THE UNIVERSITY

Investment Trust Quarterly Review

Quarter ended March 31, 2000

The University Investment Trust (UIT) operates as a pooled fund, whereby new contributions to the fund are assigned units based on the current market value of the units. The use of a pooled fund ensures that the capital of existing unitholders is preserved and the equitable distribution of income, while at the same time providing a larger dollar base for investment purposes. This makes it more cost effective while at the same time providing an opportunity for generating higher returns through diversification. Income earned on these funds is used to fund various activities such as scholarships, research, or general operating expenses.

Asset Mix

	Allowable Range % per the U of M Act *		Actual % of Mkt.	Actual $ Mkt.
Asset Categories	Min	Max	31 Mar. 00	31 Mar. 00
Bonds	30	50	46	$65,832
Canadian Equities & Equivalents	35	65	42	$61,169
Cash & Short Term Notes	-	5	12	$17,287
			100	$144,288

** This interim asset allocation has been provided to the manager pending finalization of the new Investment Policy Statement by the Trust Investment Committee.*

Investment Performance

Return Components	Annualized 4 Year Rtn. to Mar. 31 %	Annualized 1 Year Rtn. Mar. 31/2000 %	Annualized 1 Year Rtn. Mar. 31/1999 %	3 months Mar. 31/2000 %
* Total Fund	13.8	15.9	2.1	6.1
* Bonds	8.5	1.8	6.8	3.3
Scotia Capital Universe	8.3	1.3	7.0	3.2
* Total Canadian Equities	26.4	47.5	-5.8	12.0
* Canadian Equity Pooled	22.1	44.9	-7.1	12.7
TSE 300	19.4	45.5	-11.3	12.8
91 Day Canada Treasury Bills	4.3	4.7	4.9	1.2
Consumer Price Index	1.7	2.7	0.7	0.5

** Represents actual rates of return. Other figures represent comparative benchmarks.*

Portfolio Growth

The growth in the portfolio from $119.1 million to $144.3 million in fiscal year 1999/2000 is the result of new contributions, capital appreciation and investment income, net of spending by beneficiary units. The total investment return for the year ending March 31, 2000 is 15.9%, compared to 2.1% for the previous year. During the last twelve months, the total equity portfolio outperformed the TSE 300 Index by 2.0% for a total equity return of 47.5%. Although the bond portfolio outperformed the Scotia Capital Universe, returns on bonds were down significantly from the prior year.

Fund News

In developing an Investment Policy Statement, the Trust Investment Committee reviewed the existing spending policy, which was to distribute the greater of 6% of the book value of the UIT or 70% of net investment income annually. The Committee decided, effective for the 2000/2001 fiscal year, that the pool available for distribution should be based on 5% of the previous three years average market value of the UIT. After reviewing the spending policies of other universities across Canada, it was found that a market value-based calculation at a level of 5% was the most common policy and should be adopted for several reasons. First, the existing policy resulted in large swings in distribution as it was based on actual returns for a one year period. Moving to a three year average market value dampens the effect of large swings in the market and provides a much more stable base for distribution, taking long-term performance into consideration. Secondly and somewhat related, it was evident that a spending rate of 6% of book value was no longer sustainable. Over the long run, spending at a rate of 5% of market will better protect capital, allowing for higher levels of spending in future years. It should be noted that the Committee intends that spending over the long term will not exceed the total rate of return less inflation, as measured annually by the CPI. The 5% market value-based spending policy therefore will be subject to ongoing scrutiny, to ensure that inflation will not erode the capital of the UIT in the future.

Thirdly, by using a three year period ending on December 31st, the Comptroller's Office is able to determine the distribution in advance of the new fiscal year. This will allow for better planning as beneficiary units will know during the budget striking process what trust and endowment funds will be available to them for spending in the upcoming year. Since 2000/2001 is the first year that this new spending policy has been adopted, some unitholders may have received a smaller allocation for 2000/2001 than in 1999/2000. It may therefore be necessary to "top-up" income available for spending from capitalized revenue from prior years. This can be arranged through the Trust and Endowment Office. It is also important to note that in the early years of a new account, the allocation can be less than 5% of the capital contribution. This is because the 5% is applied to the average market value of the previous three years, which may in fact be less than the current market value. Future allocations however can be expected to increase, as market values of the investments rise.

If you have any questions or comments, please call Leanne Burkowski (Comptroller) **474-9507 or Gord Pasieka** (Associate Comptroller) **at 474-8713.**

This document and other information on the UIT can be found at www.umanitoba.ca/admin/financial_services/trust/Trust_Funds.htm

Value

	Book Value ($000's)	Market Value ($000's)
Total Portfolio at March 31, 2000	$118, 144	$144,288
Total Portfolio at March 31, 1999	$104,546	$119,086