

Bucknell University  
**ENDOWMENT REPORT**  
Fall 2021









**OFFICE OF THE PRESIDENT**

One Dent Drive  
Lewisburg, PA 17837  
bucknell.edu



Dear Bucknellians,

Fiscal year 2021 was marked by our efforts to ensure continuity of University operations during the ongoing pandemic. We can all be proud of our accomplishments during this challenging time, which include several notable firsts for Bucknell.

As the pandemic continued in 2020 and 2021, we pivoted to host virtual Reunion, Homecoming and Family Appreciation weekends, ensuring that Bucknellians around the world could still gather to celebrate these signature events. In May 2021, we hosted three separate Commencement ceremonies to safely allow the Class of 2021 to celebrate their graduation in person, with family and friends in attendance. That spring, we also enrolled the largest entering class in University history, despite the difficulties presented by COVID-19. Most importantly, our faculty and staff continued to successfully adapt to pandemic conditions, and we were able to complete academic year 2020-21 fully on campus, with in-person instruction.

Bucknell marked another milestone last spring, when the University endowment reached a market value of \$1 billion for the first time. On June 30, 2021, the endowment stood at \$1.1 billion, a \$261 million increase from a year ago. Strong public market performance complemented by high returns on private investments provided resilience and outperformance over the Bucknell policy benchmark and its targeted real return. With thoughtful management by the Investment Office and expert guidance from the Investments Committee of the Board of Trustees, we can be confident that prudent stewardship of the endowment will continue into the new year, no matter what new challenges may arise.

Over the past 10 years, the endowment has contributed \$396 million back to the University, supported by \$300 million in gifts and \$626 million in investment gains. Thanks to the overwhelming generosity of our supporters, Bucknell is well positioned to continue its tradition of exceptional opportunities for current and future generations of students.

Sincerely,

John C. Bravman  
President









## A Gift That Spans Generations

When Bucknell was founded in 1846 as the University at Lewisburg, our founders could never have imagined the impact of their decision to open an institution of higher learning in this beautiful corner of central Pennsylvania. But we know now, 175 years later, that their commitment unlocked opportunities for generations of Bucknellians to make a lasting impact on our world. In every field — from animal behavior to art history, biology to business, music to mechanical engineering and far beyond — Bucknellians are making a difference everywhere they go.

The Bucknell University endowment is threaded throughout much of the University's rich history. The endowment has grown into a base for ongoing support, bolstering everything that makes Bucknell shine on the global stage. Gifts to the endowment provide both an immediate and an everlasting impact on the University's mission: to educate students for a lifetime of critical thinking and strong leadership characterized by continued intellectual exploration, creativity and imagination.

Funds from the endowment support scholarships, professorships, academic programs, athletics, the Bertrand Library, facilities and capital improvements, and the general operations of the University. In short, the endowment extends the generosity of donors from the past, present and future into a generation-spanning gift that will support the University's next 175 years — and far beyond.

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### What Is an Endowment?

- > A permanent, self-sustaining income source whose impact is both immediate and long-lasting.
- > A gift that grows over time, helping a donor make an ongoing impact in an area they choose.
- > An aggregation of assets invested with a focus on stability, smart strategy and long-term return.
- > Multiple pools of capital designated for a specific purpose in accordance with the will of donors.





