FY2025 NACUBO Results Show Strong Returns but Rising Pressures on Institutions' Budgets

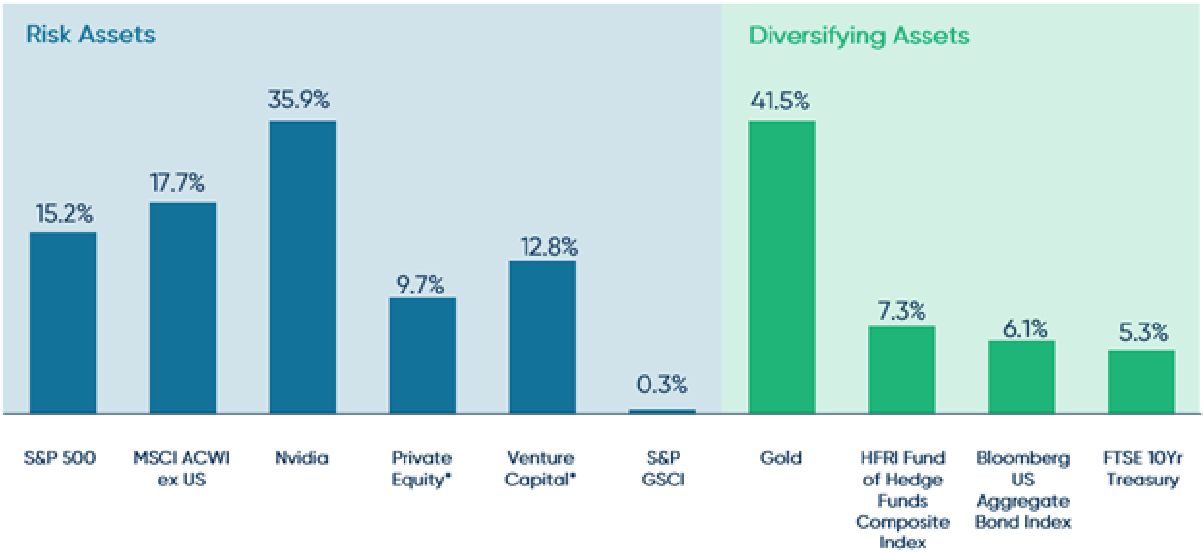
The NACUBO-Commonfund Study of Endowments FY25 average one-year performance for all institutions is 10.9%, bringing the 10-year average return to 7.7%. TIFF's November 2025 preliminary FY25 outlook reflects a similar view to the final NACUBO report's findings on performance.

1. **Everyone's a winner in 2025:** There were many ways to win in FY25, as no single asset class was an outlier in performance, in contrast with prior years. No major asset class had negative returns and the bottom 10% of endowments still returning 8.4%. Those who eked out top quartile performance likely had overweight allocations to AI themes (public or private), precious metals (e.g., gold), international equities and hedge funds.
2. **Size didn't matter for the first time in a long time:** FY25 performance was relatively even across size-based cohorts. With strong performance across a variety of asset classes, the asset allocation differences across size segments didn't materialize in meaningfully different performances. While the $5B+ peer group had the highest average FY25 returns at 11.8%, the second-highest returning peer group was the $51M-$100M group with an average return of 11.1%. Historically, endowment size has been a strong determinant of performance, with larger endowments historically outperforming smaller endowments due to larger allocations to private assets. We saw this reverse the past two years (FY23-24), when smaller endowments outperformed their larger counterparts.
3. **Narrow band of outcomes:** Due to strong performance across all asset classes, there was not as much dispersion in investment outcomes compared to previous years. The interquartile dispersion, which measures the gap between the 75th and 25th percentiles, was 2.4% in FY25. This is low compared to the previous five fiscal years, which saw interquartile dispersion ranging from 3.1% to 7.1%.
4. **Operating budgets lean more on endowments:** Institutions appear to be increasing use of the endowment to support their mission. In FY25, the average portion of the operating budgets funded from endowments reached 15.2%, compared to 14.0% in FY24 and 10.9% in FY23. While spend rates have remained

relatively stable, special appropriations have increased in recent years, particularly for larger endowments. In FY25, the majority of specially appropriated funds went towards the operating budget.

5. **Strong returns, persistent headwinds:** Despite a positive endowment performance year, higher education faces a myriad of headwinds that are putting pressure on institutions to lean on their endowments. Pressures come from both sides: revenue (declining enrollment, gifts and federal funding) and costs (higher inflation, increased endowment tax). However, different size segments face different pressures. For smaller endowed institutions, enrollment tops the list of concerns, while they also face challenges in fundraising and increasing financial aid. For the largest endowed institutions, the predominant concerns are federal funding cuts and liquidity.

FY25 Asset Class Returns



*As reported State Street Investment Management. Source: State Street.

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