2021
Endowment Report

UCONN
FOUNDATION

The impact of your generosity and this year’s endowment growth cannot be overstated.

THANK YOU

The UConn Foundation is proud to present the 2021 Endowment Report and celebrate good news with UConn’s dedicated supporters.

Thanks to strong investment earnings, the total university endowment made historic gains this fiscal year and grew by more than 26 percent, a phenomenal increase. Specifically, the endowment grew from $476 million to more than $602 million this year, surpassing a major milestone.

Thank you for your steadfast support, especially through the challenges we have faced together through the pandemic. Your long-term investment broadened UConn’s research capacity and contributed toward the transformational learning experience. It opened the door for more first-generation and underserved students to attend Connecticut’s flagship public institution. The impact of your generosity and this year’s endowment growth cannot be overstated. This foundation of philanthropy benefits programs, faculty, and undergraduate, graduate, and professional students across the entire University system. On behalf of the Foundation and the University, thank you for commitment and continued support.

Portfolio Overview

Portfolio Overview Prepared by Shahid Farooqi, MBA, Ph.D., Director of Investments

For the fiscal year ending June 30, 2021, the UConn Foundation's long-term investment portfolio has produced a return of 28.48 percent versus a Market-Value-Weighted Policy Benchmark return of 27.51 percent. This is the highest one-year return for the diversified portfolio and each asset class has outperformed its respective benchmark.

The Foundation's long-term investment portfolio now totals $571.7 million compared to $451.4 million as of June 30, 2020. The portfolio growth is due mainly to the portfolio returns. UConn's total endowment, which includes the Foundation's endowment, funds held in trust by others, and endowed gifts made directly to the University, is now $602.7 million. The number of underwater endowments has reduced to only five (0.26 percent of the total pool), compared to 747 (40.33 percent of total pool) on June 30, 2020.

During the first quarter of FY21 (third quarter of 2020), the stock markets around the globe started recovering from the pandemic-induced chaos that had impacted the stock markets. Equity markets boomed after November 9, when Pfizer and BioNTech announced positive phase III results for the first COVID-19 vaccine. The reaction was swift and global, with the S&P 500 index hitting 12 percent return in the December quarter and international developed markets posting 16 percent return. Emerging markets boomed up 20 percent in US dollar terms. However, early in the third quarter of FY21 (first quarter of 2021), high-flying stocks largely reversed course as investors focused on the reality that the world will indeed get past the pandemic. Global stocks rose more than 4 percent in the quarter. The S&P 500 index rose to 6.2 percent.

WHAT'S INCLUDED IN THE TOTAL ENDOWMENT?

The total endowment includes all endowed funds that benefit UConn. The UConn Foundation coordinates the investment and management of its portfolio as well as the endowed funds of the University.

TOTAL UNIVERSITY ENDOWMENT	MARKET VALUE	NUMBER OF FUNDS
UConn Foundation	$583,128,417	1,905
University Endowment managed by the UConn Foundation	$19,565,358	133
Total	**$602,693,775**	**2,038**

Inflation concerns sent bond prices tumbling by more than 4 percent. The Fed made it clear that it has no plans to hike interest rates because, in its analysis, the inflation hike was because of a temporary supply and demand issue in few sectors, such as the automobile industry, and not a widespread phenomenon. Most of the world's equity indices gained ground in the fourth quarter of FY21 (second quarter of 2021). The S&P 500 index rose more than 8 percent in fourth quarter of FY21 and, along with DJIA and NASDAQ, it is hitting new heights. Bond prices stabilized in the fourth quarter. Central Bank asset purchases are pushing yields into very low or negative territory in most developed countries.

As a result of the strong investment results for FY21, the portfolio also has outperformed its benchmark for the trailing three-year (12.67 percent versus 11.02 percent), 5-year (11.49 percent versus 10.65 percent), and 10-year period (8.01 percent versus 7.32 percent).

The UConn Public Equity portfolio yielded a return of 41.80 percent compared to the MSCI ACWI benchmark return of 39.26 percent. Global equities led the returns, followed by US stocks, which generated 43.76 percent return and non-US stocks, which delivered 40.62 percent for the fiscal year. The portfolio's average Public Equity allocation of 45.50 percent relative to the long-term target of 25 percent contributed positively to the fiscal year returns.

