



ANNUAL REPORT 2022-2023

UNIVERSITY OF VICTORIA FOUNDATION

MARCH 31, 2023



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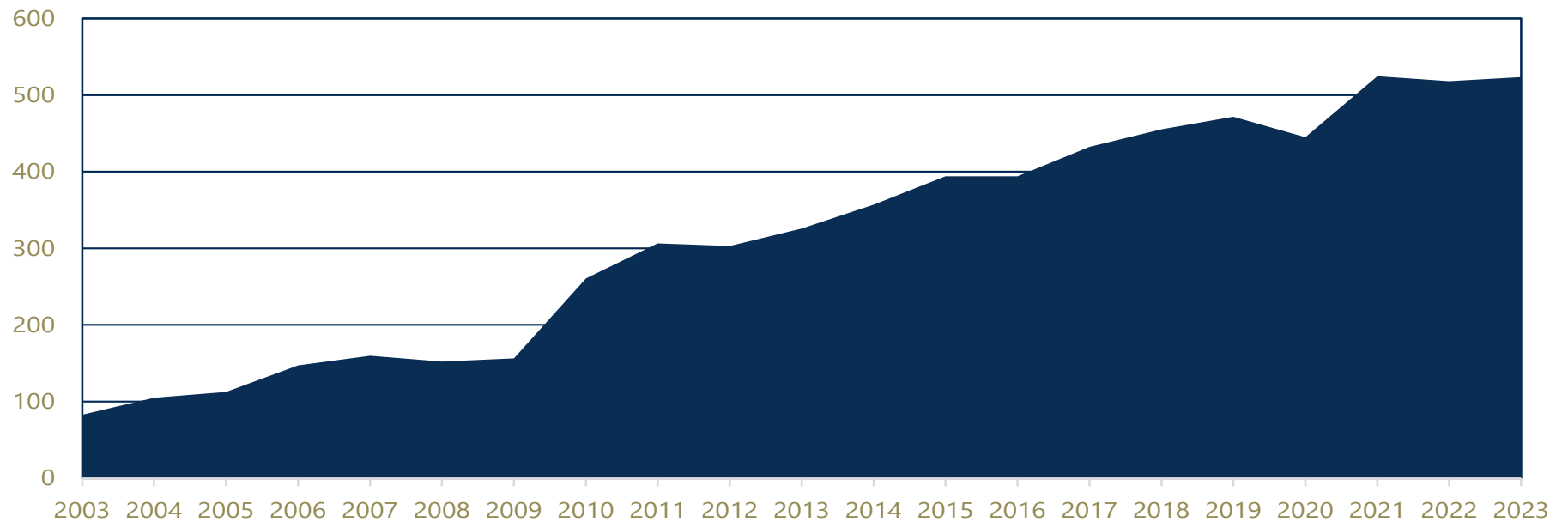


Endowments create meaningful legacies. They provide stable, dependable funding for UVic students, teachers and researchers and have far-reaching benefits for the university and community. Donors made gifts totalling \$7.23 million dollars to endowments in 2022/23 to many different areas of the campus. We are grateful for your partnership and trust. Thank you.

Jane Potentier, President, University of Victoria Foundation

Figure 1: Foundation Growth

\$ Millions, Market Value, 2003-2023 (as at March 31)



MESSAGE FROM THE CHAIR

This annual report aims to provide stakeholders with a comprehensive overview of the Foundation's investment activities and performance throughout the past year. Despite the significant recovery from the COVID-19 pandemic, the year proved to be difficult for financial markets, characterized by notable volatility and decline as rising interest rates increased to manage persistent inflation.

Our Foundation, with stewardship over 1,500 endowments and a portfolio valued at \$523.5 million, has not been immune to these difficulties, specifically regarding our public market investments. The volatility in the public equity markets coupled with negative fixed income returns, which usually offset negative equity performance, impacted our investment returns.

These challenges along with high inflation led to the Foundation's net annual return falling short of our investment goal of inflation as measured by the Consumer Price Index (CPI) + 4.5% last year. However, the Foundation was able to outperform against our asset class relative benchmark during this period. On a long-term basis the Foundation continues to exceed its CPI + 4.5% goal over the 10-year period.

