

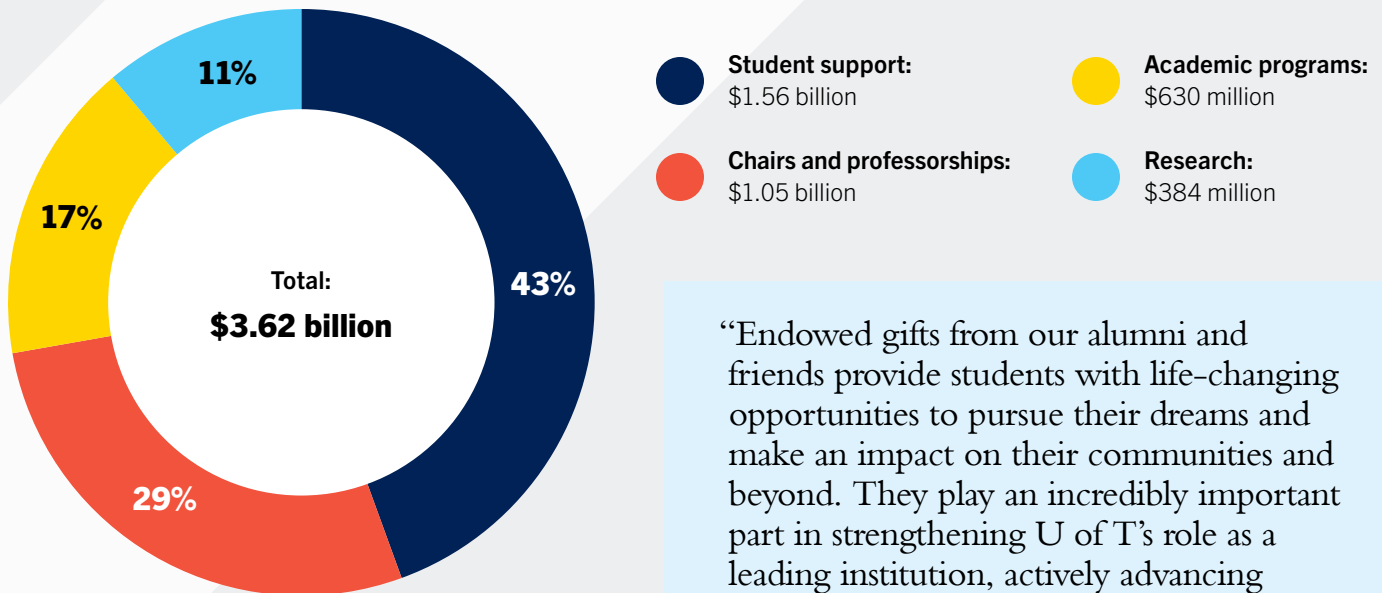
## Endowment report 2023–2024

Endowed gifts provide a permanent and stable source of funding for scholarships, chairs and other vital priorities. In this report, we are pleased to provide a summary of the endowment’s financial performance for the 2023–2024 fiscal year, along with an update on our investment strategy. Our approach is designed to ensure the long-term growth and impact of the endowment. Thanks to the continued generosity of our donors, the total value of the endowment grew to \$3.62 billion this year, while generating \$122 million in support for students, faculty, research and programs across the university.

— **Trevor Rodgers**, Chief Financial Officer

### Endowment commitments at April 30, 2024

Endowed gifts provide a permanent and stable source of funding for scholarships, chairs and other vital priorities.



“Endowed gifts from our alumni and friends provide students with life-changing opportunities to pursue their dreams and make an impact on their communities and beyond. They play an incredibly important part in strengthening U of T’s role as a leading institution, actively advancing solutions to complex global challenges. Thank you for your contributions.”

— **David Palmer**, Vice-President, Advancement

# Endowment performance

To ensure your endowment will provide the same level of economic support and impact for future generations as it does today, we aim to grow the capital value of the endowment while allowing spending to increase over time. In favourable years, earnings over the spending allocation are reinvested to build up a reserve within each fund, ensuring continued distributions in years when investment markets are poor.

U of T’s endowment includes over 7,200 individual endowment funds, with 172 added in fiscal year 2023–24. Over the last five years, the endowment has provided \$536 million in support for student aid, faculty, research and other programs.

