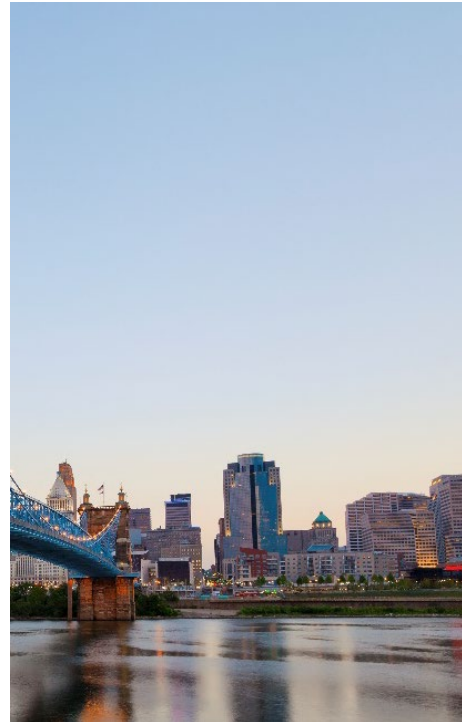
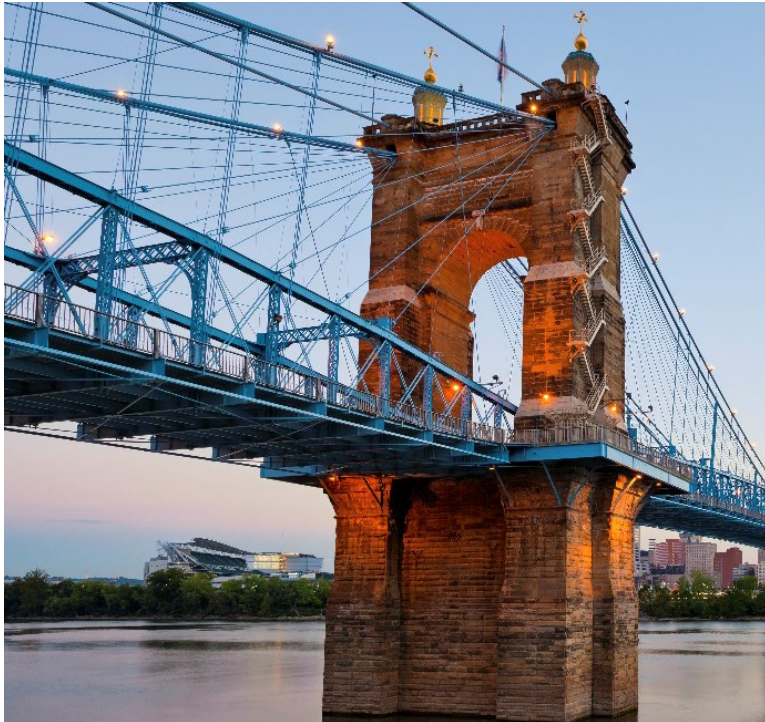


Reported to the Board of Trustees
May 20, 2021



UNIVERSITY OF ILLINOIS SYSTEM

FOURTH QUARTER 2020 INVESTMENT UPDATE
PREPARED FOR THE BOARD OF TRUSTEES

March 2021

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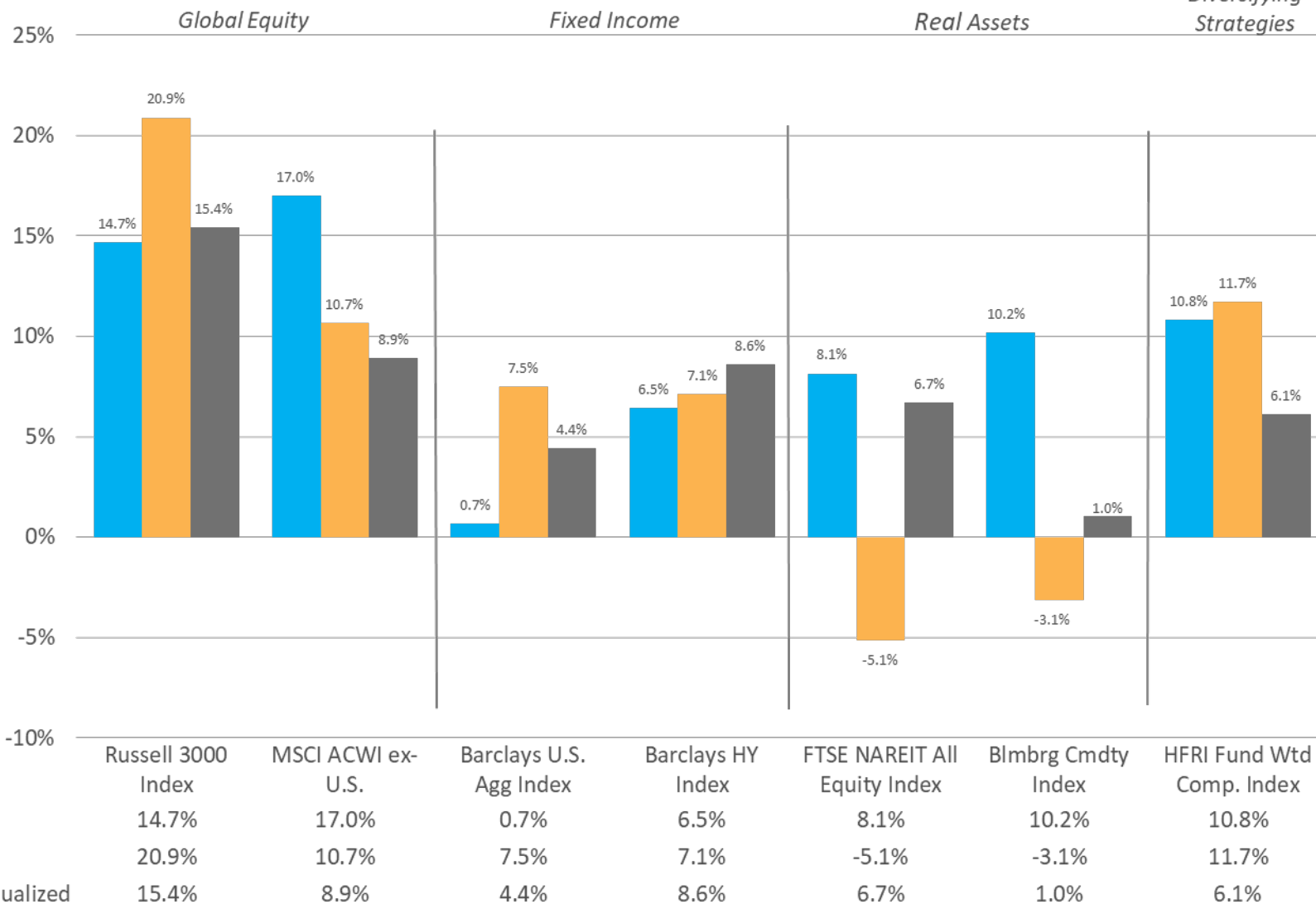
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MARKET OVERVIEW AND SYSTEM ASSETS

