

# Northwestern University

## Annual Endowment Report 2025: An Investment in Northwestern





## A Message from the Chief Investment Officer

The Northwestern University Endowment generated a return of 11.3 percent net of external management fees for the 12 months ended June 30, 2025, bringing the five- and ten-year returns to 10.7 percent and 7.9 percent respectively. One- and five-year returns exceeded a benchmark that mirrors the diversified asset allocation of the University's investment pool over the same period.

While public equity markets have generated strong gains in recent years, we remain committed to a diversified strategy, which we believe will outperform over longer periods and preserve the consistency of the endowment's payments to the University over time. Our asset allocation targets and rationale are detailed starting on page 5. Overall, we retain a large allocation to equity investments to generate strong long-term returns. We also maintain a steady allocation to nonequity investments which provide important diversification benefits to the program.

The goal of the University's asset allocation policy is to preserve the purchasing power of the endowment over time by generating returns in excess of our spending rate and our cost growth. In addition, we seek to shield the University from large swings in available funding by limiting the volatility of the overall investment pool. Over the 10 and 20 years ended June 30, 2025, the annual volatility of the endowment's investment returns has been less than half that of the S&P 500 index. This is important because, while the University has a long-time horizon, we draw over 5 percent of the capital out of the endowment every year to support operations. As we will describe below, our spending policy supports necessary budget stability by smoothing the impact of market swings, but the percentage payout rises in periods of low or negative returns. It is important to generate long-term returns but also to reduce risk in the portfolio while maintaining ample liquidity to fund the University's annual draw.

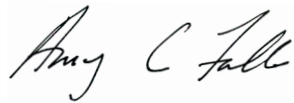
In the 12 months ending June 2025, US and global public equity markets performed very well, with the S&P 500 up 15.2 percent and the MSCI All Country World Index up 16.2 percent. Our public equity holdings generated a solid return of 17.2 percent, exceeding these indices as investment manager stock selection alpha more than offset lower returns from more evenly distributed geographic and market sectors versus benchmarks. Private equity and venture capital funds lagged their public market counterparts during the year but exceeded asset class benchmarks investments. We are seeing improving results in these categories and remain confident in the potential of these asset classes to generate superior returns to public market equivalents in exchange for being less liquid.

Our diversifying Absolute Return managers had another very solid year, as did our cash and treasury bond holdings. Absolute Return funds generated a 14.6 percent return for the year.

We continue to seek ways to improve the performance of the endowment relative to our custom benchmark and our peers. Most importantly we seek to partner with the most talented and driven investors we can find. We have sought to increase the concentration of our holdings with our highest-conviction managers and to reduce exposure to asset classes that are more efficient and where manager skill may be less able to add value. We have invested in improved analytical capabilities that enhance our capacity to monitor exposure and to rebalance in a timely fashion.

The University retains a solid cushion of cash and short duration treasury bonds equal to 5.4 percent of assets as of June 30, 2025.

Overall, the Investment Office strives to work with the best minds and most ethical partners we can across a range of investment disciplines. We are grateful to our donors and to our partners who work diligently to steward the capital of the University in support of its mission in the advancement of knowledge and the education of generations of capable and inspiring students.



Amy C. Falls  
Vice President and Chief Investment Officer  
Northwestern University

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## History and Growth of the Endowment

Since the University's founding in 1851, alumni, parents, and friends have generously contributed to the endowment. In addition, technology and innovation by Northwestern faculty have further enhanced the University's endowed pool. When gifts are designated to the endowment, Northwestern accepts responsibility for ensuring that these contributions fulfill and sustain their intended purposes in perpetuity.

