



U.K. Pound



Canadian Dollar



STUDENTS TRUST INTERNATIONAL



U.S. Dollar



Euro Dollar

# ANNUAL REPORT 2009

## PRESIDENTS REPORT – 2009



The 2009 year has thankfully been one with far less trauma and excitement than 2008. The financial markets have recovered somewhat, most economies have at least stopped contracting (although the employment outlook in most of the G7 countries remain negative) and people around the world are starting to believe that the worst is over.

However, just like an earthquake, this type of event will have aftershocks that will cause short term fluctuations in currencies, interest rates and equity

markets that will test the patience of long term investors. Recently the news of financial troubles in Greece and Portugal has caused the value of the Euro to plummet and to raise the possibility of a government defaulting on their debt obligations. European stock markets have been affected by this issue as well with investors concerned about the long term health of the European Union.

For our clients whose children are attending school in Europe this is actually good news – the accumulated savings in either our Canadian or US \$ Plans will cover more of the costs of their child's education costs as a result of the more favourable exchange rate. And for all our other clients they can rest easily knowing that their government debt investment is with the two most reliable G-7 countries when it comes to borrowing guarantees – neither country has ever had a default of a government bond issue.

We have always preached about the expectation of returns for the STI Plans and how our mandate limits the size of investment returns. In 2009 several factors created a situation where our US\$ Plan generated an unexpectedly high rate of return – over 13%. We do not expect this type of result to happen again. We had built a large amount of cash in the US\$ Plan through 2008 as a result of the very low interest rate environment for US government debt – note that our 2008 US\$ return was well below our target of 6 to 8%. When the financial meltdown occurred we waited until April 2009 to make an allocation to US equities.

This allocation generated a 54% gain from April to September 2009 and when applied to the full portfolio created this unusually high return for our investment classes. It also created a problem for us at year end for the US \$ Plan – with such unprecedented growth we were now over-weighted in higher risk equity investments and in need of action to correct this. I can now say that we have sold off a large portion of the equity position and replaced it with government bonds yielding between 5 and 5.5%. Our Canadian portfolio generated returns in the range we expected – despite the downward pressure on government bond rates as a result of the strengthening of the Cdn \$ versus most major currencies.

As we have done every year since inception we donated back into each Plan amounts that the Foundation did not require for the administration of the Plans. The amounts this year are shown below along with the investment returns for both Plans.

|                  | Assets  | Investment Return | Donation  |
|------------------|---------|-------------------|-----------|
| Canadian \$ Plan | \$46.5M | 6.05%             | \$300,000 |
| US \$ Plan       | \$10.5M | 13.51%            | \$56,600  |

What this means is that the overall administration expense as a percentage of return is reduced to 0.25% on the Canadian \$ Plan and 0.43% on the US\$ Plan. When comparing to mutual fund and insurance products that invest in similar classes it puts the Students Trust International Plans in a class by itself.

As we have advised many clients, we have been working on obtaining registration of the Plans in Singapore for the last few years. We resolved all of the issues that the Singapore Monetary Authority raised except for one – the BVI regulatory landscape did not provide for registration of O'Shaughnessy Education Foundation in our home jurisdiction. As a result we asked you, the subscribers to give us the authority to move the Plans to Bermuda and obtain our registration there after which we could finalize the Singapore registration. I am pleased to report that the subscribers gave us an almost unanimous mandate to make the change and, as a result we are now registered in Bermuda (our home jurisdiction) and Singapore. This move has paid us dividends immediately as we are now in final discussions with a new distributor of our Plans for many countries in Asia.

O'Shaughnessy Education Foundation Limited, the sponsor and administrator will still have its corporate offices in British Virgin Islands; however the all activity of the Plans will be based in Bermuda.

In 2009 we made our first education payments to qualified students for both the US and Cdn Plans. While the total payout amounts were not at the levels we originally expected, we are still very pleased that we can provide such high amounts given all that has gone on in the world markets over the last two years.

For the foreseeable future we see these payout amounts remaining stable despite the fact that we are experiencing much higher participation rates for collection of education payments and much lower levels of withdrawal from the plans by subscribers. As you know, these two factors contribute to the total amount of an education payment along with the accumulated growth of investments. As a result we have adjusted the figures on our annual statements to reflect the current education payment amount. Please don't hesitate to contact your local STI Plan representative if you wish to increase your coverage as a result of this adjustment.

For 2010 our expectations are realistic – government bond yields continue to be at lower than normal levels and the equity markets are not expected to grow much, reflecting the lingering challenges of the recovery in 2009. We are expecting our new sales to increase again and our asset size to accelerate its growth after taking a breather from the 50% growth we had seen in the few years before the meltdown.

