

UNIVERSITY AT BUFFALO FOUNDATION, INC.

Investment Performance and Policies

June 30, 2020

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, 2020 (in millions)	June 30, 2019 (in millions)	June 30, 2018 (in millions)
Endowment Funds	\$788.9	\$797.9	\$725.0
Non-Endowed Funds	259.5	268.3	301.1
Total	\$1,048.4	\$1,066.2	\$1,026.1

Portfolio	June 30, 2020 (in millions)	June 30, 2019 (in millions)	June 30, 2018 (in millions)
Long Term Portfolio	\$1,022.4	\$1,041.8	\$1,000.5
Other Portfolios	26.0	24.4	25.6
Total	\$1,048.4	\$1,066.2	\$1,026.1

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 (LTP) Investment Objectives

The LTP's investment strategy uses the "total return" approach for calculating investment returns. The long-term net return objective of the LTP is to maintain the purchasing power of the overall portfolio in order to support at least the annual payout rate (plus the expected rate of inflation as measured by the CPI). The LTP's return objective is based upon a long-term investment horizon, with an expectation that returns will fluctuate over the interim. While there cannot be complete assurance that the defined objectives will be realized, it is believed that the likelihood of their realization is enhanced through portfolio diversification.

Long Term Portfolio Performance Compared to Benchmarks for Fiscal Year 2020

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, 2020 was as follows:

Total Annualized Return	1 Year	3 Year	5 Year	10 Year
Long Term Portfolio	0.3%	5.1%	5.5%	7.5%
Policy Benchmark ¹	4.8%	6.7%	6.2%	7.6%
CPI ² +5%	5.7%	6.8%	6.6%	6.8%

¹ Policy Benchmark: 20% Russell3000 / 14% MSCI EAFE / 12.5% Blmbg Barc US Aggregate / 12.5% HFRI Fund of Funds Composite Index / 6% MSCI Emerging Markets / 5% NCREIF Townsend Blended Index / 20% Burgiss Global Private Equity Index / 5% Mercer Illiquid Natural Resources Index / 5% Burgiss Senior Debt/Burgiss Mezzanine

² CPI: Consumer Price Index
 MSCI: Morgan Stanley Capital International
 EAFE: Europe, Australia, Far East
 HFRI: Hedge Fund Research, Inc

Investment Performance and Policies

June 30, 2020

Page | 2

U.S. Equity Return at June 30, 2020 was as follows:

US Equity	1 Year	3 Year	5 Year
Long Term Portfolio	7.6%	10.8%	11.1%
Dow Jones US Total	6.4%	10.0%	10.0%
S&P 500 ³	7.5%	10.7%	10.7%

International Equity Return at June 30, 2020 was as follows:

International Equity	1 Year	3 Year	5 Year
Long Term Portfolio	-5.5%	0.0%	2.1%
MSCI ⁴ AC World ex USA	-4.8%	1.1%	2.3%

Fixed Income Return at June 30, 2020 was as follows:

Fixed Income	1 Year	3 Year	5 Year
Long Term Portfolio	7.7%	5.0%	4.1%
Barclays US Aggregate	8.7%	5.3%	4.3%

Real Assets Return at June 30, 2020 was as follows:

Real Assets	1 Year	3 Year	5 Year
Long Term Portfolio	-10.5%	2.8%	5.9%
NCREIF ⁵ Townsend Blended	6.6%	8.6%	10.1%

Hedge Funds Return at June 30, 2020 was as follows:

Hedge Funds	1 Year	3 Year	5 Year
Long Term Portfolio	-3.6%	0.8%	1.1%
HFRI ⁶ Fund of Funds	0.1%	2.1%	1.4%

Private Equity Return at June 30, 2020 was as follows:

Private Equity	1 Year	3 Year	5 Year
Long Term Portfolio	4.1%	11.3%	10.1%
Burgiss Global Private Equity	18.6%	16.7%	13.5%

Long Term Portfolio Performance Compared to Benchmarks for Fiscal Years 2011-2020

The accompanying chart reflects performance for the LTP in comparison with over 700 other colleges, universities, endowments, and foundations across the country.

Average Annual Compounded Nominal Return Fiscal Years Ended June 30

Year(s)	LTP Return	NTSE ⁷ Median	NTSE Rank
2020	0.3%	1.8%	72%
2018-2020	5.1%	5.0%	47%
2016-2020	5.5%	5.0%	34%
2011-2020	7.5%	7.3%	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 700 colleges and universities)

