



Endowments Quarterly

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

Third Quarter 2014

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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 analyses for 438 US endowments and foundations that participated in our quarterly survey. The average market value of participating long-term investment portfolios was \$1.2 billion. The median value was \$260.6 million.

Examining Returns

The average return of the US Endowment and Foundation universe was -1.3% for the quarter ended September 30, 2014, ending a four-quarter run of positive performance that began

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

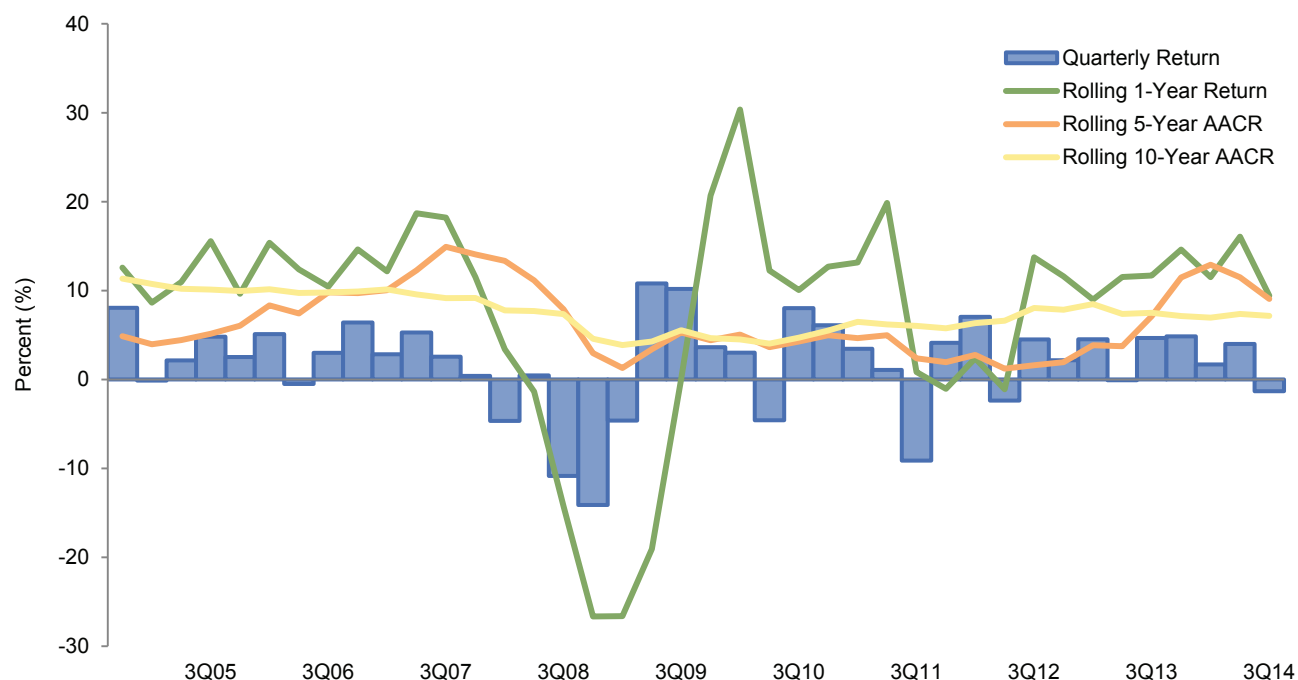
in third quarter 2013. Trailing one-year returns averaged 9.4%. Returns are reported on a net-of-fees basis for 99% of the US endowment and foundation universe.

Per the Consumer Price Index, inflation was -0.1% for third quarter 2014. Adjusting nominal returns to reflect inflation, the average real return for US endowments and foundations rose slightly to -1.2% for the quarter and fell to 7.7% 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.

Historical Endowment Performance: US Endowments and Foundations

As of September 30, 2014



Risk-adjusted performance, as measured by the Sharpe ratio,¹ averaged 1.12 for the trailing five-year period, ranging from 1.82 to 0.79 after removing outliers that make up the top and bottom 5% of the universe. Relative to a pair of simple 70/30 portfolio benchmarks,² the average Sharpe ratio of respondents exceeded the portfolio containing a global benchmark for the equity component (0.90), but was lower than the portfolio containing a US benchmark for the equity component (1.25).

Performance Attribution

Allocations to private equity/venture capital (PE/VC) and bonds were the primary drivers of performance over the trailing one-year period.

Private Equity & Venture Capital. When looking at the top and bottom performers, divergence from the mean asset allocation was largest within PE/VC, as endowments and foundations that posted a trailing one-year return in the top quartile entered the year with the highest average PE/VC allocation (12.8%). In contrast, the average beginning PE/VC allocation for those in the bottom-performing quartile was 2.4%, the lowest within the universe. The degree of divergence is especially meaningful given the strong performance of private markets.

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.

² The global equity benchmark is the MSCI All Country World Index (ACWI) and the US equity benchmark is the Wilshire 5000 Index. Bonds are represented by the Barclays Government/Credit Bond Index.

Index Returns

As of September 30, 2014

Index	One-Year Return (%)
US PE/VC (Lagged)	24.4
Wilshire 5000	17.9
US PE/VC (Partial Year)	17.6
HFRI Equity Hedge	6.7
MSCI ACWI ex US	5.2
Barclays Aggregate	3.9

Sources: Cambridge Associates LLC, Hedge Fund Research, Inc., MSCI, Inc., and Wilshire Associates. MSCI data provided "as is" without any express or implied warranties.

Notes: US PE/VC return calculated as IRR. Partial Year return represents the period 10/1/13–6/30/14 and aligns with endowments and foundations using the 'flat' methodology to report private investment performance. Lagged return represents the period 7/1/13–6/30/14.

Most endowments and foundations in this analysis report third quarter 2014 private investment returns on a flat (0%) basis. At the time of this publication, only three quarters of private returns are included in the trailing one-year total return for these investors. As valuations become available, returns will be restated to reflect private performance.

In contrast, approximately 20% of those with private allocations in this universe report returns on a lagged basis (i.e., second quarter 2014 private return used in the third quarter 2014 total portfolio return). For these investors, four quarters of private performance are included in the trailing one-year return.

Cambridge Associates Private Investment Index Returns

	One Quarter End-to-End Pooled Return (%)				
	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
US Private Equity	5.0	7.0	3.1	5.6	NA
US Venture Capital	6.5	12.0	4.9	3.0	NA
Real Estate	3.0	6.4	2.6	3.7	NA
Natural Resources	1.8	3.7	1.0	8.8	NA

Lagged Basis Flat Basis

Note: NA indicates data were not available.

Bonds. On average, portfolios with higher allocations to bonds continue to be those most likely to underperform the trailing one-year mean return of endowments and foundations. Investors in the top-performing quartile had the lowest beginning average allocation to bonds (7.9%), while those in the bottom quartile had the highest beginning allocation (15.6%).

Average One-Year Total Portfolio Return by Performance Quartile

As of September 30, 2014

	One-Year Return (%)	Average Allocation (%)	
		PE/VC	Bonds
Top Quartile	12.3	12.8	7.9
2nd Quartile	10.0	7.8	11.0
3rd Quartile	8.6	4.8	13.5
Bottom Quartile	7.0	2.4	15.6

Impact of Final June 30 Valuations

In our second quarter Endowments Quarterly report we noted how the timing of performance valuations for illiquid assets (private equity, venture capital, and real estate) can distort the reality of how total long-term investment pools *actually* performed in a given quarter. As promised, now that the dust has settled and final numbers are in for illiquids, we can look back and see how a strong second quarter for privates affected our Endowment and Foundation universe mean.

All major private investment strategies were positive for the quarter ending June 2014. As suspected, total long-term investment pool figures recognized a significant bump up once private numbers came in. The table at the top of the next column shows differentials of initially reported and final mean performance as of June 30 since 2009. In our June 2014 report we calculated a mean trailing one-year return of 15.7%. Incorporating final valuations for privates, the mean return jumps up to 16.1%, a 43 basis point differential.

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
2014 (<i>n</i> = 421)	15.7	16.1	+0.43
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.

This is the largest difference in the past six years. Similar to second quarter 2011, which experienced an average restatement of 41 bps, second quarter 2014 also yielded strong returns for all major private investment asset classes.

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	4.3	1.6	4.7	-0.1	3.0	5.6
US Venture Capital	0.2	0.6	7.1	0.7	4.4	3.0
Real Estate	-9.1	1.6	3.9	0.8	2.8	3.7
Natural Resources	1.0	-1.0	3.1	-3.2	0.3	8.8
<i>Change in Total Portfolio One-Year Mean Return</i>	<i>-0.01</i>	<i>+0.09</i>	<i>+0.41</i>	<i>+0.03</i>	<i>+0.24</i>	<i>+0.43</i>

Notes: The Change in Total Portfolio One-Year Mean Return 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.

The magnitude of revisions experienced by individual investors will vary depending on each investor's asset allocation structure. Those with higher allocations to private investments realized the largest degrees of change in returns. Investors with private investment allocations ranging from 1% to 10% reported an average change of 34 bps while those with allocations greater than 30% reported an average change of 131 bps.

