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UNIVERSITY OF TORONTO ASSET MANAGEMENT CORPORATION

ANNUAL REPORT 2005

UNIVERSITY OF TORONTO ASSET MANAGEMENT CORPORATION

2005

ANNUAL REPORT

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All market values and returns mentioned in this report are in Canadian dollar terms, unless otherwise stated.

MISSION

The mission of the University of Toronto Asset Management Corporation (UTAM) is to deliver consistent superior investment returns through skilled investment management applied with the highest standards of professional conduct.

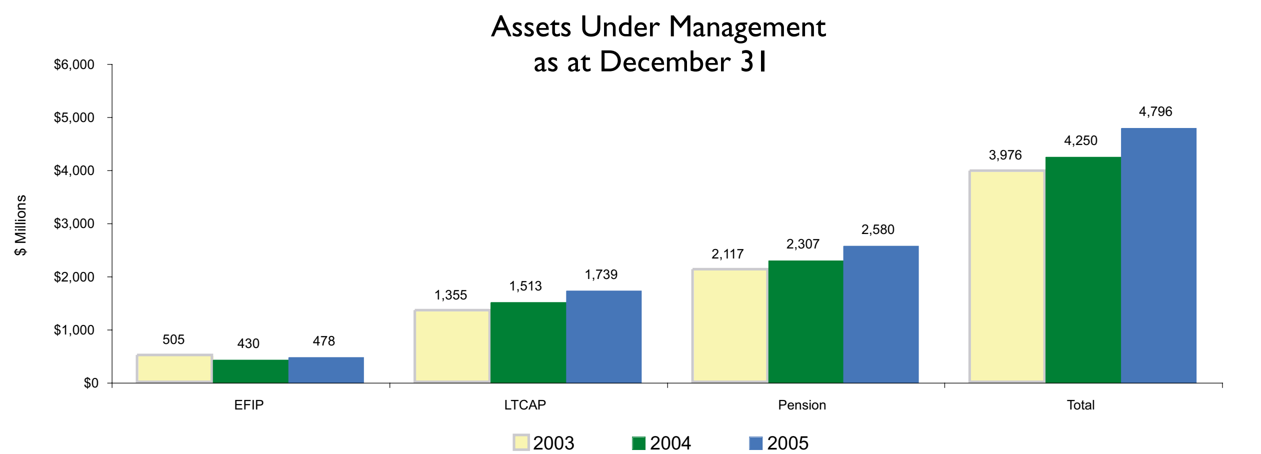
INTRODUCTION

The University of Toronto Asset Management Corporation (UTAM) was established by the University in April 2000. UTAM is an investment management subsidiary wholly owned by the University and governed by its own Board of Directors. The UTAM Board is responsible for the oversight and direction of UTAM and reports on the investments under management to the Business Board of the University of Toronto.

The audited financial statements for the operations of UTAM for the year ended December 31, 2005 are presented at the end of this report. The assets invested by UTAM, discussed below, are held by the University of Toronto and are reported, as applicable, in the University's financial statements, and in the University of Toronto Pension Plan and OISE Pension Plan financial statements.

ASSETS UNDER MANAGEMENT

EXHIBIT 1



UTAM oversees the University of Toronto's three pools of assets, which in total were valued at $4.80 billion at December 31, 2005 ($4.25 billion at December 31, 2004), an increase of 12.9%.

The Pension Master Trust (Pension) investment fund combines the assets of the University of Toronto Pension Plan and OISE Pension Plan. The market value of these assets at December 31, 2005 was $2.58 billion, an increase of $273 million (11.8%) over the previous year-end.

The Long Term Capital Appreciation Pool (LTCAP) essentially represents the endowment fund of the University. The market value at December 31, 2005 was $1.74 billion, an increase of $226 million (14.9%) over the previous year-end.

The Expendable Funds Investment Pool (EFIP) consists of expendable funds that are pooled for investment for the medium term. The nature of these assets means that the total can fluctuate significantly over time. The market value at December 31, 2005 was $478 million, an increase of $48 million over the previous year-end.

CHAIR'S REPORT

The year 2005 was another good year for our company. Our President, Mr. Felix Chee, continues his program of restructuring the company to make it leaner and more effective. Felix now has three capable senior executives reporting to him who are highly visible to the Board of Directors. They are Karen Coll, John Hsu and John Lyon and each is playing a key role.

Our Board of Directors meets on a regular basis, as do our two key committees, Audit & Compliance, and Compensation. Professor Eric Kirzner is Chair of the Audit & Compliance Committee, and Dr. Tom Simpson is Chair of the Compensation Committee. My thanks to both of them for their superb achievements.

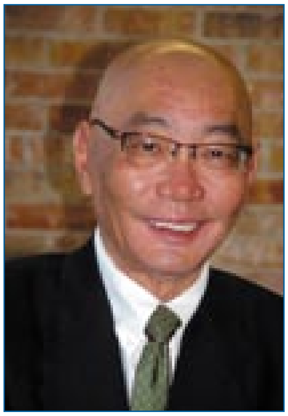
I would also like to thank the Honorable Frank Iacobucci, who served on our Board while he was acting President of the University. The new President, David Naylor, may be a very busy man, but he has demonstrated keen interest in our affairs, which we greatly appreciate.

We have had some other changes at the Board level. David Wilson was obliged to resign when he became Chairman of the Ontario Securities Commission. Thank you David for your advice while you were involved.

