

# 2017 Report on Investment Results

September 30, 2017

## Prudent Stewardship

In pursuit of its overall mission, The Winnipeg Foundation has defined one of its strategies as follows:

“Stewardship – Achieving maximum returns consistent with prudent investment practices to support grantmaking activities and administration of The Foundation, assuring that the legacy created by the donor is respected in perpetuity by protecting the purchasing power of those funds over the long term.”

## Policy Direction

The Board of The Winnipeg Foundation is responsible for determining investment and spending policies. The Investment Committee provides advice to the Board. It is assisted by our Asset Management Consultant (Mercer Investment Consulting). The Investment Committee normally meets four times each year, including scheduled reviews with our professional investment management firms; Baillie Gifford Overseas Limited, Beutel, Goodman & Company Limited, Connor, Clark and Lunn Investment Management Limited, Dimensional Fund Advisors, Greystone Managed Investments, GWL Realty Advisors, IFM Global Infrastructure (Canada) LP and TD Asset Management.

## Consolidated Trust Fund (CTF)

The Winnipeg Foundation currently holds more than 3,500 funds, created since 1921. For purposes of investment, funds are pooled into our Consolidated Trust Fund (CTF). This allows for diversification of the total portfolio to lower risk and improve performance. It also minimizes investment management and other related costs.

## Operation of the Fund

All funds are pooled and collectively earn a rate of return. Annually, each fund is reduced by its allocation for granting plus its administration fees and actual investment management costs. The Fees Policy permits fees to be charged annually for administrative and investment related costs which is budgeted to be 0.85%. The Spending Policy rate ranges between 4% and 5%.

## Administrative and Investment Costs Recovery Charge

Each fund is charged 0.5% of its opening market value (October 1st) to help cover The Foundation’s general administrative costs. In addition, funds are charged an annual amount (applied quarterly) to cover the cost of investment management. In 2017, the total fees were 0.83%; 0.33% investment management cost plus 0.50% administrative costs. **Total fees for 2018 are estimated to be 0.85%.**

## Annual Spending

The ultimate purpose of an endowment is to grant to the community. The Federal legislative requirement for foundations is to disburse at least 3.5% of average total assets at current market value each year. The long term objective of our Policy is to spend 4.5% of the average market value of each endowment. The average market value is calculated over three years (12 quarters). For further detail, please see page 4.

### Investment Committee Members:

\*Robert Puchniak, CFA (Chair), \*David Cohen, \*Daniel Friedman, Jon Holeman, \*Gerry Labossiere, CPA, CA, \*Justice Deborah McCawley (ex officio), Peter Munro, CFA, Scott Penman, CFA, \*Maureen Prendiville

*\*The Winnipeg Foundation Board member*

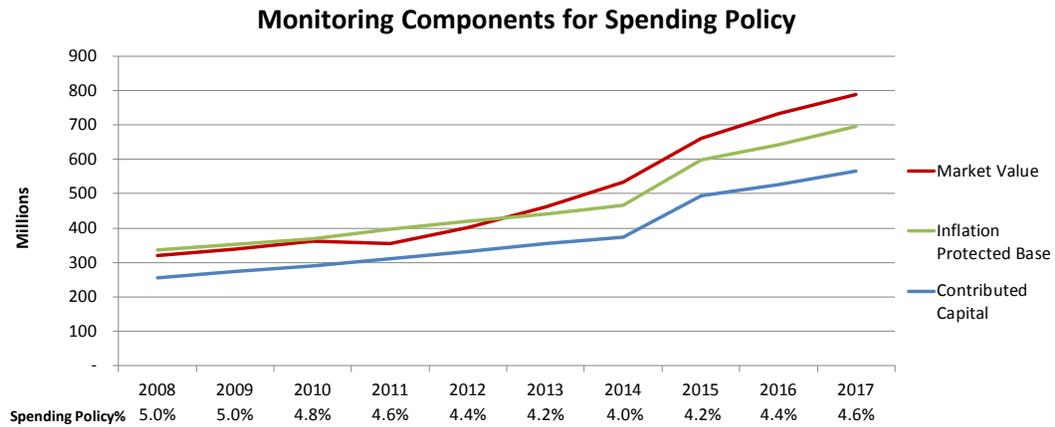
### Spending Policy

The purpose of our Spending Policy is to provide a dependable and predictable flow of grants without the ups and downs of the market place. The Spending Policy, along with our Investment Policies, takes a long term view and reacts gradually to the volatility in the markets. Based on current predictions, the long term target spending rate is 4.5%. The Spending Rate in 2017 was 4.6%. **The Spending Rate for 2018 is 4.8%.**

### Protecting Purchasing Power

Another important consideration is the need to protect purchasing power. Our target is 90% inflation protection at a 4.5% spending rate. However, spending rates will vary year to year between 4% and 5%. Each fund has its own story but, overall, our policy aim is to balance inflation protection and annual spending. For 2018 inflation protection is set at 96%.

