



2014 - 2015

OKLAHOMA STATE UNIVERSITY FOUNDATION

ENDOWMENT REPORT



\$581.9M

FY15 TOTAL ENDOWMENT

\$25.4M

**NEW ENDOWMENT GIFTS
DURING FY15**

\$20.8M

**SPENDING AVAILABLE
TO OSU IN FY15**

uniting donor and university passions and priorities to achieve excellence

INTRODUCTION

Endowments provide a permanent partnership between the university and the donor. The legacy of thoughtful donors plays a role in the life of the university in perpetuity, and becomes the foundation upon which OSU can build its achievements. The generosity of Oklahoma State University's many endowment donors is appreciated by generations past, present and future.

Endowment gifts for the benefit of Oklahoma State University are placed in the Pooled Investment Fund (PIF), which is managed by the OSU Foundation. The PIF supports university programs as designated by donors. Spending policy distributions support students, faculty, facilities and programs. Many important university activities could not be achieved without the financial

support from endowment funds. OSU is fortunate to have endowments that support programs system-wide.

The endowment spending policy is approved by the Board of Trustees and is calculated as the prior year's spending amount adjusted by inflation, as measured by the change in the consumer price index (CPI). The spending amount is also adjusted by adding an amount equal to 5% of new gifts or reinvested cash received by September 30. The spending policy is reviewed by the Investment Committee annually and may be adjusted based on investment performance. Spending dollars available to OSU for FY15 were \$20.8M, and grew by an average of 10.7% annually over the last five years.

TOTAL ENDOWMENT IN MILLIONS | FY05 - FY15



\$581.9 M

TOTAL ENDOWMENT ON JUNE 30, 2015

| | |
|-------------|----------|
| FY14 | \$579.4M |
| FY13 | \$517.2M |
| FY12 | \$452.2M |
| FY11 | \$456.1M |
| FY10 | \$350.7M |
| FY09 | \$320.6M |
| FY08 | \$448.1M |
| FY07 | \$303.1M |
| FY06 | \$235.6M |
| FY05 | \$193.2M |

FY15 reflects pre-audited amounts

\$25.4M

NEW ENDOWMENT GIFTS
DURING FY15

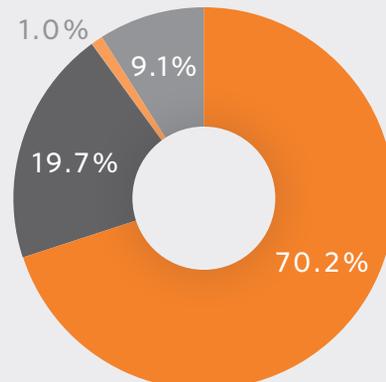
\$20.8M

TOTAL SPENDING AVAILABLE
TO OSU IN FY15

3,013

TOTAL NUMBER OF ENDOWMENTS
BY AREA:

- STUDENT SUPPORT
- FACULTY & RESEARCH
- FACILITIES
- PROGRAM OPERATIONS



PERFORMANCE

The OSU Foundation Board of Trustees has adopted the strategy of investing endowment assets, while prudently managing risk, to preserve the long-range purchasing power of the endowments in order to provide intergenerational financial support for the programs the endowments were created to benefit. In order to execute this strategy, the Trustees have delegated the investment management of the PIF to the Investment Committee, which operates within the parameters of the Investment Policy Statement. The Investment Committee

delegated responsibility for day-to-day management of the PIF to the internal OSU Foundation Investment Office in January 2012. The Investment Office and the Investment Committee are committed to maintaining a diversified portfolio that exhibits significantly less risk than the global equity markets. It is our view that a properly constructed, risk-controlled portfolio is able to achieve long-term equity-like returns with less risk of significant drawdowns, such as those experienced in the equity markets during the financial crisis of 2008.

HISTORICAL RETURNS VS. RISK-CONTROLLED BENCHMARK & PEERS



Over the past ten years, the PIF has outperformed a risk-controlled benchmark, approved by the Investment Committee, which is representative of the exposures and risk level in the PIF. The PIF has also generally outperformed peer institutions over similar time periods.

OSUF SOURCES OF OUTPERFORMANCE VS. RISK-CONTROLLED BENCHMARK



Achieving equity-like returns with less than equity-like risk is a formidable challenge; however, outperformance can be achieved primarily through two portfolio management decisions - manager selection and tactical asset allocation. Manager selection represents our ability to select investment managers that outperform a passive benchmark, while tactical asset allocation represents our decisions to deviate from our longer-term, strategic asset allocation, in favor of more attractive, shorter-term opportunities. Since the establishment of the internal Investment Office, manager selection and tactical asset allocation have added an average of 2.9% of outperformance on a rolling 12-month basis, including over 5.5% of outperformance during FY15.

ROLLING 10-YR ABSOLUTE RETURNS



—○— OSUF PIF —■— GLOBAL EQUITY BENCHMARK

ROLLING 10-YR RISK-ADJUSTED RETURNS

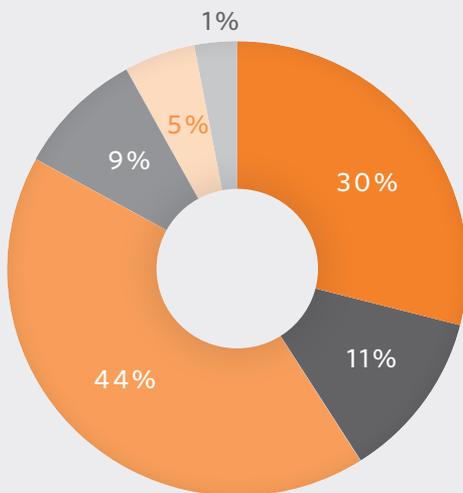


—○— OSUF PIF —■— GLOBAL EQUITY BENCHMARK

Although the PIF has generated more return – with less risk – than a risk-controlled benchmark, it has been more challenging to outperform an aggressive, 100% equity portfolio on an absolute basis, with the PIF underperforming the global equity markets by roughly 1.5% annualized over the past ten years. However, the PIF has outperformed the global equity markets on a risk-adjusted basis over that period, delivering more return per unit of risk taken.

ASSET ALLOCATION BY STRATEGY

JUNE 30, 2015



- LONG-ONLY EQUITY
- REAL ASSETS
- PRIVATE EQUITY
- GLOBAL FIXED INCOME
- HEDGED EQUITY
- CASH



The Investment Office is committed to becoming a best-in-class endowment. For more detailed information on the PIF, the Investment Office publishes a Quarterly Investment Report, which can be found at OSUgiving.com.

PLEASE CONTACT THE OSU FOUNDATION INVESTMENT OFFICE WITH QUESTIONS:

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Please see the back of your endowment reports for a glossary of terms.

Learn more at OSUgiving.com/Endowment

Connect with us: