

HAAS SOCIALLY RESPONSIBLE INVESTMENT FUND

Annual Report April 2017

University of California
Berkeley
Haas School of Business



CENTER FOR
**RESPONSIBLE
BUSINESS**
at Berkeley-Haas

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HSRIF 2016-2017 Annual Letter from the Faculty Advisor

The 2016-2017 academic year was a year of change for the HSRIF. For the first time, students completed two prerequisite courses in the Spring term of their first year, in advance of their elevation to the role of Principals in year two. The objective of the prerequisites, combined with year two of the HSRIF, is to provide a complementary arc of content, allowing the students to develop capabilities in fundamental analysis, ESG integration, portfolio construction, and asset allocation.

Year 1: Prerequisites

In Asset Management, Kenneth Marshall focuses on fundamental business analysis and investment decision-making. His book Good Stocks Cheap provides insights on his framework. Socially Responsible Investing, taught by Lloyd Kurtz, reviews the responsible investment landscape, focusing on the risk dimension, including risk models and multifactor tools as applied to ESG, e.g. exclusionary approaches.

Year 2: Applied Innovation

In year two the HSRIF Principals bridge theory and practice. As an Applied Innovation course, HSRIF Principals are ultimately accountable for the stock selection and asset allocation, with the support of the Faculty Advisor and Advisory Committee.

The 2016 syllabus (see Appendix) introduced class objectives to support the Principals' role as asset owners and fiduciaries:

- 1) Investment Framework & Philosophy
- 2) Corporate Reporting, Accounting & Communication
- 3) Governance: Owner Rights and Accountability to Stakeholders
- 4) Business in Society: "External Rate of Return"
- 5) Asset Owner Objectives

Milestones

Notable milestones in 2016-2017 included:

- The Principals built numerous analytical tool kits to provide discipline, consistency, and streamlined production of valuation analysis, performance and risk reports, ESG analytics, and fundamental stock analysis. These tools will be useful resources for future HSRIF classes.
- Asset allocation shifted from a 100% concentrated equity portfolio of fewer than 20 holdings to a 40/40/20 combination of a concentrated equity portfolio + equity indices + fixed income allocation.
- Extensive engagement and networking with numerous external speakers as well as collaboration within the UC Berkeley community.

Guests Lecturers

The HSRIF benefitted from the insights of an expert group of guest lecturers:

- Linda-Eling Lee, Ph.D., Global Head of Research-ESG, MSCI
- Jim Hawley Ph.D. Head of Research, TruValueLabs & Professor, St. Mary's College, and Sebastian Brinkmann Head of Sales
- Laura Rittenhouse, Rittenhouse Ratings CEO, corporate communications expert and author of Between the Lines
- Bob Eccles, Professor, Harvard University; founding Chairman, SASB; Berkeley Social Impact Fellow 2016-2017
- Bruce Kahn, Portfolio Manager, Sustainable Impact Capital Management; Adjunct Professor, Columbia University

Collaborations

A multidisciplinary approach is vital to any integration exercise, which is what ESG is all about. The HSRIF benefitted from a number of collaborations over the past year:

- The Western North America Principals for Responsible Investment (WNA PRI) conference was hosted by the HSRIF Principals on the Haas campus, November 2016. Over \$1T AUM in PRI signatory asset owners attended.
- Jean Rogers, founder and CEO of the Sustainable Accounting Standards Board (SASB) attended the WNA PRI conference and joined the HSRIF on a panel discussion regarding effective ESG integration in practice.
- John Wilson, Head of Governance, Cornerstone Capital; Adjunct Professor, Columbia University, was hosted by the HSRIF Principals for a Haas open lecture on engaged ownership and good governance practices.
- HSRIF Principals participated in the 3rd annual Berkeley Sustainable Business and Investment Forum and related Peterson Series Lecture.
- ESG & Long Term Investment, a detailed quantitative study, was produced by Jianxiong Li, Guoyue Ma, Liming Wan, Tianyi Xia as their 2300 Applied Finance Project. Thank you to MFE Executive Director Linda Kreitzman and Eric Reiner for this collaboration.

