

2024 ANNUAL REPORT FOR THE

UNIVERSITY OF REGINA

TRUST AND ENDOWMENT FUND

University
of Regina



The University of Regina Trust & Endowment Fund – Overview

The University of Regina Trust & Endowment Fund (TEF) consists of 426 nonexpendable endowed trust accounts and 170 expendable non-endowed trust accounts. Each individual account was created for a specific purpose such as a scholarship and has terms of reference which govern the use of the funds. In addition, the University has institutional policies which govern the administration of the TEF with which each individual trust account must comply. As at December 31, 2024, the fair market value of the TEF was \$165.8 million (2023 - \$142.0 million). \$163.3 million of the TEF was managed by contracted professional investment managers and \$2.5 million was allocated to the UR Investing program in the Faculty of Business Administration.

Oversight of the TEF is provided by the Trust & Endowment Committee (TEC), which is a five person subcommittee reporting to the University of Regina Board of Governors. TEC members are employees and persons appointed by the Board of Governors. The TEC operates in accordance with terms of reference approved by the Board. The TEC makes operational decisions regarding the TEF and makes recommendations to the Board for approval on significant matters, in accordance with the terms of reference.

The TEC works closely with investment consultants, Aon, to monitor and manage the TEF. Annually, the Statement of Investment Policies and Goals is updated by the TEC with the advice of Aon. The TEF portfolio consists of diversified investment accounts investing in domestic and international equities, fixed income, real estate and infrastructure. The goal of the annual update of investment asset mix is to obtain the required rate of return for the TEF within an acceptable level of investment risk. The primary long-term objective of the TEF is to generate a minimum annualized rate of return after inflation of 4% which is the rate necessary to support an annual expenditure of 4% of the endowed trust accounts in perpetuity. This objective enables endowed scholarship funds to pay out annual scholarships of 4% of the fund balance forever while maintaining the purchasing power of both the annual scholarship and the remaining trust fund balance.

Later in this report, investment returns are compared to “benchmark returns.” Those benchmark returns are established in relation to specific investment asset classes and economic circumstances to assess investment performance, but the underlying primary

objective remains to generate a real rate of return of 4% per year. As at December 31, 2024, the TEF exceeded this primary objective over the ten year investment period, however failed to exceed over the four year period.

Almost all TEF funds are invested as a pool of funds through several investment managers. The majority of the investment managers employed are also employed by the University of Regina Pension Master Trust Fund. By employing the same investment managers for the TEF and the University's two defined benefit pension plans, each can be managed as separate funds, yet combined for investment manager fee calculations. This enables economies of scale to be reached which results in lower investment manager fees for both the TEF and the pension funds.

The one exception to all TEF funds being invested as a pool is in relation to the UR Investing program. Specific trust funds have designated that part of its assets be invested by UR Investing, with the resulting investment gains or losses being attributed directly back to those specific trust funds. UR Investing assets and investment returns are not comingled with the other TEF assets. As at December 31, 2024, \$2.5 million of the TEF assets were managed by UR Investing.

UR Investing is a program within the University of Regina Faculty of Business Administration. It is a structured program for degree credit which enables University students to learn about investments using real money and investing in real stock market investments through an external stockbroker. The program is an example of the programs used to achieve the University's strategic goal of providing students with experiential learning environments.

The remainder of this report has been written by investment consultants, Aon. The report analyzes in detail the performance of the investment portfolio held by the TEF. The purpose of this analysis is to provide past, present and future benefactors to the University of Regina with information regarding the sound investment management practices employed by the University of Regina to ensure that the maximum benefit is derived from their gifts to the University.

Review of 2024 Investment Performance

The Markets

Inflation and resulting central bank policies continued to be a dominant theme in capital markets over 2024. Most central banks started to cut their overnight rate amidst the background of a slowing economy. The Bank of Canada cut its overnight rate by 1.75% in the year, ending 2024 at 3.25%, with expectations of further cuts to come in 2025 as a result of declining inflation. The U.S. held an election in the fall of 2024 and Republicans came back into power. President Trump plans on stimulating economic growth through tax cuts and deregulation. After the election, equity markets rallied with further optimism being priced into stocks. President Trump also indicated his desire to place tariffs on international goods, including Canada, China and Mexico. These tariffs were implemented in 2025, and it remains to be seen how they will play out.

