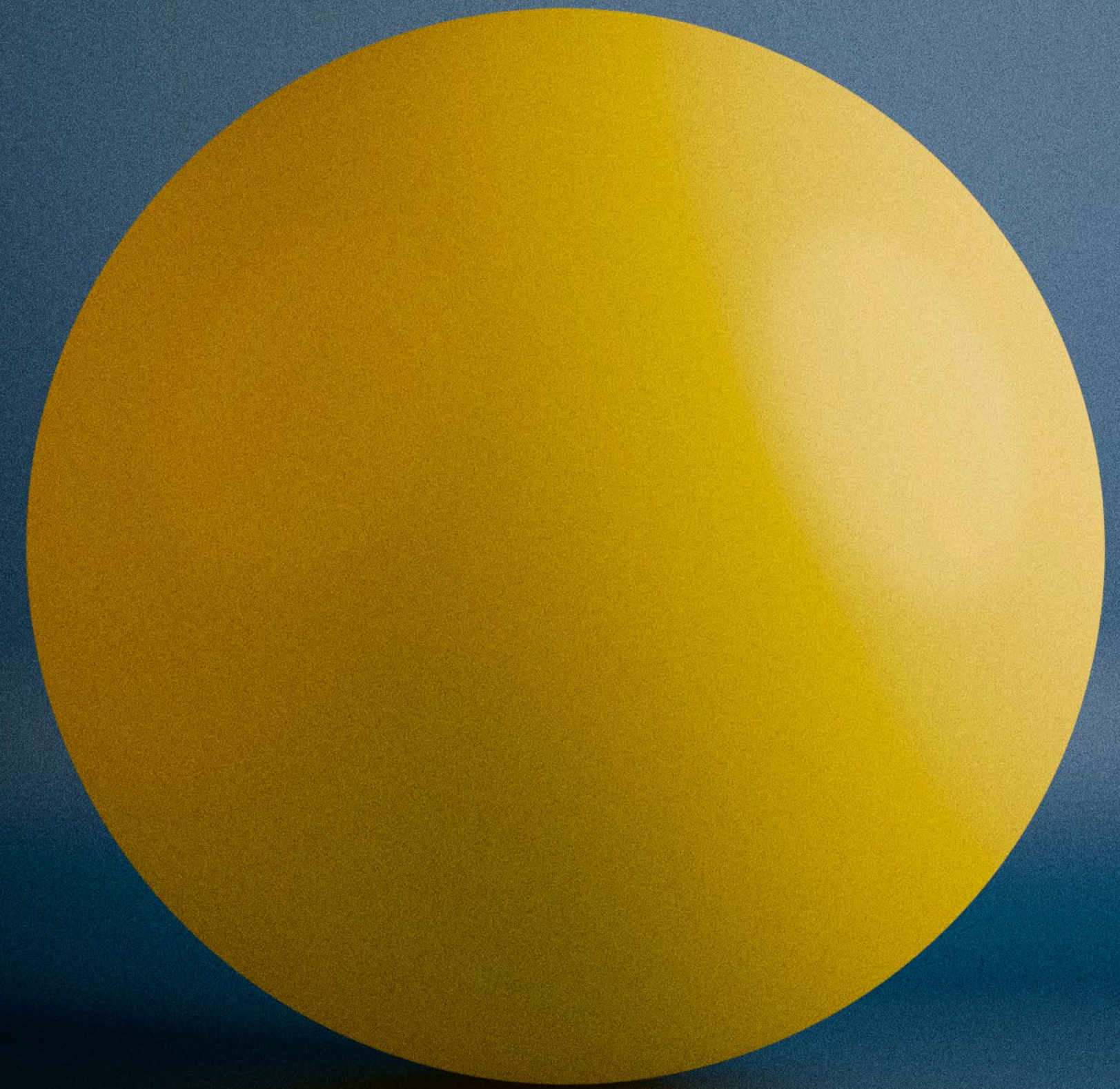


AN ENDURING COMMITMENT

Investing for the long term to sustain
U of T's pursuit of excellence in education
and research.



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Since our founding in 2000, UTAM has been guided by a clear understanding of our mandate in managing the investment portfolios of Canada’s largest university. During the past year, we formalized that understanding into an explicit statement of purpose: *to deliver enduring investment returns in support of the University of Toronto’s pursuit of excellence in education and research.*

There are several reasons for articulating more formally why we manage and protect the long-term value of the assets of our sole client. First, it ensures that all of us at UTAM align our efforts around a common goal. It also provides direction to the external managers we select to implement our investment programs. And more broadly, sharing our purpose and the values that underpin it helps ensure that every action we take today is aimed at benefiting the entire U of T community into the future.

UTAM’s second integrated annual report covers the two key dimensions of our role: providing disciplined investment management and strengthening our focus on responsible investing as we consider environmental, social and governance (ESG) factors in our decision-making. This detailed review of our investment activities for the 2023 fiscal year reflects our continued commitment to help advance the mission and enduring impact of one of the world’s great universities.



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MESSAGE FROM THE CHAIR

A SHARED SENSE OF PURPOSE

ON BEHALF OF THE BOARD OF DIRECTORS, I’M PLEASED TO SHARE the 2023 annual report of University of Toronto Asset Management Corporation (UTAM) with our stakeholders.

During the past year, Board members collaborated with the executive team on an in-depth review of UTAM’s future trajectory as a leader in university asset management. Our first priority, we readily agreed, remains the prudent stewardship of the University of Toronto’s Endowment and other portfolios. To that end, we will continue to strengthen our focus on responsible investing, weighing environmental, social and governance (ESG) factors in investment decision-making. At the same time, we recognized that our holistic approach to sustainability should also consider the long-term strategy and operating practices of UTAM itself.

Two developments from the previous year helped frame our efforts to define the path forward. First, in early 2022, we completed the transition of investment activities related to U of T’s pension assets from UTAM. And second, an independent review panel commissioned by the university concluded that UTAM has the appropriate structure, scale, skills and experience to continue meeting U of T’s investment needs for its Endowment and working capital portfolios in the years ahead.

With the completion of these two milestone events, in 2023 the Board and management mapped out UTAM’s future strategy and, more fundamentally, revisited the vision, mission and values that guide our organization. This work yielded a set of refreshed strategic pillars, which Chuck O’Reilly, President and Chief Investment Officer, discusses in his message to stakeholders (see page 03). We also developed a new statement of purpose for UTAM: *to deliver enduring investment returns in support of the University of Toronto’s pursuit of excellence in education and research.*

To be clear, this does not signal a shift in focus. Since our founding in 2000, UTAM has applied wide-ranging investment expertise to protect

and grow the funds entrusted to us by the university. In crafting an explicit purpose statement, we’ve simply articulated what had tended to be left unsaid. We’ve defined a north star by which UTAM’s current and prospective employees – as well as our external investment managers and our stakeholders across the U of T community – can better align goals, coordinate actions and measure success. Having an explicit expression of purpose will help ensure that we remain focused and united not just on immediate priorities but, as the theme of this annual report suggests, on what will endure over the long term.

A STRONG, TALENTED TEAM

In 2023, global markets continued to experience a high degree of volatility, driven by persistent inflationary pressures in major economies, along with the impact of geopolitical events on trade flows, energy costs, human migration and overall economic uncertainty. In this challenging environment, the Endowment portfolio once again delivered strong absolute returns during the calendar year. Even more importantly, over the 10-year period ending December 31, 2023, the Endowment realized an annualized return of 7.9% net of all fees and expenses and it continued to significantly outperform both the university’s target return and its public market benchmark established by the Reference Portfolio.

In welcoming this sustained success, the Board recognizes the outstanding work of UTAM’s management team under the leadership of Chuck O’Reilly. Chuck’s skilled oversight of the public equities portfolios is complemented by the deep knowledge and experience of Leon Lu, Head of Fixed Income, and Jean Potter, Head of Private Markets. All three leaders work closely with Doug Chau, Chief Risk Officer and Head of Research, who brings a rigour and sophistication to investment risk management that has made UTAM a leader among university asset managers. Rounding out this exceptional team is Lisa Becker, Chief Operating Officer and Chief Compliance Officer, who combines disciplined judgement with a wealth of experience as she oversees both investment and corporate operations, along with governance and compliance activities.

The focus, professionalism and innovative thinking of these talented executives truly set UTAM apart.

THE VALUE OF COLLABORATION

As ever, the Board is indebted to the university’s external Investment Committee, led by Craig Rimer, for expert guidance on UTAM’s investment strategy. Committee members’ judicious counsel and

steadfast support are critical as we navigate near-term challenges in pursuit of longer-term investment goals.

I would also like to express my gratitude to U of T President Meric Gertler and Chief Financial Officer Trevor Rodgers for their valuable insights and astute leadership as members of the UTAM Board. And on behalf of all the directors, I want to convey our appreciation to Prof. (Emeritus) Alan White of the Rotman School of Management, who stepped down this year after serving as the Board representative of the University of Toronto Faculty Association since 2017. Stepping into this role is Prof. Lisa Kramer, a professor of finance at Rotman, who adds a unique perspective shaped by her research on applying behavioural economics to market performance and financial decision-making.

Lastly, my sincere thanks to the entire UTAM team for the enthusiasm, tenacity and collaborative spirit you bring to managing the investment assets of one of the world’s great universities. Your efforts reflect the shared sense of purpose that has shaped UTAM’s evolution over the past 23 years and will carry us into the future.



Richard B. Nunn FCA, ICD.D
Chair, UTAM Board of Directors

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MESSAGE FROM THE PRESIDENT AND CHIEF INVESTMENT OFFICER

AN ENDURING COMMITMENT

IN 2023, UTAM REMAINED FOCUSED, AS ALWAYS, ON PROTECTING and growing the financial assets entrusted to us by the University of Toronto. As we continued to hone our investment skills and refine our risk management approach, we also took important steps to further integrate responsible investing into our decision-making processes. Although we’ve increasingly applied a responsible investing lens to all our investment activities in recent years, during 2023 we added our first dedicated team member in this area. This will further strengthen our consideration of environmental, social and governance (ESG) factors in our investment decision-making and stewardship activities.

Everything we do at UTAM is framed by a long-term perspective and anchored by our commitment to deliver the best possible outcomes for our sole client – within established parameters for assessing risk and returns. While we’re steadfastly focused on putting our investment strategies into action, we also recognize the benefit of taking a step back to review our past actions and reflect on the values that drive our day-to-day work. Learning from experience is vital to our growth as an effective and efficient organization. So, during the past year, the senior leadership team carved out time to do precisely that.

We began by deconstructing *what* we do – the decisions and actions that make UTAM a leading university investment manager – in order to better articulate *why* and *how* we do it. This led us to a new statement of purpose: *to deliver enduring investment returns in support of the University of Toronto’s pursuit of excellence in education and research.*

Building on this foundation, we then defined UTAM’s overarching strategic objective: *to meet or exceed the university’s long-term risk and return objectives for the portfolios we manage on its behalf.* And from there we identified five pillars that support this strategic objective. The first two are the foundational priorities that remain core to UTAM: investment management and responsible investing. The other three pillars are enablers of our progress toward achieving the foundational priorities.

Talent management: It takes the right people with the right expertise to deliver on our vision of being one the world’s leading university investment managers. This has always been important for UTAM – and our plan going forward is to be even more intentional and proactive in how we recruit skilled people, help them grow in their careers and keep them engaged with the organization and our purpose.

Operational effectiveness: This is another longstanding area of focus that we elevated in our strategic planning. As we explored various ways to further enhance decision-making and collaboration at UTAM, we recognized that a key priority was developing robust solutions for efficiently gathering, collating and sharing data while maintaining sound governance.

University alignment: The fifth pillar of our strategic plan reinforces our working partnership with U of T’s leaders and its broader community of stakeholders. UTAM’s role is not only to prudently manage the university’s portfolios and advance its long-term investment goals. We also look for opportunities to add value across other dimensions of Canada’s largest university. Our paid internship program, for example, enables U of T students in diverse fields of study – from finance to environmental science – to join the UTAM team for short-term periods. Interns gain valuable hands-on experience, and we benefit from their research insights and fresh perspectives. Our program also helps a range of faculties offer added experiential learning opportunities, which are increasingly important in preparing students for future careers.

By clearly defining these five pillars within a simple strategic framework, we’re better able to gauge our progress in fulfilling our purpose – and to share that purpose with the current UTAM team, new team members, our external investment managers and the entire U of T community. ►



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◀ FOCUSED ON THE HORIZON

The past year saw continued uncertainty across the global economy, which once again led to volatile market performance. In this context, the university’s Endowment portfolio delivered a very strong *absolute* return of 12.9% year over year (net of fees and expenses). This is a continuation of the volatility we’ve observed in recent calendar years. For example, the Endowment returned -8.9% in 2022 and +14.9% in 2021.

We’ve also seen volatile *relative* returns in recent years, and that trend continued in 2023. For example, the Endowment, despite its strong absolute return of 12.9% in 2023, underperformed the Reference Portfolio – with its benchmark return of 15.1% – by 2.2 percentage points. By comparison, in the two previous calendar years the Endowment outperformed the Reference Portfolio by 4.1 and 4.7 percentage points, respectively.

Such fluctuations are a reminder that while we compare returns from one year to the next, investors who focus exclusively on the short term risk being distracted from assessing the broader trajectory of investment performance – and that can lead to suboptimal decision making. UTAM, by contrast, invests the capital in the Endowment portfolio with a very long-term time horizon. And this wider perspective has paid off: over the 10 years ending December 31, 2023, the Endowment generated an annualized net return of 7.9% compared to 6.6% for both the Reference Portfolio and the university’s target return of 4% per annum (plus inflation as measured by the Consumer Price Index). This outperformance over the past decade represents a gain of approximately \$390 million compared to the return generated by the Reference Portfolio over the same period.

The value of taking the longer view is equally evident in the performance of the other portfolio that UTAM manages for the university: the Expendable Funds Investment Pool (EFIP), which mainly consists of working capital we invest for the short and medium term. The total value of EFIP can vary significantly with changes in student tuition fees, faculty and administrative salaries, facilities maintenance costs, government grants and other university activities that draw on the fund – as well as investment gains or losses. In this last category, EFIP has been subject to the same volatility experienced by the Endowment in recent years, even though EFIP contains relatively low-risk investments as a portfolio allocated exclusively to cash and fixed income securities.

In 2022, EFIP returned -2.9% compared to the university’s target return of -3.1% for the portfolio. This result reflected the sharp increase in interest rates experienced in Canada (as well as globally) during 2022,

which had a negative impact on the value of the fixed income securities in EFIP. However, this spike in interest rates, while painful to live through, positioned EFIP for stronger future returns as yields from the portfolio’s cash and fixed income investments became much more attractive.

In 2023, we began to see the impact of these higher yields on investment outcomes, as EFIP generated a 6.7% return (net) compared to the benchmark target of 5.8%. Moreover, because current yields in EFIP remain attractive, we are optimistic that this portfolio is well positioned to deliver much more robust returns over the next five to ten years than it has over the same time span retrospectively. We envision those yields bringing an added tailwind to strong returns if interest rates continue to fall – or providing some cushion should they rise again.

As with the Endowment portfolio, in managing EFIP we look past the short-term volatility in fixed income markets to make decisions – and then regularly review them – with an appropriately long-term time horizon. Over the 10-year period ending December 31, 2023, EFIP has returned 1.9%, outperforming its target return of 1.5% and driving a cumulative gain of more than \$86 million.

COLLABORATIVE SPIRIT

These performance metrics, along with the others detailed in the following pages, provide a yardstick of UTAM’s progress over the long term. But the ultimate measure of investment success lies in the outcomes that our work makes possible – which is why this annual report and our website feature several investment impact stories showing how returns from the Endowment benefit students, faculty, academic programs and centres of research. Our thanks to U of T’s Advancement team for sharing some of the compelling case studies they’ve collected to support Defy Gravity, the largest university fundraising and alumni engagement campaign in Canadian history.

We’re also pleased to present a new Q&A with U of T President Meric Gertler, who explains the links between the university’s commitment to responsible investing and its top rating in the 2024 QS Sustainability Ranking of higher education institutions. Broadening the discussion to consider the challenges of financial sustainability in our current economic and geopolitical environment, he concludes: “As an institution that aspires to change the world for the better, we need a solid financial foundation – and UTAM is one of its cornerstones.”

This vote of confidence underlines the strong partnership between our organization and the university we serve. On behalf of UTAM, I’d like to

express my gratitude to President Gertler, as well as to Trevor Rodgers, the university’s Chief Financial Officer, for their continued support and strategic counsel. We’re also deeply grateful to members of the university’s Investment Committee, chaired by Craig Rimer, who bring a similar spirit of partnership to overseeing our investment strategy and risk management framework. The committee’s collective expertise and depth of experience are invaluable as we manage near-term market volatility and pursue the university’s long-term investment objectives.

