Submitted by: William R. Decatur, Vice President, Finance and Business Operations

Annual Report on the Long-Term Investment Program (For the Endowment Funds) For the Fiscal Year Ending September 30, 2017

In accordance with the Board of Governors Statutes (WSUCA) 2.73.02, the Administration presents the annual report of our long-term investment program for the fiscal year ending September 30, 2017. This annual report was prepared by the Wayne State University Foundation's investment consultants, Strategic Investment Group. The long-term investment program includes all investment activity performed for the endowment fund by external managers and represents approximately 99 percent of all endowment resources. At September 30, 2017, the fund was approximately $358 million. This annual report was presented to and accepted by the Foundation's Investment Committee on November 28, 2017. It was also presented to and accepted by the Foundation Board on December 7, 2017.

In 2000, the University created the Wayne State University Foundation (the Foundation) as a Michigan non-profit corporation. The Foundation was established by the University to assist it with various functions with special emphasis on fundraising and oversight of the investment portfolio for endowments. The Board of Governors approved the transfer of existing and future endowments to the Foundation for holding and investing such endowments. The official date for the transfer of endowment assets was October 1, 2002, the beginning of the new fiscal year for the University and the Foundation. The Foundation established its Investment Committee to specifically oversee and manage the endowments, especially those held in the "Common Trust" pool (the Pool) of assets. The Investment Committee has engaged Strategic Investment Group (Strategic) as its Outsourced Chief Investment Officer (OCIO) to manage all of the funds held in the Pool.

The University and Foundation has been partnering with Strategic to manage its endowment portfolio since October 2016. As an OCIO, Strategic is a discretionary advisor who is delegated a major role in investment management of the endowment portfolio. Strategic manages the endowment in accordance with investment guidelines established by the Foundation Board, which maintains oversight over the endowment portfolio. The Investment Committee has detailed oversight of the endowment portfolio, and Strategic and Treasury staff coordinate detailed operations of endowment portfolio activities.

Collaborating with the Foundation Board, Investment Committee and Treasury staff, a new Investment Policy Statement (IPS) was designed to define financial objectives and risk parameters and provide the framework for asset allocation guidelines, benchmarks and risk control ranges. A new asset allocation strategy was developed relative to that policy. Implementation of the new portfolio was substantially complete March 31, 2017, except the private equity allocation which will be funded over time by incremental commitments every three years.

The endowment portfolio's investment returns were 10.9% for the fiscal year ending September 30, 2017. This is in line with the policy benchmark of 11.1% for the fiscal year and is ranked in the 58th percentile of the Wilshire TUCS peer universe of endowments. The Wilshire TUCS peer universe consists of non-profit plans of $100 million to $1 billion.

In addition to the Report prepared by Strategic, the following is also attached:

- list of the current members of the Committee
- historical graph of the fiscal year end values and performance of the endowment funds
- Detailed Performance Summary

Wayne State University
Foundation Investment Committee

Mr. Paul A. Glantz, Chair
President, Proctor Financial, Inc.

Ms. Susan E. Burns
Vice President, Development and Alumni Affairs and President
President, Wayne State University Foundation

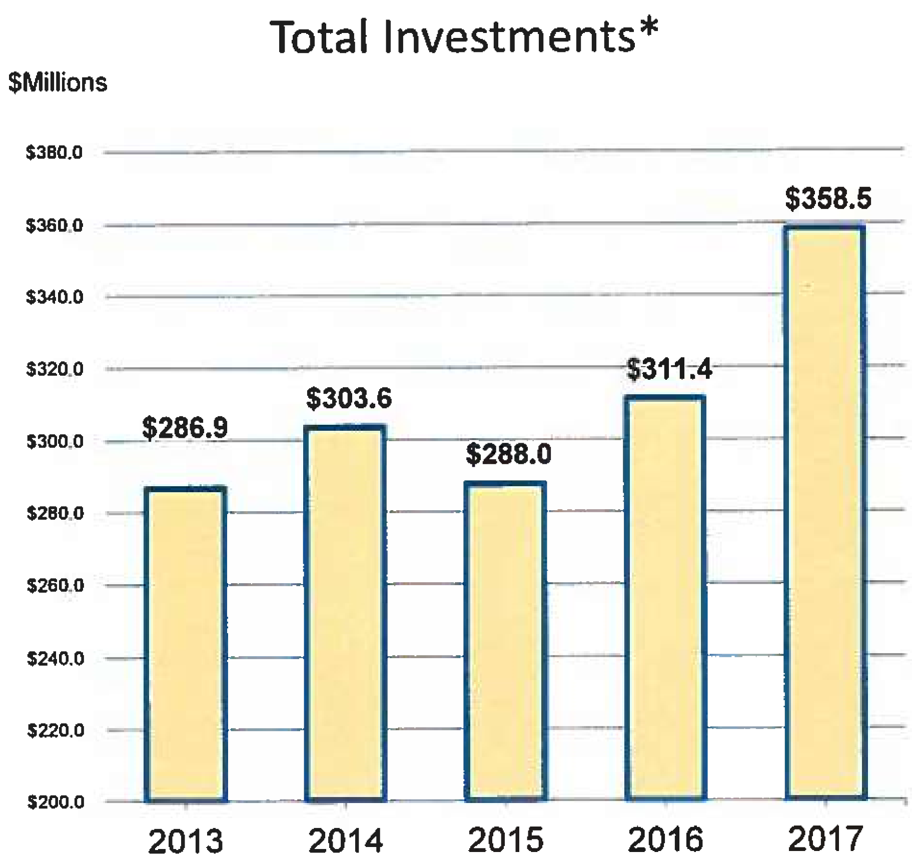
Mr. William Decatur
Vice President, Finance and Business Operations,
Treasurer and Chief Financial Officer, Wayne State University
Treasurer, Wayne State University Foundation

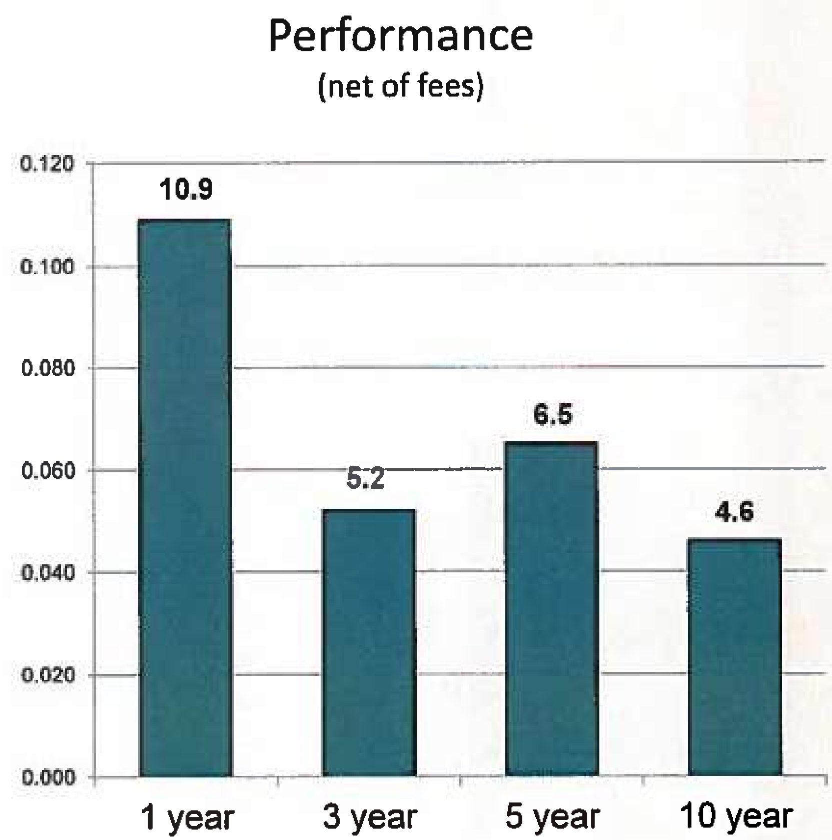
Mr. Stephen Strome
Retired Chairman and Chief Executive Officer, Handleman Company

Ms. Denise J. Lewis
Partner, Honigman, Miller, Schwartz and Cohn LLP

Mr. David Meador
Vice Chairman and Chief Administrative Officer, DTE Energy

Foundation's Endowment Portfolio demonstrates steady growth and strong returns





*Common Trust Fund (CTF) Investments

Strategic Investment Group

STRATEGIC THINKING • INSPIRED INVESTING

Wayne State University Foundation

Board Update

December 7, 2017

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Legal Disclosure

This material is for educational purposes only and should not be construed as investment advice or an offer to sell, or solicitation of an offer to subscribe for or purchase any security. Opinions expressed herein are current as of the date appearing in this material and are subject to change at the sole discretion of Strategic Investment Group®. This document is not intended as a source of any specific investment recommendations and does not constitute investment advice or the promise of future performance.