The hedge fund portion of the portfolio includes directional and non-directional hedge fund strategies. The directional strategies have higher equity exposure and are expected to have higher long-term returns than a global equity strategy but with diversification benefits. The non-directional strategies have lower equity exposure and are designed to outperform liquid fixed income strategies over the long term. Collectively, the hedge fund portfolio was up 16.43 percent relative to the HFRI Fund-of-Funds Conservative benchmark return of 14.86 percent. Small under allocation (18.53 percent versus 20 percent target allocation) has mildly derailed returns.

The fixed-income portfolio returned 8.36 percent relative to its benchmark return of 0.08 percent. The portfolio benefited from its exposure to emerging markets debt and the US high yield market. In a low interest rate environment, diversification across markets and credits did help the portfolio. The portfolio's average fixed income exposure of 8.10 percent relative to the 15 percent long-term target dampened the portfolio returns.

The private markets portion of the portfolio is comprised of private equity, private debt, and real assets. Private equity is the largest underlying strategy (approximately 16.93 percent of the total portfolio during FY21) and it has generated a 40.35 percent return relative to the benchmark's 35.35 percent during the fiscal year. Private debt and private real assets made up an average of 3.6 percent and 6.8 percent, respectively, of the portfolio and returned 11.32 percent and 15.25 percent relative to benchmark returns of 10.76 percent and 9.67 percent, respectively.

Endowment Momentum

WHERE DO UNIVERSITY ENDOWMENT DOLLARS GO?

STUDENTS ▶ $246.9M

Scholarships and fellowships put a UConn education within reach of promising students from a wide variety of backgrounds.

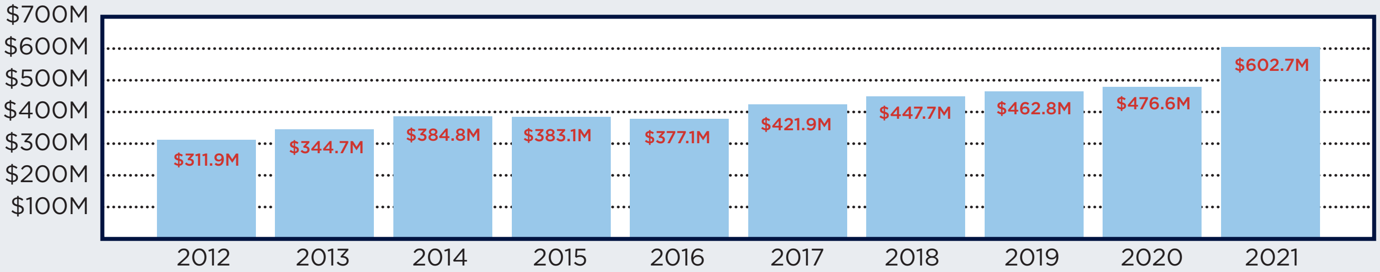
FACULTY ▶ $159M

Endowed chairs, professorships, and other funds give scholars, researchers, and physician-scientists across UConn the resources they need to pursue innovative work.

PROGRAMS ▶ $196.8M

Endowed accounts support important programmatic priorities, including new technology, experiential learning opportunities, undergraduate research, and graduate student conference participation

TEN-YEAR TOTAL UNIVERSITY ENDOWMENT GROWTH



Endowment Management

The UConn Foundation is honored to manage endowed funds in support of the University's mission. The fiduciary responsibility is carried out by members of the Foundation Board of Director's investment committee, foundation management, and staff. The endowment is managed as a single portfolio, but funds are invested in various asset classes to diversify risk.

The UConn Foundation distributes 4 percent of the rolling, three-year average of quarterly market values of endowed funds to UConn. This spending policy is intended to provide stable income to the University for its current needs while maintaining the long-term purchasing power of the endowment. Earnings in excess of spending distributions and advancement fees are added to the balance of the endowment to help maintain the long-term health of the endowment during periods of poor market performance. To enhance our conservative approach, distributions will be suspended if the fund falls below 15 percent of its historic dollar value.

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