



# Investment Committee Report

October 7, 2022

# Agenda

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- 1) Investment Committee Overview**
- 2) Portfolio Composition and Performance**
- 3) Strategic Portfolio Allocation and Benchmarking**
- 4) “Global” UWC Endowment Proposal**

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# 1

## **Investment Committee Overview**

# Investment Committee and Endowment

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The Investment Committee (“**IC**”) is a committee of the Board of UWC-USA (“**BoT**”). The overall objective of the IC is to assist meeting the College’s spending needs in a sustainable manner over the long term.

## Membership

- IC will be comprised of a minimum of 7 members.
- IC should meet at least four times a year, more frequently if conditions warrant.

## Decision Making

- BoT sets the objectives for the endowment: 5% payout while preserving the real value of the endowment.
- IC sets the risk budget and the strategic benchmark to meet the endowment’s objective.
- IC will review performance on a quarterly basis relative to the strategic benchmark, peers and long-term objectives to gauge success of the overall strategy.

## Output

- IC submits asset allocation decisions and performance reviews to the BoT quarterly.

# Investment Committee and Endowment

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## Investment Approach

The investment policy will be set with a 10-year horizon. The IC will seek to generate risk premia over cash (beta) across a diverse set of asset classes.

The asset classes under consideration will be:

1. Global Equity (US/Global/Style/Cap)
2. Global Fixed Income (investment grade/high yield)
3. Alternatives (Uncorrelated)

The IC will explicitly consider the following factors when setting allocations:

1. Liquidity
2. Management costs
3. Transparency of investment strategy
4. Ease of accessing investment reports
5. Ethical and reputational risk

# Governance Principles

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Annual Budgetary Endowment Draw = 5% of lagging 12 Quarter Average NAV

Effect is to reduce volatility and increase predictability for budgeting.

Return Target = 5% Draw + Growth + Inflation

IC Sets Targets as Guidance

Rebalancing to comply with Targets on a low-turnover basis

Multi-Year horizon for Asset Allocation Targets

## **Current Strategic Policy Allocation bias:**

Simplicity > Complexity

Low Cost > High Cost

Liquid > Illiquid

Low Turnover > High Turnover

Growth > Capital Preservation

Strategic > Tactical

Diversified Risk > Concentrated Risk

Passive > Active

# Endowment Draw Schedule

12Q trailing 5% Draw Calculations			
	Endowment Account Values as of May 31	Budget Value	Notes
FYE 2016	\$ 111,319,950		
FYE 2017	\$ 121,436,452		
FYE 2018	\$ 126,965,100		
FYE 2019	\$ 128,503,402		
FYE 2020	\$ 129,380,998	\$ 5,995,358	
FYE 2021	\$ 158,275,665	\$ 6,281,749	
<b>FYE 2022</b>	<b>\$ 138,000,000</b>	<b>\$ 6,414,158</b>	<b>Draws Complete</b>
FYE 2023	\$ 138,000,000	\$ 6,936,001	To Be Invoiced

Green = Actual

Yellow = projections

Payment	Endowment Distribution Date	Total
1	July 20, 2021	\$ 1,603,539.58
2	September 20, 2021	\$ 962,123.75
3	October 20, 2021	\$ 962,123.75
4	December 20, 2021	\$ 962,123.75
5	February 18, 2022	\$ 962,123.75
6	April 20, 2022	\$ 962,123.75
	<b>Total</b>	<b>\$ 6,414,158.33</b>

Payment	Endowment Distribution Date	Total
1	July 20, 2022	\$ 1,734,000.27
2	September 20, 2022	\$ 1,040,400.16
3	October 20, 2022	\$ 1,040,400.16
4	December 20, 2022	\$ 1,040,400.16
5	February 18, 2023	\$ 1,040,400.16
6	April 20, 2023	\$ 1,040,400.16
	<b>Total</b>	<b>\$ 6,936,001.08</b>

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# 2

## **Portfolio Composition and Performance**

# Endowment Portfolio (30/September/2022) - \$112,848,371

Description	Symbol / CUSIP	Quantity	Price	Value	Current Yield ⓘ	Unrealized Gain/Loss ⓘ \$ %	Info
> Cash	Total			\$1,284,301.05			

