

**MEKETA**

INVESTMENT GROUP

MARCH 2022 | ISSUE TWO

# ENDOWMENT & FOUNDATION annual newsletter

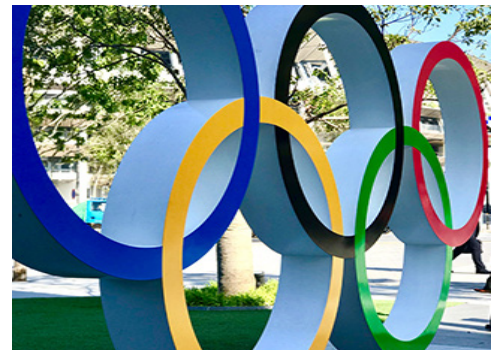


# YEAR IN REVIEW

2021 was a much anticipated year as most, if not all, of us were more than happy to welcome in a new year and put 2020 behind us. If 2020 was defined by the pandemic, 2021 was the year marked by hope, renewal, and a fast vaccine rollout and mass distribution efforts. Yet, the year was so much more. Here in the US, on January 6, just days after ringing in a new year, we witnessed the storming of our Capitol by supporters of US President Donald Trump as they sought to overturn results of the 2020 presidential election that identified President-elect Joseph Biden as the clear winner. Riots and break-ins at the Capitol took place as lawmakers were ushered to safety while many of us watched the events unfold on live TV. Divisiveness of our country was never more evident. It was a somber day for all of us – regardless of political affiliation. By the following day, President Joseph Biden had been officially certified as the next leader of our country with the counting of the electoral votes.

As the year progressed, and vaccination became available to the broader population worldwide, we saw re-opening of economies. Markets reacted positively as vaccine roll-out supported expectations of an economic recovery in the global economy. However, these favorable signs would be met with equally unfavorable challenges in their own right: new variants that made us retract just when we thought we were taking a step forward, the blocking of the Suez canal in April that left shipping tankers immobile for six days (furthering the supply chain constraints already felt by consumers), and inflation that seemed to be not so “transitory” as the Fed had first asserted. There were also the re-openings and closings of businesses that left us feeling overwhelmed and confused as international and local businesses each carried their own set of rules on how to properly balance the need for business activity with the safety of their people.

The world went on, albeit with a set of evolving rules and a new playbook. We continued to practice resiliency. Just as important, we celebrated a more diverse White House with Vice President Kamala Harris, the return of the Summer Olympics in Tokyo, and the first private crew launch by Elon Musk’s SpaceX. While 2022 began with market stress related to rising inflation and Russia’s invasion of Ukraine, by March 2022 the pandemic and its related restrictions were receding once again. Here’s to a strong remainder of 2022!



# MARKET COMMENTARY

2021 marked another year of strong US equity performance, as the stock market mostly shrugged off fears of COVID variants and geopolitical risks. The S&P 500 was up 29%, while international developed markets generated a return of 11% and emerging market equities declined nearly 3%. It was a challenging year for fixed income investments, given the increase in inflation during 2021 and the expectation of looming Federal Reserve tightening. Investment grade bonds lost 1.5%, the first negative year for the asset class in eight years.

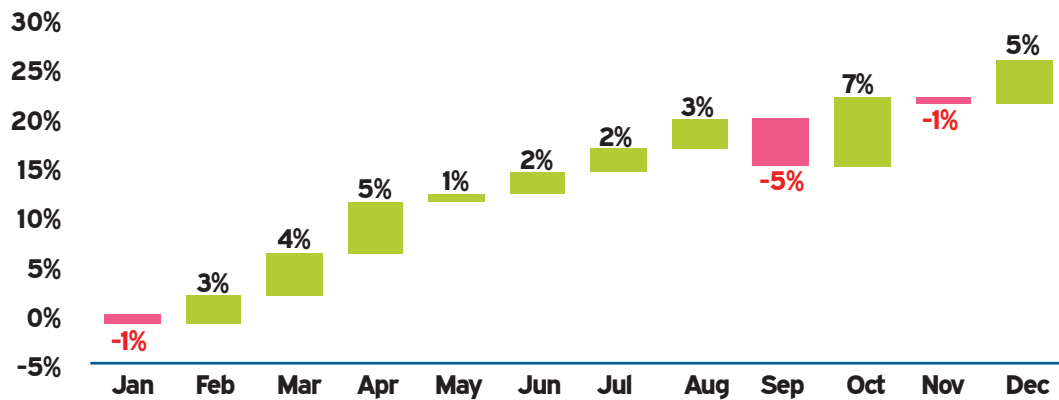


FIGURE 1  
2021 S&P 500 Index  
Monthly Returns  
Source: InvestMetrics.