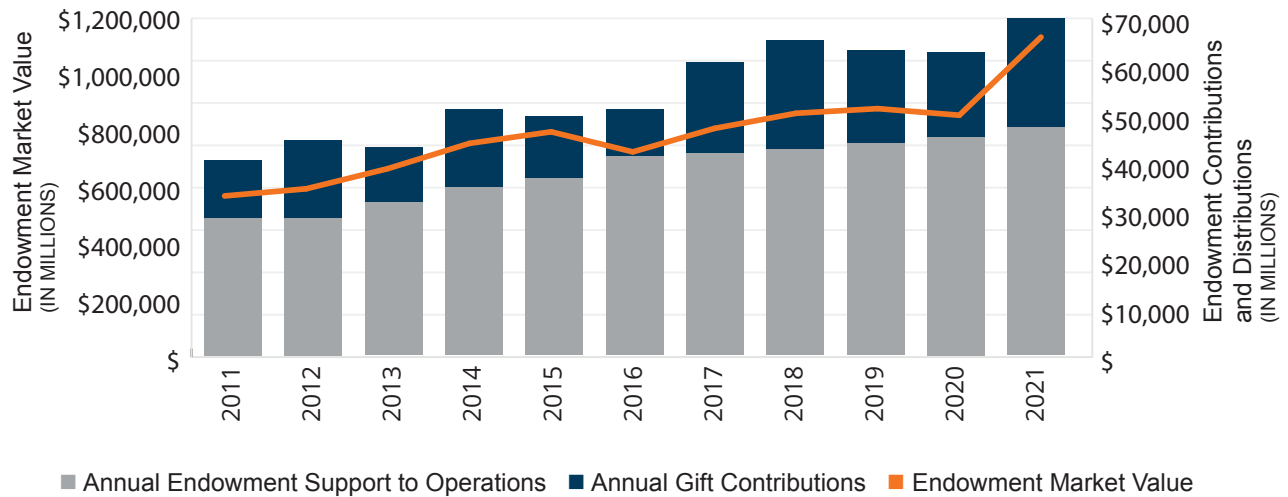
## A Historic Milestone

Thanks to the generosity of Bucknell donors and our investment results, the Bucknell endowment fund reached a major milestone in fiscal year 2021, surpassing \$1 billion for the first time in the fund's history. That's an increase of \$260.9 million in market value from a year ago (\$281.1 million in net investment gains plus \$27.4 million in gifts and other additions to the endowment, minus \$47.6 million in disbursements to support the University).

Over the past 10 years, the endowment value has grown from a beginning amount of \$575 million on July 1, 2011. In those 10 years, the fund saw \$626 million in investment gains and \$300 million in gifts and other additions, minus \$396 million in disbursements to the University.

## 10 YEARS OF ENDOWMENT ACTIVITY

as of June 30, 2021



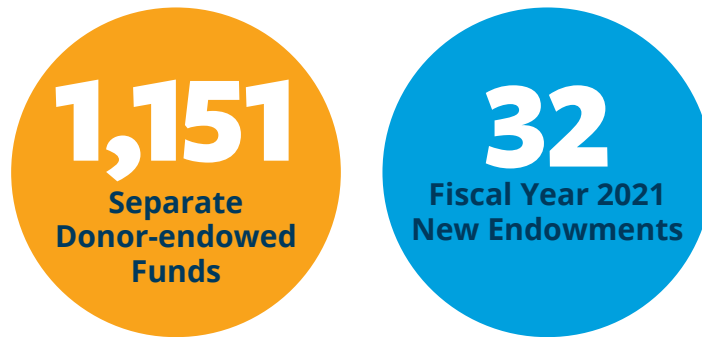
## Endowment

The endowment fund employs a unitized structure, similar to a mutual fund, where new endowment contributions purchase units in a pool. As of June 30, 2021, there were 1,151 separate donor-endowed funds in place at the University. Student scholarships make up the largest number of these underlying endowments, but individual endowments support all aspects of the University's mission. We are honored to report that 32 new endowments were established during fiscal year 2021. These gifts are a critical component in providing students with the best Bucknell experience possible, and we continue to be humbled by the overwhelming generosity of the Bucknell community.