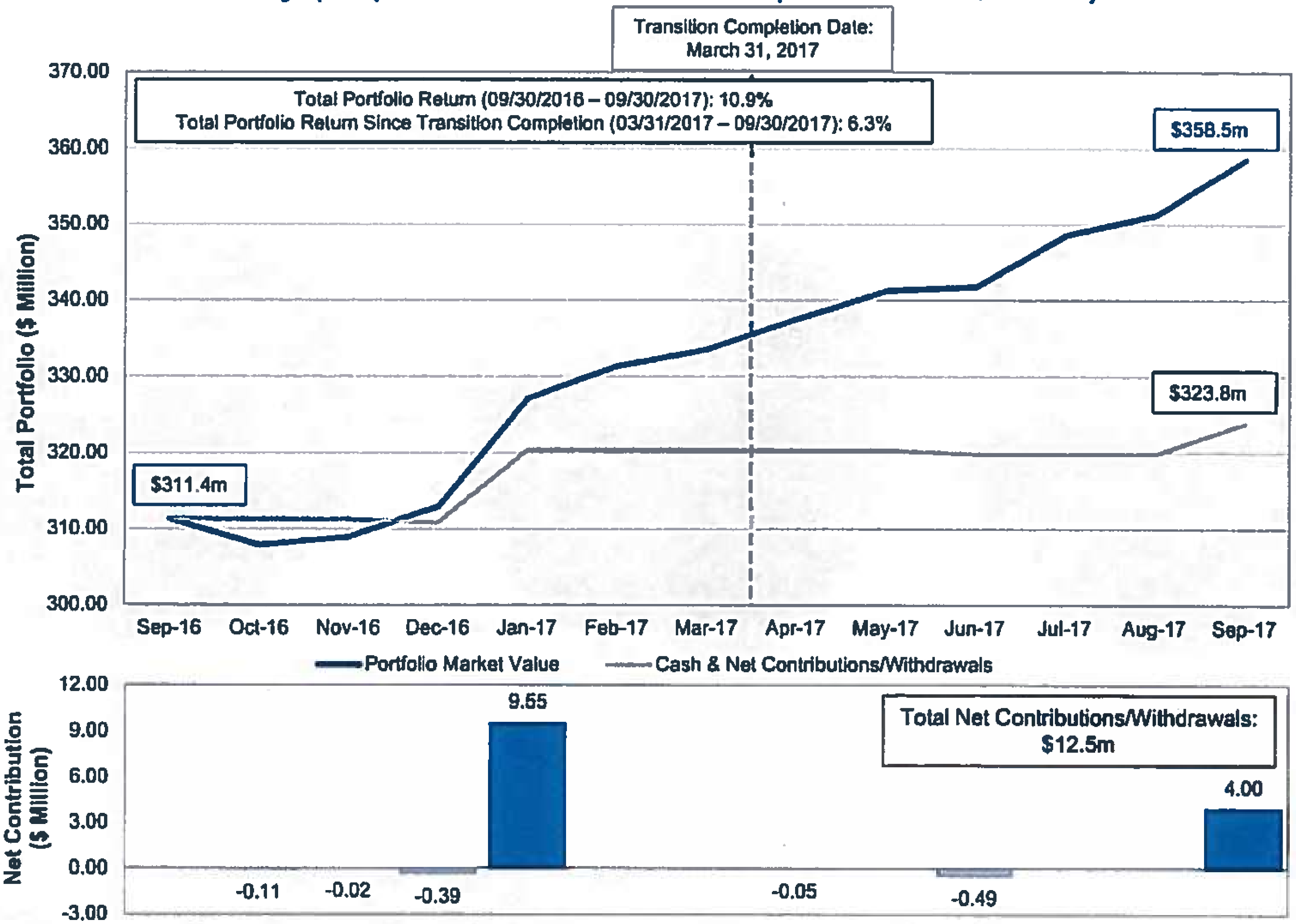
Agenda

- Portfolio Review
- Outlook and Strategy
- Current College and University Endowment Climate

Portfolio Review

The Wayne State University Foundation

Market Value History (September 30, 2016 – September 30, 2017)

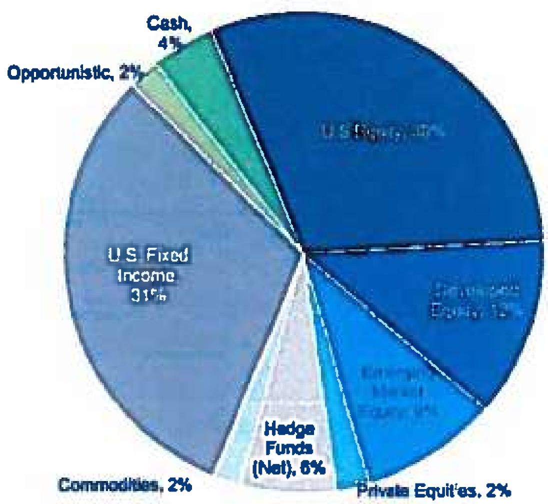


Total Portfolio Returns for 09/30/2016 – 09/30/2017 are shown gross of Strategic fees for the entire 12 month period. Total Portfolio Returns Since Transition Completion for 03/31/2017 – 09/30/2017 are shown net of Strategic fees. Both return series are shown net of sub-manager fees

Asset Allocation Changes

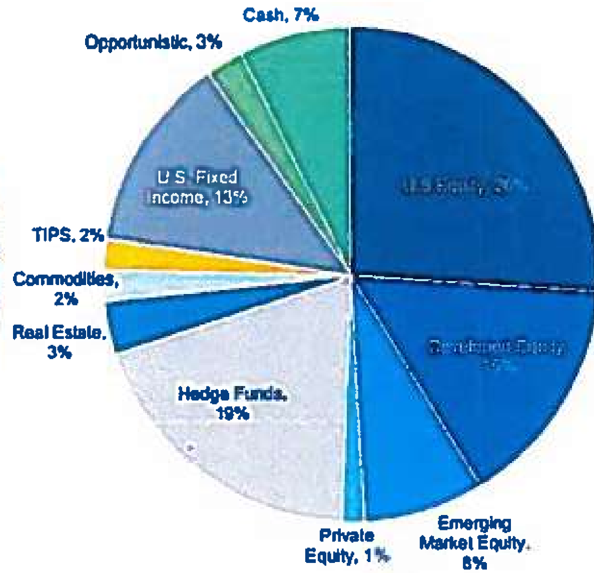
Current and Long-Term Policy Allocations

