Endowed gifts expand the University’s capacity for access and excellence

Endowed gifts open the doors of opportunity through scholarships and fellowships, provide incentives for outstanding faculty, and empower the University to tackle the world’s greatest challenges. Equally important in view of diminishing public support, the investments of our philanthropic partners also provide a predictable source of funding for both immediate and future needs.

Donors may make endowed gifts to create new funds or contribute to existing funds. These funds are pooled and invested together as the UMF endowment. This portfolio, currently valued at $2.1 billion, is invested by UMF Investment Advisors (UMFIA), a nonprofit subsidiary of the foundation established in 1998. The investment and spending policies for the endowment are set to achieve maximum impact and ensure that gifts are used according to donors’ wishes.

Portfolio performance

The UMF portfolio is invested to maintain the long-term “purchasing power” of the endowment and provide a sustainable rate of current spending to support University programs. The portfolio relies heavily on diversification to generate investment returns that compete with long-run equity returns, but at a lower level of volatility so the endowment can provide a stable source of spending through time. A portion of each endowed fund’s value, currently 4.5% of the fund’s average market value over the previous 20 quarters, is made available for spending each year to support the fund’s designated program.

Investment results

for the periods ended September 30. Total value of UMF endowment: $2.1 billion.

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Goal*</th>
<th>Policy Benchmark**</th>
<th>65/35 Benchmark***</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Year</td>
<td>9.3%</td>
<td>6.7%</td>
<td>10.0%</td>
<td>8.6%</td>
</tr>
<tr>
<td>5-Year</td>
<td>10.1%</td>
<td>7.4%</td>
<td>9.7%</td>
<td>8.2%</td>
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<tr>
<td>10-Year</td>
<td>7.5%</td>
<td>8.1%</td>
<td>7.7%</td>
<td>6.6%</td>
</tr>
<tr>
<td>20-Year</td>
<td>9.2%</td>
<td>8.3%</td>
<td>8.8%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

*The investment goal is to achieve an annualized return of 5% in excess of inflation. The goal, set by UMFIA, is intended to cover the spending rate as well as the administrative fees to ensure permanent endowment value.

**The policy benchmark’s components and asset class weightings are based on the portfolio’s asset allocation policy.

***The 65/35 benchmark is a blend of stock and bond indices (65% stocks and 35% bonds.)
Value of UMF endowment over time

The UMF endowment has performed well over the long term, making it possible for well-established funds to provide predictable and stable funding to support their designated programs. The chart below shows the growth of the endowment compared with the foundation’s policy goal and a 65/35 market benchmark, illustrated as the growth of $1 since 1990.

The 65/35 benchmark is a weighted blend of stock and bond indices (65% equities and 35% bonds). To minimize the higher risk inherent in equities, the UMF portfolio has less than 50% invested in equities. Portfolio diversification is important because the endowment supports current spending. From time to time, simple stock/bond portfolios may outperform the UMF portfolio. Our goal is to achieve equity-like returns over the long run but with far less volatility.

Since the inception of UMFIA, our portfolio return has exceeded equity returns by nearly 2% annually, with less downside risk.

Growth of $1 in UMF endowment since July 1, 1990