INVESTMENT COMMITTEE REPORT TO THE BOARD OF GOVERNORS

For the Year Ended March 31, 2010

U N I V E R S I T Y O F A L B E R T A

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Highlights

The investment assets of the University of Alberta that are under the governance of the Investment Committee had a total market value of $1,690 million as of March 31, 2010 (2009 - $1,628 million). They are separated into Endowment Funds and Non-Endowed Funds, as summarized in Exhibit 1.

Exhibit 1

		2010	2009
Non-Endowed Funds		Millions	
	Short-term	$ 764	$ 814
	Mid-term	37	42
	Long-term	83	77
	ABCP	89	93
		973	1,026
Endowment Funds		717	602
		$ 1,690	$ 1,628

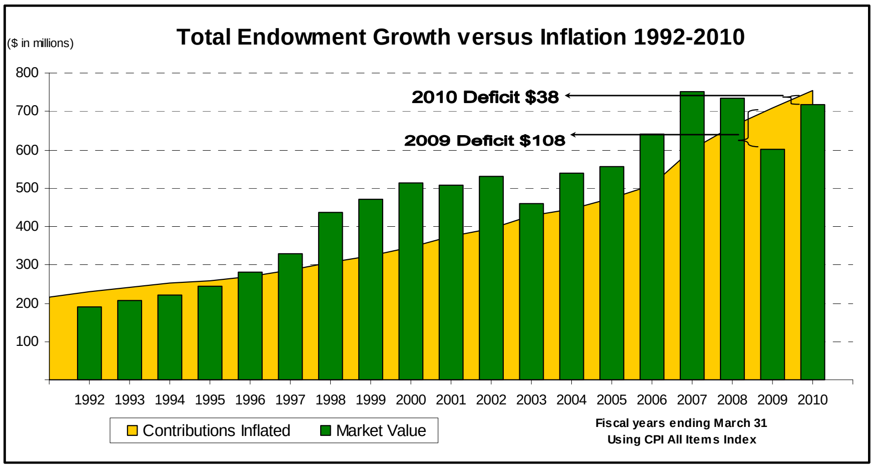
With respect to the Endowed Funds, the investment goal is to preserve the value of the assets in real terms over time, and do so with an acceptable level of risk, in order to provide the same level of support to future generations as current beneficiaries receive. This implies that that the real, long term rate of return must equal or exceed the rate of spending.

The purpose of the Non-Endowed Funds is to pool capital that is predominately short-term in nature. Consequently the primary investment focus is on money market securities which will provide liquidity and preservation of capital.

Endowment Funds - Highlights

- Virtually all asset classes participated in major market gains this past year. The University's endowment fund fared well during the year, returning 23.7%. This first quartile performance in the Canadian Master Trust Universe is due to the fund's high weight in equities and its currency hedging program.

Exhibit 2



- The market value of the endowments increased to $717 million, up $115 million from $602 million as at March 31, 2009. The real value of the endowments increased by 16.8%. This increase was comprised of a change in market value of 23.7% on the investment assets less total expenditures of 5.5% and inflation of 1.4%. As shown in Exhibit 2, the market value of the endowment assets now trails the inflation adjusted contributions by $38 million (2009: $108 million).
- The fund's benchmark returned 25.9%, resulting in underperformance of 2.2% on a one year basis. On a two year annualized basis, active investment management has added value, outperforming the benchmark return by 1.8%. The fund also outperformed its benchmark for four and ten years by annualized rates of 0.6% and 1.7% respectively.
- New investment and spending policies were approved by the Board of Governors in January of 2010. The investment policy reaffirmed the endowment's 20% target allocation to fixed income and 80% to equities but increased the target weight for Canadian equity to 20% from 15%. The spending policy increased the spending rate from 3.50% back to 4.25% over a two year period after which future spending allocation increases will be linked to inflation.

Non-Endowed Investment Pool (NEIP) - Highlights

- The NEIP, comprised of three distinct strategies (short, mid and long-term), recorded an overall return of 3.4% for the year (2009: 1.3% loss).
- The short and mid-term portions of the NEIP outperformed their respective benchmarks.
- Provisions related to the asset-backed commercial paper (ABCP) portfolio declined during the year from $72.1 million to $58.1 million due to improving credit conditions that resulted in positive valuation adjustments, note redemptions at par value, and cancellations where provisions had been taken in prior years.

Governance and Compliance

The Board has delegated to the Investment Committee responsibility and authority to make decisions on behalf of the Board in the Committee's defined area of responsibility, except to the extent that such authority has been specifically limited by the Board in its Terms of Reference for the Committee. The Investment Committee meets regularly as part of its governance responsibility for oversight and implementation of the investment policy. Annually, it forwards to the Board an investment review. The Investment Committee:

- Reviews and recommends to the Board investment objectives and policies for the Endowment and Non-Endowed funds.
- Approves investment manager mandates, appointments and terminations.
- Monitors compliance to the investment policy.
- Reviews investment manager mandates and performance.
- Addresses and resolves any identified non-compliance matters.

