



University of Toronto

BUSINESS AFFAIRS

TO: Business Board

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AGENDA ITEM: 3

ITEM IDENTIFICATION:

University of Toronto Asset Management Corporation, Annual Report 2007

JURISDICTIONAL INFORMATION:

Under Clause 5.4 (b) of the Terms of Reference of the Business Board, the Board accepts annual reports and financial statements for incorporated ancillaries.

Under clause 5.1 (b), the Board reviews annual reports of investment performance.

PREVIOUS ACTION TAKEN:

The annual report and financial statements were approved by the UTAM board at their meeting of March 26, 2008.

HIGHLIGHTS:

The financial statements

The financial statements of UTAM reflect its status as a corporation without share capital and a non-profit corporation wholly owned by the University of Toronto.

UTAM's total expense has increased compared to the previous year. Staffing costs are up versus last year, reflecting the fact that the organization has been fully staffed for most of the year. The increase in consulting fees is largely due to expenses associated with the recruitment of a new CEO.

Investment performance

The University has set the **performance targets** for UTAM for the LTCAP and for the Pension funds at a real return net of fees of 4% with a risk tolerance of 10% over a ten year time frame. These targets reflect the nature of the University's liabilities for payments from the endowments and the liabilities under the pension plan, and limit risk to a level that the administration believes is acceptable and can be tolerated within the financial constraints of the organization.

The net return for LTCAP was 6.11% for the year ending December 31, 2007 which was below the target by 27 basis points and for Pension was 5.98%, under the target by 40 basis points. The target as defined above was 4% plus inflation, which for 2007 was 2.38% for a total target net return (nominal basis) of 6.38%.

For EFIP, the return target is the 1-year Canadian Treasury bill rate plus 50 basis points. This equates to a target of 5.2% for 2007. UTAM achieved a return of 4.1% this year, less than the target by 106 basis points.

Value added for all three funds in 2007 was a negative \$24 million, with a cumulative value added of \$955 million since 2003.

UTAM also compares its performance against the market. **The benchmark return** is calculated using a set of market indices to reflect the policy asset mix. For 2007 the benchmark return was 6.08% for LTCAP and 5.89% for Pension. UTAM exceeded the benchmark for both funds by 3 and 9 basis points, respectively.

For EFIP, the target return and the benchmark are the same, so it was under by 106 basis points.

A **peer comparison** is also used to assess how UTAM has performed when compared with similar (assumed) portfolios. The RBC Global Services Balanced Fund Universe is used for comparison. UTAM had first percentile performance for both LTCAP and Pension on a one year basis and remains in the top decile on a five year basis.

FINANCIAL AND/OR PLANNING IMPLICATIONS:

Continued performance by UTAM to meet or exceed the University's targets is critical to the financial well being of the organization.

RECOMMENDATION:

The report is for information only.