

Reed College Endowment Report

FY 2025



TO THE

Reed College community:

We are pleased to share this update on the Reed College Endowment for the fiscal year ending June 30, 2025. Our endowment continues to grow due to the generosity and commitment of the Reed community, both past and present, to the college's educational mission. Every year, the endowment's distributions provide operating support and stability in funding that allow the college to make meaningful commitments to areas such as financial aid, faculty hiring and retention, support for students, facilities, and long-term strategic planning. We remain mindful of the significant role that the endowment plays in the continuing strength and success of Reed College. As such, the disciplined and thoughtful stewardship of this vital asset is at the forefront of all of those involved in the process.

Our high-level results for the year are as follows:

- The endowment ended fiscal year 2025 at \$885 million with a trailing 1-year return of +11.6%.
- Our performance for the period slightly trailed the traditional 60% equity/40% bond portfolio (+12.4%) and equaled the median return for the Cambridge Associates (CA) college & university universe (+11.6%).
- Distributions accounted for 32% of the college's overall operating budget and went to support all aspects of the college's operations, including financial aid and scholarships, faculty positions, student and faculty research, and general operating expenses.

INVESTMENT OVERSIGHT

The Reed College Board of Trustees exercises ultimate responsibility for overseeing the management, operation, and maintenance of the endowment. The board has delegated on-going oversight and fiduciary governance of the endowment to the investment committee which is responsible for formulating investment policies, approving investment managers, setting asset allocation targets, and monitoring performance. The Reed College Investment Office along with the Vice President of Finance & Treasurer are responsible for the day-to-day management and administration of the investment portfolio.

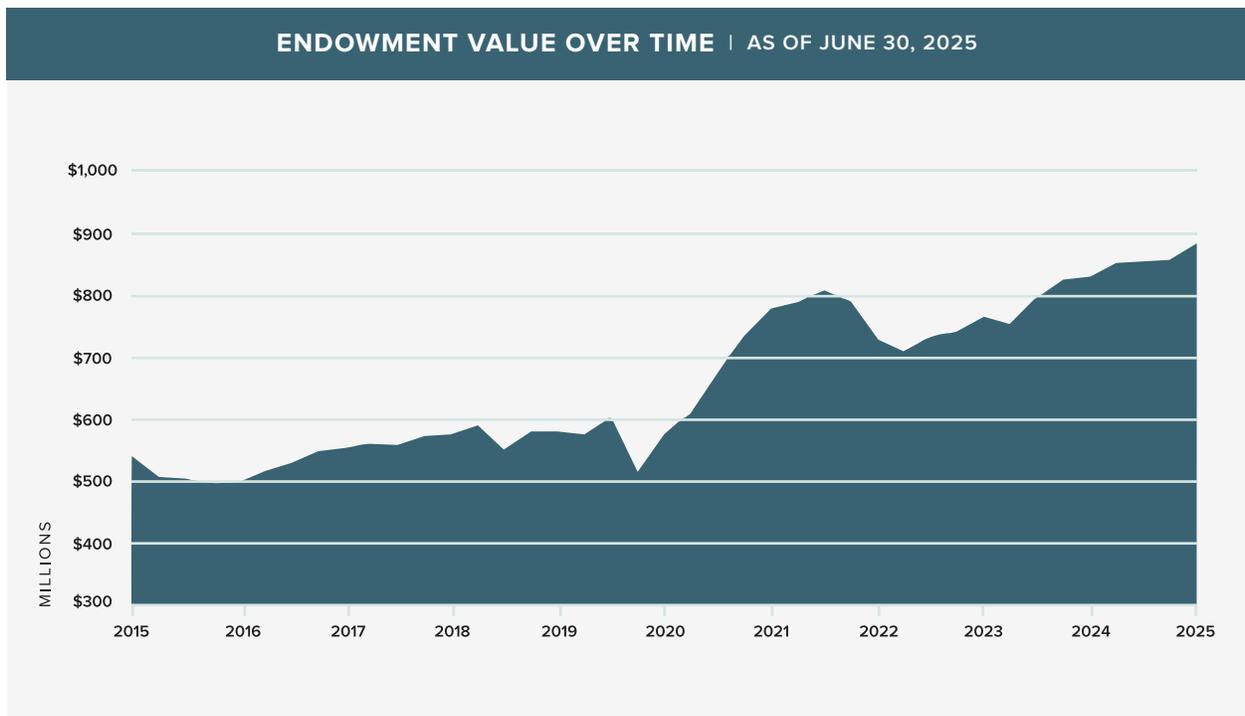
INVESTMENT OBJECTIVES AND SPENDING

The investment objective of the endowment is to preserve and enhance the endowment's total value so that distributions can provide a reliable and growing revenue stream to support the college's operations. The board of trustees and investment committee recognize that a reasonable and appropriate level of investment risk is necessary to achieve this objective. The Endowment has a long-term time horizon, and the funds are invested across a well-diversified portfolio of assets.