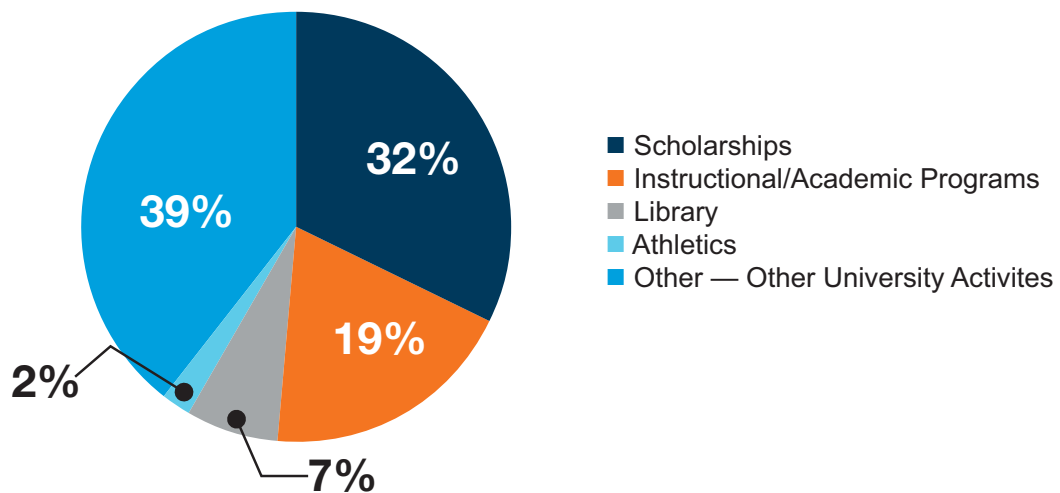
## Scholarships and Beyond

Endowed funds supporting student scholarships make up about a third of all Bucknell endowments, making the University accessible to more students than ever before. But individual endowments support all aspects of the University's mission and are a critical component in providing students with the best Bucknell experience possible.



### CATEGORIZATION OF ENDOWMENTS

as of June 30, 2021



Because of rounding, percentages do not total 100.









## Gifts That Grow

In the Investment Office, our goal is to preserve the purchasing power of the endowment’s assets over time while simultaneously providing annual support to the University’s operating budget.

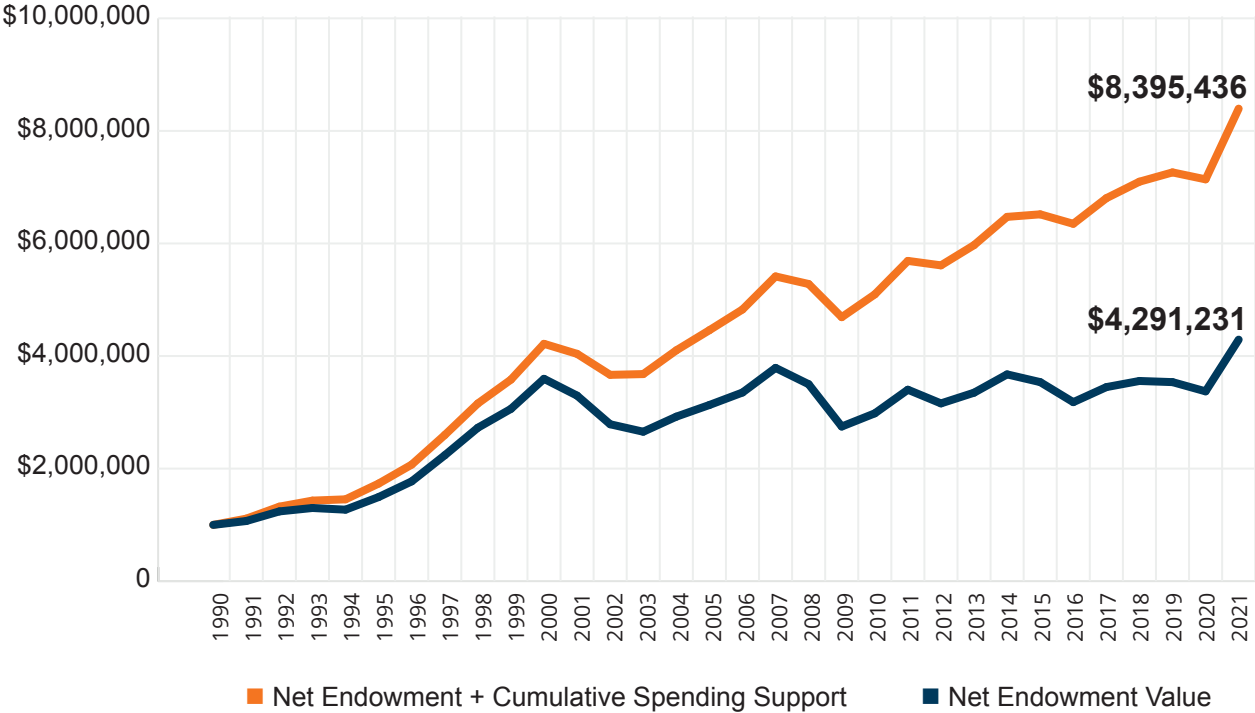
That means we’re always cognizant of what’s known as **intergenerational equity** — ensuring the same level of endowment support to current and future generations of Bucknell constituents into perpetuity, adjusted for inflation.

