



**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.

The assets in the endowment were valued at \$1.93 billion at the close of the 2016 fiscal year. The \$97.9 million draw from the endowment represented 26.3 percent of the university’s 2016 budget and remains a critical and stable source of research support.

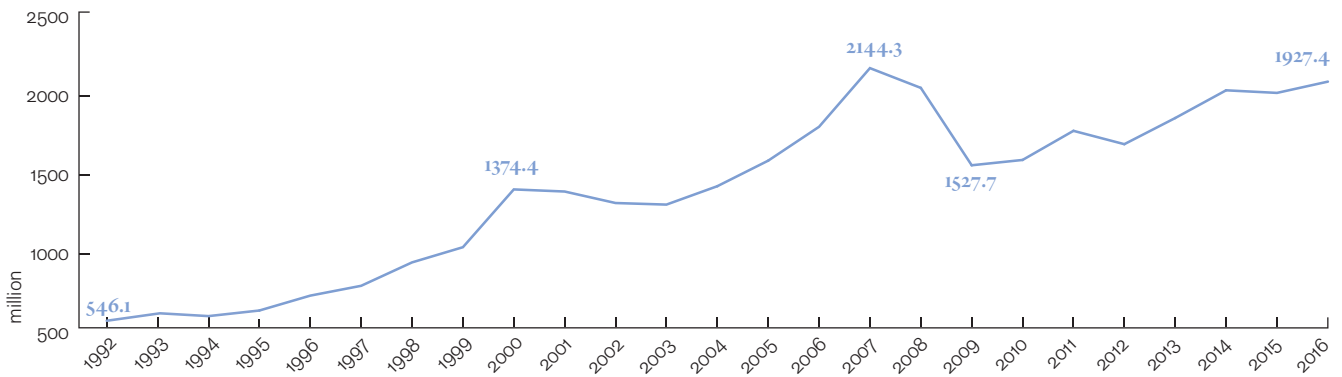
In challenging markets, the endowment assets experienced a 0.8 percent loss for the fiscal year ended June 30, 2016, which is in the top quartile of performance for endowments with over \$1 billion in assets, as ranked by Cambridge Associates. Performance was driven by successful investments in venture capital and real estate and by exceptional outperformance by the university’s managers across a broad range of asset classes.

**Endowment Highlights**

<b>Fiscal Year*</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Market Value (millions)</b>	1692.3	1831.2	2005.2	1987.0	1927.4
<b>Return</b>	-0.3%	12.6%	17.6%	6.7%	-0.8%
<b>Spending (millions)</b>	91.8	92.9	93.4	94.9	97.9
<b>Operating Budget Revenues (millions)</b>	316.1	336.3	350.1	359.8	372.0
<b>Endowment Percentage</b>	29.0%	27.6%	26.7%	26.4%	26.3%

\*July 1 through June 30

## Endowment Value by Fiscal Year



## Investment Strategy

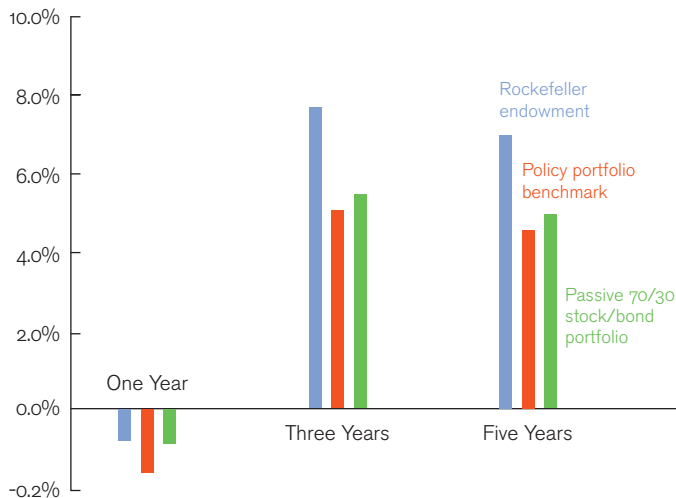
The Investment Office invests the assets of the university with the goal of maximizing returns within an acceptable level of risk. The university pursues a diversified investment policy with exposures to global equities, fixed income, real estate, natural resources, and other alternatives. The primary objective is to ensure that the investment returns of the endowment are sufficient to cover the annual spending draw and the university's annual cost inflation, measured by the Higher Education Price Index (HEPI). This policy of balancing investment returns against spending and inflation should preserve or enhance the endowment's ability to provide financial support to the university over time.

In general, the university retains a relatively high, 61 percent, policy allocation to equity-oriented securities. While equities are historically more volatile than other asset classes, they tend to produce higher returns in the long run. The university's long time horizon and prudent liquidity management mitigate the risks associated with equities.

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.

