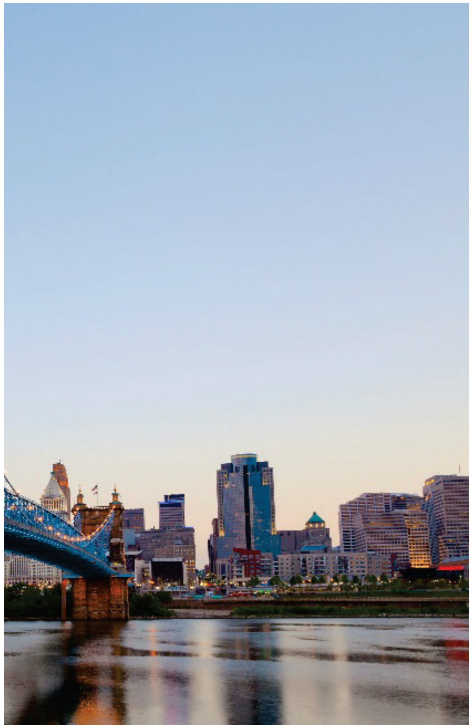
Reported to the Board of Trustees
March 15, 2018

F·E·G investment advisors



UNIVERSITY OF ILLINOIS SYSTEM

FOURTH QUARTER 2017 INVESTMENT UPDATE
PREPARED FOR THE BOARD OF TRUSTEES

February 2018

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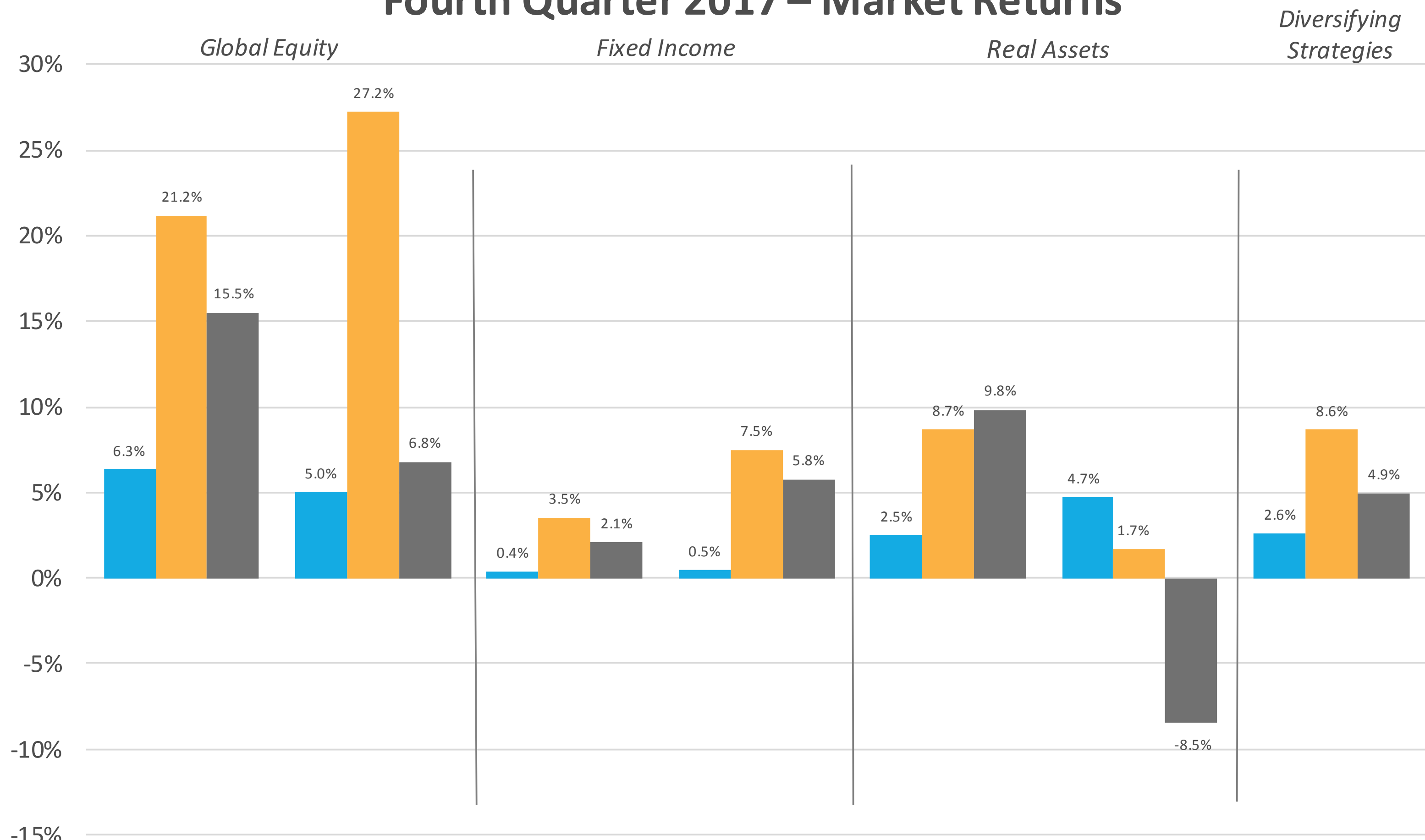
MARKET OVERVIEW AND SYSTEM ASSETS

