IEN TOOLKIT:
How to Start and Run a Student-Managed Sustainable Investment Fund

COLLEGES AND UNIVERSITIES ACROSS THE COUNTRY have been creating student-managed funds to offer their students real-world experience in financial investment analysis and portfolio management for several years. Student-managed funds promote student leadership, advance education and real-world training, and enhance the ability of all graduates to drive sustainability solutions throughout their careers. Student consultations on sustainable investing to the institution's endowment based on student-managed fund performance are increasingly common, benefiting both students by providing practice and experiential education, as well as endowments by providing research and new ideas.

Student-Managed Funds can be designed in several ways, and there is growing interest in how new and existing funds address sustainability factors in the investment process. This growing interest led several groups to connect and share ideas and best practices on sustainable investing and student-managed funds. The Intentional Endowments Network (IEN) is supporting this work through the SIILK Network[1], which offers a space for students, faculty members, and other interested parties to share current resources, events, and curriculum. This growing network is identifying resources that will aid in the creation of new student-managed funds, expand current student-managed funds, and increase sustainable investing related academic programs.

Throughout this resource we use the term sustainable investing broadly to mean aligning investment practices with institutional mission and values and/or explicitly integrating environmental, social, and governance (ESG) risks and opportunities in the investment process, regardless of the strategies used to do so. These strategies may include but are not limited to responsible investing (RI), socially responsible investing (SRI), impact investing, mission-aligned investing, shareholder engagement, positive or negative investment screening, and community investing.

Intentional Endowments Network

An initiative of CraneSustainability.org

1 Useful Tips Before You Start a Student-Managed Sustainable Investing Fund

QUESTIONS TO CONSIDER

- Are there any current student investment funds at your school? Do they incorporate impact? Would they be interested in pursuing more impact? Would they be interested in helping you start a new impact fund?
- Are there currently any impact investing focused professors? Would they like to advise the fund? Can you get them interested in being the fund's ally to help it get started?
- Are there currently any impact investing classes? Does it make sense to draw fund managers from the students? Does it make sense to start the fund as part of the class?
- See Step 6: Operational Structure
- How transparent is the endowment? Do endowment staff interact with students? Could they advise the fund, or carve out a portion for impact that students could contribute ideas to?
- See Step 3: Sources of Capital

STUDENT INTEREST

In order for any sort of sustainable investing initiative to be implemented, student interest is essential. This can be manifested through different varieties of sustainable investing (i.e. ESG screening, direct impact investing etc.) but it is important that a group of like-minded students come together and express a commitment to creating something new. You may find students in a traditional student managed fund or finance/economics programs that are interested in exploring ESG and impact. You may also find students working on social and environmental issues that want to explore having an impact through investing.

ADDRESSING STAKEHOLDER CONCERNS

Funders may be skeptical about students' ability to run an impact fund. 'You can rely on the expertise and experience of other student-managed funds involved in this working group to provide credibility to the concept.You can reference the hands-on learning that students get through running an impact investing fund.[2] You can also note that student funds give students the opportunity to innovate and bring new ideas to the impact investing space. Additionally, if you focus on community investing, you have the opportunity to integrate the student body more with the community.

CONNECTION WITH ADMINISTRATION

Having contacts within the university's administration who are interested in supporting a student led initiative is extremely helpful. Administrative allies can help give your fund credibility and lend institutional support. The lower churn rate seen among university staff members supplements the higher turnover in students by demonstrating longevity and a commitment to strategy. In addition to providing a sense of structure and oversight, administrative connections will be instrumental in the actual execution of planned initiatives. Specifically, administrative contacts in the university's extracurricular, fundraising and endowment departments will prove to be very beneficial.

FACULTY MEMBER SUPPORT

Having a supportive faculty member can also be helpful. It can provide the group with credibility with donors and immediate advising when starting the fund. You can reach out to faculty with experience in finance, as they will be able to offer experience and guidance in the day-to-day operations of managing a fund.

2 What Types of Sustainable Investing Approaches Are There?

NOTE: These investment strategies are adapted from *The Seven Tribes of Sustainable Investing*[3] listed in *Sustainable Investing: Revolutions in Theory and Practice,* Edited by Cary Krosinsky & Sophie Purdom. The strategies on this list are not mutually exclusive–many funds simultaneously employ a number of these approaches.

