Connecting passion with possibility

The mission of the University of Minnesota Foundation (UMF) is to connect passion with possibility, inspire generosity, and support greatness at the University of Minnesota. 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.

Thanks to the generosity of our donors, UMF set a new record in fiscal 2015 by raising $351 million, surpassing the previous record of $289 million set in 2008.

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 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 ending September 30. Total value of UMF endowment: $2.1 billion.

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Goal*</th>
<th>Policy Benchmark**</th>
<th>65/35 Benchmark***</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Year</td>
<td>3.1%</td>
<td>4.9%</td>
<td>2.7%</td>
<td>-4.4%</td>
</tr>
<tr>
<td>5-Year</td>
<td>8.6%</td>
<td>6.9%</td>
<td>8.3%</td>
<td>5.4%</td>
</tr>
<tr>
<td>10-Year</td>
<td>6.3%</td>
<td>7.5%</td>
<td>6.6%</td>
<td>4.7%</td>
</tr>
<tr>
<td>20-Year</td>
<td>8.6%</td>
<td>8.1%</td>
<td>8.1%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

* 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 +3.1 annually, with less downside risk.

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

Asset allocation

- Private equity: 32.1%
- Global equity: 14.6%
- Credit: 16.9%
- Real assets: 10.4%
- Reinsurance: 20.4%
- Bonds and cash: 5.7%

Investment Goal
UMF Actual
65/35 Market Benchmark

Jun-90, $0.00
Jun-93, $6.21
Jun-96, $7.62
Jun-99, $9.15
Jun-02, $9.15
Jun-05, $9.15
Jun-08, $9.15
Jun-11, $9.15
Jun-14, $9.15