

UW SYSTEM TRUST FUNDS FACT SHEET

As of December 31, 2018

UW System Office of Trust Funds: Overview

- Office of Trust Funds is a centralized office for the entire UW System responsible for the acceptance and oversight of gifts and bequests directed to UW units (and not their foundations), as well as grant and contract funds requiring investment.
- Trust Funds represent State Appropriations/Funds 162 (Principal) and 161 (Income).
- Total assets as of December 31, 2018 are approximately \$561 million.
- Assets are held in two investment funds, both of which are managed by the State of Wisconsin Investment Board (SWIB):
 - Long Term Fund (162) – Investment objective: achieve reasonable, attainable and sustainable returns, net of expenses, over and above the rate of inflation; appropriate for endowments and fully expendable funds with a long-term horizon; distributes 4% per year for current spending purposes. Note: as of 4/1/2018, management of the Long Term Fund is being provided by State of Wisconsin Investment Board (SWIB). While the overall investment objective remains the same, the asset allocation and investment strategies determined by SWIB will vary slightly as compared to the Long Term Fund prior to 4/1/2018.
 - Income Cash Fund (161) – Investment objective: provide competitive short-term interest income and safety of principal; used to receive spending distributions from the Long Term Fund and for other fully expendable funds with a shorter-term horizon, and from which all expenditures are made.

UW System's Core Functions

- Manage/maintain over 3,000 “donor” accounts/projects on the general ledger (SFS).
- Ensure accurate fund- and account-level transactions (earnings, market value and expense allocations; deposits; transfers).
- Coordinate quarterly with SWIB to facilitate cash flows and investment performance-related reporting, etc.
- Manage/maintain all donor and other gift-related records.
- Help ensure compliance with donor terms (e.g., new account set-up, post-payment audits, etc.) and all applicable laws.

SWIB's Core Investment Functions

- Determine investment policies, asset allocation, investment strategies and investment guidelines.
- Implement the above through selection of specific investment vehicles and managers.
- Monitor/evaluate/report on investment performance and risks.
- SWIB currently employs low-cost BlackRock Index Funds for UW System Trust Funds' investments in public markets.
- UW System's legacy investments in private markets have been retained and are overseen by SWIB and SWIB's private markets consultant, StepStone.

Estimated Fees as Percent of Assets

- Investment Management and Custody Fees (SWIB): 0.25% (charged against Long Term Fund only)
- Administrative Fees (UW System): 0.05% (charged against all assets)

UW SYSTEM TRUST FUNDS FACT SHEET
As of December 31, 2018

Asset Allocations and Strategies for the Investment Funds

Long Term Fund \$419mm as of 12/31/2018

Asset Allocation Overview

Allocations to public and private equities will provide long term growth of the fund, while high quality government and corporate bonds will provide steady income and protection from deflation, and Treasury Inflation Protected Securities (TIPS), Real Estate Investment Trusts (REITs) and Real Assets (Forestry Fund) will provide an inflation hedge.

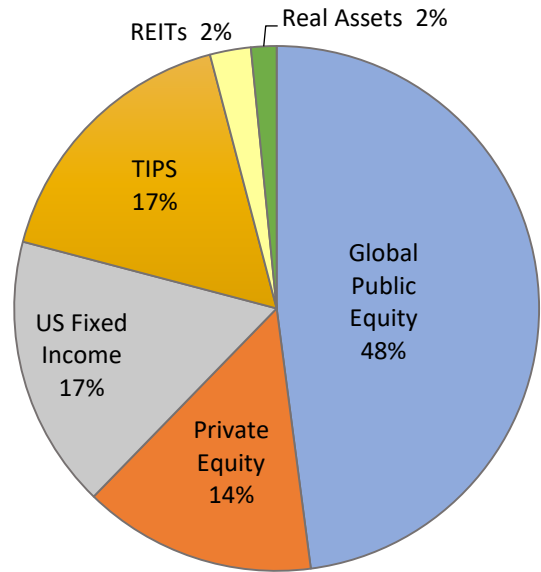
Current Investment Strategies:

BlackRock Index Funds (Public Markets):

- MSCI ACWI IMI Index Fund
- EAFE Currency Hedged Equity Index Fund
- MSCI Emerging Markets Free Fund
- Government/Credit Bond Index Fund
- U.S. Treasury Inflation Protected Securities Fund
- Developed Real Estate Index Fund

Private Markets Funds:

- Adams Street Partners
- J.P. Morgan
- GMO/Rohatyn Forestry Fund



Income Cash Fund (SIF) \$142mm as of 12/31/2018

Asset Allocation Overview

The investment guidelines for the State Investment Fund allow investment in the following categories: Treasuries/Agencies/FDIC Insured Bank Deposits/Repurchases Agreements (50-100%); Commercial Paper and Corporate Notes (0-30%); CDs/Time Deposits (0-30%); and Yankee/Euro CDs/Time Deposits (U.S. Dollars) (0-10%).

Current Investment Strategy:

The investment objectives of the State Investment Fund (SIF) in order of priority are to provide safety of principal, liquidity, and competitive rates of return.

The portfolio weighted average maturity will not exceed one year. As of December 31, 2018, the weighted average maturity was 19 days.

