Questions and Responses from the
Campus Sustainability Investment Forum, April 23, 2015

Participants in the April 23rd, 2015 Campus Sustainability Investment Forum posed a number of questions during the event that could not be answered due to time constraints. Following are responses to the questions, prepared by members of the Dickinson Sustainable Investment Group (DSIG). The questions are organized into general questions about the endowment, questions about Investure LLC, and questions about Environmental, Social and Governance (ESG) investing. Clarification of the responses or new inquiries are invited and can be sent to Sustainability@Dickinson.edu. DSIG will share plans for follow up activities at the start of the fall semester.

Dickinson's Endowment

1. How does the endowment work?

   Dickinson's endowment is pooled with the endowments of 13 other clients in the Investure consortium. Pooled endowments are commonly invested and an annual distribution from the endowment is made based on the college's 12-quarter spending rule. All other contributions received and investment income earned are reinvested into the endowment.

2. What stocks/equities/assets are held in the endowment?

   The pooled endowment is generally structured as a fund of funds. The majority of investments rely on third-party investment managers' funds as a conduit for owning the underlying assets. The following represents the asset allocation summary as of December 31, 2014:

Global Equity	$141.3M	40%
Alternative Equity	$92.9M	26%
Private Partnerships	$94.6M	26%
Fixed Income	$22.9M	6%
Cash and Miscellaneous	$5.5M	2%

   Specific assets held by Investure and its fund managers are reported to clients, but are not reported publicly as the information is considered proprietary. Annual reports of the allocation of Dickinson's endowment by asset class are available on Dickinson's endowment webpage.

   Dickinson can, and has, obtained and shared publicly reports of the College's investment exposure of the pooled endowment in particular sectors, such as fossil energy and renewable energy.

3. What percentage of the endowment is invested in fossil energy?

As of December 31, 2014 the total fossil fuel exposure represented 5.5% of the market value of the pooled endowment, including 1.1% invested with the top 200 fossil fuel companies by reserves (as reported by 350.org) and 0.1% in coal. Dickinson does not have any directly-held positions in fossil fuels and no public equity exposure to coal. In comparison, individual positions in renewable energy companies and positions with managers that have ESG policies represented 10.0% of the market value of the pooled endowment as of December 31, 2014.

4. What control does Dickinson have in deciding how the endowment is invested?

   The Board of Trustees, via the investment policy, establishes risk tolerances and asset allocation guidelines for the investment office to follow. As part of its fiduciary duty to donors and the college, the Board of Trustees decided to outsource the investment office function to the team of professionals at Investure. As part of the Investure consortium, Dickinson's endowment is pooled with the endowments of other Investure clients (14 total clients totaling over $12 billion under management). The majority of investments rely on third-party investment managers' funds as a conduit for owning the underlying assets. Both the consortial relationship and the pooled fund structure used by both Investure and by most managers in Investure's funds limit Dickinson's ability to pick and choose underlying investments. However, Investure provides proxy voting principles to fund managers as additional guidance to reflect the consortium clients' views on corporate governance, environmental and social responsibility within the overall focus on financial sustainability.

   The Board of Trustees, through the Committee on Investments, maintains oversight responsibilities by reviewing the endowment portfolio with Investure on a monthly basis.

5. What benchmarks do we use to evaluate performance of the endowment?

   Typical benchmarks reviewed with the Committee on Investments include:
   - Passive benchmark – This benchmark uses indexes to represent a 75% stock portfolio and a 25% bond portfolio, which the Committee believes is a similar risk profile to the Endowment's portfolio. It is also a measure of Investure's active management of the endowment as opposed to investing in passive index funds. It is defined as 75% MSCI All Country World Index (a proxy for stocks) and 25% BofA Merrill Lynch US Treasury 7-10 Year Index (a proxy for bonds).
   - Spending plus inflation – This benchmark provides a measure of our ability to maintain intergenerational equity by obtaining returns that exceed Dickinson's spending rule (currently 5%) plus inflation, which is measured as the Consumer Price Index plus 1%.
   - Peer returns – The Committee evaluates performance of the Endowment against peer institutions and colleges/universities broadly on an annual basis.
   - Other benchmarks – Other market-based benchmarks are presented to the Committee on Investments on a regular basis for comparison purposes.

