

Mid-Year Investment Review

**Business Board Meeting
Monday, September 23, 2013**



**William W. Moriarty, CFA
President & CEO, UTAM**

Portfolio Performance Summary

Performance Summary - June 30, 2013							
	Net Returns						Assets (\$MM)
	3 Months	YTD	1 Year	2 Years	4 Years	5 Years	
Actual Portfolio Return:							
LTCAP	1.49%	5.89%	12.27%	6.41%	8.42%	0.08%	\$1,928.8
Pension	1.37%	5.70%	12.09%	6.37%	8.38%	-0.03%	\$2,915.3
EFIP	0.17%	0.56%	1.42%	1.87%	2.02%	1.79%	\$1,060.3
LTCAP-PM	0.00%	4.90%	11.40%	n.a	n.a	n.a	\$31.6
Benchmark Portfolio Return:							
LTCAP ¹	-1.04%	3.33%	9.72%	4.59%	7.50%	0.55%	
Pension ²	-1.04%	3.33%	9.72%	4.82%	7.51%	0.51%	
EFIP ³	0.29%	0.76%	1.53%	1.70%	1.72%	2.34%	
LTCAP-PM ⁴	-1.04%	3.33%	9.77%	n.a.	n.a.	n.a.	
University Targets:							
CPI + 4%	1.00%	2.66%	5.15%	5.33%	5.72%	5.34%	
365 day T-bill + 0.50%	0.29%	0.76%	1.53%	1.70%	1.72%	2.34%	



Public Markets' Performance

Selected Market Benchmarks - June 30, 2013					
	Gross Returns (before costs)				
	YTD	1 Year	2 Years	4 Years	5 Years
Market Benchmarks:					
Equity:					
S&P/TSX (CAD)	-0.88%	7.90%	-1.60%	6.99%	-0.53%
S&P 500 (USD)	13.82%	20.60%	12.77%	17.43%	7.01%
MSCI EAFE (Local)	11.01%	24.93%	6.86%	9.21%	1.16%
MSCI EM (Local)	-4.89%	6.09%	-0.44%	8.52%	2.11%
Fixed Income:					
DEX Universe (CAD)	-1.68%	-0.17%	4.55%	5.16%	5.53%
DEX Government (CAD)	-2.17%	-1.17%	4.15%	4.57%	4.96%
DEX Corporate (CAD)	-0.42%	2.49%	5.58%	6.71%	7.10%
Foreign Exchange:					
US Dollar	5.95%	3.48%	4.55%	-2.37%	0.78%
Euro	4.46%	5.99%	-1.00%	-4.21%	-3.09%
Reference Portfolio (LTCAP)	3.33%	9.72%	5.15%	8.21%	3.61%



Private Markets' Performance

Private Markets Investments - June 30, 2013						
Net Returns (After Fees)						
	LTCAP	Pension	Pension			
	YTD	YTD	1-Year	2-Years	4-Years	5-Years
Equity & Credit	8.2%	8.2%	13.4%	11.0%	16.6%	8.3%
Equity	7.8%	7.4%	11.6%	12.0%	16.5%	11.5%
Debt	9.7%	10.5%	18.3%	10.2%	20.6%	10.7%
Venture Capital	2.3%	-0.3%	-1.9%	0.2%	-0.5%	-2.0%
Real Assets	8.7%	9.2%	13.9%	9.9%	9.1%	3.6%
Real Estate & Infrastructure	10.9%	11.7%	16.4%	13.5%	11.7%	2.9%
Commodities	4.3%	2.1%	6.6%	2.0%	3.6%	4.0%



