

# endowment update

for the periods ended  
**September 30, 2019**

## THE UNIVERSITY OF MINNESOTA FOUNDATION

Designated by the University of Minnesota's Board of Regents as the central development office for the University, the U of M Foundation (UMF) plays a key role in supporting greatness across all five U of M 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.

Donors who wish to leave a lasting legacy at the University of Minnesota may choose to make endowed gifts to create new funds or contribute to existing funds. These funds are pooled and invested together as the UMF endowment. UMF manages the investment and spending of approximately 6,000 endowed funds, each one representing a vision for improving lives and creating a brighter tomorrow.

## Managing and investing the endowment

The endowment portfolio is invested by UMF Investment Advisors (UMFIA), a nonprofit subsidiary formed by UMF's Board of Trustees in 1998 to provide dedicated, professional active portfolio management. UMFIA has a board of directors that includes representation from the UMF Board of Trustees as well as from UMF leadership (see back page).

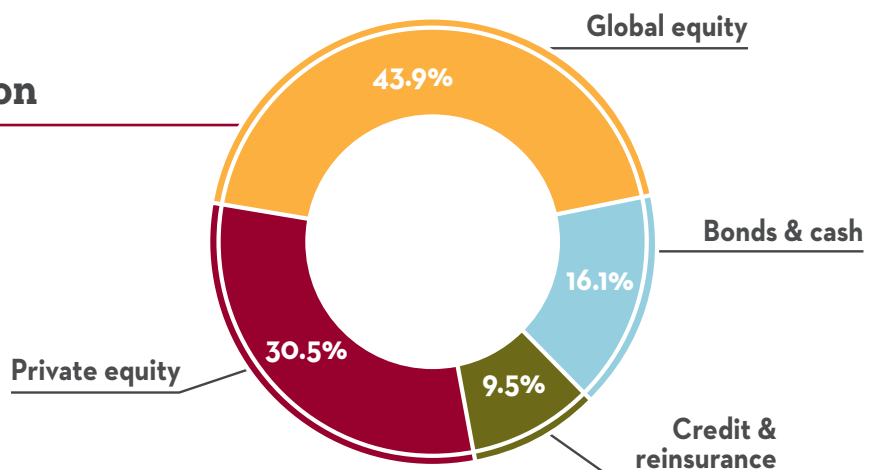
### Investment strategy

The UMF endowment portfolio is uniquely structured and managed to meet two goals: preserve the real purchasing power of endowed gifts for the long term while simultaneously supporting a meaningful and dependable rate of spending, currently 4.5% of a fund's average market value over the previous 20 quarters. The

portfolio is highly diversified and actively managed and has less reliance on traditional common stock exposure than what is found in a standard 65/35 equity/bond mix. The goal is to maintain stability and capture equity-like returns over the long term, while avoiding the effects of sharp and prolonged market declines. This means that, while on average, UMF's returns will not experience the highest highs, they will also avoid the lowest lows.

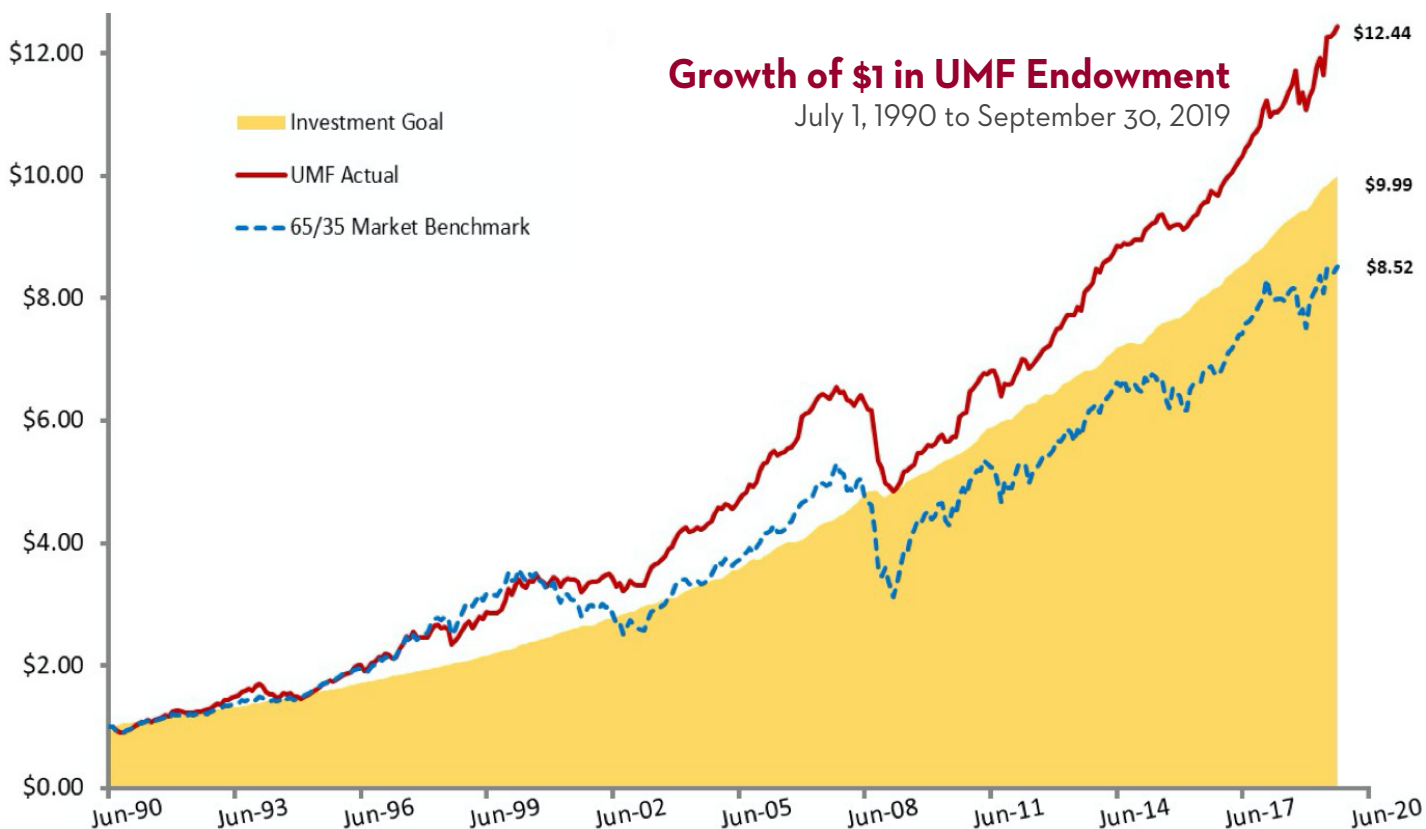
This strategy is designed to create predictable and stable funding over the long term; however, year-to-year short-term results will often look different from those of our peers and the standardized 65/35 market benchmark.