Asset Allocation – September 30, 2016



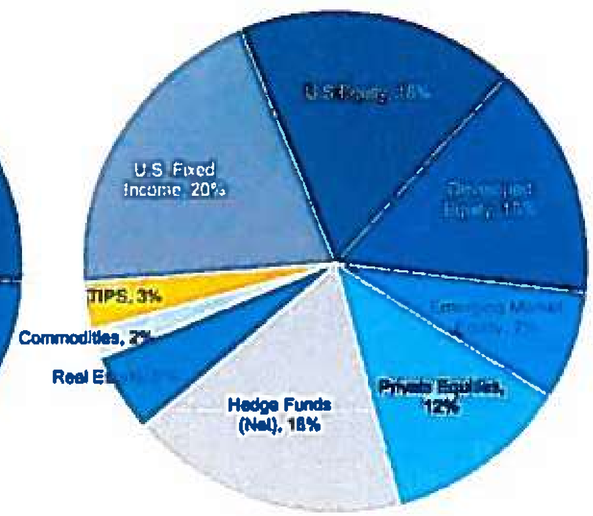
Portfolio Asset Value: $311.4mm

Asset Allocation – September 30, 2017



Portfolio Asset Value: $358.5mm

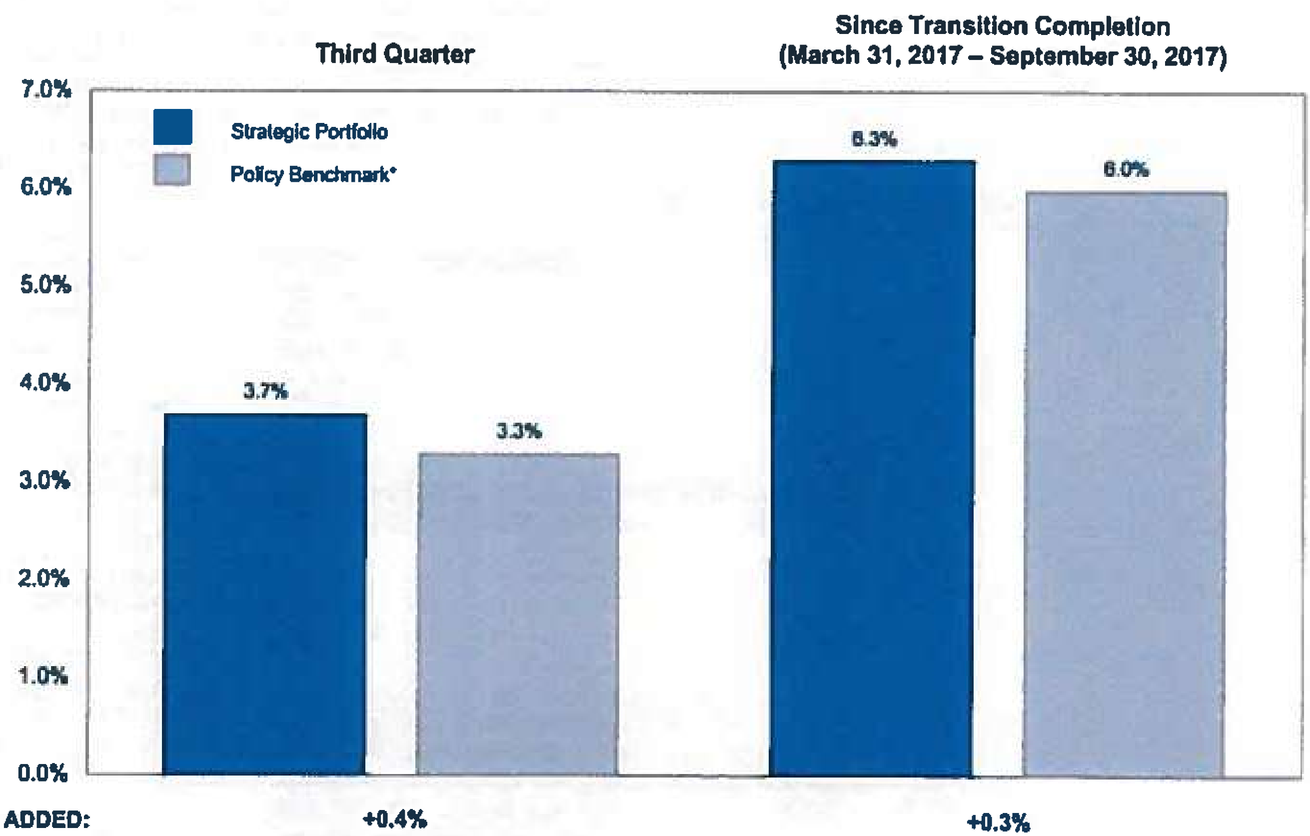
Long-Term Policy Allocation



Asset allocation percentages may not add up to 100 percent due to rounding.

Investment Performance Review

WSUF Endowment – As of September 30, 2017

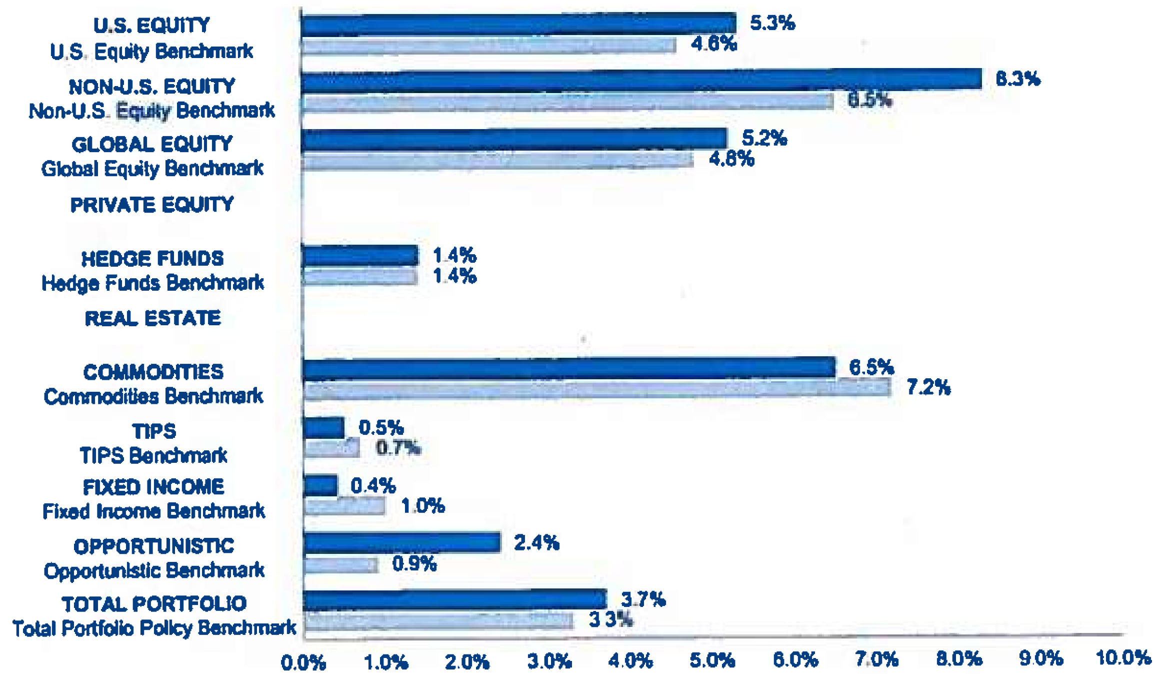


*The long term Total Portfolio Benchmark, prior to the approval by WSUF Board and Investment Committee of the new asset allocation targets was 42% Equity (27% U.S., 10% Developed Non-U.S., 5% Emerging Markets), 14% Alternatives (7% Private Equity, 7% Hedge Funds), 8% Opportunistic, 13% Balanced, 5% Real Assets, and 18% Fixed Income (12% U.S. Investment Grade, 6% High Yield), and 2% Cash. During the 'Transition Period', which for reporting purposes commenced on 1/1/2017, the benchmark used was the actual performance of the account. After the transition was completed on 04/01/2017, the benchmark became the new asset allocation targets that have been approved by WSUF. This long-term Policy Benchmark is composed of 40% Equities (18% U.S. Equities, 15% Developed Non-U.S. Equities, 7% Emerging Markets Equities), 30% Alternatives (12% Private Equities, 18% Net Hedge Funds), 10% Real Assets (5% Real Estate, 2% Commodities, 3% TIPS), and 20% Fixed Income (18% U.S. Investment Grade Fixed Income, 2% US High Yield)

Strategic Portfolio and Policy returns are shown net of fees.

