

Endowment OCIO Update – Executive Summary

A. Performance:

- In the 2-year OCIO track record from April 1, 2017 (start of formal track record) through March 31, 2019 (lagged to include most recent Private Investment results), the NSHE Endowment has returned 6.8% annualized, 20 basis points above the Policy Benchmark and 50 basis points above peers (top 33% of a peer group of 120 endowments with \$100-\$300 million in assets).
 - C|A Managed Assets returned 6.1% net of C|A fees over this 2-year track record, 0.5% behind the benchmark with 0.5% lower volatility, resulting roughly similar risk-adjusted returns. This ranks in the third quartile (53rd percentile) of the peer group.
 - The Legacy Assets return of 14.6% has been highly beneficial to the Endowment on both an absolute and relative basis (outperforming its benchmark by 870 basis points).
- For the fiscal year ended June 30, 2019, the NSHE Endowment returned a *preliminary* 4.8%, outperforming the Policy Benchmark by 20 bps. (Private Investments are as of 3/31/2019, due to the manager reporting lag.) The breakdown by sleeve is as follows:
 - +5.0% - Cambridge Associates (*outperforming benchmark by 10 bps*)
 - +3.1% - Russell Investments (*lagging benchmark by 300 bps*)
 - +8.9% - Legacy Assets (*outperforming benchmark by 1040 bps*)
- For the calendar year through August 31, 2019, the NSHE Endowment returned a *preliminary* +8.7%. (Private Investments are as of 3/31/2019, due to the manager reporting lag.) This brings the NSHE Endowment *preliminary* return to 5.0% annualized since inception of the OCIO track record, underperforming the Policy Benchmark by 110 bps. The breakdown by sleeve is as follows:
 - +5.5% - Cambridge Associates (*lagging benchmark by 60 bps*)
 - +4.3% - Russell Investments (*lagging benchmark by 220 bps*)
 - +12.0% - Legacy Assets (*outperforming benchmark by 710 bps*)
- Per the Endowment's Investment Policy Statement, it is important to monitor returns on an ongoing basis and **evaluate** portfolio returns and risk over time periods that are suitably long for the long-term investment strategy of this perpetual pool. Over the trailing 10 years, the NSHE Endowment has delivered risk-adjusted returns ahead of the Policy Benchmark and similarly sized peers.

Updated with performance
through 8/31

8/31/2019 Performance Is Still Preliminary Due to Private Investments Reporting Lag

Returns (%)	INCEPTION DATE	MARKET VALUE AS OF JUN 2019	FISCAL YEAR TO DATE	CALENDAR YEAR TO DATE	ANNUALIZED SINCE MAR 2017	ANNUALIZED TRAILING 10 YEARS	ANNUALIZED SINCE INCEPTION
Total Endowment*	6/30/1984	\$258,249,577	-1.3	8.7	5.0	7.0	9.6
Policy Benchmark ²	6/30/1984		-0.7	11.3	6.1	7.5	9.5
Total C A Managed Assets Net of Fees*	11/30/2016	\$115,201,584	-1.5	10.9	5.5	---	7.4
C A Normalized Benchmark²	11/30/2016		-1.2	11.1	6.1	---	---
Value Add			-0.3	-0.3	-0.6	---	---
Total Russell Managed Assets	12/31/2016	\$108,594,928	-1.5	8.4	4.3	---	5.7
Russell Normalized Benchmark ²	12/31/2016		-0.3	11.0	6.6	---	7.4
Value Add			-1.2	-2.6	-2.2	---	-1.7
Total Legacy Assets*	11/15/1998	\$34,453,065	0.0	5.3	12.0	11.9	11.5
Legacy Benchmark ²	11/30/1998		0.0	12.5	4.9	---	---
Value Add			0.0	-7.2	7.1	---	---
Other Legacy Assets*	11/30/2012	\$1,552,080	-0.1	-0.1	-0.5	---	3.6
Legacy Private Growth*¹	11/15/1998	\$25,069,814	---	---	---	---	---
Legacy Private Natural Resources*¹	11/15/1998	\$7,831,172	---	---	---	---	---

Updated with performance
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C|A Managed Assets – Returns by Asset Class

As of August 31, 2019 (preliminary – Private Investments as of 3/31/19)

