

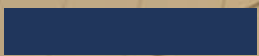


UNIVERSITY
of VIRGINIA

INVESTMENT MANAGEMENT COMPANY

2019 —
2020

ANNUAL REPORT





UNIVERSITY
of VIRGINIA

INVESTMENT MANAGEMENT COMPANY

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University of Virginia Investment Management Company

Design • Journey Group

Photography • UVA Alumni Association, Foundation of the State Arboretum,
UVA Foundation, Sanjay Suchak

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ANNUAL REPORT

2019—
2020

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To the Rector and Visitors of the University of Virginia, foundation trustees, and other members of the University community:

We are living in an extraordinary time. The COVID-19 pandemic has resulted in upheaval in our collective physical and economic health, but has also prompted profound reflection on our values, vision, and goals. While there is much uncertainty about what lies ahead, the University of Virginia is well positioned to weather the current environment. As such, the University of Virginia Investment Management Company (UVIMCO) remains focused on driving strategic, thoughtful investment decisions, and leveraging our skills to explore opportunities in a changing world. I am pleased with the results of our collective efforts over the most recent fiscal year and am extremely grateful for the professionalism and support of our internal team, board of directors, University and associated organizations, and external investment managers.

The year ending June 30, 2020, was an unprecedented period for financial markets. While global equities gained 2.6% during the year, this summary performance belies extraordinary midyear volatility. After a positive first six months of the fiscal year, global equities experienced a drawdown of over 30% in February and March before paring most of these losses in the subsequent three months. In real assets, the blended MSCI Real Estate Index declined 22% during the first quarter of 2020, nearly mimicking the decline in global equities, and finished the year down 6.3%. As could be expected in a risk-off environment, global bonds generally acted as a safe haven and outperformed other asset classes, returning 7.4% during the fiscal year. Within this challenging environment, the Long Term Pool posted a 5.3% fiscal year return, exceeding our policy portfolio return of 3.3%. Over the ten-year period

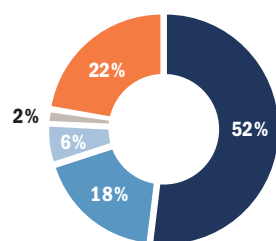
ending June 30, 2020, the Long Term Pool generated a return of 10.1%, exceeding both the 8.2% return for the policy portfolio and the University's inflation-adjusted spending rate.

As a reflection of our partnerships throughout the University community, our annual report highlights the significant role the investments in UVIMCO's Long Term Pool play in helping the University lead both locally and globally. Endowment-based resources allow the UVA Alumni Association, the Foundation of the State Arboretum, and the UVA Foundation to bolster recruitment and support of exceptionally talented and diverse students, contribute to critical areas of research, and equip tomorrow's servant-leaders. We never lose sight of the impact of our investment efforts and hope that you enjoy reading these examples. Meanwhile, our colleagues at the UVA Health System continue to serve our community with phenomenal grace, critical innovation, and world-class advances in COVID-19 testing and treatment. We consider it an honor to support those efforts as well as all of the other exemplary work being done across Grounds by UVA's students, faculty, staff, and leadership. UVIMCO is routinely humbled by its role in UVA's timeless mission, and never more so than today. ■

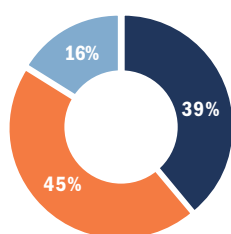
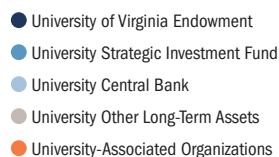


ROBERT DURDEN
Chief Executive Officer
Chief Investment Officer
UVIMCO

Overview



LONG TERM POOL
(\$9.9 billion)



SHORT TERM POOL
(\$211.4 million)



VIMCO provides investment management services to the University of Virginia as well as associated organizations that support the University's mission. Under this mandate, UVIMCO invests the endowment and other long-term funds held by the University and its associated organizations in the Long Term Pool, a commingled pool of capital that is managed according to the endowment

distribution requirements and risk tolerance of the University. UVIMCO also manages the Short Term Pool for the University and associated organizations with near-term liquidity needs. The investor compositions of the Long Term Pool and Short Term Pool as of June 30, 2020, are as shown in the graphs on the left.

UVIMCO's Long-Term Objective

UVIMCO's primary investment objective is to maximize the long-term, inflation-adjusted return of the Long Term Pool commensurate with the risk tolerance of the University. UVIMCO achieves this objective by actively managing the Long Term Pool in a manner designed to provide a substantial and growing stream of income to support the University and its associated organizations, while preserving the purchasing power of their long-term investment assets for future generations.

Over the past decade, UVIMCO's active management of the Long Term Pool has added \$1.5 billion to the University's long-term funds beyond the amount that would have been earned by investing in its passive benchmark portfolio.

Our Purpose

The endowment and other long-term funds managed by UVIMCO provide vital support to the University in the pursuit of its mission and strategic vision for the future. UVIMCO's dedicated staff and independent board of directors share in this purpose and strive to generate exemplary investment returns to support current and future generations of students, faculty, staff, and patients.

An endowment, by nature, is intended to serve as a permanent, self-sustaining source of funding. Each year, a portion of the endowment value is paid out to support the fund's purpose, and earnings in excess of this distribution build the endowment's market value over time. Endowment funds are generally invested to achieve long-term capital appreciation while also providing a consistent, reliable stream of annual distributions. Invested properly, endowments generate a growing source of income that supports an increasing number of scholarships, professorships, and research funds as well as expanded program offerings and facilities.

The University of Virginia's consolidated endowment ranks among the five largest for public institutions of higher education and among the twenty

largest of all colleges and universities in the United States. This financial strength enables the University to attract world-class students and faculty and is a testament to UVA's passionate alumni and generous donors. In managing the endowment assets of the University and associated organizations, UVIMCO has the privilege of amplifying the philanthropy of these donors by generating returns that grow their donations and gifts as well as other long-term assets, to support the University in perpetuity.

The significance of UVA's endowment is also underscored by its relative importance to the annual operating budget of the University. Historically, the University relied heavily on appropriations from the Commonwealth of Virginia. However, in Virginia and many other states, macroeconomic changes and constrained state budgets have resulted in less revenue available for public education. Steadily declining state support means the University must increasingly rely on endowment distributions to sustain its margin of excellence. New gifts to the endowment, along with the endowment's long-term investment performance, help secure the University's long-term financial stability. As Graph 1 illustrates, for the past nine fiscal years, endowment distributions have surpassed state appropriations as a funding source for the University's academic budget.