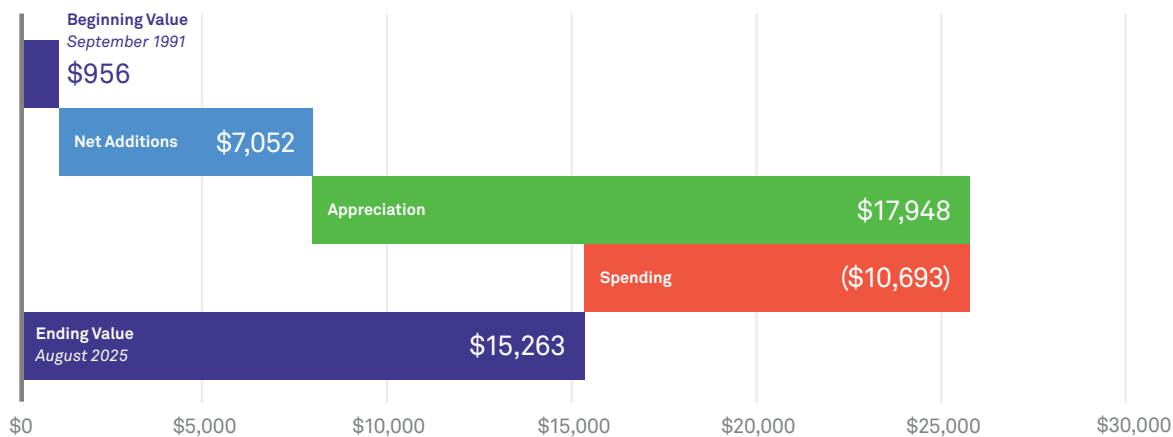
The value of the endowment reached \$15.3 billion as of August 31, 2025, making it one of the top 20 University endowments in the country. This growth has been achieved while distributing to the University nearly \$11 billion for budget support since 1992. Aggregate gifts of \$7.1 billion have generated \$17.9 billion in investment gains, demonstrating the power of endowed gifts to provide both stability and growth to the University. Over the past decade, the payout to operations has increased nearly 80 percent, from \$433 million in 2015 to \$777 million in 2025. This amount represents approximately 22 percent of the University's 2025 operating expenses.

The endowment is stewarded by the Investment Committee of the University's Board of Trustees. Guided by the committee's policies, the Investment Office invests in a widely diversified pool of assets. For the majority of the investments in the endowment, the Investment Office employs outside managers, partnering with many of the world's most successful and thoughtful investment managers. The Investment Office directly manages a small remainder of the endowment (roughly 5 percent), chiefly fixed income and cash holdings. The Investment Office employs 23 staff members, 13 of whom are investment staff. The total annual costs of the Investment Office are estimated to vary between 12 and 14 basis points (or just over one-tenth of one percent of the net asset value of the pool).\*

*\*Investment returns are reported net of external management fees but gross of Investment Office costs.*

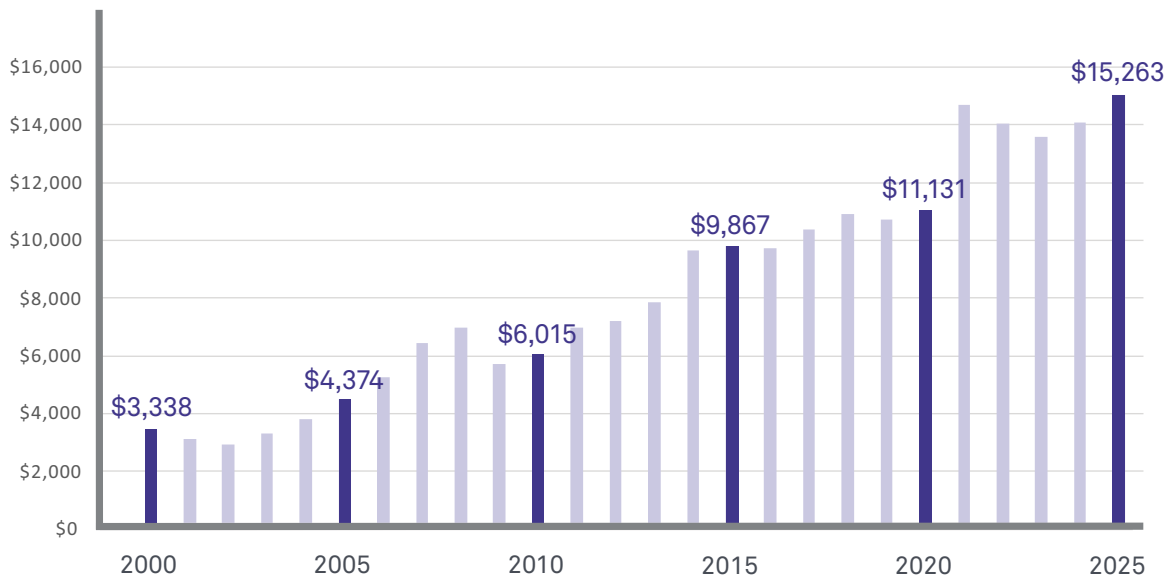
## FY92–FY25 Endowment Increases and Payout

(\$ in millions)



