



ANNUAL ENDOWMENT REPORT

FISCAL YEAR
2019

- The Stevens Endowment continues to grow and generate positive returns to support a variety of university programs. The Endowment experienced another successful year and I am pleased to present the Fiscal Year 2019 Endowment Report and to provide an overview of the highlights.

The Endowment grew to \$224 million as of June 30, 2019, an all-time high! The portfolio has increased \$95 million over the past ten years, a nearly 75% growth rate, after annual spending distributions. This is a result of consistent gift giving, transfers, and accumulated investment return. During this past fiscal year alone, the portfolio increased \$17 million, which included a combination of gifts and transfers totaling \$8 million and investment gains of \$15 million, offset by net spending distribution to operations of \$6 million. The spending distribution represents the Endowment's annual support for student scholarships, academic programs, endowed faculty chairs and more. The private equity portion of the investment portfolio increased by \$10 million this year to \$26 million or 11% of the portfolio. This is in line with our funding plan to achieve the target goal of 18% of the portfolio by about 2022.

The Board of Trustees has continued special initiatives to grow the Endowment this year by approving the transfer of \$5 million to the Endowment as part of a university-wide review and analysis of old legacy accounts with either no stated spending purposes or spending purposes that were no longer applicable to current university activities and will be more effectively utilized in the Stevens Endowment. The new endowment funds are primarily for scholarships and to support faculty and research. This is in addition to the transfer of over \$2 million to the Endowment last year for three unrestricted bequest gifts. With these actions, the Board of Trustees acknowledges the importance of growing the Stevens Endowment and will pursue opportunities for board designated funds as they become available.

The Stevens Student Management Investment Fund (SSMIF) continued to manage a portion of the Endowment portfolio, amounting to \$475,000 as of June 30, 2019. To provide an update to the 2018 CNBC Stock Draft, a national competition of

professional investors and celebrities that culminated in February 2019, SSMIF came in third place out of the eight teams! The fund has been in existence since spring 2015 and the SSMIF has participated and fared well in several collegiate competitions. SSMIF students are continually impressive representatives of our university, shining a national spotlight on the unique opportunities and innovative nature of a Stevens education.

In order to maintain stability in the Endowment's support of scholarships, academics and faculty, the university has implemented an annual spending rate of 4.5% for the Endowment for Fiscal Year 2020, the same as for the prior three years. This rate is consistent with many college and university endowments. The Board of Trustees' Investment Committee continued to work diligently with university management and our Outsourced Chief Investment Officer (OCIO), Goldman Sachs, to analyze and optimize portfolio scenarios. This year, the Goldman Sachs factor-based portfolio analysis study was refreshed to model various spending distribution alternatives to help guide our decision.

On behalf of the Board of Trustees and the Investment Committee, I must express heart-felt gratitude to our donors for your generosity and extraordinary support of Stevens and thank you for your long-term investment in the Endowment and our students. Support from our alumni and friends is paramount to Stevens' future growth and with continued and expanded philanthropic engagement, we are poised for even greater success.

Respectfully yours,

J. Scott Swensen '74
Chair of the Investment Committee

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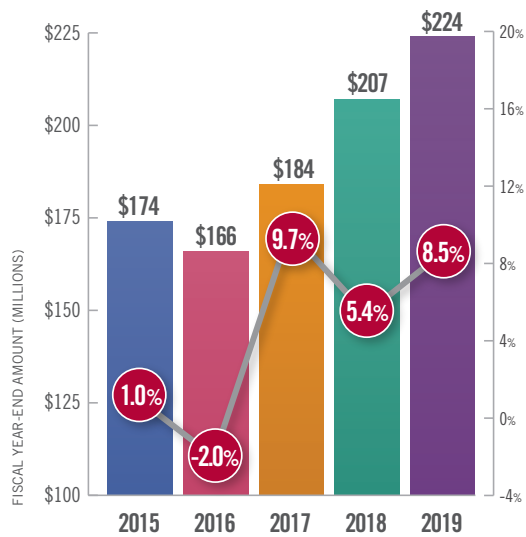


