



# 2022 ENDOWMENT REPORT

JULY 1, 2021–JUNE 30, 2022

KANSAS STATE UNIVERSITY  
**FOUNDATION**

**BOLDLY** ADVANCING **K-STATE** FAMILY

# RESILIENCE IN A TURBULENT YEAR

The KSU Foundation investment team is committed to diligently managing your investment in Kansas State University, its students and faculty, and its land-grant mission.

The Long-term Investment Pool (LTIP), which serves as the vehicle for all individually endowed funds, increased to more than \$912 million as of June 30, 2022. Year-over-year growth of more than \$50 million was a result of your generous contributions and a 5.72% return earned on investments. More than 4,000 endowed funds distributed over \$26 million to campus in support of each fund's purpose.

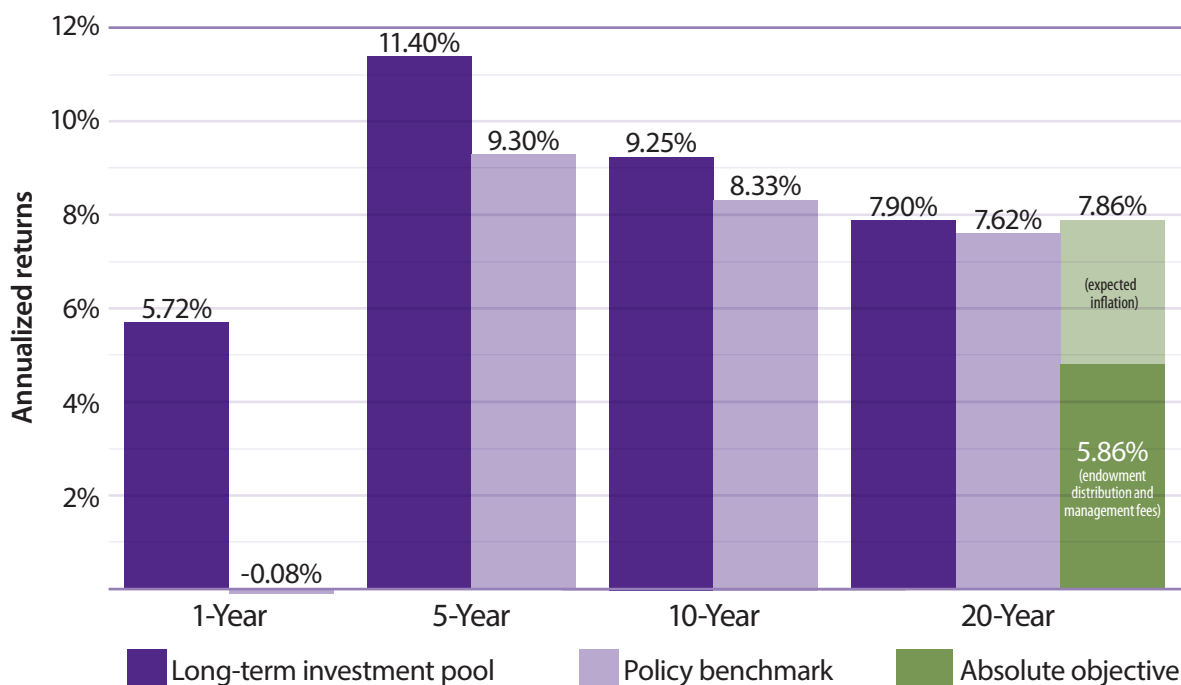
## Besting the benchmark

Following a strong upswing in the markets last year, fiscal year 2022 (FY22) was a turbulent year that saw negative returns in most investable asset classes. Global public equity markets represented by the MSCI All Country World Index were down -15.4%, while the US bond market represented by the Bloomberg US Aggregate index was down -10.3% during this period. On the other hand, real assets like real estate and commodities like oil saw positive price spikes, as global inflationary pressure took hold.

To this backdrop, the LTIP's diversified portfolio showed resilience by having parts of the portfolio in assets and strategies with uncorrelated returns to the broader market. It achieved a return of +5.72% for the fiscal year, an outcome that far surpassed the policy benchmark's return of -0.08%. More importantly, solid investment performance over the long-term has allowed endowed funds to distribute to their intended purpose, cover management fees and expenses, and allow for growth of the funds to help meet the ultimate objective of intergenerational equity — creating sustainable and relevant value across generations — as illustrated by a 10-year annualized return of 9.25% and a 20-year annualized return of 7.90%.

**In fiscal year 2022, K-State had one of the highest performing endowments in all of higher education.**

### Investment performance for period ending June 30, 2022



"Fiscal year 2022's year-over-year growth was a result of your generous contributions and a 5.72% return earned on investments, allowing endowed funds to distribute more than \$26 million to campus in support of each fund's purpose."

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A large portion of the investment gains over FY22 can be attributed to the private capital and diversifiers strategies embedded in the portfolio. As Paul Chai, the senior director for investments, points out in his commentary, volatility can help generate returns when managed in a risk-controlled way. He will also highlight some adjustments to the strategic asset allocation approved by the Asset Management Committee for implementation in FY23.

