

Endowment

University of Denver



UNIVERSITY of
DENVER

Controller's Office

What is an Endowment

Endowments and similar accounts are funds that are invested or are available for investment to produce revenue.

- True Endowment

A fund for which a donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and invested to produce income.

- o Intergenerational Equity – equal treatment of present and future recipients

- Quasi-Endowment

Funds designated by the Board of Trustees to function as endowments.

- DU's Endowment

- \$607 Million (Mar 31, 2016)
- ~1200 Individual Funds

Mechanics:

- Valued Quarterly
- Income Distributed Quarterly

How is Endowment Invested

Governance:

- Investment Committee of Board of Trustees
 1. Establish and monitor investment policies and guidelines
 2. Manage asset allocation through a selection of managers
 3. Review investment performance on a quarterly basis

- Currently DU Governance is in transition
 1. Best practices to periodically review third-party consultants
 2. Growth in endowment allows for other governance strategies

- Uniform Prudent Management of Institutional Funds Act (UPMIFA)
 1. Effective September 1, 2008
 2. Applies only to true endowment (but not quasi)
 3. Underwater (true) endowments present the fiduciary challenge of meeting current needs vs. preserving purchasing power

How is Endowment Invested (continued)

- Starts with Investment Policy which establishes the asset types and strategies (Asset Allocation)
- Investment Managers are selected within their asset allocation category to carry out their investment objective
- Multiple Investment Managers are utilized to achieve diversification across and within asset classes to minimize the impact of losses
- DU's Investment Managers generally utilize pooled funds or “comingled funds”
 - There can be many holdings within the comingled funds that are not transparent to DU
- DU's total endowment fund is its own “comingled fund” with 1,200 individual funds owning shares in the pool, resembling a mutual fund

University of Denver
Endowment Fund Manager Performance
Asset Allocation as of March 31, 2016
Preliminary

					Carbon Exposure			
		Amount	% of Total Endowment	Target % of Total	Range	% of Endow	% of Manager Funds	\$ University
Equity-like Investments:		(managers)						
	US Equities (4):	\$ 116,516,778	21.0%	25.0%	5-50%	0.17%	0.84%	\$ 978,338
	International Equities (4):	71,231,277	12.8%	20.0%	5-25%	0.53%	4.42%	3,145,455
	Real Assets (3):	15,658,035	2.8%	10.0%	5-25%	2.57%	96.58%	15,123,311
	Hedged Equity (5):	78,082,162	14.1%	10.0%	0-20%	0.16%	1.64%	965,314
	Absolute Return (6):	85,883,994	15.5%	15.0%	0-20%	0.16%	1.08%	926,474
	Private Equity (9):	29,121,655	5.2%	7.5%	0-10%	0.21%	4.29%	1,249,772
	Venture Capital (0):		0.0%	2.5%	0-10%	0.00%	0.00%	-
<u>Total Equity-like Investments (31):</u>		<u>396,493,900</u>	<u>71.5%</u>	<u>90.0%</u>	<u>50-90%</u>			
Fixed Income-like Investments:								
<u>Total Fixed Income-like Investments (2):</u>		<u>158,402,222*</u>	<u>28.5%</u>	<u>10.0%</u>	<u>10-30%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>-</u>
Total Externally Managed Funds		<u>554,896,122</u>	<u>100.0%</u>	<u>100.0%</u>		<u>3.81%</u>		<u>\$ 22,388,663</u>
<u>Other</u>								
Externally Managed Trusts & Other		17,954,124						
Real Estate		34,480,000						
Total Endowment		\$ 607,330,247						

