



2019 ENDOWMENT FINANCIAL REPORT

UNIVERSITY OF WISCONSIN FOUNDATION



YOUR IMPACT: ENDOWMENTS AT WORK



"Without scholarship support, I would not be at UW-Madison. It is important that people believe in students like me; sometimes that is all it takes to help us become the leaders of tomorrow."

Wendy Alvarez x'22
Political Science



"This associate professorship has enabled me to increase research productivity, and it has accelerated the launch of a new program for improving scientific and medical detection and prevention of traumatic brain injuries."

Christian Franck
Grainger Institute for Engineering
Associate Professor



"I grew up in a poor neighborhood on the west side of Chicago, and all I wanted was freedom and a choice to create something better for the generation that will come after me. This scholarship puts me a step closer to reaching my aspirations — my dreams."

Christopher Wilson x'21
Computer Sciences



"I will be forever grateful to the Chazen Family for making this joyful way of being in the world possible for all of us."

Lynda Barry
Chazen Family Distinguished Chair in Art



"I am one step closer to becoming a future faculty member and researcher thanks to the continued generosity and this fellowship."

Fatih Kunkul PhDx'21
Nursing



"I will be the first in my family to graduate from a four-year school. I appreciate this award more than words could describe!"

Abbey Ragan x'21
Biochemistry



“With this support, the Wisconsin School of Business has been able to distinguish itself from peer institutions in several areas, including behavioral operations research and behavioral business experiments.”

Justin Sydnor '01
Leslie P. Schultz Professor in
Risk Management and Insurance



“To be able to continue pursuing my dream of becoming a doctor, as well as to have so many people believe and invest in my abilities, is something I could not have ever fathomed. I am truly grateful and blessed to be living my American Dream.”

Jose Bien Rafaelo Hernandez '16, MDx'23
School of Medicine and Public Health



“As a first-generation student from Milwaukee, getting to where I am has been a difficult journey. This generous scholarship allows me to continue pursuing my goals and aspirations.”

Nashali De Leon Hernandez '19, MSx'21
Communications Sciences and Disorders



“We’re at the cutting edge of clinical knowledge. As this type of scanning technology is more widely adopted, it will drive innovation in clinical treatment because more is being learned and new diagnoses are being made. There are a lot of new chapters to this story, and we’ve certainly got more we’d like to do.”

Peter Muir
Melita Grunow Family Professor
in Companion Animal Health



“This scholarship will provide social work students, like me, with the opportunity to cultivate the advanced skill set needed to further improve our social and political culture.”

Nerissa Vogt MSx'21
Social Work



“The generous financial assistance I received through my scholarship allows me to concentrate more of my time developing my teaching philosophy as I continue through this program.”

Henry Rothenberg MSx'20
Secondary Education



PRESIDENT'S MESSAGE

GREETINGS,

All of us at the Wisconsin Foundation and Alumni Association (WFAA) take great pride in working with our generous donors to advance UW–Madison. As we continue to navigate the uncertainty around the COVID-19 pandemic and its many implications, our endowed funds are increasingly critical to ensuring the university's continued success. We are pleased to share the impact of your endowed support during the 2019 fiscal year.

The unwavering support from UW alumni and friends resulted in \$262 million in new gift commitments during 2019. Additionally, WFAA transferred more than \$264 million to UW–Madison in 2019. These funds are making a direct impact on students, faculty, research, and programs that set our university apart. Thank you for your ongoing commitment to the UW.

Last October, our donors and alumni helped us achieve a major milestone, surpassing our All Ways Forward campaign goal of \$3.2 billion. During the final phase of this campaign, which continues through 2020, we are setting our sights on several priority areas that require further investment, including new opportunities in computing, data, and information sciences; scholarships and programs that help the UW attract an outstanding, diverse group of students; and funds that support faculty and graduate students whose discoveries are improving lives. We look forward to closing our campaign on a high note later this year.

We are grateful to our many donors who provided feedback on last year's endowment report. I hope that you find the improvements we have made this year to be both useful and inspiring.

Thank you for all you do to support the university. Your generosity helps to ensure the UW's excellence for generations to come. In these trying times, our public research institution is more important to society than ever. I expect as we emerge from the COVID-19 crisis, there will be even greater appreciation for research, education, and community, which are all central to our mission at WFAA.

ALL WAYS FORWARD!

