

**Attachment “B” to Report Number 2 of the  
Pension Committee – April 6, 2011**

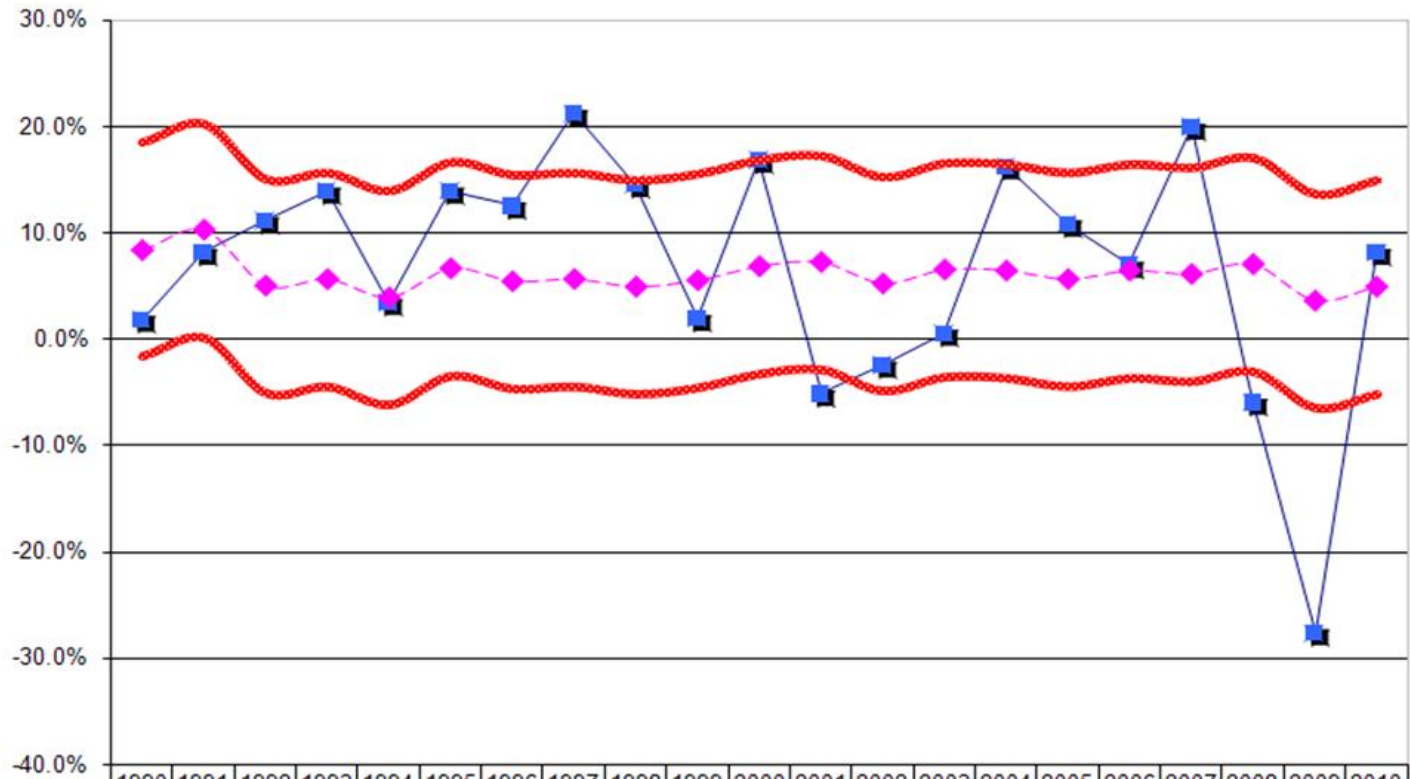
# **Portfolio Performance Review**

**University of Toronto  
Pension Committee  
Wednesday, April 06, 2011**



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

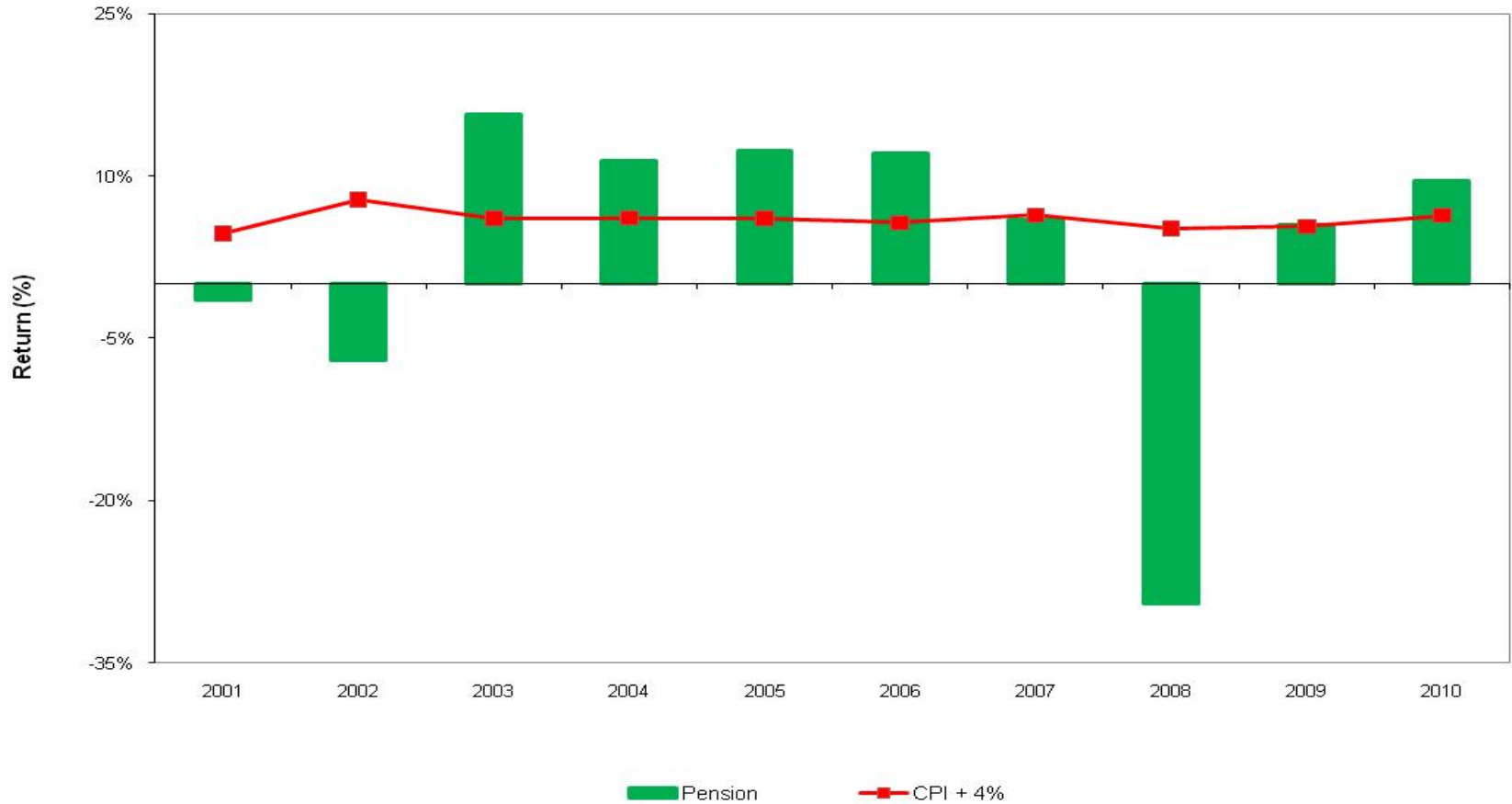
**Pension Master Trust  
1-Year Annual Rates of Return**



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Actual investment return *	1.9%	8.2%	11.2%	14.0%	3.5%	14.0%	12.6%	21.3%	14.6%	2.0%	16.9%	-5.1%	-2.4%	0.6%	16.3%	10.9%	7.0%	20.0%	-5.9%	-27.6%	8.2%
Target return **	8.4%	10.3%	5.1%	5.7%	4.0%	6.7%	5.5%	5.7%	5.0%	5.6%	6.9%	7.3%	5.3%	6.6%	6.5%	5.7%	6.5%	6.2%	7.1%	3.7%	5.0%
Standard deviation +10%	18.4%	20.3%	15.1%	15.7%	14.0%	16.7%	15.5%	15.7%	15.0%	15.6%	16.9%	17.3%	15.3%	16.6%	16.5%	15.7%	16.5%	16.2%	17.1%	13.7%	15.0%
Standard deviation -10%	-1.6%	0.3%	-4.9%	-4.3%	-6.0%	-3.3%	-4.5%	-4.3%	-5.0%	-4.4%	-3.1%	-2.7%	-4.7%	-3.4%	-3.5%	-4.3%	-3.5%	-3.8%	-2.9%	-6.3%	-5.0%

