TIFF 2020 MEMBER SURVEY RESULTS

PURSUING INVESTMENT EXCELLENCE ON BEHALF OF ENDOWED NONPROFITS

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TIFF Member Survey Key Findings

1

Impact of COVID-19

The challenges of 2020 have not materially impacted the mission, goals, liquidity or spending of nonprofit institutions; however, organizations are concerned about the implications on operations and investments.

2

Spending Policy Implications

Most respondents believe that their spending rate will remain the same or increase in 2021 and beyond.

3

Asset Class and Investment Performance Expectations

Respondents generally feel that asset class performance will be worse in the next 10 years as compared to the last 10 years, and a passive investment strategy will not beat CPI+5% over the same period.

Source: 2020 TIFF Member Survey

1 Impact of COVID-19: Summary

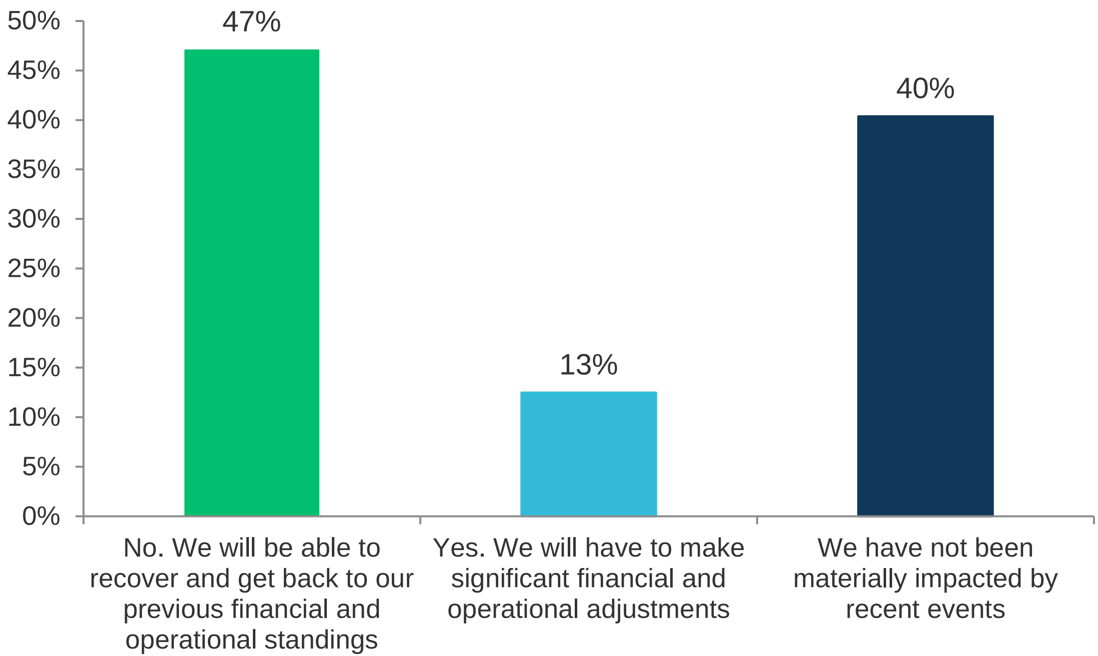
TIFF INVESTMENT MANAGEMENT

- Most respondents believe the recent economic challenges will not disrupt the long-term trajectory of their organization.
- For those institutions that rely on donations and fundraising, they have seen a meaningful decrease in contributions and revenue from events.
- Nearly a quarter of respondents have had their liquidity needs change since January 2020 – there is a need for more cash in some institutions.
- Several institutions have changed their mission and approach to mission-aligned investments as a result of changing circumstances in 2020.

