



CONTENTS

	<u>PAGE</u>
Annual Investment Report	2
Annual Debt Management Report	9
Annual Derivatives Report	15

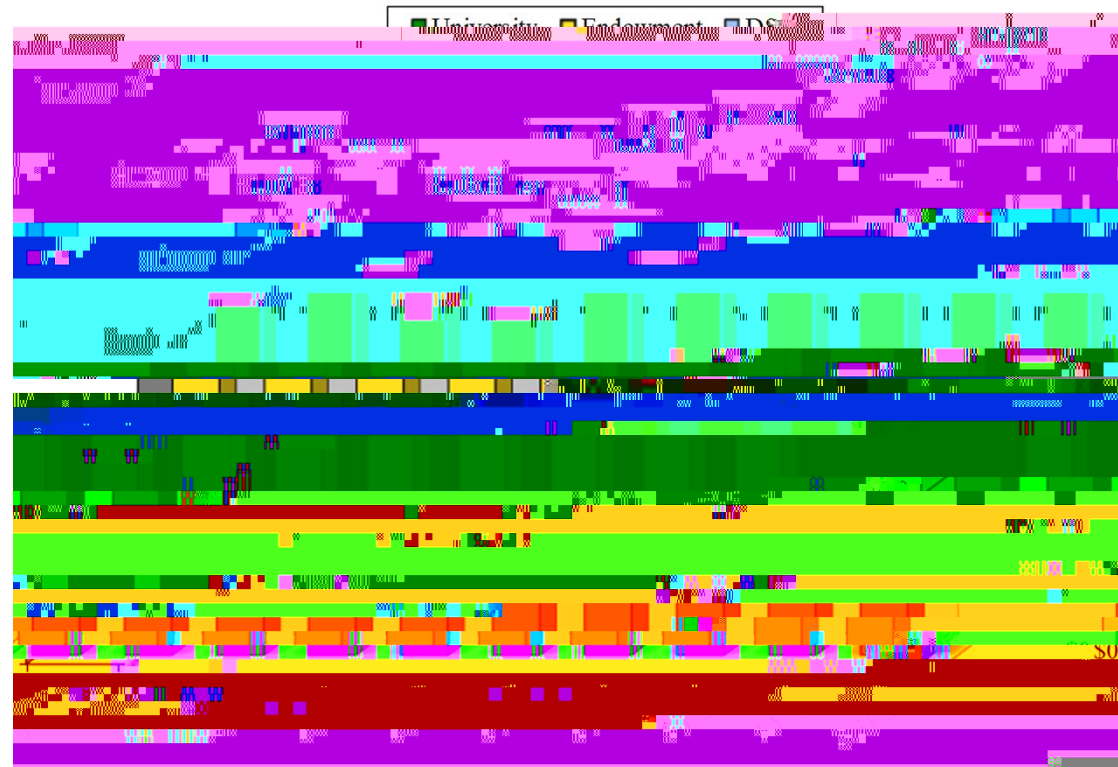


Annual Investment Report

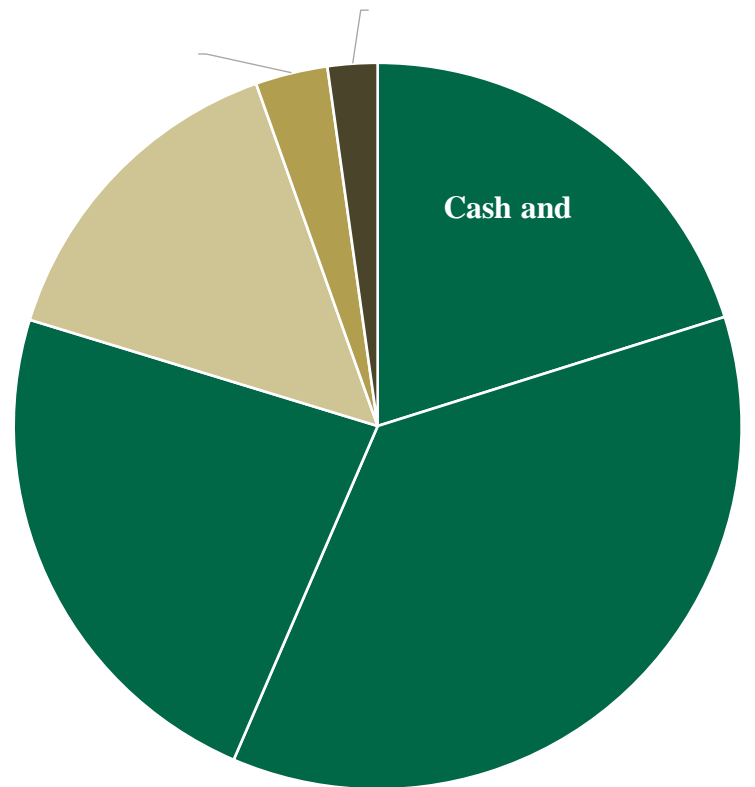
USF SYSTEM PORTFOLIOS – GOVERNANCE AND OVERVIEW

- **All Investment Portfolios Governed by the Board of Trustees Investment Policy**
 - 9 Operating Portfolios / 1 Endowment Portfolio
- **All Investment Portfolios Governed by Investment Committees**
- **Central Oversight of All Investment Portfolios**
- **Combined USF System Portfolio – \$1.5 Billion, Up \$80 Million over 2018**

