



ANNUAL REPORT 2021-2022

UNIVERSITY OF VICTORIA FOUNDATION

MARCH 31, 2022

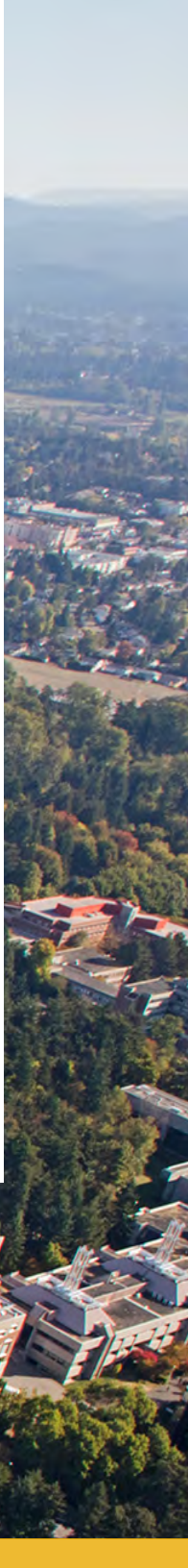


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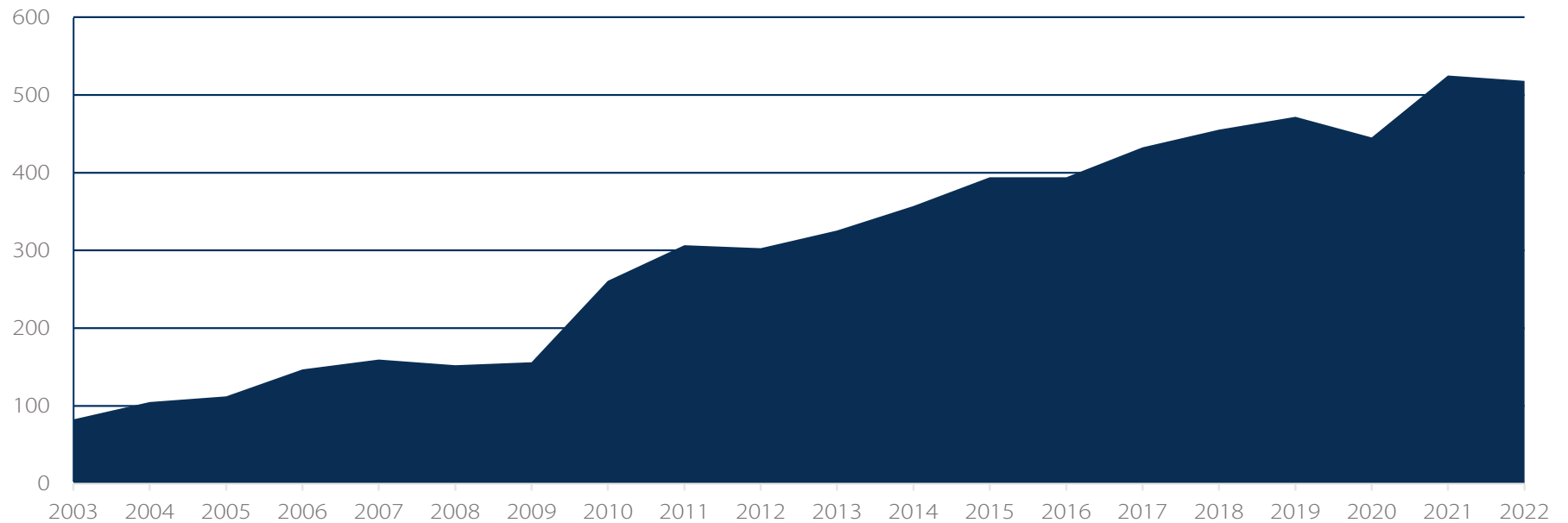


At this time last year, no-one could have predicted the level of continued uncertainty we would all still be facing. However, the UVic community came together again to invest in the long term future of the university, supporting students, faculty and programs. Donors made gifts totalling \$11.02 million dollars to endowments in 2021/22. This tangible display of trust in our university is truly inspiring. Thank you.

