



**UNIVERSITY OF WISCONSIN SYSTEM  
TRUST FUNDS**

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**ANNUAL REPORT 2014**

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## To the UW System Board of Regents, Donors and Friends, UW Campuses and Departments

The University of Wisconsin System Trust Funds is composed mostly of gifts, grants, and bequests from individuals and corporations. Although active fundraising is primarily the purview of individual campus foundations, the University also benefits from the generosity of alumni and friends who have gifted directly to one of the UW institutions rather than through an affiliated foundation.

For the fiscal year ended June 30, 2014, UW System Trust Funds received \$10.0 million in gifts, up from the \$9.2 million received in the prior year. Disbursements from Trust Funds to benefiting UW institutions totaled \$18.9 million, compared to \$17.0 million in the fiscal year ended June 30, 2013. Consistent with donor designations, disbursements have predominately gone toward research, student aid, extension and public service, and instruction.

Investment returns added \$61.8 million to total net asset value for the fiscal year, compared to \$40.9 million for the prior period, while disbursements and expenses exceeded total receipts for the fiscal year by approximately \$10.0 million. The result was an increase in net assets of \$51.8 million. As of June 30, 2014, Trust Funds' net assets totaled \$536.1 million, compared to \$484.3 million at the end of the prior fiscal year.

Regarding investment results for the fiscal year, global developed market public equities posted their second straight year of impressive double-digit performance. For fiscal year 2014, global developed market equities returned +24.7%. And while emerging market public equities continued to underperform versus developed markets, they rebounded from the prior year's disappointing results and posted a +16.0% return for 2014. Private equity and venture capital also provided very strong returns, posting gains of +18.9% and +30.5%, respectively. In higher risk fixed income markets, both U.S. high yield and emerging market debt performed strongly, returning +11.4% and +10.7% for the year, respectively. In the higher quality fixed income markets, broad-market bonds and U.S. TIPS each gained +4.4% for the year, while U.S. Treasuries were up just +1.5%. "Cash" continued to provide an essentially 0% nominal return, equating to a negative real return and loss of purchasing power, as inflation in the U.S. clocked along at an annual rate of +2.1%. Regarding more non-traditional or "alternative" investments, results were positive across all asset classes: hedge funds overall returned +5.8%; commodities returned +8.2%; and real assets such as private commercial real estate and timber, returned +11.2% and +9.9% for the year, respectively.

For the 2014 fiscal year, the widely-diversified Long Term Fund (used primarily for endowments) gained +16.7%. The *Intermediate Term Fund*, which is invested largely in high quality intermediate-maturity bonds but with some equity and high yield fixed income exposure, returned +7.8% for the fiscal year. The short-term, money market-like *Income Fund* returned +0.1%.

The Annual Report that follows includes detailed information on the various investment funds; contributions, disbursements, and expenses; as well as statements of financial position and cash activities.

To the donors, families and friends of all our contributors, we extend our deep gratitude.



Douglas J. Hoerr, CFA  
*Director & Assistant Trust Officer*  
*University of Wisconsin System*

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## OVERVIEW

The invested Trust Funds of the University of Wisconsin System (UW Trust Funds) consist predominately of bequests from individuals via wills or other trusts, as well as outright gifts from living donors, corporations (including matching gift programs), and external foundations and trusts. Such bequests and gifts come to the Board of Regents of the University of Wisconsin System (the Board) whenever the donor and documentation name the beneficiary as either the Board of Regents or any UW System institution directly. Bequests and gifts go to a UW-affiliated foundation only when the donor and documentation specifically name the foundation as beneficiary. (UW-affiliated foundations are independent entities with separate governing boards.) These gifts or donations originate as either, 1) “true endowments,” where the donor has in essence restricted the use of “principal” and may or may not have imposed additional restrictions as to purpose (in accounting parlance, “restricted – nonexpendable” gifts), or 2) “expendable funds,” where the donor has placed no restriction on use of principal and may or may not have imposed restrictions as to purpose (in accounting parlance, either “restricted – expendable” or fully “unrestricted” gifts).

Recognizing that assets invested with UW Trust Funds may have distinctly different investment time horizons, three separate investment pools (or funds) have been created. To accommodate endowed assets (where the “principal” is to be preserved into perpetuity) and other long-term investments, the *Long Term Fund* has been created. To accommodate fully expendable assets that may have a shorter or immediate investment time horizon, the *Intermediate Term Fund* and *Income Fund* have been created (collectively, the Funds). Each of these Funds are accounted for on a unitized basis, similar to how a mutual fund operates, where investors buy and sell Fund units representing proportional shares of the Funds’ underlying investments. The investment objectives for each of the Funds are inherently different and are discussed separately below.

### **Long Term Fund**

Used primarily for investing endowed assets, the principal investment objective of the *Long Term Fund* is to achieve, net of administrative and investment expenses, significant and attainable “real returns;” that is, nominal returns net of expenses, over and above the rate of inflation. By distributing a significant real return stream, disbursements for current expenditure will grow with the rate of inflation so as to maintain their purchasing power and support level into perpetuity. Assets invested in the *Long Term Fund* receive an annual “spending rate” distribution of a set percentage (currently four percent) of the Fund’s average market value over the prior twelve quarters (three years). The spending rate percentage is reviewed annually by Trust Funds and the Business and Finance Committee of the Board of Regents.

### **Intermediate Term Fund**

The primary objective of the *Intermediate Term Fund* is to provide competitive investment returns consistent with very moderate levels of volatility (ideally, similar to that expected from an intermediate, investment-grade bond portfolio) and low probability of loss of “principal.” Furthermore, the Fund seeks to maximize its expected return for any given targeted level of volatility.

### **Income Fund**

The *Income Fund* receives spending and interest income distributions from the other Funds. All Trust Funds spending is conducted through the *Income Fund*. The primary objective of the *Income Fund* is to provide competitive investment returns consistent with the need for preservation of “principal” and immediate liquidity. Expected risk and return for the Fund is also expected to be similar to high-quality “money market” funds. By statute, this Fund must reside with the State as part of its agency-commingled State Investment Fund, which is managed by the State of Wisconsin Investment Board.

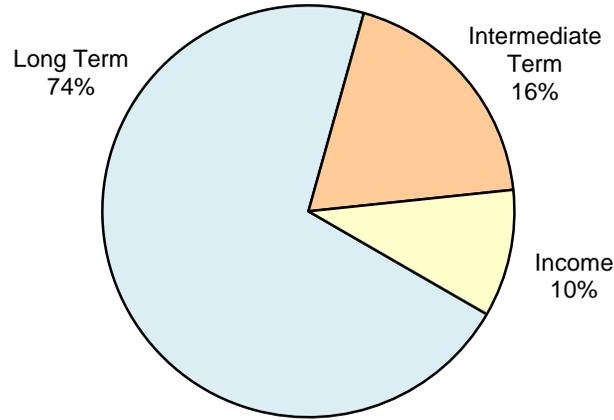
**INVESTMENT FUND DATA: TOTAL ASSETS**  
**As of Fiscal Years Ended June 30**

The tables and graphs below provide summary data on the invested assets of the UW System Office of Trust Funds.

