



WAYNE STATE UNIVERSITY

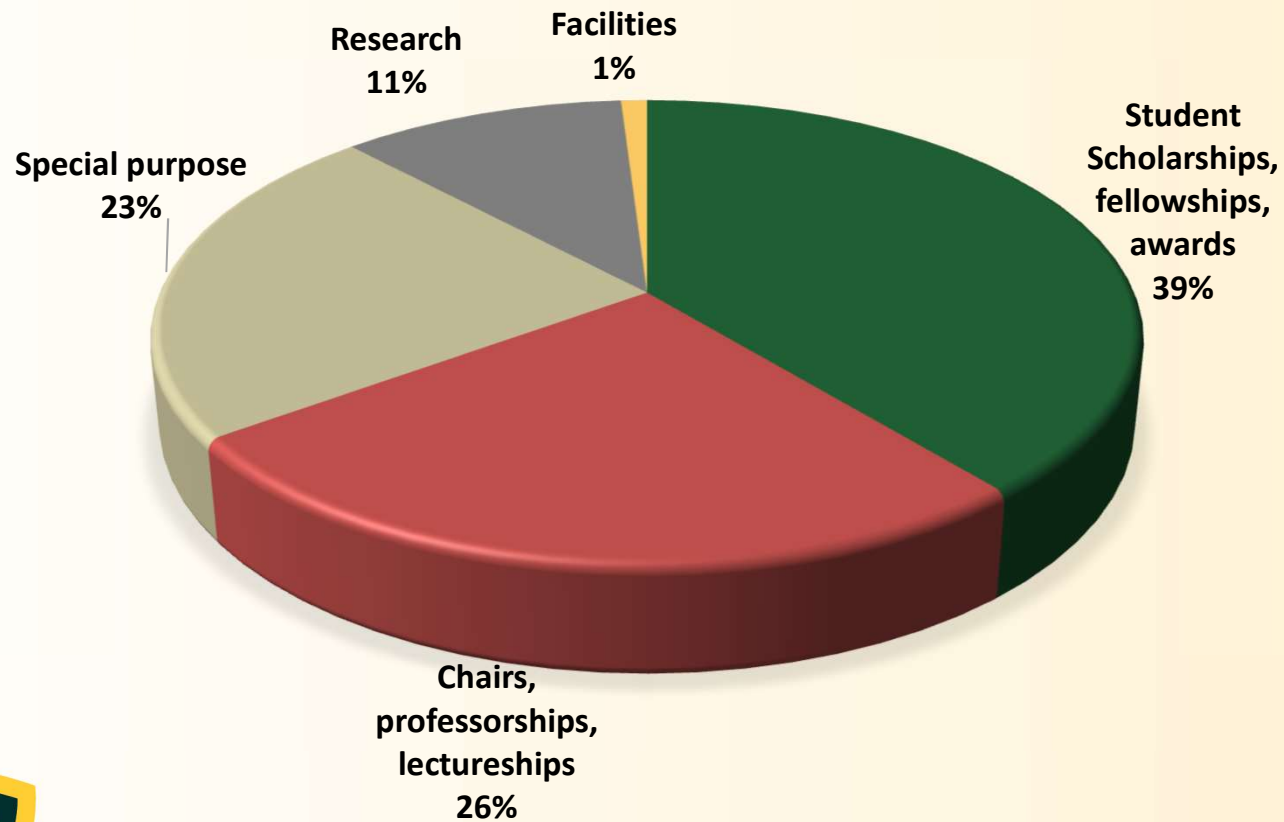
Investors Forum
December 5, 2019

Agenda

1. Endowment Overview
2. Investment Performance
