

ENDOWMENT STEWARDSHIP REPORT | 2022





Office of Donor Relations

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**THE GEORGE
WASHINGTON
UNIVERSITY**

WASHINGTON, DC



LETTER FROM THE VICE PRESIDENT

The George Washington University's preeminence is anchored by the pursuit of academic excellence, the quest for innovation, and an enduring commitment to developing the talent of our students and faculty. As our third century unfolds, valued donors like you ensure that those ambitions remain within reach through investments in GW's Endowment. Thank you.

Endowments are built upon trust – trust in GW and trust in the university's future. GW's Endowment enables us to enroll gifted students who will lead us all toward a hopeful future, to launch research with results, to create public policy with deep impact, and to inspire creativity and new knowledge for generations to come. Your support for GW's Endowment conveys a lasting belief in more than 26,000 students and 2,500 faculty and opens the doors to their vision for a greater world.

On behalf of our community, I want to share my deep gratitude for your investment this year. Together we are transforming the future.

For GW,

Donna Arbide
Vice President for Development & Alumni Relations

REPORT ON PHILANTHROPY

The George Washington University continues to grow the community of supporters, like you, who are ensuring a strong future for world-class research, teaching and service. Every facet of GW is supported at some level by philanthropy, and our endowment is the permanent foundation upon which we build our future.

In 2021-22, students, faculty and staff returned to in-person operations, and over 16,000 alumni, faculty, friends, parents, and staff made contributions to support their work.

We exceeded our initial philanthropic goal for FY22 and raised more than \$124.2 million; approximately 40% of those funds were directed to the Endowment.

Attracting and retaining top talent - students and faculty - remains a major focus. GW is committed to increasing access to students who otherwise could not afford a GW degree in the nation's capital, and significant endowment contributions are making that pledge a reality.

Increasing endowed support for scholarships and fellowships will continue to be a major emphasis at GW to ensure enduring access to the transformative power of a GW degree for generations to come.

Your support, paired with the support of thousands of others in the GW community, is ensuring a greater world and a brighter future.

Over the last five years, GW has successfully

- Raised an average of \$33.6 million annually in endowment giving, a 15% increase over the prior period.
- Raised an average of \$19.5 million per year for scholarships, a 15% increase over the prior period.
- Raised 24% more per year for undergraduate need-based scholarships than during the prior period.

