



# ANNUAL REPORT 2023-2024

UNIVERSITY OF VICTORIA FOUNDATION

MARCH 31, 2024





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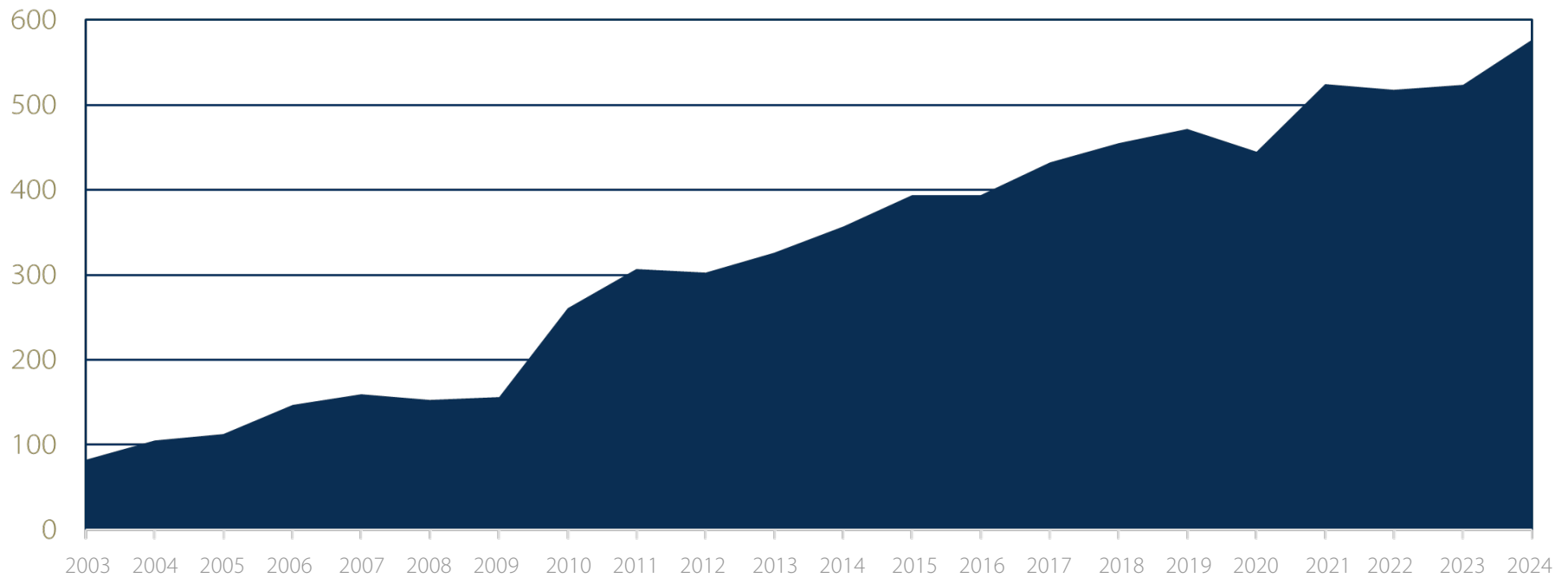


University endowments play a tremendously important role in sustaining scholarships and bursaries, libraries, chairs and professorships, research and exceptional student experiences. Thank you for generously supporting the University of Victoria through an endowment.

Jane Potentier, President, University of Victoria Foundation

**Figure 1: Foundation Growth**

\$ Millions, Market Value, 2003-2024 (as at March 31)



## MESSAGE FROM THE CHAIR

I am pleased to present the University of Victoria Foundation's Annual Report for the fiscal year ending March 31, 2024. This report offers a comprehensive overview of the Foundation's investment activities and performance in a dynamic economic environment.

Despite the first half of the fiscal year exhibiting modest growth, the latter half witnessed substantial recovery and impressive double-digit performance. Building on this momentum, the Board approved a budget of \$19.2 million for the 2024-2025 fiscal year, marking an increase of \$1.9 million from the previous year. This budget underscores the Foundation's unwavering commitment to our core spending objectives, protecting against inflation while ensuring stable distributions to our beneficiaries. A detailed breakdown of these distributions is provided in this report, with the majority of funds dedicated to supporting scholarships, bursaries, and research centers at the university.

