

**2022  
ENDOWMENT  
FINANCIAL  
REPORT**

**WISCONSIN  
FOUNDATION AND  
ALUMNI ASSOCIATION**





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ENDOWMENT  
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# CEO'S MESSAGE

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Greetings,

Thank you for your generous support of endowed funds at the University of Wisconsin–Madison. Your enduring support helps to ensure the university's long-term excellence, and we are honored to share the impact of your endowment during 2022.

The dedicated commitment of UW donors makes a difference on campus every day. In 2022, WFAA transferred nearly \$300 million to donor-designated UW–Madison units and affiliates to support research, medical advancement, scholarships, educational programs, facilities, and other vital activities. Your philanthropic gifts enable the university to enhance the quality of its faculty and their important research, elevate patient care, attract high-achieving students, strengthen educational outcomes and programs, and improve campus spaces.

In 2022, the endowment returned -15.1 percent, underperforming our policy benchmark by 200 basis points (bps) but outperforming a 70/30 global stock/bond blend by 250 bps. We remain confident in our long-term positioning, while acknowledging there is elevated market uncertainty due to concerns about near-to-medium-term economic growth and geopolitical tensions. In the included letter from our chief investment officer, Michael Stohler, you will see some technical detail behind our performance, both in absolute terms and relative to benchmarks and indices.

Under Michael's leadership, we have continued to build out the investment team, the infrastructure that supports it, and the high-quality partnerships with asset managers that are required to generate better investment outcomes and maximize the long-term financial support that your endowed gifts provide to UW–Madison. Our investments team brings a wealth of knowledge accumulated at top-performing endowments and institutional investors, and they are using their knowledge, skills, and established relationships to evolve our portfolio. Thanks to their efforts, our infrastructure for analyzing and reporting on performance and positioning is now state of the art. I am confident these efforts will pay big dividends to our donors and the university going forward.

Thank you for choosing to invest in the UW. We are honored that you have entrusted us with your hard-earned resources given to support the university.

On, Wisconsin!



Mike Knetter  
Chief Executive Officer

# ENDOWMENTS AT THE WISCONSIN FOUNDATION AND ALUMNI ASSOCIATION

A BASE FOR  
EVERLASTING  
SUPPORT



1

An endowed fund is established with a gift from a generous donor.



2

Through prudent management by the investments staff and board, the endowment grows and produces income annually and in perpetuity.



# 3

**The principal is held in perpetuity, with the income supporting needs as designated by the donor.**

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An endowment — a cornerstone of giving to support the University of Wisconsin–Madison and its affiliated partners — is an investment in future generations. Endowed funds provide annual income in perpetuity. Once established, endowed funds provide an immediate and future impact. The goal is to have a consistent, everlasting, and high-quality influence on the university’s and its partners’ missions through support for scholarships, fellowships, research, medical advancement, patient care, professorships, athletics, infrastructure, or other programmatic funds. Endowed funds are managed as long-term investments. Individual endowed funds are combined and invested within the endowment pool, and each endowed fund owns units in the pool.

## **INVESTMENT GOALS**

For endowed funds to remain impactful, purchasing power needs to be preserved over the long term. The investment return, therefore, seeks to outpace the spending rate and inflation. The portfolio is appropriately diversified across asset classes while concentrating capital alongside the endowment’s strongest investment managers. The endowment is invested in a mix of growth and value-oriented investments across the globe, focusing on areas where the WFAA investment team sees the greatest opportunity for outperformance.

