

# **Mid-Year Investment Review**

**Business Board Meeting  
Monday, September 24, 2012**



**University of Toronto Asset  
Management Corp**

# Performance Summary

Performance Summary - June 30, 2012						
	Net Return					Assets (\$MM)
	3 Months	YTD	1 Year	2 Years	4 Years	
<b>Actual Portfolio Return:</b>						
LTCAP	-1.06%	3.01%	0.85%	6.72%	-2.76%	\$1,730.5
Pension	-1.42%	3.06%	0.94%	6.64%	-2.85%	\$2,580.7
EFIP	0.62%	0.77%	2.31%	2.20%	1.88%	\$978.6
LTCAP-PM	-2.33%	3.20%	n.a.	n.a.	n.a.	\$26.8
<b>Benchmark Portfolio Return:</b>						
LTCAP <sup>1</sup>	-1.92%	2.12%	-0.19%	6.00%	-1.60%	
Pension <sup>2</sup>	-2.12%	2.41%	0.21%	6.06%	-1.66%	
EFIP <sup>3</sup>	0.52%	0.76%	1.86%	1.95%	2.55%	
LTCAP-PM <sup>4</sup>	-2.05%	3.54%	n.a.	n.a.	n.a.	
<b>Reference Portfolio Return:</b>						
LTCAP <sup>1</sup>	-1.92%	2.48%	0.82%	7.36%	2.15%	
Pension <sup>2</sup>	-1.96%	2.23%	0.58%	7.23%	2.09%	
EFIP <sup>3</sup>	0.52%	0.76%	1.86%	1.95%	2.55%	
LTCAP-PM <sup>4</sup>	-2.05%	3.54%	n.a.	n.a.	n.a.	
<b>University Targets:</b>						
CPI + 4%	0.51%	1.92%	5.51%	6.35%	5.36%	
365 day T-Bill + 0.5%	0.52%	0.76%	1.86%	1.95%	2.55%	

