

University of Virginia Investment Management Company

ANNUAL REPORT 2022

HIGHLIGHTS



We are humbled by the noble work of the University, and it inspires us to remain focused on our mission. Patience, resilience, and an opportunistic mindset remain at the heart of our investment philosophy, and we are passionate about pursuing investment excellence on behalf of the University and broader community.”

— Robert Durden, CFA
Chief Executive Officer/Chief Investment Officer

Serving the University

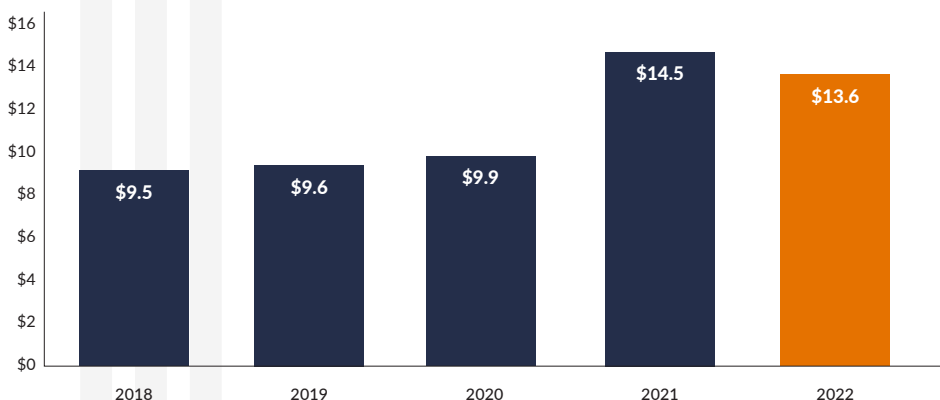
UVIMCO provides investment management services to the University of Virginia and University-associated organizations to serve the University’s mission. UVIMCO’s primary objective is to maximize the long-term, inflation-adjusted returns commensurate with the risk level of the University.

As of June 30, 2022, UVIMCO’s assets under management were \$13.6 billion in the Long Term Pool and \$175.8 million in the Short Term Pool (Graph 1). Within UVIMCO’s Long Term Pool, \$7 billion represents the Rector and Visitors’ endowment, \$1.9 billion represents the University’s Strategic Investment Fund, \$1.7 billion represents other University long-term assets, and \$3 billion represents assets held by University-associated organizations, including the Darden School Foundation, Law School Foundation, UVA Alumni Association, and Jefferson Scholars Foundation.

Since 2018, UVIMCO’s assets under management have grown from \$9.5 billion to \$13.6 billion (Graph 2). By generating returns in excess of the University’s spending rate plus inflation, UVIMCO is providing a steady source of income to support the University’s mission for future generations of students, alumni, faculty, staff, and patients through scholarships, professorships, research funding, and other important initiatives.

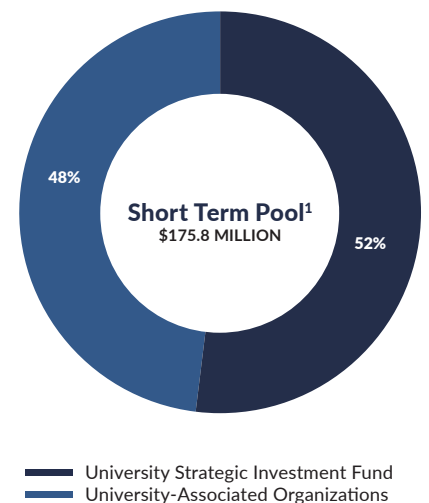
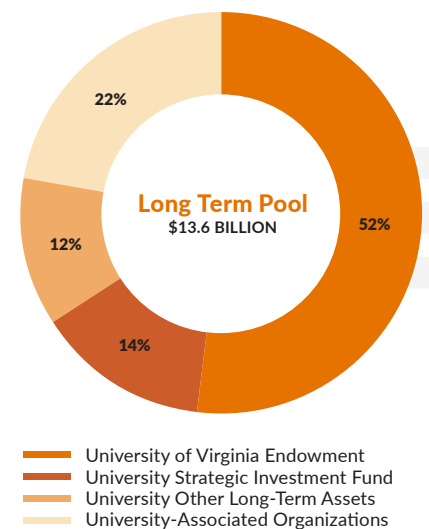
GRAPH 2 Long Term Pool Market Value

In billions, as of June 30



GRAPH 1 Investor Composition

As of June 30, 2022



⁽¹⁾ The Long Term Pool’s cash portfolio invests in the Short Term Pool. The Short Term Pool market value reflected above excludes Long Term Pool assets.

