



BUCKNELL UNIVERSITY
ENDOWMENT REPORT

.....> FALL 2022



Dear Bucknellians,

Fiscal year 2022 was marked by steady management of the endowment through a sometimes tumultuous market. We are fortunate at Bucknell to have expert staff and leadership who offer wise counsel during times of uncertainty, positioning us to enter the new year with confidence.

It was a stellar year for Bucknell as we welcomed the return of our in-person celebrations and reveled in the joy and tradition of Reunion, Family Weekend and Homecoming. In May we hosted two separate Commencement ceremonies, finally giving the resilient Class of 2020 their due while also honoring the accomplishments of the Class of 2022. As the new academic year began, we welcomed the Class of 2026 — the largest class in Bucknell's history, 1,047 members strong. This fall also brought the return of the Bucknell Forum, a speaker series that welcomes prominent thought leaders from across the political spectrum to share their diverse perspectives on "The State of American Democracy."

Thanks to smart investment strategies and continued generous support, we closed fiscal 2022 with an endowment market value of \$1.07 billion at June 30, maintaining the principal value of our investments despite a -3.5% loss. The Investment Office once again practiced thoughtful management with guidance from the Investments Committee of the Board of Trustees. We can be confident that their shared expertise and prudent stewardship will continue to guide the endowment through the next year of unknowns.

In spite of downturns in the capital markets during this fiscal year, Bucknell's endowment contributed \$47 million to University operations. The overwhelming generosity of our supporters — who made \$52 million in gifts and pledges — coupled with a disciplined investment management approach has positioned Bucknell to continue providing students with exceptional opportunities for many generations to come.

Sincerely,

John C. Bravman
President

What is an Endowment?

A permanent, self-sustaining income source created by a gift and designated for a specific purpose in accordance with the will of donors. The aggregation of assets invested with a focus on stability, smart strategy and long-term return helps the donor make both an immediate and ongoing impact in an area they choose.

A Sustainable Future

Bucknell University empowers the education of bright, determined leaders every day.

In 1846, the University's founders made a commitment to unlock opportunities for individuals whose desire for change fuels their learning. That commitment remains the focus of University leadership as they guide the continual quest to create sustainable, equitable access to Bucknell.

The Bucknell University endowment serves as a base for ongoing support, directly enabling future-focused strategic efforts for growth and distinction. Endowment funds support scholarships, professorships, academic programs, athletics, the Bertrand Library, facilities and capital improvements, and the general operations of the University. Opportunities exist for new funds to be developed that specifically target student well-being and the whole student experience. And it all combines to extend the generosity of donors from the past and present to create a sustainable, confident future.

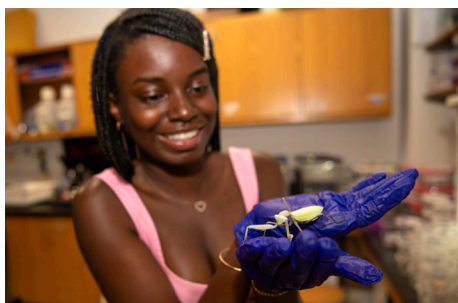
Donors who give with the future in mind know that they are contributing to the continuance of Bucknell's mission: to educate students for a lifetime of critical thinking and strong leadership characterized by continued intellectual exploration, creativity and imagination.



Growth, Galvanized

Each year, the generosity of the greater Bucknell community results in new programs and scholarship funds intentionally created to make a lasting impact on students.

Malloure Family Engineering EXCEerator Fund: The Engineering EXCEerator program invites first-year engineers to campus early so they can get a jumpstart on classroom learning, lab work and community building that will set them up for success in their first semester and beyond.



Pauline and David Fletcher Scholarship: At Bucknell, Professors Emeriti Pauline, English, and David Fletcher, biology, believed in the power of interdisciplinary study. Their new endowed scholarship will empower a first-generation student each year to realize their potential at Bucknell, and will serve as a tribute to the Fletcher's joint course, Science & Literature, one of Bucknell's first interdisciplinary courses.



