

UNIVERSITY AT BUFFALO FOUNDATION, INC.

Investment Performance and Policies June 30, 2019

The Portfolio and its Management

The market value for total investments of the University at Buffalo Foundation and Affiliates (UBF) can be summarized as follows:

Type of fund	June 30, 2019 (in millions)	June 30, 2018 (in millions)	June 30, 2017 (in millions)
Endowment Funds	\$797.9	\$725.0	\$659.2
Non-Endowed Funds	268.3	301.1	281.2
Total	1,066.2	1,026.1	940.4

Portfolio	June 30, 2019 (in millions)	June 30, 2018 (in millions)	June 30, 2017 (in millions)
Long-Term Portfolio	\$1,041.8	\$1,000.5	\$901.8
Other Portfolios	24.4	25.6	38.6
Total	1,066.2	\$1,026.1	940.4

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 portfolios.

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 2019

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 at June 30, 2019 was as follows:

Total Annualized Return	1 Year	3 Year	5 Year	10 Year
Long-Term Portfolio	5.9%	9.3%	5.8%	8.6%
Policy Benchmark ¹	6.1%	9.1%	5.7%	8.4%
CPI ² +5%	6.7%	7.2%	6.5%	6.8%

¹ Policy Benchmark: 19% CRSP Total Market Index/4% S&P 500/13% MSCI EAFE/2% Barclays US TIPS/9% Barclays Capital Aggregate/ 20% HFRI Fund of Funds Composite Index / 2% MSCI Emerging Markets / 4% Vanguard Spliced Emerging Markets Index/6% NCREIF Townsend Blended Index /14% Burgiss Global Private Equity Index/5% Mercer Illiquid Natural Resources Index/2% Swiss Re Global Cat Bond

² CPI: Consumer Price Index
 MSCI: Morgan Stanley Capital International
 EAFE: Europe, Australia, Far East
 HFRI: Hedge Fund Research, Inc
 CRSP: Center for Research on Security Prices

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U.S. Equity Return at June 30, 2019 was as follows:

US Equity	1 Year	3 Year	5 Year
Long-Term Portfolio	10.2%	14.1%	11.2%
Dow Jones US Total	8.9%	14.0%	10.1%
S&P 500 ³	10.4%	14.2%	10.7%

International Equity Return at June 30, 2019 was as follows:

International Equity	1 Year	3 Year	5 Year
Long-Term Portfolio	0.0%	8.6%	2.7%
MSCI ⁴ AC World ex USA	1.3%	9.4%	2.2%

Fixed Income Return at June 30, 2019 was as follows:

Fixed Income	1 Year	3 Year	5 Year
Long-Term Portfolio	7.4%	2.4%	2.7%
Barclays US Aggregate	7.9%	2.3%	2.9%

Real Assets Return at June 30, 2019 was as follows:

Real Assets	1 Year	3 Year	5 Year
Long-Term Portfolio	9.5%	12.1%	9.3%
NCREIF ⁵ Townsend Blended	9.3%	9.6%	11.4%

Hedge Funds Return at June 30, 2019 was as follows:

Hedge Funds	1 Year	3 Year	5 Year
Long-Term Portfolio	1.4%	4.8%	2.8%
HFRI ⁶ Fund of Funds	1.4%	4.3%	2.2%

Private Equity Return at June 30, 2019 was as follows:

Private Equity	1 Year	3 Year	5 Year
Long-Term Portfolio	11.0%	13.7%	12.0%
Burgiss Global Private Equity	12.5%	13.0%	12.2%

Long-Term Portfolio Performance Compared to Benchmarks for Fiscal Years 2010-2019

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

Year(s)	Return	NTSE⁷ Median	NTSE Rank
2019	5.9%	5.1%	33%
2017-2019	9.3%	8.6%	29%
2015-2019	5.8%	5.1%	27%
2010-2019	8.6%	8.5%	45%

³ S&P 500: Standard and Poors 500 Index

⁴ MSCI: Morgan Stanley Capital International

⁵ NCREIF: National Council of Real Estate Investment Fiduciaries

⁶ HRFI: Hedge Fund Research, Inc.

⁷ NTSE: NACUBO-TIAA Study of Endowments (over 800 colleges and universities)

NACUBO: National Association of College and University Business Officers

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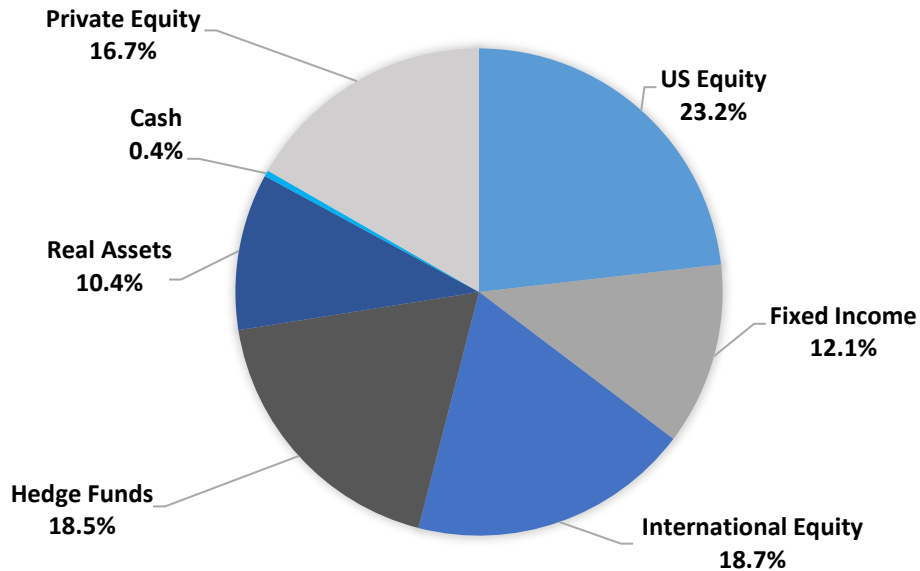
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Asset Allocation Policy