On behalf of our staff, agents around the world representing our Plan and our Board of Directors we thank you for the trust you have placed in us. We hope the information in this report is well received and we look forward to helping you realize your children's dreams for a better future though college or university education.

Tom F. O'Shaughnessy, C.A.  
President and Founder  
Students Trust International Plan

## GLOBAL: HUGE EXPANSION IN OVERSEAS CAMPUSES

A rapidly growing number of universities across the world are establishing branch campuses in other countries. In fact, the number has almost doubled to 162 in the past three years alone and has jumped eight-fold since 2002. Although the US continues to dominate with its offshore campuses scattered around the globe, more countries have become involved as hosts and providers.

A report by the Observatory on Borderless Higher Education says that among the host countries, the United Arab Emirates is the clear leader, hosting a quarter of all international branch campuses in the world.

The report says that of the existing campuses, only 35 were operating before 1999. Since September 2006, at least 49 new campuses have been established - 30% of the current total - with three new ones to be opened soon. In the same period, five international branch campuses have closed.

Most of these campuses (111 out of 162) were created by institutions in the Anglophone nations, the US continuing to overshadow all others with its 78 offshore bases accounting for 48% of the total. The US is followed by Australia with 14 campuses, 9% of the total number, the UK with 13 or 8% of the total, and France and India each with 11. Several other countries, including Mexico with seven small campuses, the Netherlands with five, Malaysia with four and Canada and Ireland with three each, operate multiple branches abroad.

Below is a list of some better known US universities that have set up satellite campuses:

- American University - Dubai, U.A.E.  
<http://www.aud.edu/>
- Carnegie Mellon University Heinz School - Adelaide, Australia  
<http://www.heinz.cmu.edu.au/>
- Cornell University - Singapore  
<http://www.gms.edu.sg/>
- Georgetown University School of Foreign Service - Doha, Qatar  
<http://www1.georgetown.edu/sfs/qatar/>
- Johns Hopkins—Nanjing University Center for Chinese and American Studies - Nanjing, China  
<http://www.sais-jhu.edu/Nanjing/>
- Massachusetts Institute of Technology - Singapore  
<http://web.mit.edu/SMA/>
- Ohio University - Hong Kong, China  
<http://www.ohiou.edu/hk/>
- Temple University - Tokyo, Japan  
<http://www.tuj.ac.jp/newsite/main/index.html>
- University of Chicago, Graduate School of Business - Singapore  
<http://www.chicagogsb.edu/visit/singapore/index.aspx>
- University of Maryland, Robert H. Smith School of Business - Beijing and Shanghai, China  
<http://www.rhsmith.umd.edu/emba/china/>
- University of Nevada, Las Vegas - Singapore  
<http://www.unlv.edu.sg/>
- Virginia Tech University - Mumbai, India  
<http://www.international.pamplin.vt.edu/mitIndia/>
- Yale University - Peking University - Beijing, China  
<http://www.yale.edu/iefp/pku-yale/>

The primary destinations for an English speaking university or college education are the United States, Great Britain, Canada and Australia. We provide for you the top 5 Universities in each country along with websites that assist foreign students.



### United States - Total Students 2008 - 671,616

- Harvard
- Stanford
- Yale
- University of Chicago
- MIT (Massachusetts Institute of Technology)

[www.educationusa.state.gov](http://www.educationusa.state.gov)

US Government State Department site

<http://www.edupass.org>

Private company site covers all subjects

<http://www.abroadplanet.com>

Students run site for foreign students to connect



### Great Britain - Total Students 2008 - 341,795

- Cambridge
- Oxford
- Edinburgh University
- University College London
- Manchester University

<http://www.ucas.ac.uk/>

Non profit organization responsible for managing applications to higher education courses in the UK

<http://www.ukcisa.org.uk>

Promotes and protects the needs of international students in the UK

<http://www.educationuk.org>

UK international organization for cultural relations and educational opportunities



### Australia - Total Students 2008 - 182,770

- Australian National University
- University of Sydney
- University of Melbourne
- University of Queensland
- Monash University

<http://www.studyinaustralia.gov.au>

Australian Government site that is all encompassing

<http://www.nlc.edu.au>

NLC is the national peak body for all International Students in Australia

<http://www.ausaid.gov.au/scholar/studyin.cfm>

Australian Development Scholarships (ADS) are a bilateral program within the Australian scholarships program



### Canada - Total Students 2008 - 178,486

- McGill University
- University of Toronto
- University of British Columbia
- McMaster University
- University of Alberta

<http://www.cic.gc.ca/english/study>

Canadian Government site that is all encompassing

<http://www.schoolsincanada.com>

Private company site to assist foreign students

<http://www.scholarships.gc.ca/scholarshipsnoncdn-boursesetr-eng.aspx>

Scholarships for foreign students

**INVESTMENT COMMENTS BY: HSBC Private Bank** 

The world economy in 2010 has returned to a growth trajectory as anticipated in our previous reports. Some – such as the United States and China – have exceeded growth expectations, while some, primarily in Europe, have lagged behind expectations since the start of the year. For the balance of 2010, we expect those economies that have recovered the fastest to slow down their rate of growth, but remain in positive territory for the second half and the year as a whole. Those countries which have yet to put in a strong showing will likely continue on their leisurely recovery pace, for reasons well described in this document.

