UNIVERSITY OF MINNESOTA FOUNDATION

endowment update

for the periods ended
September 30, 2025

At the University of Minnesota Foundation (UMF), our mission is to connect passion with possibility, inspire generosity, and support greatness at the University of Minnesota.

Designated by the University's Board of Regents as the central development office for the University, UMF plays a key role in supporting excellence across all five U of M campuses. We accomplish this by raising gifts from individuals and organizations, investing funds for maximum impact, and stewarding gifts to ensure they are used as donors intend.

People who wish to create a lasting legacy at the University may make endowed gifts to create new funds or contribute to existing funds. These funds are invested together as the University of Minnesota Foundation endowment, but are managed by UMF individually to benefit their designated University programs.

The endowment portfolio is invested by the University of Minnesota Foundation Investment Advisors (UMFIA).

CONTACT INFORMATION

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

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McNamara Alumni Center
200 Oak Street SE, Suite 500
Minneapolis, MN 55455-2010

612-624-3333 or 800-775-2187
give.umn.edu

For questions about a gift in your will or other tax-wise gift options, contact

Gift Planning
612-624-3333
plgiving@umn.edu

For questions about a gift you've already made, contact

Donor Relations
612-624-2031
donorrelations@umn.edu

For additional financial information, please visit **give.umn.edu/about/financial**.

To see a full listing of the UMF and UMFIA boards of trustees, please visit **z.umn.edu/umf-bot** and **z.umn.edu/umfia**.

Investing the endowment

Goals and strategy

Endowed funds at the University of Minnesota Foundation are managed to provide reliable and meaningful support for their designated programs today, tomorrow, and in perpetuity.

The endowment's investment objective is to generate returns that meet or exceed the rate of inflation plus the rate of spending. The objective implies a return target of approximately inflation plus 5%, which is consistent with long-run stock market returns and requires an aggressive investment portfolio. While the return objective is ambitious, the ongoing spending from endowment funds requires a consistency of returns over horizons of five years or more, which is not reasonable to expect from stock markets. Prolonged periods of stagnant returns risk depleting the endowment's principal. Therefore, both the level and the stability of investment returns are critical.

To consistently achieve equity-like rates of return, UMF's endowment portfolio is managed by University of Minnesota Foundation Investment Advisors (UMFIA) to diversify fundamental exposures to market downturns. UMF's endowment returns will typically not experience the stock market's highest highs or its lowest lows, but UMF endeavors to generate a return that is competitive with stock market returns, such as the S&P 500, in the long run (see *page 3*), while experiencing the return volatility of a more diversified portfolio, such as the 65/35 market benchmark (see *Investment results chart at right).*

UMFIA diversifies the risk of public stock markets, but embraces the use of low-cost investment methods, and cautiously seeks active management opportunities. With fewer investments in widely adopted alternative investments, the endowment's year-to-year results will vary from the returns of other large university endowments.

Investment results

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 expenses.

For the periods ended September 30, 2025.
Total value of UMF endowment: $4.2 billion

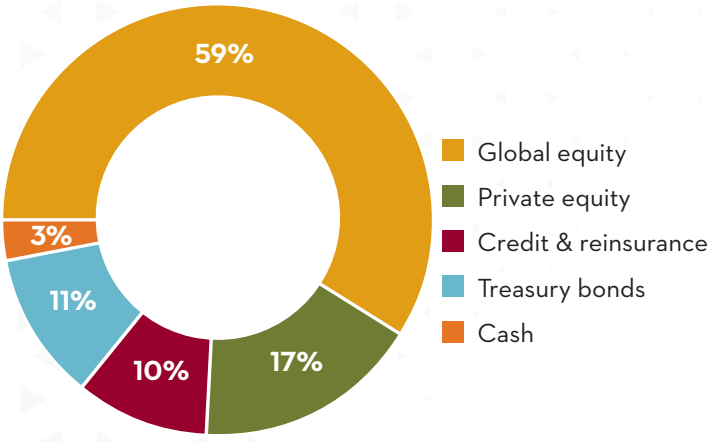
Period	Actual	Goal	Policy Benchmark[1]	65/35 Benchmark[2]
1-Year	13.1%	8.2%	13.3%	12.2%
3-Year	14.2%	8.2%	14.4%	16.9%
5-Year	11.7%	9.7%	10.8%	8.5%
10-Year	9.9%	8.3%	8.4%	8.5%
Since inception[3]	8.5%	8.2%	7.3%	6.0%

[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**.

