

Secretariat

845 Sherbrooke St. West, Room 313

Montreal, QC H3A 0G4

Tel: 514-398-3948 | Fax: 514-398-4758

The following item arises from the Investment Committee meeting of September 24, 2019. It is presented to the Board of Governors for its consideration.

I. FOR APPROVAL BY THE BOARD OF GOVERNORS**1. Statement of Investment Policy and Benchmark Review [IC19-06]**

The Investment Committee reviewed proposed revisions to the Statement of Investment Policy (SIP) and recommended that they be approved by the Board of Governors.

The proposed revisions include changes to the benchmarks described in section 3.1. Specifically, it was proposed to change the allocation attributed to the S&P 500 (50% USD hedged) to 14% (down from 20%) and to add a new item for small cap U.S. equities: Russell 2000 (50% USD hedged) with an allocation of 6%.

The Investment Committee also recommends changes to the asset mix as described in section 4.1, namely reducing the target allocation to large cap U.S. equities to 14% as well as the minimum and maximum allocation to 10% and 20%, and adding an item for small cap U.S. equities with a target allocation of 6% and a minimum and maximum allocation of 0% and 10%.

Be it resolved that the Board of Governors, on the recommendation of the Investment Committee, approve the revisions to the Statement of Investment Policy, as presented in Appendix A.

II. FOR THE INFORMATION OF THE BOARD OF GOVERNORS**1. 2018-2019 Draft Report on Endowment Performance [IC19-08]**

The Committee approved the 2018-2019 Report on Endowment Performance, which provides an overview of various features of the McGill Investment Pool (MIP) for the University's fiscal period ending April 30, 2019. The Committee also accepted that the Report be made available to the public, namely on the Office of Investments webpage. The 2018-2019 Report on Endowment Performance is attached as Appendix B.

2. Investment Matters [IC19-05 & IC19-07]

On October 20, 2016, the Investment Committee approved an allocation of up to CAD \$25 million in the MBI/TEC Private Debt Opportunities Fund I managed by Third Eye Capital. Given the successful experience with this investment and the positive returns, the Committee approved a commitment of up to CAD \$15 million in MBI/TEC Private Debt Opportunities Fund II, which will be funded from distributions of current alternative investments including the MBI/TEC Fund I.

At its meeting on June 18, 2019, the Investment Committee authorized the Investment Subcommittee to make a determination on two investments on its behalf. At its meeting on September 24, 2019 the Investment Committee received the report of the Investment Subcommittee arising from the Subcommittee's meeting of July 25, 2019. The Subcommittee approved, on behalf of the Investment Committee, a recommendation to invest up to CAD \$20 million (1.2% of total assets) in Conundrum Q Residential Property Income Fund V (QRPIF V), to be funded with proceeds from Ipso Facto and future distributions of current alternative investments. The Subcommittee also approved, on behalf of the Investment Committee, a commitment of up to CAD \$15 million (1% of total assets) to Woodbourne Canada Partners Fund IV (WCP IV), to be funded with proceeds from Ipso Facto and future distributions of current alternative investments.

3. CAUBO Investment Survey [IC19-02]

The Committee received the results of the Canadian Association of University Business Officers (CAUBO) survey for periods ended December 31, 2018 for information. The survey provided an overview of Canadian university endowments.

4. Review of Asset Allocation and Market Value of Investment Portfolio at August 31, 2019 [IC19-10]

The Committee received an update on the market value of the MIP, which was \$1.65 billion as of August 31, 2019.

5. Presentation by BlackRock: Asian Market (China)

The Committee received a presentation by BlackRock on the Asian Market, China. Topics discussed included: market insights on China, trade war impacts, overview of the China A-shares market, and investment opportunities.

6. 2019-2020 Investment Committee Orientation Package [IC19-01]

The Committee received an orientation package for the 2019-2020 governance year, containing updated reference documents for the Committee's information.

7. Updates and Reports

The Committee received the following reports and updates for information:

- Dashboard [IC19-09]
- Overall Compliance with SIP and Investment Manager Mandates [IC19-04]
- Management and Administration Fees on the McGill Investment Pool [IC19-03]
- Update on Catalyst

END
October 2019



Statement of Investment Policy
For
The Royal Institution For The Advancement of Learning/ McGill University
Endowment Fund

Last revised:

Board of Governors

October 4, 2018

Minute 5.1

Full history appears at the end of this document.

Section 1: Definition

Endowed funds are primarily invested through the McGill Investment Pool ("MIP") and are composed of: (i) bequests and donations received by The Royal Institution For The Advancement of Learning/McGill University ("University"), for the most part externally restricted, and generally to be held in perpetuity (ii) those assets of entities affiliated to the University and units of the University which have been invested in the MIP as an investment vehicle (iii) such other assets as may be designated by the Board to be endowed.

Section 2: Governance

The Endowed funds are governed pursuant to the terms of this Statement under the authority of the Board of Governors and of the Investment Committee (the "Committee"), in accordance with its Term of Reference. The Committee will review this Statement annually.

Section 3: Investment Objectives

The overall objective of the MIP is to preserve (in real dollar terms) the capital of the MIP within the social and ethical norms of the University, to obtain a total return (yield plus capital appreciation) necessary to provide a dependable and optimal source of income for endowment beneficiaries and to cover the annual operating costs of the MIP.

The MIP's assets have a long-term, indefinite time horizon that runs concurrent with the longevity of the institution (in perpetuity). As such, these funds can assume an above-average level of risk as measured by the standard deviation of annual returns. It is expected, however, that both professional investment management and appropriate portfolio diversification will smooth volatility and help to ensure a consistency of return.

3.1 Benchmarks

- (i) Benchmarks for publicly traded securities must be publicly quoted and readily investable.
- (ii) Additional measurable objectives are:
 - a) to exceed the composite benchmark consisting of target asset weights of market indices as measured over annualized three and five year periods. The composite benchmark for the total portfolio will be composed of:
 - S&P/TSX Composite (10%);
 - S&P 500 (50% USD hedged) (~~20~~14%);
 - Russell 2000 (50% USD hedged) (6%);
 - MSCI EAFE (10%);
 - MSCI EM (10%);
 - US T-bills (50% USD hedged) + 5% (5%);
 - ((MSCI World + 2%) (50%) + (US T-bills (50% USD hedged) + 5%) (50%)) (10%);
 - 5.15% plus CPI (All Items) (15%);
 - FTSE Universe Bond (18%) and
 - FTSE 91 Day T-Bill (2%).

