



# University of North Carolina Board of Trustees Finance Committee

*Board of Trustees Finance Committee  
August 10, 2021*

University of North Carolina  
Board of Trustees Finance Committee

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**All Portfolios in Compliance with BOT Investment Policy**

**Annual Investment Report**

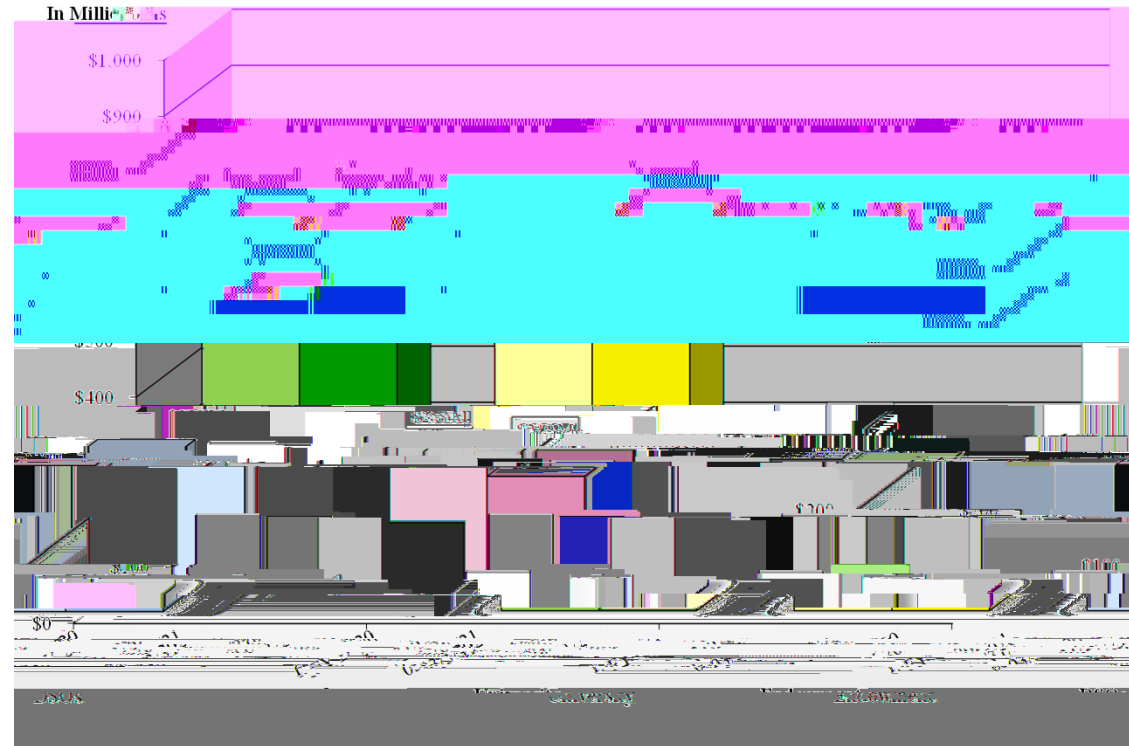
**EQODKPGF 32"KXPXGUV OGPV RQTVHQNKQU**

**Different Types of USF Portfolios:**

- ‡ Gpfqy o gpv
  - o Nqpi/vgt o "kpxguv o gpv" j qtk | qp
  - o Tgvtkevgf"
- ‡ Orgtcvkpi
  - o Ujqtv/vgt o "kpxguv o gpv" j qtk | qp
  - o Nkswkf"
  - o Wpkxgtukv { "cpf"cmn"FUQu

**Barometer of Financial Health:**

- ‡ Itqyv j "kp" rqtvhqnkqu" tghngevu" kpxguv o gpv rgtqto cpeg"cpf"pgv"ecu j "hnqy u



Combined Portfolio (In Millions)	University	Endowment	8 Other DSO Portfolios	USF's 10 Investment Portfolios
System Portfolio, 3/31/21	\$899	\$85	\$45	\$1,599
System Portfolio, 6/30/20	\$895	\$774	\$47	\$1,483
Change in System Portfolio	\$4	\$131	(\$19)	\$116

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**University Portfolio Objectives**

