Commonfund Benchmarks Study®

Independent Schools Report

National Business Officers Association

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Executive Summary – Independent Schools Report FY2016

Two hundred eleven independent schools contributed data for the Commonfund Benchmarks Study® *Independent Schools Report* covering the 2016 fiscal year (July 1, 2015 – June 30, 2016), a notable increase over the 175 institutions that participated in FY2015. This year's Study comprises 150 day schools, accounting for 71 percent of the Study population, followed by 37 boarding/day schools and 20 day/boarding schools, accounting for 18 percent and 9 percent of the Study population, respectively, while 4 strictly boarding schools rounded out the base of participants.

Participating institutions represented $11.5 billion in combined endowment assets as of June 30, 2016, up from $9.1 billion represented last year and $7.7 billion in the FY2014 Study. Fifty independent schools with assets over $50 million participated in this year's Study, representing approximately $8.6 billion, or 75 percent of participants' combined endowment assets, while 104 institutions with assets between $10-50 million (representing approximately $2.7 billion, or 23 percent of participants' combined endowment assets) and 57 institutions with assets under $10 million (representing approximately $247.2 million, or 2 percent of participants' combined endowment assets) contributed data for this Report.

While overall participation in this Study increased considerably year over year, a steady 63 percent of institutions in this year's Report also participated last year (80 percent of institutions with assets over $50 million were repeat participants) lending to the stability and integrity of the data. Wherever discrepancies or swings revealed themselves in the data analysis process, a matched sample of data was analyzed to ensure validity. One hundred thirty-three institutions comprise the matched sample dataset. Where applicable that additional analysis is discussed in this Report.

Eighty-two percent of institutions that contributed data for this year's Study self-identified as National Business Officers Association members.

RETURNS

Data gathered from 211 independent schools show that these institutions' endowments returned an average of -0.8 percent (net of fees), compared with an average reported return of 2.3 percent for the 2015 fiscal year and notably lower than respective returns of 14.2 percent and 11.7 percent reported during fiscal years 2014 and 2013, though outperforming the average -1.9 percent annual return reported by higher education endowments in the 2016 NACUBO-Commonfund Study of Endowments® (NCSE). Fiscal year 2016's loss of 0.8 percent was the lowest annual return since FY2012's flat return of 0.0 percent reported among participating independent schools. Institutions with assets under $10 million dollars reported an average annual FY2016 return of 1.3 percent, highest among the size cohorts. From high to low, the spread between annual returns widened to 400 basis points (from 110 basis points last year), with institutions having assets over $50 million reporting an average return of -2.7 percent and those with assets between $10-50 million reporting a -1.0 percent return during FY2016. (All returns are reported as of June 30, 2016 and are net of fees.)

In response to recent comments from many participants and our advisory committee, this year's questionnaire was shortened considerably, therefore questions regarding returns by asset class are no longer being asked. By way of comparison, among higher education endowments participating in the NCSE, fixed income produced the highest return for FY2016, at 3.6 percent (up from 0.2 percent in FY2015), while non-U.S. equities was once again the laggard, returning -7.8 percent (versus -2.1 percent last year, and a marked reversal from the strong 19.2 percent reported during FY2014). U.S. equities, which had produced the highest return last year, at 6.4 percent, produced a modestly negative return during FY2016, at -0.2 percent, while alternative strategies returned -1.4 percent (down from 1.1 percent last year) and short-term securities/cash/other returned 0.2 percent (up from 0.0 percent last year). Please see Appendix I (pg. 18) for this NCSE table reference.

Executive Summary – Independent Schools Report FY2016

LONGER-TERM RETURNS

Participating institutions' trailing three-year returns averaged 5.4 percent, down significantly from the 10.0 percent return reported last year, due to FY2013's strong 11.7 percent return being eliminated from the calculation. The spread from high to low narrowed to 60 basis points, from 170 basis points last year. Institutions with assets between $10-50 million reported a trailing three-year return of 5.6 percent, followed closely by those with assets under $10 million, at 5.5 percent, while institutions with assets over $50 million reported an average three-year return of 5.0 percent. Trailing five-year returns fell to an average of 6.1 percent compared with last year's 9.6 percent return, due to the elimination of FY2011's 17.9 percent return. Here the spread once again widened to 210 basis points, ranging from a high five-year return of 7.4 percent reported by institutions with assets under $10 million to a low of 5.3 percent reported by those with assets over $50 million. Matched sample data revealed a more muted five-year return reported by the under $10 million group, at 6.3 percent, showing us that some of the higher returns among this size cohort were reported by newcomers to the Study. The spread from high to low among the matched sample population was 120 basis points, with a low return of 5.1 percent reported among institutions with assets over $50 million.

For the trailing 10-year period, the average reported return among all participants, at 5.1 percent, was also down year over year from the 6.3 percent return reported last year, though the spread from high to low among the size cohorts narrowed to a moderate 20 basis points.

Comparable trailing-year returns reported among the higher education community, via the NCSE, averaged: three-year, 5.2 percent; five-year, 5.4 percent; and 10-year, 5.0 percent. These all represented similar year-over-year declines to what we see among the independent schools community.

