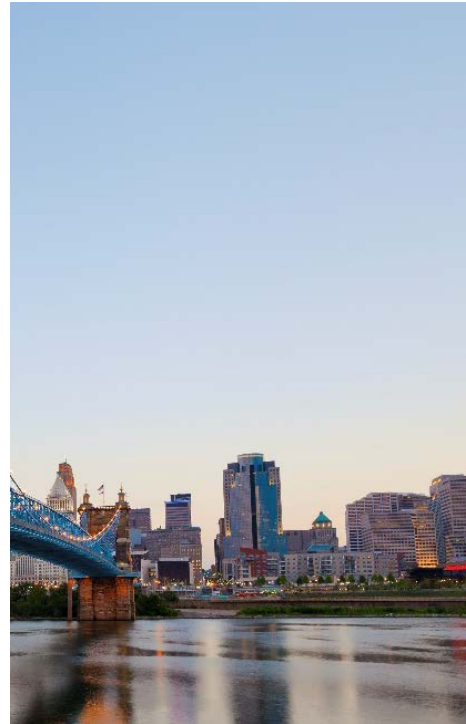
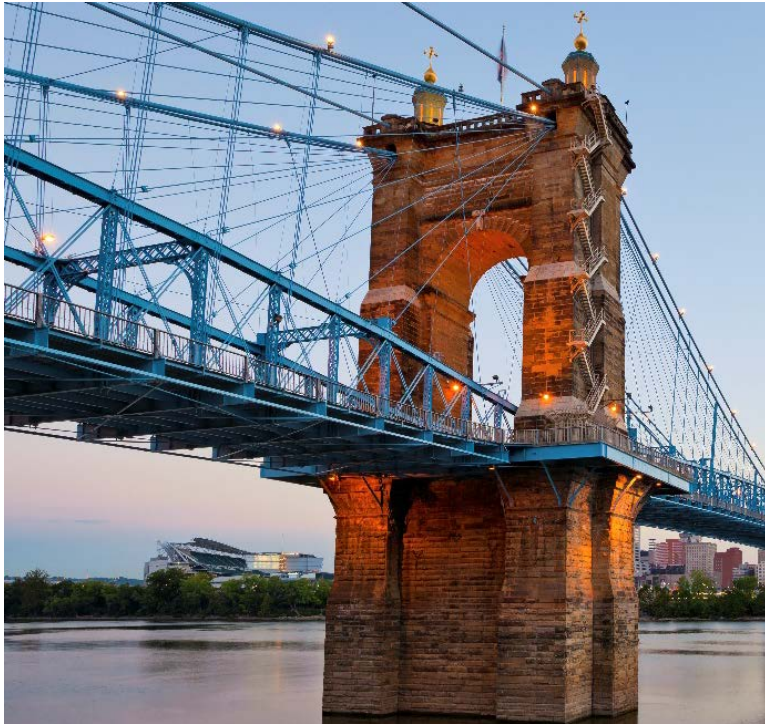


