LETTER FROM OUR CHIEF INVESTMENT OFFICER

We are pleased to share the endowment’s fiscal year results with you in this 2021 Endowment Report. Extraordinary market activity during Fiscal Year 2021 lifted Tufts’ endowment to $2.7 billion—an increase of more than $750 million from the prior year. With this year’s investment return of 38.7%, the endowment is exceeding all of its benchmarks over the past 1, 3, 5, 10, and 20 years.

As you know, the endowment plays a critical role in supporting Tufts’ mission by providing financial support to current and future generations of students, faculty, and researchers. During the last fiscal year, the endowment distributed a record-high $98 million—roughly 10% of our total net operating revenue—to these vital activities.

While it was truly an unusual year in capital markets, our investment strategy remains unchanged. Our long-term perspective allows us to maintain a higher-returning equity orientation, while diversification and prudent liquidity management ensure the endowment can support the immediate needs of the university and allow Tufts to act nimbly and with conviction—as we did in early 2020, when markets served up investment opportunities. As markets have rallied over the past year, our approach has led us to sell equity exposure to fund university payouts and rebalance back toward our targeted risk level, preparing the portfolio for the next—and inevitable—market decline. This does not make the endowment immune to market declines but does position it to weather them while continuing to support the university’s mission.

The consistent application of this long-term approach has been successful. Over the past 20 years, which have included multiple market crises, the endowment return has exceeded the annual payout to the university plus inflation. This result is critically important, as it ensures that your gift to the endowment will continue to support every future generation at Tufts in perpetuity.

As Tufts’ newly appointed CIO, I seek to sustain this long-term investment success and build on the great foundation that the late Sally Dungan—my predecessor, mentor, and friend—established over her nearly two decades of thoughtfully leading Tufts’ Investment Office.

Your gift to Tufts has touched countless lives and will impact many more around the world. We are incredibly grateful for your continued support.

Craig W. Smith
CIO, Tufts Investment Office
# Tufts FY21 Endowment at a Glance

- **Total Students**: 13,150
  - Undergraduates: 6,630
  - Graduate and Professional Students: 6,520
  - International Students: 1,490
  - Current Alumni: 125,000+

- **Endowment Value**: $2.7 Billion
- **Investment Return**: 38.7%
- **10-Year Annualized Return**: 9.6%
- **Distribution**: $98 Million

*These figures represent the performance of the Tufts Total Return Pool (TRP). The majority of the endowed funds at Tufts are invested in the TRP.*
FULFILLING TUFTS’ MISSION

In the years since its founding in 1852, Tufts University has earned a distinctive reputation as being a blend of both research university and liberal arts college. It’s a dynamic combination that attracts students, faculty, and staff from around the world who thrive in our inclusive, collaborative, and student-centered community. As part of our mission, we are committed to maintaining an environment in which creative scholars are encouraged to generate bold ideas and innovate in the face of complex challenges.

Tufts’ endowment was established to ensure a perpetual source of support to serve this mission. Its funds provide access to an exceptional education for dedicated students from all social and economic backgrounds, attract world-class educators and scholars, and support the development of leading-edge educational opportunities. As a reliable pool of funds, the endowment enables the university to meet budgetary obligations when other sources of revenue fluctuate.

Endowment Directed Support to the University
- 37% GENERAL UNIVERSITY
- 29% FINANCIAL AID
- 12% PROFESSORSHIPS & LECTURESHIPS
- 11% PROGRAM SUPPORT
- 11% OTHER

“My Tufts education has transformed my life. Surrounded by brilliant minds to guide me, I'm now considering a career making electric cars or rockets that go to Mars. To all who support student journeys, thank you!”

Eduardo Vargas Gutierrez, E22 Douglas and Susan Present Scholar
School of Engineering
GIVING IN SUPPORT OF TUFTS’ LONG-TERM EXCELLENCE

Endowed gifts exist in perpetuity—that is, when the gift is invested, the principal value is preserved and an established percentage of the endowment is distributed annually for use by the university. Over time, each gift grows in value, providing increasing resources in future years and enabling the university to plan with confidence.