Source: 2020 TIFF Member Survey

1 COVID-19 Impact on Organizational Health

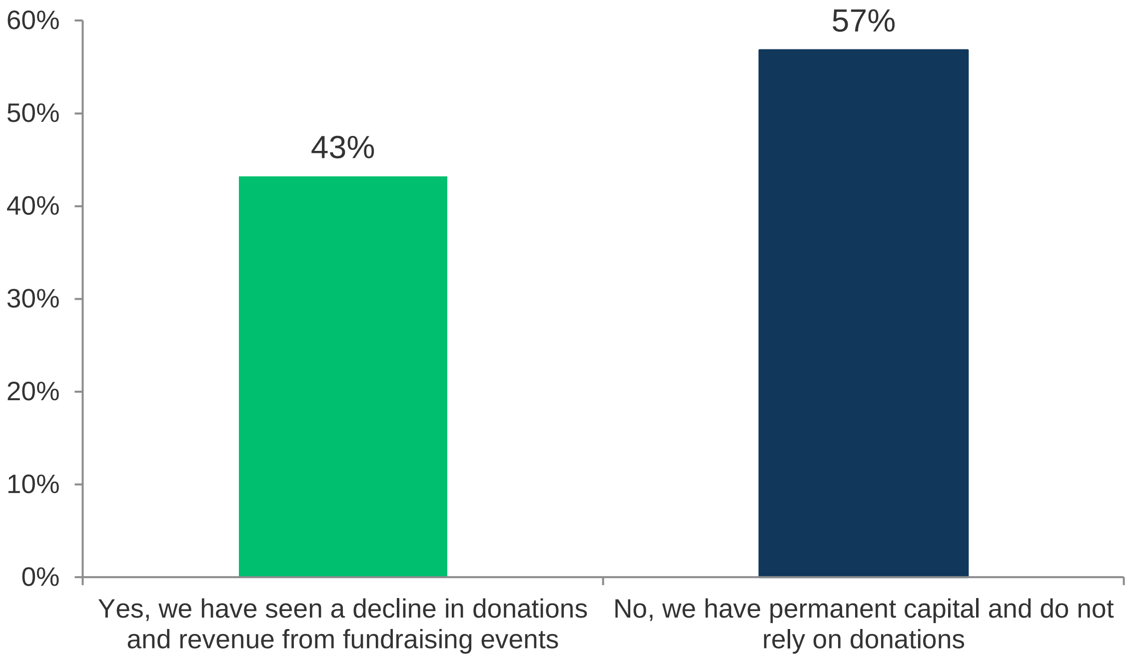
Question: Do you feel that the recent economic challenges will disrupt the long-term trajectory of your organization?



Source: 2020 TIFF Member Survey

1 COVID-19 Impact on Donations

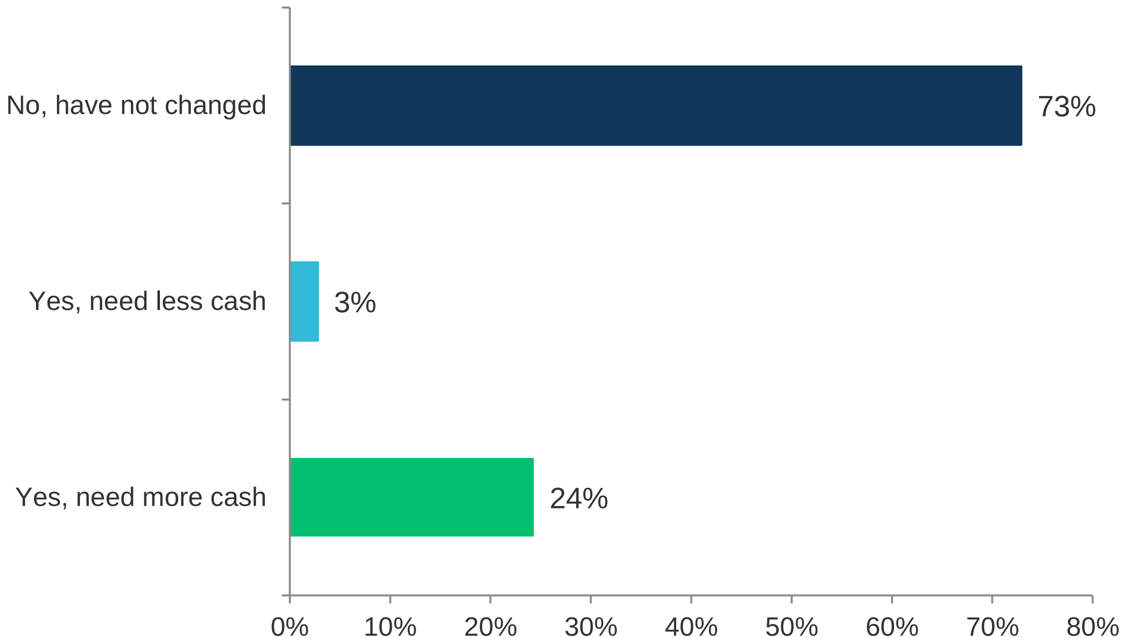
Question: Has your revenue been substantially impacted by a lack of fundraising opportunities due to COVID-19?



