

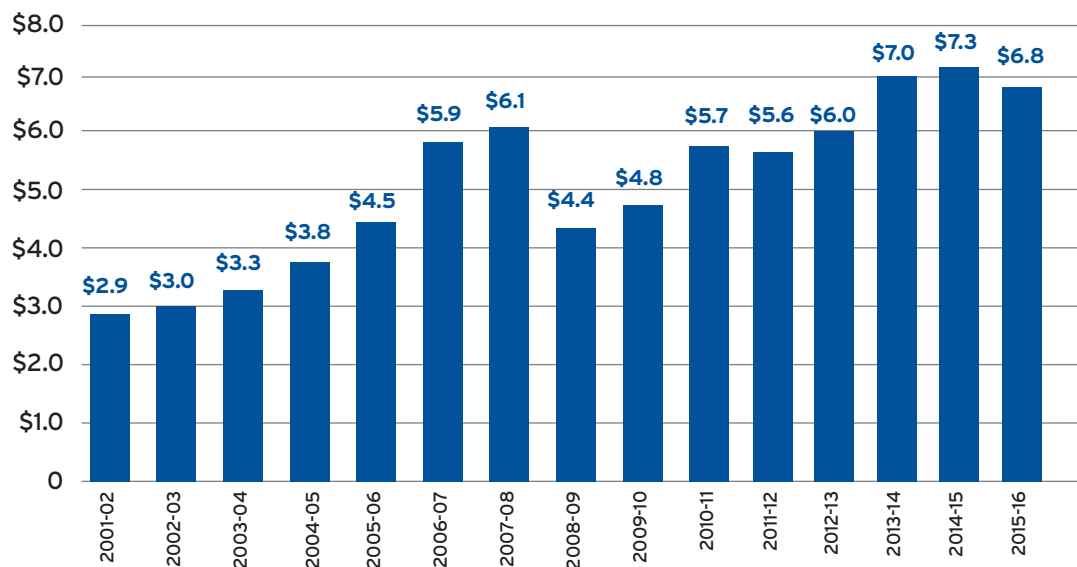
Duke University's Endowment

2015-16 SNAPSHOT

The mission of Duke University's endowment is to support the people, programs, and activities of the university in perpetuity. Over the years, growth of the endowment through investment return and charitable giving has enabled the university to provide scholarships and fellowships to students, build faculty excellence, launch new programs and research efforts, and support a wide range of important needs.

As of June 30, 2016, the university's endowment was comprised of more than 4,800 individual funds totaling approximately \$6.8 billion.

VALUE OF DUKE UNIVERSITY'S ENDOWMENT (IN BILLIONS)



MANAGEMENT

Duke's endowment assets are managed collectively. Much the way individual investors pool their assets in a mutual fund, each of the individual funds comprising the university's endowment owns units in Duke's Long Term Pool.

The Long Term Pool is managed by DUMAC Inc., a professionally staffed investment organization controlled by Duke University. DUMAC is governed by a ten-member board of directors and invests endowment assets principally through investment advisory firms and partnerships.

In addition to managing the university's endowment, DUMAC manages the Duke employees' retirement pool and Duke University Health System's investments, and invests much of the university's working capital. DUMAC also manages the assets of The Duke Endowment, the private charitable trust established by Duke University's founder, James B. Duke.

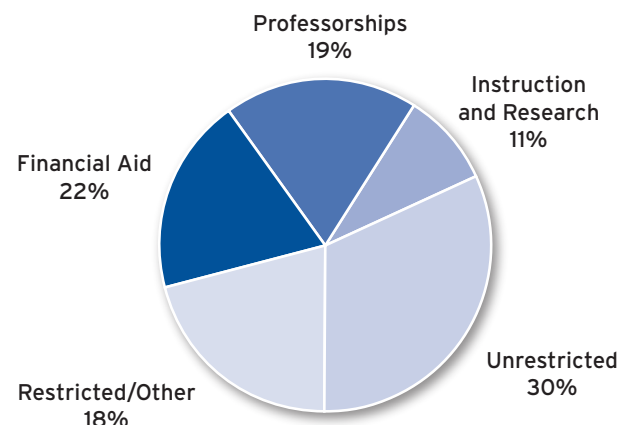
SPENDING

The university employs spending and investment policies designed to provide a stable flow of support for the university's annual operations while preserving the future purchasing power of the endowment.