As UVA enters its third century and looks to realize its vision of being a great and good University, the endowment will continue to serve as a vital source of support, helping fund the strategic goals and key initiatives outlined in the 2030 Plan. UVA President James E. Ryan says that the University's ultimate purpose is to serve the public through an unending and fearless search for truth and through teaching, research, and health care, and UVIMCO remains committed to supporting the University in this endeavor. ■



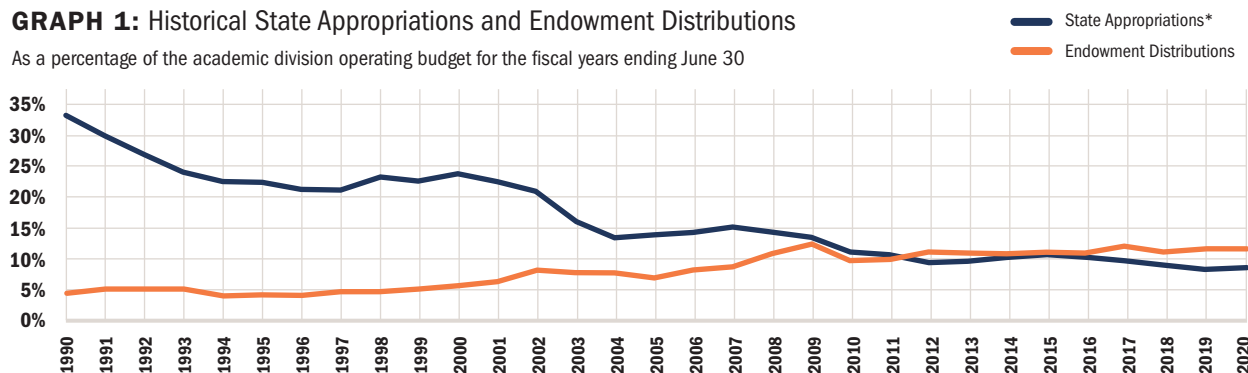
**The secret
of success is
constancy
of purpose.”**

—BENJAMIN DISRAELI

Former prime minister of the
United Kingdom

GRAPH 1: Historical State Appropriations and Endowment Distributions

As a percentage of the academic division operating budget for the fiscal years ending June 30



*State appropriations represent unrestricted state general funds appropriated for basic educational needs and excludes restricted state general funds to be used for research and financial aid.

Investment Strategy



Knowing where you came from is no less important than knowing where you are going.”

—NEIL DEGRASSE TYSON

American astrophysicist

Core Tenets

UVIMCO believes that attractive long-term investment returns are best produced by employing a consistent investment philosophy and process over time. Therefore, we adhere to the following core tenets as we invest the Long Term Pool.

We focus on the long term.

UVIMCO’s investment horizon is measured in years, if not decades, which aligns with the mission of the University as well as the perpetual nature of an endowment. A long-term perspective provides us with a critical competitive advantage, as global markets are increasingly becoming oriented more toward the short term. Our focus on the long term is also especially well suited for investments in less efficient illiquid or niche markets that provide fertile ground for active management. We leverage patience to generate attractive long-term risk-adjusted returns, but we acknowledge that this strategy may sometimes result in short-term underperformance relative to passive benchmarks and peer investors.

We believe in active management.

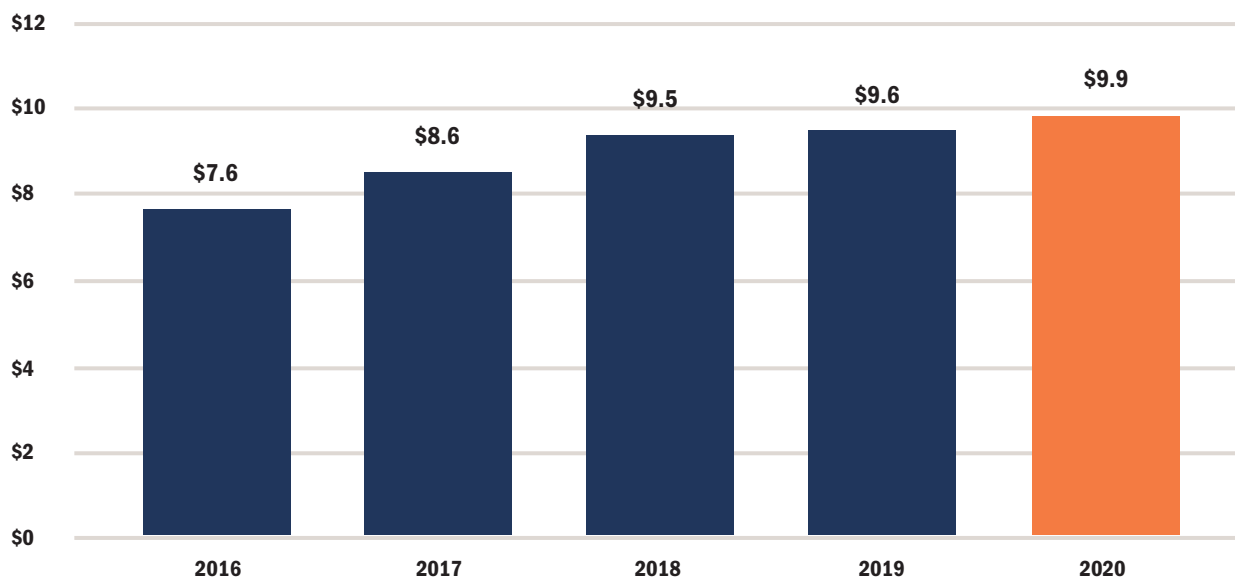
Consistently outperforming passive indexes is difficult, but it can be done. UVIMCO has a long history of partnering with exceptional investment managers who have demonstrated the ability to generate alpha through disciplined investment processes, novel insights, and hard work. Sourcing, evaluating, and developing these relationships is our core competency and the primary driver of UVIMCO’s excess returns over time. The reputation we have cultivated as a value-added partner, our extensive network of market contacts, and the patient capital we provide have enabled us to build relationships with many of the most successful investment managers in the world.

