



UNIVERSITY
OF ILLINOIS
SYSTEM

The University of Illinois System is among the preeminent public university systems in the nation and strives constantly to sustain and enhance its quality in teaching, research, public service, healthcare, and economic development.

2026 FY ANNUAL REPORT



OFFICE OF INVESTMENTS

Under supervision of the CFO, the Office of Investments manages the University System's invested assets, including farmland donated to the University. Operating and LTIP assets are invested through carefully selected external investment firms, while farmland is managed internally by the Agricultural Property Services department.

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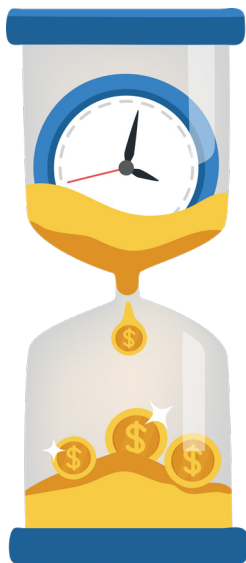
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Introduction

We are pleased to present the University of Illinois System Office of Investments Annual Report for the fiscal year ended June 30, 2026.

Fiscal year 2026 was characterized by steady U.S. growth, continued strength in AI-related investment, persistent inflation pressures, and renewed geopolitical uncertainty in the Middle East. Public equities posted strong gains, led by semiconductors and international markets, while real asset markets were supported by demand tied to commodities. Fixed income markets delivered modest positive returns as credit remained resilient despite higher yields. The private equity environment improved selectively, although valuation uncertainty and the J-curve effect associated with newer investments weighed on near-term returns. Market volatility and differences in performance between U.S. and international equities created opportunities to rebalance the Long-Term Investment Pool (LTIP) toward the newly approved asset allocation study. The system adjusted exposures in a disciplined manner while maintaining the portfolio's long-term strategic positioning.

Program-specific positioning also influenced results. Our passive approach to public equity continued to provide effective broad-market exposure in an environment where returns remained concentrated among a relatively small group of technology and AI-related companies. In private equity, performance reflected the expected early-stage effects of newer commitments and a still-limited realization environment. At the same time, the system continued to deploy capital with high-conviction managers, building a more diversified and intentionally constructed portfolio that should contribute more meaningfully as the investments mature.



Absolute returns were strong across both pools, with the LTIP returning 14.6% and the Operating Pool returning 3.8%. Together, the pools distributed \$216 million to support system operations and priorities. The FY25 asset allocation study established a clear framework for the next phase of portfolio implementation. Strong liquidity, disciplined pacing, and access to high-quality investment opportunities leave both pools well positioned to execute the new allocation while remaining responsive to changing market conditions.

Enclosed is an overview of invested assets, along with key performance and asset allocation metrics for both pools. The fee summary, security inventory, and transaction report are included as separate reports.

Office of Investments Overview

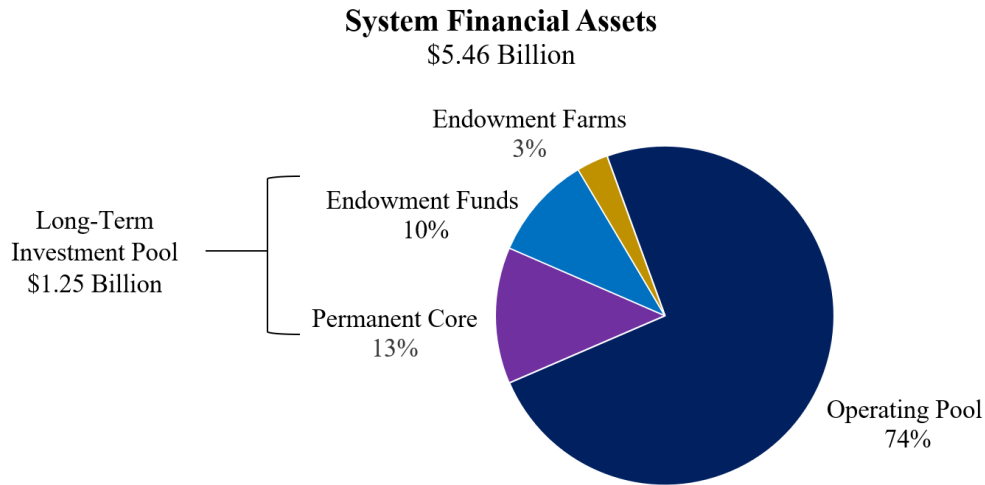
Under supervision of the Chief Financial Officer (CFO), the Office of Investments manages the University of Illinois System's invested assets, including farmland donated to the university. Operating and LTIP assets are invested through carefully selected external investment firms, while farmland is managed internally by the Agricultural Property Services department.

