

# ENDOWMENT REPORT

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2025



BROWN



## Introduction

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*At the conclusion of Fiscal Year 2025*, Brown's endowment and other managed assets totaled \$8 billion. The investment gains of \$853 million equate to an investment return of 11.9%. Growth in the endowment over the prior year was 11.3% after accounting for \$333 million in deposits into the endowment and contributions to the University of \$352 million. The endowment's compounded annual investment return for the trailing 10-year period is 11.4%.

Brown's endowment is a collection of gifts accumulated over many years. Today there are more than 4,000 different accounts, and the majority carry a legally designated purpose. The capital is invested in financial assets that compound in value over time, while a portion of the proceeds is distributed to the University annually to be used for the purpose selected by the donor at the time the gift was made. The intended result is a financial resource that both supports the work of the University today and grows its impact on Brown's mission of scholarship and research over time.

The investment program follows a simple set of tenets: 1) Build a team of hard-working professional investors, dedicated to Brown's mission, to select and monitor investments for a high risk-adjusted return net of all fees and expenses. 2) Partner over the long term with investment managers of exceptional ability and high character. And 3) install governance that is capable of providing both oversight and counsel. The tenets of this program remain unchanging.

Conversely, the investment environment for endowments is experiencing dramatic change. Foundational shifts are taking place in the prevailing order of global trade, the role of central banks and even the definition of what constitutes money. Disorienting leaps forward in technology threaten long-held competitive advantages of businesses and appear likely to automate the roles of large swathes of the workforce.

Specifically in higher education, the U.S. Congress in 2025 increased the tax burden on net investment income, including from college and university endowments. In 2017, Congress introduced an excise tax on investment gains for University endowments of 1.4%. In 2025, two new tax brackets were introduced. For this year, Brown remains in the 1.4% bracket, but growth of the endowment will result in a tax rate in the coming year of 4%. The wealthiest endowments will pay 8% on gains. The University priorities that the endowment's contribution to Brown support — financial aid for students and groundbreaking research — will now be reduced by the requirement that a portion of that money be sent to the U.S. Treasury.



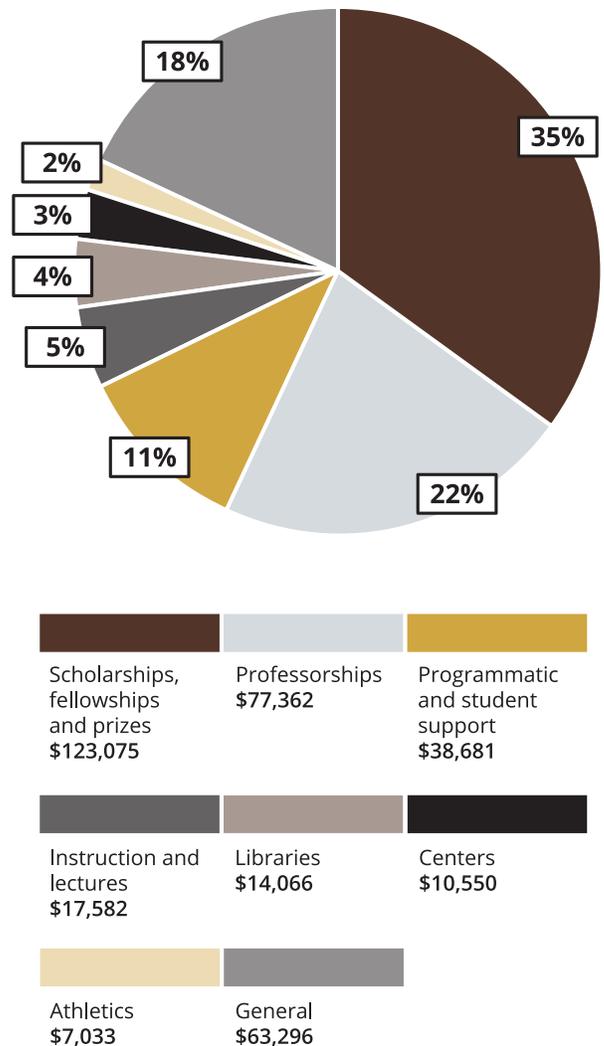
# Supporting the University

Brown’s endowment serves as a vital source of support for the University’s educational mission. The endowment comprises funds that support professorships, libraries, academic programs, lectures, athletic initiatives and, most prominently, financial aid — perennially among the University’s highest priorities.