Reported to the Board of Trustees
September 23, 2021



UNIVERSITY OF ILLINOIS SYSTEM

SECOND QUARTER 2021 INVESTMENT UPDATE
PREPARED FOR THE BOARD OF TRUSTEES

August 2021

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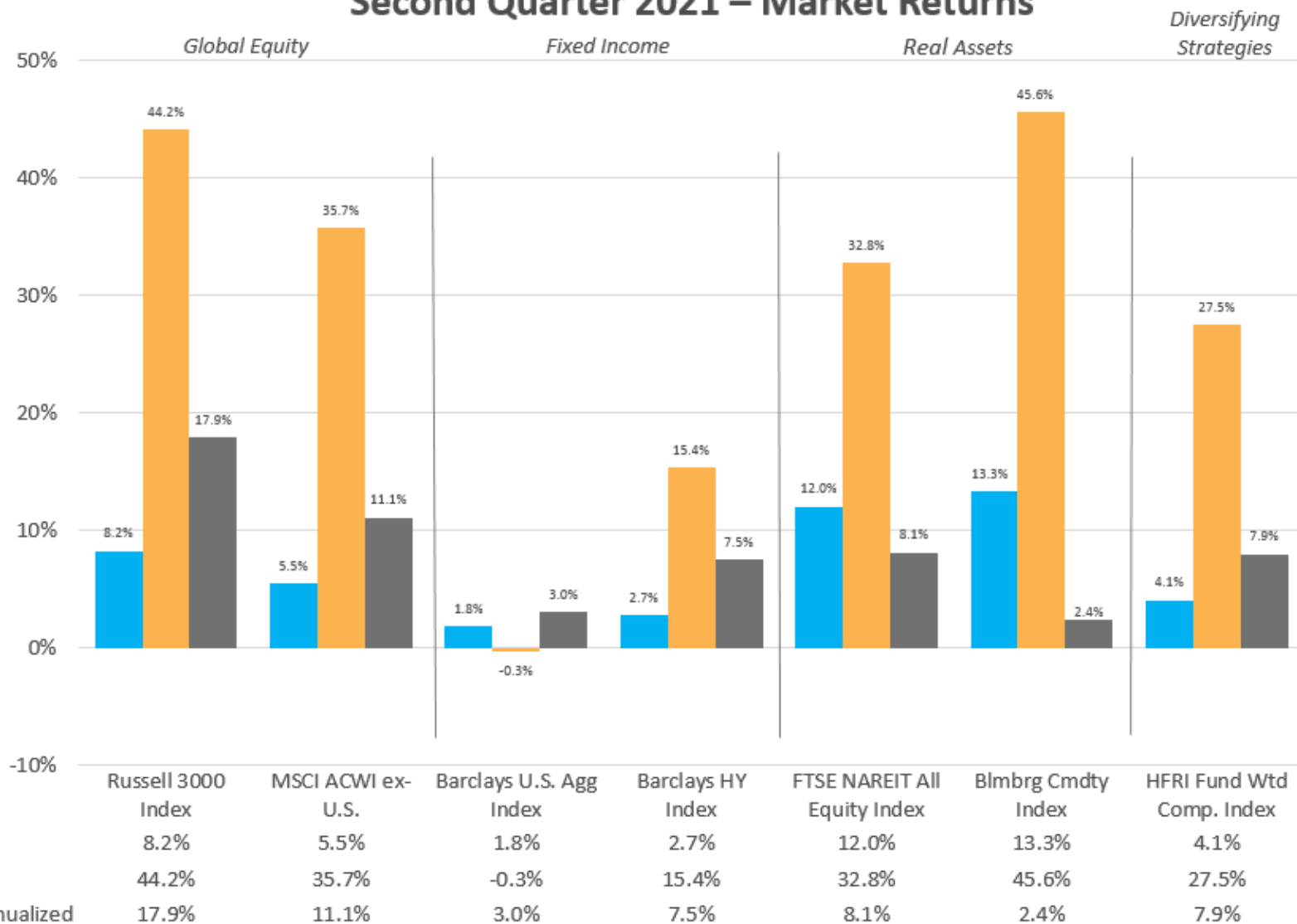
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MARKET OVERVIEW AND SYSTEM ASSETS

