Board of Trustees of the Endowment Fund of UNCW

October 18, 2018
Agenda: Thursday, October 18, 2018

(1) Call to Order
(2) Approval of Minutes – October 26, 2017 and April 19, 2018
(3) Endowment Board Authority and Structure
(4) Portfolio Profile and Fund Managers
(5) Portfolio Investment Performance
(6) FY 2019-20 Endowment Spending
(7) Conflict of Interest forms
(8) Closed Session (if needed)
(9) Old Business
(10) New Business
(11) Adjournment
Statutory Authority for Endowments

North Carolina General Statutes (G.S.) 116-36 requires each constituent institution to establish an endowment fund. G.S. 116-36 highlights:

- Establishment of investment board known as “Board of Trustees of the Endowment Fund of ______ (name of institution)
  1. Authority to receive and administer gifts and property of any kind from any source, excepting State appropriations, tuition and fees
  2. Responsibility of trustees for prudent investment of endowment fund
  3. Authority to expend principal or interest consistent with any restrictions imposed by original donor
UNC Policy for Endowments

The UNC Board of Governors established regulations to assist with creation and operation of Endowment Fund (EF) under N.C G.S. 116-36. Guidelines include:

- Board of Trustees of EF shall consist of no fewer than six and no more than nine members
  - Three members designated as ex officio are the Chancellor, the chair of the board of trustees and an additional trustee
  - Remaining three to six members may be trustees or members at large

- Any real property coming to endowment board may be placed into endowment fund without reference to N.C.G.S. Chapter 143 and 146:
  - Not subject to Executive Budget Act, Capital Planning and Improvement Act, State Procurement Rules, Public Contracts, Personal Services Contracts, Open Public Meetings, State Property Act and Department of Administration rules and requirements
UNCW Endowment Board Membership

• Chancellor, UNCW (ex-officio)
• Chair, UNCW Board of Trustees (ex-officio)
• Vice Chair, UNCW Board of Trustees (ex-officio)
• Immediate Past Chair, UNCW Board of Trustees
• Up to five members elected by the UNCW Board of Trustees
Endowment Portfolio
(3) Endowment Investment Portfolios Benefiting UNCW

$106 million Market Value at June 30, 2018

- UNCW Endowment, $100,187,516
- Foundation of UNCW Endowments, $4,655,348
- Donald Watson Foundation Endowment, $1,541,417
## University Endowment at June 30, 2018

<table>
<thead>
<tr>
<th>University Endowment Assets</th>
<th>Market Value</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNC Investment Fund</td>
<td>$ 78,323,108</td>
<td>78%</td>
</tr>
<tr>
<td>TIFF * Multi-Asset Fund</td>
<td>13,973,722</td>
<td>14%</td>
</tr>
<tr>
<td>State Treasurer’s Short-Term Investment Fund **</td>
<td>** 7,890,686</td>
<td>8%</td>
</tr>
<tr>
<td>** Investable Assets **</td>
<td>** $100,187,516</td>
<td>100%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$ 4,745,964</td>
<td>100%</td>
</tr>
<tr>
<td>** Non-investable Capital Assets **</td>
<td>** $4,745,964</td>
<td>100%</td>
</tr>
</tbody>
</table>

* The Investment Fund for Foundations

** $6M in expendable quasi-endowment for Administrative Annex
## Endowment Owned Real Estate

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements at Center for Innovation &amp; Entrepreneurship (CIE)</td>
<td>$2,237,832</td>
<td>47%</td>
</tr>
<tr>
<td>Student parking lot at former College Road Cinema</td>
<td>2,013,366</td>
<td>43%</td>
</tr>
<tr>
<td>Center for Marine Science/MARBIONC Facility Lot</td>
<td>290,000</td>
<td>6%</td>
</tr>
<tr>
<td>Residence on College Acres Drive – hospitality housing</td>
<td>204,000</td>
<td>4%</td>
</tr>
<tr>
<td>Land gift – 1/16 interest in lot at Wrightsville Beach</td>
<td>766</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Real Estate</strong></td>
<td><strong>$4,745,964</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Growth of UNCW Endowment Investments (in Millions)

Fiscal Year Ending June 30


$23.3 $28.7 $33.5 $38.5 $47.9 $53.5 $46.2 $50.3 $61.0 $61.6 $69.8 $79.1 $81.8 $80.1 $94.0 $100.0

University of North Carolina Wilmington
Endowment Investment Fund
Outsourced Managers
UNC Investment Fund

Overview

- Inception: January 1, 2003
- Total Assets: $6.2 Billion
  - UNC-Chapel - $3.4 Billion
  - NC State – approx. $881 Million
- Asset Allocation: Significant allocation to alternatives
- Long-term Benchmark: CPI +5.5% and Global 70/30
- Asset Based Management Fee:
  - 0.50% of first $50 million
  - 0.24% of amounts > $50 million
UNC Investment Fund

