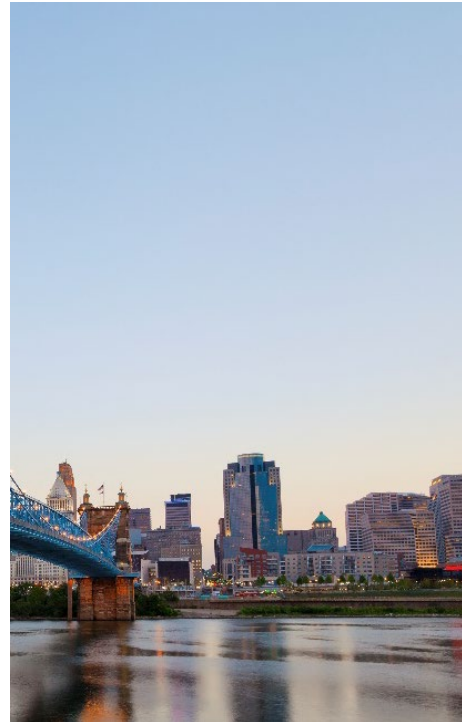
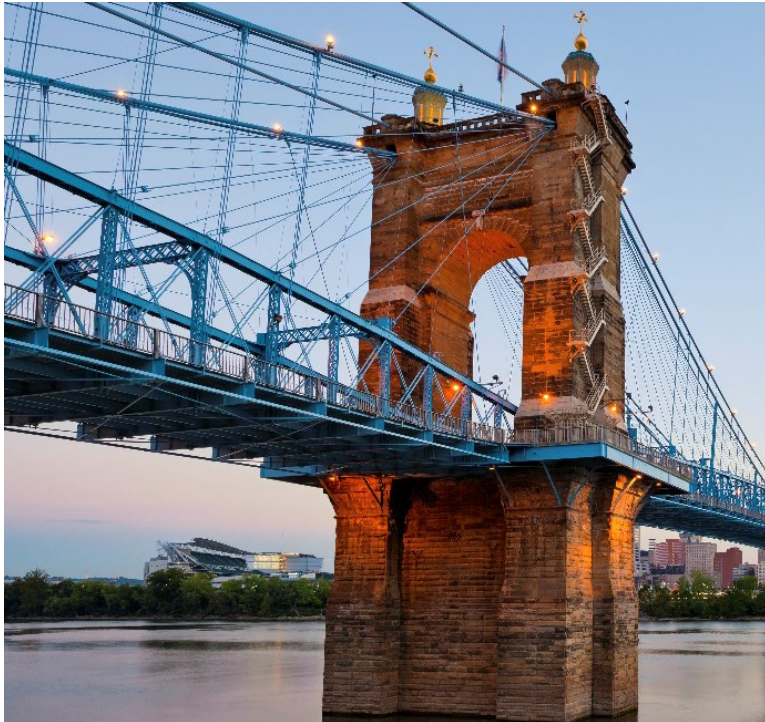


Reported to the Board of Trustees
September 10, 2020



UNIVERSITY OF ILLINOIS SYSTEM

SECOND QUARTER 2020 INVESTMENT UPDATE
PREPARED FOR THE BOARD OF TRUSTEES

August 2020

TABLE OF CONTENTS

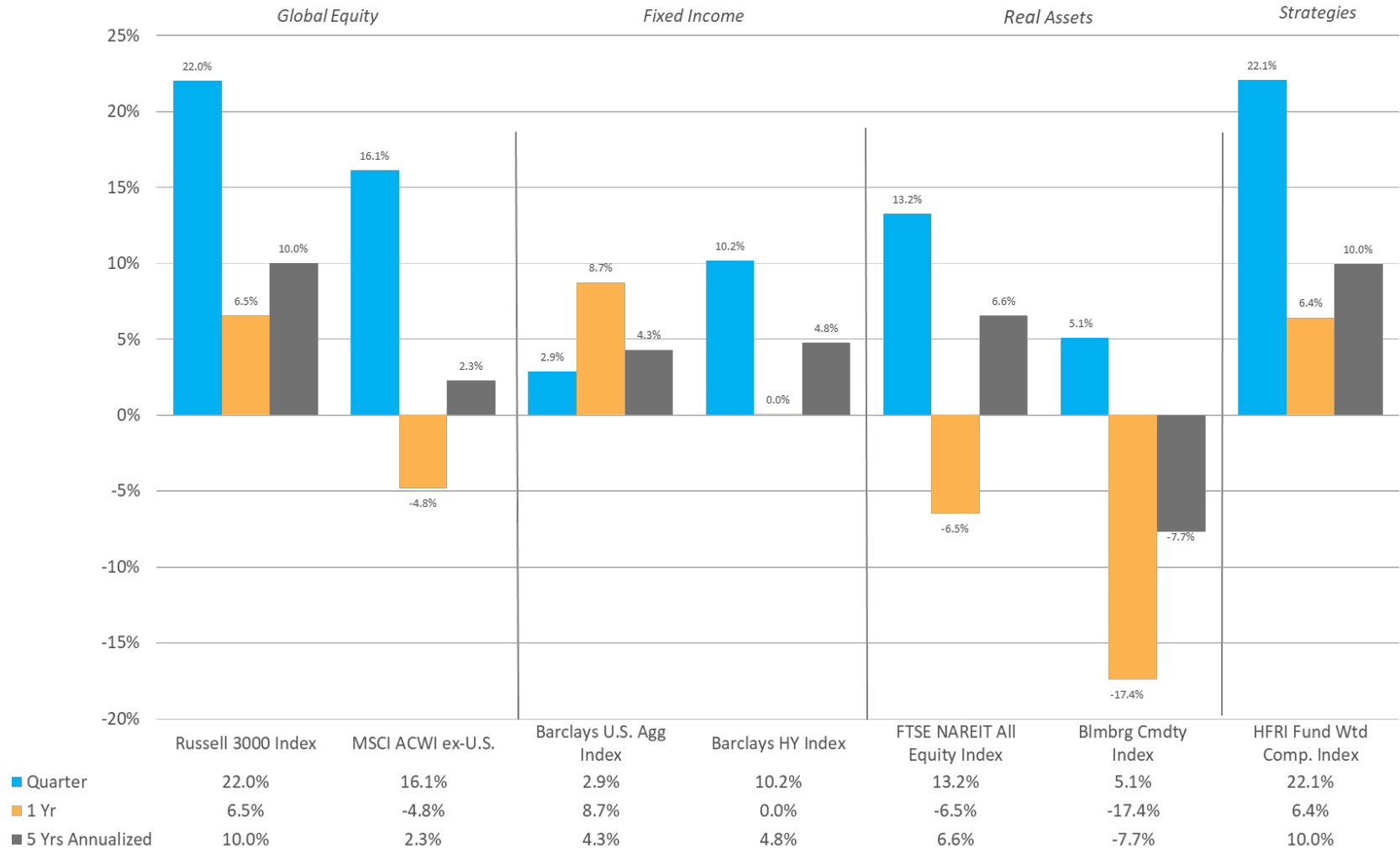
Section	Page Number
Market Overview and System Assets	3
Endowment Fund Update: June 30, 2020	6
Operating Pool Update: June 30, 2020	10
Appendix:	
Market Environment	13
Disclosures	19