VALUES FIRST / ETHICAL INVESTING

For values-first investors, the achievement of certain environmental, social, and governance (ESG) standards is a primary consideration in investment decisions. This approach often includes negative screens of industries or companies whose products or services are believed to be detrimental to the environment or society. It is the oldest strategy in the space; many values-first funds were started by groups with religious mandates. It is important to note that this is just one kind of fund under the sustainable investing umbrella. If you decide to start a Socially Responsible Investment fund, it is crucial to explicitly define your values. Does your group care about weapons manufacturing, animal welfare, tobacco, or other issues? Would you like to avoid companies that do social harm or invest in companies that do social good? In order to find sustainable investing investments, you can look at funds listed on the Forum for Sustainable and Responsible Investment (USSIF) website[4] and choose those funds or learn about how they approach sustainable investing, and emulate them. You can also create your own separate account if you want to engage in stock selection yourself rather than have a fund manager do it for you. If this is the case, it will be important to have a good source of data such as Bloomberg, MSCI, or Sustainalytics to understand the sources of a company's revenue. Some screens are simple, such as screening the tobacco industry (a GICS subsector) but other screens are more difficult, such as knowing which companies use animal testing or mistreat animals in running their business.

IMPACT INVESTING

Impact Investing has become more broadly considered by socially responsible investors in the last decade, and is characterized as the proactive selection of investment opportunities that deliver measurable social and environmental returns while bringing a venture capital-like dynamism and diversified financial return characteristics into the social investing space. Impact investing aims not only to provide capital to a wide range of challenging sectors that generate social and environmental impact, but also to deliver appropriate financial returns depending on the context and the social issue it is trying to tackle and the risk appetites of principal investors. It attracts a new and avid breed of informed investors, many of whom are millennials and women, who are interested in finding more creative ways to use capital to solve social problems at all levels of scale. Impact Investors are intentional with how they create positive impact through investments in funds, companies or organizations in both emerging or developed markets. Often, impact investing focuses on community investment. According to the Global Impact Investing Network, there are $60 billion impact investment assets under management. You can use resources put together by GIIN to evaluate the impact of your potential investment opportunities.[5]

THEMATIC INVESTING

Generally, thematic investing involves identifying long term trends and then finding companies, sectors, or regions that will benefit from those trends. One financial advantage that thematic investing has is that it focuses attention on areas of promise and activity. On the other hand, investors can run into problems if they invest in fads that do not last long. Thus, most successful thematic investing strategies involve screening for factors like liquidity, risk, and earnings potential. As an sustainable investing application, thematic investing selects companies based on a theme, such as water or climate change or good workplaces. You can choose to invest in thematic products, like clean energy Exchange Traded Funds (ETFs), or you can construct your investment choices based on how the companies interact with a theme. Some examples of currently expanding areas of interest include green bonds, sustainable architecture, and green real estate. USSIF has a series of five guides for sustainable investing[6] in line with different themes: advancing women, climate action for institutional investors, climate action for individual investors, and confronting money in politics.

ESG INTEGRATION

This is another strategy that is currently on the rise. It involves deciding which environmental, social, and governance issues are material to a company (for financial performance or other reasons) and using ESG data as another set of factors to take into account when making investment decisions. Combining ESG data with traditional financial strategies can increase returns since it helps extend investors' focus to making gains in the long run. New research by State Street[7] suggests that communication within an organization is critical for integrating ESG successfully. The Intentional Endowments Network has also created a white paper which provides support for The Business Case for ESG[8]. More data is constantly coming out to help you with ESG integration. When considering different ESG factors, it is important to choose ESG factors that are material to financial success in a specific industry. SASB offers a great resource on which metrics matter for different types of companies[9].

SHAREHOLDER ENGAGEMENT / ADVOCACY

A shareholder engagement strategy would enable a fund to express concerns directly to senior management in order to positively influence the direction of a portfolio holding. Any shareholder can express concerns to management through the Investor Relations department. Often, collaborating with other investors can make a request more powerful and connect you to more senior management within a company. Additionally, any entity owning more than $2,000 in shares of any single company for at least one year has the right to file a shareholder proposal, in which all shareholders would vote on your suggestion for improving company practices. Visit the shareholder engagement resource page on the IEN website if you'd like to dive deeper.[10]

PEER EXAMPLE: YALE'S DWIGHT HALL SUSTAINABLE INVESTING FUND

Student leaders for the Dwight Hall Socially Responsible Investing initiative co-filed a shareholder resolution with ExxonMobil that was voted on at the company's annual meeting in May of 2016 and 2017.

