“I KNOW A SPOT THAT I LOVE FULL WELL,
‘TIS NOT IN FOREST NOR YET IN DELL;
EVER IT HOLDS ME WITH MAGIC SPELL,
I THINK OF THEE, ALMA MATER.”
The KSU Foundation is committed to prudently managing your generous gifts in support of Kansas State University and its land-grant mission. The Long-Term Investment Pool (LTIP) serves as the investment vehicle for all individually endowed funds and grew to more than $860 million as of June 30, 2021. Fiscal year 2021’s year-over-year growth was a result of your generous contributions and a 35.7% return earned on investments, allowing endowed funds to distribute over $24 million to campus in support of each fund’s purpose.

This fiscal year’s extraordinary investment returns were driven primarily by global equity markets’ reaction to governments’ monetary and fiscal stimulus policies, and the reopening of economies as COVID-19 vaccination rates increased. Global earnings estimates are being revised upward and global business leaders are expressing fewer concerns about supply constraints than during 2020. In recent quarters, upward pressure on realized inflation rates and an improving labor market have increased the likelihood of seeing the scaling back of the Federal Reserves’ current $120 billion-per-month pace of asset purchases, potentially followed by policy rate hikes in the beginning of 2022.

The KSU Foundation’s strategic asset allocation is reviewed every three years by the foundation’s Asset Management Committee. It represents the optimal mix of investments based on models of expected returns, risks and correlations between assets to meet the desired distribution rate from the endowed funds. Tactical shifts within approved limits are made to reflect our research on greatest opportunities and better risk profiles based on shorter-term market conditions. While the equity orientation of the strategic asset allocation plays a key role in the Long-Term Investment Pool returns, diversification across the portfolio contributes to the stability of long-term average returns and sustainability of distributions.
For the fiscal year ending June 30, 2021, the Long-Term Investment Pool had an overweight to both private capital and real estate and an underweight to commodities. Investments in privately held companies through private capital funds continued to deliver significant contributions to returns as elaborated by Paul Chai, our senior director of investments, in his commentary. Beyond private capital, the LTIP allocation in diversifiers has an accumulated return of +31.7% during the last three years — besting its benchmark by +23.6%. The team’s decision to make an opportunistic credit investment in the height of the COVID-19 crisis one year ago, also helped the deflation hedge bucket outperform its benchmark by +2.2% for the year.

Our investment analyst, Isla Chu, discusses the opportunities in private credit and real estate, highlighting the team’s thesis for investing in these strategies and how they contribute to the diversification benefits across the portfolio.

Despite strong recent financial market returns, the road ahead to achieve long-term endowment growth remains as challenging as ever. The KSU Foundation’s commitment to a disciplined, long-term focused strategy, based on well-vetted investment and distribution policies strengthens our ability to support Kansas State University’s land-grant mission for today’s K-State students and future Wildcats.

For additional information regarding fiscal year 2021 investment results, please visit our website: ksufoundation.org/assetmanagement.

Thank you for your continued partnership in boldly advancing K-State family!

With Wildcat Pride,

Lois Cox, CFA, CFP®
‘88 College of Business Administration
Senior Vice President of Investments,
Chief Investment Officer

“Over $24 million in distributions from endowed funds were made available to K-State during fiscal year 2021.”*

*The distribution rate to fund purpose in fiscal year 2021 was 4.4% of a three-year average market value.
“During the last three fiscal years 2018, 2019 and 2020, the KSU Foundation’s performance ranked in the top quartile among 800+ college/university endowments and foundations according to the National Association of College and University Business Officers.”

LONG-TERM INVESTMENT POOL PERFORMANCE

While an expected return driver was the strong public equity market, the biggest performance contributor came from the LTIP’s higher relative allocation to private capital. The private capital bucket returned +68.2% in aggregate for the year — outperforming its benchmark — the Cambridge Associates Global All Private Equity index at +52.5% in the same period.

