



2020 | NACUBO-TIAA Study of Endowments



Summary observations from the 2020 NACUBO-TIAA Study of Endowments

705

colleges, universities, and education-related foundations completed the FY20 survey.

\$905 million

average endowment size reported, up 1.6% from 12 months earlier.

\$637.7 billion

represented in the FY20 survey.

80%

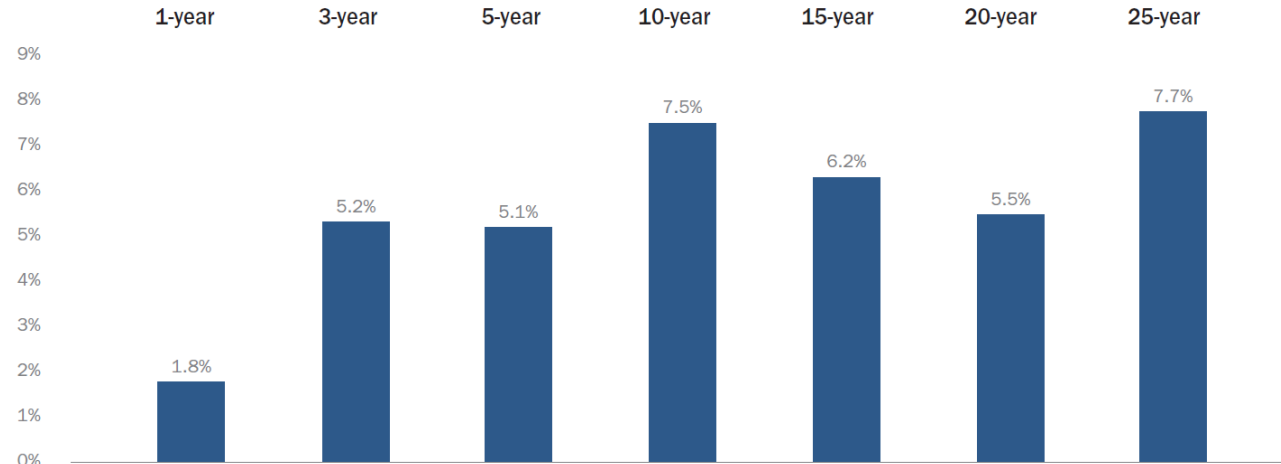
of total market value is held by endowments with more than \$1 billion in assets.

The Survey was conducted from September 7, 2020, through December 11, 2020, and covers the fiscal year July 1, 2019–June 30, 2020. This year's Survey captures the first several months of the global pandemic.

Diminishing returns: “Era of muted returns” perhaps has arrived, with likely implications for financial strategies

Standard target return for endowments: 7.5%

Net annualized average returns, FY2020



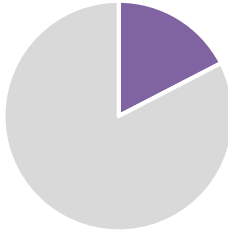
If muted returns continue, endowments will need to consider all their possible levers to meet targeted hurdle rates.

Endowment spending: Up 4% from FY2019

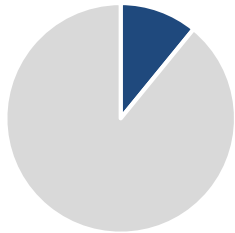
- Institutions spent \$23.3 billion from endowments, up 4% from FY2019
- 70% of institutions increased endowment spending; an average increase of about \$3.3 million
- Endowments' average effective annual spending rate in FY2020 was 4.59%, up from 4.36% in FY2019



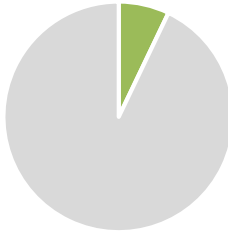
48%
of spending dollars
support
**Student
Financial Aid**



17%
of spending dollars
support
**Academic
Programs**



11%
of spending dollars
support
**Faculty
Positions**



7%
of spending dollars
support
**Campus
Operations**

Endowments during the pandemic functioned exactly as designed: to provide reliable financial support to institutions and students.

