UNIVERSITY OF ALBERTA

2025

University of Alberta Annual Investment Report

INVESTMENTS AT A GLANCE

$3.5 BILLION
TOTAL ASSETS

$1.9 BILLION
ENDOWMENT ASSETS

$1.6 BILLION
NON-ENDOWED ASSETS

8.2% 2025 Fiscal Year Return

8.0% 2025 Fiscal Year Return

$64 Million
2025 FISCAL YEAR SPENDING ALLOCATION

$92 Million
2025 FISCAL YEAR OPERATING & STRATEGIC SUPPORT

7.8% 10-year Annualized Return

4.4% 10-year Annualized Return

$515 MILLION
10-YEAR CUMULATIVE SPENDING ALLOCATION

$450 MILLION
10-YEAR CUMULATIVE SUPPORT

$298 Million
ENDOWMENT VALUE ABOVE INFLATION LINKED DONATIONS

Contents

Letter from the Chair

Board Investment Committee Membership as of March 31, 2025

Appointed:

Chair:
Derek Brodersen, CFA

Vice-Chair:
Maria Holowinsky, CFA

Kelly Featherstone, CFA
Kevin McDowell, CFA
Jai Parihar, CFA
Peter Pontikes, CFA
Rakesh Saraf, CFA
Ryan Hastman

Ex-Officio:
Kate Chisholm, K.C.
Bill Flanagan
Nizar Somji

On behalf of the Board Investment Committee, I am pleased to present the University of Alberta's 2025 Annual Investment Report. As of March 31, 2025, the university's investment assets totaled $3.5 billion. Over the year, endowment support for scholarships, faculty and research reached an impressive total of $64 million or approximately $1.2 million per week.

The global economy continued to exhibit positive momentum over the past year which ultimately led to most markets around the world reaching new all-time highs. Reasonable economic growth, coupled with falling inflation, allowed most central banks to begin lowering interest rates which provided a tailwind for equity and fixed income markets. Outside of a brief episode that occurred towards the end of summer, volatility remained subdued for most of the year. Geopolitics continue to remain top of mind as global conflict has thus far shown no signs of abating. Amidst this backdrop all asset classes, with the exception of select real estate and hedge fund strategies, performed well, which resulted in another successful year for investments.

The University Endowment Pool (UEP) returned 8.2% this past year as global equity and fixed income markets performed positively, and the Canadian dollar depreciated against nearly every major currency. Over the past decade, the UEP has exceeded its long-term target of 7.25% with a 7.8% annualized return. Since the UEP's inception in 1989, performance has been strong with a 9.4% annualized return, well ahead of the 7.6% historical rate of spending plus inflation. As a result, the UEP has continued to generate compound growth in principal while simultaneously providing record annual spending support. This sustained long-term record of accomplishment has resulted in investment assets reaching another all-time record high, enabling further increased funding support across campus. The Non-Endowed Investment Pool (NEIP) returned 8.0% due to consistent performance across all investment strategies. As a result, the portfolio was also able to provide record annual financial support to the university, cushioning the impact of a budget environment that remains challenged.

The Board Investment Committee continued to oversee management's implementation of both the UEP and NEIP's respective investment programs and also completed its annual review of both the University Funds Investment Policy and University Endowment Pool Spending Policy. The comprehensive review of both the UEP and NEIP strategic asset allocations was also completed with no recommended changes to the current targets. Consultation with the university community on responsible investment also came to a close in Spring 2025 whose feedback was captured, summarized and made publicly available in the *Investing in the Path Forward: What We Heard* report, which is posted on the university's website.

On behalf of the Board Investment Committee, I would like to thank former Director of Investments & Treasury, Mr. Ron Ritter, for his many contributions to the university over an impressive 36-year career. Under his dedicated leadership, the university's Investments and Treasury program has evolved into a highly successful institutional operation that generates a pivotal amount of continuing financial support for the university. I would also like to acknowledge the contributions of retiring Board Investment Committee Chair Derek Brodersen and Board Investment Committee members Rakesh Saraf and Peter Pontikes, whose terms expired this year. I would also like to thank all of the continuing committee members for their efforts in completing the important work of this committee.

