## HIGHLIGHTS

<table>
<thead>
<tr>
<th></th>
<th>April 30, 2019</th>
<th>April 30, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Endowments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value</td>
<td>$ 2,593</td>
<td>$ 2,504</td>
</tr>
<tr>
<td>Change from previous year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowed donations</td>
<td>$ 40</td>
<td>$ 39</td>
</tr>
<tr>
<td>Transfers from University’s</td>
<td></td>
<td></td>
</tr>
<tr>
<td>unrestricted funds</td>
<td>$ 8</td>
<td>$ 14</td>
</tr>
<tr>
<td>Investment income</td>
<td>$ 154</td>
<td>$ 181</td>
</tr>
<tr>
<td>Fees and expenses</td>
<td>$ (25)</td>
<td>$ (25)</td>
</tr>
<tr>
<td>Allocation for spending</td>
<td>$ (88)</td>
<td>$ (85)</td>
</tr>
<tr>
<td>Total change for the year</td>
<td>$ 89</td>
<td>$ 124</td>
</tr>
</tbody>
</table>

### Endowments in Long-Term Capital Appreciation Pool (LTCAP):

|                                |                |                |
| Proportion invested in LTCAP   | 99.06%         | 99.04%         |
| Number of units in LTCAP       | 10,886,313     | 10,676,904     |
| Fair value in millions         | $ 2,569        | $ 2,480        |
| Fair value per unit in dollars | $ 235.96       | $ 232.29       |
| Allocation for spending        |                |                |
| per unit in dollars            | $ 8.18         | $ 8.02         |
| LTCAP time-weighted net returns*| 5.2%           | 6.7%           |

*Returns net of investment fees and expenses.
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EXECUTIVE SUMMARY

The University of Toronto ("U of T" or the "University") is Canada’s largest and most comprehensive university. It is one of the world’s foremost research-intensive universities. It has educated hundreds of thousands of students and enjoys a global reputation in multiple fields of scholarship. In 2019, U of T ranked 19th globally in Times Higher Education world reputation rankings. U of T is one of the only eight universities who rank in the top 50 in all 11-subject areas. The other universities are Stanford University, Harvard University, University of Pennsylvania, University of Michigan, University of California Los Angeles (UCLA), Columbia University, and University College London (UCL). Students have a chance to study with some of the world’s top professors and alongside inspiring classmates.

Since the University of Toronto’s founding in 1827, alumni and friends have played a fundamental role in establishing it as Canada’s leading university, consistently rated as one of the world’s top educational institutions. Many of these alumni and friends have not only provided funds yearly, but have also built a permanent financial foundation for U of T by donating endowed gifts. Through their contributions, these individuals and groups have a lasting impact on U of T and help to shape our future and our impact on our country and the world.

Boundless: the Campaign for the University of Toronto closed on December 31, 2018, and raised over $2.6 billion surpassing our expanded goal and setting a new record for philanthropy in Canada. The extraordinary success of the Boundless campaign is a symbol of the collective belief of 104,059 donors from around the world in the University’s ability to push beyond the frontiers of research, transform lives through excellence in education, and address the critical issues facing humanity today. Examples of the teaching and research objectives supported by our donors in the Boundless campaign include: $406 million raised for student scholarships and programs, $856 million raised for innovative programs and leading-edge research, $264 million raised in faculty support including 82 chairs and professorships supported or established, and $600 million raised for capital projects, which supported 41 critical infrastructure initiatives.

Endowed gifts from alumni and friends enable U of T to offer financial support to exceptional students, attract outstanding professors and researchers, and create unique and innovative programs. Endowed gifts are indispensable to our pursuit of excellence, equity and global impact as they provide a permanent and stable source of funding for scholarship, chairs and other vital priorities.
This report summarizes the performance, management and impact of our endowments over the past fiscal year. At April 30, 2019, University of Toronto endowments totaled $2.6 billion and included over 6,400 individual endowment funds. In establishing these funds, donors have chosen to support the institution’s highest, continuing academic priorities.

In summary:

- investment return net of investment fees and expenses for the year ended April 30, 2019 was 5.2% (the average annual return for the five-year period May 1, 2014 to April 30, 2019 was 8.4%);
- endowment spending allocation (“payout”) was 3.52% of the opening balance market value; and
- fees and expenses were 1.00% of the opening balance market value.

To ensure that endowments will provide the same level of economic support to future generations as they do today, the University adopted a policy that grows the capital value of the endowment while allowing spending to increase over time as a percentage of the original donation. To this end, our strategy is not to spend everything earned through the investment of funds in years when investment markets are good. In favorable years, funds in excess of the spending allocation are set aside and reinvested. This enables both a protection against inflation and builds up a reserve for years when investment markets are poor.

Endowments are managed in a unitized pool. Almost all of the University’s endowments hold units in this unitized investment pool, entitled the Long-Term Capital Appreciation Pool (LTCAP). Each endowment account holds units in LTCAP that reflect the number of dollars contributed and the unit value on the dates of contribution. The target spending allocation is 3% to 5% of opening balance market value and the actual endowment spending allocation for the year ended April 30, 2019 was 3.52%. The market value of each unit has increased from $232.29 at April 30, 2018 to $235.96 at April 30, 2019.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Unit market value at April 30, 2018</td>
<td>$232.29</td>
</tr>
<tr>
<td>Investment income per unit</td>
<td>14.18</td>
</tr>
<tr>
<td>Fees and expenses</td>
<td>(2.33)</td>
</tr>
<tr>
<td>Endowment spending allocation</td>
<td>(8.18)</td>
</tr>
<tr>
<td>Unit market value at April 30, 2019</td>
<td>$235.96</td>
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</table>

The amounts pertaining to a particular endowment account are obtained by multiplying the value per unit by the number of units in the endowment account. For example, if an
endowment account holds 750 units, the market value of the endowment at April 30, 2019 was 750 times $235.96 or $176,970.