Endowment spending: Almost half increased support for institutional operating budgets, while seeing cash flow and new gifting decline

New gifts to endowments

| | Total Institutions | Over \$1 Billion | \$501 Million - \$1 Billion | \$251 Million - \$500 Million | \$101 Million - \$250 Million | \$51 Million - \$100 Million | \$25 Million - \$50 Million | Under \$25 Million |
|--|--------------------|------------------|--------------------------------|----------------------------------|----------------------------------|---------------------------------|--------------------------------|-----------------------|
| Total # of Institutions | 705 | 111 | 80 | 83 | 171 | 134 | 82 | 44 |
| # of Respondents | 679 | 99 | 76 | 82 | 168 | 130 | 81 | 43 |
| % Change in Total Value of New Gifts, 2020 Versus 2019 | -16.4% | -18.3% | -11.0% | -15.5% | -11.0% | -10.9% | -5.4% | 3.1% |
| Average Value of New Gifts - 2020 | \$16,096 K | \$77,291 K | \$17,795 K | \$8,648 K | \$4,712 K | \$2,259 K | \$1,262 K | \$661 K |
| Median Value of New Gifts - 2020 | \$3,447 K | \$53,997 K | \$15,748 K | \$7,262 K | \$3,252 K | \$1,495 K | \$952 K | \$387 K |
| Average Value of New Gifts - 2019 | \$18,731 K | \$85,098 K | \$19,482 K | \$10,359 K | \$5,233 K | \$2,477 K | \$1,318 K | \$626 K |
| Median Value of New Gifts - 2019 | \$3,553 K | \$36,797 K | \$14,942 K | \$7,511 K | \$3,678 K | \$1,741 K | \$1,009 K | \$290 K |

Endowments are a key instrument for institutional planning.

- More than 40% reported institution's cash flow declined
- New gifting in FY2020 declined by about 16% vs. FY2019

Vast majority of institutions sought CARES Act relief

Institutions that sought relief offered by the CARES Act

| | Total Institutions | Private College/ University Endowment | Public College, University, or System Fund | Institutionally Related Foundation (IRF) | Combined Endowment/ Foundation | Others |
|-------------------------------|--------------------|---|--|--|--------------------------------------|---------------|
| Total Institutions | 705 | 433 | 94 | 137 | 36 | 5 |
| Responded Institutions | 680 | 421 | 87 | 133 | 34 | 5 |
| Yes | 83.68% | 93.82% | 77.01% | 60.15% | 70.59% | 60.00% |
| No | 11.03% | 4.28% | 12.64% | 27.07% | 23.53% | 40.00% |
| Uncertain | 5.29% | 1.90% | 10.34% | 12.78% | 5.88% | 0.00% |

Visit [NACUBO.org/news](https://www.nacubo.org/news) for comprehensive coverage of the CARES Act and other pandemic relief aid.

More than 80% of endowments said their institution sought CARES Act funding, including over 90% of private colleges and universities.