‡

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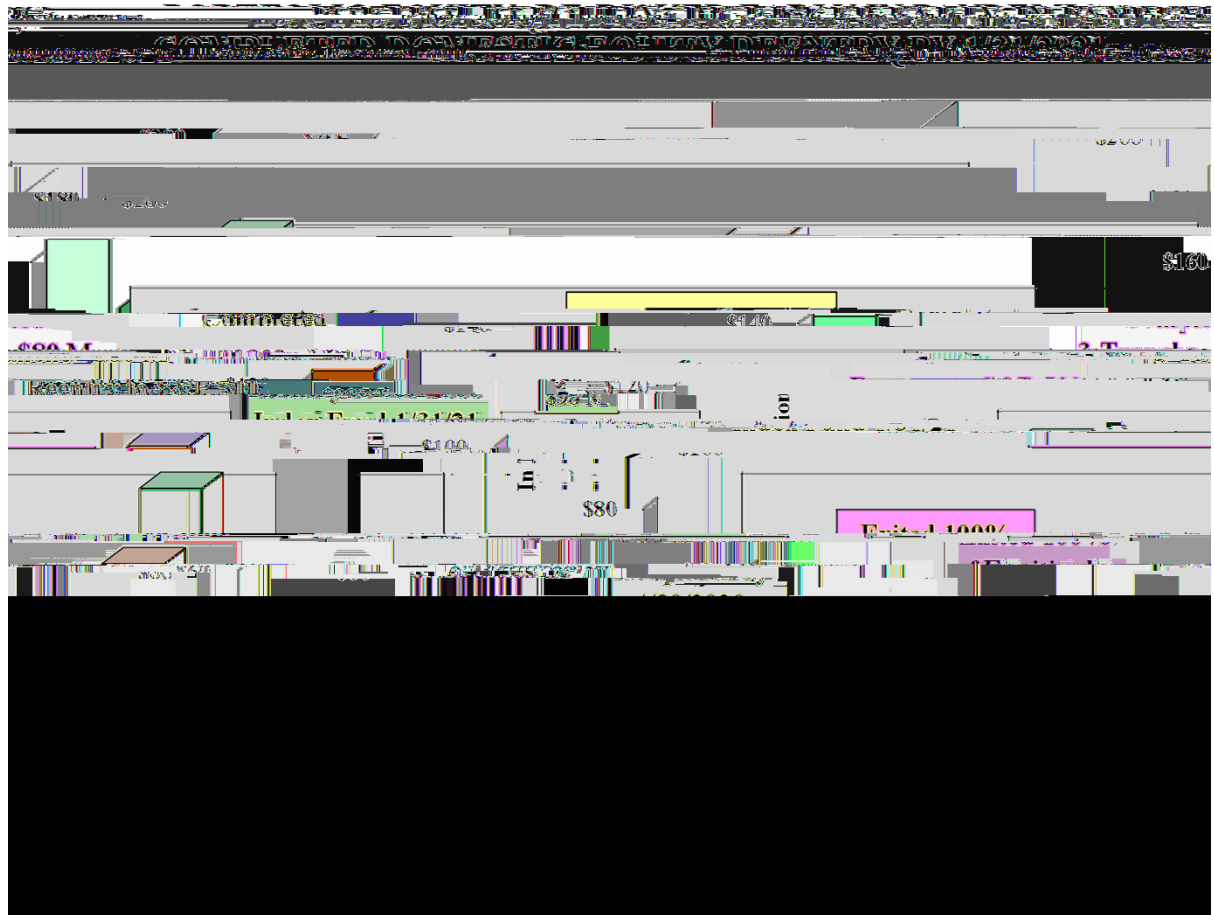
**Decisions Reduce Investment Risk**

**Decision to Exit All Equities – March 2020**

- ‡ Hcekp i "Wprtgeg fgpvgf" Geqpq o ke  
cpf" Octmgv" Tkum
- ‡ Rncegf" Gswkv { "Ucng" Rtqegg fu" kp  
Dqpfu" cpf" Ecu j "\*Uchg" J cxgp+

**Decision to Return to Equities**

- ‡ Tgvwtp" vq" Uvcdng" Octmgvu
- ‡ Tgguvcdnku j gf" Gswkv { "Rqukvkqpu"  
kp" 5" Vtcpe j gu<
- o &47" O "ó Ugrvg o dgt" 4242
- o &52" O "ó Pqxo dgt" 4242
- o &47" O "ó Lcpwct { "4243





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**Investment Returns – Stable and Positive in Every Year, Despite Market Downturns**

