

Investment Performance and Policies June 30, 2018

The Portfolio and its Management

At June 30, 2018 the market value for total investments of the University at Buffalo Foundation and Affiliates (UBF) amounted to \$1.026 billion, as compared to \$940.4 million at June 30, 2017, and \$842.5 million at June 30, 2016. Endowment funds included in total investments amounted to \$725.0 million at June 30, 2018, as compared to \$659.2 million at June 30, 2017, and \$601.0 million at June 30, 2016. These funds are managed under the supervision of UBF's board investment committee. More than eighty professional investment firms currently share in the administration of the portfolio, with performance monitored by the "trustees". Included in this total are certain investments, known as the Long-Term Portfolio and having a market value of \$1.000 billion at June 30, 2018, which are managed and administered on a pooled basis.

Long-Term Portfolio Investment Strategy

The primary investment objective is to maximize total investment return while preserving the inflation-adjusted purchasing power of the portfolio. This should provide a relatively predictable, constant and stable (in real terms) stream of funds for current use. Total investment return is the sum of interest, dividends and capital appreciation.

Long-Term Portfolio Performance Compared to Benchmarks for Fiscal Year 2018

Investment performance, on a total return basis net of fees, is most appropriately reviewed over the longer term with benchmarking to proper indices. Policy Benchmark returns are average returns of indices weighted consistent with portfolio allocation (see Key to Indices).

Total Annualized Return

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Long-Term Portfolio	9.1%	7.1%	7.7%
Policy Benchmark	9.3%	6.7%	7.6%
CPI +5%	8.0%	6.9%	6.6%

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>		<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
<u>US Equity</u>							
Long-Term Portfolio	14.6%	12.7%	13.4%	<u>Real Assets</u>			
Dow Jones US Total	14.8%	11.6%	13.2%	Long-Term Portfolio	10.7%	10.7%	9.8%
S&P 500	14.4%	11.9%	13.4%	NCREIF Townsend			
				Blended	9.8%	11.5%	12.2%
<u>International Equity</u>				<u>Hedge Funds</u>			
Long-Term Portfolio	5.7%	5.5%	6.5%	Long-Term Portfolio	4.8%	2.6%	4.6%
MSCI AC World ex USA	7.3%	5.1%	6.0%	HFRI Fund of Funds	5.5%	2.0%	3.5%
<u>Global Equity</u>				<u>Private Equity</u>			
Long-Term Portfolio	13.9%	N/A	N/A	Long-Term Portfolio	18.2%	11.6%	12.7%
MSCI AC World (Net)	10.7%	N/A	N/A	Burgiss Global Private Equity	19.1%	12.1%	13.8%
<u>Fixed Income</u>							
Long-Term Portfolio	0.1%	1.9%	2.2%				
Barclays US Aggregate	-0.4%	1.7%	2.3%				

Key to Indices

Policy Benchmark: 14% CRSP Total Market Index / 5% S&P 500 / 12% MSCI EAFE / 2% Barclays US TIPS / 9% Barclays Capital Aggregate / 20% HFRI Fund of Funds Composite Index / 2% MSCI Emerging Markets / 3% Vanguard Spliced Emerging Markets Index / 7% MSCI ACWI / 6% NCREIF Townsend Blended Index / 13% Burgiss Global Private Equity Index / 5% Mercer Illiquid Natural Resources Index / 2% Swiss Re Global Cat Bond

S&P 500: Standard and Poors 500 Index

MSCI: Morgan Stanley Capital International

NCREIF: National Council of Real Estate Investment Fiduciaries

EAFE: Europe, Australia, Far East

HFRI: Hedge Fund Research, Inc.

CPI: Consumer Price Index

ACWI: All Cap World Index

CRSP: Center for Research on Security Prices

Long-Term Portfolio Performance Compared to Benchmarks for Fiscal Years 2013-2017

The accompanying chart reflects performance for the Long-Term Portfolio in comparison with over 800 other colleges, universities, endowments, and foundations across the country.