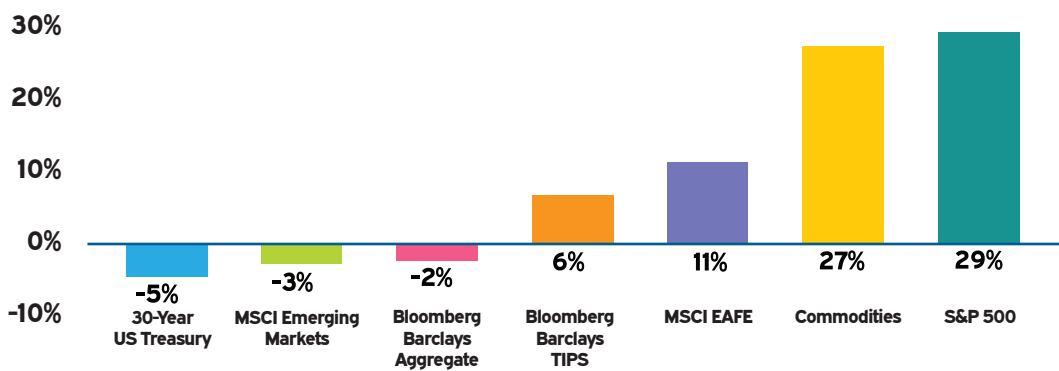


FIGURE 2  
2021 Asset class Returns  
Source: InvestMetrics.

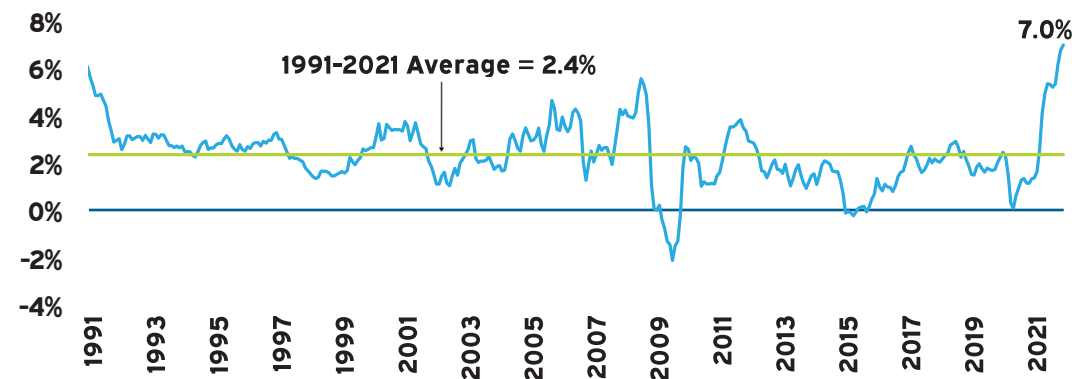


FIGURE 3  
CPI  
Source: Bloomberg.

# 2021 NACUBO

## TIAA STUDY OF ENDOWMENTS

NACUBO's recently released 2021 Study of Endowments provides great insights into university endowments during fiscal year 2021. Strong performance across most asset classes led to impressive returns – the average endowment's return was 30.6% during fiscal 2021. Partially attributable to a larger allocation to private assets, large endowments (assets greater than \$1B) saw the highest return at 36.5%, while the smallest endowments (under \$25M in assets) had returns of 24.7%. Given the sharp increase in assets, the spending rate as a percentage of assets dipped slightly for most institutions but increased slightly for public institutions.