### Implication of the Spending Policy and the Current Economic Environment

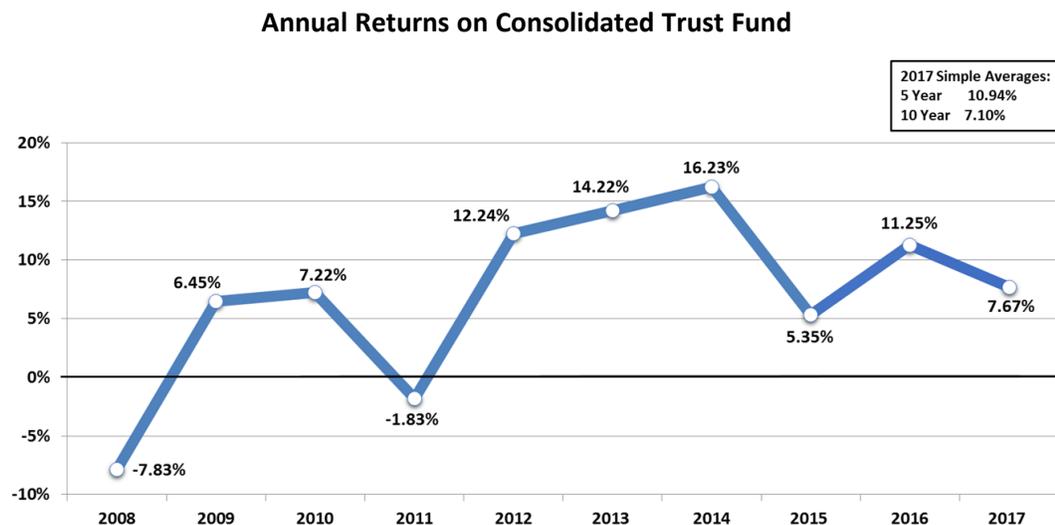


The above chart depicts how the Board monitors long term trends (based on 1979) to balance annual spending on one hand and capital protection on the other. In late 2008, a severe deterioration in financial markets clearly changed the trend lines. The Foundation’s Spending Policy cushioned this dramatic change by gradually reducing disbursements while rebuilding capital and continuing to grow. Annually, a model to estimate future spending is updated to anticipate future trends.

### Performance Over the Long Term

In 2017, the annual return of the CTF was 7.67%. Annual returns vary with the investment climate. During the past 10 years, we have experienced annual returns as high as 16.23% and as low as -7.83%. As the following chart clearly demonstrates, it is essential to evaluate annual returns within the longer term context.

(Please note our year end is September 30th.)



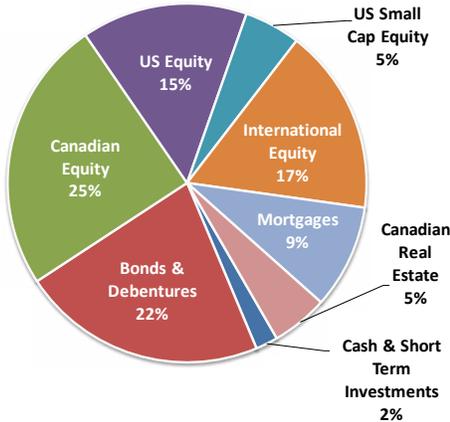
## Asset Allocation Policy and Performance Summary

October 1, 2016 - September 30, 2017

Asset Class (Group)	Asset Allocation Benchmark	Portfolio Performance	Index Performance	Over/Under Performance
Short Term	0%	0.0%	0.0%	0.0%
Bonds & Debentures	20%	-2.9%	-3.0%	0.1%
Mortgages	10%	2.4%	-1.7%	4.1%
<b>Total Fixed Income</b>	<b>30%</b>			
Canadian Equity	24%	9.1%	9.2%	-0.1%
US Equity	14%	15.4%	12.9%	2.5%
US Small Cap Equity	5%	14.4%	14.7%	-0.3%
International Equity	17%	16.8%	14.3%	2.5%
<b>Total Equity</b>	<b>60%</b>			
Canadian Real Estate	5%	4.0%	4.9%	-0.9%
Global Infrastructure	5%	0.0%	0.0%	0.0%
<b>Total Real Assets</b>	<b>10%</b>			
<b>Total Portfolio</b>	<b>100%</b>	<b>7.7%</b>	<b>6.5%</b>	<b>1.2%</b>

Effective January 1, 2017, the benchmark is 20% FTSE TMX Universe Bond, 6% FTSE TMX Short-Term Bond, 4% FTSE TMX Mid-Term Bond, 24% S&P/TSX Composite, 14% S&P 500 (\$CAD), 5% Russell 2000 Value (\$CAD), 17% MSCI ACWI ex-US (\$CAD), 5% CPI+4% and 5% CPI+5%.