6. How much revenue does it generate?

   In fiscal year 2014-2015, the endowment generated $15.4 million in spending for operations, with $11.9 million going to the operating budget, $3.3 million designated by donors for restricted spending, and $0.2 million reinvested into the endowment.

7. What are endowment earnings used for?

   Endowment earnings are spent in accordance with the college's spending rule (5% annual spending on the 12-quarter market value average) for purposes directed by donors. Donor purposes include scholarships, prizes, endowed chairs, library, building maintenance, loan funds, unrestricted budget support and other purposes.

8. How do endowment earnings affect the cost to students of attending Dickinson?

   Tuition, fees, room and board account for approximately 77% of the 2014-2015 operating budget. The average cost per student is approximately $13,000 more than the price charged by the college. This gap must be made up through annual fund contributions, endowment spending, grants and other income. Endowment spending accounted for approximately 10% of the 2014-2015 operating budget.

9. Why does Dickinson outsource management of the endowment?

   From 2000 to 2005 the Committee on Investments diversified the portfolio of endowment investments. Assets under management and the number and types of managers grew. While returns over this period outperformed peers and market benchmarks, the increased complexity created a need for more extensive oversight. The Committee on Investments decided that this would be accomplished best by engaging a firm of professionals with deep and extensive investment experience to serve as the Investment Office of the College. In 2006 the Committee selected Investure LLC for this function.

10. How was our endowment affected by the recession?

    Investure's strategy to protect downside risk in the portfolio paid off during the recession. The college lost 19.7% in fiscal year 2008-2009 (which was less than many colleges) but quickly recovered with returns of 16.1% and 20.2% in fiscal years 2009-2010 and 2010-2011, respectively. The college's endowment value recovered to pre-recession levels by February 2011, which helped ensure that annual spending from the endowment never decreased during this time period, as it is based on 12-quarter averages.

11. Are we shielded from risk of another downturn?

Investure maintains a strategy of protecting downside risk in the portfolio through hedges and other investment vehicles. The broad diversification of the portfolio also helps to mitigate the effects of a downturn in part of the portfolio.

Investure LLC

1. Why was Investure selected to manage Dickinson's endowment?

   Having decided to engage an external firm to serve as Dickinson's Investment Office, in 2005-2006 the Committee on Investments met with several firms that provide various levels of investment advisory services and outsourced Chief Investment Officer (CIO) functions. In May 2006, with an eye toward continuing strong investment success and sensing a need to address the growing complexity of the endowment portfolio, the Committee on Investments recommended to the Board of Trustees that the College engage Investure LLC, a consortial investment office founded by Alice Handy in January 2004.

   Prior to founding Investure, Ms. Handy was the CIO for the University of Virginia for 29 years. During her time at the helm of UVA's endowment, assets grew from $60 million to $2 billion and regularly performed in the top decile of returns nationally. The Committee on Investments believed that partnering with Investure LLC as a manager of Dickinson's investments was a vital step in establishing an endowment appropriate to the vision and ambitions of the College.

   Located in Charlottesville, Va., Investure serves as the consortial investment office for Dickinson College, Barnard College, Carnegie Endowment for International Peace, Colonial Williamsburg Foundation, the Edna McConnell Clark Foundation, Middlebury College, Smith College, Trinity College, the University of Tulsa, the Commonwealth Fund, Henry Luce Foundation, the Skillman Foundation, and Houston Endowment Inc., managing over $12 billion in assets. Investure is a recognized leader in the endowment and foundation investment management industry, having pioneered the full-service outsourced investment office model. Participating in a pool of this size provides Dickinson with extraordinarily broad diversification and access to investment opportunities which would generally not be accessible to an endowment of our size. There are also other economies of scale that Dickinson enjoys such as stronger negotiating power with managers, which can lead to lower fees or better terms, and the collective wisdom and oversight of all members of Investure's Consortium.

