

Portfolio Performance Review

University of Toronto Asset Management Corporation

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Business Board Meeting – March 31, 2014



UNIVERSITY OF
TORONTO

Annual Returns vs. University Targets

	Periods Ending December 31 st								
	2013			2 - Year (2012-2013)			4 - Year (2010-2013)		
	ENDOWMENT	PENSION	EFIP	ENDOWMENT	PENSION	EFIP	ENDOWMENT	PENSION	EFIP
University Target Return	5.2%	5.2%	1.7%	5.1%	5.1%	1.6%	5.7%	5.7%	1.8%
Benchmark Portfolio Return	12.4%	12.4%	n.a.	10.4%	10.5%	n.a.	7.6%	7.7%	n.a.
Actual Net Return	15.3%	15.1%	1.6%	12.2%	12.2%	1.6%	8.6%	8.7%	2.0%

Value-Added vs. Benchmark Portfolio

2013 Performance Attribution (%)		
(12 Months Ending December)		
	Endowment	Pension
Benchmark Portfolio Return (C\$)	12.42%	12.42%
Value Added Versus Benchmark Portfolio		
Asset Mix Differences	-0.06%	-0.07%
Style Tilts and Manager Selection	2.06%	1.93%
FX Exposure Differences	0.97%	0.91%
Other	-0.04%	-0.06%
	2.92%	2.71%
Actual Portfolio Performance (C\$)	15.34%	15.14%

A Steady Improvement in Value-Added

Value-Add vs. Benchmark Portfolio		
	LTCAP	Pension
2009	-1.72%	-1.57%
2010	-0.14%	0.11%
2011	0.40%	0.35%
2012	0.90%	0.62%
2013	2.92%	2.71%

Portfolio Asset Mix

	Endowment		Pension		Reference Portfolio
	2012	2013	2012	2013	
As at December 31 st					
Canadian Equity¹	15.9%	15.8%	15.8%	15.8%	16.0%
US Equity¹	17.9%	18.0%	17.8%	18.1%	18.0%
Int'l Developed Markets Equity¹	16.4%	16.3%	16.3%	16.3%	16.0%
Emerging Markets Equity¹	10.2%	10.1%	10.2%	10.1%	10.0%
Credit	19.8%	18.8%	20.2%	18.8%	20.0%
Rates¹	10.9%	10.8%	10.9%	11.1%	20.0%
Other/Cash (including notional offsets)²	8.9%	10.2%	8.8%	9.9%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Public Markets Returns

	Periods Ending December 31st						Cumulative 2008-13
	2008	2009	2010	2011	2012	2013	
Canadian Equity	-33.0%	35.1%	17.6%	-8.7%	7.2%	13.0%	17.7%
U. S. Equity	-37.0%	26.5%	15.1%	2.1%	16.0%	32.4%	43.7%
Int'l Developed Markets Equity	-40.3%	24.7%	4.8%	-12.2%	17.3%	26.9%	2.1%
Emerging Markets Equity	-45.9%	62.3%	14.1%	-12.7%	17.0%	3.4%	5.7%
Canadian Corporate Bonds	0.2%	16.3%	7.3%	8.2%	6.2%	0.8%	45.0%
Canadian Government Bonds	9.0%	1.6%	6.5%	10.2%	2.6%	-2.0%	30.7%
USDCAD	25.1%	-15.1%	-5.2%	2.5%	-2.2%	6.7%	7.7%
EURCAD	18.9%	-12.3%	-11.4%	-0.8%	-0.7%	11.5%	1.5%

