

# University of Washington

Quarterly Investment Performance Report

As of December 31, 2017

University of Washington Investment Management Company

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# University of Washington

## Quarterly Investment Performance Report

As of December 31, 2017

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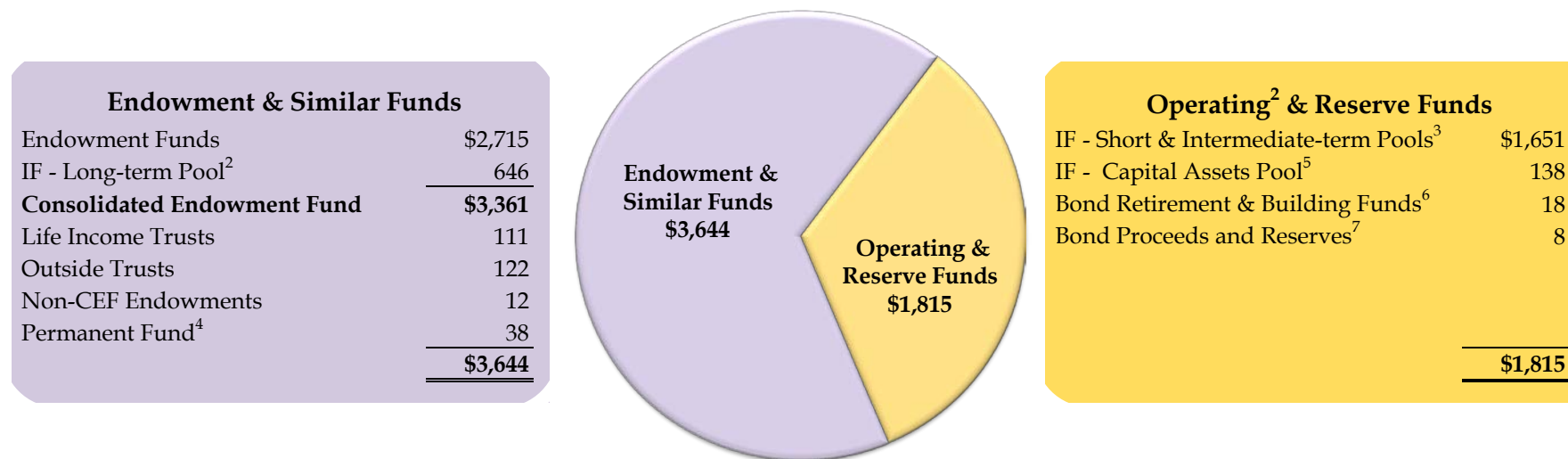
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# UW Financial Assets Overview<sup>1</sup>

As of December 31, 2017

(\$ Millions)

Total Assets \$5,459



<sup>1</sup> Assets whose management falls under the auspices of the Finance & Asset Management Committee of the Board of Regents, excluding Metro Tract and Forest Trust Lands.

<sup>2</sup> Invested Funds (IF) Long-term Pool holds units of the Consolidated Endowment Fund (CEF) valued at \$646 million. To avoid double counting, the dollars are included only in the CEF total.

<sup>3</sup> Excludes general operating account balances of \$83 million held to meet the next day operating expense payments.

<sup>4</sup> Proceeds from sale of land grants and subsequent investment returns on deposit with the state of Washington.

<sup>5</sup> Invested Funds (IF) Capital Assets Pool (CAP) consists of UW internally financed projects.

<sup>6</sup> Bond Retirement Fund and Building Fund on deposit with the state of Washington.

