<table>
<thead>
<tr>
<th>TRAILING ANNUALIZED RETURNS AS OF JUNE 30, 2021</th>
<th>1 YEAR</th>
<th>10 YEAR</th>
<th>20 YEAR</th>
<th>SINCE INCEPTION†</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanford’s Merged Pool*</td>
<td>40.1%</td>
<td>10.8%</td>
<td>10.1%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Cambridge Associates U.S. College and University Median</td>
<td>36.6%</td>
<td>8.9%</td>
<td>7.6%</td>
<td>9.6%</td>
</tr>
<tr>
<td>70% Equities / 30% Bonds**</td>
<td>27.3%</td>
<td>8.1%</td>
<td>6.9%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Higher Education Price Index (HEPI)</td>
<td>2.7%</td>
<td>2.3%</td>
<td>2.8%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

†Inception date of July 1, 1991.
*June Year 2021 Merged Pool performance is reported net of all internal and external fees and costs.
**Represents a passively managed portfolio consisting of 70% MSCI ACWI IMI Net and 30% Bloomberg Barclays U.S. Aggregate Bond Index, rebalanced monthly.
Dear Friends,

In a record year, Stanford’s investment portfolio generated $12.1 billion of investment gains for the twelve months that ended June 30, 2021. These exceptional gains will dramatically increase the impact of endowed activity at the University, expanding the reach and depth of important programs in research and scholarship.

Last year’s gains also allow us to pursue new endeavors, including a $500 million initiative to accelerate key priorities of our recently announced Long-Range Vision, including financial aid. Stanford, already one of the least expensive private institutions in the country for low- and middle-income students due to its generous financial aid, will now become even more affordable and accessible. We are also pleased to have recently launched a new program to support diversity in asset management; the Diverse Manager Initiative, conceived and managed by Stanford Management Company, will allocate capital to investment firms led or co-led by diverse professionals, augmenting the University’s existing diversity, equity, and inclusion programs.

We balance these fortunate developments with an appreciation of the inevitable volatility of financial markets, to which our investment portfolio is not immune. We intend to use the additional resources from last year’s gains aggressively, but prudently, since the future may bring unusual challenges, just as last year brought unusual gains.

Sincerely,

Marc Tessier-Lavigne
President
Stanford University

Jerry C. Y. Yang
Chair, Board of Trustees
Stanford University
Dear Friends and Colleagues,

In this brochure, we report investment results through June 30, 2021. Last year set a record for SMC. The year’s 40.1% net investment return translated into $12.1 billion of gains for the University, far surpassing any previous annual gain. Results were strong across the portfolio, but were particularly exceptional in our venture capital holdings, where a group of technology companies helping to advance and shape global economic activity were handsomely rewarded by investors. Last year’s gain capped a strong five-year run, with the Merged Pool generating a 14.7% annualized return net of all internal and external fees and expenses.

These recent results have added important resources to endowed activity at Stanford. As the gains fully feed through to annual spending in coming years, many initiatives, including financial aid, will be materially advanced. The role of the Endowment in supporting Stanford’s academic mission is strong and growing stronger.

Sincerely,

Robert F. Wallace
Chief Executive Officer
Stanford Management Company
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INTRODUCTION
Stanford University established Stanford Management Company (SMC) in 1991 to manage the University’s endowed funds. Today, SMC remains a key part of the University community and is the fiduciary for the $41.9 billion Merged Pool, which comprises the substantial majority of Stanford’s investable assets.

SMC is overseen by a board of directors appointed by the University’s Trustees. The firm’s 19-person investment team and 47-person total staff are led by Robert Wallace.

MERGED POOL
As of June 30, 2021, the Merged Pool was valued at $41.9 billion. Most of the Merged Pool are endowed funds, with the balance comprised of other funds the University chooses to invest for the long term. The resources of the Endowment and Merged Pool support financial aid and a wide array of important academic programs. Stanford’s significant financial aid is enabled by the generosity of donors and the success of its investment program.

MERGED POOL COMPOSITION
(as of August 31, 2021)

- Endowment 75%
- Non-Endowment* 16%
- Hospitals 9%

*Non-Endowment primarily includes Expendable Funds, Donor Advised Funds, Life Income Gifts, and Pending Funds. Note: The University’s Fiscal Year ends August 31.
In Fiscal Year 2021, the Endowment disbursed $1.3 billion in financial aid, support for academic programs, and other current operations. This amount represented approximately 21% of the University’s Fiscal Year 2021 operating expenses. Annual spending from the Endowment has increased more than thirteen-fold since SMC was established in 1991.
INVESTMENT STRATEGY

SMC’s investment strategy is designed to provide material support to annual University operations while preserving the purchasing power of the Endowment for future generations of students and scholars. These dual goals dictate an investment program that is equity-oriented to generate sufficiently high long-term real returns, and well-diversified to dampen volatility and mitigate the risk of permanent loss of capital.

