



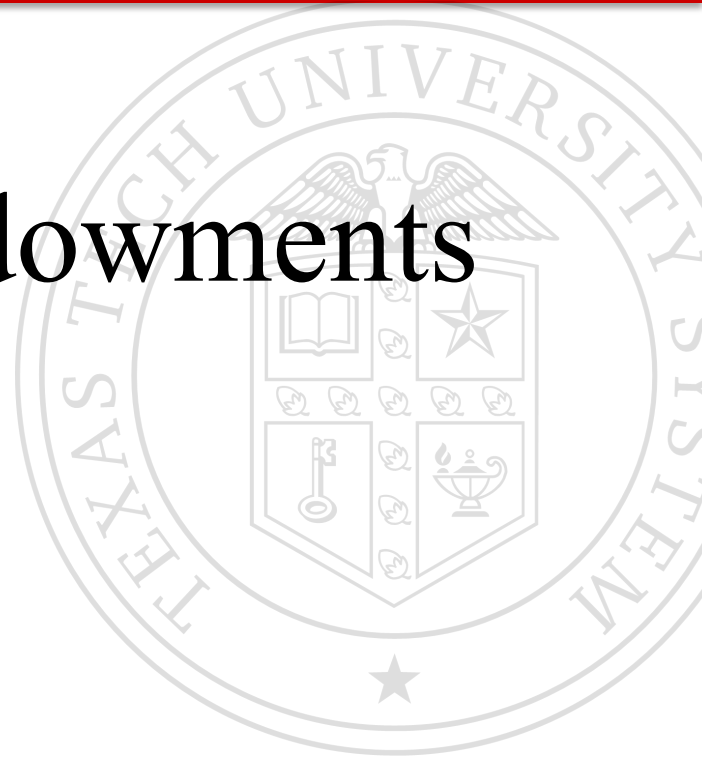
Report on TTUS Endowments

As of August 31, 2021

Gary Barnes

Vice Chancellor and Chief Financial Officer

November 18, 2021



Endowment Funds



Definition:

- Gifts that are invested for long term growth to produce earnings that will last into perpetuity.

Purpose:

- Support strategic mission and goals of institution while also fulfilling philanthropic goals of individual donors.

Benefits:

- Support that will impact both current and future generations.
- Consistent and stable source of revenue that will last into perpetuity.

Investment Performance:

- Prioritizes long-term growth to provide reliable funding over time.

Endowment Funds

Financial Management/Oversight



TTUS Vice Chancellor and CFO (Treasurer of TTFI) oversees all financial functions related to Endowment Fund Management

IA Financial Services & Stewardship/Compliance

- Annual Compilation/Distribution of Endowment Reports to Donors
- Manage endowment pledge reminders/collections
- Review setup of all new endowment funds

TTUS Accounting & Reporting

- Calc/Process quarterly endowment distributions
- Manage all exceptions outside of LTIF Policy
- Year end profit/loss calculations/entry
- TTUS Consolidated Annual Financial Report schedules

TTUS Investment Office

- All areas of endowment fund investments
- Performance Reports to BOR, IRC, Foundation

- Total Value in excess of \$1.7B
- More than **5,000 separate endowment funds** across all TTUS Components
- **4,000+ Individual Endowment Reports** prepared each year
- Annual audit by external audit firm (Foundation Endowments)

