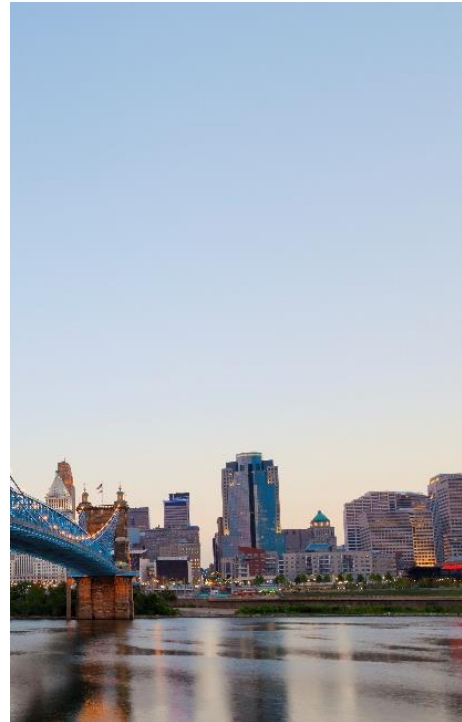


Reported to the Board of Trustees
May 19, 2022



UNIVERSITY OF ILLINOIS SYSTEM

FOURTH QUARTER 2021 INVESTMENT UPDATE
PREPARED FOR THE BOARD OF TRUSTEES

March 2022

