



**UF** | UNIVERSITY *of* FLORIDA  
INVESTMENT CORPORATION

**Annual Performance Report**

**UF Foundation – Endowment Pool**

Fiscal Year-ended June 30, 2017

## Endowment Pool

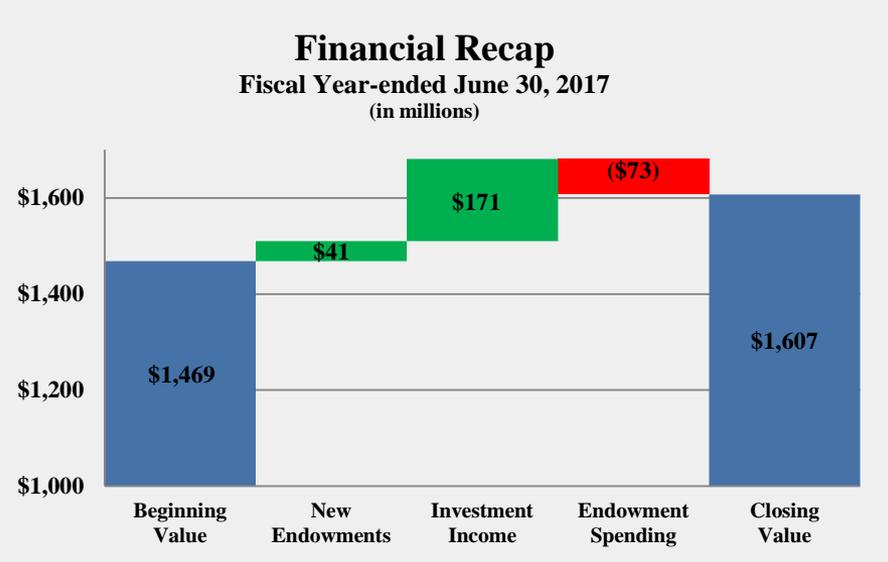
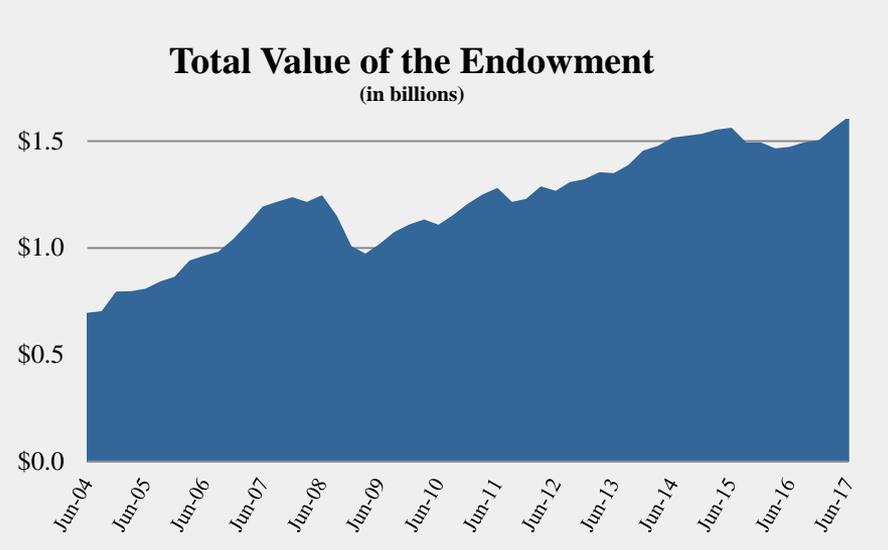
Since the founding of the University of Florida (UF) in 1853, generous alumni, corporations, foundations, parents and friends have contributed financial resources to assist UF in achieving its long-term mission of providing a superb education for undergraduates while maintaining excellent graduate programs 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 (UF Foundation). The UF Foundation is a private, not-for-profit, 501(c)(3) direct support organization of the University that raises and manages all gift money for the benefit of the University of Florida. The management of the Endowment Pool is designed to accomplish two goals:

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

Endowments are an irreplaceable source of quality, stability, productivity and creativity for the University of Florida. The thoughtful individuals and organizations who create endowments provide security and confidence for our students and faculty, now and in the future. As such, the UF Foundation invests gift assets to protect the ability of the endowment to provide, in perpetuity, an income stream sufficient to support the University activity designated by the donor, and to ensure the proceeds thereof are used in accordance with their designation.

For the fiscal year-ended June 30, 2017, the Endowment Pool started with a balance of \$1.47 billion. During the fiscal year, \$41 million in new endowments were added to the Pool thanks to the generous support of the donors. Endowment investment performance net of all investment management fees and expenses added another \$171 million. Additionally, the Endowment paid out \$73 million during the fiscal year in support of the University of Florida and its faculty, students and programs. The fiscal year ended with an Endowment Pool balance of \$1.61 billion.



