

A close-up, low-angle shot of a woman with long, dark braids. She is wearing a blue, textured, short-sleeved top. Her head is tilted back, and her eyes are closed. The background is a bright, out-of-focus blue. The overall mood is serene and focused.

ENDOWMENT REPORT

FISCAL YEAR 2020

GEORGE MASON UNIVERSITY
FOUNDATION, INC.



NOTE FROM THE INVESTMENT COMMITTEE CHAIR

As a member of the George Mason University Foundation Board of Trustees and the chair of the Investment Committee, I am privileged to protect and steward your investments by evaluating and overseeing the work of our external investment advisors. I would like to share with you a short review of fiscal year 2020, which ended June 30, 2020.

This year the foundation received the bulk of the remaining funds—nearly \$40 million—from the Rouse estate bequest, which originated in 2018. Totalling more than \$55 million to support faculty chairs in the Antonin Scalia Law School, the bequest is the largest gift ever received in support of our university. This historic gift increases our endowment to more than \$154 million and puts the endowment into the next peer group tier as defined by the National Association of College and University Business Officers (NACUBO), a fantastic achievement for such a young and growing university.

Fiscal year 2020 also brought significant market volatility and falling interest rates due to the COVID-19 pandemic, as well as continued geopolitical risks driven by relations with China. The endowment returned 0.73 percent for the year, a reasonable outcome given the risks and volatility, though below our established benchmark return. The structure and risk parameters of our endowment portfolio seek to capture much of the market's upside while also protecting the corpus.

An endowment fund is intended to generate income in perpetuity, and therefore, must be invested and managed so that it remains financially sound. By investing endowed funds in a mix of equity, fixed-income, and alternative investments, we seek the diversification needed to both grow and protect the portfolio over the long term. We understand and accept that there will be years when this approach deviates from our performance benchmarks, and that this is an inevitable part of managing for the long term. Our overarching goal is to maintain sound oversight, governance, and investment policies consistent with our fiduciary responsibilities that should result in appropriate risk-adjusted returns and responsible spending policies, ensuring sustainable support for the university's future.

Fiscal year 2020 marked the full implementation of the Banded Inflation Method for calculating endowment distributions. In fiscal year 2017, the foundation adopted this new endowment spending policy to address “underwater” endowments, including a period of fixed endowment distributions to help those endowments recover. At the end of fiscal year 2016, 66 percent of our endowed funds were under water, in that the market value was lower than the original gift amount. The policy change has been a success, and as of June 30, 2020, even with minimal investment gains for the year, 18 percent of funds were under water, while 82 percent of endowment funds are now above water.

As a business leader and alumnus who proudly supports George Mason University, I would like to thank you for your generous giving and for your continued support. Mason owes its success in large part to donors like you who have chosen to invest in the current and future success of the Mason community.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Montano', written over a light blue horizontal line.

Trevor Montano, BS '00
Chair, Investment Committee
George Mason University Foundation Board of Trustees

October 2020



ABOUT THE GEORGE MASON UNIVERSITY FOUNDATION

The George Mason University Foundation is an independent 501(c)(3) nonprofit corporation established in 1966 to receive, invest, and administer private gifts, including endowment and real property.

The foundation is governed by an independent volunteer board of trustees, separate from the university's Board of Visitors. The Investment Committee of the Board of Trustees, which meets a minimum of four times per year, serves as financial steward of the endowment. The staff and trustees of the foundation have accepted a fiduciary responsibility to steward these assets and abide by high standards of performance and ethical behavior.

The foundation is committed to providing comprehensive and timely information about its operations to the public, the media, and university stakeholders. Essential organizational information, such as audited financial statements, the IRS Form 990, and other governing documents, are posted on the foundation's website and are available to the public upon request.

