

# UCSF Foundation Investment Company Update

## Fiscal Year 2020 Results

**David Harkins**, founding president and CIO

2020 will forever be remembered for the emergence of COVID-19 and UCSF's heroic response. From an investment perspective, the pandemic – and the resulting shelter-in-place, recession, unemployment, and stock market volatility – made it a challenging year. We are pleased that even in this environment, UCSF's endowment delivered a positive return of 5.3%, paid out \$92.1 million to the university, and ended the year nearly \$200 million larger, surpassing \$2 billion. The endowment's stability and payout could not have come at a better time.

The endowment compounded at 7.2% annualized over the past 10 years, a strong result for the faculty members, students, clinicians, and patients that depend on its strength. These returns exceeded the long-term goal of meeting the payout of 4.75%, outpacing inflation, and growing the corpus.

The fiscal-year end also marks our fourth year of investing. The endowment has returned 8.2% annualized and outperformed its benchmark over these four years. In this relatively short time, the team has

revamped the portfolio, invested millions of new gifts, and significantly increased the diversification. One could expect substandard investment performance during such an extensive transition period, yet the endowment has performed well on an absolute and relative basis.

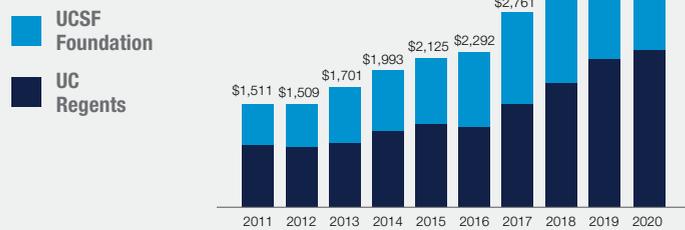
UCSF is now much closer to having an all-weather portfolio that can perform well in a variety of markets, not just a bull market, as demonstrated during this volatile year. UCSF had about one-half of the volatility of the market, which was reassuring, but our long-term goal is high returns, not low volatility. We are using this environment to increase the return potential of the endowment.

Market volatility and fear of missing out causes investors to take on more risk at the wrong time. Rest assured that UCSF is staying disciplined and balanced. We have neither chased performance nor gone “into the bunker.” We invested more near the market bottom in March and rebalanced as the market rebounded.

COVID-19 continues to pose challenges for investors, for UCSF, and for our society, so we remain cautious. The portfolio has excess cash and a stable of strong investors, so we feel prepared if and when sustained volatility returns to the markets.

## Total UCSF endowment

(dollars in millions)



In the fiscal year ending June 30, 2020, the endowment grew \$174.6 million, or 9.49 percent over the previous fiscal year, including internal campus transfers. Gifts received in June are invested in July and not reflected in these totals.

## Private support by designation

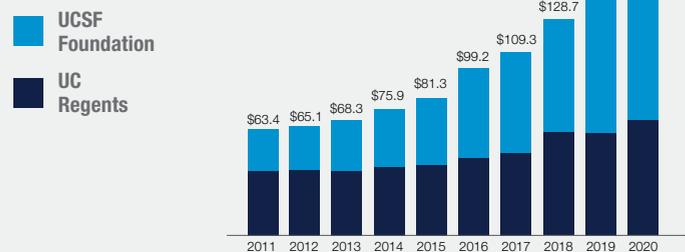
(dollars in millions)



UCSF received a total of \$826.7 million in gifts and grants in fiscal year 2020 for endowment, current use, and capital funds.

## UCSF endowment payout growth

(dollars in millions)



Endowment payout grew in fiscal year 2020, providing a crucial source of funding for our mission of education, research, and clinical care. UCSF Foundation endowment payout includes income earned on UCSF Benioff Children's Hospital Oakland investments in the UCSF Foundation investment pool.

# Endowment Management

The endowment is divided into two pools with one objective: protecting and growing the endowment to support UCSF's mission. The UCSF Foundation Investment Company manages the Foundation Endowment Pool, which comprises 47 percent of the endowment. The other 53 percent is managed within the UC Regents General Endowment pool. Each pool has a long-term investment approach aimed at preserving purchasing power for successive generations while ensuring payout for the University's immediate needs.

## Investment Performance ending June 30, 2020

The following chart illustrates returns received and the benchmarks used to evaluate performance by the UCSF Foundation and the UC Regents.

	10-Year	5-Year	3-Year	1-Year
UCSF Foundation Investment Pool	7.2%	5.5%	6.4%	5.3%
UCSF Foundation Policy Benchmark	7.3%	5.4%	5.6%	3.1%
Regents General Endowment Pool	8.8%	6.5%	7.4%	5.0%
Regents Policy Benchmark	7.2%	5.5%	5.7%	3.0%

## Payout calculations

The current gross payout rate for endowments for funds managed by the UC Regents is 4.75 percent of the 60-month trailing average of the endowment unit market value. For funds managed by the UCSF Foundation, the payment formula is 4.75 percent of the 36-month trailing average of the endowment unit market value.

For further information on endowed giving, please contact Jennifer Arnett, vice chancellor, University Development and Alumni Relations, at (415) 476-4998 or Jennifer.Arnett@ucsf.edu.