A Primer on Western’s Investments and Debt

Budget Town Halls
October 20 and 26, 2015
Investments

Two broad categories:

Endowed funds $ 561M
Non-endowed funds $ 472M
Total investments Aug. 31, 2015 $1,033M
Cash/liquid assets to pay bills $ 350M

Endowed funds: 4% payout annually
Non-endowed funds: limited to support one-time initiatives on approval of Board
Non-Endowed Funds

Composition:

Underlying obligations $267M
Underlying market gains $205M
Total August 31, 2015 $472M
Debt

At April 30, 2015:

Debenture due May 24, 2047 $189M
Mortgages $ 9M
Bank borrowings due Oct. 2026 $100M
Total $298M

Projected to increase to $330M based on current capital commitments
A Bit of History

- 2008: Global equity meltdown
- Planned draw from non-endowed reserves:
  - 08-09 $18.55M
  - 09-10 $11.35M
  - 10-11 $16.35M
  - Total $46.25M

All had to be reversed. Decision taken mid-year in a budget cycle.
Non-endowed Funds

Composition February, 2009:

Underlying obligations $263M
Amount “under water” $(7M)
Total non-endowed investments $256M
Globe and Mail Headline Saturday April 18, 2009

University slammed over stock-market losses

Officials defend investing strategy after University of Western Ontario suffered $50M loss last year
Market Returns

At June 30, 2015 looking back over 20 years:

Annualized returns  8.2%
Annualized CPI       1.9%
Real return          6.3%
Withstanding a Black Swan Event

• What is a black swan event?
• Annual stress test of our portfolio
• Last done for balances at April 30, 2014
• Considers the availability of short term assets, likelihood of government funding cuts, as well as draws on underlying obligations
Stress Testing Conclusions

• Result: shortfall of $26.7M cash and underlying market gains reduced to $53.9M

• Non-endowed portfolio can sustain a worst-case scenario when invested alongside the endowed portfolio as long as:
  – Sufficient short term assets are on hand
  – We maintain a sufficient reserve in assets to obligations; and
  – We manage draws on the non-endowed returns