Throughout this report, you will see thoughts from the KSU Foundation Board Chair Mary Vanier and the Asset Management Committee Chair Tim Taylor as they reflect on the governance structure supporting the investment team and how it contributes to the successful outcomes we've experienced.

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

With Wildcat Pride,



**Lois Cox, CFA, CFP®**

'88 College of Business Administration

Senior Vice President of Investments, Chief Investment Officer

**"The Long-Term Investment Pool's diversified portfolio showed resilience by having parts of the portfolio in assets and strategies with uncorrelated returns to the broader market and achieved a return of +5.72% for the fiscal year, far surpassing its benchmark's return of -0.08%."**



# LONG-TERM INVESTMENT POOL PERFORMANCE



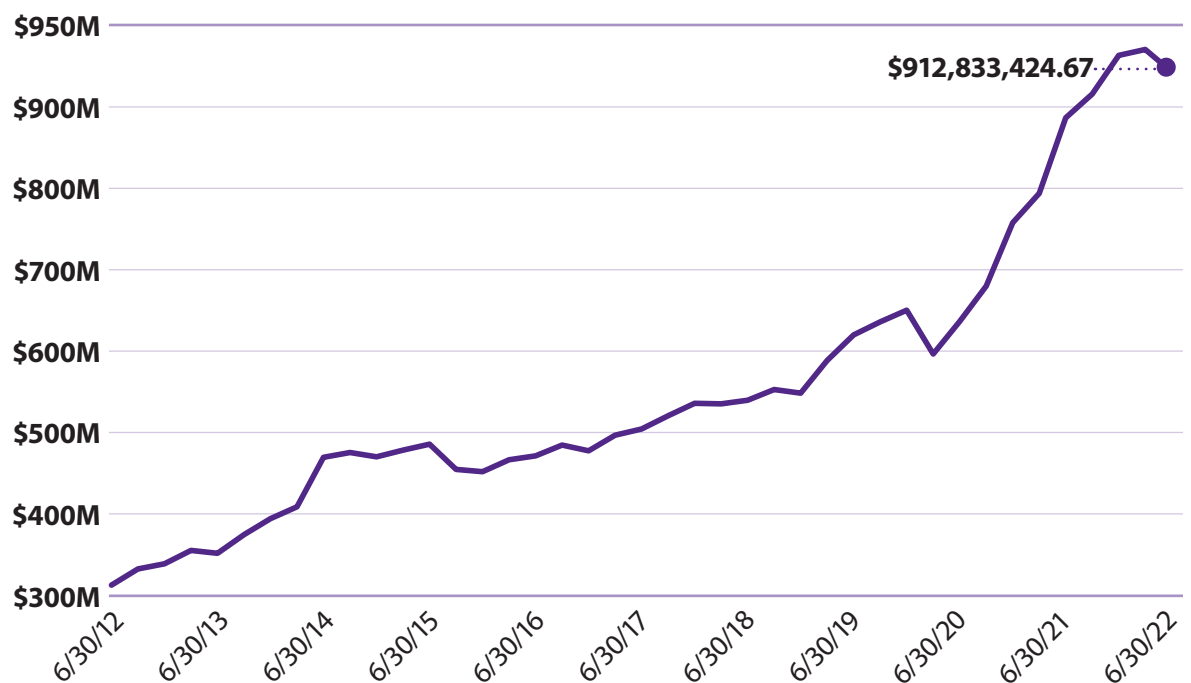
**“In the LTIP, the contributors to the 580 basis points of outperformance to the policy benchmark included funds in the diversifiers portfolio that collectively returned +42.7%, as short-term trading strategies like global macro and statistical arbitrage benefited from heightened near-term market volatility to deliver outsized returns.”**

An endowment’s perpetual life and the long-term approach to investing those endowed funds are a competitive advantage for investing. This long-term strategy provides strategic partners the ability to execute long-dated theses without the pressure to meet liquidity and cash demands of short-term focused investors. With a disciplined execution of the asset allocation, and superior manager selection, an endowment is poised to generate outstanding returns over multiple market lifecycles.

In the LTIP, the contributors to the 580 basis points of outperformance to the policy benchmark included funds in the diversifiers portfolio that collectively returned +42.7%, as short-term trading strategies like global macro and statistical arbitrage benefited from heightened near-term market volatility to deliver outsized returns. The real assets portfolio, driven by investments in private real estate, private energy and commodities, returned +14% to provide the intended hedge and positive return in an inflationary environment. Lastly, the private equity portfolio delivered strong outperformance to its benchmark and continues to provide validation to the team’s work in sourcing and partnering with the best-in-class asset managers and investors.