Sincerely,

Kelly Featherstone, CFA
Incoming Chair, Board Investment Committee

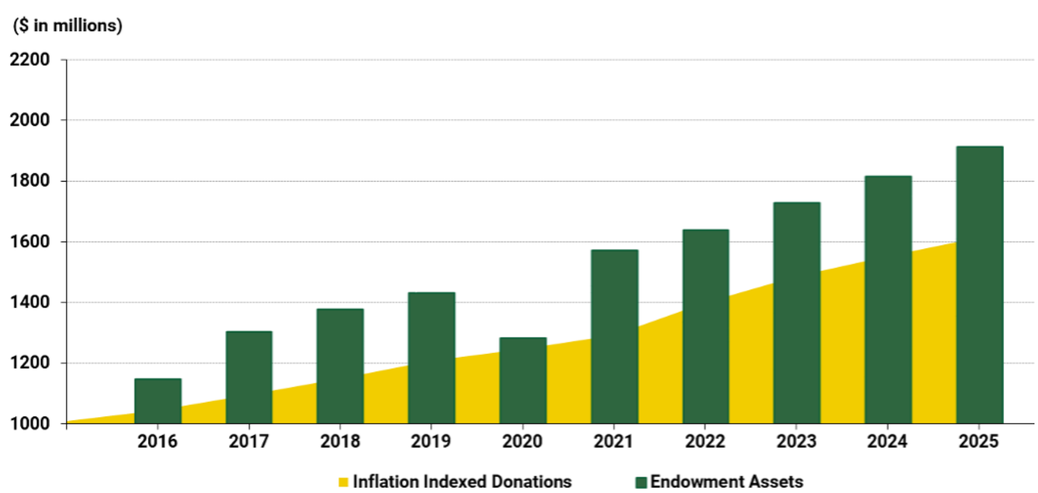
2025 Highlights

University Endowment Pool (UEP)

With few exceptions, endowment assets are pooled and invested collectively in the University Endowment Pool (UEP). Endowment assets represent permanently restricted capital, and only a portion of the earnings are allocated annually for their specified purpose. The investment objective of the UEP is to deliver a long-term sustainable rate of return that in real terms (i.e. adjusted for inflation) meets or exceeds total endowment spending. By meeting this objective, the university preserves intergenerational equity for students and researchers alike, ensuring that earnings will continue to equally benefit both current and future generations.

- At the end of the 2025 fiscal year, the market value of endowment assets totalled $1.9 billion, an increase of $98 million from 2024. Of this, a total of $64 million was distributed in support of academic programs, faculty, research and scholarships, an increase of $2 million from the previous year.
- This year, the UEP returned 8.2% with all investment strategies contributing positively to performance. For the second consecutive year, growth assets led the way with equity markets reaching fresh all-time highs. Over the past ten years, the UEP's annualized return was 7.8%, comfortably above the long-term objective of 7.25%. Since its 1989 inception, the UEP has generated an annualized return of 9.4%.
- The real value of the endowments increased by 1.2%, as the 8.2% return exceeded total spending plus inflation of 7.0%. In dollar terms, after adjusting for inflows and considering timing differences, the value of the endowments over their cumulative inflation adjusted target increased to 18.5%, or $298 million. The growth of the endowment versus inflation linked donations is illustrated in Exhibit 1 below. The current surplus is required to protect capital from future market volatility and allow for stable spending support.