MICHAEL KNETTER

President and Chief Executive Officer
Wisconsin Foundation and Alumni Association



NUMEN LUMEN

2019 ENDOWMENT SNAPSHOT

TOTAL NUMBER
OF ENDOWED FUNDS

5,696

2,061

UNDERGRADUATE
STUDENT

275

OTHER

1,565

RESEARCH
AND PROGRAM

783

GRADUATE STUDENT

405

PROFESSIONAL
STUDENT

607

FACULTY



TOTAL DOLLARS
GENERATED FOR
UW-MADISON FROM
THE ENDOWMENT IN 2019

\$137.1
MILLION

\$52.1

RESEARCH
AND PROGRAM

\$31.4

FACULTY

\$5.1

PROFESSIONAL
STUDENT

\$18.7

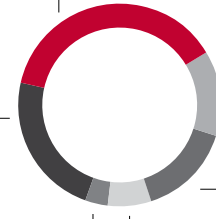
OTHER

\$20.5

UNDERGRADUATE
STUDENT

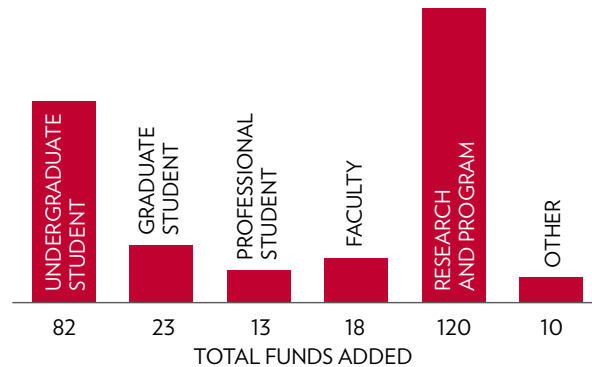
\$9.3

GRADUATE STUDENT



TOTAL NUMBER
OF ENDOWED FUNDS
ADDED IN 2019

266



ENDOWMENTS AT THE UNIVERSITY OF WISCONSIN FOUNDATION

A BASE FOR EVERLASTING SUPPORT

An endowment — a cornerstone of giving to support the University of Wisconsin–Madison — is an investment in future generations of Badgers. Endowed funds are designed to provide annual income in perpetuity. Once established, endowed funds provide an immediate and future impact on the university. The goal is to have a consistent, everlasting, and high-quality influence on the university’s mission through a scholarship, fellowship, professorship, chair, or other program fund.

Endowed funds are managed as long-term investments. Individual endowed funds are combined and invested within the endowment pool. Similar to a mutual fund, each endowed fund owns units in the pool. To preserve the endowment’s value over time, the fund is invested to provide annual income and long-term growth of principal (although depreciation is possible).

What is an endowed fund?

- A permanent, self-sustaining source of income that provides an immediate and ongoing impact
- A gift designed to grow and provide income for the donor-designated purpose in perpetuity
- A legacy of support for the University of Wisconsin–Madison



INVESTMENT GOALS

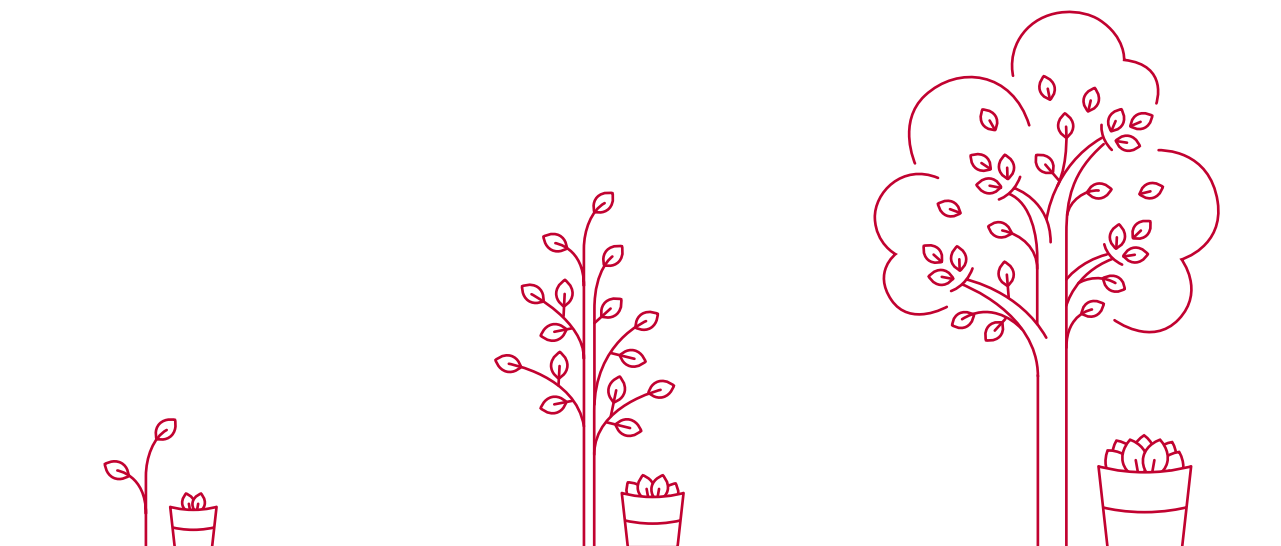
For endowed funds to remain impactful, the goal is to preserve purchasing power over the long-term. To accomplish this objective, the investment return seeks to outpace the spending rate and inflation. While seeking to maximize investment return, an equally important objective is to minimize risk. By diversifying broadly across major asset classes, the Foundation minimizes risk and enhances performance. Additionally, the endowment pool invests in public and private markets to achieve further diversification benefits.

