



# UNIVERSITY OF WISCONSIN SYSTEM TRUST FUNDS

**Annual Endowment Peer Benchmarking Report  
Year Ended June 30, 2008**

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**INTRODUCTION**

- The Annual Endowment Peer Benchmarking Report utilizes four informational sources: 1) the 2008 National Association of College and University Business Officers (NACUBO) Survey; 2) the 2008 Commonfund Benchmarks Study; 3) the informal Big Ten survey conducted by Penn State University; and 4) the 2008 Greenwich Associates “Summary of Endowment and Foundation Investment Trends”.
- The peer benchmarking data presented in this report fall into the following categories:
  1. Asset Allocation
  2. Investment Performance
  3. Cost of Managing Investment Programs
  4. Investment Management Practices
  5. Endowment Growth from New Gifts
  6. Spending Policies
  7. Investment Return Assumptions
  8. Underwater Funds
  9. Staffing, Resources, and Governance
  10. Socially Responsible Investing Practices
- The NACUBO and Commonfund surveys represent essentially the same population of institutions. Therefore, when similar data is provided in both surveys, results from only one of the surveys is presented here. In some cases, only one of these two surveys provides certain types of data. Big Ten data is presented wherever possible, as this information represents a distinct subset of the larger population.
- Except where otherwise noted, data presented are equal-weighted averages.

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**SUMMARY DATA**

|  | <b>NACUBO<br/>Study</b>     | <b>Big Ten<br/>Survey</b>  | <b>Commonfund<br/>Study</b> |
|--|-----------------------------|----------------------------|-----------------------------|
| Number of Institutions Reporting: Total        | 791                         | 24                         | 554                         |
| Number of Institutions Reporting: Public       | 269                         | 23                         | 142                         |
| Number of Institutions Reporting: Private      | 522                         | 1                          | 412                         |
| Largest Endowment – Public:                    | \$17.8 billion <sup>1</sup> | \$7.8 billion <sup>3</sup> | \$17.8 billion <sup>1</sup> |
| Largest Endowment – Private:                   | \$36.9 billion <sup>2</sup> | \$7.2 billion <sup>4</sup> | \$36.9 billion <sup>2</sup> |
| Average Endowment Size:                        | \$521.3 million             | \$1.8 billion              | N/A                         |
| Median Endowment Size:                         | \$87.5 million              | \$1.3 billion              | N/A                         |
| Participating UW Institutions:                 | UW System Trust Funds       | UW System Trust Funds      | UW System Trust Funds       |
|  | UW-Madison Foundation       | UW-Madison Foundation      | UW-Madison Foundation       |
|  |                             |                            | UW-Superior Foundation      |
| <b><i>UW System Trust Funds Endowment:</i></b> | <b><i>\$331 million</i></b> |                            |                             |

<sup>1</sup> University of Texas System

<sup>2</sup> Harvard University

<sup>3</sup> University of Michigan

<sup>4</sup> Northwestern University

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**ASSET ALLOCATION**

| <b>ASSET CLASS</b>             | <b><i>UW<br/>Trust Funds</i></b> | <b>NACUBO<br/>All Pools</b> | <b>NACUBO<br/>\$100-\$500MM</b> | <b>NACUBO<br/>&gt;\$1B</b> | <b>Big Ten<br/>Average</b> |
|--------------------------------|----------------------------------|-----------------------------|---------------------------------|----------------------------|----------------------------|
| Equities                       | <b>49.8%</b>                     | 51.9%                       | 50.4%                           | 39.4%                      | 41.3%                      |
| Fixed Income                   | <b>27.4%</b>                     | 19.2%                       | 16.5%                           | 10.8%                      | 15.8%                      |
| Alternatives                   | <b>17.7%</b>                     | 23.0%                       | 29.0%                           | 47.9%                      | 41.4%                      |
| Private Capital <sup>1</sup>   | <b>8.8%</b>                      | 4.4%                        | 5.5%                            | 13.6%                      | 12.3%                      |
| Hedge Funds <sup>2</sup>       | <b>8.9%</b>                      | 12.9%                       | 16.4%                           | 22.6%                      | 18.2%                      |
| Real Estate <sup>3</sup>       | <b>0.0%</b>                      | 4.1%                        | 4.1%                            | 6.4%                       | 5.7%                       |
| Natural Resources <sup>4</sup> | <b>0.0%</b>                      | 1.6%                        | 3.0%                            | 5.3%                       | 5.2%                       |
| Cash                           | <b>3.4%</b>                      | 3.9%                        | 2.5%                            | 1.4%                       | 0.1%                       |
| Other                          | <b>1.7%</b>                      | 1.5%                        | 1.6%                            | 0.5%                       | 1.4%                       |
| <b>TOTAL</b>                   | <b>100.0%</b>                    | 100.0%                      | 100.0%                          | 100.0%                     | 100.0%                     |

