

Gettysburg College

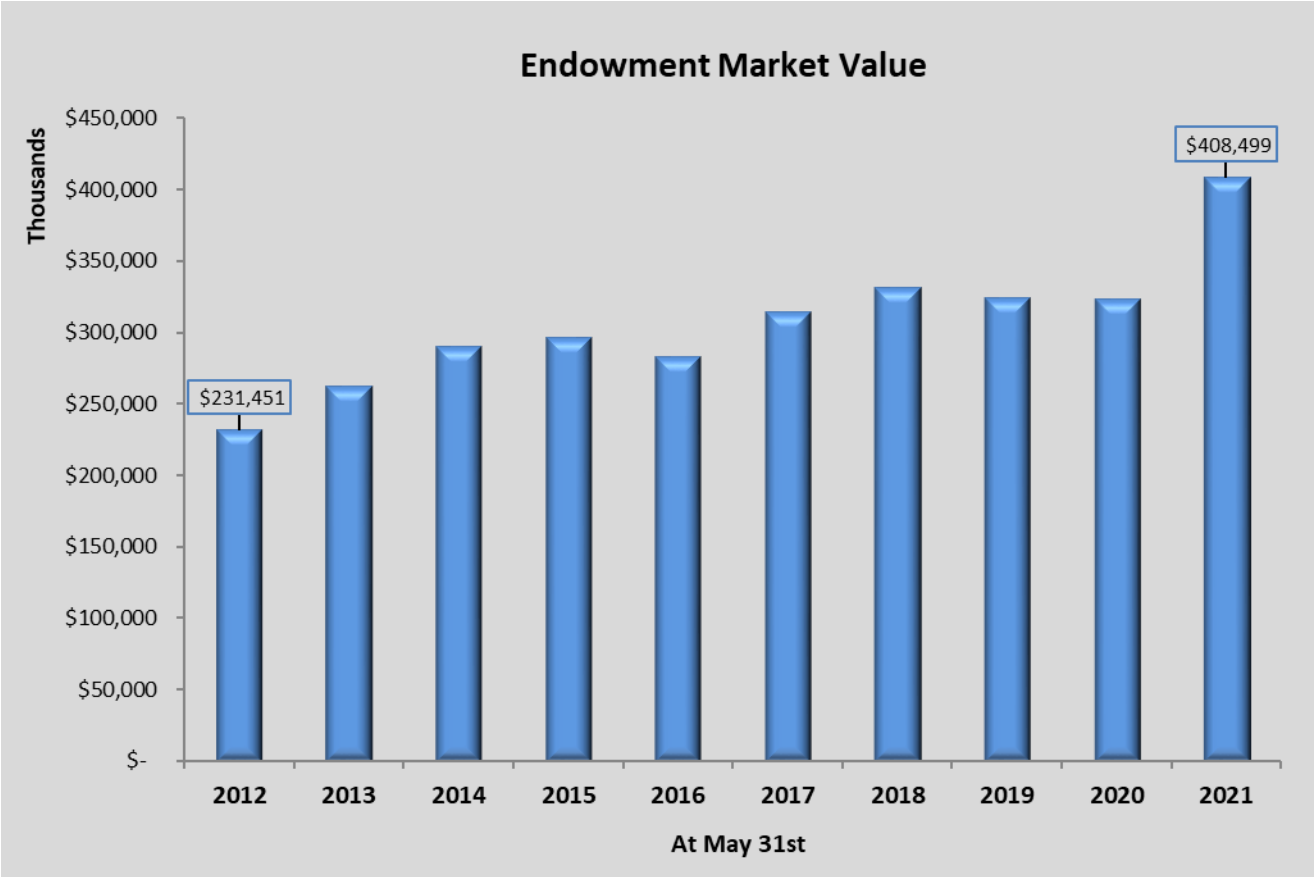
2021 Endowment Report



The Gettysburg College Endowment

Gettysburg College’s endowment was established through the generosity of generations of donors that shared a common desire to advance the College’s mission. At May 31, 2021, the endowment consisted of 875 individual funds with an aggregate market value of approximately \$409 million.