CAPITAL MARKET OVERVIEW

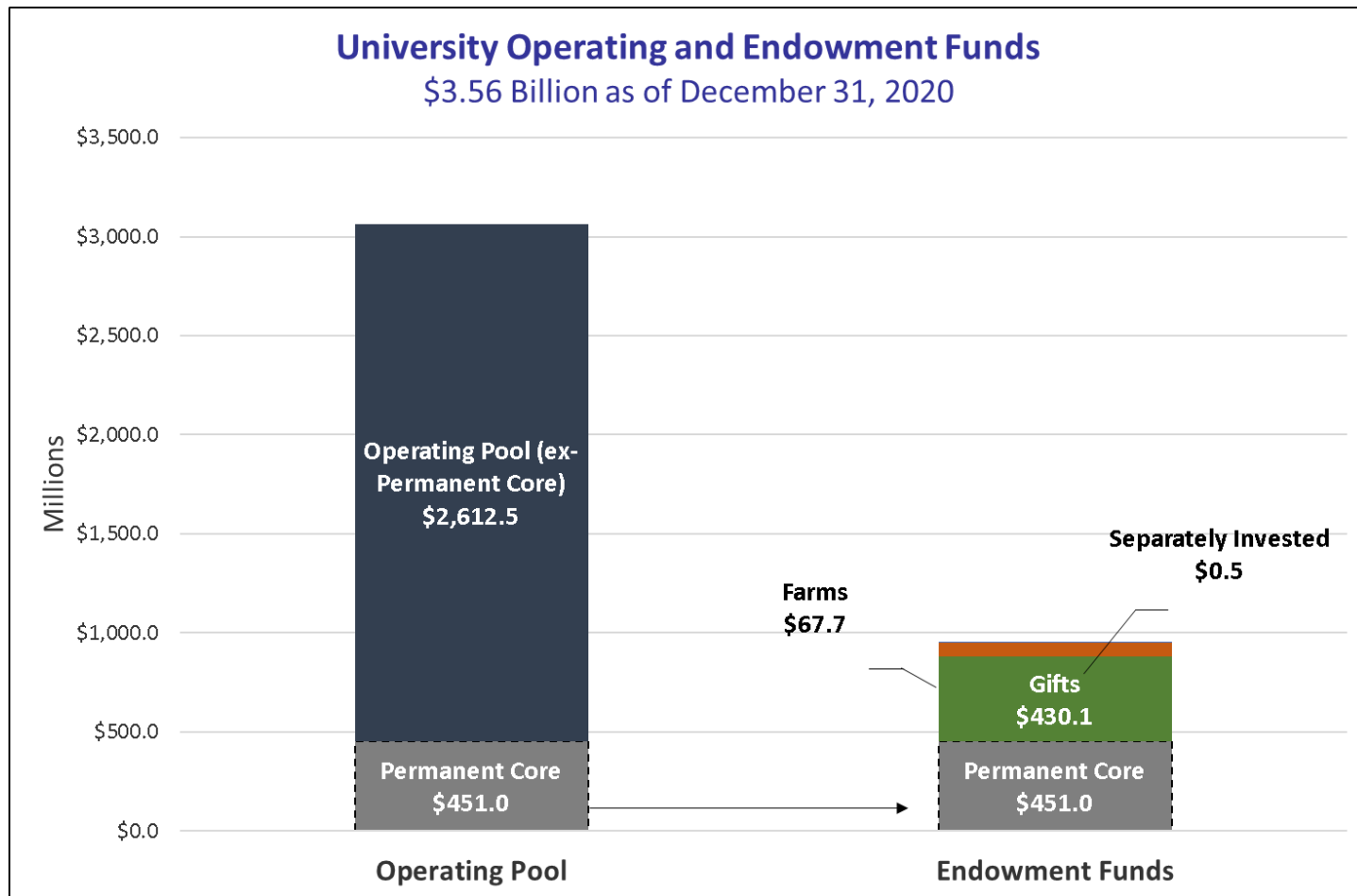
Fourth Quarter 2020 – Market Returns

Diversifying Strategies



Data sources: Lipper and Hedge Fund Research

UNIVERSITY OPERATING AND ENDOWMENT FUNDS: DEC 31, 2020

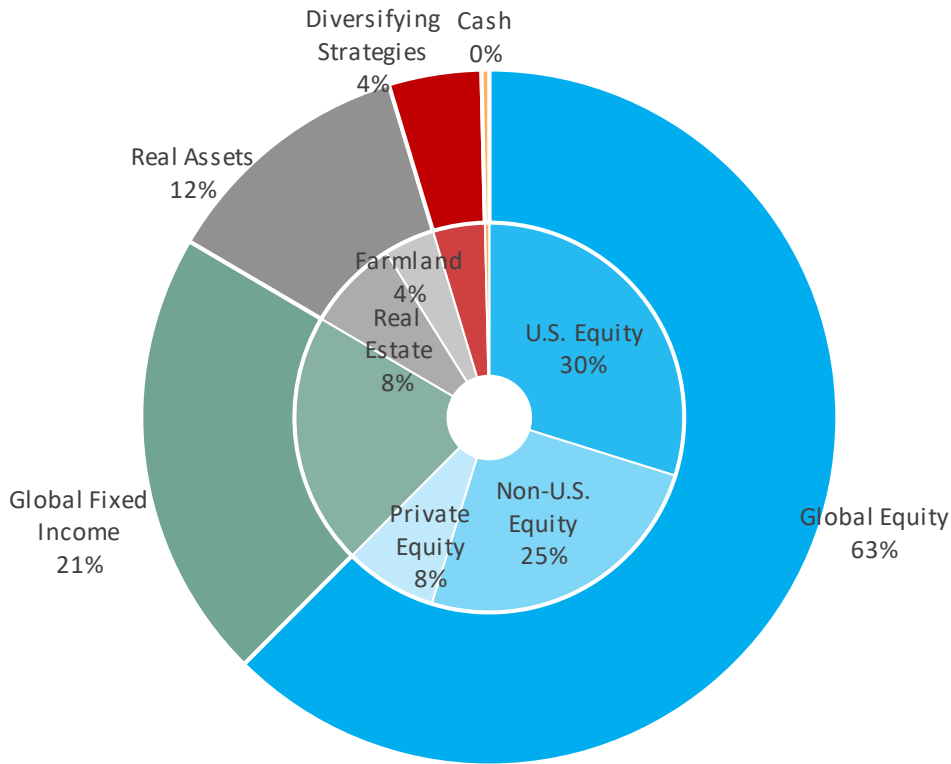


- The University Operating and Endowment Funds were valued at \$3.6 billion as of December 31, 2020.
- The Operating Pool (ex-Permanent Core) was valued at \$2.6 billion. The