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

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

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

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

Lisa Jordan
Associate Director, Communications
NACUBO
202-861-2565
ljordan@nacubo.org

Educational Endowments Earned

Investment Returns Averaging -0.3% in FY2012,

Down Sharply from 19.2% in FY2011

NEW YORK, NY, February 1, 2013 --Data gathered from 831 U.S. colleges and universities for the 2012 NACUBO-Commonfund Study of Endowments® (NCSE) show that these institutions' endowments returned an average of -0.3 percent (net of fees) for the 2012 fiscal year (July 1, 2011 – June 30, 2012)—a steep decline from the FY2011 average return of 19.2 percent. Over the longer term, ten-year returns for FY2012 were 6.2 percent compared with 5.6 percent in FY2011, suggesting that long-term performance for many institutions continues to improve.

The data are broken down into six categories according to size of endowment, ranging from institutions with endowment assets under $25 million to those with assets in excess of $1 billion. These large endowments produced the highest FY2012 return, an average of 0.8 percent. The other categories with positive returns were endowments with assets between $501 million and $1 billion, which reported an average return of 0.4 percent, and endowments with assets under $25 million, which reported an average return of 0.3 percent. All three of the mid-sized cohorts reported negative returns, the lowest

2012 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Average Return by Asset Class for Fiscal Year 2012

numbers in percent (%)	Total Institutions	Over $1 Billion	$501 Million–$1 Billion	$101–$500 Million	$51–$100 Million	$25–$50 Million	Under $25 Million
	831	68	71	250	164	128	150
Average FY2012 total return	-0.3	0.8	0.4	-0.7	-1.0	-0.5	0.3
Domestic equities	2.0	2.3	3.0	2.4	1.3	1.5	1.8
Fixed income	6.8	9.1	7.2	6.4	6.7	6.9	6.1
International equities	-11.8	-11.2	-10.5	-11.3	-13.2	-12.5	-11.4
Alternative strategies	0.5	3.1	3.0	1.2	-0.7	-1.1	-1.4
Private equity (LBOs, mezzanine, M&A funds and international private equity)	5.1	5.9	6.0	4.3	5.6	5.1	*
Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)	-1.2	0.7	-0.2	-1.6	-1.6	-2.4	-0.5
Venture capital	6.4	7.1	6.0	4.7	10.3	*	*
Private equity real estate (non-campus)	7.5	6.2	8.2	8.7	6.3	6.3	3.7
Energy and natural resources	-0.8	2.8	0.9	-1.1	-3.7	*	*
Commodities and managed futures	-10.1	-15.4	-8.9	-10.1	-9.0	-10.0	-9.9
Distressed debt	1.9	1.4	3.4	2.3	0.2	*	*
Short-term securities/cash/other	0.2	-2.0	0.3	0.3	0.7	0.7	0.1
Short-term securities/cash	0.1	0.2	0.3	0.1	0.0	0.1	0.2
Other	0.8	*	*	0.9	3.7	*	-0.2

**sample size too small to analyze*

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being -1.0 percent among institutions with assets between $51 and $100 million. Institutions with assets between $101 and $500 million returned -0.7 percent, while those with assets between $25 and $50 million returned -0.5 percent.

This year's data show that institutions' trailing three-year returns averaged 10.2 percent;

2012 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Average One-, Three-, Five- and 10-Year Net Returns for Fiscal Years 2011 and 2012

numbers in percent (%)	Total Institutions		Over $1 Billion		$501 Million–$1 Billion		$101–$500 Million		$51–$100 Million		$25–$50 Million		Under $25 Million	
	823	831	73	68	66	71	251	250	162	164	134	128	137	150
	'11	'12	'11	'12	'11	'12	'11	'12	'11	'12	'11	'12	'11	'12
Annual total net return	19.2	-0.3	20.1	0.8	18.8	0.4	19.7	-0.7	19.3	-1.0	19.4	-0.5	17.6	0.3
3-year net return	3.1	10.2	2.4	10.6	2.6	10.3	2.6	10.2	2.8	9.7	4.2	10.1	4.6	10.4
5-year net return	4.7	1.1	5.4	1.7	4.8	1.2	4.4	0.7	4.4	1.0	4.7	1.0	5.2	1.5
10-year net return	5.6	6.2	6.9	7.6	6.0	6.6	5.3	6.0	5.1	5.7	5.0	5.8	4.9	5.7

trailing five-year returns averaged 1.1 percent; and trailing 10-year returns averaged 6.2 percent (all net of fees). Endowments with assets over $1 billion generated the highest average return for all periods.

