

# INSPIRED

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Washington University in St. Louis  
2016–17 Annual Report



## FISCAL YEAR 2017 ENDOWMENT

Washington University's endowment supports the core university missions of teaching, research, and patient care. Generous supporters have funded endowments for student scholarships, professorships, research, libraries, academic centers, and capital projects. In addition, unrestricted endowments provide income to supplement tuition, grants, patient revenue, and gifts in the general operating budget.

Washington University's Board of Trustees has delegated oversight for endowment investment policy to the Washington University Investment Management Company (WUIMC) Board of Directors. Operating as a division within the legal framework of the university, WUIMC is led by the chief investment officer, who is assisted by a professional staff and is responsible for the implementation of investment strategy, hiring and management of investment managers, and all other day-to-day investment responsibilities. The WUIMC Board also is responsible for the endowment spending policy and the establishment of the annual spending rate.

The endowment returned 11.3 percent in fiscal year 2017, driven primarily by strong global equity market performance. The endowment's emerging market and developed market equity returns were up 21.5 percent and 19.6 percent, respectively. The investment team has been building, broadening, and upgrading allocations to private equity, venture capital, and real estate as part of a focused effort to enhance long-term outcomes. This is a multiyear process that can produce short-term headwinds to performance and was the case this fiscal year. Fixed income and less directional investments were also a drag on performance but are an essential part of the long-term portfolio as they provide financial support, stability, and liquidity during more challenging market environments.

The endowment was valued at \$7.2 billion as of June 30th, reflecting an increase of \$688 million from the prior year end value. The growth in the endowment was a result of investment gains of \$723 million, total gifts to the endowment of \$70 million, and other net transfers of \$201 million. These gains were partially offset by spending distributions to the university totaling \$306 million.

## SPECIAL ANNOUNCEMENT — NEW CHIEF INVESTMENT OFFICER



**“It’s an honor to join such a prestigious institution, and I look forward to working with the board, administration, and investment team to support the outstanding mission of Washington University in St. Louis.”**

—Scott Wilson

Scott Wilson, CIO



Eric Upin, Interim CIO

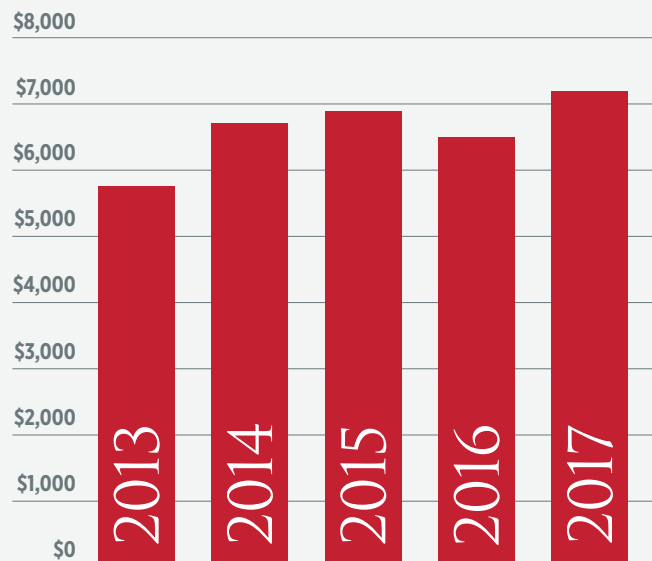
Late last year WUIMC's Board initiated a global search for a new chief investment officer. Recognizing the significant role investment returns play in achieving the university's aspirations and goals, WUIMC's board members devoted substantial time, effort, and thought in the search for the next leader of the Washington University endowment. The 10-month search focused on identifying an outstanding and thoughtful investor with strong leadership skills and a stewardship mindset.

On September 7, 2017, it was announced that Scott L. Wilson was appointed chief investment officer at WUIMC, effective November 27. Wilson, who previously served as chief investment officer at Grinnell College, is a compelling and talented investor with impressive performance results and depth of experience. WUIMC's Board is enthusiastic about his appointment and excited to work with him as he leads and manages the university's endowment portfolio.

Eric Upin, AB '83, trustee and WUIMC board member, has served as interim chief investment officer and chaired the CIO search committee. Upin's capable leadership and substantial commitment of time allowed the endowment's investment program to operate without interruption throughout the search process. He remains committed to leading the investment office until Wilson assumes his new position and will remain available as an invaluable resource during the leadership transition. The university community is grateful to Upin for generously stepping into the interim role and leading WUIMC so capably during his tenure.