In closing, let me underline my thanks to the entire UTAM team for their tireless energy, creative problem-solving and collaborative spirit. As our annual report theme suggests (echoing our new statement of purpose), the work we do together reflects our enduring commitment to the University of Toronto. And it reinforces the university’s commitment to advancing knowledge, research and innovative solutions that will endure.



Chuck O’Reilly, CFA, CAIA
President and Chief Investment Officer

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FOUNDATIONAL STATEMENTS

PURPOSE

To deliver enduring investment returns in support of the University of Toronto’s pursuit of excellence in education and research.

VISION

To be one of the world’s leading university investment managers.

MISSION

To produce strong investment results over the long term, advancing the University of Toronto’s goals for its portfolios through skilled investment management, leadership in responsible investing and prudent risk management.

STRATEGIC OBJECTIVE

To meet or exceed the university’s long-term risk and return objectives for the portfolios we manage on its behalf.

VALUES

Excellence

- Strive to be the best, continuously learning and improving.
- Set high expectations and achieve ambitious goals.
- Exemplify and advance best practices in investment management.

Integrity

- Always do the right thing.
- Report transparently on our activities and results.
- Meet our commitments and be accountable for our actions.

Collaboration

- Operate as a cohesive team in an open, creative, high-performance culture.
- Work closely with the university, serving as a trusted partner.
- Partner with investment managers, service providers and others to our mutual benefit.

Equity

- Treat people of all identities, talents and perspectives equitably.
- Promote and actively foster diversity and inclusion.
- Respect, value and embrace the power of difference.

Sustainability

- Invest responsibly, applying an ESG lens and guided by a clear set of principles.
- Pursue and promote sustainability in how we invest and how we operate.
- Consider the long-term impact of every decision.

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2023 HIGHLIGHTS

All numbers are rounded

Endowment

Investment returns*

2023

12.9%

10-year (annualized)

7.9%

Total Endowment distributions (10-year)

\$896mn

UTAM value added

(vs. Reference Portfolio[†])

2023

-2.2 percentage points

10-year (annualized)[‡]

+1.4 percentage points

10-year

\$389mn

EFIP

Investment returns*

2023

6.7%

10-year (annualized)

1.9%

UTAM value added

(vs. target return)

2023

+1.0 percentage points

10-year (annualized)

+0.4 percentage points

10-year

\$87mn

Total assets under management

At December 31

2023

\$4.2bn

Endowment

\$3.9bn

EFIP

2022

\$3.8bn

Endowment

\$3.9bn

EFIP

Year-over-year

+6.6%

(Endowment and EFIP combined)

\$8.2bn

(Endowment and EFIP combined)[§]

*All returns are calculated using the Time-Weighted Return methodology.

[†]For more information about the Reference Portfolio, see page 20.

[‡]The Endowment's performance is also assessed relative to the university's long-term target return of 4% + CPI ("Target Return"). Over the 10-year period, the Endowment's annualized return of 7.9% outperformed the university's annualized Target Return of 6.6% by 1.4 percentage points.

[§]Rounded up from \$8.16 billion.

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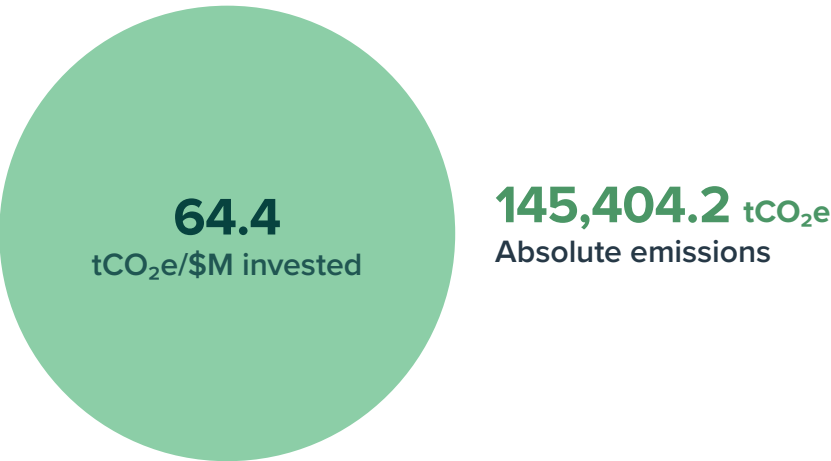
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All numbers are rounded

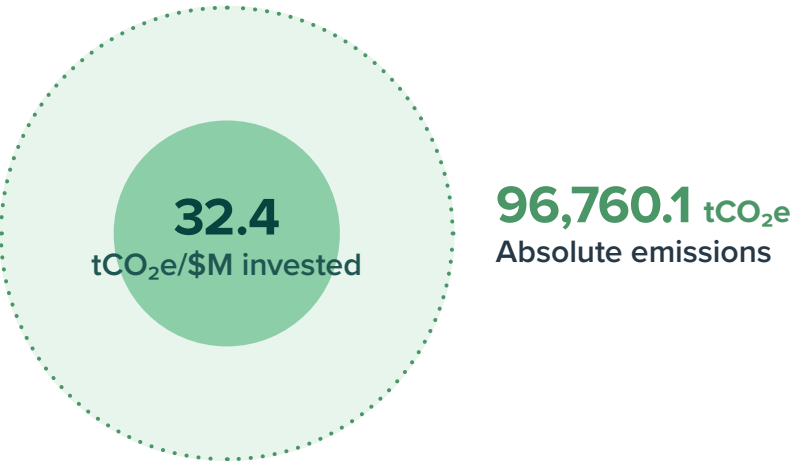
Endowment

Carbon footprint*

2019 baseline



2023†



2030 target‡



Cumulative reduction since 2019

Carbon footprint



Absolute emissions



Divestment from fossil fuel companies

2023



2030 target



Direct exposure

Indirect exposure

Exposure (direct and indirect)

Investment in sustainable and low-carbon strategies

2023



2025 target



Invested in sustainable and low-carbon strategies

Invested in sustainable and low-carbon strategies

Company engagement

Companies engaged

1,136

Engagements

2,733

2023 top four areas of focus

- Corporate governance
- Climate change and environment
- Social and ethical concerns
- Human and labour rights

Proxy voting

Public equity portfolio proxy voting

9,962

Shareholder meetings voted

106,754

Proposals and agenda items

13,061

Votes cast against management recommendations

*Carbon footprint and carbon emissions are calculated for the Endowment Sub-Portfolio, consisting of equity (including equity-like securities such as private equity and real estate via public market proxies) and public corporate bonds. These investments comprised approximately 70% of the Endowment’s net asset value at December 31, 2023. Investments in alternative credit and in the Absolute Return Program (the latter implemented via a portable alpha structure) are currently not included due to the availability of data and appropriate public market proxies. Government bond exposure is also not included at this time. While we do track and calculate the emissions from government bond holdings, the metrics and output do not readily aggregate with the rest of the Sub-Portfolio. For additional details, please refer to the [2023 UTAM Carbon Footprint Report](#).

†Verified by PricewaterhouseCoopers LLP’s independent limited assurance review.

‡An interim target on the way to net zero by 2050.

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SOPHISTICATED INVESTMENT MANAGEMENT

UTAM MANAGES INVESTMENT PORTFOLIOS EXCLUSIVELY ON behalf of the University of Toronto. Since our founding in 2000, we've steadily evolved our investment, risk management and operational processes as we strive constantly to meet and exceed the high expectations of our sole client. We apply insights gained through experience to continuously refine how we manage complex portfolios, and to ensure all investment decisions are aligned with the university's long-term objectives.

UTAM was created *by* a university *for* a university. We embrace U of T's guiding values and understand the challenges and opportunities that shape its outlook. And after more than two decades of working on behalf of Canada's largest university, we appreciate the nuances of its strategic priorities and governance structures. We also know the importance of explaining our investment approach and providing detailed information through reporting that is clear and accessible to a diverse range of stakeholders.

UTAM, like the institution we serve, never stops moving forward. We constantly enhance and extend our capabilities while maintaining a prudent and disciplined approach to investment management. We're committed to ensuring transparency and accountability through robust governance processes that reflect industry best practices. And as we work to sustain strong risk-adjusted returns while adhering to U of T's investment policy guidelines and commitments, we remain focused on our purpose: *to deliver enduring investment returns in support of the University of Toronto's pursuit of excellence in education and research.*



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MANAGING THE ASSETS ENTRUSTED TO US

IN WORKING TO DELIVER SUSTAINABLE VALUE TO THE UNIVERSITY of Toronto and its stakeholders, our efforts reinforce the financial foundation that allows Canada’s largest university to achieve its goals. Together, we strive to ensure that U of T’s endowment funds maintain purchasing power over the long term – and reliably support thousands of beneficiaries each year.

UTAM doesn’t simply make investments and monitor the returns. We constantly broaden and deepen our capabilities while enhancing our processes and systems. As we pursue our disciplined, team-based investment process, we report transparently, measuring our performance against objective benchmarks and targets. In all that UTAM does, we look beyond short-lived market fluctuations to focus on the far horizon.

A manager of managers

Established as a separate corporation by the University of Toronto in 2000, UTAM invests funds according to objectives and guidelines set by the university’s Business Board, as well as the administration and the external Investment Committee. In fulfilling this mandate, we don’t typically make direct investments in traded securities. Rather, UTAM follows what is known in the investment industry as a manager of managers approach. We select investment managers that we believe are best in class, using an assessment process anchored by investment and operational risk management, including responsible investing. We then evaluate each manager’s performance against our risk and return expectations, taking into account the changing market environment.

ASSETS UNDER MANAGEMENT

Endowment

Known formally as the Long-Term Capital Appreciation Pool, the Endowment portfolio (as we refer to it in this annual report) consists primarily of certain endowment assets of the University of Toronto but

also includes other funds invested for the long term. The size of this portfolio changes in value with contributions, investment gains/losses, fees and expenses, and the annual withdrawal to fund Endowment-supported initiatives. At the end of 2023, the assets in this pool had a value of \$4.2 billion, up from \$3.8 billion at the end of 2022. Over the past 10 years, the Endowment has realized significant growth; its net asset value has increased by \$2.1 billion net of cashflows, fees and expenses.

Endowment net asset value

2023: \$4.2 billion



2022: \$3.8 billion



2013: \$2.1 billion



Short-term working capital

Expendable university funds that can be invested over the short to medium term make up the Expendable Funds Investment Pool (EFIP). Principally comprising the university’s working capital, large cash flows into and out of EFIP result in its value fluctuating significantly in the course of a year. Factors that affect these fluctuations include student tuition fees, staff and faculty salaries, facilities maintenance costs, government grants, fees and expenses, and investment gains/ losses. At the end of 2023, the rounded value of EFIP was \$3.9 billion, as it was at the end of 2022.

OUR COMMITMENT TO RESPONSIBLE INVESTING

At UTAM, we integrate environmental, social and governance (ESG) factors into our investment and risk management processes, including decision-making, stewardship activities (through engagement, proxy voting and advocacy), and reporting and disclosure.

Our Responsible Investing Committee and investment, operational due diligence and risk management staff routinely consider ESG risks and opportunities. We apply ESG considerations particularly in our selection of investment managers, and we continually engage with our

managers on their responsible investing programs after investment. In our public equity portfolios, we cast proxy votes where possible, using an ESG-focused policy. We encourage investment managers to adopt similarly focused policies (to the extent that they haven’t already done so). And through various collaborative initiatives, we’ve actively engaged with corporate issuers, promoting accountability in addressing, managing, disclosing, and reporting ESG-related risks. We report our responsible investing activities on a regular basis.

UTAM’s formalized approach to responsible investing is consistent with our fiduciary duty and complements our overall investment strategy for the assets that the university has entrusted to us. We pursue a responsible investing approach because we believe that material ESG factors can have a significant impact on long-term investment returns. Applying an ESG lens to our activities allows us to make better-informed decisions and ultimately results in better outcomes for the assets that we manage on the university’s behalf.

On our website, we publish our [carbon footprint report](#). (Before 2022, our carbon footprint report was included in responsible investing reporting.) Since 2021, this report has included an accompanying opinion based on a limited assurance review conducted by PricewaterhouseCoopers LLP. We also provide Principles for Responsible Investment (PRI) reports for the Endowment, UTAM’s Responsible Investing Policy and Task Force on Climate-related Financial Disclosures (TCFD) reports on our website. As well, we report on our responsible investing and other activities from time to time at utam.utoronto.ca/news.

As our approach to responsible investing has evolved, we’ve assumed leadership roles in various responsible investment organizations, and we’re helping to identify, shape and promote best practices.

In 2021, UTAM, on behalf of the university, joined the United Nations–convened Net-Zero Asset Owner Alliance (NZAOA) – making U of T the first university in the world to become a member. The Alliance is a member-led initiative of institutional investors committed to transitioning their investment portfolios to net-zero GHG emissions by 2050 – consistent with a maximum temperature rise of 1.5°C. As of March 2024, the Alliance includes 89 institutional investors who together represent over US\$9.5 trillion in assets under management. Joining the Alliance affirms our commitment to achieve net zero carbon emissions associated with the Endowment portfolio by no later than 2050.

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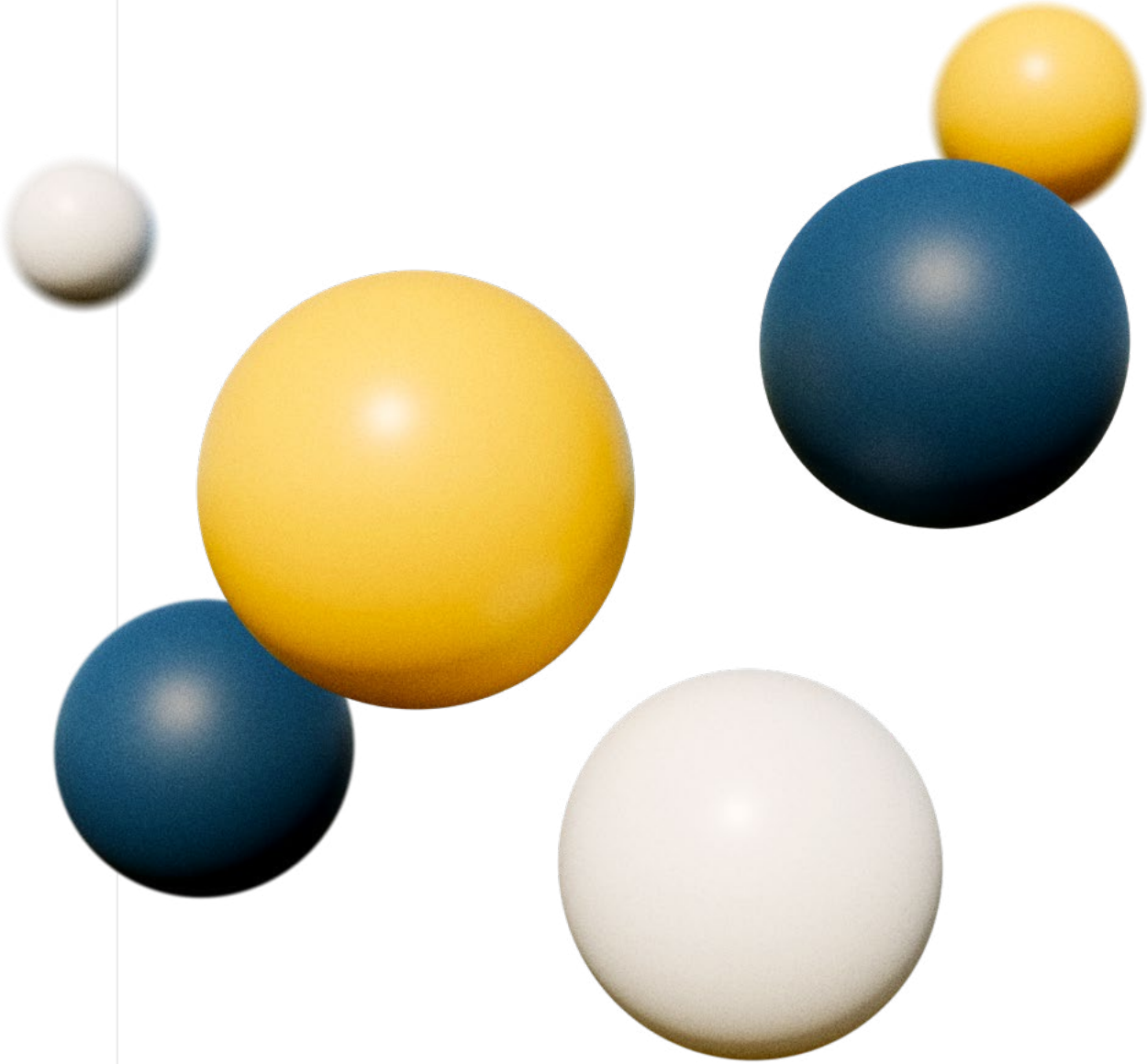
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WE’RE GUIDED BY THE PRI FRAMEWORK

SINCE 2016, UTAM HAS BEEN A SIGNATORY TO THE PRINCIPLES FOR Responsible Investment (PRI), an investor initiative and leading proponent of responsible investing. We’ve undertaken a series of actions to align our policies, processes and practices with the Principles; an illustrative [list of these actions](#) is available on our website. The PRI publishes scorecards for its signatories to assess progress in implementing responsible investing practices over time, across asset classes and in comparison to peers at national and global levels.