WSUF Endowment Asset Class Returns

Third Quarter 2017



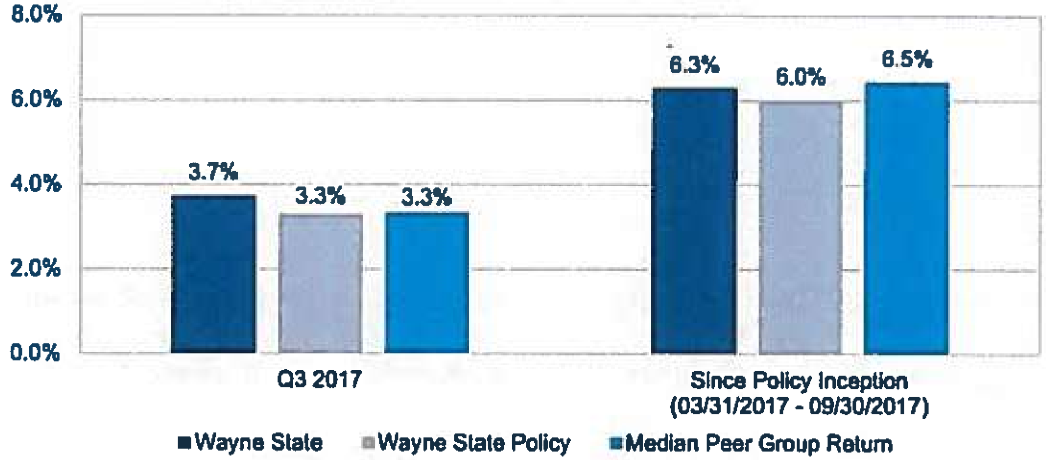
ASSET CLASS BENCHMARKS

- U.S. Equity Policy Benchmark – Russell 3000 Index
- Non-U.S. Equity Policy Benchmark – 68.2% MSCI World ex-U.S. Investible Market Index (Net); 31.8% MSCI Emerging Markets Index (Net)
- Global Equity Benchmark – A custom benchmark that is the weighted average of the underlying manager benchmarks
- Private Equity Policy Benchmark – Vintage Year-Weighted Thomson Reuters Cambridge Private Equity, Venture Capital, and Distressed Index
- Hedge Fund Policy Benchmark – HFRX Equal-Weighted Strategies Index
- Real Estate Policy Benchmark – NCREIF Fund Index - Open End Diversified Core Equity
- Commodities Policy Benchmark – S&P GSCI Total Return Index
- TIPS Policy Benchmark – Barclays Capital 1-10 Year U.S. TIPS
- Fixed Income Policy Benchmark – 90% Barclays Capital U.S. Aggregate Index; 10% Bank of America Merrill Lynch High Yield Cash Pay Index
- Opportunistic Policy Benchmark – A custom benchmark that is the weighted average of the underlying manager benchmarks
- Total Portfolio Policy Benchmark – 40% Equities (18% U.S. Equities, 15% Developed Non-U.S. Equities, 7% Emerging Markets Equities), 30% Alternatives (12% Private Equities, 18% Net Hedge Funds), 10% Real Assets (5% Real Estate, 2% Commodities, 3% TIPS), and 20% Fixed Income (18% U.S. Investment Grade Fixed Income, 2% US High Yield).

Peer Comparison

Wilshire TUCS Peer Comparison as of September 30, 2017

Wayne State Performance vs.
Wilshire TUCS 'Non-Profit Plans - $100M to $1B' Peer Group



Wayne State Asset Allocation vs.
Wilshire TUCS 'Non-Profit Plans - $100M to $1B' Peer Group

	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	Non-U.S. Fixed Income	Cash	Real Estate	Private Equity	Hedge Funds	Other*
TUCS Non-Profit Plans - $100M to $1B	35%	15%	27%	1%	4%	3%	9%	2%	4%
Wayne State as of 9/30/17	26%	23%	13%	0%	7%	3%	2%	19%	7%

Source Wilshire TUCS database Asset allocation definitions can vary by institution and by data source As of 09/30/2017, the Wilshire TUCS 'Non-Profit Plans - $100M to $1B' Peer Group is comprised of 60 peer institutions. The number of peer institutions in a peer group may vary due to report timing
*The "Other" category for WSUF includes opportunistic, commodities, and TIPS

Third Quarter 2017 Investment Performance Commentary

WSUF Endowment

- The portfolio posted solid absolute returns for the quarter and finished ahead of the index.
- Equities posted the strongest gains, with emerging managers faring particularly well:
  - Both emerging Numeric strategies, emerging markets alpha and small cap, outperformed significantly.
  - U.S. and global equity managers also outperformed for the period.
- Hedge funds finished in line with the benchmark.
- Fixed Income managers posted positive returns for the quarter, but lagged the benchmark.
- The Opportunistic managers (CarVal and Marathon) also finished with positive returns for the period.

Position Report

WSUF Endowment – As of September 30, 2017

Asset Category	Range	Long term Policy Portfolio	Policy Benchmark Weights	Current Portfolio	Active Strategy
Equity	**40.0 - 60.0**	**40.0**	**50.5**	**49.2**	**(1.3)**
U.S. Equity	18.0 - 38.0	18.0	28.5	26.1	(2.4)
Developed Non-U.S. Equity	5.0 - 25.0	15.0	15.0	15.3	0.3
Emerging Market Equity	0.0 - 17.0	7.0	7.0	7.9	0.9
Alternatives	**10.0 - 30.0**	**30.0**	**19.5**	**20.9**	**1.4**
Private Equity	0.0 - 12.0	12.0	1.5	1.5	0.0
Hedge Funds (Net)	8.0 - 28.0	18.0	18.0	19.4	1.4
Hedge Funds (Gross)	*13.0 - 28.0*	*23.0*	*23.0*	*22.3*	*(0.7)*
Asset Allocation Overlay	*(10.0) - 0.0*	*(5.0)*	*(5.0)*	*(2.9)*	*2.1*
Real Assets	**1.5 - 21.5**	**10.0**	**10.0**	**7.4**	**(2.6)**
Real Estate	0.0 - 8.5	5.0	3.5	3.4	(0.1)
Commodities	0.0 - 7.0	2.0	2.0	2.0	0.0
TIPS	3.0 - 11.0	3.0	4.5	2.0	(2.5)
Fixed Income	**10.0 - 30.0**	**20.0**	**20.0**	**12.8**	**(7.2)**
U.S. Investment Grade	3.0 - 28.0	18.0	18.0	8.2	(9.8)
U.S. High Yield	0.0 - 12.0	2.0	2.0	4.3	2.3
Non-U.S. Fixed Income	0.0 - 10.0	0.0	0.0	0.3	0.3
Opportunistic	**0.0 - 10.0**	**0.0**	**0.0**	**2.5**	**2.5**
Cash (Net Exposure)	**0.0 - 20.0**	**0.0**	**0.0**	**7.3**	**7.3**
Foreign Currency Exposure		*22.1*	*22.1*	*22.6*	*0.6*
TOTAL		**100.0**	**100.0**	**100.0**	**0.0**

Policy Benchmark Weights are adjusted to float the private equity and / or real estate weight based on the actual weight in the portfolio.
Active Strategy is defined as the difference between Current Portfolio allocations and Policy Benchmark Weights.
Foreign currency exposure summarizes the percentage of the total portfolio that is *not* denominated in U.S. dollar

Portfolio and Manager Structure

WSUF Endowment – As of September 30, 2017

U.S. EQUITY

Tilt
- PanAgora Strategic U.S. Equity Extended Alpha Fund*

Active Core
- Numeric Core*
- Numeric Small Cap Core*
- Two Sigma 130/30 All Cap*
- Rhumbline S&P 500 Ex-Tobacco Fund

