9-1-2006

Solid returns: University's endowment boasts strong rate of growth

John Roberts
Furman University

Follow this and additional works at: https://scholarexchange.furman.edu/furman-magazine

Recommended Citation
Available at: https://scholarexchange.furman.edu/furman-magazine/vol49/iss3/18
Solid returns: University's endowment boasts strong rate of growth

Harvard University reported in September that its endowment had grown to almost $30 billion. That's more than the annual gross domestic product of Estonia, Yemen and Panama — combined.

Furman's endowment, at $450 million, is not quite the equal of Harvard's, but the Furman community can take pride in the knowledge that the university's nest egg outperformed Harvard's for the 2006 fiscal year.

While Harvard's endowment earned a 16.7 percent return on its investments, Furman's return was 19.8 percent. That's the highest rate of return among similar clients served by Cambridge Associates, the university's investment consultant.

Each year Furman uses about 4.5 percent of its endowment earnings to fund such vital needs as scholarships, professorships and operating expenses. A growing endowment helps the university meet the demands in these areas.

And in spite of a somewhat sluggish stock market, Furman's endowment has doubled during the past eight years. Most of this growth can be attributed to new gifts — most notably the bequest of $115 million from Greenville businessman John D. Hollingsworth '39, through the Hollingsworth Funds established in his will.

During the past decade Furman has recorded an average annual return of 11.2 percent on its endowment. According to the National Association of College and University Business Officers, the 10-year average return for university endowments valued between $200 million and $500 million was 9.3 percent. The 10-year return for the Standard & Poor's 500 was 9.9 percent.

While Cambridge Associates helps craft Furman's investment strategy, most of the credit for the better-than-average endowment return can be attributed to the university's investment committee, consisting of knowledgeable trustees and friends. The group, chaired this year by David Ellison '72, monitors returns and approves asset allocations and specific investments.

"The university's strong investment growth is reassuring to our friends and donors," says Don Lineback, vice president for development. "It illustrates that we are taking great care with their investment in Furman and encourages more people to give endowed funds."

Although Furman's endowment has grown significantly during the past decade, the university still lags behind many of its peer institutions in the "endowment per student" ranking, which is an accurate gauge of a university's financial resources. For example, Furman's endowment per student through fiscal year 2005 was approximately $158,500. Compare that figure to the endowment per student of such similar schools to Furman as Richmond ($426,400), Washington & Lee ($304,900), Davidson ($227,100), Wake Forest ($215,400) and the University of the South ($178,600).

Schools with larger per-student endowments typically are able to cover more of their financial aid awards and salaries with endowed or outright gifts, instead of supplementing from their operating budgets.

The gap could be closing soon, however. With construction under way on the Townes Center for Science, improvements to the Lay Physical Activities Center on the drawing board and a new theatre under consideration, Furman is nearing the end of an extended capital improvement program intended to bring the quality of campus facilities up to the quality of the faculty and students.

Looking ahead, the university plans to devote more of its resources to enhancing programs and increasing scholarships and financial aid. The focus of the university's next fundraising campaign will be on building the endowment.

"With continued support and superior investment strategy, we expect Furman to compare favorably to our peer institutions in the important category of endowment per student," says Lineback. "More importantly, this will help us be even more competitive in attracting and supporting our students and faculty."

— JOHN ROBERTS