



TRUST AND ENDOWMENT REPORT

2011

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The University of New Brunswick's Trust and Endowment consists of restricted donations and internal allocations whose principal is maintained in perpetuity, as well as various other externally and internally restricted amounts. The spending policy set forth by our Board of Governors is designed to ensure a steady and consistent stream of income for expenditures, even if an account's principal fluctuates from year to year. The Board of Governors has set a spending rate of 4.25% for the 2011-12 fiscal 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 10.02% for the year ended April 30, 2011, following a return of 19.17% for the year ended April 30, 2010. As a result, the status of the endowment accounts has improved significantly compared to the April 30, 2009 balance. The Fund lost 16.3% in the 12-months ended April 30, 2009 due to the sudden and sharp drop in global financial markets in 2008 and early 2009.

The level of return for the year ended April 30, 2011, while slightly lower than the policy target (benchmark return) of 10.69%, was, according to the Canadian Association of University Business Officers, among the top 25% of Canada's largest universities. UNB's overall performance was driven by strong returns from Canadian Equities of 17.65%, compared to the S&P TSX Composite Index of 17.22%, and strong returns for domestic bonds at 6.45% compared to the DEX Universe return of 6.09%. The excess return over the benchmark index represents value added by the respective managers through active management of the portfolio. The overall fund underperformance relative to the benchmark was mainly due to Global Equity returns which were 5.82% compared to the MSCI World (Can) benchmark return of 10.89%.

Because of you, we are able to provide our students with the very best environment in which to uncover their talents, develop their abilities and inspire their dreams. Because of you, we are able to create a community in which our students can grow in confidence and compassion and learn to work with others to build a better future for themselves and for us all.

TOP:

*Brianne Nesbitt, Saint John, NB.
BSc 2011, UNB Saint John.*

MIDDLE:

*Ricky Sawler, Berwick, NS.
3rd year BSE EE student,
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BOTTOM:

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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

As indicated in previous reports, 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. A total of \$1.2 million of 2009-10 endowment spending was funded from the central endowment priority trust fund in 2009-10.

Due to the improved funding status of the endowment accounts a total of only \$28 thousand of 2010-11 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 both 2009-10 and in 2010-11.

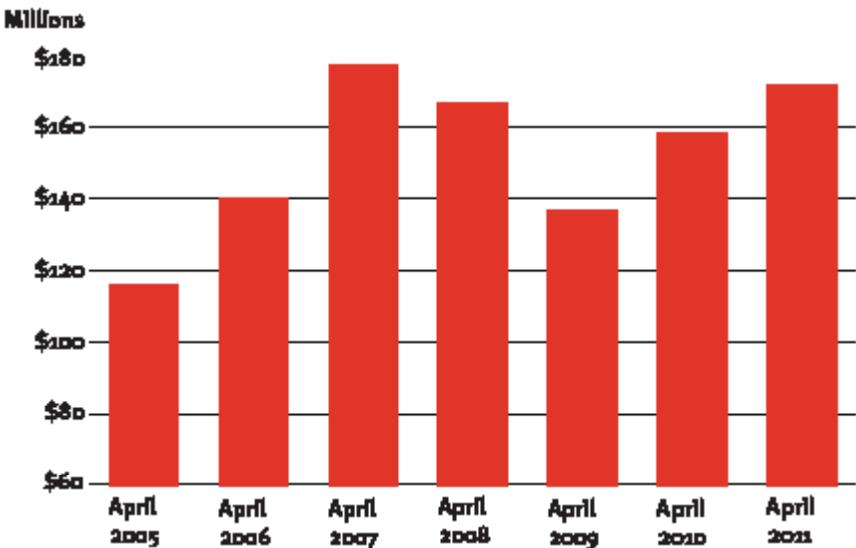
Although it is expected that there will be limited need for backstop funding in 2011-12, the central endowment priority trust fund continues to exist and is available to support endowment spending in the event of adverse market conditions.

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 2005 - 2011
(As of April 2011)



CHANGES IN TRUST & ENDOWMENT

BALANCE - 2010/11

(Market Value)

(\$ 000's)

Balance April 30, 2011 \$ 171,895

Balance April 30, 2010 \$ 158,777

Net Increase
During the Year \$ 13,118

Increase Due to:

Donations and Other
Additions to Capital \$ 14,027

Investment Income \$ 17,713

Transfers from Central
Endowment Priority
Trust Fund \$ 28

Spending (\$ 18,650)

\$ 13,118

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 INVESTMENT ADVISORS

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



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For more information, please visit www.unb.ca/donations
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