THE PRI’S SIX PRINCIPLES

01

We will incorporate ESG issues into investment analysis and decision-making processes.

02

We will be active owners and incorporate ESG issues into our ownership policies and practices.

03

We will seek appropriate disclosure on ESG issues by the entities in which we invest.

04

We will promote acceptance and implementation of the Principles within the investment industry.

05

We will work together to enhance our effectiveness in implementing the Principles.

06

We will each report on our activities and progress towards implementing the Principles.

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OUR PRI SCORECARD

SINCE BECOMING A SIGNATORY IN 2016, WE HAVE PARTICIPATED IN every PRI assessment of participants’ responsible investing activities, and we have consistently scored higher than the median PRI asset-owner signatory in all applicable responsible investing categories.

Our most recent [PRI assessment and transparency reports](#) (available on our website) cover activities in the 2022 calendar year, evaluating our progress in implementing responsible investing practices across asset classes compared to peer asset owner signatories. In its assessments, the PRI continued with the revised scoring methodology established for the previous reporting cycle, which uses numerical scoring (one to five stars) and absolute grading (i.e., a single number grade out of 100) for each module.

Table 1
Principles for Responsible Investment scores for calendar years 2022 and 2020

	2022			2020 [†]		
Module	UTAM	Median AUM: US\$1B to \$10B	Median AUM: All	UTAM	Median AUM: US\$1B to \$10B	Median AUM: All
Policy Governance & Strategy [‡]	★★★★ (90)	★★★ (60)	★★★ (65)	★★★★★ (93)	★★★ (57)	★★★ (62)
Listed Equities	★★★★ (78)	★★★ (60)	★★★ (64)	★★★★ (78)	★★★★ (69)	★★★★ (71)
Fixed Income	★★★★ (87)	★★★ (60)	★★★ (61)	★★★★ (81)	★★★ (58)	★★★ (62)
Private Equity	★★★★ (87)	★★★★ (71)	★★★★ (66)	★★★★ (79)	★★★★ (67)	★★★★ (66)
Real Estate	★★★★ (87)	★★★★ (67)	★★★ (64)	★★★★ (80)	★★★★ (67)	★★★★ (68)
Hedge Funds	★★★★ (87)	★★★ (49)	★★★ (41)	★★★★ (76)	★★ (31)	★★★ (42)
Confidence-Building Measures	★★★★ (80)	★★★ (65)	★★★★ (71)	N/A	N/A	N/A

[†] After issues arose related to its reporting framework, the PRI chose to bypass scoring for 2021.

[‡] Formerly “Investment & Stewardship Policy” in the report for calendar year 2020.

Table 1 provides a snapshot of our 2022 scores on each of the seven modules applicable to our approach of allocating capital to managers and the Endowment’s asset class exposure. This includes a new module called Confidence-Building Measures, which scores signatories on their review and verification of the responses reported in their submissions. We received four stars in each of the seven modules and achieved an average absolute score of 85 (within a range of 78 to 90 to achieve four out of five stars).

We have compared our results against a peer group of similar-sized, PRI-assessed global asset owners with assets under management (AUM) ranging between US\$1 billion and US\$10 billion as well as against all global asset owners, regardless of AUM size.* As in past assessments, we outperformed the median PRI-assessed global asset owner regardless of which peer group we compare our results to. Compared to the previous cycle’s scores, we increased our absolute numerical scores in four of the five asset class categories (Fixed Income, Private Equity, Real Estate and Hedge Funds) and maintained the same score in one asset class (Listed Equity). Although our score in the Policy Governance & Strategy module fell by three points to 90, we continue to rank in the highest quartile, significantly outperforming the median scores of 60 and 65 for our AUM peer group and asset owner signatory type, respectively.

*The PRI results also allow filtering peer group by region, but the number of observations for some modules is unacceptably small, so we have not included this comparison. The PRI does not currently offer filtering by asset owner category, so we are unable to compare ourselves against a peer group of endowments, for example.

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Q&A WITH U OF T PRESIDENT MERIC GERTLER

“WE NEED A
SOLID FINANCIAL
FOUNDATION – AND
UTAM IS ONE OF ITS
CORNERSTONES.”



Meric Gertler
President, University of Toronto

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Q: In the 2024 QS Sustainability Ranking of higher education institutions, the University of Toronto ranked #1 in the world, up from second place last year. How does this recognition reflect U of T’s commitment, alongside UTAM, to responsible investing?

President Meric Gertler: The evaluation process looks at efforts across the university to advance sustainability and address climate change. Quacquarelli Symonds, the UK-based organization that conducts this and other higher education rankings, analyzed more than 1,400 institutions in 95 countries, applying environmental, social and governance (ESG) metrics to their performance. That U of T’s contributions stand out globally is a testament to the dedication and innovative thinking of our faculty, students, staff, alumni and other partners – including the team at UTAM, which manages investment of the Endowment and working capital funds for the university.

The ranking’s methodology focuses mainly, of course, on a university’s research, teaching and operations. But at the same time, the QS analysts

look for “a publicly available policy or explanation on how the university considers sustainability in its investments.” U of T is a world leader in this regard. UTAM has an exceptional track record in responsible investing, with a longstanding commitment to transparent disclosure – via dedicated responsible investing reports since 2016 and, as of last year, through integrated annual reporting. All of these can be easily accessed through UTAM’s website.

The QS evaluators also consider a university’s net zero commitment. In our case, we’ve pledged to make our entire university climate-positive by 2050 – and as part of that undertaking, we’ll achieve net zero carbon emissions associated with the Endowment by the same year. To that end, in 2021 we became the first university in the

world to join the Net-Zero Asset Owner Alliance. As an Alliance member, UTAM is committed to engaging with investment managers, individual companies and industry representatives, as well as public policymakers, in promoting a low-carbon transition that is both science-based and alert to social impacts. As well, even though the QS criteria don’t explicitly call this out, UTAM has eliminated all direct exposure to fossil fuel companies in the Endowment as of October 2022, ahead of schedule. And it is on track to divest from all indirect fossil fuel investments – which are held through pooled and commingled funds – by 2030.

The message tying together all these points is that we’ve made sustainability an *institutional* priority. And we’re leveraging our collective energy and talent to meet that priority.

Q: What about other actions the university is taking to advance sustainability? Do returns from investments help to fund those as well?

A: Absolutely. The ranking process considers various ESG factors, such as the diversity of our international students and our support for research aimed at advancing the UN Sustainable Development Goals. Many of the programs and initiatives we’ve launched in these areas, as well as the efforts of individual students and faculty members, depend on funding from the Endowment. UTAM also makes short- and medium-term investments of working capital through what’s called the Expendable Funds Investment Pool, or EFIP. This is another source of funding for some of our sustainability-related efforts. Two institutional strategic initiatives that have benefited from this support are our Climate Positive Energy research network and the SDGs@UofT project.

Whether we’re providing financial aid to students, supporting research and innovation, or updating infrastructure to help make the university climate-positive by mid-century, our ability to finance these initiatives is anchored in part by UTAM’s prudent management of the university’s investable assets. So when the Canada Infrastructure Bank, for example, provided \$56 million in financing for Project LEAP, our ambitious energy retrofit initiative, it undoubtedly took into account the university’s disciplined fiscal management, which is reinforced by UTAM’s sound financial stewardship. Incidentally, we were the first academic institution the Bank chose to partner with. That’s not a coincidence.

Q: Does this commitment to the financial dimension of sustainability underpin all aspects of U of T’s mission?

A: It does. And you see that perspective reinforced in UTAM’s new statement of purpose: *to deliver enduring investment returns in support of the University of Toronto’s pursuit of excellence in education and research.* The word “enduring” is especially apt, as it reminds stakeholders that a university is not like a business enterprise, gauging progress from quarter to quarter. We measure fiscal responsibility over a much longer time horizon. Much of the work that unfolds at a

university, even when it focuses on the past, is ultimately directed toward the future. We advance learning and research whose full impact will be felt years or even decades from now, as our graduates pursue careers, as our insights are shared, and as we create social and economic value, and inspire further innovation.

A university must be designed, staffed, managed – and funded – to endure. This is a basic truth about society’s investment in higher education. In recent years, government investment has been significantly constrained, which means that UTAM’s rigorous management of our Endowment and working capital is more crucial than ever.

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Q: What kinds of financial pressures are universities grappling with?

A: In 2023, the Ontario government asked a blue-ribbon panel of experts to look at the financial sustainability of postsecondary education in the province. Their report, tabled in November, does an admirable job of highlighting the seriousness of the fiscal challenges confronting Ontario universities, more than a third of which are currently running deficits.

The report recommends increasing per-student grants to postsecondary institutions, which haven’t changed since 2008. In response, the government has taken a positive step forward with a one-time investment in higher education. At the same time, though, the government has not taken up its panel’s recommendation to increase tuition fees for domestic students, which were reduced by 10%

Q: How does the scale of U of T’s potential impact – with nearly 100,000 students in more than 900 programs across a remarkable range of fields – add to the challenge of financial sustainability?

A: In an afterword to the blue-ribbon panel’s report, the chair stresses U of T’s role as a centre of excellence, not only in Ontario but for all of Canada and globally. Many people are surprised to learn that U of T is ranked among the top 25 universities globally – and among the world’s top 10 public universities. This “pre-eminence across the board,” to quote the panel chair, “comes with higher costs

Q: Isn’t financial sustainability even harder to achieve when U of T is affected by shifting economic conditions – not just in Canada, but globally?

A: This is the 21st-century reality for all major universities and the communities we serve. As we’ve become increasingly connected to the wider world, the *global* has become the *local*. In confronting the climate crisis, we understand that what we do in our backyard affects the entire planet, and vice versa. The pandemic was similarly a worldwide challenge, despite early efforts to contain the virus within national frontiers. And then there are various geopolitical disruptions – the invasion of Ukraine, conflict in the Middle East, tensions between the U.S. and China, or between Canada and India – that affect everything from trade and migration to energy costs and interest rates.

Geopolitical instability has a direct impact on U of T’s mission. It affects the important research collaborations and institutional partnerships we’ve fostered around the world. It creates barriers for

in 2019 and have been frozen since. In the panel’s recommendations, any tuition increases were to be balanced by contributions to financial aid. This is something U of T has prioritized, and UTAM has helped to deliver. About 43% of the Endowment – \$1.4 billion – is currently allocated to student support. These funds are crucial to ensuring talented students have access to higher education as part of our commitment to “inclusive excellence.”

That commitment is unwavering. And as we face an extended tuition freeze, along with tightly constrained government funding and upward pressure on compensation costs, it’s easy to see why UTAM’s success in producing strong investment returns is integral to our university’s success.

and levels of investment if that excellence is to be maintained.” From our perspective, maintaining it requires an ongoing investment of time, energy and resources. And once again, UTAM’s management of the university’s financial assets over the long term significantly enhances our ability to set and meet the standard of excellence.

our international students, who are a vital source of fresh ideas and diverse perspectives. At the same time, our existing students face challenges as they seek opportunities to study, do research and/or work abroad.

The risks and uncertainties of a multipolar world can impede the free exchange of knowledge and research insights – with enormous scientific, cultural, political and economic consequences. In this context, universities must continue championing the benefits of openness and international cooperation. Again, our role is to be constantly looking forward, thinking about what can or should change, and what needs to endure.

Which takes us back to the gratifying recognition our U of T community has received for weighing the long-term social and environmental impacts

Equally critical, of course, is the continued support of philanthropic donors, whose generosity sustains the Endowment. In 2021, we launched [Defy Gravity](#), the largest university fundraising and alumni engagement campaign in Canadian history. Now, as donors across the U of T community help us reach our ambitious \$4 billion goal, we can be confident that each dollar donated to the Endowment or in the form of Expendable Funds will be judiciously invested in accordance with UTAM’s proven investment approach, within the long-term risk and return objectives we’ve established.

of everything we do. Bolstering that collective effort is a fundamental commitment to financial sustainability. As we strive, through learning and research, to tackle big global problems and help shape a better future, we’re fortunate to be backed by a team of investment professionals who’ve been entrusted with carefully managing the university’s assets. As an institution that aspires to change the world for the better, we need a solid financial foundation – and UTAM is one of its cornerstones.

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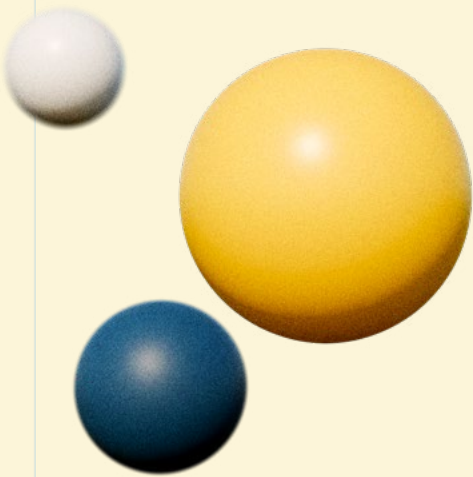
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“WE LOVE THE IDEA OF SUPPORTING RESEARCH AND TEACHING ON THE ENVIRONMENT, ESPECIALLY GIVEN THE ALARMING ISSUE OF CLIMATE CHANGE.”



The annual Beatrice and Arthur Minden Symposium on the Environment, hosted by the University of Toronto’s School of the Environment, welcomes the public to a series of multidisciplinary events showcasing current trends in environmental science and emerging issues that are shaping public policy, social justice and system change.

In May 2023, a diverse group of researchers, policymakers, civil society leaders and members of the public gathered at U of T’s St. George campus for *Urban Ecologies: Imagining the Environmentally Just City*. Exploring various dimensions of humanity’s impact on urban environments, the two-day event brought together perspectives from a remarkable range of disciplines, including environmental humanities and Indigenous and

decolonial studies. After a series of expert talks and panel discussions, participants set out on guided “field trips” to discover firsthand Toronto’s urban ecologies and intertwined environmental, cultural and colonial histories.

Urban Ecologies was just the latest version of what has become a milestone annual event for the School of the Environment: the Beatrice and Arthur Minden Symposium on the Environment, launched in 2015 through a donation from the Beatrice and Arthur Minden Foundation, which also funds a graduate research fellowship at the school.

The foundation was established by Beatrice Minden to honour her late husband, Arthur, a prominent Toronto lawyer and philanthropist. After emigrating to Canada in 1912 at the age of two – from Zhitomir, then part of the Russian Empire – Arthur became the first member of his family to attend university, earning a BA from U of T and a law degree from Osgoode Hall. Then, as his legal practice flourished, he devoted his trademark energy to a wide variety of charitable activities, notably as co-founder (in 1954) of the Muscular Dystrophy Association of Canada, and as an enthusiastic supporter of the Jewish and arts communities.

Following Arthur’s death in 1966, Beatrice carried on his philanthropic work through support for everything from university scholarships in Israel to cultural events and hospitals in Toronto.

After Beatrice died in 2009, stewardship of the foundation passed on to her four children: George, Robert, Jo-Ann and Cynthia. And after taking a few years to consider where their giving could have the most meaningful impact, the siblings settled on the School of the Environment – founded in 2012 to leverage the full scope of environmentally focused teaching and research across U of T’s Faculty of Arts & Science.

“We wanted to find a home for the foundation – a way to honour our parents, their spirit and their legacy,” Cynthia recalls. “We were all excited about the new School of the Environment and felt this was a great fit: the city in which our parents spent their lives, the university that so inspired our father, and the potential to develop cutting-edge solutions to some of the most pressing problems humanity is facing.” Over the past dozen years, the impact of the foundation’s gift has steadily grown as the annual Symposium on the Environment has attracted participants from around the world.

It has been gratifying, Cynthia explains, to give back to the university attended by Arthur and three of his children. “My parents had a passion for education,” she recalls, “and my father had a tremendous appreciation for how U of T altered the course of his life in such a profound and significant way. He was always grateful for that opportunity.”

At the same time, the siblings share a deep concern for the future of the planet. “Environmental studies are something that we all support,” says Cynthia, an active contributor to many sustainability initiatives. “It was important to us to direct the foundation’s capital where it would have the greatest impact. We’ve found that at U of T. We love the idea of supporting new and ongoing research and teaching on the environment, especially given the alarming issue of climate change. And I’m sure my parents would feel that it’s an important cause as well.”

*The investment fund that generates ongoing financial support for the Beatrice and Arthur Minden Symposium on the Environment is among more than 6,900 individual funds within the Endowment portfolio managed by UTAM. A total of \$572 million was allocated to academic programs in the year ending April 30, 2023 – about 18% of the total endowment funds held by the university during that period.**

*The “Endowment portfolio” managed by UTAM – also called the Long-Term Capital Appreciation Pool – comprises the university’s endowment funds plus other investment assets. As of April 30, 2023, U of T’s fiscal year-end, the total value of the Endowment portfolio was \$3.9 billion, including \$3.3 billion of endowment funds plus \$0.6 billion of other long-term assets. (At UTAM’s year-end – December 31, 2023 – the Endowment portfolio was valued at \$4.2 billion.)