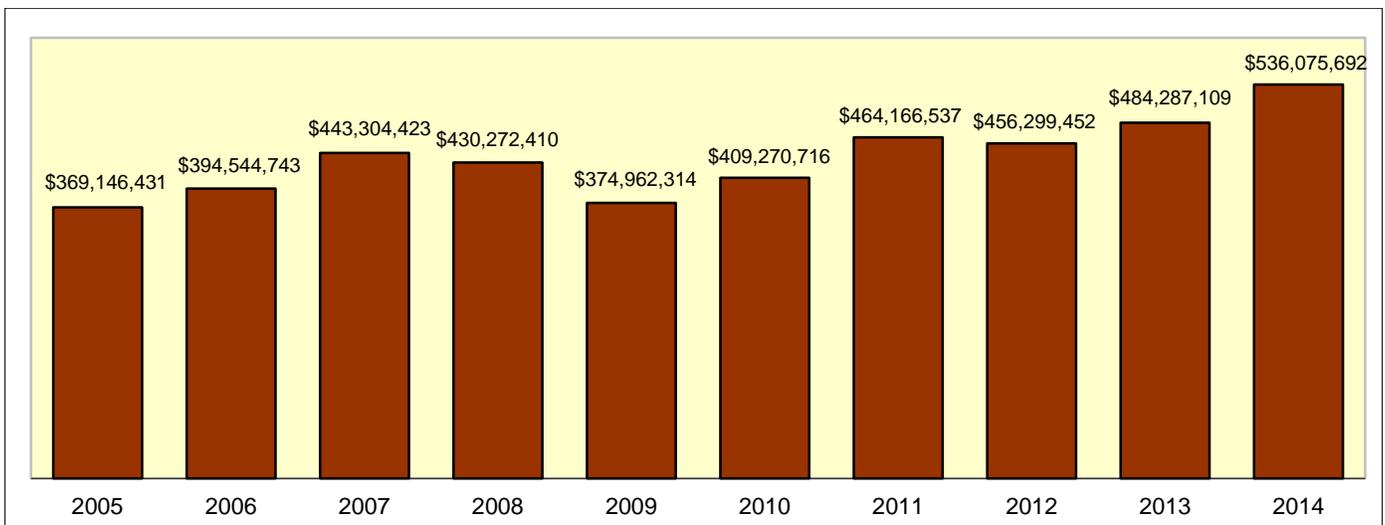
**MARKET VALUES AND PERCENTS BY FUND**

Investment Fund	Market Values (\$millions)	
	2014	2013
Long Term Fund	\$ 397.9	\$ 352.0
Intermediate Term Fund	87.1	86.2
Income Fund	51.1	46.1
<b>TOTAL</b>	<b>\$ 536.1</b>	<b>\$ 484.3</b>

**As of June 30, 2014**



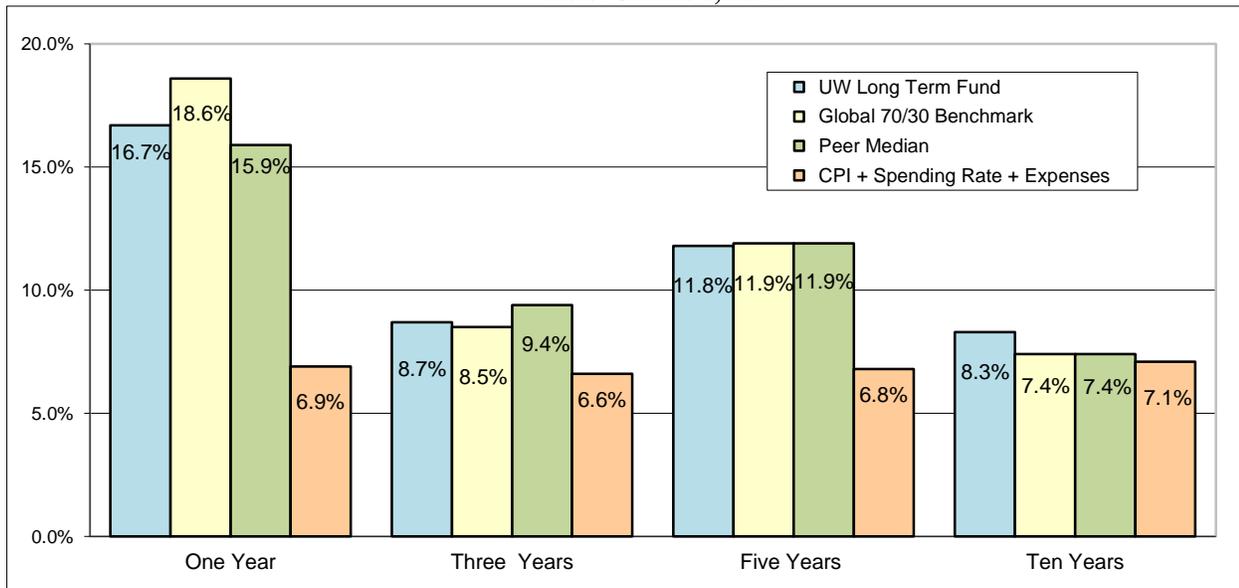
**TOTAL NET ASSETS**



**INVESTMENT FUND DATA: LONG TERM FUND**  
**As of Fiscal Years Ended June 30**

The following chart depicts the investment performance of the *Long Term Fund* for the most recent fiscal year as well as over longer periods. For comparative purposes, the performance of the following benchmarks are also shown: a more “traditional” and passive portfolio consisting of 70 percent global equities and 30 percent bonds; and a “target” or “hurdle” rate consisting of the inflation rate, plus the spending distribution rate, plus expenses.

**INVESTMENT PERFORMANCE**  
**As of June 30, 2014**



Note: The “Global 70/30 benchmark” represents a more “traditional” asset allocation of 70% stocks/30% bonds, comprised of 70% MSCI ACWI and 30% Barclay’s Global Aggregate Bond indexes. The annual spending rate is currently 4.0%, expenses are assumed to average 0.80% per year, and the change in the Consumer Price Index (CPI) is used as the inflation indicator. Peer data is from the Russell BNY Mellon Analytical Services trust universe database based on the “Foundations and Endowments < \$1 Billion” classification.

The annual “spending rate” distribution for the *Long Term Fund* has remained at four percent since June 30, 2005. The ten-year history of the spending rate and dollar distributions is given in the table below.

**TEN-YEAR HISTORY OF  
SPENDING RATES AND DISTRIBUTIONS**

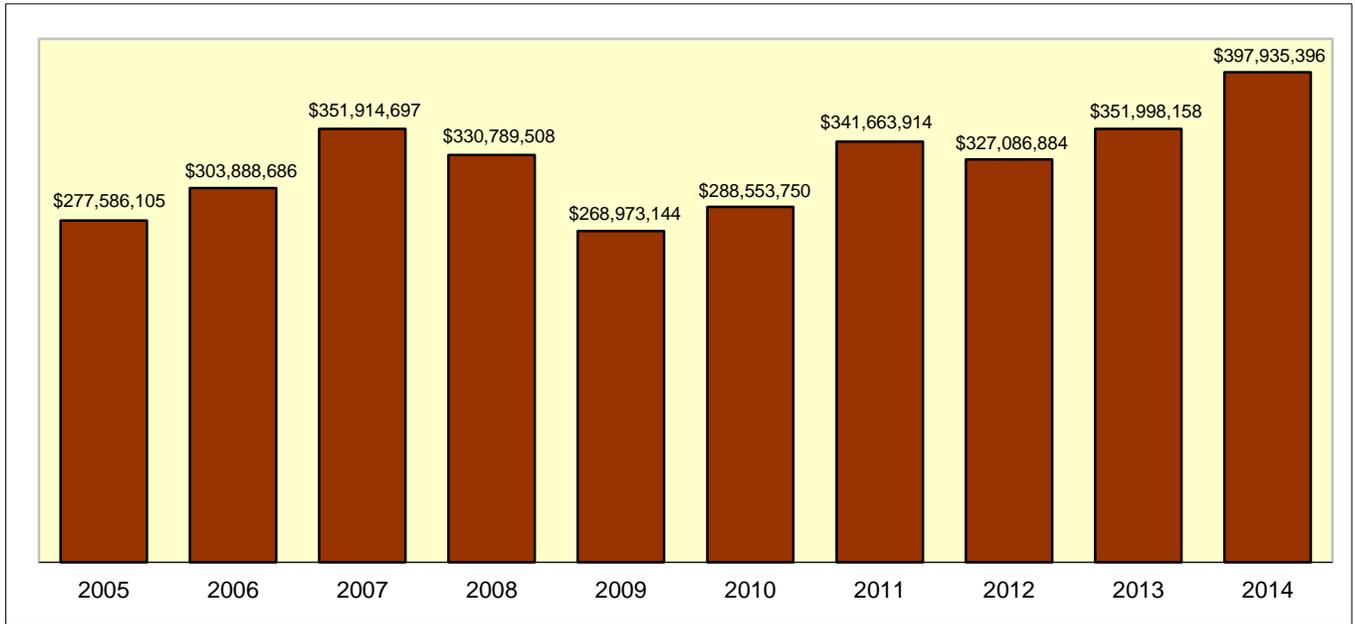
Fiscal Year	Spending Rate	Distribution
2005	4.4% <sup>1</sup>	10,836,217
2006	4.0%	10,704,542
2007	4.0%	11,636,132
2008	4.0%	12,683,559
2009	4.0%	12,809,947
2010	4.0%	12,414,177
2011	4.0%	11,992,394
2012	4.0%	12,183,564
2013	4.0%	12,924,658
2014	4.0%	13,607,575
<b>TEN YEAR TOTAL</b>		<b>\$ 121,792,765</b>

<sup>1</sup> This reflects a 4.5% annual rate for the first three quarters and a 4.0% rate for the fourth quarter.