## Endowment Fund Assets as of August 31 since FY2000

(\$ in millions)





A \$101 million gift in 2015 from Roberta “Bertie” Buffett Elliott ’54 (at right) aimed to transform global studies at Northwestern by establishing and then bolstering the work of the Roberta Buffett Institute for Global Affairs. The institute brings together interdisciplinary teams of researchers to address global issues and deepen the public policy impact of their work, as well as offering programming, fellowships, and funding opportunities designed to support students. In 2025, it launched a set of global learning and research initiatives for undergraduates together with the University’s International Studies Program that includes introducing international studies as a discipline-bridging field for any major. The Institute’s 10-year anniversary celebration in May included an interactive peace conference simulation that allowed 40 undergraduates to take on the role of negotiators.

## Investment Objective

The primary investment objective of the endowment is to provide a consistent stream of income to support current University programs and preserve the purchasing power of the endowment for the benefit of future generations.

Northwestern seeks a long-term total rate of return (income plus appreciation over time) that exceeds inflation plus actual spending. The objective of preserving purchasing power for the long term while meeting the current needs of the institution can be complex and challenging in certain periods. It requires disciplined asset allocation and a long-term perspective in formulating both spending and investment policies. All the assumptions that inform the University’s asset allocation and spending targets are reviewed annually by the Investment Committee.

## Portfolio Asset Allocation

Investing across a range of asset classes with varying return characteristics is key to growing the endowment while appropriately managing overall risk. The portfolio asset allocation table on page 6 illustrates the actual asset allocation of the endowment as of June 30, 2025, relative to the target weights approved annually by the Investment Committee.

We measure the endowment’s performance relative to a target composite benchmark that is derived from the approved target weights applied to widely accepted asset class benchmarks. In general, the Investment Office works to keep actual allocations in line with targets. From time to time, however, and with input from the Investment Committee, the office may deviate from the established long-term targets.

Commencing in 2021 and continuing through more recent policy discussions in 2023 and 2024, the Investment Committee approved a meaningful increase in the endowment’s overall allocation to equities from a total 2020 target of 57 percent to a total target of 65 percent in 2023. The composition of the equity allocation has also been adjusted to reflect greater current and expected allocations to venture capital and private equity. The current targets imply that over half (57 percent) of total equity investments would be made via private market investments, although current holdings are more evenly split between public and private markets.

The decision to allocate more capital to equities and a higher percentage of our equity exposure to privates reflects higher return expectations for equities as well as a belief in the long-term potential for private investments to earn a liquidity premium over public counterparts. It also reflects the fact that Northwestern has access to top tier managers in both the private equity and venture arenas. Given the high dispersion of manager returns in these asset classes as well as demonstrated persistence for winning franchises, the Investment Office believes it can generate meaningfully higher alpha (or manager excess return) for the University.

The higher allocation to private equity and venture was offset to some degree by a reduction in private real estate and natural resources.

Portfolio Asset Allocation		
Asset Class	Target	Actual <i>(as of June 30, 2025)</i>
<b>Public Equity</b> Global investments in US and foreign equity securities, primarily invested in active strategies, including long-short equity, across all sectors and market capitalizations in developed and emerging market countries.	29.0%	31.8%
<b>Private Equity</b> Investments in global buyout funds, including both growth equity and leveraged buyouts, with illiquid exposure to corporate activity in the US and abroad.	17.0%	14.5%
<b>Venture Capital</b> Investments in venture capital, primarily early-stage investments, that simultaneously offer the highest return and the highest risk of any asset class in the Long-Term Balanced Pool. The University partners with world-class external managers on these investments.	20.0%	21.3%
<b>TOTAL EQUITY ORIENTED</b>	66.0%	67.6%
<b>Absolute Return</b> Portfolio of credit and distressed, multi-strategy, and uncorrelated investments, which aims to provide equity-like returns with a low correlation to global equities and fixed-income markets.	17.0%	15.5%
<b>Real Assets</b> Investments in energy, timber, real estate, and commodity funds.	11.0%	11.5%
<b>Fixed Income</b> Diversified portfolio of global fixed-income investments, including both sovereign and corporate bonds, providing a highly liquid, relatively low-risk source of funding for the University.	5.0%	4.0%
<b>Cash</b>	1.0%	1.4%
<b>TOTAL DIVERSIFIERS</b>	34.0%	32.4%

#### Composite Benchmark

Computed by multiplying the target weights of each asset class by the respective benchmark.