Despite market challenges over the past year, it is important to highlight that our Foundation's investment approach remains rooted in our long-term vision. We continue to focus on a diversified investment strategy designed to weather short-term fluctuations and deliver sustainable returns over time.

Considering the increasing impact of inflation, the Board updated our endowment spending policy to lower the spend rate for endowments whose market value is less than the original donation adjusted for inflation. This update is to ensure those endowments are healthy and able to be spent in perpetuity. More on that change is outlined later in the report. Even with the policy change, the Board approved a budget of \$17.3 million for 2023-2024. This budget reflects the Foundation Board's commitment to prudently address market challenges while prioritizing the protection against inflation and the provision of stable distributions. A comprehensive breakdown of these distributions can be found in the following pages, with the majority of funds dedicated to supporting scholarships, bursaries, and research centers at the university.

As always, the Board of Directors and I are committed to upholding our fiduciary responsibilities and ensuring the prudent stewardship of the Foundation's resources. We will continue to monitor market conditions closely, refine our investment approach, and make informed decisions that align with our mission.

On behalf of the Foundation, I express my deepest gratitude for your contributions, support, and trust. Our shared dedication to creating a positive impact in our campus community remains unwavering, and we welcome your feedback as we continue to strive for excellence.

Mary Garden

Chair





ABOUT THE FOUNDATION

ABOUT THE FOUNDATION

The University of Victoria Foundation was established in 1954 by the University of Victoria Foundation Act. The Foundation is responsible for managing more than \$523.5 million in assets and administering over 1,500 endowment funds that disburse more than \$17.3 million annually for scholarships, bursaries, and other university purposes. These endowment funds are supported by generous donations from individuals, corporations, and foundations that play a vital role in promoting a continuing interest in the university and in higher education more broadly. The Foundation is a registered charitable organization under the Income Tax Act and is exempt from income taxes.

INVESTMENT OBJECTIVES

The University of Victoria Foundation is invested in accordance with the Foundation's [Statement of Investment Objectives and Guidelines](#) (SIO&G). The SIO&G sets out the categories of permitted investments, diversification, asset mix and return expectations.

A fundamental underlying concept is that endowments are intended to exist in perpetuity. As a result, the Foundation has a long-term investment horizon and focuses on long-term returns. The investment objectives of the Foundation reflect this and are focused on:

- Preservation of capital in real terms;
- Generation of sufficient annual cash flow to meet expenditures objectives; and
- Growth of cash flow to meet rising costs over the long term.

The SIO&G is reviewed annually.

INVESTMENT BELIEFS SUMMARY

The Board has taken steps to codify its investment practices into belief statements. Our beliefs are summarized in the [Summary of Investment Beliefs](#) available online.

MEMBERS OF THE BOARD

Elected by the Members

Lisa Dempsey
Chris Donkers
Ann Glazier Rothwell
Jagdeep Shergill

Appointed by the Board of Governors of the University

Mary Garden (Chair)
Doug Stadelman (Vice-Chair)
Carol Bellringer
Paul Siluch
Bryan Thomson

University Members (ex officio)

Kevin Hall
Kristi Simpson

Officers (non-voting)

Chris Horbachewski (Acting President)
Andrew Coward (Treasurer)
Barbara Eccles (Secretary)
Chrissy Drew (Assistant Secretary)

I extend my gratitude to the Foundation Board members for their time and commitment to careful stewardship of donor's gifts to create meaningful long-term impact.

Jane Potentier, President, University of Victoria Foundation



GOVERNANCE

GOVERNANCE

The [University of Victoria Foundation Act](#) provides the Foundation Board with the investment powers of a “prudent investor” as per sections 15.1 to 15.6 of the Trustee Act.

The Foundation is governed by a Board of Directors distinct from the University Board of Governors and includes volunteers qualified in investments and trust issues.

Figure 2: Links to Audited Financial Statements & Portfolio Holdings

A full set of audited financial statements is available on the [University of Victoria website](#).

A list of the portfolio holdings is posted on the [Foundation website](#).