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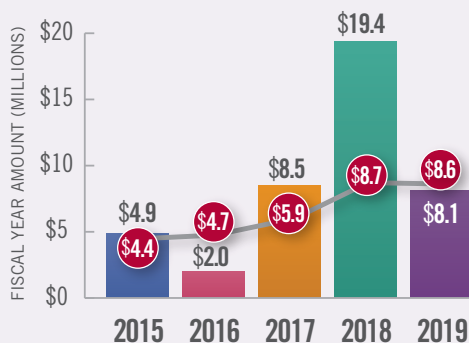
A gift to the Stevens Endowment is an investment in the university's future. It is a permanent legacy that provides a secure source of future revenue to support students, faculty or academic programs as directed by each donor's wishes. A gift to the Stevens Endowment forever benefits our mission and ensures excellence in perpetuity. The Endowment, a set of pooled assets, is composed of individual funds and is invested as one co-mingled portfolio in a purposeful and accountable manner to generate capital gains and income that will honor our donors' intended purposes.

■ Endowment Activity

The market value of the Stevens Endowment grew to \$224 million as of June 30, 2019. Gifts and redesignations during Fiscal Year 2019 were \$8.1 million (see chart below for details). Net investment gain was \$15.6 million. Net spending distribution for operations to support students, faculty and academic programs was \$6.3 million. The Goldman Sachs-managed portion of the Endowment (85% of the total portfolio) returned 5.6%, consistent with the overall trend in the capital markets for the 12-month period ending June 30, 2019. The investment portfolio lagged its strategic benchmark by 1.1%, driven by a persistent low-volatility environment and being underweight in private equity investments, which will be addressed over the next few years as we increase our commitments toward our strategic allocation in this area. Overall, the net investment gain for the entire Endowment portfolio for the year ending June 30, 2019 was 8.5%, buoyed by the recording of an unrealized gain for a legacy private equity investment.



Historical Market Value - Net of Spending
● Historical Return



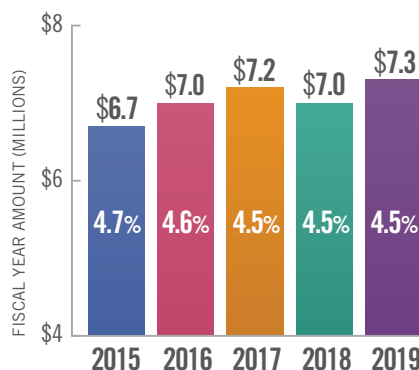
Historical Contributions (Gifts, Redesignations & Pledges)
● 5-year moving average

Note: 2018 included contribution of \$15M for new scholarship fund.

Endowment contributions typically include cash and securities, or sometimes real estate or other assets. Contributions recorded in the current year may be payments received in the current year or pledges that promise payments in future years. Contributions received during a particular year from estates, known as bequests, are also included in these figures. Bequest expectancies, where donors name Stevens in their wills to receive a gift from their estates in the future, are not included in these numbers. In addition, contributions include donor and Board redesignations of prior gifts. Due to the various sources of contributions, the pattern of values associated with annual giving to the Endowment can vary from year-to-year. Nevertheless, Stevens' endowment giving overall, as the five-year moving average line indicates, is positive.

■ Spending

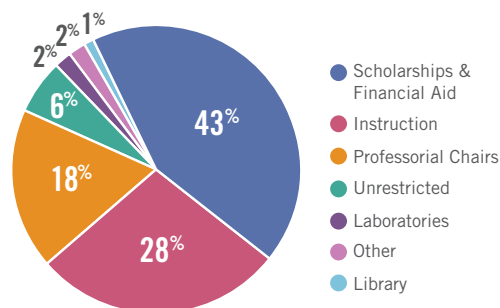
The Board of Trustees authorized the Fiscal Year 2019 spending rate of 4.5% of a three-year trailing average of total market values of all pooled invested funds in the Endowment. In Fiscal Year 2014, the Board of Trustees approved a gradual reduction in the annual spending rate from 5% in Fiscal Year 2013 to 4.5% in Fiscal Year 2017, and since has approved a consistent rate of 4.5% after contemplating Goldman Sachs' modeling of portfolio scenarios and being mindful to provide steady support to university programs. The Board of Trustees is committed to applying a fiscally prudent approach for the Endowment to continue to grow in perpetuity and re-evaluates the spending rate each year.



