
TOWN & GOWN

ENDOWMENT PERFORMANCE REVIEW

MARCH 29, 2022



USC University of
Southern California

ENDOWMENT: MISSION

- Support current and future generations of Trojans by **investing** USC's endowment to:
 - 1) Provide stable income to support the University's academic mission
 - 2) Protect the Endowment's long-term purchasing power
- Grow the endowment through **gifts** and **investment performance**
- The **spending payout** is set annually, ranging between 4% and 6% of the three-year average market value.
- Payout is used for purposes designated by the donor and includes:
 - Financial Aid / Scholarships
 - Professorships & Graduate Fellowships
 - University Operations
 - Research

ENDOWMENT: OBJECTIVE

- The Board of Trustees have a Fiduciary duty to maximize the Endowment's **long-term risk-adjusted returns** to support the academic mission of the University;
- Invest using the guidelines set by the **Investment Policy Statement (IPS)**
 - The portfolio's objective is to earn a **5% real return** in perpetuity
 - Develop long-term asset allocation policies
 - Select and monitor investment managers
- Growing importance of **ESG**: Board recently adopted a **Statement on Investment Responsibility** and supported the creation of **Advisory Committee on Investment Responsibility**

Investment Committee

10 members from USC's BOT
Oversight & strategic direction
Approve Asset Allocation



Investment Office

Manager selection
Portfolio management

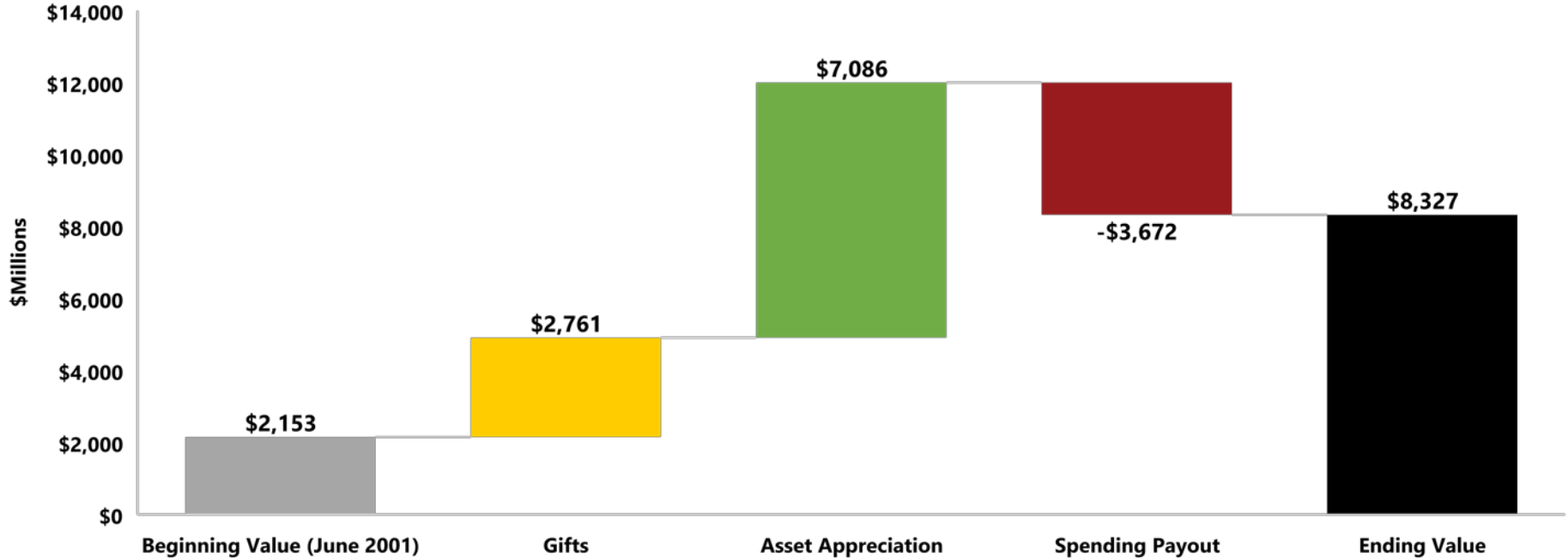


External Managers

Security Selection
Generate Alpha vs. Benchmark

ENDOWMENT: 20-YEAR GROWTH ANALYSIS

as of December 31, 2021



ENDOWMENT PERFORMANCE

Time-matched data as of December 31, 2021

(\$ in millions)