MARKET OVERVIEW AND SYSTEM ASSETS

CAPITAL MARKET OVERVIEW

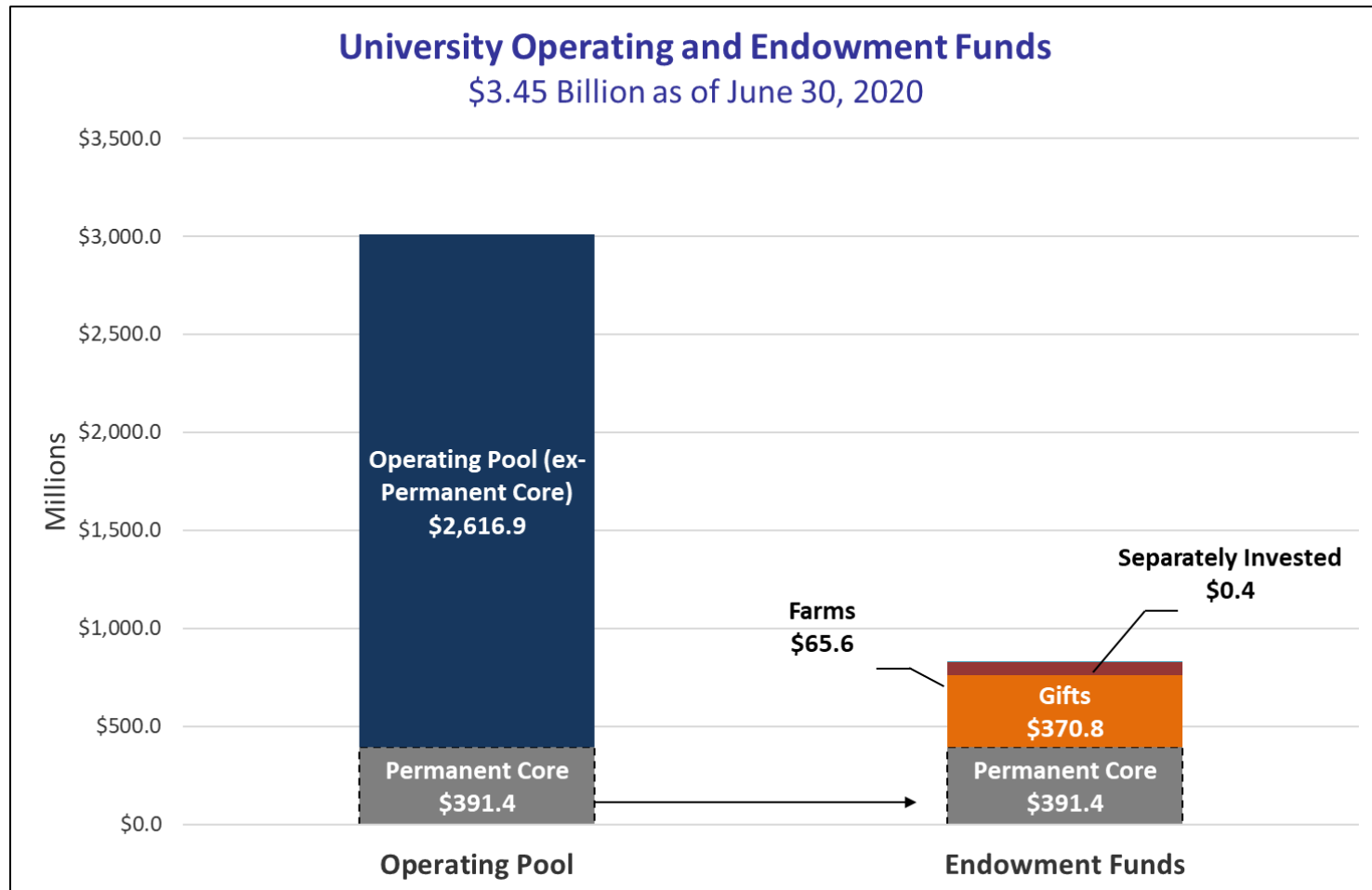
Second Quarter 2020 – Market Returns

Diversifying Strategies



Data sources: Lipper and Hedge Fund Research

UNIVERSITY OPERATING AND ENDOWMENT FUNDS: JUNE 30, 2020

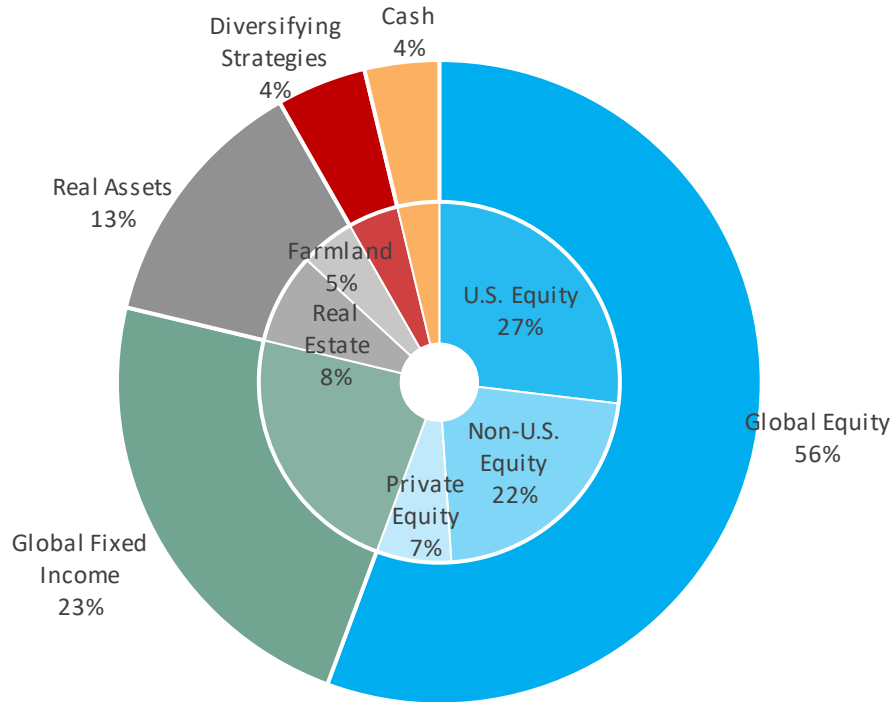


- The University Operating and Endowment Funds were valued at \$3.4 billion as of June 30, 2020.
- The Operating Pool (ex-Permanent Core) was valued at \$2.6 billion. The permanent core investment (gray bar) is a long-term investment of operating cash in the Endowment Pool to enhance distributions to invested units.
- The combined Endowment Pool is valued at \$762.2 million (orange and gray right bar) and is discussed further on the following slides.
- The Pure Endowment (excluding Operating) is valued at \$436.8 million.

