

# Haas Socially Responsible Investment Fund

## Annual Report

May 2016

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# BerkeleyHaas

Haas School of Business  
University of California Berkeley



CENTER FOR  
RESPONSIBLE  
BUSINESS

Haas School of Business at UC Berkeley

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## INTRODUCTION

For the 2015 – 2016 academic year, the Haas Socially Responsible Investment Fund (“HSRIF”) focused on learning and challenging ourselves to maintain as strong a portfolio as possible, while also helping to ease the transition from our class of Principals to the incoming Principals given the changes to the HSRIF class structure that began implementation this year.

Changes include the following:

- ~16 incoming Principals each year instead of 8
- Instead of 3 semesters serving as Principals on the HSRIF, incoming Principals will spend 1 semester taking pre-requisites (asset management and socially responsible investment classes) to prepare for serving on the HSRIF during the next 2 semesters
- Starting in the 2016 – 2017 academic year, a new faculty advisor, Dan Hanson

Graduating Principals put together transition materials to help incoming Principals quickly get up to speed on HSRIF past processes and decisions without the semester overlap that incoming and outgoing Principals have historically gone through together. We also included incoming Principals in our long pitch sessions and at the spring Board Meeting, as well as holding more informal gatherings to answer incoming Principals’ questions. Our strategic direction projects and suggestions throughout the year were thought through and documented with this transition in mind.

The Principals are grateful for the continued support from the Center for Responsible Business (“CRB”) and the generous donations received through their efforts. The Principals have also been fortunate to have Nadja Guenster’s leadership and Sumner Field’s contributions, both of which have been critical to the HSRIF’s success. The Class of 2016 Principals wish the next class of Principals and the new faculty advisor the best of luck in continuing to tackle the challenges of HSRIF’s dual mission to invest for both financial performance and environmental, social, and governance performance.

## INVESTMENT APPROACH

The HSRIF investment approach has evolved with each new class of Principals. Although the core fundamental investment philosophy is largely unchanged, each class has been able to leverage its unique skills and experiences to help enhance the investment process. The Principals evaluate each investment opportunity from both a fundamental value perspective and an ESG perspective. Consistent with prior years, the Principals' goal is to outperform the benchmark. The Principals use the Russell 3000 as a gauge of relative performance and risk exposure. Below are outlined some of the Fund's key investment process initiatives:

### **Portfolio Diversification and Position Sizing**

The Fund re-evaluated portfolio diversification and position sizing to ensure adequate risk management through proper diversification. The Fund ultimately decided to target a portfolio of approximately 15-20 positions to balance the tradeoff of having too many positions spread across too few Principals against the diversification benefits of having a larger portfolio. Based on a review of academic research and discussions with practitioners, the Principals believe the vast majority of diversification benefit is realized at 15-20 positions.

### **Pitch Feedback and Voting for Investment Decisions**

The Principals have continued with a blind voting process where votes are submitted online to mitigate potential group-based biases. Each stock pitch is voted on based on a holistic review of both ESG criteria and financial performance. The voting scale is 1-5. For position updates a) Vote < 2 is removed immediately; b) 2 < Vote < 3 divest position to reach average position size (Assets / # of positions); c) Vote > 3 we keep the position size unchanged. Long Pitch: Vote < 2 is not considered. Finally, we rank remaining positions and finalize the portfolio.

### **Engagement with Advisory Board**

The Principals have continued to encourage involvement of the Advisory Board to better leverage the knowledge and experience of each board member. Board members are invited to attend either telephonically or in-person each full investment pitch meeting. These sessions proved to be highly productive as board members provided value-added insights that helped guide the discussion. The Principals plan to continue to further integrate board members in the investment pitch process. They also held an in-person board meeting on April 15<sup>th</sup>, 2016. The in-depth discussion covered the Fund's performance and investment process as well as the broader strategy for the Fund and current fundraising efforts. The Principals look forward to deepening their engagement with the board on multiple fronts.

### **Revised ESG Framework**

The Fund uses MSCI's ESG Research as a source for information on companies, providing valuable insight into the ESG dynamics within our portfolio as well as relevant controversies. While MSCI allows Principals to monitor and track the ESG factors of most of its portfolio companies, the Principals have created a proprietary framework to allow for a more holistic analysis.

After conversations during campus visits with David Blood, co-founder of Generation Investment Management, and professionals from the Sustainability Accounting Standards Board (SASB), this year's Principals have further revised the Fund's proprietary ESG framework to account for material and company-specific ESG factors. The objective of this revision was to focus ESG analysis on factors that are likely to have a material impact on portfolio companies. The Principals used SASB's guide to materiality assessment to guide this revision, while still maintaining factors that the Principals deemed to be substantially important. The resulting framework has seven ESG criteria: Diversity, Social Capital, Energy &

Environment, Board Governance, Social Impact, Human Capital Issues, and Leadership & Other Governance Issues. The Principals have used SASB's industry-specific research briefs to help them direct their ESG analysis, incorporating information from MSCI, company reports, and independent research.

**Investment Pitch Format -**

The Principals further refined the idea generation process to better identify the most compelling investment opportunities to further research. A powerpoint template has been developed to include a guiding framework for future Principals who are new to stock pitching. The template includes relevant sub-segments and specific questions that should be addressed for each topic.

As for the idea generation process, it typically starts with a high level discussion of potential new ideas generated from a diverse set of sources from which a subset are selected for a "quick pitch" consisting of a short investment memo that is presented to the group. Ideas that successfully make it through the "quick pitch" process become full investment pitches. The Principals introduced greater discussion on the front-end of the idea generation process to more efficiently screen the numerous potential investment opportunities for further diligence.

## PORTFOLIO SUMMARY

As of April 6, 2016, the Fund's portfolio was made up of a diverse set of sixteen (16) companies and cash. In addition to sector diversification, the Principals sought to bring an increased mix of diversification by market capitalization. The following table shows a comparison of each portfolio company in terms of weighted average market capitalization, equity beta and price-to-earnings ratio (P/E):

Holding	Market Cap (BN)	Beta	P/E
Alphabet Inc. (GOOGL)	\$519.65	1.16	21.36
American Water Works Company, Inc. (AWK)	\$12.36	0.54	24.15
AMN Healthcare Services Inc. (AHS)	\$1.66	0.99	15.67
Bright Horizons Family Solutions, Inc. (BFAM)	\$3.90	0.80	28.68
Canadian National Railway Company (CNI)	\$48.35	1.18	16.96
First Solar, Inc. (FSLR)	\$6.42	1.37	15.32
LendingClub Corporation (LC)	\$3.14	1.49	26.44
MasterCard Incorporated (MA)	\$105.24	1.15	25.63
Microsoft Corporation (MSFT)	\$435.96	1.22	18.46
Prudential Financial, Inc. (PRU)	\$31.92	1.31	7.27
Southwest Airlines Co. (LUV)	\$27.87	1.08	10.10
Starbucks Corporation (SBUX)	\$89.91	0.94	29.75
Toyota Motor Corporation (TM)	\$166.02	0.94	7.42
Unilever N.V. (UN)	\$137.71	0.75	20.47
Vodafone Group Plc (VOD)	\$82.45	0.95	38.72
The Walt Disney Company (DIS)	\$159.05	1.03	16.09

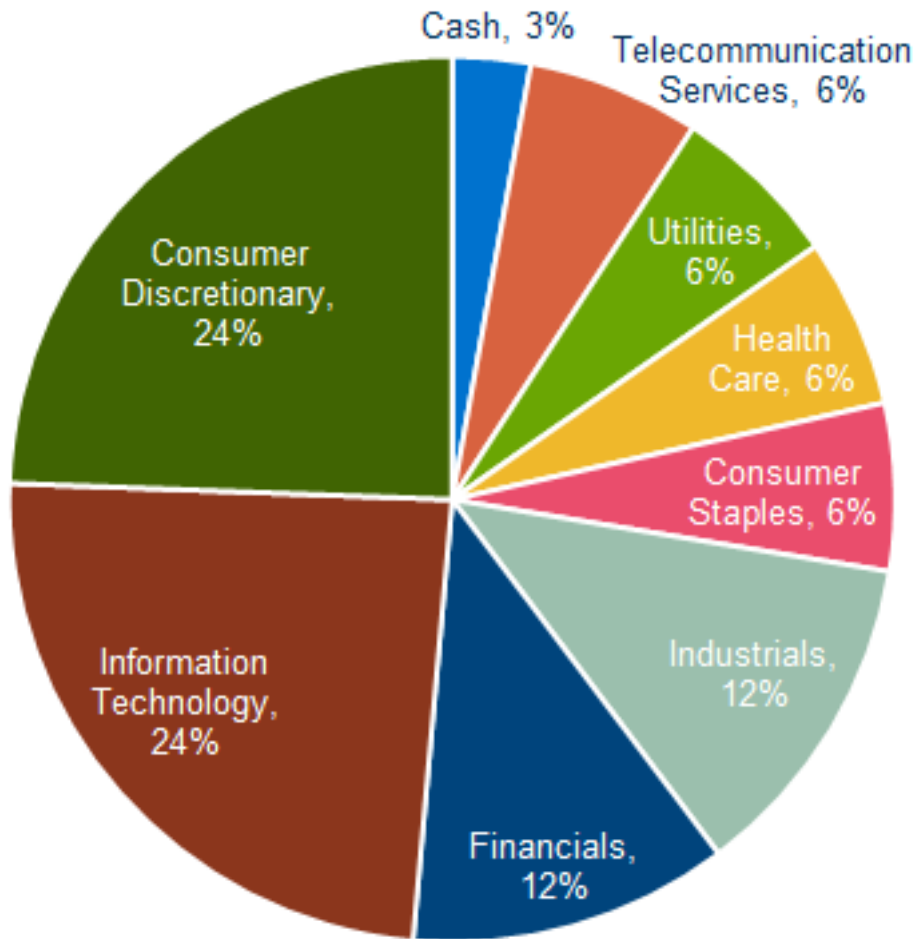
Compared to the 2015 annual report, this composition reflects the following changes in terms of holdings:

**Divestitures:** The Principals voted to divest from Compass Minerals International Inc. (CMP), Eaton Corporation plc (ETN), KeyCorp. (KEY), Kilroy Realty Corp. (KRC), Nucor Corporation (NUE), Qualcomm, Inc. (QCOM), SolarCity Corporation (SCTY), Stericycle, Inc. (SRCL), TE Connectivity Ltd. (TEL), The Toronto-Dominion Bank (TD), Under Armour, Inc. (UA), and United Natural Foods, Inc. (UNFI).