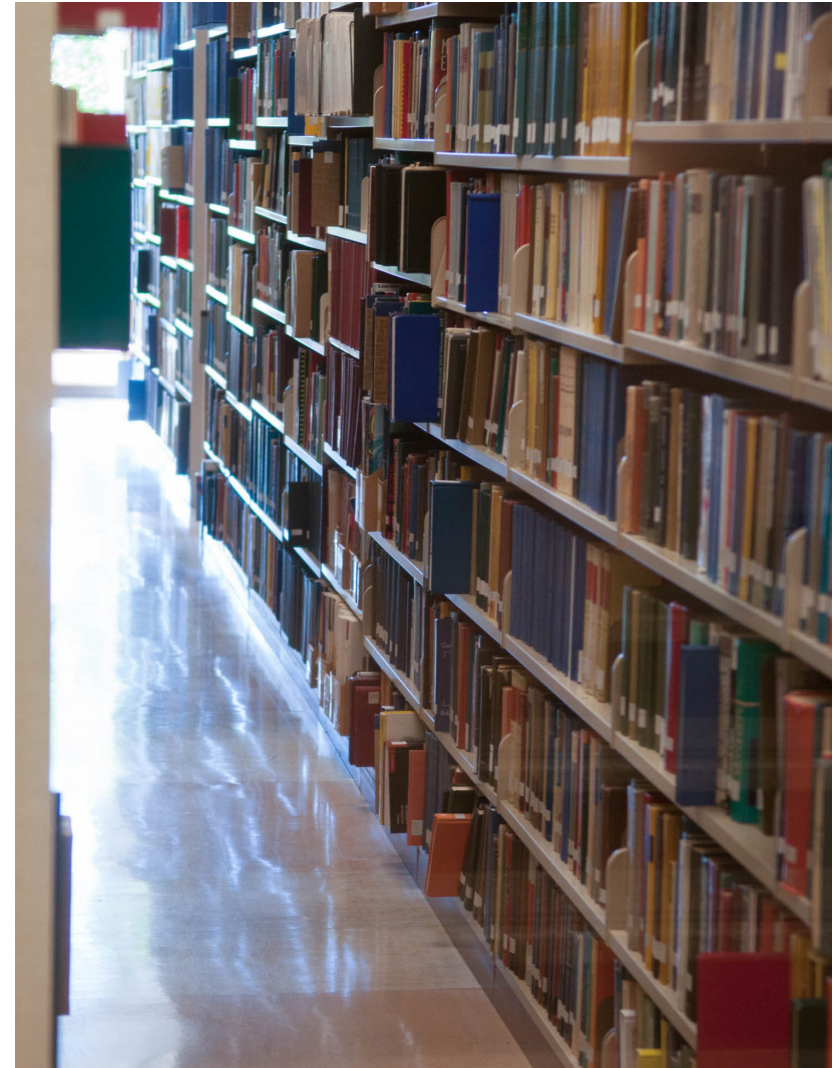
The Foundation's robust annual return has significantly surpassed our investment goal of achieving a net minimum annualized rate of return of 4.5% above the Canadian Consumer Price Index. Although we slightly underperformed relative to our market benchmark, our long-term performance continues to exceed both our investment goals and market benchmarks over a ten-year period.

The Foundation Board remains steadfast in our fiduciary responsibilities and the prudent stewardship of the Foundation's investments. We will continue to closely monitor market conditions and make informed decisions that align with our mandates. As we navigate a landscape characterized by high interest rates, high inflation, and persistent geopolitical tensions, the Foundation Board is engaged in reassessing the target asset mix for 2024-2025 to ensure the continuation of our strong long-term performance.

Last year, the number of Foundation endowments grew to 1,582, thanks to the generous support from our donors. Your contributions make a significant difference, and we value your feedback as we continue to stay focused on delivering strong returns and preserving inter-generational equity. On behalf of the Board Members of the University of Victoria Foundation, I extend my heartfelt thanks to all our supporters.

Mary Garden

Chair







# ABOUT THE FOUNDATION

## ABOUT THE FOUNDATION

The University of Victoria Foundation was established in 1954 by the University of Victoria Foundation Act. The Foundation is responsible for managing \$576.2 million in assets and administering 1,582 endowment funds that disburse \$19.2 million annually for scholarships, bursaries, and other university purposes. These endowment funds are supported by generous donations from individuals, corporations, and foundations that play a vital role in promoting a continuing interest in the university and in higher education more broadly. The Foundation is a registered charitable organization under the Income Tax Act and is exempt from income taxes.

## INVESTMENT OBJECTIVES

The University of Victoria Foundation is invested in accordance with the Foundation's [Statement of Investment Objectives and Guidelines](#) (SIO&G). The SIO&G sets out the categories of permitted investments, diversification, asset mix and return expectations.

A fundamental underlying concept is that endowments are intended to exist in perpetuity. As a result, the Foundation has a long-term investment horizon and focuses on long-term returns. The investment objectives of the Foundation reflect this and are focused on:

- Preservation of capital in real terms;
- Generation of sufficient annual cash flow to meet expenditures objectives; and
- Growth of cash flow to meet rising costs over the long term.

The SIO&G is reviewed annually.

## INVESTMENT BELIEFS SUMMARY

The Board has taken steps to codify its investment practices into belief statements. Our beliefs are summarized in the [Summary of Investment Beliefs](#) available online.