**Average Annual Compounded Nominal Return
 Fiscal Years Ended June 30**

	Return	NCSE Median	NCSE Rank
2017	13.1%	12.5%	35.0%
2015-2017	4.7%	4.1%	32.3%
2013-2017	8.3%	7.9%	39.0%

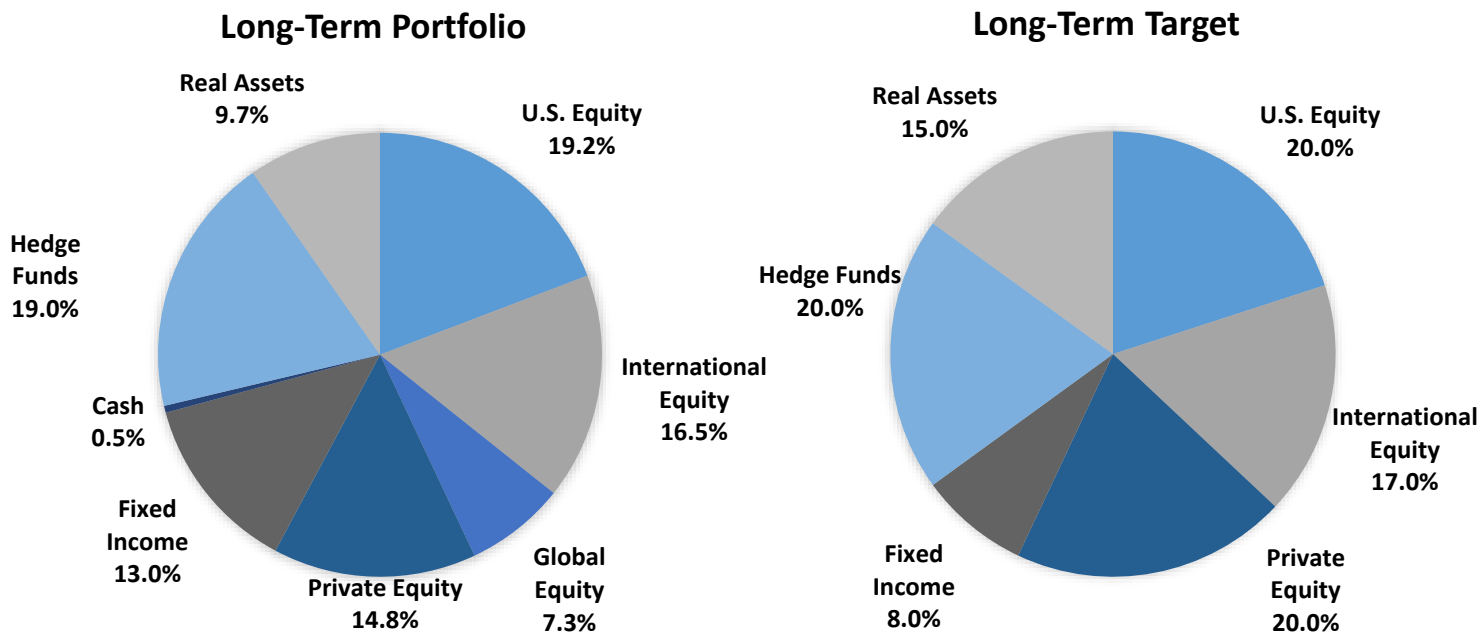
NCSE: NACUBO - Commonfund Study of Endowments (over 800 colleges and universities)

NACUBO: National Association of College and University Business Officers

Asset Allocation Policy

The proper and prudent distribution of investments among various asset classes allows UBF to honor spending policies, maintain risk tolerance and stability, produce appropriate investment returns, and achieve long-term objectives.

Asset allocation at June 30, 2018 was as follows:



NOTE: Long-term target is goal for 2022.

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Spending Policy

Spending is defined as funds made available annually from the Long-Term Portfolio for university programs and administrative expenses.