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ABOUT THE ENDOWMENT

The endowment represents the generosity and vision of hundreds of donors and stewards who, by their gifts to the foundation over several decades, have helped ensure financial stability for George Mason University. Because state funding, tuition, and student fees provide only a portion of the revenue needed to offer world-class education and research opportunities, private philanthropy plays an increasingly critical role at Mason.

The endowment comprises more than 530 individually endowed funds that have specific donor-designated restrictions on their purpose and use. Income from these funds provides perpetual support for Mason’s schools and colleges, students, faculty, and programs. The total value of the endowment as of June 30, 2020, was \$154.2 million, a 36 percent increase over the previous year. The endowment’s return for fiscal year 2020 was 0.73 percent. The endowment’s payout to support university activities was \$3.6 million, an increase of \$1.5 million over the prior year.

Endowment assets are invested by the foundation in a diversified portfolio that includes traditional and alternative equity strategies, international and emerging markets holdings, traditional and alternative fixed-income funds, real estate, and private equity. While the fiscal year started strong, the emergence of COVID-19 brought unprecedented market volatility as the global lockdown caused the most significant recession in the post-World War II era. The endowment return for fiscal year 2020 is a result of a portfolio allocation intended to preserve the corpus of the endowment managing downside risk and overall portfolio volatility. If, as expected, the current recession driven by COVID-19 proves to be the shortest one on record, the endowment is well positioned to benefit from an economic rebound in fiscal year 2021 and beyond.

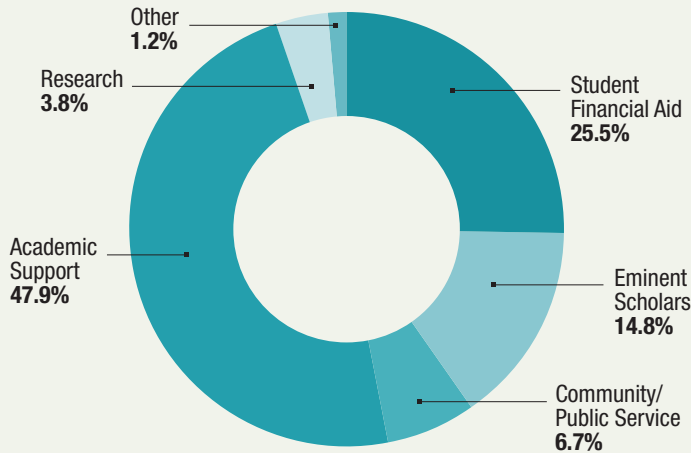
FOR THE FISCAL YEAR ENDING JUNE 30

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Endowment Return	-0.21%	9.20%	8.02%	4.60%	0.73%
Policy Benchmark	-1.76%	11.30%	7.98%	5.65%	3.26%
NACUBO Survey	-1.80%	11.90%	7.70%	5.10%	TBD
Endowment Distribution for Mason Programs (millions)	\$2.0	\$1.9	\$1.9	\$2.1	\$3.6
Endowment Year-End Market Value (millions)	\$76.8	\$85.4	\$91.8	\$113.0	\$154.2

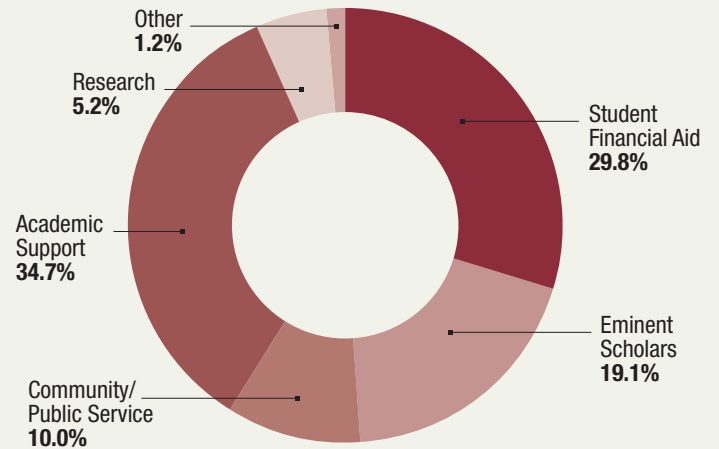
Students signing a beam that was used in the construction of Horizon Hall, a new academic building scheduled to open in winter 2021.