## Endowment

Millions of \$



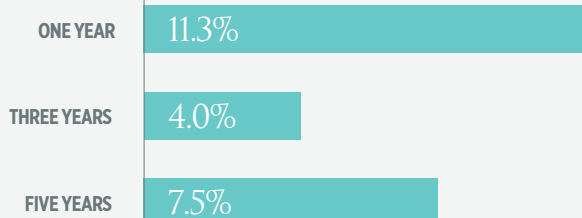
## Asset Class Allocation

ALLOCATION	ASSET CLASS
34%	DEVELOPED MARKET EQUITY
11%	EMERGING MARKET EQUITY
17%	PRIVATE EQUITY AND VENTURE CAPITAL
8%	REAL ESTATE AND NATURAL RESOURCES
24%	HEDGED STRATEGIES
6%	FIXED INCOME AND CASH
100%	TOTAL

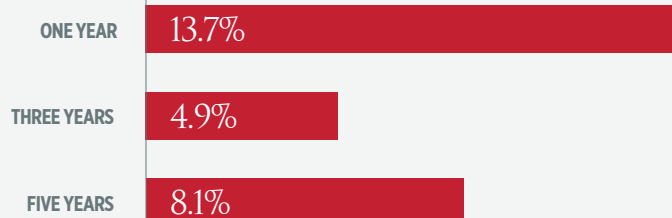
As shown in the table above, the endowment is diversified among six broad asset classes. The endowment continued to have significant exposure to equities and other equity-like assets at year-end, consistent with its long-term nature.

## Annualized Endowment Returns for periods ending June 30, 2017

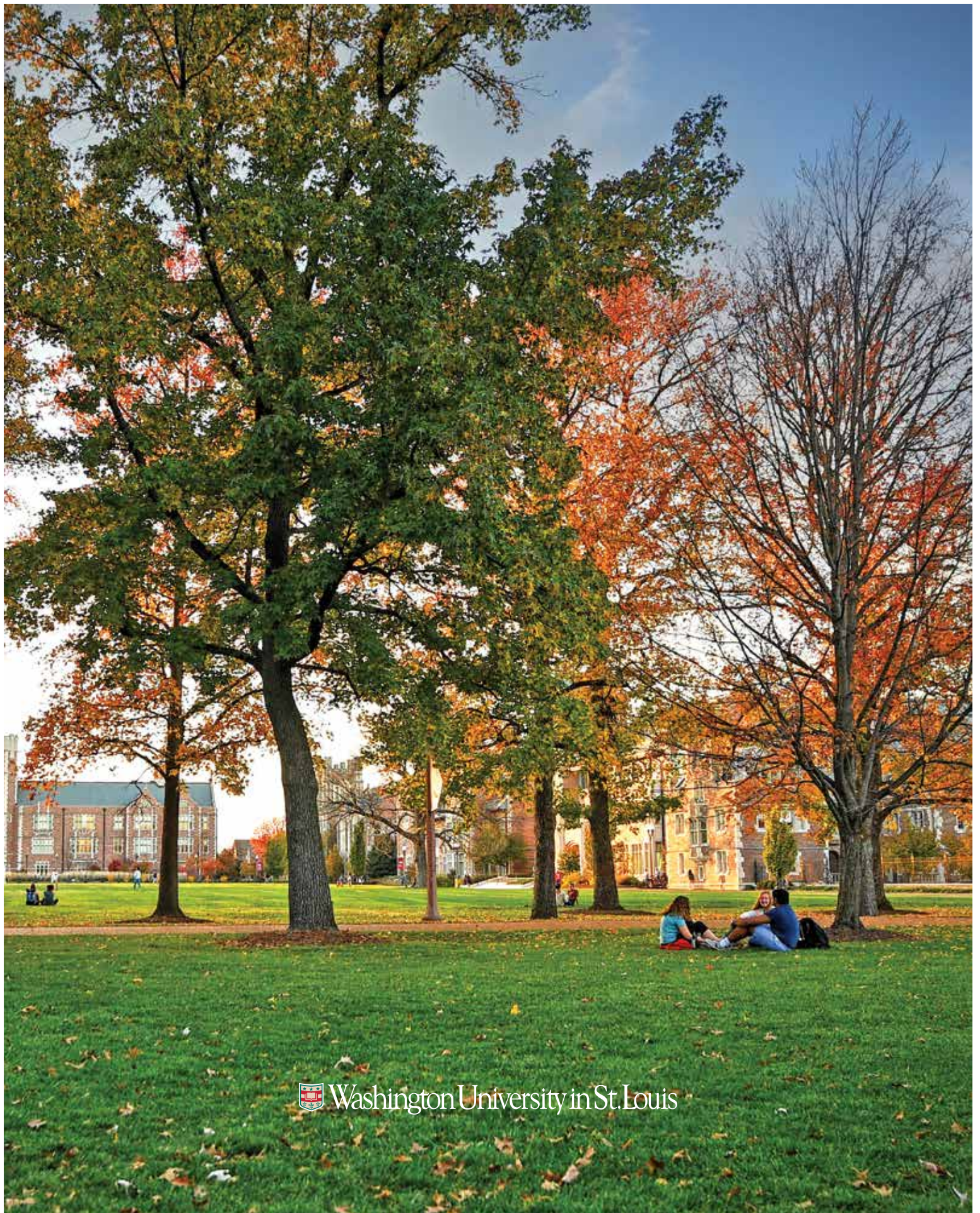
## Pooled Endowment



## Policy Benchmark



The table above shows the longer-term performance of the pooled endowment (which comprises 98 percent of the total endowment) as well as the return for the most recent fiscal year. Over the three years ending June 30, 2017, the endowment earned an annualized return of 4.0 percent, while annualized performance over the trailing five-year period was 7.5 percent. The five-year endowment performance is more consistent with long-term return expectations. Valuations within the Private Equity and Venture Capital allocation were the primary drivers of underperformance versus the policy benchmark.



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