Investment Strategy	Market Value	Percent of Total Fund	Five-Year Return	Three-Year Return	One-Year Return
Global Equity	\$3,614	43%	14.8%	20.7%	16.1%
Private Equity ¹	\$748	9%	19.8%	24.6%	36.1%
Venture Capital ¹	\$1,693	20%	37.3%	53.8%	31.1%
Total Equity	\$6,055	73%	19.6%	27.5%	22.1%
Total Return^{1, 3}	\$1,327	16%	N/A	N/A	N/A
Fixed Income	\$317	4%	4.0%	5.1%	0.7%
Cash	\$300	4%	1.4%	1.2%	0.0%
Total Liquidity	\$617	7%	3.1%	3.8%	0.0%
Total Diversifying	\$1,944	23%	N/A	N/A	N/A
Liquidation^{1, 3}	\$328	4%	N/A	N/A	N/A
Total Endowment	\$8,327	100%	13.6%	19.4%	19.5%
Policy Benchmark²			12.5%	16.6%	18.9%

¹ Private markets data is based on most recent valuations available, adjusted for cash flows and currency fluctuations. Market valuations are approximately 57% current through December 31, 2021, and incorporated into the endowment's performance.

² The Policy Benchmark is a weighted average using the asset class benchmark returns and the Asset Allocation Policy Target weights. Private Equity and Venture Capital benchmark performances for Q4 2021 used USC's returns as proxies until Cambridge Associates benchmark data is available.

³ Total Return and Liquidation are new programs as of July 1, 2021. Total Return historical returns are not reflective of the future returns, and are not meaningful ("N/A"). Historical returns are not applicable ("N/A") for Liquidation. The fiscal year-to-date returns reflect the two new programs. All historical returns are included in Total Endowment.

ENDOWMENT 3-YEAR ATTRIBUTION ANALYSIS

Time-matched data as of December 31, 2021

Alpha attribution was generated from the Venture Capital portfolio, driven by a combination of manager selection and an overweight to the program.

Asset Class	Program Return	Benchmark Return	Alpha	Allocation Effect	Selection Effect	Alpha Attribution
Venture Capital	53.8%	37.3%	16.5%	0.7%	1.7%	2.4%
Private Equity	24.6%	21.6%	3.0%	-0.1%	0.2%	0.1%
Total Return ¹	8.7%	8.1%	0.6%	0.2%	0.1%	0.3%
Global Equity	20.7%	20.4%	0.3%	-0.2%	0.2%	0.0%
Liquidation ¹	2.0%	1.7%	0.3%	0.2%	-0.1%	0.1%
Cash	1.2%	1.0%	0.2%	-0.3%	0.0%	-0.3%
Fixed Income ²	5.1%	5.2%	-0.1%	0.2%	0.0%	0.2%
Total	19.4%	16.6%	2.8%	0.7%	2.1%	2.8%

* Investment Program alpha totals may not tie due to methodology differences and staff estimates.

** Q4 2021 private market returns will be updated when remaining Q4 2021 statements are received later.

¹ Total Return and Liquidation are new programs as of July 1, 2021. Total Return includes the old Absolute Return, Real Estate, and part of the old Natural Resources program assets. The remaining Natural Resources assets are in Liquidation. For purposes of the 3-year attribution analysis, all Natural Resources assets were combined with Liquidation, and the benchmark returns were combinations of the new and the old programs' benchmark returns.

² Fixed Income's policy benchmark was changed from Bloomberg U.S. Universal to Bloomberg U.S. Aggregate starting from July 1, 2021. For purposes of the 3-year attribution analysis, the program's benchmark return is reflecting a combination of these two benchmarks.

ENDOWMENT PERFORMANCE

Time-matched data as of February 28, 2022

(\$ in millions)

Investment Strategy	Market Value	Percent of Total Fund	Five-Year Return	Three-Year Return	One-Year Return
Global Equity	\$3,421	42.7%	11.6%	13.2%	3.8%
Private Equity ¹	\$741	9.2%	19.8%	24.6%	36.2%
Venture Capital ¹	\$1,690	21.1%	36.7%	52.6%	28.9%
Total Equity	\$5,851	73.0%	17.4%	22.1%	13.6%
Total Return^{1, 3}	\$1,335	16.7%	N/A	N/A	N/A
Fixed Income	\$308	3.8%	3.1%	3.4%	-0.6%
Cash	\$195	2.4%	1.3%	1.1%	-0.1%
Total Liquidity	\$503	6.3%	2.5%	2.7%	-0.4%
Total Diversifying	\$1,838	22.9%	N/A	N/A	N/A
Liquidation^{1, 3}	\$325	4.1%	N/A	N/A	N/A
Total Endowment	\$8,014	100%	12.1%	15.7%	12.9%
Policy Benchmark²			11.0%	13.2%	13.4%