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DIVESTMENT FROM FOSSIL FUELS

AS PART OF THE UNIVERSITY OF TORONTO’S ENGAGEMENT IN THE global fight against climate change, UTAM committed to divesting from investments in fossil fuel companies in the Endowment portfolio. This process began in October 2021 with two related divestment commitments announced by President Gertler:

- The Endowment portfolio will be fully divested from all direct investments in fossil fuel companies within one year of the divestment announcement.
- For those investments made indirectly – typically through pooled and commingled vehicles managed by third-party fund managers – UTAM will divest the Endowment from its investments in fossil fuel companies by no later than 2030. UTAM will also report regularly to stakeholders on our progress towards this goal.

UTAM achieved the first commitment in 2022, within the target timeline. Over the period since the divestment commitments were announced, we have also implemented notable changes in the Endowment, which together have reduced the indirect exposure to fossil fuel companies from 2.0% of the Endowment’s net asset value at December 31, 2021 to 1.4% of the Endowment’s net asset value at December 31, 2023.

We continue working to identify new low-carbon strategies that exclude investments in fossil fuel companies. We also consider fossil fuel-free strategies managed by our existing managers and work with those managers to launch new strategies that will further reduce the Endowment’s exposure to carbon and fossil fuel companies.

To better align our efforts with the university’s divestment initiative, we are transitioning the Reference Portfolio’s asset class benchmarks to indexes that exclude fossil fuels. This process began effective October 1, 2022, when we transitioned the fixed income benchmarks to newly launched indexes that exclude fossil fuels. As of the same date, the Reference Portfolio’s equity benchmark began transitioning to the MSCI All-Country World ex Fossil Fuels Index; we expect this process to be completed by October 1, 2024.

Lastly, although President Gertler’s divestment initiative is focused on the Endowment, UTAM also implemented changes to EFIP during 2022 to align its investment strategy with the university’s climate objectives. As of December 31, 2023, EFIP did not have any direct exposure to fossil fuel companies and all material indirect exposure to fossil fuel companies had been eliminated.

INVESTMENT IN SUSTAINABLE AND LOW-CARBON STRATEGIES

When President Gertler unveiled the university’s divestment initiative, he also announced that UTAM would allocate at least 10% of the Endowment portfolio to sustainable and low-carbon investments by 2025. We’ve made progress toward this commitment as well. At December 31, 2023, 6.8% of the Endowment’s net asset value was invested in such strategies. We continue to identify and investigate new sustainable and low-carbon strategies for their potential fit in the Endowment portfolio. We’re comfortable that this commitment will be achieved ahead of the 2025 target date.

*Fossil fuel exposure is calculated based on equity (including equity-like securities such as private equity and real estate via public market proxies), and public government and corporate bonds. These investments comprised approximately 90% of the Endowment’s net asset value at December 31, 2023. Investments in alternative credit and in the Absolute Return Program (the latter implemented via a portable alpha structure) are currently not included due to the availability of data and appropriate public market proxies.

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TAKING DECISIVE ACTION ON CLIMATE CHANGE

A KEY COMPONENT OF THE UNIVERSITY OF TORONTO’S 2021 climate announcement is the commitment to net zero emissions in the Endowment portfolio by 2050. This commitment coincided with UTAM joining the Net-Zero Asset Owner Alliance. The Alliance has established a framework for setting interim targets on various decarbonization initiatives to guide members in achieving net zero emissions in their portfolios by 2050. In accordance with the Alliance’s Target Setting Protocol, we established interim targets in 2022 with respect to emissions, engagement and transition financing.

EMISSIONS TARGETS

In October 2022, UTAM announced a new carbon footprint target for the Endowment portfolio – a 50% reduction by 2030, using 2019 baseline levels. This target, measured in tonnes of CO₂ equivalent per million dollars invested (tCO₂e/\$M), includes the impact of carbon contributions from equities (including equity-like assets such as private equity and real estate by public market proxies) and corporate bonds.

Our carbon footprint target builds on the successful achievement of our previous carbon footprint goal. In 2019, we committed to reducing the carbon footprint of the equity and equity-like sub-portfolio of the Endowment by 40% compared to 2017 levels by 2030. We met this target – almost a decade ahead of schedule.

ENGAGEMENT TARGETS

We share with the Alliance the belief that engagement is a critical tool to drive the transition to net zero in the real economy. Engagement has been an important component of our responsible investing framework for many years and it will continue to be significant going forward. Therefore, consistent with the Alliance’s Target Setting Protocol, in 2022 we committed to meet these engagement targets by 2025:

- To engage – through collaborative initiatives, as well as via our investment managers and EOS, our engagement service provider – with 20 public companies, focusing on those that are the world’s largest corporate GHG emitters and those that contribute to the most owned emissions in the Endowment portfolio.
- To continue engaging with incumbent and prospective investment managers and to contribute to investment manager engagements led by the Alliance.
- To contribute to industry-wide engagements.

FINANCING TRANSITION TARGETS

The Alliance’s Target Setting Protocol includes a pillar addressing financing transition. This focuses on assessing climate solution investments, as well as enhancing the supply side of climate solutions and supporting the growth in climate solution investments within Alliance members’ investment portfolios.

Our targets in relation to this pillar are qualitative. Having joined a working group of the Alliance’s Financing Transition Track, we support its objectives and stay well informed about this rapidly evolving initiative. Going forward, we’ll continue to assess climate solution investments for the Endowment portfolio.

PORTFOLIO CARBON FOOTPRINT AND PWC LIMITED ASSURANCE REVIEW

At the end of 2023, the carbon footprint of the Sub-Portfolio was 32.4 tCO₂e/\$M (based on total emissions of 96,760.1 tCO₂e). UTAM once again engaged PricewaterhouseCoopers LLP to undertake a limited assurance review of the calculation of the 2023 carbon footprint. The review examined the calculation and reported outcomes based on the 2023 carbon footprint results.

The [2023 carbon footprint](#) calculation and results, accompanied by PwC’s independent opinion, are available on our website.

CARBON OFFSETS

In 2023, the University of Toronto became the first Canadian university to launch a mandatory institutional carbon offset program for air travel. The Air Travel Emissions Mitigation Initiative encourages members of the university community to first consider lower-impact alternatives to air travel. For any necessary flights funded by U of T, the university charges a fee for every kilometre flown. UTAM

voluntarily opted to participate in this leading program from its inception. While we have purchased carbon offsets each year since 2017, in respect of our air travel and other operations, the university’s initiative now brings us closer to the sustainability projects such offsets intend to support. Our participation in 2023 offsets 145 tonnes of CO₂ emissions.

The fees, collected across the university, fund projects such as a reforestation program to plant 2,100 trees on 1.5 hectares of land at U of T’s Koffler Scientific Reserve; reforesting this land is expected to sequester 500 tonnes of carbon dioxide over 50 years.

As well as participating in the university’s offset program for air travel, UTAM also purchased carbon offsets for its 2023 operations – representing 35 tonnes of CO₂ equivalent – to mitigate carbon emissions as a result of our electricity and gas consumption and our ground travel. As a result, UTAM continues to be substantially carbon neutral.

“

“Tackling climate change starts in our own backyard by changing how we operate every day. To that end, we are excited to partner with UTAM to reduce its carbon footprint. In joining U of T’s Air Travel Emissions Mitigation Initiative, UTAM will contribute to projects at the university that reduce greenhouse gas emissions to offset air travel impacts.”

Ron Saporta
Chief Operating Officer, Property Services & Sustainability,
University of Toronto

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100 TREES IN TORONTO’S DOWNSVIEW PARK

ON A WARM AND WINDY AFTERNOON IN LATE SEPTEMBER 2023, about 25 UTAM employees made some long-term investments in sustainability and real-world carbon reduction. The group assembled at Downsview Park, a large urban green space in the northern part of Toronto, for an afternoon of tree planting.

Arranged as a fun team-building event, it was also an opportunity to support environmental rehabilitation and community development – with real and direct action. The afternoon was planned through the Partners in Planting program of Tree Canada and led by a team from this national not-for-profit dedicated to planting and nurturing trees in rural and urban environments.

Downsview Park is on a former military base, and its treescape is still considered a “young urban forest.” But even though volunteers only started planting trees there in 2007, the forest has become home to a variety of wildlife. UTAM’s assignment for the afternoon was to plant over 100 native trees and shrubs – to enhance the canopy along the park’s trail network and to help protect a stormwater pond.

“Planting trees reminded me to look past our usual spreadsheets and screens to the tangible, complex ecosystems that our economies and communities rely on,” says Nikki Kwan, Senior Analyst, Responsible Investing. “That’s what we’re aiming to conserve and restore through responsible investing.”

UTAM’s commitment to the University of Toronto’s sustainability goals generally comes through careful investing. But on this occasion, we went outside the office for more direct sustainability action. As Jenny Chen, UTAM’s Office Administrator, says: “Planting trees is challenging and, by the end of the day, physically exhausting. But it’s also fulfilling. As a team, we’ve done something today to make a difference tomorrow. That makes me happy.”



“

“Trees do so much work in an urban park like Downsview. They filter air and water pollutants, enhance the space for outdoor recreation, improve the habitat for both terrestrial and aquatic wildlife, and ultimately reduce the harmful effects of climate change.”

Celia Johnstone
Forestry Specialist with Tree Canada, and a graduate of the University of Toronto’s Master of Forest Conservation program

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A RIGOROUS INVESTMENT PROCESS

WE CONSTANTLY MAKE REFINEMENTS TO OUR INVESTMENT process, applying lessons learned to address current and future challenges. We combine rigorous quantitative and qualitative analysis to evaluate external investment managers. Using advanced analytical tools, we gain in-depth insights that guide our investment activities while allowing us to handle routine tasks more effectively. And we apply judgment, shaped through experience, to regularly refresh how we structure and manage our efforts. The result is a robust, repeatable investment process that has delivered long-term excess returns relative to U of T's risk and return objectives.

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THE REFERENCE PORTFOLIO: BENCHMARKING PERFORMANCE

UTAM’S INVESTMENT DECISIONS ARE ANCHORED BY THE Reference Portfolio, which establishes a benchmark for the risk and return objectives for the Endowment. As we put our investment strategy into action, the Reference Portfolio serves as an objective yardstick for measuring active risk and the value gained or lost through our investment management activities.

The Reference Portfolio is developed jointly by UTAM and the Investment Committee. It is then recommended to the university administration, which must approve its use for the Endowment portfolio.

DESIGN FEATURES OF THE REFERENCE PORTFOLIO

The Reference Portfolio must have the following characteristics:

- Risk and return attributes consistent with the objectives of the Endowment portfolio
- Simple asset mix – public market asset classes only
- Passive investing approach – no active strategies
- Easy to implement – no need for a large investment team
- Low cost – can be deployed without significant expense

The current Reference Portfolio consists of 60% equity exposure and 40% fixed income exposure.

Table 2
Asset Mix Compared to the Reference Portfolio at December 31, 2023

Reference Portfolio Asset Class	Benchmark	Reference Portfolio Weight	Actual Endowment Weight
Equity		60.0	60.1
Global Equity*	MSCI ACWI Net Total Return Index (25%)	60.0	60.1
	MSCI ACWI Net ex Fossil Fuels Total Return Index (75%) †		
Fixed Income		40.0	39.9
Canadian Corporate Bonds	FTSE Canada All Corporate ex Fossil Fuels Enhanced Bond Total Return Index	20.0	20.3
Canadian Government Bonds	FTSE Canada All Government ex Fossil Fuels Bond Total Return Index	20.0	19.6

* The Global Equity benchmark is 50% hedged to Canadian dollars for the developed markets component and unhedged for the emerging markets component.
† The Global Equity benchmark is scheduled to fully transition to the MSCI ACWI Net ex Fossil Fuels index by October 1, 2024.

ASSET MIX

Table 2 shows the asset class weights for the Reference Portfolio and the Endowment as of December 31, 2023. We calculate the weights on an exposures basis, meaning they reflect the economic exposure of any derivative instruments that may be used to maintain an asset class exposure at the desired weight. We believe that this reporting method best represents the asset class exposures and risks of the investment portfolios. It should also be noted that the asset class weights in Table 2 reflect the impact of mapping investments not in the Reference Portfolio – for instance, private equity and hedge funds – to the most appropriate asset class within the Reference Portfolio.

INVESTMENT FLEXIBILITY

Although the Reference Portfolio includes only public market asset classes, UTAM has the flexibility to invest in other asset classes and strategies. However, this freedom is tightly controlled, with agreed-upon risk guidelines that are monitored and reported on regularly. Investments in any asset class or strategy not represented in the Reference Portfolio are subject to the relevant plan documents and require explicit permission from the Investment Committee. Once approved, UTAM retains discretion to select investments within these approved asset classes and strategies.

Our portfolio decisions are governed by an investment management agreement between UTAM and the university, and additionally by the University Funds Investment Policy with respect to both the Endowment and EFIP.

We have the flexibility to deviate from the target Reference Portfolio asset class weights, but the actual weights must be within the allowable bands – that is, within 10% for global equities; within 10% for each fixed income asset class; and up to 10% above or 15% below the Reference Portfolio’s total fixed income weight.

In addition to the limits above, we must adhere to various liquidity, concentration and rebalancing constraints.

As well, our investment decisions are framed by a rigorous risk management process and a formal risk budget, which are detailed beginning on page 28.

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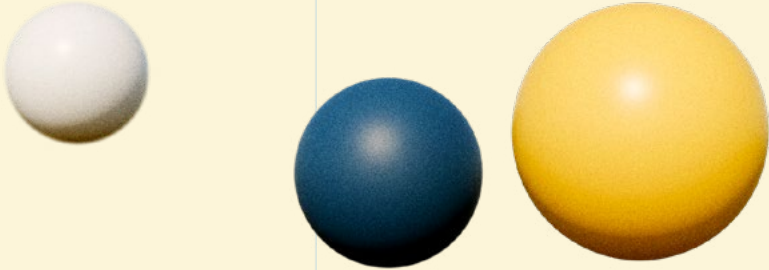
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“WE WOULD LIKE TO THANK EACH AND EVERY DONOR, VOLUNTEER AND COMMUNITY GROUP WHO CONTRIBUTED TO THIS HISTORIC INITIATIVE”



The new Chair in Tamil Studies at the University of Toronto Scarborough was made possible by a grassroots campaign that raised \$3 million from more than 3,800 donors – among them U of T anthropologist Brenda Beck, who has also funded a storytelling fellowship that will help students reimagine an orally transmitted Tamil literary epic.

Tamil people represent one of the major ethnolinguistic groups of South Asia. The ancient Tamil language, with over 80 million speakers worldwide, has a linguistic and literary history dating back more than 2,000 years. Tracing their ancestry to the southern Indian state of Tamil Nadu, as well as the island nation of Sri Lanka, Tamils in recent decades have emigrated to countries around the globe – including Canada, which is home to the largest Tamil community outside the Indian subcontinent.

Of the roughly quarter-million Tamils in Canada, over 80% live in the Greater Toronto Area, largely in

the eastern suburbs. It’s therefore no surprise that many of the 14,000 students at the University of Toronto Scarborough (UTSC) are of Tamil heritage. “A lot of Tamil students want to learn their history,” says Kanitha Uthayakumar, a recent graduate who was active in the Tamil Students Association at UTSC. “Having the opportunity to study the Tamil language at the university level will be great for all of us who are proud of our heritage.”

In 2018, those widely shared aspirations turned into an organized initiative aimed at bringing Tamil studies to UTSC. The grassroots campaign reached out to individuals, businesses, governments and community groups. While fundraising efforts focused primarily on surrounding communities, they also attracted philanthropic support from as far away as France, Australia and Malaysia. And by early 2021, the campaign had achieved its ambitious target of \$3 million to endow a Chair in Tamil Studies – the first of its kind in Canada.

The next step was to find the right candidate to take on this unique role. The intensive global search led to Dr. Sidharthan Maunaguru of the National University of Singapore, a highly regarded expert on Tamil communities whose research combines anthropology, history and philosophy. “I’m honoured,” says Prof. Maunaguru, who will officially join the UTSC faculty in May 2024. “Scholars at U of T have already set a solid foundation for Tamil studies. As chair, I will be building on these foundations while expanding

scholarship and research by bringing an interdisciplinary approach. My vision is to ground, create and promote thriving Tamil scholarship and research in an ethos of inclusiveness and diversity that will bring Tamil scholars from across the world to Canada.”

For the community members who contributed to this collective effort, seeing thousands of individual contributions become a lasting endowment has been enormously gratifying. “We are proud to establish a Tamil Chair at Canada’s most prestigious university and in particular at its Scarborough campus, in a part of our great city that is home to a large Tamil population,” says campaign co-chair Sivan Ilango, past-president of the Canadian Tamil Congress and a director of Tamil Chair, Inc. “We would like to thank each and every donor, volunteer and community group who contributed to this historic initiative.”

