



**CONTACT:**    **Damon J. Manetta**  
                      **202-861-2593**  
                      **damon.manetta@nacubo.org**

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## **College Endowment Earnings Decline Due to Volatile Stock Market and Weak Economy**

*NACUBO Study Shows Average Returns Drop Six Percent in Fiscal Year 2002*

**Washington, DC, January 21, 2003** ----- For the second consecutive year, the average college and university endowment lost value amidst investment market declines and a poor economy according to results of an annual study conducted by the National Association of College and University Business Officers (NACUBO). 654 higher education institutions participated in the 2002 NACUBO Endowment Study (NES). Those 556 participants with a June 30, 2002 fiscal year end recorded an average 6 percent decline in value over 12 months. Participants in the 2001 NES saw a 3.6 percent drop in value in fiscal year 2001.

The NES is an annual, voluntary survey of higher education institutions that wish to report information about their endowment holdings. Survey information is collected and calculated on behalf of NACUBO by TIAA-CREF, a financial services organization for educators. First administered in 1971, the NES is widely recognized as the industry standard for compiling and reporting the performance and management of college and university endowments.

Endowment holdings of institutions participating in the 2002 NES total \$222 billion compared with total holdings of \$236 billion in 2001. Public institutions account for \$61 billion or 27 percent of total holdings and independent institutions account for \$161 billion or 73 percent. Public institutions lost 6.4 percent on average compared with an average loss of 6.0 percent for independent institutions in FY02.

While results of the 2002 NES suggest discouraging implications for budget support at institutions, college and university endowment investments had better returns when compared with major stock market indexes over the same 12-month period. The S&P 500 was down 18 percent for the same 12-month period and the LB Aggregate bond index was up 8.6 percent. Therefore, a portfolio of 70 percent equities and 30 percent fixed income would have had an expected loss of 10.0 percent using these benchmarks. A 60/40 allocation between equities and fixed income would have had a loss of 7.4 percent.

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**Equal Weighted Average Compounded Rates of Return for Endowments with Fiscal Years Ending June 30, 2002, Compounded Over One, Three, Five, and Ten Years\***

<b>Endowment Assets</b>	<b>One Year, 556 Endowment Pools</b>	<b>Three Years, 508 Endowment Pools</b>	<b>Five Years, 470 Endowment Pools</b>	<b>Ten Years, 401 Endowment Pools</b>
<b>Over \$1 billion</b>	-3.8%	+5.6%	+9.7%	+12.8%
<b>\$501 million to \$1 billion</b>	-5.3%	+2.1%	+6.6%	+10.4%
<b>\$101 million to \$500 million</b>	-6.1%	+1.0%	+6.0%	+9.9%
<b>\$51 million to \$100 million</b>	-6.4%	-0.6%	+5.0%	+9.1%
<b>\$25 million to \$50 million</b>	-6.2%	-0.6%	+5.1%	+9.0%
<b>Less than \$25 million</b>	-6.6%	-1.1%	+4.6%	+8.1%
<b><i>Equal Weighted Mean</i></b>	-6.0%	+0.5%	+5.8%	+9.8%

\*Data represent number of institutions with June 30 fiscal year end closings. Approximately 15 percent of 2002 NES participants have fiscal year-end closings other than June 30.

Results of the 2002 NES show that the average asset class compositions of all participants are divided among equities, 57.4 percent; fixed income, 26.9 percent; hedge funds, 5.1 percent; cash, 3.9 percent; and real estate, 2.7 percent. The remaining categories—venture capital, private equity, natural resources, and “other”—represent the remaining 4.0 percent.

Diversification of investments played a fundamental role in college and university endowments realizing higher return rates than those of the major indexes. Among 2002 NES participants, a strong positive correlation can be made between the size of an institution’s endowment and the percent of nontraditional investments allocated in that endowment’s asset composition. The largest endowments on average had only 67 percent of their investments in the traditional categories of equities (stocks), fixed income (bonds), and cash, while the smallest endowments had 91 percent of their assets in those categories. Smaller endowments were assisted by greater allocations to fixed income and cash but not enough to offset their greater exposure to equities. The 2002 NES results substantially demonstrate that diversification across asset classes can reduce risk exposure.

“During the 1990s, college and university endowments experienced increased return rates and reduced investment volatility through excellent asset diversification and a soaring economy,” observed NACUBO president James E. Morley, Jr. “The asset allocations that served endowments well in the recent past allow endowments to achieve continued investment returns above market norms. Income from these funds remains critical to meeting the long-term needs of faculty, staff and students.”

The 2002 NES data also reflect a strong correlation between endowment size and endowment performance, with the larger endowments experiencing the best performance. Endowments over \$1 billion had an average loss of 3.8 percent compared with losses of 6.1 percent for endowments of \$101 to \$500 million and 6.6 percent for endowments of less than \$25 million. Six percent of all participants (39 institutions) account for nearly 60 percent of the total endowment assets reported.

The combined endowment assets of the 10 NES participants reporting the largest endowment holdings as of fiscal year ending June 30, 2002 (identified below), represent 30 percent of all endowment assets reported in the 2002 NES:

- 1) Harvard University, \$17,169,757,000
- 2) Yale University, \$10,523,600,000
- 3) University of Texas System, \$8,630,679,000
- 4) Princeton University, \$8,319,600,000
- 5) Stanford University, \$7,613,000,000 (reports as of August 31, 2002)
- 6) Massachusetts Institute of Technology, \$5,359,423,000
- 7) Emory University, \$4,551,873,000
- 8) Columbia University, \$4,208,373,000
- 9) University of California, \$4,199,067,000
- 10) The Texas A&M University System and Foundations, \$3,743,442,000

Through managed spending policies, participants in the 2002 NES spent an average of 5.3 percent of the market value of their endowments. Interest earnings from invested endowment assets provide funds for institutional expenses including financial aid, faculty salaries, building maintenance, and other operating costs. Endowments also provide a source of funds for colleges and universities in times of unexpected financial need, such as the current downturn in the economy; decreases in federal, state, and local government support for higher education institutions; and unfunded mandates resulting from new government legislation or regulations. Certain endowment funds may be restricted to specific uses and not available for institutional operations, student aid, and the like. Such restrictions include those directives specified by benefactors. The vast majority of endowment funds are preserved over the long term to sustain a strong financial base for an institution and its future.

The complete 2002 NES, available in early February 2003 on CD-ROM, contains tables, charts, and graphs that clearly illustrate essential data on all aspects of endowment management including endowment size, rankings, historical investment performance, asset allocation, spending policies, management expenses, and manager selection and evaluation. The cost for the full study is \$69.95 for NACUBO members and \$94.95 for nonmembers. Call 866-348-6300 for advance orders.

TIAA-CREF, founded in 1918, is a leading financial services organization with approximately \$250 billion in assets under management. In addition to being the premier pension system for education and research institutions, TIAA-CREF offers mutual funds, annuities, life and long-term care insurance, and trust and investment services to the general public, and is the leading manager of state-sponsored college savings programs.

NACUBO, founded in 1962, is a nonprofit professional organization representing chief administrative and financial officers at more than 2,100 colleges and universities across the country. NACUBO's mission is to promote sound management and financial practices at colleges and universities.

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## **Introduction: Two Perspectives**

### **2002 NACUBO Endowment Study as I See It: Surviving Endowment Drought By David J. Lyons**

The 2002 NACUBO Endowment Study (NES) shows college and university endowments dipping for a second straight year. One implication: Business officers must remain diligent in developing strategies for operating with reduced resources.

The good news is that endowment investments at higher education institutions continue to perform far better on average than the S&P 500, Dow Jones Industrial Average, and NASDAQ Composite stock market indexes. According to the NES, based on responses from 654 institutions, the total equal-weighted average investment pool lost 6.0 percent in 2002. The S&P was down three times that during the same period, with an 18 percent loss.

The bad news is that the -6.0 percent return for FY 2002 surpassed a -3.6 percent return in FY 2001 and set an unprecedented record of two consecutive years of endowment investment pool losses since the NES was first published in 1974. (The first NES was conducted in 1971.) The FY 2001 loss broke a streak of continued endowment investment gains that began in FY 1985.

The NES, conducted for NACUBO by TIAA-CREF, is widely recognized as the industry standard for compiling and reporting the institutional performance and management priorities of college and university endowments. As such, the study provides both public and independent colleges and universities the data with which to compare their year-end investment results to institutions with similar endowment characteristics and investment objectives. While endowment performance during the past two fiscal years does not paint a rosy picture, the results might be far less appealing if not for the prudence of college and university investment managers intent on preserving capital.

In the face of stunted endowment growth, the growing reality for many colleges and universities has been to cut budgets, impose hiring and salary freezes, adjust financial aid awards, and postpone campus construction or maintenance projects. Operating under such constraints, the strategies for surviving endowment drought seem clear: get used to lower returns for the foreseeable future and realize you'll need to work harder for them, and practice patience by focusing on the long term with well-chosen diversified assets that can help guard against loss.

While the S&P 500 was down 18 percent for fiscal year 2002, the Lehman Brothers Aggregate Bond Index grew 8.6 percent. Using these benchmarks, a portfolio of 70 percent equities and 30 percent fixed income would have resulted in a -10.02 percent return. A 60/40 percent allocation between equities and fixed income, respectively, would have shown a -7.36 percent return. So why did college and university endowments fare better than both these asset projections—posting only a 6.0 percent loss? A primary reason is that endowment investments were spread among additional asset classes beyond the traditional stocks, bonds, and cash.

Investments in real estate, hedge funds, venture capital, private equity, natural resources, and other alternative assets reduced dependence on traditional equities—an asset class with significant losses.

Fortunately, some of these other asset classes are not closely correlated with traditional equities and produced positive returns, which helped cushion endowment losses overall.

A correlation exists between endowment size and the percent of nontraditional investments. The largest endowments had only 67 percent of their investments in traditional categories of stocks, bonds, and cash compared with 94 percent for the smallest endowments. Smaller endowments were helped somewhat by greater allocations to fixed income and cash, though not enough to offset their greater exposure to equities. [See additional discussion of alternative investments in the companion piece by Louis R. Morrell.]

The 2002 NES continues to show a strong correlation between endowment size and endowment performance, with larger endowments performing best overall (see Table 40, “Average Investment Pool Compounded Nominal Rates of Return for Fiscal Year Ending June 30”). For instance, endowments greater than \$1 billion had an average loss of 3.8 percent compared with losses of 6.1 percent for endowments of \$101 million to \$500 million, and losses of 6.6 percent for endowments of less than \$25 million.

Better performance by larger endowments shows up dramatically in the table’s three-year performance column. The average endowment of \$100 million or less had a negative compounded return for the three years. Endowments of \$101 million and greater had positive returns during the three years. This is a reminder that small annual differences compounded each year become significant differences over time.

What changes should investment officers and investment committees make as a result of recent endowment performance and a continued dry outlook for the economy as a whole? Interest rates are near historic lows, but the possibility exists for capital losses when rates increase, so it does not seem a good time to increase allocations to fixed income. However, there is great interest in expanding on alternative asset classes pursued in FY 2002.

As for traditional equities, because of their recent poor performance it is easy to forget that for long periods of time large company stocks have returned 10.7 percent annualized. Many money managers believe that stocks are no longer overvalued but are fairly valued and that returns in the high single digits can be expected during the next several years.

College and university business officers must take the lead as always in projecting available resources and assisting their institutions with the difficult decisions required to operate within tighter parameters. The good news is that down-market economies cycle as do up-market economies. The current economic and endowment drought will not last forever. In the meantime, the key to survival may well be persistence in adhering to wise strategies for asset diversification. And it couldn’t hurt to hope for rain.

*David J. Lyons is the retired vice president and treasurer of Rockefeller University and a member of the NACUBO Endowment Advisory Panel. He also serves as a NACUBO senior fellow.*

**2002 NACUBO Endowment Study: How the Chief Investment Officer Uses It**  
**By Louis R. Morrell**

Since the most sustained bull market in U.S. history ended in early 2000, college and university endowments have come under ever-increasing performance pressure. In two years, the investment emphasis has shifted from capital enhancement to capital preservation. Calendar year 2002 represents the third straight year of negative total returns for major market indexes. The last period of triple losses was 1941, when the S&P 500 lost a combined 21.8 percent over a three-year period. This compares to a loss of approximately 44 percent for the most recent three-calendar-year period.

Many institutions look for objective comparative data when analyzing endowment performance. Students, parents, trustees, donors, alumni, employees, administrators, and faculty are all interested in endowment performance as it has some financial impact on each group. While each institution should have its own internal benchmark to measure performance, there is a natural tendency to compare results with other colleges and universities. Such useful comparative information is available through this annual study.

As noted above, there are a number of different parties that have a vested interest in results of the NACUBO Endowment Study (NES). The comments that follow are from the perspective of an institution's chief investment officer (CIO). At a growing number of institutions, the role of the CIO is performed by an individual whose sole responsibilities relate to investments. At other institutions it is one of several functions that fall under the responsibility of the chief financial officer (CFO). Most colleges and universities have investment policy committees that are responsible for the oversight of that institution's investment portfolios. This includes such responsibilities as setting investment performance goals, monitoring results of investments, establishing proper asset allocations, controlling risk, setting spending rates, and overseeing the investment process.

The NES contains three major components: 1) endowment size and annual change, 2) investment return, and 3) asset allocation. It is important to understand the nature of the NES final report, including both its usefulness as well as its limitations. We now live in an age of seemingly endless competitive rankings: from the most successful sports teams, to the most fashionably dressed, to the greatest amount of personal wealth, and beyond. Unfortunately, rankings often do not tell the complete story and must be considered in context with additional information for an accurate picture of the issue. Considering this caveat, the NES is an excellent starting point in preparing an analysis of investment management.

One of the CIO's most important relationships is with the trustee investment policy committee. This group is responsible for investment management leadership at the institution, and is a primary source of investment information for the institution community. It is critical that the CIO and the committee have a clear understanding of the role that the NES plays inside and outside of their institution, and the implications from its publication or release. The committee should understand the content, strengths, and limitations of the NES, as well as how the results are to be analyzed and distributed.

The investment committee might discuss and agree to the assembly of a reasonably sized peer group of institutions, among which NES results may be compared. A number of institutional factors can be taken into consideration when assembling a peer group, including endowment size, enrollment size, joint admissions, geographic location, governance structure, and common academic programs. It is important that agreement among the CIO and investment committee be reached as to which institutions are to be included in such a peer group in order to give the comparison group credibility among those using the information.

The NES contains a number of tables showing results and general characteristics of college and university endowments. One particular table relates to the size of a participating institution's endowment at both the start and the end of FY 2002, along with the percentage change for that period (Table 48). The change in market value of an institution's endowment is the result of five variables: 1) investment return, 2) gift additions, 3) transfers in/out, 4) withdrawals from principal, and 5) spending practices. All of these factors together determine the dollar and percentage change of an institution's endowment within the indicated time frame. The study also provides separate return-on-investment information as well as spending practices, but not the other factors mentioned above (gift additions, transfers, or withdrawals from principal). Table 45 allows an institution to see where it finished in terms of endowment size and relative standing among all institutions included in the NES that year. Thus, lacking any additional information, one is able only to determine relative financial strength and its change during one fiscal year.

One specific example of this limited measurement may be seen in the entry of Wake Forest University. Wake Forest had a negative investment return of 5.2 percent while its endowment market value declined by 9.8 percent. A casual reader might assume that the change in net market value relates solely to investment performance, which is not the case. A significant percentage change in market value during the fiscal year, either up or down, serves as an alert that further analysis is required to determine what led to such a situation. It is suggested that information related to all five of the above-noted factors affecting change in market value be gathered from institutions included in the peer group comparison mentioned earlier.

Another NES table displays investment return information (Table 56 – institution names are coded by number). It allows an institution to compare itself with all institutions in the NES, as well as institutions within its endowment size range. Results should be considered for the most recent year as well as three-, five-, and ten-year periods. Investment return results are due to a number of factors, the most important of which is asset allocation. Various asset classes perform differently from one year to the next. The institution's investment return performance should be compared to other institutions in the peer study group as well as with endowments of a similar size range. As mentioned, it is important to make such comparisons over different time periods. Another critical factor relates to risk. Did those institutions that performed exceptionally well do so by assuming high levels of risk? Although the NES does not directly address the matter of risk, some measure of that factor can be determined from the asset allocations of the institutions involved.

The NES also contains useful tables relating to asset allocation. One table in particular shows the various asset classes as well as the number of institutions invested in the different asset classes and the equal-weighted percentages by asset type (Table 19). Institutions should once more make comparisons within the peer group as well as with institutions that have similar endowment sizes. Another useful examination relying on NES data involves a comparison between endowment return performance and asset classes. For example, there is currently a great deal of attention to and interest in alternative assets. A comparison of investment returns to percent allocations to alternative asset classes could disclose the relationship of one of the above factors to the other. Is there a correlation between the extent of exposure to alternative asset classes and investment return? If an institution allocated less to a particular asset class compared to peers or endowments of similar size, the institution should understand its rationale for investing less in that asset category. Consideration should be given to the addition of missing or underweight asset classes in an institution's portfolio. When consideration is given to asset classes, an institution must consider the outlook for those classes to avoid tendencies to chase returns that might not exist in the period ahead.

Endowment spending policies of institutions are also showcased in the NES. It is important to consider the percent of annual withdrawal as well as the methodology used in making such withdrawals. Most institutions use a three-year moving, or rolling, average market value approach resulting in the spending of between 5 and 6 percent of an endowment's value. An institution should compare its practices with peer institutions, taking into consideration a number of factors such as endowment size, percentage of endowment distribution of total operating budget, need for income stability, portfolio risk, enrollment growth, and relationship between unrestricted and restricted endowment funds. While the moving market value approach has worked reasonably well, the current multi-year bear market and increased volatility in the capital markets are causing many institutions to consider other distribution approaches that may provide additional stability to their operating budgets. One approach involves the creation of income stabilization reserves; another relies on an automatic increase to the amount distributed during the prior year.

One other important measure relates to endowment per student. A reporting institution's total may include the endowment of its medical school, with a relatively small student population, making the endowment-per-student number much higher than it would be were only the undergraduate programs included. Also enrollment growth should be taken into consideration as sharply rising annual enrollment can quickly reduce the endowment-per-student numbers. Using a carefully selected group of peer institutions, about which one holds certain critical information, makes comparison data much more useful.

The NES is an important tool in enabling institutions to make meaningful comparisons with peer institutions in terms of endowment strength and performance. The study should be seen as a starting point that can lead to important policy decisions that will add significantly to the financial well being of a college or university. Working closely with the investment policy committee, the CIO should play an active role in providing information and guidance to the committee as to how best to use the study data in advancing the institution.

*Louis R. Morrell is vice president for investments and treasurer at Wake Forest University. He serves on the NACUBO Endowment Advisory Panel.*

Table 19  
Average Asset Class Composition of Total Investment Pool Assets

Investment Pool Assets	Equity %	Fixed Income %	Real Estate %	Cash	Hedge Funds %	Private Equity	Venture Capital %	Natural Resources %	Other %
Greater Than \$1.0 Billion	45.1	20.5	4.3	1.9	17.8	4.3	3.9	1.7	0.5
\$501 Million - \$1.0 Billion	56.4	19.5	3.9	1.3	11.4	3.5	2.4	0.8	0.8
\$101 Million - \$500 Million	56.9	25.3	2.8	2.8	6.7	1.7	1.5	1.6	0.7
\$51 Million - \$100 Million	60.8	27.5	2.6	3.5	4.1	0.2	0.2	0.1	0.9
\$25 Million - \$50 Million	59.8	28.7	2.4	3.9	3.2	0.3	0.3	0.1	1.3
Less Than \$25 Million	55.4	31	2.2	4.8	1.3	0.2	0.1	2.0	2.9
Public	57.2	29.1	2.6	3.7	3.5	0.6	0.8	0.5	2.0
Independent	57.3	25.7	2.8	4.0	5.9	1.1	1.2	0.5	1.4
Dollar-Weighted Average	50.2	23.4	4.5	1.3	11.3	3.2	3.3	2.0	0.9
Equal-Weighted Average	57.4	26.9	2.7	3.9	5.1	0.9	1.1	0.4	1.6

644 institutions provided investment pool asset class data. Table data are equal-weighted unless noted otherwise.

- Participating institutions with between \$51 million and \$100 million in investment pool assets hold, on average, the largest portion of equity in their portfolios (60.8%). Institutions with more than \$1.0 billion in investment pool assets hold the smallest portion of equity in their portfolios, 45.1%, on average. The institutions with the largest investment pools hold the greatest proportion of alternative investments.
- The percentage of holdings in hedge funds, private equity, and venture capital assets increases as aggregate investment pool assets increase. Independent institutions hold a considerably larger proportion of these assets than public institutions, on average.
- With the exception of institutions with more than \$1.0 billion in investment pool assets, as investment pool assets increase, the average percentage of bonds managed in the investment pool decreases.

Table 20  
Ten -Year Comparison of Asset Class Composition

Asset Class	2002 Equal- Weighted Average %	2001 Equal- Weighted Average %	2000 Equal- Weighted Average %	1999 Equal- Weighted Average %	1998 Equal- Weighted Average %	1997 Equal- Weighted Average %	1996 Equal- Weighted Average %	1995 Equal- Weighted Average %	1994 Equal- Weighted Average %	1993 Equal- Weighted Average %
Equity	57.4	59.4	62.1	64.3	63.5	63.4	60.9	56.9	54.3	53.0
Fixed Income	26.9	24.9	23.3	23.6	25.6	26.1	28.5	31.2	32.6	34.9
Real Estate	2.7	2.4	2.0	2.0	2.1	1.9	1.9	2.0	2.1	2.1
Cash	3.9	4.1	4.1	4.0	4.3	4.7	5.3	6.5	7.5	7.4
Hedge Funds	5.1	4.2	3.0	3.1	2.8	2.2	1.8	1.6	1.5	0.7
Private Equity	0.9	0.9	1.0	0.8	0.4	0.3	0.2	0.2	0.2	0.2
Venture Capital	1.1	1.5	2.4	1.4	0.7	0.7	0.7	0.6	0.5	0.5
Natural Resources	0.4	0.4	0.4	0.2	0.2	0.3	0.2	0.3	0.3	0.3
Other	1.6	2.1	1.7	0.5	0.4	0.4	0.5	0.7	1.0	0.9

644 institutions provided investment pool asset class data in 2002.

- An examination of average asset class allocations over a 10-year period shows an inverse relationship between equities and bonds; as the allocation for one increases, the allocation for the other decreases.
- The average allocations for hedge funds and private equity among portfolios increased steadily over a 10-year period, while the cash allocation has steadily declined. The average allocation for venture capital increased steadily until 2000 before reversing, while that for equities began reversing a year earlier.

Table 21  
Average Asset Class Composition by Public/Independent Institutional Classification

Investment Pool Assets	Total		Public		Independent	
	EW%	DW%	EW%	DW%	EW%	DW%
Equity - US	47.3	36.7	47.2	40.8	47.3	35.1
Equity - Global	2.9	2.7	2.1	3.1	3.3	2.5
Equity - Foreign	5.4	5.1	6.1	5.5	5.2	4.9
Equity - Emerging	0.7	1.9	0.8	1.3	0.6	2.2
Equity - Developed	1.1	3.7	1.0	2.8	1.0	4.0
Fixed Income - US	25.9	21.2	28.2	24.0	24.8	20.2
Fixed Income - Global	0.9	0.9	0.7	1.5	0.9	0.7
Fixed Income - Foreign	0.1	0.1	0.2	0.4	0.0	0.0
Fixed Income Emerging	0.0	0.3	0.0	0.0	0.0	0.4
Fixed Income Developed	0.0	0.8	0.0	0.1	0.0	1.1
Real Estate Public	1.2	1.3	1.7	1.7	1.0	1.2
Real Estate Private	1.5	3.2	0.9	1.6	1.8	3.8
Cash	3.9	1.3	3.7	2.1	4.0	0.9
Hedge Funds	5.1	11.3	3.5	8.1	5.9	12.5
Private Equity	0.9	3.2	0.6	1.9	1.1	3.8
Venture Capital	1.1	3.2	0.8	2.7	1.2	3.4
Commodities	0.0	0.4	0.1	0.2	0.0	0.6
Oil and Gas Partnerships	0.2	0.8	0.2	0.7	0.4	0.8
Timber	0.2	0.9	0.2	0.3	0.1	1.1
Other	1.6	0.9	2.0	1.1	1.4	0.8

644 institutions provided investment pool asset class data. EW% = equal-weighted average, DW% = dollar-weighted average.

- Independent institutions have larger investment pools than public institutions, on average, explaining why the dollar-weighted and equal-weighted values vary significantly for these asset classes, e.g., a greater concentration in alternative assets for the larger pools.

