

# THE LONG VIEW

Advancing U of T's mission by investing strategically,  
responsibly and sustainably for the future.



INTRODUCTION

Message from the Chair
Message from the President and CIO
Foundational statements
2024 Highlights
UTAM overview
Investment process
Risk management
Stewardship
Long-term performance

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

UTAM’s mission is *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.*

Among the building blocks of that foundational statement is a critically important phrase: *over the long term.* In managing the investment portfolios entrusted to us, UTAM is focused not on current market performance and near-term results, but on ensuring the financial sustainability of an institution that is, by definition, building for the future. As a global centre of excellence in higher education and research, Canada’s largest university is constantly looking forward, making decisions today that will create pathways for the next generation of students, scholars and innovators – and further generations that follow them.

This annual report explores the many dimensions of how UTAM invests and protects the long-term value of our sole client’s assets. It includes the perspectives of U of T’s President, as well as the Vice-President, Advancement, who leads the university’s historic \$4 billion fundraising and alumni engagement campaign, Defy Gravity. And once again this year, we present a selection of stories showing how donors’ generous gifts to the university have a profound impact – sustained by UTAM’s stewardship – on students, faculty, academic programs and world-leading research.

As we begin our 25th year, UTAM remains committed to investing strategically, responsibly and sustainably to advance the university’s mission – while always taking the long view.



INTRODUCTION

MESSAGE FROM THE CHAIR
Message from the President and CIO
Foundational statements
2024 Highlights
UTAM overview
Investment process
Risk management
Stewardship
Long-term performance

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

MESSAGE FROM THE CHAIR

ANCHORED BY  
OUR VALUES

AS CHAIR OF THE BOARD OF DIRECTORS, IT’S MY PRIVILEGE TO address our stakeholders via this 2024 annual report of the University of Toronto Asset Management Corporation (UTAM). During the past year, the Board continued to work with management in pursuit of our shared objective: to advance the university’s long-term mission.

In a year of geopolitical turmoil, and at a time when polarized opinions drive increasingly heated rhetoric, it’s more crucial than ever that we reaffirm the values underpinning UTAM’s purpose. One of the most fundamental is *integrity*, which for us is reinforced by three key responsibilities: *to always do the right thing, to report transparently on our activities and results, and to meet our commitments and be accountable for our actions*.

For UTAM, as for the university we serve, integrity isn’t just an abstract ideal we pledge to uphold. It’s a concrete standard by which we judge our decisions and actions. All of our core values, along with our vision, mission and purpose (see page 6), are foundational to our ability to step back from current distractions and take the long view – investing, as our annual report theme suggests, strategically, responsibly and sustainably for the future.

**Principles of responsible investing**  
In this context, our commitment to the goals and practices of responsible investing – the consideration of environmental, social and governance (ESG) factors in investment decision-making – remains as strong as ever.

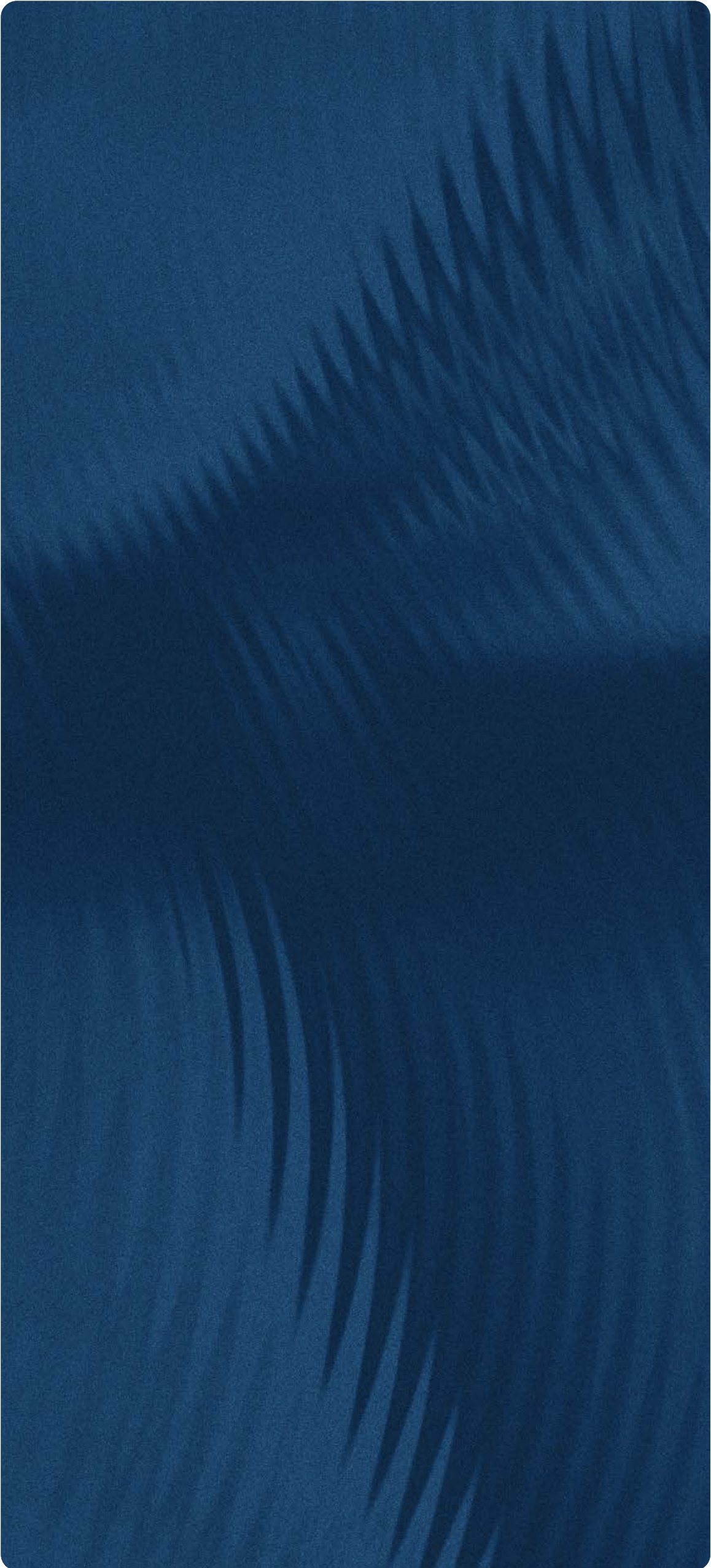
UTAM has been a signatory to the Principles of Responsible Investment (PRI) since 2016, and management has worked diligently to align UTAM’s investment policies and processes with the globally recognized PRI model. That these principles are now fully integrated into the investment team’s approach is confirmed by the annual PRI assessment process, in which UTAM consistently scores in or close to the top quartile compared to our peers.

**Delivering on our long-term strategy**  
A key outcome from UTAM’s 2023 strategic planning process was the drafting of a new statement of purpose for the organization: *to deliver enduring investment returns in support of the University of Toronto’s pursuit of excellence in education and research*.

This foundational statement, approved by the Board, sums up why UTAM is in business and helped frame a clearer statement of our overarching strategic objective: *to meet or exceed the university’s long-term risk and return objectives for the portfolios we manage on its behalf*. Management then identified five supporting pillars of that objective. Two are longstanding core priorities: investment management and responsible investing. The other three pillars are critical enablers of UTAM’s success: talent management, operational effectiveness and alignment with the university.

As management implements various strategic initiatives associated with the five pillars, the Board receives quarterly reports tracking progress against detailed performance indicators. In providing oversight and support of these initiatives, the Board helps to sustain momentum while facilitating accountability. The framework has proved extremely effective, enabling us to enhance the Board’s well-established governance with more systematic analysis of key measures. Consequently, we believe that UTAM will continue to be well-positioned for success as we look ahead over the next five to ten years.

While advancing these initiatives under the strategic plan, the senior leadership team has also remained focused on investment performance, as the portfolios UTAM manages for the university continued to deliver strong absolute results in 2024. The Endowment portfolio, in a context of overall strong market performance, realized a net return of 14.9%. Even more significant, over the 10-year period ending December 31, 2024, the Endowment realized an annualized return of 8.1% net of fees and expenses. ►





INTRODUCTION

MESSAGE FROM THE CHAIR
Message from the President and CIO
Foundational statements
2024 Highlights
UTAM overview
Investment process
Risk management
Stewardship
Long-term performance

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

MESSAGE FROM THE CHAIR

◀ **Strong governance and leadership**

This annual report once again showcases the perspective of U of T President Meric Gertler, who underlines his belief that as the university works to build a resilient financial foundation, “UTAM is one of its cornerstones” (see page 18). As Meric completes his presidential term in June 2025, I’d like to express the deep gratitude of the Board for all he has done to strengthen and sustain UTAM over nearly a dozen years. He has guided this organization and the university we serve with a steady hand through many daunting challenges – in higher education, in the Canadian and global economies, in the broader social and political landscape – and we’ve emerged stronger as a result. Meric’s legacy, especially as a champion of responsible investing and all aspects of sustainability, will continue to be a cornerstone of *our* success for many years to come.

The end of Meric’s presidential term also means he is stepping down from the UTAM Board of Directors. We look forward to welcoming his successor as U of T President, Melanie Woodin, who we know will continue Meric’s legacy in providing judicious guidance, working closely with the university’s Chief Financial Officer, Trevor Rodgers – another valued Board member and strategic partner.

As well, I’d like to thank Prof. Lisa Kramer of the Rotman School of Management and the UTM Department of Management, who joined the Board in 2023 representing the University of Toronto Faculty Association. In addition to being a highly regarded capital markets researcher, Lisa continues to bring practical new perspectives to the work we do together. We also look forward to welcoming an additional independent Board member later in 2025 as we expand our repertoire of skills while strengthening succession planning.


The university’s external Investment Committee continues to provide a diverse range of expert advice on UTAM’s investment strategy and invaluable support to our investment and risk teams. Our heartfelt thanks to Craig Rimer, who has chaired the voluntary committee for the past three years. Craig has been a member of the committee

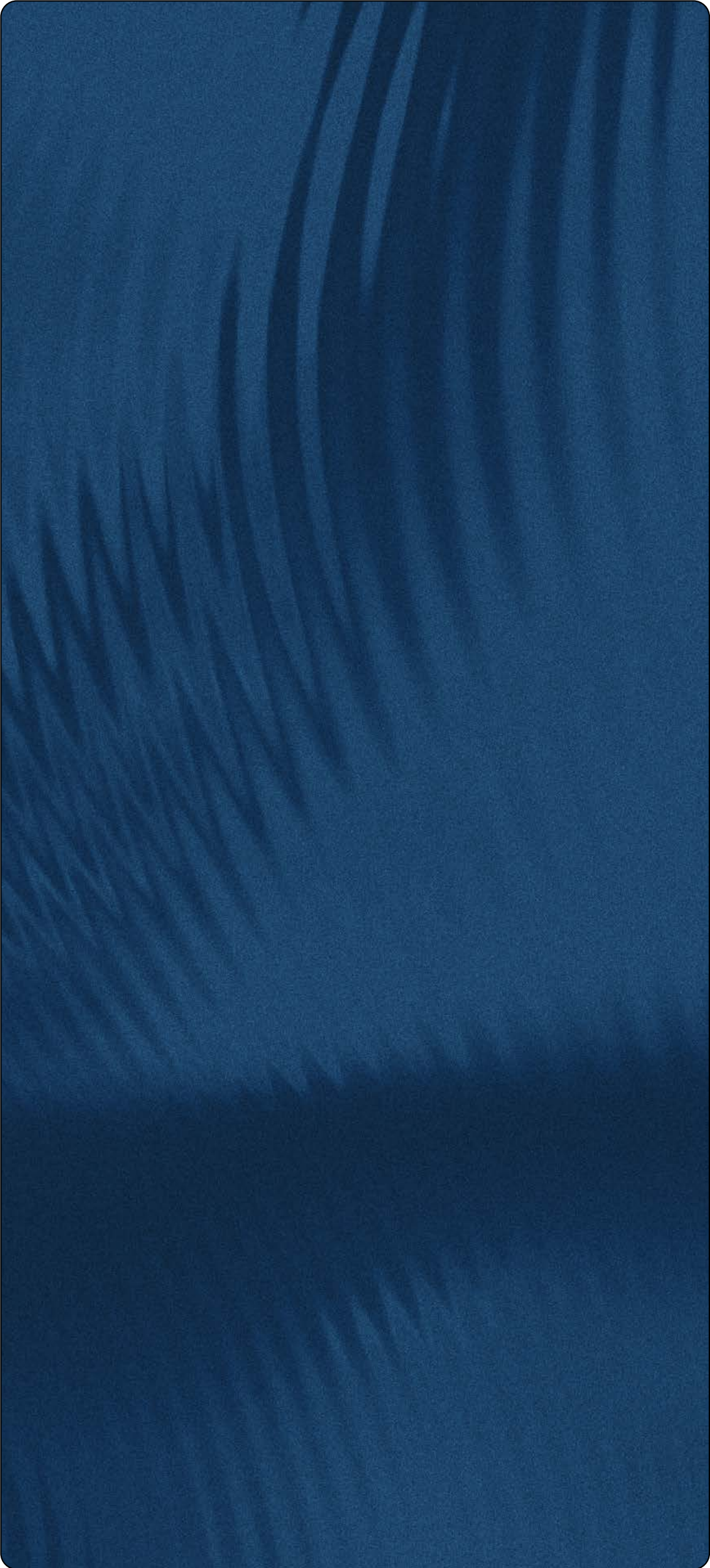
and its precursors since 2010 and will continue to serve as a member after he steps down from the chair’s role in June 2025. We’re also grateful to committee members Brent Belzberg and Heather Hunter, who are stepping down after many years of sharing their investment expertise and wise counsel. The new chair is Poul A. Winslow, who joined the Investment Committee in 2022 with three decades of senior industry experience focusing particularly on multi-asset class and alternative investments.

UTAM’s sustained strong performance also reflects the exceptional contributions of the senior leadership team led so effectively by Chuck O’Reilly, President and Chief Investment Officer. Chuck’s extensive public equities expertise is complemented by the deep knowledge and skills of Leon Lu, Head of Fixed Income, and Jean Potter, Head of Private Markets. Supporting all areas of investment is Doug Chau, Chief Risk Officer and Head of Research, who takes a highly sophisticated approach to managing investment risk. And completing this exemplary team is Lisa Becker, Chief Operating Officer and Chief Compliance Officer, who brings a wealth of experience to her astute management of investment and corporate operations, as well as governance and compliance activities. The rigour, acumen and professionalism of these talented executives is evident both in the quality of work UTAM produces and in the returns it has generated.

In closing, let me join the Board in thanking the entire UTAM team for your dedication to growing and protecting the investment assets entrusted to us by the University of Toronto. As we prepare to mark UTAM’s 25th anniversary, you prove each day that your efforts to sustain the mission of this extraordinary university are driven by purpose, guided by long-term thinking and, most importantly, anchored by our shared values.



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





INTRODUCTION

- Message from the Chair
- MESSAGE FROM THE PRESIDENT AND CIO**
- Foundational statements
- 2024 Highlights

UTAM overview

Investment process

Risk management

Stewardship

Long-term performance

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

MESSAGE FROM THE PRESIDENT AND  
CHIEF INVESTMENT OFFICER

TAKING  
THE LONG VIEW

ONE OF UTAM’S FUNDAMENTAL COMMITMENTS TO UNIVERSITY of Toronto stakeholders is to maintain clear, straightforward communications. As we invest strategically to advance the university’s mission, we report regularly on investment performance, along with our operations and decision-making frameworks. In the same spirit of open dialogue, I’d like to begin this year’s annual report message by discussing several aspects of how we manage U of T’s assets that may not be obvious or fully understood:

**1. UTAM manages two distinct portfolios for the university.**  
The Endowment portfolio totalled approximately \$4.9 billion as of December 31, 2024. The portfolio includes long-term assets comprising more than 7,200 individual endowment funds funded through gifts from alumni and other donors. These endowment funds benefit students, faculty, academic programs and research. They are typically supported by a donor agreement or represent a collection of small donations with common restrictions. Over the past 10 years, \$945 million has been distributed from the Endowment to fund these important initiatives. The infographic on page 11 provides a simplified explanation of how a typical endowed gift becomes part of the Endowment portfolio, and then how a portion of investment returns is ultimately distributed by U of T to the individual or initiative designated by the donor.

The second portfolio we manage for the university, the Expendable Funds Investment Pool (EFIP), represents funds used primarily for university operations, including staff and faculty salaries, facilities operating costs and capital projects. EFIP consists mainly of working capital invested for the short and medium term, and therefore is exclusively invested in cash and fixed income instruments.

**2. The Endowment does not include student tuition fees.**  
None of the capital in the Endowment portfolio represents tuition or other fees paid by U of T students; it comes almost entirely from philanthropic donations. This has always been the case.

**3. We don’t invest directly, but through carefully selected investment managers.**  
UTAM operates on a “manager of managers” model. In simple terms, we begin by establishing long-term investment strategies for the university’s portfolios. We then take the capital earmarked for approved investment programs and seek to allocate it to diversifying strategies managed by third-party investment managers – firms that we judge best in class after conducting our rigorous selection process (as detailed on [UTAM’s website](#)). Our selected managers in turn choose securities or other investments according to the strategies we’ve engaged them to implement.

