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2023 NACUBO-Commonfund Study of Endowments

Summary observations from the 2023 NACUBO-Commonfund Study of Endowments

688

colleges, universities, and education-related foundations completed the FY23 survey

$839 billion

of endowment assets represented in the FY23 survey

$1.2 billion

average endowment size for FY23 survey respondents

$209.1 million

median endowment size for FY23 survey respondents

58%

of total market value is held by endowments with more than $5 billion in assets

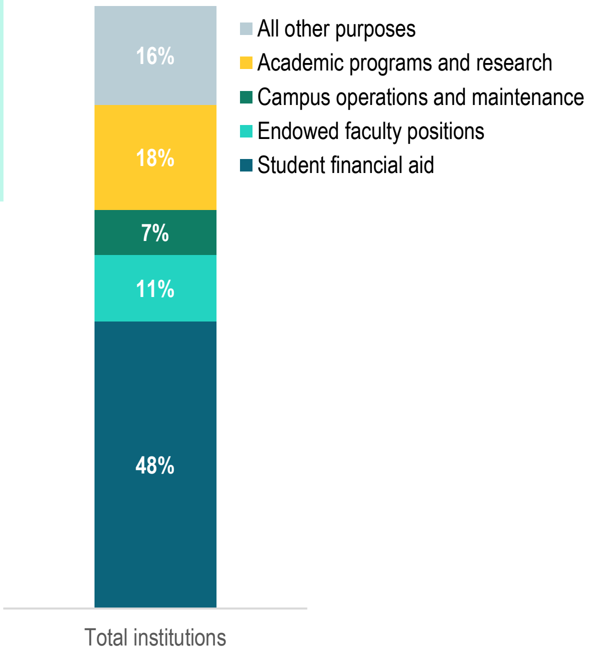
The Survey was conducted from September 6 through December 1, 2023, and covers the 2023 fiscal year (July 1, 2022 – June 30, 2023).

SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Endowment spending:
Both spending and spending rates increased in FY23

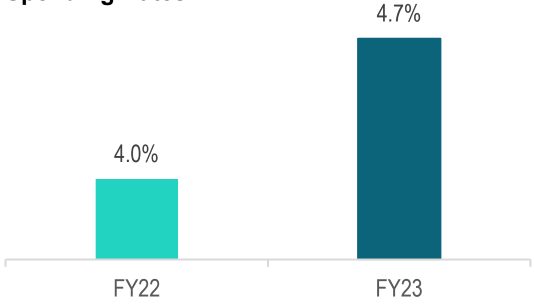
Spending from endowment has been stressed in recent years, first by the COVID-19 pandemic and then by rising costs and negative investment returns in FY22…the latter perhaps being a factor in reduced gifts to endowment this year. Nevertheless, institutions participating in this year's study withdrew more dollars from their endowments, the overall effective spending rate increased and endowment funding for the operating budget on average remained in the 11 percent range.

Spending Policy Distributions by Function

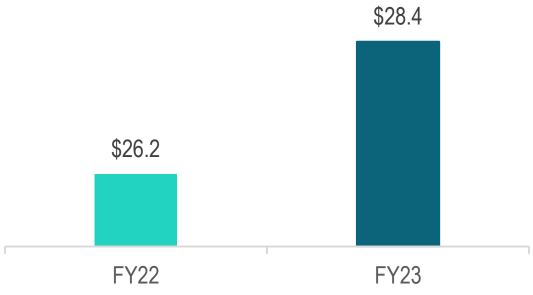


Spending rates and withdrawals survey respondents

Average Annual Effective Spending Rates



Total Withdrawals ($ billions)



SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Gifting: Surge in gifting partially offsets market downturn

The combination of good returns from publicly traded equities and gift-giving, after netting out spending, meant that institutions in the two cohorts with smaller endowments grew the combined market value of their endowments by 6 percent during the year, while institutions in the two largest size cohorts grew theirs by 4 percent.

The decline in gifts may reflect the poor calendar 2022 returns for both equities and fixed income securities. Key public equity and fixed income indices were all negative at the close of calendar ’22—the midpoint in schools’ FY23—potentially putting a damper on calendar year-end gifts.

Change in total endowment size from FY22

+3%

Respondents to this year’s survey reported a collective endowment size of $839.1 billion as of June 30, 2023, up from the $817.3 billion reported for FY22.

