



**Tufts**  
UNIVERSITY

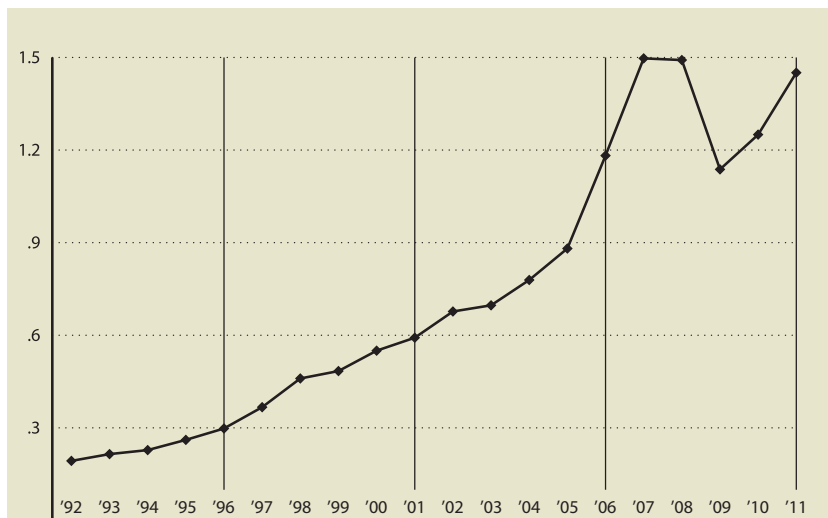
# ENDOWMENT POLICIES

Generations of students and faculty will benefit from the annual income produced by Tufts' endowed funds. A gift to the Tufts endowment is an investment in the future of the university. Tufts is grateful for the commitment and foresight of its donors.

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

## Shares in the Endowment Pool

All new endowed funds become part of the endowment pool, which is managed by the university's Investment Committee with support from the University Investment Office. At the time the funds join the endowment, they acquire units in much the same manner as a mutual fund. These units provide the basis for determining an individual fund's ownership in the overall investment pool and its share of the distributed income.



Investment returns and generous gifts have helped Tufts significantly grow its endowment, or permanent capital, from 1992 to 2011. As of June 30, 2011, the endowment stood at \$1.45 billion.

## Timing of First Distribution

New endowment funds acquire units and are added to the pool effective in the first full month following the date the gift is received. Consequently, new endowment funds will begin to generate income for the designated purpose within a period no more than 30 days from the date of the gift.

## University Spending Rule

Distribution of income from the endowment's total return pool is determined by the university-spending rule. This rule ensures that the amount of endowment income available to support university operations increases at a stable and predictable pace.

Initially, a new endowment fund will receive an income distribution equivalent to the current

spending level of all funds in the pool. This is generally about 5 percent of the fund value, but will vary with market conditions. The dollar amount distributed is then increased each year by 3-4 percent, with adjustments to keep the distribution within a range of 4.5 percent to 5.5 percent of the endowment market value. Earnings in excess of the amount distributed are added to the individual endowment funds. In the event that market conditions temporarily drive the individual fund's market value below the historic gift value, Tufts University may apply a payout formula to ensure that the fund provides immediate and consistent benefits to the department, with the goal of restoring the original spending power of the fund within a reasonable time frame.

### Investment Strategy

Tufts' investment program is intended to maximize endowed resources available to support the long-term welfare of the university. In order to preserve the purchasing power of these funds over time, the objectives are to grow the principal as well as the income. To fulfill these objectives while assuming an acceptable level of risk, the Investment

Committee determines an Asset Allocation Policy, which is reviewed periodically.

The allocation policy, adopted July 1, 2011, is reflected in the accompanying pie chart, which shows investments diversified among asset classes. Within each asset category, the Investment Committee carefully selects individual investment managers, firms specializing in particular strategies. Each of these managers is then authorized to purchase securities appropriate to its strategy.

### Performance as of June 30, 2011

Tufts Total Return Pool returned 18.33 percent net of fees for the Fiscal Year 2011. On an annualized basis, Tufts returned 3.79 percent for the five-year period and 5.61 percent for the ten-year period that ended June 30, 2011.

For questions or further information, please contact the Office of Donor Relations at 617.627.5480.

### Asset Allocation: A Diversified Portfolio

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