**4. Our investments are combined with those of other institutional investors.**  
UTAM’s external managers generally offer access to their strategies only via *pooled* funds – sometimes referred to as *commingled funds* – that deploy capital from multiple (typically institutional) investors in a single investment vehicle. This has always been the practice of managers providing private markets and other alternative investment strategies. Many public markets managers, on the other hand, offer access to their strategies via separate (i.e., non-pooled) accounts. Over the past decade, however, we’ve found many such managers that offer separate accounts have become increasingly reluctant to do so for investors of our scale. Instead, they offer pooled vehicles that apply the same investment guidelines and constraints to all clients in a single portfolio; individual investors are generally not able to impose any customized investment constraints on the manager’s strategy. We’re comfortable with such limitations if we gain access to what we deem best-in-class strategies managed by high-quality managers. (That said, we do seek separate accounts where possible if we feel that approach will better meet our needs.) ►





INTRODUCTION

Message from the Chair
<b>MESSAGE FROM THE PRESIDENT AND CIO</b>
Foundational statements
2024 Highlights
UTAM overview
Investment process
Risk management
Stewardship
Long-term performance

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

MESSAGE FROM THE PRESIDENT AND CHIEF INVESTMENT OFFICER

◀ **5. We don’t react to current market fluctuations – we invest for the long term.**

Stakeholders often ask how UTAM is responding to market volatility sparked by changing economic conditions, such as movements in interest rates, or by geopolitical conflicts and events like the US presidential election. These kinds of developments can certainly have an immediate impact on specific investments, and our managers may adjust their strategies accordingly. But for UTAM, the inevitable fluctuations in markets from week to week, and even year to year, don’t have a significant influence on how we construct the university’s diversified, multi-manager portfolios. We believe we can more effectively drive future performance of the university’s portfolios by maintaining a long-term investment horizon, and by allocating capital to skillfully selected managers.

The university appreciates and encourages UTAM’s commitment to look past short-term volatility and focus on long-term returns. We bring the same perspective to managing EFIP, even though its investment aims are keyed to the short and medium term. Our prudent approach reflects the strategic outlook of an institution that, by definition, is focused on the future. As David Palmer, Vice-President, Advancement, says in the Q&A featured in this report (see page 23), for U of T, “financial sustainability is measured not in years, but in generations.”

Once again in this year’s report, we reinforce that message with investment impact stories from the Advancement team showing how UTAM’s management of the Endowment portfolio translates into long-term benefits for people and programs across the university. (Additional stories are featured on our website.)

**Results driven by strategy**

In 2024, the Endowment portfolio continued the previous year’s very strong performance, delivering an *absolute* return of 14.9%, net of all fees and expenses. These results largely reflect the performance of public equity markets during the year – which in turn was driven by a relatively small number of major companies concentrated in the

information technology sector. Within this environment, the diversified Endowment portfolio underperformed the Reference Portfolio, with its benchmark return of 16.8%, by 1.9 percentage points. But as always, UTAM focuses on long-term performance, which remains strong. Over the 10 years ending December 31, 2024, an annualized net return of 8.1% was generated by the Endowment – compared to the Reference Portfolio return of 7.2%, and to the university’s target return of 6.6% per annum (i.e., 4% plus inflation as measured by the Consumer Price Index). This outperformance over the past decade represents a total gain of about \$250 million compared to the return generated by the Reference Portfolio in the same period.

For the latest calendar year, EFIP also generated a very strong absolute net return of 6.4%, which outperformed its benchmark target return of 6.0%. Over the 10-year period ending December 31, 2024, EFIP has returned 2.3%, outperforming its target return of 1.9%, with a cumulative gain of more than \$90 million.

These results reflect UTAM’s continued efforts toward our strategic objective: *to meet or exceed the university’s long-term risk and return objectives for the portfolios we manage on its behalf*. One of the priority pillars of this ambition is disciplined investment management. As we stay focused on the long-term, we also constantly seek opportunities to enhance our capabilities and evolve our investment, risk and operational processes in step with our sole client’s needs. And as we continuously fine-tune the complex portfolios that we manage, combining analytical insights with innovative thinking, we never lose sight of the ultimate goal: helping Canada’s largest university sustain its pursuit of world-leading excellence in education and research.

This emphasis on long-term sustainability underpins the other priority pillar of UTAM’s strategy: responsible investing. Over the past year, in support of the university’s climate objectives, we’ve further embedded environmental, social and governance (ESG) considerations into our investment and risk management processes, including decision-making, stewardship activities (engagement, proxy voting and advocacy) and reporting. To quote the perspective offered by U of T President Meric Gertler later in this report (see page 18): “The principles of responsible investing implemented over the past decade are now integral to how UTAM manages U of T’s assets, just as the goals of sustainability inform all dimensions of how our university sets priorities, makes decisions and plans for the future.”

**Looking to the future**

As President Gertler completes his term in June 2025, I want to convey the deep appreciation of everyone at UTAM for his many years of judicious guidance and steadfast support – and, of course, his visionary leadership of the entire university. And on a personal

note, I’d like to express my gratitude to Meric for his invaluable advice and counsel. In particular, his efforts as a champion of sustainability and responsible investing are reflected in the full integration of ESG factors into our investment process.

As we look forward to carrying on this great collaboration with U of T’s incoming President, Melanie Woodin, I want to thank Trevor Rodgers, the university’s Chief Financial Officer, who contributes immeasurably to our success, both as a UTAM Board member and, more broadly, as a steward of U of T’s financial sustainability. We’re also indebted to our other directors: Prof. Lisa Kramer of the Rotman School of Management and the UTM Department of Management, who brings invaluable management and governance perspectives; and Richard Nunn, who provides astute leadership as Board Chair. I’m grateful as well to the members of the university’s Investment Committee, chaired by Craig Rimer, for the expertise, breadth of experience and sound judgement they bring to overseeing UTAM’s investment strategy and risk management framework.

Lastly, my heartfelt thanks to the entire hard-working UTAM team for your continued drive, dedication and focus. As we tackle the day-to-day challenges of managing the assets entrusted to us, you never stop looking for creative solutions and promising new opportunities – while always, like the great university we serve, taking the long view.



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



INTRODUCTION

- Message from the Chair
- Message from the President and CIO
- FOUNDATIONAL STATEMENTS
- 2024 Highlights

UTAM overview

Investment process

Risk management

Stewardship

Long-term performance

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

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.



INTRODUCTION

- Message from the Chair
- Message from the President and CIO
- Foundational statements
- 2024 HIGHLIGHTS

UTAM overview

Investment process

Risk management

Stewardship

Long-term performance

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

# 2024 HIGHLIGHTS

All numbers are rounded

## Endowment

(Long-Term Capital Appreciation Pool)

### Investment returns\*

2024

14.9%

10-year (annualized)

8.1%

Total Endowment distributions (10-year)

\$945mn

### UTAM value added

(vs. Reference Portfolio<sup>†</sup>)

2024

-1.9 percentage points

10-year (annualized)<sup>‡</sup>

+0.9 percentage points

10-year

\$249.3mn

## EFIP

(Expendable Funds Investment Pool)

### Investment returns\*

2024

6.4%

10-year (annualized)

2.3%

### UTAM value added

(vs. target return)

2024

+0.4 percentage points

10-year (annualized)

+0.4 percentage points

10-year

\$92.2mn

## Total assets under management

At December 31

2024

\$4.9bn

Endowment

\$4.0bn

EFIP

2023

\$4.2bn

Endowment

\$3.9bn

EFIP

Year-over-year

+8.9%

(Endowment and EFIP combined)



\* All returns are calculated net of all fees and expenses, including UTAM costs, using the Time-Weighted Return methodology.

<sup>†</sup> For more information about the Reference Portfolio, see page 30.

<sup>‡</sup> 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 8.1% outperformed the university’s annualized Target Return of 6.6% by 1.5 percentage points.



INTRODUCTION

- Message from the Chair
- Message from the President and CIO
- Foundational statements
- 2024 HIGHLIGHTS

UTAM overview

Investment process

Risk management

Stewardship

Long-term performance

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

2024 HIGHLIGHTS

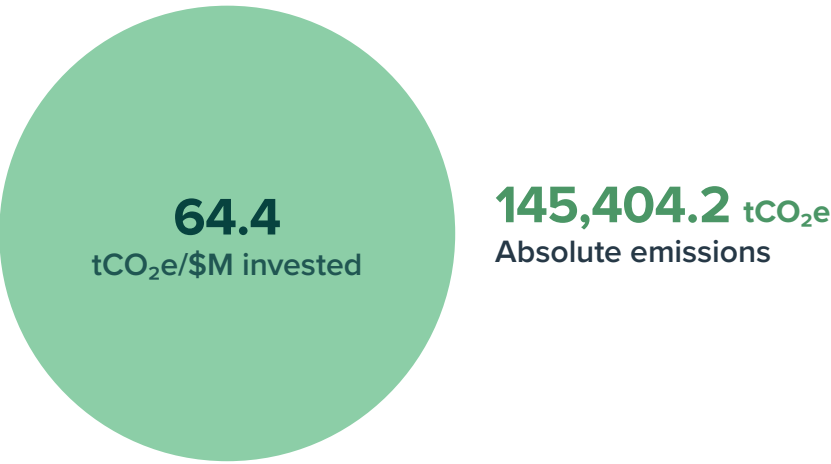
All numbers are rounded

Endowment

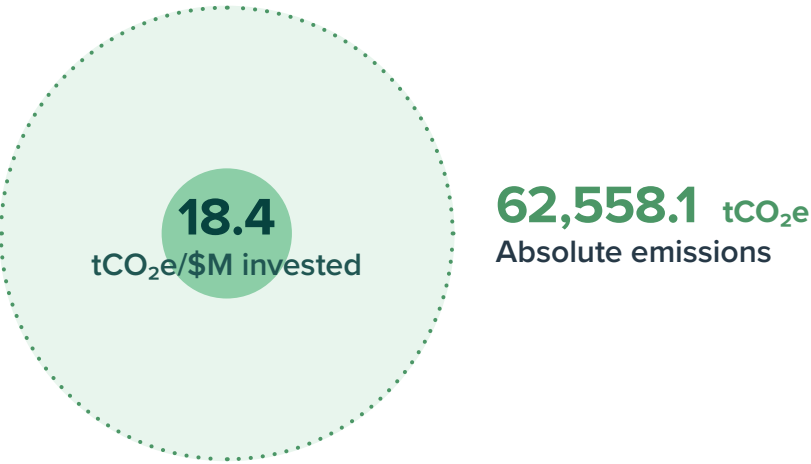
(Long-Term Capital Appreciation Pool)

Carbon footprint\*

2019 baseline



2024†



2030 target‡



Cumulative reduction in carbon footprint since 2019



Cumulative reduction in absolute emissions since 2019



Divestment from fossil fuel companies

2024



Direct exposure

2030 target



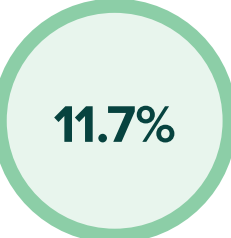
Indirect exposure



Exposure (direct and indirect)

Investment in sustainable and low-carbon strategies

2024



Invested in sustainable and low-carbon strategies

2025 target



Invested in sustainable and low-carbon strategies

Company engagement

Companies engaged

1,147

Engagements

3,556

2024 top four areas of focus

- Corporate governance
- Climate change and environment
- Social and ethical concerns
- Strategy, risk and communication

Proxy voting

Public equity portfolio proxy voting

7,405

Shareholder meetings voted

84,916

Proposals and agenda items

9,620

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, 2024. 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 emissions 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 [2024 UTAM Carbon Footprint Report](#).

† Evaluated by PwC (PricewaterhouseCoopers LLP's) independent limited assurance review.

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



Introduction

UTAM OVERVIEW

- Managing the assets entrusted to us
- Endowment investment
- Governance structure
- Governance committees
- PRI principles
- PRI scorecard
- Investment impact
- U of T President’s perspective
- Divestment
- Climate response
- Q&A: David Palmer,  
U of T’s Vice-President, Advancement  
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

# 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*. And with a 25-year history 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 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.*



Introduction

UTAM OVERVIEW

MANAGING THE ASSETS ENTRUSTED TO US
Endowment investment
Governance structure
Governance committees
PRI principles
PRI scorecard
Investment impact
U of T President’s perspective
Divestment
Climate response
Q&A: David Palmer,
U of T’s Vice-President, Advancement
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

# 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 the U of T Endowment, comprised of a collection of donations, maintains 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 its administration and the 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 (via donations), investment gains/losses, fees and expenses, and the annual withdrawal to fund Endowment-supported initiatives. At the end of 2024, the assets in this pool had a value of \$4.9 billion, up from \$4.2 billion at the end of 2023. Over the past 10 years, the Endowment has realized significant growth; its net asset value has increased by \$2.6 billion net of distributions, fees and expenses.

**Endowment net asset value**

**2024: \$4.9 billion**



**2023: \$4.2 billion**



**2014: \$2.3 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 over 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 income, gains and losses. At the end of 2024, the rounded value of EFIP was \$4.0 billion, up from \$3.9 billion at the end of 2023.

**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 our responsible investing reports.) Since 2021, this report has included an accompanying report based on a limited assurance review conducted by PwC. We also provide Principles for Responsible Investment (PRI) reports, 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](https://utam.utoronto.ca/news).

As our approach to responsible investing evolves, we assume leadership roles in various responsible investment organizations, and we help 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 April 2025, the Alliance includes 87 institutional investors who together represent 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.



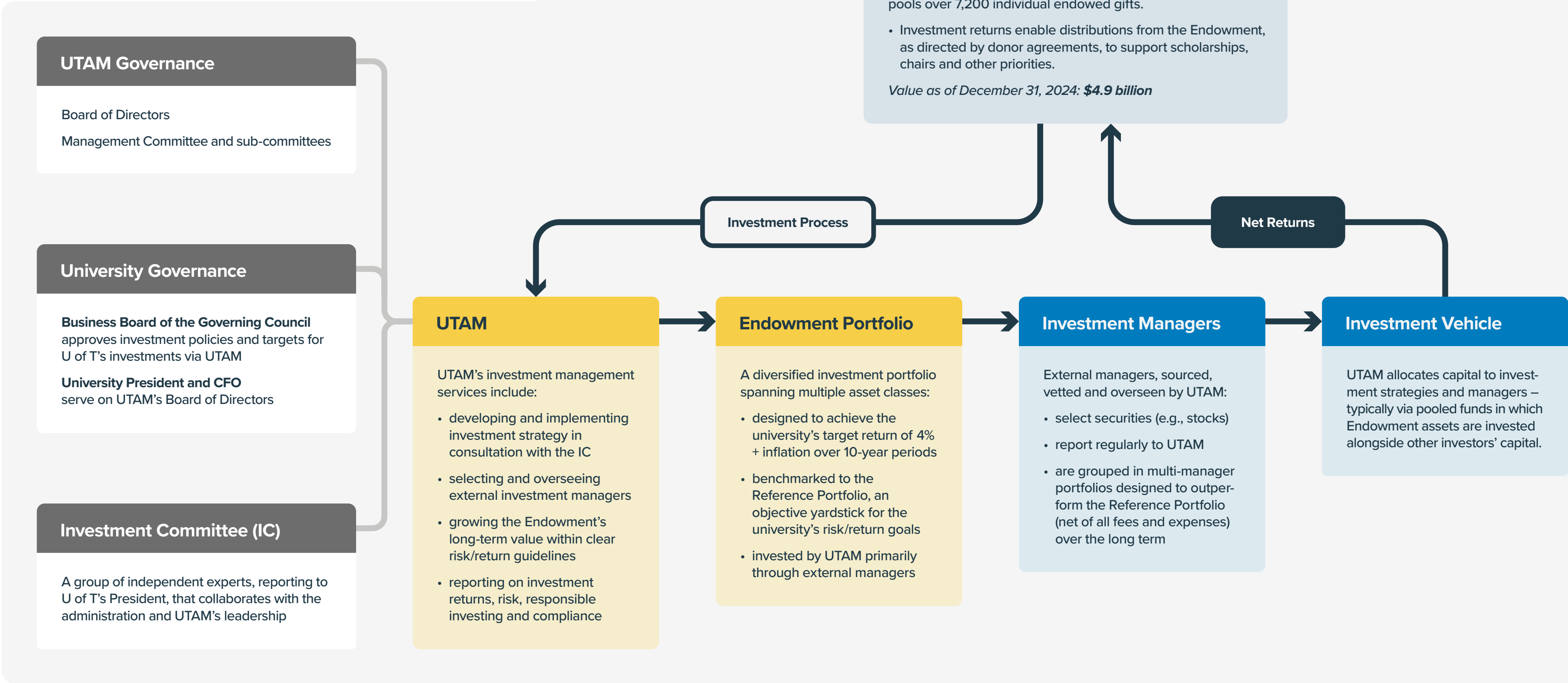
Introduction

UTAM OVERVIEW

Managing the assets entrusted to us
<b>ENDOWMENT INVESTMENT</b>
Governance structure
Governance committees
PRI principles
PRI scorecard
Investment impact
U of T President’s perspective
Divestment
Climate response
Q&A: David Palmer,
U of T’s Vice-President, Advancement
Investment Impact
Investment process
Risk management
Stewardship
Long-term performance
To download UTAM’s Financial Statements, Carbon Footprint Report and TCFD Report: <a href="https://utam.utoronto.ca/reports">utam.utoronto.ca/reports</a>

# THE ENDOWMENT: HOW DONATIONS ARE INVESTED FOR LONG-TERM IMPACT

IN 2023–2024, U OF T DISTRIBUTED \$122 MILLION FROM THE Endowment to support students, faculty, academic programs and research. This simplified overview shows how one endowed gift is invested to achieve the donor’s goal – and more broadly, how UTAM works to advance the university’s long-term mission.