Fortunately, we have been bolstered by two new Directors. Ms. Florence Minz has joined the Board as the cross appointment between the Board and the University's Governing Council, and just recently Ms. Catherine (Kiki) Delaney has joined the Board. Both Florence and Kiki have served on many high level Boards and their insight and knowledge will be much appreciated.

Ira Gluskin
Chairman

PRESIDENT'S REPORT



2005 saw a continuation of restructuring at UTAM, both in terms of organization and business processes. Our senior team is now in place with Karen Coll joining us in July with responsibility for all Public Investments. John Hsu joined us in August to head up Risk Management and Operations. 2005 also saw turnover in investment staff and we have now virtually completed our organizational restructuring which began in 2004.

2005 also saw significant changes in our business model. First, we no longer manage any direct securities in-house and are now completely outsourced on investment management. The previous hybrid model was inefficient since it required two separate infrastructures to be maintained for internal and external management. Second, we also outsourced our performance management and attribution function as well as streamlining our custody structure. The combination of all these changes resulted in lower costs for staffing and operations by 10%.

We continued to build out our private equity and real assets platform adding new funds and developing new relationships. We also introduced a portable alpha program which completed its pilot phase in US Equities at the end of 2005. The results are promising and we intend to expand on the program in 2006. A major initiative in 2006 is to complete the restructuring of our public markets platform.

Portfolio performance for the Pension and Endowment funds fell short of benchmark in 2005 but both funds remained solidly in the 2nd quartile for 2005 and remain solidly in the 1st quartile over the past three years. Portfolio positioning was defensive in 2005 as we anticipated a major inflexion in capital markets which ex-post did not occur. Nevertheless, our defensive posture continues into 2006 and we are mindful that a primary objective is capital preservation. In this regard, the excess returns since 2003, over the target return specified by the University for Pension and the Endowment, cumulatively exceed $600 million. We intend to preserve this value added and build on it in 2006.

In closing, I would like to thank our Board of Directors for their support and counsel and the interest they show in our operations. We have a new team at UTAM who are dedicated and enthusiastic to deliver great results to all our stakeholders.

Felix P. Chee
President and CEO

INVESTMENT OBJECTIVES

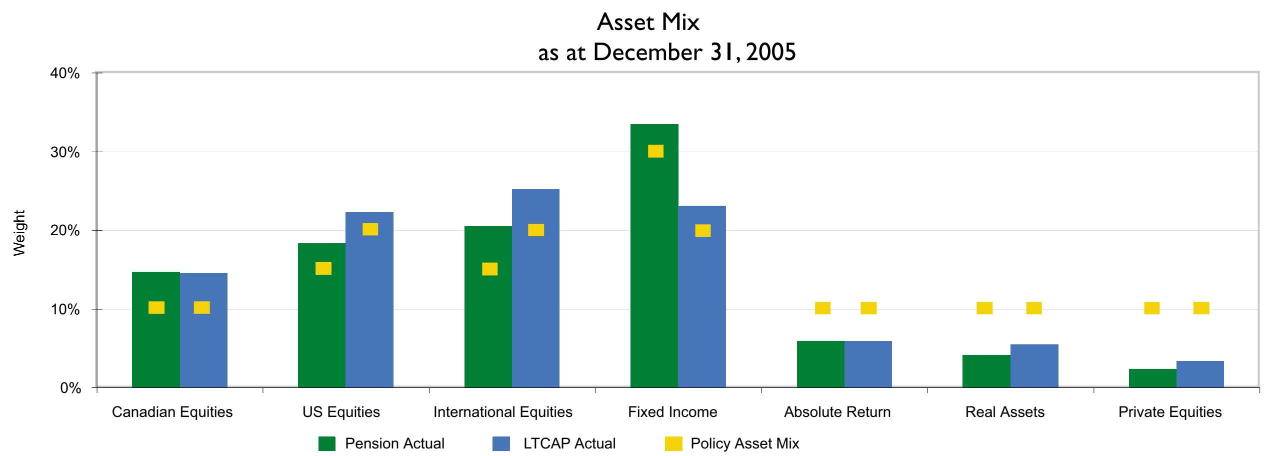
The investment objectives, in terms of risk and return, of the portfolios overseen by UTAM are reviewed on an annual basis by the University, which establishes these parameters. These will remain unchanged for 2006.

	PENSION	LTCAP
Return Target	4% real return plus fees and levies	4% real return plus fees and levies
Risk Tolerance	10% annual standard deviation of nominal returns	10% annual standard deviation of nominal returns

For EFIP, the return requirement was changed effective January 1, 2005 to be 1-year Canadian Treasury Bills plus 50 basis points, with a moderate tolerance for risk. This will remain unchanged for 2006.

ASSET MIX

EXHIBIT 2



Policy Asset Mix

UTAM develops and executes appropriate investment strategies, including the policy asset mix, based on the risk and return parameters established by the University. The policy asset mix of the portfolios is periodically subjected to a comprehensive review, in conjunction with the liability requirements of the portfolios.

In Q4 of 2005, a comprehensive asset mix study was undertaken for Pension and LTCAP. It was concluded that the existing long-term policy asset mix for LTCAP would be retained, but that the policy asset mix for Pension would be changed to match LTCAP effective January 1, 2006. The return target for Pension had been changed for 2005 such that it was the same as LTCAP. After taking this into account, and the Federal Government's formal elimination of the foreign content rules for pensions in Q3 of 2005, it was concluded that the Pension target asset mix should align with that of LTCAP.