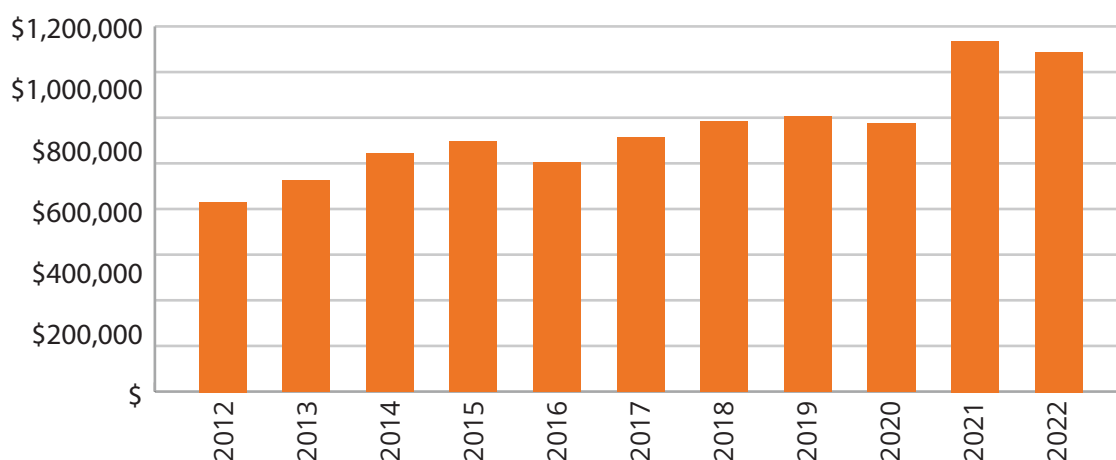
Barrett Family Health & Wellness Fund: The Barrett Family Health & Wellness Fund enabled the hiring of a community health educator. Additional income from the Fund will support student health-and-wellness initiatives at the University as Bucknell continues its commitment to cultivating a life-changing experience for the whole student — not just academically, but also mentally, physically and emotionally.

Thanks to the generosity of Bucknell donors and the efforts of our investment management team, the Bucknell endowment fund celebrated a milestone last fiscal year, surpassing the \$1 billion mark. This year the investment team maintained its discipline, deploying capital tactically as we witnessed one of the most volatile and inflationary periods in decades. The endowment closed at \$1.070 billion, down -3.5% against its policy benchmark of -7.9% and the MSCI All Country World Index (MSCI ACWI) of -15.8% .

The endowment value has grown from \$599 million since July 1, 2012. In those 10 years, the fund saw \$600 million in investment gains and \$286 million in gifts and other additions, minus \$415 million in disbursements to the University.

10 YEARS OF ENDOWMENT ACTIVITY

as of June 30, 2022



Meet Abdullah Nabi '23, Mechanical Engineering

Under the guidance of Professor Jose Madero, mechanical engineering, Abdullah Nabi '23 is investigating a process to create a new, more efficient way to generate power, using a method that combines biofuel ethanol and water to produce water vapor. Nabi's work has the potential to revolutionize energy generation by eliminating boilers in fossil-fuel power plants and drastically reduce energy losses.

Nabi's journey to Bucknell was made possible through support from Bucknellians. He receives funding from two alumni-endowed Bucknell scholarships, the Michael M. & Lillian A. Fremont Scholarship, which supports international students with tuition, and the unrestricted, need-based Michael M. & Lillian A. Fremont General Scholarship. "The Fremont donors have been the reason that I have been able to attend Bucknell. They are the reason that I got here — where I can do good with my life and give back."



ABDULLAH NABI '23
Mechanical Engineering

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 and throughout this report.

Endowment Gifts: The lifeblood of Bucknell. An endowed gift is a monetary donation given 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, such as student scholarships, professorships or educational programs, construction or maintenance of buildings, 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. This hybrid model has 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 these 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 long-term strategic allocation mix? This 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.

