

**Submitted by: William R. Decatur, Vice President, Finance and Business Operations**

**Annual Report on the Long-Term Investment Program  
(For the Endowment Funds)  
For the Fiscal Year Ending September 30, 2018**

In accordance with the Board of Governors Statutes (WSUCA) 2.73.02, the Administration presents the annual report of our long-term investment program for the fiscal year ending September 30, 2018. This annual report was prepared by the Wayne State University Foundation's investment consultants, Strategic Investment Group. The long-term investment program includes all investment activity performed for the endowment fund by external managers and represents approximately 99 percent of all endowment resources. At September 30, 2018, the fund was approximately \$390 million

In 2000, the University created the Wayne State University Foundation (the Foundation) as a Michigan non-profit corporation. The Foundation was established by the University to assist it with various functions with special emphasis on fundraising and oversight of the investment portfolio for endowments. The Board of Governors approved the transfer of existing and future endowments to the Foundation for holding and investing such endowments. The official date for the transfer of endowment assets was October 1, 2002, the beginning of the new fiscal year for the University and the Foundation. The Foundation established its Investment Committee to specifically oversee and manage the endowments, especially those held in the "Common Trust" pool (the Pool) of assets. The Investment Committee has engaged Strategic Investment Group (Strategic) as its Outsourced Chief Investment Officer (OCIO) to manage all of the funds held in the Pool.

The University and Foundation has been partnering with Strategic to manage its endowment portfolio since October 2016. As an OCIO, Strategic is a discretionary advisor who is delegated a major role in investment management of the endowment portfolio. Strategic manages the endowment in accordance with investment guidelines established by the Foundation Board, which maintains oversight over the endowment portfolio. The Investment Committee has detailed oversight of the endowment portfolio, and Strategic and Treasury staff coordinate detailed operations of endowment portfolio activities.

Collaborating with the Foundation Board, Investment Committee, and Treasury staff, a new Investment Policy Statement (IPS) was designed to define financial objectives and risk parameters and provide the framework for asset allocation guidelines, benchmarks, and risk control ranges. A new asset allocation strategy was developed relative to that policy. Implementation of the new portfolio was substantially complete as of March 31, 2017, except the private equity allocation which will be funded over time by incremental commitments every three years.

The endowment portfolio's investment returns were 6.2% for the fiscal year ending September 30, 2018. This is above the policy benchmark of 5.7% for the fiscal year and ranks in the 59<sup>th</sup> percentile of the Wilshire TUCS peer universe of endowments. The Wilshire TUCS peer universe consists of non-profit plans of \$100 million to \$1 billion.

**Submitted by: William R. Decatur, Vice President, Finance and Business Operations**

During fiscal year 2018, U.S. equity markets performed very strongly, with a return in excess of 17%, driven by a strong U.S. economy and strong corporate profits. Non-U.S. equity markets lagged U.S. markets significantly and were only modestly positive for the year. The broad fixed income benchmark was slightly negative (-0.8%) for the fiscal year, reflecting the impact of rising interest rates. Relative returns for the Foundation at the total portfolio level were slightly above benchmark as mentioned above, with strong relative returns in hedge funds and fixed income, and returns slightly behind benchmark in equities. Relative to peers, the portfolio was hurt by a lower private equity exposure, as private equity performed well in fiscal year 2018.

The following additional information is attached:

- Performance Summary
- Historical graph of the fiscal year end values and performance of the endowment funds
- List of the current members of the Committee

