2011/2012 Western University
Endowment Report

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FPO
Thank You from Western’s President and Board Chair

Your endowed gift to Western benefits the University today and into the future, supporting our students, faculty, and research and teaching programs in all areas. Thank you for your enduring support and for building Western’s sustainable capacity to become a world-leading university.

This year, endowments held at Western generated more than $8.3 million for research, teaching and student awards. More than 1,600 student awards were funded and 38 faculty members received support through endowed chairs, professorships and fellowships.

For the fiscal year ending April 30, 2012, the University’s endowed investments achieved net returns (after fees) of 0.3 per cent. Total endowed assets under management grew from $205 million on April 30, 2011, to $213.7 million on April 30, 2012. During this time, we received $14.8 million in new gifts for endowment and maintained annual support to our students and faculty.

Western’s endowed assets are managed by external investment firms, with oversight by the Investment Committee of the Board of Governors. Annualized investment returns for the one-year and five-year periods ended March 31, 2012, were 3.2 and 2.2 per cent respectively. This compares against our policy benchmark return of 2.4 per cent for one year and 2.1 per cent for five years, meaning that we have earned returns greater than comparable indices.

Western’s long-term target is to have an annualized real return of 4.0 per cent, which we have met, with an actual 20-year real return of 6.2 per cent (as of March 31, 2012). Western’s Investment Committee and Board remain committed to adjusting the mix of investments to help achieve the target return over the long-term.

Endowed giving allows us to build the Western Experience, which develops leaders, creates a global context for learning and living, and values research and the creation of new knowledge that has a meaningful impact on society. With your support, we will continue to enhance the Western Experience by creating more opportunities for students to advance their education, and become the next generation of global leaders.

We are pleased to enclose a financial report on the specific endowment fund(s) of interest to you. On behalf of the students and faculty who benefit greatly from your generosity, we thank you for your support of the Western Experience.

Amit Chakma
President & Vice-Chancellor
Western University

Stephen R. Coxford, LLB ’77
Chair, Board of Governors
Western University
Student award offers high-flying opportunity

One day, Andre Skipper, BMOS'12, will fly. The question is, will he pilot a fighter jet for the Canadian Forces? Or head into space as an astronaut?

“Right now, I’m striving to become a fighter pilot in the air force,” says Andre, “and eventually I want to be part of the Canadian Space Program – even though it’s one of the most challenging fields in the world.”

For Andre, a recipient of an endowed Dancap Private Equity Student Award, the sky is the limit. He recently graduated from Western, specializing in commercial aviation management. Now posted with the maritime helicopter squadron in Victoria, B.C., as part of his Canadian air force pilot training, Andre credits his Western experience as fundamental to fulfilling his dream.

“Receiving the Dancap Award attested to the fact that hard work and dedication pay off – and it paved the way for the success I had in my final years at Western,” says Andre, who used part of the funds to pay for fencing equipment so he could participate on the varsity team. “The sheer volume of opportunities at Western increased my life experiences and prepared me for anything I might face in the future.”

Andre was one of 18 students from the DAN Management and Organizational Studies (MOS) program who received Dancap Private Equity Student Awards in 2012. Named in recognition of a $5-million gift from Western graduate Aubrey Dan, BACS’85, the DAN program is the only one of its kind in Canada, combining a strong business foundation with a broad social science education. The program includes specializations in accounting, consumer behaviour, finance, human resources and commercial aviation management.

“I think that having people like Aubrey Dan supporting Western is an immense asset to the University. He really believes in the program – and its students,” says Andre. “The Dancap Awards further cement why Western has the best student experience in the country.”

To read more about the DAN program, go to mos.uwo.ca

Scholarship equips student for journalism career

After graduating with a degree in history and classical studies, Aaron Rathbone, MA’12, was, by his own admission, lost. “I had no idea what I wanted to do, so I took some time off to plant trees in Alberta and travel for a bit,” he says.

During this time, he realized he wanted to work where he would be challenged and constantly learning. “I realized that journalism is a field that would satisfy my worldly curiosity,” says Aaron, who then enrolled in the Master of Arts in Journalism at Western.

As part of coming to Western, Aaron received the endowed Reader's Digest Foundation Journalism Entrance Scholarship, which is awarded to a full-time graduate student entering the journalism program, based on academic achievement and outstanding potential.

“The scholarship allowed me to pursue my studies with confidence,” says Aaron, who now works at CHCH TV in Hamilton, Ont. “Through the generosity of the Reader’s Digest Foundation, I was able to continue my education, confirming that journalism was the perfect fit for my curiosity.”
Endowment eases pain and creates legacy

Physical pain is a common concern that brings us to our doctors. Whether it’s head, back or nerve pain, we all experience some kind of physical pain in our lifetime.