**INVESTMENT FUND DATA: LONG TERM FUND**  
**As of Fiscal Years Ended June 30**

Contributing to the overall change in the *Long Term Fund's* net assets are the following: new gifts, plus investment returns, less spending distributions and expenses. The following chart depicts the historical change in net assets of the Fund.

**LONG TERM FUND NET ASSETS**

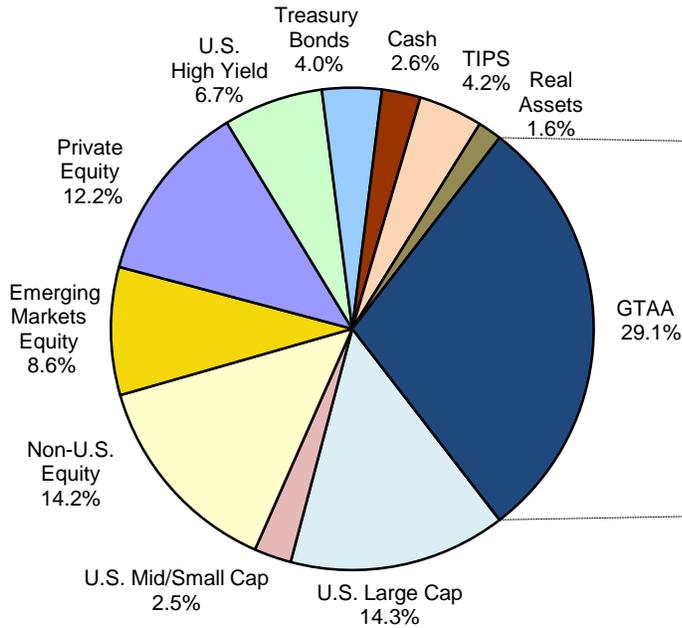


The graphs and charts that follow, present information on the Fund's asset allocation, investment managers, and investment positions.

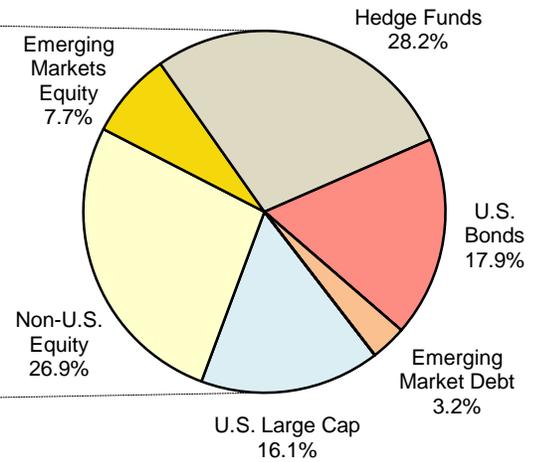
**INVESTMENT FUND DATA: LONG TERM FUND**  
As of Fiscal Year Ended June 30

**ASSET/STRATEGY ALLOCATIONS**

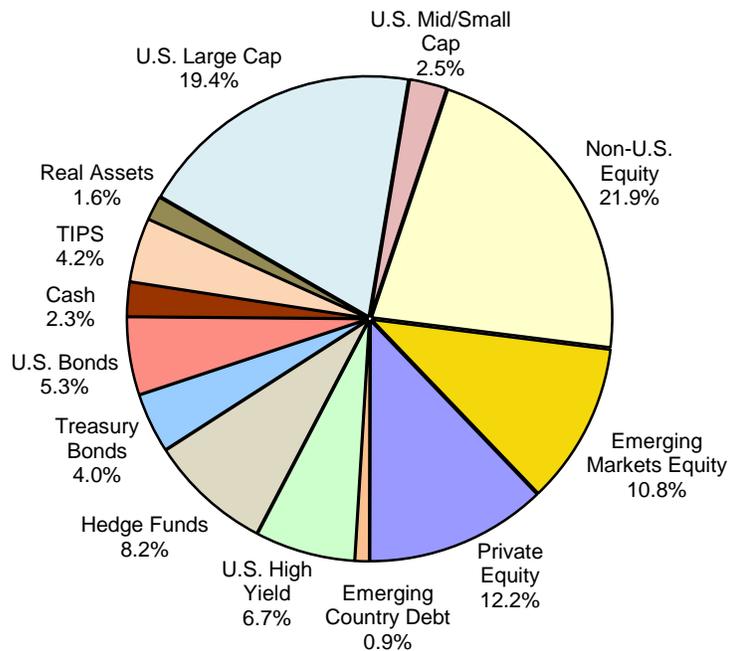
**Total Portfolio Asset/Strategy Allocation**



**Global Tactical Asset Allocation**



**Total Effective Portfolio Asset Allocation**



**INVESTMENT FUND DATA: LONG TERM FUND**  
**As of Fiscal Years Ended June 30**

**ALLOCATION BY INVESTMENT MANAGER AND ASSET CLASS/STRATEGY**

	2014		2013	
	Market Value	% of Fund	Market Value	% of Fund
<b>Global Tactical Asset Allocation</b>				
GMO Real Global Balanced Strategy	\$115,692,789	29.1%	\$100,910,733	28.7%
<b>U.S. Equities - Large Cap</b>				
UBS Global Asset Management	57,002,261	14.3%	47,847,074	13.6%
<b>U.S. Equities – Mid/Small Cap</b>				
Russell 2000 ETF	0	0.0%	7,450,229	2.1%
Russell Mid-Cap ETF	10,100,828	2.5%	9,019,042	2.6%
		2.5%		4.7%
<b>Non-U.S. Developed Market Equities</b>				
UBS Global Asset Management	56,677,678	14.2%	46,297,063	13.1%
<b>Emerging Market Equities</b>				
GMO Emerging Markets Fund	34,274,115	8.6%	30,128,890	8.6%
<b>U.S. High Yield Fixed Income</b>				
Seix Advisors High Yield Fund	26,613,125	6.7%	25,344,942	7.2%
<b>Private Equity/Venture Capital</b>				
Adams Street Partners	23,817,142	6.0%	21,579,837	6.1%
JP Morgan Investment Management	24,490,968	6.2%	20,949,656	5.9%
		12.2%		12.0%
<b>U.S. Investment-Grade Fixed Income</b>				
Applied Security Analysis Program	32,456,333	8.2%	32,100,698	9.1%
<b>U.S. Cash and Cash Equivalent</b>				
JP Morgan Prime Money Market Fund	10,225,737	2.6%	4,514,318	1.3%
<b>Real Assets</b>				
GMO Forestry Fund	6,584,420	1.6%	5,855,676	1.7%
<b>TOTALS</b>	<b>\$ 397,935,396</b>	<b>100.0%</b>	<b>\$ 351,998,158</b>	<b>100.0%</b>

**INVESTMENT FUND DATA: LONG TERM FUND**  
**As of Fiscal Year Ended June 30, 2014**

**SUMMARY OF INVESTMENT POSITIONS**

**Public Equities – 54.4% of Fund**

<u>Top Ten Country Positions</u>	<u>% of Equities</u>
United States	40.5%
United Kingdom	9.5%
Japan	8.4%
Germany	3.9%
France	3.9%
China	3.4%
Brazil	3.0%
Russia	2.7%
Switzerland	2.6%
Korea	2.5%
<b>TOTAL</b>	<b>80.4%</b>