HIGHLIGHTS

\$22 Million

raised for scholarships
and financial aid

\$48.8 Million

in funds raised for
the Endowment

45

new Endowment
funds established

16,571

total donors

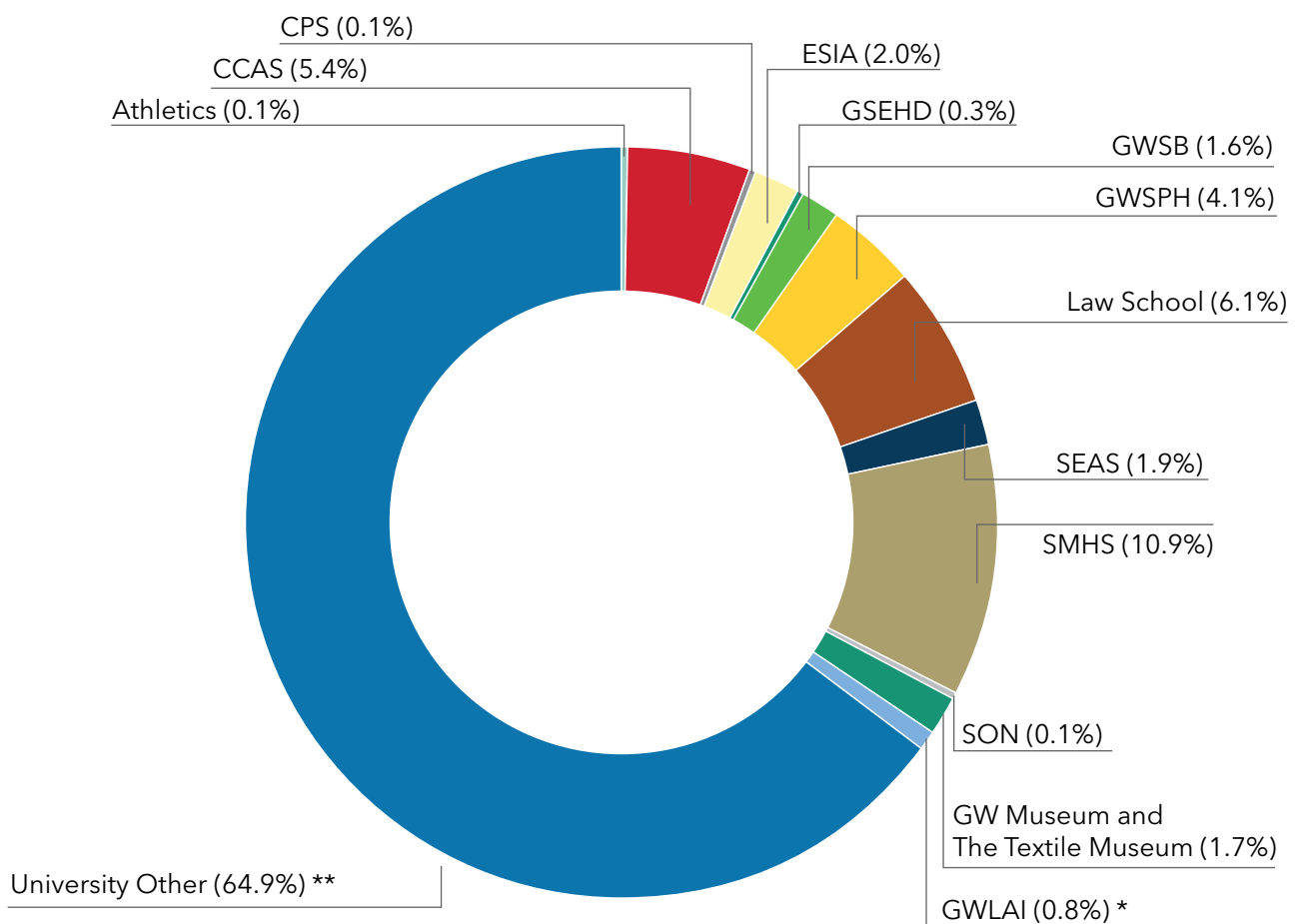


OVERVIEW OF THE ENDOWMENT

Endowed gifts create a permanent legacy and play a critical role in enabling the university to achieve its mission by providing stable financial support now and in the future. The Endowment comprises both donor restricted endowment funds and funds designated to function as endowments, sometimes referred to as quasi endowments. The majority of donor-restricted endowment gifts are invested in the Pooled Endowment, together with some of the university's quasi endowments. The remainder of the Endowment is composed of separately managed funds and a portfolio of real estate investment properties.