**Change in Total Portfolio Mean Return
by Allocation to Private Investments**

As of June 30, 2014

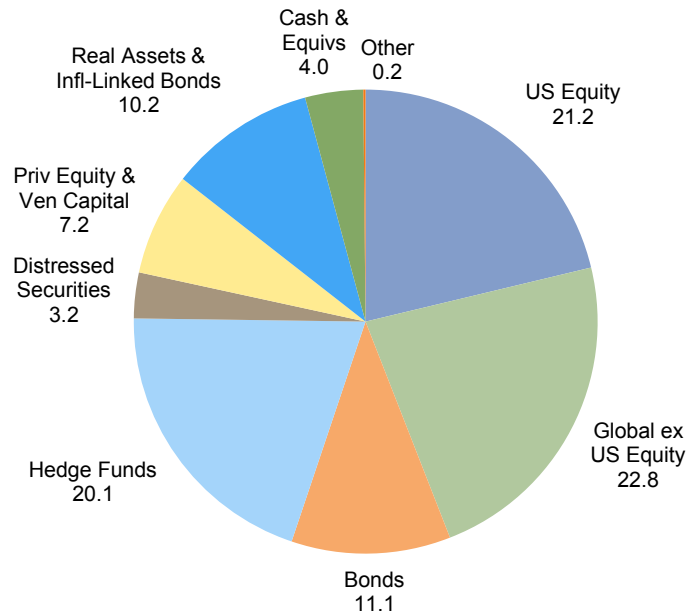
Private Investment Allocation	Change in One-Year Mean Return (%)
1% to 10% (<i>n</i> = 110)	0.34
10% to 20% (<i>n</i> = 102)	0.78
20% to 30% (<i>n</i> = 29)	1.23
Greater than 30% (<i>n</i> = 20)	1.31

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.

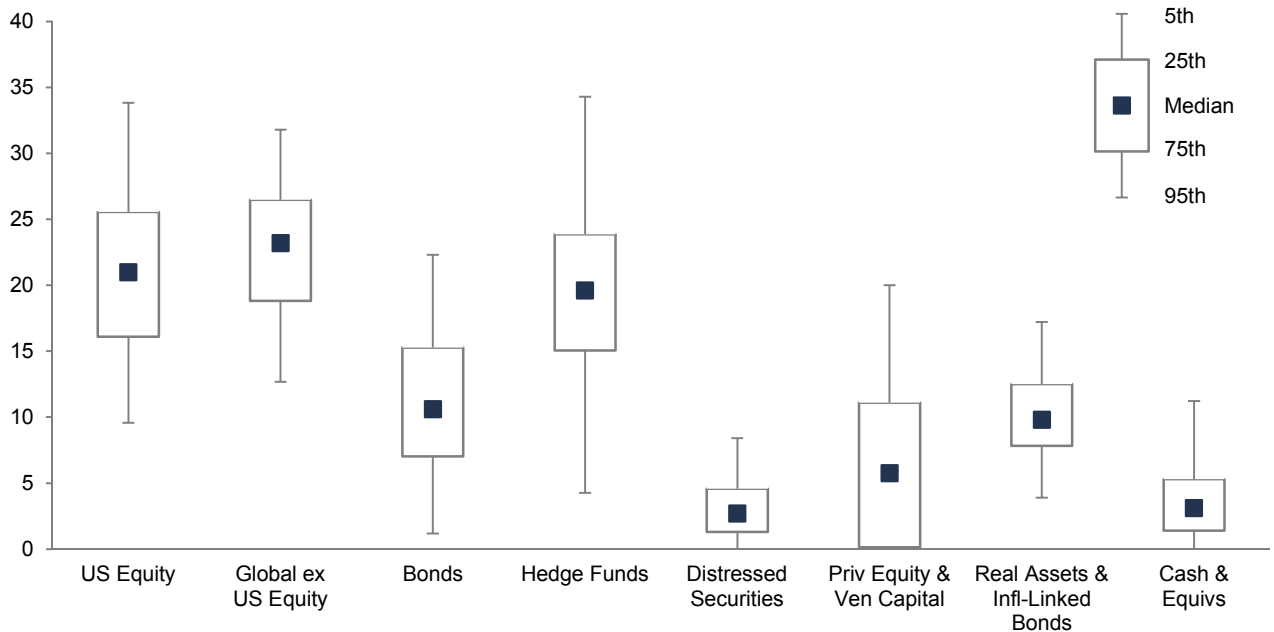
When examining peer performance it is necessary to consider the effect that reporting methodologies can have in a given time period. The impact is not significant in some periods, while in other periods it can be meaningful. We again stress that peer comparisons should be conducted over longer time periods (three years or greater) to mitigate the impact that reporting methodologies can have in a given quarter. ■

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

Mean Asset Allocation % (n = 438)

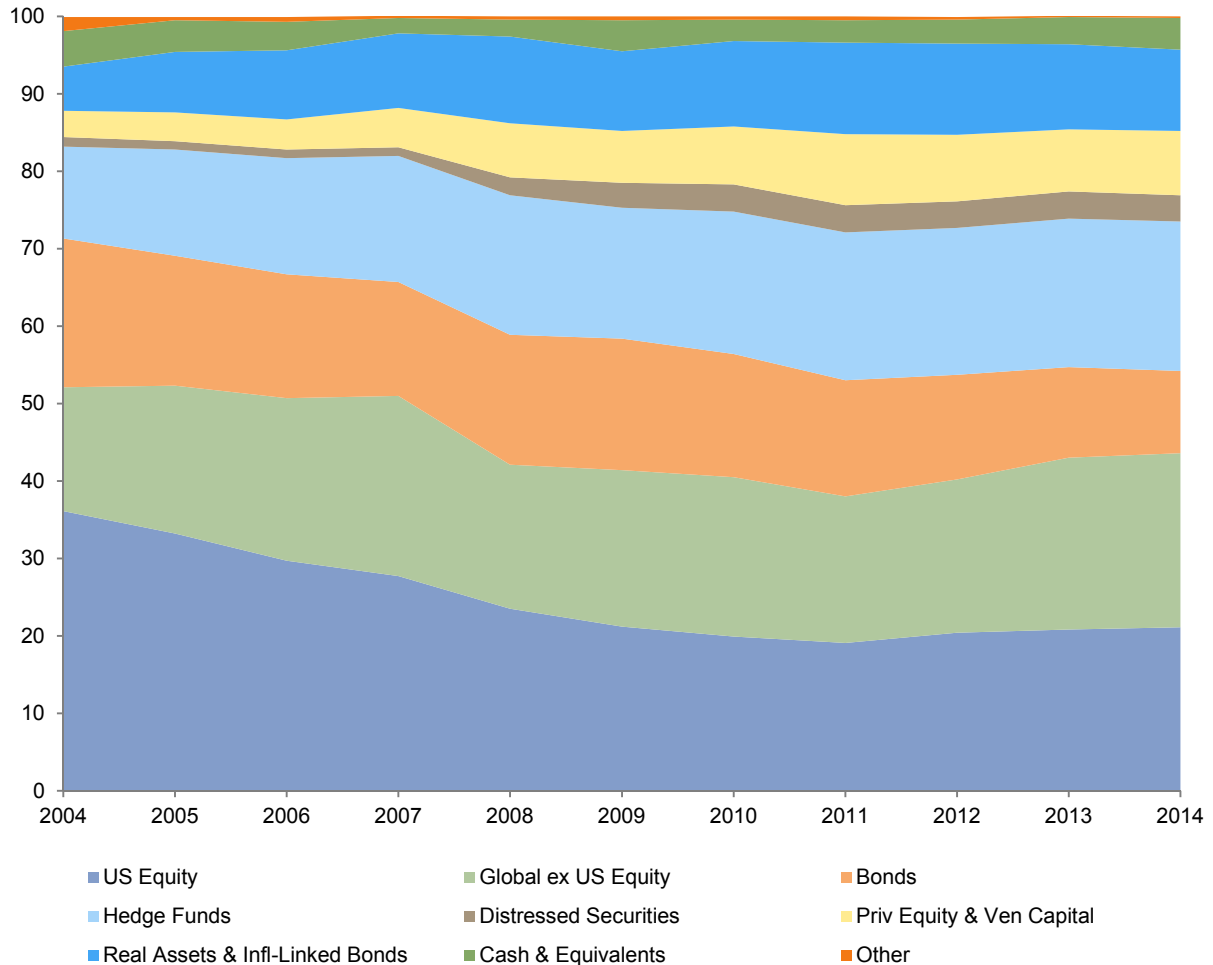


Distribution by Asset Class: Asset Allocation % (n = 438)



