

SEATTLE UNIVERSITY

SRI Task Force
Endowment Overview
February 2, 2016

Confidential

Socially Responsible Investments (SRI) Task Force Members

- Bob Blais, Chair Board of Trustees and Investment Committee member,
- Cathy Cao Faculty representative—assistant professor, Finance
- Nathan Colaner Faculty representative—instructor, Philosophy
- Yichen Fan Student representative—Albers School of Business and Economics/Redhawks Fund analyst
- Anne Farrell Investment Committee member
- Joe Gaffney Board of Trustees and Investment Committee member
- Zebedee McCall Graduate student representative-Albers School of Business and Economics/MBA
- Scott McClellan Administration—vice president, Marketing Communications
- Jill Naas-Blackburn, '95 Alumni representative—program management, Wells Fargo
- Andrew O'Boyle Administration—assistant vice president, Finance and Investments
- Brian Yadao, '09 Alumni representative—portfolio analyst, Russell Investments



Agenda

- Overview
- Investment policy
- Asset Allocation
- Performance
- Spending policy and distribution



Investments Overview

- Overseen by Investment Committee of the Board of Trustees
- Guided by the Investment Policy Statement
- Outside investment advisor
- Investments in pooled funds
 - No direct investments in any companies

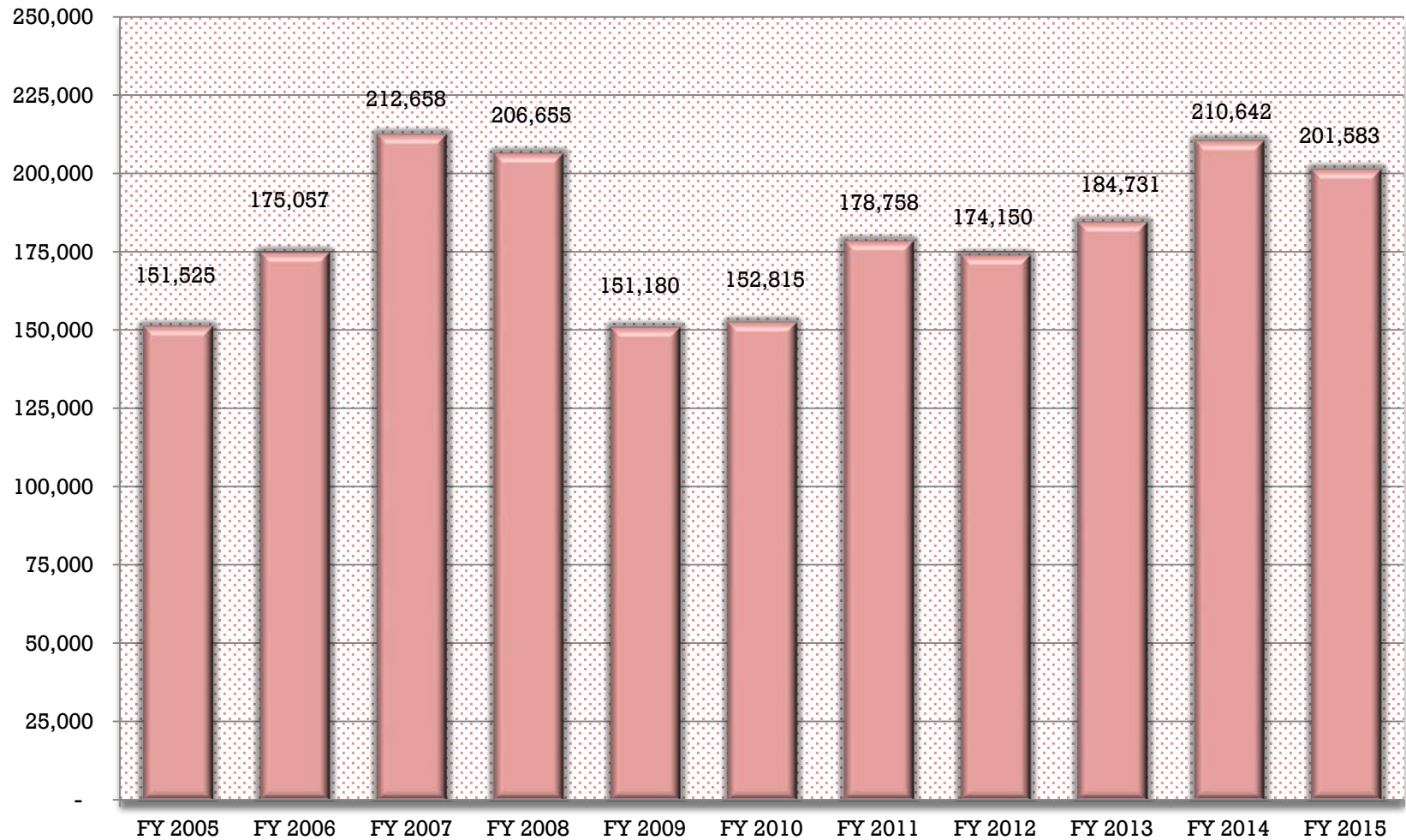


What is an endowment?

- An endowment is created when funds are invested for the purpose of creating present and future income that can be used for a particular purpose
- An endowment is perpetual
- Seattle University has 290 endowments with a market value of ~\$202 million (as of June 30, 2015)



