



## Endowment update for March 31, 2016

This report provides an update on the management and performance of the University of Minnesota Foundation (UMF) endowment portfolio for the period ended March 31, 2016.

After a volatile quarter, the portfolio return for the 12-month period was +.6%, falling below the investment goal but outpacing the market benchmark of -1.8%. The majority of the outperformance can be attributed to asset allocation differences and relatively strong returns in private equity and real estate investments. Exposure to U.S. Treasury bonds and reinsurance was also beneficial.

Please visit [give.umn.edu/about/financial](http://give.umn.edu/about/financial) for additional information including UMF's 2015 Report on Giving.

## FY 2015 giving highlights Record-Breaking Year

 **\$351 million**  
TOTAL AMOUNT OF GIFTS

 **78,190**  
TOTAL NUMBER OF DONORS



## Connecting passion with possibility

UMF is a key partner in building excellence among students and faculty and fueling important discovery on all five University of Minnesota campuses. UMF accomplishes this by raising gifts from individuals and organizations, investing funds for maximum impact, and stewarding gifts to ensure they are used as donors intended. An independent, nonprofit organization, UMF is designated by the Board of Regents as the central development office for the University.

Our mission is to connect passion with possibility, inspire generosity, and support greatness at the University of Minnesota.

## Financial expertise

Donors may make endowed gifts to create new funds or contribute to existing funds. These funds are pooled and invested together as the UMF endowment. This portfolio, currently valued at \$2.1 billion, is invested by UMF Investment Advisors (UMFIA). A nonprofit subsidiary formed in 1998 to focus on long-term investment goals, UMFIA has an 11-member board of directors with expertise in financial management. Visit [give.umn.edu/about/umfia/board](http://give.umn.edu/about/umfia/board) for a list of UMFIA board members.

## Investment objectives

The investment policy, set by the UMF Board of Trustees, seeks to maximize growth while minimizing annual risk and volatility. To achieve these goals, the portfolio is highly diversified and actively managed. A portion of each endowed fund's value, currently 4.5% of the fund's average market value over the previous 20 quarters, is made available for spending each year to support the fund's designated program.

## Investment results

*for the periods ended March 31. Total value of UMF endowment: \$2.1 billion.*

Year	Actual	Goal*	Policy Benchmark**	65/35 Benchmark***
1-Year	0.6%	5.9%	2.4%	-1.8%
5-Year	6.5%	6.3%	6.4%	4.7%
10-Year	5.4%	7.4%	5.9%	4.5%
20-Year	8.2%	8.0%	6.6%	6.4%

\* The investment goal is to achieve an annualized return of 5% in excess of inflation. The goal, set by UMFIA, is intended to cover the spending rate as well as administrative fees to ensure permanent endowment value.

\*\* The policy benchmark's components and asset class weightings are based on the portfolio's asset allocation policy.

\*\*\* The 65/35 benchmark is a blend of stock and bond indices (65% stocks and 35% bonds).

## Value of UMF endowment over time

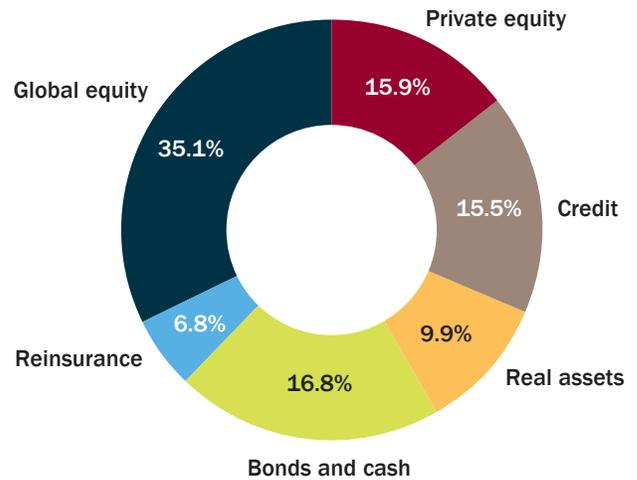
The UMF endowment has performed well over the long term, making it possible for well-established funds to provide predictable and stable funding to support their designated programs.

The chart below shows the growth of the endowment, compared with the foundation's policy goal and a 65/35 market benchmark, illustrated as the growth of \$1 since 1990.

The 65/35 benchmark is a weighted blend of stock and bond indices (65% equities and 35% bonds). To minimize the higher risk inherent in equities, the equity component of UMF's portfolio is closer to 50%. Portfolio diversification is important because the endowment supports current spending. From time to time, simple stock/bond portfolios more heavily weighted in favor of stocks may outperform the UMF portfolio. Our goal is to achieve equity-like returns over the long run but with far less volatility.

Since the inception of UMFIA, our portfolio return has exceeded equity and passive benchmark returns by +2.8% annually, with less downside risk.

## Asset allocation



## Growth of \$1 in UMF endowment since July 1, 1990