- b) to achieve a total rate of return that ranks in the top one-third of a universe of similarly managed funds over annualized three and five year time periods.

Section 4: Investment Guidelines

In order to achieve its investment objectives, the MIP shall be allocated among a number of asset classes. These asset classes may include Canadian equity, US equity, non-North American equity, income trusts, Canadian, US and non-North American fixed income, real estate infrastructure, venture capital, private equity, hedge funds, commodities, exchange-traded and index funds, staff mortgages, cash and cash equivalents and other asset classes, investments or strategies designated by the Investment Committee from time to time. The purpose of allocating among asset classes is to ensure the proper level of diversification within the MIP.

4.1 Asset Mix

Under normal circumstances, the asset mix of the total MIP based on market value is to fall within the following ranges:

The following target asset mix table defines the MIP's target policy asset allocation and the minimum and maximum allocation limits of each asset class:

ASSET CLASS	MINIMUM	TARGET	MAXIMUM
<u>Public Equities:</u>			
a) Canadian	5%	10%	15%
b) <u>U.S. Large Cap.</u>	15 10%	20 14%	25 20%
c) <u>U.S. Small Cap.</u>	0%	6%	10%
e d) Non-North American (developed)	5%	10%	15%
e e) Non-North American (emerging)	5%	10%	20%
<u>Public Equities</u>	40%	50%	70%
<u>Alternative Investments:</u>			
a) Hedge Funds	0%	5%	10%
b) Private Investments	0%	10%	20%
c) Real Assets	0%	15%	20%
<u>Alternative Investments</u>	10%	30%	40%
<u>Fixed Income:</u>			
a) Cash and equivalents	0%	2%	10%
b) Nominal and real-return bonds	8%	18%	30%
<u>Fixed Income</u>	15%	20%	40%

4.2 Rebalancing

The asset mix shall be monitored monthly and rebalanced when necessary.

Transfers between asset classes and investment managers may be done by the Chief Investment Officer and staff within the ranges stipulated in the policy target allocation and within the limits stipulated in the *Policy on the Approval of Contracts and Designation of Signing Authority*.

The use of a transition manager could be appropriate to execute rebalancing of assets when investment managers are terminated or hired. Such manager's objective is to transition assets in the most efficient way possible while minimizing transaction costs to the MIP.

Section 5: Investment Policy Guidelines and Restrictions

The MIP shall be diversified both by asset class and within asset classes. Within each asset class, securities shall be diversified among economic sector, industry, quality and size.

Investment in pooled or commingled funds are permitted subject to advance written approval of the Investment Committee provided that such pooled and commingled funds are expected to be operated within constraints reasonably similar to those described in this mandate. It is recognized that in such cases complete adherence to the provision of this Statement may not be entirely possible.

5.1 Public Equity Investments

The purpose of equity investments is to provide capital appreciation, growth of income and current income, with the recognition that this asset class carries with it the assumption of greater market volatility and increased potential for loss.

Investment in income trust units, and index and exchange-traded (ETFs) funds is permitted. Investment managers are prohibited from selling securities short, buying securities on margin, borrowing money or pledging assets, or trading uncovered options without the advance written approval of the Committee.

No single issuer with the exception of the Federal or Provincial governments shall represent more than 5% of the market value of the total MIP at the time of the investment without prior approval of the Committee or designate.

5.2 Alternative Investments

The purpose of alternative investments is to provide capital appreciation, growth of income and current income as well as diversification of the portfolio, with the recognition that this asset class, with absolute return strategies, carries with it the assumption of lesser market volatility and lesser liquidity compared to Public Equity investments.

Alternative investments include liquid real assets (publicly traded equity and debt), real estate, infrastructure, venture capital, private equity, private debt, hedge funds, commodities and other unlisted investments.

Investments in alternative investment strategies such as real assets, private equity/venture capital and hedge funds can be directed to funds or through a fund of funds, as deemed appropriate by the Investment Committee, from time to time.

5.3 Fixed Income Investments

The purpose of fixed income investments is to provide diversification, a predictable source of income, a reduction in the risk of the total portfolio and a hedge against deflation. The purpose of investment in real return bonds is to provide a hedge against inflation.

Investments in fixed income will include bonds (including inflation-indexed bonds), debentures, mortgages, notes or other debt instruments of government, government agencies and corporations as well as money-market securities, including cash, Treasury Bills, Banker's Acceptances, Guaranteed Investment Certificates, commercial paper and certificates of deposit. Investment in exchange-traded (ETFs) funds is permitted.

Section 6: Securities Lending

Securities lending is permissible as part of the investment program subject to prior approval of the Investment Committee in accordance with the following guidelines:

- a) endowment investments are only to be loaned to approved brokers for the purpose of generating revenue for the MIP;
- b) such loans must be secured by cash and/or readily marketable government bonds, treasury bills and/or letters of credit, discount notes and/or banker's acceptances of Canadian banks and equity securities. The amount of collateral taken for securities lending should reflect best current market practices. The determination of the market value of the securities lent must be done on at least a daily basis;
- c) the terms and conditions of any securities lending program will be set out in a contract with the custodian or other provider of securities lending services. The custodian or other provider of securities lending services shall, at all times, ensure that Office of Investments staff has a current list of those institutions that are approved to borrow the MIP's investments. Where the MIP is invested in a pooled fund, securities lending will be governed by the terms and conditions set out in the pooled fund contract.

Section 7: Derivatives

Derivatives may be used as a substitute for more traditional investments, subject to prior review and advance written approval from the Committee, if such use is based on and consistent with attaining the investment objectives of the MIP, including hedging and management of its asset mix policy. Derivatives may include bond, stock and commodity futures contracts, commodity index swaps, currency forward contracts, options, interest rate and equity swaps and combinations of these instruments.

7.1 Currency Hedging

Given that the endowment liabilities are in Canadian dollars and the significant exposure of the portfolio to the U.S. dollar, it is appropriate to minimize the effect of such U.S. dollar exposure by implementing a currency hedge with respect to the U.S. dollar with reference to currency hedging bands through the use of currency forward contracts and other appropriate instruments.