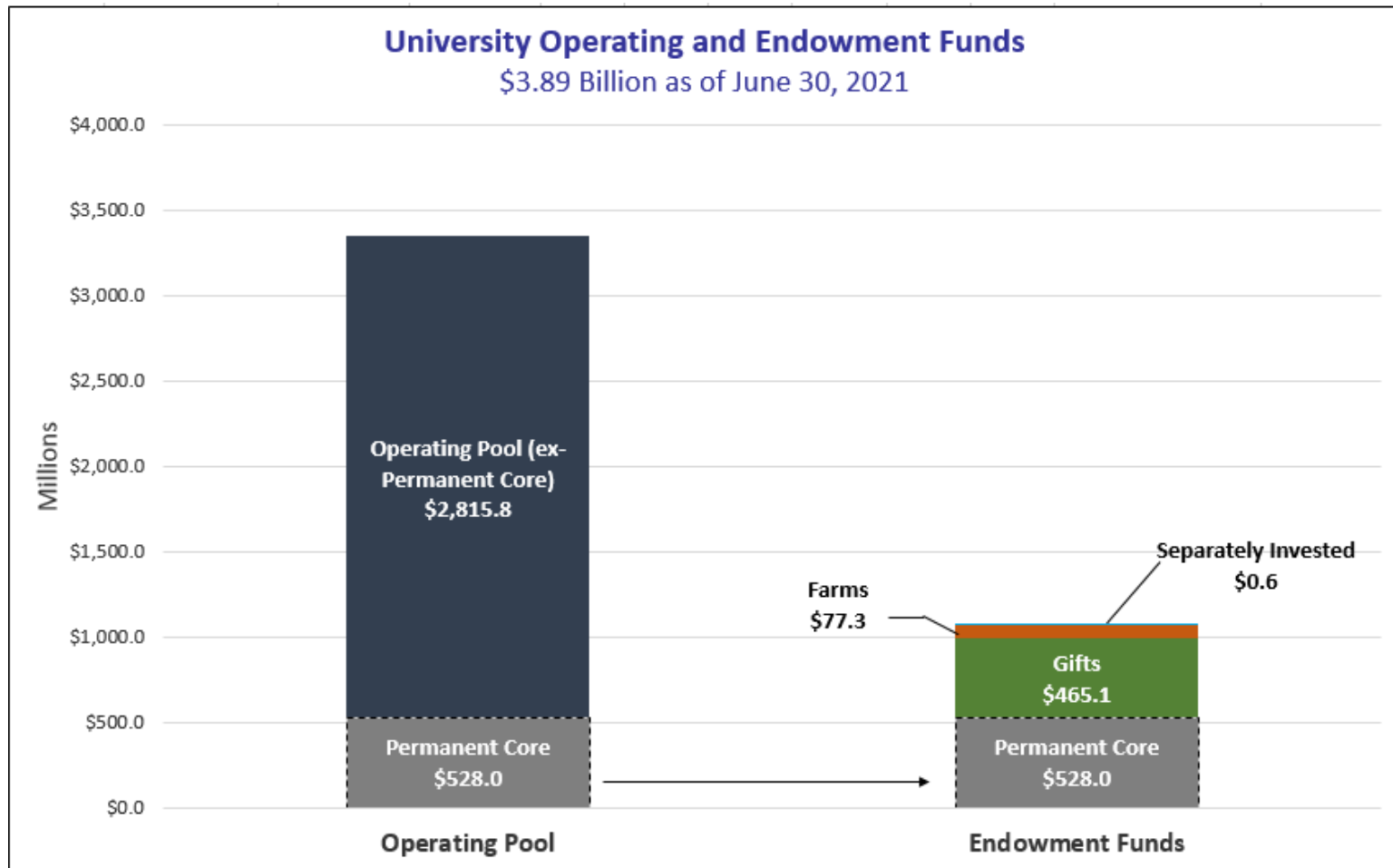
CAPITAL MARKET OVERVIEW

Second Quarter 2021 – Market Returns



Data sources: Lipper and Hedge Fund Research

UNIVERSITY OPERATING AND ENDOWMENT FUNDS: JUNE 30, 2021

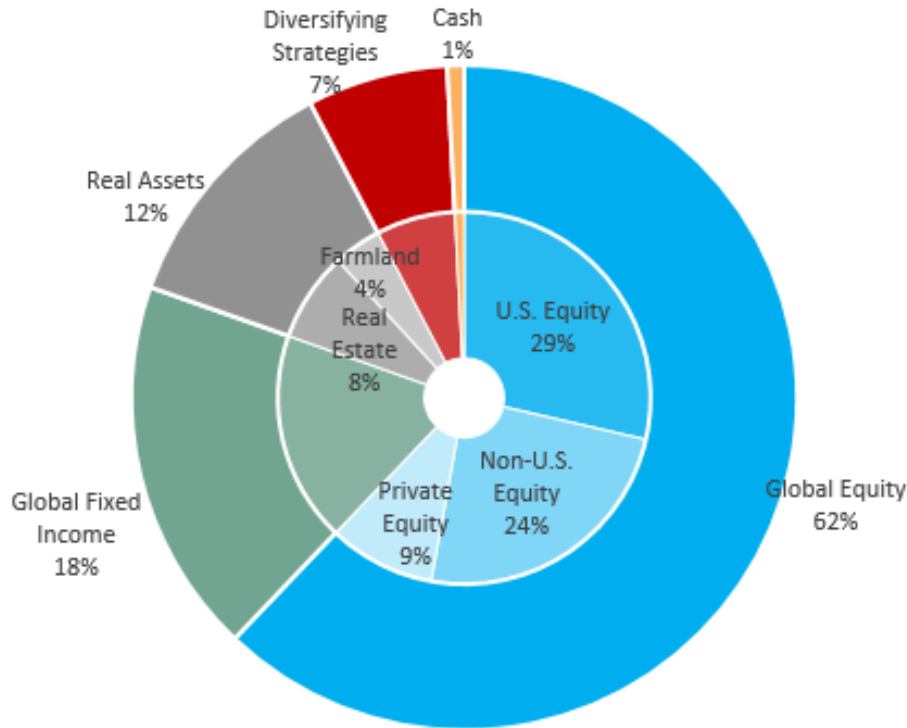


- The University Operating and Endowment Funds were valued at \$3.9 billion as of June 30, 2021.
- The Operating Pool (ex-Permanent Core) was valued at \$2.8 billion. The permanent core investment (gray bar) is a long-term investment of operating cash in the Endowment Pool to enhance distributions to invested units.
- The combined Endowment Pool is valued at \$993.1 million (green and gray right bar) and is discussed further on the following slides.
- The Pure Endowment (excluding Operating) is valued at \$543.0 million.