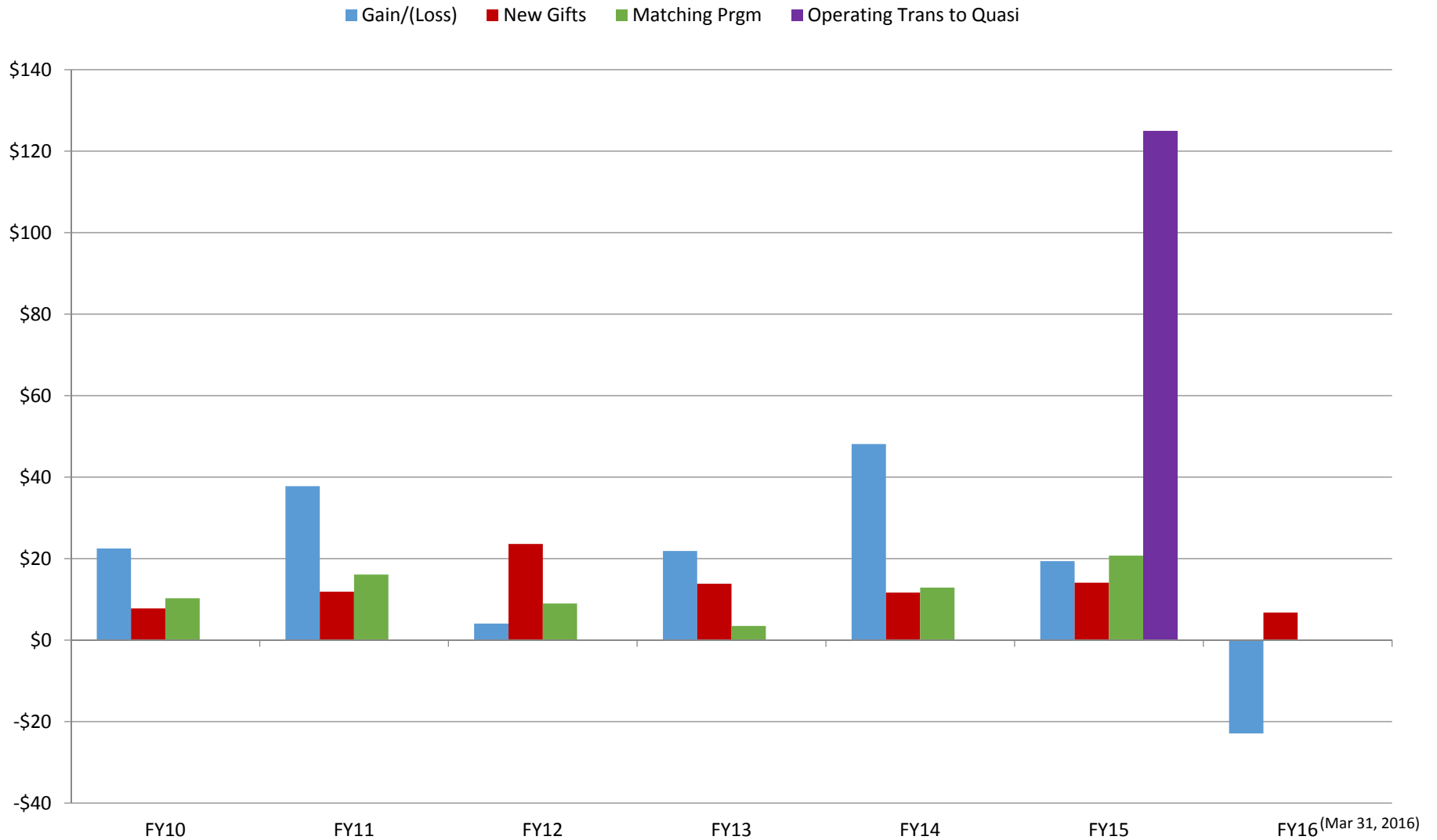
Note:

*\$90 million of the \$125 million transfer to quasi resides in this line item until such time as funds can be deployed in equity investments under the direction of the Investment Committee's new governance structure.

