

2015-16
TRUST & ENDOWMENT REPORT





SCHOLARSHIPS CREATE OPPORTUNITY

“I would like to express my gratitude for your support. Your generosity towards me as well as to the other students of UNB will allow us to focus on our studies.”

*~ Matthew Clark
(BScEng GE'18)*

THE UNIVERSITY'S TRUST & ENDOWMENT FUND

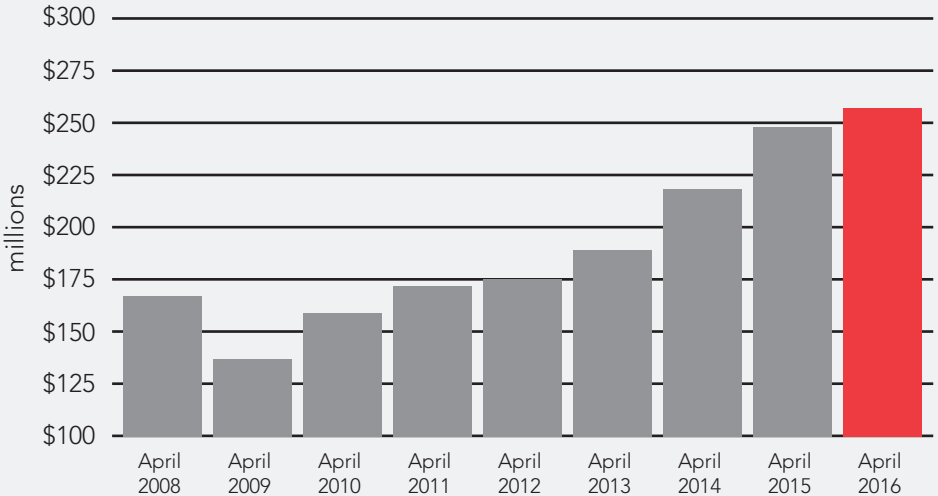
consists of endowed or expendable gifts that are generally restricted by the donor for specific purposes. An *endowed gift* is one in which the donor specifies that the gift principal is to be invested in perpetuity and only the investment income earned can be spent on the specified purpose. An *expendable gift* is one where the donor indicates that both the gift principal and any investment income earned on the gift may be spent.

The Board of Governors has established a spending policy for endowed gifts which is designed to ensure a steady and consistent stream of income for expenditures, even if an account's principal fluctuates from year to year. In any year in which investment returns exceed the return required to support the level of endowment spending permitted under the spending policy, the excess return is allocated to a timing reserve. The timing reserve is utilized to support spending in those years when actual returns are less than the long-term target. In this way, the University is able to maintain stable spending rates despite year to year fluctuations in actual returns within normal market cycles.

The Long-Term Investment Fund for the Trust & Endowment accounts had a positive return of 1.91% for the year ended April 30, 2016, a period in which the policy benchmark return was a negative .69%. This followed returns of 11.10% for the year ended April 30, 2015 and 16.34% for the year ended April 30, 2014.

Capital markets in 2016 experienced significant volatility. Public equity returns for the year were negative, while fixed income returns were positive. Global equities, as measured by the MSCI World Index, returned a negative .77% in Canadian dollars. Canadian equities, as measured by the S&P/TSX Composite Index, returned a negative 5.43%. Canadian bonds, as measured by the FTSE TMX Canada Universe, returned 2.09%. UNB's Fund is managed by external investment managers who seek to add value to these benchmark index returns through active management of the portfolio. UNB's fixed income manager earned 2.89%, exceeding the benchmark by 80 basis points. Two of three global equity managers and both Canadian equity managers outperformed the respective benchmarks, with the overall result that the Fund outperformed its composite benchmark by 2.60%.

PRINCIPAL GROWTH 2008-2016 **AS OF APRIL 30, 2016**



SCHOLARSHIPS TEACH GENEROSITY

“Everything I am currently doing is thanks to the selflessness and generosity of people like you. I hope that someday I too will be able to help another young student afford a university education.”

*~ Chaz Savoy
(BScEng ME '19)*



The downturn in world financial markets in 2008 had a significant impact on North American university endowments and long-term trust funds. Many organizations with endowments were faced with sudden dramatic declines in asset values and were unable to support continued consistent levels of endowment spending during these times. UNB took extraordinary measures to preserve and protect the endowment accounts and has been able to maintain the level of spending on scholarships and bursaries through this period of significant market volatility.

Since 2008, forecasters have generally lowered expectations for investment earnings and are predicting continuing high levels of market volatility. As a result of these conditions, many Canadian universities have lowered expectations for annual endowment spending. UNB has taken a prudent, fiscally-responsible approach to endowment spending, making incremental changes to the spending rate to ensure that the rate is sustainable while remaining competitive with other Canadian universities. The spending rate, which was 4.25% in 2012-13, was reduced to 4.0% in 2013-14 and will be maintained at that level in 2016-17.

UNB has also implemented changes in strategic asset allocation to improve the risk/return profile of the portfolio in support of a 4.0% endowment spending rate. Changes include increased diversification within the fixed-income portfolio by reducing the allocation to Canadian bonds and adding modest exposure to emerging market debt, high-yield bonds, and mortgage debt within a Core Plus strategy. Within the equity allocation, the overall allocation to global equities has been increased, including an allocation to a low-volatility global-equity strategy. A strategic asset allocation review is currently underway which is expected to result in further changes in the policy asset mix and increased portfolio diversification.

UNB INVESTMENT MANAGERS

Fidelity Investments Canada Ltd.

Hexavest Inc.

New Brunswick Investment Management Corporation

PH&N Investment Management

Scheer, Rowlett & Associates Investment Management Ltd.

SEAMARK Asset Management Ltd.

Sprucegrove Investment Management Ltd.

CHANGES IN TRUST AND ENDOWMENT

Balance - 2015/16
(Market Value)

Balance April 30, 2016	257,280
Balance April 30, 2015	248,148
Net Increase During the Year	\$ 9,132
Increase Due to:	
Donations and Other Additions to Capital	16,310
Investment Income	4,989
Central Endowment Priority Trust Fund Transfers	217
Spending	(12,384)
	\$ 9,132



DONORS CREATE ENRICHING EXPERIENCES

Students like Erika Browne (BA'16), who interned with the after school program at the Beaverbrook Art Gallery, are able to enjoy hands-on experiences that enrich their studies and lead them further on the path to success.



DEVELOPMENT & DONOR RELATIONS

P.O. Box 4400
Fredericton, NB E3B 5A3
(506) 453-5053

P.O. Box 5050
Saint John, NB E2L 4L5
(506) 648-5989

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donation@unb.ca

On the front cover: The William Brydone Jack Observatory, opened in 1851, was built with university and donor funding. It was the first astronomical observatory in British North America and was designated a National Historic Site of Canada in 1954. The observatory is a proud symbol of how UNB faculty, staff, alumni and friends have been working together to help students reach for the stars for more than 230 years.