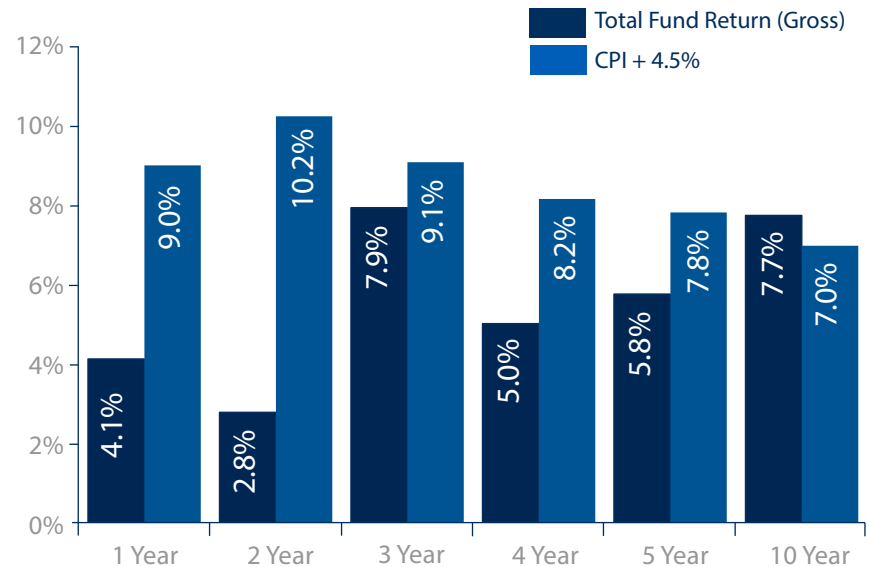
MAIN INVESTMENT POOL PERFORMANCE

FUND RETURN RELATIVE TO INVESTMENT GOAL

The long-term investment goal of the fund is to achieve a minimum annualized rate of return of 4.5% in excess of the Canadian Consumer Price Index. Persistent inflation and volatility in the equity markets led the fund’s performance to show mixed results compared to the investment goal. The fund underperformed its investment goal over the 1-year to 5-year period. The Foundation outperformed against its investment goal over a 10-year period.

Figure 3: Fund Return Relative to Investment Goal

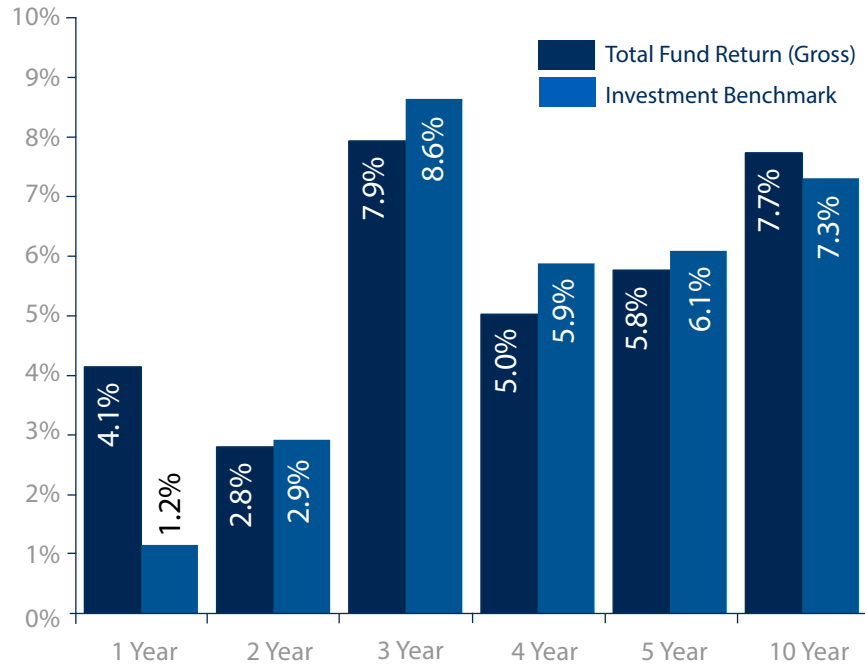
Total Gross Fund Return vs Investment Goal of CPI + 4.5%, as at March 31st, 2023



FUND RETURN RELATIVE TO INVESTMENT BENCHMARK

The Fund employs an active management style and incorporates responsible investment principles across all asset classes. Active management provides the opportunity to outperform specific investment benchmarks. On a relative basis, the total fund outperformed in its 1-year and 10-year investment benchmark. The slight under-performance over the 2-year to 5-year investment benchmarks is attributed to the underperformance of global equity allocations.

