Quarterly (Q1) Market Summary

Global equities increased 2.4% during Q1 with European equities being a large driver as monetary easing was announced by the European Central Bank and economic indicators surpassed estimates. US equities returned 1% as expectations of Fed tightening and a stronger dollar fostered caution amongst investors. Also, lower energy prices and the increase in the USD continued to weigh on investors’ minds. Government bond prices continued to climb as investors put money into safe haven assets as geopolitical concerns increased. Global bonds fell 2% as the euro fell 11% against the dollar.

Endowment Portfolio Performance Summary

The Endowment Pool had a positive first quarter (ending March 31, 2015) returning 1.6% for the period.

<table>
<thead>
<tr>
<th>Period</th>
<th>U of U Endowment</th>
<th>Global 60/40</th>
<th>Global Asset Allocation Universe Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Months</td>
<td>1.61%</td>
<td>6.20%</td>
<td>4.00%</td>
</tr>
<tr>
<td>1 Year</td>
<td>5.81%</td>
<td>7.13%</td>
<td>6.76%</td>
</tr>
<tr>
<td>5 Years</td>
<td>6.05%</td>
<td>7.67%</td>
<td>7.29%</td>
</tr>
<tr>
<td>10 Years</td>
<td>5.81%</td>
<td>7.13%</td>
<td>6.76%</td>
</tr>
</tbody>
</table>

The Endowment Pool’s market value ended at $715 million for the quarter, an increase of $9.8 million from the previous quarter. This resulted from net transfers out of ($1.6) million and a net investment gain of $11.4 million.

The Endowment Pool unit value of $100 has grown to $178 in 10 years, a 5.8% annualized rate of return. The chart below shows the growth rate of the Pool relative to the Global 60/40 index1 and the US 60/40 index2.

Long Term Investment Strategy

The purpose of the University’s Endowment Pool is to provide a stable and increasing investment cash flow to support the University’s operating budgets today and into the future. The Investment Office pursues a conservative investment strategy by selecting an appropriate asset mix to meet the risk/return goals of the Endowment. The portfolio allocation includes a diverse mix of assets with a target of 45% Global Marketable Equities, 30% Global Marketable Fixed Income, and 25% Alternative Investments (marketable alternatives, private capital). As part of its strategy, the Investment Office seeks new investments in alternative assets on an opportunistic basis. Over time, investment capital will be shifted from Global Marketable Equities and Global Fixed Income into Alternative Investments to achieve the targeted allocation.

Asset allocation plays a vital role in providing diversification for the Endowment Pool and maintaining an appropriate balance of risk and return. The Endowment Pool’s strategy seeks to offer a high probability of achieving the stated return objective over a rolling ten-year period, which is to exceed the rate of inflation by 5% per year on average. This objective should be reached while keeping the frequency and magnitude of temporary declines at acceptable levels.

Intermediate Term Outlook

We continue to be overweight US equities relative to the MSCI ACWI Index, but are defensively positioned with a focus on large cap quality stocks. For new investments, we continue to favor emerging market equities over developed international markets as emerging markets look to have relatively attractive valuations. Fixed income investments of intermediate duration offer meaningful carry, however we remain cognizant of duration risk if interest rates begin to rise. We continue to add non-marketable alternative assets such as real assets and growth equity. In marketable alternatives, we are cautious on high yield and continue to add to hedge funds. Overall, we are conservatively positioned in the portfolio, reflecting out continued belief in the volatility of financial market cycles.

For more information regarding the Endowment Pool and the Investment Management Office, please visit our website at invest.utah.edu

Data provided by LCG Associates

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1 Global 60/40 index: 60% MSCI ACWI Index / 40% Barclays Aggregate Index
2 US 60/40 index: 60% S&P 500 Index / 40% Barclays Aggregate Index