THE LONG VIEW

You have made an investment like no other—an investment in people and their potential. The people of our university, our province, and our nation are at the heart of the University Investment Trust (UIT)—an endowment that supports the potential of students, faculty, researchers, and future leaders at the University of Manitoba.

Over the long-term, the UIT has performed well in an international marketplace dominated by volatility and uncertainty. In this environment, the long view becomes critical. Although this can be challenging in an era of instant messaging, sound bites, and minute-by-minute financial updates, it’s vital that we look into the future, as well as the past, if we are to invest strategically and with purpose.

When I began my term as President and Vice-Chancellor of the University of Manitoba on July 1, 2008, the global financial crisis had just begun. Yet, amid the turmoil, I found inspiration in the long-term perspective and far-reaching potential of this university—a trajectory mapped out in the university’s strategic plan Taking Our Place, and brought to life in our $500 million Front and Centre campaign.

Over the years I’ve been inspired by those with the vision to invest in a better future for all. Thank you for taking your place front and centre.

— David T. Barnard, Ph.D., President and Vice-Chancellor
University of Manitoba

THE UIT
AT A GLANCE

• Market value at March 31, 2016: $584.9 million
• Growth in market value over 2015: $8.1 million
• New gifts: $14.3 million
• Spending allocation generated: $20.7 million
• Total individual funds: 2169
• Annualized investment returns:
  - One-year: -0.1 per cent
  - Three-year: 10.8 per cent
  - Five-year: 10.5 per cent
  - 10-year: 6.7 per cent
  - 15-year: 7.1 per cent

The University of Manitoba has introduced a new UIT spending policy, weighted more heavily to the fund’s performance. The new policy increased the average annual spending value for endowment funds by approximately 9.5 per cent in its first year in effect.
THE YEAR IN REVIEW

The University Investment Trust (UIT) is an integral source of funding for the University of Manitoba. One of the largest Canadian university endowment funds of its kind, the fund has generated more than $140 million in funding for its beneficiaries since 2008, creating opportunities for students and researchers to thrive.

Made up of more than 2,100 individual endowment funds, the UIT demonstrates the impact of donors to the University of Manitoba. In 2015-16, donors helped raise the UIT’s market value to $584.9 million up from $576.8 million in 2014-15.

Donors added $14.3 million this year to endowment funds in the UIT through their support of the Front and Centre campaign. Their gifts are making a tremendous impact on every campaign priority area: Indigenous achievement; graduate student support; research excellence; outstanding student experience; and places and spaces.

LARGEST GIFT IN U OF M HISTORY SUPPORTS HEALTH SCIENCES

The University of Manitoba received the largest gift in its history on May 12, Manitoba Day. Ernest and Evelyn Rady, through the Rady Family Foundation, committed an unprecedented $30 million to the Faculty of Health Sciences, which will henceforth be known as the Rady Faculty of Health Sciences. Furthermore, doctors will now graduate from the Max Rady College of Medicine. A portion of the gift will create the $5 million Rady Health Sciences Endowment.

The gift honours the legacy of Ernest Rady’s parents, Max [MD/21] and Rose Rady, and will transform the Rady Faculty of Health Sciences by significantly supporting students, research, and infrastructure.

“Perhaps the most important lesson I learned from my parents was the joy of giving back and making a difference,” says Ernest Rady, an alumnus [BComm/58, LLB/62] and honorary degree recipient [LLD/15]. “And, in that same spirit of wanting to make a difference—a big difference—I decided to make a gift to my alma mater, and specifically to the Faculty of Health Sciences, in honour of my parents, Max and Rose Rady. The College of Medicine is where my father got his start and allowed him to make a difference in the lives of so many people here in Manitoba.”

Dr. Ernest Rady, with students representing each of the five colleges in the Rady Faculty of Health Sciences at the announcement of the historic gift on May 12.
**UIT PERFORMANCE HIGHLIGHTS**

The investment return on the UIT for the 12 months ending March 31, 2016 was flat, losing 0.1 per cent, versus the policy benchmark return of 0.2 per cent. Although the overall return is slightly lower than expected, these results are typical of endowment and pension funds in Canada in 2015-16.