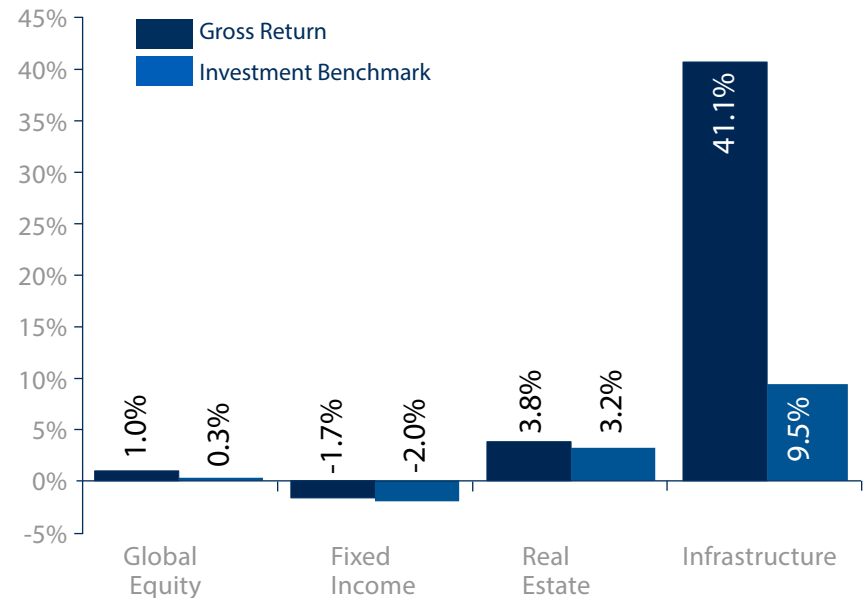
Figure 4: Fund Return Relative to Investment Benchmark
Total Gross Fund Return vs Investment Benchmark, as at March 31st, 2023



RETURNS BY ASSET CLASS RELATIVE TO BENCHMARKS

The Foundation outperformed its relative benchmark over all asset classes in 2022-23. Equity volatility decreased in the year and global equities returned 1.0%, outperforming its benchmark (0.3%) by 0.7%. Fixed income returns continue to be impacted by high interest rates, with the asset class returning -1.7%, outperforming its benchmark (-2.0%) by 0.3%. Real estate returned 3.8% and outperformed the benchmark (3.2%) by 0.6%. Infrastructure returned 41.1% and outperformed its benchmark (9.5%) by 31.6%. The higher than usual infrastructure return was driven by a fund's wind down, and the asset class' benchmark remains the Consumer Price Index + 5%.

Figure 5: One-Year Returns by Asset Class Relative to Benchmarks
Total Gross Fund Return vs Investment Benchmark, as at March 31st, 2023



As a long-term investor, the Foundation monitors year-over-year performance, but it places more emphasis on 4-year performance. Over the past four years, Fixed Income has modestly outperformed its benchmark over each period. Global equities outperformed its investment benchmark in the last year but underperformed in the remaining time periods due to volatility in the equity markets following COVID-19 and persistent inflation.

Real Estate and Infrastructure have both outperformed their respective benchmarks over all periods in the last 4 years. The infrastructure benchmark is an absolute return benchmark rather than a relative market benchmark comparison, as the Board felt a comparable relative reference was not available.



