FOR IMMEDIATE RELEASE

Contact:
John S. Griswold
Executive Director
Commonfund Institute
203-563-5030
jgriswol@cfund.org

Kyle Kuhnel
Gibbs & Soell
212-697-2600
kkuhnel@gibbs-soell.com

William F. Jarvis
Managing Director
Commonfund Institute
203-563-5296
wjarvis@cfund.org

Kenneth E. Redd
Director, Research & Policy Analysis
NACUBO
202-861-2527
kredd@nacubo.org

Kellee Edmonds
Director, Public Relations
NACUBO
202-861-2549
kedmonds@nacubo.org

Preliminary Data Show Educational Endowments’ Investment Returns Averaged 15.8% in FY2014,
Building on FY2013’s 11.7% Average Return

(November 3, 2014)—Preliminary data gathered from 426 U.S. colleges and universities for the 2014 NACUBO-Commonfund Study of Endowments® (NCSE) indicate that these institutions’ endowments returned an average of 15.8 percent (net of fees) for the 2014 fiscal year (July 1, 2013 – June 30, 2014). The early return data build on the 11.7 percent average return reported by Study participants for FY2013.

The data are broken down into six categories according to size of endowment, ranging from institutions with endowment assets under $25 million to those with assets in excess of $1 billion. Larger endowments posted the highest returns for the fiscal year, as institutions with assets over $1 billion reported an average return of 16.8 percent and those with assets between $501 million and $1 billion reported an average return of 16.2 percent. Close behind, however, were the smallest participating institutions, those with
assets under $25 million, whose returns averaged 16.1 percent. Returns for the other three size cohorts fell into a tight range of 15.3 percent to 15.6 percent. All returns are net of fees.

The annual NCSE analyzes return data and a broad range of related information gathered from a nationwide cross section of U.S. colleges and universities, both public and private, as well as their supporting foundations. The size and scope of the Study make it the most comprehensive annual report on the investment management and governance practices and policies of institutions of higher education across the U.S. Eight hundred thirty-five colleges and universities participated in last year’s Study; it is anticipated that the FY2014 Study will be about the same size by the time all data are gathered, analyzed and published in January 2015.

**Average Annual Returns for Three, Five, and Ten Years**

Additional findings based on preliminary data—drawn from a smaller sample of 129 institutions—show that participating institutions’ trailing three-year average annual returns averaged 8.9 percent; trailing five-year annual returns averaged 11.7 percent; and trailing 10-year returns averaged 7.0 percent. The largest endowments reported the highest returns for the trailing three- and 10-year periods, and lagged the highest five-year return by just 10 basis points.

“With only a few exceptions, higher relative performance by the largest endowments is in keeping with the findings of our Studies over more than a decade,” commented Commonfund Institute Executive Director John S. Griswold. “Smaller endowments, which typically have the largest allocations to traditional asset classes, benefited from the strong performance of liquid domestic and international equities beginning in 2009. But the greater diversification practiced by the largest endowments and their emphasis on a variety of sources of return, both public and private, tends to result in higher long-term investment performance.” “These higher returns will be a great benefit to students and faculty at colleges and universities,” added John D. Walda, NACUBO President and Chief Executive Officer. “Additional resources generated by endowments will continue to help fund vital research, financial aid, and other programs at our institutions.”
Griswold also noted that good returns over an extended period are a welcome development for educational endowments. “The Studies have reported double-digit gains in four of the past five years, giving endowments a chance to rebuild after the erosion caused by the losses reported in FY2008 and FY2009,” he said.

**Increased Allocations to Alternatives**

Among additional findings, preliminary Study data indicate that colleges and universities are continuing to increase allocations to alternative strategies (which include marketable alternatives, private equity, venture capital, natural resources, distressed debt and private equity real estate). The allocation to alternative strategies grew to an average of 58 percent among the early reporting institutions and to 65 percent among institutions with assets over $1 billion. Last year, alternative strategies accounted for an average of 53 percent of endowment portfolios, a one percentage point decline from the previous year.