The Merged Pool contains a variety of equity-oriented strategies, including domestic and foreign public equities, real assets, and private equity. While the portfolio is primarily exposed to equity positions, absolute return strategies that have low correlation to broader markets contribute to diversification. Acknowledging the University’s long time horizon, the investment program is designed to accept a responsible degree of illiquidity to drive incremental returns. A small portion of the Merged Pool is held in high-quality fixed income and cash for liquidity purposes. SMC’s Policy Asset Allocation codifies its strategy with exposure targets to each major asset class, shown below.

![MERGED POOL POLICY ASSET ALLOCATION](image)

Based on mean-variance modeling, the current asset allocation is expected to generate an 8.0% real arithmetic annual return (after the impact of higher education inflation and all costs and fees) with annualized volatility of 14.5%, which translate to an expected compound real return of 6.9%. We believe these are reasonable risk-return assumptions when considering sufficiently long periods of time, but naturally expect material deviations over shorter time frames. We employ additional scenario analysis to forecast potential returns, volatility, and liquidity in stressful times not well captured by the normal distribution that underlies mean-variance analysis.

To maintain desired risk-return characteristics as market conditions change, SMC exercises discipline in managing asset class exposures and frequently rebalances the portfolio back to its policy targets. While policy targets are revisited only once per year, changes to exposures within
asset classes occur more frequently as market opportunities develop. In this manner, we hope to take advantage of an ever-evolving bottom-up opportunity set while preserving overall discipline.

SMC primarily relies on carefully chosen external partners to select individual securities, allowing Stanford to benefit from specialized knowledge in asset classes that reward superior active management. While our partners pursue a range of investment strategies, all share a common belief in fundamental investment that incorporates exhaustive quantitative and qualitative research on specific and analyzable opportunities. This discipline fosters a value-sensitive and contrarian approach, which aligns well with Stanford’s long-term focus. Our partners appreciate the importance of Stanford’s mission, demonstrate a clear fiduciary mindset, and exercise consideration for human and environmental welfare.

Beginning in mid-2015, SMC initiated a substantial and ongoing effort to consolidate and upgrade its external partner roster to enhance performance relative to benchmark results. Our efforts include building fewer, more substantial positions with partners that demonstrate superior investment judgment, thorough processes, sound ethics, and a strong alignment of interests with the University. A concentrated set of investment partners brings the additional benefit of more frequent communication, leading to more fruitful and trustful partnerships. A better understanding of our partners’ work allows us to invest with conviction and contrarianism. These efforts have added greatly to results in the last six years, and we believe they will continue to do so into the future.

In June 2020, the University Trustees committed the University to achieving at least a net-zero carbon profile by 2050, including the investment portfolio. This goal, which will require advances in disclosure and measurement of carbon by businesses around the world, will be approached in a fashion that concords with our Ethical Investment Framework. The Ethical Investment Framework was formally adopted by the Trustees in 2018 and is available on our website (smc.stanford.edu).

For the 12 months ending June 30, 2021, the Merged Pool’s 40.1% net performance exceeded a traditional “70/30” portfolio of global equities and high-quality domestic bonds by 12.8%. Performance surpassed the median endowment by 3.5% for the year.
Venture Capital provides exposure to young, fast-growing private companies that possess the potential to produce exceptional long-term returns. Often, these companies shape future economic activity, disrupting existing corporate activity and creating new ways of delivering valuable goods and services to consumers. Venture capitalists identify promising businesses and work with their founders on an array of value-add initiatives to develop enduring, profitable enterprises. Understanding the high risk inherent in early-stage investing, venture capital managers typically construct a diverse portfolio with the expectation that a select few companies will grow into market leaders while many others may fail.
Recently, many venture capital managers have started to raise growth equity funds to deploy more capital into their most promising companies. Growth equity portfolios usually consist of fewer, concentrated investments in more mature businesses seeking to accelerate revenue growth and professionalize operations. Together, venture capital and growth equity, both of which fall within the broader asset class of private equity, account for two-thirds of the Private Equity asset class.

Both venture capital and growth equity have generated strong results for Stanford. Over the past 10 years, the combined venture capital and growth equity portfolio has generated a 20.4% net IRR, representing $10.9 billion of investment gains. Venture capital posted particularly strong performance and is responsible for approximately two-thirds of the combined gains over that time period.