Other UNC Participants

• UNC Chapel Hill (100%)
• NC State (90%)
• UNC Charlotte (50%)
• UNC Asheville (100%)
• Appalachian State (20%)
• UNC Fayetteville (100%)
• NC A&T (57%)
• Winston-Salem State (100%)
• NC School of the Arts (100%)
• East Carolina (n/a)
• NC Central University (n/a)
• Western Carolina (50%)
• NC School of Science and Mathematics (100%)
• NC School of the Arts (n/a)
TIFF Multi-Asset Fund

Overview

- Inception: March 31, 1995
- Total Assets: $4.4 Billion
- Asset Allocation: Public Equities; value oriented
- Long-term Benchmark: CPI + 5%
- Annual Operating Expenses: 1.61% of average net assets
Endowment Investment
Performance

FY & CYTD 2018
FY & CYTD 2018 Headlines

The Endowment Fund returned **11.2%** for FY 2018 (**12 months**)

For the eight-month CYTD 2018 period the Fund has returned **6.6%**

The FY 2018 return significantly outperformed its benchmarks
Financial Markets Summary – FY 2018

Risk assets outperformed defensive asset classes

Equities

- MSCI EAFE: 6.8%
- S&P 500: 14.4%
- MSCI All Country World: 10.7%
- MSCI Emerging Markets: 8.2%

Fixed Income

- Bloomberg Barclays U.S. Corporate High Yield: 2.6%
- Bloomberg Barclays U.S. Aggregate Bond: -0.4%
- Bloomberg Barclays U.S. Gov't/Credit Long Term: -0.8%

Commodities

- Bloomberg Commodity Index: 7.3%
- Spot Gold: 0.9%
- HFRI Fund Weighted Composite: 5.7%
- HFRI Equity Hedge: 8.3%

Hedge Funds

- Equity-oriented hedge funds failed to keep pace with the strong equity markets

U.S. equities outperformed international equities in FY 2018

Equities

- U.S. equities outperformed international equities in FY 2018

Hedge Funds

- Equity-oriented hedge funds failed to keep pace with the strong equity markets
Asset Allocation
June 30, 2018

- Long Biased Equity: 36.6%
- Long/Short Equity: 13.2%
- Private Equity: 16.3%
- Diversifying Strategies: 10.3%
- Real Estate: 5.0%
- Energy & Natural Resources: 6.0%
- Fixed Income: 8.3%
- Cash: 4.3%
Long-Term Portfolio Performance

### June 30, 2018

<table>
<thead>
<tr>
<th>Performance</th>
<th>1 YR</th>
<th>3 YR Annualized</th>
<th>5 YR Annualized</th>
<th>10 YR Annualized</th>
<th>15 YR Annualized</th>
<th>20 YR Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNCW Endowment</td>
<td>11.2%</td>
<td>7.5%</td>
<td>8.9%</td>
<td>6.3%</td>
<td>8.9%</td>
<td>7.1%</td>
</tr>
<tr>
<td><strong>Endowment Fund Managers</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>UNCIF (8/2003)</strong></td>
<td>12.0%</td>
<td>7.1%</td>
<td>9.2%</td>
<td>5.8%</td>
<td>9.2%</td>
<td>8.4%</td>
</tr>
<tr>
<td><strong>TIFF Multi-Asset Fund (3/2006)</strong></td>
<td>7.2%</td>
<td>5.2%</td>
<td>5.6%</td>
<td>5.6%</td>
<td>8.1%</td>
<td>6.9%</td>
</tr>
<tr>
<td><strong>Benchmarks</strong></td>
<td></td>
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</tr>
<tr>
<td>4.5% Annual &quot;Real&quot; Return</td>
<td>7.4%</td>
<td>6.3%</td>
<td>6.0%</td>
<td>5.9%</td>
<td>6.6%</td>
<td>6.7%</td>
</tr>
<tr>
<td>70% Equity / 30% Bond Portfolio (1)</td>
<td>7.4%</td>
<td>6.3%</td>
<td>7.3%</td>
<td>5.5%</td>
<td>7.1%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Strategic Investment Policy Portfolio</td>
<td>8.8%</td>
<td>6.4%</td>
<td>7.4%</td>
<td>6.2%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Peer Universe Quartile Ranking (2)</td>
<td>Top</td>
<td>Top</td>
<td>Top</td>
<td>Third</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**Note 1:** Quarterly, 1, 3, 5, 10, 15 Years: Global 70/30 Portfolio - 70% MSCI All Country World Index / 30% Bloomberg Barclays U.S. Aggregate Bond Index
20 Years: Domestic 70/30 Portfolio - 70% S&P 500 Index / 30% Bloomberg Barclays U.S. Aggregate Bond Index

**Note 2:** BNY Mellon Endowment & Foundation Universe - 138 portfolios are represented for the quarter ended June 30, 2018
UNCW Annual Net Returns 2004-2018

Impact on 10 Year Annualized Return

17.4% 13.6% 16.1% 18.4% 16.9% 12.9% 14.6% 12.0% 11.2%

-14.5% 5.0% 6.5% 3.0% 0.0% 5.4%
## Return & Risk Metric Comparisons Between Managers

