Dear Supporters and Friends,

The Rice community contributes so much to the university’s pursuit of excellence — in academics, in research and in the student experience. Your support of endowments at Rice has allowed for strength, stability and growth even as circumstances fluctuate. For Rice, this is a time of progress and achievement, and we are grateful for your role in sustaining the many people and programs that are working to better the university and our world.

We are pleased to present the following report on the performance of the Rice Endowment for fiscal year 2021 (July 1, 2020 – June 30, 2021). The Rice Management Company’s exceptional management of resources has ensured Rice’s operating health. Indeed, their investment strategies and spending policies continue to protect and enhance the endowment, allowing the university to fulfill its mission and embark on bold new paths.

Your support of the endowment fuels the collaborative environment and forward-thinking ideas that distinguish Rice as a leader in higher education. Endowed faculty chairs support the leading scholars who are pioneering novel paths of inquiry and disseminating new knowledge globally, and they have empowered Rice to recruit outstanding deans to lead our schools toward ever more ambitious and significant advances across disciplines. Similarly, graduate fellowship endowments not only attract top candidates, but also provide those talented students with research opportunities that contribute to cutting-edge innovation. The Rice Investment Matching Gift Program, funded by a generous anonymous donor, has energized the creation of scholarship endowments and magnified the impact of newly established financial aid scholarships. Finally, programmatic endowments dedicated to student life and learning, such as those that support residential colleges, meaningfully enhance the vibrant campus culture that sets Rice apart. In each of these instances, endowments contribute to the spirit of discovery, distinction and community that are central to our development and success.

As always, we deeply appreciate your extraordinary commitment to the university, and we look forward with optimism and confidence to all we will achieve together.

Kathi Dantley Warren
Vice President for Development and Alumni Relations

Allison Thacker ’96
Chief Investment Officer and President, Rice Management Company
Vice President for Investments and Treasurer, Rice University
CURRENT YEAR PERFORMANCE
Rice University’s endowment bounced back from its slight investment loss last year with a 36% return for the fiscal year ending June 30, 2021. This is the highest return since 1997. After spending $315 million to support university operations, the Rice endowment closed this fiscal year with its highest ever value: $8.1 billion. Many sectors contributed to the strong returns in fiscal year 2021. Our energy sector holdings recovered last year’s losses by earning 47%, and publicly traded equities experienced a 37% increase. Most notably, our venture capital portfolio yielded tremendous results with over a 100% return for the year. While 2020 was indeed a challenging fiscal year, the Rice Management Company (RMC) is pleased to report the endowment’s recovery and success for 2021.

<table>
<thead>
<tr>
<th>($ millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value at June 30, 2020</td>
<td>$6,164</td>
</tr>
<tr>
<td>Endowment investment gains</td>
<td>2,159</td>
</tr>
<tr>
<td>Endowment gifts and transfers</td>
<td>53</td>
</tr>
<tr>
<td>Endowment spending</td>
<td>(315)</td>
</tr>
<tr>
<td>Market Value at June 30, 2021</td>
<td>$8,061</td>
</tr>
</tbody>
</table>

GROWTH OF $1,000 OVER 20 YEARS
The endowment is actively managed by the RMC, which employs a “manager of managers” approach for most of the endowment’s investments. While the RMC does manage some directly held assets, such as a portion of the real estate, energy and natural resources portfolios, we primarily utilize external managers (approximately 100) to invest globally across all asset classes. This active management strategy has allowed the endowment’s returns to outpace passive investment benchmarks such as the S&P 500. Over the course of 20 years, $1,000 invested in Rice’s endowment would be worth $5,592 today compared to $5,217 had that same $1,000 been invested in the S&P 500, and $4,065 had it been invested in a portfolio consisting of 35% U.S. stocks, 35% international stocks and 30% U.S. bonds. This additional value creation is essential to helping Rice achieve ambitious strategic goals as the university continues into its second century.
**ENDOWMENT PURCHASING POWER**

The central purpose of the endowment is to provide a dependable flow of resources to the operating budget in perpetuity. These resources not only need to be available each year, but the amount spent from the endowment each year needs to keep pace with inflation. Universities generally spend about 5% of their endowment each year to support the mission of the school. Assuming long-term expected inflation averaging about 2.5% annually, the endowment must earn 7.5% just to maintain purchasing power. Amounts earned above this allow the university to provide additional funds to enhance strategic priorities and create new programs. The chart below shows that over a long-term 20-year period, Rice has been able to grow the endowment in real terms, after spending and inflation, by approximately 1.7% annually.

