

# endowment update

for the periods ended  
March 31, 2023

At the University of Minnesota Foundation (UMF), our mission is to connect passion with possibility, inspire generosity, and support greatness at the University of Minnesota.

Designated by the University's Board of Regents as the central development office for the University, UMF plays a key role in supporting the drive to discover across all five U of M campuses. We accomplish this by raising gifts from individuals and organizations, investing funds for maximum impact, and stewarding gifts to ensure they are used as donors intend.

People who wish to create a lasting legacy at the University may make endowed gifts to create new funds or contribute to existing funds. These funds are invested together as the University of Minnesota Foundation endowment, but are managed by UMF individually to benefit their designated University programs in accordance with donor intent.

The endowment portfolio is invested by the University of Minnesota Foundation Investment Advisors (UMFIA).



## CONTACT INFORMATION

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

### University of Minnesota Foundation

McNamara Alumni Center  
200 Oak Street SE, Suite 500  
Minneapolis, MN 55455-2010  
612-624-3333 or 800-775-2187  
[give.umn.edu](mailto:give.umn.edu)

For questions about a gift in your will or other tax-wise gift options, contact

### Planned Giving

612-624-3333  
[plgiving@umn.edu](mailto:plgiving@umn.edu)

For questions about a gift you've already made, contact

### Donor Relations

612-626-9565  
[donorrelations@umn.edu](mailto:donorrelations@umn.edu)

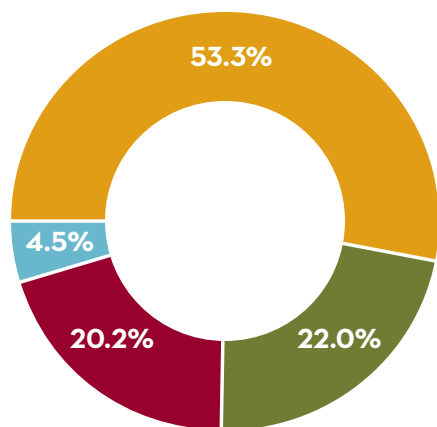
For additional financial information, please visit [give.umn.edu/about/financial](https://give.umn.edu/about/financial).

To see a full listing of the UMF and UMFIA boards of trustees, please visit [z.umn.edu/umf-bot](https://z.umn.edu/umf-bot) and [z.umn.edu/umfia](https://z.umn.edu/umfia).



# Investing the endowment

## Asset category allocation



- Global equity
- Private equity
- Credit & reinsurance
- Treasury bonds

## GOOD TO KNOW

The UMF endowment portfolio is highly diversified, which means that its returns will typically not experience the highest highs or the lowest lows.

## Goals and strategy

The UMF endowment is managed to meet two goals: preserve the inflation-adjusted value of endowed gifts for the long term, while simultaneously supporting a meaningful and dependable rate of spending from the funds each year.

To achieve this, UMF's portfolio is highly diversified and actively managed by UMFIA. In particular, it has less reliance on traditional common stock exposure than what is found in a standard 65/35 equity/bond mix. It is uniquely positioned to perform comparatively well during *multi-year* periods of market volatility while capturing equity-like returns over time.

To achieve our long-term goals, the portfolio accepts considerable year-to-year performance variability. However, the investment strategy and endowment spending policy are designed to limit the effects of this variability on the endowment's payout to University programs in both the near and long term.

## Investment results

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.

The UMF endowment's one-year return for the period ended March 31, 2023, was -5.4%. This exceeded the 65/35 market benchmark one-year return of -7.1%, due largely to UMF's portfolio positioning, which had an overweight to investments that rise with cash rates and an underweight to stocks.

*For the periods ended March 31, 2023.  
Total value of UMF endowment: \$3.2 billion.*

Year	Actual	Goal	Policy Benchmark <sup>1</sup>	65/35 Benchmark <sup>2</sup>
1-Year	-5.4%	10.2%	-6.0%	-7.1%
5-Year	8.8%	9.1%	6.1%	4.6%
10-Year	8.2%	7.8%	6.8%	5.7%
Since inception <sup>3</sup>	7.9%	8.2%	6.6%	5.1%

<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 benchmark is a weighted blend of stock and bond indices (65% equities and 35% bonds).

<sup>3</sup>January 1999.