The University of Illinois System Board of Trustees (BOT) establishes policies for managing system asset pools. The Investment Policy sets forth asset allocation ranges for the LTIP and operating pool. The Audit, Budget, Finance, and Facilities (ABFF) Committee of the BOT reviews asset allocation and performance and makes recommendations to the BOT regarding investment policy. The BOT has delegated to the CFO management of the system's assets within the BOT approved policies. The CFO has charged the Investment Office with the day-to-day management of the investment program. It is important to note that the assets managed by the Office of Investments are distinct from those managed by the University of Illinois Foundation (UIF). UIF is a university-related organization with an independent board.



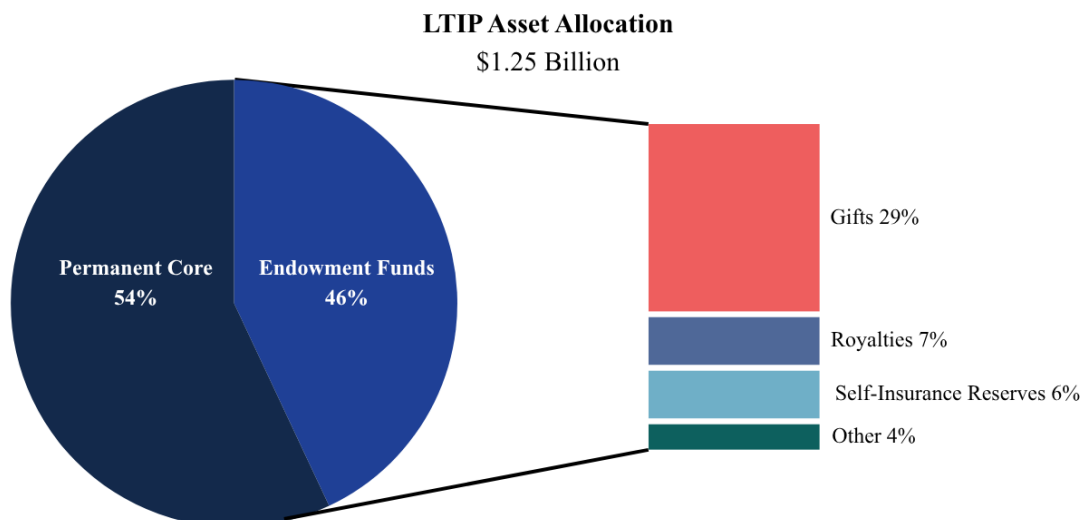
Financial Asset Overview

The Investment Office manages two investment portfolios, the Long-Term Investment Pool (LTIP) and the Operating Pool. The permanent core is an investment of Operating Pool funds that, combined with the endowment funds, forms the LTIP. Endowment farms are managed by the Agricultural Property Services Office. The distribution of the collective pools are listed below.



