



Endowments Quarterly

A Look at Asset Allocation and Total Returns for US Foundations and Endowments

Second Quarter 2014

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A Look at Asset Allocation and Total Returns
for US Endowments and Foundations

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Jeremy Parsels | William Prout

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The Cambridge Associates US endowment and foundation universe includes colleges and universities, cultural and environmental institutions, health care institutions, independent schools, and other endowed nonprofit institutions as well as foundations. This report provides asset allocation and return analysis for 424 US endowments and foundations that participated in our quarterly survey. The average market value of participating long-term investment portfolios was \$1.1 billion. The median value was \$266.5 million.

Peer Grouping by Asset Size

	Number of Participants				
	Under \$100mm	\$100mm – \$200mm	\$200mm – \$500mm	\$500mm – \$1bn	Over \$1bn
Colleges & Universities	11	22	30	36	48
Cultural & Environmental	15	18	12	3	5
Foundations	26	26	22	16	27
Health Care	9	12	7	6	11
Independent Schools	11	7	6	0	2
Other Nonprofits	17	9	5	2	3

Long-Term Investment Portfolio Market Value

	Mean US\$(000s)	Median US\$(000s)
Colleges & Universities	1,220,763	613,998
Cultural & Environmental	429,163	162,181
Foundations	1,632,767	269,190
Health Care	846,087	285,003
Independent Schools	602,679	124,086
Other Nonprofits	534,790	137,379

Other contributors to this report include Geoffrey Bollier and Jonathan Morris-Eppolito.

Examining Returns

The average return of the US Endowment and Foundation universe was 3.6% for the quarter ended June 30, 2014, and 15.7% for the trailing one year (fiscal year 2014 represents July 1, 2013 – June 30, 2014).

Since the market bottom in 2009, performance has been positive in 17 of 21 quarters, with double-digit returns in four of the past five fiscal years. Returns are reported on a net-of-fees basis for 99% of the US endowment and foundation universe.

Per the Consumer Price Index, inflation was 0.9% for second quarter 2014. Adjusting nominal returns to reflect inflation, the average real return for US endowments and foundations falls to 2.8% for the quarter and 13.3% for the trailing one year.

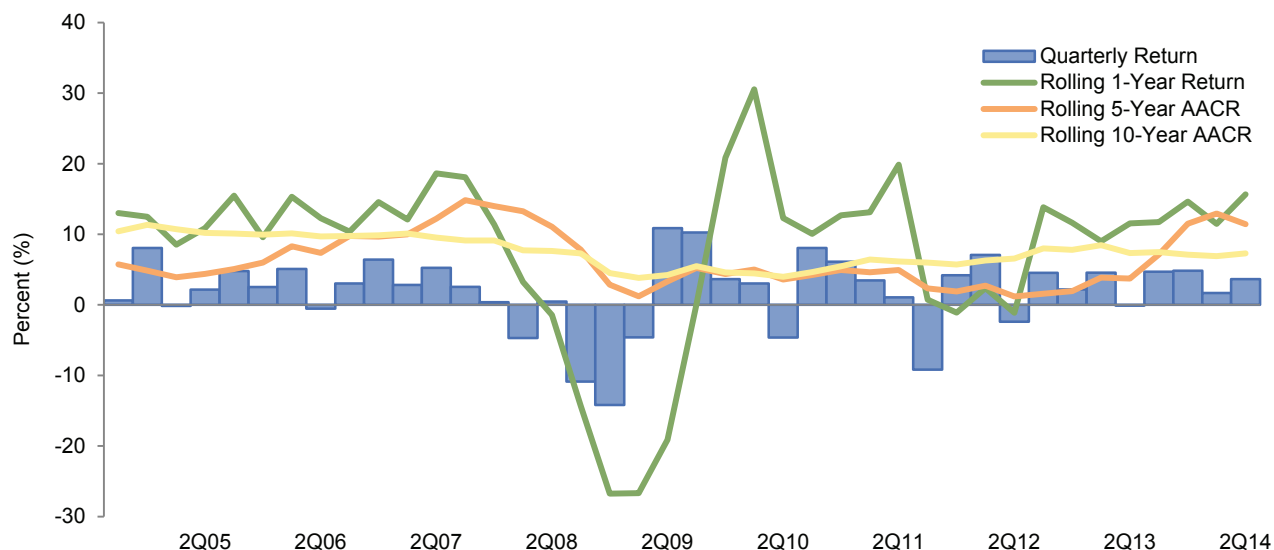
Risk-Adjusted Performance. Investors spend much time and effort analyzing the returns of their portfolios. Measuring risk is just as important, however, as investors should only take risks for which they are compensated and should recognize whether any incremental return they have earned is simply the result of their having taken more risk.

Risk-adjusted performance, as measured by the Sharpe ratio,¹ averaged 1.30 for the trailing five-year period, ranging from 1.95 to 1.00 after removing outliers that make up the top and bottom 5% of the universe. On a rolling basis, this ratio has spiked over the past year (second quarter 2013, 0.32), benefiting from a period of

¹ The Sharpe ratio is the most common approach to measuring risk-adjusted performance. It shows how much return above the risk-free rate (T-bills) the investor has earned per unit of risk (defined as the standard deviation of returns). The higher the Sharpe ratio, the more the investor has been compensated for each unit of risk taken.

Historical Endowment Performance: US Endowments and Foundations

As of June 30, 2014



higher returns, lower risk-free rates, and lower volatility (as measured by the standard deviation of quarterly returns). Also of significance, returns for the third quarter 2008 through first quarter 2009 period, in which the average US endowment and foundation lost a cumulative 27.0%, are no longer included in the trailing five-year time period.

Performance Attribution

Hedge fund and long-only public equity allocations played a significant role in driving performance over the trailing one-year period.

Hedge Funds. When looking at the top and bottom performers, divergence from the mean allocation was largest in hedge funds, as endowments and foundations that posted a trailing one-year return in the top quartile entered the year with the lowest average hedge fund allocation (16.4%). In contrast, the average beginning hedge fund allocation for those in the bottom-performing quartile was 24.5%, the highest within the universe. The degree of divergence

is especially meaningful given the performance of hedge funds relative to equity markets over the trailing one-year period.

Index Returns

As of June 30, 2014

Index	One-Year Return (%)
Wilshire 5000	24.9
MSCI World ex US	23.8
MSCI ACWI ex US	22.3
HFRI Equity Hedge	12.5
HFRI FOF Diversified	7.5

Long-Only Public Equities. Given the performance of equity markets, it is not surprising that endowments and foundations in the top-performing quartile had the highest beginning average allocation to long-only public equities. Portfolios with *higher* allocations to long-only public equities tend to have *lower* allocations to hedge funds. For these investors, the continued surge of equity markets led to outperformance on the total portfolio level.

Average One-Year Total Portfolio Return by Performance Quartile

As of June 30, 2014

	One-Year Return (%)	Average Allocation (%)	
		Long-Only Public Equities	Hedge Funds
Top Quartile	18.0	46.6	16.4
2nd Quartile	16.3	44.2	19.2
3rd Quartile	15.1	41.8	20.0
Bottom Quartile	13.3	36.2	24.5

Private Investment Valuations

June 30 marks the end of the fiscal year for many nonprofits and is an important evaluation period for investment performance. For the vast majority of participants in this report that have allocations to private investments, finalized June 30 valuations were not available at the time of this publication and are not yet captured in the fiscal year 2014 return. As finalized private valuations become available, most endowments and foundations will restate quarterly performance as of June 30, resulting in shifts to the mean and median performance statistics for fiscal year 2014.² We recently analyzed returns reported

Total Portfolio Returns Before and After Final June 30 Private Investment Valuations

Trailing One-Year Return as of June 30

Fiscal Year	Mean Statistics		
	Initial Return	Final Return	Change in Return
2013 (<i>n</i> = 410)	11.3	11.5	+0.24
2012 (<i>n</i> = 397)	-1.2	-1.2	+0.03
2011 (<i>n</i> = 381)	19.5	19.9	+0.41
2010 (<i>n</i> = 362)	12.2	12.3	+0.09
2009 (<i>n</i> = 328)	-19.1	-19.1	-0.01

Notes: Table includes only US endowments and foundations that reported returns in both the initial June 30 quarterly data collection cycle and subsequent reporting periods. Analysis includes participants that do not restate performance as well as those without private investment allocations.

² Approximately two-thirds of this report's participants will restate quarterly performance as of June 30, 2014. Revised returns will be collected in the next data collection cycle and an updated analysis of fiscal year 2014 performance will be provided in next quarter's publication.

for prior June 30 periods, comparing fiscal year performance as it was initially reported versus revised returns after final private investment valuations were incorporated.

As the table at bottom left shows, the impact of final June 30 private investment valuations on mean performance has varied over the last five years, ranging from virtually no change in fiscal year 2009 to an uptick of 41 bps in fiscal year 2011. The degree of change in mean returns is largely attributable to the performance of private markets for the June 30 quarterly period in each respective year. From 2009 to 2013, performance for the four major private investment asset classes was most robust for the quarter ending June 30, 2011, leading to the largest revisions observed over the five-year period (see table below). Preliminary performance for these asset class benchmarks was strong for the most recent June 30 quarter-end, indicating the extent of revisions to fiscal year 2014 returns could be comparable to those observed in 2011.

Cambridge Associates Private Investment Index Returns

Periods Ending June 30

	One Quarter End-to-End Pooled Return					
	Q2 2009	Q2 2010	Q2 2011	Q2 2012	Q2 2013	Q2 2014
US Private Equity	4.6	1.6	4.6	-0.1	3.0	6.1
US Venture Capital	0.2	0.6	7.2	0.7	4.3	2.8
Real Estate	-9.1	1.6	3.9	0.9	2.8	4.0
Natural Resources	1.2	-1.0	3.1	-3.1	0.2	8.4
<i>Change in Total Portfolio One-Year Mean Return</i>	-0.01	+0.09	+0.41	+0.03	+0.24	—

Notes: Performance for Q2 2014 is preliminary and will continue to update as fund data are received. The change in total portfolio mean return will be determined once final June 30 private investment valuations have been incorporated for participants that restate returns. An updated analysis of fiscal year 2014 performance will be provided in next quarter's publication.

The extent of revisions reported by individual investors will vary depending on each investor's asset allocation structure. Those with higher allocations to private investments tend to realize the largest degrees of change in returns. Using 2013 data as an example, investors with private investment allocations ranging from 1% to 10% reported an average change of 16 bps while those with allocations greater than 30% reported an average change of 85 bps (see table below).

Change in Total Portfolio Mean Return by Allocation to Private Investments

As of June 30, 2013

Private Investments Allocation	Change in One-Year Mean Return (%)
1% to 10% (<i>n</i> = 107)	0.16
10% to 20% (<i>n</i> = 101)	0.42
20% to 30% (<i>n</i> = 28)	0.65
Greater than 30% (<i>n</i> = 27)	0.85

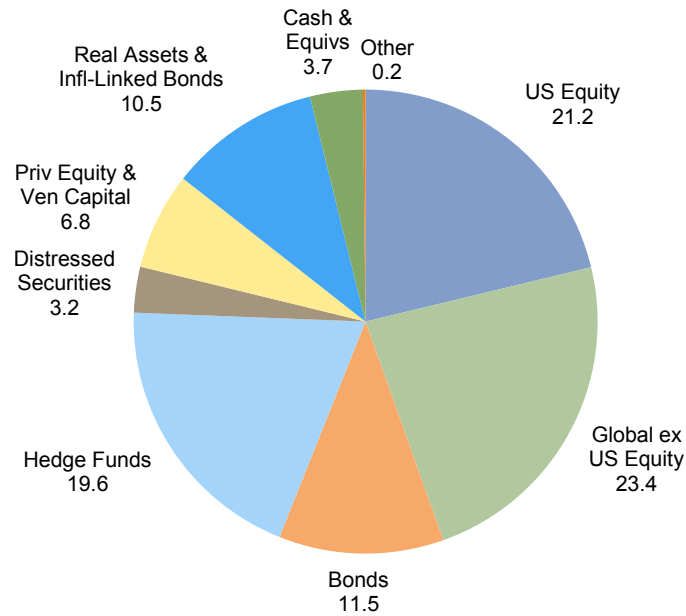
Notes: Chart includes only those institutions that restate performance once private investment valuations are received. Analysis excludes institutions that do not restate performance as well as those without private investment allocations.