The health of the endowment is secured by our generous donors and long-term investment returns. In 2023–24, the endowment grew as follows:

	\$ MILLIONS
<b>Beginning Balance (April 30, 2023)</b>	<b>\$3,267</b>
Investment Return	\$378
Donations and Transfers	\$93
(Annual Spending Distribution)	(\$122)
<b>FYE Balance (April 30, 2024)</b>	<b>\$3,616</b>
<b>Change</b>	<b>\$349</b>

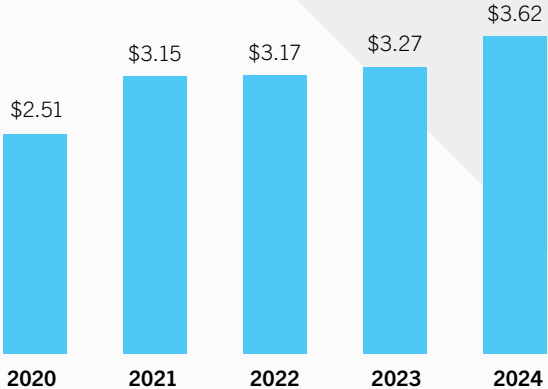
At the end of fiscal year 2023–24, the 10-year annualized return net of fees and expenses was 7.9 per cent, well above the 10-year target return of 6.5 per cent. The one-year return net of fees and expenses during fiscal year 2023–24 was 11.4 per cent.

The target spending allocation is 3–5 per cent of the endowment’s closing market value. In 2023–24, the actual spending allocation was 4.1 per cent of the endowment’s 10-year average market value.

## Performance summary



## Market value by fiscal year (in billions)



## Distributions by fiscal year (in millions)

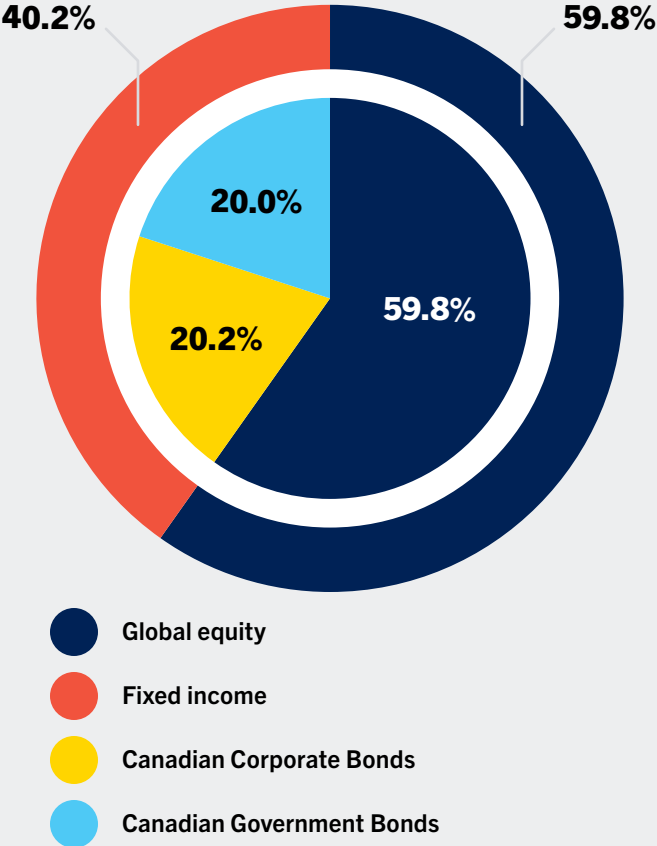


\*For periods ending April 30, net of fees and expenses

\*\*Based on a 10-year average fair market value

# Investing for sustainable impact

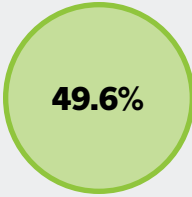
## Asset allocation



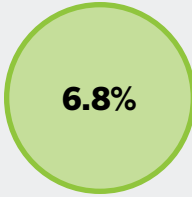
Endowments are invested in a unitized pool called the Long-Term Capital Appreciation Pool (LTCAP). Each endowment account holds units in LTCAP that reflect the number of dollars contributed and the unit value as of the dates of contribution. At April 30, 2024, the market value per unit was \$286.49.

Investment in the university's endowment funds is managed by the University of Toronto Asset Management Corporation (UTAM) under the direction of the university. The fund is diversified across asset classes and investment strategies, with an appropriate amount of risk to achieve targets without an undue risk of loss.

