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U.S. Educational Endowments Report 8.2 Percent Return in FY18

Mission-critical 10-year return rose to 5.8 percent, but still below 7.2 percent target

NEW YORK, January 31, 2019 - Data gathered from 802 U.S. colleges and universities for the 2018 NACUBO-TIAA Study of Endowments® (NTSE) show that participating institutions' endowments returned an average of 8.2 percent (net of fees) for the 2018 fiscal year (July 1, 2017 – June 30, 2018) compared with 12.2 percent for FY17. The decline in year-over-year performance for U.S. college and university endowments was largely driven by a decline in the U.S. and international equity markets. While the mission-critical 10-year average annual return increased by 1.2 percentage points this year to 5.8 percent, it still fell short of the 7.2 percent average return institutions report targeting as a long-term return objective.

Participating colleges and universities reported spending more than \$21.6 billion from their endowments on campus operations, and, for the first time this year, the Study introduces new data that show how institutions allocated their endowment spending dollars. On average, schools used 49 percent of their total endowment withdrawals to support student scholarships and other financial aid programs, and 16 percent for academic tutoring and other related functions.

“The new endowment spending data from this year’s Study clearly demonstrate the deep commitment colleges and universities make to support financial aid and student success,” said NACUBO President and Chief Executive Officer Susan Whealler Johnston. “These data show that students and their families are the ultimate beneficiaries of institutions’ endowed funds. We remain concerned, however, about the below-target long-term rates of return, which have made it much more difficult for colleges and universities to increase endowment spending to support their missions.”

In spite of the long-term returns remaining below 6 percent, institutions continued to increase their endowment spending dollars. In FY18, 66 percent of NTSE-participating institutions reported raising their spending, and among those schools, the median increase was 6.6 percent, well above the rate of inflation (as measured by the Commonfund Higher Education Price Index ® (HEPI)) of 2.8 percent.

“Endowments are playing a bigger role in institutions’ operations, funding an average of 10 percent of the operating budget in 2018,” said Kevin O’Leary, Chief Executive Officer of TIAA Endowment and Philanthropic Services. “Given the role endowments play to fulfill institutional missions—and their sensitivity to policy and management decisions—a more comprehensive approach to endowment management has become pivotal to the success of higher education institutions.”

The annual Study analyzes return data and a broad range of related information gathered from U.S. colleges and universities, both public and private, as well as their supporting foundations. The size and scope of the Study make it the most comprehensive annual report on the investment management and governance practices and policies of institutions of higher education across the U.S.

The 802 institutions in this year’s Study represented \$616.5 billion in endowment assets. While the size of the median endowment was approximately \$140.2 million, 41 percent of Study participants had endowments that were \$101 million or less.

Asset Allocation

The average asset allocation in FY18 of the institutional participants in the Study showed very little change from FY17. For the statistics representing all cohorts organized by total endowment market value, the major asset class categorizations of U.S. equities, non-U.S. equities, fixed income, short term securities/cash/other and alternative strategies were all virtually unchanged from the prior year’s survey results in the combined statistics.

FY18 Returns by Asset Class

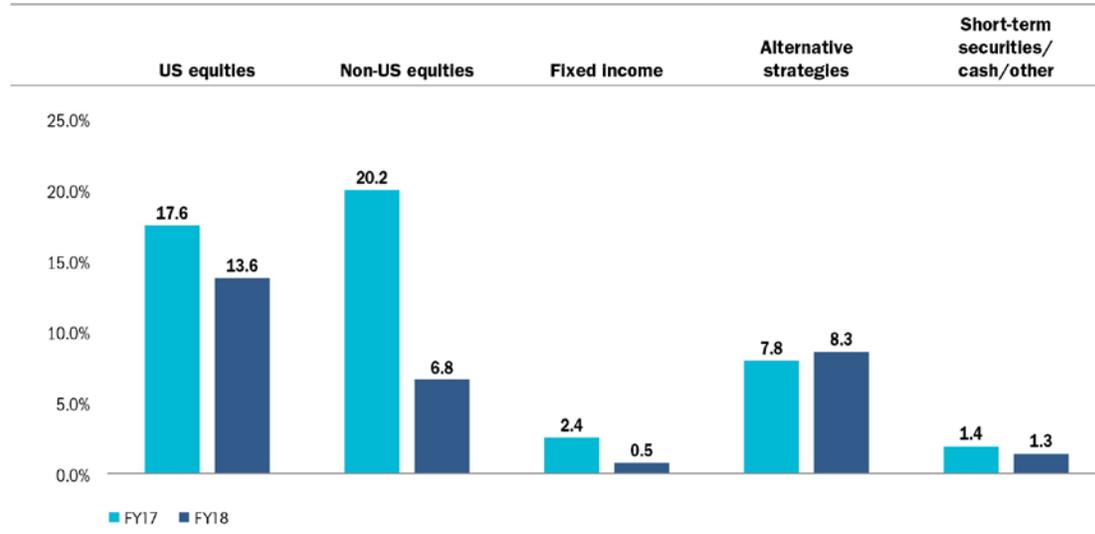
Returns were lower in FY18 for the institutional participants in the Study compared with FY17 in four of the five primary asset class categories tracked in the Study, with only alternative strategies providing higher returns (8.3 percent in FY18, as compared to 7.8 in FY17).

Larger institutions posted higher average returns than smaller institutions in FY18, in part because they had meaningfully higher allocations to alternative strategies, particularly private equity and venture capital.

Non-U.S. equities, which produced last year’s highest return, 20.2 percent, fell to 6.8 percent in FY18, the largest decrease in percentage points year-over-year. U.S. equities returned 13.6 percent, a decrease from last year’s return of 17.6 percent. Short-term securities/cash/other returned 1.3 percent, just slightly less than last year’s 1.4 percent.