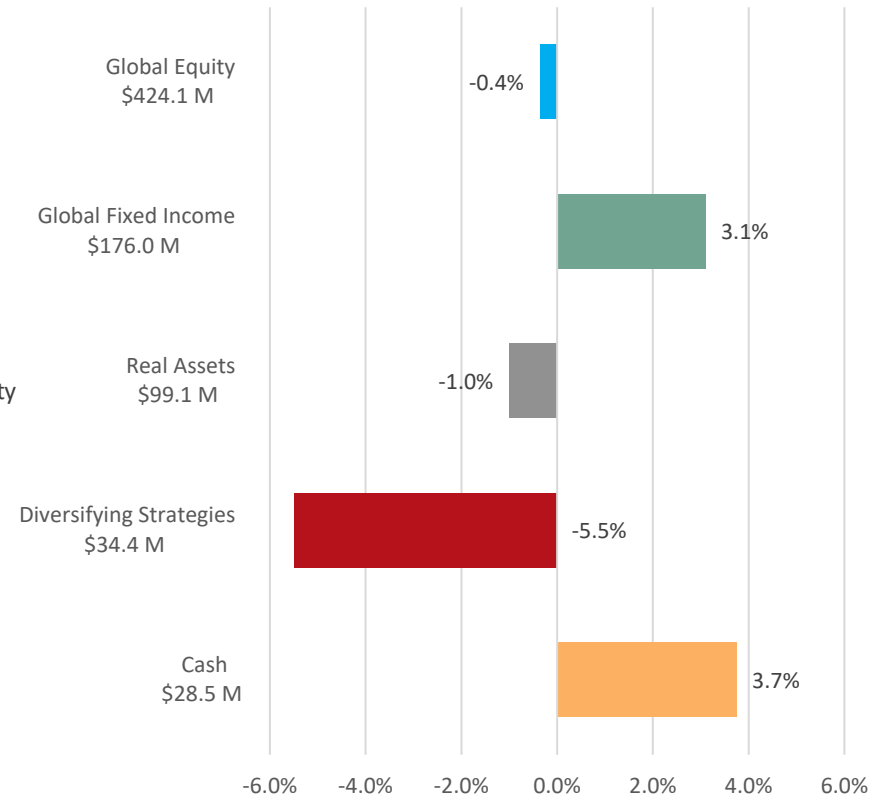
ENDOWMENT FUND UPDATE:
JUNE 30, 2020

MARKET VALUE AND ASSET ALLOCATION: ENDOWMENT POOL

Total Pool: \$762.2 Million as of 6/30/2020



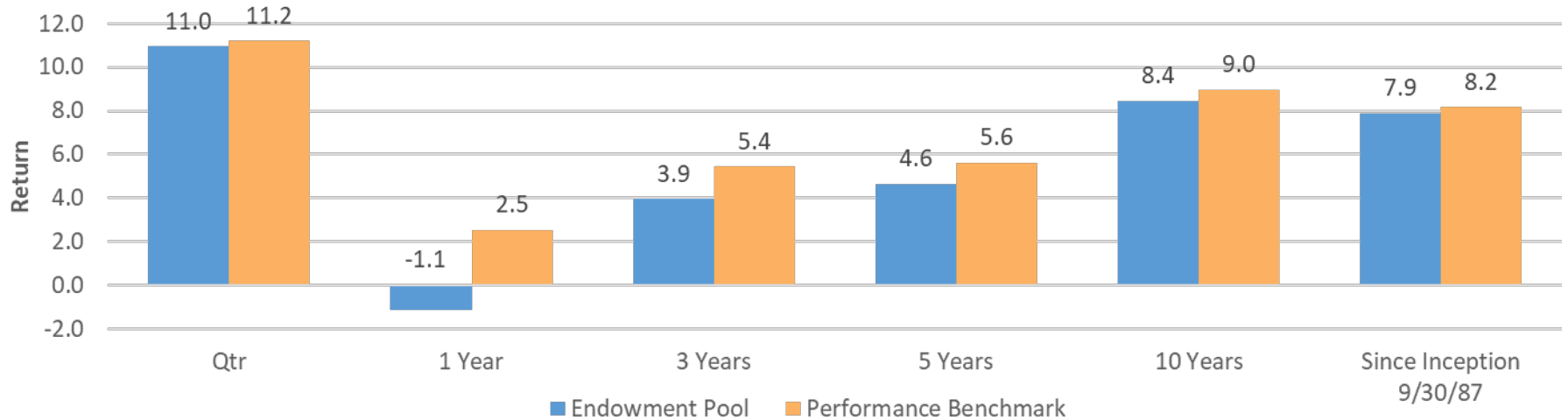
Over/Under Allocation to Long-Term Policy Targets



Note: Long-Term Policy Allocations: Global Equity 56%, Global Fixed Income 20%, Real Assets 14%, and Diversifying Strategies 10%. Total sum of allocation may not equal 100% due to rounding.

TOTAL ENDOWMENT POOL PERFORMANCE (JUNE 30, 2020)

TOTAL POOL: \$762.2 MILLION



- Over the one-year period, the endowment returned -1.1%. Hedge funds (-39.0%) and non-U.S. equity (-4.7%) detracted from performance, while public fixed income (+8.5%) contributed to performance.
- On the ten-year period, the endowment posted an 8.4% return, supported by solid returns from U.S. equity (+13.0%), private equity (+10.3%), and real assets (+10.1%).

Endowment Pool	Quarter Ending
Market Value Change	June-2020
Beginning Market Value	\$670.3 M
Net Contributions	\$18.1 M
Gain/Loss	\$73.8 M
Ending Market Value	\$762.2 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 (JUNE 30, 2020)