**Additions:** The Principals initiated positions in Bright Horizons Family Solutions, Inc. (BFAM), Canadian National Railway Company (CNI), First Solar, Inc. (FSLR), LendingClub Corporation (LC), Prudential Financial, Inc. (PRU), Southwest Airlines Co. (LUV), Toyota Motor Corporation (TM), and Unilever N.V. (UN).

Details regarding these divestitures and additions are provided later in the annual report.

# Sector Distribution



**Sector Exposures:** The above chart illustrates the Fund's sector exposures.

**Sector Weighting:** 4/6/2016

## FINANCIAL PERFORMANCE ANALYSIS<sup>1</sup>

### Year Ended March 31, 2016

The Fund realized a total return of 0.1721% between March 31, 2015 and March 31, 2016, outperforming the iShares Russell 3000 ETF's total return of -0.36% by 53.5 basis points. The Fund balance as of March 31, 2016 was \$2,639,993. The fund's only withdrawal for the year for the annual withdrawal to fund the CRB. This amount was \$72,400 and occurred on 07/08/1

### *HSRIF performance relative to IWW (including cash), 03/31/2015-03/31/2016*



The Fund's performance over the past 12 months may be explained by:

- A highly volatile stock market environment, with three steep market declines (two in the late summer/fall of 2015, as well as in January/February 2016)
- A balanced portfolio approach, which allowed us to benefit from winners such as Alphabet (+37.53%), AMN Healthcare (+38.9%) and Microsoft (+39.54%) and compensate for losers as SolarCity (52.07%) and United National Foods (-43%)
- Our steadfast and structured investment discipline allowed us to weather the overall volatility without selling at the lows, and helped us recover when the market recovered

### *Top 10 and Bottom 10 Contributors to Return, 03/31/2015-03/31/2016*

<sup>1</sup> Bloomberg computes performance on a holding basis. Performance reflects total returns for the benchmark, i.e. dividends are reinvested. However, dividends generated by HSRIF holdings flow to cash.



	% Average Weight	Contribution to Return (%)	Total Return (%)		% Average Weight	Contribution to Return (%)	Total Return (%)
<b>HSRIF INCLUDING CASH</b>	100.00	0.17	0.17	<b>Financials</b>	11.63	-1.19	-8.14
<b>Information Technology</b>	24.99	3.32	13.01	KEYCORP	5.17	-1.16	-20.20
ALPHABET INC-CL A	6.70	2.02	37.53	TORONTO-DOMINION BANK	4.92	0.23	4.60
MICROSOFT CORP	6.33	2.04	39.54	KILROY REALTY CORP	1.54	-0.26	-4.47
MASTERCARD INC-CLASS A	5.79	0.55	10.18	<b>Materials</b>	6.80	-1.10	-10.22
TE CONNECTIVITY LTD	3.11	-0.06	-1.52	COMPASS MINERALS INTERNATION	3.46	-0.45	-8.76
QUALCOMM INC	3.05	-1.23	-22.53	NUCOR CORP	3.35	-0.66	-11.63
<b>Consumer Discretionary</b>	15.46	1.23	14.46	<b>Health Care</b>	6.49	2.09	38.94
STARBUCKS CORP	6.68	1.63	27.67	AMN HEALTHCARE SERVICES INC	6.49	2.09	38.94
WALT DISNEY CO/THE	5.46	-0.23	-4.17	<b>Utilities</b>	5.80	1.72	30.25
BRIGHT HORIZONS FAMILY SOLUT	1.71	-0.09	-1.79	AMERICAN WATER WORKS CO INC	5.80	1.72	30.25
UNDER ARMOUR INC-CLASS A	1.61	-0.08	-2.40	<b>Consumer Staples</b>	5.36	-2.20	-39.91
<b>Industrials</b>	14.00	-4.09	-24.05	UNITED NATURAL FOODS INC	3.64	-2.33	-43.00
SOLARCITY CORP	4.09	-2.66	-52.07	UNILEVER N V -NY SHARES	1.72	0.13	1.98
STERICYCLE INC	3.45	-0.87	-15.56	<b>Telecommunication Services</b>	5.14	-0.17	-3.09
EATON CORP PLC	3.27	-0.73	-13.65	VODAFONE GROUP PLC-SP ADR	5.14	-0.17	-3.09
CANADIAN NATL RAILWAY CO	1.65	0.44	7.33	<b>Funds</b>	2.27	0.56	1.61
SOUTHWEST AIRLINES CO	1.53	-0.26	-5.38	ISHARES MSCI USA ESG SELECT	2.27	0.56	1.61

### Cumulative Performance Charts

The following chart shows the Fund's historical performance versus the benchmark, IWW. For the last three years, the Fund underperformed IWW by 292 basis points.

*HSRIF performance (including cash) relative to IWW, 03/31/2013-03/31/2016*



## Alphabet Inc. (NASDAQ: GOOG, GOOGL)

**Sector:** Information Technology

**Industry:** Internet Software & Services

The Alphabet logo is displayed in a red, sans-serif font against a light gray rectangular background.

### Company Description:

On August 11, 2015, Google announced plans to create a new public holding company, Alphabet Inc. Alphabet was created to restructure Google by moving creating two subsidiaries: core Google and Other Bets, narrowing Google's scope. The parent company is run by CEO Larry Page and President Sergey Brin. Through its core business, still known as Google, the company maintains an index of web sites and other content and makes them freely available on the Internet through its automated search technology. Advertising revenues make up 90% of its revenues. Google is run by former Product Chief Sundar Pichai. YouTube remains within Google, along with Ad Tech, Play, Maps, Chrome, Android and Cloud. Other companies comprise Alphabet's Other Bets segment, which includes Fiber, Nest, Life Sciences, Calico (Google's longevity product), X Lab, Wing (drones), Google Ventures and Google Capital.

### Investment Pitch:

Even as market share is threatened by Facebook and other competitors, on an absolute basis, Google will likely maintain its dominant share and advertising revenue should continue to grow as online advertising spend becomes an increasingly larger portion of total advertising dollars. Aggregate paid clicks has increased, but cost-per-click continues to fall. However, the company maintains that costs-per-click are falling due to YouTube ad growth, and that mobile costs-per-click are rising. Mobile advertising represents a significant share of an increasingly important portion of the market, and the company is focused on attracting and retaining users to its mobile services.

The company's new structure is very beneficial to investors. It allows the company to continue to pursue its 70/20/10 model, while increasing management focus on the core business. Investors will have a much better ability to evaluate the performance of the core search and ads business, and have much greater transparency into the companies included in the Other Bets segment.

Alphabet has been a high performer in various environmental sustainability metrics. However, on issues related to privacy and corporate governance, Alphabet raises serious concerns. The company is facing antitrust charges in Europe stemming both from customer data privacy concerns and from unfairly favoring its own services on the Android mobile operating system.

### Outcome:

Alphabet's share price on April 6, 2016 was \$757.84, compared to the Fund's initial purchase price of \$277.12 in October of 2009. Continued strong growth in the core business has continually made this one of the top performing stocks in the portfolio. Over the past year, Alphabet's new CFO, Ruth Porat, formerly CFO of Morgan Stanley, has confirmed that the company is taking a stricter approach to costs and hiring, and announced the first return of capital to public shareholders, a \$5 billion repurchase program of Class C stock. Despite the strong financial performance and outlook, the Principals have serious ESG-related concerns about data privacy and competitive behavior and will continue to monitor the stock closely.

# AMN Healthcare Services (NYSE: AHS)

**Sector:** Healthcare

**Industry:** Specialized Health Services



## **Company Description:**

AMN Healthcare provides workforce solutions and staffing services to public and private hospitals, clinics, community health centers, and other healthcare workplaces around the country. AMN primarily recruits nurses and physicians, although it also provides placement services for other allied health professionals such as physical therapists, home health aides, etc. Beyond basic recruiting and placement, AMN offers healthcare facilities holistic workforce management support through its consulting practices. It helps healthcare networks identify their optimal staffing mix that allows for the least complexity and highest level of efficiency, coordinates all workforce vendor management, implements professional development and upskilling programs, and develops/implements electronic health records systems. By offering a suite of services AMN Healthcare attracts a number of clients to its Managed Service Program (MSP) in which it manages and purchases 100% of staffing services for its clients.

## **Investment Pitch:**

The Fund bought into AMN based on secular growth trends, the company's differentiated model and its ESG strengths. Demand for healthcare staffing services is expected to increase greatly with increased spending on healthcare and the projected shortfall of nurses and physicians. AMN prides itself as an innovator in healthcare workforce solutions and differentiates itself from competitors through its MSP, vendor management systems, and recruitment process outsourcing offerings. The MSP model is particularly lucrative for the company as it receives fees for contracting and managing vendors and for providing direct hires from its own network. The company already has over 100 of these comprehensive MSP relationships, which is more than any other firm in the industry. According to Staffing Industry Analysts, AMN Healthcare has over 10% of the market share for healthcare staffing, which is greater than any of its competitors. AMN also has a strong ESG story, playing a pivotal role in helping to manage and reduce costs at public and private healthcare facilities. In addition, it has a female CEO, female representation on the board, strong workplace policies, and solid reporting procedures in place.

## **Outcome:**

Since adding AMN Healthcare to the HSRIF portfolio in April 2015, the stock has appreciated more than 45%, driven by surprisingly strong demand. Although we have far surpassed the initial price target, estimates point to further upside for the stock. In January, the company announced that it had completed its acquisition of B.E. Smith for \$160 million. B.E. Smith is a top-ranked healthcare executive search firm, expanding AMN's staffing platform to interim and permanent searches for mid-level and senior executives.

The stock has been a strong diversifier for the fund in the recent market volatility, and should continue to perform well with continued macroeconomic growth in the U.S., the trend of nursing and primary care physician shortages, and increased demand for AMN Healthcare's differentiated services, including its Managed Service Programs.

# Disney (NYSE: DIS)

**Sector:** Communications  
**Industry:** Media



The **WALT DISNEY** Company

## Company Description:

The Walt Disney Company, together with its subsidiaries and affiliates, is a leading diversified international family entertainment and media enterprise with five business segments: media networks, parks and resorts, studio entertainment, consumer products and interactive media:

- Disney's **media networks** portfolio comprises a variety of high margin household names covering family, children's, and sports entertainment. ABC, ESPN, and the Disney Channel are the standout names.
- The **parks and resorts** business is perhaps the most famous, including five world-class vacation destinations with 11 theme parks and 44 resorts in North America, Europe and Asia, with a sixth destination currently under construction in Shanghai.
- **Studio entertainment** refers predominantly to Disney's behemoth film business. The division's significant scale allows it to bring the creative, distribution, and finance functions in-house. Major studios owned by Disney include Walt Disney Animation Studios, Pixar, Marvel, Lucasfilm (Star Wars), and Touchstone Pictures (Dreamworks).
- The **consumer products** portfolio comprises a vast range of retail products, from toys to fine art. The division is split into three parts – licensing, publishing, and Disney Store.
- Products and content released and operated by **Disney Interactive** include blockbuster mobile and console games, online virtual worlds, and No. 1-ranked web destinations Disney.com and the Moms and Family network of websites.

