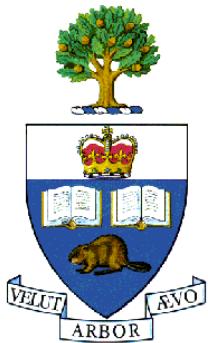


# Mid-Year Investment Review

**Business Board Meeting  
Tuesday, September 29, 2009**



**William W. Moriarty  
President and CEO, UTAM**

# H1 / 2009 Investment Management Focus

- Restructure to Reduce Complexity
- Reduce Implicit Risk Level
  - Alpha Transport
  - Cash Allocation
- Reposition Fixed Income Portfolio
- Reposition and Reduce Hedge Fund Portfolio
  - Cost Reduction
  - Improved Flexibility
- Improve Risk Analysis Tools
- Review Strategic Asset Allocation Framework
- Review Performance Analysis Framework

# H1 / 2009 Investment Management Challenges

- Staffing
- Liquidity
- Legacy Illiquid Assets
- Risk Management Analytics

# Capital Market Returns --Two Different Worlds

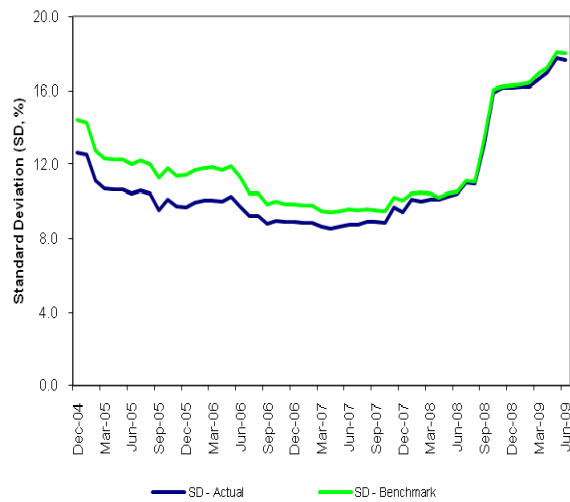
	<u>2008</u>	<u>Q1/09</u>	<u>Q2/09</u>	<u>Q3/QTD</u>
<b>CDN EQUITIES</b> (TSX Composite)	-33.00	-2.00	19.97	8.75
<b>US EQUITIES</b> (R3000 U\$)	-37.31	-10.80	16.82	14.83
<b>INT'L EQUITIES</b> (MSCI EAFE Local)	-40.27	-10.10	16.92	14.14
<b>EM EQUITIES</b> (MSCI EM U\$)	-53.33	0.95	34.73	20.10
<b>COMMODITIES</b> (GSCI U\$)	-46.49	-10.64	19.24	-6.40
<b>HEDGE FUNDS*</b> (UTAM Portfolio U\$)	-19.74	0.76	4.48	2.20
<b>DEX UNIVERSE</b> (Dex Universe)	6.41	1.52	1.25	2.35
<b>TBILLS</b> (Dex 91-day Tbills)	3.33	0.33	0.13	0.08
<b>CURRENCIES</b>				
US DOLLAR	25.08	1.92	-7.69	-6.24
EURO	18.15	-1.97	-2.47	-1.67
YEN	52.53	-5.78	-5.11	0.75
POUND	-8.69	0.70	6.10	-8.87

^ Returns under Q3 QTD are as of July 31, 2009; others are as of September 25, 2009.