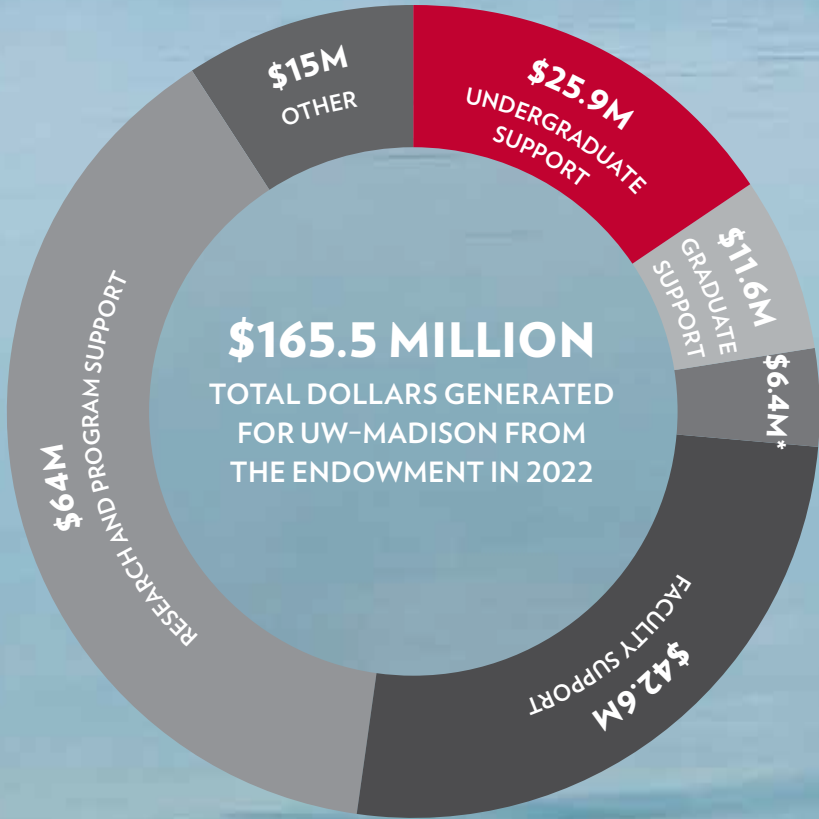
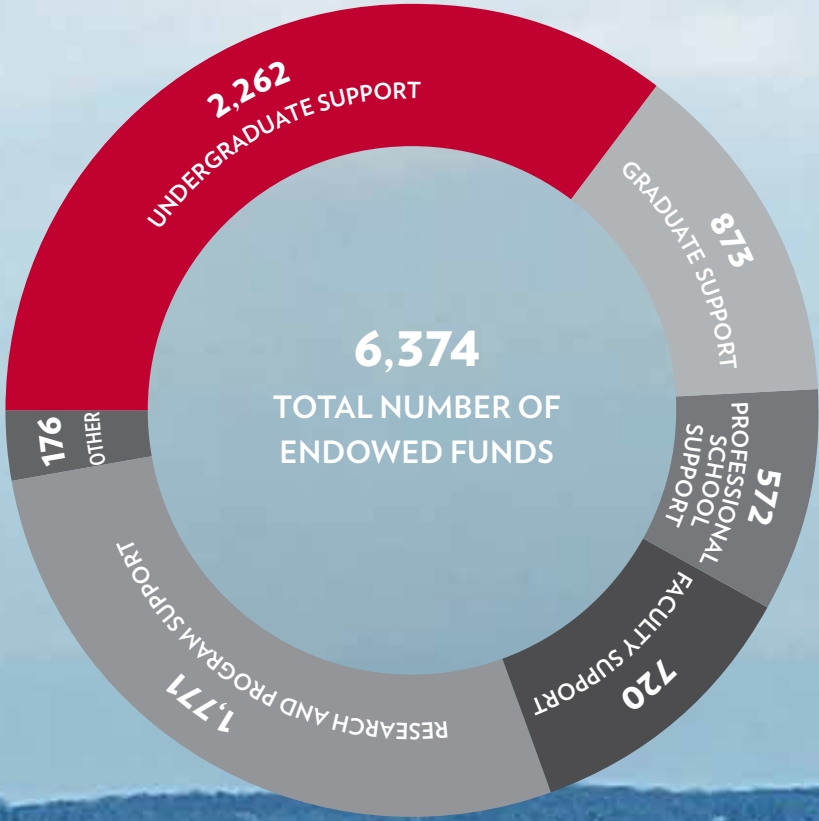
## **SPENDING POLICY**

Endowed funds provide a relatively stable and consistent stream of income to support the university and its partners in perpetuity. Because the endowment pool performance fluctuates in the short term, WFAA uses a spending policy to help stabilize the income stream over time. The WFAA spending policy currently distributes 4.5 percent of the endowment’s average market value over the previous 16 quarters. The spending policy is reviewed annually by the Foundation’s board of directors. The WFAA investments team, along with members of the board’s investment committee, continually monitor the endowment pool’s investment performance. The current return objective, reviewed annually by the board, is to achieve an annualized return of 6.5 percent over a complete market cycle (typically a five- to 10-year period).

