

UConn
FOUNDATION

ENDOWMENT REPORT 2018

YOUR GENEROSITY DRIVING INNOVATION





**EVERY ONCE IN A WHILE A
NEW TECHNOLOGY, AN OLD
PROBLEM AND A BIG IDEA
TURN INTO AN INNOVATION.**

Dean Kamen

Entrepreneur and inventor of the Segway

Kamen speaking at the fifth annual *Forbes* billionaire philanthropy conference in June 2016.

Kamen also was keynote speaker at the 2015 Lawrence G. Raisz, M.D. Lectureship in Clinical and Translational Research hosted by the School of Engineering and the Connecticut Institute for Clinical and Translational Science at UConn.



Greetings, fellow alumni and friends. I am happy to have this opportunity to present the 2018 Endowment Report and thank you for your part in making this year a success.

Thank you for being a part of UConn Nation. On behalf of the Foundation, I extend our gratitude for your philanthropy and dedication to UConn. Through your long-term investment and shared vision for excellence, we will continue to elevate Connecticut's flagship public university and medical center, and to strengthen relationships throughout the UConn community.

We want to share with you some of the ways your loyalty has impacted UConn's capacity to drive innovation. With your gifts of permanent endowments to provide ongoing support, UConn faculty and students have the resources—the libraries, labs, fields, equipment, technology, and classrooms—to ask big questions and to find the answers. Innovation is the buzzword at UConn, where students and faculty are inventing new products to revolutionize industries, discovering new drugs and therapies to improve human health, developing new ways to encourage and drive entrepreneurship, and so much more.

You are helping to fund these opportunities. Let's take a look at just a handful of the ways they are changing the world.

With our eyes trained on the future, we will continue engaging more alumni in meaningful ways and increasing fundraising to support every facet of UConn's mission—academics, research, health care, and public service. UConn's future has never been brighter thanks to your generosity and engagement.

Sincerely,

Daniel Toscano '87 (BUS)
Chair, Board of Directors

PORTFOLIO OVERVIEW

Prepared by Gerald J. Ganz, Jr., MBA, CPA, CGMA
Senior Vice President of Finance & Administration
and Chief Financial Officer

The UConn Foundation’s long-term investment portfolio produced a positive return for the eighth time in nine years during fiscal 2018.

The portfolio delivered solid returns in the first half of the fiscal year, but, due to emerging headwinds, lost momentum in the second half as market volatility increased, driven by escalating conflict over trade. Additionally, the market held a bias toward growth stocks, which contrasted with the portfolio’s overweight to value-focused managers.

During fiscal 2018, the long-term portfolio delivered strong absolute performance, but lagged relative to its benchmark, returning 7.65 percent versus a market-value-weighted benchmark return of 9.43 percent. However, the portfolio outperformed the same benchmark over the trailing three-year (6.28 percent versus 5.80 percent) and five-year (6.70 percent versus 6.48 percent) periods.

Numerous asset classes contributed to the positive return during the fiscal year. Global Equities returned 10.59 percent, benefiting greatest from its exposure to U.S. and small cap stocks. The Hedge Fund Directional and Non-Directional portfolios were positive performers for the fiscal year, returning 10.35 percent and 5.78 percent, respectively. The Hedge Fund Directional portfolio continued to benefit from its exposure to activist managers who generated strong returns. In the Hedge Fund Non-Directional portfolio, performance was led by our tech-focused manager. Outperformance in both portfolios was also driven by robust merger and acquisition activity in the second quarter.

The Fixed Income portfolio outperformed its benchmark for the fiscal year, returning 2.03 percent. Strong returns in the first half of the year were driven by the portfolio’s international exposure during a period when the U.S. dollar was depreciating, increasing the value of foreign currency-denominated investments. This trend reversed toward the end of the fiscal year as the trade conflict drove up the value of the U.S. dollar.

The portfolio’s private investments also generated strong returns for the fiscal year, with the Private Capital portfolio returning 10.69 percent and the Private Real Assets portfolio returning 8.89 percent.