Asset Allocation Return Attribution:

Are we adding value through near-term allocation and manager selection? This performance measurement tool is used to identify the sources of excess return against its strategic asset target allocation to understand the active investment decisions.

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 currently includes eleven Bucknell trustees who have demonstrated professional investment expertise across asset classes. They support the fiduciary role of the Board of Trustees with its core responsibilities, 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.

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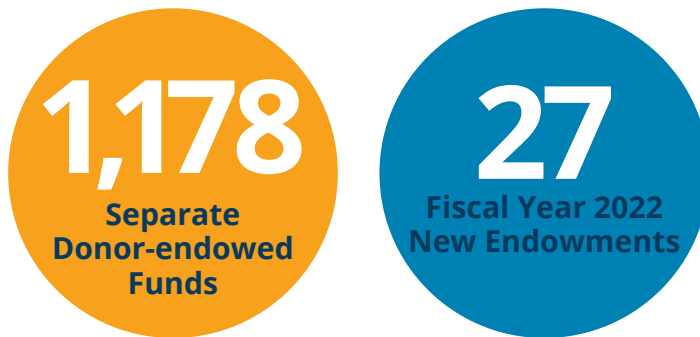
Endowment

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, 2022, there were 1,178 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 27 new endowments were established during fiscal year 2022. 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.

Empowering Access through Scholarships

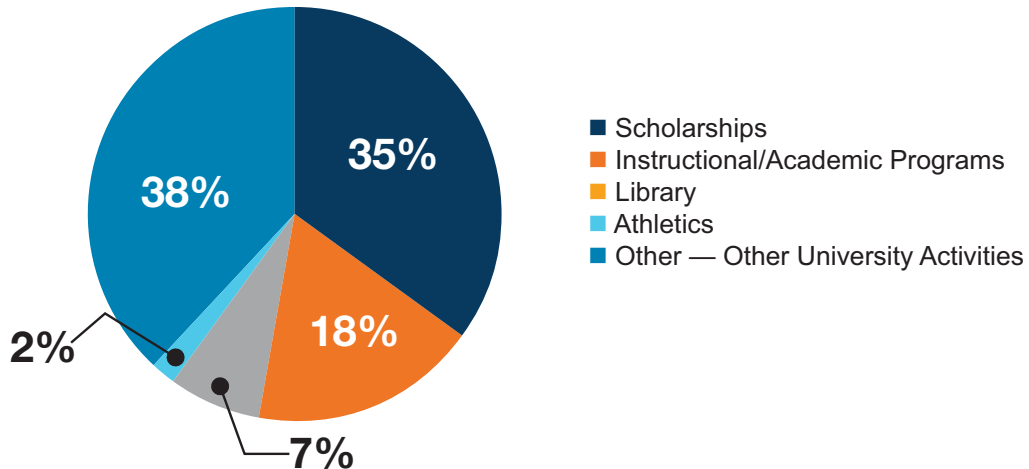
Endowed funds supporting student scholarships make up about a third of all Bucknell endowments. With these impactful gifts aimed at revolutionizing access to the University, a Bucknell education is a possibility for more students than ever before.

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, 2022



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.

