

BOARD OF VISITORS

FINANCE COMMITTEE

MARCH 3, 2023





FINANCE COMMITTEE AGENDA

UVA Health Property Disposition

Signatory Authority for Medical Center Contract

Center for Politics Quasi-Endowment Divestment

Signatory Authority for Student Health Insurance Contract

Recognition of VP & CIO Virginia Evans

2023 General Assembly Report

UVIMCO Report on Endowment

FY2022 Financial Report

Executive Vice President's Remarks



UVA HEALTH PROPERTY DISPOSITION

UVA HEALTH PROPERTY DISPOSITION

- Caton Merchant House, a 78-unit assisted living facility in Manassas, was started 35 years ago by Prince William Medical Center
- Requesting authority to convey Caton Merchant House to a third party for continued operation as an assisted living facility





**SIGNATORY AUTHORITY FOR
MEDICAL CENTER CONTRACT FOR
ARTHROSCOPY/ORTHOPEDIC PRODUCTS**

SIGNATORY AUTHORITY FOR MEDICAL CENTER CONTRACT FOR ARTHROSCOPY/ORTHOPEDIC PRODUCTS

- Arthrex, inc. Is a primary provider of UVA Medical Center arthroscopy and orthopedic products
- This three-year contract serves UVA Medical Center, Monticello Community Surgery Center, and UVA Community Health
- Request delegation of authority to the EVP-COO to execute contract with Arthrex, Inc.



**DIVESTMENT OF CENTER FOR
POLITICS QUASI-ENDOWMENTS**

DIVESTMENT OF CENTER FOR POLITICS QUASI-ENDOWMENTS

- The Center for Politics addition/renovation:
 - Project cost: approximately \$10M
 - 10,000 square-foot addition/ renovation, landscape improvements, media and furniture outfit
 - 24-to-30-month completion timeline
- Divestment of Center for Politics Building Expansion Quasi-Endowment and Unrestricted Quasi-Endowment is necessary to fund the project
- BOV approves any quasi-endowment action \$5M and above



**SIGNATORY AUTHORITY FOR STUDENT
HEALTH INSURANCE CONTRACT**

SIGNATORY AUTHORITY FOR STUDENT HEALTH INSURANCE CONTRACT

- The BOV approves the execution of any contract where the annual spend exceeds \$5 million
- UVA is currently in the process of negotiating a new contract with a student health insurance provider
- Request delegation of authority to Executive Vice President and Chief Operating Officer to execute Student Health Insurance contract



RECOGNITION OF VICE PRESIDENT
AND CHIEF INFORMATION OFFICER
VIRGINIA EVANS

RECOGNITION OF VICE PRESIDENT AND CHIEF INFORMATION OFFICER VIRGINIA EVANS



- M.S. Management Information Systems, 1994
- 30 years of UVA service
- Retiring April 2023



EXECUTIVE VICE PRESIDENT'S
REMARKS



2023 GENERAL ASSEMBLY REPORT



UVIMCO REPORT ON ENDOWMENT

OUTLINE

- Overview
- Market Update
- Performance
- Asset Allocation
- Risk Management

BOARD OF DIRECTORS



Mitchell Cohen
UVIMCO BOARD
CHAIR
Managing Director,
Trilogy Search
Partners, LLC



**Jennifer "J.J."
Wagner Davis**
Executive VP and COO,
University of Virginia



John Macfarlane III
Managing Partner,
Arrochar Management
LLC



James Murray Jr.
Managing Partner,
Court Square
Ventures; Founder,
Presidential Precinct



Thomas Baltimore Jr.
Chairman, President,
and CEO, Park Hotels &
Resorts



John Harris Jr.
Retired Senior
Banker and
Executive,
Deutsche Bank



Henry McVey
Member and Head
of Global Macro &
Asset Allocation,
CIO of KKR Balance
Sheet



Timothy O' Hara
Head of Banking,
Wells Fargo &
Company Corporate
& Investment Bank