Source: University of Toronto Pension Plans, 2010 Annual Financial Report

# Calendar Year Pension Master Trust Return University Targ



# Calendar Year Returns

	2010	5-Y (2006-10)	10-Y (2001-10)
	PENSION	PENSION	PENSION
<b>Universit Targe Return<sup>1</sup></b>	<b>6.4%</b>	<b>5.8%</b>	<b>6.0%</b>
Referenc Portfoli Return <sup>2</sup>	10.5%	4.1%	4.6%
Benchmar Portfoli Return <sup>3</sup>	9.4%	0.8%	2.6%
<b>Actua Ne Return<sup>2</sup></b>	<b>9.5%</b>	<b>-0.7%</b>	<b>2.5%</b>
<b>Assets (Decembe 31<sup>st</sup> millions)</b>			
2010	\$2,336		
2009	\$2,161		

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# Asset Mix Differences Impact Performance

(Percentage Weights --2010 CY Averag

	<b>Reference Portfolio</b>	<b>2010 Policy Portfolio*</b>	<b>Pension Benchmark Portfolio</b>
<b>Public Markets</b>			
Equity: Canadian	<b>30</b>	<b>12.5</b>	<b>13.2</b>
U.S.	<b>15</b>	<b>12.5</b>	<b>14.1</b>
International	<b>15</b>	<b>15</b>	<b>16.4</b>
Fixed Income	<b>35</b>	<b>17.5</b>	<b>18.6</b>
Real Return Bonds	<b>5</b>		
<b>Alternative Assets</b>			
Hedge Funds		<b>17.5</b>	<b>16.1</b>
Private Equity		<b>10</b>	<b>15.6</b>
Real Assets		<b>15</b>	<b>5.9</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

\*Adopted as of March 2010

# Actual Asset Mix

	Pension	
	2009	2010
(As at December 31 <sup>st</sup> )		
<b>Canadian Equity<sup>1</sup></b>	12.2%	<b>14.0%</b>
<b>U.S. Equity<sup>1,2</sup></b>	17.7%	<b>13.9%</b>
<b>International Equity<sup>1</sup></b>	17.5%	<b>16.7%</b>
<b>Fixed Income - Nominal Bonds<sup>1</sup></b>	17.6%	<b>19.5%</b>
<b>Hedge Funds</b>	14.0%	<b>15.0%</b>
<b>Private Investments</b>	14.7%	<b>15.0%</b>
<b>Real Assets</b>	5.5%	<b>6.0%</b>
<b>Cash (including notional offsets)<sup>3</sup></b>	0.7%	<b>0.0%</b>
<b>Total</b>	100.0%	<b>100.0%</b>
<b>Cash (actual)<sup>4</sup></b>	18.4%	<b>13.4%</b>

Footnotes See 2011 Annual Report Table 2.

# CY2010 Asset Class Performan

	Benchmar Index	201 BM	201 Pension	Difference
Canada Equity	S&P/TS Composit Index	17.6%	16.6%	(102)
Equit (USD)	Russel 300 Inde (USD)	16.9%	16.3%	(65)
Internationa Equit (Local)	MS EAF Inde (Local)	4.8%	5.5%	69
Fixe Income	De Universe	6.7%	6.9%	15
Hedg Funds (USD)	HFR Fo Conservativ Tru -u Inde (USD)	5.3%	7.6%	235
Privat Investments (Local)	Benchmar actua return	n.a.	19.6%	n.a
Rea Assets (Local)	Benchmar actua return	n.a.	13.2%	n.a

Return fo th Publi Market asse classe ar fo LTCAP Pensio return ar expecte t b onl marginall different.