## MEMBERS OF THE BOARD

### Elected by the Members

Keith Barr  
Chris Donkers  
Ann Glazier Rothwell  
Jason Milne  
Jagdeep Shergill

### Appointed by the Board of Governors of the University

Mary Garden (Chair)  
Doug Stadelman (Vice-Chair)  
Carol Bellringer  
Sheridan Scott  
Bryan Thomson

### University Members (ex officio)

Kevin Hall  
Kristi Simpson

### Officers (non-voting)

Chris Horbachewski (Acting President)  
Raymond Aoki (Treasurer)  
Barbara Eccles (Secretary)  
Chrissy Drew (Assistant Secretary)

I extend my gratitude to the Foundation Board members for their time and commitment to careful stewardship of our donors' gifts to create meaningful long-term impact.

Jane Potentier, President, University of Victoria Foundation



# GOVERNANCE



## GOVERNANCE

The [University of Victoria Foundation Act](#) provides the Foundation Board with the investment powers of a “prudent investor” as per sections 15.1 to 15.6 of the Trustee Act.

The Foundation is governed by a Board of Directors distinct from the University Board of Governors and includes volunteers qualified in investments and trust issues.

### Figure 2: Links to Audited Financial Statements & Portfolio Holdings

A full set of audited financial statements is available on the [University of Victoria website](#).

A list of the portfolio holdings is posted on the [Foundation website](#).



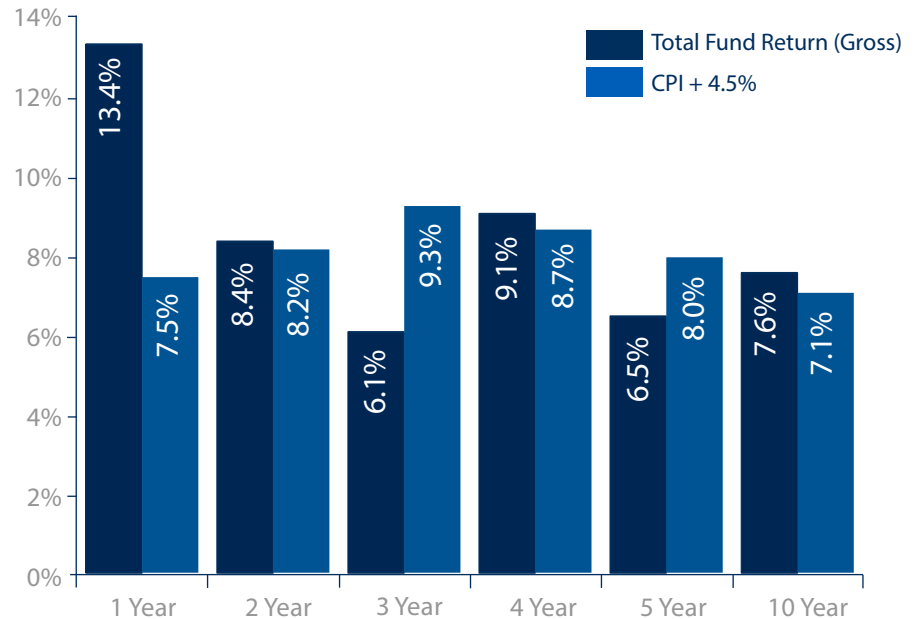
## MAIN INVESTMENT POOL PERFORMANCE

### FUND RETURN RELATIVE TO INVESTMENT GOAL

The long-term investment goal of the fund is to achieve a minimum annualized rate of return of 4.5% in excess of the Canadian Consumer Price Index. Heightened inflation and volatility driven by the pandemic and geopolitical events lead the fund’s performance to show mixed results compared to the investment goal. The fund outperformed its investment goal over the short-term and long-term periods but underperformed over a few intermediate periods.