The worst performer of the fiscal year was the portfolio’s tail hedge, Portfolio Diversification Strategies, which returned -4.41 percent. The portfolio’s long volatility manager suffered during the first half of the year as the market continued its uninterrupted equity rally and volatility remained at near-historic lows. When volatility picked up in the second half of the year, the portfolio’s systematic trend-following managers had pre-positioned themselves with long equities in response to the rally and were unable to take advantage of the short-term swings in the market. It’s important to note that Portfolio Diversification Strategies remains a small portion of the overall portfolio (roughly 2.5 percent). As the markets continue to normalize, we expect this asset class to provide downside protection during adverse market environments.

The UConn Foundation’s long-term investment portfolio now totals \$408.6 million as of June 30, 2018, compared to \$365.8 million as of June 30, 2017. In the last five years, the portfolio has grown \$106.6 million and increased by 35.3 percent.

TOTAL UNIVERSITY ENDOWMENT	MARKET VALUE	NUMBER OF FUNDS
UConn Foundation	\$432,639,746	1,794
University Endowment Managed by UConn Foundation	15,098,682	133
Total	\$447,738,428	1,927

What’s included in the total endowment?

The total includes all endowed funds that benefit UConn. The UConn Foundation coordinates the investment and management of its portfolio, as well as the endowed funds of the University.

ENDOWMENT MOMENTUM

Momentum for the total University endowment continues to build thanks to the generosity and loyalty of UConn Nation. The market value rose \$25.8 million (6 percent) to \$447.7 million. The endowment provides foundational support in perpetuity for priorities such as scholarships and fellowships for students, faculty, academic programs across the entire University, and life-saving patient care programs at UConn Health.

Since March 2009, the total University endowment has increased by \$201.9 million (82.2 percent). Moreover, the portfolio has had positive returns eight out of the last nine years, with an annualized return of 7.12 percent during that period.

WHERE TOTAL UNIVERSITY ENDOWMENT DOLLARS GO



STUDENTS | \$194.3 million

Scholarships and fellowships transform lives. Awards put a UConn education within reach for promising students regardless of their financial resources.



FACULTY | \$120.1 million

Endowed chairs, professorships, and other funds support innovative work by scholars, researchers, and physician-scientists across UConn.



PROGRAMS | \$133.3 million

Endowed accounts support wide-ranging enhancements and opportunities, such as classroom upgrades, new technology, experiential learning, study abroad, and undergraduate research.

THREE-YEAR TOTAL UNIVERSITY ENDOWMENT GROWTH



18.7%
INCREASE
OVER THREE
YEARS

INCREASING ACCESSIBILITY AND DIVERSITY IN LAW SCHOOL AND PRACTICE

One of the most important ways alumni are staying involved with the School of Law and innovating the field of law is through student scholarships.

“We feel fortunate to have been able to support the School of Law financially over the years,” says William Trachsel ’71 JD, retired vice president, secretary, and general counsel for United Technologies Corp. “Recently we have shifted our focus and created a scholarship to help improve accessibility to the School.”

He and his wife, Nancy Trachsel, have steadfastly supported UConn for more than three decades. As avid supporters of the Law School Annual Fund, the Trachsels helped leadership address the most pressing needs across the School year after year. Recently, the couple was inspired to establish a permanent endowment for a scholarship that supports promising candidates from groups historically underrepresented in law school and the legal profession.

The first two recipients of the scholarship are second-year student Anthony Beale and third-year student Kadeejah Kelly.



From left: Nancy and William Trachsel ’71 JD, Kadeejah Kelly, Anthony Beale

Beale is treasurer of the Health Interest Law Group, and the first in his family to attend professional school. His father left the U.S. Marine Corps. to find a better-paying career to earn enough to raise Beale and his brother as a single parent. For the Beale family, the Trachsel Scholarship was a lifeline.