ASSET ALLOCATION

Participating independent schools reported the following asset allocation during FY2016 (with comparable FY2015 allocations in parentheses):

- U.S. equities: 28 percent (28 percent)
- Fixed income: 15 percent (13 percent)
- Non-U.S. equities: 18 percent (18 percent)
- Alternative strategies: 34 percent (34 percent)
- Short-term securities/cash/other: 5 percent (7 percent)

Consistent with previous years' reporting, larger independent schools had smaller allocations to liquid traditional asset classes such as U.S. equities and fixed income, but larger allocation to less-liquid alternative strategies, while for smaller independent schools, the converse remained true. Institutions with assets over $50 million reported an average 39 percent allocation to alternative strategies, consistent year over year, while the smallest size cohort averaged 10 percent, up from 8 percent last year. Institutions with assets under $10 million reported average allocations of 41 percent to U.S. equities and 29 percent to fixed income versus 25 percent and 12 percent, respectively, among institutions with assets over $50 million. Fixed income, being the fiscal year's highest performing asset class, accounted in large measure for institutions with assets under $10 million's relatively higher annual return of 1.3 percent, though all of the size cohorts reported a year-over-year increase in allocation to this asset class (also supported by matched sample data). Among the size cohorts, institutions with assets between $10-50 million reported the highest average allocation to non-U.S. equities, at 19 percent, and the lowest short-term securities/cash/other allocation, at 4 percent.

FUND FLOWS

The average effective spending rate reported among independent schools participating in this year's Study – calculated by dividing endowment dollars spent by the beginning endowment value – was 3.7 percent, up moderately from the 3.6 percent effective spending rate reported last year. The increase occurred in the over $50 million group, who reported an average effective spending rate of 4.4 percent during FY2016, up from 4.1 percent in FY2015, while both other cohorts remained steady, at 3.9 percent and 2.5 percent, respectively.

New gifts to endowment averaged $1.6 million during FY2016, up from $1.4 million reported during FY2015, while the median total of new gifts to endowment was $0.6 million. The average percentage of the operating budget supported by annual giving was 7.3 percent among all participating institutions, down from the 8.1 percent reported in last year's Study, while the median percentage of the operating budget supported by annual giving was 6.0 percent, also down moderately from 6.2 percent. Institutions with assets under $10 million showed a notable decrease year over year, reporting an average 6.5 percent of operating budget supported by annual giving, down from 9.8 percent reported last year, though among the matched sample constituents within this size group the decrease was more muted, reporting an average of 7.8 percent.

RESOURCES

Participating independent schools reported using an average 3.6 separate individual managers for direct investments in alternative strategies during FY2016, unchanged over the year, followed by U.S. and non-U.S. equities, at 2.6 and 2.2 managers, respectively; ranging from a collective high reported among institutions with assets over $50 million, at 9.1, 3.4 and 3.7 managers, respectively, to a collective low reported among institutions with assets under $10 million, at 0.6, 1.0 and 1.0 manager, respectively.

The Benchmarks Leaders

Top Decile and Top Quartile Performers

Benchmark Leaders

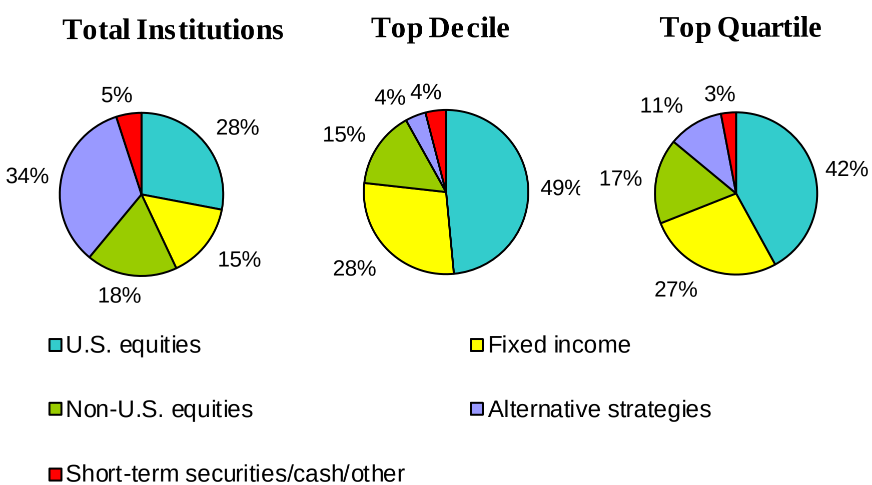
Demographics | Fiscal Year 2016

	Total Institutions	Top Decile	Top Quartile
Total Institutions	(211)	(21)	(53)
Over $50 Million	50	0	6
$10-50 Million	104	7	21
Under $10 Million	57	14	26

Note: Top decile and top quartile are defined as the top 10 percent and 25 percent of 208 institutions that provided return data.