ENDOWMENT MARKET VALUE BY SCHOOL AND UNIT

As of June 30, 2022



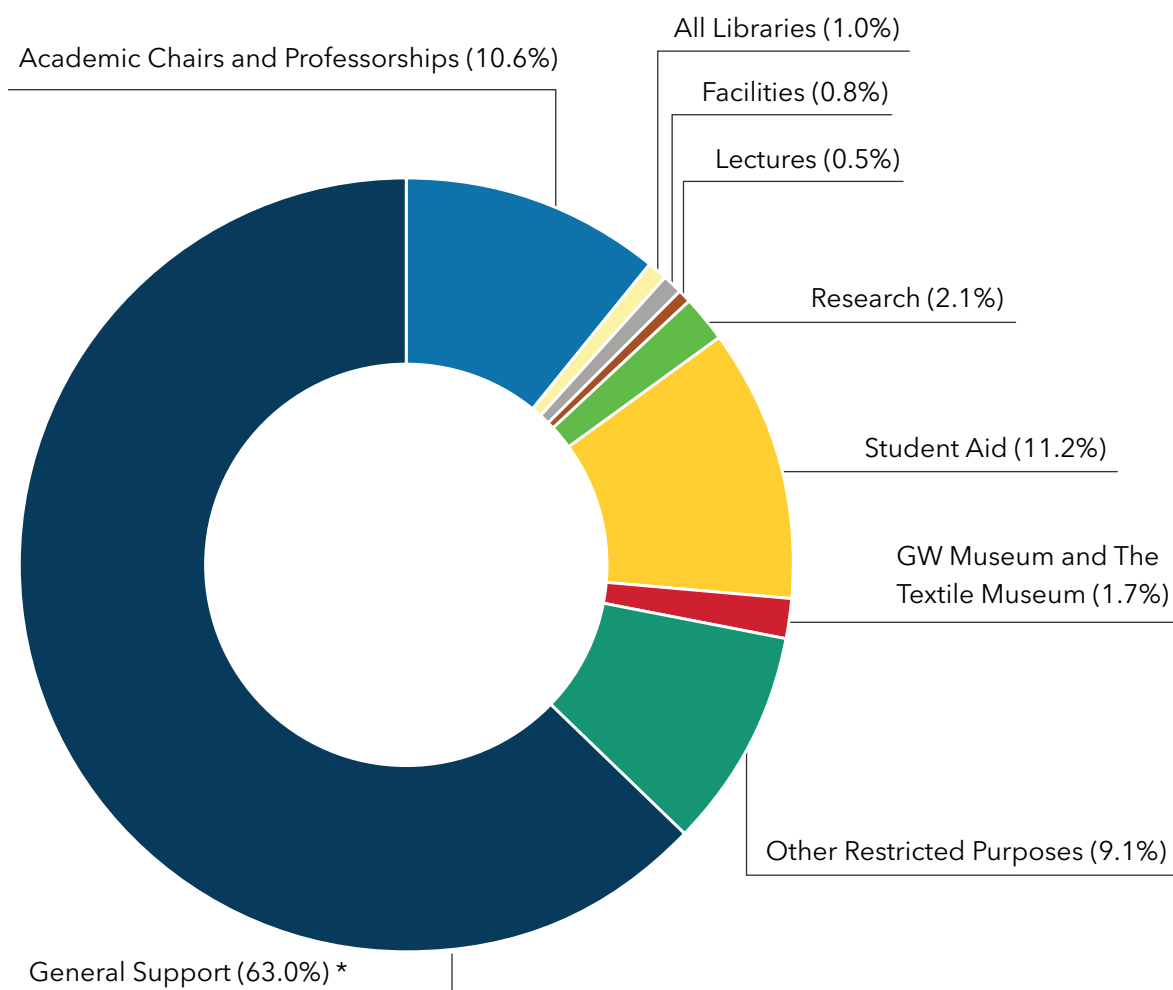
Total endowment market value at June 30, 2022 was \$2.340 billion.

* GW Libraries and Academic Innovation (GWLAI) excludes Himmelfarb Health Sciences Library and Jacob Burns Law Library, which are housed under SMHS and Law School, respectively, on the above chart.

** University Other comprises the university's unrestricted quasi endowment (including the portfolio of real estate investment properties) plus other endowment funds that support the university as a whole.

The Pooled Endowment is made up of 1,571 individual endowment funds that provide perpetual financial support for an array of programs benefiting students across the university. The annual Endowment payout, which is calculated according to the spending policy approved by the Board of Trustees, supports scholarships and fellowships, professorships, academic and research programs, libraries, facilities, and many other programs.

ENDOWMENT MARKET VALUE BY PURPOSE As of June 30, 2022



Total endowment market value at June 30, 2022 was \$2.340 billion.

* General Support comprises the university's unrestricted quasi endowment (including the portfolio of real estate investment properties) plus other endowment funds where the university may use its discretion to determine the specific use.