Description	Symbol / CUSIP	Quantity	Price	Change in Price	Value	Change in Value ⓘ	Percent Change	Unrealized Gain/Loss ⓘ \$ %	Percent of Portfolio	Info
▼ Equity	Total				\$85,106,871.45	-\$338,145.97 ▼	-0.40%	-\$17,177,556.06 \$21,492,457.18 IR	75.42%	
▼ Closed End Funds And Exchange Traded Products					\$44,475,394.04	-\$206,690.56 ▼	-0.46%	-\$15,655,973.17 -\$13,943,020.23 IR	39.41%	
> VANGUARD FTSE DEVELOPED MKT ETF	VEA ⓘ	848,654.000	\$36.360 09/30	-\$0.180 ▼	\$30,857,059.44	-\$152,757.72 ▼	-0.49%	-\$12,248,522.74 -\$10,840,105.06 IR	27.34%	
> VANGUARD FTSE EMERGING...	VWO ⓘ	184,574.000	\$36.490 09/30	-\$0.050 ▼	\$6,735,105.26	-\$9,228.70 ▼	-0.14%	-\$1,405,250.51 -\$1,261,008.33 IR	5.97%	
> VANGUARD SMALL-CAP ETF	VB ⓘ	40,274.000	\$170.910 09/30	-\$1.110 ▼	\$6,883,229.34	-\$44,704.14 ▼	-0.65%	-\$2,002,199.92 -\$1,841,906.84 IR	6.10%	
▼ Open End Mutual Funds					\$40,631,477.41	-\$131,455.41 ▼	-0.32%	-\$1,521,582.89 \$35,435,477.41 IR	36.01%	
> DAVIS NEW YORK VENTURE FUND CLASS...	DNVYX ⓘ	1,387,258.7...	\$21.030 09/30	-\$0.190 ▼	\$29,174,050.82	-\$263,579.16 ▼	-0.90%	N/A	25.85%	...
> DAVIS REAL ESTATE FD CL Y	DREYX ⓘ	287,225.535	\$39.890 09/30	\$0.460 ▲	\$11,457,426.59	\$132,123.75 ▲	1.17%	-\$1,521,582.89 \$6,261,426.59 IR	10.15%	...

Description	Symbol / CUSIP	Quantity	Price	Change in Price	Value	Change in Value ⓘ	Percent Change	Unrealized Gain/Loss ⓘ \$ %	Percent of Portfolio	Info
▼ Fixed Income	Total				\$26,457,198.96	-\$46,303.66 ▼	-0.17%	-\$2,242,681.46 -\$1,606,874.12 IR	23.45%	
▼ Closed End Funds And Exchange Traded Products					\$26,457,198.96	-\$46,303.66 ▼	-0.17%	-\$2,242,681.46 -\$1,606,874.12 IR	23.45%	
> VANGUARD SHORT-TERM CORPORATE...	VCSH ⓘ	356,182.000	\$74.280 09/30	-\$0.130 ▼	\$26,457,198.96	-\$46,303.66 ▼	-0.17%	-\$2,242,681.46 -\$1,606,874.12 IR	23.45%	



# Asset Allocation

Endowment Actual and Target Asset Allocation				Date		30 September 2022			
						Preferred Range			
				Actual	Target	Minimum	Maximum	Comment	
<b>1<sup>st</sup> Axis: Risk Correlation</b>									
Stocks, Stock-like				72%	75%	65%	-	85%	OK
Bonds, Bond-like				27%	20%	15%	-	20%	High
Other / Un-correlated				1%	5%	0%	-	10%	OK
<b>Total</b>				<b>100%</b>	<b>100%</b>				
<b>2<sup>nd</sup> Axis: Geography</b>									
US				63%	60%	50%	-	70%	OK
Non-US Developed				24%	20%	15%	-	25%	OK
Other				13%	20%	10%	-	30%	OK
<b>Total</b>				<b>100%</b>	<b>100%</b>				
<b>3<sup>rd</sup> Axis: Capitalization (Equities) and Rating (Fixed Income)</b>									
Big Cap / High Grade				69%	70%	60%	-	80%	OK
Mid/Small Cap/HighYield				31%	30%	20%	-	40%	OK
<b>Total</b>				<b>100%</b>	<b>100%</b>				

## ASC Target Benchmark

S&P 500 Index: 32%, Russell 2000 Index: 5%, MSCI EM (Net): 15%, Blmbg. U.S. Corporate 1-5 Year Index: 20.00%, Alternative Investments: 5.0%, FTSE NAREIT All REITs Index: 8.0%, 90 Day U.S. Treasury Bill: 0.00%,