The revision of mean and median return statistics should be noted by those that place significant emphasis on benchmarking peer performance. For all investors that consume this data, we suggest the following guidelines:

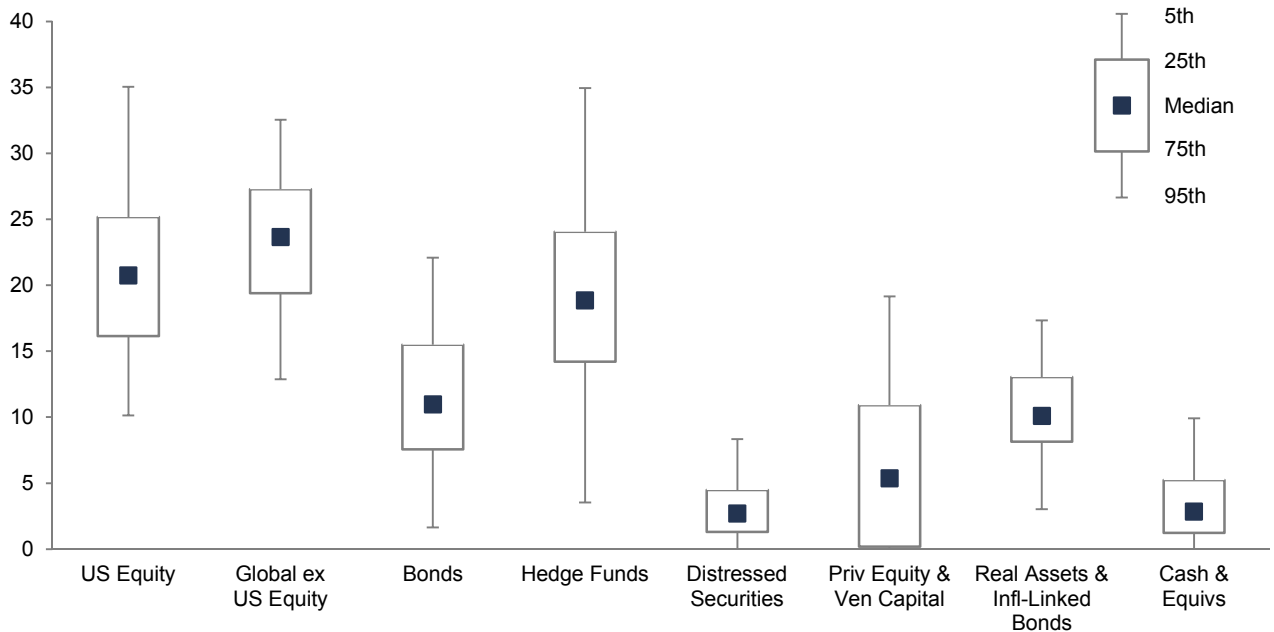
- ◆ Official evaluations of fiscal year 2014 peer performance should be conducted after final returns are reported. In next quarter's publication, we will provide an update detailing final fiscal year 2014 performance, analyzing the impact that revised returns had on mean statistics for this period.
- ◆ Quarterly performance statistics should only be used as a directional indicator of where recent industry-wide performance has trended. The effect of varying reporting methodologies on quarterly performance is magnified and can lead to imprecise conclusions.
- ◆ The comparison of an institution's return to its policy portfolio benchmark is the best method for evaluating relative performance. This is the true mark for determining whether an endowment is being successfully managed against its target investment policy. Each institution has its own unique characteristics and investment policies will vary, leading to different asset allocation structures for institutions that might otherwise be considered worthy peers. Consequently, some asset allocation structures will outperform under certain market conditions and underperform in others. ■
- ◆ While fiscal year results can be informative, endowments and foundations should always favor a long-term view. Evaluation periods of three years or greater not only help to mitigate the impact that varying reporting methodologies have on peer performance statistics, but also are more appropriate for determining whether the investment portfolio is fulfilling its role in the institution's business model.

Exhibit 1
Asset Allocation Snapshot: US Endowments and Foundations
 As of June 30, 2014

Mean Asset Allocation % (n = 424)

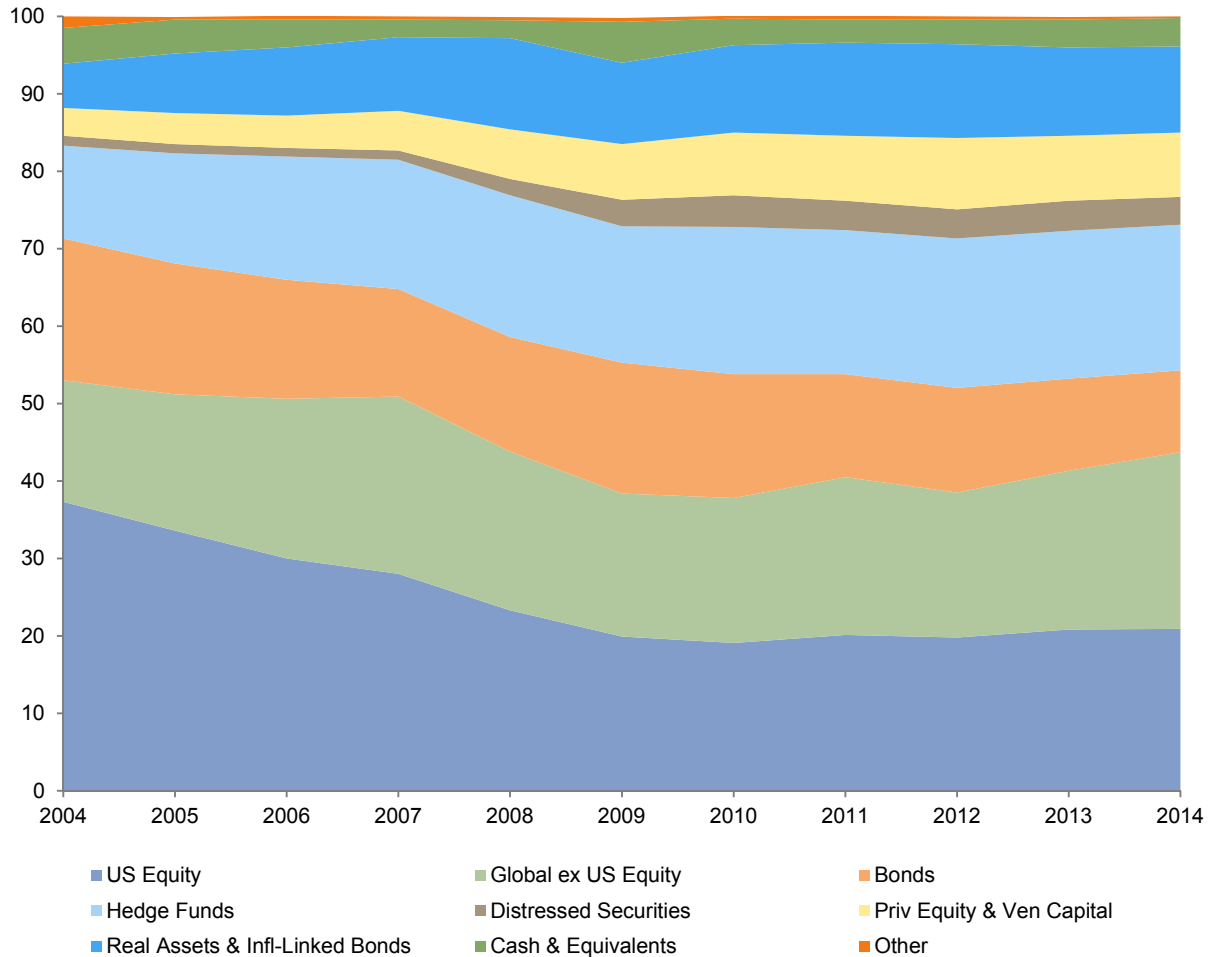


Distribution by Asset Class: Asset Allocation % (n = 424)



Source: Endowment and foundation data as reported to Cambridge Associates LLC.

Exhibit 2
Historical Mean Asset Allocation Trends: US Endowments and Foundations
 Years Ended June 30 • Percent (%)



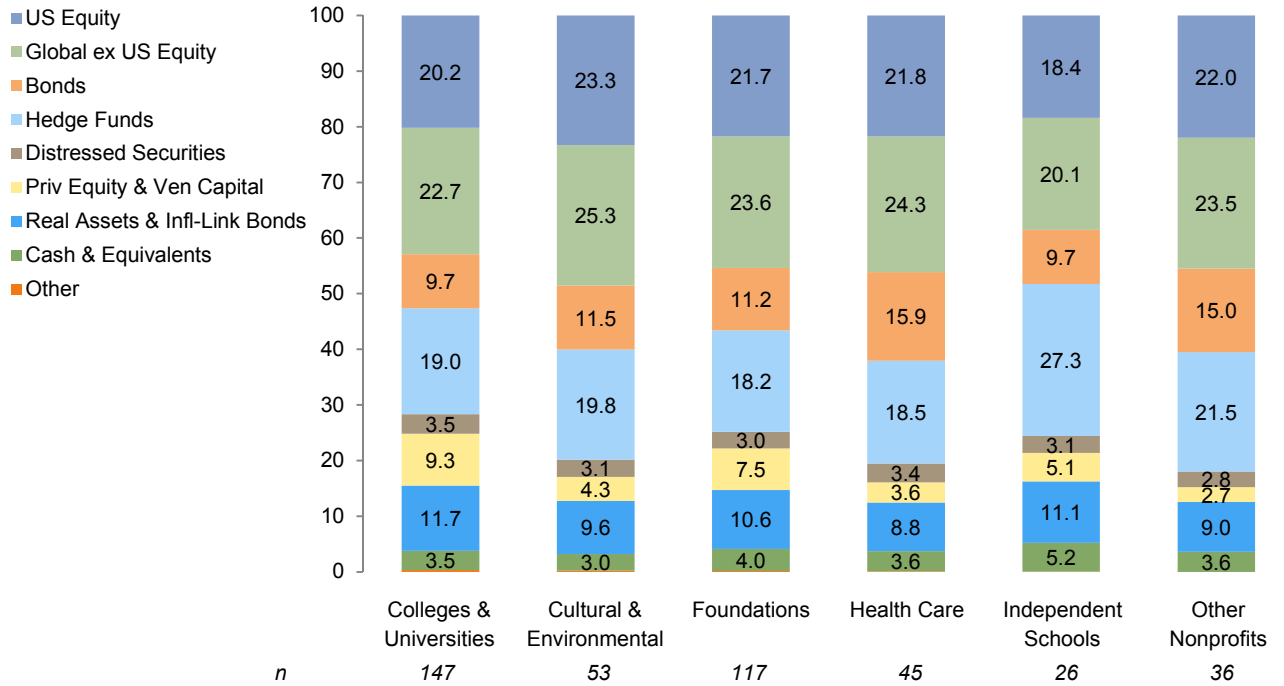
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
US Equity	37.3	33.6	30.0	28.0	23.3	19.9	19.1	20.1	19.8	20.8	20.9
Global ex US Equity	15.7	17.6	20.6	22.9	20.5	18.5	18.7	20.4	18.7	20.5	22.8
<i>Developed Markets</i>	13.1	14.0	16.2	17.5	15.4	13.5	13.3	14.1	12.5	13.9	15.4
<i>Emerging Markets</i>	2.6	3.6	4.4	5.4	5.1	5.0	5.5	6.3	6.2	6.6	7.4
Bonds	18.3	16.9	15.4	13.9	14.8	16.9	16.0	13.3	13.5	11.9	10.6
Hedge Funds	12.0	14.2	15.9	16.7	18.3	17.6	19.0	18.6	19.3	19.1	18.8
Distressed Securities	1.3	1.2	1.1	1.2	2.1	3.4	4.1	3.8	3.8	3.9	3.6
Priv Equity & Ven Capital	3.6	4.0	4.2	5.1	6.4	7.2	8.1	8.4	9.2	8.4	8.3
Real Assets & Inflation-Linked Bonds	5.7	7.7	8.8	9.5	11.8	10.5	11.3	12.0	12.1	11.4	11.1
Cash & Equivalents	4.6	4.4	3.6	2.3	2.3	5.3	3.4	3.0	3.2	3.6	3.7
Other	1.5	0.3	0.5	0.4	0.4	0.5	0.4	0.5	0.4	0.3	0.2

Source: Endowment and foundation data as reported to Cambridge Associates LLC.