Figure 6: Annualized Performance by Asset Class

Total Gross Returns & Benchmarks by Asset Class, as at March 31st, 2023

AS AT MARCH 31st, 2023	ANNUALIZED PERFORMANCE			
	1 YEAR	2 YEAR	3 YEAR	4 YEAR
Global Equity	1.0%	-0.4%	7.6%	3.8%
Benchmark: MSCI ACWI (Net) (CAD) Index	0.3%	3.4%	13.4%	8.4%
<i>Value Added</i>	0.7%	-3.8%	-5.8%	-4.6%
Canadian Fixed Income (Gross)	-1.7%	-2.8%	-0.6%	0.7%
Benchmark: FTSE Canada Universe Bond Index	-2.0%	-3.3%	-1.7%	-0.2%
<i>Value Added</i>	0.3%	0.5%	1.1%	0.9%
Real Estate (Gross)	3.8%	10.9%	7.1%	7.0%
Benchmark: MSCI/REALPAC Canada Quaterly Property Index	3.2%	6.0%	3.2%	3.6%
<i>Value Added</i>	0.6%	4.9%	3.9%	3.5%
Infrastructure (Net)	41.1%	31.4%	25.4%	21.9%
Benchmark: Consumer Price Index + 5%	9.5%	10.7%	9.6%	8.7%
<i>Value Added</i>	31.6%	20.7%	15.8%	13.3%

ASSET ALLOCATION

Figure 7: Asset Allocations Relative to Policy

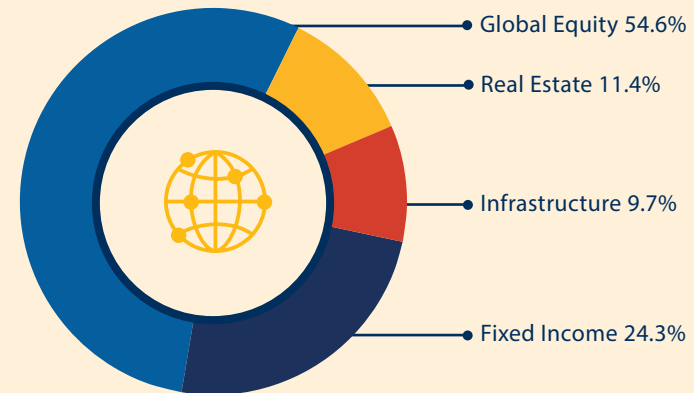
As at March 31st, 2023

ASSET CLASS BENCHMARK POLICY	INVESTMENT POLICY (%)	ACTUAL ALLOCATION (%)
Fixed Income:		
Fixed Income - FTSE Canada Universe Bond Index	20.0	24.3
Equity:		
Global Equity - MSCI ACWI (Net) (CAD) Index	55.0	54.6
Alternatives:		
Real Estate - MSCI/REALPAC Canada Quarterly Property Index	10.0	11.4
Infrastructure - Consumer Price Index + 5%	15.0	9.7
Total Alternatives	25.0	21.1
Total Fund	100.0	100.0

Figure 8: Actual Asset Allocations

Assets Under Management \$523.5 Million, as at March 31st, 2023

The Foundation's actual allocation to each asset class remains within the approved investment policy ranges.



FOSSIL FUEL FREE INVESTMENT POOL (FFFIP) PERFORMANCE

In 2016 the Foundation created a FFFIP in direct response to student and faculty calls for action to address climate change and provide donors a fossil fuel free investment option. The pool excludes investments directly involved in the extraction, processing and transportation of coal, oil or natural gas “fossil fuels” and companies included in the “Carbon Underground 200” list.

The FFFIP was seeded by the university with \$25K from the working capital investment pool. With help from student feedback over the past year to increase awareness of donor investment options, the FFFIP has grown assets under management to over \$110K.

In 2020, the Foundation changed the FFFIP’s manager and rebalanced the equity only pool with an asset mix consisting of a 65% allocation to equities and a 35% allocation to fixed income, to better diversify the pool and reduce its volatility. While the FFFIP is still less diversified than the Main Investment Pool and may exhibit higher volatility and risk, both pools are expected to offer comparable long-term performance meeting the Foundation’s investment goals.

The FFFIP returned -1.2% this year, underperforming the benchmark (-0.4%) by 0.8%. The material difference between fund return and investment objective of CPI+4.5% is driven by persistent high inflation and is being watched closely.