3. Strategy and Outlook



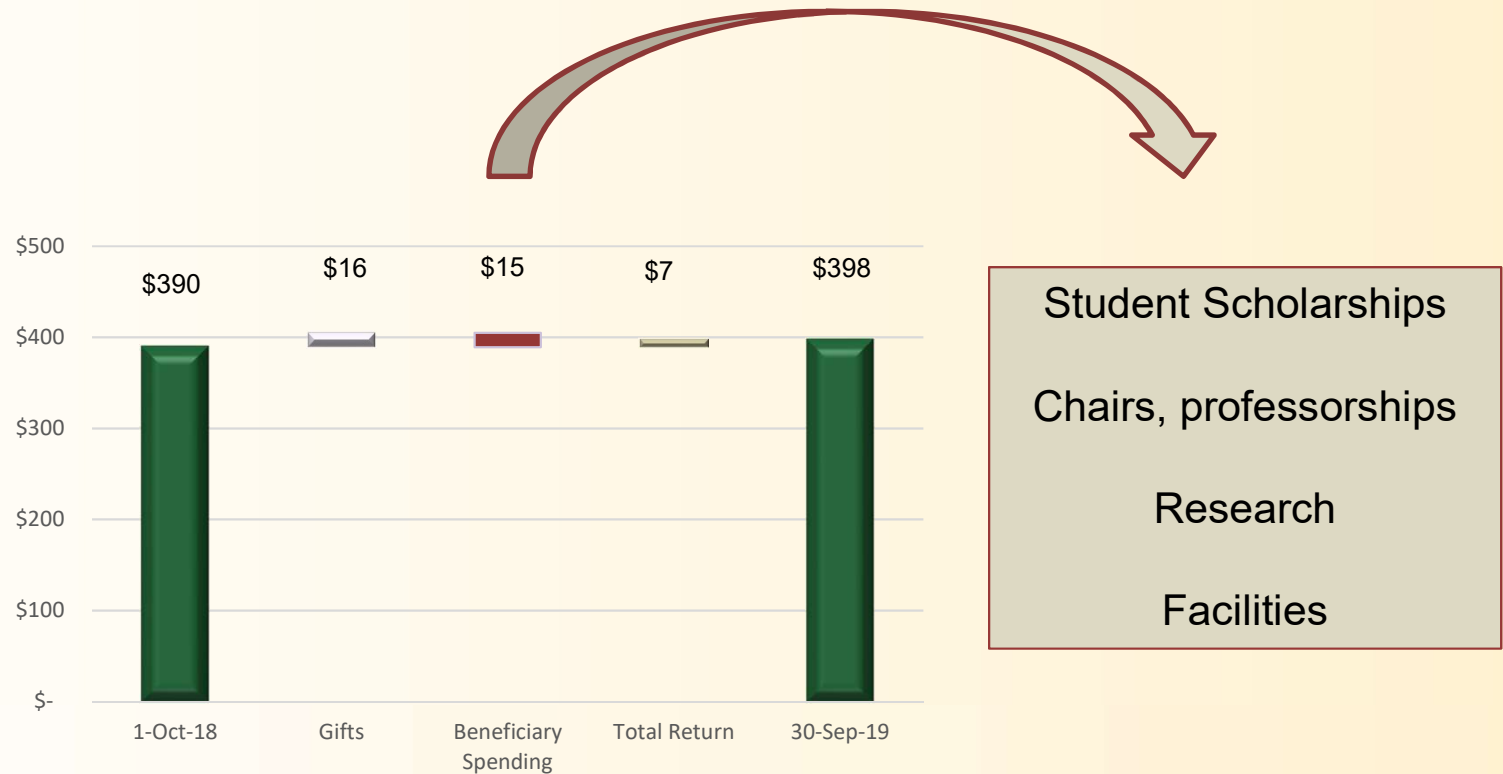
The endowment provides annual income to support numerous University programs



