



UNIVERSITY *of*  
NORTH CAROLINA  
WILMINGTON



*Endowment Report*

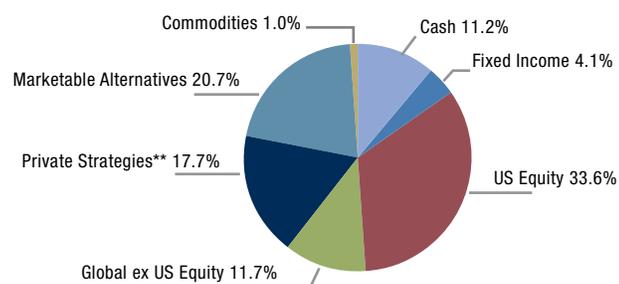
July 1 , 2013 - June 30, 2014

## The UNCW Endowment – by the Numbers

	2013-14	2012-13
End of year value	\$ 87,865,374	\$ 76,025,968
Average Value	214,830	187,718
Investment Performance	14.6%	12.90%
New Contributions	4,118,753	2,284,233
Endowment Distributions	(2,309,900)	(2,195,641)
<b>Endowments for:</b>		
Scholarships	35,944,480	31,814,545
Academic Support	14,259,358	16,018,306
Professorships	16,598,391	14,682,090
Facilities	6,178,142	5,544,880
Public Service	2,668,388	2,327,954
General University Support	12,216,615	5,638,193
Total Endowments	\$ 87,865,374	\$ 76,025,968

## UNCW Endowment Pool Asset Allocation

as of June 30, 2014



\*\* Includes buyouts, venture capital, real estate and energy & natural resources.

## THE UNCW ENDOWMENT

The University of North Carolina Wilmington and the UNCW Foundation Inc. encourage endowment gifts from alumni, parents, students and friends of the university to ensure that support for UNCW students, faculty and programs will thrive in perpetuity. An endowment is a long-term investment that creates financial stability, allowing the university to plan using dependable and predictable sources of revenue. Moreover, an endowed gift offers alumni and friends the opportunity to connect a family name and other loved ones to an area of the university in which they have a special interest. Donors of endowments may either give money to UNCW for supporting programs at the university's discretion (unrestricted endowments) or set up specific endowments for agreed purposes (restricted endowments), such as scholarships, professorships, academic and athletic programs, research and public service engagement.

Endowment gifts are prudently managed by the university and foundation in order to generate adequate income for the endowments' purposes while protecting their real value against inflation and, ideally, producing a surplus beyond this level. Gifts are invested in pooled investment funds within each entity. The accounting for these funds is similar to that of a

mutual fund, with each individual endowment owning a pro-rata share of the pooled assets and participating in the pro-rata share of investment gains/losses.

The university and foundation endowment portfolio that supports UNCW has grown significantly since inception. Endowment funds support initiatives that promote excellence at UNCW – scholarships and fellowships for our students, professorships for distinguished faculty and research and program support. The benefits of these lasting gifts have been felt across the campus, with every dollar helping to support vital activities, shaping the character of the university and ensuring permanent financing for the many endeavors of UNCW's students and faculty.

This document provides an overview of what the endowment portfolio does for the university and serves as a financial report of its investment and distribution activities for the past year. A separate statement detailing information on a donor's particular endowment(s) is also included with this report. Additional information about UNCW's endowment, including definition of terms, can be found online at [www.uncw.edu/endowmentreport](http://www.uncw.edu/endowmentreport).

## HOW LARGE IS UNCW'S ENDOWMENT PORTFOLIO AND HOW DOES IT COMPARE TO THOSE OF PEER INSTITUTIONS?

As of June 30, 2014, UNCW's total endowment portfolio was worth \$87,865,374. Since July 1, 2005, 184 endowments have been created, bringing the total number to 409. Over the past 10 years, the pooled endowment portfolio's annualized rate of return has been 8.8 percent; which ranks in the top quartile for the 229 endowments and foundations in the BNY Mellon Universe.

