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.
### Strategic Target
- **Public Equity**: 35.0%
- **Hedged Strategies**: 26.0%
- **Private Equity**: 13.0%
- **Real Estate**: 6.0%
- **Natural Resources**: 10.0%
- **Fixed Income**: 10.0%
- **Cash**: 0.0%

### Active Target
- **Public Equity**: 35.0%
- **Hedged Strategies**: 29.0%
- **Private Equity**: 13.0%
- **Real Estate**: 6.0%
- **Natural Resources**: 10.0%
- **Fixed Income**: 7.0%
- **Cash**: 1.7%

### Actual 12/31/14
- **Public Equity**: 36.9%
- **Hedged Strategies**: 27.6%
- **Private Equity**: 13.0%
- **Real Estate**: 5.7%
- **Natural Resources**: 9.7%
- **Fixed Income**: 5.4%
- **Cash**: 1.7%

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Strategic Target</th>
<th>Active Target</th>
<th>Actual 12/31/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Equity</td>
<td>35.0%</td>
<td>35.0%</td>
<td>36.9%</td>
</tr>
<tr>
<td>Hedged Strategies</td>
<td>26.0%</td>
<td>29.0%</td>
<td>27.6%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>13.0%</td>
<td>13.0%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>10.0%</td>
<td>10.0%</td>
<td>9.7%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6.0%</td>
<td>6.0%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10.0%</td>
<td>7.0%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Cash</td>
<td>0.0%</td>
<td>0.0%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
The quarter ended December 31st saw strong gains for US equities, but markets were volatile after a period of stable gains. After enduring its biggest daily decline in over two years, the S&P 500 Index managed to reach new highs and finish up 4.9% for the quarter. Developed international markets did not fare as well. The MSCI EAFE Index was down -3.6% for the quarter with a strengthening dollar and growth concerns pressuring valuations. Emerging markets experienced another difficult quarter with oil accelerating its decline and continued currency weaknesses. The MSCI Emerging Markets Index was down -4.5% for the quarter bringing it into negative territory for the year. The fixed income markets saw a flattening of the yield curve as yields on the 10-year Treasuries dropped to 2.17% and 30-year Treasuries dropped to 2.75%, their lowest in over 12 months. The Barclays Aggregate Bond Index was up 1.8% for the quarter.

The UFF Endowment Pool gained 0.8% for the quarter, just ahead of its Policy Benchmark return of 0.7%. While both the Public and Private Equity portfolios added value through manager selection, the benefit was offset by the underperformance in the Hedged Strategies, Real Estate and Fixed Income portfolios. The Public Equity portfolio returned 1.0% for the quarter, ahead of its respective benchmark return of 0.4%. The Hedged Strategies portfolio returned 0.9% for the quarter, trailing its benchmark return of 1.1% for the quarter. Global macro and event driven strategies struggled in the quarter. The Fixed Income portfolio returned -1.1% for the quarter versus +1.1% for its respective benchmark due to the portfolio’s shorter duration stance and the poor relative performance from a global bonds allocation.

The Private Equity and Natural Resource portfolios, with returns of 1.9% and 0.6%, respectively, for the quarter, both outperformed their respective benchmark returns of -0.6% and 0.4%. The Real Estate portfolio returned 0.6% during the quarter but trailed its respective benchmark which returned 3.7% for the quarter.

For the fiscal year-to-date period ended December 31st, the UFF Endowment Pool is up 2.0%, which is 40 basis points ahead of its Policy Benchmark for the period. For the 12 month period ended December 31st, the UFF Endowment Pool returned 7.2%, trailing the portfolio’s Policy Benchmark return of 7.8% for the same period. During the trailing three-, five-, and seven-year periods, the UFF Endowment Pool was up 9.7%, 8.3%, and 4.2%, respectively, versus the Policy Benchmark returns of 10.8%, 9.0%, and 3.8% over the same periods.

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