PHILANTHROPY AT THE UNIVERSITY OF ARIZONA 2019

COME TOGETHER

THE UNIVERSITY OF ARIZONA
Foundation

SHUTTERSTOCK

Every day, University of Arizona supporters like you come together to make a lasting impact.

You come together to solve challenges, make investments in faculty and elevate research to new levels. You come together to make education more accessible, to forge new ways of thinking and to honor those whose philanthropic stories inspire us to keep giving with purpose.

Today, we're excited to come together around the University of Arizona's new focus on transforming the student experience.

We hope you enjoy these stories about donors like you whose gifts bring our students, our faculty and our community together in incredible ways. Every gift contributes to the university’s purpose, and we thank you for being a part of the generous community that makes it all possible.

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AVP Marketing and Communications
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Design
Cause Design

Get in Touch
Email comments, questions or feedback to communications@uafoundation.org.

We Are Here to Help
We are committed to building and maintaining relationships with donors, alumni and friends of the University of Arizona. You can find details about how we manage personal information at uafoundation.org/privacy. If you have questions or need more information about giving to the UA, email donorservices@uafoundation.org or call 520-621-5491 or 800-409-9791.

CHRIS RICHARDS PHOTO

STORIES OF PHILANTHROPY

ANNUAL & ENDOWMENT REPORT

The 360 Initiative

Last year we planned, and now it's time to act. The first priority of the university's strategic plan is to elevate the student experience with 360 degrees of support and fuel wonder for students so they can create it for the world. When students wonder if a University of Arizona education is within reach, let's make the answer a resounding "yes." When they wonder how far it can take them, we can call on the full power of the Wildcat community to show them the universe of possibilities.

As we begin this journey, campus leaders share ways they will join with others in realizing the vision for student success.

COME TOGETHER

SUNSTREET PHOTO

University and Foundation leaders lent a hand during move in day this fall.

SUNSTREET PHOTO

How will you help students learn and thrive this year?

"I'm empowering and encouraging faculty, staff, parents and friends — everyone who cares about our students. Share your expertise and give the time and resources you can. It's time to build a powerful support system into the University of Arizona experience for every student."

Dr. Robert C. Robbins, president
The University of Arizona

"Our goal is to rally supporters around this worthy cause and raise $25 million in the next year. We're determined to help donors understand how their generosity can have the most impact for students and to steward gifts with the highest level of care. In many cases, gifts to the UA will keep transforming students' lives far beyond a donor's lifetime. This is certainly true of Karl Eller, who we lost this year but whose generosity lives on."

Ted Hinderaker, chair
The University of Arizona Foundation
Board of Trustees

John-Paul Roczniak, president & CEO
The University of Arizona Foundation

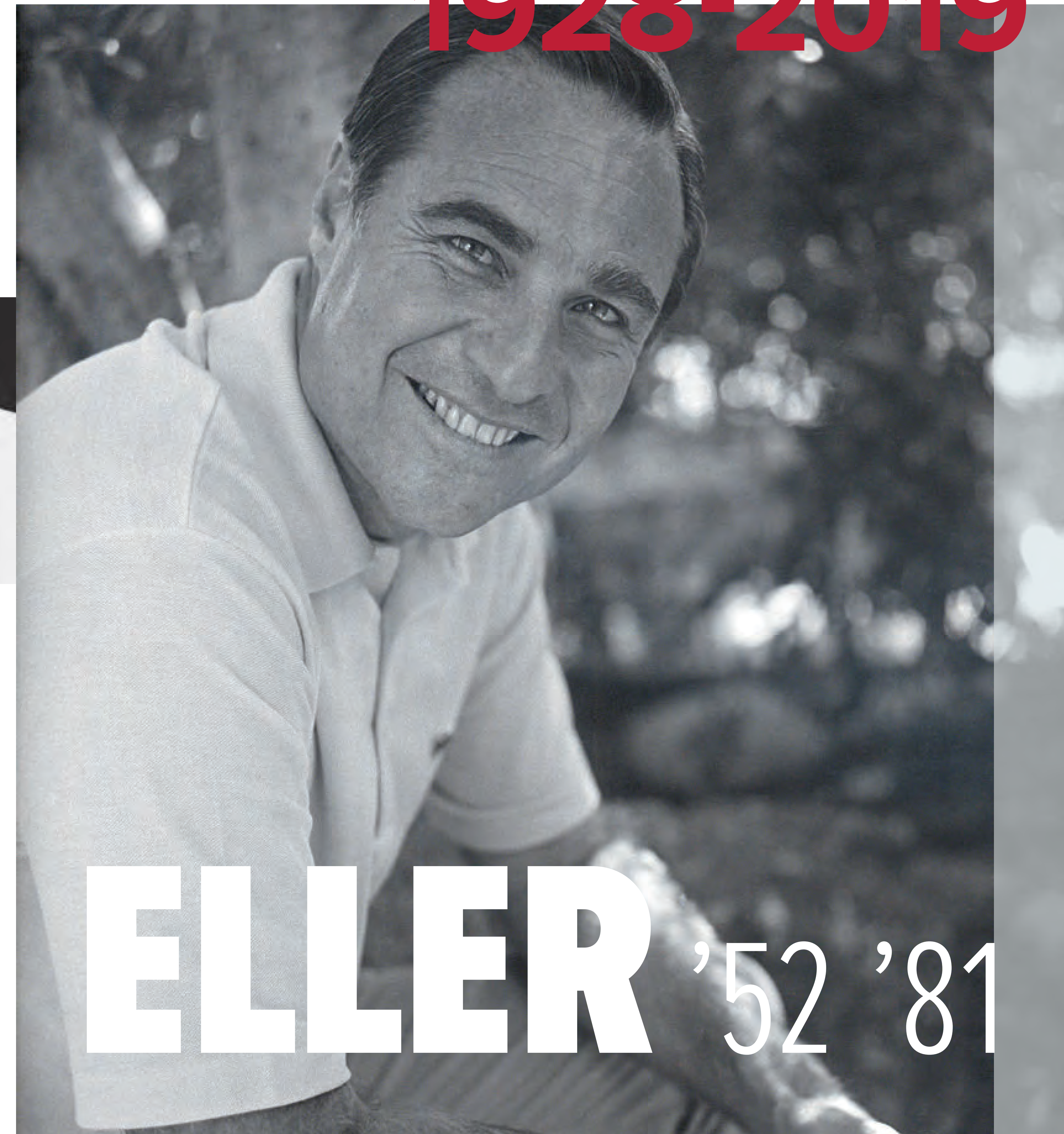
"I first and foremost want to serve as an advocate for all UA students. I'm excited to work on their behalf and help address their needs in new and innovative ways. I aim to better connect the university to the community. Most importantly, I want to prioritize access to student mental health services, because addressing this critical need will make students happier, healthier and more successful."

Sydney Hess, student body president
The University of Arizona

Honoring a Legacy

1928-2019

KARL ELLER '52 '81



This year we lost one of the University of Arizona's greatest champions, Karl Eller. Karl was an alumnus, advocate and supporter of national stature. His decades of leadership and philanthropy transformed the university and inspired our community.

Karl's connection to the UA was deeply personal, and his dedication to providing opportunity to students guided his family's giving. He wondered how his own education could have benefited by a business entrepreneurship program, and then sought to make this opportunity possible for future students. The university is proud to carry on his legacy through our students in the college that bears his name and programs throughout our campus for generations to come.

"If there's one thing I've learned over my years of working with Karl, it's that the goal of his philanthropy has always been to give students the same opportunities he had," said John-Paul Roczniak, president and CEO of the University of Arizona Foundation.

"Growing up on Sixth Street, he looked across the street to Arizona Stadium and the University of Arizona, and saw it as his gateway to the world. He knew that if he just got his education, he could make a better life for himself. So many times, we'd be driving to games and he would say to me, 'Look at all these kids, JP. They have the whole world in front of them.'"

ELLER FAMILY PHOTO

Over the decades, Karl and his wife, Stevie, have contributed millions of dollars to the UA to found the entrepreneurship program, name the business school and dance theatre and support student career development as well as teaching and research related to the free market economy. He served on the University of Arizona Foundation board of trustees for decades as well as the Eller College National Board of Advisors, a role in which he leveraged his corporate connections to benefit the college.

"What an honor it was to know Karl Eller. He used his education, intelligence and deep commitment to integrity to achieve the highest levels of success, while always keeping a little bit of Tucson ruggedness and authenticity," said Paulo Goes, dean of the Eller College of Management.

"An extraordinary friend and benefactor, he is a role model for tens of thousands of students and hundreds of faculty and staff, who will forever have their names associated with Eller. Karl's legacy will live on through them."

– Kim Stoll

ELLER COLLEGE PHOTO

ELLER FAMILY PHOTO

Karl and Stevie's love story started on campus.

FOCUSED INVESTMENT IN OPTICS

CHRIS RICHARDS PHOTO

Jim Wyant always wanted to teach and to found a company. When he was offered an assistant professor position at the University of Arizona 45 years ago, he was ready to take a leap of faith and move from industry into academia.

"I was so excited when I was given the offer. I didn't even negotiate a salary or anything," he says.

As Wyant's academic career progressed and he led the evolution of what was a center for optical sciences at the UA into a college, he also co-founded two optics companies.

"You have to have something that people want," Wyant told SPIE, the international society for optics and photonics, reflecting on his business successes. "But ultimately, you have to love what you're doing. Even if I had gone bankrupt, I still would have had so much fun doing what I was doing."

WYANT COLLEGE OF OPTICAL SCIENCES PHOTO

Wyant's entrepreneurship generated benefits for him and his students. He recruited many excellent employees from his classrooms.

"They were so smart; they taught me so many things."

Wyant was able to continue his UA roles as both businesses began and grew. Out of gratitude to the university for its flexibility, Wyant and his family last year followed a $10 million scholarship gift made in 2013 with a $20 million gift. Wyant's generosity and leadership inspired the UA to rename the college the James C. Wyant College of Optical Sciences.

"This is money I made in optics — not money I made on the stock market or in real estate — it's money I made in optics. And — look around you — optics is everywhere! It's exciting to think about the future, because optics continues to grow," he says.

The recent gift is the largest for faculty support in UA history. It empowers the college to recruit a minimum of 10 endowed chairs. And, as with the Friends of Tucson Optics Scholarship campaign, this gift offers matching funds to inspire others to give.