Performance vs. Reference Portfolio

Performance Attribution - YTD 2013			
	LTCAP	Pension	LTCAP-PM
Reference Portfolio (CAD):	3.33%	3.33%	3.33%
<i>Asset Mix Differences</i>	-0.02%	-0.05%	0.10%
<i>Style Tilts</i>	0.29%	0.27%	-0.22%
<i>Manager Selection</i>	1.72%	1.63%	1.63%
<i>Incremental FX Exposure</i>	0.48%	0.47%	0.08%
<i>Residual</i>	0.09%	0.05%	-0.02%
Actual Portfolio (CAD)	5.89%	5.70%	4.90%
Value-Add	2.56%	2.37%	1.57%



Style Tilts & Manager Selection Added Value

(in basis points)

Style & Manager Value-Add (bps) - YTD 2013			
	LTCAP	Pension	LTCAP -PM
Cdn. Equity	73	75	80
U.S. Equity	-29	-38	4
EAFE Equity	48	43	74
EM Equity	50	51	-2
Credit	16	16	-18
Rates	0	0	2
Absolute Return	43	43	n.a.
Value-Add	201	190	141

Estimated Legacy Portfolio Contribution	
LTCAP	Pension
10	10
-40	-48
-3	-2
20	20
0	0
n.a.	n.a.
n.a.	n.a.
-13	-21



A Longer Perspective on Performance

Value-Add vs. Benchmark Portfolio					
	YTD	1-Year	2-Years	4-Years	5-Years
LTCAP:					
Benchmark Portfolio (CAD)	3.33%	9.72%	4.59%	7.50%	0.55%
Actual Portfolio (CAD)	5.89%	12.27%	6.41%	8.42%	0.08%
Value Add	2.56%	2.55%	1.82%	0.92%	-0.47%
Pension:					
Benchmark Portfolio (CAD)	3.33%	9.72%	4.82%	7.51%	0.51%
Actual Portfolio (CAD)	5.70%	12.09%	6.37%	8.38%	-0.03%
Value Add	2.37%	2.37%	1.55%	0.87%	-0.54%



Current Asset Allocation and Limits

(Percentages)

LTCAP - June 30, 2013						
	Reference Portfolio		Actual Portfolio %	Outside Band	----- Bands ----- Min. %	Max. %
Equity:						
Canadian	16		15.7	N	11	21
US	18		17.9	N	13	23
EAFE	16		16.4	N	11	21
EM	10		10.4	N	5	15
Total	60		60.4	N	50	70
Credit:	20		19.8	N	10	25
Rates:	20		10.0	N	10	30
Other:						
Absolute Return			9.9			
Cash			-0.1			
Total	0		9.7	N	0	15
	100		100.0			
FX Exposure:	21.9		25.2	N	5	35



Current Asset Allocation and Limits

(Percentages)

Pension - June 30, 2013						
	Reference		Actual Portfolio	Outside Band	----- Bands -----	
	Portfolio		%		Min.	Max.
					%	%
Equity:						
Canadian	16		15.8	N	11	21
US	18		17.9	N	13	23
EAFE	16		16.4	N	11	21
EM	10		10.4	N	5	15
Total	60		60.4	N	50	70
Credit:	20		19.9	N	10	25
Rates:	20		10.3	N	10	30
Other:						
Absolute Return			9.6			
Cash			-0.3			
Total	0		9.4	N	0	15
	100		100.0			
FX Exposure:	21.9		24.4	N	5	35