Source: 2020 TIFF Member Survey

1 COVID-19 and Liquidity Needs

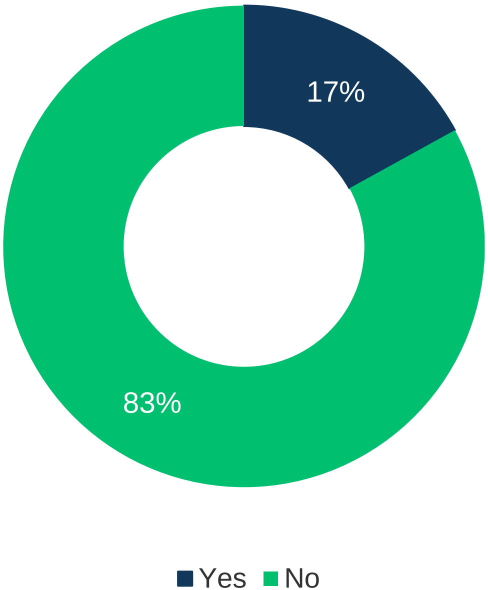
Question: Have your liquidity needs changed materially since January 2020?



Source: 2020 TIFF Member Survey

1 Mission Changes Related to Environment

Question: Has the mission or goal of your organization changed in 2020 in any material way to adjust to changing circumstances?



Source: 2020 TIFF Member Survey

2 Spending Policy Implications: Summary

- The majority of respondents have spending rates of 5% or less.

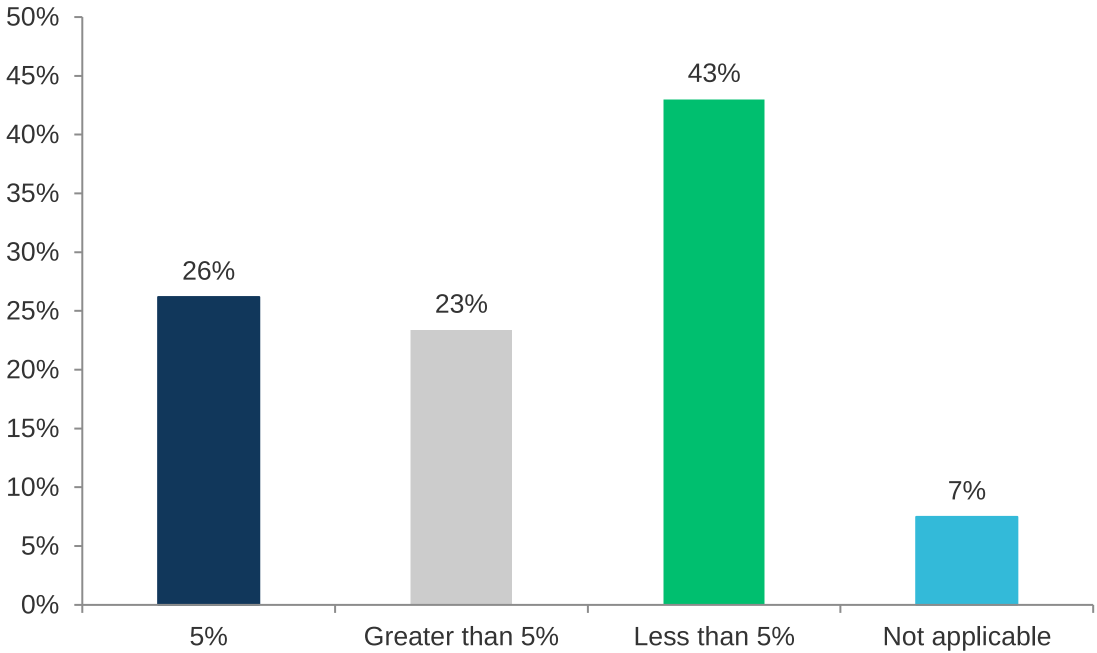
- The challenging environment led to increased spending at several institutions in 2020, with the expectation that spending will continue to rise over the near-term.

- Organizations will need to consider how increased spending today will impact the ability to support their mission in the future.