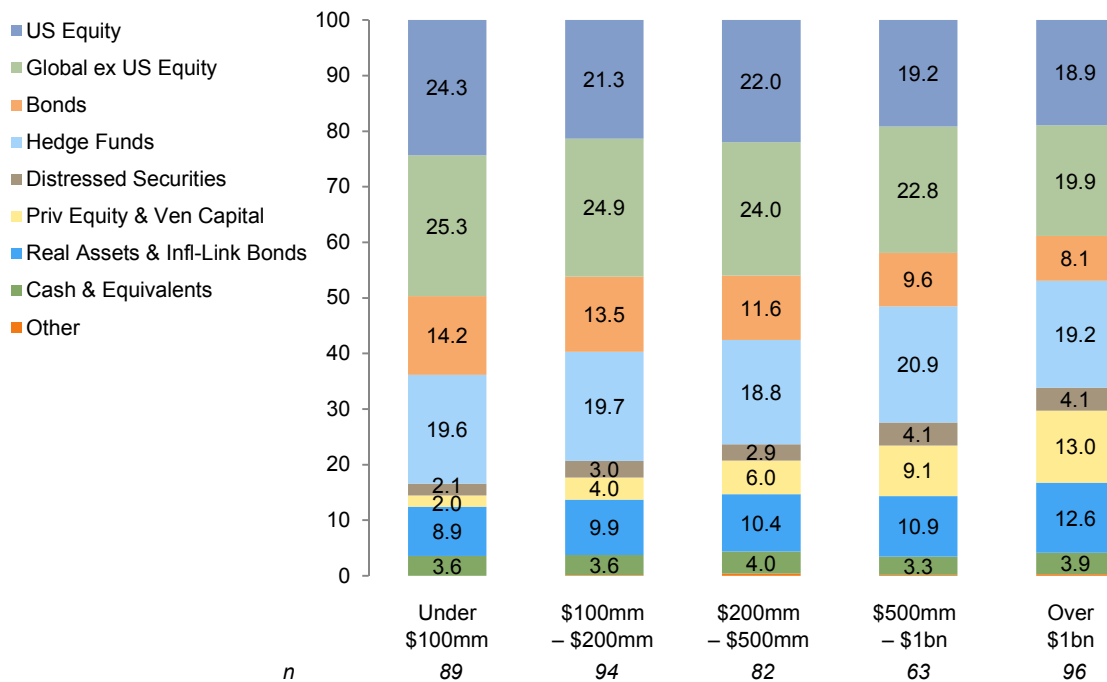
Note: Constant universe represents 225 US endowments and foundations that provided asset allocation data for each year from 2004 to 2014.

Exhibit 3
Summary Asset Allocation: US Endowments and Foundations
 As of June 30, 2014 • Percent (%)

By Peer Group



By Asset Size



Source: Endowment and foundation data as reported to Cambridge Associates LLC.

Exhibit 4
Detailed Asset Allocation by Peer Group: US Endowments and Foundations
 As of June 30, 2014 • Percent (%)

	Colleges & Universities (n = 147)		Cultural & Environmental (n = 53)		Foundations (n = 117)		Health Care (n = 45)		Independent Schools (n = 26)		Other Nonprofits (n = 36)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
US Equity	20.2	20.3	23.3	21.0	21.7	20.5	21.8	23.6	18.4	19.7	22.0	21.8
Global ex US Equity	22.7	23.0	25.3	26.6	23.6	23.8	24.3	24.4	20.1	20.8	23.5	23.2
Developed Markets	15.1	15.1	17.7	17.8	16.1	16.5	17.0	16.3	14.3	15.6	16.8	16.2
Emerging Markets	7.6	7.5	7.6	7.8	7.5	7.6	7.3	6.8	5.9	5.9	6.7	6.8
Bonds	9.7	9.4	11.5	10.5	11.2	11.0	15.9	16.8	9.7	10.0	15.0	15.2
US Bonds	7.5	7.2	8.9	9.2	8.7	8.9	12.1	12.6	7.8	8.5	11.6	12.0
Global ex US Developed Markets	1.0	0.0	0.9	0.3	1.1	0.5	1.5	1.1	0.9	0.2	1.4	1.1
Global ex US Emerging Markets	0.6	0.0	1.0	0.5	0.8	0.2	0.8	0.6	0.5	0.0	1.2	0.9
High-Yield Bonds	0.6	0.0	0.6	0.0	0.7	0.0	1.5	0.2	0.6	0.0	0.8	0.0
Hedge Funds	19.0	19.0	19.8	20.4	18.2	18.1	18.5	17.9	27.3	26.9	21.5	18.4
Long/Short Hedge Funds	8.1	8.1	10.0	9.3	8.7	8.5	9.3	9.0	13.1	12.5	10.8	9.7
Absolute Return (ex Distressed)	10.9	10.3	9.8	9.5	9.5	9.1	9.2	7.6	14.2	12.7	10.6	8.9
Distressed Securities	3.5	2.9	3.1	2.7	3.0	2.4	3.4	2.3	3.1	2.7	2.8	2.3
Hedge Fund Structure	2.0	1.7	2.0	2.0	1.8	1.6	2.4	1.9	1.6	1.4	1.8	1.6
Private Equity Structure	1.5	1.0	1.1	0.3	1.2	0.2	0.9	0.0	1.4	0.9	1.0	0.0
Private Equity & Venture Capital	9.3	8.7	4.3	3.2	7.5	5.3	3.6	0.5	5.1	5.3	2.7	0.4
Non-Venture Private Equity	5.3	4.9	2.4	1.6	3.3	1.8	1.8	0.0	2.6	2.0	1.5	0.0
Venture Capital	3.3	2.7	1.2	0.0	3.0	1.4	1.3	0.0	1.3	0.7	1.0	0.0
Other Private Investments	0.8	0.0	0.7	0.0	1.2	0.1	0.5	0.0	1.1	0.1	0.2	0.0
Real Assets & Infl-Linked Bonds	11.7	11.0	9.6	9.2	10.6	10.1	8.8	9.6	11.1	10.5	9.0	9.8
Private Real Estate	3.2	2.4	1.2	0.0	2.3	1.3	1.0	0.0	1.9	0.0	0.8	0.0
Public Real Estate	0.6	0.0	0.6	0.0	0.6	0.0	0.5	0.0	0.3	0.0	0.6	0.0
Commodities	1.3	1.0	1.5	0.8	1.4	1.0	1.2	1.1	1.5	1.4	1.8	1.3
Inflation-Linked Bonds	0.6	0.0	0.7	0.0	0.6	0.0	0.7	0.2	0.5	0.0	0.4	0.0
Private Oil & Gas/Natural Resources	2.6	1.8	1.3	0.0	1.8	0.9	0.8	0.0	2.4	2.1	0.6	0.0
Timber	0.4	0.0	0.1	0.0	0.2	0.0	0.2	0.0	0.1	0.0	0.1	0.0
Public Energy/Natural Resources	3.2	2.8	4.1	4.3	3.8	4.0	4.3	4.4	4.4	3.8	4.7	4.2
Cash & Equivalents	3.5	2.9	3.0	2.9	4.0	2.7	3.6	2.4	5.2	3.9	3.6	2.8
Other Assets	0.3	0.0	0.2	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0

Source: Endowment and foundation data as reported to Cambridge Associates LLC.

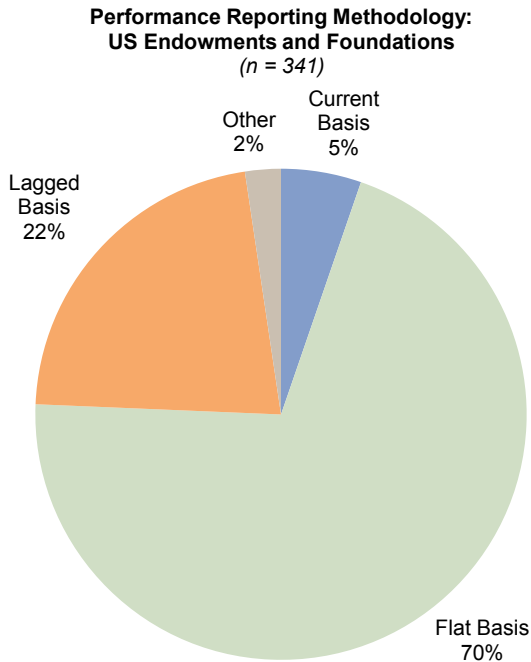
Exhibit 5
Detailed Asset Allocation by Asset Size: US Endowments and Foundations
 As of June 30, 2014 • Percent (%)

