



2023
Endowment Report

UConn
FOUNDATION

Your
generosity
is making an
impact now
and for years
to come.

THANK YOU

The UConn Foundation is pleased to share its 2023 Endowment Report. Your generosity is making an impact now and for years to come.

In fiscal 2023, a record-setting \$22.4 million of the endowment was distributed to the University, providing immediate support for scholarships and fellowships, faculty, and the world-class research and academic programs UConn is known for.

In fiscal 2023, the endowment had a return of -1.07 percent as the portfolio was positioned defensively amidst conflicting economic signals. However, the endowment is invested with a long-term view and a focus on stability, creating a strong foundation year-over-year, including during times of market volatility. It has achieved a 7.9 percent annualized return over five years and a 7.3 percent annualized return over 10 years. The endowment is resilient and well positioned to weather challenges, while continuing to be a self-sustaining source of income for UConn.

Donors who give with an eye to the future allow UConn to identify key priorities to improve access to education and the entire student experience. The UConn Foundation and the University thank you for your ongoing support.

Portfolio Overview

*Portfolio Overview Prepared by David Carney, CFA
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The UConn Foundation assumed a more defensive investment posture as fiscal 2023 progressed, sharpening our focus on risk management and capital preservation as markets exhibited conflicting signals around economic growth and investor sentiment. As a result, the long-term investment portfolio realized a modest negative return of -1.07 percent for the year and underperformed its Policy Benchmark return of 4.97 percent. However, we believe that this defensive posture provides more resilience as risks continue to emerge while positioning the portfolio to take advantage of evolving opportunities.

As we entered the latter part of the year, the market exhibited conflicting signals as the Fed tried to engineer a “soft landing” by slowing growth enough to curb inflation while avoiding a recession. Risks to this scenario, ranging from banking crises to concerns over China’s re-opened economy to still-stubbornly-high inflation, have pushed leading economic indicators lower. Despite these risks the stock market continued to grind higher, particularly in traditionally volatile sectors such as technology, calling sharply into question how much more room it had to run against this backdrop of heightened risk. Our evolving view is that the downside risks outweigh the upside and we have positioned the portfolio accordingly, maintaining a relatively sizable cash allocation and implementing other risk mitigation strategies.

The Foundation’s investments in public assets, i.e. traditional stocks and bonds, performed well during the fiscal year and each outperformed its respective asset class benchmark:

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	\$558,466,426	1,988
University Endowment Managed by the UConn Foundation	\$18,808,177	136
Total	\$577,274,603	2,124

- The public equities portfolio (representing 28.7 percent of the total portfolio) returned 19.2 percent, exceeding its global equities benchmark return of 16.5 percent. The outperformance was led by growth stocks, particularly in the technology sector, which, as mentioned, rallied into the fiscal year end.
- Similarly, public fixed income (5.9 percent of the portfolio) well-outperformed its global bonds benchmark, generating a 6.2 percent return compared to 0.5 percent for the benchmark.

The strong performance in public assets was largely attributable to a moderation in the markets' expectations of interest rate hikes and lessening fears of imminent recession.

But private asset performance was more of a mixed bag for the Foundation's portfolio in fiscal 2023. Private equity investments (37.4 percent of the total portfolio) generated a negative return of -5.8 percent, compared to -3.9 percent for its benchmark. Most of this underperformance occurred in the first part of the year as investments in volatile sectors such as fintech and consumer technology faced challenges from rising interest rates, depressed valuations, and a lack of exit financing. Valuations in these private investments have yet to catch up with those of their public asset comparables. Meanwhile the portfolio's other private asset classes — private debt and real assets — fared somewhat better, returning 5.3 percent and 6.7 percent respectively.

The UConn Foundation continues to invest with a long-term, risk-aware perspective, constructing the portfolio to take advantage of strong market environments, such as fiscal 2021 (28.5 percent return) while preserving capital in weaker markets, such as fiscal 2022 (3.1 percent return). This approach has resulted in favorable performance over longer time horizons.

- Over the past five years, the annualized portfolio return of 7.9 percent exceeded both our Policy Benchmark return of 7.3 percent and the 6.2 percent return of a traditional “70/30 market portfolio” comprising 70 percent stocks and 30 percent bonds.
- Over 10 years, the portfolio's 7.3 percent annualized return compared similarly favorably to both the 6.9 percent return for the Policy Benchmark and 6.2 percent for the 70/30 market portfolio.

At year end, the Foundation's long-term investment portfolio totaled \$547 million, compared to \$567 million as of June 30, 2022. The year-over-year reduction reflects another record-setting year of endowment disbursements to the University, which exceeded the modest investment loss for the year. UConn's total endowment, which includes the Foundation's long-term investment portfolio, funds held in trust by others, and endowed gifts made directly to the University, is now \$577 million. Of this amount, 24.2 percent were underwater endowments at fiscal year end.

Endowment Momentum

WHERE DO UNIVERSITY ENDOWMENT DOLLARS GO?

STUDENTS ▶ \$240,641,912

Scholarships and fellowships make a UConn education possible for outstanding students from all backgrounds.

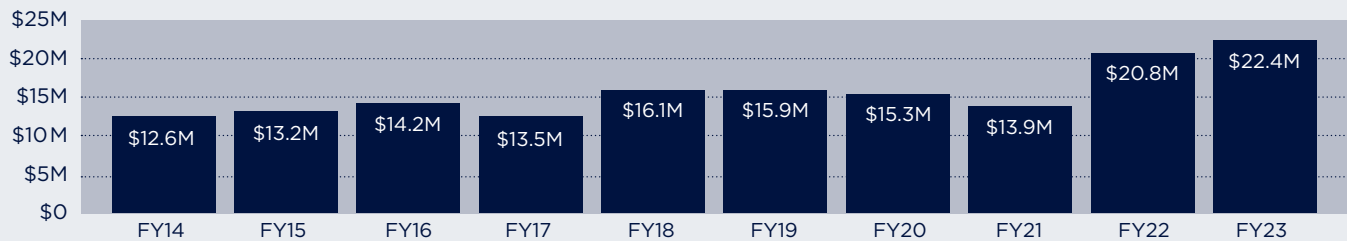
FACULTY ▶ \$151,162,801

Funds including endowed chairs and professorships provide the resources UConn students, researchers, physicians, and scientists need to achieve innovation and breakthrough discoveries.

PROGRAMS ▶ \$185,469,889

Endowed accounts support technology, experiential learning, student research opportunities and conferences, and other priority programs.

TEN-YEAR TOTAL SPENDING ALLOCATIONS



SPENDING ALLOCATION AMOUNTS ARE THE DOLLARS DISTRIBUTED TO SUPPORT THE UNIVERSITY.

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 Directors' 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 reinvested to grow the endowment and keep pace with inflation. Conversely, in times of low returns distributions will be suspended if a fund's market value falls below 15 percent of its historic dollar value in order to preserve capital.

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