

Endowment and Other Long-Term Investments Report



**Duquesne University of the Holy Spirit
Fiscal Year 2019**

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Management of the Endowment and Other Long-Term Investments

The Investment Committee (“the Committee”) of the Board of Directors (“the Board”) of Duquesne University maintains prudent oversight of the University’s endowment and other long-term investments (the “Investments”). The Committee adheres to sound investment principles that, at a minimum, seek to preserve the real value of the investment assets, adjusted for spending, inflation, and fees. The Committee also exercises prudence and appropriate care based solely on the interest of the University and its Investments. Members of the Committee acknowledge they are fiduciaries of the Investments, agree to discharge their duties solely in support of the University’s mission, and must maintain independence and disclose any potential conflicts of interest.

Governance

Board of Directors

The Board has the ultimate fiduciary responsibility for the Investments and seeks to ensure that policies are in place and are functioning effectively. The Board delegates authority to the Committee for ongoing monitoring.

Investment Committee

The Committee is responsible for adopting and approving the provisions of the Investment Policy Statement. This responsibility includes approving investment philosophy and asset allocation strategy; hiring and firing of investment managers, investment custodians, and investment consultants; monitoring performance on a regular basis; and maintaining sufficient knowledge of the Investments and its managers to be reasonably assured of their compliance with the Investment Policy Statement.

Vice President for Finance and Business

The Vice President for Finance and Business has daily responsibility for administration of the Investments and will consult with the Committee and the Investment Consultant on matters relating to funds within the Investments. The Vice President for Finance and Business will serve as the primary contact for the investment managers, Investment Consultant, and Investment Custodian.

Investment Consultant

The Investment Consultant is responsible for assisting the Committee and Vice President for Finance and Business in all aspects of managing and overseeing the Investments. The Investment Consultant will monitor the activities of each fund and provide the Committee with performance updates; identify, and perform due diligence on prospective managers or funds; and provide investment education and investment manager information.

Investment Custodian

The Investment Custodian has the daily responsibility for the accurate and timely reporting of manager transactions and valuations.

Investment Committee Members



Charles Kennedy
Committee Chair
*Chief Investment Officer,
Carnegie Mellon University*



Rodney Fink
*Owner,
Perlow Investment Corporation*



John Barsotti
*Chief Investment Officer,
Colcom Foundation and Laurel
Foundation*



Scott Lammie
*Chief Financial Officer,
UPMC Health Plan*



Anthony Carfang
*Partner, Treasury Strategies,
Inc.*



Christopher McMahon
Principal, McMahon Financial

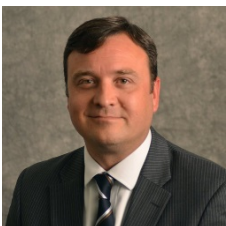


Steven Costabile
*Global Head, Pinebridge Private
Funds Group*

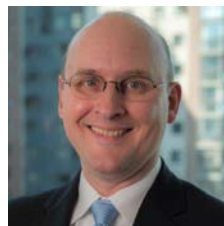


Matthew Rozyczka
*Managing Director, The Dietrich
Foundation*

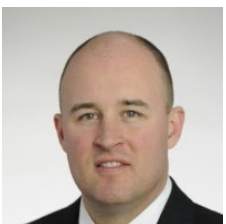
Serving the Investment Committee



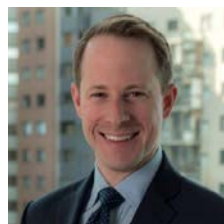
Matthew Frist
*Vice President for Finance and
Business,
Duquesne University*



Mark Fowler
Investment Consultant
*Investment Director,
Cambridge Associates*



Christopher Merlo
Investment Custodian
*Senior Investment Advisor,
PNC Institutional Asset
Management*



Joe Geissenhainer
Investment Consultant
*Investment Director,
Cambridge Associates*

Impact

Primary Investment Objective

The primary objective is to achieve an annualized total return (net of fees and administrative expenses) through appreciation and income, equal to or greater than the rate of inflation (as measured by the Higher Education Price Index) plus any spending thus, at a minimum, maintaining the purchasing power of the Investments. The assets are to be managed in a manner that will seek to meet the primary investment objective, while at the same time attempting to limit volatility.