The spending rate policy is approved by the Board of Trustees. Under this policy, the rate is 5.5% of the average value of Long Term Pool units over the three previous calendar year-ends. A 5.75% rate is used for funds that support financial aid. These rates are subject to a 10% maximum annual growth to help smooth the effect of market fluctuations.

As of June 30, 2016, about 22% of the endowment was designated for support of financial aid, and 19% was designated for support of specific faculty positions. Nearly one-third of the endowment was designated for unrestricted support of the university or one of its schools or budget centers.

DESIGNATIONS OF ENDOWED FUNDS

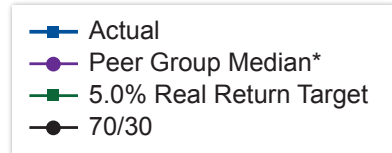
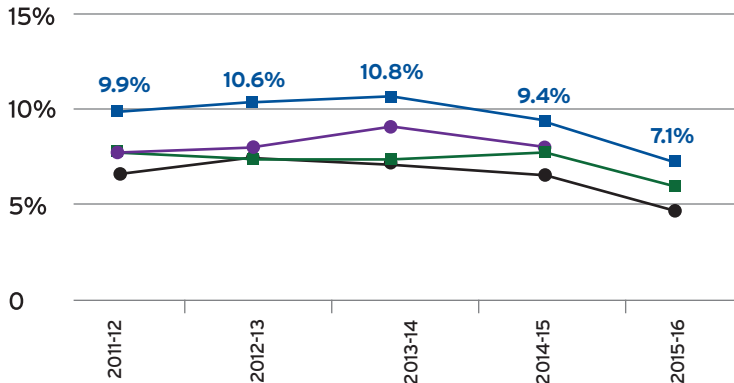


PERFORMANCE

DUMAC managers seek to achieve an annualized real rate of return of at least 5.0% net of fees to fund the university's spending and to allow for growth of the endowment after considering the effects of inflation. This benchmark is applied over the long term due to the volatility implicit in short-term periods. (See "Target" in the chart below.)

Another long-term benchmark is the composite of 70% MSCI All Country World Index and 30% Barclays Capital Aggregate Index (70/30). The MSCI All Country World Index represents the broad global equity market while the Barclays Capital Aggregate Index represents the domestic bond market. This mix between equity and bonds was chosen because, historically, a 70% exposure to equity investments has achieved the university's 5.0% real annual return objective over the long term.

TEN-YEAR ANNUALIZED RETURNS



For the year ending June 30, 2016, the LTP achieved a one-year return of -2.6%. During that time frame, the MSCI All Country World Index returned -3.7% and the Barclays Capital Aggregate Index earned 6.0%.

*The Cambridge Associates Universe is a group of peer colleges and universities with endowment funds that are similar to Duke's, often managed by professional internal staff. The average annualized rate of return for the ten-year period ending June 30, 2016, will be posted online when it becomes available.

ONE-YEAR RETURNS

| | |
|---------|-------|
| 2011-12 | 1.0% |
| 2012-13 | 13.5% |
| 2013-14 | 20.1% |
| 2014-15 | 4.4% |
| 2015-16 | -2.6% |

RISK MANAGEMENT

Diversification across investment exposures is central to generating strong investment returns while moderating portfolio risk and volatility. DUMAC uses a framework that emphasizes the fundamental drivers of return to manage investment exposures. Each exposure plays an individual role but all work in concert to achieve overall portfolio objectives.

DUMAC manages the risk within the portfolio, controlling excessive volatility through diversification among exposures as well as the asset and sub-asset classes through which those exposures are obtained.

Listed to the right are the long-term targets for each exposure in DUMAC's framework.

LONG-TERM TARGETS FOR DRIVERS OF RETURN

- 49% Equity** (public and private investments in companies)
- 13% Commodity** (direct commodity exposure, commodity-related equities, and private investments in energy, power, infrastructure, and timber)
- 11% Real Estate** (private real estate and real estate investment trusts)
- 13% Credit** (corporate bonds, bank debt, asset-backed securities, etc.)
- 5% Rates** (public obligations, including treasuries and agencies)
- 9% Other** (U.S. Treasury Inflation-Protected Securities and non-U.S. inflation-linked bonds)

To learn more about the university's endowment and DUMAC Inc., visit dukeforward.duke.edu/endowment.