



DEPAUW
UNIVERSITY
Est. 1837

DePauw University
2014-15 Endowment Snapshot

Overview

DePauw University has over 900 endowment funds thanks to the generous gifts of thousands of alumni and friends of DePauw. DePauw's endowment supports the university and its educational mission in perpetuity, while providing inter-generational equity for current and future students, faculty and other interested parties. Donors wishing to make a lasting impact often use an endowed gift to assist in achieving DePauw's goal of educating students for a lifetime of success. Each endowed fund tells a unique story; including the origins of the endowment, the benefactor's experience at DePauw and the impact the endowment has had on students and the campus. Most importantly, the endowment will be a significant driver of DePauw's future.

Governance

The Investments Committee of the Board of Trustees is responsible for establishing and monitoring investment policies—considering both potential return and associated risk—in the context of the overall strategic goals and initiatives of the university. In May 2013, the Investments Committee delegated to its outsourced Chief Investment Officer, CornerStone Partners (CornerStone), responsibility for managing the University's endowment in accordance with the university's Statement of Investment Objectives and Policies. The Investments Committee oversees CornerStone's activities. CornerStone employees work with DePauw staff on policy implementation and day-to-day endowment operations.

Investment Approach

The DePauw endowment is invested with the principle that attractive long-term investment returns are best generated through a consistent investment philosophy, team, and process. The CornerStone team has several core investment principles that guide their approach to managing DePauw's endowment.

Maintain a long-term investment horizon. While investment markets can (and do) fluctuate widely during short-term periods, CornerStone is focused on achieving DePauw's investment objectives over longer-run horizons. The portfolio managers do not attempt to anticipate short-term movements in securities markets and do not pursue market timing as an investment strategy. Rather, they seek to work with DePauw to make sound investment decisions intended to secure and grow the endowment in support of the university's long-term strategies.

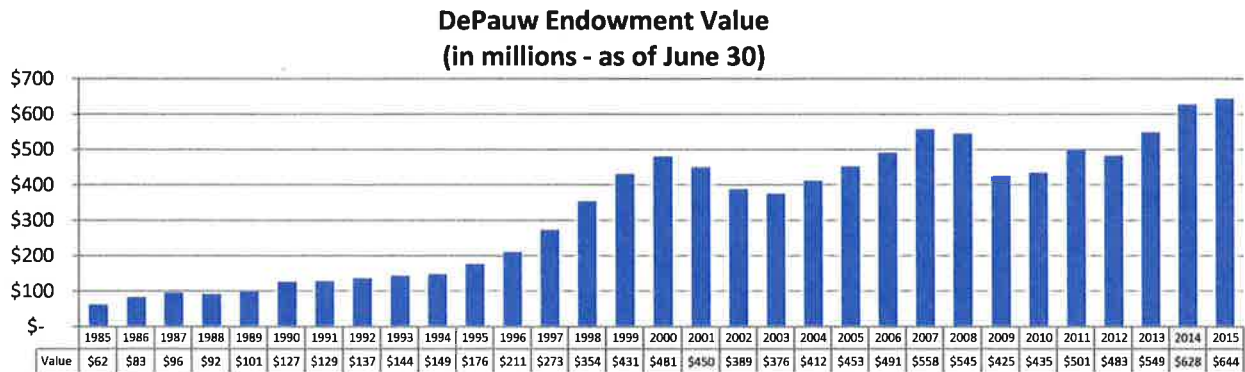
Seek to add value through external manager selection, asset allocation, and opportunistic tilts to specific investment themes. CornerStone invests in strategies built upon fundamental analysis of security values and avoids strategies that rely on a high degree of leverage or managers where the investment process is not transparent.

Pursue a patient, value-oriented approach toward managing the endowment's capital. The managers hired have a common goal of purchasing securities, assets, and companies at a discount to their long-term underlying intrinsic values. Since security prices can diverge from their underlying fair values over an extended period of time, this approach requires stability and poise on the part of long-term investors.

Create value through the quality of people hired – both internally as well as external managers. CornerStone seeks to achieve the highest standards of ethics, integrity and professionalism, and asks that external investment managers do the same. Each external investment manager has been vetted by a detailed due diligence process that includes a focus on maintaining an alignment of interests and thorough background checks. Incentive structures, ownership, fees, terms, and assets under management are some of the many factors considered in evaluating managers' alignment with DePauw's interests.

Endowment Assets

Over the last thirty years, DePauw's endowment has grown substantially through prudent investing and significant donor contributions. As of June 30, 2015, the university's endowing resources totaled \$644 million. The following chart depicts the endowment growth since 1985.



Performance

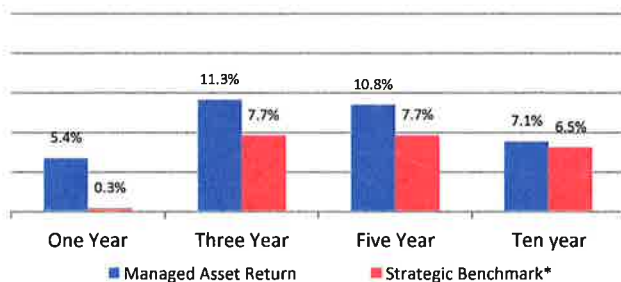
The primary return objective for the managed endowment is to achieve average annual returns over rolling five-year periods greater than the spending rate plus inflation (5.0% + CPI), net of all fees and expenses. The secondary return objective is to outperform the Strategic Policy Benchmark over rolling three-to-five year periods or a full market cycle, whichever is longer. An additional performance comparison is a peer group of US colleges and universities.