Fourth Quarter 2017 – Market Returns

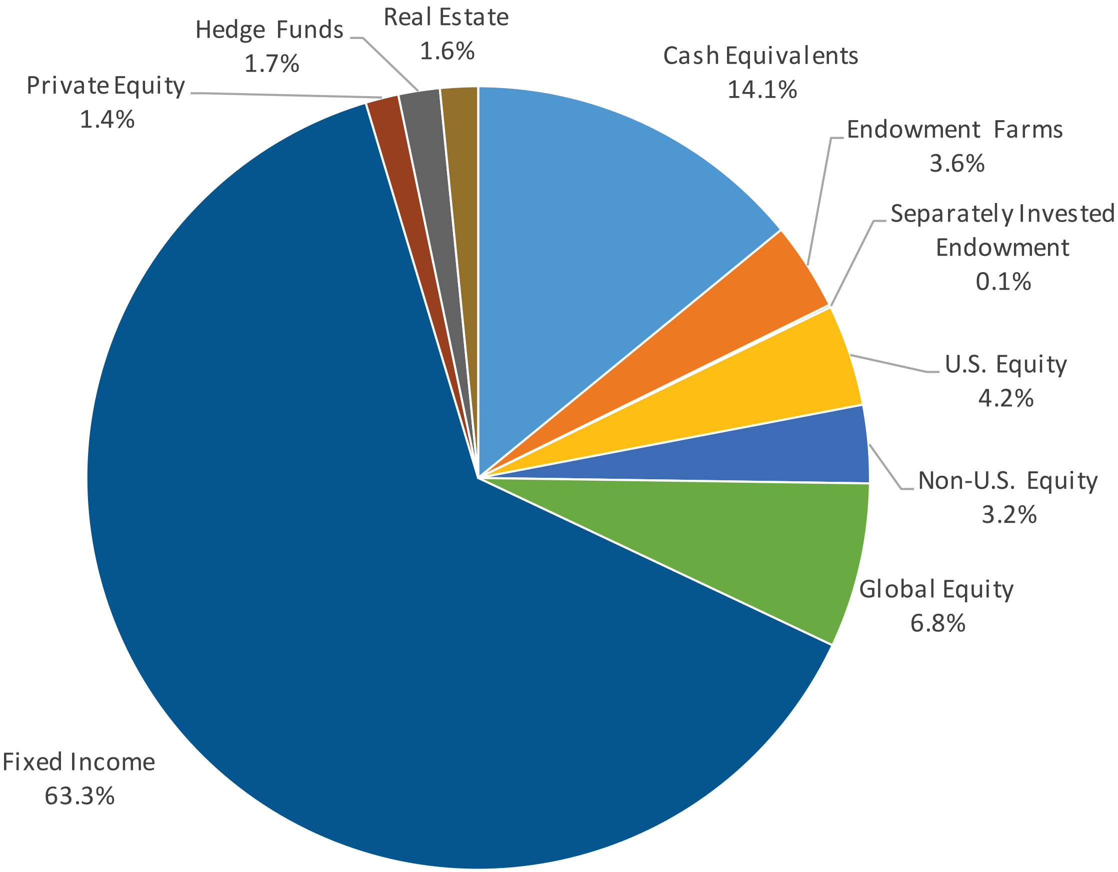


	DJ US Total Stock Market Index	MSCI ACWI ex-U.S.	Barclays U.S. Agg Index	Barclays HY Index	FTSE NAREIT All Equity Index	Blmbrg Cmdty Index	HFRI Fund Wtd Comp. Index
Quarter	6.3%	5.0%	0.4%	0.5%	2.5%	4.7%	2.6%
1 Yr	21.2%	27.2%	3.5%	7.5%	8.7%	1.7%	8.6%
5 Yrs Annualized	15.5%	6.8%	2.1%	5.8%	9.8%	-8.5%	4.9%

Data sources: Lipper and Hedge Fund Research

  Confidential – Not for Redistribution

System Endowment & Operating Assets
$2.82 Billion as of 12/31/2017



Note: The sum of the allocation may not equal 100% due to rounding.

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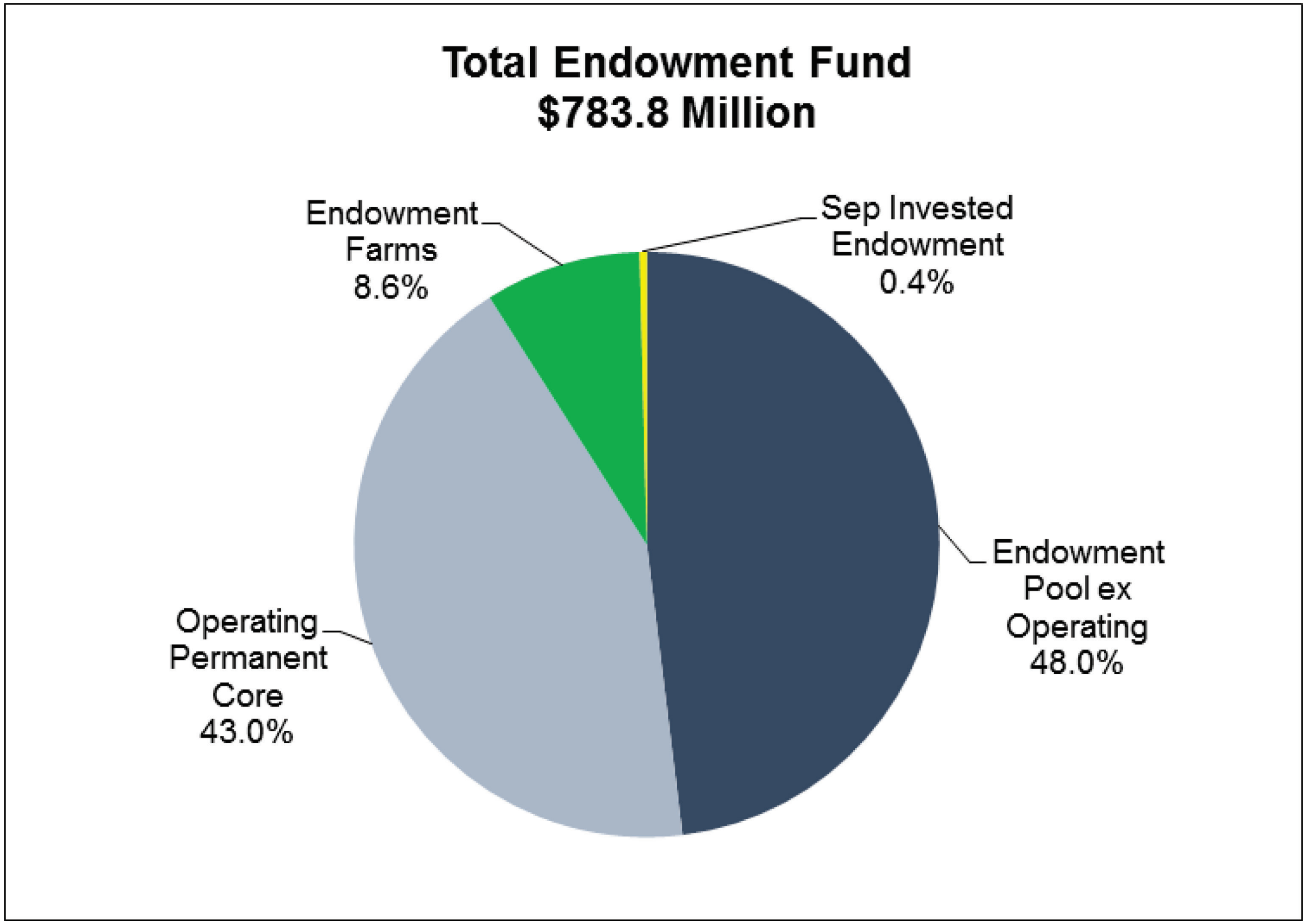
ENDOWMENT FUND UPDATE: DECEMBER 31, 2017