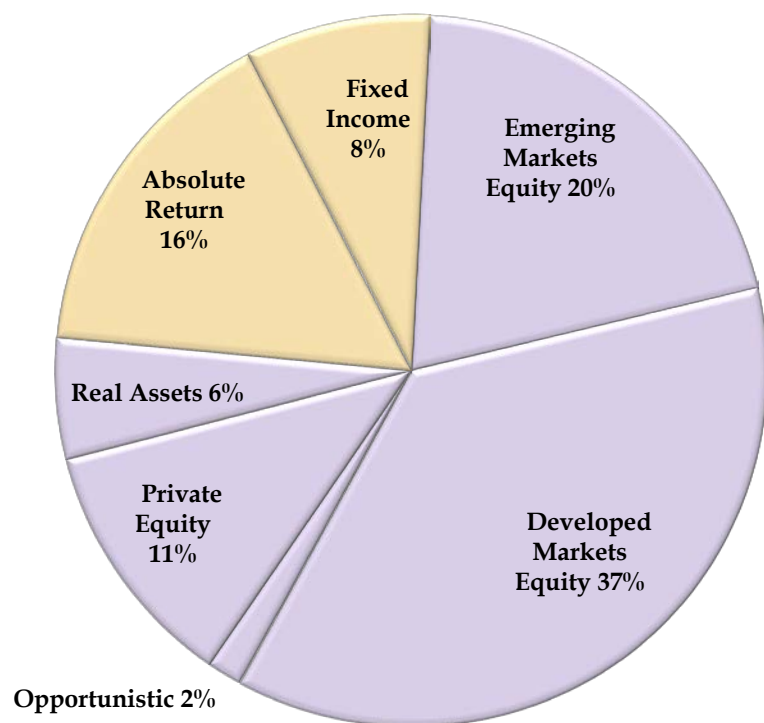
<sup>7</sup> Debt service reserve funds and construction project funds which have not yet been disbursed.

# CEF Asset Allocation

As of December 31, 2017

(\$ Millions)

Total CEF \$3,361



Current Allocation			Policy	
			Target	Range
Emerging Markets Equity	\$686	20%	17%	
Developed Markets Equity	1,235	37%	30%	
Private Equity	383	11%	15%	
Real Assets	185	6%	5%	
Opportunistic	54	2%	3%	
<b>Capital Appreciation</b>	<b>\$2,543</b>	<b>76%</b>	<b>70%</b>	<b>55% - 85%</b>
Absolute Return	535	16%	19%	
Fixed Income	283	8%	11%	
<b>Capital Preservation</b>	<b>\$818</b>	<b>24%</b>	<b>30%</b>	<b>15% - 45%</b>
<b>Consolidated Endowment Fund*</b>	<b>\$3,361</b>	<b>100%</b>		

\* Uncalled capital commitments: 13%

Note: Percentages may not sum due to rounding.

# CEF Performance Summary

As of December 31, 2017

## Rolling Year Returns (%)

	1 Year	3 Year	5 Year	10 Year	20 Year
<b>CEF Return</b>	<b>16.9</b>	<b>8.1</b>	<b>9.5</b>	<b>4.8</b>	<b>8.0</b>
<i>Passive Benchmark<sup>1</sup></i>	16.7	6.9	7.9	4.4	5.8
<b>Capital Appreciation</b>	<b>21.8</b>	<b>9.8</b>	<b>11.4</b>	<b>5.5</b>	<b>8.5</b>
<i>MSCI ACWI (Net)</i>	24.0	9.3	10.8	4.7	6.1
<b>Capital Preservation</b>	<b>3.1</b>	<b>2.9</b>	<b>4.0</b>	<b>2.2</b>	<b>5.8</b>
<i>BB/BC Intermediate Gov't Bond</i>	1.1	1.1	0.9	2.7	4.1

<sup>1</sup> 70% MSCI ACWI (Net) + 30% BB/BC Intermediate Government Bond Index

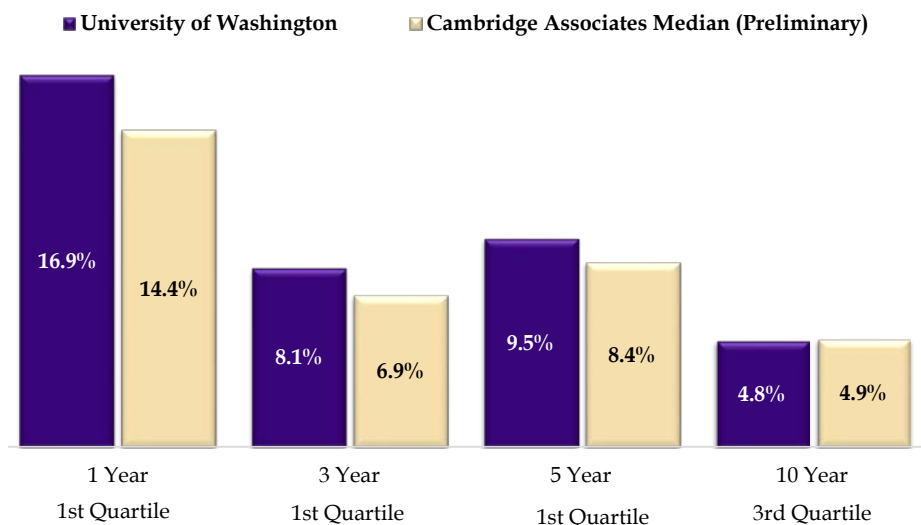
## Fiscal Year<sup>1</sup> Returns (%)