A full review of EFIP was undertaken in early 2005, which resulted in a number of changes to the policy asset mix for that portfolio at that time. No change in policy asset mix will be made for 2006.

The Pension and LTCAP portfolios can be viewed as essentially "balanced funds", which would traditionally have about a 60% allocation to equities and 40% to fixed income. The resulting 3:2 ratio (i.e. 60:40) is roughly approximated in the overall policy asset mix. The introduction of a 30% target weight in Alternative Assets (Absolute Return, Real Assets and Private Equity allocations of 10% each) provides the opportunity for diversification benefits, through lower correlations, and enhanced return potential. In addition, the Absolute Return allocation provides the opportunity for lower volatility and the Real Assets allocation provides a hedge against inflation.

For EFIP, the primary consideration was liquidity. The asset mix is primarily in cash and short-term fixed income, with medium term bonds and absolute return hedge funds providing return enhancement. The amount allocated for these two components reflect the core amount in EFIP that is not subject to seasonal fluctuations.

Actual Asset Mix

There are two key sources of divergence between the policy asset mix, or target weight, and the actual asset mix.

Firstly, UTAM management has the discretion to diverge from the policy asset mix to a pre-determined modest limit, which depends on the size of the target weight (i.e. more latitude for larger target weights).

Secondly, participation in Private Equity and Real Assets requires significant time and effort to source and transact investments, compared to public market securities. As a result, holdings accumulate slowly over time such that the actual asset mix builds gradually towards the policy asset mix. In the interim while holdings are built, UTAM allocates the underweight from the target, on a pro rata basis, to the public market equities and fixed income. This reallocation process creates near-term target weights (not shown in Exhibit 2) that provide the flexibility for a disciplined build-up in the Private Equity and Real Assets holdings over time, towards the policy asset mix shown in Exhibit 2.

Absolute Return holdings can be built up to target levels more quickly than Private Equity and Real Assets holdings. The shortfall from policy asset mix at year-end simply reflects a less than complete build-out of this program, as we continue to source new absolute return fund–of-fund managers to complete the significant overhaul of this program that was started in Q4 of 2004.

Foreign Exchange Exposure

The underlying philosophy at UTAM is to exploit global opportunities. This focus results in foreign exchange exposure. To control the volatility from foreign currency fluctuations impacting overall returns, a hedging policy with varying hedge ratios for different asset classes was established in 2003 and remains in place. The hedge ratios for the applicable benchmarks are: (i) 50% for Equities and Real Assets; (ii) 100% for Non-Canadian Fixed Income; and (iii) 75% for Absolute Return.

The 50% hedge ratio for Equities and Real Assets reflects a “minimum regret” outcome on hedging. For Fixed Income, where stable returns are desired, the 100% hedge ratio insulates the asset class from foreign exchange fluctuations but expands the opportunity set for bonds to the global bond markets. The 75% hedge ratio for the Absolute Return category recognizes that the strategies employed reflect both bonds and equities. An active overlay strategy, within operating limits, is employed in managing the foreign exchange exposure. The results of this active overlay strategy are provided in Exhibit 6.

INVESTMENT PERFORMANCE

UTAM evaluates investment performance in three key ways: (i) versus the University's return target; (ii) versus passive index returns (benchmarks) at the portfolio and asset class levels; and (iii) versus peers on overall portfolio level performance.

Performance Versus University's Return Target

The return target specified by the University for both Pension and LTCAP is a 4% real return plus fees and levies. For EFIP, the target is 1-year Canadian Treasury Bills plus 50 basis points.

Performance in 2005 substantially exceeded these return targets, by 554 basis points for Pension, 481 basis points for LTCAP and 115 basis points for EFIP.

Over the past 3 years (2003-2005), UTAM has generated cumulative value added of $614 million above the return target for Pension and LTCAP combined. This represents 14.2% of the total value of these portfolios at December 31, 2005.

The return target for EFIP (which is also the benchmark) was reset at the beginning of 2005. For the year, UTAM generated value added of almost $5 million above the return target.

The detailed results are provided in Exhibits 3 and 4.

Performance Versus Benchmarks

The investment performance results versus benchmarks for 2005 largely reflect partial completion of a portfolio restructuring process for Public Investments (mainly Equities) that was commenced partway through the year, and our defensive portfolio positioning at the beginning of the year. The detailed results, discussed below, are provided in Exhibits 5 and 6.

Performance for Pension and LTCAP in 2005 did not exceed the benchmarks for these portfolios (negative value added of 64 basis points for Pension and 142 basis points for LTCAP). For EFIP, there was substantial out performance, with value added of 115 basis points above the benchmark. The reasons for these performance results are outlined below.

Public Equities

The restructuring of the external manager line-up for Public Investments got partially underway in 2005. Progress on this initiative was delayed somewhat by senior level staff changes, which led to the recruitment in Q3 of a new Managing Director of Public Investments. As a result, the US Equities and International Equities components of Pension and LTCAP had a heavier weight of index holdings than target, as we had terminated some active managers but not yet placed funds with new active managers. The excess weight of index holdings created performance drag versus the benchmark.

The restructuring process for our external manager line-up was reactivated in the latter part of the year. Completion of this restructuring is a very high priority for the first part of 2006, and will result in a notable reduction of indexed US and International Equities as funds are moved to active managers in these asset classes.