Management provides the Investment Committee with quarterly reports on investment performance. To assist management with this responsibility, the services of independent external consultants that specialize in performance measurement are engaged. Management also has regular meetings or conference calls with external investment managers to discuss performance and other topics that may affect the assets of the University. Specialized consultants are retained from time to time to assist with governance matters, asset-liability studies and manager searches.

The Investment Committee monitors compliance with the approved investment policy, investment manager mandates and related legal aspects on a regular basis. The restructured ABCP holdings are not in compliance with the investment policy. Management has recommended that in order to maintain value, it is in the University's best interest to hold the restructured securities. In accordance with the authority delegated to the Investment Committee in this matter by the Board of Governors on September 25, 2007, the Investment Committee has approved three ABCP restructuring plans that seek to maintain value of the University's holdings. All other non-compliance issues have been immaterial, have been resolved and have not resulted in any losses.

During the year, PricewaterhouseCoopers LLP (PwC) was engaged by management to review its investment management activities. This review included documentation of the control objectives, risks (including fraud), and key controls. In addition PwC reviewed the investment governance process with respect to the role and operation of the Investment Committee. The PwC review did not identify any critical control weaknesses or governance issues but recommended several opportunities for improvement. Management will address these items in the coming year.

Endowment Funds

Endowments consist of the Unitized Endowment Pool (UEP) and a small number of other endowed funds managed outside the UEP. Endowment investments are comprised of Canadian, U.S. and international equities, Canadian government and corporate bonds, mortgages, real estate, alternative investment funds and money market instruments.

Investment Policy & Risk

The primary investment objective is to achieve a long-term rate of return that in real terms equals or exceeds total expenditures, with an acceptable level of risk. The Investment Committee has implemented a number of strategies both to meet the UEP return objectives and also to control risk through the establishment of a policy portfolio that defines both the asset mix and major asset classes:

- In order to achieve these goals, the UEP will have to maintain a higher allocation to equity and alternative investments relative to fixed income securities. This is based on projected capital market assumptions which indicate that fixed income securities will not provide a sufficient return after adjusting for inflation to meet the dual goals of maintaining the real value of assets and a strong and stable level of support to the current operations of the University. Fixed income securities will serve as a source of diversification and stability.
- Asset mix is regularly reviewed for appropriateness and its ability to achieve the primary investment objective over the long-term. Given the level of economic uncertainty and the need for capital preservation, the increased allocation to equities as contemplated by the investment policy in Exhibit 3, approved by the Board in January 2010, was not implemented during fiscal 2010.

Exhibit 3

UEP Asset Mix as at March 31, 2010

	New Policy Range Min.-Max.%	Old Policy Range Min.-Max. %	2010 Actual Asset Mix %	2009 Actual Asset Mix %
Fixed Income				
Money Market Securities	-5 - 5	-5 - 10	7.3	3.4
Bonds, Debentures, Real Return Bonds	10 - 30	20 - 40	26.8	32.1
Total	15 - 25	20 - 40	34.1	35.5
Equity				
Canadian Equity	15 - 25	10 - 20	15.1	13.1
Foreign Equity	35 - 45	40 - 60	47.2	46.7
Alternative / Non-Marketable Assets	15 - 25	0 - 10	3.6	4.7
Total	75 - 85	60 - 80	65.9	64.5

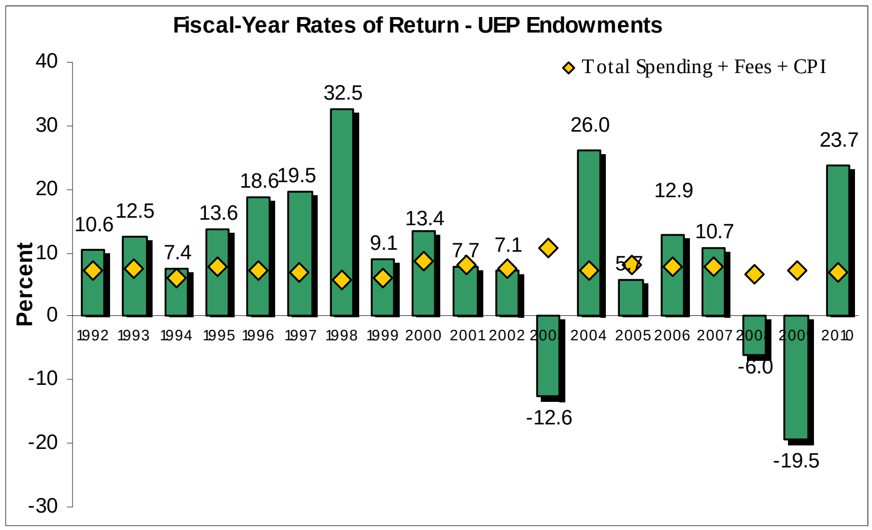
- The allocation of equities across Canada, the United States of America and other international capital markets diversifies market specific risk.
- Allocation of funds among different fund managers diversifies manager style risk. Please refer to Appendix 1 for details.
- The allocation of funds between both active and passive investment strategies controls active management risk.

- The University has retained a number of investment managers who are defensive in nature to mitigate losses in a market down-turn.
- An active currency overlay strategy has been employed to manage currency risk in the portfolio.