Source: June 2019

Donor gifts and investment return continue to provide support to students

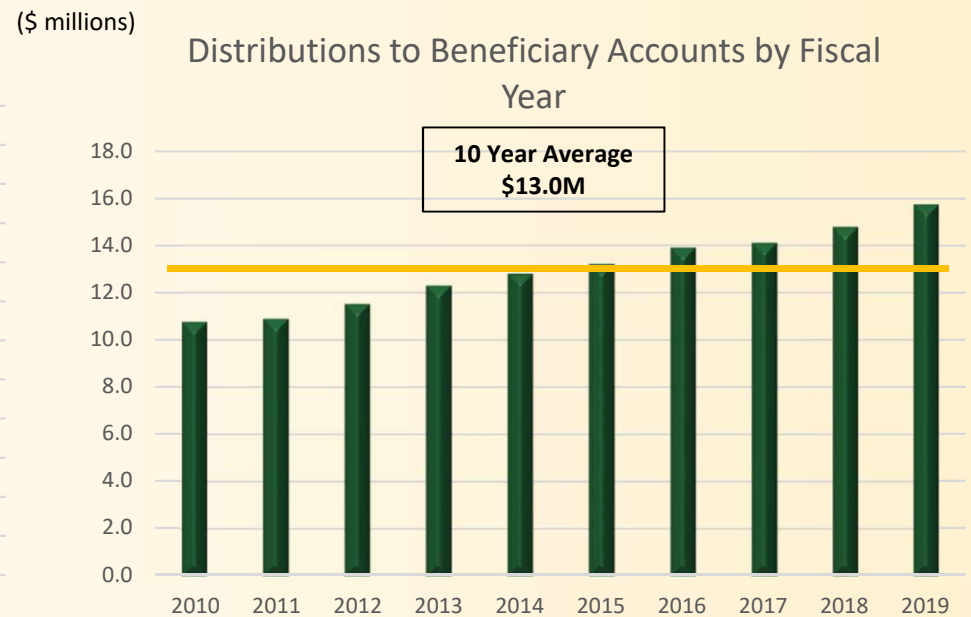
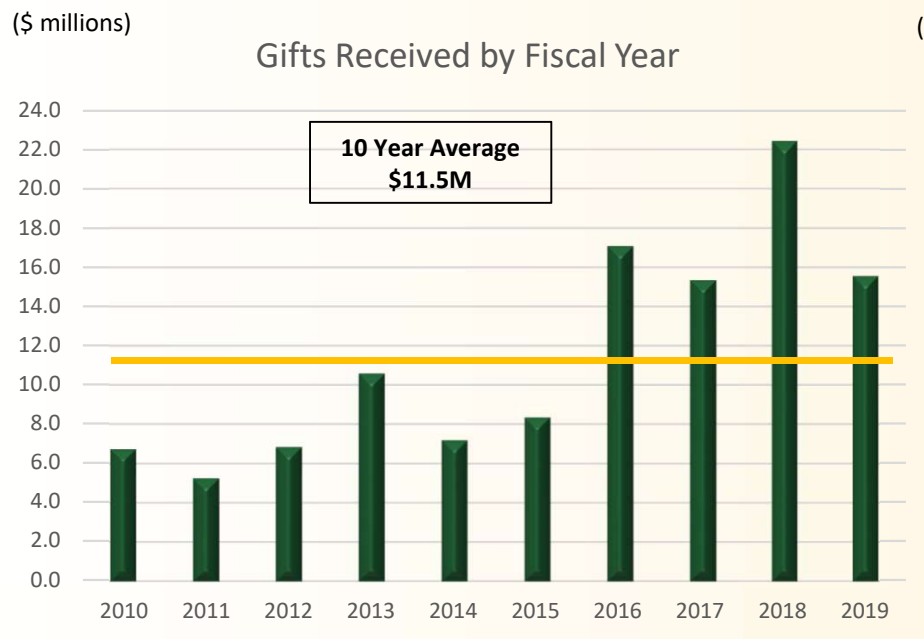
\$millions



The distribution rate from the endowment to beneficiary spending accounts is 4.5 percent, of the 3 year moving average market value

Source: FY2019 unaudited financial results which contain some estimates

Gifts and beneficiary distributions continue to provide sustainable support to students and programs