**USF 10-Year Risk-Adjusted Returns Exceed S&P 500 and Barclays Agg**

	<u>Tgwwtp</u>	<u>Uvf Fgx</u>	<u>Ujctrg</u>
fUSF Portfolio –	4.2%	3.2%	1.10%
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fDctenc{øu"C i i"ó 506 ' """"502 ' """"20;2 ' )			

**Actively Manage Portfolio to Achieve Stated Objectives**

**UNIVERSITY PORTFOLIO**

12-Month Performance	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Annual Investment Income (Loss)	\$10 M	\$14 M	\$27 M	\$6 M	\$10 M	\$25 M	\$18 M	\$41 M	\$4 M	\$27 M

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<b>Total Annualized Return</b>	<b>1.6%</b>	<b>2.7%</b>	<b>2.1%</b>	<b>0.7%</b>	<b>1.1%</b>	<b>3.5%</b>	<b>2.4%</b>	<b>5.5%</b>	<b>0.2%</b>	<b>4.0%</b>



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**Prudent Governance: Board of Trustees and USF Financing Corporation**

**Maintain “AA” Moody’s and Standard & Poor’s Credit Ratings**

**Compliance with BOT Debt Management Policy, BOG Regulations, St**

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**Moody's Affirmed USF "Aa2/Stable" Rating (5/12/21)**

x

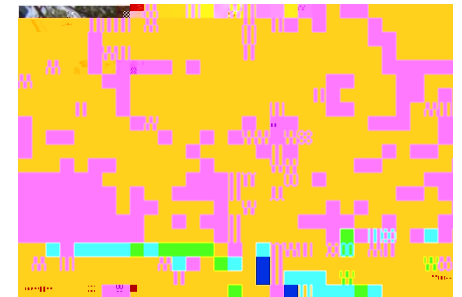
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**FY 2021 Transactions**

**Project Financing – Completed / Current**

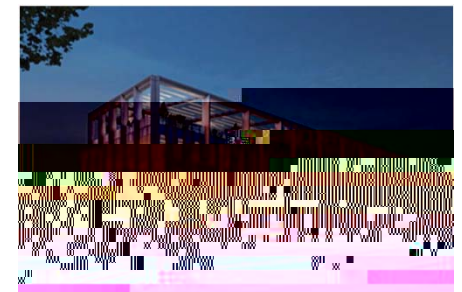
**x \$36 Million, 375-bed USF St. Petersburg Housing & Dining Project**

- o Hwpfgf"ykvj"&5207"O"rwdnke"dqpfu"cpf"&707"O"gswkv{
- o Fgukip/Eqpuvtwevkqp"Vgc o<"JE"Dgem
- o Jqwukpi"eqo rnvvgf"Lwn{"4242="Qp"vk o g"cpf"qp"dwfi gv
- o Fkpkpi"eqo rnvvgf"Lcpwct{"4243="Qxgt"dwfi gv"d{"&304"O



**x \$42 Million, 120,000 square-foot USF Research Laboratory and Office Building Project**

- o Hwpfgf"ykvj"&49"O"rtkxcvg"dcpm"nqcp"cpf"&37"O"gswkv{
- o Eqpuvtwevkqp"Ocp cigt"l"Ctejkvgev/Gpikpggt"Vgc o<"Umcpumc"l" Igpungt
- o Rtqlgev"wpfgt"eqpuvtwevkqp="Qp"vk o g"cpf"unkijvn{"dgnqy"dwfi gv
- o Gzrgevgf"eqo rnvvgkqp"fcvg"qh"Lcpwct{"4244



**Debt Restructuring – Completed**

**x \$30 Million Loan Refundings – Series 2018A&B Athletics and Series 2018 CAMLS**

- o Tghwpfgf"qwwvcpfkpi"nqcpu"vq"vcmg"cfxcpcvci g"qh"nqy"o ctmgv"kpvtgguv"tcvgu"ó Cwi wuv"4242
- o &308"O"PRX"ucxkpiu"qxgt"vjg"vgt o"qh"vjg"pqvg"ó 8 ' "PRX."gzeggf"DQI"7 ' "tgswkto gpv
- o Pq"pgy"eqxgpcpvu="Pq"ejcpi g"vq"hkpcn"o cvwtkv{"fcvgu"qh"4253



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**FY 2022 Transactions**

**Project Financing – Anticipated**

- x **Central Plant Guaranteed Energy Performance Savings Contract**
  - o 33% 34% Operating Expense
  - o Term of 10 years, starting in 2022, with a 5-year option to extend.
  - o The contract is for the purchase of energy services for the University's central plant.
  - o The contract is for a period of 10 years, starting in 2022, with a 5-year option to extend.