Style
- LSV Value Equity*
- Sands Capital Management*

Liquidity
- Russell 3000 ETF*
- S&P 500 Futures*

Portable Alpha
- U.S. Equity Portable Alpha

FIXED INCOME

Treasuries
- FI Completion Strategy

Global Sovereign
- Franklin Templeton Global Bond Plus*

Active Credit
- Ellington Strategic Mortgage Fund*
- Fidelity RE High Income*
- GoldenTree HY Value Fund*
- Loomis Sayles & Co. High Yield*
- Monroe Capital Sr. Secured Direct Loan

NON-U.S. EQUITY

Core
- Arrowstreet ACWI-ex-U.S Alpha*
- PanAgora Dynamic Int'l Equity Extended Alpha

Developed Markets
- Acadian Int'l Small Cap*
- Causeway Multi-Fund*
- ClariVest All-Canada*
- Marathon Int'l Equity*

Emerging Markets
- BlackRock EM Alpha Advantage Fund*
- Coronation Global EM*
- Numeric EM Alpha Fund*
- Strategic Non-Core Emerging Market Trust*
  - Acadian Frontier Equity
  - Kimberlite Frontier Africa
  - Lazard MENA Equity
  - Numeric Emerging Markets Small Cap Core

Liquidity
- MSCI EAFE ETF iShares Core*
- MSCI EAFE Futures*
- MSCI EM Futures*
- MSCI EM ETF iShares Core*

GLOBAL EQUITY

- Egerton Global

PRIVATE EQUITY

Private Equity - Credit
- Perella Weinberg Partners ABV Fund IIIB

Venture Capital
- Renaissance Venture Capital Fund II

TIPS

- Wellington 1-10 Year TIPS

REAL ESTATE

- Barings Core Property Fund LP
- Prime Property Fund
- PRISA LP

OPPORTUNISTIC

Credit
- CarVal Credit Value Fund B III L.P.

Credit Long/Short
- Marathon European Credit Opportunity

COMMODITIES

- SSGA GSCI Index Fund
- SummerHaven Commodity Offshore

HEDGE FUNDS

Equity Market-Neutral
- Aleutian Fund*
- Bogle Offshore Opportunity Fund II*
- Citadel Global Equities*
- Numeric Multi-Strategy*
- OxAM Quant Fund*
- The 32 Capital Fund*

Fixed Income Relative Value
- Benefit Street Credit Alpha Partners*
- Bracebridge (New FFIO Ltd.)*
- KLS Diversified Fund*
- Magnetar Structured Credit Fund*

Equity Long/Short
- Brahman Partners III*
- Highfields Capital*
- Scopia PX International*
- Tourbillon Global Equities*

Credit Long/Short
- Anchorage Capital*
- King Street Capital*
- Marathon Special Opportunity Fund*

Global Macro
- Bridgewater Pure Alpha II*
- Bridgewater Pure Alpha Major Markets II*
- Element Fund*
- Stone Milliner Macro Fund*

Multi-Strategy
- Aristeia (ASIG International Ltd.)*
- Farallon Capital Offshore*
- Fir Tree International Value Fund*
- Laurion Capital*
- Taconic Opportunity Offshore Fund*

Information is shown for illustrative purposes only, is not intended as investment advice, and is subject to change at the sole discretion of Strategic
*Accessible through Strategic commingled funds.

Outlook and Strategy

Investment Themes

Macro Backdrop:

Global economy on solid footing but uncertainties remain. We retain our outlook for solid growth and a gradual rebound in inflation.

- Supportive economic policies driving strong global growth with only limited cyclical imbalances. Inflation has been undershooting expectations but cyclical price pressures are picking up.
- Euro area economy still outperforming expectations. Political risks remain, particularly in Italy and the UK.
- Solid growth in China is still exceeding expectations and helping to support EM sentiment. High debt levels in China warrant monitoring.
- The forecast pick-up in inflation and a booming labor market will keep Fed on tightening path which is likely to surprise financial markets. We are keenly on the lookout for taper signals from the ECB.

Asset Allocation:

Overall portfolio risk posture remains near policy benchmark levels.

- Underweight stance on global equities overall. U.S. equities are underweight while non-U.S. developed markets and emerging markets are overweight on relatively favorable valuations.
- Solid underweight on fixed income duration as global economy and monetary policy are creating upward pressure on real and nominal yields. Opportunities for active management still exist in high yield and specialized strategies.
- The fundamental backdrop for hedge funds has gradually improved; market inefficiencies exist and prices will converge to fundamentals over time. Macro and policy divergence supports unconstrained active strategies and intra-market correlations have fallen from previously high levels.

Key Macro Questions

- Where are we in the U.S. business cycle?
- Will monetary policy turn from tail- into headwind?
- Why is inflation so low?
- What is going on elsewhere?
- What to do in a world of high valuations?

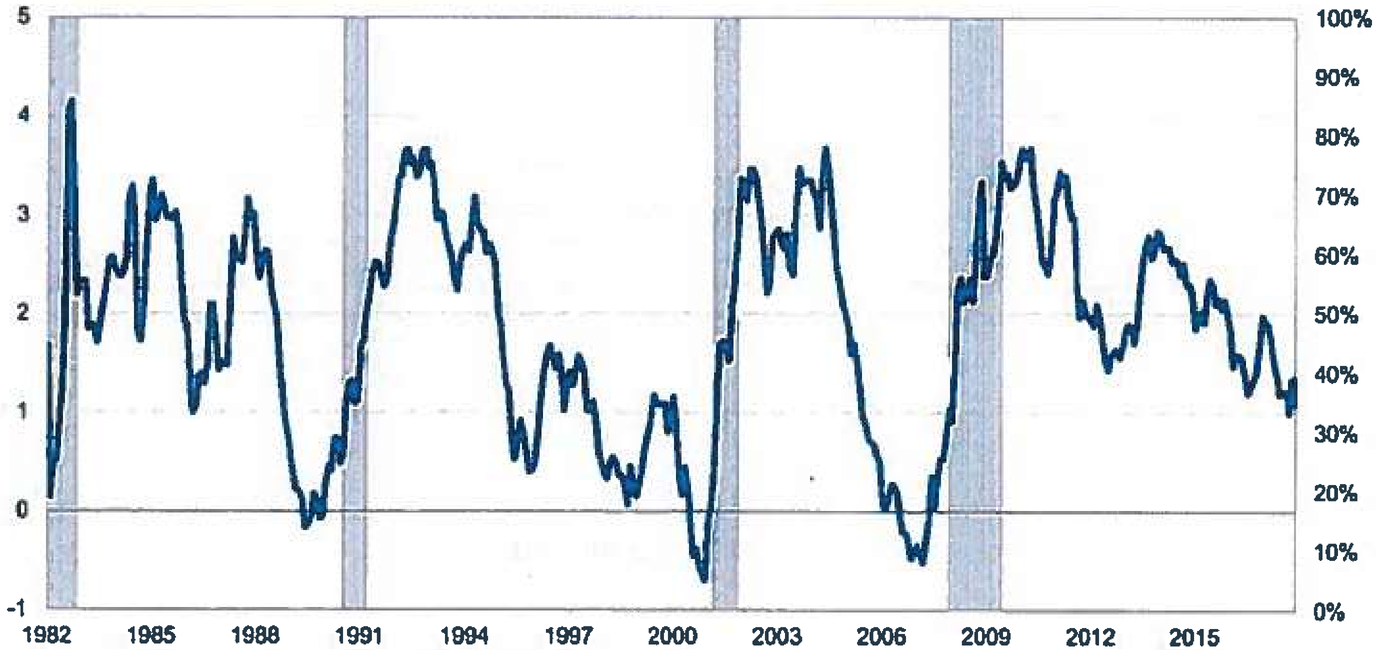
Global Economy – Where We Are and What Is Expected?