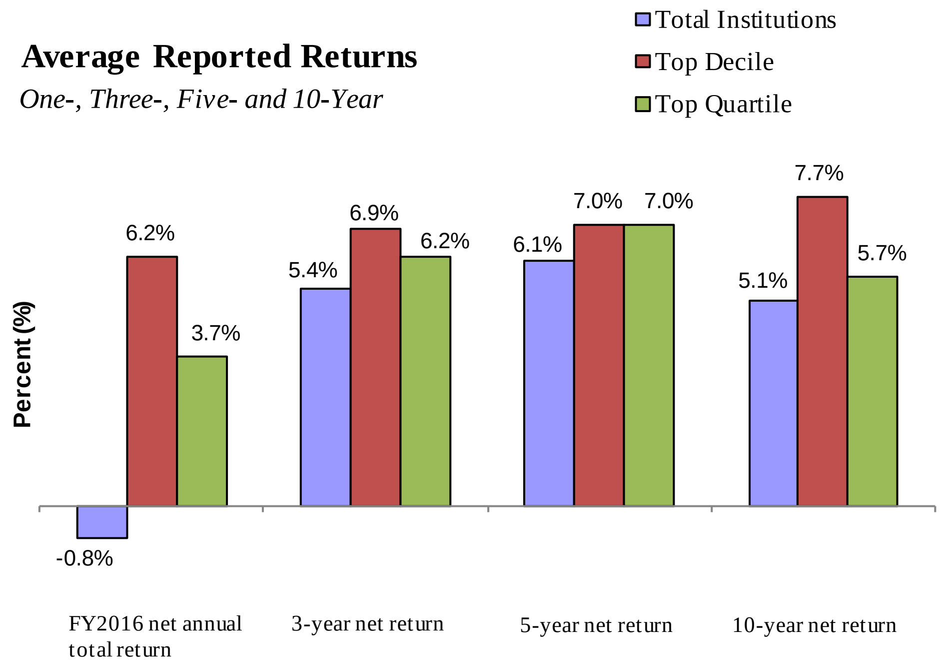
Asset Allocation Comparison♦

Fiscal Year 2016



Average Reported Returns

One-, Three-, Five- and 10-Year



♦ dollar-weighted

Unless otherwise indicated, all performance information reflects net total returns.

Fiscal Year 2016 Investment Environment – Returns

Fiscal 2016 was a challenging year, in which institutions with a relative bias to the U.S. tended to fare better than those that had allocated more of their portfolio to non-U.S. equities and emerging markets. The Bloomberg Barclays Aggregate Bond Index returned 6.0 percent for the fiscal year, while the S&P 500 returned 4.0 percent and, in a good year for real estate, the NCREIF National Index returned 10.6 percent. Institutions with higher non-U.S. equity allocations suffered relatively lower performance in U.S. dollar terms, with the MSCI World ex-U.S. Index returning -9.8 percent and the MSCI Emerging Markets Free (Net) Index returning -12.1 percent.

For institutions participating in this year's NACUBO-Commonfund Study of Endowments (NCSE), non-U.S. equities, with an average return of -7.8 percent, was the poorest performing asset class. Institutions in the two smallest NCSE size cohorts reported the highest relative— though still negative—portfolio returns among Study participants, in large part because of their greater exposure to U.S. equities and fixed income, which generated the strongest returns for the period.

The fiscal year was punctuated by periodic sell-offs in the equity markets that left investors off balance and struggling to manage the ensuing spikes in volatility. In the first six months of the fiscal year, investors experienced the repricing of risk in China and the emerging markets. Fears that a Chinese equity market bubble was developing surfaced as the fiscal year began and mounted as the summer progressed. Among the more worrisome factors in the Chinese economy were negative earnings reports from some state-owned enterprises (SOEs), declining employment, weaker consumer spending and a decline in reported GDP figures. On August 11, China surprised financial markets by announcing a devaluation of its currency. Chinese officials' subsequent attempts to intervene and calm the country's highly volatile stock markets only served to heighten fears that the leadership in Beijing was unable to control the world's second-largest economy. The cumulative effect of these worries was a waterfall sell-off in global markets, highlighted by a decline of more than 6.0 percent in the S&P 500 during August, its sharpest monthly decline in more than three years.

Negative returns in emerging markets also reflected the pronounced decline in the price of crude oil, a key export for many of these countries. Some, notably Russia and Brazil, depend on revenues from energy and natural resources exports for 40 to 50 percent of their GDP. Prices for natural resources, however, remained soft during the fiscal year with the Bloomberg Commodity Index returning -13.3 percent. For investors in commodities, the greatest impact of lower oil prices was felt in the January through mid-February period, when U.S. equity markets posted their worst 10-day opening-year decline ever; six weeks into the calendar year, U.S. equity portfolios exhibited losses in the range of 10 percent. It was during this period that the U.S. petroleum benchmark, West Texas Intermediate (WTI) crude, fell to $26 per barrel from a high of $94 per barrel in July 2014. Following this low, WTI recovered to $38 per barrel by quarter's end, and then became the pivotal factor in a strong equity market rally that saw the S&P 500 Index up 1.35 percent by the end of the third fiscal quarter in March.

The geopolitical situation also roiled international markets. Ongoing conflict in the Middle East generated unsettling headlines on a daily basis. But other issues also commanded attention, notably fighting in Ukraine in the wake of Russia's seizure of Crimea in late 2014; the influx of refugees from the Middle Eastern war zones into Western Europe; and the continuing difficulties faced by Greece in its relationships with its partners in the Eurozone. China's territorial claims in the South China Sea and its apparent militarization of a reef there strained tensions further and raised the specter of a military confrontation with the U.S.

Fiscal Year 2016 Investment Environment – Returns (Continued…)

The third major sell-off of the fiscal year came late in the period. In June, a poor jobs report for May rattled U.S. investors, only to be followed by the “Brexit” referendum in late June, in which voters in the U.K. narrowly favored leaving the European Union. In the U.S. markets, a rally over the last few trading days of the quarter propelled U.S. stocks to a modest quarterly gain as the fiscal year ended. That was not the case in Europe, however, which closed out the fiscal year with a return of -5.9 percent in the MSCI Europe Index. Structurally, Europe’s economies continued to lag that of the U.S., and the geopolitical situation remained unsettled. In the wake of the Brexit vote, Britain’s Prime Minister David Cameron resigned and the prospect of future elections in 2017 loomed on the horizon in France, Italy and Germany. The other major developed market, Japan, saw a 25 percent decline in equity prices in yen terms; for investors hedged against the yen, the decline was a more manageable 10 percent.

