2020 ANNUAL REPORT FOR THE

UNIVERSITY OF REGINA

TRUST AND ENDOWMENT FUND

University of Regina

The University of Regina Trust & Endowment Fund – Overview

The University of Regina Trust & Endowment Fund (TEF) consists of 400 nonexpendable endowed trust accounts and 161 expendable non-endowed trust accounts. Each individual account was created for a specific purpose such as a scholarship and has terms of reference which govern the use of the funds. In addition, the University has institutional policies which govern the administration of the TEF with which each individual trust account must comply. As at December 31, 2020, the fair market value of the TEF was $121.1 million (2019 - $116.4 million). $119.3 million of the TEF was managed by contracted professional investment managers and $1.8 million was allocated to the UR Investing program in the Faculty of Business Administration.

Oversight of the TEF is provided by the Trust & Endowment Committee (TEC), which is a five person subcommittee reporting to the University of Regina Board of Governors. TEC members are employees and persons appointed by the Board of Governors. The TEC operates in accordance with terms of reference approved by the Board.
The TEC makes operational decisions regarding the TEF and makes recommendations to the Board for approval on significant matters, in accordance with the terms of reference.

The TEC works closely with investment consultants, Aon, to monitor and manage the TEF. Annually, the Statement of Investment Policies and Goals is updated by TEC with the advice of Aon. The TEF portfolio consists of diversified investment accounts investing in domestic and international equities, fixed income and real estate. The goal of the annual update of investment asset mix is to obtain the required rate of return for the TEF within an acceptable level of investment risk. The primary long-term objective of the TEF is to generate a minimum annualized rate of return after inflation of 4% which is the rate necessary to support an annual expenditure of 4% of the endowed trust accounts in perpetuity. This objective enables endowed scholarship funds to pay out annual scholarships of 4% of the fund balance forever while maintaining the purchasing power of both the annual scholarship and the remaining trust fund balance.

Later in this report, investment returns are compared to "benchmark returns." Those benchmark returns are established in relation to specific investment asset classes and economic circumstances to assess investment performance, but the underlying primary objective remains to generate a real rate of return of 4% per year. As at December 31, 2020, the TEF exceeded this primary objective over the past four and ten year investment periods.

Almost all TEF funds are invested as a pool of funds through several investment managers. The majority of the investment managers employed are also employed by the University of Regina Pension Master Trust Fund. By employing the same investment managers for the TEF and the University's two defined benefit pension plans, each can be managed as separate funds, yet combined for investment manager fee calculations. This enables economies of scale to be reached which results in lower investment manager fees for both the TEF and the pension funds.

The one exception to all TEF funds being invested as a pool is in relation to the UR Investing program. Specific trust funds have designated that part of its assets be invested by UR Investing, with the resulting investment gains or losses being attributed directly back to those specific trust funds. UR Investing assets and investment returns are not comingled with the other TEF assets. As at December 31, 2020, $1.8 million of the TEF assets were managed by UR Investing.

UR Investing is a program within the University of Regina Faculty of Business Administration. It is a structured program for degree credit which enables University students to learn about investments using real money and investing in real stock market investments through an external stock broker. The program is an example of the programs used to achieve the University's strategic goal of providing students with experiential learning environments.

The remainder of this report has been written by investment consultants, Aon. The report analyzes in detail the performance of the investment portfolio held by the TEF. The purpose of this analysis is to provide past, present and future benefactors to the University of Regina with information regarding the sound investment management practices employed by the University of Regina to ensure that the maximum benefit is derived from their gifts to the University.

Review of 2020 Investment Performance

The Markets

Global capital markets experienced tremendous volatility in 2020. The year began with equity markets showing continued momentum on gains experienced though most of 2019. The gains slowed by mid- to late-January as the world came to grips with the rapid spread of the COVID 19 virus. In mid-February, equity markets declined rapidly, marking the shortest bear market (+20%) decline ever witnessed in North American equity markets; equity markets bottomed on March 20th . Unprecedent bond market interventions by the Federal Reserve Bank of the U.S. and the Bank of Canada, in combination with extreme fiscal and monetary stimulus measures around the globe, resulted in a sharp rebound.