John Connaughton
Co-Managing Partner,
Bain Capital



Meredith Jenkins
Chief Investment
Officer,
Trinity Wall Street



Andrew Mulderry
Co-CIO, Willett
Advisors LLC

UVIMCO SENIOR STAFF



Robert Durden
Chief Executive
Officer/Chief
Investment Officer



Kristina Alimard
Chief Operating
Officer



Allison Gilliam
Chief Financial Officer



John Winn
General Counsel/
Chief Compliance
Officer



Eric Bundonis
Managing Director



Adrienne Clough
Managing Director



Lindsay Larsen
Managing Director

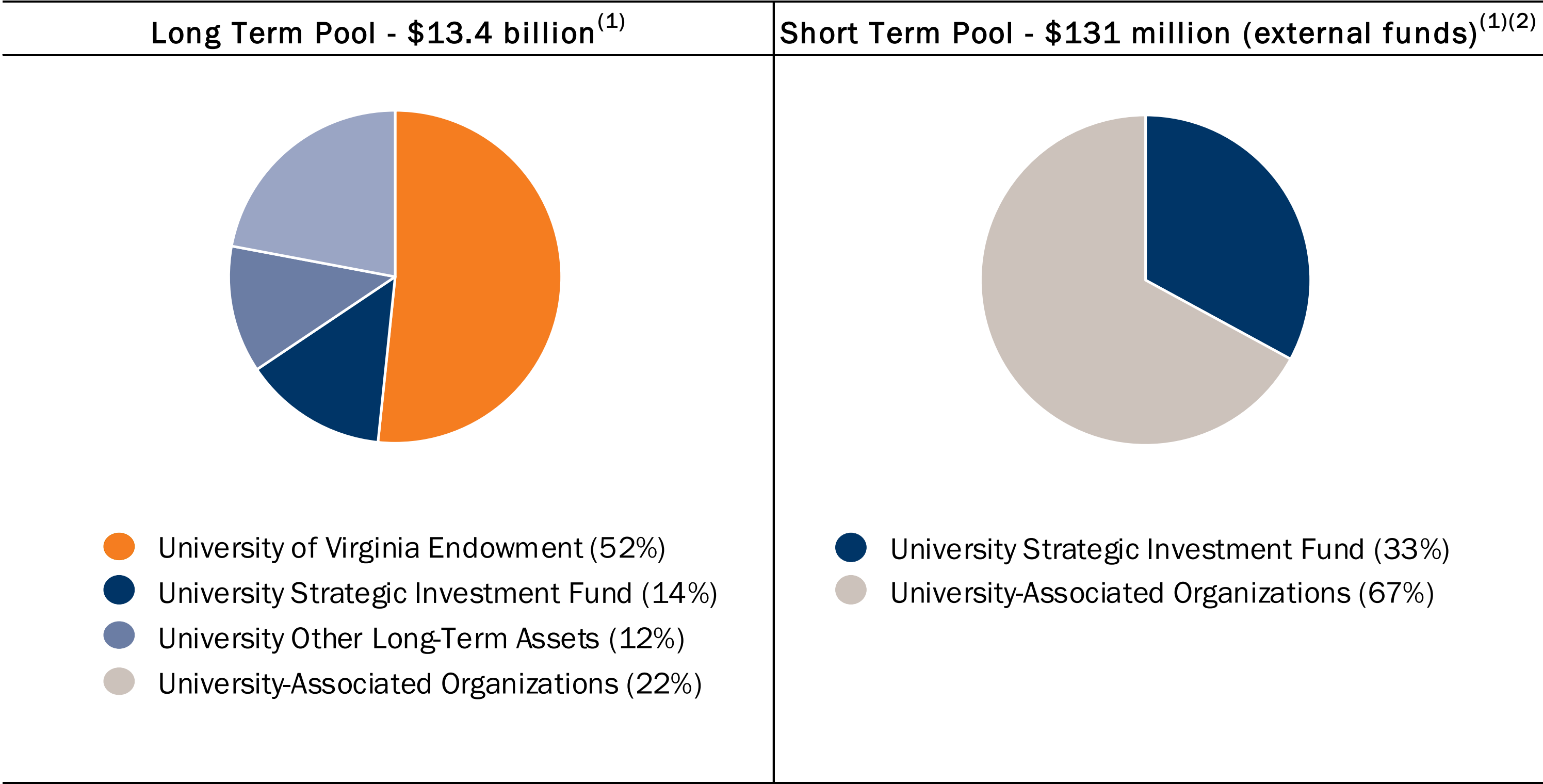


Jason Love
Managing Director



Sargent McGowan
Managing Director

ASSETS UNDER MANAGEMENT



(1) Data as of December 31, 2022.

(2) The Long Term Pool's cash portfolio invests in the Short Term Pool. The Short Term Pool market value reflected above excludes Long Term Pool assets.