– *Katy Smith and Daneet Steffens*

Friends of Tucson Optics Scholarship

When Liliana Ruiz Diaz (at left) graduated in May, she had several job offers, and she chose Facebook Reality Labs in Washington. She's now fulfilling her dream to create new technologies and devices.

Diaz was grateful to receive a Friends of Tucson Optics Scholarship. Thanks to James Wyant and other donors, all first-year doctoral students in the James C. Wyant College of Optical Sciences are awarded tuition and a $20,000 stipend.

The award gave Diaz financial stability and the time to find a research project that proved a good fit for the remainder of her time in the program. And it had another effect on Diaz.

"I really like Dr. Wyant's vision. It encourages me to do something similar to help students once I have a good career, because I know the struggle."

Wyant's generosity and leadership inspired the UA to rename the college the James C. Wyant College of Optical Sciences.

CAMPUS IMPACT

The Eminent Scholars Program

AMPLIFIED IMPACT

The University of Arizona needs exceptional faculty to accomplish our bold goals for research and education. For the past two years, the Eminent Scholars Program, through the UA Office of the Provost, accelerated growth of endowed chairs by amplifying private gifts with additional state and university funds.

Like all endowed gifts, these chairs and faculty research funds will benefit the donors' chosen causes in perpetuity. The difference is more immediate support and growth of each endowed fund. For the first five years, the endowment's actual payout is reinvested while the Eminent Scholars Program provides funds directly to the college or center and an additional cash distribution for faculty support.

This amplification matters. For example, the qualifying gift of $5 million to the Andrew Weil Center for Integrative Medicine was augmented by the Eminent Scholars Program with an additional $1.75 million.

Vic Smith's gift will support education, research and training in food safety through all stages of the complex product supply chain.

"Over the years, Vic has been not only one of our biggest supporters, but also an inspiration to me to innovate and a leadership mentor," says Shane Burgess, UA vice president for agriculture, life and veterinary sciences and cooperative extension. "He is especially excited that our food safety curriculum will be taught in Spanish as well as English, and so will be even more accessible to professionals already working in this industry."

PANDA, which stands for People Acting Now Discover Answers, has partnered with Steele Children's Research Center for two decades. These endowed gifts are the largest in the history of PANDA's support for discoveries to improve treatments and cures for devastating childhood diseases.

BUILDING BRIDGES FOR NATIVE STUDENTS

SHUTTERSTOCK

It's Amy Spotted Wolf's first day at the University of Arizona, her dream school. She recently transferred to the UA from Tohono O'odham Community College, or TOCC, and is eager to pursue her bachelor's degree in the College of Education and go on to teach children from her tribe.

Spotted Wolf's input helped shape "A Student's Journey," a new donor-funded program intended to increase the number of transfer students from TOCC and ensure their success. Over three years, project leaders from both schools plan to increase successful transfers from TOCC to four-year universities from 21% to 40%. They're also resolved to make the UA more welcoming to TOCC transfer students and to prepare more to take on tribal leadership positions.

Transferring between the schools can be difficult. Many TOCC students don't know how to pursue financial aid at the UA, are unsure how credits transfer, and lack dedicated staff to help them navigate these challenges. Compounding that, native students and their customs are often misunderstood, making it harder for them to fully engage and participate in campus life.

"A Student's Journey" is designed to remove these educational barriers and begins by building participants' familiarity with the UA when students are still at TOCC. They'll also be helped by dedicated coordinators at both schools and peer mentors.

"A Student's Journey" won the Agnese Nelms Haury Program in Environment and Social Justice annual challenge grant competition and $600,000 in total funding. This award supports projects that unite the UA and the community in addressing persistent social justice and environmental problems. UA leadership hopes that the effects of this grant go beyond its original scope of impacting 60 students over three years. In addition to seeking other external funds, plans include using the project to inform the UA community about how to be more respectful and helpful to native transfer students.

Amy Spotted Wolf says she wants to get involved in native student groups and encourage more Tohono O'odham students to attend the UA, which, she points out, is situated on the tribe's ancestral lands.

"I want to be a positive role model and give them the sense that they belong here and they can achieve higher education."

– KATY SMITH

Over three years, project leaders from both schools plan to increase successful transfers from TOCC to four-year universities from 21% to 40%.

An Enduring Legacy

The Agnese Nelms Haury Program is celebrating five years of supporting work at the intersection of environment and social justice.

The program was established with a $50 million endowed gift from the estate of the philanthropist, who was passionate about investing in innovative scholarship at the UA.

A donor-advised fund board chooses which grants and faculty fellowships to fund, using the values that defined Haury's life as a guide.

One reason the grant review panel chose this project is that it is in alignment with the UA's goals to better support native students as part of the strategic plan, says Haury Program Director Anna Spitz.

CORY AALAND PHOTO

COMMUNITY IMPACT

A GEM IN THE HEART OF TUCSON

COLLEGE OF SCIENCE PHOTO

NORVILLE FAMILY PHOTO

Since the early 1890s, the University of Arizona has maintained a trove of wonders: a gem and mineral collection that has steadily grown — and just as steadily moved around campus, from the Douglass building to the State Museum, then to the old Engineering building, and on to its current home, the lower level of Flandrau Science Center & Planetarium.

Now, thanks in part to Allan Norville's lead gift, the UA is expanding the museum and moving into the epicenter of the annual Tucson Gem, Mineral and Fossil Showcase in an iconic downtown Tucson landmark. This new location will be the hub of Tucson's robust gem and mineral community and will expand the presence of the UA's geosciences department.

Named in honor of Allan's late wife, the UA Alfie Norville Gem and Mineral Museum is slated to open in 2020 in the Historic Pima County Courthouse.

The Norvilles have been involved in Tucson's gem and mineral community for decades. They founded the annual GJX gem and jewelry show, a direct result of Alfie's vision and foresight. "At the time we opened in 1994, there had been discussion of moving the show to another city because there was a serious lack of exhibit space," Allan says. "Alfie was totally responsible for the idea of the GJX Show, and her wisdom filled a void that allowed the Tucson Gem Show to remain here. She was a great ambassador of Tucson. Her presence and interaction with the gem dealers each year was incredible."

"Alfie was the most giving, sharing person I have ever met," Allan continues. "Without a question, she is the most deserving person to have this museum named after her."

The museum's exhibit space will expand from 4,000 to 12,000 square feet, and the facility's lower floor will house 8,000 square feet of research labs, meeting space and storage. Local and international mineral and gem groups will be able to gather in the meeting rooms.

"What's most exciting about this is that the UA has an amazing collection, but the current space is not sufficient to exhibit it all," Allan says. "The addition at the courthouse is five times the size and in a better location, so people can easily visit. The first year it's open during the gem show, more people will visit the museum than have in probably five years. It's going to be beautiful."

– Kim Stoll

The UA Alfie Norville Gem and Mineral Museum exhibit space will contain a treasure trove for visitors to explore.

- **Mineral Evolution Gallery, detailing the origins of minerals**
- **Arizona Gallery, including a re-creation of a Bisbee mine cave**
- **Minerals of Arizona**
- **Modern mining exhibit**
- **Crystal interactive lab**
- **Fluorescence Gallery**
- **Gem Gallery**
- **The Treasury, housing unique and exquisite gems and jewelry**
- **Rotating exhibits from collectors and designers from across the globe**

We hope to see you at the new museum in downtown Tucson, slated to open in 2020. If you would like to support the completion of renovations and help keep us on track for opening, visit gemandmineralmuseum.arizona.edu or call 520-621-4105.

THE HEALING POWER OF PERSEVERANCE

Andrew Weil never intended to go to medical school, practice as a physician or live in Tucson. And yet, following where his curiosity led him, he did all three – while translating his medical degree into a movement that has changed the practice of medicine.

The Andrew Weil Center for Integrative Medicine, founded in Tucson 25 years ago, is now recognized as the leading integrative medicine program in the world. In March the center was renamed in Weil's honor to recognize the $20 million in gifts the holistic-health visionary has committed to the UA.

It almost didn't happen. As a student, on his way back from South America where he studied medicinal plants and healing, Weil shipped his English Land Rover to have it overhauled in California. He then drove to Tucson, intending a brief visit. The car broke down, it took six weeks to get it fixed, and the Old Pueblo proved irresistible.

Weil settled in Tucson and became a popular lecturer in the College of Medicine. Jim Dalen, then dean of the medical school, came to check out "the crazy guy" lecturing on natural and preventive medicine — heretic concepts in mainstream medicine at the time.

A new home for the Weil Center for Integrative Medicine is in the planning stages.

With Dalen's encouragement and against the prevailing winds at the time, in 1994 Weil established the nation's first formal training program in integrative medicine "in a broom closet in a trailer behind the College of Medicine, with a phone," Weil laughs. What began as a two-year residential fellowship for four people has since become an international program training 80 fellows each year that has now graduated more than 1,500 alumni.