Equities

- Despite the 13.7% (CAD) first quarter decline for the MSCI All Country World Index (a proxy for global equities, including emerging markets), the world equity market rebound continued through 2020 and the MSCI All Country World Index closed out the year with a 14.2% (CAD) annual return. Buried in the equity market recovery, was the very narrow leadership of certain Info Tech, Consumer Staples and Consumer Discretionary stocks that benefited from the "stay-at-home" measures necessitated by the COVID 19 pandemic.
- The Canadian market, as reflected by the S&P/TSX Composite Index, earned a 5.6% annual return in the year. Information Technology sector was the best performing sector, up 80.9% in the year, with the return driven substantially by one stock, Shopify (up 178.5%); Financials, Canada's largest sector, earned just 1.9% .
- The U.S. equity market reached a record high by year end, with the market up USD18.4%, and slightly less in CAD, at 16.3%.
- Non-North American equities were up CAD5.9% as measured by the MSCI EAFE Index, with the fall of our dollar relative to the EAFE basket of currency adding over 5% to the flat 0.8% local dollar EAFE Index return.
- Emerging markets, as measured by the MSCI Emerging Market Index, were up CAD16.2% and 19.1% in local currency terms in the year. China, the largest country in the Index was up CAD27.4%, while a number of European countries had negative returns.

Fixed Income

- The Canadian fixed income market also enjoyed strong returns in 2020, benefiting from the Bank of Canada bond buying program , and stimulus/relief measures that gave investors confidence to invest in bonds with credit risk. As measured by the FTSE Canada Universe Bond Index, Canadian bonds returned 8.7%, their strongest annual return since 2014. The bond market benefited from a fall in market yields to historically low levels.
- Investment grade and non-investment grade corporate bonds benefited from investors search for yield, as the Government of Canada 10-year bond offered a yield (interest rate) below 1.0%.
- The low bond yields and easy credit environment in the marketplace provided a valuation lift to most asset classes, including residential and industrial real estate. However, retail and office real estate values suffered in the year, as tenant demand dropped off due to stay-at-home orders.

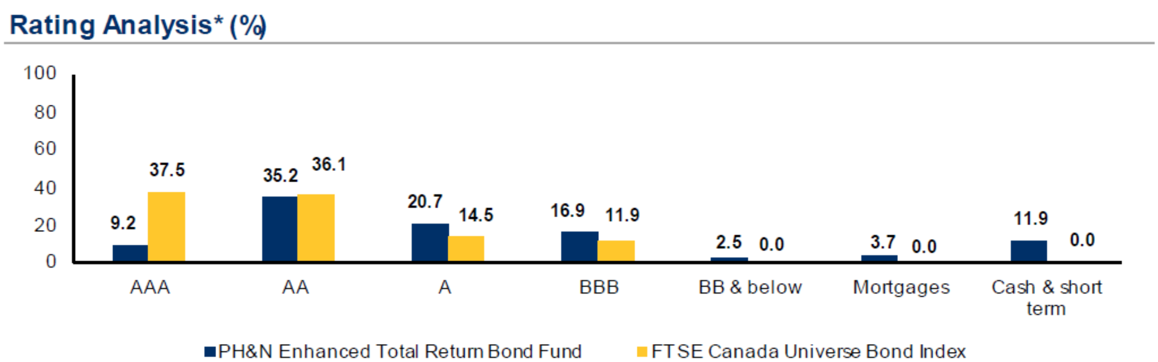
Plan Overview

Investment Performance (excluding UR Investing) - 2020

- The University of Regina Trust and Endowment return was 7.8% in 2020.
- The Total Fund return trailed the 9.0% benchmark return. Half of the value subtracted was due to below index results in global equities and real estate. Asset allocation accounted for the other half of value subtracted, with the small (on average 1.4%) cash weight held through the year detracting.
- Asset class results included:
  - Canadian Equities – PH&N's 6.0% return exceeded the 5.4% S&P/TSX Composite Index, while Mawer lagged, earning 3.8%. For PH&N, their underweight to Info Tech and specifically to Shopify (up 178.5%) was the largest detractor, while their stock selection within, and allocation to, Financials and Industrials drove value added. Mawer's underperformance came primarily in the second quarter when stock selection and underweight in Materials detracted during the precious metals recovery. Over the year, an underweight to Info Tech (including Shopify) detracted, as did their defensive positioning, including holding cash .
  - In the U.S. equity market, BlackRock's performance tracked tightly to the 16.3% S&P 500 return, which is the objective for this passive strategy.
  - The non-North American equity manager, Mawer, was well ahead of the 8.7% MSCI All Country World ex USA Index, earning 13.6% in the year. Mawer's strong relative result was earned in the negative first quarter, when their stock selection was generally strong, particularly the Financials, Industrials and Materials sectors. As well, their underweight to the Energy sector and average 3.8% cash weight was a positive in the difficult first quarter.
  - GMO's global equity mandate returned 7.6% (net of fees) in the year, lagging the 14.2% MSCI All Country World Index significantly. Holding North American (primarily U.S.) stock at half the weight of the Index and the manager's value style, had them out of most of the narrow group of Info Tech and Consumer stocks favoured through the pandemic, accounted for the underperformance.