Exhibit 1: Endowment Assets vs. Inflation Indexed Donations

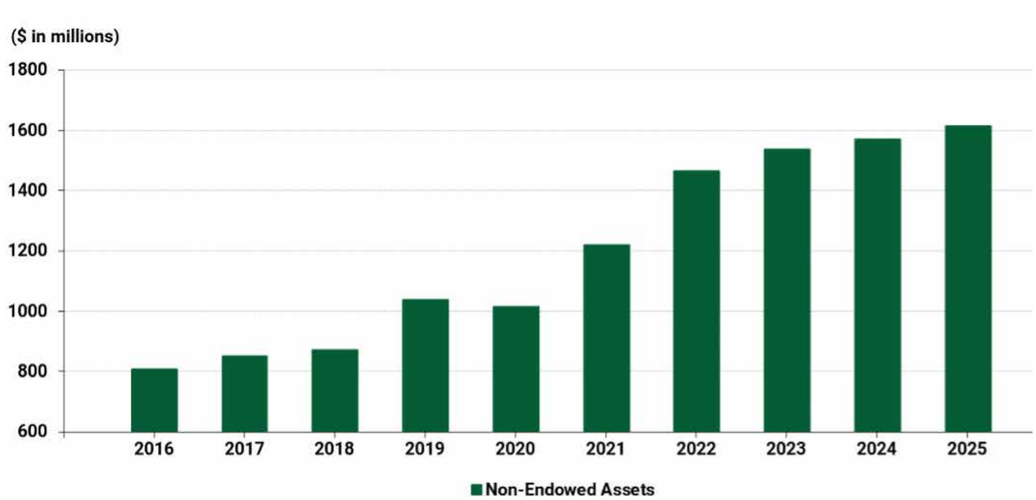


Non-Endowed Investment Pool (NEIP)

The Non-Endowed Investment Pool (NEIP) mainly consists of expendable operating and research funds. Its time horizon is shorter-term in nature and the NEIP has a commensurately lower risk profile. Like the UEP, these assets are pooled together for investment purposes until needed. Investment earnings from NEIP directly support the university's annual operating budget and future strategic initiatives.

- At the end of fiscal year 2025, the market value of non-endowed assets totalled $1.6 billion and increased by $42 million from the previous year, as outlined in Exhibit 2 below.
- The NEIP returned 8.0% for the year with positive contributions from all three strategies: Liquidity, Yield and Return Seeking. Over the past ten years, the NEIP's annualized return was 4.4%.
- A total of $45 million of income was made available for operating budget support and $55 million was transferred to the investment income reserve, bringing its balance, combined with that of the Strategic Initiatives Fund, to a total of $171 million.
- The value of the NEIP's Yield and Return Seeking strategies exceeded their cost and underlying obligations by $430 million or 52% as of March 31, 2025. This includes both realized and unrealized earnings, and fully meets the policy targets established for risk management purposes.

Exhibit 2: Non-Endowed Assets



Endowment Assets

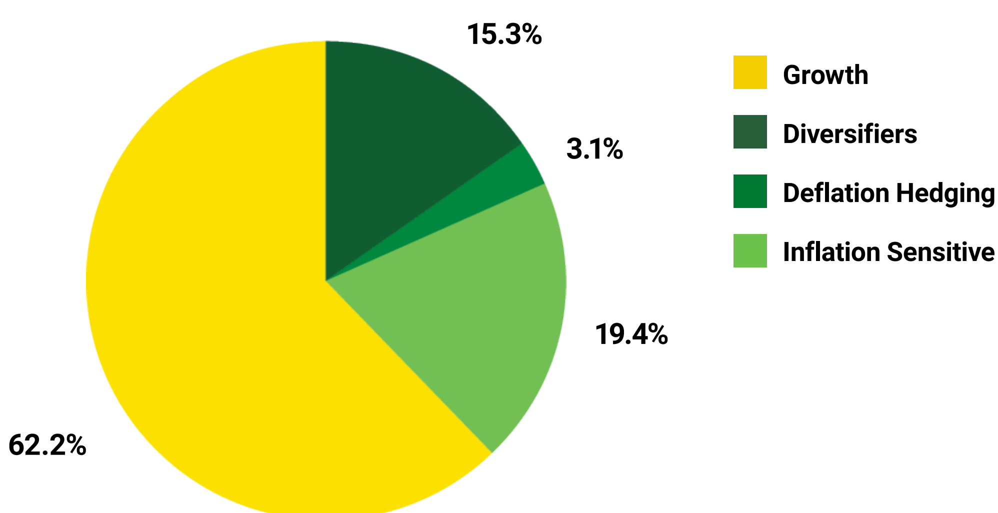
The primary investment objective of the UEP is to achieve a long-term real rate of return that equals or exceeds total endowment spending and inflation.

