

INDUSTRY RESEARCH

2024 Fiscal Year Report on Endowments and Foundations

Summary

As capital market returns remained strong and resilient in Fiscal Year 2024 ("FY 2024" corresponds to the period beginning July 1, 2023, and ending June 30, 2024), the median return for all E&Fs within the peer universe was 11.73%, outperforming the strong FY 2023 median return of 9.14%. The median risk of all E&F portfolios, as measured by standard deviation, was 10.08%, slightly lower than the trailing three- and five-year risk levels but generally consistent with the longer-term periods. Asset allocations in fiscal year 2024 largely remained consistent with fiscal year 2023, although there were increased allocations to U.S. equity and fixed income. Broad portfolio allocations were 37% U.S. equity, 14% international equity, 24% fixed income, 9% hedge funds, 10% private equity, 4% real assets, and 2% cash. By size, larger E&F (> \$1 billion AUM) and smaller E&F (< \$1 billion AUM) posted similar return performances with no dispersion, at 11.71% and 11.73%, respectively.

FY2024 Capital Markets Performance

Fiscal Year 2024 has witnessed remarkably resilient performance in most capital markets despite elevated interest rates, geopolitical tensions, election uncertainties, and an uncertain economic outlook. With stable economic growth and persistent inflation, the Federal Reserve (Fed) has maintained its target rate in the 5.25% to 5.5% range since last July, the highest level in more than two decades. Currently, interest rate expectations have largely recalibrated and now imply three cuts through January 2025. While consumer spending and overall business activity remain positive, the high rates are likely to continue weighing on economic activity through household spending and capital expenditures in the coming months, as the pent-up savings built during the pandemic and government spending are likely to recede.

The broad U.S. equity market, as represented by the FT Wilshire 5000 Index, returned 25.18% for the year. The technology sector led the equity rallies, aided by investors' enthusiasm for AI and optimism about earnings. However, strong returns from this sector have also led to high stock market concentration and inflated valuations, especially within the "magnificent seven" stocks. Throughout the year, U.S. large-cap growth stocks outperformed their small-cap and value stock peers under the "higher-for-longer" interest rate backdrop. Broad international equity, as represented by the MSCI ACWI ex U.S., returned 12.38% over the last fiscal year, with Japan's benign macro backdrop supported by increased wages, a rebound in manufacturing output, and fiscal stimulus. With China's tactical rebound and India's growth, emerging markets experienced a recovery during the year, partly driven by reaccelerated earnings growth with industry tailwinds in AI and energy, attractive valuations, and policy support.

Fixed income markets delivered mixed performance with heightened volatility over the past fiscal year, driven by uncertainties in fiscal policies and geopolitical tensions. The broad U.S. fixed income market, as represented by the Bloomberg U.S. Aggregate Index, posted a 2.13% one-year return. During fiscal year 2024, the U.S. Treasury yield peaked at 4.7% in April, up from below 4% at the beginning of the year, before pulling back. Short-term yields exceeded longer-term yields, reflecting an inverted yield curve.

Fixed income investors were rewarded for taking corporate credit risk, as investment-grade bonds, high-yield bonds, and broadly syndicated loans outperformed in an uncertain, higher-rate environment. Treasuries and securitized debt also provided positive returns for investors. Meanwhile, real assets rebounded during the fiscal year, with the Bloomberg Commodity Index providing a 6.23% return, driven by increased power demand for data centers, rising energy investment, and supply chain disruptions due to geopolitical conflicts, such as the recent tensions in the Red Sea.

