

# MANAGED FUNDS ASSOCIATION

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## HEDGE FUND INVESTMENTS IN MASSACHUSETTS

Across the state of Massachusetts, hedge funds are helping people attain retirement security and allowing young people to receive a quality education.

Institutional investors – like pensions and university foundations – use hedge funds to diversify their investment portfolios and manage risk. Ultimately, hedge funds are an important tool used by institutional investors to help meet their financial obligations.

Hedge funds are no longer exclusively used by wealthy investors. Globally, 65% of hedge fund assets come from institutional investors.<sup>1</sup>



### Hedge Funds Help Build Retirement Security

- **Massachusetts Public Employees**
  - The Pension Reserves Investment Management (PRIM) Board is charged with the general supervision of the Pension Reserves Investment Trust (PRIT) Fund.<sup>2</sup>
  - The PRIT is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, invested \$4.75 billion of its more than \$48 billion total investments in hedge funds in 2012.<sup>3</sup>
- **General Electric**
  - GE Aviation employs more than 4,000 people in Lynn.<sup>4</sup>
  - As of December 31, 2012, the GE employee pension plan invested \$1.7 billion of its \$45 billion total investments in hedge funds.<sup>5</sup>
  - According to GE's Chief Investment Officer Dave Wiederecht, "Hedge funds have added substantial value, the portfolio has consistently beaten our expectation in return and volatility fronts."<sup>6</sup>
- **Raytheon**
  - Raytheon is headquartered in Waltham and employs more than 71,000 people nationwide.<sup>7</sup>
  - In 2011, Raytheon invested \$1.385 billion of its \$14.9 billion total investments in hedge funds, or about 9%.<sup>8</sup>

## Hedge Funds Help Ensure Educational Opportunities

- **Harvard**
  - The Harvard endowment, the nation's largest, stood at \$30.7 billion at the end of the school's 2012 fiscal year.<sup>9</sup>
  - In 2012, Harvard invested nearly \$4.75 billion, or approximately 11%, of its nearly \$42 billion total investment assets in absolute return strategies.<sup>10</sup>
- **Boston College**
  - Boston College's endowment provides support to University programs and activities including financial aid to undergraduate, graduate, and professional students, faculty research, academic centers, student programs and libraries.<sup>11</sup>
  - Boston College has increased its investment in hedge funds from 29 percent in 2008 to 31 percent in 2012.<sup>12</sup>
  - In 2012 Boston College invested approximately \$602 million of its \$1.9 billion total investments in hedge funds.<sup>13</sup>
- **Massachusetts Institute of Technology (MIT)**
  - MIT's endowment is managed by the Massachusetts Institute of Technology Investment Management Company, or MITIMCo. MIT's endowment funds are used for Institute activities including education, research, capital projects, faculty work and student financial aid.<sup>14</sup>
  - In September 2012, MIT reported its endowment was worth more than \$10 billion. MIT invested \$1.68 billion of its \$12.85 billion total investments in absolute returns in 2012.<sup>15 16 17</sup>
- **Northeastern University**
  - In 2012, Northeastern University had an endowment of \$601 million.<sup>18</sup> Northeastern University's endowment funds ensure that students and professors have the capability and resources to reach their full potential and positively shape the world.<sup>19</sup>
  - As of June 2012 Northeastern University allocated over \$180 million, or nearly 30%, of its \$601 million endowment to hedge funds.
  - Hedge funds represent the single-largest asset class held by the endowment, which is used to fund scholarships and professorships.<sup>20</sup>
- **University of Massachusetts**
  - The University of Massachusetts has five different campuses throughout the state of Massachusetts. The University's mission is to provide an affordable and accessible education of high quality and to conduct programs of research and public service that advance knowledge and improve the lives of the people of the Commonwealth, the nation, and the world.<sup>21</sup>
  - In 2011, the UMass Foundation invested approximately \$179 million, or 21%, of its \$830 million total investments in alternative investments.<sup>22</sup>