Source: FY2019 unaudited financial results which contain some estimates

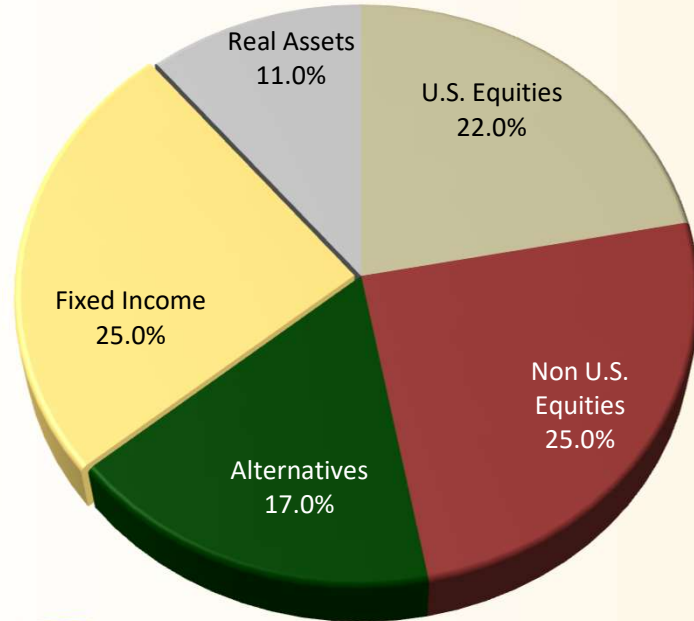
The Wayne State University Foundation and Investment Committee oversee the Endowment assets

- The Wayne State University Foundation was established by the University's Board of Governors in 2000 to develop a centralized means of encouraging and managing financial support by private sources.
- The Foundation seeks to promote advocacy and generate meaningful financial support from private sources as an essential supplement to state appropriations, tuition and research related income.
 - This private support allows the University to provide its students, faculty and researchers with opportunities for learning and discovery that otherwise would not be possible.
- To ensure continuing support for current and future generations, the Foundation endowment portfolio's long-term investment strategy was developed to provide a steady flow of dollars each year for distributions. This long-term approach is also designed to protect and grow the endowment corpus in real terms.
- The Investment Committee assists the Wayne State University Foundation Board with all investment related decisions, including policy and strategic planning, annual spending rate review, and oversight of the Outsourced Chief Investment Officer (OCIO) – Strategic Investment Group.

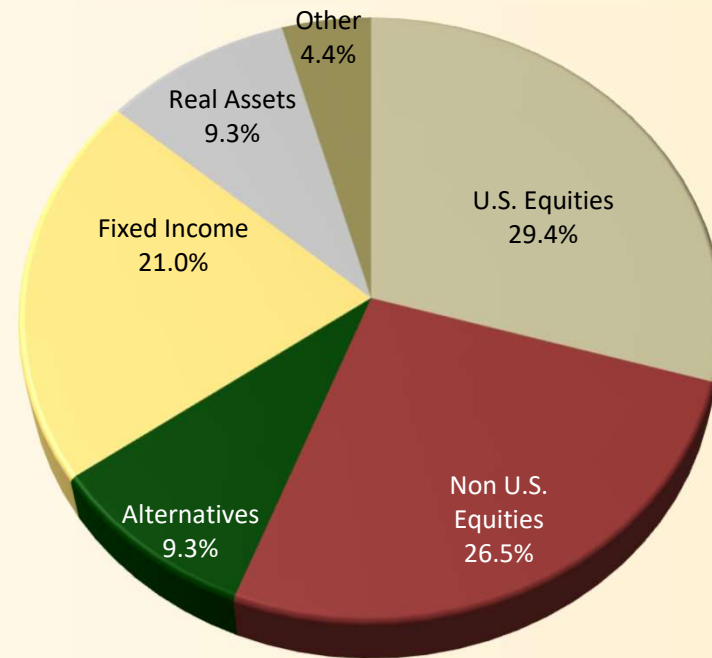


Current asset allocation is in line with the Long-Term Policy allocation and reflects current valuation tilts