permanent core investment (gray bar) is a long-term investment of operating cash in the Endowment Pool to enhance distributions to invested units.
- The combined Endowment Pool is valued at \$881.0 million (green and gray right bar) and is discussed further on the following slides.
- The Pure Endowment (excluding Operating) is valued at \$498.3 million.

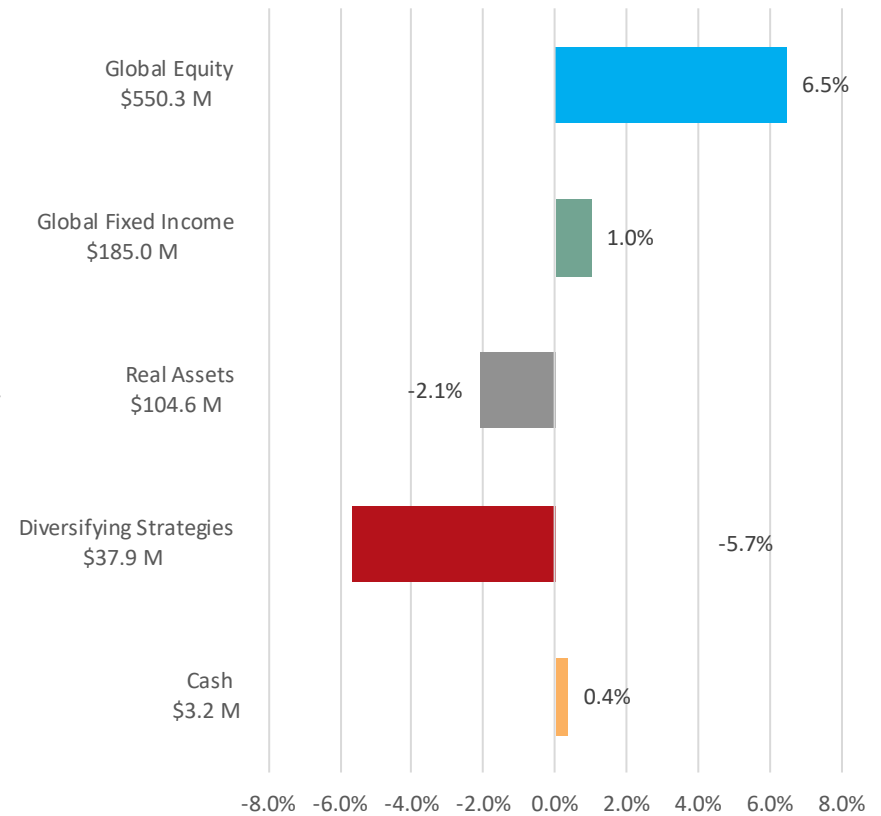
ENDOWMENT FUND UPDATE:
DECEMBER 31, 2020

