Report of the Investment Committee

FOR INFORMATION

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

Performance

The investment performance of the portfolio for the past four years was as follows:

Asset Class	Annual Dec 31 2011	Annual Dec 31 2010	Annual Dec 31 2009	Annual Dec 31 2008	Annualized for Four years Ending Dec 31, 2011
Fixed Income	9.4%	6.8%	5.5%	7.0%	7.2%
Alternative Investments:					
Hedge funds	(32.6)	(4.3)	2.4	(30.0)	(17.5)
Private equity	16.4	-	-	-	-
Equities:					
Canadian	(9.8)	17.0	28.9	(31.4)	(1.7)
US	(0.1)	13.7	20.4	(36.4)	(3.4)
Non North American	(9.6)	5.7	20.1	(32.8)	(6.2)
Total Return	(1.0)%	10.2%	16.7%	(18.9)%	0.8%
Policy Return	(0.3)%	10.8%	17.3%	(19.6)%	1.0%

For additional information, please refer to the attached pages, which show the amounts held by each investment manager at December 31, 2011, the annual and annualized returns by manager over the five years ending December 31, 2011.

Returns in relation to the real rate of return objective

One of the Investment Committee's objectives is to earn a 4% real rate of return over the long term (i.e., to earn 4% over the rate of inflation, as measured by the Consumer Price Index). Inflation has averaged 1.9% per year for the past five years and 2.1% for the past ten years.

For the four years ending December 31, 2011, the annualized real rate of return was -1.0%, consisting of a nominal return of 0.8% less inflation of 1.8%. For the five years ending December 31, 2011, the annualized real rate of return for the portfolio was -0.5%, which consisted of a nominal (actual) annualized return of 1.4% less 1.9% for inflation. The 5 year annualized return does not meet the Investment Committee's performance objective of a real rate of return of 4%.

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 TSX Composite Index over time.

Over the five years ending December 31, 2011, the actual annualized return for the portfolio was 1.4% and the return generated by the market indices for the portfolio was 1.4% (the policy return). Over this period, our combination of managers achieved the same results than could have been achieved by a passive or index style of management. It should be noted that 55% of the total portfolio is actively

managed and 45% is passively managed.

Book and Market Value of the Portfolio

As at December 31, 2011, the operating and endowment portfolio had a book value of $437,528,000 and market value of $485,471,000 as follows:

	Book Value ($000's)	Market Value ($000's)	Actual Asset Mix	Policy Asset Mix
Bonds	$103,889	$147,596	30.4%	25.0%
Alternative Investments	37,074	37,070	7.6	15.0
Canadian equities	87,036	100,918	20.8	20.0
US equities	85,714	101,601	20.9	20.0
Non-North American equities	123,815	98,285	20.2	20.0
Total	$437,528	485,471	100.0%	100.0%

At December 31, 2011 the portfolio consisted of the following components:

Portion related to Endowed funds	*$212,319,000*	*43.7%*
Portion related to Operating and Non-endowed funds	*273,152,000*	*56.3%*
Total market value of portfolio	*$485,471,000*	*100.0%*

Update on Investment Committee Activities

- Administration continued its research on Infrastructure, as well as proceeded with an RFP for a Consultant to assist with the manager search.
- Administration selected bfinance to carry out the Infrastructure search.
- At the meeting on February 29th, 2012, comments or concerns were sought from the Committee regarding the Consultant that was selected by Administration. A few minor concerns were raised, leaving Administration in a position to proceed with hiring bfinance pending resolution of those issues.
- Administration completed the transfer of $50 million from the short term portfolio to the Operating & Endowment fund, in conjunction with rebalancing the portfolio
- Highstreet Asset Management was terminated and administration completed the re-allocation of assets to the remaining Canadian Equity managers with the assistance of a transition manager.
- The Committee had a lengthy discussion regarding Fixed Income and the changes that were discussed at previous meetings and whether we should continue on this path given the events of the past several months and the low interest rate environment which they don't believe can be sustained.
- The Committee decided not to proceed with a Canadian core plus fixed income mandate. The Committee suggested that we continue the discussion at the next meeting and requested that Administration develop a "risk budget" to assist with the discussion.
- The Committee approved, and recommended to P&F, the appointment of two new Investment Committee members.