The endowment provides financial support to advance the College’s mission in perpetuity, lessens the institution’s dependence on tuition and fees, and contributes to its financial strength. The endowment also enables the College to provide financial assistance to deserving students in order to access a Gettysburg College education. With prudent investment oversight, sensible endowment spending and the continued generosity of our alumni and friends, the endowment will continue to grow and provide income for the benefit of current and future generations of Gettysburg students.



Gettysburg College Endowment Overview

	FISCAL YEAR ENDED MAY 31st				
	2021	2020	2019	2018	2017
Market Value (in thousands)					
Pooled Endowment	\$ 331,065	\$ 257,556	\$ 256,733	\$ 260,501	\$ 245,537
Non-Pooled Investments	31,370	27,646	26,044	25,420	23,939
Funds Held in Trust By Others	40,352	32,517	36,287	39,703	38,561
Trusts & Split-Interest Funds	5,712	5,017	5,117	5,597	5,780
Total Endowment	\$ 408,499	\$ 322,737	\$ 324,181	\$ 331,220	\$ 313,816
FTE Enrollment	2,537	2,627	2,650	2,613	2,578
Endowment Per Student	\$ 161,000	\$ 123,000	\$ 122,000	\$ 127,000	\$ 122,000

Gettysburg College's endowment consists of four distinct types of funds:

- **Pooled Endowment** – Includes donor-restricted and board-designated funds that will support the College's activities in perpetuity. The pooled endowment is invested in accordance with investment and spending distribution guidelines established by the Board of Trustees. Cambridge Associates serves as discretionary investment advisor.
- **Non-Pooled Investments** – Includes long-term operating reserves and donor-restricted gifts. These funds are invested in a portfolio of short-term investments.
- **Funds Held in Trust By Others** – Represents the College's beneficial interest in various irrevocable trusts. The College does not control the investment of these funds but receives a certain percentage of the income earned each year based on the terms of the trust.
- **Trusts & Split-Interest Funds** – Consists of donated funds subject to trust agreements in which the College has a beneficial interest but is not the sole beneficiary. The agreements include charitable remainder unitrusts, annuity trusts and charitable gift annuities. State Street Global Advisors serves as trustee over the administration and investment of these funds.

HOW IS THE POOLED ENDOWMENT MANAGED?

The Endowment Committee is charged with oversight responsibility for the College’s endowment. As with other similarly sized endowments, the College uses an investment consultant to provide comprehensive investment planning, management, and oversight services. In addition, the College uses a custodian bank to safeguard the assets as well as assist in tracking the individual endowment funds that comprise the endowment pool.

Key Roles and Responsibilities

Board of Trustees

- Establishes the Investment Policy
- Appoints the Endowment Committee
- Appoints the Investment Advisor
- Reviews Investment Results

Endowment Committee

- Advises the Board of Trustees
- Conducts Investment Planning
- Oversees Policy Compliance
- Oversees the Investment Advisor
- Reviews Investment Results

Investment Advisor

- Advises the Endowment Committee
- Oversees Portfolio Implementation
- Actively Monitors Portfolio Risks
- Conducts Research
- Provides Performance Reports

WHAT ARE THE INVESTMENT OBJECTIVES, GOALS AND STRATEGY OF THE POOLED ENDOWMENT?

The principal investment objective is to provide sufficient returns to maintain the purchasing power of the endowment after spending, investment expenses, and inflation. Our investment goals are to maximize investment return while accepting an appropriate level of defined risks and taking into account the need for sufficient liquidity to meet the annual spending distribution.

To this end, the Board in consultation with the Endowment Committee established a strategic asset allocation, or a diversified basket of investment asset classes, to optimize return at an appropriate level of risk. Assets are allocated based on the intended role of each investment in the portfolio. Some asset classes serve as growth drivers, some serve to moderate equity volatility, and others mitigate macroeconomic risks associated with inflation and economic contraction. The policy asset allocation is reviewed periodically in light of evolving capital market and economic conditions.

