

Oregon State University

Investment Performance Benchmarking and Evaluation

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Agenda

What is a benchmark

Why benchmarking is important

How benchmarks are selected

Performance evaluation

Limitations and next steps

What is a benchmark?

A benchmark is a measurement tool that can provide a reference point for determining the success of an investment strategy and to confirm achievement of a goal.

Example: Investment Returns

Investment	Period 1	Period 2
Large Cap U.S. Equity Manager	7.00%	6.00%

What is a benchmark?

Benchmarking provides a structured, repeatable process to measure success against defined objectives.

Example: Investment Returns

Investment	Period 1	Period 2
Large Cap U.S. Equity Manager	7.00%	6.00%

Benchmark	Period 1	Period 2
S&P 500	7.90%	4.80%

Importance of Benchmarking

Feedback tool that highlights strengths and weaknesses in an investment program

At the total portfolio level provides a comprehensive view to fiduciaries of how a pool performed relative to defined objectives

Helps answer critical questions: “How are we doing?”

- ✓ Is the portfolio meeting its long-term objectives?
- ✓ How does performance compare to market standards and policy expectations?
- ✓ Are risk exposures aligned with institutional goals and constraints?

Investment Performance Benchmarking

Benefits

- Enhance transparency – clear and objective
- Improve decision-making
- Ensure alignment with long-term objectives
- Core fiduciary practice
- Supports accountability
- Provides link between expectations and success of an investment program



Total Portfolio Benchmarks

Common Categories

- Pool-Level Benchmarks
- Peer Group Benchmarks
- Institutional Financial Objectives

Common Methods

- Simple
- Static Policy
- Dynamic Policy
- Institutional Financial Objectives

Key Considerations for Benchmark Selection

Benchmark choice should reflect portfolio purpose and structure

- Alignment with strategy
- Measurability
- Risk profile matching
- Liquidity considerations
- Costs
- Governance and oversight
- Regular review



Total Portfolio Benchmarking Example

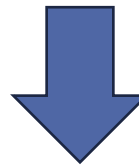
Investment	Benchmark	Policy Target
Large Cap U.S. Equity	S&P 500	60%
International Equities	MSCI ACWI ex. U.S.	20%
U.S. Bonds	Bloomberg U.S. Aggregate Bond Index	20%
Total Portfolio	Growth Portfolio	100%



Investment	Period 1 Return	Period 2 Return
Total Portfolio	10.00%	2.00%

Total Portfolio Benchmarking Example

Investment	Benchmark	Policy Target
Large Cap U.S. Equity	S&P 500	60%
International Equities	MSCI ACWI ex. U.S.	20%
U.S. Bonds	Bloomberg U.S. Aggregate Bond Index	20%
Total Portfolio	Growth Portfolio	100%



Investment	Period 1 Return	Period 2 Return
Total Portfolio	10.00%	2.00%

Asset-Based Benchmark	Period 1 Return	Period 2 Return
S&P 500 (60%), MSCI ACWI ex U.S. (20%), Bloomberg U.S. Aggregate Bond Index (20%)	8.00%	1.50%

For Illustrative purposes only

Performance Evaluation

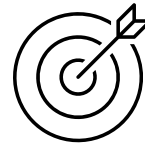
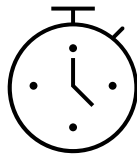
Evaluating performance is not just measuring returns. . .

Combining benchmarks and risk metrics help stakeholders evaluate and monitor performance appropriately across time horizons and strategy types.

How and *why* a portfolio or manager performed the way they did

- Deeper Insight
- Better-informed decision making
- Strengthens governance
- Helps identify improvement opportunities

Performance
Measurement



Performance
Attribution



Performance
Appraisal

Limitations

- Benchmarks are backward looking
- Cannot predict the future
- No single benchmark can perfectly represent a diversified portfolio
- Overreliance on short-term comparisons may undermine long-term results

Next Steps

- Finalize benchmark selection criteria
- Finalize performance evaluation criteria
- Prepare draft portfolio-level benchmarks for committee review
- Including benchmark language in investment policy statement

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