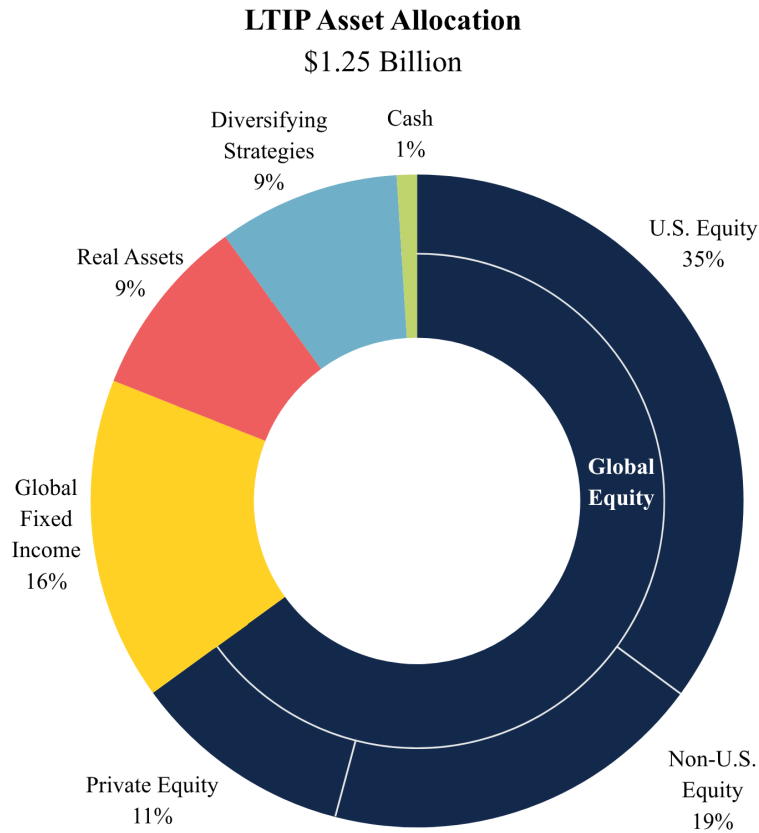
LONG TERM INVESTMENT POOL

The LTIP (market value \$1.25 billion) consists of two categories of funding. The first source is **Endowment Funds**, defined as financial assets of the University of Illinois System that have been deemed appropriate for long-term investment. Endowment funds comprise 46% of the LTIP. The second source of funding consists of operating pool funds that are managed as part of the LTIP—the **Permanent Core**. This comprises 54% of the LTIP. The composition of the funding sources are listed below.

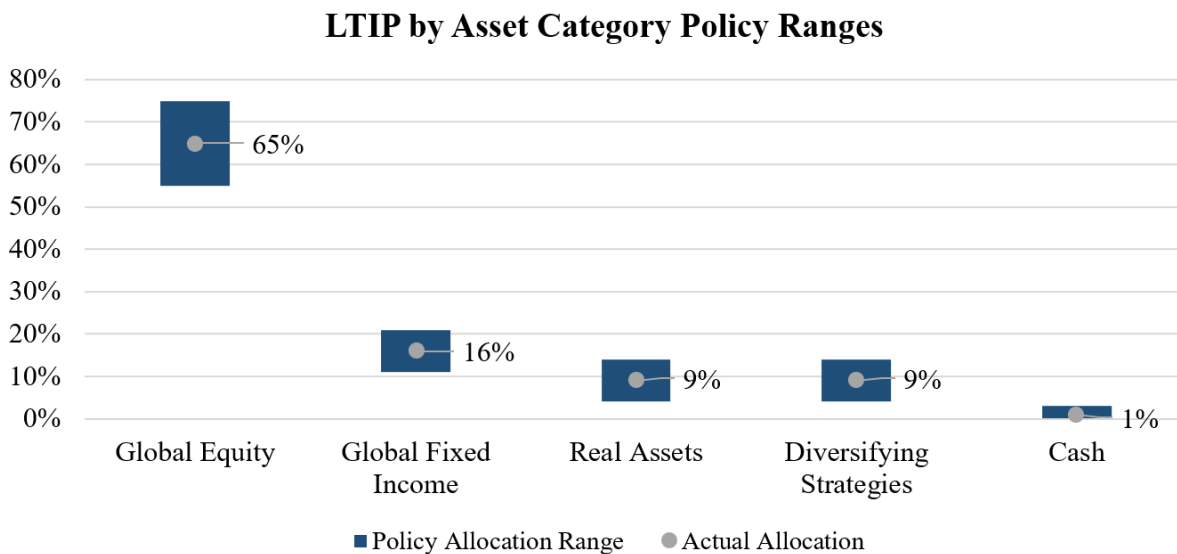


Asset Allocation

The LTIP is invested across a variety of asset classes in accordance with policy approved by the Board of Trustees (BOT). The current distribution of LTIP funds across primary and sub-asset classes are listed below.