The fund worked with Yale's endowment to ensure the engagement project was a success. While determining the strategy and topic of the 2016 resolution, the fund worked closely with Yale's Advisory Committee on Investor Responsibility, which votes on shareholder resolutions on behalf of Yale's endowment. The fund solicited the advice and feedback of the committee, and by talking through the resolution process with Yale's ACIR, the fund was able to secure the public support of Yale's endowment.

3 Intentionally Designing Your Fund to Align with Institutional Mission & Values

NOTE: These steps are adapted from 'Step 1: Develop an Investment Strategy, 7-step Framework from TONIIC'[11]

ARTICULATE MISSION AND VALUES

Organizations' funds should be aligned intentionally with their values. Therefore, when you start a student-managed fund, it should reflect both the mission of your school and your organization within the school (if applicable). Reflect on your school's mission and make sure your fund operates in line with the school. Then, depending on the situation, you can get more specific with the fund's values. Here are some guiding questions that may be helpful as you consider your mission: Who do you intend to benefit by setting up this fund? What impact do you want to achieve by investing and how will you measure it? What are you looking for in an enterprise you decide to invest in? Write out these thoughts and discuss them with your team.

DECIDE ON INDUSTRY, IMPACT GOALS, INVESTMENT THEMES, AND IMPLEMENTATION PLAN

Your mission and values will determine your fields of interest, in a general sense. Now, get more granular. Define which large-scale problems or injustices you want to address, and translate them into specific, process-based themes. For example, you may determine you want your work to positively impact agriculture. From there, you can determine that your fund will support programs that use sustainable techniques, are regional, and promote diversification.

Then, you should lay out which sectors and geographic regions to work with. Decide if you want to focus on one sector or many sectors. Focusing on one sector is helpful if deep expertise helps your strategy; diversifying sectors is helpful if your priority is to distribute risk. Decide your geographic boundaries and make them manageable–this is important for your portfolio because different regions have different regulations and risks.

4 Sources of Capital: Different Ways to Get Funds

ENDOWMENT

Some endowments may allocate a small portion of their capital to a student managed fund. The benefits of a fund seeded by an endowment is that it offers the chance to have a continued relationship with the endowment and to lean on their investment expertise. It also may give you a chance to make the case to the endowment that sustainable investing is a good investment strategy, and encourage the endowment to do more of its own sustainable investing. The cons are that it may be difficult to get money from an endowment. If the endowment is successfully generating returns, the university may not want to take money away from the traditional endowment management strategy. Most universities separate the endowment from operational funds, which may be a more likely source of capital for a student managed fund because of the learning experience associated with creating a fund. You also may have to operate as an endowment and pay out a portion of your returns to the school, instead of reinvesting.

Examples of student sustainable investing funds that earned funding through endowments include: The Dwight Hall Sustainable Investing Fund at Yale and the Michael Price Student Investment Fund at New York University.

PEER EXAMPLE: NEW YORK UNIVERSITY

NYU's Michael Price Student Investment Fund[12] was established in 1999 through a gift by Michael Price and is part of the overall NYU endowment. It is a family of funds with around $1.8 million directly managed by Stern MBA students.

UNIVERSITY DEPARTMENT OR OPERATIONS

If your university has a department or program related to social impact investing or business or economics, it might sponsor a student sustainable investing fund. You can refer to the practical learning experience that comes from running a fund that can't be gained from classes alone. The cons are that the department may not have the ultimate authority, and there may not be people with the same investment experience. However, there are departments at other schools that support student funds, so you can reach out to these peers for help.

DONATIONS

Donations can come from several sources including but not limited to:

- **School Alumni**
  (ensuring there is no conflict of interest with the school). One way to pursue alumni funding is opening a dialogue with your school's development office. As with any business, it is important to avoid relationships that create or seem to create conflicts of interest.[13] It is common for groups to have conflict of interest statements.
- **Corporate Sponsorships**
  Sponsorships are typically deals between businesses and other organizations where corporations help others hold activities in return for exposure and marketing. The dynamic in these kinds of interactions differs from charitable donations because the sponsor needs to buy into both the other organization's mission and promotional value. Even if your group is small, you can still get corporate business deals if you're organized and persistent.[14]
- **Philanthropic Capital From Foundations**
  Foundations are entities that support other unrelated organizations' charitable activities primarily by making grants. Typically, they have a yearly schedule and published grant guidelines. Staff review grant applications and a committee on the board of trustees makes final decisions. Make sure you thoroughly research foundations and consider applying to many grants.[15]
- **High Net-Worth Individuals**
  Individual donors, or "major donors," can be especially valuable to your fund because they can dramatically change your investible capital at once. Your organization can build a relationship with donors. First, you should make sure your organization can support a system of engaging individuals and that your mission is something they will buy into. Research many potential donors and their backgrounds. Invite them to attend a meeting or meal to talk with you, and be prepared to answer questions. Don't mention money in your "ask," though–just ask for their support. A common success rate is one contribution per three "asks."[16, 17]