<table>
<thead>
<tr>
<th>Annual Compound Rates (as of 6/30/21)</th>
<th>5 Years</th>
<th>10 years</th>
<th>20 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Return (net of fees)</td>
<td>13.2%</td>
<td>10.5%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Rice Spending Rate</td>
<td>4.9%</td>
<td>4.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>CPI Inflation Rate</td>
<td>2.4%</td>
<td>1.9%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Real Return After Spending</td>
<td>5.4%</td>
<td>3.4%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

**ENDOWMENT LIQUIDITY**

Illiquidity is a risk present in, and often necessary to, managing a portfolio that generates sufficiently high returns to meet the spending needs of the university and to protect intergenerational equity for future students, faculty and staff. Asset classes, such as equities and cash, and fixed income provide high levels of liquidity and can be liquidated for cash the same day or certainly within a week. Private partnership investments in venture capital and private equity, energy and real estate often have longer-term investment horizons that deploy capital for three to seven years before returns are realized and funds are returned to the investor. These types of investments offer limited or no near-term liquidity. Because Rice receives approximately 40% of its operating revenues from the annual draw from the endowment ($315 million in fiscal year 2021), this dependence requires that asset allocation and investment decisions be carefully considered to ensure that Rice's portfolio always maintains sufficient liquidity to meet the operating needs of the university.

![Cumulative Liquidity of Rice Endowment](image)
ASSET CLASS SPOTLIGHT: THE RICE VILLAGE

Valued at over $1 billion, real estate represents 13% of the endowment’s holdings. Investment goals for real estate are to create equity-like returns while providing a hedge against the risk of inflation. Rice owns real estate in three forms: funds, joint ventures and direct ownership. Direct ownership represents just over half of the real estate portfolio, with Rice Village, a well-known Houston retail landmark, being one of the most prominent holdings. The RMC has made substantial investments in Rice Village — new retailers, design elements and a vibrant and open commons-like atmosphere — to maximize its impact on the endowment.

An essential aspect of these efforts is the further development of Rice Village into Houston’s first walkable garden district, in response to the interests and needs of surrounding neighborhoods. These plans have attracted new tenants to engage visitors, including CB2, a subsidiary of Crate and Barrel that offers contemporary furniture and décor; Hamsa, a modern Israeli restaurant that pairs traditional, global Jewish food with regional Arabic cuisine; and Van Leeuwen, an acclaimed New York City-based ice cream purveyor that opened its first Texas location in Rice Village in spring 2021.
ENDOWED SCHOLARSHIPS ALLOW STUDENTS TO REACH FOR THE MOON: JUAN DE LA GARZA ’22

Juan De La Garza ’22 might describe his interests as out of this world. In addition to coursework for his major, chemical and biomolecular engineering, and his undergraduate research on carbon nanotube fiber spinning, the Corpus Christi native is involved in all things space at Rice, including Students for the Exploration and Development of Space (SEDS) and Rice Eclipse, a student rocket-building team. Juan even organized a SpaceVision conference in the fall of 2021 at NASA Space Center Houston. “Working with a $100,000 budget, I coordinated every aspect of the conference, from securing sponsors to marketing to getting speakers,” Juan says.

Juan is the recipient of the Ray Texans Scholarship and the W. L. Moody Jr. Scholarship in Engineering. He credits the Rice Investment as a policy that can open doors for talented and motivated students. Because scholarship endowments have provided him with a transformative education, Juan can now reach for the stars in his studies and future career. Juan says, “I cannot thank Rice donors enough for giving me incredible opportunities — ones that are not always guaranteed to first-generation students like me.”

ENDOWED CHAIRS SUPPORT EXTRAORDINARY SCHOLARS: RICHARD G. BARANIUK

Endowed chairs at Rice help to attract and retain outstanding scholars and empower our faculty with the resources they need to teach, research, publish and innovate. The recently endowed C. Sidney Burrus Chair, which honors the late dean, beloved alumnus and digital signal processing pioneer, is fittingly held by Richard G. Baraniuk, a world-renowned expert in signal processing and machine learning. Baraniuk currently leads a team of engineers, computer scientists, mathematicians and statisticians on a five-year Office of Naval Research – Multidisciplinary University Research Initiatives project to develop a principled theory of deep learning based on rigorous mathematical principles. He is a fellow of the American Academy of Arts and Sciences, the National Academy of Inventors, the American Association for the Advancement of Science and the Institute of Electrical and Electronics Engineers.

