Reported to the Board of Trustees January 18, 2024



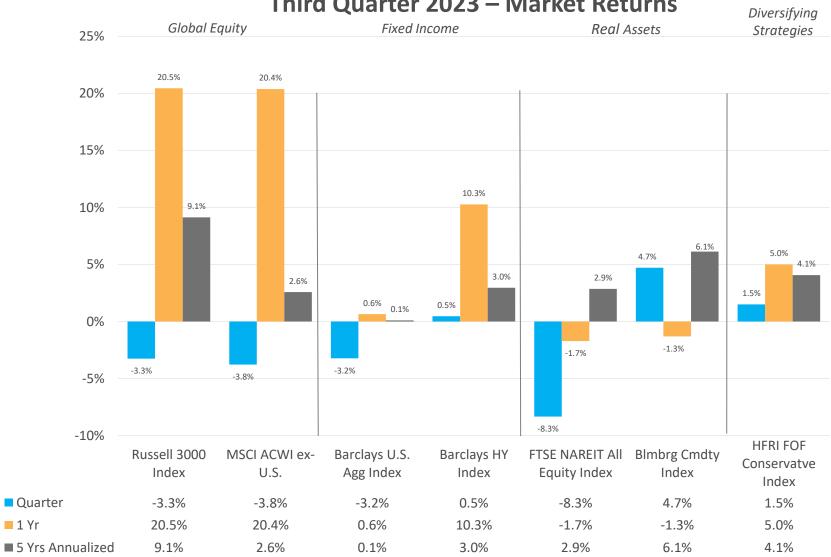


Third Quarter 2023 Investment Update

PREPARED FOR THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS SYSTEM

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MARKET OVERVIEW AND SYSTEM ASSETS

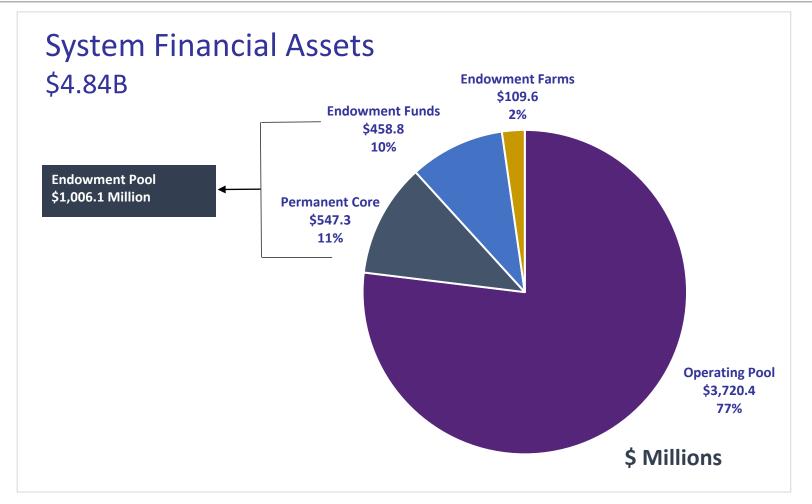


Third Quarter 2023 – Market Returns

Data sources: Lipper and Hedge Fund Research

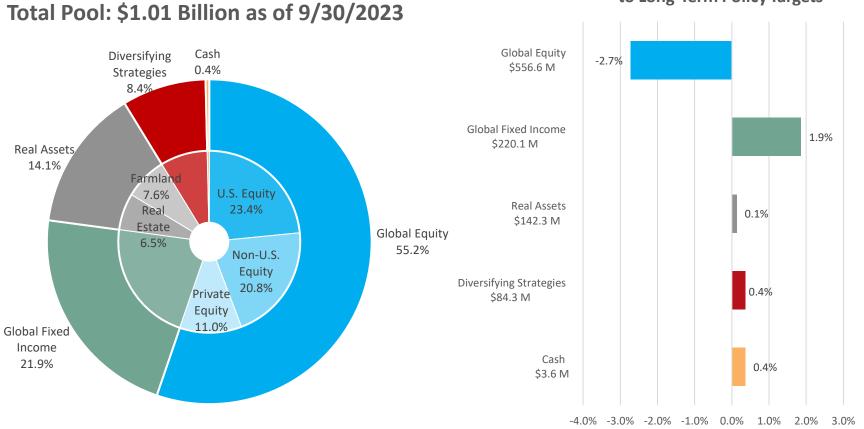
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- The System's financial assets were valued at \$4.84 billion as of September 30, 2023.
- The Operating Pool was valued at \$3.72 billion (ex-Permanent Core). The permanent core investment (gray slice) is a long-term investment of operating cash in the Endowment Pool to enhance distributions to invested units.
- The combined Endowment Pool is valued at \$1.01 billion (gray and blue slices) and is discussed further on the following slides.