Inspired by Miguel de Cervantes's 17th-century masterwork *Don Quixote*, the 1965 musical *Man of La Mancha* was originally set in a prison during the Spanish Inquisition. In a reimagined 2025 staging at Northwestern's Wirtz Center, director Henry Godinez (foreground, left) had the prisoners held in a 21st-century detention center on the U.S.-Mexico border. Undergraduate and graduate students alike—including actors and set, lighting, and costume designers—gained professional-level experience working with Godinez, who is resident artistic associate at Chicago's Goodman Theatre and the Carlos Montezuma Professor and theater department chair in the School of Communication. "Taking on the role of Don Quixote has been truly inspiring," said student Esteban Ortiz-Villacorta (second from right), adding, "Having Henry as the director, as a professor, has been a gift."

## Investment Performance

The Investment Office strives to meet three performance objectives. First and foremost, we seek to preserve the long-term value of the endowment. We also strive to add value to both a custom benchmark and a simple 70 percent equity / 30 percent bond portfolio. Finally, we strive to be among the best of our peers and to be thought leaders for the industry.

### Primary Investment Objective

The following chart illustrates the University's actual performance relative to the long-term depletion of the endowment's real value through spending and inflation. Historically, the University's investments have generated returns at or in excess of this objective for almost all time periods. The three years post the Covid pandemic were atypical and reflected significant volatility in public and private equity markets as well as a meaningful spike in inflation—the worst of all worlds for an endowment. In 2025, returns did exceed spending plus inflation for the second consecutive year, and we expect the improvement in the 3-year figure to continue going forward.

Primary Investment Objective: Annualized Total Return $\geq$ Spending + Inflation					
	1-Year	3-Year	5-Year	10-Year	20-Year
Annual total return <sup>1</sup> as of June 30, 2025	11.3%	6.4%	10.7%	7.9%	8.3%
– Spending <sup>2</sup> as of August 31, 2025	5.1%	5.0%	4.7%	5.0%	4.8%
– Inflation as of August 31, 2025	2.9%	3.0%	4.5%	3.1%	2.5%
<b>= Above or below objective</b>	<b>3.3%</b>	<b>-1.6%</b>	<b>1.5%</b>	<b>-0.2%</b>	<b>1.0%</b>

<sup>1</sup> Total returns are net of fees and calculated on annual changes in net asset value. They may differ from payout distributions.

<sup>2</sup> Special payouts for fiscal years 2019, 2018, and 2017 are included. The management and administrative fee is set by the Northwestern Board of Trustees and used for University costs related to gift-funded activities.

## Secondary Investment Objective

The secondary investment objective is for endowment returns to exceed both the target composite benchmark and a simple 70 percent equity / 30 percent bond portfolio.

The composite benchmark’s asset class weights and benchmark components are based on the target asset allocation policy. This performance goal is to realize superior gains within each asset class through the selection of superior outside investment managers.

The endowment outperformed the 70 percent equity / 30 percent bond portfolio for all periods except for the three-year. The portfolio outperformed the composite benchmark for the 5- and 20-year periods, while it underperformed for the 3-year period and was slightly behind the benchmark for the 10-year period. The overweight to real assets has been a significant detractor to performance of the endowment over both the 3- and 10-year timeframes; the office continues to aggressively pursue the reduction of this asset class. The measures taken in fall 2021 to revalue equity risk and increase cash and short-duration fixed income, as well as add to absolute return holdings, helped drive outperformance for the 5-year period.

In absolute terms, the last five years have seen very strong annualized performance from private equity, venture capital, and public equity. In relative terms, three asset classes have exceeded their benchmarks, leading to strong outperformance for the endowment.

Secondary Investment Objective: Annualized Total Return ≥ Composite Benchmark <i>(as of June 30, 2025)</i>					
	1-Year	3-Year	5-Year	10-Year	20-Year
Northwestern University	11.3%	6.4%	10.7%	7.9%	8.3%
Composite Benchmark	10.0%	7.0%	9.9%	8.1%	7.8%
Global 70% Equity / 30% Bond Index	13.2%	12.8%	9.3%	7.7%	6.9%