## **COMMITMENT**

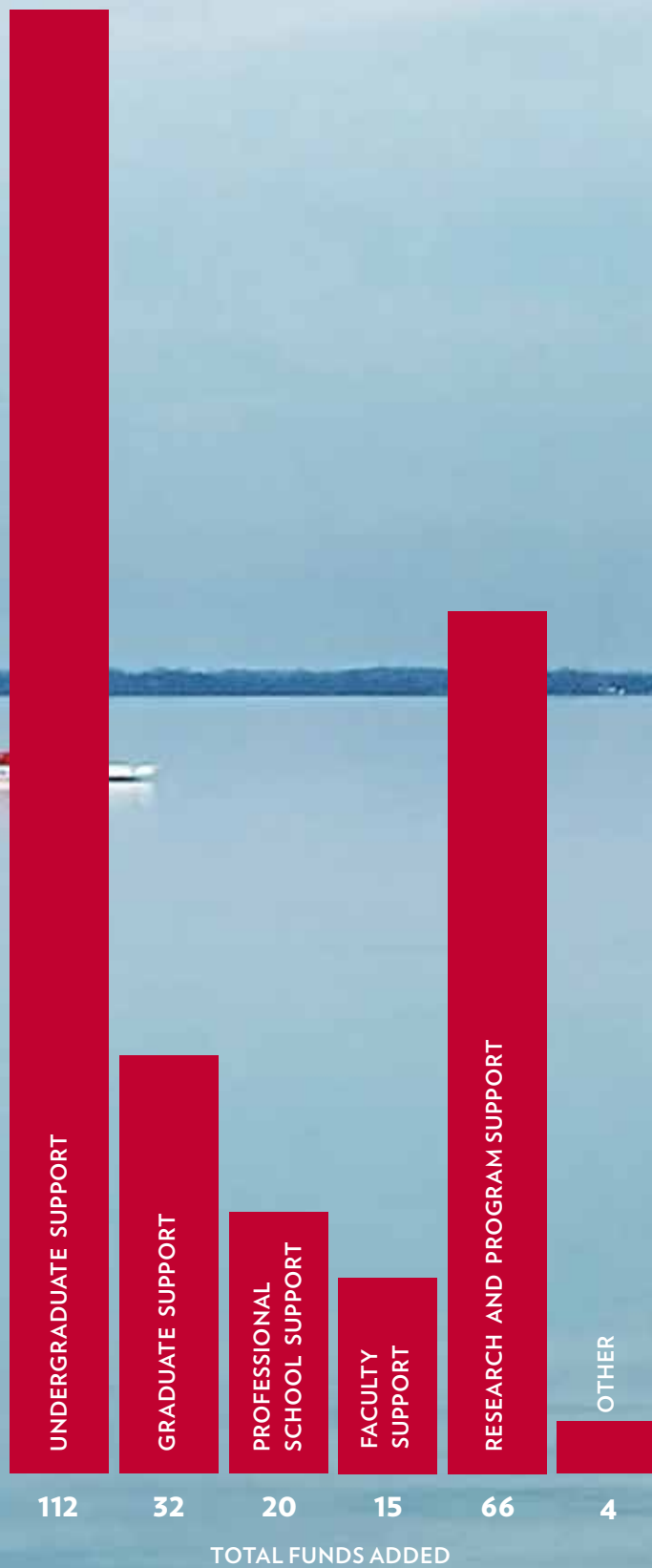
WFAA staff and the investment committee are focused on responsibly stewarding and investing philanthropic gifts. In addition to the ongoing responsibility of monitoring the asset-allocation targets and annually reviewing the long-term expected return, WFAA is committed to running a high-performing investment operation. The focus continues to be on investing gifts so their impact is meaningful and transformative for many years to come.