ANDEW WEIL PHOTOS

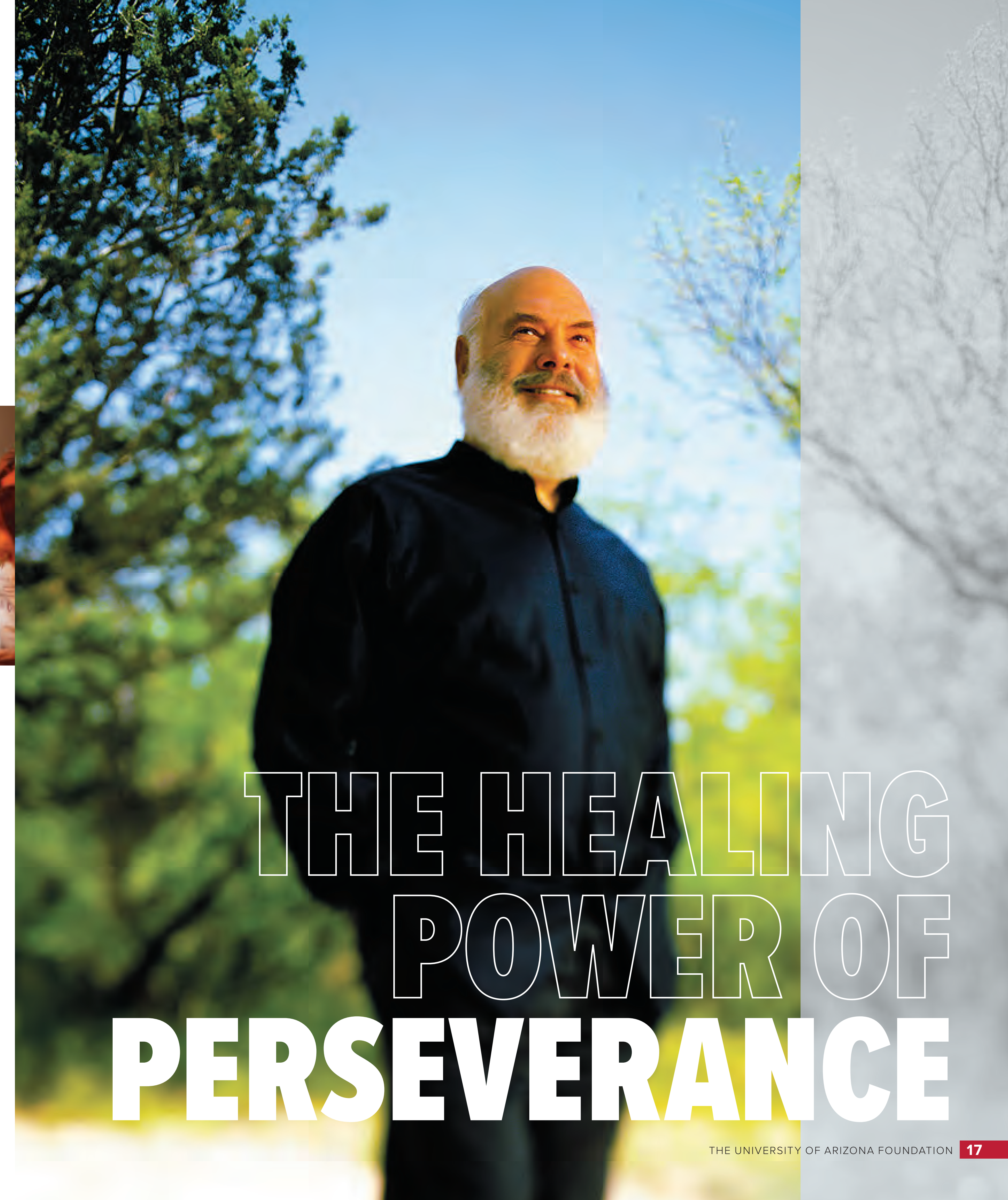
Weil's gift will transform the center and take integrative medicine to the next level. In addition to naming the center, the commitment establishes named chairs in integrative medicine and research as well as an endowed program fund. The gift also launches a university-backed effort to create a new building on campus dedicated to the center's work.

Weil, considered the father of integrative medicine, says that his gift marks the high point of his career at the UA — a gift that will help the center continue as a global leader in integrative medicine.

"His work has really changed medicine in very significant ways," said Victoria Maizes, executive director of the center and holder of one of the named chairs. "Perseverance is definitely part of the formula. Our graduates are now impacting the lives of 8 million people — and many are the world's leaders in integrative medicine, faculty and physicians in private practice. We're training the world."

– Cris Duschek

Weil's gift will transform the center and take integrative medicine to the next level.



Dear Supporters and Friends,

This year, we lost one of the university's truest friends, Karl Eller, who in addition to being a visionary entrepreneur was also a visionary philanthropist. Endowment fundraising was not a major part of the university's focus until Karl's involvement in our first comprehensive campaign, which began in the late 1990s and in which he worked closely with then-president Peter Likins. There was a time when nearly 15% of the university's total endowment came from Karl and Stevie Eller's generosity.

Our endowment has continued to grow since the launch of Campaign Arizona, continuing through the completion of *Arizona NOW*, and it is thanks to the continuing generosity of the Ellers and generous endowment donors like you that we are closer than ever to reaching our goal of growing the endowment to $1 billion.

I am so pleased to report that fiscal years 2018 and 2019 were the two highest endowment giving years in university history, by a wide margin. Our total endowment giving in 2019 was $65.3 million, while 2018 total endowment giving was $92.7 million. Those two years exceed giving to the unified university endowment from the previous five years combined.

On behalf of the University of Arizona Foundation and the Investment Committee, I want to thank UA President Robbins and UA Foundation President Roczniak for their tireless efforts to grow the endowment, through both fundraising and introductions to leading managers.

We work hard to generate the best risk-adjusted return possible for our endowment, and we hope the information in the following pages demonstrates the steps we have taken to that end. You contributed your hard-earned dollars for the perpetual benefit of the University of Arizona, and we believe you deserve to have these critical details about how we strive to protect and grow that investment.

Please let us know should you have any questions on this report or if you have a suggestion on how to improve our report to you next year.

In gratitude,

Craig Barker
Senior Vice President, Financial Services, CFO, CIO
University of Arizona Foundation

ENDOWMENT REPORT 2019

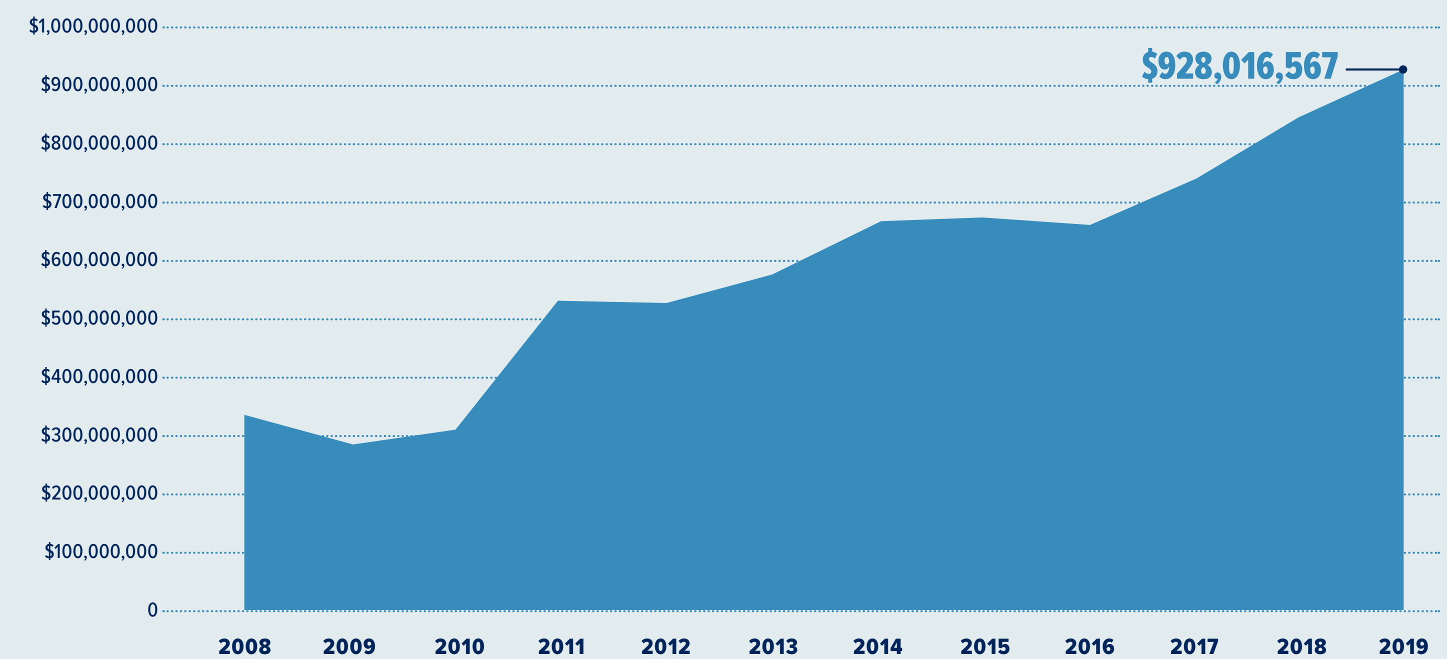
Gifts and Commitments 2012-2019

	NEW GIFTS & COMMITMENTS	CASH & CASH EQUIVALENT GIFTS
2019	**$334,000,000**	**$244,738,189**
2018	$316,982,530	$277,938,236
2017	$264,665,714	$219,928,978
2016	$200,316,727	$186,870,433
2015	$293,505,878	$190,183,747
2014	$233,954,753	$186,191,724
2013	$192,504,842	$151,363,019
2012	$211,666,056	$180,316,576

Purpose of Gifts

ENDOWMENTS	$ 65,702,761
RESEARCH	$ 60,135,537
FACULTY AND STAFF COMPENSATION	$ 23,274,988
PROPERTY, BUILDING, EQUIPMENT	$ 21,318,350
ACADEMIC DIVISIONS	$ 20,497,190
OTHER RESTRICTED PURPOSES	$ 17,270,776
PUBLIC SERVICE AND EXTENSION	$ 16,702,846
ATHLETICS	$ 11,450,940
STUDENT FINANCIAL AID	$ 7,568,296
UNRESTRICTED	$ 440,128
LIBRARY	$ 354,877
OPERATIONS AND MAINTENANCE	$ 21,500
TOTAL	**$ 244,738,189**

University of Arizona Endowment Market Value 2008-2019



A COMMITTED TEAM

The Investment Committee and Board first engaged an independent investment consultant in 2006 to serve as an extension of our staff. Since July 1, 2013, we have worked with the Fund Evaluation Group (FEG). FEG provides services to institutions with approximately $65 billion in assets and has significant expertise in serving university endowments and deep expertise and research teams in alternative asset classes.

In addition to five in-person meetings throughout the year, our committee receives weekly reports via our committee portal. Serving on this committee requires an enormous amount of time, and we are extremely grateful to the individuals who gave us theirs in 2019.

We would also like to recognize Karl Eller for his many years of dedicated and faithful service to the Investment Committee and Board of Trustees. He will be deeply missed.

We welcome Patricia Bartlett to the committee, and look forward to John Payne's continued leadership in his third year as chair of the Committee.

James Wyant with grad student Maria del Carmen Ruiz, a recipient of the scholarship program he established with an endowed $10 million gift.

