

# ENDOWMENT REPORT 2017







"The impact of an educator, and  
a philanthropist who supports  
education, extends to eternity."

DR. WALLACE D. LOH  
President, University of Maryland





# Message from the Vice President



On behalf of the University of Maryland College Park Foundation, I am pleased to share our 2017 Endowment Report and thank you for your continued support of the University of Maryland.

As the state’s flagship university and land-grant institution, we are compelled by our mission to serve the state and nation and to confront the most pressing challenges of our time. In service of this mission, our endowment provides a permanent source of income to enhance our academic and research programs, to ensure deserving students have access to an affordable education and to strengthen our status as a world-class institution.

The pages ahead feature our endowment’s impressive performance in Fiscal Year 2017 as well as stories of donors whose endowed funds have transformed our university for the better. While the impact of their philanthropy is broad in its reach to various units across campus, the depth of their generosity empowers our students and faculty to pursue Fearless Ideas.

We are grateful to have you as a member of the Maryland family; your philanthropy propels the University of Maryland to new heights in serving future generations of our global community.

Thank you for being instrumental to our past, our present and our fearless future.

Sincerely,

Jacqueline Lewis  
Vice President, University Relations  
President, University of Maryland College Park Foundation



# Investment Overview

## Managing Your Investment

The USM Foundation manages endowment funds and operating funds for institutions and foundations affiliated with the USM, as well as six Maryland community college foundations. These funds support scholarships, research, faculty, academic programs and various special initiatives.

With endowed funds, the objective is to generate returns to meet spending requirements while preserving the purchasing power of the endowment over time. With operating funds, which are fully expendable and can be spent at any time, the investment objective is to maintain a high level of liquidity with a low risk profile. The key difference is that endowment funds are meant to exist in perpetuity, while operating funds can be fully expended.

## Investment Committee

The Investment Committee, made up of volunteers from a wide range of financial and investment backgrounds, oversees endowment and operating portfolios. Committee members meet three times a year but frequently communicate with the staff and each other between meetings. The committee's primary role is to establish investment objectives and set asset allocations.

### INVESTMENT COMMITTEE

David C. Saunders, Chair  
CEO and Founder, K2 Advisors, LLC

Joseph R. Hardiman, Vice Chair  
Private Investor

Larry D. Boggs  
Managing Director—Investment Officer,  
Wells Fargo Advisors, LLC

Charles W. Cole, Jr.  
Retired Chairman and CEO of Maryland Bancorp,  
Vice Chairman of Brown Advisory,  
Chairman and CEO of Legg Mason Trust

V. Raymond Ferrara  
Chairman and CEO,  
ProVise Management Group, LLC

Eric S. Francis  
Chairman and CEO, The CBMC Group

Joseph B. Gildenhorn  
Founding Partner, The JBG Companies

Viju Joseph  
Chief Risk Officer, Weiss Multi-strategy Advisers

Kyle Prechtl Legg  
Retired CEO, Legg Mason Capital Management

Robert Milkovich  
CEO, First Potomac Realty Trust

Paul H. Mullan  
Retired Vice Chairman and Strategic Partner,  
Charterhouse Group International, Inc.

Bruce Richards  
CEO and Co-managing Partner,  
Marathon Asset Management, LP

Thomas (Tim) Schweizer, Jr.  
President, Brown Advisory Securities

Dennis R. Wraase  
Retired Chairman and CEO,  
Pepco Holdings, Inc

### INVESTMENT STAFF

Samuel N. Gallo  
Chief Investment Officer

Kevin T. Dalmut  
Director of Private Market Investments

Chris Ingram  
Senior Sustainability and Investment Analyst

Carrie Browne  
Board Relations Associate



## Governance Structure

The USM Foundation uses a streamlined investment process that allows its investment committee, staff and two strategic investment managers (SIMs) to work collaboratively to make investments between official meetings of the committee. This model, dubbed the “Maryland Model,” allows the investment staff to leverage the committee's expertise as well as the extensive resources of the SIMs, while also increasing the flexibility for staff to react quickly to market conditions.