### Figure 3: Fund Return Relative to Investment Goal

Total Gross Fund Return vs Investment Goal of CPI + 4.5%, as at March 31st, 2024

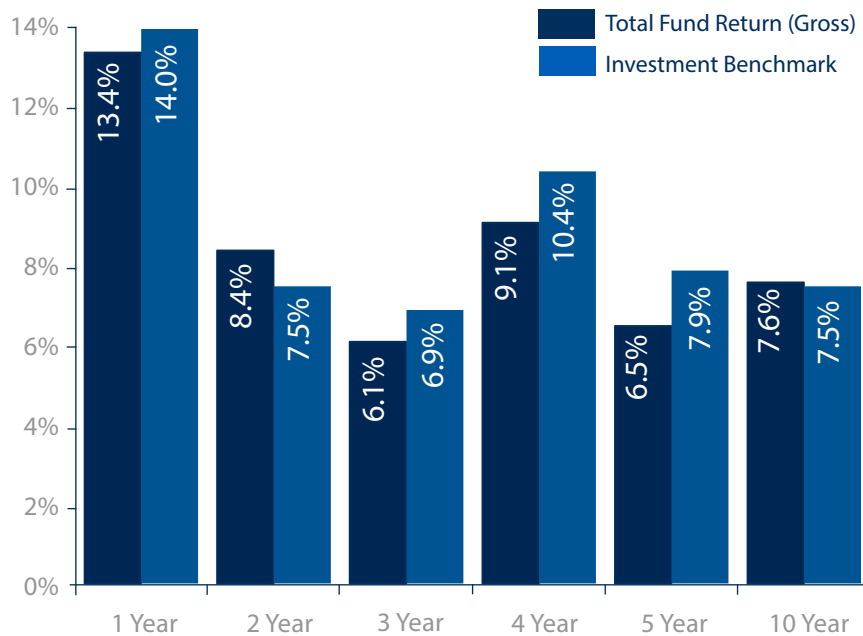




### FUND RETURN RELATIVE TO INVESTMENT BENCHMARK

The Fund employs an active management style and incorporates responsible investment integration across all asset classes. Active management provides the opportunity to outperform specific investment benchmarks. On a relative basis, the total fund outperformed in its 2-year and 10-year investment benchmark but underperformed over the other periods shown below. The variance of outperformance and underperformance is primarily attributed to the allocations to and the returns of the global equity strategies.

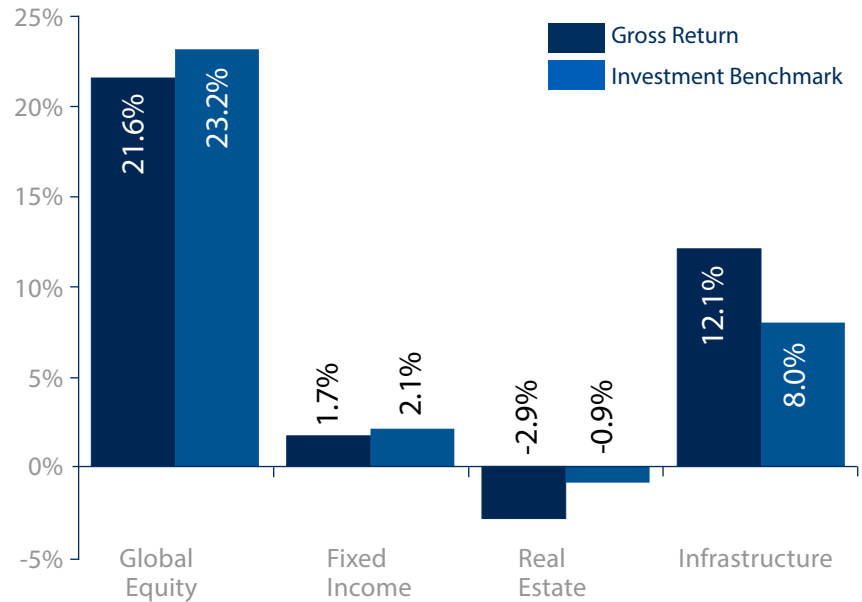
**Figure 4: Fund Return Relative to Investment Benchmark**  
Total Gross Fund Return vs Investment Benchmark, as at March 31st, 2024



### RETURNS BY ASSET CLASS RELATIVE TO BENCHMARKS

The Foundation outperformed its relative benchmark in infrastructure while slightly underperforming its relative benchmark for global equity, fixed income, and real estate in 2023-24. Global equities had a strong but uneven recovery in the year returning 21.6%, underperforming its benchmark (23.2%) by 1.6%. Fixed income returns continue to be impacted by the elevated interest rate environment, with the asset class returning 1.7%, underperforming its benchmark (2.1%) by 0.4%. Real estate returned -2.9% and underperformed the benchmark (-0.9%) by 2%. Infrastructure returned 12.1% and outperformed its benchmark (8.0%) by 4.1%.

**Figure 5: One-Year Returns by Asset Class Relative to Benchmarks**  
Total Gross Fund Return vs Investment Benchmark, as at March 31st, 2024



As a long-term investor, the Foundation monitors year-over-year performance, but it places more emphasis on 4-year performance. Over the past four years, Fixed Income has modestly underperformed its 1-year benchmark but outperformed over longer term periods. Global Equity underperformed its investment benchmark in all periods in a period of uneven market recovery.

Although Real Estate underperformed its investment benchmark over all periods in the last 4 years, Infrastructure has outperformed its investment benchmark over all periods in the last 4 years. The infrastructure benchmark is an absolute benchmark rather than a relative market benchmark comparison, as the Board feels a comparable relative reference is not available.