Each year, the endowment distributes between 4.5% and 5.5% of its value to the University. Due in part to the elevated financial uncertainties that derive from changes in federal funding of academic research, the Corporation of Brown University has temporarily set the distribution at the highest end of that range. Still, a common question often faced by leaders of higher education institutions is: Why not distribute even more aggressively? Why not draw upon the resources of the endowment at a higher rate? The answer is that endowed gifts are meant to be perpetual, and they must represent at least an equivalent resource to Brown students and scholars in future years as they do today. The Brown Corporation, which sets the distribution level, must balance the needs of today with the inevitable needs that will arrive in the future.

This year, the contribution from the endowment to the Brown budget was \$352 million, the largest amount to date. This is equivalent to approximately 23% of the total revenue of the University for the year. On a per-student basis, this represents a contribution of over \$35,000 for the year. In total, the endowment has now contributed \$2.3 billion to Brown’s operations over the last decade.

**Figure 1: Endowment Income by Gift Purpose**  
dollars in thousands





# Performance

The investment strategy employed by the endowment is intended to deliver results that are measured in decades, not single years. If executed properly, the duration of the endowment’s capital is effectively permanent, despite the fact that, with an average payout rate of 5%, every dollar that exists in the endowment today will be transferred to the University within the next 20 years. Even so, an annual performance review can assess whether the program is on track to meet its objectives: exceeding the inflation-adjusted spending hurdle, outperforming relevant market benchmarks, and remaining competitive with peer institutions. In each case, the emphasis should be on longer time frames.

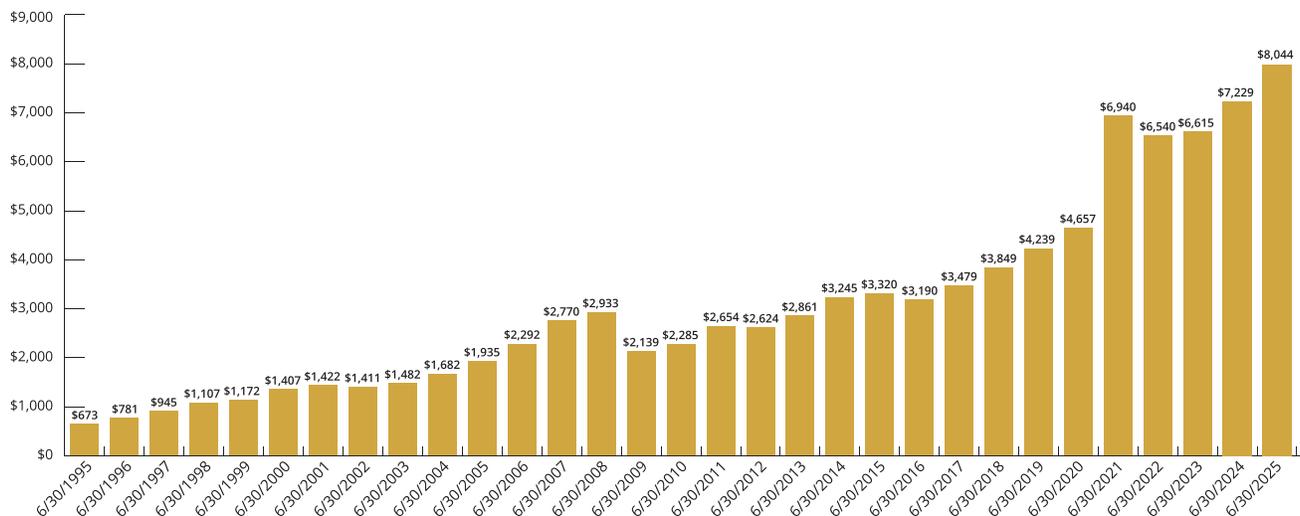
## Inflation-Adjusted Spending

The University draws upon the endowment each year to support its operations. The portfolio must therefore