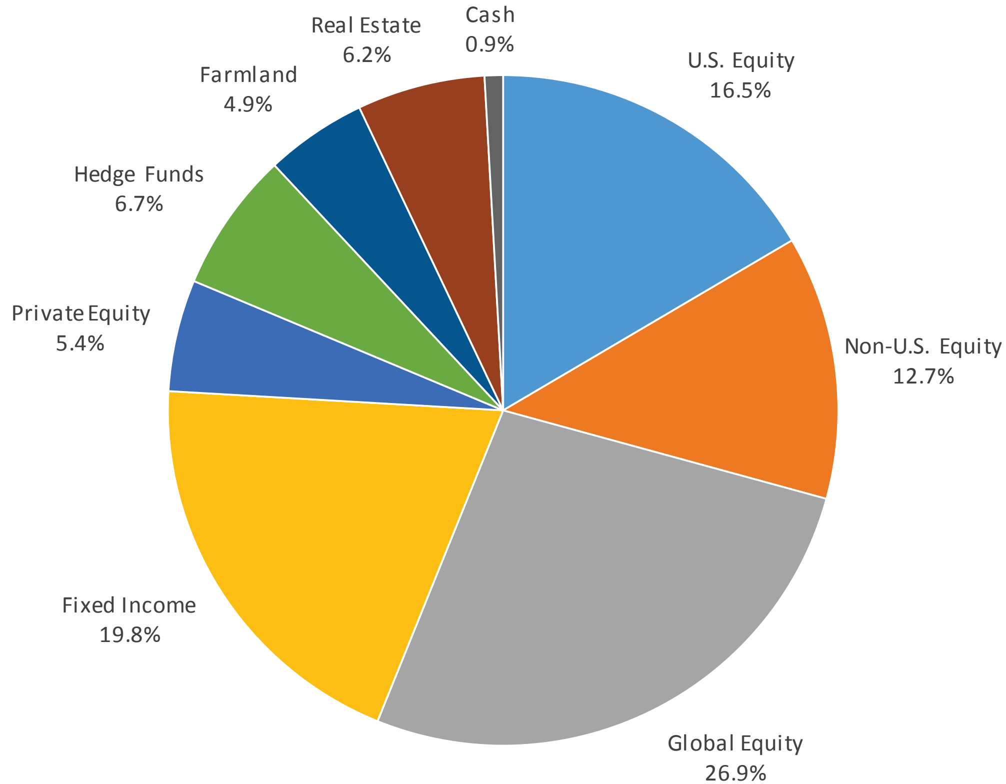
TOTAL ENDOWMENT ASSETS BY TYPE: DECEMBER 31, 2017

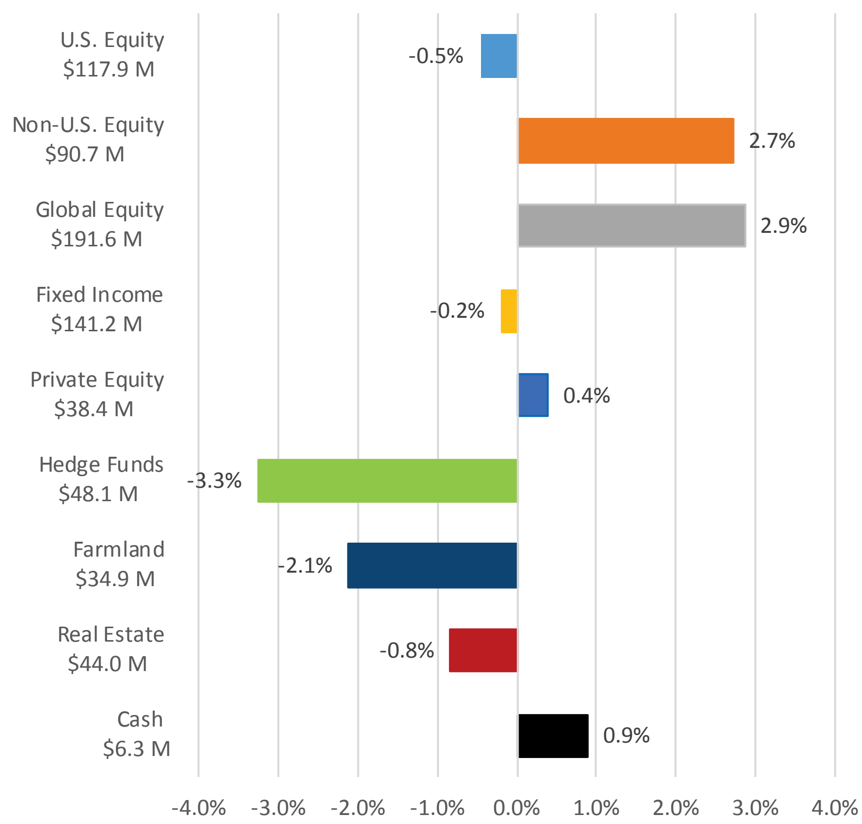


- The Total Endowment Fund was valued at $783.8 million as of December 31, 2017.
- The Operating Pool maintains a permanent core investment in the Endowment Pool (light-blue pie slice); this is a long-term investment to enhance Operating Pool returns.
- The combined Endowment Pool is valued at $713.2 million (dark- and light-blue pie slices) and is discussed further on the following slides.

Note: The sum of the allocation may not equal 100% due to rounding.

