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CLEARY GULL RELEASES RESULTS OF 7TH ANNUAL SENIOR LIVING STUDY

Milwaukee, Wisconsin, December 21, 2015 –Cleary Gull Advisors today published the results of their 7th Annual Senior Living Survey.

Cleary Gull’s Senior Living Study compiles asset allocation, investment policies, governance practices and financial ratios from senior living organizations representing a range of rating categories and portfolio sizes. The results help long term care organizations benchmark their organizations, evaluate their overall investment program, identify trends, and communicate with boards and investment committees as they perform their fiduciary and due diligence evaluations.

The survey was conducted from February 15, 2015 through May 31, 2015 and analyzed data as of December 31, 2014. The survey was completed by CEOs, CFOs, and COOs at senior living organizations.

“We have seen the senior living industry battle several challenges head on, both economic and regulatory,” said Steven J. Backus, Vice President - Client Advisor and the study’s author. “Strategic thinking and planning are more important than ever before. Access to timely and relevant information can only help as the industry evolves, which is why we continue to offer our study.”

The study looked at the asset allocation for the investment portfolios of senior living providers and found that, in 2014, fixed income and cash holdings increased 5.7% to 53.17% compared to the previous year. Equity holdings decreased 3.8% to 40.85% and alternative holdings decreased 17% to 5.91%.

Going into 2014, many were expecting a rise in interest rates and therefore low if not negative fixed income returns. Because of continued slower global economic growth, they also expected modest equity returns. But by the end of the year, the S&P 500 was up more than 13% and interest rates actually fell. Looking forward, participants’ top concerns regarding portfolio performance continue to be market volatility, interest rates and international turmoil. Nearly three quarters--74%--of participants anticipate that their 2015 portfolio returns will not exceed 6%, in line with the study’s projection of 4% to 6% return.

“We continue to believe that diversification is critical,” Backus said. “With uncertainty about the pace at which interest rates will rise and senior living organizations’ high commitment to fixed income and cash in their portfolios, it’s important to develop a plan and take steps to mitigate risk.”



The survey also addressed operational challenges providers may be facing. The top three challenges identified by providers were:

1. Maintaining occupancy rates
2. Improving operations
3. Adjusting to declining reimbursement rates

Other highlights from the study include:

- Reversing a trend from the previous two years, in 2014 the average allocation of participants moved towards a higher percentage to fixed income and cash and lower allocation to equities.
- A significant majority—72% of participants—indicated they have just completed or are in the midst of implementing strategic plans. That’s important recognition of the importance of business planning in serving residents, given ongoing changes in health care.
- For a third straight year, we saw an increase in the average Debt Service Coverage Ratio, to 3.04x, versus last year’s average of 2.91x.
- This is the second consecutive year there has been an increase in operating margins, with this year’s average of 3.65% compared to 3.24% last year.

For a copy of the full survey results, [click here](#). To review an Executive Summary of the report, [click here](#).

About Cleary Gull

Cleary Gull (www.clearygull.com) is an employee-owned firm providing financial advice through two operating divisions: Investment Advisory Services and Investment Banking Services. Cleary Gull provides investment advice with respect to over \$2.1 billion of client assets for high net worth individuals and families, pilots, and not-for-profit hospitals and senior living communities across the nation. Cleary Gull’s investment bankers specialize in providing advice on exclusive sales, mergers and acquisitions, and private debt and equity capital placement, typically for transactions from \$10 million to \$200 million.

Cleary Gull Specialized Focus: Not-For-Profits & Senior Living

Our team brings extensive knowledge and experience of the not-for-profit healthcare and senior living industries, which allows us to design more relevant, customized investment portfolios. We understand what being a not-for-profit healthcare organization means and the uncertainties due to the changing health care landscape, the components that drive revenues and impact expenses in this industry, and factors that rating agencies and lenders use to evaluate the strength and viability of these types of organizations.

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