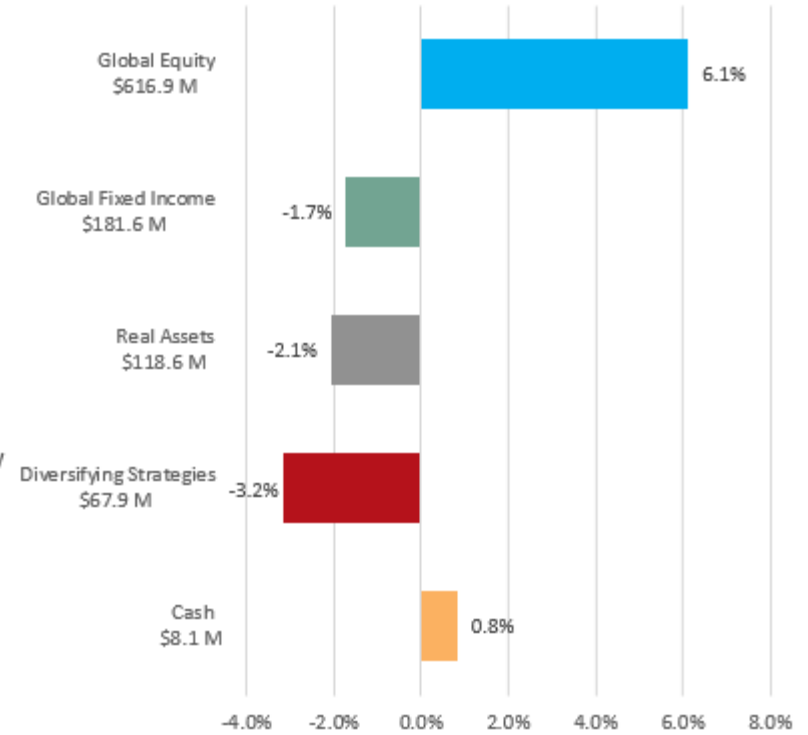
ENDOWMENT FUND UPDATE:
JUNE 30, 2021

MARKET VALUE AND ASSET ALLOCATION: ENDOWMENT POOL

Total Pool: \$993.1 Million as of 6/30/2021

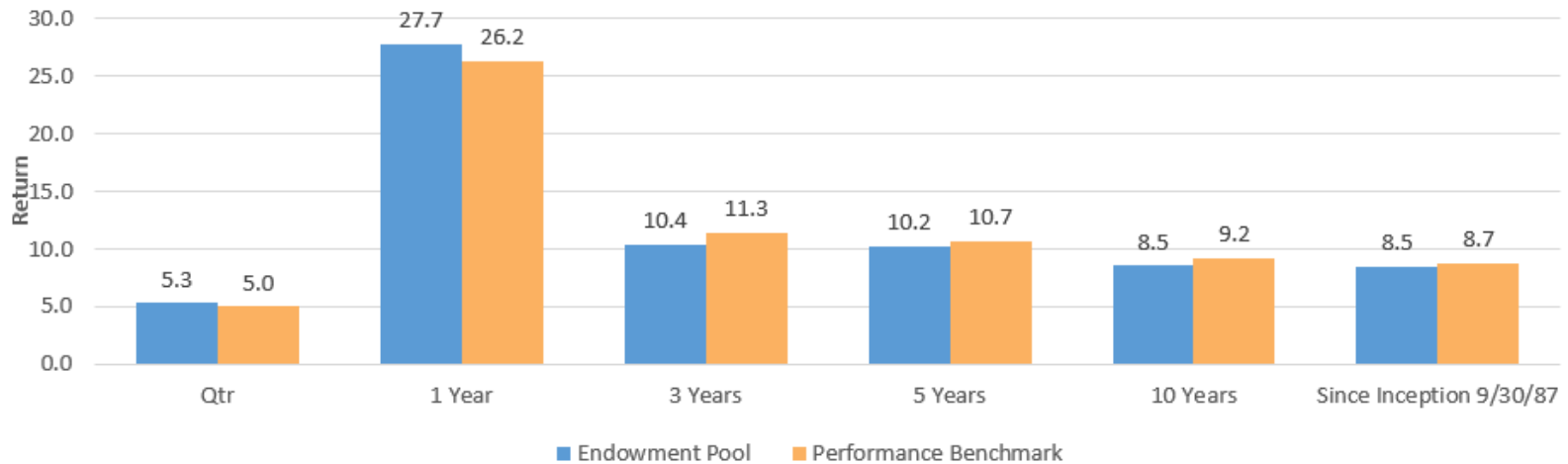


Over/Under Allocation to Long-Term Policy Targets



TOTAL ENDOWMENT POOL PERFORMANCE (JUNE 30, 2021)

TOTAL POOL: \$993.1 MILLION



- Over the one-year period, the endowment returned 27.7%. All asset classes contributed to performance, most notably U.S. equity (+49.0%) and private equity (+43.1%).
- Over the ten-year period, the endowment posted an 8.5% return, supported by solid returns from U.S. equity (+14.2%), private equity (+13.7%), and real assets (+7.6%).

Endowment Pool	Quarter Ending
Market Value Change	June-2021
Beginning Market Value	\$940.4 M
Net Contributions	\$3.1 M
Gain/Loss	\$49.6 M
Ending Market Value	\$993.1 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 (JUNE 30, 2021)