## UBS Policy Index

80% MSCI AC World Index, 20% Bloomberg Barclays Aggregate Bond



# Endowment Portfolio Performance (UBS Analysis)

	Value on 09/30/2022	% of Total Portfolio	Net time-weighted returns (annualized > 1 year)				Start date
			QTD 06/30/2022 to 09/30/2022	YTD 12/31/2021 to 09/30/2022	1 Year 09/30/2021 to 09/30/2022	For period of 05/05/2021 to 09/30/2022	
<b>Cash</b>	<b>1,284,301.05</b>	<b>1.14</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>May 06, 2021</b>
<i>US Treasury Bill - 3 Mos<sup>y</sup></i>			<i>0.47</i>	<i>0.63</i>	<i>0.64</i>	<i>0.46</i>	<i>May 06, 2021</i>
<i>US Treasury Bill - 3 Mos</i>			<i>0.47</i>	<i>0.63</i>	<i>0.64</i>	<i>0.46</i>	<i>May 05, 2021</i>
<i>US Treasury Bill - 3 Mos</i>			<i>0.47</i>	<i>0.63</i>	<i>0.63</i>	<i>0.63</i>	<i>Nov 22, 2021</i>
<i>US Treasury Bill - 3 Mos</i>			<i>0.11</i>	<i>0.11</i>	<i>0.11</i>	<i>0.11</i>	<i>Sep 14, 2022</i>
<b>Fixed Income</b>	<b>26,457,198.96</b>	<b>23.44</b>	<b>-2.11</b>	<b>-7.52</b>	<b>-8.15</b>	<b>-5.61</b>	<b>May 05, 2021</b>
<i>BBG Agg Bond<sup>y</sup></i>			<i>-4.75</i>	<i>-14.61</i>	<i>-14.60</i>	<i>-10.08</i>	<i>May 05, 2021</i>
VANGUARD SHORT-TERM CORPORATE BOND ETF	26,457,198.96	23.44	-2.11	-7.52	-8.15	-5.61	May 05, 2021
<i>BBG US Agg (1-3 Y)</i>			<i>-1.50</i>	<i>-4.58</i>	<i>-5.11</i>	<i>-3.65</i>	<i>May 05, 2021</i>
<b>Equity</b>	<b>85,106,871.45</b>	<b>75.42</b>	<b>-8.80</b>	<b>-26.62</b>	<b>-24.17</b>	<b>-19.55</b>	<b>May 05, 2021</b>
<i>MSCI AC World - NR<sup>y</sup></i>			<i>-6.82</i>	<i>-25.63</i>	<i>-20.66</i>	<i>-13.91</i>	<i>May 05, 2021</i>
DAVIS NEW YORK VENTURE FUND	29,174,050.82	25.85	-7.28	-26.03	-25.38	-23.05	May 05, 2021
<i>Russell 1000</i>			<i>-4.61</i>	<i>-24.59</i>	<i>-17.22</i>	<i>-10.23</i>	<i>May 05, 2021</i>
DAVIS REAL ESTATE FD	11,457,426.59	10.15	-10.04	-28.76	-17.50	-7.89	May 05, 2021
<i>FTSE EPRA/NAREIT USA</i>			<i>-10.24</i>	<i>-29.01</i>	<i>-17.65</i>	<i>-9.27</i>	<i>May 05, 2021</i>
VANGUARD FTSE DEVELOPED MKT ETF	30,857,059.44	27.34	-10.60	-27.53	-25.60	-19.01	May 05, 2021
<i>MSCI EAFE-NR</i>			<i>-9.36</i>	<i>-27.09</i>	<i>-25.13</i>	<i>-18.00</i>	<i>May 05, 2021</i>
VANGUARD FTSE EMERGING MARKETS ETF	6,735,105.26	5.97	-11.05	-19.80*	-19.80*	-19.80*	Apr 01, 2022
<i>MSCI Emerging Markets-NR</i>			<i>-11.57</i>	<i>-21.98</i>	<i>-21.98</i>	<i>-21.98</i>	<i>Apr 01, 2022</i>
VANGUARD SMALL-CAP ETF	6,883,229.34	6.10	-2.58	-23.65	-20.71	-15.51	May 05, 2021
<i>Russell 2000</i>			<i>-2.19</i>	<i>-25.70</i>	<i>-23.50</i>	<i>-18.07</i>	<i>May 05, 2021</i>
<b>Total Portfolio</b>	<b>\$112,848,371.46</b>	<b>100%</b>	<b>-7.20%</b>	<b>-22.44%</b>	<b>-20.54%</b>	<b>-16.45%</b>	<b>Mar 08, 2016</b>