Long-term Policy Asset Allocation



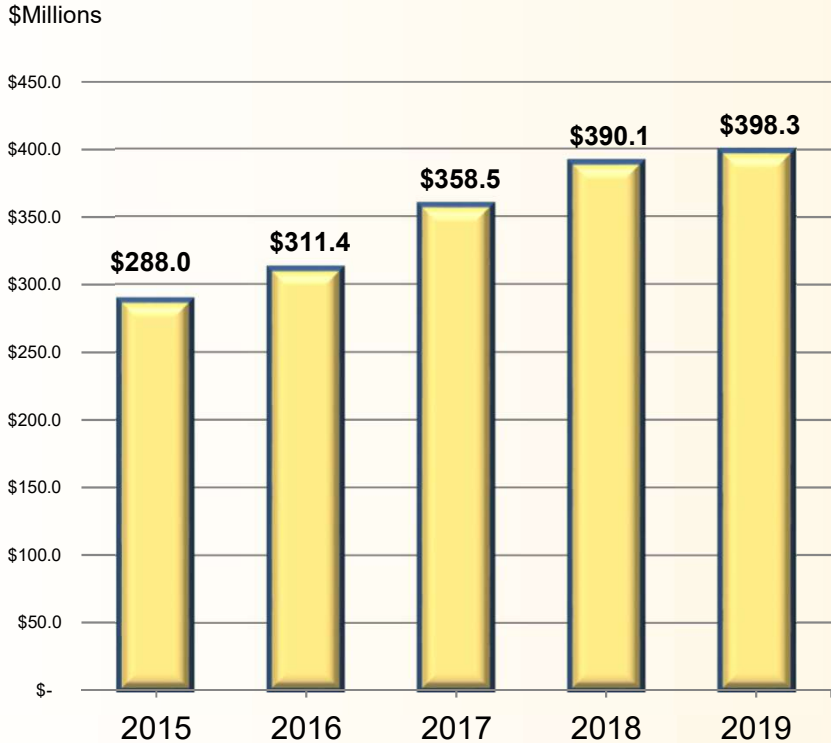
Actual Asset Allocation*



*As of September 30, 2019

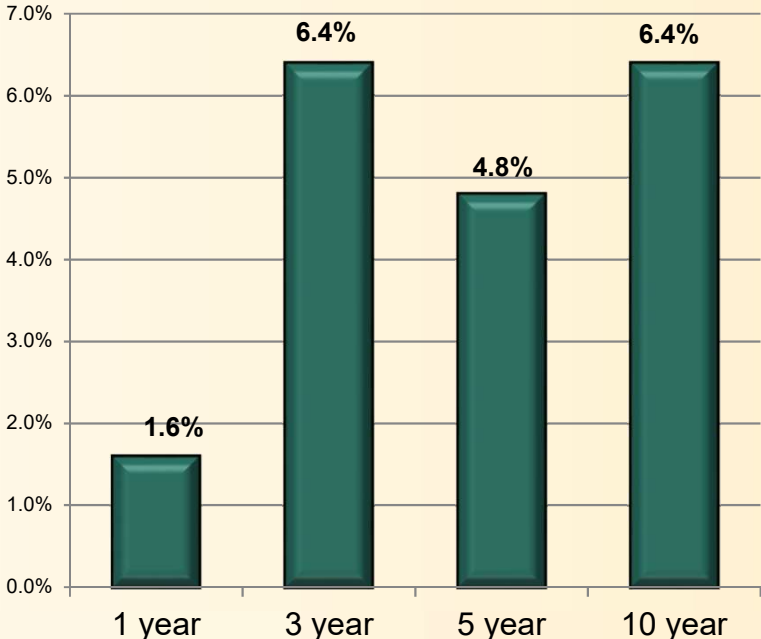
The Foundation's Endowment Portfolio continues to grow and provide funds to support the University's Mission

