

# **Duquesne University of the Holy Spirit**



## **Endowment and Other Long-Term Investments Report Fiscal Year 2021**

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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 is responsible for 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*



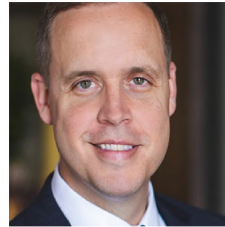
**John Barsotti**  
*Chief Investment Officer,  
Colcom Foundation and Laurel  
Foundation*



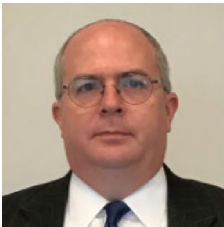
**Christopher McMahon**  
*Principal, McMahon Financial*



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



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

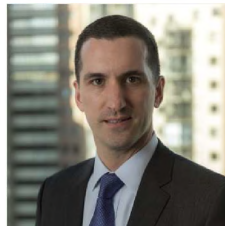


**Charles Kennedy**  
*Chief Investment Officer,  
Carnegie Mellon University*

## Serving the Investment Committee



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



**Steven J. Foertsch**  
**Investment Consultant**  
*Lead 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 the spring of 2020, the Board of Directors approved a fiscal year 2021 spending rate of 4.25% plus a .25% administrative fee. However, the University only utilized an effective draw of 2.4% or \$9.6 million due to healthy operating results for the fiscal year.

The Investments supported 3.2% of the University's operating budget, as well as the intended purposes of the donors, identified and managed within 903 unique endowed funds. 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.

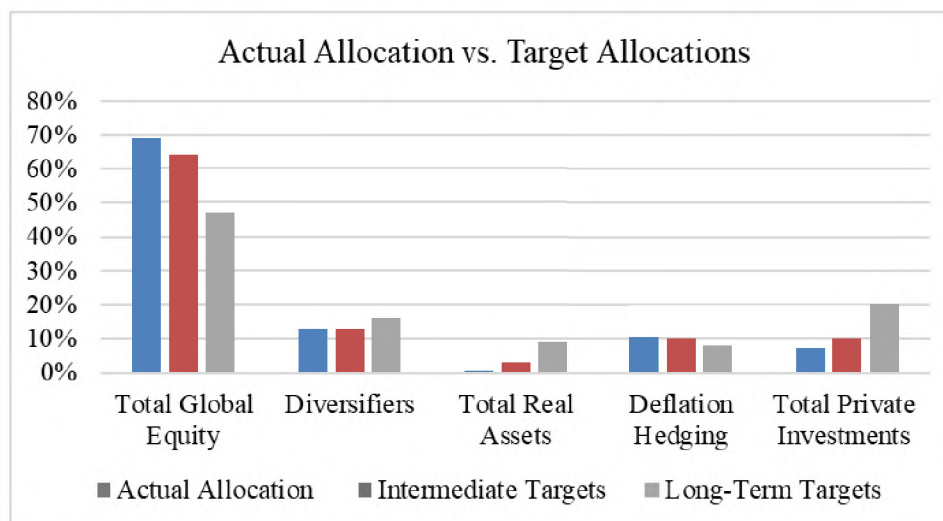
In determining the appropriate asset allocation, the inclusion or exclusion of asset categories shall be based on the impact to the Investments, rather than judging asset categories on a stand-alone basis. Target asset allocations should provide an expected total return equal to or greater than the primary 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, 2021, the University is five years into what is expected to be a ten-year transition to a full private investment allocation.