<sup>1</sup> Category consists primarily of venture capital and other private equity.

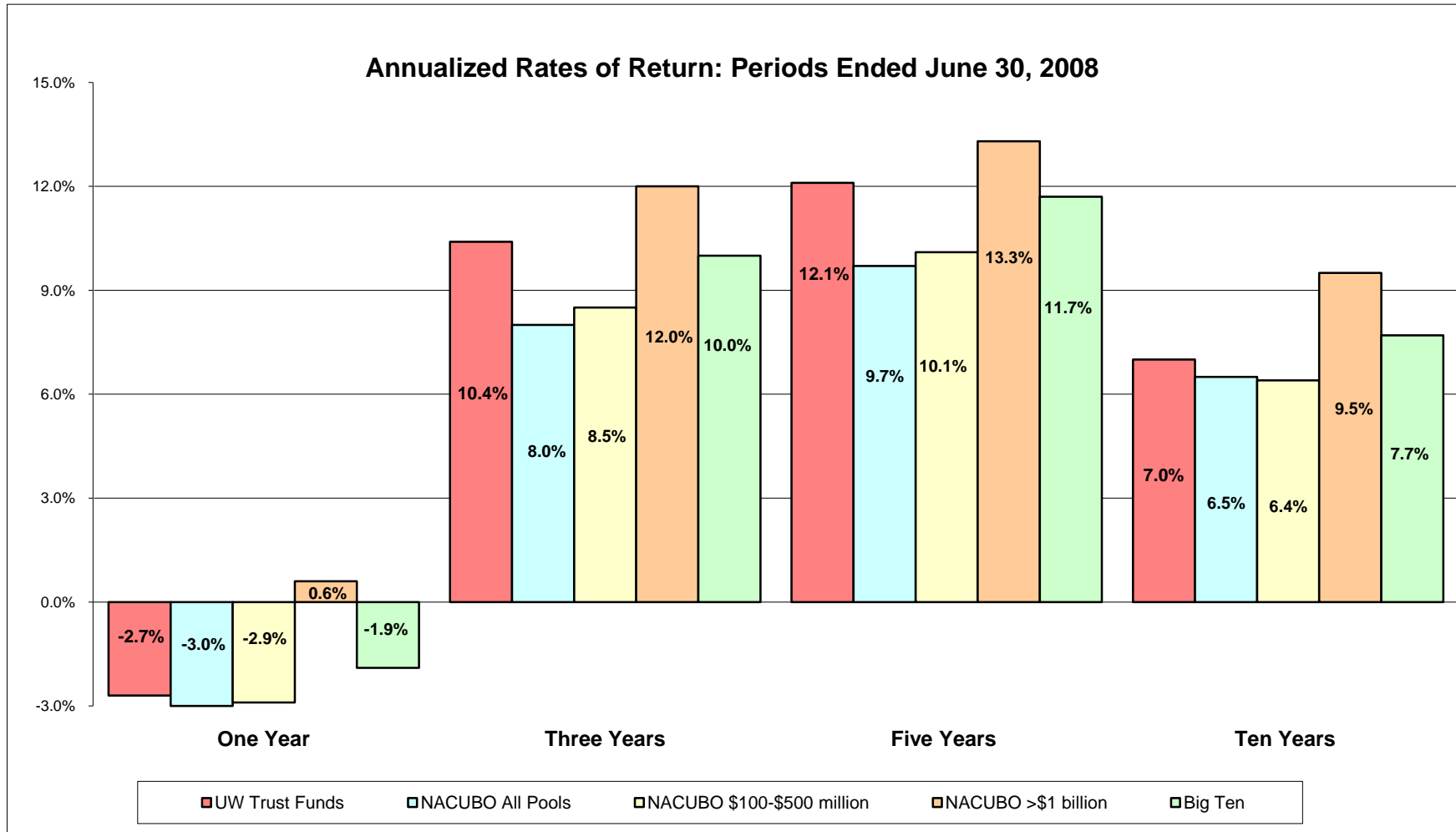
<sup>2</sup> Category consists primarily of unregulated private investment partnerships investing in mostly marketable securities, but employing strategies (long/short, convertible arbitrage, leverage, etc.) designed to provide for more absolute returns with low correlation to the markets.

