

2010 TRUST AND  
ENDOWMENT **REPORT**



**225** YEARS  
A CELEBRATION OF SPIRIT

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ENDOWMENT **REPORT**

The university's Trust and Endowment consists of restricted donations and internal allocations, as well as various other externally and internally restricted amounts, whose principal is maintained in perpetuity. The spending policy set forth by our Board of Governors is designed to ensure a predictable 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 fund had a return of 19.17% for the year ended April 30, 2010. The return for the two years ending April 30, 2009 and April 30, 2010 together, however, was an annualized market decline of -.13%. This illustrates that while returns were very strong for the most recent 12-month period, they did not fully offset the significant market declines during the previous 12-month period caused by the sudden and sharp drop in global financial markets in 2008 and early 2009.

The level of return for the year ended April 30, 2010 exceeded the policy target (benchmark return) of 16.40%. This resulted from strong returns from Canadian Equities of 36.03%, compared to the S&P TSX Composite Index of 34.73%, very strong returns for domestic bonds at 9.25% compared to the DEX Universe return of 5.05% and Global Equity returns of 18.60% compared to the MSCI World (Can) benchmark return of 16.09%. The excess return over the benchmark index return for these asset classes represents value added by the respective managers through active management of the portfolio.

*Every year UNB's endowment helps fund over \$4 million in scholarships, bursaries and awards for thousands of deserving students like the ones you will see in this document. By investing in our students you are not only changing lives, you're changing the world.*

**TOP:**

*Leah Richardson, Saint John, NB.  
BSc 2010, UNB Saint John.*

**MIDDLE:**

*Joey Chessie, Harvey Station, NB.  
BSE GGE 2010, UNB Fredericton.*

**BOTTOM:**

*Martha McClellan, Fredericton, NB.  
2nd year LLB student,  
UNB Fredericton.*





**TOP:**

*Stephen Stone, Saint John, NB.  
BSc 2010, UNB Saint John.*

**MIDDLE:**

*Taryn O' Neill, Saint John, NB.  
1st year MSc, UNB Saint John.*

**BOTTOM:**

*Franz Hargo Muljo, Jakarta,  
Indonesia. 4th year BBA student,  
UNB Fredericton.*

Universities reacted in different ways to the decline in endowment asset values experienced in 2008 and early 2009. Some universities continued to spend at previous spending rates; others reduced or suspended their spending, particularly for accounts where the market value had declined below the value of the original donation.

UNB developed a comprehensive approach to address the challenge. This approach was specific to the financial condition of each individual account. It included:

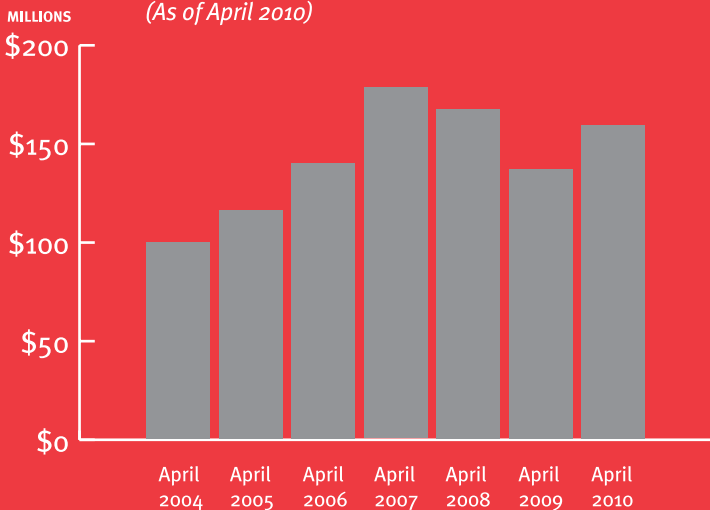
- Spending from accounts if sufficient funds were available.
- Spending from a special central endowment priority trust fund – a special fund created from internal departmental budgets and central priority funds. As noted in the *Changes in Trust & Endowment Balance - 2009/10* table, a total of \$1.2 million of 2009-10 endowment spending was funded from the central endowment priority trust fund.
- In some cases, donors chose to top up fund balances in order to continue spending patterns.

The result of this approach was that UNB was able to continue to support previous levels of spending on scholarships and bursaries in 2009-10. Sufficient funds were sourced in the central endowment priority trust fund to allow this approach to continue in 2010-11.

Over the longer term, spending will be highly dependent on future earnings. Our investment advisors inform us that markets

will continue to exhibit volatility in the coming years, although likely within a narrower range than experienced recently. Our Investments Committee continues to actively monitor the fund and review endowment spending rates annually. We remain committed to an investment strategy focused on long-term growth with reasonable risk in order to preserve the purchasing power of your gift over time.

**UNIVERSITY OF NEW BRUNSWICK TRUST AND ENDOWMENT**  
Principal Growth 2004-2010  
*(As of April 2010)*



**CHANGES IN TRUST & ENDOWMENT BALANCE - 2009/10**  
*(Market Value)*

		(\$ 000's)
Balance April 30, 2010	\$	158,777
Balance April 30, 2009	\$	<u>137,398</u>
<b>Net Increase During the Year</b>	\$	<u><u>21,379</u></u>
<b>Increase Due to:</b>		
Donations and Other Additions to Capital	\$	11,370
Investment Income	\$	27,142
Transfers from Central Endowment Priority Trust Fund	\$	1,167
Spending	(\$	<u>18,300</u> )
	\$	<u><u>21,379</u></u>

## INVESTMENTS

The university's objectives for the management of its endowment accounts are: to maintain a reasonably stable, competitive, inflation-adjusted spending rate, and to maintain an acceptable funding level so that the initial donations, adjusted for inflation, are available in perpetuity to the university.

In support of these objectives, the objective for the assets is to provide a dependable and increasing source of income to the university by maximizing total return (including interest, dividends and both realized and unrealized capital appreciation) on a long-term basis while ensuring the safety of the principal.

## UNB'S INVESTMENT ADVISORS

- ▶ Crestline Investors
- ▶ Fidelity Investments Canada
- ▶ Hexavest Inc.
- ▶ Phillips, Hager & North
- ▶ Scheer, Rowlett & Associates Investment Management Ltd.
- ▶ Sprucegrove



### TOP:

*Taisa Brown, Toronto, ON.  
3rd year BSF student,  
UNB Fredericton.*

### MIDDLE:

*Pat Mulherin, Durham Bridge, NB.  
3rd year BSE ME student,  
UNB Fredericton.*

### BOTTOM:

*Monica Graves, Kiersteadville, NB.  
2nd year BA student,  
UNB Saint John.*

“Firm may this Institution ever stand and flourish – firm in the liberal constitution and Royal foundation on which I have this day instituted it – enlarging and extending its material form, and all its capacities to do good, to meet the increasing demands of a rising, prosperous, and intellectual people; and may it soon acquire, and ever maintain, a high and distinguished reputation, as a place of general learning and useful knowledge.”

*Sir Howard Douglas, January 1, 1829*



OFFICE OF DEVELOPMENT AND DONOR RELATIONS

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For more information, please visit [www.unb.ca/donations](http://www.unb.ca/donations)  
or call 506-453-5053.

*Cover photo: UNB's Fredericton campus gates. Taken by Kaiyi Luo,  
4th year BSE ME student.*