UTAM OVERVIEW

- Managing the assets entrusted to us
- Endowment investment
- GOVERNANCE STRUCTURE
- Governance committees
- PRI principles
- PRI scorecard
- Investment impact
- U of T President’s perspective
- Divestment
- Climate response
- Q&A: David Palmer, U of T’s Vice-President, Advancement Investment Impact

Investment process

Risk management

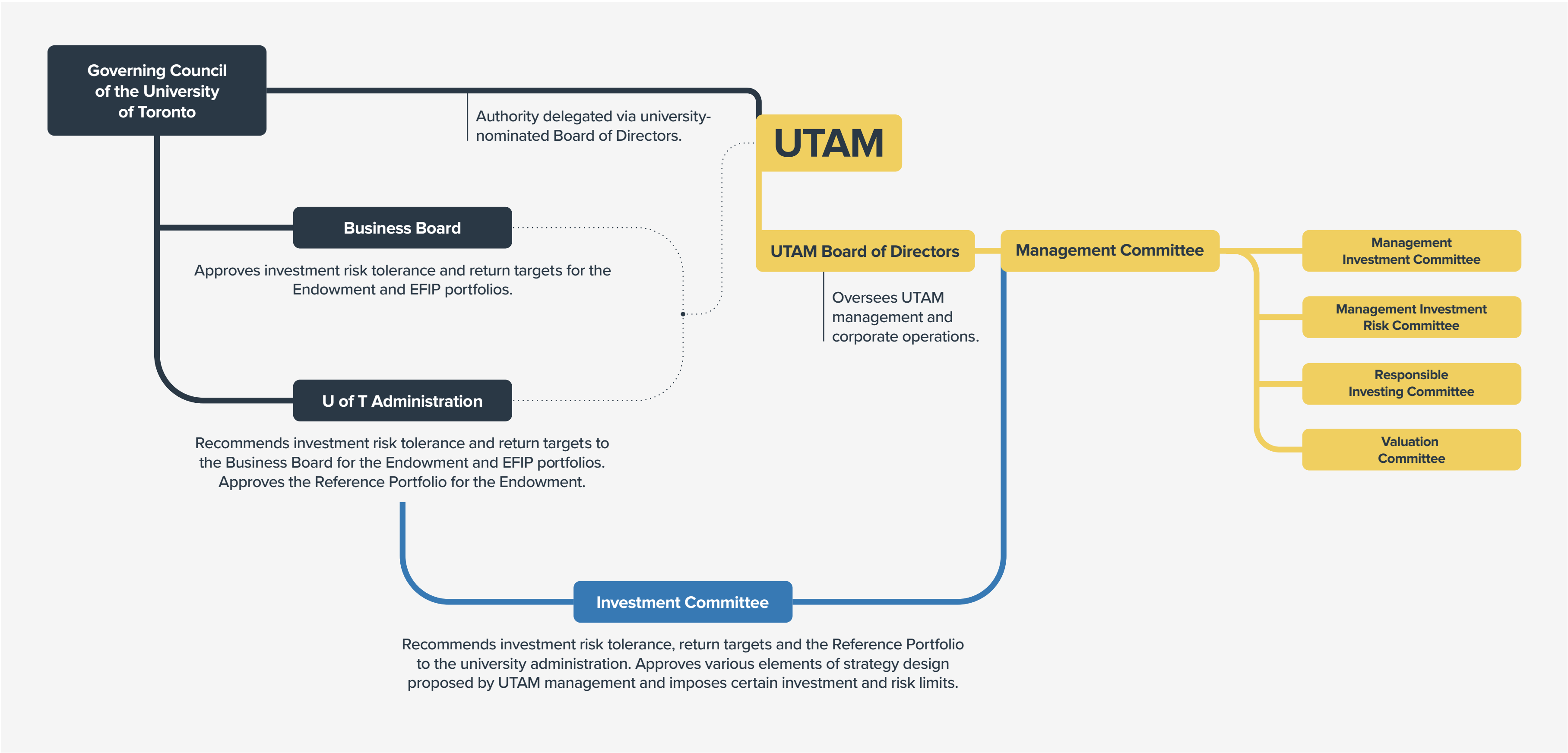
Stewardship

Long-term performance

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

# GOVERNANCE STRUCTURE: ROLES AND RESPONSIBILITIES

SINCE OUR FOUNDING IN 2000, UTAM HAS BEEN A SEPARATE corporation accountable to the University of Toronto for our investment activities on its behalf. The university’s leadership also selects the Investment Committee, which oversees our investment strategy and risk management framework, providing the university’s President with advice and counsel on investment-related matters. The university regularly revisits UTAM’s 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.





Introduction

UTAM OVERVIEW

Managing the assets entrusted to us
Endowment investment
Governance structure
<b>GOVERNANCE COMMITTEES</b>
PRI principles
PRI scorecard
Investment impact
U of T President’s perspective
Divestment
Climate response
Q&A: David Palmer,
U of T’s Vice-President, Advancement
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

GOVERNANCE  
COMMITTEES

UTAM BOARD OF DIRECTORS

A corporation without share capital, UTAM is governed by a Board of Directors who 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

U OF T INVESTMENT COMMITTEE

The independent members of the Investment Committee (IC) are 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 preserve and 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 our strategy execution within IC established limits
- overseeing our investment activities and monitoring performance
- providing input on the hiring, compensation and evaluation of the 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 senior leadership team, conveying the President’s objectives and instructions, and acting on the President’s 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**  
**Alain Bergeron**  
**Dagmara Fijalkowski**

**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.

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 U of T’s 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

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.

Investment Compliance

UTAM’s Chief Compliance Officer facilitates compliance related to investment matters, including securities legislation. We have implemented a comprehensive program of policies, procedures, processes, controls and monitoring designed to achieve compliance with applicable laws and regulations, client investment guidelines and internal policies, as well as oversight of our external investment managers and key investment service providers. Regular reports are given to the President and CIO, internal committees, and our Board.

UTAM is registered as a Portfolio Manager under securities legislation and is regulated by the Ontario Securities Commission.

Corporate Compliance

UTAM’s Chief Operating Officer facilitates compliance with laws and regulations applying to UTAM as a corporation and employer, as well as with internally set policies, and reports regularly to the President and CIO, the Management Committee and our Board.

\*As of December 31, 2024



Introduction

UTAM OVERVIEW

- Managing the assets entrusted to us
- Endowment investment
- Governance structure
- Governance committees
- PRI PRINCIPLES
- PRI scorecard
- Investment impact
- U of T President’s perspective
- Divestment
- Climate response
- Q&A: David Palmer,  
U of T’s Vice-President, Advancement
- Investment Impact

Investment process

Risk management

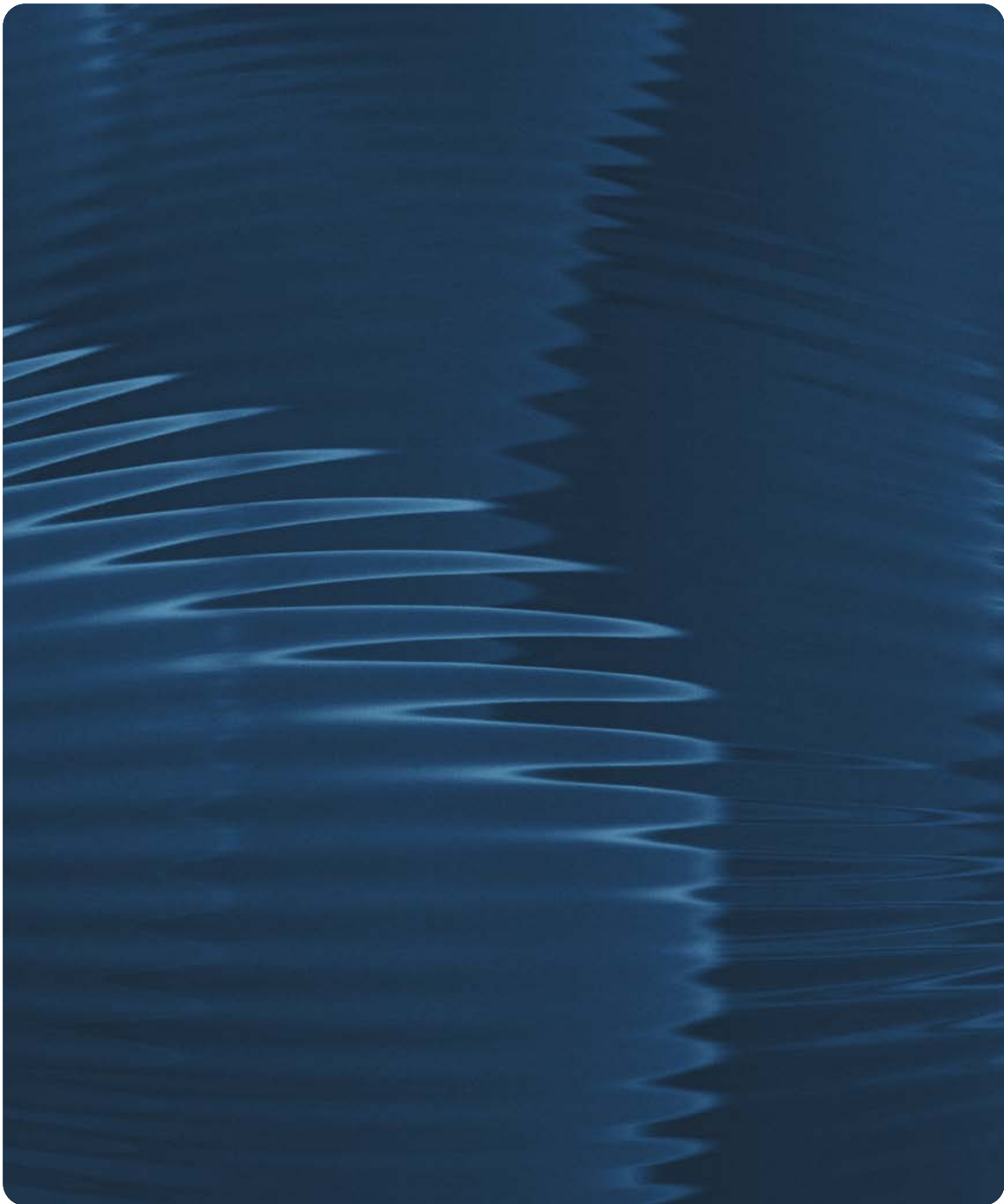
Stewardship

Long-term performance

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Carbon Footprint Report and TCFD Report:  
[utam.utoronto.ca/reports](https://utam.utoronto.ca/reports)

# 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 regionally and globally.



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.



Introduction

UTAM OVERVIEW

- Managing the assets entrusted to us
- Endowment investment
- Governance structure
- Governance committees
- PRI principles
- PRI SCORECARD**
- Investment impact
- U of T President’s perspective
- Divestment
- Climate response
- Q&A: David Palmer,
- U of T’s Vice-President, Advancement
- Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

# 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 2023 calendar year, evaluating our progress in implementing responsible investing practices across asset classes compared to peer asset owner signatories. PRI’s scoring methodology pairs numerical scoring (one to five stars) and absolute grading (a number grade out of 100) for each module.

Table 1 provides a snapshot from the 2024 reporting year (assessing our activities in 2023) on each of the seven modules applicable to our approach of allocating capital to investment managers and the Endowment’s asset class exposure.

**Table 1**  
**Principles for Responsible Investment scores for reporting years 2024 and 2023**

	2024			2023		
Module	UTAM	Median AUM: US\$1B to \$10B	Median AUM: All	UTAM	Median AUM: US\$1B to \$10B	Median AUM: All
Policy Governance & Strategy	★★★★ (84)	★★★ (63)	★★★★ (68)	★★★★ (90)	★★★ (60)	★★★ (65)
Listed Equities	★★★★ (89)	★★★ (64)	★★★★ (69)	★★★★ (78)	★★★ (60)	★★★ (64)
Fixed Income	★★★★★ (92)	★★★★ (67)	★★★★ (67)	★★★★ (87)	★★★ (60)	★★★ (61)
Private Equity	★★★★★ (92)	★★★★ (79)	★★★★ (73)	★★★★ (87)	★★★★ (71)	★★★★ (66)
Real Estate	★★★★★ (92)	★★★★ (77)	★★★★ (71)	★★★★ (87)	★★★★ (67)	★★★ (64)
Hedge Funds	★★★★★ (92)	★★★ (65)	★★★ (65)	★★★★ (87)	★★★ (49)	★★★ (41)
Confidence-Building Measures	★★★★ (80)	★★★★ (80)	★★★★ (80)	★★★★ (80)	★★★ (65)	★★★★ (71)

We continue to compare 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, our scores ranked favourably compared to peer asset owner respondents across all modules regardless of the peer group to which we compare our results.

In comparison to the previous cycle, our most recent scores improved from four stars to five in four modules and remained at four stars in the other three. Our average absolute score of 88 (out of 100) improved on our previous average of 85.

In all five modules related to asset class, we increased our absolute numerical scores, adding a star in modules for Fixed Income, Private Equity, Real Estate and Hedge Funds assets. Our score in the Listed Equity module, where we retained our four star rating, also increased, from 78 to 89.

In the Policy, Governance and Strategy module, UTAM received a strong absolute score of 84 points, maintaining our four star rating and our ranking in the top quartile among both peer groups. While we both gained and lost points in different module questions, our absolute score dropped six points compared to the previous assessment. On review, we determined that we lost points in reporting on proxy voting disclosure related to a global equity mandate. We remain confident that our proxy voting policies and reporting are aligned with our overall priorities and best practices in stewardship.

\* 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.



Introduction

UTAM OVERVIEW

- Managing the assets entrusted to us
- Endowment investment
- Governance structure
- Governance committees
- PRI principles
- PRI scorecard
- INVESTMENT IMPACT
- U of T President’s perspective
- Divestment
- Climate response
- Q&A: David Palmer, U of T’s Vice-President, Advancement
- Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

INVESTMENT IMPACT

“I AM PROFOUNDLY GRATEFUL FOR MY ENGINEERING EDUCATION, WHICH EMPOWERS ME TO DESIGN INNOVATIVE TECHNOLOGIES THAT ENHANCE THE HEALTH OF COMMUNITIES.”

“I wanted to pursue a career that aligned with my values and my interests,” says Tselot Tessema, a PhD candidate in industrial engineering at the University of Toronto. “Health systems improvement and technology design are fields I could see myself working in for the rest of my life. And when I researched possible schools, U of T was the only one I could find in Canada with a healthcare engineering program.”



Tselot Tessema’s doctoral research at the Centre for Healthcare Engineering focuses on developing digital tools to help people with chronic heart failure – particularly those in marginalized communities – manage their own care.

Today, Tselot is working toward her doctorate at the university’s Centre for Healthcare Engineering (CHE), established in 2008 as a bridge between the health sector and academic research aimed at improving system efficiency and enhancing patient care. And as further evidence she chose the right career path, Tselot is the 2024 recipient of the 6T6 Industrial Engineering 50th Anniversary Award in Healthcare Engineering. Funded by alumni from the industrial engineering class of ’66, the scholarship is awarded annually to PhD students who excel in applying engineering principles and techniques to develop innovative healthcare solutions.

Tselot specializes in human factors engineering, a discipline that focuses on how people interact with technology and systems. “It blends elements of engineering and psychology, which I studied as an undergraduate at U of T,” she explains. “I’ve always been interested in human information processing and decision-making, which is why I studied neuroscience as part of my Honours BSc. It’s great to apply those concepts now in designing human-centred technology solutions.”

EXPANDING ACCESS TO CARE

The focus of Tselot’s doctoral research – building on her master’s degree in industrial engineering, also from U of T – is developing digital self-care interventions for patients with chronic heart failure, particularly those in marginalized communities that have limited access to specialist care, along with low adoption of technology. Her research involves engaging with people who face obstacles

in housing, education and employment, with the aim of facilitating access to healthcare services and information.

To gain deeper insights into the lives of patients with heart failure, Tselot is also a trainee at Transform HF, a partnership between U of T and the Ted Rogers Centre for Heart Research. Part of the university’s Institutional Strategic Initiatives (ISI) program – which fosters collaboration between research, industry, community and philanthropic partners – Transform HF connects patients with engineers, researchers and other community stakeholders to drive the development of technology-based solutions for heart failure.

“I’m really interested in the self-care aspect, which is underexplored and can be very impactful,” Tselot says. “I want to develop tools to support patient education, as well as clinical decision-making with regard to remote monitoring. Some tools can allow patients to recognize when their symptoms are worsening and decide if they need to see a doctor. Others can facilitate family physicians’ referrals for advanced care. My ultimate goal is to create human-centred solutions that improve patient health outcomes while easing the burden on clinicians and reducing system inefficiencies.”

A LASTING LEGACY

The alumni behind the 6T6 Industrial Engineering 50th Anniversary Award in Healthcare Engineering include Mart Liinve, a member of the class of ’66 who began generously giving back to his alma ►



Introduction

UTAM OVERVIEW

Managing the assets entrusted to us
Endowment investment
Governance structure
Governance committees
PRI principles
PRI scorecard
INVESTMENT IMPACT
U of T President’s perspective
Divestment
Climate response
Q&A: David Palmer,
U of T’s Vice-President, Advancement
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

INVESTMENT IMPACT

◀ mater in the 1990s through support for student bursaries. As their 50th reunion approached, Mart and his classmates – many of whom had stayed in touch over the decades – were inspired to do more. They decided to create two scholarships – one in Healthcare Engineering and one in Industrial Engineering – and contributed initial funding that was then matched by the university. Since it was first granted in 2017, the 6T6 award in healthcare engineering has so far supported 11 doctoral students.

“It’s very satisfying to make a big difference in someone’s life with a small effort on your part,” says Mart, who began his engineering career designing inventory control systems and went on to found a successful manufacturing company in upstate New York. “I’ve benefitted from an investment philosophy that’s focused on the power of saving, and that has allowed me to help others.”