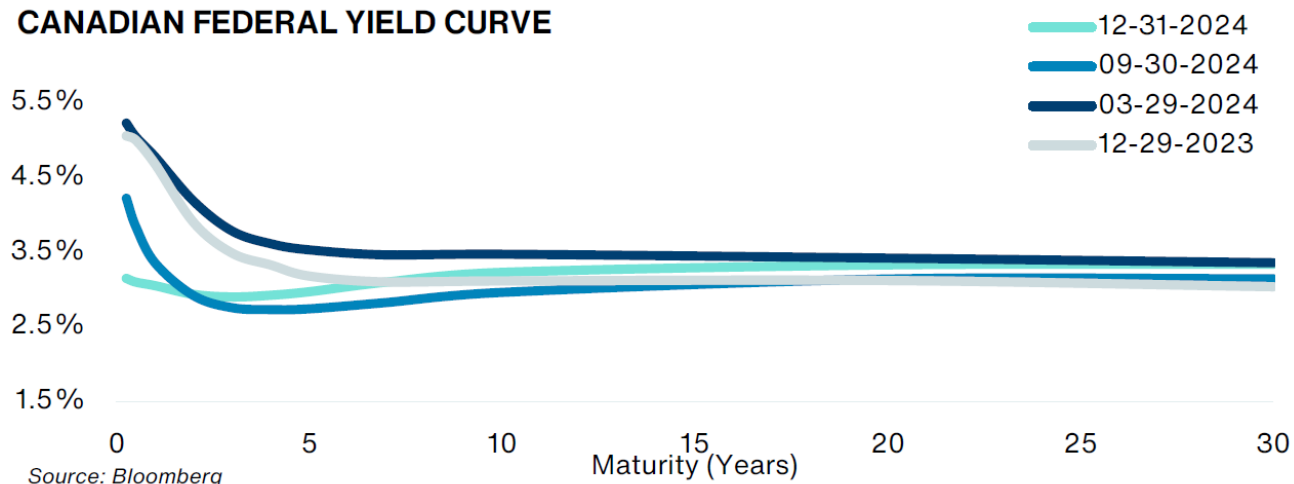
Equities

Public equity markets were strong in 2024, with the major global equity indexes returning strong double-digit returns: S&P/TSX Composite 21.6%, S&P 500 36.4%, MSCI World 29.4%, and MSCI EAFE 13.2%. Canadian markets were largely driven by the Information Technology and Financials sectors. The only sector with negative returns in the year was Communication Services. Major communication names like Bell, Rogers and Telus all had disappointing results. Global performance was driven by several American mega cap technology names that have been dominating the markets. The term “Magnificent 7” was coined for these seven stocks that have performed exceptionally well recently, driven by Artificial Intelligence themes (Apple, Amazon, Alphabet, Meta, Microsoft, NVIDIA, and Tesla). These 7 stocks made up 29% of the Index by market capitalization at the end of 2024 but contributed almost half of the annual return of the S&P 500 Index.

Fixed Income

Throughout the year, short term bond yields dropped the most due to the Bank of Canada lowering interest rates and the expectation that they will continue to cut rates amidst a slowing Canadian economy. The yield curve started to become less inverted in Q4 2024, with a more positive upward slope (see Canadian Federal Yield Curve Chart below).

CANADIAN FEDERAL YIELD CURVE



With the significant decrease in short-term yields, short term bonds were up a strong 5.7%. However, the long end of the curve did not perform as well returning 1.3%. Overall, the FTSE Canada Universe Bond Index returned 4.2% in 2024.

