
UTAM ANNUAL REPORT: 2020

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Presentation to Business Board

Assets Under Management

	Dec 31, 2019	Dec 31, 2020
LTCAP	3,235	3,669
Pension	5,586	6,275
EFIP	2,545	3,055
Total	11,366	12,998

- Assets under management increased by 14.4% in 2020 to approximately \$13.0 billion.
- Long-term assets were valued at \$9.9 billion at the end of December 2020, a 12.7% increase over the year.

Performance: LTCAP, Pension and EFIP

Periods ending Dec 31, 2020

	H2 2020	1 Year	5 Years	10 Years
LTCAP	14.5%	11.6%	8.4%	8.8%
Pension	14.5%	11.7%	8.4%	8.7%
EFIP	1.4%	3.9%	2.4%	2.1%

* Returns in this presentation are annualised except for periods less than one year, and are net of all investment fees and expenses, including UTAM costs.

- In 2020 (i.e., 1 Year), LTCAP returned 11.6%, Pension returned 11.7% and EFIP returned 3.9%.
- Over the last 10 years, LTCAP returned 8.8% annualised, Pension returned 8.7% annualised and EFIP returned 2.1% annualised.

Performance: Evaluating Returns

The previous slide showed the returns of all portfolios. But how do those returns relate to what was available in the capital markets, and how much did UTAM add or detract with its active management approach? The following definitions are required to answer these questions:

Reference Portfolio: Passive, easy to implement, low-cost, simple and appropriate for the Pension and Endowment's long-term risk and return objectives. The Reference Portfolio represents the returns available in the capital markets for a broadly diversified portfolio. The primary means of assessing the success (or failure) of UTAM's active management approach is obtained by comparing Pension and Endowment's returns to Reference Portfolio returns and comparing EFIP's returns to its Target Return. There are no implementation costs or expenses included in the Reference Portfolio return.

Target Return: The return objective for each portfolio. For Pension and LTCAP the target return is CPI + 4% (i.e., inflation + 4%). EFIP has a target return based on a combination of cash and fixed income benchmarks. All targets are net of all investment fees and expenses.

Performance: Actual vs Target

Periods ending Dec 31, 2020

	H2 2020	1 Year	5 Years	10 Years
Actual Portfolio Returns				
LTCAP	14.5%	11.6%	8.4%	8.8%
Pension	14.5%	11.7%	8.4%	8.7%
University Target Returns				
LTCAP & Pension: CPI + 4%	2.9%	4.7%	5.6%	5.6%
Actual minus Target¹				
LTCAP	11.6%	6.9%	2.7%	3.2%
Pension	11.6%	7.1%	2.8%	3.1%

Note: Due to rounding in this table and others in this report, some values may differ from the results of simple addition or subtraction.

- LTCAP and Pension outperformed the Target return by approximately 7% in 2020.
- Over the last 10 years, LTCAP and Pension outperformed the Target return by over 3% annualized (i.e., per year)

Performance: Reference vs Target

Periods ending Dec 31, 2020

	H2 2020	1 Year	5 Years	10 Years
Reference Portfolio Returns¹				
LTCAP	11.3%	11.8%	8.6%	7.7%
Pension	11.3%	11.8%	8.6%	7.7%
University Target Returns				
LTCAP & Pension: CPI + 4%	2.9%	4.7%	5.6%	5.6%
Reference minus Target				
LTCAP	8.4%	7.1%	3.0%	2.1%
Pension	8.4%	7.1%	3.0%	2.2%

Note 1: Reference Portfolio adopted in March 2012 for LTCAP and May 2012 for Pension. Policy Portfolio used for prior periods. Returns are net of all investment fees and expenses, including UTAM costs.

- The Reference Portfolio returned 11.8% in 2020, outperforming the Target return by 7.1%. The Reference Portfolio has also exceeded the Target return over 5 and 10 year horizons.