MARKET VALUE AND ASSET ALLOCATION: ENDOWMENT POOL



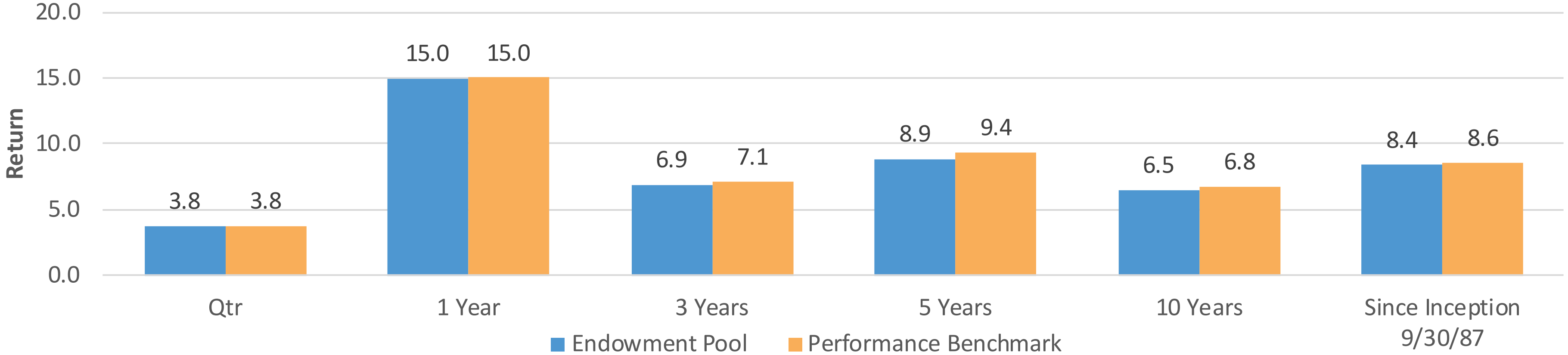


Note: Long-Term Policy Allocations: U.S. Equity 14%, Non-U.S. Equity 10%, Global Equity 24%, Private Equity 8%, Hedge Funds 10%, Fixed Income 20%, Farmland 7%, and Core Real Estate 7%

Note: Total sum of allocation may not equal 100% due to rounding.

TOTAL ENDOWMENT POOL PERFORMANCE (DECEMBER 31, 2017)

TOTAL POOL: $713.2 MILLION



- During the quarter ending December 31, 2017, the Endowment Pool gained 3.8%, performing in-line with the benchmark. The main drivers of the Endowment Pool's quarterly return were:
  - Fixed Income investments outperformed the Bloomberg Barclays U.S. Aggregate Index by 0.2% during the quarter, returning 0.6%.
  - The Endowment's overweight to equity markets provided incremental returns as equities outperformed most other asset classes.
- Over the trailing one-year period ending December 31, 2017, the Endowment Pool returned 15.0% while matching performance of the benchmark. The main drivers of the Endowment Pool's one-year return were:
  - Fixed Income investments exceeded their respective benchmark.
  - Similar to the quarterly commentary, the Endowment's overweight to equity markets provided incremental returns as equities were the largest contributor for the year.

Endowment Pool Market Value Change	Quarter Ending December-2017
Beginning Market Value	$691.4 M
Net Contributions	($4.1 M)
Gain/Loss	$25.9 M
Ending Market Value	$713.2 M

Note: The beginning market value + net contributions + net investment gains referenced in the table may not equal the ending market value due to rounding.

ASSET CLASS PERFORMANCE: ENDOWMENT POOL (DEC 31, 2017)

	Quarter ending Dec-2017	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Endowment Pool	**3.8**	**15.0**	**6.9**	**8.9**	**6.5**	**8.4**	**Sep-87**
Performance Benchmark	3.8	15.0	7.1	9.4	6.8	8.6	
Total U.S. Equity	**6.6**	**19.8**	**9.9**	**15.0**	**8.8**	**9.4**	**Sep-87**
DJ U.S. Total Stock Market Index	6.3	21.2	11.1	15.5	8.7	9.7	
Total Non-U.S. Equity	**5.3**	**28.0**	**8.3**	**7.4**	**1.8**	**5.8**	**Sep-93**
Non-U.S. Equity Benchmark	5.2	27.8	8.4	7.1	2.0	6.0	
Total Global Equity	**5.8**	**24.3**	**9.3**	**10.3**	**-**	**11.2**	**Jun-12**
Global Equity Benchmark	5.7	23.9	9.4	10.9	-	11.7	
Total Fixed Income	**0.6**	**4.3**	**2.8**	**2.4**	**5.2**	**7.0**	**Sep-87**
Bloomberg Barclays U.S. Aggregate	0.4	3.5	2.2	2.1	4.0	6.5	
Total Hedge Funds	**0.8**	**5.0**	**4.2**	**-**	**-**	**4.3**	**May-13**
HFRI Fund Weighted Composite Index	2.6	8.6	4.2	-	-	4.3	
Total Private Equity[1]	**3.7**	**14.8**	**11.3**	**10.7**	**7.1**	**2.8**	**Jan-04**
Private Equity Benchmark	6.9	24.2	14.1	18.5	11.7	11.9	
Total Real Estate	**1.7**	**5.9**	**8.4**	**-**	**-**	**12.1**	**Aug-13**
Real Estate Benchmark	1.8	6.4	8.4	-	-	12.3	
Total Farmland[2]	**0.0**	**-0.4**	**-2.2**	**1.7**	**9.7**	**8.8**	**Dec-06**
NCREIF Cornbelt Index	0.0	-0.4	-1.3	5.2	11.1	10.0	

[1]The combined Adams Street Partners IRR at September 30, 2017 was 9.6% since inception.
[2]Farmland is valued annually on June 30. As such, the one-year return reflected above is the one-year return for Farmland as of June 30, 2017.