Some of the negative value added in US Equities was offset by our implementation, mid-year, of an Alpha Transport program within a portion of the US Equity allocation. Through this Alpha Transport program, we overlay the returns of certain Alternative Assets onto US Equity index futures holdings. The pilot program for this Alpha Transport initiative added value in 2005 and we are considering an expansion of the program in 2006.

Public Fixed Income

For Fixed Income, the High Yield component in LTCAP continued to add notable value (267 basis points above the benchmark in 2005). However, overall, Fixed Income showed negative value added versus benchmarks for the year, due to nominal bond holdings (real return bonds performed at benchmark). This under performance was due to two main factors.

Firstly, this asset class was positioned defensively at the beginning of 2005, with duration shorter than the benchmark. This was in anticipation of higher interest rates and more difficult credit conditions. As the year progressed and rates declined further, the duration was moved towards the benchmark duration.

Secondly, Fixed Income was the one area where some of the assets were historically managed in-house, which was inconsistent with the basic UTAM business model of hiring external managers. The departure of the Director of Fixed Income in Q3 of 2005 provided the opportunity for two initiatives: (i) cost savings through further consolidating the oversight of Public Investments under a single Managing Director (previously, this was overseen by several Senior staff at UTAM); and (ii) outsourcing of the remaining assets managed in-house, which provides the opportunity for more optimal management of these assets and a reduction of operational risks. The transition of these assets to external managers, initially on a passive index basis, created some performance drag versus benchmarks. We expect to deploy a portion of these Fixed Income assets into active management during 2006.

Absolute Return

During 2005 we completed a major restructuring of the hedge fund holdings that comprise this asset class. Until Q4 of 2004, the holdings in this asset class had been comprised of direct holdings in hedge funds. A strategic decision was made in Q3 of 2004 to migrate from these direct holdings to fund-of-funds. The migration provided a significant reduction in risk and an improvement in return versus what had been held before.

The migration was largely completed by the end of Q1 2005. However, we continue to explore ways in which this program can be further improved, and as a result have not moved fully to target levels. 2005 was a difficult year for hedge funds, as low interest rates, tight credit spreads and low equity market volatility detracted from opportunities for profitable trading strategies. Although this category shows negative value added for the year, this is in the context of a benchmark that was set a number of years ago when the performance of hedge funds was at higher levels across-the-board. The current benchmark for Absolute Return roughly equates to the investment performance of a “CCC” rated 10-year bond. The actual performance for 2005 roughly equates to the investment return of a “B” rated 10-year bond, but at only 1/5th the risk level of high yield bonds.

Most of the underlying holdings in our Absolute Return program are US$ denominated. The Absolute Return program generated returns of about 150 basis points above US Equities in 2005.

Currency

Currency was once again a significant issue in 2005. Our active currency manager contributed positively for the year, as shown in Exhibit 6.

EXHIBIT 3

Total Fund Net Rate of Return for Years Ended December 31

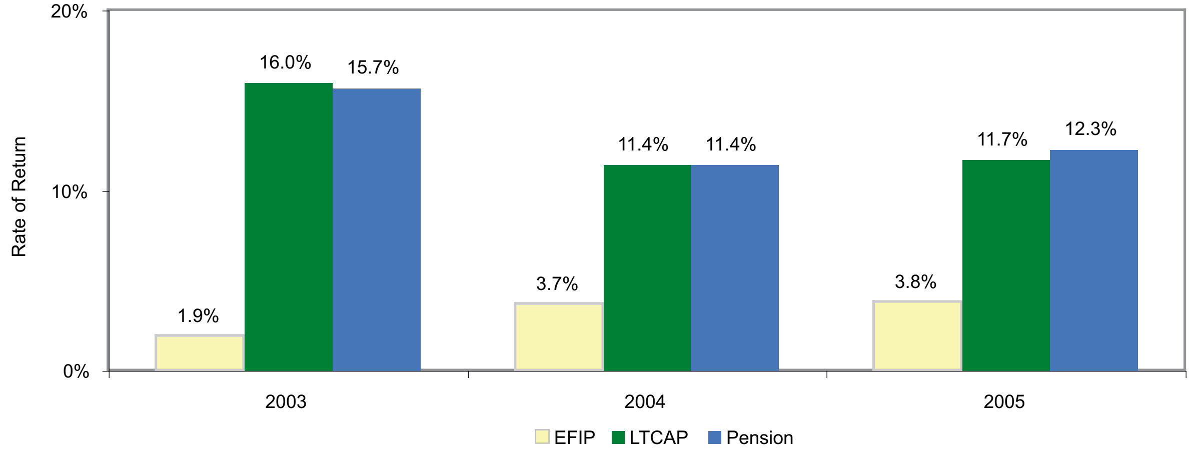
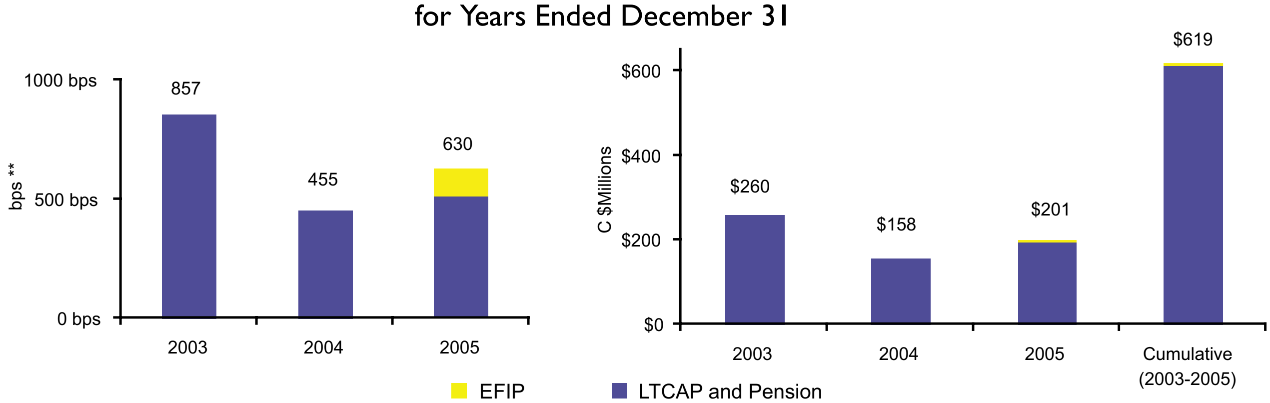


