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Capital Pool

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Capital Pool features exclusive reporting and commentary on what's driving LP decision-making, with senior funds columnist Jessica Hamlin.

Happy September! The month when the leaves turn, college football season kicks off and university endowments start releasing fiscal year return figures.

"We're seeing some double-digit returns," said Laura Wirick, a managing principal at LP consultant Meketa, where she advises public funds, endowments, foundations and pensions. "You're definitely seeing an environment where the more public equity exposure you had, the stronger [the return]."

In FY 2024, endowments across the US scored an average one-year annualized return of 11.2%, up from 7.7% the year prior, carried by a strong US economy, easing inflation and steady consumer spending, according to data from last year's NACUBO-Commonfund study of endowments.

Tim Yates, president and CEO of Commonfund's OCIO business, said he expects FY 2025 returns to land anywhere from 4%-13%.

So far, 2025 has been a uniquely challenging year for universities and their vast endowments. After years of shrinking PE and VC distributions, they were hit by federal funding cuts under the Trump administration, new excise taxes on select private endowments and a simmering legal battle between the White House and Harvard.

The federal cuts created pressure on endowments to increase their spending rates, the portion of an endowment's returns used to support university operations.

Several institutions attempted to cushion the blows from lower private market returns in their portfolios by freeing up liquidity: Both Harvard and Yale offloaded billions of dollars worth of PE stakes on the secondary market.

Related read: **PitchBook's university endowment return tracker**

While the Ivies report later in the season, some public university endowments have already posted their FY 2025 results. Ohio State University's $8.6 billion endowment generated an 11.8% return for the one-year period ending June 30, 2025, exceeding its benchmark of 9.5%.

The endowment has a smaller—but significant—portion of its capital invested in private markets and alternatives relative to most Ivy League endowments, with 27% of its portfolio in PE and the rest in a mix of public equities, hedge funds, cash and infrastructure.

"You're going to see the folks that have a lot of private markets exposure have slightly lower returns," Wirick said.

Endowments, like those at Ivy League institutions, long benefited from established relationships with top-quartile alternative asset managers and growing private market portfolios. Harvard's endowment, for example, one of those slated to report its FY 2025 results later this fall, had a 39% allocation to PE in FY 2024.

But that model is slowly unraveling, with a bulk of institutional capital locked up in PE and VC funds that have put off exits in an unfavorable pricing environment. Smaller endowments, like those at Baylor University and the University of Iowa, with more liquidity on hand and higher allocations to public equities, outperformed all but Brown among the Ivy League endowments in FY 2024.

In fact, in both 2023 and 2024, top-performing smaller endowments outperformed those with larger pools of capital, due to smaller institutions' higher allocation to public equities, according to the NACUBO-Commonfund data. In 2025, consultants and outsourced chief investment officers expect this dynamic to continue.

"Based on the allocations, I would venture to guess that [2025] will be the third year in a row where this dynamic persists," Yates said. "What will begin to garner some attention is that underperformance of the privates relative to public equity has now seeped into the three-year [return] numbers.

What's different about 2025, in terms of equity exposure, is that endowments with diversification across global equity markets—international, developed and emerging—will benefit most, Wirick added.

Despite shorter-term challenges to endowment returns, Yates noted that endowments are meant to last forever, and do their investing with longer 10- and 20-year performance markers in mind.

"There's no endowment on the planet that targets a one-year or three-year return," Yates said.

Larger endowments still have the advantage because while long-duration, long-natured investments may or may not outperform in any given year, Yates said, over time they "will generate the type of excess return that they need to support their missions."

IN LP NEWS

Ole Miss's double-digit returns: The University of Mississippi Foundation, which manages the university's now over $1 billion endowment, logged a 10.1% return for the one-year period ending June 30, 2025. Twenty percent of the fund is allocated to PE, and

37% is invested in global equity.

Trump demands $500 million from Harvard: Last week, President Donald Trump said he wants Harvard University to pay the government "nothing less than $500 million" to restore its federal funding. This comes ahead of the Sept. 3 deadline to rule on Harvard's lawsuit against the administration's freeze of more than $2 billion in research grants.

GRAB BAG

After a nearly 50% quarterly drop in returns in Q1, realizations from buyout strategies at large public alternative managers are on the upswing.

A combination of greater clarity on future monetary policy and improved market sentiment means that PE realizations at the six largest public alternatives managers in the US improved on both a quarterly and trailing 12-month basis, driven by a strong Q2. Collectively, these managers raised a total of $69.4 billion in the trailing 12 months ending in Q2, a 35.8% increase from a year ago, according to PitchBook's latest **US Public PE and GP Deal Roundup**.

KKR saw the largest increase in realizations on a TTM basis of the group, with a 45.1% YoY increase.

HEARD AT PITCHBOOK

At last, green shoots may be emerging for private real estate fundraising, with $55.6 billion committed to 93 vehicles in H1 2025.

This sets the asset class on track to exceed 2024's fundraising figures by nearly $30 billion, should current trends persist. This is undoubtedly welcome news to real estate fund managers after two consecutive years in which total raised capital dropped by at least 25% year-over-year.

Still, the year's closes have been hard-earned, with the average fund taking 27.9 months to do so. The US is vulnerable to the effects of the Trump administration's trade policies, which could jeopardize a recovery in some markets due to demand-side impacts on property types and inflationary effects.

- Opportunistic and value-add strategies continue to drive fundraising, with the former receiving 62.4% of H1 2025's commitments and the latter garnering 34.1%.
- While core and core plus funds raised just $1 billion, or 1.8% of 2025's total through June, much of the capital flowing to these income-oriented strategies is going to evergreen funds.
- In the drawdown fund universe, value-add and opportunistic strategies reign supreme because GPs are prioritizing strategies that afford them the chance to provide higher returns by capitalizing on market dislocation, cyclical shifts and secular trends. These strategies continue to target opportunities across sectors, both widely hyped—such as data centers—and more niche.

Read more on this in our Q2 2025 Global Private Market Fundraising Report, which will be published on Sept. 8.

—Anikka Villegas, PitchBook senior analyst for fund strategies and sustainable investing

WHAT ELSE WE'RE READING

Bloomberg: Wineries and distilleries are looking to private credit for financing.

Financial Times: Investment chiefs of the world's top sovereign wealth funds are losing confidence in the long-term performance of US equities.

Capital Pool is written by Jessica Hamlin and edited by Heather West.

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