



MESSAGE FROM THE VICE-PRESIDENT, FINANCE AND ADMINISTRATION

Thank you to our endowment donors for your continued support and trust in SFU.

Your thoughtful support, combined with judicious oversight and sound investment decisions, has enabled SFU to provide stable spending income to further its vision, navigate market volatility, and prepare for the future. Thanks to your generosity, our strong investment performance allows us to improve lives through SFU's academic, research, housing and athletics infrastructure and further the long-term sustainability of the university.

Over the past year, global equity markets demonstrated resilience with U.S. equities leading in terms of returns. At the same time, markets experienced heightened volatility from expectations on central banks'

interest rate policies, mixed economic data, concerns over inflation and growth outlook, political and military tensions. SFU's endowment fund investment returns were 11.4% for the year ending March 31, 2024. Over a long term, SFU's endowment continued to outperform both the endowment portfolio composite benchmark and the endowment return objective over the 10-year period on an annualized basis. The endowment also performed well when compared to other Canadian universities in the Canadian Association of University Business Officers (CAUBO) survey. With strong returns, SFU continues to provide stable spending income to its endowment accounts and maintained its 5% Spending Income Allocation Rate this year, in addition to thoughtfully promoting intergenerational equity through the growth of Endowment Principal to preserve purchasing power over time.

SFU is a leader among Canadian universities for taking action in responsible investment. Since announcing the university's commitment to fossil fuel divestment in November 2021, SFU has made good progress, having transitioned \$480 million in global equity and more than \$339 million in fixed income to fossil fuel-free funds. SFU continues to progress towards achieving the target of full divestment in all of its endowed and non-endowed funds by 2025. As institutional investors, SFU is committed to a 45% carbon footprint reduction of the public equity portion of its investment portfolio by 2025. The 2024 measurement results have indicated a 74% reduction over the 2016 baseline and the portfolio carbon footprint is well within the 2025 target.

We look forward to updating you on our overall investment performance in the coming months.

Thank you for your investment in SFU. The support of leading donors like you strengthens the university and the communities we serve.

Martin Pochurko
Vice-President, Finance & Administration

FISCAL YEAR 2024

ENDOWMENT HIGHLIGHTS

YEAR END MARKET VALUE OF THE SFU ENDOWMENT

\$711,477,395

SPENDING ALLOCATION FOR THE SUPPORT OF RESEARCH, TEACHING & LEARNING, AND COMMUNITY ENGAGEMENT

2024

\$27M

2025

\$29M

NOVEMBER 2021

Recognizing the escalating climate emergency—the university announced full divestment from fossil fuels by the **end of 2025**.

↓ SFU has committed to reduce the carbon footprint of the public equity portion of the investment portfolio by **45% by 2025** and has achieved a **74% reduction** from the **2016 baseline**.

#3

RANKING WORLDWIDE FOR CLIMATE ACTION

(Times Higher Education 2024 Impact Rankings)

100%

FOSSIL FUEL FREE IN ITS GLOBAL EQUITY AND FIXED INCOME PORTFOLIO

(representing about 68% of SFU's total Endowment)

4.4%

of the university's operating budget was provided from the endowment fund's income

11.4%

returned in the endowment investment portfolio over the year

1,037

individual endowment funds comprise the SFU endowment

96.1%

of SFU's endowment assets are managed by **United Nations Principles for Responsible Investment (UN PRI)** signatory investment managers

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ENDOWMENT PHILOSOPHY

GROWTH → SFU's endowment is responsibly invested on a pooled basis to optimize total investments and minimize administrative expenses. All funds relating to the endowment are invested and professionally-managed solely for the benefit of the endowment program.

STABILITY → SFU holds sufficient funds in reserve to absorb market fluctuations. This stability means that SFU can allocate spendable funds at the beginning of the fiscal year, before investment returns have been realized, providing programs with predictable budgets for each upcoming year.

IMPACT → SFU maximizes the impact of the endowment investments by setting a sustainable spending rate (currently 5% of endowment principal) and by capitalizing reserve funds from the endowment stabilization account to individual principal accounts annually for inflation using CPI.

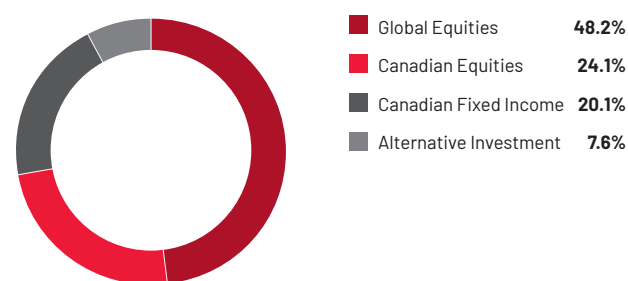
INTERGENERATIONAL EQUITY → SFU promotes intergenerational equity through the growth of Endowment Principal Account to preserve purchasing power over time.