MARKET VALUE AND ASSET ALLOCATION: ENDOWMENT POOL

Total Pool: \$881.0 Million as of 12/31/2020



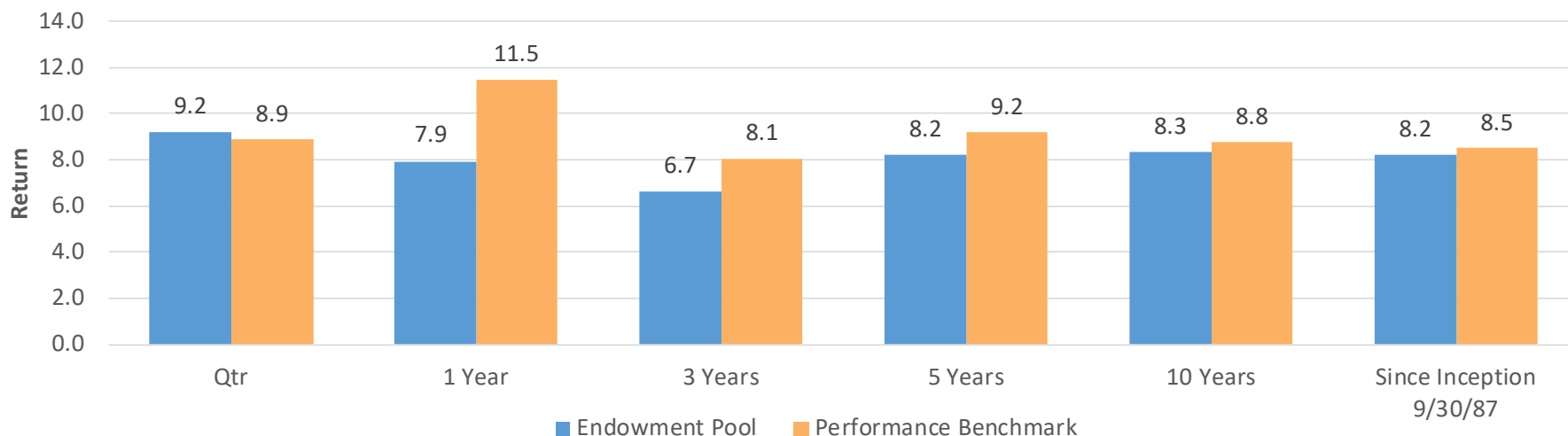
Over/Under Allocation to Long-Term Policy Targets



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 (DEC 31, 2020)

TOTAL POOL: \$881.0 MILLION



- Over the one-year period, the endowment returned 7.9%. Hedge funds (-35.2%) and real estate (-1.1%) detracted from performance, while U.S. equity (+18.8%) contributed to performance.
- On the ten-year period, the endowment posted an 8.3% return, supported by solid returns from U.S. equity (+13.1%), private equity (+11.9%), and real assets (+10.4%).

Endowment Pool	Quarter Ending
Market Value Change	December-2020
Beginning Market Value	\$808.5 M
Net Contributions	(\$1.8 M)
Gain/Loss	\$74.3 M
Ending Market Value	\$881.0 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 (DEC 31, 2020)

	Current Allocation (%)	Policy Allocation (%)	Quarter ending Dec-2020	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Endowment Pool			9.2	7.9	6.7	8.2	8.3	8.2	Sep-87
Performance Benchmark			8.9	11.5	8.1	9.2	8.8	8.5	
GLOBAL EQUITY	62.5	56.0	14.3	14.5	10.0	12.1	10.4	8.3	Sep-87
Total U.S. Equity			16.1	18.8	13.0	14.0	13.1	9.7	Sep-87
U.S. Equity Benchmark			14.7	20.8	14.4	15.4	13.7	10.1	
Total Non-U.S. Equity			17.2	11.1	4.9	9.0	5.6	5.7	Sep-93
Non-U.S. Equity Benchmark			17.2	11.1	4.8	9.0	5.1	5.8	
Total Private Equity			0.0	9.7	15.7	14.1	11.9	5.0	Jan-04
Private Equity Benchmark			0.0	-0.7	9.4	13.5	14.5	11.8	
GLOBAL FIXED INCOME ¹	21.0	20.0	1.1	8.5	5.6	4.8	4.5	6.9	Sep-87
Total Public Fixed Income			1.1	8.6	5.5	4.7	4.5	6.9	Sep-87
Bloomberg Barclays U.S. Aggregate			0.7	7.5	5.3	4.4	3.8	6.4	
REAL ASSETS	11.9	14.0	3.0	1.1	3.9	3.6	10.4	9.4	Dec-06
Total Real Estate			4.8	-1.1	3.7	5.1	-	8.6	Aug-13
Real Estate Benchmark			1.1	0.3	3.7	5.1	-	8.7	
Total Farmland^{1,2}			0.0	5.2	4.6	2.0	8.3	7.9	Dec-06
NCREIF Cornbelt Index			0.0	3.9	2.9	0.9	7.6	8.5	
DIVERSIFYING STRATEGIES¹	4.3	10.0	4.1	-33.5	-12.9	-6.3	-	-2.9	May-13
Total Hedge Funds			4.5	-35.2	-14.0	-7.0	-	-3.4	May-13
HFRI Fund Weighted Composite Index			10.8	11.7	5.5	6.1	-	4.8	
CASH	0.4	0.0	0.0	0.4	1.3	1.0	-	0.8	