- **Tufts University**
  - In 2012, Tufts University's endowment stood at \$1.39 billion.<sup>23</sup>
  - As of June 2012, Tufts University allocated more than \$574 million, or about 30% of its \$1.9 billion total investments to hedge funds, representing the single-largest investment class held by the university's endowment.<sup>24</sup>
  
- **Wellesley College**
  - The endowment funds professorships, scholarships, internships, faculty salaries and academic departments, while also providing aid to the library and museum at Wellesley.<sup>25</sup>
  - As of June 2012, Wellesley College allocated more than \$257 million, or about 17%, of its \$1.445 billion endowment to absolute return investments.<sup>26</sup>
  
- **Brandeis University**
  - The Brandeis University Endowment Fund provides resources to fund scholarships, fellowships, faculty salaries, programs, activities, and facilities.
  - As of June 30, 2012, the endowment invests over \$203.9 million, or about 30%, of its \$674.5 million total endowment investments to hedge funds.<sup>27</sup>

## Hedge Funds Improve the Lives of Massachusetts Residents

- **Community Foundation of Western Massachusetts**
  - The Community Foundation of Western Massachusetts invests over \$8.5 million, or 9%, of its \$91 million assets in hedge funds. These investments help fund diverse projects in the Commonwealth, including:
    - Arts and literacy programs;
    - Scholarships for high school, college and continuing education students;
    - Care and assistance for the elderly and impoverished families;
    - Natural and historical conservation; and
    - Medical research and assistance for AIDS and leukemia patients.<sup>28</sup>

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\*Data listed here is updated frequently and contains the most current information in public filings.

<sup>1</sup> "Prequin Special Report: Hedge Funds" pp. 16, October 2012,

[http://www.prequin.com/docs/reports/Prequin\\_Special\\_Report\\_Hedge\\_Funds\\_October\\_2012.pdf](http://www.prequin.com/docs/reports/Prequin_Special_Report_Hedge_Funds_October_2012.pdf).

<sup>1</sup> Virginia Retirement System, "Comprehensive Annual Financial Report," pg. 2,

<sup>2</sup> "About Us," Mass PRIM, <http://www.mapension.com/about-prim/>.

<sup>3</sup> "PRIT Consolidated Annual Financial Report," Mass PRIM, pg. 25, 2012, <http://www.mapension.com/publications/>.

<sup>4</sup> "America's Career InfoNet: Largest Employers," Welcome to America's Career InfoNet, accessed Dec. 17, 2012,

<http://www.acinet.org/oview6.asp?printer=&next=oview6&id=11&nodeid=12&stfips=25&group=1>

<sup>5</sup> "GE 2012 Annual Report," General Electric, December 31, 2012, pg. 104,

[http://www.ge.com/ar2012/pdf/GE\\_AR12.pdf](http://www.ge.com/ar2012/pdf/GE_AR12.pdf).

<sup>6</sup> top1000funds.com, "GE develops dislocation and emerging markets," <http://www.top1000funds.com/profile/2011/06/22/ge-develops-dislocation-and-emerging-markets/>

<sup>7</sup> "Raytheon" Accessed January 15, 2013, [http://en.wikipedia.org/wiki/Raytheon#cite\\_note-1](http://en.wikipedia.org/wiki/Raytheon#cite_note-1)

<sup>8</sup> "Innovation in All Domains," Raytheon, pg. 105, <http://investor.raytheon.com/phoenix.zhtml?c=84193&p=irol-reportsannual>.