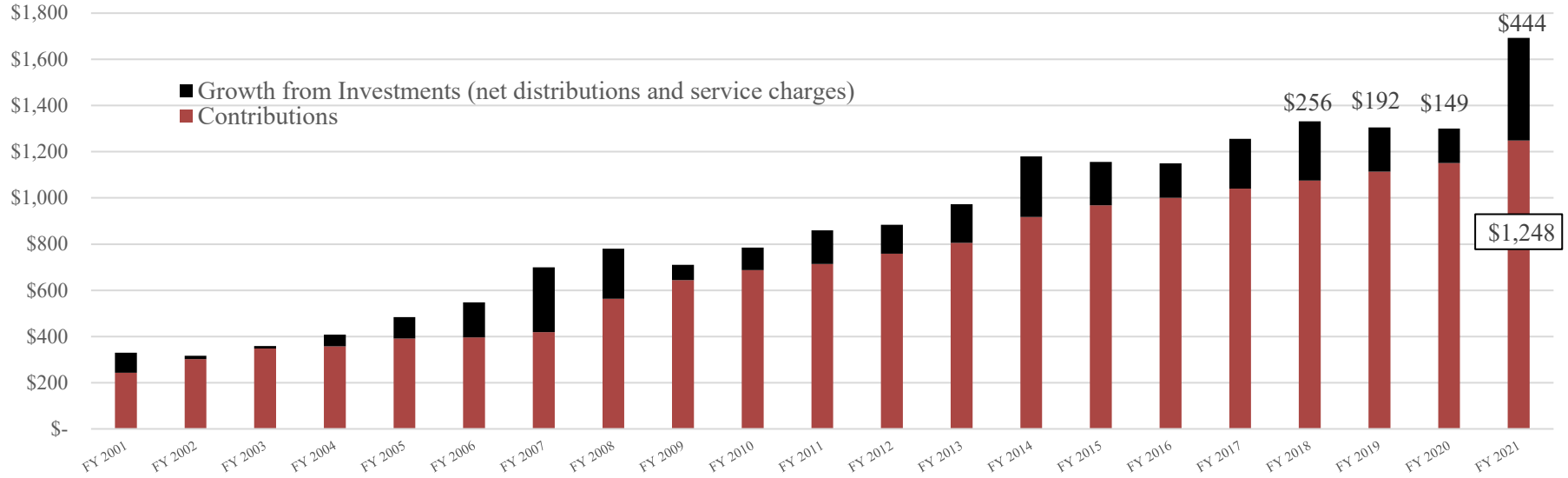
The Financial Management Structure for TTUS Endowments provides:

- Appropriate separation of duties
- Enhanced internal controls and financial compliance
- System level service/support to components on all matters related to endowments

The TTUS Board of Regents have fiduciary responsibilities over all funds managed by the TTU System, including endowment funds.

TTU System Total Endowment

FY 2001 – FY 2021, *(in Millions)*



(in Millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Contributions	243	302	348	358	391	396	419	563	644	688	714	758	805	917	968	1,001	1,040	1,075	1,113	1,151	1,248
Growth from Investments	87	15	11	50	93	152	280	217	66	97	146	126	168	263	188	149	216	256	192	149	444
Total Endowment	330	317	359	408	484	548	699	780	710	785	860	884	973	1,180	1,156	1,150	1,256	1,331	1,305	1,300	1,692

TTUS Total Endowment Activity

As of August 31, 2021, *(in Millions)*



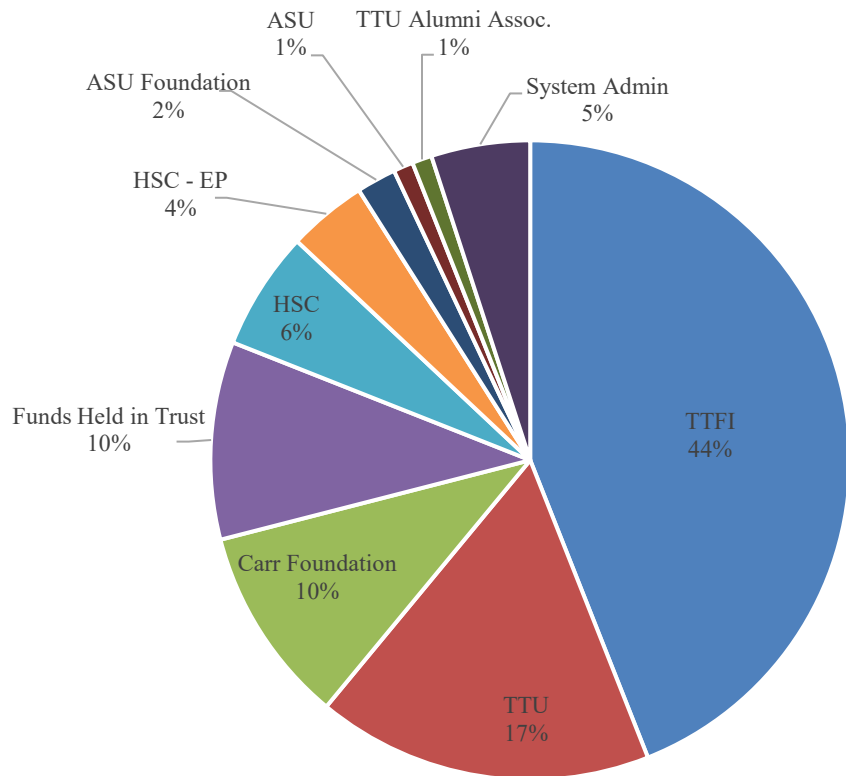
Endowment Activity <i>(in millions)</i>	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Beginning Fair Market Value	\$1,179.5	\$1,155.7	\$1,150.3	\$1,256.3	\$1,331.0	\$1,304.9	\$1,300.4
Contributions Received	\$50.5	\$33.8	\$38.4	\$35.4	\$38.0	\$38.1	\$97.3
Investment Returns <i>Realized and Unrealized gains/(losses)</i>	(\$20.9)	\$18.8	\$126.8	\$100.2	(\$0.7)	\$23.7	\$363.7
Distributions/Payout	(\$47.4)	(\$51.1)	(\$52.2)	(\$53.7)	(\$55.9)	(\$58.4)	(\$60.7)
Management Fee	(\$6.0)	(\$6.9)	(\$7.0)	(\$7.2)	(\$7.5)	(\$7.9)	(8.2)
Ending Fair Market Value	\$1,155.7	\$1,150.3	\$1,256.3	\$1,331.0	\$1,304.9	\$1,300.4	\$1,692.5

