

Board of Visitors Finance Committee Meeting

September 13, 2024

AGENDA

- ACTION ITEMS

- Updates to the 2023 State Six-Year Institutional Plan
- Operating and Capital Amendments to the 2024-2026 State Biennial Budget
- Signatory Authority for Academic Division Contract
- Signatory Authority for Medical Center Contracts

- REPORTS

- Executive Vice President's Remarks
- Reports to the Commonwealth
- UVIMCO June 2024 Investment Report



Updates to the 2023 State Six-Year Institutional Plan

State-Required Six-Year Institutional Plan

- Outlines institutional academic, financial, and enrollment plans and includes strategies to advance objectives of the statewide higher education strategic plan, *Pathways to Opportunity: The Virginia Plan for Higher Education*
- New plans submitted to state in odd-numbered years; updates/amendments submitted in even-numbered years

Academic Division 2023 Six-Year Plan Key Priorities

- SuccessUVA: expanded access to financial aid, advising, and mental health services
- Pathways to Research Prominence
- Broadening Our Horizons: Bachelor's completion and certificate program initiatives

College at Wise 2023 Six-Year Plan Key Priorities

- Increased enrollment
- Establishment of new certificate programs and continued development of graduate programs
- Enhanced systems to support a more robust research program
- Enhanced classroom experience
- Improved campus infrastructure

Updates to UVA's 2023 Plans

- In July 2024, submitted updates to the 2023 Six-Year Plans for the Academic Division and College at Wise, including:
 - Narrative highlighting programmatic updates and progress
 - Amended financial plan to conform to Commonwealth's 2024-26 biennial budget as approved by the General Assembly and UVA's FY2025 budget as approved by the Board of Visitors
- Members of the Op-Six* review updates and share comments/questions by early September
- Final updates with responses to Op-Six comments due October 1

* Op-Six Members: Secretary of Education, Secretary of Finance, Director of Department of Planning and Budget, Executive Director of SCHEV, Staff Directors of House Appropriations Committee and Senate Finance and Appropriations Committee



Operating and Capital Amendments to 2024-2026 State Biennial Budget

General Fund Requests to the 2024-2026 Biennial Budget – Academic Division

| Operating Requests | FY25 Request | FY26 Request |
|---|--------------|--------------|
| Virginia Military Survivors and Dependents Education Program (VMSDEP) | \$7,356,869 | \$8,460,399 |
| UVA's Health Insurance Plan Premium Increases | \$9,460,291 | \$11,028,163 |
| Utilities Cost Increases | \$2,077,973 | \$2,918,795 |
| Operations & Maintenance for New Facilities | \$1,411,693 | \$1,888,854 |
| Expand UVA's Threat Assessment Team (TAT) | \$182,365 | \$186,012 |
| Expand Mental Health Services | \$2,900,000 | \$0 |
| State Arboretum at Blandy Farm | \$350,000 | \$350,000 |
| Planning for the Artificial Intelligence Initiative | \$0 | \$750,000 |

General Fund Requests to the 2024-2026 Biennial Budget – College at Wise

| Operating Requests | FY25 Request | FY26 Request |
|---|--------------|--------------|
| Enrollment and Retention | \$0 | \$1,976,213 |
| Workforce Program Strategies | \$0 | \$699,675 |
| Research Activities | \$0 | \$365,000 |
| Expand Graduate Programs | \$241,180 | \$454,140 |
| Virginia Military Survivors and Dependents Education Program (VMSDEP) | \$180,000 | \$245,718 |
| FLSA (Federal Labor Standards Act) | \$0 | \$1,000,000 |
| Utilities Cost Increases | \$250,000 | \$257,500 |

Capital Project State Funding Requests

Academic Division:

- Center for the Arts
 - Estimated project cost: \$315.0M
 - State funding request: \$205.0M
- Engineering Academic Building
 - Estimated project cost: \$206.0M
 - State funding request: \$5.0M for planning (as initial step)

College at Wise:

- Darden Hall Renovation
 - Estimated project cost: \$39.0M
 - State funding request: \$39.0M
- Technology Classroom Building
 - Estimated project cost: \$68.7M
 - State funding request: \$68.7M

Commonwealth Funding Items, 2024-2026



- Paul and Diane Manning Institute of Biotechnology
- Affordable Access
- Compensation Increases
- Undergraduate & Graduate Financial Aid

Signatory Authority for Academic Division Contracts

Signatory Authority for Academic Division Contracts

- **Acme Technical Group, LLC (“A-Tech”)** for on-demand services for building access systems and related areas





Signatory Authority for Medical Center Contracts

Signatory Authority for Medical Center Contracts

- **Johnson & Johnson Health Care Systems Inc.** for DePuy Synthes Trauma products
- **Medtronic USA, Inc.** for two (2) Stealthstation S8 navigational systems
- **Compass Group USA, Inc.** for environmental services and food and nutrition services



Executive Vice President's Remarks

Macrofinancial Overview

Strategic Investment Fund



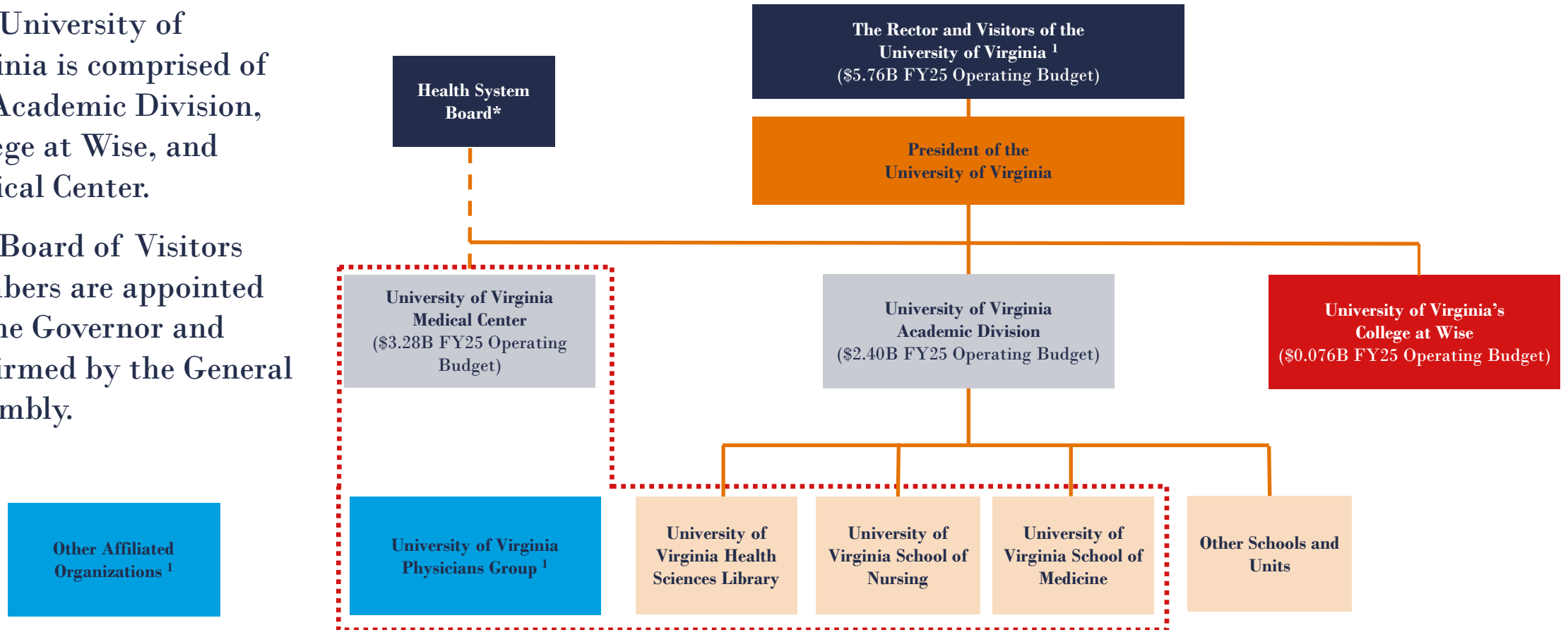
Macrofinancial Overview

Agenda

- Organizational Structure
- Macroeconomic Outlook
- UVA's Financial Outlook
- Next Steps