1. New Reference Portfolio is effective March 2012; BM portfolio also becomes the new Reference Portfolio.

2. New Reference Portfolio is effective May 2012; BM portfolio also becomes the new Reference Portfolio.

3. BM and Reference portfolio are the 365-day Cdn. T-Bill Index return plus 50 basis points.

4. New Reference Portfolio is effective October 2011; BM portfolio is the new Reference Portfolio.

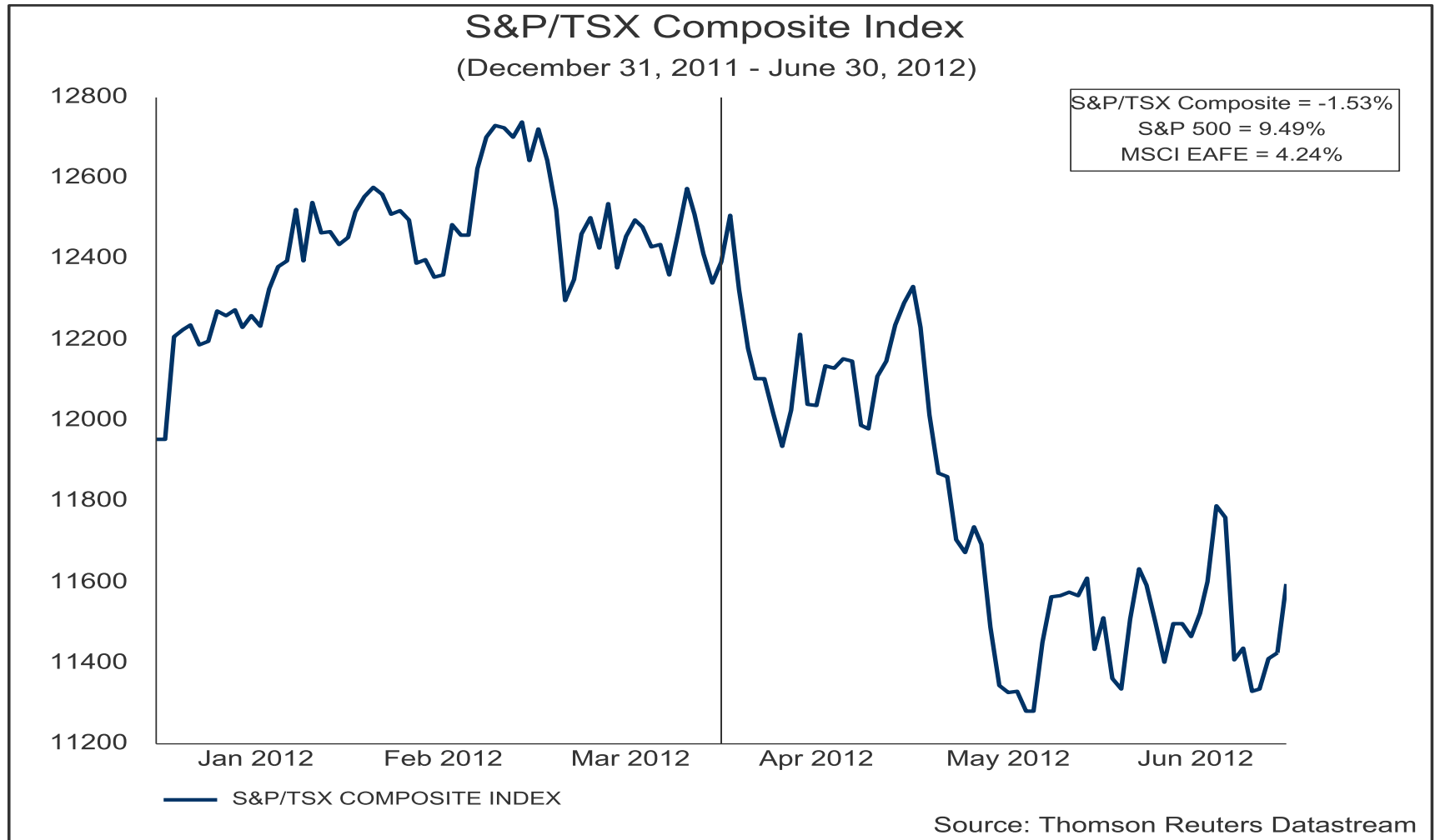


# Asset Class Performance

Selected Market Benchmarks						
	Net Return					
	Q1	Q2	YTD	1 Year	2 Years	4 Years
<b>Market Benchmarks:</b>						
<b>Equity:</b>						
S&P/TSX (CAD)	4.39%	-5.67%	-1.53%	-10.25%	4.15%	-2.53%
S&P 500 (USD)	12.59%	-2.75%	9.49%	5.45%	17.39%	3.86%
MSCI EAFE (Local)	10.22%	-5.43%	4.24%	-8.59%	1.77%	-4.03%
MSCI EM (Local)	10.69%	-5.26%	4.87%	-6.58%	4.46%	1.13%
<b>Fixed Income:</b>						
DEX Universe (CAD)	-0.21%	2.25%	2.03%	9.50%	7.06%	7.00%
DEX Government (CAD)	-0.80%	2.42%	1.60%	9.76%	7.03%	6.55%
DEX Corporate (CAD)	1.42%	1.76%	3.21%	8.77%	7.11%	8.29%
<b>Foreign Exchange:</b>						
US Dollar	-1.84%	2.00%	0.12%	5.63%	-2.05%	0.12%
Euro	0.69%	-2.80%	-2.13%	-7.54%	-0.30%	-5.23%



# A Challenging Period For Equity Investors



# A Changed Asset Allocation

(Percentages)

Pension - June 30, 2012							
	Old		Old		New Reference Portfolio <sup>3</sup>		Transitional
	Reference		Benchmark		Target	Limits	Reference
	Portfolio <sup>1</sup>		Portfolio <sup>2</sup>			Min    Max	Portfolio <sup>4</sup>
Canadian	30		14		16	11    21	19.8
US	15		14		18	13    23	18
EAFE	15		17		16	11    21	16
EM	n.a.		0		10	5    15	6.2
<b>Equity</b>	60		46		60	50    70	60
<b>Credit:</b>					20	10    25	20
<b>Rates:</b>					20	10    30	20
Absolute Return							
Cash	0		0				
<b>Other</b>					0	0    15	0
<b>Fixed Income</b>	40		20		40		40
<b>Hedge Funds</b>	n.a.		15		n.a.		n.a.
<b>Private Investments</b>	n.a.		14		n.a.		n.a.
<b>Real Assets</b>	n.a.		6.3		n.a.		n.a.
<b>Total</b>	100		100		100		100
<b>FX Exposure</b>	15		n.a.		18.5	5    25	14.7