Endowment Value Over Time

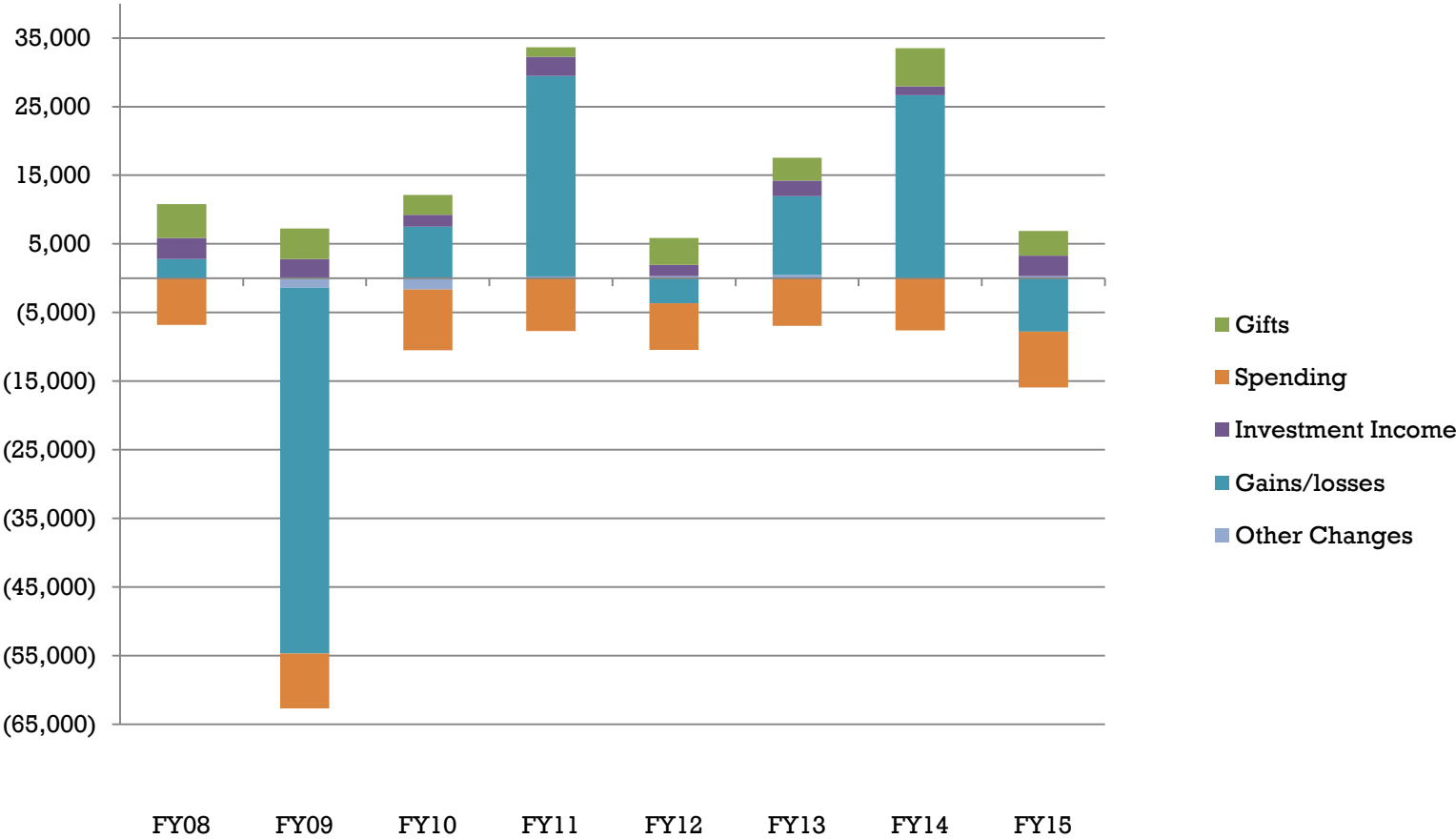


Endowment Value

- Endowment value depends on:
 - Investment returns
 - Investment income
 - Gains/losses
 - Spending rate
 - Gifts/transfers
 - Other



Endowment Activity



Investment Policy



Investment Policy Statement

- Management of the investment portfolio is governed by the Investment Policy Statement and administered by the Investment Committee
- Adopted and maintained by the Board
- Represents optimal investment strategy given stated financial objectives and spending policy



Investment Objectives for the Endowment

- Provide an annual, predictable, source of revenue for operations and scholarships
- Preserve the purchasing power of the original gifts