UVA Organizational Structure

- The University of Virginia is comprised of the Academic Division, College at Wise, and Medical Center.
- The Board of Visitors members are appointed by the Governor and confirmed by the General Assembly.



For purposes of this chart, the entities highlighted in the red box above are collectively referred to as “UVA Health”

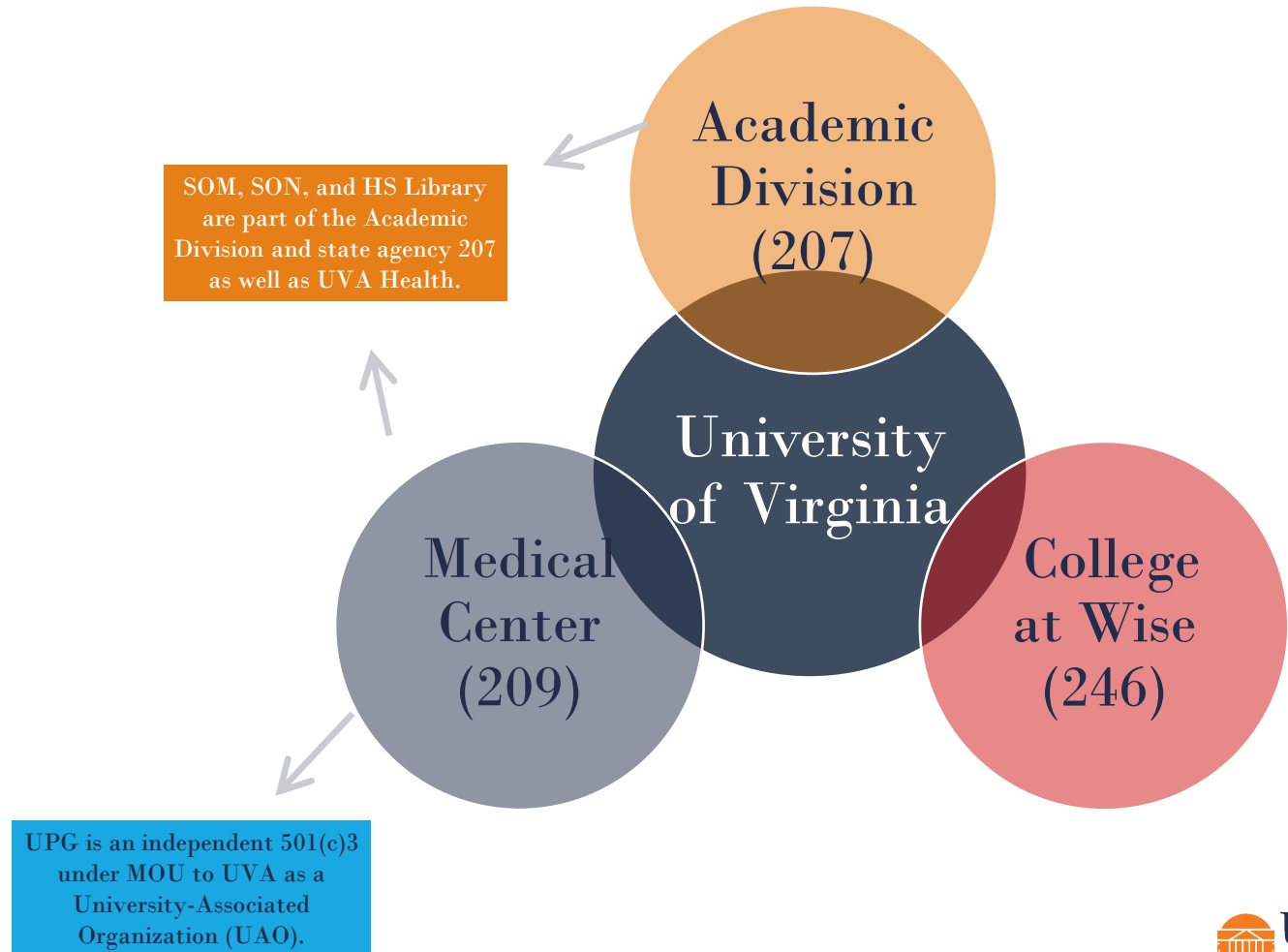
*NOTE: The Health System Board is advisory to the Board of Visitors.

UVA Legal Organizational Structure

UVA is an independent 501(c)3, governed by the Rector and Visitors and including three state agencies.

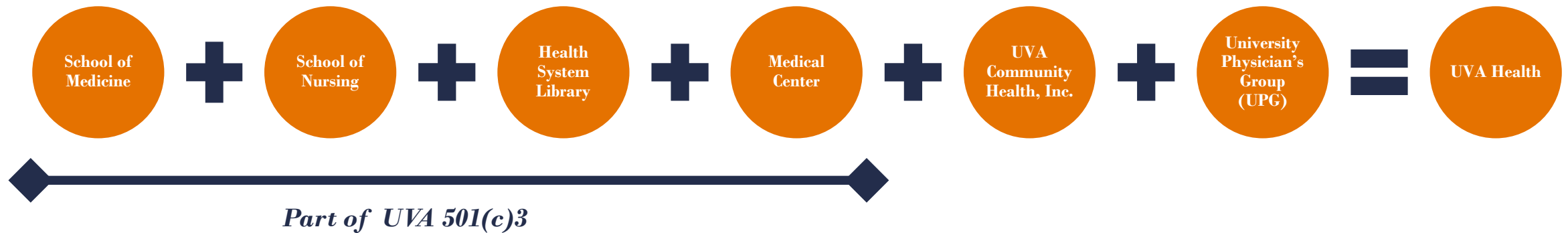
External reporting requirements include:

- Audited financial statements
- Commonwealth of Virginia / IRS
- Rating Agencies / External Lenders



UVA Health Operational Organization

UVA Health's success is highly dependent on aligned strategic, operational, and financial objectives.