Total Investments



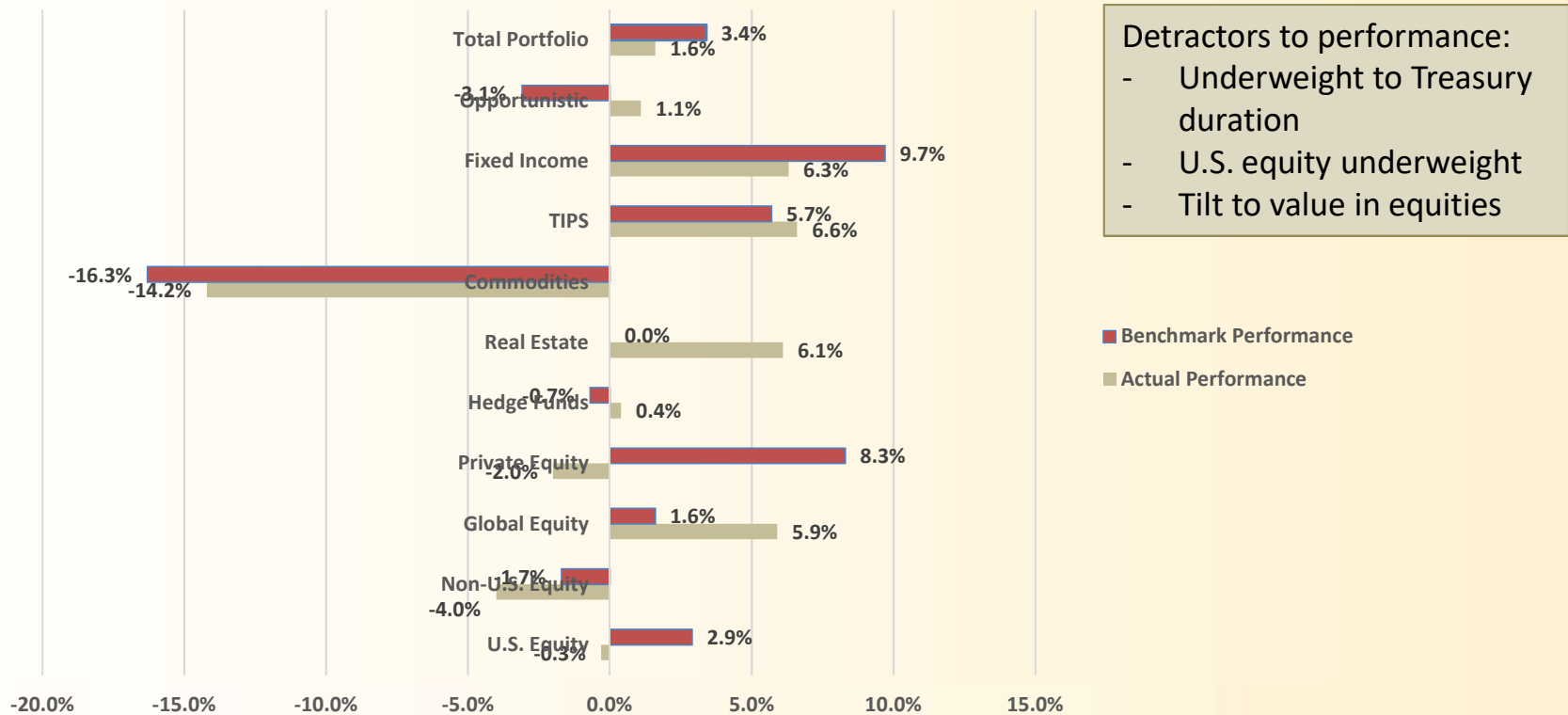
Performance

(As of September 30, 2019)



Policy inception date for portfolio transition to Strategic complete: March 31, 2017
Performance net of investment sub-manager fees

The endowment total portfolio posted positive returns, but underperformed the benchmark for FY2019



Fiscal year portfolio and policy benchmark performance figures are shown as of 09/30/2019 (unaudited).