SMC’s success within the venture capital ecosystem is attributable to our exceptional partners, who display superior judgment, leverage strong sourcing networks, and add meaningful value to their portfolio companies. Additionally, our proximity to Silicon Valley, which has dominated U.S. venture capital activity since the industry’s inception, allows us to maintain close relationships with exceptional venture firms, many of which are led by Stanford alumni. Our access to top venture capital firms in China and India have also played an important role in the success of the sub-asset class.

Our venture capital partners identify promising companies at the earliest stage and often guide them to successful exits, which can occur many years later. For example, Airbnb entered our venture capital portfolio in late 2009 when it raised a seed financing round. Our partners served as Airbnb’s earliest board members, influencing the company in its most pivotal years and helping to improve its product, organization, and market position. In December 2020, Airbnb listed on the Nasdaq Stock Exchange at a $40.6 billion valuation and, as of September 30, 2021, had generated over $700 million of investment gains for Stanford.

Another attractive aspect of SMC’s venture capital portfolio is our exposure to companies founded by Stanford alumni. For instance, Tony Xu, Andy Fang, Stanley Tang, and Evan Moore met while studying at Stanford, where they conceived of a novel food delivery business. In January 2013, while still students, they co-founded DoorDash, which listed on the New York Stock Exchange in December 2020 at a $32.4 billion valuation. As of September 30, 2021, DoorDash has produced nearly $200 million of gains for Stanford. Other examples of venture-backed companies founded or co-founded by Stanford alumni include Alphabet, Instagram, LinkedIn, Snapchat, Workday, and Yahoo!.

The strong performance of our venture capital portfolio supports the Endowment’s annual payout, which provides financial aid, resources for academic programs, and funds for the University’s operating expenses. Additionally, new initiatives, such as the expansion of financial aid, the formation of ResX neighborhoods, and the creation of a new climate and sustainability school, were partly made possible by the extraordinary investment gains from our venture capital portfolio.

As the value of the University’s endowment has grown, we have faced increasing challenges scaling our venture capital portfolio. There are a small number of top venture capital firms that generate exceptional returns, and they are able only to deploy a limited amount of capital without compromising performance. As a consequence, Stanford’s exposure to their work has declined as a percentage of the Endowment over the last two decades, even as it has grown in absolute dollars. These diseconomies of scale present an ever-increasing headwind, particularly with the Merged Pool now surpassing $40 billion in value. We are searching for creative and disciplined ways to maintain high-quality exposure to this important investment category.
PRIVATE EQUITY Private Equity provides illiquid exposure to corporate activity in the U.S. and abroad. Both early-stage investments, in the form of venture capital, and later-stage investments, in the form of growth equity and leveraged buyouts, are included in the asset class.

Simultaneously offering the highest return and highest risk of any asset class in the Merged Pool, Private Equity demands superior execution. We carefully select external partners, who drive value through careful asset selection, price discipline, and strategic and operational initiatives. We seek to work with partners that make the businesses they own more valuable from a fundamental perspective, rather than by relying purely on financial engineering. Liquidity is monitored closely to ensure the University can meet its liabilities in stressful periods.

Private Equity is targeted to be 33.0% of the Merged Pool.

INTERNATIONAL EQUITY Comprising publicly-traded companies outside the U.S., International Equity provides exposure to foreign economic activity across both developed and emerging markets. The asset class primarily includes active management strategies implemented by external partners. The inefficiency of many international equity markets provides talented stock pickers with a fruitful hunting ground to pursue their work. The University’s international equity partners perform rigorous, fundamental analysis to identify attractive public holdings over a medium-term horizon. Because a holistic understanding of a country’s legal, social, and cultural norms underpins accurate assessment of corporate activity within the country, our partners tend to be based in the region or country in which they invest. We hold passive international equity exposure when we have no suitable active management solution.

International Equity currently comprises 20.0% of the Merged Pool at its policy target, reflecting attractive opportunities in certain foreign markets.

ABSOLUTE RETURN Absolute Return is a collection of value-driven and event-driven strategies meant to provide attractive returns with low correlation to traditional equity and fixed income markets. Core strategies in the asset class include long/short equity, relative-value fixed income arbitrage, distressed investment, and special situation investment. The diversifying characteristics of the asset class can provide significant benefit to the Merged Pool as a whole.

