

The University of Iowa Center for Advancement (UICA) Quarterly Investment Report – March 31, 2025

Overview

Attached you will find the investment performance report for the period ending March 31, 2025. Financial market sentiment in the first quarter of the calendar year shifted against the long-running trend of strength in US Equities, which underperformed non-US Equities and fixed income. Positive returns within US Equities were concentrated in more defensive sectors. The market continues to expect interest rate cuts before rate hikes, but expectations are now for modest policy activity and a delay into later in the year.

The Long-Term Pool (LTP) returned -0.7 percent for the quarter, 4.7, 5.1, 11.8, and 6.8 percent respectively for the one-, three-, five-, and 10-year periods.

Global Equity

The global equity composite returned -1.5 percent during the quarter, 5.4 percent over the past year and an annualized 7.3, 16.0, and 9.8 percent over the past three-, five- and 10-year periods.

As mentioned above, US indexes lagged international indexes. Market commentary focused on policy uncertainty from the new administration and waning confidence in the speed and magnitude of expected interest rate cuts. Commentary noted that inflation remained low, but with uncertain forward prospects. Capital markets responded accordingly by prioritizing defensive and near-term cashflow.

Private equity trends of the prior 12-24 months continued, with low M&A activity, constrained distributions, and an increasing concentration of exits through continuation vehicles. The calendar year has begun in a familiar pattern from the past two years, where enthusiasm for the prospects of increased M&A in the new year fail to materialize. Continuation vehicles and secondary sales can plug some of the gap in meeting liquidity expectations from this asset class, but a full return to health will require more complete exits from portfolio companies. The variables in play are interest rates, where lower rates facilitate easier transactions, and the passage of time, which eventually forces the hands of the PE sponsors to liquidate more of their aging portfolios. Our strategy is, in a relative sense, well positioned by prioritizing operational value creation over financial engineering. But longer hold periods still put stress on operationally focused managers, as they are tasked with compounding value for more time out of their same portfolios. Greater M&A activity will be a rising tide for all of PE, and the further we get from the valuation high water mark of year-end 2021 the more likely increased dealmaking becomes.

Cash & Government Debt

The Cash & Government Debt composite returned 1.1 percent during the quarter, 5 percent for the trailing year and annualized 4.3 and 2.6 percent over the past three- and five-year periods.

The Treasury yield curve remains relatively flat and rangebound between approximately 4 and 5 percent across tenors. This quiet story in rates is reflected in the consistency of trailing returns, and in



the dynamic of broader rates staying at roughly similar levels since the conclusion of the Fed hiking cycle of 2022 and 2023.

Real Assets

The real assets composite returned 2.0 percent for the quarter, 1.1 percent for the one-year, and an annualized -3.7, 8.8, and 3.9 percent over the past three-, five-, and 10-year periods.

Private investments in the Real Assets space often target returns which are too low for our cost of illiquid capital. We continue to prioritize opportunities which lean on operational value creation more than simple commodity or interest rate exposure in order to find additive investments within these spaces.

Diversifying Strategies

The diversifying strategies composite returned -0.2 percent for the quarter, 3.5 percent for the one-year, and an annualized 3.8, 6.8 and 3.1 percent over the past three-, five-, and 10-year time periods.

Managed futures suffered in the quarter due to whipsawing markets, which typically disfavor these trend strategies. Our private Diversifying Strategies portfolio continued to generate stable income without disruptive impairments.

Conclusion

Within public markets, the first quarter of 2025 brought a leveling counterbalance against the positive sentiments which ended the prior year. In private markets, the dynamics of the new year are a continuation of the prior two years. Our strategy in both areas is to stay the course and continue to focus on executing towards our Strategic Asset Allocation. For long-term investors such as ourselves, it is always in style to partner with groups pursuing durable operational value-add. We remain highly liquid in the portfolio.

As always, our focus remains on achieving our target returns while lowering the probability of a permanent loss of capital and identifying investment managers who can deliver outperformance while maintaining sufficient liquidity in the portfolio. We feel that the portfolio is positioned appropriately to take advantage of the current market environment and to meet our return objectives into the future.

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