

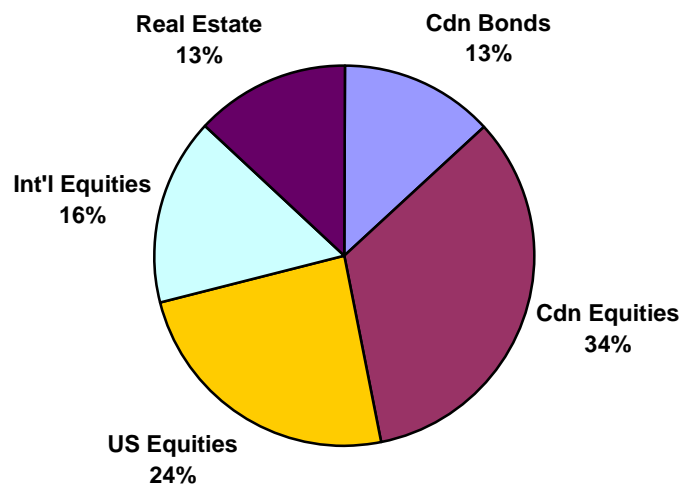


The University Investment Trust (Endowment Fund) **Quarterly Review for the period ending December 31, 2013**

The University Investment Trust (UIT) – the endowment operates as a large pooled fund that supports a wide variety of needs at the University, such as research, operating expenses, capital projects, athletics, libraries, and of course, a large part of the endowment is directed toward student support by way of scholarships, bursaries, and prizes. The endowment grows through gifts from generous donors, and through investment returns. The endowment is a key contributor to ensuring the University is successful in achieving its goals and objectives. Since the end of fiscal 2000, the endowment has grown from \$144 million to the current value of \$488 million. On top of that, there are trust and endowment funds outside of the UIT that also support various activities. Due to liquidity requirements, these funds are invested in cash equivalent and fixed income instruments. The value of these funds is currently \$50 million.

Asset Mix, Investment Managers and Investment Performance

The **asset mix** of the UIT, as at December 31, 2013



Investment Managers

- Toron AMI
 - Canadian Bonds
- Burgundy Asset Mgmt
 - Canadian Equities
- Burgundy Asset Mgmt
 - International Equities
- JP Morgan
 - US Equities
- GWL Realty Advisors
 - Real Estate

Total market value of UIT - \$488 million

Annualized Investment Performance

As at December 31, 2013

	3 mos.	1 year	2 years	4 years
Total Portfolio	7.7%	22.9%	18.1%	12.2%
Benchmark	7.0%	17.9%	13.9%	9.4%
Canadian Bonds	0.4%	-0.7%	1.2%	4.0%
Benchmark	0.4%	0.1%	1.2%	3.9%
Canadian Equities	8.0%	25.1%	19.1%	14.2%
Benchmark	7.3%	13.0%	10.1%	6.8%
U.S. Equities	14.8%	45.1%	30.1%	17.8%
Benchmark	14.2%	41.3%	26.6%	16.3%
International Equities	9.5%	29.8%	22.1%	8.0%
Benchmark	9.3%	31.0%	22.6%	8.4%
Canadian Real Estate	2.2%	10.8%	15.2%	12.8%
Benchmark	1.7%	7.6%	10.8%	11.9%

Commentary – The one-year return to the end of December 2013 was a very favorable 22.9%, the result of soaring equity markets. The endowment's large equity allocation was a winning investment strategy over the past year, with 74% of the assets invested in stock markets. The U.S equity portfolio had the strongest returns at 45.1%, a combination of the very robust stock markets in that country, and the depreciating Canadian dollar.

It is important to remember that with a large equity allocation the endowment is also exposed to higher equity risk, and so when the stock markets go down, or flatten out, the portfolio will reflect this. However, the Trust Investment Committee has somewhat mitigated this risk by having Burgundy manage two of the equity mandates. Burgundy's portfolios have downside protection built in through their investment philosophy of only investing in quality companies. These companies tend to perform relatively better in market downturns, thus capturing less of the losses related to bear markets.

It is also important to point out that the UIT's 4-year return was 12.2%, which would cover the fund's spending allocation (4.4% over that period), investment management fees (0.7%), and inflation (1.7%). Thus, there has been no erosion of purchasing power or capital over the past 4 years, which is the primary investment objective of the fund.