Long-Term Policy Targets and Allowable Ranges

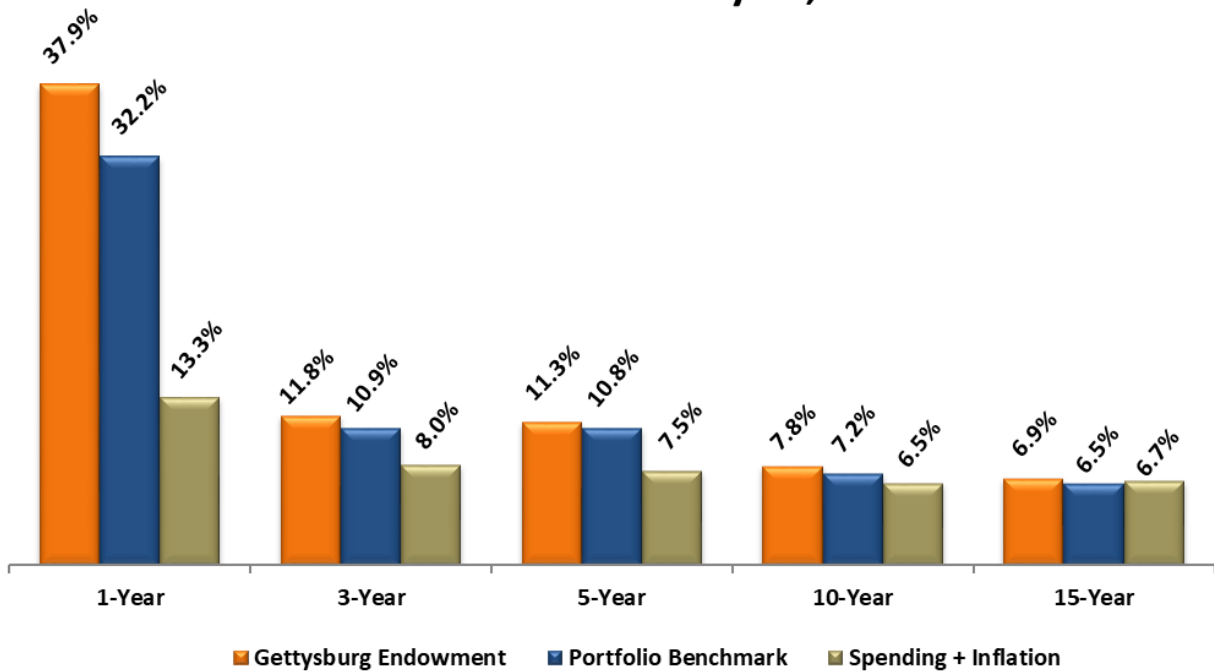
	<u>Target Allocation</u>	<u>Allowable Range</u>
Global Equities	60%	30% - 70%
Private Equity	10%	0% - 30%
Diversifiers	10%	5% - 35%
Real Assets	6%	5% - 20%
Fixed Income & Cash	14%	5% - 25%

HOW DOES THE COLLEGE MEASURE ENDOWMENT PERFORMANCE? HOW HAS IT PERFORMED?

Gettysburg measures performance relative to a policy benchmark and to the long-term investment objective of generating average annual rates of return that equal or exceed the annualized spending policy draw and inflation.

For the year ending May 31, 2021, the endowment returned 37.9%, net of fees, which exceeded the portfolio’s benchmark return of 32.2%. Over the longer-term periods, the endowment has generated an annualized rate of return, net of fees, which exceeded annualized distributions and inflation.

