



# Investment Update for Summer 2017

## Recent Investment Performance

The University of Colorado Foundation’s Long Term Investment Pool (LTIP)—which includes endowments the Foundation holds for the benefit of the University of Colorado—generated positive performance for the fiscal year. For the fiscal year ending June 30, 2017, **the LTIP returned +15%**, which compares to +15.28% for our policy benchmark\*.

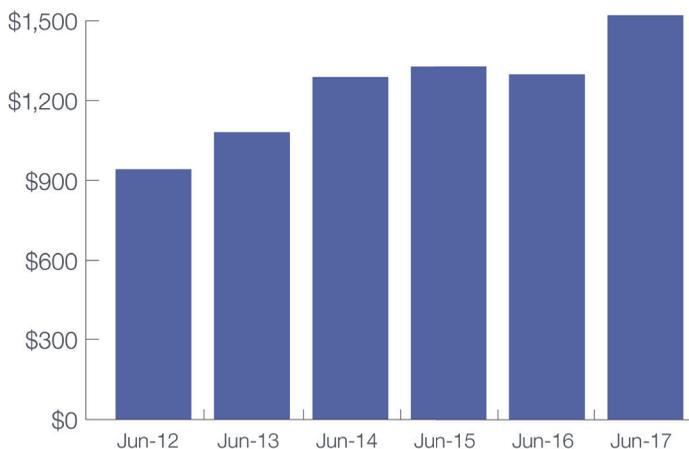
As of June 30, 2017, the LTIP was valued at \$1.52 billion. The value of endowments invested for the benefit of CU is a subset of the LTIP, totaling \$1.22 billion.

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, 2017, the LTIP’s 3-year annualized investment performance was +5.04%, its 5-year performance was +9.12%, and its 10-year performance was +5.43%.

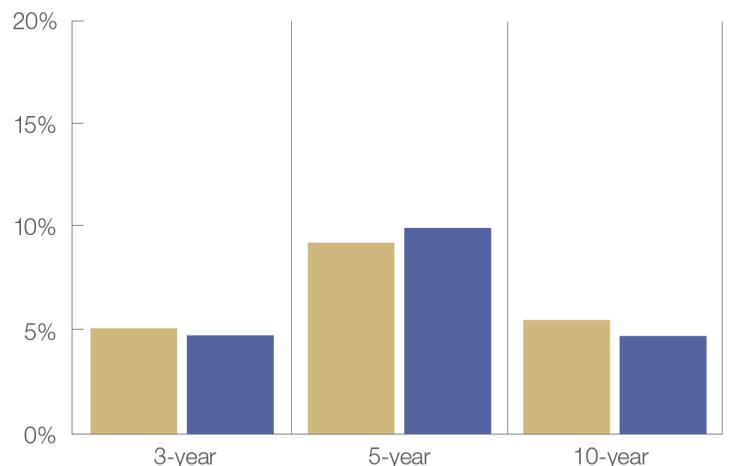
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### Long Term Investment Pool

Value



Annualized Investment Performance



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.)

LTIP Policy Benchmark\*

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

## 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 7% 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:

“In today's environment, diversification away from anything other than the S&P 500 has not been rewarded and, most importantly, risk and market volatility have been nearly absent. The low level of stock and bond volatility has been a reflection of a market environment characterized by a benign economic outlook and seemingly coordinated global growth. Furthermore, inflationary pressures and expectations have eased. Yet, political and policy risks still exist in many areas of the world.

The market consensus view seems to be that the low measures of volatility today are not indicative of complacency but rather a reflection of an abnormally tranquil macro environment with a benign economic outlook, supportive financial market conditions and reduced political risks. We believe that investing alongside the market consensus is rarely the best course of action and are growing more cautious on the outlook for risk assets. We believe that hedge funds could play an important role in portfolio construction in the near-term, from both a diversification and return standpoint.

While economic growth has been unspectacular, it has been strong enough for global policy makers to either continue with or consider more restrictive monetary policies. We foresee central bank policy as a potential source of near-term volatility and a steep backup in interest rates could weigh on risk assets. Valuations across many markets are trading at historically expensive levels and investors may not be appropriately compensated for risks. Effective asset allocation relies on assessing relative value across markets. The cycle could be changing to where successful asset allocation and portfolio management are more about avoiding the losers rather than picking the winners.”

## 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.**

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