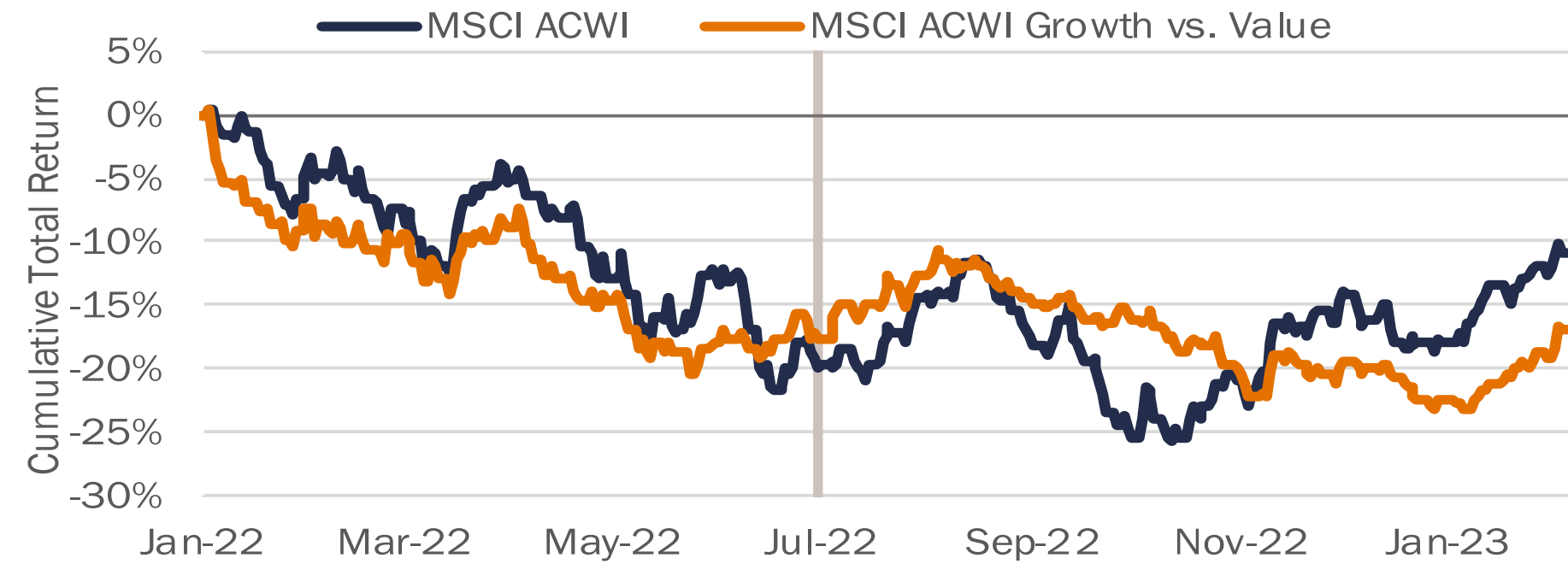
INVESTMENT OBJECTIVES

Primary objective: Maximize long-term real returns commensurate with the risk tolerance of the University

- Preserve the purchasing power of long-term investment assets by earning an annualized rate of return of at least spending + inflation + fees
- Evaluate Pool performance relative to that of the policy portfolio, which represents a passive and liquid expression of the University's long-term investment risk tolerance
- The policy portfolio is 75/25 equity and fixed income

