Harvard Revamps Hedge Fund Strategy

Stockholm (HedgeNordic) – Harvard University is set to allocate billions of dollars to the hedge fund sector, defying trends both internally and externally, according to Nir Kaissar, founder of Unison Advisors, in a comment for Bloomberg. Harvard, an example of the "endowment model" of investing, allocated 14% of its portfolio to hedge fund strategies in 2016, according to the Harvard Management Company, which oversees its $35.7 billion endowment.

The endowment's new chief executive, Nirmal Narvekar (formerly of Columbia University's endowment), has pledged to change Harvard's model, which previously managed its hedge fund strategies internally due to the $5 billion in has tied up investments. However, it has been outpaced by the competition at Yale and Columbia Universities, which stuck to the traditional model of employing the best hedge funds nation-wide.

Mr Narvekar now plans to eliminate Harvard's internally run hedge fund strategies by the end of the 2017 fiscal year, says Mr Kaissar. Harvard will thereby have access to any hedge fund it wants, with Mr Narvekar set to try to repeat his success at Columbia. The shot in the arm for Harvard comes at a difficult time for the industry, with returns stuck at around 3.5% annually for the past decade, by comparison with the halcyon days between 1990 and 2006 that saw industry returns of 14% annually according to the HFRI Fund Weighted Composite Index.

The HFRI Fund Weighted Composite Index — an equal-weighted index of hedge funds — returned 14 percent annually from 1990 to 2006 (the earliest year for which returns are available). But since then the HFRI index has returned just 3.4 percent annually through 2016.

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