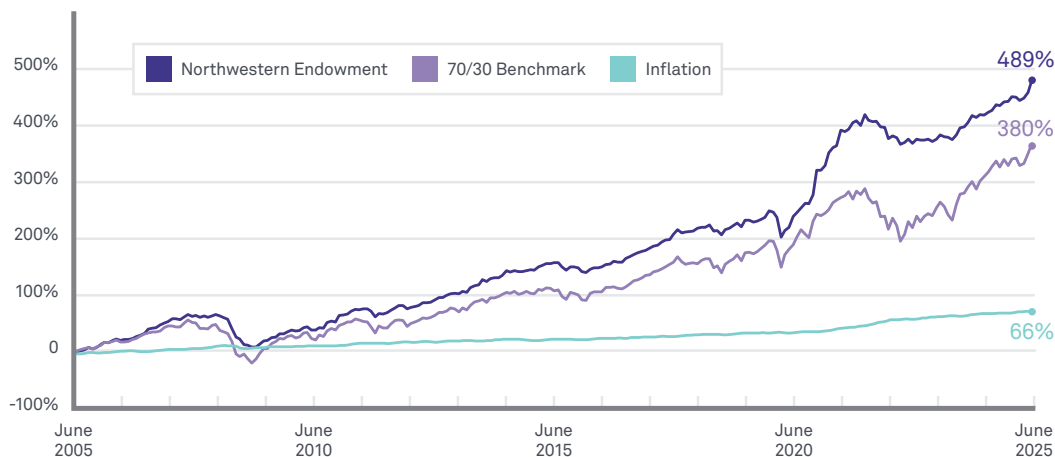
## Tertiary Investment Objective

A third performance objective is realizing investment returns that are competitive with those of our peer institutions. According to an annual comparative study of the returns of colleges and universities by Cambridge Associates, for the period that ended June 30, 2025, Northwestern performed in the top quartile for the 20-year period, at the median for the 5-year period, and in the third quartile for the 10-year period.

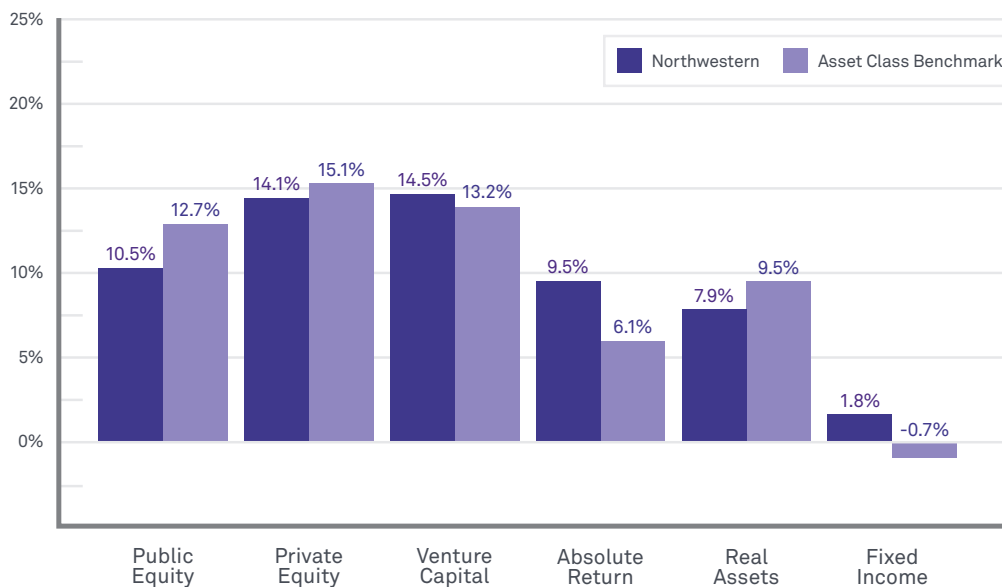
We hope to continue to improve our performance relative to peers to enable Northwestern to lead in spendable resources in a competitive environment.

Northwestern has delivered impressive results over the long term. For the last 20 years, the Long-Term Balanced Pool has earned an annualized net return of 8.3 percent, exceeding the passive global 70 percent equity / 30 percent bond index by 1.4 percent annually and surpassing inflation by 5.8 percent.

