



FOR INFORMATION

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TO: Business Board

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DATE: September 19, 2022 for September 28, 2022

AGENDA ITEM: 5

ITEM IDENTIFICATION:

Investments: Semi-Annual Update on Investment Performance to June 30, 2022

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] (September 28, 2022)**

PREVIOUS ACTION TAKEN:

The Business Board reviewed the UTAM annual report at its meeting of April 26, 2022.

HIGHLIGHTS:

This report provides a semi-annual update on the performance of the investment pools managed by UTAM: the Long-Term Capital Appreciation Pool (LTCAP), the Short-Term Expendable Funds Investment Pool (EFIP ST), and the Medium-Term Expendable Funds Investment Pool (EFIP MT).

LTCAP

The Long Term Capital Appreciation Pool consists primarily of the University’s endowment funds, the debenture sinking fund, and other smaller long term investments. The framework for investment policy, strategy, and monitoring for the LTCAP is as follows:

- Risk tolerance and investment return targets are articulated in the University Funds Investment Policy that is approved by the Business Board.
- The return targets and risk tolerance are operationalized by the President of the University, with input from the Investment Committee, through establishment of a Reference Portfolio, which outlines both the policy asset mix and the benchmark portfolio with respect to passive investing.
- Investment performance is monitored by UTAM, the Investment Committee, the University administration, and the Business Board through regular reporting by UTAM to these various groups.

Regular reporting on investment performance includes current period and multi-year comparisons of actual returns to both the long-term target returns articulated in policy, and to the Reference Portfolio returns. It also includes the current level of active risk in comparison to the allowable amount of active risk as specified in a “traffic light” risk framework. It is important to note that investment performance is NOT evaluated based on peer comparisons. Peer comparisons assume that the return target and risk appetite of peers are similar, which is typically not the case.

This approach allows for an evaluation of performance against investment return targets over a multi-year period while taking into account the influence of underlying financial market conditions on short-term results, and to put those short-term results in perspective. The primary objective must be the achievement of long-term investment return targets while controlling risk to within the specified risk limits.

EFIP

The Expendable Funds Investment Pool (EFIP) contains expendable funds that are pooled and invested until spent. It includes the University’s unspent cash from operations, capital projects, ancillary operations, expendable donations, expendable payouts from endowments, and research grants.

The investment return objective and risk tolerance for EFIP is specified in the University Funds Investment Policy. The EFIP pool contains both short-term expendable funds (EFIP ST) and medium-term expendable funds (EFIP MT) which are managed by UTAM, with the EFIP MT investment pool being created as of January 1, 2020.

The following tables show the returns for the various investment pools over 6-months, 1-year, 5-years and 10-years. All returns are annualized except for periods less than one year, and are net of investment fees and expenses, including UTAM costs.

Long-Term Capital Appreciation Pool (LTCAP):	6-month return	1-year return	5-year return	10-year return
Actual return	-11.0%	-5.5%	6.1%	8.6%
Target return (CPI + 4%)	6.9%	11.9%	7.2%	6.3%
Reference portfolio return	-15.7%	-11.7%	4.4%	6.6%
Actual return greater / less than target return ¹ :	-18.0%	-17.5%	-1.1%	2.2%
Actual return greater / less than Reference Portfolio return ¹ :	4.6%	6.2%	1.8%	1.9%

Medium-Term Expendable Funds Investment Pool (EFIP MT):	6-month return	1-year return	5-year return	10-year return
Actual return	-8.9%	-8.4%	-	-
Target return	-11.2%	-10.3%	-	-
Actual return greater / less than target return ¹ :	2.2%	1.8%	-	-

Short-Term Expendable Funds Investment Pool (EFIP ST):	6-month return	1-year return	5-year return	10-year return
Actual return	-1.9%	-1.8%	1.4%	1.5%
Target return	-2.1%	-2.2%	1.1%	1.2%
Actual return greater / less than target return ¹ :	0.2%	0.4%	0.3%	0.3%

FINANCIAL IMPLICATIONS:

See above.

RECOMMENDATION:

For information.

DOCUMENTATION PROVIDED:

- *Semi-annual Update on Investment Performance to June 30, 2022*

¹ Due to rounding in these tables, some values may differ from the results of simple addition or subtraction.