2018 NACUBO-TIAA Study of Endowments

Returns by asset class for total institutions for fiscal years 2017 and 2018

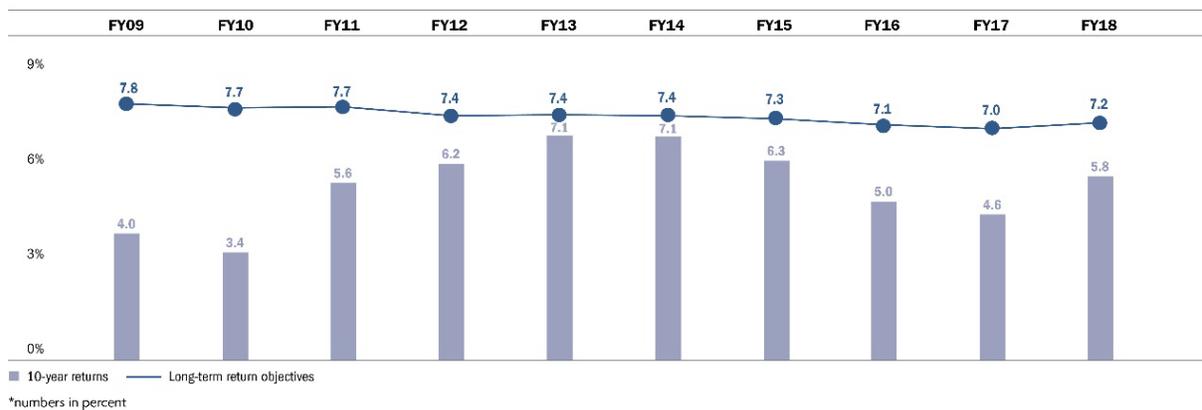


Longer-Term Returns

While one-year returns are important, many endowment managers use 10-year average annual returns as a target for long-range planning purposes. While on a positive trajectory, the 10-year average annual return is still lower than institutions' target rates.

2018 NACUBO-TIAA Study of Endowments

Long-term return objectives versus long-term returns* for fiscal years 2009-2018



Average one-, three-, five- and ten-year net returns for fiscal year 2018

	Total institutions	Over \$1 billion	\$501 million-\$1 billion	\$251-\$500 million	\$101-\$250 million	\$51-\$100 million	\$25-\$50 million	Under \$25 million
Total institutions	802	104	85	88	195	154	103	73
1-year net annualized return	8.2%	9.7%	8.7%	8.5%	7.9%	7.7%	7.5%	7.6%
3-year net annualized return	6.2%	6.8%	6.2%	6.1%	6.0%	6.0%	6.0%	6.2%
5-year net annualized return	7.3%	8.2%	7.4%	7.3%	7.1%	7.0%	7.0%	7.5%
10-year net annualized return	5.8%	6.0%	5.6%	5.7%	5.6%	5.7%	6.1%	5.8%

Spending Rates

Institutions participating in the Study reported the same average effective spending rate as FY17 (4.4 percent). Comparing FY18 returns to spending for each respondent, 76 percent of respondents successfully grew the real value of their endowments in FY18. This is due to primarily positive market returns for FY18.

Gift Levels

Institutions participating in the Study reported \$9.9 billion in total new gifts to endowments in FY18. Median gift levels experienced positive growth in the last two years, increasing from \$3.2 million in FY17 to \$3.7 million in FY18. The median gift values of public institutions outpaced that of private institutions, at \$5 million and \$3.1 million, respectively. While overall median gifts were \$3.7 million, they ranged from \$376,000 for smaller institutions to more than \$50 million for the \$1 billion-plus institutions.

About NACUBO

Founded in 1962, the National Association of College and University Business Officers (NACUBO) is a nonprofit professional organization representing chief administrative and financial officers at more than 1,900 colleges and universities across the country. NACUBO's mission is to advance the economic vitality, business practices, and support of higher education institutions in pursuit of their missions. For more information, visit www.nacubo.org.

About TIAA

With an award-winning¹ track record for consistent investment performance, TIAA (TIAA.org) is the leading provider of financial services in the academic, research, medical, cultural and

¹ The Lipper Large Fund Award is given to the group with the lowest average decile ranking of three years' Consistent Return for eligible funds over the three-year period ended 11/30/12 (36 fund companies), 11/30/13 (48), 11/30/14 (48), 11/30/15 (37), 11/30/16 (34) and 11/30/17 (34) with at least five equity, five bond, or three mixed-asset portfolios. Note this award pertains to mutual funds within the TIAA-CREF group of mutual funds; other funds distributed by Nuveen Securities were not included. From Thomson Reuters Lipper Awards, © 2018 Thomson Reuters. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this Content without express written permission is prohibited. Past performance does not guarantee future results. Certain funds have fee waivers in effect. Without such waivers ratings could be lower. For current performance, rankings and prospectuses, please visit the Research and Performance section on TIAA.org. Securities offered through Nuveen, LLC, and TIAA-CREF Individual & Institutional Services, LLC, members FINRA and SIPC.

government fields. TIAA has nearly \$1 trillion in assets under management (as of 12/31/2018²) and offers a wide range of financial solutions, including investing, banking, advice and education, and retirement services.

For more information on TIAA Endowment and Philanthropic Services, LLC, an SEC registered investment adviser and TIAA's endowment and charitable planned giving services provider, please visit www.tiaa.org/teps.

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² Based on \$970 billion of assets under management across Nuveen Investments affiliates and TIAA investment management teams as of 12/31/18.