



# ANNUAL ENDOWMENT REPORT

FISCAL YEAR  
2018

- On behalf of Stevens Institute of Technology, I am pleased to present the Fiscal Year 2018 Endowment Report and provide an overview of the highlights of the university's Endowment achievements.

The Stevens Endowment reached \$207 million as of June 30, 2018. The portfolio has grown \$51 million over the past five years to the highest value in the university's history. During this past fiscal year, the portfolio increased \$23 million, which included gifts and transfers of nearly \$20 million and investment gains of \$9 million. This was offset by the spending distribution to operations of \$6 million, which is the Endowment's annual support for student scholarships, academic programs, faculty chairs and more, as directed by each of our donors.

During the past fiscal year, Stevens secured the largest single gift for scholarships in university history, \$15 million, from the A. James and Alice B. Clark Foundation. The gift endowed the A. James Clark Scholars Program, which supports a strategic university goal by awarding scholarships and other funding opportunities to students from underserved backgrounds who major in engineering, computer science or cybersecurity. The Clark Foundation also added a term-use gift of \$1.5 million for pre-college scholarships. This past summer, 15 Clark Scholars explored campus for two weeks through the university's Pre-College Program, and the first 23 undergraduate Clark Scholars joined Stevens as first-year students this 2018-19 academic year.

In addition to this record-breaking gift, the Board of Trustees approved the transfer of \$2.3 million to the Endowment for three unrestricted bequest gifts received this past year for scholarships and support of faculty. With this action, the Board of Trustees acknowledges the importance of growing the Stevens Endowment and will continue to pursue similar opportunities in the future.

The Stevens Student Management Investment Fund (SSMIF) managed a portfolio of \$426,000 as of June 30, 2018. The related experiential two-semester course allows students to manage and invest a portion of the Stevens Endowment, funded by gifts given specifically for this purpose, in a classroom setting with guidance from Stevens faculty. Last spring, a team from SSMIF was chosen

to participate in the 2018 CNBC Stock Draft, a national competition among eight teams of investors and celebrities. SSMIF is the only student team in the competition. Two of the three rounds of teams' stock picks were broadcast live on CNBC's "Power Lunch," and the winning team will be selected based on the average percentage growth of teams' three-stock portfolios between late April 2018 and the NFL Super Bowl in February 2019.

Consistent with benchmarks in the higher education sector, the university has continued to implement a spending rate at 4.5% for the Endowment for Fiscal Year 2019, the same as in Fiscal Years 2017 and 2018, in order to maintain stability in the Endowment's support of scholarships, academic programs, etc. The Board of Trustees' Investment Committee continues to work diligently with university management and our Outsourced Chief Investment Officer (OCIO), Goldman Sachs, to safeguard and preserve the long-term real purchasing power of the Endowment while earning returns that are commensurate with our risk tolerance levels and our spending requirements.

On behalf of the Board of Trustees and the Investment Committee, thank you to our donors for investing in the Stevens Endowment and the future of the university, which continues to shine brightly. Rest assured that we will continue to steward the Endowment with great care as it grows and enriches our students, faculty and academic programs. Support from our alumni and friends is key to Stevens' future growth and success.

Respectfully yours,

**J. Scott Swensen '74**

**Chair of the Investment Committee**

**THE POWER OF STEVENS**  
OUR CAMPAIGN. OUR IMPACT.



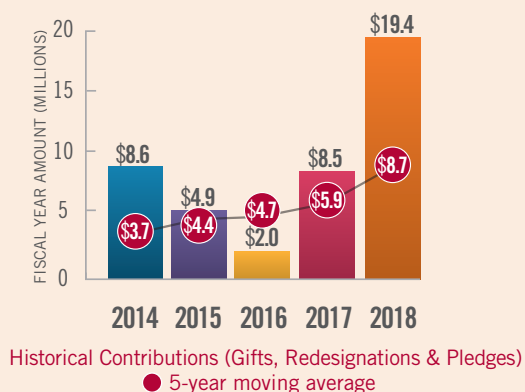
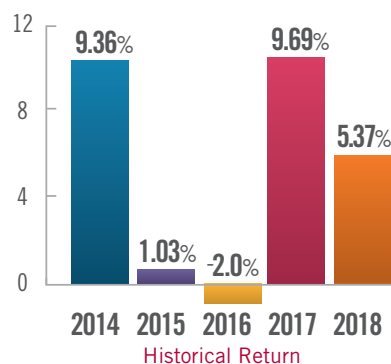
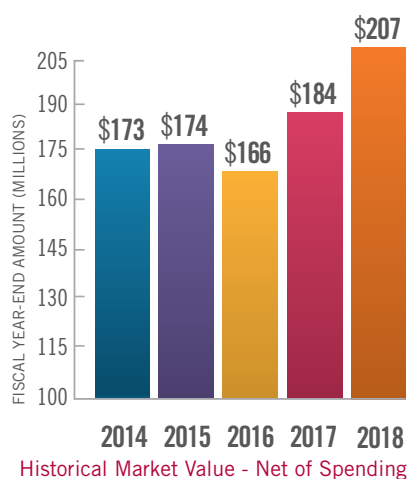
**STEVENS**  
INSTITUTE of TECHNOLOGY  
THE INNOVATION UNIVERSITY®

