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The Northern Kentucky University Foundation, Inc. endowment pool is currently made up of approximately 263 individual funds. The individual funds work together as a single entity to maximize returns and encourage growth. A unitized method of calculation is used to determine the market value of each fund within the endowment pool.

**NKU FOUNDATION, INC.
 ENDOWMENT VALUE**

As of June 30, 2014, the Endowment pool supporting Northern Kentucky University was valued at \$94.9 million.

MARKET VALUE

Market value is the value of the endowed scholarship, or programmatic fund, established with your gift. The market value is based on the fair market value of all assets as of June 30, 2014. It includes realized and unrealized capital appreciation and is net of spending that has taken place to support the scholarship or program.

PROGRAM SUPPORT

The individual funds within the endowment pool support students, faculty, and programs,

as designated by the donors. These funds provide scholarships, fellowships and professorships, and assist with building operations, research activities, and general operations. All areas of support are intended to enhance the University and provide ongoing support to current and future generations.

INVESTMENT RETURNS

The long-term goals of the Foundation endowment pool (as outlined in our Investment Policy Statement) focus on investing to achieve consistent growth while managing annual spending, inflation and administrative fees. Historically, the Foundation has been able to achieve earnings while meeting individual donor's wishes to fund scholarships, programs, professorships, and other awards.

INVESTMENT PERFORMANCE AS OF JUNE 30, 2014

Fiscal Year Returns

	QTR	CYTD	1 YR	3 YR	5 YR	10 YR	SINCE MAR '92
TOTAL FUND	3.3 %	5.4 %	17.5 %	9.9 %	13.0 %	7.7 %	8.3 %
Custom Benchmark*	3.1 %	4.2 %	15.7 %	9.3 %	11.9 %	6.5 %	8.4 %
	2014	2013	2012	2011	2010	2009	2008
TOTAL FUND	17.5 %	13.6 %	-0.9 %	21.4 %	13.7 %	-15.2 %	-7.0 %
Custom Benchmark*	15.7 %	9.8 %	-1.4 %	20.1 %	10.2 %	-19.5 %	-6.7 %

* Custom Benchmark is currently composed of: 30% S&P 500 Index, 4.0% Russell 2000 Index, 9.0% MSCI EAFE Index, 3.0% MSCI Small Cap EAFE Index, 8.0% MSCI Emerging Markets Index, 14.0% Barclays U.S. Aggregate Bond Index, 13.0% HFRI Fund of Funds Index, and 19.0% Prequin All Private Equity Index.

CURRENT ASSET ALLOCATION

The composition of the pooled endowment by major investment categories is determined by the Board of Directors. The NKU Foundation endowment pool is invested for a total return with an emphasis on equity investments for growth of the fund over time.

The target for the asset allocation to improve yield and diversification, and reduce risk is 48% global equity, 20% global fixed, 17% real assets and 15% diversifying strategies, which includes absolute return and niche strategies.

SPENDING POLICY/ENDOWMENT PAYOUT

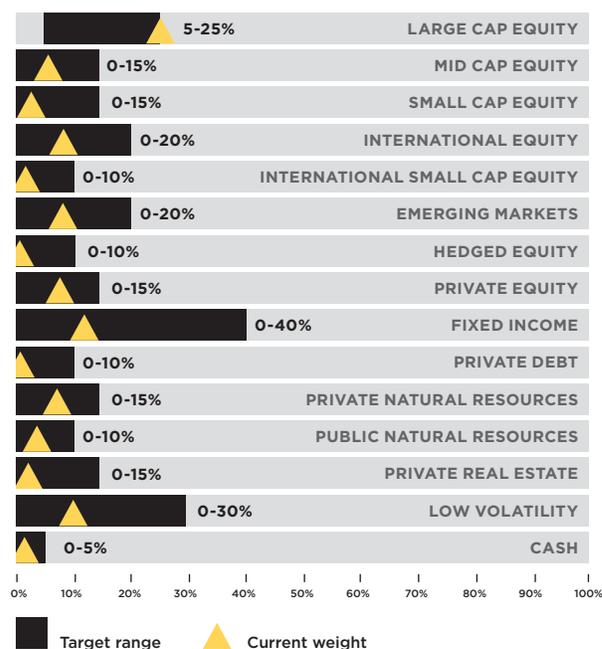
To lessen the impact of short-term market volatility on the endowment pool, the spending rate is based on a 16-quarter moving average of the market value as of June 30 of the previous year. The approved distribution rate is based upon a total return approach, which utilizes both income and capital appreciation. The approved distribution percentage (approved by the Board of Directors) available for spending for the fiscal year ending June 30, 2014 was a combined total of 4.10%, including a .60% administrative fee.