Change in total gifts received from FY22

-10%

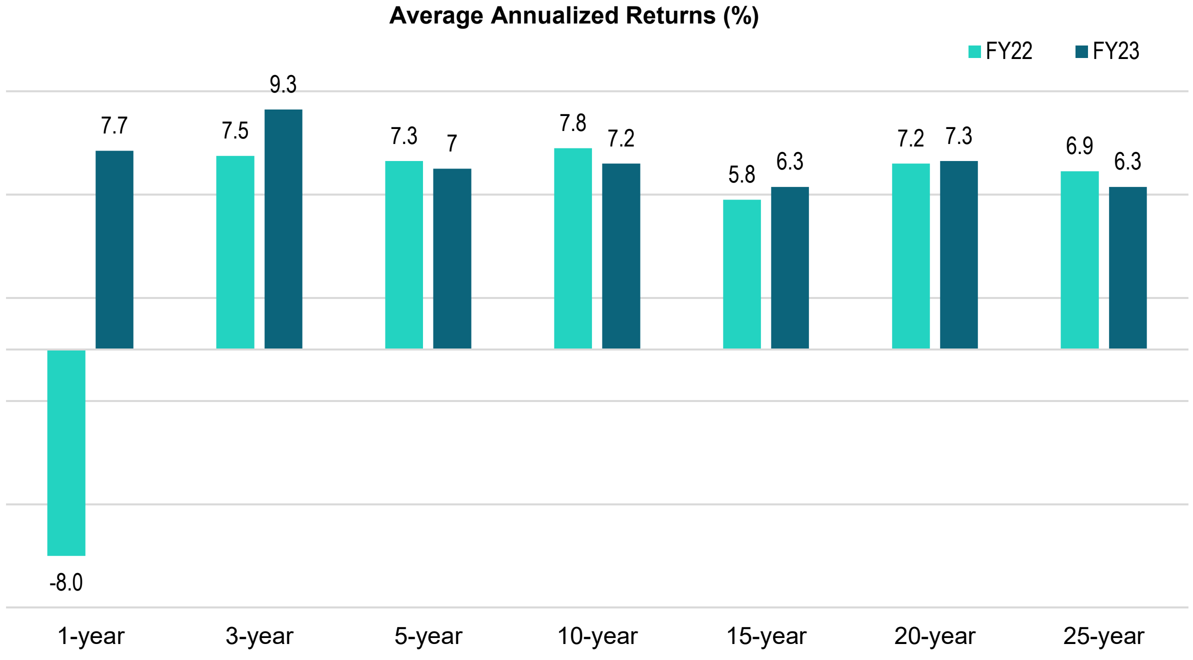
Respondents to this year’s survey received a total of $13.3 billion in gifts, down from the $14.9 billion received in FY22.

SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Investment returns: How FY23's market upturn affects long-term annualized returns

The positive returns endowments generated in FY23 led to an increase in longer-term annualized returns across nearly all time periods. While the year got off to a halting start, the final nine months of the fiscal year were marked by strong returns in public equity markets globally. Fixed income investments did not share in public equities' turnaround, however, as rising yields weighed on bond prices.

Further, the strength in public equity markets did not carry over to most private strategies, as returns were generally flat to moderately negative.



SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Return objectives: Unique to each institution

If an institution of higher education aspires to maintain the purchasing power of the investment pool over time, then assumptions must be made about the long-term spending rate from the endowment, the anticipated rate of inflation and investment management costs.

The conventional approach for many endowments is to set CPI or HEPI +5% (i.e., inflation plus a spending/distribution percentage) as a return target. Often, there may be other unique variables for organizations which can influence their return targets and those should also be considered.

