



FOR INFORMATION

PUBLIC

OPEN SESSION

TO: Business Board

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DATE: April 15, 2026 for April 22, 2026

AGENDA ITEM: 6

ITEM IDENTIFICATION:

Semi-Annual Update on Investment Performance and Responsible Investing Activities to December 31, 2025.

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 [for Information] (April 22, 2026)

PREVIOUS ACTION TAKEN:

The UTAM financial statements for the year ended December 31, 2025 were approved by the UTAM Board at its meeting of March 19, 2026. However, the UTAM Board has not yet approved the complete 2025 UTAM Annual Report, including the summary of annual investment activities, governance, risk management, portfolio performance, and responsible investing activities. Therefore, the 2025 UTAM Annual Report, including the UTAM audited financial statements for the year ended December 31, 2025, will be provided for information at the next Business Board meeting on June 18, 2026.

HIGHLIGHTS:

In 2025, UTAM managed two distinct portfolios of assets under an investment management agreement between the University and UTAM:

- Long-Term Capital Appreciation Pool (“**LTCAP**”), which consists of certain endowment assets of the University of Toronto as well as other long-term assets; and,
- Expendable Funds Investment Pool (“**EFIP**”), which consists of short-term working capital assets of the University.

UTAM, which was formed in April 2000, is a separate non-share capital corporation controlled (effectively owned) by its members who are appointed by the University of Toronto. UTAM is registered with the Ontario Securities Commission in the category of Portfolio Manager. UTAM's primary mandate is to manage the investment funds that are delegated to it by the University of Toronto.

Investment Performance

The University has established a long-term investment target for LTCAP at an annual investment return of 4.0% plus the increase in CPI, net of fees and expenses, that is measured over 10-year periods. Over the 10-year period ending December 31, 2025, LTCAP returned 8.4% per annum (net of all fees and expenses), outperforming its target return by 1.7 percentage points per annum.

In addition to the long-term target return of 4%+CPI, the Reference Portfolio was established as a capital market benchmark for LTCAP, where the Reference Portfolio is a theoretical public market passive portfolio that assumes a traditional 60%/40% equity/fixed income asset allocation and does not include any allocation to alternative assets or active strategies. In 2025, despite generating a strong absolute return, LTCAP's 10.8% return (net of all fees and expenses) was 1 percentage point lower than the Reference Portfolio return (assumes costless implementation). Over the 10-year period ending December 31, 2025, LTCAP's 8.4% return outperformed the Reference Portfolio by 0.3 percentage points per annum, adding approximately \$100 million of additional value to the LTCAP portfolio compared to what would have otherwise been achieved under the passive investment approach of the Reference Portfolio.

The Expendable Funds Investment Pool (EFIP) returned 4.6% in 2025 net of all fees and expenses, which exceeded its target return by 0.6 percentage points. Over the last 10 years, the EFIP return has exceeded its target return by 0.4 percentage points per annum, contributing more than \$115 million to EFIP compared to what would have been achieved by investing in its passive benchmarks.

Responsible Investing

UTAM continues to progress its responsible investing activities. As discussed in the attached presentation, considerable progress has been made towards our 2030 carbon footprint reduction target, as the carbon footprint and the absolute emissions of the LTCAP Sub-Portfolio¹ fell by 71.9% and 53.2%, respectively, over the 2019 to 2025 period.² Despite having achieved the target reduction in the carbon footprint earlier

¹ The LTCAP Sub-Portfolio includes public equities, corporate bonds, and private equity and real asset investments via proxy. In total, these investments represented approximately 70% of LTCAP's net asset value at December 31, 2025.

² As approved by the UTAM Board, for the first time in four years, we did not seek a limited assurance review of the 2025 carbon footprint calculation of the LTCAP Sub-Portfolio. Going forward, UTAM will engage a limited assurance provider every second year, unless there is a material change in the carbon footprint methodology or in the asset class composition of the LTCAP Sub-Portfolio.

than expected, we continue to believe that the carbon emissions path of the LTCAP Sub-Portfolio will not be linear and that there is a risk of reversion in the carbon emissions metrics over the short-to-medium term.

As also noted in the presentation, LTCAP's exposure to fossil fuel investments has decreased considerably, as these investments represented 0.5% of LTCAP at calendar year-end 2025, compared to 2.0% at calendar year-end 2021. Like the path of the carbon footprint, we do not expect the path towards fossil fuel divestment to be linear, and we believe there will be periods when this exposure increases, driven by the constrained universe of fossil fuel free investment strategies available today. Despite this, we continue to engage with existing and prospective investment managers to launch fossil fuel free strategies and investigate other strategies and instruments to further reduce this exposure.

