

2021 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 409 nonexpendable endowed trust accounts and 163 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, 2021, the fair market value of the TEF was \$138.3 million (2020 - \$120.9 million). \$136.2 million of the TEF was managed by contracted professional investment managers and \$2.1 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, 2021, 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, 2021, \$2.1 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 2021 Investment Performance

The Markets

Markets experienced continued volatility in 2021, with a divergence in results between lower risk bonds and higher risk equities. While major stock markets did remarkably well, bond markets posted negative returns and real estate results were steady

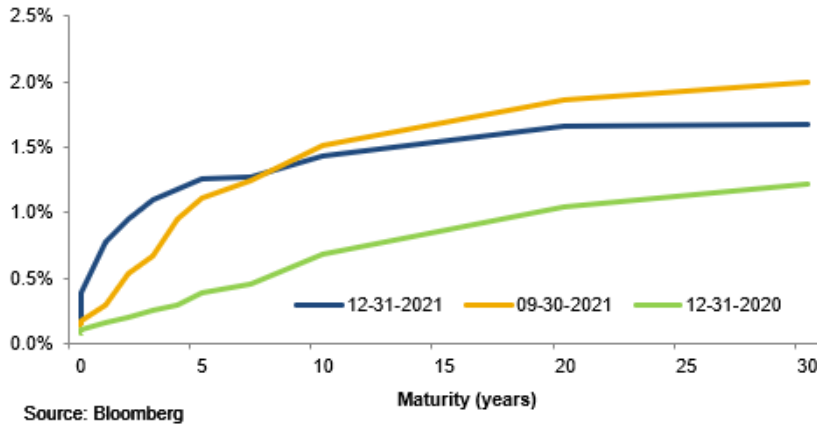
Equities

Global equities generated strong positive returns over the last twelve months, boosted by optimism over Covid-19 vaccine roll-outs, supportive monetary and fiscal policies, and improving economic data. However, the discovery of Covid-19 variants cast doubts over the prospect of global economic growth in 2021. Inflation rates worldwide continued to increase, as supply chain problems and rising wages persisted. Rising inflation led major central banks to indicate the end of pandemic-era bond purchase programs and hinting at accelerated interest rate hikes to help ease the persistent inflation. Equity markets were able to shrug most of these concerns, posting solid gains in 2021. The MSCI All Country World Index, a proxy for global equities including developed and emerging markets, earned a strong 17.5% in the year.

Fixed Income

Bond investors began 2021 with low yields and the growing consensus that, due to the combination of growing corporate earnings, GDP growth and rising inflation, bond yields were likely to rise. While not even throughout the year, bond yields did rise through 2021 across most bond maturities (terms) (see Canadian Federal Yield Curve Chart below). The only exception was at the very short end of the yield curve, where the Bank of Canada held its overnight rate steady through the year. With sensitivity to rising yields greater for longer-termed bonds than shorter-termed bonds, long-term bond returns declined the most, exemplified by Government of Canada bonds, where short-term federal bonds declined 1.1% in the year, while long-term federal bonds declined by 7.1%. Overall the FTSE Canada Universe Bond Index returned -2.5% in 2021.

CANADIAN FEDERAL YIELD CURVE



Canadian Real Estate

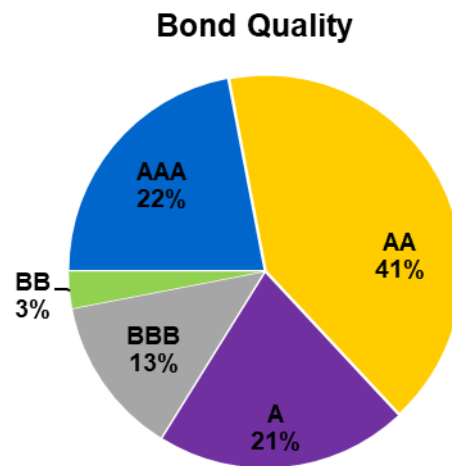
The Canadian commercial real estate market surprised many, posting a 7.9% return (MSCI/REAL PAC Annual Property Index) in 2021. With the MSCI/REALpac Canada Quarterly Property Fund Index returning an even stronger 15.4% return in the year. The Industrials segment was the big winner in the Pandemic economy, rising 31.8% in the year. Rapid growth in e-commerce led to a huge increase in demand for warehouse space. While the Retail segment lagged all other market segments, a 17.4% increase in rental income demonstrated retailers are getting back on their feet and able to pay their full rents each month. Low borrowing rates and institutional investors search for yield continue to drive strong pricing in the real estate market.