EXHIBIT 4

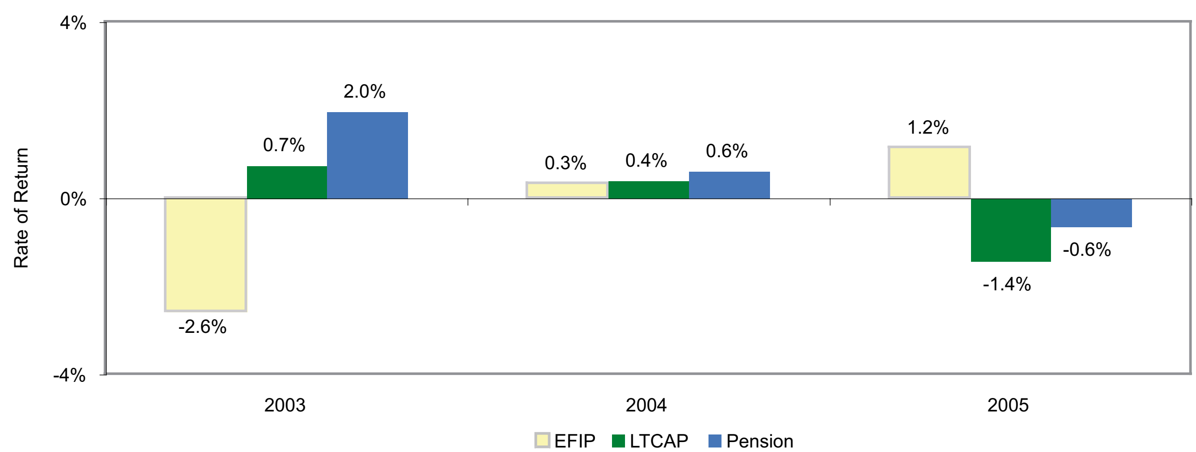
Value Added Versus University Return Target * for Years Ended December 31



* Value Added refers to the actual return, net of fees, less the benchmark return.
** bps = basis points.

EXHIBIT 5

Value Added Versus Benchmarks* for Years Ended December 31



* Value Added refers to the actual return, net of fees, less the benchmark return.

Rates of Return and Comparison to Benchmarks for Periods Ended December 31, 2005

	Rate of Return (%)		Value Added* (%)	
	1-Year	3-Year	1-Year	3-Year
PENSION				
Canadian Equities	24.3	22.4	0.2	0.7
US Equities (in USD)	4.8	16.2	(1.4)	0.3
International Equities	10.1	12.6	(1.1)	0.3
Fixed Income – Total	11.3	10.0	(0.5)	(0.3)
Nominal Bonds	*9.3*	*8.1*	*(0.8)*	*(0.8)*
Real Return Bonds	*15.2*	*n.a.*	*0.0*	*n.a.*
Absolute Return (in USD)	6.4	7.3	(1.7)	0.6
Total Fund Unhedged	**10.1**	**10.1**	**(1.0)**	**(0.5)**
Currency Overlay	*2.2*	*3.0*	*n.a.*	*n.a.*
Total Fund Including Hedging	**12.3**	**13.1**	**(0.6)**	**0.6**
LTCAP				
Canadian Equities	24.2	23.3	0.0	1.6
US Equities (in USD)	5.0	17.9	(1.1)	2.0
International Equities	10.2	13.4	(1.0)	1.1
Fixed Income – Total	11.3	10.9	(1.3)	(0.2)
Nominal Bonds	*9.1*	*7.9*	*(1.0)*	*(1.0)*
Real Return Bonds	*15.2*	*n.a.*	*0.0*	*n.a.*
High Yield Bonds (in USD)	*5.5*	*16.4*	*2.7*	*3.2*
Absolute Return (in USD)	6.3	5.5	(1.8)	(1.2)
Total Fund Unhedged	**8.9**	**8.6**	**(1.8)**	**(2.3)**
Currency Overlay	*2.8*	*4.6*	*n.a.*	*n.a.*
Total Fund Including Hedging	**11.7**	**13.2**	**(1.4)**	**0.0**

Asset Class	Benchmark	Rate of Return (%)	
		1-Year	3-Year
Canadian Equities	S&P/TSX Composite Index	24.1	21.7
US Equities (USD)	Russell 3000	6.1	15.9
International Equities	MSCI EAFE	11.2	12.3
Nominal Bonds	50% SC Universe + 50% SC Long	10.1	8.9
Real Return Bonds	SC Real Return Bonds	15.2	15.3
High Yield Bonds (USD)	Merrill Lynch High Yield Bond Index	2.8	13.2
Absolute Return (USD)	LIBOR (3-month) + 450 basis points	8.1	6.7

* Refers to the actual return, net of fees, less the benchmark return.