Mart is the son of wartime refugees from Estonia who journeyed first to Sweden, where he was born in 1945, then emigrated to Canada to start a new life. He looks back fondly on his years at U of T and especially his fellow alumni: “I feel like I won the lottery when I joined that class.” Now retired, he remains committed to giving talented young students a helping hand, especially in the STEM disciplines he feels are critical to ensuring a better future. Underlining that commitment, he has provided for further scholarship funding in his will. And he encourages other alumni to see how even a modest endowed gift can have a significant long-term impact: “This is the best kind of legacy you can leave: to do some lasting good for your community and for the world.”

The value of that legacy is clear to appreciative recipients like Tselot. “I am profoundly grateful for my engineering education, which empowers me to design innovative technologies that enhance the health and well-being of communities,” she says. “It’s heartening to know there are alumni who want to support the next generation of healthcare engineers. And for all graduate students in the early stages of our journeys, it’s encouraging to have people who are further along in their careers offer us guidance, resources and mentorship.” Indeed, this last dimension is particularly meaningful to Tselot, who volunteers with the university’s Blueprint and STEAM Design programs. “This award will enable me to continue volunteering and providing support to young people, including future engineers and healthcare professionals.”

*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, 2024, about \$1.56 billion – representing 43% of the university’s total \$3.62 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, 2024, U of T’s fiscal year-end, the total value of the Endowment portfolio was \$4.4 billion, including \$3.6 billion of endowment funds plus \$0.8 billion of other long-term assets. (At UTAM’s year-end – December 31, 2024 – the Endowment portfolio was valued at \$4.9 billion.)



Through his support for the U of T Endowment, alumnus Mart Liinve (standing, at centre) has helped engineering students in meaningful ways — including funding a van for student clubs to reach competitions and events.



UTAM OVERVIEW

- Managing the assets entrusted to us
- Endowment investment
- Governance structure
- Governance committees
- PRI principles
- PRI scorecard
- Investment impact
- U OF T PRESIDENT’S PERSPECTIVE**
- Divestment
- Climate response
- Q&A: David Palmer,  
U of T’s Vice-President, Advancement
- Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

U OF T PRESIDENT’S PERSPECTIVE

“SUCCESSFULLY MANAGING OUR  
UNIVERSITY’S ASSETS REQUIRES US TO  
REMAIN FOCUSED ON THE HORIZON.”

By Meric Gertler,  
President, University of Toronto



**I’VE HAD THE PRIVILEGE TO SERVE AS PRESIDENT OF THE** University of Toronto since 2013. In that time, I’ve worked alongside a remarkable team of colleagues and collaborated with diverse stakeholders across the U of T community. Together, we’ve elevated our university’s profile as a global centre of teaching, learning and research while enhancing its role as a critical piece of social infrastructure for Toronto, Ontario and all of Canada.

As my term draws to an end, it’s a welcome opportunity to reflect on the progress we’ve achieved, along with the challenges that remain for future leaders. This UTAM annual report highlights a theme I’ve touched on often over the past dozen years: the vital role of financial sustainability in advancing U of T’s mission. As a university that aspires to change the world for the better, we need a solid financial foundation – and UTAM is one of its cornerstones.

The title of this year’s annual report is *The Long View*. It’s a reminder that for UTAM, successfully managing our university’s assets requires us to remain focused on the horizon. A sound investment strategy looks beyond current economic conditions to gauge risks and returns over the long term. This prudent approach, not surprisingly, mirrors the strategic trajectory of the university it supports. As an institution devoted to pursuing academic excellence, U of T must meet the needs of not only current students or the next cohort, but of the generations who will follow them. And as a proving ground for innovative thinking, investigation and discovery, our focus is not just on the problems and opportunities of today, but on the broader challenges shaping humanity’s future on this planet.



Introduction

UTAM OVERVIEW

Managing the assets entrusted to us
Endowment investment
Governance structure
Governance committees
PRI principles
PRI scorecard
Investment impact
<b>U OF T PRESIDENT’S PERSPECTIVE</b>
Divestment
Climate response
Q&A: David Palmer,
U of T’s Vice-President, Advancement
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

U OF T PRESIDENT’S PERSPECTIVE

REACHING BEYOND DIVESTMENT

When I arrived in the President’s office, there was growing recognition that the university’s long-term investment strategy must be grounded more explicitly in our commitment to sustainability. In 2016, I engaged a wide array of stakeholders in mapping out a comprehensive sustainability strategy for U of T. The resulting report, entitled *Beyond Divestment: Taking Decisive Action on Climate Change*, embraced the principles of responsible investing and directed UTAM to adopt a systematic framework in considering environmental, social and governance (ESG) factors in investment decision-making.

The report was in part a response to calls for U of T to divest from fossil fuel companies. Despite the complexities of delivering on that aspiration – a topic we’ve explored often in past UTAM reports – in October 2021 we committed to divest the Endowment portfolio from all *direct* fossil fuel investments within one year. UTAM achieved that objective.

At the same time, we pledged to divest from *indirect* fossil fuel investments by 2030. This is more difficult to accomplish, as UTAM typically invests in pooled funds offered by third-party managers. It’s the managers who select the securities in their funds, which makes them indirect investments. While such funds offer many advantages, including operational simplicity and greater cost-efficiency, no single investor can impose customized investment restrictions on the fund manager. Still, UTAM has made significant progress here, too. By December 31, 2024, indirect fossil fuel exposure has decreased to less than 1% of the Endowment’s net asset value. At the same time, UTAM has adopted a parallel strategy for the equally significant expendable funds investment pool (EFIP) that it manages for the university. As of the 2023 year-end, this portfolio had eliminated all direct and indirect exposure to fossil fuel companies.

U of T’s stakeholders are understandably impatient to see tangible progress in mitigating climate change. I share their impatience. UTAM has responded to the call to action implicit in our carbon

emissions commitments and has been moving at an impressive pace to implement them. These investment strategies are aligned with initiatives across the university to build a more sustainable future.

Our efforts haven’t stopped there. As the 2016 report emphasized, decisive action must extend *beyond divestment*. We’ve pledged to achieve net-zero carbon emissions associated with the Endowment portfolio by 2050 – the same timeline we’ve set for making all areas of U of T operations climate-positive. Through UTAM, we became the first university in the world to join the Net-Zero Asset Owner Alliance, a UN-convened initiative that guides institutional investors in setting carbon emissions targets, engaging with emitters, financing transition steps and pursuing other aspects of decarbonization. UTAM has adopted the Alliance’s target-setting protocol and coordinates with other members on the evolving science of carbon footprint measurement.

We also committed to allocate at least 10% of the Endowment portfolio to sustainable and low-carbon investments by 2025. As of December 31, 2024, UTAM has achieved this target, with nearly 12% of the Endowment’s net asset value invested in such strategies.

These various initiatives complemented disciplined investment and risk management processes already well established by UTAM. The principles of responsible investing implemented over the past decade are now integral to how UTAM manages U of T’s assets, just as the goals of sustainability inform all dimensions of how our university sets priorities, makes decisions and plans for the future.

BUILDING STABILITY AND RESILIENCE

In 2013, the global economy still hadn’t fully recovered from the financial crisis and subsequent recession of four years earlier. For investors, one legacy of this challenging period was a heightened awareness of risk. By exposing vulnerabilities in an increasingly interconnected economy, the crisis prompted more rigorous approaches to all aspects of risk management, along with higher expectations around corporate transparency, governance and regulatory oversight.

It can be tempting to conclude that markets have adjusted to these new expectations and continued growing as before. To take one key measure, the value of the S&P 500 stock index rose by 185% over the 10-year period ending in December 2024, delivering an annualized return of 11.1% in US dollar terms. But for institutional investors – especially one like UTAM, entrusted with the assets of a university that must plan for decades to come – ensuring long-term resilience demands a methodical approach to portfolio construction and unwavering attention to the institution’s risk tolerance. It also requires the disciplined implementation of sophisticated investment and risk management processes. And this prudent approach, long practised by UTAM, tends to yield more conservative returns: generating a 10-year annualized net return on the Endowment portfolio of 8.1%.

Although the Endowment did not match the return generated by the S&P 500 over the past decade, it exceeded our expectations by outperforming both the university’s target return and the public market benchmark established by the Endowment’s Reference Portfolio. In more concrete terms, the strong returns generated by the Endowment over the last 10 years have enabled us to distribute over \$945 million in support of students, faculty, academic programs and research. This year’s annual report once again includes a series of success stories showing the significant and lasting impact of UTAM’s skilled investment management on the life of our university. ►



Introduction

UTAM OVERVIEW

Managing the assets entrusted to us
Endowment investment
Governance structure
Governance committees
PRI principles
PRI scorecard
Investment impact
U OF T PRESIDENT’S PERSPECTIVE
Divestment
Climate response
Q&A: David Palmer,
U of T’s Vice-President, Advancement
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

U OF T PRESIDENT’S PERSPECTIVE

◀ I’m confident that the right people and processes are in place at UTAM to continue navigating the inevitable ups and down of global markets and extend our successful track record into the future. This confidence is crucial for the leadership teams that set priorities and plan initiatives across the university. It’s equally important to the thousands of benefactors whose generosity enables the U of T Endowment to continue growing – and to those who benefit from their giving, today and for years to come.

BUILDING VITAL SUPPORT

In the university’s 2023–2024 fiscal year, the total value of the U of T Endowment increased to \$3.62 billion – even as investment returns enabled us to distribute \$122 million toward student scholarships and bursaries, faculty chairs and professorships, academic and research initiatives, and other priorities. (Full investment highlights for the year are presented on pages 48–50.) Endowed gifts, directed according to donors’ wishes, have a significant impact in every area of our university and are fundamental to its financial sustainability.

This philanthropic support has become more vital than ever as U of T, like universities across Canada, has faced increasingly severe fiscal constraints. Tightened government funding, an extended tuition freeze in Ontario, limits on international student enrollments, rising compensation costs for faculty and staff – these and other financial pressures loom large as we work to maintain the standards of excellence for which our university is known. Moreover, we’re facing them in a world increasingly destabilized by geopolitical tensions and disrupted by issues such as public health crises, climate change, growing protectionism and other threats to social, economic and environmental wellbeing.

Tackling these daunting challenges will require extraordinary collaboration and collective will. The University of Toronto is playing an outsized role in this effort. By fostering innovative teaching and research, by working through differences and overcoming obstacles, by testing and modelling solutions, and by inspiring similar efforts from public and private institutions – not just in Canada, but around the world – the U of T community is helping find solutions to the global problems confronting humanity. We are contributing to a better future.

TAKING THE LONG VIEW

In my installation address as President, I shared my belief that “the support of our alumni, benefactors and friends has never been more important than it is today and will become even more so in the coming years.” It was an evidence-based prediction that remains just as sound today – arguably more so. As we look forward to the university’s 200th anniversary in 2027, I know we can count on our worldwide U of T community to continue supporting all that makes this university unique while helping to sustain our momentum into a third century.

Fostering and growing that support is the focus of our bold multi-year campaign, Defy Gravity – a phrase originally invoked in my inaugural remarks to describe how U of T manages to achieve landmark successes despite its comparatively limited resources. Launched in 2021, the campaign aims to engage 225,000 alumni as volunteers, mentors and leaders while raising an unprecedented \$4 billion to help talented students, teachers and scholars address the most important challenges shaping our future.

Donations to Defy Gravity, whether directed to the U of T Endowment or to funding ongoing expenditures, are invested on our behalf by UTAM’s professional investment team. As UTAM prepares to celebrate its 25th anniversary in 2025, the team continues to evolve and apply strategies and processes designed to balance the university’s return objectives against our need to manage risk judiciously.

UTAM’s astute and reliable stewardship of the University of Toronto’s assets has been a constant throughout my tenure. In reflecting on the many talented, dedicated people who’ve contributed to that stewardship, I want to convey my particular gratitude to the UTAM Board of Directors, including the current Chair, Richard Nunn, and his predecessors, as well as the committed co-directors I’ve had the privilege to serve alongside. I’m also profoundly grateful to the volunteer members of the university’s independent Investment Committee, currently chaired by Craig Rimer, who have helped shape and guide UTAM’s investment approach. Without their expert insights and wealth of experience, we would not have the soundly governed portfolios that have helped our university achieve so many ambitious milestones.

Lastly, I want to reiterate my deep appreciation to everyone at UTAM for their knowledge, skill, creative problem-solving and plain hard work under the strong and effective guidance of Chuck O’Reilly, President and Chief Investment Officer, and his senior leadership team. Their collective efforts, whether focused on investing wisely, managing risk or enhancing operations, have enabled UTAM to navigate significant challenges, deliver strong investment returns and help ensure that the decisions we make today will address the needs of tomorrow.

As I now join the U of T community in welcoming my successor, Prof. Melanie Woodin, I’m confident that subsequent generations of students, researchers and innovators will carry on the commitment to excellence that has defined our university for nearly two centuries. This great institution will not only endure but will continue to advance its mission – as always, by taking the long view, investing strategically, responsibly and sustainably for the future.



**Meric Gertler**  
President, University of Toronto



Introduction

UTAM OVERVIEW

Managing the assets entrusted to us
Endowment investment
Governance structure
Governance committees
PRI principles
PRI scorecard
Investment impact
U of T President’s perspective
<b>DIVESTMENT</b>
Climate response
Q&A: David Palmer,
U of T’s Vice-President, Advancement
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

# DIVESTMENT FROM FOSSIL FUELS

**AS PART OF THE UNIVERSITY OF TORONTO’S ENGAGEMENT IN THE** global fight against climate change, in October 2021 President Gertner announced the following two fossil fuel divestment commitments:

- 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 (also referred to as 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 progress towards this goal.

## DIRECT EXPOSURE

UTAM achieved the first commitment in 2022, within the target timeline. During 2024, a new separate account mandate was established in the Long-Term Capital Appreciation Pool (LTCAP) for a long only public equity strategy. The investment guidelines for this mandate excludes investments in fossil fuel names and Compliance monitors portfolio holdings against these exclusions.

## INDIRECT EXPOSURE

Effective December 31, 2024, we added fossil fuel exposure from the Alternative Credit Program to the fossil fuel exposure calculation, based on estimated exposures provided by external investment managers. This expanded the calculation base for this exposure to include all Endowment portfolio investment programs except the Absolute Return Program, which is subject to data limitations preventing its inclusion.

Over the period since the divestment commitments were announced, we have implemented notable changes in the Endowment portfolio

to reduce indirect exposure to fossil fuel companies. In the following table, we compare the fossil fuel exposures at each calendar year-end beginning in 2021. As the table indicates, the dollar value of the fossil fuel exposure decreased from \$85.1 million in 2021 to \$44.0 million at the end of 2024. The percentage weight of these securities in the Endowment dropped from an initial weight of 2.0% to 0.9% at December 31, 2024, despite expanding asset coverage as noted above.

**Table 2**  
**Fossil Fuel Exposure in Endowment Portfolio**

	Exposure in \$M	Cumulative Change in \$ Exposure	Exposure as % of LTCAP
2021**	\$85.1		2.0%
2022†	\$76.0	-10.7%	2.0%
2023‡	\$61.3	-27.9%	1.4%
2024‡	\$44.0	-48.3%	0.9%

\*Includes direct and indirect exposure; direct exposure was not fully divested until October 2022.  
†Excludes any fossil fuel exposure from Alternative Credit Program and Absolute Return Program.  
‡Excludes any fossil fuel exposure from Absolute Return Program.

While UTAM-implemented portfolio changes drove decreases in the Endowment’s indirect fossil fuel exposure between 2021 and 2023, in 2024 we did not implement any portfolio changes that were expected to materially impact the Endowment’s exposure to fossil fuel companies. Rather, the significant year-over-year decrease in 2024 was driven by changes in the holdings of our external public equity investment managers. UTAM communicates our expectations to existing and prospective public equity managers, urging them to reduce exposure to fossil fuel companies and consider launching fossil fuel-free strategies. However, until investment managers agree to launch such strategies, we may see exposure to these companies revert in 2025 or later.

To better align our efforts with the university’s divestment initiative, we transitioned 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 ex fossil fuels indexes. As of the same date, the Reference Portfolio’s equity benchmark began transitioning to the MSCI All-Country World ex Fossil Fuels Index; we completed this transition effective October 1, 2024.

Lastly, although President Gertler’s divestment initiative is focused on the Endowment portfolio, UTAM also implemented changes to EFIP in 2022 to align its investment strategy with the university’s broader climate objectives. Since 2022, EFIP has not had any direct exposure to fossil fuel companies and indirect exposure to fossil fuel companies has been divested.

## 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 achieved this target during 2024, with 11.7% of the Endowment’s net asset value at December 31 invested in such strategies. We are committed to maintaining the targeted threshold level of investment in sustainable and low-carbon strategies over the long term and we continue to source and assess new investment opportunities in such strategies.

\* Fossil fuel exposure, unlike the carbon footprint measure, is calculated based on the broader Endowment portfolio. The assets included in the fossil fuel measurement include all assets from the carbon footprint measurement process along with exposure from public government bonds and private investments in the Alternative Credit Program. Only investments in the Absolute Return Program (implemented via a portable alpha structure) are excluded due to the availability of data. While we believe it will be challenging to obtain sufficient data to accurately quantify any fossil fuel exposure within the Absolute Return Program, we expect the net exposure would be low as a result of the program’s low beta and low net exposure positioning.



Introduction

UTAM OVERVIEW

Managing the assets entrusted to us
Endowment investment
Governance structure
Governance committees
PRI principles
PRI scorecard
Investment impact
U of T President’s perspective
Divestment
<b>CLIMATE RESPONSE</b>
Q&A: David Palmer,
U of T’s Vice-President, Advancement
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

# 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, and we update these interim targets as required under the protocol.

