



2022
Endowment Report

UConn
FOUNDATION

Your
investment
made a
larger impact
this year
than any
other year.

THANK YOU

The UConn Foundation is honored to share the 2022 Endowment Report with UConn's loyal supporters.

Thanks to your unwavering generosity, as well as thoughtful and strategic investments, the total University endowment achieved another positive performance this fiscal year. The 3.14 percent return exceeded our benchmarks during a volatile year for the stock market. This year's success, coupled with historic endowment growth over the past decade, keeps us in a position of strength during fiscal 2023 and beyond.

Your investment made a larger impact this year than any other year. In all, \$20.8 million of the endowment was distributed to the University, providing critical funding to support UConn's mission. Nearly half of that amount was dedicated to scholarships and fellowships for exceptional and deserving students. Expert faculty, researchers, physicians, and world-class programs also benefitted from your philanthropy.

Portfolio Overview

*Portfolio Overview Prepared by David Carney, CFA
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The UConn Foundation’s long-term investment portfolio weathered the storm of market volatility in the latter half of fiscal 2022, returning 3.14 percent for the year. Compared to the previous year’s record-setting performance this return looks relatively modest, but still respectable in light of the steep sell-offs of both stocks and bonds over this period. The portfolio outperformed its Market-Value-Weighted Policy Benchmark return, which was negative at -0.78 percent for the year.

The first half of the fiscal year saw a continuation of the rapid consumer-driven recovery experienced since the onset of the pandemic in early 2020, with equity markets up for seven consecutive quarters. But as we entered the third quarter, it became apparent that the inflationary pressures in the economy, particularly in energy and commodities, were more than transitory and would require much more aggressive action by the Federal Reserve to rein in. Interest rates spiked accordingly, with U.S. two-year treasury rates climbing from 0.73 percent at the end of December to 3.44 percent by the middle of June. Equity markets followed suit, reflecting fears that the Fed would have very little wiggle room to manage down inflation without choking off the recovery, with global stocks down 20 percent over just the latter half of the fiscal year.

With equity markets declining and bonds—which traditionally serve as a ballast in times of high stock market volatility—also selling off with the rising interest rates, there was little place

WHAT’S INCLUDED IN THE TOTAL ENDOWMENT?

The total endowment includes all endowed funds that benefit UConn. The UConn Foundation coordinates the investment and management of its portfolio as well as the endowed funds of the University.

TOTAL UNIVERSITY ENDOWMENT	MARKET VALUE	NUMBER OF FUNDS
UConn Foundation	\$576,726,752	1,945
University Endowment managed by the UConn Foundation	\$17,423,725	136
Total	\$594,150,478	2,081

to hide in financial markets last year. In fact, FY22 represented the first year since FY94 where both the stock markets and the bond markets were down concurrently (and even that year the declines were much more muted). The long-term investment portfolio was able to generate modestly positive returns for FY22 largely due to ramping up its investments in recent years in private equity, private debt, and private real assets, which traditionally are less correlated with the public markets.

All three of these private markets sectors experienced strong double-digit returns last year both in absolute terms and relative to their respective benchmarks. The portfolio's private equity investments (representing 34.2 percent of the total portfolio) returned 34.9 percent, compared to 22.3 percent for its benchmark, led by the Foundation's underlying investments in biotechnology and leading-edge industrials. Private real assets (8.4 percent of the portfolio) similarly outperformed, returning 36.3 percent versus the benchmark return of 14.8 percent, with favorable contributions from multifamily, agricultural, and sustainable energy projects. In private debt (5.1 percent of the portfolio), this sector returned 19.1 percent versus the benchmark return of 11.2 percent, with direct lending to underlying enterprise software companies being among the largest contributors.

The Foundation's public equities exposure (26.8 percent of the portfolio) was the largest detractor to performance this past

year, generating negative returns of -18.2 percent and lagging the MSCI ACWI benchmark return of -15.7 percent. As discussed, the last half of the fiscal year saw a steep sell-off in global equities as inflation concerns, central bank rate hikes, and slowing economic growth weighed heavily on markets. Strategic exposures to growth-focused sectors such as information technology and consumer discretionary stocks, which traditionally weaken when interest rates rise and recession fears intensify, contributed to the underperformance in this asset class last year.

Over the longer term, the portfolio has outperformed its Market-Value-Weighted Policy Benchmark for the trailing three-year (12.07 percent versus 8.98 percent), five-year (9.69 percent versus 8.23 percent), and 10-year periods (8.27 percent versus 7.28 percent). The Foundation's long-term investment portfolio now totals \$567 million compared to \$571 million as of June 30, 2021. The reduction year-over-year reflects a very strong 50 percent increase in endowment spending by the University, including an 83 percent increase in student support dollars. UConn's total endowment, which includes the Foundation's long-term investment portfolio, funds held in trust by others, and endowed gifts made directly to the University, is now \$594 million. Of this amount, 9.2 percent were underwater endowments at fiscal year-end.

Endowment Impact

WHERE DO UNIVERSITY ENDOWMENT DOLLARS GO?

STUDENTS ▶ \$242.8M

Scholarships and fellowships make a UConn education possible for outstanding students from all backgrounds.

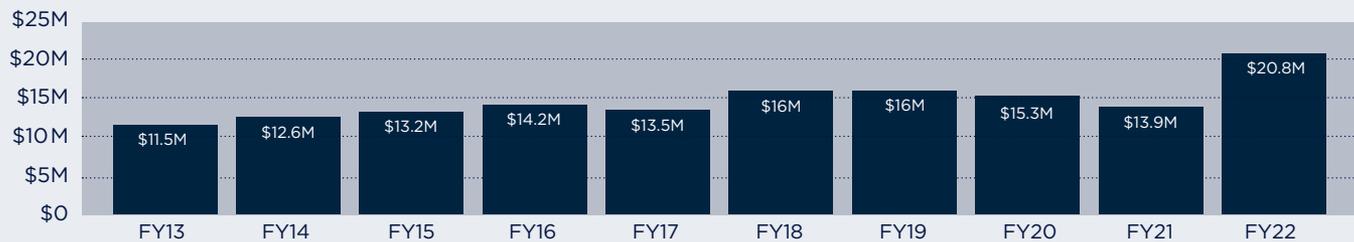
FACULTY ▶ \$157M

Funds including endowed chairs and professorships provide the resources UConn students, researchers, physicians, and scientists need to achieve innovation and breakthrough discoveries.

PROGRAMS ▶ \$194.4M

Endowed accounts support technology, experiential learning, student research opportunities and conferences, and other priority programs.

TEN-YEAR TOTAL SPENDING ALLOCATIONS



SPENDING ALLOCATION AMOUNTS ARE THE DOLLARS DISTRIBUTED FROM THE ENDOWMENT TO SUPPORT THE UNIVERSITY.

Endowment Management

The UConn Foundation is honored to manage endowed funds in support of the University's mission. The fiduciary responsibility is carried out by members of the Foundation Board of Director's investment committee, foundation management, and staff. The endowment is managed as a single portfolio, but funds are invested in various asset classes to diversify risk.

The UConn Foundation distributes 4 percent of the rolling, three-year average of quarterly market values of endowed funds to UConn. This spending policy is intended to provide stable income to the University for its current needs while maintaining the long-term purchasing power of the endowment. Earnings in excess of spending distributions and advancement fees are added to the balance of the endowment to help maintain the long-term health of the endowment during periods of poor market performance. To enhance our conservative approach, distributions will be suspended if the fund falls below 15 percent of its historic dollar value.

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