The college's spending policy for fiscal year 2025 was 5.0% of a trailing 13-quarter market value average. This moving average methodology is used to lessen the impact of short-term volatility in investment returns and provide more predictable financial support for the operating budget.

STEWARDSHIP

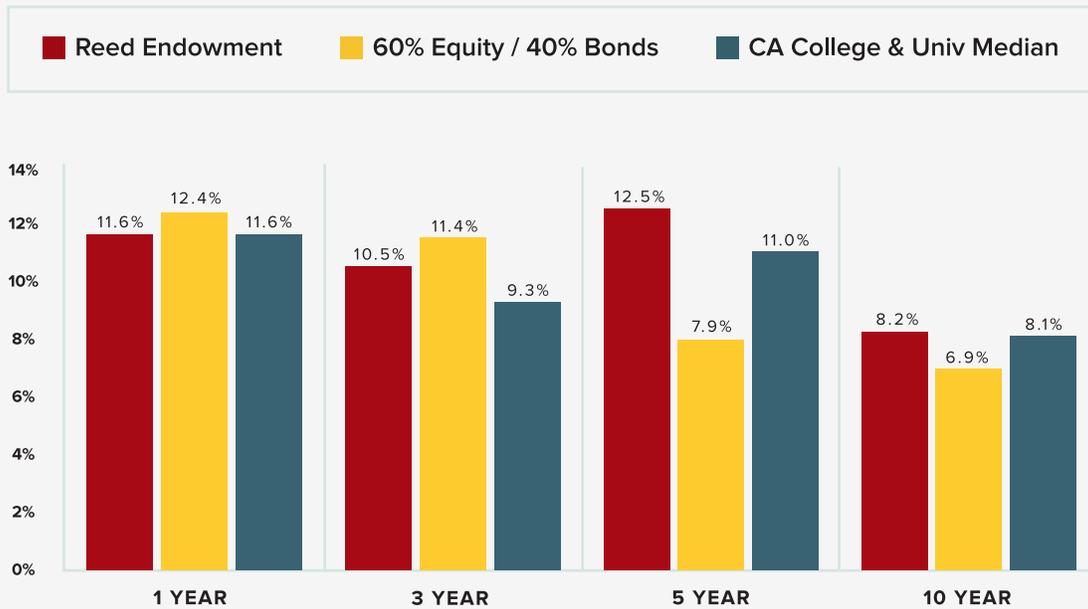
Over the last decade, the Reed College Endowment has grown from \$542 million to \$885 million. During this period, a total of \$284 million in net payouts have been distributed in furtherance of the college's mission.



PERFORMANCE

For the period ending June 30, 2025, the endowment returned 11.6%, powered by the strong performance of global equity markets. Over the trailing 5- and 10-year periods, the endowment has outperformed a traditional 60/40 passive benchmark¹ as well as the median college & university endowment as reported by Cambridge Associates (CA)².

ENDOWMENT ANNUALIZED PERFORMANCE | AS OF JUNE 30, 2025



PERFORMANCE COMMENTARY

Despite a backdrop of elevated volatility due to geopolitical and economic uncertainty, global equity markets continued their positive multi-year run for fiscal year 2025. U.S. equity markets, bolstered by mega-cap technology names and the “AI trade,” posted another strong return of 15% while international markets bettered that mark with an 18% gain, benefiting from improved fiscal stimulus and a weakening U.S. dollar. Impressive country-specific returns, especially those of China and South Africa, finally lifted the emerging market equity index out of a decade-long rut. On the fixed income front, abating inflation coupled with nascent indications of economic weakness, prompted the Federal Reserve to pivot toward monetary policy easing during 2025. This shift contributed to a rebound in bond markets as yields declined from prior peaks and

¹ 60% MSCI ACWI Equity Index & 40% Bloomberg U.S. Aggregate Bond Index

² Reported as of December 12, 2025

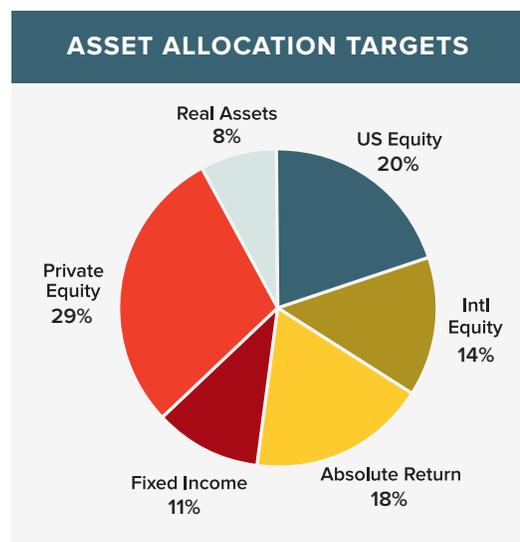
PERFORMANCE COMMENTARY CONT.

duration assets regained footing after several years of headwinds. Overall, markets reflected a favorable combination of earnings resilience, moderating inflation, and accommodative central bank activity that supported positive returns across asset classes.

