

UNIVERSITY ENDOWMENTS ACROSS THE NATION have felt the impact of stresses not seen in the global financial markets for 50 years. The peak-to-trough decline for the global markets in 2008–09 was 60 percent, and almost all asset classes were down more than 20 percent during the period.

The SMU Endowment did not escape this global crisis. Its market value declined by \$369 million during the 2008–09 fiscal year, to total \$1.032 billion as of May 31. The total return declined 24.2 percent, consistent with endowments of similar size nationwide.

The endowment's decline during the fiscal year was less than that of the U.S. and international equity, real estate and commodities indices (see chart below). Endowment performance is measured against a blended benchmark of investment indices weighted to match asset allocation targets. SMU's broadly diversified portfolio, designed to limit volatility without sacrificing long-term return, continues to perform well against its benchmark over longer periods of time.

There has been other encouraging news. The endowment also added \$20.1 million in new gifts – an important indicator of the confidence our supporters have in our ability to invest, manage and steward the funds entrusted to us.

Changes made to the University's spending policy several years ago have proven successful in guarding against the need to make reductions in endowment distributions, as some universities have been forced to do. The policy balances fluctuations in the market value of the endowment with distributions made available in previous years, helping SMU achieve a more consistent level of expenditure from the endowment. The endowment provided significant support to University operations last year, with \$60.3 million allocated to educational programs, scholarships and faculty support.

The financial markets began to stabilize in March 2009, recovering some of their previous declines. SMU's endowment has benefited accordingly. We are hopeful that the stabilization is a sign that the worst of the financial crisis is over. As always, we remain focused on pursuing strategies and identifying opportunities that will enable the endowment to meet its long-term return goals – and allow support for the University's programs and priorities to grow significantly over time.

You, our generous donors, make this growth possible. We are sincerely grateful and will continue to be careful stewards of the resources that are strengthening our quality and impact as a university.

Michael Condon

Treasurer and Chief Investment Officer