We employ a global, flexible investment mandate.

Our investment process is structured and disciplined, but we also seek to be flexible and innovative in response to constantly evolving global financial markets. The Long Term Pool is a broadly diversified portfolio with capital allocated to well-established investment managers, emerging firms, and securities all around the world. We augment our core bottom-up manager selection process with top-down portfolio overlays and rigorous asset allocation analyses. We maintain a robust co-investment program to upsize particularly attractive opportunities

GRAPH 2: UVMCO Long Term Pool Market Value

In billions, as of June 30



with the added benefit of a lower fee structure. We seek to strengthen our existing capabilities while thoughtfully honing our investment model to find new sources of attractive returns in an increasingly competitive return environment.

We evaluate and manage risk.

Our primary function is to identify attractive investment opportunities and assess the likelihood of earning sufficient compensation for assuming the associated risks. As such, we seek to measure and manage risk, not avoid risk altogether. UVMCO measures and controls for risk based on the risk tolerance and capital requirements of the University. We assume certain risks but avoid others when we are unable to either absorb the associated potential downside or earn enough premium for bearing those risks.



**An investment
in knowledge
pays the best
interest.”**

—BENJAMIN FRANKLIN
Founding Father



**To be prepared is
half the victory.”**

—MIGUEL DE CERVANTES

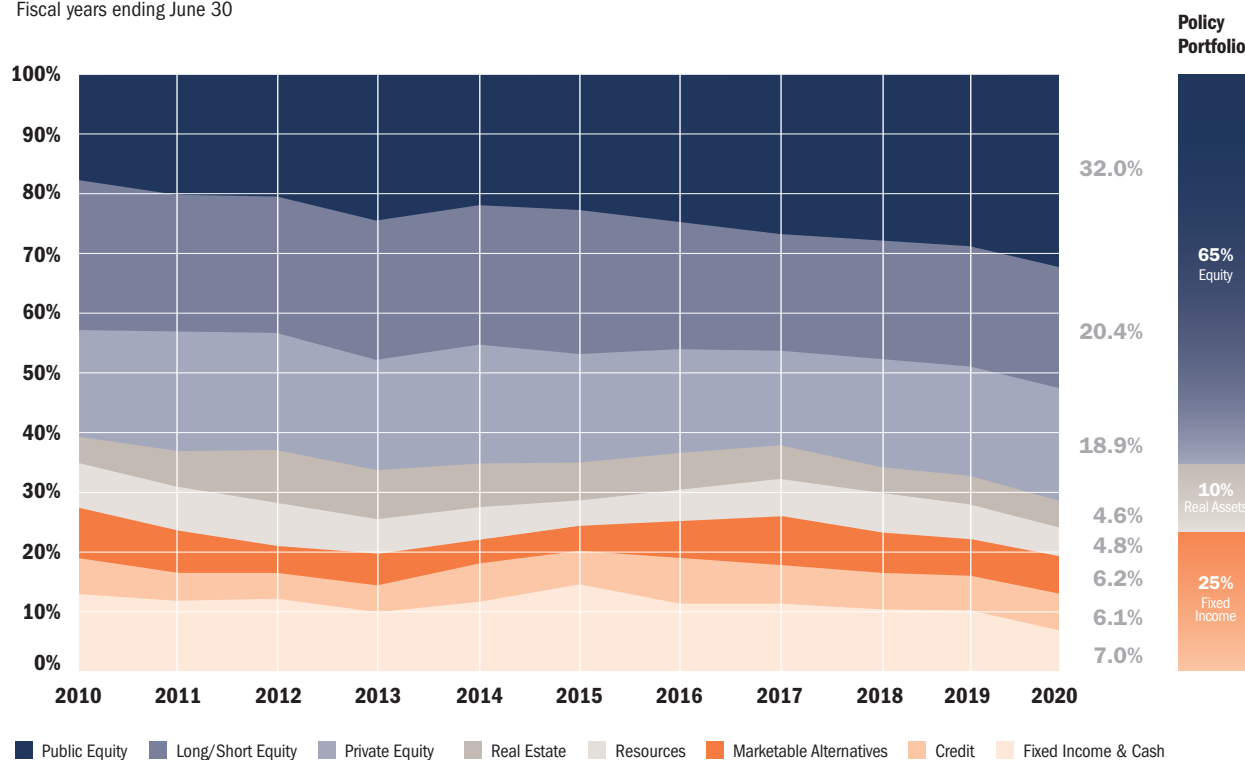
Spanish novelist, playwright,
and poet

Asset Allocation

Successful asset allocation starts with ensuring alignment with asset owners. UVMCO's investment policy includes a policy portfolio allocation, which our board establishes based on the University's risk tolerance and expected future capital requirements. Our board carefully considers capital market risk and return estimates to ensure that the policy portfolio is appropriately designed to achieve the objectives of the Long Term Pool. Revisions to the policy portfolio are infrequent and gradual. However, given that market prices and portfolio valuations are dynamic, and that our bottom-up investment opportunity set is always changing, the actual investment allocation of the Long Term Pool will differ from the policy portfolio allocation at any given point in time. The Long Term Pool's asset allocation has been relatively stable for several years. Graph 3 displays the trends in the asset allocation of the Long Term Pool over the past decade. ■

GRAPH 3: UVMCO Long Term Pool Historical Asset Allocation

Fiscal years ending June 30





ENDOWMENT AT WORK



AN ENDOWED GIFT IS A POWERFUL INVESTMENT IN THE UNIVERSITY OF VIRGINIA.

Endowed funds serve as a sustainable source of funding that fuel the University's mission of developing responsible citizen leaders and professionals; advancing, preserving, and disseminating knowledge; and providing world-class patient care. UVIMCO is pleased to highlight several ways in which endowment funds invested in the Long Term Pool are fostering continuous progress in teaching, research, and academic experience.





ISAIAH JENKINS
(Col '22)



CHRISTINA JOHNSON
(Nursing '20)



MICAH WATSON
(Col '18)

Lighting the Path for African American Scholars

The Ridley Scholarship Fund was created in 1987 in honor of Dr. Walter N. Ridley (Curry '53), the first African American to receive a degree from the University of Virginia. Now aspiring to become the premier African American scholarship program in the nation, Ridley (as the program is known) has expanded to include the Ridley Scholar Experience. This offering helps give UVA a competitive edge in attracting African American students of the highest academic caliber by providing them with study abroad opportunities, mentorship, and leadership development along with a robust support network of peers, staff, and alumni.