## HOW DOES UNCW MANAGE THE ENDOWMENT?

The chancellor, vice chancellor for business affairs and Endowment Board of the UNCW Board of Trustees are responsible for the prudent management of, and accounting, for endowment funds under guidelines set by the Endowment Board, in accordance with generally accepted accounting principles and in compliance with laws/regulations. Upon the recommendation of the Endowment Board, the university has invested the endowment in UNC Management Corporation Investment Fund ([www.uncmc.unc.edu](http://www.uncmc.unc.edu)), GMO Quality Fund and GMO US Equity Fund ([www.gmo.com](http://www.gmo.com)), The Investment Fund for Foundations ([www.tiff.org](http://www.tiff.org)) and the North Carolina Short-Term Investment Fund (STIF). The foundation's pooled endowments are invested in UNC Management Corporation Investment Fund and the North Carolina Short-Term Investment Fund (STIF). The goal of the investment program for the fund is to provide a real total return from assets invested that will preserve the purchasing power of fund capital, while generating an income stream to support the spending needs of the university.

## WHAT ARE THE UNIVERSITY'S INVESTMENT POLICIES?

The university and foundation investment policies are based on maximizing long-term returns at an acceptable level of risk. The pooled endowments, representing 93 percent of available funds, are invested in five funds: UNC Management Corporation Investment Fund (52 percent), TIFF's Multi-Asset Fund (19 percent), GMO Quality Fund (15 percent), GMO US Equity Fund (8 percent) and NC STIF (6 percent). These funds are broadly diversified to provide long-term protection against the volatility inherent in equities and bonds. Of the remaining 7 percent of the portfolio, 5 percent is dedicated to real estate utilized by the university and 2 percent is operated as a student managed investment fund, which allows students to learn fundamentals of investment analysis and portfolio construction.

## HOW HAS THE ENDOWMENT PERFORMED?

The fiscal year 2014 return of 14.6 percent easily exceeds the fund's primary return objective of 6.6 percent. The fund has been successful in achieving its long-term objective with a 10-year annualized return of 8.8 percent and an annualized return since inception of 7.8 percent. Both returns surpass the long-term objective of the 4.5 percent spending policy rate plus inflation. Over a more medium-term time horizon (three- and five-year annualized), the fund has also exceeded its primary return objective, returning 10.0 percent and 10.7 percent, respectively.

## WHAT IS UNCW WILMINGTON'S PAYOUT POLICY?

Annually, the UNCW Endowment Board of the Board of Trustees and the Investment Committee of the Foundation Board review the spending policy payout rate for the upcoming fiscal year (July 1 through June 30). The payout rate is a percentage of the endowment's average market value at fiscal year-end over the prior three years.

*For 2013-14, the boards approved a spending rate of 4.5 percent. This payout percentage is applicable to all endowments in the absence of another rate made explicit by the endowment agreement. In establishing the spending policy, the boards are required to consider the university's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends and general economic conditions. The spending policy strives to maximize total return while minimizing risk, in order to provide a steady stream of income to present and future generations and protect the purchasing power of the endowments from erosion by inflation. For fiscal years 2006 through 2010, the approved spending rate was 4.5 percent; however, due to the market losses in 2008, the spending rate approved for the 2010-11 and 2011-12 academic years was lowered to 3.5 percent in an effort to preserve the endowment and allow for future growth.*

## HOW IS THE PAYOUT CALCULATED FOR MY NAMED ENDOWED FUND?

Named endowed funds own units in the investment pool. The number of units each fund owns depends on the amount of the gift and the market value of the endowment at the time of the gift. The actual mechanics of endowment investment and management are very similar to that of a mutual fund. An endowment is accounted for using a unitized investment pool. Each individual endowment owns units in the pool, revalued at the end of each month. Only at month-end periods, using a month-end value of a unit, may new endowments enter the pool. New endowments "buy into" and receive a certain number of units in the pool based on the amount of the gift and the month-end unit value at the gift date.

