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

FY 2005: 151,525
FY 2006: 175,057
FY 2007: 212,658
FY 2008: 206,655
FY 2009: 151,180
FY 2010: 152,815
FY 2011: 178,758
FY 2012: 174,150
FY 2013: 184,731
FY 2014: 210,642
FY 2015: 201,583
Endowment Value

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

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<th>FY08</th>
<th>FY09</th>
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<td>Gains/losses</td>
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Legend:
- Gifts
- Spending
- Investment Income
- Gains/losses
- Other Changes
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 0.5%
Target return 7.5 – 8.0%
Asset Allocation
Asset Allocation

• Asset allocation goals:
  – Risk-appropriate returns
  – Diversification
  – Liquidity
Current Asset Allocation
June 30, 2015

- U.S Equity: 19.0%
- Global ex U.S. Equity: 16.8%
- Emerging Markets: 15.7%
- Real Assets: 14.3%
- Marketable Alternatives: 18.6%
- Private Equity/Venture Capital: 6.7%
- Fixed Income and Cash: 6.9%
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.

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<th>Exposure to Fossil Fuels (%)</th>
<th>Exposure to Coal (%)</th>
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<tr>
<td>Total Portfolio</td>
<td>6.1%</td>
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Performance
Historical Performance

FY 2005: 14.1%
FY 2006: 13.5%
FY 2007: 16.1%
FY 2008: 1.1%
FY 2009: -26.3%
FY 2010: 6.0%
FY 2011: 21.0%
FY 2012: -0.5%
FY 2013: 8.2%
FY 2014: 15.7%
FY 2015: -1.3%
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%)
SEATTLE UNIVERSITY