

Destination India for global university funds

Kalpana Pathak & Ashish Rukhaiyar / Mumbai November 15, 2010, 0:40 IST

International university endowment funds have stepped up their presence in the Indian stock markets to cash in on the high returns. Data from the Securities and Exchange Board of India (Sebi) show that the number of such funds investing in the Indian market has gone up three-fold to around 20 this year, against six in 2008.

Several of these international university endowment funds have also increased the target asset allocation towards emerging markets in 2010.

President and fellows of Harvard College, for instance, have doubled the target investment in emerging markets to 10 per cent for 2010, against five per cent in 2005. Harvard, the richest US school, has a \$27.6 billion endowment, followed by Yale University's \$16.7 billion.

University of Washington's consolidated endowment fund has increased allocation to emerging equity markets to 17 per cent, from 12 per cent last year. The consolidated endowment fund consists of 3,100 separate endowments, according to the university's website.

The Board of Regents of the University of Texas System at Austin, as per its general endowment fund investment policy, will allocate a maximum investment target of 25 per cent in emerging markets, against the minimum target of 10 per cent for the financial year 2011.

The universities park their money – locally and internationally – with public and private equity, stocks, real estate, commodities and bonds, among others. University Endowment Funds are registered as Foreign Institutional Investors (FIIs).

Other registered endowment funds include: The Duke Endowment; Cornell University; Emory University; The John Hopkins University; The Ohio State University and Massachusetts Institute of Technology Basic Retirement Plan.

"Many universities have increased investment allocation from their endowment funds to the emerging markets and they are long-term investors in the market. Between India and China, India is a more liquid market," said Siddharth Shah, head, funds practice, Nishith Desai Associates.

Harvard Management Company (HMC) did not divulge details of what portion of its investment is directed to the Indian market. "The management company does not discuss its investments or investment strategies publicly other than what is reported in their annual reports," John Longbrake, senior director of communications, HMC told Business Standard in an emailed statement.

Industry insiders said endowment funds have an internal allocation which they either use by making direct investments or engage fund managers to manage funds.

This year so far, FIIs have infused a record Rs 28,562 crore (\$6.4 billion) in October, nearly one-fourth of the total inflows in the stock market. The total net investment by FIIs now stands at \$24.79 billion — the highest in a single year.

Market experts said overseas funds inflow from these universities will only increase. "We will see many more universities registering with SEBI in days to come. Emerging economies like India and China will provide an opportunity of better rate of returns to these universities," said a senior manager from a Mumbai-based private equity firm.

For instance, HMC in its annual report said that its emerging market equities and high-yield returns were strong at 17.6 per cent and 19.6 per cent, although they did not beat their benchmarks.