FIGURE 4  
FISCAL YEAR ENDOWMENT RETURNS  
Source: 2021 NACUBO-TIAA Study of Endowments

Year	Average %	Median %
2021	30.6	30.1
2020	1.8	1.8
2019	5.3	5.1
2018	8.2	8.0
2017	12.2	12.5
2016	-1.9	-2.1
2015	2.4	2.2
2014	15.5	15.8
2013	11.7	11.7
2012	-0.3	-0.5
2011	19.2	19.8

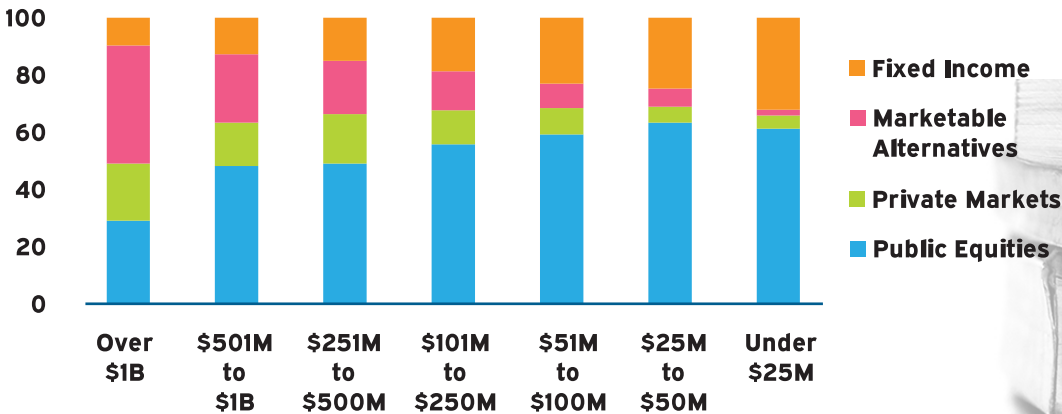


FIGURE 5  
ASSET ALLOCATION BY ENDOWMENT SIZE  
Source: 2021 NACUBO-TIAA Study of Endowments

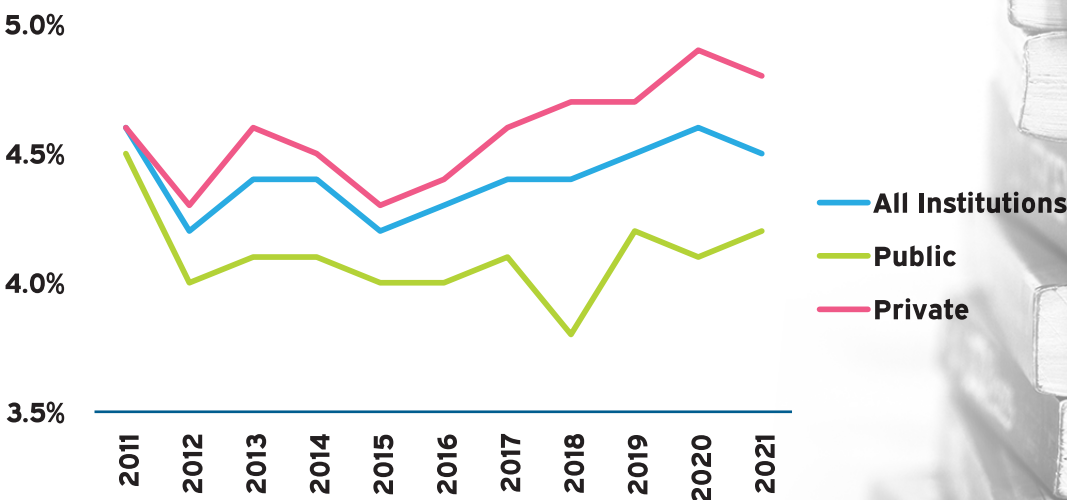
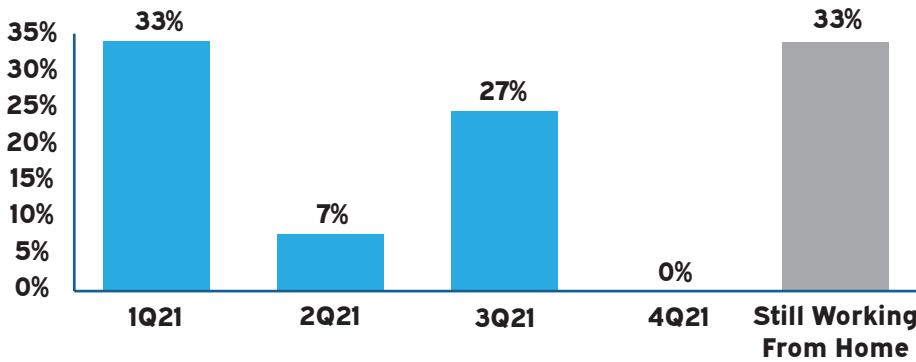