Source: 2020 TIFF Member Survey

2 Current Spending Rates

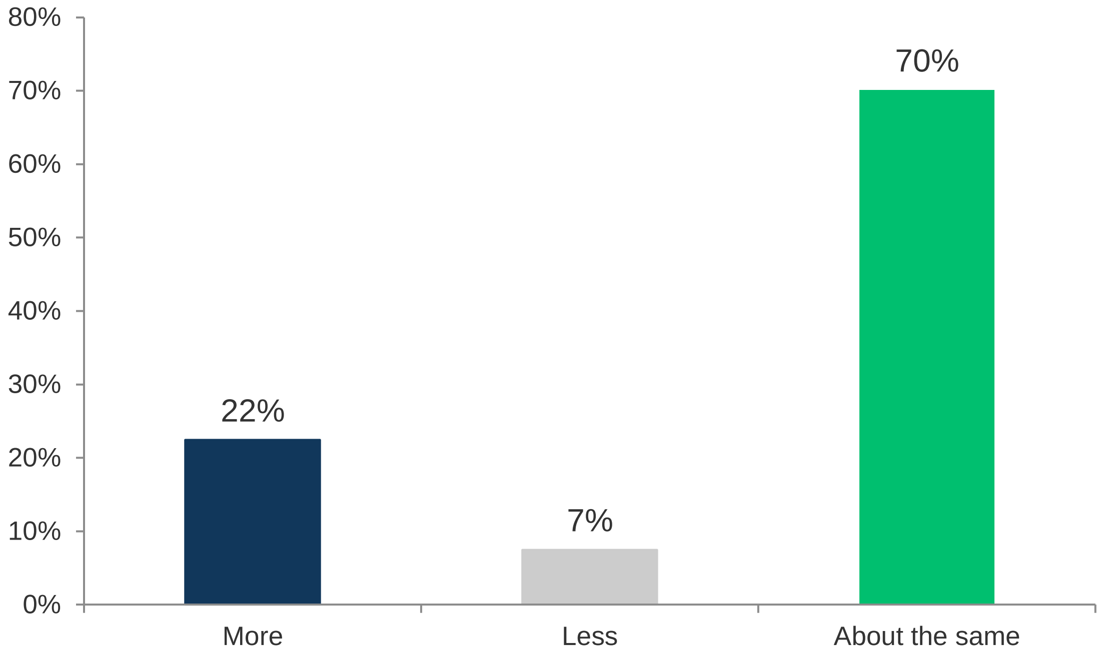
Question: What is your current annual spending rate from your investment program?



Source: 2020 TIFF Member Survey

2 Anticipated Change in 2020 Spending

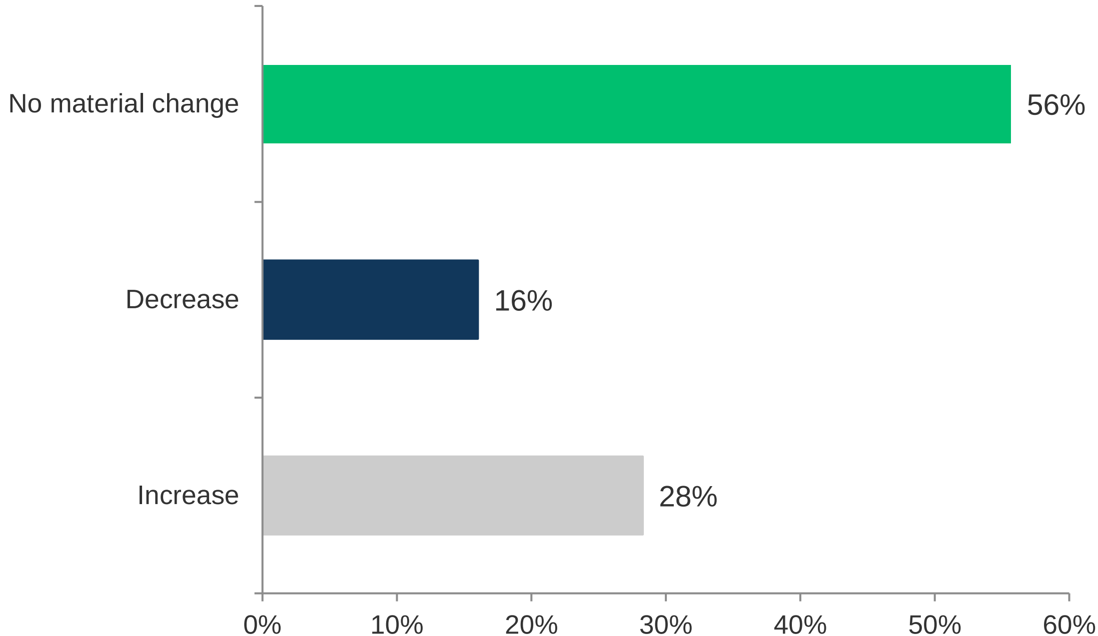
Question: Will your investment program spending rate be more in 2020 compared to 2019?



