Baylor’s Endowment

A growing Endowment is essential to keeping a Baylor education affordable for deserving students of all economic backgrounds, and an important determinant in long-term competitiveness with other top-tier academic institutions. Investment returns and ongoing gifts from alumni and friends are essential to the healthy growth of Baylor’s Endowment. The Endowment portfolio is invested to support the infinite life of the University’s mission to educate men and women for worldwide leadership and service by integrating academic excellence and Christian commitment within a caring community.

Scholarship donors and recipients meet annually to establish a personal connection.

Dear Alumni and Friends,

Baylor University is nationally known for the quality of our students, academic programs and athletic teams, as well as the beauty of our campus. Tremendous progress has been made in recent years thanks to the support of alumni and friends like you.

Growing our Endowment to a comparable size of other top-tier universities is the next major challenge we face. Meeting this challenge will ensure the quality and affordability of a Baylor education for generations to come. A concerted effort will be required that includes strong investment returns from our existing Endowment portfolio, increased participation and levels of endowed Giving, as well as contributions from operating surpluses.

The Office of Investments is committed to doing our part, with a strong team of investment professionals in place who are deep in experience across all segments of our globally diversified Endowment portfolio. Repositioning of private investments in our Endowment portfolio was completed this past year by selling some of our older funds into a strong secondary market. All segments of our portfolio are now performing better than benchmark, with the flexibility to adjust to changing market conditions in a timely fashion.

The Endowment distributed $61 million over fiscal year 2015 in support of scholarships, professorships and other important initiatives of the University. This amounts to 5% of our current $1.17 billion Endowment, which benefited 3,500 students and 1,100 academic programs over the course of the year. A faster-growing Endowment will provide even more support in the near term, while assuring the momentum Baylor currently enjoys will sustain the University over the long run.

A Regent-approved plan is in place to grow the Endowment from $85,000 per undergraduate student to over $110,000 over five years. This plan puts Baylor’s Endowment on a trajectory to support the enduring mission of the University. Your gifts are much appreciated and essential to benefiting students today while leaving a lasting legacy that will benefit students for generations to come. With your support, the future is bright for Baylor and our Endowment.

It is an exciting time to be a Bear!

R. Brian Webb, Ph.D.
Vice President &
Chief Investment Officer

Letter from the Chief Investment Officer

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Endowment Value

Baylor’s endowment is at an all-time high of $1.17 billion at the end of fiscal year 2015. Growing the endowment to more than $110,000 per student is a five-year initiative of the University.

Endowment Designated Purpose

Distributions from the Endowment are used to support students, professors and academic programs. 51% of distributions went to designated scholarships and professorships, 22% to designated academic programs and 27% to undesignated scholarships and other important initiatives of the University. The Endowment supports both the affordability and the quality of a Baylor education.

Endowment Distributions

$61 million was distributed from the endowment to the University over fiscal year 2015. Approximately 5% of the growing endowment’s value is distributed to the University each year in monthly installments.
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The Endowment portfolio is invested with approximately 75 managers located in 18 metropolitan areas across the globe. These managers were evaluated by the Office of Investments as the best and brightest in their various areas of expertise — from stocks, bonds and alternative investments to private equities and real assets.

Extensive due diligence is performed before a manager is brought into the portfolio, and each manager selected to invest on behalf of the Baylor Endowment is a proven professional who exhibits the highest level of integrity and fiduciary responsibility, practices operational transparency and follows institutional quality valuation and reporting standards.

The resulting combination of managers provides the Office of Investments with the flexibility to adjust the Endowment portfolio to ever-changing market conditions. Each manager provides a unique and valuable skill set that complements the others and results in a collective expertise that is comprehensive. Effective portfolio positioning across these outstanding managers drives returns that will optimize the long-term value of the Endowment.

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The USD/Euro Exchange Rate

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USD/Euro Exchange Rate

Ten-year treasury rates and S&P 500 P/E ratios have trended in opposite directions since the financial crisis.

Historically low interest rates have pushed investors out on the risk curve to the benefit of stock prices.

The gap between rates and P/E ratios will narrow as interest rates rise and/or risk premiums return to more normal levels.

Commodity prices in general have declined with the slowing Chinese economy.

Oil prices started falling in the summer of 2014 and have approached 10-year lows.

US corporations that are heavy users of oil and natural gas have seen their profit margins rise.

Questions about when the Federal Reserve will raise interest rates, the long-term viability of Greece in the European Union and the slowing growth rate of the Chinese economy have impacted markets over the past year and remain topics of interest today. Financial markets are priced to the accommodative monetary policies being used to spur economic growth, while the global economy tries to gain traction. Volatile commodity prices and foreign exchange rates are impacting the relative performance of country-specific markets. For example, the US economy is benefiting from increasing domestic production of oil and natural gas but faces the head wind of an appreciating currency. Remaining diversified and liquid and avoiding overreaching for yield are important investment disciplines in the current market environment.

Looking to the Future

Baylor’s Endowment continues to grow while annually providing a reliable source of revenue to the University for scholarships, professorships and various academic programs. The 5% distribution policy of the Endowment benefits the students of today while assuring the viability and competitiveness of the University over the long run. Increasing the size of the Endowment consistent with other top-tier universities is an important goal, and one that will require strong investment returns as well as increased giving.

Successful investing requires continuous attention to ever-changing market conditions, and the expertise and flexibility to adjust as changes occur. Baylor’s Endowment portfolio is diverse and nimble enough to take advantage of opportunities as they arise in the marketplace and can benefit from intermediate and long-term trends that drive returns higher.

We continue to be grateful to those who have given to Baylor’s Endowment and ask that you thoughtfully consider adding to an existing endowed fund or establishing a new one. A faster growing Endowment will provide even more support to the University in the near term, while assuring the momentum Baylor currently enjoys will sustain the University over the long run. The future is bright for Baylor and our Endowment.

This 2015 Overview describes the Endowment, the investment strategies employed by the Office of Investments, the recent performance of the portfolio and the market conditions within which the Endowment operates. A more in-depth description of the Endowment is available at the Office of Investments website at www.baylor.edu/investments.
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