earn the amount of the draw at a minimum to sustain distributions indefinitely. Yet maintaining the payout alone is not sufficient, because inflation reduces the real value of each dollar. Therefore, the highest priority for investment performance is to exceed spending after inflation, such that the inflation-adjusted value of today’s endowment is available to tomorrow’s Brunonians.

For higher education, the best measure of inflation is the Commonfund Higher Education Price Index (HEPI), which has averaged 2.9% over the last 20 years. Combined with the high end of Brown’s spending rate (5.5%), this results in a nominal hurdle rate of 8.4%. This year’s return of 11.9% surpassed that hurdle, effectively growing the endowment’s impact on the University’s mission. As displayed in Figure 3 (on the next page), the endowment’s returns over three-, five-, 10- and 20-year periods each exceed the required return.

**Figure 2: Market Value by Fiscal Year End**  
*dollars in thousands*



# Performance *continued*

## Benchmark Comparison

Another necessary lens for assessing the endowment’s results is in comparison to both internally defined and independent external benchmarks of market performance. No individual measure is a sufficient gauge, but a reasonably clear picture emerges when an assortment of benchmarks is applied over multiple time periods.

First, Brown’s performance is assessed against an internal measure, which is called the Aggregate Benchmark. The Aggregate Benchmark is calculated — by Brown — to represent the returns from the endowment’s actual asset allocation in combination with average returns from each asset class. To the extent that Brown’s investment program is creating value for the endowment, the Aggregate Benchmark is helpful for determining whether that value is the product of asset allocation or investment manager selection. For FY25, the Aggregate Benchmark returned 9.8%. Brown’s 11.9% return therefore suggests that Brown’s external investment managers created significant value over and above their respective index-level returns. This is also the case over all trailing time periods.

### Endowment Impact:

The newly named Giuliani RNA Center is focused on making RNA discoveries with applications from medicine to agriculture to biosecurity. In partnership with other RNA scientists, researchers at the center have catalyzed an international effort to identify and sequence all human RNA.

Second, it is appropriate to measure Brown’s performance against market benchmarks, which represent the investment opportunities that are broadly available at both low cost and plentiful liquidity. Brown’s strategy utilizes diversification across asset classes and geographies as a core risk-management tool. As a result, the most appropriate market benchmark is a broad, global mix of stocks and bonds, weighted 70% in stocks and 30% in bonds. For FY25, that measure returned 14.1%, outstripping Brown’s 11.9% return. However, over five-, 10- and 20-year trailing periods, Brown’s return exceeds a 70/30 portfolio by 3.9%, 3.9% and 2.8% per annum respectively. Compounded each year, this longer-term outperformance demonstrates that Brown’s active management is creating significant value for the University. FY25 demonstrates that even in the context of a strong long-term performance record, individual years will be volatile.

**Figure 3: Fiscal Year Annualized Returns**

*As of June 30, 2025*

	<b>FY25</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>	<b>20-Year</b>
<b>Brown Endowment*</b>	<b>11.9%</b>	8.6%	13.0%	11.4%	9.5%
Aggregate Benchmark	9.8%	6.0%	11.2%	8.4%	7.2%
70-30 MSCI ACWI/Bloomberg Global Aggregate	14.1%	12.9%	9.1%	7.5%	6.6%
70-30 S&P 500/Bloomberg US Aggregate	12.5%	14.5%	11.4%	10.2%	8.6%
MSCI All-Country World (ACWI)	16.2%	17.3%	13.7%	10.0%	8.2%
MSCI All-Country World (ACWI) ex-US	17.7%	14.0%	10.1%	6.1%	5.8%
S&P 500 Index	15.2%	19.7%	16.6%	13.6%	10.7%

\* FY25 final performance includes 99.3% of private 6/30/2025 valuations.