WYANT COLLEGE OF OPTICAL SCIENCES PHOTO

2019 Investment Committee

Craig Barker
Senior Vice President
Financial Services, CFO, CIO
University of Arizona Foundation

Brian Franke
Principal
Indigo Partners

Steve Kelly
Assistant Director, Investments
University of Arizona

John Payne
President, & CIO
Sterling Investment Management

Lisa Rulney
Senior Vice President
Business Affairs, CFO
University of Arizona

Richard Silverman
Jennings Strouss

Sarah Smallhouse
President
Thomas R. Brown Foundations

Joan Sweeney
Retired

Kerry Tyler
Managing Director, & COO
Lone Pine Capital

Investment Approach

The University of Arizona Foundation has used a "model" portfolio approach in managing the endowment since 2004. Under this approach, our Investment Committee dedicates the first meeting of each fiscal year to considering the target allocations for each asset class. These recommended targets are then presented to our Board of Trustees for approval; approved targets are published in Exhibit B to our Investment Policy Statement, which you can find at uafoundation.org/investmentpolicy. The Committee works throughout the year to maintain and/or reach our target allocations.

Glossary of Terms

Endowment Fee

The amount reimbursed to the Foundation for administering and providing stewardship to the endowment. The Endowment Fee was reduced to 1.25% from 1.35% of the fair value of the endowment principal as of July 1, 2018. Our Investment Committee and Board of Trustees set the Payout and Endowment Fee each year after considering a number of important factors. We invite you to review these factors, as well as all other aspects of our policies and practices, in our Investment Policy Statement.

Historic Dollar Value

The sum of all gifts received into an endowment fund since its creation.

Hurdle Rate

The sum of the **Payout** and the **Endowment Fee**.

Payout

The annual distribution from the endowment for the account's purpose; it is equal to 4% of the average fair value of the endowment principal at the end of the 12 quarterly periods within the three prior calendar year-ends.

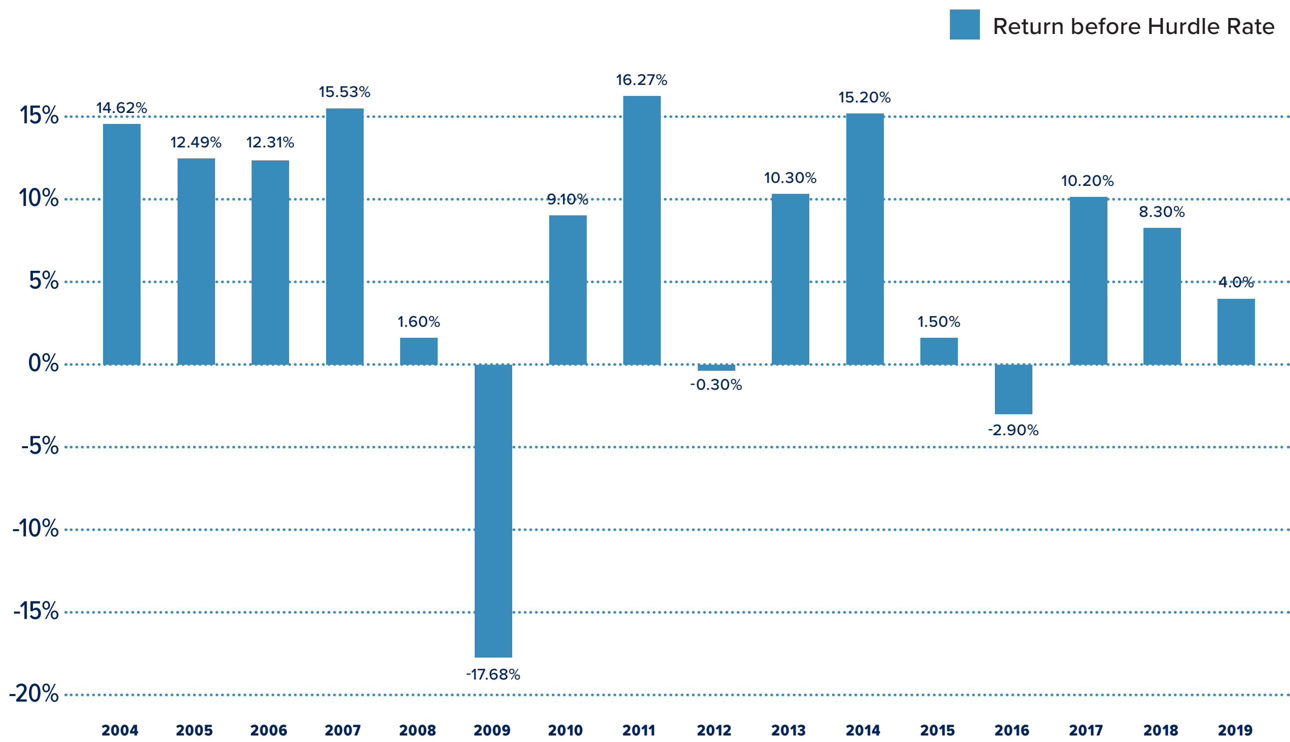
INVESTMENT PERFORMANCE

2019 Investment Performance

4.0%

Return *before* Hurdle Rate

2004-2019 Investment Performance



Benchmarks for Fiscal Year 2019

13.0%
FTSE NAREIT Global Index
Global real estate equity index

10.4%
S&P 500 Index
U.S. large company equity index

7.5%
Barclays Ag. Bond Index
Core U.S. bond index

4.8%
Barclays U.S. TIPS Index
U.S. inflation protected bond index

1.3%
MSCI ACWI ex-U.S. Index
International equity index

1.2%
MSCI Emerging Markets Index
Emerging markets equity index

0.5%
HFRI Equity Hedge Index
Long short equity hedge fund index

-3.3%
Russell 2000 Index
U.S. small company equity index

-6.8%
Bloomberg Commodities Index
Commodity futures index

Investment Goal

Our goal in managing the endowment is straightforward: to manage the assets such that the return exceeds the Hurdle Rate so the endowment principal is able to grow and fund in perpetuity the activities our donors envisioned when they made their gifts. In establishing this goal, our Investment Committee defines the primary risks to the endowment as (1) the failure to achieve our goal over a full market cycle, (2) volatility of returns and (3) permanent loss of capital.

As endowment investing is a perpetual endeavor, it is best to measure the success of such a program over the very long term. The combination of a long time horizon and high return target translates into a portfolio that requires a greater allocation to risk assets to meet its long term objectives. We balance this need with investment tools designed to help protect capital in down markets.

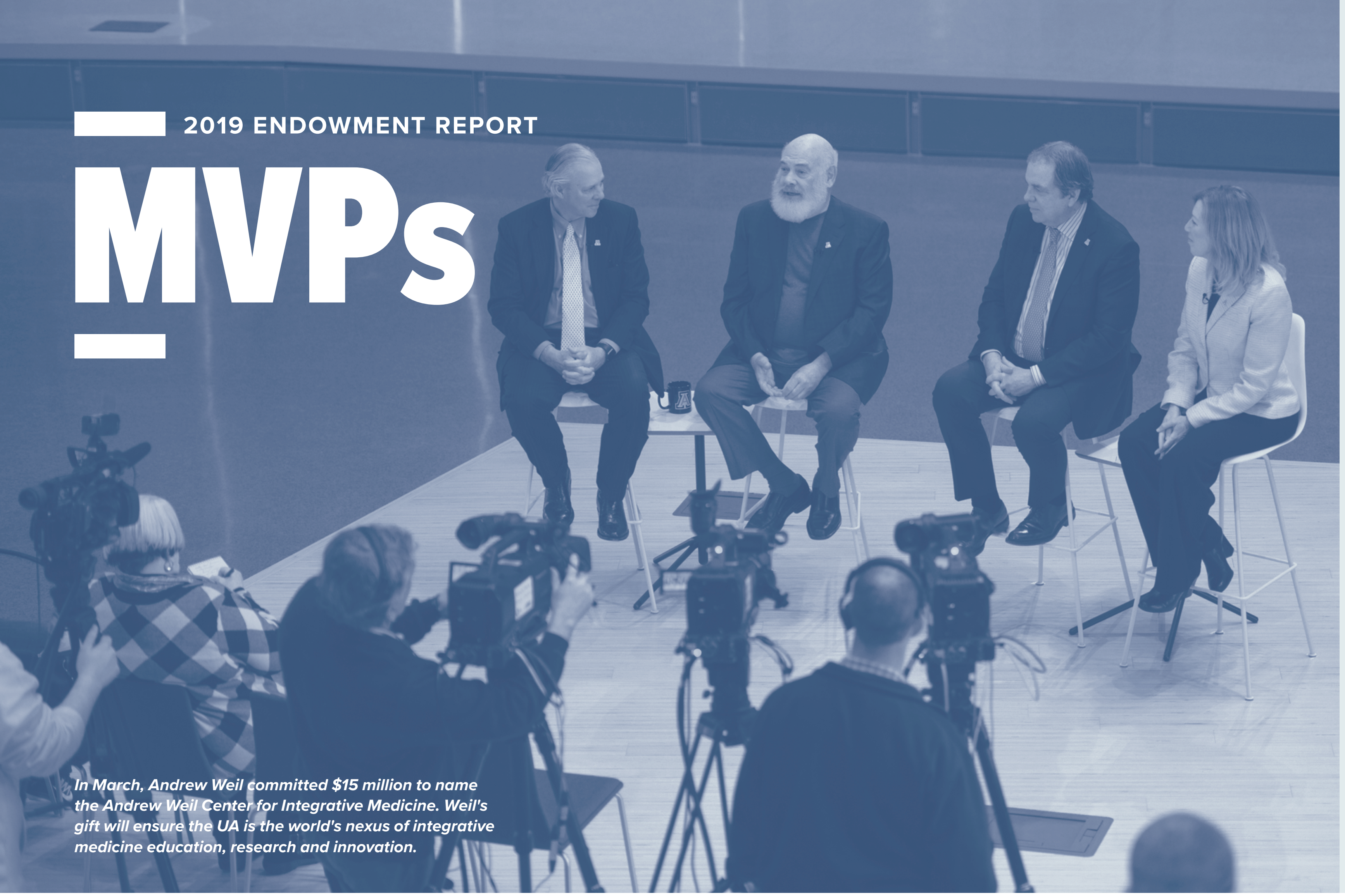
RESULTS

Our return before the Hurdle Rate in fiscal year 2019 was **4.0%**. This compares to a return of **3.4%** for the target weighted benchmark, and **7.0%** for a 60% MSCI All Country World Index/40% Barclay's US Aggregate Bond Index portfolio.