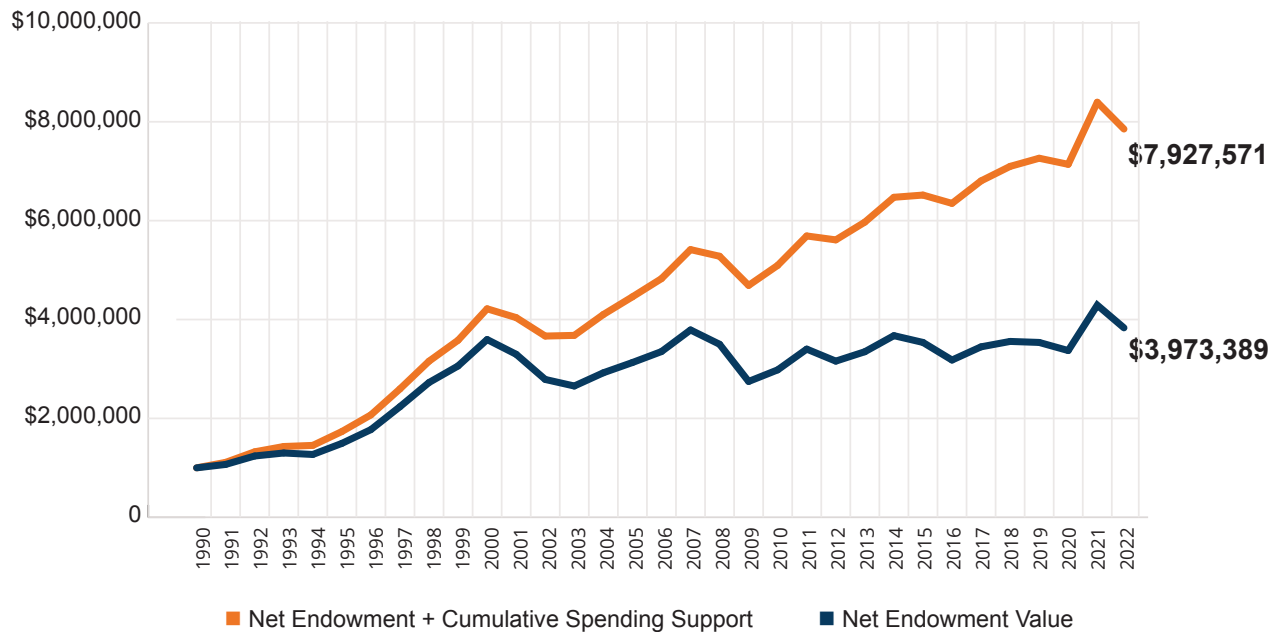
That means we’re always cognizant of intergenerational equity, ensuring the same level of endowment support to current and future generations of Bucknell constituents into perpetuity, adjusted for inflation.

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 \$7.9 million in total investment gains over the past 32 years.
- Over those same 32 years, the gift would have distributed more than \$3.9 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, 2022, would have grown to approximately \$4.0 million and that the annual support to the University from the gift would have grown from approximately \$42,000 in academic year 1991 to \$183,383 today.

