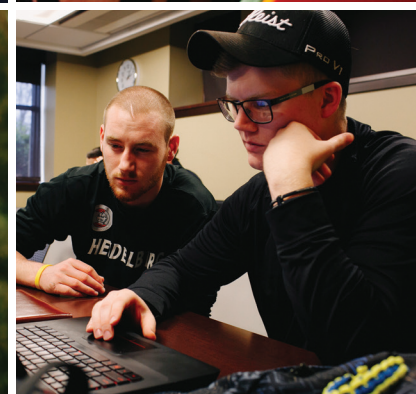
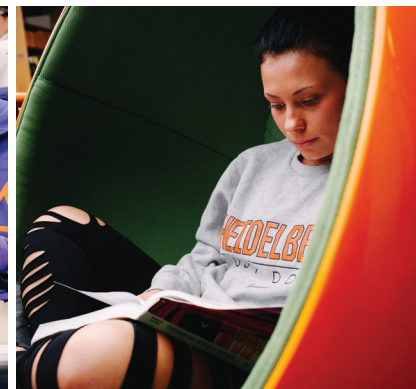




Endowment Report For Our Donors

2017





February 2018

Dear Donors:

We have prepared this report to give you some insight into how your investment in Heidelberg University is performing. Since 2009, our General Endowment has more than doubled – a tremendous accomplishment and the result of confident investors and a strong market.

We understand from history that over the long run, stocks have had greater returns than bonds. We also grasp that long term, bonds have had greater total returns than money market funds. Finally, we have gleaned that on average, stocks are much riskier than bonds and on average, bonds are much riskier than money market funds.

Your own personal investments may have grown further, faster or slower depending upon your aversion or lack of aversion to risk. Our Board of Trustees Finance and Facilities Committee has a subcommittee, the Investment Committee, that has determined that they will be prudent and thoughtful in protecting the investments made in Heidelberg University so that future generations of students and faculty may benefit from your generosity and vision.

Your investments enable us to continue to deliver and plan thoughtfully for our desire to deliver an unparalleled excellent educational experience for the students and faculty and staff who choose to make Heidelberg University their educational home. Our commitment and vision stand squarely on the shoulders of our founders. With the generous support of our benefactors like you, we refine, steward and ensure relevancy so that those who follow will have a platform to continue to reach for the stars.

Our longer term goal over the next 10 years is to continue to build a strong endowment for Heidelberg University. As of December 31, 2017, our General Endowment had crested the \$53 million mark. Our goal is to double the Heidelberg General Endowment over the next 8-9 years to pass \$100 million. In this report, we have provided the most current data available. In some of our comparative graphs, the information is from 2016. This is provided by a national organization and there is a significant lag time.

What follows is the mission, authority, investment principles, investment objective and spending policy as determined by the Heidelberg University Board of Trustees in regard to our General Endowment. Your continued support will keep us strong, agile and distinctive.

All Hail Heidelberg Sweet Alma Home!

Phil Ness
Vice President
University Advancement & Marketing

Mission
The mission of this investment policy is to establish the parameters and structure of the investment program for the Heidelberg University Endowment Fund (the Fund.) The program will employ professional management to maintain the real purchasing power and provide prudent long-term growth of assets.

General Endowment (\$ millions)