The actual allocations to long term policy ranges are listed below. All asset classes remain within policy ranges.



The fiscal year 2025 asset allocation study provided a 12-month implementation period for public markets, allowing exposures to be adjusted at a measured pace. Public market rebalancing was largely completed by fiscal-year end with allocations approaching their target weights. Private market implementation will occur over multiple years as capital is called for new investments, supporting disciplined pacing and appropriate vintage-year diversification.

Spending Policy

The investment objective of the LTIP is to preserve the purchasing power of pool assets and provide annual support for an infinite period.

The LTIP annual spending policy for fiscal year 2026 is based on a percentage of a six-year moving average of the unit market value of the LTIP.

The spending rate—set by the Comptroller annually in consultation with the President—is 5.3%, inclusive of a 1.2% administrative fee.

The LTIP distributed approximately \$33.3 million during the 2026 fiscal year (inclusive of the administrative fee and excluding income distributed from the permanent core allocation).

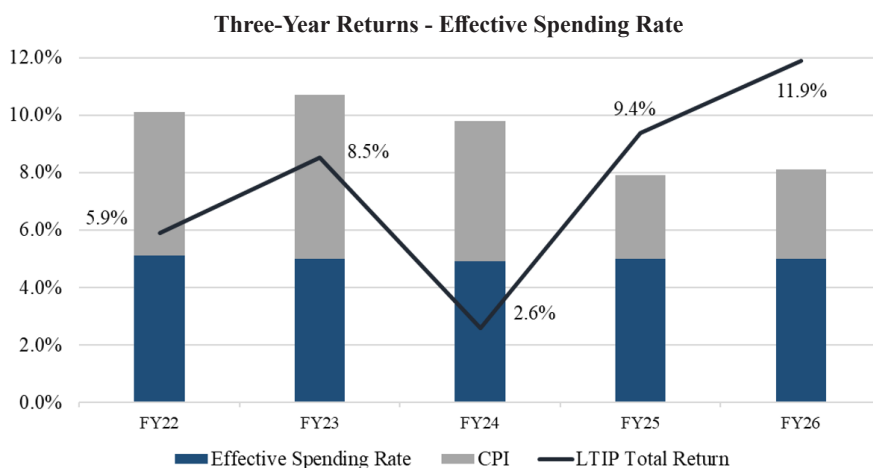


Performance Measurement

A variety of approaches can be taken in measuring investment performance. Three methods — (1) total return relative to the combined rate of spending and inflation, (2) total return relative to the performance benchmark, and (3) cash flow activity—are presented below to provide a holistic view of LTIP performance.

1. Total Return Relative to Spending and Inflation Rates

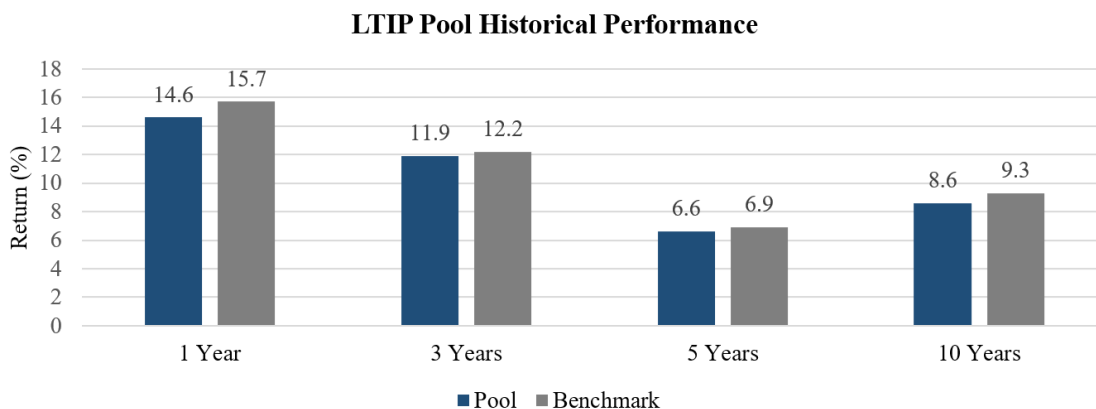
Below are the three-year returns as of fiscal years 2022-2026 presented relative to the LTIP's hurdle rate (i.e., effective spending rate plus the consumer price index (CPI)).



