

Haverford College

Haverford College
370 Lancaster Avenue
Haverford, PA 19041

November 2023

Dear Haverford College Community,

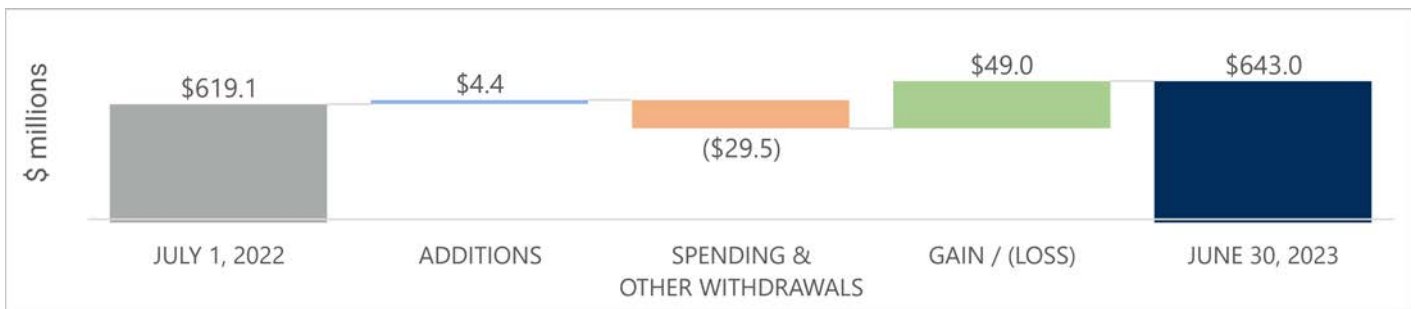
We are pleased to provide the annual update on the investment activity and performance of the Haverford endowment for the fiscal year ended on June 30, 2023.

The total endowment returned +8.1% in fiscal year 2023 (FY 23), net of all fees and expenses. This was a significant increase compared to the -2.6% achieved in fiscal year 2022 (FY 22). Though peer results have not been reported, the endowment outperformed a collection of almost 40 colleges and universities which have reported results so far, with the Ivy League ranging from -1.7% to 4.1%, and a larger group reporting -2.9% to 10.5%. The portfolio underperformed the 75/25 passive portfolio benchmark (+11.5%) during this period, which will frequently occur during periods of rapid public equity market increases. The endowment has outperformed this passive benchmark over longer trailing historical periods. Aggregate peer data is not yet publicly available, but we expect larger endowments with greater exposure to private market investments will materially underperform those with lower exposure to these private strategies.

Change in Endowment Value

As of June 30, 2023, the total endowment market value was \$643 million, a net total increase of \$23.9 million (or +3.9%) from the beginning of the fiscal year. The components of this increase included: 1) new gifts and other inflows of +\$4.4 million, 2) spending and other withdrawals in support of the College's academic mission, scholarship, and operations of -\$29.5 million, and 3) an investment return of +\$49.0 million.

The spending withdrawal, which is derived from the College's spending policy and formula, represented 21% of the College's operating revenues for the year, and a one-year endowment spending rate of 4.4%, based on the beginning of year endowment market value. These metrics fall within our customary and expected projections.



Background and History

The endowment is intended to be a source of ongoing annual support for Haverford College today and in the future. As an institution, we have a responsibility both to prudently manage the endowment as an important source of funding and grow the endowment through gifts, grants, and investments for future generations. We must do this while keeping up with inflation over time and generating enough appreciation from the endowment portfolio to support a significant portion of the College's annual operating budget.

As we shared last year, following a rigorous search process, Investure, LLC (“Investure”), a boutique investment firm founded in 2003 that works with a select group of colleges and private foundations across the country, was selected as Haverford’s investment office in late 2022. Investure began managing the College’s endowment assets on November 1, 2022.

Endowment Goals and Strategy

The endowment portfolio is a global, multi-asset class portfolio that is intentionally diversified and heavily weighted to equities and equity-oriented investments (broadly defined), given the portfolio’s goals to support the College for decades to come.

Before onboarding with Investure, Haverford’s Investment Committee worked with Investure to develop a portfolio transition plan and design a long-term asset allocation intended to accomplish the following:

- (1) Position Haverford to outperform across market cycles (defined as rolling 10–15-year periods) to ensure we both preserve and grow the value of the endowment (net of inflation) for future generations, and
- (2) Protect the portfolio against large drawdowns (defined as 25% or more) in the global equity markets and ensure adequate liquidity even in such times. As the endowment portfolio is a critical source of funding for Haverford’s annual operating budget, it is important that even in very down equity markets that the College has the funding it needs to support our educational mission. It is often in challenging economic times that financial aid and other sources of support for students and faculty is most important.