1. Introduced in 2009.

2. Benchmark against which Portfolio Performance was traditionally measured; values as of December 31, 2011.

3. Adopted May 2012.

4. Transitional benchmark while Emerging Markets exposure built out.



# Current Asset Allocation and Limits

(Percentages)

Pension - June 30, 2012					
	Transitional		Actual	Outside	---- Limits ----
	Reference		Portfolio	Band	Min. Max.
	Portfolio		%		% %
Canadian	19.8		20.0	N	11 21
US	18		17.6	N	13 23
EAFE	16		16.2	N	11 21
EM	6.2		6.2	N	5 15
Equity	60		60.0		50 70
Credit:	20		19.7	N	10 25
Rates:	20		9.9	Y	10 30
Absolute Return			10.0		
Cash			0.4		
Other	0		10.4	Y	0 10
Total	100		100		
FX Exposure:	14.7		18.2	N	5 25



# Performance vs. Reference Portfolio

Performance Attribution - YTD 2012			
	LTCAP	Pension	LTCAP-PM
<b>Reference Portfolio (CAD):</b>	<b>2.48%</b>	<b>2.23%</b>	<b>3.54%</b>
<i>Asset Mix Differences</i>	-0.12%	0.39%	-0.11%
<i>Style Tilts</i>	-0.61%	-0.60%	-0.01%
<i>Manager Selection</i>	1.51%	1.28%	-0.01%
<i>Incremental FX Exposure</i>	-0.06%	-0.09%	0.00%
<i>Residual</i>	-0.19%	-0.15%	-0.21%
<b>Actual Portfolio (CAD)</b>	<b><u>3.01%</u></b>	<b><u>3.06%</u></b>	<b><u>3.20%</u></b>
<b>Value-Add</b>	<b>0.53%</b>	<b>0.83%</b>	<b>-0.34%</b>



# Performance vs. Benchmark Portfolio

Value-Add vs. Benchmark Portfolio - YTD 2012		
	<b>LTCAP</b>	<b>Pension</b>
<b>Benchmark Portfolio (CAD):</b>	<b>2.12%</b>	<b>2.41%</b>
<b>Actual Portfolio (CAD)</b>	<b>3.01%</b>	<b>3.06%</b>
<b>Value-Add</b>	<b>0.89%</b>	<b>0.65%</b>





# Style Tilts & Manager Selection Added Value

(in basis points)

Style & Manager Value-Add (bps) - YTD 2012			
	LTCAP	Pension	LTCAP -PM
<i>Cdn. Equity</i>	41	20	-2
<i>U.S. Equity</i>	20	41	5
<i>EAFE Equity</i>	8	0	-23
<i>EM Equity</i>	43	23	-1
<i>Fixed Income</i>	15	19	n.a
<i>Credit</i>	-3	-4	10
<i>Rates</i>	1	0	9
<i>Absolute Return</i>	-38	-34	n.a.
<i>Hedge Funds</i>	2	1	n.a.
<b>Value-Add</b>	<b>90</b>	<b>68</b>	<b>0</b>