That’s a reality that Dr. Earl Russell, MD’50, DSc’06, understood. After medical training at the University of Saskatchewan and Western University, he served at a MASH unit during the Korean War, where he developed an interest in alleviating pain. When he returned to Canada, he devoted much of his life to pain management, as well as better care and treatment for those experiencing chronic and acute pain.

Through a generous $1-million donation to Western in 1999, he endowed the Earl Russell Chair in Pain Management. Subsequent gifts from Dr. Russell, the Russell family and many other donors, have provided the critical funding that has led to the creation of a leading centre for education and research in human pain at Western and an endowment of more than $3 million.

“Because of Dr. Russell’s generosity, we’ve been able to advance pain management research and education, and offer better care to patients at pain clinics,” says Dr. Dwight Moulin, MD’73, the current Earl Russell Chair in Pain Management. “Without this endowment, none of our education and research efforts would have happened.”

Through the interdisciplinary pain program at the Schulich School of Medicine & Dentistry at Western, Moulin and his colleagues have expanded the training of students and doctors across all disciplines.

Student award funds HIV/AIDS research

As a child, Ellena Andoniou, PhD’13, aspired to be part of a movement of “change.” Now the graduate student is doing just that by combining her two passions – health and geography.

Ellena’s research – funded in part through the endowed France and André Desmarais Ontario Graduate Scholarship (OGS) – assesses the health, social and economic impact of the Western Heads East (WHE) project in Kenya, which is part of the University’s response to the HIV/AIDS pandemic in East Africa.

Currently, her scholarship helps fund adjunct research into improper condom use in Nyanza Province – home to Kenya’s highest rate of HIV/AIDS. “The research will hopefully bring to light the practices that are leading to such high rates of infection, and potentially inform policy reform in the community,” says the PhD student in health geography.

Ellena knows her OGS funding has advanced her work in Kenya, by giving her the opportunity to branch out and expand her research. “My work would not have been possible without the scholarship because research activities can be costly,” she adds.
Financial Highlights

Historical Investment Management

Western’s investment strategies work to preserve the long-term capital value of endowments in order to provide a meaningful level of support for generations to come.

The Investment Committee, a volunteer subcommittee of Western’s Board of Governors, consists of members chosen for their knowledge and expertise in investment and financial management. The Committee manages the University’s endowed investments according to policies established by the Board of Governors and selects and monitors investment management firms that are responsible for the daily investment activities of the portfolio. The members of the Board of Governors and the Investment Committee are listed on the back cover of this report.

Asset Mix and Manager Structure (at April 30, 2012)

<table>
<thead>
<tr>
<th>Manager</th>
<th>Beutel Goodman</th>
<th>Greystone</th>
<th>State Street S&amp;P 500</th>
<th>State Street S&amp;P Midcap 400</th>
<th>JP Morgan</th>
<th>Templeton</th>
<th>MFS</th>
<th>State Street and Greystone</th>
<th>Northwater, Rompsen, Adams Street, Bentall/GPM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Class</td>
<td>Canadian Equity</td>
<td>Canadian Equity</td>
<td>US Equity</td>
<td>US Equity</td>
<td>US Equity</td>
<td>Non North American Equity</td>
<td>Non North American Equity</td>
<td>Fixed Income</td>
<td>Hedge Fund, Private Equity &amp; Alternatives</td>
</tr>
<tr>
<td>Allocation</td>
<td>11.4%</td>
<td>9.4%</td>
<td>8.8%</td>
<td>4.4%</td>
<td>8.9%</td>
<td>9.6%</td>
<td>10.6%</td>
<td>29.2%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Investment Results and Objectives

Each year, the total return earned by the endowment portfolio, less investment managers’ fees of approximately 0.5 per cent, is allocated proportionately to the capital of each endowed fund at April 30.

For the period May 1, 2011 to April 30, 2012, the investment return (net of fees) was 0.3 per cent.

Western measures the performance of its endowment portfolio over the long-term, based on two primary investment objectives:

- To earn an annual real rate of return of 4.0 per cent over the long-term (which means to earn a return of 4.0 per cent above the rate of inflation). This objective was met over the most recent 20-year period.
- To add value to the endowment portfolio through active management, by earning returns greater than comparable market indices returns or benchmarks. The endowment portfolio achieved this second objective over the one-year and five-year periods, and was close to meeting this goal over the most recent ten-year period.