<sup>3</sup> Category includes both public and private real estate.

<sup>4</sup> Category includes timber, oil and gas partnerships, and commodities.

**UW SYSTEM TRUST FUNDS  
Annual Endowment Peer Benchmarking Report  
Fiscal Year Ended June 30, 2008**

**INVESTMENT PERFORMANCE<sup>1</sup>**



<sup>1</sup> Performance figures represent equal-weighted averages.

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**INVESTMENT PERFORMANCE**

**Range of Returns: NACUBO All Pools**

|                                     | <b>1 Year</b>                  | <b>3 Year</b>                  | <b>5 Year</b>                  | <b>10 Year</b>                 |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| 75 <sup>th</sup> Percentile         | -0.7%                          | 9.5%                           | 11.2%                          | 7.4%                           |
| <i>Median</i>                       | -3.3%                          | 7.7%                           | 9.7%                           | 6.3%                           |
| 25 <sup>th</sup> Percentile         | -5.8%                          | 6.2%                           | 8.2%                           | 5.1%                           |
| <b><i>UW Trust Funds Return</i></b> | <b>-2.7%</b>                   | <b>10.4%</b>                   | <b>12.1%</b>                   | <b>7.0%</b>                    |
| <b><i>UW Trust Funds Rank</i></b>   | <b>2<sup>nd</sup> Quartile</b> | <b>1<sup>st</sup> Quartile</b> | <b>1<sup>st</sup> Quartile</b> | <b>2<sup>nd</sup> Quartile</b> |

**Updated Investment Performance:**  
**June 30, 2008 – November 30, 2008**

|                              |               |
|------------------------------|---------------|
| NACUBO \$100-\$500MM         | -23.5%        |
| <b><i>UW Trust Funds</i></b> | <b>-19.5%</b> |

<sup>1</sup> The NACUBO "follow-up" survey included 435 institutions.

**Updated Investment Performance:**  
**June 30, 2008 – December 31, 2008**

|                                   |               |
|-----------------------------------|---------------|
| Commonfund All Pools <sup>1</sup> | -24.1%        |
| <b><i>UW Trust Funds</i></b>      | <b>-18.2%</b> |

<sup>1</sup> The Commonfund "follow-up" survey included 235 institutions.

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**COST OF MANAGING INVESTMENT PROGRAMS<sup>1</sup>**

|                              | <b>All Outside<br/>Investment<br/>Managers</b> | <b>Active<br/>Domestic Equity<br/>Managers</b> | <b>Active<br/>International<br/>Equity Managers</b> | <b>Active<br/>Emerging Market<br/>Managers</b> |
|------------------------------|--|--|---|--|
| Under \$500 million          | 0.62%  | 0.66%  | 0.80%   | 1.12%  |
| \$500 million-\$1 billion    | 0.70%  | 0.67%  | 0.77%   | 0.92%  |
| >\$1 billion                 | 0.76%  | 0.61%  | 0.81%   | 1.08%  |
| <b><i>UW Trust Funds</i></b> | <b><i>0.78%</i></b>                            | <b><i>0.61%</i></b>                            | <b><i>0.65%</i></b>                                 | <b><i>1.05%</i></b>                            |

<sup>1</sup> Source: Greenwich Associates "Summary of Endowment and Foundation Investment Trends".