Before becoming a Ridley Scholar, Isaiah Jenkins (Col '22) would have had little interest in spending thirty days in the Alaskan wilderness, sleeping in a tent, and hauling sixty pounds of supplies on his back. As an extension of the Ridley Scholar Experience, Jenkins was invited to participate in the National Outdoor Leadership School (NOLS), a global nonprofit wilderness school that teaches leadership through remote wilderness expeditions. Through NOLS, he learned how to overcome challenges and empower his peers. "My time in Alaska challenged me mentally and physically," he said.

Christina Johnson (Nursing '20) participated in a ten-day wilderness medicine course in San Francisco through NOLS. With the support of a Ridley scholarship, the nursing major learned how to make crucial decisions, was trained to treat injuries in remote areas under extreme conditions, and became certified as a Wilderness First Responder. In her words, "Challenging myself and stepping out of my comfort zone with the help of NOLS and Ridley was a real blessing and helped me to grow as a woman, a nurse, and a leader."

Micah Watson (Col '18), now a playwright and filmmaker, told UVA Today, "The Ridley Scholarship is what brought me here [to UVA], and when I came for the Ridley Scholars weekend, I loved it." While a student at the University, Watson spent much of her time casting, directing, and overseeing the writing of the *Black Monologues*, a performance that highlighted the experiences of African American students at UVA and beyond.

Over its thirty-three-year history, Ridley has grown and brought more than 300 of the best and brightest African American students to UVA, enhancing the overall learning environment, serving as a beacon of excellence, and upholding and promoting the values of its namesake. It's hard to imagine an organization better positioned than Ridley to help achieve UVA President



James E. Ryan's (Law '92) goal, as stated in UVA's ten-year strategic plan, of attracting and supporting "exceptionally talented, diverse, and service-oriented students, regardless of economic circumstances."

The Ridley Scholarship Fund continues to offer much more than full coverage of tuition and fees. Managed by the Alumni Association's UVA Fund, this initiative is dedicated to strengthening the University and its vision of what it means to be both great and good. Putting its capital to work, UVIMCO serves as a key partner in this endeavor by investing the Ridley Fund's \$14.2 million in assets as of fiscal year 2020. ■

"With the support of partners like UVIMCO, the Ridley Scholarship Program is well positioned for continued growth in our mission to provide extraordinary opportunities to some of the best and brightest scholars in the world."

— **MARCUS L. MARTIN JR.**
Director of Development
Ridley Scholarship Fund



Fostering Innovation

Since its founding in 2006, the Jefferson Trust has seeded and supported bold ideas on Grounds, awarding more than \$1 million in grants during fiscal year 2020 alone.

The mission of the Jefferson Trust, an initiative of the UVA Alumni Association, is to foster a community of alumni and friends who join together to provide catalytic grants in support of innovation and leadership. This

donor-led venture invests in people whose efforts can have a positive impact on the student experience, the University community, and society at large. Lee R. Forker Jr. (Darden '63), one of the earliest supporters of the Trust and its longest-serving trustee, says, "The Jefferson Trust is unique, I believe, in that donors can be engaged with the University in a myriad of ways—intellectually, professionally, and emotionally."

The Trust provides unrestricted funds which, in serving as seed capital for new ideas, can also make up for funding shortfalls. Grants provided by the Jefferson Trust make a greater difference to the University than most donors could do on their own. Since its inception, the Jefferson Trust has grown to more than \$31 million in assets, bringing its fourteen-year total impact to more than \$8.9 million in grants to fund 227 new initiatives spanning a broad range of schools, departments, student groups, and academic centers at the University.

"This partnership with UVIMCO has made a marked difference in the ability of trustees to award more and larger grants each year," says Jefferson Trust Executive Director Wayne D. Cozart.

The most recent round of funding aided an initiative aimed at detecting an autism biomarker in newborns. In early 2020, a multidisciplinary team of researchers and clinicians received a \$122,928 grant to develop a screening protocol to identify abnormal neurodevelopment in the early stages of life and before clinical symptoms manifest. Early intervention could drastically improve outcomes in today's context of increasing autism rates.

Another 2020 Jefferson Trust grant connected student researchers to two University of Virginia professors working to develop air-filtering technologies for masks and other wearable items that screen coronavirus particles. Bala Mulloth, assistant professor of public policy at the Batten School of Leadership and Public Policy, along with Gaurav Giri, assistant professor of chemical engineering at the School of Engineering and Applied Science, initially planned to use their \$100,000 grant to study and create affordable air-filtration products suited to make life in heavily polluted areas across the globe healthier. However, the spread of COVID-19 abruptly shifted their focus to address the pandemic. As co-founders of Hava Inc., a Charlottesville-based company, Mulloth and Giri offered their lab for testing homemade and N95-like respirator masks while students assisted with market research and design concepts.

