

# endowment update

for the periods ended  
**June 30, 2022**

## 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 3).

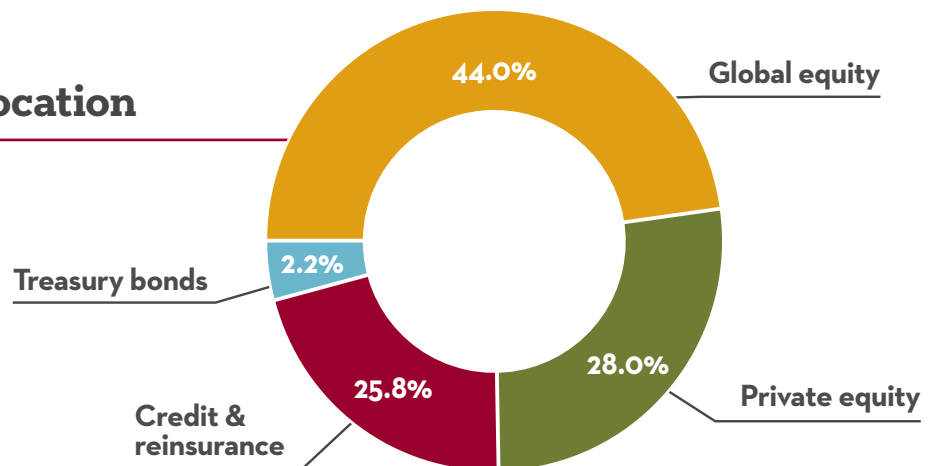
### Investment strategy

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 multi-year periods 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



## 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. For the one-year period ended June 30, 2022, the endowment pool returned -5.8%. This performance exceeded the one-year market benchmark return of -15.0%, due to strong performance by UMFIA's global equity investments.

### 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 +3.0% annually, with less downside risk.

For the periods ended June 30, 2022. Total value of UMF endowment: \$3.1 billion.

Year	Actual	Goal	Policy Benchmark <sup>1</sup>	65/35 Benchmark <sup>2</sup>
1-Year	-5.8%	14.5%	-7.4%	-15.0%
5-Year	9.6%	9.1%	6.5%	4.8%
10-Year	9.0%	7.7%	7.3%	6.2%
Since inception <sup>3</sup>	8.0%	8.2%	6.7%	5.0%

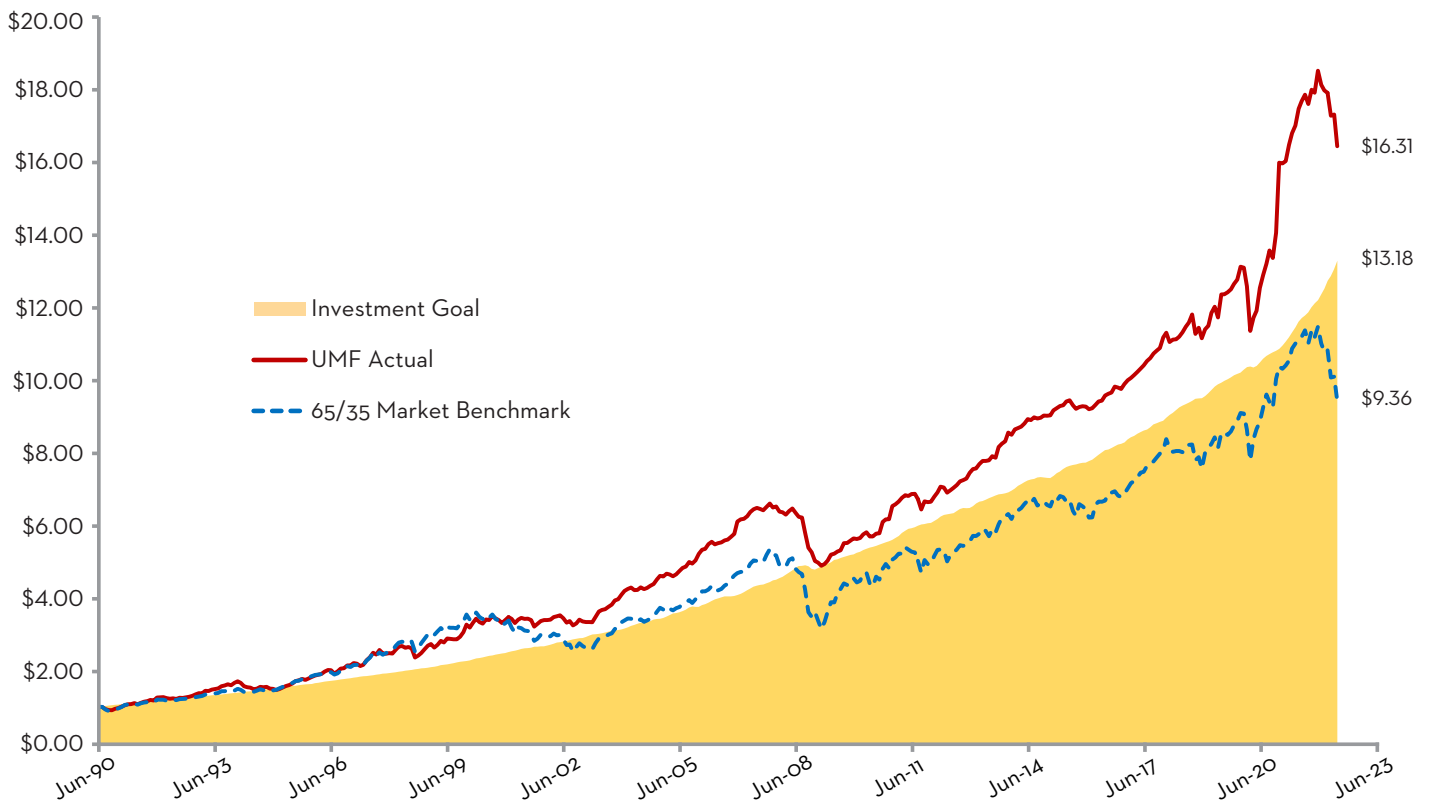
<sup>1</sup>The policy benchmark helps measure how well UMFIA is implementing its investment policy. Its components and asset class weightings are based on the portfolio's asset allocation policy.

<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.

## Growth of \$1 in UMF Endowment

July 1, 1990 to June 30, 2022



## Endowment spending and administrative fees

### What is the endowment spending policy?

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.

### 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. As of June 30, 2022, the annual fee on permanent and quasi-endowment funds was 0.9% and 1.5% of the fund's market value, respectively. These fee rates have not increased since 2008. The annual fee on permanent endowments decreased to 0.8% on July 1, 2022.

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These lists reflect board memberships as of September 1, 2022. For current lists, please visit [z.umn.edu/umfia](https://z.umn.edu/umfia) and [z.umn.edu/umf-bot](https://z.umn.edu/umf-bot).



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