Here’s an example:

- > An endowment gift of \$1 million established on July 1, 1990\*, and invested in the pooled endowment fund would have generated approximately \$7.5 million in total investment gains over the past 31 years.
- > Over those same 31 years, the gift would have distributed more than \$4.1 million in spendable income to the University to support the scholarship, department or program to which it was designated.
- > That means the net market value of the gift on June 30, 2021, would have grown to approximately \$4.3 million and that the annual support to the University from the gift would have grown from approximately \$42,000 in academic year 1991 to \$190,886 today.

### HYPOTHETICAL GROWTH & CUMULATIVE SUPPORT OF \$1 MILLION GIFT (IN MILLIONS)

as of June 30, 2021



\* We’ve chosen 1990 as the starting point for this analysis based on the availability of detailed endowment market value and spending per unit within the pooled endowment.



# STRATEGIC INVESTING

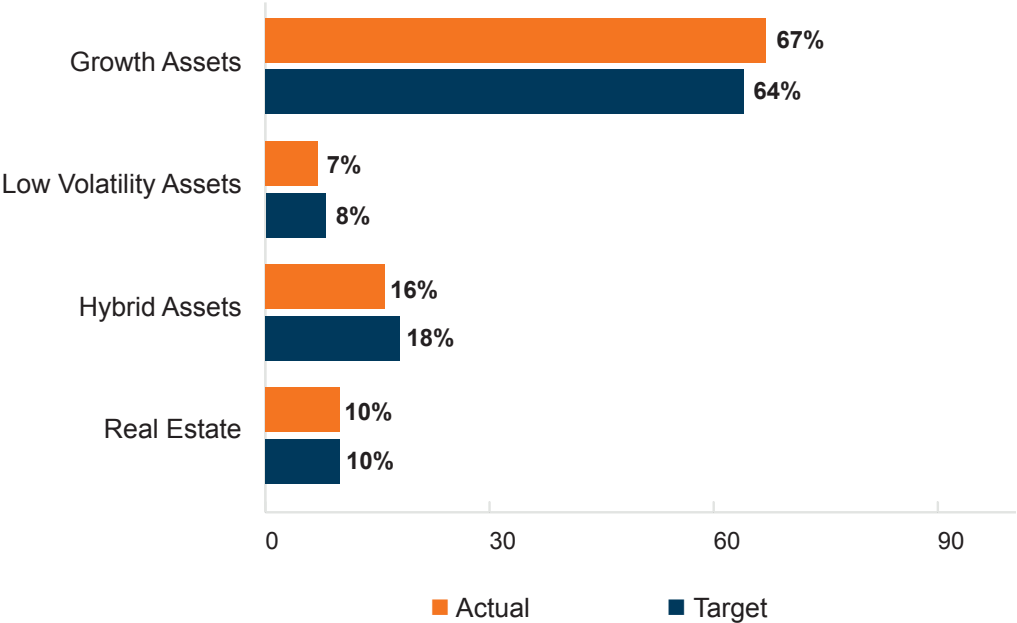
## Asset Allocation

The asset allocation of the endowment is structured to achieve a maximum rate of return given a level of expected investment risk that is deemed prudent within the context of the University's mission. Asset allocation is designed to balance three main objectives:

- > To maintain sufficient near-term liquidity in order to provide quarterly disbursements to support the University.
- > To minimize the likelihood of a potential decline of the endowment that may permanently impair the University's mission.
- > To generate a return that allows the endowment to grow in excess of disbursements made to support the University and the eroding impact of inflation.

### ENDOWMENT ACTUAL ASSET ALLOCATION VS. TARGET ASSET ALLOCATION

as of June 30, 2021







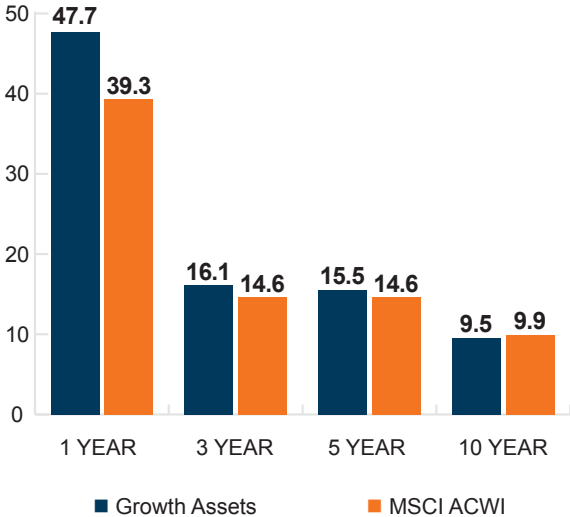


## A Balanced Approach

Investments held within the endowment are classified into four broad asset types based on their anticipated contribution to the portfolio when considering their expected risk, return and correlation:

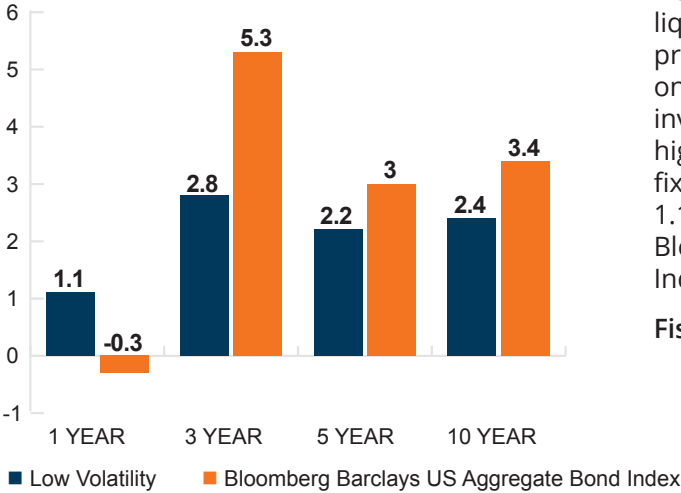
### STRATEGY PERFORMANCE

as of June 30, 2021



**Growth Assets** aim for long-term capital appreciation. These investments often have higher returns combined with higher volatility. This group consists mainly of U.S. and non-U.S. public equities as well as private equity investments. For the fiscal year, Bucknell’s venture capital and private equity programs were the largest relative contributors to growth assets at 5.3% over their MSCI ACWI benchmark.

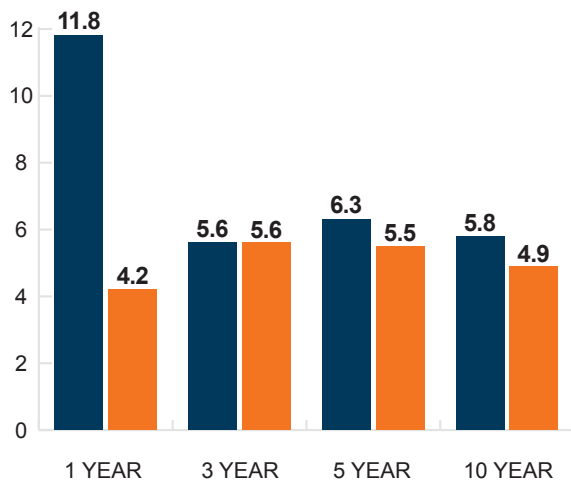
Fiscal Year 2021 return: 47.7%



**Low-volatility Assets** encompass stable liquid assets with a lower risk and reward profile and are the source of liquidity to fund ongoing support to the University. These investments consist mainly of cash and high-quality fixed income. Our fiscal year fixed-income positioning drove a positive 1.1% return against a -0.3% return to the Bloomberg Barclays US Aggregate Bond Index.