ENDOWMENT POOL UPDATE: SEPTEMBER 30, 2023



to Long-Term Policy Targets

Over/Under Allocation



Total Pool: \$1.01 BILLION

- Over the one-year period, the endowment returned 9.0%, underperforming the benchmark. Contributing to relative performance was real estate (-6.9%) and fixed Income (+3.6%), while private equity (-1.3%) and farmland (-0.6%) detracted from relative performance.
- Over the ten-year period, the endowment posted a 6.2% return, trailing the benchmark. Contributing to relative performance was fixed income (+2.0), while detracting from relative performance was U.S. equity (+10.5%) and diversifying strategies (-0.7%).

| Endowment Pool | Quarter Ending | | | | |
|------------------------|----------------|--|--|--|--|
| Market Value Change | September-2023 | | | | |
| Beginning Market Value | \$1,029.2 M | | | | |
| Net Contributions | \$0.8 M | | | | |
| Gain/Loss | (\$23.1 M) | | | | |
| Ending Market Value | \$1,006.9 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. ©2023 Fund Evaluation Group, LLC Confidential – Not for Redistribution.

| | Quarter Current Policy ending | | | | | | | Since | |
|--------------------------------------|----------------------------------|----------------|----------|--------|---------|---------|----------|-----------|----------------|
| | Allocation (%) | Allocation (%) | Sep-2023 | 1 Year | 3 Years | 5 Years | 10 Years | Inception | Inception Date |
| Endowment Pool | | | -2.2 | 9.0 | 6.6 | 5.5 | 6.2 | 7.9 | Sep-87 |
| Performance Benchmark | | | -2.2 | 10.8 | 6.3 | 6.2 | 6.8 | 8.1 | |
| GLOBAL EQUITY | 55.2 | 58.0 | -3.1 | 15.1 | 8.5 | 7.2 | 8.3 | 8.0 | Sep-87 |
| Total U.S. Equity | | | -3.7 | 20.0 | 10.1 | 8.6 | 10.5 | 9.4 | Sep-87 |
| U.S. Equity Benchmark | | | -3.3 | 20.5 | 9.4 | 9.1 | 11.2 | 9.7 | |
| Total Non-U.S. Equity | | | -4.1 | 19.6 | 3.5 | 2.4 | 3.4 | 5.0 | Sep-93 |
| Non-U.S. Equity Benchmark | | | -3.5 | 20.2 | 3.8 | 2.6 | 3.5 | 5.1 | |
| Total Private Equity | | | 0.0 | -1.3 | 16.0 | 16.3 | 14.7 | 6.7 | Jan-04 |
| Private Equity Benchmark | | | 0.0 | 3.2 | 15.5 | 12.6 | 14.6 | 12.6 | |
| GLOBAL FIXED INCOME ¹ | 21.9 | 20.0 | -1.4 | 3.6 | -2.9 | 1.5 | 2.0 | 6.0 | Sep-87 |
| Total Public Fixed Income | | | -1.5 | 3.2 | -3.9 | 0.8 | 1.6 | 5.9 | Sep-87 |
| Bloomberg U.S. Aggregate | | | -3.2 | 0.6 | -5.2 | 0.1 | 1.1 | 5.4 | |
| Total Private Fixed Income | | | 0.0 | 8.5 | 17.2 | 15.8 | - | 16.7 | Jan-18 |
| Bloomberg U.S. Corporate HY Index | | | 0.5 | 10.3 | 1.8 | 3.0 | - | 3.0 | |
| REAL ASSETS ¹ | 14.1 | 14.0 | -2.3 | -2.8 | 11.8 | 8.2 | 5.8 | 9.8 | Dec-06 |
| Total Real Estate | | | -4.7 | -6.9 | 4.9 | 3.2 | 6.9 | 7.2 | Aug-13 |
| Real Estate Benchmark | | | -2.1 | -12.9 | 6.3 | 4.8 | 7.8 | 8.0 | |
| Total Farmland ² | | | 0.0 | -0.6 | 19.4 | 14.4 | 6.2 | 10.0 | Dec-06 |
| NCREIF Cornbelt Index | | | 0.0 | 21.0 | 18.6 | 12.1 | 6.9 | 10.3 | |
| DIVERSIFYING STRATEGIES ¹ | 8.4 | 8.0 | 1.6 | 5.0 | 6.5 | -4.4 | -0.7 | -0.7 | May-13 |
| Total Hedge Funds | | | 1.7 | 4.8 | 6.1 | -5.3 | -1.2 | -1.2 | May-13 |
| Hedge Fund Index | | | 1.5 | 5.0 | 8.3 | 5.8 | 5.0 | 4.9 | |
| CASH | 0.4 | 0.0 | 1.3 | 4.2 | 1.5 | 1.5 | - | 1.1 | |