	2017	2016	2015	2014	2013
<b>CEF Return</b>	<b>13.6</b>	<b>-1.6</b>	<b>6.8</b>	<b>15.8</b>	<b>13.5</b>
<i>Passive Benchmark<sup>2</sup></i>	12.4	-1.2	1.1	16.2	11.2
<b>Capital Appreciation</b>	<b>16.7</b>	<b>-2.7</b>	<b>8.1</b>	<b>18.8</b>	<b>17.0</b>
<i>MSCI ACWI (Net)</i>	18.8	-3.7	0.7	22.9	16.6
<b>Capital Preservation</b>	<b>4.5</b>	<b>1.1</b>	<b>2.7</b>	<b>8.0</b>	<b>5.9</b>
<i>BB/BC Intermediate Gov't Bond</i>	-1.2	3.9	1.8	1.5	-0.6

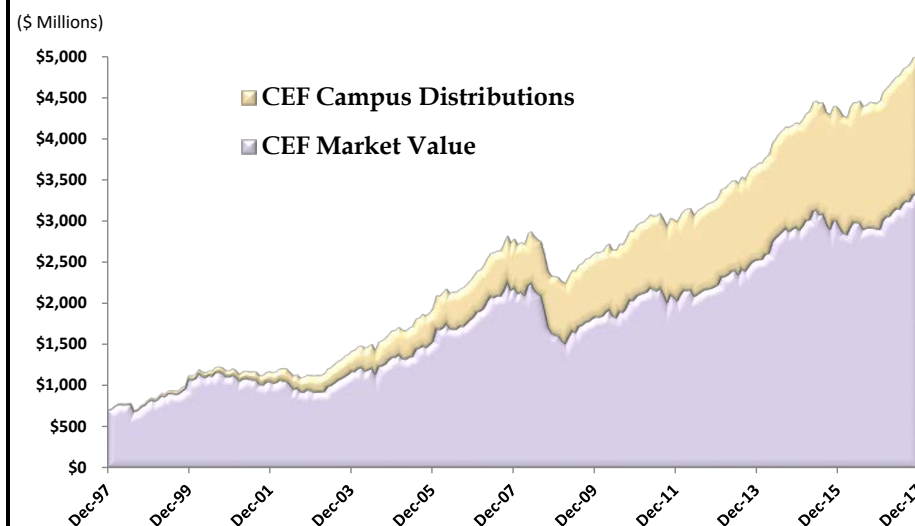
<sup>1</sup> The University of Washington fiscal year runs from July 1st to June 30th

