

# Carleton Endowment

---

Colleges and universities everywhere face the complicated question of ensuring excellence not only today but for decades to come. To achieve this, Carleton relies on its endowment. The endowment represents accumulated gifts to the college that are then invested to support the school's mission far into the future. Each year approximately 5 percent of the endowment value is spent to support the annual operating budget.

Gifts to the endowment may be for a specific purpose such as endowing a professorship, scholarship, or academic program, or they may be gifts to be used at Carleton's discretion. In either case, donors expect their gifts to grow and support Carleton's educational mission in perpetuity. Valued around \$780 million as of June 2015, Carleton's endowment invests these gifts in a way that grows them at a rate at least equal to what is spent over time and inflation. In the words of Chief Investment Officer Jason Matz:



*The endowment must be invested to earn a high enough return to offset spending and inflation but also must not be invested in such an aggressive manner that large losses could impact the support the endowment provides. Over time, the investment objective is to provide a smooth and predictable increase in budget support.*

Gifts to the endowment and the investment returns they earn play an important role in growing the endowment and thus the resources the college can employ in support of student learning. Without the aid of these gifts over the past decades, the endowment today would be drastically different.

“The power of only spending 5 percent of the gift and letting the principal increase in value through the compounding of investment returns over time drives endowment growth.” Matz says. “But both well-managed investments and significant donor support, from our many smaller contributions to our occasional transformational gifts, are required to grow the endowment.”

A strong endowment goes a long way toward keeping Carleton among the highest-ranked liberal arts colleges in the country, as it supplies about 22 percent of the college's budget. To protect this precious financial resource, the endowment is managed and invested carefully. The Board of Trustees approves the college's Investment Policy Statement, developed by the Investment Committee, while the Investment Office manages the endowment portfolio day-to-day to implement the investment policy. Carleton's endowment is invested in different asset classes through external investment managers.

With careful planning, strategic vision, investment stewardship, and an inspiring network of donors, Carleton's endowment is healthy and poised to continue benefiting Carls well into the future.

# Endowment FAQs:

## How does the endowment work for Carleton?

---

### What is Carleton's spending policy?

Carleton's policy for spending from its endowment is a carefully designed formula that balances funding college operations today and growing the endowment to provide the same level of support for years to come. To generate a smooth and predictable increase in endowment support, irrespective of short-term investment results, the spending increase each year is determined by summing 102 percent of the previous year's spending (70 percent formula weight) and multiplying a 5 percent spending rate by the average endowment value of the previous 12 quarters (30 percent formula weight).

To ensure the college is not overspending or underspending, Carleton caps spending at 5.75 percent of the endowment and places a floor of 3.75 percent under which spending will not fall.

### What are Carleton's principal investments?

Carleton's portfolio is equity-oriented to generate investment returns sufficient to grow the portfolio enough to offset spending and inflation. Investments span different equity-oriented asset classes and strategies including public and private equity, venture capital, and real assets. With a long-term time horizon, the market value fluctuations inherent in an equity-oriented portfolio are the tradeoff for capturing the higher returns equities offer long-term.

### How does Carleton's endowment compare to its peers and standard benchmarks?

For a school of such stature, Carleton's endowment is considerably smaller than others. In 2014–2015, Carleton spent \$388,216 per student from its endowment; comparatively, similar liberal arts colleges spent an average of \$1.2 million per student from their endowments. As a result, we frequently lose top students to other colleges that offer more financial aid.

Despite its smaller size, Carleton's endowment consistently performs well, earning the distinction of Endowment Of The Year in the small endowment category from Institutional Investor magazine in both 2009 and 2015. For the 10-year period ended June 2015, Carleton's endowment outperformed a passive investment strategy used as a portfolio benchmark, meaning that \$100 invested in the college's endowment on average grew to \$195 compared to the \$177 it would have become through passive investing. In fact, Carleton's endowment outperformed 74 percent of other \$500 million and \$1 billion endowments and 71% of all college and university endowments in the Cambridge Associates universe.

### How has the endowment grown over time?

Growth is spurred by both investments and gifts. When gifts are given to the endowment, they are immediately added to the mix of investments; because that helps bring higher returns, a gift in reality is worth a lot more than just its initial figure. The Jenkins Scholarship is a perfect example of this—it was founded in 1997 with a book value of \$91,463, and today it is worth \$123,692, generates more than \$5,000 per year in spendable income, and has helped more than a dozen students afford a Carleton education.

### Where can I find more specifics?

Please visit [go.carleton.edu/investment](http://go.carleton.edu/investment) for more details on the endowment.