## Performance *continued*

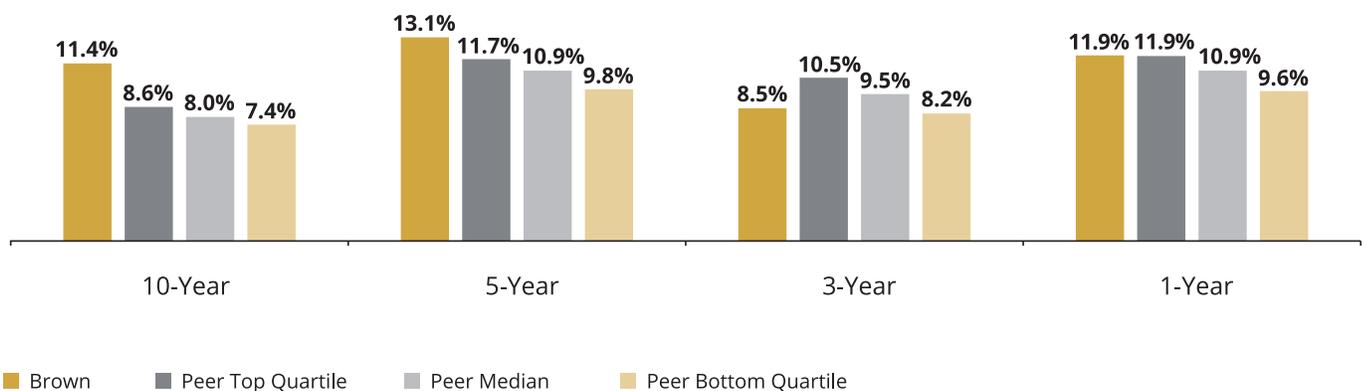
### Peer Comparison and Internal Benchmark

A meaningful evaluation of the endowment must also take into account how it performs relative to comparable institutions that have similar missions, resources and constraints. Data from investment consultant Cambridge Associates reveals that Brown's FY25 result places Brown among the first quartile of investment returns reported by endowments and foundations managing in excess of \$1 billion. Longer-term data show that Brown's five- and 10-year track record is among the best available, comfortably exceeding the threshold for the top 5% of