SPENDING PLAN

Endowed funds are designed to provide a relatively stable and consistent stream of income to support the university for as long as the fund exists. Because the endowment pool performance fluctuates in the short term, the Foundation uses a spending policy to help stabilize the income stream over time. Our spending policy currently distributes 4.5 percent of the endowment's average market value over the previous 16 quarters. The spending policy is reviewed annually by the Foundation's board of directors. The Foundation's investments team, along with members of the board's investment committee, continually review the endowment pool's investment performance. The current return objective, also reviewed annually by the board, is to achieve an annualized return of 6.5 percent over a complete market cycle (typically a five- to 10-year period).

COMMITMENT

Foundation staff and the investment committee are focused on responsibly stewarding and investing philanthropic gifts. In addition to the ongoing responsibility of monitoring the asset-allocation targets and annually reviewing the current long-term expected return, the Foundation is committed to a cost-conscious investment operation. The focus continues to be on investing gifts received so that their impact is meaningful and transformative for many years to come.



1

An endowment fund is established with a gift from a generous donor.

2

Through the prudent management by the investment staff and board, the endowment fund grows and produces income annually and in perpetuity.

3

The principal is held in perpetuity, with the income proceeds supporting university needs as designated by donor intention.



AMEL MUSIC CENTER



INVESTMENTS PERSPECTIVE

DEAR FRIENDS,

Looking back at 2019 can seem to be a part of another era, before COVID-19. Last year began with a strong market rebound from the weak stock market performance in the final quarter of 2018. Improved investor sentiment in early 2019 was underlined as the Federal Reserve moved to a more investor-friendly stance, ultimately cutting rates three times throughout the year. As the year progressed, headlines were dominated by tough issues such as trade tensions between the U.S. and China, uncertainty surrounding global central bank policies, Brexit, and a domestic political environment which continued to be locked in partisanship. Nevertheless, investors were encouraged by strong fundamental news including record low unemployment, low interest rates, and positive corporate earnings. In the end, the markets earned remarkable results in 2019 with major stock market indexes reaching all-time highs as investors favored riskier assets, especially as trade tensions eased. Bond markets also rallied with U.S. investment-grade corporate bonds posting their best annual return since 2009. It was a uniquely rewarding year for both stock and bond investors.

The endowment portfolio, focused on a long-term and globally diversified investment strategy, returned 16.8 percent for the year, while the WFAA policy benchmark returned 18.4 percent. For the year, the public equity and real estate portfolios outperformed their respective benchmarks while the private equity and fixed income portfolios were laggards. The total endowment portfolio returned 6.7 percent for the five-year period ending December 31, 2019, underperforming its benchmark return of 7.3 percent annualized.

The strong market performance for the year was extraordinary when viewed against long-term market returns and normal expectations (especially as evidenced by COVID-19 market volatility). Our investments team remains committed to carefully managing the endowment portfolio on a long-term basis with a strong focus on quality investments. Generous philanthropic gifts such as yours continue to provide a material impact on the University of Wisconsin-Madison. The UW remains a world-class institution because of supporters such as you. Thank you for trusting us to manage the investment you have made.

