Quarterly Performance Report

UF Foundation - Endowment

September 30, 2014
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

**UF Foundation - Endowment**

**September 30, 2014**

#### Actual

- Public Equity: 35.1%
- Fixed Income: 5.5%
- Real Estate: 6.4%
- Natural Resources: 10.5%
- Private Equity: 13.2%
- Hedged Strategies: 27.9%
- Cash: 1.4%

#### Active Target

- Public Equity: 38%
- Fixed Income: 7%
- Real Estate: 7%
- Natural Resources: 8%
- Private Equity: 13%
- Hedged Strategies: 27%

#### Strategic Target

- Public Equity: 34%
- Fixed Income: 10%
- Real Estate: 7%
- Natural Resources: 10%
- Private Equity: 13%
- Hedged Strategies: 26%

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Actual 9/30/14</th>
<th>Active Target</th>
<th>Strategic Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>35.1%</td>
<td>38.0%</td>
<td>34.0%</td>
</tr>
<tr>
<td>Hedged Strategies</td>
<td>27.9%</td>
<td>27.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>13.2%</td>
<td>13.0%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>10.5%</td>
<td>8.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6.4%</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>1.4%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
The quarter ended September 30th was marked by growing global concerns. An increase in geopolitical disruptions abroad and signals of slower global economic growth contributed to the higher volatility experienced during the quarter. Although U.S. stocks hit new highs in September, the S&P 500 Index was up only slightly at 1.1% for the quarter. Developed international markets did not fare as well. The MSCI EAFE Index was down -5.9% for the quarter with a strengthening dollar and growth concerns pressuring valuations. Emerging markets also experienced headwinds in the quarter as credit conditions have tightened. The MSCI Emerging Markets Index was down -3.5% for the quarter. The fixed income markets saw an uptick in interest rate volatility during the quarter but showed little movement with the Barclays Aggregate Bond Index up only 0.2%.

The UFF Endowment Pool gained 1.2% for the quarter, outperforming its Policy Benchmark return of 0.8%. The Endowment benefited from its overweight position to risk assets versus fixed income during the quarter and from the strong relative performance of the Public Equity, Hedged Strategies, Private Equity and Real Estate asset classes. The Public Equity portfolio returned -1.8% for the quarter, ahead of its respective benchmark return of -2.3%. The outperformance in the Public Equity portfolio was primarily driven by the active management in the emerging markets portfolio. The Hedged Strategies portfolio has continued to outperform returning 0.2%, ahead of its benchmark return of -0.1% for the quarter. Global macro and relative value strategies drove the outperformance in the quarter. The Fixed Income portfolio struggled some returning -1.3% for the quarter versus -0.9% for its respective benchmark due primarily to the portfolio’s shorter duration stance.

The Private Equity and Real Estate portfolios, with returns of 5.1% and 3.8%, respectively, for the quarter, both outperformed their respective benchmark returns of 4.1% and 3.0%. Returns in the Private Equity portfolio were driven by the venture growth equity space. The Natural Resources portfolio had a strong absolute return of 8.8% during the quarter driven by infrastructure with energy also being a major contributor. While accretive to the overall Endowment return, the Natural Resources portfolio did however trail its respective benchmark which returned 9.2% for the quarter.

For the 12 month period ended September 30th, the UFF Endowment Pool returned 11.8%, ahead of the portfolio’s Policy Benchmark return of 11.7% for the same period. During the trailing three-, five-, and seven-year periods, the UFF Endowment Pool was up 9.7%, 8.9%, and 4.4%, respectively, versus the Policy Benchmark returns of 11.2%, 9.4%, and 3.9% over the same periods.

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