Source: 2020 TIFF Member Survey

2 Expected Change in 2021 Spending

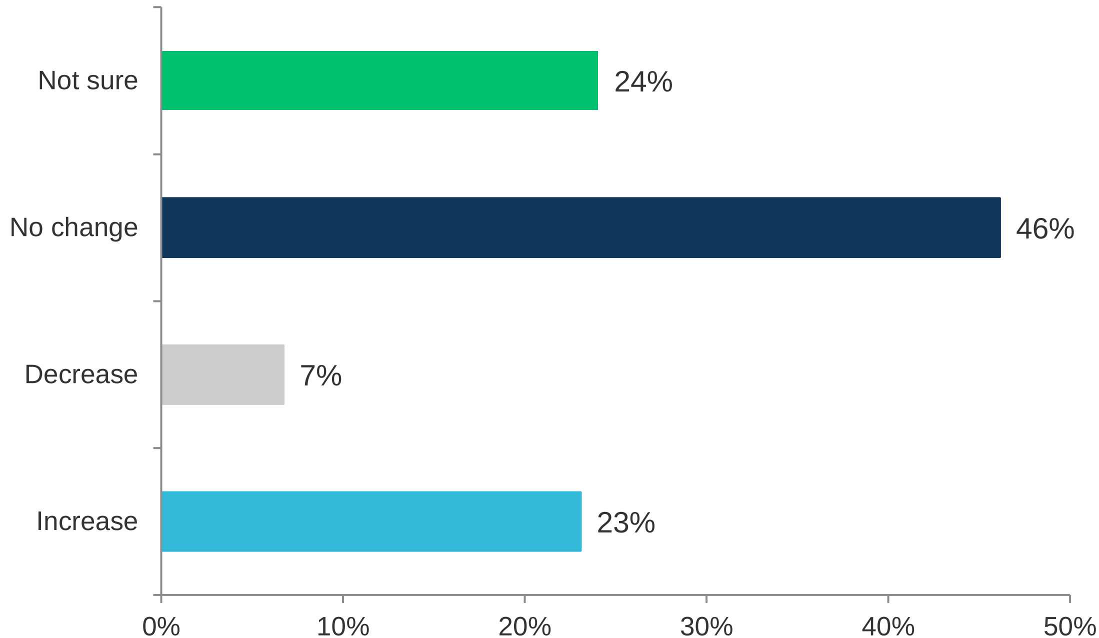
Question: Do you expect a material increase or decrease in overall spending by your organization in 2021 compared to 2020?



Source: 2020 TIFF Member Survey

2 Long-Term Spending Expectations

Question: Do you expect your annual spending rate to change in the next 3-5 years?



Source: 2020 TIFF Member Survey

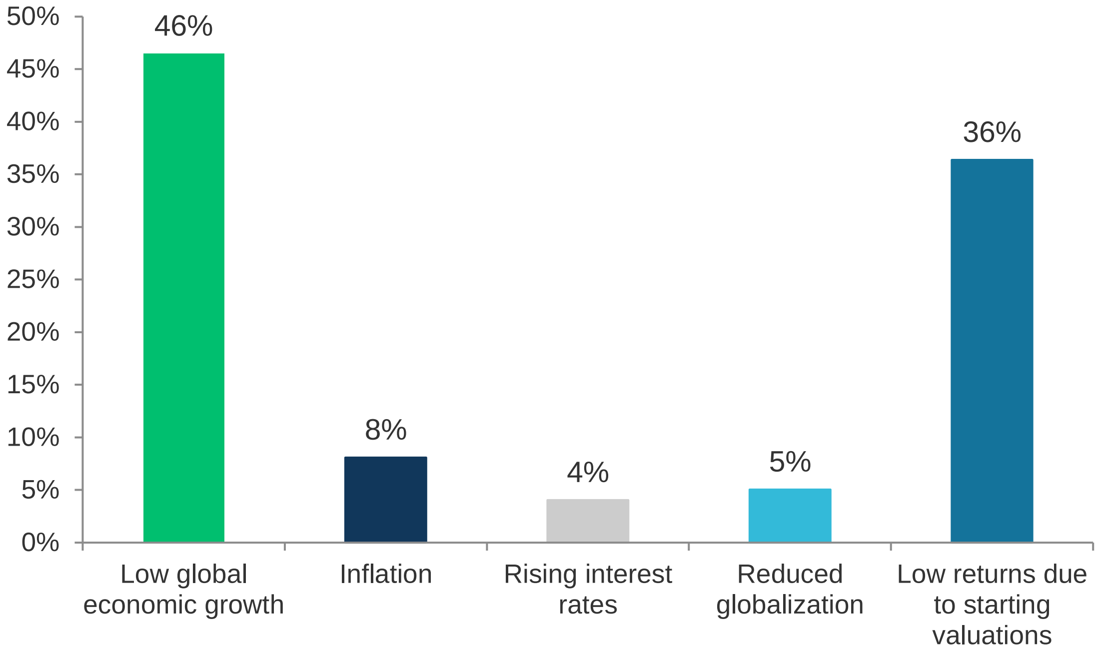
3 Asset Class and Investment Performance Expectations: Summary