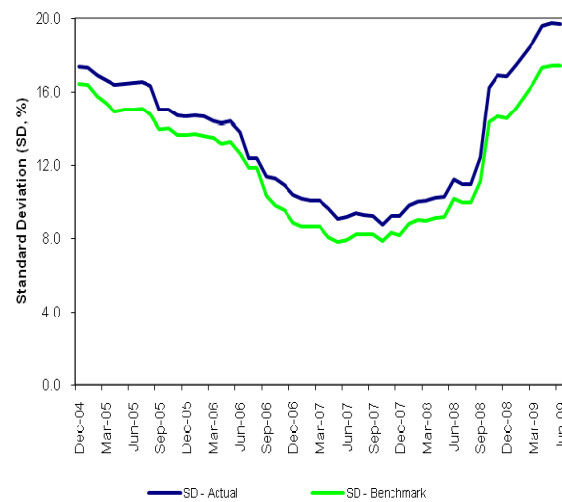
# Risk Measures -- Volatility

## Asset Class Risk Levels Over Time\*

### Canadian Equity



### US Equity



### International Equity

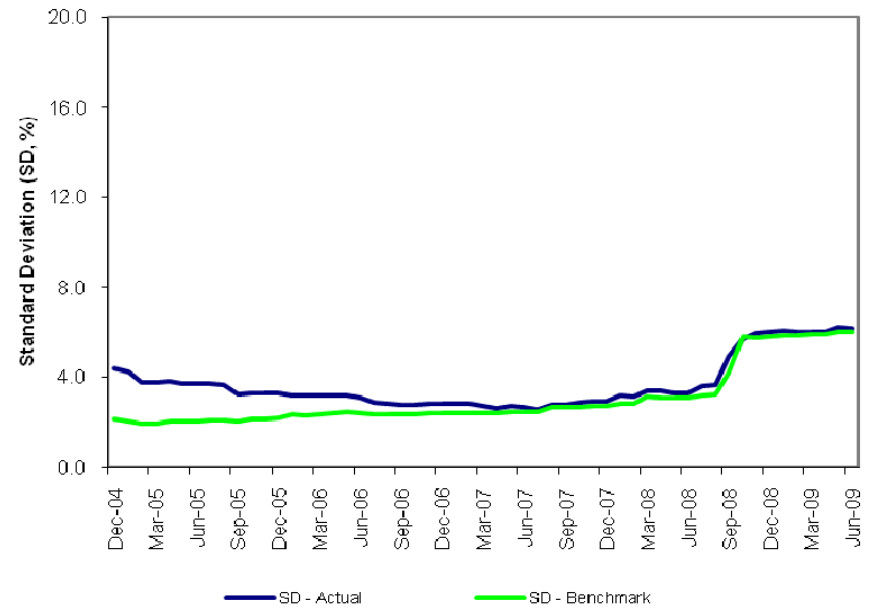
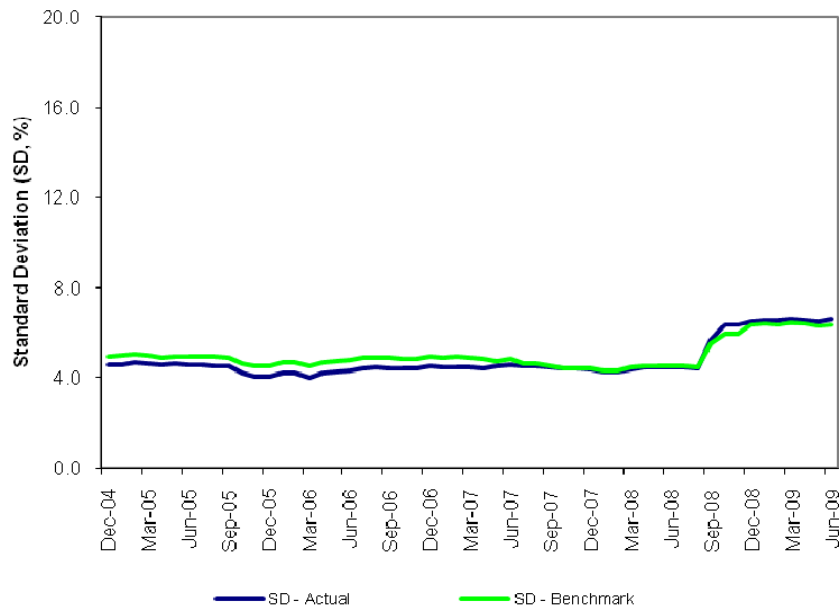


\* Rolling 48-month standard deviation of returns.