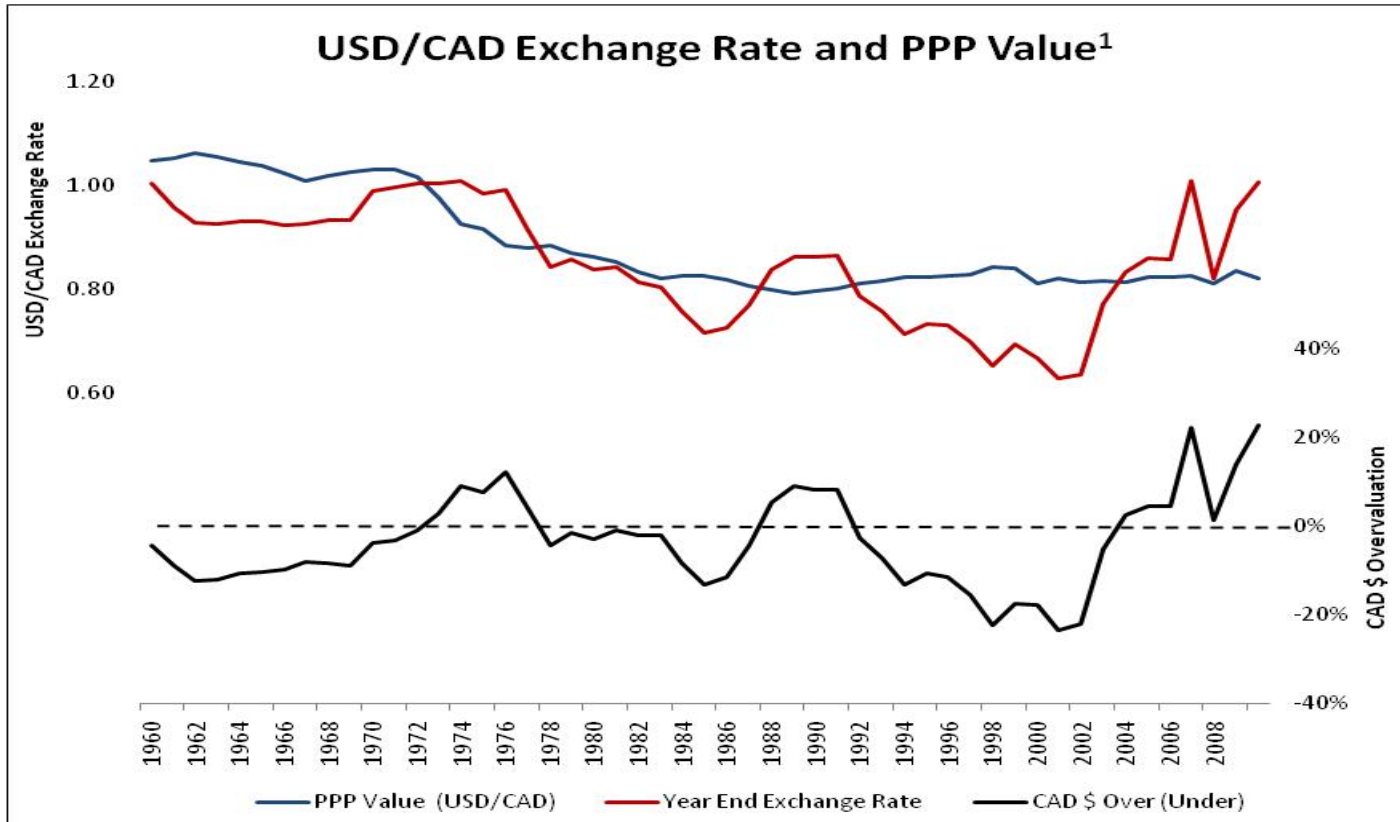
# 2010 Main Performance Factors -- 6 mos. Ending Dec. 31, 2010

<b>Referenc Portfoli Retur (i C\$)</b>		<b>12.18</b>
<b>Impac o LTCAP Portfoli Differences:</b>		
-U/ Cd E O/ Priva Investments	(2.67)	
-U/ Fixe Inco O/ Hedg Fund Rea Assets	0.61	
-Activ Manager (+ Valu Bia (-)	0.43	
Other	<u>(0.36)</u>	(1.98)
<b>Incrementa Unhedge F Exposur (50%)</b>		(1.04)
Unexplained		(0.07)
<b>Actua Portfoli Performanc (i C\$)</b>		<b>9.09</b>