Currently Held Trading Bands

FX CAD Rate (1 CAD = USD)	Hedge Ratio of USD
1.00 +/- 0.05 < CAD	25% (+/-10%)
0.70 < CAD ≤ 1.00	50% (+/-10%)
CAD ≤ 0.70 +/- 0.05	75% (+/-10%)

In order to allow for the volatility of the hedge ratio caused by market movement, the hedging ratio could vary within +/-10% without requiring a rebalancing.

Section 8: Socially Responsible Investing

While the primary purpose of the management of the MIP is to optimize the real rate of return on the fund's assets with an acceptable level of risk, the Committee will follow the instructions of the Board of Governors, pursuant to the recommendation of the Committee to Advise on Matters of Social Responsibility.

Section 9: Investment Managers and Service Providers

The Committee allocates assets to individual managers and from time to time may withdraw funds from or reallocate funds between managers. At the time of appointment, each new manager will be provided with an investment management agreement (“IMA”) and a copy of this Statement. Manager performances will be compared on a regular basis (not less than quarterly) with the performance of appropriate market indices and with other funds managed by peer group managers (similar investment styles and objectives). Investment return objectives consistent with the overall objectives for the MIP established in the Statement will be established with each manager at the time of hiring and will be reflected in the respective Mandates.

Mandates for the custody of securities, performance measurement services, consultants and other service providers will be granted by the Investment Committee or its designate. These mandates will be reviewed annually.

Service providers, including consultants, where applicable are expected to exercise the degree of care, diligence and skill which a prudent and diligent service provider or consultant would exercise in similar circumstances.

History :

Revised, Board of Governors, March 15, 2004 (minute 14)
Revised, Executive Committee, July 10, 2006 (minute 12)
Revised, Board of Governors, September 22, 2008 (minute 6.3)
Revised, Board of Governors, May 25, 2010 (minute 7.1)
Revised, Executive Committee, June 18, 2013 (minute 5.1)
Revised, Executive Committee, June 25, 2014 (minute 8.2)
Revised, Executive Committee, June 11, 2015 (minute 6.1)
Revised, Board of Governors, November 26, 2015 (minute 12.2)
Revised, Board of Governors, April 21, 2016 (minute 13.5.1)
Revised, Executive Committee, October 28, 2016 (minute 5.1)
Revised, Board of Governors, October 4, 2018 (minute 5.1)



McGill



Report on Endowment Performance

2018-2019

McGill University Mission Statement

Mission

The mission of McGill University is the advancement of learning and the creation and dissemination of knowledge, by offering the best possible education, by carrying out research and scholarly activities judged to be excellent by the highest international standards, and by providing service to society.

Principles

In fulfilling its mission, McGill University embraces the principles of academic freedom, integrity, responsibility, equity, and inclusiveness.

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Fiscal Year 2019 - Highlights

\$1.7B

of assets

(Up by 30% since 2014)

The McGill Investment Pool (MIP) is currently the 3rd largest university endowment in Canada

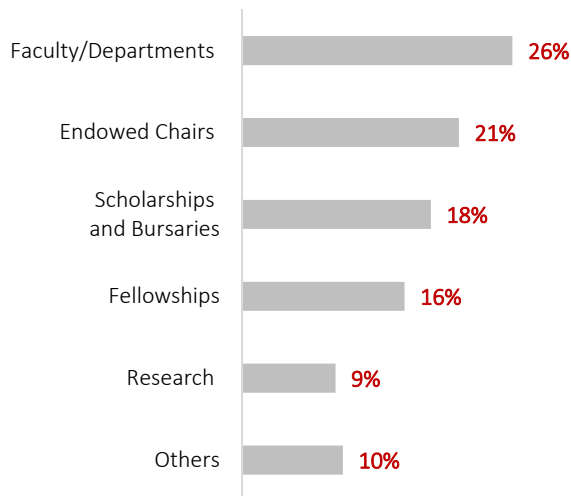
81%

Of the MIP was either managed by managers that have adopted an ESG Policy or were signatories of the UNPRI

\$6.5M invested in two Fossil Fuel Free Funds

4.25%

Income Distribution Rate (FY19)



Capital Protection

MIP's Gross Performances April 30, 2019

1 Year: **5.6%**

3 Years (Ann.): **8.1%**

5 Years (Ann.): **7.4%**

10 Years (Ann.): **9.8%**

\$42.9M

FY 2019 New Gifts

Endowment Overview

Endowment Description

Currently the third largest university endowment in Canada (*CAUBO* – Dec. 2018), the Endowment is managed through the McGill Investment Pool (the MIP) by McGill's Office of Investments under the direction of the Investment Committee.

The overall objective of the MIP is to preserve (in real dollar terms) the capital of the MIP within the social and ethical norms of the University, to obtain a total return (yield plus capital appreciation) necessary to provide a dependable and optimal source of income for endowment beneficiaries and to cover the annual operating costs of the MIP.

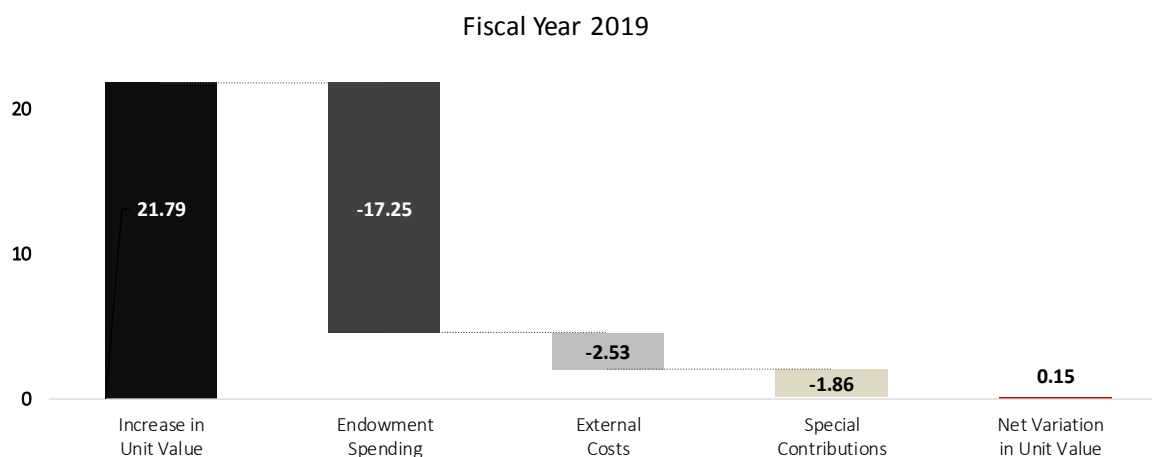
The use of the unitized pool formed in 1970 allows for the investment of a critical mass of assets thus providing for broad diversification and economies of scale that have over the years resulted in positive performance, reduced volatility and low investment management fees.