TTUS Long-Term Investment Fund Performance (%)

FY 20XX	1 – Year	3 – Year	5 – Year	10 - Year
FY 2021	27.72%	9.03%	9.84%	7.78%
FY 2020	1.15%	3.40%	5.24%	6.09%
FY 2019	0.18%	7.31%	4.87%	6.90%
FY 2018	9.06%	8.30%	7.69%	5.88%
FY 2017	10.96%	4.75%	7.47%	5.02%

TTUS Total Endowment by Entity

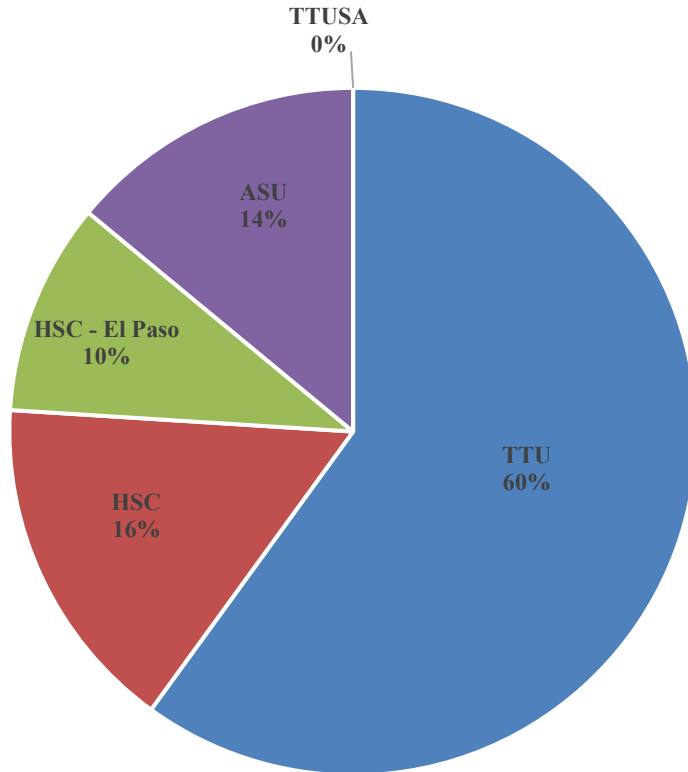
As of August 31, 2021



Institution	Total Endowment (\$)	(%)
TTFI	739,330,836	44%
TTU	291,719,186	17%
Carr Foundation	166,811,232	10%
Funds Held in Trust	173,485,284	10%
HSC	110,008,119	6%
HSC EP	66,861,905	4%
ASU Foundation	33,486,400	2%
ASU	21,125,729	1%
TTU Alumni Assoc.	10,592,999	1%
System Admin	79,036,536	5%
TTUS Total Endowment	\$1,692,458,226	100%