2025 UTAM Annual Report

For the 2025 UTAM Annual Report, we will again combine our usual review of investment activities, governance, risk management and portfolio performance with updates on our responsible investing program, in a single integrated annual report. Moreover, we will once again publish UTAM's Financial Statements, the Carbon Footprint Report and the Task Force on Climate-Related Financial Disclosures (TCFD) Report separately from the Annual Report as supplements on our website.

As noted previously, the 2025 UTAM Annual Report and the supplements will be included for information in the materials for the next Business Board meeting.

FINANCIAL IMPLICATIONS:

Investment performance through December 31, 2025, has been factored into the University's budget planning process for 2026-27.

RECOMMENDATION:

For information.

DOCUMENTATION PROVIDED:

Presentation: Semi-annual Update on Investment Performance and Responsible Investing Activities to December 31, 2025.

Semi-Annual Update on Investment Performance

For the Period Ending Dec 31, 2025

Chuck O'Reilly, CFA
President and Chief Investment Officer, UTAM

April 22, 2026

Presentation to Business Board

Assets Under Management (\$M)

	Dec 31, 2024	Dec 31, 2025
LTCAP	4,878	5,406
EFIP ST (short-term)	2,858	2,708
EFIP MT (mid-term)	1,141	1,227
Total	8,877	9,341

- Over the past 12 months, total assets under management increased by 5.2% to more than \$9.3 billion, driven by an increase in the AUM of LTCAP, which was driven by performance.

Performance: LTCAP and EFIP

Periods ending December 31, 2025

	Q4 2025	YTD	1 Year	5 Years	10 Years
LTCAP	1.4%	10.8%	10.8%	8.5%	8.4%
EFIP Total	0.6%	4.6%	4.6%	2.9%	2.6%
EFIP ST	0.6%	3.9%	3.9%	2.9%	2.6%
EFIP MT	0.6%	6.1%	6.1%	2.5%	

- Despite on-going geopolitical uncertainty, global equity markets performed very strongly in 2025. US equity market rallied after the April tariff shock but underperformed non-US indices by the end of 2025 (e.g., Canada, EAFE and EM all realized returns >20% in local currency terms while the MSCI USA index returned 17.3% in US dollar terms). Canadian fixed-income indexes also realized positive performance. The Corporate Bond ex FF index returned 4.6% while the Government Bonds ex FF index returned 2.0% in 2025.
- All investment returns for LTCAP and EFIP presented above and throughout this presentation are net of all investment fees and expenses, including UTAM costs. All returns for periods greater than 1 year are annualized unless otherwise noted.

Performance: Evaluating Returns

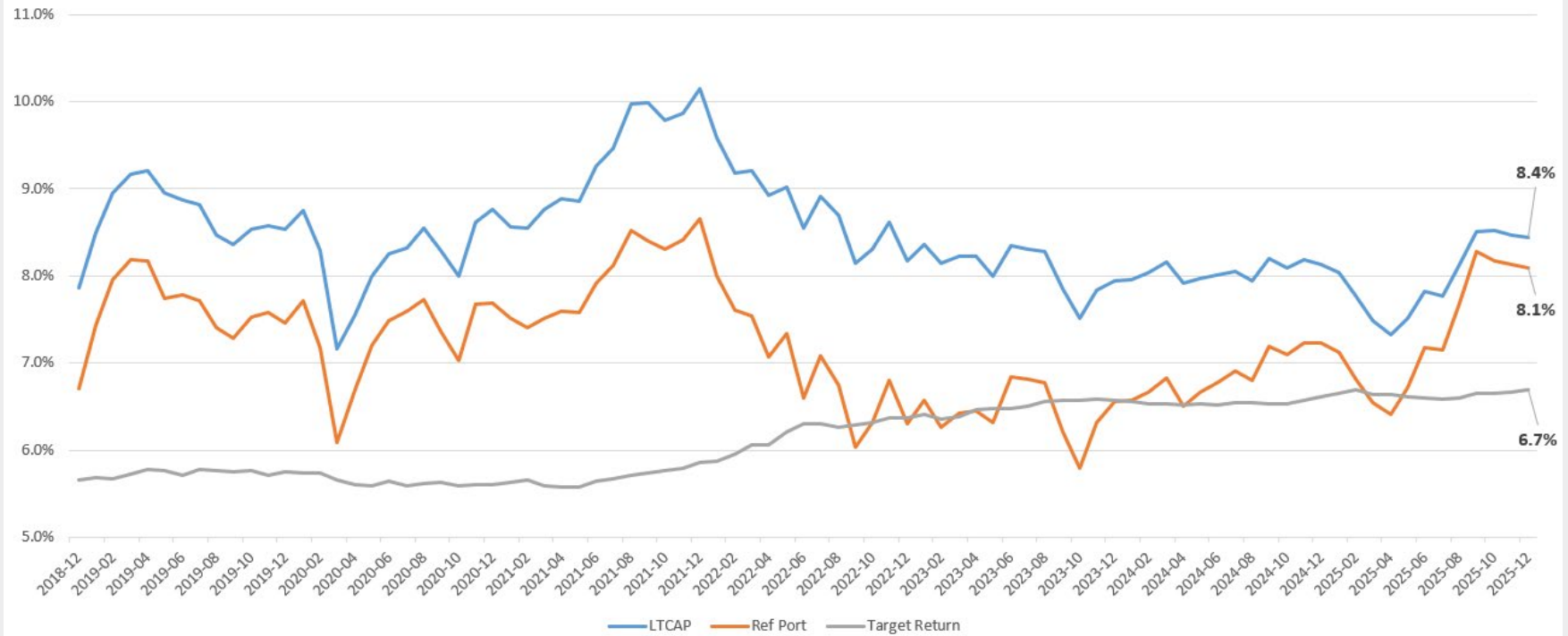
The previous slide showed the returns of all portfolios. But how do those returns relate to what was available in the capital markets, and how much did UTAM add or detract with its active management approach? The following definitions are required to answer these questions:

Reference Portfolio: Passive, easy to implement, low-cost, simple and appropriate for the Endowment's long-term risk and return objectives. The Reference Portfolio represents the returns available in publicly traded 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 Endowment's returns to Reference Portfolio returns and by comparing the EFIP Short-Term and Medium-Term portfolio returns to their Target Returns.

Target Return: The return objective for each portfolio. For LTCAP the long-term (10-year) target return is CPI + 4% per annum (i.e., inflation + 4%). For EFIP ST it is 50% FTSE ST Universe + 50% CORRA +10 bps. For EFIP MT it is 50% FTSE Canada ST Corp BBB + 50% FTSE Canada All Corp BBB Index. All targets are net of all investment fees and expenses.

Performance: Rolling 10-Year Comparison

Ending December 31, 2025



- The Reference Portfolio (“RP”, orange line) is designed to achieve the University’s Target Return (grey line) of CPI + 4% per annum over 10-year periods. UTAM seeks to implement active strategies that result in LTCAP (blue line) outperforming both the RP and the Target Return over the long-term.
- On a rolling 10-year basis, LTCAP consistently outperformed the RP and the Target Return.

Performance: Actual vs Reference

Periods ending December 31, 2025

	Q4 2025	YTD	1 Year	5 Years	10 Years
Actual Portfolio Returns					
LTCAP	1.4%	10.8%	10.8%	8.5%	8.4%
Reference Portfolio Returns					
LTCAP Reference Portfolio	1.4%	11.8%	11.8%	7.6%	8.1%
Actual minus Reference (UTAM value-add)					
LTCAP Relative Performance	0.0 ppts	-1.0 ppts	-1.0 ppts	0.9 ppts	0.3 ppts

- LTCAP underperformed the Reference Portfolio by 1.0 percentage points in 2025. Strong outperformance in Q1 was offset by underperformance in Q2 & Q3. Over Q4, LTCAP's returns were comparable to the Reference Portfolio. LTCAP's underperformance in 2025 was driven primarily by the Private Equity Program and the Public Equity Program.
- Looking over the longer horizon, LTCAP's relative performance remains positive with the 5-Year and 10-Year returns showing positive value add (+0.9 ppts and +0.3 ppts for 5 Year and 10 Year horizons, respectively).

Performance: UTAM Value-Add in Dollar Terms

Periods ending December 31, 2025

	Q4 2025	YTD	1 Year	5 Years	10 Years
UTAM Value-Add (percentage points)					
LTCAP VA (ppts)	0.0 ppts	-1.0 ppts	-1.0 ppts	0.9 ppts	0.3 ppts
UTAM Value-Add (\$ millions)¹					
LTCAP VA (\$M)	\$0.8	-\$49.5	-\$49.5	\$123.0	\$97.1

Note 1: Dollar value-add results are computed as the arithmetic sum of monthly dollar value-add. This allows for consistent aggregation of results across multiple reporting horizons. Compounded dollar value-add results will differ depending on the starting date and horizon of the calculation.