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

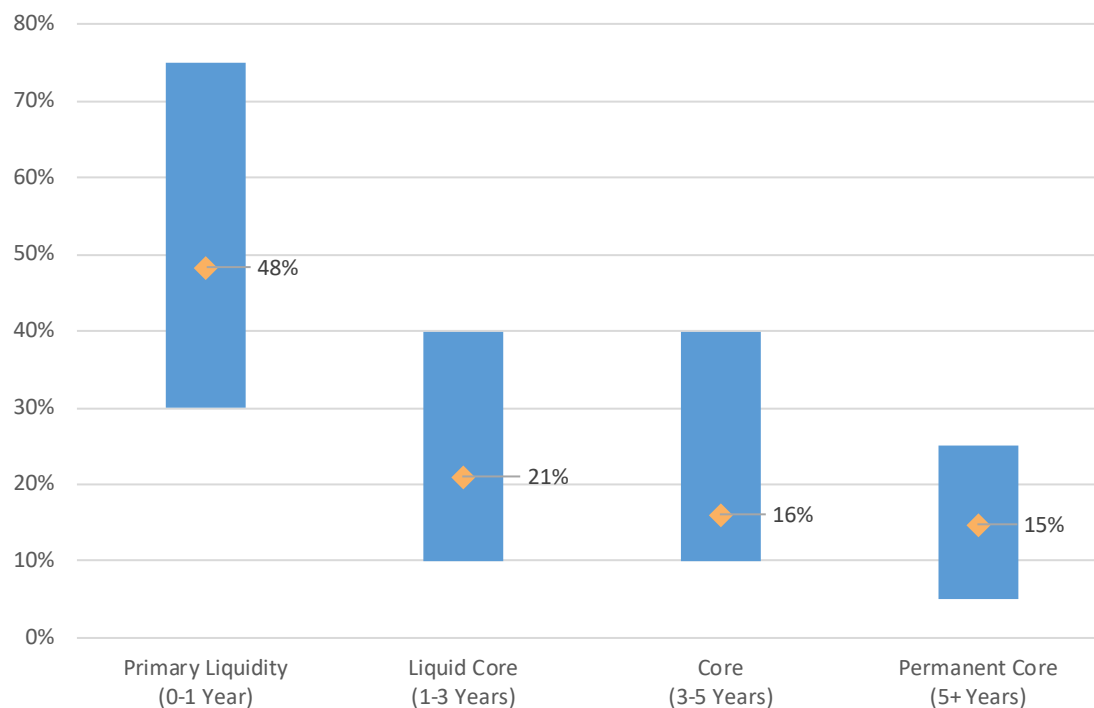
²Farmland directly owned by the Endowment is valued annually on June 30.

OPERATING POOL UPDATE:
DECEMBER 31, 2020

LIQUIDITY LAYERS: OPERATING POOL (DEC 31, 2020)

OPERATING POOL LIQUIDITY LAYERS

AS OF DECEMBER 31, 2020

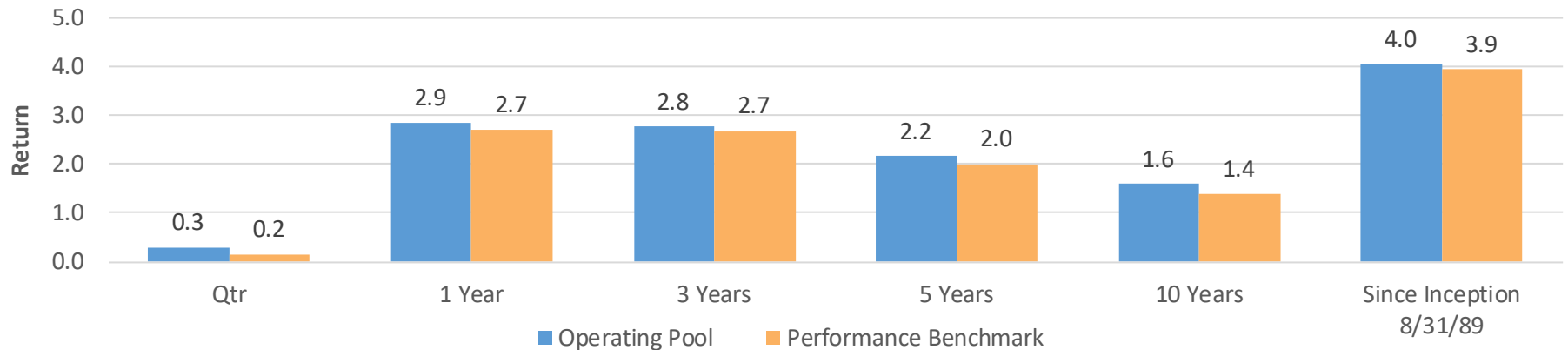


- The asset allocation strategy for the Operating Pool consists of investing funds across four liquidity layers. Board-approved ranges are depicted by the bars, while the diamonds represent the actual allocation.
- Funds expected to be used within one year are invested in the primary liquidity layer.
- 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 (DEC 31, 2020)

TOTAL POOL: \$2.61 BILLION



- Over the trailing one-year period ending December 31, 2020, the Operating Pool returned 2.9%, outperforming 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 outperformed the benchmark.
 - The majority of the Operating Pool's managers have each met or outperformed their respective benchmarks.

Operating Pool Market Value Change	Quarter Ending December-2020
Beginning Market Value	\$2,744.6 M
Net Contributions	(\$140.0 M)
Gain/Loss	\$7.9 M
Ending Market Value	\$2,612.5 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