Throughout the fiscal year, concerns regarding the degree and timing of interest rate moves by the Federal Reserve captured investors’ attention. Both the Fed and investors debated whether the U.S. economy was showing underlying strength or vulnerability and, after months of speculation, the Fed raised the fed funds rate by 0.25 percent on December 17. Real GDP growth was lukewarm at best, advancing at an annual rate of 2.0 percent, 1.4 percent, 1.1 percent and 1.4 percent, respectively, for the four quarters of the fiscal year. In a seasonal pattern that has been repeated in recent years, third fiscal quarter (January– March) GDP was originally estimated by the U.S. Department of Labor at just 0.5 percent, but investors who believed the quarter stronger than originally reported were proven correct when the data were revised upward; the fourth fiscal quarter GDP figure was also raised, albeit modestly.

The bond market was helped by the fact that, after its quarter-point increase in the fed funds rate in December, the Federal Reserve seemed to move to the sidelines. Reported inflation decreased due to the steep drop in oil prices. Inflation- and interest rate-sensitive sectors of the equity market, such as utilities and consumer staples, performed quite well, as did low-volatility equity strategies. Continued low interest rates also helped real estate investment trusts (REITs) to produce a strong fiscal year return. Industrials, on the other hand, suffered from the drop in energy prices as the number of actively producing oil and gas rigs declined and related investments in energy-related capital equipment fell sharply.

Hedge funds, with the exception of alpha-seeking strategies, generally suffered in FY2016 because of the periodic volatility that accompanied the sell-offs in August, January/ early February and mid/late June. Although the markets rallied in each case, hedge funds as a whole had tended to reduce exposures in order to minimize risk, and as a result missed the rebounds. Private capital returns were moderately positive for private equity and venture capital, but negative for energy/natural resources and commodities.

Average One-, Three-, Five- and 10-Year Net Returns

numbers in percent (%)

	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
FY2016 net annual total return	-0.8	-2.7	-1.0	1.3
3-year net return	5.4	5.0	5.6	5.5
5-year net return	6.1	5.3	6.0	7.4
10-year net return	5.1	5.2	5.2	5.0

Note: Ninety-nine percent of participating institutions (208 of the 211 participants) provided return data for the most recent fiscal year, 86% (181 institutions) provided three-year return data, 80% (169 institutions) provided five-year return data and 53% (112 institutions) provided 10-year return data. Return data cited in this report represent the average returns for institutions providing data for each period.

- Among the Total Institutions group, FY2016 returns averaged -0.8%, compared with an average return of 2.3% reported during FY2015, both notably lower than respective returns of 14.2% and 11.7% reported during fiscal years 2014 and 2013. Trailing three-year returns averaged 5.4%, down from the 10.0 % return reported last year due to FY2013's return being eliminated from the calculation, while trailing five-year returns averaged 6.1%, down from 9.6% reported last year due to FY2011's strong return of 17.9% being dropped from the calculation. For the trailing 10-year period, returns gained an average 5.1%, also down year over year from 6.3% reported last year. (All returns reported net of fees.)
- Among Institutions with assets Over $50 Million, FY2016 returns averaged -2.7%, while three-year returns averaged 5.0% and five-year returns averaged 5.3%, collectively underperforming both other size cohorts, and a reversal from last year when returns for all time periods outperformed all other constituencies. Trailing 10-year returns averaged 5.2%, consistent with that of Institutions with assets between $10-50 Million.
- Among Institutions with assets between $10-50 Million, FY2016 returns averaged -1.0%, while five-year returns averaged 6.0%, both modestly underperforming that of the Total Institutions group. Trailing three-year returns averaged 5.6%, moderately outperforming all other constituencies, while 10-year returns averaged 5.2%.
- Among Institutions with assets Under $10 Million, FY2016 returns averaged 1.3%, while five-year returns averaged 7.4%, both outperforming all other constituencies. Returns for the trailing five-year period averaged 5.5%, while 10-year returns averaged 5.0%, modestly underperforming all other constituencies.

Asset Allocations♦ for Fiscal Year 2016

numbers in percent (%)

	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
U.S. equities	28	25	36	41
Fixed income	15	12	22	29
Non-U.S. equities	18	18	19	14
Alternative strategies	34	39	19	10
Short-term securities/cash/other	5	6	4	6

♦ dollar-weighted

- Average FY2016 asset allocation among the Total Institutions group was 34% to alternative strategies, 28% to U.S. equities, 18% to non-U.S. equities, 15% to fixed income and 5% to short-term securities/cash/other.
- Institutions with assets Over $50 Million reported an average FY2016 asset allocation of 39% to alternative strategies, notably higher than both other size cohorts, followed by U.S. equities (25%, lowest among constituencies), non-U.S. equities (18%), fixed income (12%, lowest among constituencies) and short-term securities/cash/other (6%).
- Average FY2016 asset allocation among Institutions with assets between $10-50 Million was 36% to U.S. equities, 22% to fixed income, and 19% to both alternative strategies and non-U.S. equities, respectively, the latter being highest among constituencies. The remaining 4% was reported being allocated to short-term securities/cash/other, lowest among constituencies.
- Institutions with assets Under $10 Million reported average FY2016 allocations largely to traditional liquid asset classes of U.S. equities and fixed income (41% and 29%, respectively), both highest among constituencies, followed by non-U.S. equities and alternative strategies (14% and 10%, respectively), both lowest among constituencies. The remaining 6% was reported being allocated to short-term securities/cash/other, consistent with that of the larger size cohort.