## Asset category allocation



## How has the UMF endowment performed over the long term?

The UMF endowment has performed well over the long term, making it possible for funds to provide predictable and stable funding to support their designated programs. The chart below shows the growth of \$1 invested in the endowment in 1990 compared with the Foundation's investment goal and a 65/35 market benchmark. Since the inception of UMFIA, our portfolio return has exceeded market benchmark returns by +2.5% annually, with less downside risk.



## Investment results

For the periods ended September 30. Total value of UMF endowment: \$2.5 billion.

Year	Actual	Goal	Policy Benchmark <sup>1</sup>	65/35 Benchmark <sup>2</sup>
1-Year	5.9%	6.8%	4.2%	4.4%
5-Year	6.9%	6.6%	6.3%	5.6%
10-Year	8.5%	7.0%	8.0%	6.9%
Since inception <sup>3</sup>	7.7%	7.9%	6.7%	5.2%

<sup>1</sup>The policy benchmark helps measure how well UMFIA is implementing its investment policy. Its components and asset class weightings are based on the portfolio's asset allocation policy.

<sup>2</sup>The 65/35 market benchmark is a weighted blend of stock and bond indices (65% equities and 35% bonds).

<sup>3</sup>January 1999.

The investment goal is to achieve an annualized return of 5% in excess of inflation in order to cover the 4.5% spending rate as well as administrative fees. For the one-year period ended September 30, 2019, the endowment pool returned +5.9%. This performance exceeded the one-year market benchmark return of +4.4%, due primarily to UMF's long-term investment strategy, which relies less on common stock exposure than the market benchmark.

## Administrative fees

The UMF Board of Trustees establishes fee policies with the objective of keeping fees low to reflect a strong commitment to administrative efficiency. The current annual fee on endowment funds is 1% of the fund's market value. For quasi-endowments, the annual fee is 1.5% of the fund's market value. These fee rates have not increased since 2008.

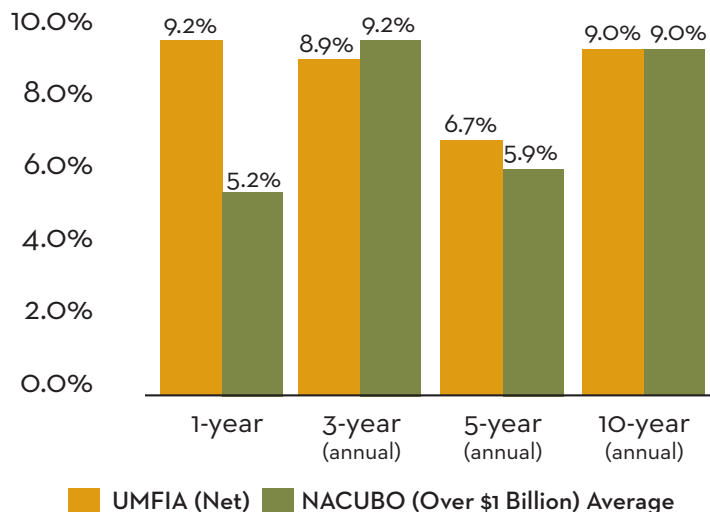
## UMF performance compared to our peer group

The chart at right illustrates UMF's performance relative to our peer group: college and university endowments with assets greater than \$1 billion.