OVERSIGHT

The Executive Committee carries out the business of the Foundation and has the authority to act on all matters affecting the Foundation other than regular or special meetings of the Foundation Board. The Executive Committee is responsible for adopting policies recommended to it by the Investment Committee, including the Investment Policy Statement.

The Investment Committee monitors and evaluates the investments of Foundation assets

COMPOSITION OF POOLED ENDOWMENT



(exclusive of cash and real properties) and recommends investment policies to the full Board through the Executive Committee. In addition, an Investment Leadership Subcommittee has been authorized to act on behalf of the full Investment Committee, when necessary, on matters regarding manager selection and rebalancing of the Foundation's traditional liquid (stocks and bonds) assets in the endowment portfolio.

The Endowment Investment Consultant* is responsible for assisting the Investment Committee and Executive Director in all aspects of managing and overseeing the Foundation investment portfolio.

EXECUTIVE COMMITTEE

(as of June 30, 2014)

J. David Bender, *President*
 William C. Vermillion, *Vice President*
 Barry G. Kienzle, *Treasurer*
 Kara Williams, *Secretary*
 Richard A. Boehne
 Eric C. Gentry
 Jason O. Jackman
 Geoffrey S. Mearns
 Nathan Smith
 Karen Zerhusen Kruer, *ex-officio*

INVESTMENT COMMITTEE

(as of June 30, 2014)

Jason O. Jackman, *Chair*
 John Carnes
 Paul W. Chellgren
 Eric C. Gentry
 Jakki L. Haussler
 Barbara M. Johnson
 James R. Poston, Jr.
 Kevin M. Sheehan
 William C. Vermillion
 John Winkler

*FUND EVALUATION GROUP, LLC

- Investment advisory services for institutions and financial advisors
- Over 25 years of professional investment experience
- Over \$50 billion in institutional assets as of 6/30/14
- Headquartered in Cincinnati, OH
- Over 100 employees
- Employee owned

For many of Northern Kentucky University's donors, establishing an endowment has been an opportunity to have a lasting impact on Northern Kentucky University, its students and faculty. Managed by the NKU Foundation, Inc., these endowments – including private gifts of cash, stock, property and other assets – generate wealth to improve NKU's programs and facilities and to support NKU's students, professors and research.

For NKU students like Austin Thomas Richardson, these endowed funds are a lifeline during periods of uncertainty. Austin pursued accounting because he knew it would give him more marketable skills. He has a detailed plan for his life – work as an accountant, perform mission work and eventually open his own business.

However, his plans were nearly derailed the summer before his senior year. Austin served as a missionary throughout the summer and was unable to save as much for his school expenses as he had in the past. The Haile/US Bank College of Business Scholarship provided the financial relief he needed.

As a result, Austin was able to get more involved at NKU his senior year. He moved onto campus, took a leadership position in a campus organization and began tutoring students in the Learning Center. Austin also received a scholarship to study abroad, allowing him to take a two-week course in London over his winter break.

"It was a huge blessing to not have to worry about the financial aspect of school," Austin said. "The Haile/US Bank College of Business Scholarship has helped tremendously. It has made my senior year so much more than I expected."

The Carol Ann and Ralph V. Haile, Jr./U.S. Bank Foundation made a \$15 million gift in 2008 to help students like Austin, said Tim Maloney, president and chief executive officer of the Haile/U.S. Bank Foundation. The investment strengthened and expanded many programs in the College of Business, added four endowed faculty positions and



AFTER GRADUATION, **AUSTIN THOMAS RICHARDSON** WANTS TO START HIS OWN BUSINESS FOCUSED ON SERVING THE COMMUNITY.

established a scholarship fund, which supports more than 40 students annually.

"Our first bold gift was to celebrate Ralph's work and legacy in the region," Maloney said. "He helped the little guy from the banker's perspective and was instrumental in developing the Northern Kentucky

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17.5%

TOTAL ENDOWMENT RETURN
FOR YEAR ENDING JUNE 30, 2014

2X

ENDOWMENT GROWTH
OVER LAST SEVEN YEARS

263

INDIVIDUAL FUNDS
MAKE UP THE NKU FOUNDATION ENDOWMENT

**NKU ENDOWMENTS
PROVIDE FUNDING FOR:**

- INSTRUCTION
- RESEARCH
- PUBLIC SERVICE
- ACADEMIC SUPPORT
- INSTITUTIONAL SUPPORT
- UNIVERSITY FACILITIES AND EQUIPMENT
- STUDENT FINANCIAL AID

riverfront. He left his mark in Northern Kentucky and brought his business acumen to his clientele. We wanted to build upon that foundation to provide opportunities for others to grow in that realm.”