Long-Term Performance

Fiscal year 2022 was a difficult market environment for investors. In the face of market volatility, UVIMCO's Long Term Pool declined 4.7% during the fiscal year. However, it outperformed the passive policy portfolio by 8.5%, demonstrating the investment acumen of the UVIMCO team and external managers.

TABLE 1 UVIMCO Long Term Pool Strategy Allocation and Investment Returns

In percentages, as of June 30, 2022

	Allocation ⁽¹⁾	Annualized Time Weighted Rates of Returns				
		1YR	3YR	5YR	10YR	20YR
Long Term Pool ⁽²⁾	100.0	(4.7)	14.4	12.0	11.0	10.4
Policy Portfolio ⁽³⁾		(13.2)	5.1	6.1	7.3	7.0
Public Equity	24.5	(22.6)	7.5	8.5	11.4	12.6
Long/Short Equity	11.9	(22.9)	4.1	4.7	6.2	7.4
Private Equity	28.2	3.7	33.2	28.8	21.2	16.0
Real Assets	14.6	39.2	19.7	12.3	12.0	12.2
Absolute Return	7.7	11.2	5.7	4.3	5.3	4.9
Credit	3.9	(4.2)	5.5	5.9	7.1	8.5
Fixed Income	6.1	(7.8)	2.6	2.9	1.7	4.0
Cash	3.1	0.1	0.5	1.0	0.6	-

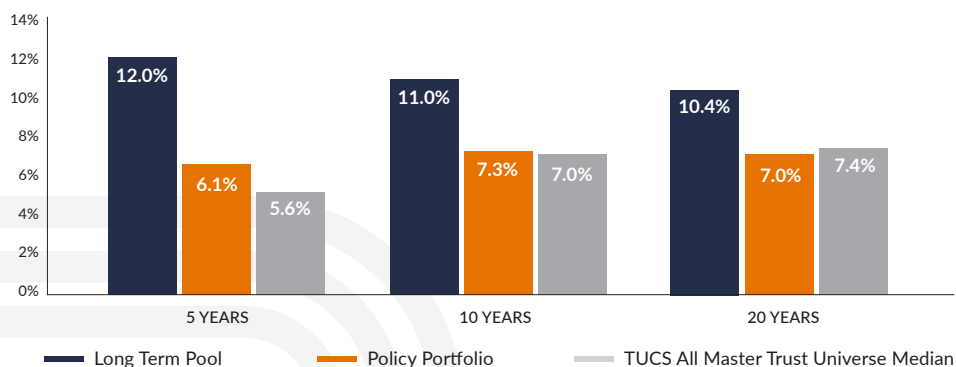
(1) Percent of Long Term Pool net asset value.

(2) Long Term Pool returns are presented gross of UVIMCO management and incentive fees but net of underlying manager fees.

(3) Geometrically linked monthly average of 75% MSCI All Country World Equity and 25% Bloomberg U.S. Treasury Bond. The policy portfolio weights are 65/10/25 equity, real estate, fixed income between July 1, 2019, and June 30, 2020, and 60/10/30 prior to July 1, 2019.

GRAPH 3 UVIMCO Long Term Pool Relative Performance

Annualized through June 30, 2022



The success of UVIMCO's portfolio is best viewed through a long-term lens and against key benchmarks (**Table 1**), as the returns of our investment strategies fluctuate from year to year. This fiscal year, negative returns generated by our Public Equity, Long/Short Equity, and Fixed Income portfolios were partly offset by gains in Real Assets and Absolute Return. Over the past two decades, we have secured double-digit returns for our investors. Our twenty-year annualized return of 10.4% is well in excess of the 8.0% return required to preserve the purchasing power of the endowment.

According to Wilshire Trust Universe Comparison Service (TUCS) data, UVIMCO consistently outperforms its institutional peers. Over the past twenty years, UVIMCO's Long Term Pool had an annualized return of 10.4% compared to 7.0% for the policy portfolio and 7.4% for our median peer (**Graph 3**).

Asset Allocation

UVIMCO's investment performance and strategy starts with successful asset allocation and alignment with asset owners. UVIMCO's investment policy includes a policy portfolio allocation, which its Board of Directors establishes based on the University's risk tolerance and expected future capital requirements. The policy portfolio serves as an indicator of how the endowment would fare under passive management.

UVIMCO has a long history of partnering with exceptional investment managers, who add value to passive alternatives over time. Our managers invest in Public Equity, Long/Short Equity, Private Equity, Real Assets, Absolute Return, Credit, and Fixed Income. **Graph 4** displays the trends in the asset allocation of the Long Term Pool over the past decade, which has remained relatively stable. Between 2020 and 2022, the shift in asset allocation was a function of relative performance.

GRAPH 4 UVIMCO Long Term Pool Historical Asset Allocation

Fiscal years ending June 30