What does it mean for markets? The headwinds of excessive debt in developed markets will fight the global economic recovery, generating uncertainty and volatility in many markets. For investors, we believe this means remaining invested in riskier assets, albeit with more emphasis on high quality assets: dividend paying companies, investment grade bonds, income producing real estate and blue chip hedge funds. Tactical investment in some markets, currencies and even some government bonds which have been oversold in the recent scare could be rewarding in the near term. Overall, we believe that this is a time for investors to be nimble but not excessively pessimistic.

**Fixed Income**

Fixed income assets are likely to be challenged on many fronts in the coming months. Central bank quantitative and monetary easing is almost completely over, and some countries are already in tightening mode. Developed market sovereigns are struggling with high debt loads and markets may continue to penalise them in the form of higher risk premia unless deficits are cut aggressively. These are the main reasons for our more negative view on developed market sovereign debt. However, on the positive side, markets' inflation expectations may be exaggerated. Corporates' and many emerging market sovereigns' finances are much healthier, and they should continue to see strong investor interest. Therefore, we remain positive on high quality credit.

**INVESTMENT COMMENTS BY:  ScotiaMcLeod**

Output growth around the world continues to gain momentum, underpinned by very accommodative monetary and fiscal policies, the gradual re-opening of credit taps, and the strong cyclical upswing in inventory restocking. In particular, we have raised our above-consensus 2010 forecast for Canada slightly, reflecting a stronger early-year performance. Nevertheless, the renewed upward trend in borrowing costs, emerging fiscal restraint, household deleveraging in many overindebted countries, restructuring in a number of key industries, and the reregulation of the financial sector should contribute to a more moderate growth performance in 2011.

Inflation is moving higher in developed countries such as Canada, and developing nations like India, where the pace of domestically generated activity continues to quicken. Although deflationary conditions persist in a number of countries, Japan for one, price pressures are slowly beginning to emerge in many countries in response to highly accommodative policies, stronger demand, and rising commodity prices.

Longer-term borrowing costs should continue to move higher, in

line with our longstanding views. A number of factors are contributing to the renewed upward trend, such as the sharp escalation in the issuance of government debt to finance recession-bloated public sector balance sheets, the rise in sovereign risk - especially in some of the peripheral European countries where the prospects for fiscal repair are more limited - as well as expectations for an eventual firming in monetary policy as the recovery becomes more embedded.

We expect that the benchmark Treasury 10-year bond yield will likely move above 5% in the first half of 2011 before edging somewhat lower as the structural headwinds increasingly drag on U.S. growth. Canadian yields should rise in tandem, though comparatively better underlying economic and fiscal fundamentals will keep domestic longerterm yields below those in the United States.

**INVESTMENT COMMENTS BY:  BMO  Nesbitt Burns**

We are leaving our recommended asset allocation unchanged at the present time. We continue to believe that investors should emphasize risky assets – ideally stocks – in their portfolios because government bond yields persist at low levels, North American stock markets appear reasonably valued, and important drivers of corporate profits continue to power earnings higher.

Since December 2008, we have recommended that those investors wary of taking advantage of the very compelling valuations in the equity markets invest in the investment-grade and high-yield corporate debt markets, according to their tolerance for risk, to take advantage of the yields available.

Since late 2009, we have written that we believe that the bull market in investment-grade corporate debt has mostly run its course, and that further capital gains in this sector will be hard-won. We have also written that we believe high-yield corporate debt has a bit of further room to run, and we continue to believe that to be true, but we recommend against the establishment of any new positions in the high-yield sector of the corporate debt markets.

In our recommended asset allocation table, we denoted this recommendation with an asterisk, to reflect our preference for equity, but the use of corporate debt as an equity proxy for those investors unwilling to commit to the equity market. In this edition of Portfolio Strategy, we remove the asterisk to reflect our recommendation that investors who have been using corporate debt redeploy those funds into equities.

|              | Recommended | Benchmark |
|--------------|-------------|-----------|
| Cash         | 10          | 5         |
| Fixed Income | 55          | 70        |
| Equity       | 35          | 25        |

Investors still appear to be hoarding cash and cash equivalents, to the detriment of the returns on their portfolios. Their motivations likely run the gamut from risk aversion to an expectation that interest rates will sharply rise in the near future. However, the government bond yield curve, which represents the relationship between term to maturity and yield to maturity, is near its steepest pitch in decades, if not its steepest ever.