MARKET UPDATE

Equities and Growth vs. Value



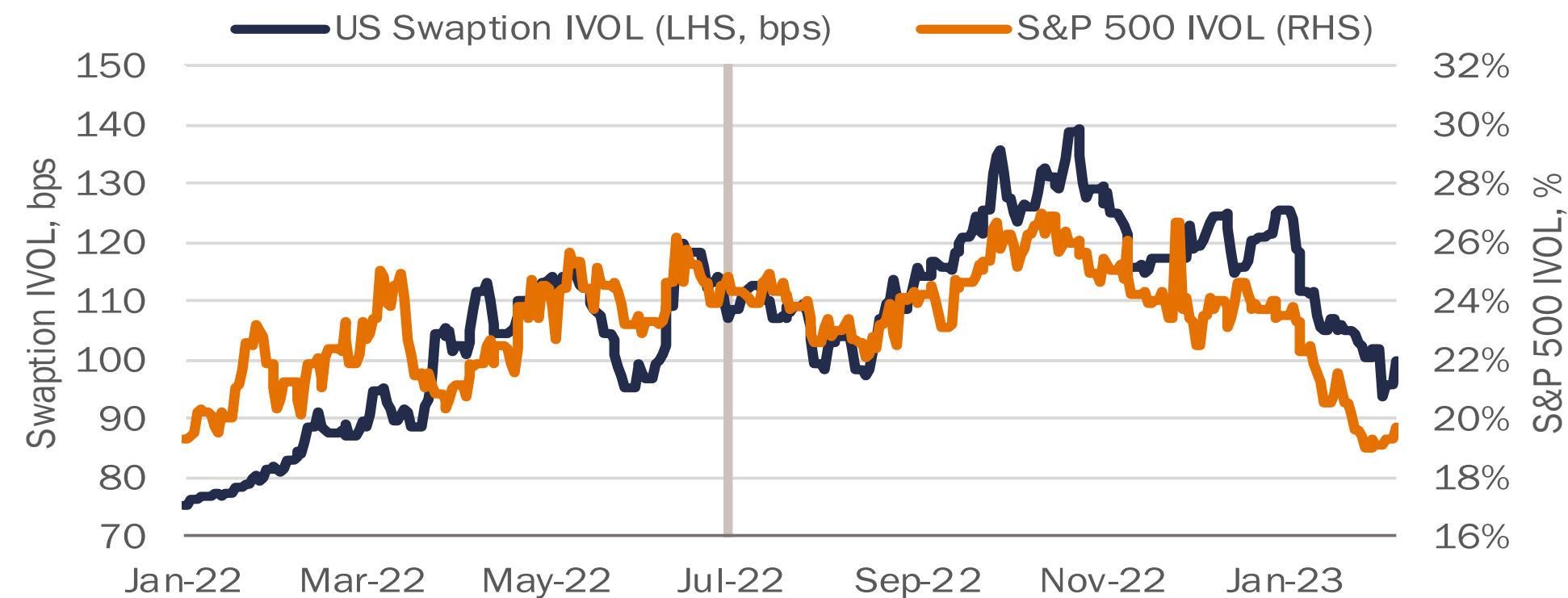
Data as of 2/6/2023. Performance indexed to 0% as of 12/31/2021.

Fed Funds Implied Rates



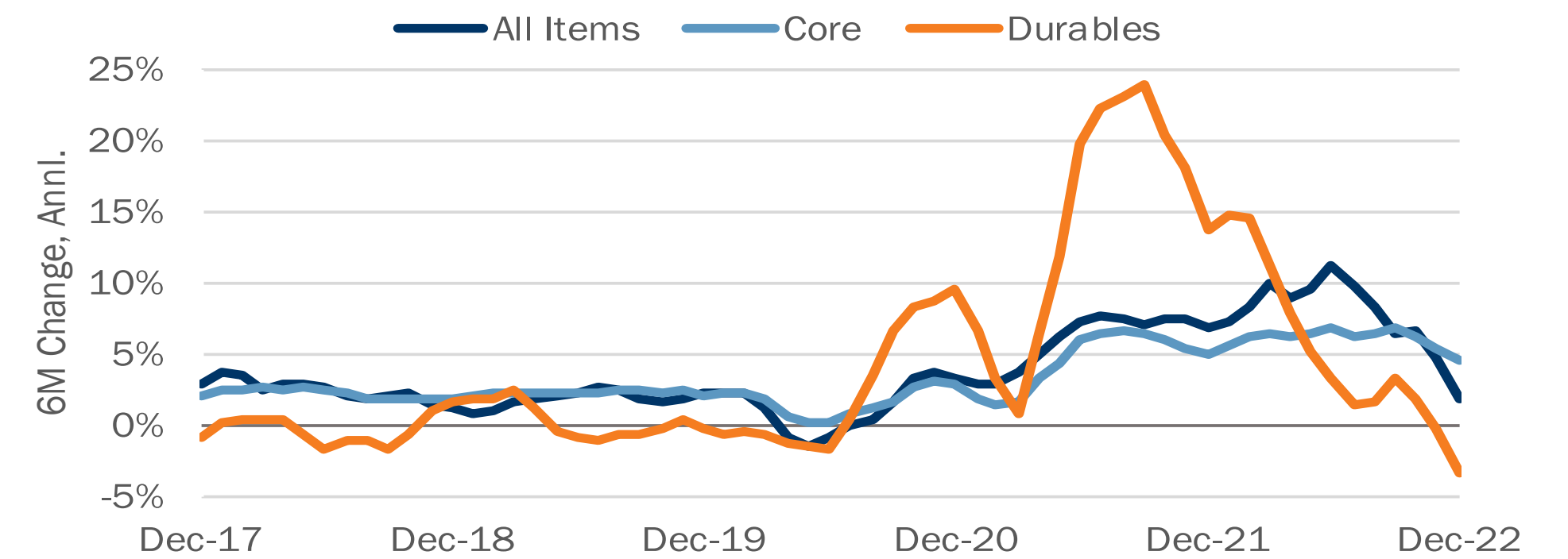
Data as of 2/6/2023. Implied yields calculated via Fed Funds futures.