Investment Spending

Duquesne utilizes a spending policy that allocates a pre-specified percentage of the average market value of the Investments over the prior 16 quarters. In fiscal year 2019, the Board of Directors approved a 4.5% spending rate, which equated to \$14.6 million.

The Investments supported 3.9% of the University's operating budget with 892 unique endowed funds in the portfolio. Distributions are used to support the intended purposes of the donors. Duquesne strives to carefully preserve the original gift value so that future generations can be supported at the same level on an inflation-adjusted basis.



Asset Class Strategies and Objectives

Asset allocation will likely be the key determinant of the Investments' returns over the long-term. Therefore, diversification of investments across multiple markets that are not similarly affected by economic, political or social developments is highly desirable. A globally diversified investments portfolio, with uncorrelated returns from various assets, should reduce the variability of returns across time.

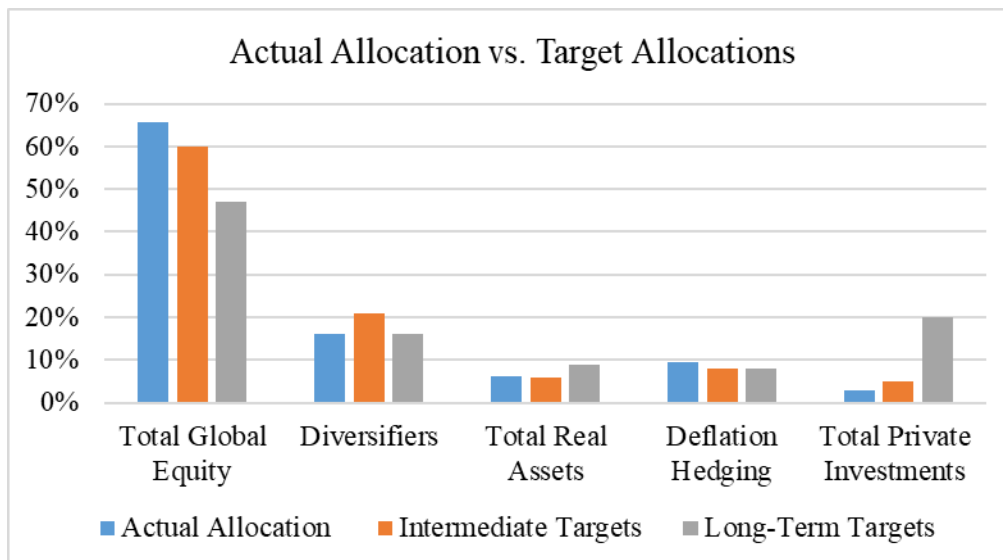
In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the Investments, rather than judging asset categories on a stand-alone basis. Target asset allocations should provide an expected total return equal to or greater than the primary objective of the Investments, while avoiding undue risk concentrations in any single asset class or category, thus reducing risk at the overall Investments portfolio level.

In 2017, Cambridge Associates was hired as Investment Advisor and began implementing the asset allocation approved by the Investment Committee. This long-term asset allocation also includes a twenty percent allocation to private investments. At that time, the University expected this shift to take approximately ten years to accomplish.

