



# McGill University Mission Statement

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## Mission

The mission of McGill University is the advancement of knowledge, the creation and dissemination of knowledge, by offering high quality education, by carrying out research and scholarly activities that shall be excellent by the highest international standards, and by providing service to society.

## Principles

In fulfilling its mission, McGill University embraces the principles of academic freedom, integrity, responsibility, equity, and excellence.

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# Fiscal Year 2019 Highlights

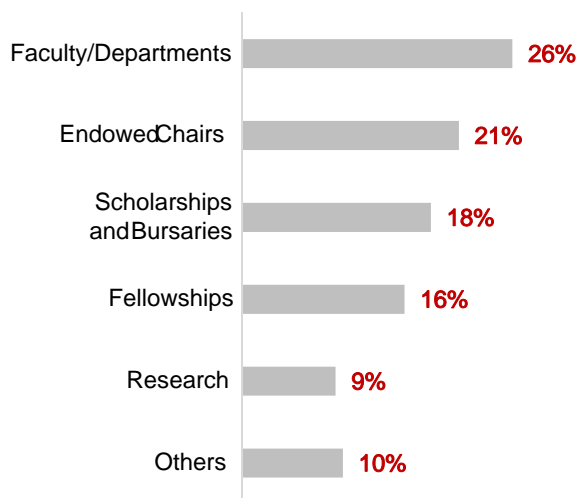
McGill Investment Pool (MIP)

## \$1.7B

of assets

(Up by 30% since 2014 Policy)

or



1 Year: **5.6%**  
3 Years (Ann.): **8.1%**  
5 Years (Ann.): **7.4%**  
10 Years (Ann.): **9.8%**

## \$42.9M

FY2019 New Gifts

# Endowment Overview

## Endowment Description

Currently the third largest university endowment in Canada( h K– Dec. 2018), the

# Capital Appreciation and Income per Unit

TheMIP

While the chart shown on the previous page presents the nominal increase or decrease in the MIP unit values, an important measure is the real change (after inflation) in the unit values.

As a result, the following graphs depict, since FY90 and assuming a hypothetical unit value of 100, the cumulative increase in MIP's unit value, before and after withdrawals, versus the same unit value cumulated with the inflation rate:

# Evolution of MIP Market and Unit Values

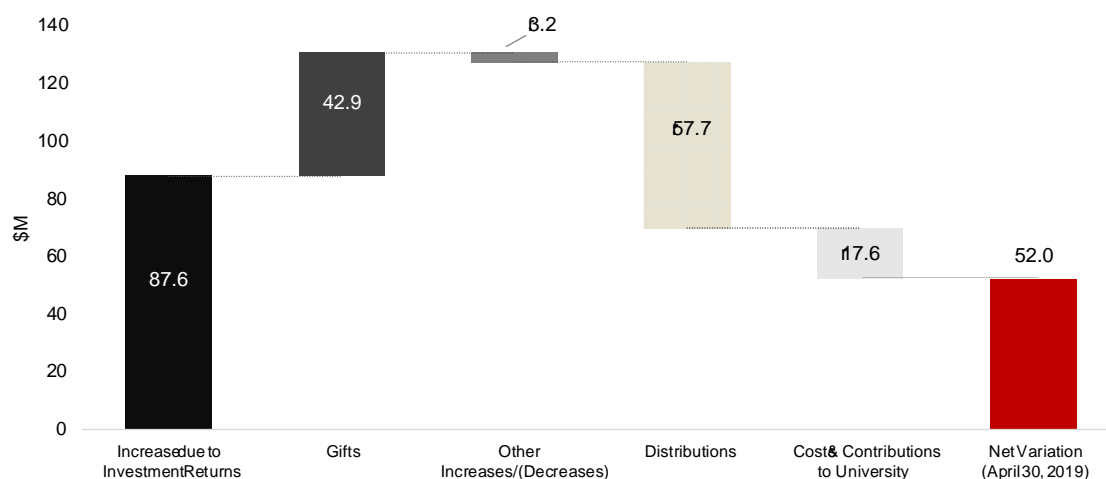
The MIP market value and unit value changes over the fiscal periods ended April 30, 2015 to April 30, 2019 are presented in the following graph:

Increase of 15.9% is observed in the market value



# Change in MIP Market Value

For the year ended April 30, 2019, the market value of the MIP has increased by \$52.0M (from \$1,627.1M to \$1,679.1M) as follows:



## MIP 2018-19 Financial Results

Shown below are the comparative financial results for the year ended April 30, 2019:

|  | May 1, 2018 to<br>April 30, 2019 | May 1, 2017 to<br>April 30, 2018 |
|--|----------------------------------|----------------------------------|
|  | <u>000's</u>                     | <u>000's</u>                     |
| <b>Increased due to Investment Returns</b>   |                                  |                                  |
| Investment Income                            | 43,917                           | 30,372                           |
| Currency Hedge Gain/(Loss)                   | 17,882                           | 9,336                            |
| Realized Gain/(Loss)                         | 74,140                           | 110,737                          |
| Unrealized Gain/(Loss)                       | 12,535                           | 90,232                           |
| <b>Total</b>                                 | <b>87,640</b>                    | <b>60,213</b>                    |
| <b>Gifts</b>                                 | <b>42,914</b>                    | <b>23,390</b>                    |
| <b>Other Increases/(Decreases)</b>           | <b>8,238</b>                     | <b>5,107</b>                     |
| <b>Distributions</b>                         |                                  |                                  |
| Endowed Spending                             | 67,721                           | 67,289                           |
| Recapped Amount                              | 10,025                           | 10,973                           |
| <b>Total</b>                                 | <b>57,696</b>                    | <b>56,316</b>                    |
| <b>Costs and Contributions to University</b> |                                  |                                  |
| Office of Investments Expenses               | 939                              | 921                              |
| External Manager Fees                        | 4,577                            | 8,671                            |
| Service Provider Fees                        | 165                              | 169                              |
| Contribution to University Indirect Costs    | 8,600                            | 8,600                            |
| Transfer to Internally Restricted Fund       | 870                              | 1,481                            |
| Contribution to University Advancement       | 7,467                            | 7,451                            |
| <b>Total</b>                                 | <b>17,618</b>                    | <b>17,593</b>                    |

The total increase due to investment returns was \$87.6M compared to \$60.2M last year. This increase is reflective of good market returns.

In 2018/19, gifts increased (\$42.9M vs \$23.4M) while the endowed spending increased by \$0.4M.

The Office of Investments' expenses in 2018/19 were \$0.9M while the external investment managers and service provider fees totaled \$4.7M. A fixed annual amount of \$3.6M was withdrawn with respect to the contribution towards University indirect costs and \$0.9M was transferred to McGill's internally restricted funds.

In 2018/19, \$7.5M was allocated to the University Advancement's fundraising operations in the context of McGill's Bicentennial Campaign.

## MIP Estimated Withdrawals for Fiscal Year 2020

The 2019/20 estimates are set out below and assume 4.1 million units and a 3% growth rate of 3%

|   | May 1, 2019 to<br>April 30, 2020<br>Estimate |              |
|---|--|--------------|
|   | Total (000's)                                | Per Unit \$  |
| Distribution for Endowed Spending         | 67,800                                       | 16.42        |
| Office of Investments Expenses            | 1,100  | 0.27         |
| Managers and Service Provider Fees        | 5,100  | 1.23         |
| Contribution to University Indirect Costs | 3,600  | 0.87         |
| Contribution to University Advancement    | 8,200  | 1.98         |
| <b>Total Withdrawal Amount</b>            | <b>85,800</b>                                | <b>20.77</b> |

Income distribution in 2019/20 is based on a rate of 4.00%. Using the assumed 4.1M units, the withdrawal required for regular income distribution is estimated to be \$67.8M. For 2019/20, Office of Investments' expenses are expected to increase at \$1.1M. Manager and service provider fees normally vary proportionally with the market value of the portfolio and the allocation of funds among managers who have varying fees. The total fees, including the University Advancement Campaign costs, for the coming fiscal year will be 1.1% of the April 30, 2019 market value, representing an amount of \$18.0M.