Fiscal Year	Beginning Market Value	Contributions/ Receipts	Withdrawals	Net Change in Market Value	Ending Market Value	HU Total Return
7/1/09-6/30/10	\$ 23.33	\$ 1.35	\$ (1.47)	\$ 2.98	\$ 26.19	13.7%
7/1/10-6/30/11	\$ 26.19	\$ 0.58	\$ (1.57)	\$ 6.27	\$ 31.47	24.7%
7/1/11-6/30/12	\$ 31.47	\$ 1.25	\$ (2.06)	\$ (0.55)	\$ 30.11	-2.3%
7/1/12-6/30/13	\$ 30.11	\$ 3.13	\$ (2.37)	\$ 2.97	\$ 33.85	11.2%
7/1/13-6/30/14	\$ 33.85	\$ 5.10	\$ (2.09)	\$ 6.36	\$ 43.21	18.0%
7/1/14-6/30/15	\$ 43.21	\$ 2.51	\$ (1.81)	\$ 1.85	\$ 45.76	2.5%
7/1/15-6/30/16	\$ 45.76	\$ 2.70	\$ (2.84)	\$ (0.79)	\$ 44.83	-1.8%
7/1/16-6/30/17	\$ 44.83	\$ 1.32	\$ (2.85)	\$ 5.61	\$ 48.91	12.5%
7/1/17-12/31/17	\$ 48.91	\$ 1.23	\$ (1.36)	\$ 3.67	\$ 52.45	7.3%
Total 7/1/09-12/31/17	\$ 23.33	\$ 19.18	\$ (18.43)	\$ 28.36	\$ 52.45	10.0%

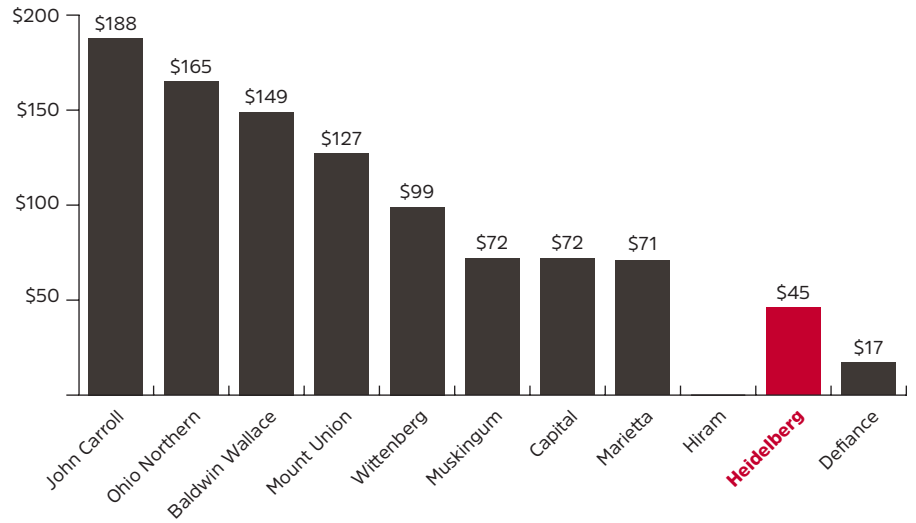
Authority

The Heidelberg University Board of Trustees has designated the oversight responsibilities for the General Endowment Fund to its Finance and Facilities Committee (the Committee). The Committee at its discretion may appoint an Investment Subcommittee that can serve on behalf of the full Committee. The Committee and Investment Subcommittee will provide oversight and review of the investment program and have been authorized to retain professional services from investment consultants and investment managers. The Committee and Investment Subcommittee may delegate certain day-to-day responsibilities for implementing the investment program to these consultants and managers.





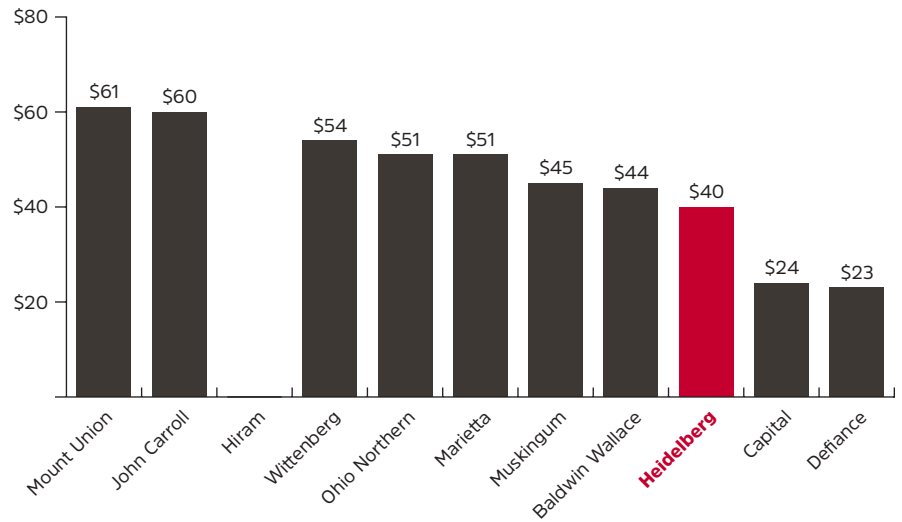
FY2016 Endowment Value (\$ millions)