# Risk Measures -- Volatility

## Asset Class Risk Levels Over Time\*

Fixed Income

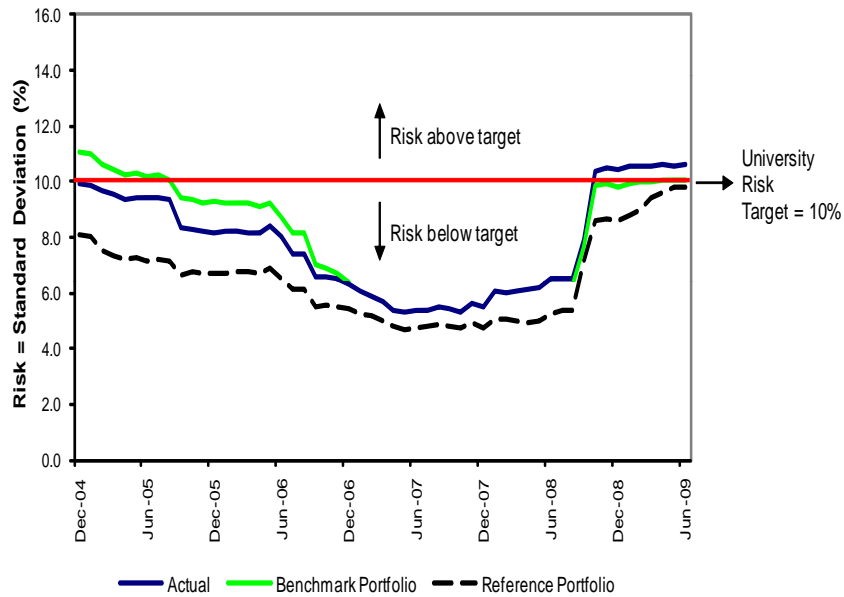


\* Rolling 48-month standard deviation of returns.