Sustainability is central to how the University of Toronto sets its priorities, makes decisions, and plans for the future. Sustainability is also key to UTAM's approach to investing and managing the risks of LTCAP. In addition to integrating environmental, social and governance (ESG) considerations into its investment and risk processes, UTAM has also established climate commitments for LTCAP, including targets for reduction of carbon emissions and investment exposure in sustainable and low carbon strategies.



Reduction in carbon footprint (tCO<sub>2</sub>e/\$M invested) since 2019\*



Proportion of endowment portfolio invested in sustainable/low-carbon strategies\*\*

## Additional resources:

For more information about investments and UTAM, see UTAM's annual report, at [www.utam.utoronto.ca/reports](http://www.utam.utoronto.ca/reports)

For more information about the endowment and LTCAP, see the Financial Services Department's report at [www.finance.utoronto.ca/alerts/endowrpts.htm](http://www.finance.utoronto.ca/alerts/endowrpts.htm)

\*Target reduction in carbon footprint (tCO<sub>2</sub>e/\$M) of 50 per cent by 2030 using 2019 baseline. Carbon footprint is calculated for the Endowment Sub-Portfolio, consisting of equity (including equity-like securities such as private equity and real estate via public market proxies) and public corporate bonds. These investments comprised approximately 70 per cent of the endowment's net asset value at December 31, 2023.

\*\*Target to allocate 10 per cent of the endowment portfolio to sustainable and low-carbon strategies by 2025.

# Deepening the impact of philanthropy at the University of Toronto

At U of T, gifts from donors have accelerated groundbreaking research and attracted talented new faculty members. Donor support is critical to student success, greatly expanding student financial aid and scholarships. Through the generosity of alumni and donors, the portion of our endowment devoted to student financial aid now exceeds \$1.6 billion, with our total endowment exceeding \$3.6 billion. The funding from these endowments is foundational to U of T's commitment to our students: our access guarantee states that no student offered admission is ever turned away for financial reasons.

With government funding for post-secondary institutions decreasing each year, and with tremendous pressures on the university's tightly constrained operating budgets, philanthropy is now even more essential to sustaining and expanding U of T's globally vital work. To meet this challenge, we have an ambitious plan through the Defy Gravity campaign to nearly double donations revenue in support of urgent student and faculty priorities that cannot be funded by current operating budgets.

To scale our philanthropic impact to the levels required to meet these essential goals and to advance our academic mission and aspirations, it is vital that we expand our capacity to raise, manage and steward donations at the highest possible standard. We also must take care to reduce pressure on our mostly tuition-supported operating budget as we fuel this ambitious and impactful growth in philanthropy.

That is why U of T has reintroduced an advancement investment model (AIM) that sets aside a very modest portion of endowment payouts and new expendable gifts to invest in fundraising and engagement growth and deepen the impact of philanthropy for our university community. Over the past 10 years, U of T has exceeded a 10:1 return on every new dollar invested in advancement in the form of additional donations to support student success, enable vital teaching and research programs, and enrich the experience we provide our learners and faculty.

Developed and enacted in 2024 with unanimous support from U of T's campaign leadership, the university's governance authorities, the president, the provost, and principals and deans, U of T's advancement investment model is applied in one of two ways, depending on whether a gift is endowed or expendable:

- For endowment funds, the university applies an advancement investment fee of 0.26 per cent of our 4 per cent target annual endowment distribution (beginning April 30, 2024), leaving the remaining 3.74 per cent of distribution for the purposes of the fund. The fee on annual endowment payouts is capped at \$25,000 per year.
- For expendable funds, the university applies a 2 per cent fee on new expendable gifts (beginning May 1, 2024). This fee is capped at \$100,000.

At the same time, the strong performance of U of T's endowments has allowed us to increase the endowment payout by 17 per cent over the last three years (2021 to 2024). This increase in payout ensures that beneficiaries of our endowments—students, faculty and programs—receive a similar or slightly larger amount of annual support, compared to the three-year average prior to the implementation of AIM.

Ultimately, our students are the primary beneficiaries of this sustained and essential source of funding that enables U of T to deliver transformative education across almost every field of endeavour and gives students life-changing opportunities to pursue their ambitions.

U of T's advancement investment fees are governed by the Guidelines on Fundraising Strategy and Programs for expendable gifts and the Long-Term Capital Appreciation Pool Policy for endowed gifts.