Table 22

## Average Asset Class Composition by Investment Pool Size

Investment Pool Assets	Greater Than \$1.0 Billion		\$501 Million - \$1.0 Billion		\$101 Million – \$500 Million		\$51 Million – \$100 Million		\$25 Million - \$50 Million		Less Than \$25 Million	
	EW%	DW%	EW%	DW%	EW%	DW%	EW%	DW%	EW%	DW%	EW%	DW%
Equity - US	32.2	29.3	40.4	40.0	45.9	44.5	50.3	50.6	50.1	50.1	49.6	51.0
Equity - Global	2.7	2.2	3.3	3.7	2.7	2.8	3.9	4.0	3.3	3.2	2.1	2.5
Equity - Foreign	4.9	3.9	6.5	6.3	6.4	6.4	5.8	5.8	5.8	6.0	3.1	3.5
Equity - Emerging	2.0	2.9	1.6	1.6	0.8	0.8	0.3	0.3	0.2	0.2	0.4	0.5
Equity - Developed	3.4	5.3	4.6	4.2	1.1	1.2	0.6	0.6	0.4	0.4	0.2	0.3
Fixed Income - US	18.9	20.3	16.8	16.7	24.5	24.0	27.0	26.7	27.5	27.2	30.5	29.1
Fixed Income - Global	1.0	0.5	2.3	2.6	0.7	0.8	0.4	0.4	1.1	1.0	0.5	0.6
Fixed Income - Foreign	0.1	0.2	0.3	0.2	0.1	0.1	0.1	0.1	--	--	0.1	0.1
Fixed Income Emerging	0.1	0.5	0.1	0.1	--	--	--	--	0.1	0.1	--	--
Fixed Income Developed	0.3	1.6	--	--	--	--	--	--	--	--	--	--
Real Estate Public	1.3	1.3	1.5	1.5	1.4	1.4	1.0	0.9	0.8	0.8	1.4	1.0
Real Estate Private	3.0	4.6	2.4	2.3	1.4	1.4	1.6	1.5	1.6	1.7	0.8	1.1
Cash	1.9	-0.2	1.3	1.5	2.8	2.7	3.5	4.4	3.9	3.9	4.8	6.2
Hedge Funds	17.8	14.7	11.4	11.5	6.7	7.4	4.1	3.1	3.2	3.4	1.3	1.7
Venture Capital	3.9	4.7	2.4	2.6	1.5	1.9	0.2	0.2	0.3	0.3	0.1	0.1
Private Equity	4.3	4.2	3.5	3.5	1.7	1.9	0.2	0.2	0.3	0.3	0.2	0.2
Commodities	0.2	0.9	--	0.1	--	--	0.0	--	0.1	0.1	--	--
Oil and Gas Partnerships	0.9	1.0	0.7	0.8	0.4	0.5	0.1	0.1	0.1	--	--	--
Timber	0.5	1.7	0.1	0.1	0.2	0.2	--	--	--	--	--	--
Other	0.5	0.5	0.8	0.7	1.7	1.7	0.9	0.9	1.3	1.3	2.9	1.9

644 institutions provided investment pool asset class data.

**Chart 13**  
**Average Investment Pool Compounded Nominal Rates of Return**  
**for Fiscal Year Ending June 30, 2002**  
**for Selected One, Three, Five, and Ten-Year Periods**

Endowment Assets	1-year % N = 556	3-year % N = 508	5-year % N = 470	10-year % N = 401
Greater Than \$1.0 Billion	-3.8	5.6	9.7	12.8
\$501 Million - \$1.0 Billion	-5.3	2.1	6.6	10.4
\$101 Million - \$500 Million	-6.1	1.0	6.0	9.9
\$51 Million - \$100 Million	-6.4	-0.6	5.0	9.1
\$25 Million - \$50 Million	-6.2	-0.6	5.1	9.0
Less Than \$25 Million	-6.6	-1.1	4.6	8.1
Public	-6.3	-0.3	5.4	9.3
Independent	-6.0	0.8	6.0	10.0
Total Equal-Weighted Average	-6.0	0.5	5.8	9.8
Total Dollar-Weighted Average	-4.2	3.8	7.7	10.9
Median	-6.4	0.2	5.7	9.6
Comparative Indexes				
Russell 3000	-17.2	-7.9	3.8	11.3
S & P 500	-18.0	-9.2	3.7	11.4
LB Aggregate	8.6	8.1	7.6	7.4
CPI-U	1.9	4.6	3.9	4.0

- Among institutions reporting investment pool rates of return, those with larger endowments have, on average, higher rates of return than those with smaller endowments. The institutions with more than \$1 billion in assets have the highest compounded nominal return rates for all four periods, on average. The average one-year rate of return for these institutions is -3.8%. This figure dropped 2.2 percentage points from June 30, 2001, when it was -1.6%.
- Independent institutions outperformed public institutions in all four periods (1, 3, 5, and 10-year), on average, as they represent 29 of the 39 institutions with assets greater than \$1.0 billion.
- Across all institutional types, the average one-year rates of return exceeded those of comparable stock market indexes.