Investment Performance Relative to Objectives

After the 2007 credit crisis and synchronized global economic downturn in 2008, virtually all asset classes participated in major market gains this past year. The University's endowment fund fared well during the fiscal year ending March 31, 2010 with a first quartile return of 23.7% in the Canadian Master Trust Universe. This result reflects:

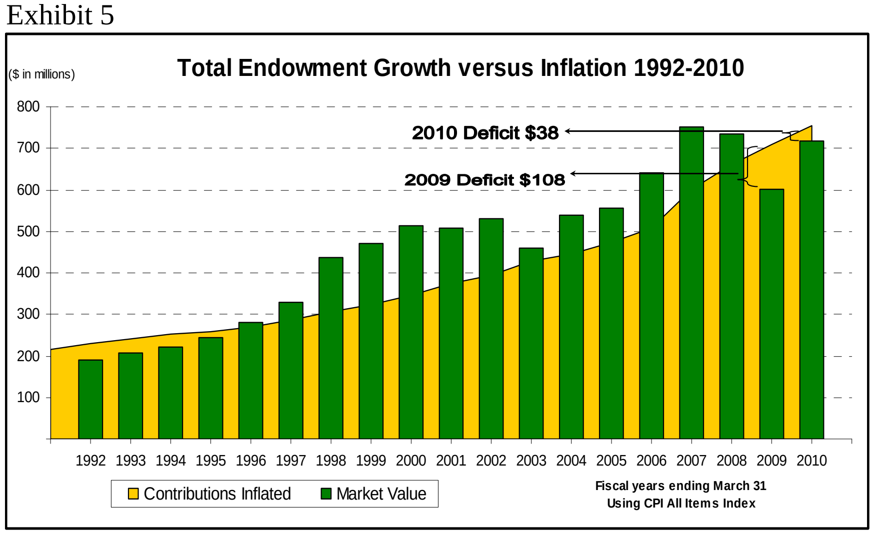
Exhibit 4



- a capital market environment in which equities generally experienced significant gains;
- the investment policy which strongly favours equities, and
- the strategic long-term investment decision to hedge 50% of the fund's exposure to foreign currencies. During the fiscal year the Canadian Dollar appreciated significantly against most other currencies and since half of the funds' assets are denominated in foreign currencies, the hedge benefitted returns.

As shown in Exhibit 4, the fund's 2010 23.7% return comfortably exceeded total spending plus CPI of 6.9%, substantially reversing the performance of the prior two years.

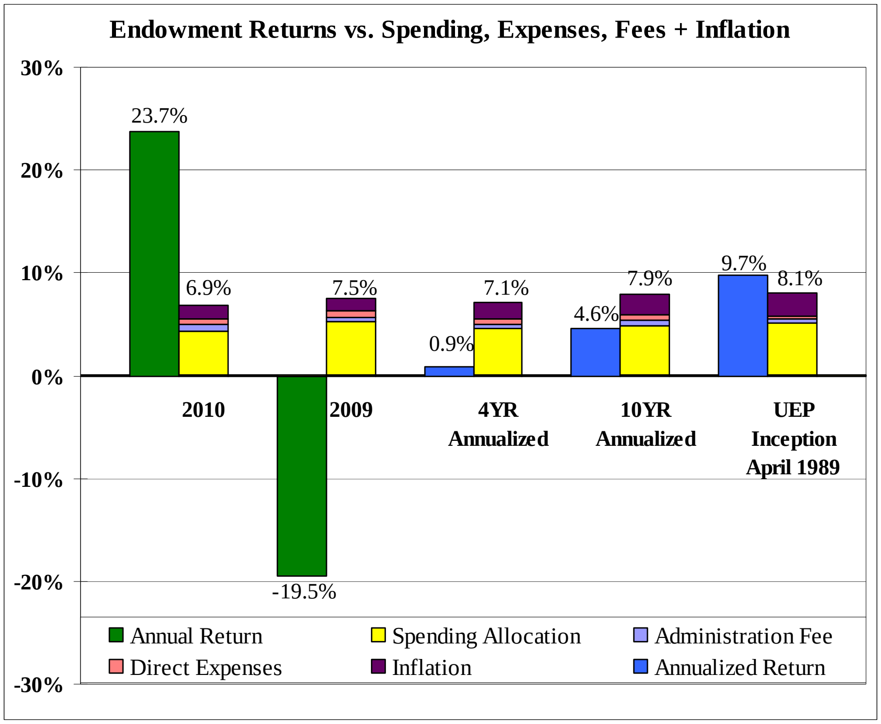
Exhibit 5



The market value of the endowments increased to $717 million, up $115 million from $602 million as of the end of fiscal 2009. This increase is comprised of $134 million in earnings, $35 million in new contributions, less $36 million in total spending for the current year and $18 million related to the prior year. During the year, the real value of the endowments increased by 16.8%. This increase was due to the aforementioned gain in market value of 23.7% on the investment assets less total expenditures of 5.5% and inflation of 1.4%. Despite this strong performance, the value of the endowment fund still trails the inflation adjusted contributions by $38 million at March 31, 2010 as shown in Exhibit 5, due to the magnitude of the losses in the prior two years.