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**INVESTMENT MANAGEMENT PRACTICES**

|                              | Percent Internally<br>Managed <sup>1</sup> | Percent Passively<br>Managed <sup>2</sup> | Percent Actively<br>Managed |
|------------------------------|--|---|-----------------------------|
| NACUBO All Pools             | 6.8%                                       | 17.7%                                     | 82.3%                       |
| NACUBO \$100-\$500 million   | 3.0%                                       | 15.4%                                     | 84.6%                       |
| NACUBO >\$1 billion          | 8.4%                                       | 7.4%                                      | 92.6%                       |
| <b><i>UW Trust Funds</i></b> | <b>16.3%</b>                               | <b>20.2%</b>                              | <b>78.8%</b>                |

<sup>1</sup> *UW Trust Funds' "internally-managed" endowment assets are comprised of the U.S. Treasuries and U.S. TIPS portfolios managed by UW-Madison's Applied Security Analysis Program.*

<sup>2</sup> *Passively managed assets are comprised of the U.S. Treasuries and U.S. TIPS portfolios being managed "internally," as well as a portion of the total allocation to U.S. Small/Mid Cap Equities.*

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**ENDOWMENT GROWTH FROM NEW GIFTS**

**New Gifts as a Percent of Average Endowment Value<sup>1</sup>**

|                              |                    |
|------------------------------|--------------------|
| NACUBO All Pools             | 3.5%               |
| NACUBO \$100-\$500 million   | 4.0%               |
| NACUBO >\$1 billion          | 3.2%               |
| <b><i>UW Trust Funds</i></b> | <b><i>2.1%</i></b> |

<sup>1</sup> Rates are computed by dividing new gift dollars received by the average of the fiscal year beginning and ending endowment market values.

**New Gifts in Dollars (\$ Millions)**

|                                |                     |
|--------------------------------|---------------------|
| Commonfund All Pools           | \$10.2              |
| Commonfund \$100-\$500 million | \$10.5              |
| Commonfund >\$1 billion        | \$72.7              |
| <b><i>UW Trust Funds</i></b>   | <b><i>\$7.1</i></b> |

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**SPENDING POLICIES**

**Spending Methodology<sup>1</sup>**

|   | Commonfund<br>All Pools                       | Commonfund<br>\$100-\$500 million | Commonfund<br>>\$1 billion |
|---|---|-----------------------------------|----------------------------|
| Percent of a moving average                               | 77.0%   | 77.0%                             | 78.0%                      |
| Average percentage used                                   | 4.8%  | 4.8%                              | 5.1%                       |
| Decide on an appropriate rate each year                   | 8.0%  | 6.0%                              | 2.0%                       |
| Spend a pre-specified percentage of beginning market rate | 4.0%  | 4.0%                              | 0.0%                       |
| Weighted average or hybrid method                         | 6.0%  | 7.0%                              | 8.0%                       |
| Last year's spending plus inflation                       | 3.0%  | 5.0%                              | 2.0%                       |
| Spend all current income                                  | 2.0%  | 1.0%                              | 0.0%                       |
| Grow distribution at a predetermined inflation rate       | 1.0%  | 2.0%                              | 2.0%                       |
| Other   | 4.0%  | 3.0%                              | 10.0%                      |
| <b><i>UW Trust Funds</i></b>                              | <b><i>4% of moving 12-quarter average</i></b> |                                   |                            |

<sup>1</sup> Multiple responses were allowed.

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**SPENDING POLICIES**

**Actual Average Spending Rates<sup>1</sup>**

|                                |                    |
|--------------------------------|--------------------|
| Commonfund All Pools           | 4.4%               |
| Commonfund \$100-\$500 million | 4.5%               |
| Commonfund >\$1 billion        | 4.4%               |
| Big Ten                        | 4.7%               |
| <b><i>UW Trust Funds</i></b>   | <b><i>4.1%</i></b> |

<sup>1</sup> Actual average spending rates are computed as actual dollars distributed for spending plus expenses and fees, divided by beginning fund market values.