<u>Top Ten Sector Positions</u>	<u>% of Equities</u>
Financials	23.1%
Consumer Discretionary	13.1%
Energy	10.6%
Information Technology	10.0%
Health Care	9.8%
Industrials	8.9%
Materials	8.6%
Consumer Staples	7.7%
Telecommunications	5.0%
Utilities	2.3%
<b>TOTAL</b>	<b>99.1%</b>

<u>Top Ten Holdings</u>	<u>% of Equities</u>
Apple	1.5%
Novartis	1.2%
Nestle	1.0%
Halliburton	1.0%
Total SA	1.0%
Amazon	0.9%
Baker Hughes	0.9%
Royal Dutch	0.8%
JP Morgan Chase	0.8%
Bayer AP	0.8%
<b>TOTAL</b>	<b>9.9%</b>

**Fixed Income – 21.0% of Fund**

<u>Top Country Positions</u>	<u>% of Fixed Income</u>
United States	87.3%
Non-U.S.	12.7%
<b>TOTAL</b>	<b>100.0%</b>

<u>Top Sector Positions</u>	<u>% of Fixed Income</u>
Corporate Bonds	36.6%
Cash and Cash Equivalents	25.1%
U.S. TIPS	20.8%
Commercial Mortgage Backed	6.1%
U.S. Treasury	6.0%
Other	2.4%
<b>TOTAL</b>	<b>97.0%</b>

<u>Top Ten Non-Govt Holdings</u>	<u>% of Fixed Income</u>
Sears Holdings Corp	0.5%
Genon Energy	0.5%
HJ Heinz	0.5%
Harland Clarke Holdings	0.4%
B Communications	0.4%
Avanti Communications	0.4%
Sabine Pass Liquefaction	0.4%
Air Canada	0.4%
ILFC E-Capital	0.4%
North Atlantic Drilling Corp	0.4%
<b>TOTAL</b>	<b>4.3%</b>

<u>Average Portfolio Maturity</u>	5.8 Years
<u>Average Portfolio Duration</u>	4.6 Years
<u>Average Portfolio Quality</u>	A

**Cash – 2.6% of Fund**

JP Morgan Prime Money Market Fund	100.0%
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<b>INVESTMENT FUND DATA: LONG TERM FUND</b> <b>As of Fiscal Year Ended June 30</b>
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**SUMMARY OF INVESTMENT POSITIONS**

**Hedge Funds – 8.2% of Fund**

<u>Hedge Fund Classifications</u>	<u>% of Hedge Funds</u>
Market Neutral/Absolute Return	100.0%

<u>Number of Fund Holdings</u>	10
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<u>Top Five Funds</u>	<u>% of Hedge Funds</u>
GMO Systematic Global Macro	19.4%
GMO Fixed Income Hedge	17.0%
GMO Completion	16.3%
GMO Mean Reversion	15.2%
<u>GMO Emerging Country Debt</u>	<u>12.4%</u>
<u>TOTAL</u>	<u>80.3%</u>

**Real Assets – 1.6% of Fund**

<u>Investment</u>	<u>% of Real Assets</u>
GMO Forestry Fund 9, L.P.	100%

**Private Equity – 12.2% of Fund**

<u>U.S./Non-U.S. Positions</u>	<u>% of Private Equity</u>
U.S.	74.7%
Non-U.S.	25.3%
<u>TOTAL</u>	<u>100.0%</u>

<u>Types of Partnerships</u>	<u>% of Private Equity</u>
Buyouts	48.6%
Venture Capital	33.5%
Special Situations	10.8%
Restructuring/Distressed Debt	6.0%
<u>Mezzanine/Subordinated Debt</u>	<u>1.1%</u>
<u>TOTAL</u>	<u>100.0%</u>

<u>Investment Program Inception</u>	2002
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<u>Number of Vintage Years</u>	13
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Number of Partnerships<sup>1</sup>

Adams Street Partners	469
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JP Morgan	211
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Number of Underlying Companies<sup>1</sup>

Adams Street Partners	9,684
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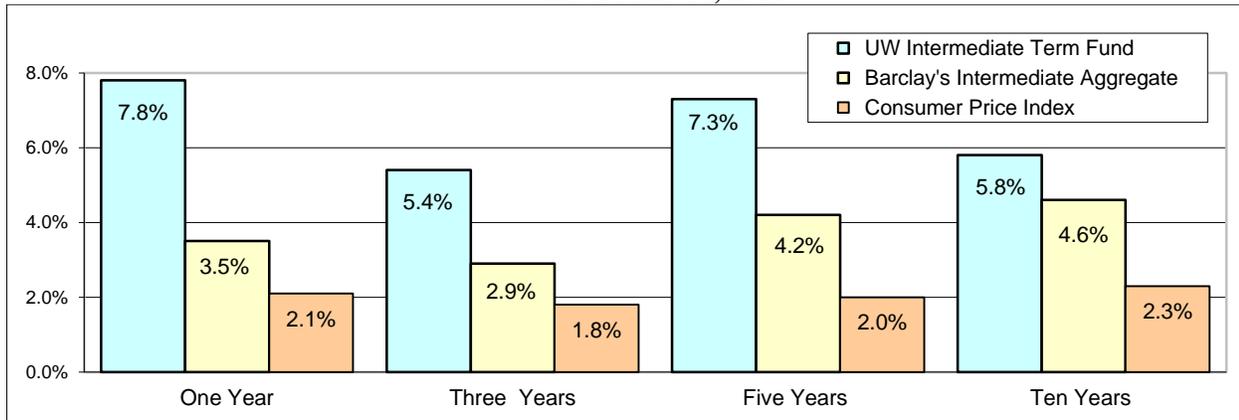
JP Morgan	4,647
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<sup>1</sup> Some underlying partnerships and portfolio companies may be represented in both Adams Street and JP Morgan portfolios, such that there may be some double-counting.

**INVESTMENT FUND DATA: INTERMEDIATE TERM FUND**  
**As of Fiscal Years Ended June 30**

The following chart depicts the investment performance of the *Intermediate Term Fund* for the most recent fiscal year as well as over longer periods. Also shown is the performance of a passive, benchmark index – the Barclay’s Intermediate Aggregate Bond Index.

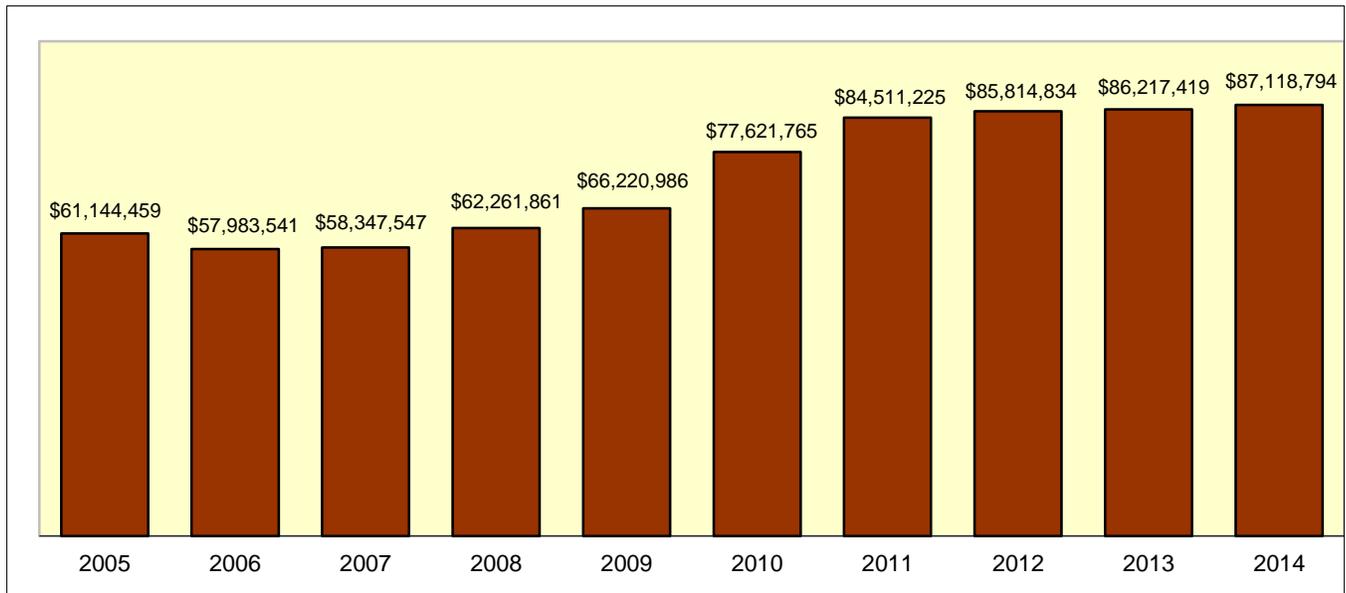
**INVESTMENT PERFORMANCE**  
**As of June 30, 2014**



