

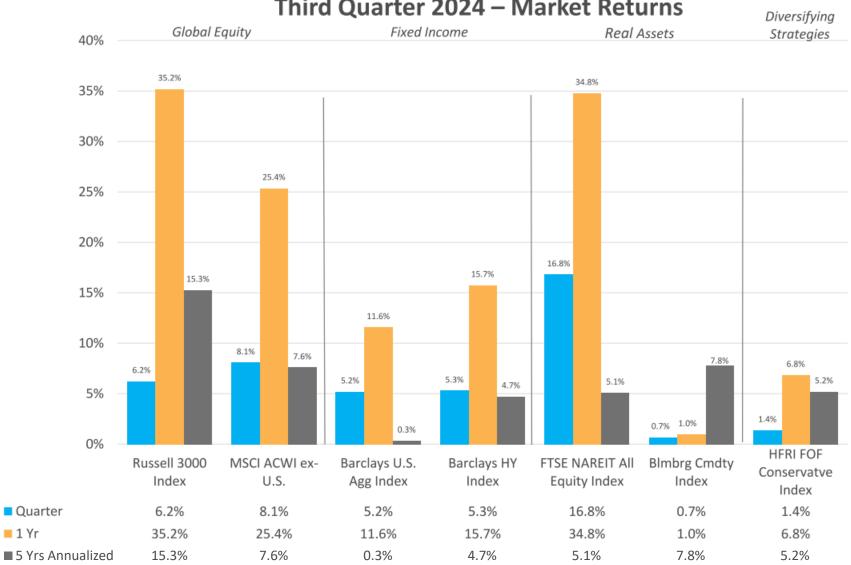
Reported to the Board of Trustees January 23, 2025

Third Quarter 2024 Investment Update

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

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MARKET OVERVIEW AND SYSTEM ASSETS

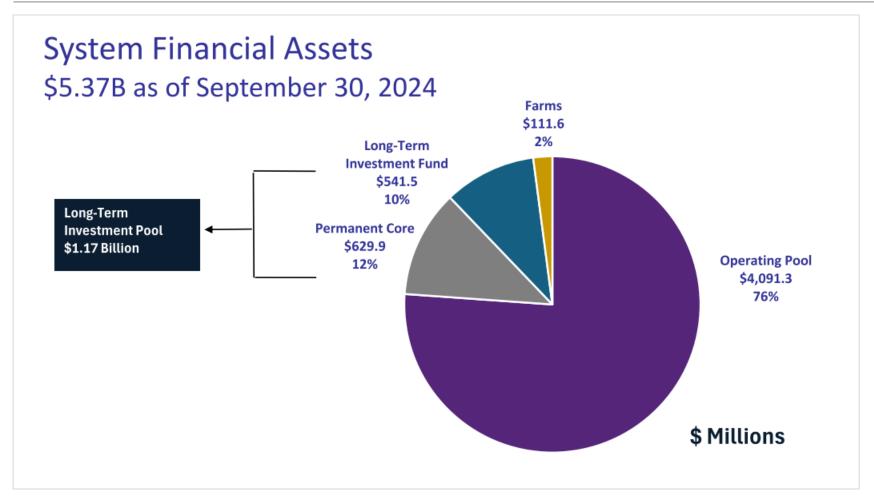


Third Quarter 2024 – Market Returns

Data sources: Lipper and Hedge Fund Research

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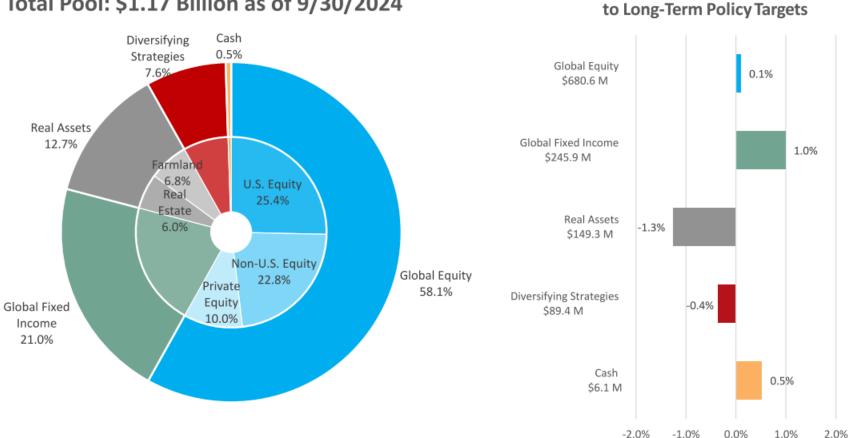


- The System's financial assets were valued at \$5.37 billion as of September 30, 2024.
- The Operating Pool was valued at \$4.09 billion (ex-Permanent Core). The permanent core investment (gray slice) represents a strategic allocation of operating cash in the Long-Term Investment Pool, aimed at increasing distributions to participating units.
- The combined Long-Term Investment Pool is valued at \$1.17 billion (gray and blue slices) and is discussed further on the following slides.

