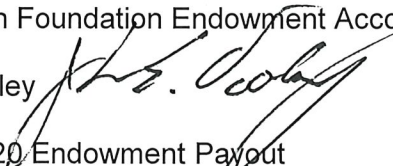


Chief Executive Officer
University Gateway Center
902 Prices Fork Road, Suite 4000 (0142), Blacksburg, Virginia 24061



February 4, 2019

MEMORANDUM

TO: Virginia Tech Foundation Endowment Account Holders
FROM: John E. Dooley 
SUBJECT: FY 2019-2020 Endowment Payout

I am writing to advise you that the endowment payout for the upcoming fiscal year will remain the same as the current FY18-19 payout. When measured against the current three-year average of endowment values, the new payout will be 4.31%. The increase in the Consumer Price Index (CPI) over the past calendar year was 1.9%.

The endowment spending rate is reviewed annually and typically adjusted to reflect the change in the CPI and to assure that program support, as a percent of the three-year average of endowment values, falls within the approved 3.00% - 4.40% spending range, as set by the Investment Committee of the Virginia Tech Foundation Board of Directors. For FY20, the Committee feels that maintaining spending at the current level is prudent because future endowment returns are estimated to fall short of maintaining its inflation-adjusted value and NACUBO endowment data indicate that our recent endowment spending has been higher than similar public endowment programs.

For the fiscal year ending June 30, 2018, the endowment achieved a 7.3% return, which underperformed its benchmark return of 7.7%. The endowment's annualized return of 8.7% over the last five years outperformed its benchmark return of 7.4% and ranked in the upper 14th percentile of the 137 colleges and universities in the Cambridge Associates' endowment study. Over the trailing 10-year period, the endowment's annualized return of 6.8% outperformed its benchmark return of 5.6% and ranked in the upper 6th percentile of the Cambridge endowment study.

Aggregate unspent income has grown over the last ten years from \$18.5 million in 2008 to \$26.9 million as of December 31, 2018. As you plan for FY19-20, please utilize account balances to the fullest extent possible to assure that the full benefit of endowments supporting university programs is realized.

cc: John J. Cusimano
Terri T. Mitchell
Charles D. Phlegar
Cyril R. Clarke
Timothy D. Sands
Dwayne L. Pinkney
M. Dwight Shelton, Jr.
Development Officers