- The University targets a 7.5 to 8.0% return for the endowment over the long-run



Investment Objectives for the Endowment

- Achieve a total rate of return in excess of sum of spending + inflation + growth + expenses

Spending rate	4.5%
Inflation rate	2.0%
Growth rate	0.5 – 1.0%
Fees	<u>0.5%</u>
Target return	7.5 – 8.0%



Asset Allocation



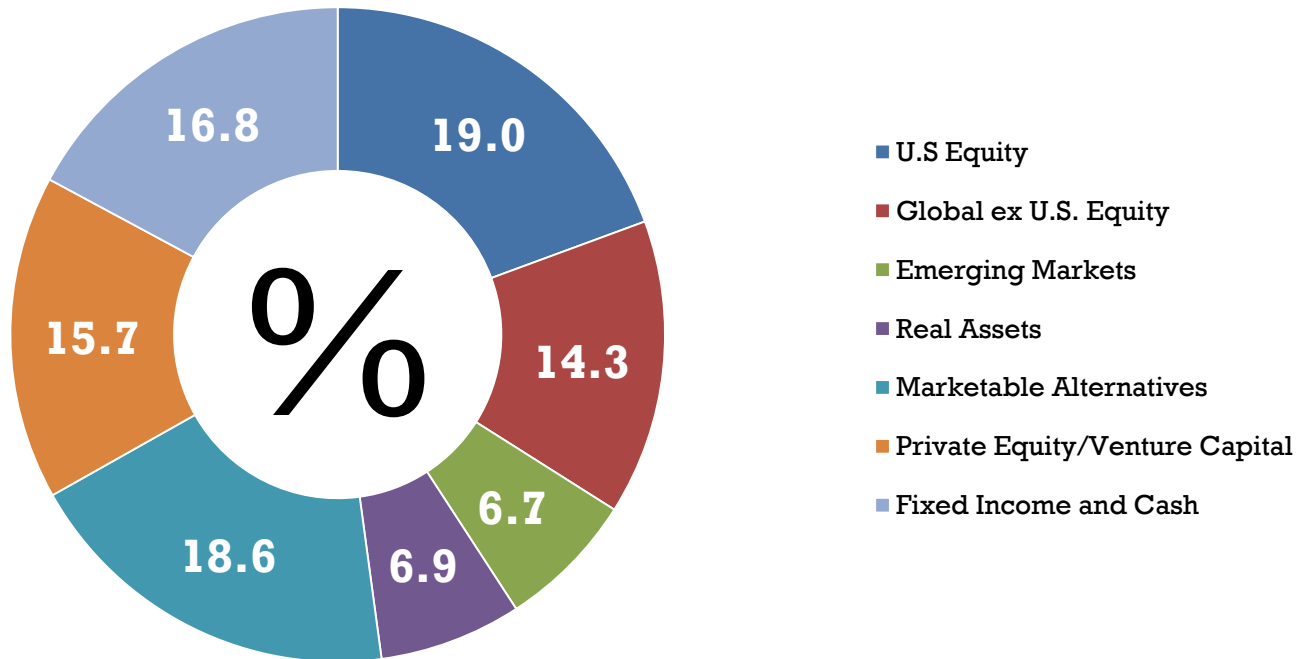
Asset Allocation

- Asset allocation goals:
 - Risk-appropriate returns
 - Diversification
 - Liquidity



Current Asset Allocation

June 30, 2015



Exposure to Fossil Fuels and Coal As of November 30, 2015

- The Seattle University portfolio currently has 6.1% of assets invested in fossil fuels. Of that exposure, approximately 0.6% is invested in coal.
- 20 managers currently have fossil fuel exposure and 7 have coal exposure.