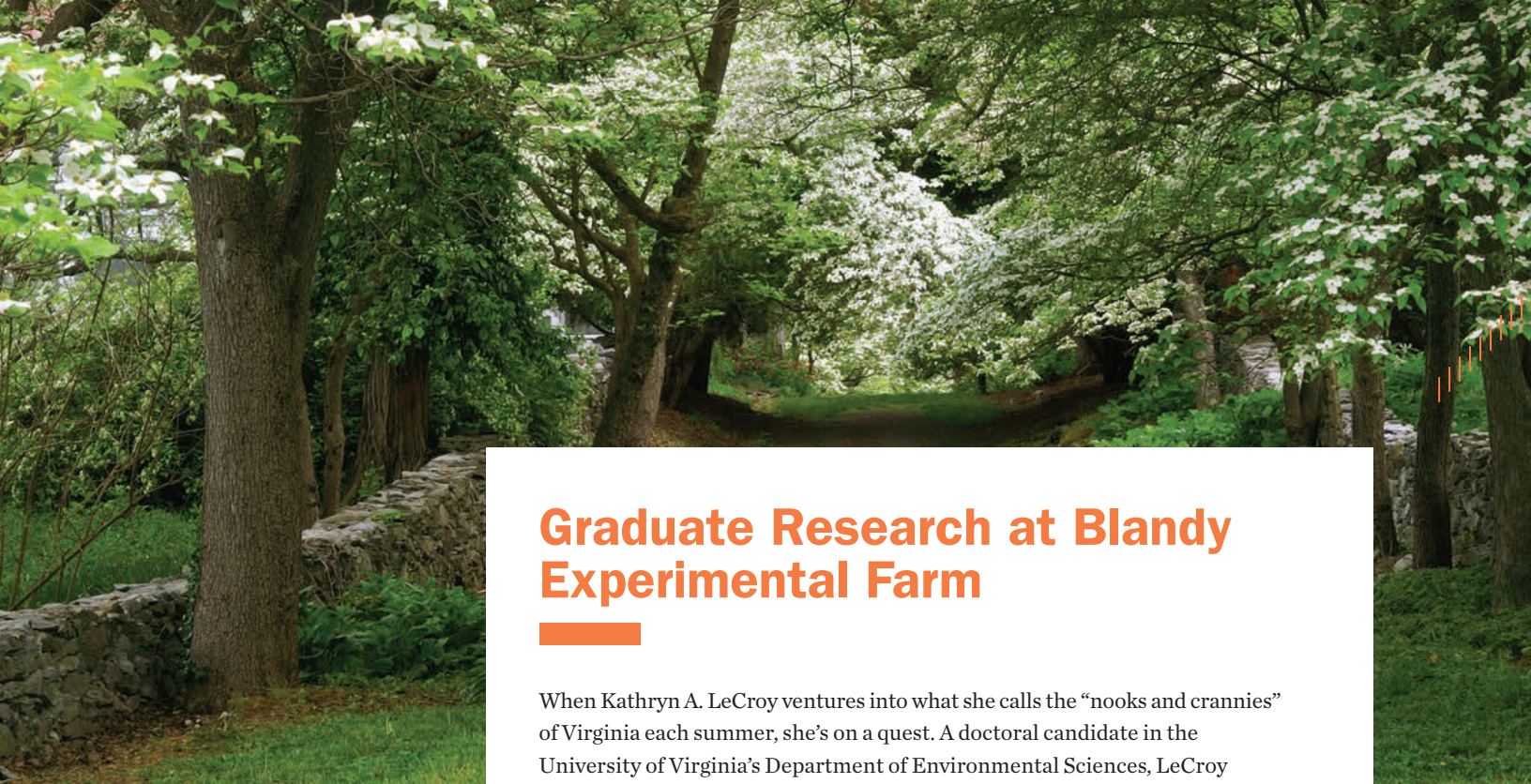
Growing the Jefferson Trust allows great ideas at the University of Virginia to take root and demonstrates the powerful benefits of donor-led, university-based grantmaking. "I would encourage all in the University community to learn more about the positive, ongoing impact of the Jefferson Trust," says Forker. ■



"This partnership with UVIMCO has made a marked difference in the ability of trustees to award more and larger grants each year."

— **WAYNE D. COZART**

Executive Director
Jefferson Trust



Graduate Research at Blandy Experimental Farm

When Kathryn A. LeCroy ventures into what she calls the “nooks and crannies” of Virginia each summer, she’s on a quest. A doctoral candidate in the University of Virginia’s Department of Environmental Sciences, LeCroy partners with hundreds of citizen scientists statewide to monitor the health and diversity of mason bees. Since 2016, LeCroy has spent her summers at UVA’s Blandy Experimental Farm studying the intricate lifestyles of twenty species of mason bees in the commonwealth. With two exotic species recently discovered in the area, she’s learning how the bees interact, how they deal with threats, and if indeed these bees are in decline (as is suspected).

LeCroy’s work embodies the type of summertime research that takes place at Blandy, site of the State Arboretum of Virginia in Boyce. One of UVA’s research field stations, the 700-acre campus is home year-round to scientists who focus on environmental research and education.

Through its Graduate Student Research Endowment Fund, the Foundation of the State Arboretum of Virginia provides stipends and research supplies to graduate students like LeCroy each summer, with three supported in 2020. The fund has been invested in UVIMCO’s Long Term Pool since 2015.

“There are few commitments more satisfying for the Foundation than our funding of these promising young scientists,” says Foundation Past President J. Stephen Bauserman. “As a board, we feel this is the essence of our purpose as a fundraising arm—to cultivate an endowment fund that will take these graduate students to the next level for the sake of science—well, for the sake of humankind.”

David E. Carr is the director of Blandy Experimental Farm and a research professor of environmental sciences at the University. He notes that graduate student education and training have been part of Blandy since its beginning in 1927, when the first director brought UVA graduate students on site to assist with research projects. “In 1986, UVA’s Department of Environmental Sciences adopted Blandy, and research at the graduate level has continued here ever since,” Carr says. “Today, thanks to the generosity of Foundation donors to the Graduate Student Research Endowment Fund, we’re able to offer several summer fellowships to our graduate students.”



KATHRYN A. LECROY
PhD Candidate
UVA Department of
Environmental Sciences

For the Foundation, LeCroy's funding has broader implications. She's become somewhat of a regional ambassador for Blandy and the State Arboretum. Her research adviser at Blandy, T'ai H. Roulston, says, "By working with more than 200 people across Virginia, LeCroy's work spans a broad geographic area, improving the science she does and engaging the public in the process of monitoring pollinator populations and evaluating the threats they face." Roulston, who also serves as curator of the State Arboretum and as a research associate professor in UVA's Department of Environmental Sciences, adds, "She could never have accomplished her work without lots of volunteers joining in, and through their participation in her work, seminars, and workshops, many people have gotten firsthand knowledge about mason bees, bee conservation, and the joys of learning about the world in our own backyards."

LeCroy will finish her summer research at Blandy in 2021, when she'll once again have the enthusiastic support of the Foundation's Graduate Student Research Endowment Fund. "Science takes a long time," LeCroy says with a smile. "This is my victory lap." ■

"As a board, we feel this is the essence of our purpose as a fundraising arm—to cultivate an endowment fund that will take these graduate students to the next level."

— J. STEPHEN BAUSERMAN

Past President
Foundation of the State
Arboretum of Virginia





“[Morven is] an invaluable treasure that will advance the University’s academic mission as well as the public interest for generations to come.”

