



## ENDOWMENT ACTIVITY REPORT

JULY 1, 2012 – JUNE 30, 2013

Dear Alumni and Friends,

As you will see in the enclosed endowment report, the University of North Carolina Wilmington's portfolio made considerable gains last fiscal year. I am very pleased to share such good news with you – the benefactors who support endowed funds. By investing in our programs and our people – *especially our students* – you are strengthening every aspect of the UNCW experience. We appreciate your vision for the future and the opportunities that you are helping UNC Wilmington offer on our campus and in our community.

Overall, the university's combined endowments experienced an annual return of 12.9 percent, which exceeds our targeted long-term growth objective. At the end of the fiscal year, June 30, 2013, the university endowment's combined market value totaled more than \$76 million, which reflects the generosity of our donors, prudent management of the assets entrusted to UNCW and significant growth in the financial markets.

The future of higher education requires us to have a strong financial footing, and I cannot express the importance your endowed gifts make as we continue to build that foundation. Thank you for sharing our commitment to the journey of learning, the love of place, and the dedication to the power of ideas and innovation to change lives. The people and programs of this university will reap significant returns from your investment for years to come.

Sincerely,

Gary L. Miller  
Chancellor

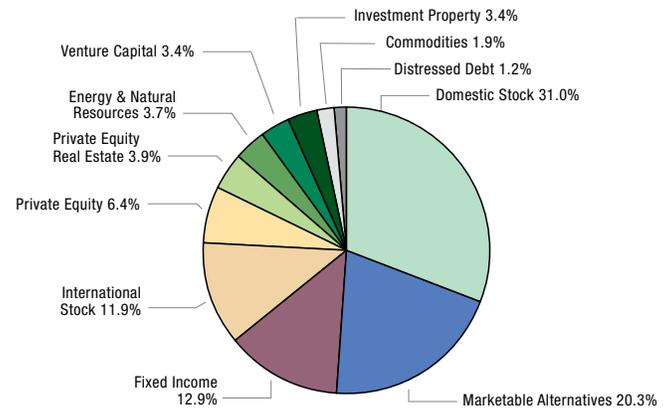
## UNCW Endowment Pool Asset Allocation as of June 30, 2013

### The UNCW Endowment – by the Numbers

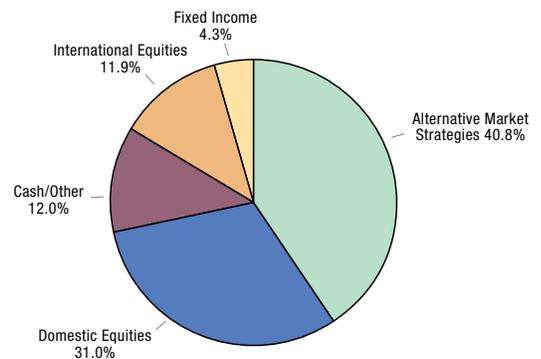
	2012-13	2011-12
End of year value	\$ 76,025,968	\$ 67,711,177
Average Value	187,718	174,513
Investment Performance	12.90%	5.70%
New Contributions	2,284,233	3,018,440
Endowment Distributions	(2,195,641)	(1,625,345)

#### Endowments for:

Scholarships	31,814,545	28,587,464
Academic Support	16,018,306	16,176,034
Professorships	14,682,090	12,724,767
Facilities	5,544,880	5,116,451
Public Service	2,327,954	2,018,403
General University Support	5,638,193	3,088,058
<b>Total Endowments</b>	<b>\$ 76,025,968</b>	<b>\$ 67,711,177</b>



