

SKIDMORE

C O L L E G E

To: IPPC / Faculty Meeting

From: Philip A. Glotzbach, President

Date: Friday, 24 April 2019

Re: Endowment Update – Responsible Investment

Overall endowment numbers – end of first quarter (ending 3/31/19):

Total fund: \$436,581,381 (\$437M)

Total fund – Excluding Real Assets / Private Equity: \$371,568,784 (\$372M)

The Skidmore portfolio is distributed among 50+ money managers in seven (7) classes of investment:

Global Equity

Emerging Markets

Long/Short Equity

Absolute Return

Fixed Income

Real Assets

Private Equity/Distressed

Performance for the first quarter:

Total fund: 8.2%

Total fund excluding Real Estate / Private Equity: 9.6%

Benchmark: 8.8%

Performance year over year:

Total fund: 3.1%

Total fund excluding Real Estate / Private Equity: 2.3%

Benchmark: 4.6%

The relatively poor Endowment performance of the last 12 months (3.1% vs policy benchmark return of 4.6% for the one-year period ending 3/31/19) is a direct result of the non-US exposure and fundamental investment managers that own undervalued US cyclical stocks. The Endowment employs several investment managers who have very strong long-term results, but have underperformed their respective benchmarks by wide margins over the past year. The Investment Committee believes it's prudent to continue to hold these investments over selling and reinvesting into what has worked most recently.

The Investment Committee made changes to the portfolio during 2018 that focused on restructuring the hedge equity allocation. Early results of these moves are quite positive, as the hedge equity segment provided a 12.1% return during the first quarter of 2019 compared to the hedged equity benchmark return of 7.9%. This was still not enough to offset the underperformance of the Endowment's total return during the first quarter of 2019 where the Endowment was up 8.2% net of all fees compared to the policy benchmark return of 8.8%.

Socially Responsible Investing

Some time ago, our faculty passed a resolution asking the College to place greater emphasis on socially responsible investment in its management of the endowment.

In my last report to the community on this topic, I informed the community that the Investment Committee had allocated \$5M to the Generation Sustainable Fund – a private equity fund that invests in companies meeting its Environmental/Sustainable/Governance (ESG) criteria – primarily companies that offer sustainable and sustainability-oriented goods and services. To-date, Generation has called \$625K of that investment, with more to be invested in due course.

In addition to Generation, four other funds we hold are managed using value-based ESG strategies, and 4 of these 5 are signatories to the United Nations “Principles for Responsible Investment.”

Once the Generation investment is fully funded, 9% of Skidmore portfolio will be managed following ESG strategies.

Colonial Consulting is the firm we use to advise the Investment Committee, to perform certain technical functions relating to the endowment, and to provide access to investment managers who might not otherwise be open to a Skidmore investment.

In its report for the quarter ending December 31, 2018, Colonial described a major initiative that has been underway for more than five years, aimed at increasing the diversity of the investment managers they considered and recommended to clients. This initiative markedly increased the number of firms Colonial evaluates, with a particular focus on identifying firms with substantial diversity represented in their ownership.

In the 12/31 report, Colonial also provided figures showing that the firms identified through this effort have outperformed their benchmarks in all but 3 of 19 asset classes.

Colonial brought one such firm to the attention of our Investment Committee in our more recent meeting, and the Committee will consider that firm at a later date.