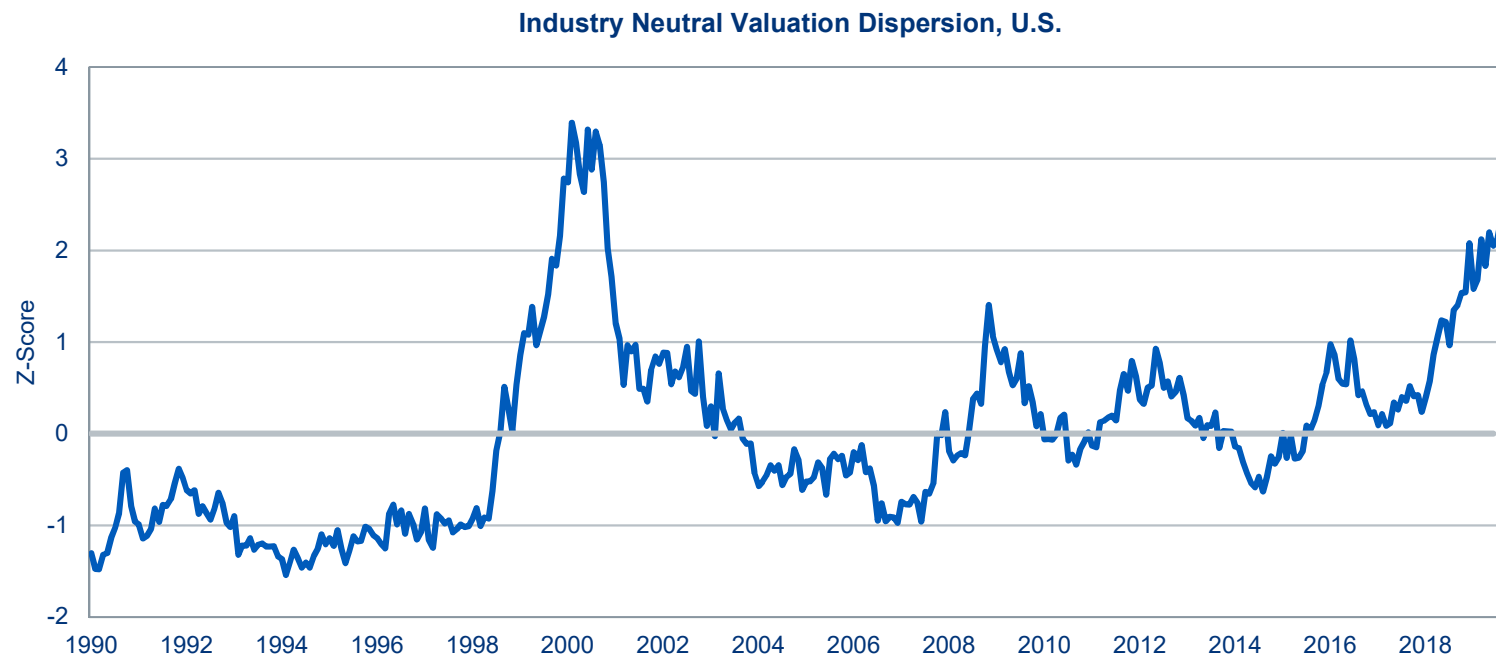
Against the backdrop of continued market volatility, the endowment portfolio's largest active tilts faced headwinds in 2019

Asset Class	FY2019 Performance
U.S. Equities	Major U.S. equity markets continued to rise this year contributing to broad-based gains. Growth and large cap stocks have handily outperformed their value and small cap counterparts, leading to significant overvaluation of growth stocks relative to value stocks. The portfolios tilt to value detracted from its performance.
Non-U.S. Equities	Developed and EM equities continued to lag the U.S. this year largely reflecting the weakness of their economies, Brexit and trade war concerns. Global Equity manager in portfolio has consistently beat the benchmark.
Alternatives*	The Hedge Fund portfolio outperformed its benchmark as rising dispersion and widening valuation create positive environment for security selection. Credit value and credit long/short strategies generated positive returns on an absolute basis as well as versus the benchmark.
Real Assets	Commodities have remained volatile. Returns outperformed the benchmark but were negative in absolute terms. TIPS returns exceeded the benchmark.
Fixed Income	The portfolio's tilt to short duration detracted from performance as bonds with maturities of 10 years or more showed strong gains. Active credit managers have contributed to positive fixed income returns.

*Includes Opportunistic strategies

Endowment Portfolio Outlook

Equity Market Dislocations – Echoes of the Tech Bubble



The recent underperformance of value stocks has opened up attractive opportunities for disciplined stock pickers.

