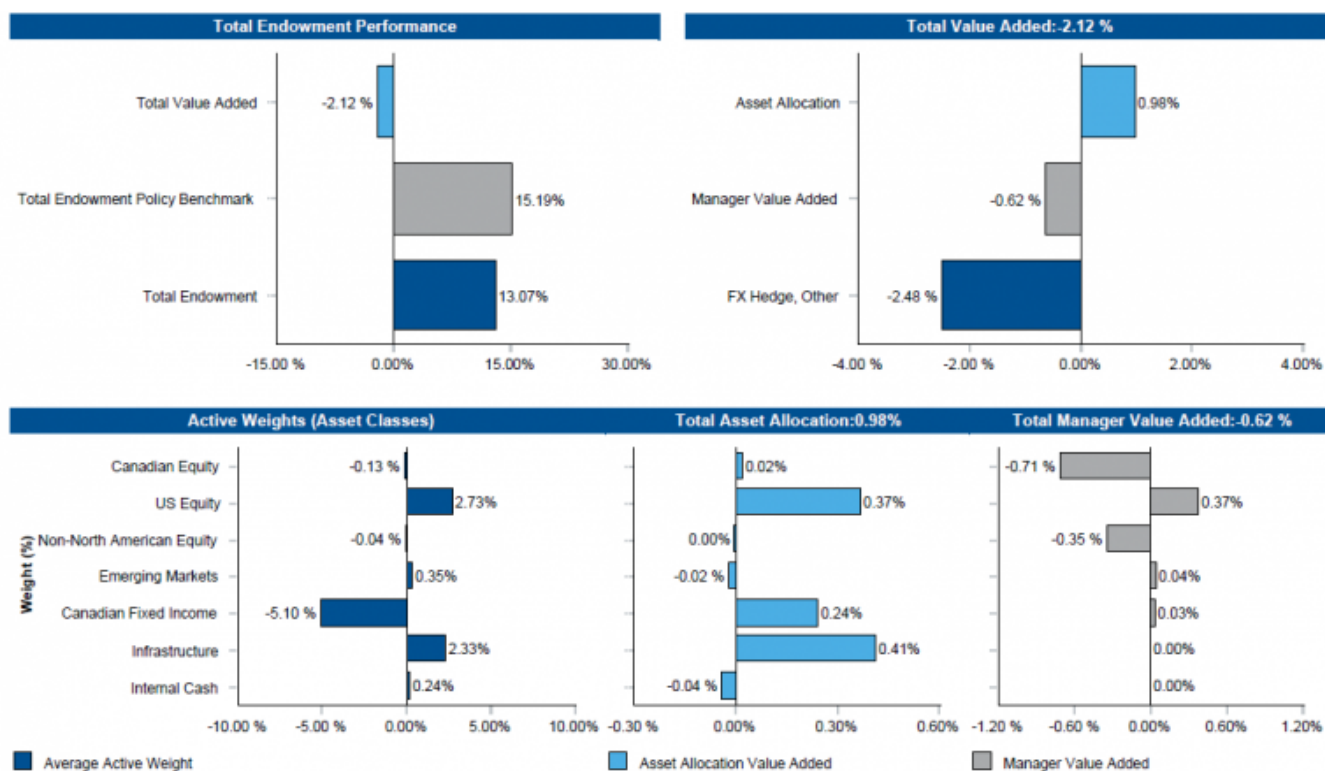
Endowment Policy Benchmark: 30% FTSE TMX Bond Universe + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index.

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).

## Performance Attribution

Total Endowment Funds vs Endowment Policy Benchmark  
1 Year Ending March 31, 2015



Returns are presented gross of fees in CAD

Endowment Policy Benchmark: 30% FTSE TMX Bond Universe + 20% S&P/TSX Composite + 25% S&P 500 (\$CAD) + 20% MSCI EAFE Net (\$CAD) + 5% MSCI Emerging Markets Index.