Performance: Actual vs Reference

Periods ending Dec 31, 2020

	H2 2020	1 Year	5 Years	10 Years
Actual Portfolio Returns				
LTCAP	14.5%	11.6%	8.4%	8.8%
Pension	14.5%	11.7%	8.4%	8.7%
Reference Portfolio Returns				
LTCAP	11.3%	11.8%	8.6%	7.7%
Pension	11.3%	11.8%	8.6%	7.7%
Actual minus Reference (UTAM value-add)				
LTCAP	3.2%	-0.2%	-0.2%	1.1%
Pension	3.2%	-0.0%	-0.2%	1.0%

- UTAM had a very strong second half of 2020, outperforming the Reference Portfolio by over 3%. For the full year, Pension underperformed by 0.02% and LTCAP underperformed by 0.17%.
- 5-year relative performance was -0.2%, but 10 year relative performance was approximately +1.0%.

Performance: UTAM Value Add in Dollar Terms

Periods ending Dec 31, 2020

	H2 2020	1 Year	5 Years	10 Years
UTAM Value Add (%)				
LTCAP	3.2%	-0.2%	-0.2%	1.1%
Pension	3.2%	-0.0%	-0.2%	1.0%
UTAM Value Add (\$ millions)¹				
LTCAP	96.7	4.7	-26.0	210.7
Pension	170.2	15.8	-33.2	320.3
LTCAP + Pension	266.9	20.5	-59.2	531.0

Note: Dollar value add results are computed as the arithmetic sum of monthly value add. This allows for consistent aggregation of results across multiple reporting horizons.

- UTAM added over \$250 million in value to LTCAP and Pension combined in the second half of the year, and approximately \$20 million in all of 2020.
- Over the last 10 years, UTAM has added in excess of \$0.5 billion in value to the LTCAP and Pension portfolios combined.

Performance

5-Year periods ending December 31 for each year going back to 2014

	2020	2019	2018	2017	2016	2015	2014
UTAM Value Add (%)							
LTCAP	-0.2%	0.7%	1.9%	2.3%	2.3%	2.4%	1.4%
Pension	-0.2%	0.7%	1.8%	2.2%	2.1%	2.2%	1.3%
UTAM Value Add (\$ millions)							
LTCAP	-26.0	72.0	212.1	239.8	229.9	236.6	132.2
Pension	-33.2	114.3	339.0	375.9	346.5	353.5	192.3
LTCAP + Pension	-59.2	186.3	551.1	615.7	576.4	590.1	324.5

- UTAM's average 5-year value add for the years ending 2014 to 2020 was approximately 1.5%.
- 2020 was the first five-year period over this timeframe that UTAM value add was negative.

Performance

Contribution to Value Add by Investment Program: 2013 to 2020
Results shown for Pension. LTCAP is substantially similar.

Estimated Contribution to Value Add	
Investment Program	Contribution
Public Equity	0.51%
Alternative Credit	0.26%
Absolute Return	0.19%
Other Effects	0.09%
Public Credit	0.08%
Government Bonds	0.06%
Private Real Estate	0.05%
Private Equity	0.01%
Private investments made prior to 2009	-0.11%
Total	1.13%

- UTAM outperformed the Reference Portfolio by 1.13% annualised from Jan. 1, 2013 to December 21, 2020 net of all fees and expenses. [This is the longest period for which we currently have data by Investment Program.]
- All investment programs outperformed over this period except for Private investments made prior to 2009.

Performance: EFIP vs Target

Periods ending Dec 31, 2020

	H2 2020	1 Year	5 Years	10 Years
Actual Portfolio Return				
EFIP	1.4%	3.9%	2.4%	2.1%
University Target Return				
Target Return	1.0%	3.4%	2.0%	1.9%
Actual minus Target				
EFIP (%)	0.4%	0.5%	0.4%	0.3%
EFIP (\$ Millions)	11.6	11.8	33.0	39.3

- In 2020, EFIP outperformed its Target return by 0.5%, and added \$11.8 million in value.
- Over the last 10 years, EFIP outperformed its Target return by 0.3% annualized (i.e., per year), and added \$39.3 million in cumulative value.

