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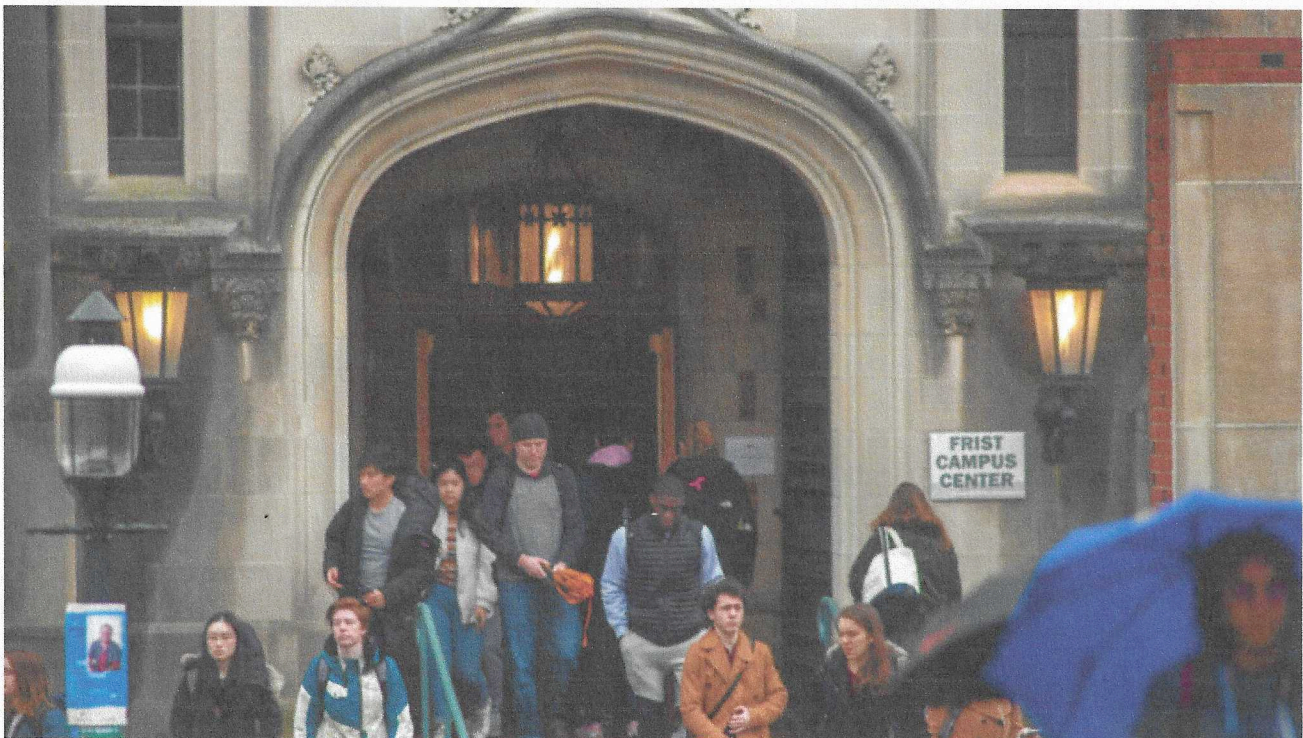
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Princeton University

Princeton University cuts expectation for endowment returns

Move could translate to \$11bn less in assets over next decade and lead to budget reductions at Ivy League school



Princeton's move underscores the challenges facing the endowment investment model © Getty Images

Sun Yu in New York

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Princeton University has cut the long-term return assumption on its \$36bn endowment, as heavy exposure to crowded private equity investments weighs on its ability to repeat its past performance.

Christopher Eisgruber, Princeton's president, said in his annual state of the University letter on Monday that "changing market fundamentals", driven by excess capital in limited investment opportunities, would cause a persistent decline in long-term returns. The endowment has lowered its return expectations from 10.2 per cent to 8 per cent, though even the lower assumption "might be considered aggressive".

The reduction could translate into \$11bn less in endowment assets over the next decade, a figure exceeding the proceeds of the university's past two big fundraising campaigns combined. As a result, Princeton had sought 5 to 7 per cent spending cuts across the university over the past 12 months, said Eisgruber, adding that the long-term decline in endowment return would require "more targeted, and in some cases deeper, reductions over a multiyear period".

Princeton's move underscores the challenges facing the endowment investment model, which relies heavily on illiquid but historically lucrative private assets. Higher interest rates have slowed exits in the short term by curbing initial public offerings and acquisitions, while an oversupply of capital has intensified competition for deals, compressing returns over the longer run.

“There is probably no way to hold a diversified portfolio and reach a double-digit return target over a long period of time,” said Britt Harris, former chief investment officer of the University of Texas/Texas A&M Investment Management Company. “Princeton has just come down to what is normal.”

The **Princeton** endowment has in recent decades benefited from an aggressive bet on private equity, which as of June 2025 accounted for more than two-fifths of its portfolio. Eisgruber said the approach worked because elite universities such as Princeton had “access to unusually attractive investment opportunities”, but that those conditions had since changed as more investors entered the space.

Princeton’s endowment returns in the years following 2021 — when it hit a record high of 47 per cent — were “among the worst that the university has had”, Eisgruber said, marking the first time the organisation reported two consecutive years of negative performance.

The picture is also worrying over a longer time horizon as the Princeton endowment’s 20-year rolling return dropped steadily from more than 14 per cent in 2005 to less than 10 per cent in 2025.

“We might be too pessimistic, but it is also possible that we are being too optimistic,” Eisgruber said.

Harris said many institutional investors, ranging from pension plans to university endowments, had rushed into private markets without thinking through risks. “They ran to an overcrowded parking lot and nobody could get out.”

The lower return assumption, said Eisgruber, could make a huge difference for Princeton's growth when the institution's economic model depends heavily on its endowment amid federal funding cuts by the Trump administration.

Harris said university endowments could learn a lesson from Princeton, which he said had pushed too far into private equity. "You took a good thing too far and now we have to reel it back in."

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