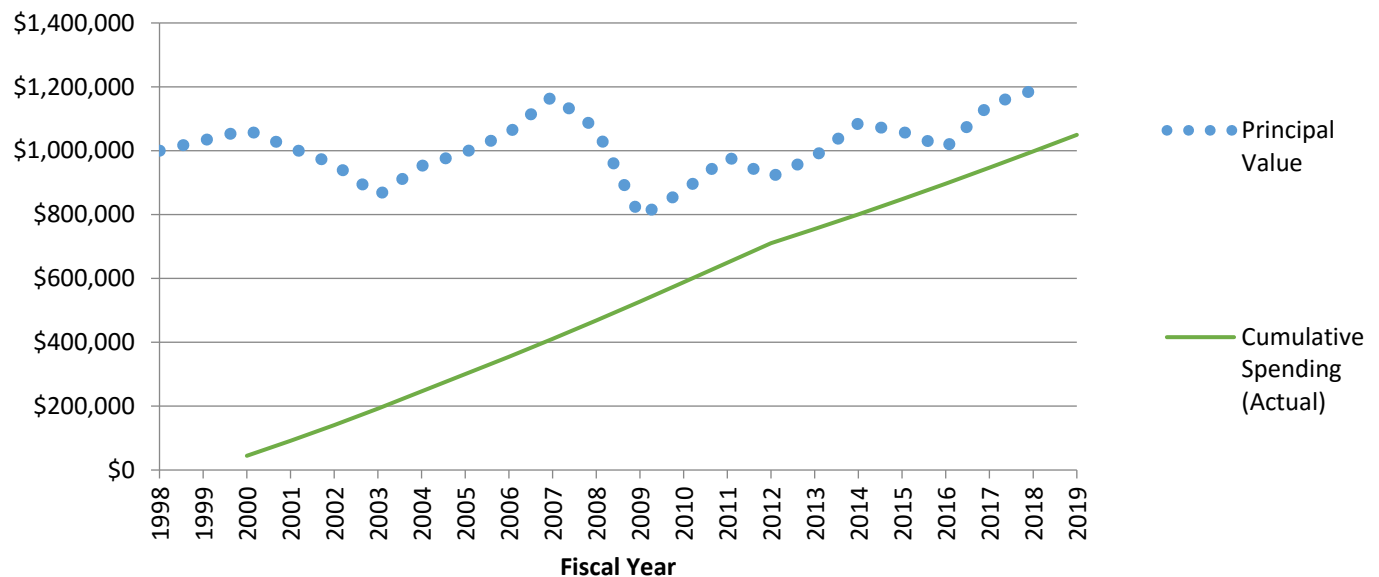
Spending on university programs will be approximately 4% of the donor's entire original contribution after the first full year of participation in the Long-Term Portfolio. Afterwards, spending will increase annually at the average rate of inflation, regardless of market performance. This approach provides a stable and predictable annual stream of funds for use that maintains its purchasing power over time.

The Spending Rate will be determined and approved annually by the Investment Committee. The desired result is to achieve a year to year spending increase for individual funds that approximates the Inflation Rate¹, not to exceed 3%.

Total spending dollars are limited to a floor of 4% and a ceiling of 6% of the three-year average market value of the Long-Term Portfolio, measured on a quarterly basis. Special spending rules are followed for individual endowments where the value has fallen below historic dollar value.

Long-Term Portfolio Performance and Spending— Fiscal Year 1999 to Fiscal Year 2019

A \$1,000,000 gift on July 1, 1998 invested in the Long-Term Portfolio would have been worth \$1,188,950 as of June 30, 2018, prior to the Fiscal Year 2019 distribution. In addition, \$1,049,557 would have been cumulatively distributed in total from Fiscal Year 2000 through Fiscal Year 2019, with annual spending growing from \$44,592 in Fiscal Year 2000 to \$51,875 in Fiscal Year 2019.



¹ Inflation Rate is the average of the Higher Education Price Index (HEPI) and the Consumer Price Index (CPI) for the most recent three calendar years.