USF Foundation Annual Portfolio Review
for
University of South Florida Board of Trustees
Finance & Audit Workgroup

November 20, 2014

Chip Newton
Investment Committee Chair

Mark E. Brubaker, CFA
Managing Director
Wilshire Associates
# Endowment Portfolio Performance
## June 30, 2014

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Alloc %</th>
<th>1-Yr</th>
<th>3-Yr</th>
<th>5-Yr</th>
<th>10-Yr</th>
<th>Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>37%</td>
<td>25.0%</td>
<td>16.3%</td>
<td>20.6%</td>
<td>8.8%</td>
<td></td>
</tr>
<tr>
<td>Wilshire 5000 Index</td>
<td>35%</td>
<td>24.9%</td>
<td>16.3%</td>
<td>19.2%</td>
<td>8.0%</td>
<td></td>
</tr>
<tr>
<td>International Equity</td>
<td>26%</td>
<td>23.3%</td>
<td>7.4%</td>
<td>11.2%</td>
<td>8.7%</td>
<td></td>
</tr>
<tr>
<td>MSCI ACWI ex US</td>
<td>25%</td>
<td>22.2%</td>
<td>6.2%</td>
<td>11.6%</td>
<td>8.2%</td>
<td></td>
</tr>
<tr>
<td>Fixed Income</td>
<td>19%</td>
<td>7.9%</td>
<td>7.2%</td>
<td>9.1%</td>
<td>7.1%</td>
<td></td>
</tr>
<tr>
<td>Barclays Agg/ML HY</td>
<td>20%</td>
<td>8.1%</td>
<td>6.5%</td>
<td>7.3%</td>
<td>6.1%</td>
<td></td>
</tr>
<tr>
<td>Public Real Assets</td>
<td>5%</td>
<td>8.4%</td>
<td>4.0%</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Custom Benchmark</td>
<td>5%</td>
<td>10.8%</td>
<td>3.3%</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Marketable</th>
<th>Alloc %</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Real Assets</td>
<td>3%</td>
<td>Mult: 1.0x</td>
</tr>
<tr>
<td>(Real Estate, Natural Rs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCREIF Property Index</td>
<td>5%</td>
<td>N/A</td>
</tr>
<tr>
<td>Alternatives</td>
<td>10%</td>
<td>IRR: 9.2%</td>
</tr>
<tr>
<td>(Private Eq, Venture Cp)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wilshire 5000 IRR</td>
<td>10%</td>
<td>IRR: 8.0%</td>
</tr>
</tbody>
</table>

- Private Real Assets Net Multiple as of 3/31/2014 due to valuation lag
- IRR for Alternatives as of 3/31/2014

## Total Endowment Assets
$447 Million

## NACUBO Endowment Assets
$418 Million
Benchmarking

• **NACUBO-Commonfund Study of Endowments Is Primary Benchmarking Tool (FY 2013 Available)**
  – Offers comparative data on returns, asset allocation, asset growth, spending, etc.
  – Preliminary FY 2014 numbers indicate continued top quartile results across all time periods

• **Investment Returns Place USF Foundation At Top Quartile in All Time Periods**

<table>
<thead>
<tr>
<th>NACUBO - FY 2013 Return</th>
<th>1 Yr</th>
<th>3 Yr</th>
<th>5 Yr</th>
<th>10 Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>USF Foundation</td>
<td>13.7%</td>
<td>12.4%</td>
<td>5.8%</td>
<td>8.6%</td>
</tr>
<tr>
<td>NACUBO Universe Percentile Rank</td>
<td>18th</td>
<td>8th</td>
<td>12th</td>
<td>11th</td>
</tr>
<tr>
<td>NACUBO Universe Average</td>
<td>11.7</td>
<td>10.2</td>
<td>4.0</td>
<td>7.1</td>
</tr>
<tr>
<td>$100 – 500 Million Peers Average</td>
<td>11.9</td>
<td>10.2</td>
<td>3.8</td>
<td>7.0</td>
</tr>
<tr>
<td>Florida Peer Institutions Average</td>
<td>11.9</td>
<td>10.2</td>
<td>3.8</td>
<td>7.1</td>
</tr>
</tbody>
</table>

• **USF Endowment Asset Growth**
  – Second largest endowment among institutions established in the 1950’s and 1960’s
  – Over the last 10 years, over $93 million in outright cash gifts to the endowment and $233 million in investment returns
  – Significant recovery from 2009 trough of $241 million, despite maintaining spending on all endowed funds
  – Over $26 million due from Florida state match
  – FY 2014 endowed assets: $418 million
Endowment Pool Investment Policy

• The USF Foundation Has Established Asset Allocation and Spending Policies Designed to Achieve the Following Objectives:
  – Maintain intergenerational equity of endowed assets and provide substantial and consistent flow of distributions to support endowed University programs
  – Maintain strong position relative to peers and to its policy benchmark

• Asset Allocation Decisions Driven By Wilshire Risk/Return Assumptions and Models
  – Endowment target return is 8.5%, taking into account assumed returns from each asset class and alpha generated through active management
  – Foundation Investment Policy in compliance with University Investment Policy
Endowment Spending Policy

- **Endowment Spending Policy is Set By Investment Committee and Approved by Board**
  - Decisions based on models provided by Wilshire; incorporating asset class risk/return assumptions and spending policy models
  - Spending rate is comparable to other public university peers, according to NACUBO survey results

- **Distributions to USF Reached Nearly $15 Million in FY 2014; Over $140 Million in Last 10 Years**
  - Distributions expected to increase by about 5% for the next fiscal year, as the market lows of FY 2009 roll off of the 5-year average

- **Sample of Endowment Fund Illustrating Long-Term Success of Investment and Spending Policy**
Attribution and Recent Initiatives

• Attribution for Continued Top Quartile Results
  – Endowment abstains from investing in hedge funds, a detractor for many peer endowments
  – Relative overweight versus peers in high yield bonds, and strong performance from those managers
  – Prudent overall manager selection, especially in international equity which has exceeded benchmark by 120 bps for the last three years
  – Private equity program producing strong long-term numbers; 12.4% 10-year return makes it the best performing asset class in the portfolio

• Recent Investment Committee Initiatives
  – New small cap growth manager in Q4 2013
  – Considering further diversification of fixed income asset class by adding a commitment to middle market lending; pending action on 11/20
  – Continued oversight of $90 Million Operating Pool
  – Looking ahead to 2015
Appendix: Growth of a Dollar

USF Foundation Endowment - 10-Year Growth of A Dollar
June 2004 - June 2014

- Endowment
- Endowment Policy
- US 60/40