WITH GRATITUDE AND APPRECIATION,

JULIE VAN CLEAVE, CFA

Chief Investment Officer

Wisconsin Foundation and Alumni Association

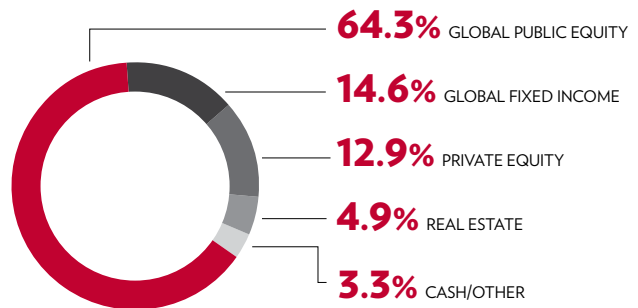
ASSET ALLOCATION AND INVESTMENT PERFORMANCE

INVESTMENT PERFORMANCE

Annualized for periods ending December 31, 2019

1 YEAR	16.8%
3 YEARS	9.7%
5 YEARS	6.7%
10 YEARS	7.9%
INCEPTION (6/30/84)	9.0%

ASSET ALLOCATION AS OF DECEMBER 31, 2019



The University of Wisconsin Foundation endowment portfolio's current asset allocation is shown in the graph above. The asset allocation strategy has been established by the Foundation's board of directors and is reviewed at least quarterly to ensure that the portfolio's investment and diversification objectives are met.



Thanks to the generosity of our donors and investment results, the endowment portfolio has grown from \$2.4 billion on December 31, 2015, to \$3.3 billion on December 31, 2019. Additional donor investments in endowed funds increased the impact on the university in perpetuity.

FREQUENTLY ASKED QUESTIONS

What is the spend plan allocation? How much of the allocation is available to be spent on the fund's designated purpose?

The spend plan allocation represents the income generated for campus to use in support of the donor-designated purpose. All endowed funds generate income available for the university to spend each and every quarter.

The spending plan policy is set by the Foundation's board of directors. The spend plan currently distributes 4.5 percent of the endowment's average market value over the previous 16 quarters.

Because endowment portfolio performance will fluctuate in the short term, the spending plan policy smooths the income stream, helping the university with annual budgeting and organizational planning.

Whom should I contact if I have further questions?

For general questions about your fund, contact Brian Hettiger '90 at 608-308-5464 or brian.hettiger@supportuw.org.

For questions about investments, contact David Golden '93, MA'97 at 608-308-5212 or david.golden@supportuw.org.

Why do stock gifts appear as other additions and not gift additions?

When donors give gifts of stock, those gifts are sold soon after the receipt of the shares. Once sold, the net proceeds are deposited into the corresponding donor fund. Because of market fluctuation and broker sale costs, the proceeds will differ (either higher or lower) from the initial stock value for which the donor was received.



GLOSSARY

ENDOWMENT MARKET VALUE is the value of an endowed fund at a particular point in time. The endowment market value includes the market gain (or loss) during the year and is reported net of spend plan allocation, the institutional advancement fee, and spending from principal, if applicable. Spending from principal may be allowed with donor permission.

GIFT ADDITIONS refers to the total value of all cash gifts added to the endowed fund during the year. Cash gifts are typically received via check or credit card.

INSTITUTIONAL ADVANCEMENT FEE is the primary source of revenue funding the Foundation's general operations in support of the university's mission. Annually assessed at 1 percent, this fee is below the median of other independent foundations that support public universities. The fee has been at 1 percent for several decades.

INVESTMENT RETURN represents the market performance — i.e., gain (or loss) — of the fund during the year. All endowed funds are invested in the endowment portfolio and thus are subject to market fluctuation. Investment returns are reported net of investment-related costs.

OTHER ADDITIONS is a category that typically includes stock gifts, matching funds, gifts of real estate or other property, and transfers added to the endowed fund during the year.

OTHER DEDUCTIONS include fund transfers, spending from principal, and any other deductions removed from the endowed fund during the year.

REINVESTED INCOME is generated income that is occasionally reinvested, at the donor's request, back into the endowed fund. Reinvested income is generally not available to be spent by the university.

SPEND PLAN ALLOCATION is a board-determined policy specifying that a certain percentage generated by endowed funds be allocated to the university program or purpose specified by the donor. The spend plan currently distributes 4.5 percent of the endowment's average market value over the previous 16 quarters. Utilizing a 16-quarter moving average provides a more stable income stream, helping the university with annual budgeting. A fund with a \$100,000 market value generates approximately \$4,500 for the university to spend during the year.

SPEND PLAN ALLOCATION INCEPTION TO DATE is the income that has been generated since the fund was established. This income has been made available to be spent by the university in accordance with the fund's purpose, which was specified by the donor. Endowed funds are designed to have an impact in perpetuity. These funds generate income annually. The spend plan allocation is cumulative; therefore, income will grow each year.

We thank these photographers for images on the following pages:

Nik Hawkins: 2 (Peter Muir)

Andy Manis: 6

Jeff Miller, University Communications:

1 (Lynda Barry), 4

Bryce Richter, University Communications: 8, 10, 11



1848 University Avenue | Madison, WI 53726-4090 | 608-263-4545 | supportuw.org