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

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



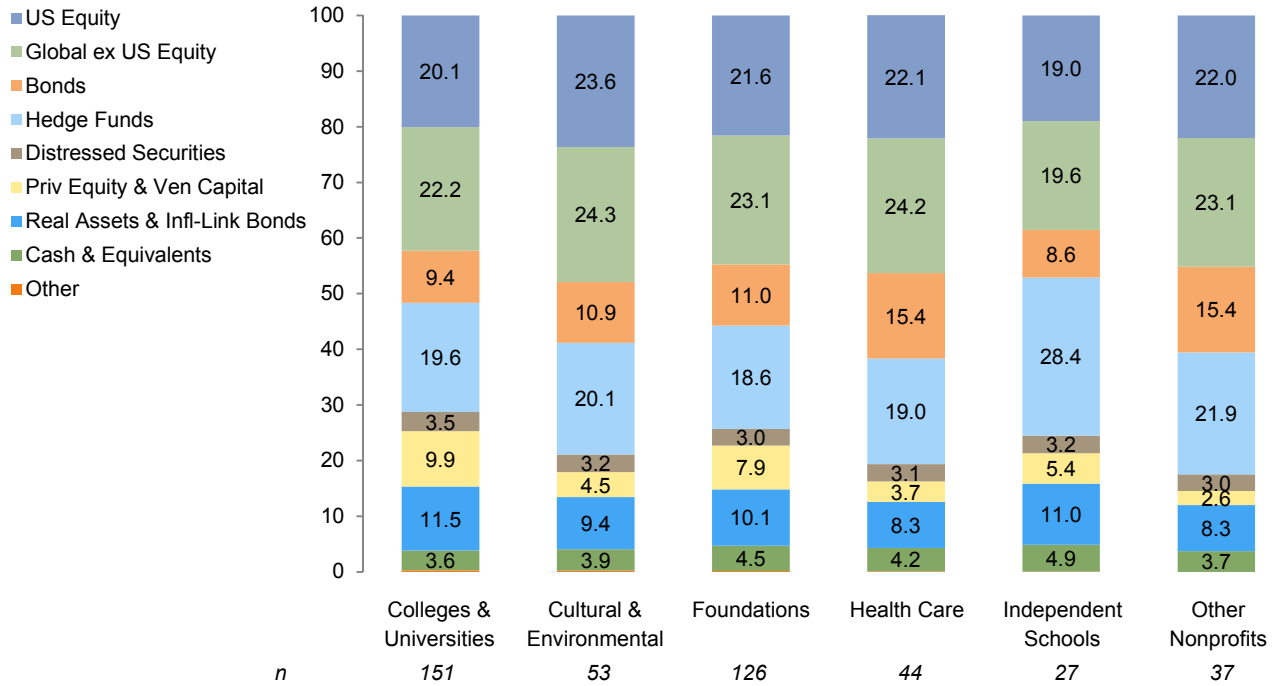
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
US Equity	36.1	33.2	29.7	27.7	23.5	21.2	19.9	19.1	20.4	20.8	21.1
Global ex US Equity	16.0	19.1	21.0	23.3	18.6	20.2	20.6	18.9	19.8	22.2	22.5
<i>Developed Markets</i>	13.2	15.1	16.6	17.7	14.5	14.8	14.5	13.4	13.3	15.2	15.2
<i>Emerging Markets</i>	2.8	4.0	4.4	5.6	4.1	5.4	6.1	5.5	6.5	7.0	7.3
Bonds	19.2	16.8	16.0	14.7	16.8	17.0	15.9	15.0	13.5	11.7	10.6
Hedge Funds	11.9	13.7	15.0	16.3	18.0	16.9	18.4	19.1	19.0	19.2	19.3
Distressed Securities	1.2	1.1	1.1	1.1	2.3	3.2	3.5	3.5	3.4	3.5	3.4
Priv Equity & Ven Capital	3.4	3.7	3.9	5.1	7.0	6.7	7.5	9.2	8.6	8.0	8.3
Real Assets & Infl-Linked Bonds	5.7	7.8	8.9	9.6	11.2	10.3	11.0	11.8	11.8	11.0	10.5
Cash & Equivalents	4.6	4.1	3.7	2.0	2.2	4.0	2.8	2.9	3.1	3.5	4.1
Other	1.8	0.4	0.6	0.3	0.4	0.5	0.4	0.5	0.3	0.2	0.2

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

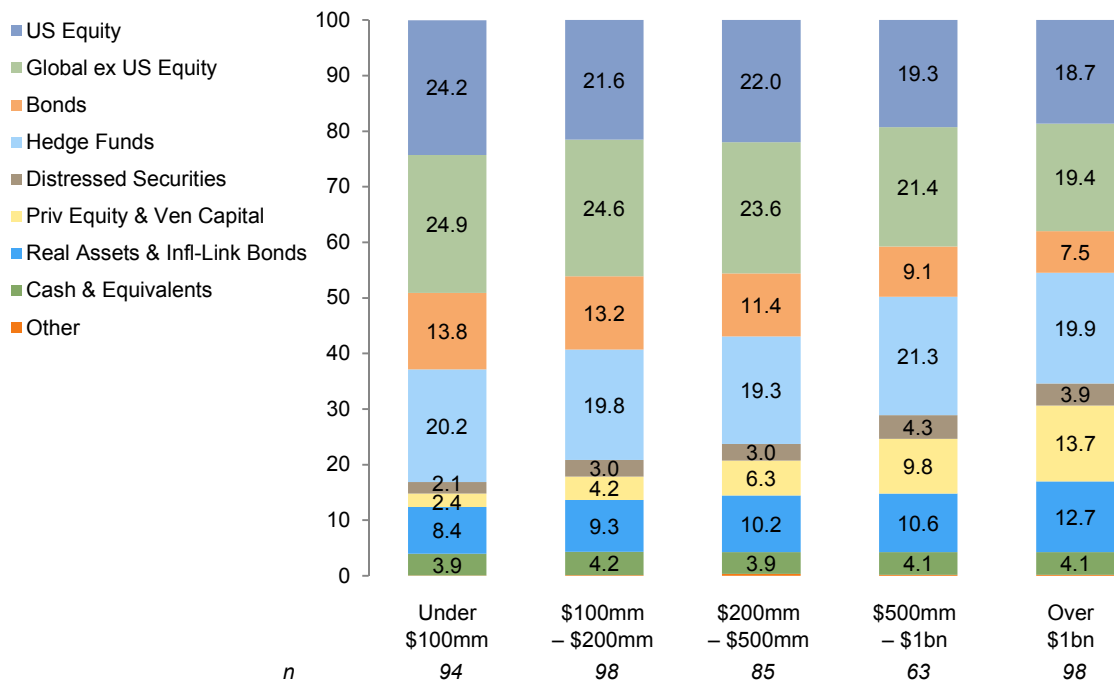
Note: Constant universe represents 205 US endowments and foundations that provided asset allocation data for each year from 2004 to 2014.

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

	Colleges & Universities (n = 151)		Cultural & Environmental (n = 53)		Foundations (n = 126)		Health Care (n = 44)		Independent Schools (n = 27)		Other Nonprofits (n = 37)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
US Equity	20.1	19.5	23.6	21.7	21.6	20.0	22.1	23.0	19.0	20.8	22.0	21.9
Global ex US Equity	22.2	22.5	24.3	25.9	23.1	23.4	24.2	25.2	19.6	20.7	23.1	23.4
Developed Markets	14.6	14.4	16.8	16.9	15.6	15.6	16.8	16.3	13.6	15.0	16.5	16.2
Emerging Markets	7.6	7.6	7.5	7.9	7.5	7.8	7.4	6.9	6.0	5.4	6.6	6.5
Bonds	9.4	8.8	10.9	10.2	11.0	10.8	15.4	15.5	8.6	9.3	15.4	15.8
US Bonds	7.3	6.9	8.6	7.5	8.6	8.8	11.9	12.1	6.7	7.2	11.8	12.0
Global ex US Developed Markets	1.0	0.0	0.9	0.4	1.0	0.1	1.3	1.2	0.8	0.0	1.5	1.2
Global ex US Emerging Markets	0.6	0.0	0.9	0.4	0.8	0.1	0.8	0.4	0.5	0.0	1.5	1.3
High-Yield Bonds	0.6	0.0	0.5	0.0	0.6	0.0	1.3	0.1	0.5	0.0	0.7	0.0
Hedge Funds	19.6	20.3	20.1	20.5	18.6	18.4	19.0	18.6	28.4	27.8	21.9	19.2
Long/Short Hedge Funds	8.8	8.5	9.7	9.5	8.9	8.8	9.4	9.3	13.6	12.6	10.9	10.2
Absolute Return (ex Distressed)	10.8	10.6	10.3	9.8	9.7	9.3	9.6	8.2	14.9	13.6	11.1	10.1
Distressed Securities	3.5	2.9	3.2	2.7	3.0	2.5	3.1	2.3	3.2	2.8	3.0	2.8
Hedge Fund Structure	2.0	1.8	2.1	2.1	1.8	1.6	2.2	1.8	1.8	1.5	2.0	2.1
Private Equity Structure	1.4	1.0	1.1	0.3	1.2	0.4	0.9	0.0	1.4	0.8	1.0	0.0
Private Equity & Venture Capital	9.9	9.7	4.5	3.5	7.9	5.6	3.7	0.5	5.4	5.8	2.6	0.0
Non-Venture Private Equity	5.5	5.2	2.5	1.6	3.2	1.8	1.8	0.0	3.0	2.0	1.4	0.0
Venture Capital	3.6	2.9	1.2	0.0	3.2	1.4	1.3	0.0	1.3	0.8	0.9	0.0
Other Private Investments	0.8	0.0	0.8	0.0	1.4	0.1	0.6	0.0	1.1	0.2	0.2	0.0
Real Assets & Infl-Linked Bonds	11.5	10.4	9.4	9.2	10.1	9.7	8.3	9.1	11.0	10.9	8.3	9.0
Private Real Estate	3.3	2.5	1.3	0.0	2.2	1.2	1.1	0.0	2.0	0.0	0.8	0.0
Public Real Estate	0.5	0.0	0.5	0.0	0.4	0.0	0.5	0.0	0.4	0.0	0.3	0.0
Commodities	1.1	0.8	1.3	0.7	1.3	1.0	1.2	1.2	1.3	1.5	1.8	1.9
Inflation-Linked Bonds	0.5	0.0	0.8	0.0	0.5	0.0	0.6	0.1	0.5	0.0	0.3	0.0
Private Oil & Gas/Natural Resources	2.8	2.1	1.4	0.0	1.9	1.1	0.9	0.0	2.6	1.6	0.8	0.0
Timber	0.4	0.0	0.1	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0	0.0
Public Energy/Natural Resources	2.9	2.4	4.0	3.9	3.5	3.5	4.0	3.9	4.0	3.5	4.3	3.4
Cash & Equivalents	3.6	3.1	3.9	3.0	4.5	3.5	4.2	2.5	4.9	4.0	3.7	2.6
Other Assets	0.3	0.0	0.2	0.0	0.2	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.