Note: The Barclay’s Intermediate Aggregate benchmark, consisting of 100% investment-grade bonds, represents a more “traditional” asset allocation for a portfolio with an intermediate investment “duration.” The Consumer Price Index (CPI) figures represent the annual, or annualized, change in the index.

Contributing to the overall change in the *Intermediate Term Fund’s* assets are the following: new gifts, plus investment returns, less interest income distributions, expenses, and expenditures of principal. The following chart depicts the historical change in net assets of the Fund.

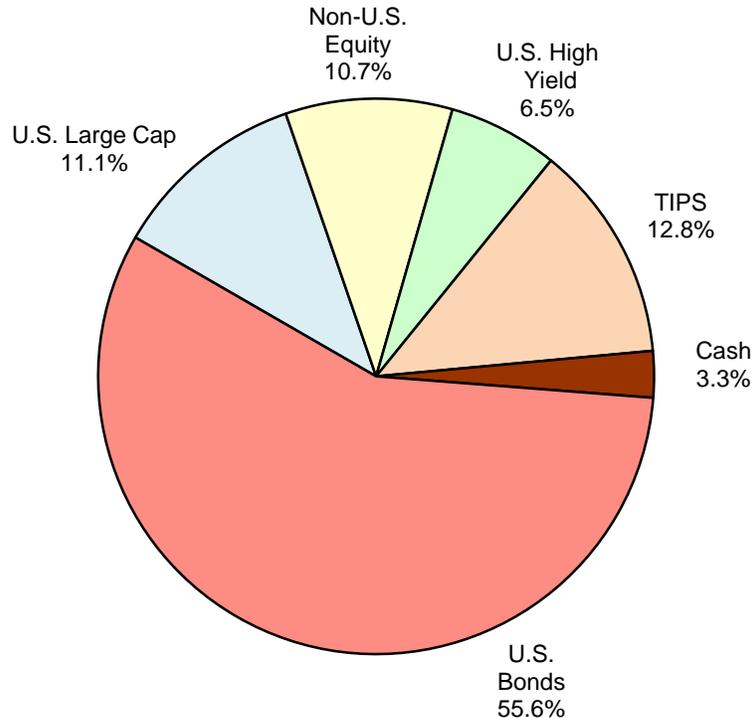
**INTERMEDIATE TERM FUND NET ASSETS**



The graphs and charts that follow present information on the Fund’s asset allocation, investment managers, and investment positions.

**INVESTMENT FUND DATA: INTERMEDIATE TERM FUND**  
**As of Fiscal Years Ended June 30**

**ASSET/STRATEGY ALLOCATIONS**



**ALLOCATION BY INVESTMENT MANAGER AND ASSET CLASS**

	2014		2013	
	Market Value	% of Fund	Market Value	% of Fund
<b>U.S. Equities – Large Cap</b> S&P 500 ETF	\$ 9,701,068	11.1%	\$ 9,794,059	11.4%
<b>Non-U.S. Developed Market Equities</b> MSCI EAFE ETF	9,362,451	10.7%	8,368,184	9.7%
<b>U.S. High Yield Fixed Income</b> Seix Advisors High Yield Fund	5,631,659	6.5%	5,559,100	6.4%
<b>U.S. Investment-Grade Fixed Income</b>				
Reams Asset Management	38,423,662	44.1%	39,166,354	45.5%
Barclays 0-5 Year TIPS ETF	11,134,001	12.8%	10,937,263	12.7%
Applied Security Analysis Program	10,031,660	11.5%	10,029,035	11.6%
		68.4%		69.8%
<b>U.S. Cash and Cash Equivalent</b> JP Morgan Prime Money Market Fund	2,834,293	3.3%	2,363,424	2.7%
<b>TOTALS</b>	<b>\$ 87,118,794</b>	<b>100.0%</b>	<b>\$ 86,217,419</b>	<b>100.0%</b>

**INVESTMENT FUND DATA: INTERMEDIATE TERM FUND**  
**As of Fiscal Year Ended June 30, 2014**

**Public Equities – 21.8% of Fund**

<u>Top Ten Country Positions</u>	<u>% of Equities</u>
United States	50.9%
Japan	9.6%
United Kingdom	8.6%
France	5.0%
Switzerland	4.8%
Germany	4.6 %
Australia	4.1%
Netherlands	2.3%
Spain	1.7%
<b>TOTAL</b>	<b>91.6%</b>

<u>Top Ten Sector Positions</u>	<u>% of Equities</u>
Financials	20.5%
Information Technology	11.8%
Consumer Discretionary	11.7%
Industrials	11.7%
Health Care	10.5%
Consumer Staples	9.3%
Energy	8.8%
Materials	5.8%
Telecommunications	3.6%
Utilities	3.4%
<b>TOTAL</b>	<b>97.1%</b>

<u>Top Ten Holdings</u>	<u>% of Equities</u>
Apple Inc.	1.6%
Exxon Mobil	1.3%
Nestle SA	0.9%
Microsoft	0.9%
Johnson & Johnson	0.9%
Roche	0.8%
General Electric	0.8%
Wells Fargo	0.8%
Novartis	0.7%
Chevron	0.7%
<b>TOTAL</b>	<b>9.4%</b>

**Fixed Income – 74.9% of Fund**

<u>Top Country Positions</u>	<u>% of Fixed Income</u>
United States	100.0%

<u>Top Sector Positions</u>	<u>% of Fixed Income</u>
Corporate Bonds	37.2%
U.S. Government Mortgages	20.5%
U.S. TIPS	16.4%
U.S. Government	13.1%
Cash and Cash Equivalents	6.6%
Commercial Mortgage Backed	4.9%
Asset Backed Securities	1.3%
<b>TOTAL</b>	<b>100.0%</b>

Number of Non-Government Holdings 306

<u>Top Ten Non-Govt Holdings</u>	<u>% of Fund</u>
Wells Fargo	2.1%
Morgan Stanley	1.5%
Ford Motor	1.4%
Goldman Sachs	1.0%
JP Morgan Chase	0.9%
General Electric	0.9%
Citigroup	0.7%
American International	0.7%
New York Life	0.7%
Union Pacific	0.5%
<b>TOTAL</b>	<b>10.4%</b>