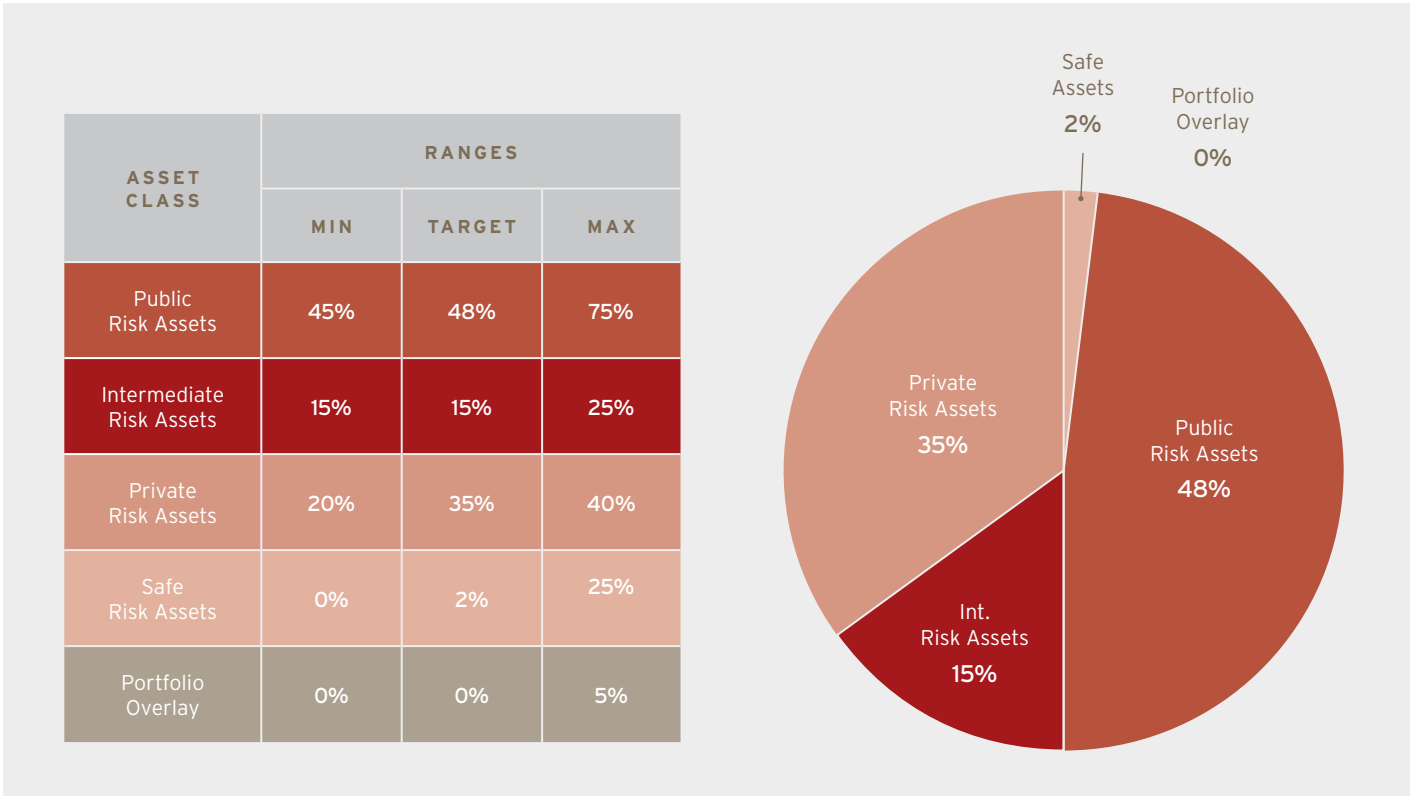
## Endowment Fund Review

In the fiscal year ending June 30, 2017, the endowment portfolio increased 12.9%. We are pleased by the endowment's relative performance to its portfolio benchmark, which increased 6.3%. These fiscal year results are a success, as we created long-term principal growth, outperforming our benchmark by roughly +660 basis points. In addition to earning positive return performance, we exposed the portfolio to less risk than in prior years. Looking at generating return and mitigating risk, we earned attractive risk-adjusted performance. Funds under management totaled nearly \$1.1 billion as of June 30, 2017.





Target Weights



Investment Strategy

Our portfolio positioning is based on risk tolerances and return objectives of a traditional university endowment. A central concept is the idea that capital is not immediately needed, and thus some of our portfolio is invested in opportunities that materialize over longer time frames. By locking up our capital, we capture an extra risk premium, known as the liquidity premium. This premium enhances the portfolio's return, while reducing its longer-term risk.

To balance the portfolio's need for current income, we invest a material amount of capital in shorter liquid investments. In fact, approximately 65% of our investments can be converted to cash within less than one year, with a portion of these assets being exchange-listed and traded. Thus, staff can invest in attractive opportunities when they arise.