	All Endow & Foundation (n = 424)		Under \$100mm (n = 89)		\$100mm to \$200mm (n = 94)		\$200mm to \$500mm (n = 82)		\$500mm to \$1bn (n = 63)		Over \$1bn (n = 96)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
US Equity	21.2	20.8	24.3	23.8	21.3	21.4	22.0	21.1	19.2	18.0	18.9	17.0
Global ex US Equity	23.4	23.7	25.3	25.6	24.9	25.6	24.0	24.0	22.8	23.3	19.9	19.8
Developed Markets	16.0	16.1	18.6	18.1	17.6	17.2	16.3	16.4	15.0	15.4	12.4	12.2
Emerging Markets	7.4	7.4	6.7	7.0	7.3	7.3	7.6	7.8	7.7	7.8	7.5	7.5
Bonds	11.5	11.0	14.2	13.6	13.5	13.5	11.6	10.6	9.6	8.6	8.1	7.8
US Bonds	8.9	8.8	11.2	11.3	10.4	10.1	9.0	8.2	7.3	7.0	6.1	6.2
Global ex US Developed Markets	1.1	0.4	1.5	1.1	1.0	0.7	1.1	0.2	1.0	0.3	0.9	0.0
Global ex US Emerging Markets	0.8	0.2	0.9	0.6	1.2	0.7	0.7	0.2	0.7	0.0	0.4	0.0
High-Yield Bonds	0.7	0.0	0.6	0.0	0.9	0.0	0.8	0.0	0.7	0.0	0.7	0.0
Hedge Funds	19.6	18.9	19.6	18.5	19.7	18.5	18.8	18.3	20.9	20.8	19.2	19.1
Long/Short Hedge Funds	9.2	8.6	11.4	11.3	10.3	9.3	7.3	7.6	8.3	7.7	8.3	7.7
Absolute Return (ex Distressed)	10.4	9.6	8.2	6.7	9.4	8.5	11.5	10.0	12.7	12.2	10.9	10.4
Distressed Securities	3.2	2.7	2.1	1.8	3.0	2.5	2.9	2.7	4.1	4.2	4.1	3.5
Hedge Fund Structure	2.0	1.7	1.6	1.7	2.0	1.7	1.7	1.5	2.3	2.0	2.3	1.6
Private Equity Structure	1.2	0.6	0.6	0.0	1.0	0.0	1.2	0.7	1.8	1.6	1.9	1.3
Private Equity & Venture Capital	6.8	5.4	2.0	0.0	4.0	1.9	6.0	5.2	9.1	7.9	13.0	13.0
Non-Venture Private Equity	3.5	2.1	0.7	0.0	1.6	0.2	3.0	2.1	4.9	3.3	7.4	7.5
Venture Capital	2.4	1.2	0.6	0.0	1.2	0.0	2.0	1.5	3.4	2.8	5.0	4.1
Other Private Investments	0.8	0.0	0.6	0.0	1.2	0.1	1.0	0.2	0.8	0.2	0.5	0.0
Real Assets & Infl-Linked Bonds	10.5	10.1	8.9	9.4	9.9	9.5	10.4	10.2	10.9	10.6	12.6	12.4
Private Real Estate	2.2	1.0	0.4	0.0	1.0	0.0	1.8	0.9	2.4	1.6	5.1	4.2
Public Real Estate	0.6	0.0	0.5	0.0	0.5	0.0	0.7	0.0	0.7	0.0	0.5	0.0
Commodities	1.4	1.1	1.7	1.5	1.7	1.5	1.3	0.9	1.1	0.8	1.0	0.0
Inflation-Linked Bonds	0.6	0.0	0.6	0.0	0.8	0.5	0.6	0.0	0.3	0.0	0.6	0.0
Private Oil & Gas/Natural Resources	1.8	0.9	0.4	0.0	1.1	0.0	1.6	1.3	2.4	2.0	3.7	3.6
Timber	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.3	0.0	0.5	0.0
Public Energy/Natural Resources	3.8	3.5	5.2	5.4	4.9	4.8	4.3	4.0	3.8	3.3	1.1	0.0
Cash & Equivalents	3.7	2.8	3.6	3.0	3.6	2.8	4.0	2.9	3.3	2.9	3.9	2.6
Other Assets	0.2	0.0	0.0	0.0	0.1	0.0	0.4	0.0	0.2	0.0	0.3	0.0

Source: Endowment and foundation data as reported to Cambridge Associates LLC.

Exhibit 6
Performance Reporting Methodologies

As of June 30, 2014 • Methods Used to Account for Performance of Private Investments in Second Quarter 2014

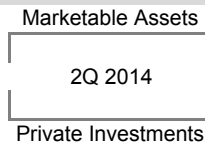


By Asset Size

	Current Basis	Flat Basis	Lagged Basis	Other
Under \$100 million	—	100% (n = 44)	—	—
\$100 million to \$200 million	—	98% (n = 65)	2% (n = 1)	—
\$200 million to \$500 million	—	89% (n = 63)	8% (n = 6)	3% (n = 2)
\$500 million to \$1 billion	11% (n = 7)	69% (n = 45)	17% (n = 11)	3% (n = 2)
Over \$1 billion	12% (n = 11)	24% (n = 23)	60% (n = 57)	4% (n = 4)

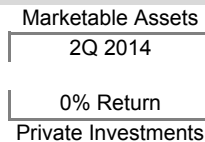
Current Basis

Total investment pool return for 2Q 2014 includes marketable asset performance and private investment performance for April 1, 2014, to June 30, 2014. Of the 18 institutions in our endowment universe using this methodology, four used confirmed 2Q 2014 private investment valuations while 14 used estimated valuations.



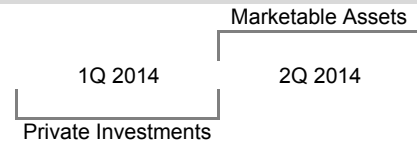
Flat Basis

Total investment pool return for 2Q 2014 includes marketable asset performance for April 1, 2014, to June 30, 2014. Private investment portion of the investment pool is represented by a flat return (0%) for April 1, 2014, to June 30, 2014.



Lagged Basis

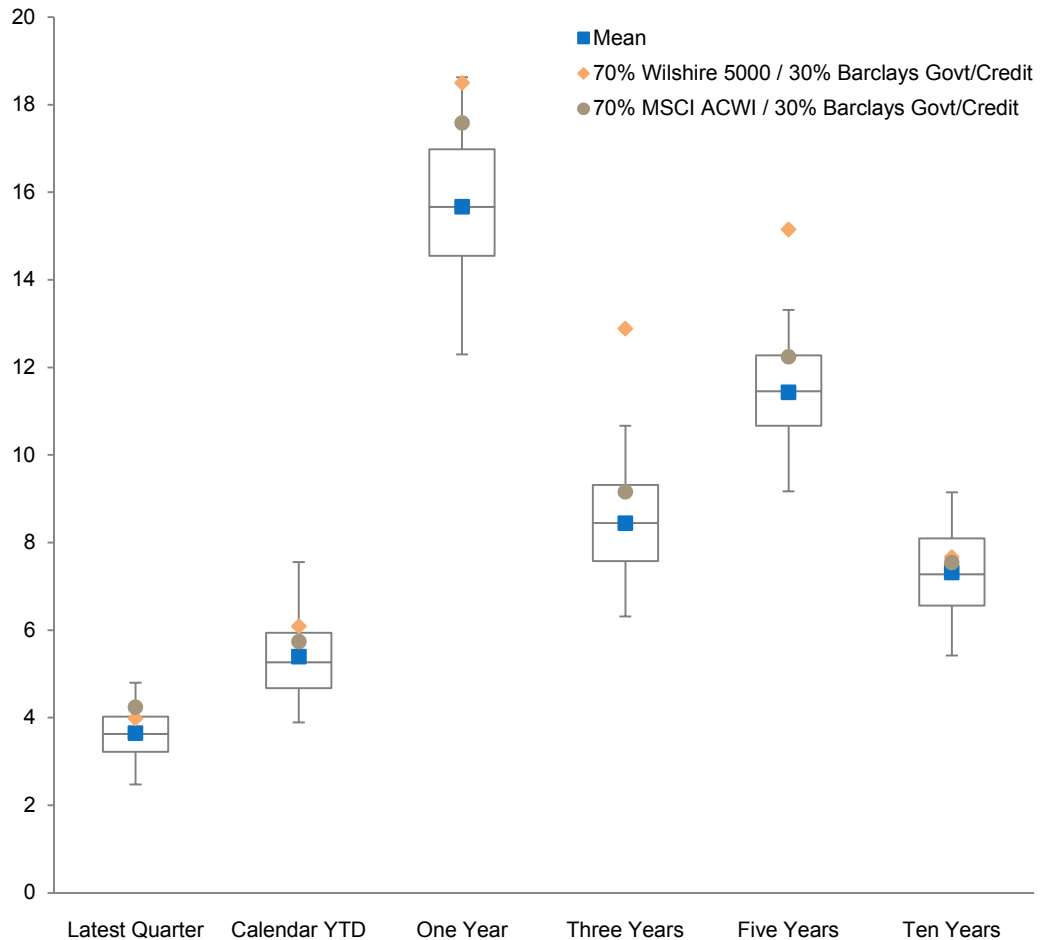
Total investment pool return for 2Q 2014 includes marketable asset performance for April 1, 2014, to June 30, 2014, and private investment performance for January 1, 2014, to March 31, 2014. Of the 75 institutions in our endowment universe using this methodology, 14 will restate 2Q 2014 returns to reflect private investment valuations on a current basis.



Source: Endowment and foundation data as reported to Cambridge Associates LLC.

Notes: Private investments include total allocation to non-venture private equity, venture capital, distressed securities (private equity structure), private oil & gas/natural resources, timber, private real estate, and other private investments. Excluded from this exhibit are 104 US endowments and foundations that have no significant private investment allocations (<1% of their total investment portfolios).

Exhibit 7
Nominal Return Percentiles: US Endowments and Foundations
 Periods Ended June 30, 2014 • Percent (%)

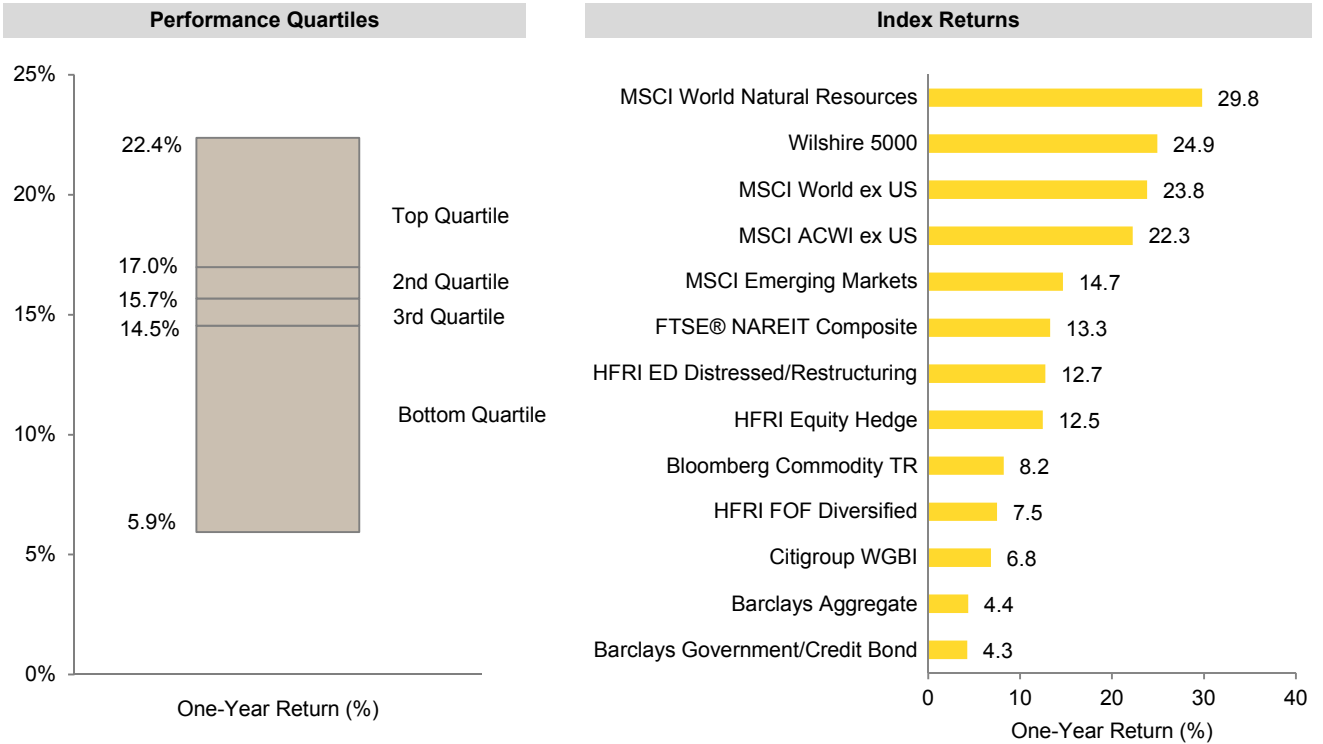


	Latest Quarter	Calendar YTD	One Year	Three Years	Five Years	Ten Years
5th Percentile	4.8	7.6	18.6	10.7	13.3	9.1
25th Percentile	4.0	5.9	17.0	9.3	12.3	8.1
Median	3.6	5.3	15.7	8.4	11.5	7.3
75th Percentile	3.2	4.7	14.5	7.6	10.7	6.6
95th Percentile	2.5	3.9	12.3	6.3	9.2	5.4
Mean	3.6	5.4	15.7	8.4	11.4	7.3
<i>n</i>	424	424	423	419	409	368
70% Wilshire 5000 / 30% Barclays Govt/Credit	4.0	6.1	18.5	12.9	15.2	7.7
70% MSCI ACWI / 30% Barclays Govt/Credit	4.2	5.7	17.6	9.2	12.2	7.5

Sources: Endowment and foundation data as reported to Cambridge Associates LLC. Index data are provided by Barclays, MSCI Inc., and Wilshire Associates, Inc. MSCI data provided "as is" without any express or implied warranties.