- Respondents generally feel that asset class performance will be worse in the next 10 years as compared to the last 10 years.
- High spending rates and the forecasted lower-return environment could pose a significant challenge to nonprofits.
- More than half of the respondents believe that a passive 65/35 portfolio will not exceed CPI + 5% over the next 10 years.
- Nonprofits may have to consider different approaches to portfolio construction and management or alter their spending approach, where possible.

Source: 2020 TIFF Member Survey

3 Asset Class and Investment Performance Expectations: Risks Perceived

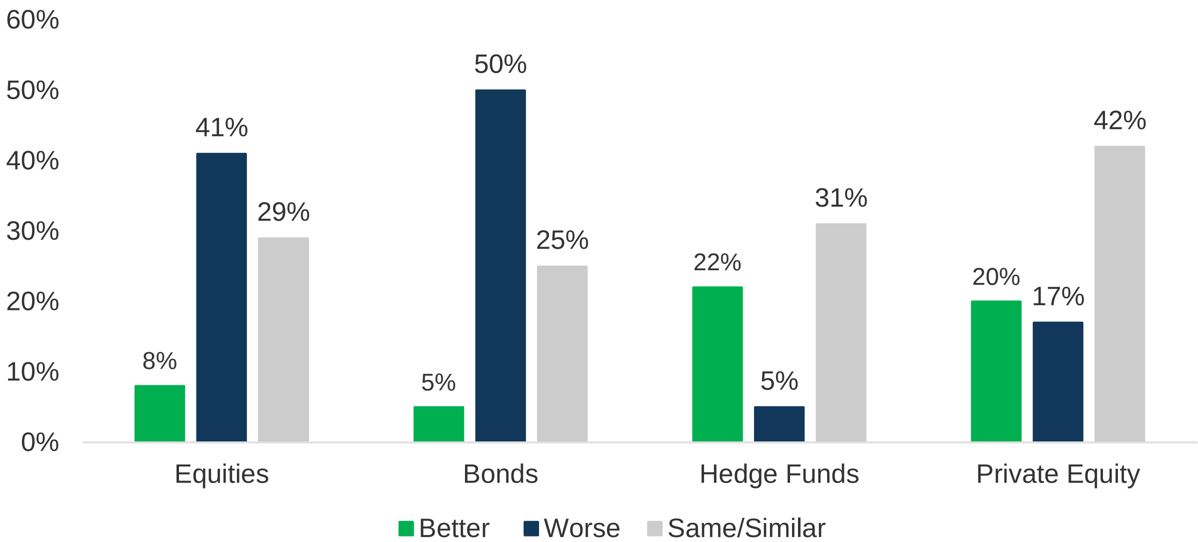
Question: From an investment perspective, which of the following do you fear most?



Source: 2020 TIFF Member Survey

3 Asset Class and Investment Performance Expectations: Survey Responses

Question: How do you think asset class returns will do over the next 10 years compared to the past 10 years?



Note: Percentages do not round to 100% as we removed the "unsure" response.
Equities defined as the MSCI All Country World Index.
Bonds defined as the Bloomberg Barclays US Aggregate Bond Index.
Hedge funds and private equity were not defined as a specific index. Please note that a large percent of respondents (42%) indicated that they are unsure of how hedge funds as an asset class will perform over the next 10 years.
Source: 2020 TIFF Member Survey

