

# endowment update

for the periods ended  
**September 30, 2021**

## THE UNIVERSITY OF MINNESOTA FOUNDATION

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 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).

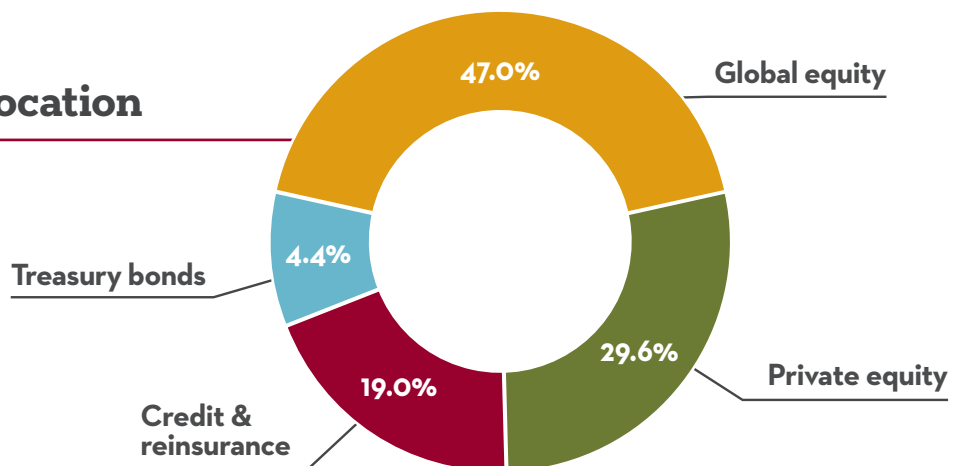
### Investment strategy

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. This means that, while on average, UMF’s returns will not experience the highest highs, they will also avoid the lowest lows.

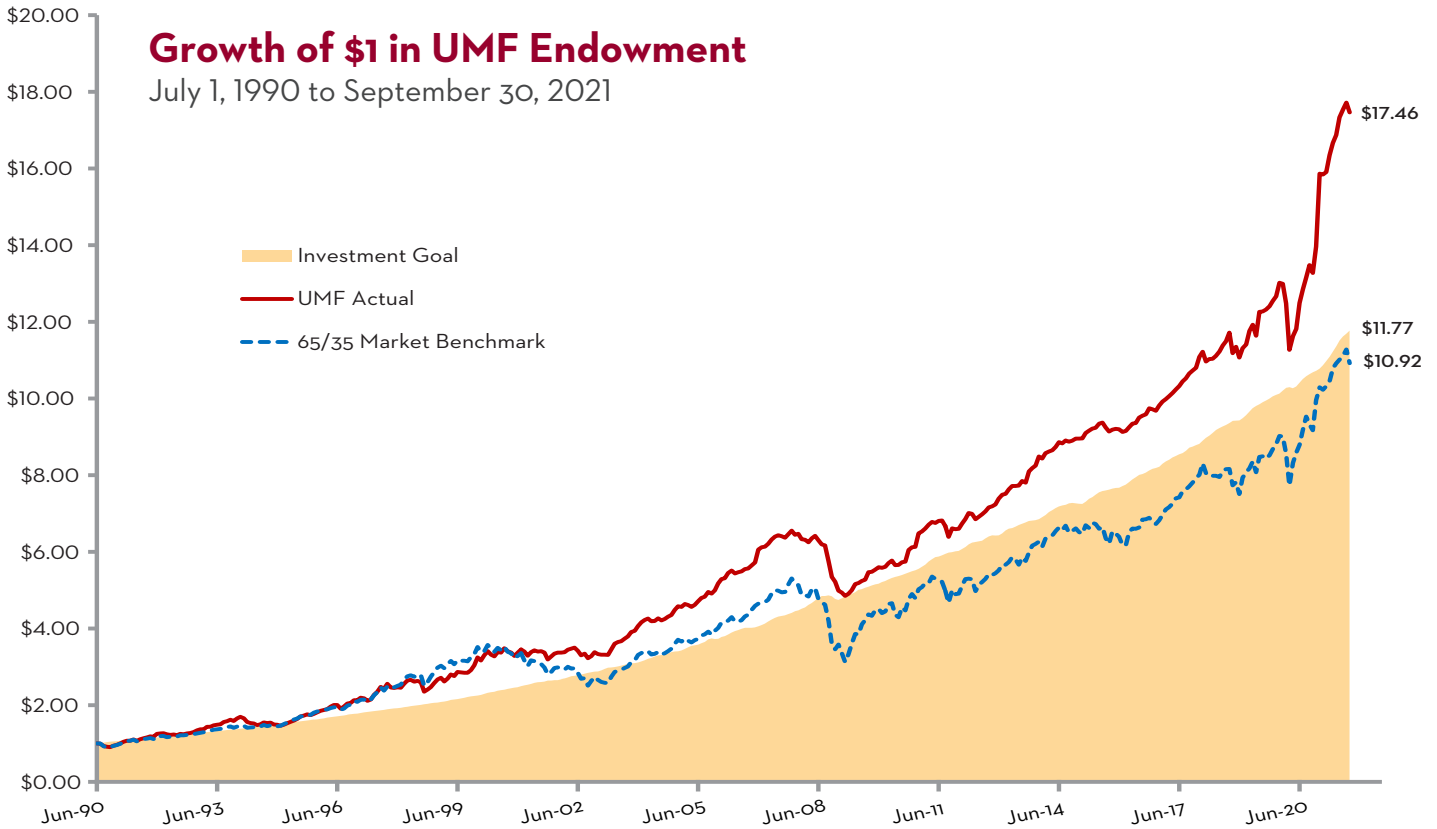
This strategy is designed to create predictable and stable funding over the long term; however, year-to-year short-term results will often look different from those of our peers and the standardized 65/35 market benchmark.