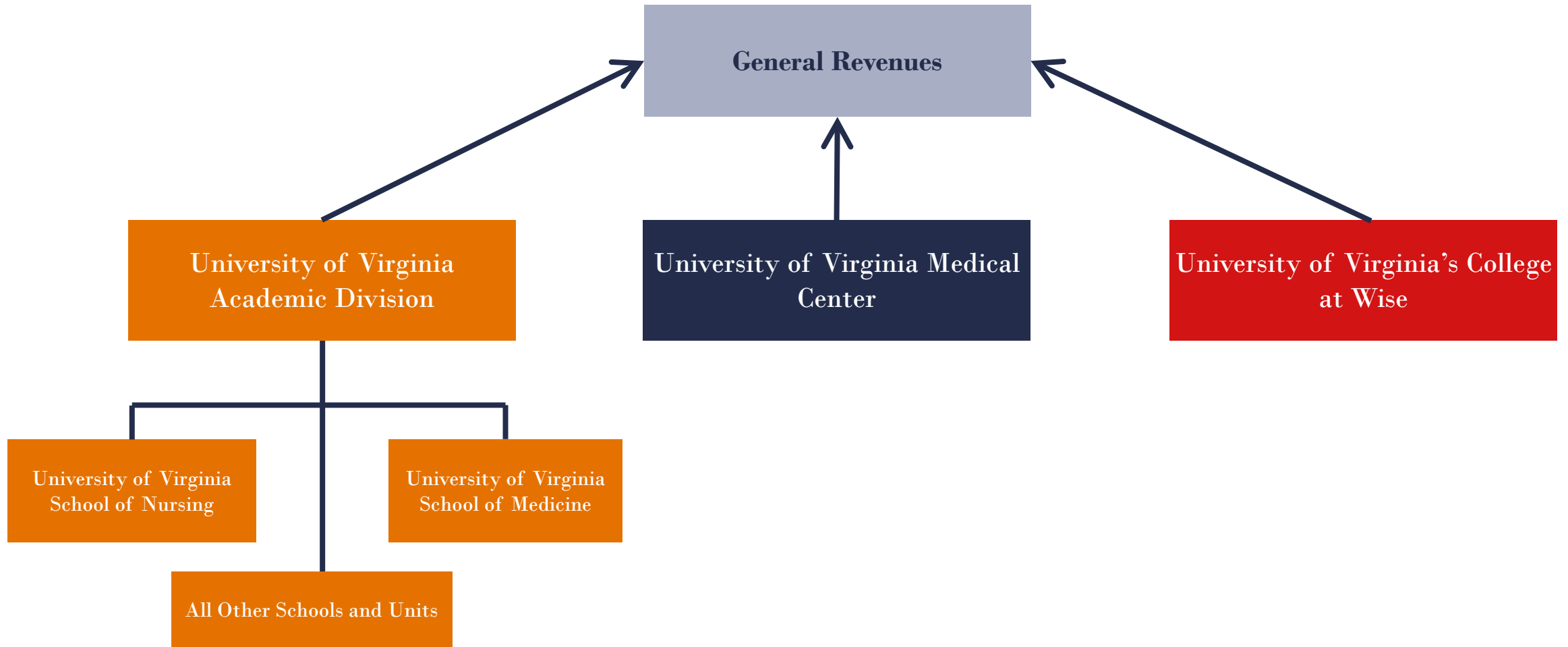
UVA Consolidated Credit Structure

General Revenues for Issued Debt

- Investors are pledged all revenues available to the entity which are not devoted to other purposes as defined by the Master Resolution or provisions of any Qualifying Senior Obligation for the payment of principal and interest for outstanding debt.
- The UVA Physicians Group (UPG) and other affiliated organizations issue and secure their own debt, which impacts UVA's overall credit rating and capacity. Commercial lenders require a letter of support from the University.

UVA Consolidated Credit Structure

General Revenues for University-Issued Debt



UVA Financial Outlook:

STRONG FINANCIAL POSITION

- **AAA bond rating**
- **Diversity of revenues**
- **Strong long-term endowment performance**
- **Optimized debt portfolio**
- **Stable enrollment**
- **Exceptional student demand**
- **Successful fundraising**
- **Recent state re-investment**
- **Short- and long-term cost containment efforts**
- **Strong patient care demand**

UVA Financial Outlook: Financial Risks

KNOWN RISKS:

- **Recruitment and retention challenges**
- **Cybersecurity and data privacy issues**
- **National/global events impacting University community**
- **UVA Health competition, reimbursement rates, and regulatory environment**
- **Emergency events**
- **Increasing cost of capital**

What Rating Agencies Say About Higher Education

- Moody's outlook for the US Higher Education sector is *stable*, but S&P offers a more cautious outlook.
- Moody's is expecting increased revenue from key sources of revenue, including tuition and government investment for public universities. S&P noted that more selective universities should experience enrollment growth leading to a positive financial outlook, but noted enrollment gains post-COVID-19 have been sporadic.
- Moody's suggests inflation and labor cost increases are moderating, while S&P warns of increasing insurance costs and the risks of cyber attacks.
- S&P notes there are demographic indicators pointing to a potential enrollment cliff in the near future, but this is a greater risk for less selective universities.

Rating Agency Update: Higher Education Sector

MOODY's

| Moody's Higher Education Sector Outlooks | | | | | |
|--|----------|--------|--------|----------|--------|
| 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Negative | Negative | Stable | Stable | Negative | Stable |

S&P Global

| S&P Higher Education Sector Outlooks | | | | | |
|--------------------------------------|----------|----------|--------|-------|-------|
| 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Negative | Negative | Negative | Stable | Mixed | Mixed |

FitchRatings

| Fitch Higher Education Sector Outlooks | | | | | |
|--|----------|--------|--------|---------------|---------------|
| 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Negative | Negative | Stable | Stable | Deteriorating | Deteriorating |

Four public institutions of higher education with AAA ratings from all three:
UVA | UNC – Chapel Hill | Texas A&M | Texas

UVA's Credit Rating Summary

| Moody's (Affirmed June 2024) | S&P Ratings (Affirmed August 2023) | Fitch (Affirmed June 2024) |
|---|---|---|
| <u>Credit Positives</u> | | |
| <ul style="list-style-type: none"> ▪ Excellent student demand and sponsored research ▪ Superior wealth and liquidity ▪ Exceptional strategic positioning ▪ Prominent clinical reputation supports ability to compete for patient care revenue ▪ Remarkable donor support | <ul style="list-style-type: none"> ▪ Very strong management and governance board ▪ Impressive demand for academic programs and program diversity ▪ Exceptional financial resources compared to expenses ▪ History of positive financial operations ▪ Impressive fundraising track record | <ul style="list-style-type: none"> ▪ Exceptional student demand and national presence ▪ Broad revenue base ▪ Robust fundraising ▪ Strong state capital support ▪ Substantial wealth provides meaningful financial flexibility ▪ Manageable leverage |
| <u>Credit Considerations</u> | | |
| <ul style="list-style-type: none"> ▪ Patient care revenue concentration leading to operating performance volatility ▪ Debt level heightens importance of operations and treasury management ▪ Sponsored research competition and substantial institutional funding | <ul style="list-style-type: none"> ▪ Elevated level of capital spending ▪ Potential for future reductions in research and health care funding ▪ Somewhat high maximum annual debt service burden | <ul style="list-style-type: none"> ▪ Somewhat elevated level of capital spending suppress operating cash flow margin and coverage levels |
| <u>Downgrade Factors</u> | | |
| <ul style="list-style-type: none"> ▪ Deterioration of operating performance ▪ Material deterioration in wealth or unrestricted liquidity ▪ Marked increase in financial leverage | <ul style="list-style-type: none"> ▪ Unanticipated debt issuance significantly outpaces growth in financial resources ▪ Enrollment or medial center patient volume decline unexpectedly leading to weak financial operating performance | <ul style="list-style-type: none"> ▪ Pronounced and prolonged operating pressures ▪ Unexpected and protracted erosion of AMC ▪ Significant balance sheet deterioration |

UVA is one of only four public institutions rated AAA by all three major rating agencies.

