

# **Endowment and Other Long-Term Investments Report**



**Duquesne University of the Holy Spirit  
Fiscal Year 2020**

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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.

#### **Senior Vice President for Finance and Business**

The Senior 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 Senior 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 Senior 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



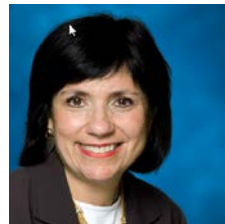
**Steven Costabile**  
**Committee Chair**  
*Global Head, Pinebridge Private  
Funds Group*



**Rodney Fink**  
*Owner,  
Perlow Investment Corporation*



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



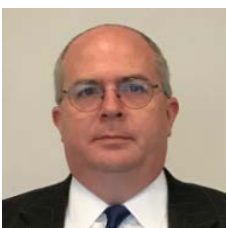
**Linda Eremita**  
*Managing Director,  
Stifel*



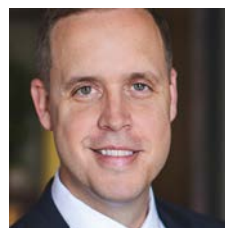
**Anthony Carfang**  
*Partner, Treasury Strategies,  
Inc.*



**Christopher McMahon**  
*Principal, McMahon Financial*

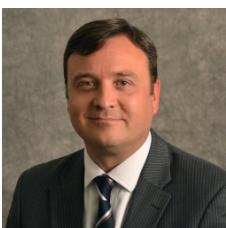


**Charles Kennedy**  
*Chief Investment Officer,  
Carnegie Mellon University*

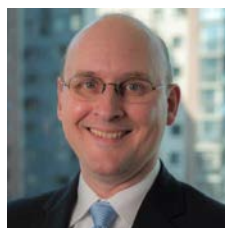


**Matthew Rozyczka**  
*Managing Director, The Dietrich  
Foundation*

## Serving the Investment Committee



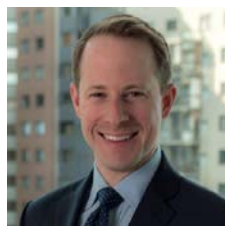
**Matthew Frist**  
*Senior Vice President for  
Finance and Business,  
Duquesne University*



**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 2020, the Board of Directors approved a 4.25% spending rate plus a .25% administrative fee, which equated to \$19.3 million.

The Investments supported 6.2% of the University's operating budget with 896 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.

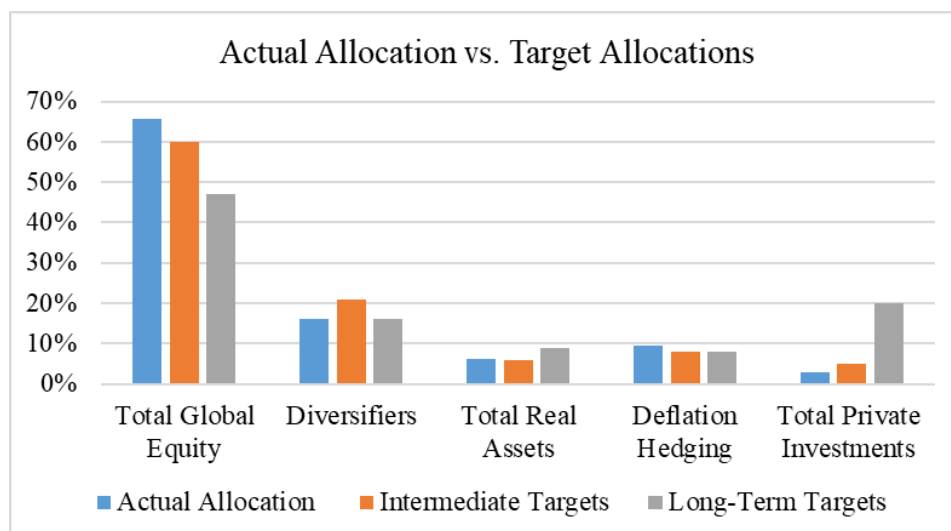
In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the Investments, rather than judging asset categories on a stand-alone basis. Target asset allocations should provide an expected total return equal to or greater than the primary 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.

