ENDOWMENT HIGHLIGHTS | Fiscal Year 2015

FINANCIAL MARKETS OVERVIEW
If there were a theme for the financial markets over the 12 months of fiscal year 2015, it might be volatility, both within individual markets and around the globe. While the current U.S. equity bull market reached 76 months (making it the third longest run since WWII), diverging economic growth and monetary policy throughout the world had significant impacts to the investment performance of global portfolios. U.S. equities performed well for the year (as the S&P 500 grew 7.4 percent) due to strong economic data and growth, including declining unemployment, strong corporate earnings, and improving consumer confidence. However, international markets struggled (the MSCI All Country World ex U.S. Index declined by 4.9 percent) throughout the year, impacted by slowing economic growth in China and Europe, the strengthening of the U.S. dollar, geopolitical tension in several regions, and at the end of the year, credit issues in Greece. All markets were impacted by the severe decline in oil prices (down 44 percent) and commodities.

ENDOWMENT PERFORMANCE
The Iowa State University Foundation endowment was directly impacted by this diverging performance of U.S. and international markets. After two years of double-digit growth, the endowment reported a return of one percent for the 12 months ending June 30, 2015. Even with a lower return for the fiscal year, the endowment grew to $626 million (in large part due to new gifts) and generated nearly $23 million for use by the university during the year.

The endowment is invested with a long-term focus as evidenced by the global and broad diversification of the portfolio (see the chart to the right). The asset allocation includes growth assets providing equity performance as markets rise and other assets providing for protection against volatility and inflation as markets decline. While this strategy may result in some volatility in the short term (as experienced this fiscal year), this diversity will enhance returns and reduce risk over the long term. This is shown by the portfolio's three- and five-year returns of 9.8 percent and 9.6 percent, respectively.

INVESTMENT OVERSIGHT
The foundation’s board of directors has delegated oversight of the endowment to the investment committee, which is made up of Iowa State donors and alumni with investment and financial experience. The committee's responsibilities include the development and monitoring of the investment policy and objectives, review and adjustment of the portfolio’s asset allocation, and monitoring of manager and investment performance. The international independent consulting firm of Cambridge Associates assists the committee in fulfilling these responsibilities.

ENDOWMENT OBJECTIVE
Endowment gifts are provided by donors to generate ongoing, perpetual support for Iowa State students, faculty, and programs in accordance with the donor's designated purpose. Each individual endowed fund is managed and tracked separately within the foundation's financial system. All individual endowed funds (currently more than 2,100 funds) are invested as a combined pool, with each fund owning a pro-rata share of the total value and receiving a pro-rata share of the pool's overall return. The primary objective of the pool is to preserve and enhance inflation-adjusted purchasing power while providing funds for current spending.

LONG TERM POOL ASSET ALLOCATION
Balance of $626 million as of June 30, 2015

Fixed Income 13%
Public Equity 40%
Diversifying Equity 23%
Private Equity 13%
Real Estate/Natural Resources 11%
Inflation-Sensitive Assets 11%
Volatility Reducing Assets 36%
Growth Assets 53%

The public equity component of the portfolio includes U.S. (9%), global (25%) and emerging market equities (6%).