
BENEFICIAL LONG-TERM INVESTING


Can You Really Have Your Cake and Eat it Too?

Moderated by:
Panelists:

Alice DonnaSelva, Intentional Endowments Network

Libby Georges, Director of Investments, NC State University

Jeff Mindlin, Vice President of Investments, ASU Enterprise Partners



Polling Question 1

- **What is your role at your institution?**
- A. Financial Office Professional – CFO, Controller, VP of Finance, etc
- B. Sustainability Office Professional
- C. Faculty
- D. Trustee



Intentional Endowments Network

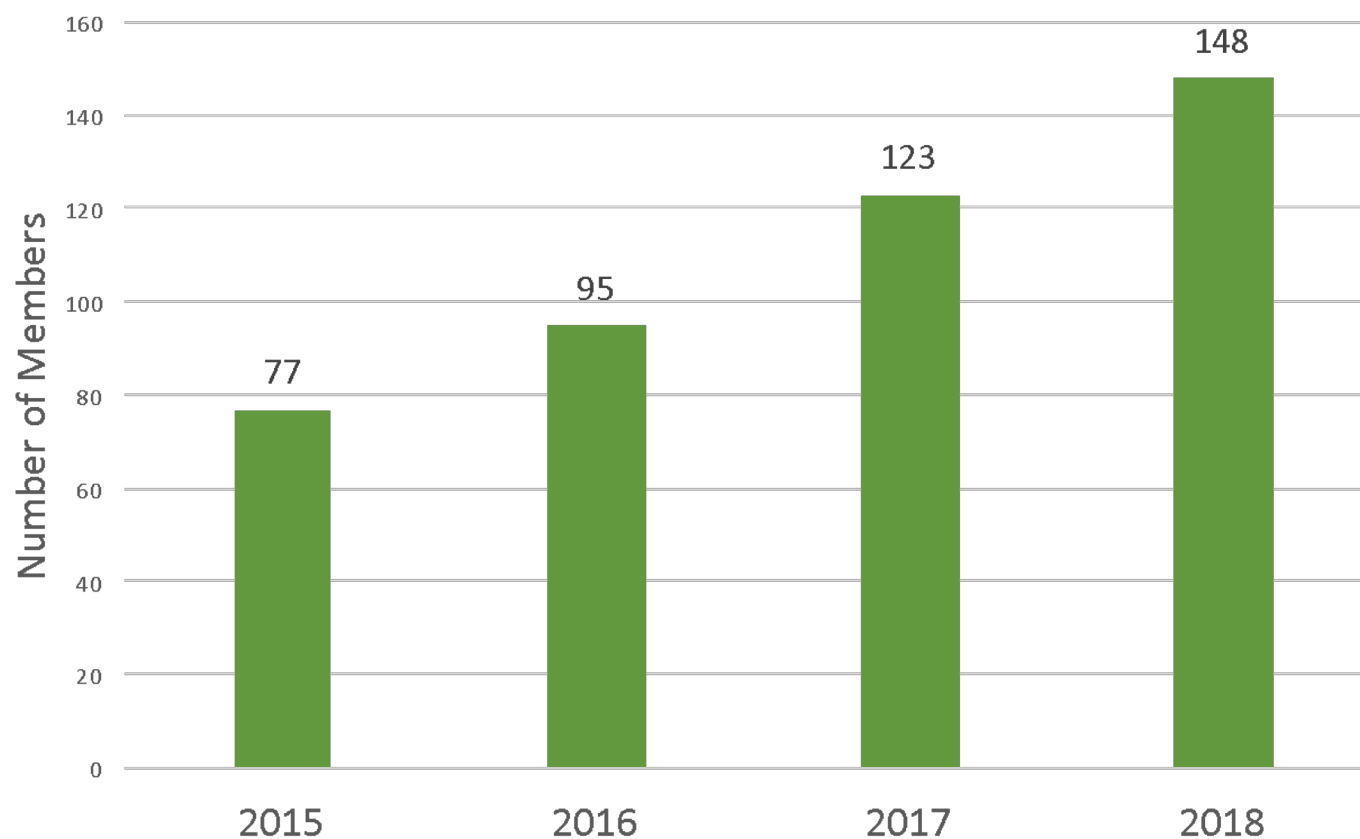
IEN is a **non-profit peer-learning network** aiming to make *intentionally designed endowments* the norm.

Intentionally designed endowments: achieve risk return objectives while aligning investments with institutional mission, values, and sustainability principles.

Supportive of all approaches: SRI, ESG, impact, positive & negative screens, divestment, values-based, shareholder engagement, etc. across asset classes --- *“sustainable investing” as umbrella term*