Endowment funds are invested for the long term, and portfolio performance is assessed over varied market cycles. These cycles can persist over several years, regardless of when the calendar or fiscal year ends. We intentionally diversify our portfolio long-term among factors such as geographic, strategy, sector, liquidity and instrument or investment vehicle type. While equity risk is a large part of our asset allocation, the portfolio is not designed to match U.S. equity market performance. Rather, the portfolio is constructed to provide less volatile year-over-year returns, capturing upside market potential while protecting funds from downside losses.

The portfolio can be divided into five broad asset classes: (1) **SAFE ASSETS**, (2) **PUBLIC RISK ASSETS**, (3) **INTERMEDIATE ASSETS**, (4) **PRIVATE RISK ASSETS** and (5) **PORTFOLIO OVERLAY**. In the pie graph above, these are detailed by policy target. Safe assets and public risk assets represent our more liquid asset classes. In contrast, our longer-term investments are in intermediate assets and private risk assets.



**SAFE ASSETS** are investments with little-to-no principal risk. The current environment aside, we consider these to be U.S. government securities, cash-enhanced investment products and cash. They preserve capital and provide stability to our returns during volatile periods as well as facilitate our spending and capital call requirements. Maintaining safe assets minimizes the risk of our having to sell assets during moments of market stress. Though small, these assets are an important part of our overall asset mix.

**PUBLIC RISK ASSETS** are generally traded in liquid markets and exchanges. Within this section of the portfolio, we seek a number of uncorrelated objectives across equity and credit managers and instruments. Orientations vary as they seek growth, value, momentum, inflation protection and catalyst-driven events. Some investments

will track closely to market indices, with a goal to earn or exceed the benchmark return, but with less risk than the benchmark. Others seek to offer broad diversification for the aggregate portfolio, while still earning high risk-adjusted returns and muting general equity market volatility when possible.

**INTERMEDIATE ASSETS** represent private, finite-life investment vehicles whose term is generally longer than public risk assets, but shorter than private risk assets. Modestly illiquid, they seek to earn returns above market lending rates, but not as high as private risk assets. Many strategies within this asset class have a credit or contractual yield orientation, with lower correlations to public equity markets, including strategies such as direct lending, distressed lending/sales and niche credit opportunities. Collateral often is attached

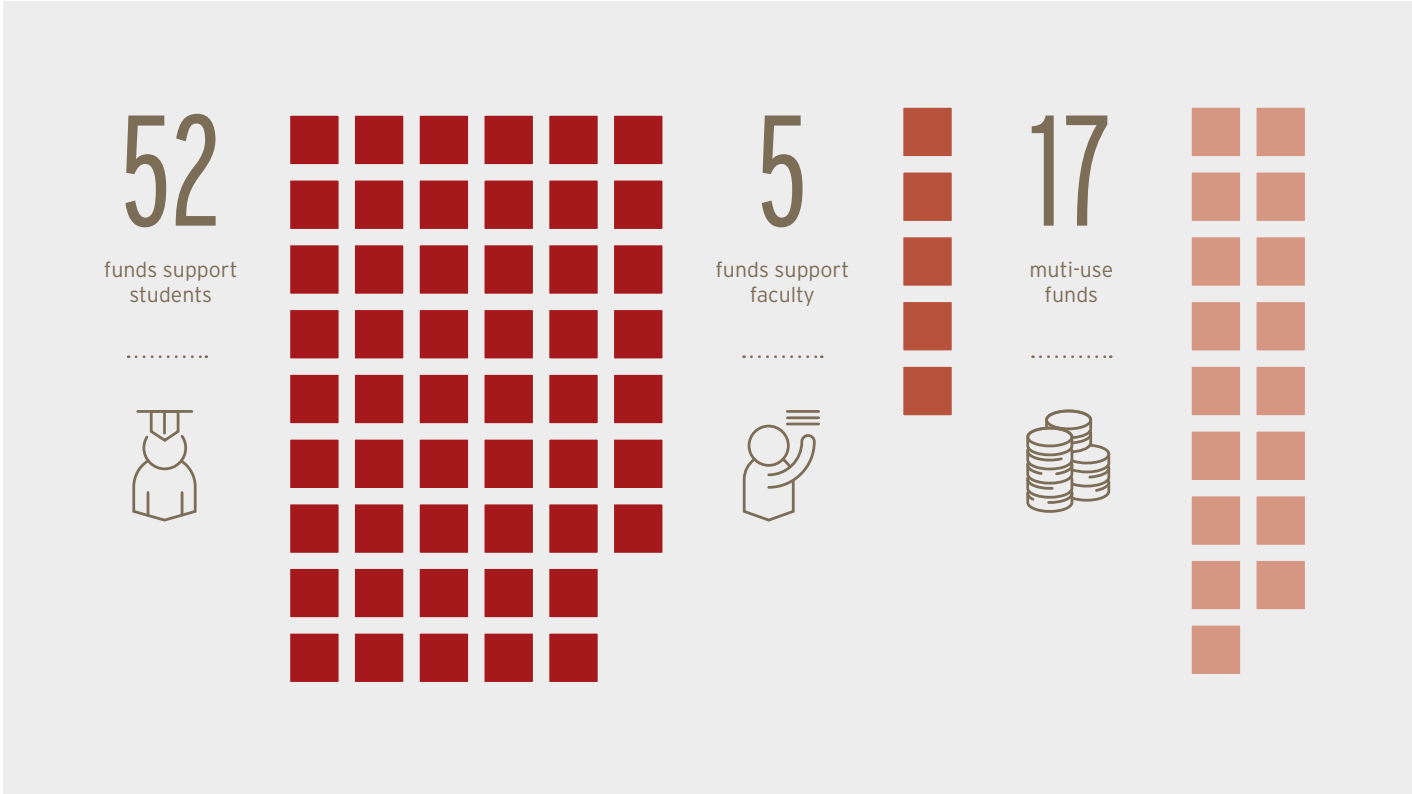
to these investments, or they seek a higher priority of payments within a stressed or distressed environment. They offer idiosyncratic return/risk profiles that are generally more predictable and consistent, thereby aiming to reduce overall portfolio risk with earning attractive returns.