	Current Allocation (%)	Policy Allocation (%)	Quarter ending Jun- 2020	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Endowment Pool			11.0	-1.1	3.9	4.6	8.4	7.9	Sep-87
Performance Benchmark			11.2	2.5	5.4	5.6	9.0	8.2	
GLOBAL EQUITY	55.6	56.0	16.8	-0.4	5.6	6.1	10.1	7.7	Sep-87
Total U.S. Equity			21.7	3.4	8.1	8.1	13.0	9.1	Sep-87
U.S. Equity Benchmark			22.0	6.4	10.0	10.0	13.7	9.5	
Total Non-U.S. Equity			17.0	-4.7	1.0	2.3	5.3	4.9	Sep-93
Non-U.S. Equity Benchmark			17.0	-4.7	1.0	2.3	5.0	5.1	
Total Private Equity			0.0	-0.4	10.7	10.9	10.3	3.9	Jan-04
Private Equity Benchmark			0.0	-9.7	6.3	9.0	14.7	10.8	
GLOBAL FIXED INCOME ¹	23.1	20.0	4.3	8.6	5.3	4.4	4.8	6.9	Sep-87
Total Public Fixed Income			4.4	8.5	5.2	4.4	4.8	6.9	Sep-87
Bloomberg Barclays U.S. Aggregate			2.9	8.7	5.3	4.3	3.8	6.5	
REAL ASSETS	13.0	14.0	3.9	-0.5	3.4	3.7	10.1	9.5	Dec-06
Total Real Estate			3.0	-3.5	3.0	5.5	-	8.4	Aug-13
Real Estate Benchmark			-1.7	1.3	4.3	6.3	-	9.1	
Total Farmland^{1,2}			5.4	5.1	4.7	2.1	8.3	8.2	Dec-06
NCREIF Cornbelt Index			3.9	3.9	2.9	0.9	7.6	8.8	
DIVERSIFYING STRATEGIES¹	4.5	10.0	5.8	-37.2	-14.5	-7.4	-	-4.3	May-13
Total Hedge Funds			6.3	-39.0	-15.6	-8.1	-	-4.8	May-13
HFRI Fund Weighted Composite Index			9.3	-0.4	2.2	2.4	-	3.0	
CASH	3.7	0.0	0.1	1.4	1.5	1.0	-	0.9	