Canadian Real Estate

The Canadian commercial real estate market posted a 2.5% return (MSCI/REAL PAC Annual Property Index) in 2024. With the MSCI/REALpac Canada Quarterly Property Fund Index returning a weaker 0.7% return in the year. Income return remains a key driver of performance in 2024 as property values continued to depreciate in 2024; however, valuations are showing early signs that the market may have “bottomed out” as the Bank of Canada has cut interest rates several times throughout 2024 and has indicated it will continue doing so into 2025. The Office sector continues to face challenges largely due to the shift towards remote work.

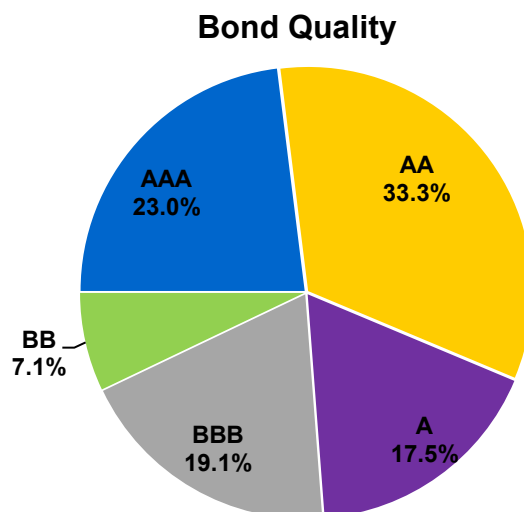
Global Infrastructure

The Global infrastructure market posted an impressive 19.9% return (DJ Brookfield Global Infrastructure Index, stated in CAD) in 2024. A leading driver for the return was that this index is USD domiciled, and in 2024 the CAD depreciated relative to the USD, leading to higher returns for Canadians holding USD based infrastructure funds (e.g., KKR).