## Investment Pitch:

DIS is a powerful growth stock with considerable market share in a growing industry. The company has consistent revenue and margin growth along with a proven ability to generate free cash flow. Management has stated clearly its intent to return at least 20% of this cash flow to investors through dividends and buybacks.

Major catalysts to share price appreciation for DIS include the scheduled opening of Shanghai Disneyland in December 2015, a blockbuster film pipeline featuring two new Star Wars episodes, and key contract wins for its ESPN business.

DIS is a market leader in diversity, not only through workplace policies, but in a dedication to diversity within its creative content. Further, the company is very active in the community through what it calls 'strategic philanthropy'. DIS has had some controversies in the past regarding the supply chain of its licensed products. The firm's progress in this area has been rewarded with inclusion in the Calvert Social Index.

## Outcome:

- DIS has been a portfolio holding since November 2014, with shares up 16% over the holding period.
- The Fund voted to continue to hold the stock in Feb 2016.

# MasterCard Incorporated (NYSE: MA)



**GICS Sector:** Services

**Industry:** Business Services

**Company Description:** MasterCard ("MA") is a technology company in the global payments industry. It connects consumers, financial institutions, merchants, governments, and businesses worldwide to use electronic payments rather than cash and checks. It offers payment solutions that allow for the development and implementation of credit, debit, prepaid, commercial, and related payment programs and solutions for consumers and merchants. MasterCard's brands include MasterCard, Maestro, and Cirrus. MasterCard processes payments over the MasterCard worldwide network and provides related support services to its customers.

**Investment Pitch:** MasterCard is an attractive investment given the secular trend toward non-cash payments in the global payments space. MasterCard also has a highly scalable business model. Personal consumption expenditure growth will support MasterCard's top-line growth via its vast network and robust market share. MasterCard's wide geographic exposure provides great global diversification and growth upside. Several recent developments have served to demonstrate or reinforce the core investment thesis:

- New Partnerships Expand MasterCard's Avenues for Growth
- New Technologies to Increase Cardholder Convenience
  - Investment in biometric technologies such as fingerprint, facial, voice, and even heartbeat recognition to replace passwords
- Continued Investment in Cyber Security to Increase Cardholder Confidence
- China opens up its \$7 trillion bank card market to foreign companies, which is expected to boost earnings at MasterCard (and Visa)
- MasterCard is working with China's two top state-held commercial banks to launch its mobile payment products in the country
- MasterCard continues to invest in digital payments, notably its MasterPass service, which enables users to shop online using mobile phones
- MasterCard's board of directors announced an increase in the quarterly dividend and a \$4 billion Class A share repurchase program

From an ESG perspective, MasterCard's efforts to promote financial inclusion around the world are directly tied to its strategic goals and its bottom line.

**Outcome:** The Fund Principals voted to enter with approximately 5% of our total portfolio allocation in May 2013 at an average price of \$538.89/share. A 10x stock split in March 2014 resulted in a stock price of about \$78/share at that time. In February 2016, Fund Principals voted to hold and monitor MasterCard given its strong financial performance driven by international growth coupled with a powerful and unchanged ESG story around financial inclusion. As of May 2016, MasterCard's stock price is roughly \$98/share.

# Microsoft (NYSE: MSFT)

**Sector:** Technology

**Industry:** Software & Services



## Company Description:

Microsoft is the world's largest software company. Over 80% of its revenue and nearly all of its profits continue to be derived from the Windows OS, Windows Service, and Office. The company's products include operating systems for computing devices, servers, phones, and other intelligent devices; server applications for distributed computing environments; productivity applications; business solution applications; desktop and server management tools; software development tools; video games; and online advertising. It also designs and sells hardware devices including surface rt and surface pro, the xbox 360 gaming and entertainment console, kinect for xbox 360, xbox 360 accessories, and microsoft pc accessories. The company operates its business through following segments: Devices and Consumer (D&C) Licensing, Computing and Gaming Hardware, D&C Other, Commercial Licensing, and Commercial Other.

## Investment Pitch:

The original pitch centered on these three catalysts for improving upside:

- **Stable Revenue Generation:** Microsoft is becoming a leaner business focused on its primary differentiators and customer value propositions. Over 80% of its revenue and nearly all of its profits continue to be derived from the Windows OS, Windows Service, and Office. These are the consumer staples of big business. The Enterprise Licensing Division remains the jewel in the crown and continues to drive Microsoft's revenue growth.
- **Evolved Growth Strategy:** CEO Nadella continues to deliver on his strategy to embrace the winds of change in the world of big tech and we believe the firm's well established product suite is positioned to thrive in the new world. Launches of Office 365 for the Apple iPad and Enterprise Mobility Suite display an increased willingness to invest in non-Windows platforms in pursuit of opportunities in mobile and cloud services.
- **ESG Leader:** Microsoft's ESG qualities were upgraded from AA to AAA by MSCI – a reward for the firm's exemplary performance in all areas of ESG and its significant improvements in human capital management.

For the portfolio update, it was found that these main criteria still hold despite recent downward movements in the company's share price. Microsoft have been confronted with headwinds in international sales which have been dampened by the strong USD relative to other currencies. The Principals agreed that the long-term strategy and core capabilities of the company is strong and that the recent negative moves in stock price are a reflection of the unimpressed short-term traders.

## Outcome:

In February 2016, the Fund Principals voted to hold Microsoft. Since the original pitch in April 2014, the stock value has appreciated, but has reached the value of the original investment thesis. For this stock going forward, a new investment thesis will need to be crafted.

# American Water Works Company, Inc. (NYSE: AWK)

**Sector:** Utilities

**Industry:** Water Utilities



## **Company Description:**

American Water Works is the largest publicly traded water and wastewater utility company, as measured by operating revenue and population served. It provides 14 million people with drinking water, wastewater, and other water-related services in over 40 states and two Canadian provinces.

## **Investment Pitch:**

This investment provides portfolio diversification, both by adding a new industry to the portfolio and by adding a stock with a very low Beta (0.33 as of March 2015), providing stability for some of the more volatile portfolio positions. The company offers attractive risk-adjusted return with limited downside. AWK's regulated business segment (which makes up 89% of AWK's operating revenue) has high barriers to entry, a large and geographically diverse customer base, and a predictable market due to economic regulation. The company seems focused on thoughtfully considering and preparing for risks to the sustainability of their business, including efforts to reduce greenhouse gas emissions and develop infrastructure to improve conservation of water in transit to homes and businesses. AWK also has a more diverse leadership team than many other companies of its size, with separate CEO and Chairman roles, a female CEO and CFO, and a 44% female Board of Directors. The company's mission to provide access to clean drinking water for both low- and high-income people aligns well with the Fund's social impact goals.

## **Outcome:**

Fund Principals initially voted to invest in AWK in late 2014, at a share price of \$52. In spring 2016, Principals voted to keep AWK in the portfolio, with a score of 4.3 out of 5, based on our continued belief in the original investment thesis going forward. As of May 2016, AWK's share price is \$74.

# Vodafone Group Plc (NASDAQ: VOD)

**Sector:** Telecom

**Industry:** Wireless Telecom



Vodafone Group (VOD) is a wireless telecommunications company headquartered in the UK with operations in 30 countries and partnerships with networks in an additional 48 countries. It is the UK's most valuable brand, currently worth USD \$30 billion according to Brand Finance Global 500. The world's second largest telecom, VOD serves 434 million mobile customers around the world and is typically the first or second largest operator (out of 3-4) within each of the markets in which it operates. 90% of mobile customers are individuals, with the rest being enterprise customers ranging from small businesses to large multinationals. The majority of – and a growing share of – Vodafone's mobile customers are in emerging markets.

The company recently expanded into fixed broadband and now provides services to 9.3 million customers in 17 different markets. Its primary market for fixed services is Europe where it is the fourth largest provider in Western Europe and will become the third pending its acquisition of Ono in Spain.

Vodafone reaches customers through 14,500 exclusive branded stores, which include franchises, a network of distribution partners as well as third party retailers. Online is becoming an increasingly important channel for sales and after sales services for the company.

## **Investment Pitch:**

**Growth in Emerging Markets:** VOD has been growing aggressively in emerging markets. Currently, 68% of VOD customers are in emerging markets and 75% of total call minutes come from emerging markets. We see a big upside in revenues from emerging markets as users move from feature phones to smartphones increasing service revenues from data plans. This growth comes with a focus in ESG with case examples as M-PESA providing a new paperless banking product that allows customers to save and borrow directly from their phones.

**Project Spring:** VOD has become an industry leader in all of its markets as it announced aggressive capital expenditure plan to improve network quality across all of its markets. Project Spring was put in place in FY14 and has already resulted in significant improvements across all markets with many competitors lagging behind putting VOD at a competitive advantage going forward to provide the higher end data plan services that have the biggest impact in terms of profitability in the industry.

## **Outcome:**

VOD has been a portfolio holding since April 2015. Shares have risen 1% over the past year, Vodafone continues to show mixed results in 16Q1. Vodafone is outperforming its peers across four out of its six largest European markets but still showing negative growth across European markets. Growth in emerging marks has been accelerating but the appreciation of the US Dollar has made this growth in dollar terms less significant. Project Spring has shown great progress with increased customer satisfaction across Europe and increase data usage but decreasing ARPU. Commercial impact yet to be seen.



# Starbucks Corporation (SBUX)

**Sector:** Consumer Discretionary

**Industry:** Restaurants



Starbucks Corporation operates as a roaster, marketer, and retailer of specialty coffee worldwide. Its stores offer coffee and tea beverages, packaged roasted whole bean and ground coffees, single serve products, and juices and bottled water. The company's stores also provide fresh food offerings; ready-to-drink beverages; and various food products, including pastries, and breakfast sandwiches and lunch items, as well as beverage-making equipment and accessories. In addition, it licenses the rights to produce and distribute Starbucks branded products to The North American Coffee Partnership with the Pepsi-Cola Company, as well as licenses its trademarks through licensed stores, grocery, and national foodservice accounts. The company offers its products under the Starbucks, Teavana, Tazo, Seattle's Best Coffee, Starbucks VIA, Starbucks Refreshers, Evolution Fresh, La Boulange, and Verismo brand names. As of September 29, 2013, it operated approximately 10,194 company-operated stores and approximately 9,573 licensed stores. Starbucks Corporation was founded in 1985 and is based in Seattle, Washington.