Our average return for the 16 years ending June 30, 2019, before the Hurdle Rate was **6.9%** while the average return after the Hurdle Rate for the same period was **1.7%**. This means that ***our model portfolio was able to achieve our goal of beating the Hurdle Rate and providing a level of inflation protection*** to the endowment corpus during the 16-year period.

We continue to believe it is important to maintain a highly diversified portfolio, tilting toward opportunities as they present themselves. The period since March 2009 has been a challenging one for a diversified approach such as ours, as the unconventional monetary policies of the Federal Reserve and the central banks of other developed countries have continued to drive U.S. equity market valuations (particularly of large technology companies) to extremes.

These policies have also made it appear as if a passive investment approach is the right one for almost every asset class, that a growth orientation is superior to a value orientation, that non-U.S. diversification isn't additive and that certain hedge funds no longer have a place in a portfolio. The sharp decline in the second quarter of fiscal 2019 was followed by investors bidding up equities in the remainder of fiscal 2019 on the belief that yet another round of quantitative easing and even lower (or more negative) interest rates could power both an endless equity rally and the elimination of the business cycle. We shall see.



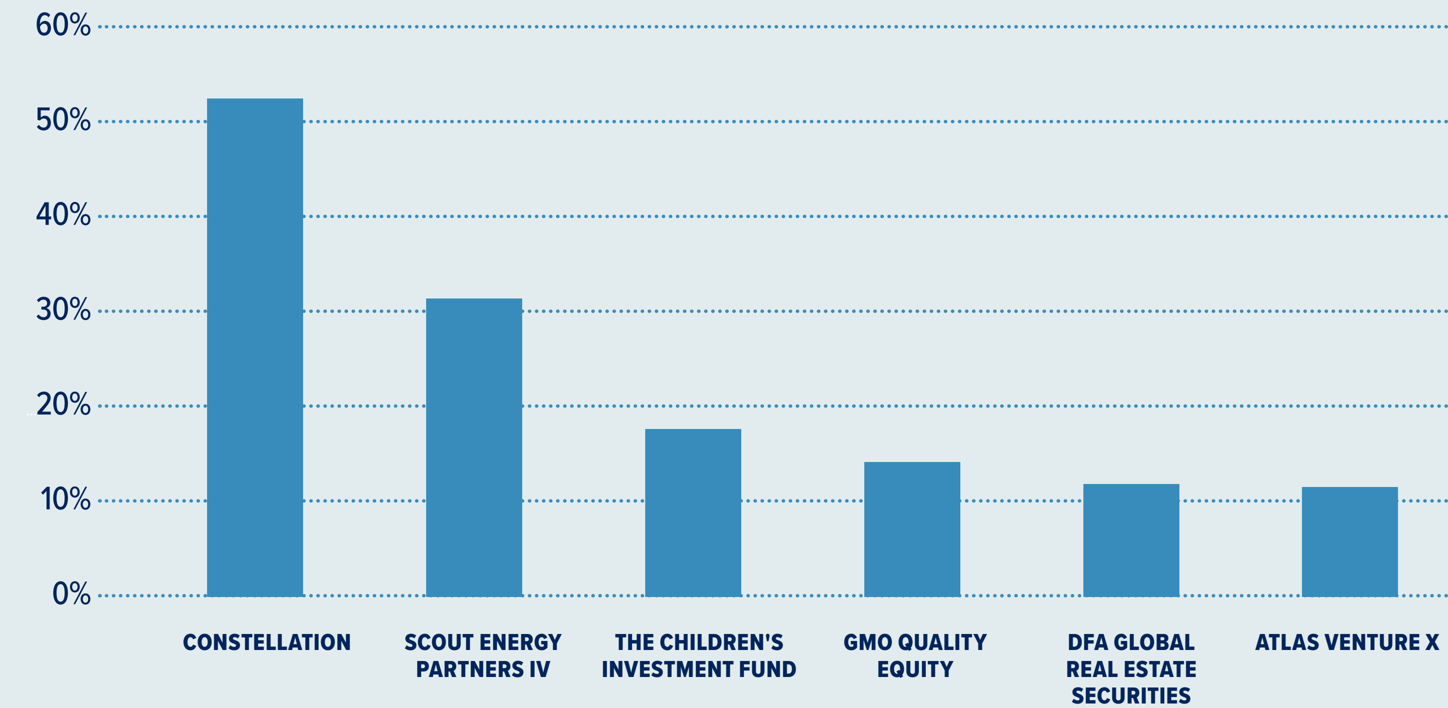
MVPs

In March, Andrew Weil committed $15 million to name the Andrew Weil Center for Integrative Medicine. Weil's gift will ensure the UA is the world's nexus of integrative medicine education, research and innovation.

UNIVERSITY OF ARIZONA HEALTH SCIENCES KRIS HANNING PHOTO

Top Performing Allocations

(>1% of Fair Value) in Fiscal Year 2019



Constellation was added to the portfolio in 2016 and was our No. 1 performer in the portfolio in that year. Portfolio manager Florian Bartunek and his team have done a great job capturing the investment opportunity in Brazil; our investment has generated an annualized return of 27.5% since inception. Constellation outperformed its benchmark by 1,240 basis points in 2019.

We have made four commitments to **Scout Energy Partners**, a manager that makes direct investments in small-to-mid-sized upstream oil and gas assets in the continental U.S. Managing Directors John Baschab, Todd Flott and Jon Piot have moved quickly to exploit an opportunity to acquire assets at attractive prices from a variety of sources, assisted by a proprietary, internally designed software tool. The size of our commitments in Fund II, Fund III (our No. 2 performing fund in 2018), Fund IV (+31.3% in 2019) and Fund V have resulted in Scout becoming the fourth-largest manager in our endowment pool.

The Children's Investment Fund, added to the portfolio on July 1, 2016, has been featured as a top performing allocation (No. 2 in 2017 and No. 4 in 2018) in each of the three years it has been in our portfolio. Portfolio manager Christopher Hohn has outperformed his benchmark by 1,100 basis points per year net of fees since TCI's inception; TCI outperformed its benchmark by 1,180 basis points net of fees in 2019.

GMO Quality Equity was added to the portfolio in 2011 and was the No. 1 performer in the pool in 2012 and the No. 4 performer in the pool in 2016. Our relationship with GMO was the first strategic partnership we formed when we moved to the model portfolio approach in August 2003, and it remains the second-largest manager in the endowment with just over 9% of fund assets in three different strategies. The Quality Equity Fund outperformed the S&P 500 index by 370 basis points in 2019.

DFA Global Real Estate Securities was added to our portfolio in 2017 as the replacement for our then-incumbent manager (we have been invested in REITS since 2003). Dimensional Fund Advisors, a firm with a quantitative approach informed by the work of leading academics, such as Nobel Laureate Eugene Fama and Ken French, and a demonstrated ability to add value through trading excellence, is the largest manager in our endowment fund with just under 11% of assets. The fund outperformed its index by 510 basis points in the year.

Atlas Venture X was added to the portfolio in 2015 and was the top performer in our portfolio in 2018. Atlas invests in life sciences companies with an emphasis on early-stage investments. Atlas Partners Bruce Booth, Jason Rhodes, Peter Barrett, Jean-Francois Formela, David Grayzel and Kevin Bitterman have done superb work building a diverse portfolio of companies with business models across the spectrum of big biology platforms and asset-centric companies. We are also excited to have received allocations to both Atlas Venture XI and Atlas Venture Opportunity Fund I. Our investment in Fund X has generated an annualized return of 105% since inception.

Significant Actions Taken in 2019

Since hiring FEG on July 1, 2013, we have moved our model portfolio targets to FEG's "flattened" portfolio targets. Such a portfolio maintains an equity bias, but recognizes that the exceptional U.S. equity returns of the past few years have significantly reduced the likelihood of generating such returns going forward. The P/E ratio of the U.S. stock market using the so-called Shiller method (Cyclically Adjusted Price/Earnings ratio, or CAPE) stood at 29.8X as of July 31, 2019 (source: Research Affiliates). This ranks in the 95th percentile relative to history, only exceeded by the tech bubble of the late '90s and a few months before the 1929 crash. This contrasts with the CAPE for Emerging Market Equities, where we have a higher allocation, of 13.2X, which is in the 23rd percentile. While no one measure is perfect, CAPE ratios do a reasonable job of predicting long-term returns from equity markets. Further, these findings are confirmed by other useful metrics, including two used by renowned investors such as the ratio of Market Cap/GDP (Warren Buffet) and the ratio of market value/replacement cost (Tobin's Q, James Tobin).

Accordingly, it is important to spread our risks more equally across the four major asset categories: (1) global equity (target of 43%), which consists of U.S. and international equity, long-short equity and private equity; (2) global fixed income/credit (target of 14%), which consists of cash, U.S. rate sensitive investments and U.S. credit sensitive investments; (3) real assets (target of 23%), including public and private real estate, TIPS, gold and natural resources; and (4) diversifying strategies (target of 20%), which consist of tactical asset allocation and low volatility hedge.

For the past six years, we have undertaken the difficult work of building out our portfolio of private investments. When we undertook a national search for a new consulting firm in 2013, we sought a partner that had deep expertise across all private asset class types and who could help us build out a best-in-class portfolio in those areas. During the six years ending in 2019, we steadily increased dollars committed to and invested in private vs. public markets, as we believe this provides us with another opportunity to outperform public markets in equities, credit, real estate and energy.

As of June 30, 2019, we are near our long-term targets for investment in natural resources and we will near our long-term targets for both private credit sensitive fixed income and private real estate once committed dollars are called. We are hopeful of achieving our long-term target for private equity of 20% (vs. our near-term target of 13%) within five years as we first commit to, and then fund, leading managers.

I am pleased to report that we have completed our work of building out our roster of manager relationships across the portfolio. It is an exceptional group, and I will put our group of managers up against any endowment in the country. In future years, you should expect this section of the report to shrink significantly, other than to report to you when we have committed to the next generation of funds raised by our private capital managers. Over time, the total roster of private capital managers will shrink by two to four names, due to changes in strategy or personnel at the manager. We are also reducing our typical commitment size from the $8.5 million we reported to you last year down to $6.5 million for the foreseeable future.

With that as background, here are the significant action items taken in 2019.

