

[Jeffrey Frye](#) - Fri, 3/13/2026 - 10:36

It's basic human nature to be excited about changes. When studying literature, we learn early that there is no novel – or short story – without something significant happening. We like to talk about activities and events that have transpired, not about things that stayed the same. Yes, admittedly, we say “no news is good news,” but in the real world, it is a rather boring story to tell, after all.

In the world of fiduciary investment portfolios, we've been on a fairly steady roll over the past few years. We saw economic collapse on a global scale in 2020 as a result of the worldwide pandemic, but somehow, at the end of the year, the major stock and bond indices produced positive returns. On the other hand, both the stock and bond indices produced disastrous results in 2022. It was one of the only years in recent history wherein both stocks *and bonds* sustained significant losses. And yet, investment performance the very next year was quite strong, and 2024 was another good year.

There were myriad reasons for investment values to drop in 2025 – major layoffs and job losses, rising inflation, implementation of fairly severe tariffs, economic uncertainty – to name the most obvious. There was also tremendous upheaval in the federal government – massive firings by the Department of Government Efficiency (DOGE), a major effort to combat illegal immigration, and a Congress more divided than ever before. But somehow, the values of traditional mainstream investments still managed to rise over the course of the year.

Here are some of the facts: the S&P 500 rose from 5,881.63 at the beginning of 2025 to 6,845.50 at the end of the year, for a gain of 16.4% (price only – not including dividends). The Dow Jones Industrial Average rose from 42,544.22 to 48,063.29, for a gain of 13.0% (again, price only, not including dividends). And while those returns alone represent a great story to tell, we always need to look at the other side of a typical fiduciary portfolio – the fixed income (bond) component. Looking at the most widely quoted bond index, the Bloomberg (formerly Barclays) Aggregate Bond Index achieved an investment return of 7.1% for 2025. That is a relatively high rate of return for the fixed income side of the equation, compared to the average returns over the past 25 years.

Certainly, there are other asset classes in many modern-day portfolios – REITs and precious metals in particular come to mind – but the investment portfolios of most trusts, foundations, and endowments continue to be *concentrated* in the traditional asset classes of publicly-traded equities and high-quality fixed income securities. With that in mind, we think it’s reasonable to talk about a theoretical investment portfolio for a typical fiduciary account that is divided evenly between stocks and bonds. Using the S&P 500 Index return for the stock side and the Bloomberg Aggregate Bond Index for the fixed income side, the computed total investment return for the portfolio for 2025 would be 11.75%. That is not too far from the 2024 total return of 12.51% or even the 2023 total return of 14.88%.

Summary of Investment Performance 2001-2025

| Year | S&P 500 | Bloomberg Barclays Aggregate | Portfolio Consisting of 50% Each |
|------|---------|------------------------------|----------------------------------|
| 2001 | -11.89% | 8.43% | -1.73% |
| 2002 | -22.10% | 10.26% | -5.92% |
| 2003 | 28.68% | 4.10% | 16.39% |
| 2004 | 10.88% | 4.34% | 7.61% |
| 2005 | 4.91% | 2.43% | 3.67% |
| 2006 | 15.79% | 4.33% | 10.06% |
| 2007 | 5.49% | 6.97% | 6.23% |
| 2008 | -37.00% | 5.24% | -15.88% |
| 2009 | 26.46% | 5.93% | 16.20% |
| 2010 | 15.06% | 6.54% | 10.80% |
| 2011 | 2.11% | 7.84% | 4.98% |

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|-------------|---------------|--------------|---------------|
| 2012 | 16.00% | 4.22% | 10.11% |
| 2013 | 32.39% | -2.02% | 15.19% |
| 2014 | 13.46% | 5.97% | 9.72% |
| 2015 | 1.25% | 0.55% | 0.90% |
| 2016 | 12.00% | 2.65% | 7.33% |
| 2017 | 21.70% | 3.54% | 12.62% |
| 2018 | -6.24% | 0.01% | -3.12% |
| 2019 | 28.88% | 8.72% | 18.80% |
| 2020 | 16.26% | 7.51% | 11.89% |
| 2021 | 26.89% | -1.54% | 12.68% |
| 2022 | -19.44% | -13.01% | -16.23% |
| 2023 | 24.23% | 5.53% | 14.88% |
| 2024 | 23.31% | 1.70% | 12.51% |
| 2025 | 16.39% | 7.10% | 11.75% |

It's great to note that the 2025 return was in the same double-digit territory as the two previous years, but what does it mean in the big picture? Why is it relevant to parties interested in the ongoing operation of a trust, or endowment, or foundation? We care about these numbers because the fiduciary portfolio is being maintained for a specific purpose. A charitable split-interest trust is required by federal tax laws to pay at least 5% of its total value each year to one or more named beneficiaries. An endowment is managed under the auspices of directors and/or trustees, who expect

to produce enough investment return over time to enable significant distributions to benefit intended parties. And a private foundation has a legal requirement to distribute an average of 5% of its value, computed on a rolling basis.