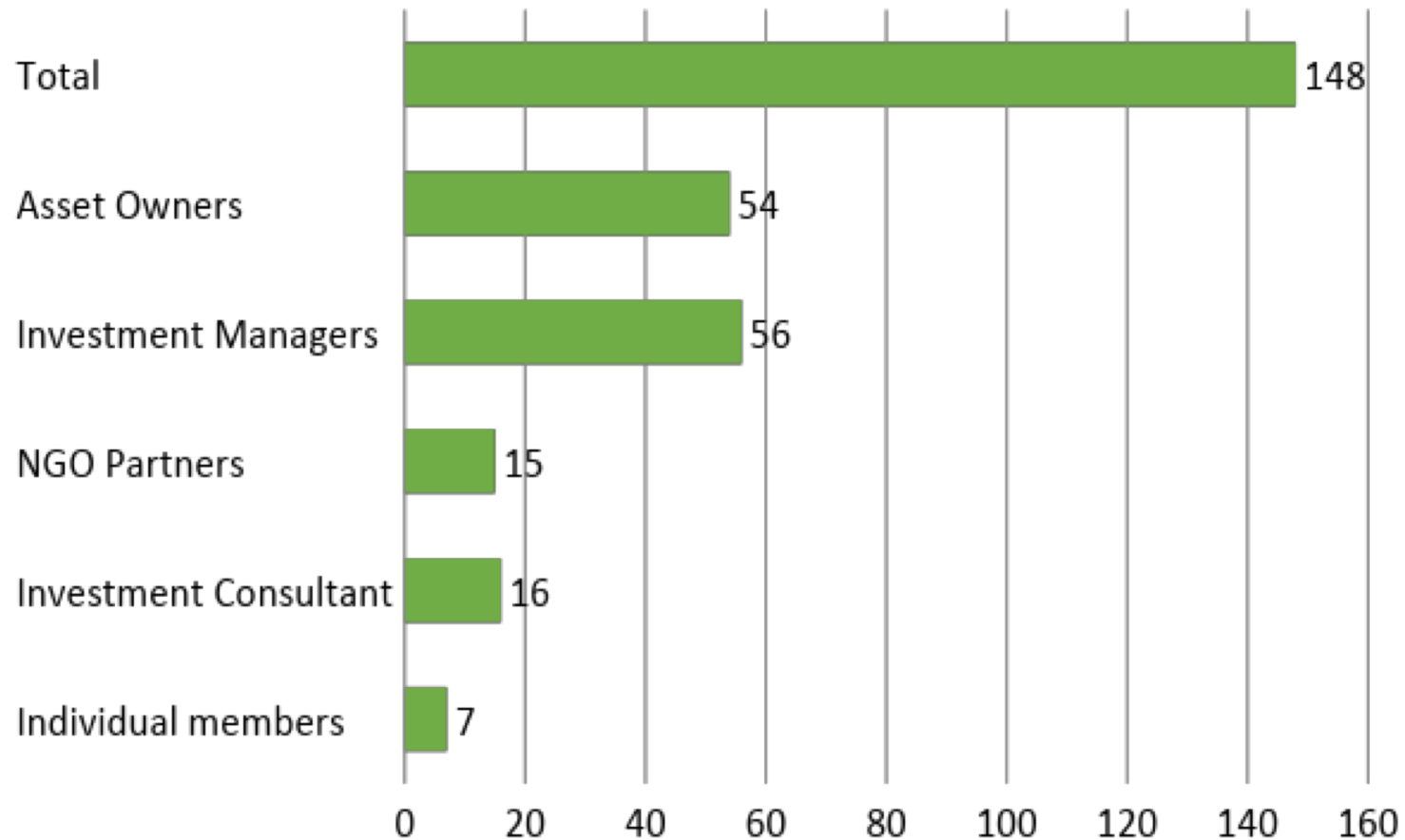
Growing IEN Membership

- *77 founding members in 2015 to 148 members today*

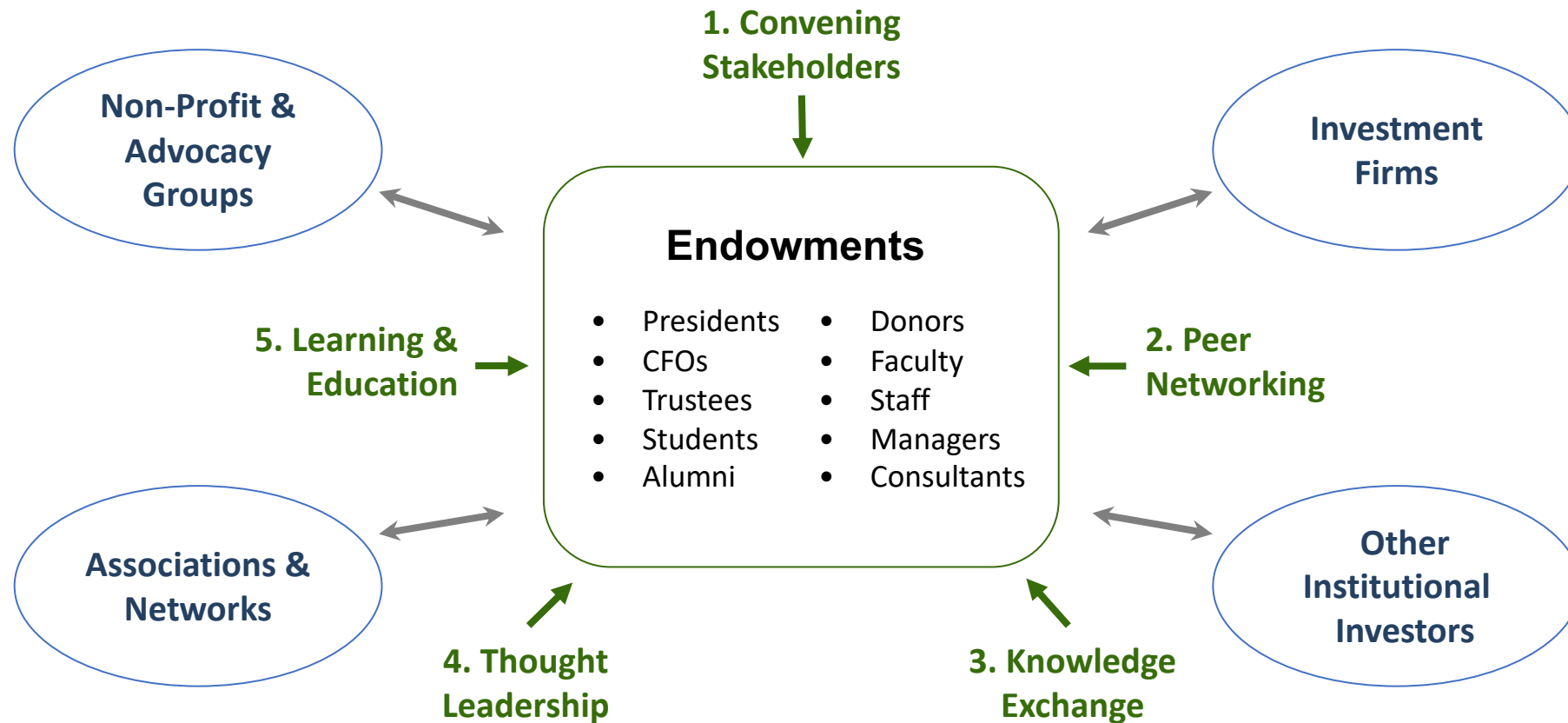


IEN Members

Endowment professionals joining with financial experts and non-profits



How the Network Works





Working Groups & Projects

Current Groups & Initiatives

- Trustee Peer Group
- Fiduciary Duty & Investment Policy
- Diversity, Equity & Inclusion (DEI)
- Student Managed Funds = “SIILK Network”
- Gender Lens
- Shareholder Engagement
- Climate Solutions Investment Initiative (CSII)



Beneficial Long-Term Investing

Making Sense of the Terms

- **Socially Responsible Investing (SRI)** uses both positive and negative investment criteria to align investments with mission or values. Today, many use this term to refer only to the strategy of negative screening. **Negative screening** is the strategy of excluding companies, industries, or countries that the investor considers to be irresponsible investments.
- **Environmental, Social, and Governance Investing (ESG)** aims to create a more complete picture of potential investment risks and opportunities by factoring environmental, social, and governance criteria into investment decisions.
- **Positive screening** involves investing in companies that meet certain ESG criteria as determined by the investor, often looking to find “best-in-class” companies within a sector
- **Impact investing** involves investing in projects or companies with the purpose of generating positive social or environmental change (e.g., clean technology private equity funds).