Notes: Three-, five-, and ten-year returns are annualized. The 70/30 simple portfolio benchmarks are calculated assuming rebalancing occurs on the final day of each quarter.

Exhibit 8
Performance Attribution: US Endowments and Foundations
 As of June 30, 2014 • Analysis of Top and Bottom Performers



Average Asset Allocation by Quartile (%) as of June 30, 2013

Quartile	US Equity	Global ex US Equity	Bonds	Hedge Funds	Distressed Securities	Priv Equity & Ven Cap	Real Assets & Infr-Linked Bonds	Cash	Other
Top Quartile	24.0	22.6	11.7	16.4	3.0	8.1	11.7	2.1	0.4
2nd Quartile	22.3	22.0	12.3	19.2	3.4	6.8	10.6	3.1	0.4
3rd Quartile	20.7	21.1	13.3	20.0	3.5	6.7	10.6	3.6	0.4
Bottom Quartile	18.0	18.2	12.6	24.5	3.9	6.0	10.4	6.2	0.2
US E&F Universe	21.2	21.0	12.5	20.0	3.5	6.9	10.8	3.7	0.3

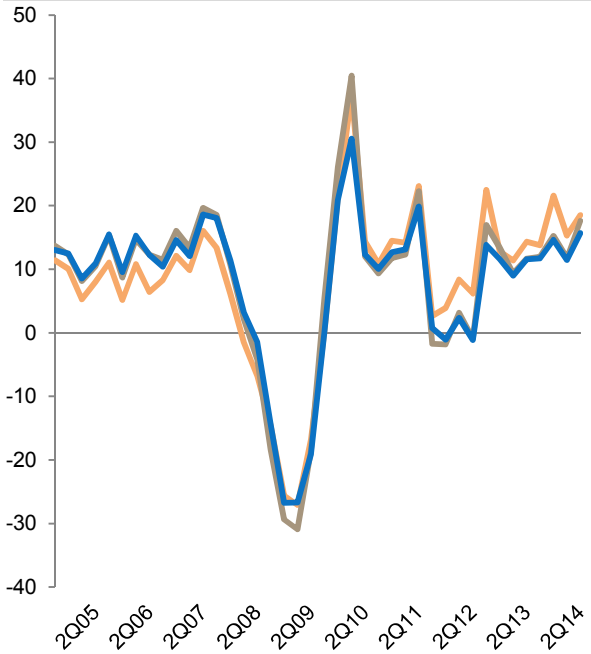
Divergence of Asset Allocation from Mean

Quartile	Divergence from Mean (%)
Top Quartile	+2.8%
2nd Quartile	+1.1%
3rd Quartile	-0.5%
Bottom Quartile	-2.3%

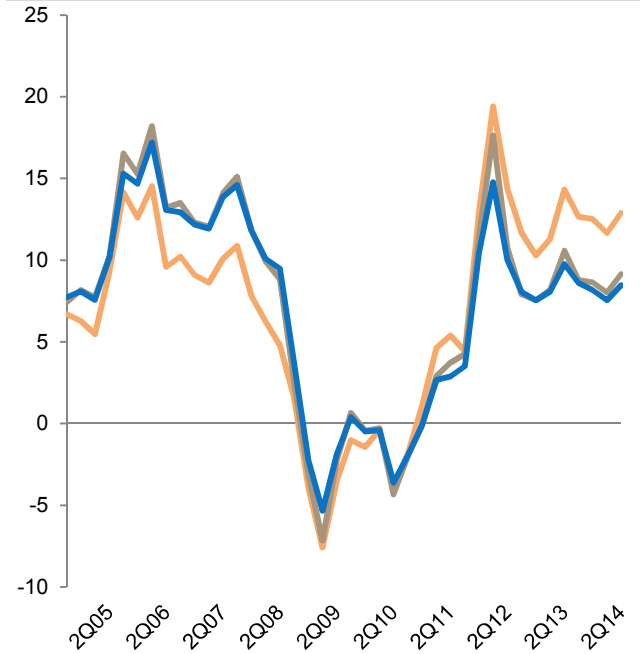
Sources: Endowment and foundation data as reported to Cambridge Associates LLC. Index data are provided by Barclays, Citigroup Global Markets, Dow Jones Indexes, FTSE International Limited, Hedge Fund Research, Inc., MSCI Inc., the National Association of Real Estate Investment Trusts, and Wilshire Associates, Inc. MSCI data provided “as is” without any express or implied warranties. Note: CJA US endowment and foundation universe performance quartiles are based on the trailing one-year return as of June 30, 2014.

Exhibit 9
Nominal Returns Over Time: US Endowments and Foundations
 As of June 30, 2014 • Percent (%)

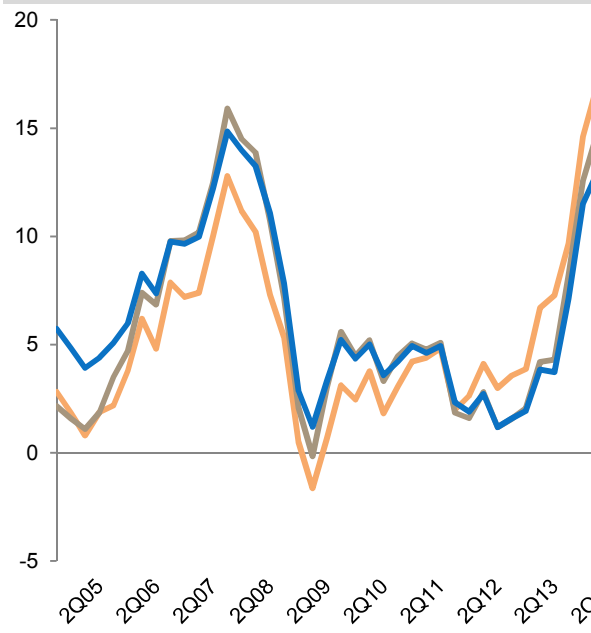
Rolling One-Year AACR (Fourth Qtr 2003 – Second Qtr 2014)



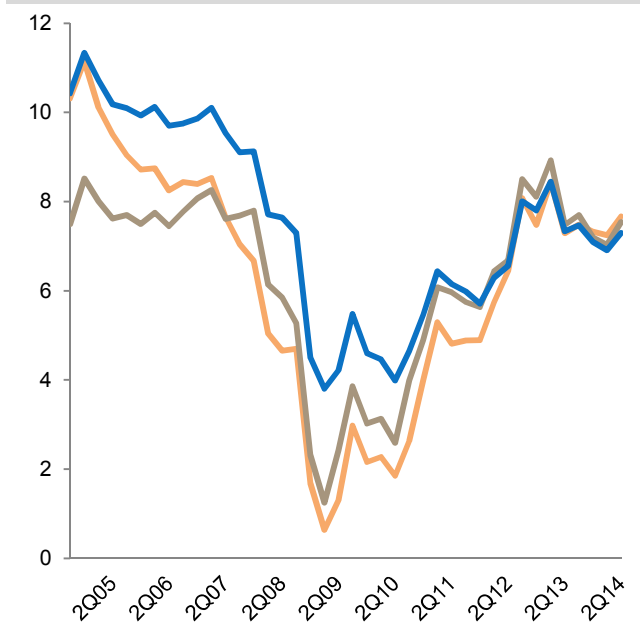
Rolling Three-Year AACR (Fourth Qtr 2001 – Second Qtr 2014)



Rolling Five-Year AACR (Fourth Qtr 1999 – Second Qtr 2014)



Rolling Ten-Year AACR (Fourth Qtr 1994 – Second Qtr 2014)



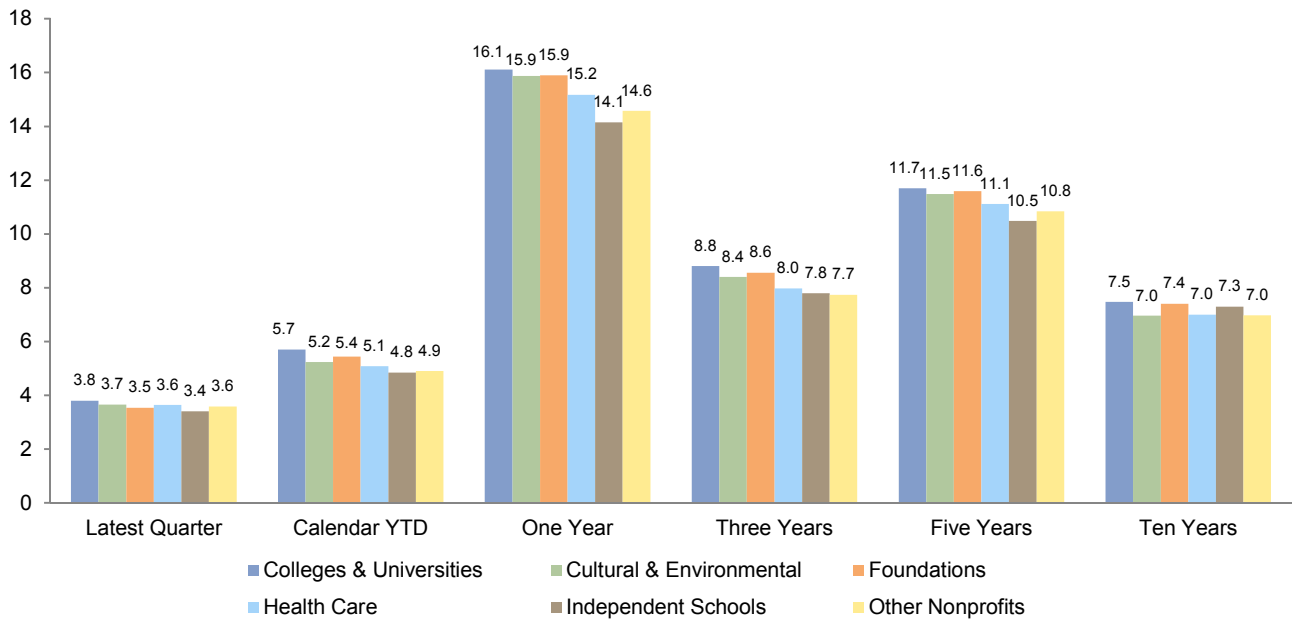
— 70/30 Wilshire 5000 / Barclays Govt/Credit — 70/30 MSCI ACWI / Barclays Govt/Credit — US Endows & Fdns

Sources: Endowment and foundation data as reported to Cambridge Associates LLC. Index data are provided by Barclays, MSCI Inc., and Wilshire Associates, Inc. MSCI data provided "as is" without any express or implied warranties.

