

# Union College Endowment Performance

## *The Six Failures*

Evidence shows that the Union College endowment has failed in all of the following six categories.

### 1. Return

- a. Lower than the widely-used financial markets benchmark, S&P500 Index. (See Appendix 1.)
- b. Lower than median rate of return for endowments.
- c. Lower than “peer institutions.”

### 2. Risk

- a. Worse than S&P500 Index, based on the Sharpe Index.

### 3. Long-run performance

- a. Worse than S&P500 Index, based on the Gerber-Taylor methodology, for *any* period starting from FY2000 on. (See Appendix 2.)

### 4. Insulation from “low frequency/severe loss episodes” [quoted from Gerber-Taylor]

- a. The value of the endowment declined by **\$108 million** in FY2009.
- b. The value of the endowment declined by **\$52 million** in FY2016.
- c. The value of the endowment declined by **\$97 million** in FY2022.

### 5. Transparency

- a. Data on management and incentive fees discontinued/censored as of FY2021.
- b. No clarity on Cayman Islands investments.<sup>1</sup> (Around 45% of Union’s endowment is invested there. See Appendix 3.)
- c. The names of the members of the Investment Committee of the Board of Trustees have been censored.
- d. For examples of higher transparency in some peer institutions, see [here](#), and [here](#).

### 6. Accountability

- a. None.

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<sup>1</sup> Based on extensive discussions with a senior financial analyst on Wall Street (with 30 years of experience): "Union's endowment is managed so poorly that doing better would be easy." Moreover, three characteristics of a good investment strategy are: "simple, transparent, low-fee." Normally, investments on the Cayman Islands tend to be "complex, non-transparent, high-fee." Also, "what are the types of investments for which you need to be on Cayman Islands rather than in the U.S.?"

*Appendix 1***The Gerber-Taylor Era***Union College Endowment*

The Board of Trustees voted to hire Gerber-Taylor as their consultants in June 2011. Note that with the exception of 2015, S&P 500 beats Union *every single year*. Additionally, Union pays millions of dollars in management and incentive fees *irrespective of performance*. Note also that fees have accelerated in magnitude as of 2016.

<i>Fiscal Year</i>	<i>Under-performance (Union – SP500 rates of return) Percentage points</i>	<i>Fees Millions of dollars</i>
2012	-3.7	5.60
2013	-8.3	6.20
2014	-6.7	8.56
2015	1.2	7.99
2016	-13.7	5.60
2017	-2.7	6.93
2018	-2.5	9.10
2019	-3.9	10.60
2020	-2.4	14.60
2021	-11.8	N/A
2022	-4.1	N/A

*Notes:*

- Union’s rate of return on endowment is defined as “Total return on investments.” Source: KPMG (Union’s auditors)
- SP500 rate of return is defined as “S&P 500 Total Return Index.” Source: S&P Global and Bloomberg. This is a widely-used performance benchmark in financial markets.
- The rates of return are for Fiscal Years. E.g., the 2012 rates are for July 1, 2011 through June 30, 2012.
- “Under-performance” is defined as Union’s rate of return – SP500 rate of return.
- “Fees” stands for “Investment management fees (including any incentive fees).” Source: KPMG
- N/A indicates that the College censored the publication of data on fees.

## Appendix 2

### A Monumental Failure of Investment Strategy

#### *Union College Endowment*

Using the Gerber-Taylor methodology, we demonstrate below that if Union had put \$100 million in an S&P 500 Index Fund, instead of following its own strategy, then it would have done significantly better.

Just as one example: if starting in 2011 Union had shifted \$100 million of the endowment to an S&P 500 index fund and left it there (with an annual draw of 5% as stipulated in Gerber-Taylor methodology), then by June 30, 2022 it would have had \$123 million *extra*, with which it could have funded several tenure-track lines.

<i>Starting year</i>	<i>Percentage by which S&amp;P 500 performed better than Union's strategy by the end of FY2022</i>	<i>Millions of dollars by which S&amp;P 500 performed better than Union's strategy by the end of FY2022</i>
2000	8.3	11
2001	4.5	6
2002	22.1	30
2003	40.0	61
2004	46.3	71
2005	45.4	62
2006	51.6	67
2007	38.7	42
2008	56.1	60
2009	86.1	93
2010	92.6	138
2011	86.9	123
2012	70.0	88
2013	64.1	83
2014	52.8	64
2015	44.6	48
2016	46.2	49
2017	26.9	43

#### *Notes:*

- Here we use a methodology which is identical to Gerber-Taylor's.
- In the above table we have defined the "long-run" as any widow spanning 5 to 22 years. By this criterion, S&P 500 beats Union in every single window.
- Gerber-Taylor are Union's consultants. The Board of Trustees hired them in June, 2011.

### Appendix 3

## Cayman Islands

Based on an examination of all of Union’s IRS 990 forms that I have been able to obtain—2006-2019-- plus other publicly available data, here is what one gets:

1. The Board of Trustees lost \$108 million of Union’s endowment in 2009.
2. The Board of Trustees shifted 48% of the endowment to Cayman Islands in 2010.
3. In 2011 the Board of Trustees fired its then financial consultants [LVW Advisors](#) (under Lori Van Dusen) located near Rochester, NY, and hired [Gerber-Taylor](#) located at Memphis, TN.
4. Thereafter, the endowment’s performance continued to deteriorate and the investment management fees (including incentive fees) continued to increase, as documented [here](#) on page 2.

### The “Central America and the Caribbean” Dimension

<i>Year</i>	<i>Endowment millions of \$</i>	<i>Central America millions of \$</i>	<i>Percentage</i>
2010	297	143	48
2011	328	146	45
2012	322	163	51
2013	359	197	55
2014	416	207	50
2015	441	181	41
2016	389	160	41
2017	428	166	39
2018	457	185	41
2019	470	212	44
<i>Averages</i>	<i>391</i>	<i>176</i>	<i>45</i>

#### Notes:

- “**Endowment**”: Union’s annual Financial Statements, prepared by KPMG.
- “**Central America**”: IRS form 990, Schedule F, Par I - Activities Outside the United States, Central America and the Caribbean, (d) Investments, (f) Total expenditures for region.
- “**Percentage**”: “*Central America*” as a percentage of “*Endowment*.”
- The time period is based on data availability.
- In the case of Union, the IRS’ designation “Central America and the Caribbean”, in fact, stands for Cayman Islands.