To fund the spending allocation and to preserve capital against inflation over time, the University, as at April 30, 2019, has set the real rate return objective of at least 4% over 10-year periods, net of all investment fees and expenses, while taking an appropriate amount of risk to achieve this target, but without undue risk of loss. Prior to June 2017, the investment return and risk targets for LTCAP were a 4% investment return plus inflation, net of investment fees, and a 10% return volatility risk target (representing one standard deviation), over a ten-year period. The investments are managed by the University of Toronto Asset Management Corporation (UTAM) under the direction of the University.

* Returns are time-weighted, calculated in accordance with industry standards, are net of investment fees and expenses, and exclude returns on private investment interests prior to 2008.

** Target return is 4.0% plus CPI.
Endowed gifts generate permanent funding for students, faculty and programs across the University. More than $1 billion of the University’s $2.6-billion endowment is devoted to student support and financial aid in the form of both needs- and merit-based awards for undergraduate and graduate students.

Our donors create these opportunities through consistent and generous giving. Given the University’s size, with some 90,000 students, and the fact that at least 50 per cent of first-year Canadian undergraduates come from families with incomes of less than $50,000 per year, our endowments have an extraordinary, life-changing impact for tens of thousands of students each year.

With their gifts, scholarship donors are opening countless doors of opportunity for young people to pursue their talents, interests and dreams. In the following pages, you will read about some of the thousands of students who have benefited from endowed gifts.

Levelling the Playing Field

Kia Dunn
JD 2019, Faculty of Law

“It’s important to remember that you’re here because other people believed in you,” says Kia Dunn, a recent graduate of the Faculty of Law who received a Newton Rowell Bursary in his first year. “It’s incumbent upon you as a future professional to offer those same kinds of opportunities to future students.”

Dunn stresses both the societal and personal impact of student financial support. “It levels the playing field,” he says. Dunn believes that in a country as diverse as Canada, a legal education must be accessible to individuals of all socio-economic backgrounds: “What kinds of lawyers and judges do you want deciding issues for you and your children? Financial support helps to ensure a fair and representative portion of Canadian society can attain those positions.”

Opening Doors

David Palmer
Vice-President, University Advancement

“The University’s global reputation for excellence and accessibility owes much to the vision and generosity of endowment donors. Their gifts sustain innovation, creativity and leadership with horizons measured in years and decades, rather than months. These visionary philanthropists are creating a lasting legacy over time, offering the enduring stability to empower generations of students and shape the future.”

[Image of Kia Dunn]
INTRODUCTION

Over the University of Toronto’s history, endowed gifts have provided critical funding to support our core academic missions of teaching and research. These gifts sustain us over the long term – funds from endowed donations are invested so that earnings from the gift provide ongoing support in perpetuity, forming a lasting legacy. For close to two centuries, endowed gifts from our alumni and friends have provided essential support to the University of Toronto, funding a vast array of scholarships and bursaries, chairs and professorships, as well as research and teaching programs. U of T is deeply grateful for these investments, which allow us to educate future leaders and spark ideas and solutions for improving our city and the greater world. In establishing these funds, donors have chosen to support the institution’s highest, continuing academic priorities.

Endowments are restricted funds which must be used in accordance with purposes specified by donors or by Governing Council. Endowments are not available for use in support of general operating activities. They are subject to restrictions relating both to capital and to investment income. Endowment funds held by the University of Toronto are subject to the University’s preservation of capital policy, the purpose of which is to ensure that the rate of growth in the capital value of the endowments matches or exceeds the rate of inflation over time. Endowments include externally restricted endowment funds (85.2%) and internally restricted endowment funds designated as endowments by the University’s Governing Council in the exercise of its discretion (14.8%).

The investment income earned on endowments must be used in accordance with the various purposes established by the donor or Governing Council. As part of its fiduciary responsibilities, the University of Toronto ensures that all funds received with a restricted purpose or subsequently endowed for a particular purpose (and the investment income earned on such funds) are used only for that purpose. There are several broad categories of restrictions – chairs and professorships, student aid, academic programs and research. Within these broad categories, each endowment has its own specific terms and conditions which govern spending of investment income.
This report deals with endowments reported in the University of Toronto’s financial statements, and does not include the endowments of Victoria University, The University of Trinity College, University of St. Michael’s College, Sunnybrook Health Sciences Centre, and the affiliated colleges under the memorandum of agreement with the Toronto School of Theology, each of which is a separate non-controlled corporate body, the endowments of which are reported in the financial statements of that body.

Almost all endowments, approximately 99.0% of fair value are invested in the University’s Long-term Capital Appreciation Pool (LTCAP). At April 30, 2019, there were over 6,400 individual endowment funds, usually supported by a donor agreement, or reflecting a collection of small donations with common restrictions.

Endowments totaled $2.6 billion fair value at April 30, 2019. This was an increase of $89 million over the previous year. This increase was comprised of:
Additions of:
- $154 million of investment income,
- $40 million of endowed donations, and
- $8 million of transfers from the University’s unrestricted funds to endowments.

Minus:
- $88 million of allocation for spending and
- $25 million of fees and expenses.

The following graph shows endowed donations and expendable donations received since 2010. It tracks only cash and gifts-in-kind donations received in the relevant year. There is usually a lag between the growth in pledges and related commitments, and the actual receipt of funds.

The graph illustrates that endowed donations represented 28.2% of total donations ($142 million) received by the University in 2019. Expendable gifts build essential infrastructure and support immediate academic priorities with rapid-cycle impact on the institution.

The University has been careful to ensure that fundraising is tied to academic priorities defined by academic leaders through formal and informal planning processes. The clear link
with institutional planning enables the University to assure donors that the priorities they are being asked to support are critical to the achievement of teaching and research objectives.