The Haile/U.S. Bank Foundation also was investing in the future of the region. A thriving College of Business allows NKU to better serve the community and to prepare talented, skilled

employees for the workforce and the global marketplace.

“We are proud to have been a part of the Haile/US Bank Scholars’ success,” Maloney said. “It is rewarding to watch these students thrive and prosper, and we hope they will be generous in their communities as they become successful.”

RECRUITING OUTSTANDING FACULTY

Donor support also allows NKU to hire outstanding faculty who encourage, challenge and mentor our students. These innovative professors and researchers think beyond the traditional classroom, showing students how different academic disciplines intersect. By mentoring students on projects in the lab or in the community, these professors deepen students’ understanding of academic concepts.

The John J. and Mary R. Schiff Foundation created the Schiff Endowed Professorship in Art in 2000 to attract an accomplished artist and educator who would mentor and train students, help the Department of Visual Arts expand its offerings and visibility and make NKU a “vibrant center for art in the area.”

Brad McCombs serves as the Schiff Professor of Art and new media coordinator in the Department of Visual Arts. He teaches a variety of courses, including robotic art, where he collaborates with

the computer science department. All of the students learn the electronic and mechanical components, but the computer science students code the robots and the art students design the robots.

The position gives McCombs greater freedom to develop transdisciplinary projects which incorporate art, technology and ecology and have a greater impact on the region.

Donors like the Haile/U.S. Bank Foundation and the John J. and Mary R. Schiff Foundation embody NKU’s mission. The university strives to equip all students with the knowledge and skills to have fulfilling careers and meaningful lives while positively contributing to their communities. Endowed gifts and careful stewardship of those funds enable NKU to achieve that objective and to provide scholarship and academic support for NKU in perpetuity.

SUPPORTING HIS ALMA MATER

Since graduating in 1973 with a degree in accounting, Barry Kienzle has served in various volunteer capacities at NKU, and is currently the Treasurer of the NKU Foundation. He also has financially supported various aspects of campus, including the Haile/US Bank College of Business, the NKU Annual Fund for Excellence and W. Frank Steely Library.

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**\$1.3
MILLION**
PAID FOR STUDENT FINANCIAL AID
AS OF JUNE 30, 2014

615
SCHOLARSHIPS AWARDED
FROM FOUNDATION ACCOUNTS
FOR THE YEAR ENDING JUNE 30, 2014



BRAD MCCOMBS
SCHIFF PROFESSOR OF ART



"I believe in giving back," Kienzle said. "To me, the biggest compliment to a university is when an alumnus returns many of the skills he acquired when he was educated there."

The Foundation strives to be a good steward of the investments that alumni, friends and supporters make in the institution, Kienzle said. He encouraged corporations and alumni to invest in NKU to ensure they will have a well educated workforce and to repay the generosity of the donors who made it possible for them to attend NKU.

GUIDING THE ENDOWMENT'S GROWTH

The NKU Foundation endowment has outperformed many other university endowments in its class due to shrewd investment by the all-volunteer Investment Committee and careful management of the endowment by the NKU Foundation Board.

Jason Jackman, chair of the Investment Committee and member of the Executive Committee, attributed the endowment's success to strong governance from the committee. Members are knowledgeable about the investment landscape, and many have served on the committee for many years.

As a result, the committee is dedicated to a long-term approach, which requires patience, diligence and thorough understanding of each investment's role in the overall portfolio. To ensure optimal risk-adjusted returns, the committee assigns each investment a role in the portfolio and assesses its



BARRY KIENZLE
TREASURER, NKU
FOUNDATION

JASON JACKMAN
CHAIR, INVESTMENT
COMMITTEE

potential risk. The committee aims to diversify risk within the portfolio and monitors each investment to ensure it is fulfilling its assigned role.

In addition to an appropriate mix of assets, the portfolio also includes high-performing managers, which have helped the endowment's assets to grow.

"While we appreciate being recognized as a strong performer, we also understand that humility is required to have success in the challenging world of investing," Jackman said. "Thus, we will always remain focused on striving to best structure the portfolio for long-term future success."

**\$94.9
MILLION**

NKU FOUNDATION'S ENDOWMENT

AS OF JUNE 30, 2014

\$108.632.000

IN TOTAL ASSETS

AS OF JUNE 30, 2014

INVESTMENT COMMITTEE'S FACTORS FOR SUCCESS

- STRONG GOVERNANCE
- ADHERENCE TO A WELL-DIVERSIFIED PORTFOLIO
- RELATIVE OUT-PERFORMANCE OF THE MANAGERS IN THE PORTFOLIO