

OKLAHOMA STATE UNIVERSITY FOUNDATION

# 2012-2013 ENDOWMENT REPORT



ENDOWMENTS BY THE NUMBERS

**18%**

Chairs & Professorships

**70%**

Endowed Scholarships

**12%**

General Program, Research, Faculty Development,  
Lectureships & Multi-purpose Endowments

## INTRODUCTION

This report was prepared to provide information about your endowment fund(s) and the management and performance of the OSU Foundation’s Pooled Investment Fund (PIF).

The OSU Foundation Board of Trustees has delegated the investment management of the Pooled Investment Fund to the Investment Committee, which operates within the parameters of the Investment Policy Statement.

The Investment Committee seeks investment returns through a diversified investment portfolio consistent with the approved Investment Policy Statement. To achieve its investment objective, the OSU Foundation utilizes an internal investment office and an independent investment consultant, Cambridge Associates, to provide ongoing evaluation of economic conditions, review manager performance and provide advice on asset allocation and investment manager selection.

The Board of Trustees has adopted the strategy of investing endowment assets 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.

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.

## POOLED INVESTMENT FUND OVERVIEW

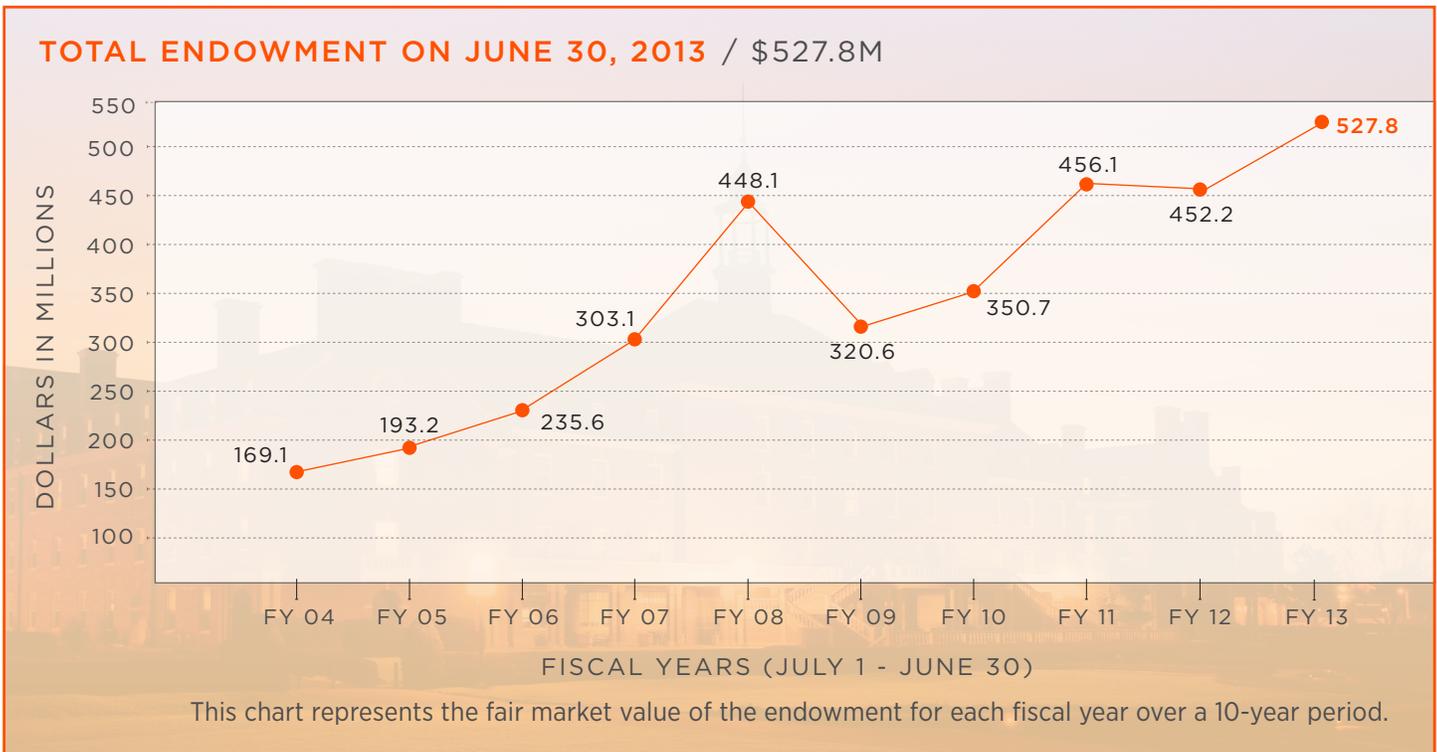
Endowment gifts for the benefit of Oklahoma State University are placed in the Pooled Investment Fund (PIF), which is managed by the OSU Foundation. As of June 30, 2013, the OSU Foundation PIF consisted of 2,778 separate endowments. During FY 2013, \$23.5 million in new endowment gifts were received. The total market value on June 30, 2013, of the endowment accounts was \$527.8 million, which included the chair and professorship accounts and scholarship accounts established through the Pickens Chair and Professorship and Pickens Legacy Scholarship matching programs.