It is important to note the University’s endowments are not large in comparison to our U.S. public university peers. When we consider the top 30 endowments at Canadian and U.S. public institutions in 2018, U of T ranked 21st in terms of size. Including the endowments of the federated universities, U of T ranked 17th in terms of size. If we were to compare the endowment per FTE student with the same institutions, the University would rank lower since most of these institutions have a smaller number of FTE students.
**TOP 30 ENDOWMENTS AT PUBLIC INSTITUTIONS**

As at June 30, 2018  
(in billions)

- **Texas System**: $40.67
- **Texas A & M System & Foundations**: $17.81
- **Michigan**: $15.67
- **California**: $14.50
- **Virginia**: $9.16
- **Ohio State**: $6.86
- **Pennsylvania State**: $5.62
- **Pittsburgh**: $5.53
- **Minnesota & Foundations**: $4.90
- **UNC at Chapel Hill & Foundations**: $4.52
- **Wisconsin Foundation**: $3.93
- **Michigan State**: $3.83
- **Washington**: $3.64
- **Illinois & Foundation**: $3.45
- **Purdue University**: $3.32
- **UCLA Foundation**: $3.32
- **Toronto including Federated**: $3.29
- **Indiana & Foundation**: $3.16
- **Georgia Inst of Technology & Fdn**: $2.75
- **Virginia Commonwealth University**: $2.57
- **UC Berkeley Foundation**: $2.56
- **Toronto**: $2.54
- **Kansas**: $2.29
- **Oklahoma**: $2.29
- **Florida Foundation**: $2.28
- **Nebraska**: $2.27
- **Missouri System**: $2.21
- **UC San Francisco Foundation**: $2.19
- **Iowa & Foundation**: $1.98
- **British Columbia**: $1.95
- **Alabama System**: $1.91

**Top 5 Endowments at Private Institutions**

- **Harvard**: $50.44
- **Yale**: $38.65
- **Stanford**: $34.85
- **Princeton**: $34.13
- **MIT**: $21.77

*Source: 2018 NACUBO Endowment Study converted to Canadian dollars at an exchange rate of 1.3168*
Paying It Forward
A pioneering engineer funds scholarships that help international students fulfil their promise

When the Hungarian Revolution broke out in 1956, Judith Schurek (BASc 1958) had one year left to complete her mechanical engineering degree. She fled from the violence with her then-fiancé, Robert Schurek. After learning of a scholarship at the University of Toronto that Schurek could apply for to complete her degree, they decided to immigrate to Canada.

She graduated in 1958 as one of the first women to earn a degree in mechanical engineering at U of T. After a career as an engineer and entrepreneur, Schurek says, “I feel lucky that with my husband, we were successful enough that I can give back to others.” Her desire to help international students inspired her to create two Lester B. Pearson International Scholarships with a gift of more than $1 million.

Awarded annually, the Pearson Scholarships are U of T’s most prestigious and competitive scholarships for international students. The first recipient of the Judith Schurek Pearson Scholarship was Katharina Vrolijk, a Swiss national who studies architecture and design at U of T. Katie Kwang from Singapore is the first recipient of the Robert Schurek Pearson Scholarship. She is pursuing a specialist degree in psychology, with a focus on prejudice and cultural variations in mental illness.

Collaboration is Key
Karan Grewal
BSc 2018 UC, master’s student, Computer Science

Karan Grewal, a master’s student in computer science, received a $20,000 Bell Graduate Scholarship, which helps him collaborate and network while he pursues research in artificial intelligence and human language.

Grewal is researching ways to help computers use languages the same ways humans do. “I’m interested in the intersection of linguistics and computer science. It can lead to technology that can solve real-world problems, like those in health care,” he says. Grewal says the Bell Scholarship allows him to attend conferences where he can network and learn from like-minded professors, researchers and students. One of these conferences led him to a post this past summer as a visiting researcher in the Computational Cognitive Science Lab at Princeton University. “This scholarship has directly helped me learn to tackle research problems in more creative ways.”
Endowments provide a strong base of funding for student aid, for endowed chairs, for research and for academic programs in support of the University’s academic mission.

To ensure that endowments will provide the same level of economic support to future generations as they do today, with growth in the capital value of the endowment and with spending increasing over time as a percentage of the original donation, the University does not spend everything earned through the investment of funds in years when investment markets are good. In those years, the University sets aside and reinvests any amounts earned in excess of the spending allocation. This provides protection against inflation and builds up a reserve, which is expected to be used to fund spending in years when investment markets are poor. When investment income is less than the amount allocated for spending, or negative, the shortfall is expected to be funded from the accumulated investment income which has previously been added to the pool. The target spending allocation is 3% to 5% of opening balance market value and the actual endowment spending allocation for the year ended April 30, 2019 was 3.52%.

The following graph shows the spending allocation and the amounts reinvested and drawn down over the past ten years.
The next chart illustrates the annual spending allocations, investment returns, required inflation protection and funds re-invested to reserve against years of poor investment markets over the past 10 years. It also shows the changing value of the reserves in response to varying investment returns over the period.

Endowment cumulative preservation of capital compared to cumulative inflation with total return and payout for the year ended April 30 (in millions)

As stated in the executive summary, endowments are managed in a unitized investment pool and each endowment account holds units in the investment pool. The spending allocation of 3.52% for the year ended April 30, 2019 translated into a spending rate of $8.18 per investment unit. The spending dollars pertaining to a particular endowment account are obtained by multiplying the spending rate of $8.18 per unit by the number of units in the endowment account. For example, if an endowment account holds 750 units, the spending dollars of the endowment at April 30, 2019 was 750 times $8.18 or $6,135.
LONG-TERM CAPITAL APPRECIATION POOL (LTCAP) INVESTMENT POLICY

Almost all of the University’s endowments (99.0% of fair value) are invested in LTCAP, a unitized pool. The fair value of an LTCAP unit is set each month, representing the market value of investments of the LTCAP divided by the total number of units held. Each endowment account has an assigned book value (nominal amount of dollars contributed to the endowment) and an allocation of LTCAP units based on the number of dollars contributed and the unit value on the dates of contribution.

