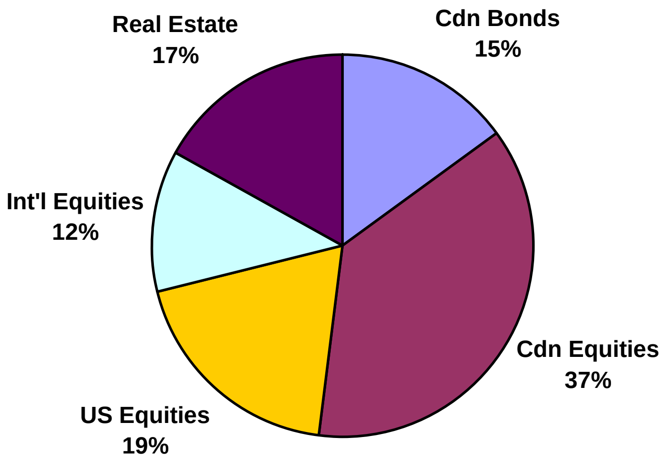
UNIVERSITY OF MANITOBA

The University Investment Trust (Endowment Fund)
Quarterly Review for the period ending June 30, 2012

The University Investment Trust (UIT) – the endowment operates as a large pooled fund that supports a wide variety of needs at the University, such as research, operating expenses, capital projects, athletics, libraries, and of course, a large part of the endowment is directed toward student support by way of scholarships, bursaries, and prizes. The endowment grows through gifts from generous donors, and through investment returns. The endowment is a key contributor to ensuring the University is successful in achieving its goals and objectives. Since the end of fiscal 2000, the endowment has grown from $144 million to the current value of $355 million. On top of that, there are trust and endowment funds outside of the UIT that also support various activities. Due to liquidity requirements, these funds are invested in cash equivalent and fixed income instruments. The value of these funds is currently $36 million.

Asset Mix, Investment Managers and Investment Performance

The **asset mix** of the UIT, as of June 30, 2012



Total market value of UIT - $355 million

Investment Managers

AMI Partners
- Canadian Bonds

Burgundy Asset Mgmt
- Canadian Equities

Legg Mason GC
- International Equities

JP Morgan
- US Equities

GWL Realty Advisors
- Real Estate

Annualized Investment Performance
As at June 30, 2012

	3 months	1 year	2 year	4 year
Total Portfolio	**-0.4%**	**3.6%**	**10.3%**	**2.3%**
Canadian Bonds	2.7%	7.7%	6.1%	5.8%
Canadian Equities	-1.6%	-2.2%	10.6%	1.2%
U.S. Equities	-1.9%	9.7%	14.2%	3.8%
International Equities	-6.0%	-9.2%	3.2%	-5.0%
Canadian Real Estate	6.2%	19.3%	15.6%	6.6%

Commentary – The second quarter of 2012 was very poor throughout the global equity markets as almost all of the major indices were negative. European debt levels remained the biggest concern over the quarter, with Greece taking centre stage, but Spain and Italy also providing cause for concern. The equity markets did rebound in June after the newly formed coalition government in Greece remained in favour of both staying in the European Union and trying to work on a plan that will satisfy the tough fiscal reforms imposed upon the country.

The return of the endowment portfolio reflects the challenges of the quarter. Although all three equity mandates realized losses, the entire portfolio did outperform the policy benchmark return. The benchmark return was -2.3%, which reflects a weighted average of the each individual mandate's index returns. So the actual return of -0.4% compared favourably, on a relative basis, to the benchmark return. The primary over-performers were Canadian bonds (+0.8% over index), Canadian equities (+4.1% over index), and Canadian real estate (+3.7% over index).

In early July, the Trust Investment Committee hired Burgundy Asset Management to replace Legg Mason GC as the investment manager of the International equity portfolio. Burgundy has managed the Canadian equity portfolio since April of 2009, and since that time they have performed extremely well in a very challenging market. Over the past three years, almost to the point of the inception of their hiring, the Canadian equity portfolio has realized an 11.8% return (versus the S&P/TSX return of 6.7%). Burgundy is committed to protecting client's capital against losses. This is what they consider to be the primary 'investment risk', and therefore their investment strategy always strives to insulate their portfolios against permanent loss of capital. This downside protection is very appealing for an endowment fund as losses hamper income distributions and set-back long term investment goals. The Committee felt strongly that there was an alignment of interests between Burgundy's view of investing and the endowment's need to protect capital, thus the International equity mandate was transferred to Burgundy and invested in their pooled EAFE portfolio.