Cambridge Associates has served as the University's investment advisor since Fiscal Year 2017. Their role is to manage the long-term asset allocation mandated by the Investment Committee. This allocation is reviewed by the Committee annually and includes a twenty percent allocation to private investments. As of June 30, 2020, the University is three years into what is expected to be a ten year transition to a full private investment allocation.

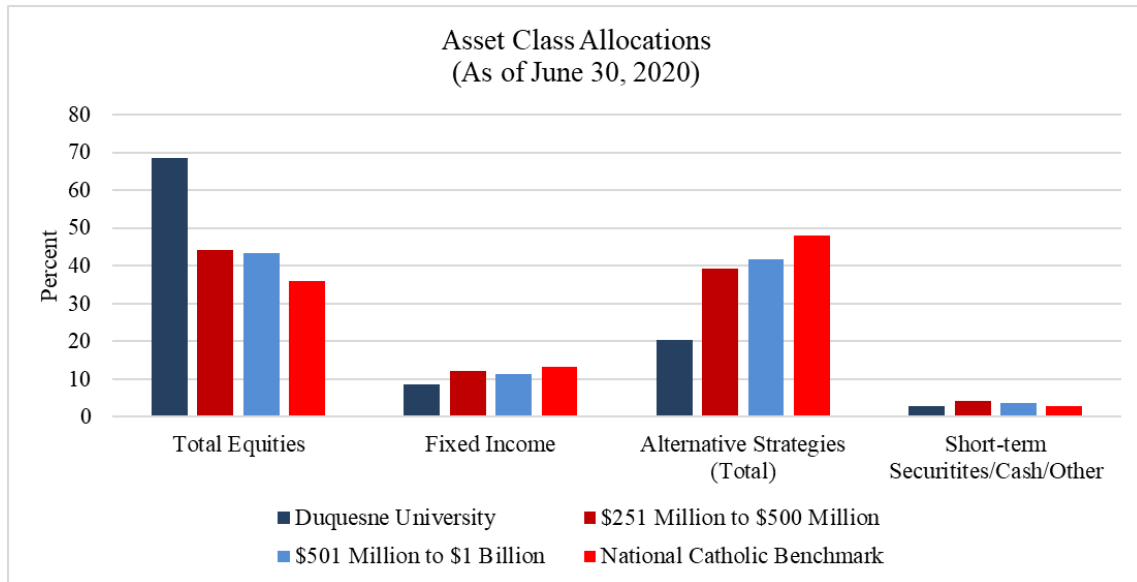
To address this shift from a target perspective, two targets have been established. The Long-Term Targets represent the long-term allocation strategy of the portfolio at maturity. The Intermediate Targets represent where the targets should be during the transition. The Diversifier asset category includes 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:**

	<b>6/30/20 Actual Allocation</b>	<b>Intermediate Targets</b>	<b>Long-Term Targets</b>
Total Global Equity	67%	66%	47%
Diversifiers	12%	13%	16%
Total Real Assets	6%	6%	9%
Deflation Hedging	11%	10%	8%
Total Private Investments	4%	5%	20%



The following graph compares Duquesne’s asset class allocation as of June 30, 2020 to NACUBO Benchmarks and the National Catholic Benchmark.