Asset category allocation



Long-term performance (1999-June 2025)

Growth and impact over time

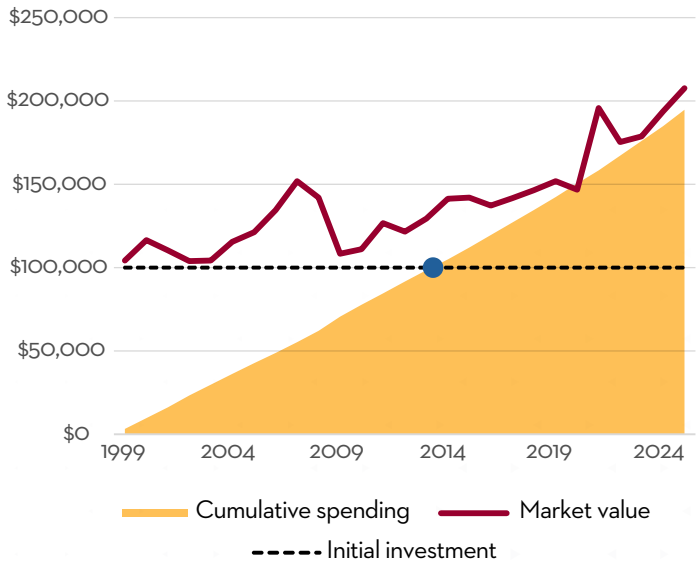
The chart at right shows the growth of, and spending from, a hypothetical $100,000 gift invested in the UMF endowment at the inception of UMFIA in 1999 through June 2025.

After 16 years, the hypothetical gift's cumulative financial impact exceeded the donor's initial contribution (see *blue dot)*. That is, over those 16 years, the gift provided more than $100,000 in support to the University, while at the same time growing in value from $100,000 to over $140,000.

Over the full period, the gift's spending ($194,662) is nearly two times the initial investment, and the gift's value ($207,675) is double the initial investment, which continues to grow and support the University into the future.

Impact of $100,000 invested in UMF endowment

January 1999—June 2025

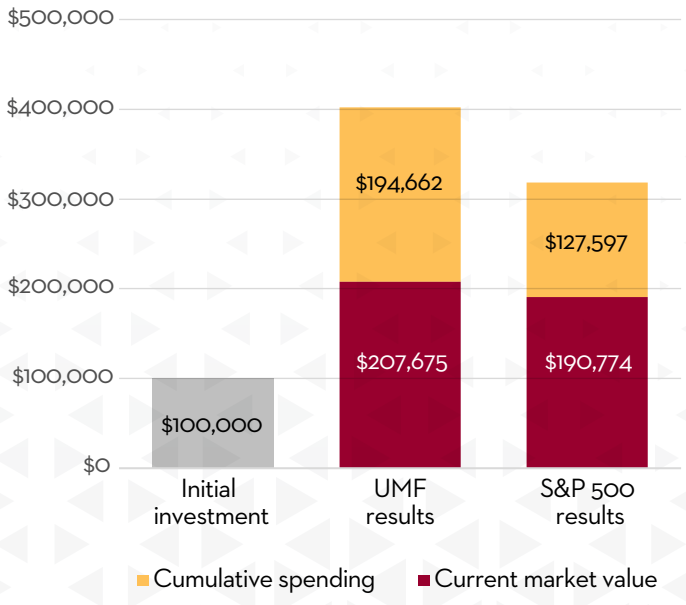


The benefits of consistency

For comparison, this bar graph shows the same UMF gift alongside an equivalent gift invested in the S&P 500 over the same period.

Notably, both the UMF endowment and the S&P 500 returned 8.3% annualized over this timeframe. Despite these similar returns, with equivalent spending rates, the hypothetical gift invested in the S&P 500 takes 23 years for cumulative spending to exceed the initial gift amount (compared to 16 years for the gift invested in the UMF endowment). In this hypothetical example, UMF's investment performance produces both a larger ending gift value and **50% more** cumulative spending than the gift invested in the S&P 500. The significant difference in spending is entirely attributable to the greater consistency of UMF's returns and ability to sustain spending during declines in the stock market.

Impact of $100,000 invested 1999—2025



Spending the endowment

UMF's endowment spending policy

The UMF Board of Trustees determines the amount that can be made available for spending from endowed funds each year. This is referred to as the Foundation's endowment spending policy.

The spending policy is designed to provide stable and predictable funding to our donors' designated University programs in perpetuity. The current spending policy is to distribute 4.5% of an endowed fund's trailing average principal balance over the previous 20 quarters (5 years) for spending each year. These dollars, called the fund's "payout," are transferred to a spending account and made available to the University to support the fund's designated program. Quasi-endowment funds allow spending of up to 20% of the fund's value annually.

For permanent endowment funds, investment earnings above and beyond the 4.5% payout are reinvested back into the fund's principal to maximize long-term growth and impact.

Administrative fees

UMF's administrative fees are a direct investment in the future of philanthropy for the University. They play a crucial role in the foundation's mission to support greatness at the University of Minnesota, providing the necessary resources to manage and grow endowments, process gifts, steward donors, and sustain other key operations that benefit the University. UMF's fee for permanent endowments is 0.8% and for quasi-endowments is 1.5%.

UMFIA's management expense is budgeted annually and covers the costs of professional oversight and management of the endowment. UMF's returns are shown net of all UMFIA's management expense after June 30, 2025. Over the 10 years preceding June 30, 2025, UMFIA's net expense ratio ranged from 10 basis points (0.1%) to 15 basis points (0.15%).