Acknowledgements

Thank you to all of the above guest lecturers and collaborators, as well as the HSRIF Advisory Committee. Thank you the HSRIF Principals for their commitment to advancing the fund, and thank you to Kyriaki Papadimitriou our class assistant.

And finally, I would like to acknowledge and thank Richard Lai who shared his deep investment expertise as a mentor and advisor to the HSRIF Principals through the entire academic year.

Dan Hanson

Faculty Advisor, HSRIF 2016-2017

1. Introduction

The Haas Socially Responsible Investment Fund (HSRIF) was created in 2008 as the first and largest student-led Socially Responsible Investment (SRI) fund within a leading business school. It offers MBA students real-world investing experience delivering both financial returns and environmental, social and governance (ESG) impact. Under the principals' management (together with generous gifts from alumni and ongoing crowdfunding donations), the fund has more than doubled the initial investment to +\$2.5M.

For the 2016-2017 academic year, HSRIF continued to focus on learning and maintaining a strong portfolio through both financial and ESG lenses. With the guidance of the new faculty advisor Prof. Dan Hanson, the class of 2017 principals have also taken the opportunity of the new class structure to reorganize the class format, standardize fund management practices, and most importantly, diversify the fund with fixed income and equity index to preserve long-term stability of the fund. With the changes introduced and documented, and the consistent advice from Prof. Hanson, the Class of 2017 Principals believe that they have laid down a solid framework for future HSRIF principals to management and grow the fund.

The Principals are grateful for the continued support from the Center for Responsible Business (CRB) and the Investment Advisory Committee. The Class of 2017 Principals wish the next class and Prof Hanson the best of luck in tackling challenges associated with the HSRIF's mission in achieving both financial and ESG returns.

2. Fund Mandate

2.1 Fund Mission

Through extensive discussion, the Principals have delineated the mission of the HSRIF, which should be used to guide the fund's activities and decision-making process.

2.1.1 Long-term growth of capital

The HSRIF seeks to promote maximum risk adjusted total return. The goal is to preserve perpetual value of the fund and to pursue long-term growth of capital. To meet the annual withdrawal from CRB to partially fund its operations, the fund should maintain liquidity to support the spending in prolonged market downturns.

2.1.2 Platform for promoting Socially Responsible Investment

The HSRIF sees the fund not just as a means for generating positive returns, but also as a means for promoting Socially Responsible Investment (SRI) across academic institutions and sparking discussions in the wider investment community.

2.1.3 Medium of teaching and learning

The HSRIF class provides experiential learning opportunities for the principals to practice asset management with real capital and integrate most advanced ESG development into investment decisions. It's the forum where intellectual discussions around SRI lead to practical insights.

2.1.4 Beating both market and ESG indices

The HSRIF is set to prove the value of socially-responsible investing and seeks to show that above market returns are possible with aligning ESG standard.

2.2 Investment Philosophy

The HSRIF invests in public securities that bring in financial returns and ESG values. The investment philosophy of the fund is as follows:

2.2.1 Fundamental Approach

Fundamental analysis is used to uncover the value of each investment for both learning and prudence purposes.

2.2.2 Intermediate time horizon

To avoid the impairment of perpetual value, the investment is made on securities that have upside in a longer term, offset by the fact that new class of principals will come aboard to reevaluate the portfolio each year. A typical investment time horizon is around 2-3 years.

2.2.3 Invest in quality companies at attractive valuations

Strong Economic Moat:

Focus on companies with strong downside protection characterized by a strong economic moat - both within their industry and their defendable position in market downturn.

Strong ESG valuation:

Focus on companies that perform well using HSRIF bespoke ESG Matrix. The qualitative ESG analysis should be independent and extensive.

ESG performance as a qualifier over financial returns:

Invest only in companies that are good or high potential to improve from an ESG perspective as dictated by the ESG matrix ranking. Regardless the financial return, HSRIF will not consider a business with poor ESG performance as a "high quality" company that will possibly outperform over the long term.