We remain resolutely focused on ensuring that the endowment continues to serve the university, generous donors and talented recipients with consistent funding, purchasing power protection, long-term growth and out-performance of benchmarks. Not only do this year’s outcomes demonstrate resiliency, but longer-term results show a consistent pattern of protecting portfolio value in market downturns and almost fully participating in market upswings. Over the past 5 years, the LTIP has captured 96% of the policy benchmark’s returns in positive quarters, while only capturing 57% of the policy benchmark’s returns in negative quarters. Many facets of portfolio management contribute to the outcomes we’ve been able to achieve. One of the most important of those being the strategic asset allocation highlighted in the next section.

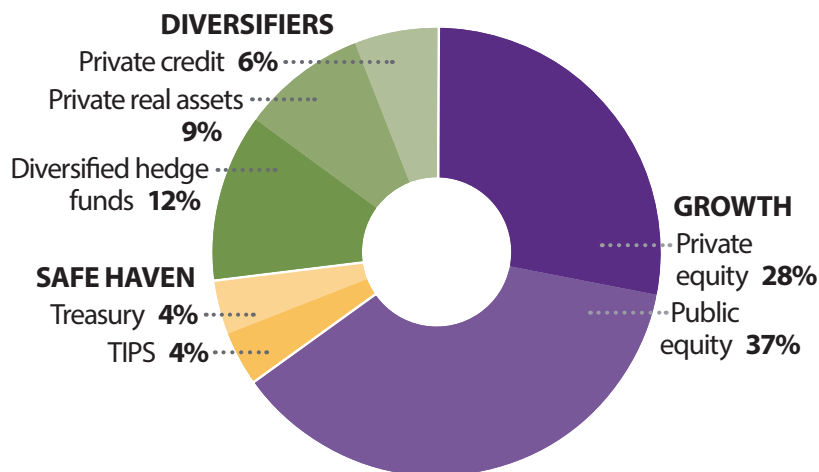
**Long-term investment pool market value**



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## Long-term investment pool policy benchmark



"An endowment's perpetual life and the long-term approach to investing those endowed funds are a competitive advantage for investing."

### Looking to the future

During FY22, the Asset Management Committee reviewed and approved new strategic asset allocation targets and policy benchmark for the LTIP. Notable changes include adding a 6% allocation to private credit, increasing the allocation to diversifier hedge funds from 7% to 12%, and removing the allocation for commodities. The increase to the diversifiers allocation and the new allocation to private credit are expected to add to the resiliency of the portfolio by increasing exposures to strategies that provide uncorrelated and higher

cash-yielding opportunities to equity and bonds.

In the current environment with much uncertainty and volatility, the updated strategic asset allocation intends to place the LTIP in a position to continue to achieve its long-term investment objectives.

**Paul Chai**, CFA, CAIA  
Senior Director of Investments



# MORE THAN 4,000 ENDOWED FUNDS DISTRIBUTED \$26 MILLION TO K-STATE DURING FY 2022



"The staff, committee and board of directors are deeply committed to providing the highest level of integrity, professionalism, governance and financial expertise to grow endowed gifts for today's K-Staters and tomorrow's students."

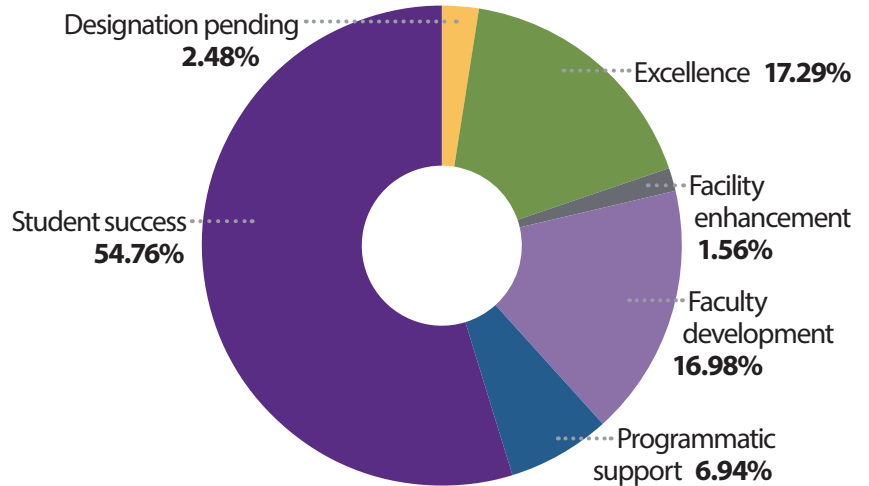
MARY VANIER  
Chair, Board of Directors

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During fiscal year 2022, \$26 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.

## Allocation of \$26 million payout





## SOUND GOVERNANCE

The investment 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, they 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 team is mindful about preserving capital and managing investment risk so that donors' endowed funds are available for the purposes for which they're intended.

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.

**Tim Taylor**  
Chair, Asset Management Committee



**"The investment team is mindful about preserving capital and managing investment risk so that donors' endowed funds are available for the purposes for which they're intended."**

**TIM TAYLOR**  
Chair, Asset Management Committee

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