University of Western Ontario Endowment Plan

Asset Summary

As of December 31, 2011

	Total Market Value	% of Total Fund	% of Asset Class	Equity & Convertible		Fixed Income		Real Estate		Cash & Equivalents		Alternative	
Total Fund													
UWO Endowment - Total Fund	$ 485.5	100.0%	100.0%	$ 300.0	61.8%	$ 153.9	31.7%	$ 20.1	4.1%	$ 0.8	0.2%	$ 10.7	2.2%
Canadian Stock Managers	**100.9**	**20.8**	**100.0**	**100.1**	**99.2**	--	--	--	--	**0.8**	**0.8**	--	--
Beutel, Goodman Capital Mgmt.	40.7	8.4	40.4	39.9	97.9	--	--	--	--	0.8	2.1	--	--
Greystone Canada	31.8	6.5	31.5	31.8	100.0	--	--	--	--	--	--	--	--
Highstreet Asset Management	28.4	5.9	28.1	28.4	100.0	--	--	--	--	--	--	--	--
U.S Stock Managers	**101.6**	**20.9**	**100.0**	**101.6**	**100.0**	--	--	--	--	--	--	--	--
SSgA Midcap Hedge Blend	19.8	4.1	19.5	19.8	100.0	--	--	--	--	--	--	--	--
J.P. Morgan 130/30	41.2	8.5	40.6	41.2	100.0	--	--	--	--	--	--	--	--
SSgA S&P 500 Hedge Blend	40.5	8.3	39.9	40.5	100.0	--	--	--	--	--	--	--	--
Hedge Funds	**1.7**	**0.3**	**100.0**	--	--	--	--	--	--	--	--	**1.7**	**100.0**
Northwater Capital Mgmt. Inc. NET III	1.7	0.3	100.0	--	--	--	--	--	--	--	--	1.7	100.0
Non-North American Mgrs	**98.3**	**20.2**	**100.0**	**98.3**	**100.0**	--	--	--	--	--	--	--	--
Templeton International	48.0	9.9	48.8	48.0	100.0	--	--	--	--	--	--	--	--
MFS/SSgA Hedge Blend	50.3	10.4	51.2	50.3	100.0	--	--	--	--	--	--	--	--
Fixed Income Managers	**147.6**	**30.4**	**100.0**	--	--	**141.7**	**96.0**	**5.9**	**4.0**	--	--	--	--
State Street Global Advisors	141.7	29.2	96.0	--	--	141.7	100.0	--	--	--	--	--	--
Greystone Capital Management	5.9	1.2	4.0	--	--	--	--	5.9	100.0	--	--	--	--
Private Equity													
Adams Street Partners	9.0	1.9	100.0	--	--	--	--	--	--	--	--	9.0	100.0
Real Estate Managers	$ **14.2**	**2.9%**	**100.0%**	$ --	--%	$ --	--%	$ **14.2**	**100.0%**	$ --	--%	$ --	--%
Bentall Investment Management	11.6	2.4	81.6	--	--	--	--	11.6	100.0	--	--	--	--
GPM	2.6	0.5	18.4	--	--	--	--	2.6	100.0	--	--	--	--
Other Absolute Return Strategy													
Romspen	12.2	2.5	100.0	--	--	12.2	100.0	--	--	--	--	--	--

