



UNIVERSITY of NORTH CAROLINA WILMINGTON

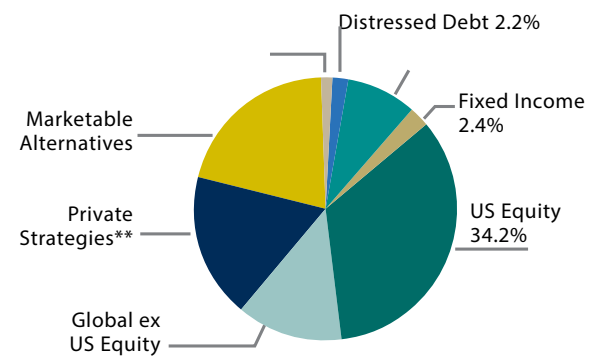


Endowment Report

July 1, 2014 - June 30, 2015

	2014-15	2013-14
End-of-Year Value	\$ 90,896,398	\$ 87,865,374
Average Value	230,701	214,830
Investment Performance	5.40%	14.60%
New Contributions	1,515,283	4,118,753
Endowment Distributions	(2,921,168)	(2,309,900)
Endowments for:	2014-15	2013-14
Scholarships	37,189,240	35,944,480
Academic Support	14,955,283	14,259,358
Professorships	16,837,574	16,598,391
Facilities	6,205,332	6,178,142
Public Service	2,680,029	2,668,388
General University Support	13,028,940	12,216,615

UNCW Endowment Pool Asset Allocation as of June 30, 2015



** Includes buyouts, venture capital, real estate

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 its 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. Additional information about UNCW's endowment, including definitions of terms, can be found online at 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, 2015, UNCW's total endowment portfolio was worth \$90,896,398. Since July 1, 2005, 169 endowments have been created, bringing the total number to 394. Over the past 10 years, the pooled endowment portfolio's annualized rate of return has been 8.0 percent; which ranks in the top quartile for the 200+ 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), GMO Quality Fund and GMO US Equity Fund (www.gmo.com), The Investment Fund for Foundations (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 fund's investment program 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 (55 percent), TIFF's Multi-Asset Fund (17 percent), GMO Quality Fund (15 percent), GMO US Equity Fund (8 percent) and NC STIF (5 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 endowments are managed with a long-term horizon and a primary return objective to provide a stream of distributions to support scholarships and university programs in "real dollars" into perpetuity. The fund's 10-year annualized return of 8.0 percent exceeds this objective by 1.4 percent. Over a more medium-term horizon, this objective is also met with three- and five- year annualized returns of 10.9 percent and 10.4 percent, respectively, versus 5.8 percent and 6.3 percent for spending plus inflation.

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 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 2014-15, 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 to 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, and each is 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.

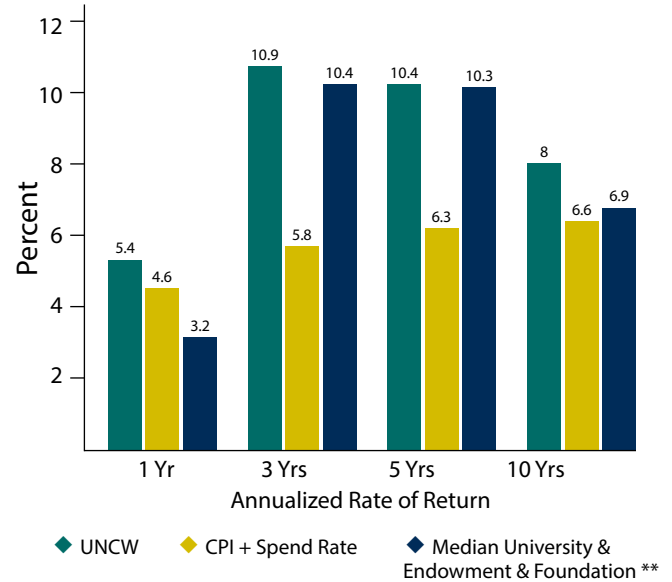
Every endowed fund owns units in the investment pool. New endowments may begin making distributions after accumulated investment earnings are sufficient to fund the annual payout, subject to the annual payout computation date of June 30. Normally, it takes at least one full year before a new endowment 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 FY15?

Endowments for:	2014-15	2013-14
Opening Balance	\$ 87,865,374	\$ 76,025,968
Net Earnings	5,176,028	10,606,536
New Gifts	1,512,283	4,118,753
Average Value	230,702	214,830
Payout Dollars	(2,916,686)	(2,309,900)
Administrative Fees*	(740,601)	(575,983)
Year-end Balance	\$ 90,896,398	\$ 87,865,374

* 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

Endowment Investment



** Based on Bank of New York Mellon endowment survey of about



Endowment Activity Report

Combined University and Foundation Endowments	2014-15	2013-14	2012-13
Beginning Balance	\$87,865,374	\$76,025,968	\$64,533,411
Additions	1,512,283	4,118,753	2,071,154
Net Investment Gains	5,176,028	10,606,536	7,827,851
Total Distributions			
Scholarships	(1,245,043)	(1,053,493)	(983,792)
Academic Support	(485,044)	(385,275)	(328,985)
Professorships	(562,227)	(410,769)	(403,780)
Facilities	(223,750)	(204,653)	(186,990)
Public Service	(125,790)	N/A	N/A
General University Support	(274,842)	(255,704)	(292,093)
	(2,916,696)	(2,309,899)	(2,195,640)
Ending Balance	\$90,896,398	\$87,865,374	\$76,025,968