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# Back-to-Back Positive Years: Independent Schools Report 12.3% Return on Endowment Assets for FY2024; 10-Year average returns hold steady at 6.7%

**Returns Positive; New Gifts to Endowments Fell, Use of OCIO Increased**

WILTON, Conn., February 20, 2025 — Institutions participating in the Commonfund Benchmarks Study® of Independent Schools for the 2024 fiscal year reported an average annual return of 12.3 percent on their endowment assets. This marks the second year in a row of strong positive returns and is the first Study year since FY2020 that one-year returns did not fluctuate drastically (for example, the difference in returns from FY2020 to FY2021 was 37.1 percentage points, and from FY2021 and FY2022, 20.5 percentage points). (All returns are reported net of fees. Fiscal year 2024 covers the period from July 1, 2023, to June 30, 2024, and coincides with the budget year of most independent schools.)

Longer-term portfolio gains, of primary importance for the financial health and sustainability of perpetual institutions, were positive: five-year average returns were 7.7 percent in FY2024, up from 6.0 percent in FY2023, while the ten-year average return of 6.7 percent was unchanged from the prior year. New data collected in this year's Study show an average 8.0 percent 15-year return, and 6.9 percent 20-year return.

George Suttles, Executive Director of Commonfund Institute, and Jeffrey Shields, President and CEO of NBOA, noted in a joint statement that another year of strong returns and newly revealed long-term gains are welcome signs. "Despite pressures from markets, inflation, and enrollment, this year's Study shows that long-term endowment gains can serve as an anchor of stability for institutions. After a few years of big swings up and down, we can rest assured that in the long-term – with 15-year and 20-year returns of 7-8 percent – endowment stewards are helping meet the missions of these perpetual institutions."

Two hundred twenty-one independent schools representing roughly $15.6 billion in combined endowment assets provided data for the Study. Data gathered in the Study are aggregated for all participants and are segmented into three size cohorts: institutions with endowment assets over $50 million; those with assets between $10 and $50 million; and those with assets under $10 million. Institutions participating in the Study comprise day schools, boarding schools and schools that are a combination of both, and some analysis in the study segments data by day schools and those with boarding. Independent schools are private, nonprofit institutions enrolling students from pre-kindergarten through 12th grade. In the U.S., approximately 10 percent of the student population attends an independent school, according to the National Association of Independent Schools (NAIS).

Commonfund conducts this annual study of independent school endowment management practices and policies in conjunction with NBOA: Business Leadership for Independent Schools, the only national nonprofit association focused exclusively on fostering financial and operational excellence in independent PK-12 schools.

**Investment Returns Positive**

In FY2024 all participating institutions reported an average return of 12.3 percent. Often the report data show that returns correlate with institution size, i.e., the larger the endowment the higher the return. However, for the second year in a row this trend has not held. This year, the size cohort with the highest returns, 13.5 percent, were schools with endowment sizes less than $10 million. Responding institutions with endowments between $10 and $50 million reported 12.1 percent annual average returns, and the largest schools – those above $50 million – reported

12.0 percent returns. The trend of larger schools outperforming smaller ones in longer-term returns has also reversed: smaller schools' 3-, 5- and 10-year returns were all relatively higher in FY2024, as relative outperformance of equities over the past two years has benefited smaller institutions that typically have higher equities allocations compared with larger institutions.

**Asset Allocation Changes Minimal**

There were minimal changes to asset allocations in FY2024 for respondents on average, including two two-percentage point changes: an increase in allocations to domestic equities to 35 percent and a decrease in allocations to fixed income to 14 percent (matching FY2022 rates). Other asset allocations changes were within one percentage point of the prior years' levels on average.

## ASSET ALLOCATIONS* FOR TOTAL SCHOOLS

| Numbers in percent (%) | FY2023 | FY2024 |
|---|---|---|
| U.S. equities | 33 | 35 |
| Fixed income | 16 | 14 |
| Non-U.S. equities | 18 | 17 |
| Alternative strategies | 29 | 30 |
| Short-term securities/cash/other | 4 | 4 |

*dollar-weighted

Trends in asset allocation are dependent on institution size, according to Study data. For example, as of FY2024 responding institutions with assets over $50 million had a 34 percent allocation to alternative strategies on average, compared with 11 percent and 1 percent alternative allocations for those with assets $10-$50 million and under $10 million, respectively. The highest alternative strategies allocation was to private equity and marketable alternatives. (Note: private equity includes LBOs, mezzanine, M&A funds and international private equity. Marketable alternatives include hedge funds, absolute return, market neutral, long/short, 130/30, event-driven and derivatives.)

