

Endowment Pool

Since the founding of the University of Florida (UF) in 1853, generous alumni, corporations, foundations, parents and friends have contributed financial resources to assist UF in achieving its long-term mission of providing a superb education for undergraduates while maintaining excellent graduate programs and professional schools. As a result, UF’s total endowment market value is among the largest public university endowments in the United States.

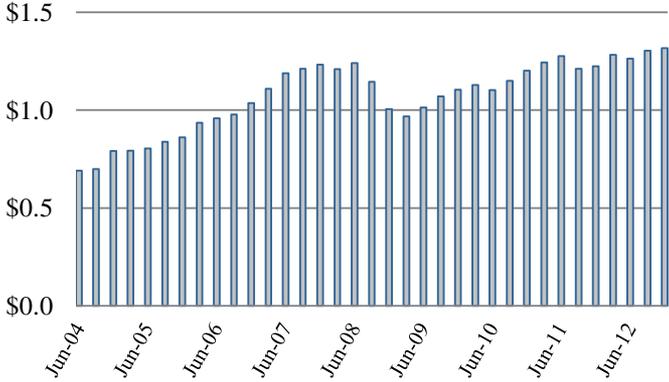
The UF endowment assets reside with the University of Florida Foundation (UFF). UFF is a private, not-for-profit, 501(c)(3) direct support organization of UF that raises and manages all gift money for the benefit of UF. UFF’s management of the Endowment Pool is designed to accomplish two goals:

1. Provide a total return from assets invested that will preserve or increase the purchasing power of the endowment capital, and;
2. Generate the maximum current spendable income stream to support activities of funds held for colleges and units of UF.

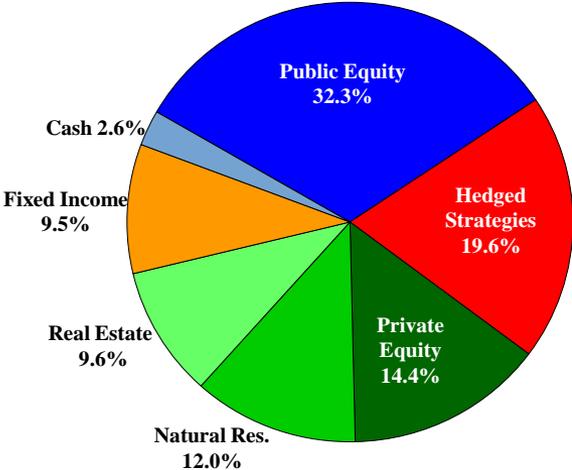
The investment of the Endowment Pool is overseen by the Finance Committee of the UFF Board of Directors, which establishes the goals and performance benchmarks for the pool.

Endowment Assets

(in billions)



Asset Allocation



Investment Management

UFF’s endowment assets are managed by the University of Florida Investment Corporation (UFICO). UFICO was created by the UF Board of Trustees in June 2004 to manage the long-term investable assets of UF and its affiliates. UFICO’s assets under management are approximately \$2.0 billion.

UFICO is governed by a Board of Directors appointed by UF’s President. The Board approves the investment policies, objectives and broad asset allocations for the investment pools managed by UFICO and approves all investment manager and service provider changes for amounts greater than 3% of assets.

UFICO Staff members oversee the day-to-day operational investment activities subject to the policies established by the Board. The Staff performs manager due diligence on current and prospective investment managers, and retains or dismisses investment managers and service providers for amounts up to 3% of assets.