Emphasis is placed on preserving intergenerational equity to ensure all beneficiaries, current and future, receive comparable levels of support. Assets are classified based on the strategic role they perform within the portfolio, specifically: Growth, Inflation Sensitive, Deflation Hedging and Diversifiers.

- To meet spending targets and grow the value of the assets over time, a large allocation to **growth assets**, such as public and private equities, is necessary.
- **Inflation sensitive assets** are those that respond favourably to unexpected and/or rising inflation. The assets in this category include real estate, infrastructure, natural resource equities, energy and renewables, mining and commodities.
- **Deflation hedging assets** are expected to remain liquid and maintain their value during times of extreme economic and capital market turmoil. This strategy consists of high-quality sovereign bonds.
- **Diversifiers** are investment strategies that have low or no expected correlation with the capital markets or inflation and include hedge funds and cash.

Endowment assets are summarized by strategic role in Exhibit 3 below.

Exhibit 3: UEP Asset Allocation by Strategic Role as of March 31, 2025

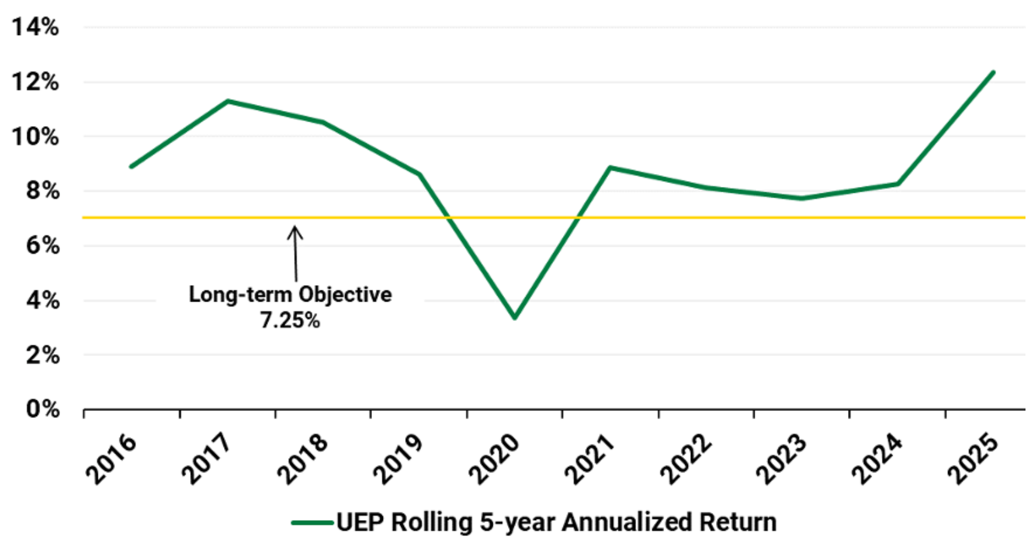


Investment Performance Relative to Long-Term Objectives

The UEP's annualized return over the past five and ten years was 12.4% and 7.8% respectively, well ahead of the 7.25% objective. Since its inception in 1989, the UEP has produced an annualized return of 9.4%. The ten-year and since inception annualized excess return above spending and inflation, as of March 31, 2025, were 0.5% and 1.8% respectively. This indicates that the UEP's investment program has been able to grow the endowment principal in real terms over its 36-year history.

The UEP remains invested for the long-term with the expectation of providing a return in excess of spending and inflation in some years to compensate for years when this is not the case. Exhibit 4 below illustrates the UEP's historical performance relative to the return objective of 7.25%.

