Summary observations from the 2022 NACUBO-TIAA Study of Endowments

678 colleges, universities, and education-related foundations completed the FY2022 survey.

$807 billion of endowment assets represented in the FY2022 survey.

$203.4 million median endowment size for FY2022 survey respondents.

$1.2 billion average endowment size for FY2022 survey respondents.

84% of total market value is held by endowments with more than $1 billion in assets.

The Survey was conducted from September 8, 2022, through December 9, 2022, and covers the 2022 fiscal year (July 1, 2021 – June 30, 2022).

SOURCE: 2022 NACUBO-TIAA STUDY OF ENDOWMENTS
The remarkable returns of FY2021 contrasted by the challenging returns of FY2022 led average effective spending rates to decrease in 2022 despite an increase in the level of withdrawals among endowments. Leading categories of endowment spending in FY2022 included student financial aid, academic programs and research, and endowed faculty positions.
In a year that saw endowment portfolios generate returns of -8%, the overall decrease in endowment values would have been significantly larger if not for the surge in gifting in FY2022.

A large portion of endowment gifts typically are made in November and December each year, as donors seek to make their year-end gifts. The market downturn did not start until January 2022, and this timing likely contributed to the increase in FY2022 gifting.

Respondents to this year’s survey reported a collective endowment size of $807 billion as of June 30, 2022, down from the $845 billion these same endowments reported 12 months earlier.

Respondents to this year’s survey received a total of $14.5 billion in gifts, up from the $11.9 billion that these same endowments received in FY2021.

Change in total endowment size from FY2021

-4%

Change in total gifts received from FY2021

+22%

SOURCE: 2022 NACUBO-TIAA STUDY OF ENDOWMENTS
Investment returns: How FY2022’s market downturn affects long-term annualized returns

The negative returns endowments generated in FY2022 led to a decline in longer-term annualized returns across nearly all time periods. Endowments’ significant exposures to private markets and real assets in FY2022 provided a buffer against drastic drawdowns in public equities and bonds.

![Average annualized returns chart](image-url)

SOURCE: 2022 NACUBO-TIAA STUDY OF ENDOWMENTS
Target returns: Inflation and fees and expenses continue to raise the hurdle rate

For years, 7.5% has been considered the standard target return for endowments. In FY2022, the implicit hurdle rate rose to 8.23%, driven by large increases in long-term inflation expectations and projected fees and expenses. The rising target seems especially daunting given the long-term annualized returns endowments have generated and the concerns among many investors that we have entered a period of muted investment returns.

SOURCE: 2022 NACUBO-TIAA STUDY OF ENDOWMENTS
Endowments’ allocations to private equity and venture capital (30%) exceeded those of public equities (28%) at the end of FY2022. This dynamic highlights the central role that private markets play in endowment portfolios. This shift from public equities toward private equity and venture capital reflects the willingness and ability of larger institutions to reach for higher return targets. Smaller endowments may not be able to pursue such an approach due to greater fee sensitivity, lower risk tolerance and different liquidity requirements, among other factors.
Asset allocation: Exposure to private assets drives large endowments’ higher returns and wider dispersion

Across all institutions, the interquartile dispersion in FY2022 was 6.9%—very similar to last year’s level of 7.1%. Return dispersion was widest for the largest cohort; this is likely driven by $1 billion+ endowments’ relatively large allocations to private equity and venture capital, as well as real assets.

Interquartile dispersion of one-year returns, FY2022

SOURCE: 2022 NACUBO-TIAA STUDY OF ENDOWMENTS
Responsible investing: Adoption increases but barriers remain

Endowments continue to increase their adoption of responsible investing practices, including integrating it into manager selection. Survey respondents, however, cited several potential barriers that may keep them from pursuing responsible investing.

Manager evaluation
Percent of endowments that factor responsible investing into their investment manager due diligence and evaluation process

<table>
<thead>
<tr>
<th>Year</th>
<th>Manager evaluation percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2020</td>
<td>40%</td>
</tr>
<tr>
<td>FY2021</td>
<td>47%</td>
</tr>
<tr>
<td>FY2022</td>
<td>52%</td>
</tr>
</tbody>
</table>

Barriers to implementation
Percent of endowments reporting that the following factors were reasons for not pursuing environmental, social, and governance (ESG) investing, socially responsible investing (SRI), or impact investing

- Potential adverse impacts on investment performance: 24%
- Endowment invested primarily in pooled fund structures: 24%
- Potential conflicts with mission’s fiduciary duty: 18%
- Difficulty assessing the degree to which the portfolio achieves its ESG mandate: 14%
- Not enough quality managers with available expertise: 7%
- Investment management fees are higher: 7%

SOURCE: 2022 NACUBO-TIAA STUDY OF ENDOWMENTS
The percentage of endowments reporting that their institution had a formal policy addressing diversity, equity, and inclusion (DEI) related to investment manager selection continued to increase in FY2022. While smaller endowments still trail their large peers on this front, the two smallest cohorts were among the biggest gainers in FY2022.

**University has a DEI policy for investment manager selection**

<table>
<thead>
<tr>
<th>Total institutions</th>
<th>Over $1B</th>
<th>$501M – $1B</th>
<th>$251M – $500M</th>
<th>$101M – $250M</th>
<th>$51M – $100M</th>
<th>$25M – $50M</th>
<th>Under $25M</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2021</td>
<td>7.7%</td>
<td>8.8%</td>
<td>17.1%</td>
<td>15.6%</td>
<td>8.6%</td>
<td>7.8%</td>
<td>9.9%</td>
</tr>
<tr>
<td>FY2022</td>
<td>9.6%</td>
<td>9.9%</td>
<td>15.6%</td>
<td>13.4%</td>
<td>9.9%</td>
<td>4.5%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

SOURCE: 2022 NACUBO-TIAA STUDY OF ENDOWMENTS
Keep exploring the survey results

Access the publicly available tables from this year’s survey and learn how to purchase the survey at:
https://www.nacubo.org/Research/2022/NACUBO-TIAA-Study-of-Endowments
Disclosure

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