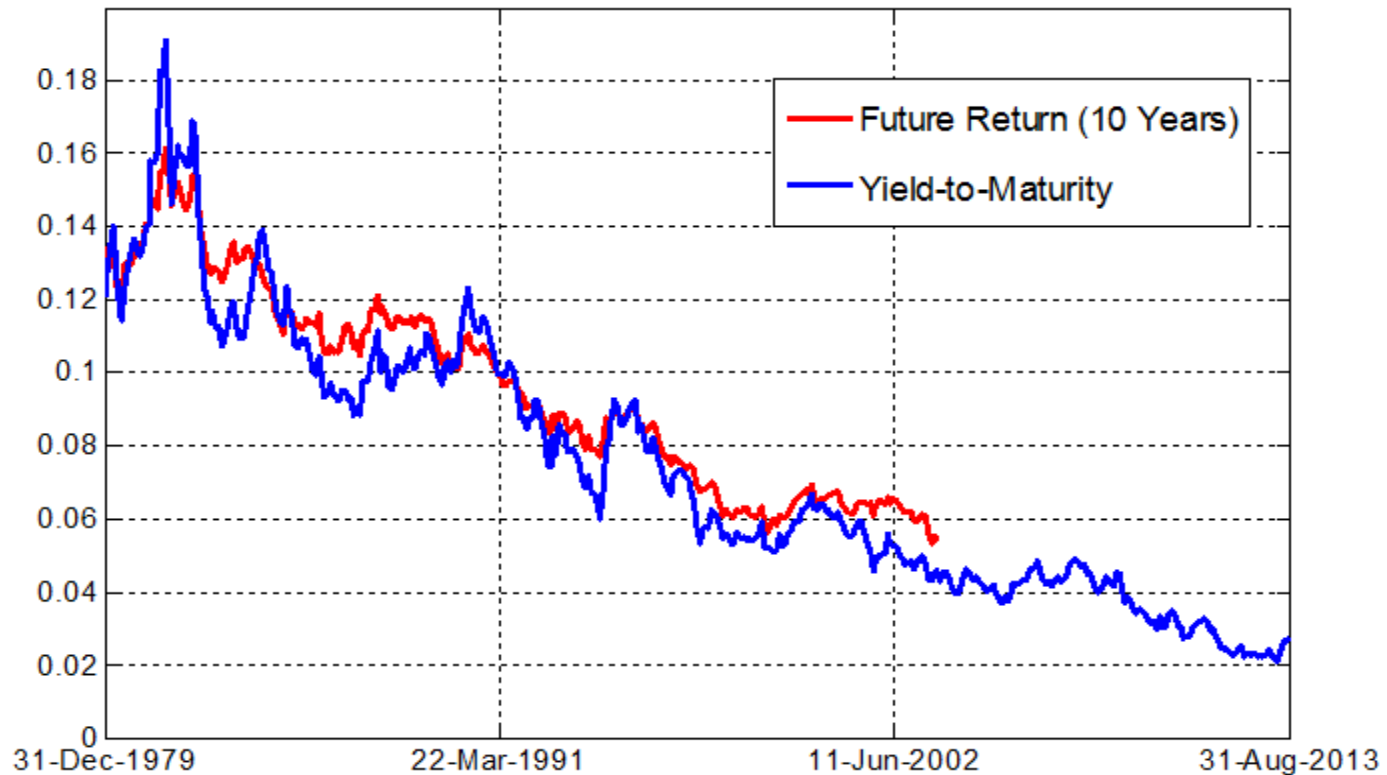
Portfolio Risk vs. Reference Portfolio

Total Risk Attribution

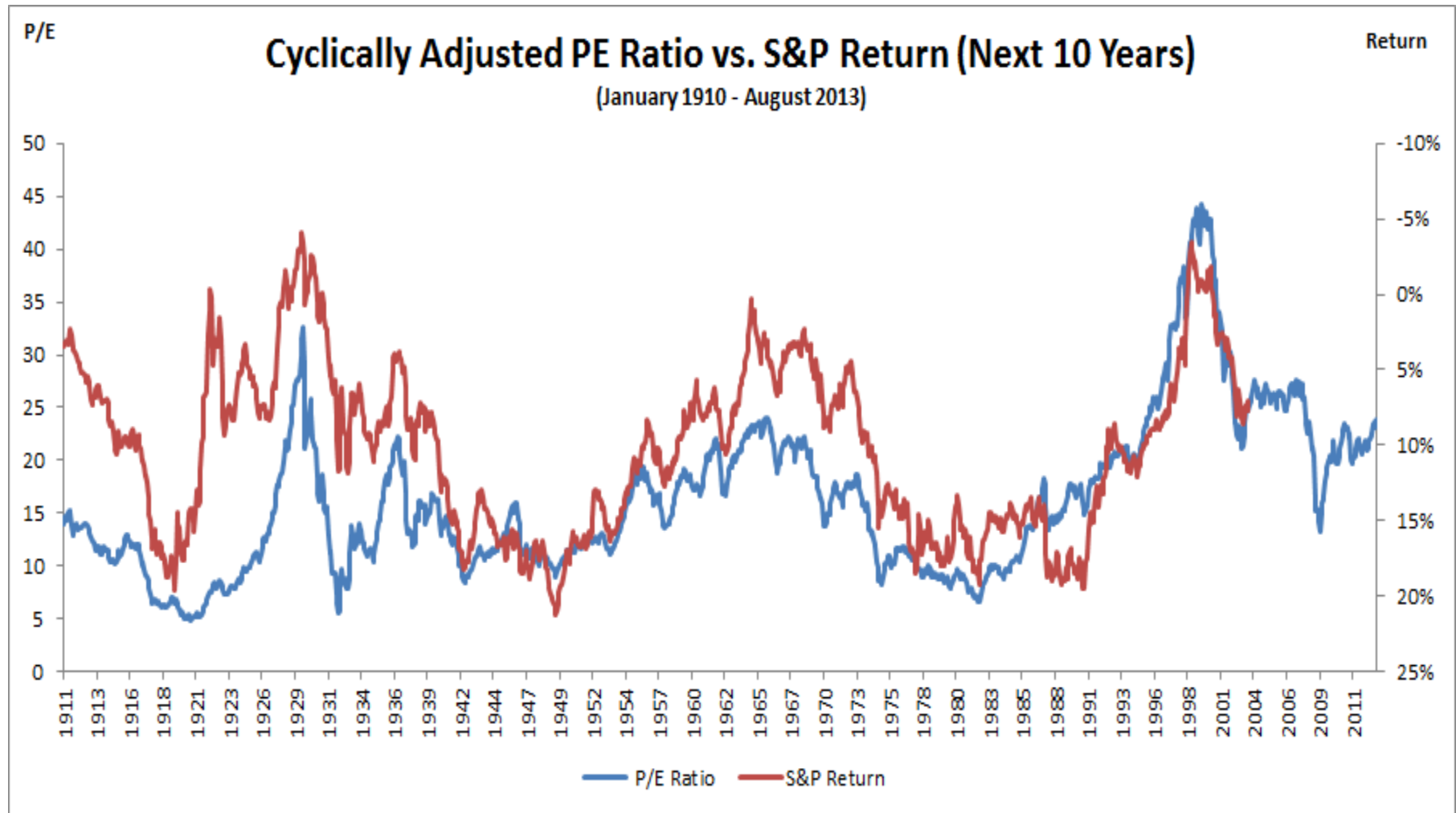
PENSION	Volatility %	VaR % (1 Month)	CVaR% (1 Month)	Max Loss% (1 Year)
Reference Portfolio	9.00%	-4.32%	-6.55%	-6.15%
Actual Portfolio	9.95%	-4.47%	-7.23%	-7.03%

Understanding the Challenges Ahead

-- Nominal Canadian Bond Yields and 10-Year Future Returns --



Understanding the Challenges Ahead



Current Investment Environment

- Developed economies appear to be gaining strength but the improvement is fragile and considerable structural risks persist.
- Inflation likely to remain moderate but medium term risks to the upside are rising.
- Significantly higher interest rates are unlikely but the fixed income bull-market of the last 30 years appears to be over.
- Select alternative credit strategies remain quite attractive.
- US equities not as expensive as in 2000 or 2007 but not cheap in a long term context.
- Current rich valuations in stocks and bonds imply only moderate returns likely from 'passive' portfolios or portfolios comprised solely of traditional assets and long-only strategies.
- The additional return offered by 'active' management should represent a more significant part of overall portfolio returns going forward.



Questions?