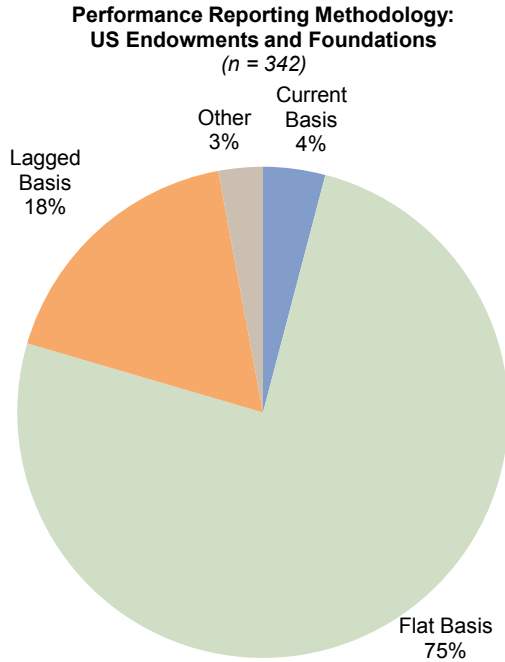
Exhibit 5
Detailed Asset Allocation by Asset Size: US Endowments and Foundations
 As of September 30, 2014 • Percent (%)

	All Endow & Foundation (n = 438)		Under \$100mm (n = 94)		\$100mm to \$200mm (n = 98)		\$200mm to \$500mm (n = 85)		\$500mm to \$1bn (n = 63)		Over \$1bn (n = 98)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median	Mean	Median
US Equity	21.2	21.0	24.2	24.0	21.6	21.9	22.0	21.2	19.3	18.1	18.7	16.8
Global ex US Equity	22.8	23.2	24.9	25.5	24.6	25.0	23.6	23.6	21.4	22.2	19.4	19.1
Developed Markets	15.5	15.6	18.1	17.3	17.1	17.0	15.9	16.1	14.0	14.4	11.8	11.2
Emerging Markets	7.4	7.4	6.8	7.1	7.5	7.4	7.7	7.7	7.4	7.6	7.5	7.5
Bonds	11.1	10.6	13.8	13.6	13.2	13.7	11.4	10.8	9.1	8.4	7.5	7.0
US Bonds	8.6	8.3	10.9	11.5	10.3	10.5	8.8	8.3	7.0	6.6	5.7	5.3
Global ex US Developed Markets	1.0	0.2	1.4	0.9	1.0	0.7	1.0	0.0	1.0	0.0	0.9	0.0
Global ex US Emerging Markets	0.8	0.2	1.0	0.6	1.1	0.6	0.7	0.3	0.6	0.0	0.4	0.0
High-Yield Bonds	0.6	0.0	0.5	0.0	0.7	0.0	0.8	0.0	0.5	0.0	0.6	0.0
Hedge Funds	20.1	19.6	20.2	19.1	19.8	19.0	19.3	18.9	21.3	21.3	19.9	20.6
Long/Short Hedge Funds	9.5	9.0	11.5	11.3	10.1	9.4	7.7	7.5	8.3	7.8	9.1	8.3
Absolute Return (ex Distressed)	10.6	10.0	8.7	7.0	9.7	9.0	11.7	10.3	13.0	12.5	10.8	10.7
Distressed Securities	3.2	2.7	2.1	1.9	3.0	2.5	3.0	2.9	4.3	4.3	3.9	3.0
Hedge Fund Structure	2.0	1.8	1.6	1.7	2.0	1.7	1.8	1.7	2.4	2.1	2.2	1.7
Private Equity Structure	1.2	0.5	0.5	0.0	1.0	0.0	1.2	0.7	1.8	1.7	1.7	1.3
Private Equity & Venture Capital	7.2	5.8	2.4	0.0	4.2	2.0	6.3	5.5	9.8	8.5	13.7	13.7
Non-Venture Private Equity	3.6	2.3	0.8	0.0	1.7	0.3	3.0	2.2	5.3	4.4	7.7	7.6
Venture Capital	2.6	1.3	0.7	0.0	1.3	0.0	2.1	1.5	3.8	2.9	5.4	4.6
Other Private Investments	0.9	0.0	1.0	0.0	1.2	0.1	1.1	0.2	0.8	0.2	0.6	0.0
Real Assets & Infl-Linked Bonds	10.2	9.8	8.4	9.0	9.3	9.2	10.2	10.1	10.6	10.1	12.7	12.3
Private Real Estate	2.2	1.1	0.6	0.0	1.0	0.0	1.8	0.9	2.5	1.8	5.3	4.3
Public Real Estate	0.5	0.0	0.4	0.0	0.3	0.0	0.6	0.0	0.6	0.0	0.4	0.0
Commodities	1.3	1.0	1.7	1.6	1.5	1.4	1.2	0.8	1.0	0.8	0.9	0.0
Inflation-Linked Bonds	0.5	0.0	0.6	0.0	0.7	0.4	0.5	0.0	0.2	0.0	0.5	0.0
Private Oil & Gas/Natural Resources	2.0	1.1	0.5	0.0	1.2	0.0	1.8	1.5	2.6	2.1	4.1	3.8
Timber	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.3	0.0	0.6	0.0
Public Energy/Natural Resources	3.5	3.2	4.7	5.0	4.6	4.8	4.1	3.6	3.3	3.1	0.9	0.0
Cash & Equivalents	4.0	3.1	3.9	2.9	4.2	3.4	3.9	3.0	4.1	3.8	4.1	2.9
Other Assets	0.2	0.0	0.1	0.0	0.1	0.0	0.4	0.0	0.1	0.0	0.2	0.0

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

Exhibit 6
Performance Reporting Methodologies

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

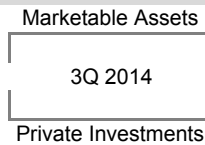


By Asset Size

	Current Basis	Flat Basis	Lagged Basis	Other
Under \$100 million	2% (n=1)	98% (n = 46)	—	—
\$100 million to \$200 million	—	100% (n = 68)	—	—
\$200 million to \$500 million	1% (n=1)	92% (n=65)	4% (n=3)	3% (n = 2)
\$500 million to \$1 billion	8% (n = 5)	70% (n = 42)	17% (n = 10)	5% (n = 3)
Over \$1 billion	7% (n = 7)	39% (n = 37)	49% (n = 47)	5% (n = 5)

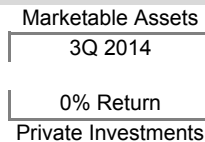
Current Basis

Total investment pool return for 3Q 2014 includes marketable asset performance and private investment performance for July 1, 2014, to September 30, 2014. Of the 14 institutions in our endowment universe using this methodology, one used confirmed 3Q 2014 private investment valuations while 13 used estimated valuations.



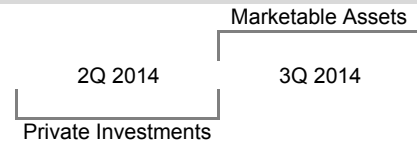
Flat Basis

Total investment pool return for 3Q 2014 includes marketable asset performance for July 1, 2014, to September 30, 2014. Private investment portion of the investment pool is represented by a flat return (0%) for July 1, 2014, to September 30, 2014.



Lagged Basis

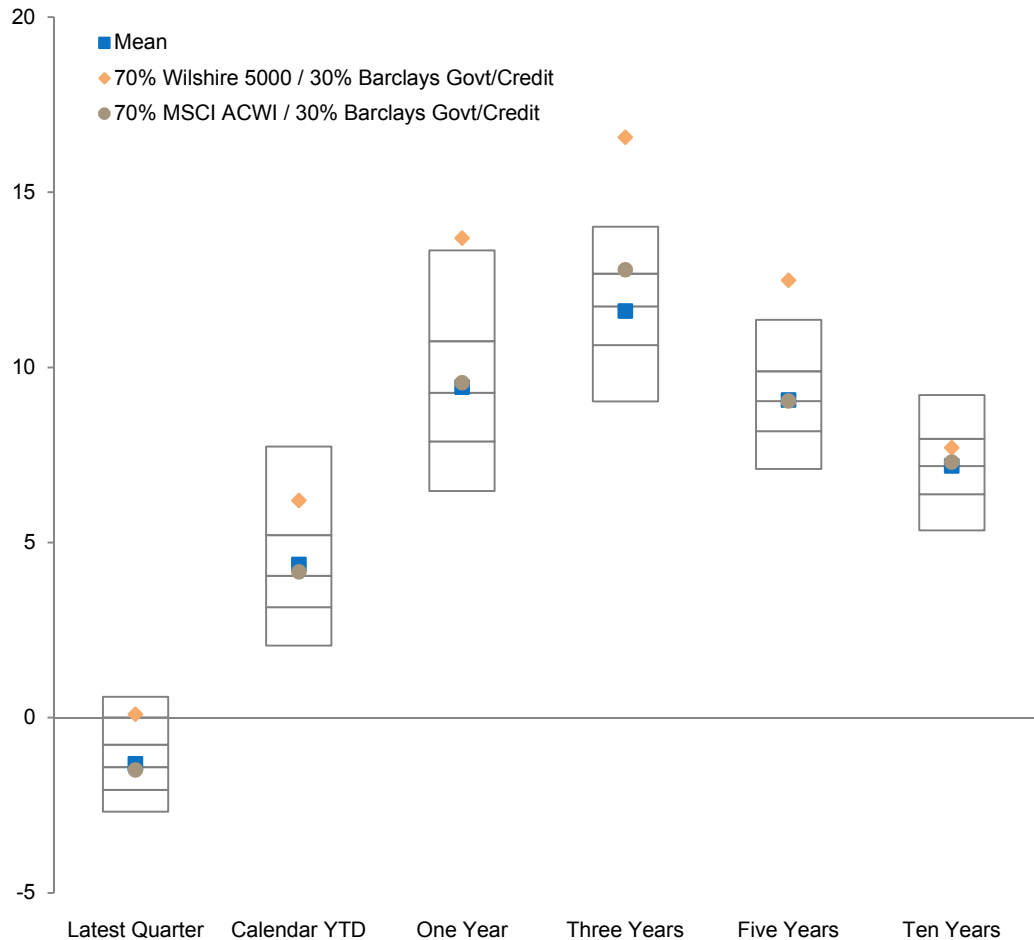
Total investment pool return for 3Q 2014 includes marketable asset performance for July 1, 2014, to September 30, 2014, and private investment performance for April 1, 2014, to June 30, 2014. Of the 60 institutions in our endowment universe using this methodology, eight will restate 2Q 2014 returns to 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 96 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 September 30, 2014 • Percent (%)