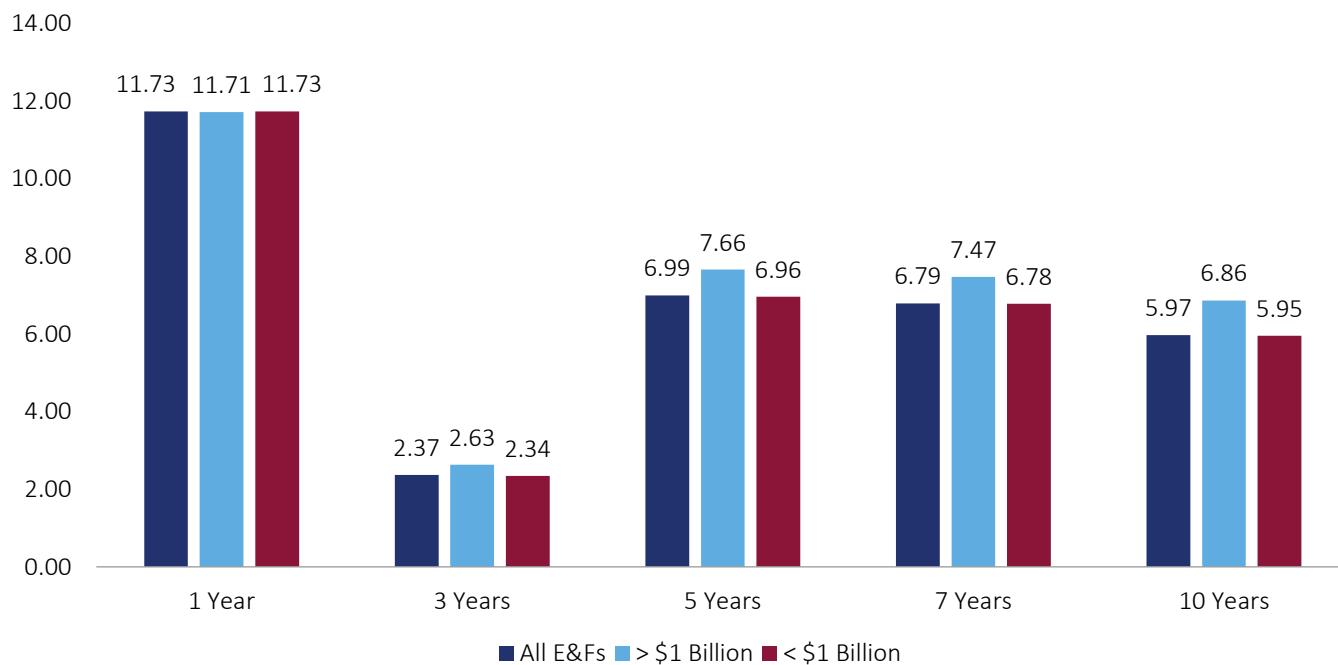
Fiscal Year Performance of Key Indexes

Index	YTD	1 Year	3 Year	5 Year	10 Year
FT Wilshire 5000	13.58	23.15	8.36	14.41	12.36
FT Wilshire US Large Cap	15.14	24.81	9.59	15.24	12.94
FT Wilshire US Small Cap	3.52	12.64	1.40	8.88	8.36
MSCI ACWI	11.30	19.38	5.43	10.76	8.43
MSCI ACWI ex USA	5.69	11.62	0.46	5.55	3.84
MSCI EAFE	5.34	11.54	2.89	6.46	4.33
MSCI Emerging Markets	7.49	12.55	(5.07)	3.10	2.79
Bloomberg U.S. Aggregate Bond	(0.71)	2.63	(3.02)	(0.23)	1.35
Bloomberg U.S. Corporate High Yield Bond	2.58	10.44	1.64	3.92	4.31
S&P/LSTA Leveraged Loan 100	4.10	10.72	5.83	5.24	4.16
Wilshire Global Real Estate Securities	(1.32)	8.74	(1.13)	2.15	4.30
Bloomberg Commodity (BCOM)	5.14	5.00	5.65	7.25	(1.29)

Source: Wilshire Compass. Data as of 6/28/2024. For illustrative purposes only. There is no assurance that any trends depicted or described will continue.

FY2024 Endowments and Foundations Performance

Median Endowment & Foundation Universe Returns (%)



Source: Investment Metrics Endowment and Foundation Universe. For illustrative purposes only. There is no assurance that any trends depicted or described will continue.