- **Crowdfunding**
  Crowdfunding is a collective resource-pooling practice used to finance individuals, companies, organizations, funds, projects, products or groups. This process operates via online marketplaces and electronic payment. These platforms aggregate rather small amounts of capital in a limited time-frame from many individuals who share a common interest in a specific idea, project or business. There are four main models of crowdfunding: equity, debt, reward and donation-based. For more information on using crowd funding, check out *Crowdfunding for Impact in Europe and the USA*, by TONIIC.[18]

PEER EXAMPLE: DWIGHT HALL SUSTAINABLE INVESTING FUND

Earned funding of $60,000 through Dwight Hall at Yale's endowment in 2008 and has subsequently received approximately $40,000 in donations in the past decade from board members and other alumni involved with Dwight Hall.

5 Fund Structure

ASSET CLASS TYPE

Will the fund invest only in certain asset classes, such as public market equities (stocks) and fixed income (bonds), or making private market impact investments? Or will it employ a range of sustainable investing strategies across asset classes?

The following are brief definitions of different asset classes. Information here is mostly adapted from Investopedia[19] and sustainable investing funds discussed in the Toolkit.

Individual Security Selection
Students select stocks or bonds (rather than investing in a fund and having the fund manager select stocks and bonds)

> Public Equities / Individual Stocks held through a separate account rather than a fund: ownership in a company that is publicly traded

- Sustainable investing strategies include shareholder engagement, screening, ESG diligence

> Private Equities: ownership in a company that isn't publicly traded

- Sustainable investing strategies include venture capital (investing in startups) with specific environmental or social impact in mind

> Fixed Income / Bonds: Lending capital to a company without ownership

- Sustainable investing strategies include negative screening of corporate bonds, investing solely in government bonds whether federal, state, or local, investments in line with themes and specific issues such as green real estate and green bonds[20]
- Both issuer and project being funded can be analyzed for alignment with values
- Less volatile than equity, but may also be less liquid

Fund (External Manager) Selection
Students select mutual fund managers who invest in a way that is aligned with their sustainable investing approach.

> Mutual fund: Many different investors pool capital together into a single fund, which is managed and invested by a professional advisor. These funds strike a price daily at the end of each day so there is no intra-day volatility in pricing as there is with individual stocks or ETFs.[21]

- Data providers are making increasing efforts to rate funds based on ESG criteria.[22] 'Morningstar, a well known source for mutual fund data has partnered with Sustainalytics to provide sustainability ratings on stock funds, and plans to do so for bond funds in the future.

> Exchange-Traded Fund (ETF): Like a mutual fund, an ETF is a pooled fund. The difference is that you can actively buy and sell ETFs throughout the day, like a stock. ETFs were originally designed to provide a benchmark return for low fees. This is usually still the case.[23]

- There are ETFs available with an sustainable investing strategy. As well as ETFs that invest in specific themes or industries such as alternative energy companies, companies with high gender diversity, markets for organic foods, and companies with religious mandates. ETF.com has a list of ETFs that practice sustainable investing[24] as well as a guide and recommendations for those interested in ESG investment in ETFs.[25]

As with any investment, you should distribute risk by diversifying your portfolio. Often, when starting a student-managed fund, the asset base is limited. If that is the case, it makes sense to make small investments into at least 5-10 investments or to use diversified mutual funds which invest in a number of stocks or bonds. (adapted from Toniic).

Second, it is important to consider time constraints and take on a realistic workload. Thus, the investment vehicle type you choose will depend on your time limits. If you are not managing the fund actively as part of a finance course, you might not be able to constantly attend to the fund because you have other obligations. In this case, individual stock or bond selection and monitoring the total portfolio for risk becomes more difficult. One way to more easily diversify your risk is to invest more in mutual funds and ETFs than in individual stocks or bonds,.