With fiduciary investment portfolios, it is simply assumed that the investments chosen, according to the prudent investor philosophy, will produce a combination of current income and long-term growth. Distributions need to be made each calendar year, but the long-term investment return should be significant enough to allow for the overall value of the portfolio to grow over time. The investment strategy is frequently called a “Growth and Income” objective, or even simply, “a balanced objective.”

Whenever we look at investments results for a particular year, we tend to frame our perspective with a comparison to other years in history. Not just in the most recent years, but to a significant number of years in the past. Each year, we at PG Calc and Foundation Source like to look at the average annual rates of return going back 25 years. After all, the charitable remainder trusts of our client organizations typically run for 15, 20, or even 25 years. And when we work with endowments and private foundations, we are typically seeing the results of decades of investment returns.

If we look beyond the 2025 investment returns of our theoretical portfolios and calculate averages over periods of many years, we see an interesting pattern emerge. The average return of the theoretical portfolio over the most recent 5-year period is 7.12%. That is a result of an average stock return of 14.28% and an average bond return of -0.04%. If we look back over a longer period of time, however, we see an average return for the total portfolio of 8.31% for the 10-year period 2016 to 2025. And for 15 years, the average return is 8.27%. For the last 20 years, the average return comes out as 7.57%, and for the last 25 years, the average return is 6.86%. What is the relevance of those numbers?

Summary of Investment Performance 2001-2025

| Years | S&P 500 | Bloomberg Barclays Aggregate | Portfolio Consisting of 50% Each |
|-------|---------|------------------------------|----------------------------------|
|-------|---------|------------------------------|----------------------------------|

| | | | |
|--------------------------------------|--------|--------|-------|
| Average for 5 years 2021 to 2025 | 14.28% | -0.04% | 7.12% |
| Average for 10 years 2016 to 2025 | 14.40% | 2.22% | 8.31% |
| Average for 15 years 2011 to 2025 | 13.95% | 2.58% | 8.27% |
| Average for 20 years 2006 to 2025 | 11.75% | 3.39% | 7.57% |
| Average for 25 years 2001 to 2025 | 9.82% | 3.89% | 6.86% |

It essentially boils down to feeling a level of confidence in saying that a trust or foundation or endowment – invested in a prudent manner in the most basic but popular and safest investment vehicles – can make distributions annually at a rate of 5% and STILL achieve significant long-term growth in the values of the investments. In other words, you don't have to choose current income or long-term growth – you can have BOTH. The investment pools for charitable gift annuities should be invested carefully so that the pool as whole can sustain a 5% rate of withdrawal every year and still manage to grow in value over time. Gift annuities don't need to be sinking funds – not if the investment portfolios are managed with adequate levels of knowledge and caution. In other words, if asset managers invest gift annuity assets in a thoughtful and prudent manager, gift annuity values should not be going underwater.

It's important that we add a few cautionary remarks as we bring this discussion to a close. There will ALWAYS be bad years – every so often, we will have a year like

2018 or 2022. But sure and steady navigation over long periods of time should allow for average rates of return like we are illustrating here. If anything, we are greatly underestimating the investment returns in the real world. One thing that needs to be said at the top is that our investment performance numbers for stocks are based only on the prices of the stocks at the beginning and end of the year in question. Those measurements are referred to as “price only.” But when you add the effect of receiving dividends on the majority of the stocks, there can be anywhere from 1 to 3% additional return derived through receipt of those dividends.

More significant, however, are the strategic decisions a good asset manager will make in the real world. When the asset manager decides on the asset allocation for a fiduciary portfolio, they don't just purchase equal amounts of the S&P 500 Index Fund and the Bloomberg Aggregate Bond Fund. They also consider variety within the asset classes – for example, maybe a small cap stock fund should make up part of the equity side of the portfolio. Or at certain times, it might make sense to invest in a global stock fund instead of one based solely on U.S. corporations. And on the bond side, it is not unusual to see certain types of bonds preferred over others – the best example being the choice to invest in more corporate bonds than U.S. government bonds. The former typically produce greater investment returns, allowing the overall portfolio to grow more in value over time.

Even the main division between stocks and bonds is not left to a simple solution. Successful asset managers make decisions about when to hold more stocks than bonds, and vice versa. It's fairly typical to see the stock side of a portfolio representing 55 to 60% of the total portfolio. The bond side provides more current income and overall stability, but the stock side is the principal driver of increasing values over time.

The investment process for fiduciary accounts in the real world is not simply a matter of painting by numbers, but rather, it is a complicated process of making deliberate decisions about everything in the portfolio. In contrast, in our examples, we make a deliberate effort to dumb down our assumptions in order to produce more conservative estimates of what is possible. We would rather underestimate the possibilities, knowing that in the real world, the results likely will be even better.

And looking forward, we wonder if we will continue to see more of the same pattern we have seen over the last 3 years. Will the US and global economies continue to prosper, or will we see a dramatic change in direction? It seems there are a lot more reasons for an economic downturn in 2026 than there were in 2025, but one never

knows. We would be perfectly satisfied to see the same old story continue. It may seem a little dull, but it's perfectly fine with us. Please just keep it coming.

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