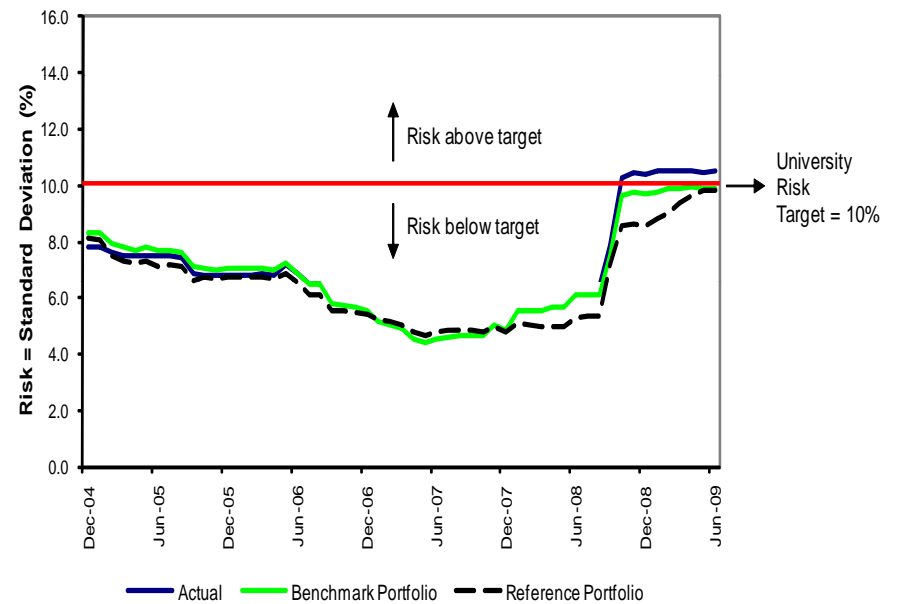
# Risk Measures -- Volatility

## Portfolio Risk Levels Over Time\*

### Endowment



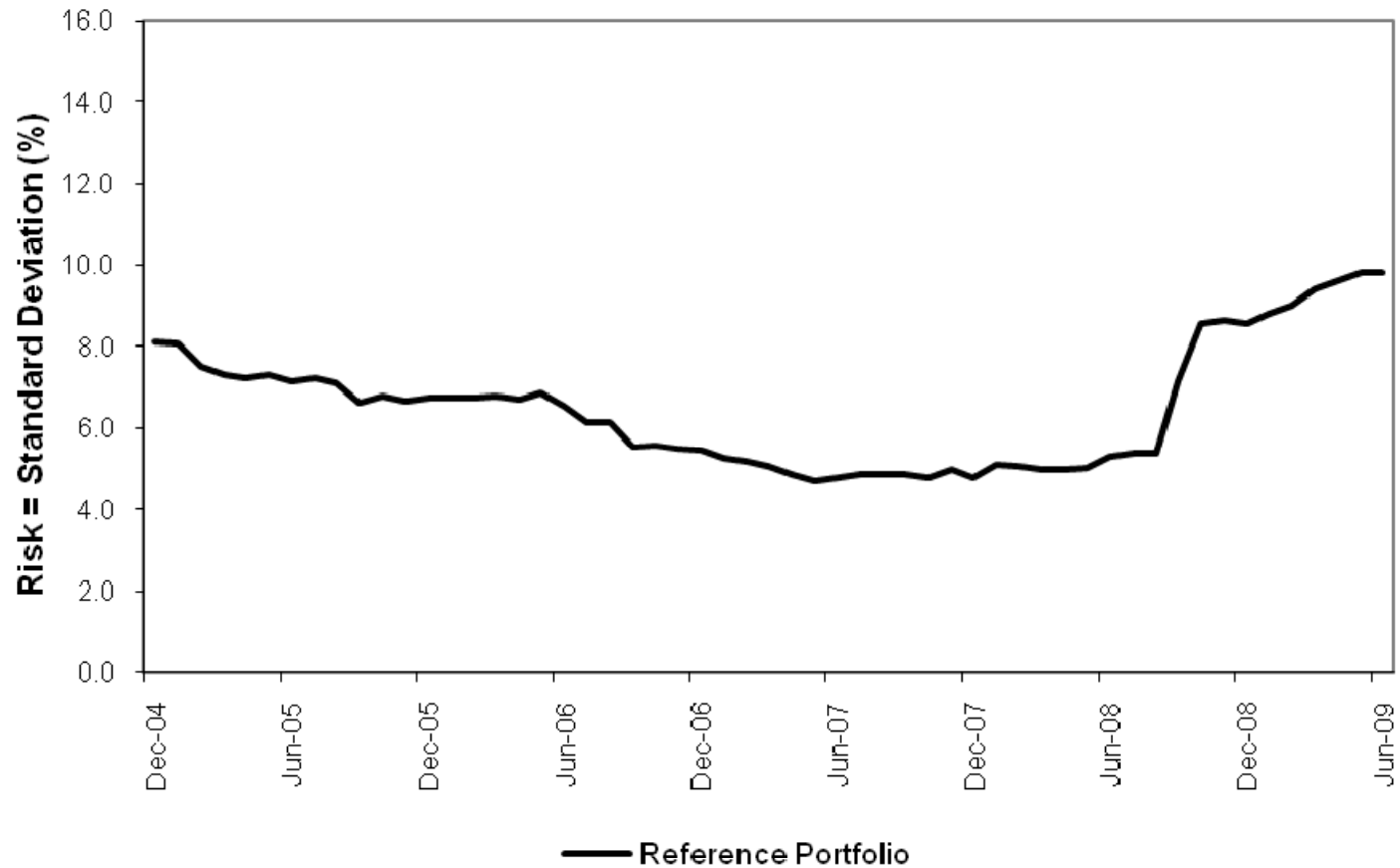
### Pension



\* Rolling 48-month standard deviation of returns. Excludes private investments prior to 2007.