	Real GDP Growth (%)			Inflation*** (%)		
	Latest*	2017E**	2018E**	Latest	2017E**	2018E**
U.S.	2.3	2.2	2.4	2.3	2.0	2.0
CA	3.5	3.0	2.0	1.6	1.6	1.9
EZ	2.5	2.2	1.8	1.4	1.5	1.3
U.K.	1.5	1.6	1.4	3.0	2.7	2.6
JP	1.4	1.6	1.2	0.7	0.4	0.7
CN	6.8	6.7	6.3	1.9	2.7	2.3

Sources. "Latest" from Bloomberg as of November 14, 2017
* Year-over-year. Q2 2017 Latest data as of November 14, 2017
** 2017E from Consensus Forecasts as of October 9, 2017, except China, from Barclays Global Economics as of June 16, 2017
*** CPI headline inflation yoy, latest month available.

Where in the Cycle is the U.S. Economy?
The NY Fed's Recession Model

Spread: 10 Year U.S. Treasury Yield - 3 Month T-Bill Rate



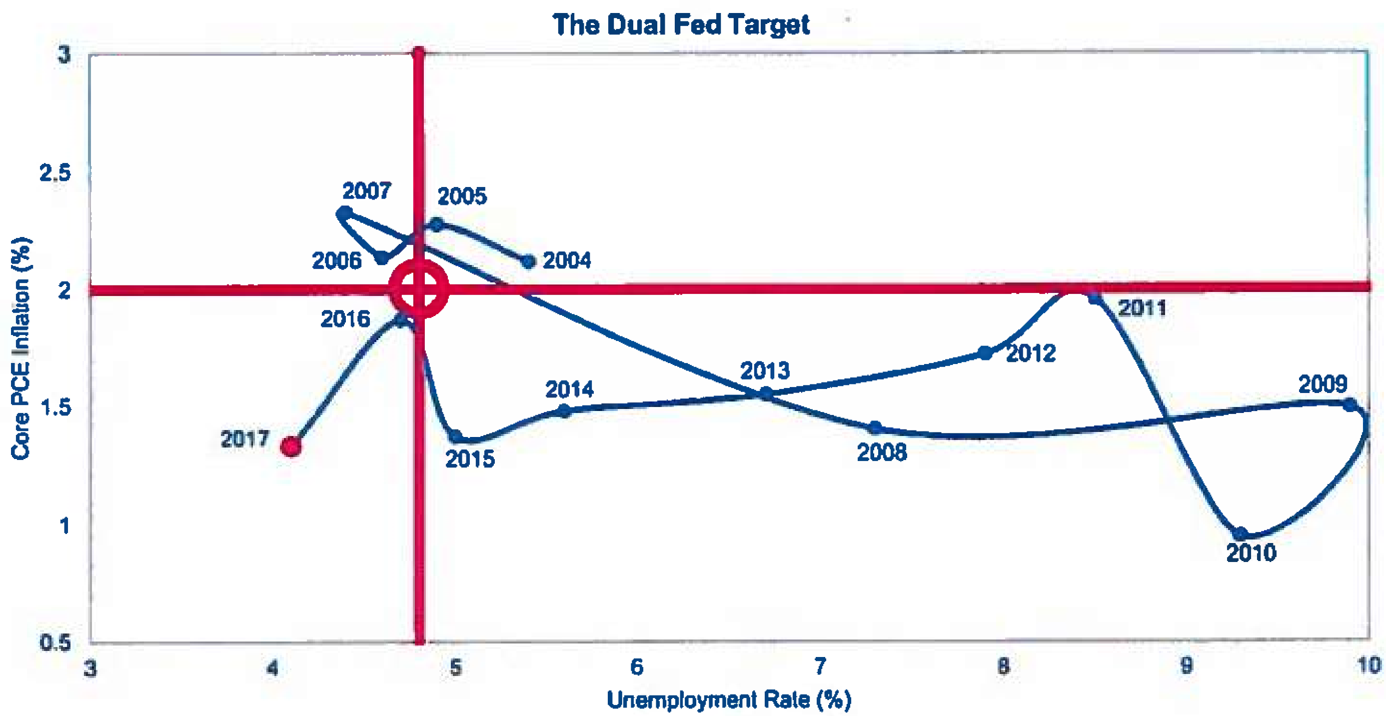
The current slope of the yield curve implies a recession probability over the next 12 months of 9%.

Source Federal Reserve Bank of New York. Data as of November 10, 2017.

Is the Fed Falling Behind the Curve?

A Less Than Direct Approach to the Fed's Dual Target

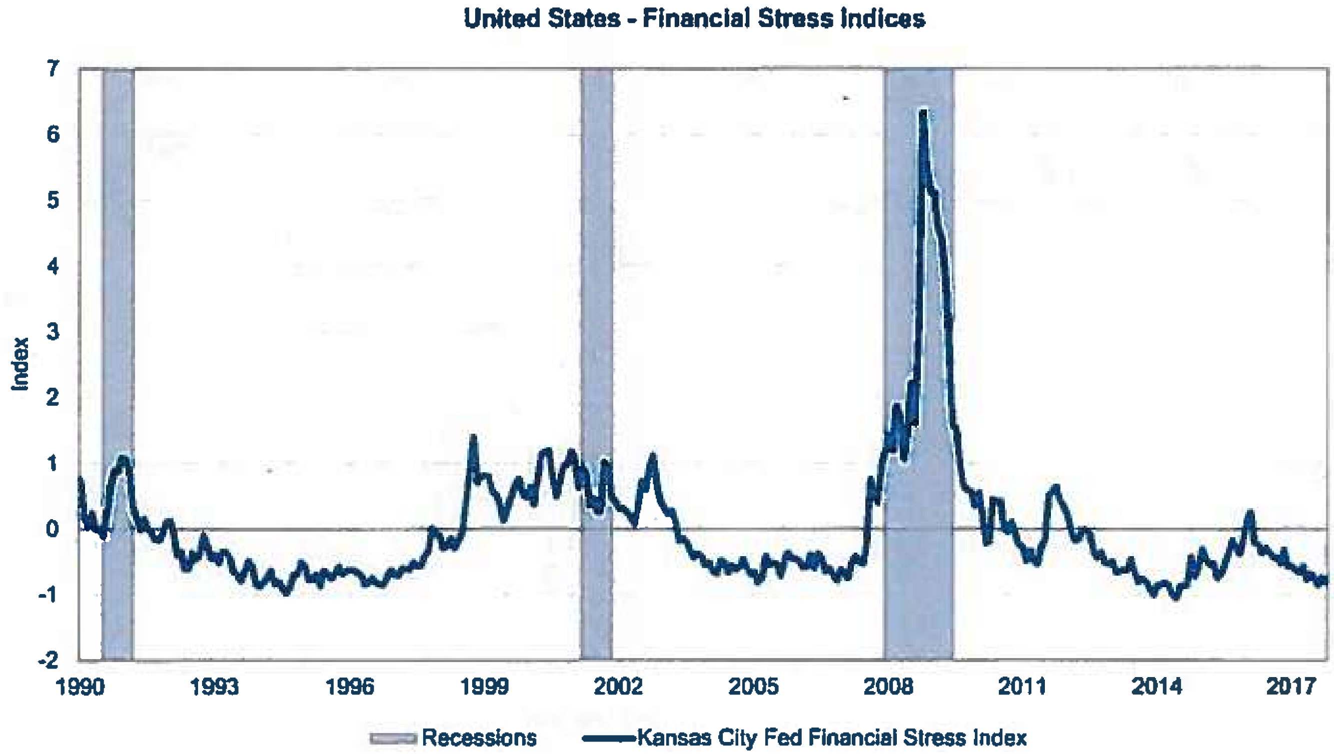
"Because monetary policy affects the economy with a lag, steps to withdraw this monetary accommodation ought to be initiated before the FOMC's goals are fully reached." (Janet Yellen, June 6, 2016)



Sources: Bloomberg, Strategic. Data as November 14, 2017; all other years year-end values