## Cumulative Annualized Returns

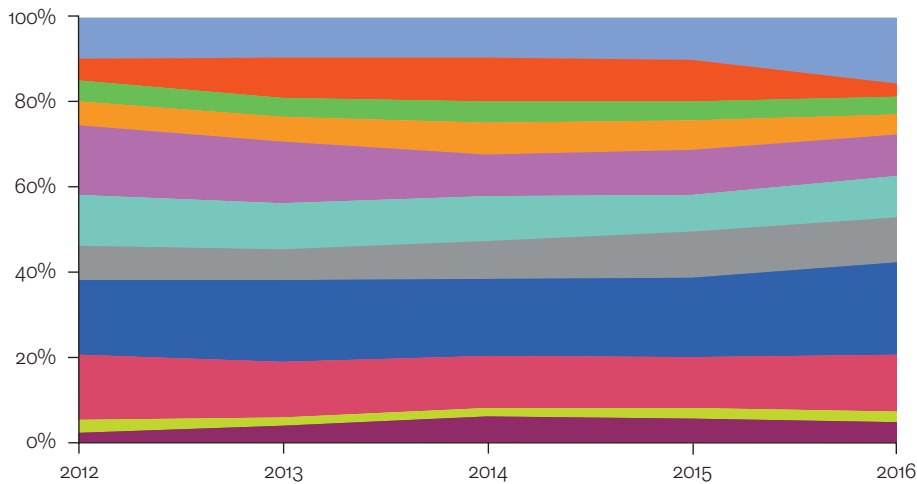


## Manager Selection

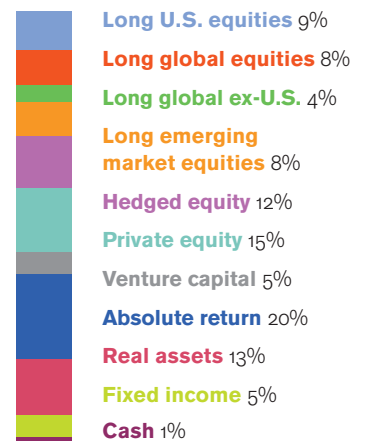
In addition to thoughtful asset allocation, Rockefeller seeks to retain the highest caliber managers to invest on its behalf. In general, the university seeks to maintain long-term relationships with a relatively small number of top-tier managers. The Investment Office reviews hundreds of investment 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.

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.

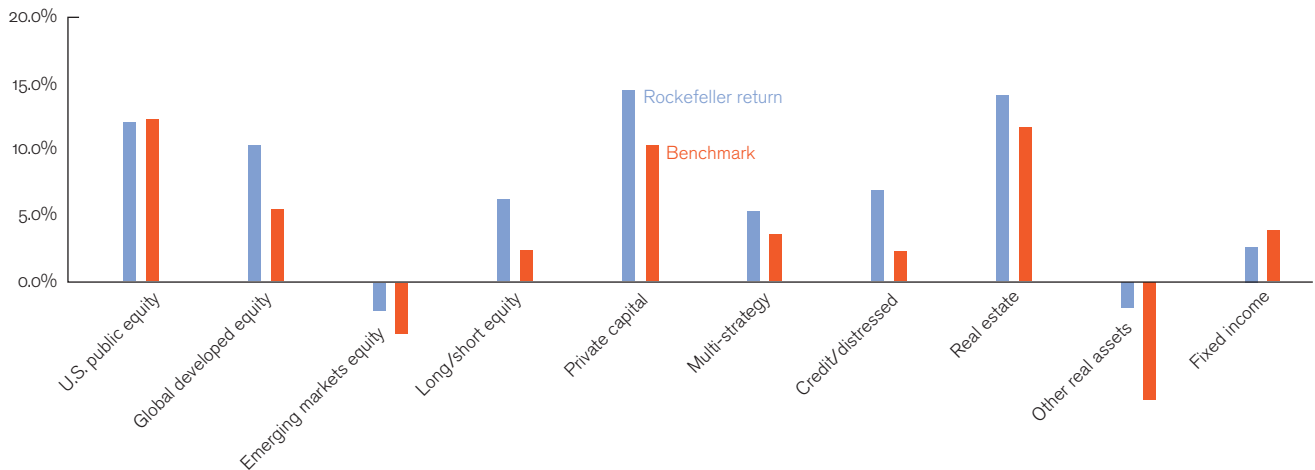
## Asset Allocation by Fiscal Year



## Policy Targets



## Five-Year Returns by Asset Class Compared to Benchmarks



## 2016 and the Year Ahead

After a difficult fiscal year ending in June 2016, a solid recovery in equity markets resulted in a 7.03 percent performance for the university's endowment during the 12 months ending December 31, 2016. Since then, financial markets have continued to strengthen in the first few months of 2017, producing further gains in the value of the endowment's assets, which now exceed \$2 billion.

Looking forward, equity and bond markets appear to be fully valued by historical standards while measures of expected volatility have fallen near all-time lows. The Investment Office remains focused on preserving capital to meet the university's annual draw through a diversified investment pool and the maintenance of prudent cash reserves in the event of less complacent global markets. Cash and short-term Treasury securities now account for eight percent of the university's assets.

In spite of a relatively conservative structure, the university's endowment has continued to generate above-average performance. For the five years ended December 31, 2016, the endowment's average annual performance of 9.2 percent exceeds the average annual return for large endowments in the Cambridge Associates universe of 8.1 percent.

The university remains committed to active management as a source of long-term performance. We believe investments in strong companies with solid balance sheets, meaningful earnings, and demonstrable management capability will outperform. The recent large rise in passive investing—while cost-effective—ensures only a concentration in those companies with larger market capitalization and rising stock prices. This strategy may perform well in periods characterized by rising markets, easy access to capital, and minimal corporate failures. In the long run, however, we believe fundamentals will prevail and that the rising wave of non-fundamental flows will create opportunities for our managers.

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:

Amy Falls  
Chief Investment Officer

The Rockefeller University  
1230 York Avenue, Box 173  
New York, NY 10065

212-327-7233  
afalls@rockefeller.edu