Historical Spending:
Gross dollar amount and % of endowment value

■ Structure

The Endowment comprises 391 individual funds, most established by a dedicated and generous donor or group of donors for specified purposes and some board-designated to meet Stevens' immediate needs. The funds are pooled and invested as a single portfolio, but are tracked and allocated individually. At Stevens, endowed funds support scholarships and financial aid, instruction, professorial chairs, laboratories, the library and various educational programs. These funds have appreciated in value over time while providing support for the designated purposes of the funds annually.



Endowment Designations - 6/30/2019

■ Endowment Management

Stevens' Endowment investments are overseen with prudence and care by university management and the Board of Trustees, whose Investment Committee is composed of trustees and faculty with knowledge in finance and investments. The goal of the Investment Committee is to oversee the Endowment to support the university's Strategic Plan and ensure that the Endowment benefits both current and future generations. The Investment Committee is responsible for oversight and strategic decision-making covering asset allocation, spending policy, performance analysis, fee review and hiring of professionals. The Committee works closely with Goldman Sachs, our OCIO, to construct a diversified investment portfolio that looks to capitalize on sources of long-term return. Goldman Sachs, currently managing 85% of the total portfolio assets and 93% of investable assets, advises and executes on a variety of public and private market strategies that seek to generate an attractive risk/return profile in line with the goals set forth in the Endowment's Investment Policy Statement. Of the remaining total assets, 10% are overseen by Stevens and 5% consists of legacy private equity investments.

With the goal of generating excess returns while maintaining an appropriate level of risk, the Board of Trustees, the Investment Committee and our OCIO have established a multi-year investment strategy to bring the portfolio to a strategic weighting in private equity and private credit assets. An increased allocation to a diversified set of strong private asset managers is expected to improve the overall risk/return profile of the portfolio, bring our return closer to the strategic benchmark and better position the Endowment to meet its long-term objectives. The portfolio is well diversified across investment managers, asset classes, geographies and time horizons. The Endowment is broadly diversified into equities, fixed income and alternative investments, including private equity, private credit, hedge funds and real estate.

FY 2019 Endowment Highlights

\$224M

Stevens' Endowment, net of spending, has grown by \$51 million during the past five years from \$173 million on June 30, 2014 to \$224 million on June 30, 2019.

391

The Endowment comprises 391 individual endowment funds to support the university as directed by our generous donors.

\$43M

Contributions to the Endowment totaling \$43 million have been received during the past five years.

\$35M

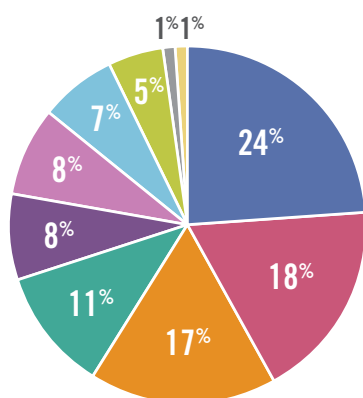
The Endowment has distributed a gross amount of \$35 million over the past five years to support students, faculty and academic programs.



Risk Management

By investing in both traditional and alternative investment classes, the Endowment seeks to achieve diversification benefits. Our strategic asset allocation, over the longer term, strives to optimize return for a given level of portfolio risk. At least three times per year, the Investment Committee reviews the asset allocation of the portfolio and the individual managers' performance. Our OCIO will continue to model the portfolio and engage the Investment Committee in discussions about long-term spending

needs balanced against expected portfolio returns and volatility. Maintaining and growing the value of the Endowment over time is critical to ensuring that the steady source of income the Endowment provides to students, faculty and academic programs will not be eroded, and that endowment funds grow in support of our strategic goals in perpetuity. This objective is best accomplished by a well-diversified portfolio and a conservative spending policy.



	\$ (MILLIONS)	% OF TOTAL
U.S. Equity	\$54	24%
Investment Grade Fixed Income	\$42	18%
Non-U.S. Equity	\$38	17%
Private Equity	\$26	11%
Other Fixed Income	\$19	8%
Other	\$18	8%
Tactical Asset Allocation Portfolio	\$15	7%
Hedge Funds	\$10	5%
Cash & Money Market Funds	\$1	1%
Real Estate	\$1	1%

\$224 100%

Asset Allocation - 6/30/2019