Returns (%)	INCEPTION DATE	MARKET VALUE AS OF JUN 2019	FISCAL YEAR TO DATE	CALENDAR YEAR TO DATE	ANNUALIZED SINCE MAR 2017	ANNUALIZED TRAILING 10 YEARS	ANNUALIZED SINCE INCEPTION
Total Managed Assets Net of C A Fees*	11/30/2016	\$115,201,584	-1.5	10.9	5.5	---	7.4
C A Normalized Benchmark ²	11/30/2016		-1.2	11.1	6.1	---	---
Value Add			-0.3	-0.3	-0.6	---	---
Public & Private Growth*	6/30/1984	\$68,539,572	-2.8	12.9	7.3	9.3	10.0
Public Growth*	6/30/1984	\$64,982,754	-2.9	12.9	7.1	9.3	10.0
MSCI ACWI Index (N) ³	6/30/1984		-2.1	13.8	7.7	8.6	9.5
Value Add			-0.8	-0.9	-0.5	0.6	0.5
U.S. Equity	6/30/1984	\$24,770,926	0.1	20.5	12.4	14.2	11.4
Wilshire 5000 Total Market Index	6/30/1984		-0.6	18.0	10.8	13.3	11.2
Value Add			0.7	2.5	1.6	0.9	0.2
Global Equity	1/03/2017	\$10,914,681	-3.2	11.0	5.9	---	7.7
MSCI ACWI Index (N)	1/03/2017		-2.1	13.8	7.7	---	9.5
Value Add			-1.1	-2.8	-1.8	---	-1.8
International Developed	12/31/1985	\$18,902,850	-4.2	8.4	3.5	4.7	7.6
MSCI EAFE Index (N)	12/31/1985		-3.8	9.7	4.1	5.0	7.1
Value Add			-0.4	-1.3	-0.6	-0.3	0.5
Emerging Markets*	1/31/1995	\$10,394,298	-7.0	7.1	3.7	2.3	5.1
MSCI Emerging Markets Index (N) ⁴	1/31/1995		-6.0	3.9	3.8	4.1	5.8
Value Add			-1.0	3.2	-0.1	-1.8	-0.7
Private Growth* ¹	11/17/2017	\$3,556,818	---	---	---	---	---
Diversifiers*	11/30/1999	\$23,689,325	1.5	9.7	5.3	6.0	7.6
Diversifiers Benchmark ⁵	11/30/1999		-0.3	5.2	3.6	3.1	3.7
Value Add			1.8	4.5	1.7	2.9	3.8
Marketable Alternatives*	2/28/2017	\$21,579,766	1.7	10.6	5.3	---	5.0
0.3 beta-adjusted MSCI ACWI (N)	2/28/2017		-0.4	5.3	3.7	---	3.7
Value Add			2.1	5.2	1.6	---	1.3
Private Diversifiers* ¹	5/15/2017	\$2,109,559	---	---	---	---	---
Real Assets*	10/01/1987	\$9,495,854	-2.8	10.1	1.0	1.0	3.3
Real Assets Benchmark ²	9/30/1987		-3.5	9.3	0.9	4.9	8.8
Value Add			0.8	0.8	0.1	-3.8	-5.5
Private Real Assets* ¹	7/01/2000	\$1,989,772	---	---	---	---	---
Public Real Assets	10/01/1987	\$7,506,082	-3.5	11.2	0.5	0.9	3.9
Public Real Assets Benchmark ²			-4.3	10.2	0.8	1.3	5.3
Value Add			0.8	1.0	-0.3	-0.4	-1.4
Fixed Income and Cash*	6/30/1984	\$13,476,833	1.1	4.8	2.7	3.7	7.3
BBG Barc Aggregate Bond Index	6/30/1984		2.8	9.1	4.8	3.9	7.3
Value Add			-1.7	-4.3	-2.1	-0.2	0.0
Fixed Income*	6/30/1984	\$11,041,970	1.2	5.8	3.3	4.0	7.7
Fixed Income Benchmark ²	6/30/1984		2.8	9.1	4.8	3.9	7.3
Value Add			-1.6	-3.3	-1.6	0.1	0.4
Cash and Equivalents*	7/01/1987	\$2,434,863	0.3	0.9	1.0	0.5	3.3

Rows marked with “*” contain preliminary data.

Note: Private Investments performance is as of 3/31/2019, updated with cashflows through 6/30/2019

END NOTES

AUGUST 31, 2019

1. Performance and market values are as of 03/31/19, all adjusted with cash flows through the current period.
2. For benchmark details, please refer to the Custom Benchmark Compositions exhibit.
3. From 01/31/88 to 01/31/01 benchmark consists of the MSCI ACWI (G). Prior to 01/31/88 benchmark consists of the MSCI World Index (N).
4. Prior to 02/01/01, benchmark consists of MSCI Emerging Markets Index.
5. From 12/01/16 to present the benchmark consists of the lagged 0.3 beta-adjusted MSCI ACWI (N). Prior to 12/01/16 benchmark consists of HFRI Fund of Funds Diversified Index.
6. Benchmark since 06/30/18. The previous benchmark was FTSE Developed Core Infrastructure 50/50 Index.
7. Och-Ziff Overseas fully redeemed on 11/30/12. Market value represents illiquid Special Situations Account.
8. Farallon Capital fully redeemed on 12/31/12. Market value represents illiquid Special Situations Account.