TTUS Total Endowment by Component

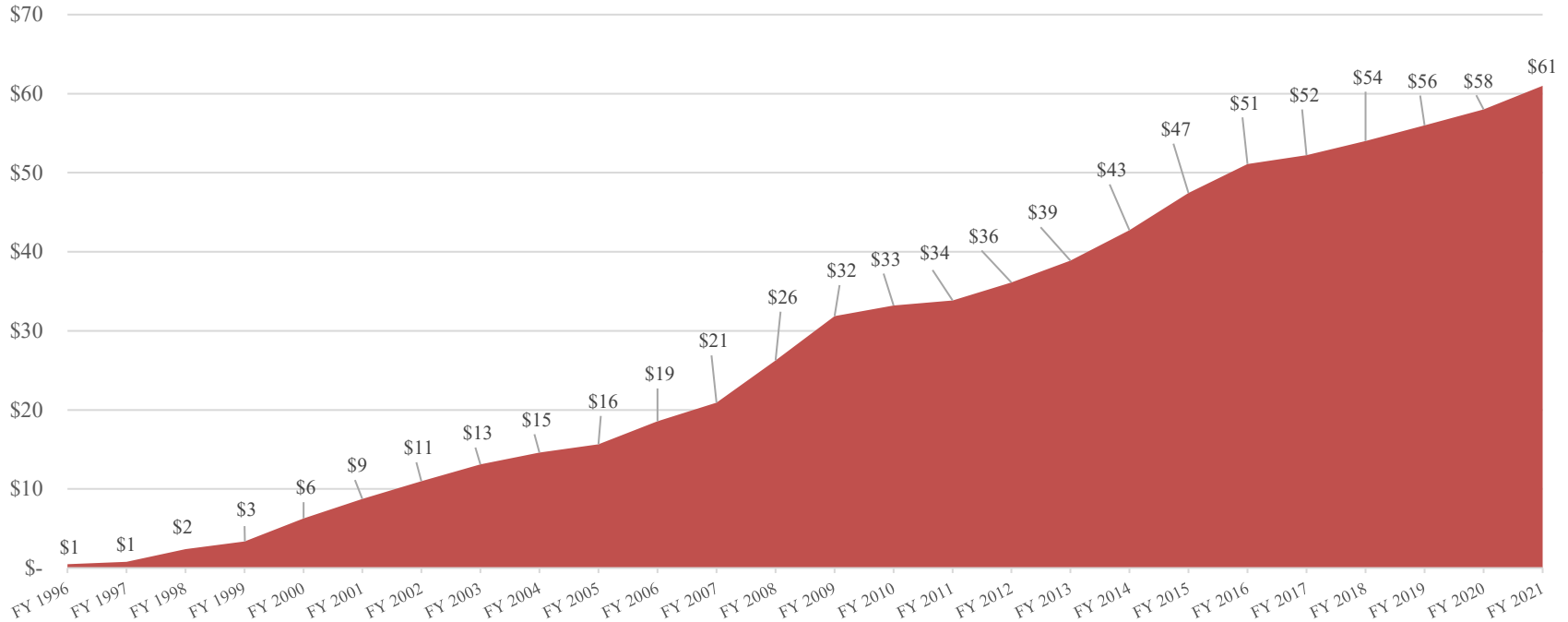
As of August 31, 2021



Component	Total Endowment (\$)	(%)
TTU	1,018,567,438	60%
HSC	262,908,596	16%
HSC EP	169,735,349	10%
ASU	237,985,915	14%
TTU System Admin	3,260,928	0.19%
TTUS Total Endowment	\$1,692,458,226	100%