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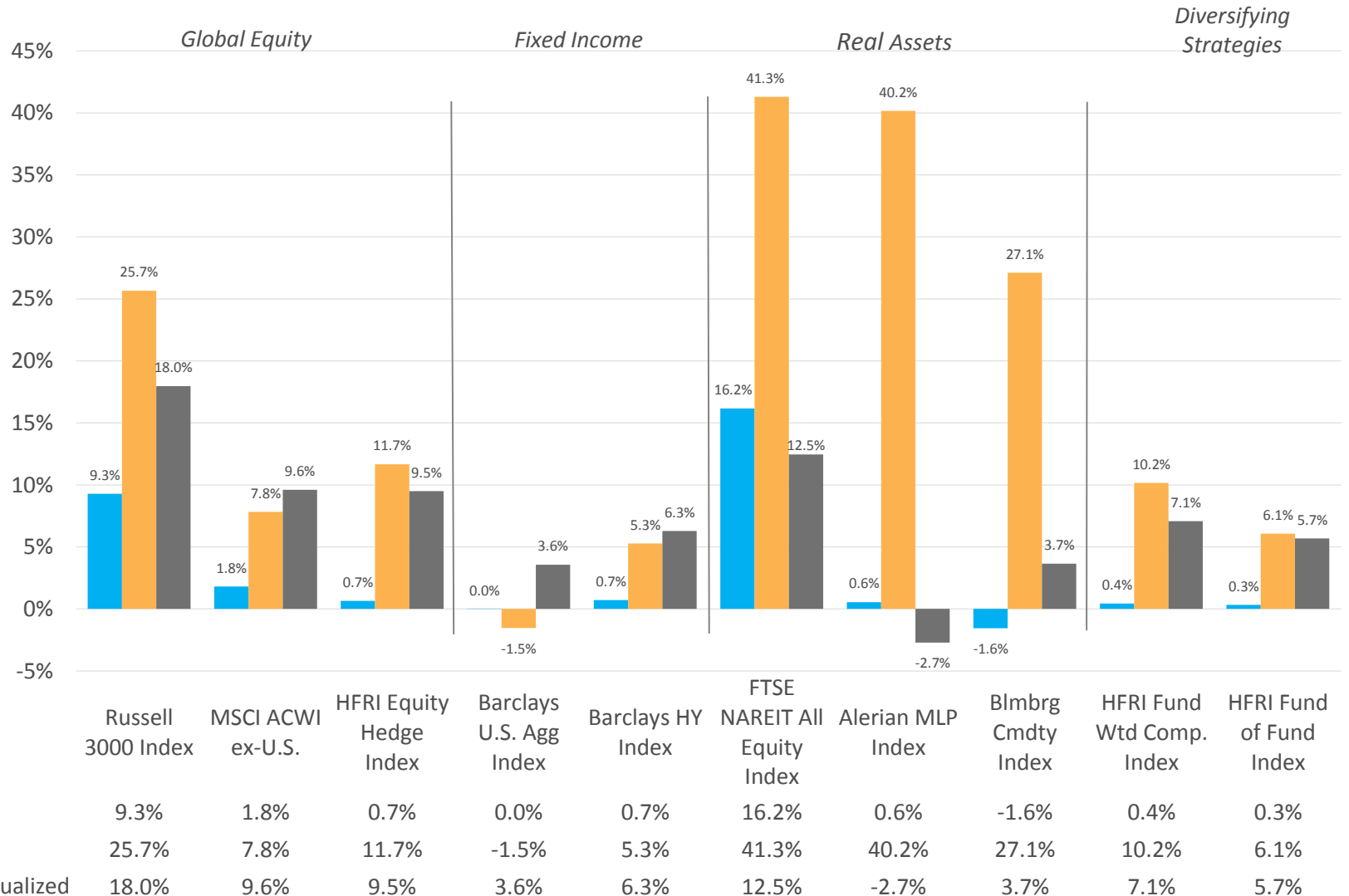
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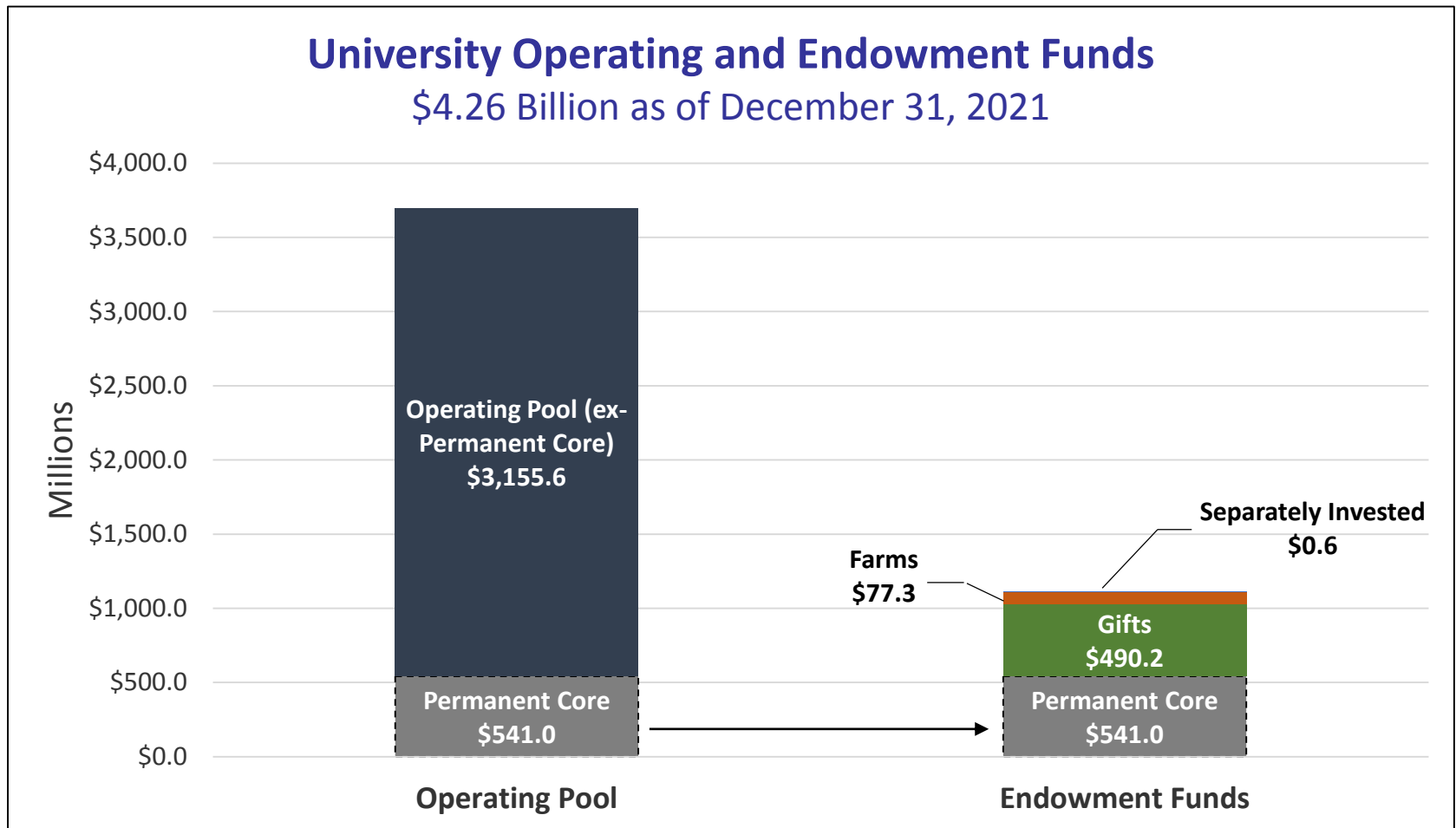
MARKET OVERVIEW AND SYSTEM ASSETS

