

THE RICE UNIVERSITY FISCAL YEAR 2013 ENDOWMENT

Dear Supporters and Friends,

In 2013, soon after commemorating our centennial, the Rice community had reason to celebrate once again with the success of the Centennial Campaign. Nearly 50,000 donors committed their time, talents and \$1.1 billion to the campaign to support the university's "Vision for the Second Century" and our commitment to undergraduate education, path-breaking research and unsurpassed teaching.

Such remarkable generosity will have a lasting impact. Your endowment contributions made possible the art history and sociology Ph.D. programs, the undergraduate business minor, the Chao Center for Asian Studies, the Kinder Institute for Urban Research and the Boniuk Institute for the Study and Advancement of Religious Tolerance, as well as approximately 30 new endowed faculty chairs, more than 250 new scholarships and 270 increased scholarships. (You can learn more about how the campaign has impacted Rice at <http://campaignreport.rice.edu>.)

From Rice's earliest days, endowments have played a key role in our financial planning. Today, they provide approximately 40 percent of the university's operating revenues. Careful stewardship of our resources through continued philanthropy and a sound investment strategy allow Rice, its faculty and its students to continue to excel in education, research and contributions to the community.

We are deeply grateful to each of you who have supported Rice's future by establishing an endowment for scholarships, faculty or departmental programs, and we are pleased to present this endowment report for fiscal year 2013 (July 1, 2012–June 30, 2013). In this report we will highlight the performance of the Rice Endowment and also provide information on the influence that your specific endowment is having on Rice's success.

Thank you again for your generous investment in Rice's present and future.



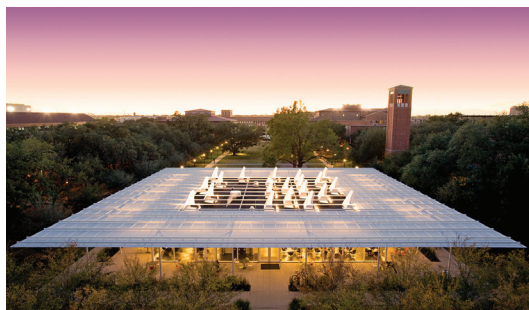
Darrow Zeidenstein

Vice President for Resource Development



Allison Thacker

Chief Investment Officer and President, Rice Management Company
Vice President for Investments and Treasurer, Rice University

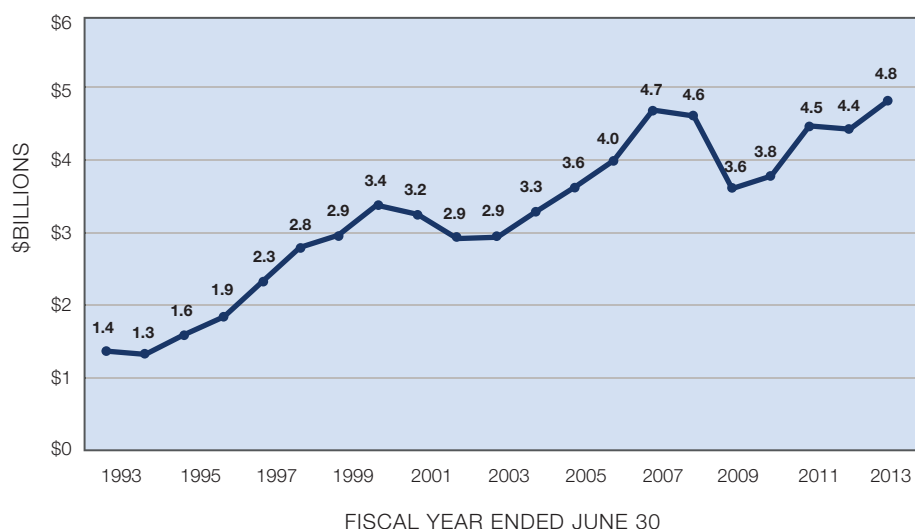




Current Year Performance

The Rice endowment ended the fiscal year on June 30, 2013, with a value of \$4.84 billion, its highest ever year-end value. This tops the previous high year-end mark of \$4.67 billion set June 30, 2007. The endowment also posted a strong return of 13.7 percent, outpacing the policy benchmark by 240 basis points, or 2.4 percent. This year's return will place Rice among the top-performing large university endowments in the country. Energy and natural resources, public equities and private equity were the asset classes that helped drive this year's performance.

Growth of Endowment: 1993–2013 (after spending)



Rice Endowment Returns by Fiscal Year

2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
13.7%	3.6%	22.4%	9.9%	-18.2%	2.2%	21.7%	14.5%	13.6%	17.2%

Fiscal Year 2013 Change in Endowment Value

The endowment value on June 30, 2013, was \$4.84 billion compared to \$4.42 billion at the beginning of the fiscal year. The table below shows the various components of the change and their impact on the overall endowment value.