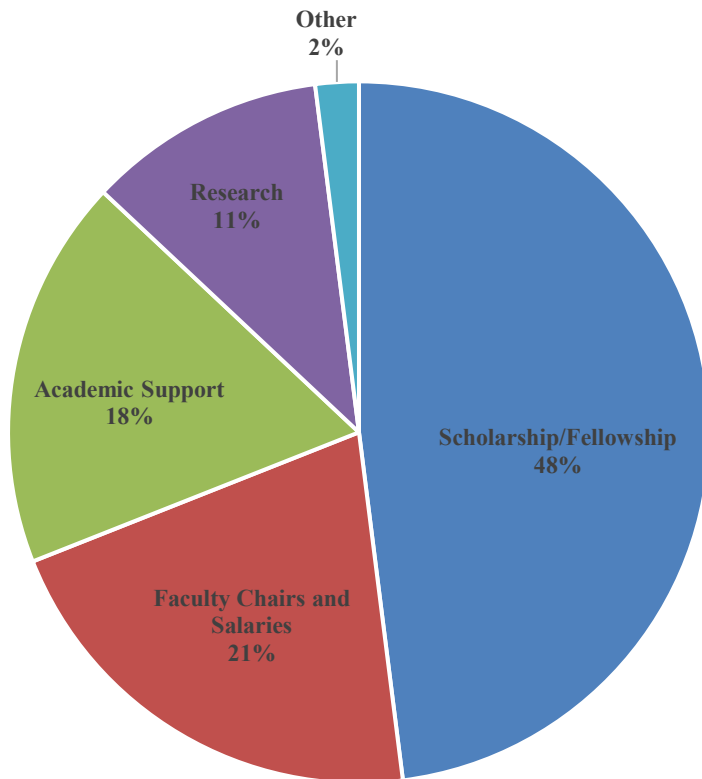
Distributions to Component Institutions

FY 1996 - FY 2021 (in millions)



- Through careful stewardship, the target distribution rate of **4.5%** has been realized **EVERY** year since inception
- Over **\$738M in total earnings** paid since inception of LTIF in FY 1996
- Increases in total distributions realized **EVERY** year since inception

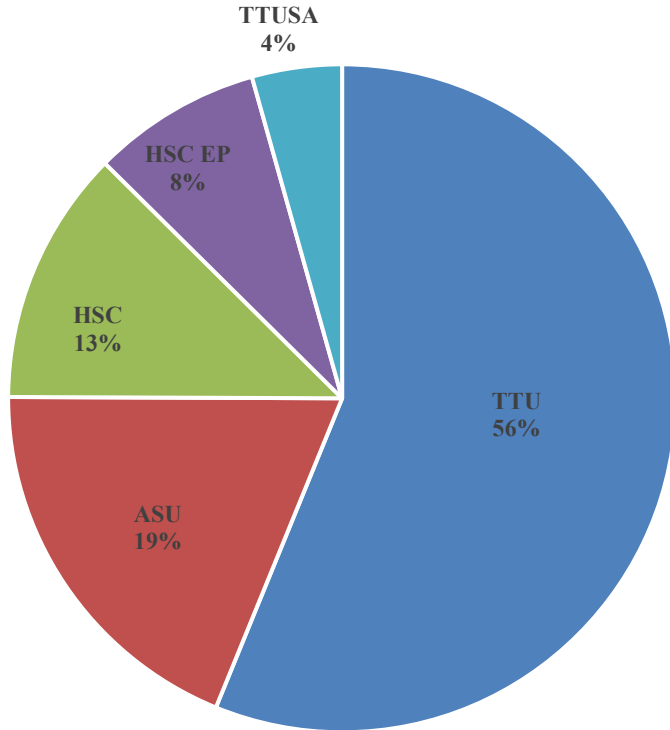
TTUS Total Endowment by Type



➤ Almost 50% of total TTUS Endowment dedicated to scholarship support

Endowment Distribution by Component

As of August 31, 2021



Component	Total Distributions (\$)	(%)
TTU	34,070,568	56%
ASU	11,460,272	19%
HSC	7,498,832	13%
HSC EP	4,985,332	8%
TTU System Admin	2,642,143	4%
TTUS Total Distributions	\$60,657,147	100%



Questions?





TTUS Investment Performance Update

Tim Barrett, CFA

Associate Vice Chancellor & Chief Investment Officer

November 18, 2021



LTIF Transition Progress in 2021 & Forward Expectations

As of August 31, 2021



Q1 2021:

Simplified benchmark to single performance objective of Global 60/40 plus 1%
Simplified public equity trading across five geographies to a single global instrument
Started to redeem from niche and higher risk strategies that did not fit the new mandate
Began to consolidate investments to more diversified funds, decreasing risk to be more in line with the new policy benchmark

Q2 2021:

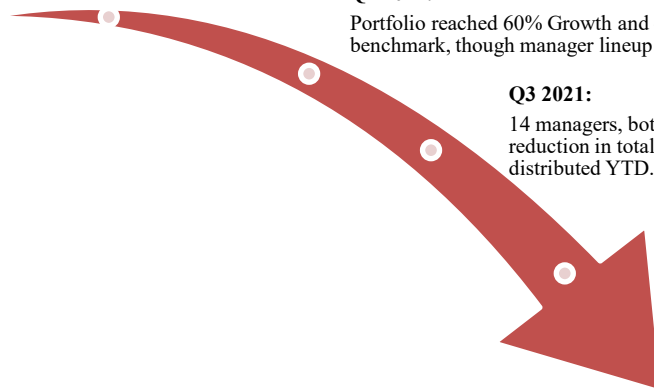
Portfolio reached 60% Growth and 40% Stable Value targets, matching the new benchmark, though manager lineup is still being shifted

Q3 2021:

14 managers, both public and private, are winding down. This is a 24% reduction in total manager count. Roughly \$63M from these managers was distributed YTD.

Q4 2021 Expectations:

Additional \$40M from public managers



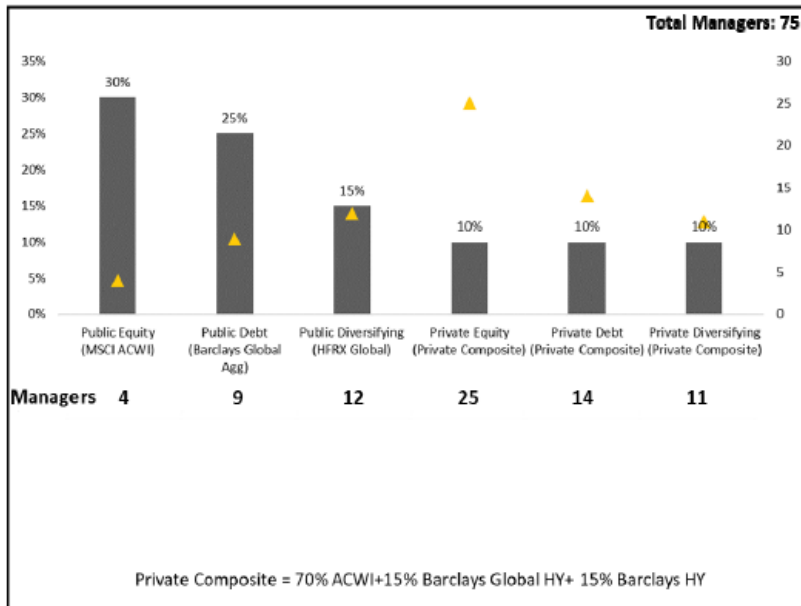
By Q2 2022 we expect roughly an accumulative of \$200M of distributions from public managers.
Private managers will liquidate roughly \$161M over the next 5 years.

LTIF Transition to New Directive

As of August 31, 2021



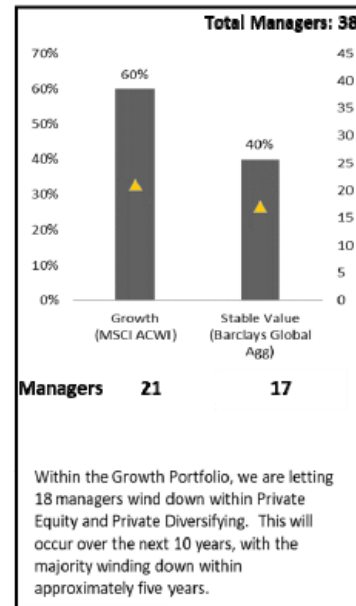
Past



Present



Future



Policy Target (LHS) ■

Manager Count (RHS) ▲

Long Term Investment Fund (LTIF)