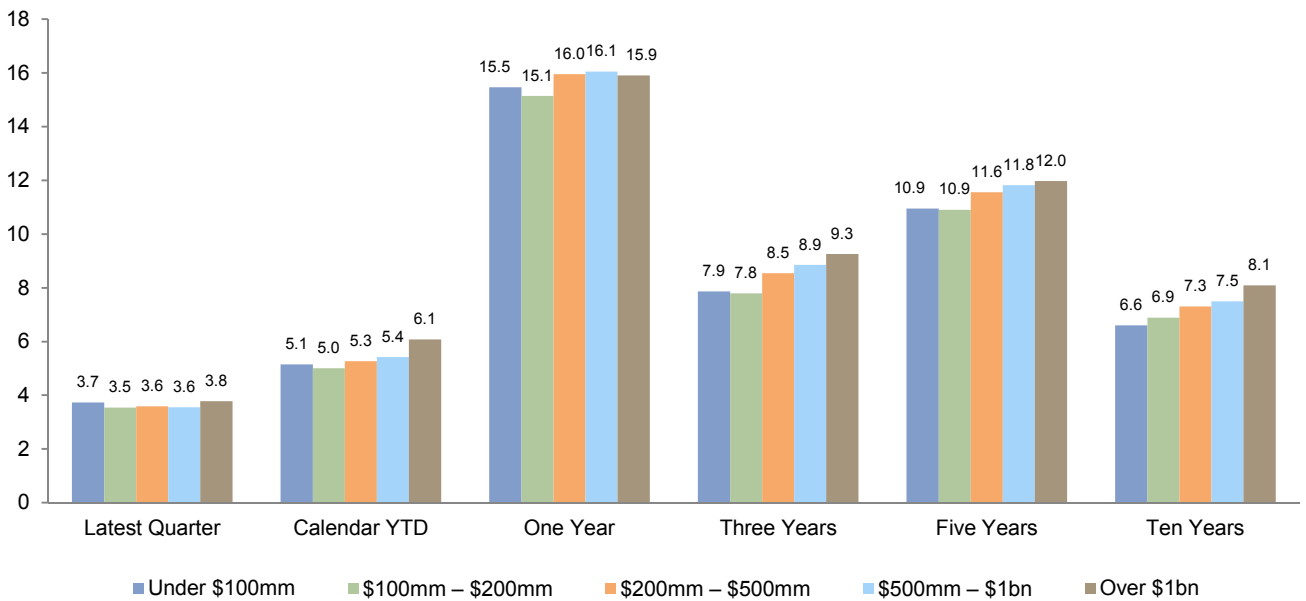
Note: The 70/30 simple portfolio benchmarks are calculated assuming rebalancing occurs on the final day of each quarter.

Exhibit 10
Nominal Mean Returns Summary: US Endowments and Foundations
 Periods Ended June 30, 2014 • Percent (%)

By Peer Group



By Asset Size



Source: Endowment and foundation data as reported to Cambridge Associates LLC.

Exhibit 11

Nominal Total Return Summary by Peer Group: US Endowments and Foundations

Periods Ended June 30, 2014 • Percent (%)

	Latest Quarter	Calendar YTD	Average Annual Compound			
			One Year	Three Years	Five Years	Ten Years
Colleges & Universities						
5th Percentile	5.1	7.9	19.2	10.7	13.4	9.4
25th Percentile	4.2	6.3	17.5	9.6	12.5	8.2
75th Percentile	3.2	4.9	15.0	8.0	11.0	6.8
95th Percentile	2.7	4.0	13.3	6.8	9.4	5.8
Mean	3.8	5.7	16.1	8.8	11.7	7.5
Median	3.7	5.6	16.1	8.9	11.8	7.5
<i>n</i>	147	147	147	146	145	137
Cultural & Environmental						
5th Percentile	4.5	6.7	18.2	10.2	13.2	8.6
25th Percentile	4.0	5.7	17.1	9.3	12.4	7.8
75th Percentile	3.3	4.6	14.6	7.6	10.9	6.4
95th Percentile	2.8	4.2	13.6	6.3	9.6	4.8
Mean	3.7	5.2	15.9	8.4	11.5	7.0
Median	3.7	5.2	16.0	8.4	11.4	7.1
<i>n</i>	53	53	53	53	50	45
Foundations						
5th Percentile	4.9	7.7	18.3	10.8	13.9	9.3
25th Percentile	4.0	5.9	16.9	9.3	12.3	8.5
75th Percentile	3.1	4.7	15.0	7.6	10.9	6.4
95th Percentile	2.3	3.8	13.3	6.6	9.2	5.1
Mean	3.5	5.4	15.9	8.6	11.6	7.4
Median	3.5	5.3	16.0	8.5	11.6	7.4
<i>n</i>	117	117	117	114	112	96
Health Care						
5th Percentile	4.5	6.2	17.4	10.2	12.4	8.2
25th Percentile	4.0	5.6	16.3	8.6	12.0	7.5
75th Percentile	3.3	4.6	14.4	7.2	10.3	6.3
95th Percentile	2.8	3.8	12.0	6.1	9.7	5.7
Mean	3.6	5.1	15.2	8.0	11.1	7.0
Median	3.7	5.1	15.4	8.0	11.1	7.0
<i>n</i>	45	45	45	45	44	39
Independent Schools						
5th Percentile	4.5	6.7	17.7	10.3	12.9	8.4
25th Percentile	3.8	5.4	15.7	9.2	11.0	8.0
75th Percentile	3.2	4.3	13.1	7.2	9.8	6.3
95th Percentile	2.4	2.7	11.2	6.2	8.4	5.7
Mean	3.4	4.8	14.1	7.8	10.5	7.3
Median	3.5	4.9	14.5	7.7	10.6	7.4
<i>n</i>	26	26	26	26	25	22
Other Nonprofits						
5th Percentile	4.4	6.1	18.0	9.7	12.8	8.3
25th Percentile	3.9	5.5	15.9	8.8	11.7	7.5
75th Percentile	3.3	4.5	13.5	7.1	10.0	6.3
95th Percentile	2.7	3.9	11.6	5.6	8.6	5.7
Mean	3.6	4.9	14.6	7.7	10.8	7.0
Median	3.6	4.8	14.6	7.7	11.0	7.1
<i>n</i>	36	36	35	34	33	27

Source: Endowment and foundation data as reported to Cambridge Associates LLC.

Exhibit 12**Nominal Total Return Summary by Asset Size: US Endowments and Foundations**

Periods Ended June 30, 2014 • Percent (%)

	Latest Quarter	Calendar YTD	Average Annual Compound			
			One Year	Three Years	Five Years	Ten Years
Under \$100 Million						
5th Percentile	4.5	6.1	18.8	10.0	13.2	8.4
25th Percentile	4.1	5.7	16.7	8.8	11.8	7.5
75th Percentile	3.4	4.6	14.4	7.2	10.1	5.8
95th Percentile	3.0	4.2	12.2	6.0	8.8	4.8
Mean	3.7	5.1	15.5	7.9	10.9	6.6
Median	3.8	5.2	15.5	7.8	11.0	6.5
<i>n</i>	89	89	88	87	83	67
\$100 Million to \$200 Million						
5th Percentile	4.4	6.2	17.8	9.9	12.9	8.3
25th Percentile	3.9	5.5	16.5	8.7	11.7	7.7
75th Percentile	3.2	4.5	14.1	7.1	10.2	6.1
95th Percentile	2.6	3.8	11.6	6.0	8.6	5.2
Mean	3.5	5.0	15.1	7.8	10.9	6.9
Median	3.6	5.0	15.2	7.7	11.0	7.0
<i>n</i>	94	94	94	94	91	75
\$200 Million to \$500 Million						
5th Percentile	4.8	6.8	18.8	10.6	13.1	8.7
25th Percentile	4.0	5.7	17.1	9.2	12.2	8.1
75th Percentile	3.2	4.7	14.9	7.7	10.9	6.7
95th Percentile	2.6	4.0	13.3	7.0	10.3	5.8
Mean	3.6	5.3	16.0	8.5	11.6	7.3
Median	3.6	5.2	15.9	8.6	11.5	7.2
<i>n</i>	82	82	82	79	78	73
\$500 Million to \$1 Billion						
5th Percentile	4.5	6.9	18.4	10.7	13.9	9.1
25th Percentile	3.9	5.8	17.0	9.4	12.5	8.1
75th Percentile	3.2	4.7	15.1	8.1	11.3	6.9
95th Percentile	2.6	4.0	14.0	7.1	9.9	5.9
Mean	3.6	5.4	16.1	8.9	11.8	7.5
Median	3.5	5.3	16.1	8.8	11.9	7.4
<i>n</i>	63	63	63	62	61	59
Over \$1 Billion						
5th Percentile	6.0	8.9	18.6	11.2	13.5	9.9
25th Percentile	4.3	7.1	17.4	10.1	12.8	8.8
75th Percentile	3.1	4.8	14.6	8.5	11.3	7.3
95th Percentile	2.3	3.4	11.9	7.0	9.8	6.8
Mean	3.8	6.1	15.9	9.3	12.0	8.1
Median	3.7	6.0	16.1	9.2	12.1	7.9
<i>n</i>	96	96	96	96	96	92

Source: Endowment and foundation data as reported to Cambridge Associates LLC.

Exhibit 13**Real Total Return Summary by Peer Group: US Endowments and Foundations**

Periods Ended June 30, 2014 • Percent (%)

	Latest Quarter	Calendar YTD	Average Annual Compound			
			One Year	Three Years	Five Years	Ten Years
Colleges & Universities						
5th Percentile	4.2	5.5	16.8	8.8	11.2	6.9
25th Percentile	3.3	3.9	15.1	7.7	10.3	5.8
75th Percentile	2.4	2.6	12.6	6.0	8.8	4.4
95th Percentile	1.8	1.7	11.0	4.9	7.3	3.4
Mean	2.9	3.4	13.8	6.8	9.5	5.1
Median	2.8	3.3	13.8	6.9	9.6	5.0
<i>n</i>	147	147	147	146	145	137
Cultural & Environmental						
5th Percentile	3.6	4.3	15.8	8.2	11.0	6.1
25th Percentile	3.1	3.4	14.7	7.3	10.2	5.4
75th Percentile	2.4	2.3	12.2	5.7	8.7	4.0
95th Percentile	1.9	1.8	11.3	4.4	7.4	2.4
Mean	2.8	2.9	13.5	6.4	9.3	4.5
Median	2.8	2.8	13.7	6.5	9.2	4.7
<i>n</i>	53	53	53	53	50	45
Foundations						
5th Percentile	4.0	5.3	15.9	8.8	11.6	6.8
25th Percentile	3.1	3.5	14.6	7.3	10.1	6.0
75th Percentile	2.2	2.3	12.7	5.6	8.7	4.0
95th Percentile	1.4	1.5	11.0	4.7	7.0	2.7
Mean	2.6	3.1	13.5	6.6	9.4	5.0
Median	2.6	2.9	13.7	6.5	9.4	5.0
<i>n</i>	117	117	117	114	112	96
Health Care						
5th Percentile	3.6	3.9	15.0	8.2	10.2	5.8
25th Percentile	3.1	3.3	13.9	6.6	9.7	5.1
75th Percentile	2.4	2.2	12.0	5.3	8.1	3.9
95th Percentile	1.9	1.5	9.7	4.2	7.5	3.3
Mean	2.8	2.7	12.8	6.0	8.9	4.6
Median	2.8	2.8	13.1	6.0	8.9	4.6
<i>n</i>	45	45	45	45	44	39
Independent Schools						
5th Percentile	3.6	4.3	15.3	8.3	10.7	6.0
25th Percentile	2.9	3.0	13.3	7.2	8.8	5.6
75th Percentile	2.3	2.0	10.8	5.3	7.7	3.9
95th Percentile	1.5	0.4	8.9	4.3	6.3	3.3
Mean	2.5	2.5	11.8	5.9	8.3	4.9
Median	2.6	2.6	12.2	5.7	8.4	5.0
<i>n</i>	26	26	26	26	25	22
Other Nonprofits						
5th Percentile	3.5	3.7	15.6	7.7	10.5	5.8
25th Percentile	3.0	3.1	13.5	6.8	9.5	5.0
75th Percentile	2.4	2.2	11.2	5.2	7.8	3.9
95th Percentile	1.8	1.6	9.3	3.7	6.5	3.3
Mean	2.7	2.6	12.2	5.8	8.6	4.6
Median	2.7	2.5	12.2	5.7	8.8	4.7
<i>n</i>	36	36	35	34	33	27

Sources: Endowment and foundation data as reported to Cambridge Associates LLC, adjusted for inflation using CPI-U from the US Department of Labor - Bureau of Labor Statistics.

