

# INSEAD

The Business School  
for the World®

## Investing INSEAD's Endowment 2016/2017

INSEAD's endowment supports the school's mission and provides a source of funds to build its competitive advantage, based on a long-term annual spending rate of 4.2%.

The endowment, which allows the school to plan, sustain and invest in faculty chairs, research projects, programmes, scholarships and facilities, has had an excellent year. Thanks to both the generosity of donors and the performance of our investment strategy, its total value increased by €26.5 million to €212.5 million during 2016/2017. During this period, the INSEAD investment portfolio returned 9.6% in Euro terms (and 12.9% excluding currency hedging effects), which represents a significant outperformance versus the benchmark.

Today, INSEAD's endowment consists of a €202 million investment portfolio and a further €10.5 million investment in directly held property, cash and other assets. While the Endowment Management Committee takes overall responsibility for the endowment, experts from Partners Capital, who have advised us since 2007, manage the investment portfolio on our behalf.

### Investment strategy and performance

The investment strategy has several objectives: to manage the portfolio to deliver long-term absolute returns; diversify the portfolio across multiple asset classes; select the most skilled asset managers within each asset class; and take into account ethical, social and governance issues.

The endowment remains broadly diversified across traditional and alternative asset classes, including equities, corporate credit, hedge funds and private market strategies.

The portfolio has a 23% allocation to private market strategies, which includes private equity, real estate and private debt. This percentage has increased over the last three years based on our belief that it will continue to generate an illiquidity premium of around 3-5% compared to public markets. The private markets portfolio is well diversified, ranging from loans to small-cap European firms, venture capital investments in early stage technology companies and private equity investments in middle-market US firms.

The portfolio has a 37% allocation to public equities, which forms one of its key return-generating asset classes. The public equity portfolio consists of a combination of actively managed mandates, which invest in stocks based on deep fundamental analysis of the underlying companies and passive index trackers to express tactical geographical positioning. The portfolio is currently weighted towards European and Japanese equities at the expense of US stocks for a number of reasons, most notably the relatively attractive valuations.

The academic year's strong performance was driven by the outperformance of the underlying managers, most notably the equity managers. The strongest-performing managers were generally those with a greater focus on technology companies.

### Overview

From March 2007 to the end of August 2017, the investment portfolio returned +55.0% (cumulatively) after deduction of fees and expenses. This represents a +10.5% cumulative outperformance versus the INSEAD Composite Benchmark, a custom benchmark adopted by the Endowment Management Committee.

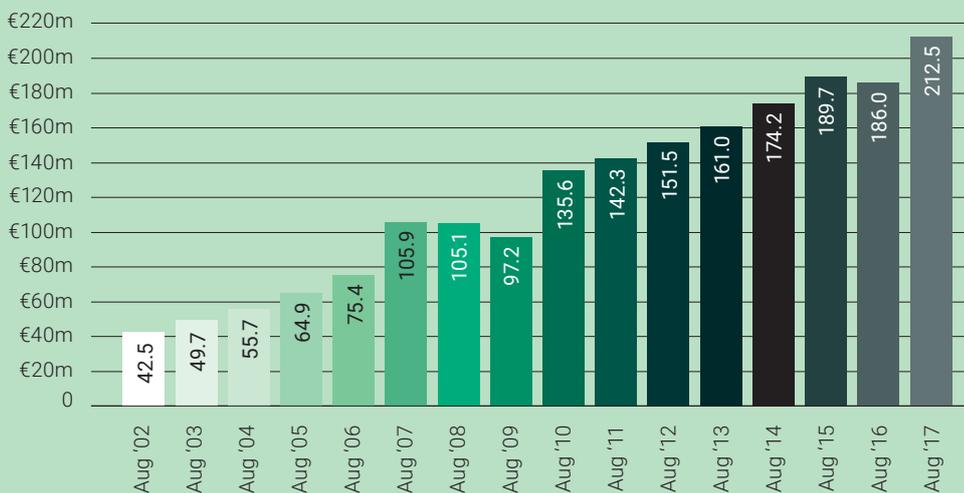
# INSEAD endowment and investment portfolio performance - academic year performance

(August 2002 – August 2017)

Academic Year <sup>1</sup>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Cumulative (Mar 07 - Aug 17)	Annualised (Mar 07 - Aug 17)
INSEAD Investment Portfolio return <sup>2</sup>	+2.4%	-3.0%	-11.8%	+6.6%	+5.4%	+8.7%	+7.4%	-11.5%	+10.9%	-0.5%	+9.6%	+55.0%	+4.3%
INSEAD Endowment Return <sup>3</sup>	+2.2%	-1.9%	-11.2%	+5.7%	+4.7%	+7.8%	+7.0%	+10.8%	+10.6%	-0.2%	+9.5%	+52.2%	+4.1%
INSEAD Composite Benchmark <sup>4</sup>	+1.8%	-2.0%	-13.6%	+4.0%	+8.3%	+6.4%	+9.1%	+12.0%	-0.3%	+5.3%	+9.0%	+44.5%	+3.6%

## Total assets<sup>5</sup> of the endowment portfolio

(August 2002 – August 2017)



<sup>1</sup> The academic year starts on 1 September and finishes on 31 August. This is reflected in the table above. For example, the year labelled 2017 reflects performance from 1 September 2016 to 31 August 2017. The year labelled 2007 includes only 1 March 2007 to 31 August 2007.

<sup>2</sup> INSEAD Investment Portfolio consists of the portfolio managed by Partners Capital.

<sup>3</sup> The INSEAD Endowment consists of the portfolio managed by Partners Capital and all other assets including direct property, cash and other assets.

<sup>4</sup> The INSEAD Composite Benchmark is a custom benchmark comprised of asset class indices (e.g. MSCI World NR 100% Hedged to EUR for the equity allocation or State Street Private Equity Index for the private equity allocation) and weighted to reflect the long-term strategic asset allocation adopted by the committee.

<sup>5</sup> Total endowment portfolio assets include donations.

I have been serving on the Endowment Management Committee since 2011 and became its chair in 2016. It is a great honour for me to serve the school and its stakeholders in this role.

I thank all donors for their kind contributions, which have been pivotal to the growth of the endowment. This, in turn, is of paramount importance to the future success of INSEAD.

**Mirjam Staub-Bisang**

Endowment Management Committee Chair

