



Investment Update for Summer 2016

Recent Investment Performance

The University of Colorado Foundation's Long Term Investment Pool (LTIP)—which includes the majority of Foundation endowments invested for the benefit of the University of Colorado (CU)—fell modestly during fiscal year 2016 amid a challenging investment environment for most asset classes. For the fiscal year ending June 30, 2016, the LTIP returned -2.63%, which compares to -2.02% for our policy benchmark*, +3.99% for the S&P 500 and -1.99% for our custom asset class benchmark**.

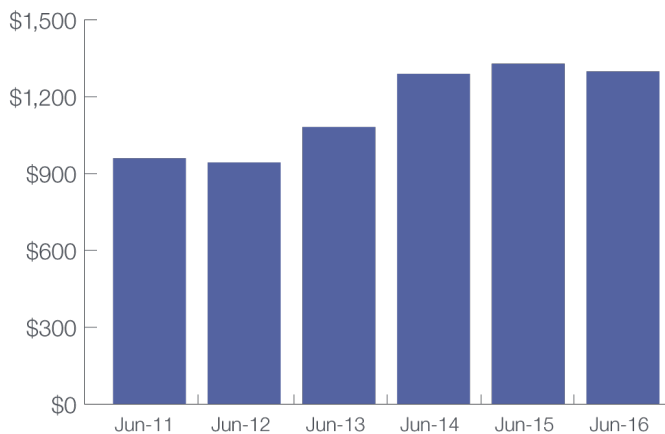
As of June 30, 2016, the LTIP was valued at \$1.299 billion. The value of endowments invested for the benefit of CU (or, for comparison purposes, the "CU Endowment") is a subset of the LTIP, totaling \$1.063 billion.

The LTIP's longer-term results show a consistent track record of investment success, in line with the Foundation's goal of maximizing returns over an extended time period while effectively managing risk. Achieving this objective is critical given CU's long-term educational mission. Faculty, students and programs on all four university campuses rely on consistent funding streams from the LTIP for years to come. As of June 30, 2016, the LTIP's 3-year annualized investment performance was +6.28%, its 5-year performance was +5.92% and its 10-year performance was +6.11%.

(continued on reverse)

Long Term Investment Pool

Value



Totals expressed in millions, and reflect value as of 6/30 for each year.

(NOTE: Increases/decreases of these funds over time do not precisely mirror investment performance, due to variable fundraising inflows/outflows to university programs.)

Annualized Investment Performance



*The Policy Benchmark is comprised of 40% Russell 3000 Index (domestic stocks), 40% MSCI EAFE Index (nondomestic stocks), and 20% Barclays Capital Aggregate Bond Index (fixed income).

**Asset Class Benchmark is 45% MSCI ACWI, 25% Venture Economics US Private Equity Performance Index, 15% HFRI Fund of Funds Index, 5% DJ UBS Energy Index, 5% NCREIF, and 5% Barclays Capital Aggregate Bond Index.

Investment Portfolio Composition

The LTIP is structured to maintain a level of volatility below that of the domestic and international equity markets in aggregate. Portfolio managers maintain asset allocations within the target ranges established and monitored by the Foundation's Investment Policy Committee, which reports to the Foundation's Board of Directors.

While the LTIP has a material stake in public equity markets, 43% of its holdings are invested in private capital, real assets and hedge funds—enabling the Foundation's investment manager to assemble a portfolio that is geared to long-term performance. Meanwhile, the LTIP's current 6% weighting in cash and fixed income provides a buffer against volatility and allows timely response to investment opportunities.

Near-term Investment Outlook

According to Chris Bittman, partner at asset management firm Perella Weinberg Partners (PWP) and investment manager of the LTIP:

A volatile and uncertain environment has been playing out in the global equity markets, with elevated return dispersion across regions, industries and factors. The UK "Brexit" surprised the market and came at a time when investors were already grappling with external central bank pressures, a confounding interest rate environment and rising geopolitical concerns.

While valuations within the global equity market appear stretched on a historical basis, interest rates have never been at these historically low levels and it seems plausible that the asset class can perform well in a muddle-through economic scenario. We can foresee an environment in which U.S. equity outperformance continues, despite elevated valuations, due to that market's safe-haven status relative to non-U.S. equities, as well as stronger economic prospects. We would not be surprised to see some rotation away from recent winners, including richly-valued defensive stocks such as consumer staples and utilities.

Given the recent rally in credit markets, it is likely that fixed income performance will be more coupon-like for the remainder of the year. While it is difficult to see near-term headwinds for global rates, with many sovereign bonds now trading at negative yields, we expect more muted performance going forward.

From an asset allocation perspective, global equities may simply represent the best option out of an uninspiring set of choices. Alternatives will also provide an important source of returns and diversification as opportunities in private capital continue to surface and hedge funds find some cover.

We can answer your questions

As fundraising and endowment investments continue to be key long-term funding components for CU, it's crucial that members of the CU family have full confidence in and understanding of our investment activities. We are available to answer your questions, and can make presentations to constituents on our investment model, performance and outlook.

Thank you for continued confidence in our efforts on behalf of the University of Colorado.

Mike Pritchard

Vice President and CFO
CU Foundation
303-813-7905
mike.pritchard@cufund.org
cufund.org



University of Colorado
Foundation