

The ACS investment portfolio: A review and update

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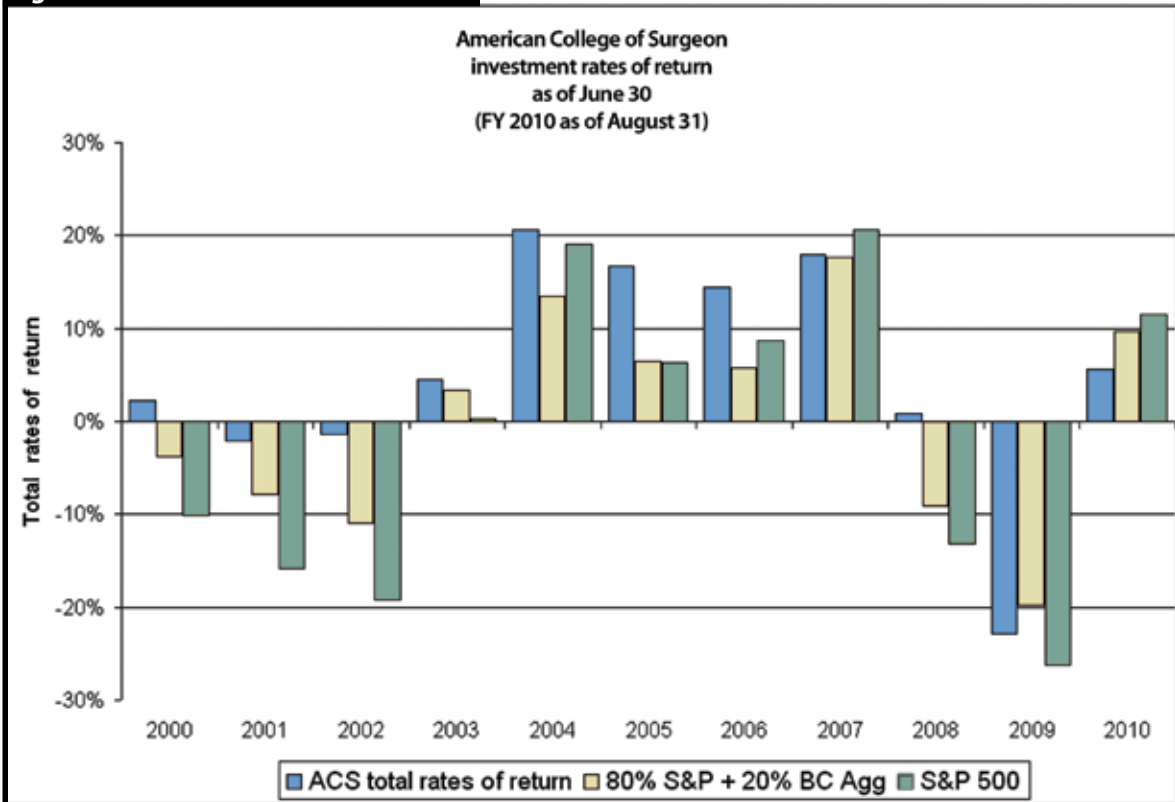
The American College of Surgeons' investment portfolio had a total market value of \$372,726,670 as of June 30, 2008. Not unlike the investment experience of many ACS members, the market value of the College's investments declined significantly from early September 2008 through the end of October 2008, resulting in an October 31, 2008, portfolio balance of \$279,931,036. The market continued to decline, reaching a cycle-low in March 2009.

The College's investment policies and the underlying investment concepts—asset allocation, diversification, and rebalancing—remain unchanged. The College has adjusted its asset allocation and diversification on an interim basis because of collateral loan requirements in connection with the financing of the building project at 20 F Street NW in Washington, DC. The current allocation is more defensive given the collateral requirement. The ACS entered into a promissory loan for the Washington, DC, project based on the fact that its investment portfolio is being used as collateral for the loan. While the collateral requirement has required the College to adjust the portfolio, the adjustment is not significant. On the positive side, the interest rate and ex-

Figure 1: Asset allocation

Asset class	Current	Long-term
U.S. large cap equity	13%	21
U.S. small cap equity	4	7
International equity	16	18
Emerging markets equity	2	4
Marketable alternatives	15	15
Real assets (energy, real estate, commodities)	8	15
U.S. bonds	32	20
Cash	10	0
Total	100%	100%

Figure 2. Investment rates of return



pense, which is tied to LIBOR (London Interbank Offered Rate), for the Washington, DC, project has fallen significantly below expectations, dropping below 2 percent most recently. In addition, unlike many investors whose investment funds have dried up, the College's funds are available, and the Washington, DC, project is proceeding.

The market value of the College's investment portfolio as of August 31, 2009, was \$290,438,744. The current asset allocation, as compared with the College's long-term target allocation, is shown in Figure 1 on page 32.

The College's investment return compared with the Standard & Poor's (S&P) 500 and compared with a blended 80/20 percent of S&P 500 and Barclay's Capital aggregate bond index for

the past 10 years through August 31, 2009, is shown in Figure 2, this page.

The Investment Subcommittee and the Finance Committee of the Board of Regents, with the approval of the full Board, sets and approves the College's investment guidelines. The Investment Subcommittee and the Finance Committee will continue to address the College's asset allocation targets in light of current market conditions and collateral requirements. Ω