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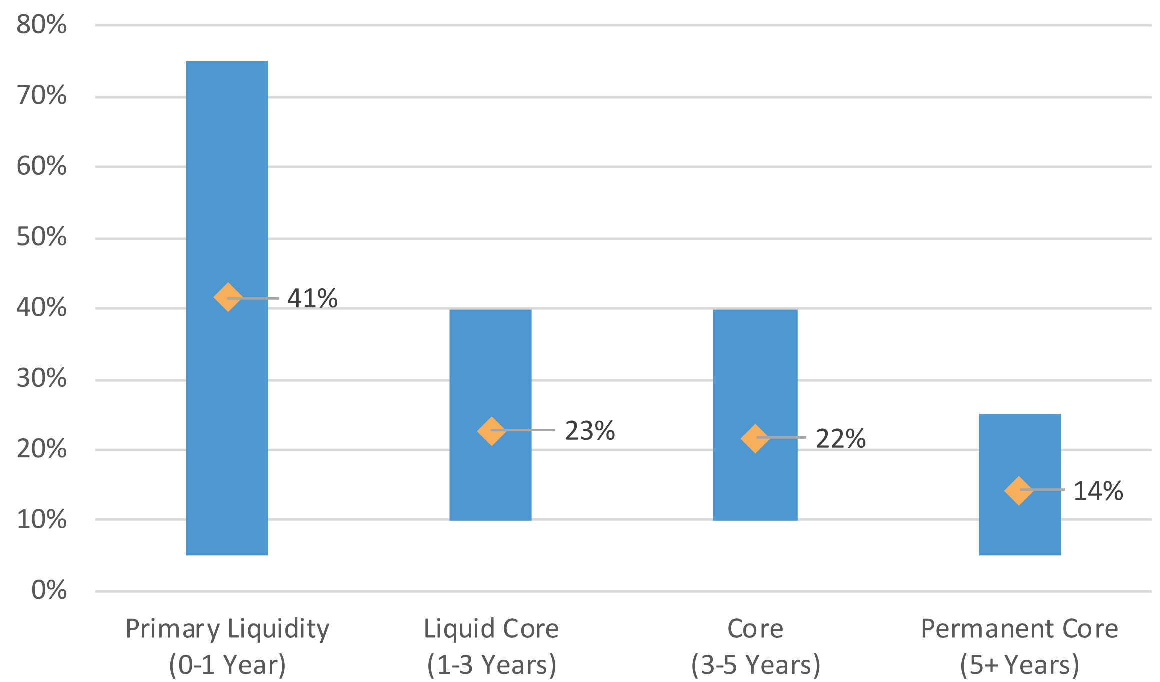
OPERATING POOL UPDATE: DECEMBER 31, 2017

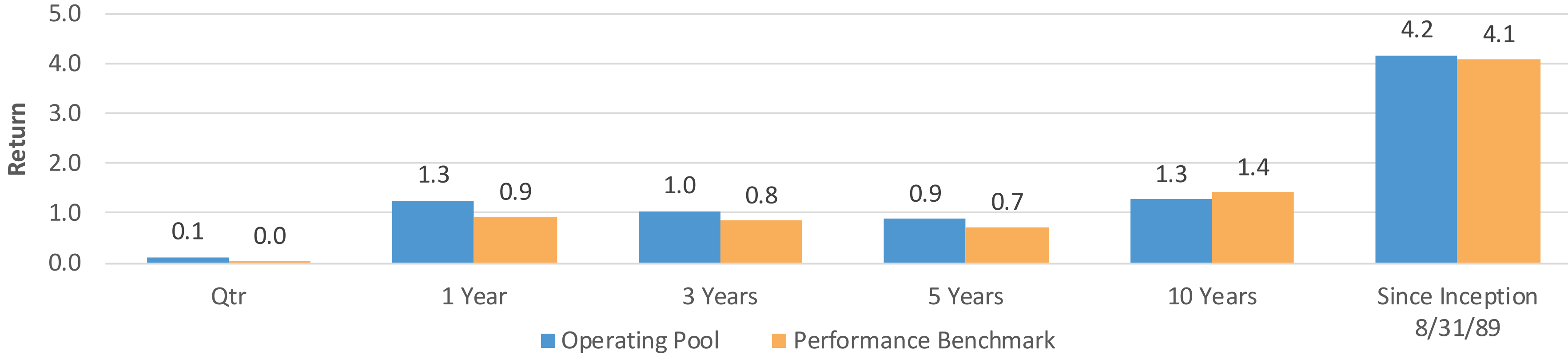
OPERATING POOL LIQUIDITY LAYERS
AS OF DECEMBER 31, 2017



- The asset allocation strategy for the Operating Pool consists of investing funds across four liquidity layers. Board-approved ranges are depicted by the bars, while the diamonds represent the actual allocation.
- Funds expected to be used within one year are invested in the primary liquidity layer.
- Longer-time horizon investments, including core and permanent core, are expected to provide higher rates of return and will experience some variation in market value as capital market conditions change.
- The System's permanent core operating funds are invested in the System's Endowment Pool investment program.

TOTAL OPERATING POOL PERFORMANCE (DECEMBER 31, 2017)

TOTAL POOL: $2.03 BILLION



- The Operating Pool's return during the fourth quarter was 0.1%, slightly ahead of its benchmark return for the period.
  - All of the Operating Pool's managers approximated or outperformed their respective benchmarks during the quarter.

- Over the trailing one-year period ending December 31, 2017, the Operating Pool returned 1.3% while outperforming the benchmark.
  - Similar to the quarterly commentary, all of the Operating Pool's managers outperformed their respective benchmarks during the period.

Market Value Change	Quarter Ending December-2017
Beginning Market Value	$2,159.2 M
Net Contributions	($128.7 M)
Gain/Loss	$2.7 M
Ending Market Value	$2,033.3 M

Note: The Total Pool's beginning and ending market values include bank balances in which the System earns credit to offset bank fees. The beginning market value + net contributions + net investment gains referenced in the table may not equal the ending market value due to rounding.

