

Date:	January 26, 2016
To:	Toronto Atmospheric Fund Board of Directors
From:	Richard Rysak, Director of Finance
Re:	Draft Financial Results for the YEAR ended December 31, 2015

SUMMARY

The draft financial results for 2015 are compared to TAF's approved 2015 budget with commentary on the full year's results, which are subject to audit.

FINANCIAL IMPACT

None.

COMMENTS

Total Revenues (line A5) show a large favourable variance of \$2.3 million for the year. Revenue from investments (line A1) includes both realized and unrealized gains in TAF's investment portfolio.

TAF's balanced marketable securities portfolio returned 18.9% for 2015, which includes a 3.2% return from its fixed income holdings. The portfolio's 4-year rate of return of 16.6% per annum puts TAF investment holdings in the top quartile of performance for balanced portfolios. TAF's equities are being managed by two global equity managers with Environmental, Social and Governance (ESG) mandates. The top performer was Generation Investment Management whose global equity fund was in the top quartile and delivered 28.7% return during 2015 and 25.8% per annum for the last four years. Since TAF reports in Canadian dollars, a large portion (78%) of the 2015 gain is a result of the Generation fund being held in US dollars.

TAF's **Direct Investments** (line A2) continue to deliver steady returns as all loans and ESPA contracts are performing. However, the 2015 budget was overly optimistic on the pace of shifting from marketable securities to Direct Investments.

External Funding revenue (line A3) is below budget. TAF brought a healthy \$626K of deferred external revenues into 2015; this revenue line will be finalized as part of the year-end audit process.

Program Expenses (line B3) are within the budget envelope. Grant rescissions (included in line B2) were \$65K in 2015. Grants are rescinded when the original granting conditions are not met or the recipient no longer needs the funds; rescissions reverse previously expensed grants, thereby adding back to TAF's Net Asset Value (NAV).

Corporate Expenses (line C3) indicate favourable variance of \$97K for the year.

Overall, after netting revenues and expenses, TAF draft results show a large operating surplus of nearly \$3 million for the year. In keeping with best practices in endowment management, such operating surpluses which exceed the budgeted rate of return are contributed to the Stabilization Fund. The Stabilization Fund is part of TAF's endowment capital (or its net asset value (NAV)) to be used in "lean" years to reduce revenue variability due to financial market fluctuations. The accumulated Stabilization Fund totalled \$7.1 million at the end of 2014.

TAF is in a strong financial position at the end of 2015, driven by excellent performance of its investment portfolios and by keeping operating expenses within the budget envelope.

The City-appointed Auditor will begin its audit process shortly and TAF's Audited Financial Statements will be presented at the Annual General Meeting on April 28, 2016.

CONTACT

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