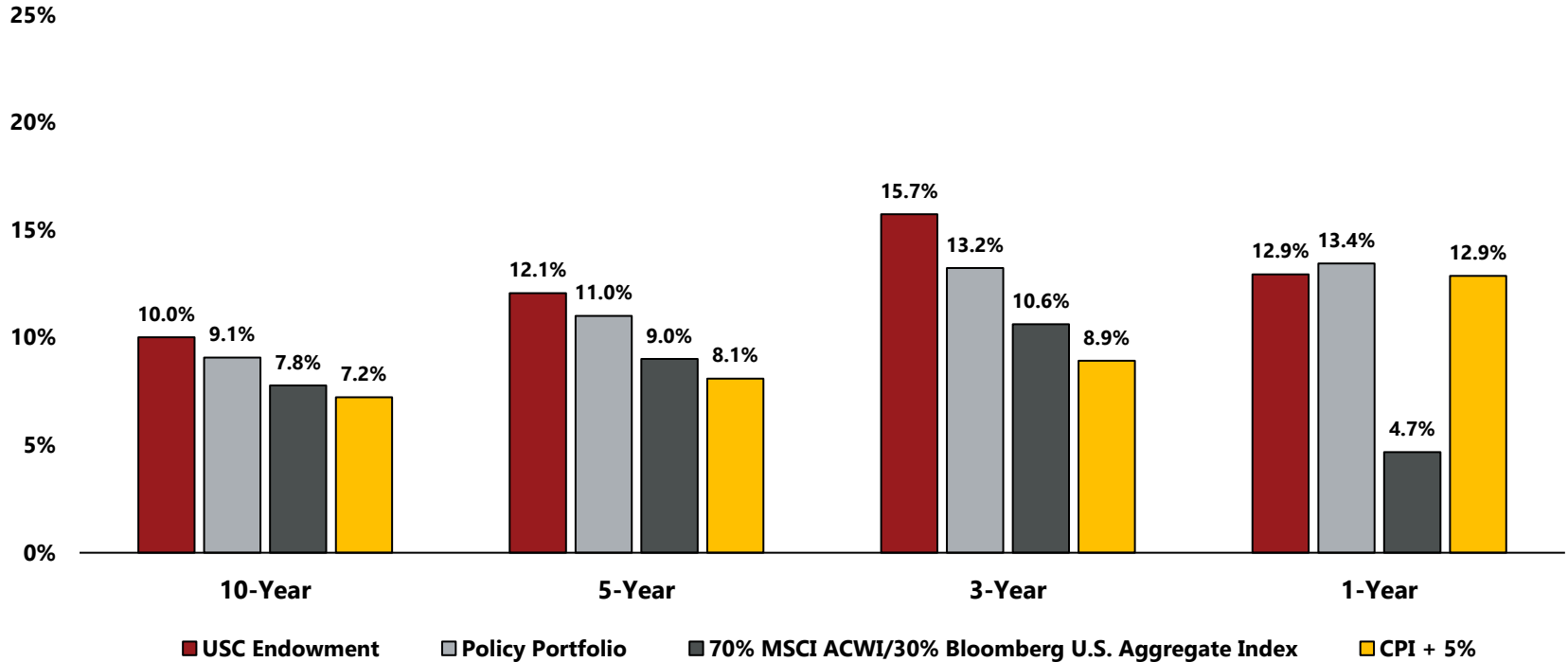
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ENDOWMENT PERFORMANCE COMPARISON

Time-matched data as of February 28, 2022



ENDOWMENT ASSET ALLOCATION

Time-matched data as of February 28, 2022

Under the new asset allocation framework, exposures are grouped into Equity, Total Return and Liquidity. While Venture Capital is overweight, the allocation is offset by underweights to the other equity categories.

Asset Class	Actual	Target	Difference	Rebalancing Range
Global Equity	42.7%	47.0%	-4.3%	
Private Equity ¹	9.2%	10.0%	-0.8%	
Venture Capital ¹	21.1%	15.0%	6.1%	
Total Equity	73.0%	72.0%	1.0%	±7%
Total Return¹	16.7%	17.0%	-0.3%	±5%
Fixed Income	3.8%	5.0%	-1.2%	
Cash	2.4%	2.0%	0.4%	
Total Liquidity	6.3%	7.0%	-0.7%	±3%
Total Diversifying	22.9%	24.0%	-1.1%	
Liquidation¹	4.1%	4.0%	0.1%	
Total	100%	100%	--	

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MARKET OBSERVATIONS: **CURRENT TRENDS**

