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DATE: (April 09, 2010) for (April 26, 2010)

AGENDA ITEM: 3

ITEM IDENTIFICATION:

University of Toronto Asset Management Corporation, Annual Report 2009

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 their meeting of March 24, 2010.

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 increased compared to the previous year. Staffing costs are higher due to the fact the UTAM was fully staffed for most of the year compared to prior years. Overall expenses were lower than budgeted for the year.

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 under the pension plan, and limit risk to a level that the administration believes is reasonable over the long term.

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For the year ending December 31, UTAM again had a disappointing result, although investment returns were positive. The University's target return was 5.3% for both the endowment and the pension plan. UTAM exceeded the target return for both, achieving an actual net return of 6.2% on the endowment and 5.4% on the pension plan.

When compared to the reference portfolio return of 18.2 % UTAM underperformed. Note that the reference portfolio is a theoretical portfolio that assumes a traditional 60/40 equity/fixed income asset allocation. It does not include any allocation to alternative assets, which have underperformed recently.

UTAM performance is also evaluated against a benchmark portfolio, composed of indices of the various asset classes, weighted proportionally to match the UTAM target portfolio. The benchmark portfolio returned 7.9% for the endowment and 7.0% for the pension plan.

UTAM exceeded the target for EFIP achieving a return of 2.4% versus a target of 1.8%.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The improvement in investment performance permitted the University to declare a payout from the endowment, which is important for the health of the operating budget.

The Pension Plan has a large deficit, but plans are being developed to deal with it. The actual amount of the deficit payment required will not be known until the results for the pension year ending June 30, 2011 is calculated.

RECOMMENDATION:

It is recommended that the Business Board accept the Financial Statements and Annual Report of UTAM.