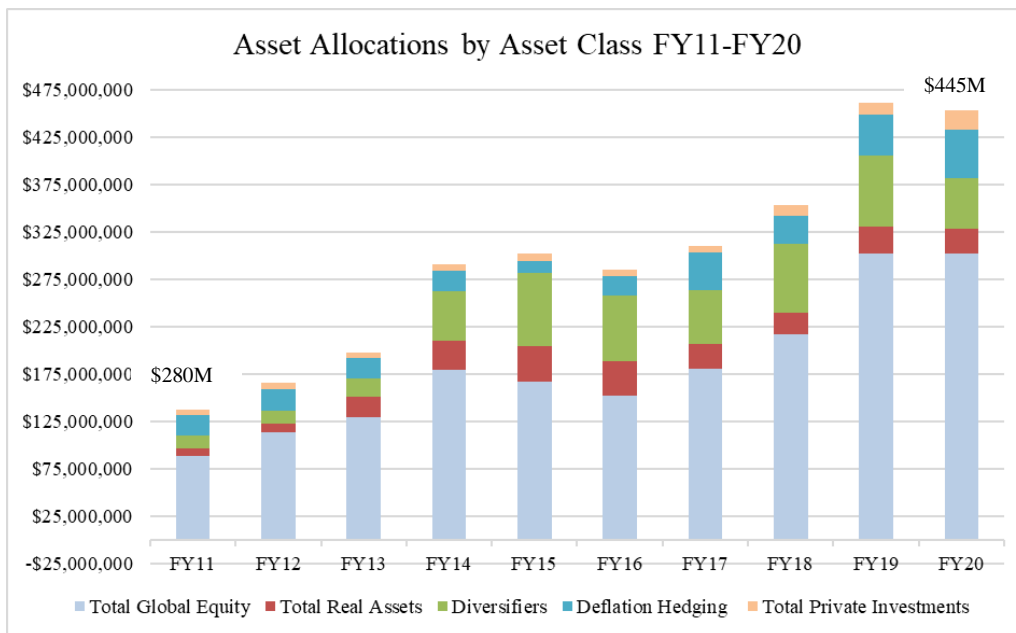


Source: 2020 NACUBO Endowment Study

\*National Catholic Benchmark includes the 2020 asset allocations of the institutions listed on page 12

\*\*Alternative Strategies includes Diversifiers and Private Investments

Duquesne’s asset allocation by class over the last ten years is shown in the following graph and table.



	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Total Global Equity	64%	69%	66%	62%	55%	54%	58%	61%	66%	67%
Diversifiers	9%	8%	9%	18%	26%	24%	18%	21%	16%	12%
Total Real Assets	6%	6%	11%	10%	12%	13%	9%	6%	6%	6%
Deflation Hedging	16%	13%	11%	7%	4%	7%	13%	8%	9%	11%
Total Private Investments	4%	4%	3%	2%	2%	3%	2%	3%	3%	4%

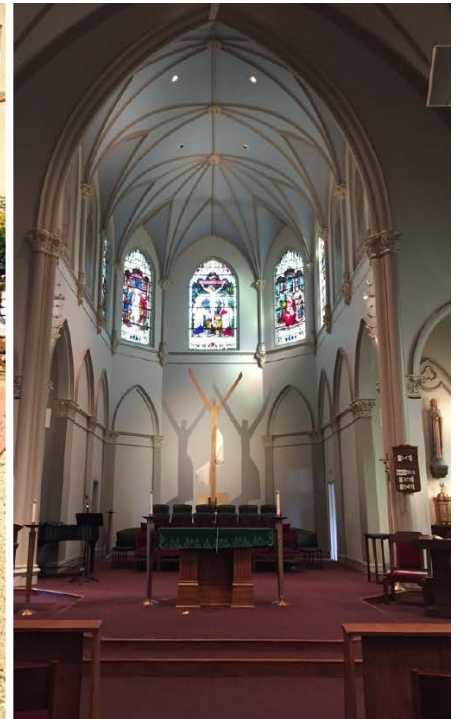
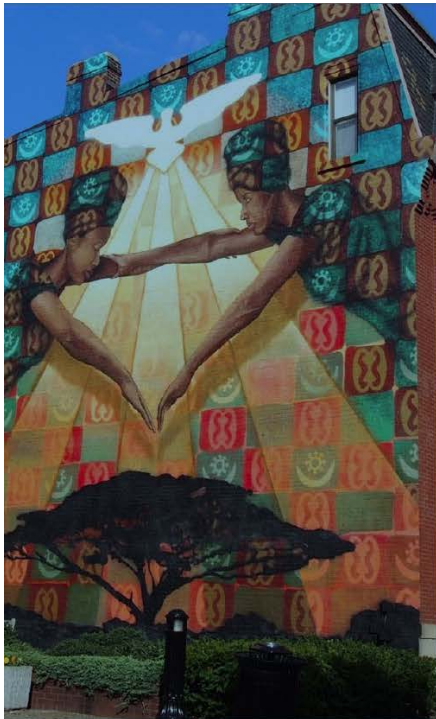
## Performance

The table below compares Duquesne's Investments performance with various benchmarks as of June 30, 2020.