# Risk Measures -- Volatility

"Reference Portfolio" Risk Levels Over Time\*

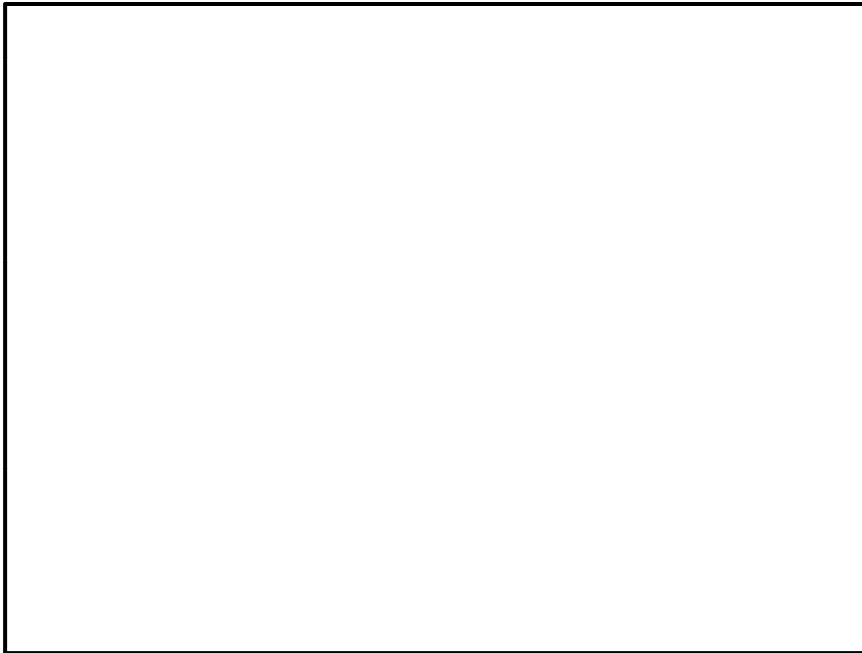


\* Rolling 48-month standard deviation of returns.



# Another Perspective On Risk

[Assumption: Normal Distribution (Mean = 6.5%; Volatility = 10%)]



Summary Statistics for Nomal Distribution			
Statistics		Percentile	
Minimum	-34.61%	5%	-9.95%
Maximum	43.76%	10%	-6.32%
Mean	6.50%	15%	-3.87%
Std Dev	10.00%	20%	-1.92%
Variance	0.01	25%	-0.25%
Skewness	0.00	30%	1.26%
Kurtosis	3.00	35%	2.64%
Median	6.50%	40%	3.97%
Mode	6.37%	45%	5.24%
Left X	-9.95%	50%	6.50%
Left P	5%	55%	7.76%
Right X	22.95%	60%	9.03%
Right P	95%	65%	10.35%
Diff X	32.90%	70%	11.74%
Diff P	90%	75%	13.24%
Expected		80%	14.91%
Shortfall	-14.13%	85%	16.86%
		90%	19.31%
		95%	22.95%

# Portfolio Composition

(Percentage Weights - June 2009)

	Reference Portfolio	Pension Benchmark Portfolio
<b>Public Markets:</b>		
Cdn. Equity	30	11.2
U.S. Equity	15	16.8
Int'l Equity	15	16.8
Fixed Income	35	16.8
Real Return Bonds	5	
<b>Alternative Assets:</b>		
Hedge Funds		18.2
Private Equity		14.5
Real Assets		5.6
<b>Total</b>	100	100