Private Investment Returns

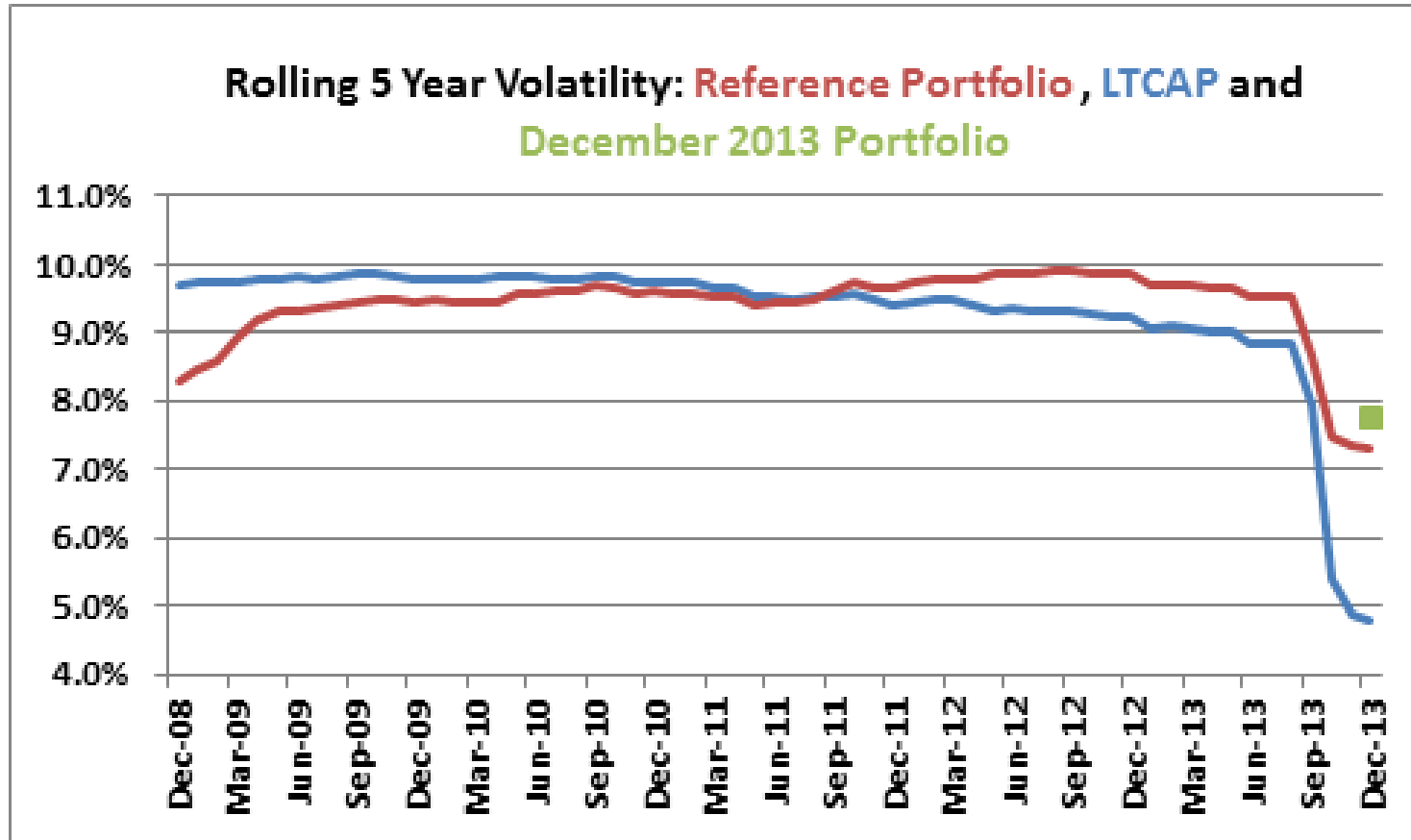
Actual Private Markets Asset Returns (Local)¹							
(After Fees)							
	Periods Ending December 31st						Cumulative
	2008	2009	2010	2011	2012	2013	2008-13
Private Investments	1.5%	-1.2%	20.2%	14.8%	12.8%	13.8%	77.6%
Buyout	-0.2%	-9.7%	25.5%	14.9%	15.0%	14.2%	70.7%
Distressed	-7.3%	15.8%	17.6%	8.1%	16.6%	15.0%	83.0%
Venture	19.9%	-6.9%	2.4%	27.4%	-12.6%	4.0%	32.5%
Real Assets	-2.9%	-18.0%	13.1%	9.0%	7.1%	11.6%	17.3%
Real Estate & Infrastructure	-1.4%	-26.2%	15.3%	12.5%	9.5%	14.7%	18.4%
Commodities	-8.9%	-0.8%	8.8%	1.8%	2.1%	5.3%	7.6%

1 . Endowment Returns; Pension results are substantially similar.

Asset Segment Returns

(12 Months Ending December)				
	Endowment		Pension	
	Portfolio	Benchmark ¹	Portfolio	Benchmark ¹
Canadian Equity	18.5%	13.0%	19.0%	13.0%
US Equity (USD)	24.3%	32.4%	23.3%	32.4%
EAFE Equity (local)	30.7%	26.9%	30.6%	26.9%
Emerging Markets Equity (USD)	2.4%	-2.6%	2.5%	-2.6%
Credit	2.7%	0.8%	2.7%	0.8%
Rates	-2.0%	-2.0%	-1.9%	-2.0%
Absolute Return²(local)	7.6%	-2.0%	7.6%	-2.0%

