

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	<u>\$ 472M</u>
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	<u>\$205M</u>
Total August 31, 2015	\$472M

Debt

At April 30, 2015:

Debenture due May 24, 2047	\$189M
Mortgages	\$ 9M
Bank borrowings due Oct. 2026	<u>\$100M</u>
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”	<u>\$(7M)</u>
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