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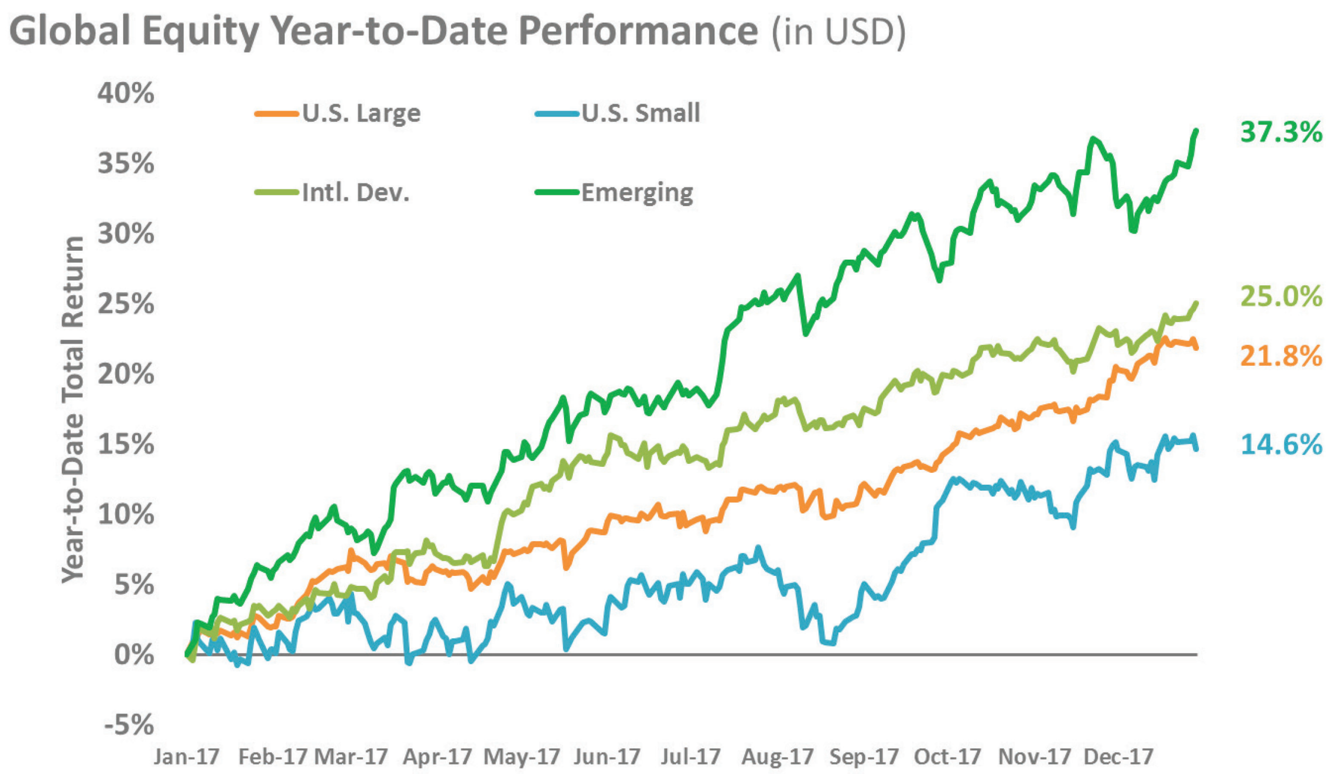
APPENDIX: MARKET ENVIRONMENT

2008-2017 Annual Returns of Key Indices

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	5-year annual	10-year annual
Bonds 5.2%	Emerging Markets 78.5%	MLPs 35.9%	MLPs 13.9%	Global REIT 27.7%	Small Cap 38.8%	Global REIT 15.0%	Large Cap 1.4%	Small Cap 21.3%	Emerging Markets 37.3%	Large Cap 15.8%	Small Cap 8.7%
Hedge Funds -21.4%	MLPs 76.4%	Small Cap 26.9%	Bonds 7.8%	Emerging Markets 18.2%	Large Cap 32.4%	Large Cap 13.7%	Bonds 0.5%	MLPs 18.3%	Int'l 25.0%	Small Cap 14.1%	Large Cap 8.5%
High Yield -26.2%	High Yield 58.2%	Global REIT 19.6%	High Yield 5.0%	Int'l 17.3%	MLPs 27.6%	Bonds 6.0%	Hedge Funds -0.3%	High Yield 17.1%	Large Cap 21.8%	Int'l 7.9%	High Yield 8.0%
Small Cap -33.8%	Global REIT 37.1%	Emerging Markets 18.9%	Large Cap 2.1%	Small Cap 16.3%	Int'l 22.8%	Small Cap 4.9%	Global REIT -0.8%	Large Cap 11.9%	Small Cap 14.6%	Global REIT 6.3%	MLPs 6.0%
MLPs -36.9%	Int'l 31.8%	High Yield 15.1%	Small Cap -4.2%	Large Cap 16.0%	Hedge Funds 9.0%	MLPs 4.8%	Int'l -0.8%	Emerging Markets 11.2%	Global REIT 10.4%	High Yield 5.8%	Bonds 4.0%
Large Cap -37.0%	Small Cap 27.2%	Large Cap 15.1%	Hedge Funds -5.7%	High Yield 15.8%	High Yield 7.4%	Hedge Funds 3.4%	Small Cap -4.4%	Global REIT 4.1%	Hedge Funds 7.7%	Emerging Markets 4.3%	Global REIT 3.3%
Int'l -43.4%	Large Cap 26.5%	Int'l 7.7%	Global REIT -6.5%	MLPs 4.8%	Global REIT 3.7%	High Yield 2.5%	High Yield -4.5%	Bonds 2.6%	High Yield 7.5%	Hedge Funds 4.0%	Int'l 1.9%
Global REIT -48.2%	Hedge Funds 11.5%	Bonds 6.5%	Int'l -12.1%	Hedge Funds 4.8%	Bonds -2.0%	Emerging Markets -2.2%	Emerging Markets -14.9%	Int'l 1.0%	Bonds 3.5%	Bonds 2.1%	Emerging Markets 1.7%
Emerging Markets -53.3%	Bonds 5.9%	Hedge Funds 5.7%	Emerging Markets -18.4%	Bonds 4.2%	Emerging Markets -2.6%	Int'l -4.9%	MLPs -32.6%	Hedge Funds 0.5%	MLPs -6.5%	MLPs -0.1%	Hedge Funds 1.1%

Note: See disclosure section for a description of key indices.

- Among the most dominant equity categories in 2017 was emerging markets, which trailed most U.S. equity categories in 2016.
- The laggard in 2017, U.S. Small Cap, was the strongest performer of the group in 2016.
- International developed equities were supported by improved economic fundamentals and benefitted from the decline of the U.S. dollar.