2. Can we contract with Investure to advise us but not manage the endowment?
   No. Investure does not provide partial services to institutions within or outside of the consortium.

3. How does Investure operate?

   As a full-service investment office, Investure works closely with the investment committees and in-house finance teams for each client in the consortium. Investure works with each client to establish portfolios that fit its individual risk profile, primarily using pooled investment vehicles within the consortium to create efficiencies and scale. Investure manages each client's endowment across all asset classes which allows them to concentrate their efforts on the best risk-adjusted opportunities in all asset classes, rather than just the next best opportunity in a specific asset class. Investure has regular interactions with investment committees to provide comprehensive portfolio reviews, including performance, risk and policy compliance. As part of their high-touch service model, Investure also provides back-office support, which includes performance reporting, custodian recommendation and interface, cash management, and audit support.

4. What is Investure's philosophy or approach to investing and managing endowments?

   Investure's philosophy for investing and managing endowments is summarized by its Investment Beliefs Statement as follows:

   "We are long-term, ownership-oriented, fundamental investors. Our philosophy begins with a basic principle: assets have a natural worth that results from the timing and size of the net cash flows a given owner can expect to receive as a result of his or her ownership. We think of this worth as "intrinsic value." Intrinsic value can differ materially from the price at which an asset is available for purchase. When the difference favors the buyer by a wide enough gap that the buyer has embedded a reasonable margin of safety on top of the asset's natural return, and when it is more attractive than other uses of capital, we are interested in owning that asset.

   "This is the lens through which we view the investment world, regardless of whether we are assessing private equity managers, public or alternative equity managers or specific opportunistic investments. As a corollary, we generally are not interested in trading-oriented strategies, highly-competitive segments of the private equity markets, highly leveraged strategies, short-term oriented macros strategies, or black box or other quantitative strategies. We simply want to buy assets for less than they are worth and then hold those assets until the gap between intrinsic value and price closes enough that we prefer to sell those assets and deploy our capital elsewhere. We search globally for these opportunities in order to keep our bar for capital deployment as high as possible.

   "The majority of our investments rely on third-party investment managers' funds as the conduit for owning attractively priced assets. In general, we believe manager skill drives this process—we want to partner with investors whose judgment we trust and who have a temperament and background that we believe positions them to be successful in the future. The thread that ties everything together is the hunt for value. We explicitly do not use hard and fast asset allocation rules. We seek to identify, understand and weigh any and all factors that may impact the long-term risk and reward characteristics of an investment, including, but not limited to, liquidity risks, behavioral incentives, fees and terms, and ESG- and ethics-related considerations."

5. What are the benefits of participating in the Investure consortium?

   Dickinson benefits from its participation in the Investure consortium in the following ways:
   - Performance – Consistent top-level performance over the past ten years has driven endowment growth and enhanced the ability of the endowment to provide critical funding for college operations. Dickinson's 10-year annualized returns ranked 43rd out of 529 reporting schools (top 8%) in the 2014 NACUBO-Commonfund Study of Endowments.
   - Expertise – Dickinson gains the expertise of an outsourced investment team of almost 40 professionals along with the ability to share ideas with trustees and financial officers from other consortium clients.
   - Diversification – Dickinson gains the ability to diversify our assets across a much broader portfolio which allows us to access certain investment opportunities that we would not be able to access on our own. This broad diversification, along with Investure's management approach, allows us to protect the downside risk, which helped to limit our losses and recover quicker relative to peers during the recession.
   - Customer service – As part of their high-touch service model, Investure works closely with the investment committee and in-house finance team. The limited number of Investure clients ensures that each client receives a high level of attention, regardless of endowment size. This has been evident by Investure's commitment to partnering with Dickinson and other clients in researching ESG-related issues.

