



UNIVERSITY
OF MANITOBA

THE UNIVERSITY

Investment Trust Quarterly Review

Six Months ended September 30, 2005

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

Policy Statement	Target Ranges Per Investment Value		Actual Mkt. Value	Actual Mkt. Value
	Min %	Max %	%	000's
Asset Categories				
Canadian Bonds	27	35	27.1	\$67,656
Equities				
Canadian	27	35	36.7	\$91,688
USA	18	23	17.3	\$43,240
Other Foreign	18	23	18.9	\$47,161
Cash & Short Term Notes	-	5	-	\$0
			100.0	\$249,745

Investment Performance

Return Components	Annualized 4 Year Rtn. Sept. 30/05 %	Annualized 1 Year Rtn. Sept. 30/05 %	Annualized 1 Year Rtn. Sept. 30/04 %	6 Months Sept. 30/05 %
* Total Fund	8.6	16.8	11.5	8.4
* Canadian Bonds	7.8	9.0	4.7	4.6
Scotia Capital Universe	7.6	9.0	4.8	4.6
* Canadian Equities	16.3	31.7	19.7	17.0
S&P TSX Composite	14.4	29.3	18.9	15.6
S&P TSX Capped Comp.	14.7	29.3	18.9	15.6
US Equities:				
*Core Equity	(0.5)	2.9	7.3	1.0
S&P 500 Index	(1.8)	3.0	6.7	0.8
*Small Cap	4.3	11.2	8.2	6.6
Russell 2000	7.2	8.3	15.1	4.8
* Int'l Equities	5.4	15.0	12.1	4.9
MSCI World excl. U.S.	5.6	16.9	15.0	6.0
91 Day Canada Treasury Bills	2.6	2.5	2.3	1.2
Consumer Price Index (Cdn.)	2.3	2.6	1.9	1.8
\$US in \$Cdn. (+appreciation, -depreciation)	(7.4)	(8.2)	(6.3)	(4.0)

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

Portfolio Value

	Book Value (\$000's)	Market Value (\$000's)
Total Portfolio at September 30, 2005	\$221,323	\$249,745
Total Portfolio at June 30, 2005	\$217,254	\$238,027

Portfolio Performance

Over the past year the stock market in Canada has performed very well, fuelled by the profits realized in the energy sector. The UIT's Canadian equities have returned 31.7% over the past 12 months and 17.0% over the past 6 months. Although high oil prices have delivered excellent returns to the portfolio, continuing high oil prices will likely have a negative impact on the economy and corporate profits, and this will impact on stock prices going forward. These strong returns account for most of the growth in market value of the UIT over the past few months.

Although the UIT's Canadian bond portfolio has returned 9% over the past year, the Canadian bond market has slowed down in the past six months, given the ongoing pressure to increase short term interest rates. The return over the past 3 months has been 0.1%, matching the Scotia Capital Universe Index return of 0.1%. Over the past 6 months, the returns have been slightly better at 4.6%, again matching the index return of Scotia Capital.

The UIT's investment performance in the U.S. has been hampered by a strong Canadian dollar. Over the past year, the U.S. dollar has depreciated -8.2% against the Canadian dollar. Economic growth in the U.S. is expected to be moderate, given significantly higher energy costs and the impact of recent natural disasters like hurricanes Katrina and Rita. Also, the huge U.S. trade and budget deficits, as well as the U.S. Federal Reserve's decision to raise short term interest rates, will likely slow down the economy over the next year. The U.S. equities in the UIT reflect these issues, with the large cap stocks (Core Equity) realizing a return of -2.4% over the past 3 months, and 1.0% over the past 6 months. The U.S. Small Cap Fund has returned 0.4% over the past quarter, and 6.6% over the past 6 months.

Questions or Comments?

If you have any questions or comments, please call **Leanne Burkowski**, Associate Vice-President (Finance) at **474-6095** or **Lance McKinley**, Manager of Treasury Services at **474-9440**. This document and other information on the UIT can be found at: www.umanitoba.ca/admin/treasury_services/