

Three Colgate Claims That Don't Hold Up

Colgate defends a decade of weak investment results by calling its strategy conservative and low-risk. It isn't. Below are the three claims the university repeats most often, and why each one does not hold up.

1. An index strategy would have exposed the endowment to catastrophic losses

Colgate's claim (website and 2026 President's Report, p.27):

"Had Colgate pursued a more passive, public-equities-only strategy during periods like 2000–2002 or 2008, the university would have experienced 40–50% declines in value ... potentially causing irreversible financial damage, since we would have to make distributions to the operating budget as the portfolio was losing value."

This is not accurate.

- a) The 40–50% figure describes speculative internet stocks of that era, not a broad index. No one proposes holding an endowment entirely in internet stocks. And the comparison abandons a yardstick Colgate uses everywhere else: the university measures everything by fiscal year - e.g., its 35.8% gain in 2021. Measured the same way, the broad U.S. market fell about 30% over 2000–2002, and a mix of stocks, bonds, and cash fell 15–20%. Not chasing internet stocks in 1999 was a reasonable decision. Using a hypothetical from 25 years ago - different people, a completely different market - to justify the last decade's results is not.
- b) A simple index of stocks, bonds, and cash would have delivered far better long-term results than Colgate's team has, while falling about the same amount (roughly 22%) in the 2009 financial crisis as Colgate's own endowment did. The expensive private-investment strategy provided no extra protection in the one downturn that mattered most.
- c) "Irreversible financial damage" comes from being forced to sell assets at the bottom - avoidable when liquidity is managed well. Index funds can be sold far more easily than the private investments Colgate holds, and a sensible index strategy keeps bonds and cash on hand precisely to fund the budget through a downturn without selling at a loss. In other words, an index approach makes this risk *easier* to manage, not harder. Private investments can often only be sold in a downturn at steep discounts. Locking money into them doesn't protect against "permanent impairment" - it invites it.

2. Colgate's weaker returns reflect less risk-taking

Colgate's claim (website):

"The asset allocation policy is constructed to maximize total risk-adjusted return ... tempered by the university's need to preserve capital and minimize the volatility of returns."

Reinforced in correspondence with me:

"Colgate's focus has been on delivering strong long-term risk-adjusted returns over market cycles, and we have been able to do that ... what works for Bowdoin or Amherst may not be in Colgate's best interest. ... Colgate's smaller endowment per student ... results in a lower risk tolerance compared to some of our peers."

Neither claim withstands scrutiny.

- a) This rests on private investments appearing less risky because their prices are updated infrequently and are often only estimates. When prices barely move on paper, the strategy looks calmer than it really is — and the genuine risks of private investments (not being able to sell quickly, and valuations that are only educated guesses) are left out of the picture entirely. Peers like Wesleyan and Amherst plainly explain the lower volatility of private assets to their stakeholders rather than presenting it as superior risk management.
- b) Bowdoin and Amherst take the same private-investment-heavy approach and also show low apparent risk — they simply execute it far better. And the “smaller endowment” rationale doesn’t hold: Wesleyan’s endowment per student was smaller than Colgate’s ten years ago, yet it ranks among the very best performers with best-in-class transparency.
- c) When the same explanation appears in the investment office’s materials and in the board’s correspondence without independent testing, stakeholders are left with no evidence the claims have been examined. Independent verification is precisely why boards exist — and what a professional structure, with published benchmarks, makes routine.

3. We are adequately staffed because the investment committee is experienced

Colgate’s claim (website):

“The Investment Committee, comprising individuals with deep and diverse investment experience, manages the portfolio.”

This cannot be verified — and does not hold up.

- a) Colgate’s investment performance ranks ~86 of 123 large endowments over the last decade. The claim conflates experience with skill, and wealth with investment ability. Because Colgate won’t disclose who serves on the investment committee, there’s no way to judge whether its members have actually been successful investors. One prominent trustee has a publicly documented track record of significant losses in funds he managed. He closed his hedge fund twice. Without disclosure, alumni cannot know who is guiding the endowment or what their records show. A claim of “deep experience” cannot substitute for identification.
- b) The committee doesn’t actually “manage the portfolio.” It hires outside firms to manage pieces of it. That requires a strong process for choosing managers - a different skill altogether, closer to a team’s general manager than to a star player. Colgate has not demonstrated it.

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