# 2022 ENDOWMENT SNAPSHOT



\*PROFESSIONAL SCHOOL SUPPORT





**249** TOTAL NUMBER OF ENDOWED FUNDS ADDED IN 2022

**ENDOWMENTS AT WORK**  
**GROWING THE UW**

A trio of major building efforts is on the horizon at UW–Madison. The future expansion of the College of Engineering; the School of Computer, Data & Information Sciences; and the College of Letters & Science will elevate UW student and faculty experiences in a myriad of ways. With overarching goals of providing state-of-the-art facilities, increasing capacity to educate more students, and modernizing spaces to remain competitive, endowed support is changing lives.

Learn more at [go.wisc.edu/egr2022efr](https://go.wisc.edu/egr2022efr)





**ENDOWMENTS AT WORK**  
**GENEROUS ENDOWMENTS =**  
**SUCCESSFUL FACULTY**

In 2020, renowned historian Monica Kim joined the UW Department of History as the William Appleman Williams & David G. and Marion S. Meissner Chair in U.S. International and Diplomatic History. She is also the recipient of the David Kuenzi and Mary Wyman Professorship, and most recently, Kim earned a prestigious MacArthur Fellowship “genius grant.” These endowed funds are crucial in helping the university attract and retain the best and brightest faculty.

Learn more at [go.wisc.edu/let2022efr](https://go.wisc.edu/let2022efr)





\$1.3M

\$1.0M

\$0.8M

\$0.5M

\$0.3M

\$0.0M

2012

2013

2014

2015

2016

2017



## SUPPORT FROM ENDOWED GIFTS

### ILLUSTRATIVE EXAMPLE OF A \$1 MILLION GIFT

Over the last 10 years, a \$1 million endowed gift provided \$497,000 of support for the university. The corpus of the gift grew to \$1.2 million net of all expenses and payouts.

Market value: top graph line    Cumulative payout: bottom graph line

17

2018

2019

2020

2021

2022

# INVESTMENT PERFORMANCE AND ASSET ALLOCATION

## INVESTMENT PERFORMANCE\*

ANNUALIZED FOR PERIODS ENDING DECEMBER 31, 2022

<b>1 YEAR</b>	<b>-15.1%</b>
<b>3 YEARS</b>	<b>4.3%</b>
<b>5 YEARS</b>	<b>5.0%</b>
<b>10 YEARS</b>	<b>6.7%</b>

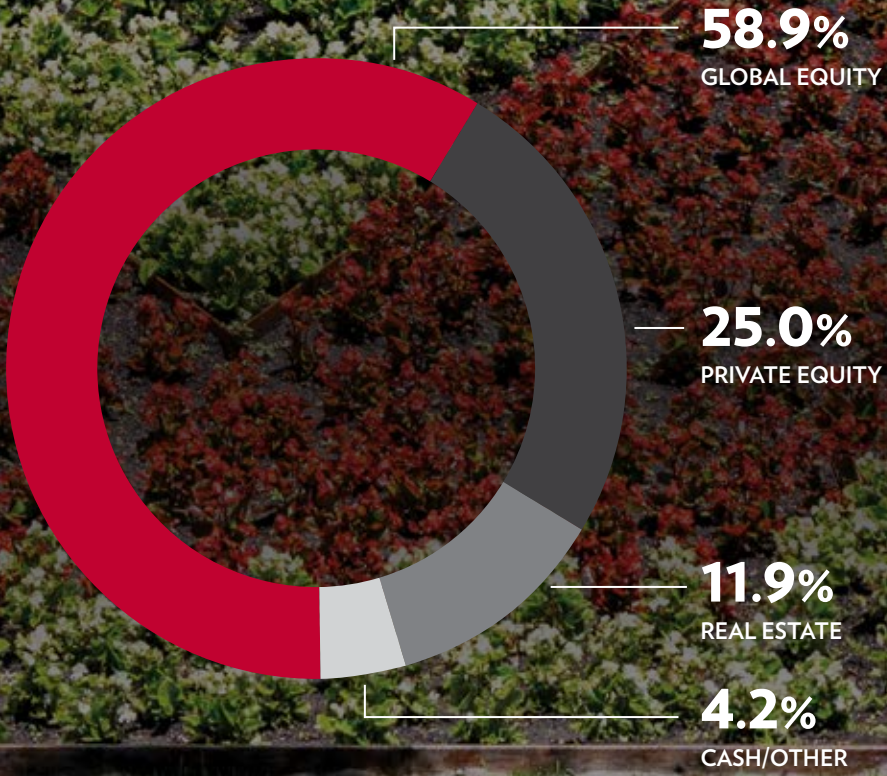
\*Net of external manager fees

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The Wisconsin Foundation and Alumni Association endowment portfolio's current asset allocation is shown in the graph below. The asset allocation strategy has been established by WFAA's board of directors and is reviewed at least quarterly to ensure that the portfolio's investment and diversification objectives are met.