*The Chair in Tamil Studies and other endowed professorships at the University of Toronto are among the most significant academic appointments in Canada. They enable the university to engage respected educators and scholars from around the world, who in turn attract top talent, including graduate students, postdoctoral fellows and early/mid-career faculty. Disbursements in support of chairs and professorships accounted for about 29% of the total endowment funds held by the university as of April 30, 2023.**

Bringing a legend to life

The Legend of Ponnivala Nadu is a Tamil epic that follows several farming families over three generations as they contend with famines, curses, power struggles and interventions from various Hindu deities. Passed down via oral tradition, especially in the villages of western Tamil Nadu, the story depicts the gods’ efforts to uphold a set of moral principles while ensuring cosmic balance, fairness and wellbeing.

This landmark of Tamil literature was brought to life for modern-day audiences in 2022 through the inaugural Sophia Hilton Storytelling Fellowship from the U of T Scarborough Library. Three students – Shajaky Parameswaran, a neuroscience major; Raina Daniel, a philosophy and media studies major; and Christy Lorentz, a journalism and English major – spent eight months exploring the art of storytelling, then shared a reimaged version of the epic tale with students, faculty and the broader public, including many appreciative members of the Tamil community.

The yearlong fellowship, which provides each qualifying student with \$4,000 in support, was made possible by a donation from the Sophia Hilton Foundation, a charity led by UTSC Professor Brenda Beck. An anthropologist who specializes in Tamil folklore, Prof. Beck spent six decades doing research in Tamil Nadu. Her commitment to preserving and promoting Tamil culture inspired her to make several one-time gifts to UTSC, followed by an endowment of more than \$300,000 to fund the fellowship.

“My passion is to help make *The Legend of Ponnivala Nadu* relevant to Tamil-Canadians so that many more students whose families have roots in this cultural area can feel proud of their unique, rich and (to date) largely unknown folk heritage,” says Prof. Beck, who also donated a substantial amount toward the Chair in Tamil Studies (see main article). “This story deserves recognition in the same class as any of the great epics.”

*The “Endowment portfolio” managed by UTAM – also called the Long-Term Capital Appreciation Pool – comprises the university’s endowment funds plus other investment assets. As of April 30, 2023, U of T’s fiscal year-end, the total value of the Endowment portfolio was \$3.9 billion, including \$3.3 billion of endowment funds plus \$0.6 billion of other long-term assets. (At UTAM’s year-end – December 31, 2023 – the Endowment portfolio was valued at \$4.2 billion.)

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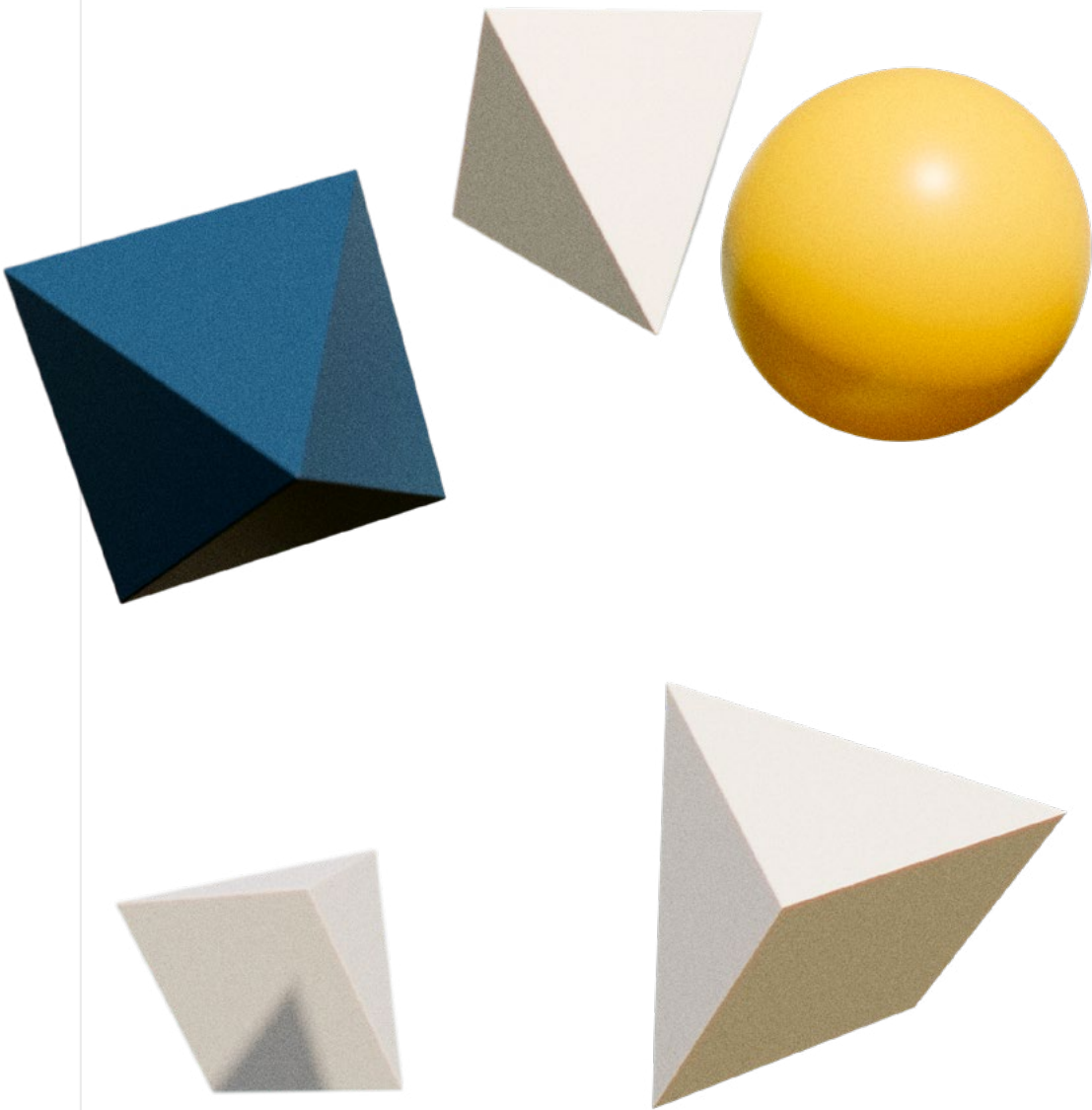
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HOW WE CHOOSE INVESTMENT MANAGERS

UTAM EMPLOYS A HIGHLY ANALYTICAL APPROACH TO ASSESSING and selecting external investment managers. Over the years, we’ve defined a series of clear steps for identifying strong candidates, vetting their investment practices and monitoring long-term performance.



ACTIVE VS. PASSIVE

An important part of our manager selection process is determining whether to invest with an active manager or to invest passively. Our default position is to invest passively at the lowest possible cost. In other words, we only pursue active management when we have a high level of conviction that a specific investment manager’s approach will outperform passive investment alternatives (net of all fees and expenses) over time.

SOURCING AND ASSESSING MANAGERS

We review hundreds of investment managers every year. Primary sourcing methods include drawing on the knowledge and experience of the UTAM team, proactively reaching out to managers and networking with other investors. Secondary methods include attending conferences, responding to inbound inquiries from managers and searching industry databases.

The initial screening process consists of reviewing the manager’s marketing materials and, in some cases, conducting a quantitative analysis of returns to quickly determine if there is a potential fit. If we remain interested after the first pass, we request a call or meeting with the manager to better understand the organization and investment team, their investment philosophy and process, their historical investment performance, the level of transparency they are willing to provide and the terms of the investment (including the fee structure). When a manager seems potentially well matched to our investment beliefs and objectives, we conduct extensive in-depth research and analysis.

INVESTMENT DUE DILIGENCE (IDD)

For managers who make it to this stage of the process, we focus on the four P’s: people, philosophy, process, performance. We also add a fifth P, portfolio fit, which takes into account how the manager’s strategy fits with the other managers and strategies across the rest of the relevant portfolio. We also look at the alignment of interests between the investment manager and the investors in their strategies. Our IDD process includes both a qualitative assessment of the manager’s organization and its people, and a quantitative review of historical portfolio holdings (where available) and returns.

Moreover, we discuss and evaluate the manager’s responsible investing approach across various dimensions, including decision-making, active ownership, reporting and disclosure. Where relevant, we also evaluate the ESG-related characteristics, carbon footprint, and material ESG risks of the manager’s investment portfolio. We summarize our findings in a proprietary ESG integration rating for each manager and investment strategy that we invest in.

As an institutional investor, we expect a great deal of transparency from potential and current managers – far more than a typical individual investor would receive. This level of transparency is necessary for UTAM’s team to effectively evaluate active managers. For example, in reviewing public equity strategies, managers typically provide historical month-end holdings, which UTAM runs through sophisticated analytical tools to produce reports that include performance and risk attribution; factor exposures (e.g., value, growth and momentum); risk exposures; ESG scores, including carbon footprints; sector and country exposures; the trading history of each position; and more. This information helps us better understand the manager’s investment process and allows us to ask more targeted questions when interviewing the manager’s investment team about their strategies. ►

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HOW WE CHOOSE INVESTMENT MANAGERS

◀ We believe that leveraging quantitative tools, while essential for a best-in-class manager selection process, is not sufficient on its own. We therefore complement our rigorous quantitative insights with qualitative judgment and experience, working as a team to make optimal manager choices that we expect will benefit our client over the long term.

OPERATIONAL DUE DILIGENCE (ODD)

Once there is a reasonable probability that the Investment team will recommend investing with a particular manager, we conduct a similarly rigorous review of the firm’s business operations, focusing on people and processes, including corporate practices such as equity, diversity and inclusion policies, as well as proxy voting policies and practices. We must be confident that a manager not only offers a promising investment opportunity but also operates a sound, well-run and sustainable business.

RISK ANALYSIS

In addition to our investment and operational due diligence processes, our Risk and Research team runs a risk analysis that includes calculating the expected risk contribution of the potential new investment to the overall portfolio risk. Armed with this comprehensive and independent analysis, we can make more informed decisions about prospective managers and strategies, focusing on those that offer the highest expected return for the amount of risk being taken.

MANAGER RECOMMENDATION

All material allocations must be approved by UTAM’s Management Investment Committee. To help the Committee evaluate investment recommendations, formal IDD and ODD reports are prepared by the Investment team and the Operational Due Diligence team, respectively.

The IDD report is a detailed account of the IDD process and findings. Similarly, the ODD report describes the review undertaken and its findings, along with providing a conclusion on whether the manager’s operations are sufficiently sound for investment. In addition to the IDD and ODD reports for all new investments, the Committee also receives and considers risk, legal, and tax diligence reports. After reviewing and discussing each of these reports, the voting members of the Committee decide whether to approve the allocation.

ONGOING MONITORING AND ENGAGEMENT

After an investment has been made, the IDD and ODD teams follow continuous monitoring and reporting processes. The Investment team typically connects at least quarterly with each manager. The focus of the monitoring process remains on the five P’s of our IDD review. The process includes an assessment of performance, taking into account the market environment and how we expected the manager to perform in that environment. We also conduct regular reassessments of operational risk to consider any relevant changes.

Alongside our ongoing investment and operational discussions, we continue to discuss and evaluate ESG and responsible investing practices with our managers as we look for continued commitment to responsible investing and ongoing evolution of the manager’s approach.

For UTAM, choosing to work with an investment manager is not a one-time decision – it’s a continuous process of analysis, evaluation, dialogue and renewal.

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RESPONSIBLE INVESTING MANAGER SPOTLIGHT



As part of UTAM’s investment mandate from the University of Toronto, we identify external managers whose thinking and investment strategies align with our responsible investing framework and our investment objectives.

In this report, we’re spotlighting Ambienta Sgr S.p.A, a European investment manager focused exclusively on environmental sustainability. UTAM’s private markets team identified Ambienta as a leader in sustainability several years ago, and our partnership began in 2022 with the Endowment’s first investment in an Ambienta fund.

We invited Ambienta to present its sustainability-focused investment approach, which is driven by in-depth research into environmental megatrends, as well as the firm’s work with the companies held in its funds.

www.ambientasgr.com

Ambienta was founded in 2007 on the belief that sustainability drives investment value. Operating out of Milan, London, Paris and Munich, our firm manages over €3 billion and invests exclusively in environmental “champions” – companies whose products or services improve resource efficiency and pollution control.

INVESTMENT PHILOSOPHY

From our launch, Ambienta recognized that the world had to transition approximately US\$100 trillion of economic activity toward sustainable practices to support global growth. We believed that as environmental resources are strained by economic expansion and increasing population, sustainability-driven businesses that address resource efficiency and pollution control have a long-term competitive advantage.

This philosophy has not changed. We continue to believe that sustainability creates strategic value and drives growth and long-term performance. And when sustainability is combined with sound management of ESG factors, it can also be a valuable operational risk management tool.

Our investment strategy is sector-agnostic and is driven by proprietary research into environmental themes. The European SMEs (small and midsize enterprises) we invest in are supported by long-term growth tailwinds as they provide services or products that utilize resources more efficiently or reduce pollution. As a majority-oriented investor, we partner with entrepreneurs and family-owned businesses, and we empower the management teams who invest alongside us.

Ambienta’s approach distinguishes between *sustainability* (the “what”) and ESG (the “how”) in the context of analyzing investment opportunities:

Sustainability as Ambienta’s core investment philosophy

1. SUSTAINABILITY

What is the business model?

Investing in companies with products or services that improve resource efficiency or pollution control

Impact is meaningful, measurable and long term

- Long-term tailwinds
- Increased client demand
- Resilient business models
- Higher EPS growth

ESG as a risk management tool

2. ESG

How is the business managed?

ESG management is an effective risk management tool

Material ESG topics are addressed and followed by engagement

- ESG due diligence
- Ongoing monitoring
- Annual engagement
- Reduced downside risk ►

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RESPONSIBLE INVESTING
MANAGER SPOTLIGHT

AMBIENTA

◀ RESEARCH AND INVESTMENT STRATEGY

Ambienta’s Sustainability & Strategy (S&S) division, a team of scientists and engineers, defines the heart of our investment philosophy across all asset classes. Through its expert network, research capabilities and proprietary impact methodologies, the team maps how environmental sustainability trends reshape the value chain – as well as entire sectors – to create compelling investment opportunities. In addition to mapping and researching such opportunities, the S&S team leads the development of proprietary approaches to sustainability impact measurement. And it implements ESG strategies and integration activities within our firm and across the companies in our funds.

Internally, the S&S team supports the investment origination process by proposing ideas that can generate significant environmental impact. Team members review and evaluate opportunities with the Ambienta investment teams, contributing to our *Book of Sectors* – in-depth internal research analyzing value chain dynamics and investment opportunities within each of a dozen global sectors.

The S&S team publishes expert insights on economic macro- and microtrends in our regular *Ambienta Lens* report. *Ambienta Lens* also provides proprietary insights on ESG and environmental impact, identifying early potential investment opportunities that we believe will improve resource efficiency and pollution control.

IMPLEMENTATION

The implementation of Ambienta’s investment strategy is anchored by our proprietary Environmental Impact Analysis (EIA), which measures the positive impact of a target company, and our ESG in Action program, which embeds ESG management practices within day-to-day operations of our portfolio companies. This integration of ESG commitments, part of our standard operating procedures, is essential to our investment process and our overall approach to value creation.

Quantifiable material impact is a prerequisite for any investment we make. The EIA evaluates the materiality of our impact across 11 environmental indicators to measure pollution control and resource efficiency, aligned with the UN Sustainable Development Goals.

We develop and update our EIA continuously – adding, for example, the consideration of biodiversity impacts, as well as a dedicated, mandatory third-party carbon footprint assessment and proactive decarbonization strategy for each portfolio company. EIA achievements are monitored and reported on regularly. ►

AMBIENTA’S PROPRIETARY
ENVIRONMENTAL METRICS

Resource Efficiency Metrics:

1. Energy Saved: amount of energy consumption avoided/reduced
2. Water Saved: amount of water consumption avoided/reduced
3. Materials Saved: amount of material consumption avoided/reduced
4. Land(fill) Saved: amount of space left untouched and not used for human purposes
5. Food Saved: amount of food no longer wasted or additionally produced

Pollution Control Metrics:

6. CO₂ Emissions reduced: amount of CO₂ emissions reduced
7. Air Cleaned: volume of air cleaned
8. Pollutants Avoided: amount of pollutants reduced or not discharged
9. Water Cleaned: amount of water cleaned
10. Materials Recycled: amount of materials reused at end of life
11. Biodiversity Preserved: amount of species or space protected

HOW AMBIENTA’S ENVIRONMENTAL
METRICS MAP TO UN SUSTAINABILITY
GOALS*

- 

2. Zero hunger
- 

3. Good health and well-being
- 

6. Clean water and sanitation
- 

7. Affordable and clean energy
- 

8. Decent work and economic growth
- 

9. Industry, innovation and infrastructure
- 

11. Sustainable cities and communities
- 

12. Responsible consumption and production
- 

14. Life below water
- 

15. Life on land

*The UN sustainability goals refer to the Sustainable Development Goals (SDGs). Ambienta’s 11 environmental metrics can be mapped to 10 of the 17 SDGs. Further details can be found at: ambientasgr.com/sustainability/environmental-impact-analysis/

Source: Ambienta. As at March 2024.