#### A. Asset Classes of Investment Funds



#### B. NACUBO\* Asset Classes

\*National Association of College and University Business Officers

## 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 and 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

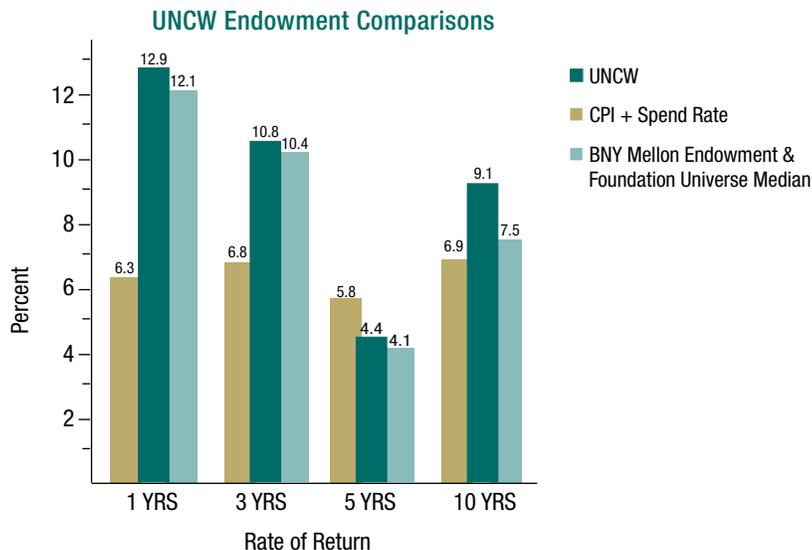
As of June 30, 2013, UNCW's total endowment portfolio was worth \$76,025,968. Since July 1, 2005, 179 endowments have been created, bringing the total number to 404. In fiscal year 2013, the pooled endowment portfolio's annual rate of return was 12.9 percent; compared to the median return of 12.1 percent for the 221 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), and also hold a note to the university. The goals are to provide stable and increasing support for future generations at UNCW.

## 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 96 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 (13 percent), GMO US Equity Fund (7 percent) and NC STIF (5 percent). These funds are broadly diversified to provide long-term protection against the volatility inherent in equities and bonds (see graphs A & B). Of the remaining 4 percent of the portfolio, 3 percent is dedicated to real estate utilized by the university and 1 percent has been given toward a student managed investment fund, which allows students to learn fundamentals of investment analysis and portfolio construction.



## HOW HAS THE ENDOWMENT PERFORMED?

During fiscal year 2013, our endowment portfolio performance experienced considerable growth, exceeding our long-term objective of CPI (Consumer Price Index) plus the annual spending rate. Our one-year return of 12.9 percent ranks above the median return of the BNY Mellon Universe of 221 endowment and foundation funds. The three-year return shows the significant recovery experienced following the market losses of 2008-09 and reflected in the five-year returns. More importantly, over the past 10 years the portfolio's solid 9.1 percent return both exceeds our long-term objective and ranks in the top quartile of the BNY Mellon Endowment and Foundation Universe.

## WHAT IS UNC WILMINGTON'S PAYOUT POLICY?

Annually, the UNCW Endowment Board of the Board of Trustees and the Investment Committee of the Foundation Board review the payout rate for the upcoming fiscal year (July 1 through June 30). The payout is a percentage of the endowment's average market value for the 12 quarters of the three prior calendar years.

*For 2012-13, 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 did we do in FY13?

	2012-13	2011-12
Opening Balance	\$ 67,711,177	\$ 64,150,261
Net Earnings	8,226,199	2,167,821
New Gifts	2,284,233	3,018,440
Average Value	187,718	174,513
Payout Dollars	(2,195,641)	(1,625,345)
Payout Ratio	4.50%	3.50%
Year-end balance	\$ 76,025,968	\$ 67,711,177

the amount being invested and the value of a unit on the buy-in date. As the value of a unit in the pool grows, new endowments purchase fewer units in the pool.

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 shares. During the succeeding month, new gifts to the endowment buy shares in the consolidated pool at this share price.

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

Named endowed funds own shares in the investment pool. The number of shares 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 given

Every endowed fund owns shares 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 rate approved by the UNCW Board of Trustees for each fiscal year, the university calculates a distribution per share and applies this payout per share to each fund's average number of shares over the preceding 12 months. This distribution is made to a corresponding "spendable account" in July of each year.

## Endowment Activity Report

### *Combined University and Foundation Endowments*

	2012-13	2011-12	2010-11	2009-10	2008-09
Beginning Balance	\$ 67,711,177	\$ 64,150,261	\$ 53,058,229	\$ 48,795,393	\$ 55,750,470
Additions	2,284,233	3,018,440	5,004,230	3,024,178	2,188,469
Net Investment Gains	8,226,199	2,167,821	7,500,412	3,030,692	(7,089,188)
<b>Total Distributions:</b>					
Scholarships	(983,792)	(759,953)	(684,996)	(787,110)	(937,713)
Academic Support	(533,274)	(455,727)	(442,845)	(587,187)	(567,668)
Professorships	(403,780)	(298,096)	(234,996)	(303,247)	(359,823)
Facilities	(186,991)	(87,382)	(49,773)	(64,490)	(149,511)
General University Support	(87,804)	(24,187)	-	(50,000)	(39,643)
	(2,195,641)	(1,625,345)	(1,412,610)	(1,792,034)	(2,054,358)
Ending Balance	\$ 76,025,968	\$ 67,711,177	\$ 64,150,261	\$53,058,229	\$ 48,795,393