- Over the 5-year horizon, on a simple arithmetic basis (i.e., excluding the impact of compounding), LTCAP's dollar value-add was \$123.0 million. Looking over a 10-year horizon, the dollar value-add of LTCAP was \$97.1 million (also using arithmetic basis).

UTAM Value-Add Contribution by Investment Program: 10 Years

Contribution to LTCAP's Value-Add by Investment Program (estimated in basis points)		
	All Effects	Mgr Selection
Alternative Credit	38	10
Portable Alpha (Gov't Bonds + ARP)	44	34
Public Equity	12	12
Public Credit	7	7
Real Assets	-2	-2
Private Equity	-60	-60
Other Effects	-4	0
Total	35	0

- Over the past 10 years, most of the active programs contributed positively to LTCAP's value-add compared to the Reference Portfolio, led by Portable Alpha (Absolute Return) and Alternative Credit. Private Equity has been the primary detractor, driven largely by its underperformance compared to public market equities over the past three calendar years.

Performance: EFIP vs Target

Periods ending December 31, 2025

	Q4 2025	YTD	1 Year	5 Years	10 Years
Actual Portfolio Returns					
EFIP STP	0.6%	3.9%	3.9%	2.9%	2.6%
EFIP MTP	0.6%	6.1%	6.1%	2.5%	
EFIP TOTAL (weighted average)	0.6%	4.6%	4.6%	2.9%	2.6%
University Target Returns					
50% FTSE ST Unv+50% CORRA+10bps ¹	0.5%	3.3%	3.3%	2.4%	2.1%
50% FTSE ST BBB+50% FTSE BBB ²	0.5%	5.3%	5.3%	2.0%	
Weighted Average	0.5%	3.9%	3.9%	2.4%	2.2%
Actual minus Target (percentage points)					
EFIP STP	0.1 ppts	0.6 ppts	0.6 ppts	0.5 ppts	0.4 ppts
EFIP MTP	0.1 ppts	0.8 ppts	0.8 ppts	0.5 ppts	
EFIP TOTAL (weighted average)	0.1 ppts	0.6 ppts	0.6 ppts	0.5 ppts	0.4 ppts

- Both the STP and MTP performed well in 2025.
- Over the past 10 years, EFIP returned 2.6% p.a. and outperformed its Target Return by 0.4 ppts p.a.

Performance: EFIP Value-Add in Dollar Terms

Periods ending December 31, 2025

	Q3 2025	YTD	1 Year	5 Years	10 Years
UTAM Value-Add (percentage points)					
EFIP STP	0.1 pts	0.6 pts	0.6 pts	0.5 pts	0.4 pts
EFIP MTP	0.1 pts	0.8 pts	0.8 pts	0.5 pts	
UTAM Value-Add (\$ millions)					
EFIP STP	\$4.0	\$14.6	\$14.6	\$61.3	\$94.2
EFIP MTP	\$1.1	\$8.7	\$8.7	\$17.0	
EFIP STP + MTP	\$5.1	\$23.3	\$23.3	\$78.3	\$115.9

- EFIP's dollar value-add on a YTD basis was \$23.3 million.
- Most importantly, EFIP's 10-year dollar value-add was \$115.9 million.

Appendix C: LTCAP Active Risk: Actual Risk minus Reference Risk

December 31, 2025

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
Reference Portfolio (C)	9.3
LTCAP Active Risk (A – C)	0.1

- Active Risk for LTCAP remains well within the "Normal" Zone of -0.50% to +1.50%.

Current Asset Allocation and Limits: LTCAP

December 31, 2025 (Post-Rebalancing Asset Mix)

	Reference Portfolio %	Actual Portfolio %	Outside Full Bands?	--- Full Bands ---		Outside IC Bands?	--- IC Bands ---	
				Min %	Max %		Min %	Max %
Equity:								
Global	60.0	59.9	N	50.0	70.0	N	55.0	65.0
Credit (Corporate Credit)	20.0	20.1	N	10.0	30.0	N	15.0	25.0
Rates (Government Bonds)	20.0	20.0	N	10.0	30.0	N	15.0	25.0
Total Fixed Income	40.0	40	N	25.0	50.0	N	32.5	45.0
Absolute Return Hedge Funds	0	11.6	N	0.0	15.0	N	0.0	15.0
Cash and Cash Equivalents	0	-11.3	N	-15.0	5.0	N	-15.0	5.0
Total	100.0	100.0						
Currency Exposure:	32.4	32.7	N	25.0	40.0	N	29.0	36.0

Total Direct Leverage (IC definition) as a % of LTCAP assets:	9.8%
Maximum Direct Leverage (IC definition) as a % of LTCAP assets:	18.0%

Green font designates exception granted to the typical half-way limits

Notes: (1) Weights are calculated on an exposure basis, meaning they reflect the economic exposure of any derivative instruments that may be used to maintain an asset class exposure at the desired weight. (2) EM exposure within LTCAP is estimated to be ~8.1%.