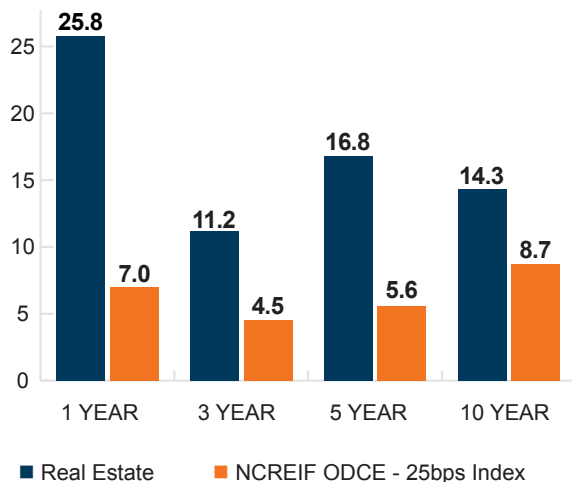
Fiscal Year 2021 return: 1.1%





**Hybrid Assets** provide differentiated returns relative to growth assets, which increases portfolio diversification, tempering the effects of endowment volatility, particularly during a period of market or economic stress. These investments tend to be less correlated relative to growth assets and may provide additional income improving overall portfolio liquidity. Hybrid investments consist of hedged and opportunistic, high-yield public credit and private credit strategies. Investment in private credit drove outperformance for the hybrid asset portfolio, returning 19.4% and exceeding its asset class benchmark the S&P/LSTA Leverage Loan Index + 150bps by 6.2%.

**Fiscal Year 2021 return: 11.8%**



**Real Estate** produces current income and capital appreciation. The real estate portfolio is allocated to both public real estate investment trusts (REITs) and private real estate strategies diversified by geography and property type. For the fiscal year, the liquid real estate position drove outperformance 1.2% over its NCREIF Open End Diversified Core Equity (NFI-ODCE) - 25 bps

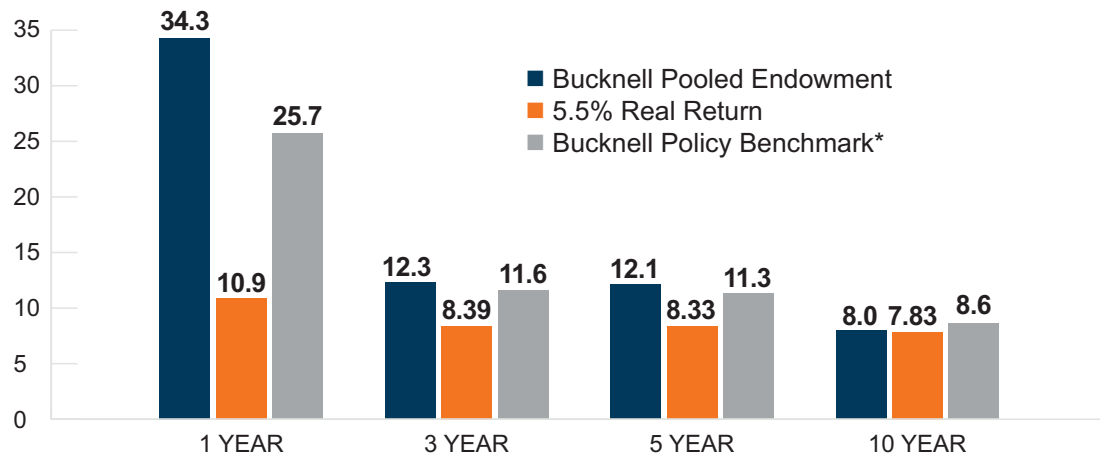
**Fiscal Year 2021 return: 25.8%**



## Strong Results

### POOLED ENDOWMENT PERFORMANCE

as of June 30, 2021



\*Bucknell Policy Benchmark: 64.0% MSCI AC World Index Net; 18.0% 3 Month Tbill + 400; 10.0% NCREIF Open-ended Diversified Core - 25bp Index; 8.0% Bloomberg Barclays US Aggregate Bond Index



### A Way of Life

Sustainability is not a trend or a buzzword at Bucknell. It's a way of life.

That's why we're investing in green companies and using disbursements from the endowment to lessen Bucknell's impact on the environment.

Significant efforts in sustainably focused funds over the last three years have contributed to improved performance and are expected to be future drivers of returns in specific asset classes.

The Bucknell Investments Committee of the Board of Trustees, along with the vice president for finance & administration and Investment Office, is dedicated to a thoughtfully constructed Environmental, Social and Governance ("ESG") Investment Framework as part of its investment management process. Such ESG factors are incorporated in varying degrees across investment asset classes.