INVESTMENT PORTFOLIO

The investment pool is a diversified portfolio managed by external investment managers and is held by the independent custodian CIBC Mellon.

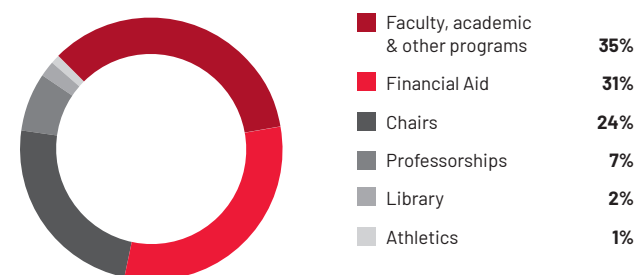
Endowment asset mix

As of March 31, 2024



Endowment assets by purpose

As of March 31, 2024



Endowment policy

- SFU's endowment program is governed by its Investment Governance Policy (B 10.09) and Endowment Management Policy (GP 20).
- The current Spending Income Allocation Rate is 5%.

Investment managers

Global equity

- Black Creek Investment Management (Global)
- Fiera Capital (Global)
- Janus Henderson Investors (Global SRI)
- North Growth Management (US)

Canadian equity

- Franklin Templeton Institutional
- Fidelity Canada Institutional

Canadian fixed income

- PH&N Institutional

Alternative investment

- Raven Capital
- Balfour Pacific Real Estate
- Kensington Capital Partners
- Northleaf Capital Partners
- Second City Capital Partners
- Stafford Capital Partners
- Greystone Real Estate LP Fund Inc.
- Fiera Real Estate Core Fund LP

Other balanced portfolios

- Beedie Endowment Asset Management
- Student Investment Advisory Services
- Vancouver Foundation Managed Fund

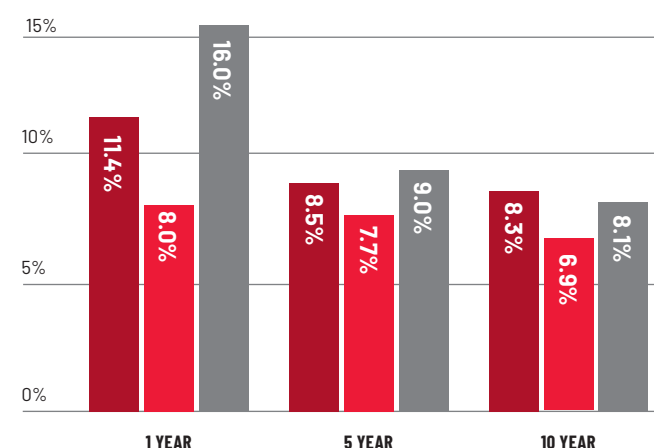
INVESTMENT PERFORMANCE

- The primary objective is to earn an annual return in excess of inflation plus the Spending Income Allocation, net of investment expenses.
- In addition, SFU measures its endowment performance against a composite benchmark calculated by Ellement Consulting Group, which is based on portfolios invested in major asset classes in broad market indices, and the CAUBO survey data of annualized rates of return at universities across Canada.
- SFU endowment portfolio outperformed the endowment return objective over the fiscal 1-year, 5-year and 10-year periods.
- SFU's endowment portfolio underperformed the endowment portfolio composite benchmark over the fiscal 1-year and 5-year periods, but outperformed the endowment portfolio composite benchmark over the 10-year periods as of March 31, 2024.

Annualized rates of return

Return objectives and composite benchmark comparison

Fiscal year ending March 31, 2024



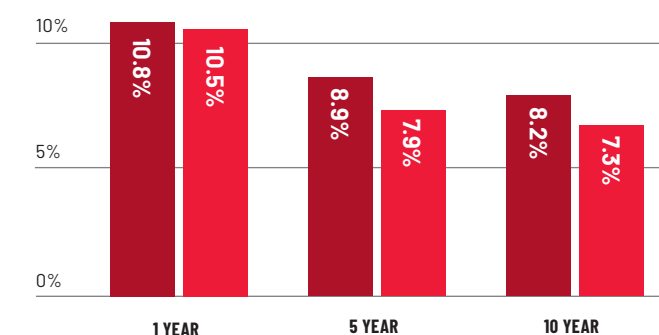
- The Canadian Association of University Business Officers (CAUBO) provides universities with information to assist them in better managing their investment portfolios. Each year CAUBO collects data from between 60-70 Canadian universities comparing endowment performance.

- SFU's endowment portfolio outperformed the Canadian university median over the calendar 1-year, 5-year and 10-year periods as of December 31, 2023.
- SFU has consistently ranked among the top performing endowments out of all surveyed universities for the 10-year net annualized return since 2014, when SFU began preparing the CAUBO University Endowment Survey Summary results.

