

ENDOWMENT REPORT

FISCAL YEAR 2023



Tufts
UNIVERSITY



Tufts
UNIVERSITY

LETTER FROM OUR CHIEF INVESTMENT OFFICER

We are pleased to share the endowment's fiscal year results with you in this Endowment Report for fiscal year 2023 (July 1, 2022–June 30, 2023). Capital markets produced mixed results in FY23, driven by fluctuating concerns about high inflation and interest rates, geopolitical turmoil, and excitement about artificial intelligence.

Tufts' endowment retains a highly diversified asset allocation that ensures a strong position from which to weather the current uncertain economic environment and provide ongoing financial support to the university's mission. In fact, the endowment distributed \$107 million to the university in FY23, the largest distribution in the school's history.

The majority of Tufts' endowment is invested in the Tufts Total Return Pool (TRP), which returned 3.5 percent in FY23. This growth was driven by double-digit returns from public equity, buyouts, and natural resources. These positive results were partially offset by headwinds within venture capital, private real estate, and bonds during the fiscal year. Despite the near-term market volatility, the TRP's long-term results remain strong. On a 10-year basis, the TRP has generated a 7.6 percent annualized return, meaningfully outperforming a risk-equivalent equity/bond portfolio, outpacing the average U.S. university endowment, and nearly matching the inflation plus university distribution rate during this generationally high inflationary period.

We remain focused on generating the long-term returns necessary to support Tufts' mission in perpetuity while guiding these critical assets through the uncertain and higher-risk period in capital markets we are experiencing today.

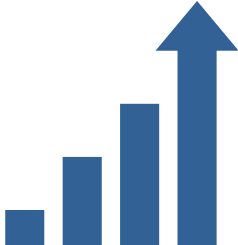
We are incredibly grateful for your continued commitment to Tufts; your generosity is essential to the support of the current generation at Tufts and to ensuring that the light on the Hill remains bright for many generations to come.

Craig W. Smith
Chief Investment Officer



TUFTS FY23 ENDOWMENT AT A GLANCE

\$2.4
BILLION
ENDOWMENT VALUE



\$107
MILLION
DISTRIBUTION



3.5%
INVESTMENT RETURN*

7.6%
10-YEAR ANNUALIZED
RETURN*

*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.



TUFTS UNIVERSITY

12,000
TOTAL STUDENTS

6,610
UNDERGRADUATES

127,180+
CURRENT ALUMS

5,350
GRADUATE AND
PROFESSIONAL STUDENTS

2,340
INTERNATIONAL
STUDENTS

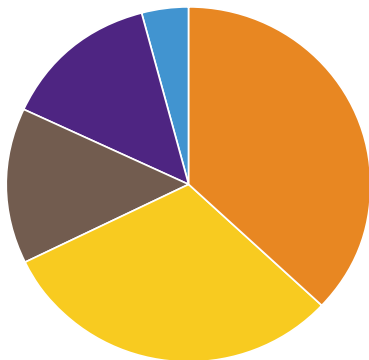
1,620
TOTAL FACULTY

3,650
TOTAL STAFF

FULFILLING TUFTS' MISSION

In the years since its founding in 1852, Tufts University has earned a distinctive reputation for being a blend of 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. The endowment's 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
- 31% FINANCIAL AID
- 14% PROFESSORSHIPS, FACULTY DEVELOPMENT, AND LECTURESHIPS
- 14% OTHER
- 4% DEPARTMENT/PROGRAM



“
Tufts helped me discover
what I found most exciting:
to see how science changes
lives. When I am close with
patients and hear their
stories and how these trial
drugs are helping them
better their lives—that’s
what pushes me to further
my research.”

SARA BLAKE, E21
Jeanne H. Diefenderfer 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 to build on our goals.
- [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 to 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.



“

I'm eternally grateful for financial aid. Hard work got me to Tufts, but the privilege of scholarships has made it possible for me to realize far more than I could have ever imagined. To all the people who invested in me and so many others, thank you!”