Jane Potentier, President, University of Victoria Foundation

Figure 1: Foundation Growth

\$ Millions, Market Value, 2003-2022 (as at March 31)



MESSAGE FROM THE CHAIR

I am very pleased to present the 2021-22 edition of the University of Victoria Foundation's Annual Report. The purpose of this Annual Report is to provide an investment overview and summary of the Foundation's activities and performance for its many stakeholders.

Last year the number of Foundation endowments grew to a record 1,500 with the support of our donors and stakeholders. Strong markets to the end of 2021 enabled the Board to approve a budget of \$18.8 million for 2022-2023, our largest operating budget to date. This budget reflects the Foundation's mandate to adhere to our core spending objectives to protect against inflation while providing stable distributions. A detailed breakdown of distributions is provided in this report. All funds received budget for the upcoming year with most of these funds going to support scholarships, bursaries and research centres at the university.

2022 has proved to be a much more challenging year for financial markets and the Foundation. After the significant recovery in investment markets following the COVID-19 pandemic, investment markets have experienced significant volatility and decline due to persistent concerns on the economic impact of supply chain disruptions and rising interest rates introduced to manage inflation. The Foundation's net annual return fell short of both the Foundation's absolute and relative benchmarks over the last year as of the end of March 2022. However, on a long-term basis the Foundation has exceeded its inflation + 4.5% goal over the 10-year period.

The Foundation Board continues to closely monitor manager underperformance this year to ensure that our investment managers engage in appropriate risk mitigation while not deviating from the expected investment style and process. As of the end of March 2022, the broadly diversified Foundation portfolio remains financially healthy with over half of our endowments eligible for additional spending this year. The Foundation Board is actively engaged in reviewing how different inflation scenarios and how our spending policy impacts endowments to ensure our endowments continue to remain healthy in the future. The investment portfolio performance and risk management, and endowments they support, are always the primary focus of the Board as we frequently meet and engage with investment managers and consultants throughout the year.

In the past year the Board completed its second impact investment in a renewable infrastructure fund and committed to reducing the carbon footprint of the investment portfolio by setting a carbon intensity reduction target. In the coming year we will continue to consider new impact investment opportunities that meet the Foundation's long-term investment objectives.

Since our introduction of the new Responsible Investment Report last year, the Foundation Board has approved a Responsible Investment Policy to further confirm for stakeholders that our consideration of climate change, and the risks and opportunities therein, are being appropriately considered and actioned across the portfolio. For those interested in learning more about the Foundation's strategies and actions around responsible investment and climate change, please see our most recent Responsible Investment Report. A brief summary of the Foundation's ongoing responsible investment activities are included at the end of this annual report.

Lastly, I would like to thank Gayle Gorrill, former Vice President Finance and Operations at the University of Victoria for her thoughtful guidance and support of the Foundation Board since 2006. We wish Gayle all the very best in her retirement.

To all those who support the University of Victoria Foundation, I thank you and welcome your feedback.

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 \$518 million in assets and administering over 1,500 endowment funds that disburse more than \$18.8 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

Ms. Lisa Dempsey
Mr. Chris Donkers
Ms. Ann Glazier Rothwell
Mr. Jagdeep Shergill

Appointed by the Board of Governors of the University

Ms. Mary Garden (Chair)
Mr. Paul Siluch
Mr. Doug Stadelman (Vice-Chair)
Mr. Bryan Thomson
Mr. Duncan Webster

University Members (ex officio)

Dr. Kevin Hall
Ms. Kristi Simpson

Officers (non-voting)

Mr. Chris Horbachewski (Acting President)
Mr. Andrew Coward (Treasurer)
Ms. Carrie Andersen (Secretary)
Ms. Kathy MacDonald (Assistant Secretary)

I'd again like to thank all of the members of the Foundation Board for their dedication and commitment to ensuring donor funds are well stewarded, especially in these challenging and volatile investment markets.