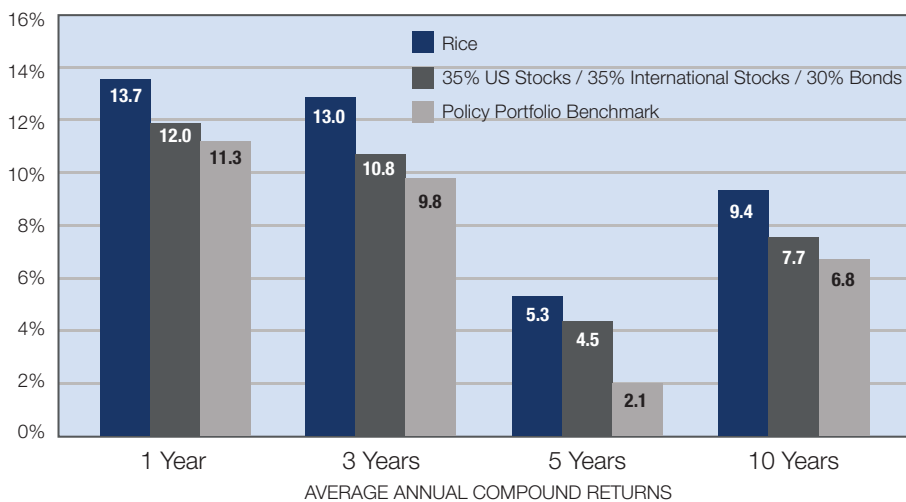
	(\$millions)
Market Value @ June 30, 2012	\$4,419
Endowment investment returns	596
Endowment gifts and transfers	51
Endowment spending	(229)
Market Value @ June 30, 2013	\$4,837



Long-term Investment Performance

Rice's endowment has consistently outperformed both its policy portfolio benchmark and a passive investing benchmark. The policy portfolio benchmark is a theoretical return calculated by applying the investment return of each asset class benchmark to the target weight for that asset class. This provides a means for evaluating the success of our active management strategies. These active management strategies, which seek out the best external investment managers to manage the endowment's assets, have paid off as shown below in the performance for 1-, 3-, 5- and 10-year periods.

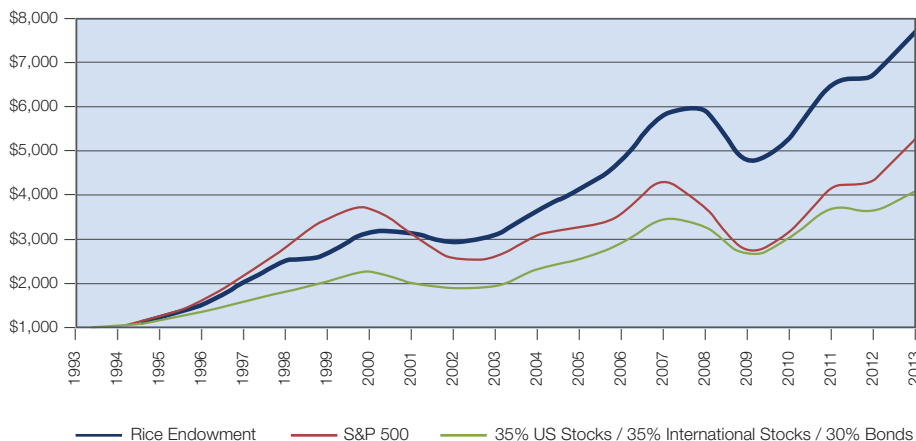
Rice Endowment Returns vs. Benchmarks as of June 30, 2013



Growth of \$1,000 over 20 Years

Over the last 20 years, Rice's active management strategy has allowed the endowment to build additional value over what would have been earned in either the S&P 500 stock index or an index consisting of 35 percent U.S. stocks, 35 percent international stocks and 30 percent bonds. This additional value has allowed Rice to strengthen support in key areas, such as our research mission, our graduate and postdoctoral programs, and our holistic undergraduate experience.