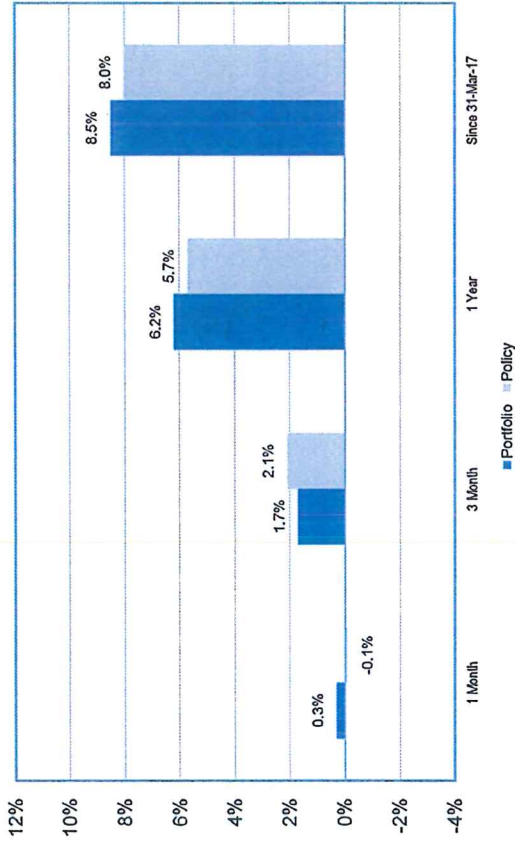
# MONTHLY PERFORMANCE REPORT

The Wayne State University Foundation

September 30, 2018



## PORTFOLIO PERFORMANCE

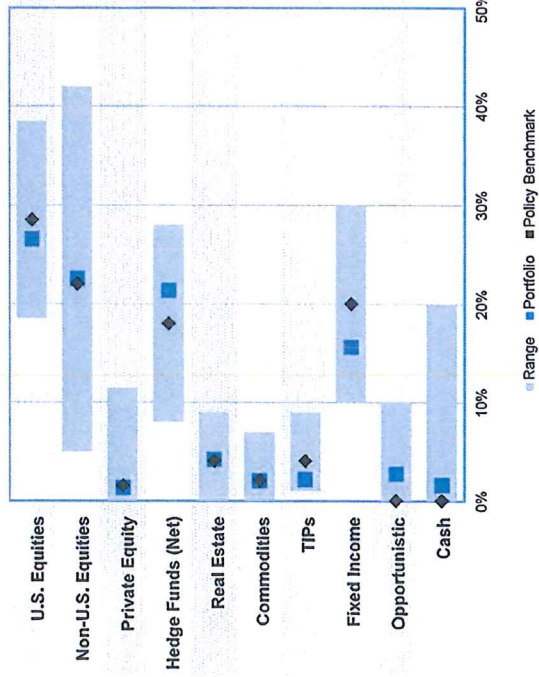


## MARKET COMMENTARY

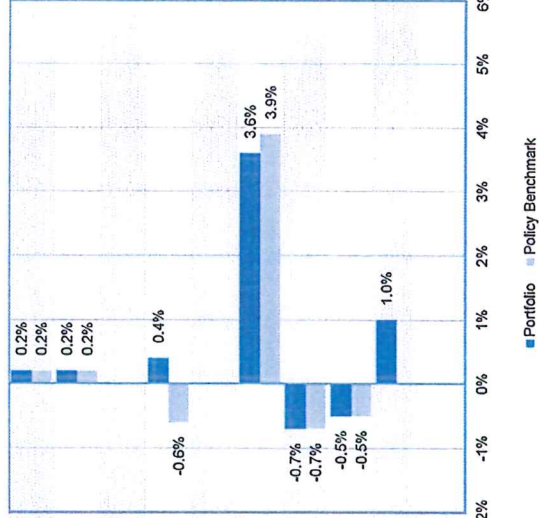
Economic and geopolitical developments led to divergence across global equity markets in September. U.S. stocks rose modestly to new highs while non-U.S. markets posted mixed results. European assets stalled amid a policy shakeup in Turkey and a budget crisis in Italy, while Japan surged forward on strong economic growth. Within emerging equity markets, Latin American gains and support from resurgent oil prices countered losses in Chinese equities. The Fed raised rates for a third time this year while maintaining their pace for future hikes. The U.S. yield curve flattened further. Commodities rose as Brent crude reached \$80/barrel for the first time in four years.