MARKET RETURNS

MAJOR ASSET CLASS RETURNS



Data sources: Lipper and Hedge Fund Research, data as of 5th business day following quarter-end

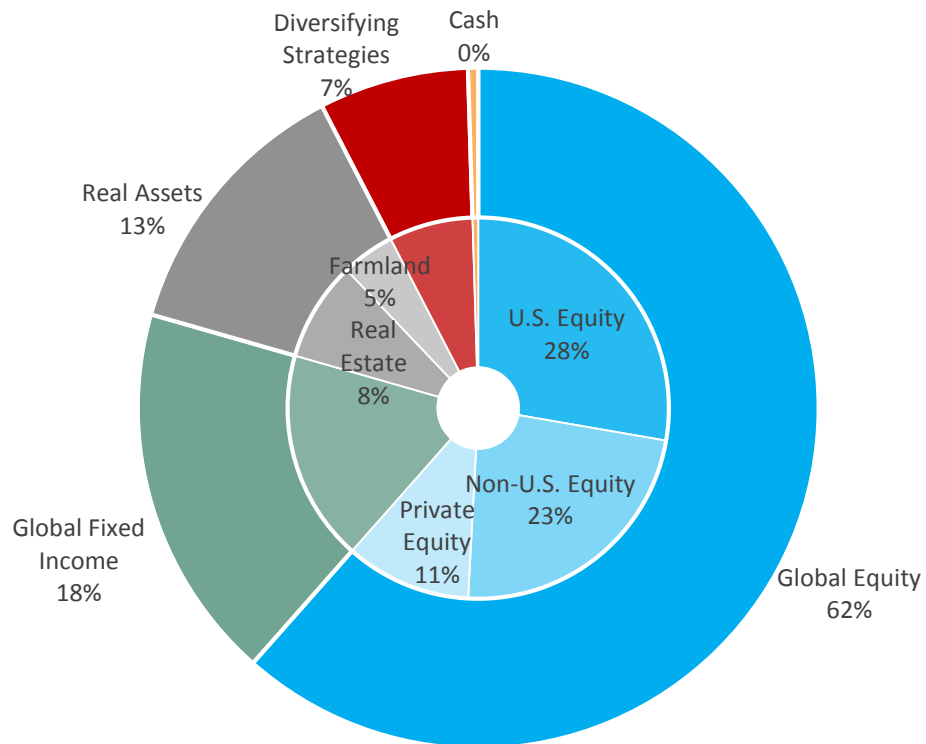


- The University Operating and Endowment Funds were valued at \$4.26 billion as of December 31, 2021.
- The Operating Pool (ex-Permanent Core) was valued at \$3.16 billion. The permanent core investment (gray bar) is a long-term investment of operating cash in the Endowment Pool to enhance distributions to invested units.
- The combined Endowment Pool is valued at \$1.03 billion (green and gray right bar) and is discussed further on the following slides.
- The Pure Endowment (ex-Permanent Core) is valued at \$568.1 million.

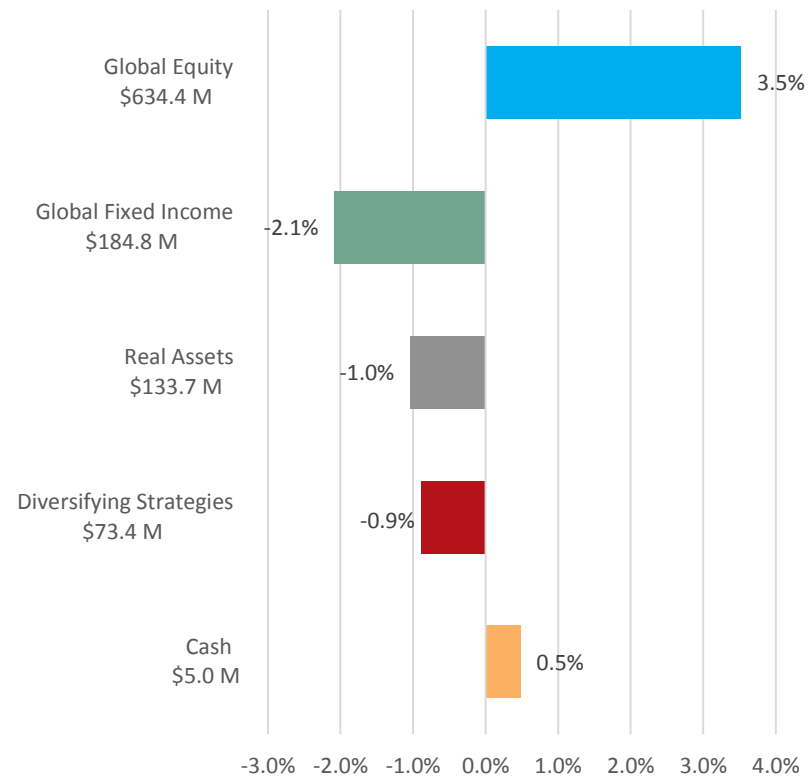
ENDOWMENT FUND UPDATE:
DECEMBER 31, 2021

MARKET VALUE AND ASSET ALLOCATION: ENDOWMENT POOL

Total Pool: \$1.03 Billion as of 12/31/2021

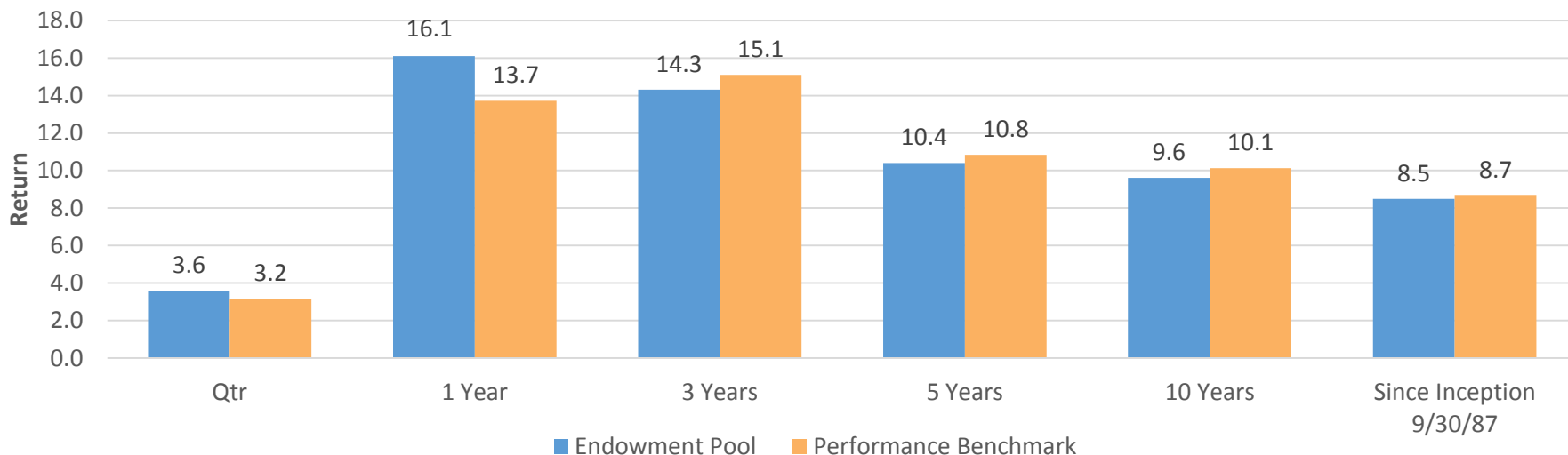


Over/Under Allocation to Long-Term Policy Targets



TOTAL ENDOWMENT POOL PERFORMANCE (DECEMBER 31, 2021)