FIGURE 6  
AVERAGE ANNUAL EFFECTIVE SPENDING RATE  
Source: 2021 NACUBO-TIAA Study of Endowments

# SURVEY RESULTS

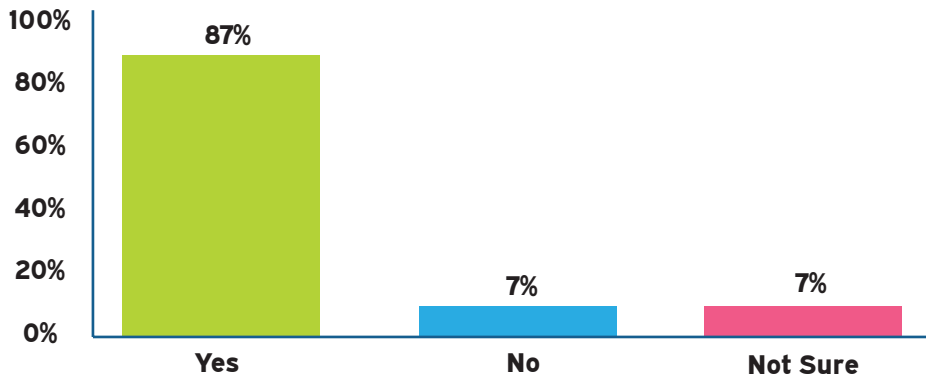
In the fourth quarter of 2021, Meketa surveyed a group of endowments and foundations to understand what changes were made during 2021, with a particular focus on what impact COVID-19 had on operations and investment decision-making. Nearly 70% of investment staff had returned to work in the office, but most Investment Committee meetings were still being held virtually. Donations were up (or tracking to be higher) in 2021 versus 2020 for nearly all organizations that responded. Incorporation of ESG principles into investment approaches was mixed.

- Survey was conducted in December 2021.
- The survey was sent to Meketa's endowment and foundation clients as well as other institutions in the industry.
- Respondents were a mix of higher education endowments, private foundations, community foundations, and other non-profits.
- Fifteen institutions responded.
- Conclusions are based on results from survey answers.
- Not all participants answered every question.
- Charts may not sum to 100% due to rounding.



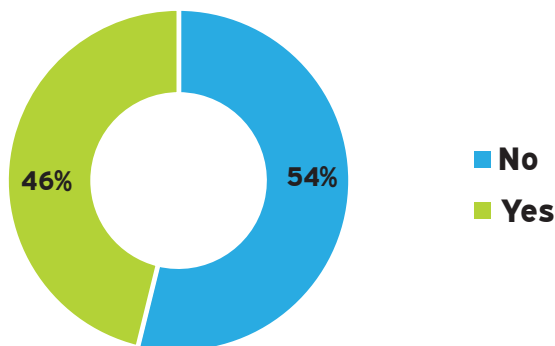
**FIGURE 7**  
**WHEN DID YOUR INVESTMENT STAFF RETURN TO WORK IN THE OFFICE?**

Source: Meketa Investment Group 2021 Survey.



**FIGURE 8**  
**WERE DONATIONS HIGHER (OR TRACKING TO BE HIGHER) IN 2021 VS. 2020?**

Source: Meketa Investment Group 2021 Survey.



**FIGURE 9**  
**DO YOU INCORPORATE ESG PRINCIPLES INTO YOUR INVESTMENT APPROACH?**

Source: Meketa Investment Group 2021 Survey.