- At the end of 2025, LTCAP was compliant with all limits.

Responsible Investing Update

Fossil Fuel Divestment – LTCAP

Commitments	Status / Accomplishments
<p>Divest from all <i>direct</i> investments in fossil fuel companies within 12 months (of October 27, 2021)</p>	<ul style="list-style-type: none"> Completed in early October 2022
<p>Divest from indirect exposure to investments in fossil fuel companies by 2030</p>	<ul style="list-style-type: none"> Indirect exposure to fossil fuel companies comprised 0.5% of LTCAP at December 31, 2025⁽¹⁾ compared to 2.0% at December 31, 2022. LTCAP's dollar exposure to fossil fuel companies fell by \$19M year-over-year (YOY), and by more than \$60M since year-end 2021, despite its net asset value increasing by more than \$1.2B since 2021. Like 2024, the YOY reduction in fossil fuel exposure in 2025 was primarily driven by changes in the holdings of active public equity managers. We believe there is risk of reversion to higher levels of indirect fossil fuel exposure in LTCAP over the next few years as active investment managers have been unwilling to launch fossil fuel-free solutions. Despite this, we continue to engage with existing and prospective managers on creating fossil fuel free solutions and investigate instruments to further reduce this exposure.

Responsible Investing Update

Carbon Reduction

Commitment	Status
<p>In 2022, UTAM established a new carbon footprint reduction target, which is to reduce the carbon footprint of the LTCAP Sub-Portfolio (including equity, equity-like and corporate bond securities) by 50% by 2030, compared to the 2019 baseline carbon footprint.</p>	<ul style="list-style-type: none"> • The Sub-Portfolio’s carbon footprint (tCO2e/\$M) fell by 71.9% from December 31, 2019 to December 31, 2025. It was largely unchanged in 2025. • Over the same 2019-2025 period, the Sub-Portfolio’s absolute emissions (tCO2e) fell by 53.2%, despite increasing by 8.7% YOY. • Although the Sub-Portfolio’s carbon footprint and absolute emissions have decreased significantly since 2023, we view much of the reduction as unrealized, as it was driven primarily by changes in the holdings of two active public equity managers, which are susceptible to reversion over the short-to-medium term. • We continue to engage with these and other public equity managers on establishing fossil fuel-free solutions to ‘lock-in’ these emissions reduction; however, to date we have been unsuccessful. • As approved by the UTAM Board, we did not seek a limited assurance review of the 2025 carbon footprint. Going forward, we will engage a limited assurance provider every two years unless there is a material change in the carbon footprint methodology or in the asset class composition of the Sub-Portfolio.

Responsible Investing Update

Sustainable and Low Carbon

Commitment	Status
Allocate 10% of LTCAP to sustainable and low carbon investment strategies by 2025	<ul style="list-style-type: none">• At December 31, 2025, exposure was 17.3% of LTCAP net asset value.• This exposure includes strategies represented across multiple asset classes and investment programs in LTCAP, including Public Equities, Public Credit, Alternative Credit and Private Equity.• The UTAM investment team continues to source and evaluate Sustainable and Low Carbon strategies that may be a good fit for LTCAP.

Responsible Investing Update

Engagement Highlights

Net-Zero Asset Owner Alliance Engagement (NZAOA) Target

- In accordance with the NZAOA framework, UTAM has set interim investment manager and corporate issuer engagement targets for the 2025 to 2029 period, with the latter focused on issuers that contribute most to the owned emissions in the LTCAP public equity portfolio.
- Our collaborative engagement initiatives (e.g., Climate Action 100+, Climate Engagement Canada, SHARE UNIE) and our 3rd party engagement providers (e.g., EOS at Federated Hermes) have engaged on our behalf with many of these companies including the world's top emitters over many years.
- Through the above-mentioned collaborative engagement initiatives, we actively participate in many engagements, including agenda setting as well as direct dialogues with corporate management teams and board members.
- Moreover, many of our investment managers also actively engage with corporate issuers on climate and other important issues on our behalf.