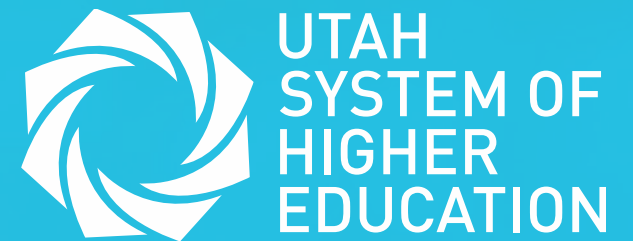


# Higher Education Student Success Endowment

February 1, 2024



# Background

- The exit from the Utah Higher Education Assistance Authority (UHEAA) student loan guaranty program and portfolio liquidation generated \$315.2 million.
- S.B. 172 from the 2022 legislative session created the Higher Education Student Success Endowment to receive UHEAA proceeds.
- Endowment is to be invested by the Treasurer with assistance from asset managers at the Treasurer's discretion.
- Endowment expenditures may be used to support System priorities and current and prospective students as determined by the Utah Board of Higher Education.

# Utah Code 53B-7-803

**(1) The Board shall:**

- a) act as trustee of the endowment and exercise the state's fiduciary responsibilities;
- b) meet at least twice a year to conduct business on behalf of the endowment;
- c) review and approve all endowment policies, projections, rules, criteria, procedures, forms, standards, and performance goals;
- d) review and approve the budget and expenditures for the endowment in accordance with Section 53B-7-802;
- e) review financial records for the endowment, including endowment receipts, expenditures, and investments;
- f) take any other action necessary to perform the board's fiduciary obligations.

**(2) The Board shall** annually submit a budget and expenditures to the Higher Education Appropriations Subcommittee no later than November 1.

# Disclaimer

This overview may include or be based in part on projections, valuations, estimates and other financial data supplied by third parties, which may not be verified by MEMCO. All information has been obtained from sources believed to be reliable and current, but accuracy cannot be guaranteed. The material and information provided herein should not be relied upon for the purpose of making any investment decision. Any information regarding projected or estimated investment returns are estimates only and should not be considered indicative of the actual results that may be realized or predictive of the performance of any underlying investment or investment strategy. Different types of investments involve varying degrees of risk, none of which are outlined herein. No investment is risk-free. Past investment results should not be viewed as indicative of future performance. There can be no assurance that the future performance of any specific investment, investment strategy, or product will be profitable, equal any corresponding indicated historical performance level(s), or prove successful.

The contents herein are not to be construed as legal, business or tax advice. The Recipient should consult its own business advisor and tax advisor as to any legal, business, and tax advice needed.

The Recipient of this material and information agrees that MEMCO, its affiliates, and their respective partners, members, employees, officers, directors, agents and representatives shall have no liability for any misstatement or omission of fact, or any opinion expressed herein.

# Asset Allocation & Performance

## As of December 31, 2023

Asset Class	December 31, 2023	Neutral Weight	Over/Underweight	Targeted Range
<b>Capital Appreciation</b>	<b>36.8%</b>	<b>75.0%</b>	<b>-38.2%</b>	<b>60-85%</b>
Public Equity and Alternatives	14.1%	25.0%	-10.9%	10-45%
Private Equity and Alternatives	1.6%	25.0%	-23.4%	0-35%
Public and Private Real Assets	0.0%	10.0%	-10.0%	0-20%
Other Directional Strategies	21.1%	15.0%	6.1%	0-25%
<b>Capital Preservation</b>	<b>63.2%</b>	<b>25.0%</b>	<b>38.2%</b>	<b>15-40%</b>
Relative Value Strategies	8.6%	18.0%	-9.4%	10-30%
Global Fixed Income	0.2%	5.0%	-4.8%	0-10%
Cash and Cash Alternatives	54.1%	1.5%	52.6%	0-5%
Portfolio Hedges	0.3%	0.5%	-0.2%	0-1.5%
<b>UBHE Endowment</b>	<b>100.0%</b>			

	FYTD 2024	CY 2023	Since Inception
Board Endowment			
Annualized Return	3.5%	6.0%	5.8%
Annualized Std.	3.2%	2.2%	2.1%
Sharpe Ratio	-	0.29	0.26

- **The Utah Office of State Treasurer has elected to dollar-cost average into their strategic asset allocation over a 12-month period, from July 1, 2023, to June 30, 2024.**
- **Approximately 50% of the UBHE Endowment has been invested/committed as of December 31, with the remaining funds expected to be deployed through June 2024.**

Sources: Bank of New York Mellon ("BNY"), Utah Office of State Treasurer, and Backstop Solutions.