The Fed and Financial Conditions

Rate Hikes and Prospect of "QT" Have Not Tightened Financial Conditions



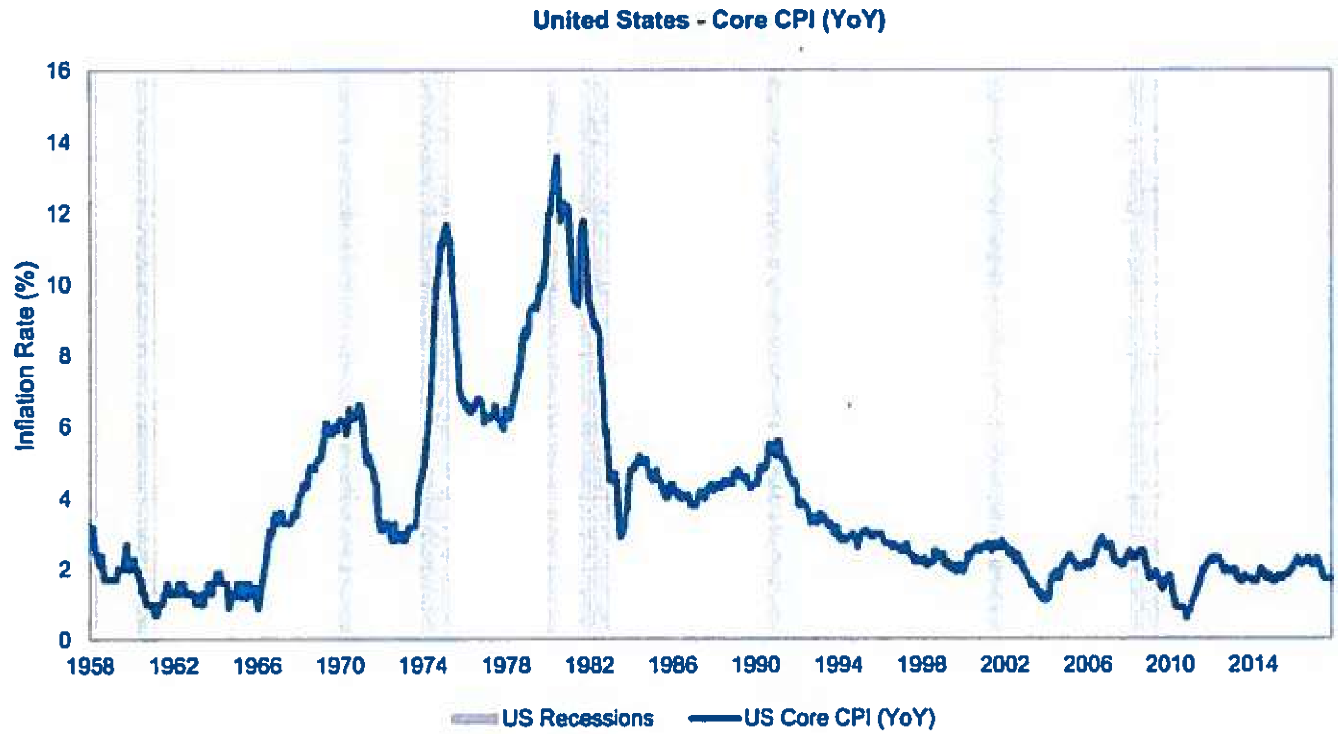
Financial stress has been easing since early 2016.

A reading below zero indicates that conditions are easier than their long-term average.

Sources: Bloomberg, Kansas City Fed, St. Louis Fed. Data as October 31, 2017. Gray columns indicate U.S. recessions.

Inflation Over the Business Cycle

Low U.S. Core Inflation Likely To Pick Up As Business Cycle Matures

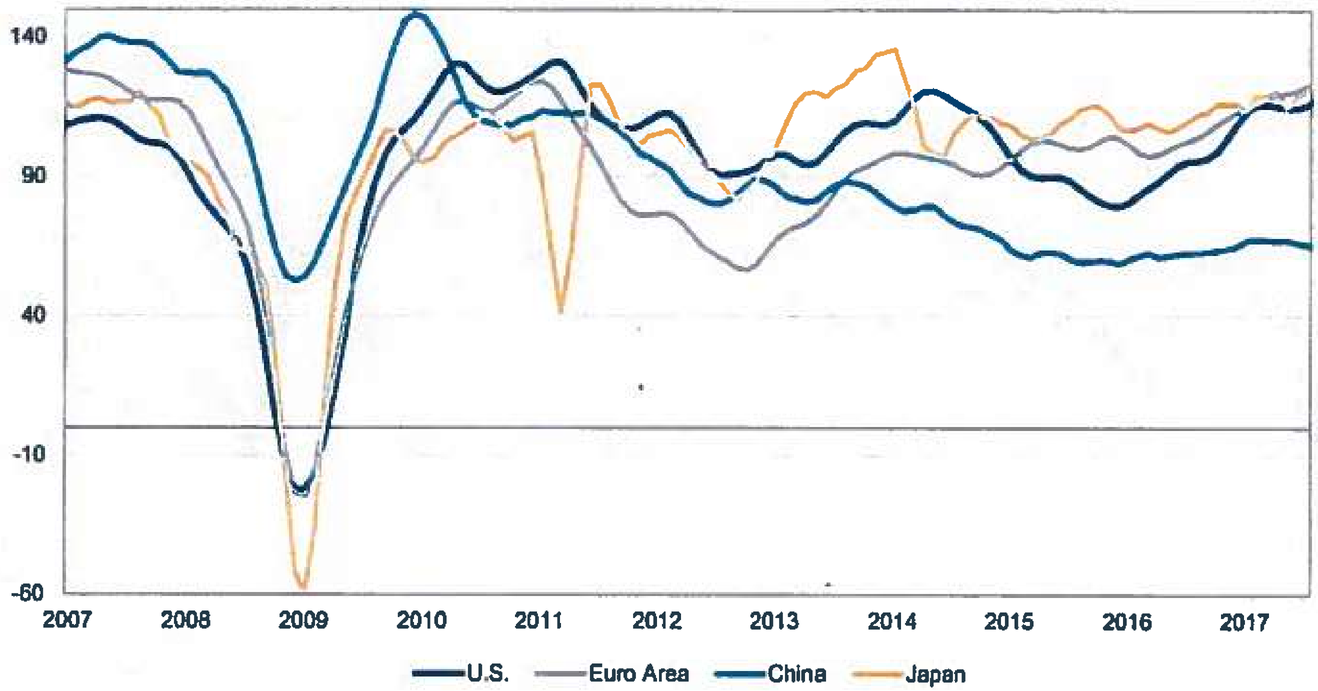


Inflation lags the business cycle and tends to increase well past the onset of a recession.