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LONG-TERM INVESTMENT POOL UPDATE: SEPTEMBER 30, 2024

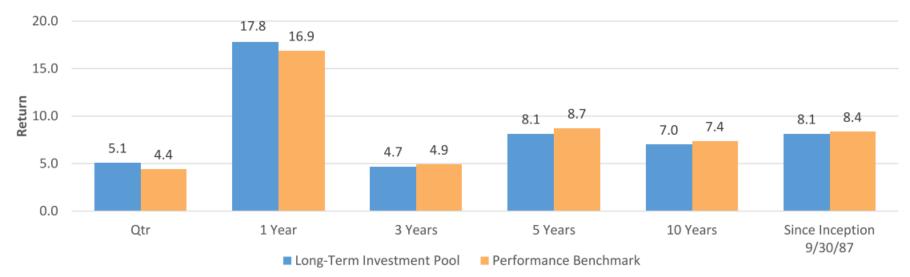


Total Pool: \$1.17 Billion as of 9/30/2024

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Over/Under Allocation

Total Pool: \$1.17 BILLION



- Over the one-year period, the long-term investment pool returned 17.8%, exceeding the benchmark. Contributing to relative performance was real estate (+8.8%) and diversifying strategies (+8.6%), while private equity (+0.5%) and farmland (+1.3%) detracted from relative performance.
- Over the ten-year period, the long-term investment pool posted a 7.0% return, trailing the benchmark. Contributing to relative performance was fixed income (+2.8%) and real estate (+6.1%), while detracting from relative performance was U.S. equity (+12.2%) and diversifying strategies (-0.5%).

Long-Term Investment Pool	Quarter Ending
Market Value Change	September-2024
Beginning Market Value	\$1,120.8 M
Net Contributions	(\$6.4 M)
Gain/Loss	\$58.7 M
Ending Market Value	\$1,173.2 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.
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	Curren Allocation)	Polic Allocation)	Quarr endig Sep-2024	1 Ye	3 Year	5 Yes	10 Year	Since Inception	Inception Date
Long-Term Inveent Pool	Anocation	Anocation	5.1	17.8	4.7	8.1	7.0	8.1	Sep-87
-			4.4	16.9	4.9	8.7	7.4	8.4	3ep-67
Long-Term Invesnt Benchmark GLOBAL EQUITY	58.1	58.0	4.4 6.1	24.6	4.9 5.3	11.5	9.4	8.4 8.4	Sep-87
					9.8			10.0	
U.S. Equity			6.5	35.6		15.1	12.2		Sep-87
U.S. Equity Benchark			6.2	35.2	10.3	15.2	12.8	10.3	
Non-U.S. Equity			8.5	25.7	3.7	7.7	5.3	5.6	Sep-93
Non-U.S. Equity nchmark			8.2	25.1	3.7	7.7	5.3	5.7	
Private Equity			0.0	0.5	-1.4	12.4	12.8	6.3	Jan-04
Private Equity Bechmark			0.0	5.0	1.1	11.9	12.8	12.2	
GLOBAL FIXED E ¹	21.0	20.0	4.5	12.3	0.8	2.0	2.8	6.2	Sep-87
Public Fixed Incoe			5.1	12.5	0.1	1.4	2.5	6.1	Sep-87
Fixed Income Bechmark			5.2	11.6	-1.4	0.3	1.8	5.6	
REAL ASSETS ¹	12.7	14.0	3.1	5.3	7.3	7.6	6.1	9.5	Dec-06
Real Estate			6.8	8.8	0.5	3.3	6.1	7.3	Aug-13
Real Estate Benmark			0.0	-8.1	-1.0	2.1	5.3	6.5	
Farmland ²			0.0	1.3	14.9	12.6	6.4	9.5	Dec-06
Farmland Benchark			0.0	7.2	18.0	13.2	6.5	10.2	
DIVERSIFYING SGIES 1	7.6	8.0	2.4	8.6	5.3	-3.1	-0.5	0.1	May-13
Hedge Funds			2.6	8.7	5.1	-3.9	-0.9	-0.4	May-13
Hedge Fund Inde			1.4	6.8	3.7	7.2	5.0	5.0	
CASH	0.5	0.0	1.3	5.2	3.3	2.1	-	1.5	