ENDOWED GIFTS STRENGTHEN TUFTS BY:

• Giving Tufts the resources to increase access to education for the best students across the globe. Financial aid remains the single greatest challenge facing all of Tufts’ schools, and endowed scholarships ensure that we can maintain our legacy of diversity and inclusion.

• Helping the university attract and retain outstanding faculty. Endowed named professorships, for instance, offer prestige and recognition to leading Tufts scholars and researchers whose expertise invigorates the entire academic enterprise.

• Providing the university the flexibility and freedom to seize every opportunity and continue to support innovation and discovery in all their forms. Endowed centers and other cutting-edge research programs further our mission to inspire a world of good.

“During clerkships, students have their first encounters with patients who are experiencing some of the most intense moments in their lives. At the same time, they’re learning to interact successfully with many different personalities and behaviors, not only in patients but in attendings and residents. To be part of that development process is quite a privilege, and being the first to receive this endowed directorship is really an honor.”

Jody Schindelheim, MD
Hira and Toos Family Clerkship Directorship
School of Medicine
The endowment investment strategy is designed to maximize long-term returns while providing sufficient liquidity to support the university’s current operations and satisfying risk guidelines specific to the university’s objectives.

Endowment Asset Allocation

- 33% GLOBAL PUBLIC EQUITY
- 10% EQUITY ALTERNATIVES
- 13% BOND ALTERNATIVES
- 4% BUYOUTS
- 12% GROWTH EQUITY
- 12% VENTURE CAPITAL
- 5% PRIVATE REAL ESTATE
- 4% PRIVATE NATURAL RESOURCES
- 2% PRIVATE CREDIT
- 4% TREASURIES/TIPS
- 1% CASH

To achieve its mission, the Investment Committee and Investment Office pursue a highly diversified and equity-oriented portfolio structure. They seek to capture the required high returns of equity investments while reducing some of the volatility associated with such investments. Each year, the strategic asset allocation is reviewed and assessed to determine if a change is desired in the context of the university’s forecast needs and expected long-term market conditions. Within each asset class, the Investment Office selects outside experts to pursue security-level investment decisions within their strategies.
This sophisticated investment program spans asset classes and global markets and is implemented by an internal team of specialists with deep asset class, sectoral, and geographic expertise. In total, the endowment is invested across domestic public equities, foreign public equities, marketable alternatives, private equity/venture capital, private real estate, private infrastructure, private credit, and other diversifying assets. A modest allocation is maintained to domestic sovereign bonds and cash for liquidity management. Given the perpetual time horizon of the endowment, the Investment Office accepts a prudent level of illiquidity in the portfolio to maximize long-term returns. The overall mix of assets in the endowment portfolio is intended to exhibit roughly the same level of volatility as a simple 70% global equity/30% U.S. bond portfolio.

“My dream of becoming a veterinarian began when I was a child and was further envisioned when I took my first animal science class at Cornell University. It was there I was able to handle large animals and work in research for the first time. After graduating, it was financial aid and scholarships like this one, along with the welcoming community Tufts has, that ultimately contributed to my decision to attend Cummings School of Veterinary Medicine over other veterinary schools. Being able to limit the number of loans I take on now will allow me to better maintain my focus on academics so that I can succeed.”

Jenise Carter, V25
William and Bernice P. Sabo Scholarship
Cummings School of Veterinary Medicine
INVESTMENT PERFORMANCE

The primary financial objective of the endowment is to maintain or grow the real purchasing power of the endowment over the long term to support current and all future generations of Tufts’ students, faculty, and researchers at the same level at which they are supported today. To achieve this, the long-term investment return of the endowment must be equal to or greater than the annual spending rate plus inflation. Over the past 20 years, the endowment—while absorbing multiple market crises—has generated an annualized return of 7.6%, which exceeds the rate of spending plus inflation (7.2%) and has grown the real value of the endowment.

On a shorter-term basis, the endowment’s investment performance is compared against two benchmarks: a custom reference benchmark, which reflects the portfolio’s strategic asset allocation, and an investment policy benchmark, which reflects the performance of a simple 70% global equity/30% U.S. bond portfolio. For FY21, the Tufts Total Return Pool (TRP) returned 38.7%, which exceeded the custom benchmark return of 32.8% and the simple policy benchmark return of 26.3%. As of June 30, 2021, the TRP’s returns over 1, 3, 5, 10, and 20 years exceed the returns of both benchmarks over all time horizons.