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

as of June 30, 2022



* 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

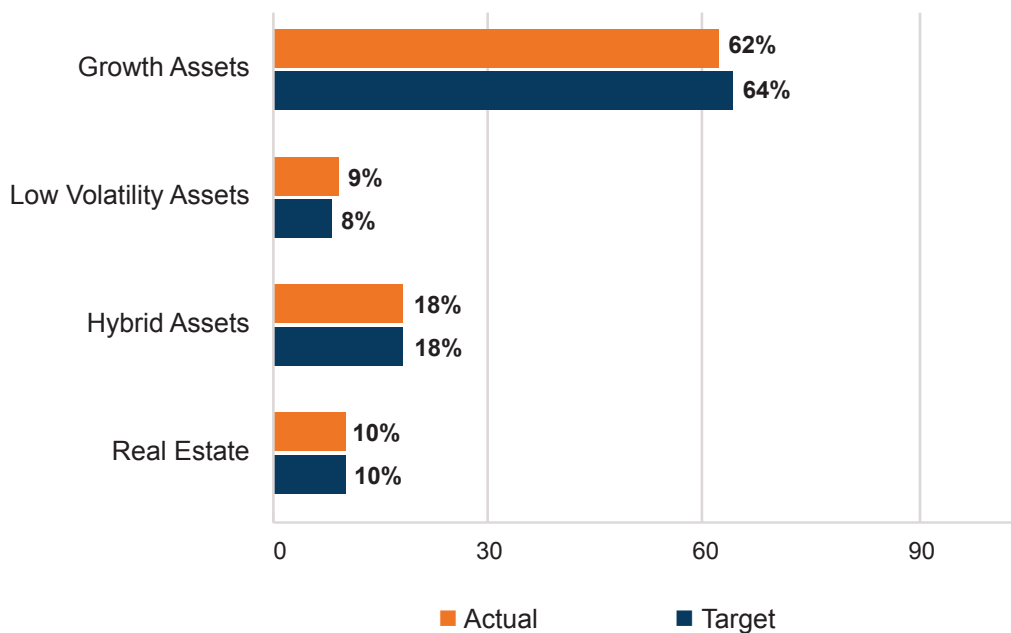
Asset Allocation

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, 2022

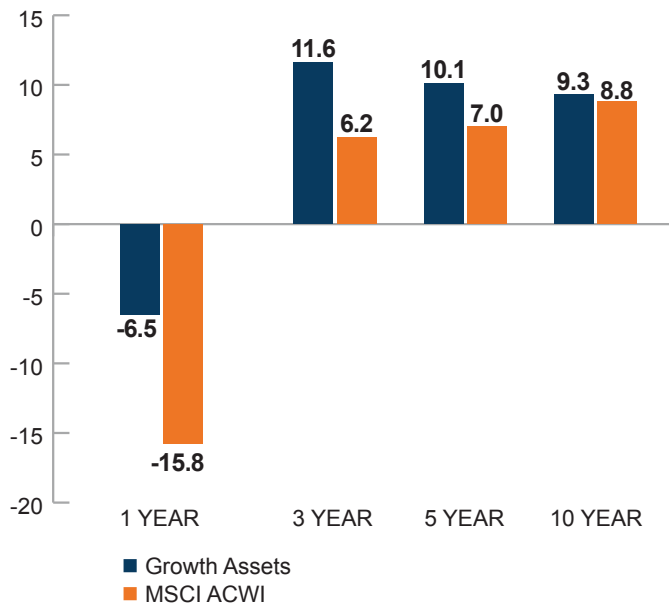


A Balanced Approach

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:

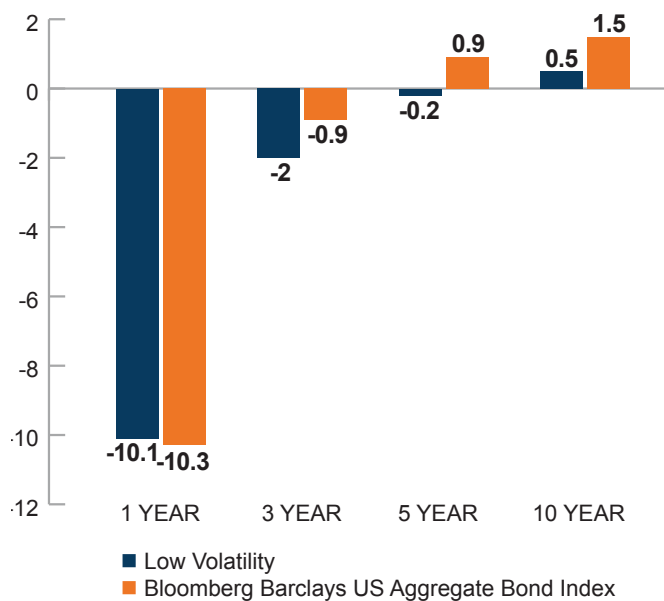
STRATEGY PERFORMANCE

as of June 30, 2022



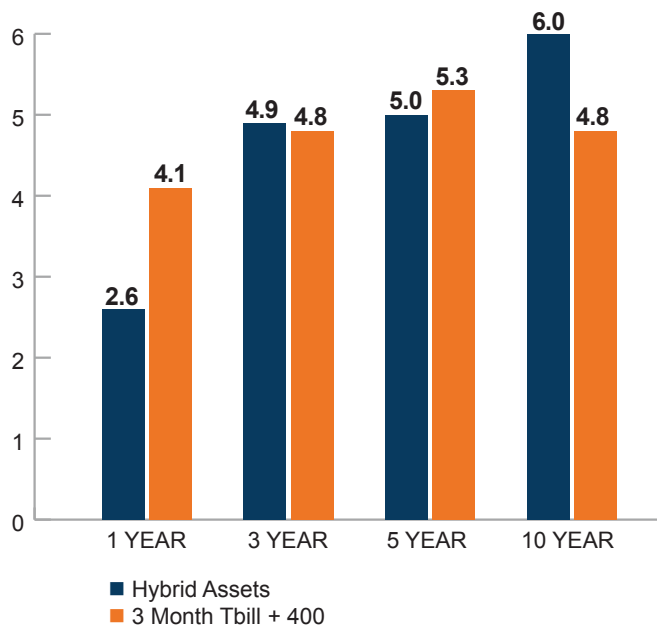
Growth Assets aim for long-term capital appreciation. These investments often have higher returns combined with higher volatility. This group consists mainly of U.S. and non-U.S. public equities as well as private equity investments. For the fiscal year, public assets struggled to understand the impacts of policy rate changes, global inflation and future economic growth. Bucknell's allocation tilts toward the U.S. market and private equity investments abated the negative returns of a volatile market.

Fiscal Year 2022 Return: -6.5%
 MSCI ACWI Fiscal Year 2022 Return: -15.8%



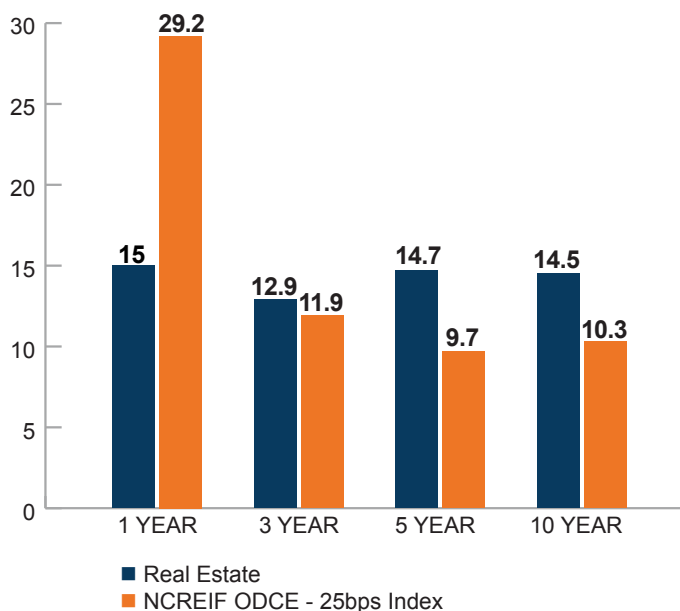
Low-volatility Assets encompass stable liquid assets with a lower risk and reward profile and are the source of liquidity to fund ongoing support to the University. These investments consist mainly of cash and high-quality fixed income. Our fiscal year fixed-income positioning was challenged as correlation for stocks and bonds was at its highest in decades. Policy rates rose as central banks combated inflation at the expense of slowing economic demand, inverting the yield curve and driving down prices.

Fiscal Year 2022 Return: -10.1%
 Bloomberg Barclays US Aggregate Bond Index Fiscal Year 2022 Return: -10.3%



Hybrid Assets provide differentiated returns relative to growth assets, which increase portfolio diversification, tempering the effects of endowment volatility, particularly during a period of market or economic stress. These investments tend to be less correlated to growth assets and may provide additional income, improving overall portfolio liquidity. Hybrid investments consist of hedged and opportunistic, high-yield public and private credit strategies. Investment in private credit drove outperformance for the hybrid asset portfolio, returning 5.0% and exceeding its asset class benchmark the S&P/LSTA Leverage Loan Index + 150 bps by -1.3%. A lower beta opportunistic hedge portfolio supported performance with an absolute return of 4.5%.

