In terms of relative performance, however, fiscal 2008 was another strong year for the University endowment. Relative to the average institutional fund, the University endowment outperformed by 13 percentage points the negative 4.4 percent total return registered by the median of 165 large peer funds tracked by the Trust Universe Comparison Service (TUCS). The Harvard endowment’s fiscal 2008 investment return also exceeded the +3.2 percent that marked the top-five percentile for this sample.

HMC extended its record of adding value across the majority of asset classes in which the University invests. The Harvard endowment outperformed in the domestic and emerging market equity and private equity asset classes. Liquid commodities, timber/agricultural land, and real estate, as well as domestic, foreign, and inflation-indexed bonds also outperformed. Underperforming asset classes were limited to foreign equity, high-yield investments, and absolute return investments.

The total investment return on the University endowment for fiscal 2008 exceeded HMC’s policy portfolio aggregate benchmark by 170 basis points. This translated into $612 million of additional value for the endowment. Looking back at the last 10 years, the Harvard endowment outperformed the TUCS median institutional fund by an average of 7.7 percent per year. If the University had earned the median fund return during this period, the value of the University endowment would have been approximately $13.4 billion at June 30, 2008, or $23.5 billion less than the actual total of $36.9 billion.

Approximately 50 percent of the School’s endowment has been earmarked by the donors to support professorships and faculty research, and 25 percent is in funds designated to provide income for MBA and Doctoral fellowships. Another 17 percent is restricted to existing strategic initiatives, building operations, and other ongoing operations of the School.

Because only the remaining 8 percent of the HBS endowment is dedicated to providing discretionary income for opportunistic investment, annual unrestricted giving is the School’s primary resource for this purpose. These funds are used to nurture and accelerate new programs that are not endowed, and to support the School’s emerging initiatives in research and teaching.

Reflecting the HBS community’s continued generous class reunion and annual giving in fiscal 2008, income from unrestricted current use gifts totaled $14 million, or 3 percent, of the School’s total revenue. This amount is equivalent to the income from an endowment valued at approximately $900 million. Income from unrestricted current use gifts supported every area of activity at HBS—from technology to case writing to faculty salaries.