# Asset Allocation

## MIP Asset Allocation – April 30, 2019

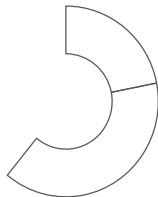
As of April 30, 2019, approximately 99% of the MIP was managed externally by investment managers. The internally managed assets consist mainly of iShares (XIU), currency overlay and deposits.

The MIP market value at April 30, 2019 was \$1,679.1M and was invested in a wide variety of asset and sub asset classes. The allocation is illustrated below:

### MIP Asset Classes

### MIP Subasset Classes

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# MIP Asset Allocation April 30, 2019 vs April 30, 2018

| <u>AssetClass</u> | <u>Manager</u> | MarketValue<br>(\$M) | %<br>of Total | MarketValue | % |
|-------------------|----------------|----------------------|---------------|-------------|---|
|-------------------|----------------|----------------------|---------------|-------------|---|



# MIP Asset Allocation vs BNY Mellon Universe

In addition to the previous tables, the total investment allocation of the MIP can be compared to the BNY Mellon Canadian Foundations & Endowments Universe (Universe Median Weight) which

# Performance

## MIP Overall Performance

The table below shows the MIP and its asset class performance for periods ended April 30, 2019:

|   | Annualized Returns(%) |            |            |            |
|---|-----------------------|------------|------------|------------|
|   | 1 Year                | 3 Years    | 5 Years    | 10 Years   |
| <b>MIP</b>  | <b>5.6</b>            | <b>8.1</b> | <b>7.4</b> | <b>9.8</b> |
| Absolute return objective <sup>1</sup> : 5.10%+ CPI | 7.2                   | 7.3        | 7.0        | 7.1        |
| Composite benchmark <sup>2</sup>                    | 8.3                   | 9.8        | 8.5        | 9.8        |
| <b>Public Equities:</b>                             |                       |            |            |            |
| Canadian Equities                                   | 7.1                   | 8.5        | 7.1        | 11.1       |
| Benchmark S&P/TSX Composite                         | 9.6                   | 9.1        | 5.6        | 9.1        |
| U.S. Equities (Hedged)                              | 10.9                  | 14.6       | 13.1       | 15.3       |
| Benchmark S&P 500 (Hedged)                          | 15.5                  | 15.8       | 13.9       | 15.6       |
| Non North American Equities                         | 0.5                   | 10.2       | 7.7        | 9.4        |
| Benchmark 50%MSCIEAFE+ 50%MSCIEM                    | 1.1                   | 12.4       | 8.2        | 9.0        |
| <b>Alternative Investments<sup>3</sup>:</b>         |                       |            |            |            |
| Benchmark <sup>4</sup>                              | 4.5                   | 4.7        | 5.5        | 6.4        |
|   | 9.3                   | 8.9        | 9.2        | r          |
| <b>Fixed Income:</b>                                |                       |            |            |            |
| Bonds   | 4.8                   | 3.5        | 4.2        | 5.1        |
| Benchmark FTSE Universe Bond                        | 6.1                   | 2.7        | 3.7        | 4.4        |
| <b>Cash &amp; Cash Equivalents:</b>                 |                       |            |            |            |
|   | 13.7*                 | 4.7        | 3.4        | 2.0        |
| Benchmark FTSE 91 Day T Bill                        | 1.5                   | 1.0        | 0.9        | 0.8        |

Notes: Performance is gross of fees except for Alternative Investments which are net of fees

