



University of Toronto

OFFICE OF THE VICE PRESIDENT BUSINESS AFFAIRS

TO: Business Board

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DATE: September 19, 2006 for October 10, 2006

AGENDA ITEM: 5

ITEM IDENTIFICATION:

Investments: Semi-Annual Report on Investment Performance, June 30, 2006

JURISDICTIONAL INFORMATION:

The Board is responsible for the “review of annual reports, or more frequent reports as the Board may from time to time determine, on the investment of University and pension funds, such reports to include, without limitation: (i) reports on investment performance as measured against the rate-of-return objectives and benchmarks established in the investment policies, and the reasons for the results; (ii) reports on portfolio risk compared to the risk tolerances established in the investment policies; (iii) reports on the costs for managing each fund; and (iv) reports on the major investment decisions made in the reporting period by the asset management corporation (in contrast to the decisions made by the external portfolio managers).” (Terms of Reference, 5.1.)

The Chair has requested that a semi-annual report on investment performance to June 30 be provided in addition to the usual annual report from the University of Toronto Asset Management Corporation.

PREVIOUS ACTION TAKEN:

The Board, at its meeting of March 27, 2006 reviewed the 2005 annual report of the University of Toronto Asset Management Corporation.

HIGHLIGHTS:

- **Long-Term Capital Appreciation Pool** (“LTCAP”; the investment vehicle for the University’s endowment funds). For the six months ended June 30, 2006 LTCAP provided a return of 0.84%, which is 0.31% below its benchmark. For the year ended June 30, 2006 the return was 8.08%, which is 1.23% below the benchmark return.

Six-month results were positive or neutral in most areas, but this was more than offset by underperformance in International Equities and foreign currency effects. The external manager lineup for International Equities is in the process of being restructured. In terms of performance compared to other Canadian balanced funds, LTCAP ranked in the 18th percentile of the RBC universe on a 1-year basis and the 38th percentile on a six-month basis. In terms of performance versus the University's target, there was strong out performance in Q1 but LTCAP lost ground in Q2 under difficult market conditions. On a 1-year basis, value added was 1.56% above target.

- **Pension Fund.** For the six months ended June 30, 2006 the Pension fund provided a return of -0.16%, which is 1.31% below its benchmark. For the year ended June 30, 2006 the return was 6.95%, which is 1.48% below the benchmark. Six-month results were impacted as noted for LTCAP, but also from underperformance in US Equities, where the external manager lineup is partway through being restructured. Pension fund rank (same universe as noted for LTCAP) was 36th percentile on a 1-year basis and 75th percentile on a six-month basis. In terms of performance versus the University's target, Pension followed a pattern similar to LTCAP. On a 1-year basis, value added was 0.43% above target.

- **Expendable Funds Investment Pool ("EFIP").** For the six months ended June 30, 2006 EFIP provided a return of 1.24%, which is 0.58% below its benchmark. For the year ended June 30, 2006 the return was 2.21%, which is 0.60% below the benchmark return. For EFIP, the University's target and the benchmark are the same.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

It is expected that UTAM will deliver the returns needed to meet the budget commitments.

RECOMMENDATION:

The Report is presented to the Business Board for information.