- **Shareholder engagement or advocacy** is a tactic of using ownership in a company to improve its social responsibility practices by voting at shareholder meetings, filing resolutions or engaging in dialogue.

Polling Question 2

- **Where is your institution in terms of aligning its endowment with its mission or considering environmental, social and governance factors in investing?**
- A. Barely on the radar
 - B. Just getting started
 - C. More conflict than understanding
 - D. Agreement to take action
 - E. Developing an ESG investment policy
 - F. ESG Policy recently enacted
 - G. ESG Policy with Track Record


Endowment Landscape

- **2017 NCSE Study (809 participants)**

- **16%** included in their portfolios investments that rank high in ESG criteria
- **23%** excluded or screened investments
- **13%** allocated a portion of portfolio to investments that furthered mission

- **STARS data (376 rated institutions):**

- **39%** of rated institutions earned some points for “sustainable investment”
- **20%** have a Committee on Investor Responsibility
- **18%** have a publically available sustainable IPS with ESG considerations



Roadmap for Endowments

Step by step guidance for fiduciaries

1

Fiduciary
Education

2

Build
Consensus

3

Formalize
Investment
Policy

4

Assess
Current
Portfolio

5

Align
Portfolio
(multiple
approaches)

6

Monitor and
Communicate
Progress

NC State Foundation, Inc.