## Investment Pitch:

- Starbucks continues to expand portfolio of food and drinks, attracting customers at lunch and afternoon. Starbucks aims to become a "food destination across multiple day parts," according to Kevin Johnson, president and COO of Starbucks.
- Starbucks growth in the future is likely to come from global expansion, primarily focused on Asia. The company plans to expand to 3,400 stores in China by 2019 and we can expect this to pay dividends in the future. Starbucks is also making a big play in India.
- Starbucks continues to grow its mobile transactions, expanding its Mobile Order & Pay platform. These mobile transactions are boosting margins for the company, with lower processing fees for mobile payments compared to credit cards.
- CPG focus continues to expand. Starbucks' brand has expanded to grocery stores, both in selling roast and ground coffee packages and K-cups.

## Outcome:

Fund Principals voted to invest in SBUX at the end of 2013. Starbucks has continued to perform well and Principals remain confident about continued performance. The company has performed well with its best in class sustainability strategy.

## Compass Minerals (NYSE: CMP)

**Sector:** Materials

**Industry:** Metals and Mining



### Company Description:

Compass Minerals International (CMP) is a major producer of salt, magnesium chloride, and sulfate of potash (SOP) specialty fertilizer in North America. It is also a large producer of salt in the U.K. CMP provides salt for use in highway, consumer and industrial deicing, water care, and animal nutrition in North America and the U.K. (~81% of revenues) and specialty fertilizer for use with high value crops worldwide (~19% of revenues). The company also has a small records management business (DeepStore) in the U.K. that utilizes excavated portions of a salt mine for secure underground document storage.

### Initial Investment Pitch:

The salt industry enjoys stable demand through economic cycles and has experienced long-term volume growth of 1-2% annually and pricing growth of 3-4%. As one of three major salt producers in North America, Compass is a market leader in an oligopoly. Compass enjoys access to the world's largest rock salt mine and the only naturally occurring source of SOP in North America, both of which give Compass a sustainable cost advantage. Further, its mines and depots are located near strategic waterways that minimize transportation costs and allow it to be the low-cost producer in its service areas, an important advantage since salt consists largely of localized markets. These advantages allow Compass to enjoy 20%+ operating margins for a commodity product.

From an ESG perspective, Compass provides the necessary, life-saving service of deicing the nation's highways. The company's solar evaporation facilities are a great example of a core business strategy that is also good for the environment as it is both green and low-cost. Compass also has an excellent safety record and even includes safety metrics in determining management compensation.

### Divestment Rationale:

In October 2015 the Principals considered two major trends: environmental impact and climate factors. The Principals saw detriments from the company's core practice: environmental degradation related to road salt runoff. This was a cause for concern on an ESG basis. On the financial side, the Principals saw risk related to the El Nino climate event. El Nino causes decreased snowfall in the Midwestern United States, the region with the majority of Compass' sales. As it turned out, Compass' 1Q16 sales were indeed depressed due to reduced snowfall.

# TE Connectivity Ltd. (NYSE: TEL)

**Sector:** Technology

**Industry:** Diversified Electronics



## Company Description:

TE Connectivity, headquartered in Switzerland, is the largest player in the connector industry, and a large player in the sensor industry. At a high level, their products consist of connectors, sensors, fiber optics, circuit protection, sealing and protection, antennas, relays, precision wire and cables, and wireless.

## Initial Investment Pitch:

We chose this investment in May 2015 due to macro trends offering upside to the company in the future, the company's leading position in a highly fragmented market, strategic moves to improve margins, expected future strategic acquisitions that will increase market share and bring synergies, and a strong ESG story. The company is focused on product lines whose addressable market we expect will grow dramatically in the next few years. Though a technology company at first glance, TEL also provides portfolio diversification, as its main market segment is transportation. TEL's products enable its customers to meet the demands for safer, greener, smarter, and more connected products. This has allowed for more fuel-efficient automobiles, energy-efficient data communications, and safer industrial vehicles. The company has reduced its own greenhouse gas emissions, water usage, and hazardous waste production significantly since 2010, and received Cisco's Excellence in Sustainability award in 2014. The Ethisphere Institute named TEL one of the most ethical companies in 2015.

## Divestment Rationale:

In September of 2015 the Principals reviewed our investment in TE Connectivity. Our original investment thesis still made sense based on TEL's leading position in a highly fragmented market, focus on products for which demand is expected to grow (eg sensors), strategic moves to improve margins, and strong ESG story. However, between May and September, many of the risk factors that Principals cited in the initial pitch had become particularly timely. China makes up around 18% of TEL's sales, for example. In addition, the oil and gas business had typically been the highest margin segment of TEL's industrial solutions business, and as of September it had declined by 35%. Our decision to sell this stock was based on our concern that China and oil and gas will continue to be volatile over the next few years.

# Eaton Corporation (NYSE: ETN)

**Sector:** Industrials

**Industry:** Electrical Equipment



## **Company Description:**

Eaton Corporation is a diversified power management company and a global technology leader in electrical components and systems for power quality, distribution and control; hydraulics components, systems and services for industrial and mobile equipment; aerospace fuel, hydraulic and pneumatic systems for commercial and military use; and truck and automotive drivetrain and powertrain systems for performance, fuel economy, and safety. Put simply, Eaton provides the infrastructure to deliver and control energy. The company has over 100,000 employees and sells products in 175 countries. Eaton sells into a wide range of markets, including agriculture, aviation, communications, IT, electronics, government and military, healthcare, manufacturing, residential, and vehicles.

## **Initial Investment Pitch:**

Eaton's core mission is "thinking powerfully" to deliver innovative power management solutions that not only improve customer businesses, but also help improve the world. With the cost of energy extraction, distribution, and utilization increasing, along with more stringent government regulation to control energy consumption, companies increasingly need power management technologies to ensure energy is used safely and economically. Eaton has been gaining market share and outperforming its end markets, and the Principals expect this to accelerate in the coming years.

Eaton has been actively expanding its business by making acquisitions. Most notable was the Nov. 30, 2012 acquisition of Cooper Industries, a manufacturer of electrical components and tools with sales of \$5.4B in 2011. The strategic rationale behind the deal is to expand Eaton's addressable market through Cooper's portfolio of complementary products, specifically targeting the utility power distribution network (upstream) and lighting/lighting controls (downstream). Previously, Eaton's electrical product portfolio primarily targeted facility-level power distribution. Cost cutting divestments and strategic acquisitions are helping Eaton create differentiated products and technology that position it well for future growth. Synergies and revenue growth from acquisitions are already being realized at a rate higher than anticipated.

## **Divestment Rationale:**

ETN has been a portfolio holding since November 2010, with shares up nearly 50% in that time frame and more than 25% in the 1H15. However, the stock has underperformed since with little improvement in innovation and strong exposure to oil and gas. Given the high exposure to oil and gas in our portfolio and that ETN already had completed many of our investment thesis points (investing in new products and services to enter new markets) we decided to divest in the 2H15.

## KeyCorp (NASDAQ: KEY)



**Sector:** Financial

**Industry:** Regional-Midwest Bank

### **Company Description:**

KeyCorp, headquartered in Cleveland, Ohio, is the nation's 15th largest bank-based financial services company, with consolidated total assets of approximately \$92.9 billion at December 31, 2013. KeyCorp is the parent holding company for KeyBank National Association ("KeyBank"), employing over 14,000 across its two major business segments.

Key Community Bank serves over 2 million individuals and small to mid-sized businesses through its 12 state branch network (1,000+ branches, 1,300+ ATMs), telephone banking centers, and robust online and mobile capabilities. Offers a variety of deposit, investment, lending, credit card, and personalized wealth management products and business advisory services. Key Corporate Bank is a full-service corporate and investment bank serving the needs of mid- to large-sized businesses, focusing primarily on middle market clients in six industry sectors: consumer, energy, healthcare, industrial, public sector and real estate.

### **Investment Pitch:**

The Fund purchased KeyCorp stock in Fall 2014 with the thesis it would outperform financially and through ESG measures. Our financial thesis centered around the upside of rate hikes through quantitative easing, which presented a positive scenario for KeyCorp as one of the most asset sensitive banks. At the time, KeyCorp was also engaging in reduction of operating expenditures and divesting from nonstrategic businesses. On the ESG side, KeyCorp was investing heavily in community engagement and providing capital for small to medium sized businesses in the central region of the US to support these regions through economic upheaval. In addition, Principals were drawn to KeyCorp's commitment to diversity, exemplified by a female CEO. Current Principals bought KeyCorp at a share price of \$13.25 with a target valuation of \$15.09.

### **Divestment Rationale:**

KeyCorp's financial outlook was positive for some time and reached its target valuation in June 2015, just six months after we purchased the stock. However, Principals were unable to act given it was the summer session and we do not have activity during this time. One year following this, KeyCorp failed to reach its financial target.

- Company upside unlikely to be realized, already priced into stock price
- Initial valuation was less than 20% beyond current stock price; Principals unlikely to have purchased the stock given current discussions and processes (looking to invest in stocks that have upside 20%+)

# Kilroy Realty Corp (NYSE:KRC)



**Sector:** Financial  
**Industry:** REIT - Office

## **Company Description:**

Premier West Coast office owner founded in 1947. In 2010, began a major expansion beyond its historical base in Southern California into the San Francisco and Seattle markets. Currently operates 24 properties in Greater San Diego, 17 in the Bay Area, 15 in Greater Los Angeles and 8 in the Pacific Northwest. Kilroy entered at the bottom of the market and has benefited from the tech boom and has achieved 12% annual net asset value growth validating its leadership in the office sector.

## **Initial Investment Pitch:**

Strong West Coast market position: Kilroy has successfully grown its presence in the San Francisco (8.6% to 29.9% of portfolio) and Seattle (0.9% to 15.8% of the portfolio) since the market bottom in 2010, and has higher occupancy and sales stores growth rates relative to peers. Also, San Francisco and Seattle are projected to have strong rental growth and declining vacancies by industry associations through 2018.

Effective repositioning: In addition to adding exposure to the San Francisco and Seattle areas, Kilroy has redeployed capital into office assets by reducing exposure to industrial assets and low growth properties, selling \$791 million of assets from 2010-2014, at an estimated return of 67%.

All new construction activity at Kilroy properties is built to LEED specifications: 23 of Kilroy's 64 properties have some level of LEED certifications. 37 of Kilroy's properties are ENERGY STAR certified, meeting strict energy performance standards set by the EPA.