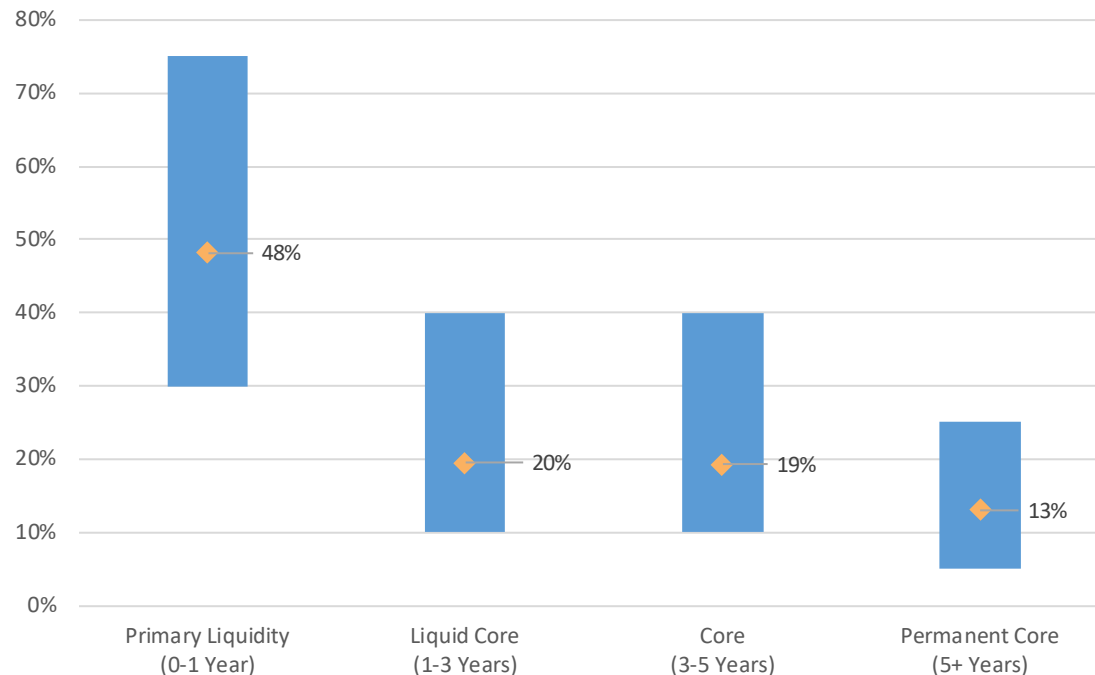
¹Global Fixed Income, Total Farmland and Diversifying Strategies include allocations and performance of private investments.

²Farmland directly owned by the Endowment is valued annually on June 30.

OPERATING POOL UPDATE:
JUNE 30, 2020

LIQUIDITY LAYERS: OPERATING POOL (JUNE 30, 2020)

OPERATING POOL LIQUIDITY LAYERS AS OF JUNE 30, 2020

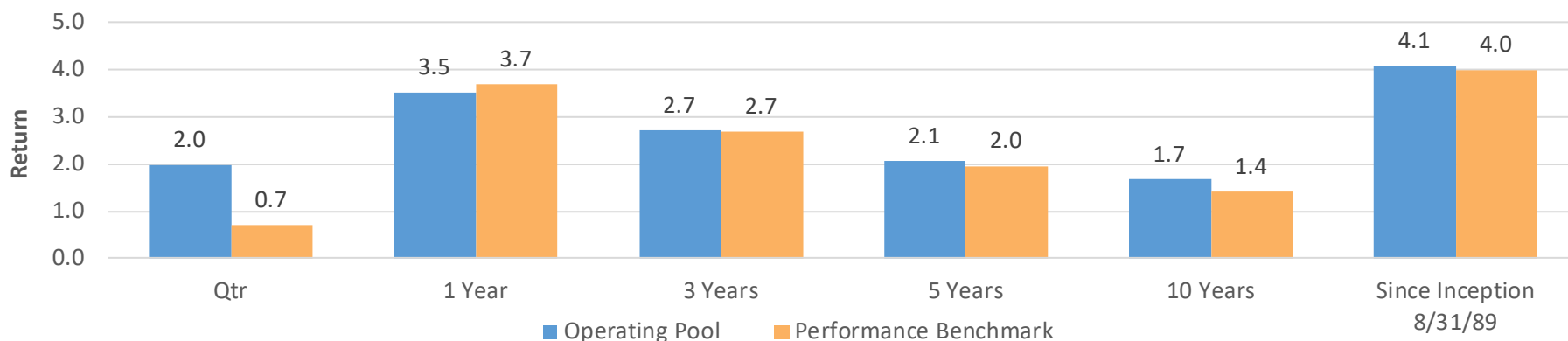


- The asset allocation strategy for the Operating Pool consists of investing funds across four liquidity layers. Board-approved ranges are depicted by the bars, while the diamonds represent the actual allocation.
- Funds expected to be used within one year are invested in the primary liquidity layer.
- 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 sum of allocation may not equal 100% due to rounding.

TOTAL OPERATING POOL PERFORMANCE (JUNE 30, 2020)

TOTAL POOL: \$2.62 BILLION



- Over the trailing one-year period ending June 30, 2020, the Operating Pool returned 3.5%, below that of the benchmark return.
 - Performance of the managers in the Operating Pool were mixed respective to their benchmarks over the period.
- Over the three-, five-, ten-year and since inception periods, the Operating Pool has met or outperformed the benchmark.
 - The majority of the Operating Pool's managers have each met or outperformed their respective benchmarks.

Operating Pool	Quarter Ending
Market Value Change	June-2020
Beginning Market Value	\$2,688.6 M
Net Contributions	(\$124.4 M)
Gain/Loss	\$52.7 M
Ending Market Value	\$2,616.9 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.