Performance Summary by Portfolio

Annual Value Added by Asset Class – December 31, 2011

				Annualized			Rolling 12-Months			
	3 Mths	YTD	1 Yr	3 Yrs	4 Yrs	5 Yrs	2010	2009	2008	2007
Total Fund - UWO Endowment	4.4	(1.0)	(1.0)	8.4	0.8	1.4	10.2	16.7	(18.9)	3.6
Policy Portfolio	5.0	(0.3)	(0.3)	9.0	1.0	1.4	10.8	17.3	(19.6)	2.9
Canadian Stock Managers	4.7	(9.8)	(9.8)	10.8	(1.7)	0.7	17.0	28.9	(31.4)	11.2
Beutel Goodman	5.9	(4.9)	(4.9)	12.0	2.3	3.1	16.6	26.8	(22.0)	6.4
Greystone	2.5	(15.2)	(15.2)	8.6	(5.1)	(1.8)	18.1	27.8	(36.7)	13.0
Highstreet	4.3	(10.8)	(10.8)	10.9	(3.4)	0.2	15.7	32.2	(36.1)	15.9
S&P/TSX Composite Index	3.6	(8.7)	(8.7)	13.2	(0.7)	1.3	17.6	35.1	(33.0)	9.8
U.S. Stock Managers	10.0	(0.1)	(0.1)	11.0	(3.4)	(3.0)	13.7	20.4	(36.4)	(1.3)
SSgA Midcap Hedge Blend	12.4	(3.3)	(3.3)	17.3	(0.4)	0.6	24.8	34.0	(39.1)	4.5
JP Morgan 130/30	8.0	(0.4)	(0.4)	8.4	–	–	9.4	16.9	–	–
SSgA S&P 500 Hedge Blend	11.3	1.4	1.4	11.2	–	–	13.6	19.3	–	–
S&P 500 - Total Return Index	9.3	4.6	4.6	7.0	(0.9)	(2.9)	9.1	7.4	(21.2)	(10.5)
S&P MidCap 400 Index	10.4	0.7	0.7	12.1	3.0	0.6	20.0	16.7	(20.2)	(8.4)
S&P 400 Canada Dollar Hedged (BNYM Calc.)	12.6	(2.6)	(2.6)	17.9	(0.1)	1.2	24.8	34.7	(39.1)	6.2
S&P 500 Canada Dollar Hedged (BNYM Calc.)	11.5	1.6	1.6	12.7	(3.3)	(2.0)	13.6	24.1	(39.0)	3.8
Hedge Funds	(38.5)	(32.6)	(32.6)	(12.9)	(17.5)	(13.5)	(4.3)	2.4	(30.0)	4.6
Northwater Capital Mgmt. Inc. NET III	(38.5)	(32.6)	(32.6)	(12.9)	(17.5)	(13.5)	(4.3)	2.4	(30.0)	4.6
90 Day LIBOR (US$)	0.1	0.3	0.3	0.5	1.1	1.9	0.3	0.7	3.0	5.3
Non-North American Mgrs.	4.5	(9.2)	(9.2)	4.8	(6.2)	(4.8)	5.7	20.1	(32.8)	0.9
Templeton International	2.3	(9.5)	(9.5)	2.2	(7.3)	(6.1)	0.4	17.6	(31.0)	(1.0)
MFS Investment Management	2.9	(7.4)	(7.4)	3.3	(2.9)	–	5.3	13.2	(19.3)	–
MFS/SSgA Hedge Blend	6.6	(9.1)	(9.1)	8.3	(4.5)	–	12.7	24.0	(34.6)	–
MSCI EAFE Hedged to C$ w/Gross Dividends	4.2	(11.7)	(11.7)	4.8	(9.4)	(6.9)	5.0	24.1	(41.5)	4.2
MSCI EAFE Index	1.0	(9.5)	(9.5)	1.4	(7.1)	(6.8)	2.6	12.5	(28.8)	(5.3)
Private Equity	8.3	16.4	16.4	–	–	–	–	–	–	–
Adams Street	8.3	16.4	16.4	–	–	–	–	–	–	–
MSCI All Country World Index	4.9	(4.6)	(4.6)	5.6	(3.8)	(4.0)	7.3	15.0	(27.3)	(4.9)
Fixed Income Managers	2.0	9.4	9.4	7.2	7.2	6.5	6.8	5.5	7.0	3.7
State Street Global Advisors	2.1	9.5	9.5	7.2	7.2	6.5	6.8	5.5	7.0	3.7
DEX Bond Universe Index	2.1	9.7	9.7	7.3	7.0	6.4	6.7	5.4	6.4	3.7

SSgA Midcap Hedge Blend includes the history of the Northwater hedges.
MFS/SSgA hedge Blend includes the history of the Northwater hedges.