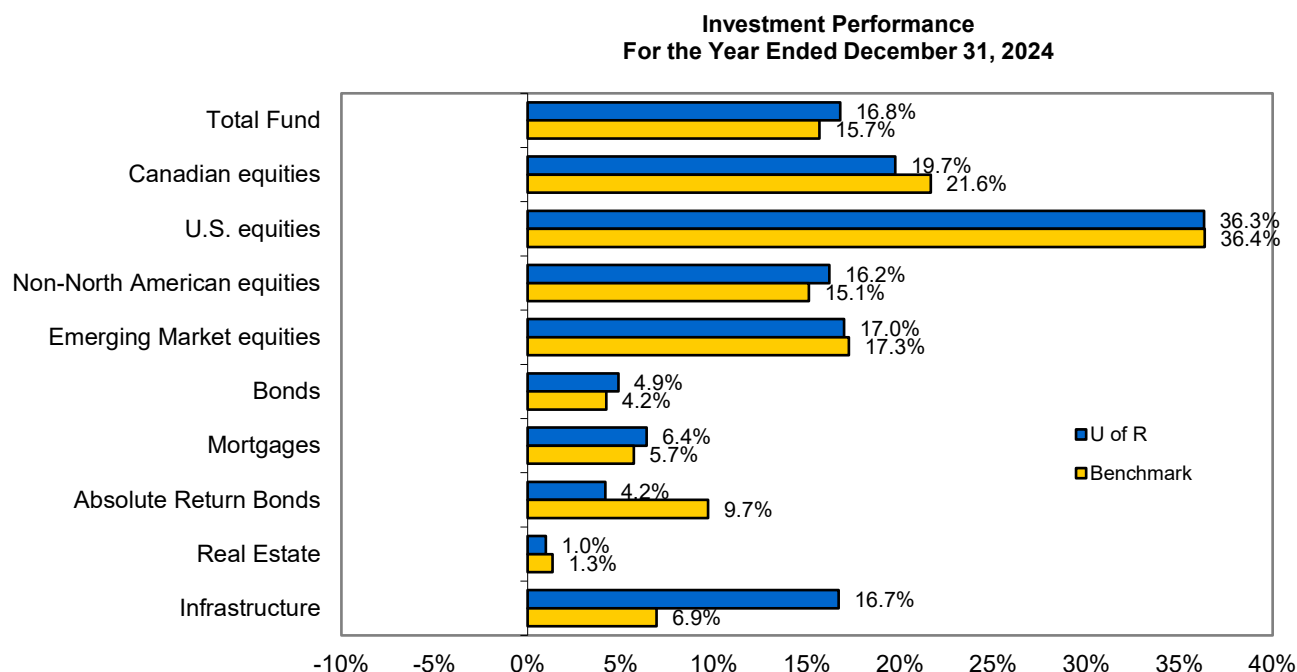
Plan Overview

Investment Performance (excluding UR Investing) - 2024

- The University of Regina Trust and Endowment return was 16.8% in 2024.
- The Total Fund return outperformed the 15.7% benchmark return. Value added was primarily driven by strong relative performance in Infrastructure relative to the CPI + 5% benchmark, and an overweight position in U.S. Equities.
- Asset class results included:
 - Canadian Equities – Both Canadian Equity funds lagged the S&P/TSX in the year, with PH&N subtracting 1.2% and Mawer subtracting 2.6%. PH&N underperformed due to poor stock selection in Consumer Staples and Industrials, as well as overweight positions in Cash and Comm. Services, and an underweight position Info Tech. Mawer underperformed largely due to stock selection within Energy, Industrials, Info Tech, and Materials.
 - In the U.S. equity market, BlackRock's performance tracked tightly to the 36.4% S&P 500 return, which is the objective for this passive strategy.
 - The non-North American equity manager, Mawer, exceeded the 15.1% MSCI All Country World ex USA Index, earning 16.2% in the year. Mawer's added value was driven by asset allocation decisions across several sectors, most notably underweight positions to Consumer Staples and Materials. Security selection in Financials and Health Care detracted from performance.
 - BlackRock manages emerging market equities passively for the Trust and Endowment Fund and trailed the MSCI Emerging Market Index in the year by 30 bps, earning a 17.0% return.
 - PH&N manages mandates in Universe Bonds and Mortgages. Over the year, PH&N's bonds returned 4.9%, adding to the 4.2% FTSE Canada Universe Bond Index return. Mortgages returned 6.4% versus the 5.7% FTSE Canada Short Term Bond Index. PH&N primarily holds investment grade bonds, with 7.1% of the portfolio in bonds rated below BBB. The breakdown of the bond quality is shown in the graph below.

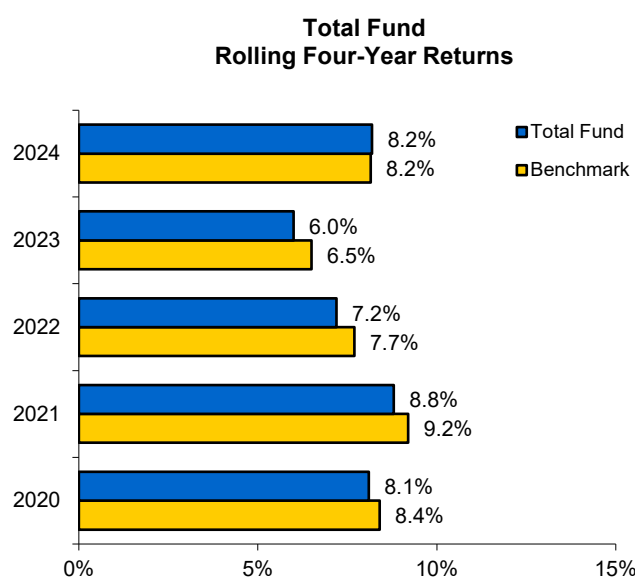


- The BlackRock Absolute Return Bond strategy invests in global fixed income assets, and generally has low interest rate sensitivity, to shield against the negative impacts of rising interest rates. In the year, the strategy returned 4.2%, below the 9.7% USD LIBOR +4% return target. The BlackRock strategy has a 3.4-year duration, versus the 7.3-year duration for the Universe Bond Index, meaning it has less than one-half of the interest rate sensitivity and can be expected to do comparatively better in a rising interest rate environment.
- The combined Real Estate portfolio returned 1.0% in 2024, with Bentall earning -0.8% and TD Greystone earning 2.00% YTD (as of October 2024) prior to its liquidation in November 2024. Capital depreciation and decreased income yields as a result of higher interest expenses from CMHC financing and declines in NOI were causes for the weak annual return.
- KKR global infrastructure returned 16.7% in the year, largely due to favourable foreign exchange movements. The fund outperformed the CPI + 5% benchmark by 9.8% in 2024.



