



Endowment update for March 31, 2017

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, 2017.

The portfolio is invested by UMF Investment Advisors (UMFIA), a nonprofit subsidiary formed in 1998 to focus on long-term investment goals. UMFIA has a 10-member board of directors that includes representation from the UMF Board of Trustees as well as from UMF leadership.

UMFIA 2017 Board of Directors

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*UMF Board of Trustees
 **UMF leadership, ex-officio member

Please visit give.umn.edu/about/financial for additional information.

Creating a margin of excellence

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.

Endowments create a margin of excellence that empowers the University to go far beyond what is otherwise possible. UMF manages the investment and spending of approximately 6,000 endowed funds that provide a stable and predictable source of funding for their designated programs.

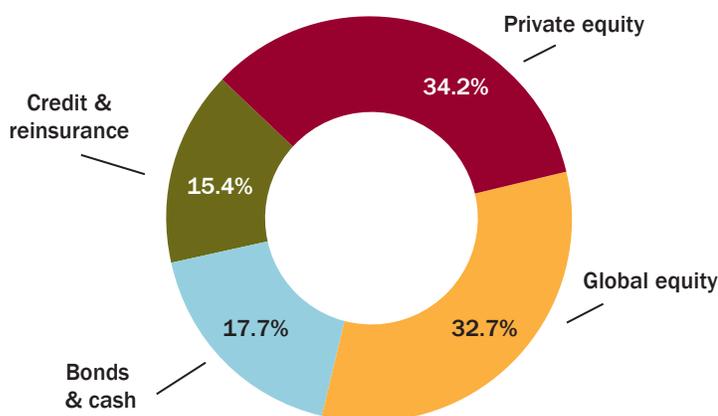
Donors may make endowed gifts to create new funds or contribute to existing funds. These funds are pooled and invested together as the UMF endowment.

Managing the endowment

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. The investment policy seeks to support this spending plan, which is set by the UMF Board of Trustees, while preserving the real purchasing power of endowed gifts for the long term.

UMF's portfolio remains highly diversified and actively managed, with a goal of achieving equity-like returns over a complete cycle, with lower risk. The portfolio is structured to capture stock market gains through time while avoiding the steep declines and multi-year periods of subpar returns that befall the market from time to time.

Asset category allocation



Investment results

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

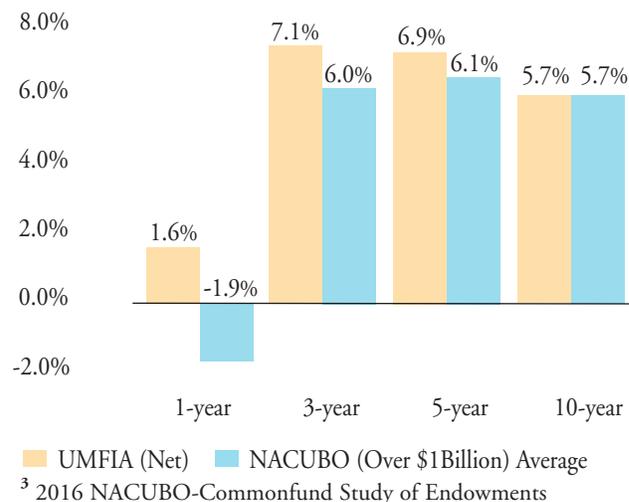
The investment goal is to achieve an annualized return of 5% in excess of inflation in order to cover the 4.5% spending rate as well as administrative fees to ensure permanent endowment value. For the one-year period ending March 31, 2017, the endowment pool returned 8.2%. This performance exceeded our goal but lagged the market benchmark return of 9.9%, due primarily to the asset allocation differences between our long-term strategy and the market benchmark.

Year	Actual	Goal	Policy Benchmark ¹	65/35 Market Benchmark ²
1-Year	8.2%	7.5%	6.8%	9.9%
5-Year	7.4%	6.3%	7.2%	6.2%
10-Year	4.9%	7.2%	5.1%	4.2%
20-Year	8.1%	7.9%	6.6%	6.4%

Performance vs peer group³

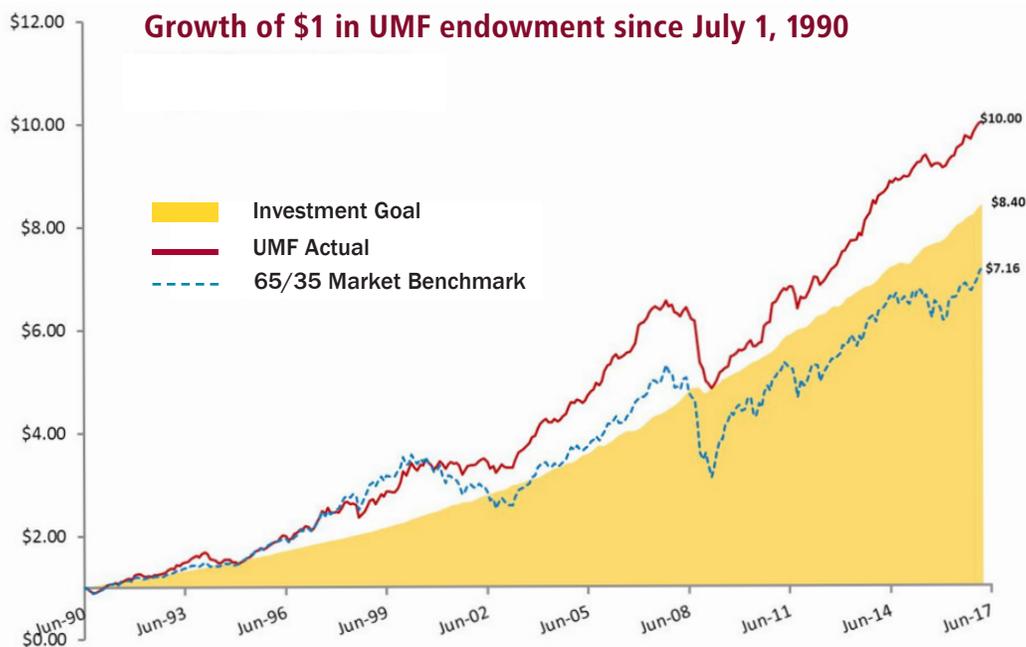
As of June 30, 2016. Please note that the investment results in the chart at left are as of March 31 and will differ from the values reflected here.

The chart below illustrates UMF's performance relative to our peer group: college and university endowments with assets greater than \$1 billion.



Value of UMF endowment over time

The UMF endowment has performed well over the long term, making it possible for 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 investment goal and a 65/35 market benchmark, illustrated as the growth of \$1 since 1990. Since the inception of UMFIA, our portfolio return has exceeded market benchmark returns by +2.6% annually, with less downside risk.



¹ The policy benchmark helps measure how well UMFIA is implementing its investment policy. Its components and asset class weightings are based on the portfolio's asset allocation policy.

² The 65/35 market benchmark is a weighted blend of stock and bond indices (65% equities and 35% bonds).