Policy (effective 12/31/2011):	
S&P/TSX Composite	20%
S&P 500 -C$ Hedged	11%
S&P 500	5%
S&P 400 C$ Hedged	4%
MSCI EAFE C$ Hedged	10%
MSCI EAFE	10%
DEX Universe	20%
60% DEX Sh Term/ 40% DEX Mid Term	5%
MSCI ACWI	5%
90-Day LIBOR	5%
IPD All Property	2.5%
IPD All Industrials	2.5%

UWO Operating - Combined

Total Fund Real Returns – December 31, 2011

A Real Return of 6.4% Over The Last 3 years But Below the 4% Real Objective Over the Long Term

	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
UWO Annualized Returns	-1.0	4.4	8.4	0.8	1.4	3.2	4.2	4.8	5.7	4.2
CPI (Inflation)	2.3	2.3	2.0	1.8	1.9	1.9	1.9	1.9	1.9	2.1
Real Return	-3.3	2.1	6.4	-1.0	-0.5	1.3	2.3	2.9	3.8	2.1

	Yr Ending 12/31/2011	Yr Ending 12/31/2010	Yr Ending 12/31/2009	Yr Ending 12/31/2008	Yr Ending 12/31/2007	Yr Ending 12/31/2006	Yr Ending 12/31/2005	Yr Ending 12/31/2004	Yr Ending 12/31/2003	Yr Ending 12/31/2002
UWO Annual Returns	-1.0	10.2	16.7	-18.9	3.6	12.9	10.6	9.3	13.2	-8.5
CPI (Inflation)	2.3	2.4	1.3	1.2	2.4	1.7	2.1	2.1	2.1	3.8
Real Return	-3.3	7.9	15.3	-20.1	1.3	11.2	8.5	7.2	11.1	-12.3

UWO Operating - Combined

Total Fund Value Added – December 31, 2011

	1 Year Annualized	2 Years Annualized	3 Years Annualized	4 Years Annualized	5 Years Annualized	6 Years Annualized	7 Years Annualized	8 Years Annualized	9 Years Annualized	10 Years Annualized
UWO Annualized Return (1)	-1.0	4.4	8.4	0.8	1.4	3.2	4.2	4.8	5.7	4.3
Policy Return (2)	-0.3	5.1	9.0	1.0	1.4	3.1	4.2	4.8	5.7	4.3
Value Added	-0.8	-0.7	-0.7	-0.2	0.0	0.1	0.0	0.1	0.0	0.0

	Yr Ending 12/31/2011	Yr Ending 12/31/2010	Yr Ending 12/31/2009	Yr Ending 12/31/2008	Yr Ending 12/31/2007	Yr Ending 12/31/2006	Yr Ending 12/31/2005	Yr Ending 12/31/2004	Yr Ending 12/31/2003	Yr Ending 12/31/2002
UWO Annual Return (1)	-1.0	10.2	16.7	-18.9	3.6	12.9	10.6	9.3	13.2	-8.5
Policy Return (2)	-0.3	10.8	17.3	-19.6	2.9	12.0	11.1	9.1	13.3	-7.8
Value Added	-0.8	-0.6	-0.6	0.8	0.8	0.9	-0.5	0.2	-0.1	-0.7

Policy Mix as of December 31										
S&P/TSX Composite	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
S&P 500	5%	5%	5%	5%	15%	15%	10%	20%	20%	20%
S&P 500 Hedged Currency	11%	11%	11%	10%	5%	5%	10%	0%	0%	0%
S&P 400 Hedged Currency	4%	4%	4%	5%	5%	5%	5%	5%	5%	5%
MSCI EAFE	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
MSCI EAFE Hedged Currency	10%	10%	10%	10%	5%	5%	5%	5%	5%	5%
Total Equity	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
DEX Universe (3)	25%	40%	40%	40%	40%	40%	40%	40%	40%	40%
MSCI All Country World (ACWI)	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%
90-Day LIBOR	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Real Estate (4)	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Notes:

(1) All returns except for the Northwater Hedge Fund are before deducting investment managers' fees.

(2) The UWO Policy Return is the return that would have been earned (before investment managers' fees) by investing the portfolio in index funds in proportion to the target or policy asset mix.

(3) Current allocation comprised of 20% DEX Universe + 5% custom benchmark (60% DEX Short-Term+40% DEX Mid-Term+5%)

(4) Current 5% allocation consists of 2.5% REALpac / IPD Canada - All Property Index and 2.5% REALpac / IPD Canada - All Industrials Index