

CONFEDERATION COLLEGE BOARD OF GOVERNORS

BOARD REPORT

MEETING TYPE:	Board	REPORT NUMBER:	6-2022
MEETING DATE:	January 5, 2022	DATE PREPARED:	December 16, 2021
SUBJECT:	EL-5 Financial Matters		

MOTION:

THAT Board Report No. 6-2022, relative to EL-5 – Financial Matters, presented to the Board of Governors on January 5, 2022;

AND THAT the Investment Performance Report be approved.

PURPOSE:

To receive evidence of compliance for specific sections of EL-5 – Financial Matters as required under Section 4.3 of EL-5, which states: "The President shall provide a monitoring report to the Board, which confirms compliance with this policy on Financial Matters.:

BACKGROUND:

Boards of Governors of Colleges of Applied Arts and Technology are responsible and accountable to the Minister and to the public for ensuring that colleges provide high quality service and excellence in management and for exercising prudent use of funds, aligning with the Ontario Colleges of Applied Arts and Governance and Accountability Framework, Banking and Investments, and Proceeds from Sale or Encumbrance of College Property Technology Act, 2002 and the Minister's Binding Policy Directives on As public institutions, colleges are held to high standards and are subject to public scrutiny in the safeguarding of funds entrusted to them. Funds are to be used consistent with the purpose for which they were provided.

The Board of Governors is responsible for the overall financial integrity of the college, consistent with the college's vision, mission, and strategic plan. In addition, the Board of Governors is responsible for all college assets. Reporting requirements for financial management of the college and limitations regarding acquisition or disposition of real property have been established by the Ministry and guide the Board and President in the handling of finances and assets while mitigating risk.

DISCUSSION:

A draft version of this report was reviewed by the Audit Committee on December 16, 2021 and recommended to be brought forward to the Board for review and approval.

The following shall demonstrate evidence of compliance for the purpose of monitoring EL-5 as of January 5, 2022 and that the President confirms compliance with the limitations identified in EL-5.

2021-22 Mid-year Forecast

The college's finance team updated the college 2021-22 mid-year Forecast to reflect changes to the budget as a result of expenditures and savings since the budget was last approved by the Board of Governors and as reported in Board Report 5-2022. The review and approval is compliant with the requirements under 2.1.4 e) of EL-5.

Quarterly Endowment Investment Report - Q3: Sept. 30, 2021

The latest investment report dated October 31, 2021 had been reviewed with the Endowment Committee on November 1, 2021 and the Audit Committee on December 16, 2021 and an excerpt summary is attached for review and approval as required under 4.1. (Attachment 1)

Financial Health Indicators

Attached report is for information purposes and demonstrates that Confederation College's performance complies with the Ministry of Colleges and Universities standard financial performance metrics. (Attachment 2)

Statement of Investment Policy

At present, there are no changes to the policy.

ENDS:

This report relates to the "Institutional Excellence" pillar of the Board's Ends, and the goal to operate and communicate efficiently, effectively, and transparently.

FINANCIAL IMPLICATIONS:

There are no financial implications with this report.

STAFFING IMPLICATIONS:

There are no staffing implications with this report.

RECOMMENDATION:

It is recommended that based on the evidence provided, the President has confirmed compliance with EL-5 – Financial Matters and that the Board of Governors approve this report.

ATTACHMENTS:

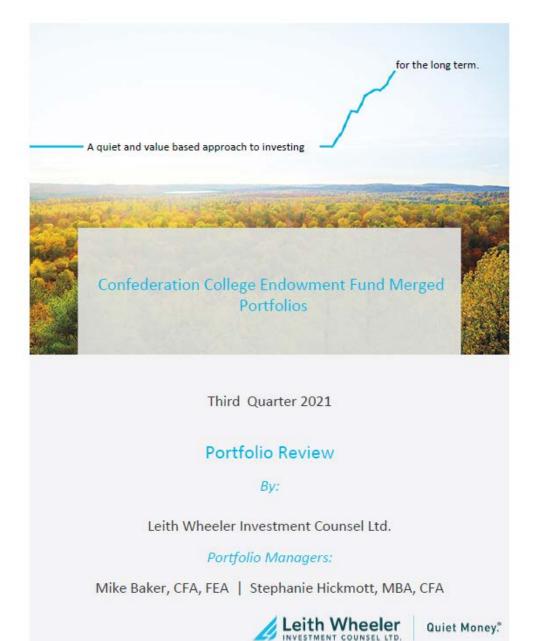
Attachment 1: Quarterly Endowment Investment Report - Q3: Sept. 30, 2021