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](#).



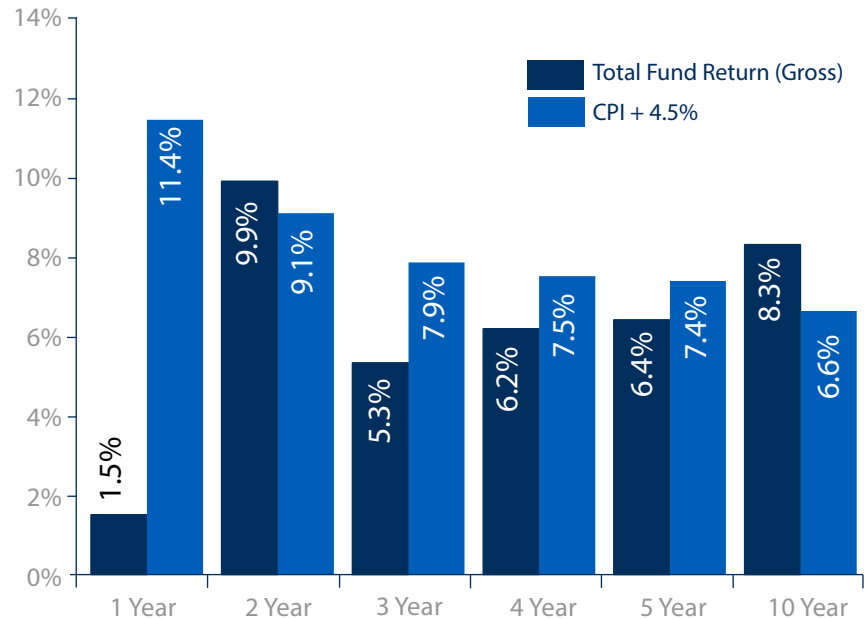
MAIN INVESTMENT POOL PERFORMANCE

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. To achieve this goal, the Fund has adopted an asset mix that has a bias to equity investments and in the last five years has been funding allocations to real estate and infrastructure. Rising inflation and volatility in the equity markets in the past year lead to the Fund’s underperformance in its investment return goals over the 1-year to 5-year period. On a 10-year period the Foundation has outperformed its investment goal.

Figure 3: Fund Return Relative to Investment Goal

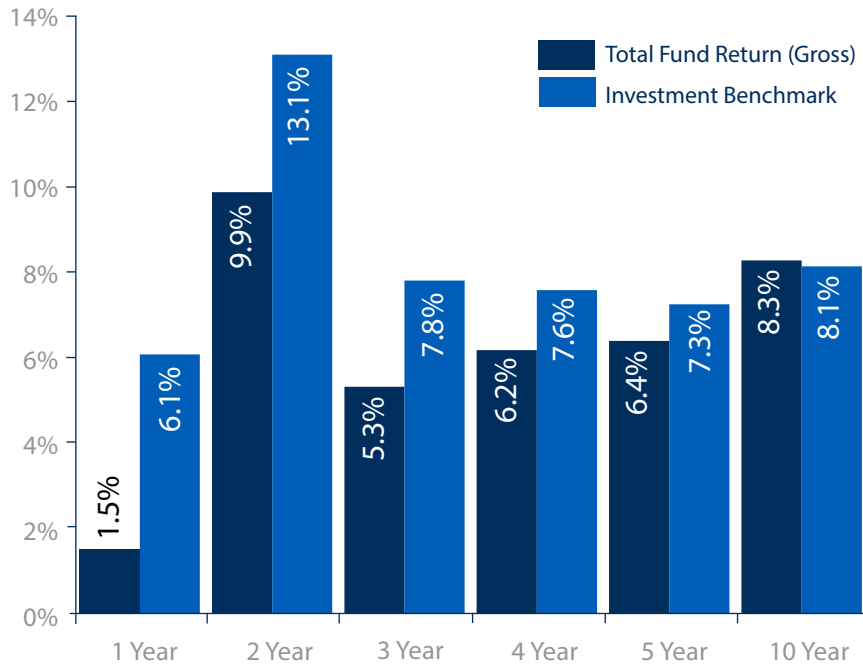
Total Gross Fund Return vs Investment Goal of CPI + 4.5%, as at March 31st, 2022