Benchmarks - Annualized time-weighted returns	QTD	YTD	1 Year	For period of
	06/30/2022 to 09/30/2022	12/31/2021 to 09/30/2022	09/30/2021 to 09/30/2022	05/05/2021 to 09/30/2022
Consolidated Blended Index	-5.28	-20.76	-16.53	-10.99

Consolidated Blended Index: Start - Current: 80% MSCI AC World - NR; 20% US Treasury Bill - 3 Mos

Past performance does not guarantee future results and current performance may be lower/higher than past data presented.

\*Performance is partially available for the selected time period and is based on the performance start date.

<sup>y</sup>The benchmark shown is for informational purposes only and relates to the historical performance of the index, and not necessarily the performance of the broad asset class or actual investments.

Gross time weighted returns are displayed at the asset class level for advisory accounts not displayed by their manager's strategy



# Endowment Portfolio Performance (ASC Analysis)

## Preliminary Performance Report

### Asset Allocation & Performance

As of September 30, 2022

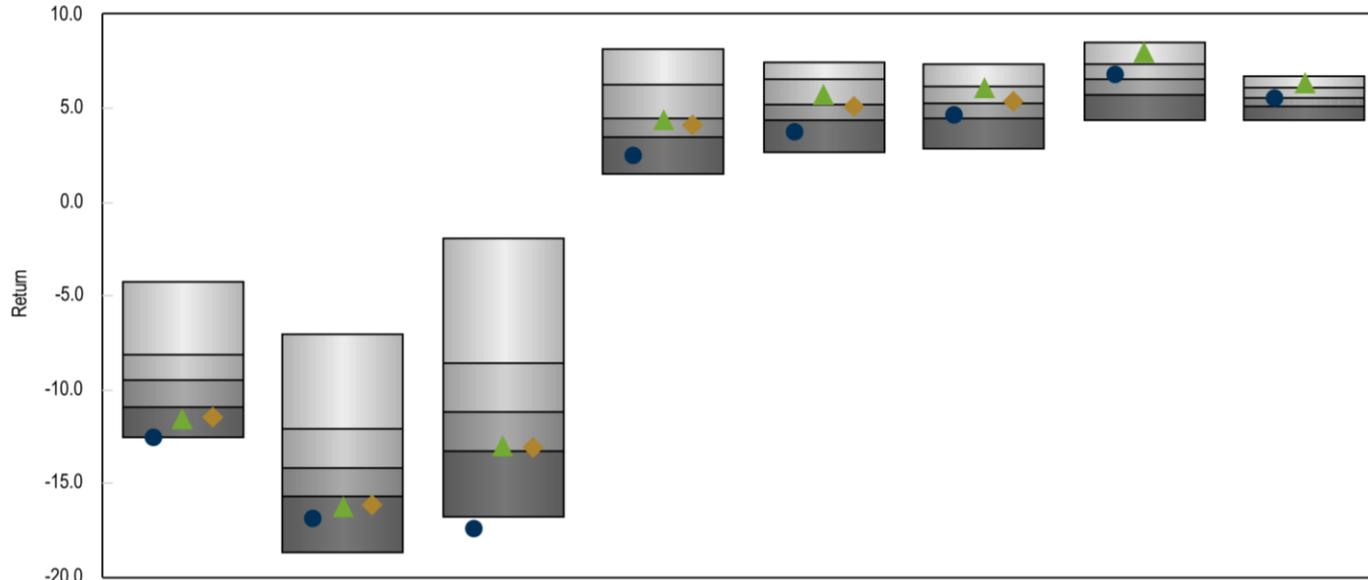
	3 Mos (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Large Cap Equity</b>									
Davis NY Venture Fund	-7.28	-26.01	-25.37	0.57	2.72	6.62	8.27	6.15	Apr-05
S&P 500 Index	-4.88	-23.87	-15.47	8.16	9.24	11.40	11.70	8.71	
<b>Small Cap Equity</b>									
Vanguard Small Cap ETF	-2.60	-23.66	-20.72	-	-	-	-	-15.84	May-21
Russell 2000 Index	-2.19	-25.10	-23.50	4.29	3.55	7.51	8.55	-18.55	
<b>International Equity</b>									
Vanguard FTSE Developed MKT ETF	-10.47	-27.42	-25.45	-	-	-	-	-18.15	May-21
MSCI AC World ex USA (Net)	-9.91	-26.50	-25.17	-1.52	-0.81	3.29	3.01	-18.82	
Vanguard FTSE Emerging Markets	-10.74	-23.64	-23.94	-0.35	-0.57	4.25	1.50	5.09	Jun-94
FTSE Emerging Mkts All Cap China A Inclusion Index	-9.78	-23.55	-23.89	0.14	-0.13	4.69	2.18	-	
<b>Short-Term Bond</b>									
Vanguard Short-Term Corporate Bond ETF	-1.97	-7.38	-8.02	-0.78	0.83	-	-	1.15	Apr-16
Blmbg. U.S. Corporate 1-5 Year Index	-1.94	-7.43	-8.06	-0.66	0.94	1.40	1.57	1.30	
<b>Domestic REIT</b>									
Davis Real Estate	-10.03	-28.72	-17.45	-2.28	3.09	5.50	5.81	-	Mar-05
FTSE NAREIT All REITs Index	-11.18	-28.34	-17.41	-1.73	3.48	5.79	6.62	6.64	