**Periods ended 6/30/18**

<table>
<thead>
<tr>
<th>Periods ended 6/30/18</th>
<th>1 Year</th>
<th>3 Years(^{(1)})</th>
<th>5 Years(^{(1)})</th>
<th>10 Years(^{(1)})</th>
<th>15 Years(^{(1)})</th>
<th>20 Years(^{(1)})</th>
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<td>9.2%</td>
<td>8.4%</td>
</tr>
<tr>
<td>TIFF Multi-Asset Fund</td>
<td>7.2%</td>
<td>5.2%</td>
<td>5.6%</td>
<td>5.6%</td>
<td>8.1%</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

1) Annualized

### 10 Year Period ending 6/30/18

<table>
<thead>
<tr>
<th>10 Year Period ending 6/30/18</th>
<th>Annualized Return</th>
<th>Annualized Volatility</th>
<th>Annualized Sharpe Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNC Investment Fund</td>
<td>5.8%</td>
<td>7.3%</td>
<td>0.7%</td>
</tr>
<tr>
<td>TIFF Multi-Asset Fund</td>
<td>5.6%</td>
<td>11.6%</td>
<td>0.4%</td>
</tr>
<tr>
<td>70% MSCI ACWI / 30% Barclays US Aggregate Bond Index</td>
<td>5.5%</td>
<td>12.1%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>
Annual Returns of Managers: 2008-2018

1-Year Net Returns 2007-2018

- UNCIF
- TIFF
Endowment Spending
Distributions
2019-20
Spending Policy Objectives

• Goals
  ❖ Protect the real (inflation adjusted) value of endowment assets over the long term and manage in a way that provides equity among generations
  ❖ Rate of annual spending kept below the long term average real rate of return on total portfolio
  ❖ Distribute dollars to support programs at a stable and sustainable rate

• Methodology
  ❖ Spending policy rate of 4.5% approved by Board of Trustees, upon recommendation from Endowment Board
  ❖ Spending policy rate applied to endowment portfolio’s three-year average balance
  ❖ 77% of institutions surveyed apply spend rate to a moving average of endowment value, per 2017 NACUBO* Commonfund Endowment Study

* National Association for College & University Business Officers
Endowment spending reserves must be adequate at June 30, 2018 in order to fund a spending distribution in FY2019-20.

Campus departments receive budgeted dollars each July - the first month of fiscal year.
Growth of Endowment Spending
($ Millions)

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0.79</td>
<td>$1.18</td>
<td>$1.45</td>
<td>$1.78</td>
<td>$2.12</td>
<td>$1.85</td>
<td>$1.47</td>
<td>$1.68</td>
<td>$2.25</td>
<td>$2.37</td>
<td>$2.98</td>
<td>$3.33</td>
<td>$3.61</td>
<td>$3.66</td>
<td>$3.86</td>
<td>$4.04</td>
</tr>
</tbody>
</table>

"Fiscal Year"
## Endowment Spending Supports UNCW Mission

<table>
<thead>
<tr>
<th>ENDOWMENT PURPOSE</th>
<th>2019-2020 # NAMED ENDOWMENTS</th>
<th>DOLLARS DISTRIBUTED</th>
<th>2018-2019 # NAMED ENDOWMENTS</th>
<th>DOLLARS DISTRIBUTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarships</td>
<td>330</td>
<td>$1,800,189</td>
<td>317</td>
<td>$1,721,763</td>
</tr>
<tr>
<td>Academic Support</td>
<td>54</td>
<td>718,809</td>
<td>49</td>
<td>684,727</td>
</tr>
<tr>
<td>(instructional purposes, research &amp; academic departments)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professorships</td>
<td>18</td>
<td>762,453</td>
<td>17</td>
<td>720,294</td>
</tr>
<tr>
<td>Facilities</td>
<td>7</td>
<td>264,736</td>
<td>7</td>
<td>261,254</td>
</tr>
<tr>
<td>Discretionary Support</td>
<td>5</td>
<td>348,482</td>
<td>5</td>
<td>343,114</td>
</tr>
<tr>
<td>Public Service</td>
<td>1</td>
<td>141,889</td>
<td>1</td>
<td>129,456</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>415</strong></td>
<td><strong>$4,036,558</strong></td>
<td><strong>396</strong></td>
<td><strong>$3,860,608</strong></td>
</tr>
</tbody>
</table>
Endowment Spending Supports UNCW Mission 2019-20

- Scholarships: $1,800,189 (45%)
- Professorships: $762,453 (19%)
- Academic Support: $718,809 (18%)
- Discretionary Support: $348,482 (9%)
- Facilities: $264,736 (6%)
- Public Service: $141,889 (3%)

UNCW Endowments: $3,789,975
Foundation of UNCW: $185,197
Donald R. Watson Foundation: $61,386

Total: $4,036,558
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Thank You!