In addition to endowments, LTCAP also includes $468 million expendable funds that are invested for the long-term, including the University’s sinking fund for debenture repayment.

The University, through the Business Board of Governing Council, is responsible for establishing the investment return objective and specifying the risk tolerance for LTCAP, which reflect the liability requirements and are reviewed regularly.

The University’s investment policy for LTCAP in place at April 30, 2019 reflects the spending allocation target and the preservation of capital policy. It has set the real rate return objective of at least 4% over 10-year periods, net of all investment fees and expenses, while taking an appropriate amount of risk to achieve this target, but without undue risk of loss.

In setting the investment return objective and risk tolerance above, the University balances between how much risk it is willing to take and the level of investment earnings it wants to achieve, understanding that the higher the investment earnings desired, generally speaking, the higher the risk of loss will have to tolerated and planned for.
INVESTMENT MANAGEMENT AND OVERSIGHT

LTCAP investments are managed by the University of Toronto Asset Management Corporation (UTAM) as agent for the University. UTAM, which was formed in April 2000, is a separate non-share capital corporation whose members are appointed by the University. The UTAM Board is responsible for the oversight and direction of UTAM. UTAM reports on the LTCAP investments under management to the University Administration and to the Business Board of the University of Toronto.

The University establishes the investment risk and return objectives for LTCAP investments via a University Funds Investment Policy which is approved by the Business Board. These objectives reflect the liability requirements, and aim to produce steady, predictable returns for the University. It is important to note that, while the aim of the risk and return objectives is to produce steady, predictable investment returns for the University, there is nonetheless variability in investment returns on an annual basis.

The investment risk and return targets are operationalized by the President of the University with input from the Investment Committee. The Investment Committee reports to the President of the University and provides expert advice to the University Administration, collaborating extensively with the University Administration and with the management at UTAM on investment objectives and investment activities. The President of the University and the UTAM Board have agreed that, consistent with the foregoing, the Investment Committee approves various elements of strategy execution proposed by UTAM management, and provides monitoring and oversight of investment performance.

Governance oversight of investments is provided by the Business Board, and by the UTAM Board which provides oversight of the operations of UTAM.
A Helping Hand
Saiba Chowdhury, fourth-year student, Rotman Commerce

Halfway through her program, Rotman Commerce student Saiba Chowdhury realized she needed a change in focus and direction, making the bold decision to switch from economics and finance to the management specialist stream. This, however, would mean taking additional courses at extra cost. “I didn’t have the funding to do that,” she says. In her second year, however, Chowdhury learned she had received a scholarship from the Lawrason Foundation.

“I was over the moon when I heard!” says Chowdhury. “It gave me financial relief and provided a jump-start.”

Chowdhury says the scholarship allowed her to take the complex Capital Market Theory course during the summer rather than add it to her heavy course load during the school year. “It lessened the stress and will allow me to finish my program on time,” she says. “I am so thankful for this funding. It has made all the difference.”

“Having less financial pressure meant I could spend time on doing things for career development.”

Opening Doors to More Diversity in Medicine
Stephanie Zhou, MSc 2018, MD 2018

As a medical student, Stephanie Zhou wrote a column in the Journal of the American Medical Association titled “Underprivilege as Privilege.” In it, she writes that she grew up in poverty — and hid her background to feel included at medical school.

“I studied hard and worked two part-time jobs during university to fund my medical school applications, but throughout the whole process, it was clear that one had to come from privilege to easily apply and assimilate into the medical culture,” Zhou writes.

Despite this, Zhou felt she “did fit into medicine” when she left the classroom and saw patients who shared her socioeconomic background. Now, as she completes a family medicine residency at Sunnybrook Health Sciences Centre, Zhou says that having family members who’ve experienced financial stress reminds her just how hard it can be.

While at medical school, Zhou benefited from receiving the Lum Family Medical Alumni Association (MAA) Undergraduate Medical Student Award, the Albert and Rose Jong MAA Student Award, and the Dr. Miriam Rossi Admission Scholarship, reducing her financial burden. “I believe that when donors give bursaries to medical students like me, they open the door to a more diverse physician population, ultimately improving patient care.”
LONG-TERM CAPITAL APPRECIATION POOL (LTCAP) PERFORMANCE

The University evaluates investment performance for the LTCAP against the target investment return, the risk limits and the Reference Portfolio returns. The primary objective is the achievement of the LTCAP target investment return while controlling risk to within the specified risk limits.

Below is the actual LTCAP performance compared against the target investment return and the Reference Portfolio returns.

| LTCAP Performance - Comparing Actual Results, Target and Benchmark Returns |
|-----------------|----------------|----------------|----------------|
|                 | 1-year Return - April 30, 2019 | 2-year Average Return - April 30, 2019 | 3-year Average Return - April 30, 2019 | 5-year Average Return - April 30, 2019 |
| LTCAP actual investment returns       | 5.2% | 6.0% | 9.1% | 8.4% |
| LTCAP target investment return (4% +CPI) | 6.0% | 6.1% | 5.9% | 5.7% |
| Reference Portfolio return             | 7.5% | 6.2% | 8.9% | 7.2% |
| Difference between LTCAP actual and target of which: | -0.8% | -0.1% | 3.2% | 2.7% |
| the % attributable to investment markets | 1.5% | 0.1% | 3.0% | 1.5% |
| the % attributable to active management decision | -2.3% | -0.2% | 0.2% | 1.2% |
|                                           | -0.8% | -0.1% | 3.2% | 2.7% |

Note: all investment return percentages are net of investment fees and expenses.

