

Centre for Financial Studies

The Student Investment Fund is the flagship program of the Centre for Financial Studies. With the consistently outstanding success of, and considerable interest in, the SIF it became apparent that there was merit in exploring further opportunities in financial education programming. The Centre for Financial Studies builds on the SIF's traditions of excellence, innovation and commitment to building expertise in investment education in the Atlantic region.

In addition, the Centre creates academic and business partnerships. The futures Atlantic Symposium is one of the most energetic collaborative initiatives to emerge from the Centre. It combines a recruitment opportunity by national financial firms for graduates of universities in Atlantic Canada, with a robust conference agenda offered at UNB Fredericton over a two-day period. Feedback from the inaugural event in 2006 was overwhelmingly positive. Frank McKenna, Deputy Chair of TD Bank Financial Group, will present the closing keynote address at the September 2007 Symposium.

For further information or to register for this exciting event visit www.futuresatlantic.com

In collaboration with the MBA Society, the CFS featured a speaking engagement, open to the community, by Bethany McLean, former Goldman Sachs research analyst and currently senior writer at FOR-TUNE magazine. Bethany's article "Is Enron Overpriced?" set in motion a chain of events that eventually exposed one of the biggest corporate scandals in U.S. history. She is co-author of *The Smartest Guys in the Room - The Amazing Rise and Scandalous Fall of Enron*.

Sponsorship of the Centre for Financial Studies by key players in the Canadian financial community is a testament to the quality and relevance of the SIF program and our overall commitment to excellence. The Centre's work is made possible through the generous contributions of our sponsors to whom we are profoundly grateful.

Money Manager Award

On a recent visit to Toronto, the SIF class presented the Canadian Money Manager Award © to Barclays Global Investors Canada Limited. Rajiv Silgado (right), CEO of the firm, is shown holding the award, which is presented each year to the firm whose investment decision-making resulted in the highest rate of return per unit of risk. Sarah Butcher, Client Relations Associate for Barclays, was also present.



Through RBC Foundation



Student Investment Fund program
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SIF Sponsor



CENTRE FOR FINANCIAL STUDIES

SIF

STUDENT INVESTMENT FUND



ANNUAL REVIEW 2006



Student Investment Fund Opens the Markets

The University of New Brunswick's elite student portfolio management program continues to break new ground. The students and Prof. Glenn Cleland were among august company as they joined Frank McKenna, Deputy Chair of TD Bank Financial Group to open the markets at the Toronto Stock Exchange. Richard Nesbitt, CEO of the TSX Group toasted the occasion as the jubilant students could hardly contain their exhilaration. *January 10, 2007*

Real
Money. Time. Performance.

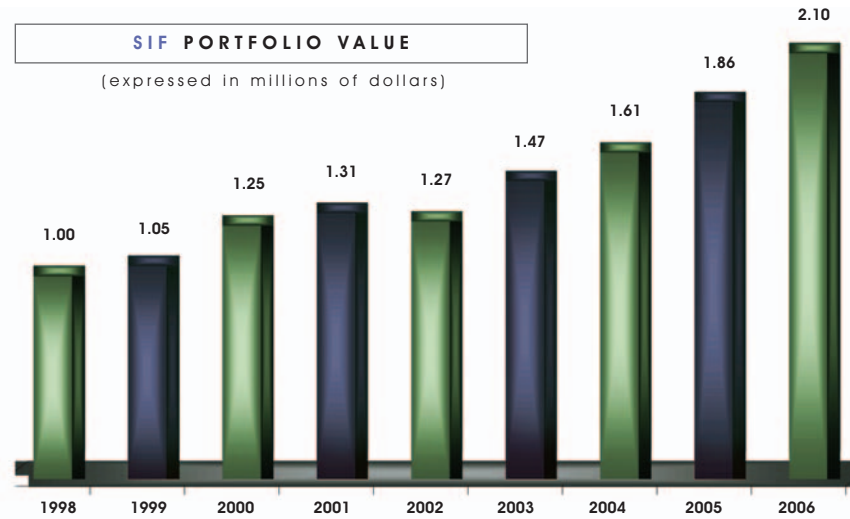
Student Investment Fund Portfolio Performance

January 1 to December 31, 2006
(expressed in percent)

	2006	4 th Quarter
Total Fund	11.85	6.19
Benchmark	12.01	5.94
Difference	(0.16)	0.25
Equities	19.16	11.16
Benchmark	19.16	10.88
Difference	0.00	0.28
Fixed Income	3.88	0.65
Benchmark	3.92	0.61
Difference	(0.04)	0.04
Short-term	4.06	1.06
Benchmark	3.98	1.04
Difference	0.07	0.02

SIF PORTFOLIO VALUE

(expressed in millions of dollars)



The student-managed fund broke through the \$2 million hurdle in October 2006 before finishing the year with a total portfolio value of \$2.1 million. Through thoughtful investment decision-making, the students have doubled the initial \$1 million investment provided by the New Brunswick Investment Management Corporation.

Investment Decisions

(expressed in percent)	SIF Portfolio ¹	SCAG ²	Difference
1 Year Return	3.88	3.92	(0.04)
Modified Duration (years)	6.85	6.94	(0.09)
Federal	47.21	61.58	(14.37)
Provincials	49.36	36.68	12.68
Municipals	3.42	1.72	1.70
Short-term (1-5 years)	34.49	41.53	(6.94)
Mid-term (5-10 years)	27.74	26.10	1.64
Long-term (10+ years)	37.67	32.17	5.50

¹ The SIF portfolio performance is calculated by NBIMC.