As shown in Exhibit 6, the endowment fund has since inception, produced annualized return of 9.7%. This return has exceeded annualized total spending plus inflation of 8.1% over that time period. However this objective has not been achieved over shorter time periods,

Exhibit 6



As an example, over ten years, the endowment fund has returned 4.6% annualized for a real return of 2.6% annualized and has outperformed its benchmark by 1.7%. Nonetheless, this is below our ten year annualized total spending plus inflation of 7.9%. This under performance prompted the recently approved investment and spending policy changes which contemplate higher investment in equities and a more sustainable spending policy.

The main factor behind the 2010 performance of the portfolio was the very strong returns of global equity markets. All major world equity markets had substantial movements to the positive in fiscal 2010 as government and central bank interventions brought the global financial system back from the edge of a total collapse. In general, banks, commodity and lower quality, higher risk firms performed better than others. Canada, with globally solid banks, substantial energy and materials wealth, participated strongly in this market environment. The Canadian equity market, as measured by the S&P/TSX Capped Composite Index returned 42.2%. Mid and small cap stocks, performed even better, with returns of 62.1% and 76.9% respectively. Value outperformed growth for the year, primarily due to a rebound in banks and other financial services stocks. Outside of Canada US equity returns were also very strong. The S&P 500 Index was up 20.8% in Canadian dollars but up 46.9% in US dollars, reflecting the impact of a rising Canadian dollar. As in Canada, there was a significant rebound during the last three calendar quarters of 2009 in financial stocks. Internationally, the MSCI EAFE Index was up by 25.2% in Canadian dollars, but up by 44.7% on a local currency basis. MSCI's World Index had a Canadian dollar return of 23.6% for the year, which was 46.3% in local currency terms. Canadian bonds, as measured by the DEX Universe were up 5.1% on the year, but in a reversal from the previous year, Canadian government bonds posted negative returns while corporate bonds returned 14.8%.

Measuring Relative Performance of Endowment Funds

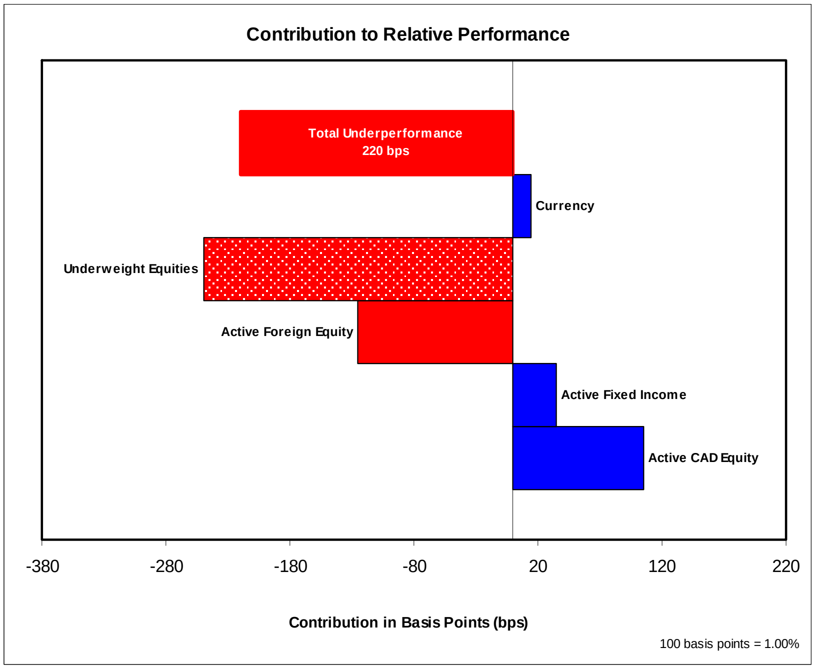
The returns of individual asset classes in the Fund are measured against established market benchmarks. The total fund return is measured against the weighted return of the current asset mix benchmark as shown in Exhibit 7. The difference between the endowment's return and the benchmark return reflects the impact of strategic and investment policy allocation decisions together with active management by our investment managers. Appendix 2 provides long-term value added information.

Exhibit 7

UEP Investment Policy Benchmark	Asset Mix Current	Asset Mix Target
DEX Universe Bond Index	30%	20%
S&P/TSX Composite Index (Cap 10)	15%	20%
MSCI World Index 50% (Hedged to CAD)	55%	40%
Absolute Return (US 3 Month T-Bill + 6.0%)	0%	8%
Private Equity (Venture Economics Index)	0%	6%
Real Estate (IPD Index)	0%	6%
	100%	100%

In spite of its 23.7% return, the fund under-performed its benchmark by 2.2% or 220 basis points. The main reason for this underperformance was, given the strong performance in equity markets, the underweight investment in equities relative to the current benchmark. The defensive style of the portfolio's non-North American managers, which was a strength in recent years, also tended to pull performance down. In contrast Canadian equities and active fixed income contributed positively to relative performance. See Exhibit 8 for attribution analysis.

Exhibit 8



The detailed performance of the portfolio by asset class relative to individual benchmarks is summarized in Exhibit 9.

Canadian equities returned 49.4% for the year, gaining 7.2% over the S&P/TSX Composite Index benchmark. This was a first quartile ranking in the Master Trust Universe of investment managers. Overall, stock selection was a key reason for the outperformance, especially in the energy and materials sectors.