Notably private capital also significantly outperformed the public equity market, with the MSCI All Country World Index returning +39.9% for the year. Within private capital, venture capital was the top performance contributor, which delivered a return of +89.9% on the back of strong global IPO activities. The strong outperformance in private capital provides validation of our team’s focus in accessing the best long-term growth investment opportunities, by sourcing and partnering with best-in-class asset managers and investors.

Long-term investment pool policy benchmark

![Chart showing the distribution of investments across different asset classes.]

- Public equity (global): 42%
- Private capital: 21%
- Real estate, commodities, and TIPS: 20%
- Cash and bonds: 10%
- Diversifiers: 7%

Paul Chai, CFA, CAIA
Senior Director of Investments

© Columbia
With valuations across virtually all asset classes near cyclical peaks, it is not surprising that interest in private credit among investors has grown significantly. Private credit refers to loans and other credit facilities supplied directly by non-bank lenders. Private credit emerged as banks pulled back from multiple areas of lending in response to heightened regulatory scrutiny after the financial crisis. The initial private credit investment was made in 2016, with additional commitments through 2021. The program has consistently delivered stable and diversified income streams in a low-interest environment and remained resilient during the market turmoil in March 2020. Going forward, we look to expand this program by continuing to identify best-in-class private credit managers and differentiated strategies that can achieve a risk/return, income and liquidity profile appropriate for the Long-Term Investment Pool’s objectives.

The real estate program is diversified across geographies and comprised of both public and private commitments. The tactical overweight to real estate was due primarily to its stable income and diversification, attractive risk-adjusted return expectation relative to most traditional assets which have stretched valuations, and low interest rates creating a favorable financing environment for the asset class. With an emphasis on multi-family residential properties, KSU Foundation’s real estate managers were able to take advantage of the secular shifts in real estate that fared well. For the full fiscal year, the real estate program exceeded its benchmark, NCREIF Fund Index-Open End Diversified Core Equity, by over 10%.

Isla Chu
Investment Analyst

“The Long-Term Investment Pool grew to more than $860 million as of June 30, 2021.”
During fiscal year 2021, $24 million in distributions from endowed funds were made available to K-State. Endowments are permanent gifts designed to grow over time for a specific K-State purpose. Donors make a positive impact on K-State when they designate their donation so that its principal remains intact and grows forever. The investment income from permanently restricted gifts is used to support excellence at K-State, both now and for future generations.
WHY WE DO WHAT WE DO

Our team is deeply committed to providing manager research, due diligence reporting and governance that will make Kansas State University successful now and in the future. To that end, we honor our donors and recipients of their generosity by managing assets based on well-vetted investment and distribution policies that guide our decision making. These assets include equities, bonds, real estate, commodities, cash and various specialized investments that are primarily held in either the long-term investment pool or the expendable funds pool.

The investment management process is governed by the Asset Management Committee, a standing committee of the KSU Foundation Board of Directors, which is the policy-making and fiduciary arm of the KSU Foundation trustees. In collaboration with staff and consultants, the Asset Management Committee implements policies that review:

- Investment strategies
- Investment manager sourcing and monitoring
- Portfolio rebalancing

Everyone involved in the governance, research and due diligence of our investment process is keenly aware of the needs of Kansas State University. The decisions we make today will influence future earnings and help advance the university’s goals of attracting and keeping highly qualified professors, recruiting and graduating excellent students, and providing resources that champion competitive university research.

Lois Cox  
Senior Vice President of Investments, Chief Investment Officer  
loisc@ksufoundation.org

Paul Chai  
Senior Director of Investments  
paulc@ksufoundation.org

Isla Chu  
Investment Analyst  
islac@ksufoundation.org
“K-S-U, we’ll carry thy banner high.
K-S-U, long, long may thy colors fly.
Loyal to thee, thy children will swell the cry.
Hail, hail, hail. Alma Mater”