**PRIVATE RISK ASSETS** are the illiquid portion of our portfolio, serving as the primary return enhancement over broad public equity markets. Because of the long-term nature of the endowment's capital, we have the ability to enter into illiquid investments that may take years for profit realization. While we sacrifice the use of our capital during this timeframe, we hold these investments to higher performance hurdles, as we expect to earn a significant return premium over public market equivalent investments. Thus, similar to public risk assets, private risk asset investments will also

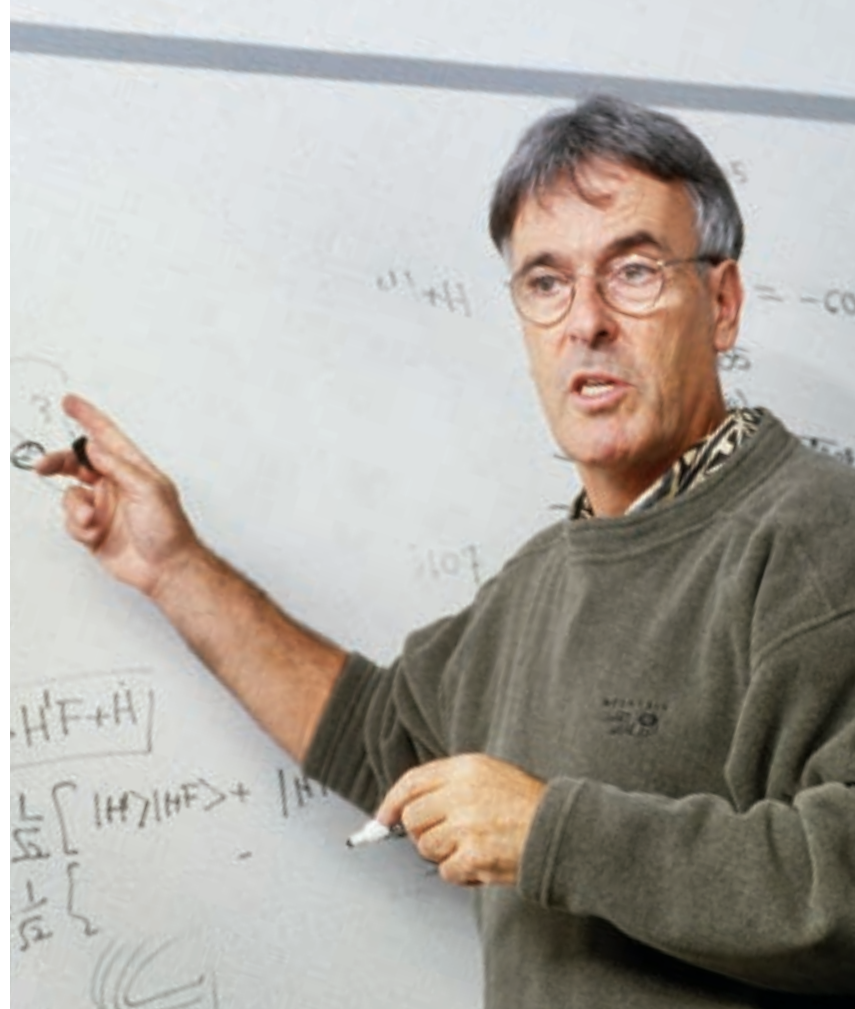
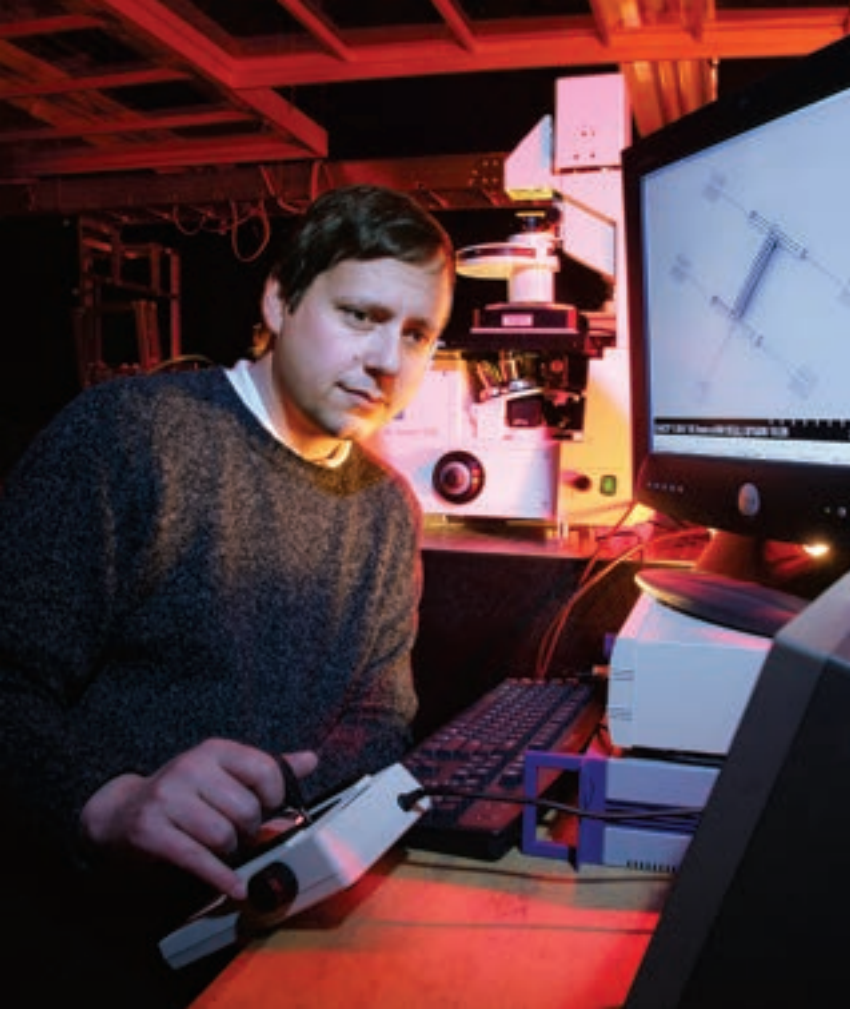
have orientations towards growth, momentum, value, inflation protection and/or catalyst driven events. Investments will vary in structure as well as duration, all adding up to a broadly diversified portfolio.

**PORTFOLIO OVERLAY** is another line of defense for our capital. We allocate assets towards this class infrequently and in line with protecting the entire portfolio from unwanted risks and market shocks. While in most cases this is achieved by our investment managers, sometimes staff needs to protect the aggregate portfolio. Allocating capital to this asset class will be on an as-needed, opportunistic basis. That is why its target allocation is set to zero percent.

Endowed Funds Established in FY 2017







## Chem Professor's Solution for Recruiting Top Faculty: Endowed Professorships

As a faculty member in the Department of Chemistry and Biochemistry for more than 45 years, Distinguished University Professor Millard Alexander has seen firsthand the value of endowed professorships.

"Endowed professorships allow the university to hire candidates who are research stars," says Alexander. "Named professorships come with a fairly flexible amount of funding for research expenses that typical grants simply won't fund."

