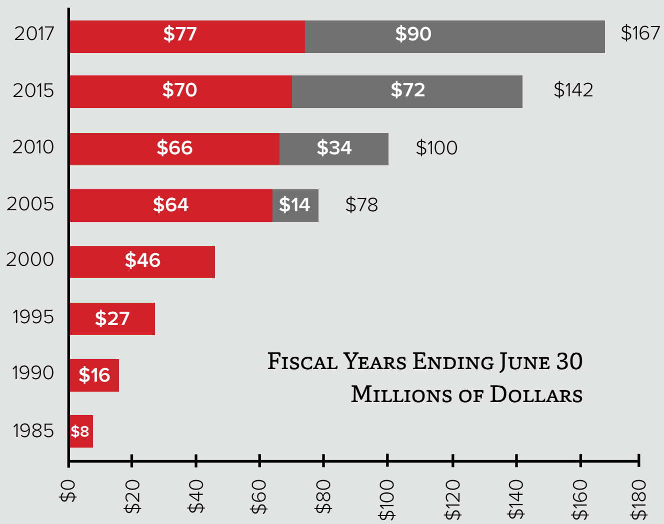
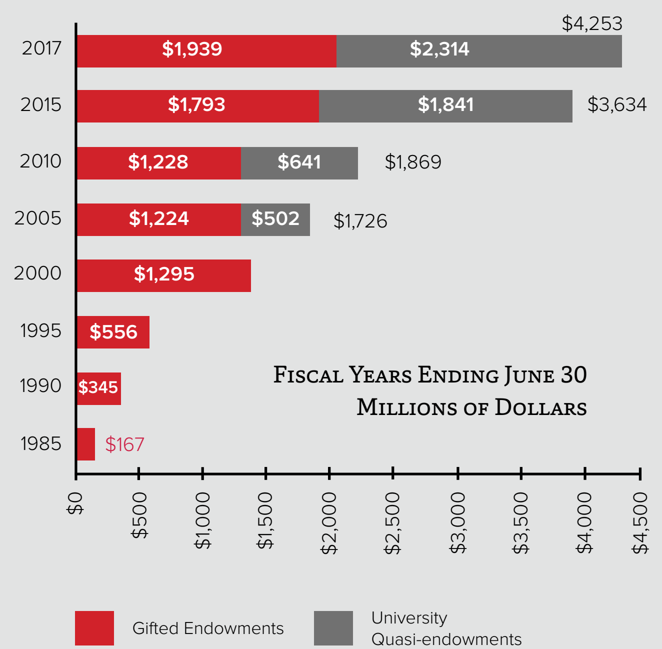
Historical Long-term Investment Pool Distribution



Historical Long-term Investment Pool Market Value



04/2017

For questions regarding expenditures from an individual named fund, or if you are interested in establishing an endowed fund, please contact:

University Foundation
Office of Donor Relations & Stewardship

1480 West Lane Avenue
Columbus, OH 43221
Call: (614) 292-2441
Toll Free: (800) 678-6412
giveto.osu.edu

For questions on how the Endowment Fund is invested, please contact:

Office of Investments

Gateway Building C, Suite 420
1590 North High Street
Columbus, OH 43201
Call: (614) 292-7887
investments.osu.edu

For details about your individual endowment fund or for the latest information on available funds, please contact:

Office of the Controller
Endowment, Fund Accounting & Reporting

2034 Blankenship Hall
901 Woody Hayes Drive
Columbus, OH 43210
Call: (614) 688-3652
go.osu.edu/EndowAdmin

(Click on Endowment Descriptions and Balances link)

The Ohio State University

Endowed Funds
Management, Accounting & Reporting

Office of Investments
Office of the Controller
The Ohio State University

What is the Endowment?

The Ohio State University requires substantial, consistent and permanent funding to support our mission as a national flagship research university with a major academic medical center. Endowment funds help to meet that need by providing ongoing, stable support for priorities including access, affordability and excellence.

An important objective that guides the investment of the University Endowment Fund is to preserve and maintain the real purchasing power of the fund's principal.

Gifts are invested in perpetuity, and distributions from the invested contributions are used to fund important programs and activities. A portion of the distribution may be reinvested in the fund at the request of the donor or department to further enhance the fund's buying power over time. All endowed fund gifts at Ohio State are pooled together with other long-term university assets to form the Long-Term Investment Pool. This pool includes diversified U.S. and International investments in these asset classes:

- Equities
- Fixed Income
- Real Estate / Natural Resources
- Private Equity
- Absolute Return / Hedge Funds

Who Manages the Endowment?

The Office of Investments, under the oversight of the Finance Committee of the Board of Trustees, is responsible for managing the Endowment. The university strives to earn the highest possible return from interest, dividends, realized gains and market value increases while maintaining an appropriate level of risk. To do this, the services of external investment managers are utilized. The Office of Investments closely monitors the performance of the endowment portfolio and re-allocates the portfolio as needed.

How is a Fund Established?

New named funds are established by the Board of Trustees upon receipt of a gift of $25,000 or more for an unrestricted endowed fund and $50,000 for a restricted endowed fund. Endowment descriptions are approved by the donor, the university department that is proposed to administer the fund and the Board of Trustees.

The Endowment operates similar to a mutual fund. Each named fund owns a number of shares in the University Endowment Fund based on the value of gifts to that fund. Representing a uniform portion of the fund, the number of shares owned is used to calculate the distribution to each named fund.

Determining the Value of a Share

The value of a share is determined by dividing the total current market value of the assets in the University Endowment Fund by the number of shares outstanding. Example: If the Fund was worth $4,200,000,000 on a given date and there were 700,000 total shares, each share would be worth $6,000. Note: This value is determined monthly by the Office of the Controller and will increase or decrease in direct relation to investment performance and expenses. New shares are issued monthly when gifts to new or existing endowed funds are received from University Foundation. Example: If a donor gave $60,000 to start a new named fund, the Fund would own ten shares ($60,000/$6,000), and the total number of shares would increase to 700,010.

Named Fund Administration

The endowment description, authorized by the University Board of Trustees when the fund is established, states each named fund's purpose. Each fund is administered by the college or university department designated by the donor(s) and the Board of Trustees. It is the college dean's or the department chair's responsibility to make expenditures from the fund under directions set forth in the endowment description.

If distributions are not used in a given fiscal year, the college or department may carry the balance forward to the next fiscal year for purposes specified in the endowment description; or the unused distribution may be reinvested to principal, thereby securing additional shares. To obtain additional shares, some endowment descriptions automatically require unused distribution or a portion of annual distribution to be returned to principal.

Distribution

It is the university's policy to make an annual distribution, at the beginning of each fiscal year (in advance), to each fund. Annual distribution equals 4.50% of the seven-year average of the pool's monthly market value per share. Example: If over the last seven years, The University Endowment averaged a monthly market value per share of $5,555, the spendable distribution for the upcoming year would equal $250 per share ($5,555 x 4.50%). A fund with ten shares would thus receive $2,500 ($250 x 10 shares) in distribution.

Built-In Growth

If annual Endowment earnings exceed annual distribution, the excess is retained in the Endowment pool. This increases the Fund's market value, increasing the base that the distribution is calculated on which, in turn, enhances future distributions for each individual Endowment fund and helps compensate for inflation. Therefore, an individual Endowment fund's principal and number of shares do not increase, but the market value will increase with excess returns. While there is no guarantee this method will keep the Fund ahead of inflation, the strategy is intended to help preserve the purchasing power of the Endowment and, thereby, ensures that the purposes for which any named fund was established are carried out indefinitely.