Sustainable Responsible Impact Fund

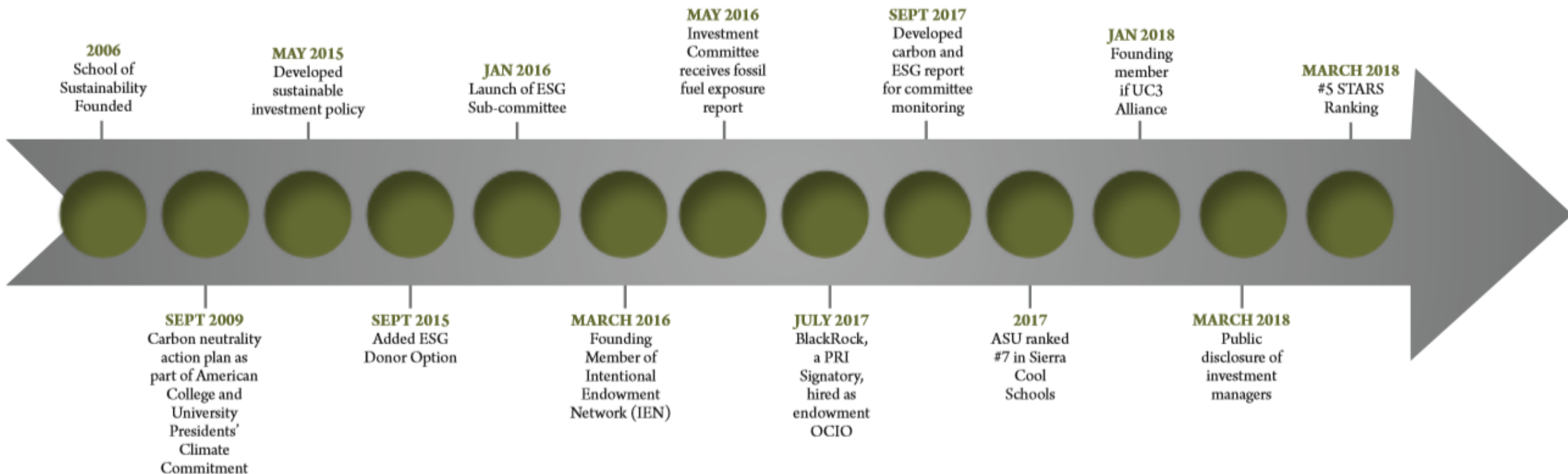
Learning and Consensus Building



- Staff Research
- MBA Case Study
- Manager Interviews
- Fund Research

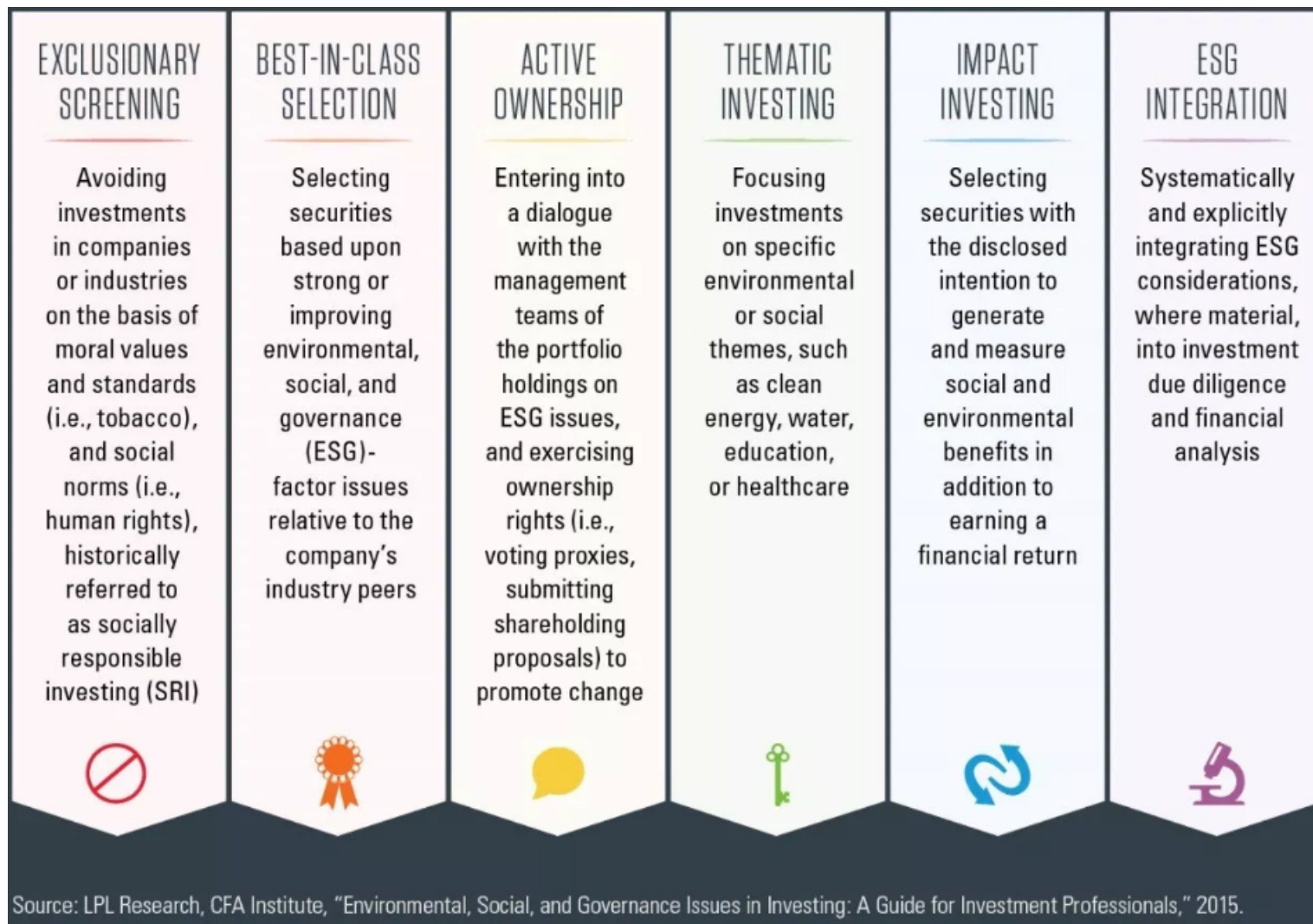
Arizona State University

Ongoing Commitment to Sustainability




ASU Enterprise Partners

Learning and Consensus Building



Polling Question 3

- **Which of these sustainable investment practices has you begun implementing? (Select as many as apply)**
 - A. Exclusionary Screening
 - B. Best-In-Class Selection
 - C. Active Ownership (proxy voting, shareholder engagement...)
 - D. Thematic Investing
 - E. Impact Investing
 - F. ESG Integration



