

# NUS net investment losses hit \$677m

## Committee looking at longer-term investment structure

By CHEW XIANG

NATIONAL University of Singapore has disclosed hundreds of millions of dollars in losses in the year to March as the financial crisis bit deep into its invested endowment funds.

Singapore Management University last month reported a \$99 million hole in its \$436 million endowment fund and another \$58 million hit to its accumulated surpluses but its funds have recovered 18 per cent since.

NUS lost even more, albeit from a larger portfolio – net investment losses came to \$677 million, according to its recently published annual report, out of combined accumulated surplus and endowment funds of \$3.15 billion.

In total, the market value of its endowment investment fund fell 26 per cent, said chief investment officer Nicholas Kong, but has recovered 15 per cent in the six months to Sept 30.

The hefty writedowns put Singapore's largest university \$589 million into deficit for the year. That was despite \$900 million in operating grants from the government, a 29 per cent increase from the previous year.

Of NUS's \$677 million in

net investment losses, \$181.5 million was booked as a realised net loss from sale of investments. Another sum of \$189 million was due to net foreign exchange losses, and fair value or marked-to-market losses totalled almost \$500 million.

The third publicly-funded university, Nanyang Technological University, has yet to report financial numbers but said last month that its \$900 million endowment was "similarly negatively affected by the decline in the financial markets".

Mr Kong said that NUS's endowment fund has grown strongly, recording annualised returns of 2.9 per cent since 2001 despite last year's troubles.

It decided to put its money into "longer term equity-oriented" investments only from 2005, Mr Kong said, thus many of its longer term investments have not matured.

But the investment committee of the university's Board of Trustees is reviewing "the appropriate longer term structure of NUS investments in light of the changing expectations regarding financial market performance", Mr Kong said.

NUS's annual returns still pale in comparison with some US universities, which lost billions in the past eighteen months, but also did strongly in the preceding periods.

Over a five-year period, the University of Pennsylvania had an average annualised return of 3.5 per cent, while Yale University, which recently reported a 30 per cent drop in its endowment, earned 8.7 per cent a year over five years, according to reports.

Data from Wilshire Trust Universe Comparison Service showed that average returns over 10 years was 4.3 per cent for funds with more than US\$1 billion in assets. Such funds lost an average of 17 per cent in fiscal 2009.

Both local universities that reported figures emphasised that their funds did not face liquidity problems like those faced by some foreign institutions, which held illiquid alternative investments that they could not easily exit.

"A large portion of its assets is invested in liquid securities," said Mr Kong of NUS, which has about \$262 million in fixed deposits and \$212 million in cash and bank balances, plus \$2 billion in investments at fair value.

"Unlike many US endowments which are constrained by liquidity issues, we are in an advantageous position to be able to use our un-invested cash to acquire assets at distressed prices or steep discounts," Teo Jwee Liang, chief investment officer at SMU, said last month.