INVESTMENT
ENDOWMENT FUND ASSETS

The growth in Endowment book value and market value over the last ten years is shown in Figure 1.

The total fund market value was $402.3 million as at fiscal year end of April 30, 2016. During the one year ended April 30, the Fund assets decreased by $34.7 million, from $437.0 million the year before, at April 30, 2015. The change in assets is made up of donations received of $7.1 million less fund expenses of 2.3 million and decline due to market performance of $15.3 million. In addition, the University withdrew $24.2 million of University-designated capital from the Fund for the purpose of partial financing of its new award-winning Lassonde Building.

The total fund book value was $259 million as at fiscal year end of April 30, 2015. Book value tracks the endowed capital which includes donations and matching funds.

The difference between market value and book value equals cumulative investment earnings net of cumulative withdrawals for endowed spending and fund investment expenses. Cumulative earnings are important for sustaining a consistent inflation-adjusted payout to the endowment beneficiaries over the long term, particularly during periods of down markets and significant volatility.
STRATEGY

INVESTMENT STRATEGY

The Fund’s investment strategy is contained in the Statement of Investment Policies and Procedures as approved by the Board of Governors. The Investment Committee of the Board is responsible for developing the strategy and selecting investment managers that align with the Fund objectives of preserving capital and sustaining a regular stream of distributions to endowment beneficiaries over the long term. The portfolios are managed with a conservative view of investment risk as managed principally through diversification among asset classes, investment managers and holdings. The Fund’s investment managers have been selected for their skill with a particular strategy and their ability to build portfolios that mitigate downside risk.

The Committee supports the integration of Environmental, Social and Governance (ESG) factors in the investment program. The Committee’s activities are detailed in the Annual Investment Report to the Board of Governors that can be found on the University’s Board of Governors website in the Investment section.

ASSET ALLOCATION

The Fund’s allocations in dollars and percentages as at fiscal year ended April 30, 2016 are shown in Figure 2.

Figure 2
The Policy asset mix is determined through periodic asset-liability analyses that focus on developing the allocation to best fit the Fund’s return objectives and spending requirements. The asset mix is a set of target allocations to specific equity and fixed income asset classes. The Endowment asset mix targets 70% in stocks (Canadian, U.S. Small-Mid Cap, Global and Emerging Markets) and 30% in bonds (Canadian and Global High Yield).

**RESULTS**

**PERFORMANCE**

The Fund and performance benchmark returns for the one-year periods ended April 30 for the last ten years are shown in Figure 3.

The Fund annual rate of return to April 30, 2016 of -3.7% trailed the performance benchmark return of -2.6%. Negative returns during the first four months of 2016 reflected a difficult investment environment. Over the Fund’s 5-year and 10-year performance intervals to April 30, 2016, the annualized rate of return was 7.5% and 6.2% respectively, in each case meeting or exceeding the target of the benchmark return.
**Endowment Capital Account:** The value of an individual endowment’s holdings in the investment pool as at the report date.

**Donations and Matches:** The total endowed contributions from donors plus total matching amounts from government and university matching programs stated at original value.

**Investment Earnings:** Investment income plus realized and unrealized capital appreciation, net of investment expenses, and distributions to Expendable Account, accumulated since individual endowment inception.

**Endowment at Market Value:** The valuation of the individual endowment account as at the report date. This value is based on number of units held by the endowment multiplied by the unit value as at fiscal year end, net of reserve for distribution.

**Expendable Account:** This is the individual endowment’s operating balance which incorporates amounts transferred from the Capital Account. The balance may include funds received from other sources. The balance at year end is net of annual expenditures.

**Distribution from Endowment Fund:** Distributions (also called payout) from the Capital Account are deposited in cash form to the Expendable Account. The distribution is allocated annually to support ongoing commitment to the endowment’s purpose.

**Funding from Internal Sources:** Any amount transferred to the expendable account by the University to further support then endowment’s purpose.

**Expenditure for Endowed Purpose:** A withdrawal from the Expendable Account for spending (eg: a scholarship award). The annual commitment made in accordance with the donor’s designated purpose may vary from the reported amounts if a withdrawal occurs after the end of the fiscal period.

**Expendable Balance at Year End:** The Expendable Account’s unspent balance as at the report date.

**Endowment and Expendable Balances:** The individual endowment’s holdings in the investment pool at market value plus the balance available for spending in the Expendable Account as at the report date.
For questions or comments about this *Endowment Financial Report*, please contact:

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