Alternative Strategies Asset Mix♦ for Fiscal Year 2016

numbers in percent (%)

	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
Responding institutions	162	44	88	30
Private equity (LBO's, mezzanine, M&A funds and non-U.S. private equity)	14	15	11	7
Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)	61	60	67	72
Venture capital	4	4	1	0
Private equity real estate (non-campus)	8	9	5	10
Energy and natural resources (oil, gas, timber, commodities and managed futures)	11	10	12	10
Distressed debt	2	2	4	1

♦dollar-weighted

- Average FY2016 alternative strategies allocation among the Total Institutions group was 61% to marketable alternative strategies, followed by private equity (14%), energy and natural resources (11%) and private equity real estate (8%).
- Institutions with assets Over $50 Million reported an average FY2016 alternative strategies allocation of 60% to marketable alternative strategies, lowest among constituencies, followed by private equity (15%), highest among constituencies, energy and natural resources (10%) and private equity real estate (9%). Among this group, the average venture capital allocation was 4% during FY2016, highest among the size cohorts.
- Average FY2016 alternative strategies allocation among Institutions with assets between $10-50 Million was 67% to marketable alternative strategies, 12% to energy and natural resources (highest among constituencies), 11% to private equity and 5% to private equity real estate (lowest among constituencies). This group reported a 4% allocation to distressed debt, highest among constituencies during FY2016.
- Institutions with assets Under $10 Million reported an average alternative strategies allocation of 72% to marketable alternative strategies, highest among constituencies, followed by energy and natural resources and private equity real estate (both 10%, respectively), the latter being highest among constituencies, and private equity (7%), lowest among constituencies.

Average Annual Effective Spending Rate for Fiscal Year 2016

numbers in percent (%)

	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
FY2016 effective spending rate	3.7	4.4	3.9	2.5

- Among the Total Institutions group, the average FY2016 effective spending rate was 3.7%, modestly higher than the 3.6% effective spending rate reported during FY2015.
- Institutions with assets Over $50 Million reported an average FY2016 effective spending rate of 4.4%, highest among constituencies.
- Institutions with assets between $10-50 Million reported an average FY2016 effective spending rate of 3.9%.
- Institutions with assets Under $10 Million reported an average FY2016 effective spending rate of 2.5%, considerably lower than both other size cohorts.

Spending Policy♦♦ for Fiscal Year 2016

numbers in percent (%)

	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
Spent all current income	3	0	2	7
Percentage of a moving average	73	76	82	54
Average percentage	4.4	4.6	4.5	4.2
Decide on an appropriate rate each year	12	6	12	19
Grow distribution at predetermined inflation rate	♦	2	0	0
Spend a pre-specified percentage of beginning market value	6	2	7	9
Average pre-specified percentage spent	4.4	5.0	4.3	4.4
Last year's spending plus inflation with upper and lower bands	1	4	0	0
Weighted average or hybrid method (Yale/Stanford rule)	7	12	7	2
Other	11	10	7	19

♦♦ multiple responses allowed
♦ sample size too small to analyze

- The predominant FY2016 spending policy reported among all size cohorts was to spend a percentage of a moving average (ranging from 54% of Institutions with assets Under $10 Million to 82% of Institutions with assets between $10-50 Million), with the average percentage ranging from 4.2-4.6%.
- Nineteen percent of Institutions with assets Under $10 Million reported they decide on an appropriate rate each year, as did 12% of Institutions with assets between $10-50 Million. Only 6% of Institutions with assets Over $50 Million reported utilizing this methodology, lowest among constituencies.
- Twelve percent of Institutions with assets Over $50 Million reported utilizing a weighted average or hybrid method (Yale/Stanford rule), highest among constituencies.
- Seven percent of Institutions with assets Under $10 Million reported spending all current income, highest among constituencies.

New Gifts to Endowment for Fiscal Year 2016

dollars in millions ($)

	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
Average gifts	1.6	3.1	0.9	0.6
Median gifts	0.6	1.3	0.5	0.3

- Among the Total Institutions group, new gifts to endowment averaged $1.6 million during FY2016, while the median for new gifts to endowment was $0.6 million.
- Among Institutions with assets Over $50 Million, total amount of new gifts to endowment averaged $3.1 million during FY2016, while the median for new gifts to endowment was $1.3 million, both notably higher than the other size cohorts.
- Among Institutions with assets between $10-50 Million, total amount of new gifts to endowment averaged $0.9 million, while the median for new gifts to endowment was $0.5 million.
- Among Institutions with assets Under $10 Million, total amount of new gifts to endowment averaged $0.6 million, while the median for new gifts to endowment was $0.3 million, both lowest among constituencies.

Number of Managers Used by Asset Class in Fiscal Year 2016

average number

	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
U.S. equities	2.6	3.4	2.9	1.0
Fixed income	2.0	2.2	2.3	1.0
Non-U.S. equities	2.2	3.7	2.0	1.0
Alternative strategies (direct)	3.6	9.1	2.3	0.6
Alternative strategies (fund of funds)	1.8	3.2	1.7	0.7

- Among the Total Institutions group, an average 3.6 separate individual managers were reported being utilized for direct investments in alternative strategies during FY2016, followed by U.S. and non-U.S. equities (2.6 and 2.2, respectively) and fixed income (2.0).
- Among Institutions with assets Over $50 Million, an average 9.1 separate individual managers were reported being utilized for direct investments in alternative strategies during FY2016, significantly higher than all other constituencies, followed by non-U.S. and U.S. equities (3.7 and 3.4, respectively) and fund-of-funds investments in alternatives (3.2), all highest among constituencies.
- Among Institutions with assets between $10-50 Million, an average 2.9 separate individual managers were reported being used for U.S. equities, followed by direct investments in alternative strategies and fixed income (both 2.3, respectively), the latter being modestly higher than that of the larger size cohort. An average 2.0 managers were reported being utilized for non-U.S. equities.
- Among Institutions with assets Under $10 Million, an average 1.0 separate individual manager was reported being used for U.S. and non-U.S. equities and fixed income, respectively, all lowest among constituencies. Manager use reported for both investment strategies in alternatives, 0.6 and 0.7 respectively, was considerably lower than the other size cohorts.