# Portfolio Positioning

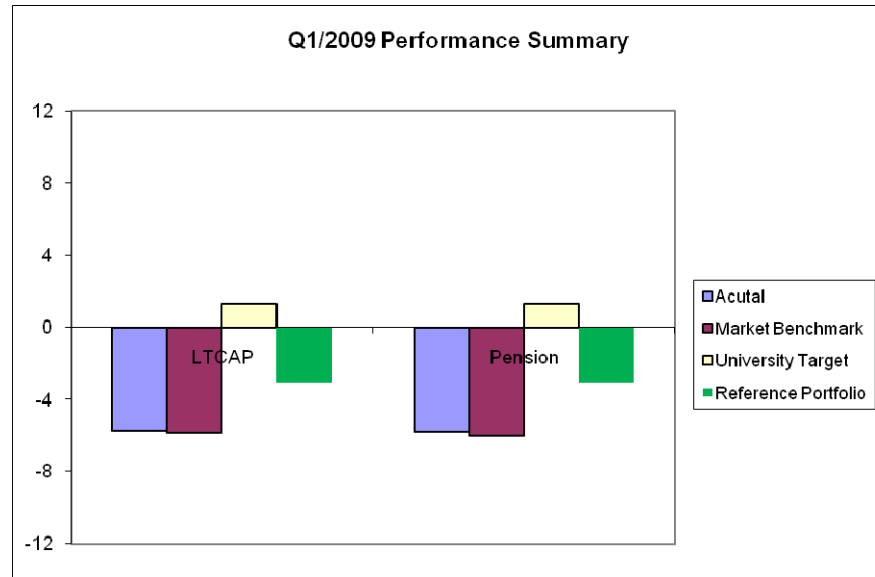
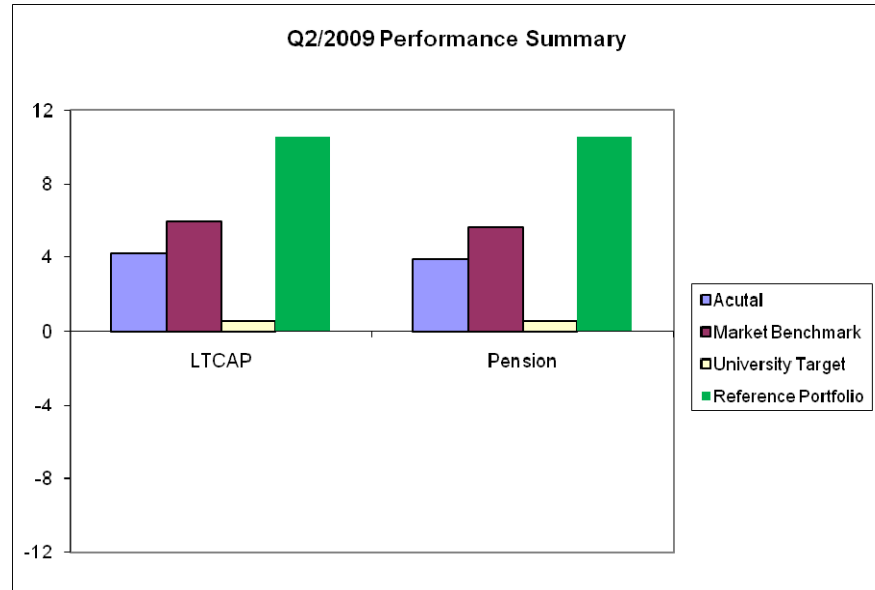
## TARGET ASSET ALLOCATION --POSITION

(End of Period Weights)

	Dec-07	Jun-08	Dec-08**	Mar-09	Jun-09	Jul-09
<b>Public Markets:</b>						
Canadian Equity*	11.0	12.2	10.0	10.7	10.2	10.6
US Equity*	19.6	19.4	14.9	15.5	14.8	15.4
International Equity*	19.6	19.4	14.9	14.5	13.8	14.4
Fixed Income*	22.4	21.4	14.9	17.5	16.8	17.4
<b>Total Public Markets</b>	<b>72.6</b>	<b>72.4</b>	<b>54.7</b>	<b>58.2</b>	<b>55.6</b>	<b>57.8</b>
<b>Alternative Assets:</b>						
Hedge Funds (excl. AT)	7.4	8.4	22.4	13.7	18.2	16.9
Private Equity	5.9	8.8	15.8	15.9	14.5	13.7
Real Assets	4.3	4.5	7.0	6.1	5.6	5.5
<b>Total Alternatives</b>	<b>17.6</b>	<b>21.7</b>	<b>45.2</b>	<b>35.7</b>	<b>38.3</b>	<b>36.1</b>
<b>Cash</b>	<b>10.0</b>	<b>6.0</b>	<b>0.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
*Total Alpha Transport HFs	17.9	19.1	9.9	10.8	3.3	3.1
Total Hedge Funds	25.3	27.5	32.3	24.5	21.5	20.0

