

## 2007 NACUBO Endowment Study Fact Sheet and Background Materials

- The overall one-year average rate of return of 17.2 percent, though strong, falls short of several major investment indices. For the fiscal year ending June 30, 2007, the S&P 500 returned 20.6 percent, the Russell 3000 returned 20.1 percent, and the MSCI World ex US returned 27.1 percent. Each endowment will have a unique allocation mix among various asset classes.
- The 8.6 percent 10-year average compounded rate of return demonstrates the skill of institutional endowment managers, as it surpasses the S&P 500, the Russell 3000, the MSCI World ex US, and the LB Aggregate indices over the same time period.
- The total grant dollar amount that institutions have awarded to students has increased an average of 6.4 percent per year above inflation over the past 10 years. This surpasses the average year-to-year increase above inflation in tuition and fees at colleges and universities—approximately 2.7 percent at public two-year institutions, 2.9 percent at independent four-year institutions, and 4.0 percent at public four-year institutions.
- Taking into consideration an approximate annual inflation rate of 3 percent, a typical annual spending rate of approximately 5 percent of total endowment holdings and various operational and management fees at 1 percent, many endowments use an 8 to 9 percent per year long-term return target to manage their asset investment strategies. This target would allow for supporting the institution’s fiscal needs while protecting the endowment against inflation.

<b>Average Rate of Return by Asset Class, FY 2006 &amp; 2007</b>		
<b>Asset Class</b>	<b>Average Return (FY 2007)</b>	<b>Average Return (FY 2006)</b>
Equity (US)	19.3%	10.3%
Equity (Non-U.S.)	28.3%	24.8%
Fixed Income (U.S.)	6.0%	0.6%
Fixed Income (Non-U.S.)	6.3%	3.2%
Real Estate (Public)	14.3%	19.0%
Real Estate (Private)	16.8%	15.8%
Hedge Funds	14.8%	10.4%
Private Equity	19.8%	17.9%
Venture Capital	15.0%	10.2%
Natural Resources	14.2%	28.2%

<b>Average Allocation to Selected Asset Classes, FY 1998 &amp; 2007</b>			
<b>Asset Class</b>	<b>1998 Allocation</b>	<b>2007 Allocation</b>	<b>Percent Change</b>
Equity	63.5	57.6	-9.3%
Fixed Income	25.6	18.6	-27.3%
Real Estate	2.1	3.5	66.7%
Cash	4.3	3.5	-18.6%
Hedge Funds	2.8	10.6	278.6%
Private Equity	0.4	2.3	475.0%
Venture Capital	0.7	0.9	28.6%
Natural Resources	0.2	1.6	700.0%
Other	0.4	1.4	250.0%

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