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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.

(Drew Sanders/PitchBook News)

Throw a stone inside any Midtown bar after work on a Thursday in New York City, and you'll likely hit an investment banker or a PE analyst. You're less likely to wallop a junior professional from a university endowment.

Unlike bankers and private fund associates, the next crop of investment talent at endowments, foundations and public pensions is dispersed across investment offices nationwide. With these positions largely located outside major finance hubs and salaries that often can't compete with the private sector, recruiting top investment talent at asset owners has been notoriously challenging.

To address the disconnect, Grace Brown, an investment manager for Vanderbilt University's $10.2 billion endowment, and Luke Blanton, an investment analyst at the fund, co-founded the Emerging Allocators Association in 2023 with the express purpose of bringing together young talent from the investment offices of foundations, pensions and endowments across the country.

Over the past two years, what started as a Slack channel for young professionals in pre-director roles has grown to 325 members that represent early-career talent at blue-chip institutions like the University of Virginia Investment Management Company, Cornell University Investment Office and the J. Paul Getty Trust.

In early June, EAA announced plans to expand with new chapters in the Bay Area, Los Angeles and New York.

"Being siloed to pretty small teams internally, being siloed in Nashville, and not having many other LPs to kind of interface with and trade notes with and and also not traveling as much as [chief investment officers] or [managing directors] do to various events, we felt like we had this opportunity to kind of close the gap," Brown told me.

In 2024, EAA gained its nonprofit status, and in March of that year, it held its first in-person event. Today, the organization hosts semi-regular happy hours, fireside chats and panels with startup founders and fund managers.

"People who work in endowments and foundations are in different locations. They're not all on Wall Street, so it's hard to make friends and make really deep connections," said Christina Xing, an investment analyst at the California Institute of Technology's endowment.

Xing and another analyst at the J. Paul Getty Trust are responsible for building out EAA's Los Angeles chapter.

Eventually, Brown and Blanton foresee an EAA chapter in every major US city in. The challenge will be to scale the organization with outside sponsorships without losing the feeling of an LP-only event. Citizen's Private Bank, for example, has sponsored several of EAA's events.

"We communicate to our sponsors that this is about building relationships and fostering connectivity between LPs in a space that's non-marketed," Blanton said.

To ensure that the early-career LPs in the room aren't fielding fund managers' pitches at its events, EAA is selective in its membership acceptance process: Brown and Blanton manually review each application.

"We had a lot of interest, obviously, from people who are fundraising," Brown said. "They try to slip in some weird angle. We've caught them all."

IN LP NEWS

NYC deputy CIO departs: Eneasz Kądziela, the deputy chief investment officer and head of PE at New York City's retirement systems, is set to leave his position after a decade on the job.

Two new CIOs: The Indonesia Investment Authority, the country's sovereign wealth fund, appointed two co-chief investment officers, Bloomberg reported. Christopher Ganis is the current private credit lead, and Andry Setiawan was previously the managing director of investment.

PennPSERS' temporary director: The board of Pennsylvania's Public School Employees' Retirement System named its chief investment officer, Benjamin Cotton, as its interim executive director as it concludes its search for a permanent fill for the role.

GRAB BAG

When investing in healthcare-focused PE funds, asset allocators tend to prefer managers with more specialized strategies, like biopharmaceuticals or life sciences, as opposed to funds that invest across the healthcare spectrum.

Over 40% of healthcare specialist funds that closed between 2023 and 2024 exceeded their initial target, compared to only 29.9% of all other middle-market funds, according to PitchBook's **H2 2024 Healthcare Funds Report**.

HEARD AT PITCHBOOK

As private market timelines stretch, a growing cohort of funds is entering a second decade with significant NAV still on the books.

Today, over a third of PE-backed portfolio companies in the US have been held for five years or more, a sign of how extended hold periods are becoming the norm. For LPs, this trend raises critical questions around deciding what to do with frozen funds extending well beyond term.

LPs are generally faced with two choices: sell the fund stake or play wait and see. Increasingly, the sell route is becoming viable. As transaction advisory firms have touted record volumes in 2024, our latest **Global Private Market Fundraising Report** suggests a record period for capital raising for secondaries funds at $122 billion for the year ending in Q1 2025. That has also helped buoy the continuation fund market, and GPs are increasingly leaning into alternative sources of liquidity.

However, while secondary markets offer an outlet, transactions for older funds, especially those with challenged or illiquid assets, rarely clear at par. So, should LPs hold and wait?

Our analysis suggests that holding would historically be a mixed bag. Looking at fund performance post year 10, funds with a high amount of remaining value (relative to vintage peers) exhibit materially slower return of capital and negative median IRRs when indexed to the 10-year starting point.

By contrast, funds that are closer to full liquidation at year 10 have historically returned a positive IRR of 8.5% over the remaining life. For LPs, these outcomes help frame the opportunity cost of waiting and what investors should look out for when deciding whether to let a fund go.

—Zane Carmean, PitchBook's director of quantitative research

WHAT ELSE WE'RE READING

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Pensions & Investments: The SEC withdrew 14 rule proposals last week as the Trump administration pushes its deregulatory agenda.

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

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