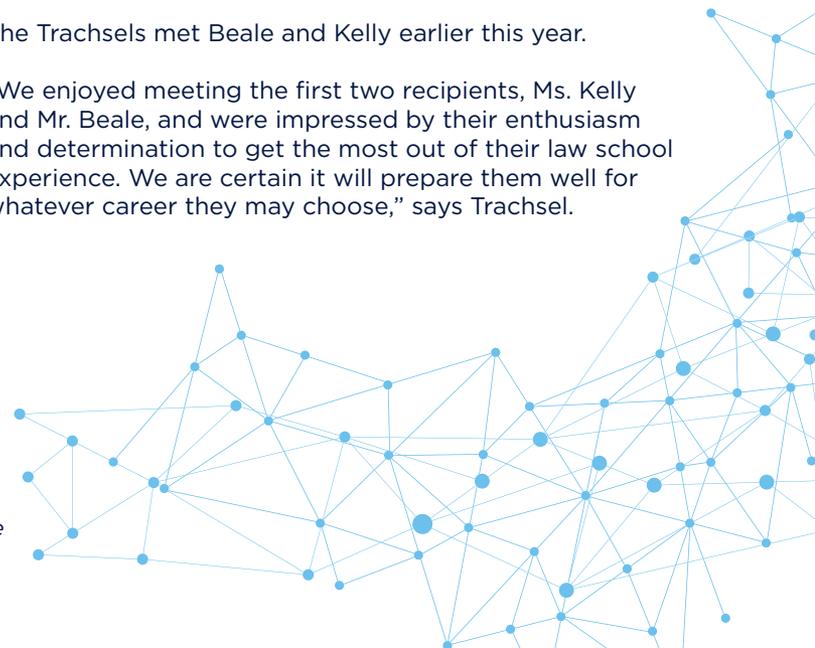
“Receiving this award has truly been a blessing for both myself and my family. My father has done so much to help me get to this point in my life. He supported my brother and me becoming the first in our extended family to attend college. Now we are facing the challenge of affording law school,” says Beale. “As expenses were mounting, I was awarded the Trachsel Scholarship the same week that my dad and I had talked about withdrawing. It changed everything, and I cannot thank the Trachsels enough.”

Kelly, whose parents sacrificed to give her a good education, was the first in her family to attend college. She is president of the UConn Black Law Students Association, alternative dispute resolution skills chair of the UConn National Dispute Resolution Society, and the Connecticut sub-regional director of the Northeast Black Law Students Association.

“I am grateful to the Trachsels for their wonderful generosity and for believing in me,” says Kelly. “I am a first-generation American. My parents immigrated from Jamaica to New York to make better lives for their families. After my mother lost her job at the World Trade Center on 9/11, somehow my parents still did whatever it took to send me to the best schools. To see their pride in me for attending the UConn School of Law and earning the Trachsel Scholarship means everything to me.”

The Trachsels met Beale and Kelly earlier this year.

“We enjoyed meeting the first two recipients, Ms. Kelly and Mr. Beale, and were impressed by their enthusiasm and determination to get the most out of their law school experience. We are certain it will prepare them well for whatever career they may choose,” says Trachsel.



STOKING INGENUITY AND ENTREPRENEURSHIP

When the co-owner of mXers Technologies LLC—currently disrupting the earbud industry—toured colleges, he found the right fit at UConn. Two years after he and a friend developed a new kind of modular, customizable earbud in his friend’s basement during their sophomore year of high school, Ben Grosse settled into Storrs in fall 2017 and found a new home to stoke his entrepreneurial ambitions at the Peter J. Werth Institute for Entrepreneurship and Innovation.



Photo credit Nathan Oldham

“UConn attracts students like Ben. They’re doers with endless creativity and curiosity,” says David Noble, director of the Werth Institute and assistant professor-in-residence in the Department of Management at the School of Business. “UConn has one of the most diverse and highly educated student bodies in public higher education. **The cross-pollination that becomes possible with a university-wide hub for innovation and entrepreneurship, coupled with our students’ talent, is a recipe for building a better world.**”

Grosse is enjoying the role as adviser to fellow students at the Werth Institute. He gives this advice to students: “Be bold. Innovators are bold by nature, so don’t be afraid of failure, criticism, or any other roadblock that you may run into.”

The Werth Institute provides the environment to follow Grosse’s advice. Students from every academic discipline can test theories, experiment in the maker space, and bounce ideas off faculty and students from across the University.

“Reinventing the future through entrepreneurship and innovation at a higher education institution like UConn is a dream come true for me,” says Noble. “The Werth Institute is about enabling opportunities not yet even imagined.”

The Werth Institute is supported by a \$22.5 million gift from Peter Werth, who didn’t attend UConn but considers himself a Husky at heart. Werth founded and built ChemWorth Inc. into a global leader in generic drug development and supply, lowering the cost of pharmaceuticals. His commitment, announced in December 2017, was the second largest in UConn’s history.