US equities returned 23.0%, outperforming the S&P 500 by 2.2%. The return was in the second quartile for US equity managers in the Master Trust Universe. An overweight position and good stock selection in the financials sector, as well as underweight positions in the energy and telecom sectors added value. Small cap performance of 25.5% underperformed its benchmark by 8.2%, with poor stock selection in the information technology and consumer discretionary sectors.

The non-North American equity return of 20.6% was a fourth quartile performance during the year. The University's investment managers in this asset class construct defensive portfolios of high-quality companies and as such, their combined underperformance against the benchmark was by 4.6%. This relative underperformance is primarily attributable to underweight positions in the best two performing sectors, financials and materials. Performance was also negatively impacted by overweight positions in the more defensive telecom and health care sectors, both of which underperformed the broader index.

Exhibit 9

Return - UEP Endowments
Relative to Asset Class Benchmarks

	Year Ending March 31				Annualized	
	2010 %	**2009 %**	**2008 %**	**2007 %**	**4YR %**	**10YR %**
Short Term Return	1.8	6.5	4.5	4.1	4.2	3.7
91-day Treasury Bill Return	*0.3*	*2.4*	*4.6*	*4.2*	*2.9*	*3.2*
Fixed Income	6.1	3.0	5.6	3.6	4.6	
Fixed Income Benchmark	*5.1*	*3.2*	*6.0*	*3.6*	*4.5*	*6.8*
Canadian Equity	49.4	-29.1	-3.6	12.3	3.2	8.7
S&P/TSX Composite Index (Cap 10)	*42.2*	*-32.4*	*4.0*	*11.4*	*2.7*	*6.7*
Foreign Equity Total	21.0	-22.1	-14.7	14.1	-2.4	
MSCI World Index	*23.6*	*-29.1*	*-13.5*	*14.7*	*-3.5*	*-3.1*
Non-North American Equity	20.6	-22.5	-12.6	16.7	-1.7	
MSCI EAFE Index	*25.2*	*-34.0*	*-13.1*	*19.4*	*-3.8*	*-1.9*
U.S. Equity	23.0	-21.8	-17.7	10.4	-3.3	
S&P 500 Index	*20.8*	*-24.1*	*-15.6*	*10.6*	*-3.8*	*-4.2*
Absolute Return Strategies	18.0	-21.3	2.3	10.1	1.1	
US T-Bills + 6.0%	*6.2*	*7.2*	*10.9*	*11.1*	*8.8*	
Currency Overlay	9.3	-8.1	1.0	-0.5		
50% passively hedged benchmark	*9.0*	*-6.6*	*2.1*	*-1.3*		
Total Fund	23.7	-19.5	-6.0	10.7	0.9	4.6
Benchmark Return	25.9	-23.7	-4.2	9.9	0.3	2.9
CTU Median	21.6	-17.2	-2.5	10.8	2.3	4.8
CPI Index	1.4	1.2	1.4	2.3	1.6	2.0

Canadian fixed income came in with a return of 6.1%, exactly 1.0% above the benchmark (DEX Universe Index) return of 5.1%. With the majority of the fixed income asset class invested passively, it was the active investment managers who added value due to underweight positions in Government of Canada bonds, overweight positions in provincial and corporate bonds as well as trading strategies. The combined return of the active fixed income mandates was 8.1%, exceeding the benchmark return by 3.0%, but only slightly better than the median score for managers in the Master Trust Universe given the credit quality constraints imposed by the University Funds Investment Policy.

Absolute return strategies gained 18.0% for the year. This was 11.8% above their benchmark of US T-Bills + 6%. The performance of these hedge fund-of-funds was aided by strong returns in convertible bond arbitrage, equity long/short and distressed securities managers.

The policy to hedge 50% of the portfolio to the Canadian dollar had a positive impact on the portfolio, adding 5.1% to overall performance this year. During the fiscal year the Canadian dollar gained against every major currency. It was up by 24.0%, 17.3% and 21.7% against the US Dollar, the Japanese Yen and the Euro respectively. The Canadian dollar also appreciated against the British Pound by 17.2% and the Swiss Franc by 14.8%. With a 55% target allocation to non-Canadian securities, currency is a significant source of risk and volatility in the portfolio and it is prudent to manage this risk. The active currency overlay mandate was also a source of additional returns this past year, as the benchmark, measured by a passive 50% hedge ratio, gained 9.0%, while the manager returned 9.3%.

Other Perspectives on Relative Performance

To assist the Investment Committee in its on-going assessment of the investment policy's effectiveness, the Committee monitors the performance of other similar, though not necessarily directly comparable, funds. In the BNY Mellon Asset Servicing Canadian Master Trust Universe (CMTU), which is composed of Canadian institutional pensions, endowments, and foundations, the median fund gained 21.6%. Because of differing regulatory and operational constraints on these funds, their returns at any point in time are not strictly comparable to one another or to the University's endowment fund. Nonetheless they do provide information on the relative performance of differing investment strategies. Within this universe the endowment's investment performance was ranked in the 23rd percentile, up substantially from the 77th percentile ranking in fiscal 2009. This first quartile ranking is generally explained by the UEP's currency hedging strategy and its higher allocation to equities relative to other Canadian endowment and particularly pension funds and lower allocation to fixed income than most.