The effective spending rate is inclusive of the administrative fee. This comparison provides a medium-term assessment of whether LTIP returns are sufficient to offset inflation and spending. LTIP returns exceeded the hurdle rate for the two most recent periods. The fiscal year 2025 asset allocation study increased exposure to growth sectors (public and private equity) while reducing a high allocation to fixed income. This is expected to improve future results.

2. Total Return Relative to Performance Benchmark

The LTIP produced strong absolute results but lagged its benchmark, with U.S. and international public equities serving as the primary return drivers. The one-year shortfall also affected relative performance over longer measurement periods. Real assets and fixed income exceeded their respective benchmarks, while international public equity, private equity, and diversifying strategies lagged. Within international public equity, geopolitical tensions and energy market disruptions created a less supportive environment for the portfolio's low-carbon positioning. Private equity results reflect J-curve dynamics associated with newer investments, while the diversifying strategies portfolio's intentionally low equity market sensitivity limited its participation in strong equity markets.





▶ 3. Cash Flow Activity

The LTIP balance is impacted by three factors — net additions, the spending distribution, and capital appreciation. Below is the impact of these factors on the pool (excluding the permanent core allocation) over a ten-year period as of June 30, 2026.

Summary of LTIP Activity
FY17 - FY26
(All figures in millions)

Ten Year Totals

Beginning Balance:	319.6
Net Additions:	+ 71.0
Distributions:	- 214.2
Capital Appreciation:	+ 366.5
Ending Balance:	542.9

Operating Pool

The Operating Pool (market value \$4.04 billion) consists of funds available for current use by academic and administrative units within the university system. The pool includes tuition and fees, student loan funds, self-insurance programs, and hospital and auxiliary funds. The consolidated management of funds provides robust tracking and efficient investment management.

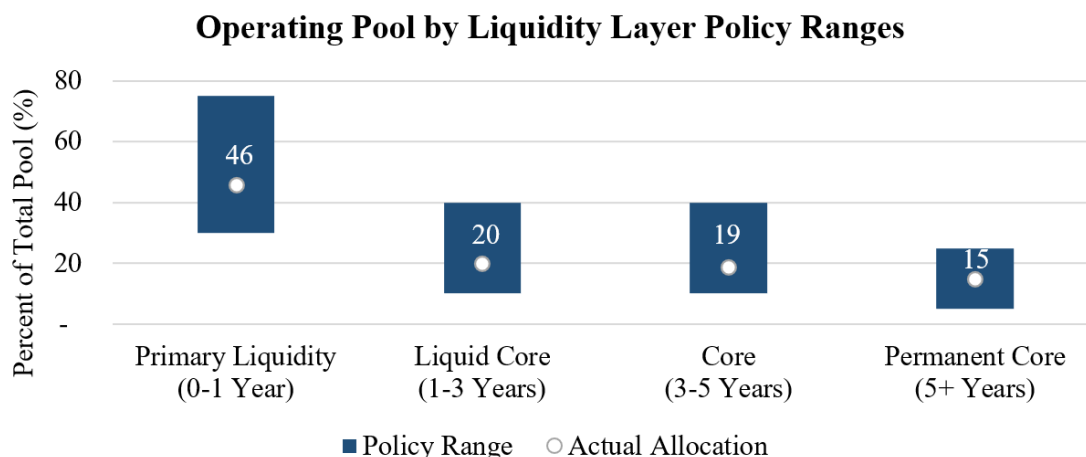
The investment objective for the operating pool is to preserve the value of the principal, maintain liquidity appropriate to the forecasted working capital requirements of the university system, provide prudent diversification, and maximize the rate of return on investment. Income from the pool is returned to units in proportion to their share of the assets. During fiscal year 2026, \$182 million was distributed from the operating pool (including the permanent core allocation) after banking and investment management fees were paid.