# CLIENT SPOTLIGHT

## Anchorum St. Vincent

Anchorum St. Vincent is a health conversion foundation based in Santa Fe, New Mexico. Anchorum was founded in 2008 when the community sold a 50% interest in St. Vincent's Hospital to the international health system, CHRISTUS Health, headquartered in Dallas, Texas. Today, CHRISTUS St. Vincent Regional Medical Center (CSVRMC), also a Meketa client, is the largest acute care hospital and specialty clinic network in northern New Mexico with origins in Santa Fe dating back to the Sisters of Charity in 1865.

In 2022, Anchorum is led by Interim President and CEO, Jerry Jones, and the organization holds the distinction as one of the only foundations in the United States that still maintains a 50% Member-Owner role in the community's health system. This distinctiveness allows Anchorum to partner with CHRISTUS Health to expand patient access to critical care and build new and innovative health infrastructure in Santa Fe. Anchorum owns and manages a half-dozen medical office buildings dedicated to specialty health services, including heart and vascular and orthopedics. In February of this year, Anchorum announced plans with CHRISTUS Health to invest in building a new \$80 million, state-of-the-art cancer center on the campus of CSVRMC.

As a health conversion foundation, Anchorum focuses its community investments with other like-minded anchor institutions and nonprofit service providers on the "front-lines" of the work across northern New Mexico, addressing the social determinants of health. Two examples of Anchorum's specific initiatives include: (1) The Community Health Funder Alliance - a collaboration between Anchorum, CSVRMC, and the Santa Fe Community Foundation to provide a single grant process for nonprofits focused on improving health outcomes and promoting health equity in seven counties that deploys a collective \$2 million in competitive and multi-year grants to 50 organizations; and (2) The Community Catalyst Fund - an impact investment fund seeded with a \$5 million impact investment from Anchorum, and matched by Enterprise Bank and Trust and several other for-profit and philanthropic anchor partners that now totals \$16+ million. The fund is managed by local CDFI (community development financial institution) Homewise and designed to accelerate the building of numerous affordable housing projects and mixed-use developments throughout the region over the next decade.

Anchorum hired Meketa in early 2017, and since then, the investment portfolio has progressed in a variety of ways. Anchorum and Meketa collaborated with the New Mexico Impact Investing Collaborative (NMIIC) to initiate investment in fixed-income securities focused on local impact. The portfolio has also recently made commitments to private market funds focused on ESG investments. Meketa looks forward to exploring emergent and compelling investment opportunities that complement Anchorum's unique role in their community and align with its mission-driven values. To learn more about Anchorum and its work to improve the lives of those in Northern New Mexico, please visit [Anchorum.org](http://Anchorum.org) and click on the impact report link.



ANCHORUM™  
ST VINCENT

### IMAGES

**SANTA FE RAILYARD, NM/EXTERIOR OF CHRISTUS ST VINCENT REGIONAL MEDICAL CENTER**



# MEKETA NEWS

Throughout 2021 we dealt with the ongoing challenge of navigating through a global pandemic, but our employees dealt with a hybrid work environment and continued to support our clients seamlessly. Throughout the year, we gained 12 new clients, expanded ownership to eight new shareholders, and welcomed 46 new employees to the firm.

In a continuation of our work from 2021, we focused on diversity, equity, and inclusion training for our employees. We hosted our first annual Day of Understanding, which was founded on the idea that frank conversations conducted in a safe place can help unite us by laying a foundation for change. Our goal for the Day of Understanding was to increase employees' knowledge of how we can all contribute to diversity and inclusion through our work as well as our personal interactions by listening and learning from each other.

This year's event focused on intersectionality. Employees from across Meketa's offices were placed in virtual breakout rooms where they discussed what intersectionality, a supportive work culture, and diversity meant to them. The Day of Understanding was the first event in our inclusion training series, which was conducted throughout year and included programming on Micro-Aggressions, Beyond the Gender Binary, Active Allyship, Overcoming Unconscious Bias, and Brave Dialogues.

During the year, Meketa co-launched the Net Zero Investment Consultants Initiative. Through nine specific action points, each of the 12 consulting firms commit to supporting the goal of global net zero greenhouse gas emissions by 2050 or sooner. Meketa is actively developing internal frameworks to assist asset owners with their transitions if desired, as well as developing plans to offset our own carbon footprint in the near-term while reducing, and eventually eliminating, emissions over time.

