

Albuquerque Academy Endowment Performance: March 5, 1996, to October 25, 2016 Benchmark is S&P 500 without Dividends, Shown in Blue on the Graph

Jan 1, 2017

Open: 2,251.57

High: 2,300.99

Low: 2,245.13

Close: 2,278.87

Actual endowment value on Oct 25, 2016 was 33% of the target value; overspending has eroded 67% of the endowment's value since 1996.

Assuming the Academy's endowment performs as well as the S&P 500 without dividends, an average spend rate of 3.83% per year would have protected the endowment's value against inflation.

The actual average spend rate was at least 9.22% per year.

The Academy's endowment is actively managed; although the S&P 500 without dividends is a conservative benchmark¹, whether the endowment outperforms or underperforms it depends on managers' skill.

Note that this calculation does NOT include gifts to the endowment during the 20 year period. Any such gifts would increase the target value, making the erosion to \$84 M on Oct 25, 2016, even worse.

(1. This corresponds to a passive portfolio of 4% S&P 500 with dividends and 96% total US bond market.)

\$165 M
Mar 5, 1996

\$546 M: value with no spending, Oct 25, 2016; growth = 5.99% per year (S&P 500 without dividends)

\$256 M: target value, Oct 25, 2016; spend rate of 3.83% per year to protect endowment value against inflation (CPI = 2.16% per year)

\$84 M: actual value, Oct 25, 2016