Fiscal Year 2022 Return: 2.6%
T-Bills + 4% Fiscal Year 2022 Return: 4.1%



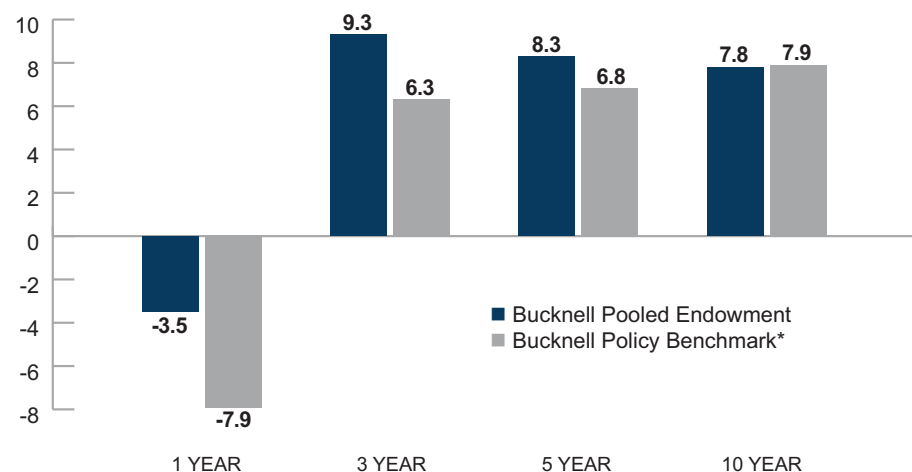
Real Estate produces current income and capital appreciation. The real estate portfolio is allocated to both public real estate investment trusts (REITs) and private real estate strategies diversified by geography and property type. Bucknell's thematic focus in private real estate continues to drive positive performance for the asset class while liquid real estate struggles attributed to rising rates, lower asset prices and economic uncertainty.

Fiscal Year 2022 Return: 15%
NCREIF Open-ended Diversified Core Index -25% Fiscal Year 2022 Return: 29.2%

Strong Results

POOLED ENDOWMENT PERFORMANCE

as of June 30, 2022



*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

During the past fiscal year, Bucknell's endowment saw relative strength, outperforming its policy benchmark in a volatile market environment. Here are the facts to know:

- The endowment fund nominal return of -3.5% over the previous year exceeded the policy benchmark of -7.9%. Special attention was taken to preserve future capital to maintain a long-term 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 outperformed its relative benchmarks for the year. Growth assets and low volatility showed absolute returns of -6.5% and -10.1% respectively. Hybrid assets and real estate delivered positive absolute returns of 4.5% and 15%.
- 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 7.8% aligned with our policy benchmark of 7.9% yet slightly below our target nominal return of 8.1% (5.5% annually plus the growth in the consumer price index [2.6%]).
- Over the past five years, the endowment generated an 8.3% compounded return, growing in market value from \$700 million to \$1.1 billion.
- Carefully designed and monitored strategic allocation including a prudent build-out of a private investments program to include venture capital, equity, credit and real estate is proving resilient during economic uncertainty and market volatility. From an asset allocation perspective, private growth assets provided ~7.6% of relative positive contribution while public equity (-1.1%) and liquid real estate (-1.7%) detracted from returns.

Environmental, Social and Governance (ESG) Investments

Bucknell actively and prudently engages in conversations focusing on strategic investments, educating and leading by example on how to live sustainably.

Through endowment investments in green strategies paired with disbursements aimed at lessening Bucknell's impact on the environment, significant efforts in sustainably focused funds are expected to drive future returns in specific asset classes.

The Bucknell Investments Committee of the Board of Trustees, along with the vice president for finance & administration and the 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.

The IC maintains the adopted ESG Investment Framework and oversees the efforts of the ESG Sub-committee, investment advisers and Investment Office in implementing the ESG Framework.

An ESG Sub-committee of the Investment Committee executes and oversees the ESG Investment Framework, establishes ESG investment plans, considers the pipeline of investment ideas and themes, and recommends investments to the full Investment Committee for approval.



FOR MORE INFORMATION

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