The annual NCSE analyzes return data and a wide range of related information gathered from a broad cross section of U.S. colleges and universities, both public and private, as well as their supporting foundations. The size and scope of the Study make it the most comprehensive annual report on the investment management and governance practices and policies of U.S. institutions of higher education. Of the 831 institutions participating in the 2012 NCSE, 525 are private and 306 are public. The participating

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institutions represent $406.1 billion in total endowment assets. Ninety-four percent of this year's participating institutions also participated in last year's study.

Viewed by asset class, the data show that fixed income investments generated the highest return, an average of 6.8 percent, while international equities produced the lowest return, -11.8 percent. Domestic equities returned 2.0 percent, alternative strategies as a group returned 0.5 percent and short-term securities/cash/other returned 0.2 percent.

"This year's data show the re-emergence of a number of long-term trends in the sector," said NACUBO President and Chief Executive Officer John D. Walda and Commonfund Institute Executive Director John S. Griswold in a joint statement. "Over the years, with the exception of periods such as the recent economic crisis, institutions with the largest endowments have reported the highest one-year returns. This trend can once again be seen in this year's data, as well as data for trailing periods. We attribute this outperformance to a number of factors: well diversified portfolios with an equity bias, the ability to make long-term commitments to less liquid strategies, access to top-tier investment managers, and greater resources, including larger staffs, leading-edge technology and experienced investment committees."

Walda and Griswold observed that the strong performance reported for fixed income investments helped both large and small endowments. While endowments with assets over $1 billion reported the smallest fixed income allocation, at 9 percent, they realized the highest return from this asset class, an average of 9.1 percent. At the other end of the size spectrum, endowments with assets under $25 million benefited from the largest fixed income allocation, at 29 percent, despite reporting the lowest return, an average of 6.1 percent.

With international equity markets reflecting the ongoing turmoil in Europe, fears of a hard landing in China and weak returns from many emerging countries, all six size cohorts reported negative returns ranging from -13.2 percent to -10.5 percent in their international equity allocations. These allocations, which ranged from 14 percent to 18 percent of the overall portfolio, had a negative influence on the FY2012 investment results of all participating institutions.

Walda and Griswold pointed out that the difference between the highest and lowest one-year overall returns across the six size cohorts was unusually small this year. In last year's Study, the return spread from highest to lowest was 250 basis points. This year it was even slimmer, at 180 basis points.

2012 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Asset Allocations* for Fiscal Years 2010, 2011 and 2012

numbers in percent (%)	Total Institutions			Over $1 Billion			$501 Million–$1 Billion			$101–$500 Million			$51–$100 Million			$25–$50 Million			Under $25 Million		
	850	823	831	60	73	68	66	66	71	226	251	250	169	162	164	145	134	128	184	137	150
	'10	'11	'12	'10	'11	'12	'10	'11	'12	'10	'11	'12	'10	'11	'12	'10	'11	'12	'10	'11	'12
Domestic equities	15	16	15	11	12	12	18	18	18	25	27	25	31	32	31	35	37	35	40	41	39
Fixed income	12	10	11	10	9	9	14	11	12	17	15	16	21	20	22	24	22	24	27	25	29
International equities	16	17	16	15	16	15	17	19	17	17	18	18	18	18	18	16	17	16	13	14	14
Alternative strategies	52	53	54	60	60	61	45	46	48	35	35	36	24	23	24	17	18	19	12	10	11
Short-term securities/cash/other	5	4	4	4	3	3	6	6	5	6	5	5	6	7	5	8	6	6	8	10	7

* *dollar-weighted*

The long-term trend of increasing allocations to alternative investment strategies was observed once again in FY2012; alternative strategies include private equity (LBOs, mezzanine, M&A funds and international private equity); marketable alternatives (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. This year's data indicate that participating institutions' allocation to alternatives grew by one percentage point to 54 percent. The alternatives allocation was correlated by endowment size, with institutions having endowment assets in excess of $1 billion reporting a 61 percent allocation to alternatives and those with assets under $25 million reporting an average allocation of 11 percent.

The three smaller size cohorts reported the largest allocations to domestic equities and fixed income. In a continuation of a trend observed over the last few years, allocations to short-term securities/cash/other were smallest among endowments with

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Alternative Strategies Asset Mix♦ for Fiscal Years 2011 and 2012

numbers in percent (%)	Total Institutions		Over $1 Billion		$501 Million–$1 Billion		$101–$500 Million		$51–$100 Million		$25–$50 Million		Under $25 Million	
Responding institutions	708	705	69	66	62	66	236	234	141	140	107	98	93	101
	'11	'12	'11	'12	'11	'12	'11	'12	'11	'12	'11	'12	'11	'12
Type of investment														
Private equity (LBOs, mezzanine, M&A funds and international private equity)	24	25	26	26	22	21	18	19	13	13	10	9	8	8
Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)	38	36	34	33	45	43	53	50	55	52	62	58	60	62
Venture capital	7	7	8	8	7	8	4	5	4	4	3	4	4	5
Private equity real estate (non-campus)	12	13	13	14	8	9	7	8	10	12	9	10	9	6
Energy and natural resources (oil, gas, timber, commodities and managed futures)	15	15	15	15	13	13	14	14	14	15	13	16	12	15
Distressed debt	4	4	4	4	5	6	4	4	4	4	3	3	7	4

♦ *dollar-weighted*

assets over $1 billion, at 3 percent, and largest among endowments with assets below $25 million, at 7 percent.