## ASSET ALLOCATION

AS OF DECEMBER 31, 2022



**ENDOWMENTS AT WORK**  
**SETTING STUDENTS UP FOR SUCCESS**

Wisconsinite Barnabas “Barni” Shiferaw ’22, MDx’26 is the 2022–23 recipient of the Dean’s Academic Scholarship within the UW School of Medicine and Public Health — a fund created to support underrepresented medical students who are members of populations that are experiencing health disparities in the state. Barni currently feels driven to pursue anesthesiology, and well-deserved support from generous donors will help him successfully fulfill his lifelong dreams and accomplish his greatest goals.

Learn more at [go.wisc.edu/med2022efr](https://go.wisc.edu/med2022efr)





# INVESTMENTS PERSPECTIVE

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Greetings,

This past year was an extraordinary period for investors of all types, as several major trends that had been driving markets for a decade or more reversed course quite sharply. Nontransitory inflation and implications for interest rates collided with geopolitical instability in 2022, resulting in equity markets giving back all of their 2021 gains. Global central banks aggressively raised interest rates to stem inflation, resulting in the worst-ever year in modern history for bonds. Not surprisingly, real assets outperformed, with the MSCI World Natural Resources Index returning +34.8 percent.

The Wisconsin Foundation and Alumni Association (WFAA) endowment portfolio returned -15.1 percent, underperforming our policy benchmark by 200 basis points (bps) but outperforming a 70/30 global stock/bond blend by 250 bps. The endowment portfolio and policy benchmark both outperformed the stock/bond blend primarily because of the lower volatility of private markets and larger exposures to real assets. Our public equity benchmark, the MSCI All Country World Index, returned +19.0 percent in 2021 and -18.0 percent in 2022. While WFAA's endowment is public-equity oriented, it managed to capture more of the equity upside in 2021, returning +18.6 percent in 2021, than it gave back in 2022. That being said, we are disappointed with our negative absolute result.

Over a longer term, endowment performance has grown the nominal support of endowed funds net of all spending. Over the last 10 years, the endowment compounded at 6.7 percent per annum. Although this performance was sufficient to support the mission in a low-inflation environment, we will need to improve outcomes over the next 10 years to grow our endowed funds in real terms given higher inflation expectations.

Since I joined WFAA in the fall of 2021, the investment team has been focused on navigating market volatility as it reallocated a significant amount of capital into high-conviction investments, themes, and partnerships. The process of sourcing and underwriting these ideas requires a well-positioned network, spanning critical industry verticals from health care to clean tech to software development. All along this journey, I have been humbled by the overwhelming support from enthusiastic alumni and friends. The strong UW brand and powerful alumni footprint regularly provide us with greater access and insights across the investment landscape. As a result, we believe we are building a portfolio that will be well positioned to provide support for future generations of students, faculty, and UW community members.

Thank you for your generosity and continued support, and on, Wisconsin!



Michael Stohler  
Chief Investments Officer

**ENDOWMENTS AT WORK**  
**MORE INCLUSIVITY FOR FUTURE VETERINARIANS**

The UW School of Veterinary Medicine is creating a more inclusive environment for its students' success. With a goal of eliminating financial and social barriers that have historically deterred students from marginalized communities from pursuing a veterinary medical degree, generous donor contributions to the endowed Veterinary Medicine Diversity, Equity, and Inclusion Scholarship Fund are providing invaluable and impactful support. "Diversity is important to better serve our clients and animal patients," says donor Kristen Bernard MS'92, PhD'95.