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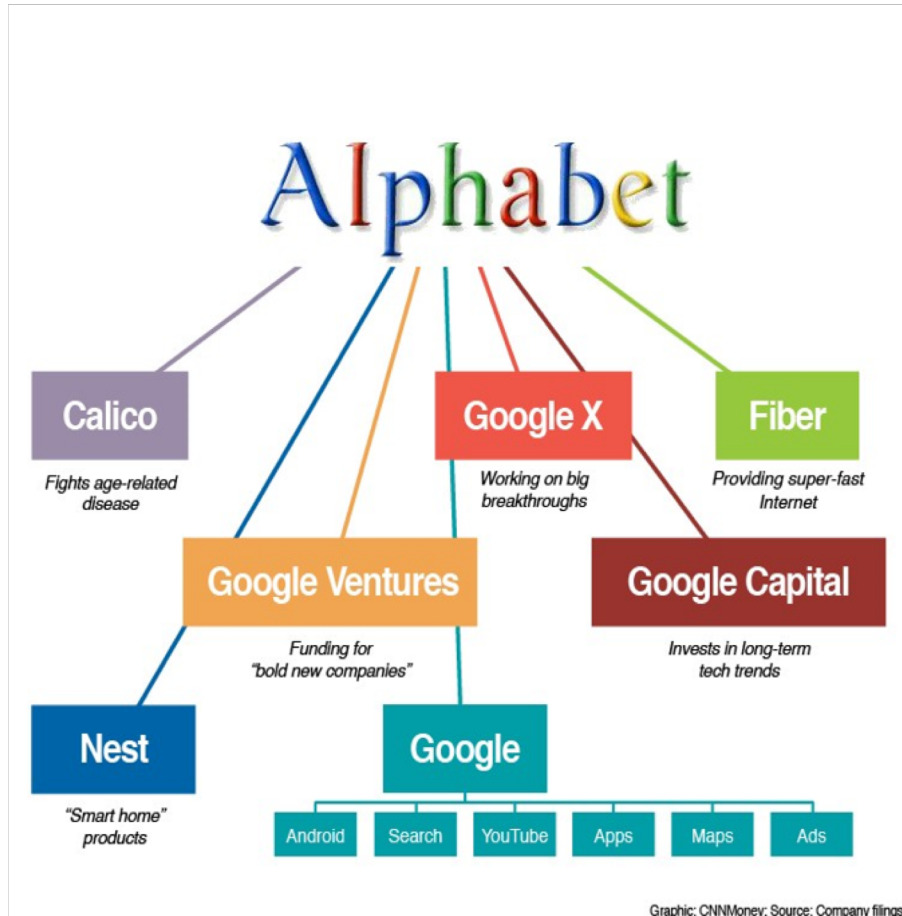
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ASU Enterprise Partners