It is important to highlight three things related to changes in asset allocation: 1) participants across study years are not a perfect matched sample, which can lead to year-over-year changes, 2) some changes are due to rebalancing – 69 percent of responding institutions reported that they rebalanced in FY2024, and 3) some changes may be due to fluctuations in the value of existing allocations, for example outperformance of equities relative to alternative strategies in FY2024. The Study does not isolate the relative weight of these factors.

**Spending Was Steady**

Participating schools' stated policy spend rate in FY2024 was 4.3 percent, unchanged since FY2021. By size, schools in the small-, mid-, and large size cohorts had a spend policy rate of 4.2 percent, 4.3 percent, and 4.4 percent respectively. In other words, the stated policy spending rate increased marginally alongside institution size on average. For the second year in a row, more than one in five responding institutions, or 22 percent, reported increasing spending in response to inflation (up slightly from 21 percent in FY2023).

**Gifts Fell Overall**

Average new gifts to independent school endowments were $1.6 million in FY2024, down from $1.7 million in FY2023 and $2.4 million reported in FY2022 (the highest since Commonfund began tracking these data in 2003). Institutions with over $50 million in assets reported average gifts of $3.2 million in FY2024 (up from $2.9 million in FY2023), $0.7 million for those with $10 to $50 million (down from $0.9 million), and $0.2 million for those under $10 million (down from $0.4 million).

**Operating Budget Support Rose**

Participating institutions reported that an average of 6.7 percent of their operating budget was funded by the endowment in FY2024, up from 6.5 percent in FY2023 and 6.1 percent in FY2022. Responding institutions with assets over $50 million reported the highest share of their operating budget funded by endowment, 11.2 percent, followed by 4.2 percent reported by institutions with assets between $10 and $50 million and 1.9 percent reported by schools with assets under $10 million.

**Responsible Investing Tempered Further**

Growth rates for independent school adoption of responsible investing practices slowed in FY2023 and showed signs of reversal in FY2024. The share of respondents that required or permitted the four responsible investing strategies surveyed (ESG, negative screening, impact investing, diverse managers) in FY2024 ranged from 4 percent (impact investing) to 12 percent (ESG). The share of respondents considering adding any of the four responsible investing strategies to their IPS in the next 12 months were all under 10 percent, and the share of institutions that will not consider adding those practices into their IPS in the next 12 months increased – 64 percent for both ESG and negative screening, up from 55 percent for both practices in FY2023.

**Use of OCIO Increased**

This year's Study shows an increase in the use of an OCIO (Outsourced Chief Investment Officer), as nearly half, or 46 percent, of all institutions reported using an OCIO in FY2024, up from 33 percent in FY2023. Fifty-nine percent of schools with assets between $10 and $50 million reported using an OCIO in FY2024 (up from 40 percent in FY2023), compared with 43 percent of schools with assets over $50 million (up from 33 percent), and 26 percent of those under $10 million (up from 15 percent). The percentage of the total endowment outsourced to OCIO (by respondents that use one) was 98.5 percent on average. Potential factors contributing to this trend may include the confluence of uncertainty, volatility and other concerns related to inflation, enrollment, and fundraising.

**About Commonfund**

Commonfund is a leading asset management firm that empowers educational institutions, foundations, pension funds, family offices, RIAs, and other sophisticated investors to achieve their most important goals. Through our Outsourced CIO business, we provide nonprofits access to world-class investment management solutions. Our CF Private Equity business provides access to private equity investments for both nonprofit and for-profit organizations seeking to diversify their portfolios with private investments. Our Commonfund Institute is among the nation's most trusted sources for relevant, useful, and proprietary data, analytics, and best practices in financial management. All our businesses are united by a relentless commitment to investment performance matched by an equally relentless commitment to the values of trust, transparency, and ethical behavior that have inspired us since our founding more than fifty years ago. www.commonfund.org

**About Commonfund Institute**

Commonfund Institute is among the nation's most trusted sources for relevant, useful, and proprietary data, analytics, and best practices in financial management. The Institute provides a wide variety of resources, including conferences, seminars, roundtables, and online learning through Commonfund Institute Online. Insights cover topics such as endowments and governance; proprietary and third-party research such as the Commonfund Benchmark Studies®; publications including the Commonfund Higher Education Price Index® (HEPI); and events such as the annual Commonfund Forum and Investment Stewardship Academy.

**About NBOA**

NBOA is the only national nonprofit membership association focused exclusively on supporting independent school business officers and business operations staff while fostering financial and operational excellence among independent PK-12 schools. The association has grown from 23 founding member schools in 1998 to more than 1,600 members including schools, business partners and associations from the U.S. and 25 other countries around the globe. NBOA offers in-person programming, including the NBOA Annual Meeting and Business Officer Institute; online professional development; original research; and an award-winning magazine, Net Assets. Each offering covers timely and relevant topics for independent school business and operations professionals, including finance, accounting, tax, compliance, human resources, risk management, facilities and information technology.

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