	Current Allocation (%)	Policy Allocation (%)	Quarter ending Jun-2021	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Endowment Pool			5.3	27.7	10.4	10.2	8.5	8.5	Sep-87
Performance Benchmark			5.0	26.2	11.3	10.7	9.2	8.7	
GLOBAL EQUITY	62.1	56.0	6.0	43.3	15.2	15.3	11.3	8.6	Sep-87
Total U.S. Equity			8.4	49.0	18.1	17.6	14.2	10.1	Sep-87
U.S. Equity Benchmark			8.2	44.2	18.6	17.8	14.6	10.4	
Total Non-U.S. Equity			5.6	37.1	9.4	11.2	5.8	6.0	Sep-93
Non-U.S. Equity Benchmark			5.6	37.2	9.4	11.2	5.6	6.1	
Total Private Equity			0.0	43.1	23.3	20.3	13.7	6.5	Jan-04
Private Equity Benchmark			0.0	43.4	17.3	18.2	16.5	13.1	
GLOBAL FIXED INCOME¹	18.3	20.0	1.6	1.1	5.6	3.5	3.9	6.7	Sep-87
Total Public Fixed Income			1.6	0.6	5.3	3.3	3.8	6.7	Sep-87
Bloomberg Barclays U.S. Aggregate			1.8	-0.3	5.3	3.0	3.4	6.3	
REAL ASSETS¹	11.9	14.0	9.4	16.9	7.6	5.8	7.6	10.0	Dec-06
Total Real Estate			7.4	19.2	6.8	6.4	-	9.7	Aug-13
Real Estate Benchmark			3.9	7.3	4.6	5.1	-	8.9	
Total Farmland ²			13.1	13.2	9.1	5.3	5.6	8.5	Dec-06
NCREIF Cornbelt Index			9.0	9.0	5.0	3.4	6.9	8.8	
DIVERSIFYING STRATEGIES¹	6.8	10.0	2.4	15.5	-10.0	-5.2	-	-2.0	May-13
Total Hedge Funds			2.6	15.4	-11.1	-5.9	-	-2.5	May-13
HFRI Fund Weighted Composite Index			4.1	27.5	8.7	7.9	-	5.8	
CASH	0.8	0.0	0.0	0.0	1.1	1.0	-	0.8	

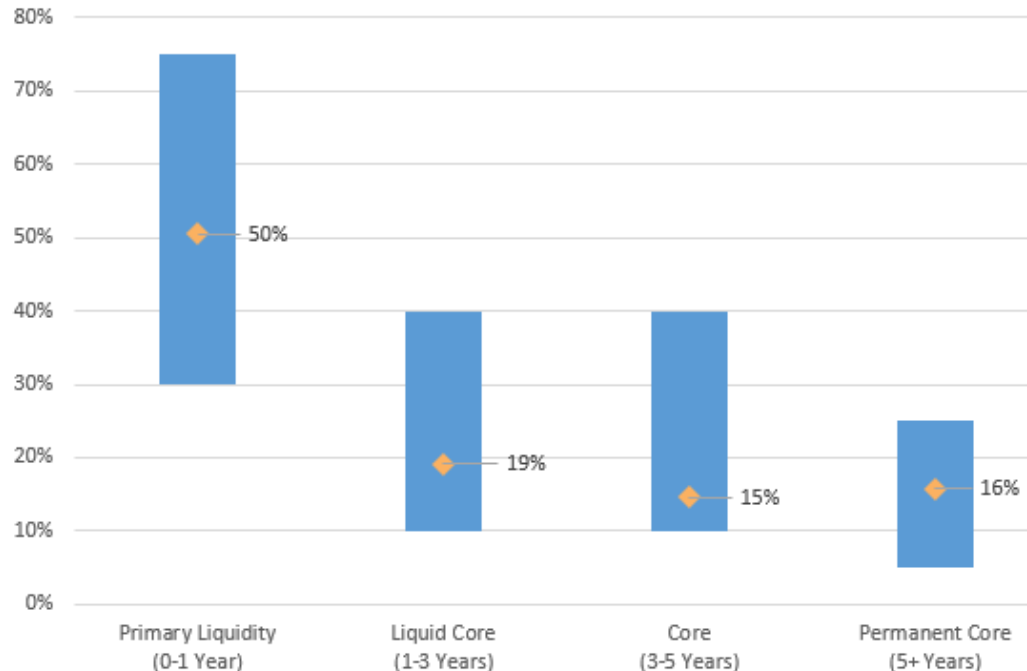
¹Global Fixed Income, Real Assets and Diversifying Strategies include allocations and performance of private investments.

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

OPERATING POOL UPDATE:
JUNE 30, 2021

LIQUIDITY LAYERS: OPERATING POOL (JUNE 30, 2021)

