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Educational Endowments Returned -18.7% in FY2009

842 colleges and universities provide wide range of data in first annual

NACUBO-Commonfund Study of Endowments

NEW YORK, January 28, 2010 – Data gathered from American colleges and universities participating in the 2009 NACUBO-Commonfund Study of Endowments® (NCSE) show that these institutions' endowments returned an average of -18.7 percent (net of fees) for the 2009 fiscal year (July 1, 2008 – June 30, 2009).

The average annual three-year return for institutions participating in the Study was -2.5 percent, while the average annual return for the trailing five years was 2.7 percent. Over the past 10 years, participating institutions reported an average annual return of 4.0 percent (all returns are net of fees).

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2009 NACUBO-Commonfund Study of Endowments® (NCSE) ... Add One

Average One-, Three-, Five-, and Ten-Year Net Returns

<i>numbers in percent (%)</i>	Total Institutions	Over \$1 Billion	\$501 Million-\$1 Billion	\$101-\$500 Million	\$51-\$100 Million	\$25-\$50 Million	Under \$25 Million
	842	52	60	219	164	137	210
FY2009 net annual total return	-18.7	-20.5	-19.8	-19.7	-18.6	-18.5	-16.8
3-year net return	-2.5	-0.8	-2.0	-2.5	-2.7	-3.2	-2.3
5-year net return	2.7	5.1	3.5	2.6	2.7	2.1	2.1
10-year net return	4.0	6.1	4.3	3.7	3.7	3.4	3.9

The data come from in-depth surveys of 842 U.S. institutions of higher learning, including public and private colleges and universities, their supporting foundations, and community colleges. Participating institutions represent \$306 billion in endowment assets.

Study results show that investment returns were negative for all asset classes but two—fixed income, which generated a 3.0 percent gain, and short-term securities/cash, which returned 0.8 percent. International equities produced the weakest return, -27.6 percent. Domestic equities were not far behind, with a return of -25.5 percent on average. Alternative strategies returned -17.8 percent, while short-term securities/cash/other returned -1.5 percent.

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2009 NACUBO-Commonfund Study of Endowments® (NCSE) ... Add Two

Average Returns by Asset Class for Fiscal Year 2009

numbers in percent (%)

	Total Institutions
Average FY2009 total return	-18.7
Domestic equities	-25.5
Fixed income	3.0
International equities	-27.6
Alternative strategies	-17.8
Private equity (LBOs, mezzanine, M&A funds and international private equity)	-19.4
Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)	-12.0
Venture capital	-15.7
Private equity real estate (non-campus)	-30.2
Energy and natural resources, commodities and managed futures	-33.3
<i>Energy and natural resources</i>	-19.7
<i>Commodities and managed futures</i>	-36.7
Distressed debt	-12.7
Short-term securities/cash/other	-1.5
Short term securities/cash	0.8
Other	-11.5

NACUBO President and Chief Executive Officer John D. Walda and Commonfund Institute Executive Director John S. Griswold jointly said that FY2009's total return confirms how difficult the year was for educational institutions. In mid-December, partial NCSE data gathered from 504 institutions showed the average return for FY2009 was -19.0 percent. "These results illustrate the extreme difficulties colleges and universities faced at the height of the global economic crisis," said Walda. "Our hope is that the strong first half of FY2010 augurs well for the full fiscal year and that a year hence the story will be much more positive." Griswold pointed

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2009 NACUBO-Commonfund Study of Endowments® (NCSE) ... Add Three

out, “Many educational institutions have taken steps to adapt to the realities imposed by endowments that have been buffeted by losses averaging nearly 20 percent. Future NCSE reports may well reflect fairly significant changes in investment management, spending, debt practices and governance policies.”