ENDOWMENT MANAGEMENT

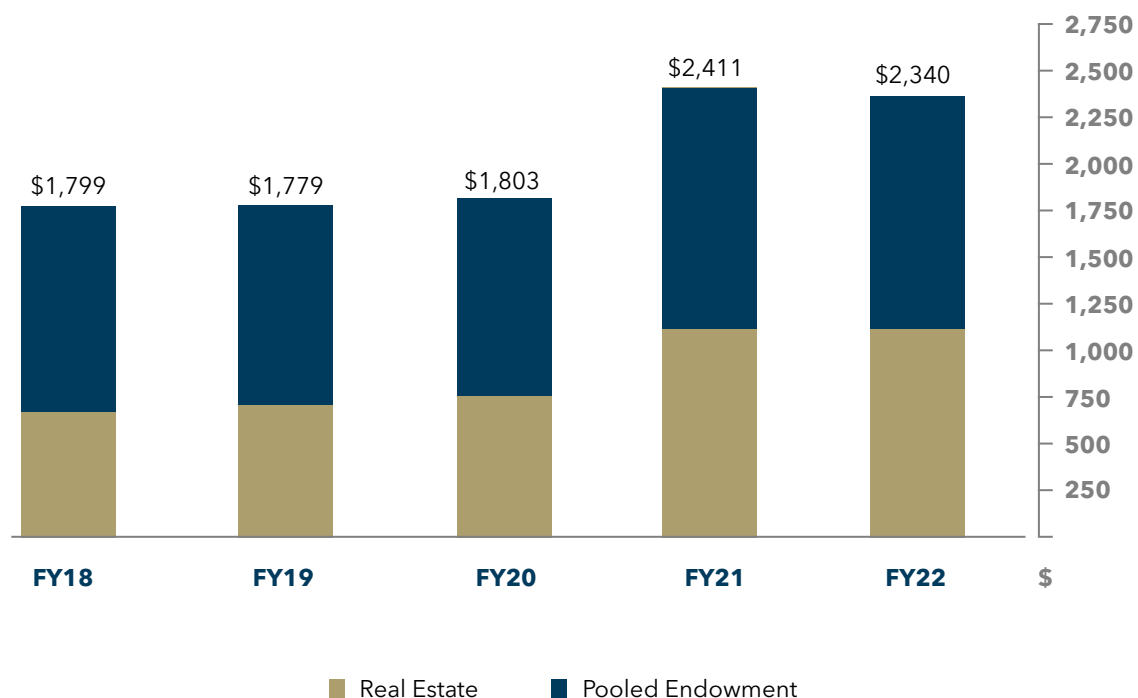
In managing the Endowment, the university seeks to balance the dual objectives of enhancing the future purchasing power of Endowment funds and meeting current spending needs. The Endowment is invested on a long-term horizon, with the goal of growing at a rate above inflation while providing a stable stream of income to support the purposes for which its individual funds were created.

Achieving these objectives requires appropriate asset allocation, careful implementation of investment strategies, and vigilant risk management. The Committee on Finance and Investments of the GW Board of Trustees is the governing body for Endowment management. This committee performs oversight of our Outsourced Chief Investment Office (OCIO) and approves the asset allocation policy.

In October 2019, the Board of Trustees approved a new Pooled Endowment spending policy effective July 1, 2020. The new spending policy calculates payout as 4.5% of the rolling 12-quarter average market value of the Pooled Endowment. Using a multi-period average market value reduces potential volatility in the payout resulting from short-term market swings. Lowering the target payout rate from 5.0% to 4.5% allows for retention of more investment earnings, thereby increasing the ability of Endowment gifts to support future generations.

To ease the transition to the lower payout rate, during fiscal year 2021-2022 the University provided supplemental funding to those endowments which existed as of June 30, 2020, and had previously received the higher payout rate

END OF YEAR TOTAL ENDOWMENT MARKET VALUE (IN MILLIONS)