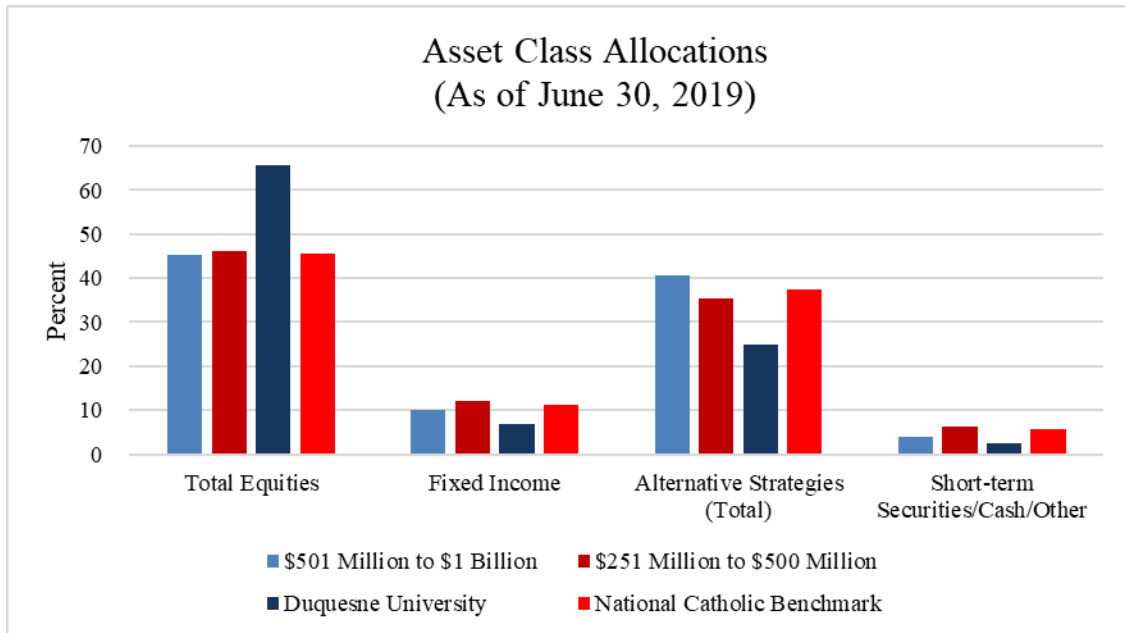
To address this shift from a target perspective, two targets have been established. The Long-Term Targets represent the long-term allocation strategy of the portfolio at maturity. The Intermediate Targets represent where the targets should be during the transition. The Diversifier asset category includes assets that mitigate volatility while attempting to improve risk/return profile. Generally, this includes hedge fund and hedge fund like strategies that offer returns that are less correlated with broader equity markets. The Deflation Hedging category includes both Fixed Income and Cash.

Current Asset Allocation and Targets:

	6/30/19 Actual Allocation	Intermediate Targets	Long-Term Targets
Total Global Equity	66%	66%	47%
Diversifiers	16%	16%	16%
Total Real Assets	6%	6%	9%
Deflation Hedging	9%	10%	8%
Total Private Investments	3%	5%	20%



The following graph compares Duquesne’s asset class allocation as of June 30, 2019 to NACUBO Benchmarks and the National Catholic Benchmark.