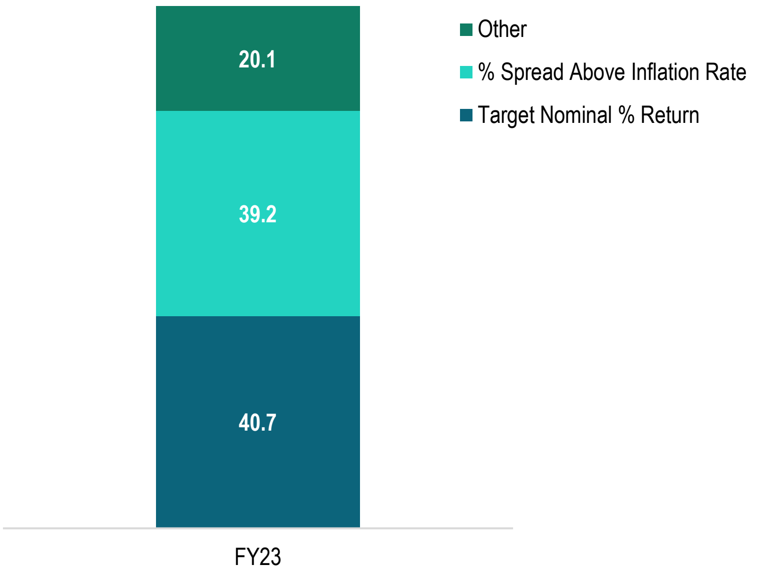
Average target nominal return for FY23

7.0%

Average spread above the rate of inflation for FY23

4.8%

Method Used to Define Return Objective (%)

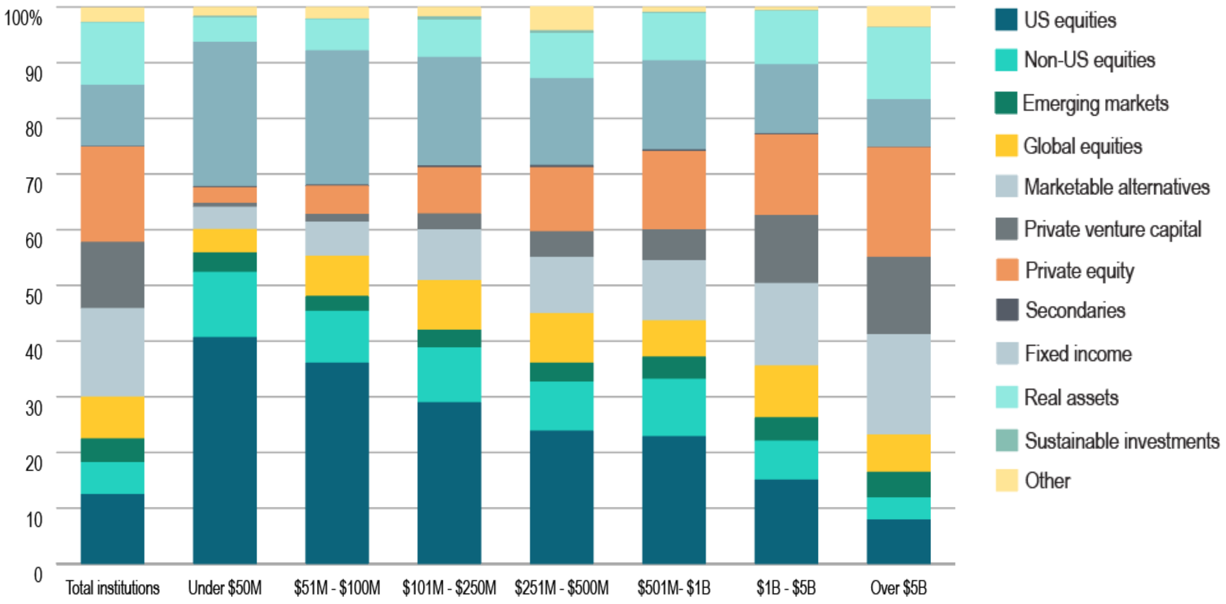


SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Asset allocation: Private equity, marketable alternatives and US equities exceeded other categories

Asset allocation has long been recognized as the primary factor behind investment returns. FY23 was a model example. Those institutions with larger allocations to the best performing asset classes— publicly traded equities in the U.S. and abroad— secured the highest returns. Those institutions with the largest allocations to the year's under-performers—such as private strategies and real assets—saw their returns lag. This resulted in a year when smaller and mid-sized endowments realized significantly higher returns than the largest endowments—a reversal of what is reported in most Endowment Studies.