APPENDIX: MARKET ENVIRONMENT

MARKET ENVIRONMENT

2011-2020 Annual Returns of Key Indices

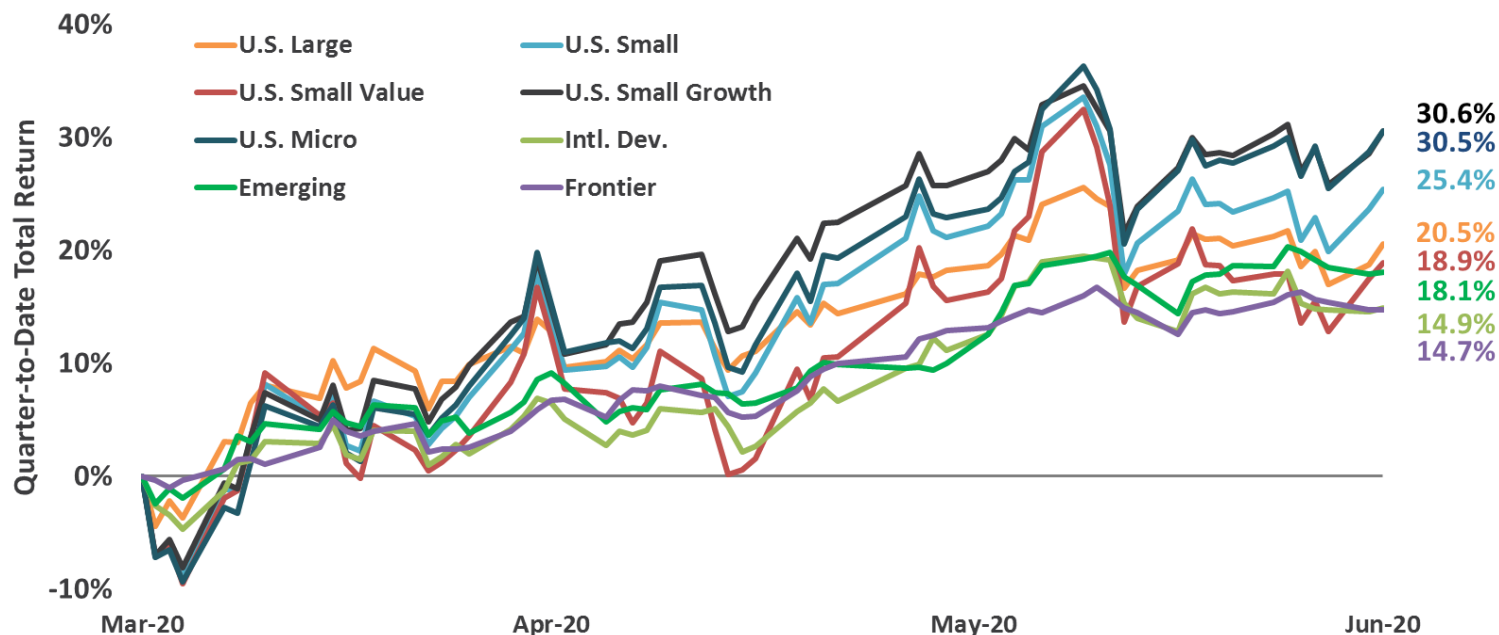
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	5-year annual	10-year annual
MLPs 13.9%	Global REIT 27.7%	Small Cap 38.8%	Global REIT 15.0%	Large Cap 1.4%	Small Cap 21.3%	Emerging Markets 37.3%	Bonds 0.0%	Large Cap 31.5%	Bonds 6.1%	Large Cap 10.7%	Large Cap 14.0%
Bonds 7.8%	Emerging Markets 18.2%	Large Cap 32.4%	Large Cap 13.7%	Bonds 0.5%	MLPs 18.3%	Int'l 25.0%	High Yield -2.1%	Small Cap 25.5%	Hedge Funds -2.0%	High Yield 4.8%	Small Cap 10.5%
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%	Hedge Funds -4.0%	Int'l 22.0%	Large Cap -3.1%	Bonds 4.3%	High Yield 6.7%
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%	Large Cap -4.4%	Global REIT 21.9%	High Yield -3.8%	Small Cap 4.3%	Global REIT 6.3%
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%	Global REIT -5.6%	Emerging Markets 18.4%	Emerging Markets -9.8%	Emerging Markets 2.9%	Int'l 5.7%
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 7.8%	Small Cap -11.0%	High Yield 14.3%	Int'l -11.3%	Int'l 2.1%	Bonds 3.8%
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%	MLPs -12.4%	Bonds 8.7%	Small Cap -13.0%	Hedge Funds 1.4%	Emerging Markets 3.3%
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%	Int'l -13.8%	Hedge Funds 8.4%	Global REIT -21.3%	Global REIT 1.3%	Hedge Funds 2.8%
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%	Emerging Markets -14.6%	MLPs 6.6%	MLPs -35.7%	MLPs -12.9%	MLPs -1.4%

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

GLOBAL EQUITY

- Global equities staged a major reversal in the second quarter, following first quarter's historic rout. U.S. large cap (+20.5%), for example, posted the best quarterly gain since fourth quarter 1998, essentially reversing first quarter's 19.6% decline, which was the worst quarter since fourth quarter 2008. Domestic markets continued their longer-term outperformance versus both international developed (+14.9%) and emerging markets (+18.1%).
- Domestic small cap (+25.4%) outperformed large cap by nearly 500 bps, the strongest quarterly relative outperformance by small cap since fourth quarter 2016. Micro cap (+30.5%) posted the highest quarterly return in the 20 year history of the Russell Micro Cap Index.
- Growth's longer-term trend of outperformance versus value persisted in a prominent fashion during the quarter, as demonstrated by the return of domestic small growth (+30.6%) compared to small value (+18.9%).