How does the Endowment grow

- Gifts
- Matching Programs
- Quasi-endowment
- Investment Returns

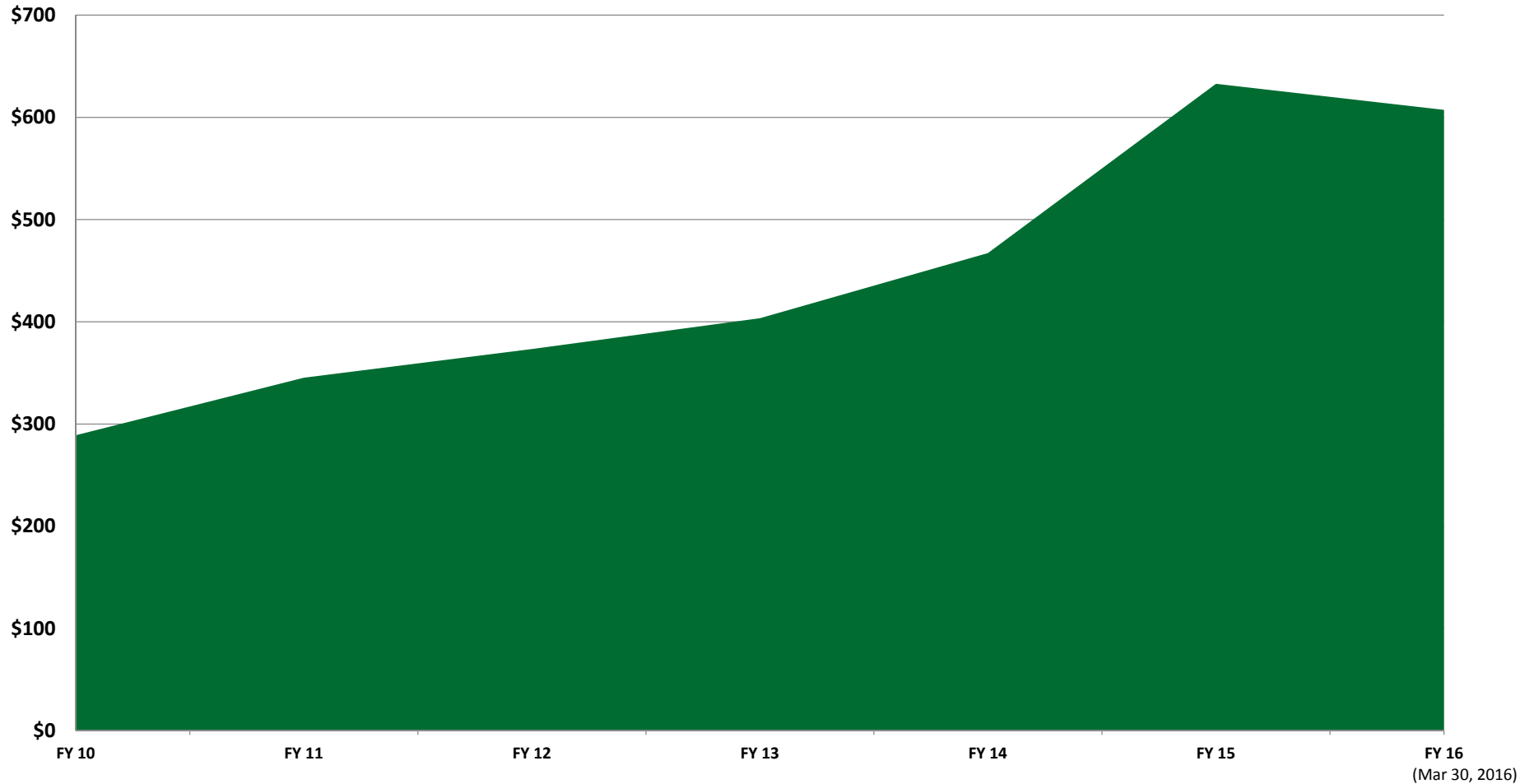
Endowment Fund Additions FY10-FY16