2.2.4 Fund Diversification across Asset Classes

To provide downside protection, liquidity to fund the 4% CRB draw (based on past 20 quarter average portfolio value) and reflect that there are periods where it is harder to actively manage the portfolio (reflecting the nuances of the student calendar), the fund will be diversified between Fixed Income (ranging from 10% to 40% of the overall fund) and equity (remaining 90% to 60%), with the equity portion split roughly 50:50 between the bottom-up stock portfolio and passive equity indices.

Annual Report Haas Socially Responsible Investment Fund

The Principals and Advisory Board Members decided to diversify the fund from 100% bottoms-up stock selections to include ESG beta and socially responsible fixed income.

Trades shown below were executed between 11:15 and 12:15pm PST on May 2, 2017. There is an open order for the bond mutual fund. The remaining cash is available for the CRB annual draw.

	Before				Action		After			
Portfolio	Shares	Day Price*	Mkt. Value	%	Shares	Trade Price	Shares	Close Price	Mkt. Value	%
PRUDENTIAL FINANCIAL INC	2,211	\$107.45	\$237,572	8.24%	-1,336	\$107.33	875	\$107.56	\$94,115	3.3%
SOUTHWEST AIRLINES CO	3,644	\$57.77	\$210,514	7.30%	-2,203	\$57.89	1,441	\$58.33	\$84,054	2.9%
MICROSOFT CORP	2,914	\$69.62	\$202,873	7.04%	-1,761	\$69.60	1,153	\$69.30	\$79,903	2.8%
MASTERCARD INC - A	1,685	\$118.29	\$199,319	6.92%	-1,018	\$118.15	667	\$118.12	\$78,786	2.7%
ALPHABET INC-CL A	210	\$938.30	\$197,043	6.84%	-127	\$937.00	83	\$937.09	\$77,778	2.7%
AMN HEALTHCARE SERVICES INC	4,637	\$41.65	\$193,131	6.70%	-2,803	\$41.50	1,834	\$41.50	\$76,111	2.6%
BRIGHT HORIZONS FAMILY SOLUT	2,501	\$76.55	\$191,452	6.64%	-1,512	\$76.35	989	\$76.39	\$75,550	2.6%
CANADIAN NATL RAILWAY CO	2,584	\$73.76	\$190,596	6.61%	-1,562	\$73.76	1,022	\$73.87	\$75,495	2.6%
UNILEVER N V - NY SHARES	3,550	\$52.84	\$187,582	6.51%	-2,146	\$52.79	1,404	\$52.78	\$74,103	2.6%
WALT DISNEY CO/THE	1,635	\$114.15	\$186,635	6.48%	-988	\$113.74	647	\$114.37	\$73,997	2.6%
AMERICAN WATER WORKS CO INC	2,302	\$78.99	\$181,835	6.31%	-1,391	\$78.90	911	\$79.11	\$72,069	2.5%
TOYOTA MOTOR CORP -SPON ADR	1,606	\$109.24	\$175,439	6.09%	-971	\$109.12	635	\$109.24	\$69,367	2.4%
GILEAD SCIENCES INC	2,527	\$68.92	\$174,161	6.04%	-1,527	\$69.09	1,000	\$68.59	\$68,590	2.4%
STARBUCKS CORP	2,648	\$60.23	\$159,489	5.53%	-1,601	\$60.26	1,047	\$60.50	\$63,344	2.2%
FIRST SOLAR INC	2,523	\$30.50	\$76,952	2.67%	-1,525	\$30.28	998	\$30.32	\$30,259	1.1%
HANESBRANDS INC	2,675	\$21.88	\$58,529	2.03%	-1,617	\$21.83	1,058	\$22.06	\$23,339	0.8%
Bottom-Up Stock Selections			\$2,823,121	97.96%					\$1,116,861	38.8%
ISHARES MSCI KLD 400 SOCIAL	200	\$88.35	\$17,670	0.61%	12,440	\$88.07	12,640	\$88.11	\$1,113,710	38.7%
Passive ESG Equity			\$17,670	0.61%					\$1,113,710	38.7%
TIAA-CREF Social Choice Bond Fund TSBRX	0	\$10.22	\$0	0.00%		**	0		\$0	0.0%
Schwab Short-Term U.S. Treasury ETF SCHO	0	\$50.53	\$0	0.00%	1,426	\$50.46	1,426	\$50.44	\$71,927	2.5%
Fixed Income			\$0	0.00%					\$71,927	2.5%
Cash			\$41,199	1.43%					\$578,079	20.1%
					**Open order for \$475,000 of TSBRX					
Portfolio			\$2,881,990	100%					\$2,880,578	100.0%