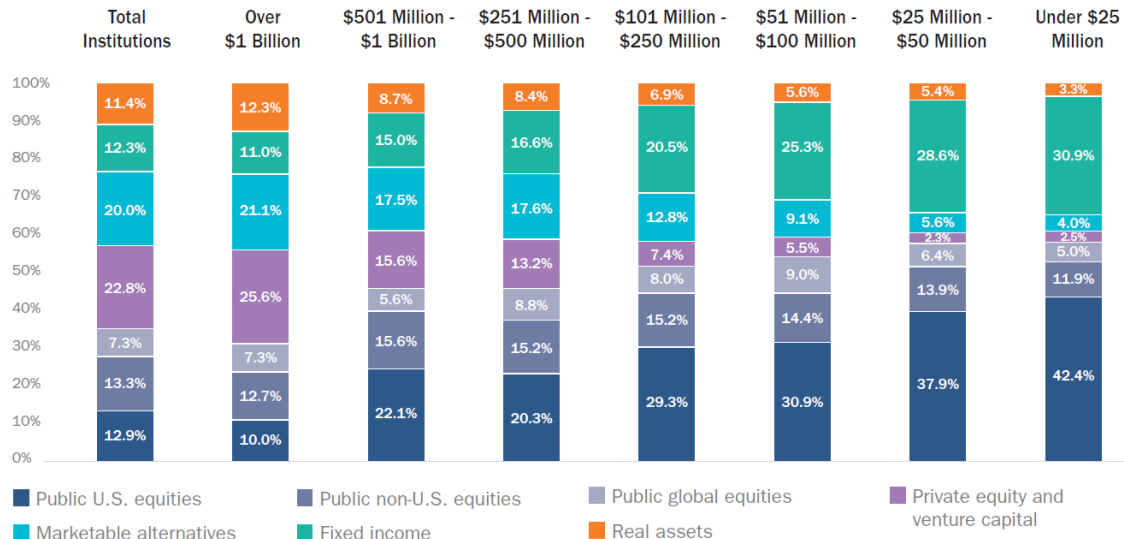
Note: "Others" category includes education-related nonprofit organizations.



Asset allocations: Market (especially interest rate) realities could force a rethink *(continued)*

Smaller endowments were heavily concentrated in domestic public equities and investment-grade fixed income. Larger institutions used larger concentrations of alternative investments that may offer a counterweight to public equities and fixed income.

Asset allocations for endowment cohorts, FY2020

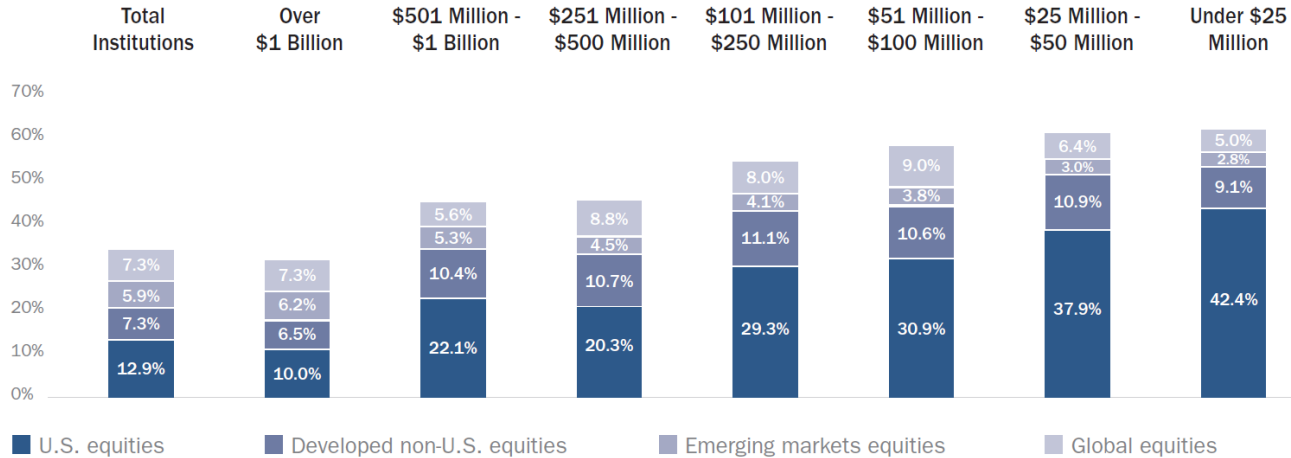


In general, institutions will need to be especially thoughtful about their strategic/tactical positioning as pandemic impacts continue to play out amid an uneven global economic recovery and a persistent, low-rate environment.



Asset allocations: Market (especially interest rate) realities could force a rethink

Breakdown of allocations to listed equities, FY2020



In general, institutions will need to be especially thoughtful about their strategic/tactical positioning as pandemic impacts continue to play out amid an uneven global economic recovery and a persistent, low-rate environment.