Global Equity 2020-2Q Performance (in USD)

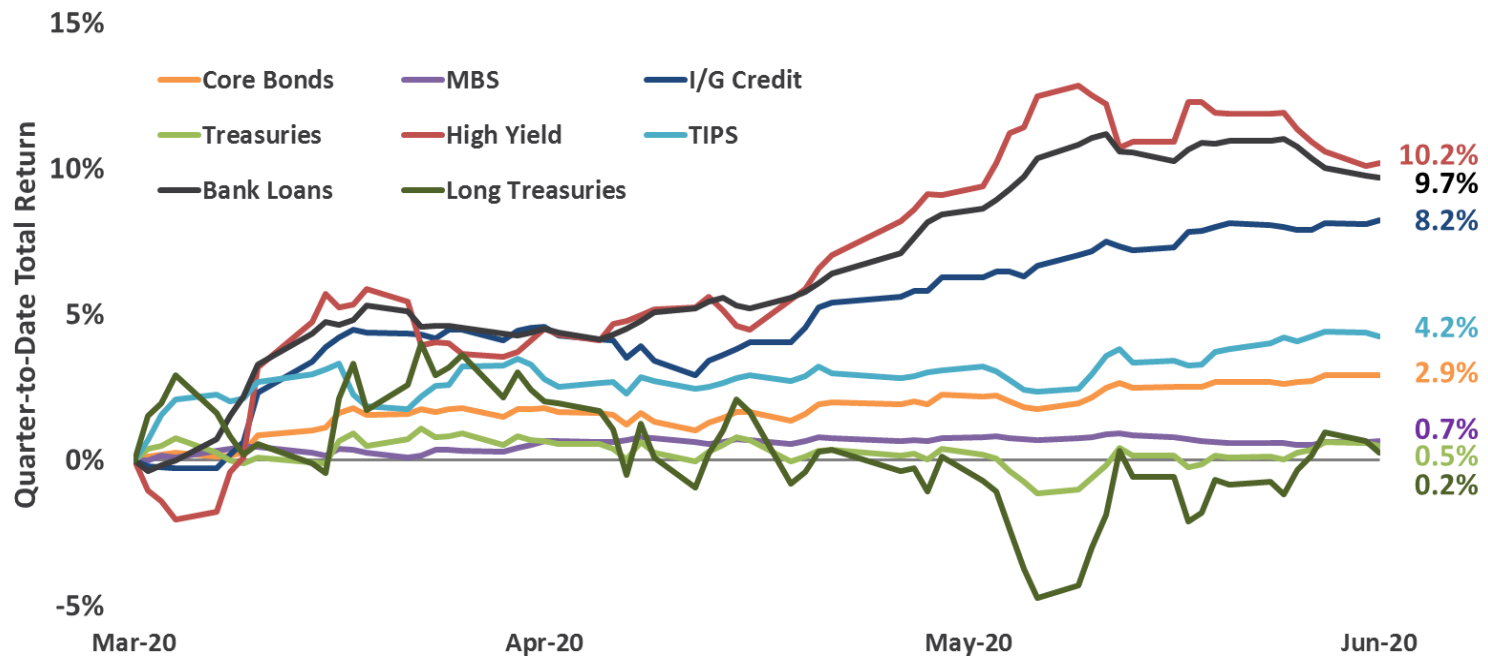


Data source: Bloomberg, L.P. Data as of 6/30/2020.

FIXED INCOME

- Despite significantly elevated returns witnessed across most major risky asset categories, most sectors of the fixed income market continued to generate positive returns, with the strongest performance generated among the credit-oriented segments of the bond market.
- Accommodative policy actions announced by the Federal Reserve (Fed) early in the quarter, including the creation of special purpose vehicles aimed at providing liquidity to the credit markets through purchases of investment grade and below investment grade corporate obligations, helped tighten credit risk premiums.
- High yield option-adjusted spreads (OAS) widened to 1,100 basis points in March but tightened by essentially half of that amount by June, in turn supporting a double-digit quarterly gain by the broad high yield index (+10.2%).

Fixed Income 2020-2Q Performance

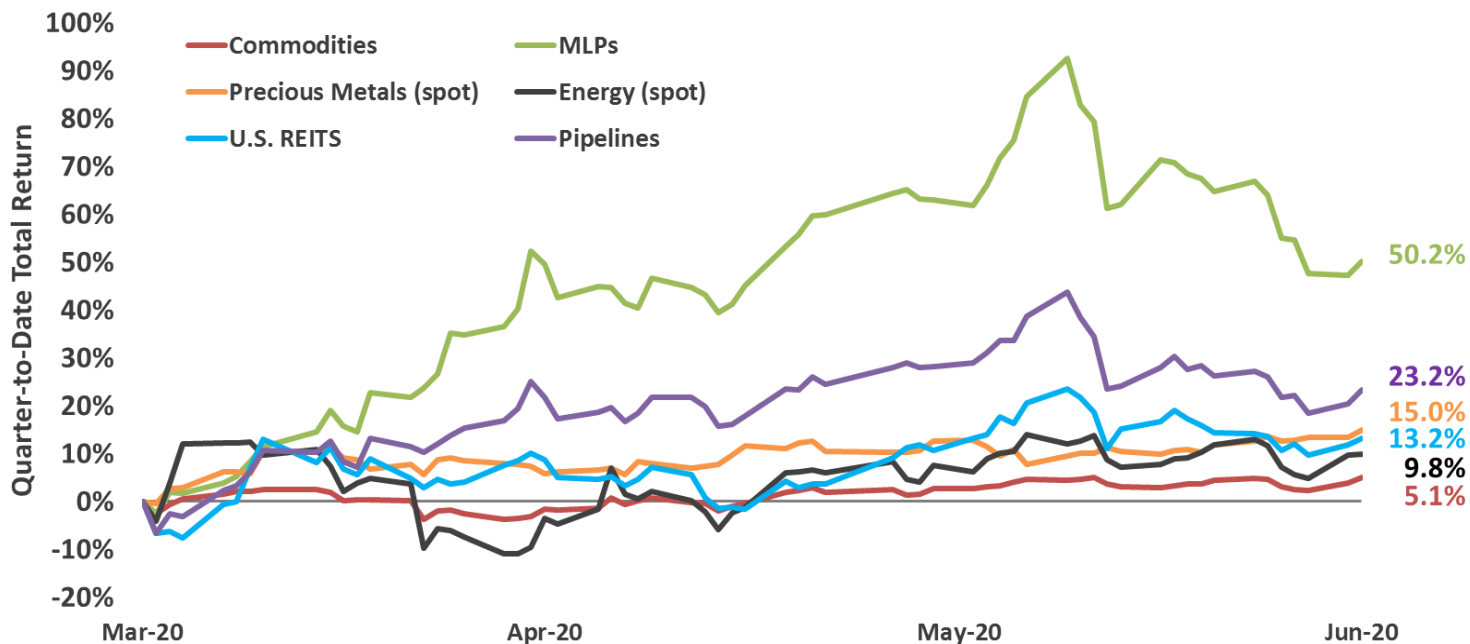


Data source: Bloomberg, L.P. Data as of 6/30/2020.