Purchased FUNDRIVER Software

As of July 1, 2019, our financial services team will be using new software for endowment reporting. Using this software through all of 2020 will allow us to provide donors who have created named endowments with a more robust report on their endowments beginning next year. I would like to recognize the hard work and leadership of our Vice President Financial Services and Comptroller Rita Williams, Assistant Vice President Financial Services Katy Ripp and Asst. Comptroller Doug Granmo for their hard work during what is already an extremely busy time of year due to our audit and tax work.

Increased Our Allocation to Natural Resources

We expanded our relationship with three existing managers:

$8.5 million to MAP 2018, our second commitment to this firm specializing in investments in wind energy, solar energy and battery storage technology. MAP has financed one-eighth of all the wind energy projects in the U.S. and has been able to generate exceptional returns through portfolio construction that includes both higher-yielding development opportunities and projects with a focus on current yield.

$6.5 million to Homestead Capital Partners III, our second commitment to this manager, that builds diversified portfolios of farms consisting of both row and permanent crops across much of the U.S.

$6.5 million to Scout Energy Partners V, our fourth commitment to this firm whose Fund III was the No. 2 performer in our endowment in 2018 and Fund IV was the No. 2 performer in our endowment in 2019, as noted earlier.

Increased Our Allocation to Private Equity

We increased our exposure to private equity with leading managers by committing:

$7 million (total) among three GGV Capital Funds, our first commitment to this experienced multi-stage venture capital firm that invests in technology companies in the U.S. and China. We were introduced to one of the partners in this firm at the FEG Investment Forum in March 2016, and it is another exceptional recommendation from the FEG team.

$8 million to Atlas Venture Opportunity Fund I, our third commitment to this team. Fund X was our top-performing manager in 2018 and our No. 6 performing manager in 2019, as noted earlier.

$8 million to Menlo Ventures Opportunity Fund II, our third commitment to this team that invests across the enterprise, consumer and life sciences markets.

$10 million to Asia Deep Value Opportunities II, a fund focusing on investments (both debt and equity) in healthy, growing mid-cap companies at deep discounts to intrinsic value. We have been investing in Asia private equity since April 2007 via our five commitments to Asia Alternatives, a leading fund of funds, and in 2019 made our first direct investments in Asian private capital through our commitments to GGV and ADV.

$8.5 million to Summit Partners X, our second investment with this leading growth equity manager.

$6.5 million to Silver Oak Services IV, our second investment with this manager that invests in lower middle market companies operating in the health care and consumer services industries.

Increased Our Allocation to Private Real Estate

We committed $6.5 million to Farallon Institutional Real Estate Investors III, our second commitment with this manager that focuses on income-producing, under-capitalized and/or mismanaged assets in strong markets.

Repositioned Emerging Markets Equity, Diversifying Strategies and Credit Sensitive Fixed Income

During 2019 we performed a line-by-line review of our portfolio to determine whether there was an opportunity to consolidate certain positions. Three were identified and executed during that period:

Emerging Markets: We exited our remaining investment in the DFA Emerging Markets Small Cap Strategy and added proceeds to our investments with New Horizon ($1.5 million), RWC Frontier Markets ($1 million) and GMO Emerging Markets ($500,000).

Diversifying Strategies: We converted our investment in the GMO Mean Reversion Fund (narrower opportunity set) into an additional investment in the GMO Global Allocation Absolute Return Fund (broader opportunity set, of which the Mean Reversion Fund is a small component).

Credit Sensitive Fixed Income: We converted our investment in the Rimrock Structured Products Fund (narrower opportunity set) into our investment in the Rimrock Low Volatility Fund (broader opportunity set, of which Structured Products remains a key component).

Repositioned Our Long/Short Equity Allocation

Long/Short Equity continued to be a challenging asset class in 2019. After two managers elected to close and return funds in 2018, in 2019 Highfields Capital (a firm with a long track record of success) elected to close its fund and return capital. After a search of candidates, the Committee approved an investment with Junto and we invested $10 million in January 2019 and an additional $5 million in July 2019. Jim Parsons (CIO and Portfolio Manager) has had a long track record of success both at Junto and his previous fund. We head into 2020 with Junto and Firefly Value Partners as our two managers in this allocation.

Expanded Our Credit Sensitive Allocation

We committed $6.5 million to Falcon Strategic Partners VI, our second investment with this manager that focuses on investing in the subordinated debt and equity of middle market companies located in North America.

Maintained the Payout Rate at 4%

Our Investment Policy Statement and Arizona law require us to specifically address a number of factors each year when setting the Payout Rate. A Payout Rate should not be adjusted each year to reflect the return achieved in the previous year, but should be a rate that provides "intergenerational equity" (i.e., the beneficiaries of today should not benefit at the expense of the beneficiaries of tomorrow, and vice versa). We believe the 4% rate declared for fiscal year 2020 is the rate that gives us the best chance to achieve that equitable result. After considering all the factors required in our Investment Policy Statement, the Endowment Fee was maintained at 1.25% for fiscal year 2020. As the endowment pool continues to grow, we hope to be in a position to reduce the Endowment Fee to 1.0% over time.

Committee Meetings/Presentations

The Investment Committee held its second meeting of the year in Boston. As a result, the committee received reports from a near record number of managers including:

- John Carroll, **Summit Partners,** Managing Director
- Ben Inker, **GMO,** Head of Asset Allocation
- Bruce Booth, **Atlas Venture,** Partner
- Sandeep Alva, **Falcon Strategic Partners,** Managing Partner
- Abigail Mason, **TIAA-Kaspick,** Chief Investment Officer
- Matthew Turcotte, **TIAA-Kaspick,** Senior Investment Manager
- Jon Jacobson, **Highfields Capital,** Co-Founder and CEO
- Venky Ganesan, **Menlo Ventures,** Partner
- Seth Singerman, **Singerman Real Estate,** President and Managing Principal
- Jason Kezelman, **PIMCO,** Executive Vice President
- John West, **Research Affiliates,** Managing Director
- Paul Twitchell, **Whitebox Advisors,** Partner
- Paul Roos, **Whitebox Advisors,** Partner
- Joseph Kolerich, **Dimensional Fund Advisors,** Senior Portfolio Manager

Investment Beliefs

1. Downside protection matters. Our portfolio must be constructed to protect capital in difficult markets. As billionaire investor Howard Marks said, "It's more important to ensure survival under negative outcomes than it is to guarantee maximum returns under favorable ones."[1] And, as Charles Ellis, a well-known financial author and longtime chairman of the Yale Investment Committee, said, "If you avoid large losses with a strong defense, the winnings will have every opportunity to take care of themselves."[2] We will not take additional risk simply to keep pace with other endowments, but will only take on more risk when market conditions warrant.

2. There are no cheap asset classes that offer, quoting "the father of value investing" Ben Graham, "margin of safety." As a result, it is extremely important for our portfolio to remain highly diversified and make meaningful allocations to private equity, diversifying strategies and real assets to achieve our goal.

3. We maintain a value orientation in our equity portfolios, as we believe a combination of value and quality will win over the **long** term.

4. Economist Harry Markowitz is correct: Portfolio diversification provides investors with a "free lunch" in that a given level of return can be achieved with lower volatility. Moving toward a "flatter" portfolio is a key component of how we built additional portfolio diversification.

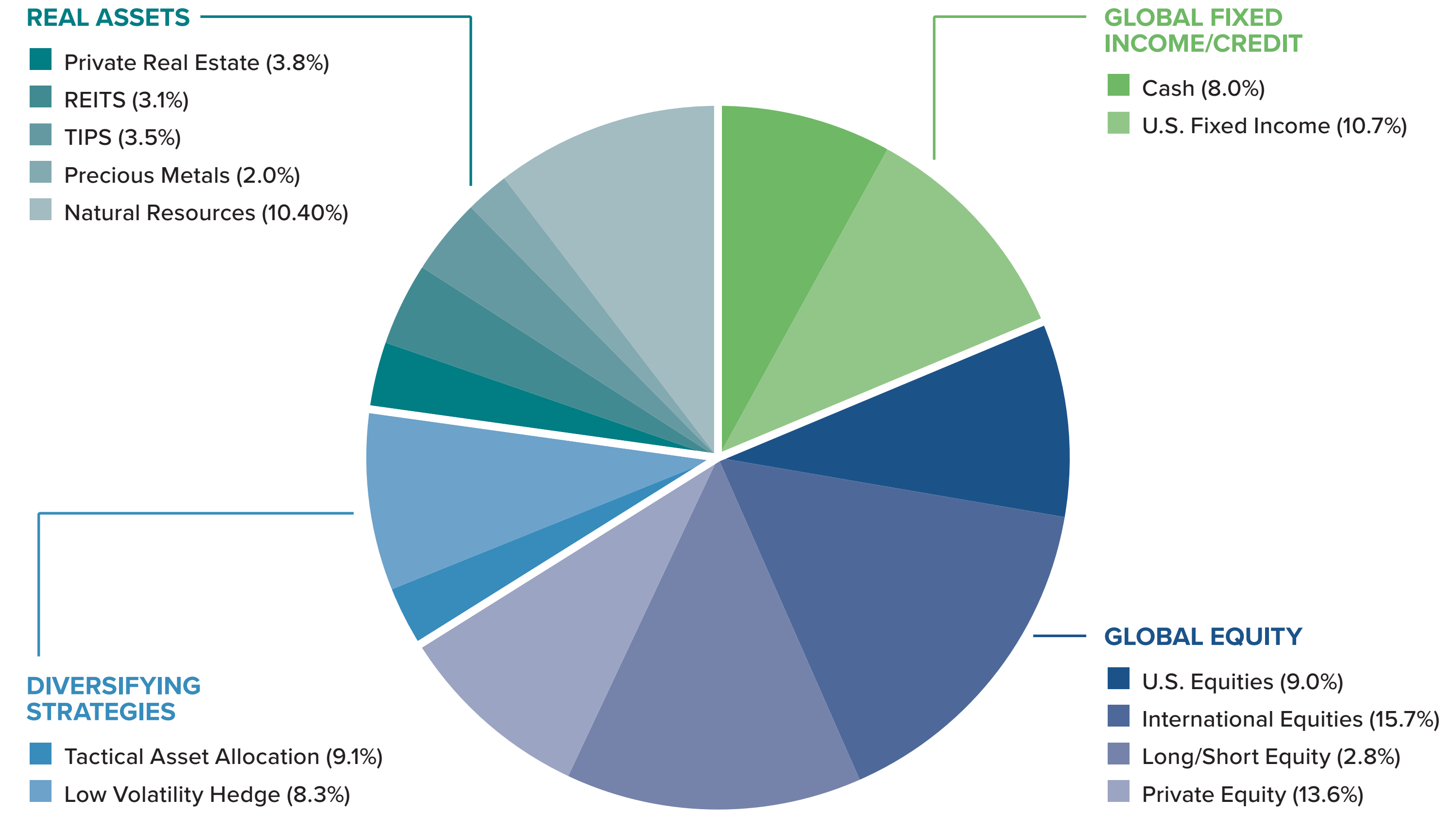
5. It is important to have a meaningful allocation of funds that can quickly move between and within asset classes as opportunities arise. As a result, we have designated 10% of our pool for tactical asset allocation managers.

