The Rockefeller University’s endowment represents the cumulative generosity of generations of steadfast patrons of transformational science.

The university’s Investment Office, in conjunction with the Investment Committee of the Board of Trustees, seeks to maximize return on these funds in order to advance the research mission of the university; it provides an annual contribution to the university’s operating budget and serves as a steady source of long-term funding.

In spite of challenging markets, the endowment assets generated a 6.7 percent return for the fiscal year ended June 30, 2015, placing the university in the top quartile of performance for endowments with over $1 billion in assets, as ranked by Cambridge Associates. Strong performance was driven by successful investments in venture capital and real estate and by exceptional outperformance by the university’s managers across a broad range of asset classes.

The assets in the endowment were valued at $2.0 billion at the close of the 2015 fiscal year. The $94.9 million draw from the endowment represented 28.3 percent of the university’s 2015 budget and remains a critical and stable source of research support.

Endowment Highlights

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value (millions)</td>
<td>1681.8</td>
<td>1692.3</td>
<td>1831.2</td>
<td>2005.2</td>
<td>1987.0</td>
</tr>
<tr>
<td>Return</td>
<td>17.9%</td>
<td>-0.3%</td>
<td>12.6%</td>
<td>17.6%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Spending (millions)</td>
<td>99.3</td>
<td>91.8</td>
<td>92.9</td>
<td>93.4</td>
<td>94.9</td>
</tr>
<tr>
<td>Operating Budget Revenues (millions)</td>
<td>312.5</td>
<td>305.6</td>
<td>309.9</td>
<td>327.0</td>
<td>334.8</td>
</tr>
<tr>
<td>Endowment Percentage</td>
<td>31.8%</td>
<td>30.0%</td>
<td>30.0%</td>
<td>28.6%</td>
<td>28.3%</td>
</tr>
</tbody>
</table>
In addition to thoughtful asset allocation, Rockefeller seeks to retain the highest caliber managers to invest on its behalf. In general, the university seeks to maintain long-term relationships with a relatively small number of top-tier managers. The Investment Office reviews hundreds of investment management proposals every year but deploys capital with only the handful that offer top-tier investment acumen, impeccable ethical standards, and the ability to exploit clear areas of market opportunity over a sustained period of time.

Manager Selection

The university seeks to further reduce the risk of the portfolio through a 39 percent policy allocation to investments that have low average correlation to equity markets. These investments fall into four broad categories: absolute return funds, distressed credit funds, real assets, and fixed income or cash.

The university defines absolute return funds as those funds with a demonstrated ability to generate returns independently from rising equity markets. The group comprises a diverse set of managers ranging from multi-strategy hedge funds to volatility and macro traders. While the returns from these managers have tended to lag equities-oriented managers in recent years, they prove their worth when equity markets become more uncertain. Distressed credit funds are an important source of countercyclical returns as they tend to profit from weaker economic conditions and rising bankruptcy rates. Real assets encompasses assets that should be insulated from unexpected price inflation such as real estate, timber, oil and gas, and Treasury Inflation-Protected Securities. Finally, fixed income and cash funds include high quality (generally U.S. Treasury) securities that should perform well during an economic downturn. This allocation, while relatively small at six percent, provides critical ballast to support spending during periods of economic and equity market weakness.

The Investment Office invests the assets of the university with a demonstrated ability to generate returns independently from rising equity markets. The group comprises a diverse set of managers ranging from multi-strategy hedge funds to volatility and macro traders. While the returns from these managers have tended to lag equities-oriented managers in recent years, they prove their worth when equity markets become more uncertain. Distressed credit funds are an important source of countercyclical returns as they tend to profit from weaker economic conditions and rising bankruptcy rates. Real assets encompasses assets that should be insulated from unexpected price inflation such as real estate, timber, oil and gas, and Treasury Inflation-Protected Securities. Finally, fixed income and cash funds include high quality (generally U.S. Treasury) securities that should perform well during an economic downturn. This allocation, while relatively small at six percent, provides critical ballast to support spending during periods of economic and equity market weakness.

Manager Selection

The results of extremely disciplined manager selection are consistent above-average returns. Over the past five years, The Rockefeller University has achieved results above both market benchmarks and its industry peers in nearly every asset class. The university has lagged its benchmark in fixed income because of concern over below-average interest rates and the fear that rates may adjust up unexpectedly. Overall, the Investment Office estimates that good manager selection accounts for the bulk of the university's above-average returns compared to other endowments with over $1 billion in assets.

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2015 and the Year Ahead

Throughout the course of 2015, the university took an increasingly cautious approach to global equities. As of December 31, 2015, the endowment was two percent under its target allocation to equities and had 10 percent of its funds invested in cash or short-term U.S. Treasury securities. The university has also been underweight in distressed credit and emerging market equities given concerns that investors were not being adequately compensated for risk in these areas.

In recent months, however, market volatility has increased significantly. Global equity markets sold off sharply in the first two months of 2016 and then registered an equally sharp recovery in March and April. Oil and other commodities have been comparably volatile. A number of extremely experienced, capable, and disciplined investment managers struggled as market movements relating to risk appetite and monetary policy swamped fundamental analysis—at least in the short term.

The university has ample cash resources to ride out this current period of volatility. The Investment Office believes firmly in the long-term, value-oriented investment strategies of its managers and will look to increase investments with those managers in areas where volatility may be creating opportunity. In the first quarter of 2016, the Investment Office began to increase the university’s exposure to high-yield and distressed debt securities back toward its long-term target of 6 percent of assets. The office is also actively investigating long-term opportunities in Asia and Latin America and expects to increase exposure to emerging market economies overall in the years to come. Its focus will be on concentrated, fundamental stock pickers with flexible regional mandates.

In the very long term, the climate of extremely low nominal interest rates combined with ongoing cost growth in most service sectors of the U.S. economy is putting increasing stress on endowed institutions. In recent years, Rockefeller University has gradually reduced its annual spending rate in order to better reflect expected future investment returns. The university will continue to exploit its ability to make long-term investments with the highest caliber managers globally in an effort to maximize the resources available to our scientists for years to come.

For more information, please contact:

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