Voting Members on Investment Committee for Fiscal Year 2016

average number

	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
Number of voting members on investment committee	6.7	8.5	6.6	5.3

- Among the Total Institutions group, the average number of voting members on FY2016 investment committees was 6.7.
- Institutions with assets Over $50 Million reported having an average 8.5 voting members on the investment committee during FY2016, highest among constituencies.
- Institutions with assets between $10-50 Million reported having an average 6.6 voting members on the investment committee during FY2016.
- Institutions with assets Under $10 Million reported having an average 5.3 voting members on the investment committee during FY2016, lowest among constituencies.

Investment Committee Credentials for Fiscal Year 2016

average number

	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
Investment committee members who are investment professionals	4.4	6.8	4.2	2.7
Investment committee members with alternative strategies experience	3.1	4.9	2.9	1.8
Non-trustee voting members	2.1	2.9	1.9	1.8

- Among the Total Institutions group, the average reported number of FY2016 investment committee members that are investment professionals was 4.4, while the average number with alternative strategies experience was 3.1. The average number of non-trustee voting members was 2.1.
- Among Institutions with assets Over $50 Million, the average reported number of investment committee members that are investment professionals was 6.8, while the average number with alternative strategies experience was 4.9, both highest among the size cohorts. The average number of non-trustee voting members was 2.9, also highest among constituencies.
- Among Institutions with assets between $10-50 Million, the average reported number of investment committee members that are investment professionals was 4.2, while the average number with alternative strategies experience was 2.9. The average number of non-trustee voting members was 1.9.
- Among Institutions with assets Under $10 Million, the average reported number of investment committee members that are investment professionals was 2.7, while the average number with alternative strategies experience was 1.8, both lowest among the size cohorts. This group also reported having an average 1.8 non-trustee voting members, modestly lower than that of Institutions with assets between $10-50 Million.

APPENDIX I

SUPPLEMENTAL TABLES

AVERAGE RETURN BY ASSET CLASS – AMONG HIGHER EDUCATION ENDOWMENTS

FROM THE NACUBO-COMMONFUND STUDY OF ENDOWMENTS® FOR FISCAL YEAR 2016

numbers in percent (%)	Responding Institutions
	805
Average FY2016 total return	-1.9
U.S. equities	-0.2
Fixed income	3.6
Non-U.S. equities	-7.8
Alternative strategies	-1.4
Private equity (LBOs, mezzanine, M&A funds and non-U.S. private equity)	4.5
Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)	-4.0
Venture capital	1.5
Private equity real estate (non-campus)	7.1
Energy & natural resources	-7.5
Commodities and managed futures	-7.7
Distressed debt	-0.6
Short-term securities/cash/other	0.2
Short-term securities/cash	0.1
Other	0.7

Fiscal Year 2016 One-Year Returns by Decile and Quartile

numbers in percent (%)	**Total Institutions**	**Over $50 Million**	**$10-50 Million**	**Under $10 Million**
	211	50	104	57
Deciles				
90th percentile	3.8	0.8	3.1	7.3
80th percentile	1.4	-0.4	0.6	4.1
70th percentile	0.1	-1.2	-0.1	3.4
60th percentile	-0.3	-1.7	-0.4	0.9
50th percentile (median)	-0.9	-2.1	-1.0	0.3
40th percentile	-1.7	-3.0	-1.8	0.0
30th percentile	-2.3	-3.5	-2.5	-0.8
20th percentile	-3.3	-4.0	-3.3	-1.8
10th percentile	-4.3	-5.8	-4.2	-3.1
Quartiles				
75th percentile	0.5	-0.9	0.1	3.7
50th percentile (median)	-0.9	-2.1	-1.0	0.3
25th percentile	-2.9	-3.9	-3.0	-1.1

Equal-Weighted Asset Allocations♦ for Fiscal Year 2016

numbers in percent (%)	**Total Institutions**	**Over $50 Million**	**$10-50 Million**	**Under $10 Million**
	211	50	104	57
U.S. equities	36	29	38	38
Fixed income	22	14	23	29
Non-U.S. equities	17	19	18	14
Alternative strategies	18	31	18	7
Short-term securities/cash/other	7	7	3	12

♦ equal-weighted

U.S. Equity Asset Mix♦ for Fiscal Year 2016

numbers in percent (%)	**Total Institutions**	**Over $50 Million**	**$10-50 Million**	**Under $10 Million**
Responding institutions	190	44	98	48
Active	72	80	57	67
Indexed (passive/enhanced)	28	20	43	33

♦ dollar-weighted

Fixed Income Asset Mix♦ for Fiscal Year 2016

numbers in percent (%)	**Total Institutions**	**Over $50 Million**	**$10-50 Million**	**Under $10 Million**
Responding institutions	181	40	96	45
U.S. investment-grade (active)	62	64	58	62
U.S. investment-grade (passive)	24	23	25	20
U.S. non-investment grade (active or passive)	5	4	7	9
Non-U.S. bonds (active or passive)	6	6	6	5
Emerging markets (active or passive)	3	3	4	4

♦ dollar-weighted

Non-U.S. Equity Asset Mix♦ for Fiscal Year 2016

numbers in percent (%)	**Total Institutions**	**Over $50 Million**	**$10-50 Million**	**Under $10 Million**
Responding institutions	179	43	94	42
Active MSCI EAFE	64	69	51	45
Passive/index MSCI EAFE	16	13	25	31
Emerging markets	20	18	24	24