INCUBATING A DREAM BUSINESS

Matt Cremins '13 (ENG), '14 MS
Founder of Voda, LLC

"I came to school not knowing anything about entrepreneurship. The undergraduate courses and incubator program at UConn really opened my eyes. **The greatest advantage of the incubator program is the family of mentors who are excited to help you build your business.** You need grit and resourcefulness in entrepreneurship. The UConn family provides guidance, emotional support, and real-world experience you need when you get lonely and frustrated on the journey."

Cremins honed entrepreneurial skills and learned how to turn his innovative ideas into products through a variety of innovation and entrepreneurship programs, including Third Bridge, Innovation Quest, and TIP. He partnered with UConn's business incubator program while launching Voda, LLC, with the mission to deliver high-quality water less expensively and without the plastic waste of bottled water.

DRIVING R&D

Jeongho Kim
Associate Professor, Department of Civil
and Environmental Engineering
Director, Connecticut Manufacturing
Simulation Center

"What's special about UConn's address is that it's near the locus of an extensive network of original equipment manufacturers and companies that manufacture jet engines and submarines. **UConn has been able to build up the research and development resources, expertise, and educational programs to promote innovation and new technologies.** The physics-based manufacturing simulation that we're doing can lower the cost of new product design and enhance testing. The exciting thing is that, as we improve computational modeling and simulation technologies as a means to drive innovation, we will increase the capabilities and competitiveness of Connecticut industry."



INSPIRING INTERDISCIPLINARY INNOVATION



Janine Caira

Board of Trustees Distinguished Professor
Ecology and Evolutionary Biology Department
College of Liberal Arts and Sciences (CLAS)

“Every one of these endeavors is unconventional for a typical University community. But, not at UConn. **We have a culture of collaboration that comes from the heart**, and thus leads to truly unexpected and innovative results. Just take a look around campus!”

Caira is one of the world’s leading tapeworm researchers in sharks and stingrays; she has helped discover and name 170 species. Tapeworms—present in animals around the globe—hold the key to understanding the diversity and health of ecosystems. Moreover, they offer insight about human evolution. Funded by the National Science Foundation, her work on a global inventory of intestinal parasites in animals has attracted national attention and a feature article in the *Washington Post*.

When Caira isn’t collecting parasite samples in far-flung areas around the world, she is home in Storrs collaborating with colleagues across UConn. The AntU project, run jointly by the Ecology and Evolutionary Biology Department and the Connecticut State Museum of Natural History, draws on the expertise of faculty and students in various disciplines focused on another fascinating group of creatures: army ants and the small organisms that live with them. The project is funded by the provost’s initiative to promote collaboration and innovation as well as the National Science Foundation.

Caira’s favorite recent AntU collaborations

- Working with the English Department in CLAS to showcase poetry and creative writing inspired by army ants to develop an exhibit in the heart of the Storrs campus in the Wilbur Cross Building. The display includes a 50-foot magnetic board and word magnets so that visitors can contribute their own verse.
- Partnering with the Digital Media and Design Department in the School of Fine Arts to develop interactive elements for a traveling exhibit focused on the Carl and Marian Rettenmeyer Army Ant Guest Collection—recognized as one of the world’s premier collections of its kind. The exhibit will open in fall 2018 at the Homer Babbidge Library in Storrs and then travel to regional campuses.
- Connecting with the president’s office and the School of Fine Arts to organize the single largest exhibition of the art installation entitled “Casa Tomada” by Colombian artist Rafael Gómezbarros at the Storrs campus in 2020. The exhibition, which includes giant sculptures of ants that take over large, public spaces, challenges perceptions of displaced persons and immigrants and how they are overlooked—invisible in plain sight—by society.
- Collaborating with the Ballard Institute and Museum of Puppetry at UConn to create an army ant guest puppet pageant for the Storrs community’s Celebrate Mansfield Festival Parade held in September 2017.



YOUR LOYALTY INSPIRES INNOVATION.
THANK YOU!





▲ A nighttime shot of the new Innovation Partnership Building on the Storrs campus.

UConn FOUNDATION

STRENGTHENING UCONN
ONE RELATIONSHIP AT A TIME

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