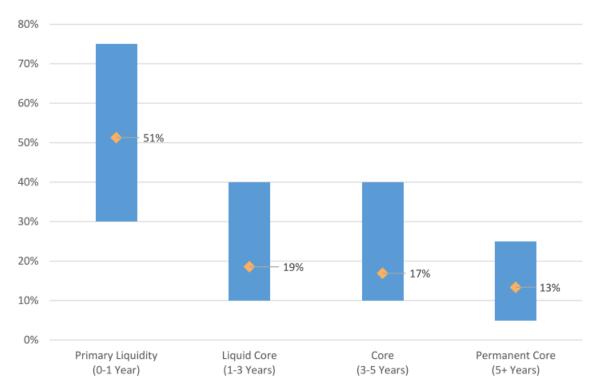
¹Global Fixed Income, Real Assets and Diversifying Strategies include allocations and performance of private investments.

²Farmland directly owned by the Long-Term Investment Pool is valued annually on June 30.

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OPERATING POOL UPDATE: SEPTEMBER 30, 2024

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 Long-Term Investment Pool.

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

8.0 7.16.9 7.0 6.0 5.0 Return 3.8 3.7 4.0 2.7 2.6 2.5 2.4 3.0 2.3 2.0 2.0 1.8 2.0 1.0 0.0 Since Inception Qtr 1 Year 3 Years 5 Years 10 Years 8/31/89 Operating Pool Performance Benchmark

TOTAL POOL: \$4.09 BILLION

- Over the trailing one-year period, the Operating Pool returned 7.1%, 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 outperformed the benchmark.
 - All 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-2024					
Beginning Market Value	\$3,662.7 M					
Net Contributions	\$336.6 M					
Gain/Loss	\$92.1 M					
Ending Market Value	\$4,091.3 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.

APPENDIX: MARKET ENVIRONMENT

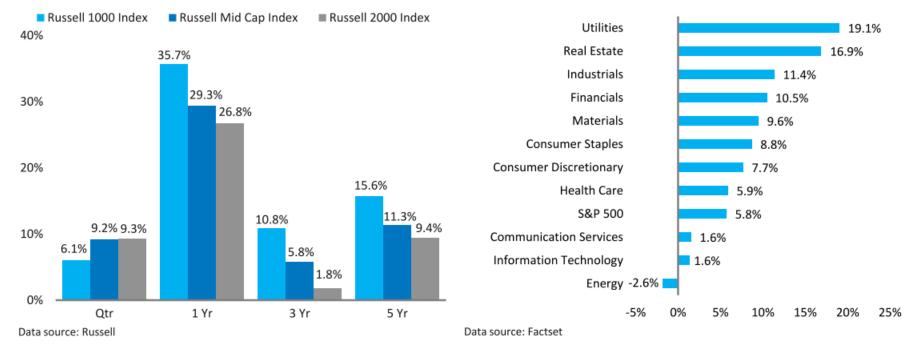
2015-2024 Annual Returns of Key Indices

2015	2016	2017	2018	2019	2020	2021 2022 2023 2024			5-year annual	10-year annual		
Large 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 26.6%	Large Cap 22.1%		Large Cap 16.0%	Large Cap 13.4%
Bond 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 26.3%	MLPs 18.6%		MLPs 13.5%	Small Cap 8.8%
Hedg Fund -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%	Int'l 18.2%	Emerging Markets 16.9%		Small Cap 9.4%	Int'l 5.7%
Global EIT -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%	Small Cap 16.9%	Int'l 13.0%		Int'l 8.2%	High Yied 5.0%
Int' -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%	High Yield 13.4%	Global REIT 12.2%		Emerging Markets 5.7%	Global RIT 4.4%
Small -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%	Global REIT 10.4%	Small Cap 11.2%		Hedge Funds 5.4%	Emergin Marke 4.0%
High Yeld -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 9.8%	High Yield 8.0%		High Yield 4.7%	Hedge Funds 3.7%
Emergng Marke -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%	Hedge Funds 6.3%	Hedge Funds 6.9%	G	Global REIT 2.0%	MLPs 1.8%
ML -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%	Bonds 5.5%	Bonds 4.4%		Bonds 0.3%	Bonds 1.8%

Global Equity, U.S.

