

Harvard Management Company

Message from the Chief Executive Officer

Harvard’s endowed funds generated an 11.9% return in fiscal year 2025, bringing the aggregate endowment value to \$56.9 billion. This performance not only strengthens the University’s financial position but also underscores the essential role of the endowment in sustaining Harvard’s academic mission. Spending from the endowment now accounts for nearly 40% of annual operating revenue—a reminder that the stewardship of these resources is inseparable from the vitality of Harvard’s teaching, research, and service to society.

PERFORMANCE AND PURPOSE

The endowment’s returns in fiscal year 2025 surpassed Harvard’s long-term benchmark of 8%, which reflects the balance between annual distributions (approximately 5%) and inflation (roughly 3%). Since the start of the current management team’s tenure eight years ago, the portfolio has generated an annualized return of 9.6%, consistently meeting or exceeding this standard. Such long-term performance is critical: the endowment is not simply an investment portfolio, but a source of stability and continuity for generations of students and scholars.

Universities differ in their financial structures and therefore in the demands they place upon their endowments. Some institutions pursue higher levels of investment risk in pursuit of greater returns; others, like Harvard, calibrate portfolio risk to ensure resilience across varied market conditions. The design of the portfolio reflects the distinctive needs of the University it serves—an acknowledgment that prudent stewardship requires alignment with institutional priorities, not adherence to external comparisons.

PORTFOLIO STRATEGY

Harvard Management Company has in recent years undertaken a thoughtful assessment of the investment portfolio, recognizing that a singular focus on asset allocation—while a significant contributor to returns—can mask important considerations around the volatility of those returns, and of equal importance, the University’s ability to absorb that volatility. With the guidance of the University’s leadership, HMC has begun a measured increase in portfolio risk, largely through greater equity exposure, recognizing that modest adjustments can enhance long-term returns while preserving essential resilience. Encouragingly, these initial steps have already contributed to stronger performance. HMC will continue to gradually adjust the portfolio over time, with an eye toward enhancing long-term growth.

As of June 30, 2025, the portfolio composition was as follows:

Asset Class	Allocation
Public equities	14%
Hedge funds	31%
<i>Long/short</i>	9%
<i>Uncorrelated</i>	16%
<i>Multi strategy</i>	3%
<i>Credit</i>	3%
Private equity	41%
<i>Buyout</i>	13%
<i>Growth buyout</i>	4%
<i>Venture capital</i>	14%
<i>Growth venture</i>	10%
Real estate	5%
Bonds/TIPs	4%
Other real assets	3%
Cash	3%
ENDOWMENT*	100%

* Rounding results in a total percentage greater than 100%.

The allocation to uncorrelated hedge funds allows HMC to moderate risk and provides access to liquidity across market cycles, both up and down. This has proven to be valuable. As the University faced operating stressors this year, the endowment's liquidity has allowed it to serve as a ballast.

HMC has also employed the secondary market as a strategic tool, a practice that began eight years ago to reallocate away from real estate at moments of strength, and a practice that we have continued to use regularly to refine the composition of our private equity holdings. These transactions are not signs of constraint or liquidity concerns but rather of intentional, disciplined portfolio management—an approach that privileges flexibility and a long-term view over orthodox adherence to the existing portfolio.

VALUE CREATION

The true test of any endowment lies in its ability to generate value beyond market returns. Though endowment results in fiscal year 2025 were dampened by having less public than private equity, HMC's performance overall was bolstered by discerning manager selection. Public equity and hedge fund managers, chosen for their distinctive perspectives and disciplined strategies, delivered returns well above their benchmarks. Private equity, too, produced double-digit gains across diverse strategies and stages. Together, these outcomes reflect the enduring importance of judgment, relationships, and intellectual rigor in investment practice.

LOOKING FORWARD

The fiscal year 2025 results reaffirm that Harvard's endowment is well positioned to support the University in the decades ahead. More importantly, they underscore the principle that endowment stewardship demands more than short-term financial performance; it is an intergenerational undertaking.

Those who manage these resources do so with an awareness that each decision has implications not just for today, but for generations yet to come. The responsibility is to honor the aspirations of those who contributed to it—by ensuring their generosity continues to empower Harvard's mission long after they are gone.

This intergenerational duty takes on new weight as the federal endowment tax rises in the years ahead. Increased taxation, while significant in the near term, also underscores the importance of protecting the endowment's purchasing power over time. More will be required of the endowment to sustain the same level of academic excellence, magnifying the ethical and legal imperative to balance present needs with future obligations.

We are deeply grateful for the partnership with the University's financial leadership, whose collaboration strengthens both our strategy and its outcomes. We are equally indebted to the members of our board of directors, whose insight and counsel enrich our work immeasurably.

Finally, I wish to acknowledge the extraordinary dedication of my colleagues at HMC. Their commitment, creativity, and rigor ensure that these financial resources are not merely preserved but cultivated—so that Harvard may continue to lead, to inspire, and to serve.

Best Regards,



N.P. "Narv" Narvekar
CHIEF EXECUTIVE OFFICER

October 2025