Learn more at [go.wisc.edu/vet2022efr](https://go.wisc.edu/vet2022efr)



**ENDOWMENTS AT WORK**  
**SOWING A BETTER FUTURE**

Established in June 2022, the Clif Bar Endowed Chair in Organic Agriculture and Outreach was created for the UW College of Agricultural and Life Sciences to support the development of organic agriculture through dedicated research and outreach programs. Erin Silva, associate professor and extension specialist with the Department of Plant Pathology, is the first recipient of this generously endowed chair, recognizing her visionary work in this vital field.

Learn more at [go.wisc.edu/als2022efr](https://go.wisc.edu/als2022efr)





**ENDOWMENTS AT WORK**  
**EXCELLENCE IN EDUCATION**

Alexa Posny MS'76, PhD'88 has spent her career as a public servant and leader in special education and educational policy. In recognition of practical field experience and overall career success, she endowed the Alexa Posny Award Fund to increase opportunity and affordability for graduate students in the UW School of Education. This award is benefiting graduate students who are focusing on the study of special education or educational policy and pursuing internships in the Washington, DC, area.

Learn more at [go.wisc.edu/edu2022efr](http://go.wisc.edu/edu2022efr)





## **GLOSSARY**

### CLARITY AND UNDERSTANDING

**ENDOWMENT MARKET VALUE** is the value of an endowed fund at a particular point in time. The endowment market value includes the market gain or loss during the year and reported net of spend plan allocation, the institutional advancement fee, and spending from principal, if permissible.

**ENDOWMENT PAYOUT** is a board-determined policy specifying that a certain percentage generated by endowed funds be allocated to the program or purpose specified by the donor. The payout currently distributes 4.5 percent of the endowment's average market value over the previous 16 quarters. Using a 16-quarter rolling average provides a stable income stream, helping the university and its partners with annual budgeting. For example, a fund with a \$100,000 market value annually generates approximately \$4,500 for the university to spend. This was previously referred to as Spend Plan Allocation.



**ENDOWMENT PAYOUT INCEPTION TO DATE** is the income that has been generated since the fund was established. This income has been made available to be spent in accordance with the fund's purpose, specified by the donor. Endowed funds are designed to have an impact in perpetuity.

**GIFT ADDITIONS** refers to the total value of all cash gifts (including by check or credit card) added to the endowed fund during the year.

**INSTITUTIONAL ADVANCEMENT FEE** is the primary source of revenue funding WFAA's general operations in support of the university's and its partners' missions. Annually assessed at 1 percent, this fee is below the median of other independent foundations that support public universities and their partners. The fee has been at 1 percent for several decades.

**INVESTMENT RETURN** represents the market performance — i.e., gain or loss — of the fund. All endowed funds are invested in the endowment portfolio and thus are subject to market fluctuation. Investment returns are reported net of investment-related costs.

**OTHER ADDITIONS** is a category that includes stock gifts, donor-challenge matching funds, gifts of real estate or other property, and transfers added to the endowed fund.

**OTHER DEDUCTIONS** refers primarily to fund transfers and spending from principal.

**REINVESTED INCOME** is generated spendable income that is reinvested back into the endowed fund, if permissible.

# CONTACTS

## WHAT IF I HAVE FURTHER QUESTIONS?

**FOR GENERAL QUESTIONS** about your fund,  
contact Stefanie Merucci at 608-590-5049  
or [stefanie.merucci@supportuw.org](mailto:stefanie.merucci@supportuw.org).

**FOR QUESTIONS ABOUT INVESTMENTS,**  
contact Sean Arp at 608-308-5222  
or [sean.arp@supportuw.org](mailto:sean.arp@supportuw.org).

*Photos: Pages 1-2, 4 right, 8 top and middle, 10-11, 12-13, 14 top Bryce Richter, University Communications; pages 4 left, 8 bottom Althea Dotzour, University Communications; page 5, University Communications; pages 6-7 Hyunsoo Léo Kim, University Communications; page 9 courtesy of the John D. and Catherine T. MacArthur Foundation; pages 14 bottom, 17-19 Andy Manis; page 16 bottom Anders Gurda, UW Organic Collaborative; page 16 top courtesy of UW-Madison, School of Veterinary Medicine*





Wisconsin Foundation  
& Alumni Association  
UNIVERSITY OF WISCONSIN-MADISON