On April 30, 2019, the end of the University's fiscal period, the MIP, with a market value of \$1,679.1M, consisted of investments for the McGill endowments and accounts managed on behalf of McGill units and affiliated entities comprised of:

- Bequests and donations received by the University, for the most part externally restricted, and generally to be held in perpetuity
- Assets designated by the Board of Governors ("Board") to be endowed or invested, and
- Assets of entities affiliated to McGill which have been invested in the MIP as an investment vehicle

Capital Appreciation and Income per Unit

The MIP unit values are calculated quarterly (at the end of July, October, January and April) and income is distributed monthly and adjusted quarterly for capital additions and withdrawals. For the year ended April 30, 2019, the unit value of the MIP has increased by \$0.15 (from \$418.43 to \$418.58) as follows:



External Cost: External manager fees, service provider fees, McGill's Office of Investments and McGill University's indirect costs
 Special Contributions: University Advancement's fundraising operations in the context of a Bicentennial Campaign

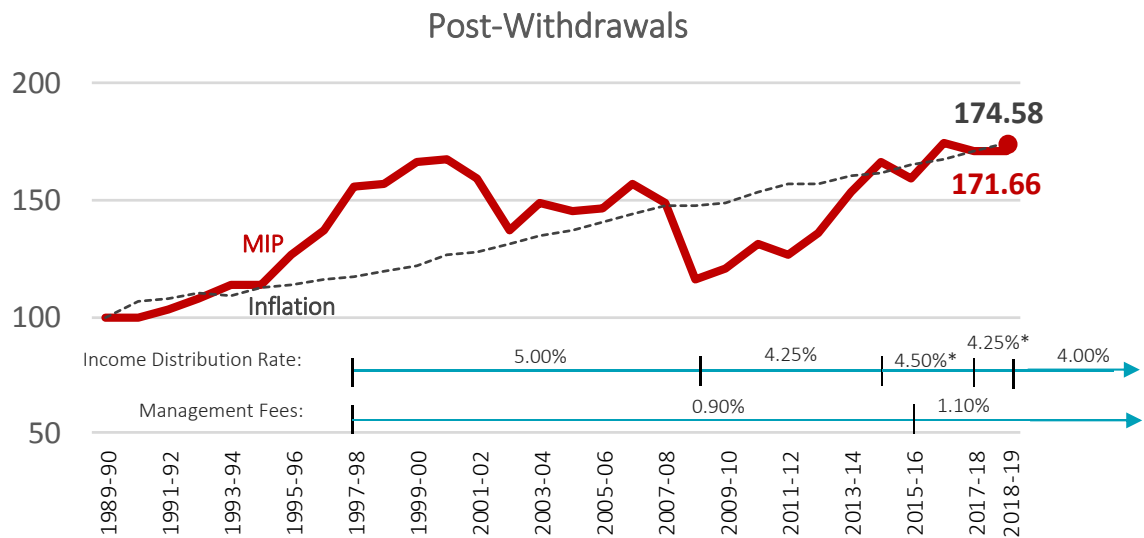
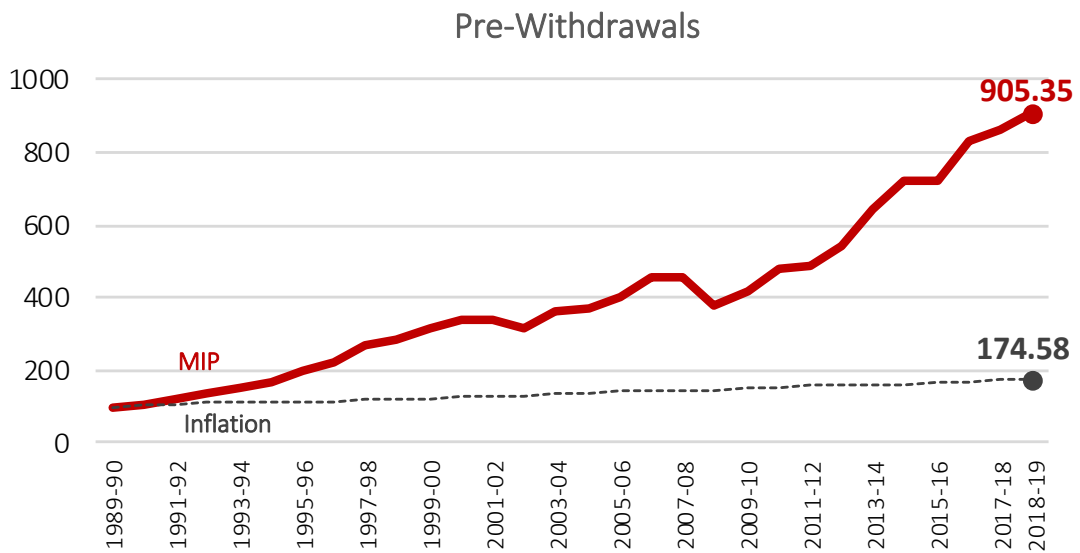
The table below indicates income distribution and management fee information:

	<u>May 1, 2018 to April 30, 2019</u>	<u>May 1, 2019 to April 30, 2020</u>
Income Distribution:	4.00% + 0.25%* of the average market values of each of the 3 years ended April 30, 2015, April 30, 2016 and April 30, 2017	4.00% of the average market values of each of the 3 years ended April 30, 2016, April 30, 2017 and April 30, 2018
Management Fees:	1.1% of the market value as of April 30, 2018	1.1% of the market value as of April 30, 2019

*Special distribution of 0.25% approved in 2015 for FY16, FY17, FY18 and FY19

While the chart shown on the previous page presents the nominal increase or decrease in the MIP unit values, an important measure is the real change (after inflation) in the unit values.