Growth of \$1,000 Cumulative Returns



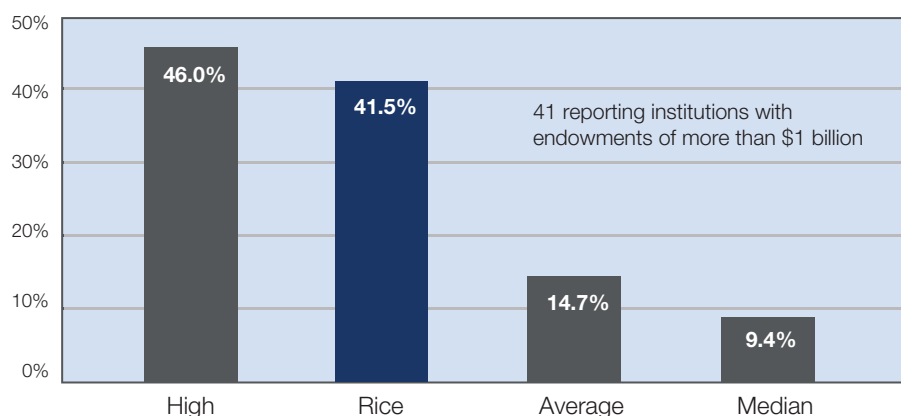
Endowment Pool

The endowment is a consolidated investment pool composed of a large unrestricted endowment (approximately 52 percent of the total endowment) and more than 1,700 funds with restricted purposes. Accounting for the pool operates similarly to a mutual fund, with each individual fund given credit for a proportionate share of the gains and losses earned by the pool. Endowment gifts are bought into the consolidated pool the month they are received. Subsequently, the gift earns the same investment return as the endowment pool.

The Endowment is Vital to Rice's Mission

The endowment plays a significant role in the budget structure of Rice, as annual endowment distribution provides approximately 40 percent of the university's operating revenues. Tuition, sponsored research and current gifts provide most of the remaining support. The most recent comparative data from other large endowments is as of fiscal year 2012, which ended June 30, 2012. As shown in the graph below, Rice's dependence on the endowment for operating budget support is only surpassed by one other institution and Rice relies more heavily on the endowment than the average of this group of large endowments.

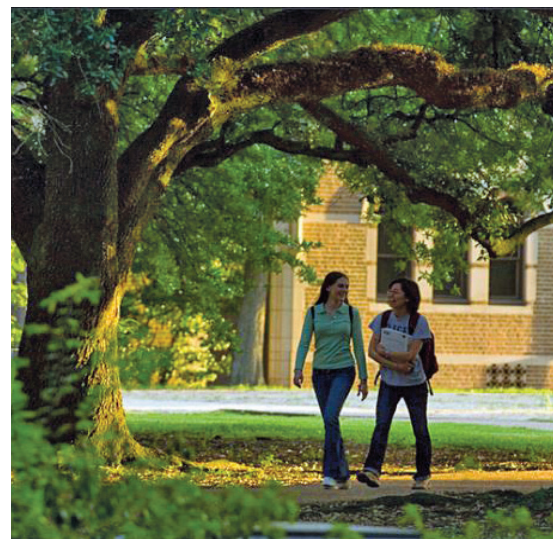
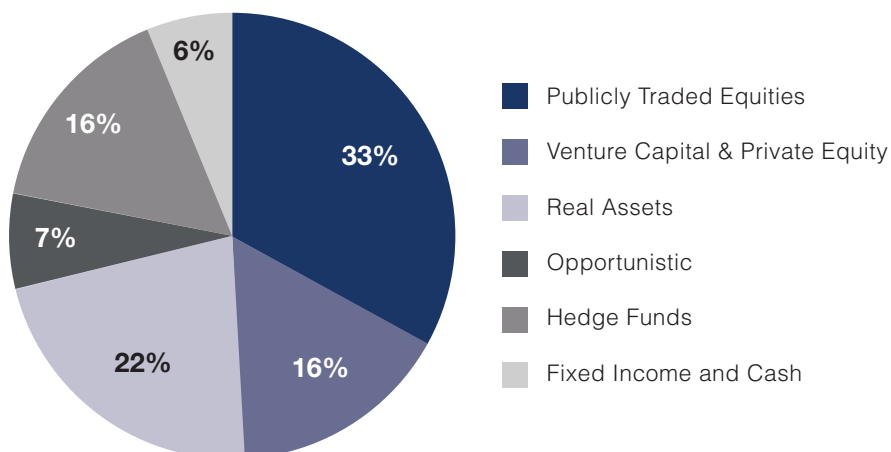
Percentage of Operating Budget Funded From Endowment Distribution



Source: Cambridge Associates (FY2012)

Asset Allocation

Rice's endowment is diversified across many asset classes and is actively managed by approximately 100 investment managers. Asset allocation and diversification are the foundation of the investment process and are a critical component to managing the endowment through different economic cycles. Manager selection is essential to outperforming and Rice seeks to partner with the best investment managers in each asset class. The current asset allocation targets are shown below.



The Rice endowment ranks in the top 20 endowments of private research universities (by market value) in the U.S. The endowment funds are the permanent capital of the university, established to provide a perpetual source of revenue for current operations and certain capital needs.

Contact Us

If you have a question regarding this report, please contact us at stewardship@rice.edu or 713-348-3072.