♦ dollar-weighted

Equal-Weighted Alternative Strategies Asset Mix♦ for Fiscal Year 2016

numbers in percent (%)	**Total Institutions**	**Over $50 Million**	**$10-50 Million**	**Under $10 Million**
Responding institutions	162	44	88	30
Private equity (LBOs, mezzanine, M&A funds and non-U.S. private equity)	11	14	10	5
Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)	67	63	68	77
Venture capital	2	3	1	0
Private equity real estate (non-campus)	7	8	6	9
Energy and natural resources (oil, gas, timber, commodities and managed futures)	11	9	12	8
Distressed debt	2	3	3	1

♦ equal-weighted

Detailed Asset Allocations♦ for Fiscal Year 2016

numbers in percent (%)	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
U.S. equities	28	25	36	41
Fixed income	15	12	22	29
Non-U.S. equities	18	18	19	14
Alternative strategies	34	39	19	10
Private equity (LBOs, mezzanine, M&A funds and non-U.S. private equity)	5	6	2	1
Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)	20	23	13	7
Venture capital	1	1	0	0
Private equity real estate (non-campus)	3	3	1	1
Energy & natural resources	3	3	2	0
Commodities and managed futures	0	1	0	1
Distressed debt	1	1	1	0
Alternatives not broken out	1	1	0	0
Short-term securities/cash/other	5	6	4	6
Short-term securities/cash	4	5	3	6
Other	1	1	1	0
Short-term securieies/cash/other not broken out	0	0	0	0

♦ dollar-weighted

Equal-Weighted Detailed Asset Allocations♦ for Fiscal Year 2016

numbers in percent (%)	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
U.S. equities	36	29	38	38
Fixed income	22	14	23	29
Non-U.S. equities	17	19	18	14
Alternative strategies	18	31	18	7
Private equity (LBOs, mezzanine, M&A funds and non-U.S. private equity)	2	4	2	1
Marketable alternative strategies (hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives)	12	18	12	5
Venture capital	0	1	0	0
Private equity real estate (non-campus)	1	3	1	1
Energy & natural resources	1	3	2	0
Commodities and managed futures	1	1	1	0
Distressed debt	1	1	0	0
Alternatives not broken out	0	0	0	0
Short-term securities/cash/other	7	7	3	12
Short-term securities/cash	5	5	2	10
Other	2	2	1	2
Short-term securieies/cash/other not broken out	0	0	0	0

♦ equal-weighted

Spending Policy Actual Practices[♦♦] in Fiscal Year 2016

numbers in percent (%)	**Total Institutions**	**Over $50 Million**	**$10-50 Million**	**Under $10 Million**
	211	50	104	57
Followed spending policy	86	88	86	84
Made exeptions or suspending spending policy	10	12	11	7
Changed spending policy	6	4	5	11

♦♦ Multiple responses allowed

Calculation Period for Moving Average of Spending Policy for Fiscal Year 2016

numbers in percent (%)	**Total Institutions**	**Over $50 Million**	**$10-50 Million**	**Under $10 Million**
Responding institutions	154	38	85	31
3 years	34	37	31	39
12 quarters	45	34	53	36
5 years	3	3	2	7
20 quarters	7	8	7	6
16 quarters	3	0	4	3
Other	6	18	1	6
No answer/uncertain	2	0	2	3

Percentage of Operating Budget Supported by Annual Giving for Fiscal Year 2016

numbers in percent (%)	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
Average percentage (%) of operating budget supported by annual giving	7.3	9.6	6.6	6.5
Median percentage (%) of operating budget supported by annual giving	6.0	7.7	6.0	4.2

Investment Committee Credentials♦♦ for Fiscal Year 2016

	Total Institutions	Over $50 Million	$10-50 Million	Under $10 Million
	211	50	104	57
Investment committee members who are investment professionals				
Average number	4.4	6.8	4.2	2.7
Percentage of committee	65	80	62	49
Investment committee members with alternative strategies experience				
Average number	3.1	4.9	2.9	1.8
Percentage of committee	35	41	34	26
Non-trustee voting members				
Average number	2.1	2.9	1.9	1.8
Percentage of committee	31	34	28	34

♦♦ Multiple responses allowed

APPENDIX II

PARTICIPATING INSTITUTIONS

Participating Institutions

The Agnes Irwin School, PA	Bullis School, MD
Allen-Chase Foundation dba Eaglebrook School, MA	Campbell Hall Episcopal, CA
The Altamont School, AL	Carolina Day School, NS
American Community School at Beirut, NY	Carrollton School of the Sacred Heart, Fl
The Ancona School, Il	Castilleja School, CA
Bancroft School, MA	Chadwick School, CA
Baylor School, TN	Chaminade-Madonna College Preparatory, FL
Beauvoir, The National Cathedral Elementary School, DC	Charleston Day School, SC
Beaver Country Day School, MA	Charlotte Christian School, NC
Berkeley Hall School Foundation, CA	Charlotte Latin School, NC
Berwick Academy, ME	Chase Collegiate School, CT
The Bishop's School, CA	Chatham Hall, VA
Blair Academy, NJ	Choate Rosemary Hall Foundation, CT
Bosque School, NM	Christian Brothers High School (TN), TN
The Brandeis School of San Francisco, CA	Christian Brothers High School (CA), CA
The Branson School, CA	Church Farm School, PA
Brentwood Christian School, TX	The Churchill School and Center, NY
Brewster Academy, NH	The College Preparatory School, CA
Brooks School, MA	Collegiate School (NY), NY
The Buckley School, NY	Collegiate School (VA), VA