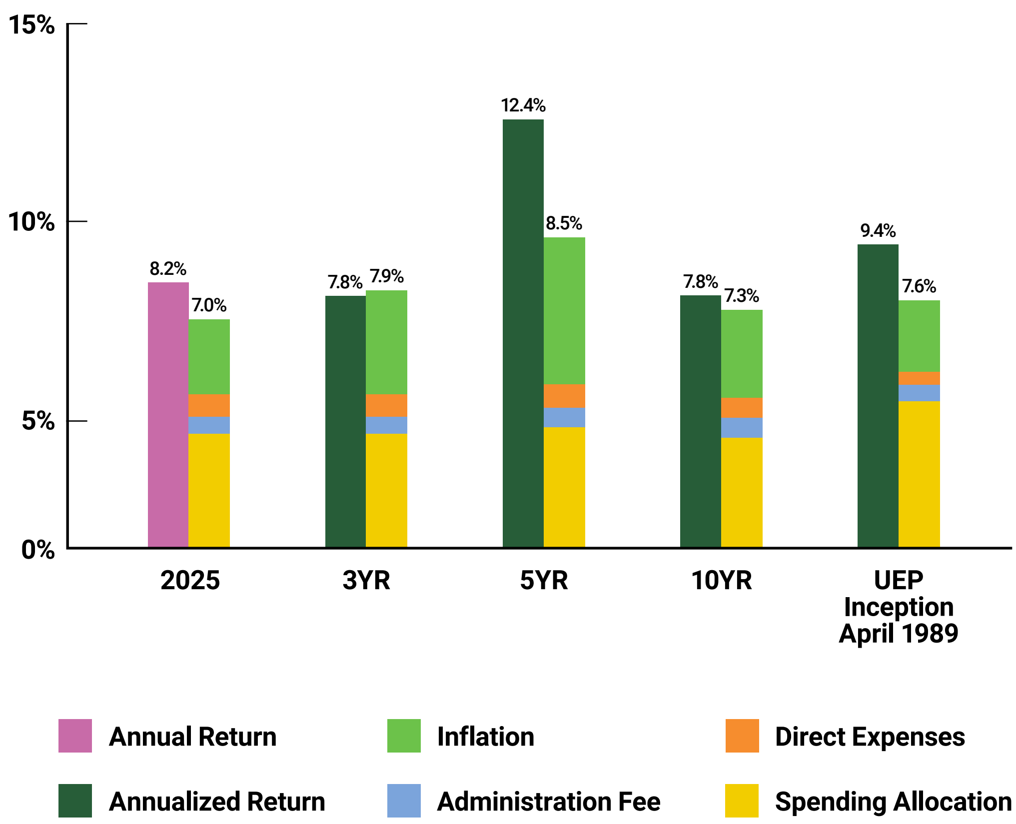
Exhibit 4: Historical Performance vs. Long-term Objective



Investment Performance Relative to Long-Term Objectives cont'd

As shown in Exhibit 5, since inception the UEP has exceeded annualized endowment spending plus inflation of 7.6% by 1.8%. Performance has also either met or exceeded spending plus inflation over all time frames with the exception of the past three years. This was principally due to the effects of inflation surging to levels not seen in half a century following the pandemic still being captured in the data. Overall, the UEP remains in a position to allow for stable support for students, researchers and the university as a whole during this highly uncertain environment.

Exhibit 5: Endowment Returns vs. Spending, Expenses, Fees + Inflation



2025 Investment Performance

The Investments and Treasury Team measures the performance of all underlying strategies against relevant benchmarks while the Total Fund is compared to the benchmark outlined in Exhibit 6 below. Deviations in performance between the UEP and its benchmark reflect the impact of the Investments and Treasury Team's allocation decisions and value added or detracted by external investment partners.

Exhibit 6: UEP Investment Policy Benchmark

UEP Investment Policy	Benchmark
MSCI ACWI IMI	50%
MSCI ACWI IMI + 3% (3 month lag)	10%
MSCI Global Property Index	10%
S&P Global Natural Resources Index	10%
FTSE Canada Federal Bond Index	5%
SOFR + 6%	15%
Total	**100%**

The UEP returned 8.2% over the past year which trailed the benchmark return of 13.3%. Growth strategies once again led the way as public equities performed strongly. Emerging markets outperformed their developed market peers in a noticeable reversal of the trend observed over the past decade. Amidst this backdrop, larger companies continued to lead their smaller peers. Both Inflation Sensitive and Deflation Hedging strategies generated positive performance for the year as declining interest rates proved to be a tailwind. Diversifying strategies contributed positively to performance in aggregate despite high dispersion across underlying managers. Finally, cash and T-bills were also mildly positive for the year as short-term interest rates remained healthy, albeit below the levels observed during the prior year. Performance details about each of the UEP's strategic roles for the year are provided below.

