

## EQUITY MARKET DOWNTURN WEIGHS ON INSTITUTIONAL ASSET OWNERS



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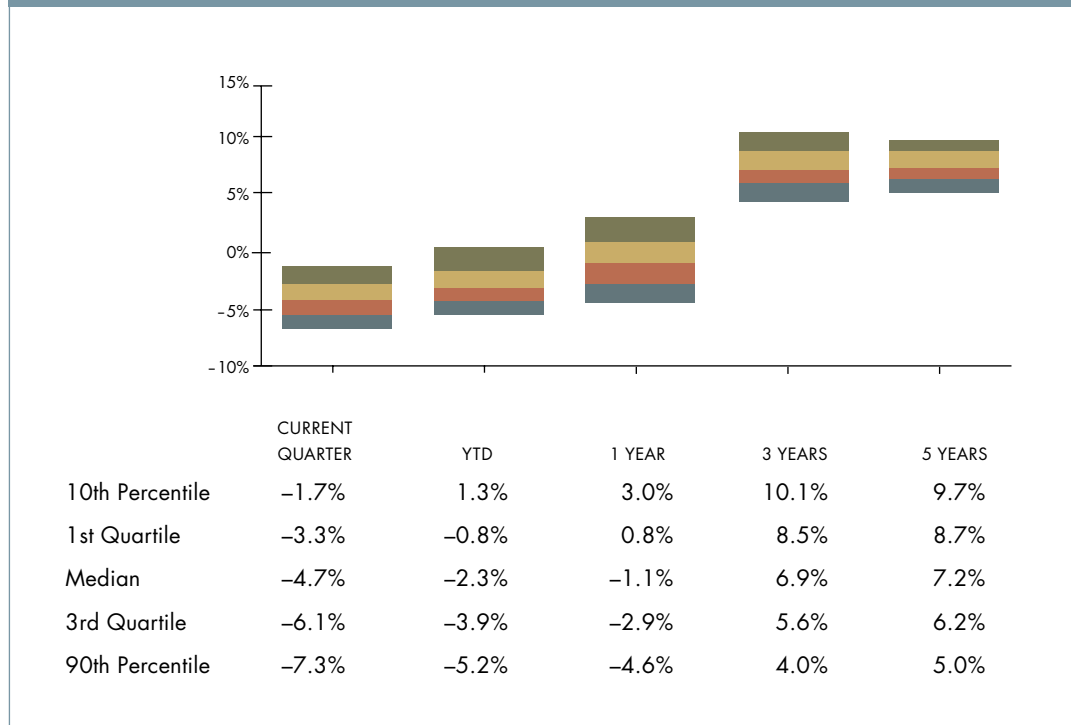
Overall, the Foundations and Endowments Universe lost traction during the third quarter of 2015, as the median fund returned  $-4.7\%$ . This snapped a streak of three consecutive quarters of advances for the Universe, marking the first negative returns since the third quarter of 2014. As a result, the Plan Universe posted a one-year median return of  $-1.1\%$  as of September 30. The Universe has experienced positive results over longer periods, with three- and five-year returns of  $6.9\%$  and  $7.2\%$ , respectively.

The U.S. equity program also netted negative results during the third quarter, posting a median return of  $-7.6\%$ . The one-year return as of September 30 dropped to  $-0.7\%$ . In comparison, the Universe has underperformed both the S&P 500 and

Russell 3000 indices for the quarter and one-year periods. The S&P 500 posted a  $-6.4\%$  return for the quarter and  $-0.6\%$  for the one year timeframe, whereas the Russell 3000 returned  $-7.3\%$  and  $-0.5\%$  for the same periods.

International equity markets posted significant negative results for the third quarter, ending a string of two consecutive quarters of positive returns. The international equity program experienced losses of  $11.2\%$  for the quarter, dragging the one-year return to  $-8.7\%$ . The MSCI EAFE, MSCI ACWI ex US and MSCI Emerging Market indices also all posted serious losses during the third quarter with returns of  $-10.2\%$ ,  $-12.1\%$  and  $-17.8\%$ , respectively. Each of the indices also produced negative

FOUNDATION AND ENDOWMENT PLANS – TOTAL RETURNS SEPTEMBER 30, 2015



returns for the one year period with the MSCI EAFE return of –8.3% detracting the least of the three, while the MSCI ACWI ex US and MSCI Emerging Markets indices posted returns of –11.8% and –19.0% for the period.

The domestic fixed income median program produced slight gains of 0.4% for the third quarter, while the international fixed income median program experienced a fifth consecutive quarter of losses, posting a –3.0% return. The Barclays Capital US Aggregate Index generated a 1.1% return for the quarter, whereas the Citi-Group WGBI ex US index posted a 1.7% return. The U.S. fixed income median mandate generated a positive one-year return of 2.0% as of September 30, whereas the international fixed income programs generated losses of 4.7% over the same period.

The venture capital program median generated gains of 3.8% during the third quarter. For the one-year period ending September 30, the

program produced a 16.7% return. The real estate program posted a negative return of 2.6% for the quarter, dropping the one-year median return of the program to 3.1%.

The Foundations and Endowments Universe continues to experience significant asset allocation changes compared to prior years. While domestic equity remains one of the largest components at approximately 19% (compared to 42% in the third quarter of 2005), there has been a noticeable transition of assets from domestic equity into hedge funds and private equity. The universe is now composed of 25% private equity and 22% hedge funds, combining for more than 45% of the total allocation for the quarter. Domestic fixed income and international equity continue to make up a significant portion of the Foundations and Endowments Universe each at roughly 12% of the total allocation.

COMPOSITE ASSET ALLOCATION – FOUNDATIONS AND ENDOWMENTS				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
<b>U.S. Equity</b>	19%	19%	22%	23%
<b>Global/Non-U.S. Equity</b>	11%	12%	11%	12%
<b>U.S. Fixed Income</b>	12%	12%	15%	17%
<b>Global/Non-U.S. Bonds</b>	2%	3%	3%	2%
<b>Private Equity/Hedge Funds</b>	47%	44%	41%	39%
<b>Cash &amp; Other</b>	8%	10%	9%	7%

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Returns are shown gross of fees. Index returns assume reinvestment of dividends and earnings and do not reflect the deduction of any trading costs or other expenses. It is not possible to invest directly in an index. Periods greater than one year are annualized. Past performance does not indicate future results.