The University’s approach to absolute return is based on security-specific microeconomic analysis. Our partners perform exhaustive quantitative and qualitative research on equity and fixed income instruments to identify undervalued and overvalued assets that can be owned long or sold short. When coupled with disciplined portfolio management, long and short positions can drive returns that are independent from broader market movements. This diversification is critically important. We expect the “beta” of the asset class to equity markets to be at or below 0.3 over most trailing five-year periods, levels far lower than what would result from a simple cross-section of the hedge fund industry.

Stanford’s focus on rigorous, bottom-up security selection with disciplined portfolio management precludes investments in the portions of the hedge fund complex that rely on top-down, speculative,
or technical analysis. We view strategies requiring material amounts of leverage, or that possess significant market exposure, with great caution.

Absolute Return is currently targeted to be 19.0% of the Merged Pool.

REAL ASSETS  The Merged Pool’s Real Assets portfolio, which consists of the Real Estate and Natural Resources sub-asset classes, is an important diversifying asset class that can help protect the University in inflationary environments.

Real Estate is focused on residential, retail, industrial, office, and leisure assets, primarily in the United States. Through external partners, we pursue value-added strategies in private real estate that attempt to drive incremental returns through superior deal sourcing and asset management. We will hold publicly-traded real estate securities at times as well. We endeavor to maintain a quality bias and to ensure an adequate degree of cash flow from our real estate holdings.

The University also has significant real estate holdings outside of the Merged Pool.

Like Real Estate, Natural Resources provides important diversifying benefits to the Merged Pool, particularly in inflationary environments. The University’s resources holdings span timber, metals, conventional and renewable energy, and agriculture.

Stanford’s natural resources holdings focus primarily on private producers of resources, rather than outright holdings of commodities themselves. In this way, we hope to earn an incremental
return through superior selection and asset management above and beyond the commodity price movement. The natural resources portfolio principally focuses on the U.S. and other jurisdictions where the rule of law and property rights are respected.

We invest in resources with an awareness of climate change and the impact of carbon on the risk profile of resource investments. The University's Trustees elected to divest from direct thermal coal holdings in 2014 and recently announced a net-zero emissions target by 2050.

Real Assets is targeted to be 12.0% of the Merged Pool.

**FIXED INCOME** Fixed Income is a relatively low return asset class meant to provide stable, liquid exposure to assets likely to hold their value in stressful or deflationary periods. For this reason, the asset class is comprised of U.S. Treasuries, which enjoy the full faith and credit of the U.S. Government.

Fixed Income and Cash have a combined policy target of 10.0% of the Merged Pool.

**DOMESTIC EQUITY** Domestic Equity gives Stanford exposure to corporate activity in the United States through publicly-traded companies.

SMC invests in domestic equity through both active and passive strategies. Active approaches are implemented through external partners who employ comprehensive, fundamental research to identify holdings that are attractively priced over a medium-term horizon. Passive investments reflect broad parts of the U.S. equity market and are generally implemented using low-cost index instruments.

Domestic Equity is currently targeted to be 6.0% of the Merged Pool, a modest exposure that reflects several factors, including the historically high valuations of the broad U.S. market.
For the 12 months ending June 30, 2021, the Merged Pool generated a 40.1% return net of all internal and external fees and costs. This result exceeded the 36.6% median return for U.S. colleges and universities* and outperformed the 27.3% return for a traditional “70/30” portfolio of global equities and high-quality domestic bonds.

Stanford Management Company has delivered strong results since its inception in 1991. Over the 30-year period, the Merged Pool has earned an annualized net return of 12.2%, exceeding the median of a broad group of colleges and universities by 2.6% annually, and surpassing the passive “70/30” portfolio by 4.7% annually.

SMC’s long-term investment performance has added substantial value versus peers and a conventional passive portfolio of equities and bonds, as shown on the next page. In the first column, we compare SMC’s historical return versus two benchmarks to calculate differences in ending
values. In the second column, we use the University’s historical net payout rate from the Merged Pool to estimate cumulative payout differences. The differences in ending value and net payout equal total value-added.

DOLLAR VALUE-ADDED SINCE INCEPTION* (in billions)

<table>
<thead>
<tr>
<th></th>
<th>Ending Value</th>
<th>Net Payout</th>
<th>Total Value-Added</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stanford’s Merged Pool</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vs. Cambridge Associates U.S. College and University Median</td>
<td>$13.4</td>
<td>$2.7</td>
<td>$16.1</td>
</tr>
<tr>
<td>vs. 70% Equities / 30% Bonds**</td>
<td>$30.8</td>
<td>$4.7</td>
<td>$35.5</td>
</tr>
</tbody>
</table>


In absolute terms, the last decade has seen very strong annualized performance from Private Equity, Domestic Equity, and International Equity. In relative terms, every actively managed asset class has matched or exceeded its benchmark except for Domestic Equity.