## EMISSIONS TARGETS

In October 2022, UTAM announced a new, and more ambitious, carbon footprint target for the Endowment portfolio – a 50% reduction by 2030, using 2019 baseline levels. This target, measured in tonnes of CO<sub>2</sub> equivalent per million dollars invested (tCO<sub>2</sub>e/\$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 within the Traditional Credit Program.

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. In 2022, we set an interim engagement target for

2025, consistent with the Alliance’s Target Setting Protocol, and we have achieved these goals on schedule. We are setting new interim engagement targets as required under the updated Target Setting Protocol:

- To actively engage – through collaborative initiatives and our engagement service providers – with 10 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 engage directly with 25 incumbent and prospective investment managers on net zero by 2050 initiatives.

## 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.

## PORTFOLIO CARBON FOOTPRINT AND PWC LIMITED ASSURANCE REVIEW

At the end of 2024, the carbon footprint of the Sub-Portfolio was 18.4 tCO<sub>2</sub>e/\$M (based on total emissions of 62,558.1 tCO<sub>2</sub>e). UTAM once again engaged PwC to undertake a limited assurance review of the calculation of the 2024 carbon footprint. The review examined the calculation and reported outcomes based on the 2024 carbon footprint results.

The [2024 carbon footprint](#) calculation and results, accompanied by PwC’s report, are available on our website.

## CARBON OFFSETS

For the second consecutive year, UTAM voluntarily opted to participate in the university’s Air Travel Emissions Mitigation Initiative, an institutional carbon offset program for air travel. 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 2024 offset 145.3 tonnes of CO<sub>2</sub> emissions.

The university offsets emissions for business air travel by investing in university-based projects aimed at reducing the institution’s carbon footprint. The tri-campus projects focus on carbon reduction opportunities related to energy, food, waste, and transportation. An illustrative project is the 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.

In addition to participating in the university’s offset program for air travel, UTAM also purchased carbon offsets for our 2024 operations – representing 187.3 tonnes of CO<sub>2</sub> equivalent – to mitigate carbon emissions as a result of our electricity and gas consumption, along with our ground travel. As a result, UTAM continues to be substantially carbon neutral.



UTAM OVERVIEW

- Managing the assets entrusted to us
- Endowment investment
- Governance structure
- Governance committees
- PRI principles
- PRI scorecard
- Investment impact
- U of T President’s perspective
- Divestment
- Climate response
- Q&A: DAVID PALMER,  
U OF T’S VICE-PRESIDENT, ADVANCEMENT**
- Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

Q&A WITH DAVID PALMER,  
U OF T’S VICE-PRESIDENT, ADVANCEMENT

“FINANCIAL SUSTAINABILITY IS MEASURED  
NOT IN YEARS, BUT DECADES.”

David Palmer, the University of Toronto’s Vice-President, Advancement, discusses the value of investing for the long term as Canada’s largest university continues to transform generous donor support into global leadership in teaching, learning and research. ►



DEFY  
GRAVITY



Introduction

UTAM OVERVIEW

Managing the assets entrusted to us
Endowment investment
Governance structure
Governance committees
PRI principles
PRI scorecard
Investment impact
U of T President’s perspective
Divestment
Climate response
<b>Q&amp;A: DAVID PALMER, U OF T’S VICE-PRESIDENT, ADVANCEMENT</b>
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

Q&A WITH DAVID PALMER,  
U OF T’S VICE-PRESIDENT, ADVANCEMENT

◀ **Q:** How important is the U of T Endowment\* to helping sustain U of T’s mission?

**David Palmer:** It’s vital. This university and the diverse community of stakeholders who support it are committed to advancing excellence in higher education and research. And one of the pillars of that commitment is the U of T Endowment, which brings together gifts from many generous donors in a fund designed to grow in value and impact over time. When I talk about the spirit of giving embodied in the Endowment, I often point back to the university’s motto, *velut arbor aevo*, which translates from Latin as “may it grow as a tree through the ages.” Those simple words convey the multi-generational impact of Endowment giving – an evergreen source of life-changing opportunities that will continue to inspire existing and prospective donors into the future.

The breadth of donor support is worth underlining. The Endowment comprises over 7,200 individual endowed funds from many thousands of donors across Canada and around the world. It includes gifts of all sizes and sources that are essential to the fulfilment of the university’s teaching and research mission – and that enhance the experience of hundreds of thousands of students, faculty and alumni over time. Since its inception, the Endowment has received gifts from nearly 90,000 donors. Their foresight and generosity are an inspiration to us all.

**Q:** What determines how much of the Endowment can be paid out each year?

**A:** The Endowment’s mandate – and UTAM’s, as the university’s investment manager – is to continue growing the total value of the Endowment while maintaining the purchasing power of its distributions over time. In years when market conditions are favourable, the portfolio may generate returns beyond the university’s annual Endowment spending allocation. These excess earnings are reinvested back into each individual Endowment fund – to protect against inflation and to build a reserve within each fund that the university can draw from during times when investment returns are less robust.

This conservative approach to spending meshes with UTAM’s disciplined investment process. Both strategies are essential to advancing the mission of a large and complex institution like U of T, whose financial sustainability is measured not in years, but in generations.

That said, returns from the Endowment have been very strong and have enabled significant growth both in capital and in distributions. In the past decade alone, the Endowment has distributed nearly \$1 billion to support students, faculty, academic programs and research. At the same time, the value of the U of T Endowment has grown from \$2.1 billion to \$3.6 billion. This is why we say that endowed giving is remarkably efficient for achieving and sustaining long-term impact.

It’s all thanks to our generous donors – and to UTAM’s success in delivering an 8.1% annualized net return, which is well above the university’s 10-year target return of 6.6%.

\* In this Q&A, “Endowment” refers to the total value of all endowed gifts to the university. For details of the Endowment portfolio, also known as the Long-Term Capital Appreciation Pool or LTCAP, see page 10.  
Please note that U of T’s fiscal year end is April 30, while UTAM’s fiscal year end is December 31.



Introduction

UTAM OVERVIEW

Managing the assets entrusted to us
Endowment investment
Governance structure
Governance committees
PRI principles
PRI scorecard
Investment impact
U of T President’s perspective
Divestment
Climate response
<b>Q&amp;A: DAVID PALMER, U OF T’S VICE-PRESIDENT, ADVANCEMENT</b>
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

Q&A WITH DAVID PALMER,  
U OF T’S VICE-PRESIDENT, ADVANCEMENT

**Q:** There are many areas across the university that rely on additional funding beyond tuition fees. How are distributions from the U of T Endowment allocated?

**A:** Within the overall spending allocation established each year by U of T, specific distributions are guided by donors’ commitments in support of our approved academic priorities. Not surprisingly, the top priority for Endowment funding reflects the primary focus of this university: fostering student success. During the university’s past fiscal year, about \$1.6 billion, or 43% of the current U of T Endowment, was committed to scholarships, bursaries and other types of direct student support. The second largest allocation, at just over \$1 billion, was to faculty in the form chairs and professorships. An additional \$630 million was directed to academic programs, and more than \$380 million went to research. All of these investments further strengthen our support for students and their development as learners, investigators and future leaders.

Looking more closely at direct financial support: Of the nearly 100,000 students enrolled in 2023–2024, over 56% received some form of

non-repayable financial aid directly from U of T, including admission or in-course scholarships, and bursaries. We make a concrete commitment to guaranteed access: no qualified student offered admission to the university is ever turned away for financial reasons. Our commitment to the highest level of educational excellence, and to accessibility at a scale unrivalled among other leading universities, is a powerful expression of our values and a unique differentiator. That commitment is further reinforced by our dedication to advancing equity and inclusion – as a learning community rooted in, and reflective of, one of the world’s most diverse city regions.

These are all ambitious aspirations, and there are many dimensions to the work required to sustain them. But a key contributor to our continued progress is the Endowment. In judiciously managing that portfolio, UTAM constantly looks beyond the horizon with a view to delivering transformational long-term growth.

**Q:** What kinds of challenges can slow down this momentum?

**A:** Our university, like all of society, must grapple with adverse economic conditions, whether from rising inflation or the risk of recession. We also face a changing array of challenges, from trade disputes to geopolitical conflicts. And every year brings further evidence of the potentially devastating impacts of climate change.

Against this broad backdrop, we’re coming to grips with an even more pressing challenge: the sharp decline in public financial support for colleges and universities. The previous generation of students could count on government funding to cover more than 80% of the cost of their education. Today that figure has dropped below 20% – and it’s expected to continue falling.

The urgent need for new sources of support has resonated with donors who believe in the value of higher education and want to help bridge the financial gap. They also want to feel that their contributions have the greatest possible impact – and this is where the U of T

Endowment plays a key role. Under UTAM’s careful stewardship, the Endowment has become increasingly important to ensuring that our university not only functions effectively but continues to thrive. And with UTAM managing the portfolio, donors can see that their generosity brings lasting benefits.

This is another differentiator I emphasize with prospective donors: UTAM is a sophisticated investment manager, exceptionally well managed and led, with proven strategies and a commitment to accountability and clear communications. Among university asset managers, it has helped lead the adoption of responsible investing principles, weighing environmental, social and governance factors – ESG – in its decision making. In other words, UTAM is an enterprise whose values and dedication to excellence mirror those of the university it serves. This gives donors added confidence that their endowed gifts will continue making a difference well into the future – just as the gifts of past generations of donors still have an impact today.



Introduction

UTAM OVERVIEW

Managing the assets entrusted to us
Endowment investment
Governance structure
Governance committees
PRI principles
PRI scorecard
Investment impact
U of T President’s perspective
Divestment
Climate response
<b>Q&amp;A: DAVID PALMER, U OF T’S VICE-PRESIDENT, ADVANCEMENT</b>
Investment Impact

Investment process

Risk management

Stewardship

Long-term performance

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

Q&A WITH DAVID PALMER,  
U OF T’S VICE-PRESIDENT, ADVANCEMENT

**Q: How do you ensure that current donations will match future needs?**

**A:** This university is constantly evolving to reflect evolving global challenges and to pursue life-changing advanced research and education. This work is fundamental to the development of ideas, innovations and talent that is so necessary to create the world we wish to see, for the benefit of this and subsequent generations. So naturally there’s a similar evolution in how and where endowed gifts are directed. For instance, climate and sustainability, democracy and regenerative medicine are among the world-changing ideas at the forefront of philanthropy today, driven by the desire to improve human lives and our environment.

As such challenges evolve, our fundamental focus remains unchanged: to foster specialized knowledge, leadership skills and innovative solutions that address the world’s most urgent social, environmental, economic and health-related challenges. This is the ambition at the heart of our [Defy Gravity](#) campaign, which launched in 2021 and is already creating significant impact.

Our \$4 billion fundraising goal is unprecedented in Canadian history, and I’m pleased to note that we have already exceeded \$2 billion in funds raised – at a record pace. We envision the campaign sparking further dramatic growth in the scale of the U of T Endowment and the scope of its funding power. At the same time, Defy Gravity has equally ambitious goals around engagement. We want to inspire 225,000 alumni to support their alma mater not only as donors, but as volunteers, mentors and leaders, contributing their time and talent to this university at least one million times.

**Q: Within this collective effort, how should donors measure the value of their individual contributions?**

**A:** Their gifts enable specific, meaningful advances in teaching, learning and research, both today and into the future. And at a time when expertise, evidence-based insights and truth itself are under siege, they’re helping to empower a new generation of thinkers and investigators who will drive social progress and create a more robust, sustainable global economy.

So our donors can rightly feel that they’re helping to shape the world for the better. And in that spirit, we’re already pointing ahead to the next milestone in our own history. Just two years from now, in 2027, the University of Toronto will celebrate its 200th anniversary. The gifts we receive today – and that UTAM helps grow within the Endowment – will be foundational to our continued success as we embark on a third century of excellence.



Introduction

UTAM OVERVIEW

- Managing the assets entrusted to us
- Endowment investment
- Governance structure
- Governance committees
- PRI principles
- PRI scorecard
- Investment impact
- U of T President’s perspective
- Divestment
- Climate response
- Q&A: David Palmer, U of T’s Vice-President, Advancement

INVESTMENT IMPACT

Investment process

Risk management

Stewardship

Long-term performance

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

INVESTMENT IMPACT

“THE CATALYST FOR GROUNDBREAKING ADVANCEMENTS AT THE INTERSECTION OF MATERIALS SCIENCE AND AI.”

When Prof. Anatole von Lilienfeld arrived at the University of Toronto in 2022 from the University of Vienna, he was preceded by his reputation as one of Europe’s leading materials scientists. Over the past decade, his innovative use of artificial intelligence to power scientific research has advanced the discovery of transformative materials with applications in healthcare, clean energy production and the development of sustainable technologies and infrastructure.



Prof. Anatole von Lilienfeld (centre) at the Acceleration Consortium’s first annual Accelerate conference — a gathering of leaders from universities, industry and government who are helping shape the emerging field of AI for science. Photo by Clifton Li © Acceleration Consortium

“What attracted me to U of T was the remarkable commitment to excellence in AI-based research in the chemical sciences, as well as the outstanding, world-renowned academic environment,” Prof. von Lilienfeld says. “I’m part of a team of researchers who are deepening our understanding of the rules that govern the behaviour of matter.”

The various dimensions of the professor’s role at U of T reflect the cross-disciplinary nature of his field. His appointment is shared between the Department of Chemistry and the Department of Materials Science & Engineering. He is also a faculty member of the Vector Institute, joining a community of creative problem-solvers dedicated to advancing Canadian research on AI and its potential to fuel economic growth. And he is on the scientific leadership team of the global Acceleration Consortium, a U of T-based network of researchers who are using AI and robotics to hasten the development of beneficial materials that don’t currently exist.

Among the many compelling reasons that brought Prof. von Lilienfeld to U of T, one other factor helped clinch his decision: being the first appointee to the Clark Chair in Advanced Materials. Funded by an endowed gift from Ed and Fran Clark, the Clark Chair reflects the commitment of these long-time U of T donors to fostering excellence in teaching and research, with a particular focus on harnessing the potential of AI to transform society.

“This generous endowment has been the catalyst for groundbreaking advancements at the intersection of materials science and AI,” says Prof. von Lilienfeld. “It’s enabling the rapid discovery of new materials that can be used to address critical global challenges.”

ACCELERATING INNOVATION

This commitment to increasing the pace of discovery by investing in transformative technologies is core to the purpose of the Acceleration Consortium. Established at U of T in 2020, the network is one of many created through the university’s Institutional Strategic Initiatives (ISI) program, which enables interdisciplinary research through collaboration with industry, community and philanthropic partners. The Acceleration Consortium brings together innovators in academia, business and government to speed up the design and commercialization of sustainable materials that outperform traditional materials in terms of resilience, cost and environmental impact.

What makes accelerated development possible is a new model at the heart of the discovery process: the self-driving lab, which combines AI, automation and “high-throughput” experimentation – pursuing multiple experiments simultaneously – to rapidly create and test new materials and molecules. Examples of potential impact include improved drug delivery systems, more energy-efficient electronic devices and construction materials that are lighter, stronger and corrosion-resistant – to name just a few of the avenues being explored by Consortium members around the world. ►



Introduction

UTAM OVERVIEW

- Managing the assets entrusted to us
- Endowment investment
- Governance structure
- Governance committees
- PRI principles
- PRI scorecard
- Investment impact
- U of T President’s perspective
- Divestment
- Climate response
- Q&A: David Palmer,
- U of T’s Vice-President, Advancement
- INVESTMENT IMPACT

Investment process

Risk management

Stewardship

Long-term performance

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

INVESTMENT IMPACT

◀ “I strongly believe that the Acceleration Consortium will play a crucial role in synchronizing efforts not only at the technical but also at the societal level,” Prof. von Lilienfeld says. “We are at the dawn of truly digitizing the chemical sciences, with unprecedented advantages for humanity at large.”

VISIONARY LEADERSHIP

This potential for creating broader social impact is important for Ed and Fran Clark, who have championed many philanthropic initiatives, in addition to advocating for LGBTQ+ rights and people experiencing homelessness. As U of T alumni (they met while students at University College in the late 1960s), the Clarks have been energetic supporters of their alma mater through the university’s Boundless and Defy Gravity campaigns.