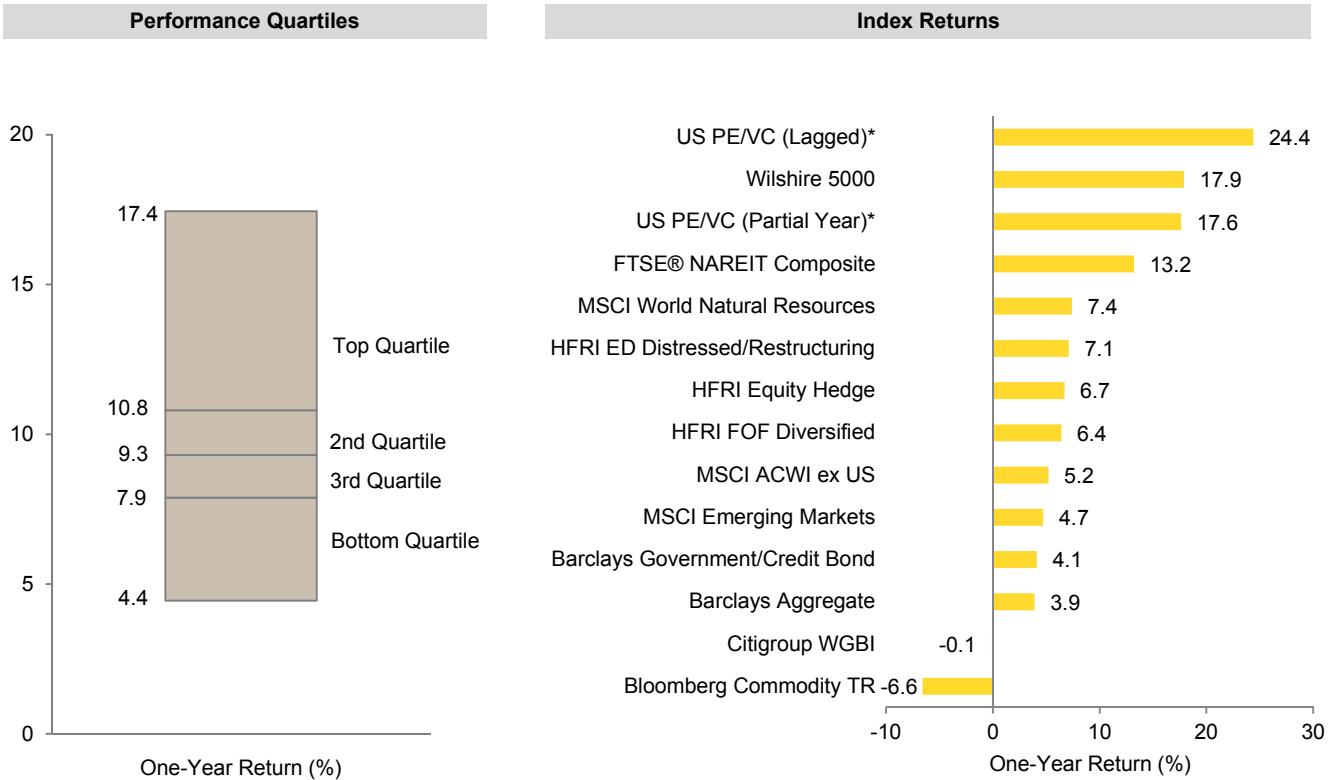


	Latest Quarter	Calendar YTD	One Year	Three Years	Five Years	Ten Years
5th Percentile	0.6	7.7	13.3	14.0	11.4	9.2
25th Percentile	-0.8	5.2	10.8	12.7	9.9	8.0
Median	-1.4	4.1	9.3	11.7	9.0	7.2
75th Percentile	-2.1	3.2	7.9	10.6	8.2	6.4
95th Percentile	-2.7	2.1	6.5	9.0	7.1	5.3
Mean	-1.3	4.4	9.4	11.6	9.1	7.2
<i>n</i>	438	437	435	430	421	376
70% Wilshire 5000 / 30% Barclays Govt/Credit	0.1	6.2	13.7	16.6	12.5	7.7
70% MSCI ACWI / 30% Barclays Govt/Credit	-1.5	4.2	9.6	12.8	9.0	7.3

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.

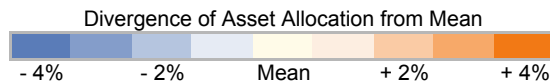
Notes: Three-, five-, and ten-year returns are annualized. The 70/30 simple portfolio benchmarks are calculated assuming rebalancing occurs on the final day of each quarter.

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



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

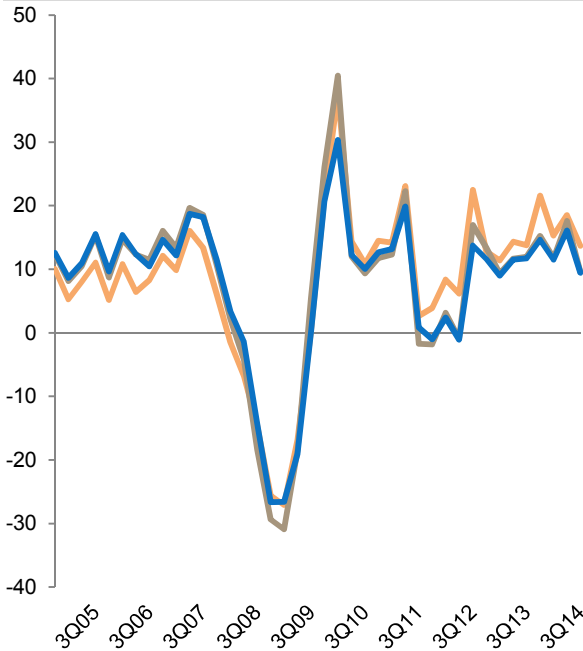
Quartile	US Equity	Global ex US Equity	Bonds	Hedge Funds	Distressed Securities	Priv Equity & Ven Cap	Real Assets & Infl-Linked Bonds	Cash	Other
Top Quartile	19.2	19.5	7.9	19.3	4.3	12.8	13.4	3.3	0.3
2nd Quartile	21.2	21.7	11.0	20.6	3.6	7.8	10.9	3.2	0.2
3rd Quartile	22.3	23.6	13.5	19.5	3.1	4.8	9.7	3.2	0.2
Bottom Quartile	21.1	24.0	15.6	20.6	2.2	2.4	9.4	4.7	0.1
US E&F Universe	20.9	22.2	12.0	20.0	3.3	7.0	10.8	3.6	0.2



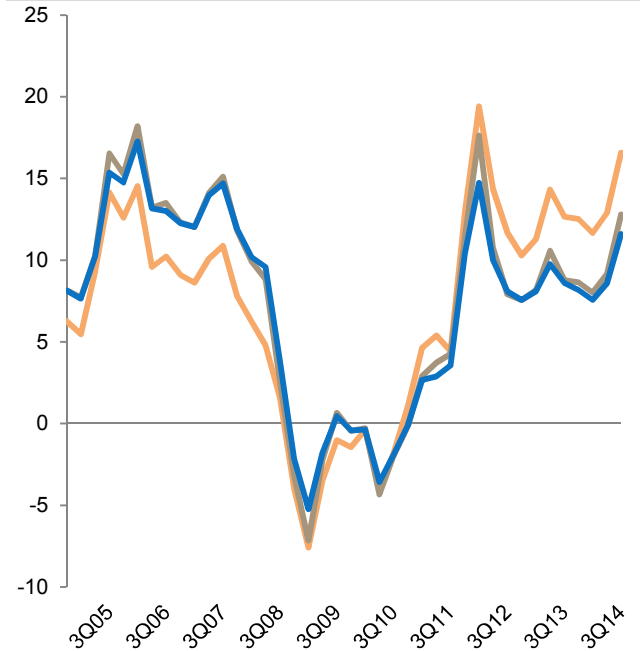
Sources: Endowment and foundation data as reported to Cambridge Associates LLC. Index data are provided by Barclays, Citigroup Global Markets, Dow Jones Indexes, FTSE International Limited, Hedge Fund Research, Inc., MSCI Inc., the National Association of Real Estate Investment Trusts, and Wilshire Associates, Inc. MSCI data provided "as is" without any express or implied warranties. Note: CA US endowment and foundation universe performance quartiles are based on the trailing one-year return as of September 30, 2014. * US PE/VC return calculated as IRR. 'Partial Year' return represents the period 10/1/13-6/30/14 and aligns with endowments and foundations using the 'flat' methodology to report private investment performance. Lagged return represents the period 7/1/13-6/30/14. For more detail on these reporting methodologies and how they are represented in the CJA Endowment and Foundation universe, see Exhibit 6.