Performance Versus Peers

The Total Fund performance versus peers, of Pension and LTCAP, was high/mid in the second quartile on a 1-year basis for 2005. On a 3-year basis, performance was 1st quartile for both portfolios; a significant improvement from 2004, when Pension was low 2nd quartile and LTCAP was low 3rd quartile.

This strong performance was generated despite some of the challenges from restructuring and portfolio positioning described above, which are reflected in the asset class rankings for US Equities and International Equities in Exhibit 7 below. Asset class level performance for Canadian Equities and Fixed Income remains quite strong.

EXHIBIT 7

Peer Comparison Percentile Ranking *
for Periods Ended December 31

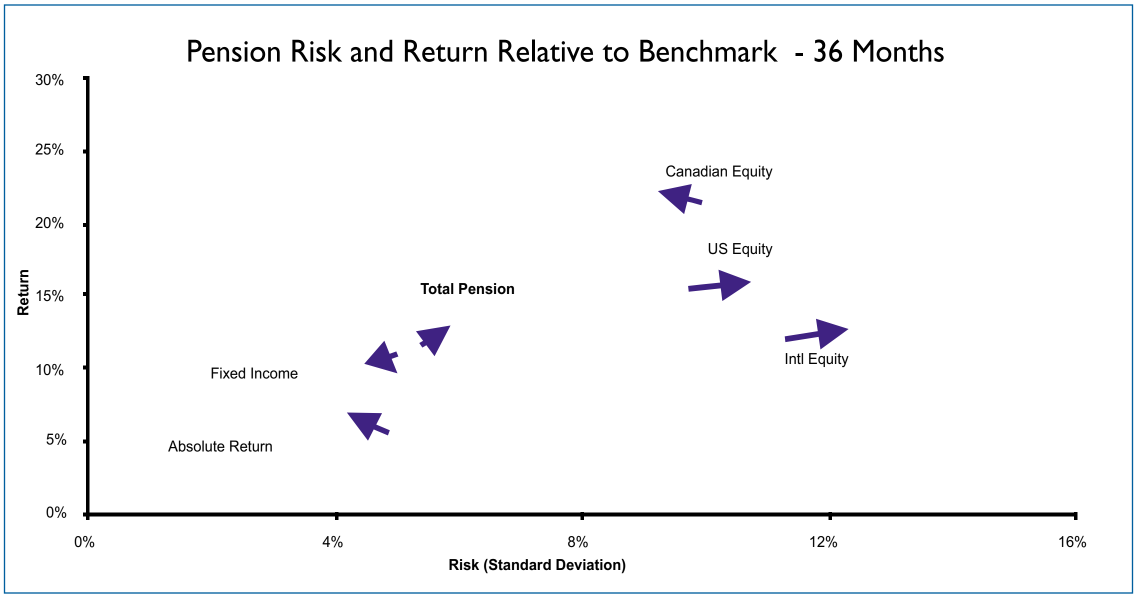
	Pension				LTCAP			
	2005		2004		2005		2004	
	1-Year	3-Year	1-Year	3-Year	1-Year	3-Year	1-Year	3-Year
Total Fund	**30**	**14**	**18**	**45**	**36**	**12**	**17**	**67**
Canadian Equities	36	33	33	14	37	17	12	11
US Equities **	64	54	56	51	61	42	58	41
International Equities **	60	40	36	35	59	33	36	31
Fixed Income	11	14	2	13	11	8	1	4

* RBC Global Services Balanced Fund and Asset Class Universes.