FUND RETURN RELATIVE TO INVESTMENT BENCHMARK

The Fund employs an active management style and incorporates responsible investment integration across all asset classes. Active management provides the opportunity to outperform specific investment benchmarks. On a relative basis, the total fund met its 10-year investment benchmark. The underperformance over the 1-year to 5-year investment benchmarks is attributed to equity investments underperforming its benchmark. All other asset classes outperformed their investment benchmarks in the same period.

Figure 4: Fund Return Relative to Investment Benchmark
Total Gross Fund Return vs Investment Benchmark, as at March 31st, 2022

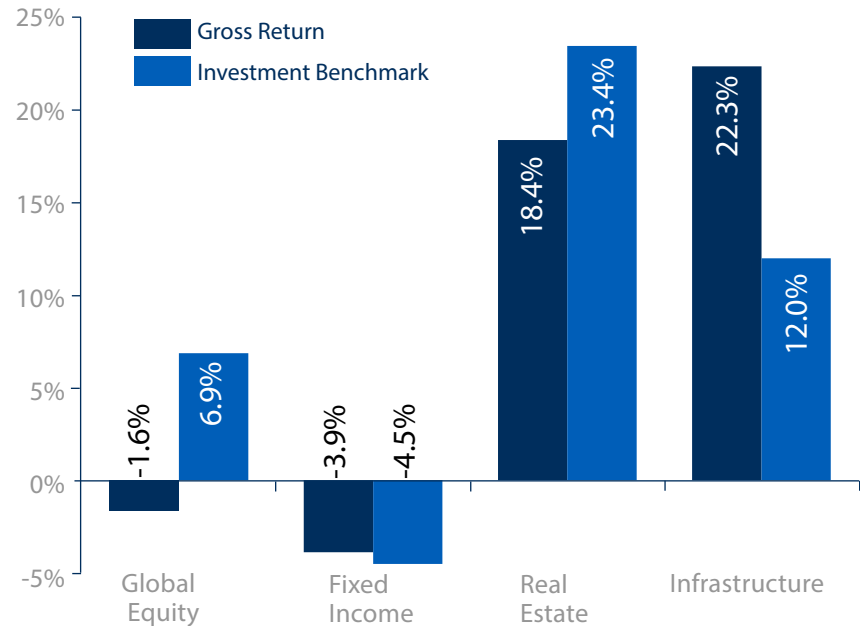


RETURNS BY ASSET CLASS RELATIVE TO BENCHMARKS

Similar to last year, equities experienced strong volatility in 2021-22; global equities returned -1.6% underperforming its benchmark (6.9%) by 8.5%. In the past year, the Foundation consolidated Canadian equities and global equities. The current underperformance is material and is being closely monitored.

Fixed income returned -3.9% and outperformed its benchmark by 0.6%. The negative return in fixed income is mainly attributable to rising domestic interest rates. Real estate returned 18.4% and underperformed the benchmark (23.4%) by 5.1%. Infrastructure returned 22.3% and outperformed its benchmark by 10.4%. The infrastructure and real estate benchmarks are the best of many not ideal alternatives.

Figure 5: One-Year Returns by Asset Class Relative to Benchmarks
Total Gross Fund Return vs Investment Benchmark, as at March 31st, 2022



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. Equities are a key asset class to achieving our investment goals. Equities have underperformed the benchmark over the last 4 years. Last year we updated global equity managers and while the underperformance persists this year these decisions are made based on expected long-term performance and are being monitored closely.