As the table above shows, for the one-year period from May 1, 2018 to April 30, 2019, the target nominal investment return for the LTCAP was 6.0%, representing 4.0% real investment return plus inflation of 2.0%, net of investment fees and expenses. The actual return for the year was 5.2%, which was slightly below target, a difference of 0.8%. The actual return for the year was lower than the Reference Portfolio return (which is the benchmark return to indicate how markets performed) by 2.3% (5.2% minus 7.5%). This was mainly due to the underperformance of US and Emerging Market public equity managers compared to their benchmarks. In addition, US private equity managers also underperformed against their benchmarks during this period. It is important to emphasize that all of the return percentages are net of investment fees and expenses.
The same analytical framework applies to the other periods shown in the table above. For the five-year period from May 1, 2014 to April 30, 2019, the actual average return for the LTCAP was 8.4%. This actual average return exceeded the target average return of 5.7% by 2.7% (8.4% minus 5.7%) and exceeded the average Reference/benchmark return of 7.2% by 1.2% (8.4% minus 7.2%).

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</thead>
<tbody>
<tr>
<td>Annual investment return*</td>
<td>14.7%</td>
<td>9.9%</td>
<td>1.0%</td>
<td>11.4%</td>
<td>14.6%</td>
<td>15.0%</td>
<td>-0.3%</td>
<td>15.4%</td>
<td>6.7%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Reference portfolio</td>
<td>11.2%</td>
<td>6.6%</td>
<td>10.8%</td>
<td>10.8%</td>
<td>11.8%</td>
<td>-2.7%</td>
<td>14.3%</td>
<td>4.9%</td>
<td>7.5%</td>
<td></td>
</tr>
<tr>
<td>Annual Target return**</td>
<td>5.8%</td>
<td>7.3%</td>
<td>6.0%</td>
<td>4.4%</td>
<td>6.0%</td>
<td>4.8%</td>
<td>5.7%</td>
<td>5.6%</td>
<td>6.2%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Ten-Year rolling average return*</td>
<td>1.5%</td>
<td>2.5%</td>
<td>2.7%</td>
<td>5.3%</td>
<td>4.5%</td>
<td>5.2%</td>
<td>3.7%</td>
<td>3.8%</td>
<td>4.7%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Ten-Year rolling target return**</td>
<td>6.4%</td>
<td>6.2%</td>
<td>6.2%</td>
<td>5.8%</td>
<td>5.9%</td>
<td>5.7%</td>
<td>5.6%</td>
<td>5.6%</td>
<td>5.6%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

* Returns are time-weighted, calculated in accordance with industry standards, are net of investment fees and expenses, and exclude returns on private investment interests prior to 2008. The ten-year rolling returns are geometric average returns.
** Target return is 4.0% plus CPI.

In 2010, following the financial crisis, the ten-year rolling average actual return of 1.5% was less than the ten-year rolling average target return of 6.4% by 4.9%. By 2015, this ten-year rolling average actual return rebounded to 5.2%, almost back to the ten-year rolling average target investment return of 5.7%. In 2019, ten years after the financial crisis, the actual ten-year rolling average return of 9.2% exceeded the ten-year rolling target return of 5.8% by 3.4%.
At April 30, 2019, the University’s endowment value was $2.6 billion with full inflation protection of $663 million and a preservation of capital above inflation (provision for investment return fluctuation) of $225 million against any possible future market downturn. The change in the endowment is illustrated in the following chart.

A detailed review of UTAM’s investment philosophy, asset mix allocation and investment performance for the endowments, which is managed and measured on a calendar year basis, is available on the UTAM website at www.utam.utoronto.ca.
FEES AND EXPENSES

Fees and expenses set out below represent the endowments’ proportionate share of the expenses allocated to LTCAP. Fees and expenses amounting to 1.0% of the 2019 opening unit market value consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2019 in millions</th>
<th>2018 in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment related management fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External managers</td>
<td>$ 23</td>
<td>$ 22</td>
</tr>
<tr>
<td>UTAM</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>___</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>$ 25</td>
<td>$25</td>
</tr>
</tbody>
</table>

UTAM has direct oversight of all investment fees and expenses related to managing the LTCAP assets. Third party fees allocated to LTCAP include fees paid to external investment managers contracted by UTAM, trustee and custodial fees, and professional fees. UTAM strives to negotiate discounted investment management fee rates (versus the standard schedule) based on the total assets that UTAM assigns to an external manager, which would include LTCAP assets. The benefit of these lower rates is experienced by LTCAP in the form of lower total costs than would otherwise be the case. Third party fee rates can vary widely, depending on the nature of the asset being managed. For example, fee rates for domestic fixed income mandates are typically much lower than fee rates for private equity investments (domestic or foreign). Therefore, the mix of assets, and changes in asset mix over time, can have a significant impact on total costs year by year.

In addition to third party fees, a portion of UTAM’s total operating costs is allocated to LTCAP. This allocation is typically pro-rated based on the total assets that UTAM manages, which include LTCAP assets, other University assets available for investment and the assets of the University of Toronto Pension Master Trust.
SUMMARY OF CHANGES IN FAIR VALUE

The total return on LTCAP for the year ended April 30, 2019 was 5.2% (net of fees and expenses).

<table>
<thead>
<tr>
<th>Total Value (in millions)</th>
<th>Unit Value (in dollars)</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Endowments pooled in LTCAP:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance at April 30, 2018</td>
<td>$2,480</td>
<td>$232.29</td>
</tr>
<tr>
<td>Contributions plus transfers</td>
<td>48</td>
<td>209,410</td>
</tr>
<tr>
<td>Investment income</td>
<td>154</td>
<td>14.18</td>
</tr>
<tr>
<td>Fees and expenses</td>
<td>(25)</td>
<td>(2.33)</td>
</tr>
<tr>
<td>Allocation for spending</td>
<td>(88)</td>
<td>(8.18)</td>
</tr>
<tr>
<td>Closing balance at April 30, 2019</td>
<td>$2,569</td>
<td>$235.96</td>
</tr>
</tbody>
</table>

2) Specifically invested endowments:

|                         |                         |                 |
| Opening balance at April 30, 2018 | $ 24 | n/a | n/a |
| Investment loss |                         |                 |
| Contributions plus transfers |                         | n/a | n/a |
| Closing balance at April 30, 2019 | $ 24 | n/a | n/a |

Total endowments at April 30, 2019 | $2,593 | n/a | n/a |

The fair value of each endowment account in LTCAP is determined by multiplying the current fair value of the unit ($235.96 at April 30, 2019) by the number of units held by that endowment account.
Appendix

University of Toronto
Endowments

Financial Information

April 30, 2019
Independent Auditor’s Report

To the Members of Governing Council of the University of Toronto:

Opinion

We have audited the statement of net investments for University of Toronto Endowments as at April 30, 2019 and the statement of changes in net investments for the year then ended (together the “financial information”), and notes to the financial information, including a summary of significant accounting policies.