Average Portfolio Maturity 3.6 Years

Average Portfolio Duration 3.1 Years

Average Portfolio Quality AA

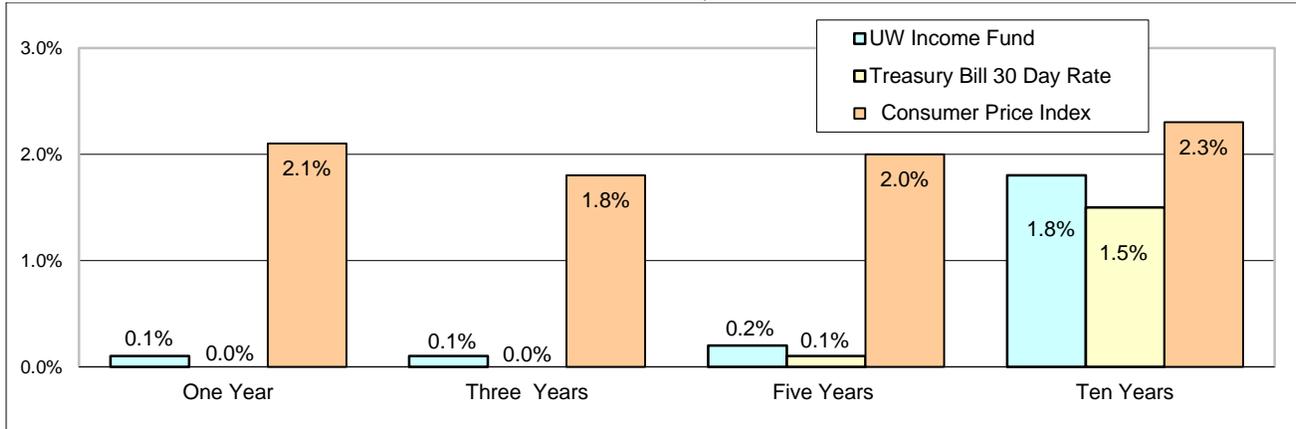
**Cash – 3.3% of Fund**

JP Morgan Prime Money Market Fund 100.0%

**INVESTMENT FUND DATA: INCOME FUND**  
**As of Fiscal Years Ended June 30**

The following chart depicts the investment performance of the *Income Fund* for the most recent fiscal year as well as over longer periods. Also shown, for comparative purposes, is the performance of 30-day Treasury Bills.

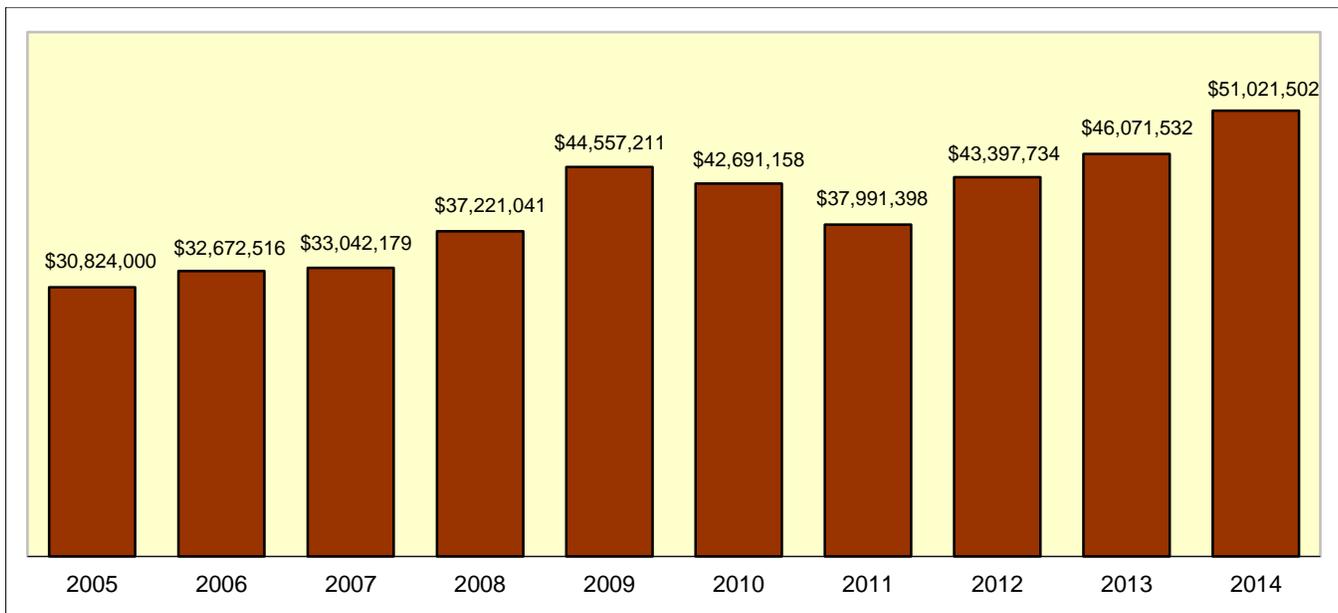
**INVESTMENT PERFORMANCE**  
**As of June 30, 2014**



Note: The 30-day Treasury Bill rate is used as the benchmark for this short-term, money market-like Fund. The Consumer Price Index (CPI) figures represent the annual, or annualized, change in the index.

Contributing to the overall change in the *Income Fund's* net assets are the following: interest income and spending rate distributions received from the *Intermediate* and *Long Term Funds*, plus interest earnings, less expenses and expenditures. The following chart depicts the historical change in net assets of the Fund.

**INCOME FUND NET ASSETS**



<b>GIFTS, DISBURSEMENTS AND BALANCES</b> <b>For Fiscal Years Ended June 30</b>
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**2014 GIFTS BY TYPE OF GIFT**

Gift Type	Total Gifts	Number of Gifts
Bequests	\$ 5,986,468	265
General Gifts	3,968,130	146
<b>TOTAL</b>	<b>\$ 9,954,598</b>	<b>411</b>

Note: General Gifts are generally gifts received from individual living donors, corporations, or foundations. Bequests are generally gifts made through a will or other form of legal trust.

**2014 GIFTS BY ENDOWMENT CATEGORY**

Endowment Category	Total Gifts	Percentage
Expendable Funds	\$ 6,882,824	69.1%
Designated Endowment	2,530,612	25.4%
True Endowment	541,162	5.5%
<b>TOTAL</b>	<b>\$ 9,954,598</b>	<b>100.0%</b>

Note: Expendable (formerly Quasi-Endowments) are those where the donor has not restricted use of principal. Designated Endowments are those where the donor has not restricted principal, but the benefiting institution or Board of Regents have elected to do so. True Endowments are those gifts where the donor has in essence restricted the use of principal.

**2014 GIFTS BY USAGE DESIGNATION**

Usage Designation	Total Gifts	Percentage
Miscellaneous	\$ 5,461,192	54.9%
Student Aid	2,351,849	23.6%
Public Service	1,565,602	15.7%
Research	491,269	4.9%
Auxiliary Services	84,686	0.9%
<b>TOTAL</b>	<b>\$ 9,954,598</b>	<b>100.0%</b>

Note: The Miscellaneous designation generally indicates that the gift could be used for a purpose not falling strictly within one of the other classifications, for purposes falling within multiple classifications, or for fully discretionary purposes.

**GIFTS, DISBURSEMENTS AND BALANCES**  
**For Fiscal Years Ended June 30**

**2014 GIFTS BY CAMPUS AND COLLEGE**

Campus	Total Gifts	Number of Gifts
Madison		
College of Letters & Science	\$1,848,349	150
School of Medicine and Public Health	1,211,585	48
School of Veterinary Medicine	1,132,215	1
General Education Administration	1,008,020	5
School of Nursing	298,161	14
College of Engineering	281,262	18
College of Agriculture & Life Sciences	170,650	9
School of Education	147,257	10
Wisconsin Union	84,685	12
School of Business	76,188	1
General Services	32,288	6
Officer Education	31,368	3
Graduate School	6,764	3
Madison Subtotal	\$ 6,328,792	280
Extension	3,510,989	51
Whitewater	371,136	3
Milwaukee	58,206	13
Superior	37,385	4
Oshkosh	25,000	1
La Crosse	10,150	1
Parkside	3,172	21
Green Bay	1,600	2
Systemwide/Administration	(391,832)	35
<b>TOTAL</b>	<b>\$ 9,954,598</b>	<b>411</b>

Note: The categories of General Education Administration and General Services reflect gifts that are administered by campus administrative units not tied to a specific college or department. These primarily involve student scholarship and loan funds. The gift amount for Systemwide/Administration is also impacted by timing differences between when new gifts are deposited into the System pending account, and when they are transferred out to individual permanent accounts.