Asset Allocation

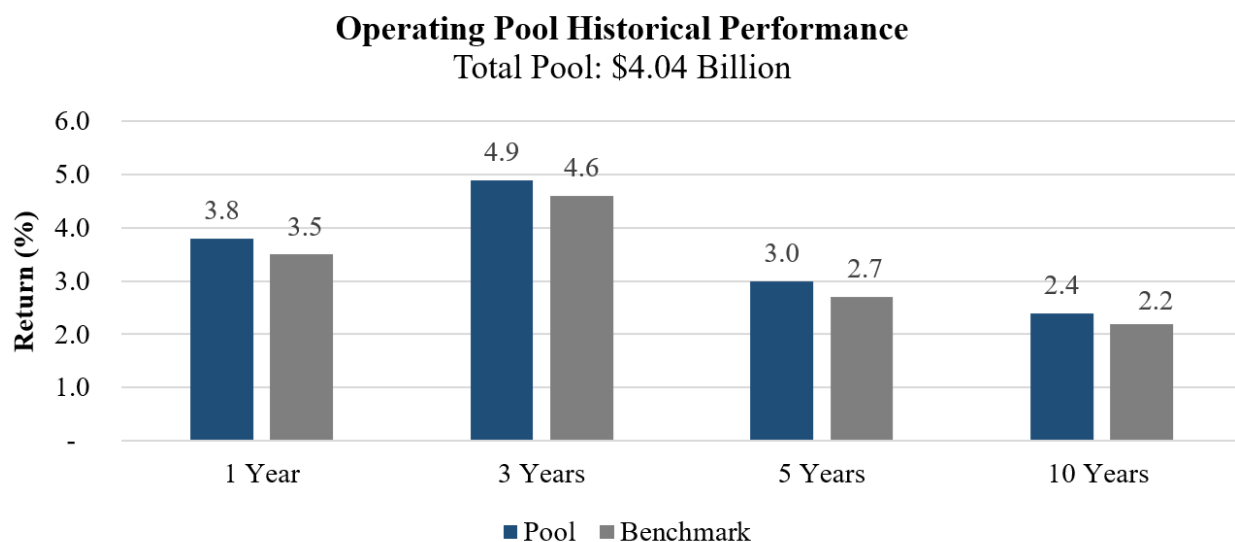
Operating pool assets are invested in fixed income securities and cash equivalents. The assets are allocated by liquidity layer. Investment managers within a given liquidity layer follow fundamentally consistent investment guidelines that set forth restrictions on duration, credit quality, diversification, performance benchmarks, and permissible security types, amongst others. Provided that state regulation does not allow the university system to borrow for working capital, the operating pool has ample liquidity and is of high quality with an average AA-credit rating.

Below is the operating pool's asset allocation on June 30, 2026, within the policy ranges by liquidity layer.



Performance Measurement

Operating pool managers have consistently outperformed the performance benchmark. Below is the historical performance relative to the performance benchmark.



*NOTE: The total operating pool market value does not include the permanent core allocation. This allocation is included in the LTIP market value.



Financial Impact

The investment program generates investment income, as well as investment management costs, to the University of Illinois System. All costs are offset or paid directly from investment income. The Investment Office works diligently to maintain the cost structure at a reasonable level.

Income Distribution

During the 2026 fiscal year, the investment program distributed income of \$218 million (\$215.7 million + farm) to units across the University of Illinois System after paying investment management fees.

Below is the summary of the distribution by source.

LTIP Pool:	\$33.3 million
Operating Pool:	\$182.4 million
Endowment Farms:	\$1.9 million
Total Distribution:	\$217.6 million

Program Costs

The most significant cost to the investment program is external counterparty (i.e., investment manager, custody, investment consultant) fees. For fiscal year 2026, this comprised \$16.8 million or 31 basis points of total assets. Investment manager fees are net against performance. The fiscal year 2026 fee summary is included separately in the board materials. Internal investment expenses comprise \$864k. In total, investment office expenses comprised less than 2 basis points (0.02%) of total assets or 7 basis points (0.07%) of LTIP assets.

The fiscal year 2026 security listing and LTIP transaction report have also been included as separate attachments in the board materials.



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