6. Do we sacrifice independence by being part of the Investure consortium?

   The fund of funds investment structure limits our ability to pick and choose specific investments in the portfolio. In addition, the fact that our endowment is pooled with the endowments of other consortium members further limits our ability to direct specific investments. However, Investure is very receptive to the needs of client members and seeks an open dialogue on a regular basis.

7. Do we sacrifice transparency by being part of the Investure consortium?

   Investure provides a detailed review of the public and private equity portfolios each year with management and the investment committee. While this information is available to Investure clients, it is not made publicly available to protect Investure's (and the underlying fund managers') competitive advantage in the marketplace. This represents a sacrifice of transparency in that we are not able to share with the Dickinson community full details about endowment investments. The Committee on Investments, the Dickinson Sustainable Investment Group and Investure are engaged in dialogue about increasing transparency by, for example, publicly reporting exposures in selected sectors such as fossil energy and renewable energy.

8. How does Investure choose fund managers?

   Investure has the ability to invest across all asset classes on a long-term horizon, which enables the investment team to identify the best opportunities available. Investure has built a broad network of relationships with managers and has focused major investments with their highest-conviction managers. The relationship with managers and their alignment with Investure's philosophy are key elements to the due diligence performed before making an investment. The Investure team considers risk and opportunity cost before working with fund managers to structure the investment.

9. Why did the Rockefeller Brothers Foundation leave Investure? Who is now managing their endowment? What are the impacts of their leaving Investure?

   According to the Rockefeller Brothers Fund (the "Fund") website, the Fund transitioned its outsourced investment management to a more customized portfolio structure at Perella Weinberg Partners in 2014 to continue to seek additional ways to better align its endowed assets with its mission. While there is a potential for diminished returns, it is too soon to measure the impact of their decision. Also, the portfolio continues to include investments made as part of their Investure relationship that will take time to be liquidated.

10. Why is the ROI of Middlebury, another member of Investure, higher than Dickinson's ROI?

   The difference in returns among Investure clients are the result of (a) the time they joined the consortium, and (b) legacy investments held in their respective portfolios that were made before joining Investure. The primary difference between our portfolio and Middlebury's portfolio is the amount and composition of private equity investments given that Middlebury joined Investure earlier than Dickinson and since some legacy investments continue to be held in the portfolio due to liquidity restrictions.

Environmental, Social and Governance (ESG) Investing

1. What are ESG principles?

   The acronym ESG represents environmental, social, and governance issues that can be factored into investment decisions. ESG serves as the foundation for the United Nations' Principles of Responsible Investment. Environmental issues include how much natural resources a company uses, the amount of pollution and greenhouse gases a company emits, and the extent to which a company acts as a good steward of the natural environment. Social issues include internal aspects of the company, e.g., employee health and safety matters and diversity, and the company's external relations with its surrounding community and the advancement of human rights. Governance refers to how authority and oversight are exercised within an organization, and governance issues include executive compensation and the transparency of board decisions. Investors can use ESG factors to help them align their investments with their values. ESG factors can also be viewed as a proxy for good overall management; companies that rate highly on ESG factors tend to exhibit sound management in all aspects of the company, and not only those related to ESG.

One challenge for incorporating ESG into investment decisions is that ESG measurement is relatively new. Many ESG measurement tools have been proposed and are in use, but a single standard has not yet been adopted. With this abundance of measurement tools, it can be difficult to combine or compare the various ESG measurements.

2. Does ESG matter? Why?

   ESG principles can matter to an institution for a variety of reasons. ESG performance of an investment may affect its financial performance or an investor's exposure to risk. ESG can also be relevant if an institution desires to align its investments with its mission and values. These are important questions that are being explored by the Committee on Investments, the Dickinson Sustainable Investment Group and Investure.