Investment Performance – Rolling Four-Year Returns

- One of the Fund's investment objectives is to exceed the benchmark return over rolling four-year periods. The 8.2% Total Fund return matched the benchmark over the past four years. The following chart provides the longer-term track record of the Fund, with each period a rolling four-year result. Over the past 10 years, the Total Fund return was 8.1% per year, which was 0.1% below the benchmark return.



Investment Performance – Relative to Peers

- In addition to monitoring performance relative to the benchmark return, the Fund performance can be put in perspective by comparing the result against those of a universe of institutional funds. The following table shows the Total Fund return and individual asset class returns relative to other funds in the Aon Peer Universes over the past year and four-year periods.
- The 2024 Total Fund result of 16.8% placed in the second quartile of the Balanced Fund Universe, outperforming the 14.5% return earned by the median balanced fund. Over the past four years, the Total Fund return of 8.2% was above the 7.8% median fund result.

2024 RELATIVE PERFORMANCE		
Asset Class	2024 Quartile ¹	4-Year Quartile ¹
Canadian equities	3	3
U.S. equities	2	2
Non-North American equities	2	4
Emerging Market equities	3	3
Bonds	3	2
Mortgages	4	3
Real Estate	2	2
Infrastructure	n/a	n/a
Total Fund	2	2
¹ Indicates the placement of the return relative to the Aon Universe for institutional pooled funds. Quartile 1 include the top 25% of funds by return, Quartile 2 represents firms in the 26-49% range, M is the median return, and so on.		

- Asset class performance relative to respective universes of peer managers was mixed. In Canadian equities, PH&N was second quartile over the year and third quartile over four-years, while Mawer struggled versus peers, placing in the third quartile over both periods. In the year, Mawer's non-North American equity strategy placed in the second quartile, however the strategy has struggled over four-years, ranking in the fourth quartile. BlackRock manages passive US and Emerging market equities, and the peer group results indicate that

active management was rewarded in the emerging markets over these periods, but not in the U.S. Mortgages were below the peer universe median over one and four-years due to the conservative style PH&N employs. Bentall Real Estate underperformed the median manager, ranking at the bottom of the fourth quartile in both periods.

Primary Investment Performance Objective

- The primary long-term objective is to earn in excess of a 4% real rate of return over the longer term. The real return is assessed as the Total Fund nominal return, net of inflation, as measured by the Canadian Consumer Price Index.
- The Total Fund real return was 4.1% over the past four years and 5.5% over the past ten years, on an annualized basis, above the 4.0% real return objective over 4 years and substantially surpassing the objective over 10 years.