The FY2012 effective spending rate for participating institutions was 4.2 percent versus 4.6 percent in FY2011. Institutions in the two largest size cohorts reported the highest effective spending rate, an average of 4.7 percent, while the two smallest size cohorts both reported average spending rates slightly under 4.0 percent. The decline was due to the fact that most institutions determine their annual endowment spending by applying their policy spending rate (typically 4 to 5 percent) to a three-year moving average of endowment market values. Endowment values increased sharply in FY2010 and FY2011, causing the effective spending rate to lag. At the same time, also due to the favorable returns of those two years, average dollars spent per institution grew by about 7 percent. Study participants reported that an average of 8.7 percent of their operating budget is funded by the endowment; this ranged from a high of 16.2 percent among institutions with assets over $1 billion to a low of 3.1 percent among institutions with assets under $25 million.

Decreases in gifts and donations to endowment have been a cause for concern in the aftermath of the economic crisis. In FY2012, 32 percent of institutions reported that they received less in gifts than in the previous year, while only 27 percent reported an increase in gifts. The only size cohort to report a favorable trend was institutions with assets over $1 billion, where only 16 percent reported a decrease in gifts and 28 percent reported an increase. The median total of new gifts to the 732 institutions reporting gift data was $2.2 million in FY2012, while the average total of new gifts was $8.0 million.

Gifts were correlated with the size of the institution's endowment; both median and average gifts were highest, by far, among institutions with assets over $1 billion.

Other highlights of the 2012 NCSE follow:

Debt

Among the 616 Study respondents reporting that they carry debt, average total debt stood at $187.5 million as of June 30, 2012, down moderately from $189.0 million the prior year. Median debt rose slightly, to $56.7 million from $56.2 million in FY2011. As a percentage of the operating budget, debt service averaged 5.4 percent in this year's Study, essentially unchanged from last year.

Resources, Management and Governance

Institutions employed an average of 1.6 full-time equivalent employees (FTEs) to manage their endowments, unchanged year over year. The largest endowments reported having an average of 10.9 FTEs, while the smallest endowments reported having an average of 0.3 FTE. Eighty-two percent of Study participants reported using an outside consultant, almost unchanged from last year's 81 percent.

Environmental/Social/Governance Investing Criteria

Of the 831 Study participants, 71 percent said they do not apply environmental, social and governance (ESG) criteria to portfolio holdings, the same as last year. Of the 149 institutions with some form of ESG policy, 60.1 percent of their portfolio reflects the use

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of negative screens. Forty-nine percent of these 149 institutions vote proxies consistent with their ESG criteria; 72 percent of these institutions report that ESG investing is a formal institutional policy.

Endowment Leaders

Endowment Leaders comprise the top decile and top quartile of the Study universe measured by investment return for FY2012. Compared with the Study universe return of -0.3 percent, the top decile reported an average one-year return (net of fees) of 4.9 percent compared with 25.0 percent in the previous Study. The top quartile reported an average one-year net return of 2.9 percent versus 23.5 percent for FY2011.

For the trailing three years, the top decile reported an average annual return of 11.2 percent while the top quartile realized an average annual return of 10.9 percent, versus a 10.2 percent return for the Study universe. For the trailing five-year period, respective returns were 3.0 percent, 2.1 percent and 1.1 percent; respective returns for the trailing 10-year period were 7.5 percent, 6.8 percent and 6.2 percent.

About NACUBO

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

About Commonfund Institute

Commonfund Institute houses the education and research activities of Commonfund and provides the entire community of long-term investors with investment information and professional development programs. Commonfund Institute is dedicated to the advancement of investment knowledge and the promotion of best practices in financial management. In addition to teaming with NACUBO to produce the NCSE, Commonfund Institute provides a wide variety of resources, including conferences, seminars and roundtables on topics such as endowments and treasury management; proprietary and third-party research and publications, including the Higher Education Price Index (HEPI); and 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 long-term investors including nonprofit institutions, corporate pension plans and family offices through superior fund management, investment advice and treasury operations. Directly or through its subsidiaries—Commonfund Capital and Commonfund Asset Management Company—Commonfund manages over $25 billion for about 1,400 clients. Commonfund, together with its subsidiary companion organizations, offers more than 30 different investment programs. All securities are distributed through Commonfund

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