# Calendar 2010 Main Performance Factors

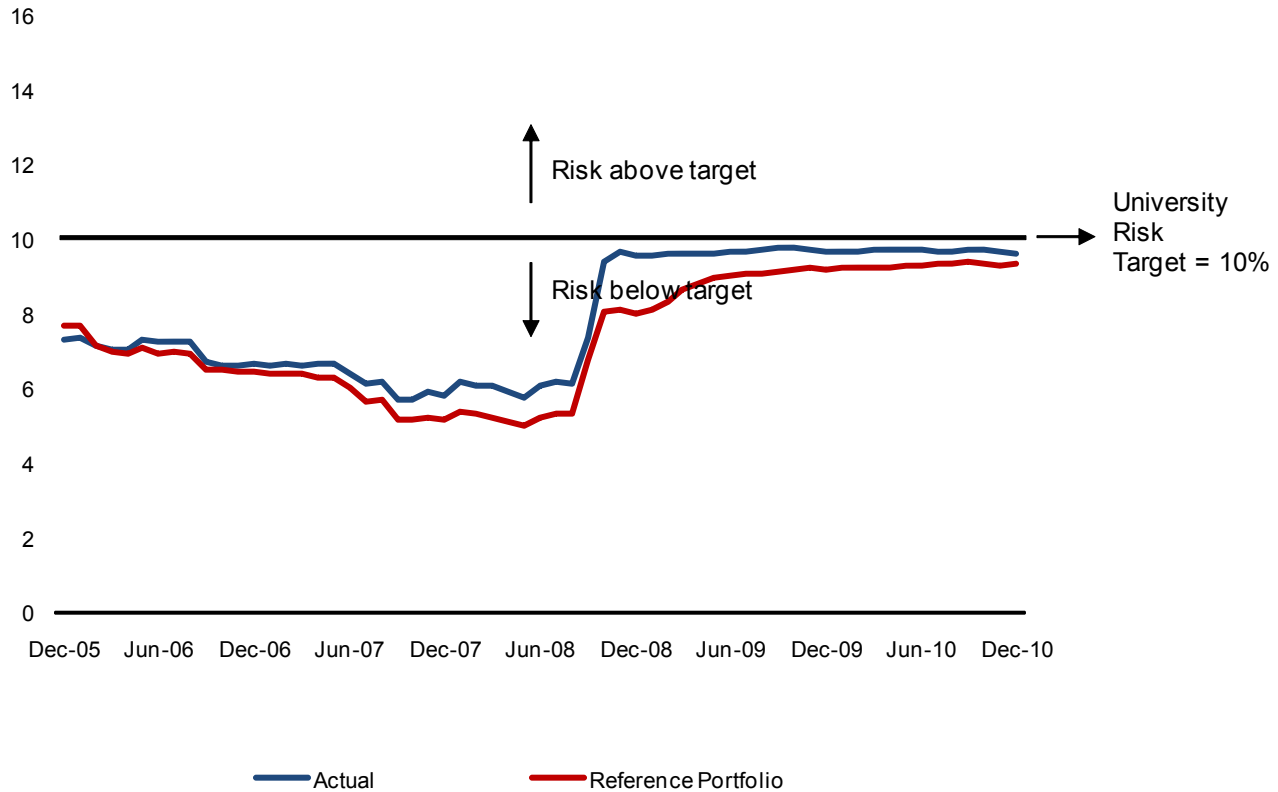
<b>Reference Portfolio Return (i C\$)</b>		<b>10.49</b>
<b>Impact of LTCAP Portfolio Differences:</b>		
-U/ Cd E O/ Priva Investments	-	
-U/ Fixe Inco O/ Hedg Fund Rea Assets	(0.02)	
-Activ Manager (+ Valu Bia (-)	0.50	
Other	<u>(0.18)</u>	0.30
<b>Incremental Unhedged Exposure (50%)</b>		<b>(1.27)</b>
Unexplained		(0.02)
<b>Actual Portfolio Performance (i C\$)</b>		<b>9.50</b>



1. PPP Value is the exchange rate between two currencies that makes purchasing power the same in each of the two countries.

# PORTFOLIO VOLATILITY OVER TIME<sup>(1)</sup>

Standard Deviation (%)



(1) Rolling 60-month standard deviation of returns. Includes private investments and real assets starting in January 2007.