— **JOHN T. CASTEEN**
Former President
University of Virginia

Making an Impact Globally and Locally

In May 2001, businessman and philanthropist John W. Kluge donated his Albemarle County estate and affiliated farms to the University of Virginia Foundation. The gift consisted of eleven farms totaling 7,379 acres and more than 113 buildings. It was Kluge’s intention that the Foundation maintain a core portion of the property as a typical Albemarle farm, but sell some of the outlying properties to create an endowment that would provide funding for educational and nonprofit programming on the estate, as well as for ongoing care of the land.

Over a period of five years, the UVA Foundation sold ten of the farms, totaling 4,475 acres. The \$23.6 million in proceeds from the sales were invested in UVIMCO’s Long Term Pool to create an endowment for the care and use of the property—known today as Morven. Since its inception, the Morven endowment has nearly doubled, with \$47.5 million as of May 2020.

Due to successful returns earned by the endowment, the Foundation is able to dedicate approximately 20% of the payout to the Office of the Executive Vice President and Provost for the creation and operation of programs at the property. Under the guidance of Stephen D. Mull, vice provost for global affairs at UVA, the Morven Programs office has hosted up to 200 events each year and enjoyed up to approximately 5,000 annual visitors.

Morven’s program partnerships have included a range of globally oriented

events, such as the Young African Leaders Initiative and the Women's Global Leadership Forum. Morven's global leadership programs have hosted three heads of government, forty-four U.S. senators, and 1,350 emerging international leaders from 150 countries.

Morven has also contributed locally through a for-credit Summer Institute; a Kitchen Garden program, in which students learn, lead, and connect through sustainably growing food; and the First Lady's Food Lab, a field trip hub for students in the city of Charlottesville and surrounding counties.

As an extension of these endeavors, in October 2019 Rebecca Deeds (Col '09), acting program director at Morven, met with middle-schoolers from Albemarle County's Community Public Charter School to discuss their ideas for how the farm could better engage the community. Students spent two weeks immersed at Morven and then presented their ideas to parents, community members, and University of Virginia staff. "I liked being able to be in a different environment," said Indigo, a sixth-grade student who proposed the farm be used for a horse rescue operation.

Living up to President Ryan's charge to be not only great but also good, University faculty and administrators are working together to solidify a vision for Morven that will strengthen its foundation, focus attention on environmental sustainability, appropriately recognize the Monacan people who originally inhabited the land in addition to the enslaved persons who worked the land over the years, and enable discoveries that enrich and improve lives. With thoughtful stewardship, Morven and UVIMCO are moving collaboratively toward this forward-thinking strategy. ■

"Morven is poised to play a pivotal role as a center of place-based learning for the next generation of global leaders."

— **CHRIS BRIDGE**

Author

"Morven: The Next Chapter"



Investment Performance



We assess the performance of the Long Term Pool in several ways. Our primary objective is to generate inflation-adjusted, long-term returns in excess of the University's spending rate, thereby achieving our goal of generating a steady source of income to support UVA's mission. We also seek to outperform the long-term returns of our passive

policy portfolio benchmark. The Long Term Pool's policy portfolio benchmark for the fiscal year ending June 30, 2020, is comprised of public market indexes: 65% equity, 10% real assets, and 25% fixed income. Lastly, we compare our performance with that of a broad universe of other institutional investors. Although we do not unduly focus on the investment activities and results of peer organizations, we recognize that relative performance is important to our shareholders.

After reaching all-time highs in early 2020, the valuation of most risk markets collapsed through the second half of February and into March as the world came to grips with the magnitude and potential impacts of COVID-19 on the global economy and society as a whole. Extraordinary containment measures were taken to control the spread of the virus, and governments and central banks stepped up to support their citizens and economies through aggressive monetary and fiscal policy. Still, the impacts of COVID-19 on near-term economic growth and employment are unprecedented.

Global equities fell in value by a third, bottoming out on March 23 before rebounding by nearly 40% by the end of June 2020. Expectations of an economic recovery and continued accommodative fiscal and monetary policies buoyed public equity prices, particularly in the technology sector. Overall, the MSCI ACWI Index gained 2.6% in fiscal year 2020. Against a backdrop of massive uncertainty and aggressive monetary action, global bonds outperformed, gaining 7.4% in fiscal year 2020. Global real assets declined 6.3%. Global real estate equities performed strongly through mid-February, but lodging, retail, office, and residential REITs were among the industries hit the hardest once the COVID-19 pandemic set in. Meanwhile, the S&P Goldman Sachs Commodity Index declined 33.9% in fiscal year 2020. U.S. crude oil prices fell by over one-third during the year, as lockdowns dramatically reduced transportation fuel consumption and OPEC+ countries were unable to reach a production curtailment agreement in March. In aggregate, UVIMCO's policy portfolio returned 3.3% in fiscal year 2020.

UVIMCO actively manages the Long Term Pool, primarily by employing external investment managers to pursue long-term returns exceeding the

policy benchmark while maintaining a comparable level of market risk. While the COVID-19 pandemic and its economic consequences are unique, the scope of the related market sell-off is well within the risk scenarios we rigorously plan for at UVIMCO.

The Long Term Pool returned 5.3% in fiscal year 2020, outperforming the policy portfolio's 3.3% over the same period. Table 1 summarizes the performance of the Long Term Pool and its component strategies over time. As the table shows, different investment strategies make positive contributions to the Long Term Pool's absolute and relative performance over time.

Our goal is not to outperform the passive benchmark over one-year or other short-term time periods. Rather, as an endowment manager, UVIMCO seeks to outperform the passive benchmark over the long term. Over the ten- and twenty-year periods ending June 30, 2020, UVIMCO's portfolio compounded at annualized rates of 10.1% and 8.6%, respectively. This performance exceeds both the University's spending rate (plus inflation) and the ten-year and twenty-year annualized returns available through ownership of the passive policy portfolio.