Finally, Tufts seeks endowment performance that is competitive with other colleges and universities. According to both Cambridge Associates and NACUBO-TIAA, which provide comparative data on the returns of college and university endowments, Tufts’ endowment performance has been in the first or second quartile over 1-, 3-, 5-, 10-, and 20-year horizons.

“
My scholarship reminds me that kind people are ready to help me achieve my dream, every step of the way. That commitment motivates me to want to give back too.”

Amanda Carlos, D23
Harold L. Brehm, D.D.S.,
and Ella Brehm Scholar
School of Dental Medicine
As of June 30, 2021, the value of the endowment was approximately $2.7 billion.

**Annualized Returns**

Period ending June 30, 2021

- **Tufts Actual**: Returns for the Total Return Pool (TRP) are net of external managers’ fees and gross of internal administrative expenses.
- **Tufts Reference Portfolio**: Custom benchmark reflecting the approved asset allocation policy and respective market indices.
- **Tufts Investment Policy Benchmark**: 70% Global Equity/30% U.S. Bonds.
ENDOWMENT OPERATIONS

At the time a new fund joins the endowment, it acquires units (shares) within the endowment in much the same manner as a mutual fund. These units provide the basis for determining an individual fund’s value within the overall investment pool and its share of the annual distribution of funds for the donor’s designated purpose. These units are acquired in the first month following the date that the gift is received. Distributions start that same month for all endowment funds and will provide support for their designated purpose no more than 30 days from the date of the gift.

ENDOWMENT SPENDING POLICY

The level of spending from an endowed fund fluctuates from year to year because the distribution is based, in part, on the market value of the endowed fund. When investment returns exceed the annual payout over time, the fund will grow and the amount distributed will increase. If investment returns fall below the annual payout rate over time, the fund will decline in value and the amount distributed will decrease. The university’s spending policy is designed to reduce year-to-year payout volatility and provide more consistent financial support to the university’s programs.

The endowment distribution amount is established annually in accordance with the university’s endowment spending policy, and the

“Fletcher gave me the tools to address complex problems in climate change and agriculture in developing countries, an education made possible by extraordinary financial aid.”

Sabrina Rose, F21
Joan Gillespie Fellow
Fletcher School of Law & Diplomacy
amount is reviewed and approved by the trustees. The current spending policy states that the distribution paid by an endowment unit increase by 2.5% each year, provided that this amount falls within a certain range. The range is defined as a percentage of the average endowment unit value over a 12-quarter period ending September 30 of the prior year. For Fiscal Year 2021, the distribution was 5.2% of the average endowment market value.

In the event that market conditions temporarily drive an individual fund’s market value below the original contributed amount, plus any subsequent gifts and/or additions, Tufts applies a reduced payout formula. This calculation distributes a reduced amount and invests the remaining amount that would have been distributed back into the fund to restore some of the original spending power of the fund.

Institute for Research on Learning and Instruction (IRLI)
Made possible by an endowed gift from the McDonnell Family Foundation
School of Arts and Sciences and School of Engineering

A joint initiative of the School of Arts and Sciences and the School of Engineering, the Institute for Research on Learning and Instruction (IRLI) is the first research center of its kind to focus on better understanding how students learn at the collegiate level—across their courses and other experiences—and what instructors can do to help improve outcomes. IRLI faculty members will do research on learning in their own respective disciplines, grounding their inquiries in what they see every day in the classroom. “I’m enormously grateful to the McDonnell family,” says David Hammer, co-director of IRLI. “This is happening because of their gift, and it’s fantastic.”
THE ENDOWMENT AND ENVIRONMENTAL SUSTAINABILITY

Tufts has a long history of leadership within higher education on issues of sustainability, ranging from initiating the Talloires Declaration in 1990 to its work today to minimize its carbon footprint, foster groundbreaking research and scholarship, and prepare students to become the next generation of leaders on climate change.