<sup>2</sup> 70% MSCI ACWI (Net) + 30% BB/BC Intermediate Government Bond Index

## Public Peers with Endowments \$1-5 Billion



## Market Value and Distributions Over 20 Years



# CEF Performance Update

As of December 31, 2017

	Quarter	FYTD	1 Year	3 Year	5 Year	10 Year
<b>Rolling Returns %</b>						
<b>CONSOLIDATED ENDOWMENT FUND</b>	<b>3.9</b>	<b>7.7</b>	<b>16.9</b>	<b>8.1</b>	<b>9.5</b>	<b>4.8</b>
Passive Benchmark <sup>1</sup>	3.9	7.7	16.7	6.9	7.9	4.4
<b>CAPITAL APPRECIATION</b>	<b>5.0</b>	<b>9.9</b>	<b>21.8</b>	<b>9.8</b>	<b>11.4</b>	<b>5.5</b>
MSCI ACWI (Net)	5.7	11.2	24.0	9.3	10.8	4.7
Emerging Markets Equity	9.4	17.4	41.8	13.9	10.5	5.8
Developed Markets Equity	3.7	7.8	17.6	7.9	11.6	5.3
Opportunistic (started 7/1/2010)	2.3	5.5	12.1	12.4	14.2	--
Subtotal	5.6	11.0	24.9	10.1	11.4	--
MSCI ACWI (Net)	5.7	11.2	24.0	9.3	10.8	4.7
Private Equity <sup>2</sup>	3.3	5.7	10.2	11.4	12.4	8.3
PE Benchmark <sup>2</sup>	3.7	6.7	14.1	10.1	13.1	9.0
Real Assets <sup>2</sup>	2.4	7.5	15.6	5.0	9.9	2.3
RA Benchmark <sup>2</sup>	1.7	2.4	9.0	2.7	6.0	6.1
<b>CAPITAL PRESERVATION</b>	<b>0.7</b>	<b>1.2</b>	<b>3.1</b>	<b>2.9</b>	<b>4.0</b>	<b>2.2</b>
BB/BC Intermediate Government Bond	-0.4	-0.1	1.1	1.1	0.9	2.7
Absolute Return	1.0	1.5	3.7	3.6	5.3	4.0
Policy Benchmark <sup>3</sup>	1.1	2.5	4.1	2.1	3.4	2.5
Fixed Income	0.2	0.7	2.1	1.4	1.6	1.3
BB/BC Intermediate Government Bond	-0.4	-0.1	1.1	1.1	0.9	2.7
<b>MARKET INDICES</b>						
S&P 500	6.6	11.4	21.8	11.4	15.8	8.5
Russell 2000	3.3	9.2	14.6	9.9	14.1	8.7
MSCI EAFE	4.3	10.0	25.7	8.4	8.4	2.4
MSCI EMF	7.5	16.1	37.8	9.5	4.7	2.0
BB/BC High Yield	0.5	2.5	7.5	6.4	5.8	8.0

<sup>1</sup> 70% MSCI ACWI (Net) + 30% BB/BC Intermediate Government Bond Index

<sup>2</sup> Reported on a quarter lag

<sup>3</sup> Preliminary

# CEF Activity and Campus Support

As of December 31, 2017

(\$ Millions)

## CEF Activity

	<u>FYTD 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>3 Year</u>	<u>Rolling Years</u> <u>5 Year</u>	<u>10 Year</u>	<u>20 Year</u>
<b>Beginning Balance</b>	<b>\$3,144</b>	<b>\$2,968</b>	<b>\$3,076</b>	<b>\$2,889</b>	<b>\$2,226</b>	<b>\$2,192</b>	<b>\$705</b>
Endowment Gifts	46	87	89	244	375	720	1,246
Transfers	4	15	23	44	61	96	195
Operating Funds	(0)	(163)	(25)	(107)	90	195	299
<b>Total Additions</b>	<b>\$50</b>	<b>(\$61)</b>	<b>\$88</b>	<b>\$181</b>	<b>\$526</b>	<b>\$1,010</b>	<b>\$1,740</b>
Net Investment Return	241	378	(55)	715	1,270	1,305	2,687
Distributions to Unit Holders	(59)	(113)	(113)	(339)	(528)	(916)	(1,445)
Internal Fees							
Advancement Support	(12)	(23)	(23)	(68)	(106)	(184)	(257)
Investment Administration	(3)	(6)	(6)	(17)	(26)	(46)	(69)
<b>Ending Balance</b>	<b>\$3,361</b>	<b>\$3,144</b>	<b>\$2,968</b>	<b>\$3,361</b>	<b>\$3,361</b>	<b>\$3,361</b>	<b>\$3,361</b>