** Unhedged CDN$ returns.

Risk Versus Return

EXHIBIT 8



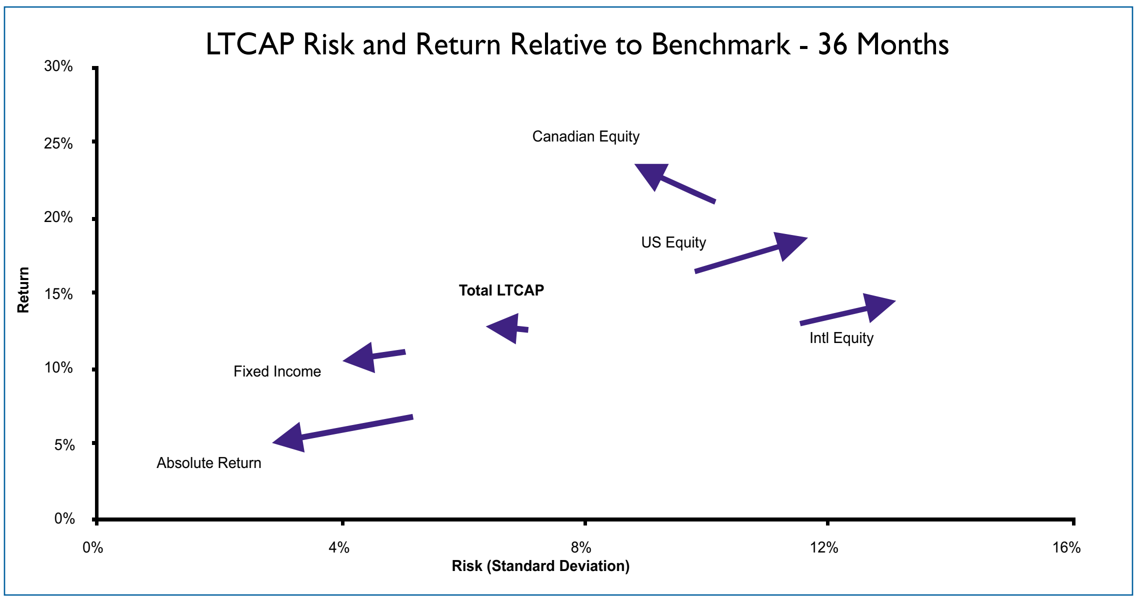


Exhibit 8 maps the actual versus benchmark risk/return position of Pension and LTCAP, and the individual asset classes within each of these portfolios. The base of each arrow represents the risk/return point of the benchmark, while the head of each arrow represents the actual position of the portfolio or asset class. The arrow's direction indicates how active management has altered the risk/return profile versus the benchmark. Overall, the arrows indicate that Fixed Income and Absolute Return contributed to lower portfolio risk which offset the higher than benchmark risk of US and International Equities. Overall portfolio risk/returns were close to benchmark.

AUDITORS' REPORT

To the Directors of
University of Toronto Asset Management Corporation

We have audited the balance sheet of **University of Toronto Asset Management Corporation** as at December 31, 2005 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 20, 2006.

Ernst & Young LLP
Chartered Accountants

BALANCE SHEET

AS AT DECEMBER 31

	2005 $	2004 $
ASSETS		
Current		
Cash	**22,281**	1,602
Due from University of Toronto *[note 6]*	**436,125**	443,816
Accounts receivable	**—**	8,059
Prepaid expenses	**17,599**	70,094
Total current assets	**476,005**	523,571
Capital assets, net *[note 4]*	**374,655**	—
	850,660	523,571
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**476,005**	383,541
Deferred compensation plan payable *[note 7]*	**—**	140,030
Total current liabilities	**476,005**	523,571
Deferred capital contributions *[note 5]*	**374,655**	—
Net assets	**—**	—
	850,660	523,571

See accompanying notes

On behalf of the Board of Directors

Ira Gluskin

Ira Gluskin
Chairman

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31

	2005 $	2004 $
EXPENSES		
Staffing *[note 6]*	**2,199,037**	2,806,690
Reorganization charges *[note 8]*	**540,152**	977,618
Relocation	**30,348**	—
Occupancy	**159,778**	141,697
Consulting fees	**201,956**	137,993
Office supplies and services	**81,042**	87,508
Professional fees	**122,018**	125,696
Communications and information technology support	**306,198**	403,827
Travel	**81,479**	85,372
Amortization of leasehold improvements	**2,997**	—
	3,725,005	4,766,401
RECOVERIES AND OTHER INCOME		
Recoveries from University of Toronto *[note 6]*	**3,696,745**	4,734,837
Amortization of deferred capital contributions	**2,997**	—
Other income	**25,263**	31,564
	3,725,005	4,766,401
Net income for the year	**—**	—
Net assets, beginning of year	**—**	—
Net assets, end of year	**—**	—

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

1. RELATIONSHIP WITH THE UNIVERSITY OF TORONTO

University of Toronto Asset Management Corporation ["UTAM"] is a corporation without share capital incorporated on April 25, 2000 by the Governing Council of the University of Toronto [the "Governing Council"] under the Corporations Act (Ontario). UTAM is a non-profit organization under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

The principal objectives of UTAM are to create added value by providing both current and future financial resources for the University of Toronto ["U of T"] and its pension funds that will contribute to globally recognized education and research.

2. BASIS OF PRESENTATION

These financial statements present the financial position and operations of UTAM as a separate legal entity. The securities representing the investments of the funds of U of T are held on behalf of U of T in the names of such trustees or nominees as may be directed by UTAM, but not in the name of UTAM.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of UTAM have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Financial instruments

The carrying values of UTAM's financial instruments approximate their fair values.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of recoveries and expenses during the reporting period. Actual results could differ from those estimates.

Capital assets

Leasehold improvements are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the lease term of ten years and six months [note 6[d]].

DECEMBER 31, 2005

Revenue recognition

Recoveries from U of T are recorded when expenses are incurred. Recoveries related to the purchase of capital assets are deferred and amortized over the life of the related capital asset. Service revenue is recorded when services are rendered.

Employee future benefits

UTAM's contributions to U of T's employee future benefit plans are expensed when due *[note 6[b]]*.

4. CAPITAL ASSETS

Capital assets consist of the following:

	2005		
	Cost	Accumulated amortization	Net book value
	$	$	$
Leasehold improvements	**377,652**	**2,997**	**374,655**

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of recoveries from U of T received in connection with the purchase of capital assets. The amortization of deferred capital contributions is recorded as income in the statement of operations and changes in net assets. The continuity of deferred capital contributions is as follows:

	2005	2004
	$	$
Balance, beginning of year	—	—
Recoveries received during the year related to capital asset purchases	**377,652**	—
Amortization of deferred capital contributions	**(2,997)**	—
Balance, end of year	**374,655**	—

6. RELATED PARTY TRANSACTIONS

[a] In accordance with the amended and restated Service and UTAM Personnel Agreement dated May 14, 2003 between the Governing Council of U of T and UTAM, U of T will reimburse UTAM for its services an amount which will enable it to recover the appropriate costs of operations. The U of T reimburses UTAM on a quarterly basis based on the approved budget. As at December 31, 2005, $436,125 is due from U of T [$443,816 in 2004], reflecting the net amount yet to be reimbursed.