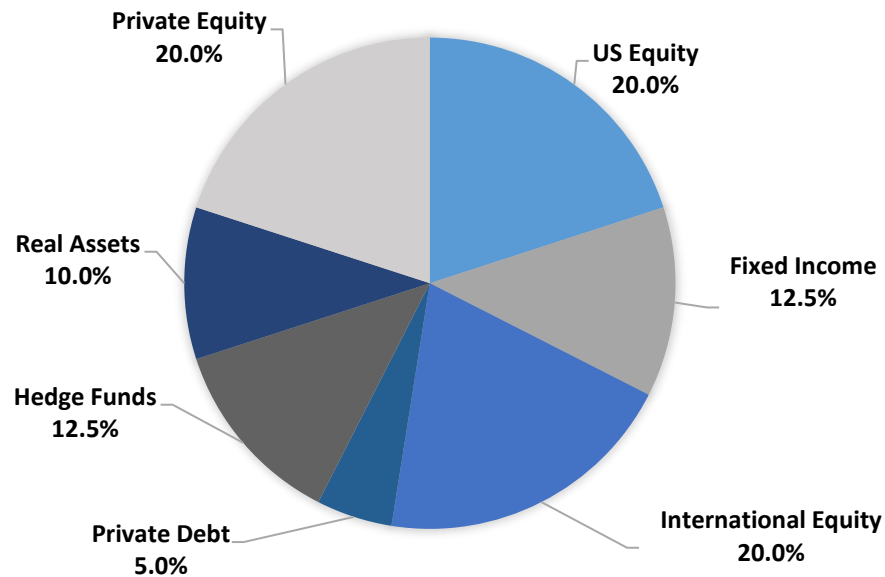
The proper and prudent distribution of investments among various asset classes allows UBF to honor spending policies, maintain risk tolerance and stability, produce appropriate investment returns, and achieve long-term objectives.

Asset allocation at June 30, 2019 was as follows:

Long-Term Portfolio



Long-Term Target



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.

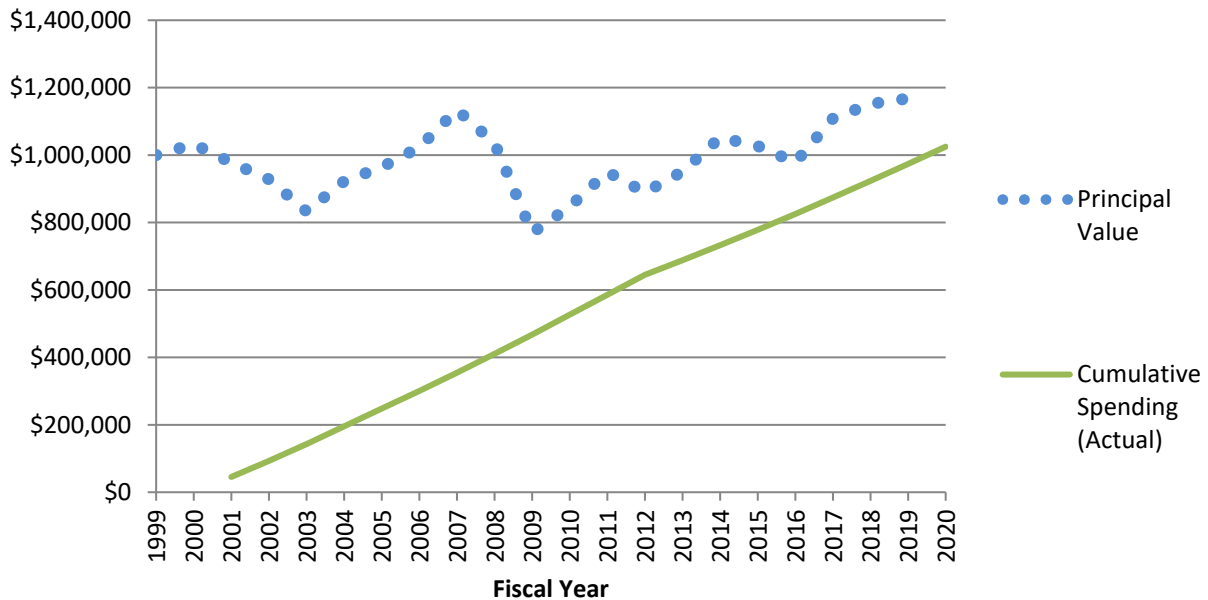
Spending on university programs will be approximately 4% of the donor's entire original contribution after the first full year of participation in the Long-Term Portfolio. Afterwards, spending will increase annually at the average rate of inflation, regardless of market performance. This approach provides 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 Rate⁸, 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 2020

A \$1,000,000 gift on June 30, 1999 invested in the Long-Term Portfolio would have been worth \$1,167,921 as of June 30, 2019, prior to the Fiscal Year 2020 distribution. In addition, \$1,025,002 will be cumulatively distributed for spending needs from Fiscal Year 2000 through Fiscal Year 2020, with annual spending growing from \$45,359 in Fiscal Year 2001 to \$51,326 in Fiscal Year 2020.



⁸ 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.