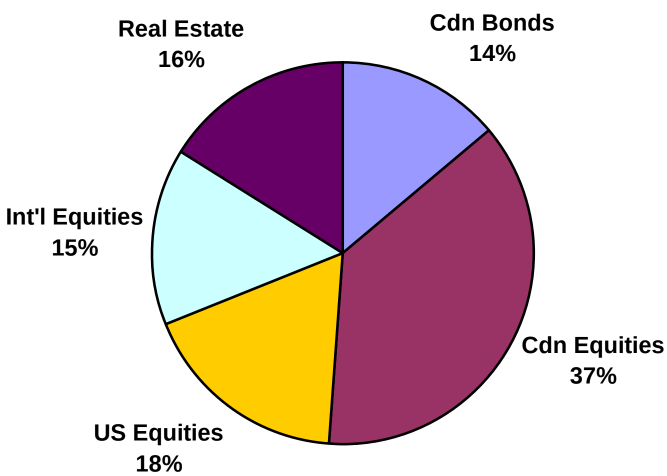
UNIVERSITY OF MANITOBA

The University Investment Trust (Endowment Fund)
Quarterly Review for the period ending September 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 $383 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 $43 million.

Asset Mix, Investment Managers and Investment Performance

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



Investment Managers

AMI Partners
- Canadian Bonds

Burgundy Asset Mgmt
- Canadian Equities
- International Equities

JP Morgan
- US Equities

GWL Realty Advisors
- Real Estate

Total market value of UIT - $383 million

Annualized Investment Performance
As at September 30, 2012

	3 months	1 year	2 year	4 year
Total Portfolio	**4.4%**	**16.1%**	**8.8%**	**5.9%**
Canadian Bonds	0.9%	4.3%	5.0%	6.5%
Canadian Equities	6.5%	18.3%	8.7%	7.7%
U.S. Equities	3.7%	24.3%	12.1%	5.8%
International Equities	4.9%	10.0%	0.5%	-0.1%
Canadian Real Estate	3.4%	19.4%	16.5%	6.9%

Commentary – The third quarter of 2012 saw generally strong returns in equities as central bankers in Europe, Japan and the U.S. committed to maintain a low interest rate environment. This monetary stimulus helped offset the still sluggish economy in the U.S. and the mild recession in Europe.

The endowment fund performed very well during the 12 months ending in September 2012. The one-year rate of return for the entire fund was 16.1%, which compares favourably to the combined benchmark return for the fund of 11.8%. This over performance was across all asset classes as each mandate outperformed its respective benchmark for the year. The Canadian bond portfolio earned 4.3% (benchmark = 3.4%); Canadian equities earned 18.3% (benchmark = 9.2%); U.S. equities earned 24.3% (benchmark = 22.9%); International equities earned 10.0% (benchmark = 7.4%); and Canadian real estate earned 19.4% (benchmark = 15.5%).

In early July 2012, 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. Since the period of inception in April 2009 to the end of September 2012, the Canadian equity portfolio has realized a return of 14.5% (versus the S&P/TSX return of 9.5%). 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.