Interest Rates and Equities Implied Volatility



Data as of 2/6/2023. Implied volatilities are ATMF 1-year expiry, 10-year tenor for USD swaption; ATMF, 1-year expiry for S&P 500.

Inflation - CPI Indices



Data as of 12/31/2022. Underlying indices are CPI, seasonality-adjusted.

PERFORMANCE

Long Term Pool and Policy Portfolio Performance Summary

<i>As of 12/31/2022</i>	1 YR	3 YR	5 YR	10 YR	20 YR
Long Term Pool	(8.8)	12.8	10.8	10.4	10.3
<i>Policy Portfolio</i>	(16.4)	3.0	4.8	6.6	7.4
<i>Relative</i>	7.5	9.8	6.0	3.8	2.9

- CY 2022 was unusual with both the equities and fixed income components of the policy benchmark producing negative returns
- Public Equity and Long/Short both underperformed their respective benchmarks as strategy-level tilts that drove outperformance in recent years reversed
- Real Estate, Resources, and Absolute Return outperformed, providing diversification and positive performance during the negative market environment
- UVIMCO's strong long-term performance continues to meet the University's required return and outperform the policy portfolio

PERFORMANCE

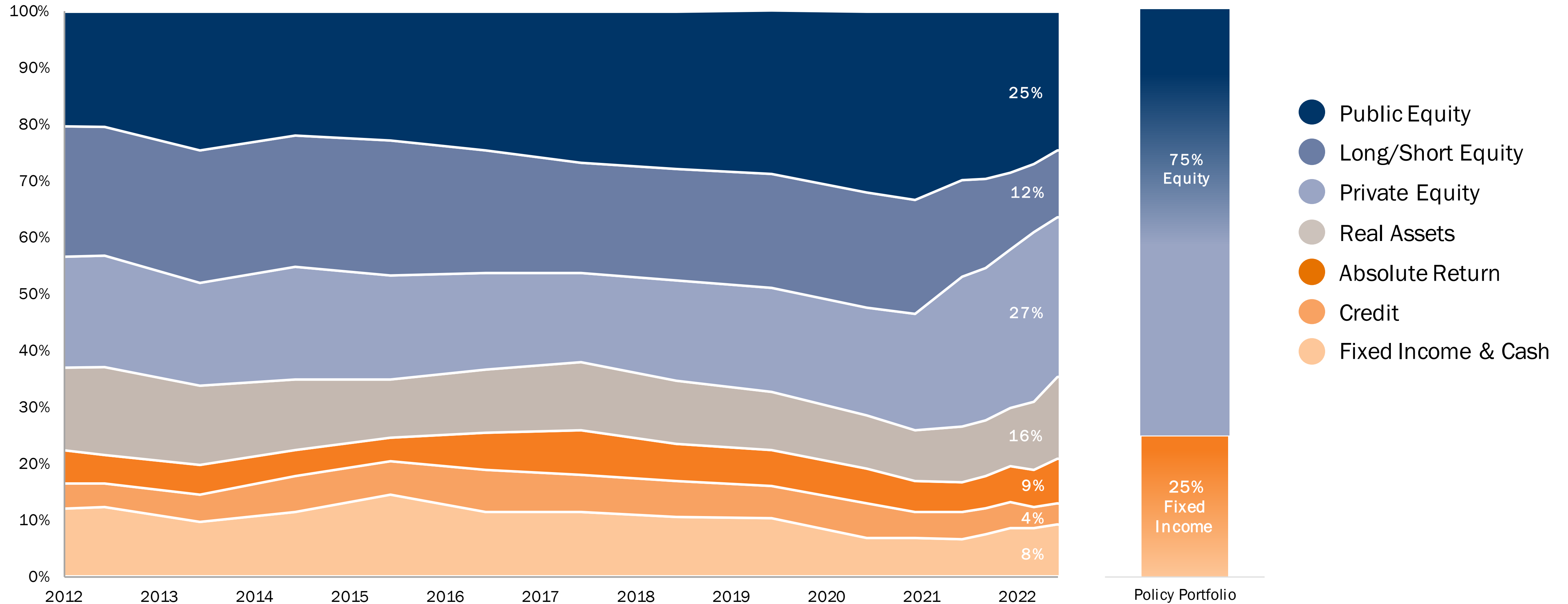
Long Term Pool and Policy Portfolio Performance Detail