## Active Management Contribution

<b>Net Investment Return</b>	<b>\$241</b>	<b>\$378</b>	<b>(\$55)</b>	<b>\$715</b>	<b>\$1,270</b>	<b>\$1,305</b>	<b>\$2,687</b>
Less: Passive Return <sup>1</sup>	(243)	(351)	34	(624)	(1,065)	(1,160)	(2,084)
Less: Investment Administration	(3)	(6)	(6)	(17)	(26)	(46)	(69)
<b>Net Active Management</b>	<b>(\$5)</b>	<b>\$21</b>	<b>(\$26)</b>	<b>\$73</b>	<b>\$178</b>	<b>\$99</b>	<b>\$533</b>

## Campus Support from Investments

CEF Distributions to Unit Holders	59	113	113	339	528	916	1,445
Advancement Support from CEF	12	23	23	68	106	184	257
Invested Funds Distributions <sup>2</sup>	0	42	50	134	209	435	909
<b>Total Campus Support</b>	<b>\$71</b>	<b>\$177</b>	<b>\$185</b>	<b>\$541</b>	<b>\$843</b>	<b>\$1,535</b>	<b>\$2,611</b>

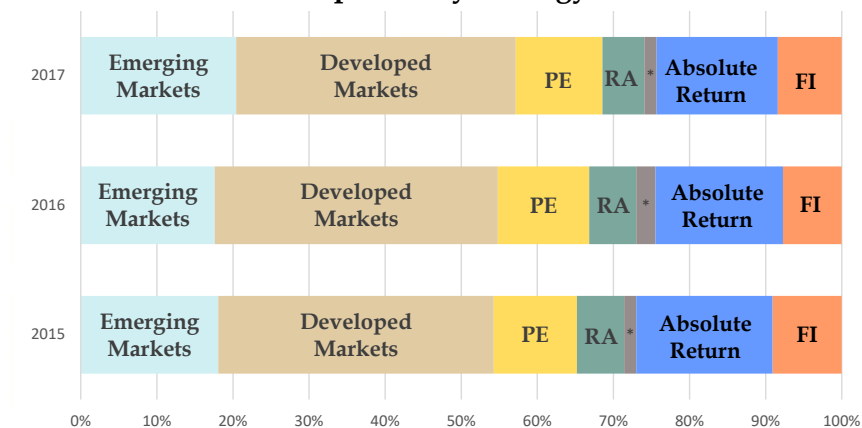
<sup>1</sup> 70% MSCI ACWI (Net) + 30% BB/BC Intermediate Government Bond Index

<sup>2</sup> Invested Funds Distributions are made annually in June.

# CEF Exposures

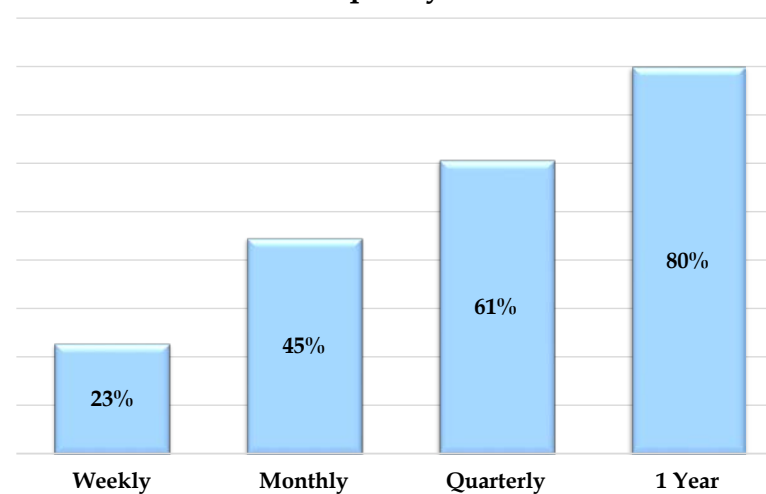
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## Exposure by Strategy