Organizational Structure



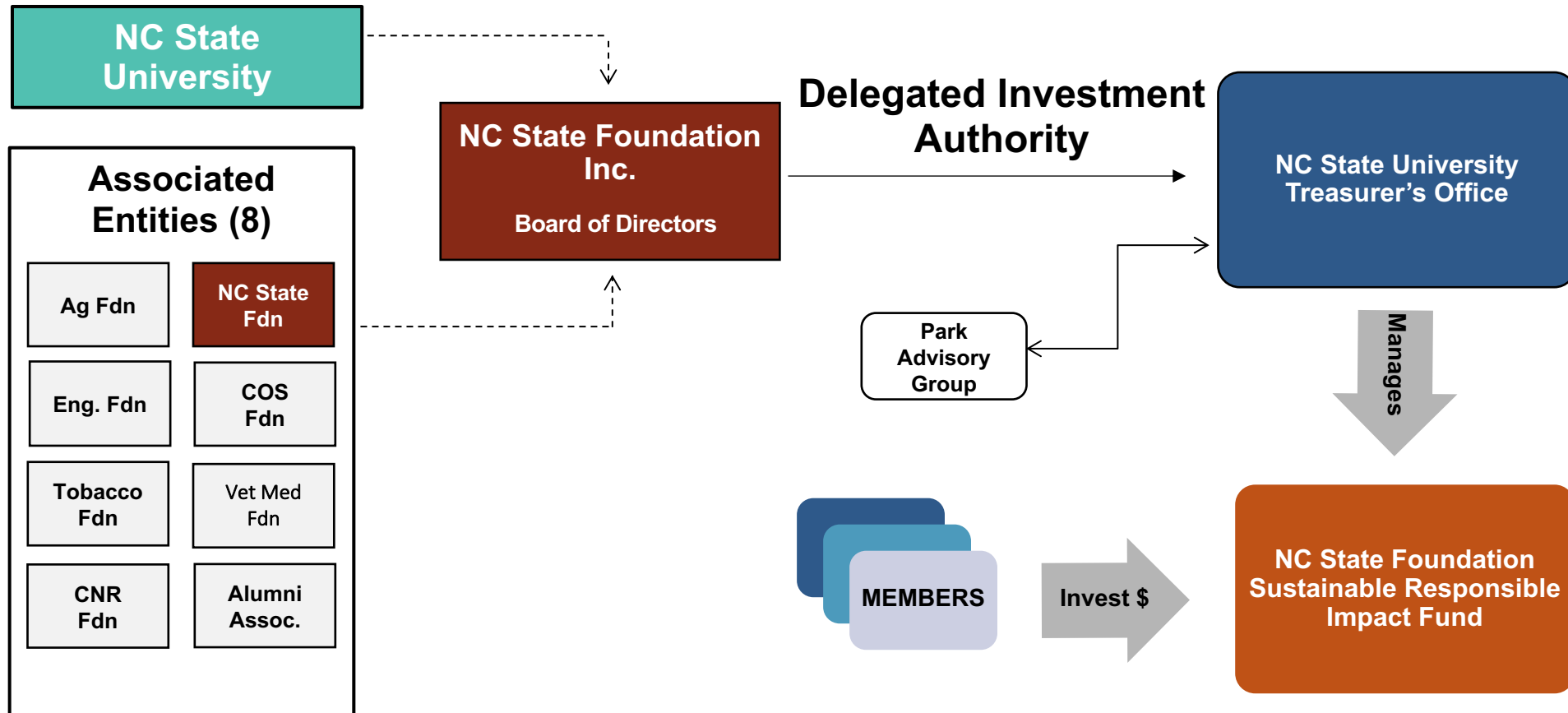
ASU Foundation

Governance Structure



NC State Foundation SRI Fund

Governance Structure



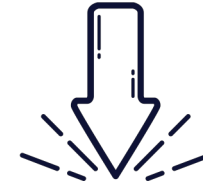
NC State Foundation SRI Fund

Policies

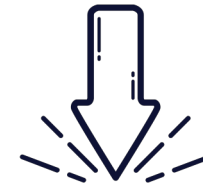
Sustainable Investing Guidelines

Sustainable Investment is the integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance.

University Mission



Sustainable Investment Beliefs



Sustainable Investing Philosophy

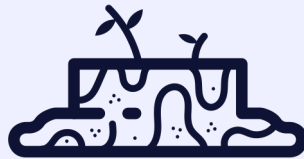
NC State Foundation SRI Fund Policies

Environmental



- Climate Change
- Waste Management
- Pollution Management
- Water Supply
- Transportation
- Sustainability Best Practice

Social



- Working Conditions
- Health & Safety Conditions
- Employee relations & diversity
- Product Quality & Safety
- Community Impact

Governance



- Board Structure
- Executive pay
- Independent Board
- Separate CEO & Chairman
- Audit Quality



- Sustainability themed investing

- Negative/Positive Screening

- Impact/Community investing

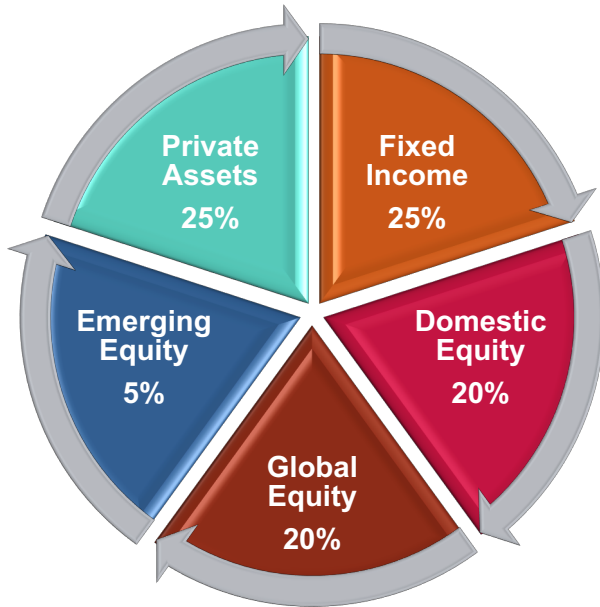
- Integration of ESG Factors

- Corporate engagement & Shareholder

NC State Foundation SRI Fund

Policies

Investment Policy Statement




Target Allocation and Benchmarks by Asset Class

Asset Class	Target Allocation	Tactical Range	Benchmark
Long Biased Equity	50%	45% - 85%	MSCI ACWI
Domestic Equity	25%	10% - 40%	Russell 3000
Global Equity	20%	5% - 35%	MSCI ACWI
Emerging Mkts Equity	5%	0% - 10%	MSCI Emerging Markets
Fixed Income	23%	10% - 40%	Barclay's Aggregate
Private Assets	25%	10% - 35%	MSCI ACWI +4%
Cash	2%	0% - 10%	Barclays Treasury 1-3 Month