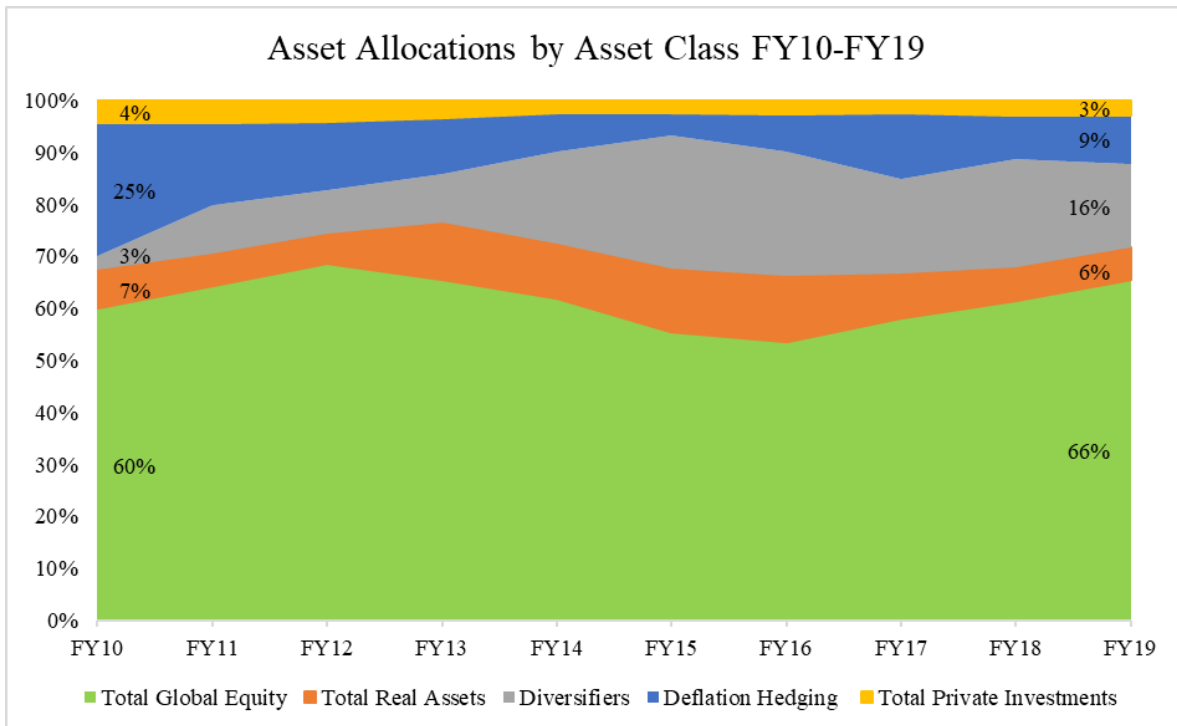


Source: 2019 NACUBO Endowment Study

*National Catholic Benchmark includes the 2019 asset allocations of the institutions listed on page 12

**Alternative Strategies for Duquesne University includes Diversifiers and Private Investments

In fiscal year 2019 Duquesne’s portfolio was allocated heavier toward equities than the other benchmarks. This allocation will slowly shift more toward alternatives as the transition into private equities continues over the next several years. The graph below shows how the allocation has changed over the past ten years.



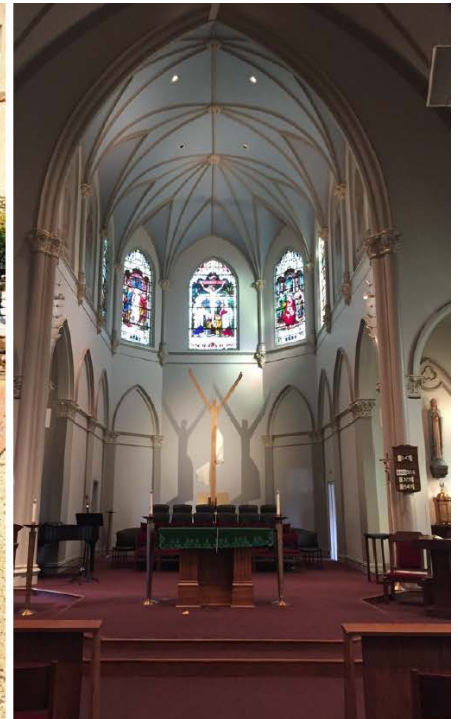
Performance

The table below compares Duquesne's Investments performance with various benchmarks as of June 30, 2019. We currently lag behind all benchmarks.

Benchmark Comparisons for Endowment and Other Long-Term Investments Returns (As of June 30, 2019)

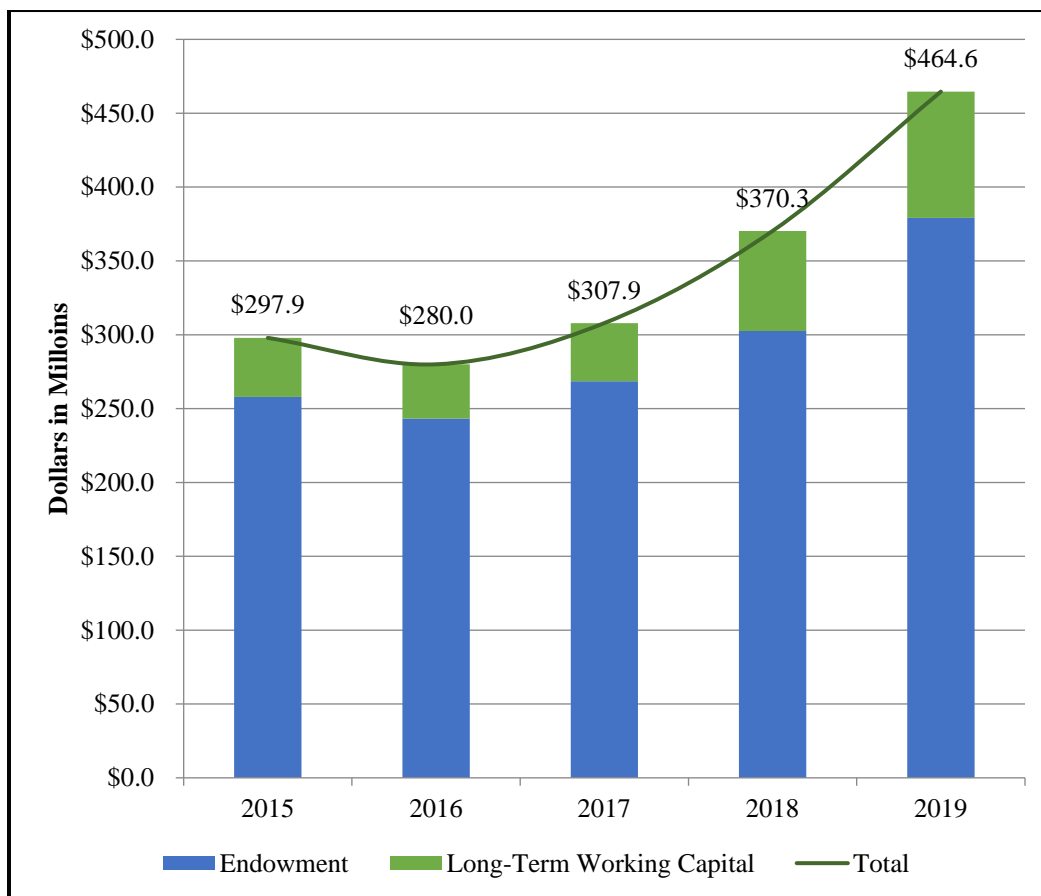
	10-Yr	5-Yr	3-Yr	1-Yr
	%	%	%	%
Duquesne University	8.4	3.7	7.8	2.4
Benchmark #1-Policy Portfolio	8.8	4.9	8.4	4.5
Benchmark #2-NACUBO \$251 Million to \$500 Million	8.4	5.3	8.9	5.1
Benchmark #3-National Catholic	8.7	5.3	9.1	4.9
Aspirant Benchmark-NACUBO \$501 Million to \$1 Billion	5.6	7.4	6.2	8.7

