

## BOARD OF TRUSTEES

as of June 30, 2013

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*Senior Vice President and  
Chief Executive Officer for USC Health*

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*Senior Vice President, University Relations*

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*Athletic Director*

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*Chief Investment Officer*

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*General Counsel and  
Secretary of the University*

\*Investment Committee Members

THE  
CAMPAIGN  
*for the*  
University  
of Southern  
California

FAS REGNA TROJAE

### UNIVERSITY ADVANCEMENT OFFICE OF STEWARDSHIP

1150 S. Olive Street, 25th Floor  
Los Angeles, California 90015-2797  
[www.usc.edu/campaign](http://www.usc.edu/campaign)



USC University of  
Southern California



THE USC ENDOWMENT:

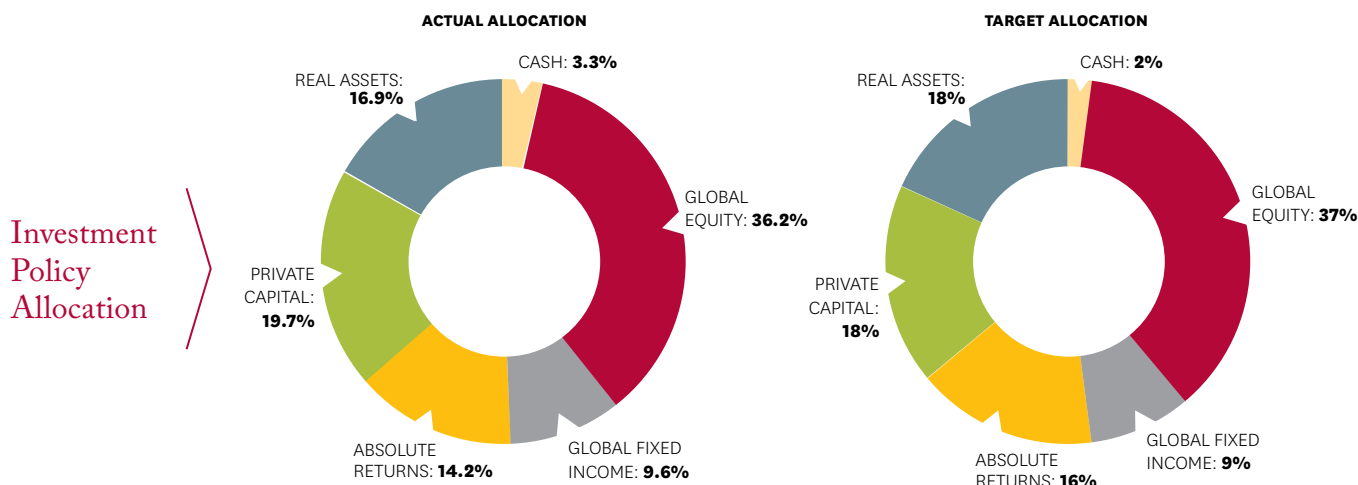
## Your Charitable Investment at Work

Fiscal Year ending June 30, 2013

## 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 its success in gaining access to superior investment opportunities;
  - USC’s 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.

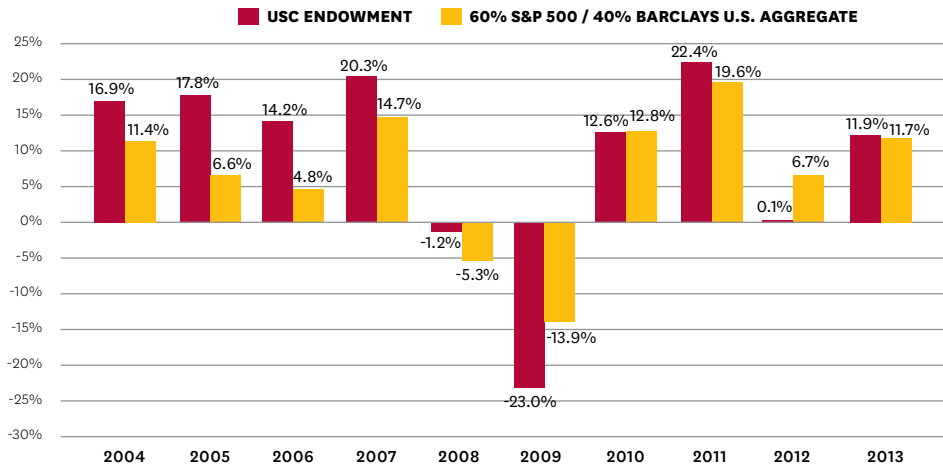
In short, our breadth and depth of investment experience allow us to partner with the very best managers in their respective market niches.

**INVESTMENT PERFORMANCE FOR FY 2012-2013**

FINANCIAL REPORT ON ENDOWED FUNDS

The Endowment generated an 11.9% return during the fiscal year ended June 30, 2013, and finished with a \$3.7 billion market value. Strong equity markets, driven primarily by continued low U.S. interest rates and generally improved U.S. economic conditions, were key contributors to this performance. Over the last ten years, the Endowment earned 8.3% on an annualized basis. This compares favorably to a 60% global stocks and 40% global bonds blended benchmark, which generated a 6.8% annualized return.

Endowment Fund Returns  
*by fiscal year*



**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 are shown below:

Endowment Fund Value Per Share (\$) *by fiscal year*