In our opinion, the financial information is prepared, in all material respects, in accordance with the basis of accounting described in note 2.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial information section of our report. We are independent of the University in accordance with the ethical requirements that are relevant to our audit of the financial information in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial information

Management is responsible for the preparation of the financial information in accordance with the basis of accounting described in note 2; this includes determining that the basis of accounting is an acceptable basis for the preparation of the financial information in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the University’s financial reporting process.

Auditor’s responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial information.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
• Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada
June 25, 2019

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants
University of Toronto Endowments  
STATEMENT OF NET INVESTMENTS  
AS AT APRIL 30, 2019  
(with comparative figures as at April 30, 2018)  
(millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments, at fair value [note 3]</td>
<td>2,562</td>
<td>2,491</td>
</tr>
<tr>
<td>Cash and cash equivalents [note 4]</td>
<td>251</td>
<td>289</td>
</tr>
<tr>
<td>Unrealized gains on derivative instruments [note 3]</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Investment income and other receivables</td>
<td>69</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>2,893</td>
<td>2,809</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized losses on derivative instruments [note 3]</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Other payables and accruals [note 5]</td>
<td>292</td>
<td>294</td>
</tr>
<tr>
<td></td>
<td>300</td>
<td>305</td>
</tr>
<tr>
<td>NET INVESTMENTS HELD FOR ENDOWMENTS</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,593</td>
<td>2,504</td>
</tr>
</tbody>
</table>

Commitments [note 3]

(see notes to financial information)
University of Toronto Endowments
STATEMENT OF CHANGES IN NET INVESTMENTS
FOR THE YEAR ENDED APRIL 30, 2019
(with comparative figures for the year ended April 30, 2018)
(millions of dollars)

(see notes to financial information)
1. Description

This financial information presents the investments held for endowments of the University of Toronto (the "University") and the changes in these investments during the year. This financial information does not include other assets, liabilities, and net assets of the University. In addition, this financial information does not include the investments held for endowments of Victoria University, The University of Trinity College, University of St. Michael’s College, Sunnybrook Health Sciences Centre, and the affiliated colleges under the memorandum of agreement with the Toronto School of Theology, each of which is a separate non-controlled corporate body, the investments of which are reported in their respective financial statements.

The University’s endowments consist of externally restricted donations and grants received by the University and internal resources transferred by Governing Council, in the exercise of its discretion. Investment income is added to or deducted from endowments in accordance with the University’s capital preservation policy. This policy limits the amount of income made available for spending and requires the reinvestment of excess income.

The majority of the endowments are invested in the University’s long-term capital appreciation pool ("LTCAP"), with a small percentage invested outside the LTCAP according to donors’ specific investment requirements. Donations are temporarily held in the University’s expendable funds investment pool, an investment pool where all other University funds are invested, before being added to the LTCAP.

2. Summary of significant accounting policies and reporting practices

This financial information has been prepared in accordance with the significant accounting policies summarized below:

a) Investments -

Investments are carried at fair value except for real estate directly held by the University for investment purposes. Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act. It is best evidenced by a quoted market price, if one exists. The calculation of estimated fair value is based upon market conditions at a specific point in time and may not be reflective of future fair values. Changes in fair values from one year to the next are reflected in the statement of changes in net investments.

The value of investments recorded in the statement of net investments is determined as follows:

1. Short-term notes and treasury bills are valued based on cost plus accrued interest, which approximates fair value. Money market funds are valued based on closing quoted market prices.

2. Bonds and publicly traded equities are valued based on quoted market prices. If quoted market prices are not available for bonds, estimated values
are calculated using discounted cash flows based on current market yields and comparable securities as appropriate.

3. Investments in pooled funds (other than private investment interests and hedge funds) are valued at their reported net asset value per unit.

4. Hedge funds are valued based on the most recently available reported net asset value per unit, adjusted for the expected rate of return through April 30. The University believes the carrying amount of these financial instruments is a reasonable estimate of fair value.

5. Private investment interests consisting of private investments and real assets are comprised of private externally managed pooled funds with underlying investments in equities, debt, real estate assets, infrastructure assets and commodities. The investment managers of these interests perform valuations of the underlying investments on a periodic basis and provide valuations. Annual financial statements of the private investment interests are audited and are also provided by the investment managers. The value of the investments in these interests is based on the latest valuations provided (typically December 31), adjusted for subsequent cash receipts and distributions from the fund, and cash disbursements to the fund through April 30. The University believes that the carrying amount of these financial instruments is a reasonable estimate of fair value. Because private investments are not readily traded, their estimated values are subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed.

6. Real estate directly held by the University for investment purposes is originally valued at cost and, when donated, at the value determined through an appraisal process at the date of donation. Subsequently, real estate is valued at cost less any provision for impairment.

Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

b) Derivative financial instruments –

Derivative financial instruments are used to manage particular market and currency exposures for risk management purposes primarily with respect to the University’s investments and as a substitute for more traditional investments. Derivative financial instruments and synthetic products that may be employed include debt, equity and currency futures, options, swaps, forward contracts and repurchase agreements. These contracts are generally supported by liquid assets with a fair value approximately equal to the fair value of the instruments underlying the derivative contract. The fair value of derivative financial instruments reflects the daily quoted market amount of those instruments, thereby taking into account the current unrealized gains or losses on open contracts. Investment dealer quotes or quotes from a bank are available for substantially all of the University's derivative financial instruments.

