

Report of the Investment Committee

For Information

This report outlines the performance of the investment portfolio and the recent activities of the Investment Committee.

Performance

The portfolio returns for the past four years were as follows:

<i>Asset Class</i>	<i>Annual June 30 2001</i>	<i>Annual June 30 2000</i>	<i>Annual June 30 1999</i>	<i>Annualized for Annual June 30 1998</i>	<i>Four years Ending June 30, 2001</i>
<i>Bonds</i>	6.4%	3.8%	4.4%	11.0%	6.4%
<i>Equities</i>					
<i>Canadian</i>	-3.9	31.7	-3.6	14.0	8.6
<i>US</i>	-8.9	8.8	24.0	38.6	14.3
<i>Non North American</i>	-8.8	15.1	7.0	16.9	7.0
<i>Total return</i>	<u>-1.5%</u>	<u>12.5%</u>	<u>6.8%</u>	<u>17.9%</u>	<u>8.7%</u>
 <i>Return of Median fund</i>	 <u>-2.9%</u>	 <u>17.3%</u>	 <u>3.9%</u>	 <u>15.0%</u>	 <u>8.3%</u>

As indicated above, our annual returns were above median in 2001, 1999 and 1998 and were below median in 2000, in relation to the Frank Russell universe of approximately 50 Canadian portfolios. Over the four year period ending June 30, 2001, our annualized return of 8.7% was above the median return of 8.3% for the Frank Russell universe.

Over the five year period ending June 30, 2001, the annualized performance of the portfolio was 11.3% and this was above the Frank Russell universe median return of 11.0%.

For additional information, please refer to the [attached pages](#) which show amounts held by each investment manager at June 30, 2001, the annual and annualized returns by manager over the five years ending June 30, 2001 and the returns in relation to other Canadian balanced portfolios in the Frank Russell universe.

Returns in relation to the objective of a 5% real rate of return

One of the Investment Committee's objectives is to earn a 5% real rate of return over the long term. (i.e., to earn 5% over the rate of inflation, as measured by the Consumer Price Index). Inflation has averaged 2.1% per year for the past five years.

For the five years ending June 30, 2001 the annualized real rate of return for the portfolio was 9.2%, which consisted of a nominal (actual) annualized return of 11.3% less 2.1% for inflation. For the four years ending June 30, 2001, the annualized real rate of return was 6.5%, consisting of a nominal return of 8.7% less inflation of 2.2%. These returns exceed the Investment Committee's performance objective of a real rate of return of 5%.

Value added by Active Management

Another of the Investment Committee's objectives is to earn the return produced by the asset mix policy based on the returns of the market indices plus a premium to reflect the additional fees related to active management. In order to achieve this objective, investment managers with active investment mandates need to outperform their benchmark indices. For example, Canadian equity managers need to outperform the TSE 300 index over time and Canadian bond managers need to outperform the SCM universe index over time.

Over the five years ending June 30, 2001, the actual annualized return for the portfolio was 11.3% and the return generated by the market indices for the portfolio was 10.8% (the policy return). Over this period, our combination of managers added value to the portfolio over the results that could have been achieved by a passive or index style of management.

Book and Market Value of the Portfolio

As at June 30, 2001, the operating and endowment portfolio had a book value of \$198,853,000 and a market value of \$212,507,000, as follows:

	<i>Book Value</i>	<i>Market Value</i>	<i>Policy</i>	
	<i>(\$000's)</i>	<i>(\$000's)</i>	<i>Actual</i>	<i>Asset</i>
			<i>Asset Mix</i>	<i>Mix</i>
<i>Bonds</i>	<i>\$94,414</i>	<i>\$93,774</i>	<i>44.1%</i>	<i>40.0%</i>
<i>Canadian Equities</i>	<i>35,221</i>	<i>39,551</i>	<i>18.6</i>	<i>20.0</i>
<i>US equities</i>	<i>41,465</i>	<i>48,408</i>	<i>22.8</i>	<i>25.0</i>
<i>Non-North American equities</i>	<i>27,753</i>	<i>30,774</i>	<i>14.5</i>	<i>15.0</i>
<i><u>Total</u></i>	<i><u>\$198,853</u></i>	<i><u>\$212,507</u></i>	<i><u>100.0%</u></i>	<i><u>100.0%</u></i>

At June 30, 2001 the portfolio consisted of the following components:

Portion related to Endowed funds	<i>\$96,726,000</i>	<i>45.5%</i>
Portion related to Operating and non-endowed funds	<i><u>115,781,000</u></i>	<i><u>54.5%</u></i>
Total market value of portfolio	<i>\$212,507,000</i>	<i>100.0%</i>

Canadian Equities

Over the past year, the Investment Committee has been reviewing various alternative strategies for Canadian Equities in order to improve Canadian Equity performance in relation to the return on the benchmark TSE 300 index. At the meeting of June 1, the Committee agreed to add an additional Investment Manager to the portfolio. The new Manager would be selected based on its ability to manage with a core or market oriented style that produces returns that closely tract the returns of the TSE 300 index with some added value.

On August 8, 2001, the Investment Committee held a special meeting to interview 3 managers that met the criteria. The outcome of that meeting was that Brinson Canada (formerly RT Capital) was selected as the manager of choice. At the Investment Committee meeting of August 23, 2001 the committee approved a mandate for Brinson Canada and agreed to rebalance the Canadian Equity portion of the portfolio as follows:

- 1/3 Beutel Goodman - Value Style
- 1/3 Laketon - Growth Style
- 1/3 Brinson Canada - Market Oriented Style.

The rebalancing will take in October, 2001 with the total Canadian Equity portion of the portfolio remaining unchanged at 20%.

(The "attached pages" referenced are not available in electronic form, but may be obtained on request from the University Secretariat.)