



TO: Business Board

SPONSOR: Catherine J Riggall, Vice President, Business Affairs

CONTACT INFO: 416-978-7473 catherine.riggall@utoronto.ca

DATE: April 21 for April 27, 2009

AGENDA ITEM: 4

ITEM IDENTIFICATION:

University of Toronto Asset Management Corporation, Annual Report 2008

JURISDICTIONAL INFORMATION:

Under Clause 5.4 (b) of the Terms of Reference of the Business Board, the Board accepts annual reports and financial statements for incorporated ancillaries.

Under clause 5.1 (b), the Board reviews annual reports of investment performance.

PREVIOUS ACTION TAKEN:

The annual report and financial statements were approved by the UTAM board at its meeting of March 25, 2009.

HIGHLIGHTS:

The financial statements

The financial statements of UTAM reflect its status as a corporation without share capital and a non-profit corporation wholly owned by the University of Toronto.

UTAM's total expense has again declined compared to the previous year. Staffing costs are down as are most other expense categories except rent and professional fees.

Investment performance

The University has set the **performance targets** for UTAM for the LTCAP and for the Pension funds at a real return net of fees of 4% with a risk tolerance of 10% over a ten year time frame. These targets reflect the nature of the University's liabilities for payments from the endowments and the liabilities

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under the pension plan, and limit risk to a level that the administration believes is acceptable and can be tolerated within the financial constraints of the organization.

The net return for LTCAP was negative 29.4%, and for Pension was negative 29.5%. The target was 4% plus inflation, which for 2008 was 1.2% for a total of 5.2%.

For EFIP, the return target is the 1-year Canadian Treasury bill rate plus 50 basis points which for 2008 was 6.3%.

This year, UTAM performance is compared to a reference portfolio, created to emulate a portfolio with the same risk tolerances and return targets as the University, but that could be managed on a passive basis. The reference portfolio return was negative 18.8%.

UTAM also compares its performance against the market. **The benchmark return** is calculated using a set of market indices to reflect the policy asset mix. For 2008 the benchmark return was negative 25.6%

For EFIP, the actual return was 1.5%.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

Continued performance by UTAM to meet or exceed the University's targets is critical to the financial well being of the organization. The negative performance resulted in a decision not to declare an endowment payout this year, which last year had a value of \$62 million. The impact on the operating budget was significant, but faculties were for the most part able to meet the commitments normally funded by the endowment from operating reserves and other faculty funds.

RECOMMENDATION:

It is recommended that the Business Board accept the annual report and financial statements of UTAM.