# **Current Investment Environment**

- Recovery bumpy and less vigorous than usual.**
- Developed economies will remain constrained by unwinding of prior fiscal and monetary stimulus and deleveraging.**
- Developing economies face headwinds due to rising inflationary pressures.**
- The 30-year bull market in bonds appears to have ended.**
- Low dividend yields and constrained earnings growth imply a high probability of range bound equity markets.**
- Suggests a challenging environment for portfolios comprised of traditional assets and strategies.**

# **A Year of Transition and Progress**

**-- Infrastructure Development**

**-- Portfolio Restructuring**

**-- Risk Management**

**-- Operations**

# Final Thoughts

- Improved performance**
- Enhanced capability more in keeping with original vision for UTAM.**
- 2011 focus is a better balance between offence and defence.**

## HISTORICAL POLICY ASSET MIX

(start of period weight)

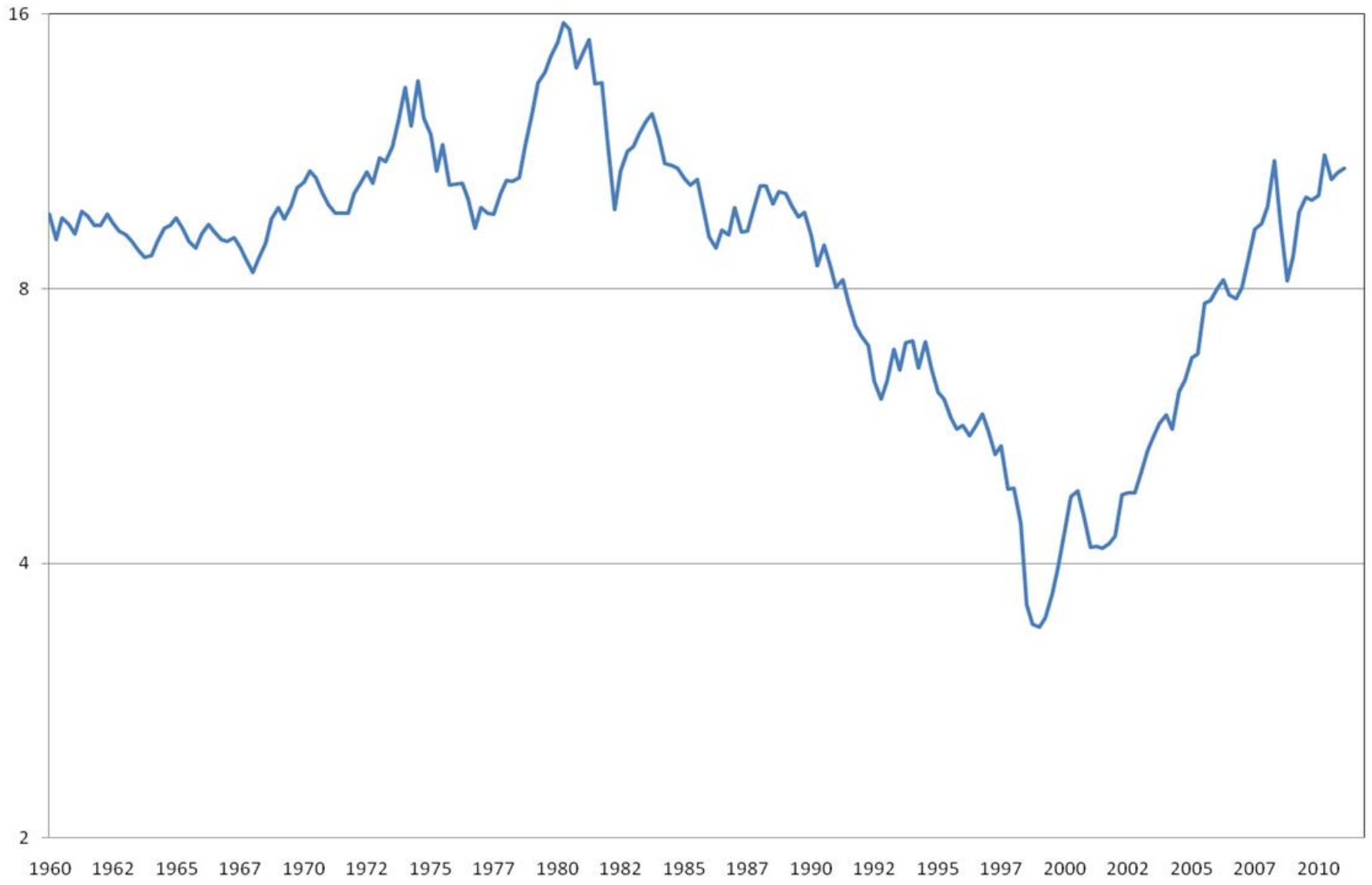
	OLD*	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Public Markets:</b>										
Canada Equity	40	10	10	10	10	10	10	10	10	10
U.S Equity	10	25	25	25	15	15	20	15	15	15
International Equity	10	25	25	25	15	15	20	15	15	15
Fixed Income	40	40	40	40	30	30	20	15	15	15
<b>Total Public Markets</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>55</b>	<b>55</b>	<b>55</b>
<b>Alternative Assets:</b>										
Hedge Funds					10	10	10	15	15	15
Private Equity					10	10	10	15	15	15
Real Assets					10	10	10	15	15	15
<b>Total Alternatives</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>45</b>	<b>45</b>	<b>45</b>
Cash		0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Business Board Memorandum from Robert Whitford Meeting of November 20, 2000