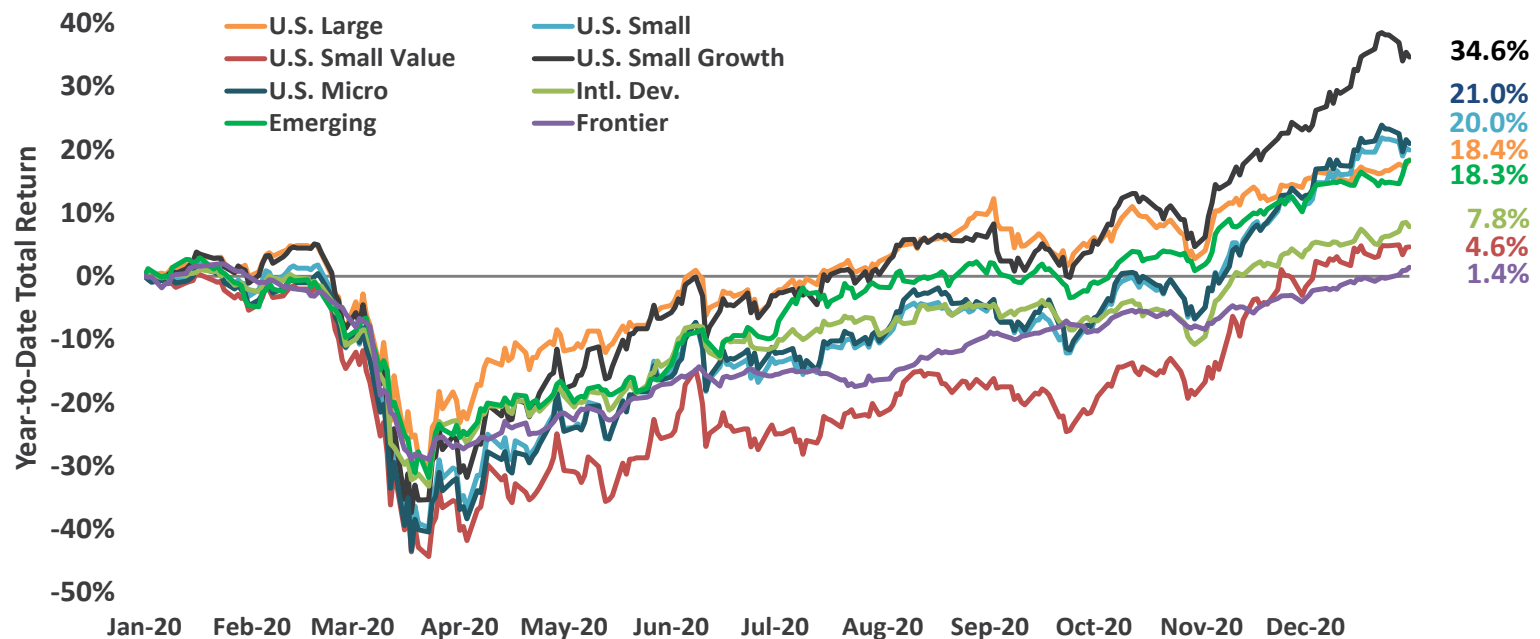
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	5-year annual	10-year annual
MLPs 13.9%	Global REIT 27.7%	Small Cap 38.8%	Global REIT 15.0%	Large Cap 1.4%	Small Cap 21.3%	Emerging Markets 37.3%	Bonds 0.0%	Large Cap 31.5%	Small Cap 20.0%	Large Cap 15.2%	Large Cap 13.9%
Bonds 7.8%	Emerging Markets 18.2%	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%	Large Cap 18.4%	Small Cap 13.3%	Small Cap 11.2%
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%	Emerging Markets 18.3%	Emerging Markets 12.8%	High Yield 6.8%
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%	Hedge Funds 10.3%	High Yield 8.6%	Int'l 5.5%
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%	Int'l 7.8%	Int'l 7.4%	Global REIT 5.4%
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%	Bonds 7.5%	Hedge Funds 4.5%	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%	High Yield 7.1%	Bonds 4.4%	Emerging Markets 3.6%
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 -9.0%	Global REIT 3.7%	Hedge Funds 3.3%
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 -28.7%	MLPs -5.9%	MLPs -2.3%

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

GLOBAL EQUITY

- Global equities spent the first half of 2020 generally in negative territory, with COVID-19 sending significant disruptions across global supply chains. Following the swift introduction of unprecedented levels of monetary and fiscal stimulus, however, global equities rebounded from the market's depths of late-March, propelling most major global indices to new record high levels.
- From a capitalization standpoint, Domestic Small Cap (+20.0%) outperformed Large Cap (+18.4%), although Large Cap maintained a sizable relative lead throughout most of the year.
- Stylistically, Growth strongly outperformed Value, amid sharply declining rates, plunging oil prices early in the year, and immense global growth headwinds weighing on the more cyclically-oriented Value indices. A late-year increase in interest rates and the Treasury yield curve, however, boosted the relative performance of Value.

Global Equity Year-to-Date Performance (in USD)

