



Endowments and Pensions Continue to Post Gains, but Exposure to Private Markets Pushes Many Below Their Performance Benchmarks, According to Projections from MPI

University of Pennsylvania and Columbia University are projected to lead Ivy performance, while among pensions Oklahoma and Georgia are outperforming their peers.

NEWS RELEASE BY MARKOV PROCESSES INC.

Summit, NJ | May 22, 2023 10:20 AM Eastern Daylight Time

Rebounds in the public markets helped college endowments and public pensions to post gains over the first three quarters of the 2023 fiscal year, as exposure to private equity and especially to venture capital caused the median performance of each group to trail their key benchmarks, according to proprietary projections from **Markov Processes International, Inc. ("MPI")**, a leading independent FinTech provider of software and services for analyzing investment performance and risk.

The estimates are generated by the **MPI Transparency Lab**, a one-of-a-kind data hub for endowment and pension performance. The Lab provides a wealth of information on **performance and risk** of the largest U.S. endowments and public pensions.

"With most pensions and endowments reporting their results only once a year, outsiders rarely have an appreciation of their intra-year volatility," said Michael Markov, co-founder and chief executive officer of MPI. "This is unfortunate. As our estimates show, tracking performance on a quarterly or more frequent basis allows us to assess where they stand in relation to their benchmarks and why. This is important to so many constituencies."

Among major college endowments, MPI estimates that the University of Pennsylvania is leading among Ivy League schools with 3.91% returns, with Columbia University being close second, tracking with a 3.55% estimated return. Princeton University and Harvard University are expected to trail other Ivies with returns close to zero.

Overall, MPI estimates the median Ivy League endowment return so far in FY2023 is 1.9%. By contrast, the Global 70/30 Benchmark, which is the standard benchmark for endowment performance, is up 6.1% for the same three-quarter period.

Private market exposure continued to be a drag on results. To estimate performance, MPI used the recently released **Cambridge Associates' Private Benchmarks** preliminary estimates for the 4th quarter of 2022. The CA Venture Capital index was down -7.31% for

the quarter and CA Private Equity Index was up 0.62%. The CA Real Estate index return is -0.56% for the quarter.

"Even though private benchmark data is not available for the first quarter of 2023, we expect them to slide further given rising interest rates, depressed valuations, and increased bankruptcy rates in early 2023," Markov said. "However, we decided to use conservative estimates of zero return for private equity and venture capital for the most recent quarter. Private markets propped up endowment returns last fiscal year, but our estimates show that those funds more exposed to public equities are outperforming their peers currently, and the gap might widen even further during this quarter."

The situation was the same for U.S. public pensions. MPI Transparency Lab estimates pensions have median return of 5.2% for the three quarters of 2023 fiscal year. The Oklahoma TRS has the highest return of 8.2%, with Georgia TRSGA being close second. Performance of the Global 60-40 benchmark, the key benchmark for pensions, was 5.8%, with a -6% loss in the third quarter of 2022, a 6.6% gain in the fourth quarter of 2022, and a 5.6% gain in the first quarter of 2023. This swing mirrors pension performance.

As with endowments, the difference in performance rested with the balance between public and private market exposure. The lowest FY2023 estimated performers – state employees' pensions of Oregon (0.6% estimated return), Pennsylvania (1.2%) and Washington (1.8%) – all had reported the highest performance last fiscal year, largely because of their outsized allocations to private assets.

"Knowing how an endowment or pension is doing quarter by quarter and why not only serves to satisfy one's curiosity," Markov noted. "Rather, it prepares beneficiaries so that they are not caught by surprise at the year-end by the results. In addition, we see the main value of this feature in providing pension CIOs valuable datapoints about their narrow set of close peers."

For additional information on MPI's proprietary data, visit the **Transparency Lab**. For further information, contact MPI at +1 (908) 608-1558 or info@markovprocesses.com.

About MPI

Markov Processes International Inc. (MPI) is a leading provider of solutions for investment research, analysis and reporting to the global wealth and investment management industry. MPI works with more than 200 client organizations, including pensions and endowments, sovereign wealth funds, global wealth management firms, institutional consultants, regulators, investment advisors and asset managers. Rooted in the principles of transparency, objectivity, and efficiency, MPI takes an innovative approach to problem solving in the areas of fund analysis, risk management, asset

allocation, and reporting to ensure that its clients have the tools to succeed in ever-more-crowded markets. Follow us on Twitter @MarkovMPI and connect with us on LinkedIn.

Contact Details

For MPI

info@markovprocesses.com

Company Website

<https://www.markovprocesses.com/>

Tags

ENDOWMENTS

PENSIONS

FINTECH

PRIVATE EQUITY

VENTURE CAPITAL

TRANSPARENCY

DYNAMIC STYLE ANALYSIS

UNIVERSITY OF PENNSYLVANIA

COLUMBIA UNIVERSITY