### Benchmark Comparisons for Endowment and Other Long-Term Investments Returns (As of June 30, 2020)

	10-Yr	5-Yr	3-Yr	1-Yr
	%	%	%	%
<b>Duquesne University</b>	<b>6.8</b>	<b>3.7</b>	<b>3.4</b>	<b>-0.8</b>
Benchmark #1-NACUBO \$251 Million to \$500 Million	7.6	5.0	5.2	1.3
Benchmark #2-National Catholic	7.5	5.3	5.6	2.7
Aspirant Benchmark-NACUBO \$501 Million to \$1 Billion	7.4	5.1	5.1	1.5

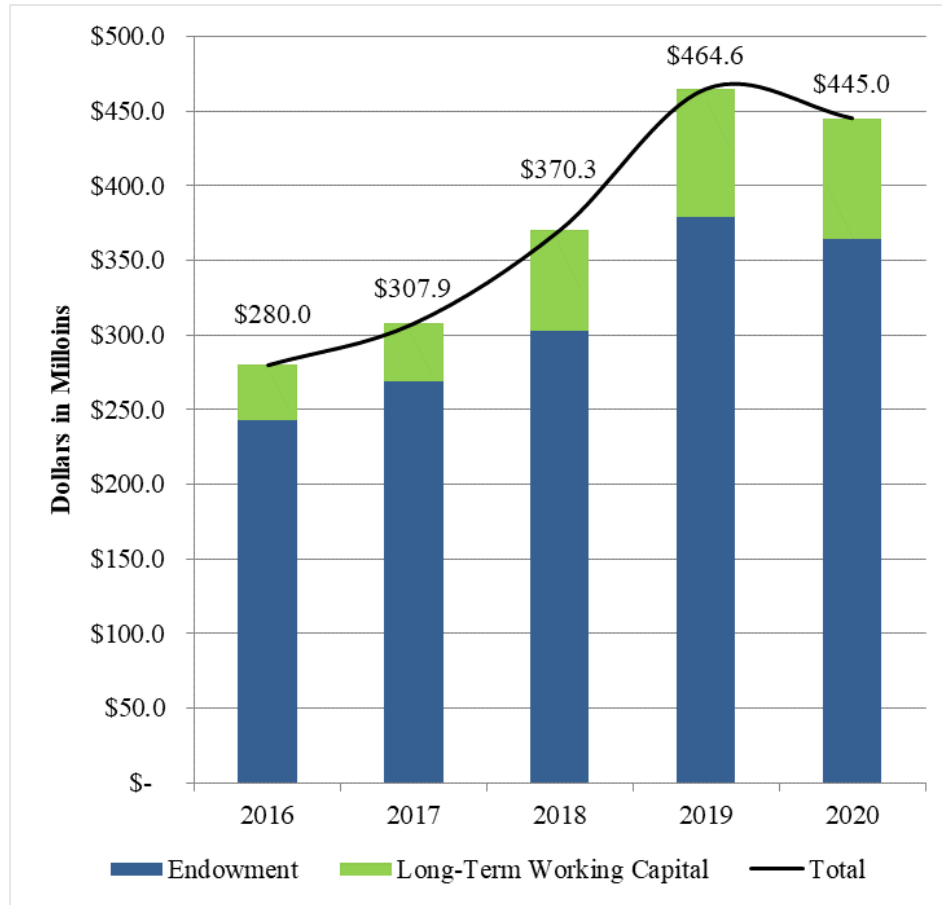
Sources: 2020 NACUBO Endowment Study and Cambridge Associates





## Growth

The following graph illustrates changes in Duquesne's Investments<sup>1</sup> from 2016 to 2020. During this period Investments have grown by 55% or \$165 million and as of June 30, 2020 were valued at \$445 million.



As highlighted in the table below, Investments decreased 4.23% during fiscal year 2020. This was primarily due to approved endowment spending and the negative return on investments, only slightly offset by gifts. The FY18 transfers includes \$32.5M from the sale of Brottier and \$10M from an operating transfer. The FY19 transfer of \$93M is from the sale of the energy center.