TOTAL POOL: \$1.03 BILLION



- Over the one-year period, the endowment returned 16.1%. All asset classes contributed to performance, most notably U.S. equity (+28.2%), private equity (+37.5%), and real assets (+23.2%).
- Over the ten-year period, the endowment posted a 9.6% return, supported by solid returns from U.S. equity (+15.7%), private equity (+16.0%), and real assets (+8.6%).

Endowment Pool	Quarter Ending
Market Value Change	December-2021
Beginning Market Value	\$1,004.9 M
Net Contributions	(\$9.8 M)
Gain/Loss	\$36.0 M
Ending Market Value	\$1,031.2 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 (DECEMBER 31, 2021)

	Current Allocation (%)	Policy Allocation (%)	Quarter ending Dec-2021	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Endowment Pool			3.6	16.1	14.3	10.4	9.6	8.5	Sep-87
Performance Benchmark			3.2	13.7	15.1	10.8	10.1	8.7	
GLOBAL EQUITY	61.5	58.0	4.4	21.5	21.1	15.1	12.8	8.7	Sep-87
Total U.S. Equity			8.7	28.2	25.7	17.2	15.7	10.2	Sep-87
U.S. Equity Benchmark			9.3	25.7	25.7	17.9	16.2	10.5	
Total Non-U.S. Equity			1.6	8.4	13.6	9.9	7.7	5.8	Sep-93
Non-U.S. Equity Benchmark			1.6	8.5	13.6	9.8	7.5	5.9	
Total Private Equity			0.0	37.5	28.2	23.6	16.0	7.6	Jan-04
Private Equity Benchmark			0.0	29.8	26.8	20.0	18.9	13.8	
GLOBAL FIXED INCOME ¹	17.9	20.0	0.0	-0.7	5.4	4.1	3.7	6.7	Sep-87
Total Public Fixed Income			0.0	-1.7	4.9	3.8	3.6	6.6	Sep-87
Bloomberg U.S. Aggregate			0.0	-1.5	4.8	3.6	2.9	6.2	
Total Private Fixed Income			0.0	26.0	18.1	-	-	18.5	Jan-18
Bloomberg U.S. Corporate HY Index			0.7	5.3	8.8	-	-	6.0	
REAL ASSETS ¹	13.0	14.0	6.6	23.2	10.4	7.4	8.6	10.3	Dec-06
Total Real Estate			10.5	29.0	11.0	8.8	-	10.9	Aug-13
Real Estate Benchmark			7.7	21.0	8.2	7.5	-	10.1	
Total Farmland²			0.0	13.5	9.3	5.3	5.6	8.2	Dec-06
NCREIF Cornbelt Index			0.0	9.0	5.0	3.4	6.9	8.5	
DIVERSIFYING STRATEGIES¹	7.1	8.0	0.5	8.1	-7.9	-5.5	-	-1.6	May-13
Total Hedge Funds			0.5	7.7	-9.0	-6.4	-	-2.1	May-13
Hedge Fund Benchmark			0.6	10.4	10.9	7.1	-	5.5	
CASH	0.5	0.0	0.0	0.0	0.8	0.9	-	0.7	

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

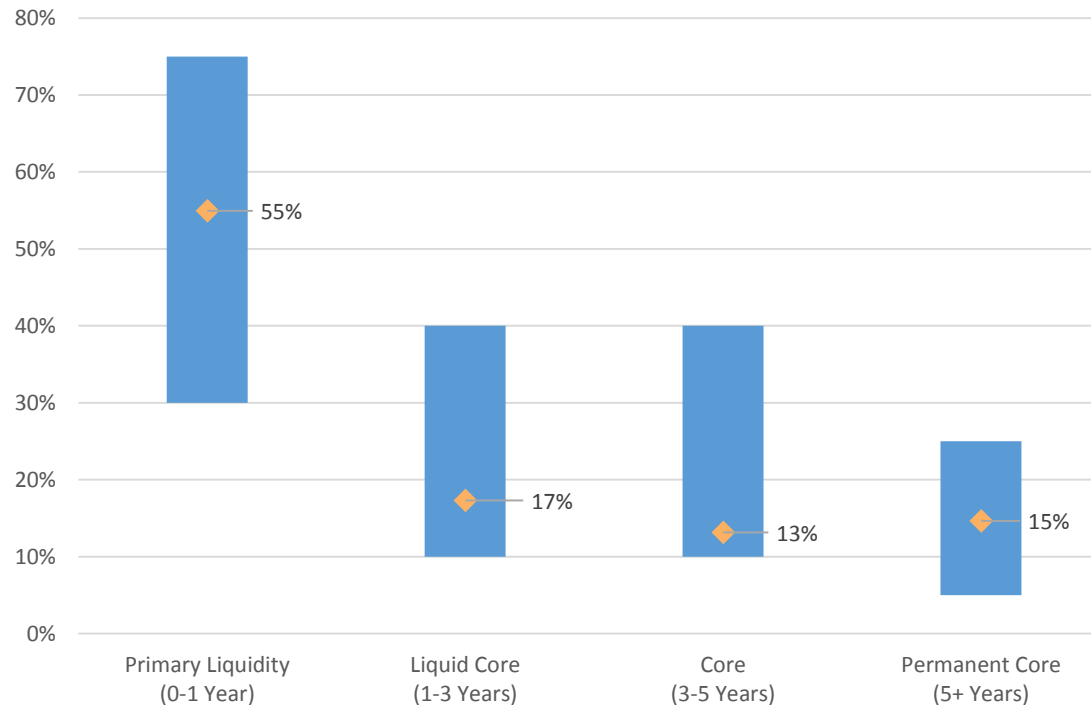
²Farmland directly owned by the Endowment is valued annually on June 30.