## **Divestment Rationale:**

Our investment in Kilroy was the first effort into REIT's. We entered the position and divested within the same fiscal year with a net loss of 2%. The stock performed poorly in the first few months due to mounting concerns of the tech boom in the West Coast and rate increases in 15Q4, our position suffered losses of nearly 15%. Re-assessing occupancy rates and high exposure to further rate increases in the latter half of 2016 we believe that our initial assessment was too optimistic and believe that the overweighed exposure to the tech sector was too high. Potentially we see REIT's as an asset class which we should continue looking at with stronger consideration to diversification with the REIT's portfolio.

# Nucor (NYSE: NUE)

**Sector:** Basic Materials  
**Industry:** Steel and Iron



## Company Description:

Nucor Corporation is the largest steel producer in the United States and the largest recycler of scrap steel in the country. It is the 14th largest steel company in the world by production volume (4th by market cap). It recycles about one ton of steel every two seconds and has recycled over 12 million tons so far this year. Nucor uses a distinctive electric arc furnace (EAF) process to use scrap steel as a primary input for its production process. Nucor was the first company to use EAF in small decentralized “mini-mills” and proved that decentralization steel production could work at scale. When Nucor first made a transition to using EAF production in mini-mills in the 1960s, it was able to quickly respond to changing local demand in dozens of different local markets. As Nucor has grown, it has leveraged this same flexibility for large and international markets. Nucor currently operates about 23 scrap-based production mills, and has traditionally had the highest margins in the industry.

## Initial Investment Pitch:

The Fund invested in fall of 2014, when Nucor had displayed an ESG turnaround. In 2002 Nucor ranked Nucor as the 14th largest corporate contributor to U.S. air pollution in 2002. Since then it has embraced a strong environmental program, training for staff, and further enhanced its scrap recycling capabilities. By 2010 the company had moved to the 69th position after having reduced its release of air toxins by over 65% while still maintaining and/or increasing production volumes. Nucor was believed to be a strong long-term opportunity for the Fund based on its upward ESG trajectory, diversified product mix, flexible production and labor management practices, and vertical integration.

## Divestment Rationale:

In fall 2015, the Fund divested Nucor, primarily related to concerns about the continuing commodities down-cycle and the slowdown in emerging markets, particularly China. Though the Principals believe Nucor to be a strong ESG play, concerns related to overall market headwinds caused the Fund to divest Nucor. As of spring 2016 the Fund holds no commodities producers.

# Qualcomm (NYSE: QCOM)



**Sector:** Technology

**Industry:** Communication Equipment

Qualcomm is the innovator of CDMA technology, the backbone of all 3G wireless network. The company designs, manufactures and markets digital communications products and services including integrated circuits and system software used in mobile devices and in wireless networks. The Company operates in three segments, including Qualcomm CDMA Technologies (QCT), Qualcomm Technology Licensing (QTL) and Qualcomm Strategic Initiatives (QSI). QTL provides rights to use portions of its property portfolio. QCT develops and supplies integrated circuits and system software wireless technologies. Finally, the QSI segment is focused on opening new opportunities for its technologies. The fund believes that Qualcomm will be a strong addition to the HSRIF portfolio, as the company is not only an eminent force in the communications technology space, but has a strong ESG corporate culture with a company-wide focus on sustainability. Its strategy drives long-term growth and profitability through the inclusion of environmental, social and corporate governance issues in its business model; specifically as they relate to key spheres of influence: its workplace (with focus on inclusion, and diversity), supply chain and local communities (including accessibility to technology and educational impact on minorities and women in STEM fields), as well as the marketplace and public policy realm.

## **Reason for Divestiture:**

This position was divested in the Fall of 2015, after the weaker than expected business performance of Qualcomm (linked to performance issues with Snapdragon chipsets and clients such as Apple taking the technology in-house) as well as continued ethical concerns linked to bribery cases in China.



# SolarCity (SCTY)



**Sector:** Energy

**Industry:** Renewables

## **Company Description:**

In late April 2014, the Fund Principals voted to invest in SolarCity, a company offering installation, monitoring and repair services of solar energy systems in the U.S. Through innovative financing structures, SolarCity makes clean energy available to homeowners, businesses, schools, non-profits, and government organizations at a lower cost than they pay for energy generated by burning fossil fuels like coal, oil, and natural gas. We found this company compelling due to its transformative impact on solar energy through financial innovation coupled with its strong growth potential in a burgeoning \$63 billion electricity market. At its core, SolarCity is helping people and organizations reduce their carbon footprint and their utility bills.

## **Investment Pitch:**

Our 2014 valuation model assumed explosive growth in the retail segment (75%+) and continued cost declines, which at that time pointed to a financial valuation of 40% over the prevalent market price. During 2015, we maintained a HOLD recommendation on the stock, as Solar City performed extremely well operationally. The company was able to grow its market share of US residential installations from 27% in 4Q13 to 39% in 4Q14- this is equivalent to the next 70 installers combined. It managed to drive down its unit costs (-20% last year) and outperformed the nearest competition, which is expected to reach SCTY's \$2.87/W cost level only in 2017. On the customer side, SCTY doubled its customer base to 190,000 customers.

## **Outcome:**

SolarCity has had a volatile year, with a significant rise to over \$70/share and then subsequent drop to our entry level in the low 50s, in part driven by a drop in oil prices and the markets bearish view on the solar industry overall. The stock is currently testing the \$60 level again, on the positive tailwinds of a proposed collaboration with Tesla's battery technologies to store the power that its panels collect, as well as a \$1bn fund raised with Credit Suisse to fund further expansion in commercial solar projects, including schools, businesses and government. Wall Street remains bullish on the stock with Merrill Lynch recently giving it a 75% upside target price of \$95. The continued strong ESG angle in solar, as well as the potentially strong upside that we believe will be realized by the stock have led us to continue holding SolarCity as part of our portfolio as of April 2015.

## **Reason for Divestiture:**

Post the Investment Credit Extension in November of 2015, and the adverse net metering ruling in Nevada, the solar industry dynamics shifted from companies focusing on residential to the ones focusing on utility and commercial & industrial. As such, the Principals chose to do a portfolio switch – we divested from SolarCity and went long FirstSolar, a company that industry analysts expect to benefit from its customer focus.

# Stericycle (NASDAQ: SRCL)



**Sector:** Industrial Goods

**Industry:** Waste Management

**Company Description:** Stericycle, Inc., together with its subsidiaries, provides compliance solutions to the healthcare and commercial businesses. The company's main business activity comprises the collection and disposal of medical waste. Stericycle is the market leader in regulated waste management services in the United States.

Stericycle serves a diverse customer base of nearly 599,000 customers throughout the US, Argentina, Brazil, Canada, Chile, Ireland, Japan, Mexico, Portugal, Romania, South Korea, Spain, and the UK. The company splits its customer base into two categories: Small Quantity (SQ) and Large Quantity (LQ) accounts. LQs are defined as producing 200+ pounds/month of medical waste. LQs tend to be hospitals, nursing homes, large clinics and labs among others. SQs tend to be dentists, private doctors practices, and veterinarians among others. In addition to the core regulated medical waste management services, Stericycle offers a host of services that complement its main business. Such services include recall support, live and automated customer service, sharps management, and specialist compliance training.

**Investment Pitch:** The Fund bought into Stericycle given its market leadership in the United States, diversified and sticky client base, well founded plans for international expansion, underappreciated cross-selling opportunities, and the powerful secular tailwinds that it faces. Stericycle also provided the Fund with fresh exposure to the healthcare industry without the risks associated with patent battles and drug discovery. The company's business activities offer immediate, inherent benefit to the environment via minimization and diversion of waste as well as energy efficiency, and furthermore, Stericycle is an industry leader in supply chain management.

**Outcome:** Stericycle's financial outlook remains strong, but recent ESG controversies related to carbon emissions as well as toxic emissions & waste raised doubts that Stericycle is as good an ESG story as the HSRIF principals believed in the spring of 2015.

## Reasons for Divestment

- Limited initiatives to reduce the carbon intensity of its operations
- Limited measures to reduce its exposure to hazardous waste as a result of its operations
- No evidence of comprehensive health and safety management programs beyond basic regulatory requirements, which puts Stericycle behind peers such as Waste Management

# Toronto-Dominion Bank (TD)

**Sector:** Financial Services

**Industry:** Money Center Bank



## **Company Description:**

Toronto Dominion Bank (TD Bank) is Canada's second largest bank by market capitalization and largest bank by assets. TD Bank has three key business lines: Canadian retail banking, U.S. retail banking, and wholesale banking with the bulk of its revenues generated in Canadian retail banking. TD Bank and its subsidiaries serve approximately 22 million customers in Canada and the United States. TD Bank provides personal banking, credit card, auto financing, small business and commercial banking, corporate and specialty banking, insurance, research, investment banking, and capital market services.

## **Initial Investment Pitch:**

The Fund invested in TD Bank in fall of 2014. TD Bank had developed and executed a retail-focused strategy. TD Bank exited its structured products business, non-franchise credit products business, and its non-franchise proprietary trading business between 2005 and 2010. The retail-focused strategy has resulted in a lower risk business model, and has increased the company's focus on customer service. In addition to customer service, TD has made providing financial literacy, access, and education to the underserved populations, such as indigenous populations, one of its social missions. The Fund viewed TD as an ESG leader within financial services and retail banking.

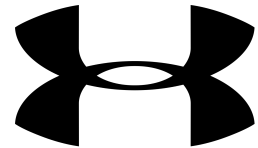
## **Divestment Rationale:**

The Fund does not believe TD has significant growth opportunities nor a compelling ESG story. The divestment did not reflect an overwhelmingly negative view of the company, but rather a lack of excitement for the upside of TD Bank. The eVal model fundamental analysis reflected a company that was fairly priced. The Fund decided the upside to TD Bank was limited and consequently divested.

## Under Armour (UA)

**Sector:** Consumer Goods

**Industry:** Textile Apparel Clothing



**UNDER ARMOUR**

**Company Description:** Under Armour, incorporated in Maryland in 1996, has become one of the leading branded becoming one of the leading branded performance, apparel, footwear and accessories companies in the world. The brand is worn by athletes, both professional and amateur, and active lifestyle consumers. In the past several years, Under Armour has expanded beyond apparel to a Connected Fitness business and strategy, making key acquisitions of companies at the intersection of technology and fitness, such as MyFitnessPal and MapMyFitness.