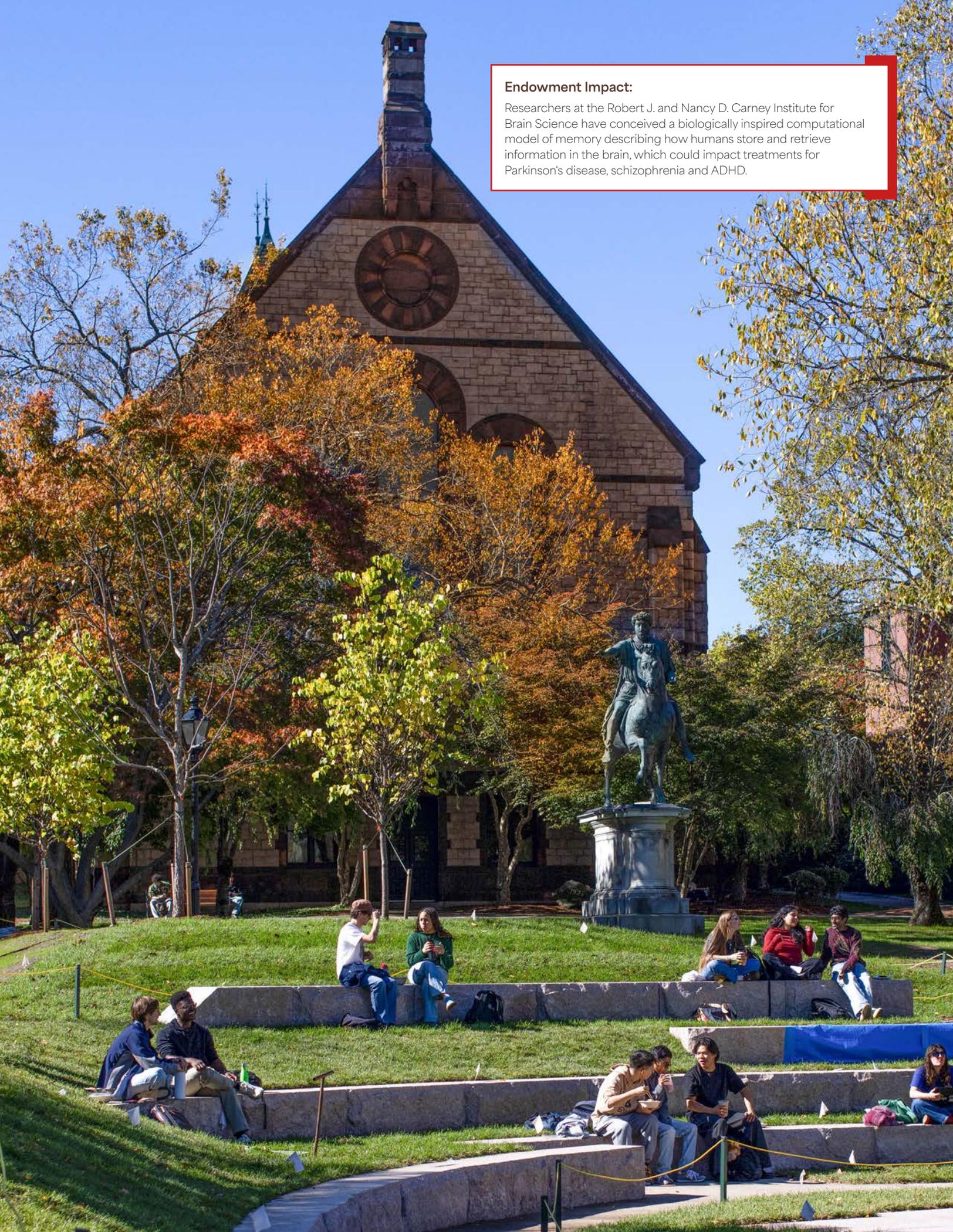
multiyear investment returns. In practical terms, this means that each gift to the endowment has not only grown in excess of spending and inflation, therefore growing the impact of each gift, but has also grown at a greater rate over the last 10 years than a gift to virtually any institution that utilizes the endowment model of perpetual spending (and also publicly reports audited financial results). This is a significant achievement reflecting the quality of the management of Brown's endowment.

**Figure 4: Brown Performance vs. Peers Through FY25**

*annualized, as reported by Cambridge Associates\**



\*Peer quartiles based on Cambridge Associates preliminary data as of 9/24/2025.



**Endowment Impact:**

Researchers at the Robert J. and Nancy D. Carney Institute for Brain Science have conceived a biologically inspired computational model of memory describing how humans store and retrieve information in the brain, which could impact treatments for Parkinson's disease, schizophrenia and ADHD.



# Asset Allocation

Central to the endowment’s approach to risk management is diversification. The vast majority of the endowment’s capital is entrusted to external investment managers that are selected not simply for the productivity of their investment strategies but also for the uniqueness of both the underlying economic drivers of those strategies and for varying sensitivity to shifting macroeconomic forces. Effective diversification is not achieved solely through owning a broad array of investments; those investments must behave differently when changes occur. In today’s investment environment, the changes are substantial and emerge rapidly. Brown’s approach is rooted in the idea that, while the future is fundamentally unpredictable, resilience is a portfolio quality that can be optimized.