The primary objective of the PIF is to generate an increasing stream of income to meet the rising costs of education, research and campus life while maintaining the purchasing power of its individual endowments over time. The chart below represents the fair market value of the endowment for each fiscal year over a 10-year period.

## PROGRAM SUPPORT

The Pooled Investment Fund supports university programs as designated by the donors. Programs supported by the spending policy distributions include scholarships, fellowships, professorships, chairs, building operations and research activities.

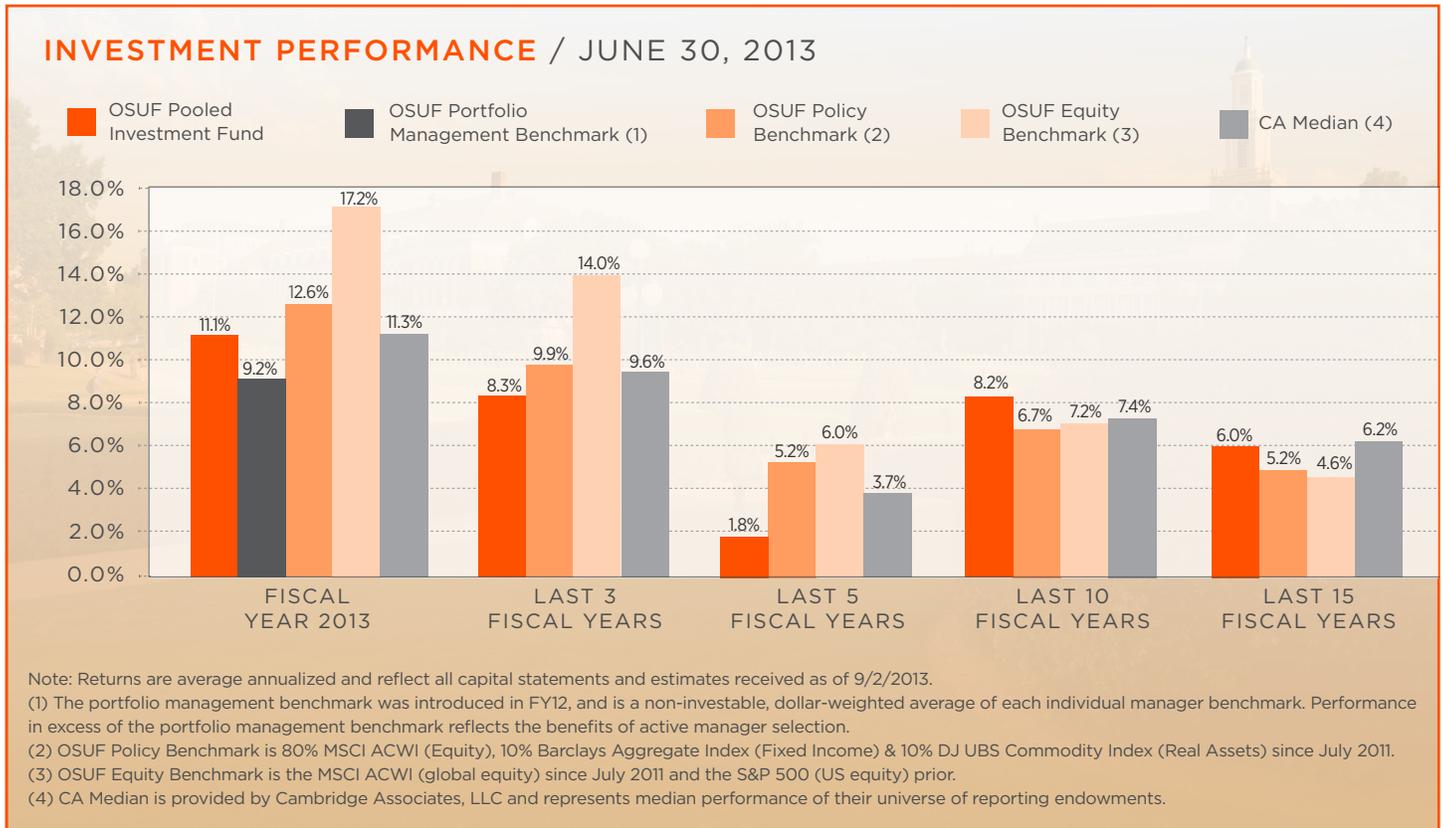
Many important university activities could not be achieved without the financial support from endowment funds. OSU is fortunate to have endowments that support programs system-wide.