Figure 9: Fund Return Relative to Investment Benchmark

As at March 31st, 2023

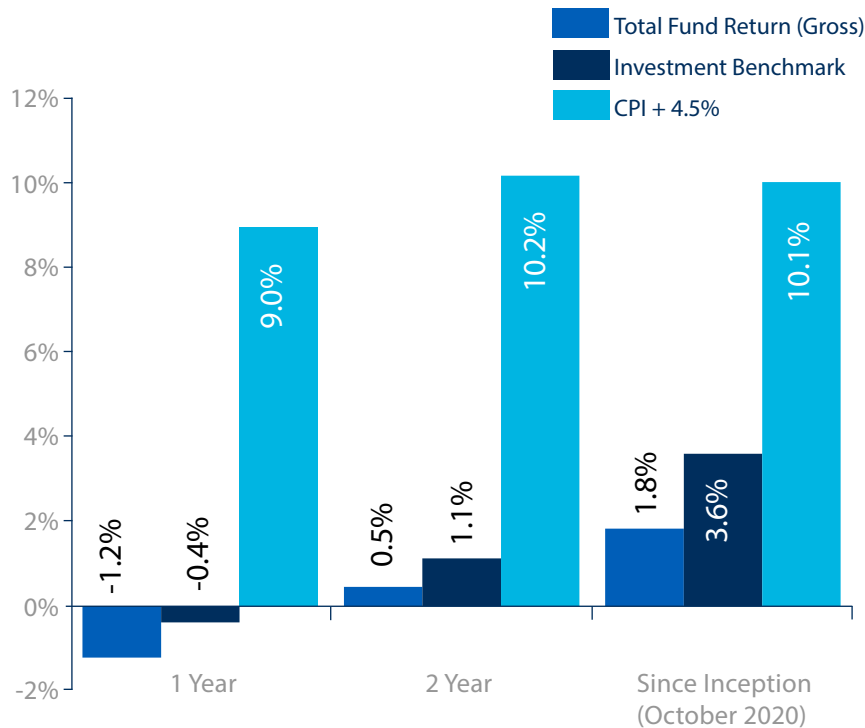


Figure 10: Actual Asset Allocations

Assets Under Management \$1.1 Million, as at March 31st, 2023



ENDOWMENT MANAGEMENT (SPENDING) POLICY

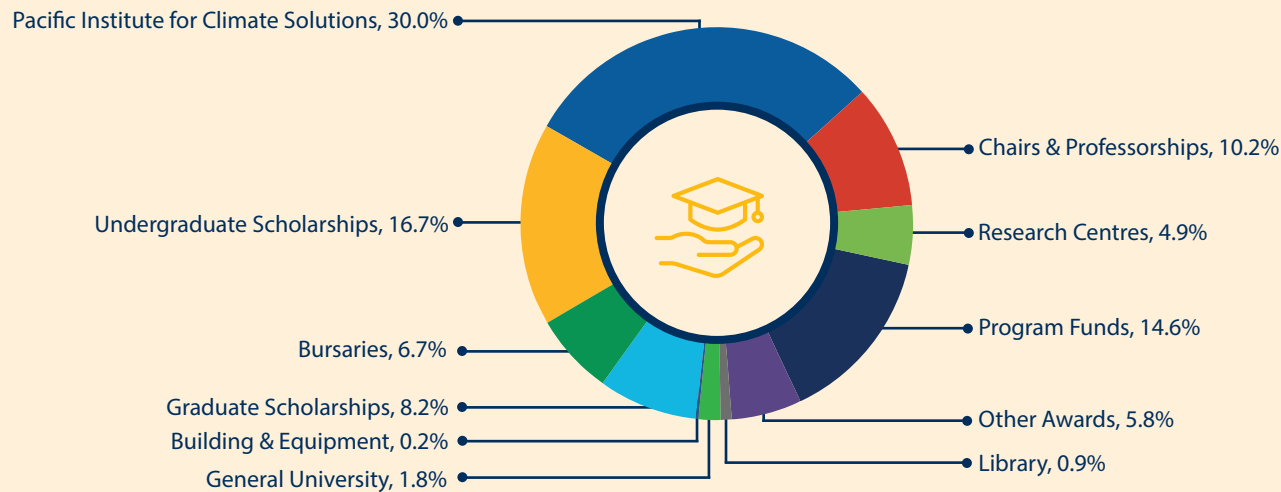
The Board maintains an Endowment Management Policy that sets out the following objectives:

- Protect the value of the Fund against inflation over time so that the donation will continue to benefit the university for generations to come; and
- Provide stability in the earnings distribution to allow both the recipients and the university to plan ahead knowing what funds will be made available each year.