## Figure 6: Annualized Performance by Asset Class

Total Gross Returns & Benchmarks by Asset Class, as at March 31st, 2024

AS AT MARCH 31st, 2024	ANNUALIZED PERFORMANCE			
	1 YEAR	2 YEAR	3 YEAR	4 YEAR
Global Equity	21.6%	10.8%	6.4%	10.9%
Benchmark: MSCI ACWI Net Total Return Index (CAD)	23.2%	11.2%	9.6%	15.8%
<i>Value Added</i>	-1.6%	-0.4%	-3.2%	-4.9%
Canadian Fixed Income (Gross)	1.7%	0.0%	-1.3%	0.0%
Benchmark: FTSE Canada Universe Bond Index	2.1%	0.0%	-1.5%	-0.7%
<i>Value Added</i>	-0.4%	0.0%	0.2%	0.7%
Real Estate (Gross)	-2.9%	0.4%	6.1%	4.5%
Benchmark: MSCI/REALpac Canada Quarterly Property Fund Index	-0.9%	1.0%	6.6%	5.2%
<i>Value Added</i>	-2.0%	-0.6%	-0.5%	-0.7%
Infrastructure (Net)	12.1%	25.8%	24.6%	21.9%
Benchmark: Consumer Price Index + 5%	8.0%	8.8%	9.8%	9.2%
<i>Value Added</i>	4.1%	17.0%	14.8%	12.7%



# ASSET ALLOCATION

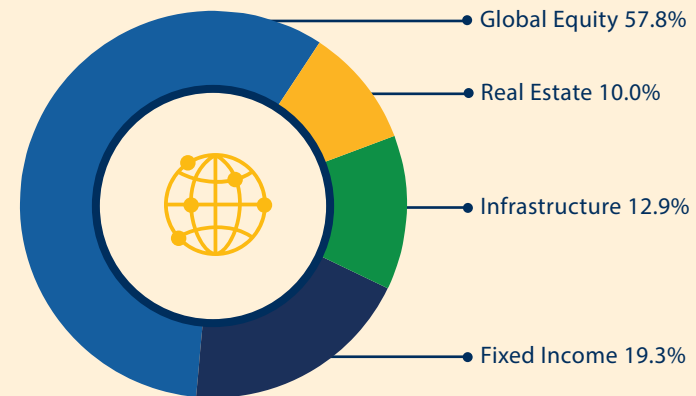
Figure 7: Asset Allocations Relative to Policy  
As at March 31st, 2024

ASSET CLASS BENCHMARK POLICY	INVESTMENT POLICY (%)	ACTUAL ALLOCATION (%)
<b>Fixed Income:</b>		
Fixed Income - FTSE Canada Universe Bond Index	20.0	19.3
<b>Equity:</b>		
Global Equity - MSCI ACWI Net Total Return Index (CAD)	55.0	57.8
<b>Alternatives:</b>		
Real Estate - MSCI/REALpac Canada Quarterly Property Fund Index	10.0	10.0
Infrastructure - Consumer Price Index + 5%	15.0	12.9
Total Alternatives	25.0	22.9
<b>Total Fund</b>	<b>100.0</b>	<b>100.0</b>

Figure 8: Actual Asset Allocations

Assets Under Management \$576.2 million, as at March 31st, 2024

The Foundation's actual allocation to each asset class remains within the approved investment policy ranges.

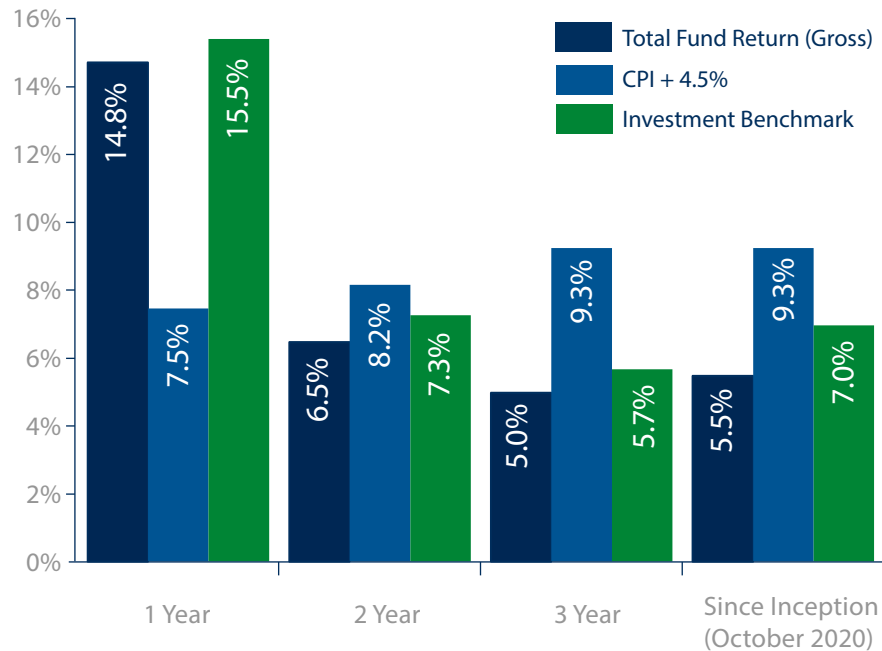


## FOSSIL FUEL FREE INVESTMENT POOL (FFFIP) PERFORMANCE

In 2016 the Foundation created a Fossil Fuel Free Investment Pool (“FFFIP”) in direct response to student and faculty calls for action to address climate change and provide donors with a fossil fuel free investment option. The pool excludes investments directly involved in the extraction, processing and transportation of coal, oil or natural gas “fossil fuels” and companies included in the “Carbon Underground 200” list.