**Investment Pitch:** The Fund added Under Armour to our portfolio in Fall 2015. Principals recognized a trend toward active outerwear, which was growing faster than other sectors of apparel, and had been seeking an activewear company to invest in. Under Armour was also actively seeking to focus on female consumers and international expansion. The Connected Fitness strategy was also a growth driver. Under Armour also performed well through ESG through its mission as a company seeking to give consumers more active opportunities as well as through its innovative manufacturing purchases.

**Outcome:** Under Armour had positive financial performance leading up to our Principals' investment in the stock. Unfortunately, it failed to show continued performance in the following several months. Principals determined potential upside was likely already priced into the stock. In addition, the board diversity of Under Armour included only one female out of 10 members, which we believed undermined Under Armour's commitment to focusing on the female consumer.

### Reasons for Divestment

- Company upside unlikely to be realized and likely already priced into stock
- Focus on female consumers potentially undermined by lack of board diversity

# United Natural Foods (NYSE: UNFI)

**Sector:** Services

**Industry:** Food Wholesale



## **Company Description:**

United Natural Foods, Inc. is a distributor of natural, organic, and specialty foods and related products including nutritional supplements, personal care items and organic produce. UNFI has over 40,000 customers across buying clubs, conventional supermarkets, mass market chains, and other foodservice companies, primarily in the U.S. and Canada. The company operates 33 distribution centers, representing about 7.2 million square feet of warehouse space, which represents the largest capacity of any North American-based distributor in the natural, organic, and specialty products industry.

## **Initial Investment Pitch:**

HSRIF believed UNFI to be a strong addition from both a financial and ESG perspective. The company has a strong track record as the market leader in a rapidly growing industry, with sales growth averaging 15% over the past 10 years at the time of investment. With strong customer relationships, a robust distribution network, and a history of successful acquisitions they were expected to continue growing with their market. UNFI plays in an industry with rapid growth and thin margins; as the biggest player, more than twice the size of their nearest competitor, the company was believed to benefit significantly from increasing economies of scale with growth. From an ESG perspective, UNFI's core business success is aligned with promotion of healthy lifestyles, creating social good for their customers. Beyond the core business, UNFI is highly conscious of corporate social responsibility, with a particular focus on environmental sustainability.

## **Divestment Rationale:**

UNFI management showed trouble managing their most important accounts, losing a contract with Albertson's in July of 2015. This was an early sign of more trouble as the company continued to miss revenue (both organic and inorganic) expectations. Though the Principals believe in the core mission of United Natural Foods from an ESG perspective, the Fund lost faith in the ability of management to meet the ambitious growth targets implied by the price. Continuing double-digit sales growth is required for UNFI to meet its pricing on a fundamentals basis; the Fund has reservations UNFI management will be able to sustain this growth.

## Canadian National Railway (NASDAQ: SRCL)



**Sector:** Industrial Goods

**Industry:** Waste Management

**Company Description:** Canadian National Railway Company (“Canadian National” or “CN”) engages in rail and related transportation business in North America. Its services include rail, intermodal container, and trucking services as well as supply chain solutions, including warehousing and distribution and marine services. The company transports various goods, such as automotive, coal, fertilizers, food and beverages, forest products, shipping grains, metal and minerals, petroleum and chemicals, and specialty crops. It operates a network of approximately 20,000 route miles of track spanning Canada and mid-America, from the Atlantic and Pacific oceans to the Gulf of Mexico. Its network can make connections to all points in North America. Canadian National was founded in 1922 and is headquartered in Montreal, Canada. The company’s shares trade on the New York Stock Exchange under the ticker CNI and on the Toronto Stock Exchange under the ticker CNR.

**Investment Pitch:** With US population growth and economic improvement, the rail industry should do well. On top of that, Canadian National is positioned to outperform its industry peers for the following reasons:

- *Unique rail network* – The only network that touches both coasts and the Gulf of Mexico directly, making “backhauling” empty containers across the system more productive. Greater number of potential stops.
- *High margin, balanced volume mix* – The most balanced of all Class I rails.
- *Consistent volume growth* – Thanks to leaps in technology, the rising price of diesel and improved delivery speeds, more and more freight traffic has moved from roads to rails.
- *Tailwind from a weaker CAD/USD* – Weak CAD/USD relationship benefits Canadian producers in oil, coal, potash, and grain who are shipping into US (33% of revenues) and global markets (31% of revenues, mostly Asia) priced in USD.
- *Favorable, long-term crude oil exposure* – Well positioned to haul crude from Western Canada, customers are not very price sensitive due to crude’s multi-decade asset life

The ESG thesis for CN centers on the fact that we are now seeing a multibillion-dollar revival in rail R&D and infrastructure. Thousands of new state-of-the-art locomotives—*far more fuel-efficient and less polluting than older models*—are being put to work on U.S. railroads. Furthermore, CN is a leader among its peers in terms of adopting new technologies to improve worker safety and reduce its impact on the environment:

- CN has a *strategic focus on expanding its intermodal business*, where trains move shipments over medium to long distance and trucks move goods to their final destinations, allowing CN to save upwards of 25% of heavy truck fuel by 2050.
- CN has strong *carbon emissions* intensity reduction targets, and outperforms peers in *employee compensation and training* programs.
- CN is already *testing converted natural gas trains* around North America. These trains, running on liquefied natural gas, will reduce Canadian National’s dependence on diesel *and* generate 50% savings relative to diesel.
- CN is an early mover on new and proposed *transportation safety* requirements
- Canadian National’s 2016 capital investment program of approximately C\$2.9 billion, includes increased spending for *Positive Train Control (PTC) technology*. PTC is designed to make freight rail transportation, already one of the safest U.S. industries, even safer by automatically stopping a train before certain types of accidents occur.

## First Solar, Inc. (FSLR)



**Sector:** Energy

**Industry:** Photovoltaic Solar Systems & Equipment

First Solar is a global supplier of solar energy solutions. The business can be divided into two key In the component segment, the company designs, manufactures, and sells thin-film photovoltaic modules (solar panels). They are pioneers in cadmium tellurium (CdTe) technology, which they maintain offer higher efficiency than more common silicon-based panels. They have a 2.7 Gigawatt annual manufacturing capacity, and they sell these modules to project developers and other PV system operators. In addition to components, FSLR sells complete PV power systems to utilities, independent power producers, and large corporations. Their offerings include all services relating to the construction and operation of their systems. When they deem it strategically prudent, they sometimes hold and operate their own PV systems. Demand is expected to remain robust; late last year, the US federal Investment Tax Credit (ITC) was extended at its current 30% rate through 2019, falling to 10% by 2022 instead of 2017. The Fund Principals decided to add First Solar to the portfolio as a replacement for SolarCity in order to maintain exposure to the renewable energy sector.

## Lending Club (LC)

**Sector:** Financial

**Industry:** Credit Services



Since 2007, Lending Club has been a leader in the fintech (financial technology) revolution disrupting the banking world. By disintermediating traditional banks and credit card companies, the company has provided over \$16 billion of loans to over 1.4 million consumers and small businesses. By investing in this SF based small cap, we will be able to provide the HSRIF portfolio with positive interest rate and consumer lending exposure with a social angle: on average, the lower margin, direct lending method of Lending Club provides borrowers with 7.6% p.a. savings on their debt, providing consumers access to cheaper, more flexible and therefore more sound funding sources.

LendingClub is an online alternative lending platform that offers creditworthy borrowers lower interest rates and investors better returns. Customers with a FICO score of at least 660 can borrow up to \$35,000 for three- or five-year loans.

- Its proprietary technology evaluates the borrower's data (which does not impact the applicant's credit score), determines an interest rate and instantly presents a variety of offers to qualified borrowers
- Investors can invest in individual loans in increments as low as \$25; investors ranging from individuals to institutions select different loans to invest in. The entire process is completed online without any bank branches, using technology to lower the cost of credit and pass the savings back to borrowers and investors
- The Company does not fund the loans itself and therefore has no associated balance sheet risk.

## Bright Horizons Family Solutions, Inc. (BFAM)

**Sector:** Services

**Industry:** Personal Services



Bright Horizons Family Solutions (BFAM) is the largest publicly-traded daycare provider. Focused on providing employer-sponsored dependent care solutions, the company is poised to continue taking advantage of macro trends toward higher workforce participation and increased emphasis on high quality early childhood education. The company has demonstrated long-term financial strength and growth, growing revenue YoY for each of the last 13 years. It has also demonstrated that it provides a high quality service that parents are willing to pay a premium for, retaining 97% of its customers each year for the last 10 years. BFAM has a fairly diversified client base and business model to protect downside, and its low-capital expansion strategy facilitates rapid, lower-risk growth. The company's mission (to provide high quality care and education in a safe and healthy environment for young children, in a convenient way for working parents that encourages full workforce participation) fits well with the goals of the HSRIF.

## Prudential Financial (PRU)

**Sector:** Financial

**Industry:** Life Insurance



Prudential Financial (PRU), based in Newark, NJ, was founded in 1875 as the first U.S. company to make life insurance affordable to working class people. PRU provides life insurance, retirement plans, annuities, and asset management services, with \$1.18 trillion assets under management. The investment thesis is based on several key factors. The macro trend of aging populations leads to increased demand for retirement products. Prudential has a strong, nimble management team that emphasizes a company culture that attracts and retains talent, incentivizes both individual and group performance, and encourages knowledge sharing across teams and locations. PRU has been successful compared to competitors, with a higher ROA, ROE, and net profit margin than comps. Additionally, PRU's asset management business had inflows of over \$20 billion last year, while many other asset managers experienced outflows. Most importantly, at the time this investment was pitched, despite generating higher returns than comps and having a less risky product profile than comps, PRU had a lower P/E than comps. The company's mission of protecting both the financial future and peace of mind of its customers, combined with its emphasis on valuing, supporting, and incentivizing human capital, fits well with the HSRIF's goals.

## Southwest (LUV)

**Sector:** Services

**Industry:** Regional Airlines



Southwest Airlines (NYSE: LUV) will provide the HSRIF portfolio an exposure to the aviation sector via a true ESG leader. The company and the industry are riding a wave of strong profitability and cash flow generation. This is due to industry consolidation, favorable US economic growth and additional tailwinds of low cost factor (fuel) prices. As such, it is an opportune time to consider entering this sector in general and LUV in particular. With a low cost, high efficiency operating model, Southwest is poised to continue its



growth path by focusing on a triple bottom line of profitability, impact on its people and on the planet – tenets we at the HSRIF can subscribe to.