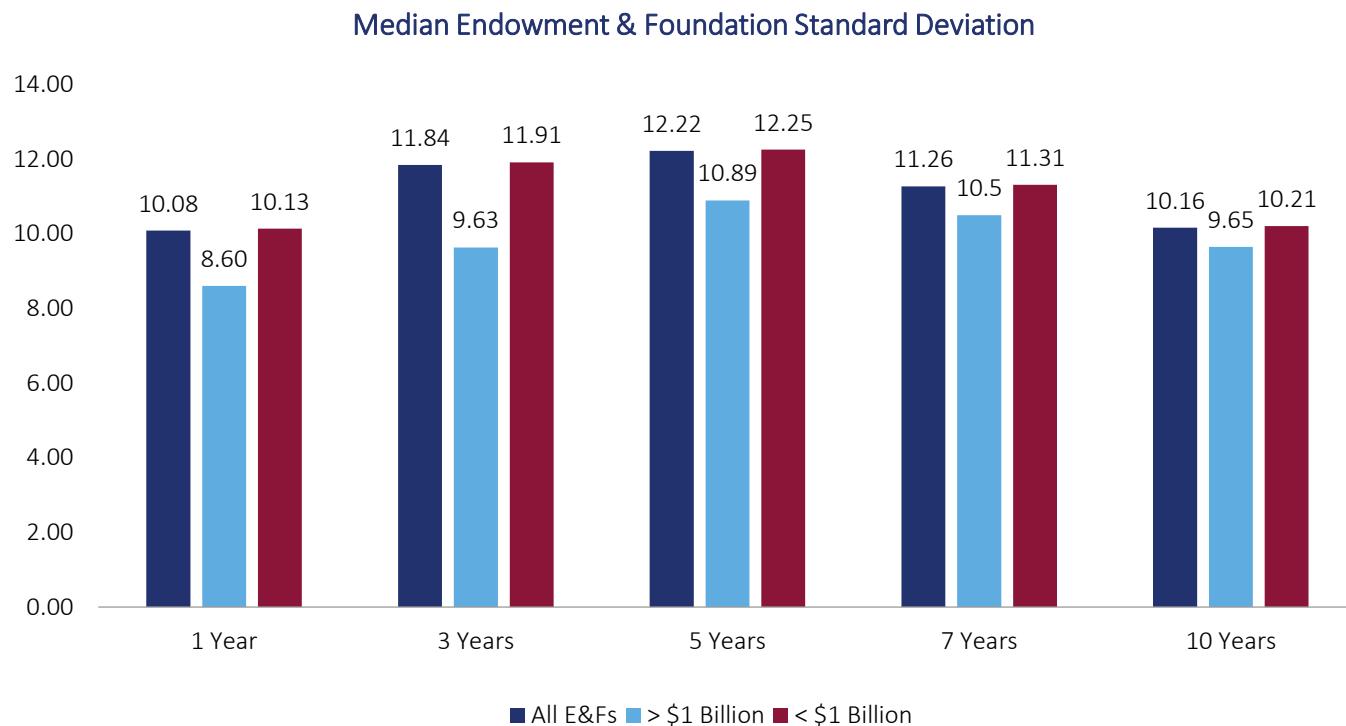
Endowments and foundations continued to build on the upward momentum from FY 2023 and achieved slightly higher returns in FY 2024. This performance was partly driven by solid economic fundamentals and strong public market returns, as well as the anticipated easing of monetary policy despite ongoing inflation challenges. In FY 2024, all endowments and foundations within the peer group universe returned an average of 11.73%, outperforming the FY 2023 median return of 9.14%.

Institutions with less than \$1 billion in assets posted median returns similar to those of larger institutions with more than \$1 billion in assets, with returns of 11.71% and 11.73%, respectively. The smaller E&F peer group had a noticeably stronger reliance on the public equity market, which witnessed strong performance this year, while the larger E&F peer group had a greater allocation to the private equity market, where market activities picked up in the second half of FY 2024, supported by robust financing markets and clearer macroeconomic visibility.