STEVEN SCHWAB, A20, M25

Dolan Family Scholar, School of Arts and Sciences

Dr. Myer and Anna Bloom Scholar, School of Medicine

Paul and Elaine Chervinsky Scholar, School of Medicine

Samuel W. Ho, M.D., M76, Scholar, School of Medicine



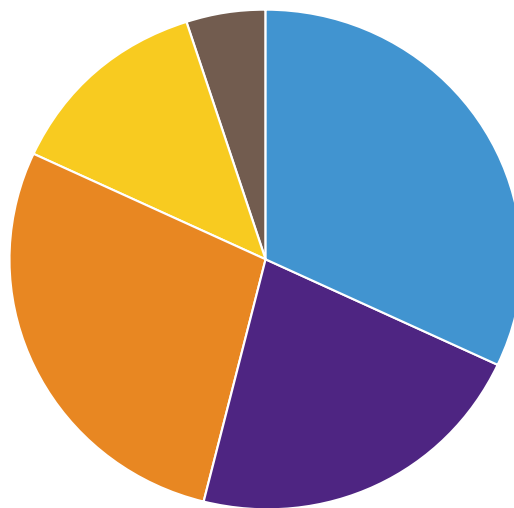
ENDOWMENT MANAGEMENT

INVESTMENT STRATEGY AND ASSET ALLOCATION

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.

To achieve this 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 forecasted 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 percent global equity/30 percent U.S. bond portfolio.



Endowment Asset Allocation

- 32% PUBLIC EQUITY
- 28% PRIVATE EQUITY/VENTURE CAPITAL
- 22% MARKETABLE ALTERNATIVES
- 13% DIVERSIFYING PRIVATE INVESTMENTS
- 5% LIQUIDITY



“

Generous resources define world-class research. With the finest minds and cutting-edge tools, there are no limits to what we can discover.”

MICHAEL LEVIN, A92, A26P

*Vannevar Bush Professor, Department of Biology
Distinguished Professor, School of Arts and Sciences*



INVESTMENT PERFORMANCE

The primary financial objective for the endowment is to maintain or grow its real purchasing power 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 objective, the long-term investment return of the endowment must be equal to or greater than the annual spending rate plus inflation. Despite the recent market turmoil and historically high inflation, over the past 10 years the endowment has generated an annualized return of 7.6 percent, which nearly matches the rate of spending plus inflation over this period (7.8 percent).

In addition, the endowment's investment performance is compared against two market-based benchmarks: an investment policy benchmark, which reflects the performance of a simple 70 percent global equity/30 percent U.S. bond portfolio, and a custom reference benchmark, which reflects the portfolio's strategic asset allocation.

While the diversified endowment approach outperformed a simple equity/bond portfolio in the prior two fiscal years, it lagged in FY23. The U.S. equity market, pulled up by large-cap growth stocks associated with artificial intelligence, was the best-performing major asset class, while bonds and many private investment strategies, including venture capital and real estate, faced headwinds. For the year, the Tufts Total Return Pool (TRP) returned 3.5 percent and lagged behind the investment policy and reference benchmark returns; however, on a 10-year basis, the TRP has outperformed the policy benchmark and matched the reference benchmark.

Finally, Tufts seeks long-term endowment performance that is competitive with other colleges and universities. According to preliminary data from third-party sources, which provide comparative data on the returns of college and university endowments, the TRP's performance is in the second quartile on a 10-year basis.