Derivative financial instruments are carried at fair value, with changes in value during the year recorded in the statement of changes in net investments.

c) Investment income –
Investment income is comprised of interest, dividends, income distributions from pooled funds, realized gains (losses) on sale of investments and unrealized appreciation (depreciation) on investments held. Interest income is recorded on an accrual basis and dividend income earned is recorded on the ex-dividend date.

d) **Foreign currency translation** –

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the financial information date. Purchases and sales of investments and revenue and expenses are translated at exchange rates in effect on the dates of such transactions.

Realized and unrealized gains (losses) arising from foreign currency transactions and securities are included in investment income.

e) **Other financial instruments** –

Other financial instruments, including investment income and other receivables, and other payables and accruals, are initially recorded at their fair value. They are not subsequently revalued and continue to be carried at this value, which represents cost, net of any provisions for impairment.

3. **Investments**

Most of the funds associated with the University’s endowments are invested in LTCAP. These funds represent 84.6% (2018 – 85.4%) of the total LTCAP investments. Other investments represent investments held outside LTCAP mainly due to donors’ specific instructions.

Direct investments are classified based on the intent of the investment strategies of the underlying portfolio.

International equities include developed equity markets in Europe, Australasia and the Far East (EAFE), and exclude the United States and Canada. Global equities include all developed equity markets, as well as various emerging equity markets. Investments in the “other” category consist mainly of absolute return hedge funds.

The fair values of investments set out below include the proportionate share of the investments in these categories held in LTCAP and securities held outside LTCAP for the University’s endowments.
### Government and corporate bonds
- **2019**: 790 (LTCAP), 5 (Other)
- **2018**: 792 (LTCAP), 5 (Other)

### Canadian equities
- **2019**: 253 (LTCAP), 1 (Other)
- **2018**: 248 (LTCAP), 1 (Other)

### United States equities
- **2019**: 514 (LTCAP), 1 (Other)
- **2018**: 498 (LTCAP), 1 (Other)

### International equities
- **2019**: 389
- **2018**: 378

### Emerging market equities
- **2019**: 257
- **2018**: 245

### Global equities
- **2019**: 134
- **2018**: 125

### Other
- **2019**: 201 (LTCAP), 17 (Other)
- **2018**: 181 (LTCAP), 17 (Other)

**Total investments**
- **2019**: 2,538 (LTCAP), 24 (Other)
- **2018**: 2,467 (LTCAP), 24 (Other)

Included in the above investment classifications are hedge funds, private investments and real assets, which have been reclassified as follows:

#### 2019
(millions of dollars)

<table>
<thead>
<tr>
<th>Government and corporate bonds</th>
<th>Canadian equities</th>
<th>United States equities</th>
<th>International equities</th>
<th>Emerging market equities</th>
<th>Global equities and Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hedge funds</td>
<td>38</td>
<td>181</td>
<td></td>
<td>20</td>
<td>229</td>
<td>468</td>
</tr>
<tr>
<td>Private investments</td>
<td>179</td>
<td>153</td>
<td>30</td>
<td>5</td>
<td>45</td>
<td>412</td>
</tr>
<tr>
<td>Real assets</td>
<td>24</td>
<td>7</td>
<td>24</td>
<td>17</td>
<td>28</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>241</strong></td>
<td><strong>341</strong></td>
<td><strong>54</strong></td>
<td><strong>22</strong></td>
<td><strong>65</strong></td>
<td><strong>257</strong></td>
</tr>
</tbody>
</table>

#### 2018
(millions of dollars)

<table>
<thead>
<tr>
<th>Government and corporate bonds</th>
<th>Canadian equities</th>
<th>United States equities</th>
<th>International equities</th>
<th>Emerging market equities</th>
<th>Global equities and Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hedge funds</td>
<td>38</td>
<td>185</td>
<td>10</td>
<td>55</td>
<td>208</td>
<td>496</td>
</tr>
<tr>
<td>Private investments</td>
<td>139</td>
<td>32</td>
<td>98</td>
<td>10</td>
<td>43</td>
<td>322</td>
</tr>
<tr>
<td>Real assets</td>
<td>21</td>
<td>20</td>
<td>12</td>
<td>16</td>
<td>28</td>
<td>97</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>198</strong></td>
<td><strong>52</strong></td>
<td><strong>295</strong></td>
<td><strong>36</strong></td>
<td><strong>98</strong></td>
<td><strong>236</strong></td>
</tr>
</tbody>
</table>

During the year, $12 million of LTCAP’s proportionate share of investment gain (2018 - $17 million loss) related to endowments was recognized as a result of the change in fair value of its investments that were estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates for certain
of its investments. Management believes there are no other reasonable assumptions for these investments that would generate any material changes in investment income.

**Uncalled commitments**

As at April 30, 2019, approximately 19.5% (2018 – 16.3%) of LTCAP’s investment portfolio is invested in private funds managed by third party managers. These private funds typically take the form of limited partnerships managed by a General Partner. The legal terms and conditions of these private investment funds, which cover various areas of private equity investments and real asset investments (e.g. real estate and infrastructure), require that investors initially make an unfunded commitment and then remit funds over time (cumulatively up to a maximum of the total committed amount) in response to a series of capital calls issued to the investors by the manager. As at April 30, 2019, the endowments had uncalled commitments of approximately $409 million (2018 - $397 million). The capital committed is called by the manager over a pre-defined investment period, which varies by fund but is generally about three to five years from the date the fund closes. In practice, for a variety of reasons, the total amount committed to a fund is very rarely all called.