Performance as of May 31, 2021

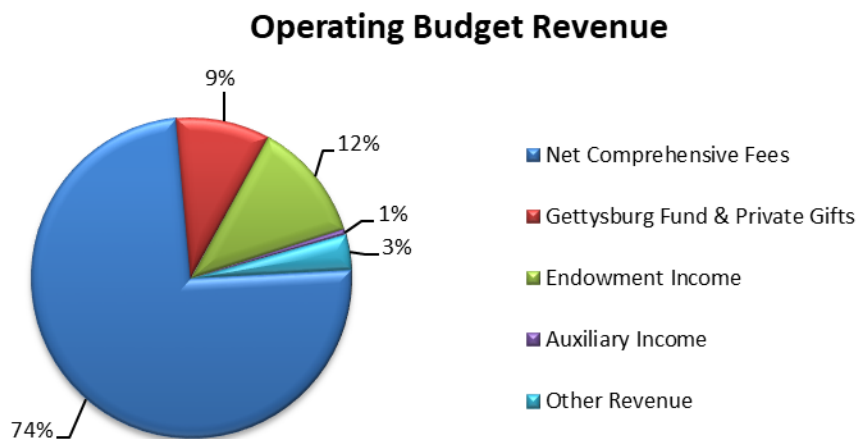


HOW DOES GETTYSBURG DETERMINE THE AMOUNT OF ENDOWMENT SPENDING DRAW?

The Board of Trustees approves the amount of endowment income appropriated to operations annually based on an endowment spending formula. The spending formula applies a targeted spending rate (presently 5%) to the average market value of the endowment over the previous 20-calendar quarters. The purpose of the targeted spending rate and smoothing formula is to balance the competing objectives of providing a meaningful and predictable level of funding to support the College's operations with the need to maintain the real purchasing power of the endowment.

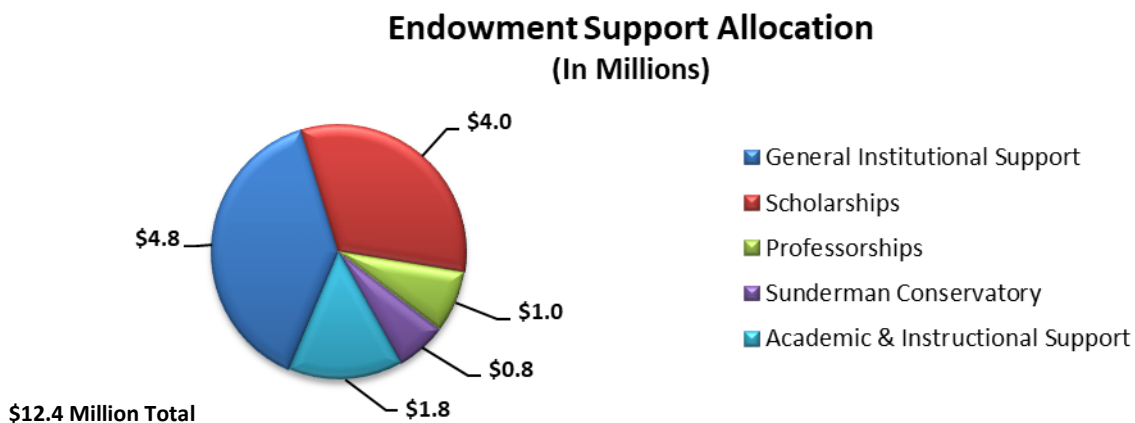
WHAT PERCENTAGE OF THE COLLEGE'S REVENUES IS DERIVED THROUGH THE ENDOWMENT?

The base distribution provided of \$12.4 million represents 12% of the College operating revenue of \$102.4 million.



WHAT ACTIVITIES DOES THE INCOME FROM THE ENDOWMENT SUPPORT?

Income from the endowment can be unrestricted to provide general support or restricted by the donor for a specific purpose. Unrestricted support provides the College with the greatest flexibility in meeting its current priorities and funds new initiatives. Restricted support is designated by the donor primarily in support of scholarships, professorships, academic and instructional support, and special programs including the Sunderman Conservatory of Music, Majestic Theater, and other programs of distinction at Gettysburg.