# Performance (ASC Analysis)

As of June 30, 2022

Plan Sponsor Peer Group Analysis  
Total Fund vs All Endowment \$50M- \$250M Performance Annualized Periods



	3 Mos	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Inception Date 4/1/2005
● Total Fund	-12.52 (96)	-16.81 (88)	-17.39 (96)	2.52 (91)	3.76 (90)	4.70 (69)	6.84 (44)	5.59 (51)
▲ UWC Target <sup>1</sup>	-11.57 (88)	-16.25 (83)	-13.00 (74)	4.41 (51)	5.78 (37)	6.09 (30)	8.01 (9)	6.38 (18)
◆ Secondary Long- Term Target <sup>2</sup>	-11.41 (86)	-16.11 (83)	-13.04 (74)	4.15 (59)	5.14 (53)	5.41 (48)	-	-
5th Percentile	-4.22	-7.01	-1.92	8.16	7.50	7.42	8.52	6.73
1st Quartile	-8.12	-12.05	-8.55	6.31	6.57	6.20	7.38	6.13
Median	-9.49	-14.14	-11.17	4.49	5.22	5.32	6.60	5.59
3rd Quartile	-10.89	-15.67	-13.25	3.52	4.42	4.47	5.76	5.14
95th Percentile	-12.50	-18.63	-16.76	1.49	2.73	2.91	4.40	4.39
Population	78	78	77	74	72	67	59	42

Parentheses contain percentile rankings.

<sup>1</sup>S&P 500 Index: 32.00%, Russell 2000 Index: 5.00%, MSCI EAFE (Net): 15.00%, MSCI Emerging Markets (Net): 15.00%, Blmbg. U.S. Corporate 1-5 Year Index: 20.00%, Alternative Investments: 5.00%, FTSE NAREIT All REITs Index: 8.00%, 90 Day U.S. Treasury Bill: 0.00%,

<sup>2</sup>S&P 500 Index: 28.00%, Russell 2000 Index: 7.00%, MSCI EAFE (Net): 15.00%, MSCI Emerging Markets (Net): 15.00%, Blmbg. 1-5 Year Gov/Credit: 20.00%, Alternative Investments: 5.00%, FTSE NAREIT All REITs Index: 10.00%,



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# 3

## **Strategic Portfolio Allocation and Benchmarking**

# Portfolio Construction / Optimization / Analysis / Reporting

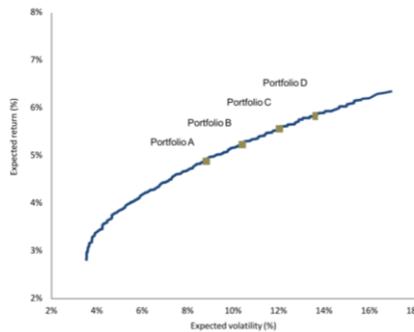
## Review / Revamp / Improve / Consider

- Not Active vs Passive Discussion but rather..
  - Investment Policy Statement
  - Strategic Asset Allocation
  - Portfolio Construction
  - Performance Analysis
  - Rebalancing Discipline
  - OCIO