## ASSET CLASS ALLOCATIONS AND PERFORMANCE

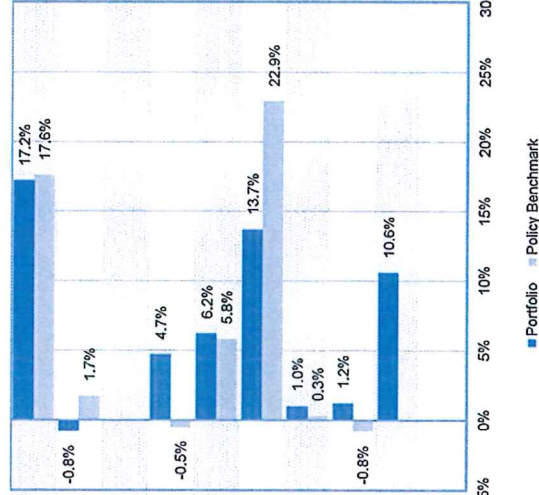
### Asset Allocation and Policy Ranges



### Performance: 1 Month



### Performance: 1 Year





# PERFORMANCE SUMMARY

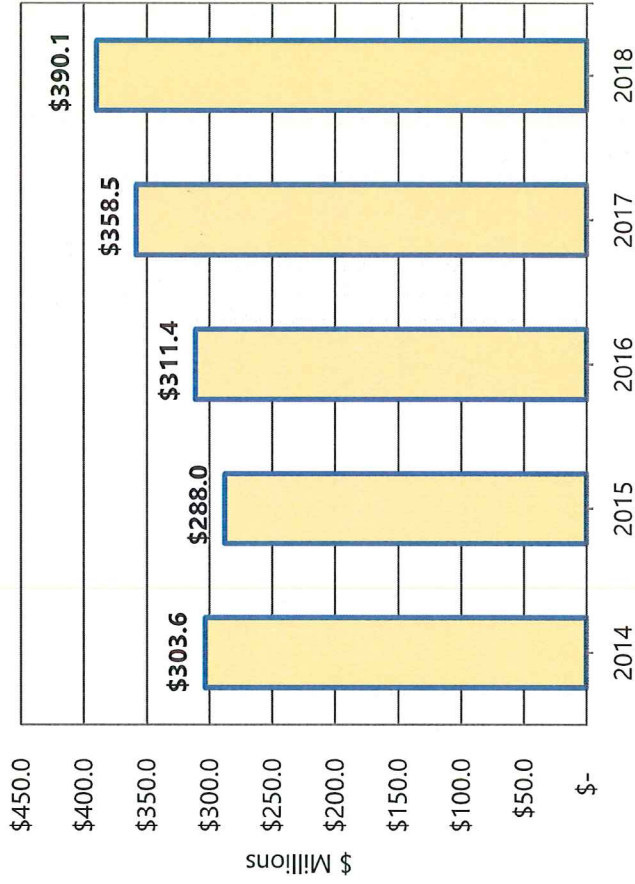
The Wayne State University Foundation  
September 30, 2018