Data source: Bloomberg, L.P.; Data as of 12/29/2017

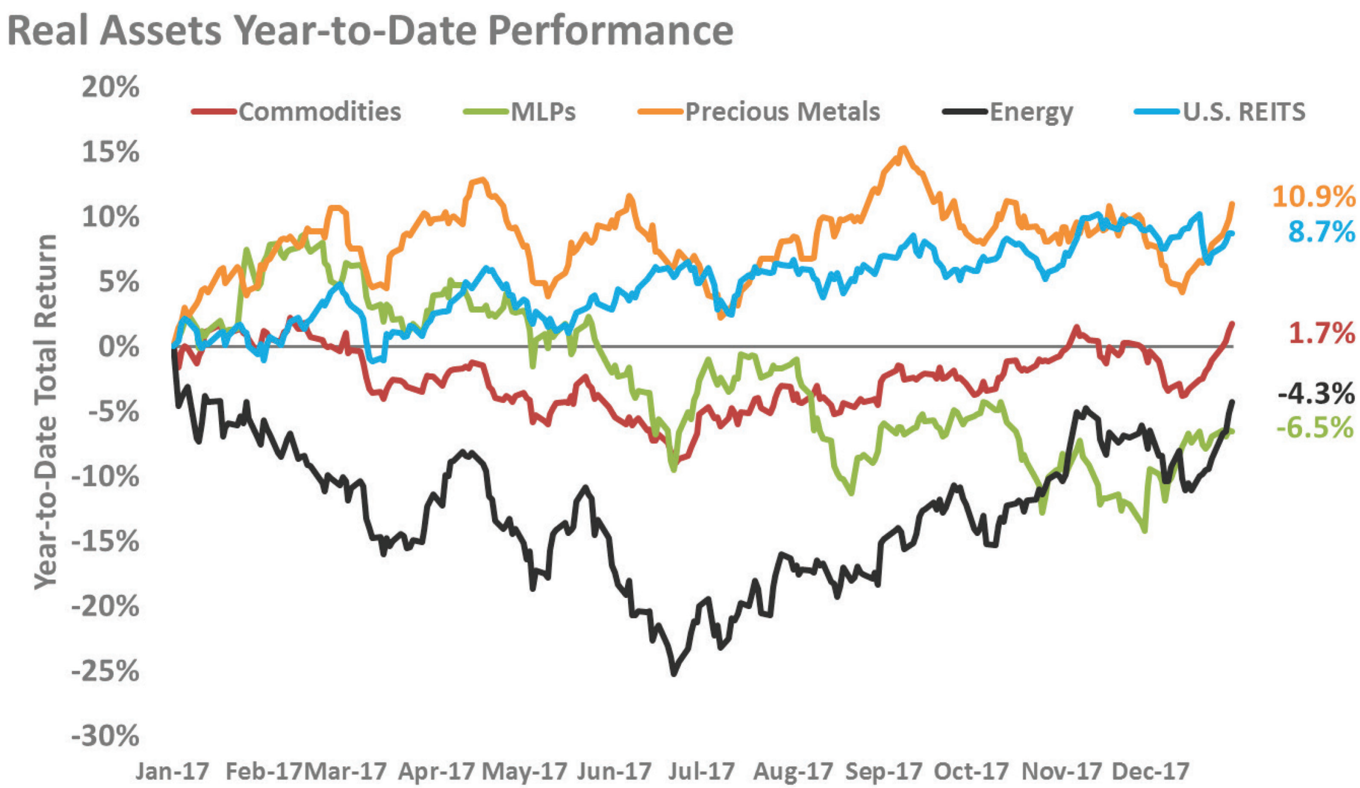
FIXED INCOME PERFORMANCE

- Although reversing somewhat in the first few days of 2018, Long Duration Treasuries represented one of the more dominant fixed income categories in 2017 benefiting from declining interest rates and demand for yield.
- In 2016, high yield bonds posted the strongest return of the group when they rallied by 17.1%; they continued their positive performance in 2017 as a result of stable growth in the U.S. economy.
- Although inflation rates ascended toward the end of the year, TIPS lagged due to the lack of meaningful inflationary fears.

Data source: Bloomberg, L.P.; Data as of 12/29/2017

REAL ASSETS PERFORMANCE

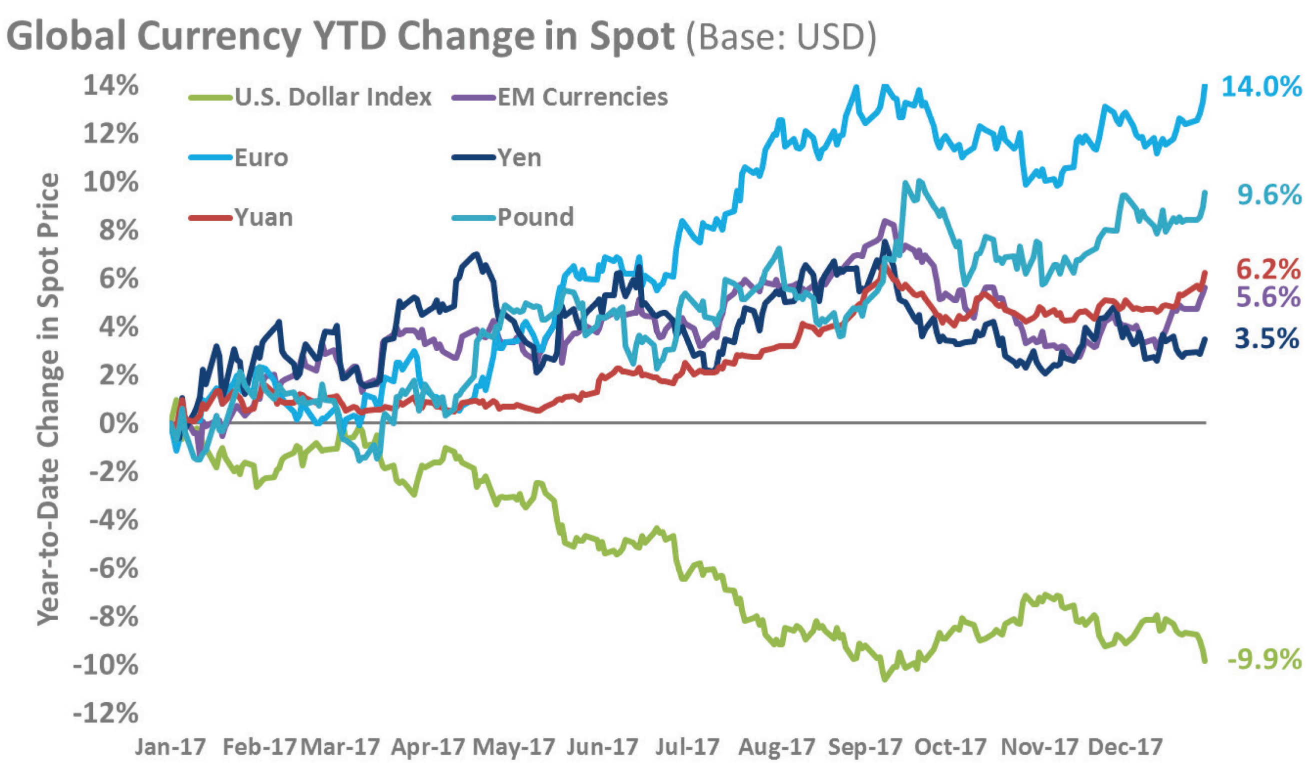
- Energy (inclusive of oil and natural gas) stemmed a 25% loss in the first half of 2017 but closed the year down just less than 5%.
- After an 18.3% return in 2016 and a positive first few months of 2017, MLPs began weakening around mid-year as oil prices plunged.
- Oil's subsequent rally that started in the summer, however, did little to slow MLP losses due in part to tax law change fears and end-of-year tax loss harvesting.
- Precious metals enjoyed a strong year in conjunction with U.S. dollar weakness.