For the fiscal year 2016 (ending 6/30/2016), Heidelberg participated in the annual NACUBO-Commonfund Study of Endowments. In this report, we have highlighted Heidelberg's Endowment performance with respect to peers and national average. Hiram College chose not to participate in the 2016 study.



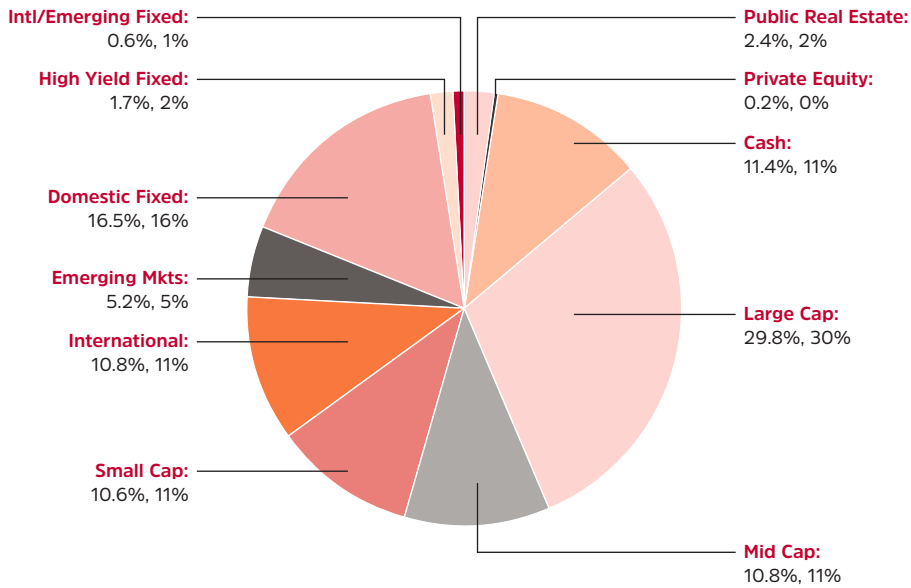
FY2016 Endowment Value per FTE Student (\$ thousands)



Based on the subsequent strong performance of Heidelberg's Endowment in 2017, our value per FTE student has increased significantly. Hiram College chose not to participate in the 2016 study.

