



FOR INFORMATION

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OPEN SESSION

TO: Business Board

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DATE: September 16, 2013 for September 23, 2013

AGENDA ITEM: 3.

ITEM IDENTIFICATION:

Investments: Semi-Annual Update on Investment Performance to June 30, 2013

JURISDICTIONAL INFORMATION:

Under Section 5(1)(b) of the Business Board terms of reference the Board reviews regular reports on matters affecting the finances of the University, including reports on investments.

GOVERNANCE PATH:

1. Business Board (September 23, 2013)

PREVIOUS ACTION TAKEN:

The Business Board reviewed the UTAM annual report at its meeting of May 6, 2013.

HIGHLIGHTS:

The actual returns for the six-month period ended June 30, 2013 were 5.89% for the Long Term Capital Appreciation Pool (LTCAP) and 5.70% for the Pension Master Trust (PMT). In both cases, the actual return was significantly better than the return for the reference portfolio (which constitutes the benchmark for the investment program) and for the University's target return:

- The returns for the reference portfolios were 3.33% for both LTCAP and PMT. The actual return for the six month period was 2.56% higher for LTCAP and 2.37% higher for PMT than that of the reference portfolio.

- The University target nominal investment returns were 2.66% for LTCAP and PMT (4.0% + CPI for six months). The actual return for the six – month period was 3.23% higher than the target return for LTCAP and 3.04% higher than the target return for PMT.

The asset mix for LTCAP and for PMT is about 60% equities and 40% fixed income. The main contributors to out-performance over this period were manager selection and a UTAM decision to increase foreign exchange exposure. As of June 30, 2013, actual returns for LTCAP and PMT have exceeded the portfolio benchmark and the University's target return for the past four years.

The Expendable Funds Investment Pool (EFIP) had a return of 0.56% for the six-month period ended June 30, 2013, 0.20% less than the University's target return for the six-month period of 0.76%. The current EFIP target of one-year T-bill rates plus 0.50% is proving very challenging given short-term interest rate conditions, and this target is currently under review.

FINANCIAL IMPLICATIONS:

RECOMMENDATION:

For information.

DOCUMENTATION PROVIDED:

Mid-Year Investment Review (powerpoint)