OPERATING POOL UPDATE:
DECEMBER 31, 2021

LIQUIDITY LAYERS: OPERATING POOL (DECEMBER 31, 2021)

OPERATING POOL LIQUIDITY LAYERS

AS OF December 31, 2021

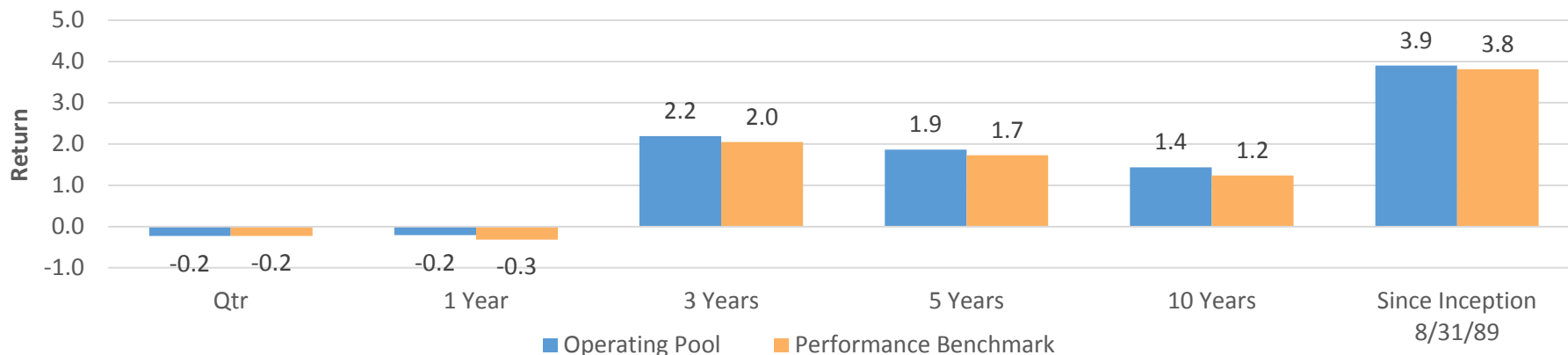


- The asset allocation strategy for the Operating Pool consists of investing funds across four liquidity layers. Board-approved ranges are depicted by the bars, while the diamonds represent the actual allocation.
- Funds expected to be used within one year are invested in the primary liquidity layer.
- 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 (DECEMBER 31, 2021)

TOTAL POOL: \$3.16 BILLION



- Over the trailing one-year period ending December 31, 2021, the Operating Pool returned -0.2%, outperforming the benchmark return.
 - Most managers in the Operating Pool matched or outperformed their respective benchmarks over the period.
- Over the 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.

Operating Pool		Quarter Ending
Market Value Change		December-2021
Beginning Market Value		\$3,198.4 M
Net Contributions		(\$35.5 M)
Gain/Loss		(\$7.3 M)
Ending Market Value		\$3,155.6 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