Asset allocations for endowment cohorts for FY23

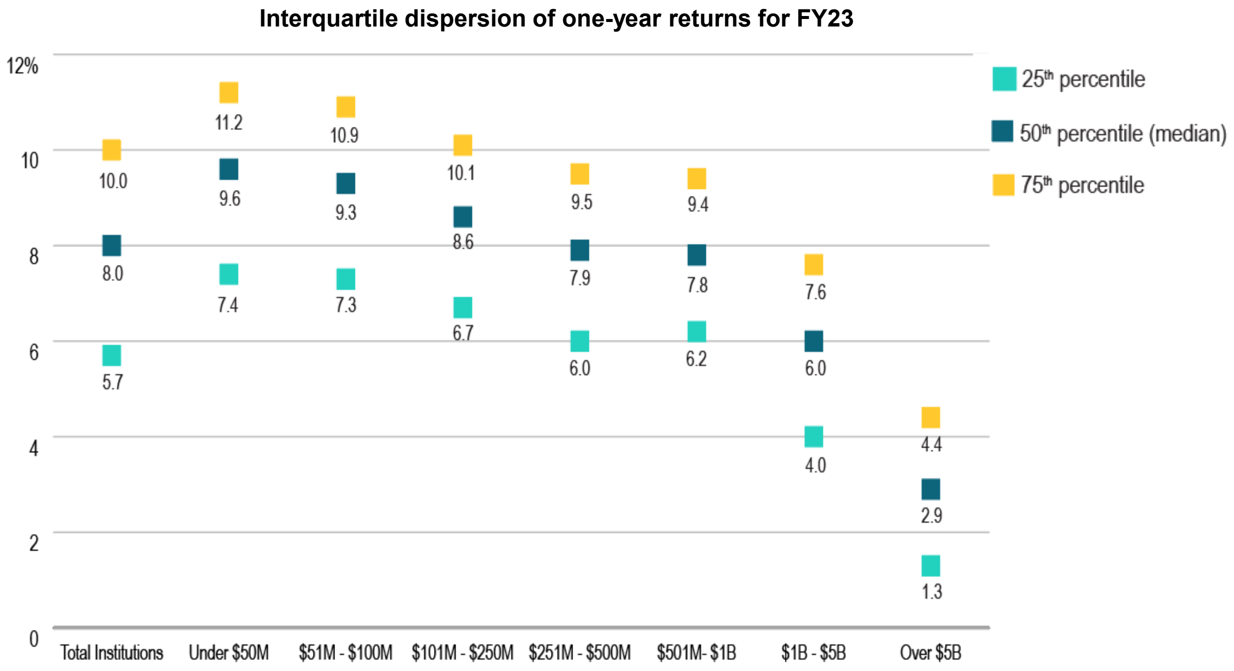


SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Returns dispersion: Interquartile dispersion tighter in FY23

Return dispersions for all size cohorts were similar, ranging from 3.1 percent to 3.8 percent. The widest dispersion was found among smaller institutions, the tightest among larger institutions.

While asset allocation was the primary reason for the lower returns of the largest endowments, it did not result in significant differences in return dispersion between the largest endowments and other size cohorts.



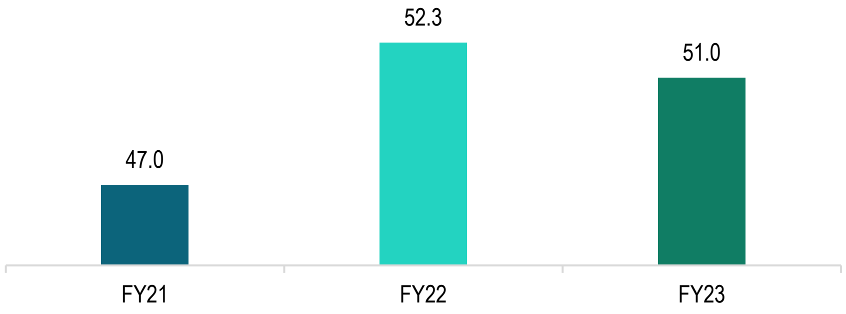
SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

Responsible investing: Adoption rates and manager due diligence considerations level off

While the adoption of various responsible investing practices has grown in recent years, almost two-thirds (65.4 percent) of respondents to this year's Study have not adopted responsible investing at their institution.