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RESPONSIBLE INVESTING
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AMBIENTA

◀ PREVIERO: AN AMBIENTA CASE STUDY

Based on McKinsey research data, we estimate global plastic production is responsible for more than 180 million tons of waste every year, of which only approximately 10% is recycled. Currently, most plastic ends up in landfill, is incinerated or is dispersed into the environment.

In May 2023, Ambienta acquired Previero N. S.r.l. This century-old Italian company is an innovative pioneer in plastic mechanical recycling, with a focus on engineering, R&D and assembling and testing activities. It offers turnkey recycling solutions for preprocessing, and for all feedstock types (such as PET, films and rubber), which are sold to a wide array of global companies all around the world.

Previero’s business is closely aligned with Ambienta’s sustainability philosophy, representing an investment in both pollution control and resource efficiency.

Pollution Control	
Material Recycled	CO ₂ Emissions Reduced
Previero’s recycling lines treat industrial and post-consumer waste before it is made into new products.	Life cycle assessment analysis indicates that recycling polymers emits 40%–70% less CO ₂ , depending on type and process.
~25,000 tons	~33,000 tons

Resource Efficiency	
Energy Saved	Landfill Saved
Recycling polymers requires 60%–90% less energy than producing virgin polymers, depending on type and process.	The majority of plastics end up in landfills because of a lack of separation and recycling capacity. Increasing recycling capacity allows the reduction of material sent to landfill.
~28,000 ToE	~18,500 m³

Source: Ambienta. Estimates based on FY2022 data.

Previero’s recycling solutions support the transition toward plastic circularity, turning post-consumer and post-industrial plastic waste into high-quality flakes, increasing the use of recycled materials while reducing landfill, energy use and CO₂ emissions.

The current linear model of plastics production, usage and disposal is unsustainable. Therefore governments, as well as the packaging commitments of many global brands, are promoting the move toward a circular economy in plastics. The recycling rate is expected to almost double by 2040, driven by tightening regulations and company sustainability commitments. This represents a significant opportunity for Previero.

Ambienta aims to support the company in seizing these opportunities by providing financial and managerial resources, promoting further investment in fixed and human capital, and more broadly partnering with the Previero family to make the company an even stronger player in the global market.

INDUSTRY LEADERSHIP AND COLLABORATION

At Ambienta, we pride ourselves in being a sustainable investing pioneer. We have maintained our leadership position for almost two decades and are actively working toward net zero.

- We became a signatory of the UN Principles for Responsible Investment (UNPRI) in 2012 and have consistently achieved top-tier scores and outperformed the median of our peer group.
- We maintain Certified B Corporation and Climate Neutral Company status.
- In 2020, we became a member of IIGCC (Institutional Investors Group on Climate Change), with a focus on decarbonization efforts. We co-lead the Private Equity Net-Zero Working Group, resulting in the publication of the Net-Zero Investment Framework for the private equity industry in May 2023.
- In 2023, we also became one of the few asset managers globally to commit to the Science Based Targets initiative (“SBTi”).

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A TOTAL RISK MANAGEMENT FRAMEWORK

UTAM’S DISCIPLINED, METHODICAL APPROACH TO ASSESSING AND managing investment risk is designed to reinforce and strengthen confidence in the investment process.

The efforts of our Risk and Research team are both wide-ranging and precisely targeted. Guided by our Chief Risk Officer (CRO), team members gauge the possible investment impacts from active risk, counterparty concentration, liquidity needs and specific ESG-related factors, including the long-term effects of climate change. The direction and focus of our dedicated risk management team distinguishes UTAM among university asset managers.

Over the past decade, our CRO has overseen the evolution of UTAM’s risk measurement, asset allocation modelling and broader investment research beyond specific manager-related investigations. This work contributes to the stability of our overall investment management approach – and therefore our potential to achieve and exceed the university’s long-term return expectations while adhering to its risk tolerance constraints.

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ASSESSING AND MANAGING INVESTMENT RISK

WE EVALUATE MANY DIMENSIONS OF INVESTMENT RISK

At UTAM, we believe it’s important to assess risk using different lenses. Insights gained from different risk angles help us to better monitor and manage each portfolio’s forward-looking risk profile. This multi-faceted strategy is the anchor of our investment risk framework.

UTAM’s investment risk management framework is anchored by three risk categories: market, concentration (including credit and counterparty) and liquidity. The main portfolio risk limits, such as the active risk limit, are approved by various groups, including the university administration and the Investment Committee. We incorporate these limits into our processes to ensure that any risk we take in the attempt to earn returns in excess of the Reference Portfolio is managed in a thoughtful and efficient manner. To that end, we manage the risk of the Endowment portfolio, for example, against its active risk budget and incorporate several limits on exposure, concentration and liquidity. The risk limits and associated policies are crucial in ensuring that the risk profiles of both the Endowment and EFIP portfolios remain within acceptable ranges. UTAM’s governance process ensures that risk results are regularly reviewed and discussed with relevant staff – both internally via our risk committee and externally with the university’s Investment Committee. These discussions help to further reinforce the robustness of our risk management program. The following sections provide an overview of our approach for the Endowment portfolio.

Market risk

Using a third-party holdings-based risk system, UTAM identifies, measures and monitors a variety of risks – either on a point-in-time basis (e.g., as of December 31) or on a trend basis (i.e., over time). A combination of available investment holdings and proxies (where holdings are not available) is loaded into the risk system to facilitate the analysis.

Once the risk system is populated with holdings and proxies, we measure active, or relative, risk (i.e., portfolio risk versus Reference Portfolio risk) and total, or absolute, portfolio risk. In both cases, we identify specific risk contributors by asset class, investment strategy, investment manager and position. We also monitor the exposures of the investment portfolios to different sectors, geographical regions, credit ratings and ESG score categories.

In addition to the risks noted above, we also assess the sensitivity of the investment portfolios to potential changes in market risk factors such as equity market shocks, shifts in interest rates and credit spreads, and adverse movements in foreign exchange rates. To complement our risk factor stress analysis, we run the portfolios through historical stress periods, such as the 2008 global financial crisis, and the 2020 COVID-19 pandemic. Our risk management process also involves assessing implications of future stress scenarios and current market events. All of these analytics are integrated through simulation analysis to quantitatively assess the possible portfolio impacts and sensitivities to different capital market regimes and scenarios. Finally, we also have the capability to run our own asset liability modelling using a dynamic scenario generator. This allows us to analyze the behaviour of the assets and liabilities of the portfolio across different plausible forward-looking scenarios and over multiple business cycles.

Overall, our analysis provides insights into key risk exposures and identifies markets, factors and regimes to which the Endowment portfolio is most vulnerable. The output of this analysis is discussed at

regular meetings of our Management Investment Risk Committee and informs our decision-making on how these risks should be managed going forward.

ESG and climate risks

ESG and climate risk analysis is integrated within our market risk analysis. We take a two-fold risk measurement approach, looking first at country and sector exposures and then supplementing that analysis with specific scenario-based tests. In monitoring sector (or country) exposures to ESG risks, we employ several data sources (e.g., MSCI ESG industry risk intensity scores). These allow us to view the risk profile of the portfolios using different lenses. For climate risk in particular, we use risk indexes and scores that capture a country or sector’s current state and its readiness to adapt to a low-carbon economy. These metrics, which can be connected back to individual asset classes, provide information on which areas of the investment portfolios could be most susceptible to ESG and climate-based risk shocks on both a stand-alone and relative basis (i.e., relative to the Reference Portfolio). ►

ASSESSING AND MANAGING INVESTMENT RISK

◀ Liquidity and counterparty risk

Our liquidity analysis work continues to be a critical component in our risk management process. The tools we’ve developed enable us to model the potential liquidity needs of the Endowment portfolio under various stressed market conditions. This helps ensure that adequate cash and other sources of liquidity are available to meet all cash needs over an extended stress period. The analysis includes a point-in-time evaluation of the portfolio’s liquidity profile and provides information on how it could change over different scenarios. This approach to liquidity modelling ensures that we are able to rebalance the Endowment portfolio back to the Reference Portfolio target asset class weights even in a stressed market environment, without being forced to sell assets at potentially significant discounts. With these liquidity tools and policies in place, the Endowment portfolio has not faced any liquidity challenges over the past few years.

Counterparty risk management, on the other hand, involves monitoring and managing the concentration risk to various assets held. The Endowment portfolio has credit exposures to individual counterparties through security holdings in the equity and bond markets. We also generate credit exposure through the use of derivatives, which are mainly used to hedge foreign exchange exposures, to obtain passive exposure in markets where we believe active management is challenging, and to rebalance the Endowment portfolio back to the target asset class weights of the Reference Portfolio. We establish fixed limits for individual counterparties that we monitor regularly. These limits ensure that the investment portfolios are not overexposed to negative shocks from any single counterparty. We have the ability to run exposure reports on a daily basis, which provides up-to-date information on the portfolios’ credit exposures.

A continuous process

We believe that a sophisticated and disciplined risk management framework is critical to the long-term success of an active investment program. In every area of risk assessment, as we analyze data on underlying positions and historical returns, we gain deeper insights into the risks in our investment portfolios and those of our investment managers. It’s a continuous process that starts right from the initial due diligence phase of our manager selection process and continues as part of our manager and portfolio-level monitoring activities.

UTAM’s risk framework

The amount of risk that UTAM is permitted to use in the Endowment portfolio is measured by the active risk of the Endowment portfolio relative to the Reference Portfolio, and it is constrained by the “traffic light” risk framework shown below. Active risk is the expected risk, as defined by volatility, in the Endowment portfolio minus the risk in the Reference Portfolio (i.e., volatility difference). For example, the “green zone” extends from taking 0.50% less risk than the Reference Portfolio to 1.50% more risk than the Reference Portfolio.

Active risk budget

	Active Risk Zone	Active Risk
	Green (“Normal”)	-0.50% ≤ Active Risk ≤ 1.50%
	Orange (“Watch”)	1.50% < Active Risk ≤ 1.75%
	Red (“Reduce”)	Active Risk > 1.75%

TCFD REPORTING

TO PROVIDE TRANSPARENCY TO OUR CLIMATE-RELATED reporting, UTAM follows the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In announcing support of these recommendations in 2020, the University of Toronto became the first Canadian university to adopt the TCFD recommendations for reporting on its long-term assets, including the Endowment. TCFD Report disclosures focus on climate-related risks and opportunities, identified and managed through governance, strategy and risk management. The reports also require disclosure of the metrics used to assess climate risk, targets set, and performance against targets.

UTAM’s full 2023 TCFD Report is available at utam.utoronto.ca/reports.

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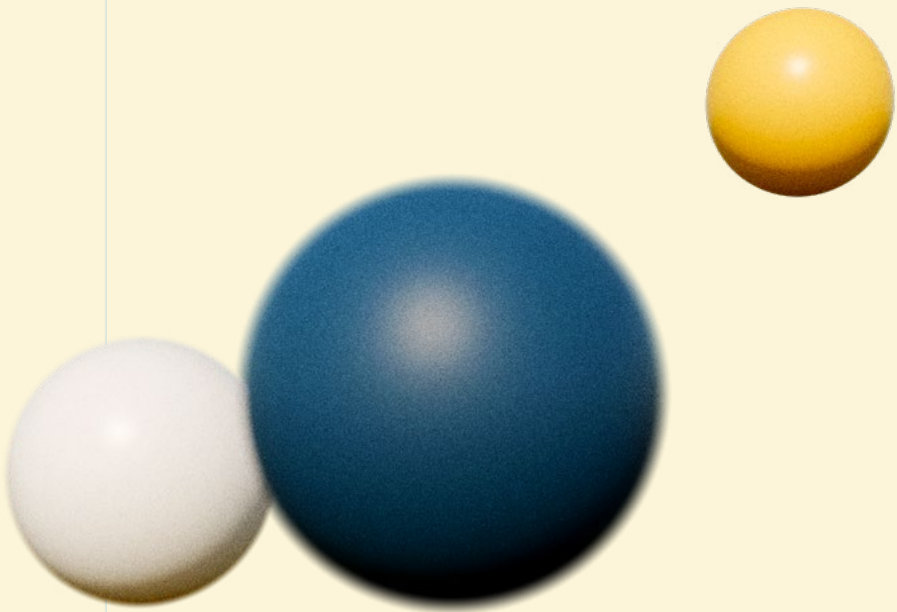
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“RECEIVING THIS AWARD CONFIRMS THAT I AM ON THE RIGHT PATH.”



Established at the University of Toronto Mississauga (UTM) in 2011, the Pynn Family Paleontology Award helps outstanding undergraduate students in financial need pursue studies of fossilized animals and plants – for donor Bruce Pynn, a key early step in his subsequent health-care career.

When Bruce Pynn signed up for a paleontology course in 1980, he hadn’t yet decided where to focus his university studies. But the U of T Mississauga student soon found he was fascinated by the fossil record and what it revealed about the history of life on earth. He went on to base his senior undergraduate thesis on research that included a summer of fieldwork in a Kansas cow pasture, painstakingly digging for evidence of prehistoric proto-mammals called synapsids.

Bruce’s unique combination of scientific knowledge and finely honed motor skills opened the door to his first job after graduation – in a microsurgery lab on U of T’s downtown St. George campus. He then completed a master’s degree in muscle physiology and microsurgery before entering dental school, where he specialized in oral and maxillofacial surgery.

Today, Bruce has a thriving surgical practice in Thunder Bay, Ontario, devoting his talents to repairing broken teeth and fractured facial bones. But he’s never forgotten where he got his start. His lifelong love of paleontology is evident in the name of the clinic he founded nearly 30 years ago: Pterosaur Healthcare. And his belief in the value of those early studies has inspired him to help others follow the same path – through the Pynn Family Paleontology Award, funded by his generous donations to UTM.

The annual award is given to an undergraduate student of paleontology who has achieved academic excellence (as determined by the UTM Department of Biology) and also demonstrated financial need. The two most recent recipients exemplify those who have benefited from this welcome support over the past dozen years:

Dylan Rowe, winner of the 2021 award, was able to continue pursuing his passion as a master’s student. “Receiving this award confirms that I am on the right path towards my lifelong dream of becoming a paleontologist,” Dylan says. “It will

greatly assist in advancing my goal of being a significant contributor to the field of paleontology.”

Ernest Hamzaj, the 2022 winner, is pursuing a double major in paleontology and health sciences at UTM. “As an undergraduate student, there’s always some level of uncertainty about your future,” Ernest says. “Competition for postgraduate programs, research opportunities, the job market – all serve as major contributors to the stress that students like me face. I want to give my deepest thanks to the Pynn family for their generosity and their contributions to my academic career.”

“Visionary donors such as Bruce Pynn help us retain the very best and brightest students,” says David Palmer, U of T’s Vice-President, Advancement. “Their generosity strengthens our efforts to ensure that all qualified students, regardless of their financial means, can pursue their academic dreams here.”

For Bruce Pynn, giving back to his alma mater reinforces his belief in the continuity of learning. While his professional life has been focused on helping patients – including those with injuries from vehicle collisions, industrial accidents and other severe traumas – he’s stayed connected to his undergraduate thesis supervisor. In 2011 the pair collaborated on a unique study of tooth infection in a dinosaur jaw dating back 275 million years.

“That paper was our second publication together, 29 years after we published the results of my senior thesis,” Bruce says. “It’s gratifying to look back at those academic experiences and lasting friendships, which represent some of my finest memories.” As for the path his career has taken, Bruce remains deeply appreciative of the importance of those early academic building blocks: “I wouldn’t be in my current occupation had it not been for the courses in paleontology offered at UTM.”

Scholarships, bursaries and other forms of financial assistance to students account for the largest share of the total paid out annually from the University of Toronto’s endowment funds. For the U of T fiscal year ending April 30, 2023, about \$1.4 billion – representing 43% of the university’s total \$3.3 billion in endowments – was directed to student support.*

*The “Endowment portfolio” managed by UTAM – also called the Long-Term Capital Appreciation Pool – comprises the university’s endowment funds plus other investment assets. As of April 30, 2023, U of T’s fiscal year-end, the total value of the Endowment portfolio was \$3.9 billion, including \$3.3 billion of endowment funds plus \$0.6 billion of other long-term assets. (At UTAM’s year-end – December 31, 2023 – the Endowment portfolio was valued at \$4.2 billion.)

