

Endowment Report 2017-2018



On behalf of the students and faculty at Memorial University, I am pleased to provide you with a report on the fund that you have established or support at our university. Thank you once again for your generosity.

Your support will motivate, excite, and energize the students and/or researchers who directly benefit from your gift. When you empower their ingenuity, you create incredible opportunities for leadership and discovery – and by extension, build a healthy and sustainable society. We are so grateful for your philanthropy, contributions that not only help today's students and faculty but generate opportunities for our future.



This year, there has been a change in our investment strategy at Memorial. Please note the next page titled "Investing for today and tomorrow" to explain the difference you will see in the comparative performance of the fund to recent years. As in previous reports, we have also included a section titled "Understanding this Report," which will explain the various terms you'll see in the fund report.

Should you have any additional questions, please contact us at (709) 864-6763 or toll free at 1-877-700-4081.

Thank you once again for support that has a lasting impact on Memorial University.

Sincerely,

A handwritten signature in black ink, reading "Penny Blackwood". The signature is fluid and cursive, with the first name "Penny" being more prominent and the last name "Blackwood" following in a similar style.

Penny Blackwood, PhD
Executive Director
Office of Development

Investing for today and tomorrow

Memorial University is committed to ensuring that our investment strategy maximizes the performance of our Pooled Endowment Fund (the "Fund"), which includes your particular fund(s), in order to realize the greatest benefit for students and other future beneficiaries without assuming significant risk. In 2016, Memorial's Investment Committee, that oversees the management of the Fund, commissioned a review to ensure we were utilizing best practices based on our industry, our investment goals, and the nature of our fund (which had now grown beyond \$100M).

The primary recommendation from the review was that we change to a custodial management service for managing the Fund, and to utilize investment managers also used by our Pension Plan where appropriate, in order to maximize the Fund's continued, longterm growth. This approach better aligns Memorial with industry standards and provides a number of benefits, including fee savings and a shift of the role of the Investment Committee to focus on policy-level decisions. In addition, the asset mix was changed to allow for greater diversity in our holdings. Memorial's Board of Regents accepted the Investment Committee's recommendations in the fall of 2016. Following a request for proposal process as required, the custodial firm of CIBC Mellon was selected and the changes were implemented in the fall of 2017.

As part of this implementation, all investments in the Fund were liquidated in November 2017 and then immediately reinvested, working toward full implementation of the revised asset mix. The substantial realized gains resulting from this liquidation were allocated to the unrestricted portion of the fund. Therefore, you will see a large increase in the amount of unrestricted funds in the column for 2017-18 compared to previous years. This is not a reflection of the performance of the investment portfolio for this year, but rather a result of this one-time change in our strategy. Also, because the liquidation happened toward the end of the 2017-18 fiscal year, you will notice that the closing book value and market value for that year are very similar, with only small unrealized gain/loss as the newly invested funds were only in the market for the last third of the fiscal year.



Please note also that, since the payout from your fund is based on the restricted value which remained unchanged during this process (unless a donation was made to the fund), you will see no change in the payout in the 2017-18 report.

We are confident that these changes in our asset mix and management practices will result in greater performance of the fund over time, ultimately providing greater benefit for our students and university. Should you have any questions on this, please contact the Office of Development and we will be happy to assist.

Understanding this report

Your philanthropy is making a big difference at Memorial University and we thank you for your support.

This report includes a summary of your endowed fund covering up to five years of activity. As this may be your first time seeing this report, we recognize you may have specific questions. Please use the glossary of terms below as a way to guide you through the report. As well, a member of our development team is available to assist you if desired. Please do not hesitate to contact us at (709) 864-6763 or 1-877-700-4081 (Toll Free).

| Term | Definition |
|-------------------------|---|
| Book Value | Amount donated plus subsequent transactions for the investment (donated funds + realized income – funds awarded). |
| Restricted | That portion of the fund that cannot be spent or infringed upon in perpetuity (often referred to as the 'principle'). Initially, this represents 90% of the overall fund (in accordance with university policy). |
| Unrestricted | That portion of the fund that is available to spend based on the university's spending policy. Initially, this represents 10% of the overall fund (in accordance with university policy). |
| Unrealized Gains/losses | The cumulative market gains or losses on the fund, as at March 31 (Fiscal year end) |
| Market Value | The value of the endowment if all investments were sold at March 31 (Fiscal year end) (closing book value + unrealized gains/loss) |
| Allowable Payout | <p>The Allowable Payout is the lesser of</p> <ul style="list-style-type: none">• the book value of the unrestricted closing balance adjusted for unrealized gains/losses• the book value of the restricted closing balance x the current spending rate (the current spending rate is 4%) |

The endowed funds at Memorial University are overseen by the Investment Committee (Sub-Committee of the Finance Committee of the Board of Regents of Memorial University) and governed by the Statement of Investment Policy and Objectives (SIPO).

The purpose for the breakdown of the fund as 90% restricted and 10% unrestricted is to allow the fund to support a scholarship/award/other use immediately without having to wait until sufficient income is earned to support the payout. Currently, the unrestricted amount represents just over two years of payout. New donations to an endowment are automatically split 90/10 (restricted/unrestricted).

To request a full copy of the SIPO or other information on our investments at Memorial, please contact us at the numbers listed above.