Plan Overview

Investment Performance (excluding UR Investing) - 2021

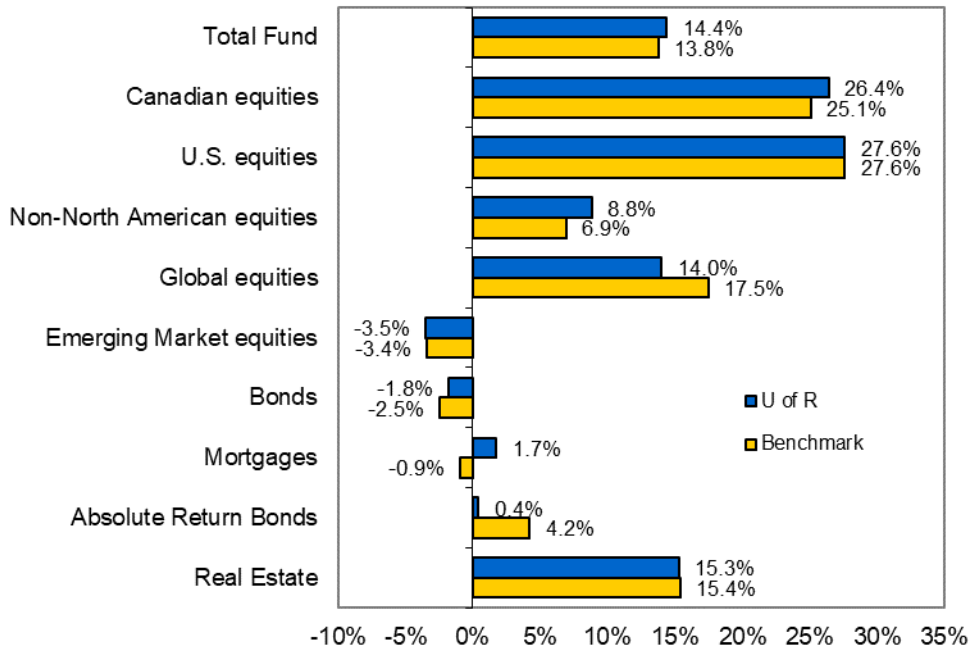
- The University of Regina Trust and Endowment return was 14.4% in 2021.
- The Total Fund return beat the 13.8% benchmark return. Value added was driven by asset allocation, with the Fund overweight Canadian equities and underweight bonds.
- Asset class results included:
 - Canadian Equities – PH&N’s strong 27.3% return exceeded the 25.1% S&P/TSX Composite Index, while Mawer was only slightly ahead of Index, earning 25.3%. For PH&N, stock picks in Utilities, Health Care and Consumer Discretionary added value. Asset allocation also added value across most sectors, especially the overweight to the Financials sector. Mawer’s stock selection added value, especially in the Communication services and Energy sectors. This was offset by asset allocation, where the overweight to Industrials and an underweight to Energy detracted.
 - In the U.S. equity market, BlackRock’s performance tracked tightly to the 27.6% S&P 500 return, which is the objective for this passive strategy.
 - The non-North American equity manager, Mawer, was ahead of the 6.9% MSCI All Country World ex USA Index, earning 8.8% in the year. Mawer’s value added was earned in the last half of the year, driven by an overweight to the Industrials sector and strong stock picks within that sector.
 - GMO’s global equity mandate returned 14.0% (net of fees) in the year, lagging the 17.5% MSCI All Country World Index significantly. GMO holds a 12% overweight to Emerging Markets and a 31% underweight to North American. Both positions subtracted value for GMO over the year
 - 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 -3.5% return.
 - PH&N manages mandates in Universe Bonds and Mortgages. Over the year, PH&N’s bonds returned -1.8%, adding to the -2.5% FTSE Canada Universe Bond Index return. Mortgages returned 1.7% versus the -0.9% FTSE Canada Short Term Bond Index. PH&N

primarily holds investment grade bonds, with only 3.0% 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 0.4%, well below the 4.2% USD LIBOR +4% return target. However, the return was above the -2.5% FTSE Canada Universe Bond Index. The BlackRock strategy has a 1.2 year duration, versus the 8.4 year duration for the Universe Bond Index, meaning it has less than one-quarter 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 strong in 2021, with Bentall earning 14.8% and TD Greystone earning 16.0%. Appraisal gains in Industrial properties were strong for both managers.

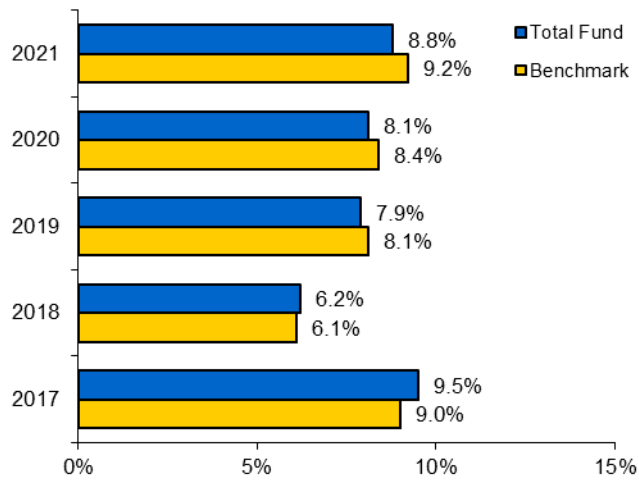
**Investment Performance
For the Year Ended December 31, 2021**



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 8.8%, lagging the benchmark by 0.4%. 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 10.2% per year, which is 0.3% above the benchmark return.