Risk

Risk is another important factor to consider, in addition to return, in asset allocation decisions. For FY 2024, the median risk of all E&F portfolios, as measured by standard deviation, was 10.08%. This level was slightly lower than the trailing three- and five-year risk levels but generally in line with the longer-term seven- and ten-year periods. Similar to previous years, large and small E&F groups experienced a wide range of risk dispersion over the past year (with standard deviations for larger peer groups at 8.6% and smaller peer groups at 10.13%). However, the standard deviation gap between large and small E&F groups has remained narrower over longer periods of time.

This dispersion is largely due to smaller E&F groups having a larger allocation to the public market, while larger E&F groups tend to have a greater allocation to alternatives, which have not experienced as much short-term volatility as public equity due to their illiquid nature.

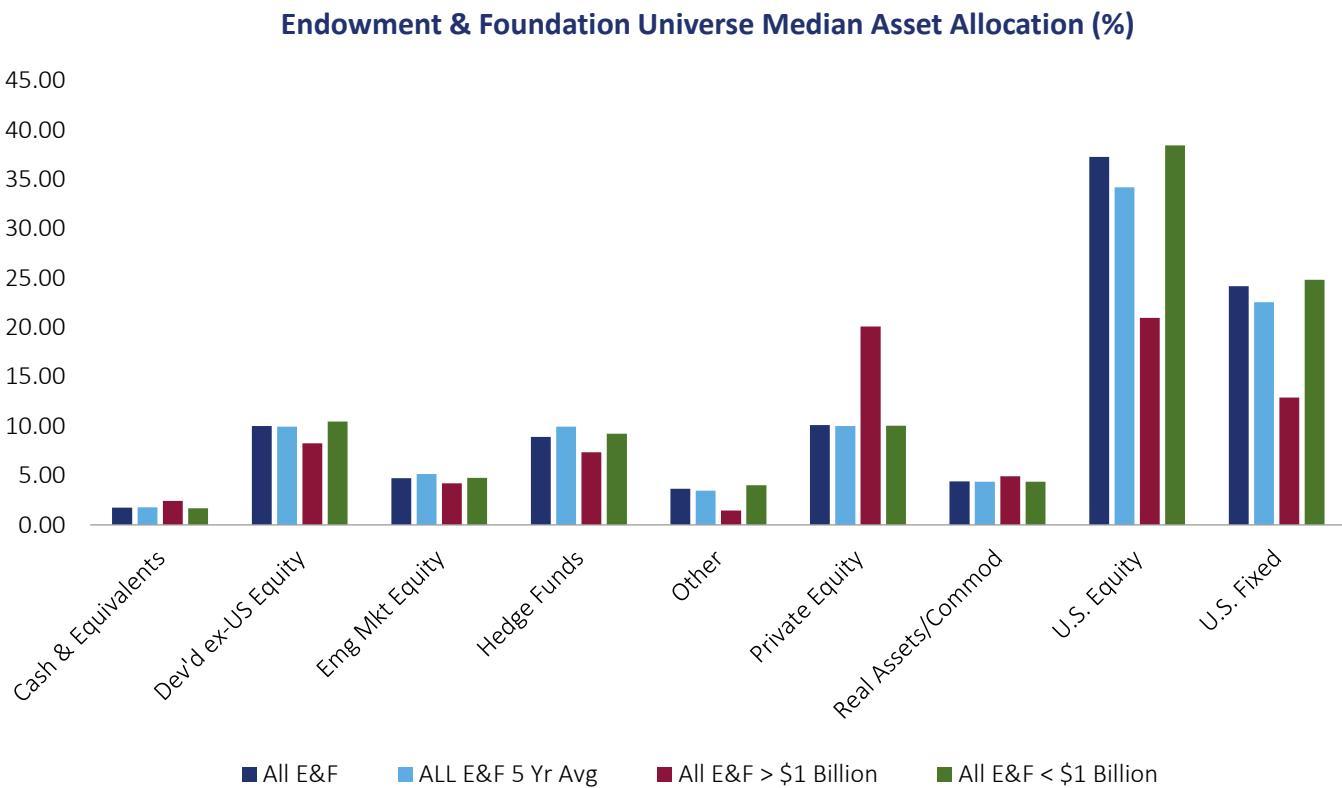


Source: Investment Metrics Endowment and Foundation Universe. For illustrative purposes only. There is no assurance that any trends depicted or described will continue.

