

Harvard Looks to Columbia's Investing Chief for Turnaround Touch

Michael McDonald and Kate Smith, Bloomberg

September 30, 2016

Nirmal P. “Narv” Narvekar overhauled Columbia University’s endowment in the past 14 years, building a team that delivered top notch returns and minimized losses during volatile times. Now, he’s tasked with doing the same for Harvard University’s lagging fund.

Narvekar, 54, on Thursday was named Chief Executive Officer of the wealthiest university fund, which has struggled with a decade of lackluster returns. He starts on Dec. 5. Columbia also said it promoted Peter Holland, the Chief Investment Officer of its endowment since 2003, to CEO.

Not only is Narvekar charged with improving performance, he will be under pressure to revamp operations at Harvard Management Co, which oversees the endowment, at a time when institutional investors face slow economic growth and near negative interest rates around the world. The number of employees already is down to 230 from 280, according to a person familiar with the matter.

Nothing 'Wild'

He may start at Harvard on a cautious note, as his track record shows that he can be more risk averse than his peers at certain times. At the height of the financial crisis in fiscal 2009, Columbia withstood the turmoil better than its rivals. Harvard's fund fell 27.3 percent, the worst among the Ivy schools. Yale University declined 24.6 percent. Columbia dropped 16.1 percent.

"There's nothing wild and crazy about Narv," said Roger Kafker, who was Narvekar's classmate at Haverford College in Pennsylvania, where they both are now on the investment committee of the \$460 million endowment. "You'd want Narv overseeing your own family fortune if you could find somebody of his talent, acumen and personality. He has a very steady hand."

Narvekar and his team at Columbia minimized losses in 2008 after reducing risks in the portfolio and allowing less exposure than most of their peers to illiquid assets such as private equity, he said on a panel in 2014 for The Investment Fund for Foundations, according to a podcast posted on the group's website.

"The endowment world did not tend to think a lot about risk prior to the crisis," Narvekar said on the podcast. "Any big endowment should try to have a sense of the risk in their portfolio through whatever framework. We have a framework that we use. It's good for us; it's not good for others. But everyone should have some way of thinking about risk and coming to find out how much risk they have."

Harvard Trails

Narvekar will have his work cut out for him to improve performance. Harvard's average annualized return was 5.7 percent in the decade through June 2016, below Yale's 8.1 percent. Columbia, with a \$9.6 billion fund, returned an annualized 10.1 percent in the 10 years through June 2015, the latest available because the school hasn't reported fiscal 2016 returns. Harvard's fund posted a 2 percent investment decline for the year through June.

A former JPMorgan Chase & Co. managing director in the equity derivatives group and the son of an ex-top International Monetary Fund official, Narvekar has an MBA from the University of Pennsylvania's Wharton School.

He left JPMorgan in 1998 to join the University of Pennsylvania's endowment office to lead the effort to expand into private equity and other alternative investments. He's credited with helping turn around Columbia's performance after being hired in 2002, expanding into new asset classes and creating a risk

management system to track the many outside managers it invested with. He's known for his quantitative skills and comfort with using complex mathematical models.

Trading Team

Columbia has investments in at least one quantitative fund managed by Conquest Capital Group of New York, according to a tax filing. Many endowments avoid quantitative funds because their strategies are difficult to understand.

The university's investments included almost \$1 billion of cash in June of last year, up more than 50 percent from the year prior, according to financial statements.

At Harvard, Narvekar is likely to review Harvard's structure, which uses outside managers but also its own traders. Harvard eliminated at least a dozen positions and dismantled the internal public-equity trading team earlier this year amid reports of steep losses. But it wasn't disbanded altogether.

HMC said the school planned to hire a new head of "absolute return" and publicly traded stocks, replacing Michael Ryan, a former Goldman Sachs Group partner who was among this year's departures. Harvard said its cross-asset public markets platform has been combined with emerging and foreign markets, fixed income, credit and commodities.

Look to Yale

Drew Faust, Harvard's president, said in an interview published Sept. 29 in The Harvard Crimson that the university has looked closely at how Yale oversees its money, which depends almost entirely on farming money out to managers.

"We look to see what choices they've made and how we might learn from them," Faust said in the interview.

"We are pleased to welcome Narv to Harvard and are confident that his leadership skills and deep experience at the highest levels of investment management will position HMC for long-term success," Faust said in the school's statement on Thursday.

For Narvekar's efforts, the paycheck at Harvard is likely to be larger. Former CEO Jane Mendillo was paid \$13.8 million in her final year in 2014, though it was inflated by the addition of six months of accelerated bonus pay because of her departure. Narvekar received \$7.2million the same year, according to a tax filing.

Harvard's search was its fourth for an endowment chief since 2005. Stephen Blyth resigned from the job for personal reasons in July after only 18 months following an unexpected and unexplained medical leave in May. Robert Ettl, the interim CEO, will become chief operating officer.

"Narv's a really top-notch investor," said Michael Karris, who left Columbia's endowment office in 2010 after five years to start money management company EndowBridge Capital. "He's just a high-caliber individual."