Each month the university receives statements from each of the investment funds. Using these statements, the university calculates the current market value per share by dividing the total market value of the investment pool by the total number of units. During the succeeding month, new gifts to the endowment buy units in the consolidated pool at this share price.

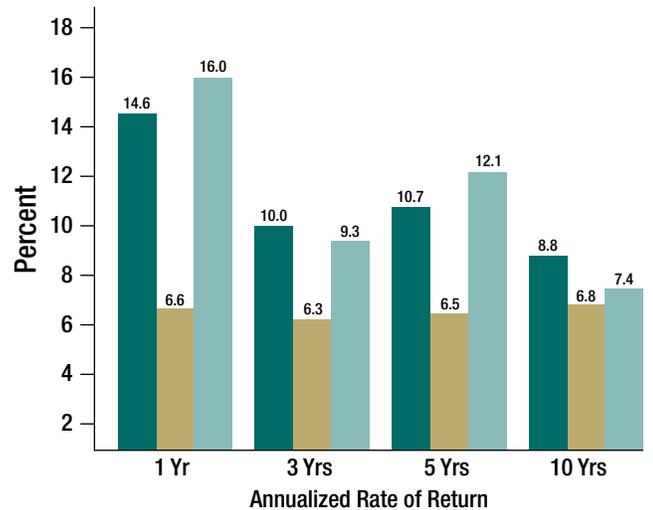
Every endowed fund owns units in the investment pool. New endowments may begin making distributions after accumulated investment earnings are sufficient to fund the annual payout, subject to the annual payout computation date of June 30. Normally, it takes at least one full year before a new endowment can begin to make distributions. Using the spending policy rate approved by the UNCW Board of Trustees for each fiscal year, the university calculates a distribution per unit and applies this payout per unit to each fund's average number of shares over the preceding four calendar quarters. This distribution is made to a corresponding "spendable account" in July of each year.

## How did we do in FY14?

	2013-14	2012-13
Opening Balance	\$ 76,025,968	\$ 67,711,177
Net Earnings	10,606,536	8,226,199
New Gifts	4,118,753	2,284,233
Average Value	214,830	187,718
Payout Dollars	(2,309,900)	(2,195,641)
Administrative Fees*	(575,983)	NA
Payout Ratio	4.50%	4.50%
Year-end Balance	\$ 87,865,374	\$76,025,968

\* An annual administrative fee of 1.25% of the average market value of the endowment portfolio over the three previous fiscal years is assessed on each individual endowment and paid from its reserves of accumulated earnings, after the spending distributions. A fully funded spending distribution is our highest priority. If reserves are insufficient to fully fund the spending distribution or if assessment of the administrative fee would erode the gift principal, then no fee will be assessed on that individual endowment.

## Endowment Investment Performance



◆ UNCW ◆ CPI + Spend Rate ◆ Median University & Endowment & Foundation \*\*

\*\* Based on Bank of New York Mellon endowment survey of about 229 college and university endowments.



## Endowment Activity Report

### Combined University and Foundation Endowments

	2013-14	2012-13	2011-12
Beginning Balance	\$ 76,025,968	\$ 67,711,177	\$ 64,150,261
Additions	4,118,753	2,284,233	3,018,440
Net Investment Gains	10,606,536	8,226,199	2,167,821
<b>Total Distributions</b>			
Scholarships	(1,053,497)	(983,792)	(759,953)
Academic Support	(385,275)	(533,274)	(455,727)
Professorships	(410,770)	(403,780)	(298,096)
Facilities	(204,653)	(186,991)	(87,382)
General University Support	(255,705)	(87,804)	(24,187)
	(2,309,900)	(2,195,641)	(1,625,345)
Ending Balance	\$ 87,865,374	\$ 76,025,968	\$ 67,711,177