An educator and researcher dedicated to the hundred or so students he teaches each year, Alexander has invested not only his time, but also his philanthropy, in the form of an endowed professorship in the Department of Chemistry within the College of Computer, Mathematical, & Natural Sciences.

Endowed professorships go a long way in enhancing the education Maryland students receive and the quality of the research and scholarship done at the university. "Just as it's

important for a professional sports team to hire talented free agents," he says, "it's critical for the university to recruit professors at the top of their profession. Endowed positions make that possible."

Alexander has been able to see his endowment in action—he works closely with John T. Fourkas, the Millard Alexander Professor in the Department of Chemistry. "I'm pleased I made this gift when I did. John's hire, and that of his wife, Amy Mullin, Professor and Director of the Chemistry Graduate Program, has greatly improved our department."

To anyone considering establishing an endowed professorship, Alexander says, "Do it! It's so important to the future success of our department and the university."

*Professor Millard Alexander is a Distinguished University Professor in the Department of Chemistry and Biochemistry. He received his A.B. from Harvard College and his Ph.D. from Université de Paris-Sud in Orsay, France.*

## From Student to Philanthropist: Robert R. Satterfield '95

When Department of Economics alum Robert R. Satterfield '95 was an undergraduate in the College of Behavioral and Social Sciences, Katherine "Kathy" Pedro Beardsley, then the associate dean of undergraduate studies, hired him to work in the dean's office. Little did he know that a temporary job would lead to a life-changing mentorship with her.

"Kathy took an interest in me as a student and connected me with the university and its community," says Satterfield, who participated in what is now the BSOS Dean's Student Advisory Council. "She challenged me to expand my horizons and inspired me to live my life unafraid of my own potential."

Satterfield made a commitment of more than \$1 million to the university in the form of several endowed funds to support students in economics, at the University Career Center @ BSOS, for individuals working to support LGBTQ+ rights and for many

athletic teams. One endowed fund, in support of BSOS students, is named for Beardsley.

While these areas are varied, Satterfield is focused on a single, overarching theme: enhancing the student experience. "My undergraduate experience was unforgettable, and it's my hope that these funds will allow students, no matter their background or affiliation, to go out and experience more—to be involved on campus, in the community and ultimately graduate as leaders ready to do more in the world."

Satterfield's philanthropy brings light to an important but often overlooked component of the college experience: career advising. "I was a student adviser in the economics department, so I know how challenging career advising can be. Often times a career adviser is the only interaction a student receives on a campus, and I wanted to improve the resources available to both students and advisers." Satterfield hopes his support will give students an enriching advising experience with advisers who invest in them well beyond the classes they take each semester.

Establishing an endowment is not just about giving a gift for Satterfield. "Endowed funds build a culture that will outlast me and my personal involvement. Similar to the unexpected benefits of my part-time job with Beardsley, my involvement as a donor continues to inspire and challenge me as much as, if not more than, when I was a student."

*Robert R. Satterfield is senior vice president of investments with Morgan Stanley Wealth Management and a trustee for the University of Maryland College Park Foundation.*



# Keeping the Legacy Alive: An Endowment to Establish The Shirley Povich Center for Sports Journalism

Every father tends to take on larger-than-life stature to his children, but for David, Lynn and Maury Povich, it goes well beyond that.

As one of the nation's most beloved and respected sports journalists for an astonishing 75 years, Shirley Povich became a father figure to generations of sportswriters. After Povich's death in 1998, his three children felt a deep responsibility to honor a man who had been, for so many, a defining voice of the 20th century.

What they created, in partnership with the University of Maryland's Philip Merrill College of Journalism, was an inspired act of philanthropy. They chose to share their father—his historic coverage and commentary, his understanding of the broad social impact of sports and his tireless mentorship of young journalists—with the world.

Made possible by a \$1 million challenge gift from David, Lynn and Maury Povich, the Shirley Povich Center for Sports Journalism has elevated Maryland's Merrill College as a national leader in sports journalism education.

"Our initial vision was to have a chair in my father's name," says Lynn. "But then we realized we needed to broaden that vision into a center that would educate as many students as possible in ethical reporting, writing and editing on today's important social and sports issues."

The university was a natural fit to house the Povich Center, with its proximity to the nation's capital and The Washington Post. "My father spent a lot of time at the university—covering all kinds

of sports, meeting the wonderful players and coaches—and was simply fond of the university," says David.