Sources: 2019 NACUBO Endowment Study and Cambridge Associates



Growth

The graph below illustrates changes in Duquesne's Investments¹ from 2015 to 2019. During this period Investments have grown by 56% or \$166.7 million and as of June 30, 2019 were valued at \$464.6 million.



As highlighted in the table below, Investments increased 25% during fiscal year 2019. This was primarily due to investing additional working capital and the proceeds of the Energy Center transaction, as well as investment returns.

Endowment and Other Long-Term Investments Activity

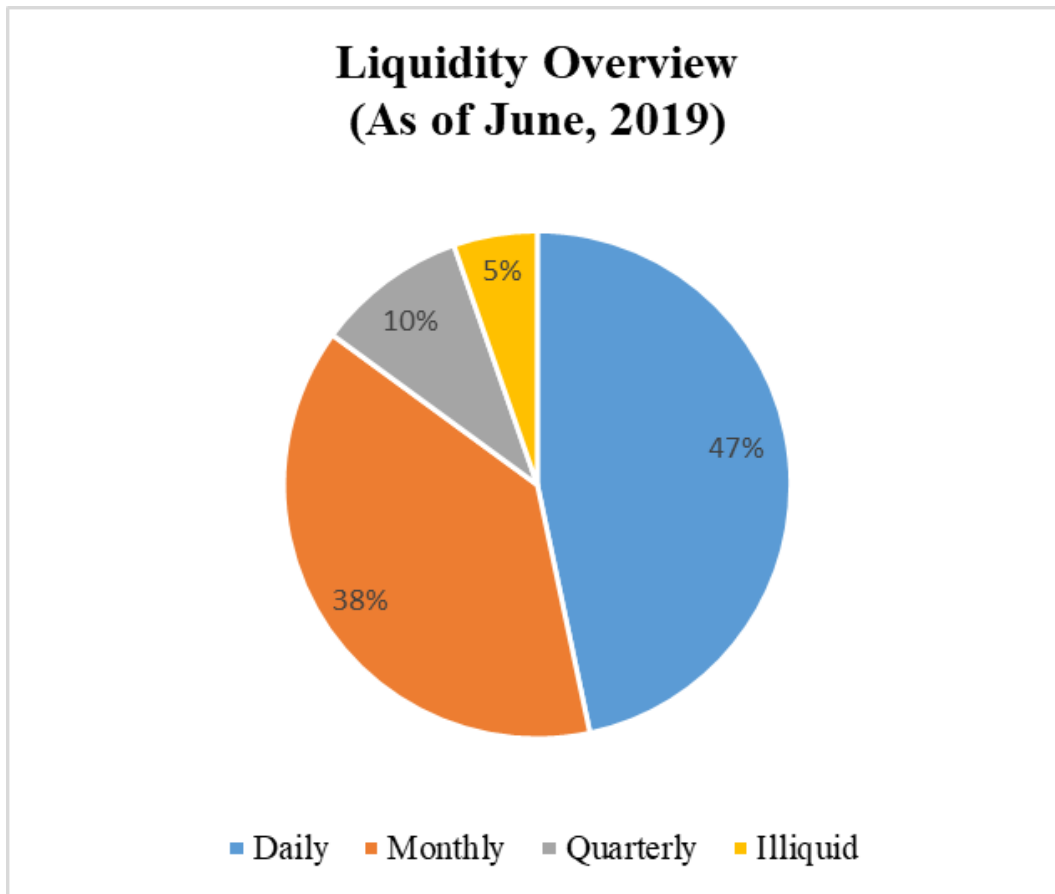
(Fiscal Year Ended June 30, 2019)