The FFFIP was seeded by the university with \$25,000 from the working capital investment pool. With help from student feedback over the past year to increase awareness of donor investment options, the FFFIP has grown assets under management to over \$1.5 million.

**Figure 9: Fund Return Relative to Investment Benchmark**  
As at March 31st, 2024



In 2020, the Foundation changed the FFFIP’s manager and rebalanced the equity only pool with an asset mix consisting of a 65% allocation to equities and a 35% allocation to fixed income, to better diversify the pool and reduce its volatility. While the FFFIP is still less diversified than the Main Investment Pool and may exhibit higher volatility and risk, both pools are expected to offer comparable long-term performance meeting the Foundation’s investment goals.

The FFFIP returned 14.8% this year, outperforming the investment objective of CPI + 4.5% (7.5%) by 7.3% while slightly underperforming the investment benchmark (15.5%) by 0.7%.

**Figure 10: Actual Asset Allocations**  
Assets Under Management \$1.5 million, as at March 31st, 2024





## ENDOWMENT MANAGEMENT (SPENDING) POLICY

The Board maintains an Endowment Management Policy that sets out the following objectives:

- Protect the value of the Fund against inflation over time so that the donation will continue to benefit the university for generations to come; and
- Provide stability in the earnings distribution to allow both the recipients and the university to plan ahead knowing what funds will be made available each year.

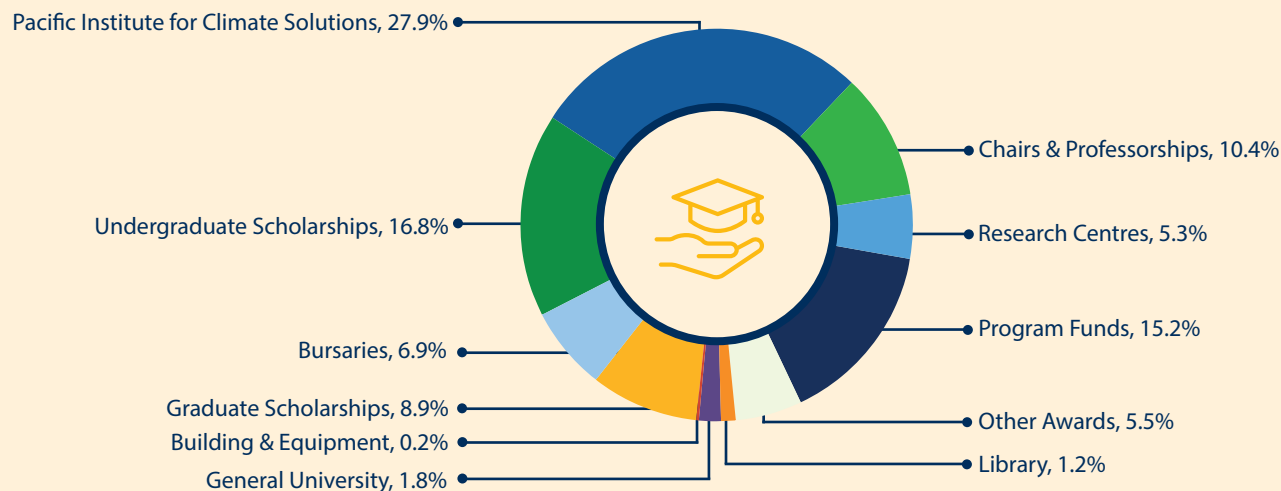
In order to achieve these goals, the Foundation updated the spending policy in late 2022 after a period of significant market volatility. Spending distributions equal to 4.0% of the inflation adjusted principal at cost as at December 31st of the prior year are designated to these endowments. Endowments with a market value greater than 108% of the inflation adjusted principal at cost as at December 31st of the prior year are eligible for an additional 0.5% spending distribution based on the inflation adjusted principal at cost. Endowments with a market value of less than 100% of the inflation adjusted principal at cost as at December 31st of the prior year will have

their spending distributions reduced to 3.0% of the inflation adjusted principal at cost. The 3.0% distribution rate was determined to preserve the long-term financial sustainability of the endowment and protect intergenerational equity.

It is through adherence to the Endowment Management Policy that the Board was able to approve a budget of \$19.2 million for 2024-25 which represents a \$1.9 million increase from the previous year. 42% of the endowments will receive a spending distribution of 4.5%, an improvement from 28% of the endowments in the previous year. 28% of the endowments will receive a spending distribution of 4.0%, an improvement from 16% of the endowments in the previous year. The remaining 29% of the endowments will receive a spending distribution of 3.0%, compared to 55% of the endowments from the previous year.

