

Board Meeting  
September 7, 2006

REVISION OF INVESTMENT POLICY  
(ENDOWMENT FUNDS)

**Action:** Approve Revised Policy Statement for Endowment Funds

**Funding:** No Funding Required

As established by the Board of Trustees, the primary objectives for management of the University of Illinois Endowment are to preserve the real value, or purchasing power, of the endowment pool assets and to maximize the sustainable spending stream provided by these assets. These objectives are consistent for the University endowment managed by the Board of Trustees and endowments held by the University of Illinois Foundation on behalf of the University and managed by its Board of Directors.

Periodic review of asset allocation mix is a critically important part of the management of any endowment. As part of a periodic review, University staff and the University's investment consultant, EnnisKnupp, explored expanding the asset allocation for the University endowment pool to include farmland investments. As a result of this review, the Vice President for Administration recommends the adoption of the following revisions to the University's endowment pool asset allocation policy:

1. Further diversify the pool asset allocation by establishing a 15 percent allocation to farmland. This allocation would

be funded from the U.S. Equity and fixed income allocations.

2. Expand the performance benchmark for the equity allocation to include the NCREIF farmland index.

The current and proposed asset allocations are illustrated in the table below.

	Current Allocation (%)	Proposed Allocation (%)	Change (%)
U.S. Equity	55%	47.5%	-7.5%
Non-U.S. Equity	15%	15%	0.0%
Fixed Income	25%	17.5%	-7.5%
Private Equity	5%	5%	0.0%
Farmland	0%	15%	15%

Since farmland has a low correlation to other asset classes and provides competitive total investment return, this action would enhance the risk and return characteristics of the University endowment pool. This action would also diversify the investment program and improve the spending stream for the separately invested farms moved into the endowment pool.

The board action recommended in this item complies in all material respects with applicable State and federal laws, University of Illinois *Statutes*, *The General Rules Concerning University Organization and Procedure*, and Board of Trustees policies and directives.

The President of the University concurs.