OPERATING POOL LIQUIDITY LAYERS AS OF JUNE 30, 2021

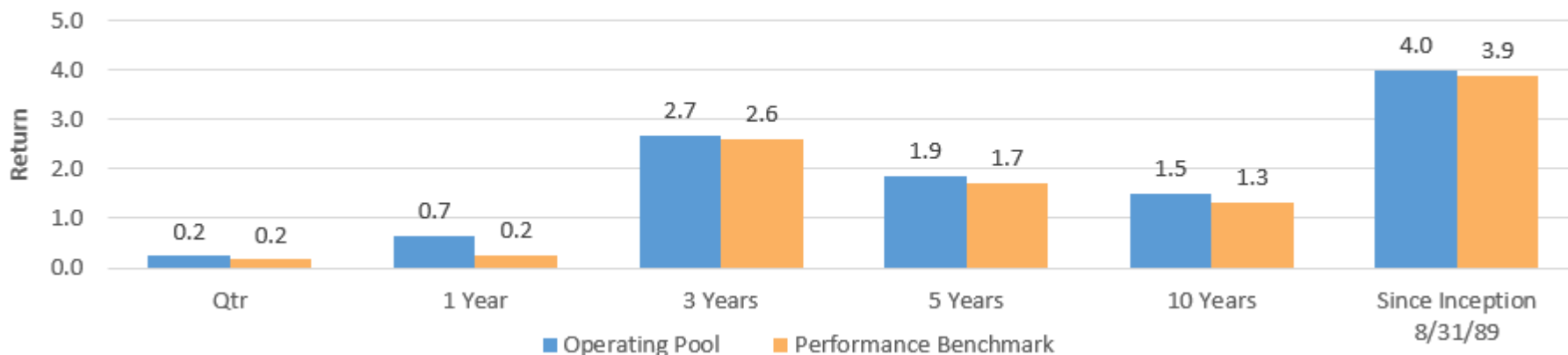


- The asset allocation strategy for the Operating Pool consists of investing funds across four liquidity layers. Board-approved ranges are depicted by the bars, while the diamonds represent the actual allocation.
- Funds expected to be used within one year are invested in the primary liquidity layer.
- 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 (JUNE 30, 2021)

TOTAL POOL: \$2.82 BILLION



- Over the trailing one-year period ending June 30, 2021, the Operating Pool returned 0.7%, outperforming the benchmark return.
 - Managers in the Operating Pool 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 each met or outperformed their respective benchmarks.

Operating Pool	Quarter Ending
Market Value Change	June-2021
Beginning Market Value	\$2,736.2 M
Net Contributions	\$72.9 M
Gain/Loss	\$6.7 M
Ending Market Value	\$2,815.8 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

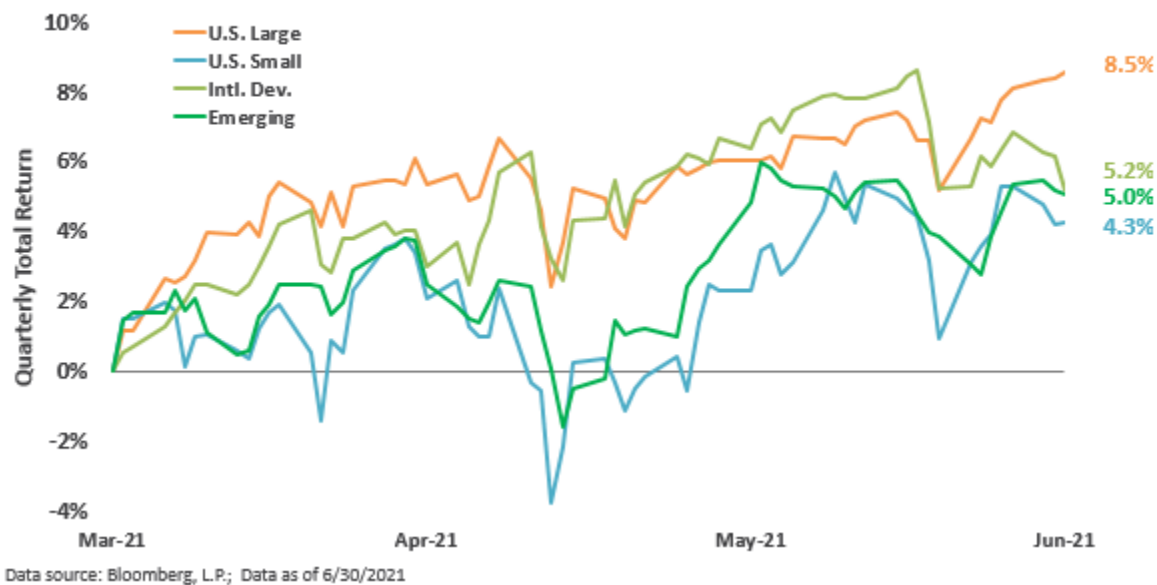
2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	5-year annual	10-year annual
Global REIT 27.7%	Small Cap 38.8%	Global REIT 15.0%	Large Cap 1.4%	Small Cap 21.3%	Emerging Markets 37.3%	Bonds 0.0%	Large Cap 31.5%	Small Cap 20.0%	MLPs 47.8%	Small Cap 16.5%	Large Cap 14.8%
Emerging Markets 18.2%	Large Cap 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 17.5%	Large Cap 17.6%	Small Cap 12.3%
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%	Large Cap 15.2%	Emerging Markets 13.0%	High Yield 6.7%
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 10.9%	Global REIT 15.5%	Int'l 10.3%	Global REIT 6.4%
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 8.8%	High Yield 7.5%	Int'l 5.9%
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%	Emerging Markets 7.4%	Hedge Funds 6.1%	Emerging Markets 4.3%
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%	Hedge Funds 5.0%	Global REIT 5.0%	Bonds 3.4%
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%	High Yield 3.6%	Bonds 3.0%	Hedge Funds 3.9%
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%	Bonds -1.6%	MLPs -1.1%	MLPs 1.1%

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

GLOBAL EQUITY

- Global equities advanced further in the second quarter, as most major indices registered healthy total returns amid the establishment of record high price levels. Against a favorable backdrop that has included historically-loose financial conditions, ultra-accommodative fiscal and monetary initiatives, and robust economic activity, global equities displayed few signs of momentum degradation through the first half of the year.
- Despite the overwhelmingly positive performance backdrop, certain post-COVID themes appear to have encountered reversal pressures, especially in June, when domestic large cap growth regained leadership seemingly at the expense of its smaller cap, value-oriented counterpart.
- International equity returns across both developed and emerging markets, while positive, lagged the performance generated by domestic equities, a theme generally in place over the trailing year.

