

INVESTING IN A LEGACY



Duquesne University is truly a legacy—a priceless inheritance passed down from our ancestors. For more than 130 years, each generation has polished this jewel on a hilltop, creating a beautiful campus and a distinctive education for the mind, heart and spirit.

Duquesne began with few financial resources, but an abundance of faith and fortitude. Spiritan priests and brothers and laity alike invested their time, energy and talent to ensure the University's survival and growth. As grateful alumni became successful, and friends in the community recognized Duquesne's potential, investments of treasure followed. Today, Duquesne's endowment is critical to advancing our proud legacy of teaching, research and service.

The importance of a strong endowment cannot be overstated. Income from tuition, fees, auxiliary services, grants and annual giving fluctuates from year to year, while returns from a carefully invested endowment provide a steady, more predictable revenue stream.

Prudently invested and properly stewarded, these endowment returns make a Duquesne education better and more affordable for each new generation, providing both necessities and amenities that cannot be adequately funded through operational revenue alone:

Scholarships: Our founding Spiritans fervently believed that education should be accessible to all who can benefit, regardless of their ability to pay. A wide variety of endowed need- and merit-based programs keep their dreams alive today.

World-Class Faculty: Endowed chairs and professorships allow Duquesne to attract and retain renowned scholars. This, in turn, fuels groundbreaking research, outstanding teaching, and the development of programs addressing society's most pressing needs. Often, these new initiatives are themselves perpetually supported through endowments.

Conferences, Symposia and Lectures: Endowment funds support a variety of events adding breadth and depth to the curriculum, provoking thought and reflection, and drawing internationally known academic and public figures to our campus.

Resource Funds: These endowments support the services and amenities that separate a good education from a truly great one—providing faculty with tools and training to advance their research or implement new teaching techniques, and students with co-curricular and extracurricular experiences, awards, travel, books or supplies.

Duquesne's endowment has experienced remarkable growth over time, thanks to careful investment and, of course, many gifts from generous donors like you who are truly advancing our legacy. Investment performance varies from year to year, but the endowment helps to shield Duquesne's operating budget from fluctuating business cycles and is a major contributor to the University's recent strong ratings from Standard and Poors and Moody's.

PROGRAMMATIC SUPPORT:

THE MONSIGNOR CHARLES OWEN RICE LECTURES



Monsignor
Charles Owen Rice

As the nation's only Spiritan university, Duquesne bears a responsibility to share our sponsors' tradition of service to all of humankind. A hallmark of the Spiritan charism is outreach to the underprivileged and downtrodden. Our founders established Duquesne to serve the children of poor

immigrants—providing the education that would open the door to a better future. Similarly, Duquesne was among the earliest Catholic institutions to make the same opportunities available to women and minorities. Generations of students have benefited from the Spiritans' commitment to social justice, and have carried it on into their own lives and careers.

Perhaps no alumnus illustrates this legacy better than Monsignor Charles Owen Rice. The son of Irish immigrants, he graduated in 1930 and was ordained in 1934, as America faced the Great Depression. Three years later, he co-founded St. Joseph's House of Hospitality to serve the hungry and homeless, and joined workers on a picket line at a Heinz plant. He became known as Pittsburgh's "labor priest," championing workers' right. For decades, he stood side-by-side with laborers and argued their case to the masses as a radio commentator and newspaper columnist.

Though best known for his support of the labor movement, he was also a staunch advocate for such causes as civil rights, nonviolence, prison reform, and the plight of AIDS patients. In all of his efforts, Monsignor Rice ought to minister to the entire person—mind, heart and spirit.

His work to raise awareness continues today through Duquesne's Monsignor Rice Lecture Series. Presented by the Center for the Study of Catholic Social Thought, the Rice Lectures bring internationally known speakers to campus, examining such topical issues as refugee rights, the American civil rights movement and health care reform through the prism of Church teachings. Hundreds of students and faculty attend these thought-provoking annual lectures, becoming enlightened and challenged to apply Catholic social thought in their everyday lives.

The Rice Lectures are supported through an endowed fund established by John R. McGinley, Jr., L'68. The McGinley family has also funded other endowments that provide scholarships, support the Law School, and underwrite an annual conference on social justice in health care.

ENDOWMENT BASICS

Duquesne's endowment supports the aforementioned initiatives on a perpetual basis. To create an endowed fund, donors contribute cash, securities or other assets to the University for a specific purpose. Since Duquesne University is classified as a tax-exempt, nonprofit organization, these gifts are tax-deductible. The principal of each gift is invested, with *a portion of the return* spent each year to support the initiative designated by the donor. The principal is held in perpetuity, never to be spent.

Minimum gift amounts apply to the establishment of endowed funds; these vary based on the purpose (resource funds, scholarships, fellowships, lectureships, faculty chairs, etc.).

University policy permits the naming of endowed funds for the donor or for another individual the donor wishes to honor or memorialize. While individual endowment funds may be named, all endowment assets are managed as a single pool as described herein.

INVESTMENT POLICIES

The primary objective of the University's investment strategy is to provide long-term growth of principal and income, without undue exposure to risk. These objectives are pursued using a diversified combination of instruments that is conducive to participation in rising markets, while allowing for maximum capital protection in falling markets. This mix includes investments in domestic equities (large-, mid- and small-cap), international equities (large-cap, small-cap and emerging markets), fixed income securities, real estate, and limited exposure to alternatives such as private equity and hedge funds.