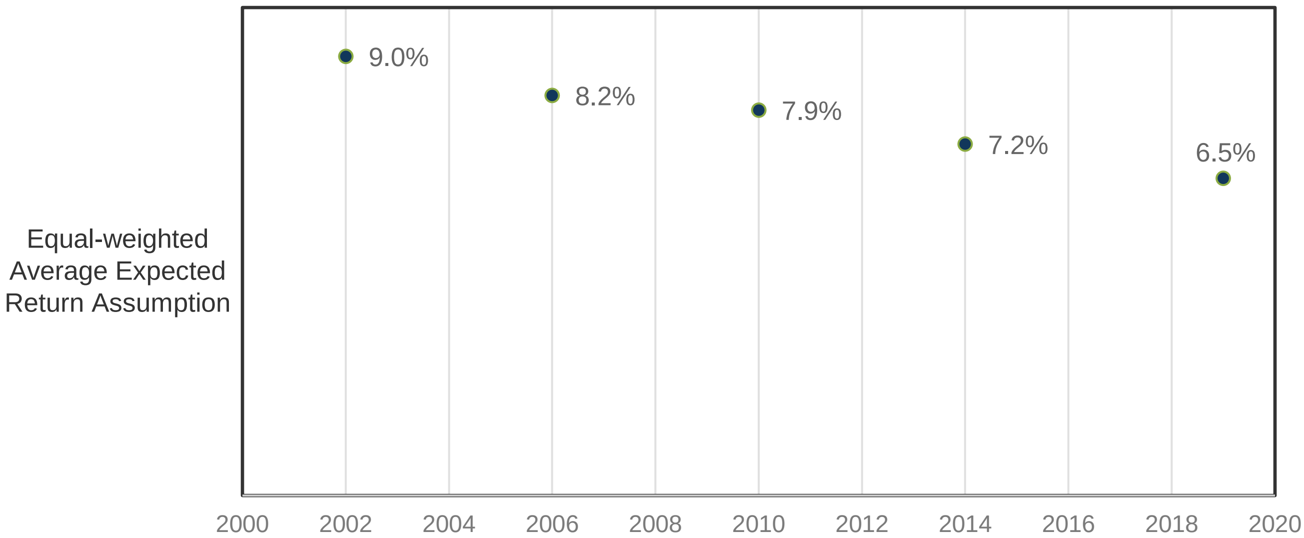
Performance Expectations: Industry Asset Class Assumptions

Asset Class	Return Expectations *For Approximately Next 10 Years*		
	2012 [1]	**2015**	**2020**
U.S. Large Cap Equity	9.5%	6.9%	6.4%
U.S. Corp Bonds	4.5%	3.3%	2.5%
Hedge Funds	8.2%	5.4%	5.0%
Private Equity	12.8%	9.6%	9.3%

Source: Horizon Actuarial Services, LLC Survey of Capital Market Assumptions, 2012, 2015, and 2020 Editions

[1] 10-year assumptions derived by TIFF by averaging the “short term” (5-7 years) and “long term” (20-30 years) assumptions provided in Horizon’s 2012 survey