As the only US airline to have remained profitable over the past 42 years, Southwest is a truly extraordinary player in the volatile aviation sector. With 47,000 employees and 100mm customers per year, Southwest operates more than 700 Boeing 737s aircraft to over 95 locations in the US and surrounding countries, making it the 4<sup>th</sup> largest US airline. In the midst of a 5-year strategic plan that started in 2011 and included the integration of AirTran, LUV has focused on creating shareholder value by returning \$3.6bn of cash to investors. Its triple line approach of focusing on financial performance, the people and communities it serves, and an overall commitment to efficiency and the planet, are a testament to socially responsible company success.

## Toyota Motor Corp (TM)

**Sector:** Consumer Goods

**Industry:** Auto Manufacturer



Toyota operates globally through three business segments. The Automobile segment is engaged in the design, manufacture and sale of car products, including sedans, minivans, 2BOX cars, sport-utility vehicles and trucks, as well as the related parts and accessories. The Finance segment is involved in the provision of financial services related to the sale of the Company's products, as well as the leasing of vehicles and equipment.

Toyota produces vehicles under 5 brands, including the Toyota brand, Hino, Lexus, Ranz, and Scion. It also holds a 51.2% stake in Daihatsu, a 16.66% stake in Fuji Heavy Industries, a 5.9% stake in Isuzu, a 3.58% stake in the Yamaha Motor Company, and a 0.27% stake in Tesla, as well as joint-ventures in China (GAC Toyota and Sichuan FAW Toyota Motor), India (Toyota Kirloskar), one in the Czech Republic (TPCA), along with several "nonautomotive" companies.

In December 1997, Toyota launched the Prius, the world's first mass-produced hybrid vehicle and has been expanding the development of such innovations in their line-up. In July 2015, 18 years after rolling out the first Prius, Toyota sold its eight millionth hybrid vehicle.

# Unilever N.V. (UN)

**Sector:** Consumer Goods

**Industry:** Personal Products



The company was formerly known as Margarine Unie N.V. and changed its name to Unilever N.V. in 1929. Unilever N.V. was founded in 1927 and is based in Rotterdam, the Netherlands. Unilever PLC is a subsidiary of The Unilever Group. It is dual listed on both the LSX and NYSE.

Unilever N.V. is in the consumer goods market worldwide. The company operates through Personal Care, Foods, Refreshment, and Home Care segments. The Personal Care segment offers skincare and haircare products, deodorants, and oral care products. This segment markets its products under the Dove, Axe, Lux, Rexona, Sunsilk, Lifebuoy, Vaseline, Signal, Zendium, Dermalogica, Murad, Kate Somerville, and REN brand names. The Foods segment provides soups, bouillons, sauces, snacks, mayonnaise, salad dressings, margarines, and spreads under the Knorr, Hellmann's, Rama, Becel, Maille, Maizena, Fruco, Kissan, Bango, Lady's Choice, and Becel/Flora brands. The Home Care segment provides home care products, such as powders, liquids and capsules, soap bars, and various cleaning products under the brand names of Omo, Surf, Sunlight, Domestos, Comfort, and Pureit brands. The Refreshment segment offers ice cream and tea-based beverages under the Magnum, Heartbrand (Wall's), Talenti, Ben & Jerry's, Cornetto, Grom, Lipton, and PG Tips brand names, as well as operates T2 stores.

# Considering Fixed Income

At the February 2015 board meeting, HSRIF principals, board members, and advisors held a robust discussion on diversification, given the Fund's new obligation to the Center for Responsible Business (CRB), an annual payout in the 4-5% range. Board members from Cambridge Associates ran some analysis showing that this payout would be unsustainable in the long-term if the HSRIF portfolio remained equity-only. Ultimately, these board members recommended HSRIF move toward a 70/30 equity/fixed income asset allocation, to reduce the overall portfolio's downside risk and ensure it can meet the CRB's annual payout requirements.

In the spring of 2016, the Fund principals conducted further, deep-dive research on the merits of adding a fixed income component to the current, equity-only portfolio. The research was formally presented at the April 2016 board meeting.

The full analysis is available to future principals, board members, and advisors in a PowerPoint slide deck at the HSRIF Wiki. Below is a very high-level summary of its conclusions:

### Reasons to Consider Fixed Income

1. Student learning
2. Risk management, diversification
3. Dependable income
4. Internal consistency
5. Leadership opportunity

### Recommendations

- Same students, same class
- Be moving toward 70/30 equities/fixed income asset allocation
- Avoid high-yield, private placements, asset-backed securities, passive investments
- Be cautious of green bonds
- Start with corporate bonds (2016-2017), then consider introducing taxable municipal bonds (2017+)

# Deep Dive into 'S' of ESG

## A recommendation to enhance quality of 'S' investment decisions for the Haas Socially Responsible Investment Fund

As a group of principals, we acknowledged that our discussions on 'social' performance of publicly listed companies have been the most difficult of all ESG factors. It has been more challenging to decide the materiality of 'S' relative to 'E' or 'G' characteristics. For example, we were disparate in collecting 'S' information to support our analysis of social performance, i.e. citing employee satisfaction awards or the installment of ramps for disabled employees.

The task for this strategic project was born out of this problem. To address this issue, a literature review was conducted to compile academic conclusions on salient factors within 'S' when making investment decisions. The literature review included over 50 published journal articles from studies conducted across several markets.

Three key features became apparent from this research, and are summarized below. The final point is the most important as it includes the final recommendation which is to assess social performance by using the MSCI Human Capital Development Score.

1) The Diversity of 'S'

Academic studies are conflicted purporting opposing evidence as to whether 'S' is already priced into a company's stock. However, 'S' covers many different facets of an organization as defined by SASB:

<b>Social Capital</b>
Human rights and community relations
Access and affordability
Customer welfare
Data security and customer privacy
Fair disclosure and labeling
Fair marketing and advertising
<b>Human Capital</b>
Labor relations
Fair labor practices
Employee health, safety and wellbeing
Diversity and inclusion
Compensation and benefits
Recruitment, development and retention

**Morgana Davids**

Prior to Haas, Morgana worked as an Analyst at Primary Care Development Corporation, a community development financial institution with a mission of expanding and transforming primary care in underserved communities to improve health outcomes, lower health costs, and reduce disparities in treatment. At PCDC, Morgana assisted the Capital Investment team in making investments in safety-net health centers' expansion and operational improvement projects. Before joining PCDC, Morgana learned firsthand about the healthcare system by working as a Research Assistant at the Hospital for Special Surgery. At Haas, Morgana is a C.J. White Finance Fellow, a Forte Fellow, Co-President of the Investment Club, and Co-Chair of the Women in Leadership Annual Conference. She holds a B.A. from Barnard College of Columbia University.

**Rajeev Chanderraj**

Prior to Haas, Raj was an investment analyst at the Andrew W. Mellon Foundation. He was responsible for manager selection and portfolio management for the Foundation's credit investments. Raj began his career as an analyst in Morgan Stanley's Public Finance group, structuring municipal bond transactions for infrastructure clients. Raj came to Haas to learn more about the various forms of socially responsible investing. At Haas, Raj is the Co-President of the Investment Club, an Investment Management Fellow and active in the Haas Venture Fellows and the Haas Impact Investing Network. Raj is a CFA Charterholder and holds a BS in Economics and a BA in International Studies from the University of Pennsylvania.

**Zeina Fayyaz**

Before coming to Haas, Zeina managed accelerator programs at the nonprofit research and consulting firm Root Cause in Boston. Initially, she oversaw Root Cause's flagship accelerator, connecting New England's most promising nonprofits to donors and other resources valued in the millions of dollars. Zeina was then tapped to design and launch a national accelerator in partnership with George Soros's Open Society Foundations, which supports nonprofits working to improve the status of black men and boys in the United States. At Haas, Zeina is pursuing her interests in finance and impact investing through the Haas Impact Investing Network and as an officer in the Investment Club. She is also a Consortium for Graduate Study in Management Fellow, a Forté Foundation Fellow, and a Haas Entrepreneurial Finance Fellow. This past summer, Zeina interned in the investment management group at Goldman Sachs. She holds an AB in History, with minors in Psychology and Spanish, from Harvard College.

**Daria Filippova**

Prior to Haas, Daria spent eight years in Sales and Trading at Deutsche Bank in New York, London and Dubai. As a Vice President, she covered Middle Eastern and other Emerging Market institutional clients for credit and structured finance transactions. This role involved arranging and syndicating aviation and asset backed loans, structuring investment products, providing liability solutions and growing the cross-border deal flow between the East and West. At Haas, she focuses on strengthening her investment analysis skills and she is an Investment Management Fellow. Daria graduated Magna Cum Laude from the Wharton School of Business with a B.S. in Economics, concentration in Finance. She is an avid sailor, having competed in races in the Caribbean, the Mediterranean and the Solent.

## **Jen Fischer**

Jen joined the Haas community after five years in corporate banking and international trade finance, and following the completion of an academic dissertation in environmental finance. As an undergrad at the University of Puget Sound, she completed her B.A. in Business Leadership early to move back to New Zealand and further her studies in finance. At the University of Canterbury, she received a First Class Honours for her first-hand research on Australian market reactions to environmental data. At Haas, Jen is President of Net Impact, VP of Investment Management, and Berkeley Leaders Fellow. With these extra-curricular activities combined with her involvement in HSRIF, Jen aspires to forge a career in finance and social impact.

## **Pablo García**

Prior to coming to Haas, Pablo was a Manager at Endeavor, a global non-profit that transforms emerging markets by supporting High-Impact Entrepreneurs. He advised tech-entrepreneurs on strategic and financing projects. Before joining Endeavor, Pablo worked in Equity and Fixed Income Research covering various industries including Retail, Oil and Gas, Banks and Alternative Energy. Pablo Co-Founded Zero Fronteras, an NGO in Buenos Aires that provides after-school homework support for kids between the ages of 5 and 10, currently the NGO helps over 50 kids per week. At Haas, he is an Investment Banking Fellow and has an active leadership role in the Finance, Investment, Latin and Improv Clubs. He holds a degree in Industrial Engineering from the University of Buenos Aires in Argentina.

## **Colin Schoppert**

Prior to Haas, Colin worked as a management consultant, first with Deloitte Consulting in Los Angeles and then with Seabury Group in New York. During his three-year tenure with Deloitte, Colin focused on due diligence and market assessment work for domestic clients. Colin transitioned to Seabury to pursue international consulting work, working on-site with clients on five continents in the airline and aerospace industries. At Haas, Colin hopes to focus on growth strategy and investment and expand his knowledge of social impact opportunities. Colin received his BA in Economics from Pomona College.