On a ten-year basis the UEP returned 4.6% versus a CMTU median return of 4.8%. The relative underperformance of the UEP stems from the fact that Canadian equities and fixed income performed better than foreign equities during the past ten years, while the UEP had a lower allocation to these two asset classes.

The University of Alberta participates in benchmark studies sponsored by the Canadian Association of University Business Officers (CAUBO) and the USA's National Association of College and University Business Officers (NACUBO). The most recent published data from these organizations is for the periods ending December 31, 2008 and June 30, 2009 respectively. This data is not fully reflective of the large gains in equity markets in 2009, making shorter-term comparisons less than informative. The University's ten year return of 4.4% for the period ending December 31, 2008 and 4.3% for the period ending June 30, 2009 both are comparable to the CAUBO and NACUBO 10 year median returns for endowments of similar size.

Spending Policy

To maintain intergenerational equity, the value of the endowments should be preserved over time in real terms. After the capital market retrenchments of 2008, as an interim measure to protect the real value of the endowments, the Board of Governors, at its March 27, 2009 meeting, approved a temporary one year reduction in the endowment spending rate from 4.25% to 3.50% for the 2010 fiscal year. As a result, a total of $28.7 million was provided to support program spending in fiscal 2010, down from the $34.7 million in fiscal 2009. In light of the recovery of the capital markets and the comprehensive studies done by management and the Investment Committee, a new spending policy was adopted by the Board of Governors in January 2010, in which the spending rate increases to 3.80% and 4.25% over the next two fiscal years. Effective April 1, 2012 the spending allocation will be indexed annually by inflation, provided that total endowment spending remains within 4.0% and 6.0% of the fund's market value. The new spending policy also contains provisions designed to restore and maintain the real value of the endowments. Inflation indexing will be subject to a minimum of 0.0% and a maximum of 5.0%. Index based adjustments to the spending allocation will not be applied unless the endowment market value exceeds the cumulative contributions indexed for inflation by at least 10.0%.

Costs

An administrative fee to support centrally funded indirect costs associated with endowment programs is charged to the endowments. For 2010 this amounted to $3.9 million (2009: $3.6 million), representing 0.6% of the average market value of the fund. The fund also incurred direct expenses of $3.3 million

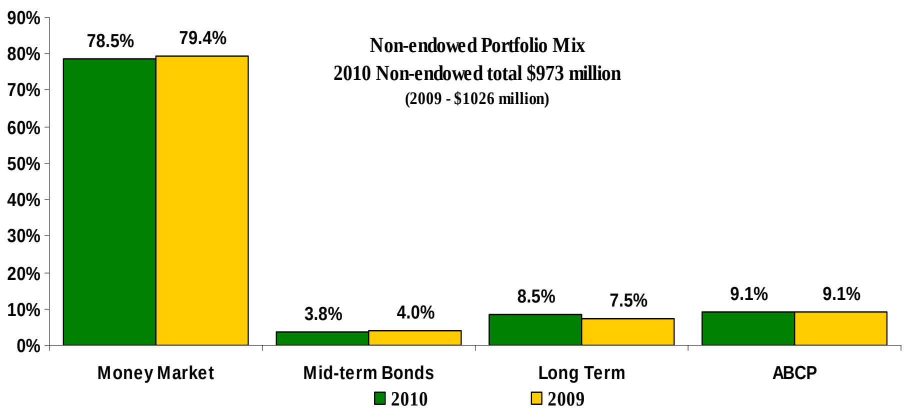
(2009: $3.2 million) or 0.5% of the average market value of the fund with respect to investment management and custodial fees.

As part of a process of monitoring and managing costs, management participated in the 2008 Defined Benefit Investment CEM Survey. CEM is a Toronto based firm that specializes in measuring the performance and costs of pension plans, foundations and endowments. To adjust for differences in fund size and asset mix, CEM calculates an individualized benchmark cost for each fund. The University's costs were below the CEM determined benchmark for funds comparable in size and structure. Furthermore, compared with a sample of 89 funds, the University's return was above median in value added while costs were slightly below median.

Non-Endowed Funds

The Non-endowed Investment Pool (NEIP) represents the University's operating, capital, and restricted funds, of which $764 million (2009 - $814 million) is held in money market instruments while the remaining $209 million (2009 - $212 million) is invested in long-term notes, bonds and equities as shown in Exhibit 10.

Exhibit 10



The investment policy approved by the Board of Governors in June 2005 identified that only a portion of non-endowed funds are required for short-term cash flow management, with the remainder being available for medium to long-term investment strategies. The policy objective of the short and mid-term funds is to earn the highest return possible on investments that ensure the security of the invested capital.

As shown in Exhibit 11, the NEIP, comprised of three distinct strategies (short, mid and long-term), recorded an overall return of 3.4% for the year (2009: 1.3% loss). The short-term money market investments had a return of 1.1% (2009: 0.0% return). This compares favourably with the benchmark DEX 91 Day Treasury Bill Index return of 0.3% (2009: 2.4%) and is primarily attributable to the portfolio's longer duration. The return of 1.1% was a first quartile performance in the Master Trust Universe.

