**MSU ENDOWMENT GROWTH**

The MSU Endowment crossed the $2 billion threshold in the 2013/14 fiscal year, prompting the university’s administration to begin a process of reevaluating how the endowment is managed and what resources need to be in place going forward. In the past, the university had relied heavily on external investment consultants, but with over $2 billion in assets the endowment now has the resources to take more of the management in-house as many of our peers have done. An in-house management team can focus solely on the university’s needs, and can identify and invest in differentiated investment opportunities that aren’t as easily obtained from the consulting model.

**ENDOWMENT MANAGEMENT**

On January 1, the MSU Investment Office was created with my appointment as the inaugural chief investment officer. I am honored to be selected by the president and trustees to return to my alma mater and work towards something I care about deeply: investing in MSU’s future. In September, we added two investment professionals, Allen Huang from the Indiana Public Retirement System and Julia Lee from the South Carolina Retirement System Investment Commission, as directors of investments. They join the rest of our team led by Nancy Carter who has managed the operations of the endowment for over a decade.

**OUR NEW APPROACH**

For a long time, the university has had a large allocation to private equity and hedge funds, nearing 50% of the assets, which has paid off over the long run by reducing volatility and boosting returns. The last few years have seen cracks open in the alternative investment universe as returns have trended down while fees remained high, wiping out market inefficiencies that many funds were able to exploit in the past. MSU was not immune to these problems and 2.3% of the 4.3% loss came from the hedge fund portfolio. The investment office is re-underwriting all of these investments, focusing on diversifying styles and paying close attention to fees.

Given the unprecedented monetary easing by central banks around the world, equity and bond valuations near record highs, and increased political uncertainty globally, this is a challenging time for anyone investing and everyone who relies on investment income. This is a challenge the new MSU Investment Office is ready to embrace, never forgetting we are managing your legacy for future generations of Spartans.

As an alumnus and myself a donor to MSU’s endowment, my new responsibilities have a personal element. I and my office are always available to the MSU community to discuss our investment objectives, philosophy, and approach to managing this great legacy.

Go Green!

*Philip Zecher, Ph.D.*
Chief Investment Officer
Michigan State University