

Background

- Established in 1975 to be charitable endowment
- Endowment used to support Yale University's financial and research activities
- Investment portfolio
- Investment portfolio is managed by Yale University's investment manager
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Asset Allocation and Performance Results



The Takeaway

How does this investment portfolio perform over time?

Best Assets

- Significant portion of portfolio
- Fixed Income, US and Global
- Real Estate

The Management of Marketable Securities

- Stocks
- U.S. Government Securities
- Foreign Stocks
- Real Estate Securities

Asset Class	Yield	Volatility	Liquidity	Correlation
Stocks	10%	High	High	High
U.S. Government Securities	5%	Low	High	Low
Foreign Stocks	8%	High	High	High
Real Estate Securities	6%	Medium	Medium	Medium



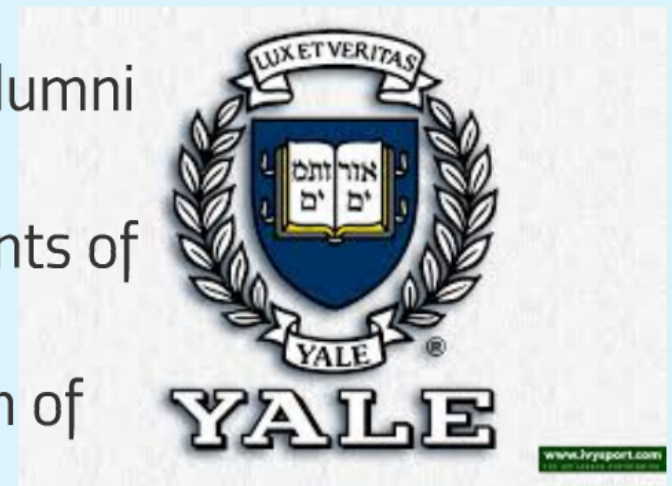
Yale University
Investments Office

2015

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Background

- Established in 1701 by ten Connecticut Clergymen
- Half of original funding provided by Connecticut General Assembly
- Endowment created in 1818
 - Because of pressure from students and alumni to establish a divinity school
- Successful fund drives brought in large amounts of cash from alumni
- Allowed for purchase of land and construction of buildings
- Also allowed for investment in equities, corporate bonds and railroad bonds



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- By 1900, endowment worth \$5 million
- Rapid growth until 1930
 - At the time 42% of endowment was in equities
 - Average for University was 11%
- No severe erosion during Great Depression because of recent donations that were kept in cash and treasuries

- Treasurer Laurence Tighe decided that the share of equities should be dramatically reduced in late 1930s
- Set template of at least \$2 in fixed-income instruments for every \$1 in equities

- After three decades using Laurence Tighe's 2:1 ratio, it was obvious the returns would not be suitable and with the bull market of the 50s and 60s, with high inflation and the encouragement to sell, changes were needed from this **conservative** approach.

"It is our conclusion that past thinking by many endowment managers has been overly influenced by fear of another major crash. Although nobody can ever be certain what the future may bring, we do not think that a long-term policy founded on such fear can survive dispassionate analysis."

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-Statement by Endowment Committee

- EM&R was created as a partly independent external firm to manage Yale's endowment
- Between 1969 and 1979 the inflation adjusted value of Yale's Endowment declined by 46%
 - This was not unusual compared to other endowments, but put great financial strain on the University.
 - EM&R and Yale promptly parted ways



- In 1985 David Swensen was hired to head the Investments office
 - Yale Alumni
 - Ph.D. in Economics
 - Worked at Lehman brothers

- David Swensen ran the Investments Office and reported to the Investment Committee.
- Developed a high-quality internal staff of 24 to handle all endowment matters
 - Evaluating, selecting, monitoring, and overseeing external investment advisers
 - Involved in policymaking process: investments to be made and how much and where money should be spent
- The Investment Committee functioned as an active and involved "board of directors"
 - involved quarterly meetings
 - provided advice and counsel to investment managers

The Management of Marketable Securities

- Bonds
- U.S. Common Stocks
- Foreign Equities
- Emerging Markets
- Absolute-Return Strategies