## INVESTMENT PERFORMANCE

The PIF's performance is calculated on a total return basis, which measures the performance of equity, fixed income and alternative investments. Total return, for purposes of this report, is the combination of income, dividends, gains and losses for the fiscal year net of investment

management fees. Investment performance is determined on the PIF as a whole rather than on each separate endowment. Depending upon the timing of additions to an individual endowment, returns on specific endowments may vary from the following result.



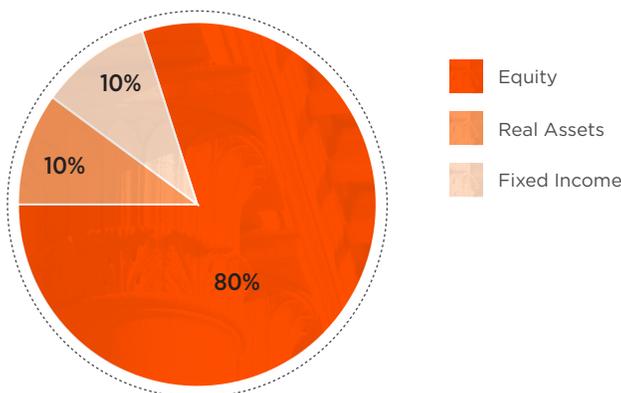
## ASSET ALLOCATION AND PORTFOLIO COMPOSITION

The Pooled Investment Fund incorporates a long-term view of the financial markets to determine the appropriate asset allocation guidelines.

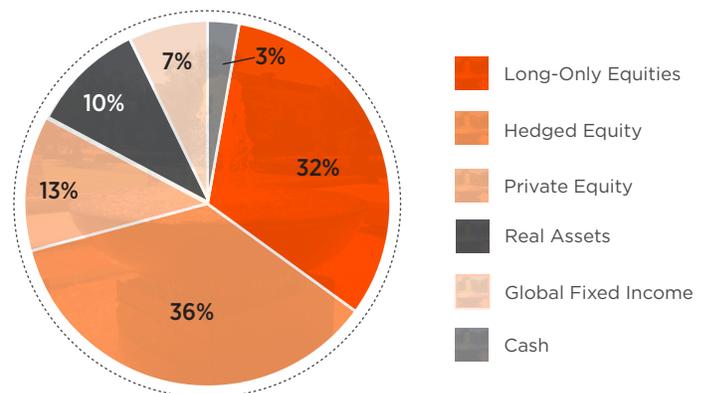
## FY13 RISK AND RETURN SUMMARY

	OSUF	Portfolio Management Benchmark	Policy Benchmark	Equity Benchmark
<b>Return</b>	11.1%	9.2%	12.6%	17.2%
<b>Standard Deviation</b>	3.9%	4.7%	6.5%	7.0%
<b>Sharpe Ratio</b>	2.79	1.91	1.93	2.44
<b>Beta (OSUF vs. benchmarks)</b>	-	0.78	0.54	0.51
<b>Alpha (OSUF vs. benchmarks)</b>	-	3.7%	4.1%	2.4%