A gift to the Stevens Endowment is an investment in the university's future. It is a permanent legacy that provides a secure source of future revenue to support students, faculty or academic programs as directed by each donor's wishes. A gift to the Stevens Endowment forever benefits our mission and ensures excellence in perpetuity. The Endowment, a set of pooled assets, is comprised of individual funds and is invested as one co-mingled portfolio in a purposeful and accountable manner to generate income that will honor our donors' intended purposes.

## ■ Endowment Activity

The market value of the Stevens Endowment grew to \$207 million as of June 30, 2018. Gifts and redesignations during Fiscal Year 2018 were \$19.4 million (see chart below for details). Net investment gain was \$9.1 million. Net spending distribution for operations to support students, faculty and academic programs was \$6.0 million, offset by \$0.4 million of prior year unspent distributions returned to the Endowment from operating funds. The Goldman Sachs-managed portion of the Endowment (82% of the

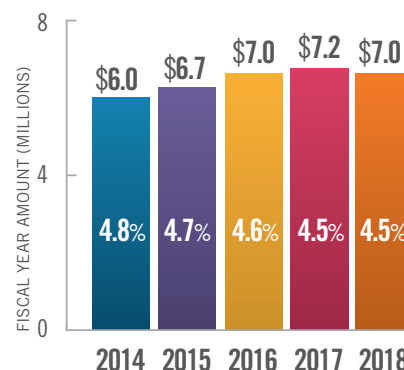
total portfolio) returned 6.02%, consistent with the overall trend in the capital markets for the 12-month period ending June 30, 2018. The investment portfolio lagged its strategic benchmark by 0.60%, driven by a persistent low-volatility environment, market headwinds for the portfolio's active managers and being underweight in private equity investments, which will be rectified over the next several years. Overall, the net investment gain for the entire Endowment portfolio for the year ending June 30, 2018 was 5.37%.



Endowment gifts are typically comprised of cash and securities, or sometimes real estate or other assets. Gifts recorded in the current year may be payments received in the current year or pledges that promise payments in future years. Gifts received during a particular year from estates, known as bequests, are also included in these figures. Bequest expectancies, where donors name Stevens in their wills to receive a gift from their estates in the future, are not included in these numbers. In addition, contributions include donor and Board redesignations of prior gifts. Due to the various sources of gifts, the pattern of values associated with annual giving to the Endowment can vary from year-to-year. Nevertheless, Stevens' endowment giving overall, as the five-year moving average line indicates, is very positive.

## ■ Spending

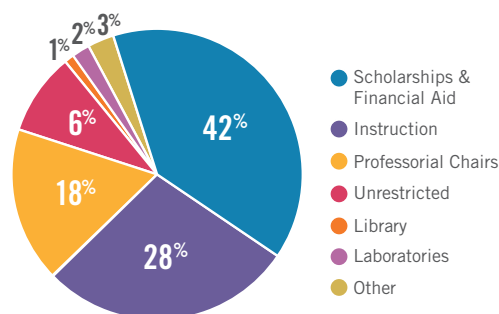
The Board of Trustees authorized the Fiscal Year 2018 spending rate of 4.5% of a three-year trailing average of total market values of all pooled invested funds in the Endowment, the same as in Fiscal Year 2017. In Fiscal Year 2014, the Board of Trustees approved a gradual reduction in the annual spending rate from 5% in Fiscal Year 2013 to 4.5% in Fiscal Year 2017. During this period, the pattern of lowering the spending rate, albeit on a higher Endowment value, resulted in increases in annual gross distribution amounts while applying a fiscally prudent approach for the Endowment to continue to grow in perpetuity.