Exhibit 11

Returns - NEIP	**Year Ending March 31**				**Annualized**
	2010 %	**2009 %**	**2008 %**	**2007 %**	**4YR %**
Short-term (combined)*	1.1	0.0	-3.2	4.4	0.5
DEX 91-day index	0.3	2.4	4.6	4.2	2.9
Mid-term bonds (combined)*	7.8	3.4	6.0	4.5	5.4
DEX short-term bond index	3.3	6.9	6.4	4.6	5.3
Long-term (UEP)	23.7	-19.5	-6.0	10.7	0.9
UEP Benchmark	25.9	-23.7	-4.2	9.9	0.3
Overall Return	3.4	-1.3	-2.8	5.6	1.2
CTU Median	0.7	2.9	4.6	4.2	3.1

* In 2010, restructured ABCP notes are included with mid-term bonds, prior to 2010 ABCP was included in short-term.

The mid-term bond portfolio had a return of 7.8% (2009: 3.4%). This exceeded the benchmark DEX Short Term Bond Index return of 3.3% (2009: 6.9%). This outperformance is primarily attributable to valuation adjustments on the restructured asset backed commercial paper (ABCP) in the portfolio

The long-term portion of the NEIP, which is invested in the UEP, added to performance with a return of 23.7% (2009: 19.5% loss).

Asset Backed Commercial Paper (ABCP)

As of March 31, 2010 the University's holdings of restructured notes and ABCP amounted to $147.3 million (2009: $165.2 million). A provision of $58.1 million representing 39.5% of the total value (2009: $72.1 million representing 42.5% of the total value) was recorded. The $17.9 million decrease in ABCP holdings reflects the fact that during the year $15.4 million in restructured notes were redeemed at par value while an additional $2.5 million in fully provisioned notes were cancelled. The $14 million decrease in the provision reflects a general improvement in credit conditions that resulted in a narrowing of credit spreads on corporate issued debt.

Exhibit 12 Asset Backed Commercial Paper Continuity Schedule

	Cost 2009	Provision 2009	Estimated fair value 2009	2010 Cost Adjustments: Redemptions and Note Cancellations	Cost 2010	Provision 2010	Estimated fair value 2010
Total	$ 165,213	$ (72,115)	$ 93,098	$ (17,951)	$ 147,262	$ (58,144)	$ 89,118

The majority of the restructured notes are investment grade. In aggregate 76% of the restructured notes by value have received an investment grade credit rating of BBB (low) or higher from the Dominion Bond Rating Service. While the maturity dates of the restructured notes vary significantly, 87% of the notes by value are expected to mature within the next seven years. It is the University's intention to hold these notes to maturity. A comprehensive long-term cash flow forecast has been prepared and management is confident that the exposure to the restructured notes does not represent a liquidity issue for the University and all obligations and commitments will continue to be met.

Going Forward

Management and the Investment Committee conducted a comprehensive investment policy and strategy review in fiscal 2010. The results of this review, completed with the assistance of two large international investment management organizations, essentially confirmed that the current policy and investment strategy are appropriate in the context of the endowment's objectives and spending policy. Based on the results of these updated asset liability studies, the target allocation to Canadian equities has been increased from 15% to 20%, and the target allocation to foreign equities has been decreased from 45% to 40%. Small modifications were also made to the underlying asset classes/strategies under alternative investments

This year's solid investment returns have narrowed the gap in value against the cumulative endowment contributions indexed for inflation. Implementation of the new investment policy together with the new spending policy is expected, over the long-term, to enable the University to eliminate the remaining gap in value and preserve endowment intergenerational equity.

At the direction of the Investment Committee, management will be making the following changes to implement the new investment policy during the 2011 fiscal year:

- Reduce the number of managers in order to simplify the overall structure of the fund, including changes to existing mandates and terminations,
- Reduce the fees paid to investment managers and custodians by increasing the size of individual mandates to take advantage of sliding fee structures,
- Position fixed income so that the majority (defined as at least 67%) is passively managed,
- Develop a comprehensive strategy for accessing all categories of alternative investments (absolute return strategies, real estate, private equity and infrastructure) that are appropriate for the University of Alberta, prioritize the various alternative investment categories and commence manager searches,
- Continue to assess the ongoing appropriateness of all existing investment strategies and mandates, and
- Research and develop a risk budgeting framework for all aspects of the investment strategy including the performance monitoring process.