As a result, the following graphs depict, since FY90 and assuming a hypothetical unit value of 100, the cumulative increase in MIP's unit value, before and after withdrawals, versus the same unit value cumulated with the inflation rate:

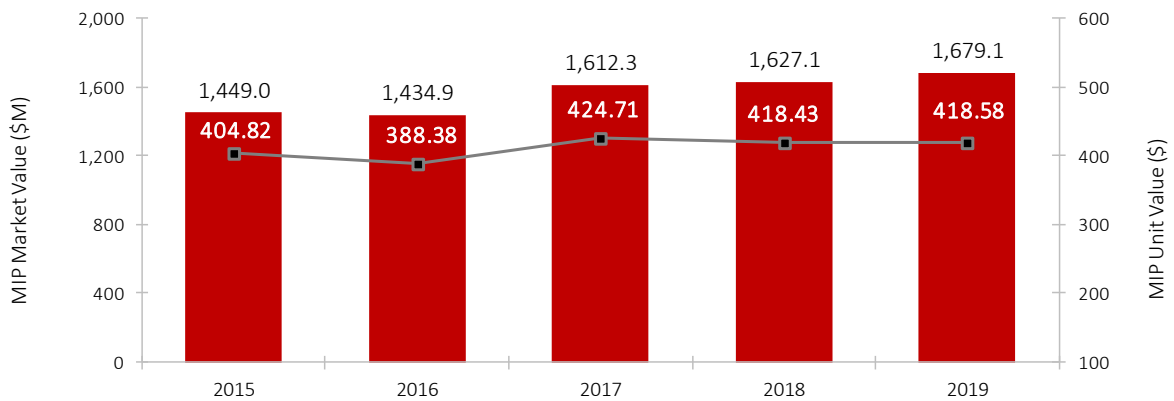


*Includes a temporary additional distribution of 0.25%

The above chart shows that the cumulative increase in MIP's unit value after withdrawals fluctuate largely vs the same unit value cumulated with the inflation rate.

Evolution of MIP Market and Unit Values

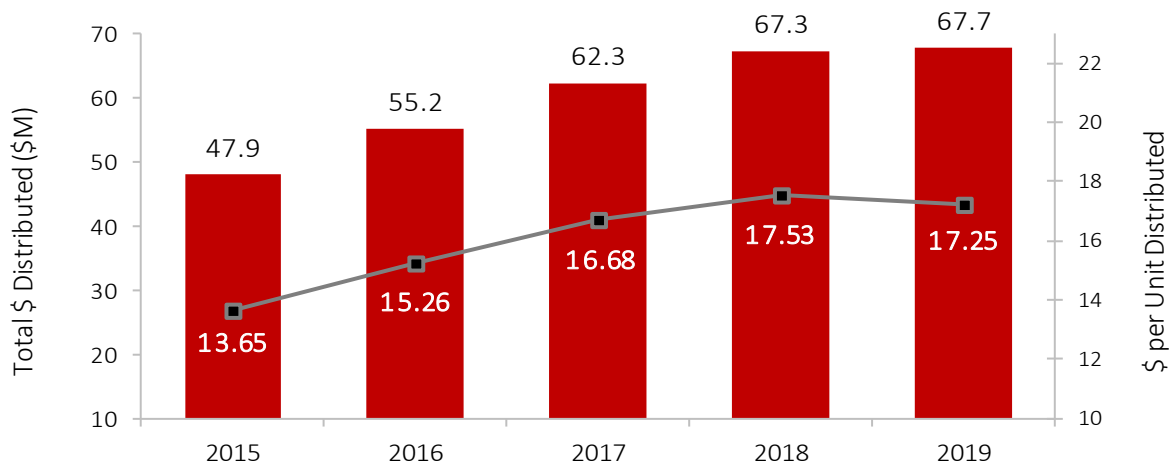
The MIP market value and unit value changes over the fiscal periods ended April 30, 2015 to April 30, 2019 are presented in the following graph:



Increase of 15.9% is observed in the market value from fiscal year 2015 to fiscal year 2019.

Income Distributed

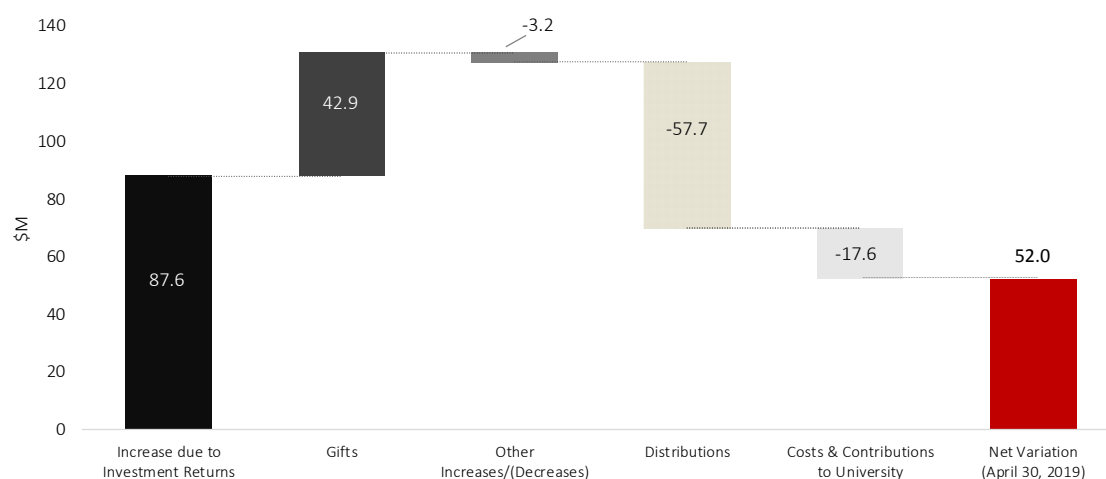
The income distribution for fiscal periods ended April 30, 2015 to April 30, 2019 is shown below:



The amount distributed per unit to endowment beneficiaries decreased from April 30, 2018 to April 30, 2019 by 1.6% in nominal terms. However, since 2015 the total amount distributed increased by 41.3%.

