

— COMMIT TO —
GEORGIA

The Campaign for the University of Georgia.®

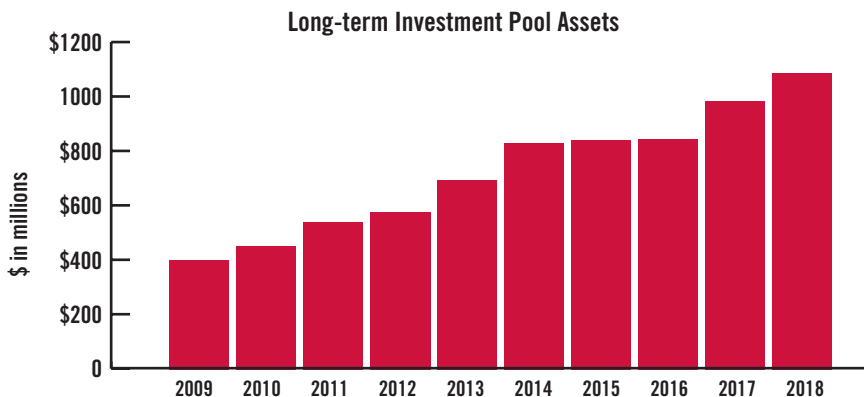


THE UNIVERSITY OF GEORGIA FOUNDATION

ENDOWMENT INVESTMENT AND SPENDING

Management

The UGA Foundation Investment Committee is responsible for the oversight and management of the Long Term Fund on behalf of the Foundation’s Board of Trustees. The Committee sets the investment policy of the Foundation including asset allocation, manager selection, and spending policy. Currently, the Committee employs a Chief Investment Officer within the Foundation to provide strategic advice on asset allocation, for investment manager selection and to oversee daily operations associated with managing the investment portfolio. The Foundation’s CIO is supported by an internal investment operations team. The Foundation’s Chief Investment Officer may use outside consultants as part of the management of the assets. Prime Buchholz & Associates is currently engaged by the Foundation in this role. As of June 30, 2018, nearly \$1.1 billion is managed in the Long Term Fund, an all-time high balance, as shown in the table below.



Performance

Over time, the investment policy has enabled returns to exceed the Foundation’s policy index benchmark as shown in the table below:

5-Year Annualized Return Ending 6/30

	2014	2015	2016	2017	2018
UGAF	12.6%	10.1%	5.5%	8.5%	7.5%
POLICY INDEX	10.6%	8.6%	4.5%	7.0%	6.9%

The Foundation’s investment objective is to preserve and grow its purchasing power while providing a continuing and stable funding source to support its mission of support to the University of Georgia. To accomplish this objective, the goal of the program is to generate a total return that will exceed spending, investment expenses, and inflation.

UGA FOUNDATION: ENDOWMENT INVESTMENT AND SPENDING

Allocation

All endowed gifts are pooled for purposes of investment and are invested across the managers in the Long Term Fund. There are currently more than 60 underlying investment managers in the Fund across these asset classes:

Asset Class	Target Allocation	Asset Characteristics
Publicly Traded Equities	40.0%	Capital appreciation, global diversification, highly liquid
Fixed Income	12.0%	Capital preservation and income, highly liquid
Private Equity	12.5%	High return potential, illiquid
Hedge Funds	20.0%	Moderate return potential with low volatility
Real Assets	15.5%	Inflation hedge and income generation

Why an Endowment?

Over time, investment appreciation of the endowed gift has a powerful impact on future spending amounts distributed from the endowment. In the graph below, we show an endowment's cumulative spending using our spending rules and actual annual portfolio returns over the past 31 years versus a \$40k gift made every year over the same time period. As you can see, cumulative spending generated from an endowment has the potential to provide significantly more financial support to UGA than giving the same annual gift each year.

The Foundation calculates endowment spending using a method which reduces volatility each year by placing much more emphasis on prior year spending amounts versus annual investment performance.

Before a spending budget is calculated, each fund must be invested for one full year, have positive investment appreciation and have met the minimum gift requirement.

Cumulative Impact of Spending from a \$1m Endowment vs \$40k Annual Gifting