NACUBO: National Association of College and University Business Officers

Investment Performance and Policies

June 30, 2020

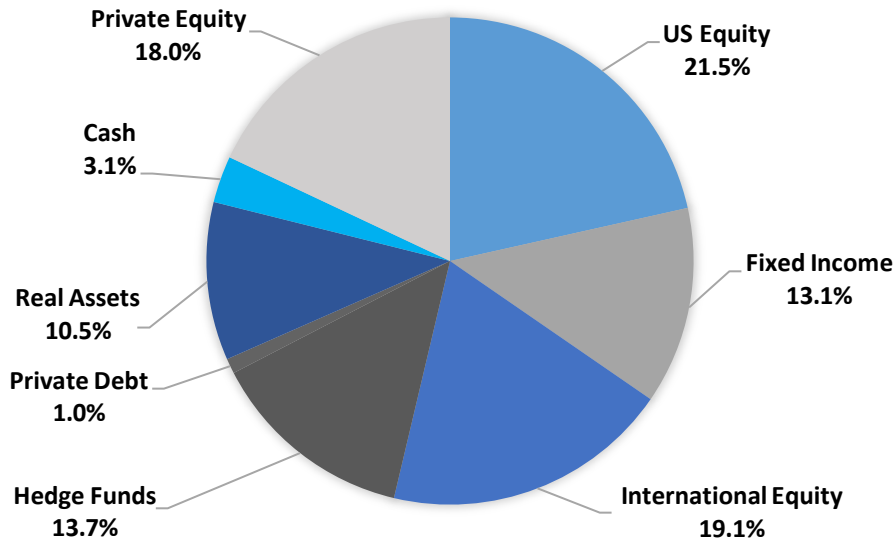
Page | 3

Asset Allocation Policy

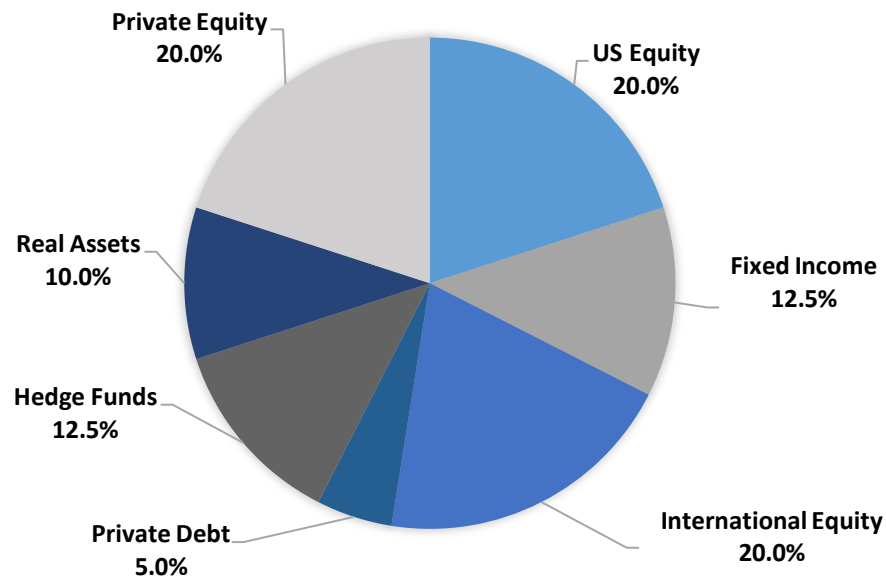
The proper and prudent distribution of investments among various asset classes allows UBF to honor spending policies, maintain risk tolerance and stability, produce appropriate investment returns, and achieve long-term objectives.

Asset allocation at June 30, 2020 was as follows:

Long Term Portfolio Actual



Long Term Portfolio Target



NOTE: Long-term target is goal for 2022

Investment Performance and Policies

June 30, 2020

Page | 4

Spending Policy

Spending is defined as funds made available annually from the LTP for university programs and administrative expenses.

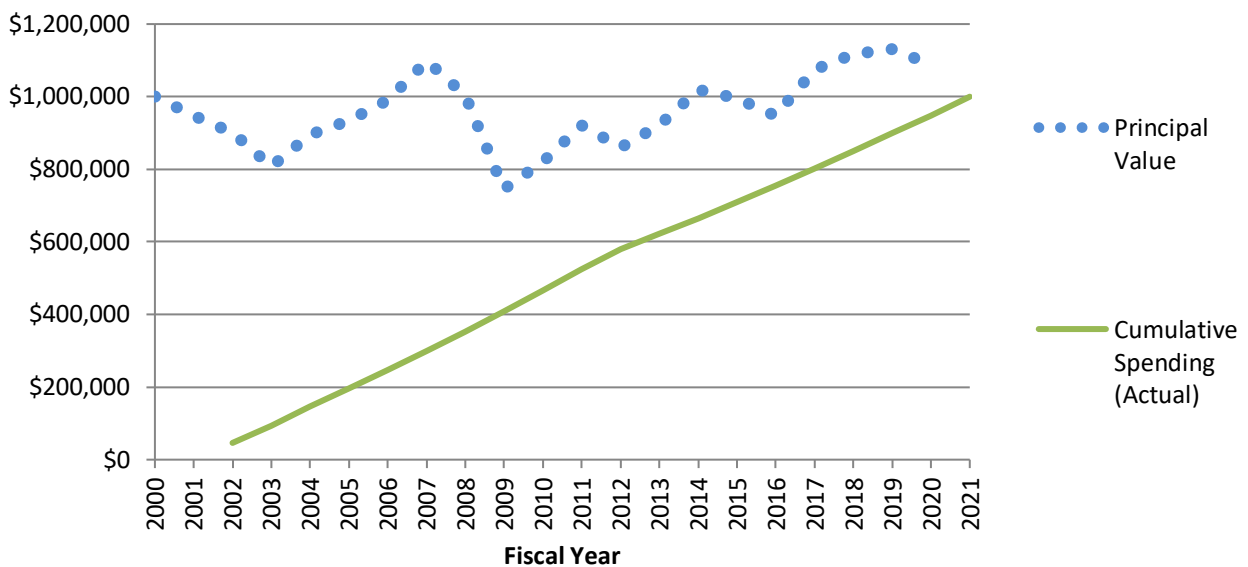
Spending on university programs will be approximately 4% of the donor's entire original contribution after the first full year of participation in the LTP. Afterwards, spending will increase annually at the average rate of inflation, regardless of market performance. This approach provides a stable and 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 LTP, 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 2000 to Fiscal Year 2021

A \$1,000,000 gift on June 30, 2000 invested in the LTP would have been worth \$1,086,985 as of June 30, 2020, prior to the Fiscal Year 2021 distribution. In addition, \$1,025,002 will be cumulatively distributed for spending needs from Fiscal Year 2002 through Fiscal Year 2021, with annual spending growing from \$46,119 in Fiscal Year 2002 to \$51,120 in Fiscal Year 2021.



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.