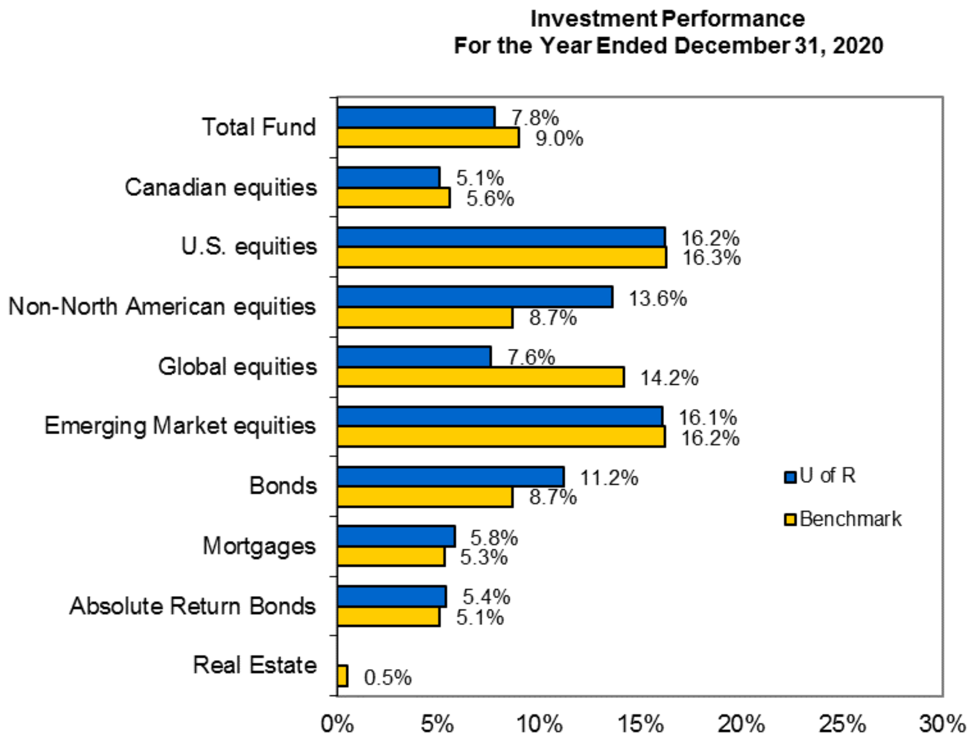
- BlackRock manages emerging market equities passively for the Trust and Endowment Fund, and tracked the MSCI Emerging Market Index tightly in the year, earning a 16.1% return.

- PH&N manages mandates in Universe Bonds and Mortgages. Over the year, PH&N's bonds returned 11.2%, adding substantially to the 8.7% FTSE Canada Universe Bond Index return. Mortgages returned 5.8% versus the 5.3% FTSE Canada Short Term Bond Index. PH&N primarily holds investment grade bonds, with only 2.5% of the portfolio in bonds rated below BBB. The breakdown of the bond quality is shown in the graph below.