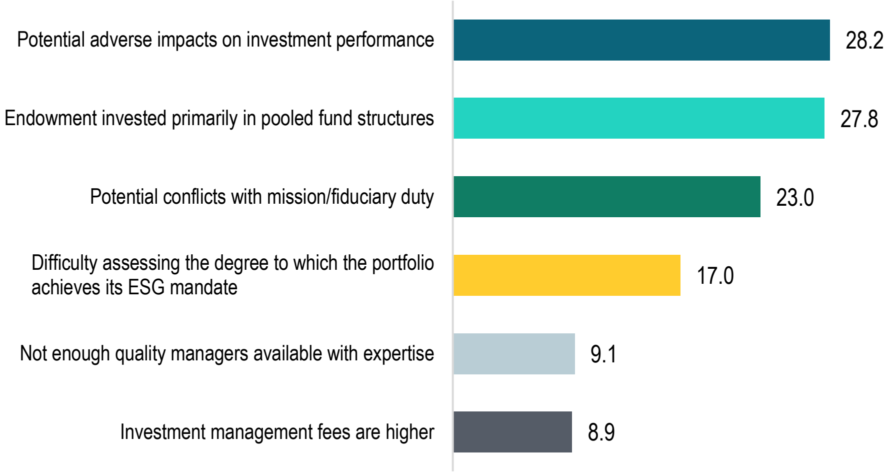
Manager due diligence

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



Barriers to implementation

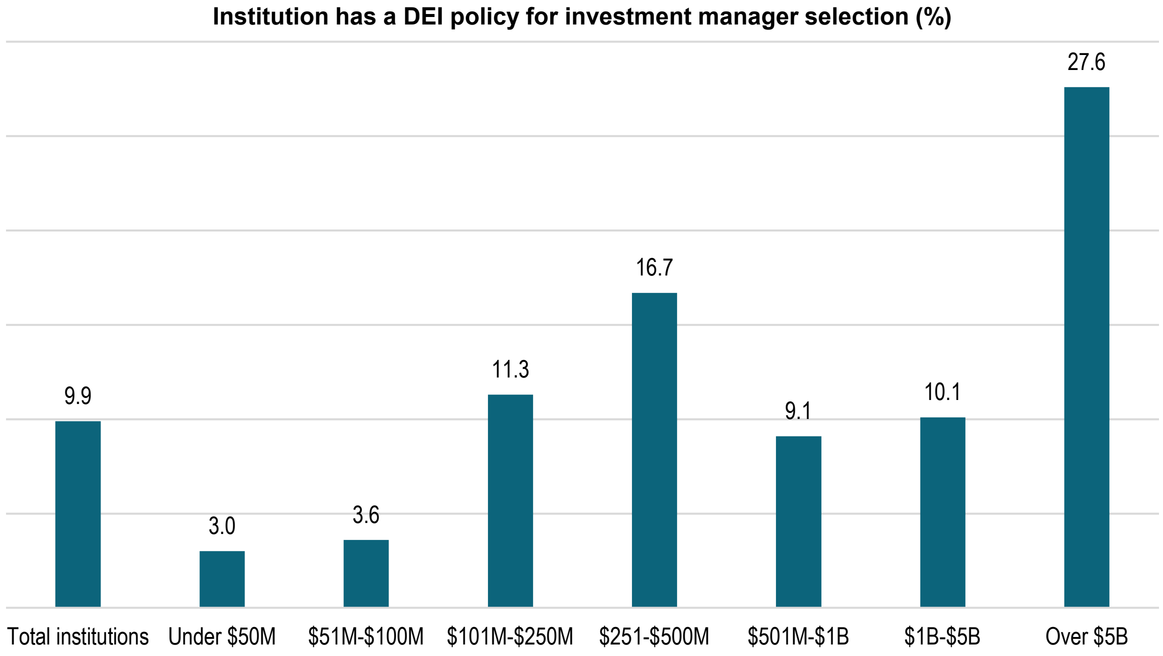
Percent of endowments reporting that the following factors were reasons for not pursuing environmental, social, and governance (ESG) investing, negative screening, or impact investing



SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

DEI: Largest endowments more likely to have a formal DEI policy related to investment managers

The percentage of endowments reporting that their institution had a formal policy addressing diversity, equity, and inclusion (DEI) related to investment manager selection saw increases and decreases across all size cohorts in FY23.



SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

2023 | Q&A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Keep exploring the survey results

Scan the QR code to access the publicly available tables from this year's survey.

SOURCE: 2023 NACUBO-COMMONFUND STUDY OF ENDOWMENTS

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