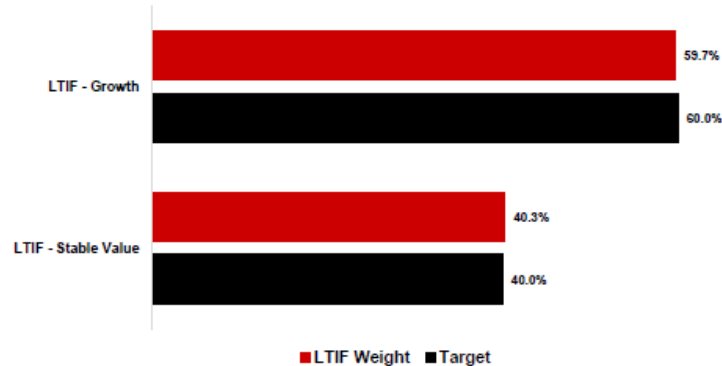
as of August 31, 2021



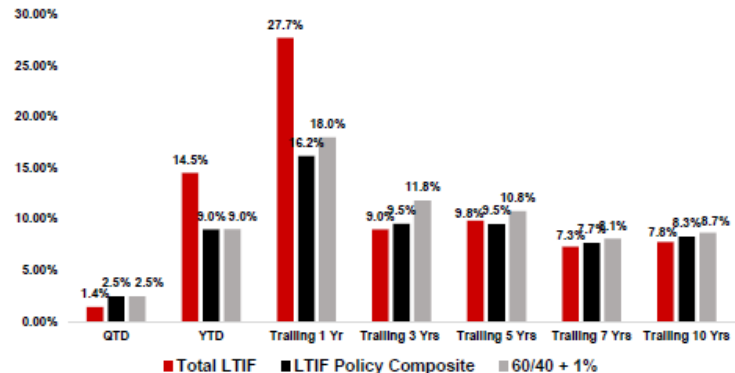
Portfolio Holdings & Performance Overview – August 2021

Portfolio Composition	Balance	LTIF Weight	Target	QTD	YTD	Trailing 1 Yr	Trailing 3 Yrs	Trailing 5 Yrs	Trailing 7 Yrs	Trailing 10 Yrs
Total LTIF	1,540,826,204.24	100.00%	100.00%	1.43%	14.53%	27.72%	9.03%	9.84%	7.33%	7.78%
LTIF Policy Composite				2.46%	9.03%	16.17%	9.55%	9.52%	7.67%	8.30%
60/40 + 1%				2.46%	9.03%	17.96%	11.81%	10.76%	8.09%	8.67%
LTIF - Growth	919,989,057.99	59.71%	60.00%	2.12%	22.04%	43.18%	16.03%	15.30%	11.24%	11.82%
MSCI ACWI TR Net USD				3.21%	15.91%	28.64%	14.34%	14.29%	10.09%	11.27%
LTIF - Stable Value	620,837,146.25	40.29%	40.00%	0.34%	4.24%	9.65%	1.76%	4.25%	3.78%	3.56%
Barclays Global Aggregate USD				0.91%	-2.33%	0.52%	4.56%	2.47%	2.02%	1.81%

LTIF Weight vs Target



LTIF Performance vs Benchmarks



Long Term Investment Fund (LTIF)

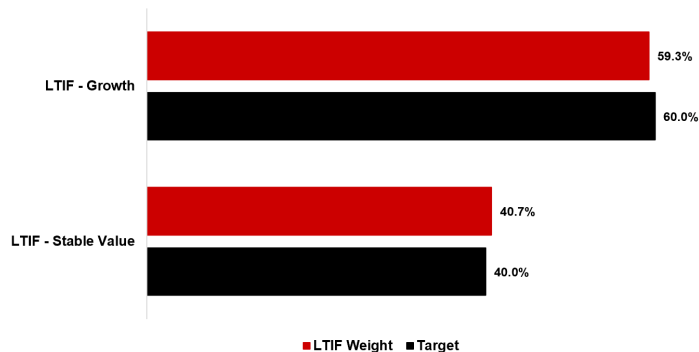
preliminary as of September 30, 2021



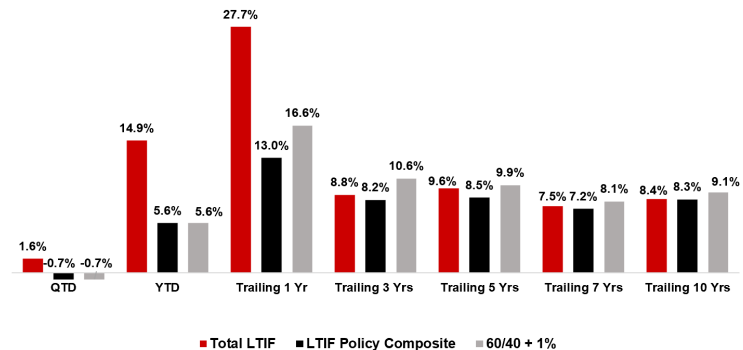
Portfolio Holdings & Performance Overview – September 2021 – Preliminary % of NAV Reported: 84%

