

March 2017

## Panel: The Role of Endowments in Financing Higher Education - Handout: Students Target Their School's Underperforming Investments (J. Lorin)

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### Recommended Citation

(2017) "Panel: The Role of Endowments in Financing Higher Education - Handout: Students Target Their School's Underperforming Investments (J. Lorin)," *Journal of Collective Bargaining in the Academy*: Vol. 0, Article 34.

DOI: <https://doi.org/10.58188/1941-8043.1687>

Available at: <https://thekeep.eiu.edu/jcba/vol0/iss12/34>

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# Students Target Their School's Underperforming Investments

Janet Lorin

February 16, 2017, 7:00 AM CST

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- Strategy produced poor returns with high fees, study says
  - Students want 'transparent dialogue' about investments
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College students decades ago protested endowment investments in South Africa during apartheid, and more recently, fossil fuels. Now there's a new target: hedge funds.

A group of [Wright State University](https://www.wright.edu/) students is scheduled to gather Friday to call for trustees of the public school in Dayton, Ohio, to shed its hedge fund holdings, which totaled about 8 percent of the school foundation's \$80 million endowment as of Dec. 31.

The students are joining the wider trend of [institutions](https://www.bloomberg.com/news/articles/2016-11-15/hedge-fund-love-affair-is-ending-for-u-s-pensions-endowments), including public pension funds, questioning the value of hedge fund investments after disappointing performance and high fees. Pensions in states like Illinois, New York and Kentucky have slashed their allocations to hedge funds, as have schools including Berea College and the [College of Wooster](https://www.bloomberg.com/news/articles/2017-02-10/once-king-of-hedge-funds-college-of-wooster-becomes-a-skeptic) in Ohio. Wright State officials are reviewing its strategy.

## Word Spreads

"As the word spreads and more students get familiar with what to look for, they're just naturally going to be looking at their own institutions," said Chris Lindstrom, the higher education program director at U.S. Public Interest Research Group, a nonprofit consumer and environmental advocacy

group.



Wright State is among a dozen Ohio schools targeted in a [report](http://hedgeclippers.org/hedge-papers-no-44-how-hedge-funds-rip-off-ohio-university-endowments/) to be published Friday by Hedge Clippers urging them to sell stakes in hedge funds because they don't make good financial sense. The survey by Hedge Clippers, a campaign by groups including the American Federation of Teachers that [examines](https://www.bloomberg.com/news/articles/2016-02-08/small-endowments-lose-money-on-hedge-funds-trailing-big-schools) the role of hedge funds in the economy, touched on another point that's important to students: since individual hedge fund holdings aren't always disclosed, it's hard to determine if the investments run counter to their school's ethics or values.

“Any amount of money that’s invested in something that’s unethical is too much,” said Jasmine Howell, 20, a Wright State sophomore from Cleveland who is the protest’s lead organizer.

## Evaluating Returns

The Wright State foundation’s investment committee “has been concerned that the returns are not providing the overall boost” to performance, the school said in a statement. The foundation’s investment manager, at the request of the committee, is analyzing the hedge fund-of-funds allocation “to determine their continued relevancy in enhancing portfolio returns,” the school said.

The school included hedge funds for at least the past eight years, and they’ve “performed positively” in six of those years, according to the statement.

College endowments of all sizes decreased their allocations to the strategy in the year ended June 30, according to a survey by the National Association of College University Business Officers and money manager Commonfund. Investments in marketable alternative strategies <https://www.bloomberg.com/news/articles/2017-01-31/u-s-college-endowments-lose-1-9-in-worst-showing-since-2009> , which includes hedge funds, also lost 4 percent on average for endowments.

## No Changes

The University of Cincinnati <http://www.uc.edu/> , also included in the Hedge Clippers survey, has about 12 percent of its \$1.2 billion endowment invested in the strategy. The public school doesn’t plan any changes even though performance in the category in the past two years has been frustrating, said Karl Scheer, the chief investment officer whose office manages about \$860 million of the fund.

“We’re invested in hedge funds for a very specific reason, diversification,” Scheer said. “They’ve mostly generated sort of zero-ish returns. They haven’t really lost money. I wouldn’t argue that zero returns are attractive.”

He said the endowment has negotiated to reduce fees with some funds. “Over time, they’ve historically been a valuable part of the portfolio and we believe they have the potential to continue to do so in the future,” he said.

Howell said students initially were curious about whether the Wright State foundation invested in private prisons, and then turned their attention to hedge funds.

“We want the university to be engaged in a transparent dialogue about its investments and divest from hedge funds,” said Howell, an organizer with the Ohio Student Association. “That’s our goal.”