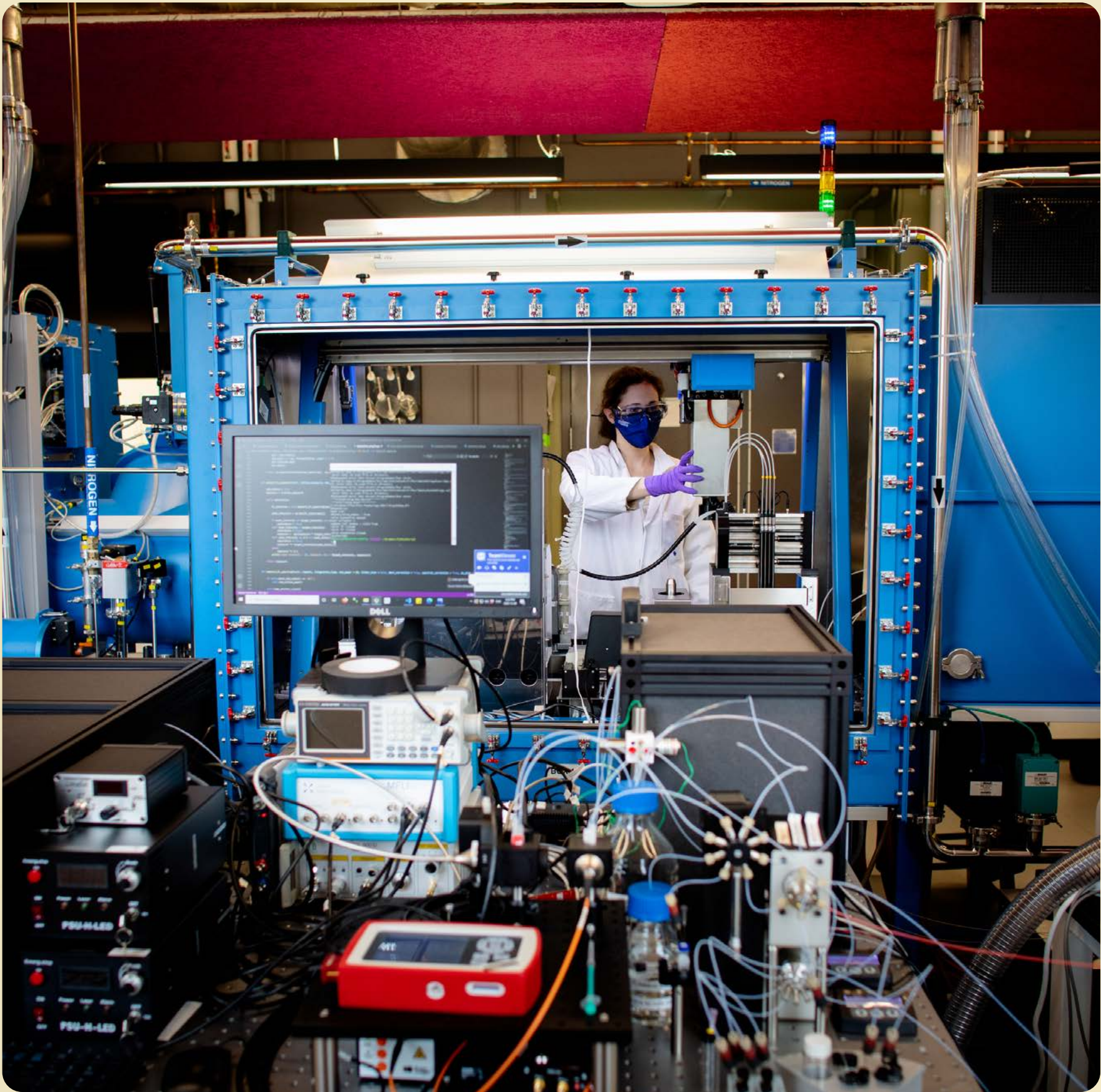
In 2014, after a distinguished career in the public and private sectors, Ed retired as CEO of the TD Bank Group. He has since taken on a number of leadership roles in the community, including as founding chair of the Vector Institute. His passionate belief in the transformative power of AI inspired his vision for the Clark Chair.

“We were thrilled to welcome Prof. von Lilienfeld in this role,” Ed says. “Canadians can look to the Acceleration Consortium and the Vector Institute to tackle the immense challenges that impact their lives, by driving the discovery of new materials for more environmentally conscious products, greener energy and better medicine, among other industrial applications. Anatole is a tremendous asset to both

initiatives as he helps advance collaborative efforts to address those challenges. His work underlines the growing importance of U of T – and Toronto – as global centres of AI-based research.”

*Thanks to support from the Clarks and thousands of other generous donors, U of T was able to invest \$1.05 billion in chairs and professorships during the university fiscal year ending April 30, 2024 — about 29% of the total \$3.62 billion in endowment funds under UTAM’s management 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, 2024, U of T’s fiscal year-end, the total value of the Endowment portfolio was \$4.4 billion, including \$3.6 billion of endowment funds plus \$0.8 billion of other long-term assets. (At UTAM’s year-end – December 31, 2024 – the Endowment portfolio was valued at \$4.9 billion.)



Using self-driving labs that integrate AI, automation and high-throughput experimentation, the Acceleration Consortium is transforming how new materials and molecules are discovered. Photo by Johnny Guatto/University of Toronto.



Introduction
UTAM overview
INVESTMENT PROCESS
Reference portfolio
Manager selection
Manager spotlight
Investment impact
Risk management
Stewardship
Long-term performance

To download UTAM's Financial Statements,  
Carbon Footprint Report and TCFD Report:  
[utam.utoronto.ca/reports](https://utam.utoronto.ca/reports)

# A RIGOROUS INVESTMENT PROCESS

**WE'RE CONSTANTLY REFINING UTAM'S INVESTMENT PROCESS,** leveraging new insights as we tackle current and emerging challenges. We rigorously evaluate our external investment managers through a combination of quantitative and qualitative analysis. We use sophisticated analytical tools to help guide our investment activities and handle day-to-day tasks more effectively. And we apply judgment grounded in experience to fine-tune how we structure and manage all aspects of our operations. Taken together, these efforts add up to a robust, repeatable investment process that has produced results exceeding the university's risk and return objectives over the long term.



Introduction

UTAM overview

INVESTMENT PROCESS

REFERENCE PORTFOLIO

- Manager selection
- Manager spotlight
- Investment impact

Risk management

Stewardship

Long-term performance

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

# 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 portfolio. 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 – represented by investable benchmarks; 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 3**  
**Asset Mix Compared to the Reference Portfolio at December 31, 2024**

Reference Portfolio Asset Class	Benchmark	Reference Portfolio Weight	Actual Endowment Weight
Equity		60.0	59.9
Global Equity*	MSCI ACWI Net ex Fossil Fuels Total Return Index†	60.0	59.9
Fixed Income		40.0	40.0
Canadian Corporate Bonds	FTSE Canada All Corporate ex Fossil Fuels Enhanced Bond Total Return Index	20.0	20.0
Canadian Government Bonds	FTSE Canada All Government ex Fossil Fuels Bond Total Return Index	20.0	20.0

\* 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 completed its transition to the MSCI ACWI Net ex Fossil Fuels index effective October 1, 2024.

## ASSET MIX

Table 3 shows the asset class weights for the Reference Portfolio and the Endowment portfolio as of December 31, 2024. 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 3 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. 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 asset classes and strategies, often referred to as investment programs.

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 portfolio 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 38.



Introduction

UTAM overview

INVESTMENT PROCESS

- Reference portfolio
- MANAGER SELECTION
- Manager spotlight
- Investment impact

Risk management

Stewardship

Long-term performance

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

# HOW WE CHOOSE INVESTMENT MANAGERS

UTAM OPERATES ON A “MANAGER OF MANAGERS” MODEL.

We invest the university’s assets through third-party investment managers that we judge best in class, after conducting a rigorous assessment process examining all forms of risk. Taking an analytical approach to evaluating and selecting potential managers, over the years we’ve defined clear steps for identifying strong candidates, vetting their investment practices and monitoring the long-term performance of their strategies.

We actively seek external managers whose investment vehicles align with the university’s commitments to responsible investing and divestment while also delivering expected returns that meet UTAM’s investment objectives and fiduciary duties. As part of our due diligence, we thoroughly assess how a manager’s strategy has performed over time. And we look closely at the people behind the strategy – the professionals who will be responsible for putting our decisions into action. By engaging directly with a manager’s investment, compliance and operations teams, teams, we gain a detailed understanding of both the investment strategy as well as the manager’s organization.

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 five Ps: people, philosophy, process, performance and portfolio fit. 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 we run 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; 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. ►



Introduction

UTAM overview

INVESTMENT PROCESS

- Reference portfolio
- MANAGER SELECTION
- Manager spotlight
- Investment impact

Risk management

Stewardship

Long-term performance

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

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, processes and internal controls, and policies – including those related to proxy voting policies, where relevant. 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 active 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 Ps 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.

THE FIVE Ps

To guide our due diligence in selecting external managers, UTAM assesses the Five Ps:

People

In evaluating a manager’s skills and performance record, we look at the individuals who manage the investments, how they work as a team, and the shared values and organizational culture that guide and support them.

Philosophy

We seek external managers with a well-considered overall approach, along with specific strategies that complement UTAM’s investment beliefs, risk and return targets, and commitment to responsible investing.

Process

A manager’s investment process is the series of steps that connect guiding philosophy to concrete decision-making. Core elements include research, buy and sell considerations, risk management and portfolio construction. With our long-term focus, we look for an investment process that is documented, repeatable and consistently applied and tested over time.

Performance

We look at far more than the returns a manager’s strategy generates over a year or even 10 years. We also evaluate their performance record compared to peers and in varied market conditions. And we assess how replicable those results are, as well as whether they correlate to the manager’s stated philosophy and process.

Portfolio fit

We determine whether a potential manager’s philosophy and process, as well as its strategies’ expected exposures and returns are complementary to the rest of our portfolio.



Introduction

UTAM overview

INVESTMENT PROCESS

- Reference portfolio
- Manager selection
- MANAGER SPOTLIGHT**
- Investment impact

Risk management

Stewardship

Long-term performance

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

# RESPONSIBLE INVESTING MANAGER SPOTLIGHT



[www.rpia.ca](https://www.rpia.ca)

In fulfilling our mandate on behalf of the University of Toronto, UTAM seeks out external investment managers whose approaches align with our own, including in responsible investing. The time and care we put into manager selection is rewarded by the many close collaborative relationships we’ve built over the years. Among many benefits of these long-term partnerships is the exchange of knowledge: as UTAM and our external managers evolve and update responsible investing practices, we learn from each other and strengthen our business relationships.

One such fruitful relationship is with RPIA, a fixed income investment manager we’ve worked with since 2010. In our 2019–2020 Responsible Investing Report, we asked the firm to provide details on an innovative investment strategy we’d collaborated on to lower carbon intensity in the Endowment portfolio. More recently, RPIA worked with us to develop two fossil fuel-free strategies that are funded with capital from the Endowment and EFIP, and that RPIA markets broadly. These have helped advance U of T’s divestment objectives while creating new responsible investing opportunities for other investors.

We invited RPIA to provide an update on these fossil fuel exclusion strategies and to share insights from two recent engagement activities with a responsible investing focus. Here’s their report:

RPIA is a specialized fixed income manager with deep expertise in actively managing corporate bond portfolios. Our Toronto-based firm, founded in 2009, manages approximately \$16 billion for a broad investor base of institutions, advisors and private clients.

## ESG INTEGRATION

We believe ESG factors can materially impact the risk and return profile of securities held in our portfolios. We supplement our fundamental and technical analyses with the consideration of relevant ESG factors to assess risks and opportunities more completely across our strategies. Incorporating these factors, both at the issuer level and for specific sectors and regions, gives us a comprehensive view of material credit risks.

Fixed income investors have unique engagement opportunities, as outstanding debt typically represents a larger proportion than equity on company balance sheets. Additionally, when private companies issue debt in global capital markets, fixed income asset managers are able to engage with greater leverage than public equity investors can apply. The focus of such engagements, which varies among issuers, is generally aligned with equity investor concerns, covering topics such as net zero commitments, transition plans, labour relations and governance structure.

Through RPIA’s in-depth credit research and engagement activities, we are in regular communication with the management teams of many issuers in which we invest. We enhance our analysis by deploying our proprietary tool, the RP Barometer, to better quantify the ESG risks that issuers may face. ►



Introduction

UTAM overview

INVESTMENT PROCESS

- Reference portfolio
- Manager selection
- MANAGER SPOTLIGHT
- Investment impact

Risk management

Stewardship

Long-term performance

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

RESPONSIBLE INVESTING  
MANAGER SPOTLIGHT

◀ RPIA AND UTAM: THEMATIC PORTFOLIOS

RPIA and UTAM have collaborated on corporate bond solutions since 2010. Our common aim is to design portfolios that play an integral role in helping UTAM achieve its investment goals on behalf of the University of Toronto. We share UTAM’s view that for stewards of capital, the consideration of ESG factors is essential for making well-informed investment decisions.

In 2022, RPIA worked with UTAM in launching two thematic portfolios that focus on specific ESG objectives: RP Broad Corporate Bond (Fossil Fuel Exclusion) and RP Broad Corporate Bond (BBB, Fossil Fuel Exclusion). Both strategies employ a negative screening approach to meet our investors’ ESG-related objectives while maintaining a lower weighted average carbon intensity (WACI) than the carbon-reduced indexes that serve as their benchmarks.

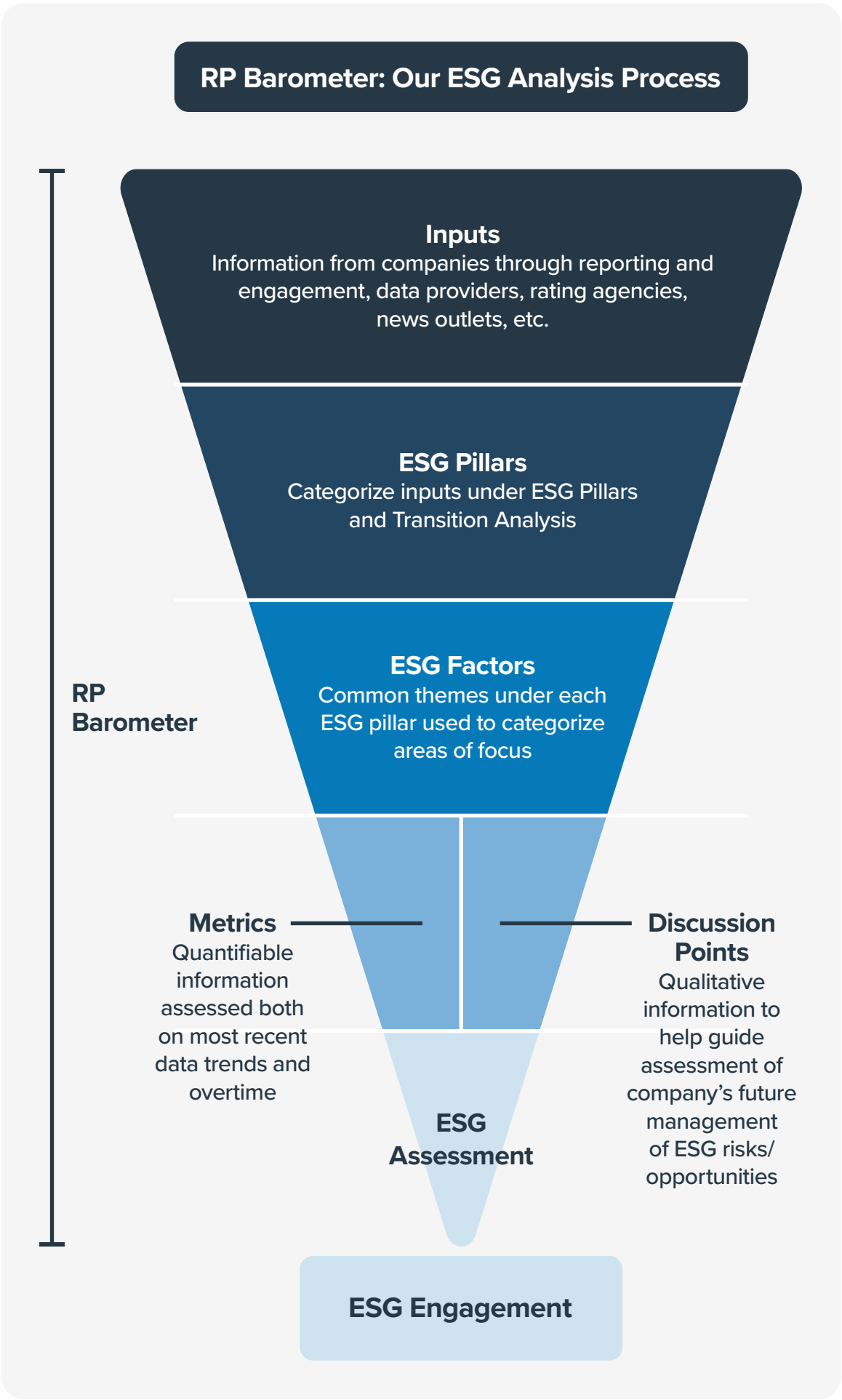
Through this effort, we developed the first corporate bond strategy in Canada that excludes fossil fuels – designed for investors who take an exclusionary approach to ESG. The approach is an evolution of our RP Broad Corporate Bond strategy, which was collaboratively developed by UTAM and RPIA and has a ten-year track record of generating, in a controlled manner, over 174 basis points of gross added value (annualized since inception) above the FTSE Canada All Corporate Bond Index.

In responding to U of T’s 2021 commitment to divest from fossil fuel companies, UTAM’s work with RPIA has led to the creation of two innovative investment products in which others can also invest. Our collaboration has sparked opportunity and helped drive positive change toward a net zero future.

FOSSIL FUEL EXCLUSION

RP Broad Corporate Bond (Fossil Fuel Exclusion) takes a rules-based approach to identifying fossil fuel-related sectors and issuers, then screening them out of the fund. As its name suggests, this thematic strategy excludes all companies with direct involvement in, or significant ownership of, fossil fuel products at the time of investment. We also screen and exclude involvements in tobacco and cluster munitions.

While this strategy targets the same performance as our RP Broad Corporate Bond strategy, it has an additional objective: maintaining a lower WACI than the FTSE Canada All Corporate ex Fossil Fuels Enhanced Bond Index, which is already carbon reduced. Taking advantage of this innovative solution, our investors can achieve both reduced fossil fuel exposure and their return objectives. ►





Introduction

UTAM overview

INVESTMENT PROCESS

- Reference portfolio
- Manager selection
- MANAGER SPOTLIGHT
- Investment impact

Risk management

Stewardship

Long-term performance

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

RESPONSIBLE INVESTING  
MANAGER SPOTLIGHT



Engagement in Action:  
US TELECOM COMPANY

In 2024, RPIA engaged with a US telecommunications company on all three ESG factors – environmental, social and governance – while pursuing a specific concern regarding one of management’s environmental metrics. We had investments in this company in several of our strategies, including our ESG-focused mandates. The company had reported high-intensity GHG emissions and was repeatedly identified as one of the top contributors to WACI in our Fossil Fuel Exclusion strategy, disproportionately driving up the overall carbon intensity of the fund.