The heart of the Povich Center's mission is to continue Shirley Povich's commitment to the next generation of sports journalists. In the 21st century, that means helping University of Maryland students develop the skills they need to meet the challenges of new media and going beyond teaching the fundamentals to critically examine the role of sports in society.

Under the directorship of former longtime Washington Post sports editor and Povich protégé George Solomon and Assistant Director Beth Mechum, the University of Maryland accomplishes all of that through the programs and scholarship of the Shirley Povich Chair, the Shirley Povich Symposium and the Shirley Povich Center for Sports Journalism.

The decades-long friendship between Solomon and Povich, and Solomon's exceptional career as a sports editor made him the ideal candidate to lead the Povich Center. "George was an editor for some of the greatest sports writers—Thomas Boswell, Tony Kornheiser, Ken Denlinger—and he knows full well my father's standards and continues to exemplify them at the center. He's become one of the shining jewels in the college," says Maury.

As the Povich siblings reflect on all the Povich Center has accomplished, they recognize there is still much to do. "One of the most important factors in establishing a center is sustaining its work and what it represents—and an endowment is the best way to do that," says Lynn. "We want our students to be the top journalists in their field and look forward to supporting them as they prepare for their careers."



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the top journalists in their field  
and look forward to supporting them  
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LYNN POVICH





## Passing Along the Gift of Education: The Kimmy Duong Foundation

Kimmy Duong knew the fighting north of Saigon had been going badly, but not how badly until a shocking radio announcement on April 29, 1975, abruptly interrupted a card game with her parents: The city would fall within hours to North Vietnamese forces, and all remaining U.S. personnel were ordered to evacuate.

As a programmer-analyst for the iconic American computing firm IBM, she knew her future in communist-ruled Vietnam would be grim. “I dropped my cards and ran,” she said in the offices of Pragmatics, a government IT services firm in Reston, Va., where she serves as vice chairman and chief financial officer. Her husband, Long Nguyen, is the company’s CEO and founder.

She still remembers those who helped her along her path to success—such as the American military driver who let her onto a bus for evacuating U.S. citizens, and a local IBM manager at a refugee camp in Guam who handed her a \$100 bill—and the possibilities she found in the United States. “No other country in the world can give the immigrant the opportunity that America can,” Duong says. “It is important for us to show our appreciation for the most generous, kind and caring country in the world.”

Duong has pledged \$2 million through the Kimmy Duong Foundation to establish three endowed and three current-use scholarships for Maryland in-state freshmen and transfer students with financial need and merit in the A. James Clark School of Engineering and the Robert H. Smith School of Business.

“My husband always says there are three kinds of people: some who do not grab opportunities, some who grab opportunities and those who create their own opportunities,” Duong says. “I want the scholarship recipients to grab this opportunity, then create their own opportunities later. This should only be a first step for them in long and productive careers.”

Scholarships are crucial to help recruit and retain talented students who couldn’t otherwise afford a University of Maryland education, says Bruk Berhane, Clark School director for undergraduate recruitment and scholarship programs.

“Although we are committed to providing resources to students to help them fund their education, a great many of our undergrads still have financial need,” he says.

While Kimmy Duong graduated from the University of Saigon, the five nieces and nephews she found herself caring for in 1975 today are all Terps with engineering or computer science degrees.

Facing discrimination as the children of a South Vietnamese military officer, the five nephews and nieces in the early- to mid-1980s made treacherous journeys to escape Vietnam and reach Duong, who was working as a senior programmer-analyst at IBM in Bethesda until she retired in 1994.

Long Nguyen, a former faculty member at Georgetown University, introduced Duong and her sister’s children to the

University of Maryland, which he knew was strong in the engineering and computing fields.

Nephew Dien P. Nguyen ’90, M.S. ’93, now director of financial systems at Pragmatics, fled in 1985 aboard a boat that was chased and shot at by Vietnamese troops. A damaged engine gave out, and the vessel drifted before finally making it to Indonesia.

Duong did all she could to help him—the only requirement was that he dedicate himself to work just like she did, he says. She wants the same for the students the new scholarships will help.

“She set a high bar for us to reach,” he says. “Hopefully there’s something I can do to carry on with the foundation work she started, and I look forward to it.”

The scholarships support one of her family’s core values—education—while opening the doors to careers in technology, which provide economic stability while also shaping society, she says.

Much as she mentored her own nieces and nephews, Kimmy Duong plans to encourage her scholars to have a strong work ethic and contribute back to society, including helping future generations.