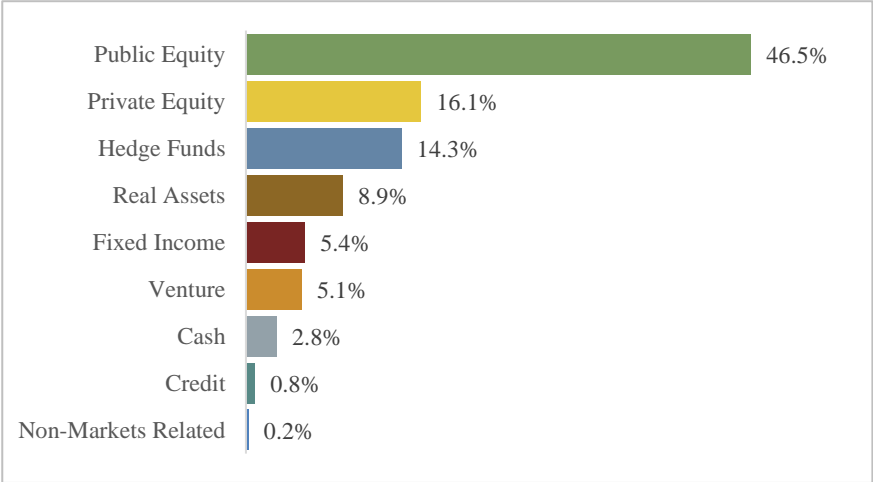
The portfolio strategy approved by the Investment Committee and the Board focuses on utilizing an asset allocation that takes advantage of Haverford’s multi-decade time horizon and seeks to invest in top managers globally in a variety of asset classes. The return goal Haverford established with Investure is for the endowment portfolio, over time, to outperform (net of all fees and expenses) a passive portfolio benchmark comprised of 75% equities and 25% bonds (or 75% MSCI All Country World Index and 25% Barclays U.S. Treasury 7-10 Years). We refer to this portfolio benchmark as the “75/25” benchmark.

Asset Allocation

The asset allocation as of June 30, 2023 is shown below:

As of June 30, 2023	
Public Equity	46.5%
Private Equity	16.1%
Hedge Funds	14.3%
Real Assets	8.9%
Fixed Income	5.4%
Venture	5.1%
Cash	2.8%
Credit	0.8%
Non-Markets Related	0.2%
Total	100%

Figures above include Measey Trust.



Fiscal Year 2023 (“FY 23”) Investment Performance Review (July 1, 2022 to June 30, 2023)

Investment market performance for the FY 23 was characterized by a reversal of the negative returns experienced in the prior fiscal year. Artificial intelligence-related enthusiasm boosted the returns of seven mega-cap technology stocks significantly in the second half of the FY 23. These seven companies are at historic concentration levels within the S&P 500 and drove most of the strong return of the public markets during the second half of FY 23.

The Haverford endowment portfolio was in transition during FY 23 as the new strategic asset allocation and portfolio plan was implemented. Despite the transition, the total endowment returned +8.1% in fiscal year 2023, net of all fees and expenses. While the strong public market performance was driven by a relatively small number of mega-cap technology companies, the College’s portfolio is intentionally more diversified.

The performance of public assets within the endowment was materially positive in FY 23. Within the two largest public asset classes, public equity ended the fiscal year above the public market index after strong performance in 1H 2023 (second half of the fiscal year) while the hedge funds, which are a mix of equity and credit strategies, experienced more muted but positive performance. In a reversal from the prior fiscal year (FY 22), when extremely strong private asset performance drove the overall endowment returns well above the large declines in the public equity markets, in FY 23 private assets underperformed. As a long-term focused investor, we do not expect that all asset classes will outperform in any one-year period.

We believe there will be large dispersion in college and university endowment returns for FY 23, given the market dynamics during this one-year period. We believe the endowment is well positioned for the future taking into consideration both the College’s return goals as well as its risk tolerance. We look forward to sharing future updates.

With Appreciation,

Bruce Gorchow

Chair, Investment Committee, Haverford College Board of Managers
President, Retired
PPM America Capital Partners, LLC

and

Investure, LLC