THE USC ENDOWMENT:
Your Charitable Investment at Work

Fiscal year ending June 30, 2018
ENDOWMENT FUND MANAGEMENT

In accepting your gift to its endowment, the university has assumed responsibility for ensuring that it will perpetually support its specified purpose. Gifts to endowment are invested in the University of Southern California’s Endowment Fund, a balanced portfolio invested in diversified asset classes, including global stocks and bonds, real estate, natural resources, private equity, and absolute return strategies. Recognizing that market volatility and economic change create both risks and opportunities, the university employs a long-term and active investing philosophy that responds to changing environments and takes advantage of valuation extremes. This approach is designed to enable the endowment to grow in real terms, providing meaningful annual returns that keep pace with inflation, while minimizing risk and volatility.

The university’s Investment Office manages the investment assets, including the Endowment Fund, with oversight by the Investment Committee of the Board of Trustees. The Investment Committee sets the Endowment Fund Asset Allocation Policy with the objective of maximizing returns at acceptable levels of risk. The Investment Office implements this Asset Allocation Policy through the selection and oversight of external asset managers and advisors. By investing its Endowment Fund with outside managers, USC reduces its total portfolio risk through manager and strategy diversification. This allows the Investment Office’s expert team of professionals to maximize the benefits of diversification and minimize investment risk.

INVESTMENT GOVERNANCE

The USC Investment Office manages the university’s Endowment Fund and other financial assets. The university’s chief investment officer heads the Investment Office and reports directly to the president of the university, with oversight provided by the Investment Committee of the Board of Trustees. This board committee establishes broad strategic investment policy for the university and regularly reviews and monitors the results. The members of this committee consist of experienced and notable investors and investment professionals, who share their expertise and help USC gain access to top-tier investment managers and opportunities.

USC’s Competitive Advantages

- USC’s extensive and long-standing relationships in the investment world are important sources of access to investments that produce excess returns;
- USC’s loyal alumni network has been critical to the university’s success in gaining access to superior investment opportunities; and
- The USC Investment Office has a full-time staff of investment professionals whose sole goal is to maximize return on the university’s assets and manage risks.

In short, our breadth and depth of investment experience allow us to partner with the very best managers in their respective market niches.
INVESTMENT PERFORMANCE FOR FY 2017-2018
FINANCIAL REPORT ON ENDEWED FUNDS

For the fiscal year ending June 30, 2018, the endowment generated a 9.4% return and had a $5.5 billion market value. Performance over longer 10-year and 20-year time horizons is favorable versus both equities and bonds, as measured by the MSCI All Country World and Bloomberg Barclays U.S. Aggregate Bond Indices, respectively.

ENDOWMENT FUND PAYOUT
SUPPORTING UNIVERSITY PURPOSES IN PERPETUITY

Gifts to the university’s endowment purchase shares of the Endowment Fund at the current market value when the gift is received by USC and designated as endowment. Each share produces an annual payout amount that becomes available for the university to use for the purpose designated by the donor. The payout is set annually by the Finance Committee of the Board of Trustees, and is generally between 4% and 6% of the average market value of the Endowment Fund for the previous 12 calendar quarters. This allows the university to smooth Endowment Fund payout year to year, so that university programs can plan and budget more efficiently while building in potential for real (inflation-adjusted) growth in the fund principal. The Endowment Fund market value per share over the past 10 years is shown below:

Endowment Fund Annualized Returns as of June 30, 2018

Endowment Fund Value Per Share ($) at fiscal year end
Voting Members
Miriam Adelson
Michael E. Adler
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Stephanie A. Argyros
Wanda M. Austin*
Thomas J. Barrack Jr.
Marc R. Benioff
David C. Bohnet
Charles F. Bolden Jr.
Joseph M. Boskovitch Sr.*
Robert A. Bradway
Jeanie M. Buss
Charles G. Cale*
Ramona L. Cappello
Rick J. Caruso (Chair)*
Alan I. Casden
Ronnie C. Chan
Yang Ho Cho
Chris Cox
Frank H. Cruz*
David H. Dornsife
Suzanne Dworak-Peck
Michele Dedeaux Engemann
Daniel J. Epstein*
Stanley P. Gold
Tamara Hughes Gustavson
Jane Harman
Ming Hsieh
Lydia H. Kennard

KENNETH R. KLEIN

John Kusmiersky*
Jaime L. Lee
Kathy Leventhal
William J. McMorrow*
John Mork
Oscar Munoz
Rod Y. Nakamoto
Carmen Nava
Shelly L. Nemirovsky
Dominic Ng
Suzanne Nora Johnson*
J. Kristoffer Popovich
Blake Quinn
Edward F. Roski Jr.
Amy A. Ross
Frederick J. Ryan Jr.
Leonard D. Schaeffer
William E. B. Start*
Jeffrey H. Smulyan
Steven Spielberg
Heliane M. Steden*
Mark A. Stevens
Ronald D. Sugar
Tracy M. Sykes
Daniel M. Tsai
Ronald N. Tutor
Wenxue Wang

Life Trustees
Malcolm R. Currie
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Honorary Trustees
Helene Galen
Dallas Price-Van Breda

SENIOR ADMINISTRATION

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Interim President

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Senior Vice President, Legal Affairs and Professionalism

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Jaime L. Lee
Kathy Leventhal
William J. McMorrow*
John Mork
Oscar Munoz
Rod Y. Nakamoto
Carmen Nava
Shelly L. Nemirovsky
Dominic Ng
Suzanne Nora Johnson*
J. Kristoffer Popovich
Blake Quinn
Edward F. Roski Jr.
Amy A. Ross
Frederick J. Ryan Jr.
Leonard D. Schaeffer
William E. B. Start*
Jeffrey H. Smulyan
Steven Spielberg
Heliane M. Steden*
Mark A. Stevens
Ronald D. Sugar
Tracy M. Sykes
Daniel M. Tsai
Ronald N. Tutor
Wenxue Wang

Thomas E. Jackiewicz
Senior Vice President and Chief Executive Officer for Keck Medicine of USC

Lisa Mazzocco
Chief Investment Officer

James M. Staten
Senior Vice President, Finance, and Chief Financial Officer

Lynn Swann
Athletic Director

David W. Wright
Interim Senior Vice President, Administration

Dennis Cornell
USC Chief of Staff

David Brown
Interim Senior Vice President, University Relations

*Investment Committee Members