Asset Allocation Summary

Percent

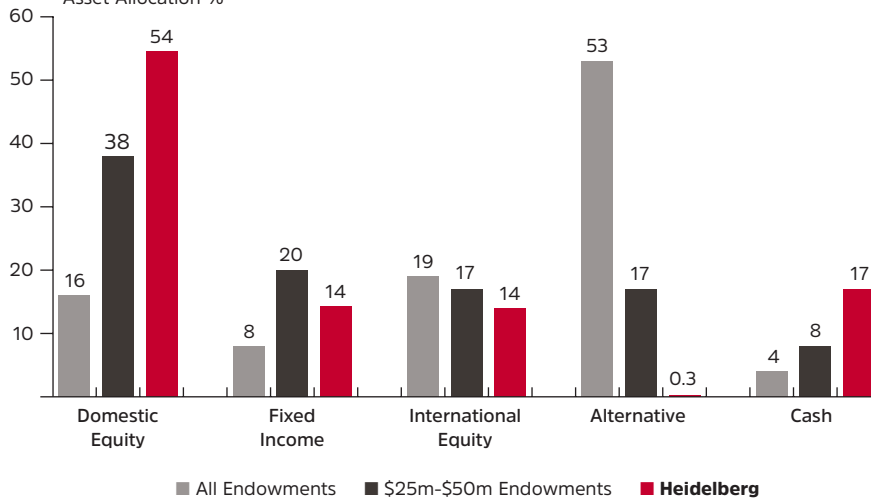


Investment Principles

Fund assets shall be invested with skill, care and prudence, under the prevailing circumstances that a prudent person acting in a like capacity, and familiar with such matters, would use in the investment of a fund of like character and objectives. The investment portfolio shall be diversified to minimize the risk of large losses, unless circumstances at any given point in time indicate that diversification is clearly imprudent. Assets will be fully invested at all times; idle cash will be invested in money market funds or other short-term instruments.

Heidelberg's Asset Allocation Mix as Compared with National Averages

Asset Allocation %



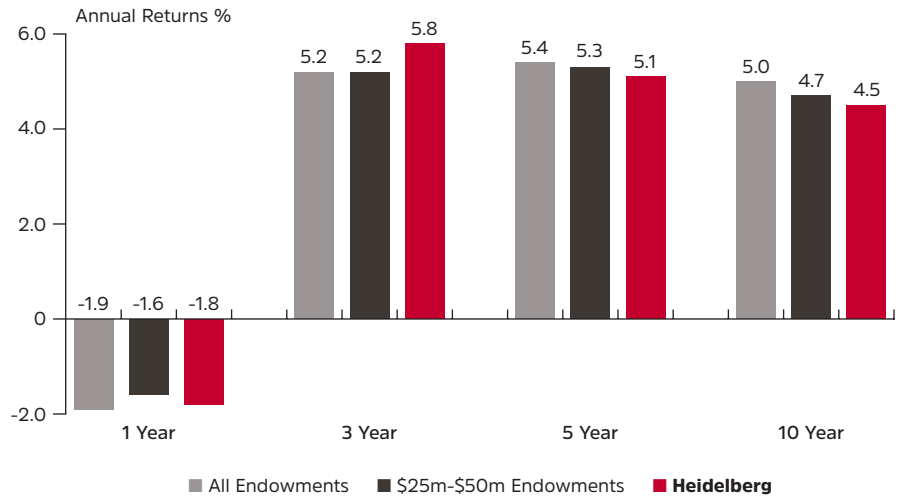
Other and larger endowments invest much more heavily in "alternative" investments.



Investment Objective

The objective of the investment program is to maximize total return on investment within the risk parameters specified in the Investment Guidelines. Preservation of capital, aversion to unnecessary risk and achievement of returns that exceed established benchmarks are the fundamental objectives of this program. Both investment income and capital appreciation are components of expected total return on investment.

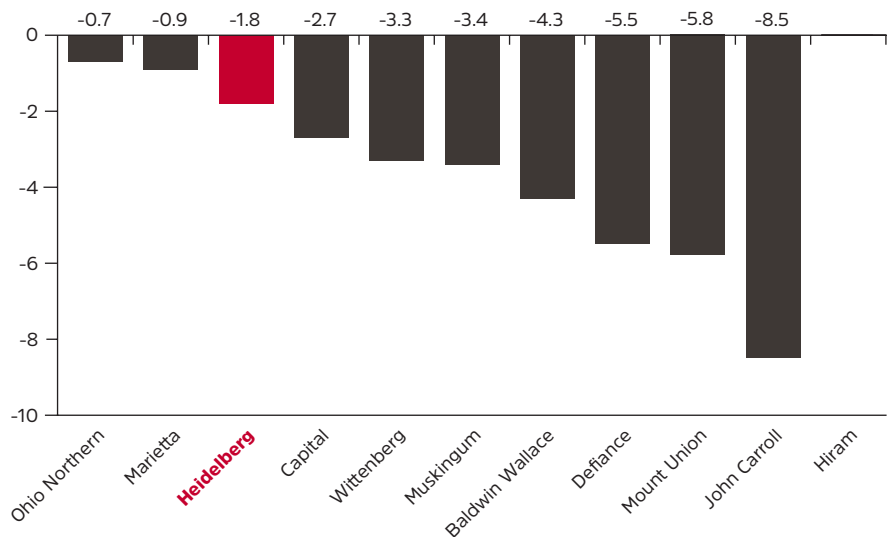
Annual Investment Returns for 1, 3, 5 and 10-year Periods



Results are net of the 5-8% spending rate over these time periods based on fiscal year results.