A student managed fund that uses this strategy is Yale's DHSRI fund; it is managed by full-time students who do not actively manage the fund. They only invest about 55% in equity; this contrasts with other student funds discussed in the Toolkit. Furthermore, changes to DHSRI allocations are only made on a yearly basis.

If you are managing the fund actively for a class, you may not have this concern. Villanova's student-managed funds are monitored by students for credit and are all long-only equity funds. Uconn's fund also invests 100% in equity. [26]

If you are managing a standalone fund which is not part of a class or a larger endowment portfolio (which will already have diversified its risk), you will want to decide on a suitable balance of stocks and bonds and establish a protocol for reviewing the percentage the portfolio holds in stocks versus the percentage in fixed income or cash. One good rule of thumb is to consider the amount of loss your group is comfortable with. A diversified portfolio of stocks has the potential to lose 30% or more in a year whereas a diversified portfolio of bonds is unlikely to lose more than 5% in a year. Your team should determine its risk appetite. Is the group comfortable with a 20% loss but no greater? Than you would consider a 70% allocation to stocks and a 30% allocation to bonds. A portfolio of 70% stocks and 30% bonds would result in a +/-20% loss for the portfolio if the stock market declines 30% (as long as the bond market holds up).

In cases where you're starting a venture fund, but money is raised via donations and you don't have traditional LPs (Limited Partners), it can be wise to use the "evergreen" structure. This structure invests incrementally, and returns or proceeds are reinvested. This is the model for both the Cornell and Stanford Graduate School of Business' student-managed funds, which are run by business students.[27, 28]

6 Operational Structure

MANAGEMENT TEAM

- **Part of a Class**

PEER EXAMPLE: VILLANOVA

Villanova's School of Business created its Student Managed Funds class in 2004. In the class, students receive credit to work on the funds for an academic year. Teams of undergraduate students are led and evaluated by an MBA student, and the MBA students are graded by faculty advisors. The investment organization is described as mostly circular: each team of students presents to the Investment Committee, which is composed of all the faculty advisors and students. Decisions are made by the Investment Committee's majority vote. This whole process is overseen by the Board of Advisors.

- **Part of a Student Group**

If you operate a student managed fund outside of an academic class structure (e.g. as part of a club), you will need to plan for student turnover. One way to do this is to have juniors and seniors be the ultimate investment decision makers while sophomores and/or freshman help in the analysis of investments prior to decision making. The juniors and seniors may want to each mentor a specific younger student.

BOARD OF ADVISORS

A board of advisors can be crucial in getting a fund off the ground. Getting professionals with industry experience on board can give your fund legitimacy. Professionals can also help you with your first investments and ESG analyses. You can reach out to other student funds to see if their board of advisors would like to help your fund as well, or if they know others that could help.

INVOLVED FACULTY

Engaging relevant faculty members at your university is very important for building a successful sustainable investing fund for similar reasons as building a board of advisors.

7 Due Diligence[3]

Due diligence is the process of evaluating a potential investment by conducting thorough research and considering all factors that would have material effects, and it is required for any investment.[29]

DUE DILIGENCE PROCESS

Within your team, agree to roles and responsibilities for managing communications right off the bat. This will lead to efficiency and clarity. For each investment, set up a lead point person, a timeframe, and team ground rules. Such rues include automatic deal-breakers and the frequency and method of communicating internally. Alternatively, consider outsourcing to a due diligence professional.

- Individual Stocks and Bonds
  - Due Diligence includes a review of financial statements, industry perspectives, and sector analysis in the case of stocks, and bond covenants and credit analysis for bonds. Engage the help of local fund managers, investment advisors or business/finance faculty at your school for this level of due diligence.
- Mutual Funds and ETFs
  - Here you are trying to assess the talent of the managers that run the fund and the quality, stability and transparency of the fund company that provides these vehicles.
  - Consider the 4 P's: Philosophy, People, Process and Performance.

    1. Philosophy – Is the manager's ESG investment philosophy clear, understandable and sensible? Avoid black box investments where the manager can't/won't explain what is in the secret sauce.

    2. People – Is it a team approach or reliant on the expertise of an individual? What is the incentive for the manager or management team and is it aligned with the investor? Look at the education and the experience of the management team. If a team, how long have they worked together?