REAL ASSETS

- Real asset performance was broadly positive during the second quarter, particularly among energy infrastructure, which witnessed the strongest quarterly performance for MLPs (+50.2%) in the history of the Alerian MLP Index following the steepest quarterly decline on record in the first quarter (-57.2%). Crude oil spot prices nearly doubled quarter-over-quarter, with WTI closing June at \$39.27, from \$20.48 at the end of first quarter.
- REIT returns, while positive, have lagged other asset categories of comparable risk (such as global equities) during the quarter and year-to-date period, pressured by a continued challenging fundamental backdrop.
- Precious metals advanced in the second quarter, as gold spot prices increased to the highest level since 2012, climbing towards \$1,800 to close the quarter at \$1,780.96. Ultra-accommodative fiscal and monetary policies, negative real interest rates, and more recently a weakening U.S. dollar have supported gold's price gains.

Real Assets 2020-2Q Performance

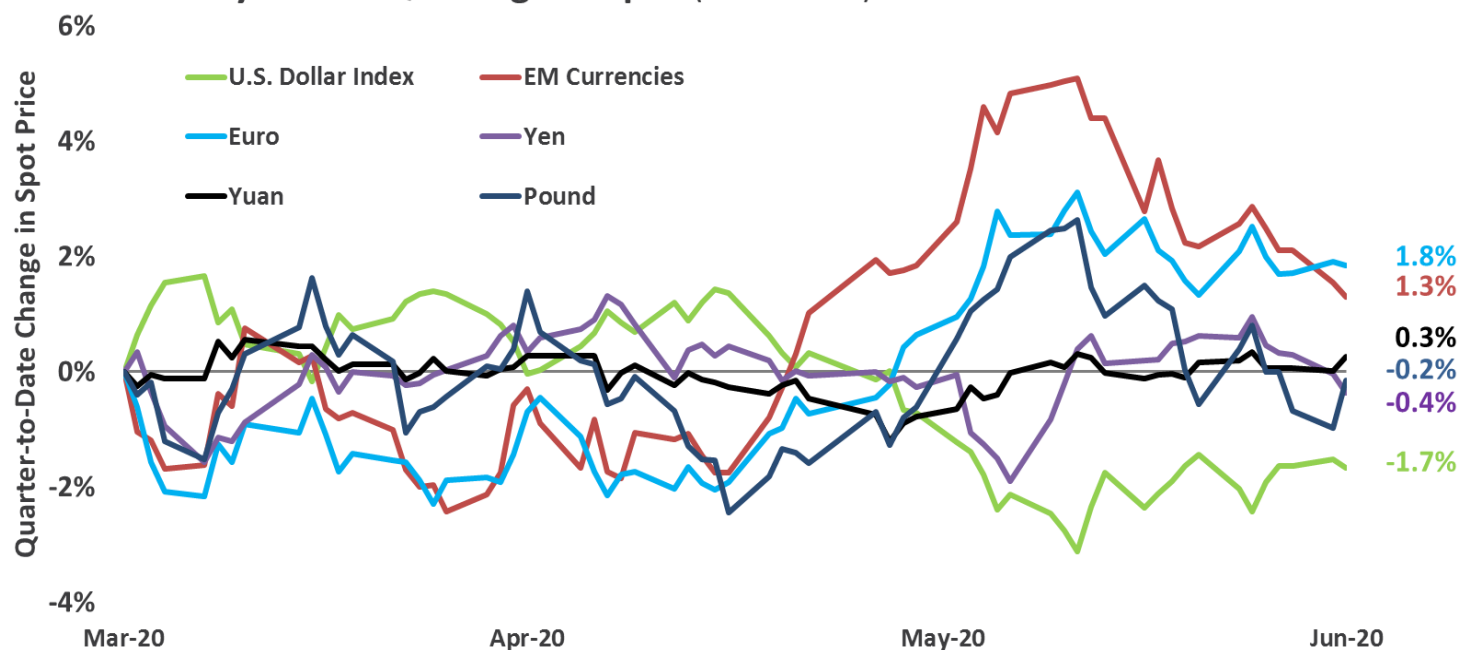


Data source: Bloomberg, L.P. Data as of 6/30/2020.

CURRENCIES

- The U.S. dollar (USD), as reflected by the ICE U.S. Dollar Index (DXY), depreciated nearly 2%, amid unprecedented monetary and fiscal stimulative measures taken by the Fed and U.S. government in the first half of 2020, including open-ended Fed asset purchases, interest rates at the zero bound (and expected to stay there until at least 2023), the passage of the \$2 trillion CARES Act, and the creation of liquidity vehicles that retain the ability to purchase investment grade and below investment grade corporate debt.
- Liquid Emerging Market currencies (+1.3%) rebounded modestly during the quarter, as improving commodity prices and a potentially more favorable global economic outlook served as tailwinds.

Global Currency 2020-2Q Change in Spot (Base: USD)



Data source: Bloomberg, L.P. Data as of 6/30/2020.

DISCLOSURES

DISCLOSURES

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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.msicbarra.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.msicbarra.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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