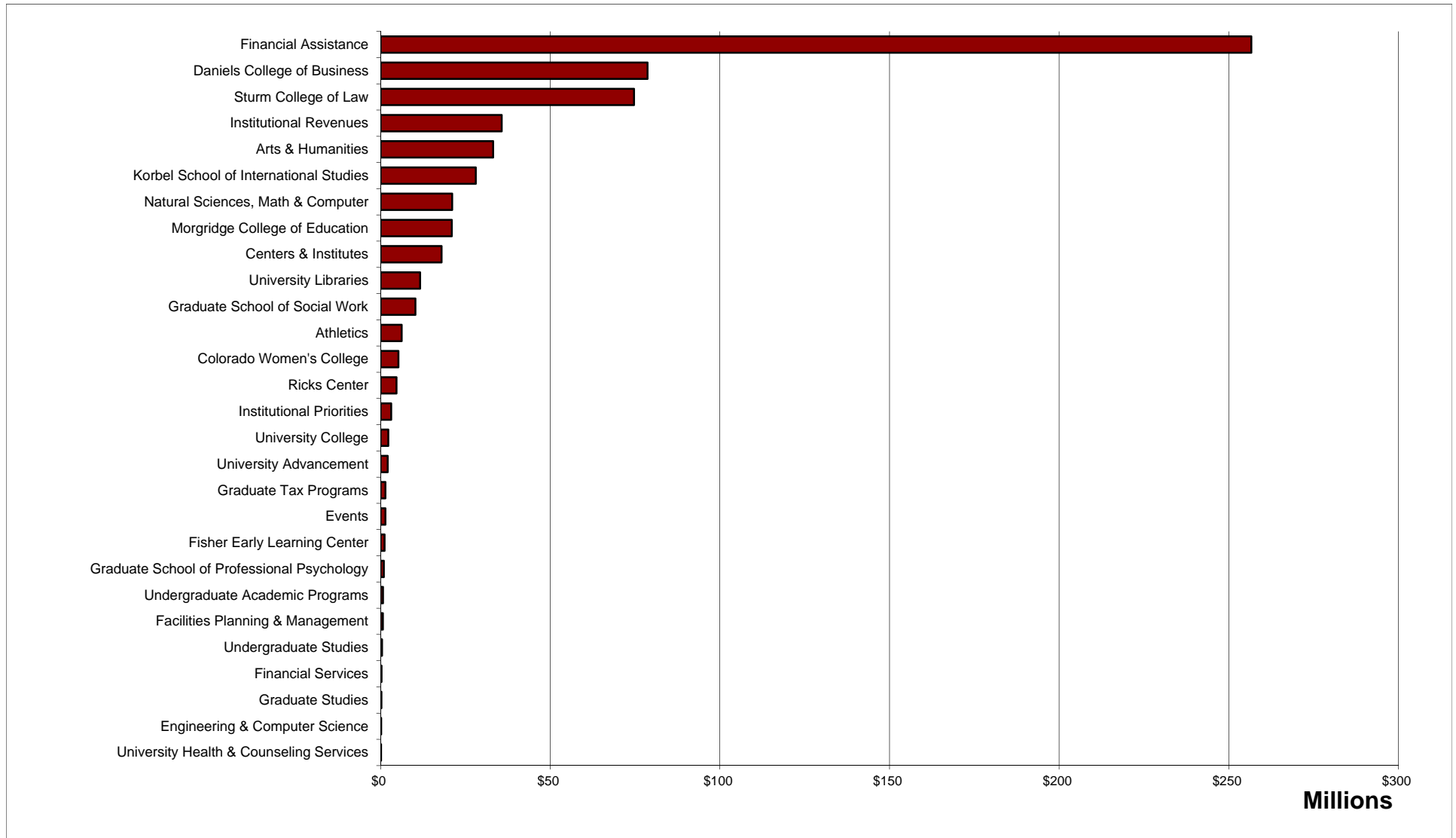
Endowment Return	9.6%	14.3%	2.6%	7.5%	13.2%	5.3%	-2.7%
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University of Denver Endowment Fund Growth History