Source: Bloomberg. Data as of September 30, 2017

The Global Economy
Solid Economic Activity Across Major Economies

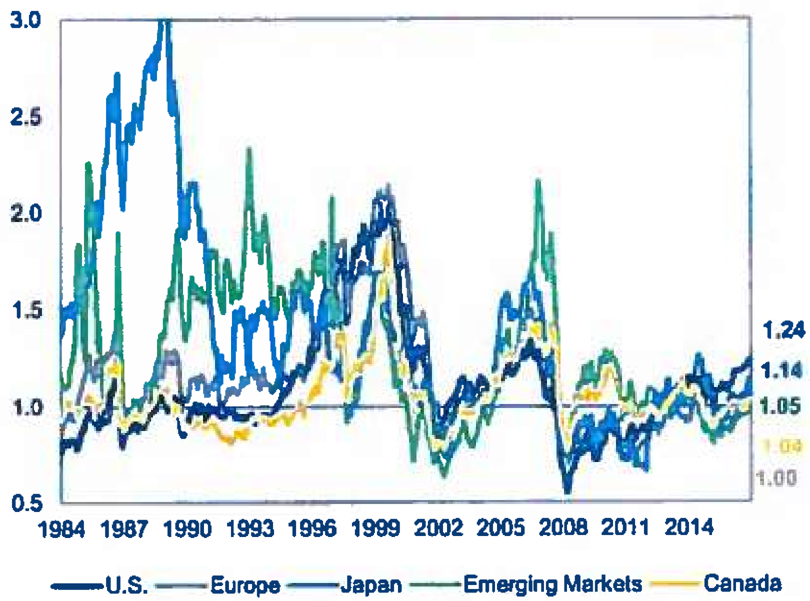
Now-Casting Economic Activity Indices

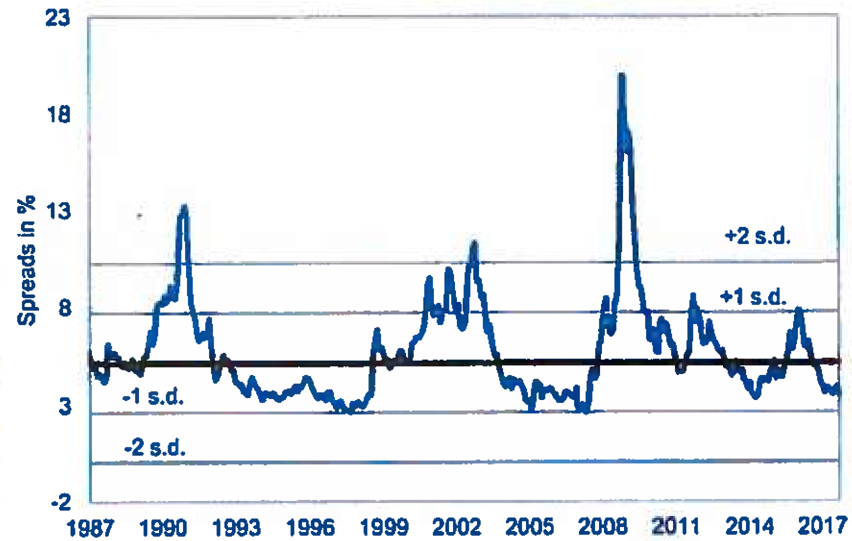


Source: Bloomberg. Data as of October 31, 2017.
The Now-Casting Index (NCI) is an index that measures the state of the business cycle. It is calculated from a broad set of monthly and quarterly economic indicators covering production, labor, construction, domestic and international trade, services and surveys. The NCI is normalized to have a mean value of 100 and a standard deviation of 25 calculated over the estimation sample which started in 1995.

Modest Valuation Support for Risky Assets

U.S. Equities and Corporate Bonds Expensive





This year's rally has made all regions more expensive. Non-U.S. markets are relatively more attractive than U.S.

High yield index spreads have continued to narrow as investors hunt for yield.

Sources Strategic, Barclays, Bloomberg Price-to Fair Value as of October 10 2017, High Yield vs Treasuries as of September 30 2017

Current College and University Endowment Climate

Strategic Investment Group

STRATEGIC THINKING • INSPIRED INVESTING

To: Marianne Cunningham, Diana Goode, David Harmon, Bill Decatur

From: Ken Grossfield, Markus Krygier, Nikki Kraus, Ron Klotter

Date: November 10, 2017

Subject: *New York Times* Article Regarding Offshore Funds

You may be aware of a recent *New York Times* article, "Endowments Rise as Schools Bury Earnings," which appeared in print on November 9, 2017, as well other articles that discuss offshore investments by college and university endowments revealed in the so-called "Paradise Papers." In our view, several components of these articles are highly misleading. We want to take this opportunity to provide to our college and university clients our views on some of the key topics raised in these articles, particularly as they relate to our clients' portfolios.

While Strategic Investment Group is not invested on behalf of our clients in the specific investments cited in the *New York Times* article, below we address some of the general points made as they apply to the use of offshore hedge funds. (Note that while private equity funds and real estate funds managed by U.S.-based sponsors are typically formed as U.S.-based partnerships, they may also use offshore blocker structures to hold certain underlying investments. Many of the issues discussed below with respect to hedge funds apply to these private equity blockers as well.)

> ***The vast majority of hedge funds that we invest in for tax-exempt entities are structured as offshore corporations.*** While definitive industry data on the subject remains scarce, our personal experience, and general commentary by law professors and industry practitioners, indicates that the dollar value of U.S. tax-exempt assets invested in institutional quality hedge funds formed offshore dwarfs the dollar value of these assets invested in onshore options.
>
> ***The reason that we invest in offshore hedge funds is not to "bury" information or because they are "secretive."*** We obtain the same level of underlying information (e.g., positions and/or factor exposures, fees, commentary) from offshore hedge funds that we obtain from onshore hedge funds in which we invest. Obtaining the transparency that we need to conduct due diligence on hedge funds is fundamental to our process, and the approach does not vary based on the domicile of the fund. In addition, information on the offshore funds in our client portfolios is provided to our clients in our performance reports and in our fund financial statements in the same manner, and with the same level of detail, as the onshore funds.
>
> ***Often, the net tax benefit of investing in an offshore hedge fund relative to an onshore hedge fund is negligible.*** A U.S. tax-exempt entity that invests in an offshore hedge fund avoids paying taxes on "unrelated business taxable income" (UBTI). However, to the extent that the offshore hedge fund in turn invests in U.S. securities or other U.S. investments, it is

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subject to (a) U.S. dividend withholding; (b) tax on income that is "effectively connected with a U.S. trade or business" (ECI); and, (c) on rare occasions, branch profits tax. Depending on the nature of the strategy, these other taxes could largely offset the taxes that would be paid on the UBTI that would be generated if the fund were to invest onshore.

Tax-exempt entities often prefer investing offshore because it alleviates the burden of making U.S. Federal and state tax filings. An important distinction between UBTI and the other taxes described above, is that UBTI is incurred directly by the U.S. tax-exempt entity, while the dividend withholding, ECI and branch profits tax are obligations of the offshore fund in which the U.S. tax-exempt entity is invested. As a result, the UBTI gives rise to direct U.S. Federal and state tax filing obligations. For funds that operate in many states, these obligations can be quite burdensome. On the other hand, the offshore fund makes its own tax filings and tax payments and so, while the tax-exempt entity's investment return is reduced by these taxes, it avoids the administrative burden of directly making the actual filings and payments.

The suggestion that an offshore investment made by a foundation or endowment is an unethical tax dodge misunderstands the purpose of the UBTI rules. There are two components of UBTI: (a) income earned from business activities that are unrelated to an entity's tax-exempt purpose, and (b) income that is earned through investments financed with debt. Each of these components was designed (in the 1950s) to address a particular abuse. The first provision was designed to prevent tax-exempt entities from creating for-profit subsidiaries that allow these subsidiaries to avoid paying taxes they would otherwise be required to pay. (The most famous example of this practice was the Mueller Macaroni Company, whose owners donated 100% of the company stock to NYU, and continued to operate as it had previously, only without paying taxes on its income.) Similarly, the debt financed rules were designed to prevent specific types of abusive practices, most commonly sale-leaseback transactions between charitable organizations and for-profit corporations. The rules clearly did not envisage that they would be applied to passive investments in hedge funds. One could argue that the reason the widespread use of offshore funds by tax-exempt entities has not been addressed by the IRS or Congress, is that it does not raise any real policy concern.

In summary, we believe that the recent press articles have distorted and mischaracterized the use of offshore investment vehicles by college and university endowments, which is a long-standing and common practice of institutional tax exempt investors in the U.S. We would be happy to discuss any of the issues described in greater detail at your convenience.

The Tax Cuts and Jobs Act

- Approved by the House of Representatives on November 16, 2017.
- Proposes the introduction a new excise tax on the net investment income of college and university endowments.
- Similar to the excise tax on foundations, the tax would affect educational institutions that:
  1. have at least 500 full-time-equivalent students,
  2. are private, and
  3. have an endowment of at least $100,000 per full-time-equivalent student.
- While labeled a tax on investment income, it would also include capital gains, effectively making it a tax on realized total return.
- Applying the 1.4% tax to an expected return generally around 7.5% for endowments, this would suggest an effective tax of roughly ten basis points on endowment market value on average each year.
- Given the complexity of the negotiations surrounding the bill, it is impossible to predict whether a tax bill will be passed in the Senate and, if so, in what form.

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