Growth

Growth assets generated a 10.3% return for the year with contribution coming from both public equity and private markets. While the U.S. continued to perform well, international and emerging markets began to outperform especially near the end of the year, which led to aggregate performance of 10.7% for public equities. With the U.S. administration adopting a more protectionist stance with respect to economics and trade policy, capital began to rotate away in search of other opportunities. While geographic leadership began to change, performance from a market capitalization perspective remains status quo, as larger companies led their smaller counterparts. From a factor perspective, value and low-volatility investment strategies significantly outperformed regardless of geography while quality growth lagged. At numerous points throughout the year, Management redeemed capital from Canadian and global strategies for liquidity purposes. Following the redemptions, the portfolio remains tilted towards smaller companies and is more globally diversified than the benchmark resulting in a material underweight to the U.S. and commensurate overweight's to Europe, the United Kingdom, Asia and Canada.

Over the past year the private markets program posted an 8.3% return as it continues to work through the headwinds of the J-Curve. Select managers from prior vintages began to distribute capital back, which was subsequently recycled into newer opportunities. Management had an active year and closed on three new fund commitments which will call capital over the next few years.

Inflation Sensitive

Inflation Sensitive assets posted a return of 3.9% with positive contribution across most underlying strategies. The real estate & infrastructure program generated a 4.5% return as infrastructure and select global value-add real estate strategies offset North American core strategies that were more challenged. Weak performance from exposure in the U.S. and Canada continues to be a trend as valuations compressed further throughout the year. The allocation to real estate & infrastructure remains underweight reflecting Management's continued cautious stance, however is now an area of focus given multiple consecutive years of poor absolute and relative performance. Management closed on one new fund commitment during the year.

The real assets program also generated positive performance with a 3.6% return, and again remained overweight all year to compensate for the real estate and infrastructure underweight. Gains were once again broad based across natural resource public equities, energy and renewables private equity, and directional commodity futures.

Deflation Hedging

The internally managed Deflation Hedging strategy produced a return of 6.3% for the year as falling interest rates provided a tailwind, particularly at the shorter end of the yield curve where the portfolio was concentrated. A small amount of capital was redeemed from the strategy towards the end of the year to satisfy liquidity needs and incrementally move the modified duration higher. For the first time in many years the yield curve now presents an upward slope compensating investors for taking additional risk. Management expects to opportunistically add capital to the strategy over the coming year to bring the allocation closer to target.

Diversifiers

Lastly, Diversifiers also posted positive performance this year with a return of 5.8% in aggregate. The UEP's diversified hedge fund program was up 6% with significant divergence across the underlying managers. Global macro, relative value, risk mitigation and insurance linked securities all contributed positively to performance but were partially offset by negative contribution from trend following managers. Over the course of the year the Investments and Treasury Team tweaked several manager allocations to rebalance capital from relative leaders to laggards. The portfolio maintained a lower allocation to cash for most of the year, given the fact that it was less attractive as interest rates came down. While it generated a respectable 3.7% return, the allocation is likely to remain low going forward given the relative attractiveness of other opportunities.

Investment Performance Relative to Endowment Peers

The university participates in annual benchmark studies sponsored by the Canadian Association of University Business Officers (CAUBO) and the National Association of College and University Business Officers (NACUBO). Together, these studies summarize the asset allocation, endowment spending policies and results of over 700 endowments. This information is primarily used to help guide the Investments and Treasury Team's research and investment strategy development. Given the different reporting periods, currencies and asset allocation, return comparisons are less meaningful. The university's endowment performance ranks in the top quartile across all time frames when compared against that of the largest Canadian endowments reported in the most recent CAUBO survey.

Investment Program Costs

Investment management fees of $14.3 million, or 0.8%, were paid by the endowments during the year. An administrative fee to support centrally funded indirect costs associated with endowment programs is charged to the endowments. For 2025, this amounted to $8.8 million, or 0.5%.