UMF's long-term investment strategy will frequently generate one-year returns that will be in the outer quartiles—either high or low—of the distribution of peer returns. More meaningful comparisons are found over the three- to five-year periods, when this variation declines.

## Performance vs. peer group<sup>4</sup>

Preliminary as of June 30, 2019. Final results as of June 30, 2019, will become available early in 2020.



<sup>4</sup>2018 NACUBO-TIAA, Northern Trust Universe (6/30/2019)

## Spending the endowment

### What is the endowment spending policy?

The UMF Board of Trustees establishes the endowment spending policy. The current spending rate is 4.5% of a fund's trailing average market value over the previous 20 quarters (5 years). These dollars, called the fund's "payout," are transferred to a spending account and made available each year to support the fund's designated program. Funds designated as quasi-endowments allow spending of up to 20% of fund value annually.

### Honoring donor intent

One of UMF's most critical responsibilities is to ensure that gifts are used in accordance with donor intent. Stringent controls are in place, and UMF staff work in partnership with the U of M units to monitor funds and optimize the utilization and impact of gifts for their designated purposes.



**Endowment funds and cash gifts provided \$211 million in funding to fuel greatness at the U of M in fiscal year 2019**

## 2019 UMFIA Board of Directors

Fred R. Friswold,\*§  
Chair Emeritus  
B. Kristine Johnson,\* Chair  
Jeffery V. Bailey, CFA  
Peter M. Grant  
Erwin A. Kelen\*  
Ross Levin\*  
Douglas A. Neimann  
Benjamin S. Oehler  
Marcia L. Page  
Kathleen L. Pickard\*\*§  
Kathleen M. Schmidlkofer\*\*

\*UMF Board of Trustees

\*\*UMF leadership,  
ex officio member

§Non-voting member

## 2019 UMF Board of Trustees

### OFFICERS:

Lynn Casey, Chair  
John E. Lindahl, Vice Chair  
Shari L. Ballard,\* Vice Chair  
Philip E. Soran, Treasurer  
Thomas G. Olson, Secretary  
Ross Levin, Past Chair  
Kathleen M. Schmidlkofer,  
President and CEO

### OTHER MEMBERS:

Thomas J. Anderson\*  
Scott Augustine, M.D.  
Ruth Bachman\*  
Richard B. Beeson, Jr.\*  
Mary K. Brainerd\*  
Blythe A. Brenden  
Dorothy J. Bridges  
Rebecca A. Crooks-  
Stratton\*  
Michael B. Fiterman  
Joan T.A. Gabel\*  
Julie E. Gilbert  
Archie J. Givens, Jr.  
Kenneth C. Glaser  
Kurt E. Heikkila  
Susan S. Hoff  
Deborah L. Hopp  
Russell Huffer  
Ezell Jones  
Erwin A. Kelen  
Beth Kieffer Leonard  
Richard L. Lindstrom, M.D.

\*Regent-nominated trustees

Margaret E. Lucas\*  
David J. McMillan\*  
David J. Meyer\*  
Virginia H. Morris  
David C. Mortenson  
Abdul M. Omari, Ph.D.  
Richard T. Ostlund, J.D.  
Michael F. Roman  
Roger J. Sit  
Esta E. Stecher  
Erik M. Torgerson\*  
Bradford W. Wallin  
Theresa B. Ward  
Penny A. Wheeler, M.D.  
Jacqueline R. Williams-Roll  
Simon KaWo Wong\*

### LIFE TRUSTEES:

Robert E. Buuck  
James R. Campbell  
Fred R. Friswold  
Luella G. Goldberg  
Stanley S. Hubbard  
B. Kristine Johnson  
Elliot S. Kaplan  
Duane R. Kullberg  
Nancy E. Lindahl  
Walter F. Ling  
Susan I. Marvin  
Walter F. Mondale  
Wenda W. Moore  
Marilyn Carlson Nelson  
Stephen R. Pflaum  
Thomas H. Swain  
Donald F. Wright

If you have questions or  
would like more information,  
please contact us:

### University of Minnesota Foundation

McNamara Alumni Center  
612-624-3333 / 800-775-2187  
[driven.umn.edu](http://driven.umn.edu)

Additional financial information also  
is available online at [driven.umn.edu/  
about-umf/financial](http://driven.umn.edu/about-umf/financial).

These lists reflect board membership as of November 30, 2019. For current lists,  
please visit [z.umn.edu/umfia](http://z.umn.edu/umfia) and [z.umn.edu/umf-bot](http://z.umn.edu/umf-bot).



UNIVERSITY OF MINNESOTA  
**Driven to Discover®**

Crookston Duluth Morris Rochester Twin Cities

[driven.umn.edu](http://driven.umn.edu)