



TO: Business Board

SPONSOR: Sheila Brown, Chief Financial Officer

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DATE: March 19, 2012 for April 2, 2012

AGENDA ITEM: 4

ITEM IDENTIFICATION:

University of Toronto Asset Management Corporation Annual Report 2011

JURISDICTIONAL INFORMATION:

The Business Board accepts annual reports and financial statements for incorporated ancillaries.

PREVIOUS ACTION TAKEN:

The annual report and financial statements were approved by the UTAM Board at its meeting of March 21, 2012.

HIGHLIGHTS:

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 is registered as a portfolio manager and investment fund manager in Ontario.

These financial statements have been prepared to assist UTAM to meet the requirements of National Instrument 31-103 *Registration Requirements and Exemptions*. Beginning with the year ended December 31, 2011, they have been prepared in accordance with International Financial Reporting Standards (IFRS) as required by the regulators. As a result they may not be suitable for other purposes.

Expenses for the year were \$4.9 million. There is no comparative information for the year ended December 31, 2010. Financial statements for the year ended December 31, 2010, which were prepared in accordance with the Canadian Generally Accepting Accounting Principles, reported expenses for the year of \$5.1 million.

Investment Performance

The University has established investment targets for UTAM for the Pension Master Trust (PMT) and for the Long-Term Capital Appreciation Pool *(LTCAP) at a real investment return of 4.0%, net of fees and expenses, over ten year periods. These targets reflect the nature of the liabilities for payments from the endowments and the pension plans.

For the year ended December 31, 2011, the target nominal investment return (including CPI) net of fees and expenses was 6.3%. Actual nominal investment return for the PMT and LTCAP was 1.2% for the year. Actual nominal investment return for the Reference Portfolio was 0.2% for the year. (Note that the Reference Portfolio is a theoretical portfolio that assumes a traditional 60.40 equity/fixed income asset allocation and does not include any allocation to alternative assets.) UTAM exceeded the Reference Portfolio return by 1.0% and underperformed the target return by 5.1%, reflecting the very difficult market environment during 2011.

The University has established a return target for the Expendable Funds Investment Pool (EFIP) as the 1 year-Treasury Bill rate plus 50 basis points. For 2011 that target return was 2.4%. The actual return for the year was 2.5%. In 2011, UTAM met and slightly exceeded the target return for EFIP.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

The pension plans collectively have a large deficit and plans have been developed to address it by means of special payments into the pension plans.

RECOMMENDATION:

For information.