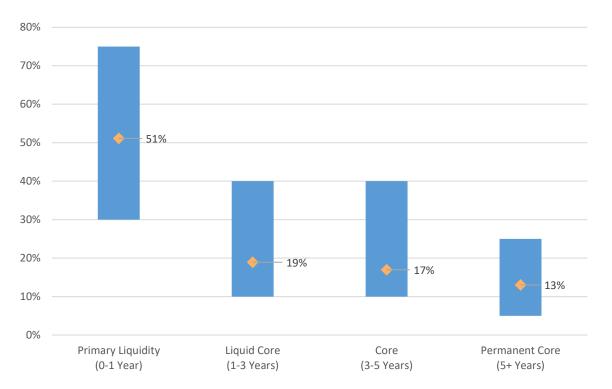
¹Global Fixed Income, Real Assets and Diversifying Strategies include allocations and performance of private investments.

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

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OPERATING POOL UPDATE: SEPTEMBER 30, 2023

OPERATING POOL LIQUIDITY LAYERS



- The asset allocation strategy for the Operating Pool consists of investing funds across four liquidity layers. Boardapproved 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.



• Over the trailing one-year period, the Operating Pool returned 3.7%, outperforming the benchmark return.

- All managers in the Operating Pool matched or outperformed their respective benchmarks over the period.
- Over the three-, five-, ten-year, and since inception periods, the Operating Pool has outperformed the benchmark.
 - The majority of the Operating Pool's managers have either met or outperformed their respective benchmarks over these time periods.

| Operating Pool | Quarter Ending | | | | | |
|------------------------|----------------|--|--|--|--|--|
| Market Value Change | September-2023 | | | | | |
| Beginning Market Value | \$3,429.6 M | | | | | |
| Net Contributions | \$268.1 M | | | | | |
| Gain/Loss | \$22.7 M | | | | | |
| Ending Market Value | \$3,720.4 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