TABLE 1: UVIMCO Long Term Pool Strategy Allocation and Investment Returns

In percentages, as of June 30, 2020

	Allocation ¹	1YR	ANNUALIZED			
			3YR	5YR	10YR	20YR
LONG TERM POOL²	100.0	5.3	7.5	6.6	10.1	8.6
<i>Policy Portfolio³</i>		3.3	6.2	6.3	8.2	5.6
Public Equity	32.0	6.0	8.6	8.5	14.1	11.0
Long/Short Equity	20.4	9.9	7.0	5.0	8.2	8.7
Private Equity	18.9	14.8	19.8	11.8	17.2	8.9
Real Estate	4.6	(4.2)	1.9	5.3	8.7	1.9
Resources	4.8	(27.6)	(10.5)	(0.6)	5.6	13.3
Marketable Alternatives	6.2	1.4	1.9	2.3	4.6	4.5
Credit	6.1	(5.6)	2.2	3.9	6.6	7.6
Fixed Income	5.0	15.4	7.2	4.5	2.4	5.4
Cash	2.0	1.3	1.6	1.1	0.6	—

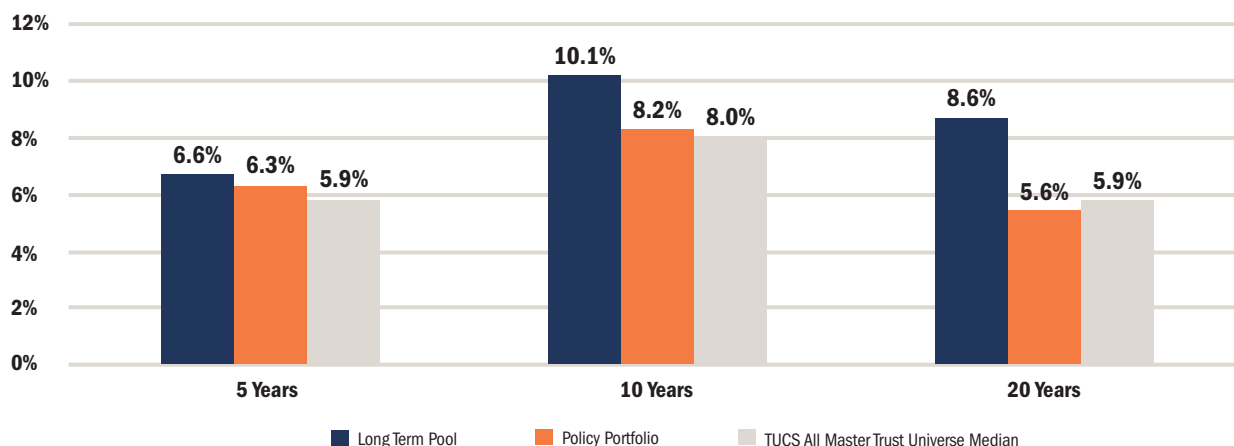
1. Percent of net asset value

2. Long Term Pool returns are presented gross of UVIMCO management and incentive fees.

3. Geometrically linked monthly average of 65% MSCI All Country World Equity, 10% MSCI Real Estate, and 25% Bloomberg Barclays Aggregate Bond. For periods prior to July 1, 2019, the policy portfolio weights were 60% equity, 10% real estate, and 30% fixed income.

GRAPH 4: UVIMCO Long Term Pool Relative Performance

Annualized through June 30, 2020



**The first step
is to establish
that something
is possible;
then probability
will occur.”**

— ELON R. MUSK

American engineer, entrepreneur,
and philanthropist

In addition to evaluating the Long Term Pool's performance relative to the market and our policy portfolio, we consider our performance relative to the Wilshire Trust Universe Comparison Service (TUCS) All Master Trust Universe, a broadly accepted benchmark for the performance of institutional assets, including corporate and public pensions, endowments, and foundations. As shown in Graph 4, the Long Term Pool's returns for the past five, ten, and twenty years have exceeded the median returns of other institutional investors as well as those of the policy portfolio.

UVIMCO's focus remains on the long term. Our primary competitive edge is our ability to maintain a long-term view in all market conditions and avoid overreacting to short-term market dislocations. We will continue to exploit this relative advantage as we seek to generate attractive, risk-adjusted returns to support the long-term spending needs of the University. In addition, we will remain disciplined in our approach to manager selection, asset allocation, and risk management. We recognize the value of the relationships we have built over many years and will continue to partner with managers who we believe can generate outsized net returns beyond those of passive market participants. We are prepared and patient, and we continue our search for great investment ideas around the world and across asset classes. Our team is dedicated to investment excellence and to supporting the University, and we will continue to seek new opportunities to add value to the endowment. ■

Short Term Pool



Established in 2012, the Short Term Pool offers the University and its associated organizations an investment alternative for their short-term operating funds. The primary purpose of this pool is to preserve principal and provide a low-cost, stable, highly liquid, and secure investment vehicle to UVIMCO's shareholders. The Short Term Pool allows the University

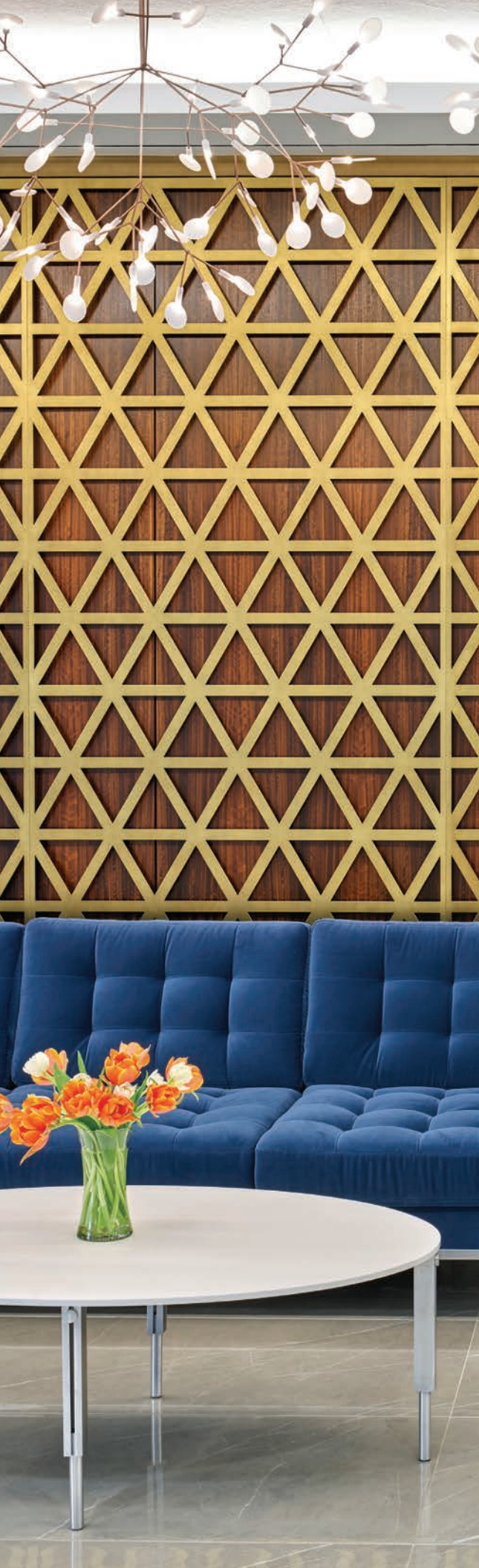
and its associated organizations to invest their cash alongside the cash of the Long Term Pool. By varying their allocations of investment funds between the Long Term Pool and the Short Term Pool, UVIMCO's shareholders can tailor an individualized portfolio of investments to their desired risk and liquidity levels. Holding more liquid investments generally results in decreased overall expected returns in the long term.

