STANDING COMMITTEES

Finance and Asset Management Committee

Comparative Performance, Asset Allocation, Investment Cost, and Effective Spending Rate

This item is for information only.

Attachment
Comparative Performance, Asset Allocation, Investment Cost, and Effective Spending Rate; University of Washington – Board of Regents, May 12, 2016
Comparative Performance, Asset Allocation, Investment Cost, and Effective Spending Rate

University of Washington—Board of Regents

May 12, 2016
Recent performance has been strong against benchmarks.

Performance vs. public peers with $1 - $5 Billion in assets has been healthy.

Performance has been more middle of the pack within the Top 50 peers.

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1. Policy benchmark subject to change until HFRI indices are finalized.
2. MSCI All Country World Index (Gross) & Barclays Government Bond Index.
3. Reporting: 19 public schools with assets between $1 Billion to $5 Billion.
4. Reporting: 41 of the top 50 public and private colleges & universities based on asset market values.
Hedge funds, private investments, and real assets make up almost 50% of a typical endowment portfolio.

The major shift in asset allocation was completed by 2008; more recent trends have been further reductions in bonds and increases in private investments.

In comparison, the University’s endowment holds more in traditional public equity.

Note: Allocations are as of December 31, 2015.
Hedge Funds include Long-Short Hedge Funds, Absolute Return, and Distressed Securities.
Private Investments include Venture Capital, Non-venture Private Equity, and Other Private Investments.
Real Assets include Public Real Estate, Private Real Estate, Commodities, Inflation-Linked Bonds (TIPS), Private Oil & Gas/Natural Resources, Timber, and Public Energy/Natural Resources.
Bonds include U.S. Bonds, Global ex U.S. Bonds, and High-Yield Bonds.
Investment Oversight Costs in Basis Points
For the Fiscal Year Ending June 30, 2015

Public & Private Schools with $1 - $5 Billion in Assets

<table>
<thead>
<tr>
<th></th>
<th>Max</th>
<th>25%</th>
<th>Median</th>
<th>75%</th>
<th>Min</th>
<th>Mean</th>
<th>UW's</th>
</tr>
</thead>
<tbody>
<tr>
<td>All AUM Cost¹</td>
<td>26.9</td>
<td>23.0</td>
<td>16.6</td>
<td>14.3</td>
<td>7.5</td>
<td>17.8</td>
<td>12.1</td>
</tr>
<tr>
<td>Endowment AUM Cost²</td>
<td>41.0</td>
<td>24.9</td>
<td>19.8</td>
<td>17.2</td>
<td>9.6</td>
<td>20.9</td>
<td>20.0</td>
</tr>
</tbody>
</table>

¹Based on all assets managed by institutional investment office as of 06/30/2015. Includes Endowment, Retirement/Pension, Operating, and Other funds. Reporting: 23 schools with all AUM between $1 - $5 Billion.
²Based on endowment asset managed by institutional investment office as of 06/30/2015. Reporting: 26 schools with endowment AUM between $1 - $5 Billion.

- For all AUM, the Investment Office’s cost of 12.1 bps falls in the 1st quartile range.
  - As of 6/30/15, all AUM for the University totals $4.602B, which includes the Consolidated Endowment Fund (CEF) of $3.076B and the Invested Funds (IF) of $1.526B.

- For endowment AUM, the Investment Office’s cost of 20.0 bps falls near the median.
  - For the last calendar year, the University produced 1st quartile endowment investment result with endowment investment cost that was in the 3rd quartile.

- Investment cost basis comparison across institutions may be limited in comparative ability due to the various methods institutions structure and finance certain services and expenses for their investment offices.
Effective Spending Rate
For the Fiscal Year Ending June 30, 2015

$1 - $5 Billion Public School

Top 50 College & University

*Column colored red is where the University’s spending rate falls.

1Reporting: 18 out of the 19 public schools with assets between $1 Billion to $5 Billion.

2Reporting: 49 out of the top 50 public and private colleges & universities based on asset market values.

Note: Effective spending rate is the dollar amount of spending from the long-term investment portfolio for a fiscal year as a percentage of the beginning market value of the long-term investment portfolio. Effective spending rates are not the same as spending policy target rates in that the effective spending rate should reflect the amount actually spent during the fiscal year.

The University’s effective spending rate of 4.65% places it in the 4.50 – 4.99 category, indicating that its effective spending rate is consistent with the norm in both of its peer groups.

For $1-$5 Billion institutions, the University’s category ties for the second most frequent rate range and is only one peer less than the top rate range.

For the more numerous Top 50 institutions, the University’s category is decisively the second most frequent effective spending rate range.