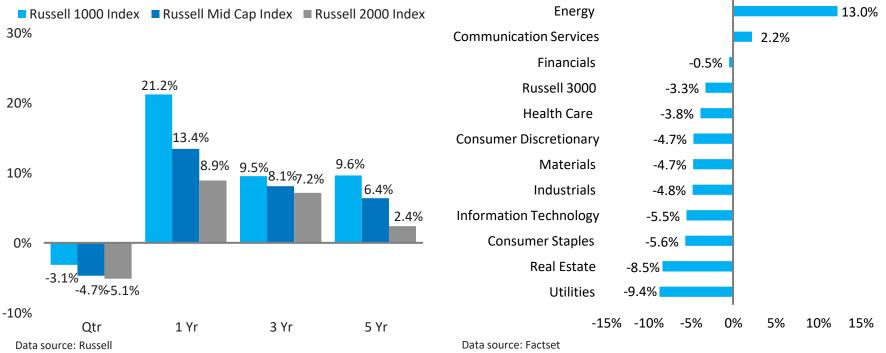
2014-2023 Annual Returns of Key Indices

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | , | 5-year annual | |
|------------------------------|-------------------------------|------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------|---------------------|------------------|-----------------------------|
| Global REIT 15.0% | Large Cap 1.4% | Small Cap 21.3% | Emerging Markets 37.3% | Bonds 0.0% | Large Cap 31.5% | Small Cap 20.0% | MLPs 40.2% | MLPs 30.9% | MLPs 20.6% | Large 9.9 | | Large Cap 11.9% |
| Large Cap 13.7% | Bonds 0.5% | MLPs 18.3% | Int'l 25.0% | High Yield -2.1% | Small Cap 25.5% | Large Cap 18.4% | Large Cap 28.7% | Hedge Funds -5.2% | Large Cap 13.1% | ML 6.8 | | Small Cap 6.6% |
| Bonds 6.0% | Hedge Funds -0.3% | High Yield 17.1% | Large Cap 21.8% | Hedge Funds -4.0% | Int'l 22.0% | Emerging Markets 18.3% | Global REIT 25.7% | High Yield -11.2% | lnt'l 7.1% | Int 3.2 | | High Yield 4.2% |
| Small Cap 4.9% | Global REIT -0.8% | Large Cap 11.9% | Small Cap 14.6% | Large Cap -4.4% | Global REIT 21.9% | Hedge Funds 10.9% | Small Cap 14.8% | Bonds -13.0% | High Yield 5.9% | Hed Fun 3.4 | ds | Int'l 3.8% |
| MLPs 4.8% | Int'l -0.8% | Emerging Markets 11.2% | Global REIT 10.4% | Global REIT -5.6% | Emerging Markets 18.4% | Int'l 7.8% | Int'l 11.3% | Int'l -14.5% | Hedge Funds 2.8% | High ` 3.0 | | Hedge Funds 3.3% |
| Hedge Funds 3.4% | Small Cap -4.4% | Global REIT 4.1% | Hedge Funds 7.8% | Small Cap -11.0% | High Yield 14.3% | Bonds 7.5% | Hedge Funds 6.0% | Large Cap -18.1% | Small Cap 2.5% | Small 2.4 | | Global REIT 2.4% |
| High Yield 2.5% | High Yield -4.5% | Bonds 2.6% | High Yield 7.5% | MLPs -12.4% | Bonds 8.7% | High Yield 7.1% | High yield 5.3% | Emerging Markets -20.1% | Emerging Markets 1.8% | Emer Marl 0.6 | ets | Emerging Markets 2.1% |
| 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 -9.0% | Bonds -1.5% | Small Cap -20.4% | Bonds -1.2% | Bon 0.1 | | MLPs 1.9% |
| Int'l -4.9% | MLPs -32.6% | Hedge Funds 0.5% | MLPs -6.5% | Emerging Markets -14.6% | MLPs 6.6% | MLPs -28.7% | Emerging Markets -2.5% | Global REIT -25.0% | Global REIT -4.3% | Global -0.8 | | Bonds 1.9% |

Global Equity, U.S.

- After a strong risk-on rally in the summer, equity markets' sentiment shifted over the quarter, pressured by a significant rise in bond yields and commitments to higher-for-longer monetary policy from central banks globally. The decline in equity returns was broad-based, led by rate-sensitive sectors such as real estate and information technology (IT).
- Amid the rising rate environment, value stocks outperformed growth stocks, as the latter's valuations are often more sensitive to long-term discount rates, and large cap outperformed small cap equities, which tend to face higher interest rate expenses.
- Energy stocks remained resilient over the quarter as oil traded above \$90 per barrel. Meanwhile, stock prices of many members of the "Magnificent Seven" fell, which weighed on the Russell 1000 and S&P 500 indices due to the significant concentration levels in the largest market capitalization stocks.

RUSSELL 3000 SECTOR PERFORMANCE

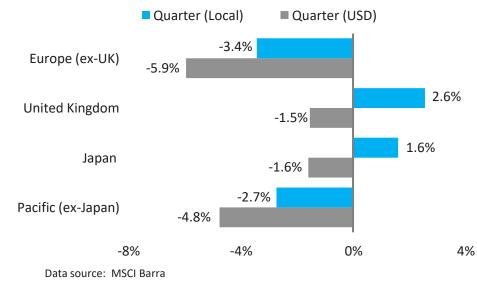


LARGE CAP, MID CAP, AND SMALL CAP

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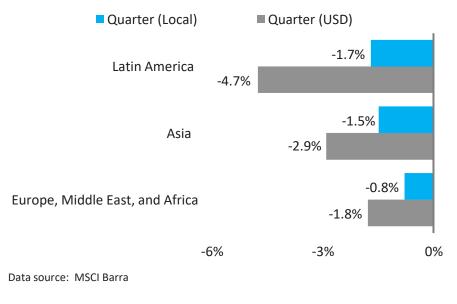
GLOBAL EQUITY, NON-U.S.