Returns on bonds remain very low, and the returns from equity markets were challenged by slower global growth, particularly in China, and depressed energy prices.

Given these challenges, four of the five classes of the UIT’s asset mix underperformed in 2015-16.

Canadian equities struggled for much of the past year due to the significant drag on performance by the energy sector.

Notably, the one-year return of the UIT’s Canadian equity portfolio was -8.7 per cent, versus the benchmark index S&P/TSX return of -6.6 per cent. The underperformance was due to an overweight in the UIT investment manager’s energy sector. Meanwhile, the UIT’s international equity portfolio outperformed its benchmark index (MSCI EAFE) by a wide margin of 8.9 per cent, versus -5.9 per cent for the year, helping to mitigate underperformance in other classes.

Gifts invested in the UIT are intended to support beneficiaries for many years to come. Both the 10-year return (6.7 per cent) and the 15-year return (7.1 per cent) of the UIT remain above its spending and investment expense ratios, enabling the fund to continue meeting its long-term investment objectives.

Although the current investment cycle has been challenging, the Trust Investment Committee believes the asset mix and security valuations are well positioned for a recovery in the markets, particularly in Canada.

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**ENDOWED PROFESSORSHIP TO ENHANCE HEMATOLOGY RESEARCH, EDUCATION**

Donations of $2 million from Bayer Inc. and the family of Dr. Lyonel Israels aim to influence the field of hematology while paying tribute to the memory of Dr. Israels [MD/49, MSc/50], an alumnus and leader in his field. Their gifts created the Lyonel G. Israels Professorship in Hematology in the Max Rady College of Medicine.

Esteemed scientist Dr. Ryan Zarychanski [BSc/95, BSc (Med)/00] is the inaugural recipient of the Lyonel G. Israels Professorship, researching treatments for blood diseases such as leukemia, and enhancing the training of Manitoba’s medical students who specialize in hematology.

“I had the opportunity to work with Dr. Israels when I was a timid student, and to now receive this professorship is an honour,” says Zarychanski.

“I’m thrilled. I know how important it is being a hematologist myself – but I also know how happy he (Lyonel Israels) would be that this is going to be supported,”

Dr. Sara Israels [MD/79]
NEW SPENDING POLICY CREATES MORE OPPORTUNITY

The University of Manitoba Board of Governors approved a new spending policy in January 2016 that allocates income based on a spending rate of 4.25 per cent over a rolling four-year period.

On average, the new policy increased the average annual spending value for endowment funds by approximately 9.5 per cent. The total amount available for spending increased significantly, from $18.4 million in 2014-15 to $20.7 million this year.

STRONG BELIEF IN EDUCATION LEADS TO UNIQUE STUDENT PRIZE

Thanks to the vision and generosity of the late geologist Keith Caldwell [BSc/48, MSc/50], students and faculty in the Department of Geological Sciences will benefit from the Sally and Keith Caldwell Teaching Assistant Award.

Caldwell’s unique gift will fund teaching assistants, who can help faculty manage their workload and provide undergraduates with an outstanding experience. These assistants—many of whom are graduate students—will have the opportunity to develop the skills and leadership abilities that are essential for professional success.

FOUNDATION’S LEGACY SUPPORTS INDIGENOUS ACHIEVEMENT AND GRADUATE STUDENTS

Graduate students from the Faculty of Agricultural and Food Sciences will benefit from the Murphy Foundation’s transformational $2 million gift.

Last year, The Murphy Foundation Incorporated ceased operating, concluding nearly half a century of philanthropy that supported everything from education and medical research to wildlife, heritage, and religion throughout the province of Manitoba. However, before closing, the foundation entrusted the University of Manitoba with $2 million in endowed funds, ensuring its philanthropic legacy will continue for generations.