The Audit and Finance Committee of the Board of Directors sets policy, selects professional investment managers and monitors their performance, with evaluations conducted quarterly through an independent third party. Benchmarks are established for results overall and within various types of investments, considering both the short-term performance and realization of expected outcomes over a longer-term moving average.

In accordance with the Uniform Prudent Investor Act (UPIA), the Committee, fund managers, and University business and management personnel share the fiduciary responsibility to loyally, impartially and prudently manage all investments as part of the University's overall endowment portfolio, rather than as individual funds.

SCHOLARSHIPS

KYLIE LASOTA, E'11



Kylie LaSota

Kylie LaSota came to Duquesne from Washington, Pa. She became an honor student in the School of Education, and served during her senior year as communications vice president of the Student Government Association.

Her education was made possible in large part through endowed scholarships, including the William P. Faith Memorial Award, the Mary Bischoff Scholarship, the Johnson Scholarship, the Blenko Scholarship, and the Hoffman Scholarship.

Asked for her thoughts about the impact of endowment giving, she eloquently responded:

"It has taught me so much about life. I humbly thank you for all of your assistance and for showing me what it means to give. Without your support and good example, I would not be the person I am today – I would not fully understand what it means to be a good steward."

"It has showed me how someone far better off than me can take a chance and invest in something that is so intangible yet has so much potential. With each scholarship I have received, I became an extension of your faith in the future."

"From my excellent academic record and scholastic achievement, I hope that you are able to appreciate the invaluable return of your investment. Everyday, you have supported me in my endeavor to positively impact the lives of others. And, if given the opportunity, I'm sure that the people whose lives I've positively impacted would thank you, too."

"I hope that you will continue to pursue this role as a steward..."

Kylie is just one of the hundreds of students who benefit from the more than 250 endowed scholarships Duquesne awards each year— young men and women who will, in turn, touch thousands of lives and change the world in the years to come.

PAYOUT POLICIES

The University's investment philosophy and fiduciary responsibility emphasize the need for growth of the overall endowment principal at a rate exceeding inflation in the larger economy. To achieve this objective, the Board has established a target annual spending rate equal to five percent of the average market value of the entire fund over the previous rolling 16 quarters. This amount (the "payout") is calculated at the end of each calendar year.

According to the National Association of College and University Business Officers 2007 Endowment Study, 72 percent of colleges and universities use this type of spending policy, which mitigates the effects of short-term volatility in the capital markets, resulting in budgetary stability from year to year. Because the calculation is based on a moving 16-quarter average rather than the value of the fund on any particular date, the actual distribution may be lower or higher than five percent of the current market value.

The calculated distribution rate is applied to each individual endowment fund, with payouts available to the designated departments or programs on the first day of the new fiscal year (July 1).

Distributions from an endowed fund generally will not begin until the principal balance has reached the applicable minimum amount for the specified purpose. If the minimum is achieved by November 30 of a given calendar year, distributions will commence with the beginning of the next fiscal year (July 1). However, a gift received or a minimum principal amount reached on or after January 1 of the next calendar year will not qualify for a distribution until the beginning of the second subsequent fiscal year; for example:

Minimum principal reached by
Nov. 30, 2010

Distribution begins July 1, 2011

Minimum principal reached on or
after Dec. 1, 2010

Distribution begins July 1, 2012

Specific details should be contained within each individual donor's signed gift commitment.

Investment Performance and Individual Account Status

Please refer to the enclosures for detailed information on the most recent fiscal year.

FACULTY CHAIRS:

THE DONAHUE CHAIR IN INVESTMENT
MANAGEMENT



Thomas J. Nist

As the inaugural holder of the Donahue Chair, Thomas J. Nist has served the University and society through an especially unsettling time. “Investors are suffering a crisis of confidence and the financial services industry has undergone unprecedented change,” Nist explains.

Nist earned his undergraduate degree from Duquesne’s business school in 1979 and his MBA from Arizona State University in 1980. He spent 25 years in management positions with Mellon Bank and PNC and nearly two decades as an adjunct business professor at La Roche College and Duquesne before his full-time appointment to the Donahue Chair in 2007.

Soon after that, turmoil spread through the markets. “I have been called upon to address this situation at the classroom, campus and community levels,” Nist says. “The complex nature of these circumstances requires a special effort in sorting out the issues and discussing them with a realistic, yet calming effect.

“In my position, I can address issues and answer questions from an unbiased perspective,” he continues. “I have the added advantage of working with a team of colleagues who openly share their points of view and help to refine the thought process.”

Nist has expanded Duquesne’s finance and investment management programs. Students now experience real money portfolio management through the Red & Blue Partners fund. A growing list of investment firms visit campus as speakers and to recruit employees and interns. An advanced financial modeling seminar ensures that students’ quantitative skills are the best among graduates entering the workforce. A new student group brings students in finance and investment majors together to plan their career searches and perform community service.

“Preparing the next generation of leaders in business is central to our mission,” Nist explains. “With the support of an endowment, I find the inspiration to lead this effort while connecting the University to the community.”

The chair was endowed through a gift from the family of Rhodora and John F. Donahue, founder and chairman of Federated Investors Inc.



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