WHAT FACTORS DOES THE COLLEGE CONSIDER IN THE STEWARSHIP OF THE ENDOWMENT?

The College's investment policies were established in accordance with the Pennsylvania Uniform Trust Act, which prescribes standards that govern the conduct and duties of the Board of Trustees as fiduciary of the endowment. These standards of prudent investment require fiduciaries to consider various factors in making investment and management decisions, including:

- Size, nature and duration of the endowment
- Diversification and the role each investment or action has in the overall investment strategy
- Liquidity and distribution requirements
- The endowment's special relationship in advancing the mission of the organization, its beneficiaries (students), and its economic impact on the community in which it is located

WHAT IS RESPONSIBLE INVESTING? HOW DOES THE COLLEGE INVEST RESPONSIBLY?

An increasing number of the College's stakeholders – students, alumni, faculty, staff and supporters – are interested in understanding matters related to responsible investing, and how it influences the management of Gettysburg's endowment. The following is a broad overview of this area of endowment management, its historical context in the management of Gettysburg's endowment, and how we believe it will continue to evolve in the future.

Socially Responsible Investing is the use of one or more strategies to advance a particular social, environmental, moral or political effect. The strategies used by an investor include:

- Avoidance screens to prevent investment in an individual company or class of securities
- Qualitative screens to include or exclude an investment based on predetermined characteristics
- Proactive investments to advance an organization's program objectives
- Shareholder advocacy to leverage one's influence over a company as a security owner

Sustainable and Responsible Investing is the integration of environmental, social and corporate governance considerations (ESG) into the investment decision-making process. Investment firms and money managers apply these strategies across asset classes to promote stronger corporate social responsibility and to increase long-term value for their shareholders while yielding benefits to greater society and the environment.

Avoidance and Qualitative Screening

Historically, the College has not used investment screens to advance or support a particular social, environmental or moral issue because of the challenges it presents in meeting fiduciary standards of care over the endowment, the practical and structural limitations of managing an endowment of Gettysburg's size, and the inherent complexity and cost associated with administering such screens.

The donors that contribute to the endowment do so with the social objective of advancing the College's mission as a residential, undergraduate liberal arts college, and with the understanding that the funds will be prudently managed in perpetuity. Accordingly, the primary investment objective in managing the endowment is to maximize risk-adjusted returns, which in turn maximizes the level of support to advance the College's mission and maintains the real purchasing power of the endowment over time. While PA Trust law provides fiduciaries with clear direction on prudently managing the endowment, it currently does not prescribe standards or guidance on how a fiduciary shall incorporate environmental, social, or similar goals in making investment decisions.

The College's investment strategy centers on the use of a diversified pool of investments that are managed in public and private commingled vehicles. This strategy is used to enhance risk-adjusted returns, manage portfolio risks and minimize management costs. The use of commingled accounts places a significant constraint on the College's ability to filter out specific companies or sectors.

Proactive Investments

The College has made proactive investments to both advance its mission and positively contribute to society and the Gettysburg community, including investments in the Majestic Theater and the Gettysburg Hotel.

Majestic Theater Renovation Project

The Majestic Theater renovation was a partnership of the College, the Commonwealth of Pennsylvania, and the Greater Adams County community. The College purchased the building in 1992 as part of its long-term commitment to the revitalization of downtown Gettysburg. The Majestic renovation was the culmination of a three-year feasibility study that assessed the community's needs and involved more than 200 community members.



The construction project modernized the theater's backstage production facilities, brought life-safety systems up to code, and improved patron amenities. The total cost of the construction project was \$16.5 million. The College's contribution to the project exceeded \$6 million.

Gettysburg Hotel Rebuilding Project

The Gettysburg Hotel is both an asset of the College's endowment and an investment in the community of Gettysburg.

In 1983, the hotel was destroyed in a major fire. In 1988, and in response to an appeal from the Gettysburg community, the College invested in the rebuilding of the hotel. In 1991, it was reopened to the public and is currently operated as a wholly owned subsidiary of the College.

