Recent Investment Performance
The CU Foundation’s Long Term Investment Pool (LTIP)—which includes the vast majority of Foundation endowments invested for the benefit of the University of Colorado—had strong absolute and relative performance over the past year. As of 9/30/14, the LTIP had gained +10.20% during the prior one-year period, outperforming our policy benchmark (+9.50%) but trailing the custom asset class custom benchmark (+12.03%) and the S&P 500 (+19.73%). The LTIP’s recent performance has also been strong relative to other major universities: for fiscal year 2014, the LTIP ranked No. 1 among Pac-12 institutions, which include peers such as Stanford, UCLA and Berkeley.

We’re pleased with the LTIP’s performance and are not surprised by our performance lag compared to the broader equity market for two reasons: 1) The LTIP portfolio composition (detailed on reverse) is meant to be insulated against short-term market volatility, both positive and negative; and 2) Private capital and real assets (comprising 28% of the LTIP) are valued with less frequency than public equities, and 9/30/14 performance data does not represent updated positive valuations of all portfolio elements.

The LTIP’s longer-term results demonstrate a consistent track record of investment success, in line with the Foundation’s objective. Over the trailing three-, five-, and ten-year periods (see chart, below left), the LTIP has been close to or has outperformed its policy benchmark with one-third less risk than the benchmark.

Investment Portfolio Composition
As indicated by its name, the Long Term Investment Pool is designed to maximize returns over an extended period of time, while also effectively managing risk. Achieving this objective is critical given the university’s long-term educational mission; faculty, students, and programs on all four University of Colorado campuses rely on consistent funding streams from the LTIP for years to come.

(continued on reverse)
The LTIP is structured to maintain a level of volatility below that of the domestic and international equity markets in aggregate. Portfolio managers maintain an asset allocation within the target ranges as established and monitored by the Foundation’s Investment Policy Committee, which reports to the Foundation Board of Directors.

The LTIP performance is assessed not merely against public equity markets, but rather against a customized policy benchmark comprised of a combination of indices that reflect the target composition of the LTIP portfolio.

While the LTIP has a material stake in public equity markets, 41% of its holdings are invested in private capital, real assets, and hedge funds—enabling our investment manager to assemble a portfolio that is geared to long-term performance. Meanwhile, the LTIP’s current 5% weighting in cash and fixed income provides a buffer against volatility and allows for a timely response to investment opportunities.

As the LTIP value continues to grow, it reached $1.266 billion in assets by September 30, 2014. The value of endowments invested for the benefit of CU (or for comparison purposes “the CU Endowment”), is a subset of that at $1.041 billion.

Near-term Investment Outlook
According to Chris Bittman, partner at asset management firm Perella Weinberg Partners (PWP) and manager of the LTIP:

“Following the advance of nearly all major asset classes during the first two quarters of the year, positive momentum was disrupted during the third quarter. As market participants reassessed their views on global growth expectations and weighed the heightened level of geopolitical perils, risk assets generally fall out of favor. This change in sentiment most notably impacted global equities, credit and the commodities markets, all of which experienced losses during the quarter.

Valuations remain reasonable for U.S. equities, however, and non-U.S. equity markets are also priced near historical norms. As the potential for multiple contractions is offset by earnings growth in select markets, the equity markets are presently expected to remain rather resilient. Within the fixed-income markets, the risk of a rapid rise in U.S. interest rates seems to have diminished, while recent credit volatility and widened credit spreads have opened up an attractive window for opportunistically adding exposure. The outlook for the hedge fund space, for its part, remains strategy-specific—smaller funds investing in niche sectors and distressed assets look favorable. Additionally, we remain focused on exploiting attractive illiquidity premiums available in certain private equity investments, particularly those benefiting from tailwinds driven by strengthening global M&A deal volume and robust IPO market activity.

As we head into the final stretch of the calendar year and the U.S. Federal Reserve prepares for an interest rate hike sometime in 2015—perhaps its first in 10 years—it seems reasonable to expect an increase in asset-price volatility. As a consequence, our asset allocation views are not overly aggressive as we recognize that we are running an endurance race, not a sprint.”

Any 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 faith and understanding in our investment activities. We are available to answer questions you might have, 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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