Participating Institutions (continued) 41-80

Colorado Academy, CO	Fenwick High School, IL
The Common School, MA	Fishburne Military School, VA
The Convent of the Sacred Heart School of New York, NY	Fort Worth Country Day School, TX
Cranbrook Educational Community, MI	Fountain Valley School of Colorado, CO
De La Salle Collegiate, MI	Foxcroft School, VA
Delbarton School, NJ	Friends Academy, NY
Dunn School, CA	Friends' Central School, PA
Durham Academy, NC	Garrison Forest School, MD
Dwight-Englewood School, NJ	Georgetown Day School, DC
Eagle Hill Foundation, CT	Georgetown Visitation Preparatory School, DC
Eastside College Preparatory School, CA	Gilman School, MD
The Elisabeth Morrow School, NJ	Girls Preparatory School, TN
Emma Willard School, NY	Golda Och Academy, NJ
Ensworth School, TN	Gonzaga Preparatory School Foundation, WA
The Epiphany School, MA	Good Shepherd Episcopal School, TX
The Episcopal Academy, PA	Gould Academy, ME
Episcopal High School, VA	The Governor' s Academy, MA
The Evergreen School, WA	Grace Church School, NY
Fay School, MA	Greenhill School, TX
The Fenn School, MA	Greens Farms Academy, CT

Participating Institutions (continued) 81-120

Greenwich Academy, CT	The Kinkaid School, TX
Greenwich Country Day School, CT	La Pietra - Hawaii School for Girls, HI
Gulf Stream School, FL	Lab School of Washington, DC
Hackley School, NY	Lake Forest Academy, IL
Harpeth Hall School, TN	Lake Tahoe School, NV
Harvard-Westlake School, CA	Lakeside School, WA
High Mountain Institute, CO	Lancaster Country Day School, PA
The Hill Center, NC	The Langley School, VA
The Hill School, PA	Lyndon Institute, VT
Holderness School, NH	The Madeira School, VA
Holton-Arms School, MD	Marine Military Academy, TX
Holy Ghost Preparatory School, PA	Marlborough School, CA
The Hotchkiss School, CT	Marshall School, MN
The Howard School, GA	Mary Institute and Saint Louis Country Day School, MO
Interlochen Center for the Arts, MI	Marymount High School Los Angeles, CA
Jack M. Barrack Hebrew Academy, PA	Mayfield Junior School, CA
John Burroughs School, MO	The McCallie School, TN
Kent School, CT	Meadowbrook Waldorf School, RI
Kents Hill School, ME	Mercersburg Academy, PA
Keys Family Day School, CA	Milton Academy, MA

Participating Institutions (continued) 121-160

The Nightingale-Bamford School, NY	Pine Crest Preparatory School, FL
Norfolk Academy, VA	Pingree School, MA
North Country School, NY	The Pingry School, NJ
The Northwest School, WA	Pomfret School, CT
Notre Dame Preparatory School and Marist Academy, MI	Porter-Gaud School, SC
Oak Meadow School, MA	The Potomac School, VA
Oldfields School, MD	Presbyterian School, TX
The Orchard School Foundation, IN	Princeton Academy of the Sacred Heart, NJ
Oregon Episcopal School, OR	Princeton Day School, NJ
The Out-of-Door Academy, FL	Providence Day School, NC
Palm Valley School, CA	Ransom Everglades School, FL
Palmer Trinity Private School, FL	Regents School of Austin, TX
The Peck School, NJ	River Oaks Baptist School, TX
Peddie School, NJ	Riverview School, MA
The Pegasus School, CA	Roland Park Country School, MD
The Pennington School, NJ	Saint Andrew's Episcopal School, CA
The Philadelphia School, PA	St. Andrew's School, RI
Phillips Academy, MA	Saint Andrew's School of Boca Raton, FL
Phillips Exeter Academy, NH	St. Andrew's School of Delaware, DE
Phoenix Country Day School, AZ	Saint Anns School , NY

Participating Institutions (continued) 161-200

St. Christopher's School Foundation, VA	Southfield Christian School, MI
Saint Davids School, NY	Spartanburg Day School, SC
Saint George's School, WA	Springside Chestnut Hill Academy, PA
Saint Gertrude High School, VA	Stephen T. Badin High School, OH
St. Ignatius High School, OH	Stone Ridge School of the Sacred Heart, MD
St. John's Preparatory School, MA	The Stony Brook School, NY
St. Louis University High School, MO	Strake Jesuit College Preparatory, TX
St. Martin's Episcopal School, GA	Stuart Country Day School of the Sacred Heart, NJ
St. Mary's Episcopal School, TN	Suffield Academy, CT
Saint Mary's School, NC	The Summit Country Day School, OH
St. Patrick's Episcopal Day School, DC	Summit School, NC
St. Paul Academy and Summit School, MN	Tabor Academy , MA
St. Sebastian's School, MA	Tallulah Falls School, GA
San Francisco Day School, CA	Tenacre Country Day School, MA
The Schenck School, GA	Thayer Academy, MA
Seattle Academy of Arts and Sciences, WA	Trinity Episcopal School, NC
Shore Country Day School, MA	University Prep, WA
Singapore American School, SG	University School of Milwaukee, WI
Solomon Schechter Day School of Metropolitan Chicago, IL	University School, Ohio, OH
Sonoma Academy, CA	Ursuline Academy of Dallas, TX

Participating Institutions (continued) 201-211

Ursuline Academy, Dedham, MA	Western Reserve Academy, OH
Waterford School, UT	Westtown School, PA
Wayland Academy, WI	The White Mountain School, NH
The Webb School, TN	The Williston Northampton School, MA
The Webb Schools, CA	Wilmington Friends School, DE
Wesleyan School, GA	-
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