Data source: Bloomberg, L.P.; Data as of 12/29/2017

GLOBAL CURRENCY PERFORMANCE

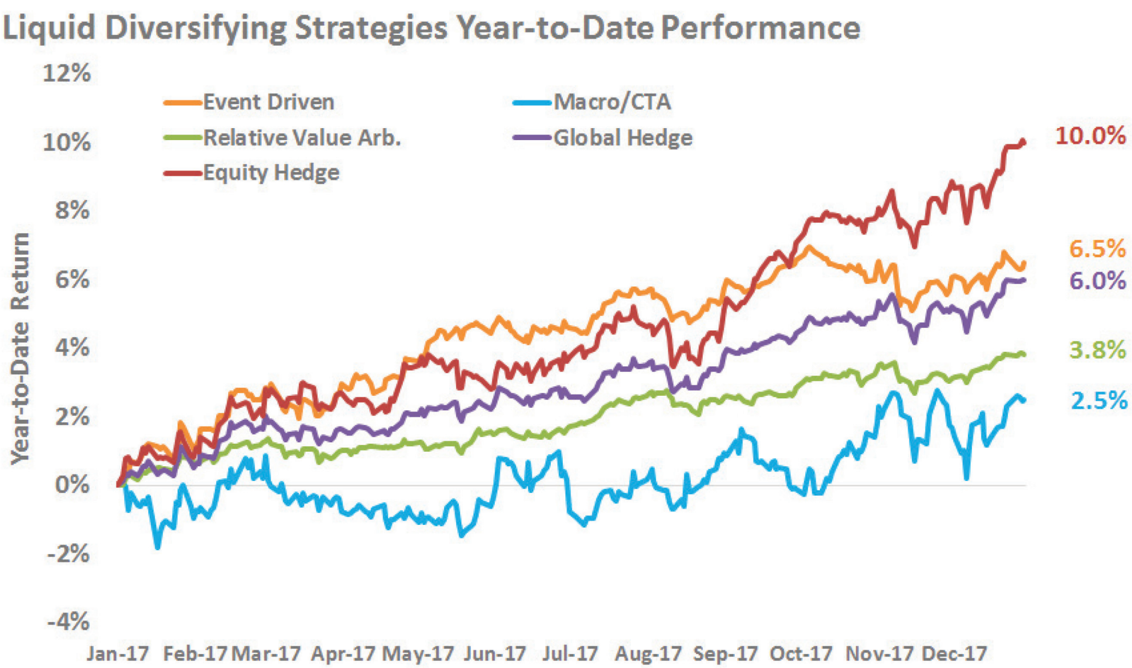
- After the U.S. presidential election in 2016, the U.S. dollar experienced an initial surge on expectations of economic expansion from infrastructure spending, tax and regulatory reform, and the jump in interest rates that would likely follow thereafter.
- In 2017, the U.S. dollar collapsed ending the year down nearly 10% despite three Federal Reserve interest-rate hikes and passage of tax reform.
- Dollar weakness was based largely on comparatively stronger-than-expected economic growth in other countries around the world.
- Most notable was the Eurozone, which enjoyed the best economic year in a decade.



Data source: Bloomberg, L.P.; Data as of 12/29/2017

DIVERSIFYING STRATEGIES PERFORMANCE

- Benefitting from a connection to strong performance in long-only equity markets, hedged equity ended 2017 with a double-digit gain.
- Event-driven strategies endured some shaky moments due to busted mergers but managed a solid 6.5% return for the year.
- Macro/CTA managers extended their struggles into 2017 amidst a persistently-lower-than-average volatility environment.



Data source: HFRI, Bloomberg, L.P.; Data as of 12/29/2017

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Large Cap is represented by the S&P 500 Index which measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-weighted index of 500 stocks that are traded on the NYSE, AMEX, and NASDAQ. www.standardandpoors.com

Mid Cap is represented by the Russell Mid Cap Index which measures performance of U.S. mid capitalization stocks. The Russell Mid Cap Index is a capitalization-weighted index of the 800 smallest companies in the Russell 1000 Index. The stocks are traded on the NYSE, AMEX, and NASDAQ. www.russell.com

Small Cap is represented by the Russell 2000 Index which measures the performance of U.S. small capitalization stocks. The Russell 2000 is a capitalization-weighted index of the 2,000 smallest stocks in the broad U.S. equity market, as defined by the Russell 3000 Index. These stocks are traded on the NYSE, AMEX, and NASDAQ. www.russell.com

International is represented by the MSCI EAFE Index which is a Morgan Stanley Capital International index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East. www.mscibarra.com

Emerging Markets are represented by the MSCI Emerging Markets Index which is a Morgan Stanley Capital International index that is designed to measure the performance of emerging market stock markets. www.mscibarra.com

Hedged Equity is represented by the Hedge Fund Research, Inc. Fund Weighted Composite Index, an equal weighted index that includes over 2,000 constituent funds, both domestic and offshore with no Fund of Funds included in the index. www.hfri.com

Bonds are represented by the Barclays U.S. Aggregate Bond Index which includes U.S. government, corporate, and mortgage-backed securities with maturities up to 30 years. www.barclays.com

High Yield is represented by the Barclays U.S. Corporate High Yield Index. www.barclays.com

Global REIT is represented by the FTSE EPRA/NAREIT Developed Index which is designed to track the performance of listed real estate companies and REITS worldwide. www.ftse.com

MLPs are represented by the Alerian MLP Index. www.alerian.com

Hedge Funds are represented by the Hedge Fund Research, Inc. Fund of Funds Composite Index. www.hfri.com

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