### Endowment and Other Long-Term Investments Activity

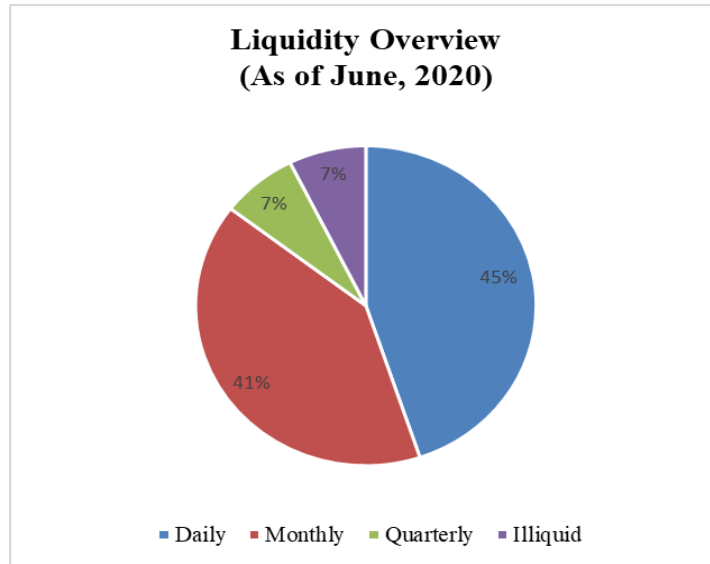
(Fiscal Years 2016 - 2020)

		FY16	FY17	FY18	FY19	FY20
\$ Millions	New Gifts	\$ 5.8	\$ 6.1	\$ 6.7	\$ 6.2	\$ 3.2
	Transfers and Additions	\$ (0.2)	\$ -	\$ 42.5	\$ 93.5	\$ -
	Returns Net of Fees	\$ (11.4)	\$ 34.9	\$ 25.5	\$ 9.2	\$ (3.5)
	Spending	\$ (11.0)	\$ (13.1)	\$ (12.2)	\$ (14.7)	\$ (19.3)
	Total	\$ (16.8)	\$ 27.9	\$ 62.5	\$ 94.3	\$ (19.6)

<sup>1</sup> Duquesne's Investments include Endowment and Working Capital Assets

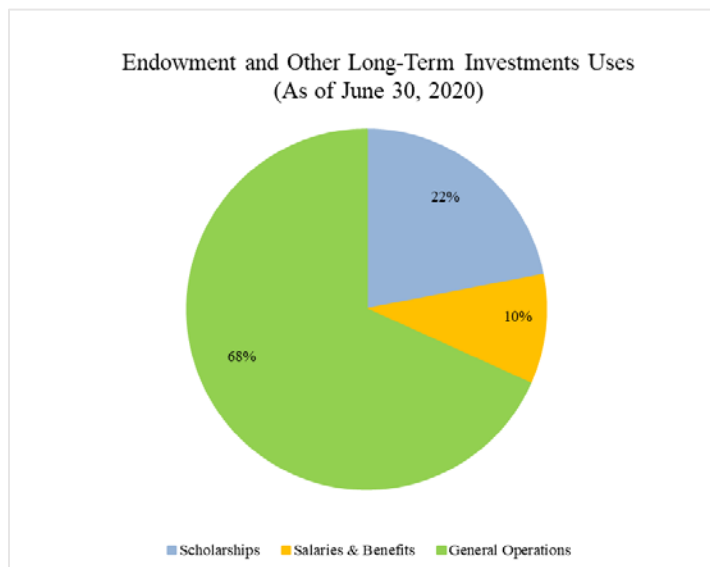
## Liquidity

Liquidity is measured by the time it takes to convert an investment to cash. Duquesne's Investments are highly liquid with 45% of its assets being able to be converted to cash on a daily basis. Of the remaining liquid assets, 41% can be converted to cash within a month and 7% 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 7% of the total in the Investments.