**TEN-YEAR HISTORY OF TOTAL GIFTS**

Fiscal Year	Total Gifts	As Percent of Prior Year Principal Market Value
2005	8,640,969	2.6%
2006	8,059,469	2.3%
2007	16,478,500	4.5%
2008	11,617,369	3.2%
2009	13,891,569	3.5%
2010	6,640,429	2.0%
2011	11,749,776	3.0%
2012	6,756,465	1.6%
2013	9,244,786	2.2%
2014	9,954,598	2.3%
<b>TEN YEAR TOTAL</b>	<b>\$ 103,033,930</b>	<b>AVERAGE 2.7%</b>

<b>GIFTS, DISBURSEMENTS AND BALANCES</b> <b>For Fiscal Years Ended June 30</b>
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**2014 DISBURSEMENTS BY DESIGNATION**

Designation	Total Disbursements	Percentage
Research	\$ 7,782,390	41.2%
Extension & Public Service	4,100,293	21.7%
Student Aid	3,902,633	20.7%
Academic Support	1,110,045	5.9%
Instruction	1,109,210	5.9%
Other	879,702	4.6%
<b>TOTAL</b>	<b>\$ 18,884,273</b>	<b>100.0%</b>

**TEN-YEAR HISTORY OF TOTAL DISBURSEMENTS**

Fiscal Year	Total Disbursements	As Percent of Prior Year Principal Market Value
2005	\$ 20,412,504	6.1%
2006	22,382,067	6.5%
2007	24,980,366	6.5%
2008	20,348,667	5.6%
2009	17,446,575	4.4%
2010	16,863,697	5.0%
2011	17,054,576	5.1%
2012	14,462,572	3.4%
2013	17,021,321	3.9%
2014	18,884,273	3.9%
<b>TOTAL</b>	<b>\$ 189,856,618</b>	<b>AVERAGE 5.0%</b>

<b>GIFTS, DISBURSEMENTS AND BALANCES</b> <b>As of Fiscal Year Ended June 30, 2014</b>
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**2014 TOTAL BALANCES BY CATEGORY**

Category	Principal Market Value	Percentage	Number of Accounts
True Endowment	\$ 208,297,529	42.6%	561
Expendable Funds	168,318,792	34.5%	660
Designated Endowment	112,020,860	22.9%	140
Term Endowment	147,239	0.0%	1
<b>TOTAL</b>	<b>\$ 488,784,420</b>	<b>100.0%</b>	<b>1,362</b>

Note: The total market value shown in the table above and the two that follow reflect only what is classified as "principal" by the Trust Funds accounting system. Therefore, it does not equal the total Trust Funds market value shown elsewhere in this report, which includes "income." Essentially, total principal market value consists of the market values of the *Long Term* and *Intermediate Term Funds*, plus that portion of the *Income Fund* designated as "principal," which is generally monies awaiting investment in the other Funds.

**2014 TOTAL BALANCES BY USAGE DESIGNATION**

Usage Designation	Principal Market Value	Percentage	Number of Accounts
Miscellaneous	\$ 208,056,948	42.6%	406
Student Aid	147,279,808	30.1%	642
Research	93,600,631	19.2%	203
Public Service	14,115,432	2.9%	23
Library	13,693,777	2.8%	51
Instruction	10,343,398	2.1%	28
Physical Plant	1,370,503	0.2%	6
Auxiliary Services	289,165	0.1%	2
General Operations	34,758	0.0%	1
<b>TOTAL</b>	<b>\$ 488,784,420</b>	<b>100.0%</b>	<b>1,362</b>

Note: The Miscellaneous designation generally indicates that the gift could be used for a purpose not falling strictly within one of the other classifications, for purposes falling within multiple classifications, or for fully discretionary purposes.

**GIFTS, DISBURSEMENTS AND BALANCES**  
**As of Fiscal Year Ended June 30, 2014**

**2014 TOTAL BALANCES BY CAMPUS AND COLLEGE**

Campus	Principal Market Value	Percentage	Number of Accounts
<b>Madison</b>			
School of Medicine and Public Health	\$ 85,580,537	17.5%	281
College of Letters & Sciences	69,254,666	14.2%	283
College of Ag & Life Sciences	61,920,353	12.7%	159
General	52,771,836	10.8%	5
General Services	30,233,180	6.2%	79
Graduate School	23,657,329	4.8%	28
General Education Administration	20,052,291	4.1%	15
Business Services	18,042,795	3.7%	24
College of Engineering	12,899,567	2.6%	56
School of Education	8,286,944	1.7%	45
School of Nursing	7,157,534	1.5%	20
School of Business	7,140,174	1.5%	19
General Library	7,050,156	1.4%	15
School of Human Ecology	4,517,132	0.9%	25
Division of International Studies	4,447,781	0.9%	4
School of Pharmacy	4,226,482	0.9%	16
Law School	3,676,742	0.8%	29
Academic Services	3,514,051	0.8%	11
Other	2,531,047	0.5%	7
School of Veterinary Medicine	1,355,350	0.3%	6
Intercollegiate Athletics	1,154,418	0.3%	8
University Housing	1,110,883	0.2%	3
Officer Education (ROTC)	97,700	0.0%	3
Madison Subtotal	\$ 430,678,948	88.3%	1,141
Extension	17,350,439	3.5%	30
Milwaukee	14,234,775	2.9%	77
Systemwide	7,467,140	1.5%	16
La Crosse	4,980,827	1.0%	8
Platteville	4,147,949	0.8%	5
Superior	2,966,360	0.6%	12
Parkside	1,440,054	0.3%	21
Colleges	1,346,843	0.3%	12
Whitewater	1,007,213	0.2%	12
Oshkosh	893,025	0.2%	7
Stout	859,433	0.2%	9
Eau Claire	695,967	0.1%	4
Green Bay	398,626	0.1%	4
Stevens Point	166,160	0.0%	1
River Falls	150,661	0.0%	3
<b>TOTAL</b>	<b>\$ 488,784,420</b>	<b>100.0%</b>	<b>1,362</b>

Note: The categories of General, General Education Administration, General Services, Business Services, and Academic Services reflect gifts that are administered by campus administrative units not tied to a specific college or department. These primarily involve student scholarship and loan funds. The Systemwide market value is also impacted by timing differences between when new gifts are deposited into the System Administration pending account, and when they are transferred out to individual permanent accounts.

<b>FINANCIAL STATEMENTS</b>
<b>As of Fiscal Years Ended June 30</b>

**STATEMENTS OF FINANCIAL POSITION**

	2014	2013
	Total Principal and Income Market Value	Total Principal and Income Market Value
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 81,460,075	\$ 71,900,533
Accounts Receivable, Net	823,311	2,648,324
Prepaid Expenses	94	39,639
Total Current Assets	\$ 82,283,480	\$ 74,588,496
Investments		
U.S. Government & Agency Obligations	40,589,990	36,237,128
Corporate Bonds	21,491,632	25,228,606
Mortgage & Asset Backed Securities	3,102,983	3,985,500
Common Stocks	57,002,261	45,604,379
GMO Strategic Opportunities Fund	83,025,380	68,957,554
UBS Int'l Relationship Fund	56,677,678	46,297,064
GMO Emerging Markets Fund III	34,274,115	30,128,890
iShares Russell Midcap Index	10,100,828	9,019,042
iShares S&P 500 Index	9,701,068	9,794,059
iShares MSCI EAFE Index	9,362,451	8,368,184
iShares Barclays 0-5 Year TIPS Index	11,134,001	10,937,263
iShares Russell 2000 Index	0	7,450,229
Seix High Yield Fund	32,244,785	30,904,042
Limited Partnerships	87,559,939	80,338,348
Total Investments	\$ 456,267,111	\$ 413,250,288
TOTAL ASSETS	\$ 538,550,591	\$ 487,838,785
<b>LIABILITIES &amp; NET ASSETS</b>		
Liabilities		
Accounts Payable and Accrued Liabilities	1,708,367	2,925,606
Compensated Absences	766,532	626,070
Total Liabilities	\$ 2,474,899	\$ 3,551,676
Net Assets		
Restricted:		
Nonexpendable	187,767,530	166,599,785
Expendable	232,985,246	207,644,830
Student Loans	13,794,262	12,562,237
Other	13,262,595	14,354,938
Unrestricted:	88,266,059	83,125,319
Total Net Assets	\$ 536,075,692	\$ 484,287,109
TOTAL LIABILITIES & NET ASSETS	\$ 538,550,591	\$ 487,838,785