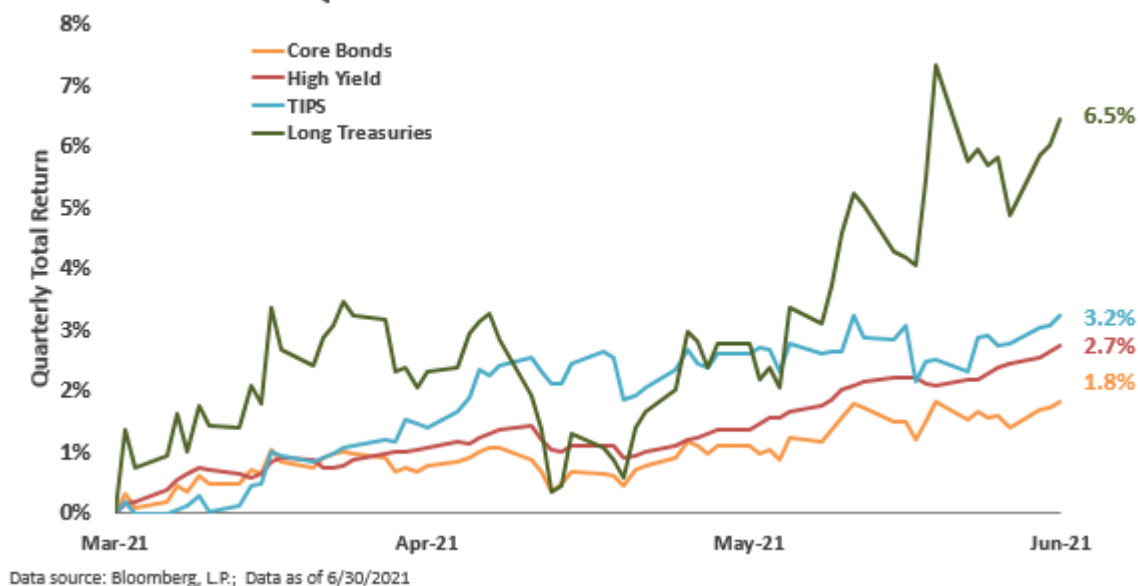
Global Equity 2021-2Q Performance (in USD)



FIXED INCOME

- After three consecutive quarterly increases, U.S. Treasury interest rates fell in the second quarter, as the 10-Year Treasury Note yield ended June at 1.47%, a 27 basis point decline from the first quarter. A recent cooling in incoming economic data, at least versus expectations, and continued Fed asset purchases helped support the rally.
- A continued inflationary impulse aided in the outperformance of Treasury Inflation-Protected Securities (TIPS) versus both intermediate nominal Treasuries and the broader core bond universe, although Treasury breakeven inflation expectations declined a marginal 4 basis points on the quarter (concluding June at 2.34%).
- White rate-sensitive sectors appeared to have come back in favor in the quarter, below investment-grade corners of the market, such as high yield bonds, continued to witness positive momentum amidst an ongoing narrowing of credit risk premiums.