- European stocks declined over the quarter. Consumer discretionary shares were the weakest due in part to
 concerns about elevated interest rates pressuring consumers. IT also declined as higher interest rates
 influenced the discount rate applied to longer-duration positions not only in the U.S. but internationally as well.
- Unlike other developed markets, UK equities rose in local currencies. The UK's significant exposure to the energy and materials sector benefited performance as those sectors led the market. Domestically focused small cap and mid cap equities rebounded amid a rise in UK consumer confidence. Even domestic banks and real estate equities posted modest returns.
- Japanese equities continued strong performance in 2023 in local currency. Solid earnings results were supported by the weakening of the yen and strong domestic demand.
- Emerging markets equities declined over the quarter. The concerns of the Chinese property market resurfaced as two of the largest property companies faced difficult financial conditions. Taiwan and Korea underperformed the broader index as IT and semiconductors were challenged. Conversely, markets like the United Arab Emirates (UAE) and other energy exporters benefited from the increase in oil prices.



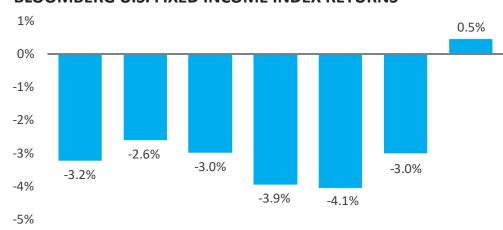
MSCI EAFE REGIONAL QUARTERLY RETURNS

MSCI EM REGIONAL QUARTERLY RETURNS



Fixed Income

- Fixed income performance was challenged by a substantial rise in interest rates, particularly at the long end of the yield curve. Real interest rates across the curve reached decade-highs.
- The Federal Open Market Committee (FOMC) left policy rates unchanged during their September meeting but revised their expectations for next year's policy rate to be higher than the market previously anticipated.
- Although the yield curve remained in inverted territory, the curve bear steepened as the rise in long rates outpaced movements at the front end of the curve.
- Credit spreads were mixed for the quarter. Spreads broadly widened in September after reaching postbanking stress tights in August. Given the movement in Treasuries, all-in yields, measured by yields-to-worst, reached the highest levels in over a year.