## Uses

Of the \$19.2 million distributed in fiscal year 2020, \$4.2 million was used for scholarships, \$1.9 million was used for salaries and benefits, and the remaining \$13.1 million was used for general operations.



## Competitive Benchmarking Analysis

The 2020 NACUBO-TIAA Study of Endowments included the investment market values of 717 schools with an overall average market value of \$903.1 million as of June 30, 2020. The following tables compare Duquesne's Investments against the National Catholic Benchmark, Regional Catholic Benchmark, and Key Competitors. FTE data represents Fall 2019 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, 2020)

Institution	2020			
		Investments (\$000)	FTE Students	Investments Per Student
University of Notre Dame	1	\$11,962,820	12,494	\$957,485
Trustees of Boston College	2	2,577,000	13,496	190,945
Santa Clara University	3	1,034,167	8,256	125,262
Georgetown University	4	1,863,711	16,470	113,158
Saint Louis University	5	1,197,421	11,797	101,502
Villanova University	6	805,425	9,546	84,373
Creighton University	7	565,975	8,192	69,089
University of San Diego	8	532,239	8,415	63,249
The Catholic University of America	9	276,097	4,409	62,621
Marquette University	10	693,731	11,819	58,696
University of Dayton	11	609,712	10,616	57,433
<b>Duquesne University of the Holy Spirit</b>	<b>12</b>	<b>472,072</b>	<b>8,892</b>	<b>53,090</b>
Loyola Marymount University	13	482,817	9,349	51,644
Gonzaga University	14	308,172	6,354	48,501
Fordham University	15	712,775	15,400	46,284
Loyola University Chicago	16	710,905	16,155	44,005
University of San Francisco	17	430,101	10,298	41,765
DePaul University	18	737,037	19,470	37,855
Seton Hall University	19	265,193	9,373	28,293

<sup>1</sup> Duquesne's Investments include Endowment (\$445,018) and Duquesne's percentage (2.5%) of the Dietrich Foundation funds (\$27,054).

**Benchmarking Analysis**  
**Duquesne vs. Regional Catholics**  
(As of June 30, 2020)

<b>Institution</b>	<b>2020</b>			
		<b>Investments (\$000)</b>	<b>FTE Students</b>	<b>Investments Per Student</b>
Fairfield University	1	\$350,775	4,853	\$72,280
<b>Duquesne University of the Holy Spirit</b>	<b>2</b>	<b>472,072</b>	<b>8,892</b>	<b>53,090</b>
Saint Joseph's University	3	293,803	5,545	52,985
Loyola University Maryland	4	239,209	4,695	50,950
University of Scranton	5	218,068	4,520	48,245
St. Bonaventure University	6	71,889	2,201	32,662
Manhattan College	7	114,969	4,014	28,642

**Benchmarking Analysis**  
**Duquesne vs. Key Competitors**  
(As of June 30, 2020)

<b>Institution</b>	<b>2020</b>			
		<b>Investments (\$000)</b>	<b>FTE Students</b>	<b>Investments Per Student</b>
University of Pittsburgh	1	\$4,172,380	31,745	\$131,434
The Ohio State University	2	5,287,131	61,990	85,290
University of Delaware	3	1,453,189	22,363	64,982
University of Dayton	4	609,712	10,616	57,433
<b>Duquesne University of the Holy Spirit</b>	<b>5</b>	<b>472,072</b>	<b>8,892</b>	<b>53,090</b>
Saint Joseph's University	6	293,803	5,545	52,985
The Pennsylvania State University	7	3,402,938	79,966	42,555
Drexel University	8	798,335	20,213	39,496
West Virginia University Foundation	9	611,336	27,100	22,559
Temple University	10	641,053	35,385	18,117
Gannon University	11	63,539	3,777	16,823
Robert Morris University	12	38,162	3,927	9,718
Foundation for Indiana University of Pennsylvania	13	60,550	9,188	6,590
Kent State University Foundation	14	138,113	43,000	3,212
West Chester University Foundation	15	21,775	17,669	1,232
Indiana University of Pennsylvania	16	7,783	8,036	969



**Duquesne University of the Holy Spirit**  
**600 Forbes Avenue, Pittsburgh, PA 15282**