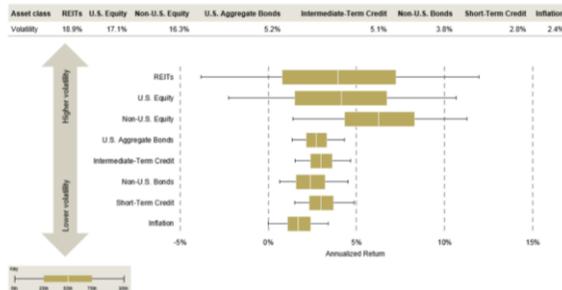
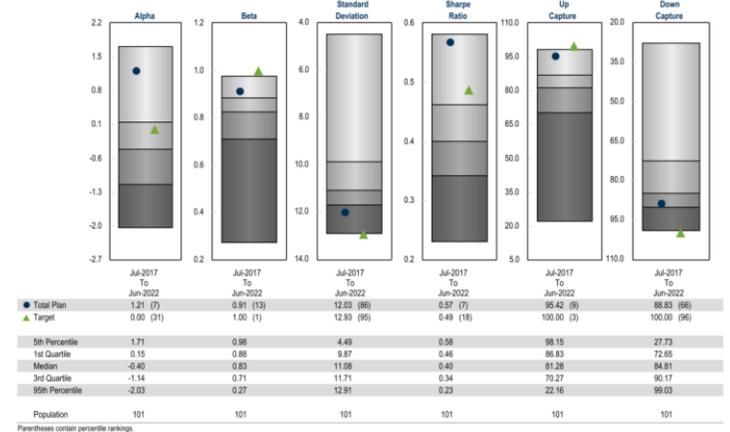
Asset Mix Alternatives 2022

Portfolio Component	UWC	NACUBO \$101M-\$250M	NACUBO \$251M-\$500M	NACUBO \$501M-\$1B
Broad US Equity	0.0%	29.0%	25.0%	26.0%
Large Cap US Equity	28.0%	0.0%	0.0%	0.0%
Small/Mid Cap US Equity	7.0%	0.0%	0.0%	0.0%
Developed ex-US Equity	15.0%	23.0%	19.0%	18.0%
Emerging Market Equity	15.0%	0.0%	0.0%	0.0%
Core US Fixed	0.0%	20.0%	17.0%	15.0%
Short Duration Gov't/Credit	20.0%	0.0%	0.0%	0.0%
US REITs	10.0%	0.0%	0.0%	0.0%
Hedge Funds	0.0%	7.0%	9.0%	8.0%
Real Assets	0.0%	8.0%	10.0%	11.0%
Private Equity	5.0%	11.0%	18.0%	21.0%
Private Real Estate	0.0%	2.0%	2.0%	1.0%
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
10 Yr. Geometric Mean Return	6.59%	6.84%	6.99%	7.10%
Projected Standard Deviation	14.52%	11.84%	11.56%	11.89%
Projected Sharpe Ratio	0.35%	0.42%	0.44%	0.44%

Efficient frontier



Plan Sponsor Peer Group Analysis - Multi Statistics  
Risk Statistics vs All Endowment <\$50M



	Broad US Equity	Large Cap US Equity	Small/Mid Cap US Equity	Developed ex-US Equity	Emerging Market Equity	Core US Fixed	Short Duration Gov't/Credit	US REITs	Hedge Funds	Real Assets	Private Equity	Private Real Estate
Broad US Equity	1.00											
Large Cap US Equity	1.00	1.00										
Small/Mid Cap US Equity	0.93	0.90	1.00									
Developed ex-US Equity	0.78	0.77	0.77	1.00								
Emerging Market Equity	0.80	0.79	0.76	0.84	1.00							
Core US Fixed	(0.10)	(0.10)	(0.12)	(0.11)	(0.14)	1.00						
Short Duration Gov't/Credit	(0.06)	(0.06)	(0.08)	(0.06)	(0.10)	0.78	1.00					
US REITs	0.80	0.79	0.79	0.77	0.75	(0.11)	(0.02)	1.00				
Hedge Funds	0.79	0.79	0.74	0.75	0.74	0.13	0.10	0.62	1.00			
Real Assets	0.82	0.82	0.80	0.79	0.79	(0.07)	0.00	0.90	0.66	1.00		
Private Equity	0.77	0.77	0.73	0.73	0.72	(0.19)	(0.10)	0.75	0.57	0.74	1.00	
Private Real Estate	0.64	0.64	0.60	0.60	0.56	(0.04)	(0.01)	0.70	0.45	0.69	0.50	1.00