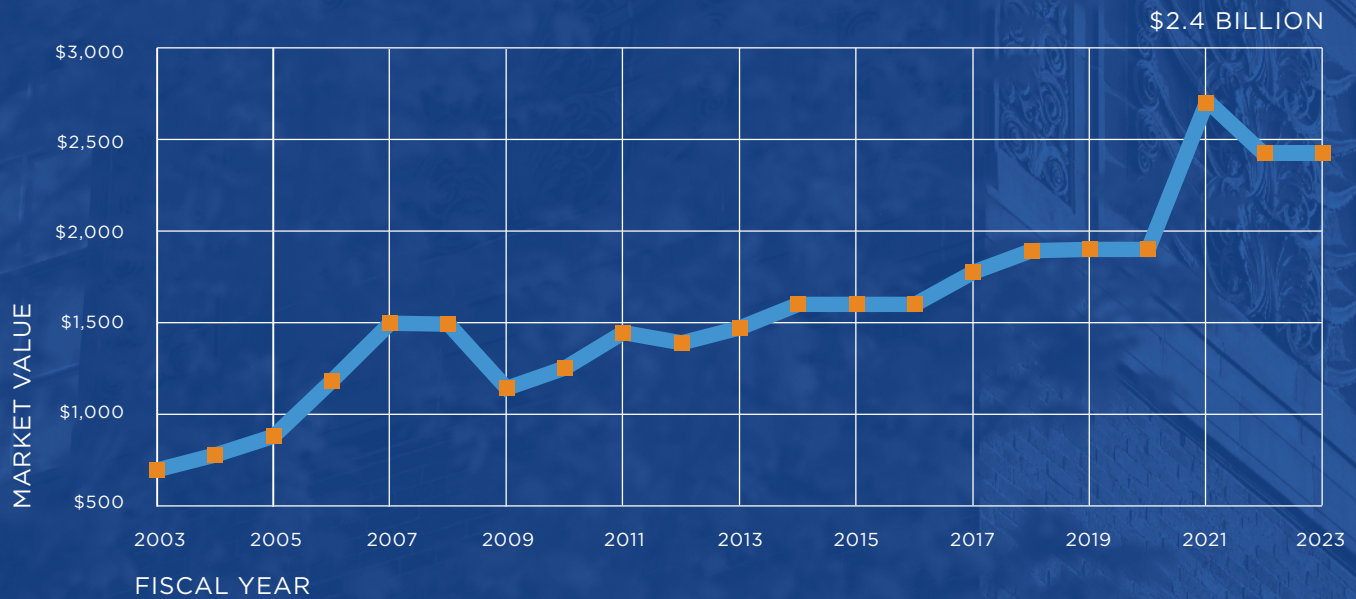
I wanted to show my gratitude to Tufts and to honor my parents for their courage. I chose to honor them by creating in my estate plans an endowed fund to help other international students like myself. What's wonderful is knowing that the fund will be given, in perpetuity, to help future students have that Tufts experience that I enjoyed."

SHILPI BANERJEE, GBS93
Charles Tufts Society member



ENDOWMENT GROWTH

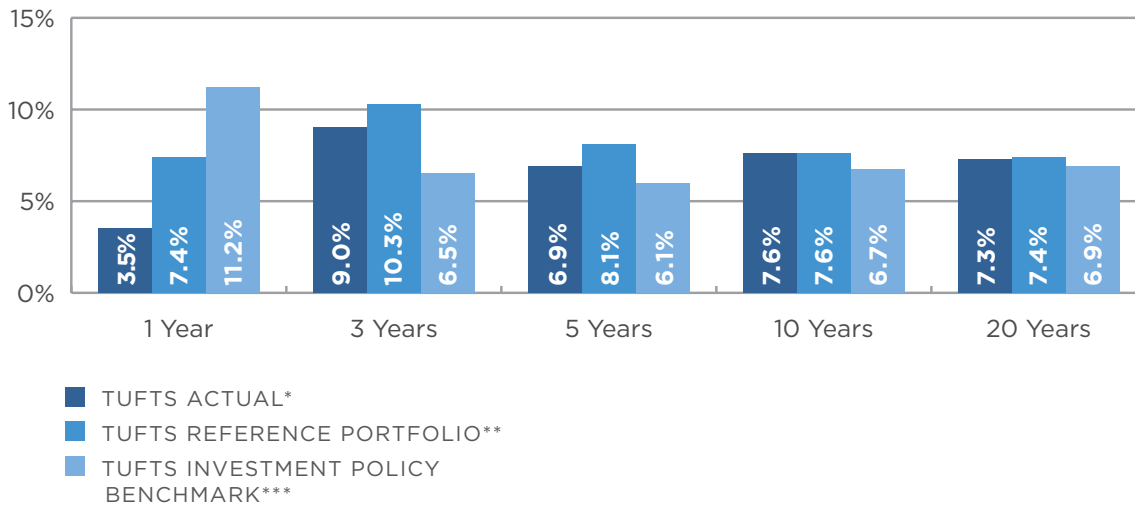
ENDOWMENT (\$ in millions)



As of June 30, 2023, the value of the endowment was approximately \$2.4 billion.