Historical Spending - Gross dollar amount and % of endowment value

## ■ Structure

The Endowment is comprised of 387 individual funds, most established by dedicated and generous donors or group of donors for specified purposes. The funds are pooled and invested as a single portfolio, but are tracked and allocated individually. At Stevens, endowed funds support scholarships and financial aid, instruction, professorial chairs, the library, laboratories and various educational programs. These funds have appreciated in value over time while annually providing income for the designated purposes of the gifts.



Endowment Designations - 6/30/2018

## ■ Endowment Management

Stevens' Endowment investments are overseen with prudence and care by university management and the Board of Trustees, whose Investment Committee is composed of trustees and faculty with knowledge in finance and investments. The goal of the Investment Committee is to oversee the Endowment to support the university's Strategic Plan and ensure that the Endowment benefits both current and future generations. The Investment Committee is responsible for oversight and strategic decision-making covering asset allocation, spending policy, performance analysis, fee review and hiring of professionals. The Committee works closely with Goldman Sachs, our OCIO, to construct a diversified investment portfolio that looks to capitalize on sources of long-term return. Goldman Sachs, currently manages 82% of the total portfolio assets and 92% of investable assets, advises and executes on a variety of public and private market strategies that seek to generate an attractive risk/return profile in line with the goals set forth in the Endowment's Investment Policy Statement. Of the remaining total assets, 14% are overseen by Stevens and 4% consists of legacy alternative investments.

With the goal of generating excess returns while maintaining an appropriate level of risk, the Board of Trustees, the Investment Committee and our OCIO have established a multi-year investment strategy to bring the portfolio to a strategic weighting in private equity and private credit assets. An increased allocation to a diversified set of strong private equity managers is expected to improve the overall risk/return profile of the portfolio, bring our return closer to the strategic benchmark and better position the Endowment to meet its long-term objectives. The portfolio is well diversified across investment managers, asset classes, geographies and time horizons. The Endowment is broadly diversified into equities, fixed income and alternative investments, including private equity, hedge funds and real estate. Our asset allocation provides the opportunity for competitive risk-adjusted net returns.



## FY 2018 Endowment Highlights

**\$207M**

Stevens' Endowment, net of spending, has grown by \$51 million during the past five years from \$156 million on June 30, 2013 to \$207 million on June 30, 2018.

**387**

The Endowment is comprised of 387 individual endowment funds to support the university as directed by our generous donors.

**\$34M**

The Endowment has distributed gross \$34 million over the past five years to support students, faculty and academic programs.

**\$43M**

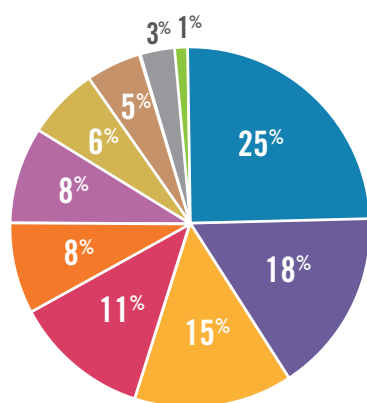
Contributions to the Endowment totaling \$43 million have been received during the past five years.



## Risk Management

By investing in both traditional and alternative investment classes, the Endowment seeks to achieve diversification benefits. Our strategic asset allocation, over the longer term, strives to optimize return for a given level of portfolio risk. We use a strategic asset allocation approach that includes approximately 7% in tactical asset allocation strategies. At least quarterly, the Investment Committee reviews the asset allocation of the portfolio and the individual managers' performance. Our OCIO will continue to model the portfolio and

engage the Investment Committee in discussions about long-term spending needs balanced against expected portfolio returns and volatility. Maintaining and growing the value of the Endowment over time is critical to ensuring that the steady source of income the Endowment provides to students, faculty and academic programs will not be eroded, and that endowment funds grow in support of our strategic goals into perpetuity. This objective is best accomplished by a well-diversified portfolio and a conservative spending policy.



	\$ (MILLIONS)	% OF TOTAL
U.S. Equity	\$51	25%
Investment Grade Fixed Income	\$38	18%
Non-U.S. Equity	\$32	15%
Other	\$22	11%
Other Fixed Income	\$17	8%
Private Equity	\$16	8%
Tactical Asset Allocation Portfolio	\$14	6%
Hedge Funds	\$10	5%
Cash & Money Market Funds	\$6	3%
Real Estate	\$1	1%

**\$207**      **100%**

Asset Allocation - 6/30/2018

