DIVESTMENTFACTS.COM

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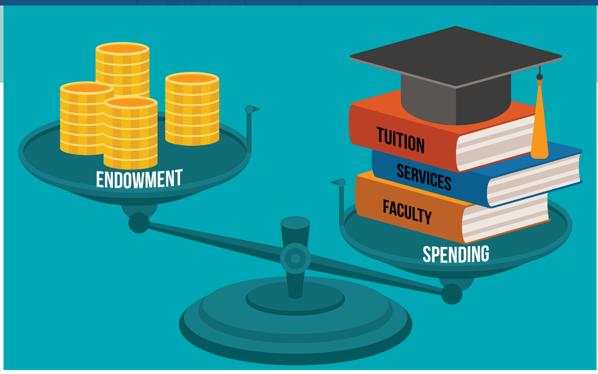
IPAA — Independent Petroleum Association of America

When schools decide to divest, the financial hit their endowments take is both significant and ongoing – having a very real impact on these institutions' ability to support critical student, faculty and academic programs.

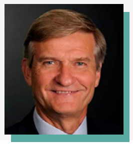


Factor in all the losses incurred thanks to trading costs (1.65 percent), compliance costs (0.56 percent), and diversifications costs (0.23 percent), and the average endowment "hole" created by divestment results in a 15.2 percent drop in transfers from endowment accounts to school programs. That's according to a new study authored by Prof. Hendrik Bessembinder of Arizona State's Carey School of Business.

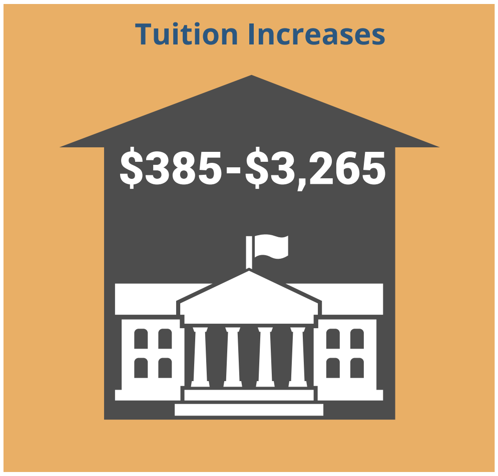
What could a 15.2 percent annual reduction in endowment spending mean for the school, its students and its faculty?

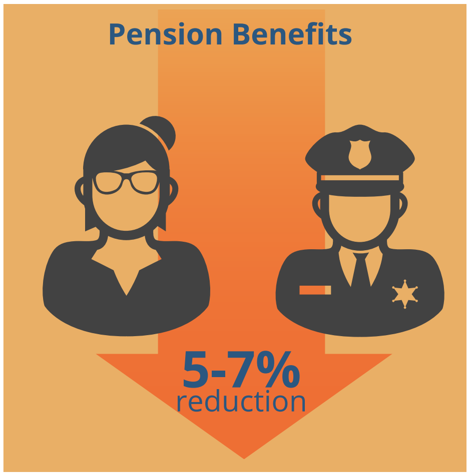
- Increases in annual tuition rates (or a reduction in existing scholarships) **of as much as $3,265 per student per year**
- As much as an **11.5 percent reduction in faculty spending**, which in turn could lead to fewer classes or increased class sizes
- For pensions, a **5 to 7 percent reduction in monthly pension benefits** for a typical pensioner

ABOUT DR. BESSEMBINDER



ARIZONA STATE UNIVERSITY	**Professor** of Finance at the W.P. Carey School of Business Holds the **Francis J. and Mary B. Labriola Endowed Chair** at W.P. Carey School of Business
UNIVERSITY OF WASHINGTON	**Affiliate Professor** in Business Economics and Finance, Foster School of Business
COMPASS LEXECON	**Senior Consultant**





WHAT THEY'RE SAYING

> "There are substantial real monetary costs from divestment, which are ultimately borne by the stakeholders of the universities or pension funds that divest, potentially including students, faculty, and pensioners."

Prof. Bessembinder
(April 2017)

TUFTS UNIVERSITY:

"Even the most conservative model showed that the endowment would experience a significant loss of return—$75 million in market value over the next five years—in large part because of our investments in commingled funds. o put the projected impact in perspective, $75 million would provide endowment income to fund scholarships for 100 undergraduates or annual stipends for 125 Ph.D. students, or fund the entire 2012 state appropriation for the Cummings School of Veterinary Medicine."

(President Tony Monaco, February 2014)

UNIVERSITY OF TENNESSEE:

"Last year, 90 percent of the endowment's payout went to supportive scholarships, instruction, and research. Eliminating a broad segment of the market from investment could hinder future funding of these endeavors."

(Letter from Board of Trustees, December 13, 2013)

WELLESLY COLLEGE:

"The Investment Office estimates that full divestment would reduce endowment earnings, because Wellesley would earn market returns instead of the above market returns that its investment managers have historically generated, and subsequently would reduce endowment spending by $15 million a year."

(Wellesley College Divestment Fact Sheet)

SWARTHMORE COLLEGE:

"The documents lay out the College's estimate that divestment from fossil fuels would cost a total of at least $200 million (cumulative) over the next ten years. The value of the College's endowment was approximately $1.5 billion as of June 30, 2012." ("Swarthmore Pegs Cost of Divestment at $200 Million Over 10 Years."

(Swarthmore Pegs Cost of Divestment at $200 Million Over 10 Years." Swarthmore Daily Gazette, May 9, 2013)

GEORGETOWN UNIVERSITY:

"Voting to divest, when doing so would have no meaningful — and potentially counterproductive — effects on the environment and negative consequences for the endowment's ability to fund research and scholarships, would be a mistake."

(November 2015)

NEW YORK UNIVERSITY (NYU):

"As a student at NYU, as I watch tuition prices continue to rise and certain clubs on campus plead for more funding, I worry about whether or not the university will honor its fiduciary duty to my classmates and me as the issue of divestment reaches a vote. A recent petition to "Lower the tuition and 2015 attendance cost" garnered over 5,100 signatures. When current and future students are desperately calling for financial prudence from the university, the consideration of costly fiscal missteps should not even have to come to a vote. When current and future students are desperately calling for financial prudence from the university, the possibility of foregoing over $20 million in total revenue is frightening."

(Student at NYU, April 2015)