All Portfolios in Compliance with BOT Investment Policy



USF SYSTEM PORTFOLIOS – Balances as of 3/31/19



UNIVERSITY PORTFOLIO – FY 2019 PERFORMANCE VS BENCHMARKS

As of June 30, 2019

Asset Class	Market Value	1-Yr Return	3-Yr Return	5-Yr Return	Since Inception
Total Assets	\$769.9 M	5.5%	3.8%	2.6%	3.1%
Total Assets Benchmark		5.4%	3.8%	2.6%	2.8%
Value Add		0.1%	0.0%	0.0%	0.3%

Total Long-Term Pool	\$149.7 M	6.7%	10.0%	5.3%	7.6%
Long-Term Benchmark		6.2%	9.8%	5.4%	6.6%
Value Add		0.5%	0.2%	(0.1%)	1.0%
Domestic Equity	\$109.7 M	10.3%	14.1%	10.7%	13.9%
International Equity	\$23.7 M	3.9%	9.7%	3.0%	6.0%
Emerging Markets	\$16.3 M	3.3%	9.3%	2.3%	4.4%

Total Intermediate Pool	\$471.5 M	5.8%	2.2%	2.2%	2.8%
Intermediate Benchmark		5.3%	1.7%	1.8%	2.3%
Value Add		0.5%	0.5%	0.4%	0.5%
Fixed Income - Government	\$171.7 M	5.3%	1.7%	1.8%	2.3%
Fixed Income - Corporate	\$299.8 M	6.2%	2.5%	2.4%	3.0%

Cash and Equivalents	\$148.7 M	2.2%	1.2%	0.8%	0.7%
-----------------------------	------------------	-------------	-------------	-------------	-------------



UNIVERSITY PORTFOLIO – PERFORMANCE SINCE 2008

Investment Returns have been Stable and Positive in Every Year, Despite Market Volatility

- Delivered positive annual returns in down years for equity markets (2012, 2015, 2016) (see below)
- Portfolio has modest equity-beta and active manager risk
- Prudent allocation to equities added +190 bps to performance since inception (added \$99 M)

University Approved 20 New Investment Managers and Terminated 11 since 2008

In FY 2019, closed out REIT and Energy positions, terminated Alternative and Foreign Equity Managers, added to S&P 500 position and sold portion of Corporate Bonds

10-Year Risk Adjusted Returns

	<u>Return</u>	<u>Std Dev</u>	<u>Sharpe</u>
USF Portfolio –	4.5%	3.5%	1.17%
S&P 500 Index –	15.9%	12.7%	1.20%
Barclay’s Agg –	3.8%	2.8%	1.17%

12-Month Performance	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 (Preliminary)

UNIVERSITY PORTFOLIO – NEAR-TERM INITIATIVES

- **Manage Portfolio Exposure to Various Risks:**
 - Market volatility, interest rate risk, foreign market risk, foreign currency risk, investment liquidity risk, active manager risk
 - Structuring portfolio to balance these risks

- **Maintain Optimum Liquidity**

- **Monitor Investment Managers**

- **Active Assessment of Market Exposures**

- **Investment Discipline: Will Not Chase Yield by Accepting Higher Risk**

Annual Debt Management Report

DEBT OBJECTIVES – GOVERNANCE, COMPLIANCE, RATINGS, COST

DEBT PORTFOLIO

DEBT PORTFOLIO – UPGRADES, TRANSACTIONS, RESTRUCTURING

10 Ratings Upgrades (plus recent *Positive Outlook* on all rated series by S&P)

48+ Bond Transactions Closed – Total Exceeds \$1.8 Billion

- Issued only \$118 M of New Debt Over 10 Years
- Total Debt at 6/30/19 – \$383 M, Down from Peak of \$454 M in 2011
- Low Cost of Capital – 3.63%, Down from Peak of 4.28% in 2014
- NPV Savings on Refundings / Conversions – +\$27 M

Debt Structure Managed to Reduce Risk and/or Capitalize on Market Opportunities

- Mix of Debt – Private (49%), Public (51%) – Changed from 100% Public Debt in 2009
- Variable Rate Debt – \$59 M, 15% of Total Debt, Down from Peak of 65% in 2009
- Interest Rate Swaps – \$59 M, Down from Peak of \$278 M in 2008

**Debt Structured Conservatively.
Responsive to Market Opportunities.**

DEBT MANAGEMENT – DELEVERAGING



DEBT PORTFOLIO – NEAR-TERM INITIATIVES

- **USF Research Park Lab and Office Project - \$27 M**
 - Exceeds the BOT-Required 1.30x Debt Service Coverage (exceeds BOG 1.20x Requirement)
 - Approved by Financing Corporation and Board of Trustees
 - Scheduled for Approval by BOG in October 2019

- **Assess Debt Portfolio for Refinancing Candidates**

- **USF Sarasota-Manatee Student Housing Project – TBD; in Development**

Annual Derivatives Report

D

DERIVATIVES PORTFOLIO – 14-Year Managed Trend

USF System Derivatives – \$59 Million (6/30/19)

**Plan to Exit
Remaining Swaps**

Outstanding Derivatives - DSO Issues