## Investment Objectives

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. Through UFICO’s management of the Endowment Pool, the UF Foundation seeks to achieve an annualized real rate of return of at least 5% net of fees to preserve and enhance the purchasing power of the endowment. 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.

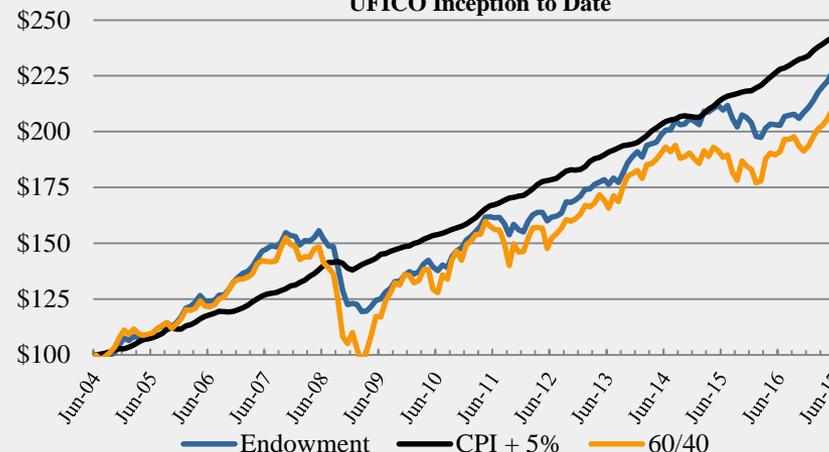
To measure performance results, investment returns are compared against the following benchmarks:

Benchmark	Purpose
<b>CPI + 5%</b>	The consumer price index plus the average gross spending rate for the endowment. This is a long-term growth benchmark that seeks to measure the purchasing power of the endowment over time.
<b>60/40</b>	Comprised of 60% - MSCI All Country World Index and 40% - Barclays Global Aggregate Bond Index, this benchmark represents the investible alternative for the endowment.

UFICO manages the Endowment Pool based on the objectives for the endowed assets as established by the Finance Committee of the UF Foundation Board of Directors. UFICO has constructed a long-term strategic asset allocation for the endowment portfolio based on the prioritization of these requirements including:

- **Positive Real Returns** – Intergenerational equity and maintaining the real purchasing power of the assets
- **Liquidity** – Retaining the ability to fund endowment obligations in all market conditions
- **Good Stewardship** – Maximizing *risk adjusted* returns
- **Growth** – Increasing the endowment’s ability to support the University

**Growth of \$100 Invested in the UF Endowment**  
UFICO Inception to Date



## Strategic Asset Allocation

Strategy	Asset Classes	Target Allocation	Actual Allocation
Growth	Public Equities Hedged Strategies Private Equity	82.5%	78.8%
Real Assets	Natural Resources Real Estate	7.5%	11.0%
Liquidity	Fixed Income Cash	10.0%	10.2%

## Investment Performance

For the fiscal year ended June 30, 2017, global equity markets, as measured by the MSCI AC World Index, gained 18.8%. U.S. equities as measured by the S&P 500 Index advanced +17.9%, and international equities as measured by the MSCI EAFE Index gained +20.3%. Fixed income markets were negative for the fiscal year. U.S. fixed income markets were modestly negative while the global fixed income market declines were greater. The Barclays U.S. Aggregate Bond Index was down -0.3% and the Barclays Global Aggregate Bond Index returned -2.2%. The 60% global equities / 40% global bond benchmark gained 10% for the fiscal year ended June 30, 2017.

The Endowment Pool returned +11.8% for the fiscal year ended June 30, net of all investment management fees and expenses, compared to the +10.0% performance of the 60/40 benchmark and the +6.7% performance of CPI+5%. The outperformance relative to our benchmarks for the most recent one year period was driven by strong returns from our Public Equities and Natural Resource portfolios. The Public Equity portfolio outperformed the MSCI AC World Index, primarily due to active management in global and emerging markets mandates. The Hedged Strategies portfolio outperformed its HFRI Fund Weighted Composite Index for the year benefitting from portfolio consolidation around high conviction managers. The Private Equity portfolio posted positive performance, but lagged its benchmark for the fiscal year. The Fixed Income portfolio was the one detractor, posting a loss for the fiscal year in line with the benchmark.

Over the longer time periods that we feel are more appropriate to evaluate performance, the Endowment Pool exceeded its 60/40 investable benchmark returns. For the trailing five and ten-year periods, the Endowment Pool returns exceeded the 60/40 benchmark returns. For the trailing five-year period, the Endowment Pool has outperformed the CPI+5% benchmark (+7.0% vs. +6.4%). Importantly, since the inception of UFICO in June of 2004, the Endowment Pool has outperformed the 60/40 investable alternative by 64 basis points annually while realizing less than 2/3rds of the volatility (7.0% vs. 10.7% annualized volatility).

