Designated by the University of Minnesota’s Board of Regents as the central development office for the University, the U of M Foundation (UMF) plays a key role in supporting greatness across all five U of M campuses. UMF accomplishes this by raising gifts from individuals and organizations, investing funds for maximum impact, and stewarding gifts to ensure they are used as donors intended.

Donors who wish to leave a lasting legacy at the University of Minnesota may choose to make endowed gifts to create new funds or contribute to existing funds. These funds are pooled and invested together as the UMF endowment. UMF manages the investment and spending of approximately 7,000 endowed funds, each one representing a vision for improving lives and creating a brighter tomorrow.

### Managing and investing the endowment

The endowment portfolio is invested by UMF Investment Advisors (UMFIA), a nonprofit subsidiary formed by UMF’s Board of Trustees in 1998 to provide dedicated, professional active portfolio management. UMFIA has a board of directors that includes representation from the UMF Board of Trustees as well as from UMF leadership (see page 4).

**Investment strategy**
The UMF endowment portfolio is uniquely structured and managed to meet two goals: preserve the real purchasing power of endowed gifts for the long term while simultaneously supporting a meaningful and dependable rate of spending, currently 4.5% of a fund’s average market value over the previous 20 quarters. The portfolio is highly diversified and actively managed and has less reliance on traditional common stock exposure than what is found in a standard 65/35 equity/bond mix. It is positioned to perform comparatively well during times of market volatility while capturing equity-like returns over the long term (see page 2). This means that, while on average, UMF’s returns will not experience the highest highs, they will also avoid the lowest lows.

This strategy is designed to create predictable and stable funding over the long term; however, year-to-year short-term results will often look different from those of our peers and the standardized 65/35 market benchmark.

### Asset category allocation

- **Global equity**: 41.7%
- **Private equity**: 29.3%
- **Credit & reinsurance**: 20.4%
- **Treasury bonds**: 8.6%
How has the UMF endowment performed over the long term?
The UMF endowment has performed well over the long term, making it possible for funds to provide predictable and stable funding to support their designated programs. The chart below shows the growth of $1 invested in the endowment in 1990 compared with the Foundation’s investment goal and a 65/35 market benchmark. Since the inception of UMFIA, our portfolio return has exceeded market benchmark returns by +2.7% annually, with less downside risk.

![Growth of $1 in UMF Endowment](chart)

**Investment results**

For the periods ended June 30. Total value of UMF endowment: $3.4 billion.

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Goal</th>
<th>Policy Benchmark(^1)</th>
<th>65/35 Benchmark(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Year</td>
<td>38.7%</td>
<td>10.6%</td>
<td>33.7%</td>
<td>25.3%</td>
</tr>
<tr>
<td>5-Year</td>
<td>12.8%</td>
<td>7.5%</td>
<td>9.8%</td>
<td>10.7%</td>
</tr>
<tr>
<td>10-Year</td>
<td>9.8%</td>
<td>7.0%</td>
<td>8.2%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Since inception(^3)</td>
<td>8.7%</td>
<td>7.9%</td>
<td>7.3%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

\(^1\) The policy benchmark helps measure how well UMFIA is implementing its investment policy. Its components and asset class weightings are based on the portfolio’s asset allocation policy.

\(^2\) The 65/35 market benchmark is a weighted blend of stock and bond indices (65% equities and 35% bonds).

\(^3\) January 1999.

The investment goal is to achieve an annualized return of 5% in excess of inflation in order to cover the 4.5% spending rate as well as administrative fees. For the one-year period ended June 30, 2021, the endowment pool returned +38.7%. This performance exceeded the one-year market benchmark return of +25.3%, due primarily to exceptionally strong returns in private equity during the past year (see page 1).

**Administrative fees**
The UMF Board of Trustees establishes fee policies with the objective of keeping fees low to reflect a strong commitment to administrative efficiency. The annual fee on permanent and quasi-endowment funds was 1% and 1.5%, of the fund’s market value, respectively, for the year ended June 30, 2021. These fee rates have not increased since 2008. As a result of strong investment performance and operational efficiencies, the permanent endowment fee was lowered to .9%, effective July 1, 2021.
**UMF performance compared to our peer group**

The chart at right illustrates UMF’s performance relative to our peer group: college and university endowments with assets greater than $1 billion.