## 20-Year Growth of a Dollar



## Long-Term Balanced Pool: 5-Year Asset Class Annualized Net Performance Relative to Selected Benchmarks



### Asset Class Benchmarks

Public Equity	MSCI ACWI Index / HFRI Equity Hedge (Total) Index
Private Equity	Cambridge Associates Private Equity Pooled Return
Venture Capital	Cambridge Associates Venture Capital Pooled Return
Absolute Return	HFRI Relative Value: Multi-Strategy Index
Real Assets	Cambridge Associates Real Estate and Natural Resources Blended Pooled Return
Fixed Income	Barclays US Aggregate Bond Index



As a journalism undergraduate, Angela Zhang '25 reported on issues ranging from student life to local and national politics to Chinese society and culture. Financial support, including the James L. Mateja Memorial Scholarship—awarded to a student at the Medill School of Journalism, Media, Integrated Marketing Communications each year—helped propel Zhang forward. The financial assistance also allowed her to explore avenues for sharpening her journalism skills outside the classroom, including reporting from Washington, DC, with the Medill on the Hill program; interning at MSNBC; and in Beijing covering ethnic minorities in China—bilingually. To the donors that make scholarships possible, she says, “I’d like to give a huge shout-out and great thank you from the bottom of my heart, because you are the ones helping dreams become realities.”

## Setting the Annual Payout Rate

The primary purpose of the endowment is to provide a predictable and financially sustainable source of funding to support the University’s mission. The spending policy is set by the Board of Trustees with the intention of providing a stable source of revenue for current operations while preserving the purchasing power of the endowment for future generations. A new spending guideline was adopted and approved by the Board of Trustees in fiscal year 2022 and took effect in 2023.

The new guideline has both a budget stability component (70 percent), which is essentially last year’s draw grossed up by an inflation factor, and a market-determined factor (30 percent), which reflects the current market value of the endowment. The specific components are as follows:

- The budget stability component equals the prior year’s endowment payout, adjusted for the prior year CPI rate of change, plus 1 percent to account for budget growth. This component carries a weight of 70 percent.
- The market component is calculated by multiplying the long-term target spending rate of 5.1 percent by the endowment’s average market value for the prior 12 months. This component carries a weight of 30 percent in the spending rate calculation.

The new payout guideline generates an estimated total payout of \$790 million for fiscal year 2026.



Led by bioelectronics pioneer John Rogers, the Louis Simpson and Kimberly Querrey Professor of Materials Science and Engineering, Biomedical Engineering, and Neurological Surgery, engineers at Northwestern have developed a pacemaker that can fit inside the tip of a syringe and be noninvasively injected into the body. The pacemaker is particularly well-suited to the tiny, fragile hearts of newborn babies with congenital heart defects. Smaller than a grain of rice, the pacemaker is paired with a flexible, wireless device that mounts onto a patient’s chest. When the wearable device detects an irregular heartbeat, it automatically shines a light pulse to activate the pacemaker. Designed for patients who need temporary pacing, the pacemaker dissolves after it’s no longer needed.

## Beneficiaries of the Endowment Fund Payout

The endowment is comparable to a mutual fund, with several beneficiary units represented as investors, or “holders.” For example, Northwestern’s Treasury Pool and Central Administration is the largest holder, followed by Northwestern University Feinberg School of Medicine, the Kellogg School of Management, and the Weinberg College of Arts and Sciences.

The Treasury Pool is the University’s working capital for operations, internal liabilities, and short- and long-term credit obligations. Rather than keeping all its assets in low-yielding cash vehicles, the Treasury Pool invests a significant portion in the endowment. Each group’s portion includes all the individual funds that are designated to benefit that unit.

### The Endowment Fund by Holder

Total Shares: 48,339,857 (as of June 30, 2025)

Holder	\$ in millions	% ownership
Treasury Pool and Central Administration	\$6,412	42.3%
Feinberg School of Medicine	\$2,905	19.2%
Kellogg School of Management	\$1,183	7.8%
Weinberg College of Arts And Sciences	\$1,108	7.3%
University Scholarships	\$708	4.7%
Pritzker School of Law	\$541	3.6%
Bienen School of Music	\$334	2.2%
McCormick School of Engineering	\$322	2.1%
All Other Unit Holders	\$1,655	10.9%
<b>Total Endowment</b>	<b>\$15,168</b>	<b>100%</b>

Note: Other unit holders include the School of Communication, Office of the Provost, University Library, and Medill School of Journalism, among others.



## For more information

Statement on Investment Responsibility  
[northwestern.edu/investment/responsibility](https://northwestern.edu/investment/responsibility)

Advisory Committee on Investment Responsibility  
[northwestern.edu/acir](https://northwestern.edu/acir)

Investment Office Staff  
[northwestern.edu/investment/about/staff-listing.html](https://northwestern.edu/investment/about/staff-listing.html)

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University**

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