**Risk management**

Risk management relates to the understanding and active management of the risks associated with all areas of the University’s investments. Investments are primarily exposed to a variety of financial risks, such as foreign currency risk, interest rate risk, price risk, and credit risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which the University’s investments are held can significantly impact the value of these investments. To manage these risks within reasonable risk tolerances, the University, through UTAM, has formal policies and procedures in place governing asset mix among equity, fixed income and alternative assets, requiring diversification within categories, and setting limits on the size of exposure to individual investments and counterparties. In addition, derivative instruments are used in the management of these risks (see below). To manage foreign currency risk, the hedging policy as at April 30, 2019 is to hedge 50% (2018 - 50%) of the currency exposure within the Unites States equity and EAFE equity benchmark asset classes, and to hedge 0% (2018 - 0%) of the currency exposure in all other benchmark asset classes. Credit risk of financial instruments is the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation. At April 30, 2019, $290 million (2018 - $288 million) of directly held fixed income securities have AAA or AA credit ratings.

**Derivative financial instruments**

**Description**

The University has entered into various derivative contracts. The University has entered into equity and bond futures contracts that oblige it to pay the difference between a predetermined amount and the market value of certain equities and bonds when the market value is less than the pre-determined amount, or receive the difference when the market value is more than the pre-determined amount.

The University has entered into foreign currency forward contracts to minimize exchange rate fluctuations and the resulting uncertainty on future financial results. All outstanding contracts have a remaining term to maturity of less than one year. The
University has significant contracts outstanding held in the U.S. dollar, Euro, Japanese yen and British pound, among others.

The notional values of the derivative financial instruments do not represent amounts exchanged between parties and are not a measure of the University’s exposure resulting from the use of derivative financial instrument contracts. They represent the principal or face value that is used to calculate the amounts exchanged on financial instruments. The amounts exchanged are based on the applicable rates applied to the notional values.

The endowments’ proportionate share of the notional and fair values of each derivative financial instrument of LTCAP is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 Notional Value</th>
<th>2019 Fair Value</th>
<th>2018 Notional Value</th>
<th>2018 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gains on derivative instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- United States dollars</td>
<td>20</td>
<td>31</td>
<td>- Other</td>
<td>188</td>
</tr>
<tr>
<td>- Other</td>
<td>158</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Equity and bond futures contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- United States dollars</td>
<td>21</td>
<td>1</td>
<td>- Other</td>
<td>44</td>
</tr>
<tr>
<td>- Other</td>
<td>15</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Total return equity and bond swap contracts</td>
<td>423</td>
<td>9</td>
<td>232</td>
<td></td>
</tr>
<tr>
<td><strong>Total unrealized gains on derivative instruments</strong></td>
<td><strong>11</strong></td>
<td></td>
<td><strong>4</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019 Notional Value</th>
<th>2019 Fair Value</th>
<th>2018 Notional Value</th>
<th>2018 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized losses on derivative instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency forward contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- United States dollars</td>
<td>600</td>
<td>(8)</td>
<td>486</td>
<td></td>
</tr>
<tr>
<td>- Other</td>
<td>101</td>
<td>(8)</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Total return equity and bond swap contracts</td>
<td>116</td>
<td>(3)</td>
<td>116</td>
<td></td>
</tr>
<tr>
<td><strong>Total unrealized losses on derivative instruments</strong></td>
<td><strong>(8)</strong></td>
<td></td>
<td><strong>(11)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net unrealized losses on derivative instruments</strong></td>
<td><strong>3</strong></td>
<td></td>
<td><strong>(7)</strong></td>
<td></td>
</tr>
</tbody>
</table>

The maturity dates of the currency forward and futures contracts as at April 30, 2019 range from May 2019 to September 2019. The maturity dates of the total return equity swap contracts as at April 30, 2019 range from May 2019 to April 2020. Collateral has been provided against these contracts as of April 30, 2019 in the form of short-term investments with a fair value of $2 million (2018 - $2 million).
The University may enter into repurchase (or reverse repurchase) agreements that involve the sale (or purchase) of bonds to (from) a financial institution and the simultaneous agreement to repurchase (resell) that same security for a fixed price, reflecting a rate of interest, on a specific date. The affected securities sold (or purchased) under these agreements are not derecognized (or recognized) as investments as the University (or the seller) retains substantially all the risks and rewards of ownership. The difference between the sale and repurchase price (or purchase and resell price) is treated as interest expense (income) and is recognized over the life of the agreement using the effective interest rate method. These transactions involve risks that the value of the securities being relinquished (acquired) may be different than the price to be paid (received) on the expiry date or that the other party to the agreement will be unable or unwilling to complete the transaction as scheduled, which may result in losses to the University. As at April 30, 2019, the University had entered into a number of these agreements with expiry dates in May 2019.

4. Cash and cash equivalents
   a) The balance of cash and cash equivalents includes the proportionate share of the investments in these categories held for the endowments in the University’s investment pools.
   b) Cash and cash equivalents consist of cash on deposit and units in a money market fund.

5. Other payables and accruals
   Other payables and accruals include $289 million (2018 - $292 million) payable for repurchase agreements of various bonds, as described above in Note 3, traded before year-end that will be settled after April 30, 2019.

6. Allocation for spending
   The allocation for spending is governed by the University’s preservation of capital policy, the purpose of which is to ensure that the rate of growth in the capital value of endowments matches or exceeds the rate of inflation over time. This policy limits the amount of income made available for spending and requires the reinvestment of excess income. The target allocation for spending is 3% to 5% of the opening market value. The actual endowment allocation for the year ended April 30, 2019 was 3.5% (2018 - 3.6%) of the opening market value of endowments.

7. Fees and expenses
   Fees and expenses set out below represent the endowments’ proportionate share of the expenses incurred by LTCAP plus actual fees incurred on other investments. Fees and expenses consist of the following:

   (millions of dollars)
   
<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>Investment management fees</td>
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<tr>
<td>- External managers</td>
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<tr>
<td>- UTAM</td>
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<tr>
<td>- Other</td>
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<tr>
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