ANNUALIZED RETURNS

Period ending June 30, 2023



*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

When 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 they provide support for their designated purpose within 30 days of 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



“It’s a unique opportunity to learn how to be the physician I want to be. And it’s encouraging to be surrounded by like-minded people who share a vision for supporting marginalized and underserved communities.”

JESUS MEJIA, M25
George Marina, M75,
Medical Alumni Scholar
School of Medicine



the amount is reviewed and approved by the trustees. The current spending policy states that the distribution paid by an endowment unit shall increase by 2.5 percent 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 2023, the distribution was 4.9 percent 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 its original spending power.



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 improve outcomes. IRLI faculty members do research on learning in their respective disciplines, grounding their inquiries in what they see every day in the classroom. “I’m enormously grateful to the McDonnell family,” said 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 the university's 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

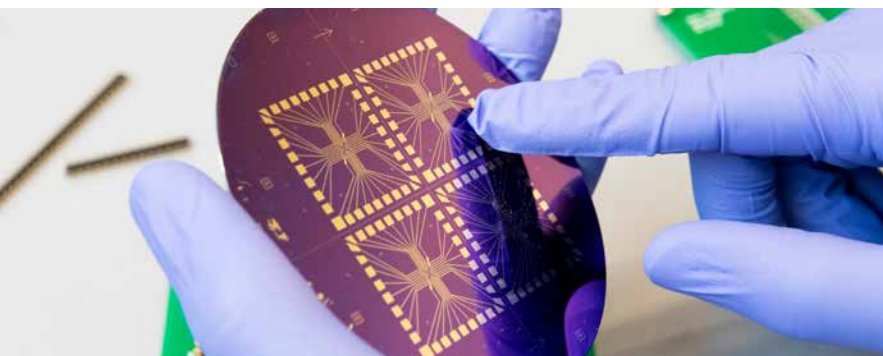
At Tufts, donors have a unique alternative in endowment giving through the Tufts University Sustainability Fund (TUSF). This distinct pool of endowed assets was launched by the Board of Trustees in 2015 to pursue a fossil fuel-free investment mandate for donors wishing to direct their gifts in this way. 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 2023, the TUSF returned 10.1 percent, lagging behind its custom benchmark return (12.6 percent).



“When you grow up in India, you don't need to look far to see social

challenges. In college, I made it my purpose to give back, particularly by focusing on how to increase opportunities for jobs.”

URVASHI CHOPRA, F23
*Alma G. and Merton B. Tarlow
Scholar*
The Fletcher School





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 the 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.



Working on a Ph.D. is a long haul; you need people around you to keep you motivated. Fellowships have made a huge difference in creating a diverse, lively, and supportive community.”

SHAILAB SHRESTHA, GBS23
Endowed GSBS Fellowship Scholar
Graduate School of Biomedical Sciences

EXPERIENCED LEADERSHIP

THE INVESTMENT COMMITTEE

Composed of trustees and nontrustees 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

E. Michael Fung, A79, A12P, Trustee

Brian H. Kavogian, 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

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 W. Smith**, Chief Investment Officer
- **Lisa Bishop**
- **Matthew Craig**
- **Tryfan Evans**
- **Alex Gomez**
- **David Hohmann**
- **Sara Lonergan**
- **Timothy Mathien**
- **Brennan Murray, F22**
- **Saheba Sahni, F17**
- **Brunet Saintil**
- **Chris Spyropoulos, A22**
- **Michelle Yu**





“

I want to thank you—our Tufts alums, parents, and friends—for supporting the university’s endowment with your generosity. Through your giving, you make a real difference at Tufts, bolstering our transformational education, scholarship, and research now and into the future.”

Sunil Kumar
President