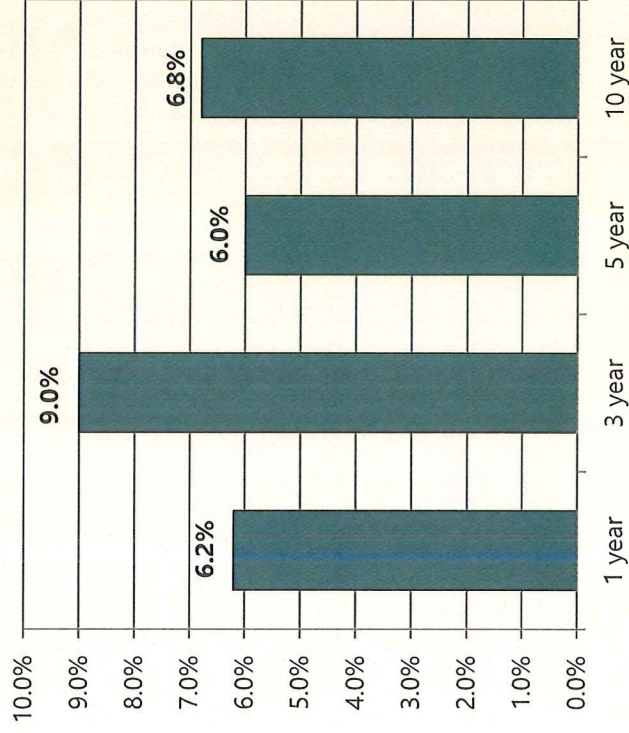
Asset Class Benchmark	Market Value (\$ mill)	Total Portfolio (%)	Rates of Return (%)										Since Inception Date
			1 Month	3 Month	Fiscal Year To Date	Calendar Year To Date	1 Year	3 Year	5 Year	10 Year	Since Policy Inception		
<b>U.S. Equity</b>	87.592	22.5%	0.2	6.8	17.2	10.4	17.2	16.8	12.9	11.3	17.7	9.1	30-Nov-95
U.S. Equity Policy Benchmark			0.2	7.1	17.6	10.6	17.6	-	-	-	17.1	-	
<b>Non-U.S. Equity</b>	78.077	20.0%	0.2	(0.6)	(0.8)	(5.2)	9.7	3.6	6.1	6.1	9.0	8.1	30-Sep-02
Non-U.S. Equity Policy Benchmark			0.2	0.3	1.7	(3.5)	1.7	-	-	-	9.6	-	
<b>Global Equity</b>	25.741	6.6%	1.0	3.3	13.0	9.2	13.0	18.3	18.4	14.0	13.7	18.4	17-Feb-17
Global Equity Benchmark			0.6	5.0	11.2	5.4	11.2	-	-	-	14.2	14.6	30-Sep-16
<b>Total Equity</b>	191.410	49.1%	0.3	3.3	9.0	3.7	9.0	-	-	-	-	-	
<b>Private Equity - IRR</b>	5.049	1.3%	-	-	-	-	-	-	-	-	-	-	30-Sep-16
Private Equity Policy Benchmark - IRR			-	-	-	-	-	-	-	-	-	-	
<b>Hedge Funds (Net Exposure)</b>	83.179	21.3%	0.4	0.5	4.7	3.9	4.7	3.5	3.2	3.2	3.5	3.2	28-Feb-17
Hedge Funds Policy Benchmark			(0.6)	(0.3)	(0.5)	(1.5)	(0.5)	-	-	-	1.2	1.0	
<b>Total Alternatives</b>	88.227	22.6%	0.3	0.4	4.5	3.8	4.5	-	-	-	3.3	2.3	28-Feb-17
<b>Real Estate - IRR</b>	16.269	4.2%	-	0.9	6.2	4.4	6.2	-	-	-	6.6	6.6	31-Mar-17
Real Estate Policy Benchmark - IRR			-	0.0	5.8	3.8	5.8	-	-	-	6.1	6.1	
<b>Commodities</b>	7.767	2.0%	3.6	(0.9)	13.7	6.0	13.7	-	-	-	11.1	9.8	30-Sep-16
Commodities Policy Benchmark			3.9	1.3	22.9	11.8	22.9	-	-	-	15.8	12.7	
<b>TIPS</b>	8.433	2.2%	(0.7)	(0.5)	1.0	0.3	1.0	0.3	0.7	0.7	0.4	0.7	07-Mar-17
TIPS Policy Benchmark			(0.7)	(0.4)	0.3	(0.2)	0.3	-	-	-	0.4	0.7	
<b>Total Real Assets</b>	32.469	8.3%	1.1	0.1	6.7	3.7	6.7	-	-	-	5.8	6.6	30-Sep-16
<b>U.S. Fixed Income</b>	60.920	15.6%	(0.5)	(0.1)	1.2	0.7	1.2	4.9	3.7	6.4	2.3	6.2	30-Jun-96
U.S. Fixed Income Policy Benchmark			(0.5)	0.3	(0.8)	(1.2)	(0.8)	-	-	-	1.1	-	
<b>Total Fixed Income</b>	60.920	15.6%	(0.5)	(0.1)	1.2	0.7	1.2	-	-	-	2.3	4.4	30-Sep-16
<b>Opportunistic</b>	10.642	2.7%	1.0	2.3	10.6	5.7	10.6	-	-	-	11.5	11.8	30-Sep-16
Opportunistic Benchmark			0.0	0.9	3.5	1.8	3.5	-	-	-	4.5	7.1	
<b>Total Opportunistic</b>	10.642	2.7%	1.0	2.3	10.6	5.7	10.6	-	-	-	11.5	11.8	30-Sep-16
<b>Total Cash, Accruals, and Pending Trades</b>	6.413	1.6%	-	-	-	-	-	-	-	-	-	-	30-Sep-09
<b>The Wayne State University Foundation Portfolio (Net of Sub-Mgr Fees)</b>	390.082	100.0%	0.3	1.8	6.5	3.3	6.5	9.0	6.0	6.8	8.8	7.2	30-Nov-95
<b>The Wayne State University Foundation Portfolio (Net of Sub-Mgr and Strategic Fees)</b>	390.082	100.0%	0.3	1.7	6.2	3.1	6.2	-	-	-	8.5	-	31-Mar-17
Total Portfolio Policy Benchmark			(0.1)	2.1	5.9	2.2	5.9	9.3	7.2	7.1	8.1	7.6	
Total Portfolio Policy Benchmark (Net of Fees)			(0.1)	2.1	5.7	2.1	5.7	-	-	-	8.0	-	

Continued growth and strong performance of Foundation's Endowment Portfolio provides funds to support the University's students and in the future.

**Total Investments**  
**(as of 09/30/2018)\***



**Investment Performance**  
**(as of 09/30/2018)\*\***



\* Common Trust Fund (CTF) investments.

\*\* The current investment policy with Strategic Investment Group was inception on March 31, 2017. One year performance is shown net of sub-manager and Strategic fees. Three, five, and ten year annualized performance figures are shown net of sub-manager fees.



# Investment Committee Members

Ms. Susan E. Burns

Vice President, Development and Alumni Affairs, Wayne State University  
President Wayne State University Foundation

Mr. William Decatur

Vice President, Finance & Business Operations & Treasurer, Wayne State University

Mr. Paul A. Glantz

Co-Founder/Chairman, Emagine Entertainment, Inc.

Ms. Denise J. Lewis

Partner, Honigman, Miller, Schwartz and Cohn LLP

Mr. David Meador

Vice Chairman and Chief Administrative Officer, DTE Energy

Mr. Dennis J. Mooradian

Retired President, CEO and Chairman, HighMark Capital Management, Inc.

Mr. Mark Rolling

Vice President, Treasurer and Investor Relations, DTE Energy

Mr. James C. Roumell (Chair)

President, Roumell Asset Management, LLC

Mr. Frederick J. Sievert

Retired President, New York Life Insurance Company