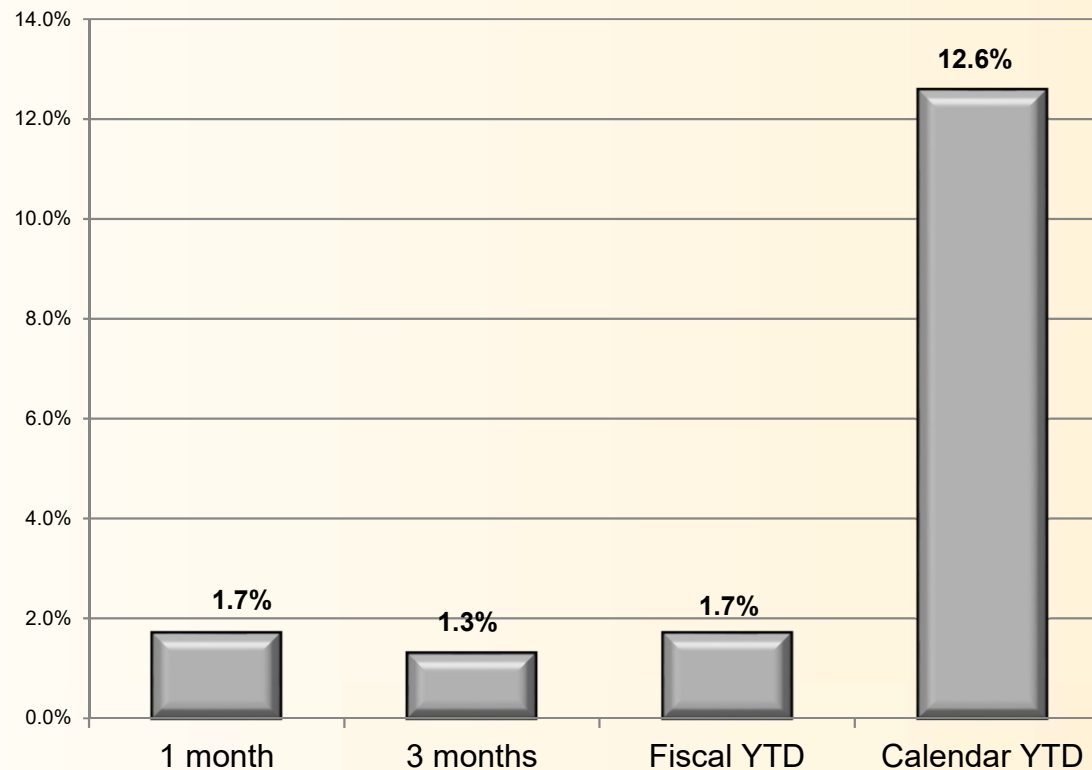


Sources: Strategic Compustat, Thomson Reuters. Data through September 30, 2019.

Strategic Investment Group

October 2019 results – strong start into the final quarter of the calendar year

Performance (As of October 31, 2019)



Performance net of investment sub-manager fees

For FY 2020, the endowment portfolio's investment strategy remains disciplined and driven by deviations of market prices from fair value

- Strategic's risk sensitive, price aware investment policy leads them to favor undervalued assets over those trading above fair value. The widening of these valuation dispersions, while painful as they occur, create an opportunity for significant value add.

Asset Class	Portfolio Strategy
U.S. Equities	Underweight: U.S. equities are richly priced. Value stocks to benefit from elevated valuation dispersion.
Non-U.S. Equities	Overweight: Non-U.S. equity valuations are more attractive than U.S. equities.
Alternatives	Overweight to Neutral: Hedge Funds should benefit from improved fundamental opportunity set. Private equity benefiting from a strong public market, ample exit opportunities, and ample opportunities for skilled managers to add alpha.
Real Assets	Underweight: Real estate has become expensive, consistent with low bond yields and continues to add diversification. TIPS yields are still very low, while commodities valuations are largely in line with long-term trends.
Fixed Income	Underweight: Government bond yields close to historic lows. U.S. spreads are at fair value but credit fundamentals have deteriorated; Active management remains attractive in some less efficient market segments.

**Thank you for your continued
support!**