The Short Term Pool is primarily invested in U.S. Treasury notes, bonds, and bills with maturities of not more than one year, except for U.S. Treasury floating rate notes, which may have a maturity of up to two years. The Short Term Pool incurs low expenses because UVIMCO charges no management or performance-based fees to the pool. UVIMCO is also able to customize the composition of the Short Term Pool to meet the liquidity needs of the University and its associated organizations.

Because asset protection and liquidity are the Short Term Pool's primary objectives, UVIMCO expects that the pool may yield less than other short-term investment options. ■

TABLE 2: Short Term Pool at a Glance

	2020	2019	2018
Fiscal Year Return	1.48%	2.21%	1.29%
<i>FTSE 1-Month Treasury Bill</i>	1.37%	2.28%	1.27%
Yield to Maturity	0.14%	2.08%	0.88%
Market Value as of June 30 (in millions)	\$211	\$475	\$199



UVIMCO Board of Directors (as of July 2020)

The UVIMCO Board of Directors provides important governance and oversight to ensure the Long Term Pool and Short Term Pool are managed in accordance with the risk tolerance and long-term objectives of the University. In addition to establishing and annually reviewing policy portfolio allocations, the board monitors the development, adoption, and performance of investment decisions. Composed of accomplished professionals from the investment industry, the board is also able to share valuable insights with staff regarding financial market trends and investment opportunities.

Mitchell R. Cohen
Managing Director
Trilogy Search Partners
McIntire '86/Chair

Thomas J. Baltimore Jr.
Chairman, President, & Chief
Executive Officer
Park Hotels & Resorts
McIntire '85, Darden '91

John P. Connaughton
Co-Managing Partner
Bain Capital LP
McIntire '87

**Jennifer "J.J."
Wagner Davis**
Executive Vice President &
Chief Operating Officer
University of Virginia

John B. Harris Jr.
Retired Senior Banker
& Executive
Deutsche Bank
Law '79

Meredith B. Jenkins
Chief Investment Officer
Trinity Church Wall Street
Col '93

John G. Macfarlane III
Managing Member
Arrochar Management LLC
Darden '79

Henry H. McVey
Partner & Head of Global
Macro & Asset Allocation,
Chief Investment Officer
KKR Balance Sheet
Col '91

Andrew T. Mulderry
Co-Chief Investment Officer
Willett Advisors LLC
Col '93

Timothy P. O'Hara
Managing Director, Global
Co-Head of Credit
BlackRock Alternative Investors
Col '86

Meryl B. Witmer
General Partner
Eagle Capital Partners LP
McIntire '83

Biographical sketches of
members of the UVIMCO
Board of Directors are
available on our website at
www.uvimco.org.

UVIMCO Staff (as of July 2020)

UVIMCO's full-time staff is comprised of forty-one professionals who are passionate about the University and dedicated to achieving excellence in investment management. While their roles and backgrounds vary, all team members understand the responsibility of serving as a steward of capital and strive to uphold the organization's core values of integrity, collaboration, and intellectual honesty.

Robert W. Durden
Chief Executive Officer/
Chief Investment Officer

Kristina M. Alimard
Chief Operating Officer
Darden '03

Jeffrey M. Barnes
Senior Associate

Matt G. Bernstein
Applications Developer

Kristin L. Butler
Senior Operations Associate

Pingxuan Cao
Analyst
McIntire '20

Joseph A. Clark
Analyst
McIntire '20

J. Matthew Dorchuck
Director

Rhonda M. Douthit
Executive Assistant to the
Chief Executive Officer/
Chief Investment Officer

Jonathan E. Earnhardt
Managing Director
McIntire '00

Angela M. Farkas
Human Resources Manager

Blake A. Fischer
Director of Technology

Caitlin C. Fitzmaurice
Managing Director
Darden '11

Allison P. Gillam
Chief Financial Officer
McIntire '06, '07

Graeme W. Glassford
Associate

Kelly J. Gobble
Travel Specialist
Col '99

Leah M. Hall
Senior Associate
McIntire '09

Robert S. Hamel
Senior Associate
Engr '12

Lisa P. Heuchert
Manager of Corporate
Accounting
*McIntire '85, Grad Arts
& Sciences '90*

Nicholas M. Hiatt
Senior Associate

Sonia L. Hutson
Administrative Assistant/
Receptionist

Duygu Ineci
Associate
Col '15

Annie M. Kerns
Manager of Investment
Operations

Lindsay R. Larsen
Managing Director
McIntire '01

Elizabeth R. Liles
Administrative Assistant/
Records Specialist

Jason M. Love
Managing Director
McIntire '95

G. Win Maddox
Analyst
McIntire '19

Heidi A. Dennis Maloney
Legal & Compliance
Administrator

E. Sargent McGowan
Managing Director
McIntire '95

Brian E. Mills
Systems Administrator

Chellie V. Morris
Administrative Assistant

Kevin L. O'Boyle
Associate
McIntire '18

Marilyn K. Perkins
Senior Associate
McIntire '11

Kaixi Ren
Associate

Tina B. Shifflett
Office Manager

Christina Shrestha
Senior Operations Associate

Joseph B. Wilkinson
Associate Counsel
Col '14, Law '18

John M. Winn
General Counsel/Chief
Compliance Officer
Law '05

Connor P. Yost
Corporate Accountant
McIntire '17

Roger Zhang
Associate
McIntire '18

Trish A. Zorn
Operations Analyst



INVESTMENT MANAGEMENT COMPANY

University of Virginia
Investment Management Company
701 E. Water Street, Fourth Floor
Charlottesville, Virginia 22902
www.uvimco.org