In order to achieve these goals, the Foundation updated the spending policy in 2010 to allow for a 4% spend rate of the principal adjusted for inflation annually. In order to achieve a 4% distribution as well as fund approximately 2% annually for inflation and up to 1% for investment costs, the endowment must earn a mean expected return of roughly 7%. If investment returns exceed 7%, then the endowment can establish a cushion that enables stability in fund disbursements and the maintenance of a long term asset allocation strategy throughout the ebbs

and flows of various market cycles. Funds with two years of “spend cushion” (i.e. funds with a market value of greater than 108% of principal, adjusted for inflation) are permitted an additional annual 0.5% spend. In 2023-24 more than 28% of the funds remain eligible for the additional 0.5% spend. Conversely, if the market value of a fund falls below 100% of the inflation adjusted value of the original gift, the distribution of that fund will be adjusted to 3%. In 2023-24, 55% of the funds have been adjusted with a reduced spending rate of 3%. The 3% distribution rate was determined to preserve the long-term financial sustainability of the endowment and protect intergenerational equity. The Foundation Board is committed to monitor the situation closely and will readjust the distribution rate as the endowment recovers. It is through adherence to the Endowment Management Policy that the Board was able to approve a budget of \$17.3 million in 2023-24. The breakdown of how the budget is allocated is illustrated below.

Figure 11: 2023-24 Budget Allocations



Budget Categories

- Awards – Achievement based
- Bursaries – Bursaries are non-repayable awards based on financial need and reasonable academic standing.
- Specific Purpose – Research Chairs, Centres, etc.
- Scholarships – Scholarships are non-repayable and are awarded to students on the basis of academic merit or excellence

Operating Expenses

The majority of investment expenses are investment management fees. The spending policy limits other expenses to a maximum of 0.35% per annum of the inflation adjusted principal at cost as at December 31st of the prior year.

These expenses may include audit, consulting, and performance measurement fees as well as advancement and administration services provided by the University of Victoria.

For 2023-24 the Foundation budget for these expenses is 0.27% of the inflation adjusted principal at cost as at March 31, 2023.

