



2022-23
TRUST & ENDOWMENT
REPORT



"I am determined to honor your generosity by maintaining strong academic performance and making a positive difference in my community."

— MARIAM SALAUDEEN
MASTER OF BUSINESS ADMINISTRATION
(BUSINESS DEVELOPMENT AND
PROFESSIONAL SALES)



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.



PERFORMANCE

For the one-year period ending April 30, 2023, the Fund returned 6.34%, which was above the policy benchmark by 0.72%. This followed returns of -0.67% for the year ended April 30, 2022 and 18.69% for the year ended April 30, 2021.

Investors have faced a challenging environment in recent years and fiscal 2023 was no exception. A resilient economy combined with persistently high inflation has required the most aggressive policy responses by central banks in decades.

For the fiscal year ending April 30, 2023, Canadian equities, as measured by the S&P/TSX Composite Index, returned 2.67%. Global equities, as measured by the MSCI World Index, returned 9.76% in Canadian dollars. Emerging Markets equities, as measured by the MSCI Emerging Markets Index, returned -0.79% in Canadian dollars. Canadian Bonds, as measured by the FTSE Canada Universe Bond Index, returned 2.52%.

The Fund's external investment managers seek to add value to these benchmark index returns through active management of the portfolio. For fiscal 2023, UNB's fixed income manager exceeded the benchmark by 49 basis points. Within the equity sector, all managers added value, 173 basis points in total. The only manager that failed to meet its benchmark was in Canadian Real Estate, where the benchmark is the Consumer Price Index + 4%; the under performance was 856 basis points.

The overall result is that the Fund outperformed the composite policy benchmark by 72 basis points in 2022-23.

INFLATION PROTECTION

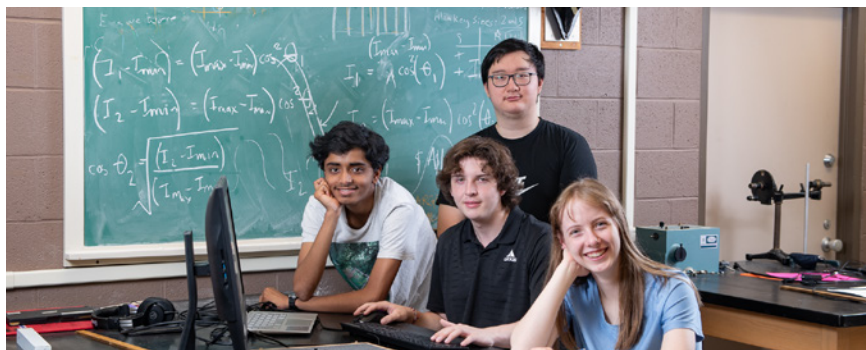
The University's objectives for the management of its endowment accounts are to maintain a reasonably stable, competitive, inflation-adjusted spending rate, and to maintain an acceptable funding level so that the initial donations, adjusted for inflation, are available in perpetuity to the University. The ability to provide a consistent spending rate from year to year is mainly due to the establishment of endowment timing 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.

Although the first half of the fiscal year saw significant increases in interest rates accompanied by negative equity markets; the markets experienced a reversal in the latter half of the year where interest rates were relatively more stable and equity markets experienced positive returns. However, the rate of inflation remained relatively high, finishing the year at 6.3%, which is significantly higher than the Bank of Canada's target of 1% to 3% and what we have seen over the last several decades. Although positive, the rate of return was not sufficient to cover the approved 4.00% spending rate, inflation protection of 6.3% and fees, which had a negative impact on timing reserves. This creates ongoing implications, but FY23-24 spending allocations will remain intact for most endowments. Maintaining an inflation adjusted spending rate is important, especially where scholarships and bursaries are concerned.

"Without bursaries like this, many students would have no choice but to drop out or take years off due to the rising cost of everything."

— RILEY ORAM
2ND YEAR BACHELOR OF SCIENCE IN
BIOLOGY/PSYCHOLOGY





UNB INVESTMENT MANAGERS

BlackRock Asset Management Canada Limited
 Fidelity Investments Canada ULC
 Fiera Capital
 J.P. Morgan Asset Management (Canada)
 Jarislowsky Fraser Global Investment Management
 Phillips, Hager & North Investment Management
 Seamark Asset Management Ltd.
 Sprucegrove Investment Management Ltd.
 Vestcor Inc.

CHANGES IN TRUST & ENDOWMENT

Balance 2022-23

(Market value in millions)

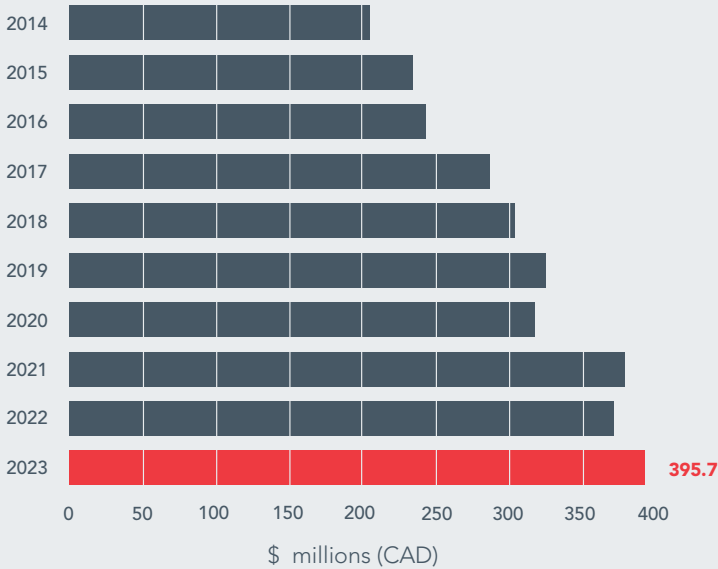
Balance April 30, 2023	\$395.7
Balance April 30, 2022	\$373.2
Net increase during the year	\$22.5

INCREASE DUE TO:

Donations and other additions to capital	\$18.5
Investment income	\$26.0
Spending	-\$22.0
	\$22.5

PRINCIPAL GROWTH 2014-23

As of April 30, 2023



“I believe that funding social science research is one of the best ways to find practical solutions to real problems in our society. While my research is only one small part of that, I am thankful to be able to contribute thanks to the generous support of the donors. ”

— JOSEPH DROST
MASTER OF ARTS
ECONOMICS



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NEW BRUNSWICK
DEVELOPMENT AND
DONOR RELATIONS**

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