10-YEAR ASSET CLASS ANNUALIZED RETURNS VS. BENCHMARKS*

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>10-Year Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity</td>
<td>20%</td>
</tr>
<tr>
<td>International Equity</td>
<td>16%</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>12%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>8%</td>
</tr>
<tr>
<td>Fixed Income and Cash</td>
<td>4%</td>
</tr>
<tr>
<td>Domestic Equity</td>
<td>0%</td>
</tr>
</tbody>
</table>

*Asset classes shown in order of asset value. **Dollar-weighted returns. ***Adjusted for lowest reasonable fee for equivalent passive vehicle.
In the summer of 1991, Stanford Management Company was established to professionally manage the University’s investment assets. Over the ensuing thirty years, the Merged Pool grew from $1.9 billion to $41.9 billion, while distributing more than $19.8 billion in payout to support the University operating budget. These resources have greatly advanced Stanford’s pioneering research, world-class faculty, generous financial aid, and advanced patient care.

SMC was established through the foresight and efforts of a group of Stanford trustees and officers, including Jim Gaither, Bill Massy, and Bob Bass. Massy, Professor of Education and Business Administration and Vice President for Business and Finance, worked with Trustees Gaither and Bass to create an investment office capable of managing a diversified portfolio of global assets, including illiquid asset classes, that could drive superior risk-adjusted investment returns.
Recognizing that such an ambitious investment objective required superior execution and governance to succeed, they established a dedicated board of directors comprised of experienced practitioners and domain experts in the investment community to oversee SMC. Success came early: In the first nine years of SMC’s existence, the Merged Pool grew from $1.9 billion to nearly $7 billion under the stewardship of its board and SMC’s first CEO, Laurie Hoagland.

In 2000, Mike McCaffery was named president and CEO of SMC. In his five years at SMC, which followed the technology-media-telecom boom and bust of the late 90s, McCaffery and his colleagues more than doubled the size of the Merged Pool, creating tremendous value for the University and its operations as a result. John (“JP”) Powers took SMC’s helm in 2006 and led SMC through the challenges of the global financial crisis and the sharp recovery thereafter, which lifted the value of the portfolio to more than $20 billion.

In 2015, Powers was succeeded by SMC’s current CEO, Rob Wallace. Today, managing the $41.9 billion Merged Pool, SMC strives to continue to deliver excellent investment results. Importantly as well, SMC seeks to be part of the fabric and mission of the University. SMC analysts and interns are often recruited directly from the University’s student body, and SMC staff teach an undergraduate seminar on institutional investment management. SMC also works toward meeting Stanford’s net-zero carbon emissions goal, as well as advancing diversity and inclusion in asset management.

Since its inception, SMC has benefitted enormously from the vision and guidance of its creators, the exceptional generosity of donors, and the steady stewardship provided by its leaders and staff through the years. That work has positioned the endowment to support Stanford’s students and scholars for the next three decades and beyond.
Investment Team

Robert Wallace  
*Chief Executive Officer*

Jay Kang  
*Senior Managing Director*

Michael Lee  
*Managing Director*

Yidi Lu†  
*Managing Director*

Mary Mei  
*Managing Director*

Greg Milani  
*M.B.A. 1996, M.A. 1996*  
*Managing Director, Special Programs*

Charles Moore  
*J.D. 1995*  
*Managing Director*

David Captain  
*Director*

Blair Critchlow  
*B.A. 2008*  
*Director*

Rick Devlin  
*Director*

Becca Levin  
*B.A. 2007, M.B.A. 2012, M.S. 2012*  
*Director*

Steven Wright  
*B.A. 2008*  
*Director*

Andrew Elott  
*B.A. 2017*  
*Associate*

Charles Killebrew  
*B.S. 2018*  
*Associate*

Jennifer Peterson  
*B.A. 2018*  
*Associate*

Federica Roth  
*B.S. 2018*  
*Associate*

Julian Skotheim  
*Associate*

Megan Byrnes  
*B.S. 2020*  
*Analyst*

Ashley Volpenhein  
*B.S. 2021*  
*Analyst*

Eric Wright  
*A.B. 1985*  
*Senior Legal Counsel*

Eunice Kim  
*Senior Legal Counsel*

Mark Tannahill  
*Senior Legal Counsel*

†Stanford degrees shown.
†Yidi Lu is a Managing Director of the Stanford (Beijing) Consulting Co., Ltd.
“Always be gentle in manner, resolute in purpose, and you will develop characters on which others can depend.” JANE STANFORD