

UNB'S TRUST AND ENDOWMENT FUND

The Long-term Investment Fund for the Trust & Endowment accounts had a negative return of 1.14% for the year ended April 30, 2020, during which the policy benchmark return was 0.67%. This followed returns of 8.74% for the year ended April 30, 2019 and 2.97% for the year ended April 30, 2018.

The investment environment in 2019-20 was challenging in light of the impact of the COVID-19 pandemic on capital markets, especially for equity markets. UNB's Trusts and Endowments, a significant portion of which are invested in equities, were negatively impacted.

Canadian equities, as measured by the S&P/TSX Composite Index, had a return of -7.91%. Emerging Markets equities, as measured by the MSCI Emerging Markets Index, returned -8.81% in Canadian dollars. Global equities, as measured by the MSCI World Index, returned -0.20% in Canadian dollars. Canadian Bonds, as measured by the FTSE Canada Universe Bond Index, returned 8.52%.

The Fund's external investment managers seek to add value to these benchmark index returns through active management of the portfolio.

UNB's fixed income manager earned 9.60%, exceeding the benchmark by 108 basis points. The Fund's Real Estate manager added 120 basis points to its benchmark. Within the equity sector, results were mixed. The Canadian equity and Emerging markets managers were successful in adding value to their respective benchmarks, 511 basis points

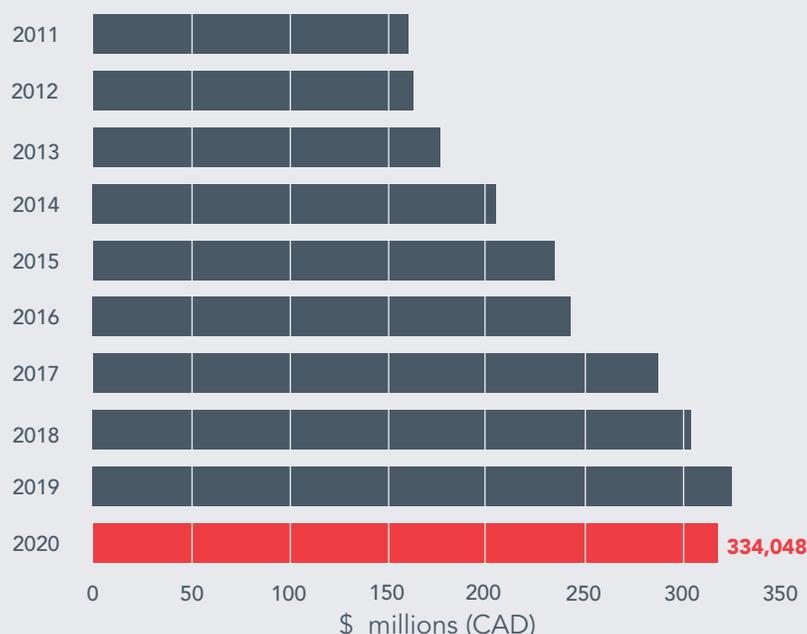
and 309 basis points respectively. However, the three global equity managers fell short of their benchmark. This negatively impacted the total fund performance relative to the benchmark. The overall result is that the Fund underperformed the composite policy benchmark by 181 basis points in 2019-20.

One of the University's objectives for the management of its endowment accounts is to maintain a reasonably stable spending rate, in all types of markets. The ability to provide a consistent spending rate from year to year is mainly due to the establishment of endowment spending reserves. In years where investment returns are in excess of what is required to meet spending requirements, inflation protection and administrative costs, the excess is considered a "reserve." The reserves are drawn down in years when investment returns are less than what it required to meet those same requirements. In addition, the balance of the spending reserves accumulated over the years was sufficient to be able to support spending in 2020-21 for most endowment accounts at the target rate of 4%.

In fiscal 2020, the pandemic caused turmoil in financial markets around the world. Fortunately, the university's trust and endowment accounts are invested in a well-diversified portfolio. Although this does not guarantee absolute protection from market downturns, history has shown that by staying on course with our long-term investment plan, the University should continue to meet its endowment spending objectives.

PRINCIPAL GROWTH 2011-20

As of April 30, 2020



CHANGES IN TRUST AND ENDOWMENT

Balance 2019-20
(Market value)

Balance April 30, 2020 \$334,048,000

Balance April 30, 2019 \$342,254,000

Net decrease during the year - \$8,206,000

DECREASE DUE TO:

Donations and other additions to capital \$16,694,000

Investment income/loss - \$3,991,000

Spending - \$20,909,000

- \$8,206,000