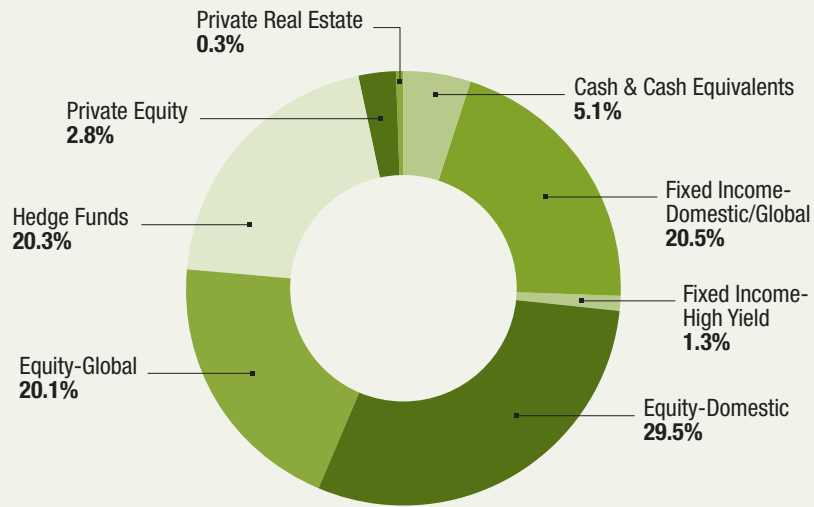
FY 2020 ENDOWMENT **MARKET VALUE** BY PURPOSE
(\$154.2 MILLION)



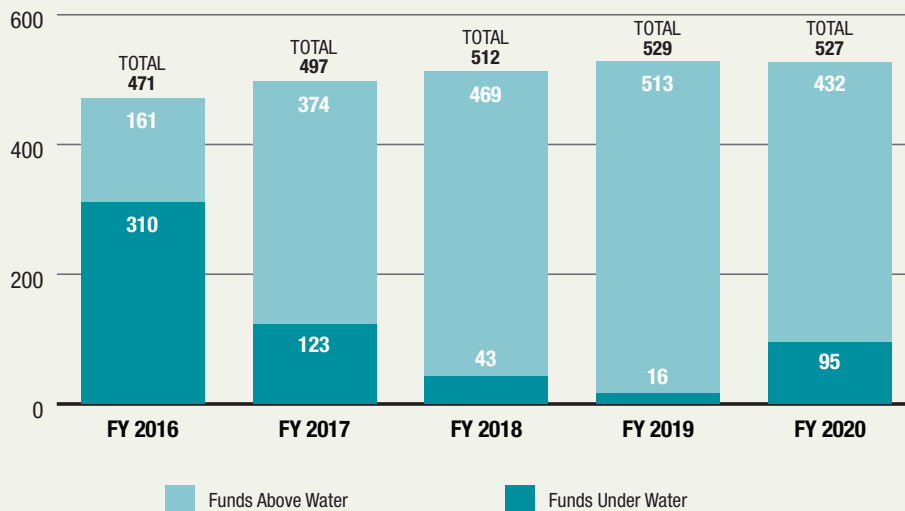
FY 2020 ENDOWMENT **PAYOUT** BY PURPOSE
(\$3.6 MILLION)

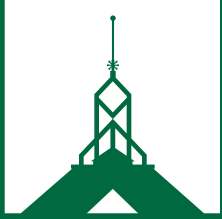


FY 2020 ENDOWMENT **ASSET ALLOCATION**
(\$154.2 MILLION)



PROPORTION OF FUNDS ABOVE WATER
(ABOVE ORIGINAL GIFT VALUE)





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