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- <sup>9</sup> “2012 Annual Report,” Harvard Management Company, pg. 1, [http://www.hmc.harvard.edu/docs/Final\\_Annual\\_Report\\_2012.pdf](http://www.hmc.harvard.edu/docs/Final_Annual_Report_2012.pdf)
- <sup>10</sup> “Harvard University Financial Report 2012,” Harvard Management Company, pg. 24, <http://vpf-web.harvard.edu/annualfinancial/pdfs/2012fullreport.pdf>.
- <sup>11</sup> “Endowment,” Boston College, <http://www.bc.edu/content/bc/offices/endowment/top50endowments.html>.
- <sup>12</sup> “Asset Allocation,” Boston College, <http://www.bc.edu/offices/endowment/AssetAllocationOverTime.html>
- <sup>13</sup> “Boston College Financial Statements May 31, 2012 and 2011,” p. 8 <http://www.bc.edu/content/dam/files/offices/controller/pdf/FINAL%20Boston%20College%202012%20FS.pdf>.
- <sup>14</sup> “MIT releases endowment figures for 2012,” September 14, 2012, <http://web.mit.edu/newsoffice/2012/institute-endowment-figures-0914.html>.
- <sup>15</sup> MITIMCo, “Investment Policy and Process,” What We Do, [http://www.mitimco.org/whatwedo/investment\\_management](http://www.mitimco.org/whatwedo/investment_management).
- <sup>16</sup> “MIT releases endowment figures for 2012,” MIT news, <http://web.mit.edu/newsoffice/2012/institute-endowment-figures-0914.html>.
- <sup>17</sup> “Report to the Treasurer 2012,” MIT, pp. 20 [http://vpf.mit.edu/site/content/download/15852/60105/file/TrsRprt2012\\_final.pdf](http://vpf.mit.edu/site/content/download/15852/60105/file/TrsRprt2012_final.pdf).
- <sup>18</sup> The Huntington News, “Northeastern rises in national ranking again,” September 13, 2012, <http://huntnewsnu.com/2012/09/northeastern-rises-in-national-ranking-again/>.
- <sup>19</sup> “Endowment and Capital Support,” <http://damore-mckim.northeastern.edu/alumni/endowment-and-capital-support/>.
- <sup>20</sup> “Northeastern University Consolidated Financial Statements,” Northeastern University, June 30, 2012, pg. 12, <http://www.northeastern.edu/neuhome/pdfs/financials-FY2012.pdf>.
- <sup>21</sup> “The UMASS System,” <http://www.massachusetts.edu/system/about.html>.
- <sup>22</sup> “UMASS Annual Financial Report 2011,” pp. 29, <http://media.umassp.edu/massedu/controller/2011%20Annual%20Financial%20Report.pdf>.
- <sup>23</sup> “Endowment Policies,” Tufts University, <http://finance.tufts.edu/treasury/files/Endowment-Policies-2012.pdf>.
- <sup>24</sup> “Annual Financial Report of Tufts University,” Tufts University, June 30, 2012, pg. 22, <http://finance.tufts.edu/budgetacc/files/2012AnnualFinancialReport.pdf>.
- <sup>25</sup> “Wellesley College Annual Report 2011-2012” Wellesley College, pg. 32, [http://new.wellesley.edu/sites/default/files/assets/annual\\_report\\_2012\\_121112.pdf](http://new.wellesley.edu/sites/default/files/assets/annual_report_2012_121112.pdf).
- <sup>26</sup> “Wellesley College Annual Report 2011-2012” Wellesley College, pg. 32, [http://new.wellesley.edu/sites/default/files/assets/annual\\_report\\_2012\\_121112.pdf](http://new.wellesley.edu/sites/default/files/assets/annual_report_2012_121112.pdf).
- <sup>27</sup> “Brandeis University Financial Statements,” KPMG, June 30, 2012, pg. 13, <http://www.brandeis.edu/financialaffairs/financialstatements/FY12-Financial-Statements-Final.pdf>.
- <sup>28</sup> “Consolidated Financial Report,” Community Foundation of Western Massachusetts, Mar. 13, 2011, pg. 13, <http://www.communityfoundation.org/aboutus/documents/Audit2011.pdf>