

A REPORT
ON ENDOWMENT
STEWARDSHIP FROM
THE UNIVERSITY
OF WISCONSIN
FOUNDATION

ENDOWMENT REPORT



To our donors

This endowment fund report has two distinct parts. The first part describes the performance of all endowed funds when pooled together. The second part is the report prepared specifically for your fund. It can be found in the back pocket of this booklet. As you read the first report, bear in mind that your particular fund is part of the much larger University of Wisconsin Foundation Endowment Fund.

Poet William Butler Yeats wrote, "In dreams begins responsibility." These four words explain clearly and simply why we believe in the importance of sending you this report on the performance of the UW Foundation endowment and on your specific endowment.

An endowment supports and sustains the dreams of University of Wisconsin-Madison students and faculty along with the goals, programs and innovative thinking that are produced when ambitious dreams are nurtured and encouraged.

At the UW-Madison, we strive to use the realities that spring from dreams to benefit people around the world. This is the basis of the Wisconsin Idea.

At the UW Foundation, we respect your gift and your expectations. Keeping you informed about our management of your gift is one way we can demonstrate our appreciation. It is a responsibility we take seriously and gratefully. This is the basis of stewardship.

Continuing the positive trend of the past four years, 2007 was favorable for investments. A diversified portfolio, strong markets and sound decisions combined to keep our performance above most indices and ahead of our return objective.

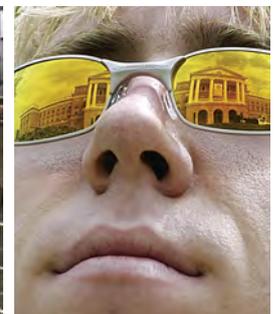
Endowed funds are critical to the financial stability of the University. The present and future revenue streams that endowed funds generate allow colleges and departments to hire faculty, implement programs, advance research and support outstanding students.

We invite your questions, comments and, of course, your criticisms.

Thank you.



ANDREW A. WILCOX
President
University of Wisconsin Foundation



Endowments at the University of Wisconsin Foundation

A cornerstone of private giving throughout the history of higher education, endowments are based on initial gifts of substantial size that in turn provide annual earnings generated by investment of the principal.

As the gifts grow in value on a total-return basis, they provide annual spendable income at the same time that the principal continues to appreciate. Endowments serve not only as dependable and predictable resources to help meet new or recurring expenses as they arise, they also are sustained in perpetuity. They are gifts that last virtually forever.

Endowments are long-term accounts with a minimum balance requirement of \$10,000. The Foundation's endowment accounts are all pooled and invested as one portfolio.

Newly endowed funds or additions to existing funds are invested in the Foundation's Endowment Fund Pool. The Endowment Pool operates much like a mutual fund. Each endowed gift owns a number of units in the pool. The number of units each fund owns is determined by the value of the units at the time of the investment. To preserve the endowment for perpetuity, only a portion of the pool's return is spent for the purpose designated by the donor.

Currently, the spending rate is 4.75 percent of the pool's average market value over the last 12 quarters. Net returns in excess of the spending rate increase the market value of the Endowment Pool. The pool is invested over an infinite time horizon with the goal of maintaining the value in real terms, thus providing a steady flow of income that keeps pace with inflation.

Growth of the endowment principal comes from two areas: investment returns and additional gifts. For the endowment to exist in perpetuity, the

investment return must outpace the two principal threats to growth: the spending rate and inflation. To achieve this goal, the endowment uses a total return concept in which principal appreciation and income growth are expected to preserve the "purchasing power" of the Endowment Pool over a long-term horizon.

The UW Foundation staff, along with the investment committee of its board of directors, reviews the pool's investment performance, analyzes recommendations and proposals from professional investment managers and consultants, and determines the appropriate asset allocation formula. Currently, the return objective is to achieve an annualized return of 10 percent over a complete market cycle (typically a 5-10-year period).

Just as important as maximizing total return is the objective of minimizing risk. The endowment pursues this goal by broadly diversifying across major asset classes, which historically have shown to minimize investment risk and to enhance investment performance. The endowment's long-term investment horizon calls for an equity-oriented strategy, which should provide higher market returns over time.

Investments in less-liquid private equity investments also are prudent to achieve further diversification benefits. Volatility and risk are expected within any one asset class; however, a well-diversified portfolio should offset those risks over a longer period of time.

Asset allocations

The asset allocation target for the University of Wisconsin Foundation Endowment Fund is 25 percent domestic equities, 13 percent international equities, 10 percent fixed income, 12 percent real assets, 25 percent marketable alternatives and 15 percent non-marketable alternatives. These targets have been established by the UW Foundation and are reviewed frequently to ensure investment and diversification objectives.

Beginning Market Value: The market value of your endowed gift as of December 31, 2006. The beginning market value does not include the Endowment Payout or the annual amount made available to be spent by the recipients of your gift, prior and up to December 31, 2006.

Ending Market Value: The market value of your endowed gift as of December 31, 2007. The ending market value does not include the Endowment Payout or the annual amount made available to be spent by the recipients of your gift, throughout the year of 2007.

Endowment Payout: The portion of the Endowment Pool's total return that is allocated to be spent for the fund's designated purpose. Currently, the formula to calculate this amount is 4.75 percent of the Endowment Pool's average market value over the last 12 quarters.