Attachment 2: Confederation College Financial Health Indicators

PREPARED BY:Michelle Salo, Vice President – Finance & AdministrationREVIEWED BY::Kathleen Lynch, PresidentSUBMITTED BY:Kathleen Lynch, President

ATTACHMENT 1

SUMMARY EXCERPTS FROM QUARTERLY ENDOWMENT PORTFOLIO REVIEW



Compliance Report

Confederation College Endowment Fund

September 30, 2021

Asset Mix Guidelines	Actual (%)	Allowable Range (%)	Policy Complied With? (Y/N)	
Cash and Cash Equivalents	5.5	0-10	Yes	
Investment Grade Fixed Income	40.8	35-60	Yes	
Sub-Investment Grade Fixed Income	1.9	0-10	Yes	
Preferred Shares	2.3	0-10	Yes	
Total Cash & Equivalents & Fixed Income	50.5	40-60	Yes	
Canadian Equities	24.9	15-35	Yes	
Global Equities	24.2	15-35	Yes	
Total Equities	49.5	40-60	Yes	

Specific Constraints	
Diversification shall be achieved in part by limiting to 5% or less the percentage of the total market value of the portfolio invested in a single security, with the exception of an index participation unit, index security or pooled fund, not guaranteed by the Government of Canada or a Canadian Province.	Yes
Liquidity shall be achieved in part by limiting to 10% or less the percentage of a single corporate issuer that can be held by the Endowment Fund.	Yes
Short-term instruments have a weighted average credit rating of R-1* low or A-1** or its equivalent and that bond portfolios have a weighted average credit rating of A* or its equivalent.	Yes
All short-term instruments must have a minimum credit rating of R-2 low*. Fixed income investments rated below investment grade are permitted to a maximum of 10% of the overall portfolio.	Yes
Quality for fixed income investments related to funds received from the Government of Ontario is determined by the requirements of the MTCU Binding Policy Directive.	Yes
Minimum of seven Global Industry Classification System (GICS) sectors shall be represented in the equity portfolio.	Yes
Equity investments shall trade on a recognized stock exchange and preferred stocks must have an acceptable investment grade quality of P3(Low).	Yes

I believe this to be a factual representation of compliance with the Statement of Investment Policies and Procedures throughout the reporting period.

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Mike Baker, CFA, FEA Vice President, Portfolio Manager

Leith Wheeler Investment Counsel Ltd.

Investment Manager



MEETING TYPE: Board

Investment Returns¹

As of September 30, 2021

Confederation College Endowment Fund Merged Portfolios Total Return	Q3 2021	Since Inception 04/01/2021	
Portfolio	0.3%	2.8%	
Confederation College Endowment Fund Merged Portfolios Asset Class Returns ²	Q3 2021	Since Inception 04/01/2021	
Canadian Equity	1.2%	7.4%	
S&P/TSX Composite	0.2%	7.1%	
US Equity	0.6%	4.6%	
S&P 500 (C\$)	2.9%	9.1%	
International Equity	-1.9%	0.0%	
MSCI EAFE - Net (C\$) ^s	1.9%	5.3%	
Fixed Income	0.2%	1.8%	
FTSE Canada Universe Bond	-0.5%	1.8%	

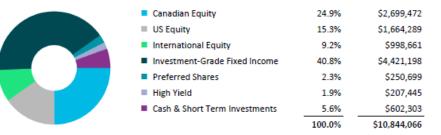


- 1. Investment performance returns are presented before investment management fees, but after the deduction of brokerage commissions. Returns are calculated on a time weighted, total return basis which includes all dividends (except non-cash stock dividends), interest, and realized and unrealized gains and losses after the deduction of applicable withholding taxes. Past performance is not an indicator of future results. All returns in this report are quoted in Canadian Dollars unless otherwise noted. Columns populated with a dash (-) indicate the portfolio was not invested in the asset class for the period.
- 2. Asset Class Returns exclude Cash and Equivalent portfolio holdings.
- Source: MSCI Inc. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed or produced by MSCI.

MEETING TYPE: Board

Asset Allocation

As of September 30, 2021



Cash & Short Term Investments securities held within pooled fund holdings are included in the total Asset Allocation.

Due to rounding, numbers presented throughout may not add precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Confederation College Endowment Fund							
Asset Class	Permissible Range						
Cash & Cash Equivalents	0-10%						
Investment Grade Fixed Income	35-60%						
Sub-Investment Grade Fixed Income	0-10%						
Preferred Shares	0-10%						
Total: Cash & Equivalents & Fixed Income	40-60%						
Canadian Equities	15-35%						
Global Equities	15-35%						
Total: Equities	40-60%						

Leith Wheeler Quiet Money."