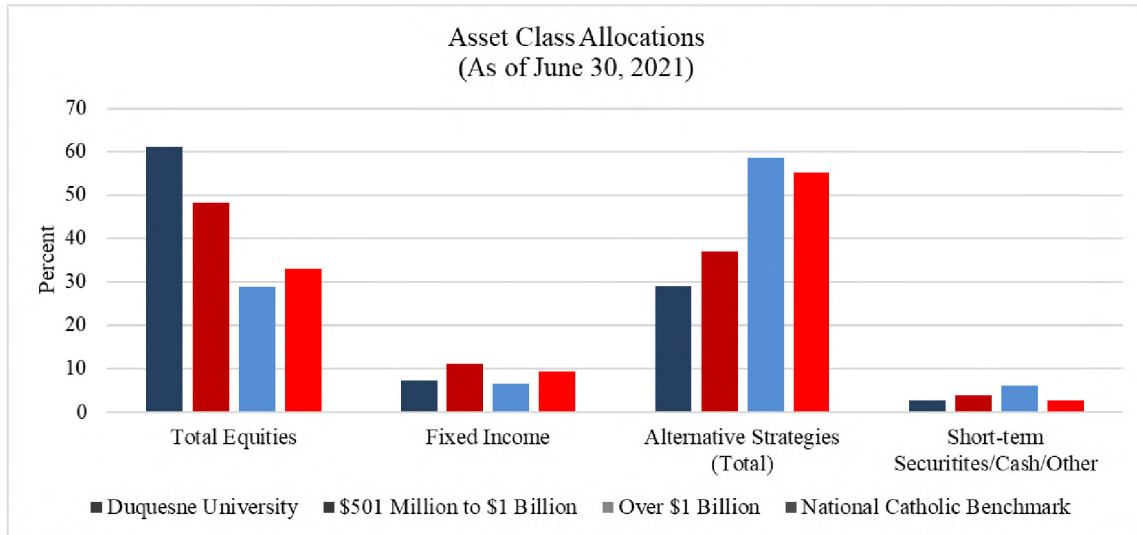
To address this shift from a target perspective, two targets have been established. The Long-Term Targets represent the long-term allocation strategy of the portfolio at maturity. The Intermediate Targets represent where the targets should be during the transition. The Diversifier asset category includes 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 as of 6/30/21:

	<b>Actual Allocation</b>	<b>Intermediate Targets</b>	<b>Long-Term Targets</b>
Total Global Equity	69%	64%	47%
Diversifiers	13%	13%	16%
Total Real Assets	0%	3%	9%
Deflation Hedging	10%	10%	8%
Total Private Investments	7%	10%	20%



The following graph compares Duquesne’s asset class allocation as of June 30, 2021 to NACUBO Benchmarks and the National Catholic Benchmark. Duquesne’s current allocation to equities is above benchmarks while allocations to alternatives is below. As the University continues to invest in alternative strategies, the long-term asset allocation will better align the University with these benchmarks.

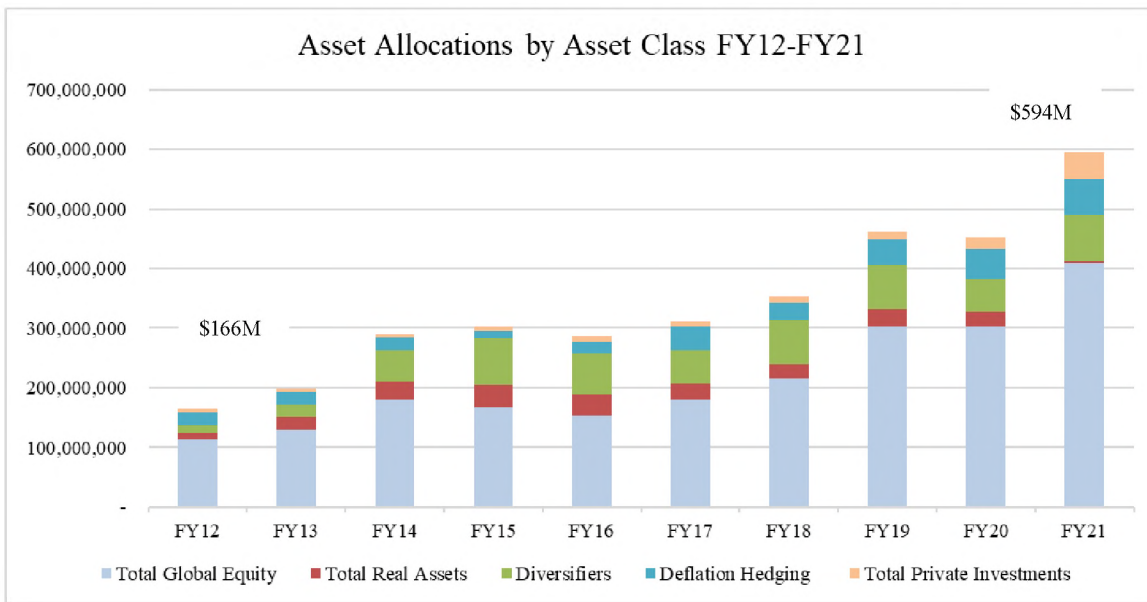


Source: 2021 NACUBO Endowment Study

\*National Catholic Benchmark includes the 2021 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.



	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
Total Global Equity	69%	66%	62%	55%	54%	58%	61%	66%	67%	69%
Diversifiers	8%	9%	18%	26%	24%	18%	21%	16%	12%	13%
Total Real Assets	6%	11%	10%	12%	13%	9%	6%	6%	6%	0%
Deflation Hedging	13%	11%	7%	4%	7%	13%	8%	9%	11%	10%
Total Private Investments	4%	3%	2%	2%	3%	2%	3%	3%	4%	7%

## Performance

The table below compares Duquesne's Investments performance with various benchmarks as of June 30, 2021.

**Benchmark Comparisons for Endowment and  
Other Long-Term Investments Returns  
(As of June 30, 2021)**

	10-Yr %	5-Yr %	3-Yr %	1-Yr %
<b>Duquesne University</b>	<b>8.1</b>	<b>11.2</b>	<b>11.6</b>	<b>36.1</b>
Benchmark #1-NACUBO \$501 Million to \$1 Billion	8.6	11.9	12.6	33.9
Benchmark #2-National Catholic	8.9	12.6	13.7	36.5
Aspirant Benchmark-NACUBO Over \$1 Billion	9.4	13.0	14.2	37.3

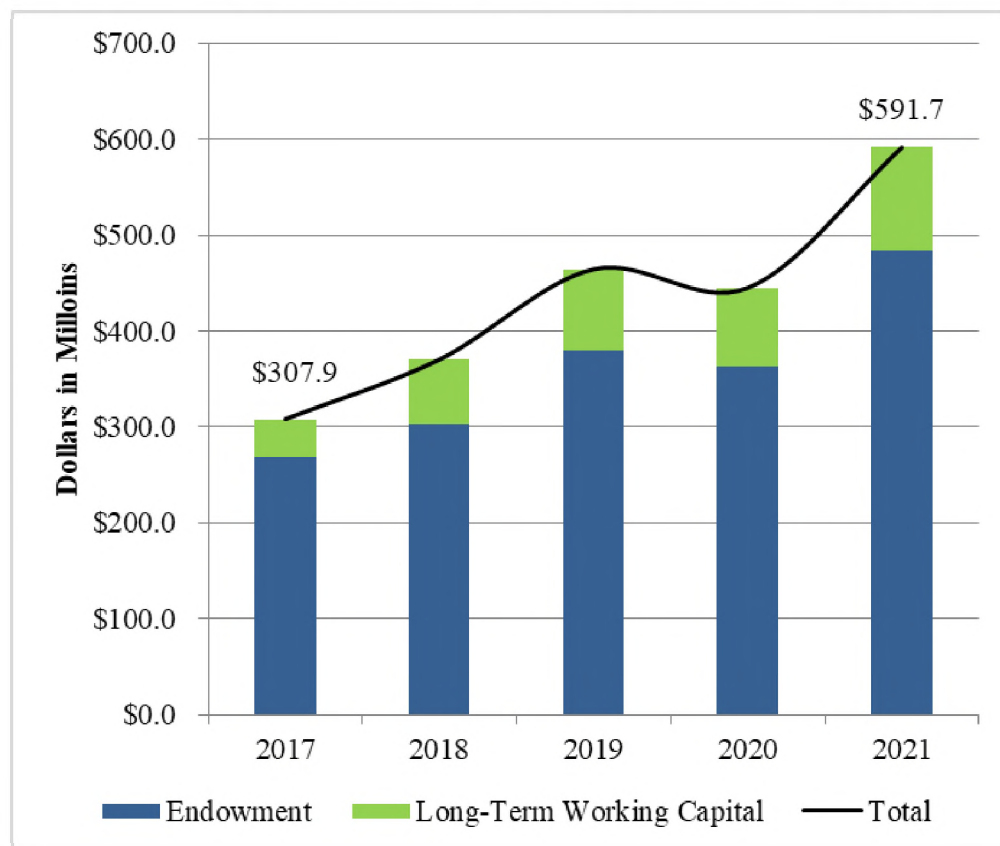
Sources: 2021 NACUBO Endowment Study and Cambridge Associates





## Growth

The following graph illustrates changes in Duquesne's Investments<sup>1</sup> from 2017 to 2021. During this period Investments have grown by 92% or \$283.8 million and as of June 30, 2021 were valued at \$591.7 million.



As highlighted in the table below, Investments increased 33% during fiscal year 2021. This was primarily due to return on investments net of spending. 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**

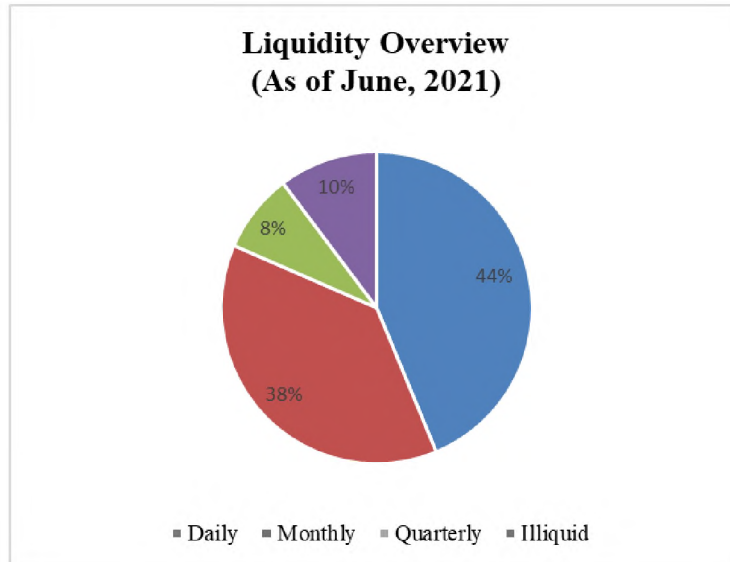
(Fiscal Years 2017 - 2021)

	FY17	FY18	FY19	FY20	FY21
New Gifts	\$ 6.1	\$ 6.7	\$ 6.2	\$ 3.2	\$ 3.5
Transfers and Additions	\$ -	\$ 42.5	\$ 93.5	\$ -	\$ -
Returns Net of Fees	\$ 34.9	\$ 25.5	\$ 9.2	\$ (3.5)	\$ 152.9
Spending	\$ (13.1)	\$ (12.2)	\$ (14.7)	\$ (19.3)	\$ (9.7)
<b>Total</b>	<b>\$ 27.9</b>	<b>\$ 62.5</b>	<b>\$ 94.3</b>	<b>\$ (19.6)</b>	<b>\$ 146.6</b>

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

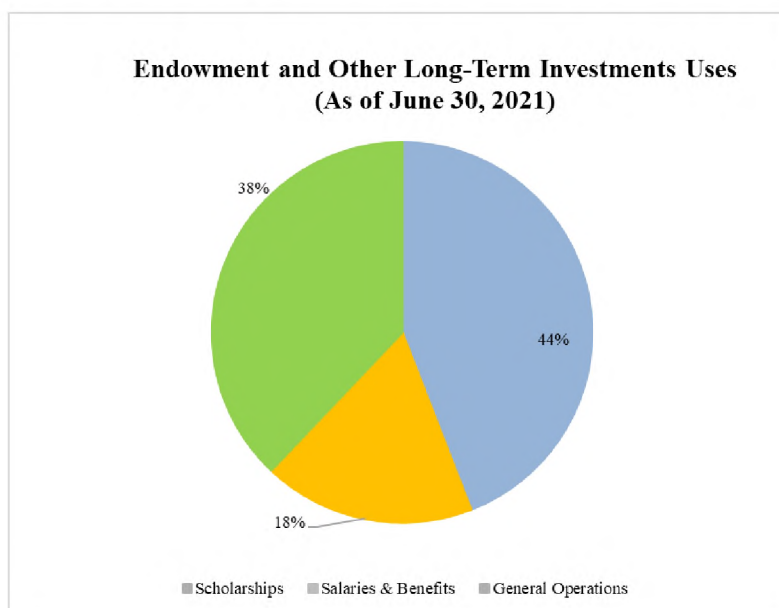
## Liquidity

Liquidity is measured by the time it takes to convert an investment to cash. Duquesne's Investments are highly liquid with 44% 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 8% can be converted on a quarterly basis, all under normal circumstances. Some of Duquesne's Investments are classified as illiquid, meaning it would take longer than a year to convert these assets to cash. These assets make up 10% of the total in the Investments.



## Uses

Of the \$9.6 million distributed in fiscal year 2021, \$4.2 million was used for scholarships, \$1.7 million was used for salaries and benefits, and the remaining \$3.7 million was used for general operations.



## Competitive Benchmarking Analysis

The 2021 NACUBO-TIAA Study of Endowments included the investment market values of 720 institutions with an overall average market value of \$1.1 billion as of June 30, 2021. The following tables compare Duquesne's Investments against the National Catholic Benchmark, Regional Catholic Benchmark, and Key Competitors. FTE data represents Fall 2020 figures. 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, 2021)

Institution		2021 Investments (\$000)	FTE Students	Investments Per Student
University of Notre Dame	1	\$18,074,543	12,623	\$1,431,874
Trustees of Boston College	2	3,827,100	13,659	280,189
Santa Clara University	3	1,537,642	7,830	196,378
Georgetown University	4	2,592,048	15,805	164,002
Saint Louis University	5	1,524,492	11,520	132,334
Villanova University	6	1,155,744	10,695	108,064
Creighton University	7	731,987	8,162	89,682
Marquette University	8	929,149	11,550	80,446
The Catholic University of America	9	352,450	4,409	79,939
University of San Diego	10	692,916	8,895	77,899
<b>Duquesne University of the Holy Spirit</b>	<b>11</b>	<b>627,291</b>	<b>8,517</b>	<b>73,652</b>
University of Dayton	12	805,677	10,939	73,652
University of St. Thomas	13	653,311	9,347	69,895
University of San Francisco	14	582,738	8,434	69,094
Gonzaga University	15	417,682	6,052	69,015
Fordham University	16	1,003,039	14,726	68,113
Loyola Marymount University	17	621,822	9,335	66,612
Loyola University Chicago	18	944,731	15,910	59,380
DePaul University	19	951,251	19,644	48,425
Seton Hall University	20	330,878	8,431	39,245

Note: Duquesne's Investments include Endowment (\$591,649) and Duquesne's percentage (2.5%) of the Dietrich Foundation funds (\$35,642).

**Benchmarking Analysis**  
**Duquesne vs. Regional Catholics**  
**(As of June 30, 2021)**

<b>Institution</b>		<b>2021 Investments (\$000)</b>	<b>FTE Students</b>	<b>Investments Per Student</b>
Fairfield University	1	\$456,905	5,046	\$90,548
Le Moyne College	2	245,377	2,925	83,889
<b>Duquesne University of the Holy Spirit</b>	<b>3</b>	<b>627,291</b>	<b>8,517</b>	<b>73,652</b>
Saint Joseph's University	4	378,782	5,184	73,068
Loyola University Maryland	5	302,800	4,529	66,858
University of Scranton	6	287,204	4,326	66,390
St. Bonaventure University	7	92,291	2,321	39,764

**Benchmarking Analysis**  
**Duquesne vs. Key Competitors**  
**(As of June 30, 2021)**

<b>Institution</b>		<b>2021 Investments (\$000)</b>	<b>FTE Students</b>	<b>Investments Per Student</b>
University of Pittsburgh	1	\$5,647,017	31,258	\$180,658
The Ohio State University	2	6,814,413	61,389	111,004
John Carroll University	3	289,409	3,199	90,468
University of Delaware	4	1,957,793	21,994	89,015
<b>Duquesne University of the Holy Spirit</b>	<b>5</b>	<b>627,291</b>	<b>8,517</b>	<b>73,652</b>
University of Dayton	6	805,677	10,939	73,652
Saint Joseph's University	7	378,782	5,184	73,068
The Pennsylvania State University	8	4,613,181	78,282	58,930
Temple University	9	835,241	36,254	23,039
Robert Morris University	10	49,060	3,490	14,057



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