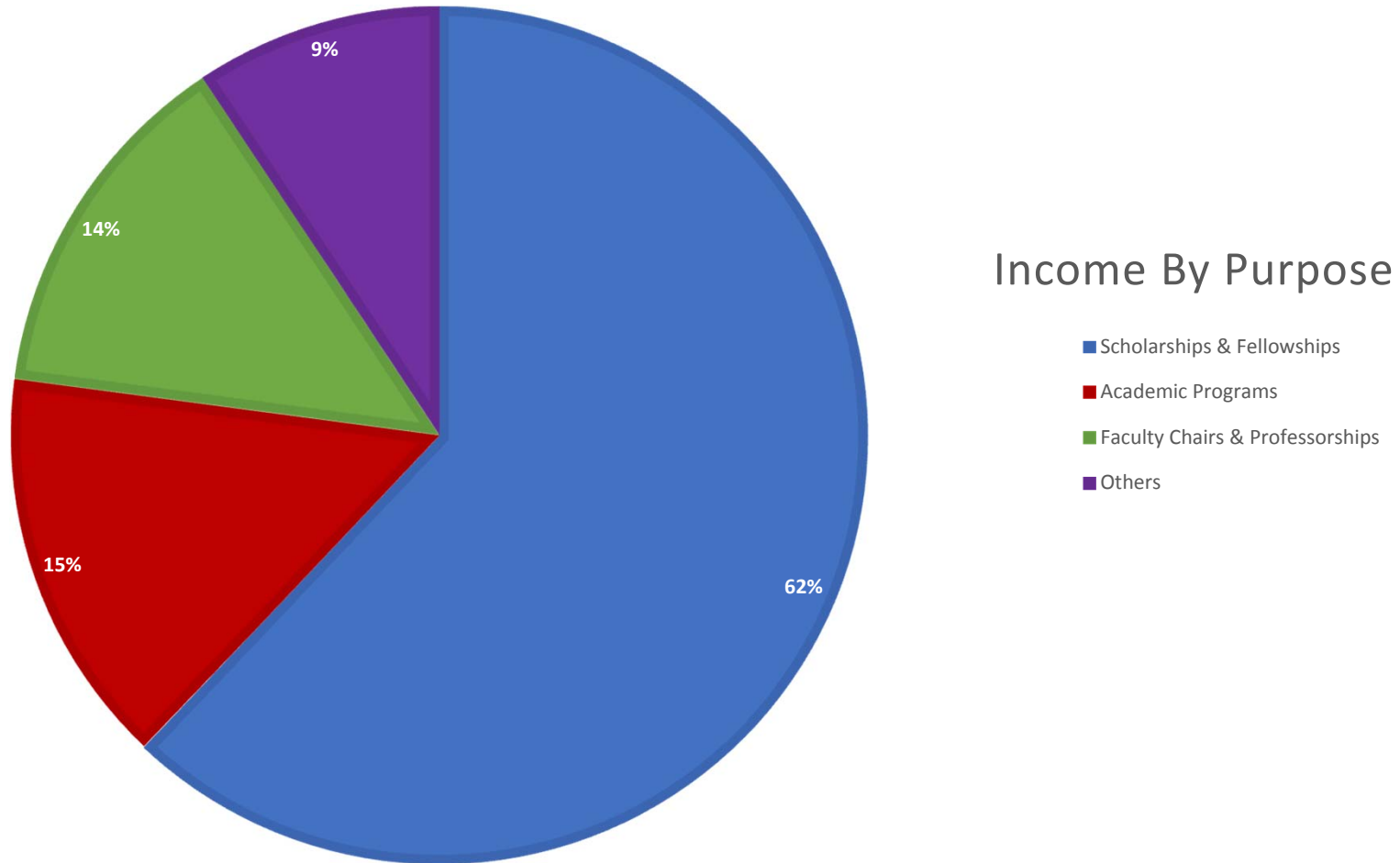
Endowment Market Value FY10-16
In Millions