6. Investment returns will revert to the mean over time. Mean reversion may not occur quickly, and prices will not revert precisely to historical means. As Research Affiliates have stated, "The largest and most persistent active investment opportunity is long-horizon mean reversion. Quite simply, systematically buying assets with relatively low prices (and correspondingly high yields) and having the conviction to hold these positions over potentially extended horizons allows investors to earn higher risk-adjusted returns, albeit at significant emotional cost."[3]

1. Howard Marks, *The Most Important Thing*, 2011 Columbia University Press p. 139.
2. Charles D. Ellis, CFA, Investing Success in Two Easy Lessons, *Financial Analysts Journal*, January/February 2005, Vol. 61, No. 1:27-28.
3. Chris Brightman, Jonathan Treussard, Jim Masturzo, Our Investment Beliefs, *Fundamentals*, October 2014.

OUR PORTFOLIO

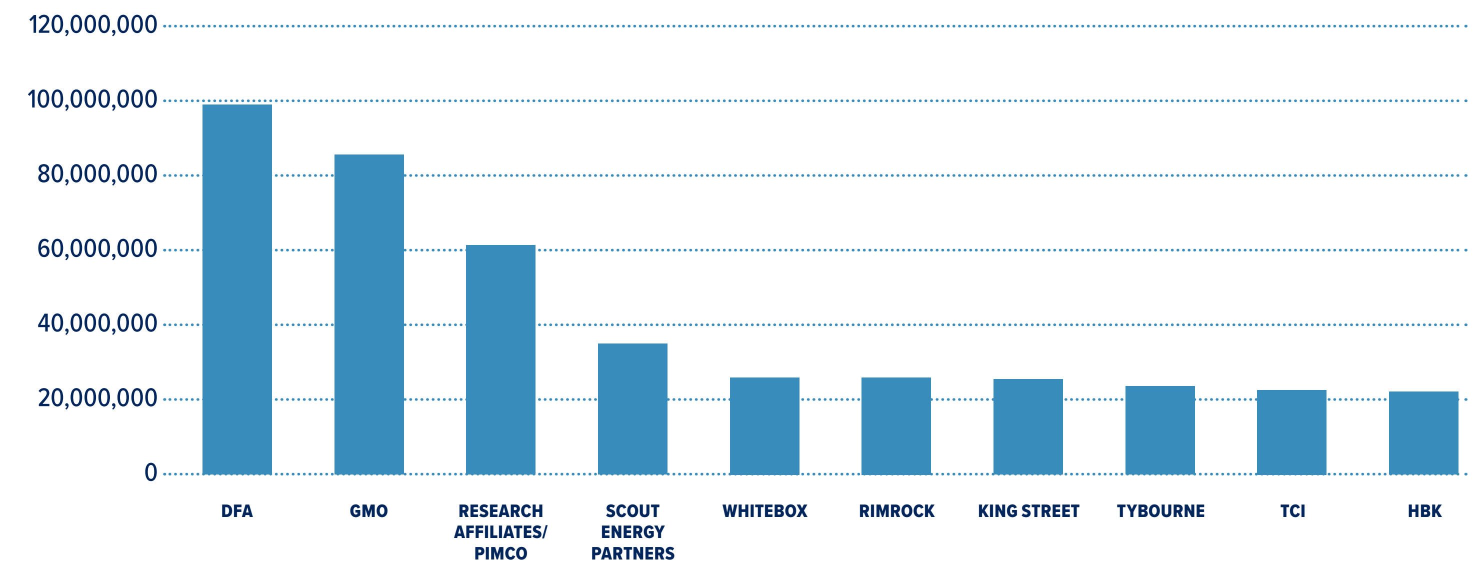
Asset classes of our $928 million endowment portfolio on June 30, 2019



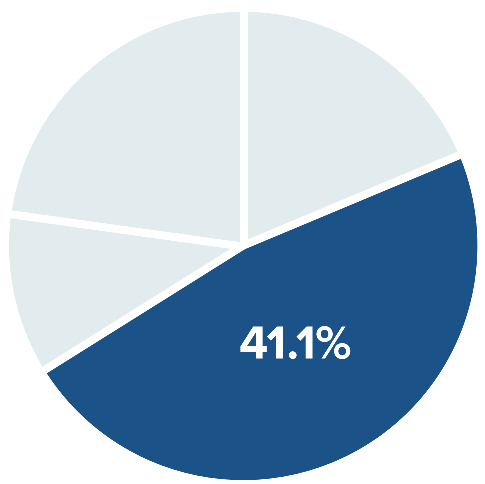
Great Expectations

FEG's Asset Allocation Analysis showed our 2019 model portfolio was expected to provide a total annual return of 7.9% with a standard deviation of 14.8% over a 10-year period. Standard deviation is a measure of the variability of returns around the mean; the higher the standard deviation (potential variability), the higher the potential risk.

The graph to the right shows the 10 largest managers in the pool on June 30, 2019; as a group these 10 account for 46% of total assets.



RIGOROUS EVALUATION



Global Equity

41.1% of the portfolio on June 30, 2019; fiscal year 2019 return of 2.7% vs. 5.7% for the MSCI All Country World Index

U.S. Equities Our purpose for holding U.S. equities is to generate growth via total return.

We use four managers in our U.S. equity allocation: GMO Quality, Palo Alto Healthcare, DGHM and PIMCO Research Affiliates Enhanced (both large and small). We believe carefully selected active managers will outperform capitalization weighted indexes over long horizons. We also believe that Research Affiliates Fundamental Index portfolios will outperform passive capitalization weighted portfolios (such as the S&P 500), and to further express our quality theme we use the Research Affiliates Enhanced portfolios to screen out economically important companies that are highly leveraged and/or have a low earnings quality.

The performance of our large/mid cap equity managers was 9.4% in 2019 vs. 10.0% for the Russell 1000 (a large and mid-cap company index), with the primary reason for the shortfall being our value orientation, as PIMCO RAE Large returned 4.7%. The performance of our small/micro-cap managers was -14.2% vs. -3.3% for the Russell 2000 index, with both Palo Alto Healthcare (-20.5%) and PIMCO RAE Small (-6.7%) lagging the benchmark. Both of these funds have been featured as top performing allocations in the past (including in 2018), and we continue to have a high degree of conviction in them.

International Equities Our purpose for holding international equities is to generate growth via total return. Our international equity investments provided strong returns in 2019 vs. their benchmarks. Our developed markets managers as a group returned 5.7% vs. 1.1% for the MSCI EAFE Index. This outperformance would have been higher without our value orientation, as PIMCO RAE International returned -2.7% and Lancaster European Equities returned -3.9%. Our emerging markets managers as a group returned 8.0% vs. 1.2% for the emerging markets index, with only our Frontier Markets and Asia-focused managers failing to achieve the index return. One additional area of underperformance in our international allocation was in International Small Cap. As a result, and consistent with our project of consolidating positions described earlier, in July 2019 we exited our holding in the GMO Foreign Small Companies Fund and rolled the proceeds into our existing holdings in the GMO Quality Equity and GMO Emerging Markets strategies.

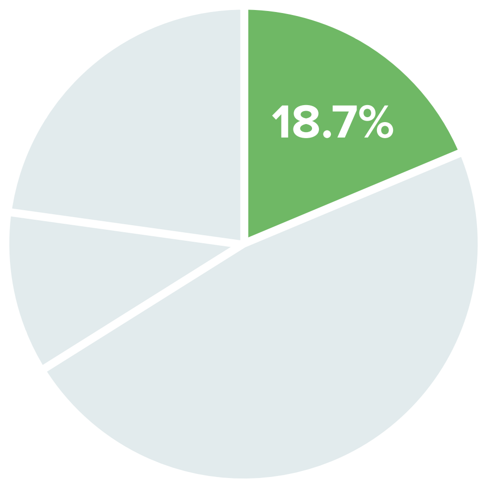
We use eight managers in our international equity allocation: PIMCO RAE International, Lancaster European Equities, The Children's Investment Fund, GMO, RWC Frontier Markets, Tybourne, Constellation and New Horizon. We believe that international equities today are more attractively priced than their U.S. counterparts, and we maintain our overweight to them and in particular to emerging markets. As noted earlier, EM equities have a CAPE ratio of 13.2X (23rd percentile), while international developed equities have a CAPE ratio of 16.9X (33rd percentile).

Long Short Equity The goal of this allocation is to generate at least the market rate of return with significantly lower volatility than a long-only equity allocation over a market cycle. We used three managers in this asset class in 2019; as noted earlier, Junto and Firefly remain in the endowment pool in 2020. This continued to be a challenging asset class in 2019, as Firefly returned -16.4%.

Private Equity Our purpose for holding private equity investments is that top managers, through exceptional operational and management skill (not simply financial engineering), can generate returns in excess of public equity markets. The goal of our allocation to this segment is to outperform by 300-500 basis points per year the global equity indexes over a market cycle. Our private equity managers as a group over five years have achieved this goal, returning 12.5% vs. 6.2% for the MSCI All Country World Index.

Working with Nolan Bean, our lead consultant at FEG, as well as FEG's research team leaders in private equity/venture capital, as of June 30, 2019, we have established relationships with and plan to continue to commit to 15 leading firms in three major categories: (1) international (ADV, ECI, OpCapita and Cartesian), (2) U.S. small to middle market buyout (Staple Street, Mason Wells, Silver Oak, Angeles, Cressey and Timber Bay), and (3) U.S. venture capital/growth equity (Menlo Ventures, Atlas Venture, Summit, GGV and RRE Ventures). We do not anticipate making commitments to any additional firms in the near term. The help of a first-rate consultant has been critical to our efforts to grow our allocation to leading managers in this asset class, and we have that with FEG.