Active Risk: Actual Risk minus Reference Risk

Dec 31, 2020

Active Risk Zone	Active Risk
Target Zone (“Normal”)	$-0.50\% \leq \text{Active Risk} \leq 1.50\%$
Notification and Analysis Zone (“Watch”)	$1.50\% < \text{Active Risk} \leq 1.75\%$
Mitigation Zone (“Alert”)	$\text{Active Risk} > 1.75\%$

	Risk (Volatility %)
LTCAP (A)	9.4%
Pension (B)	9.4%
Reference Portfolio (C)	8.5%
LTCAP Active Risk (A – C)	1.0%
Pension Active Risk (B – C)	1.0%

- Active Risk for LTCAP and Pension remains well within the “Normal” Zone of -0.50% to +1.50%.

Current Asset Allocation and Limits: LTCAP

Pension is substantially similar

Dec 31, 2020

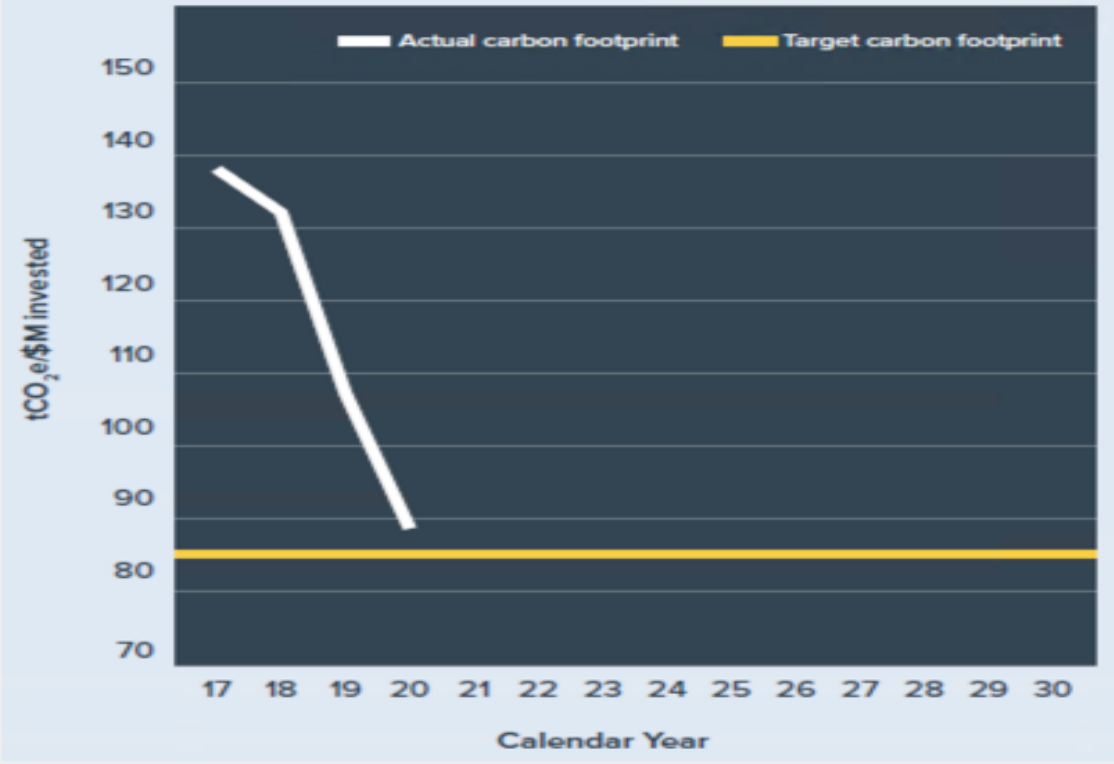
	Reference Portfolio %	Actual Portfolio %	Outside Allowable Bands?	--- Allowable Bands ---	
				Min %	Max %
Equity:					
Global	60.0	60.0	N	50.0	70.0
Fixed Income:					
Credit (Corporate Credit)	20.0	20.1	N	10.0	30.0
Rates (Government Bonds)	20.0	20.0	N	10.0	30.0
Total Fixed Income	40.0	40.1	N	25.0	50.0
Absolute Return Hedge Funds	0	7.7	N	0.0	15.0
Cash and Cash Equivalents	0	-7.6	N	-15.0	5.0
Total	100.0	100.0			
Currency Exposure:	33.2	33.7	N	25.0	40.0

- At the end of December, LTCAP and Pension were in compliance with all asset mix limits.