Portfolio Composition	Balance	LTIF Weight	Target	QTD	YTD	Trailing 1 Yr	Trailing 3 Yrs	Trailing 5 Yrs	Trailing 7 Yrs	Trailing 10 Yrs
Total LTIF	1,552,690,552.96	100.00%	100.00%	1.62%	14.93%	27.72%	8.82%	9.56%	7.53%	8.36%
LTIF Policy Composite				-0.72%	5.64%	12.98%	8.24%	8.49%	7.25%	8.30%
60/40 + 1%				-0.72%	5.64%	16.62%	10.64%	9.91%	8.07%	9.06%
LTIF - Growth	920,494,514.72	59.28%	60.00%	2.07%	22.31%	44.11%	15.52%	14.99%	11.37%	12.32%
MSCI ACWI TR Net USD				-1.05%	11.12%	27.44%	12.58%	13.20%	9.95%	11.90%
LTIF - Stable Value	632,196,038.24	40.72%	40.00%	0.90%	4.83%	8.93%	1.78%	4.04%	3.94%	4.12%
Barclays Global Aggregate USD				-0.88%	-4.06%	-0.91%	4.24%	1.99%	2.17%	1.86%

LTIF Weight vs Target



LTIF Performance vs Benchmarks

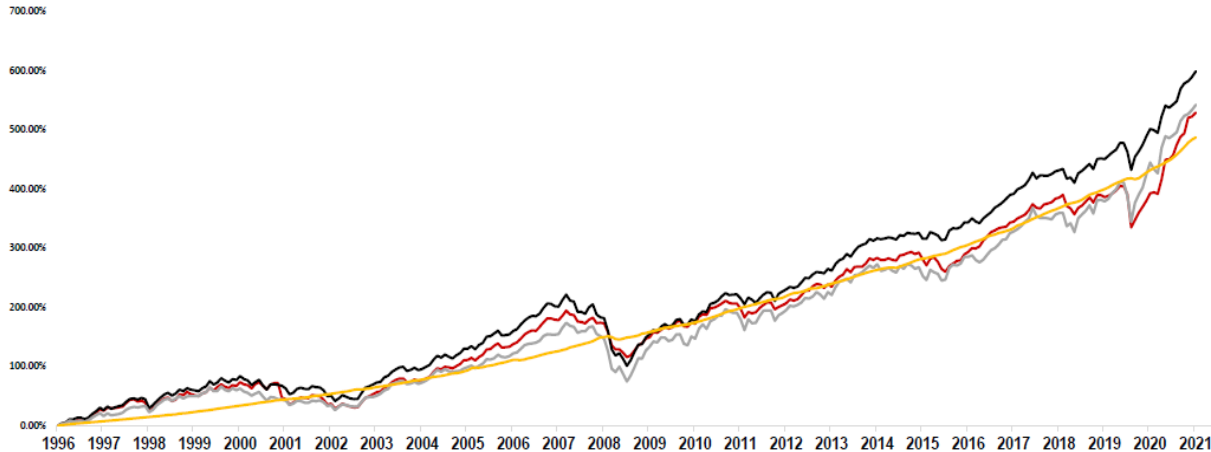


Long Term Investment Fund (LTIF)

Benchmark Comparisons, as of August 31, 2021



Cumulative Returns



The portfolio since inception in 1996 has met the primary objective of covering the spending (Distribution) rate of 4.5%, while simultaneously growing the endowment.

LTIF Policy Benchmarks:

60% Equity Global (MSCI ACWI with USA net)
40% Debt Global Bonds (Barclays Global Agg)

Returns are since inception of the LTIF (9/1/1996)

Fund	Total Return	Annualized Return	Annualized Volatility
LTIF	528.80%	7.63%	9.22%
LTIF Policy Composite	598.33%	8.08%	9.12%
Global 60/40 + 1%	541.74%	7.72%	10.15%
CPI + 5	486.80%	7.33%	0.98%



TEXAS TECH UNIVERSITY SYSTEM™