One headwind to our private equity allocation is a result of our small endowment size in 2004 when we implemented the model portfolio approach. This meant that our initial allocations to private equity were in fund of funds, as our small size would not allow us to both invest directly and maintain a diversified portfolio. We have a number of legacy fund of funds investments that are nearing the end of their fund lives and are in large part no longer generating significant gains. At the same time, we are making a number of new commitments that are still early in the J-curve (the tendency of funds early in their life to generate negative returns while the portfolio is maturing) and thus providing returns to the endowment. As we have now established the targeted number of relationships and plan to fund them on a serial basis (i.e., Fund I, Fund II, etc.), both of these factors should have less impact on our portfolio going forward.



Global Fixed Income/Credit

18.7% of the portfolio on June 30, 2019; fiscal year 2019 return of 2.7% vs. 7.9% for the Barclay's U.S. Aggregate Bond Index

Cash Our purpose for holding cash is two-fold: (1) provide dry powder in a market downturn and (2) provide liquidity for our commitments to private equity, private real estate, private energy, private credit and absolute return managers, which in total amount to 24.8% of the fair value of the portfolio on June 30, 2019.

We use two managers in our cash allocation. Our major position is in the JP Morgan U.S. Treasury Money Market Fund; we want to take no market risk whatsoever with a portion of our cash reserves. We are pleased that as interest rates normalize, there is actually a return on (not just of) our cash, which reached 2.1% at the end of 2019, though this seems poised to move lower in fiscal 2020. Our remaining allocation is in the DFA One-Year Fixed Income Fund, with a goal of exceeding the return we earn on the U.S. Treasury Market Fund with only nominal risk.

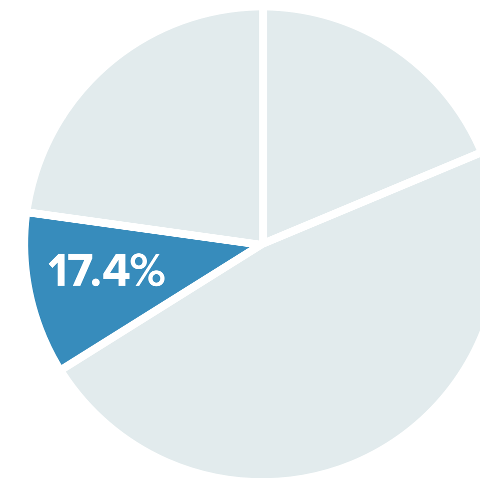
Cash, at 8.0% on June 30, 2019, was abnormally high as a part of the FUNDRIVER implementation. On July 1, we removed the unspent payout balances (invested in a mix of our two cash holdings) from the endowment pool. Earnings from the unspent payout will continue to benefit the endowment pool as before.

Rate Sensitive Our purpose for holding U.S. Fixed Income (both rate sensitive and credit sensitive) is to provide deflation protection and total return.

We believe U.S. treasury (rate sensitive) securities are significantly overvalued and therefore have only a 2.0% target for rate sensitive investments through the DFA Extended Short Term Quality Fund. DFA is the largest manager in the endowment pool and is our top choice for any asset class where we do not believe traditional active management is appropriate. Despite its index-like construction, DFA has a long track record of outperforming its benchmarks due in part to superb trading skill and portfolio implementation that benefits from close ties with top academic minds including Eugene Fama and Ken French. The Extended Short Term Quality fund generated a return of 4.7% vs. the benchmark return of 5.4%.

Credit Sensitive We believe the better opportunity set in U.S. Fixed Income today is in credit sensitive investments, and we hold a mix of private credit funds (where capital is called over time) and credit hedge funds. We have positioned our credit hedge funds with a focus on asset backed securities, which provide both a strong current yield and excellent total return prospects. The private credit funds were additive to performance in 2019 with strong returns from Falcon Fund V (18.0%) and Merit (16.3%). The credit hedge funds detracted from performance, with returns for Marble Ridge (-1.7%), Waterfall Eden (4.6%) and Rimrock (2.5%) all lagging our global fixed income/credit benchmark.

International Fixed Income We removed this as a separate asset class in our model portfolio and now classify our investment in Gramercy (-2.1%) with credit sensitive investments.



Diversifying Strategies

17.4% of the portfolio on June 30, 2019; fiscal year 2019 return of 2.6% vs. 1.6% for the HFRI Fund Weighted Composite Index

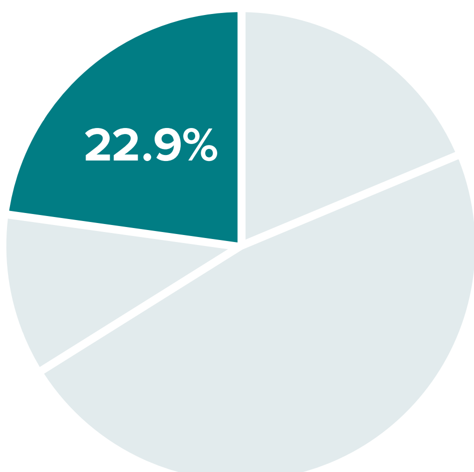
We categorize diversifying strategies in two unique segments:

Tactical Asset Allocation These assets allow us to allocate a portion of our portfolio to top asset allocators using a primary or secondary benchmark (CPI + 5%) that aligns well with our endowment benchmark of inflation plus 5.25%. Our two long-standing managers (GMO, since January 2004, and PIMCO, since October 2004) tactically invest in areas of the market that their asset class forecast shows are positioned to generate the most attractive return over the next seven to 10 years. The PIMCO All Asset Fund returned 5.0% in 2019, while the GMO Global Allocation Absolute Return strategy returned 3.3%. Both have significantly outperformed the HFRI Fund Weighted Index since inception while also exceeding our Hurdle Rate of return.

The Whitebox Asymmetric Opportunities Fund was added to this allocation in 2019 when we converted GMO Mean Reversion to GMO GAAR and removed mean reversion as a separate asset class in our model portfolio. Whitebox returned 4.3% in 2019 and has generated an annualized return that exceeds its benchmark by 340 basis points per year since the inception of our investment in October 2012.

Low Volatility Hedge Our purpose for holding low volatility hedge assets is for diversification and total return. We are looking for equity-like returns with bond-like volatility over a full market cycle, and we only invest in funds with an inception to date standard deviation of 6.0 or less.

We use four low volatility hedge managers. King Street Capital is a long/short credit and event driven manager that returned 1.1% in 2019, Graham Discretionary is a global macro manager that returned 0.2% in 2019, and HBK is a multi-strategy hedge fund that returned 3.6% in 2019. A more "normal" interest rate environment and level of market volatility will benefit these funds. We are in the process of funding our $15 million commitment to Elliott International, a multi-strategy hedge fund with a 40-year track record of success; $7.5 million of our commitment was funded as of June 30, 2019. Elliott International returned 3.7% in 2019.



Real Assets

22.9% of the portfolio on June 30, 2019; fiscal year 2019 return of 9.2% vs. 7.1% for CPI + 5%

We invest in real assets for inflation protection, diversification and total return. We allocate among five different categories:

Public Real Estate This was the first alternative asset class added to our portfolio. The DFA Global Real Estate Securities Fund returned 11.9% in 2019 vs. 6.8% for the benchmark.

Private Real Estate We made our first private real estate investment in 2007 with a goal of outperforming our public real estate investments. Since engaging FEG, we have invested with Westport (and New Cold), Iron Point, Singerman, Harbert and Farallon. Our positioning in this asset class has been significantly upgraded, and we anticipate strong relative returns going forward. Our managers as a group returned 5.8% in 2019 vs. the 4.1% return from the Thomson One Private Real Estate Index. Weighing on the 2019 return was the Apollo India Real Estate Fund (-32.2%); the new GP for the fund (Apollo replacing JP Morgan) re-underwrote the portfolio in 2019, resulting in a significant write-down of the individual property holdings.

Inflation-Protected Securities Though it has not yet appeared in size, we believe there is still a real possibility of inflation as a result of actions taken by central banks around the globe. In his December 2013 white paper entitled “No Silver Bullets in Investing,” James Montier stated that “If you are seriously worried about inflation, then this (TIPS) is still insurance that pays you for owning it (as opposed to the expected negative value of most insurance).” The DFA Inflation Protected Securities Fund returned 5.8% vs. 4.8% for the benchmark.

Gold We hold gold in our portfolio as insurance against deflation or a loss in faith in the financial system (as Jim Grant of *Grant's Interest Rate Observer* said, the value of gold is inversely related to the market’s confidence in central bankers). The First Eagle Gold Fund invests in gold primarily through the stocks of high-quality precious metals miners, which is a leveraged bet (both on the upside and downside) on physical gold. The First Eagle Gold Fund returned 9.2% vs. 18.6% for the index. First Eagle has outperformed the index by 330 basis points per year since inception.

Natural Resources Timber was added to our portfolio in 2004 to allow us to participate in an investment that has a low correlation to equity markets and provides biologic growth in all market cycles. We have three timber investments with The Rohatyn Group (TRG) and one agriculture investment with TRG in its Farmland Opportunity Fund. We added a second agriculture manager (Homestead Capital) to this allocation in 2018. As a group, our timber/agriculture managers returned 2.9% in 2019.

Commodities/Energy This asset class was added to the portfolio in 2005 to provide inflation protection and returns uncorrelated to the equity markets. We have a broadly diversified allocation that consists of:

An MLP Equity Manager (RCH)

- A total of $32 million in commitments to four funds with Scout Energy Partners. Scout makes direct investments in small- to mid-sized upstream oil and gas assets in the continental U.S.
- A $5 million commitment to MAP 2015, a manager that constructs a highly diversified portfolio of natural gas (30%) and wind (70%) royalty interest investments in the U.S. MAP has since chosen to focus exclusively on renewables, and we made an $8.5 million commitment to its renewables-only fund in 2019
- A total of $11.5 million in commitments to EDGE Natural Resources, focused on small- to mid-sized private investments in the North American Energy Sector
- A total of $14 million in commitments to two funds with Pelican Energy Partners, our oilfield services manager
- A $6.5 million commitment to Rockland Power III, our power manager

Our private energy managers as a group were strong performers for our endowment again in 2019, returning 16.7% vs. -13.2% for the S&P 500 Energy Sector and -6.6% for the Thomson One Private Natural Resource Index.

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James Wyant wondered what it would take to exponentially grow research activity and student support in optical sciences.

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