

THE ANNUAL REPORT OF
DUQUESNE UNIVERSITY'S ENDOWMENT

ADVANCING OUR
LEGACY





INVESTING IN A LEGACY

Duquesne University is truly a legacy—a priceless inheritance passed down from our ancestors. For more than 130 years, each generation has polished this jewel on a hilltop, creating a beautiful campus and a distinctive education for the mind, heart and spirit.

Duquesne began with few financial resources, but an abundance of faith and fortitude. Spiritan priests and brothers and laity alike invested their time, energy and talent to ensure the University's survival and growth. As grateful alumni became successful, and friends in the community recognized Duquesne's potential, investments of treasure followed. Today, Duquesne's endowment is critical to advancing our proud legacy of teaching, research and service.

The importance of a strong endowment cannot be overstated. Income from tuition, fees, auxiliary services, grants and annual giving fluctuates from year to year, while returns from a carefully invested endowment provide a steady, more predictable revenue stream.

Prudently invested and properly stewarded, these endowment returns make a Duquesne education better and more affordable for each new generation, providing both necessities and amenities that cannot be adequately funded through operational revenue alone:

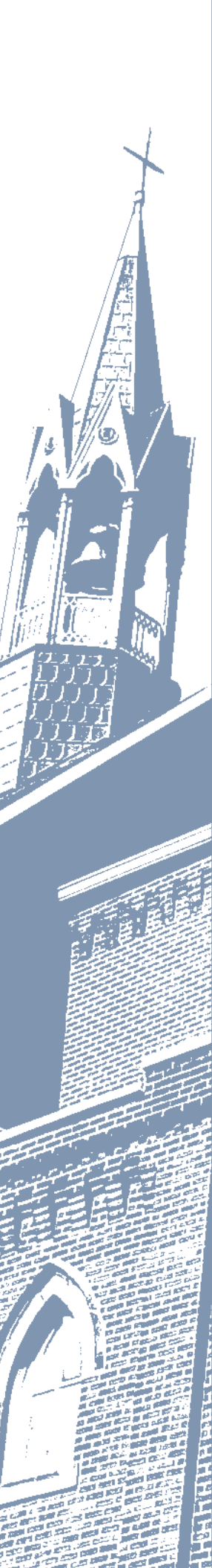
Scholarships: Our founding Spiritans fervently believed that education should be accessible to all who can benefit, regardless of their ability to pay. A wide variety of endowed need- and merit-based programs keep their dreams alive today.

World-Class Faculty: Endowed chairs and professorships allow Duquesne to attract and retain renowned scholars. This, in turn, fuels groundbreaking research, outstanding teaching, and the development of programs addressing society's most pressing needs. Often, these new initiatives are themselves perpetually supported through endowments.

Conferences, Symposia and Lectures: Endowment funds support a variety of events adding breadth and depth to the curriculum, provoking thought and reflection, and drawing internationally known academic and public figures to our campus.

Resource Funds: These endowments support the services and amenities that separate a good education from a truly great one—providing faculty with tools and training to advance their research or implement new teaching techniques, and students with co-curricular and extracurricular experiences, awards, travel, books or supplies.

Duquesne's endowment has experienced remarkable growth over time, thanks to careful investment and, of course, many gifts from generous donors like you who are truly advancing our legacy. Investment performance varies from year to year, but the endowment helps to shield Duquesne's operating budget from fluctuating business cycles and is a major contributor to the University's recent strong ratings from Standard and Poors and Moody's.



ENDOWMENT BASICS

Duquesne's endowment supports the aforementioned initiatives on a perpetual basis. To create an endowed fund, donors contribute cash, securities or other assets to the University for a specific purpose. Since Duquesne University is classified as a tax-exempt, nonprofit organization, these gifts are tax-deductible. The principal of each gift is invested, with *a portion of the return* spent each year to support the initiative designated by the donor. The principal is held in perpetuity, never to be spent.

Minimum gift amounts apply to the establishment of endowed funds; these vary based on the purpose (resource funds, scholarships, fellowships, lectureships, faculty chairs, etc.).

University policy permits the naming of endowed funds for the donor or for another individual the donor wishes to honor or memorialize. While individual endowment funds may be named, all endowment assets are managed as a single pool as described herein.

INVESTMENT POLICIES

The primary objective of the University's investment strategy is to provide long-term growth of principal and income, without undue exposure to risk. These objectives are pursued using a diversified combination of instruments that is conducive to participation in rising markets, while allowing for maximum capital protection in falling markets. This mix includes investments in domestic equities (large-, mid- and small-cap), international equities (large-cap, small-cap and emerging markets), fixed income securities, real estate, and limited exposure to alternatives such as private equity and hedge funds.

