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.

Since the inception of the University of Florida Investment Corporation (UFICO) in June 2004, the investment of the Endowment Pool has been managed by UFICO and overseen by the Finance Committee of the UFF Board of Directors, which establishes the goals and performance benchmarks for the pool.

Through UFICO’s management of the Endowment Pool, UFF seeks to achieve an annualized real rate of return of at least 4.7% 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 + 4.7% Benchmark – The consumer price index plus the average 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 the short and intermediate-term given its long investment horizon.
### Asset Allocation

**June 30, 2014**

**Actual**

- Public Equity: 35.6%
- Hedged Strategies: 27.7%
- Private Equity: 12.4%
- Natural Resources: 10.7%
- Real Estate: 6.8%
- Fixed Income: 5.5%
- Cash: 1.3%

**Active Target**

- Public Equity: 36.0%
- Hedged Strategies: 27.0%
- Private Equity: 13.0%
- Natural Resources: 10.0%
- Real Estate: 7.0%
- Fixed Income: 7.0%
- Cash: 0.0%

**Strategic Target**

- Public Equity: 34.0%
- Hedged Strategies: 26.0%
- Private Equity: 13.0%
- Natural Resources: 10.0%
- Real Estate: 7.0%
- Fixed Income: 10.0%
- Cash: 0.0%

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Actual 6/30/14</th>
<th>Active Target</th>
<th>Strategic Target</th>
</tr>
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<tbody>
<tr>
<td>Public Equity</td>
<td>35.6%</td>
<td>36.0%</td>
<td>34.0%</td>
</tr>
<tr>
<td>Hedged Strategies</td>
<td>27.7%</td>
<td>27.0%</td>
<td>26.0%</td>
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<tr>
<td>Private Equity</td>
<td>12.4%</td>
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</tr>
<tr>
<td>Natural Resources</td>
<td>10.7%</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6.8%</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>5.5%</td>
<td>7.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Cash</td>
<td>1.3%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
The quarter ended June 30th was another strong one for the US equity markets. After an April pull back, the S&P 500 Index was up 5.2% for the quarter and hit a new all time high. Market gains were driven largely by signs of continued economic growth. Developed international markets were also up for the quarter despite the geopolitical turmoil in Eastern Europe. The MSCI EAFE Index was up 4.1% for the quarter. Emerging markets lead global markets with the MSCI Emerging Markets Index up 6.6% for the quarter, representing a recovery from the weakness of the prior quarter. The fixed income markets rallied again in the quarter with the Barclays Aggregate Bond Index up 2%. The 10-year Treasury rate declined over the quarter to 2.5%, defying expectations and with a spike in volatility.

The UFF Endowment Pool gained 3.1% for the quarter, just behind its Policy Benchmark return of 3.3%. While the Endowment did benefit from its overweight position to risk assets versus fixed income and from the strong relative performance of the Hedged Strategies, Private Equity and Natural Resources asset classes, the poor relative performance in the Public Equity, Fixed Income, and Real Estate portfolios provided too much of a detraction during the quarter. The Public Equity portfolio returned 3.9% for the quarter, behind its respective benchmark return of 5.0%. The poor relative performance in the Public Equity portfolio was primarily attributable to the active management in the global equity space. The Hedged Strategies portfolio delivered another strong quarter returning 3.5% and outperforming its benchmark return of 1.9% for the quarter. For the fiscal year, the Hedged Strategies portfolio has outperformed its benchmark now by 480 basis points. The Fixed Income portfolio struggled some returning 2.2% for the quarter versus 2.7% for its respective benchmark due primarily to the portfolio’s shorter duration stance and the challenging performance from a portable alpha strategy.

The Private Equity and Natural Resources portfolios, with returns of 3.6% and 3.0%, respectively, for the quarter, both outperformed their respective benchmark returns of 3.5% and 1.6%. Returns in the Private Equity portfolio were driven by the venture growth equity space, while returns in the Natural Resources portfolio were driven by infrastructure with energy also being a major contributor. The Real Estate portfolio returned 2.1% during the quarter but struggled to keep pace with its respective benchmark which returned 3.2% for the quarter.

For the 12 month period ended June 30th, the UFF Endowment Pool returned 13.8%, behind the portfolio’s Policy Benchmark return of 15.1% for the same period. During the trailing three-, five-, and seven-year periods, the UFF Endowment Pool was up 7.5%, 9.9%, and 4.5%, respectively, versus the Policy Benchmark returns of 9.2%, 10.6%, and 4.2% over the same periods.

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