    3. Process – Is the process for achieving the impact and financial goals clearly defined and has it been consistently applied across the life of the fund or ETF? If there are negative screens are they stated clearly and are they consistent with your values? Are management fees reasonable and at or below average relative to the fund's peers?

    4. Performance – review net of fee performance over the long term (3+ years), over rolling 3 and 5 year periods and in specific bull and bear markets. Look not only at whether the strategy has consistently outperformed its benchmark over longer periods, but also whether performance makes sense for the given strategy in the given time period. Also examine volatility relative to the market.

- Private Capital Impact Investments
  - Make sure to ask thorough questions of the entrepreneur, but be thoughtful so as not to exhaust them. Some investors suggest creating a sequence of key questions that guide you further into a relationship with the entrepreneur. They also recommend that your questions also help the entrepreneur in some way, regardless of whether or not you end up investing. Examples include:

    1. Evaluate legal constraints and opportunities:
    Is your potential investment in a region that has legal constraints? Are there sanctions against their country or are there laws against the type of investment in the entrepreneur's country? Are there special registrations you need to operate? What new tax implications will investment have?

    If the company is in another country, have you agreed that the company will still comply with the investor country's laws?

    2. Perform an ecosystem analysis and an enterprise only financial analysis:
    Which companies interact with the company you're considering investing in? How might these interactions change with different future regulatory, demographic, cultural, and economic scenarios?

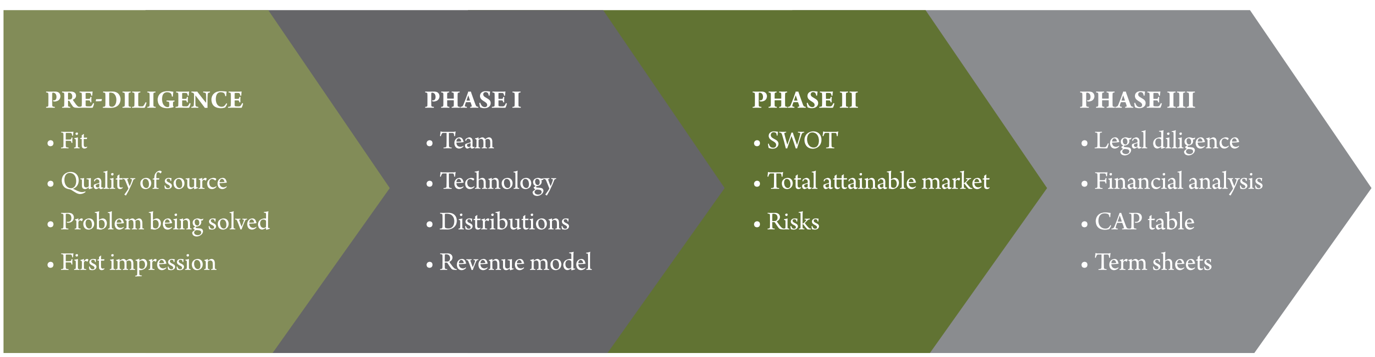
This analysis does not only serve your goal of financial success; it also helps evaluate the potential impact of your investment. Once you've mapped out the ecosystem, you can understand specific avenues through which the enterprise can have an impact. For a full framework with examples, see ssir.com's Cultivate Your Ecosystem.[30]

3. Perform an initial impact assessment
Formally assessing your potential investment's impact at the start will go a long way towards financial and ESG performance. Find out how dedicated the entrepreneur is to their mission and how they've done so far in terms of impact.

Toniic recommends having the entrepreneur take an online GIIRS assessment, [31] which is available in five languages and will benchmark the organization against peers.

4. Make a clear financial decision
For an entrepreneur, the best answer from an investor is yes, and the second-best is no. Do not string them along with a "maybe" – a clear and quick decision respects their time and resources.

SAMPLE DUE DILIGENCE PROCESS



Source: Invested Development, 2013

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ANALYSIS

Assessing the ESG characteristics of a potential investment is of great value. Companies that properly manage their material risks and take a long term business approach–whether on environmental, social, or governance issues–are more likely to outperform their peers, according to researchers at Harvard Business School and McKinsey, among others.[2] A company's performance on an issue like climate change or slavery in its supply chain can be a great indicator of overall management quality, even beyond ESG issues. To learn more about Environmental, Social and Governance analysis, you might try reaching out to ESG fund managers and/or reading some of their quarterly investment letters. www.sasb.org is another good source of information on this approach.[33]