**Total Fund
Rolling Four-Year Returns**



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 2021 Total Fund result of 14.4% placed in the second quartile of the Aon Non-Profit Fund Universe, well above the 12.3% return earned by the median fund. Over the past four years, the Total Fund return of 8.8% exceeded the 8.6% median fund result.

2021 RELATIVE PERFORMANCE		
Asset Class	2021 Quartile ¹	4-Year Quartile ¹
Canadian equities	3	2
U.S. equities	2	2
Non-North American equities	4	2
Global equities	4	4
Emerging Market equities	3	4
Bonds	1	1
Mortgages	2	3
Real Estate	3	3
Total Fund	2	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 over four-years 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 8.4% 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.
- A new benchmark has been selected and approved and will be implemented in 2022.

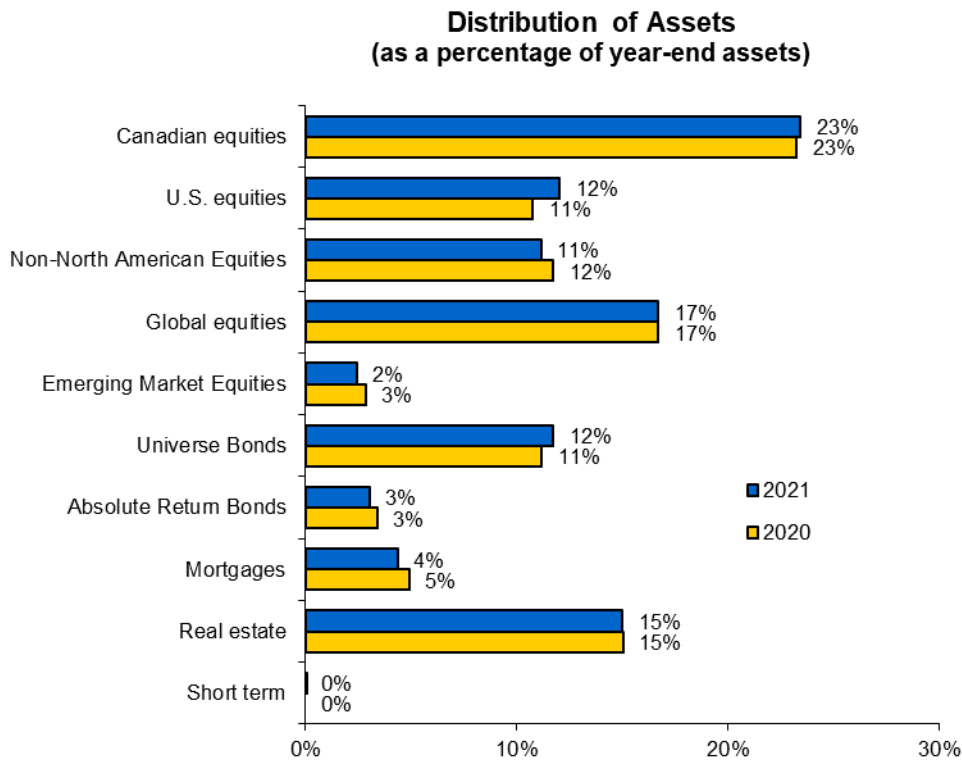
Asset Class	2021 Benchmark Portfolio (Market Value %)	2022 Benchmark Portfolio (Market Value %)
Canadian equities	21%	16%
U.S. equities	11%	11%
Non-North American	11%	11%
Global equities	17%	16%
Emerging Market equities	3%	4%
Bonds	12%	-
Core Plus Bonds	-	12%
Absolute Return Bonds	5%	5%
Mortgages	5%	5%
Real estate	15%	10%
Infrastructure	-	10%
Short-term investments	0%	0%

The Trust and Endowment Fund

At the end of 2021, the Trust and Endowment Fund assets had a market value of \$136.2 million (excluding \$2.1 million of the TEF assets managed by the UR Investing program). This is up from \$119.1 million at the end of 2020, due to strong capital gains from equities and investment income.

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

Asset Mix Summary



Distribution of Assets by Manager

At the end of 2021, PH&N managed 25.9% 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 distributed to the Fund in 2021.

Manager	Mandate	2021	2020
PH&N	Domestic Balanced	26.4%	27.4%
Mawer	Canadian and NNA Equities	24.4%	23.8%
BlackRock	U.S. Equities, EM Equities, and Absolute Return Bonds	17.5%	17.2%
GMO	Global Equities	16.7%	16.8%
IAM	Real Estate	-	0.0%
Bentall	Real Estate	7.7%	7.7%
TD Greystone	Real Estate	7.3%	7.2%
Cash Account	Liquidity	0.0%	0.0%
		100.0%	100.0%