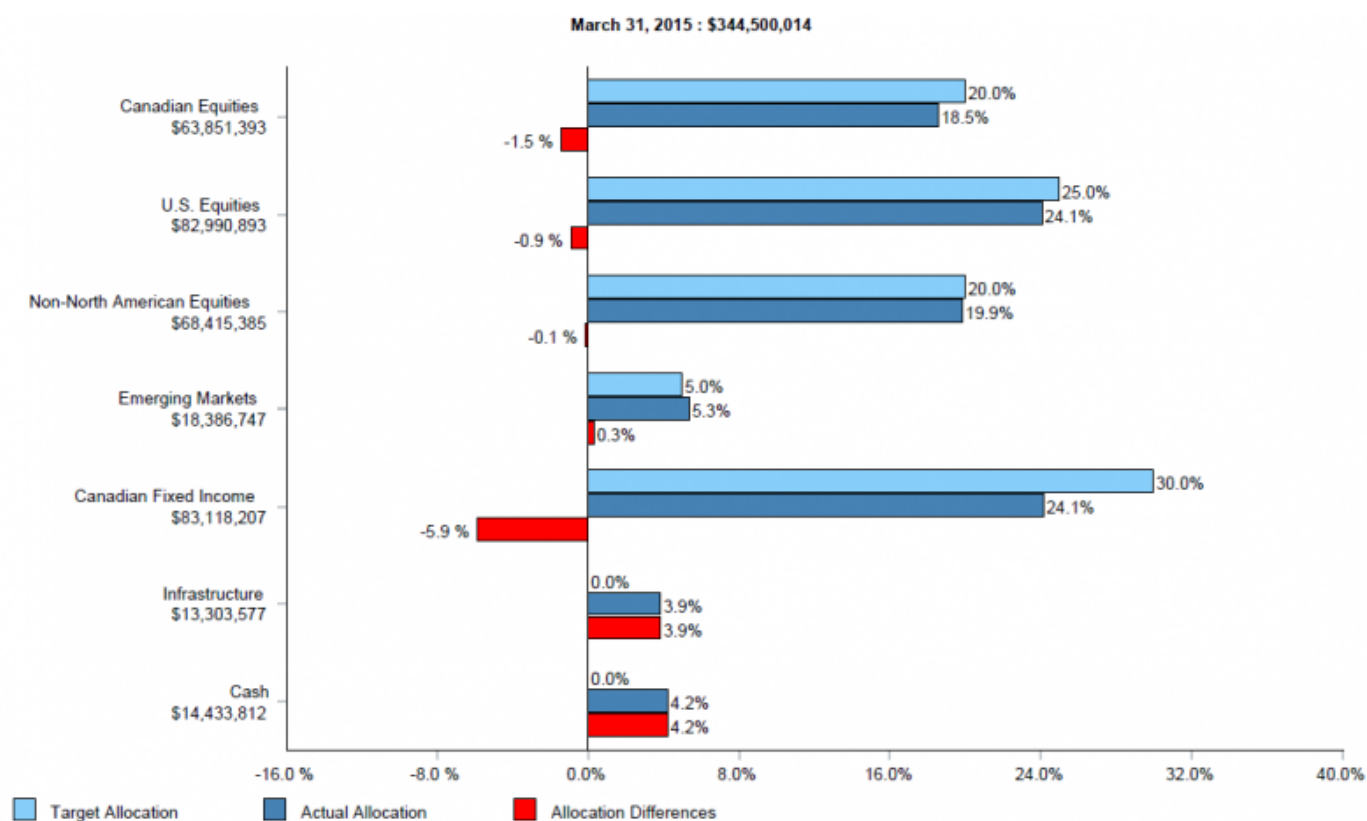
The Benchmarks do not assume currency hedging.

"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

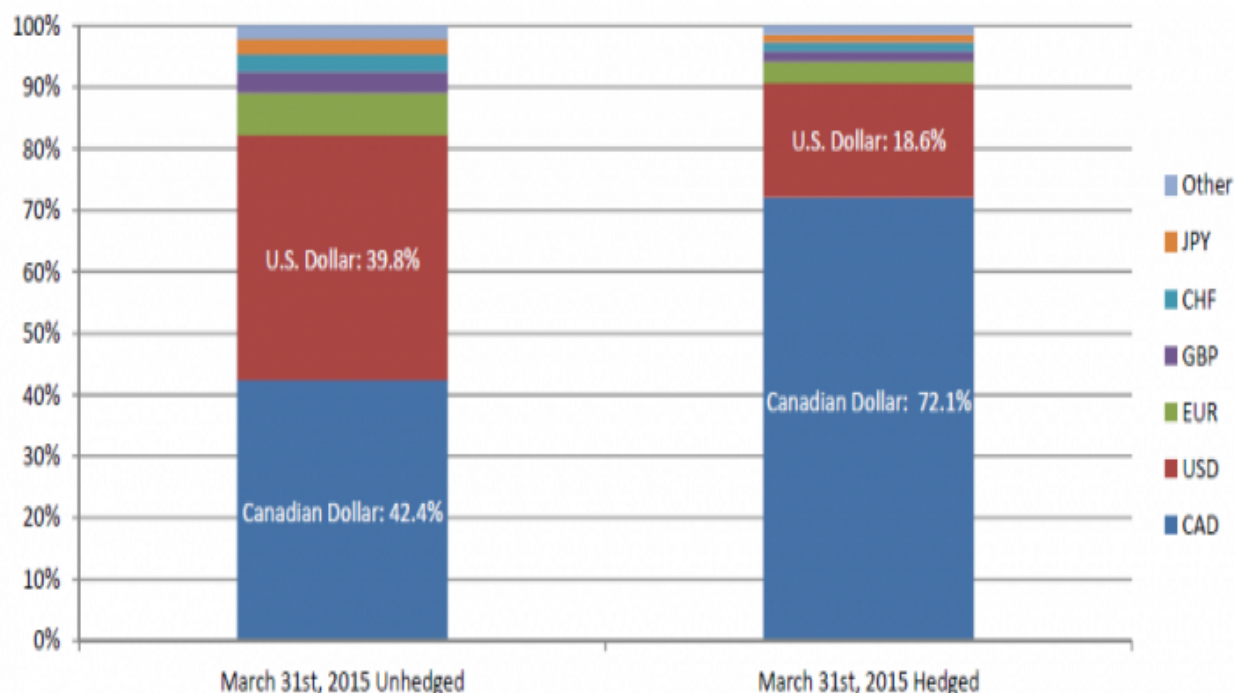
As of March 31, 2015



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).