Canadian Equity

Overview

- Canadian equity markets moderated over the third quarter, as modest gains in July and August were partially offset by weakness in September.
- Market performance was dragged down by Materials (-4.7%), as gold stocks declined 8.4% amid rising bond yields. On the positive side, higher oil and natural gas prices in the quarter helped the Energy sector (+2.6%).
- Your Canadian equity portfolio performed inline with the TSX Dividend Index, helped by the strong performance of its holdings in Energy (Tourmaline Oil +27.6%) and having no exposure to gold stocks. Relative performance was partially offset by weakness in Consumer Staples and Industrials.

International Equity

Overview

- Earlier gains in the quarter were erased in September as volatility returned.
- Your portfolio underperformed the MSCI EAFE benchmark amid concerns that economic growth may be losing momentum.
- Recent volatility has created the opportunity to add to several companies in the UK, Europe, and Emerging markets.

Fixed Income

Overview

- Fixed income portfolios saw slightly negative returns in the third quarter as interest rates continued to rise.
- Your fixed income portfolio outperformed due to corporate and provincial bond performance, as well as yield curve positioning.
- With recovery in progress, employment close to pre-pandemic levels, and a rise in inflation, a continued gradual dialing back of the extraordinary levels of economic stimulus is expected over the next 18 months. The timing and pace of central bank tightening will have an impact on fixed income markets.

US Equity

Overview

- The S&P 500 Index performance was led by the Financials, Utilities and Communication Services sector.
- Your US equity portfolio underperformed the S&P 500 Index, mostly due to security selection. Growth stocks outperformed value stocks in July and August which contributed to the portfolio's underperformance in the quarter.
- We added two new holdings and exited one holding during the quarter.

MEETING TYPE: Board

Income Summary

Jan 1, 2021 to Sep 30, 2021 As at Trade Date

CONFEDERATION COLLEGE ENDOWMENT FUND MERGED PORTFOLIOS

	Net Interest	Net Dividends	Net Foreign Income	Capital Gains Distributed	Return of Capital	Total Income Received	Realized Gain/Loss
Confederation College Endowment Fund B6020FDN - Amounts in CAD	\$77,623	\$45,798	\$24,608	\$0	\$0	\$148,029	\$21,611
Confederation College Endowment Fund - Transition Account B6020XN - Amounts in CAD	\$9,579	\$3,148	\$0	\$0	\$0	\$12,728	\$514,238
Confederation College Endowment Fund - USD B6020FDU - Amounts in USD	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Confederation College Endowment Fund - USD Transition Account B6020XNU - Amounts in USD	\$0	\$0	\$0	\$0	\$0	\$0	\$734,513

Asset Class Summary

Sep 30, 2021 As at Trade Date

CONFEDERATION COLLEGE ENDOWMENT FUND MERGED PORTFOLIOS

	Canadian Equity	US Equity	International Equity	Preferred Shares	Fixed Income	High Yield	Cash & Short Term Investments	Total
Confederation College Endowment Fund B6020FDN - Amounts in CAD	\$2,699,472	\$1,664,289	\$998,661	\$250,699	\$3,785,539	\$207,445	\$600,761	\$10,206,866
Confederation College Endowment Fund - Transition Account B6020XN - Amounts in CAD	\$0	\$0	\$0	\$0	\$635,659	\$0	\$0	\$635,659
Confederation College Endowment Fund - USD B6020FDU - Amounts in USD	\$0	\$0	\$0	\$0	\$0	\$0	\$1,216	\$1,216

Foreign Exchange Rates

1 CAD = 0.78846 USD

Index Of Performance

Sep 30, 2021 As at Trade Date

CONFEDERATION COLLEGE ENDOWMENT FUND MERGED PORTFOLIOS

Date	Beginning of Quarter	Ending of Quarter	Net Contribution	Dollar Return	Percentage Return	Index
						100.00
Apr 02/21	\$10,528,961	\$10,529,009	\$0	\$48	0.0%	100.00
Jun 30/21	\$10,529,009	\$10,806,054	\$14,206	\$262,839	2.5%	102.49
Sep 30/21	\$10,806,054	\$10,844,066	\$5,211	\$32,801	0.3%	102.80

ATTACHMENT 2

CONFEDERATION COLLEGE FINANCIAL HEALTH INDICATORS



Confederation College Financial Ratio History