3 Performance Expectations: S&P 500 Companies' Pension "EROA"

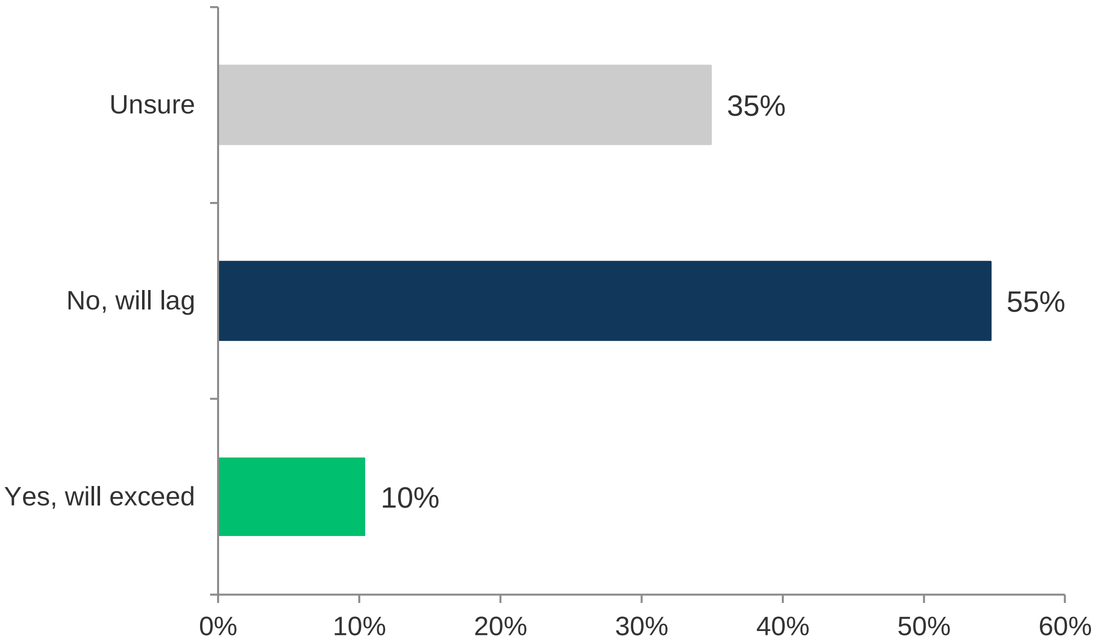


Note: Over the last 10 years, pension plans generally have de-risked, reducing allocations to equities by 10-15% and increasing allocations to a mixture of (long duration) debt and alternatives, such as private equity. Consequently, part of the reduction in return expectations can be attributed to a change in asset mix (in addition to a lowering of expectations).

Source: Goldman Sachs Asset Management, 2019 Pension Review "First Take:" From Flat to Down, March 2020.

3 Performance Expectations: Total Portfolio Survey Results

Question: Over the next 10 years, will a passive 65/35 portfolio exceed CPI + 5%?



Source: 2020 TIFF Member Survey

3 Performance Expectations: Historical Context

Success has always been challenging…

Capital markets have not historically provided returns necessary for most endowed charities to meet their investment goals and maintain their missions into perpetuity.

Backward-looking Capital Market Results
actual returns from a simple passive portfolio:

	Passive Mix of Stocks & Bonds 65%/35%	CPI + 5% 5% real return
25 Years	6.8%	7.2%
15 Years	6.6%	7.0%

…and only getting more difficult

Particularly in today's low interest rate environment, simple passive exposure to capital markets will not likely deliver long term returns required to meet investment goals.

Forward-looking Capital Market Assumptions
expected returns from a simple passive portfolio:

	Allocation	Nominal Return
Stocks	65%	6.5%
Bonds	35%	3.0%
Total	**100%**	**5.6%**
after inflation		*3.6%*

Notes. Periods ending 12/31/2019. Capital market assumptions are those of TIFF. This data is not an indication or prediction of future performance. No performance is guaranteed. Data are for illustrative purposes only. It is possible that actual returns may be negative. **Stocks** are MSCI All Country World Index. **Bonds** are the Bloomberg Barclays US Aggregate Bond Index. One cannot invest in an index and an unmanaged indices do not incur fees and expenses.

3 Addressing the Challenge of Muted Returns

Institutions should review the levers to address the potential gap between expected market returns and spending needs:

- Constraints on illiquidity
- Level of active manager risk
- Level of spending, as appropriate
- Ability to take on additional risk

3 Examining Active and Illiquidity Risk

Large Endowment[1]

	2005	2010	2015	2020
Hedge Funds	25.7%	21.0%	20.5%	23.5%
Private Equity[2]	14.8%	30.3%	32.5%	41.0%

Higher Education Public Institutions

	2010	2014	2018
Private Equity, Venture Capital, Private Equity Real Estate[3]	13%	16%	18%

[1] Source: Yale Endowment Management Letters
[2] Increase in Private Equity may overstate increase in illiquid assets as Yale reduced Natural Resources / Real Estate from ~25% of total assets in 2005 to ~14% in 2020.
[3] Source: NACUBO Asset Allocation data available on the public NACUBO website www.nacubo.org

3 Examining Spending Levels

	2010	2015	2019
Secondary Schools[1]	N/A	3.7%	3.7%
Higher Education[2]	4.5%	4.2%	4.5%
Private Foundations[3]	5.8%	5.1%	5.1%

[1] Source: Commonfund Study of Independent Schools, 2019 and press releases
[2] Source: NACUBO – TIAA Study of Endowments, 2019
[3] Source: Council on Foundations – Commonfund, 2019

Conclusions

- 2020 was a year where global multi-event risk dominated; there will be more uncertainty to navigate in 2021.
- A low expected return environment coupled with steady or rising spending rates, could lead to a spending gap for some institutions.
- A well-managed investment portfolio will help support your mission into perpetuity.
- To position well for the long-term, investors should remain diversified, opportunistic, and focused on the pursuit of managers that have a sustainable competitive advantage.

THIRTY YEARS OF TIFF

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One cannot invest directly in an index, and unmanaged indices do not incur fees and expenses.

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