## Asset category allocation



## 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.



## Investment results

For the periods ended September 30. Total value of UMF endowment: \$3.3 billion.

Year	Actual	Goal	Policy Benchmark <sup>1</sup>	65/35 Benchmark <sup>2</sup>
1-Year	29.5%	10.6%	25.9%	17.2%
5-Year	12.4%	7.7%	9.4%	9.7%
10-Year	10.6%	7.0%	9.1%	8.9%
Since inception <sup>3</sup>	8.6%	7.9%	7.3%	5.9%

<sup>1</sup>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.

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

<sup>3</sup>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 September 30, 2021, the endowment pool returned +29.5%. This performance exceeded the one-year market benchmark return of +17.2%, due primarily to exceptionally strong returns in private equity during the past year.

## 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 is 0.9% and 1.5% of the fund's market value, respectively. These fee rates have not increased since 2008.

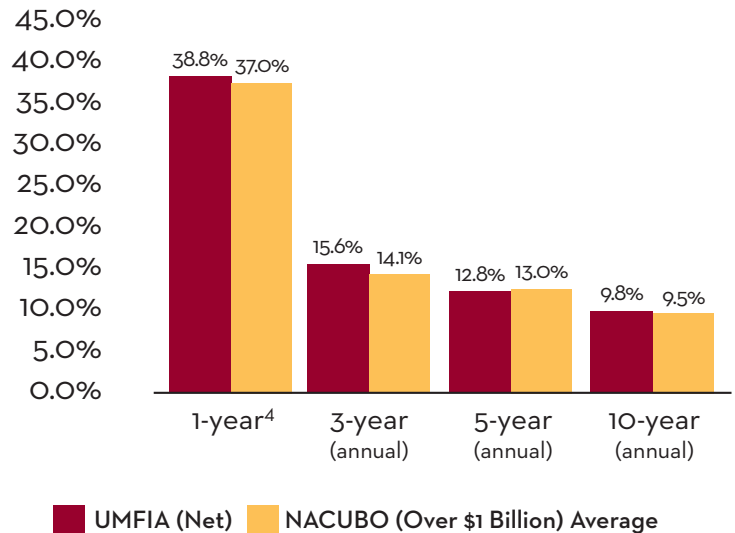
## UMF performance compared to our peer group

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.



<sup>4</sup>1 Year Peer Group result is based on NACUBO Preliminary Data for Endowments over \$1 Billion.

## Spending the endowment

### What is the endowment spending policy?

The foundation's endowment spending policy determines the amount that an endowed fund can make available for spending each year.

The UMF Board of Trustees establishes the spending policy, which is designed to provide stable and predictable funding for designated programs in perpetuity.

The current policy is to distribute 4.5% of an endowed fund's trailing average market value over the previous 20 quarters (5 years) for spending each year; using a trailing average helps smooth any effects of short-term market fluctuations. Quasi-endowment funds allow spending of up to 20% of the fund's value annually.



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

**Thank you  
for your partnership!**

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These lists reflect board memberships as of November 30, 2021. For current lists, please visit [z.umn.edu/umfia](http://z.umn.edu/umfia) and [z.umn.edu/umf-bot](http://z.umn.edu/umf-bot).

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

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