Source: Moody's Credit Opinion (June 21, 2024), S&P Global Ratings Full Report (August 08, 2023), Fitch Ratings Commentary (June 10, 2024)

Macroeconomic Outlook: Debt Portfolio

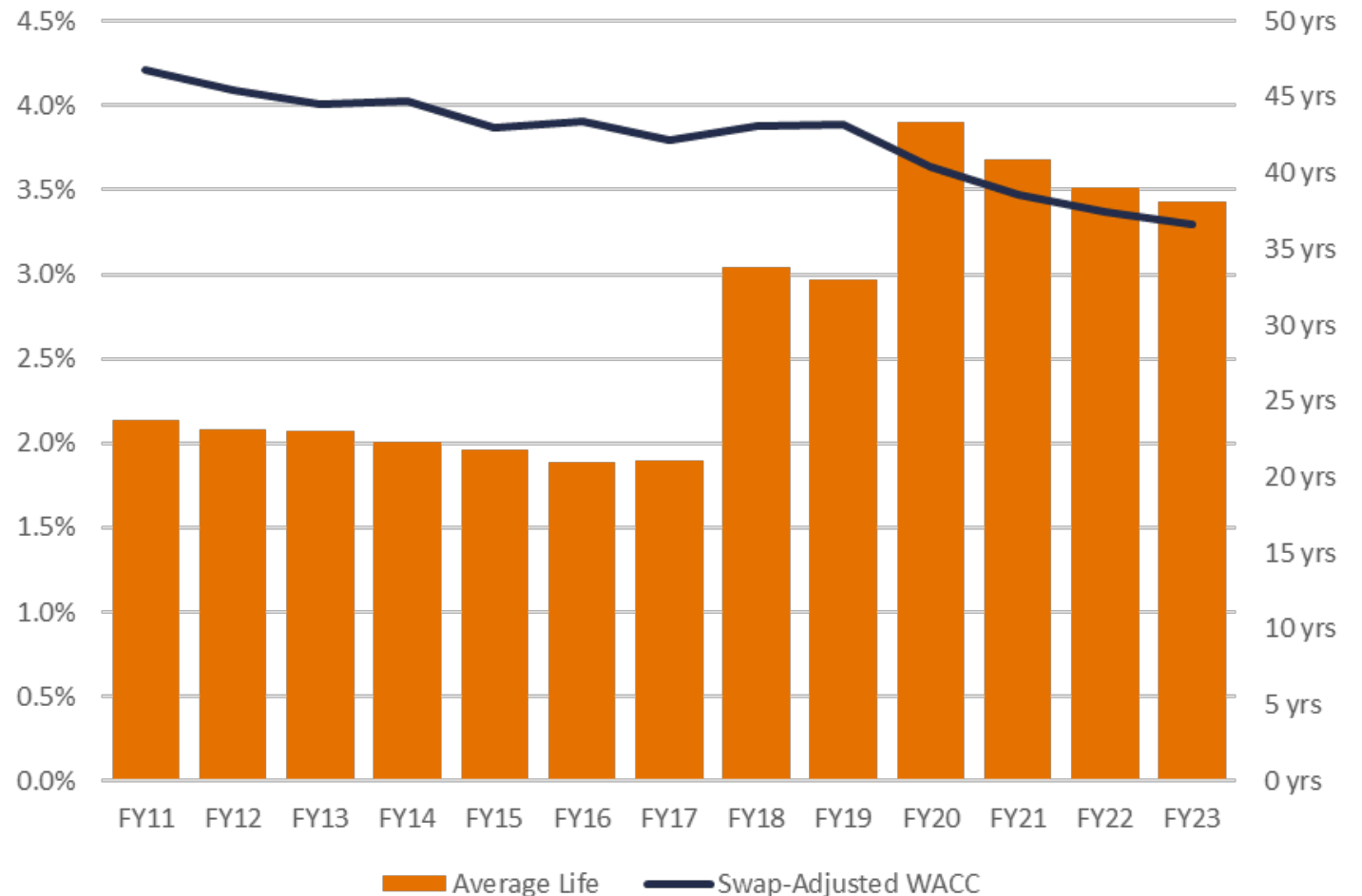
Decreasing Rates & Increasing Average Life

Weighted Average Cost of Capital (WACC) has decreased by 91bps over the past 13 years to 3.3%

The Average Life of the Portfolio has increased by 14 years over the same period to 38 years.

Record Setting: The \$600M Series issued in FY21, was priced at 2.256% for 30-years: Setting the record for the lowest of Higher Ed issuances under a Muni CUSIP

Record Setting: The \$100M Series issued in FY22 achieved the lowest yield-to-maturity (2.180% for any 30Y tax-exempt bond ever.



The Year Ahead

- Continue to make progress on UVA's strategic plans
- Invest in Talent – Faculty, Staff, Clinicians, and Students
- **Key Dates:**
 - ❖ BOV Budget Request Approval (September)
 - ❖ Governor's Amended Budget Proposal (December)
 - ❖ Accounting and Financial Reporting Optimization (In Progress)
 - ❖ Efficiency and Effectiveness Efforts (Ongoing)
 - ❖ BOV Operating Budget and Capital Plan Approval (June)



Background

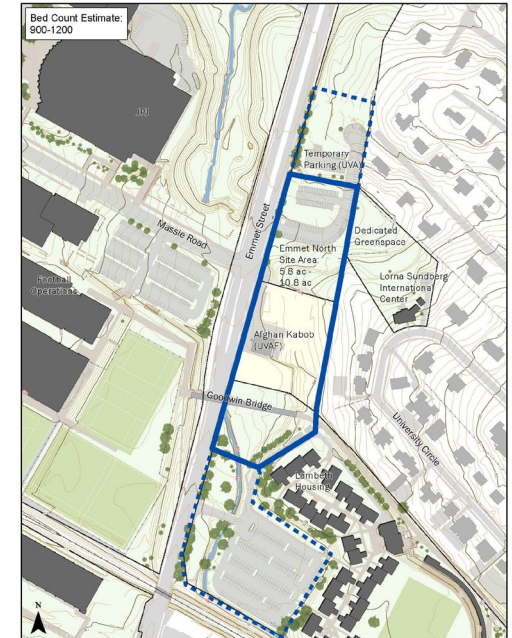
- BOV-approved projects with use of debt instrument: ~\$775M
- Key Projects with Debt Funding:



Paul and Diane Manning Institute of Biotechnology



Center for the Arts



Second Year Housing

Strategic Investment Fund

Agenda

- Introduction – Purpose and Overall Impact
- Background – Creation, Awarding Guidelines and Due Diligence
- Impact of Strategic Investment Fund Awards

Strategic Investment Fund Purpose

- **To fund exceptional investments that have the potential to:**
 - Transform a critical area of knowledge or operation
 - Further the research progress of the University
 - Materially enhance the quality of the academic experience
 - Support an affordable and excellent education for Virginians
 - Expand economic development in the Commonwealth

Strategic Investment Fund Overview

- Provides funding to support key initiatives of UVA's 2030 Plan.
- Originally developed in 2016, currently supports 78 distinct awards totaling nearly \$1 billion dollars since inception. Projects are selected for funding by University Executive Leadership.
- A resoundingly successful component of the SIF program involves matching awards, including the Bicentennial Scholars and Bicentennial Professors Funds.