In March 2013, the College completed a \$4 million interior renovation of the 119-room hotel in order to improve the guest experience and reposition it as an independent, upscale boutique hotel. The public spaces and rooms were updated with a nod to Gettysburg College's ownership by utilizing the school colors and integrating historical images of the campus.



Shareholder Engagement (Proxy Voting & Shareholder Proposals)

In general, the responsibility for voting proxies and participating in shareholder proposals is delegated to the investment managers. Investment managers' guidelines generally require all proxies to be voted in the best interest of the College, as an investor, in a manner consistent with investment objectives, including proposals that enhance shareholder economic value, maintain or improve shareholder rights, and provide reasonable accountability for management.

The right to vote proxies or participate in shareholder proposals are limited to those equity holdings that are directly owned in separately managed accounts. The endowment is solely invested in comingled investment vehicles. As such, the College presently does not have the ability to respond directly to proxy votes or shareholder proposals.

Sustainable and Responsible Investing

Sustainable and responsible investing is an investment discipline that considers environmental, social and corporate governance criteria (ESG) with the belief these factors can generate competitive financial returns and have a positive societal impact. This area of investment management continues to evolve over time as money managers supplement traditional valuation techniques with qualitative factors such as a commitment to corporate citizenship or sustainable business practices.

The College encourages its managers to consider incorporating ESG factors into their investment decision-making processes and in overseeing portfolio companies. Approximately 80% of the College's active managers assess ESG factors in making investment decisions.

The following is a selection of the College's investment managers that incorporate responsible investment practices and/or directly invest companies that advance environmental sustainability:

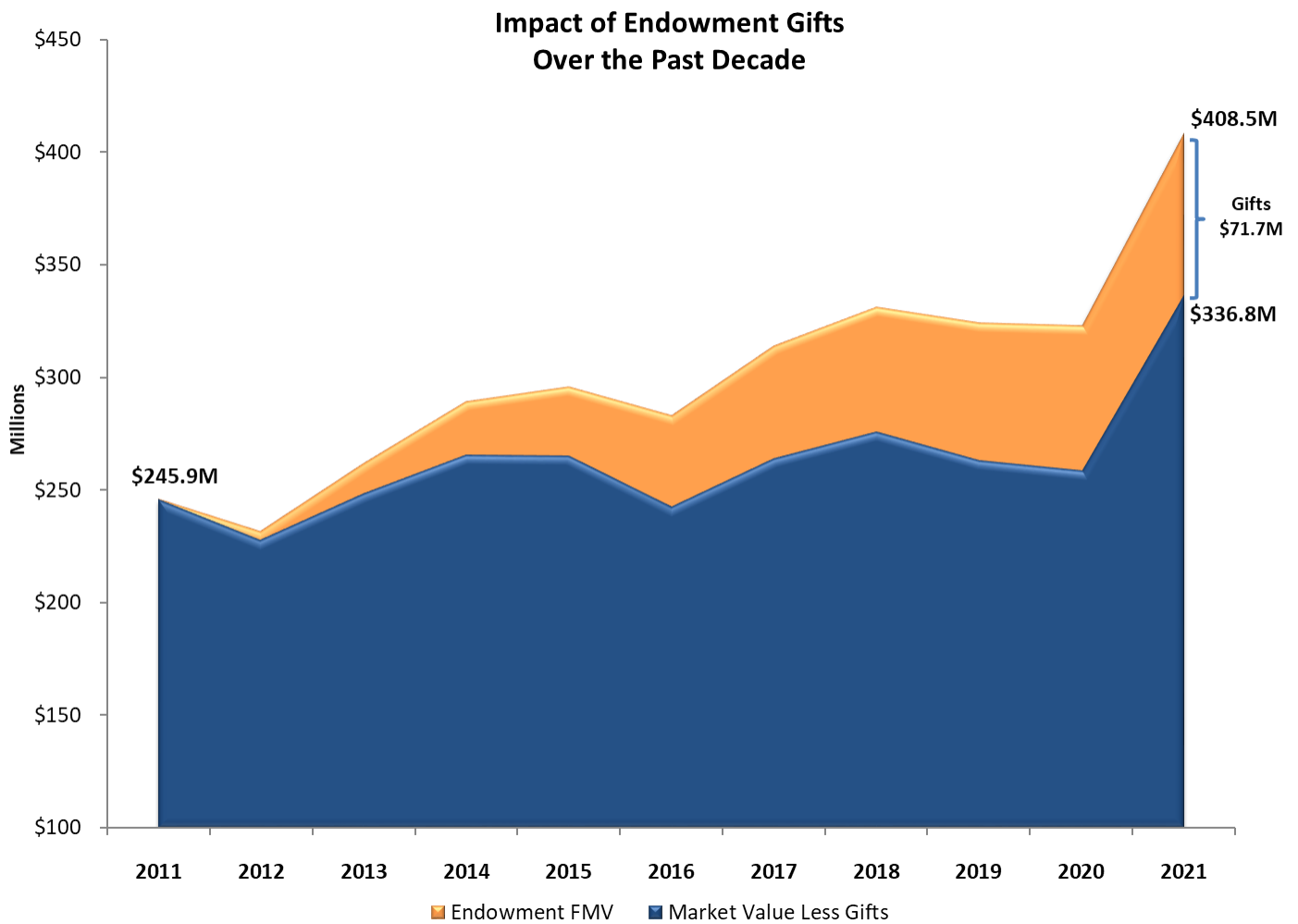
- GMO, LLC, a global equity and fixed income investment manager, manages the GMO Climate change fund, which invests in companies that are expected to benefit significantly in a world increasingly impacted by climate change. The fund invests in companies focused on climate change mitigation and adaptation. [GMO Climate Change Fund](#)
- Vision Ridge Partners is a private equity firm that invests in growth opportunities that increase the efficiency and sustainability of real assets across four sectors: energy, water & agriculture, transportation and land. The investment themes include renewable power and energy storage, water trading and storage, energy efficiency finance, anaerobic digesters, and electric vehicle charging infrastructure. [Vision Ridge Sustainable Asset Fund II & III](#)
- Encap Investments, L.P., a private equity and venture capital manager that serves the U.S. oil and gas industry, integrates guidelines for responsible investing and the UN Principles for Responsible Investment in executing its investment strategy and overseeing its portfolio companies. Employee actions are guided by the organization's ESG Policy, which emphasizes aligning employee interests with the guiding principles of responsible investment. [Encap ESG Management Practices](#)

The Endowment Committee also monitors how institutional investors and college endowments are incorporating responsible investing practices into the investment management process, and uses this information to make informed decisions on investment policy and strategy.

WHY GIVE TO THE GETTYSBURG ENDOWMENT?

Donors who establish an endowment fund create a legacy that will provide sustainable income to the College. An endowment fund reflects a donor’s vision of philanthropic support that aligns with the College’s long-term priorities, and provides a perpetual stream of income in support of scholarships, existing programs or new initiatives.