Real Estate has outperformed its benchmark over the last 4 years with the exception of the 1-year performance. Infrastructure has outperformed its benchmark over all 4 years. It is worth noting that the infrastructure benchmark is an absolute benchmark rather than a relative market benchmark comparison as the Board felt a comparable relative reference was not available.

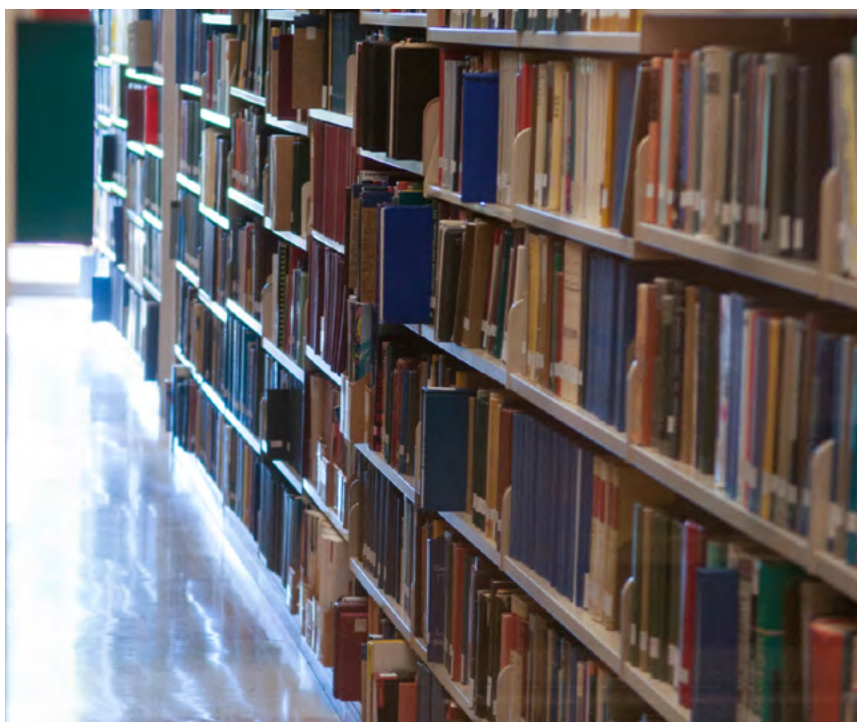


Figure 6: Annualized Performance by Asset Class

Total Gross Returns & Benchmarks by Asset Class, as at March 31st, 2022

AS AT MARCH 31st, 2022	ANNUALIZED PERFORMANCE			
	1 YEAR	2 YEAR	3 YEAR	4 YEAR
Global Equity	-1.6%	14.3%	4.8%	6.5%
Benchmark: MSCI ACWI (Net) (CAD) Index	6.9%	21.7%	11.2%	10.0%
<i>Value Added</i>	-8.5%	-7.4%	-6.4%	-3.5%
Fixed Income	-3.9%	-0.1%	1.5%	2.4%
Benchmark: FTSE Canada Universe Bond Index	-4.5%	-1.5%	0.5%	1.6%
<i>Value Added</i>	0.6%	1.4%	1.1%	0.8%
Real Estate (Net)	18.4%	8.8%	8.1%	8.3%
Benchmark: MSCI/REALPAC Canada Quaterly Property Index	23.4%	7.9%	6.8%	7.1%
<i>Value Added</i>	-5.1%	0.8%	1.3%	1.2%
Infrastructure (Net)	22.3%	18.2%	16.1%	17.3%
Benchmark: Consumer Price Index + 5%	12.0%	9.6%	8.4%	8.0%
<i>Value Added</i>	10.4%	8.5%	7.7%	9.3%