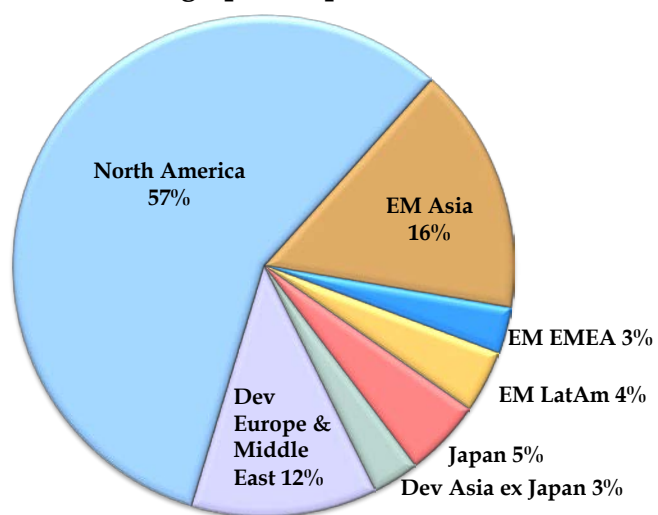


PE = Private Equity; RA = Real Assets; \* = Opportunistic; FI = Fixed Income

## Short-Term Liquidity as a % of CEF

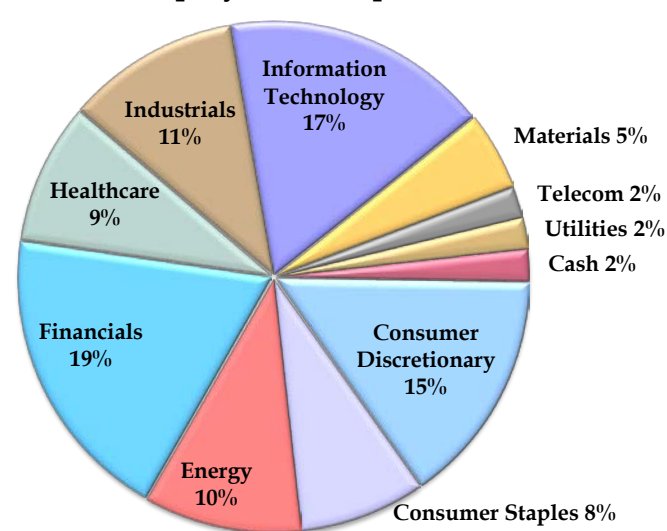


## Geographic Exposure\*



\*Foreign currency exposure: 39%.

## Equity Sector Exposure





# Invested Funds (IF) Portfolio Summary

As of December 31, 2017

	Returns (%)				
	Quarter	1 Year	3 Year	5 Year	10 Year
<b>Short &amp; Intermediate Pools</b>	<b>0.1</b>	<b>1.6</b>	<b>1.3</b>	<b>1.0</b>	<b>2.1</b>
Weighted Benchmark	-0.3	0.5	0.8	0.7	2.0
<b>IF including LTP<sup>1</sup></b>	<b>1.2</b>	<b>5.6</b>	<b>3.1</b>	<b>3.1</b>	<b>2.6</b>
Weighted Benchmark	0.9	4.9	2.5	2.6	2.8
<hr/>					
<b>IF including LTP<sup>1</sup> &amp; CAP<sup>2</sup></b>	<b>1.2</b>	<b>5.5</b>	<b>3.2</b>	<b>3.2</b>	<b>2.7</b>
Information Purposes Only					

<sup>1</sup> Long-term Pool (LTP) is designed to improve the risk profile and/or enhance the IF performance through investment in CEF units or other investment vehicles.

<sup>2</sup> Capital Assets Pool consists of UW internally financed projects.

	Fund Allocation By Pool			Duration (Years)	
	Fund Allocation \$ Millions	Range	Range	Actual	Maximum
Short-term Pool	\$1,237	51%	10%-40%	1.2	3.0
Intermediate-term Pool	413	17%	25%-60%	3.0	5.0
Long-term Pool	646	26%	15%-45%		
<b>IF excluding CAP</b>	<b>\$2,297</b>	<b>94%</b>			
Capital Assets Pool <sup>3</sup>	138	6%	0%-15%		
<b>Total Invested Funds</b>	<b>\$2,435</b>	<b>100%</b>			

<sup>1</sup> Short-term Pool includes \$239M of restricted Supplemental Retirement Funds.

<sup>2</sup> Long-term Pool consists of CEF units and are included in the CEF market value.

<sup>3</sup> Capital Assets Pool (CAP) consists of UW internally financed projects.