**Debt Restructuring – Current**

- x **\$45 Million Bond Conversions – Series 2013A&B Health – Tax-Exempt to Taxable Rate**
  - o The University is converting its Series 2013A&B Health bonds from tax-exempt to taxable rate.
  - o The conversion is being completed in 2022.
  - o The conversion is being completed in 2022.
  - o The conversion is being completed in 2022.
  - o The conversion is being completed in 2022.
  - o The conversion is being completed in 2022.
  - o The conversion is being completed in 2022.

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### **Debt Structure Managed to Reduce Risk, Cost and Capitalize on Market Opportunities**

#### **Active Debt Management - \$1.8 Billion in Closed Transactions Since 2005 (49 Total)**

- x Nqy"equv"qh"ecrkvcn"ó 5084 ' ."fqyp"htqo"rgcm"qh"604: ' "kp"4236
- x PRX"ucxkpiu"qp"tghwpfkpiu"ó &52"Oknnkqp

### **Rating Agency Recognition of USF Management**

- x 35"tcvkpiu"wr itc fgu"kp"32" {gctu"
- x Oqqf {øu"cpf"U ( R"chhkt o gf"Wpkxgtukv {øu"õCc4lUvcdngö"cpf"õCClUvcdngö"tcvkpiu"kp"urtkpi"4243

### **P3s Operating as Expected**

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**Housing System \***

**FY 2018**

**FY 2019**

**FY 2020 \*\***

**FY 2021 \*\*  
(estimated)**

**FY 2022 \*\*  
(budget)**





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### **\$28 M USF Marshall Student Center (Aa3/AA)**

- x Cppwcn"fgdv"ugtxkeg"rc{o gpvu"?"&406"O"\*H["4244+

### **Recovery from Pandemic; Maintenance of Reserves**

- x Tgxgpwgu"fgenkpgf"kp"H["4242"cpf"H["4243"fwg"vq"rcpfgoke="gzrgevfg"tgvwtp"vq"  
rtg/rcpfgoke"ngxgnu"kp"H["4244
- x Gzrgpugu"ocpcigf"fqypycf"kp"H["4242"cpf"H["4243="eqpvkpwgf"gzrgpug"ocpcigogpv"kp"H["4244
- x Tgugtxgu"tgo ckp"uvtqpi"fgurkvg"wug"qh"&5"O"vq"uwr rqtv"qrgtcvkqpu"kp"H["4243  
o

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**Winding Down Swaps**

**Prudent Governance – Board of Trustees and Financing Corporation**

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**Manage Long-Term Cost of Capital**

- x Jgf igf"Xctkcdng" Tcvg"Dqpfu"ó Rtqxfkf" c"Nqygt" Equv"qh" Ecrkvcn"ó Tgswktgu" Cevkxg" Ocpicigogpv
- x Ocvjgf" Ocvwtkvkgu"qh" Dqpfu"vq" Eqkpekfg" ykvj" Ocvwtkpi" Rc{/Hkzgf"Kpvgtguv" Tcvg"Uycru
- x &447"O" Tgfwevkqp"kp"Uycru"qxgt"35" [gctu"ó Ecrkvcnk|gf"qp" Ocvwtkpi"Uycru"vq" Tghwpf" Dqpfu
- x Ykpfkpi" Fqyp"Uycr" Rqtvhqnkq"ó Pq" Pgy"Uycru" Ukpeg"4229
  - o 3"Uycr" Ewttgpvn{"Qwvucpfkpi"ó &75"O
  - o Yknn"vgtokpcvg"uycr"cpf"eqpxgtv" dqpfu"vq" hkzgf" tcvg" yjgp"
    - vgtokpcvkqp"xcnwg"ku" rqukvkxg

As of June 30, 2021

Program	Swap Counterparty	Expiration Date	USF Optional Termination Rights	Collateral Posted	Fixed Swap Rate	Total Outstanding
Jqwukpi	Tq{cn"Dcpm"qh"Ecpcfc"	9/31/25	[gu	&50;8"O	50;6'	&75"O
<b>TOTAL USF DSO SWAPS</b>				<b>\$3.96 M</b>	<b>3.94%</b>	<b>\$53 M</b>



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16-Year Managed Trend

USF Derivatives – \$53 Million (6/30/21)

Outstanding Derivatives - D6

