



THE ENDOWMENT
A Lasting Source of Support for the University

2008–09



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Funded and fortified by gifts from donors, the endowment is a perpetual source of strength for the University of Virginia. Endowment funds are invested to generate income for many purposes, including salary enhancements for faculty, financial aid for students, and support for

academic and athletics programs. Distributions from the unrestricted general endowment provide resources for day-to-day operations and afford the University the flexibility to meet pressing needs as they arise.



The UVIMCO Long-Term Investment Pool

Most of the University's endowment is held in the Long-Term Investment Pool. Seventy percent of this fund is restricted to donor-designated purposes, such as support for a school, a professorship, or a scholarship. The remaining 30% is unrestricted and spending is at the discretion of the Board of Visitors. The board has approved spending these unrestricted funds to support designated purposes, such as AccessUVA, the University's need-based financial aid program for undergraduates. The University of Virginia Investment Management Company (UVIMCO), a University-related foundation, manages most of the investments in the Long-Term Investment Pool. As of December 31, 2008, the total endowment and other assets of the University of Virginia and its related organizations in the UVIMCO Long-Term Investment Pool stood at \$3.9 billion.

For more information about UVIMCO, please visit www.virginia.edu/uvimco/.

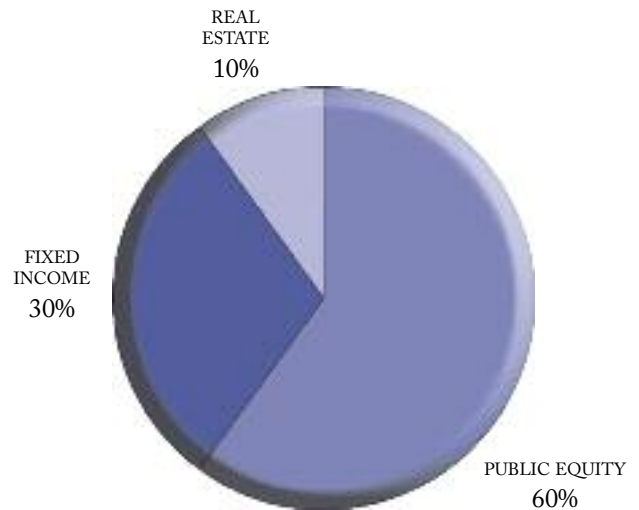
Investment Objectives

Thirty years ago, the endowment portfolio managed by UVIMCO was 75% domestic equity and 25% fixed income. To achieve its current investment objectives, UVIMCO has developed a more sophisticated portfolio that is heavily weighted toward nontraditional asset classes.

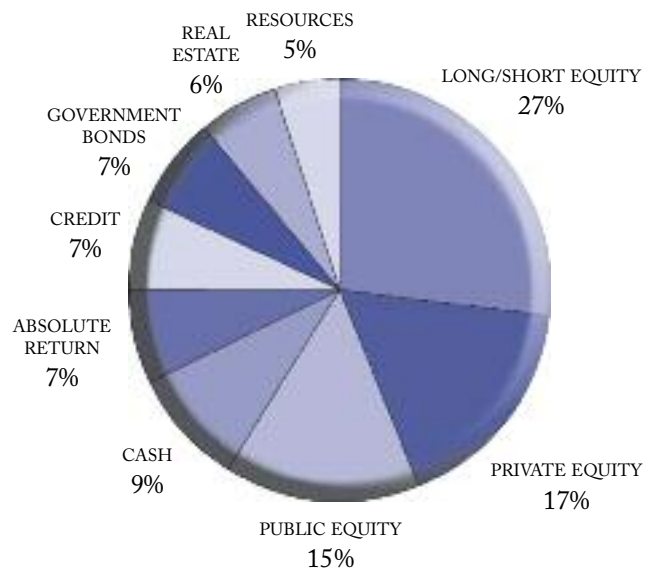
The UVIMCO board approved a target policy portfolio on July 1, 2008, that included three asset classes: Public Equity, 60%; Fixed Income, 30%; and Real Estate, 10%. Under these guidelines, the UVIMCO staff created a strategy portfolio with an actual asset mix, as of December 31, 2008, of:

- Public Equity—15%
- Long/Short Equity—27%
- Private Equity—17%
- Real Estate—6%
- Resources—5%
- Absolute Return—7%
- Credit—7%
- Government Bonds—7%
- Cash—9%

2008 Policy Portfolio (Approved by UVIMCO's Board of Directors as of July 1, 2008) TARGET ASSET MIX



2008 Strategy Portfolio (Allocations as of December 31, 2008) ACTUAL ASSET MIX



Performance

To benchmark the Long-Term Investment Pool's performance, UVIMCO compares June fiscal year-end returns to its target policy portfolio and to results achieved by peer institutions. Fiscal-year returns are used because those are the only periods for which UVIMCO receives complete and comparable information about its peers. These comparisons are reported in UVIMCO's calendar year-end report because fiscal year-end peer information is received in November. As shown below, the Pool's actual returns for the periods ending June 30, 2008, compare favorably with UVIMCO's target policy portfolio; with results reported by the broad Trust Universe Comparison Service (TUCS) comprised 1,300 institutional investors; and with the performance of other colleges and universities with endowments larger than \$1 billion.

In the last six months of calendar year 2008—from July through December—the market value of the Long-Term Investment Pool declined by \$1.3 billion (including full mark to market of its private investments). This dramatic short-term loss should be interpreted in the context of UVIMCO's strong long-term results. Through December, the Pool's investment return remained positive over three years

despite a 7% annualized decline in the global equity market and an 8% annualized decline in the U.S. equity market. For the ten years ended December 2008, the S&P 500 was down an annualized 1.4%—down for a decade. Over this same ten-year period, the Long-Term Investment Pool achieved a positive annualized return of 10.5%.