STATEMENT ON POOLED ENDOWMENT PERFORMANCE

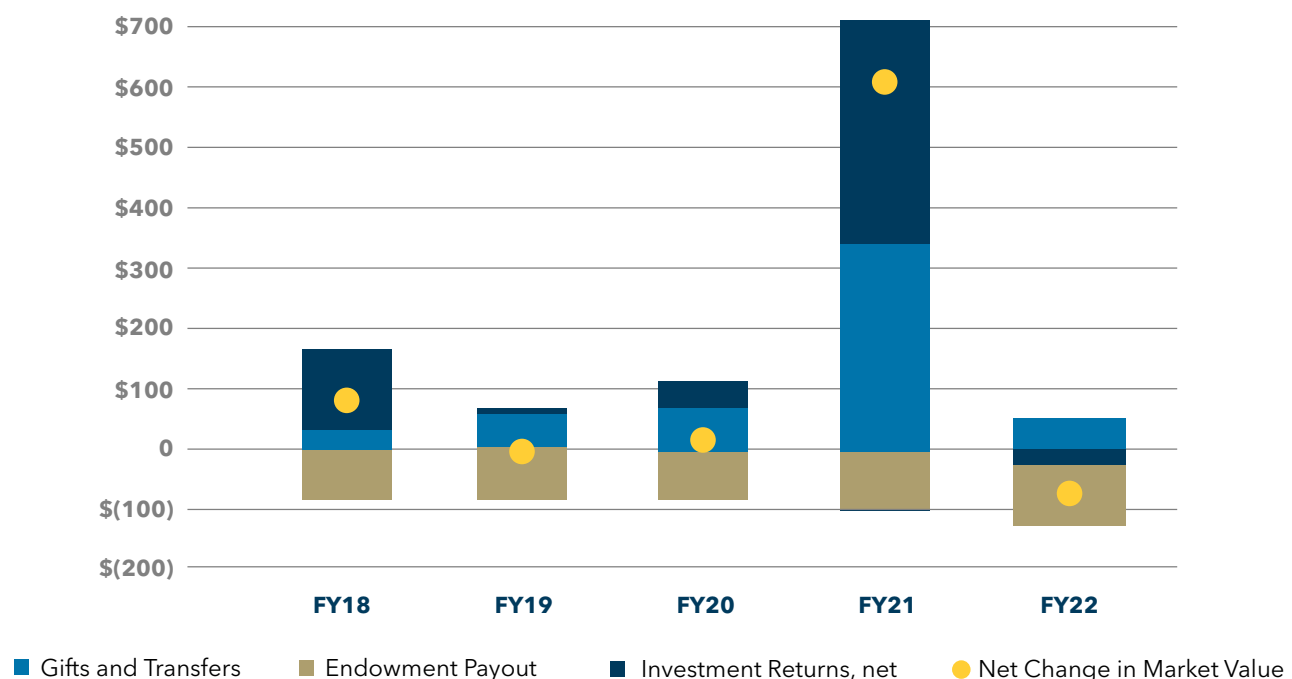
Market Overview

Fear and uncertainty accompanied trailing challenges from the COVID-19 pandemic and geopolitical upheaval, contributing to dramatic swings in market outcomes within the last fiscal year. Easy financial conditions, low policy rates, and hefty fiscal stimulus enabled rapid economic recovery in 2021. However, the resulting frothy valuations and equity market gains reversed over the last six months of the fiscal year in response to a uniquely tumultuous environment for the worst half year in over 50 years. U.S. equities ended the fiscal year down 11%, and non-U.S. developed market equities down 18%. As the Fed tightened monetary policy, inflation still clocked in at record highs, and concerns of a recession grew. Bond markets declined 10% for the fiscal year, while U.S. Treasury values were eroded by rate hikes and a shrinking Fed balance sheet.

Portfolio Overview

Totaling \$1.2 billion, the value of the Pooled Endowment has largely been preserved over a trying fiscal year period. The diversified pool retraced some of the prior year's gains (+30.8%) with a -7.5% return, outperforming its benchmark by a healthy 4% margin thanks to active positioning and a commitment to fundamentals. Lower market correlation and diversification strategies within hedge funds proved a reliable buffer against capital markets throughout. The portfolio picked up positive returns here, while the hedge fund benchmark was negative by almost 6%. Portfolio exposure to opportunistic managers contributed double-digit returns and provided further diversification away from volatile and overvalued traditional assets. Equity markets in the first half of 2022 clawed back tremendous gains from the end of 2021, however a strategic underweight to total equities mitigated such losses in the portfolio. As bond values sunk lower with a momentous series of rate hikes and policy decisions, fixed income structuring tilts shielded portfolio returns considerably. Private equity rode the momentum from 2021's record activity and success for a source of strong positive returns. Upon closing the fiscal year, the Pooled Endowment held investments in global equities (58% of assets), alternative assets such as hedge funds and private equity (28%), and bonds and cash (14%).

COMPONENTS OF CHANGE IN ENDOWMENT MARKET VALUE (IN MILLIONS)



This graph depicts components of the change in the total Endowment's market value, including both the Pooled Endowment and the portion of the university's quasi endowment invested in a portfolio of real estate investment properties. When disaggregated, the Pooled Endowment's 2021-2022 net investment return was -7.5%, whereas the portfolio of real estate investment properties earned a net investment return of 5.5%, resulting in a blended total Endowment return of -1.6%.

Effective June 30, 2021, the University reclassified internal debt previously allocated to the portfolio of real estate investment properties. The resulting increase in value is reflected as part of FY21 Gifts and Transfers.