Benchmark Portfolio Return and Asset Mix

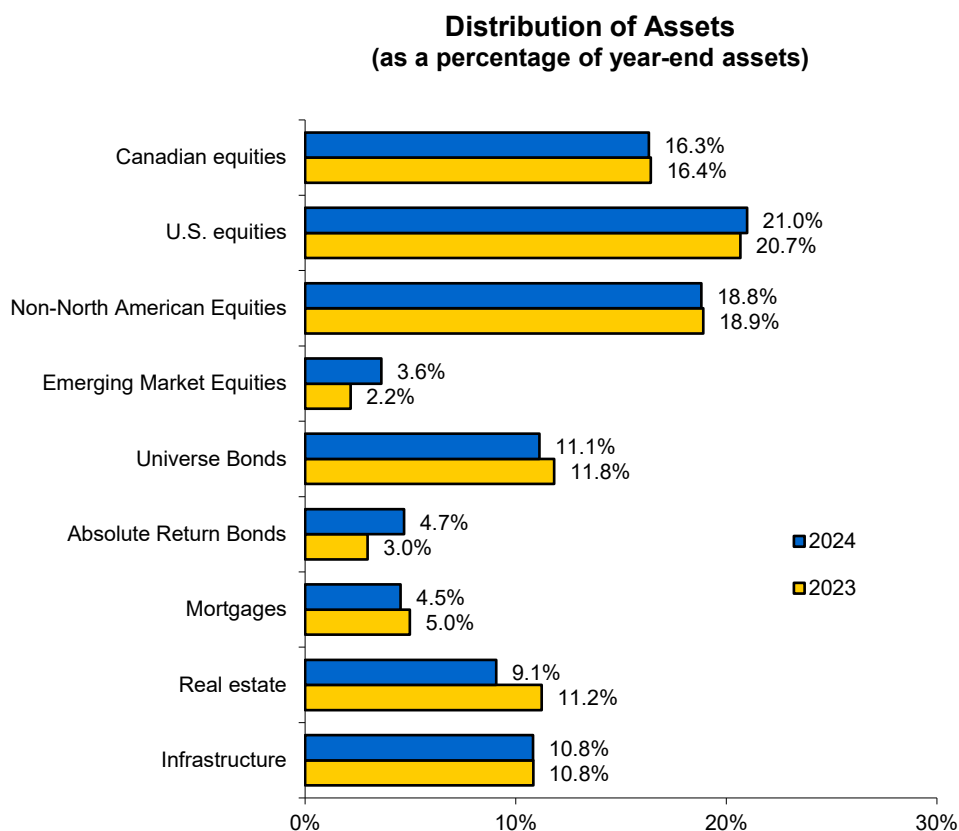
- The benchmark portfolio return is calculated by using index returns and target asset class weights. The current policy asset mix is shown below. Within the various asset classes, the objective is to exceed the relevant index return for actively managed mandates, and to track within 0.10% (U.S. Equity) and 0.35% (EM Equity) of the relevant index for passively managed mandates. In addition, the returns are evaluated on a relative basis to a universe of other investment manager returns.

Asset Class	2024 Benchmark Portfolio (Market Value %)
Canadian equities	16%
U.S. equities	19%
Non-North American	19%
Emerging Market equities	4%
Core Plus Bonds	12%
Absolute Return Bonds	5%
Mortgages	5%
Real estate	10%
Infrastructure	10%
Short-term investments	0%

The Trust and Endowment Fund

At the end of 2024, the Trust and Endowment Fund assets had a market value of \$163.3 million (excluding \$2.5 million of the TEF assets managed by the UR Investing program). This is up from \$139.8 million at the end of 2023, due to capital gains and investment income.

The distribution of assets for the Trust and Endowment is shown below.



Note: The Real Estate percentage as at December 31, 2024 includes \$7.3 million in cash proceeds from the liquidation of TD Greystone Real Estate. The cash was invested in Bentall Real Estate in early 2025.

Distribution of Assets by Manager

At the end of 2024, PH&N managed 23.3% of the Trust and Endowment Fund assets in a domestic balanced mandate (Canadian equities and fixed income). Mawer manages both a Canadian and a non-North American equity mandate. BlackRock manages passive U.S. equity, Emerging Markets equity funds, and a global absolute return bond strategy. Bentall oversees the investments in real estate. KKR manages the investments in Infrastructure.

Manager	Mandate	2024	2023
PH&N	Domestic Balanced	23.3%	24.7%
Mawer	Canadian and NNA Equities	27.5%	27.4%
BlackRock	U.S. Equities, EM Equities, and		
	Absolute Return Bonds	29.3%	25.9%
Bentall	Real Estate	4.6%	5.4%
TD Greystone	Real Estate	-	5.9%
KKR	Infrastructure	10.9%	10.8%
Cash Account	Liquidity	4.5%	0.0%
		100.0%	100.0%