

THE ANNUAL REPORT OF
McMaster's Endowment
2023 – 2024

Advancing human
and societal health
and well-being



What is McMaster's endowment?

The endowment is a fund comprised of philanthropic gifts given to support McMaster in perpetuity. The capital of the endowment remains untouched and the income from the endowment is used to support a variety of activities and programs. McMaster has approximately 1,847 individually named trust funds restricted for certain purposes such as scholarships, bursaries and faculty chairs or professorships. In addition, McMaster has a general endowment to which undesignated bequests are directed. McMaster has a long-standing tradition of building on its endowment. In fact, the University was founded in 1887 by funds bequeathed by Senator William McMaster to endow a "school of learning." For more than a century, thousands of generous donors have continued to support the growth of the university's endowment.

What is the size of McMaster's endowment?

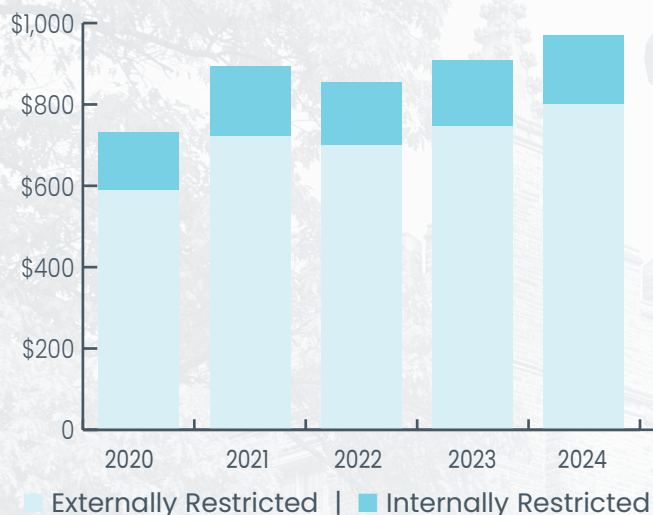
At \$972.00 million (April 30, 2024), McMaster's endowment is one of the largest in Canada.

Who manages McMaster's endowment and what are the performance goals?

McMaster's endowment is managed by professional, external investment managers in accordance with *The University Statement of Investment Policies and Objectives: Investment Pool* and is monitored by the Investment Pool Committee and the Planning and Resource Committee of the Board of Governors. Investment managers are expected to maximize the total rate of return within their defined mandates, taking into account risk, liquidity, diversification and quality of investments.

Growth in McMaster's endowment

(Market value in millions)



How is spending from an endowed trust fund determined?

Spending from an endowed trust fund is governed by McMaster's Board of Governors' *Expenditure Policy: General Trust Funds (Externally Restricted Endowments)*. The goal of this policy is to allow the university to maintain an even hand between current and prospective beneficiaries consistent with the requirements of a charitable trustee in perpetuity.

This policy limits the amount of investment income allocated for spending to 4%, a spending rate comparable to McMaster's peer institutions. The 4% available for spending each year has been calculated on the monthly average market value of the capital balance of the trust fund for the last five calendar years or the period in existence, if less than five years.



How was the 4% spending rate determined?

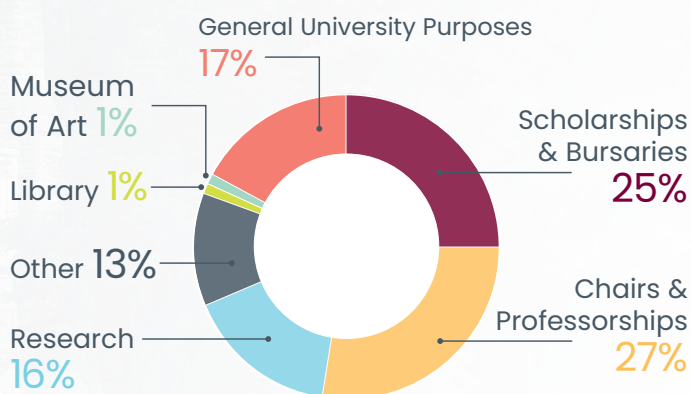
The current spending rate of 4% is based on the assumption that McMaster's investment asset mix is expected to earn approximately a 4% real (after inflation) rate of return over the long term, after direct investment management expenses and endowment administration costs.

What happens in a year when investment returns are negative?

If investment returns are not sufficient to fund spending commitments, amounts are transferred from previously accumulated investment income.

For individual endowments, temporary encroachment on capital may be permitted. However this depends on the terms of the trust and the overall magnitude of the losses.

Where McMaster's endowment makes a difference



Are trust funds subject to any fees?

McMaster incurs the following costs in the management of endowed trust funds:

Investment Management Expenses:

Investment management expenses of approximately 0.4% of market value are netted against investment income. Investment management expenses include the fees of investment managers, consultants, custodians and investment administration.

Endowment Administration Costs:

The administrative costs of managing trust funds are recovered through a 1% deduction from the trust's investment income, based on the trust fund's five-year average market value. The appropriateness of this cost recovery is confirmed annually by a review of actual trust administration costs.



FACTS AND FIGURES

McMASTER'S ENDOWMENT FUND IS MANAGED BY THE FOLLOWING INVESTMENT MANAGERS

(As at April 30, 2024)

- Aristotle Capital Management
- Bentall Kennedy
- Beutel Goodman & Company Ltd.
- BlackRock Asset Management Canada Limited
- Brookfield Investment Management
- Fidelity Investments
- Foyston, Gordon & Payne Inc.
- Fiera Real Estate
- Harris Associates L.P.
- Harrison Street
- Igneo Infrastructure Partners
- Mesirow Financial
- MetLife Investment Management
- Morgan Stanley Investment Management Inc.
- Russell Investments Canada Ltd.

MARKET VALUES

	April 30/20	April 30/21	April 30/22	April 30/23	April 30/24
McMaster University (millions)	\$731.9	\$895.0	\$856.6	\$908.7	\$972.0
Total Endowment per Student	\$22,826	\$25,778	\$24,418	\$25,733	\$27,406
Number of Funds	1,815	1,775	1,830	1,860	1,847

RETURN ON INVESTMENT (Annualized rate of return for the period ending April 30, 2024)

	1 Year	2 Years	4 Years	15 Years
Total Fund	9.21	8.40	8.98	8.22
Benchmark Return	9.49	8.05	7.86	7.89
Canadian CPI	2.69	3.54	4.30	2.32

The performance of the total fund is evaluated against the four-year moving average annualized returns of the benchmark portfolio.

STRATEGIC ASSET ALLOCATION (As at April 30, 2024)

	Benchmark	Index
Canadian Equities	5%	S&P/TSX Composite
U.S. Equities	25%	Russell 1000 and 2000
Non-North American Equities	25%	MSCI EAFE
Fixed Income	20%	FTSE TMX Universe Bond
Real Assets	25%	CPI + 4%