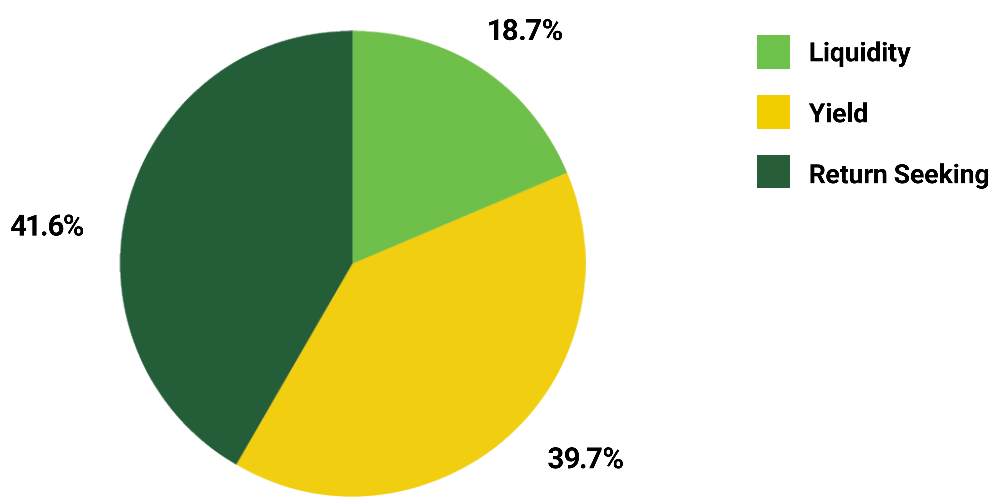
Non-Endowed Assets

The Non-Endowed Investment Pool (NEIP) represents the university's operating, capital, and restricted funds, which are pooled together for investment purposes.

Cash flow analysis indicates a substantial portion of the investment pool will not be needed to be spent in the next fiscal year. Accordingly, the NEIP can generate additional income by investing in three distinct strategies, with varying maturity profiles, as summarized in Exhibit 7.

- To meet the university's cash flow requirements, the Liquidity strategy focuses primarily on the preservation of capital and invests in money market securities maturing within one year.
- To generate additional returns above Liquidity assets, the Yield strategy is diversified across global fixed income, preferred shares, private credit, commercial mortgages and absolute return strategies. The investments within the Yield generally have a five-to-ten year investment horizon.
- To further enhance long-term returns, the Return Seeking strategy accesses global public and private markets by investing in the UEP.

Exhibit 7: NEIP Asset Allocation by Strategic Role as of March 31, 2025



2025 Investment Performance

The NEIP returned 8.0% for the year which trailed the benchmark return of 8.4%. All three strategies once again generated positive performance, led by Yield and Return Seeking, while Liquidity was more muted. Further commentary on each of the NEIP's strategic roles is provided below.

Liquidity

The internally managed Liquidity program returned 4.2% as interest rates began to gradually drift lower throughout the year. The Investments and Treasury Team continues to generate roughly 3.0% on incremental investments which provides stable core support to the university's operating budget. Given the relative attractiveness of other opportunities, Liquidity is likely to remain underweight for the foreseeable future.

Yield

The Yield strategy posted a 9.9% return for the year with positive contribution from all underlying allocations. Canadian preferred shares were once again the top performing strategy and the Investments and Treasury Team took advantage of the relative strength to trim the allocation during the year. Absolute return strategies also generated healthy gains amidst higher dispersion across asset classes. Private credit and mortgages generated similar performance with both allocations seeing additional capital called throughout the year and one re-up completed with an existing manager. Global unconstrained fixed income was a relative underperformer but still managed to contribute positively with a small gain in aggregate.

Return Seeking

The Return Seeking strategy invests in the UEP with the objective of enhancing growth over time. This strategy returned 8.2% and was discussed in detail above. As of March 31, 2025, the Return Seeking allocation remained just shy of $647 million, slightly above its target weight. Management has no plans to materially change the allocation at this time.