3. Are ESG principles part of Dickinson's investment policy?

   ESG principles are not, as yet, formally incorporated into Dickinson's investment policy. At the request of the Committee on Investments, the Dickinson Sustainable Investment Group ("DSIG") is developing a draft investment beliefs statement for Dickinson College that will be presented to the Committee in fall 2015 for its consideration. DSIG has been charged to support the Committee on Investments, and ultimately Investure, by helping to develop ESG guidelines that can reflect our values and be meaningful given all of the challenges in defining and implementing ESG.

   While ESG principles are not yet formally incorporated into Dickinson's investment policies, ESG concerns have been given weight by Dickinson's Committee on Investments for a number of years. Evidence includes the Committee advocating for creation of a Sustainability Series within Investure's Global Equity Fund; allocating $4 million of Dickinson's endowment to the Sustainability Series in 2010; committing in 2014 to double Dickinson's position in the Sustainability Series to $8 million (in process); creating the Sustainability Investment Task Force in 2013 to investigate questions regarding possible divestment from fossil energy and responding to the Task Force's recommendations; and creating in 2014 the DSIG, a new standing committee of the President's Commission on Environmental Sustainability, which serves as a liaison between the Dickinson community and the Committee on Investments.

4. Does Investure consider ESG principles in managing our endowment? How?

   Refer to Investure #4 above.

5. How does Investure define ESG?

Investure does not prescribe a rigid list of ESG rules or filters into its investment process. Instead, they define a process whereby they will seek to identify and understand the ESG-related issues that may be pertinent to an investment, and to weigh those ESG considerations as one of a multitude of important factor inputs that will influence their overall investment analysis and judgment. Sustainable investments included in the portfolio are identified as managers with ESG criteria in their investment process, although these criteria may change from manager to manager.

6. Do students, faculty or staff have a say in setting Dickinson's ESG policies?

   The Dickinson Sustainable Investment Group (DSIG), consisting of students, faculty and staff, acts as a forum for members of the Dickinson community to raise and discuss questions regarding ESG practices of the college, meets with the Committee on Investments to share information and provide input on ESG issues, and acts as a liaison between the Dickinson community and the Committee on Investments. This provides an avenue by which students, faculty and staff can have input to setting Dickinson's ESG policies.

7. Do students, faculty or staff have a say in deciding which investments are sustainable or meet ESG criteria?

   The Dickinson Sustainable Investment Group provides an avenue by which students, faculty and staff can have input to the criteria for evaluating ESG characteristics of investments.

8. Is divestment still on the table?

   Divestment from the fossil energy sector is not under active consideration by the Committee on Investments or the Dickinson Sustainable Investment Group. The Sustainable Investment Task Force investigated divestment in 2013-2014 at the request of the Board of Trustees. The Task Force, composed of students, faculty, staff, administrators and trustees, recommended after months of meetings and deliberations that Dickinson not divest from fossil energy at this time. A primary reason for the recommendation is that a decision to divest from fossil energy could only have been executed by Dickinson leaving the Investure consortium, ending a relationship that has served Dickinson well. The Board of Trustees concurred with the Task Force recommendation regarding divestment.

   The Task Force made a number of other recommendations regarding sustainable investing, each of which was accepted by the Board and are being acted on. Further details about the work and recommendations of the Sustainable Investment Task Force can be found online.

9. Is there a cost in financial performance of the endowment from following an ESG approach in comparison to a more traditional approach?

While it’s not possible to predict future returns, Investure’s returns consistently outperform sustainable index funds, which approximate returns from a sustainable portfolio.

10. How should we balance financial performance goals and ESG principles?
    This is one of the biggest questions facing the college and will continue to be discussed in groups such as the Dickinson Sustainable Investment Group and the Committee on Investments going forward.