It is also worth noting that Brown’s managers are evaluated for integrity and for the potential side effects of the investments they pursue. Each manager relationship is a long-term business partnership, entered into after careful and holistic diligence.

Brown organizes its investments into five asset classes: Public Equity, Private Equity, Absolute Return, Real Assets and Credit. Today there is also a substantial cash balance, although this is not always the case. Excess cash reserves have a cost to a portfolio that is intended to compound value over the long term, as cash generally does not contribute to returns and is vulnerable to inflation. But sizable cash balances this year provided increased flexibility in a period marked by uncertainty, which was heightened for University finances as a result of actions by the federal government during the fiscal year.

### Endowment Impact:

Researchers at Brown’s School of Engineering have designed wearable technology such as sensor-equipped helmets and harnesses to better prevent, detect and understand traumatic brain injuries. Resulting models of brain activity can be used to develop safer equipment and to treat brain injuries that affect millions worldwide.

**Figure 5: Endowment Asset Allocation as of June 30, 2025**

*dollars in thousands*

Asset Class	Market Value	% of Endowment
Public Equity	\$834	10%
Absolute Return	1,746	22%
Private Equity	3,573	44%
Real Assets	792	10%
Credit	628	8%
<b>Brown Total Risk Assets</b>	<b>\$7,572</b>	<b>94%</b>
Cash and Receivables	346	4%
<b>Total Endowment</b>	<b>\$8,044</b>	<b>100%</b>



## Asset Allocation *continued*

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With \$834 million of value, **Public Equity** strategies are 10.4% of the endowment. FY25 witnessed a third consecutive year of strong performance from public equities as the MSCI All-Country World Index generated returns of 16.2%. Brown's strategies outperformed the indexes, generating \$147 million in profits for an 18.9% return. After three consecutive years of strong returns, public stock markets now trade at valuations that are historically expensive, particularly in the United States. Valuation alone is not a strong indicator of the near-term direction of markets — arguably nothing is — but the remarkable strength of AI-related investments and undeniable signs of widespread speculative activity have left the broad public markets unbalanced, potentially carrying a higher-than-normal level of risk. Brown's reduced exposure to public equities, at 10.4%, reflects concern about these risks.

**Absolute Return** strategies also largely, though not exclusively, utilize individual stock selection to produce returns. They tend to carry lower risk, however, as a result of the ability to profit from declines in stock prices as well as gains, although there can be no guarantee of reduced risk. For Brown, Absolute Return makes up 21.7% of the endowment and generated \$253 million in profits for a 16.4% return. This return rivals that of public stock

markets but far exceeds the benchmarks Brown uses to measure its Absolute Return managers, which as a group employ a spectrum of strategies and risk profiles.

Brown's largest asset class is **Private Equity**, making up 44.4% of the endowment's portfolio, or \$3.6 billion. Private Equity strategies traffic in private companies, both innovative new enterprises, as in the case of Venture Capital, and mature businesses, as in the case of Buyouts. Brown pursues both strategies in approximately equal measure. As an asset class, Private Equity generated \$237 million in profits, a 7.1% return, which was not accretive to the endowment's overall return and slightly trailed industry benchmarks. Despite now consecutive years of disappointing performance for the asset class, even including these last two years, the 10-year results for both Buyouts and Venture Capital have been heroic and are twin pillars that Brown's longer-term track record stands upon.

Nonetheless, the Private Equity industry, and by extension Brown's portfolio, is undeniably in a period of transition. As a broad group, these managers have struggled to return capital to investors on the originally envisioned timetable. Because the contract period for the relationship between an investor and manager can last 10 years or longer, these



## Asset Allocation *continued*

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investments are said to be illiquid; investors cannot simply ask for their money back as is the case with more so-called liquid strategies. During FY25, in response to this dynamic, some higher education endowments that have been pioneers in utilizing Private Equity decided to pursue secondary sales and market their stakes in Private Equity funds to third parties in exchange for ready cash.