\*\*UTAM assumed responsibility for Asset Mix at the end of 2003.

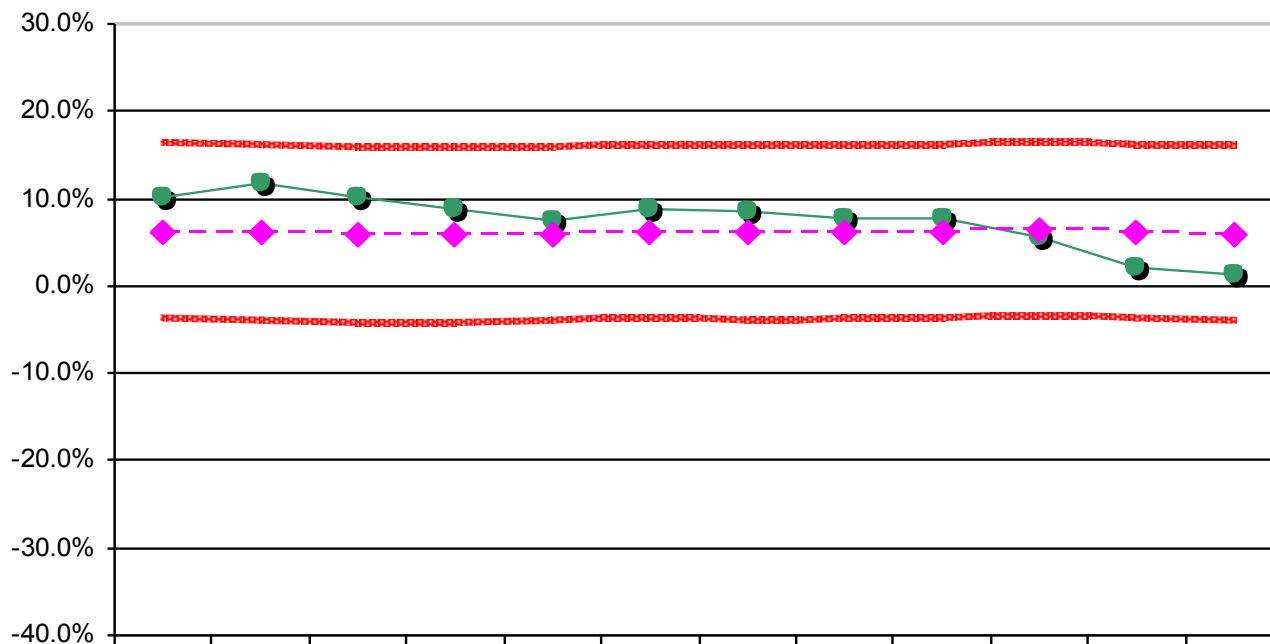
**Note** | 2001-2003 Alternative Investments were included in the Public Market asset classes

TSX Composite vs S&P 500 in Canadian Dollar





### Pension Master Trust Ten-Year Rolling Average Return



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
—●— Ten-Year rolling average return	10.2%	11.7%	10.2%	8.8%	7.5%	8.7%	8.4%	7.9%	7.7%	5.6%	2.1%	1.3%
-◆- Ten-Year rolling target return	6.2%	6.1%	5.8%	5.8%	5.9%	6.1%	6.0%	6.1%	6.2%	6.4%	6.2%	6.0%
----- Ten-Year rolling Standard deviation +10%	16.2%	16.1%	15.8%	15.8%	15.9%	16.1%	16.0%	16.1%	16.2%	16.4%	16.2%	16.0%
----- Ten-Year rolling Standard deviation -10%	-3.8%	-4.0%	-4.3%	-4.2%	-4.1%	-3.9%	-4.0%	-3.9%	-3.8%	-3.6%	-3.8%	-4.0%