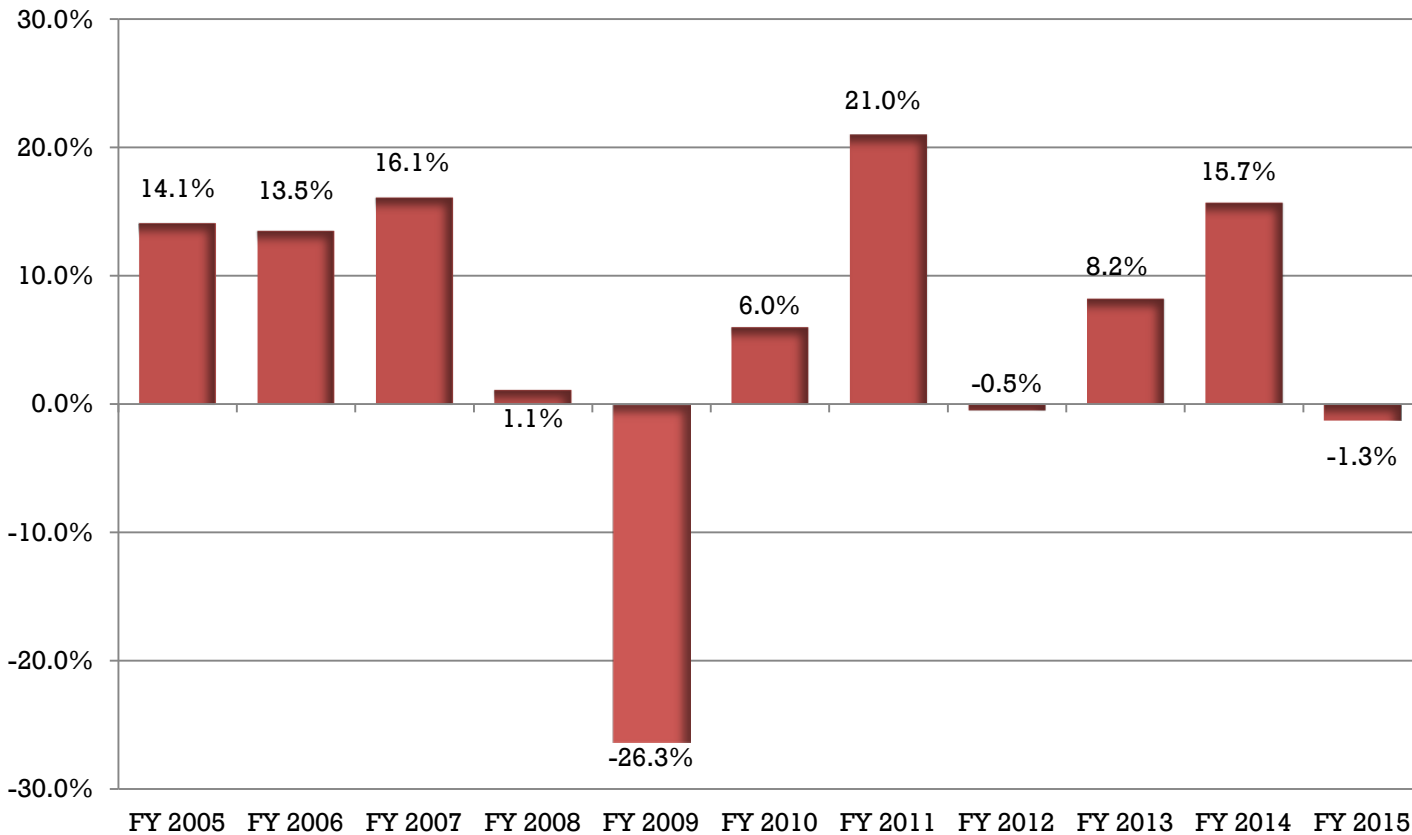
	Exposure to Fossil Fuels (%)	Exposure to Coal (%)
Total Portfolio	6.1%	0.6%