On June 30, 2009, NCSE survey data indicate that participating institutions’ dollar-weighted asset allocation was:

- Domestic equities: 18 percent
- Fixed income: 13 percent
- International equities: 14 percent
- Alternative strategies: 51 percent
- Short-term securities/cash/other: 4 percent

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2009 NACUBO-Commonfund Study of Endowments® (NCSE) ... Add Four

Asset Allocations* for Fiscal Years 2008 and 2009**

numbers in percent (%)	Total Institutions		Over \$1 Billion		\$501 Million-\$1 Billion		\$101-\$500 Million		\$51-\$100 Million		\$25-\$50 Million		Under \$25 Million	
	'08	'09	'08	'09	'08	'09	'08	'09	'08	'09	'08	'09	'08	'09
	470	842	48	52	36	60	165	219	69	164	121	137	31	210
Asset class														
Domestic equities	23	18	20	14	24	20	29	26	39	34	43	37	50	38
Fixed income	12	13	10	10	13	14	16	17	18	21	23	23	26	27
International equities	18	14	17	12	19	17	19	17	17	17	13	15	8	13
Alternative strategies	46	51	52	61	42	43	32	33	23	22	15	18	9	13
Short-term securities/cash/other	1	4	1	3	3	6	3	7	3	6	6	7	8	9

*dollar-weighted

**Source: Commonfund Benchmarks Study of Educational Endowments data for institutions of higher education

Within alternative strategies, the asset mix was:

- Private equity: 21 percent
- Marketable alternative strategies: 43 percent
- Venture capital: 7 percent
- Private equity real estate: 12 percent
- Energy and natural resources: 12 percent
- Distressed debt: 5 percent

Alternative strategies are categorized in the NCSE as follows: Private equity (Leveraged buyouts (LBOs), mezzanine and M&A funds and international private equity); marketable alternative

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2009 NACUBO-Commonfund Study of Endowments® (NCSE) ... Add Five

strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives); venture capital; private equity real estate (non-campus); energy and natural resources (oil, gas, timber, commodities and managed futures); and distressed debt.

Alternative Strategies Asset Mix* for Fiscal Year 2009

<i>numbers in percent (%)</i>	Total Institutions	Over \$1 Billion	\$501 Million - \$1 Billion	\$101-\$500 Million	\$51-\$100 Million	\$25-\$50 Million	Under \$25 Million
Responding institutions	701	48	57	209	142	106	139
Type of investment							
Private equity (LBOs, mezzanine, M&A funds and international private equity)	21	22	19	17	11	7	8
Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)	43	40	48	54	59	61	57
Venture capital	7	8	7	5	2	4	4
Private equity real estate (non-campus)	12	13	9	7	13	11	11
Energy and natural resources (oil, gas, timber, commodities and managed futures)	12	12	11	12	10	9	7
Distressed debt	5	5	6	5	5	8	13

*dollar-weighted

Spending

The average spending rate for educational endowments participating in this year’s Study—calculated by dividing endowment dollars spent by the beginning endowment value—was 4.4 percent. The highest spending rate, 4.9 percent, was found among institutions with assets between \$501 million and \$1 billion, while the lowest, an average of 3.9 percent, occurred among institutions with assets under \$25 million. Forty-three percent of Study participants reported increasing their spending rate versus 25 percent that lowered it and 28 percent that reported no change.

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While 43 percent of participating institutions increased their spending rate, an even higher 54 percent increased spending in dollars, indicating that colleges and universities stepped up spending to maintain programs and services central to their missions even as their endowments lost value.

Gifts

Sixty percent of responding institutions reported a decline in gifts in FY2009, while only 26 percent reported an increase. The median decrease was 45.7 percent. Only 8 percent of participating institutions include future gifts when establishing a spending policy. Among the various size cohorts, larger institutions include gifts in future spending plans at the highest rate—16 percent of respondents with assets over \$1 billion and 19 percent of institutions with assets between \$501 million and \$1 billion.

Debt

Among the 654 Study respondents reporting that they carry debt at present, average total long-term debt stood at \$167.8 million as of June 30, 2009, up from \$109.1 million the previous year. Average debt levels were driven upward by institutions with assets over \$1 billion and by public universities.

