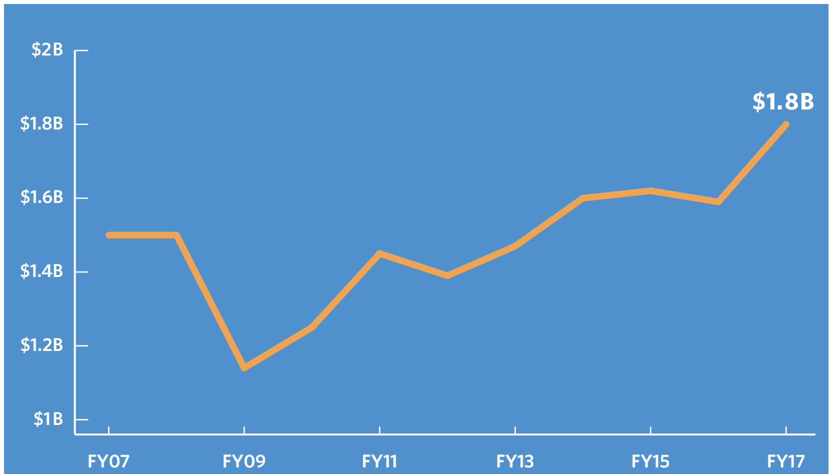
Tufts
UNIVERSITY

Endowment Performance and Policies

Endowments provide a steady stream of support for our priorities and are invested responsibly to ensure these funds continue to promote excellence and innovation far into the future. Donors who invest in Tufts' endowment are investing in both our present and our future, and we are most grateful for their generosity and commitment.



As of June 30, 2017, the endowment stood at $1.8 billion.

Tufts Total Return Pool Performance

The majority of endowed funds at Tufts are invested in the Tufts Total Return Pool (TRP). In Fiscal Year 2017 the TRP returned was 14.43 percent net of fees. On an annualized basis, the TRP returns were 5.32 percent and 8.27 percent for the three- and five-year periods ended June 30, 2017, respectively. In Fiscal Year 2017, spending from the Tufts endowment was $90.1 million, up from $83.3 million in Fiscal Year 2016.

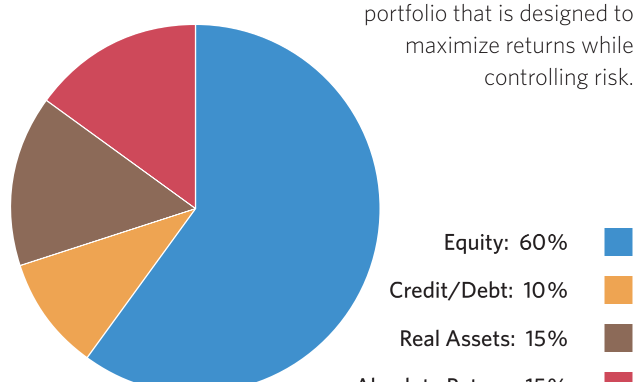
TRP Investment Strategy & Asset Allocation Policy

Tufts actively manages its endowment portfolios with the goal of achieving returns that are commensurate with an acceptable level of risk. In order to preserve the purchasing power of these funds over time, the objective is to earn a return at a rate equal to at least the internal rate of inflation plus the spending rate. This supports current spending and grows the funds at a rate to maintain the purchasing power of the funds. To fulfill these objectives, the Investment Committee (a subcommittee of the Administration and Finance Committee of Tufts' Board of Trustees), along with the University Investment Office, determines an asset allocation policy, which is reviewed periodically.

Within each asset category, the Investment Committee and the University Investment Office carefully select individual investment managers who actively manage specific strategies. Each of these managers is then authorized to purchase securities appropriate to those strategies. The current asset allocation policy is reflected in the pie chart below.

Asset Allocation for Tufts Total Return Pool

Tufts' Fiscal Year 2018 asset allocation policy ensures a well-diversified portfolio that is designed to maximize returns while controlling risk.



Endowment Policies

The following information provides important background about how the university manages endowed funds.

SHARES IN THE TRP

At the time a new endowed fund joins the endowment, it acquires TRP units (shares) 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 to be used to support the donor's designated intent.

UNIVERSITY SPENDING RULE

The distribution of funds from the endowment held in the TRP to support annual needs is determined by the university's "spending rule." This rule is designed to balance the annual funding needs with the need to grow each fund's value to sustain that equivalent support in future years in pace with inflation.

In order to mitigate the effects of market volatility in our endowment portfolio, and to bring our spending in line with our peers and return expectations, the university has determined that the spending rate, which was by policy at 4.5 to 5.5 percent of the endowment market value in fiscal year 2017, will be reduced by 1 percent over the course of the next six years. This shift will ensure that the university can support current needs while also maintaining the long-term purchasing power of the endowment. By fiscal year 2023, our spending rate will be between 3.5 and 4.5 percent of the endowment market value.

Returns in excess of the amount distributed are added to the individual endowment funds.

In the event that market conditions temporarily drive an individual fund's market value below the original contributed amount, Tufts applies a reduced payout formula which 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.

TIMING OF THE FIRST DISTRIBUTION

New endowment funds acquire units in the TRP in the first month following the date the gift is received. Distributions start that same month. Consequently, new endowment funds will begin to provide support for the designated purpose within a period no more than 30 days from the date of the gift.

The Tufts University Sustainability Fund

At Tufts, donors now have an alternative investment option to the TRP called the Tufts University Sustainability fund (TUSF). The TUSF was established in 2015 to encourage activity that can diminish, mitigate, or reverse the impact of global climate change through investment in assets consistent with those goals, such as renewable energy, energy efficient projects and fossil fuel–free investments. While the investment of the funds differs from the TRP, endowed funds invested in the TUSF follow the same endowment policies described above. In Fiscal Year 2017 the TUSF returned was 19.3 percent net of fees.

TUSF Investment Strategy & Asset Allocation Policy

The TUSF portfolio is fossil fuel free. The Tufts University Investment Office evaluates each manager's policies and practices with regard to fossil fuel exposure and other environmental, social, and governance ("ESG") factors as part of the selection process. The Investment Office receives input from the TUSF Advisory Committee—comprising members from the administration, faculty, and students—on the TUSF and its mission.

If you are interested in investing your gift in the TUSF, please inform your development officer.

For other questions or further information, please contact the Office of Stewardship and Donor Relations at 617-627-3429.

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