The funds, directed to the Faculty of Agricultural and Food Sciences, will support new graduate student awards and a new Indigenous Mentorship and Experiential Education program. Through the program, the faculty will hire a mentor to guide Indigenous students through their studies and provide opportunities for hands-on experience.
ANNUALIZED INVESTMENT PERFORMANCE
As of March 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>1 YEAR</th>
<th>3 YEARS</th>
<th>5 YEARS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Portfolio</strong></td>
<td>-0.1%</td>
<td>10.8%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>0.2%</td>
<td>10.7%</td>
<td>8.7%</td>
</tr>
<tr>
<td><strong>Canadian Fixed Income</strong></td>
<td>2.0%</td>
<td>3.9%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>2.3%</td>
<td>4.4%</td>
<td>5.9%</td>
</tr>
<tr>
<td><strong>Canadian Equities</strong></td>
<td>-8.7%</td>
<td>4.3%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-6.6%</td>
<td>5.0%</td>
<td>2.1%</td>
</tr>
<tr>
<td><strong>U.S. Equities</strong></td>
<td>1.2%</td>
<td>21.1%</td>
<td>18.3%</td>
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<tr>
<td>Benchmark</td>
<td>3.9%</td>
<td>21.2%</td>
<td>18.1%</td>
</tr>
<tr>
<td><strong>International Equities</strong></td>
<td>8.9%</td>
<td>17.8%</td>
<td>n/a</td>
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<tr>
<td>Benchmark</td>
<td>-5.9%</td>
<td>11.3%</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Canadian Real Estate</strong></td>
<td>4.8%</td>
<td>7.1%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>10.3%</td>
<td>9.1%</td>
<td>11.1%</td>
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ASSET ALLOCATION OF THE UNIVERSITY INVESTMENT TRUST
As of March 31, 2016

- Canadian Equity: 32.8%
- U.S. Equity: 27.6%
- International Equity: 14.9%
- Canadian Real Estate: 14.9%
- Canadian Fixed Income: 9.8%

SPENDING ALLOCATION (BY PURPOSE) $20.7 MILLION
As of March 31, 2016

- Student Awards: 39.9%
- Faculty and School Support: 34.6%
- Chairs and Professorships: 11.7%
- Research: 7.6%
- Libraries: 3.6%
- Other: 2.6%
### University Of Manitoba Endowment Fund

**FINANCIAL HIGHLIGHTS** (by fiscal year)

#### MARKET VALUE OF THE UNIVERSITY INVESTMENT TRUST AND SPECIFIC TRUSTS

**(in thousands)**

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<tbody>
<tr>
<td>Market Value of the UIT</td>
<td>$357,105</td>
<td>$423,942</td>
<td>$510,548</td>
<td>$576,795</td>
<td>$584,863</td>
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<td>Market Value of the Specific Trusts</td>
<td>$35,504</td>
<td>$48,126</td>
<td>$44,880</td>
<td>$55,164</td>
<td>$45,036</td>
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<tr>
<td>Total Market Value of All Funds</td>
<td>$392,609</td>
<td>$472,068</td>
<td>$555,428</td>
<td>$631,959</td>
<td>$629,899</td>
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#### ANNUAL RETURN OF THE UNIVERSITY INVESTMENT TRUST

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<tr>
<td>Annual Return of the UIT</td>
<td>4.9 %</td>
<td>15.5 %</td>
<td>19.8 %</td>
<td>13.6 %</td>
<td>-0.1 %</td>
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<tr>
<td>Policy Benchmark Return</td>
<td>2.3 %</td>
<td>10.5 %</td>
<td>17.7 %</td>
<td>15.3 %</td>
<td>0.2 %</td>
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</table>

#### DONATIONS TO THE UNIVERSITY INVESTMENT TRUST AND SPECIFIC TRUSTS

**(in thousands)**

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<tbody>
<tr>
<td>Donations to the UIT</td>
<td>$15,641</td>
<td>$11,013</td>
<td>$8,511</td>
<td>$12,331</td>
<td>$14,282</td>
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<tr>
<td>Donations to the Specific Trusts</td>
<td>$5,960</td>
<td>$15,774</td>
<td>$5,833</td>
<td>$3,952</td>
<td>$5,632</td>
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