Board of Governors Investment Committee established October 1997.
Investment Committee Membership for the period June 2009 to June 2010:

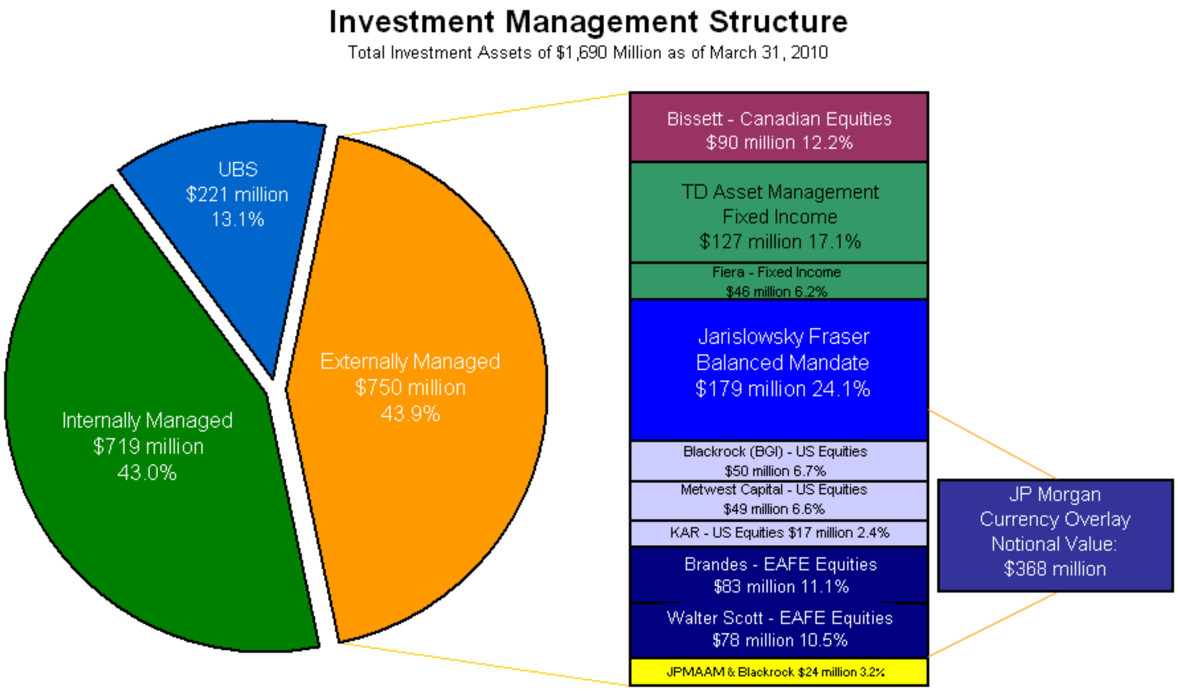
Bob Kamp, Chair (external member)
Ken Bancroft (external member)
Fred Barth (external member)
Barbara Belch (external member)
Gordon Clanachan (Board member)
Jim Drinkwater, Vice-Chair (external member)
Lynne Duncan (external member)
Marc de La Bruyère (Board member)
Allister McPherson (external member)
Brian Heidecker (ex-officio)
Linda Hughes (ex-officio)
Dr. Indira Samarasekera (ex-officio)

Prepared for Board Investment Committee by Financial Services – Investments & Treasury

Richard Allin BComm Alberta (1989), Cash Manager
Pamela Connors Diploma Nova Scotia Community College (1990), Cash Analyst
Julie Fang BComm Alberta (2009), Cash Analyst (Temporary)
Richard Iwuc CFA, MBA, BSc Manitoba (2001, 1991, 1988), Portfolio Manager
Phil Poon BComm Alberta (1985), Assistant Treasurer
Ron Ritter CA BComm Alberta (1988, 1983), Director Investments and Treasury
Chad Yaskiw BComm Alberta (2009), Senior Treasury Analyst

Appendix 1 - Investment Manager Structure

The University retains the services of fourteen external fund managers for the investment portfolio.



Asset Classes and Investment Managers as of March 31, 2010

Asset Class	Investment Manager	Endowed Assets	Non-endowed Assets	Total Assets under Management
Balanced	Jarislowsky Fraser	$161	$18	$179
Fixed Income Passive	TD Asset Management	114	13	127
Fixed Income Active	Fiera	41	5	46
Canadian Equity	Bissett Investment Management	81	9	90
US Equity	Metropolitan West Capital Management	44	5	49
US Equity	Kayne Anderson Rudnick Investment Mgmt	15	2	17
US Equity	BlackRock Canada Ltd	45	5	50
Non-North American Equity	Brandes Investment Partners	75	8	83
Non-North American Equity	Walter Scott & Partners Limited	70	8	78
Absolute Return Strategies	BlackRock Alternative Advisors	11	1	12
Absolute Return Strategies	JP Morgan Alternative Asset Management	11	1	12
Active Currency Overlay	JP Morgan Asset Management ($368 notional)	6	1	7
		$674	$76	$750
Money Market	UBS Global Asset Management	$0	$221	$221
Money Market	Internally Managed	$41	$543	$584
Fixed Income	Internally Managed	0	37	37
ABCP	Internally Managed	0	89	89
Various	Internally Managed	2	7	9
		$43	$676	$719
		$717	$973	$1,690

Appendix 2 - Long-Term Value Added

The graph below depicts the UEP's return in excess of the benchmark return since inception. The benchmark has varied over time as changes have been made to the UEP's investment policy. This graph demonstrates that active management strategies have successfully added value over the longer term. Although active management strategies detracted 2.2% in value this year, over a ten year period they have added 1.7% annualized.

The yellow bars depict annual performance in relationship to the benchmark. The blue line annualizes these amounts over a rolling ten-year period. The red line represents the cumulative value added since inception.