The Foundation Board is committed to monitoring the situation closely and will readjust the distribution rate as the market value of the endowments recovers. The breakdown of how the budget is allocated is illustrated below.

Figure 11: 2024-25 Budget Allocations



## Budget Categories

- Awards – Achievement based
- Bursaries – Bursaries are non-repayable awards based on financial need and reasonable academic standing.
- Specific Purpose – Research Chairs, Centres, etc.
- Scholarships – Scholarships are non-repayable and are awarded to students on the basis of academic merit or excellence

## Operating Expenses

The majority of investment expenses are investment management fees. The spending policy limits other expenses to a maximum of 0.50% per annum of the inflation adjusted principal at cost as at December 31st of the prior year. These expenses may include audit, consulting, and performance measurement fees as well as advancement and administration services provided by the University of Victoria. For 2024-25 the Foundation budget for these expenses is 0.42% of the inflation adjusted principal at cost as at March 31st, 2024.

## SERVICE PROVIDERS

### INVESTMENT MANAGERS

Phillips, Hager & North (PH&N) – Fixed Income, Fossil Fuel Free Investment Pool  
 Baillie Gifford – Global Equity  
 Pier 21 / C WorldWide – Global Equity  
 Walter Scott – Global Equity  
 Brookfield – Infrastructure  
 Macquarie Infrastructure & Real Assets – Infrastructure  
 BentallGreenOak – Real Estate