## **My-Thuan Tran**

Prior to Haas, My-Thuan was a global health consultant specializing in advocacy and communications. She worked with clients including the Bill & Melinda Gates Foundation, the ExxonMobil Foundation, the United Nations, and pharmaceutical and biotech companies, devising strategies to elevate their global health initiatives. She spent half a year in Beijing establishing the third international office of her firm. Previously, My-Thuan was a journalist at the *Los Angeles Times*. At Haas, My-Thuan is pursuing a joint MBA/MPH and is exploring the role of innovative technologies in transforming access to healthcare worldwide. She took an active role in organizing the Global Social Venture Competition and is a member of the Haas Healthcare Association and Net Impact clubs. My-Thuan is a graduate of UC Berkeley with degrees in economics and political science.

## ADVISORY COMMITTEE



**Jo Mackness** is Executive Director of the Center for Responsible Business at the UC Berkeley Haas School of Business. Committed to challenging existing notions of business' role in society and creating a new generation of business leaders, Jo leads Center efforts that engage students, faculty and companies in research, teaching and experiential learning that redefine good business. The Center has received global critical acclaim—most recently in January 2011 by The Financial Times that rated Haas number two in the world for MBA programs in corporate responsibility. Before joining the Center, Jo served as the Corporate Responsibility Integration Leader at Ernst & Young, where she worked to embed social and environmental responsibility into core firm activities. Prior to EY, Jo was a human capital consultant working in the US and the UK, primarily serving professional services and financial services firms on transactions, corporate governance and executive compensation issues. Jo is a Haas alumna and has worked closely with the Center for Responsible Business since its inception in 2003—both as a corporate partner and as an instructor for the Strategic CSR & Consulting Projects course. Former chairwoman of the board, Jo now serves as a board member for Net Impact, a global network of 20,000+ next-generation leaders who are putting their business skills to work for a better world. A dual citizen of the UK and US, Jo lives in Oakland, California with her Danish husband and two sons.



**David C. Distad**, Ph.D., CFA. Effective November, 2008, he is the investments manager of Sunbelt Enterprises where his primary role is managing the portfolio of the CEO. He is also an investments advisor to the Kavli Foundation. Previously he was the managing director of the Roulac Group in San Rafael, CA where he was involved in the management of a global equity fund and supervised a team of security analysts in India. Dr. Distad was affiliated with the Roulac Group in various roles since 1983. Previously, Dr. Distad was a portfolio manager with Leylegian Investment Management Co., Inc. from 1996-2001 and vice president and CFO of the publicly traded hotel chain from 1992-1996. Dr. Distad has been affiliated with the Haas School of Business in a part time or full time status as a continuing lecturer in finance since 1981.



**Nadja Guenster** is Professor of International Financial Management at the Muenster School of Business and Economics, University of Muenster, Germany, and a visiting faculty fellow at the Haas School of Business, University of California, Berkeley. At Haas, Nadja is faculty advisor of the Haas Socially Responsible Investment Fund and faculty co-chair of the Moskowitz Prize Committee. Nadja's research focuses on the intersection of corporate social responsibility and finance, and asset price bubbles. Her papers have been published in journals such as the Financial Analysts Journal, Journal of Asset Management, and European Financial Management. She received the 2005 Moskowitz Prize for the best quantitative study in the SRI domain, 2005 European Finance and Sustainability Research Award, the 2011 Crowell Prize by Panagora Asset Management, and the 2011 European Financial Management Top Download Best Paper Award. Nadja obtained her PhD from RSM Erasmus University in 2009.



**Lawrence R. Johnson** retired in 2007 from Milliman, a worldwide employee benefits consulting and actuarial firm based in Seattle, WA. Mr. Johnson was the Founder and CEO of Lawrence Johnson & Associates, a national retirement plan recordkeeping firm and InvestorLogic, LLC, a Registered Investment Advisory firm. Both of these firms were merged with Milliman in 2006 and 2007 respectively. Mr. Johnson had overall responsibility for ensuring that the firm's retirement plan clients had access to the full recordkeeping and investment advisory resources of both organizations. He has over 35 years of tax and investment experience, of which the last 30 have concentrated on qualified retirement plans. Mr. Johnson is a nationally recognized expert in retirement plan design and administration. He has extensive experience in IRS and DOL compliance and audit issues and lectures frequently on fiduciary responsibilities affecting qualified retirement plans. Mr. Johnson served on several administrative and investment committees on behalf of the firm's clients. Mr. Johnson currently serves on the U.C. Berkeley Foundation Board of Trustees; and the Investment Committee- U.C. Berkeley Foundation. Mr. Johnson received his B.S. degree in Business Administration from the University of California, Berkeley.



**Lloyd Kurtz** is Chief Investment Officer at Nelson Capital Management. He has been affiliated with the Haas Center for Responsible Business since 2005, where he oversees the Center's annual Moskowitz Prize for the best quantitative study of social investing, acts as faculty advisor to the Haas Socially Responsible Investment Fund, and serves on the editorial board of FSinsight ([fsinsight.org](http://fsinsight.org)). His recent research includes a Fall 2011 article on social investment universe performance in the Journal of Investing and a chapter on stakeholder management for the textbook Socially Responsible Finance and Investing (Wiley). He also wrote the chapter on social investment for the 2008 Oxford Handbook of Corporate Social Responsibility. He holds Bachelors degrees in English and Psychology from Vassar College and an MBA from Babson College, and is a Chartered Financial Analyst



**Kellie A. McElhaney** is the Whitehead Faculty Fellow and the founding Faculty Director of the Center for Responsible Business at the Haas School of Business at the University of California, Berkeley. She launched this center in 2003, which placed corporate responsibility squarely as one of the core competencies and competitive advantages of the Haas School. The Center has received global critical acclaim with The Financial Times rating Haas #1 in the world in 2008. Part of the Center's differentiation is its \$1.3M student-run socially responsible investment fund, which Kellie helped to launch and still advises.

Kellie also focuses on Women and Business Leadership, as well as connections between women as corporate leaders and the firm's financial, environmental and social performance. She has developed new courses in this arena called Women in Business in which she looks at the business cases for investing globally in the development of women. She has written various case studies of companies who are doing this, including the GSMA, Wal-Mart and Coca-Cola. You can see her latest study on Women on Boards and Environment Social and Governance (ESG) performance improvements [here](#).



Kellie serves on the Board of Directors for both Globescan and Sierra Europe Offshore, LTD, the Sustainability & Environmental Advisory Committee (SEAC) for the Dow Chemical Company, and the Advisory Boards for Sedgwick's Women's Forum, SustainAbility and Atalanta Capital. She lives in the Oakland Hills in California and has two teen-aged daughters. She enjoys photography, yoga, good wine, running and has even tried surfing. She earned her BA from the University of North Carolina, her MA from Ohio University, and her Ph.D. from the University of Michigan. Prior to moving in to academia, Kellie worked in retail banking.

**Charles F. Michaels**, CFA is the Founder, Managing Partner, and Portfolio Manager Sierra Global Management. Mr. Michaels was born in Europe and has spent much of his personal and professional life there, including six years with Goldman Sachs & Co. in London and Zurich. Mr. Michaels served as a vice president during his nine years with Goldman, as well as a founding member of Goldman's European equities business. Prior to Goldman, Mr. Michaels was an assistant vice president at Wells Fargo Bank in San Francisco and New York City. Mr. Michaels graduated from the University of California at Berkeley and received his MBA from the Columbia Business School.



**Michael Pearce** is a Managing Director in Cambridge Associates' Menlo Park office, advising clients on investment issues such as asset allocation strategy, manager selection, and investment program evaluation. Mike works with non-profit, foundation, college/university, and private family clients. All of Mike's clients are located in the western U.S., and range in size from \$30 million to over \$2 billion. Mike also serves as a member of Cambridge Associates' Mission Related Investing Group, researching and meeting with institutional quality managers focused on sustainable investing. Prior to joining Cambridge Associates in 2008, Mike served as an Associate at Pacific Community Ventures, a mid-market private equity firm in San Francisco. Prior to graduate school, Mike worked at UBS Investment Bank in New York and London as an Associate Director in the Alternative Capital Group, raising over \$1.5 billion for more than thirty clients, primarily from private equity, venture capital, and hedge funds. MBA, Walter A. Haas School of Business, University of California at Berkeley; BS (Finance), Georgetown University



**Nick Shea** is an Investment Director at Cambridge Associates. Prior to joining Cambridge Associates in 2014, he was a Summer Associate at J.P. Morgan Private Bank, where he contributed to the bank's business development efforts, while honing on his understanding of multi-asset class portfolio construction. Prior to business school, Nick was a Senior Analyst at Compass Lexecon, an economic consultancy, where he focused on securities litigation matters and developed an interest for investment finance. While completing his MBA, Nick served as Co-President of the Haas Investment Club and Principal on the Haas Socially Responsible Investment Fund. Nick holds a B.A. in Economics and Chinese from Georgetown University, where he graduated magna cum laude, and a M.B.A. from U.C. Berkeley Haas School of Business, where he also was an Investment Management Fellow. He is a candidate in the CFA Program.





**Wendy Walker** is an Investment Consultant with Cambridge Associates, working with not-for-profit institutional investors on asset allocation strategy, manager selection, and investment program evaluation. Prior to joining C|A, Wendy was an MBA intern on the investments team at Imprint Capital Advisors, focusing on socially responsible and environmental-themed investment managers, and at Parnassus Investments, conducting industry and company-specific research. She had 12 years of pre-MBA professional experience including securities analysis at Argus Research, where she co-managed four model portfolios and published equity research on media and business service companies, and fiduciary and tax accounting at McLaughlin & Stern. Wendy is a former vice chair of the Sustainable Investing Committee of the New York Society of Security Analysts.



**Chao Zhang** has been an analyst at Nokomis Capital, L.L.C. since August 2013. At Nokomis, Mr. Zhang is responsible for covering both consumer and technology companies. From June to August 2012, Mr. Zhang was a summer research associate with Artisan Partners in their Global Equity Group. From July 2008 to May 2011, Mr. Zhang was an associate portfolio manager at Q Investments. Mr. Zhang was a member of Q's credit committee that managed \$2 billion of high yield and distressed debt investments. In this role, Mr. Zhang modeled out capital structures and cash flows and conducted detailed risk analysis of credit agreements and indentures. Mr. Zhang also helped managed Q's risk arbitrage portfolio, estimating likelihood and timing of deal completion by analyzing the economics of the deal, financing, and regulatory risk. Mr. Zhang graduated with Highest Honors from the University of Texas at Austin in May 2008 with a Business Administration degree in finance and business honors. Mr. Zhang received a Masters of Business Administration degree from the University of California at Berkeley in May 2013. Mr. Zhang became a CFA charterholder as of November 2014.