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**INVESTMENT RETURN ASSUMPTIONS**

**Long-Term Investment Return Assumptions**

|                                |                         |
|--------------------------------|-------------------------|
| Commonfund All Pools           | 8.0%                    |
| Commonfund \$100-\$500 million | 8.2%                    |
| Commonfund \$500-\$1 billion   | 8.3%                    |
| Commonfund > \$1 billion       | 8.5%                    |
| <b><i>UW Trust Funds</i></b>   | <b><i>8.0%-9.0%</i></b> |

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**UNDERWATER FUNDS**<sup>1</sup>

|                                | Percent of Institutions Reporting<br>Underwater Funds | Percent of Endowment Underwater |
|--------------------------------|---|---------------------------------|
| Commonfund All Pools           | 39%   | 5.2%                            |
| Commonfund \$100-\$500 million | 49%   | 3.5%                            |
| Commonfund > \$1 billion       | 39%   | 2.1%                            |
| <b><i>UW Trust Funds</i></b>   | <b>Yes</b>  | <b>1.0%</b>                     |

<sup>1</sup> "Underwater funds" represent individual endowment accounts whose market values are below their "historic dollar value" (i.e., the original value of the gift).

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**STAFFING, RESOURCES, AND GOVERNANCE**

**Committee Size and Investment Staffing**

|                                | Average Number of<br>Committee Members | Average<br>Investment Staffing | Investment Staff<br>Range <sup>1</sup> | Percent Using<br>Consultants <sup>1</sup> |
|--------------------------------|--|--------------------------------|--|---|
| Commonfund All Pools           | 7.7                                    | 1.2                            | 0-31                                   | 77.6%                                     |
| Commonfund \$100-\$500 million | 8.7                                    | 0.9                            | 0-4                                    | 88.2%                                     |
| Commonfund > \$1 billion       | 8.9                                    | 7.2                            | 0-31                                   | 50.0%                                     |
| <b><i>UW Trust Funds</i></b>   | <b><i>4.0</i></b>                      | <b><i>2.0</i></b>              | <b><i>N/A</i></b>                      | <b><i>No</i></b>                          |

<sup>1</sup> These numbers are from the NACUBO Study.

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**STAFFING, RESOURCES, AND GOVERNANCE**

**Average Number of Separate Investment Firms Used**

|                                |          |
|--------------------------------|----------|
| Commonfund All Pools           | 17.8     |
| Commonfund \$100-\$500 million | 20.1     |
| Commonfund > \$1 billion       | 83.8     |
| <b><i>UW Trust Funds</i></b>   | <b>8</b> |

**Average Number of Separate Investment Firms Used by Asset Class**

|  | Commonfund All<br>Pools | Commonfund<br>\$100-\$500 mm | Commonfund<br>> \$1 billion | <b><i>UW Trust Funds</i></b> |
|--|-------------------------|------------------------------|-----------------------------|------------------------------|
| Domestic Equities: U.S.                | 3.8                     | 4.7                          | 7.5                         | <b>3</b>                     |
| Fixed Income                           | 1.9                     | 2.1                          | 3.1                         | <b>2</b>                     |
| International Equities: Non-U.S.       | 2.5                     | 2.9                          | 7.2                         | <b>2</b>                     |
| Alternative Strategies – Direct        | 8.8                     | 7.5                          | 65.7                        | <b>1</b>                     |
| Alternative Strategies – Fund of Funds | 2.3                     | 3.9                          | 2.8                         | <b>3</b>                     |

**UW SYSTEM TRUST FUNDS**  
**Annual Endowment Peer Benchmarking Report**  
**Fiscal Year Ended June 30, 2008**

**SOCIALLY RESPONSIBLE INVESTING PRACTICES**

**Percent That Consider Social Responsibility Criteria**

|                              |                               |
|------------------------------|-------------------------------|
| NACUBO All Pools             | 24.0%                         |
| NACUBO \$100-\$500 million   | 21.1%                         |
| NACUBO > \$1 billion         | 37.7%                         |
| <b><i>UW Trust Funds</i></b> | <b><i>Yes<sup>1</sup></i></b> |

<sup>1</sup> *UW Trust Funds actively votes proxies, solicits student and public comment on social issues, and may take ad hoc actions on social responsibility issues.*