How does the Endowment benefit the University



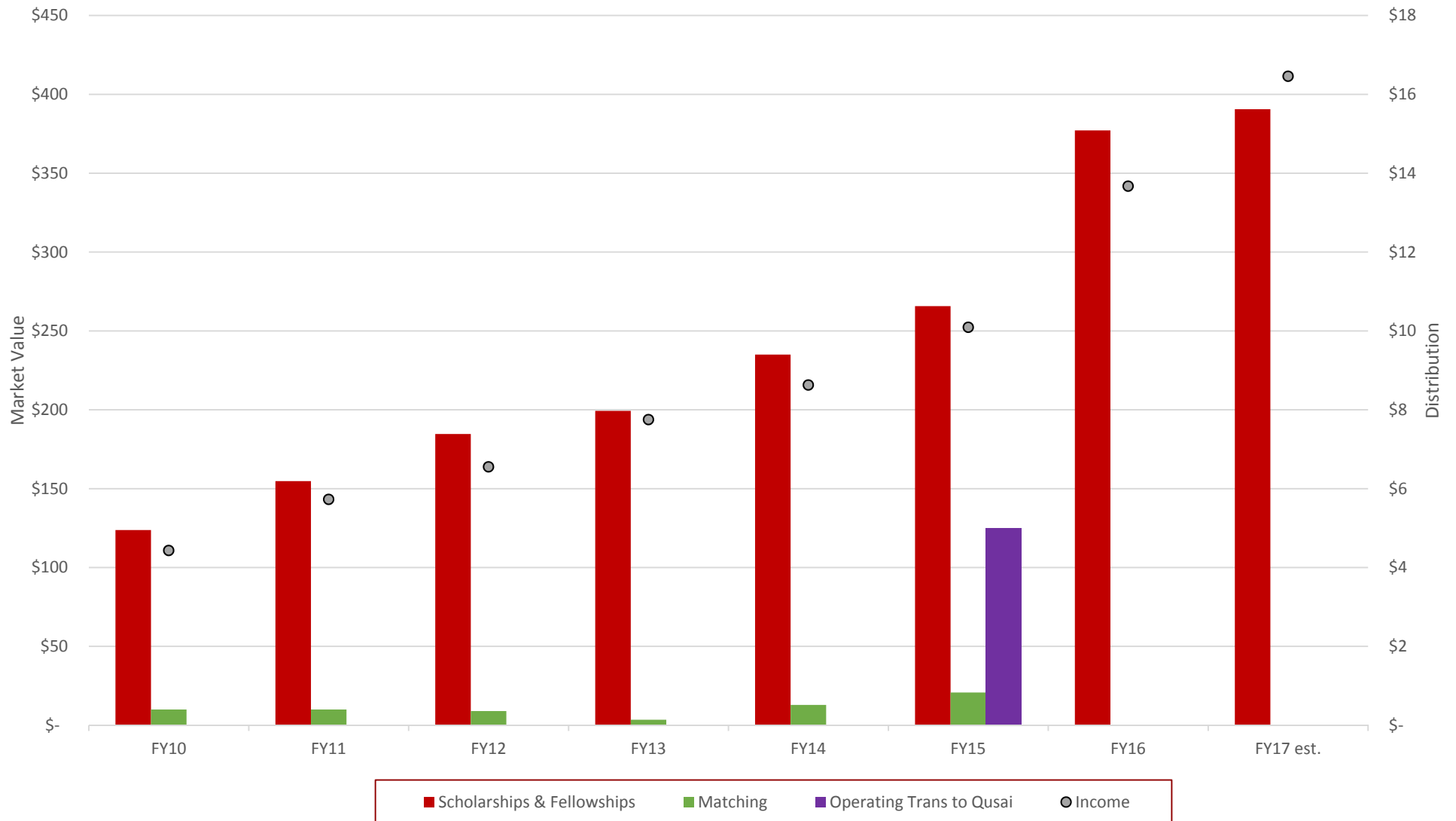
Utilizing DU Endowment Resources



Total endowment distribution of \$28 Million is 6% of University Operating Budget