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# 4

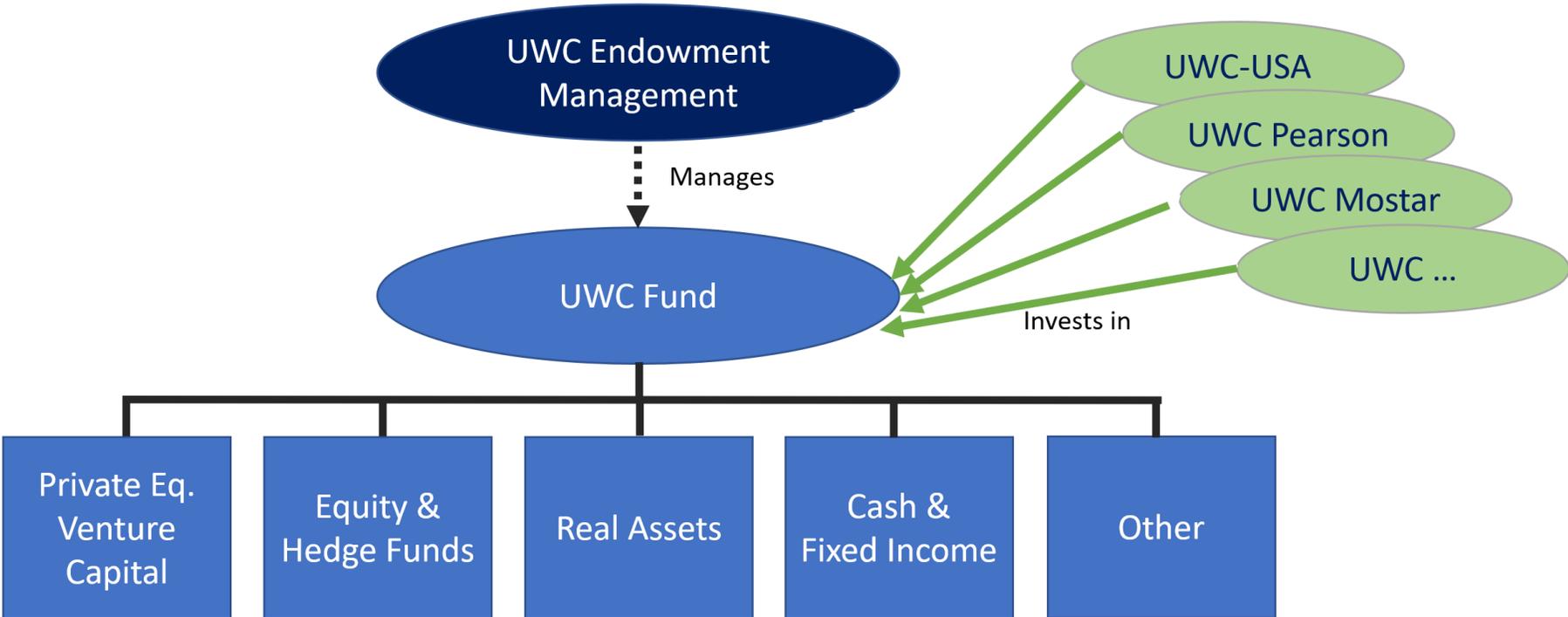
## **“Global” UWC Endowment Proposal**

## UWC Endowment Aim

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- Fund scholarships for UWC students.
- Create long-term financial sustainability for Colleges.
- Professionalise endowments for various Colleges.
- Generate superior returns with limited risks and other constraints.
- Reduce costs at endowments.
- Attract large donors for Colleges or whole network and offer a suitable/professional endowment management infrastructure.
- Target USD 2 billion for the endowment (in real terms).

# UWC Endowment Overview



# UWC Endowment Management