- The third quarter of 2024 was marked by significant volatility across global equity markets, with investor demand favoring small cap over large cap and value stocks over growth.
- In U.S. equity markets, the market sold off as August began, but investors took comfort in the expectation of lower interest rates in the back half of the year, which materialized in September. In response, interest rate-sensitive investments, such as small cap stocks and real estate investment trusts (REITs), performed well.
- Sectors such as utilities and industrials outperformed over the quarter due in part to the strong demand for Al infrastructure and higher dividend yield that competes with fixed income investments.
- Valuations continued to rise in the U.S., with 10 out of 11 sectors currently trading higher than their 20-year average forward price-to-earnings ratio. Energy is the only sector that lags behind its 20-year average and was also the only negative performer.

S&P 500 SECTOR PERFORMANCE

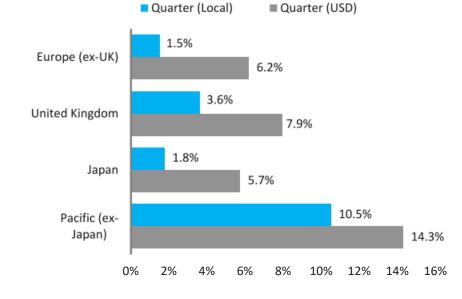


LARGE CAP, MID CAP, AND SMALL CAP

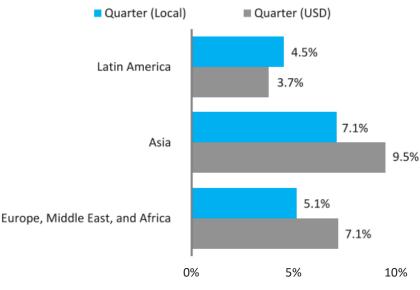
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- Japanese equity markets faced a challenging guarter, primarily caused by the unwinding of a popular carry trade (borrow yen and invest U.S. dollars). The market showed signs of stabilization towards the end of September as the Bank of Japan signaled a more cautious approach to future rate hikes.
- Euro zone equity markets were under pressure throughout the third guarter, with concerns over economic ٠ growth highlighted by earnings guidance drawdowns in the manufacturing sector. The UK equity market mirrored the broader European trend, with significant volatility and mixed performance across sectors. Bid activity for U.K.-listed companies rose over the guarter, headlined by Hargreaves Lansdown, the largest investment platform in the U.K. and a FTSE 100-listed company.
- Emerging markets outperformed their developed counterparts, primarily led by Chinese equity markets after ۲ China unveiled one of the largest stimulus packages since the financial crisis. As a result of the boost in investor sentiment, Chinese markets logged their best quarterly performance since 2009.



MSCI EAFE REGIONAL QUARTERLY RETURNS



MSCI EM REGIONAL QUARTERLY RETURNS

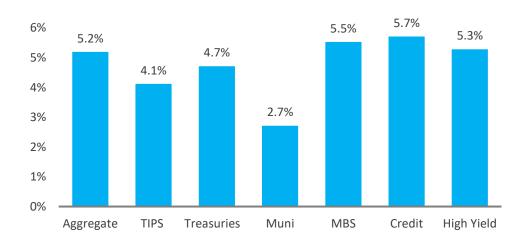
Data source: MSCI Barra

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Data source: MSCI Barra

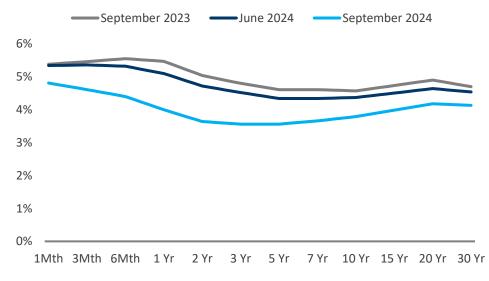
- Fixed income performance was strong as rate-sensitive bonds rallied amid falling rates, while spread sectors also performed well in a risk-on credit environment.
- The yield curve normalized, as measured by the U.S. Treasury 2-year to 10-year spread, following 26 months of inversion. This was due to a significant fall in the 2-year Treasury yield, which ended the quarter at 3.66%.
- The Fed opted to cut its target rate 50 bps at its September meeting, surprising many market participants that expected a more traditional 25 bps cut. This uncertainty is unusual, as most rate decisions are clearly telegraphed in advance by the Fed.
- Mortgage-backed securities (MBS) spreads tightened during the quarter. Interest rate volatility, which widens MBS spreads, has fallen following improved certainty surrounding the path of Fed rate policy. Additionally, banks have begun to return to the MBS market, which could be an additional source of spread tightening.