\*\*FX Settlement Amount now included in Total Assets

# Quarterly Performance Summary



# Portfolio Performance and Comparison to Benchmarks

(as at June 30, 2009)

	<u>Q2/2009</u>	<u>Q1/2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>LTCAP</b>								
Actual	4.22%	-5.76%	-29.40%	6.11%	12.84%	11.80%	11.19%	16.69%
Benchmark Portfolio Return	5.94%	-5.90%	-25.61%	6.08%	12.83%	13.16%	11.05%	15.23%
Reference Portfolio Return	10.56%	-3.05%	-18.76%	3.66%	11.73%	13.47%	10.47%	15.81%
University Target Return	0.56%	1.29%	5.16%	6.38%	5.67%	6.09%	6.13%	6.08%
<b>Value Added:</b>								
<b>Actual vs Benchmark</b>	<b>-1.72%</b>	<b>0.15%</b>	<b>-3.79%</b>	<b>0.03%</b>	<b>0.01%</b>	<b>-1.36%</b>	<b>0.13%</b>	<b>1.46%</b>
<b>Benchmark vs Reference</b>	<b>-4.62%</b>	<b>-2.85%</b>	<b>-6.86%</b>	<b>2.42%</b>	<b>1.10%</b>	<b>-0.32%</b>	<b>0.59%</b>	<b>-0.58%</b>
<b>Pension</b>								
Actual	3.87%	-5.83%	-29.50%	5.98%	12.11%	12.30%	11.45%	15.70%
Benchmark Portfolio Return	5.59%	-6.04%	-25.59%	5.89%	12.83%	12.94%	10.84%	13.73%
Reference Portfolio Return	10.56%	-3.05%	-18.76%	3.66%	11.73%	13.47%	10.47%	15.81%
University Target Return	0.56%	1.29%	5.16%	6.38%	5.67%	6.09%	6.13%	6.08%
<b>Value Added:</b>								
<b>Actual vs Benchmark</b>	<b>-1.72%</b>	<b>0.21%</b>	<b>-3.91%</b>	<b>0.09%</b>	<b>-0.72%</b>	<b>-0.64%</b>	<b>0.60%</b>	<b>1.98%</b>
<b>Benchmark vs Reference</b>	<b>-4.97%</b>	<b>-2.99%</b>	<b>-6.83%</b>	<b>2.23%</b>	<b>1.10%</b>	<b>-0.53%</b>	<b>0.38%</b>	<b>-2.08%</b>
<b>EFIP</b>								
Actual	0.40%	0.83%	1.45%	4.10%	4.93%	3.82%	3.71%	1.93%
University Target/Benchmark Portfolio Return	0.44%	0.65%	6.26%	5.16%	4.51%	2.66%	3.38%	3.91%
<b>Value Added</b>	<b>-0.04%</b>	<b>0.18%</b>	<b>-4.81%</b>	<b>-1.06%</b>	<b>0.42%</b>	<b>1.15%</b>	<b>0.33%</b>	<b>-1.97%</b>

# Comments on H1 / 2009 Performance

- Versus University Target
  - Capital Markets Environment
- Versus Reference Portfolio
  - Lagged Reporting for Private Equity and Real Assets
  - Underweight Canadian Equities
- Versus Benchmark Portfolio
  - Cash Position
  - Value Tilt in Equities
  - Portfolio Restructuring

# Current Investment Environment

- Major economies have stabilized and are starting a recovery phase but it will be different than normal
- There remain many impediments to a return to 'business as usual'
- Inflation while now low will trend higher
- Equity markets are reasonably priced but not undervalued and thus could be range-bound for a period
- Credit spreads remain attractive but not as compelling as earlier
- Volatility will continue

Questions?