Change in MIP Market Value

For the year ended April 30, 2019, the market value of the MIP has increased by \$52.0M (from \$1,627.1M to \$1,679.1M) as follows:



MIP 2018-19 Financial Results

Shown below are the comparative financial results for the year ended April 30, 2019:

	May 1, 2018 to April 30, 2019	May 1, 2017 to April 30, 2018
	<u>000's</u>	<u>000's</u>
Increase due to Investment Returns		
Investment Income	43,917	30,372
Currency Hedge Gain/(Loss)	-17,882	9,336
Realized Gain/(Loss)	74,140	110,737
Unrealized Gain/(Loss)	-12,535	-90,232
Total	87,640	60,213
Gifts	42,914	23,390
Other Increases/(Decreases)	-3,238	5,107
Distributions		
Endowed Spending	-67,721	-67,289
Re-capped Amount	10,025	10,973
Total	-57,696	-56,316
Costs and Contributions to University		
Office of Investments' Expenses	-939	-921
External Manager Fees	-4,577	-3,671
Service Provider Fees	-165	-469
Contribution to University Indirect Costs	-3,600	-3,600
Transfer to Internally Restricted Fund	-870	-1,481
Contribution to University Advancement	-7,467	-7,451
Total	-17,618	-17,593

The total increase due to investment returns was \$87.6M compared to \$60.2M last year. This increase is reflective of good market returns.

In 2018-19, gifts increased (\$42.9M vs \$23.4M) while the endowed spending increased by \$0.4M.

The Office of Investments' expenses in 2018-19 were \$0.9M while the external investment managers and service provider fees totaled \$4.7M. A fixed annual amount of \$3.6M was withdrawn with respect to the contributions towards University indirect costs and \$0.9M was transferred to McGill's internally restricted funds.

In 2018-19, \$7.5M was allocated to the University Advancement's fundraising operations in the context of McGill's Bicentennial Campaign.

MIP Estimated Withdrawals for Fiscal Year 2020

The 2019-20 estimates are set out below and assume 4.1 million units (using a historical growth rate of 3%):

	May 1, 2019 to April 30, 2020	
	Estimate	
	Total (000's)	Per Unit \$
Distribution for Endowed Spending	67,800	16.42
Office of Investments' Expenses	1,100	0.27
Managers and Service Provider Fees	5,100	1.23
Contribution to University Indirect Costs	3,600	0.87
Contribution to University Advancement	8,200	1.98
Total Withdrawal Amount	85,800	20.77

Income distribution in 2019-20 is based on a rate of 4.00%. Using the assumed 4.1M units, the withdrawal required for regular income distribution is estimated to be \$67.8M. For 2019-20, Office of Investments' expenses are expected to increase at \$1.1M. Manager and service provider fees normally vary proportionally with the market value of the portfolio and the allocation of funds among managers who have varying fees. The total fees, including the University Advancement Campaign costs, for the coming fiscal year will be 1.1% of the April 30, 2019 market value, representing an amount of \$18.0M.

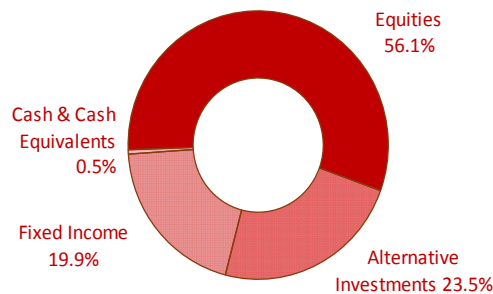
Asset Allocation

MIP Asset Allocation – April 30, 2019

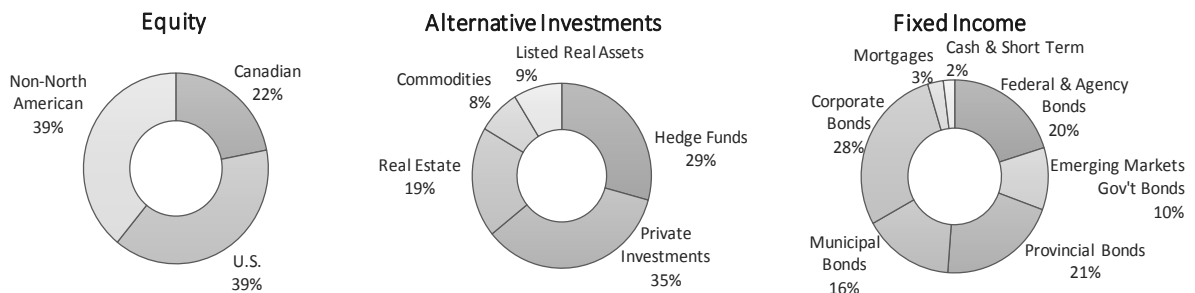
As of April 30, 2019, approximately 99% of the MIP was managed externally by investment managers. The internally managed assets consist mainly of iShares (XIU), currency overlay and deposits.

The MIP market value at April 30, 2019 was \$1,679.1M and was invested in a wide variety of asset and sub-asset classes. The allocation is illustrated below:

MIP Asset Classes



MIP Sub-asset Classes



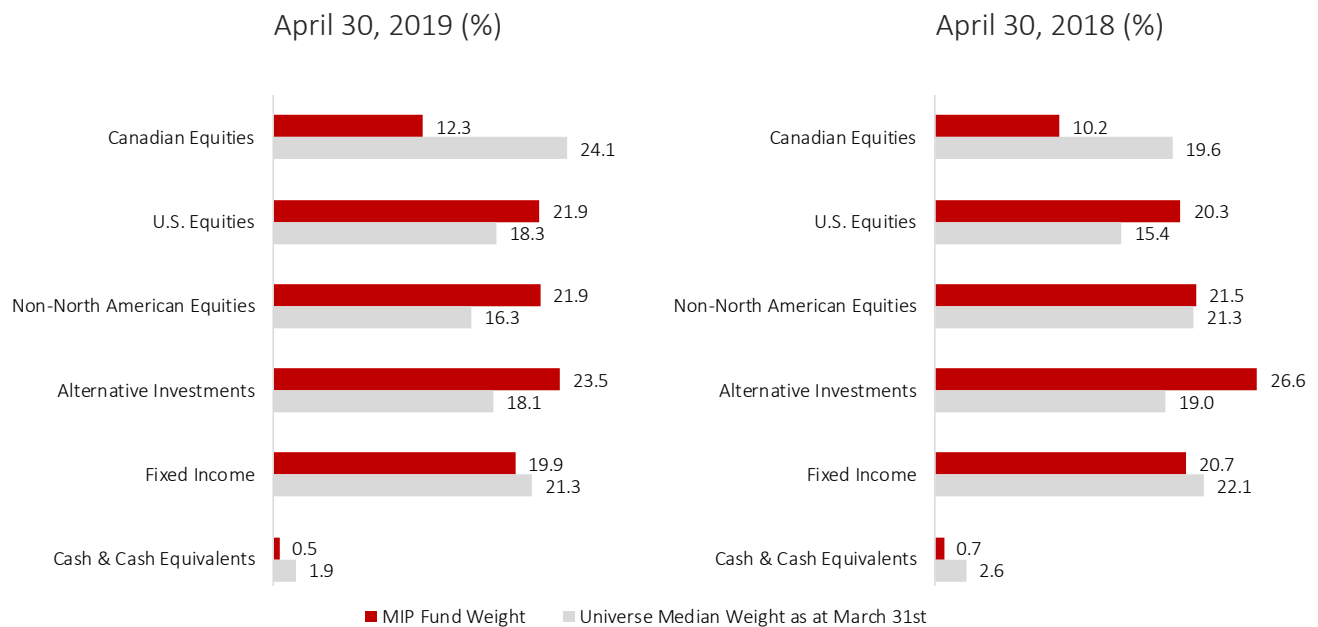
MIP Asset Allocation – April 30, 2019 vs April 30, 2018

Asset Class	Manager	April 30, 2019		April 30, 2018	
		Market Value (\$M)	% of Total Fund	Market Value (\$M)	% of Total Fund
Public Equities:					
Canadian Equities	Fidelity	164.8	9.8%	122.5	7.5%
	Van Berkom	38.6	2.3%	41.4	2.5%
	iShares (XIU)	3.0	0.2%	2.8	0.2%
		206.4	12.3%	166.7	10.2%
U.S. Equities	Enhanced U.S. Equity Strategy	156.0	9.3%	143.8	8.8%
	SSGA	76.1	4.5%	46.5	2.9%
	LSV	74.7	4.4%	88.0	5.4%
	Van Berkom	60.5	3.6%	51.3	3.2%
		367.3	21.9%	329.6	20.3%
Non-North American Equities	Comgest	106.3	6.3%	106.0	6.5%
	William Blair	96.5	5.7%	112.6	6.9%
	Hexavest	83.5	5.0%	81.4	5.0%
	RBC GAM EM	74.1	4.4%	-	-
	Aberdeen Standard	-	-	44.3	2.7%
	Hexavest-FFF	5.5	0.3%	5.2	0.3%
	Desautels-FFF*	1.0	0.1%	-	-
	Desautels*	1.0	0.1%	0.4	0.0%
			367.9	21.9%	349.9
	Total Public Equities:	941.6	56.1%	846.2	52.0%
Alternative Investments:					
Private Investments	Various Managers	138.1	8.2%	112.5	6.9%
Hedge Funds	Various Managers	115.7	6.9%	182.4	11.2%
Real Estate	Various Managers	76.3	4.5%	64.8	4.0%
Listed Real Assets	Brookfield	34.6	2.1%	30.5	1.9%
Commodities	Various Managers	30.7	1.8%	42.4	2.6%
Infrastructure	Macquarie	0.0	0.0%	-	-
	Total Alternative Investments:	395.4	23.5%	432.6	26.6%
Fixed Income:					
Bonds	RBC GAM	113.1	6.7%	108.0	6.6%
	Fiera	94.7	5.6%	89.7	5.5%
	Colchester	66.8	4.0%	76.1	4.7%
	Canso	52.3	3.1%	49.2	3.0%
	Neuberger Berman	6.2	0.4%	13.3	0.8%
	Desautels*	0.3	0.0%	0.3	0.0%
	Total Fixed Income:	333.4	19.9%	336.6	20.7%
Total Cash & Short-term:		8.7	0.5%	11.7	0.7%
	Total MIP:	1,679.1	100.0%	1,627.1	100.0%

* Managed by students in McGill's Desautels Faculty of Management

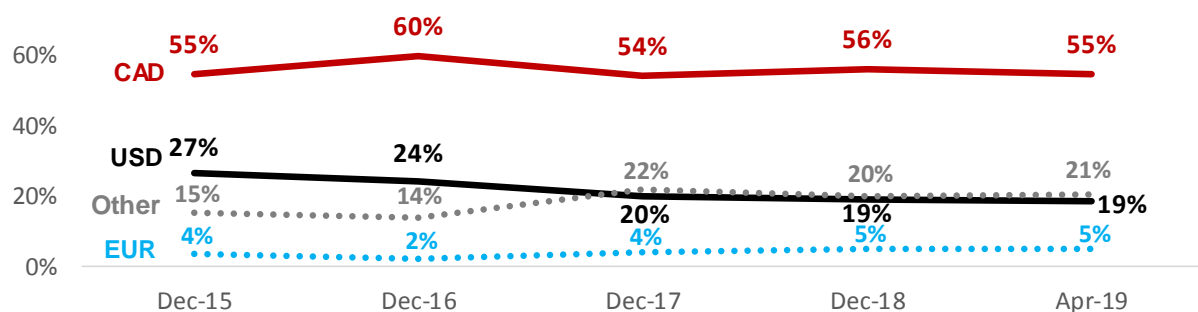
MIP Asset Allocation vs BNY Mellon Universe

In addition to the previous tables, the total investment allocation of the MIP can be compared to the BNY Mellon Canadian Foundations & Endowments Universe (Universe Median Weight) which included 18 portfolios. The table below show these comparisons:



Currency Exposure

The MIP currency exposure, after hedging, is shown below:



Note: Other represents several currencies. The two largest are JPY and GBP at ~ 2% each

The MIP's USD exposure is driven by its allocation to U.S. equities, U.S. private investments and USD-denominated hedge funds. To minimize the effect of such USD exposure, the MIP uses currency forward contracts and other appropriate instruments.

