Endowment Presentation

Presentation to Faculty Senate
February 25, 2014
Agenda

• Endowment Objective
• Spending Rate
• Market Values
• Investment Returns
• Asset Allocations
Investment Objective for the Endowment

• Provide an annual, predictable, source of revenue for operations and scholarships

• Preserve the purchasing power of the original gifts

• Support access to the debt markets (ancillary benefit)
Endowment Value Depends On:

- Investment Returns
- Spending Rate
- Gifts/Transfers
- Inflation
Endowment Spending

• The annual spending amount is based upon the average market value of the endowment over the previous 12 quarters times the spending rate

• Structured to provide annual revenue for University operations and scholarships while preserving the original value of the gifts

• Recommended annually by the Finance Committee

• Approved annually by the Board of Trustees
Targeted Return

- Spending Rate 4.5%
- Inflation Rate 2.5%
- Growth Rate 0.5 - 1.0%
- Target Return 7.5 – 8.0%

- University targets an 7.5% to 8.0% return for the Pooled and HSC endowments over the long-run
Historical Spending Rates

SLU Effective Spending Rate vs. NACUBO

NOTE: “NACUBO” represents average spending rate of NACUBO respondents with $500 million to $1 billion in assets
Historical Endowment Spending

NOTE: “SLU 2000” project spending ended in Fiscal Year 2004;
Endowment History

- In FY97 the endowment was $513 million
- As of December 2013 the endowment was $1.027 billion.
- SLU 2000 included $100 million of extra spending over five years to fund new faculty positions, new programs, increased faculty salaries, building and technology improvements.
- Since then fundraising focused on important capital projects, Doisy, Chaifetz, Med Center Education Union and Stadium and new Law Center.
- This strategy kept debt levels low and manageable while providing valuable flexibility and capacity for future needs.
## Endowment Balance Detail

<table>
<thead>
<tr>
<th>(in millions)</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pooled Endowments:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pooled Funds</td>
<td>421.4</td>
<td>513.0</td>
<td>480.2</td>
<td>346.8</td>
<td>381.5</td>
<td>657.3</td>
<td>632.0</td>
<td>719.7</td>
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<tr>
<td>HSC Funds</td>
<td>193.7</td>
<td>221.5</td>
<td>201.9</td>
<td>145.7</td>
<td>156.8</td>
<td>181.8</td>
<td>171.9</td>
<td>185.6</td>
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<tr>
<td><strong>Total Pooled</strong></td>
<td>615.1</td>
<td>734.5</td>
<td>682.1</td>
<td>492.5</td>
<td>538.3</td>
<td>839.1</td>
<td>803.9</td>
<td>905.3</td>
</tr>
<tr>
<td><strong>Non-Pooled Endowments:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biochemistry Fund</td>
<td>166.9</td>
<td>183.0</td>
<td>157.1</td>
<td>119.0</td>
<td>134.5</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Other Funds</td>
<td>42.9</td>
<td>42.0</td>
<td>40.7</td>
<td>34.3</td>
<td>35.6</td>
<td>41.2</td>
<td>48.9</td>
<td>50.7</td>
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<tr>
<td><strong>Total Non-Pooled</strong></td>
<td>209.8</td>
<td>225.0</td>
<td>197.8</td>
<td>153.3</td>
<td>170.1</td>
<td>41.2</td>
<td>48.9</td>
<td>50.7</td>
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<tr>
<td><strong>Total Endowment</strong></td>
<td>824.9</td>
<td>959.5</td>
<td>879.9</td>
<td>645.8</td>
<td>708.4</td>
<td>880.3</td>
<td>852.8</td>
<td>956.0</td>
</tr>
</tbody>
</table>
Endowment Value and NACUBO Rank

Market Value ($ in millions)

SLU  NACUBO Rank

2003  $645.4  12
2004  $702.1
2005  $750.7
2006  $824.9
2007  $959.5
2008  $879.9
2009  $645.8  $708.3
2010  $880.3  $852.8
2011  $956.0

NOTE: “NACUBO Rank” represents SLU’s ranking amongst all NACUBO survey respondents (800+).
Pooled Endowment Return vs. NACUBO Average

<table>
<thead>
<tr>
<th>Year</th>
<th>SLU</th>
<th>Average</th>
<th>Quartile</th>
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</thead>
<tbody>
<tr>
<td>2003</td>
<td>0.4%</td>
<td>3.2%</td>
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<tr>
<td>2004</td>
<td>17.3%</td>
<td>15.3%</td>
<td>2</td>
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<tr>
<td>2005</td>
<td>11.4%</td>
<td>9.3%</td>
<td>1</td>
</tr>
<tr>
<td>2006</td>
<td>13.8%</td>
<td>10.8%</td>
<td>1</td>
</tr>
<tr>
<td>2007</td>
<td>19.1%</td>
<td>17.2%</td>
<td>1</td>
</tr>
<tr>
<td>2008</td>
<td>-4.9%</td>
<td>-3.0%</td>
<td>3</td>
</tr>
<tr>
<td>2009</td>
<td>-22.7%</td>
<td>-18.7%</td>
<td>4</td>
</tr>
<tr>
<td>2010</td>
<td>13.9%</td>
<td>11.9%</td>
<td>1</td>
</tr>
<tr>
<td>2011</td>
<td>23.0%</td>
<td>19.2%</td>
<td>1</td>
</tr>
<tr>
<td>2012</td>
<td>0.7%</td>
<td>-0.3%</td>
<td>2</td>
</tr>
<tr>
<td>2013</td>
<td>12.2%</td>
<td>11.7%</td>
<td>2</td>
</tr>
</tbody>
</table>

NOTE: “Average” represents the equal weighted average of all survey respondents; “Quartile” represents SLU’s quartile ranking (1st quartile is best and 4th quartile is worst)
FY13 Endowment Asset Allocation vs. NACUBO

% of Market Value | Equity | Fixed Income, Cash & Other | Alternatives
--- | --- | --- | ---
SLU (Actual) | 35.9% | 18.7% | 45.4%
SLU (Target) | 45.0% | 15.0% | 40.0%
>$1 billion | 59.0% | 11.0% | 30.0%
$501 million - $1 billion | 45.0% | 16.0% | 39.0%
$101-$500 million | 34.0% | 20.0% | 46.0%
$51-$100 million | 23.0% | 24.0% | 53.0%
$25-$50 million | 20.0% | 27.0% | 53.0%
< $25 million | 11.0% | 32.0% | 57.0%
Questions?