Performance



Historical Performance



Spending Policy and Distribution



Spending Policy

- The annual spending amount is based on the average market value of the endowment over the previous 12 quarters times the spending rate (currently 4.5%)

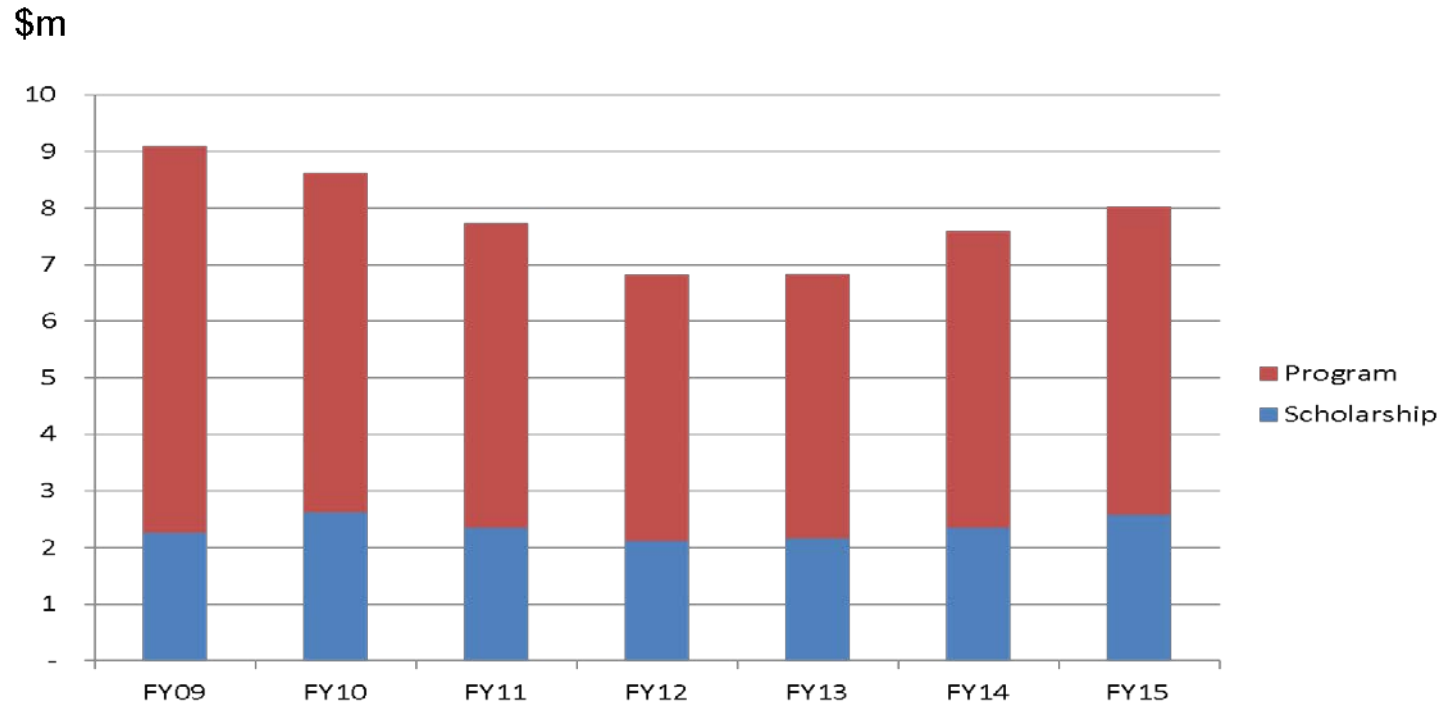


Spending Policy

- Structured to provide annual revenue for University operations and scholarships while preserving the original value of the gifts
- Designed to smooth out the impact of large fluctuations in performance year over year
- Recommended annually to the Finance Committee and Board of Trustees for approval



Endowment Income Provided \$8m Support in FY15



Note: the program allocation funds chairs/professorships (24%), academic program support (38%) and general university operations (7%)



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