[b] Eligible employees of UTAM are members of U of T's pension plan and participate in other employee future benefit plans offered by U of T. In 2005, contributions of $85,143 [$94,937 in 2004] related to these plans have been expensed.

[c] UTAM obtains certain services from U of T, such as payroll, IT support and internal audit. There is a charge for some of these services. U of T pays UTAM's salaries, benefits and certain other costs and is reimbursed by UTAM.

[d] UTAM and U of T are currently negotiating a lease for the premises now occupied by UTAM. The lease will be signed by U of T, however, the lease payments will be paid by UTAM.

[e] Transactions with U of T are measured at the exchange amount which is the amount of consideration agreed to by the parties. Amounts due to/from U of T are non-interest bearing and due on demand.

7. DEFERRED COMPENSATION PLAN

Effective 2004, UTAM entered into a revised incentive compensation plan with its employees, which is based on the achievement of specific benchmarks and objectives approved by its Board of Directors. On approval of the Board of Directors after year end, the full amount, which is recorded as a payable in the current year's financial statements, is paid out immediately. The previous compensation agreement contained a deferral component whereby 50% of the amount payable was paid out immediately and the balance was deferred, to be expensed over the vesting period which did not exceed three years. The payment of the deferred compensation was subject to the employees meeting certain conditions of employment. As at December 31, 2005, there are no amounts payable in connection with the deferred compensation plan [$140,030 in 2004].

8. REORGANIZATION CHARGES

During 2005 and 2004, UTAM undertook a number of staff reorganization initiatives. The onetime staff costs associated with these initiatives are presented as reorganization charges.

9. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented, since, in the opinion of management, the information it would contain is readily apparent from the other financial statements.

10. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 financial statements.

UTAM BOARD OF DIRECTORS

(as at March 31, 2006)

Ira Gluskin
Chairman of the Board

Ira Gluskin and Gerry Sheff founded Gluskin Sheff + Associates in 1984. Ira continues to be President and Chief Investment Officer. Prior to 1984 Ira worked for a prominent life insurance company, a prominent research brokerage firm and a prominent mutual fund manager. All three have disappeared in the financial services consolidation that has occurred. Ira is active in a variety of business, community and cultural organizations. He is chairman of the University of Toronto Asset Management Corporation. Ira is Chair of the Investment Advisory Committee for the Jewish Foundation of Greater Toronto and a member of the Foundation Board. He is also a member of the Mount Sinai Hospital investment and Budget Committees, as well as being a member of its Foundation. Ira is noted for his outspoken and provocative views on all aspects of business and on the income trust and real estate sectors in particular.

JOSEPH L. ROTMAN, **Vice Chair**
Roy-L Capital Corporation, Chairman and CEO

ERIC F. KIRZNER, **Chair of the Audit and Compliance Committee**
Rotman School of Management, Professor of Finance

THOMAS H. SIMPSON, **Chair of the Compensation Committee**

FELIX P. CHEE
University of Toronto Asset Management Corporation, President and CEO

CATHERINE A. DELANEY,
C.A. Delaney Capital Management, President

WILLIAM E. HEWITT

DAVID C. NAYLOR
University of Toronto, President

ANTHONY R. MELMAN
Onex Corporation, Special Advisor, Strategic Acquisitions

FLORENCE R. MINZ
Swindon Investments Ltd., President

ROBERT W. MORRISON

JAMES J. MOSSMAN
Retired Senior Managing Director and CIO of The Blackstone Group

CATHERINE J. RIGGALL
University of Toronto, VP Business Affairs

NEIL H. DOBBS, Secretary
University of Toronto, Deputy Secretary to the Governing Council

Master Custodian

State Street Trust Company Canada
State Street Financial Centre
Toronto, Ontario M5C 3G6

Auditors

Ernst & Young LLP
Ernst & Young Tower
Toronto, Ontario M5K 1J7

UTAM CORPORATION

(as at March 31, 2006)

Felix P. Chee
President and Chief Executive Officer

President and CEO of University of Toronto Asset Management Corporation. He was previously Vice President of Business Affairs at the University of Toronto. Prior to joining the University of Toronto he held the positions of Executive Vice President and Chief Investment Officer at Manulife Financial; Senior Vice-President of Corporate Finance at Ontario Hydro Corporation; and Senior Investment Officer of the International Finance Corporation at the World Bank Group. He currently serves as Director of The University of Toronto Innovation Foundation, MaRS, CenterPlate, Ontario Infrastucture Projects Corporation and also UTAM. Felix holds a Bachelor of Technology (Honours) from Loughborough University of Technology; a Masters of Science from the Imperial College of Science and Technology; and a Masters of Business Administration from York University.

John L. W. Lyon, CFA, CA
Managing Director, Investment Strategy

Karen J. Coll, CFA
Managing Director, Public Investments

John T. Hsu, MBA, CMA
Managing Director, Risk Management And Operations

Lisa Chung
Manager, Operations

Ryan Connolly, CFA
Investment Analyst

Amanda He
Investment Analyst

Vera Lau
Investment Operations Coordinator

Jillian Miranda
Administrative Assistant

Michael Notto, CFA
Investment Analyst

Tiffany Palmer
Manager, Compliance

Roslyn Zhang, CFA
Portfolio Analyst

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