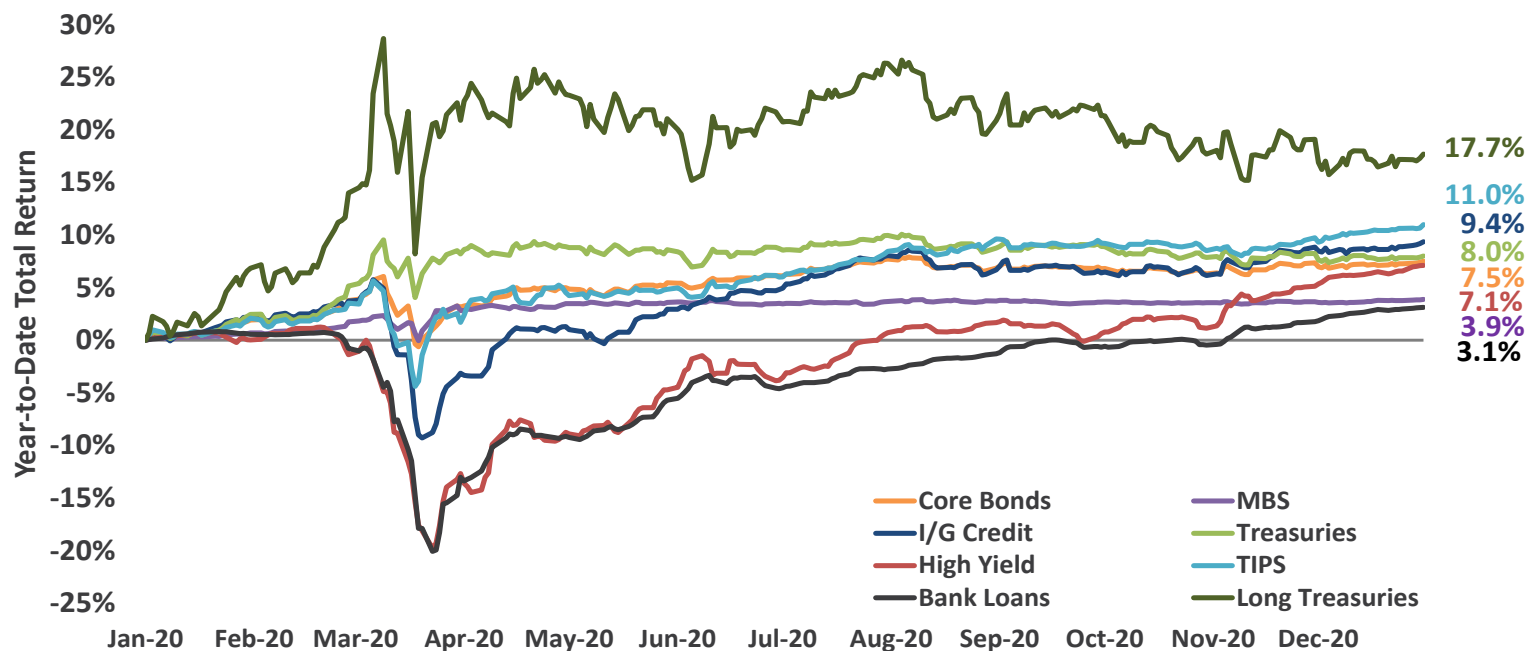


Data source: Bloomberg, L.P.; Data as of 12/31/2020

FIXED INCOME

- Global interest rates sank in 2020, driven by strong demand for high quality, rate-sensitive assets, particularly amid the brief drawdown across risk sectors in March. The yield on the benchmark 10-Year U.S. Treasury Note, which began 2020 at 1.92%, established a new record low of 0.51% in August, before rising sharply to end the year at 0.91%. Meanwhile, real rates (i.e., TIPS yields) concluded 2020 deep in negative territory, at -1.09%.
- The term premium between the 10-Year Treasury Note and 3-Month Treasury Bill increased sharply following the Fed's implementation of zero percent interest rates and ultra-accommodative policy initiatives, although this spread stood well below historical average levels at the conclusion of 2020.
- High yield credit spreads, which widened to 1,100 basis points at the market lows in March, tightened significantly during the risk-on rally that began in April and ended the year ~200 basis points below historical average levels.