Responsible Investing Update

Carbon Footprint Reduction

Our decarbonisation of the Pension and Endowment portfolios is well on track. As of December 31, 2020, the carbon footprint of the portfolio (carbon emissions per million dollars invested) was 37.0% lower than in 2017, and the absolute level of emissions were 21.1% lower.



Responsible Investing Update

PRI Assessment

In 2016, we became a signatory to the United Nations–supported Principles for Responsible Investment, the world’s leading proponent of responsible investment. We have committed to following the PRI’s six responsible investing principles and to participating in an annual evaluation of our implementation of responsible investing. Our most recent scores are shown below.

A+

Strategy & Governance
Median Score – **A**

Manager Selection, Appointment & Monitoring

Active Ownership

A+

Listed Equity
Median Score – **B**

Manager Selection, Appointment & Monitoring

A+

Listed Equity
Median Score – **A**

A+

Fixed Income – Corporate
Non-Financial
Median Score – **A**

A+

Fixed Income – Supranational,
Sub-Sovereign and Agency
Median Score – **B**

A+

Private Equity
Median Score – **A**

Responsible Investing Update

Recognition of Our Approach

In June, UTAM was added to the Institutional Limited Partners Association (ILPA) ESG Roadmap and Resources, a compilation of best practices that limited partners can consider implementing to advance environmental, social and governance (ESG) investing efforts at their organizations.



In August, UTAM was shortlisted for an International Corporate Governance Network (ICGN) Global Stewardship Disclosure Award. This award recognizes investors whose public disclosures provide genuine insight into their stewardship policies and how they have been implemented, and whose approach to transparency and reporting provides a model that others might follow.



In October, UTAM was chosen as one of the three finalists for *Canadian Investment Review's* first Pension Leadership Awards in the category of Sustainable Investing. The awards celebrate pension plan sponsors and pension investors who work hard to ensure strong investment outcomes.

Responsible Investing Update

Engagement Highlights

UTAM on behalf of the University of Toronto recently became a founding member of the University Network for Investor Engagement (UNIE), a coalition of Canadian university endowments and pension plans that will leverage our collective power as institutional investors to address climate change risks in our investment portfolios. UNIE's coordinator is SHARE (Shareholder Association for Research & Education), a non-profit investor advocacy organization.

In 2017, UTAM, on behalf of the University of Toronto, became a founding participant in Climate Action 100+, now the largest-ever investor engagement initiative on climate change. The initiative focuses on engagement with 167 companies that have significant greenhouse gas emissions and/or are critical to the net-zero emissions transition and to meeting the objectives of the Paris Agreement. Significant progress was achieved in 2020 with many companies.

In 2020, through Hermes EOS, UTAM engaged with 815 companies in the Pension and Endowment portfolios on 2,914 environmental, social, governance, strategy, risk and communication issues and objectives. Of these, 1,346 were linked to one or more of the UN Sustainable Development Goals (SDGs).

Responsible Investing Update

Manager Examples

In 2020, after an extensive global search by UTAM's public equities team, we identified Impax Asset Management as a leader in responsible investing and a manager that would be a great fit in the pension and Endowment portfolios. Impax is a specialist asset manager investing in the opportunities arising from the transition to a more sustainable global economy. We believe their overall approach to responsible investing is one of the best in the industry. We partnered with Impax to create a new tax-efficient investment vehicle and invested with them in early 2021.

In 2020, we worked with one of our long-standing fixed income managers to create a new investment mandate with a requirement to have significantly lower carbon emissions than the benchmark index. The portfolio proactively invests in companies with a strong track record of reducing GHG emissions or credible plans to do so in the future.

Since the beginning of 2020, 13 of the managers in the Pension and Endowment portfolios have joined the PRI. In many cases, due in part to our influence.