During the past fiscal year, Bucknell's endowment saw gains in all four asset types. Here are the facts to know:

- > The endowment fund nominal return of 34.3% over the previous year exceeded our target absolute real return of 5.5% (real returns are those measured after the purchasing power eroding impact of inflation). Returns for all four asset types were relatively strong for the year, with growth assets returning 47.7%, hybrid assets returning 11.8%, real estate returning 25.8% and low-volatility assets, returning 1.1%.
- > The long-term investment objective of the endowment fund is to generate a real return that will allow for growth in excess of the disbursements transferred to the University that support financial aid and other key programs. Over the preceding 10 years, the endowment fund return of 8.0% was slightly lower than our policy benchmark of 8.6% yet above our target return of 7.8% (5.5% annually plus the growth in the consumer price index). For the fiscal year, the pooled endowment return of 34.3% exceeded its policy benchmark of 25.7% with outperformance in each of the four asset types.
- > Over the past five years, the endowment generated a 12.1% compounded return, growing in market value from \$700 million to \$1.1 billion. Private investments in venture capital, equity, credit and real estate contributed positively. Traditional private legacy manager exposure has come down over the last five years, lessening the drag on long-term performance.



## Key Terms to Know

At the Bucknell Investment Office, we live and breathe terms like “intergenerational equity,” “risk tolerance” and “endowment spend policy.” For those who are less familiar, we put together this glossary of some important terms used in our office each day.

**Endowment:** A fund comprising multiple pools of capital designated for a specific purpose in accordance to the will of the donors. This aggregation of assets is invested with a long time horizon and long-term return objective driven by the University’s financial stability and risk tolerance. The primary objective is to maintain intergenerational equity in perpetuity while simultaneously providing ongoing support to the University, which is driven by an annual endowment spend policy.

**Endowment Gifts:** The lifeblood of Bucknell. An endowed gift is a donation given by a financial supporter of the University with the intent that the funds be held in perpetuity and invested. A percentage of accumulated appreciation and income is used to support annual expenditures in areas of the University’s operations budget that reflect the original purpose of the gift. Gifts may support a variety of elements of the University, including construction or maintenance of buildings, student scholarships, professorships or educational programs, general operating expenses and more.

**Endowment Management:** Bucknell’s strategy for investing funds from the endowment. It’s built on a hybrid model, leveraging the expertise of multiple internal and external groups to provide diversity of thought and idea generation to enhance sustainable growth for the University’s endowment. This hybrid model is comprised of three components: the Investments Committee of the Board of Trustees, the Bucknell Investment Office, and external

resources made up of a strategic adviser and a private investment specialty firm.

### Endowment Performance

**Appraisal:** How Bucknell assesses the overall performance of the endowment. We consider three factors:

#### Absolute return:

##### *Are we achieving our long-term objectives?*

The primary objective is to preserve intergenerational equity (maintaining purchasing power relative to inflation and ongoing spending support to the University). This objective is measured over rolling 10-year periods in order to approximate a full market cycle. We seek a 5.5% annualized real return net of the Consumer Price Index.

#### Policy benchmark:

##### *Are we adding value through our investment process?*

The policy benchmark represents the approximate target asset mix of our portfolio across equities, fixed income and other assets such as real estate and credit. This benchmark primarily comprises public securities and may be viewed as a baseline to assess value added from various elements of the investment process, such as investment manager selection, rebalancing, and layering on additional risks such as the illiquidity of private investments in pursuit of greater returns.

#### Peer institutions:

##### *Are we advancing the University’s financial competitiveness?*

Comparing Bucknell to a list of institutions with similar goals and constraints can provide insight into the relative competitive position of the University with respect to our ability to provide financial aid and other forms of budgetary support.

#### Endowment Spend Policy:

The portion of the endowment the University can spend each year. Annually the endowment provides dollar support toward the University’s budget. Bucknell’s endowment spend policy, formulated and approved by the Board of Trustees, determines the annual flow of funds from the endowment to the operating budget. The maximum amount of an endowed fund that may be allocated in any one year is set by the donor when the endowed fund is created.

**Intergenerational Equity:** The theory that each generation of students has the right to at least the same level of opportunity as the students that preceded them. The endowment represents the link between the past, present, and future generations of donors and students and the institution.

#### Investments Committee of the Board of Trustees:

The Investment Committee of the Board of Trustees includes seven or eight Bucknell trustees who have demonstrated professional investment expertise across asset classes. The members of the Investments Committee support the fiduciary role of the Board of Trustees with its core responsibilities, including overseeing and guiding the investment management process, formulating and approving the long-term strategic asset allocation, creating and maintaining investment policy and guidelines, and selecting, approving and evaluating the performance of strategic advisers and external investment consultants and managers.





**FOR MORE INFORMATION**

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