

MSU ENDOWMENT GROWTH

The fiscal year ending June 30, 2017 was a strong year for global markets and for MSU. The MSU Endowment was valued at \$2.7 billion after returning 16.2 percent while global equity markets reached new highs. Over the same period, the common benchmark for long-term investors, a 70/30 blend of global stocks and bonds, returned 12.8 percent. As a result of this strong performance and your generosity, the endowment was able to fund nearly \$130 million in program support this past year.

OUR APPROACH

Our performance was mainly driven by returns on active global equity, which had underperformed the equity indices for the last few years. Our hedge fund portfolio also had a strong performance, both in absolute terms, as well as risk-adjusted terms. The results were, in part, due to focused attention over the last year as we worked to diversify the strategies and to reduce fees. The only detractor for the year was our small allocation to real assets.

While we cheer the market's strong performance, it must be said that it was not the year many were expecting. We continue to observe slower than expected global growth, modest improvements in productivity, and the Fed's gradual tightening of monetary policy—all things that should dampen expectations. Despite these concerns, anticipations of corporate tax reform and infrastructure spending by the new administration buoyed markets. Since the election, the S&P 500 alone was up 13 percent by fiscal year end.

FUTURE OUTLOOK

However, market enthusiasm has dampened as it appears the presidential agenda has stalled. That combined with the record high valuations for both stocks and bonds, cause our long-term expectations for endowments to remain low. Undoubtedly, this is a challenging time to invest, but not one without opportunities. We work hard to identify those opportunities, to focus on lowering the fees, and to consider market forces that may change the playing field.

The Staff of the Investment Office is honored to be stewards of your legacy to MSU. We are always available to discuss our investment objectives, philosophy, and approach to managing this important asset for future generations of Spartans.

Go Green!



Philip Zecher, Ph.D.
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