### CUSTODIAN

Northern Trust

### INVESTMENT CONSULTANT

PBI Actuarial Consultants

### PERFORMANCE MEASUREMENT AND REPORTING

PBI Actuarial Consultants

### AUDITOR

KPMG LLP

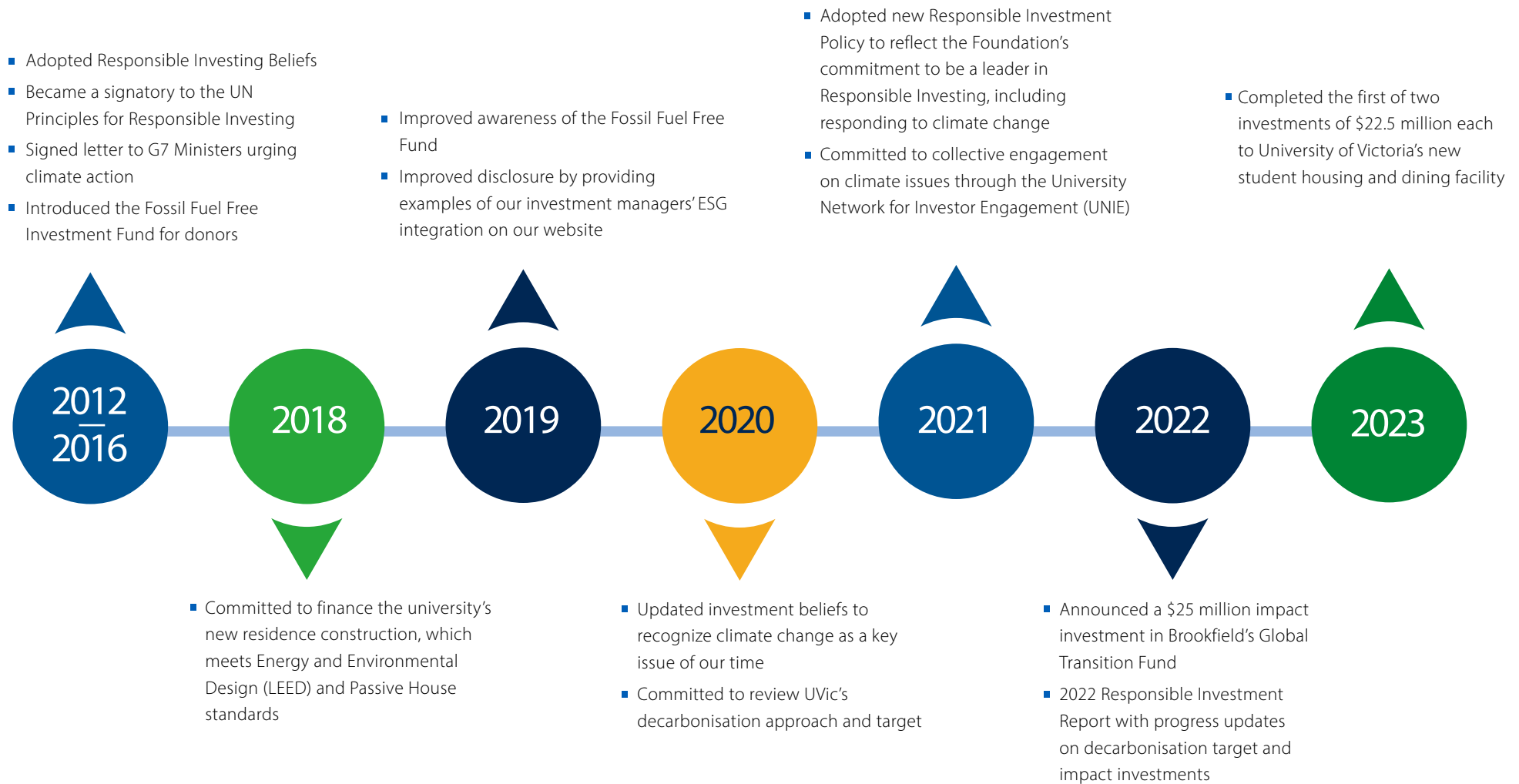




# OUR RESPONSIBLE INVESTMENT APPROACH



## University of Victoria Foundation Responsible Investment Milestones





## OUR RESPONSIBLE INVESTMENT APPROACH

In 2012, the Foundation extended its list of investment beliefs to include a responsible investment belief. Two years later, the Foundation updated its policy to require investment managers to submit annual disclosures regarding the processes by which Environmental, Social and Governance (ESG) factors are incorporated into their investment decision-making process.

To support our commitment to sustainability and to articulate our goals with respect to foundation investments, the University of Victoria Foundation updated its investment beliefs in 2020 to recognize climate change as a key issue of our time and adopted a Responsible Investment Policy in 2021 to advance its responsible investment practices aligned with the Principles for Responsible Investment.

The Foundation is a signatory to the Principles for Responsible Investment (the PRI). The Board views these PRI Principles as a key framework and, where consistent with its fiduciary responsibilities, commits to the following:

1. We will Incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

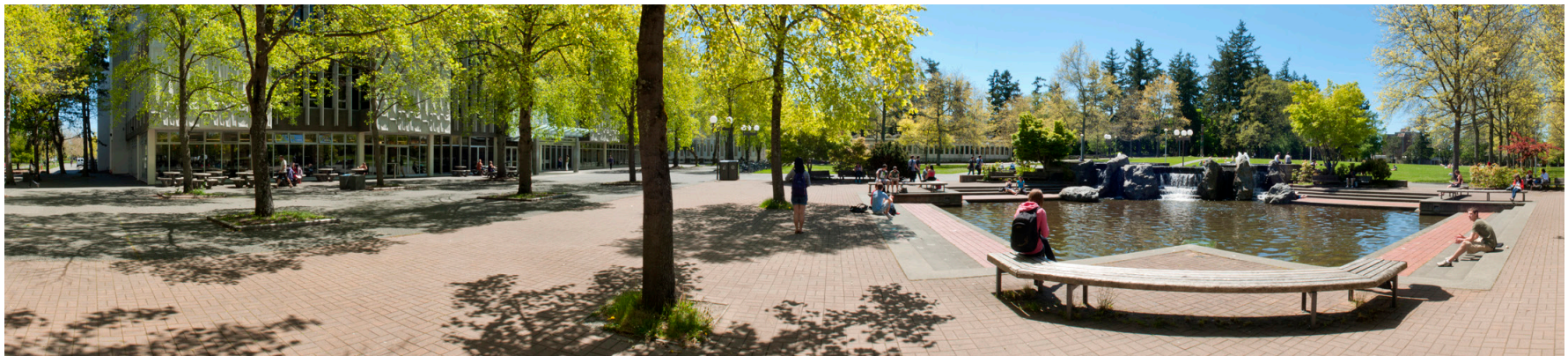
4. We will promote acceptance and implementation of the PRI Principles within the investment industry
5. We will work together with like-minded investors to enhance our effectiveness in implementing PRI principles
6. We will report our activities and progress towards implementing PRI principles

The Foundation recognizes that Responsible Investing, including climate change initiatives and carbon emission disclosures, is a rapidly evolving area. The Foundation has committed to updating plans to ensure that material Responsible Investment risks and opportunities, including climate change, are integrated into the investment process across all asset classes.

This plan includes:

1. The ongoing monitoring of our investment managers and implementation of best due diligence practices;
2. Commitment to collective engagement through the [University Network for Investor Engagement \(UNIE\)](#);
3. Reducing the carbon intensity of our portfolio by 45% by 2030; and
4. Impact investing opportunities to promote sustainable futures.

Please see the Foundation's [Responsible Investment Report](#) for more information about our responsible investment approach.





This Annual Report is intended to reflect the Foundation's investment performance in 2023-24. Please visit the [University of Victoria Foundation](#) website for additional information about the foundation

## CONTACT

General enquiries or requests for statements can be directed to the University Secretary's Office

Email: [foundations@uvic.ca](mailto:foundations@uvic.ca)

Phone: (250) 721-8102