SERVICE PROVIDERS

INVESTMENT MANAGERS

Phillips, Hager & North (PH&N) – Fixed Income, Fossil Fuel Free Investment Pool

Baillie Gifford – Global equity

Pier 21 – Global equity

Walter Scott – Global equity

Brookfield – Infrastructure

Macquarie Infrastructure (MIRA) – Infrastructure

BentallGreenOak (BGO) – Real Estate

CUSTODIAN

Northern Trust

INVESTMENT CONSULTANT

PBI Actuaries & Consultants

PERFORMANCE MEASUREMENT AND REPORTING

PBI Actuaries & Consultants

AUDITOR

KPMG LLP



OUR RESPONSIBLE INVESTMENT APPROACH

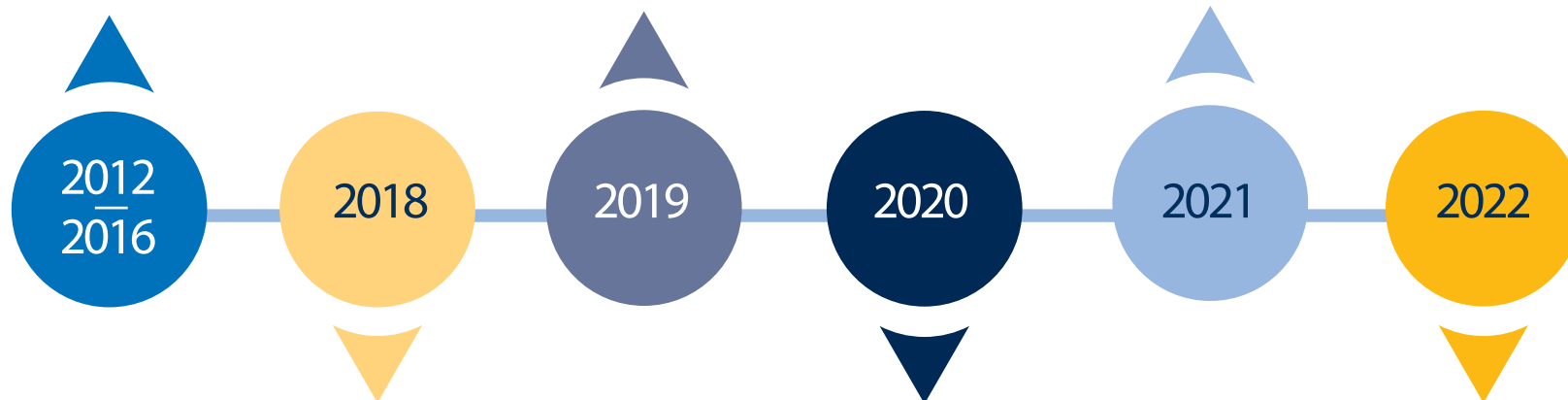


University of Victoria Foundation Responsible Investment Milestones

- Adopted Responsible Investing Beliefs
- Became a signatory to the UN Principles for Responsible Investing
- Signed letter to G7 Ministers urging climate action
- Introduced the Fossil Fuel Free Investment Fund for donors

- Improved awareness of the Fossil Fuel Free Fund
- Improved disclosure by providing examples of our investment managers' ESG integration on our website

- Adopted new Responsible Investment Policy to reflect the Foundation's commitment to be a leader in Responsible Investing, including responding to climate change
- Committed to collective engagement on climate issues through the University Network for Investor Engagement (UNIE)



- Committed to finance the university's new residence construction, which meets Energy and Environmental Design (LEED) and Passive House standards

- Updated investment beliefs to recognize climate change as a key issue of our time
- Committed to review UVic's decarbonisation approach and target

- Announced a \$25 million impact investment in Brookfield's Global Transition Fund
- 2022 Responsible Investment Report with progress updates on decarbonisation target and impact investments

OUR RESPONSIBLE INVESTMENT APPROACH

In 2012, the Foundation extended its list of investment beliefs to include a responsible investment belief. Two years later, the Foundation updated its policy to require investment managers to submit annual disclosures regarding the processes by which Environmental, Social and Governance (ESG) factors are incorporated into their investment decision-making process.

To support our commitment to sustainability and to articulate our goals with respect to foundation investments, the University of Victoria Foundation updated its investment beliefs in 2020 to recognize climate change as a key issue of our time and adopted a Responsible Investment Policy in 2021 to advance its responsible investment practices aligned with the Principles for Responsible Investment.

The Foundation is a signatory to the Principles for Responsible Investment (the PRI). The Board views these PRI Principles as a key framework and, where consistent with its fiduciary responsibilities, commits to the following:

1. We will Incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4. We will promote acceptance and implementation of the PRI Principles within the investment industry
5. We will work together with like-minded investors to enhance our effectiveness in implementing PRI principles
6. We will report our activities and progress towards implementing PRI principles

The Foundation recognizes that Responsible Investing, including climate change initiatives and carbon emission disclosures, is a rapidly evolving area. The Foundation has committed to updating plans to ensure that material Responsible Investment risks and opportunities, including climate change, are integrated into the investment process across all asset classes.

This plan includes:

1. The ongoing monitoring of our investment managers and implementation of best due diligence practices;
2. Commitment to collective engagement through the [University Network for Investor Engagement \(UNIE\)](#);
3. Reducing the carbon intensity of our portfolio by 45% by 2030; and
4. Impact investing opportunities to promote sustainable futures.

Please see the Foundation's [Responsible Investment Report](#) for more information about our responsible investment approach.





This Annual Report is intended to reflect the Foundation's investment performance in 2022-23. Please visit the [University of Victoria Foundation](#) website for additional information about the foundation

CONTACT

General enquiries or requests for statements can be directed to the University Secretary's Office

Email: foundations@uvic.ca

Phone: (250) 721-8102