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

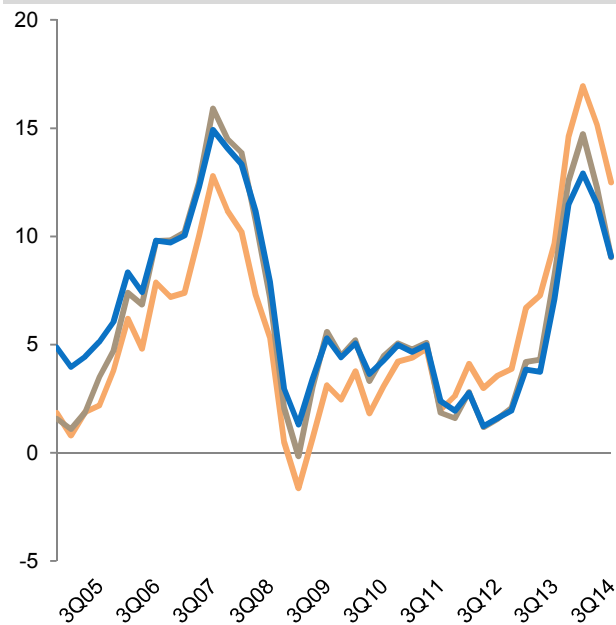
Rolling One-Year AACR (First Qtr 2004 – Third Qtr 2014)



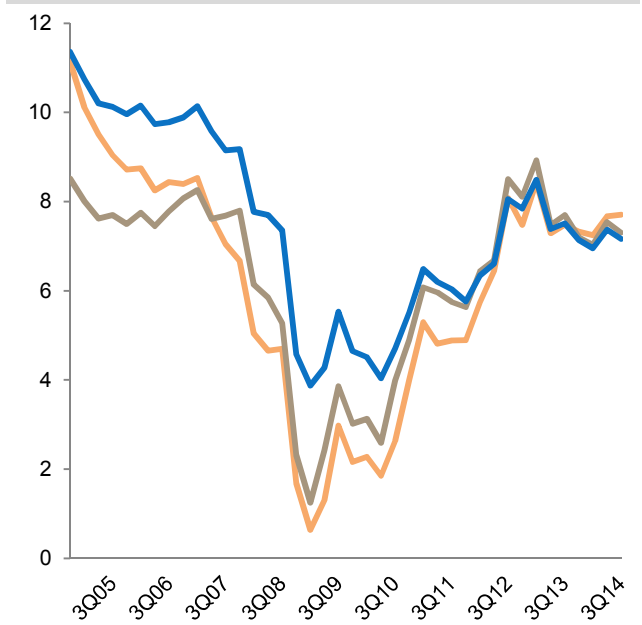
Rolling Three-Year AACR (First Qtr 2002 – Third Qtr 2014)



Rolling Five-Year AACR (First Qtr 2000 – Third Qtr 2014)



Rolling Ten-Year AACR (First Qtr 1995 – Third Qtr 2014)



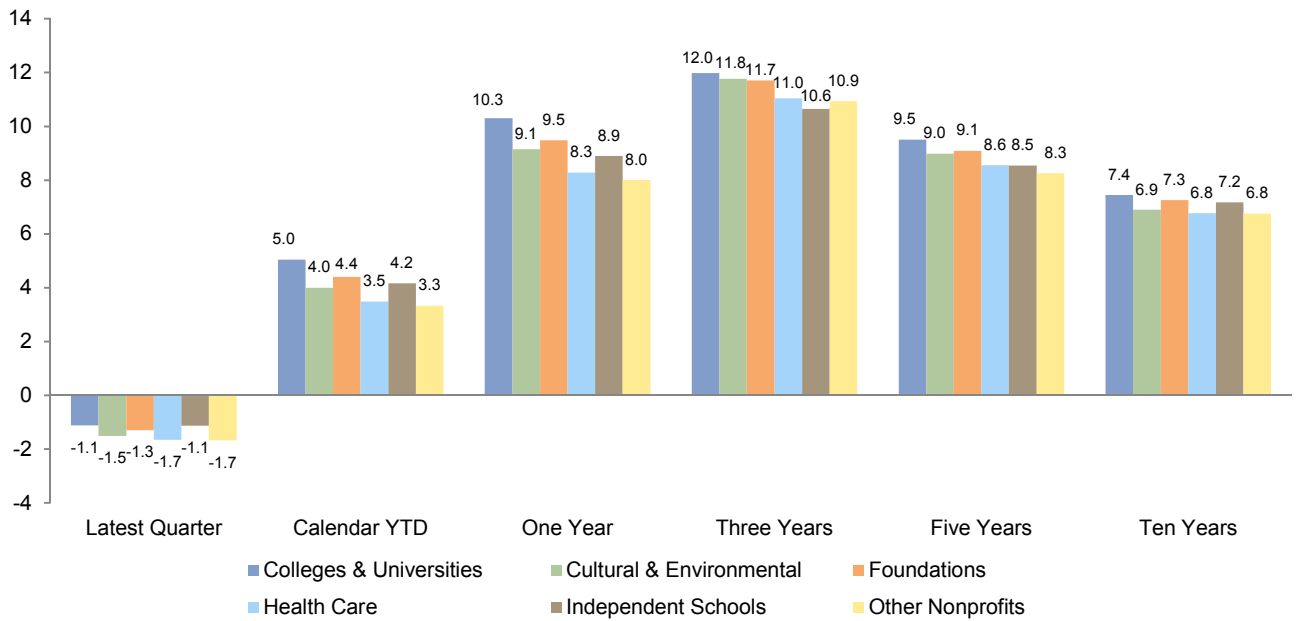
— 70/30 Wilshire 5000 / Barclays Govt/Credit — 70/30 MSCI ACWI / Barclays Govt/Credit — US Endows & Fdns

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 September 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 September 30, 2014 • Percent (%)

	Latest Quarter	Calendar YTD	Average Annual Compound			
			One Year	Three Years	Five Years	Ten Years
Colleges & Universities						
5th Percentile	0.6	8.2	13.9	14.2	11.6	9.4
25th Percentile	-0.6	6.2	11.5	12.8	10.3	8.1
75th Percentile	-1.8	3.7	8.8	11.1	8.7	6.7
95th Percentile	-2.6	2.8	7.1	9.6	7.4	5.7
Mean	-1.1	5.0	10.3	12.0	9.5	7.4
Median	-1.1	4.7	10.3	12.1	9.5	7.4
<i>n</i>	151	151	150	150	148	140
Cultural & Environmental						
5th Percentile	0.0	6.2	13.0	14.1	10.6	8.7
25th Percentile	-1.1	4.6	10.2	12.8	9.8	7.8
75th Percentile	-2.2	3.1	7.8	10.7	8.2	6.2
95th Percentile	-2.6	2.0	6.6	9.4	7.1	4.7
Mean	-1.5	4.0	9.1	11.8	9.0	6.9
Median	-1.6	3.8	8.8	11.8	9.1	7.0
<i>n</i>	53	53	53	53	50	45
Foundations						
5th Percentile	1.2	8.0	13.8	14.2	11.4	9.5
25th Percentile	-1.0	5.0	10.5	12.7	9.8	8.3
75th Percentile	-2.2	3.3	8.2	10.7	8.2	6.3
95th Percentile	-2.7	1.9	5.8	9.3	6.9	5.0
Mean	-1.3	4.4	9.5	11.7	9.1	7.3
Median	-1.4	4.0	9.2	11.7	8.9	7.3
<i>n</i>	126	125	124	121	120	101
Health Care						
5th Percentile	-0.5	5.5	11.0	13.3	10.1	8.0
25th Percentile	-1.2	4.3	9.5	11.8	9.3	7.2
75th Percentile	-2.3	2.6	7.1	10.3	7.9	6.0
95th Percentile	-3.0	2.3	6.8	9.0	7.2	5.4
Mean	-1.7	3.5	8.3	11.0	8.6	6.8
Median	-1.7	3.1	7.8	11.0	8.5	6.8
<i>n</i>	44	44	44	44	43	40
Independent Schools						
5th Percentile	-0.3	6.8	11.3	13.6	10.3	8.4
25th Percentile	-0.5	5.1	10.2	12.0	9.8	7.9
75th Percentile	-1.6	3.5	7.8	9.9	7.5	6.3
95th Percentile	-2.5	2.3	6.6	7.9	6.9	5.6
Mean	-1.1	4.2	8.9	10.6	8.5	7.2
Median	-0.8	3.9	8.8	10.8	8.6	7.3
<i>n</i>	27	27	27	27	26	23
Other Nonprofits						
5th Percentile	-0.5	5.1	10.2	13.6	10.2	8.1
25th Percentile	-1.3	4.1	9.2	12.1	8.9	7.3
75th Percentile	-2.2	2.5	6.8	9.7	7.4	6.1
95th Percentile	-2.7	1.9	5.7	8.1	5.8	5.5
Mean	-1.7	3.3	8.0	10.9	8.3	6.8
Median	-1.9	3.4	8.0	10.8	8.4	6.8
<i>n</i>	37	37	37	35	34	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 September 30, 2014 • Percent (%)

	Latest Quarter	Calendar YTD	Average Annual Compound			
			One Year	Three Years	Five Years	Ten Years
Under \$100 Million						
5th Percentile	-0.5	5.3	10.9	14.1	10.0	8.5
25th Percentile	-1.5	4.0	9.2	12.4	8.9	7.3
75th Percentile	-2.4	2.5	7.0	10.0	7.5	5.7
95th Percentile	-2.9	1.7	5.4	8.2	6.4	4.8
Mean	-1.9	3.3	8.1	11.1	8.2	6.5
Median	-1.9	3.4	8.2	11.1	8.3	6.4
<i>n</i>	94	93	92	90	86	69
\$100 Million to \$200 Million						
5th Percentile	-0.6	5.4	11.0	13.5	10.1	8.2
25th Percentile	-1.3	4.1	9.3	12.1	9.1	7.5
75th Percentile	-2.2	2.9	7.5	10.4	7.7	6.0
95th Percentile	-3.0	2.0	6.0	8.5	6.9	5.1
Mean	-1.8	3.5	8.4	11.1	8.4	6.7
Median	-1.7	3.4	8.2	11.0	8.4	6.8
<i>n</i>	98	98	97	97	95	80
\$200 Million to \$500 Million						
5th Percentile	-0.6	6.0	11.6	14.0	10.5	8.6
25th Percentile	-1.0	4.8	10.5	12.8	9.6	7.9
75th Percentile	-2.1	3.2	8.4	10.9	8.4	6.4
95th Percentile	-2.7	2.4	6.9	9.8	7.5	5.5
Mean	-1.5	4.1	9.3	11.8	9.0	7.1
Median	-1.5	4.1	9.2	11.8	9.0	7.0
<i>n</i>	85	85	85	82	82	76
\$500 Million to \$1 Billion						
5th Percentile	0.2	7.0	12.8	14.6	11.0	9.0
25th Percentile	-0.8	5.6	11.1	12.8	10.2	8.0
75th Percentile	-1.6	4.0	9.5	11.4	9.1	6.9
95th Percentile	-2.3	2.9	7.8	9.8	8.2	6.0
Mean	-1.1	4.8	10.2	12.2	9.6	7.5
Median	-1.2	4.7	10.3	12.1	9.6	7.4
<i>n</i>	63	63	63	63	60	57
Over \$1 Billion						
5th Percentile	1.5	10.7	14.9	14.0	12.4	9.9
25th Percentile	0.4	7.4	13.0	13.0	11.1	8.7
75th Percentile	-1.0	4.5	9.8	11.3	9.4	7.3
95th Percentile	-2.1	3.2	7.4	9.6	7.9	6.7
Mean	-0.3	6.2	11.3	12.1	10.2	8.1
Median	-0.6	6.1	11.3	12.3	10.1	7.9
<i>n</i>	98	98	98	98	98	94