DePauw Managed Endowment Fiscal Year Net Returns

2008-2009	-19.6%
2009-2010	10.3%
2010-2011	20.5%
2011-2012	0.4%
2012-2013	11.9%
2013-2014	16.9%
2014-2015	5.4%

Source: CornerStone Partners

Endowment Return (net of investment fees)



Source: CornerStone Partners, Northern Trust

*55% MSCI AC World Index (Net), 25% HFRX Global Hedge Fund Index, 10% Barclays Intermediate Government/Credit Index, 5% Dow Jones - UBS Commodities Index, 5% NCREIF Property Index

10 Year Annualized Returns (as of June 30, 2015)

DePauw Managed Endowment (net)	7.1%
Absolute Return Benchmark (net)*	7.1%
Strategic Policy Benchmark (net)**	6.5%
NACUBO Peer Group (Net)***	6.95%

Source: CornerStone Partners, Northern Trust, NACUBO

*5.0% + CPI

**55% MSCI AC World Index (Net), 25% HFRX Global Hedge Fund Index, 10% Barclays Intermediate Government/Credit Index, 5% Dow Jones - UBS Commodities Index, 5% NCREIF Property Index

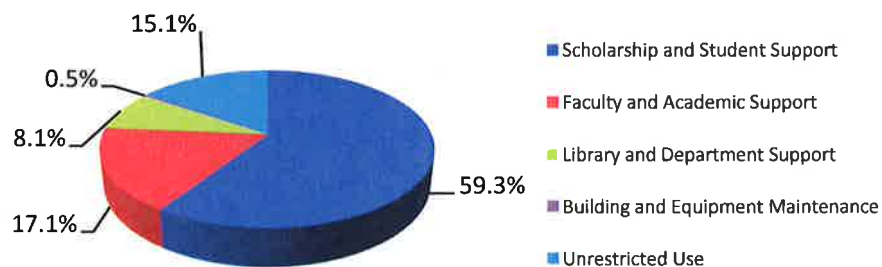
***NACUBO US News Top 100 Liberal Arts Colleges Universe; as of June 30, 2014 (latest available)

Spending

The university has designed its spending and investment policies to provide a stable source of financial support for the university's annual operations while preserving the purchasing power of the endowment. The spending rate, which is approved by the Board of Trustees, is currently set at annual distributions of 5.5% of the trailing twelve-quarter average market value of the total endowing assets. This trailing average spending calculation allows the school to gradually adjust to sudden market fluctuations instead of making drastic, short-term changes.

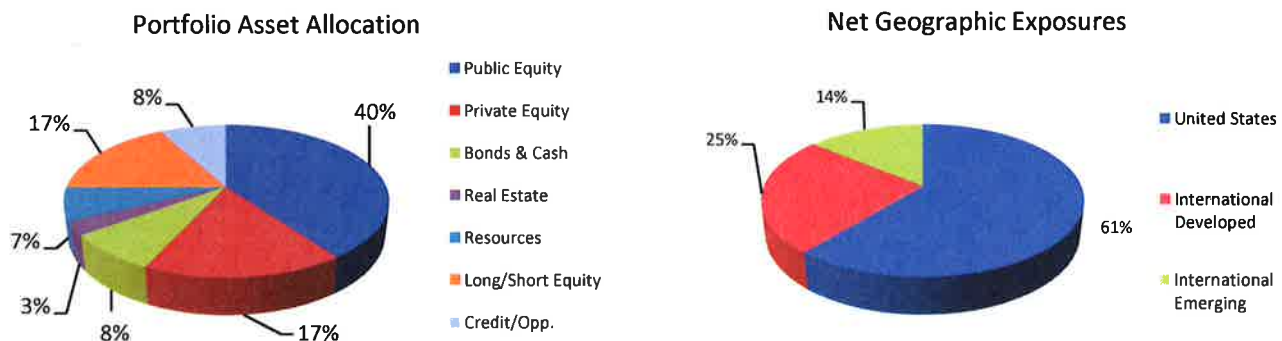
As of June 30, 2015, approximately \$87.8 Million of the endowment is unrestricted as to use and broadly supports the student experience at DePauw. Many of the funds in DePauw's endowment are designated to support students through scholarships, awards, and internships. The funds also support faculty and general academic programs. The chart below illustrates endowment designations at June 30, 2015.

Designation of Endowment Funds



Risk Management

Achieving prudent portfolio diversification and maintaining adequate liquidity are critical to managing risk and reaching the endowment's investment objectives. The endowment is well diversified across managers, strategies and geographies as illustrated in the charts below.



The liquidity profile of the managed endowment is within the guidelines established in the Statement of Investment Objectives and Policies. Adequate liquidity ensures that the necessary funds are readily available to meet the spending policy and capital call requirements over time regardless of market conditions.