“It’s exciting to see how technology has transformed the world with the internet, social media and nanotechnology,” she says. “I hope these scholarship recipients can apply technology to improve society and our country.”



# Endowment FAQs

- ▶ Why are endowed funds important for a public higher education institution?  
Endowed funds provide for the future. They offer a permanent source of income to support the university's academic and research programs, to ensure access to qualified students and to maintain its status as a world-class institution. Through careful and steadfast investment policies, the University of Maryland ensures its financial foundation and positive trajectory for future generations of students and faculty.
- ▶ What are the benefits of using the University of Maryland's endowment portal?  
The endowment portal provides you with secure access to timely and comprehensive information about your endowed fund. It can show you quarterly market values, annual spendable income and fund performance over time. Visit [umd.edu/endow](http://umd.edu/endow) and login with your activation code and PIN provided in this endowment overview, or with your already established email username and password.
- ▶ What was the financial performance for my endowed fund last fiscal year?  
The endowment portfolio boasted a broad outperformance in fiscal year 2017, the greatest in ten years! With a return of 12.9%, we are pleased to report growth across time, across most asset classes and across portfolios.
- ▶ What is market value?  
Market value is the current worth of the fund's investment, including realized and unrealized gains, additions and deductions.
- ▶ What is spendable income?  
Spendable income is the amount that is taken from the endowment each year to support the institution, expressed as a percentage of the endowment's market value. For most endowed funds, spendable income is calculated on December 31 of the previous year.
- ▶ I would like someone else to receive a copy of future reports for this endowed fund. How can I have them added as a stewardee?  
Please visit [go.umd.edu/stewardees](http://go.umd.edu/stewardees) and let us know who else should receive reports for this fund.
- ▶ How do I make a gift to my endowed fund?  
For gifts via credit card, visit [giving.umd.edu](http://giving.umd.edu); for gifts via check, indicate the name of the fund on the memo line and mail to the address below.

Office of Gift Acceptance  
4603 Calvert Road  
College Park, MD 20742-3421

Please note: For accounts beginning in 21, please make check payable to UMCPF; for 911, make payable to USMF; for CP, make payable to University of Maryland.

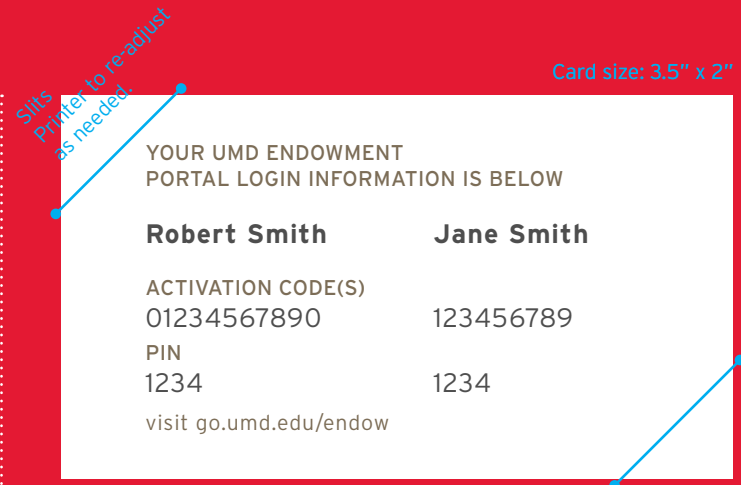
If you would like to incorporate the University of Maryland, College Park into your estate plans, or make a legacy gift to your endowed fund, please contact E. John McKee at 301.405.0320 or [jmckee@umd.edu](mailto:jmckee@umd.edu), or visit [umd.giftplans.org](http://umd.giftplans.org)

If you are interested in making a stock transfer, please contact Cara Johnson at 301.955.1282 or [cjohns10@umd.edu](mailto:cjohns10@umd.edu)

Any text in cyan is not for printing.

- Notes for folder flap
- All white text and graphics to be printed on the flap.
  - Two slits for a card with variable text
  - The card shown here is only for demonstration – please use the separate InDesign file we sent.

Printer to re-adjust the size of folder flap as needed.



To provide you with instant access to timely, secure and comprehensive information about your endowed fund, visit your internet-based portal.

Accessible at [go.umd.edu/endow](http://go.umd.edu/endow), your personal endowment portal can show you:

- QUARTERLY MARKET VALUES
- ANNUAL SPENDABLE INCOME
- FUND PERFORMANCE OVER TIME
- SCHOLARSHIP RECIPIENTS
- AND EVEN THIS DOCUMENT!



