

TRUST AND ENDOWMENT REPORT
2012



A central goal of UNB's strategic plan is to ensure the university's financial responsibility and resiliency. An important factor in achieving this goal is a strong and stable endowment fund - one that will support UNB students and programs for generations to come.

The university's trust & 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 2012-13 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.

Your investment in UNB's students recognizes achievement, encourages academic excellence and creates access and opportunities.

The fund had a return of .88% for the year ended April 30, 2012, following returns of 10.02% for the year ended April 30, 2011 and 19.17% for the year ended April 30, 2010. 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 range of returns over this period is reflective of the high level of volatility that has been experienced by capital markets since 2008.

The level of return for the year ended April 30, 2012 slightly exceeded the policy target (benchmark return) of .84%. Overall performance was driven by strong returns from Canadian Bonds of 8.52%, compared to the DEX Universe Index of 8.95%. Global equities returned 1.17% compared to the MSCI World Index return, a loss of (.63)%. 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. UNB's 10-year annualized rate of return of 5.2% ranks it fifth among the largest university endowments according to the Canadian Association of University Business Officers.

TOP:

*Victoria Clowater, Aurora, ON,
BPhil '12, UNB Fredericton.*

MIDDLE:

*Siblings, Megan and Colin Ougler,
Saint John, NB, both 2nd year arts,
UNB Saint John.*

BOTTOM:

*Jackson Wo, Hanwell, NB, 4th year
chemical engineering, UNB Fredericton.*



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. Due to the improved status of the endowment, a total of only \$7,000 of 2011-12 endowment spending was funded from the central endowment priority trust fund. This compares to \$28,000 in 2010-11 and \$1.2 million in 2009-10.

- In some cases, donors chose to top up fund balances in order to continue spending patterns.

As a result of this approach, UNB has been able to maintain the level of spending on scholarships and bursaries through this period of significant market volatility. The central endowment priority trust fund continues to exist and is available to support endowment spending in 2012-13 and beyond. It is expected that there will be a greater need for funding in 2012-13, due to the lower level of returns earned in 2011-12.

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, and that expected returns in the short- to medium-term may be lower than historical levels. The Investments Committee of UNB's Board of Governors 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. The Committee is currently undertaking a strategic review of asset allocation to optimize risk/return in the current environment of low interest rates, low equity returns, and high volatility.

UNIVERSITY OF NEW BRUNSWICK
TRUST AND ENDOWMENT
Principal 2006 - 2012
(As of April 2012)



Changes in Trust & Endowment

Balance - 2011/12
(Market Value)

(\$ 000's)

Balance April 30, 2012 \$ 175,138

Balance April 30, 2011 \$ 171,895

Net Increase
During the Year \$ 3,243

Increases due to:

Donations and Other
Additions to Capital \$ 24,622

Investment Income \$ 1,956

Transfers from Central
Endowment Priority
Trust Fund \$ 7

Spending (\$ 23,342)

\$ 3,243

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 goal 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.
- Seamark Asset Management Ltd.
- Sprucegrove



TOP:

*Evelyne Bard-Hartwick, Atholville, NB,
3rd year applied management in
hospitality and tourism, UNB Saint John.*

MIDDLE:

*Tomi Gbeleyi, Lagos, Nigeria,
4th year arts, UNB Fredericton.
Pablo Urbina, Winnipeg, MB,
4th year arts, UNB Fredericton.*

BOTTOM:

*Nathan Munroe, Saint John, NB,
4th year business, UNB Saint John.*



DEVELOPMENT AND DONOR RELATIONS

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For more information, please visit www.unb.ca/donations
or call 506-453-5053.