

# Investment Trust Quarterly Review

Quarter ended September 30, 1999

The University Investment Trust (UIT) is a pooled fund which has been created from trust & endowment donations. The purpose of the UIT is to pool individual donations in an effort to reduce administrative costs, while providing an opportunity of generating higher returns through diversification. The UIT was first created in 1989 and has now grown to over \$125 million. Income earned on these funds is used to fund various activities such as scholarships, research, or general operating expenses.

In order to provide faculty, staff, and donors with information on the performance and stewardship of the UIT, the Comptroller's office is now providing this quarterly review of the UIT.

## Asset Mix

Asset Categories	Allowable Range % per the U of M Act		Actual % of Mkt.	Actual \$ Mkt.
	Min	Max	30 Sept. 99	30 Sept. 99
Bonds	40	80	53	\$66,001
Canadian Equities & Equivalents	15	50	32	\$40,025
Cash & Short Term Notes	-	30	15	\$19,025
			100	\$125,051

## Investment Performance

Return Components	Annualized 4 Year %	Annualized 1 Year %	Calendar 9 months Sept.30/99%	Fiscal 3 months %
* Total Fund	12.10	10.30	3.80	0.50
Bonds	9.10	2.20	0.20	0.10
Scotia Capital Universe	9.10	1.80	0.20	0
* Total Canadian Equities	19.80	28.80	10.80	0.90
* Canadian Equity Pooled	16.80	26.90	10.50	2.10
TSE 300	13.30	25.90	6.30	-0.40
Canadian Equities (U of M Act)	22.80	30.50	10.90	-0.20
91 Day Canada Treasury Bills	4.60	4.80	3.50	1.20
Consumer Price Index	1.60	2.10	1.90	0.60

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

## The Fund's History

The investment of UIT funds has been managed by AMI Partners Inc. since October, 1989. On their appointment as investment manager of the UIT, AMI was given the mandate to comply with the University of Manitoba Act in their investment strategy. Up until July 1999, the University of Manitoba Act provided restrictions on asset mix as indicated in the table.

The Act did not permit any foreign investments and limited the selection of Canadian equities to stocks which maintained a five year dividend payout of 4% of the book value of the capital stock account of the Company. Currently, there are approximately 127 stocks which qualify, and only 84 are included in the TSE 300. These 127 stocks collectively form a benchmark called "Canadian Equities (U of M Act)".

In July 1999 the Act was amended to allow the investment of trust and endowment funds under the "prudent person rule". Under the prudent person rule, the investment manager is expected to invest with "care, skill and diligence under circumstances then prevailing that one would expect of a prudent person acting in a similar capacity". The implication is that there is a wider choice of assets available to the investment manager which allows for higher returns and with the accompanying diversification, lower risk. Until a new investment policy is developed and approved by the Board of Governors, AMI has been given the mandate to invest within the asset mix guidelines, but may now invest in other stocks listed on the TSE 300. A new policy is expected to be brought forward by the Trust Investment Committee for approval by Spring 2000.

Each year unit holders are guaranteed spending at the greater of 70% of investment income earned, or 6% of the book value of the unit holder's account. This is accomplished through a reserve which was created to smooth spending. In years when returns are poor, the reserve is used to fund spending requirements. The reserve is simply a memo account within the UIT available for distribution when needed to fund spending. The unitholder's share of the reserve is reflected in the market value per unit.

Last year (March 31, 1999), the UIT generated approximately \$7.1 million of investment income, of which \$1.3 million was transferred to the reserve accounts and the remaining \$5.8 million was made available for spending.

As a result of the restrictions imposed by the U of M Act, returns earned by the UIT are not necessarily comparable with those of other universities

Trust and Endowments, or the University of Manitoba Pension Plans.

## Value

	Book Value (\$000's)	Market Value (\$000's)
Total Portfolio at September 30, 1999	<b>\$110, 369</b>	<b>\$125,051</b>

Approx. Number of Accounts **1,200**

If you have any questions or comments, please call  
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