Risk Tolerance



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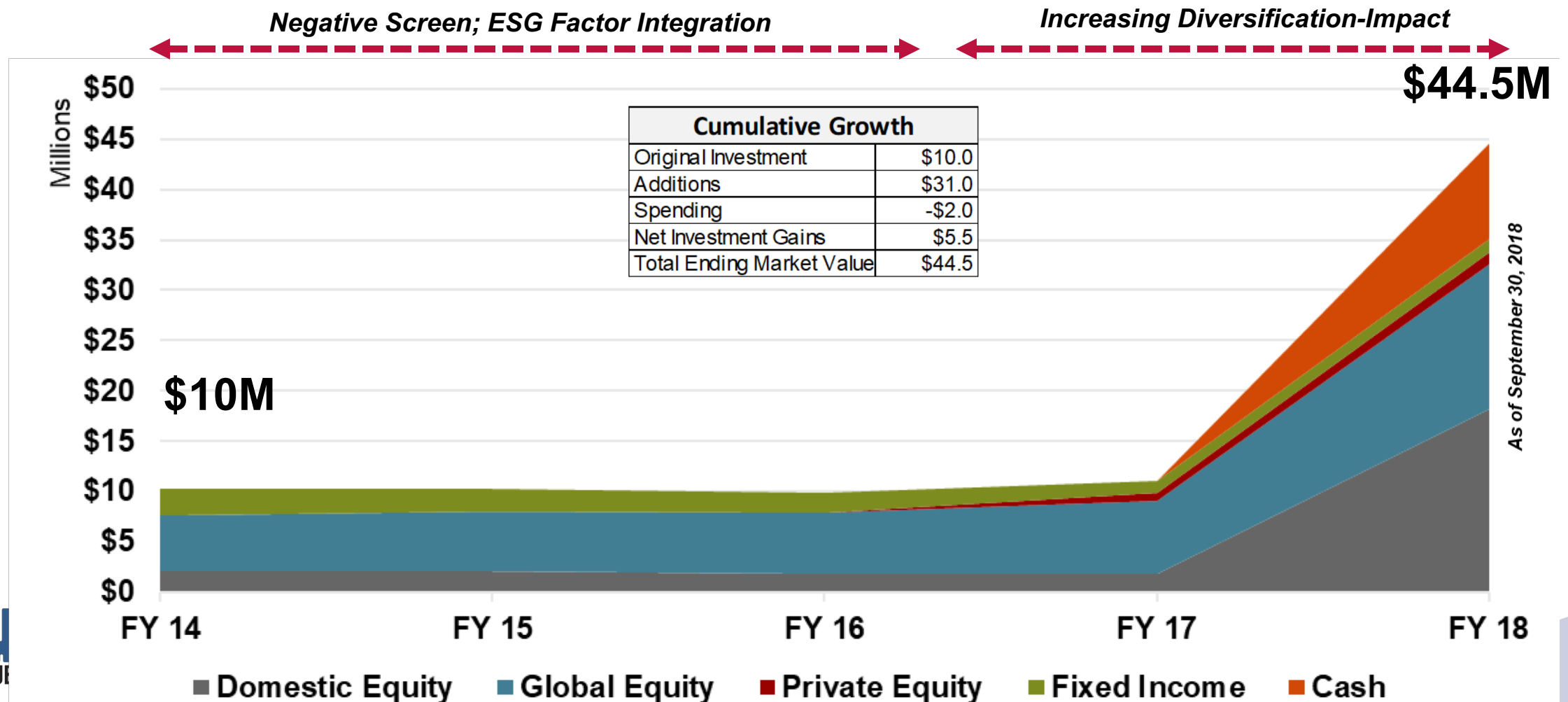
ASU Enterprise Partners


Assessing the Portfolio

- Focus on the public equity portion:
 - MSCI ESG scores
 - BlackRock Carbon Intensity
 - Fossil fuel, weapons, and tobacco exposure
- Non-parametric measures for other asset classes
 - PRI Signatories
 - Formal ESG policies
 - Direct real estate LEED certification and management

NC State Foundation SRI Fund

Assessing the Portfolio





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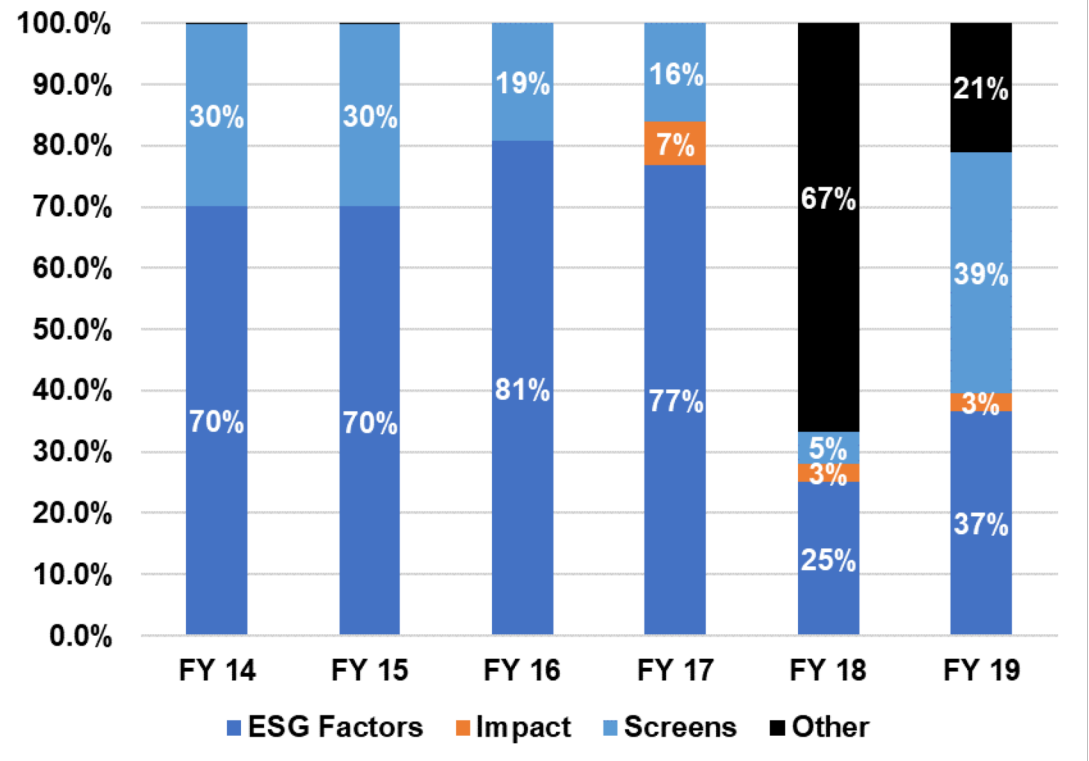
Alignment of the Portfolio