ASSET ALLOCATION

Figure 7: Asset Allocations Relative to Policy

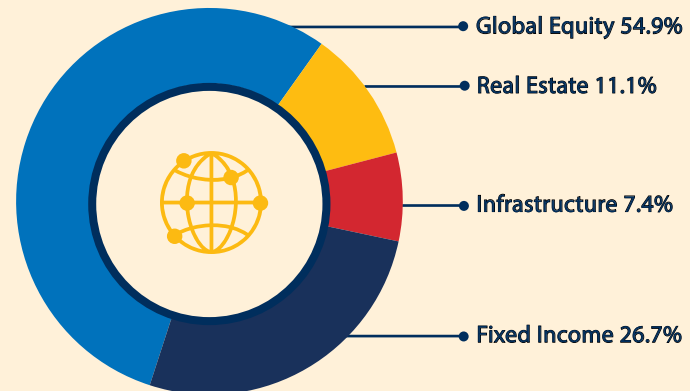
As at March 31st, 2022

ASSET CLASS BENCHMARK POLICY	INVESTMENT POLICY (%)	ACTUAL ALLOCATION (%)
Fixed Income:		
Fixed Income - FTSE Canada Universe Bond Index	20.0	26.7
Total Fixed Income	20.0	26.7
Equity:		
Global Equity - MSCI ACWI (Net) (CAD) Index	55.0	54.9
Total Equity	55.0	54.9
Alternatives:		
Real Estate - MSCI/REALPAC Canada Quarterly Property Index	10.0	11.1
Infrastructure - Consumer Price Index + 5%	15.0	7.4
Total Alternatives	25.0	18.5
Total Fund	100.0	100.0

Figure 8: Actual Asset Allocations

Assets Under Management \$518 Million, as at March 31st, 2022

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 2.2% and underperformed the benchmark (2.7%) by 0.5%. The material difference between fund return and investment objective of CPI+4.5% is driven by increased inflation and is being watched closely.

Figure 9: Fund Return Relative to Investment Benchmark

As at March 31st, 2022

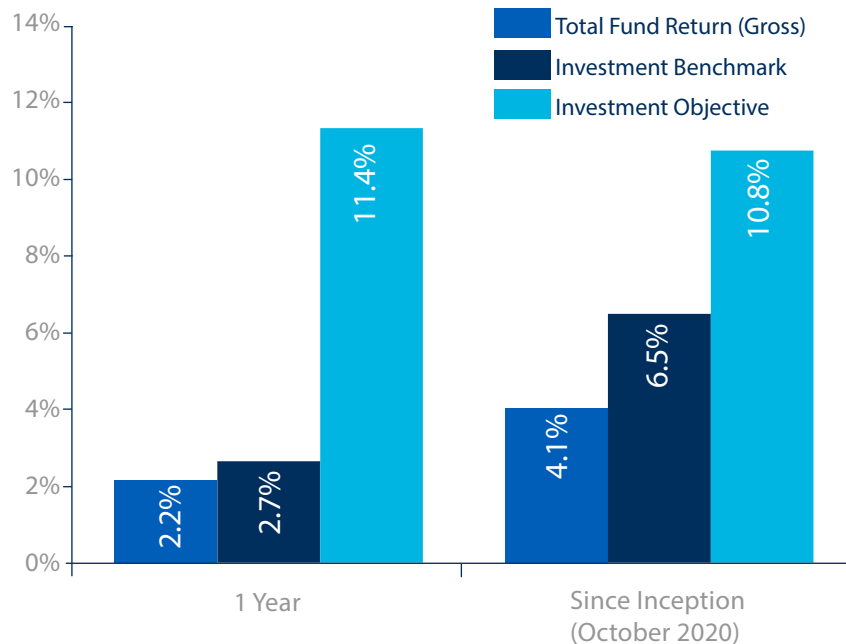
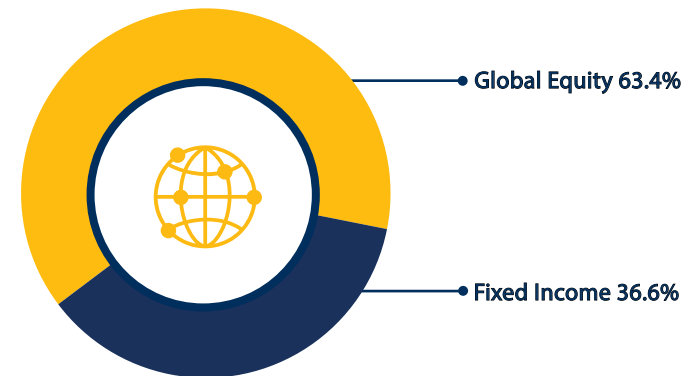