For the three-and-a-half year period from July 2005 through December 2008 (the start of fiscal year 2006 halfway through fiscal year 2009), the Long-Term Investment Pool grew from \$2.6 billion to \$3.9 billion. This \$1.3 billion increase is primarily due to \$1.1 billion more in contributions than in redemptions. But the Pool has also benefited from a positive cumulative investment return of more than \$200 million.

UVIMCO Long-Term Investment Pool Performance (Annualized through June 30, 2008)

	1 year	5 years	10 years
U.Va.	5.9%	14.4%	14.0%

UVIMCO Long-Term Investment Pool Performance Compared to Peers (Annualized through June 30, 2008)

	1 year	5 years	10 years
UVIMCO Long-Term Investment Pool	5.9%	14.4%	14.0%
Policy Benchmark*	(5.3)%	11.0%	5.8%
TUCS All Master Trust Median**	(4.4)%	8.5%	5.7%
Cambridge C&U Endowments >\$1B***	0.4%	13.3%	9.0%

* Passive allocations of 60% global equity, 10% real estate, and 30% fixed income (credit and government) indices rebalanced monthly.

** Trust Universe Comparison Service (TUCS) reports performance of 1,300 institutions representing \$3 trillion in assets.

*** Cambridge Associates reports performance for fifty-six colleges and universities each with more than \$1 billion in assets.

SOURCE: UVIMCO, 2008 Year-End Commentary

Endowment Spending

In June 2008, the Board of Visitors reset the University's endowment spending for fiscal year 2008-09 to 5% of the June 30, 2008, market value. The University's spending of the endowment is subject to annual inflation increases as long as this

distribution does not fall below 4% or exceed 6% of the endowment's market value. If the approved spending distribution falls outside of the 4%-6% range, the Board of Visitors reviews the spending rate and can recommend an adjustment.





2009 UVIMCO Senior Staff

The UVIMCO staff includes a team of senior investment officers and directors, investment analysts, accounting professionals, legal counsel, and support personnel. All of the senior staff members have advanced degrees and extensive experience in the investment industry.

CHRISTOPHER J. BRIGHTMAN, CFA, MBA. Chief Executive Officer. Mr. Brightman has executive management responsibility and acts as chief investment officer. His previous experience includes serving as chief investment officer at Strategic Investment Group, as head of equity strategy at UBS Global Asset Management, as senior fixed-income portfolio manager at Brinson Partners, as vice president and manager of asset/liability management at Maryland National Bank, and as associate national bank examiner at the U.S. Office of the Comptroller of the Currency.

MICHAEL A. AKED, CFA, MS. Director. Mr. Aked is responsible for absolute return and credit strategies. Prior to joining UVIMCO, he was a portfolio manager for Sunsuper, an Australian multi-industry pension fund with more than 900,000 individual members and \$11 billion in assets. He also held investment positions in equity, fixed-income, and asset allocation at UBS Global Asset Management.

KRISTINA M. ALIMARD, CFA, CPA, MBA. Chief Operating Officer. Ms. Alimard, oversees the operations and administrative teams and is responsible for investment accounting and operations, performance reporting, human resources, and compliance. She previously worked as a senior financial analyst with GE Financial Assurance and as a manager in the global financial strategies group of KPMG LLP.

ROB WALKER FREER, JD. Director. Mr. Freer is responsible for private equity, real estate, and resource investments. In 1988 and 1989, he served as acting treasurer of the University. Before joining the University, Mr. Freer was a practicing attorney in Fort Lauderdale, Florida. He is admitted to the Virginia, Florida, and District of Columbia bars.

EDWARD H. KLEES, JD. General Counsel. Mr. Klees is responsible for UVIMCO's legal work. Prior to joining UVIMCO in November 2008, he was associate general counsel of the Howard Hughes Medical Institute in Chevy Chase, Maryland. He was also previously affiliated with several New York-based law firms: Berlack, Israels & Liberman; Paul Weiss Rifkind Wharton & Garrison; and Shearman & Sterling. He is admitted to the bars of Virginia, New York, and the District of Columbia.

DAVID RUSSELL, MBA. Director. Mr. Russell is responsible for real estate investments. Prior to joining UVIMCO, he was a project manager with Forest City Enterprises, a \$10 billion publicly traded real estate company based in Cleveland, Ohio, and a member of the acquisitions team at Starwood Capital Group, a private investment firm with roots in real estate. He has also held positions at UBS Capital and J.P. Morgan.

ANDRIY SHAPOWAL, MBA. Director. Mr. Shapowal is responsible for equity portfolios, long-only, hedged, public, and private. Prior to joining UVIMCO, he was a private equity and venture capital investor at J.P. Morgan Partners, LLC, and its predecessor firm, Chase Capital Partners.

ELIZABETH M. SNYDER, CFA. Director. Ms. Snyder is responsible for public equity, long/short, and credit strategies. From 1987 to 1991, she was employed as a research analyst with Cambridge Associates, an independent investment research and consulting firm that serves large institutional investors, such as nonprofit institutions, pension funds, government funds, and university endowments.

DAWN C. WILSON, CPA. Manager of Investment Accounting and Operations. Ms. Wilson manages investment and shareholder accounting, cash flows, and other investment operations. Prior to joining UVIMCO, she worked as an auditor for the Commonwealth of Virginia in the office of the auditor of public accounts.



CAMPAIGN *for the*
UNIVERSITY *of* VIRGINIA
Knowledge is Power