During the engagement process, the company did not explain to our satisfaction why its GHG emission intensity was significantly higher than that of industry peers, nor did management respond to our follow-up inquiries. The results of this engagement, combined with our comparative analysis and the RP Barometer output, prompted our decision to reduce our investment in the company, altering our previous overweight allocation to the telecom sector.

Such engagements help us understand different issuers’ unique pathways, which in turn can inform our investment decision-making. The additional information an issuer provides – or chooses not to – during an engagement allows our team to evaluate the impact and likelihood of improvement in the short or long term, and from there determine a course of action for portfolio positioning.



Engagement in Action:  
CANADIAN REAL ESTATE  
INVESTMENT COMPANY

In the fall of 2024, our sector analysis revealed that a Canadian real estate company (a large holding in our portfolio) had a higher carbon intensity than its industry peers. During engagement activities, the RPIA team recognized that calculating carbon intensity on a square footage basis is more accurate – and more appropriate for this industry – than doing so on a revenue basis, as is our standard practice. Our peer analysis was therefore not fully representative of the company’s true performance, since office building occupancy can skew the numbers. Moreover, the company’s peer group included real estate investment trusts focused on retail and office spaces, as well as residential spaces, industrial warehouses and more. All of these emit GHGs at different scales and may not be directly comparable to the company’s business model. During our engagement, company executives also expressed a strong commitment to fulfilling reporting requirements and assessing materiality on a regular basis.

Given this valuable context, our overall outlook on the company is now more positively inclined, based on management’s demonstrated understanding of ESG considerations, along with our own, more nuanced approach to calculating carbon intensity appropriately. As a result of this engagement, we continue to hold this position across several strategies.

◀ INDUSTRY COLLABORATION

RPIA has been a signatory of the UN Principles for Responsible Investment (UNPRI) since 2018 and endorses the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We follow the TCFD framework in portfolio reporting and overall sustainability reporting.

Additionally, given the emphasis we place on issuer engagements as part of our integration approach, we also participate in collective engagements with Climate Engagement Canada (CEC) and the Canadian Coalition for Good Governance (CCGG), with the aim of promoting good governance practices and a just transition to a net zero economy.

At RPIA, we remain committed to collaborating with industry organizations and our own investors on responsible investing solutions that help achieve broader sustainability goals. We are proud of our continued partnership with the University of Toronto through UTAM, a leader in sustainable investing practices.



Introduction
UTAM overview
INVESTMENT PROCESS
Reference portfolio
Manager selection
Manager spotlight
INVESTMENT IMPACT
Risk management
Stewardship
Long-term performance

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

# INVESTMENT IMPACT

“RECEIVING THIS SUPPORT ENCOURAGES ME TO FEEL CONFIDENT IN MYSELF AS A YOUNG INDIGENOUS WOMAN AND TO KEEP STRIVING FOR MY DREAMS.”

In 2017, a committee comprised of University of Toronto students, faculty and staff, in collaboration with Indigenous Elders, released a report entitled *Answering the Call: Wecheehetowin*. It was a detailed response to the 94 calls to action issued two years earlier by the Truth and Reconciliation Commission of Canada (TRC). The U of T report presented its own set of 34 calls to action mirroring those of the TRC. They addressed the university’s approach to Indigenous spaces, faculty, staff, students, curriculum and research, as well as the role of institutional leaders in driving change.



Jasmine Wemigwans, a recipient of two scholarships supporting Indigenous students at U of T, painted this mural on lockers at Wexford Collegiate School for the Arts.

The Wecheehetowin committee advised that the university examine current funding sources to determine how they could be better deployed to support Indigenous students. It also called for “a targeted fundraising initiative to build support for both scholarships and needs-based bursaries for Indigenous students in undergraduate, graduate and professional programs.”

These recommendations highlighted the need for additional funding while bringing attention to the support for Indigenous students already being provided by philanthropic donors. The U of T Endowment funds several such scholarships, including:

- **The Ontario Library Association (OLA) Indigenous Student Scholarship**, established in 1987 with support from the Ontario government. It honours the 40-year public library career of Grace Buller, who worked to meet the needs of equity-deserving groups across the provincial library system, with a particular focus on services for Indigenous communities. The scholarship is based on academic merit and is open to Faculty of Information students who self-identify as Indigenous.
- **The Edward and Dorothy Dawson Award for Indigenous Students**, which supports young scholars in financial need, especially those enrolled in science-related studies. It was funded by a bequest from Edward Dawson a U of T-educated geophysicist whose many research trips to the Canadian Arctic enabled him to build lasting relationships in remote Inuit communities.

- **The Bennett Scholars program**, which supports undergraduate students in financial need, giving particular consideration to candidates with Indigenous backgrounds and those who are the first in their families to attend university. The award honours the legacy of Avie Bennett, a real estate developer, philanthropist and U of T alumnus whose long-time support for the university has been sustained by additional generous gifts from the Bennett Family Foundation.

The impact of the university’s steadfast and growing support for Indigenous students comes to life through the stories of four recent recipients:

**Jasmine Dorothy Wemigwans**  
OLA and Dawson awards

Currently in her first year of the Library Sciences, Master of Information program, Jasmine has a strong interest in Indigenous cultural preservation and the decolonization of library spaces. “I hope to be a positive inspiration and kind influence in the library and information sector,” she says, “bringing Indigeneity to the space in creative and inviting ways. Receiving this support encourages me to feel confident in myself as a young Indigenous woman and to keep striving for my dreams. I am determined to succeed!” ►



Introduction
UTAM overview
INVESTMENT PROCESS
Reference portfolio
Manager selection
Manager spotlight
INVESTMENT IMPACT
Risk management
Stewardship
Long-term performance

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

INVESTMENT IMPACT

◀ Grace David

Dawson award

An Honours BSc student pursuing a double major in physiology and global health, Grace has also received the Fletcher-Clark Scholarship in Science and Economics for Black and Indigenous Students, funded by donors Ed and Fran Clark (see page 28). “I would love to make healthcare more accessible to communities that have often been underprivileged and underfunded,” Grace says. “This financial support has allowed me to focus on my studies, which is extremely important for maintaining a competitive academic record as I consider going to medical school and becoming a doctor.”

Andrew Wiebe

OLA award

A member of Métis Nation Saskatchewan who identifies as Indigi-Queer, Andrew received the OLA award in 2020–2021 while completing his master’s degree in Information Systems and Design & Archives and Records Management, as well as an MA in Medieval Studies. Now pursuing a PhD in the Faculty of Information, his research focuses on systematically building Indigenous and Queer stories into institutions’ archival practice. “Too often, community work and social issues are side projects within larger systems,” Andrew says. “The generous support I’ve received has provided opportunities to include Indigenous issues within the larger umbrella of social issues in information.”

Cameo Sheila Wemigwans

Dawson and Bennett Scholar awards

In her final year of the Honours BSc program, Cameo is pursuing a double major in biochemistry and molecular genetics. She hopes to work in healthcare and contribute to research on how the health system can better support Indigenous people and other under-served populations. “As a student from a low-income background, I’ve faced financial burden throughout my education,” Cameo says. “With this award, I’ll be able to go on to nursing school and become a registered nurse. I’d like to help create a welcoming and culturally safe healthcare environment in Indigenous communities across Canada.”

*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, 2024, about \$1.56 billion – representing 43% of the university’s total \$3.62 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, 2024, U of T’s fiscal year-end, the total value of the Endowment portfolio was \$4.4 billion, including \$3.6 billion of endowment funds plus \$0.8 billion of other long-term assets. (At UTAM’s year-end – December 31, 2024 – the Endowment portfolio was valued at \$4.9 billion.)



The Wecheehetowin report cover featured committee member Lisa Boivin’s painting *The Transition of Little Wolf*. In her artist’s statement, she writes that “painting the history of colonialism encourages healing for Indigenous and non-Indigenous peoples.”



Introduction
UTAM overview
Investment process
<b>RISK MANAGEMENT</b>
Risk management
TCFD reporting
Stewardship
Long-term performance

To download UTAM's Financial Statements,  
Carbon Footprint Report and TCFD Report:  
[utam.utoronto.ca/reports](https://utam.utoronto.ca/reports)

# 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 assessments related to external investment managers. 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.



Introduction
UTAM overview
Investment process
RISK MANAGEMENT
RISK MANAGEMENT
TCFD reporting
Stewardship
Long-term performance

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

# 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 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

IN 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. 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 2024 TCFD Report is available at [utam.utoronto.ca/reports](https://utam.utoronto.ca/reports).



Introduction
UTAM overview
Investment process
Risk management
<b>STEWARDSHIP</b>
Engagement
Proxy voting
Collaboration
Investment impact
Long-term performance

To download UTAM's Financial Statements, Carbon Footprint Report and TCFD Report: [utam.utoronto.ca/reports](https://utam.utoronto.ca/reports)

# STEWARDSHIP AS AN ACTIVE OWNER

**UTAM REGULARLY ENGAGES WITH CORPORATE BOARDS AND** senior management teams on a wide range of issues. One of our principal engagement objectives is ensuring alignment on ESG-related issues and the strategic decision-making required to pursue a net zero future. In engaging with companies, we join other institutional investors who share UTAM's commitment to responsible investing. We also work with specialized providers of engagement services to extend our domestic and global reach. In all the engagement avenues we pursue, the overarching goal is to hold companies accountable on matters affecting risk management, ongoing operations and long-term performance.

To complement these engagement efforts, where possible, we exercise the University of Toronto's proxy voting rights for the public equity securities in its portfolios, with the aim of influencing management policies and practices to give appropriate weight to ESG factors.



Introduction

UTAM overview

Investment process

Risk management

STEWARDSHIP

ENGAGEMENT

- Proxy voting
- Collaboration
- Investment impact

Long-term performance

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

# 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 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 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 44.

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 2024 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.

UTAM has contracted and works closely with EOS at Federated Hermes, a stewardship service provider, on engagement activities. As a member of EOS’s client advisory council, UTAM helps steer engagement priorities and work plans, and we stay informed on strategies and progress through ongoing discussions with EOS subject matter experts.

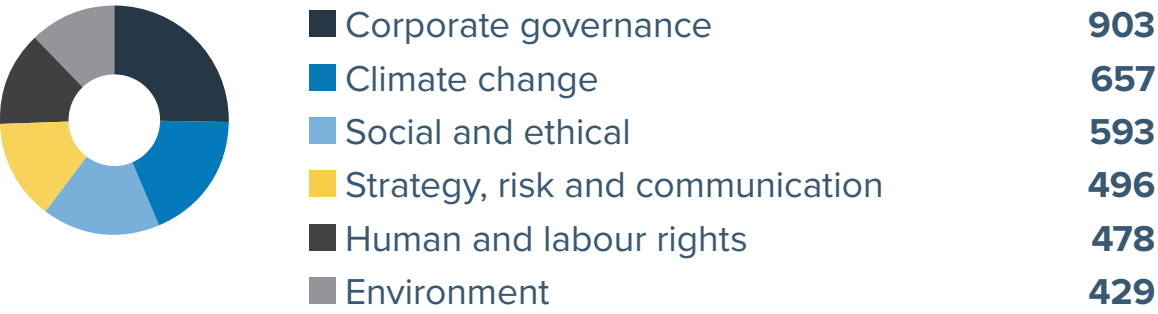
## Scope of engagement

Companies engaged 1,147  
Countries covered 52

## Companies engaged by country/region



## Companies engaged by issue



\* Prior reports isolated business conduct as an engagement theme; starting in 2024, this is now merged with corporate governance and social and ethical themes.

Beyond our direct involvement, access to EOS research also strengthens UTAM’s participation in other collaborative engagement initiatives, providing valuable insights that support stewardship efforts. For UTAM, engagement activities through EOS enhance our ability to be active asset owners and increase our influence with public companies on ESG issues.

## EOS PRIORITY THEMES FOR 2024

**Board effectiveness:** In 2024, EOS focused on improving ethnic diversity to enhance board performance across function, composition and structure and to match recent progress towards gender diversity. Board composition should be aligned to the strategic needs of each company while reflecting the diversity of stakeholders it aspires to serve.

**Climate change:** EOS continued to press companies to create and implement greenhouse gas reduction strategies and targets aligned to the Paris Agreement. EOS evaluated the credibility of transition plans, including their reliance on technology, and sought governance oversight of related risks. Specific engagement focuses included mitigating high methane-emitting sectors, addressing physical climate risk, and supporting a just transition to net zero.

**Human and labour rights:** EOS engaged companies to acknowledge human rights impacts present within operations and supply chains and to demonstrate appropriate board- and executive-level governance. Indigenous and community rights, human rights in conflict zones, data privacy, and freedom of expression were areas of focus.

**Human capital:** EOS, in recognition of workforce pressures from artificial intelligence implementation and cost of living increases, intensified engagements on advancing workers and improving their skills, as well as closing pay gaps across ethnicities. Health and safety risks were extended to mitigate climate-related risks, such as heat stress.



Introduction
UTAM overview
Investment process
Risk management
STEWARDSHIP
Engagement
PROXY VOTING
Collaboration
Investment impact
Long-term performance

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

# 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 operational 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.

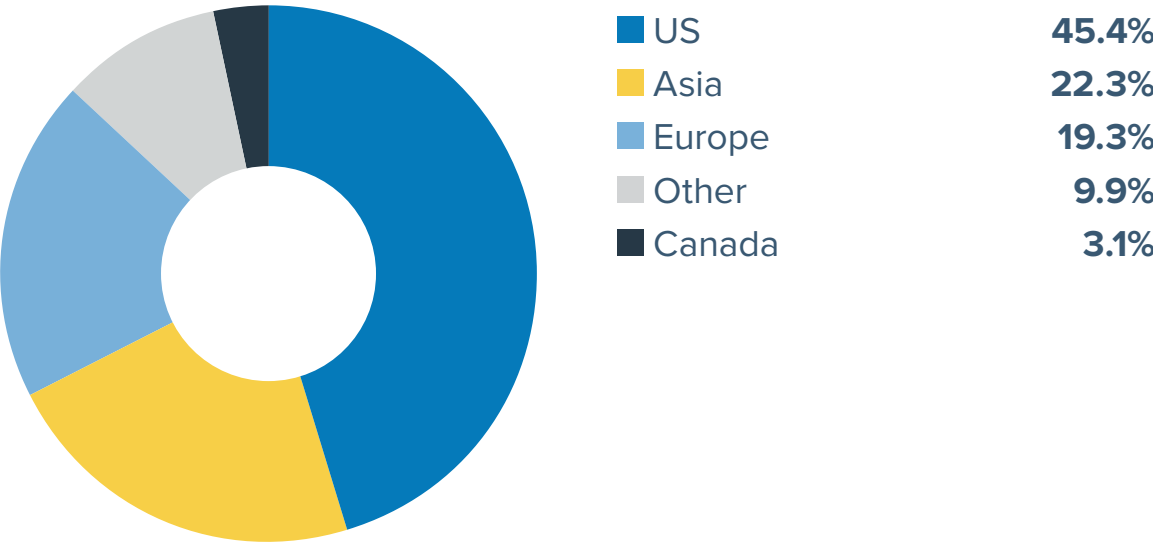
The ISS Sustainability Guidelines are consistent with the objectives of investors who take an integration approach to responsible investing. Investment managers have traditionally analyzed topics such as board accountability and executive compensation to mitigate risk; incorporating ESG performance into 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 2024, UTAM and managers of funds in which the Endowment portfolio was invested cast proxy votes at over 7,400 meetings, representing over 84,900 proposals and agenda items put forward by either management or shareholders. In just over 11% 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 2024 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.

Reviewing the proxy voting policies, practices and philosophies of our investment managers that invest in public equities is an important part of our stewardship program. Our 2024 annual survey demonstrated that most of these managers have well-developed or advanced proxy voting policies and practices that often integrate ESG considerations into their voting policies, aligning stewardship activities with broader investment strategies.

In recent years – including 2024 – we observed the following approaches, with the percentage adopting each noted below:

**Advanced ESG integration 31%**  
Many of our investment managers have developed advanced proxy voting policies and practices that deeply integrate ESG considerations. These managers view stewardship as a critical part of their investment strategy to mitigate risk and enhance long-term value for investors, especially on ESG issues. These managers are characterized by policies for proxy voting aligned with ESG considerations, as well as highly developed and transparent reporting that includes concrete examples. These managers – a cohort that includes those with sustainable investing mandates – tend to manage active, fundamental, research-driven public equity strategies.

**Strong stewardship 50%**  
Most of our investment managers, investing in public equities, use and disclose standard, well-developed proxy voting policies and practices, focusing on maximizing shareholder value while incorporating ESG considerations.

**No disclosure or ESG considerations 19%**  
Managers who did not mention ESG considerations in their responses and who do not extensively disclose their proxy voting activities are comprised primarily of those that follow systematic investment processes where stewardship is not a material part of the investment approach; they typically hold shares in thousands of companies and may trade in and out of positions frequently.

Reflecting our commitment to responsible stewardship, we continue to seek out investment managers who, where appropriate to their strategies, reflect similar commitments.



Introduction

UTAM overview

Investment process

Risk management

STEWARDSHIP

- Engagement
- Proxy voting
- COLLABORATION**
- Investment impact

Long-term performance

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

# 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 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 also learning from others to help evolve our own policies and processes. We also encourage better responsible investing practices among the companies we invest in and the external 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 approximately 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 several focus companies, encouraging them to recognize and address carbon risk in managing their operations.

Canadian Coalition for Good Governance

Since 2008, UTAM has been a member of the Canadian Coalition for Good Governance (CCGG), which represents the interests of institutional investors in promoting sound corporate governance practices among Canadian public companies. CCGG assists boards in developing a robust, principles-based approach to the governance and oversight of environmental and social factors and encourages a deeper dialogue between companies and investors in this area.