Investment Returns to April 30

<table>
<thead>
<tr>
<th>Year</th>
<th>Canadian Equity</th>
<th>US Equity</th>
<th>Non North American Equity</th>
<th>Fixed Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>-10.1%</td>
<td>-18.2%</td>
<td>-18.1%</td>
<td>-18.8%</td>
</tr>
<tr>
<td>2004</td>
<td>5.7%</td>
<td>12.0%</td>
<td>10.4%</td>
<td>0.3%</td>
</tr>
<tr>
<td>2005</td>
<td>0.3%</td>
<td>13.0%</td>
<td>9.6%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>2006</td>
<td>11.6%</td>
<td>12.0%</td>
<td>8.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2007</td>
<td>13.0%</td>
<td>12.0%</td>
<td>8.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2008</td>
<td>13.0%</td>
<td>12.0%</td>
<td>8.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2009</td>
<td>13.0%</td>
<td>12.0%</td>
<td>8.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2010</td>
<td>13.0%</td>
<td>12.0%</td>
<td>8.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2011</td>
<td>13.0%</td>
<td>12.0%</td>
<td>8.9%</td>
<td>7.7%</td>
</tr>
<tr>
<td>2012</td>
<td>13.0%</td>
<td>12.0%</td>
<td>8.9%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Annualized Returns in Relation to Real Return and Market Indices to March 31 (closest quarter year end to April 30)

<table>
<thead>
<tr>
<th></th>
<th>1 Year</th>
<th>5 Year</th>
<th>10 Year</th>
<th>20 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annualized Fund Return</td>
<td>3.2%</td>
<td>2.2%</td>
<td>4.3%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Real Return 1</td>
<td>1.3%</td>
<td>0.4%</td>
<td>2.2%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Market Indices Return 2</td>
<td>2.4%</td>
<td>2.1%</td>
<td>4.7%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

1 Real Return is calculated by subtracting the rate of inflation (CPI) from the Annualized Fund Return.
2 Market Indices Return is a benchmark based on what the University would have earned by investing endowment assets in index funds in proportion to our policy asset mix.
Endowment Administration

University Spending Policy

Endowments are administered in accordance with Western University's Policies and Procedures, 2.11 Investment Payout Policy:

- The annual allocation for spending is calculated at 4.0 per cent of the average capital balance over the most recent five-year period.
- Endowments must be held for a full fiscal year (May 1 to April 30) before an allocation for spending is made available.

Western Endowment Fund (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Balance</th>
<th>Investment Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$80,281</td>
<td>$127,854</td>
</tr>
<tr>
<td>2004</td>
<td>$93,993</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>$101,137</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$101,984</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>$103,775</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$181,215</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$191,984</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$191,984</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$191,984</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$191,984</td>
<td></td>
</tr>
</tbody>
</table>

Endowment Fund Summary

Each endowment fund is managed through two distinct accounts to help foster transparency and accountability. The following glossary of terms is provided to assist you.

The Value of the Capital Account Represents the Amount of Capital that is Endowed

<table>
<thead>
<tr>
<th>Total Donations</th>
<th>Cumulative gifts received.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Years Returns &amp; Allocations</td>
<td>Investment returns earned in prior years, plus any capitalised expendable income, less annual allocations for spending prior to May 2011.</td>
</tr>
<tr>
<td>2011/2012 Investment Returns</td>
<td>Investment returns in the current year calculated at 4.0 per cent (net of fees).</td>
</tr>
<tr>
<td>2011/2012 Allocation</td>
<td>Amount allocated for spending in 2011/2012 calculated at 4.0 per cent of the capital balance, averaged over the five most recent years, transferred from the capital account.</td>
</tr>
<tr>
<td>Other Transactions as listed</td>
<td>Transfers from income or subsidies.</td>
</tr>
</tbody>
</table>

The Value of the Income Account Represents the Amount Available for Spending

<table>
<thead>
<tr>
<th>Opening Balance</th>
<th>Cumulative amount available for spending, less expenditures from prior years, and including prior interest earned on the income account balance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011/2012 Investment Returns</td>
<td>Short-term interest for the income account balance.</td>
</tr>
<tr>
<td>2011/2012 Allocation</td>
<td>Amount to be allocated for spending in 2011/2012 calculated at 4.0 per cent of the capital balance, averaged over the five most recent years, transferred from the capital account.</td>
</tr>
<tr>
<td>Other Transactions as listed</td>
<td>Expenditures, recoveries, transfers to/from expendable account.</td>
</tr>
<tr>
<td>2012/2013 Allocation</td>
<td>Amount to be allocated for spending in 2012/2013 calculated at 4.0 per cent of the capital balance, averaged over the five most recent years, to support the stated purpose of the endowment.</td>
</tr>
</tbody>
</table>
Board of Governors

Jeremy Adams, BA (Hons) '94
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National Tobacco Company of Canada

Carolynn Block, BSc'72, MSc'72
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Vice-President Finance
Blackburn Radio Group

Max Lafortune
Undergraduate student
HBA/BESc concurrent degree candidate
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Claystone Labs

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