**Returns by Asset Class**

No asset class, strategy or sub-asset class/strategy had a negative return in FY2014, according to the preliminary data. The following table shows FY2013 and FY2014 returns broken out by major asset class:

**Average Return by Asset Class for Fiscal Years 2013 and 2014**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Domestic equities</td>
<td>20.6%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>1.7%</td>
</tr>
<tr>
<td>International equities</td>
<td>14.6%</td>
</tr>
<tr>
<td>Alternative strategies</td>
<td>8.3%</td>
</tr>
<tr>
<td>Short-term securities/cash/other</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

*Preliminary
Examine the returns reported for various alternative strategies, venture capital has thus far produced the highest return, at 21.2 percent, followed by 18.4 percent for energy and natural resources. Private equity (LBOs, mezzanine, M&A funds and international private equity) returned 17.0 percent, distressed debt returned 13.5 percent and private equity real estate (non-campus) returned 11.7 percent. Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives) returned 9.4 percent. Commodities and managed futures returned 9.0 percent.

**Asset Allocation**

Participating endowments reported the following average dollar-weighted asset allocations in FY2013 and FY2014:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fiscal Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014**</td>
</tr>
<tr>
<td>Domestic equities</td>
<td>16%</td>
<td>13%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>International equities</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Alternative strategies</td>
<td>53%</td>
<td>58%</td>
</tr>
<tr>
<td>Short-term securities/cash/other</td>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Dollar-weighted  
**Preliminary

Among alternative strategies, the largest allocations, at 19 percent each, were to marketable alternatives and private equity. The marketable alternatives allocation was down one percentage point year over year, while the allocation to private equity was up from 12 percent a year ago.

**Staffing, Outsourcing and Consultant Use**

Endowments reported an average of 1.5 full-time equivalent employees (FTEs) devoted to the investment management function in FY2014, down from 1.6 FTEs in FY2013. Endowments with assets over $1 billion had the largest average staff size, at 11.3 FTEs, while all four cohorts with endowment assets of $500 million or less reported one-half of an FTE or less devoted to investment management. Fifty-four percent of early Study
respondents said they have substantially outsourced the investment management function, a figure that will represent a significant increase from last year’s 40 percent, if it is confirmed in the final survey. Seventy-eight percent of Study respondents to date reported using a consultant for various services related to investment management compared with 85 percent a year ago.

Final data from the 2014 NCSE will be released in late January 2015.

About NACUBO

NACUBO is a membership organization representing more than 2,500 colleges, universities and higher education service providers across the country and around the world. NACUBO specifically represents chief business and financial officers through advocacy efforts, community service and professional development activities. The association’s mission is to advance the economic viability and business practices of higher education institutions in fulfillment of their academic missions. For additional information, please visit www.nacubo.org.

About Commonfund Institute

Commonfund Institute houses the education and research activities of Commonfund and provides the entire community of long-term investors with investment information and professional development programs. Commonfund Institute is dedicated to the advancement of investment knowledge and the promotion of best practices in financial management. In addition to teaming with NACUBO to produce the NCSE, Commonfund also produces the Council on Foundations-Commonfund Study of Investments for Private Foundations™ (CCSF) and the Commonfund Benchmarks Study series of research reports. Commonfund Institute provides a wide variety of resources, including conferences, seminars and roundtables on topics such as endowments and treasury management; proprietary and third-party research and publications, including the Higher Education Price Index® (HEPI) and Insight Online, a biannual investment magazine; and events such as the annual Commonfund Forum and Commonfund Endowment Institute.
About Commonfund

Commonfund is one of North America’s leading investment management firms, managing assets totaling $25 billion for some 1,400 institutional clients, including educational endowments, foundations and philanthropic organizations, hospitals and healthcare organizations, pension plans and plan sponsors, and family offices and trusts. Our only business is institutional investment management, and we are active in all sectors of the global capital markets, both public and private. Strategically, Commonfund focuses on: outsourced solutions, separate accounts, hedge fund strategies, private capital and operating asset management. Commonfund was founded in 1971 as an independent, nonprofit investment firm with a grant from the Ford Foundation. All securities are distributed through Commonfund Securities, Inc., a member of FINRA.

###