Note: Restricted net assets are subject to externally-imposed stipulations. Restricted – Nonexpendable net assets are subject to an externally-imposed stipulation that they be maintained permanently (generally, these equate to the *Long Term Fund*'s "historic dollar value," or original gift principal, of all True Endowments). Restricted – Expendable net assets are subject to externally-imposed stipulations as to usage or purpose, but are otherwise fully expendable (generally, these equate to the market values of all such Designated and Expendable Endowments, plus the *Intermediate Term* and *Income Fund* market values of all True Endowments, and the excess/deficit of the market value over/under the "historic dollar value" for the *Long Term Fund* holdings of True Endowments). Unrestricted net assets are not subject to externally-imposed stipulations of any kind and are fully expendable (generally, these would equate to the market values of all such Designated and Expendable Endowments, plus the *Intermediate Term* and *Income Fund* market values of all True Endowments.)

<b>FINANCIAL STATEMENTS</b> <b>As of Fiscal Years Ended June 30</b>
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**STATEMENTS OF CASH ACTIVITIES AND INVESTMENT GAINS**

<u>RECEIPTS/GAINS</u>	2014	2013
Contributions	\$9,954,598	\$9,244,786
Net Investment Income, Realized/Unrealized Gains	61,750,582	40,913,543
Total Contributions, Investment Gains/Losses	\$ 71,705,180	\$ 50,158,329
 Transfers In:		
From Other UW Funds	3,460,488	2,671,696
Student Loans	1,484,581	399,292
Total Transfers In	\$ 4,945,069	\$ 3,070,988
<b>TOTAL RECEIPTS/GAINS</b>	<b>\$ 76,650,249</b>	<b>\$ 53,229,317</b>
 <u>DISBURSEMENTS</u>		
Distributions to UW Institutions:		
Research	7,782,390	7,395,838
Extension and Public Service	4,100,294	3,747,741
Student Aid and Services	3,988,329	3,377,938
Instruction	1,109,210	1,643,112
Academic Support	1,024,348	855,764
Other	879,702	928
Total Distributions to UW Institutions	\$ 18,884,273	\$ 17,021,321
 Transfers Out:		
To Other UW Funds	2,567,029	5,153,498
Student Loans	1,486,710	1,368,621
Total Transfers Out	\$ 4,053,739	\$ 6,522,119
 Expenses:		
Investment Management and Custody	1,281,511	1,245,970
General Administrative	642,143	452,250
Total Expenses	\$ 1,923,654	\$ 1,698,220
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 24,861,666</b>	<b>\$ 25,241,660</b>
<u>EXCESS OF RECEIPTS/GAINS OVER DISBURSEMENTS</u>	51,788,583	27,987,657
Net Assets - Beginning of Period	484,287,109	456,299,452
Net Assets - End of Period	\$ 536,075,692	\$ 484,287,109

Note: Transfers to/from Other UW Funds consist primarily of transfers to/from sponsored gift and grant appropriations where the sponsor requires the funds be invested (or endowed) to benefit the stipulated programs/projects.

**SUPPLEMENTARY DATA**  
**For Fiscal Years Ended June 30**

**INVESTMENT MANAGEMENT AND OTHER RELATED FEES**

	2014	2013
Intermediate Term Fund		
Reams Asset Management	\$ 79,882	\$ 82,399
Applied Security Analysis Program <sup>1</sup>	0	0
Long Term Fund		
GMO	598,463	615,945
UBS Global Asset Management	592,810	512,641
300 North Capital	0	24,629
<b>Total Investment Management Fees<sup>2</sup></b>	<b>\$ 1,271,155</b>	<b>\$ 1,235,614</b>

<sup>1</sup> Applied Security Analysis Program is the UW-Madison Business School's applied investment management program for graduate students. Trust Funds pays no management fees to the program.

<sup>2</sup> The fees listed in the above chart are only those separately billed to UW Trust Funds. Trust Funds also invested through various commingled fund providers: GMO Emerging Markets Fund III, GMO Real Return Global Balanced Fund, GMO Forestry Fund, Adams Street Partners Private Equity Funds, JP Morgan Private Equity Funds, Seix Advisors High Yield Fund, iShares Russell 2000 Index Fund, iShares Russell Midcap Index Fund, iShares Barclays TIPS Index Fund, iShares S&P 500 Index Fund, and iShares MSCI EAFE Index Fund. Fees for these funds are taken directly out of fund assets rather than separately billed. Estimated investment management expenses for these various providers for 2014 were as follows: \$325,201; \$356,545; \$43,732; \$361,706; \$267,103; \$174,138; \$5,168; \$18,647; \$11,023; \$6,675; and \$30,667, respectively.

Investment management expenses (including estimated fees through commingled funds) as a percent of total average Trust Fund assets (*Long Term* plus *Intermediate Term Funds*) were 0.63% and 0.66% for fiscal years 2014 and 2013, respectively. Fees as a percent of assets by separate Fund were 0.73% and 0.19% for the *Long Term Fund* and *Intermediate Term Fund*, respectively, for fiscal year ended 2014, versus 0.77% and 0.20%, respectively, for fiscal year ended 2013.

**CUSTODY FEES**

	2014	2013
BNY Mellon Trust	\$ 10,356	\$ 10,356

Trust Funds' custodial services are provided through a custodial agreement with BNY Mellon Trust. This agreement was negotiated by the State of Wisconsin Investment Board (SWIB), which also employs BNY Mellon. Fees are billed to SWIB and charged back to Trust Funds. Custodial expenses as a percent of average Trust Fund assets were 0.002% and 0.002% for fiscal years 2014 and 2013, respectively. While commingled fund shares are recorded and custodied at BNY Mellon, the actual securities held by these funds are custodied elsewhere.

<b>SUPPLEMENTARY DATA</b> <b>For Fiscal Years Ended June 30</b>
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**ADMINISTRATIVE EXPENSES**

	2014	2013
Staff and Staff Support		
Salaries	\$ 281,722	\$ 277,603
Fringe Benefits	120,430	112,297
Computer Hardware/Software	(9,725)	9,918
Travel and Training Expenses	5,208	7,806
Other Expenses	2,726	2,664
Telecommunications/Telephone Service	1,868	1,560
Publications	1,702	1,559
Office Supplies/Equipment	230	526
Professional Services		
Huron Consulting	196,652	0
Trust Accounting System (SunGard)	38,987	36,535
Information Services Support	2,343	1,782
<b>Total Administrative Expenses</b>	<b>\$ 642,143</b>	<b>\$ 452,250</b>

Total administrative expenses as a percent of average total Trust Fund assets (*Long Term, Intermediate Term* and *Income Funds*) were 0.14% and 0.10% for fiscal years 2014 and 2013, respectively. The “Huron Consulting” fees in 2014 were a one-time, extraordinary expense, related to a project to replace the third-party SunGard accounting/recordkeeping system with an internally-developed SFS/PeopleSoft solution.

**UW SYSTEM TRUST FUNDS:  
TRUSTEES AND STAFF**

**Business and Finance Committee of the Board of Regents of the UW System**  
As of June 30, 2014

Gerald Whitburn (Chair)  
John Behling (Vice Chair)  
Margaret Farrow  
Janice Mueller  
Tim Higgins  
David Walsh  
Charles Pruitt

**UW System Administration**

Senior Management

Ray Cross, President  
David Miller, Senior Vice President for Administration  
Tomas L. Stafford, General Counsel and Assistant Trust Officer

Office of Trust Funds Staff

Douglas J. Hoerr, Director and Assistant Trust Officer  
Thomas R. Reinders, Senior Investment Portfolio Analyst  
Lori J. Keil, Senior Accountant  
Carol Yanna, Financial Specialist