Bicentennial Scholarships

- \$270M UVA investment + \$381M in philanthropic support= \$651M toward scholarships across UVA
- 700 student awards to date
- \$14,905,735 awarded to students to date
- These investments will benefit generations of UVA students

Bicentennial Professorships

- \$212M UVA investment + \$316M philanthropic support = \$528M toward faculty support across UVA
- 104 Bicentennial Professorships established by the Board to date
 - Three more on the docket for this meeting
 - Expect to bring approximately two dozen more when funding thresholds are reached
- 62 faculty members currently hold Bicentennial Professorships
 - 4 more elections on the docket for this meeting
 - 25 of these chairholders were newly-hired
- These investments will sustain faculty excellence for future generations

Strategic Investment Fund Timeline

| | |
|-----------------|---|
| April 2002-2005 | General Assembly amended Code of Virginia to allow investments in the long-term investment pool |
| June 2014 | BOV Finance Subcommittee formed to improve affordability and fund the Cornerstone Plan by leveraging strong balance sheet |
| Nov 2015 | BOV approved new liquidity policy, allowing UVA to maximize investments and minimize cash on hand |
| Jan 2016 | Lines of credit established, to provide back-up liquidity if needed. These have never been drawn upon. |
| Feb 2016 | BOV established SIF |
| April 2016 | Initial SIF Guidelines finalized |
| Aug 2019 | SIF Guidelines revised to support the 2030 Strategic Plan |

2016 Creation of Strategic Investment Fund

- Aggregated accumulated capital and operating reserves set aside for various purposes (approx. 4,000 accounts)
- Invested with UVIMCO to help fund President's strategic priorities
- Kept intact core SIF balances, continuing to serve as reserves for their intended purposes
- Funded SIF grants through investment earnings
- Designed original spending guidelines to:
 - Preserve the principal for future use according to the intent of the accounts
 - Fund a three-year start-up cycle for each initiative
 - Allocate income through a multi-stage review process culminating in BOV-approval of all expenditures.

SIF does not include tuition revenue or state appropriations

Strategic Investment Fund External Review

- **2016 Auditor of Public Accounts Findings Related to SIF:**
 - Investment program is in compliance with Code of Virginia
 - Balances are recorded in accordance with accounting standards and have been reviewed in annual audits
 - Board of Visitors did appropriately authorize actions
 - Lines of credit have not been utilized and are reserved for back up liquidity only
 - No tuition and fees or general funds are included in balances
 - All gift or contract agreement restrictions have been honored

SIF Recent History

- In 2019, the University's Board of Visitors approved a proposal that the Strategic Investment Fund (SIF) be used to fund the University's 2030 strategic plan.
- More than half of the SIF funds awarded to date are being matched by philanthropic gifts, thereby increasing the return on investment.
 - Bicentennial Scholars
 - Bicentennial Professors
- Funding through the SIF is centered around the 2030 Plan.
- The Board also approved the formation of the Medical Center Strategic and Reserve Fund.

More information: <https://sif.virginia.edu/>

2019 SIF Guiding Principles

1. SIF allocations are not intended to replace the normal budget process or traditional methods for financing regular operating expenses. Capital project funding may be allocated to cover the initial three years of debt service while other sources of capital are being secured.
2. SIF allocations for larger scale projects should, where possible, consider a phased or incremental approach to minimize risks.
3. SIF allocations should leverage external funds (philanthropy, federal funding and grants, etc.).
4. SIF initiatives are expected to have a three-year or less incubation or startup phase, after which each should become self-sustaining.
5. SIF allocations that benefit the Health System or The College at Wise should align with their respective strategic plans.

2019 SIF Guidelines

Provides funding to support key initiatives of UVA's 2030 Plan:



Strategic Investment Fund Administration

- All SIF investments are regularly monitored and assessed. Guided by the nature of the investment made.
- Assessment is conducted by evaluating the extent to which agreed upon objectives, milestones, and metrics were or are being achieved.
- Assessment normally occurs on an annual basis. Depending on the project scope and size, a different frequency for review may be established at time of award.
- Assessment and evaluation of the likelihood of achievement of the investment's objectives must occur before any additional funds are released.

Strategic Investment Fund Due Diligence

- Projects are selected for funding by University Executive Leadership.
- SIF Oversight Committee (SOC)
- Post-Award Assessment Committee (PAC)
- Post-Award Administrative Team (PAT)

SIF Allocations: FY2026 - FY2028

- **Historical Award Allocations, approved by the BOV:**
 - FY2020-FY2022: \$65M per year (\$195M total)
 - FY2023-FY2025: \$100M per year (\$300M total)
- **Recommended Award Allocations for FY26 – FY28:**
 - Conservative: \$60M per year (\$180M total)
 - Moderate: \$65M per year (\$195M total)
 - Aggressive: \$70M per year (\$210M total)

SIF spending guidelines will come to the Board for consideration at a future meeting.

Grand Challenges



Democracy

Environmental
Resiliency &
Sustainability

Precision
Medicine &
Precision Health

Brain &
Neuroscience

Digital
Technology
& Society

Grand Challenges



Chronic Pain and Opioid Use

Brain Institute researchers published data on how brain stimulation, opioid alternatives, and addressing sleep issues for individuals in pain can help make patients less dependent and avoid addiction.



Greenhouse Gases in the Arctic

Environmental Institute researchers are studying climate warming in the Arctic, which is four times greater than any other place on earth.

Democracy Initiative → Karsh Institute

- \$10M SIF investment → \$129M in private support




A photograph of the University of Virginia campus at dusk. The image shows a long, straight walkway flanked by red brick buildings with white columns and arches. The buildings are illuminated from within, and the lights are reflected in a pool of water in the center of the walkway. The sky is a pale blue-grey color.

Reports to the Commonwealth

Reports to the Commonwealth (Summer 2024)

- Updates to the 2023 Six-Year Institutional Plan (including review of SCHEV Fact Pack and other data)
- JLARC Debt Affordability and Capacity
- JLARC Cost Efficiency Study
- JLARC Institutional Spending Data Request
- JLARC Institutional Viability Study
- JLARC Survey re: Virginia Military Survivors and Dependents Education Program (VMSDEP)
- Performance Measures
 - Educational Standards
 - Financial and Administrative Standards

The background of the slide is a photograph of a classical building with large, white, fluted columns. The sun is shining brightly through the columns, creating a strong lens flare effect. The scene is captured in a warm, golden light, suggesting a sunrise or sunset. The ground is paved with large, light-colored stones.

UVIMCO June 2024 Investment Report

An aerial photograph of the University of Virginia campus. In the foreground, the iconic Rotunda building with its white dome and columns is visible. The campus is surrounded by lush green trees and lawns. In the background, rolling hills and mountains are visible under a sky with scattered clouds. The word "MISSION" is overlaid in large, white, bold capital letters across the center of the image.

MISSION

UVIMCO strives to generate exemplary investment returns to further the University of Virginia's mission in perpetuity by providing support to current and future generations of students, faculty, staff, and patients.