## Endowment Currency Exposure

As of March 31<sup>st</sup>, 2015

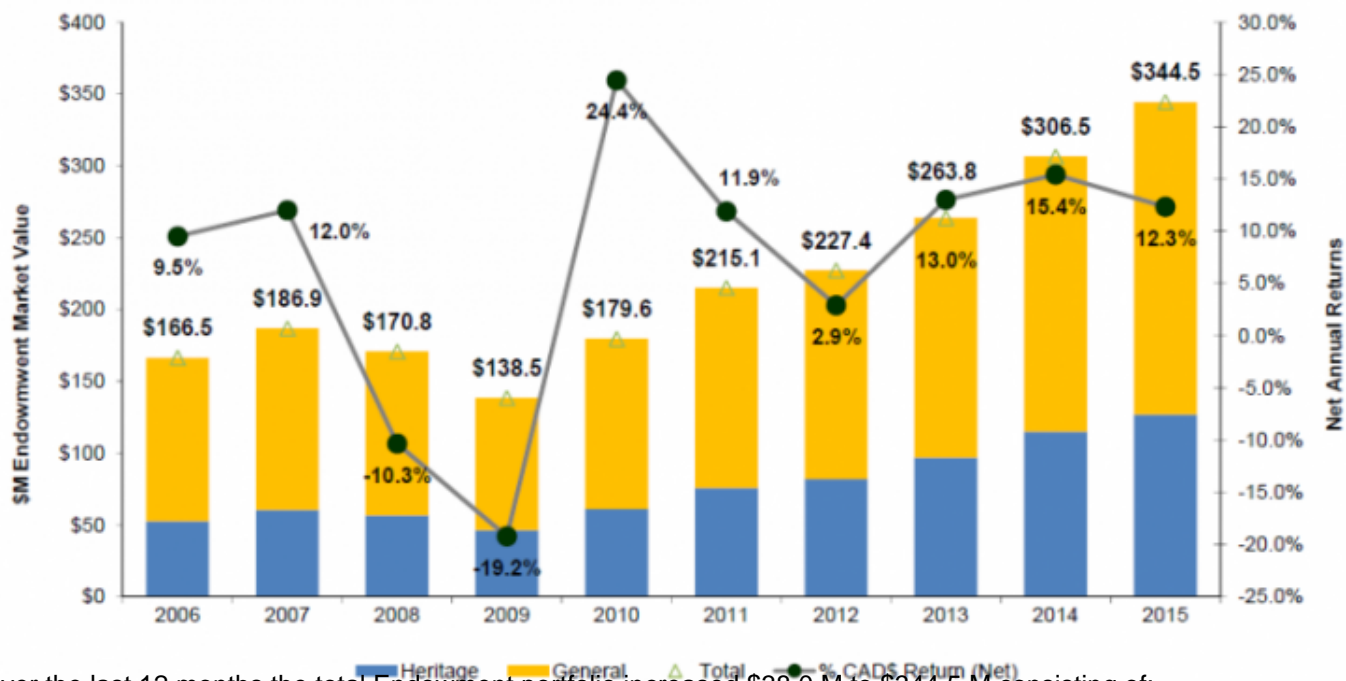


Currency	March 31, 2015 Unhedged	Gross Exposure (CAD)	Hedge (CAD)	March 31, 2015 Hedged	Net Hedged Exposure (CAD)
Canadian Dollar	42.4%	146,263,460	102,060,166	72.1%	248,323,625
US Dollar	39.8%	137,428,488	-73,369,115	18.6%	64,059,373
Euro	6.8%	23,441,768	-11,520,606	3.5%	11,921,162
British Pound	3.6%	12,260,527	-6,256,273	1.7%	6,004,254
Swiss Franc	2.7%	9,453,673	-4,617,094	1.4%	4,836,579
Japanese Yen	2.5%	8,637,524	-4,237,517	1.3%	4,400,007
Other	2.2%	7,487,012	-2,531,998	1.4%	4,955,014

Note: The Net Hedged Exposure equals the fund's original currency exposure to its total investments (Gross Exposure) plus the currency hedge implemented by Mesirow, which is designed to protect the endowment fund from excessive foreign currency fluctuations.

## Growth of Endowment Assets

## March Market Values and Net Annual Returns as of March 31<sup>st</sup>, 2015



Over the last 12 months the total Endowment portfolio increased \$38.0 M to \$344.5 M consisting of:

- Total contributions of \$7.5 M and distributions of \$7.0 M.
- 1 year return (net of investment management fees) of 12.3% compared to 15.4% for 2014.

Source URL: <https://www.uoguelph.ca/finance/march-31-2015-endowment-quarterly-investment-report>