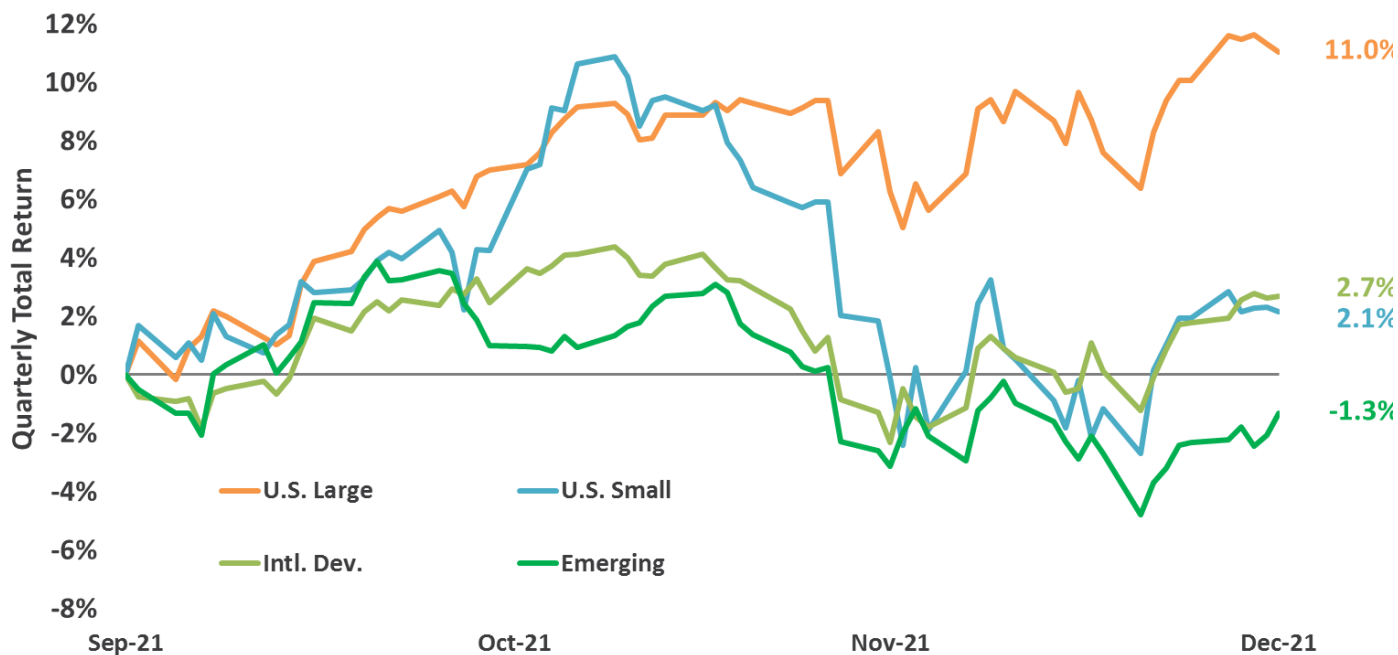
2012-2021 Annual Returns of Key Indices

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	5-year	10-year
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%	Small Cap 20.0%	Small Cap 14.8%	Large Cap 18.5%	Large Cap 16.5%
Emerging Markets 18.2%	Large Cap 32.4%	Large Cap 13.7%	Bonds 0.5%	High Yield 17.1%	Int'l 25.0%	High Yield -2.1%	Small Cap 25.5%	Large Cap 18.4%	Global REIT 26.1%	Small Cap 12.0%	Small Cap 13.2%
Int'l 17.3%	Int'l 22.8%	Bonds 6.0%	Hedge Funds -0.3%	Large Cap 11.9%	Large Cap 21.8%	Hedge Funds -4.0%	Int'l 22.0%	Emerging Markets 18.3%	Large Cap 28.7%	Emerging Markets 9.9%	High Yield 6.8%
Small Cap 16.3%	Hedge Funds 9.0%	Small Cap 4.9%	Global REIT -0.8%	Emerging Markets 11.2%	Small Cap 14.6%	Large Cap -4.4%	Global REIT 21.9%	Hedge Funds 10.9%	Int'l 11.3%	Int'l 9.5%	Global REIT 8.6%
Large Cap 16.0%	High Yield 7.4%	Hedge Funds 3.4%	Int'l -0.8%	Global REIT 4.1%	Global REIT 10.4%	Global REIT -5.6%	Emerging Markets 18.4%	Int'l 7.8%	Emerging Markets -2.5%	High Yield 6.3%	Int'l 8.0%
High Yield 15.8%	Global REIT 3.7%	High Yield 2.5%	Small Cap -4.4%	Bonds 2.6%	Hedge Funds 7.8%	Small Cap -11.0%	High Yield 14.3%	Bonds 7.5%	Hedge Funds 6.1%	Hedge Funds 5.7%	Emerging Markets 5.5%
Hedge Funds 4.8%	Bonds -2.0%	Emerging Markets -2.2%	High Yield -4.5%	Int'l 1.0%	High Yield 7.5%	Int'l -13.8%	Bonds 8.7%	High Yield 7.1%	High Yield 5.3%	Global REIT 7.8%	Hedge Funds 4.6%
Bonds 4.2%	Emerging Markets -2.6%	Int'l -4.9%	Emerging Markets -14.9%	Hedge Funds 0.5%	Bonds 3.5%	Emerging Markets -14.6%	Hedge Funds 8.4%	Global REIT -9.0%	Bonds -1.5%	Bonds 3.6%	Bonds 2.9%

GLOBAL EQUITY

- Consistent with the theme generally in place since the Global Financial Crisis, domestic equities strongly outperformed international in both the fourth quarter and calendar year. This was particularly true for emerging market equities, which faced both exchange rate-related headwinds versus the USD and meaningfully poor performance from Chinese stocks.
- Domestically, large cap strongly outperformed small cap, the disparity of which appeared meaningfully pronounced in the fourth quarter, as the S&P 500 Index outperformed the Russell 2000 Index by nearly 9 percentage points.
- Stylistically, domestic large cap growth outperformed the value cohort group for the year, although this dynamic appeared the opposite among the mid and smaller-cap portions of the capitalization spectrum.