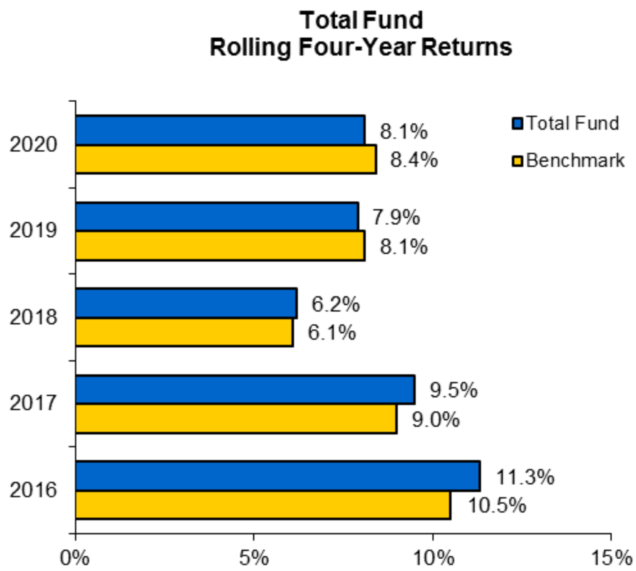
- The BlackRock Absolute Return Bond strategy invests in global fixed income assets, and generally has low interest rate sensitivity, to shield against the negative impacts of rising interest rates. In the year, the strategy returned 5.4%, just above the 5.1% USD LIBOR +4% return target. While the return is below the 8.7% FTSE Canada Universe Bond Index, the BlackRock strategy has a 2.7 year duration, versus the 8.0 year duration for the Universe Bond Index, meaning it has approximately one-third of the interest rate sensitivity and can be expected to do comparatively better in a rising interest rate environment.

- Real estate is managed by Bentall, and TD Greystone, as the former IAM real estate mandate was wound up. Real estate returns were challenged in 2020, with both managers earning -1.3% returns, due to pandemic-driven appraisal decreases in property values and rental loss provisions related primarily to Retail properties.



Investment Performance – Rolling Four-Year Returns

- One of the Fund's investment objectives is to exceed the benchmark return over rolling four-year periods. The Total Fund return over the past four years was 8.1%, lagging the benchmark by 0.3%. Four-year underperformance was mainly due to below index performance from GMO in global equities, as their value style was out of favour over this period. The following chart provides the longer-term track record of the Fund, with each period a rolling four-year result. The most recent result shows a strong absolute return led by equities. Over the past 10 years, the Total Fund return was 8.8% per year, which is 0.3% above the benchmark return.



Investment Performance – Relative to Peers

- In addition to monitoring performance relative to the benchmark return, the Fund performance can be put in perspective by comparing the result against those of a universe of institutional funds. The following table shows the Total Fund return and individual asset class returns relative to other funds in the Aon Peer Universes over the past year and four-year periods.
- The 2020 Total Fund result of 7.8% placed near the 7.9% return earned by the median fund in the Aon Non-Profit Fund Universe. Over the past four years, the Total Fund return of 8.1% exceeded the 7.9% median fund result.

2020 RELATIVE PERFORMANCE		
Asset Class	2020 Quartile [1]	4-Year Quartile [1]
Canadian equities	2	2
U.S. equities	2	2
Non-North American equities	1	1
Global equities	3	3
Emerging Market equities	2	4
Bonds	1	1
Mortgages	4	4
Real Estate	4	4
Total Fund	3	2

[1] Indicates the placement of the return relative to the Aon Universe for institutional pooled funds. Quartile 1 include the top 25% of funds by return, Quartile 2 represents firms in the 26-49% range, M is the median return, and so on.

- Asset class performance relative to respective universes of peer managers were mixed. Global equities were below median due to the value style of GMO, which was also the case in Emerging Market equities, where the performance of GMO before being replaced by BlackRock, detracted. Mortgages were below the peer universe median due to the conservative style PH&N employs. Real Estate was below their peer universe median, as both managers, Bentall and TDAM, delivered modest results. Bentall trailed on account of their exposure to Retail properties. TDAM trailed due to the re-pricing of their repositioning and development properties in light of the Covid impacts on future tenant demand.

Primary Investment Performance Objective

While investment performance objectives for the Trust & Endowment Fund were slightly lower than the Total Fund benchmark return over rolling four-year periods and earning above median returns within a peer universe, the primary long-term objective is to earn in excess of a 4% real rate of return over the longer term. The real return is assessed as the Total Fund nominal return, net of inflation, as measured by the Canadian Consumer Price Index. The Total Fund real return, was 6.4% over the past four years and 7.2% over the past ten years, on an annualized basis, substantially exceeding the 4% real return objective in both periods.

Benchmark Portfolio Return and Asset Mix

- The benchmark portfolio return is calculated by using index returns and target asset class weights. The current policy asset mix is shown below. Within the various asset classes, the objective is to exceed the relevant index return for actively managed mandates, and to track within 0.10% of the relevant index for passively managed mandates. In addition, the returns are evaluated on a relative basis to a universe of other investment manager returns.

