FREQUENTLY ASKED QUESTIONS

What is the long-term goal of the Fund?

Capital preservation and a five per cent average annual return is the goal over the long term. Over the 10-year period ending March 31, 2014, Acadia’s endowment has achieved an average annual return of 5.64 per cent, thereby achieving its overarching goal.

How is spending from an endowed fund determined?

Each year, the Investment Committee meets to establish the disbursement percentages (as per Investment Policy guidelines) for the current year. Acadia University uses a calculation method based on average payment over three years. The disbursement percentage is selected based on market returns, preservation of the capital of the fund, and the current year’s requirements. The three-year average is based on the market value of the Endowment Fund on December 31 in each year.

What happens in a year when investment returns fall?

The Investment Committee monitors market volatility and periods during which the market value of the funds has depreciated. It examines not only our fund’s performance, but also that of the market and comparable investment funds. The Committee also tracks each firm’s processes, staffing, and policies. Changes in any of these areas may require action by the Investment Committee.

When investment returns are negative, individual funds recognize a market value depreciation. If a fund has not had significant market appreciation in previous years (greater than the annual disbursements), it will not be able to support the current year’s disbursement. While this is difficult for the benefactors of the fund as well as for Acadia, it is essential, and University policy, for the original book value of the fund to be maintained.