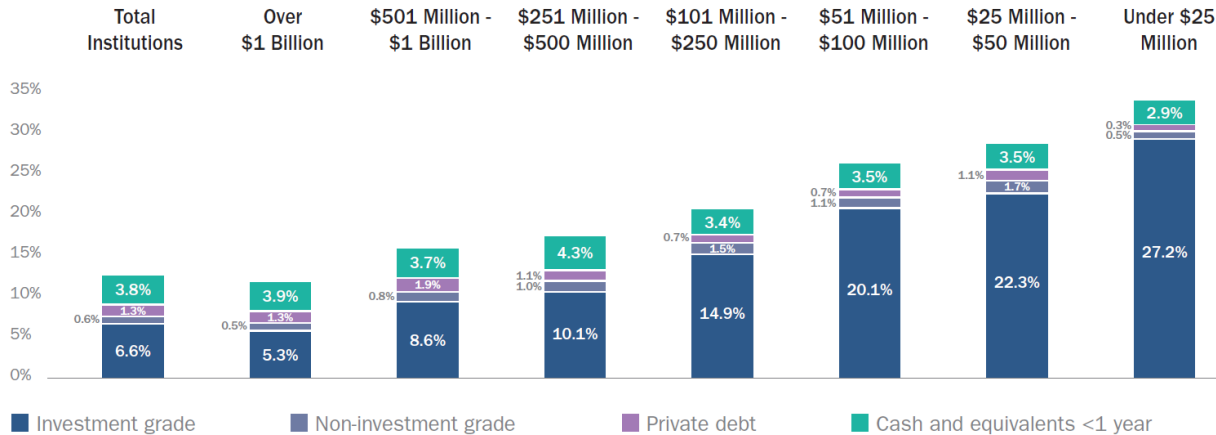
Asset allocations: Market (especially interest rate) realities could force a rethink *(continued)*

Smaller endowments reported significantly greater exposure to fixed income, particularly investment-grade securities, likely viewing bonds as a hedge against equity market volatility.

- Example: The allocation to investment-grade fixed income for institutions with more than \$1 billion in assets was 5.3%; it was 22% for those with \$25-50 million and 27% for those under \$25 million.

In general, institutions will need to be especially thoughtful about their strategic/tactical positioning as pandemic impacts continue to play out amid an uneven global economic recovery and a persistent, low-rate environment.

Breakdown of allocations to fixed income, FY2020



Responsible investing: Opportunity to expand implementation

Endowments generally have yet to integrate responsible investing criteria into portfolio construction in a meaningful way across asset classes.

- Endowments are most likely to integrate responsible investing criteria into portfolio construction in their public equity portfolios—19% of this year’s respondents incorporate responsible investing in U.S. equities and 16% in global equities.

Percent of endowments integrating responsible investing into portfolio construction by asset class, FY2020



Increasing evidence that a responsible investing approach can indeed deliver competitive returns—as well as the opportunity for endowments to more closely align investing and mission—could encourage more endowments to consider these strategies.

Diversity in asset management

University has a diversity and inclusion policy for investment manager selection

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|------------------------|--------------------|------------------|-----------------------------|-------------------------------|-------------------------------|------------------------------|-----------------------------|--------------------|
| Total Institutions | 705 | 111 | 80 | 83 | 171 | 134 | 82 | 44 |
| Responded Institutions | 642 | 80 | 73 | 78 | 161 | 125 | 81 | 44 |
| Yes | 5.76% | 15.00% | 4.11% | 8.97% | 5.59% | 4.80% | 0.00% | 0.00% |
| No | 73.36% | 71.25% | 80.82% | 71.79% | 72.67% | 72.80% | 67.90% | 81.82% |
| Uncertain | 20.87% | 13.75% | 15.07% | 19.23% | 21.74% | 22.40% | 32.10% | 18.18% |

6% of all survey respondents reported that their institution has a formal policy addressing diversity and inclusion related to investment manager selection. Institutions with the largest endowments are significantly more likely to have diverse managers in their portfolios.



2020 | Q&A





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Disclosure

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