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 September 30, 2014 • Percent (%)

	Latest Quarter	Calendar YTD	Average Annual Compound			
			One Year	Three Years	Five Years	Ten Years
Colleges & Universities						
5th Percentile	0.7	6.0	12.1	12.4	9.4	7.0
25th Percentile	-0.5	4.0	9.7	11.1	8.2	5.7
75th Percentile	-1.7	1.5	7.0	9.4	6.6	4.3
95th Percentile	-2.5	0.6	5.3	7.9	5.3	3.4
Mean	-1.0	2.8	8.5	10.2	7.4	5.0
Median	-1.0	2.5	8.5	10.3	7.4	5.0
<i>n</i>	151	151	150	150	148	140
Cultural & Environmental						
5th Percentile	0.2	4.0	11.2	12.3	8.5	6.3
25th Percentile	-0.9	2.4	8.4	11.0	7.7	5.4
75th Percentile	-2.0	0.9	6.1	9.0	6.1	3.8
95th Percentile	-2.5	-0.1	4.8	7.7	5.1	2.4
Mean	-1.4	1.8	7.4	10.0	6.9	4.5
Median	-1.5	1.6	7.1	10.0	7.0	4.6
<i>n</i>	53	53	53	53	50	45
Foundations						
5th Percentile	1.3	5.7	11.9	12.4	9.2	7.0
25th Percentile	-0.8	2.8	8.7	11.0	7.7	5.9
75th Percentile	-2.0	1.1	6.5	8.9	6.1	3.9
95th Percentile	-2.6	-0.2	4.1	7.6	4.8	2.6
Mean	-1.2	2.2	7.7	9.9	7.0	4.9
Median	-1.3	1.8	7.5	9.9	6.8	4.9
<i>n</i>	126	125	124	121	120	101
Health Care						
5th Percentile	-0.4	3.3	9.1	11.5	8.0	5.6
25th Percentile	-1.0	2.1	7.7	10.1	7.2	4.8
75th Percentile	-2.2	0.4	5.3	8.6	5.8	3.6
95th Percentile	-2.9	0.2	5.0	7.3	5.1	3.0
Mean	-1.5	1.3	6.5	9.3	6.5	4.4
Median	-1.6	1.0	6.0	9.2	6.4	4.4
<i>n</i>	44	44	44	44	43	40
Independent Schools						
5th Percentile	-0.2	4.5	9.5	11.8	8.1	5.9
25th Percentile	-0.4	2.9	8.4	10.2	7.7	5.5
75th Percentile	-1.5	1.3	6.0	8.2	5.5	3.9
95th Percentile	-2.3	0.2	4.9	6.2	4.9	3.2
Mean	-1.0	2.0	7.1	8.9	6.4	4.8
Median	-0.7	1.8	7.0	9.1	6.5	4.9
<i>n</i>	27	27	27	27	26	23
Other Nonprofits						
5th Percentile	-0.4	2.9	8.4	11.8	8.0	5.7
25th Percentile	-1.1	2.0	7.4	10.3	6.8	4.9
75th Percentile	-2.1	0.4	5.1	8.0	5.3	3.7
95th Percentile	-2.6	-0.3	4.0	6.4	3.7	3.2
Mean	-1.6	1.2	6.2	9.2	6.2	4.4
Median	-1.7	1.2	6.2	9.1	6.4	4.4
<i>n</i>	37	37	37	35	34	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.

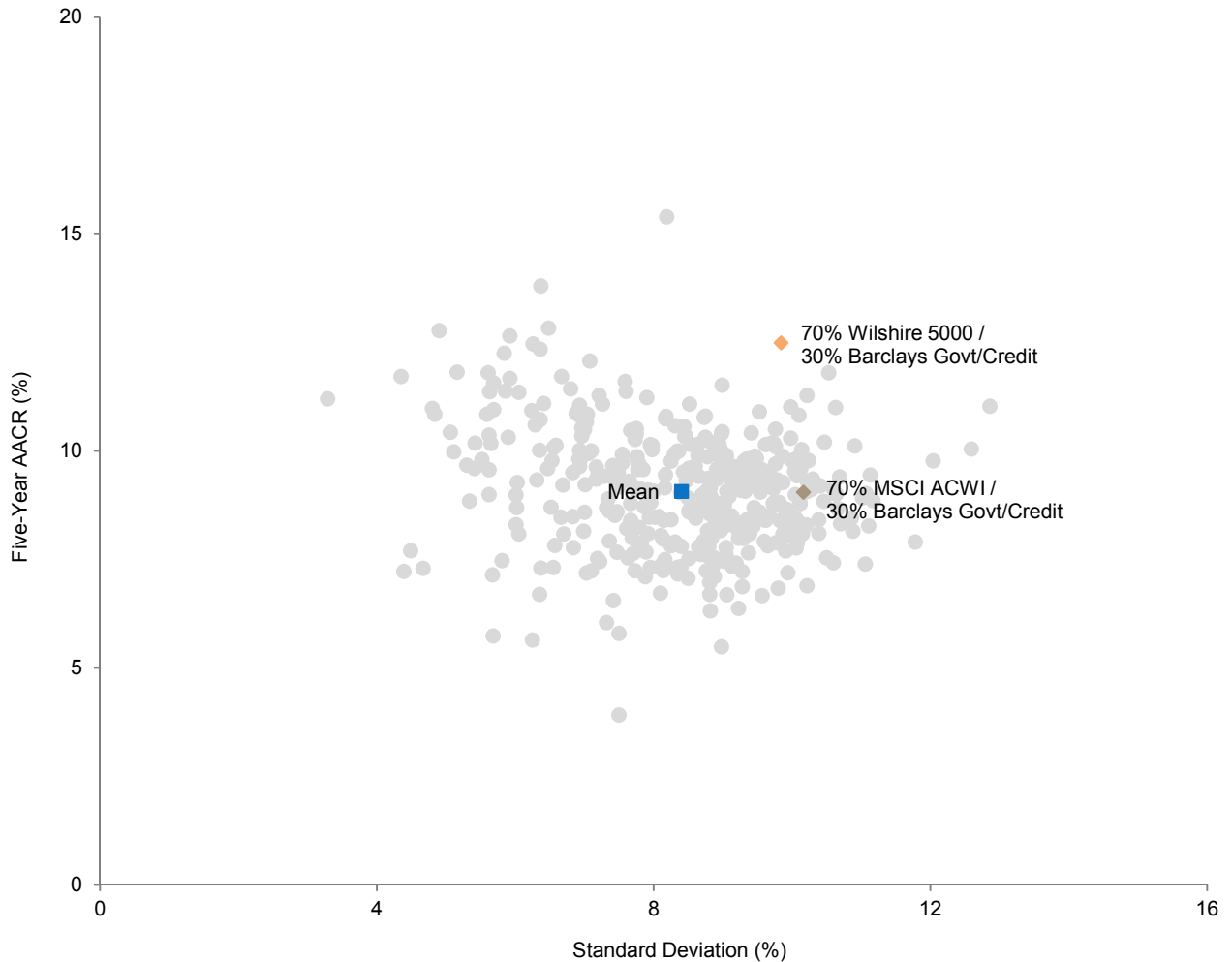
Exhibit 14**Real Total Return Summary by Asset Size: US Endowments and Foundations**

Periods Ended September 30, 2014 • Percent (%)

	Latest Quarter	Calendar YTD	Average Annual Compound			
			One Year	Three Years	Five Years	Ten Years
Under \$100 Million						
5th Percentile	-0.4	3.1	9.1	12.2	7.9	6.0
25th Percentile	-1.3	1.8	7.5	10.7	6.8	4.9
75th Percentile	-2.2	0.4	5.2	8.2	5.4	3.3
95th Percentile	-2.7	-0.4	3.7	6.5	4.4	2.4
Mean	-1.7	1.2	6.4	9.4	6.2	4.1
Median	-1.8	1.3	6.4	9.3	6.2	4.0
<i>n</i>	94	93	92	90	86	69
\$100 Million to \$200 Million						
5th Percentile	-0.5	3.2	9.2	11.7	8.0	5.8
25th Percentile	-1.1	1.9	7.5	10.4	7.0	5.1
75th Percentile	-2.1	0.8	5.7	8.7	5.6	3.7
95th Percentile	-2.9	-0.2	4.3	6.8	4.9	2.8
Mean	-1.6	1.4	6.6	9.3	6.3	4.3
Median	-1.6	1.3	6.5	9.3	6.3	4.4
<i>n</i>	98	98	97	97	95	80
\$200 Million to \$500 Million						
5th Percentile	-0.5	3.8	9.8	12.2	8.3	6.1
25th Percentile	-0.9	2.6	8.6	11.0	7.5	5.4
75th Percentile	-1.9	1.1	6.7	9.2	6.3	4.0
95th Percentile	-2.5	0.3	5.2	8.0	5.5	3.2
Mean	-1.4	1.9	7.5	10.0	6.9	4.7
Median	-1.3	1.9	7.4	10.0	6.9	4.6
<i>n</i>	85	85	85	82	82	76
\$500 Million to \$1 Billion						
5th Percentile	0.3	4.7	10.9	12.8	8.9	6.6
25th Percentile	-0.7	3.4	9.3	11.0	8.0	5.6
75th Percentile	-1.5	1.8	7.8	9.7	7.0	4.5
95th Percentile	-2.1	0.7	6.0	8.0	6.1	3.6
Mean	-1.0	2.6	8.4	10.4	7.5	5.1
Median	-1.1	2.5	8.5	10.3	7.5	5.0
<i>n</i>	63	63	63	63	60	57
Over \$1 Billion						
5th Percentile	1.6	8.4	13.1	12.2	10.2	7.5
25th Percentile	0.5	5.1	11.1	11.2	8.9	6.3
75th Percentile	-0.8	2.3	8.0	9.5	7.3	4.9
95th Percentile	-1.9	1.1	5.7	7.8	5.8	4.3
Mean	-0.2	4.0	9.5	10.3	8.0	5.7
Median	-0.4	3.8	9.5	10.5	8.0	5.5
<i>n</i>	98	98	98	98	98	94