Portfolio Risk vs. Reference Portfolio



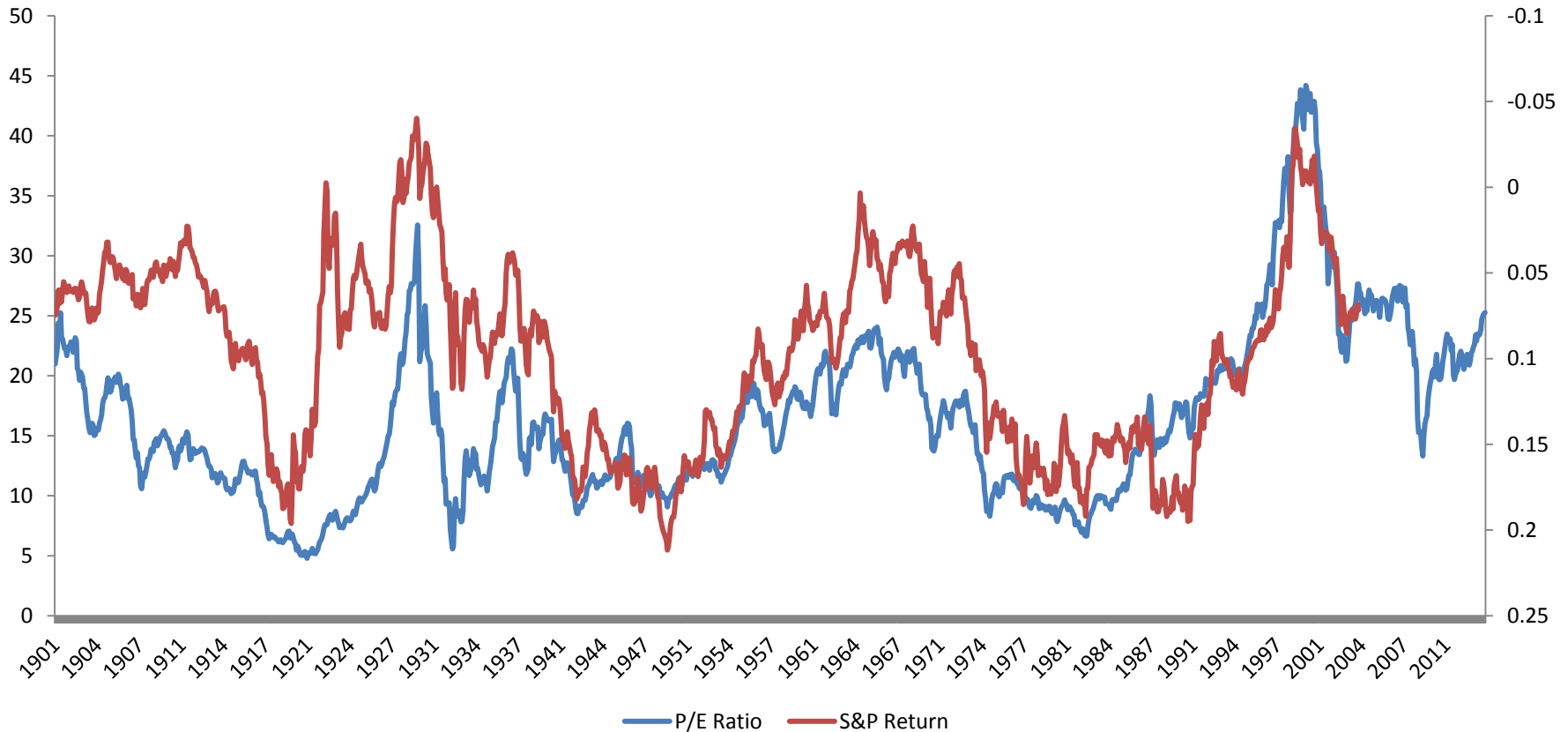
A Challenging Investment Environment

Nominal Canadian Bond Yields and 10-Year Future Returns



Understanding the Challenges Ahead

Cyclically Adjusted PE Ratio vs. S&P Return (Next 10 Years)
(January 1901 - February 2014)



Implication for a Simple Passive Portfolio

A Simple Passive Portfolio Model		
	Projected Return	Portfolio Weight
Bond Market	2.45%	40%
Equity Market	<u>5.19%</u>	<u>60%</u>
Portfolio Return	<u>4.09%</u>	

Current Investment Environment

- **Generally expect an environment of low interest rates, low inflation and moderate economic growth.**
- **Would normally suggest a favorable investment environment.**
- **But central bank actions have contributed to valuation levels for many assets that are far from compelling.**
- **Implies that the extra return generated by ‘active’ management activities will be much more important in achieving objectives.**