Union College Endowment Management

Technical Addendum

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Background

E-mail from President Harris on June 27, 2024, "At the same time, our Trustees have retained a new outside investment consultant to drive better returns from our endowment, the College's second-largest source of operating funds. Commonfund begins its work with the College July 1. We expect it will result in improved returns over time. As with the change in admissions, our new endowment consultant brings greater sophistication and a record of stronger results than our previous partner."

In his e-mail dated May 14, 2025, President Harris stated, "Union's endowment currently stands at approximately $525 million." The endowment stood at $567.5 million on July 1, 2024. Thus, **between July 1, 2024 and May 14, 2025, the endowment lost $42.5 million.**

Consultation with Experts

We consulted with a number of experts in the field (including a hedge fund owner in NYC), independently of one another.

- *Question A.* Here is passage in the college's FY2024 audit: "Under the terms of certain limited partnership agreements, the College is obligated periodically to advance additional funding for certain funds that the College is invested in. At June 30, 2024, the College had commitments of approximately $57,100,000 due through 2034, for which capital calls had not been exercised." [*Union College Financial Statements*, KPMG, June 30, 2024, p. 18][1]

  This doesn't sound good to me; what do you think?

Answers:

1. Not good is an understatement. Committing money 10 years forward without any visibility into the macro environment or what the investments will be is a triumph of hope over experience. There will be blood.

2. The large capital commitments are extremely problematic--this reminds me that Larry Summers famously got Harvard into a heap of trouble by investing Harvard's endowment into assets with big potential capital commitments that boomeranged badly during the subprime meltdown.

[1] In many limited partnership (LP) agreements [e.g., Union's arrangements with a private equity firm], there's a clause stating that if an LP fails to meet their capital commitments, they may forfeit all their previous capital contributions. Missing just one capital call could result in the LP walking away from a significant amount of money.

I would have thought that colleges would have learned from that lesson, but apparently the siren call of alternative investments remains ever-powerful despite the downside of future capital commitments that can be called at the most inopportune times.

- *Question B*. The following table is from *Union College Financial Statements*, KPMG, June 30, 2024, p. 17. Could the Private Equity "train wreck" be a potential explanation, or at least one factor, for the $42.5 million loss by the endowment since July 1? Another factor might be a lot of overvalued junk discovered by Commonfund when the endowment management transitioned from Gerber|Taylor?

The College's investments as of June 30, 2024, are summarized in the following table:

	Total	Level 1	Level 2	Level 3	Redemption frequency	Days' notice
Investments measured at fair value:						
Cash equivalents	$ 45,568,874	45,568,874	—	—	Daily	1
Short-term investments	4,905,033	4,905,033	—	—	Daily	1
Common stocks and mutual funds	99,943,816	99,943,816	—	—	Daily	1
Fixed income – bonds	10,979,180	10,979,180	—	—	Daily	1
Mortgages and other	55,165	—	55,165	—	Daily	1
Real assets	6,815,813	—	—	6,815,813	Illiquid	N/A
Assets held in beneficial trusts	4,915,239	4,530,014	385,225	—	Illiquid	N/A
Total investments at fair value	173,183,120	$ 165,926,917	440,390	6,815,813		
Investments measured at NAV:						
Commingled funds:						
International equities	18,967,032				Monthly – Illiquid	10–N/A
Global equities	97,040,292				Monthly – 3 years	7-60
Private equity and venture capital	90,448,847				Illiquid	N/A
Multistrategy funds	36,886,611				Quarterly – Illiquid	45–N/A
Hedged equity funds	77,341,304				Monthly – Illiquid	60–N/A
Emerging markets funds	18,037,284				Monthly – Quarterly	60
Real assets	31,271,990				Illiquid	N/A
Total investments measured at NAV	369,993,360					
Total investments	$ 543,176,480					

Answers

1. Both good candidates. Even if the US Bond market doesn't have a blowup, I consider it a bad risk with respect to bond duration. That has a lot of implications. I'm not sure if you're a following the slow moving train wreck of private equity. It's a simple story: their whole business was built on zero rates and now that zero rates are gone PE is struggling, but they are excellent marketers, so they might be able to survive a bit longer.

2. Yes, absolutely the problem of valuation applies to all illiquid endowments and OMG! I had no idea that Union's portfolio was so heavily composed of illiquid stuff until I saw your email.

Appendix

From a senior financial analyst in NYC:

"Liquidity and Opacity: Some investments, such as private funds or real estate partnerships, may have multi-year lock-ups or delayed redemption windows. We generally advise against allocating to these. Not only do they tie up capital, but they're often valued using subjective models or infrequent appraisals, which can obscure actual performance and delay recognition of losses."

Private Equity Caught in Crosshairs of Elise Stefanik's Attack on Harvard

Lawmaker's call for an SEC investigation into the school highlights the industry's fishy valuation practices. By Jonathan Weil, *The Wall Street Journal*, July 1, 2025. Here.

University of California fund ditches hedge funds with scathing rebuke

Chief investment officer says stocks and bonds would have prevented 'all the drama'. By Sun Yu and Amelia Pollard, *Financial Times*, July 17, 2025. Here.

[work in progress]