Global Equity 2021-4Q Performance (in USD)

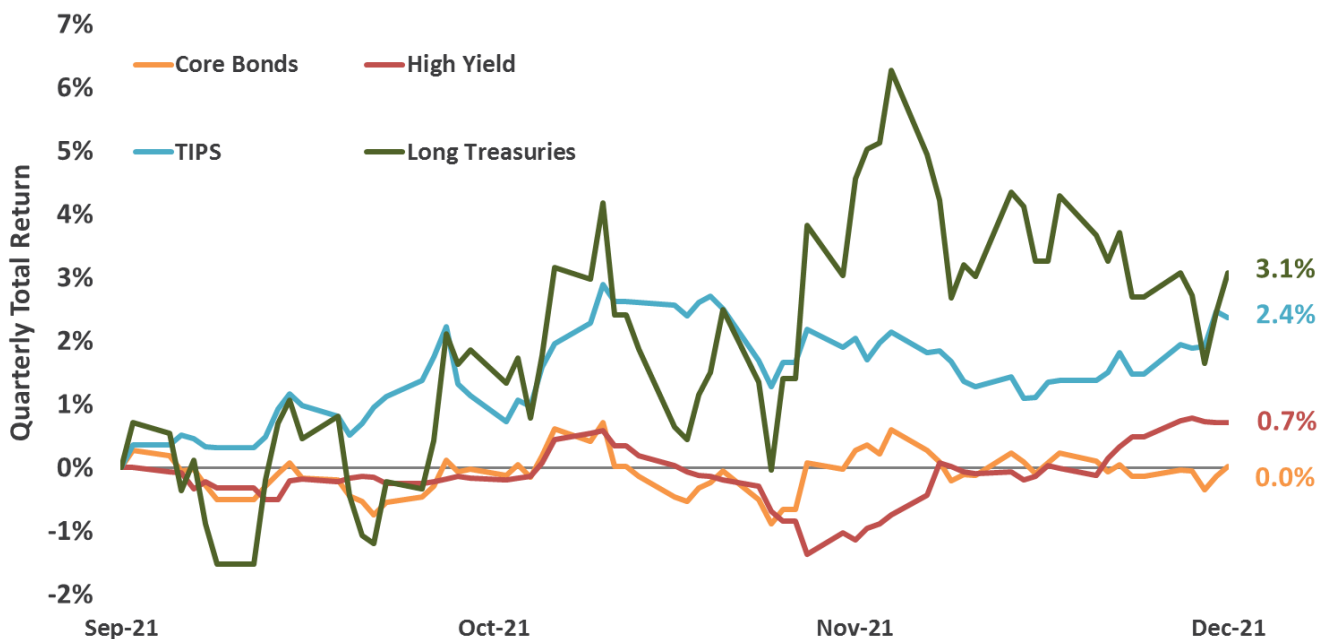


Data source: Bloomberg, L.P.; Data as of 12/31/2021

FIXED INCOME

- Fixed income performance in 2021 primarily favored the speculative grade and inflation-sensitive sectors, such as high yield credit, bank loans, and Treasury Inflation Protection Securities (TIPS), while the rate-sensitive corners of the market faced headwinds in the form of rising nominal interest rates and a related sharp increase in inflationary expectations.
- Speculative grade credit risk premiums tightened to below pre-pandemic tight levels, reflecting continued supportive financial conditions and an overall healthy risk-taking environment amid strong investor demand for relatively short duration credit risk.
- Both the Fed and bond market participants continue to expect numerous increases to the policy rate in 2022 and 2023, with the Fed's "Dot Plot" and eurodollar futures both pointing to 6 expected hikes in the coming 2 years.