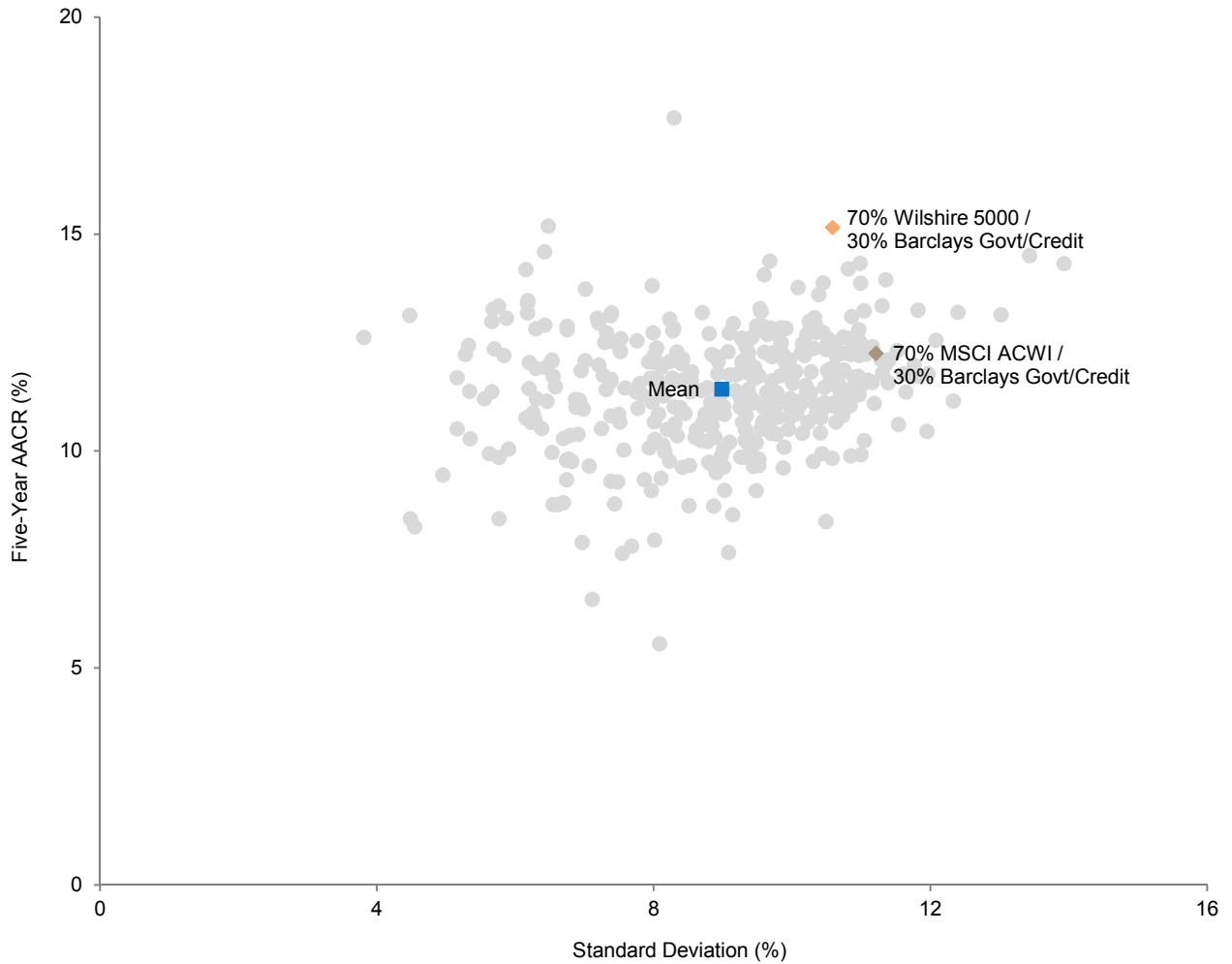
Exhibit 14**Real Total Return Summary by Asset Size: US Endowments and Foundations**

Periods Ended June 30, 2014 • Percent (%)

	Latest Quarter	Calendar YTD	Average Annual Compound			
			One Year	Three Years	Five Years	Ten Years
Under \$100 Million						
5th Percentile	3.6	3.8	16.4	8.0	10.9	5.9
25th Percentile	3.2	3.3	14.3	6.8	9.6	5.1
75th Percentile	2.5	2.3	12.0	5.3	7.9	3.4
95th Percentile	2.1	1.9	9.9	4.1	6.6	2.5
Mean	2.8	2.8	13.1	5.9	8.8	4.2
Median	2.9	2.9	13.2	5.8	8.8	4.1
<i>n</i>	89	89	88	87	83	67
\$100 Million to \$200 Million						
5th Percentile	3.5	3.8	15.4	7.9	10.6	5.9
25th Percentile	3.0	3.2	14.1	6.7	9.5	5.3
75th Percentile	2.3	2.1	11.8	5.1	8.1	3.7
95th Percentile	1.7	1.5	9.3	4.1	6.4	2.8
Mean	2.7	2.7	12.8	5.9	8.7	4.5
Median	2.7	2.7	12.9	5.8	8.8	4.5
<i>n</i>	94	94	94	94	91	75
\$200 Million to \$500 Million						
5th Percentile	3.9	4.5	16.4	8.6	10.8	6.3
25th Percentile	3.1	3.4	14.7	7.3	10.0	5.6
75th Percentile	2.3	2.4	12.6	5.7	8.7	4.3
95th Percentile	1.7	1.7	11.0	5.0	8.1	3.5
Mean	2.7	2.9	13.6	6.6	9.4	4.9
Median	2.7	2.9	13.5	6.6	9.3	4.8
<i>n</i>	82	82	82	79	78	73
\$500 Million to \$1 Billion						
5th Percentile	3.6	4.6	16.0	8.7	11.7	6.6
25th Percentile	3.0	3.5	14.7	7.4	10.3	5.6
75th Percentile	2.3	2.4	12.7	6.2	9.1	4.5
95th Percentile	1.7	1.7	11.6	5.1	7.7	3.5
Mean	2.7	3.1	13.7	6.9	9.6	5.1
Median	2.6	3.0	13.7	6.8	9.6	5.0
<i>n</i>	63	63	63	62	61	59
Over \$1 Billion						
5th Percentile	5.1	6.5	16.2	9.2	11.3	7.5
25th Percentile	3.4	4.7	15.0	8.1	10.5	6.4
75th Percentile	2.2	2.5	12.3	6.5	9.1	4.9
95th Percentile	1.4	1.1	9.6	5.1	7.7	4.4
Mean	2.9	3.7	13.5	7.3	9.8	5.6
Median	2.8	3.7	13.7	7.3	9.9	5.5
<i>n</i>	96	96	96	96	96	92

Source: Endowment and foundation data as reported to Cambridge Associates LLC, adjusted for inflation using CPI-U from the US Department of Labor - Bureau of Labor Statistics.

Exhibit 15
Standard Deviation and Sharpe Ratio: US Endowments and Foundations
 Five Years Ended June 30, 2014



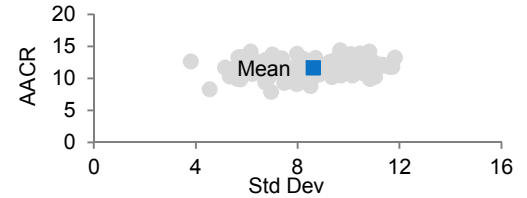
	AACR (%)	Standard Deviation (%)	Sharpe Ratio
5th Percentile	13.3	11.3	1.95
25th Percentile	12.3	10.3	1.41
75th Percentile	10.7	7.9	1.10
95th Percentile	9.2	5.9	1.00
Mean	11.4	9.0	1.30
Median	11.5	9.3	1.21
<i>n = 409</i>			
70% Wilshire 5000 / 30% Barclays Govt/Credit	15.2	10.6	1.40
70% MSCI ACWI / 30% Barclays Govt/Credit	12.2	11.2	1.09

Sources: Endowment and foundation data as reported to Cambridge Associates LLC. Index data are provided by Barclays, BofA Merrill Lynch, MSCI Inc., and Wilshire Associates, Inc. MSCI data provided "as is" without any express or implied warranties.

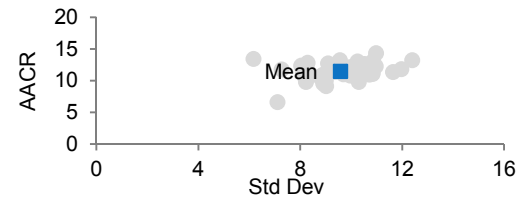
Note: The 70/30 simple portfolio benchmarks are calculated assuming rebalancing occurs on the final day of each quarter.

Exhibit 16
Standard Deviation and Sharpe Ratio by Peer Group: US Endowments and Foundations
 Five Years Ended June 30, 2014

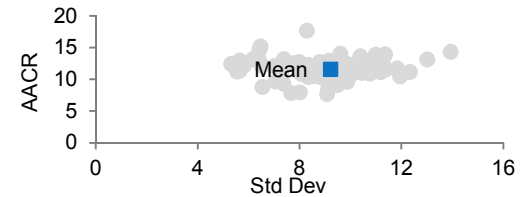
	AACR (%)	Standard Deviation (%)	Sharpe Ratio
Colleges & Universities			
5th Percentile	13.4	11.0	2.07
25th Percentile	12.5	10.1	1.58
75th Percentile	11.0	7.0	1.16
95th Percentile	9.4	5.7	1.03
Mean	11.7	8.6	1.39
Median	11.8	8.9	1.28
<i>n</i> = 145			



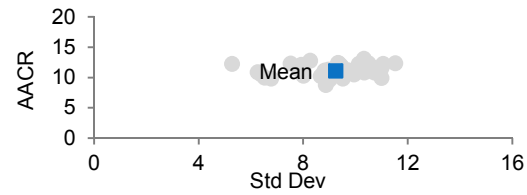
Cultural & Environmental			
5th Percentile	13.2	11.3	1.50
25th Percentile	12.4	10.6	1.28
75th Percentile	10.9	8.8	1.07
95th Percentile	9.6	7.6	0.99
Mean	11.5	9.6	1.20
Median	11.4	9.6	1.19
<i>n</i> = 50			



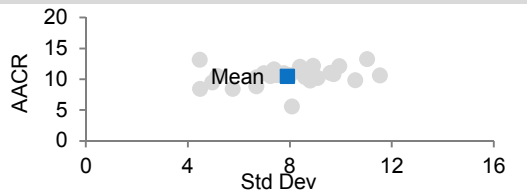
Foundations			
5th Percentile	13.9	11.4	2.02
25th Percentile	12.3	10.2	1.35
75th Percentile	10.9	8.3	1.08
95th Percentile	9.2	6.3	0.98
Mean	11.6	9.2	1.28
Median	11.6	9.4	1.20
<i>n</i> = 112			