Asset Allocation

In 2024, E&F asset allocations underwent modest changes to address E&F's liquidity needs and inflationary pressures. Specifically, the allocation to U.S. public equity and fixed income, which offered more liquidity and performed strongly in the past year, increased marginally, while hedge fund allocations retreated slightly. The amount of private equity allocation remained consistent with the 5-year average, although illiquidity risk and access to investment opportunities continued to be challenging.

For the E&F universe, broad portfolio allocations were 37% U.S. equity, 14% international equity, 24% fixed income, 9% hedge funds, 10% private equity, 4% real assets, and 2% cash.



Source: Investment Metrics Endowment and Foundation Universe. For illustrative purposes only. There is no assurance that any trends depicted or described will continue.

In FY 2024, smaller E&Fs continued to hold higher allocations to U.S. equity and fixed income compared to large E&Fs, with their allocations surpassing their 5-year averages in these categories. Larger E&Fs maintained a higher allocation to private equity than smaller E&Fs. Meanwhile, smaller and larger E&Fs held similar allocations to international equity and real assets/commodities.

Index Definitions

FT Wilshire 5000 Index – The FT Wilshire US 5000 Index is a broad-based market capitalization-weighted index that aims to capture 100% of the U.S. investible market capitalization.

FT Wilshire US Large Cap Index – The FT Wilshire US Large Cap Index benchmarks the large-sized U.S. securities by excluding the Wilshire US Small-Cap and Wilshire US Micro-Cap securities from the Wilshire 5000 Total Market Index, the most pure and complete measure of the U.S. equity market.

FT Wilshire US Small Cap Index – The FT Wilshire US Small Cap Index benchmarks the small-sized U.S. securities by excluding the Wilshire US Large-Cap and Wilshire US Micro-Cap securities from the Wilshire 5000 Total Market Index, the most pure and complete measure of the U.S. equity market.

MSCI ACWI Index – The MSCI ACWI Index is designed to represent performance of the full opportunity set of large- and mid-cap stocks across various developed and emerging markets.

MSCI ACWI ex USA Index – The MSCI ACWI ex USA Index captures large- and mid-cap representation across developed markets countries (excluding the United States) and emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the United States.

MSCI EAFE Index – The MSCI EAFE Index is designed to represent the performance of large- and mid-cap securities across developed markets, including countries in Europe, Australasia and the Far East, excluding the United States and Canada. The Index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the represented countries.

MSCI Emerging Markets Index – The MSCI Emerging Markets Index captures large- and mid-cap representation across 24 Emerging Markets (EM) countries. With 1,377 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg U.S. Aggregate Bond Index – The Bloomberg Aggregate Bond Index or "the Agg" is a broad-based fixed income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

Bloomberg U.S. Corporate High Yield Bond Index – The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield (middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below), fixed-rate corporate bond market. Excludes bonds from issuers with an emerging markets country of risk.

S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan 100 Index – The S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan 100 Index is designed to measure the performance of the U.S. leveraged loan market based upon market weightings, spreads, and interest payments.

Wilshire Global Real Estate Securities Index – The Wilshire Global Real Estate Securities IndexSM (Wilshire Global RESISM) measures global publicly traded real estate securities to benchmark the universe of global real estate securities held by institutional investors.

Bloomberg Commodity Index (BCOM) – BCOM provides broad-based exposure to commodities, and no single commodity or commodity sector dominates the index. Rather than being driven by micro-economic events affecting one commodity market or sector, the diversified commodity exposure of BCOM potentially reduces volatility in comparison with non-diversified commodity investments.

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