In the fourth quarter, we leaned into our firm value of Community Influence. During the month of November, the Corporate Responsibility Committee sponsored a donation matching challenge in support of Feeding America. Collectively, over 100 employees donated \$17,000 to help citizens dealing with food insecurity.

December 10, 2021 marked the inaugural Annual Day of Service at Meketa! Across four of our offices, we had 48 people participate. The volunteer opportunities included the North County Food Bank (CA), Chicago Help Initiative (IL), the Blanchet House (OR), and the Salvation Army, Waltham Soup Kitchen, and Quincy food boxes (MA).

IMAGES  
MEKETA DAY OF SERVICE 2021



# THOUGHT LEADERSHIP

## Sustainable Investment Portfolios\*

Part I: We kicked off our sustainable investment portfolios webinar series with a discussion featuring panelists from California State University, Warren Wilson College, and Los Angeles County Employees Retirement Association on how their organizations began integrating ESG policies into their portfolios – from early-stage conversations that sparked the transition to the processes they implemented and lessons learned along the way.

Part II: In the second installment of our sustainable investment portfolios webinar, panelists from BlackRock, Arizona State University, and San Francisco Employees' Retirement System discussed climate change, the driving forces behind the net zero transition, and the implementation strategies their organizations are using.

## Women in Leadership Virtual Panel

This inspiring panel discussion featured several of the industry's leading women CIOs and CEOs who shared their insights regarding the necessary characteristics to gain a leadership role as a woman in the investment industry today and steps for furthering personal development, as well as other practical advice and actionable ideas for women who are beginning or continuing their professional journey forward.

## Emerging & Diverse Manager Roundtable Discussions\*

On a semi-annual basis, Meketa hosts Emerging & Diverse Manager Research Days, which allow us to discover new managers and new opportunities for our clients. During our April 2021 event, we were pleased to host a roundtable discussion that featured four panelists from leading endowments and foundations (including United Negro College Fund, Emory University, The City University of New York, and The University of Chicago) who discussed a number of issues related to establishing and administering emerging and diverse manager programs.

## 2021 DEI Questionnaire Results

As part of a formal initiative to more thoroughly evaluate asset managers' efforts to include diversity, equity and inclusion (DEI) within their organizations, we developed our Annual Diversity, Equity & Inclusion Questionnaire. The 2021 results cover public and private market managers from within our database.

## Building a Private Markets Program at Smaller Scale

While large institutional investors have often relied on private markets investments as drivers of return and dampeners of volatility, small- and medium-sized institutions have not always used private markets as frequently as larger institutions. This white paper examines options available to small- and medium-sized institutions when building a private markets program, outlines the different investment pathways that may be pursued to build a private markets portfolio, and provides an overview of the basic steps to design and implement a private markets investment program.

## Endowment and Foundation Spending Policy

The spending policy of an institution will play a large part in its long-term success. In this white paper, we discuss the pros and cons of different approaches to crafting a spending policy that maintains intergenerational equity.

## 2021 Annual E&F Survey

In our second annual survey of the endowment and foundation community, we endeavored to understand what changes were made during 2021 with a particular focus on the impacts that COVID-19 had on operations and investment decision-making.

*Meketa Investment Group invites you to join our virtual:*

Public and Private Markets  
Emerging & Diverse  
Manager Research Day &  
Roundtable Discussion

**April 13, 2022**

One-On-One  
Interviews:  
All day

Roundtable  
Discussion:  
12 pm to 2 pm EDT

To register for the event please go to:  
<https://meketa.research.net/r/SFJ5Gx2>  
Registration closes March 28th



\* The following endowment and foundations are clients of Meketa Investment Group

- Arizona State University
- California State University
- The City University of New York
- Los Angeles County Employees Retirement Association
- San Francisco Employees Retirement System
- Warren Wilson College



# CONTACT US

If you want to learn more, or access Meketa's library of white papers and economic research, please contact us or visit <https://meketa.com/thought-leadership/>.

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