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 September 30, 2014



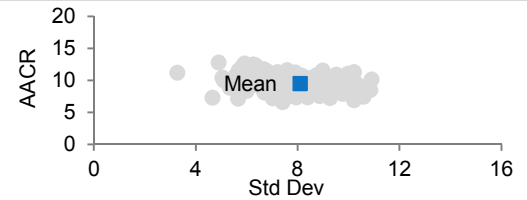
	AACR (%)	Standard Deviation (%)	Sharpe Ratio
5th Percentile	11.4	10.5	1.82
25th Percentile	9.9	9.5	1.25
75th Percentile	8.2	7.4	0.90
95th Percentile	7.1	5.6	0.79
Mean	9.1	8.4	1.12
Median	9.0	8.7	1.03
<i>n = 421</i>			
70% Wilshire 5000 / 30% Barclays Govt/Credit	12.5	9.8	1.25
70% MSCI ACWI / 30% Barclays Govt/Credit	9.0	10.2	0.90

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.

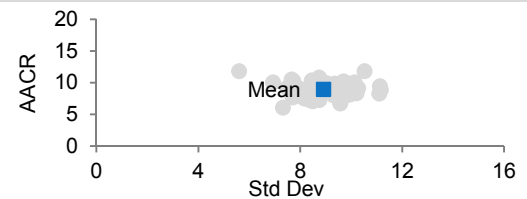
Note: The 70/30 simple portfolio benchmarks are calculated assuming rebalancing occurs on the final day of each quarter.

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

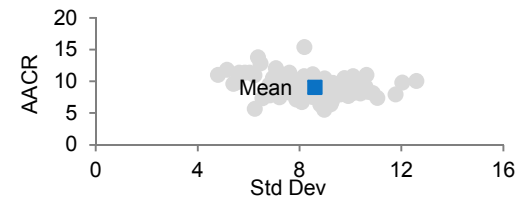
	AACR (%)	Standard Deviation (%)	Sharpe Ratio
Colleges & Universities			
5th Percentile	11.6	10.3	1.90
25th Percentile	10.3	9.5	1.46
75th Percentile	8.7	6.9	0.97
95th Percentile	7.4	5.6	0.83
Mean	9.5	8.1	1.23
Median	9.5	8.3	1.10
<i>n</i> = 148			



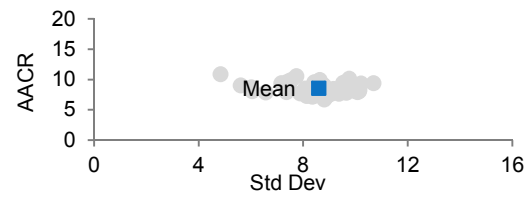
Cultural & Environmental			
5th Percentile	10.6	10.8	1.32
25th Percentile	9.8	9.8	1.12
75th Percentile	8.2	7.9	0.87
95th Percentile	7.1	7.4	0.82
Mean	9.0	8.9	1.03
Median	9.1	8.9	1.00
<i>n</i> = 50			



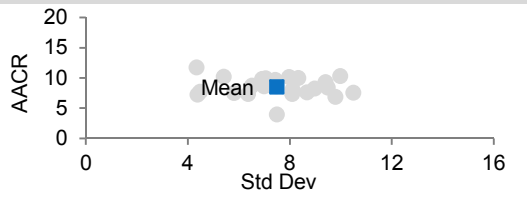
Foundations			
5th Percentile	11.4	10.6	1.81
25th Percentile	9.8	9.4	1.21
75th Percentile	8.2	7.8	0.89
95th Percentile	6.9	6.0	0.76
Mean	9.1	8.6	1.10
Median	8.9	8.8	1.01
<i>n</i> = 120			



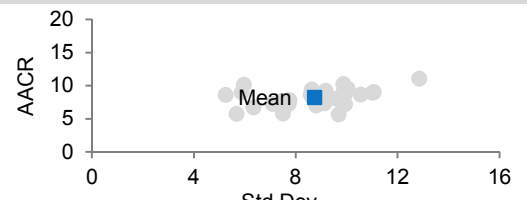
Health Care			
5th Percentile	10.1	10.2	1.40
25th Percentile	9.3	9.7	1.13
75th Percentile	7.9	7.8	0.86
95th Percentile	7.2	6.0	0.81
Mean	8.6	8.6	1.03
Median	8.5	8.8	0.92
<i>n</i> = 43			



Independent Schools			
5th Percentile	10.3	9.9	1.78
25th Percentile	9.8	8.6	1.30
75th Percentile	7.5	6.6	0.94
95th Percentile	6.9	4.4	0.73
Mean	8.5	7.5	1.20
Median	8.6	7.5	1.18
<i>n</i> = 26			



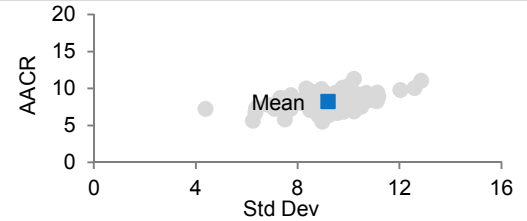
Other Nonprofits			
5th Percentile	10.2	11.0	1.53
25th Percentile	8.9	9.8	1.01
75th Percentile	7.4	7.7	0.86
95th Percentile	5.8	5.8	0.77
Mean	8.3	8.7	0.98
Median	8.4	8.9	0.95
<i>n</i> = 34			



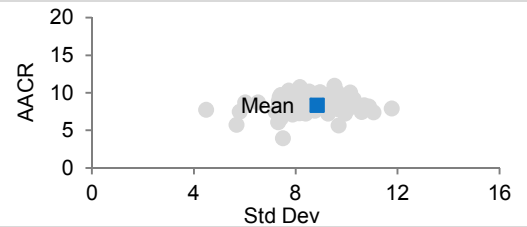
Sources: Endowment and foundation data as reported to Cambridge Associates LLC. Sharpe ratio calculated using data from BofA Merrill Lynch.

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

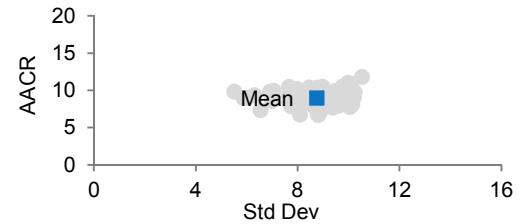
	AACR (%)	Standard Deviation (%)	Sharpe Ratio
Under \$100 Million			
5th Percentile	10.0	11.1	1.15
25th Percentile	8.9	10.1	0.99
75th Percentile	7.5	8.5	0.83
95th Percentile	6.4	6.9	0.72
Mean	8.2	9.2	0.92
Median	8.3	9.2	0.89
<i>n</i> = 86			



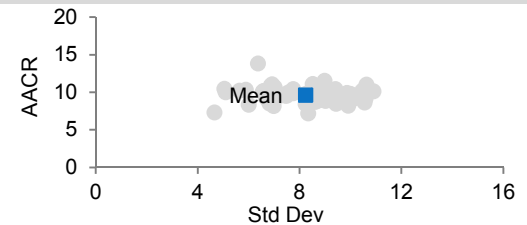
\$100 Million to \$200 Million			
5th Percentile	10.1	10.4	1.28
25th Percentile	9.1	9.8	1.03
75th Percentile	7.7	8.1	0.87
95th Percentile	6.9	7.0	0.73
Mean	8.4	8.8	0.97
Median	8.4	9.0	0.95
<i>n</i> = 95			



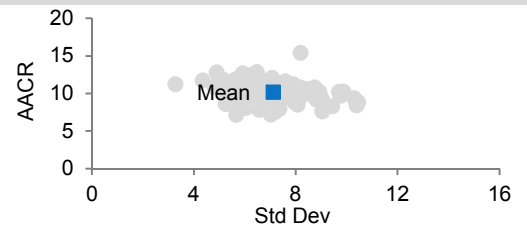
\$200 Million to \$500 Million			
5th Percentile	10.5	10.1	1.39
25th Percentile	9.6	9.5	1.12
75th Percentile	8.4	8.0	0.91
95th Percentile	7.5	6.6	0.82
Mean	9.0	8.7	1.04
Median	9.0	8.9	1.02
<i>n</i> = 82			



\$500 Million to \$1 Billion			
5th Percentile	11.0	10.6	1.75
25th Percentile	10.2	9.3	1.33
75th Percentile	9.1	7.0	0.99
95th Percentile	8.2	5.6	0.88
Mean	9.6	8.2	1.21
Median	9.6	8.5	1.14
<i>n</i> = 60			



Over \$1 Billion			
5th Percentile	12.4	9.7	2.17
25th Percentile	11.1	8.1	1.70
75th Percentile	9.4	6.0	1.18
95th Percentile	7.9	5.1	0.99
Mean	10.2	7.1	1.47
Median	10.1	7.0	1.40
<i>n</i> = 98			



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). Manager-held discretionary cash is included in the asset class category for which that manager's strategy is classified (with the exception of multi-strategy funds in which assets are allocated across multiple asset classes).

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

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.

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 measure used for this purpose is the Consumer Price Index (CPI). Note that simply subtracting CPI from the nominal total return does not result in an accurate computation of real total return. The formula is:

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

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 uses time-weighted cash flows.

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. ■