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Costs

Endowments reported that it cost 63 basis points, on average, to manage their funds in FY2009.

Measured on a median basis, the cost was 53 basis points.

Resources, Management and Governance

Viewed by asset class, the average number of investment managers that participating institutions reported using is:

- Domestic equities: 3.9
- Fixed income: 2.2
- International equities: 2.8
- Alternative strategies (direct): 10.3
- Alternative strategies (fund of funds): 2.5

On average, institutions employed 1.6 full-time equivalent employees (FTEs) to manage their endowments, but the median number of FTEs, 0.5, may be more indicative of true employment levels.

Socially Responsible Investing

Of the 842 Study participants, 178 reported having some form of social investing policy. Of these 178 institutions, 55 percent screen all of their portfolios, while 34 percent screen part of the portfolio (11 percent offered no response or were uncertain). Participating institutions most

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2009 NACUBO-Commonfund Study of Endowments® (NCSE) ... Add Eight

frequently screen to eliminate investment strategies related to tobacco, geopolitical/location-specific concerns, alcohol, gambling, pornography, abortion, and armaments/weapons.

Endowment Leaders

The asset allocation of top decile performers was far different in FY2009 than in previous years. Griswold commented, “With nearly one-third of their assets in fixed income and 11 percent in cash, the top decile performers in this exceptional year achieved their investment results by following highly unorthodox strategies that are unlikely to be repeatable, much less prove successful over the longer term.”

NACUBO-Commonfund Study of Endowments (NCSE)

The 2009 NCSE is the result of a landmark research partnership between NACUBO and Commonfund. Previously, the two organizations conducted separate studies of educational endowments’ investment performance. The previous Commonfund Benchmarks Study of Educational Endowments and NACUBO Endowment Study were merged to create the 2009 NACUBO-Commonfund Study of Endowments (NCSE). The NCSE is the largest and most comprehensive annual survey on higher education endowment investment performance, asset allocation, and related finance and governance matters.

About NACUBO

NACUBO is a membership organization representing more than 2,500 colleges, universities and higher education service providers across the country and around the world. NACUBO specifically represents chief business and financial officers through advocacy efforts, community

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service and professional development activities. The association's mission is to advance the economic viability and business practices of higher education institutions in fulfillment of their academic missions. For more information about NACUBO, please visit www.nacubo.org.

About Commonfund Institute

Commonfund Institute houses the education and research activities of Commonfund and provides the entire nonprofit community with investment information and professional development programs. Commonfund Institute is dedicated to the advancement of investment knowledge and the promotion of best practices in financial management. In addition to teaming with NACUBO to produce the NCSE, Commonfund Institute provides a wide variety of resources, including conferences, seminars and roundtables on endowment and treasury management; proprietary and third-party research and publications, including the series of Commonfund Benchmarks Studies of Foundations, Operating Charities and Healthcare Organizations; calculation and analysis of the Higher Education Price Index (HEPI); and events such as the annual Commonfund Forum and Commonfund Endowment Institute.

About Commonfund

Founded in 1971, Commonfund is devoted to enhancing the financial resources of educational and other nonprofit institutions including endowments, foundations, healthcare and service organizations through superior fund management, investment advice and treasury operations. Directly or through its subsidiaries—Commonfund Capital, Commonfund Realty, and Commonfund Asset Management Company— Commonfund manages approximately \$25.5

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2009 NACUBO-Commonfund Study of Endowments® (NCSE) ... Add Ten

billion for approximately 1,580 nonprofit educational institutions, foundations, healthcare and other nonprofit institutions. In response to the growing needs of nonprofit institutions, Commonfund, together with its subsidiary companion organizations, offers more than 30 different endowment investment programs. All securities are distributed through Commonfund Securities, Inc. For additional information about Commonfund, please visit

www.commonfund.org.