# Long-term performance

## Growth over time

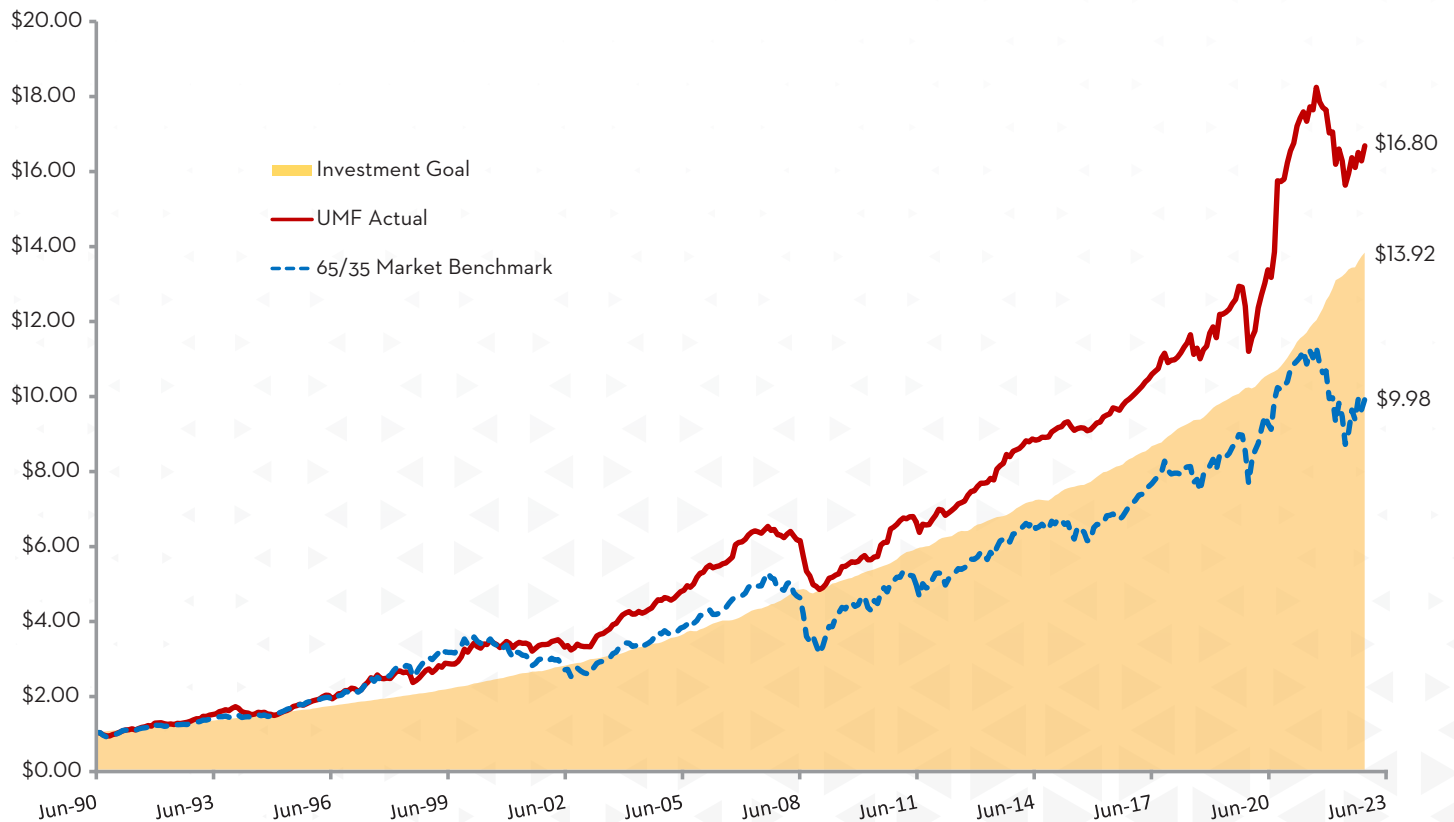
The chart below shows the growth of \$1 invested in the UMF endowment in 1990 compared with the Foundation's investment goal and a 65/35 market benchmark.

Over this multi-decade period, our returns have exceeded our investment goal, which translates to more dollars available to support the University than projected. One of the benefits of endowed funds is that they harness the power of compounding to amplify this growth for the benefit of future generations.

Since UMFA's inception in 1999, our portfolio also has outperformed the market benchmark by +2.8% annually, with less downside risk.

## Growth of \$1 in UMF endowment

July 1, 1990 to March 31, 2023



# Spending the endowment

## UMF's endowment spending policy

The UMF Board of Trustees determines the amount that can be made available for spending from endowed funds each year. This is referred to as the Foundation's endowment spending policy.

The spending policy is designed to provide stable and predictable funding to our donors' designated University programs in perpetuity. The current spending policy is to distribute 4.5% of an endowed fund's trailing average principal balance over the previous 20 quarters (5 years) for spending each year. These dollars, called the fund's "payout," are transferred to a spending account and made available to the University to support the fund's designated program. Quasi-endowment funds allow spending of up to 20% of the fund's value annually.

For permanent endowment funds, investment earnings above and beyond the 4.5% payout are reinvested back into the fund's principal to maximize long-term growth and impact.

## Administrative fees and efficiency

UMF is dedicated to keeping administrative fees low. This reflects our strong commitment to efficiency and maximizing the impact of donor gifts.

The fee for permanent endowments is 0.8% and for quasi-endowments is 1.5%. These fees help fund the related costs of gift administration, such as gift receipting, credit card fees, and cash management.

### GOOD TO KNOW

UMF calculates payout based on a fund's rolling 5-year average principal balance because it helps smooth the effects of short-term market fluctuations, thereby providing the University with steady and predictable funding.

### GOOD TO KNOW

UMF has not increased its fee rates since 2008.



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