Different benchmark indices were used in the one, three, five and ten year periods, where applicable

\*The return is impacted by currency appreciation/depreciation versus the Canadian Dollar

1) Effective May 2018

2) Effective Oct. 2018: S&P/TSX Comp (10%), S&P 500 (50% USD Hedged) (20%), MSCIEAFE (10%), MSCIEM (10%), 5.15% + CPI (15%), UST Bills (50% USD Hedged) + 5% (5%), [(MSCI World + 2%) 50% + (UST Bills (50% USD Hedged) + 5%) 50%] (10%), FTSE Universe Bond (18%), FTSE 91 Day T Bills (2%)

3) Includes hedge funds, private investments, real estate, commodities, listed real assets and infrastructure

4) Respective benchmark for hedge funds, private investments, real estate, commodities, listed real assets and infrastructure

# Performance Measurement Services

The provider of performance measurement services to the MIP is BNY Mellon Global Risk Solutions.

Investment rates of return are stated gross of fees (except for Alternative Investments which are net of fees), in CAD on a total return basis which includes capital appreciation (both realized and unrealized) and income received and accrued.

Long term performance of the MIP is evaluated by examining the inflation adjusted absolute returns and the success of these returns in meeting the spending policy and capital preservation policy of the Endowment. Furthermore, an individual manager's performance is judged by assessing that manager's ability to meet a specified target return linked to a market index or composite of indices that is representative of the investment mandate assigned to the manager.

# Administration

## Investment Committee

The Investment Committee (“Committee”), a committee of the Board of Governors (“Board”) mandated to oversee the University’s Endowment investments, consists of 10 members and as at April 30, 2019 was comprised of:

- Joel Raby, Chair (Montreal)
- Sam Minzberg, Vice Chair (Montreal)
- Ram Panda, Chair, Board of Governors *ex officio* (Montreal)
- Suzanne Fortier, Principal and Vice-Chancellor *ex officio* (Montreal)
- Sam Altman (Montreal)
- Stuart (Kip) Cobbett (Montreal) – succeeded by Warren Smith (Montreal) in July 2019
- Anik Lanthier (Montreal)
- Robert Rabinovitch (Montreal)
- Gerald Sheff (Toronto)
- Marc Trottier (Montreal)

Members are appointed on the basis of their expertise and interest in investment, business and economics. Marc Weinstein (Montreal), Vice Principal (University Advancement) serves as Special Advisor and Yves Beauchamp, Vice Principal (Administration and Finance) serves as Senior Steward.

Pursuant to its Terms of Reference and the Policy on the Approval of Contracts and Designation of Signing Authority, the Committee is responsible for overseeing the management of the University’s investments in accordance with the Statement of Investment Policy (“SIP”). Included in the Committee’s functions are:

- Providing advice to the Board in establishing policies related to investments and making recommendations thereon to the Board for approval
- Reviewing annually the SIP and making recommendations on proposed modifications to the Board
- Recommending to the Board policies on the annual distribution rate for the income from the Endowment
- Reviewing and approving the appointment and termination of investment managers and service providers, investment manager mandates and the performance of each fund manager
- Monitoring compliance with the SIP



In June 2014 a Subcommittee of the Investment Committee was created with the authority to act on investment matters which may arise between regularly scheduled meetings. The Subcommittee is composed of the Chair of the Investment Committee, a member of the Investment Committee, the Senior Steward and the Chief Investment Officer & Treasurer (resource person). For Fiscal 2019 there were no Subcommittee meetings called.

The Investment Committee met 4 times during the fiscal year ended April 30, 2019. Quorum was established for all meetings.

In September 2018, the Committee reviewed the SIP and recommended changes to the minimum, target and maximum allocation limits to the Alternative Investments Asset Class. Furthermore, the Committee recommended changes to benchmarks. The Committee's recommendations were approved by the Board of Governors.

The Committee was presented with  
SIP