² SCAG refers to data derived from the Scotia Capital All Government Bond Index dated December 29, 2006.

	P/B	P/E	DIV YIELD ¹	BETA (1yr)	PEG ²
TSX 60	2.82	14.40	1.99	0.97	1.98
SIF Long (Canadian)	3.68	15.25	1.20	0.99	1.10
SIF Long (U.S.)	2.80	14.23	0.85	0.66	2.82
SIF Short	2.32	13.03	1.77	0.78	(12.29)

¹ Dividend yield is expressed in percent

² PEG ratio is calculated based on 2007 forecasted EPS growth
Sources: CPMS & Bloomberg

FIXED INCOME PORTFOLIO

As of December 31, 2006

The SIF bond portfolio yielded a 3.88% rate of return, marginally lower than its benchmark. In relation to the SCAG, the SIF students chose to invest in provincial bonds, particularly in Atlantic Canada, in order to take advantage of higher yields. The bond team favored the mid- to long-term portions of the yield curve, reflecting the forecasts of the SIF economics team.

EQUITY PORTFOLIO

As of December 31, 2006

The SIF equity portfolio yielded a return of 19.16% in 2006, on par with its benchmark return. The SIF portfolio follows a market neutral strategy, adding its value through its long/short positions. The PEG ratio of the longs versus shorts highlights the students' focus on stocks with high expected EPS growth in relation to their current P/E ratio.

The SIF Advantage

The Student Investment Fund Program offers qualifying students the opportunity to invest over \$2 million in the capital markets. The Program will celebrate its tenth year of operation in 2008 and, to date, has graduated approximately 100 students. The first of its kind in the Atlantic region, the Program was made possible by the provision of \$1 million by the New Brunswick Investment Management Corporation (NBIMC), a pension management firm with approximately \$8 billion in assets under management. Through the collaborative efforts of finance faculty members, industry professionals, and diligent and bright students, the initial investment has doubled.

Other elements of the Program which contribute to its uniqueness include:

Chartered Financial Analyst (CFA) Level I Study Program

A core component of the Program is its structured study preparation for the CFA Level I exam. Since inception, the Program's average 58% pass rate is impressive when compared to the 45% industry average pass rate. Of the ten SIF students who wrote the Level I exam in 2006, eight passed - an outstanding result. A teaching methodology, the Stairway to Employability®, developed by Program founder Glenn Cleland, embeds the study program for the CFA into the SIF. This approach combines CFA theory with the practical application of investing in capital markets. NBIMC offers scholarships to the students to partially offset the costs associated with writing the Level I exam.

TSX Group Boardroom

The TSX Group Boardroom is home to the SIF Program. A generous contribution from the TSX Group enabled the students' investment learning lab, the Boardroom, to be equipped with industry standard software. The SIF was the first university program in Atlantic Canada to acquire a Bloomberg professional real-time platform. Current SIF students have taken Bloomberg tests to demonstrate their proficiency in using the system and have become Bloomberg certified.

A number of years ago the Program became the first in the Atlantic region to be sponsored by Computerized Portfolio Management Services Inc. (CPMS). Their software allows students to perform fundamental analysis on Canadian publicly-traded securities. Morningstar contributes its database software of money managers which enables a team of

SIF students to determine the recipient of the Canadian Money Manager Award®. The Award recognizes the company whose decision-making resulted in the highest rate of return per unit of risk. Students in the Program have access to numerous brokerage websites to further facilitate their research efforts.

First-class information sources assist participants in making informed investment decisions. We can assert with confidence that our students' skills, knowledge and job-readiness have been enhanced as a result of having access to these sophisticated tools.

Investment Process

The SIF program uses an enhanced indexation approach to managing its equity portfolio. As at December 31, 2006, the SIF had outperformed the TSX 60 benchmark over the last five years by an average 16 basis points. The Fund's equity portfolio is separated into two parts: the beta portfolio, where students use exchange traded funds and a cash portfolio to equitize the market, and the alpha portfolio where students create a theoretical long and short or market neutral portfolio to generate the excess returns.

Investment Field Trips and University Competitions

Student Investment Fund Program participants get a feeling for the pace of their chosen vocation as they trek with Prof. Cleland

throughout Toronto and other financial centres. In January 2007 students covered as many as 20 visits to financial firms over a three-day period. The students were exhilarated as they (see front page) joined luminaries such as Richard Nesbitt, CEO of the TSX Group and Frank McKenna, TD Bank Financial Group Deputy Chair, to open the TSX.

Participation in investment competitions offers students the opportunity to improve their trading, credit risk and portfolio management skills and knowledge. The SIF program set the bar high when it became the first Canadian university to win a category at the prestigious international student money manager competition - Redefining Investment Strategy Education (2003, 2004). SIF students enroute to the R.I.S.E. competition at the end of March will spend a day in Chicago visiting and learning about the major U.S. derivatives exchanges (Chicago Mercantile Exchange, Chicago Board of Trade and Chicago Board Options Exchange).

In 2005, the SIF team stood proudly as the winner of the inaugural Credit Risk Case competition held at Dalhousie University. Our students are the beneficiaries of a multi-year gift from Phillips, Hager & North Investment Management whose financial assistance partially offsets the cost of attending and participating in these high-level competitions.

The 2006-07 Student Investment Fund class participated in a training seminar presented by Mario Tam (seated, right), a New York City based instructor for Bloomberg, the prestigious industry-standard platform. The Centre for Financial Studies acquired the Bloomberg professional service to enhance students' research capabilities. It is the first of its kind to be used in a university in Atlantic Canada.