Financial Aid Additions with Income Distribution

In Millions



How does the University compare

NACUBO Survey:

- 152nd out of 828 Institutions
- The 1, 3, 5, and 10 year performance data presented on subsequent page.

NACUBO Endowment Per Student FTE

	FY 2015	
	Total Endowment (in 000's)	Endow/Student
University of Denver	\$ 632,761	\$ 65,501
Private Tution Comparison Group		
Colorado College	720,085	350,188
Southern Methodist University	1,505,296	157,180
Texas Christian University	1,514,296	155,940
University of Southern California	4,709,511	122,540
University of Puget Sound	321,676	116,450
Santa Clara University	884,746	110,807
George Washington University	1,616,357	80,735
University of San Diego	469,984	62,675
Boston University	1,644,117	58,893
Syracuse University	1,166,109	58,128
University of Miami	887,329	56,052
American University	600,336	53,016
Gonzaga University	185,647	30,928
average	\$ 1,248,115	\$ 108,733
median	\$ 887,329	\$ 80,735

University of Denver Returns and Asset Allocation
2015 NACUBO-Commonfund Survey of Endowments

Rank in Total Assets in Endowment (n=828)

<u>Rank</u>	<u>Institution</u>	<u>Total Assets (000's)</u>	<u>Endowment / FTE</u>
1	Harvard University	36,448,817	1,569,581
2	Yale University	25,572,100	2,090,735
3	The University of Texas System	24,083,150	139,218
4	Princeton University	22,723,473	2,836,534
5	Stanford University	22,222,957	1,380,394

152	University of Denver	632,761	65,429
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Cumulative Returns

	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
Assets >\$1.0 billion	4.3%	10.8%	10.4%	7.2%
Assets \$501 Million-\$1 Billion	2.8%	10.2%	9.9%	6.7%
Private Institutions	2.4%	9.9%	9.8%	6.3%
Average All Institutions	2.4%	9.9%	9.8%	6.3%
75th Percentile	3.7%	10.9%	10.6%	6.9%
25th Percentile	0.7%	8.8%	8.7%	5.5%
DU	2.7%	8.9%	8.7%	7.5%

Comparative indexes

S & P 500	7.4%	17.3%	17.3%	7.9%
Russell 3000	7.3%	17.7%	17.5%	8.2%
Barclays Aggregate	1.9%	1.8%	3.4%	4.4%
CPI-U	0.7%	1.3%	1.8%	2.3%
HEPI	2.1%	2.3%	2.2%	3.0%

Asset Allocation

	<u>Domestic Equities</u>	<u>Fixed Income</u>	<u>International Equities</u>	<u>Alternative Strategies</u>	<u>Short Term/Other</u>
Assets >\$1.0 billion	13.0%	7.0%	19.0%	57.0%	4.0%
Assets \$501 Million-\$1 Billion	21.0%	9.0%	20.0%	44.0%	6.0%
Dollar-weighted average	16.0%	9.0%	19.0%	52.0%	4.0%
Equal-weighted average	30.0%	16.0%	19.0%	29.0%	6.0%
DU	25.3%	0.0%	18.0%	41.6%	15.1%

Effective Spending Rate

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
All Institutions Average	4.2%	4.4%	4.4%	4.2%	4.6%
Private Institutions	4.3%	4.5%	4.6%	4.3%	4.6%
Endowment Assets \$501 Million-\$1 Billion	4.1%	4.3%	4.6%	4.7%	5.2%
DU	4.5%	4.6%	4.3%	4.9%	4.6%