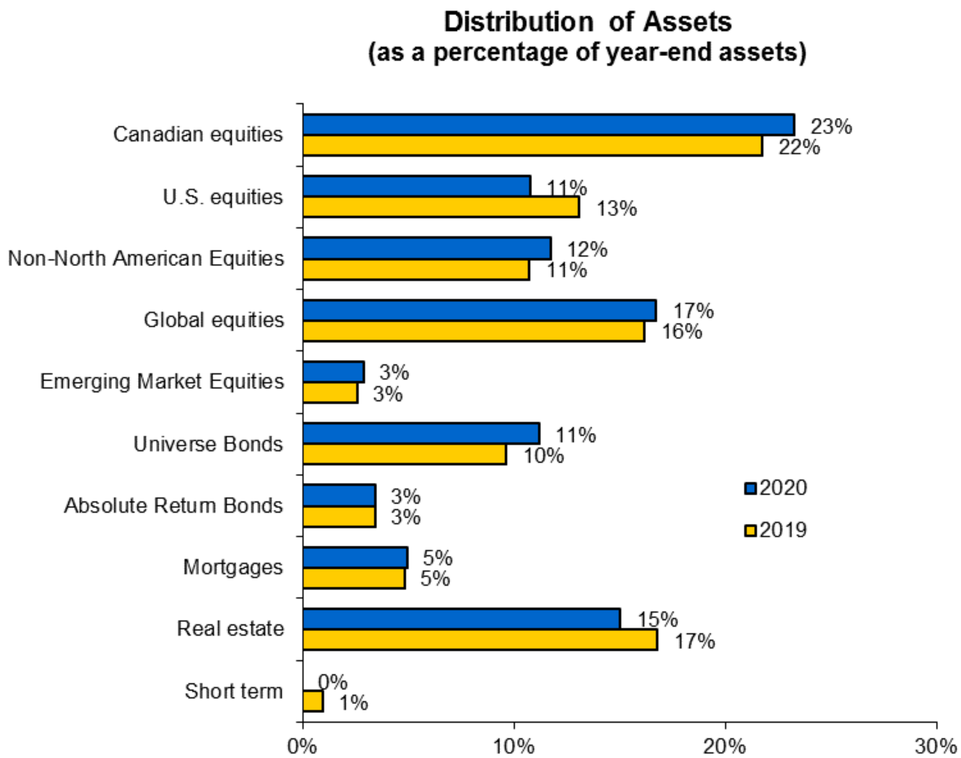
Asset Class	**2020 Benchmark Portfolio (Market Value %)**
Canadian equities	21%
U.S. equities	11%
Non-North American	11%
Global equities	17%
Emerging Market equities	3%
Bonds	12%
High Yield Bonds	5%
Mortgages	5%
Real estate	15%
Short-term investments	0%

The Trust and Endowment Fund

At the end of 2020, the Trust and Endowment Fund assets had a market value of $119.3 million (excluding $1.8 million of the TEF assets managed by the UR Investing program). This is up from $114.7 million at the end of 2019, as capital gains and investment income overshadowed net cash outflows of $4.0 million.

The distribution of assets for the Trust and Endowment is shown below.

Asset Mix Summary



Distribution of Assets by Manager

At the end of 2020, PH&N managed 27.4% of the Trust and Endowment Fund assets in a domestic balanced mandate (Canadian equities and fixed income). Mawer manages both a Canadian and a non-North American equity mandate. Grantham, Mayo and Van Otterloo (GMO) manages the Fund's global equity mandate. BlackRock manages passive U.S. equity and Emerging Markets equity funds, and a global absolute return bond strategy. IAM, Bentall and TD Greystone oversee the investments in real estate; however, the IAM mandate was wound up in 2020, with all assets sold and a small amount of residual cash yet to be distributed to the Fund.

Manager	**Mandate**	**2020**	**2019**
PH&N	Domestic Balanced	27.4%	24.2%
Mawer	Canadian and NNA Equities	12.0%	22.8%
BlackRock*	U.S. Equities, EM Equities,		
	Absolute Return Bonds	17.2%	16.5%
GMO*	Global Equities and EM Equities	16.7%	18.8%
IAM	Real Estate	0.2%	1.8%
Bentall	Real Estate	7.6%	8.1%
TD Greystone	Real Estate	7.2%	6.9%
Cash Account	Liquidity	0.0%	0.9%
		100.0%	100.0%

* The GMO Emerging Market Equity mandate was terminated in early 2020 and a new Emerging Market equity mandate was initiated with BlackRock.