# Private Markets Performance

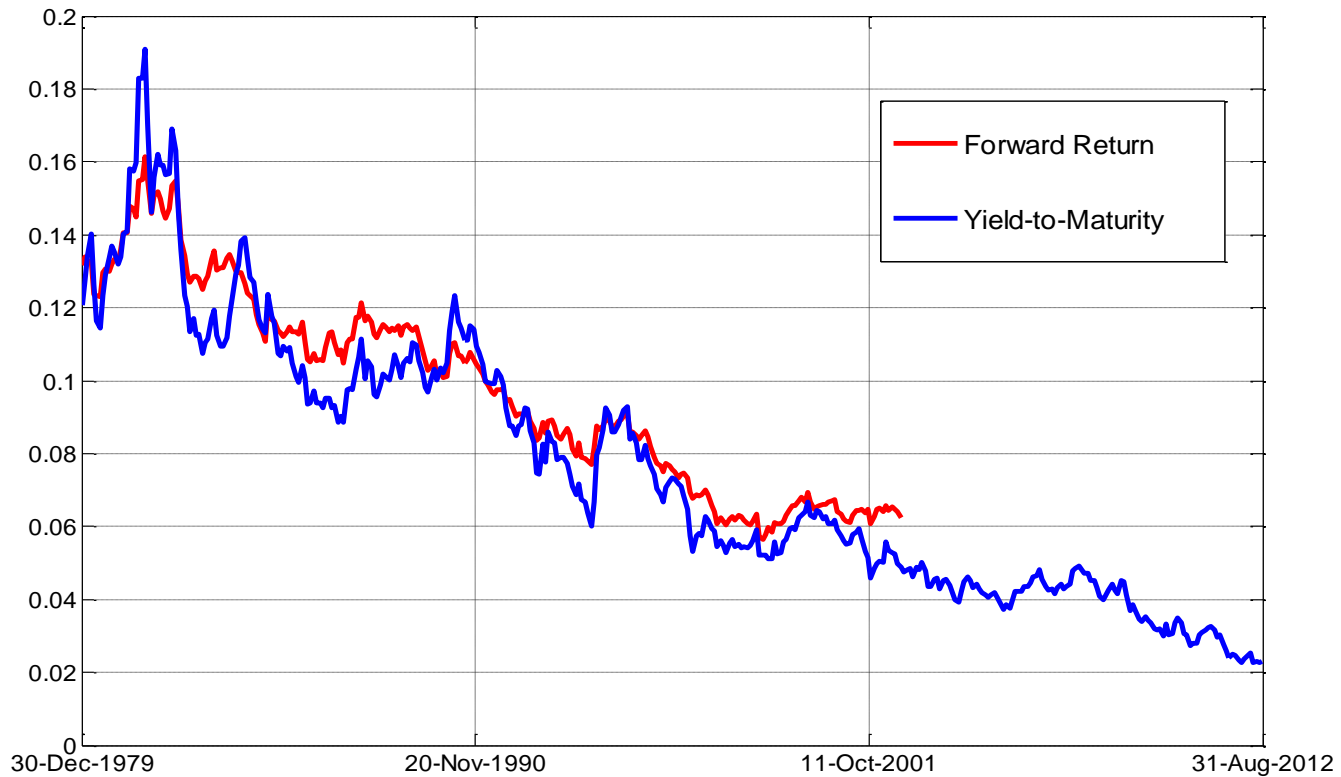
Private Markets Investments <sup>1</sup> - YTD 2012		
	LTCAP	Pension
<b>Private Equity</b>	<b>7.3%</b>	<b>7.0%</b>
Buyout	10.3%	9.7%
Distressed Debt	8.4%	8.5%
Venture Capital	-12.9%	-15.4%
<b>Real Assets</b>	<b>2.8%</b>	<b>2.9%</b>
Real Estate & Infrastructure	5.6%	5.6%
Commodities	-2.4%	-2.4%

1. Local returns basis.



# Understanding the Challenges Ahead

-- Nominal Canadian Bond Yields and 10-Year Forward Returns --



# Understanding the Challenges Ahead

Shiller P/E and S&P 500 Real Total Return  
(January 1910 - June 2012)



# Current Investment Environment

- Impediments to a world of 'business as usual' remain significant.
- Inflation likely to remain moderate but medium term risks to the upside.
- Higher interest rate risk is unlikely to be an issue in the short term.
- Credit still appears quite attractive but need for a selective approach.
- Equities not expensive compared to 2000 and 2007 but not cheap in a long term context, except in comparison to interest rates. Suggests a continuation of range bound markets.
- Implies a challenging environment for portfolios comprised solely of traditional assets and strategies.



# Questions?