PEER EXAMPLE: NORTHEASTERN UNIVERSITY

An Impact Investing and Social Finance class at Northeastern University developed an impact-focused due diligence checklist, which is available on IEN's website.[34]

APPENDIX:

PEER EXAMPLES

Case Study: Villanova University

The Villanova School of Business was the first college in the nation to establish a student-run fund in 2004. The funds have been donated by faculty and alums. Now, they have 7 funds at around $1 million managed by around 150 undergraduate and graduate students. Students are organized into 3 groups: undergraduate, graduate, and the Equity Society. The undergraduate and graduate students take a Student Managed Funds class, where they receive credit to work on the funds for an academic year. Teams of undergraduate students are managed and graded by MBA students, who are evaluated by faculty advisors. The teams come together in an Investment Committee to vote on investment decisions. This process is overseen by the Board of Advisors, which creates an sustainable investing framework for students to operate under. The Board includes faculty, alums, the University CFO, and Controller. Each team presents to the Board of Advisors every semester.[35, 36]

Case Study: Stanford Graduate School of Business

Stanford's Graduate School of Business created their student-managed impact fund in 2013 when students asked the school's Center for Social Innovation for help starting one. In 2015, they made their first investment in Geneticure, a personalized medicine company. Students designed the organizational structure: it has 5 thematic teams, which present to an Investment Committee comprised of the students, alumni professionals, and faculty advisors. The Committee votes on investment decisions. All returns are reinvested into the program, which then invests in new companies. Assets, which come in as donations to the GSB, are managed by a third party impact investing organization called Impact Assets. [37, 38]

Case Study: Yale University

Yale University's organization for community service and social justice is called Dwight Hall, which has its own endowment at around $10 million. The organization created the Dwight Hall Socially Responsible Investment Fund (DHSRI) in 2008 as a separate fund within the organization's endowment by seeding it with $50,000. Currently, its asset base is $104,000. The fund is led by an undergraduate student committee. Students manage the funds and conduct their own investment research. They then make proposals to Dwight Hall's Board of Trustees, which is comprised by Dwight Hall alumni, faculty, students, and members of the New Haven community. DHSRI also holds an annual conference with other interested universities. In 2016, DHSRI became the first student group to pursue shareholder engagement as an sustainable investing strategy.

Since the members are full-time students, they invest mainly in ETFs and mutual funds so as not to have to actively manage the fund. Further, changes to the portfolio are made every 12-24 months, so it is designed to have low volatility. The portfolio currently allocates 21.9% to Fixed Income with a target of 24, 18.5% to Alternatives with a goal of 20%, and 57.8% to Equities with a goal of 56%. They also have shares in Exxon and Merck as part of the shareholder engagement initiative. DHSRI's primary goal is gradual growth, and they try to beat the benchmark index (60% of the S&P 500 and 40% of the Bloomberg Barclays US Aggregate Index).

As for social responsibility, the fund's structure incorporates some traditional values-based screens against industries like tobacco, fossil fuels, and weapons manufacturers, although bond holdings and ETFs include some "irresponsible companies." Alternatives and equity holdings exclude such companies (besides Exxon for stakeholder engagement) and proactively invest in companies that outperform others based on ESG metrics.[39]

Case Study: Bryant University

The Archway Investment Equity Fund (AIEF) program allows students to develop the necessary skills and investment protocols to manage an actual portfolio of approximately $1,200,000 as of October 2017 after the cash outflow of $250,000. The fund strategy is long-equity-ETF and the benchmark is SPY (SPDR S&P500 ETF). Students use traditional investment valuation methods and ESG factors in their investment decisions.

AIEF was established in 2005 to provide Bryant University students with the opportunity to manage an investment portfolio of actual money following the principles used by financial professionals. The initial investment in the Fund was $200,000. Over the years, four additional cash infusions in 2006, 2007, 2010 and 2016 totaling $500,000 were provided to the fund from the University. The fund provided $250,000 for a new fixed income portfolio in October 2017. [40]

ADDITIONAL RESOURCES

- *A Short Guide to Impact Investing, The Case Foundation*
- *Private Equity Principles, Institutional Limited Partners Association*

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FOOTNOTES

[1]http://siilknetwork.org

[2]https://docs.google.com/spreadsheets/d/1xz-87MpG6CDlzgXCFlwlspShLjmuwMF3gCJInGRm9mI/edit#gid=0

[3]https://books.google.com/

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