Following another year of positive performance, the value of the Yield and Return Seeking strategies over their underlying cost stood at $430 million or 52%. The surplus value supports the university's investment income reserve, which is one element of the NEIP's risk management strategy. Amounts in excess of 17% may be used for future strategic initiatives. As at March 31, 2025, the combined balance of the investment income reserve and the Strategic Initiatives Fund was $171 million.

Responsible Investment

The University's Statement of Investment Principles and Beliefs (SIP&B) includes the following statement on responsible investment:

In general, the Board Investment Committee believes that:

"The integration and assessment of ***environmental, social****, and* ***governance*** *(ESG) risks and opportunities in the investment process along with proactive engagement, where appropriate, can lead to improved long-term financial performance."*

Responsible investment considerations are a part of the Investments and Treasury Team's routine activities as it carries out its fiduciary duty in stewardship of the university's investments. The majority of the university's investments are externally managed by partners whose investment time horizon is long-term in nature. As part of its ongoing due diligence, the Investments and Treasury Team regularly engages with its trusted investment partners on ESG matters. While the carbon intensity reduction of select portfolios remains a consideration where appropriate, the scope is broader and includes emphasis on social and governance considerations. ESG remains a key part of the due diligence process for all new investment strategies across both the UEP and NEIP. The Investments and Treasury Team has selected the below example to highlight our commitment to ESG while simultaneously generating strong investment performance.

Northleaf Capital Partners – Thames Clippers

The university's endowment is proud to be a limited partner in a fund that is increasing sustainable transportation options in one of the world's major cities. Thames Clippers is a river bus service in London, England that provides fast and reliable commuter services for users looking for a greener way to get around the city. Through our investment in Northleaf Capital Partners, the majority owner of Thames Clippers since 2022, the university supports a forward-thinking company that is actively reducing its carbon footprint. In 2023, the river bus service introduced its first hybrid vessels — the Earth, Mars and Celestial Clippers — into its fleet. These innovative boats are transformational for public transport within the city, operating solely on battery power through central London and supplemented with using biofuel for longer trips. This clever hybrid system cuts total carbon dioxide emissions by an impressive 90% compared to conventional diesel-powered boats, making for a cleaner and quieter journey along the iconic River Thames.

While the introduction of hybrid vehicles was a strong first step for the company, the innovation has not stopped there. Thames Clippers made waves again with the launch of the United Kingdom's first fully electric, zero-emission passenger ferry in 2025. The vessel, known as the "Orbit Clipper," provides a fully green and efficient route across the Thames, furthering the company's commitment to cutting its carbon emissions in half by 2035 and achieving its goal of net-zero status by 2050. This investment showcases a commitment to not only strong financial returns but also to a healthier planet, demonstrating how innovative technology can create a more sustainable future for urban travel while simultaneously meeting the needs of investors.

Looking Forward

Following another positive year that saw the university's investment assets reach another all-time record high, the Investments and Treasury Team and the Board Investment Committee remain focused on sustaining this long term record of achievement.

While markets remain sanguine, the economic and geopolitical environment continues to pose significant potential risk due primarily to the U.S. administration's trade policy. With few exceptions, valuations remain elevated and present little margin of safety. Amidst this backdrop, greater emphasis on tactical positioning at the margin is likely required to continue to balance the investment program's short and long-term objectives. As always, the Investments and Treasury Team will continue to engage regularly with its more than 70 trusted investment partners, and remain diligently focused on risk.

With the UEP and NEIP strategic asset allocations now confirmed, the Investments and Treasury Team plans to continue to bring select allocations closer to target over the coming year. As a result, the UEP and NEIP will continue to see the exposure to illiquid assets increase through investments with existing and new general partners. Lastly, the Investments and Treasury Team and the Board Investment Committee will continue to maintain a highly collaborative relationship, remaining focused on ensuring the risk-return profiles of the UEP and NEIP are consistent with their respective objectives and time horizons.

UNIVERSITY OF ALBERTA

University Services, Operations and Finance
6th floor, University Commons
University of Alberta
Edmonton, Alberta, Canada
T6G 2H1

uab.ca/invest