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STEWARDSHIP AS AN ACTIVE OWNER

UTAM ENGAGES WITH CORPORATE BOARDS AND SENIOR management teams on a wide range of issues. A key objective is ensuring we’re aligned on ESG-related issues and the strategic steps required to pursue a net zero future. In engaging with companies, we join other institutional investors who share our commitment to responsible investing. We also work with specialized providers of engagement services to extend UTAM’s domestic and global reach. In all the engagement avenues we pursue, the goal is the same: to hold companies accountable on matters affecting risk management, ongoing operations and long-term performance.

To complement these engagement efforts, we leverage the proxy voting rights of our client, the University of Toronto, for the public equity securities in the university’s portfolios, aiming to influence management policies and practices that give appropriate weight to ESG factors. By working to understand companies’ assumptions while providing UTAM’s perspective, we believe we can improve how ESG risks and opportunities are managed.

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ENGAGING EFFECTIVELY WITH COMPANIES

ONE OF THE PILLARS OF A BEST-IN-CLASS ACTIVE OWNERSHIP approach is engagement with the management and boards of companies on environmental, social and governance (ESG) considerations. We believe that engagement influences corporate management teams to more effectively manage ESG risks and opportunities, which is essential for long-term outperformance.

Given our size and our practice of investing through third-party investment managers, we more often participate in collaborative engagement groups and initiatives. We believe that the collective influence of like-minded investors with substantial combined holdings will typically lead to better outcomes than we could achieve on our own. For an overview of UTAM’s contributions to responsible investing organizations and initiatives, see page 34.

We augment these efforts with the services of specialized engagement service providers. By adding these services to our multi-pronged engagement approach, we leverage the influence of a larger asset base and extend the reach of engagement to represent our ESG concerns to issuers globally.

The following charts summarize our 2023 engagement activities, working with our engagement service provider and through collaborative initiatives including the University Network for Investor Engagement, the Canadian Coalition for Good Governance, CDP, Climate Action 100+, Climate Engagement Canada and 30% Club for companies in the Endowment portfolio.

Scope of engagement

Companies engaged	1,136
Countries covered	56

Companies engaged by country/region



Companies engaged by issue



EOS at Federated Hermes is one of the stewardship service providers that UTAM works with. EOS’s engagement activities enable long-term institutional investors such as UTAM to be more active owners of the assets they own or manage, through dialogue with public companies on ESG issues. EOS takes a collaborative approach, seeking client input in setting priorities and providing opportunities to participate in select engagements and learn from their experienced engagement professionals.

EOS priority themes for 2023

Climate change action: The combination of accelerating climate change, challenges for energy security, and rising costs and inequality in access to energy creates a potential risk to climate action in the short term. In the medium term, however, these factors may help accelerate the transition from fossil fuels. EOS engagements focus on companies creating and implementing emissions reduction strategies and targets aligned to the Paris Agreement, seeking to limit climate change to 1.5°C.

Human and labour rights: EOS engages on human and labour rights, expecting companies to acknowledge human rights impacts present within operations and supply chains and to demonstrate appropriate board- and executive-level governance. EOS also focuses on the protection of Indigenous and community rights, the protection of digital rights in the virtual world, and promotion of the UN Guiding Principles (UNGPs) on Business and Human Rights within corporations.

Human capital: As well as advocating for fair wages and benefits, EOS also expects companies to develop a DEI strategy and action plan to close the ethnic pay gap and achieve proportionate ethnic and gender representation. In 2023 EOS challenged companies to expand diversity metrics to include representation and equity for the 2SLGBTQ+ community and people with disabilities.

Board effectiveness: EOS presses boards for more internationally diverse board appointments, enabled by more effective remote working practices. Board composition should be aligned to the strategic needs of each company while reflecting the diversity of stakeholders it aspires to serve.

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OUR VOTING RECORD AS A RESPONSIBLE INVESTOR

PROXY VOTING IS ONE OF THE MOST IMPORTANT RIGHTS AVAILABLE to public equity investors. UTAM’s approach to proxy voting reflects our fiduciary duty to act in the best interest of our client. We also expect our third-party investment managers to act in the best interest of their clients when voting proxies. To that end, we routinely review the proxy voting practices of our public equity investment managers as part of our due diligence reviews. As a responsible investor and PRI signatory, UTAM has adopted the Institutional Shareholder Services (ISS) Sustainability Proxy Voting Guidelines, and we apply these guidelines wherever possible.

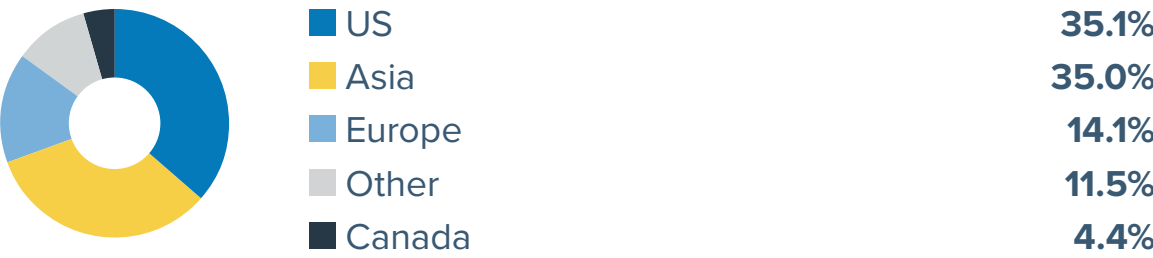
The ISS Sustainability Guidelines are consistent with the objectives of investors who take an integration approach to responsible investing. Investment managers have traditionally analyzed topics such as board accountability and executive compensation to mitigate risk; incorporating ESG performance into investment decisions provides a more comprehensive understanding of the overall risk profile of investees. On ESG-related matters, ISS sustainability policies promote recognized global governing bodies that encourage sustainable business practices advocating for environmental stewardship, fair labour practices, non-discrimination, and human rights protections. On matters of corporate governance, executive compensation and corporate structure, these policy guidelines aim to create and preserve economic value and to advance principles of good corporate governance.

OUR PROXY VOTING RECORD

In 2023, UTAM and its investment managers of funds in which the Endowment was invested cast proxy votes at over 9,950 meetings, representing over 106,500 proposals and agenda items put forward by either management or shareholders. In just over 12% of cases, votes were cast against management’s recommendations.

These proxy voting statistics are for public equity mandates where either the ISS Sustainability Guidelines were applied in 2023 or, as in most cases, where our third-party investment managers provided proxy voting information for the pooled funds in which Endowment assets were invested.

Meetings by country/region*



*Numbers may not add up to 100.0% due to rounding.

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WORKING WITH OTHER RESPONSIBLE INVESTORS

UTAM COLLABORATES WITH OTHER INSTITUTIONAL INVESTORS through various responsible investing organizations and initiatives, taking a leadership role in establishing best practices in Canada and worldwide. We take on a wide range of board and committee roles with respected organizations in this area, helping to develop and evolve best practices. Over the past year, we once again made presentations at industry events and contributed our perspective on investing responsibly to forums of leading institutional investors. We also collaborated on advocacy initiatives and policy-related discussions in Canada and around the world.

Through these collaborations, we share insights and experiences that we feel will benefit other investors while evolving our own policies and processes. We also encourage better responsible investing practices among the companies we invest in and the managers we work with. And by forging productive alliances with like-minded institutional investors, we magnify our collective impact.

PRINCIPLES IN ACTION: SELECT AFFILIATIONS AND PARTNERSHIPS

UTAM plays an active role in a variety of national and international organizations. Many are focused on promoting ESG awareness and action among investors and companies; membership allows us to work with peers to engage company boards and management more effectively on ESG and other issues. Our participation in other investment organizations reinforces our commitment to the highest standards of governance, stewardship and disclosure. Some of the key organizations and initiatives we’ve joined are briefly detailed below; a [full list](#) is available on our website.

Climate Action 100+
UTAM, on behalf of the University of Toronto, is a founding participant in Climate Action 100+, an investor-led initiative to ensure corporate greenhouse gas emitters take necessary action on climate change. The initiative continues to evolve and has identified 170 focus companies accounting for significant global corporate industrial greenhouse gas emissions.

Climate Action 100+ engages directly with these companies, which are key to driving the global net zero emissions transition. UTAM, with other members, takes part in investor-led engagements with a number of focus companies, encouraging them to recognize and address carbon risk in managing their operations.

International Corporate Governance Network
As a member since 2020 of the International Corporate Governance Network (ICGN), a leading authority on global standards of corporate governance and investor stewardship, we have endorsed the ICGN Global Stewardship Principles. These Principles set out ICGN’s view of best practices in relation to investor stewardship obligations, policies and processes.

In June 2023, ICGN held its Annual Conference in Toronto. UTAM partnered with ICGN to host its companion Stewardship Fundamentals course on the university’s St. George campus.

United Nations–convened Net-Zero Asset Owner Alliance
The Net-Zero Asset Owner Alliance is an international group of institutional investors transitioning their investment portfolios to net zero greenhouse gas (GHG) emissions by 2050. The Alliance has established a framework to guide its members towards the net zero objective. The framework includes setting ambitious five-year targets, and members must report regularly on their progress towards these targets. UTAM’s membership in the Alliance on behalf of the university’s Endowment made U of T the first university in the world to join.

University Network for Investor Engagement (UNIE)
In early 2021, UTAM became a founding participant of the University Network for Investor Engagement (UNIE), a coalition of Canadian university endowments and pension plans. UNIE’s corporate engagement program is coordinated by Shareholder Association for Research & Education (SHARE), a not-for-profit organization helping institutional investors become active owners, and develop and implement responsible investment policies and practices.

Climate Engagement Canada
Climate Engagement Canada (CEC), an initiative launched in 2021 and driven by finance leaders, targets Canadian corporate issuers to promote a just transition to a net zero economy. UTAM is a founding participant in the initiative, which now represents 46 participants that collectively manage approximately \$6 trillion in assets.

CEC has identified 41 focus corporations that are among the top reported or estimated emitters on the Toronto Stock Exchange (TSX) and/or have a significant opportunity to contribute to the transition to a low-carbon future. Through collaborative engagement groups with other participants, UTAM has engaged with several of these focus companies to urge them to examine the climate-related risks and impacts connected to their greenhouse gas emissions. Participants in CEC consider how companies can effectively address and disclose how they manage climate risks, as well as direct and indirect Scope 1, 2 and 3 emissions across their value chains.

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LEARNING TO BE BETTER STEWARDS



THE ANNUAL CONFERENCE OF THE INTERNATIONAL CORPORATE Governance Network (ICGN) brings governance professionals from around the world together to meet, exchange ideas and learn about best practices in governance and investor stewardship. Immediately following the ICGN’s annual 2023 conference, held in Toronto in June 2023, UTAM hosted a session of ICGN’s Stewardship Fundamentals course.

Part of ICGN’s Certificate in Governance, Stewardship and Sustainability, the course provides a conceptual overview and then examines the practical implementation of a cohesive stewardship program. The one-day session, held at the Myhal Centre for Engineering Innovation and Entrepreneurship on U of T’s St. George campus, attracted nearly 30 participants, including ICGN conference attendees from Europe, Asia, Africa and Australia; UTAM team members; and three MBA students from the Rotman School of Management.

“We’re pleased to support professional development and education in stewardship,” says Lisa Becker, UTAM’s Chief Operating Officer. “Bringing this dedicated stewardship course into U of T enhances sustainability-related learning opportunities for members of the university community. We were happy to engage in this setting with Rotman students and the other participants – they all bring diverse perspectives and fresh ideas to an important ongoing discussion.”



Six UTAM employees (at left) and three Rotman School of Management students (at right) give the ICGN’s Stewardship Fundamentals course an enthusiastic thumbs up.

Hosting the ICGN session also showcased another of the university’s sustainability initiatives. The Sustainable Events Program provides guidance and certification to anyone planning a campus event, with benchmarks that encourage organizers to reduce environmental impacts and make gatherings more accessible and welcoming to diverse communities. The Stewardship Fundamentals session at the Myhal Centre received Platinum Certification, the highest level under the Sustainable Events Program.

“By participating in educational opportunities like this one, UTAM can advocate for responsible stewardship while learning from others working towards similar goals,” says Lisa Becker. “Stewardship and sustainability are long-term projects, and they take commitment. That’s a key lesson the course teaches, and it’s an approach UTAM embraces.”

“This course is a vital pillar in our suite of courses and provides essential knowledge for any investor, so it’s particularly important to us. We were also very pleased to see the level of sustainability certification UTAM was able to achieve – sustainability is a priority for us as an organization.”

Andrew Spencer
Professional Development Director, ICGN

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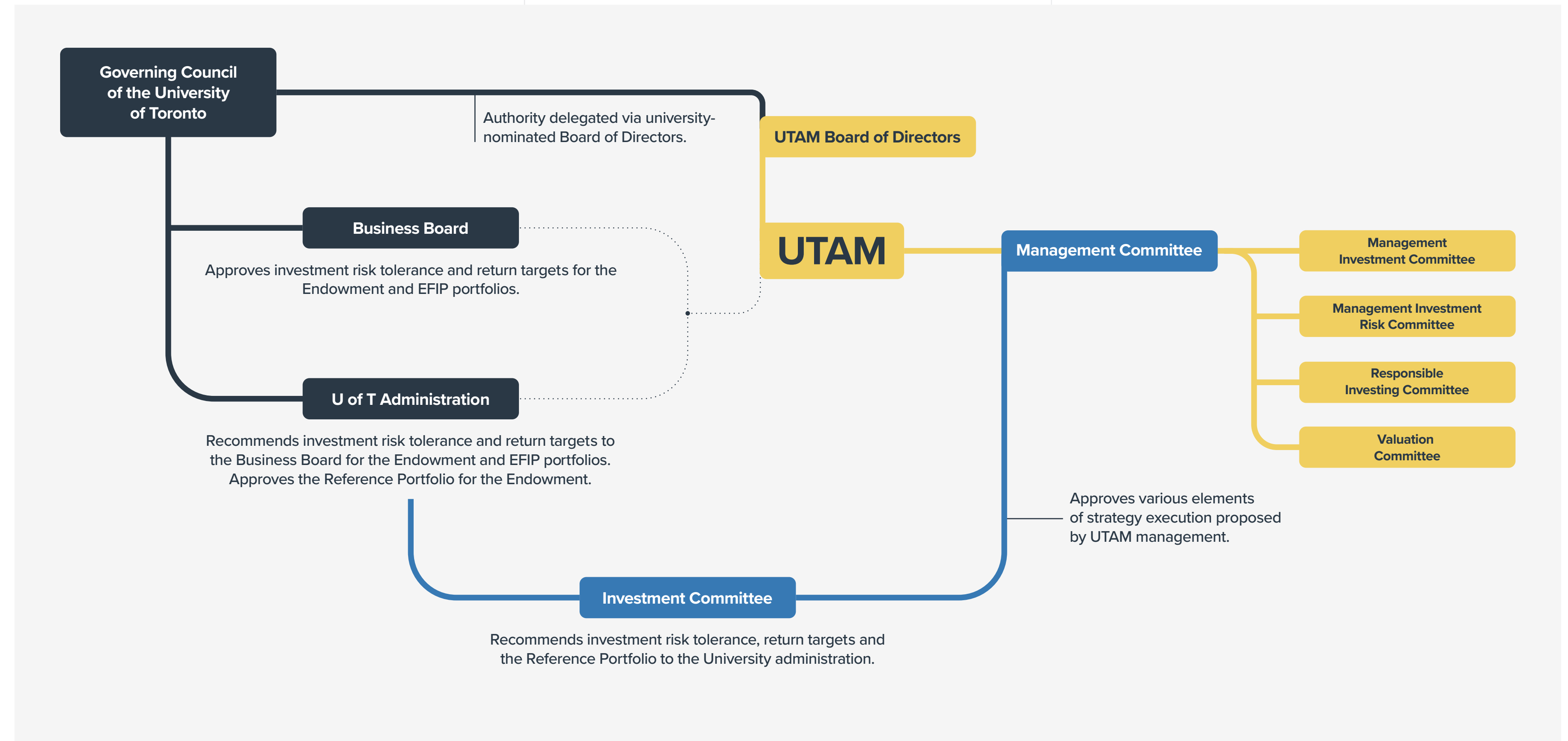
GOVERNANCE: COLLABORATION AND OVERSIGHT

SINCE OUR FOUNDING IN 2000, UTAM HAS BEEN A SEPARATE corporation accountable to the University of Toronto in our investment activities on its behalf. The University’s leadership also selects the independent Investment Committee, which oversees our investment strategy and risk management framework. We regularly revisit our governance structure and policies to ensure they reflect the best practices of other leading institutional investors – while supporting UTAM’s collaborative culture and our core values.

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“U OF T MISSISSAUGA HAS EVOLVED INTO ONE OF THE TOP CENTRES OF SOUTH ASIAN STUDIES IN NORTH AMERICA.”



In 2023, the University of Toronto Mississauga (UTM) received an endowed gift from Gyan and Kanchan Jain and their family to support the study of Jainism, the ancient religion that has had a profound impact on the history and culture of South Asia.

