

Harvard Management Company

Message from the Chief Executive Officer

Harvard's endowment generated a 27.1% return in fiscal year 2026 (FY26), bringing its value to \$68.0 billion. This was an exceptional year, at an important moment. Harvard continues to navigate significant challenges, and the strength of this year's investment performance will bolster the endowment's capacity to support the University in the years ahead. The scale of that support is substantial. In FY26, distributions from the endowment totaled \$2.6 billion—nearly 40% of the University's annual operating revenue—sustaining the teaching and discovery at the heart of Harvard's mission.

PURPOSE

The FY26 return far surpassed Harvard's long-term return objective of 8%—balancing annual distributions of approximately 5% (which now must also account for the increased endowment tax which took effect at the start of FY27) against higher education inflation of roughly 3%. Yet a single year is not the right lens through which to judge an endowment, which is designed to sustain support for research and discovery in perpetuity. Over the course of the current management team's nine-year tenure, the portfolio has generated an annualized return of 11.4%. That longer-term record is the more important measure of the endowment's ability to provide stability during challenging periods while preserving purchasing power for generations of students and scholars to come.

As I have noted in the past, universities differ in their reliance on endowed funds, and therefore in the demands they place upon their endowments. Some institutions pursue higher levels of investment risk than others. The design of Harvard's endowment portfolio reflects the distinctive needs of the university it serves. An institution that draws nearly 40% of its operating revenue from the endowment needs that

support to be dependable—steady when other sources are not, and as supportive of students, faculty, and researchers in the next century as it is of the Harvard community on campus today. HMC's obligation is to ensure the endowment can provide this support in years when markets are far less generous.

Our active dialogue with the University's financial leadership has led us to calibrate the portfolio to support resilience across varied market conditions. Our risk appetite will continue to evolve as circumstances require; the current portfolio already reflects certain shifts in recent years, and our ongoing collaboration will ensure that we continue to adapt to the University's immediate and long-term needs.

PERFORMANCE

This past year's performance was driven primarily by three asset classes: venture capital, public equities, and hedge funds. The FY26 returns were also shaped by the portfolio's composition, as we deliberately grew private equity to be the largest part of our portfolio.

Portfolio allocation as of June 30, 2026:

Asset class	Allocation	
Public equities		14%
Hedge funds		29%
Uncorrelated	15%	
Long/short	8%	
Multi-strategy	4%	
Credit	2%	
Private equity		46%
Venture capital and growth venture	31%	
Buyout and growth buyout	15%	
Real estate		4%
Other real assets		2%
Bonds/TIPS		3%
Cash		2%
ENDOWMENT		100%

While we are proud of the return itself, the alpha generation—the value to the endowment we have added above relevant market benchmarks—has been particularly gratifying, as it has been consistently strong across asset classes. This reflects well on the strategy we adopted years ago to transition to a generalist investment team model. By developing a rigorous process for assessing the value and risk of both new and existing investments, we have strengthened the capabilities of the entire management team—and we are reassured to see that strength reflected in this fiscal year’s results across the portfolio.

Even so, we proceed with caution. Outsized returns can sometimes portend subdued, or even negative, returns in the near term. This is in no way a market prediction; it is a simple acknowledgment of historical market patterns that we must bear in mind when assessing the risk level and composition of the portfolio.

UNFUNDED COMMITMENTS

Private investments were a meaningful contributor to performance in FY26 and over the nine-year period. Their higher returns, however, come with costs: illiquidity and uncertainty around the timing of capital needs. Investing with private managers requires HMC to make unfunded commitments—legal obligations to fund capital calls over the life of fund partnerships that often span many years. We therefore manage commitments not only for their expected returns, but also for their cumulative demands on the University’s liquidity. We monitor the unfunded level continuously and have gradually reduced it, even while expanding private activity. Co-investing alongside private managers—which can provide exposure with lower fees and without corresponding unfunded commitments—is one tool in that effort. So, too, is disciplined pacing, which helps preserve flexibility, reduces the risk that we will need liquidity at an unfavorable moment, and better positions HMC to take advantage of market dislocations. At the close of FY26, unfunded commitments equaled 13% of the General Investment Account.

GEOGRAPHY AS STRATEGY

Given the global nature of the portfolio and the immense value of local knowledge, HMC staffs two satellite offices in addition to its Boston headquarters. A year ago, HMC opened its San Francisco office, a decision set in motion years earlier that has aligned well with the extraordinary progress in artificial intelligence. Our purpose was to develop deeper connectivity within an ecosystem at the forefront of a technology that is reshaping the economy and every major market in the world. HMC opened its Singapore office four years ago with the same purpose. Because HMC’s investment team is deliberately small, we did not make these decisions lightly: every member of the San Francisco and Singapore offices spent years in Boston before relocating, and senior investment team members travel actively among all three locations to maintain deep interactions across the firm.

REMEMBERING WALTER CABOT

Walter Cabot AB ’55, MBA ’59, HMC’s first president, passed away in June. Walter led HMC for its first fifteen years and was a pioneering investor whose work not only laid the foundation for HMC’s future success but helped revolutionize endowment management itself. He was kind enough to reach out during my early days at HMC to share his experience and his hopes for what the endowment would continue to provide the University—all with great humility. Nearly twenty-seven years after his retirement, his passion for HMC and Harvard had not waned in the least. All of us at HMC are grateful for his exceptional stewardship of Harvard’s most critical financial resource, and we aim to serve the University with the same conviction, purpose, and humility.

LOOKING FORWARD

FY26 represents a short-term return on a long-term portfolio. Nevertheless, it is reassuring to see it strengthen the endowment’s ability to support the University in the decades ahead. It arrives, moreover, as the substantially higher federal excise tax on net investment income takes effect in FY27. Strong returns do not diminish the tax’s long-term cost: the tax will

redirect a meaningful share of investment gains that would otherwise support teaching, research, financial aid, and other purposes designated by donors. More will be required of the endowment to sustain the same level of support for the University, heightening the importance of protecting the endowment's purchasing power and of maintaining sufficient liquidity. Harvard must now meet a larger current obligation without compromising the enduring purposes for which these funds were given.

As some of you may know, I initiated a conversation with HMC's board of directors earlier this year to plan for my eventual retirement. I did so to both give the board ample time to plan for and execute a search for my replacement, and to ensure that a leadership transition does not impact the exceptional work being done by the HMC team. There will be time in the future for me to reflect on the accomplishments of this team's tenure. In the meantime, I would like to

thank the University's financial leadership for their collaboration and partnership, as well as our board of directors for their insight and counsel.

Above all, I am grateful to my colleagues at HMC for the dedication, judgment, and shared sense of purpose they bring to serving Harvard's mission, and I remain confident that these qualities will continue to guide HMC in the years ahead.

Best Regards,

A handwritten signature in dark ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

N.P. "Narv" Narvekar
CHIEF EXECUTIVE OFFICER

October 2026