## ASSET ALLOCATION / JUNE 30, 2013



## SUB-ASSET ALLOCATION / JUNE 30, 2013

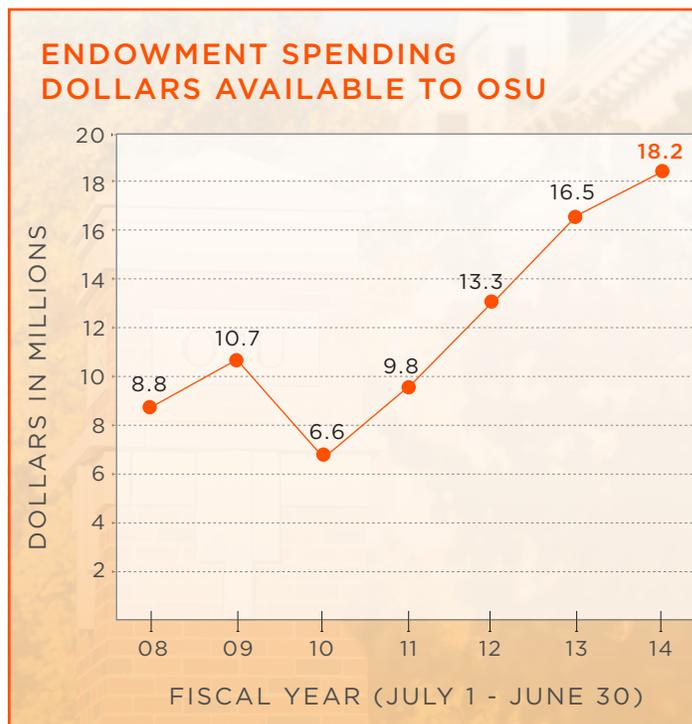


## SPENDING POLICY

A goal of the Pooled Investment Fund is to achieve investment performance that supports stable endowment spending from year to year in order to provide steady predictable funding for programs.

The endowment spending policy is approved by the Board of Trustees and is calculated as the prior year's spending amount adjusted by inflation. The adjustment for inflation is made by dividing the Consumer Price Index (CPI) as of August of the current year by the CPI as of August of the previous year. The calculated spending amount was adjusted by adding an amount equal to 5 percent of new gifts or reinvested cash received by Sept. 30. The spending policy is reviewed by the Investment Committee at least annually. The committee has made annual adjustments to the formula to increase the distribution when exceptional investment performance is achieved.

The graph at right represents the funds available to the university from the Pooled Investment Fund's spending distribution for the seven-year period FY08–FY14.



## GLOSSARY OF TERMS RELATED TO FINANCIAL SUMMARY

**Chairs/Professorships:** Funds utilized to support teaching and research efforts of an endowed faculty position.

**Distribution of Funds:** Utilization of cash available that supports the purpose of the endowment.

**Endowed Gifts During Fiscal Year:** Gifts made to your endowment during the fiscal year.

**Endowment Gift Value:** The original contribution to your endowment plus previous additional gifts to your endowment.

**Market Value of Endowment:** Fair market value of your endowment at the beginning and end of the fiscal year.

**Net Investment Income, Gains (Losses):** Realized and unrealized gains and losses after expenses of consulting, custodial and endowment management fees. The latter is the fee paid to the OSU Foundation for management of the Pooled Investment Fund. For FY13 this fee was 2.1 percent of the average daily balance of the market value of the Pooled Investment Fund.

**Other Additions:** Additions other than gifts or net investment income to your endowment (i.e. mineral interest, income from real property, and short-term earnings paid on cash balances).

**Other Program Support:** Funds utilized to support endowed programs other than scholarships/fellowships and chairs/

professorships. Examples would be lectureships, research initiatives, building or operational support.

**Reinvested Cash:** Funds transferred from cash available to your endowment.

**Scholarship/Fellowships:** Funds utilized to support educational endeavors of a student.

**Spending Gifts During Fiscal Year:** Gifts made to your fund to be used for current spending rather than endowed.

**Spending Policy Distribution:** Funds provided by your endowment for support of OSU during the fiscal year as determined by the Spending Policy. The Policy allows for the use of both realized income and appreciation as components of spending distribution.

**Total Cash Available for Spending:** Funds available for expenditure resulting from application of the Spending Policy, carryover balances from previous fiscal year(s) or other additions to the fund.

**Total Historical Gift Value:** The summation of all gifts to your endowment.

**Total Endowment Balance:** Sum of the market value of the endowment and the cash available for spending.



### OKLAHOMA STATE UNIVERSITY FOUNDATION

400 South Monroe / Stillwater, OK 74074 / Ph. 800.622.4678 / Fax 405.385.5102  
info@OSUgiving.com / OSUgiving.com

*Uniting Donor and University Passions and Priorities to Achieve Excellence*