Fixed Income 2021-4Q Performance

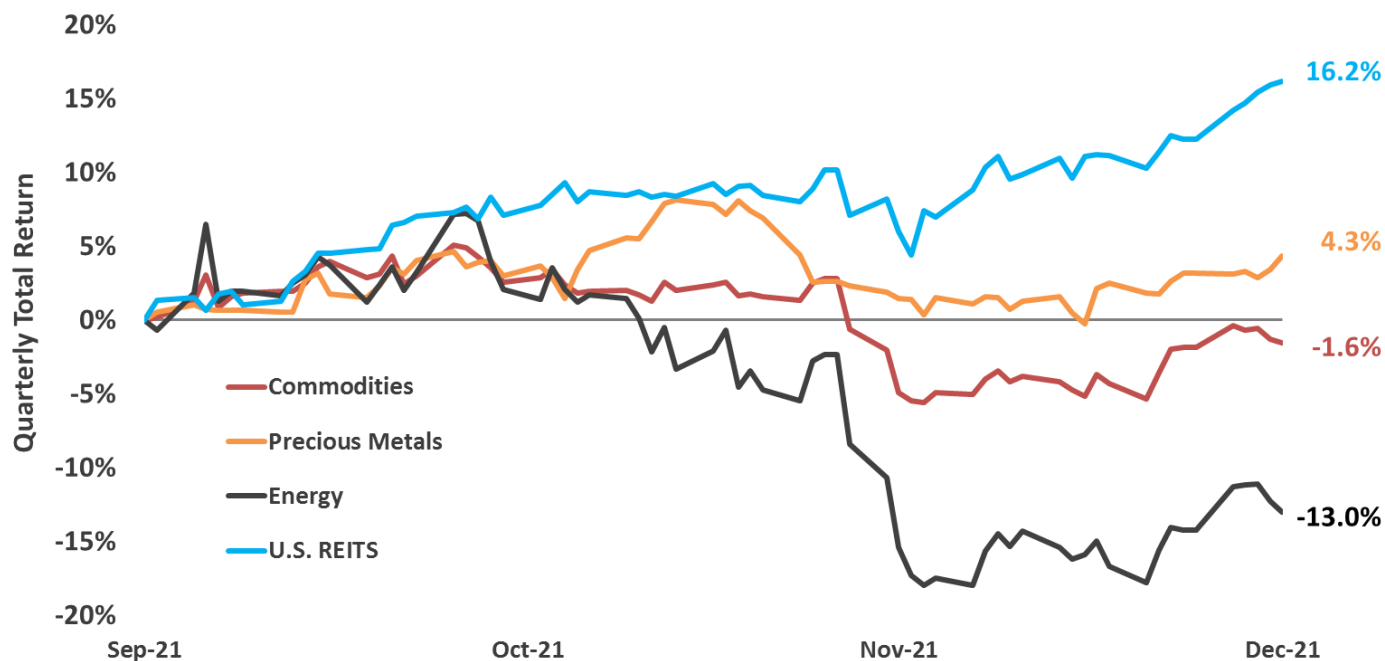


Data source: Bloomberg, L.P.; Data as of 12/31/2021

REAL ASSETS

- Real assets attracted significant investor attention throughout the year, with broadly strong performance underpinned by the ongoing global economic recovery and the associated strong investor demand for inflation-sensitive assets.
- A laggard versus competing risk assets throughout most of 2020, Real Estate Investment Trusts (REITs), particularly domestic, were one of the best performing major asset categories across the global investment universe in 2021. Commodities (excluding the safe-haven precious metals sector) and infrastructure also witnessed strong positive returns.
- Precious metals spot prices faced persistent headwinds throughout 2021 amidst elevated investor demand for risk-oriented exposures, with additional headwinds from rising interest rates and a strengthening USD.

Real Assets 2021-4Q Performance

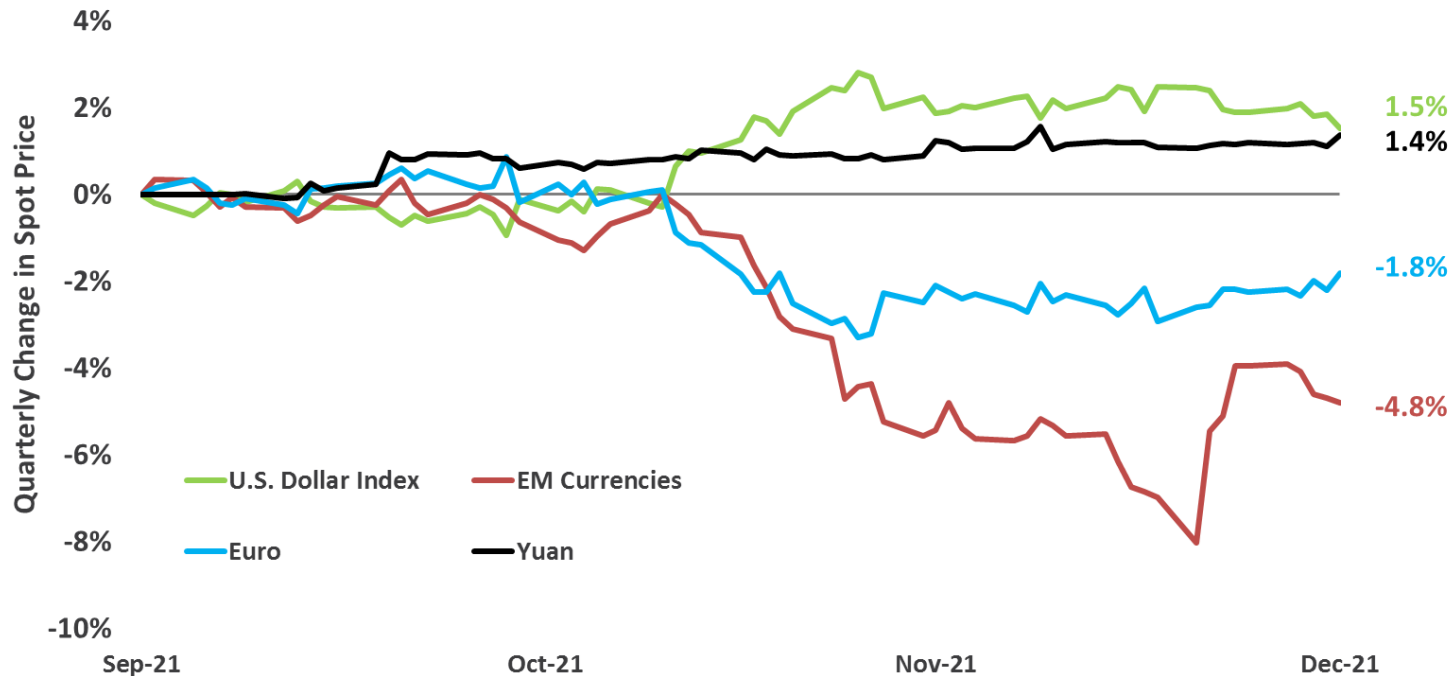


Data source: Bloomberg, L.P.; Data as of 12/31/2021

CURRENCIES

- The continued robust domestic economic recovery, paired with the initiation and subsequent increase in the pace of Fed quantitative easing tapering, helped drive the global exchange rate value of the dollar higher throughout 2021. Many commonly-referenced gauges appreciated to the highest levels since summer 2020, the strength of which appeared the most pronounced against the Japanese yen and liquid emerging market currencies.
- The strengthening USD during the quarter and calendar year perhaps came as a surprise to those anticipating a sharp decline driven by multi-decade high inflation, deeply negative real interest rates, and continued accommodative fiscal and monetary policies, although turning points in secular currency trends have historically proven challenging to accurately forecast.

Global Currency 2021-4Q Change in Spot (Base: USD)



Data source: Bloomberg, L.P.; Data as of 12/31/2021

DISCLOSURES

DISCLOSURES

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DISCLOSURES

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.msicibarra.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.msicibarra.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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