Note: Balances reflect final capital statements and estimates received as of 1/26/2024. NY has not yet provided statements or unitization values for 12/31/23; accordingly, unitization values are as of 11/30/23. The Since Inception date is December 1, 2022. The Since MEMCO date is July 1, 2023. Performance reflects final capital statements and estimates received from managers as of 1/26/2024. There may be timing differences between when manager statements are received, unitizations are calculated, and performance is reported. Returns longer than one year are annualized. Sharpe Ratio calculated for periods of one year or longer.

# Endowment Change in Net Assets Summary

## December 2023

Higher Education Student Success Endowment Fund Summary of Change in Net Assets								
Year/Month	Beginning Net Assets	Purchases	Withdrawals	PTIF Interest	Realized Gain/(Loss) & Earned Income	Unrealized Gain/(Loss)	Allocated Expenses	Ending Net Assets
FY 2022	\$272,400,000			\$2,247,413				\$274,647,413
FY 2023	\$274,647,413	\$2,468,477	-\$21,107,725	\$8,808,065	-\$154,593	\$8,987		\$264,670,624
July-23	\$264,670,624	\$54,041,665	-\$36,141,864	\$1,133,578	-\$2,321,244	\$2,860,998		\$284,243,757
Aug-23	\$284,243,757	\$20,311,595	-\$20,453,647	\$1,007,416	\$2,586,967	-\$3,221,982		\$284,474,106
Sep-23	\$284,474,106	\$13,350,344	-\$13,560,297	\$917,806	\$4,790,277	-\$5,307,066	-\$7,645	\$284,657,526
Oct-23	\$284,657,526	\$15,715,050	-\$15,495,936	\$886,097	-\$7,802	-\$2,121,461		\$283,633,474
Nov-23	\$283,633,474	\$13,377,427	-\$13,595,133	\$798,598		\$296,933		\$284,511,298
Dec-23	\$284,511,298	\$25,898,214	-\$26,112,573	\$746,667	-\$61,031	\$6,352,122	\$38,879	\$291,373,576

# Spending Policy

A spending policy will be proposed at a future Board meeting with three primary components:

## 1) Distribution Amounts (Treasurer IPS Proposed):

- **Market Value Based (50% Weight):**  $4\% * \text{the fund balance calculated on a 12-quarter rolling average (or quarters of existence prior to a 12-quarter history)}$ .
- **Inflation Based (50% Weight):**  $(1+\text{CPI}) * \text{the previous year's distribution}$ , where CPI is the fiscal year year-over change in the U.S. Consumer Price Index and the previous year's distribution amount in year one equals \$5 million. The maximum allowable spending amount is recommended at 4% of the endowment balance calculated on a 12-quarter rolling average.

**2) Eligible Expenditures:** May support scholarships for current and prospective students or other priorities that advance system-level quality, affordability, access and equity, completion, workforce alignment, and economic growth.

**3) Allocation Amounts:** May contemplate systemwide or individual institution allocations.

# Higher Education Student Success Endowment Budget Proposal<sup>1</sup>

<b>FY 2024</b>		
<b>Net Assets</b>	<b>Beginning of Period</b>	<b>End of Period</b>
Strategic Asset Allocations	\$55,706,595	\$288,424,218
Public Treasurer's Investment Fund	\$226,863,831	\$0
<b>Total</b>	<b>\$282,570,426</b>	<b>\$288,424,218</b>
<b>Revenue</b>		
Investment Gain, Interest & Earned Income		\$6,008,902
<b>Expenditures</b>		
Allocated Expenses		-\$155,110
UBHE Board Spending Policy Programs		\$0
<b>Total</b>		<b>-\$155,110</b>
<b>Net Change in Position</b>		<b>\$5,853,792</b>
<b>FY 2025</b>		
<b>Net Assets</b>	<b>Beginning of Period</b>	<b>End of Period</b>
Strategic Asset Allocations	\$288,424,218	\$298,158,585
<b>Total</b>	<b>\$288,424,218</b>	<b>\$298,158,585</b>
<b>Revenue</b>		
Investment Gain, Interest & Earned Income		\$18,747,574
<b>Expenditures</b>		
Allocated Expenses		-\$313,542
UBHE Spending Policy Programs <sup>2</sup>		-\$8,699,665
<b>Total</b>		<b>-\$9,013,207</b>
<b>Net Change in Position</b>		<b>\$9,734,367</b>

<sup>1</sup>All assets, revenue, expenditure and change in position projections use basic assumptions involving a conservative transition to strategic asset allocation holdings and long-term inflation and investment returns.

<sup>2</sup>The UBHE has not yet adopted a policy on how endowment fund proceeds will be spent. FY 2025 spending opportunity will be assessed and adjusted based on an evaluation of actual FY 2024 returns.



**THANK YOU!**



**UTAH SYSTEM OF  
HIGHER EDUCATION**