Muni

MBS

Credit

High Yield

BLOOMBERG U.S. FIXED INCOME INDEX RETURNS

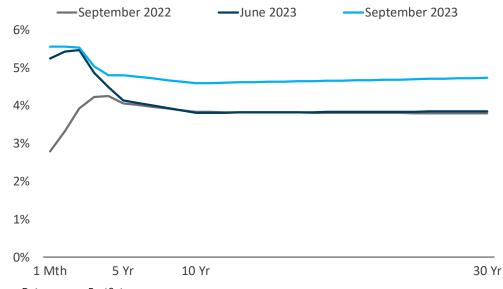
Treasuries

Data source: FactSet

Aggregate

U.S. TREASURY YIELD CURVE

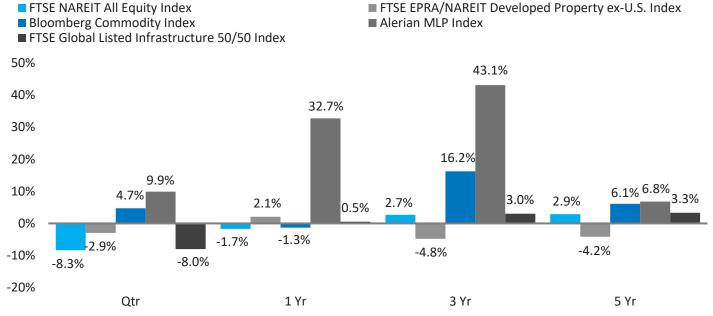
TIPS



Data source: FactSet

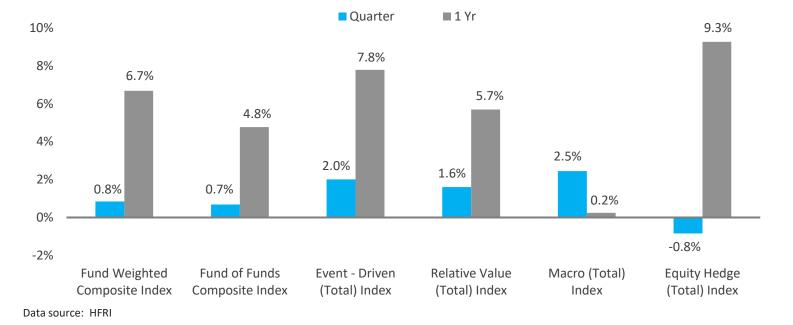
- All U.S. and global REIT sub-sector returns were negative during the third quarter. Year-to-date, the data center sub-sector index rose over 16% due to decade-low vacancy rates driven by cloud computing and upbeat expectations for artificial intelligence (AI). Single-family REIT returns remained positive for 2023 as consumers chose rental properties over home purchases due to rising mortgage rates and elevated home values.
- Oil prices, as measured by West Texas Intermediate (WTI), continued to rise, surpassing \$93 per barrel and boosting commodity returns. WTI's elevated price started to deteriorate into October, falling roughly \$10 per barrel in 10 days, partly due to seasonal demand, despite continued production cuts from OPEC+ countries.
- Global infrastructure, excluding midstream energy and marine ports, underperformed in September. MLP energy infrastructure was the only sub-sector with positive returns. Midstream energy infrastructure has benefitted this summer due to the rally in oil prices as OPEC+ continued to cut back on supply.

PUBLIC REAL ASSETS - REAL ESTATE, COMMODITIES, MLPs, AND INFRASTRUCTURE



Data sources: NAREIT, FactSet, and Alerian

- Hedge fund returns were slightly positive over the quarter, adding to solid year-to-date performance. The HFRI Equity-Hedge Index was the largest detractor to composite index performance. The HFRI Event-Driven Index, the HFRI Relative Value Index, and the HFRI Macro Index all posted positive returns.
- Hedged equity started the quarter with strong performance but quickly reverted in the back half. Hedged Equity benefited from a market rally, which coincided with an increase in long-net equity positions. However, the increase was primarily an outcome of covering short positions rather than adding to long positions. Hedge funds began re-building their short book as equities began to sell off.
- Following a disappointing August, macro-funds ended the quarter on a high note. Macro's success in the third quarter was primarily driven by crude oil tailwinds. The HFRI Macro Commodity Index was up 4.8% compared to the HFRI Currency Index, up 1.2%. Systematic macro outperformed discretionary in September as trend-followers were able to ramp up positions and take advantage of considerable momentum swings.



HFRI INDICES PERFORMANCE RETURNS IN U.S. DOLLARS

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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

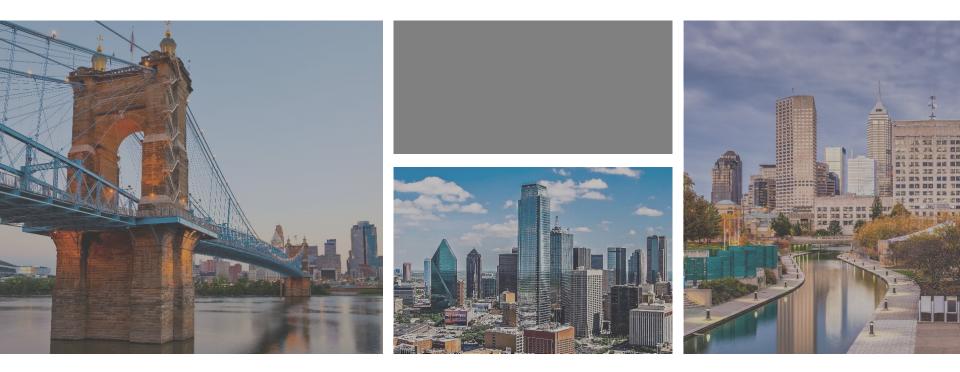
Bonds are represented by the Barclays U.S. Aggregate Bond Index which includes U.S. government, corporate, and mortgage-backed securities with maturities up to 30 years. www.barclays.com

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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