Endowment FY2016 Results vs. Peers



In the 2016 NCSE study, the average return is -1.9%. The 2016 study indicated higher returns for fixed income and short-term securities/cash/other but lower for US equities, non-US equities and alternative strategies.

General Endowment Spending Policy

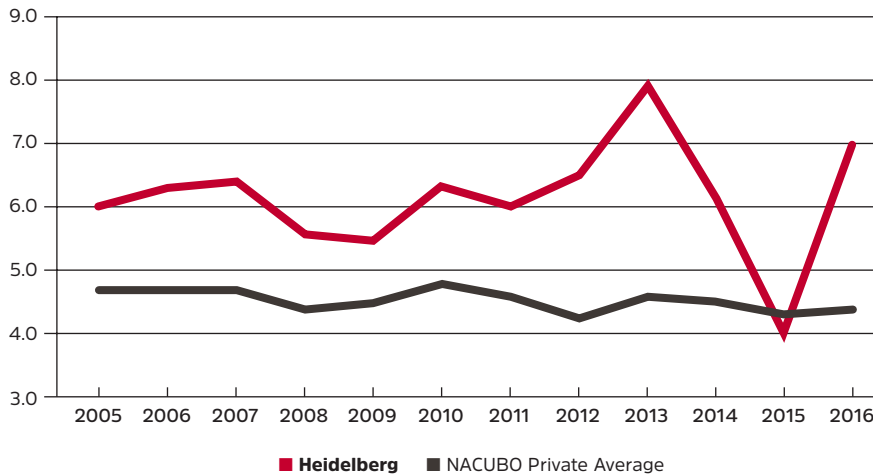
Fiscal Year	Period End Market Value	Trailing 12* Quartely Avg	Annual Spending Amount (6.0)
07/01/09-06/30/10	26,190,393	5.0%	1,474,044
07/01/10-06/30/11	31,596,816	6.0%	1,574,799
07/01/11-06/30/12	30,108,632	8.0%	2,062,951
07/01/12-06/30/13	33,845,235	8.0%	2,369,145
07/01/13-06/30/14	43,211,990	6.5%	2,087,277
07/01/14-06/30/15	45,764,725	5.0%	1,807,639
07/01/15-06/30/16	44,827,642	7.0%	2,840,707
07/01/16-06/30/17	48,909,380	6.5%	2,864,927

Our current FY2018 spending rate is 6.0% and will return to 5.0% for FY2019 on 7/1/2018.

Spending Policy

The University has adopted a 5.0% annual spending policy for the Endowment Fund. In 2016, the Board of Trustees chose to deviate from the standard policy for strategic purposes. The quarterly spending amount (1.25% per quarter) is based on the average market value of the total endowment fund over the preceding 12 calendar quarters. The funds will be remitted during the last week of each quarter. The Investment Consultant will be notified should there be any change to this policy.

Annual Spending Rate % 2005-2016



Our spending rate has been 2-3 points higher than average, except for 2015 when we reduced our calculated rate to 5.0% for the year.

In FY2016, our endowment spending covered 5.9% of our operating budget, as compared to a 5.2% median for all private institutions.

Also, last year, Heidelberg's annual giving covered 3.7% of the operating budget. This compares to a median of 2.6% for all private institutions.

Our current FY2018 spending rate is 6.0% and will return to 5.0% for FY2019 on 7/1/2018.

Some Institutional Debt Metrics

	All Institutions	Heidelberg
Debt Service %	5.6%	6.3%
Fixed Debt %	84.0%	93.8%
Floating Debt %	16.0%	6.2%
Average Fixed Rate	4.0%	3.4%
Average Floating Rate	1.5%	2.1%

**For questions, additional information and ways
to support the Heidelberg Endowment, contact:**

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