Figure 10: Actual Asset Allocations

Assets Under Management \$1.1 Million, as at March 31st, 2022



ENDOWMENT MANAGEMENT (SPENDING) POLICY

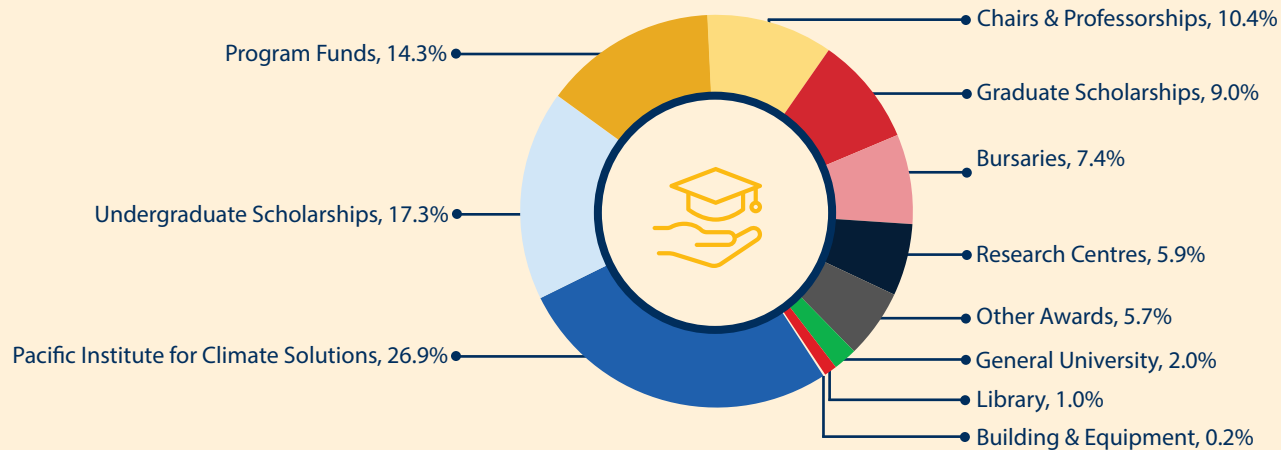
The Board maintains an Endowment Management Policy that sets out the following objectives:

- Protect the value of the Fund against inflation over time so that the donor is aware 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 2021-22 more than 57% of the funds remain eligible for the additional 0.5% spend. Conversely, if the market value of a fund falls below 80% of the original donation, the distribution of that fund will be re-evaluated and may result in no distribution for a given year. In 2021-22 no endowment fund market value fell below the 80% threshold. It is through adherence to the Endowment Management Policy that the Board was able to approve a budget of \$18.8 million in 2022-23. The breakdown of how the budget is allocated is illustrated below.

Figure 11: 2022-23 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 2020-21 the Foundation budget for these expenses is 0.31% of the inflation adjusted principal at cost as of December 31, 2021.