### Asset Mix as of September 30, 2017



### Our Investment Managers

**Baillie Gifford Overseas Limited:** Baillie Gifford manages the International equity portfolio on a segregated basis. The portfolio contains all countries (excluding United States) and will permit +/- 15 MSCI ACWI excluding US index to a maximum limit 35% in emerging markets.

**Beutel, Goodman & Company Limited:** Beutel Goodman manages one half of the Canadian equity and US equity portfolios on a segregated basis. The Canadian equity portfolio consists of large cap stocks with a value tilt. The US equity portfolio is also large cap.

**Connor, Clark & Lunn Investment Management Limited:** Connor, Clark & Lunn manages one half of the Canadian equity portfolio in their pooled institutional Canadian equity fund.

**Dimensional Fund Advisors:** Dimensional Fund Advisors manages a US value small cap portfolio. The investment is in a pooled fund.

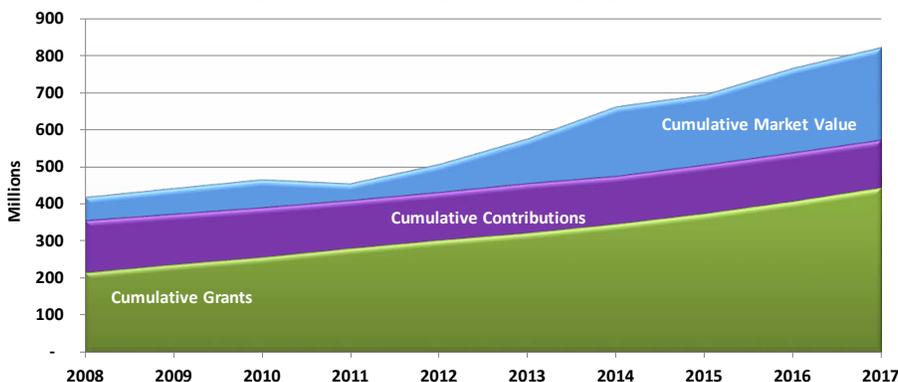
**Greystone Managed Investments:** Greystone manages the mortgage portfolio in a pooled fund, which has geographical diversified Canadian commercial real estate mortgages and other permissible investments.

**GWL Realty Advisors:** GWL manages the Canadian real estate portfolio in a pooled fund, which has geographical diversified Canadian commercial real estate and other permissible investments.

**IFM Global Infrastructure (Canada) LP:** IFM manages the global infrastructure portfolio in a pooled fund, which has geographic and economic sector diversified infrastructure assets.

**TD Asset Management:** TDAM manages the bond portfolio and one half of the US equity portfolio in a passive pooled structure.

### Steadily Growing Impact During A Challenging Economic Climate



## The Winnipeg Foundation Spending Policy

It is the long term objective of The Winnipeg Foundation to make available for annual grant making activities an amount of 4.5% of the average of the three preceding years' market value of each fund in the Consolidated Trust Fund (CTF). The average market value is calculated on the basis of 12 quarters.

The Winnipeg Foundation may annually recoup a portion of its operating expenses as set out in The Winnipeg Foundation's Fee Policy as amended from time to time and that amount shall be determined by The Board of Directors of The Winnipeg Foundation, taking into account, the actual annual costs incurred in operating The Winnipeg Foundation.

The Winnipeg Foundation uses 1979 as a base year to calculate an inflation adjustment for each successive year's capital contributions to the CTF. Thus, in addition to knowing contributed capital, The Winnipeg Foundation monitors an inflation protected target which essentially is required to protect the purchasing power of the original gifts. The difference between the inflation protected target and the actual market value is monitored and if this excess deteriorates or improves on an average three year basis, the spending policy calculation will be adjusted upward or downward in accordance with the following:

Average excess between inflation protected target & market value over 3 years	Amount available for annual grant making	Inflation Protected target
10% or more	5.0% average market value	100%
9% - 9.9%	4.9% average market value	98%
8% - 8.9%	4.8% average market value	96%
7% - 7.9%	4.7% average market value	94%
6% - 6.9%	4.6% average market value	92%
5% - 5.9%	4.5% average market value	90%
4% - 4.9%	4.4% average market value	88%
3% - 3.9%	4.3% average market value	86%
2% - 2.9%	4.2% average market value	84%
1% - 1.9%	4.1% average market value	82%
0% - 0.9%	4.0% average market value	80%
less than 0%	Policy Review	

Any adjustment to grant making will not be greater than 0.2% in any given year, and any adjustment to the inflation protected target will not be greater than 4% in any given year.

The spending for the next fiscal year (October 1) will be determined in September.

When any document cites the Spending Policy of The Winnipeg Foundation, it is referring to the above formula. The CRA requires that endowments "spend" at least 3.5% annually. In situations where it is appropriate, taking into account donor preference, longer term Agency benefit and administrative circumstances, The Foundation may use the stipulated CRA minimum rate as an approved alternate to the Spending Policy.

**The spending policy of The Winnipeg Foundation may be amended from time to time.**

*September 30, 2016*