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 more than 50 participants that collectively manage in excess of \$8 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.



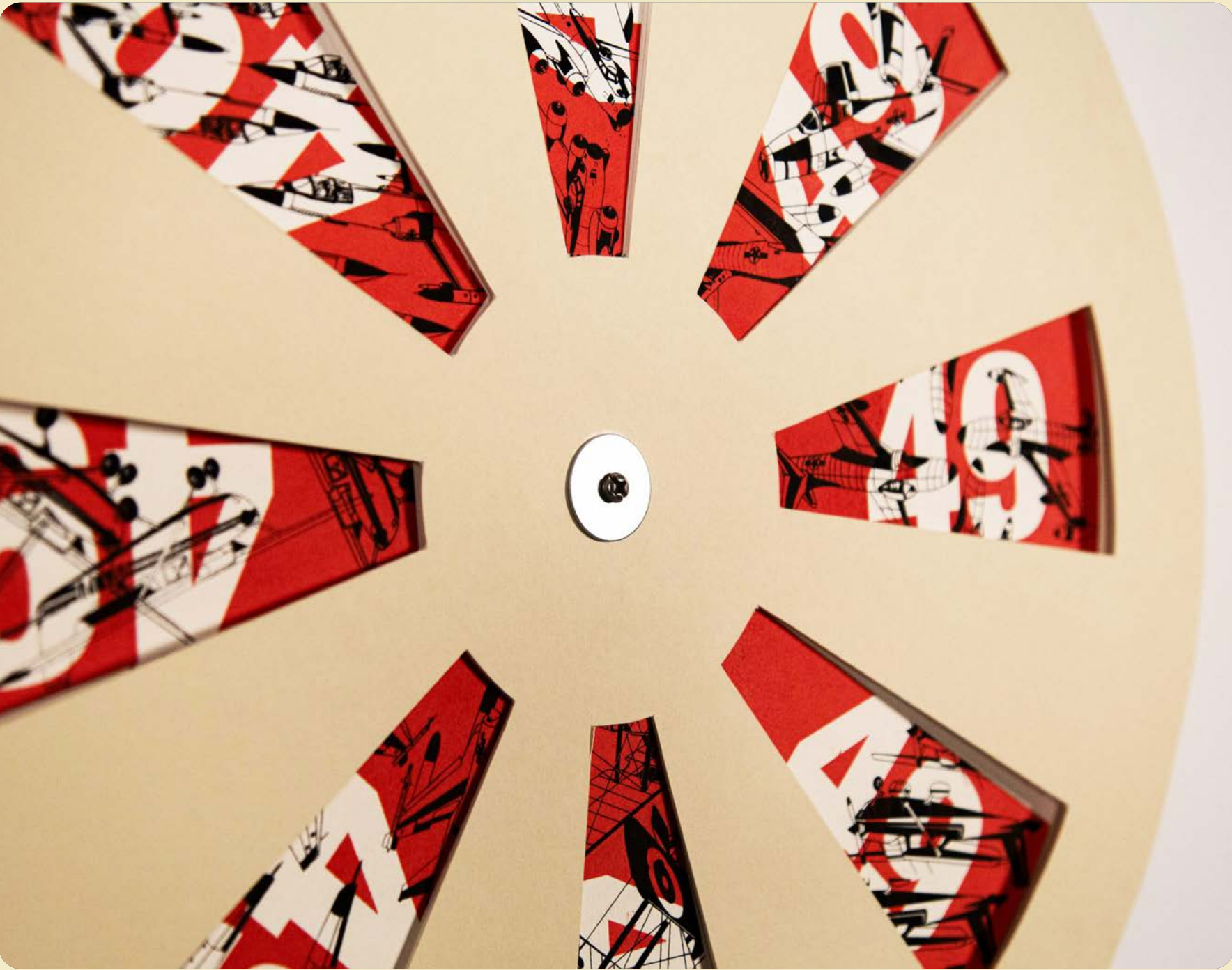
Introduction
UTAM overview
Investment process
Risk management
STEWARDSHIP
Engagement
Proxy voting
Collaboration
INVESTMENT IMPACT
Long-term performance

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

# INVESTMENT IMPACT

“MY ASPIRATION IS TO USE THE KNOWLEDGE AND SKILLS I ACQUIRE NOT ONLY TO INSPIRE CHANGE BUT ALSO TO CATALYZE TANGIBLE ACTION.”

The Shelley Peterson Student Art Exhibition celebrates the diverse visions of undergraduate students in visual studies programs across U of T’s three campuses. The annual creative showcase provides a meeting place – initially physical, now virtual – where students can share ideas and perspectives through their unique approaches to artistic expression.



Joanna Konopka’s *Flight Path*, featured in the 2024 Peterson exhibition, explores themes of anxiety, aviation and addiction, using visual forms that recall roulette wheels and propellers.

The exhibition was established in 2012 by the Honourable David Peterson at the conclusion of his six-year term as the university’s 32nd Chancellor. One part of the former Ontario premier’s continuing support for the university where he studied law (LLB 1967, Hon. LLD 1994), the juried exhibition is named for David’s wife Shelley, an actress and writer who has long been a passionate advocate for Canadian artists. The Petersons’ generous donation provides permanent funding for the annual exhibition at the Art Museum at the University of Toronto, as well as monetary awards for three of the students whose work is selected. The most recent exhibition, presented virtually over 10 weeks in mid-2024, featured works by 17 artists exploring themes of fragmentation and partial perspective.

“An annual student exhibition was a perfect way to bring together Shelley’s longstanding support for the arts and my desire to celebrate the kind of talented, creative young people who constantly inspired me during my time as Chancellor,” David Peterson says. “Year after year, it’s gratifying to see young artists recognized by the exhibition go on to make their mark in the art world and the broader community. As a U of T alumnus, I’m proud to join with other alumni in extending the impact of this great university across Canada and around the world.”

Three recent participants exemplify the promising talent featured in the exhibition:

**Sean Lee**, who has a BA in Arts Management and Studio Art from U of T Scarborough, is currently the director of programming at Tangled Art + Disability, a Toronto-based not-for-profit. On the eve of his graduation from UTSC in 2015, Sean was featured in the third annual Shelley Peterson Student Art Exhibition and received the Peterson Award of Excellence. Soon after graduating, he became the inaugural resident curator of the Tangled Art Gallery, which he describes as “the first disability art gallery dedicated to exhibiting works from mad, deaf and disabled artists, as well as advancing accessible curatorial practices.” Today, as director of programming, Sean fosters recognition of professional and emerging artists by drawing on his own experience as someone who identifies as a queer, disabled person of colour: “To bring my identity into the work I do has been very liberating.... I’m really driven by the idea of disability arts as the last avant-garde.”

**Helia Honarmandi**, an international student from Iran, is completing a Bachelor of Arts in Visual Studies and Architectural Studies at the John H. Daniels Faculty of Architecture, Landscape and Design on U of T’s St. George Campus. Helia’s work entitled *A Few Strands of Hair*, which was chosen for the 2023 Peterson exhibition, examines the ongoing social dissent in her home country, exploring themes of male privilege, misogyny and the paradoxical nature of freedom under a repressive regime. “I was dealing with intense emotions as an immigrant detached from my homeland,” Helia says. “Feelings of anger, helplessness, guilt and shame were overwhelming me as I became a witness to the chaos unfolding



Introduction
UTAM overview
Investment process
Risk management
STEWARDSHIP
Engagement
Proxy voting
Collaboration
INVESTMENT IMPACT
Long-term performance

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

INVESTMENT IMPACT

from afar. My aspiration is to use the knowledge and skills I acquire not only to inspire change but also to catalyze tangible action – in a world where no one has to leave home in pursuit of freedom.”

**Joanna Konopka** recently graduated with an Honours BA in Art and Art History from the joint program offered by U of T Mississauga and Sheridan College – the first of its kind in Canada. A print media artist, designer, curator, painter and filmmaker, Joanna is currently a resident artist at Visual Arts Mississauga, where she is building her portfolio for further studies at the graduate level. Flight Path, selected for the 2024 Peterson exhibition, is an interactive work that invites viewers to share Joanna’s ambivalent feelings around the theme of aviation. “The piece has overlapping screen-printed circles with two types of imagery,” she explains. “As you turn one wheel, it changes your perspective on the duality of life and death, a theme I’m exploring as I think about my own anxiety surrounding death and family.”

*The endowment fund that generates ongoing financial support for the Shelley Peterson Student Art Exhibition is among more than 7,200 individual funds within the Endowment portfolio managed by UTAM.\**

\* 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, 2024, U of T’s fiscal year-end, the total value of the Endowment portfolio was \$4.4 billion, including \$3.6 billion of endowment funds plus \$0.8 billion of other long-term assets. (At UTAM’s year-end – December 31, 2024 – the Endowment portfolio was valued at \$4.9 billion.)



Since winning the Peterson Award of Excellence in 2016, Sean Lee became the inaugural curator of Tangled Art Gallery, which he calls “the first disability art gallery dedicated to exhibiting works from mad, deaf and disabled artists.” Photo by Michelle Peek Photography courtesy of Bodies in Translation: Activist Art, Technology & Access to Life, Re•Vision: The Centre for Art & Social Justice at the University of Guelph.



Introduction
UTAM overview
Investment process
Risk management
Stewardship
<b>LONG-TERM PERFORMANCE</b>
Year in review
Looking ahead

To download UTAM's Financial Statements, Carbon Footprint Report and TCFD Report: [utam.utoronto.ca/reports](https://utam.utoronto.ca/reports)

# 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 investment objectives of the university.

As of December 31, 2024, the Endowment portfolio delivered an annualized net return of 8.1% over the previous 10 years, exceeding U of T's long-term target return of 6.6%, which is based on a long-term return objective of 4% per annum plus inflation. Our active management approach outperformed the passive Reference Portfolio benchmark for the same period by 0.9 percentage points annually (rounded), net of all fees and expenses.

Over the same 10-year period, the EFIP portfolio generated returns of 2.3% per annum, outperforming its target return of 1.9% by 0.4 percentage points annually, net of all fees and expenses.

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



# THE YEAR IN REVIEW: PUTTING 2024 IN PERSPECTIVE

## Endowment performance

In 2024, the Endowment portfolio generated a return of 14.9% net of all fees and expenses, including UTAM costs. As reflected in Table 4, this underperformed the benchmark Reference Portfolio return of 16.8% for the same period. Despite the challenging period in 2024 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, 2024, the Endowment returned 8.1% per annum net of all fees and expenses, compared to the Reference Portfolio return of 7.2%. Over the same 10-year period, the University’s target return was 6.6%.

Table 4  
Endowment Performance

	2024	5-Year Annualized	10-Year Annualized
Actual net return	14.9%	8.7%	8.1%
UTAM value added vs. Reference Portfolio (percentage points)	-1.9 pts	+1.1 pts	+0.9 pts
UTAM value added (millions)*	-\$76.7	+\$177.3	+\$249.3†

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.

† Cumulative value added over 10-year period does not include the impact of compounding.

## Reference Portfolio performance

Capital markets, led by public equities, once again delivered impressive returns in 2024, sustaining the strong performance of the previous year. From a regional perspective, the US equity market outperformed, reflecting the very strong performance of a relatively small number of large-capitalization technology companies, which were propelled by a continued focus on the potential of artificial intelligence. These forces drove double-digit returns for many public equity indexes; the MSCI All-Country World Index, a proxy for global public equities, returned close to 18% in US dollar terms. Fixed income returns were more muted, with low-to-mid single-digit returns for Canadian indexes.

The Reference Portfolio, which is comprised of public market indexes, realized another very strong return of 16.8% in 2024, building on a 15.1% return in the prior year. This represents the second-strongest calendar year return since the 2008 Global Financial Crisis; only the 2009 return was higher at 18.2%. The Global Equity component of the Reference Portfolio returned 18.5% in US dollar terms (25.2% in Canadian dollar terms, including the impact of currency hedging), while its two fixed income benchmarks realized modest returns during the calendar year: the Government of Canada benchmark index returned 3.3% and the Canadian investment-grade corporate bond index returned 6.7%.



THE YEAR IN REVIEW:  
PUTTING 2024 IN PERSPECTIVE

Endowment performance by asset class

The Endowment portfolio underperformed the Reference Portfolio in 2024. Despite its strong absolute return of 14.9% in 2024, the Global Equity component, which consists of both public and private equities, underperformed its public market Reference Portfolio benchmark by 4.5 percentage points, driven almost exclusively by the underperformance of the private markets exposure.

The fixed income portfolios performed well during the year. The Government Bond portfolio (which includes the Absolute Return portfolio) performed particularly well, outperforming its Reference Portfolio benchmark by 4.8 percentage points. The Canadian Corporate Bond portfolio, on the other hand, marginally underperformed its Reference Portfolio benchmark by 0.2 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 is also comprised of 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.

Table 5

2024 Endowment Performance by Asset Class

Reference Portfolio asset class	Assets (millions) Dec. 31, 2024	Endowment Return	Benchmark Return	Value Added (percentage points)
Equity				
Global Equity	\$2,903.5	13.9%	18.5%	-4.5
Fixed Income				
Canadian Corporate Bonds	\$981.3	6.5%	6.7%	-0.2
Canadian Government Bonds	\$993.5	8.1%	3.3%	4.8
Total Plan	\$4,878.2	14.9%*	16.8%	-1.9

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 asset classes in Table 5 reflect the impact of mapping strategies that are not represented in the Reference Portfolio to the most appropriate Reference Portfolio asset classes. The only exception is cash, which is included in Canadian Government Bonds from an exposure perspective 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.

\* The Endowment return is calculated in Canadian dollars. All foreign assets (E.g. global equities) are first converted to their Canadian dollar equivalents before being included in the return calculation. The exchange rate impact can have a material impact on the final results. For example, the Global Equity Reference Portfolio return in local currency was 18.5% as shown in Table 5. In Canadian dollars with the 50% currency hedging policy applied, the Global Equity Reference Portfolio return is now 25.2%.

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; by design, these strategies 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 2024, this portable alpha strategy drove the outperformance in the Government Bond asset class. ►



## THE YEAR IN REVIEW: PUTTING 2024 IN PERSPECTIVE

### ◀ 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 portfolio, 2024 performance was strong in both EFIP portfolios, as they continued to benefit from attractive yields.

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, 2024, the Short-Term Portfolio comprised 71.5% of the EFIP portfolio managed by UTAM. The benchmark for the Short-Term Portfolio, which was amended during 2024 to accommodate the phase-out of Bankers’ Acceptances in Canada, is a combination of the returns of the FTSE Canada Short-Term Bond Index and the Canadian Overnight Repo Rate Average (“CORRA”), plus a spread of 10 basis points.

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, 2024, the Medium-Term Portfolio comprised 28.5% of EFIP. The benchmark for the Medium-Term Portfolio during 2024 was the FTSE Canada Corporate BBB Bond Index.

Table 6

EFIP Total Portfolio Performance

	2024	5-Year Annualized	10-Year Annualized
Actual net return	6.4%	2.8%	2.3%
University target return	6.0%	2.3%	1.9%
UTAM value added (percentage points)	0.4	0.5	0.4
UTAM value added (millions)	\$11.9	\$66.8*	\$92.2†

\* Cumulative value added over 5-year period does not include the impact of compounding.

† Cumulative value added over 10-year period does not include the impact of compounding.

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

In 2024, EFIP returned 6.4% net of all fees and expenses, outperforming its benchmark return of 6.0% by 0.4 percentage point. Over the past 10 years, EFIP has generated an annualized return of 2.3%, outperforming its benchmark return by 0.4 percentage points per annum and adding \$92.2 million in cumulative value net of all fees and expenses.

The Short-Term Portfolio returned 5.8% and outperformed its benchmark by 0.5 percentage points in 2024, while the Medium-Term Portfolio returned 7.7% and underperformed its benchmark by 0.1 percentage points. The outperformance of the Medium-Term Portfolio relative to the Short-Term Portfolio in 2024 was driven primarily by the Medium-Term Portfolio’s higher interest rate duration as rates decreased during the calendar year.



Introduction
UTAM overview
Investment process
Risk management
Stewardship
<b>LONG-TERM PERFORMANCE</b>
Year in review
<b>LOOKING AHEAD</b>

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

# LOOKING AHEAD

**CAPITAL MARKETS, DRIVEN PRIMARILY BY PUBLIC EQUITIES, ONCE** again experienced very strong returns during 2024. These results were driven by the exceptional performance of a highly concentrated group of companies that have benefited from the perceived promise of artificial intelligence. While it’s impossible to know precisely what the future holds for investors, with continued geopolitical tensions in many regions, as well as the potential for continued disruption of global trading relationships, it’s safe to say that uncertainty will remain high.

In navigating this uncharted landscape, we continue working each day to fulfill UTAM’s mandate: growing and protecting the funds we manage on behalf of the University of Toronto while keeping our eyes firmly on the long-term time horizon. We know that the investment decisions we make today must be carefully designed to benefit our sole client, Canada’s largest university, for years and indeed decades to come.

We’ve constructed a well-diversified Endowment portfolio, both in its range of investment programs and – where we believe active management is likely to drive enhanced long-term returns – in our selection of active investment managers and strategies. At the same time, we don’t rest on our laurels, but work constantly to further optimize the portfolio. As we strengthen our investment programs and build on our long-term manager relationships, we’re also judiciously adding new managers and strategies to complement those already contributing to our success. Together, these actions will enable us to continue fulfilling UTAM’s purpose: *to deliver enduring investment returns in support of the university’s pursuit of excellence in education and research.*

**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](https://utam.utoronto.ca/reports).