## ADMINISTRATION REPORT

For subscribers who have chosen the annual or 5YR annual method of deposit, your deposit is due on the anniversary date of the agreement (as noted in your welcome package). Please make all deposits by wire transfer to the Trustee HSBC, as follows:

### DEPOSITS FOR THE CDN\$ PLAN

**Beneficiary Bank:** The Hong Kong & Shanghai Banking Corporation, LTD

**Beneficiary Bank Address:** 1 Queen's Road Central, Hongkong

**Bank Code:** 004 (optional)

**Swift Code:** HSBCHKHCHKH

**Beneficiary Account Name:**

HSBC International Trustee Ltd as trustee of the Student International Plan - CD\$

**Beneficiary Account Number:** 808-313779-838  
(Business Vantage Account)

**Important Additional Instruction:**

\*Client must write this clearly on instruction: "Please remit to CA\$ account"

\*Please make sure the remitting bank identifies your STI Agreement # on the wire confirmation.

### DEPOSITS FOR THE US\$ PLAN

**Beneficiary Bank:** The Hong Kong & Shanghai Banking Corporation, LTD

**Beneficiary Bank Address:** 1 Queen's Road Central, Hongkong

**Bank Code:** 004 (optional)

**Swift Code:** HSBCHKHCHKH

**Beneficiary Account Name:**

HSBC International Trustee Ltd as trustee of the Student International Plan - US\$

**Beneficiary Account Number:** 808-313761-838  
(Business Vantage Account)

**Important Additional Instruction:**

\*Client must write this clearly on instruction: "Please remit to US\$ account"

\*Please make sure the remitting bank identifies your STI Agreement # on the wire confirmation.

### DEPOSITS FOR THE BERMUDA PLAN

**Correspondent Bank:**

Royal Bank of Canada  
180 Wellington St.W. 6th Floor  
Toronto, Ontario M5J 1J1 Canada  
Swift Code: ROYC CAT2

**Beneficiary Bank:**

The Bank of Bermuda Limited  
6 Front Street Hamilton Bermuda  
Swift Code: BBDABMIM

**Beneficiary Account Number:** 010-739639-511

**Beneficiary Name:**

Bermuda Trust Company Limited as trustee of the STI Bermuda Plan

**Beneficiary Address (use only if required by remitting bank):**

Compass Point, 9 Bermudiana Road  
Hamilton, HM 11 Bermuda

**Important Additional Instruction:**

Please make sure the remitting bank identifies your STI Bermuda Agreement # on the wire confirmation. Please send a copy of wire receipts to your respective agent or at jspeers@stiplan.net after funds are remitted by your bank.

## EDUCATION PAYMENT APPLICATION PROCESS FOR PLAN BENEFICIARIES

### 1. When are Education Payments distributed?

As soon as the Beneficiary sends an STI Official Education Payment Application that confirms enrolment/registration to a Qualifying Education Program of college or university education. For Bermuda Plan Beneficiaries receive payments for Academic Year 2, 3 and 4. For CDN\$ and US\$ Plans Beneficiaries receive payments for Academic Year 1,2,3 and 4.

### 2. How do I get an STI Official Education Payment Application ?

Applications are automatically sent to beneficiaries (via e-mail) in May of every year. Please make sure you provide us with your most current e-mail address.

### 3. Only the original STI Official Education Payment Application document is accepted for evaluation (no copies)

Please send your document by courier or registered mail to:

Students Trust International Plan  
c/o O'Shaughnessy Education Foundation  
The Exchange Tower, PO Box 427  
130 King St.W. Suite 1800  
Toronto, Ontario  
Canada M5X 1E3

### 4. Can I receive credit for Certificate Programs?

In some cases courses taken in secondary school or college qualification schools are accepted as equivalent to courses in a college or university stream.

To be considered for credit you must submit a Certified True copy of the certificate (via courier or registered mail), along with your STI Official Education Payment Application. The following programs are currently recognized:

- i) "A Levels" Certification or equivalent
- ii) International Baccalaureate Diploma (IBO)
- iii) Foundation Level Certificate of Completion

### 5. What if I need an STI Official Education Payment Application before May?

Just go to [www.stiplan.com](http://www.stiplan.com), double click on the link at the bottom of the homepage "How To Apply for your Education Payment". Follow the directions and print the Application in Word File.

## STI PLAN CLIENT SERVICE INFORMATION

Bermuda Subscribers please send enquiries to: [service@stiplan.net](mailto:service@stiplan.net)  
All other inquiries please send to: [jspeers@stiplan.net](mailto:jspeers@stiplan.net)  
To leave a voicemail message please call our customer service line +1-905-231-1142