Agenda

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

Board of Directors



John Connaughton
UVIMCO BOARD
CHAIR
Co-Managing Partner,
Bain Capital



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



Mitchell Cohen
Managing Director,
Trilogy Search
Partners, LLC



J.J. Davis
EVP and COO,
University of Virginia



George Martin
Partner,
McGuireWoods LLP



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



Andrew Mulderry
Co-CIO, Willett
Advisors LLC



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



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



R. Ted Weschler
Investment Manager,
Berkshire Hathaway



Elizabeth Weymouth
Founder and
Managing Partner,
Grafine Partners

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



Matt Dorchuck
Managing Director



Lindsay Larsen
Managing Director



Jason Love
Managing Director

UVA / UVIMCO Connections

UVIMCO is a 501(c)(3) non-stock Virginia corporation and supporting organization to UVA. While separate and distinct from UVA, UVIMCO maintains close ties to the University in governance and communication.

- **Representatives of UVA on UVIMCO's Board of Directors**
 - 3 BOV appointees - George Martin, James Murray Jr., and Timothy O'Hara
 - 1 UVA President appointee - J.J. Davis
 - At least one UVA representative on UVIMCO's Executive, Governance, Audit, and Compensation Committees
- **The contractual relationship between UVIMCO and UVA is governed by investment management agreements for both the Long Term and Short Term Pools.**
- **UVIMCO provides data and materials to UVA for financial analyses/presentations.**
- **UVIMCO is not involved in spending rate decisions, SIF allocations, or any other use case decisions made by UVA or the foundations.**

UVIMCO's Goal & Strategy

UVIMCO's goal: to preserve the purchasing power of UVA's endowment and other long-term investment funds by generating long-term returns in excess of spending, plus inflation and fees (currently ~8%).

- The Long Term Pool is comprised of the endowment (\$7.2 billion), the SIF (\$1.9 billion), other long-term assets (\$1.9 billion), and University-associated organizations' assets (\$3.2 billion).
- Our investment horizon is measured in years, if not decades, aligning with the mission of the University as well as the perpetual nature of an endowment.
- UVIMCO targets attractive long-term returns through:
 - Asset allocation decisions
 - External investment manager selection
 - Opportunistic portfolio tilts
- Applying a consistent and effective investment philosophy and process over time is critical in the pursuit of exceptional long-term returns.

As of June 30, 2024

Manager Selection

Manager selection is a source of historical UVIMCO excellence and a meaningful driver of relative returns. UVIMCO's current portfolio is comprised of ~85 active manager relationships.

We invest with managers who:

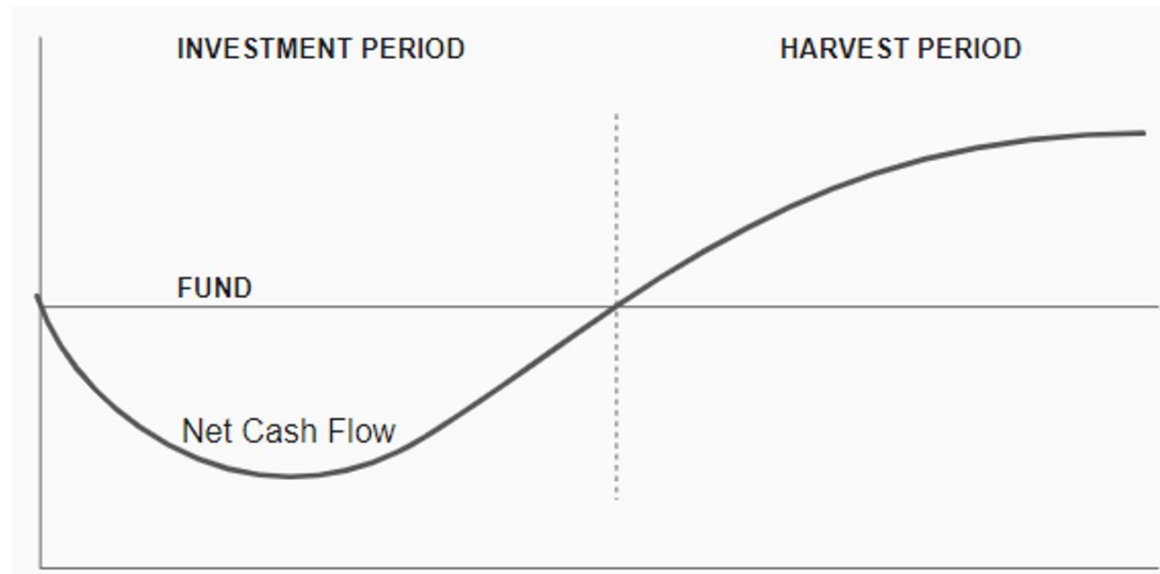
- Possess competitive edge and expertise
- Employ an independent, fundamental-driven research process
- Pursue a transparent and understandable strategy
- Are properly motivated and rewarded
- Demonstrate a high level of ethics and integrity

While UVIMCO selects external investment partners, we do not typically buy, sell, or vote upon individual stocks or bonds.

Private Equity

UVIMCO invests in private strategies (~45% of the LTP) to benefit from high absolute returns and manager selection alpha, which can only be evaluated over long time horizons.

- Private equity refers to investments in companies that are not publicly listed or traded on stock exchanges.
- There are many risks with investing in private equity, including illiquidity (on average funds are locked up for 7-10 years) and lack of transparency, information, and track record of underlying investments.
- As a GP invests, the fund will initially see increasing net negative cash flows. These will decrease over time as the fund starts realizing returns and will then gradually increase into net positive cash flows.