Fixed Income Year-to-Date Performance

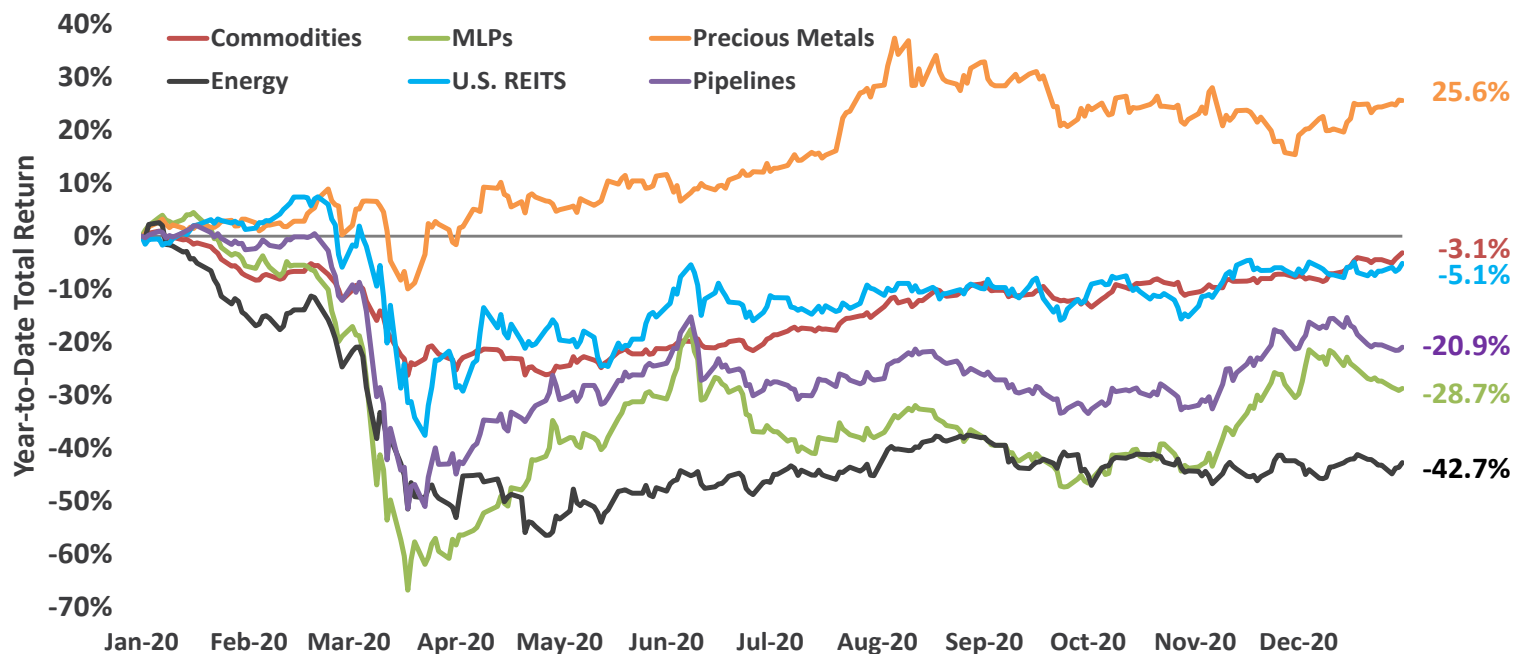


Data source: Bloomberg, L.P.; Data as of 12/31/2020

REAL ASSETS

- Performance across real assets was generally negative in 2020, as COVID-19 dealt a significant blow to the global growth engine, placing meaningful downward pressure on the cyclically-oriented sectors of the investment universe. Precious metals steadily gained, with a depreciating USD, negative real interest rates, and ultra-loose global monetary and fiscal conditions serving as tailwinds.
- REIT performance was challenged by significant fundamental headwinds, particular in consumer-oriented sectors such as retail and lodging. These difficulties have persisted into 2021, as measures to contain the ongoing spread of COVID-19 and uncertainty regarding the future demand for commercial real estate have weighed on the asset category.
- Commodities spent 2020 in negative territory but gradually gained in the second half of the year amid tailwinds that included the rollout of a COVID-19 vaccine, a depreciating USD, and improving longer-term growth prospects.

Real Assets Year-to-Date Performance

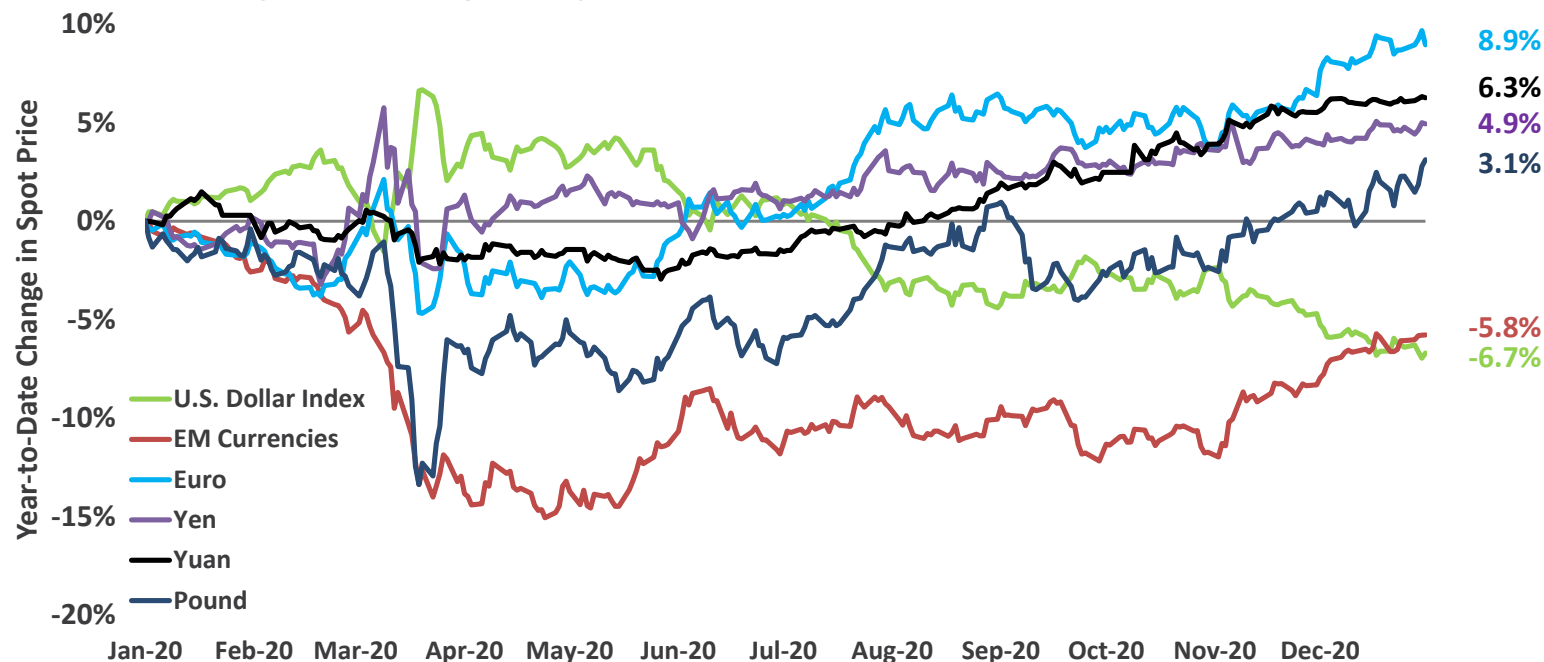


Data source: Bloomberg, L.P.; Data as of 12/31/2020

CURRENCIES

- The U.S. Dollar (USD), which appreciated sharply amidst the market drawdown in March, gradually declined once market participants began to digest the plethora of stimulus packages set forth by U.S. policy makers, totaling at least \$6 trillion throughout 2020. Despite this decline, most major valuation metrics for the USD remained well-above historical trend levels.
- Liquid Emerging Market currencies, as reflected by the JPMorgan Emerging Market Currency Index, declined to the lowest level on record versus the USD in April, before appreciating modestly in the fourth quarter.

Global Currency YTD Change in Spot (Base: USD)



Data source: Bloomberg, L.P.; Data as of 12/31/2020

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

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