Financial pundits broadly misinterpreted this activity by some of Private Equity's earliest and most aggressive backers, which are university and college endowments. Widely interpreted as an indicator of either frustration or desperation, these sales are better understood as a marker of the increasing maturity of the secondary market for Private Equity fund interests. This market has grown dramatically in recent years. It has grown into a legitimate avenue for liquidity for a holder of a Private Equity portfolio that would like to reposition, albeit with some frictional costs. University and college endowments frequently hold some of the highest-quality funds and have found willing buyers. Although challenges undoubtedly exist during this transition, Private Equity will remain an essential tool for diversified endowment portfolios.

The **Real Assets** portfolio encompasses investments that include real estate, commodities, physical infrastructure and other diversifying stores of value. Together this was \$792 million of the endowment at fiscal year end, and produced \$75 million in profits, a 10.8% return. Increasingly Brown's Real Assets portfolio is dominated by ownership in digital infrastructure, a "picks and shovels" approach to benefiting from the growth of generative AI. Traditional real estate's cyclical challenges continued in FY25.

At 7.8%, **Credit** is the smallest of Brown's five core asset categories and is a diverse mix of strategies that are tied together only by the underlying quality of investing primarily in debt, rather than equity. This asset class produced a prodigious 24.5% return in FY25, generating \$125 million in profits. This result far outstrips all pertinent benchmarks and reflects the skill of Brown's investment partners operating in inefficient markets. This type of return is an outlier not likely to be repeated, as the Credit asset class has as its primary attributes the risk-reducing features of seniority in capital structures and steady payout of interest.



### Endowment Impact:

The Mechanics of Undersea Science and Engineering (MUSE) center carries out foundational research targeting the technical challenges in undersea mechanics for the U.S. Navy and beyond, utilizing disciplines that include biology, engineering, mathematics and physics. MUSE partners with the Naval Undersea Warfare Center in Newport, Rhode Island.

## AI Implementation

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The emergence of generative AI as a new and disruptive technological paradigm is amply evident in the investment marketplace. New technologies always introduce significant uncertainty. A study of the history of breakthroughs shows that, although enormous opportunity is created, it is accompanied by disruption, and frequently it is only evident in hindsight who benefits from the value. Generative AI brings with it a deeper uncertainty, however, as not only might the investments that the endowment makes be disrupted,

but the investment model itself may be exposed to similar disruption. Aided by investment partners, Brown faculty and the broader community of Brown alumni, students and parents, the Investment Office is examining and preparing for the possibility of significant changes in the investment model that has served the endowment well for decades. The ability to adapt swiftly is going to be a necessary condition for successful stewardship of Brown's financial assets.



## In Closing

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*It is a period of significant change for higher education.* Amid a landscape of major shifts in federal government priorities for funding higher education, efforts to diversify funding for the innovative research that takes place on Brown's campus are underway. Brown is fortunate to be among a select few colleges and universities that have a financial resource like the Brown endowment. The endowment's annual contribution to the budget reduces the financial burden for students and families pursuing a Brown education and helps to fund research in the sciences, engineering and humanities that deepens our understanding and works to hasten the end of scourges like Alzheimer's and cancer. But now the investment proceeds will be subject to escalating tax rates, just as federal funding for research is reduced.

Nonetheless, Brown will pursue its mission — to serve the community, the nation and the world by discovering, communicating and preserving knowledge and understanding in a spirit of free inquiry — relentlessly. The endowment's ability to support Brown in doing so has been expanded over the last 10 years at an unparalleled rate.



**Investment Office**  
Brown University  
Box C  
Providence, RI 02912  
Phone: 401-867-3998

*Cover Photo: Dedicated in memory of Brown University servicemen who died during World War I, Soldiers Memorial Gate is a main entryway to the oldest part of campus and where graduates line up for Procession every year during Commencement.*

- Photo by Nick Dentamaro

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