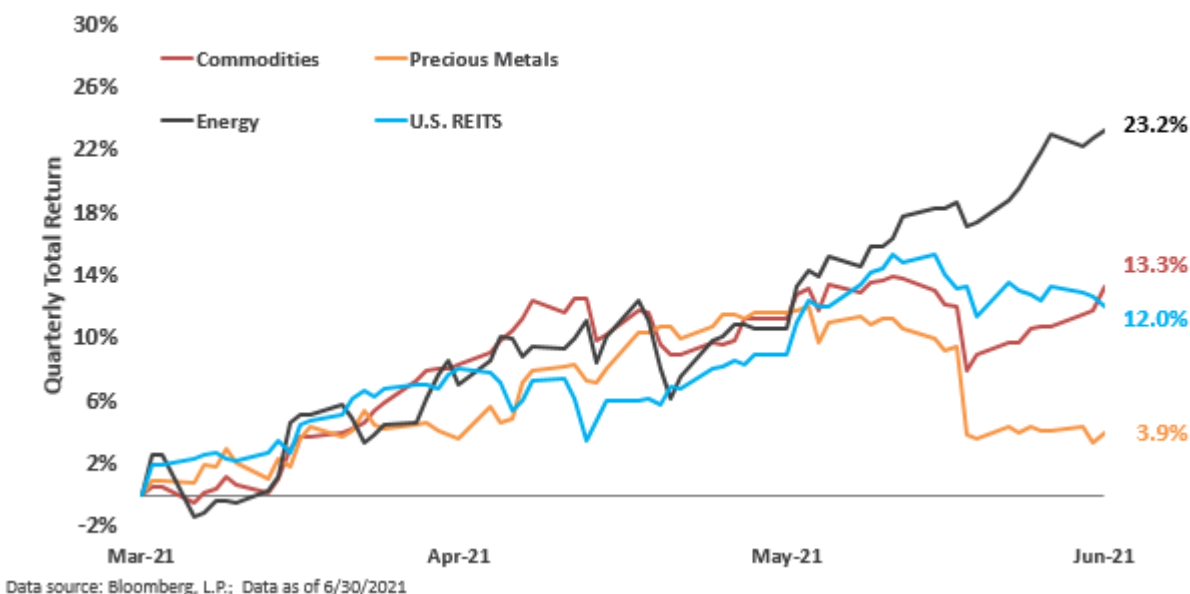
Fixed Income 2021-2Q Performance



REAL ASSETS

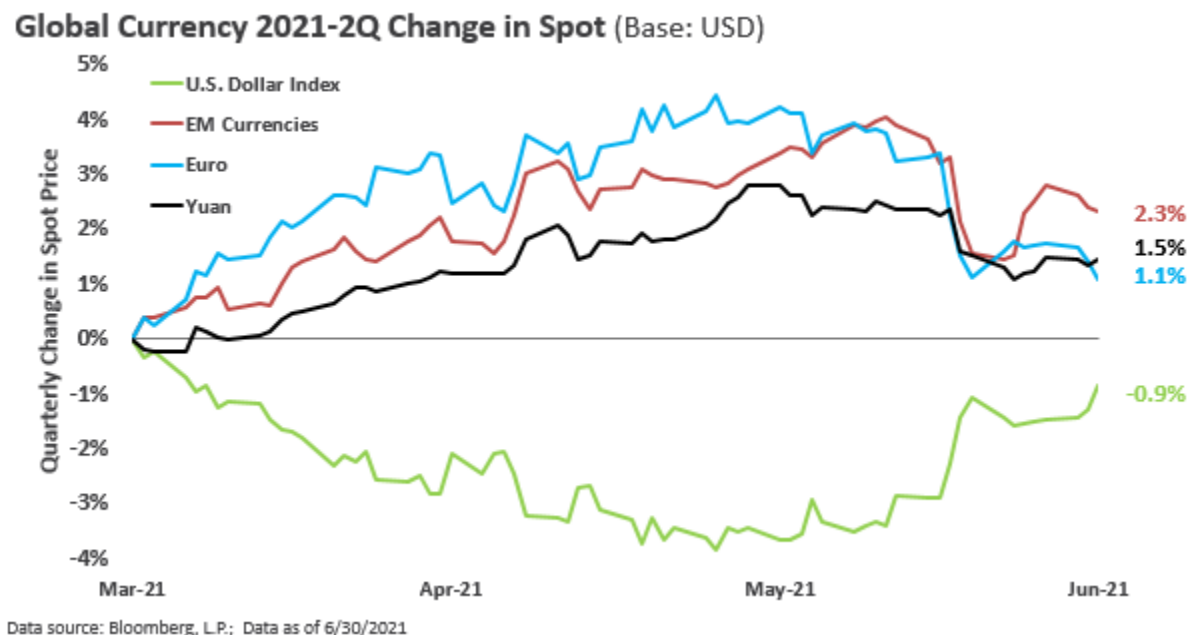
- Real assets performance in the second quarter was notably strong as the asset class garnered significant investor attention amidst the restart of global business activity and accelerating rates of inflation.
- The broad energy infrastructure sector, and specifically master limited partnerships (MLPs), posted healthy returns. In particular, the Alerian MLP Index returned more than 20%, bringing year-to-date performance to nearly 50% (+47.8%).
- Real estate investment trust (REIT) returns, which have somewhat lagged competing risky asset categories since Spring 2020 lows, caught a strong bid from the investment community in the second quarter, finding support in the revival of economic activity and a reversal of rising interest rate pressures.
- Precious metal spot prices rose modestly, despite a broad-based rally across risk assets, with tailwinds from sharply declining real interest rates and a modest decline in the exchange rate value of the U.S. dollar (USD).

Real Assets 2021-2Q Performance



CURRENCIES

- Though declining in absolute terms quarter-over-quarter, the U.S. Dollar (USD) rallied amidst the escalating likelihood of the tapering of COVID-19 monetary accommodation, a theme that appeared to have gained broader acceptance in June as realized core inflation rates accelerated to ~30-year highs.
- A historically-wide federal budget deficit, expectations for the passage of a multi-trillion-dollar infrastructure package that is likely to drive the deficit even wider, and a greater than \$8 trillion Federal Reserve balance sheet have sparked concerns about a substantial decline in the USD. Relative outperformance by the U.S. economy since the depths of COVID-19, however, has helped support the global exchange rate value of the dollar.



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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

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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