The continuing strength of the global markets flowed through to the endowment, allowing us to produce another strong year at 11.6%. Outside of the U.S., our equity-based managers successfully took advantage of resurgent markets, particularly within Europe, and produced strong absolute and relative performance. While our U.S. equity portfolio contributed positively to overall returns, managers with a value orientation or simply an underweight to the largest technology stocks tended to underperform relative to the benchmark. Our absolute return component of the endowment, meant to diversify the overall portfolio and protect in times of volatility, once again produced a strong risk-adjusted return as managers navigated the tricky macro environment successfully. On the private investment side of the portfolio, there are signs that the challenging environment characterizing the last three years—high interest rates and restrictive capital markets—is starting to improve. A number of our private equity managers operating outside of the U.S. contributed meaningfully to overall performance while our investments in biotechnology, both early- and late-stage, appear poised to benefit from extremely compelling entry points. Our private real estate portfolio, a small component of the endowment, showed signs of stabilization as managers balanced solidifying existing assets and acquiring new properties at deep discounts.

ASSET ALLOCATION

The endowment is a globally diversified portfolio invested across both public and private markets. Because asset allocation is a meaningful contributor to the overall risk and return characteristics of the portfolio, the asset class targets reflect a blend of long-term expected performance along with our ability to partner with best-in-class investment managers in those areas. Market fluctuations, manager availability and opportunities, cash flows, and liquidity issues may cause the actual asset allocation to diverge from the policy asset allocation from time-to-time. The policy asset allocation as of June 30, 2025, is shown to the right.



UPDATE ON FOSSIL FUEL INVESTMENTS

In October 2021, the board of trustees, following extensive community discussions over a number of years, directed the investment committee to take the following actions related to the endowment's investments in fossil fuels:

- **Prohibit any new investments** in public funds or private partnerships that are focused on the oil, gas, and coal industries, including infrastructure and field services. This includes 1) acquiring, developing, producing, or exploring for oil, gas, and coal; and 2) providing equipment, services, and infrastructure related to these industries.
- **Phase out all such existing investments** in private partnerships in accordance with the funds' typical life cycles, or sooner if both prudent and practicable.

Before updating the community on our progress in this area, a brief history of the role energy has played in the portfolio is warranted. Global institutional investors have long worried about the impact of inflation on their portfolios and thus sought to hedge this risk, primarily with exposure to “real assets” – physical assets such as real estate, infrastructure, or commodities like oil, gas, or metals. These asset classes/strategies tend to perform well during inflationary periods. Reed has almost always accessed investments within the energy arena via private partnerships; that is, funds run by professional investment managers that invest in private assets, not those that are listed on public exchanges (i.e. energy stocks or bonds).

We plan on providing annual updates with regard to this directive by the board. Our update for this year is as follows:

- **Prohibit any new investments:** We can confirm that no new investments have been made in any public or private fund that is focused on the fossil fuel industry or any related sector.
- **Phase out existing investments:** As noted above, any existing investment within the endowment is in the form of a private partnership. These are long-duration investment vehicles, often more than a decade, where the disposition of the assets is at the sole discretion of the manager. Consequently, the pace and the scale of the investment “phase out” should be considered a long-term process.

As of June 30, 2025, only two partnerships have fully wound-down since the board directive in October 2021, both during this past fiscal year. Nevertheless, the private energy portfolio has undergone significant change over the last few years and, most notably, within the last twelve months. Although the energy component has been the best performing asset class within the endowment since 2021, the weighting of private energy within the portfolio has actually decreased meaningfully to below 4%. While our managers have been harvesting gains and generating positive liquidity for the endowment during this period, fiscal year 2025 marked the apex of investment realizations, including the single best and most impactful investment in the history of the endowment. Last year alone, this individual investment generated over \$31 million in liquidity. This was a major contributing factor behind the dramatic decrease in our weighting to private energy by year end.

**REED COLLEGE
INVESTMENT COMMITTEE
2024-25**

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Director of Investments