\$ Millions	New Gifts	\$ 6.2
	Transfers and Additions	93.5
	Returns Net of Fees	9.2
	Spending	(14.6)
	Total	\$ 94.3

¹ Duquesne's Investments include Endowment and Working Capital Assets

Liquidity

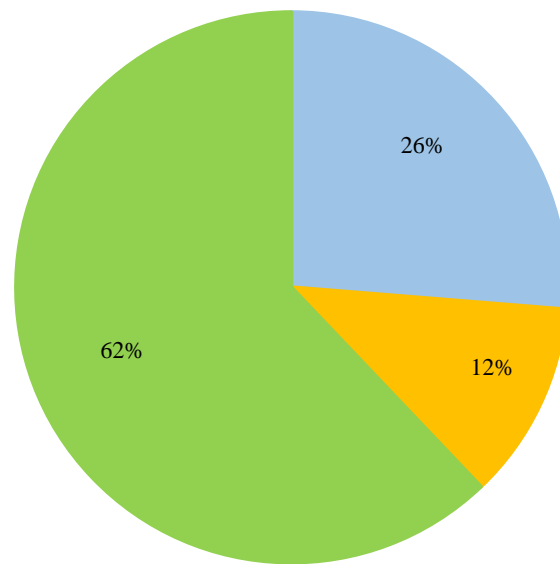
Liquidity is measured by the time it takes to convert an investment to cash. Duquesne's Investments are highly liquid with 47% of its assets being able to be converted to cash on a daily basis. Of the remaining liquid assets, 38% can be converted to cash within a month and 10% can be converted on a quarterly basis, all under normal circumstances. Some of Duquesne's Investments assets are classified as illiquid, meaning it would take longer than a year to convert these assets to cash. These assets make up 5% of the total in the Investments.



Uses

Of the \$14.6 million distributed in fiscal year 2019, \$3.8 million was used for scholarships, \$1.7 million was used for salaries and benefits, and the remaining \$9.0 million was used for general operations.

Endowment and Other Long-Term Investments Uses (As of June 30, 2019)