Jainism is one of the world’s oldest religions, emerging in India around 600 BCE through the moral and spiritual teachings of Mahavira Jain. Jainism’s core values of non-violence, truthfulness, non-possessiveness and self-discipline have shaped many other South Asian religious and philosophical traditions. And these values are still embraced today by some 5 million Jains around the globe – including many in the vibrant South Asian community of Peel Region, on the doorstep of the University of Toronto Mississauga.

It was this community connection that inspired Gyan and Kanchan Jain and their family to fund a chair in Jain studies at UTM – the first endowed chair in the humanities at U of T’s campus in the western GTA. The family’s generous gift of \$2.5 million will be matched by the university for a total of \$5 million.

“Bringing Jain Studies to the University of Toronto Mississauga is an opportunity to cultivate a deeper understanding of Jain principles such as *ahimsa*, an idea that can bring peace and happiness to every living being and promote non-violence in our actions,” explains Gyan Jain, whose children and several grandchildren have all studied at U of T.

The Jain studies endowment will help to significantly expand UTM’s Centre for South Asian Critical Humanities, which fosters multidisciplinary research. The gift will also fund events bringing together faculty, students, alumni and the broader community. “My family and I are so pleased to see that U of T Mississauga has evolved into one of the top centres of South Asian studies in North America,” says Hans Jain, Gyan and Kanchan’s son. “To be able to contribute to its growth is truly an honour and privilege for all of us.”

In addition to funding teaching and research, the family’s gift will also support a wide range of collaborative efforts in surrounding communities, including engagement with Canada’s first Jain

temple, in nearby Brampton. “Jainism continues to have a vital influence in South Asia and around the world, including in Canada,” says UTM Vice-President and Principal Alexandra Gillespie. “We have a great opportunity to promote new research and teaching about this ancient belief system and to partner with Jain communities, locally and globally, to share this knowledge.”

*The Gyan and Kanchan Jain Chair in Jain Studies and other endowed academic appointments at the University of Toronto are among the most significant in Canada. They enable the university to engage respected educators and scholars from around the world, who in turn attract top talent – including graduate students, postdoctoral fellows and early/mid-career faculty – as U of T continues to enhance its degree and research programs. Disbursements in support of chairs and professorships accounted for about 29% of the total endowment funds held by the university as of April 30, 2023.**

*The “Endowment portfolio” managed by UTAM – also called the Long-Term Capital Appreciation Pool – comprises the university’s endowment funds plus other investment assets. As of April 30, 2023, U of T’s fiscal year-end, the total value of the Endowment portfolio was \$3.9 billion, including \$3.3 billion of endowment funds plus \$0.6 billion of other long-term assets. (At UTAM’s year-end – December 31, 2023 – the Endowment portfolio was valued at \$4.2 billion.)

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GOVERNANCE COMMITTEES

UTAM BOARD OF DIRECTORS

A corporation without share capital, UTAM is governed by a Board of Directors whose members are nominated by the University of Toronto. The Board approves our annual corporate budget and certain key policies (e.g., our Responsible Investing Policy) and oversees matters such as regulatory compliance, enterprise risk and executive compensation. While it does not guide investment strategy (that is the mandate of the university’s Investment Committee), the Board is focused on ensuring that UTAM has developed an effective investment management infrastructure and organization to fulfill the responsibilities delegated to it by the University of Toronto.

Directors*

Richard B. Nunn (Chair)
Independent Director

Meric S. Gertler
President, University of Toronto

Lisa Kramer
Professor, Rotman School of Management, and UTM Department of Management

Trevor Rodgers
Chief Financial Officer, University of Toronto

Chuck O’Reilly
President and Chief Investment Officer, UTAM

* As of April 30, 2024

U OF T INVESTMENT COMMITTEE

The five members of the Investment Committee (IC) are all appointed by the President of the University of Toronto. They bring a wealth of senior-level investment industry experience to their oversight of UTAM’s efforts to grow the university’s investment assets managed by UTAM.

The IC’s responsibilities include:

- recommending investment strategy, including explicit risk and return objectives, to the university administration
- approving various elements of strategy execution proposed by UTAM’s management
- overseeing our investment activities and monitoring performance
- providing input on the hiring, compensation and evaluation of UTAM’s senior leadership team

The IC reports directly to U of T’s President and collaborates extensively with the university administration and UTAM’s Board. The IC is empowered to provide direct input to UTAM’s management team, conveying the President’s objectives and instructions, and acting on his behalf with regard to all relevant investment-related activities.

UTAM meets formally with the IC every quarter, with ad hoc interactions to discuss emerging issues and seek expert advice. We’re extremely fortunate to have such distinguished and highly qualified volunteer advisors actively engaged in overseeing our investment management activities. The University and its stakeholders benefit immeasurably from the IC members’ insights and experience.

Members

Craig Rimer (Chair)
Brent Belzberg
Heather A. T. Hunter
M. George Lewis
Poul A. Winslow

The University of Toronto’s President, its Chief Financial Officer, and the Chair of UTAM’s Board of Directors are ex officio observers of the IC.

OTHER U OF T OVERSIGHT

UTAM’s relationship with the University of Toronto is governed by a formal delegation of authority, which empowers us to act as the university’s agent, and by an investment management agreement specifying the services to be provided by UTAM. Within that framework, we collaborate formally and informally with many areas of the university administration. We value this mutually supportive relationship, and we’re committed to serving the university and its stakeholders with the utmost diligence and care.

University Administration

UTAM’s President and CIO typically meets with U of T’s Chief Financial Officer every two weeks and with the President quarterly. UTAM works closely with the university’s Financial Services Department, collaborating on cash and expense management, stakeholder reporting, the audit of the university’s investment portfolios, and other aspects of UTAM’s operations.

Business Board

Established by the university’s Governing Council, the Business Board approves investment risk tolerance and return targets for the Endowment and EFIP portfolios, delegating approval of asset allocation to U of T’s President, who in turn relies on the advice of the Investment Committee. UTAM reports to the Business Board on the management and performance of all portfolios every six months.

UTAM COMPLIANCE

Investment Compliance

UTAM is registered as a Portfolio Manager under securities legislation and is regulated by the Ontario Securities Commission. Consistent with our fiduciary duty, stewardship obligations and applicable regulatory requirements, we have implemented a comprehensive program of policies, procedures, processes, controls and monitoring designed to achieve compliance with applicable regulations, client investment guidelines and internal policies. Our Chief Compliance Officer works closely with UTAM’s President and CIO, and reports regularly to our Board of Directors.

Code of Ethics

UTAM’s Code of Ethics, administered by our Chief Compliance Officer, sets out clear standards of professional behaviour and guides how we manage actual and potential conflicts of interest. For example, all employees are required to:

- place the interests of UTAM’s client first
- protect confidential information
- avoid taking inappropriate advantage of their positions (adhering, for example, to stringent policies on personal trading, as well as on the acceptance of gifts and entertainment)

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A FOCUS ON LONG-TERM PERFORMANCE

UTAM MEASURES SUCCESS NOT BY YEAR-OVER-YEAR RESULTS BUT through carefully evaluating investment performance over a longer time span. In our regular reporting to the University of Toronto and its stakeholders, we present metrics of progress against objective benchmarks and clearly defined investment goals that reflect the broader strategic priorities of the university.

As of December 31, 2023, the Endowment portfolio delivered an annualized net return of 7.9% over the previous 10 years, exceeding U of T’s long-term target return of 6.6%, which coincidentally was the same as the Endowment’s capital market benchmark (i.e., Reference Portfolio) return over the same period. Given these returns, our active management approach outperformed the passive Reference Portfolio benchmark for the same period by 1.4 percentage points annually (rounded), net of all fees and expenses, as UTAM’s investment management generated outperformance in all active investment programs.

Over the same 10-year period, the EFIP portfolio generated returns of 1.9% per annum, outperforming its target return of 1.5% by 0.4 percentage points annually, net of all fees and expenses.

As part of our investment review process, we systematically analyze performance results to determine where and why we’ve executed well – and, just as importantly, to understand why some components of the portfolio may have underperformed. Applying these cumulative insights, we refine and enhance our processes as we work to improve risk-adjusted returns over the long term.

EXPLORE OUR FULL REPORTING

To access UTAM’s annual reports and most recent financial statements, along with our suite of reports covering other key areas – including responsible investing, carbon footprint, PRI and TCFD – please visit the Reports section of our website: utam.utoronto.ca/reports.

THE YEAR IN REVIEW: PUTTING 2023 IN PERSPECTIVE

IN 2023, THE ENDOWMENT PORTFOLIO GENERATED A RETURN OF 12.9% (net of all fees and expenses). This underperformed the benchmark Reference Portfolio return of 15.1% for the same period. These returns compare to -8.9% and -13.0% for the Endowment and Reference Portfolio in 2022. Despite the challenging period in 2023 for the Endowment’s relative return (i.e., compared to the Reference Portfolio), UTAM’s active management program has generated substantial excess returns over the long term. For example, over the 10-year period ending December 31, 2023, the Endowment returned 7.9% per annum net of all fees and expenses, compared to the Reference Portfolio return of 6.6%. Over the same 10-year period, the University’s target return was also 6.6%.

Reference Portfolio performance

After realizing very challenging performance in 2022, capital markets rebounded significantly in 2023. Having said this, 2023 was a tale of two periods, as most equity and fixed income markets trended marginally higher over the first nine months of 2023, before rallying significantly during Q4, as inflation appeared to be contained and the threat of a recession in the US diminished. These forces drove double-digit returns for most public equity indexes and mid-single digit returns for many global fixed income indexes during the calendar year.

The Reference Portfolio, which is comprised entirely of public markets, realized a very strong return of 15.1%, representing the second strongest calendar year return over the past fifteen years. The Global Equity component of the Reference Portfolio returned 22.9% in US dollar terms, while the two fixed income benchmarks in the Reference Portfolio also realized strong returns during the calendar year: the Government of Canada benchmark index returned 6.1% and the Canadian investment-grade corporate bond index returned 8.0%.

Table 3

Endowment Performance

	2023	5-Year Annualized (2019–2023)	10-Year Annualized* (2014–2023)
Actual net return	12.9%	8.3%	7.9%
UTAM value added vs. Reference Portfolio (percentage points)	-2.2 ppts	+0.9 ppts	+1.4 ppts
UTAM value added (millions)	-\$83.9	\$177.0	\$389.1

Returns are net of all fees and expenses.

*UTAM value added is calculated on a monthly basis. The total for each period is the sum of the monthly values.

Endowment performance by asset class

As shown in Table 4 on page 42, the Endowment portfolio underperformed the Reference Portfolio in 2023. Despite its strong absolute return of 18.3% in 2023, the Global Equity component, which consists of both public and private equities, underperformed its public market Reference Portfolio benchmark by 4.6 percentage points, driven primarily by the underperformance of the private equity exposure.

The fixed income portfolios performed well during the year, both on an absolute basis and as compared to their Reference Portfolio benchmarks. The Canadian Corporate Bond portfolio outperformed by 1.0 percentage points, while the Canadian Government Bond portfolio (which includes the Absolute Return hedge fund portfolio) outperformed by 2.0 percentage points.

Taking a more detailed look at the Canadian Corporate Bond asset class, it’s important to note that the Endowment investments in this category are not solely invested in public market Canadian Corporate Bonds; the portfolio also comprises alternative credit strategies, including private credit opportunities. The rest of the portfolio is invested in investment-grade corporate bonds, a market where we believe it is difficult for traditional, long-only active credit managers

to outperform the benchmark (after fees). For this reason, UTAM invests with only one traditional active corporate bond manager in this part of the portfolio; the remainder is invested passively to track the Reference Portfolio benchmark. ►

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To download UTAM’s Financial Statements, Carbon Footprint Report and TCFD Report: utam.utoronto.ca/reports

THE YEAR IN REVIEW:
PUTTING 2023 IN PERSPECTIVE

Table 4
2023 Endowment Performance by Asset Class

Reference Portfolio asset class	Assets (millions) Dec. 31, 2023	Endowment Return	Benchmark Return	Value Added (percentage points)
Equity				
Global Equity	\$2,548.4	18.3%	22.9%	-4.6
Fixed Income				
Canadian Corporate Bonds	\$860.1	9.0%	8.0%	1.0
Canadian Government Bonds	\$830.4	8.1%	6.1%	2.0
Total Plan	\$4,238.9	12.9%	15.1%	-2.2

Returns are net of all fees and expenses. All returns are in local currency except for total plan returns, which take into account currency effects and are in Canadian dollars. Values and returns within the Reference Portfolio reflect the impact of mapping asset classes and strategies not in the Reference Portfolio to the most appropriate asset classes. The only exception is cash, which is included in Canadian Government Bonds but not included in the returns for Canadian Government Bonds. Total plan value added includes effects such as currency and asset class mismatches versus the Reference Portfolio not captured elsewhere in the table.

◀ As with the Canadian investment-grade corporate bonds, we believe it is difficult for active managers investing solely in Canadian Government Bonds to outperform the benchmark (after fees). UTAM therefore does not use any active traditional managers with Canadian Government Bond mandates. Instead, we obtain all of the Reference Portfolio Government Bond exposure passively using derivatives, while also investing a portion of the assets in a customized portfolio of absolute-return hedge fund strategies. (The latter, by design, are not expected to have material sensitivity – i.e., beta – to equity or fixed income markets over time.) We refer to the combination of passive Government Bond exposure and absolute-return hedge fund strategies as “portable alpha.” During 2023, this portable alpha strategy drove the outperformance in the Government Bond asset class.

EFIP performance

The Expendable Funds Investment Pool (EFIP), which represents short-term working capital of the University, is constructed with two portfolios that each have investable and objective benchmarks.

Similar to the performance of the Endowment, after a challenging period in 2022 driven by the significant and rapid rise in interest rates, in 2023 both EFIP portfolios benefited from the higher yields of their portfolios as well as an overall reduction in interest rates.

The Short-Term Portfolio consists of short-term Canadian government and corporate bonds as well as cash and cash equivalent investments. As at December 31, 2023, the Short-Term Portfolio comprised 73.8% of the EFIP portfolio managed by UTAM. The benchmark for the Short-Term Portfolio is a combination of the returns of the FTSE Canada Short-Term Bond Index and 1-month Canadian Bankers’ Acceptances.

The Medium-Term Portfolio was established in 2020 with a longer-term time horizon and a higher risk tolerance than the Short-Term Portfolio. As at December 31, 2023, the Medium-Term Portfolio comprised 26.2% of EFIP. The benchmark for the Medium-Term Portfolio is the FTSE Canada Corporate BBB Bond Index.

Table 5
EFIP Total Portfolio Performance

	2023	5-Year Annualized (2019-2023)	10-Year Annualized (2014-2023)
Actual net return	6.7%	2.0%	1.9%
University target return	5.8%	1.6%	1.5%
UTAM value added (percentage points)	1.0	0.4	0.4
UTAM value added (millions)	\$30.6	\$61.8	\$86.5

*Cumulative value added over 5-year period.

†Cumulative value added over 10-year period.

All returns are in Canadian dollars and include the impacts of currency hedges. All numbers are rounded.

In 2023, EFIP returned 6.7% (net of all fees and expenses), outperforming its benchmark return of 5.8% by 1.0 percentage point (rounding). Over the past 10 years, EFIP has generated an annualized return of 1.9%, outperforming its benchmark return by 0.4 percentage points per annum and adding \$86.5 million in cumulative value (net of all fees and expenses).

The Short-Term Portfolio returned 5.4% and outperformed its benchmark by 0.6 percentage points in 2023, while the Medium-Term Portfolio returned 10.8% and outperformed its benchmark by 1.9 percentage points. The outperformance of the Medium-Term Portfolio relative to the Short-Term Portfolio in 2023 was driven by the Medium-Term Portfolio’s higher yield and higher interest rate duration, as rates decreased during the calendar year.

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LOOKING AHEAD

GLOBAL MARKETS EXPERIENCED CONTINUED VOLATILITY throughout 2023. That is likely to remain the pattern during the coming year, as investment performance once again fluctuates in a broader landscape of economic and geopolitical uncertainty. In this context, UTAM is focused as always on investing for the long term.

While no one can know precisely what the future holds for investors, as we fulfill our mandate to grow and protect the funds we manage on behalf of the University of Toronto, our eyes are firmly on the horizon. We know that the investment decisions we make today must be carefully designed to benefit our sole client for years and indeed decades to come.

We bring the same long-term perspective to UTAM’s internal management, as we strive to remain both resilient and adaptable in a constantly evolving investment environment. The foundational work we completed over the past year to formalize our statement of purpose, and to define the strategic pillars that frame and guide our work, will help ensure that our efforts going forward reinforce UTAM’s enduring commitment to the university leadership and the entire U of T community.

This integrated annual report is part of a broader suite of timely, transparent communications aimed at illuminating the various dimensions of UTAM’s work and impact. Please visit our website, utam.utoronto.ca, for current and archived reports, news updates and other information of interest to our diverse stakeholders.

UTAM’s financial statements for 2023, along with the independent auditor’s report, can be viewed or downloaded as a stand-alone document at utam.utoronto.ca/reports.

