

Colorado, Texas Lead Public University Funds in Investment Gains

Flagship public universities in Colorado and Texas are leading the way in posting double-digit investment gains as U.S. schools begin reporting performance for fiscal 2017. The University of Colorado's \$1.2 billion endowment gained 15 percent in the 12 months through June 30, while the University of Texas's \$28.8 billion fund was up 13.4 percent, according to the schools.

Endowments with a higher proportion of stocks are likely to do better this fiscal year, and often the richest schools have more in alternative investments such as hedge funds and private equity.

'Great' Market

"What the stock market does drives a lot of this," said Steven Kaplan, a professor of entrepreneurship and finance at the University of Chicago's Booth School of Business. "And in fiscal '17, the stock market was great."

Performance for some of the largest college endowments illustrate the swing from last year's investment losses. The average return for endowments and foundations for fiscal 2017 is 12.7 percent, according to preliminary data for more than 400 institutions collected by Cambridge Associates.

The University of Virginia's \$8.6 billion endowment gained 12.4 percent for the fiscal year, boosted by performance in stocks. Almost half the endowment's allocation was in either public or long-short equities, according to the annual report published Monday by the University of Virginia Management Co., known as Uvimco. The fund reports its performance gross of fees, while most endowment report net of fees.

Calm, Bullish

"Global equity markets were generally calm and bullish during the year," Lawrence Kochard, who is stepping down from the chief investment officer job at UVIMCO after seven years, wrote in the report. "This risk-on market environment represents a reversal from the prior fiscal year, when public equities lost ground and investors flocked to rate-sensitive investments."

The University of Texas Investment Management Co. said its return was in the top quartile compared with peers. Over 10 years it has averaged a gain of 4.9 percent, which it blamed on investing in too many hedge funds and not enough private equity funds.

The University of North Carolina at Chapel Hill's investment return for its \$3 billion endowment was 12.1 percent. The fund had its largest allocation, 30 percent, in long equity, followed by 18 percent in private equity and 15 percent in long-short equity. Its 10-year return is 5.4 percent. The Chapel Hill Investment Fund is part of the \$5.4 billion UNC Investment Fund, which includes endowments and foundations from various campuses of the university system.

Private Equity

Half of Colorado's fund was in public equity markets, and 43 percent in private equity, real assets and hedge funds, according to the school. Its two best asset classes were domestic equities and global and international equities.

The University of Iowa Foundation returned 10.3 percent. The foundation manages about 70 percent of the school's \$1.4 billion endowment, which includes separate money managed by the university. The foundation's largest allocation was to global equity, at 40 percent, and 20 percent each was in fixed income, real assets and diversifying strategies. Its 10-year annualized return is 4.7 percent.

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