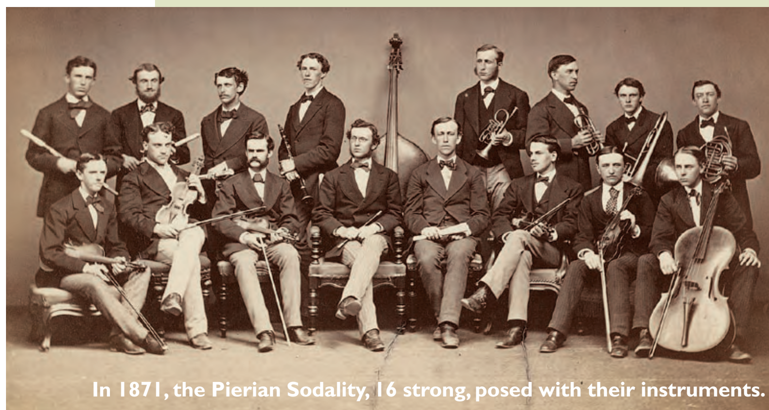
ment partnerships, to advance funds in the future to the respective managing partners for those assets. He figured that Harvard has $11 billion of future commitments to such partnerships (extending over the next decade; see "Leverage and Liquidity," July-August, page 52), and an endowment now valued at $25 billion. Bary reported that Yale has $8.7 billion of future commitments, and Princeton $6.1 billion—looming larger in relation to their current endowments' values than is the case at Harvard. (Stanford's future commitments were not disclosed.) His forecast: "The brutal market of the past year could mark the end of the alternative-investment boom," as endowment managers "move back toward the traditional stocks and bonds that once were staples of their investment portfolios."

The August *Vanity Fair*, released on July 1, covered some of these topics, more colorfully, in Nina Munk's long article "Rich Harvard, Poor Harvard." It chronicles what Munk termed "overbuilding," "extravagance," "flawed investment decisions," and an atmosphere of "recriminations and backbiting" at a time when "Harvard is in trouble, and no one can decide who's to blame, or what to do next."

For the Joy of It

Last year, the Harvard-Radcliffe Orchestra (HRO), formerly known as the Pierian Sodality of 1808, celebrated its bicentennial. It could claim to be the oldest orchestra in America: relative newcomers like the New York Philharmonic (1842), Boston Symphony Orchestra (1881), and Philadelphia Orchestra (1900) arrived decades later (see "Two Centuries of Sound," May-June 2008, page 23). But in its early years, the Pierian Sodality, named for the mythical spring that gave Greek gods musical inspiration, was simply a loose collection of students who liked to play music together. One of their most pleasant pastimes was serenading young ladies. On the night of June 22, 1820, for example, they "...serenaded almost every pretty girl in Boston…and returned to Cambridge at day break on the 23rd."

This detail appears in a graceful, profusely illustrated, and highly readable history of the HRO, *For the Joy of It,* recently published by the Pierian Foundation (copies are available from a foundation director, Christine Balko Slywotzky, at cbslywotzky@yahoo.com). Mixing history and anecdote, the 76-page volume narrates the evolution of that small cadre of musicians (whose number shrank in 1832 to only one, Henry Gassett of the class of 1834, a flutist—and soloist) into a full-scale orchestra that has played in Berlin and Moscow and toured Taiwan, Korea, and Japan, among other foreign travels. *For the Joy of It* traces the growth of the orchestra through its various phases and conductors, and provides a charming account of a long, adventurous voyage conducted on waves of sound.



In 1871, the Pierian Sodality, 16 strong, posed with their instruments.

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The guilty pleasure of reading such retrospectives aside, they prompt some observations about the endowment past and present, and key questions about its future—and the resulting constraints on the University.

First, Harvard Management Company's (HMC) diversified portfolio, with its significant use of alternative assets, has long yielded high returns (see "The Endowment Manager's Perspective," page 46, for some of the data)—outpacing gains from conventional stock and bond investments, and weathering the shock losses of the past 12 months better than many other investments.

Earlier this decade, as the endowment grew rapidly and as alternative-investment options proliferated, HMC's appetite appears to have increased. In part as HMC professionals left to set up their own firms, the share of endowment assets managed in-house declined from 70 percent to 30 percent. According to University financial statements, the endowment was valued at $25.9 billion at the end of fiscal year 2005, and future commitments to investment partnerships during the ensuing decade totaled $3.4 billion. Shortly thereafter, HMC president and CEO Jack Meyer and the large fixed-income team departed to form their own firm. The multibillion-dollar pool of assets they had managed was temporarily parked in cash instruments—and then, apparently, rapidly redeployed, consistent with the strategies put in place by Meyer's successor, Mohamed El-Erian (who in turn returned to his private firm in late 2007). In the following fiscal years, the University reported these endowment values and future commitments, respectively:

2006: $29.2 billion and $7.2 billion
2007: $34.9 billion and $8.2 billion
2008: $36.9 billion and $11 billion

Thus, as the endowment value grew 42 percent from fiscal year-end 2005, future commitments to asset-management partners more than tripled. The challenges are now twofold: funding those commitments when liquid resources are limited (in part because past investments are not generating significant cash distributions to Harvard and other limited partners); and determining whether new investments will now earn the returns anticipated when the commitments were made.

Whatever decisions were made then—and no Harvard leaders are dwelling publicly on the past—the endowment managers and the University, of necessity, are pursuing different courses today. HMC will report its results for fiscal year 2009 in mid September. The endowment overall should be more liquid, but the proportional weighting of certain illiquid assets could increase, depending in part on sales, purchases, and performance throughout the portfolio. (In addition to president and CEO Jane Mendillo's comments on page 46, she hinted about changes in a May interview with the *Gazette*; see www.news.

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