TUFTS UNIVERSITY SUSTAINABILITY FUND

At Tufts, donors have a unique alternative in endowment giving through the Tufts University Sustainability Fund (TUSF). This distinct pool of endowed assets was launched by the Board of Trustees in 2015 to pursue a fossil fuel-free investment mandate for donors wishing to direct their gifts in this way. While the strategic allocation of the TUSF pool differs from the main endowment, it benefits from the same governance oversight and investment resources. In Fiscal Year 2021, the TUSF returned 27.8%, exceeding its custom benchmark return (27.0%).

“The Gershoff Diversity Fellowship has been a life-changing opportunity and provides empowerment to people from around the world. It has given me added motivation to give my best and to pay it forward so that others may realize their potential too.”

Ana Maafs, doctoral candidate
Stanley N. Gershoff Scholar
Friedman School of Nutrition Science & Policy
ADVANCING TUFTS’ COMMITMENT TO SUSTAINABILITY

On February 10, 2021, the Board of Trustees announced its adoption of several measures to consider environmental sustainability in relation to the investment of the university’s main endowment. These measures include prohibition on direct investments in 120 coal and tar sands companies with the largest reserves, a commitment to invest in positive impact funds related to climate change, proactive communication to Tufts’ investment managers to encourage them to further integrate climate-change risk and other environmental, social, and governance (ESG) considerations into their processes, and development of a reporting dashboard to share the university’s progress toward these actions. In addition, the trustees committed to conducting a formal review of this effort by the middle of this decade.

Visit our website to read the full university announcement.

“Coming to Tufts, I’ve learned so much more than I ever imagined possible. The challenge—to do more, learn more, be more—really came alive. I’m so grateful to Mr. Tu for understanding the value of education and giving so generously to help every student receive the same privileges and experiences.”

Makoyan Toure, A23
Loring W. Tu Scholar
School of Arts and Sciences
EXPERIENCED LEADERSHIP

THE INVESTMENT COMMITTEE

Composed of trustees and non-trustees who have expertise in financial management, the Investment Committee is responsible for the overall investment and management of endowment assets. This committee has oversight responsibility for the Investment Office. It approves investment policy and strategic asset allocation and oversees portfolio implementation. Members of the Investment Committee have an in-depth understanding of how to build and manage a portfolio based on investment objectives and risk tolerance.

• Robert R. Gheewalla, A89, A18P, M23P, Chair, Trustee
• Eileen A. Aptman, J90, Trustee
• Michael S. Gordon, A87, A23P, M24P, Trustee
• Brian H. Kavoogian, A84, Trustee Emeritus
• M. Stephen McDermid, A01, F06
• Jeffrey M. Moslow, A86, A16P, A18P, Trustee
• Douglas A. Rachlin, A85, A20P, A22P, Trustee
• James A. Stern, E72, H14, A07P, Trustee Emeritus
INVESTMENT OFFICE

In Fiscal Year 2021, Tufts appointed Craig W. Smith as the university’s chief investment officer. Having joined Tufts in 2017 and with more than 15 years of prior endowment management experience, Smith brings both a breadth of industry knowledge and a deep understanding of Tufts’ financial needs and mission to his leadership of the Investment Office.

Visit our website to read the university’s announcement about Smith’s appointment.

The mission of the Investment Office is to support the Board of Trustees and administration in ensuring the long-term financial health of Tufts University. To do this, the Investment Office—in conjunction with the Investment Committee—thoughtfully stewards the assets that the university has accumulated over the years from generous donors and as a result of prudent financial management.

Proper stewardship of donor assets requires a patient, focused long-term approach. Investment Office staff possess both a clear understanding of the university’s risk tolerance and a growth mentality. They develop investment strategy and run the endowment on a day-to-day basis with the objective of supporting today’s students, faculty, and researchers and all future generations to come.

• Craig Smith, Chief Investment Officer
• Matthew Craig
• Evelyn Drake, A19
• Tryfan Evans
• David Hohmann
• Paul Mace
• Timothy Mathien
• Lillian Miller, A21
• Glorimar Perez
• Eli Rosmarin, A20
• Saheba Sahni, F18
• Brunet Saintil
• Michelle Yu
“We are tremendously grateful to the alumni, parents, and friends who support the Tufts endowment. Their generosity safeguards and strengthens our excellence in teaching, research, and scholarship for generations of students and faculty to come.”

Anthony P. Monaco,
President, Tufts University