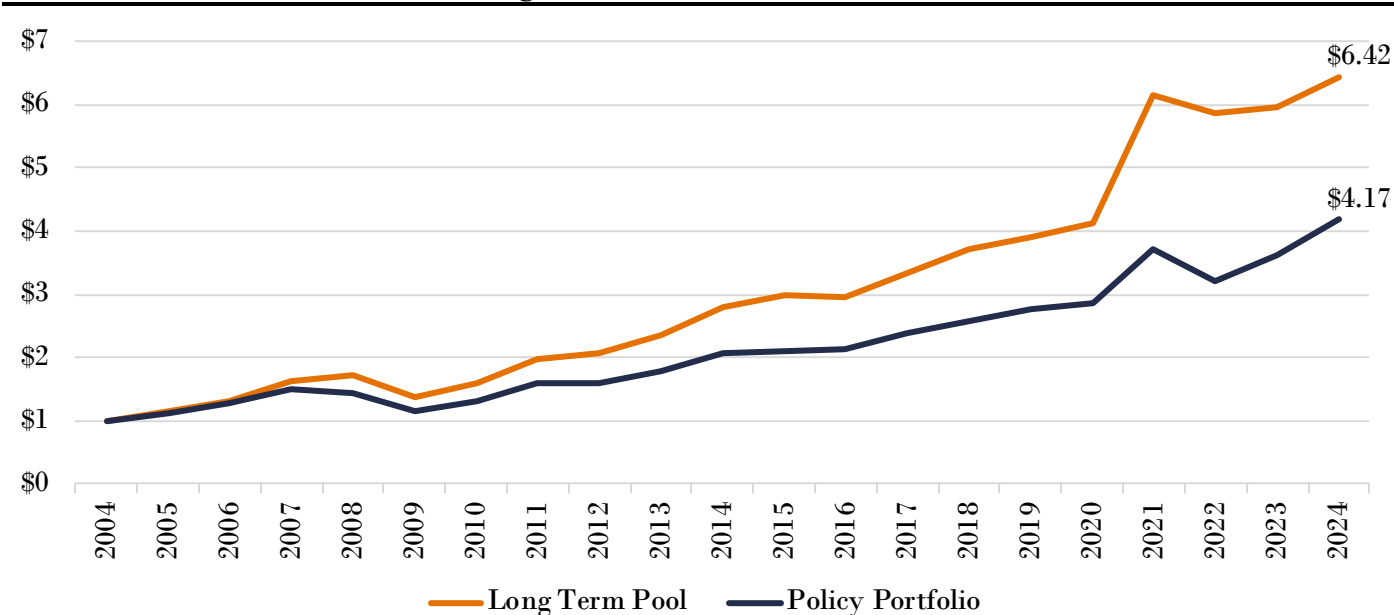


LTP versus Passive Alternatives

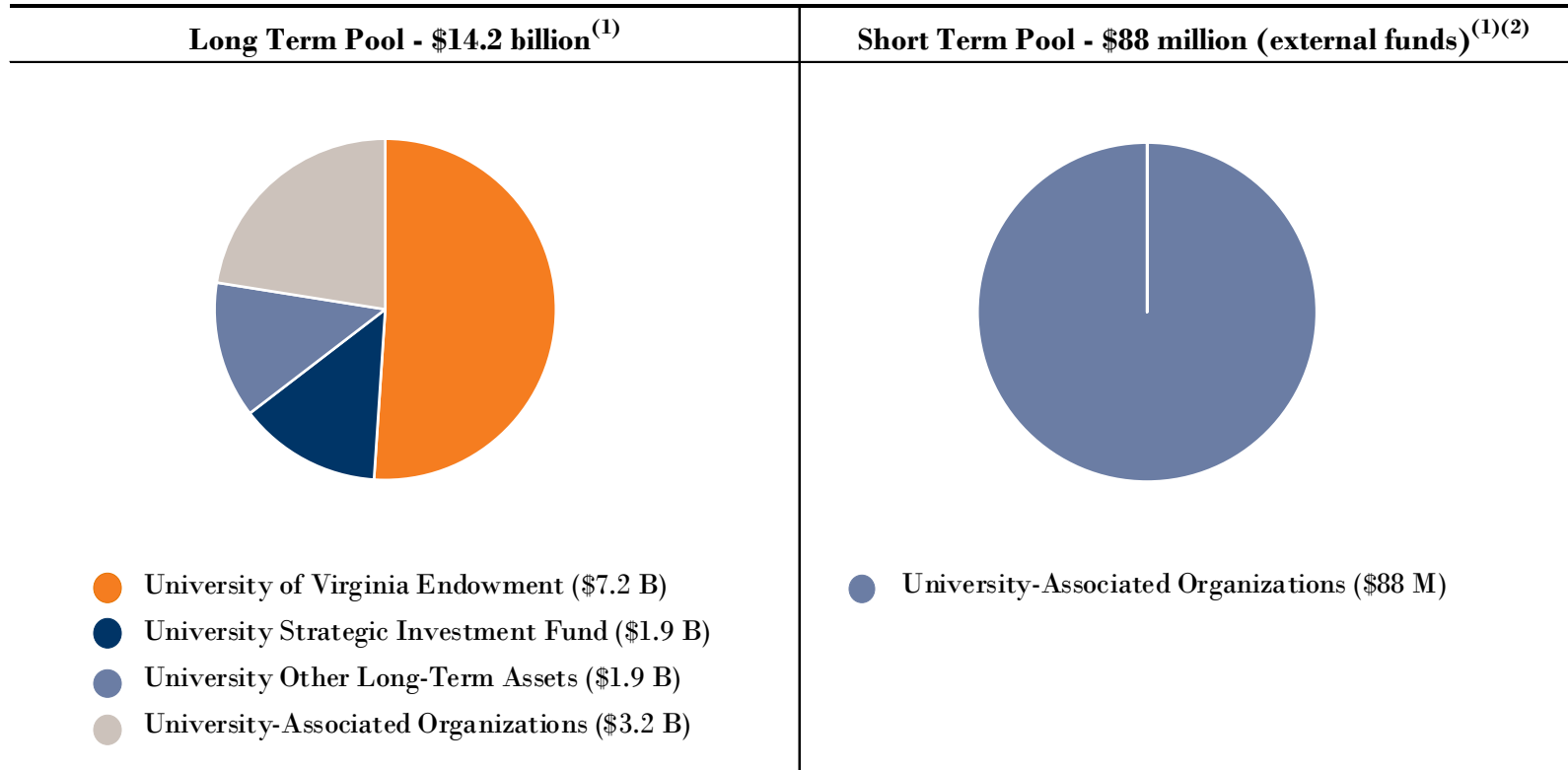
Active management of the LTP has added significant value to UVA's endowment over time:

- \$1.00 invested twenty years ago in the LTP would be worth \$6.42 as of June 30, 2024
- \$1.00 invested twenty years ago in the passive policy portfolio benchmark would be worth \$4.17

Growth of \$1, Fiscal Years Ending June 30



Assets Under Management



(1) Data as of June 30, 2024.

(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

Performance

Long Term Pool and Policy Portfolio Performance Summary

| <i>As of 6/30/2024</i> | 1 YR | 3 YR | 5 YR | 10 YR | 20 YR |
|-------------------------|--------------|--------------|-------------|--------------|--------------|
| Long Term Pool | 7.5 | 1.5 | 10.4 | 8.7 | 9.7 |
| <i>Policy Portfolio</i> | <i>15.3</i> | <i>4.0</i> | <i>8.5</i> | <i>7.3</i> | <i>7.4</i> |
| <i>Relative</i> | <i>(7.9)</i> | <i>(2.5)</i> | <i>1.9</i> | <i>1.4</i> | <i>2.3</i> |

- In FY24, the LTP gained 7.5% and earned \$1 billion in value for investors. Public Equity (+10.5%) and Long/Short Equity (+7.4%) performed modestly, while private strategies (+4.3%) continued their typical practice of lagging sharply rising equity markets. Real Assets (+10.8%) and Diversifiers (+6.5%) provided solid returns in FY24
- The LTP's 1- and 3-year relative underperformance versus the passive benchmark is largely driven by the short-term performance of private investments (~45% of the LTP). While past performance is not a guarantee of future results, our team has demonstrated excellence in private manager selection for several decades.
- UVIMCO's performance is best evaluated over longer time horizons, which reduces the impact of lagged private valuations and endpoint-sensitivity of return data. The LTP's annualized returns exceed both the 8% required return and the policy portfolio performance over 5-, 10-, and 20-year intervals.