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

Macquarie Infrastructure (MIRA) – Infrastructure

BentallGreenOak (BGO) – Real Estate

CUSTODIAN

Northern Trust

INVESTMENT CONSULTANT

PBI Actuaries & Consultants

PERFORMANCE MEASUREMENT AND REPORTING

PBI Actuaries & Consultants

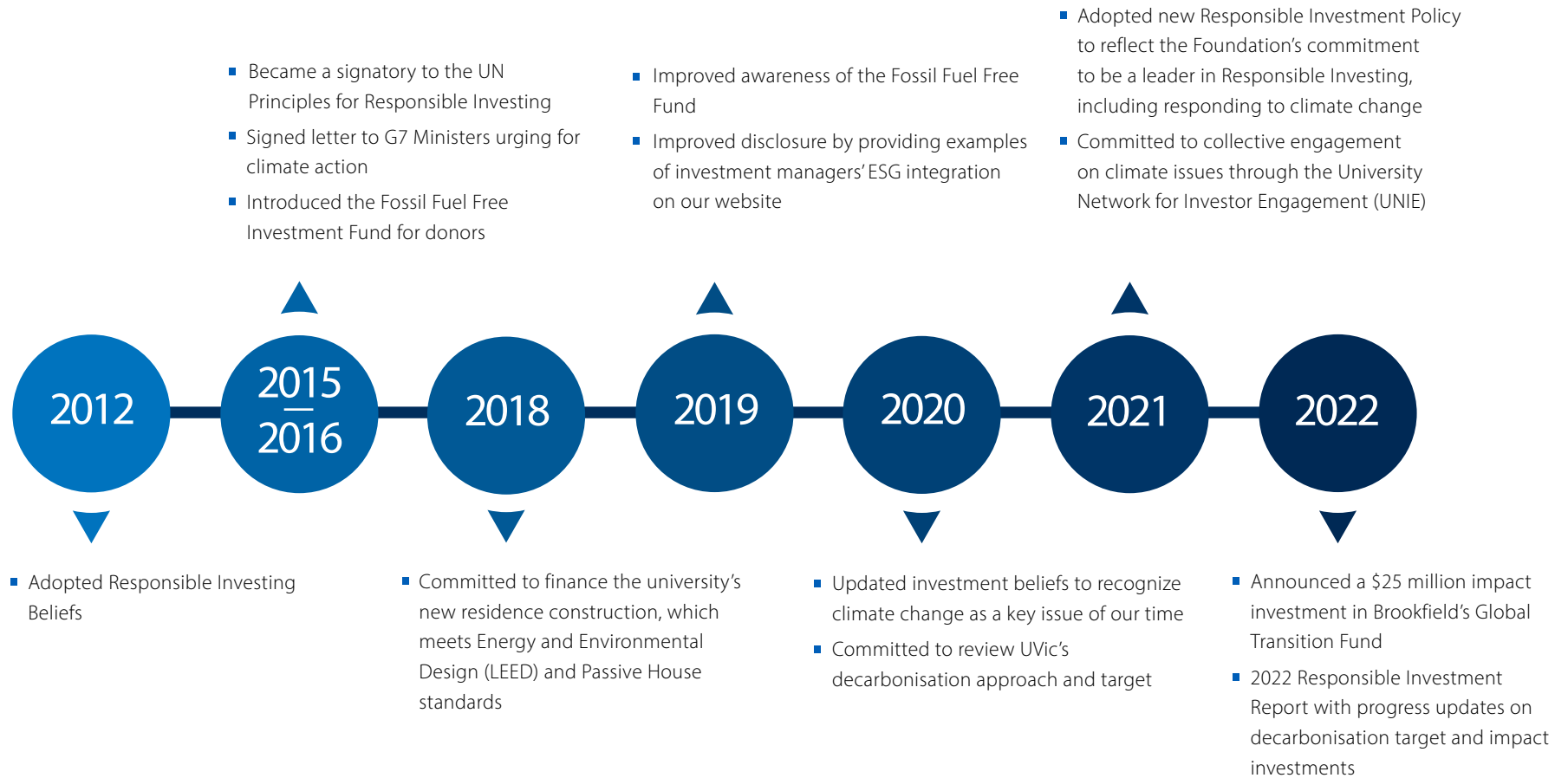
AUDITOR

KPMG LLP



OUR RESPONSIBLE INVESTMENT APPROACH

University of Victoria Foundation Responsible Investment Milestones



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. Opportunities for portfolio company engagements;
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 2021-22. Please visit the [University of Victoria Foundation](https://www.uvic.ca/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