By Asset Class

\$44.5M

9/30/2018	Tactical Target*	Actual %	Over (Under)
GROWTH	75%	75.9%	0.9%
DOMESTIC EQUITY	25%	40.8%	15.8%
GLOBAL EQUITY	25%	32.3%	7.3%
PRIVATE ASSETS	25%	2.7%	-22.3%
RISK REDUCERS	25%	24.1%	-0.9%
FIXED INCOME	23%	2.8%	-20.2%
CASH	2%	21.3%	19.3%
TOTALS	100%	100%	0%

By Investing Strategy





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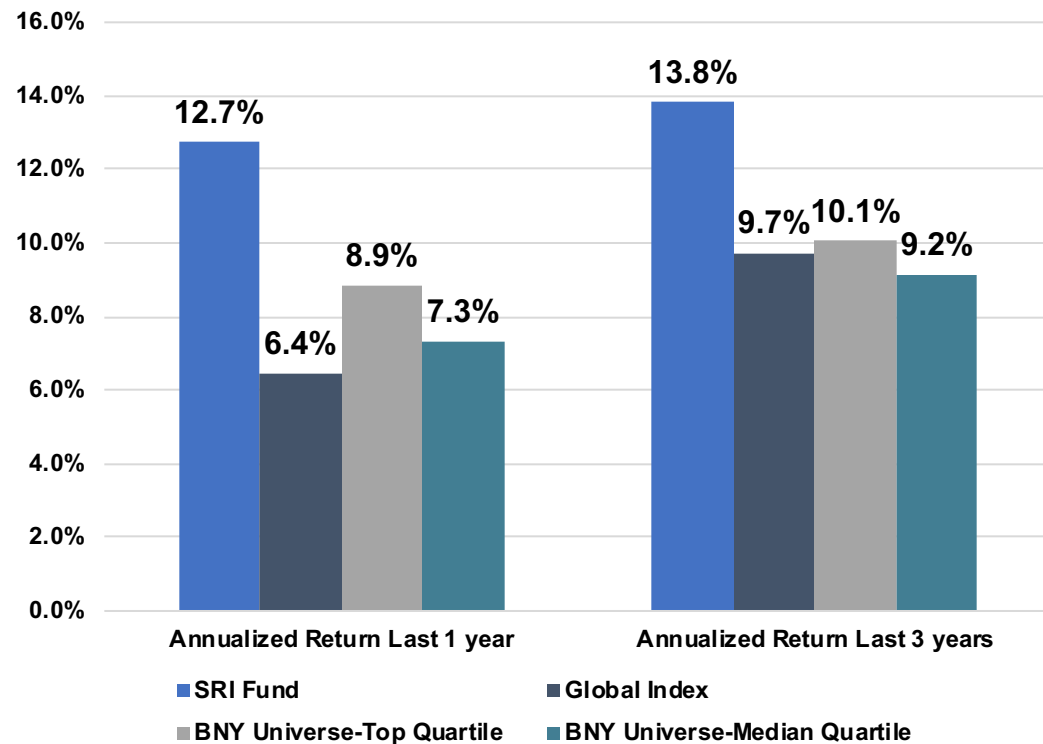
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NC State Foundation SRI Fund

Monitoring Performance

Financial Performance



As of September 30, 2018

Measuring Impact

- Current



Annual Report

- Future




NC State Foundation SRI Fund

Communication

- Annual Report
- Donors
- Conference
Networks: IEN,
NACUBO, NMS, TII,
etc.





Polling Question 4

- **Which of the following best describes your institution's hurdles in making progress on ESG implementation?**
- A. Lack of knowledge about ESG
 - B. Concerns about meeting fiduciary standards
 - C. Concerns about financial performance
 - D. Lack of time and resources to explore
 - E. The trustees of your institution do not look at endowment investing as a way to further the mission of your school

The Intentional Endowments Network (IEN)

IEN is a **non-profit, peer-learning network** aiming to make *intentionally designed endowments* the norm

*Initiative of **The Crane Institute of Sustainability**, a tax-exempt 501(c)(3) non-profit based in the Boston area.*

www.IntentionalEndowments.org

www.CraneSustainability.org



Higher Education Climate Leadership Summit

February 10-12, 2019, Tempe, AZ

www.higheredclimatesummit.org

Agenda

Integrated plenaries across education, research, operations, endowments

Endowment track – structured around *Roadmap*

“Next Level Conversations” – small roundtable dialogues led by expert speakers

Jeremy Grantham
Keynote Speaker