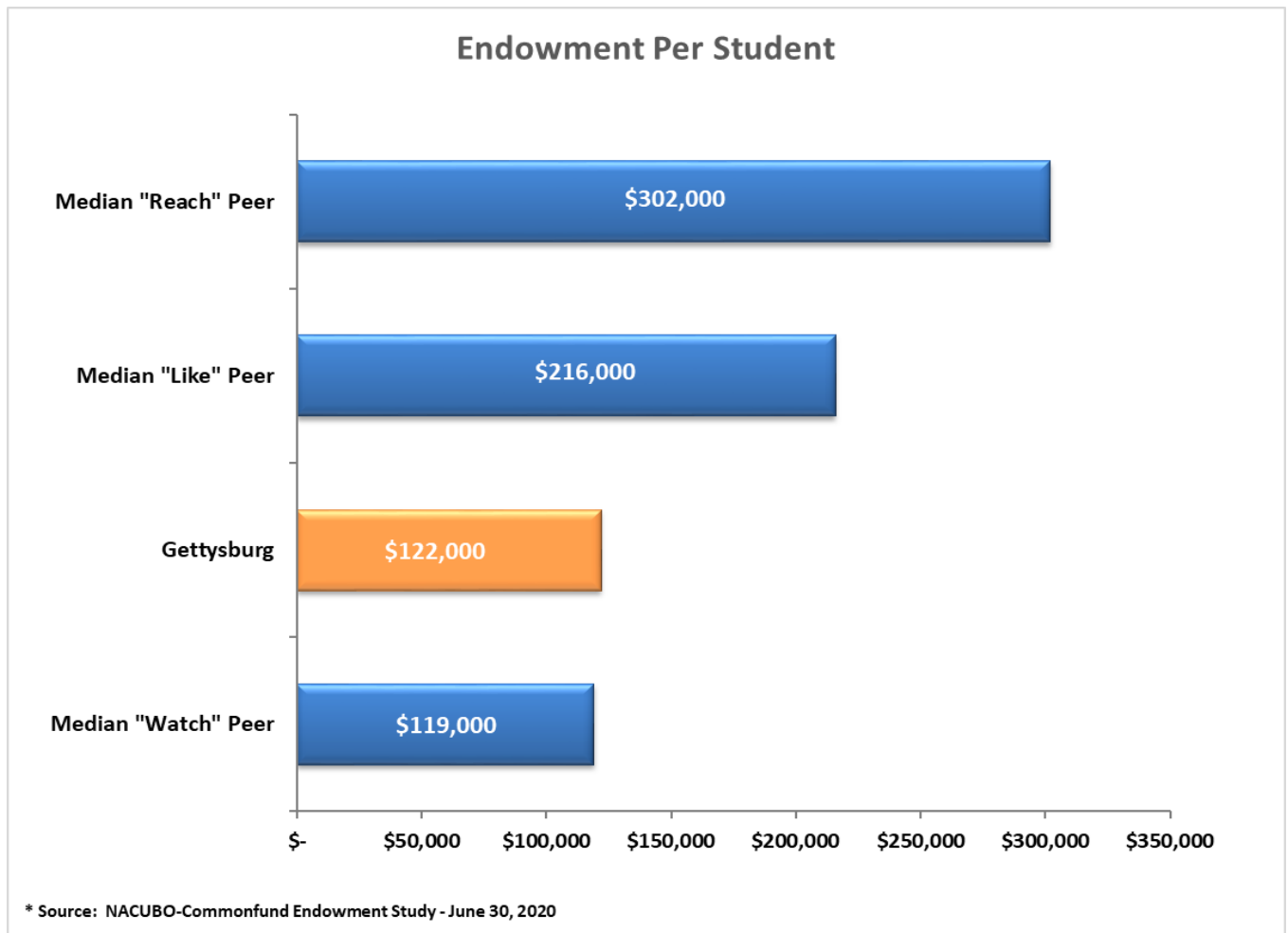
Over the past ten years, approximately \$71.7 million of contributions have been added into the endowment. These contributions will provide \$3.6 million of annual income in perpetuity.



Endowment per Student

Endowment giving serves the dual purpose of improving the College's financial and competitive position. On the basis of endowment per student, which is a metric used to measure comparative institutional strength and the extent to which the endowment underwrites the cost of a student's education, Gettysburg's endowment is small relative to its peer and aspirant institutions. A larger endowment will contribute to the College's financial viability and competitiveness to peers.

The following is an illustration of how Gettysburg's endowment per student stacks up to its competitive peer institutions:



Reach Peers – Bates, Bucknell, Colgate, Hamilton, Trinity, and Washington & Lee.

Like Peers – Connecticut, Denison, Dickinson, Franklin & Marshall, Lawrence, and Union.

Watch Peers – Allegheny, Hobart & William Smith, Juniata, Muhlenberg, Ursinus, and Washington.