2021-2022 FISCAL YEAR ENDOWMENT HIGHLIGHTS

Endowment payout provided
\$99.0 MILLION
in support of university activities

Endowment assets in aggregate
generated a five-year annualized
investment return of **5.7%**
and a 10-year annualized
investment return of **7.2%**

The total Endowment
value of **\$2.340 billion**
as of June 30, 2022,
equates to approximately

\$105,000
**PER FULL-TIME
EQUIVALENT STUDENT**

Endowment assets in aggregate generated a fiscal-year investment return of **-1.6%**

IMPACT



1,140

Number of
students who
received an
endowed
scholarship



97

Number of
professorships
that were
funded (either
fully or in
part) by the
Endowment



217

Number of
students who
received an
endowed
award/prize



203

Number of
students who
received
a stipend
funded by the
Endowment

FREQUENTLY ASKED QUESTIONS

How is GW's Endowment currently managed?

Strategic Investment Group, our Outsourced Chief Investment Office (OCIO) since 2015, is responsible for day to day management of most assets in the Endowment. Certain separately managed funds and the portfolio of real estate investment properties are managed by the university rather than the OCIO. Strategic Investment Group works together with the Committee on Finance and Investments of the Board of Trustees to establish asset class targets and ranges consistent with the specific financial needs and objectives of our Endowment.

Does GW charge any administrative fees to manage my endowment gift?

The only fees charged to the Endowment are the expenses directly related to the management of the Endowment, such as costs related to the OCIO, investment managers, and custodian fees. The university does not charge additional overhead or administrative fees to the Endowment. Costs of managing the Endowment are netted from investment return and are comparable to the institutional expenses of investment company funds.

How is the amount of annual payout determined and then distributed?

In October 2019, the Board of Trustees approved a new spending policy effective July 1, 2020. The new spending policy calculates payout as 4.5% of the rolling 12-quarter average market value of the Endowment. Payout is allocated from market value monthly.

When will an endowment begin generating payout that can be spent?

Endowments are established once the initial gift is received and all required paperwork has been completed. Beginning with the second month after establishment, the endowment will generate payout. If the initial gift is below the minimum required funding level for the type of endowment established, endowment payout will be automatically reinvested into corpus until the sum of reinvested payout plus additional gifts brings the corpus to the minimum required funding level. Once the corpus reaches the minimum required funding level, payout generated from that point forward is available to be spent.

What is an "underwater" endowment? Is there a policy for spending from underwater funds?

An endowment fund is "underwater" when its market value falls below the value of the original gift(s). The university's policies permit spending from underwater endowment funds unless precluded by relevant laws and regulations. The university follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Council of the District of Columbia. The prudent spending from underwater endowments allows for consistent support for the scholarships and fellowships, professorships, academic and research programs, libraries, facilities, and many other programs supported by the endowment.

What are the minimum endowment levels to establish a new, named endowed fund?

A named endowed award or prize fund may be established with a minimum gift of \$25,000, and the minimum gift for a named endowed scholarship or fellowship is \$100,000. Endowment gifts may be pledged and paid over a period of up to five years. For more information about establishing an endowed fund at GW (such as internships, financial aid, research funds, capital funds, and faculty or staff positions), please contact Jennifer Riordan, Executive Director of Donor Relations, at jriordan@gwu.edu or (202) 994-9432.

DEFINITIONS OF TERMS IN YOUR ENDOWMENT REPORT

Book value – Cumulative sum of all gifts and transfers (see definition below) since the inception of the fund. Sometimes referred to as principal or corpus.

Endowment payout – Board-approved amount that is withdrawn from market value and made available for spending.

Full-time equivalent student – Undergraduate students are considered full-time if the student is enrolled for 12 or more semester credits. Many of the university's students are enrolled full-time, but there are also students enrolled part-time. The full-time equivalent student calculation uses credit hours to convert part-time student counts into the equivalent count that the credits would represent if the students were enrolled at a full-time credit load.

Gifts and transfers – For donor endowments, this includes gifts and pledge payments plus reinvestment of unused payout. For quasi endowments, this includes additions of university funds, reinvestment of unused payout, and purchases or sales of Endowment real estate investment properties.

Investment return, net – Interest, dividends, realized gains/losses, and unrealized gains/losses, net of expenses directly related to the management of the endowment, such as costs related to the Outsourced Chief Investment Office, investment managers, and custodian fees.

Market value – Current value of the fund in today's market. This includes the book value and all accumulated net investment return, minus payout over the life of the fund.



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