



INVESTMENT PERFORMANCE, Net of Fees

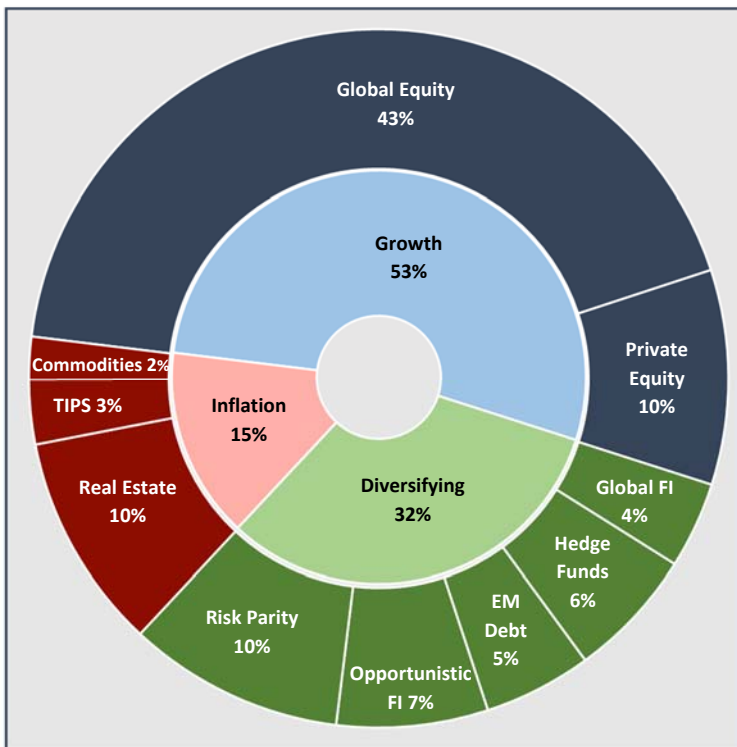
Period Ended June 30, 2016

1 Year	3 Years	5 Years	7 Years	10 Years
(0.2%)	5.9%	5.8%	8.7%	5.2%

ENDOWMENT BALANCES, in Thousands

	Number of Endowments	June 30, 2015 Balance	Gifts	Distributions	Investment Income	June 30, 2016 Balance
	3,739	\$852,257	\$35,315	(\$43,410)	(\$1,819)	\$842,343
	679	\$153,479	\$4,783	(\$9,343)	(\$349)	\$148,569
	680	\$149,502	\$1,980	(\$7,589)	(\$385)	\$143,508
	486	\$75,657	\$1,645	(\$3,613)	(\$168)	\$73,521
	39	\$173,355	\$518	(\$4,606)	(\$393)	\$168,875
Total	5,623	\$1,404,251	\$44,240	(\$68,561)	(\$3,114)	\$1,376,816

INVESTMENT POLICY TARGETS



PURPOSE

Purpose	Number of Endowments	Percent of Pool
Scholarships	3,409	30.1%
Program Support	690	19.9%
Faculty	450	22.6%
Student Support	193	1.5%
Library	138	1.7%
Fellowships	130	1.2%
Lectureships	101	0.8%
Research	96	2.0%
Unrestricted	69	5.5%
Other	347	14.7%
Total	5,623	100%



INTRODUCTION

The University's Endowment Pool contains gifts, bequests, and other funds directed to be used to support a university program in perpetuity, in conformance with donor stipulations. Most donors require such a commitment as a condition of their gift ("true endowments"). Also, funds may be assigned to function as endowments by the Board of Curators or by University administration ("quasi endowments").

ENDOWMENT POOL OBJECTIVE

The Endowment Pool must be managed to provide ongoing support of endowed programs in perpetuity, in conformance with donor stipulations. To accomplish this, investment returns, net of inflation, should be sufficient over time to cover annual spending distributions while maintaining or growing the underlying purchasing power of each endowed gift.

INVESTMENTS

In accordance with the Investment Policy approved by the Board of Curators, the Endowment Pool is invested for long-term growth, with broadly diversified investments to reduce risk. The Pool employs a total return approach, with an emphasis on growth assets. The Pool is broadly invested in equities, fixed income, hedge funds, real estate, and private equities to diversify the investment portfolio.

DISTRIBUTIONS

The University is nearing the end of a transitional period in which the spending distribution rate has been lowered from 5.0% to 4.5%. This decrease reflects diminished capital market return expectations over the medium term and is consistent with our mandate to maintain the purchasing power of each endowment account.

The actual formula used to determine the Endowment Pool spending distribution for each fiscal year applies the spending distribution rate to a base equal to the 28-quarter trailing average of market values as of December 31st of the prior fiscal year. Based on this annual calculation, endowment spending distributions are paid on a monthly basis throughout each fiscal year. Spending distributions for new endowment accounts will generally begin in the first full month following receipt of the gift.

In addition to the spending distribution noted above, an administrative fee is charged each fiscal year with proceeds used by the campus Chancellors to support development functions. The administrative fee is calculated by applying a rate of 1% to a base equal to the 28-quarter trailing average market values as of December 31st of the prior fiscal year.

ESTABLISHMENT OF NEW ENDOWMENT FUNDS

In addition to review and approval by each campus, endowment agreements are also reviewed and approved by the Office of General Counsel and the Office of the Treasurer.

QUESTIONS

If you should have any questions, please feel free to contact the Office of the Treasurer at (573) 882-2612 or via e-mail at umtreasurerendow@umsystem.edu.