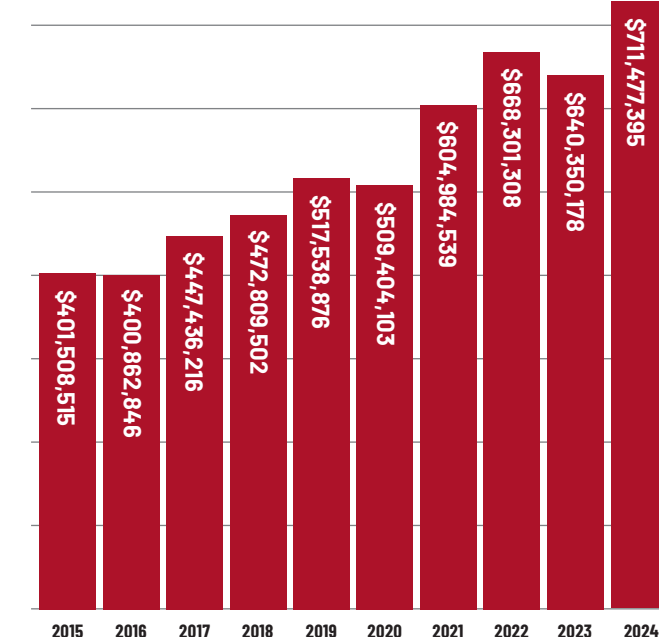
Annualized rates of return

CAUBO Comparison

Calendar year ending December 31, 2023



Endowment market value 10 year growth



RESPONSIBLE INVESTMENT

- Principles for Responsible Investment (PRI) is an independent proponent of responsible investment supported by the United Nations. The summary scorecard for the 2023 PRI Assessment Report shows that SFU scored 4 out of 5 stars and above the group median for the Policy Governance and Strategy module. The key module looks at the University's Responsible Investment Policy, the governance roles overseeing responsible investment and its stewardship strategy.
- SFU began measuring the carbon footprint of its investment portfolio as of March 31, 2016, committing to a 30% reduction of its carbon footprint by 2030. In September 2018 the university committed to a further 10% decrease for a total reduction of 40% by 2030, keeping in line with British Columbia's and Canada's new carbon emission reduction targets. In November 2019, SFU increased its commitment to a 45% reduction of its investment portfolio carbon footprint below the 2016 baseline and to achieve this reduction by 2025, five years ahead of the 2030 target as proposed by the Intergovernmental Panel on Climate Change (IPCC).
- SFU is a founding member of the Investing to Address Climate Change Charter for Canadian Universities and one of the first Canadian universities to sign on to the United Nations Principles for Responsible Investment. Through this process SFU goes through a rigorous audit annually and has been shown to compare favourably to other universities worldwide in taking meaningful action toward responsible investment.

FREQUENTLY ASKED QUESTIONS

Why are endowments important?

Endowments build a legacy of support that spans generations. The SFU endowment is responsibly-invested to advance, in perpetuity, the strategic vision of generous donors and the university. The annual income provides stable funding that promotes long-term planning and allows the university to recruit the best students and faculty and create outstanding programs.

What are the minimum levels to establish named endowments?

The minimum gift to establish an endowment varies depending on the type of initiative the endowment principal will support. In-course undergraduate scholarships, bursaries and awards as well as department-based graduate awards begin at a \$40,000 commitment. Gifts can be designated to a particular faculty or program, student awards, chairs and professorships, and many other opportunities at the university. Endowment gifts can be pledged and paid over a period of five years, with the endowment being established when full payment is received.

How is the annual, available Spending Income Allocation determined and distributed?

The spending allocation rate is set annually by the Board of Governors on the recommendation of the Vice-President, Finance & Administration and is reviewed every third year. As of April 1, 2023 the rate continues to be set at 5% annually.

The Spending Income Allocation is calculated by applying the spending rate to the average monthly endowment principal account balance during the current fiscal year. An initial amount is made available based on the spending allocation calculated at fiscal year start, with any spending adjustments made available at fiscal year-end.

When will an endowment begin disbursing funds?

Once the minimum endowment funding levels have been met and the Terms of Reference have been authorized, the payout, pro-rated based on fiscal year timing, will become available for spending. For scholarships, bursaries and awards, once the spending minimum is available (\$2,000 for undergraduate funds and \$2,000 for graduate funds), the disbursement will occur in the next available award cycle.

How does the endowment principal increase in value?

Both investment returns and additional gifts contribute to endowment growth. The university makes an annual capital addition to the endowment principal to preserve purchasing power. This is calculated as the latest calendar year percentage change in the Consumer Price Index for British Columbia times the average endowment principal account balance during the fiscal year. Ongoing gifts to the endowment principal, and any recapitalization of unspent funds, also increase the capacity of the endowment to provide annual support.