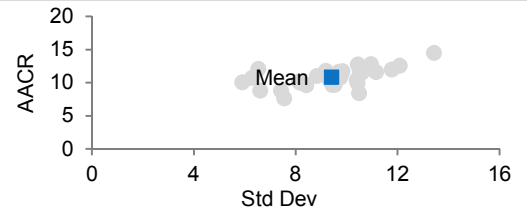
Health Care			
5th Percentile	12.4	11.0	1.60
25th Percentile	12.0	10.5	1.29
75th Percentile	10.3	8.6	1.06
95th Percentile	9.7	6.4	1.01
Mean	11.1	9.2	1.22
Median	11.1	9.4	1.13
<i>n</i> = 44			



Independent Schools			
5th Percentile	12.9	10.9	1.94
25th Percentile	11.0	9.1	1.50
75th Percentile	9.8	6.7	1.14
95th Percentile	8.4	4.6	0.93
Mean	10.5	7.9	1.38
Median	10.6	8.0	1.34
<i>n</i> = 25			



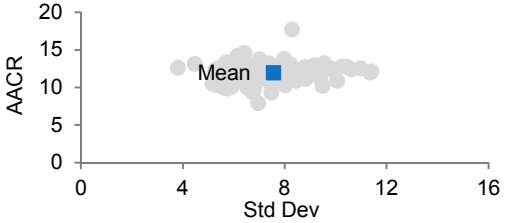
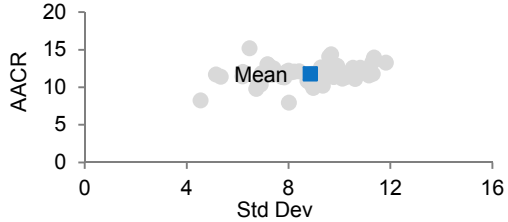
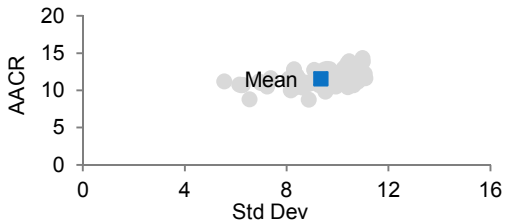
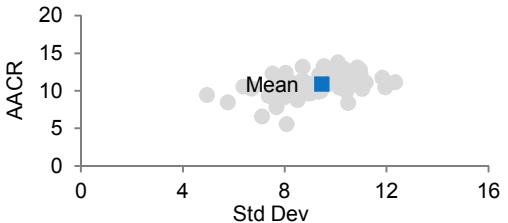
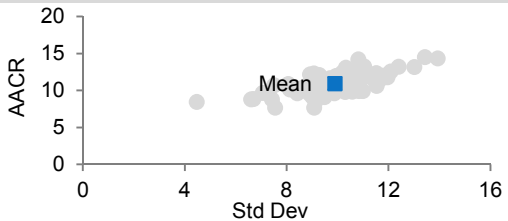
Other Nonprofits			
5th Percentile	12.8	11.9	1.65
25th Percentile	11.7	10.4	1.20
75th Percentile	10.0	8.4	1.04
95th Percentile	8.6	6.4	0.99
Mean	10.8	9.4	1.17
Median	11.0	9.4	1.15
<i>n</i> = 33			



Sources: Endowment and foundation data as reported to Cambridge Associates LLC. Sharpe ratio calculated using data from BofA Merrill Lynch.

Exhibit 17
Standard Deviation and Sharpe Ratio by Asset Size: US Endowments and Foundations
 Five Years Ended June 30, 2014

	AACR (%)	Standard Deviation (%)	Sharpe Ratio
Under \$100 Million			
5th Percentile	13.2	12.1	1.33
25th Percentile	11.8	10.8	1.18
75th Percentile	10.1	9.1	1.02
95th Percentile	8.8	7.4	0.94
Mean	10.9	9.9	1.11
Median	11.0	9.8	1.09
<i>n</i> = 83			
\$100 Million to \$200 Million			
5th Percentile	12.9	11.0	1.48
25th Percentile	11.7	10.5	1.21
75th Percentile	10.2	8.7	1.06
95th Percentile	8.6	7.2	0.93
Mean	10.9	9.4	1.16
Median	11.0	9.6	1.15
<i>n</i> = 91			
\$200 Million to \$500 Million			
5th Percentile	13.1	10.9	1.58
25th Percentile	12.2	10.3	1.30
75th Percentile	10.9	8.6	1.12
95th Percentile	10.3	6.5	1.03
Mean	11.6	9.3	1.24
Median	11.5	9.6	1.22
<i>n</i> = 78			
\$500 Million to \$1 Billion			
5th Percentile	13.9	11.3	1.87
25th Percentile	12.5	10.1	1.48
75th Percentile	11.3	7.4	1.15
95th Percentile	9.9	6.2	1.04
Mean	11.8	8.9	1.36
Median	11.9	9.3	1.27
<i>n</i> = 61			
Over \$1 Billion			
5th Percentile	13.5	10.3	2.22
25th Percentile	12.8	8.6	1.82
75th Percentile	11.3	6.4	1.33
95th Percentile	9.8	5.3	1.13
Mean	12.0	7.6	1.61
Median	12.1	7.4	1.53
<i>n</i> = 96			



Sources: Endowment and foundation data as reported to Cambridge Associates LLC. Sharpe ratio calculated using data from BofA Merrill Lynch.

Absolute Return: The use of different strategies (e.g., global macro, market neutral, open mandate) to produce a positive return regardless of the direction and fluctuation of capital markets. Common techniques include using arbitrage, derivatives, futures, leverage, options, short selling, and unconventional assets.

Bonds (Fixed Income): Includes long-term promissory notes that cannot be exchanged for other assets, government bonds, preferred stocks, structured debt, and derivatives where bonds are the underlying assets. Generally earn interest paid semiannually and are repaid at the principal (par) value. Does not include mortgage real estate.

Cash & Equivalents: Highly liquid, virtually risk-free assets with maturities of less than one year (e.g., certificates of deposit, commercial paper, nonconvertible bonds, and Treasury bills).

Commodities: Diversified baskets of fully collateralized, long-only, commodity futures contracts. Includes funds whose value is based on the spot price of a commodity.

Convertible Securities: Bonds or preferred stock that can be exchanged for equities according to terms established by the issuer. Classified as equity.

Developed Markets: Markets within countries that have an established economic infrastructure.

Distressed Securities: Securities of companies that are currently in default, bankruptcy, financial distress, or a turnaround situation.

Emerging Markets: Typically includes countries that have an underdeveloped or developing infrastructure with significant potential for economic growth and increased capital markets participation by foreign investors. These countries generally possess some of the following characteristics: per capita GNP

less than \$9,000, recent economic liberalization, debt ratings below investment grade, recent liberalization of the political system, and non-membership in the OECD.

Emerging Markets Debt: Debt instruments of emerging markets countries and issuers, including US\$-denominated and local currency bonds.

Emerging Markets Equity: Equity securities of emerging markets countries; considered emerging even if the equity market is fully functional and well regulated.

Equities: Ownership positions in companies that can be traded in public markets. Often produce current income, which is paid in the form of quarterly dividends. The holders' claims are subordinate to the claims of preferred stockholders and bondholders. Includes convertible bonds if they are held as an opportunistic means of eventually acquiring a company's stock. Also includes futures, options, rights, and warrants where the underlying assets are equities.

Faculty Mortgages: Homeownership loans issued by an institution to faculty or staff.

High-Yield Bonds: Bonds regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. Typically, these bonds have a credit rating of BB or lower and pay higher yields because they are more risky than investment-grade bonds. Also includes collateralized bond obligations (CBOs).

Inflation-Linked Bonds: Fixed coupon bonds that earn interest paid semi-annually on inflation-adjusted principal.

Long/Short Hedge Funds: Portfolios with long positions in undervalued companies and short positions in overvalued companies, to capture the disparity in prospective returns, while maintaining a low level of overall market risk.

Long-Term Investment Portfolio: The group of assets that an institution deems best represents its investment policies and endowment asset allocation and returns. These assets should be subject to frequent market valuation and may include operating funds. Pooled income funds and charitable remainder trusts should be excluded if the investment strategy varies from the institution's asset allocation policy. Assets that cannot be fairly valued such as artwork, copyrights, and patents should also be excluded.

Non-Venture Private Equity: Through negotiation or tender offer, a takeover of a majority percentage of a company's equity with the purpose of acquiring its assets and operations. Includes leveraged buyouts (LBOs).

Other Assets: Should only include assets that cannot be classified as one or more of the other asset classes.

Other Private Investments: Includes funds that are invested across multiple private investments and cannot be allocated to a single asset class. Includes multi-strategy fund-of-funds and secondary market private investments.

Private Investments: Investments that are not traded in the public market including, but not limited to, leveraged buyouts, venture capital, private real estate, private distressed securities, and private energy and natural resources.

Private Oil & Gas/Natural Resources: Funds created to invest in the exploration or development of energy-related reserves and natural resources.

Private Real Estate: Includes ownership positions in land and buildings as well as private operating companies. May also include equity-like investments in mortgages or land leases that include substantial participation in revenues and

capital appreciation. Does not include equity mortgages such as collateralized mortgage obligations (CMOs), mortgage-backed securities, publicly traded REITs, or other public real estate.

Public Energy/Natural Resources: Includes marketable energy funds and natural resources.

Public Real Estate: Includes REITs and other public real estate equity such as umbrella partnership REITs (UPREITs), and other public operating companies (REOCs).

Real Returns: The real, or inflation-adjusted, rate of return for a given investment is calculated by dividing the nominal total return by the appropriate deflator for the same time period. Throughout this report, the deflation measure used for this purpose is the Consumer Price Index. Note that simply subtracting the deflator from the nominal total return does not result in an accurate computation of real total return. The formula is:

$$\frac{1 + \text{Nominal Total Return}}{1 + \text{Deflator}} - 1 = \text{Real Total Return}$$

Sharpe Ratio: The excess return, or the return over the risk-free rate, on a portfolio divided by the total volatility as measured by the standard deviation of the portfolio. The most common approach to measuring risk-adjusted performance is by the Sharpe ratio, which shows how much return above the risk-free rate (T-bills) the investor has earned per unit of risk (defined as standard deviation of returns). The higher the Sharpe ratio (assuming the ratio is above zero), the more the investor has been compensated for each unit of risk taken. The ratio is a measure of reward relative to total volatility. The formula is:

$$\frac{R_p - R_f}{S_p} = \text{Sharpe Ratio}$$

Where:

- ◆ R_p is the arithmetic average of composite quarterly returns,
- ◆ R_f is the arithmetic average of T-bill (risk-free) quarterly returns, and
- ◆ S_p is the quarterly standard deviation of composite quarterly returns.

Standard Deviation: The standard deviation of a portfolio's return is used as a measure of its total risk (measured by variability of returns). It is a measure of the extent to which returns vary from their average. The larger the standard deviation, the wider the range of likely returns and the greater the risk implicit in the portfolio.

Timber: Funds created to invest in timber-related business. Usually limited partnerships.

Total Return: The sum of income earned and appreciation, both realized and unrealized, for a specified period of time. Preferred method of calculation is GIPS compliant, using time-weighted cash flows. If unit accounting is used, the return for a period is calculated by taking the difference between the ending and beginning unit values, plus unit income earned, then dividing this amount by the beginning unit value.

Traditional Assets: Include US equities, non-US equities (including emerging markets), US investment-grade bonds, non-dollar bonds, high-yield bonds, emerging markets debt, and all cash and cash equivalents.

Venture Capital: Investments in private securities of new companies or companies considered to be in the early stages of growth; these investments may have high risk and the potential for high return.

Warrants: Options issued by a company that permit the holder to buy a stated number of common stock shares at a specified price

within a designated time period. Can be bought and sold, though generally distributed in conjunction with common stock. Classified as equity. ■