■ Scholarships ■ Salaries & Benefits ■ General Operations



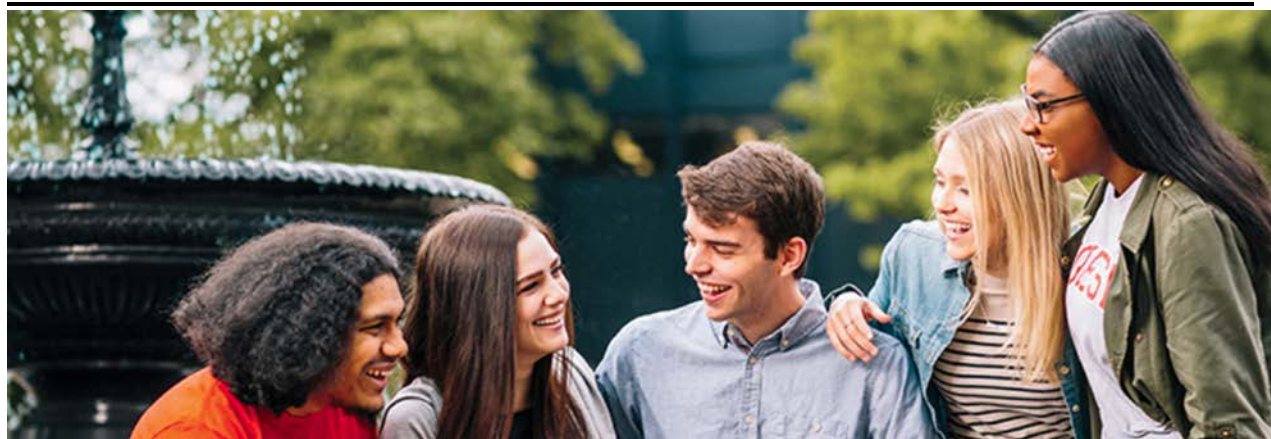
Competitive Benchmarking Analysis

The 2019 NACUBO-TIAA Study of Endowments included the investment market values of 774 schools with an overall average market value of \$630.5 million as of June 30, 2019. The following tables compare Duquesne's Investments against the National Catholic Benchmark, Regional Catholic Benchmark, and Key Competitors. FTE data represents Fall 2018 figures as reported to NACUBO by each institution.

The following tables are sorted by Investments per FTE student and Investments are reported in thousands.

Benchmarking Analysis Duquesne vs. National Catholics (As of June 30, 2019)

Institution	2019			
	Investments (\$000)	FTE Students	Investments Per Student	
University of Notre Dame	1	\$11,268,365	12,432	\$906,400
Trustees of Boston College	2	2,523,300	13,526	186,552
Santa Clara University	3	1,019,760	8,305	122,789
Georgetown University	4	1,822,484	16,229	112,298
Saint Louis University	5	1,252,678	11,823	105,953
Creighton University	6	587,024	7,716	76,079
Villanova University	7	766,903	10,784	71,115
University of San Diego	8	545,552	7,924	68,848
University of St. Thomas	9	540,611	8,783	61,552
Marquette University	10	698,021	11,605	60,148
University of Dayton	11	604,176	10,438	57,882
The Catholic University of America	12	273,685	4,823	56,746
Duquesne University of the Holy Spirit	13	488,351	9,003	54,243
Fordham University	14	733,516	14,732	49,791
Loyola University of Chicago	15	692,166	15,814	43,769
Gonzaga University	16	294,720	7,346	40,120
University of San Francisco	17	399,571	10,327	38,692
DePaul University	18	696,452	19,602	35,530
Seton Hall University	19	264,514	8,976	29,469



Benchmarking Analysis
Duquesne vs. Regional Catholics
(As of June 30, 2019)

Institution	2019			
		Investments (\$000)	FTE Students	Investments Per Student
Fairfield University	1	\$374,896	4,732	\$79,226
Duquesne University of the Holy Spirit	2	488,351	9,003	54,243
Providence College	3	234,228	4,545	51,535
Loyola University Maryland Inc.	4	232,473	4,729	49,159
Assumption College	5	102,942	2,216	46,454
Canisius College	6	129,201	2,841	45,477
The University of Scranton	7	209,760	4,948	42,393
St. Bonaventure University	8	74,402	2,157	34,493
Manhattan College	9	107,174	3,928	27,285

Benchmarking Analysis
Duquesne vs. Key Competitors
(As of June 30, 2019)

Institution	2019			
		Investments (\$000)	FTE Students	Investments Per Student
University of Pittsburgh	1	\$4,311,387	32,266	\$133,620
Washington & Jefferson College	2	134,923	1,352	99,795
The Ohio State University	3	5,256,759	62,010	84,773
University of Delaware	4	1,466,070	22,505	65,144
John Carroll University	5	223,539	3,488	64,088
University of Dayton	6	604,176	10,438	57,882
The Pennsylvania State University	7	4,546,105	80,261	56,642
Duquesne University of the Holy Spirit	8	488,351	9,003	54,243
Xavier University	9	199,275	5,972	33,368
Gannon University	10	65,364	3,606	18,126
Temple University	11	644,089	36,168	17,808
Robert Morris University	12	37,013	4,088	9,054
Kent State University Foundation	13	141,403	40,000	3,535
West Chester University Foundation	14	20,522	17,527	1,171



Duquesne University of the Holy Spirit
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