Performance

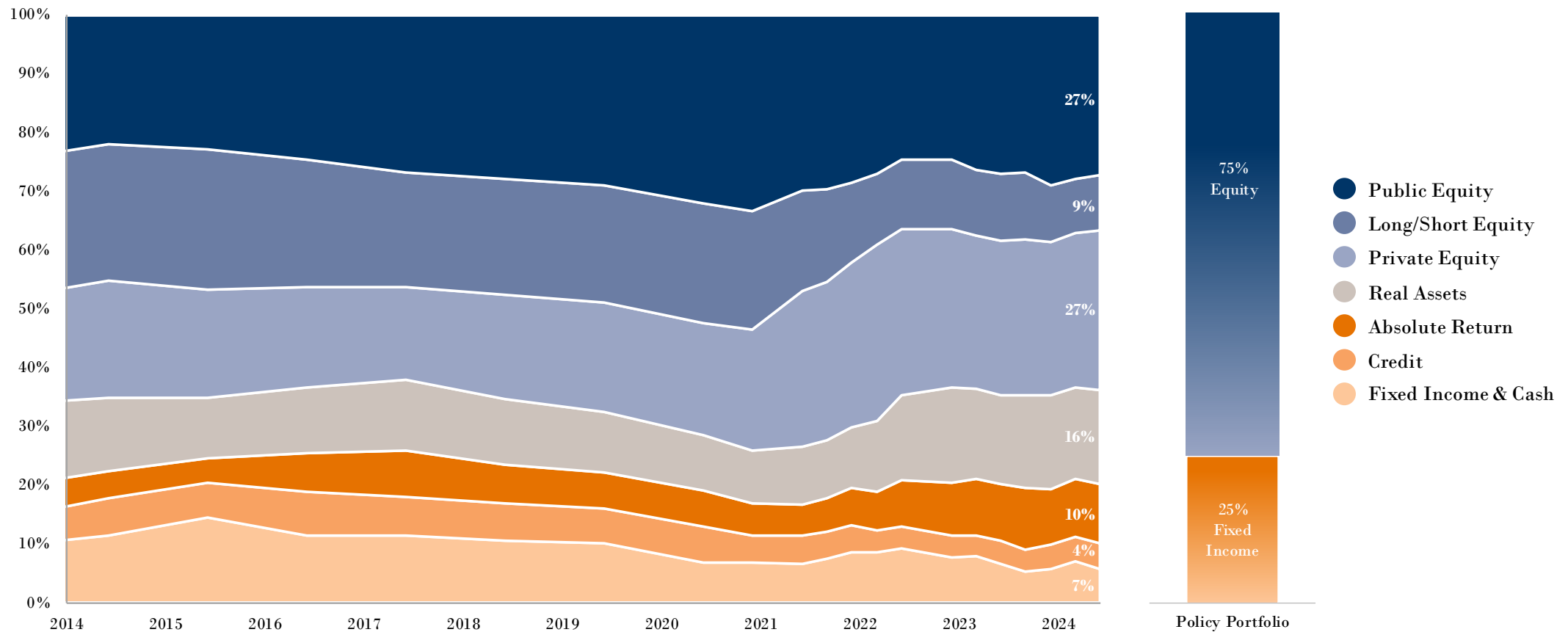
Long Term Pool and Policy Portfolio Performance Detail

| <i>As of June 30, 2024</i> | Market Value | | TWRR, Annualized | | | | |
|--|---------------|--------------|------------------|--------------|--------------|--------------|-------------|
| | \$mms | % LTP | 1 Year | 3 Years | 5 Years | 10 Years | 20 Years |
| Long Term Pool | 14,172 | 100.0 | 7.5 | 1.5 | 10.4 | 8.7 | 9.7 |
| <i>Policy Portfolio</i> | | <i>100.0</i> | <i>15.3</i> | <i>4.0</i> | <i>8.5</i> | <i>7.3</i> | <i>7.4</i> |
| Equity | | | | | | | |
| Public | 3,863 | 27.3 | 10.5 | (3.0) | 8.1 | 8.4 | 11.9 |
| Long / Short | 1,334 | 9.4 | 7.4 | (3.1) | 5.5 | 4.8 | 7.2 |
| Buyout | 752 | 5.3 | 12.7 | 23.5 | 22.1 | 14.7 | 13.4 |
| Growth Equity | 1,565 | 11.0 | (0.9) | (5.4) | 12.0 | 12.4 | -- |
| Venture Capital | 1,515 | 10.7 | 6.1 | 0.5 | 26.2 | 24.3 | 18.8 |
| Real Assets | 2,282 | 16.1 | 10.8 | 17.6 | 14.9 | 11.0 | 10.0 |
| Total Equity | 11,312 | 79.8 | 8.1 | 1.2 | 11.7 | 10.2 | 11.2 |
| <i>MSCI All Country World Equity</i> | | <i>75.0</i> | <i>19.9</i> | <i>5.9</i> | <i>11.3</i> | <i>9.0</i> | <i>8.5</i> |
| Diversifiers | | | | | | | |
| Absolute Return | 1,418 | 10.0 | 9.6 | 8.3 | 6.2 | 3.8 | 5.8 |
| Credit | 628 | 4.4 | 10.5 | 3.5 | 6.4 | 5.5 | 7.0 |
| Fixed Income | 876 | 6.2 | 0.5 | (3.4) | 1.1 | 1.4 | 3.0 |
| Cash | 132 | 0.9 | 5.0 | 2.8 | 1.9 | 1.4 | -- |
| Total Diversifiers | 3,055 | 21.6 | 6.5 | 2.9 | 4.9 | 3.6 | 4.1 |
| <i>Bloomberg U.S. Treasury Bond</i> | | <i>25.0</i> | <i>2.1</i> | <i>(2.3)</i> | <i>0.4</i> | <i>1.9</i> | <i>3.4</i> |
| Portfolio Management and Overlays | (195) | (1.4) | (0.3) | (0.1) | (0.2) | (0.1) | -- |

(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 June 30, 2024



Risk Management

Risk is the impact that a portfolio loss has on shareholders

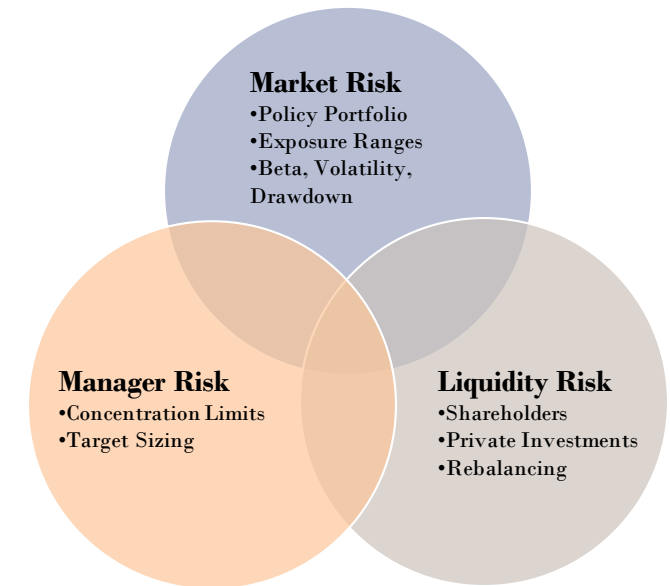
- Short-term: Volatility or drawdown risk
- Long-term: Decline in the real value of the endowment

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. Managed and mitigated through due diligence and diversification.

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

Risk Management Framework



Risk Management

| Type | Risk Metrics | Policy | Actual As of June 30, 2024 |
|----------------|---|--------|-------------------------------|
| Market Risk | Global Equity Beta | 75% | 76% |
| | Drawdown Risk (1.0% Value at Risk) | -22% | -21% |
| Liquidity Risk | Minimum 3-Month Liquidity | 20% | 27% |
| | Minimum 12-Month Liquidity | 35% | 43% |
| | Target to Private Investments | 45% | 46% |
| | Target Unfunded Commitments | 20% | 15% |
| Manager Risk | Maximum Concentration to a Single Manager | 7.5% | 4.7% |