In addition to conducting his own research, which has resulted in 35 U.S. and four foreign patents, mentoring top-flight graduate students and teaching, Baraniuk is the founder and director of OpenStax, a Rice initiative that is working towards improving educational access and removing barriers to learning for all students. OpenStax produces high quality, digital textbooks that are free online and low-cost in print — a library that now includes nearly 50 textbooks for college and high school courses that are being used in more than 60% of U.S. colleges and universities and 100 countries. He and his team have also developed research-based technology to support student learning through interactive content and personalized assessments. More information on OpenStax can be found at openstax.org.

ENDOWED GRADUATE FELLOWSHIPS SUPPORT TALENTED STUDENTS: EMILY ELIA ’23, OVETA CULP HOBBY FELLOW IN PUBLIC POLICY

Endowments that fund graduate fellowships encourage the brightest minds to bring their talents and ideas to Rice. Emily Elia ’23, recipient of the Oveta Culp Hobby Fellowship in Public Policy, is a fourth year political science Ph.D. student majoring in comparative politics with a minor in American politics. Her interest in graduate school arose from an innate curiosity. “I have always loved being in an academic environment,” Emily says. “I have a lot of questions about why the world operates in certain ways, and I love the idea of continuous learning.”

Emily’s academic work focuses on corruption and electoral accountability in Latin America. More specifically, her research looks at how elite politicians evade electoral accountability at the ballot box by utilizing voter stereotypes and public policy. Hoping that her research will contribute to protecting the integrity of public service, Emily also investigates the kinds of policy that can promote accountability for corrupt practices.

“It truly would not be possible for me to pursue my Ph.D. at Rice without this support,” Emily says. “I am immensely grateful to the Hobby family for providing this fellowship, and I hope to contribute something of value to pay forward their generosity.”
STUDENT SPOTLIGHT: OPERATIONS INTERN NAMAN DANDIA ‘24

In 2014, the RMC launched an internship program to provide Rice students with practical work experience in an investment office setting. The students work closely with RMC investment staff to conduct research and evaluate potential investments and trends, concluding their internships with a focused project. In the summer of 2021, the RMC Operations team began to offer internships to expose students to the general business of the office, performance reporting, treasury management and legal aspects of investments.

Naman Dandia ‘24, a Mathematical Economic Analysis major with a minor in Business and Financial Computation and Modeling, interned with the RMC Operations team during the summer of 2021. He reflects on his experience as one that far exceeded his expectations:

“My seven-week tenure was split across four teams in the Operations Sector: Legal, General Business, Treasury and Data Analytics. Within each team, I was immediately integrated into their weekly meetings and assigned a comprehensive project that was essential to the group. Not only did I gain valuable leadership experience in spearheading my own projects, but I also strengthened my abilities in data analysis and Excel. Through its interdisciplinary structure, the Operations Internship served as a ‘tour of the business world’ and strengthened my desire to enter the financial sector. The skills, connections and lessons I’ve accumulated have made me a better thinker and problem-solver. I am confident that the Rice Management Company has prepared me to pursue any opportunity in the professional world.”

STUDENT WELLNESS ENDED FUND: A TRUE CULTURE OF CARE

It is often said that universities are like small towns, and endowment funding is vital to maintaining programs across campus that keep our community running smoothly. One important example is the Student Wellness Endowed Fund, a long-established resource which enables the Student Wellbeing Office to offer an array of essential services and programs to Rice students. Support from the fund also provides flexibility to respond to student needs as they arise, such as resources for mental health awareness and workshops addressing pressing issues on campus or in the broader community.

Since the pandemic, student demand for wellbeing advising meetings, case management services, post-hospitalization management and readmission follow-ups have increased significantly. In the 2020-2021 academic year alone, the Student Wellbeing Office worked with 954 student cases and reached 423 students in isolation due to COVID-19, identifying their needs and helping them to navigate on-campus and off-campus resources. In the same year, the Student Wellbeing Office offered over 100 education and prevention programs, developing new materials to address difficulties faced in the pandemic and timely trainings to address mental health when combatting social injustice and racism.

Thanks to the generosity of the anonymous donor who created this critical resource ten years ago, the Student Wellness Endowed Fund provides a strong financial foundation that supports the health of our students today and prepares for the needs of tomorrow.

CONTACT US
If you have any questions regarding this report, please contact Trisha Ball, Associate Director, Constituent Relations, at stewardship@rice.edu or 713-348-4383.