Book Value: The total of all gifts received since the inception of the fund; normally this amount cannot be spent unless specifically allowed by the donor in the memorandum of agreement establishing the fund. This amount will increase when additional gifts are added or when any of the spendable income is reinvested into principal. This amount will decrease if spending from the principal is allowed and amounts spent exceed the appreciation of the fund.

It is important to remember when comparing these figures to other investment results (mutual fund returns, for example) that actual earnings (dividends and interest) are not reinvested into the Endowment Pool. They are used to supplement the quarterly income allocated to Endowment Fund participants.

PERFORMANCE

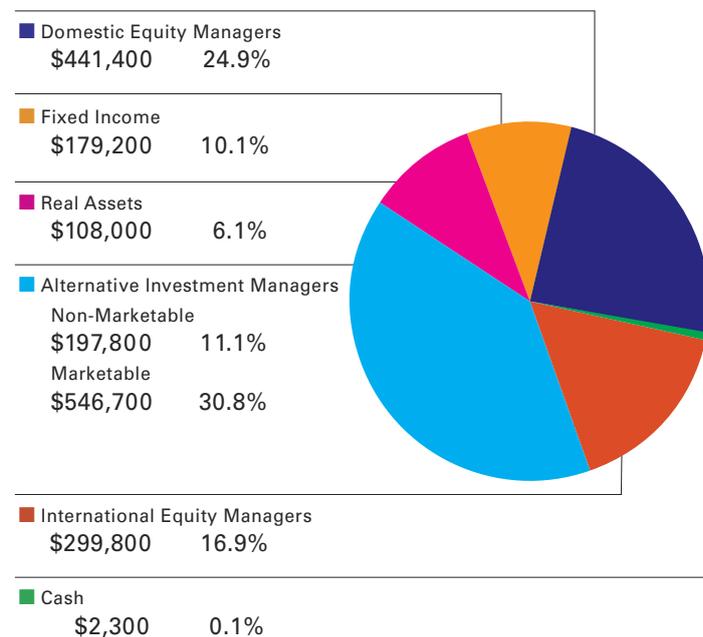
Average Annual Total Returns

1 Year = 12.8%
3 Years = 13.2%
5 Years = 15.2%
10 Years = 8.2%
Inception = 12.9%**

**Date of inception 1/1/84

ASSET ALLOCATION AS OF DECEMBER 31, 2007

Total Endowment Fund Assets: \$1,775,200,000



Investment manager dollar amounts shown in thousands.

Copies of the complete audit are available upon request. The UW Foundation complies with all applicable federal and state reporting requirements.

The power of an endowment

High up on the Camp Randall Stadium facade, red letters on a permanent white banner read simply “80 Schreiner.” Since 2006, Lancaster, Wisconsin, native and two-time Badger All-American Dave Schreiner’s (’43 BA L&S) name and number have stood watch over raucous football games and hushed tranquility.

Football fans may know of Schreiner’s record-setting three touchdown catches in one quarter as a member of the famed 1942 Badgers. Other people, of a certain age, may know that Lieutenant David Nathan Schreiner was killed in June 1945 on Okinawa in the closing days of World War II.

Very few people, however, know that for the past 60 years, the Schreiner family has helped more than 50 student-athletes attend the UW-Madison. Even more important, there are Badgers not yet born who will have the same opportunity to experience the thrill of playing on the Camp Randall turf and the privilege of a UW-Madison education. This is possible because of an endowed scholarship established in 1947 in Dave’s memory by his parents, Anna and Herbert, with just \$10,000.

The first Schreiner Scholarship was awarded in 1948 to Tom Bennett (’49 BS EDU, ’56 MS EDU). Bennett, retired from the UW-Madison, where he was Badger track, golf, freshman football coach and a classroom instructor. He was inducted into the UW Athletic Hall of Fame in 1998. The 2007 recipient was junior Jaeverly McFadden, a special teams standout. Past recipients include Erasmus James, John Stocco (’06 BS ALS) and Heisman Trophy winner Ron Dayne.



David Schreiner

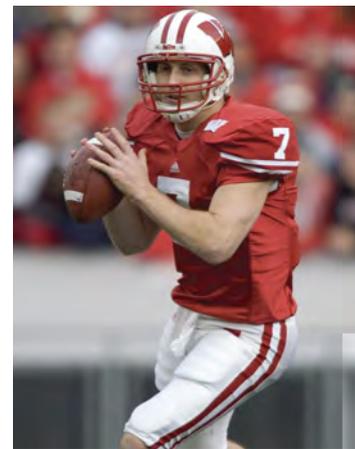
Endowments are powerful and enduring. In just the past 15 years, the Schreiner-Hoskins Scholarship Fund* has awarded more than \$200,000 in scholarships. At the same time, the fund has grown to nearly \$500,000. A portion of the investment income from the fund will continue to provide football scholarships, with another portion allocated to keep the fund growing. Today, the annual spendable income is just over \$18,000, or nearly twice the amount that originally established the fund. Prudent investing and spending will ensure that the Badgers of tomorrow will get their turn to continue the legacy of a true champion.



Tom Bennett



Ron Dayne



John Stocco

* In 1990, the original Schreiner Scholarship Fund was renamed the Schreiner-Hoskins Scholarship Fund by the surviving family members.