<i>As of December 31, 2022</i>	Market Value		TWRR, Annualized					TWRR
	\$mms	% LTP	1 Year	3 Years	5 Years	10 Years	20 Years	FYTD
Long Term Pool	13,404	100.0	(8.8)	12.8	10.8	10.4	10.3	(0.2)
<i>Policy Portfolio</i>		<i>100.0</i>	<i>(16.4)</i>	<i>3.0</i>	<i>4.8</i>	<i>6.6</i>	<i>7.4</i>	<i>1.1</i>
Equity								
Public	3,310	24.7	(23.1)	4.7	6.0	9.9	13.1	(1.1)
Long / Short	1,577	11.8	(20.0)	2.6	4.4	5.9	7.5	3.1
Buyout	529	3.9	21.1	28.7	19.9	14.1	13.7	3.2
Growth Equity	1,605	12.0	(15.5)	22.1	22.1	19.8	--	(4.1)
Venture Capital	1,484	11.1	(13.7)	45.5	38.9	33.0	17.6	(4.5)
Real Assets	2,143	16.0	34.2	21.9	13.1	12.3	12.4	4.9
Total Equity	10,647	79.4	(10.8)	14.3	12.3	12.2	11.8	(0.1)
<i>MSCI All Country World Equity</i>		<i>75.0</i>	<i>(18.0)</i>	<i>4.5</i>	<i>5.8</i>	<i>8.5</i>	<i>8.6</i>	<i>2.5</i>
Diversifiers								
Absolute Return	1,205	9.0	4.9	7.0	4.5	5.0	5.0	1.6
Credit	513	3.8	(4.0)	6.2	5.4	6.5	8.1	2.0
Fixed Income	751	5.6	(16.1)	0.3	1.9	1.2	3.3	(4.8)
Cash	456	3.4	1.3	0.6	1.1	0.7	--	1.1
Total Diversifiers	2,925	21.8	(3.9)	5.1	4.2	3.9	3.6	(0.6)
<i>Bloomberg U.S. Treasury Bond</i>		<i>25.0</i>	<i>(12.1)</i>	<i>(1.4)</i>	<i>0.9</i>	<i>1.8</i>	<i>3.4</i>	<i>(3.4)</i>
Portfolio Management and Overlays⁽¹⁾	(168)	(1.3)	0.6	(0.0)	(0.1)	(0.1)	--	(0.0)

(1) Represents the returns added/subtracted to the total LTP return by overlay, financing, and other portfolio management positions. Returns are displayed as a percentage of the LTP

ASSET ALLOCATION

UVIMCO Long Term Pool Historical Asset Allocation, as of December 31, 2022



RISK MANAGEMENT

Risk is the impact that a portfolio loss has on shareholders

- Short-term: Volatility or drawdown risk
- Long-term: Decline in the real value of the endowment