December 31, 2012

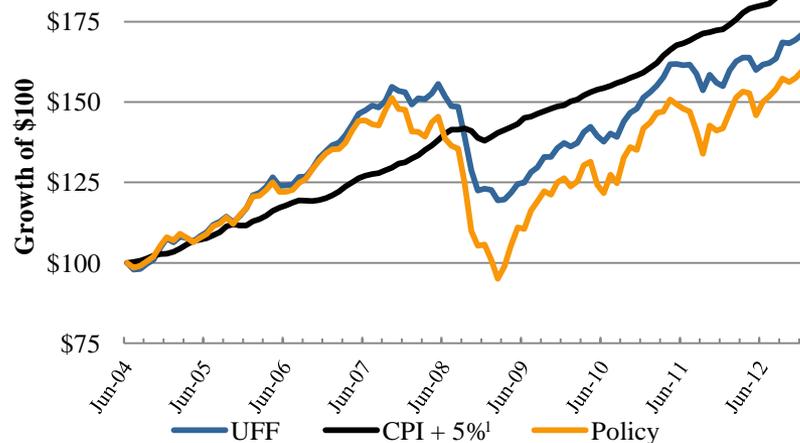
Investment Objective

Through UFICO’s management of the Endowment Pool, UFF seeks to achieve an annualized real rate of return of at least 5.2% net of fees to preserve and enhance the purchasing power of the endowment. To measure performance results, returns are compared against the following benchmarks:

- CPI + 5.2% Benchmark¹ – The consumer price index plus the current gross spending rate for the endowment. This is a measure of the purchasing power of the endowment over time considering the effects of inflation.
- UFICO Policy Benchmark – This is an asset-weighted composite index which represents a passive implementation of the Pool’s strategic asset allocation.

Returns are measured over the long-term as the Endowment Pool is able to tolerate variability in short and intermediate-term given its long investment horizon.

Purchasing Power Inception to Date²

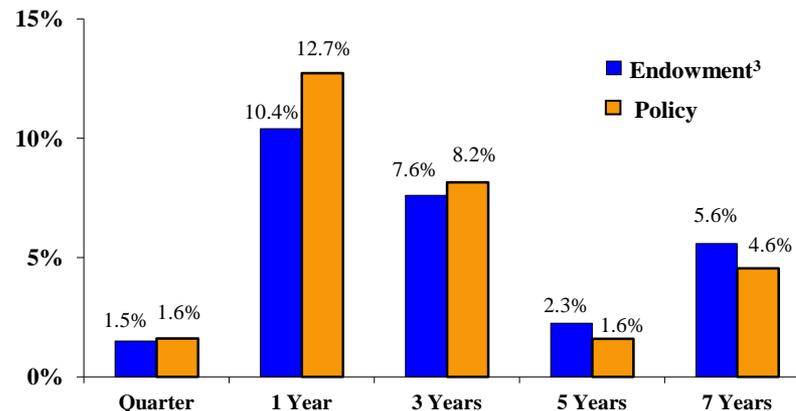


¹ Benchmark consists of CPI +5% from 6/1/04 – 6/30/09, CPI + 5.3% from 7/1/09 to 6/30/12, and CPI + 5.2% from 7/1/12 to date.

² UFICO inception of June 2004.

³ Actual returns are net of all investment management fees, but gross of UFF annual management fees.

Endowment Pool Returns



Performance Commentary

Coming off the strong results from the prior quarter, the S&P 500 Index was off by -0.4% for the quarter-ended December 31st while the MSCI ACW Index was up 2.9% for the quarter. The UFF Endowment Pool gained 1.5% during the quarter, just behind its Policy Benchmark return of 1.6% for the quarter. The Public Equity, Private Equity and Natural Resources portfolios all added value during the quarter, but not enough to compensate for other asset classes that detracted. The Public Equity portfolio returned 3.7% versus its benchmark return of 2.9% for the quarter, and the Private Equity and Natural Resources portfolios returned 1.4% and 0.8%, respectively, versus their benchmark return of 0.4% for the quarter. The primary detractor was the Hedged Strategies portfolio which returned -0.6% for the quarter versus its benchmark return of 1.5% for the quarter.

For the 12 month period ended December 31st, the UFF Endowment Pool returned 10.4%, behind the Policy Benchmark return of 12.7% for the same period. During the trailing three-, five-, and seven-year periods, the UFF Endowment Pool was up 7.6%, 2.3%, and 5.6%, respectively, versus the Policy Benchmark returns of 8.2%, 1.6%, and 4.6% over the same periods.