

# University of Virginia Investment Management Company

# ANNUAL REPORT 2023

# HIGHLIGHTS



Resilience, or our capacity to withstand challenging years and ability to stick with our investment strategy, is critical to our long-term success.”

– Robert Durden, Chief Executive Officer/Chief Investment Officer

## Serving the University

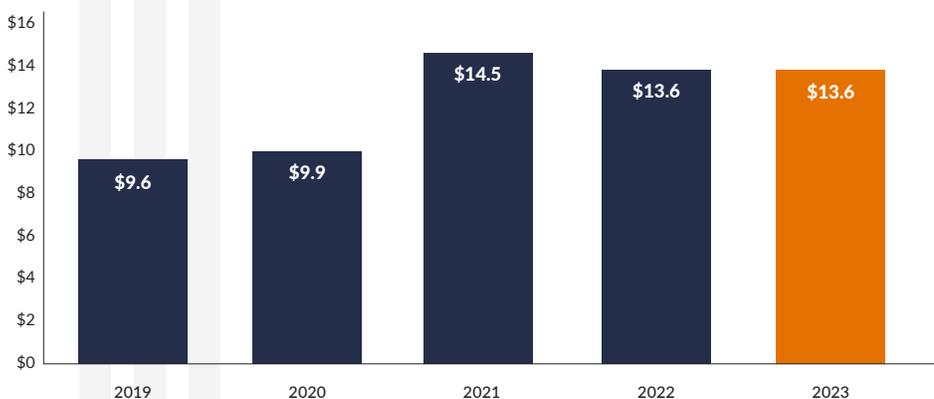
The University of Virginia Investment Management Company (UVIMCO) provides investment management services to the University of Virginia and University-associated organizations to serve the University’s mission. UVIMCO’s primary objective is to maximize the long-term, inflation-adjusted returns commensurate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

As of June 30, 2023, UVIMCO’s assets under management were \$13.6 billion in the Long Term Pool and \$266.6 million in the Short Term Pool (**Graph 1**). Within UVIMCO’s Long Term Pool, \$7 billion represents the University 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 2019, UVIMCO’s assets under management have grown from \$9.6 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.

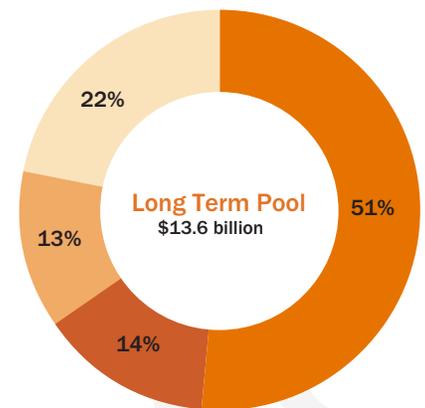
**GRAPH 2** Long Term Pool Market Value

In billions, as of June 30

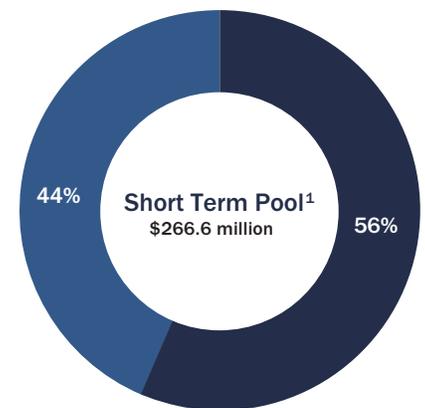


**GRAPH 1** Investor Composition

As of June 30, 2023



- University of Virginia Endowment
- University Strategic Investment Fund
- University Other Long-Term Assets
- University-Associated Organizations



- University Other Long-Term Assets
- University-Associated Organizations

(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.

## Investment Performance

Fiscal year 2023 was challenging for diversified institutional portfolios with significant allocations to private investments. UVIMCO's Long Term Pool gained 2% and underperformed the 12.3% return generated by its policy portfolio benchmark. Our Public Equity and Long/Short Equity portfolios suffered from outsized exposures to emerging markets, particularly China. Additionally, our developed market managers were not able to fully capture the strong gains seen in domestic equities. Private investments significantly lagged public indices, with our Private Equity portfolio declining by 5.3% while global public equities rose substantially. Diversifying strategies of Fixed Income and Cash, Absolute Return, and Credit collectively returned 1.6% and outpaced the blended Bloomberg U.S. Treasury Bond Index by 3.4% but failed to fully compensate for the one-year underperformance of the Long Term Pool's equity investments.

**TABLE 1** Long Term Pool Strategy Allocation and Investment Returns

In percentages, as of June 30, 2023

	Allocation <sup>(1)</sup>	Annualized				
		1YR	3YR	5YR	10YR	20YR
Long Term Pool <sup>(2)</sup>	100.0	2.0	13.1	10.1	9.8	10.0
Policy Benchmark <sup>(3)</sup>		12.3	8.0	7.0	7.4	7.5
Public Equity	27.0	8.2	8.2	7.4	10.0	12.8
Long/Short Equity	11.4	6.3	3.0	4.0	5.1	7.4
Private Equity	26.3	(5.3)	25.0	22.2	19.2	15.3
Real Assets	15.1	5.4	29.8	11.7	11.9	11.3
Absolute Return	9.8	4.1	6.7	3.5	4.4	5.8
Credit	3.8	4.9	9.3	5.6	5.8	7.1
Fixed Income	6.3	(2.9)	(3.1)	2.2	1.3	3.1
Cash	0.3	3.2	1.1	1.4	0.9	-

(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.

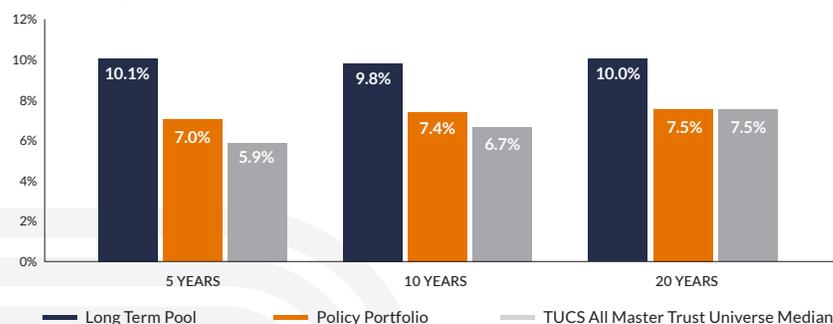
Bloomberg U.S. Treasury Bond Index by 3.4% but failed to fully compensate for the one-year underperformance of the Long Term Pool's equity investments.

While short-term underperformance is challenging for us and our investors, bearing different market, manager, and liquidity risks than the policy benchmark helps us earn exemplary investment results over time. Our historical performance (**Table 1**) continues to be excellent compared to both the policy benchmark and required return. Over the last ten and twenty years, the Long Term Pool has generated annualized returns of 9.8% and 10%, exceeding the policy portfolio returns by 2.4% and 2.5% per year, respectively. The ten- and twenty-year annualized returns are well in excess of the 8% return required to preserve the purchasing power of the endowment.

In addition to securing long-term returns above the policy benchmark and required return, UVIMCO consistently outperforms its institutional peers according to Wilshire Trust Universe Comparison Service (TUCS) data. Over the past twenty years, UVIMCO's annualized return of 10% has well exceeded the 7.5% garnered by median peers (**Graph 3**).

**GRAPH 3** Long Term Pool Relative Performance

Annualized through June 30, 2023



## 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 our 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, with shifts in recent years due primarily to relative performance.

**GRAPH 4** Long Term Pool Historical Asset Allocation

Fiscal years ending June 30