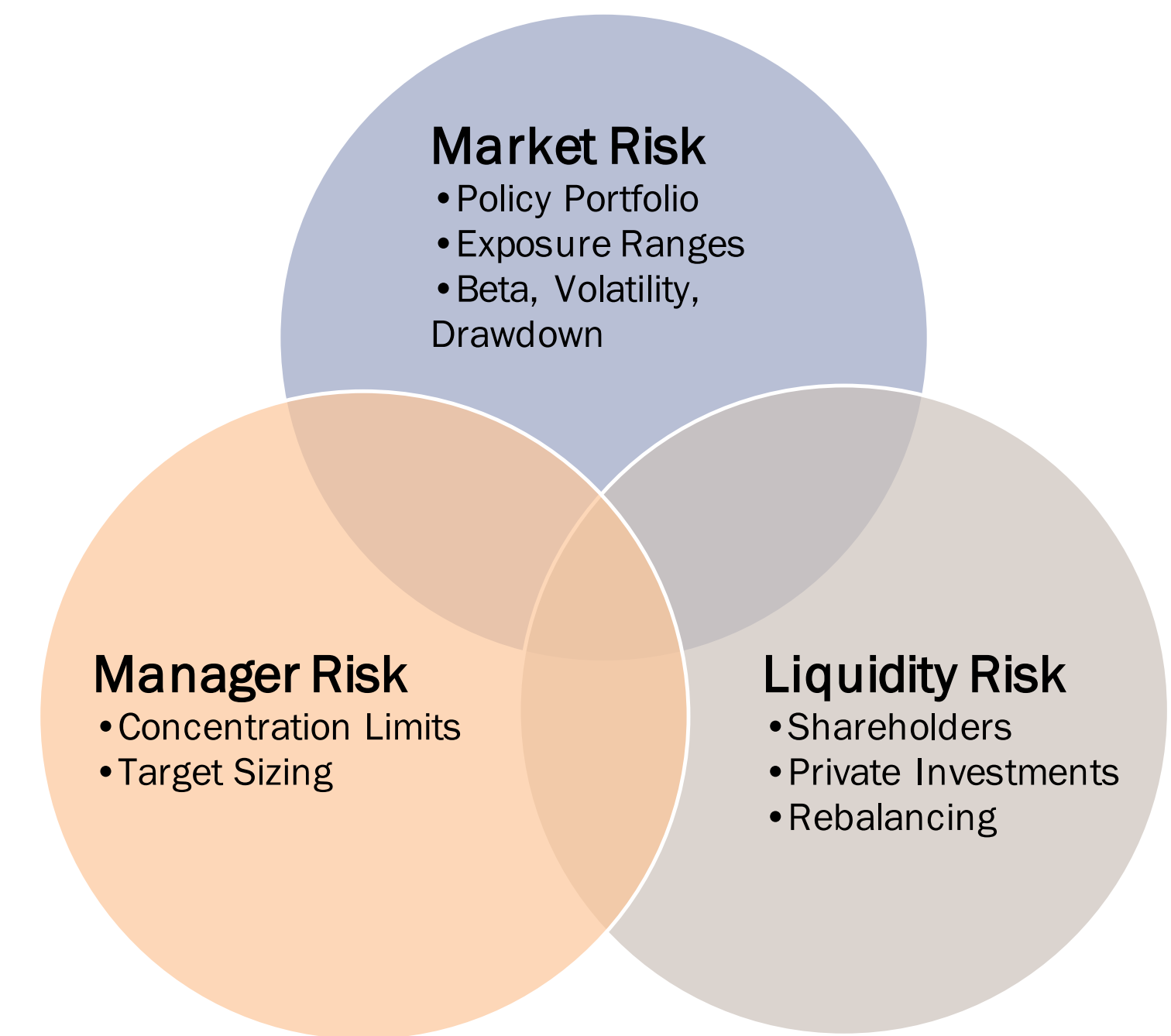


Trade-off between short-term and long-term risk

Risk Management Framework

Measure and control for three primary risks:

- Market risk: consider short-term (drawdown or volatility in distribution/NAV) and long-term (purchasing power impairment) risks
- Liquidity risk: risk of insufficient liquidity to cover shareholder withdrawals, capital calls and rebalancing transactions
- Manager risk: risk that managers underperform expectations, as well as operational or business risks. Manage and mitigate through due diligence and diversification



RISK MANAGEMENT

Type	Risk Metrics	Policy	Actual As of December 31, 2022
Market Risk	Global Equity Beta	75%	78%
	Drawdown Risk (1.0% Value at Risk)	-22%	-22%
Liquidity Risk	Minimum 3-Month Liquidity	20%	27%
	Minimum 12-Month Liquidity	35%	42%
	Target to Private Investments	45%	47%
	Target Unfunded Commitments	20%	16%
Manager Risk	Maximum Concentration to a Single Manager	7.5%	4.2%



FY2022 FINANCIALS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

- A high-level summary of the UVA Academic Statement of Revenues, Expenses, and Changes in Net Position is presented to the right. This chart appears in the Management Discussion and Analysis section of the report.
- Patient revenue accounts for the increase in operating revenues, which grew by 29% due to the Novant acquisition.
- The Novant acquisition and creation of Community Health was the driver for the 14% increase in operating expenses.
- Investment income was \$4.2 billion less than the prior year. The LTP had a 4.7% loss in FY22, compared to a 49% gain in FY21.
- Other notes:
 - The University and Medical Center recognized \$47M less in pandemic relief funds in FY22
 - Gifts from foundations and donors for capital purpose at the Performing Arts Center, Karsh Institute of Democracy, and Football Ops buildings account for the \$42M in additional capital gifts