The Audit and Finance Committee of the Board of Directors sets policy, selects professional investment managers and monitors their performance, with evaluations conducted quarterly through an independent third party. Benchmarks are established for results overall and within

ACADEMIC SUPPORT



Dr. Robert Gussin

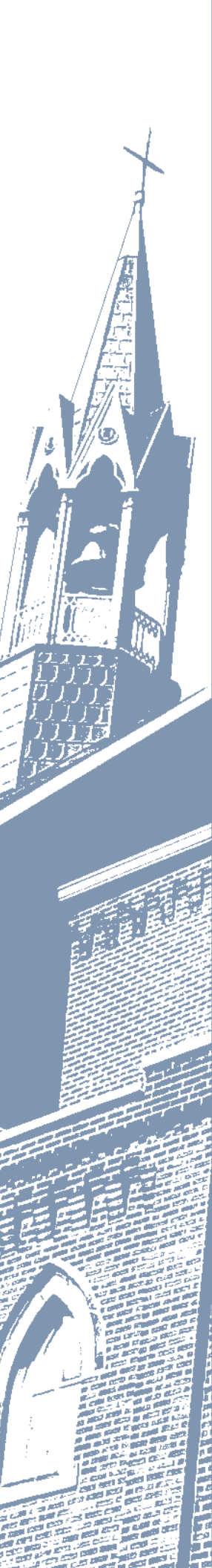


Pat Gussin

Dr. Robert Gussin, P'59, GP'61, understands the difficulties many students face in the transition from high school to higher education. A native of the Pittsburgh suburb of Scott Township, he faced obstacles when he first came to our Bluff. His personal experience moved him and his wife, Dr. Patricia Gussin, to establish a \$1.5 million endowment for Duquesne's Spiritan Division of Academic Programs.

"As with many young folks coming out of high school, I think I was not really well prepared for college," Gussin said. In the mid-1950s, though, there was no Spiritan Division. "I struggled through the first two years without any extra help," Robert Gussin remembered. He persevered through undergraduate and graduate pharmacy school, going on to a successful career and retiring as corporate vice president of Johnson & Johnson.

The Spiritan Division helps students with special financial, educational or physical needs with individualized advising, counseling, tutoring, and other educational programs and services throughout their freshman year. Once students successfully complete the Spiritan Division curriculum, they transfer their credits into one of Duquesne's schools.



various types of investments, considering both the short-term performance and realization of expected outcomes over a longer-term moving average.

In accordance with the Uniform Prudent Investor Act (UPIA), the Committee, fund managers, and University business and management personnel share the fiduciary responsibility to loyally, impartially and prudently manage all investments as part of the University's overall endowment portfolio, rather than as individual funds.

PAYOUT POLICIES

The University's investment philosophy and fiduciary responsibility emphasize the need for growth of the overall endowment principal at a rate exceeding inflation in the larger economy. To achieve this objective, the Board has established a target annual spending rate equal to five percent of the average market value of the entire fund over the previous rolling 16 quarters. This amount (the "payout") is calculated at the end of each calendar year.

According to the National Association of College and University Business Officers 2007 Endowment Study, 72 percent of colleges and universities use this type of spending policy, which mitigates the effects of short-term volatility in the capital markets, resulting in budgetary stability from year to year. Because the calculation is based on a moving 16-month average rather than the value of the fund on any particular date, the actual distribution may be lower or higher than five percent of the current market value.

The calculated distribution rate is applied to each individual endowment fund, with payouts available to the designated departments or programs on the first day of the new fiscal year (July 1).

Distributions from an endowed fund generally will not begin until the principal balance has reached the applicable minimum amount for the specified purpose. If the minimum is achieved by November

SCHOLARSHIPS



Dora Walmsley

James V. Donatelli was not a Duquesne alumnus, but he was a devout Catholic who believed in the University's mission and its emphasis on service and

volunteerism. His bequest created the James V. Donatelli Endowed Scholarship, which made its first award in 2007.

The initial recipient, Dora Walmsley, A'07, was a sociology major and active member of the Duquesne University Volunteers (DUV). As a result of the scholarship award, Walmsley was able to spend the summer of 2007 studying conflict resolution in Ireland.

"The opportunities given to me by this scholarship are apparent," she wrote just before leaving for the Emerald Isle. "Having the chance to travel abroad is something that I never thought would happen, and it's only because generous people see the importance of education and how hard it is to afford a good one. There is no doubt in my mind that this experience will have a lasting impact in my life, and I look forward to the many doors that will be thrown open because of this."

Walmsley now works as a community case manager with the Brashear Association on Pittsburgh's South Side. There, she coordinates two food pantries, energy assistance programs, holiday toy drives, and a mentorship program for girls. She also provides information and referral services through the association's Self-Sufficiency Program.

30 of a given calendar year, distributions will commence with the beginning of the next fiscal year (July 1). However, a gift received or a minimum principal amount reached on or after January 1 of the next calendar year will not qualify for a distribution until the beginning of the second subsequent fiscal year; for example:

Minimum principal reached by
Nov. 30, 2008

Distribution begins July 1, 2009

Minimum principal reached on or
after Dec. 1, 2008

Distribution begins July 1, 2010

Specific details should be contained
within each individual donor's signed gift
commitment.

Investment Performance and Individual Account Status

Please refer to the enclosures for detailed
information on the most recent fiscal year.

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FACULTY CHAIRS



David Allen Wehr

The Jack W. Geltz Distinguished Piano Chair enables Duquesne's Mary Pappert School of Music to present high quality concerts and educate outstanding musicians.

The full-time, tenure-track faculty position was created by a gift from Jack W. Geltz, B'49, GA'84. The Geltz endowment makes it possible to retain an exceptional performer and teacher like pianist David Allen Wehr, who was appointed to the chair when it was created in 2006. Wehr, who previously was Duquesne's first Hillman Distinguished Professor, brings 30 years of performing experience to the classroom.

The Geltz endowment provides more than a guarantee that Wehr can continue performing; it makes it possible for him to be both a teacher and a performer, the perfect position for guiding the next generation of pianists. "Someone has to pass on their knowledge," Wehr says. "One of the biggest contributions I can make here is to draw upon my years of experience, my years of traveling and performing, and bring it to bear in very specific ways to the students I work with, one-on-one."



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