UMF’s long-term investment strategy will frequently generate one-year returns that will be in the outer quartiles—either high or low—of the distribution of peer returns. More meaningful comparisons are found over the three- to five-year periods, when this variation declines.

**Performance vs. peer group**

*Preliminary results as of June 30, 2021. Final results as of June 30, 2021, will become available early in 2022.*

Spending the endowment

**What is the endowment spending policy?**

The UMF Board of Trustees establishes the endowment spending policy. The current spending rate is 4.5% of a fund’s trailing average market value over the previous 20 quarters (5 years). These dollars, called the fund’s “payout,” are transferred to a spending account and made available each year to support the fund’s designated program. Funds designated as quasi-endowments allow additional spending of up to 20% of fund value annually.

**Honoring donor intent**

One of UMF’s most critical responsibilities is to ensure that gifts are used in accordance with donor intent. Stringent controls are in place, and UMF staff work in partnership with the U of M units to monitor funds and optimize the utilization and impact of gifts for their designated purposes.

---

**Behind every endowment gift is someone like you who is driven by a belief in a brighter tomorrow.**

**Thank you for your partnership!**
2021 UMFIA Board of Directors
B. Kristine Johnson,* Chair
Jeffery V. Bailey, CFA
Peter M. Grant
Erwin A. Kelen*
Ross Levin*
Douglas A. Neimann
Marcia L. Page
Christine K. Searson**§
Kathleen M. Schmidkofer**
Theresa B. Ward*

2021 UMF Board of Trustees

OFFICERS:
Shari L. Ballard,* Chair
John E. Lindahl, Vice Chair
Philip E. Soran, Treasurer
Thomas G. Olson, Secretary
Lynn Casey, Past Chair
Kathleen M. Schmidkofer, President and CEO
Christine K. Searson, CFO and VP of Finance

OTHER MEMBERS:
Ruth Bachman*
Mary K. Brainerd*
Blythe A. Brenden
Dorothy J. Bridges
Rebecca A. Crooks-Stratton*
Michael B. Fiterman*
Joan T.A. Gabel
Julie E. Gilbert
Kenneth C. Glaser
Kurt E. Heikkila
Susan S. Hoff
Hoyt M. Hsiao
Russell Huffer
Ezell Jones
Michael P. Lehan
Beth Kieffer Leonard
Ross Levin
Richard L. Lindstrom, M.D.
Margaret E. Lucas*
David J. McMillan*
David J. Meyer*

LIFE TRUSTEES:
Robert E. Buuck
James R. Campbell
Luella G. Goldberg
Deborah L. Hopp
Stanley S. Hubbard
B. Kristine Johnson
Elliot S. Kaplan
Erwin A. Kelen
Duane R. Kullberg
Nancy E. Lindahl
Walter F. Ling
Susan I. Marvin
Wenda W. Moore
Marilyn Carlson Nelson
Stephen R. Pflaum
Thomas H. Swain
Simon KaWo Wong
Donald F. Wright

David C. Mortenson
Abdul M. Omari, Ph.D.
Richard T. Ostlund, J.D.
Lynne S. Redleaf
Michael F. Roman
Roger J. Sit
Esta E. Stecher
Erik M. Torgerson*
Peter A. Vorbrich
Bradford W. Wallin
Theresa B. Ward
Penny A. Wheeler, M.D.
Jacqueline R. Williams-Roll

*UMF Board of Trustees
**UMF leadership, ex officio member
§ Non-voting member
‡ Regent-nominated trustees

These lists reflect board memberships as of June 30, 2021. For current lists, please visit z.umn.edu/umfia and z.umn.edu/umf-bot.

If you have questions or would like more information, please contact us:

University of Minnesota Foundation
McNamara Alumni Center
612-624-3333 / 800-775-2187
driven.umn.edu

Additional financial information also is available online at driven.umn.edu/about-umf/financial.