BLOOMBERG U.S. FIXED INCOME INDEX RETURNS



Data source: FactSet

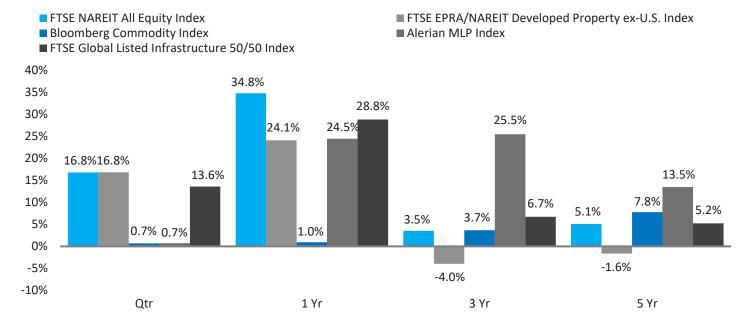
U.S. TREASURY YIELD CURVE



Data source: FactSet

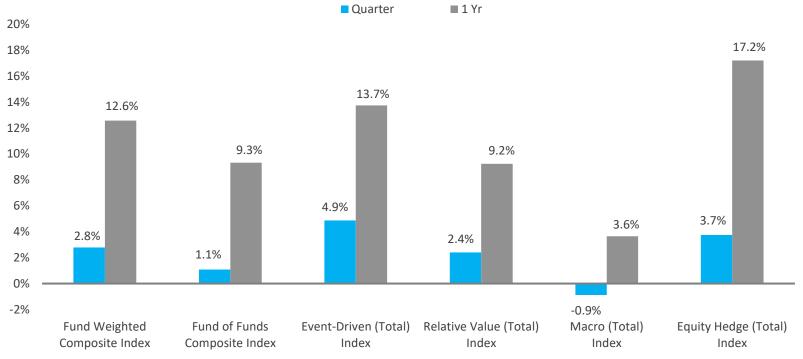
- Real Estate Investment Trusts (REITs) performed exceptionally well in the third quarter, driven by the market's anticipation of Fed rate cuts. Optimism stemmed from the expectation that REITs would benefit from lower rates through reduced borrowing costs for property acquisitions and developments, improved profitability, and more attractive dividends relative to other income-generating assets.
- Crude oil prices fell below \$70/barrel at the end of the quarter, as measured by the West Texas Intermediate (WTI) spot contract. Oil prices dropped due to concerns about weakening global demand, mainly within China. China's demand for crude has been a sticking point since the onset of the pandemic in 2020, where demand growth for oil still has not recovered to the previous growth trend.
- Global listed infrastructure stocks also rose in the third quarter. The communications sector led with the strongest performance during the quarter, driven by the outperformance of cell tower stocks, which had been under pressure from higher discounting rates and borrowing costs.

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



Data sources: NAREIT, FactSet, and Alerian

- Hedge funds produced gains during the third quarter, as the broad hedge fund benchmark return was positive each month. Event-driven and hedged equity were the leading sub-strategies, as rising equity markets served as a tailwind.
- Event-driven strategies performed well in the stressed/distressed credit space. Credit managers have been actively purchasing significant amounts of paper as companies approach a relatively large maturity wall.
- Global macro strategies performed the weakest across the main hedge fund approaches. The broad macro index detracted approximately 90 bps during the third quarter. However, macro funds have still provided positive returns for the year-to-date period.



HFRI INDICES PERFORMANCE RETURNS IN U.S. DOLLARS

Data source: Hedge Fund Research

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

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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

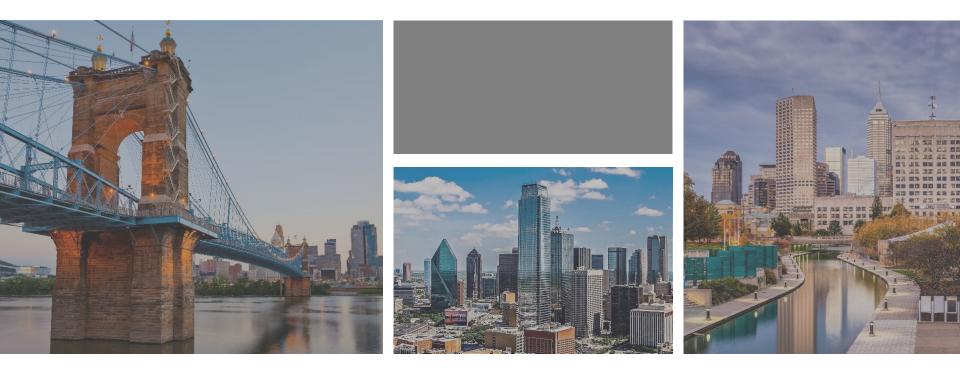
Bonds are represented by the Barclays U.S. Aggregate Bond Index which includes U.S. government, corporate, and mortgage-backed securities with maturities up to 30 years. www.barclays.com

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

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