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in thousands)				
	2022	2021	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Operating revenues				
Student tuition and fees, net	\$ 668,557	\$ 629,820	38,737	6.2%
Patient services, net	2,323,698	1,806,678	517,020	28.6%
Sponsored programs	443,675	407,349	36,326	8.9%
Other	267,635	183,240	84,395	46.1%
Total operating revenues	3,703,565	3,027,087	676,478	22.3%
Operating expenses	4,206,931	3,703,818	503,113	13.6%
Operating loss	(503,366)	(676,731)	173,365	(25.6%)
Nonoperating revenues (expenses)				
State appropriations	215,711	195,571	20,140	10.3%
Gifts	211,384	196,687	14,697	7.5%
Investment income	(516,980)	3,770,894	(4,287,874)	(113.7%)
Pell grants	15,262	15,296	(34)	(0.2%)
Nonoperating grant revenue	40,891	88,064	(47,173)	(53.6%)
Interest on capital asset-related debt	(125,985)	(98,651)	(27,334)	27.7%
Build America Bonds (BAB) rebate	8,097	8,298	(201)	(2.4%)
Other net nonoperating revenues (expenses)	(9,316)	(7,884)	(1,432)	18.2%
Net nonoperating revenues	(160,936)	4,168,275	(4,329,211)	(103.9%)
Income before other revenues, expenses, gains, or losses	(664,302)	3,491,544	(4,155,846)	(119.0%)
Capital appropriations, gifts, and grants	207,825	164,881	42,944	26.0%
Additions to permanent endowments	47,477	53,994	(6,517)	(12.1%)
Total other revenues	255,302	218,875	36,427	16.6%
INCREASE (DECREASE) IN NET POSITION	(409,000)	3,710,419	(4,119,419)	(111.0%)
NET POSITION – BEGINNING OF YEAR	12,836,172	9,125,753	3,710,419	40.7%
NET POSITION – END OF YEAR	\$ 12,427,172	\$ 12,836,172	\$ (409,000)	(3.2%)

STATEMENT OF NET POSITION

- A high-level summary of the UVA Academic Statement of Net Position is presented to the right. This chart appears in the Management Discussion and Analysis section of the report.
- **Endowment and long-term investments decreased by \$484.6 million** due to net investment losses in the LTP.
- **Capital assets increased by \$336.4 million** due to the implementation of GASB 87 and construction projects completed in FY22.
- **Other noncurrent assets increased by \$135 million** from the proceeds of the Series 2022 bond issuance.
- **Total liabilities decreased by \$175.3 million** mostly related to decreases in vendor accounts payable, perhaps due to the push to pay invoices prior to Workday go-live.
- **Deferred outflows and inflows** saw large fluctuations due to changes in the VRS pension and OPEB valuations.

SUMMARY OF THE STATEMENT OF NET POSITION <i>(in thousands)</i>			INCREASE (DECREASE)	
	2022	2021	AMOUNT	PERCENT
Current assets	\$ 1,165,993	1,177,662	(11,669)	(1.0%)
Noncurrent assets				
Endowment investments	7,037,167	7,521,785	(484,618)	(6.4%)
Other long-term investments	3,658,985	3,932,557	(273,572)	(7.0%)
Capital assets, net	4,953,149	4,616,752	336,397	7.3%
Other	992,338	857,340	134,998	15.7%
Total assets	17,807,632	18,106,096	(298,464)	(1.6%)
Deferred outflows of resources	159,264	214,926	(55,662)	(25.9%)
Total assets and deferred outflows of resources	17,966,896	18,321,022	(354,126)	(1.9%)
Current liabilities	807,463	973,014	(165,551)	(17.0%)
Noncurrent liabilities	4,208,562	4,218,343	(9,781)	(0.2%)
Total liabilities	5,016,025	5,191,357	(175,332)	(3.4%)
Deferred inflows of resources	523,699	293,493	230,206	78.4%
Total liabilities and deferred inflows of resources	5,539,724	5,484,850	54,874	1.0%
NET POSITION	\$ 12,427,172	12,836,172	(409,000)	(3.2%)



CAVA
LIEB
VALLI
ERCA
ALLIE
SCAVA
LIEB

THANK YOU