Performance

MIP Overall Performance

The table below shows the MIP and its asset class performances for periods ended April 30, 2019:

	Annualized Returns (%)			
	1 Year	3 Years	5 Years	10 Years
MIP	5.6	8.1	7.4	9.8
Absolute return objective ¹ : 5.10% + CPI	7.2	7.3	7.0	7.1
Composite benchmark ²	8.3	9.8	8.5	9.8
Public Equities:				
Canadian Equities	7.1	8.5	7.1	11.1
Benchmark: S&P/TSX Composite	9.6	9.1	5.6	9.1
U.S. Equities (Hedged)	10.9	14.6	13.1	15.3
Benchmark: S&P 500 (Hedged)	15.5	15.8	13.9	15.6
Non-North American Equities	0.5	10.2	7.7	9.4
Benchmark: 50% MSCI EAFE + 50% MSCI EM	1.1	12.4	8.2	9.0
Alternative Investments³:				
Benchmark ⁴	4.5	4.7	5.5	6.4
	9.3	8.9	9.2	-
Fixed Income:				
Bonds	4.8	3.5	4.2	5.1
Benchmark: FTSE Universe Bond	6.1	2.7	3.7	4.4
Cash & Cash Equivalents:				
	13.7 *	4.7	3.4	2.0
Benchmark: FTSE 91-Day T-Bill	1.5	1.0	0.9	0.8

Notes: Performance is gross of fees except for Alternative Investments which are net of fees

Different benchmark indices were used in the one, three, five and ten-year periods, where applicable

*The return is impacted by currency appreciation/depreciation versus the Canadian Dollar

1) Effective May 2018

2) Effective Oct. 2018: S&P/TSX Comp (10%), S&P 500 (50% USD Hedged) (20%), MSCI EAFE (10%), MSCI EM (10%), 5.15% + CPI (15%), US T-Bills (50% USD Hedged) + 5% (5%), [(MSCI World + 2%)50% + (US T-Bills (50% USD Hedged) + 5%)50%] (10%), FTSE Universe Bond (18%), FTSE 91-Day T-Bills (2%)

3) Includes hedge funds, private investments, real estate, commodities, listed real assets and infrastructure

4) Respective benchmarks for hedge funds, private investments, real estate, commodities, listed real assets and infrastructure

Performance Measurement Services

The provider of performance measurement services to the MIP is BNY Mellon Global Risk Solutions.

Investment rates of return are stated gross of fees (except for Alternative Investments which are net of fees), in CAD, on a total return basis which includes capital appreciation (both realized and unrealized) and income received and accrued.

Long-term performance of the MIP is evaluated by examining the inflation-adjusted absolute returns and the success of these returns in meeting the spending policy and capital preservation policy of the Endowment. Furthermore, an individual manager's performance is judged by assessing that manager's ability to meet a specified target return linked to a market index or composite of indices that is representative of the investment mandate assigned to the manager.

Administration

Investment Committee

The Investment Committee (“Committee”), a committee of the Board of Governors (“Board”) mandated to oversee the University’s Endowment investments, consists of 10 members and at April 30, 2019 was comprised of:

- Joel Raby, Chair (Montreal)
- Sam Minzberg, Vice-Chair (Montreal)
- Ram Panda, Chair, Board of Governors, ex-officio (Montreal)
- Suzanne Fortier, Principal and Vice-Chancellor, ex-officio (Montreal)
- Sam Altman (Montreal)
- Stuart (Kip) Cobbett (Montreal) – succeeded by Warren Smith (Montreal) in July 2019
- Anik Lanthier (Montreal)
- Robert Rabinovitch (Montreal)
- Gerald Sheff (Toronto)
- Marc Trottier (Montreal)

Members are appointed on the basis of their expertise and interest in investment, business and economics. Marc Weinstein (Montreal), Vice-Principal (University Advancement) serves as Special Advisor and Yves Beauchamp, Vice-Principal (Administration and Finance) serves as Senior Steward.

Pursuant to its Terms of Reference and the Policy on the Approval of Contracts and Designation of Signing Authority, the Committee is responsible for overseeing the management of the University’s investments in accordance with the Statement of Investment Policy (“SIP”). Included in the Committee’s functions are:

- Providing advice to the Board in establishing policies related to investments and making recommendations thereon to the Board for approval
- Reviewing annually the SIP and making recommendations on proposed modifications to the Board
- Recommending to the Board policies on the annual distribution rate for the income from the Endowment
- Reviewing and approving the appointment and termination of investment managers and service providers, investment manager mandates and the performance of each fund manager
- Monitoring compliance with the SIP

In June 2014 a Subcommittee of the Investment Committee was created with the authority to act on investment matters which may arise between regularly scheduled meetings. The Subcommittee is composed of the Chair of the Investment Committee, a member of the Investment Committee, the Senior Steward and the Chief Investment Officer & Treasurer (resource person). For Fiscal 2019 there were no Subcommittee meetings called.

The Investment Committee met 4 times during the fiscal year ended April 30, 2019. Quorum was established for all meetings.

In September 2018, the Committee reviewed the SIP and recommended changes to the minimum, target and maximum allocation limits to the Alternative Investments Asset Class. Furthermore, the Committee recommended changes to benchmarks. The Committee's recommendations were approved by the Board of Governors.

The Committee was presented with a report on the status of MIP investment managers in relation to Environmental, Social and Governance (ESG) policies and whether they are signatories of the United Nations Principles for Responsible Investment (UNPRI). It was noted that as at December 31, 2018, the percentage of MIP assets managed by such managers was at 81%, meeting and surpassing the objective two years in advance.

Recommendations to maintain the income distribution rate at 4.00% for the 2019-20 fiscal year and that such rate be applied to the three-year rolling average market value determined by including the three fiscal years ending April 30, 2018, April 30, 2017 and April 30, 2016 were approved by the Board. Further to the above, the Committee approved management fees of 1.10% of the market value of the MIP at the beginning of the fiscal year, commencing fiscal 2017. The additional fees will fund an expansion of University Advancement's fundraising operations in the context of McGill's Bicentennial Campaign.

Investment Management Decisions

During the year ended April 30, 2019, a number of investment decisions were approved by the Investment Committee including:

- Investment in a private fund that combines hedge fund secondaries & co-investments
- Investment in a closed-end fund of co-investments in private equity deals
- Investment in a value-add European real estate fund
- Termination and hiring of a new emerging markets equity manager
- Investment in a European infrastructure fund
- Investment in a mezzanine infrastructure private debt (focused in Europe and N.A.)

Prepared by: Office of Investments