*Price at approximately 11:00am PST used to calculate the number of shares purchased/sold

3. Summary of 2016/2017 Activities and Decisions

In the past academic year, the Class of 2017 Principals have continued the tradition of majorly managing the equity portfolio, while actively work on non-regular agenda, to make the student-led class experience optimally rewarding.

3.1 Main activities

Sixteen companies and cash were handed over from the previous year. The first set of activities principals did was to review the performance of each existing stock. Then, stock short pitches were conducted to generate new ideas for the portfolio. Then promising ideas were voted next to the long pitches, and finally to purchase decision. The relevant changes are catalogued in the trading activities table.

After extensive research and advice seeking from experts, the Principals have also reached the conclusion it's better for long-term principal value preservation and portfolio management to adjust the asset location to include fixed income and equity index ETF products. The transition was executed accordingly afterwards.

Fund Activities	Outcome (Trade Rational to be found at Section 11)
Evaluate existing portfolio	Divestures (100%): <ul style="list-style-type: none"> Vodafone (VOD) LendingClub Corp (LC) Addition (all proceeds from Divestures): <ul style="list-style-type: none"> MSCI KLD 400
Stock pitches: <ul style="list-style-type: none"> W W Grainger Inc (GWW) NVIDIA Corporation (NVDA) Bofl Holding, Inc. (BOFI) General Mills, Inc. (GIS) Hanesbrands Inc (HBI) Kroger Co (KR) Ambarella Inc (AMBA) Gilead Sciences, Inc. (GILD) Discover Financial Services (DFS) Applied Materials, Inc. (AMAT) Pattern Energy Group Inc (PEGI) 	Voted to long pitches: <ul style="list-style-type: none"> Gilead Sciences, Inc. (GILD) NVIDIA Corporation (NVDA) General Mills, Inc. (GIS) Pattern Energy Group Inc (PEGI) Wells Fargo & Co (WFC) Kroger Co (KR) Hanesbrands Inc (HBI) Voted to purchase: <ul style="list-style-type: none"> Gilead Sciences, Inc. (GILD) Hanesbrands Inc (HBI)

<ul style="list-style-type: none">• Wells Fargo & Co (WFC)	
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3.2 Strategic Projects

Throughout the year, principals have taken initiatives to improve the fund management experiences and devised special projects to synchronize the approach. These project deliverables serve as the basic tools to facilitate principals' investment analysis and welcome further enhancement by new principals in the future. Major projects are listed as below with details elaborated in Section 7.

- Tear sheet & Market comps
- Risk/performance analysis
- ESG heat map
- Pitch presentation template
- Investment evaluation template
- News/events communication calendar

3.3 Special events

The HSRIF has also brought industrial experts into class to talk about the ESG practice and exchange ideas on what's best for the investment portfolios. Examples of these events include:

- Laura Rittenhouse: author of Investing Between the Lines
- Sebastian Brinkmann: Head of Sales and Business Development, TruValueLabs
- Linda-Eling Lee, Global Head of Research-ESG, MSCI Inc.
- Professor Robert G.Eccles: Founding Chairman of the Sustainability Accounting Standards Board (SASB) and one of the founders of the International Integrated Reporting Council (IIRC)

HSRIF Principals are also actively involved in activities associated with SRI/ESG discussions:

- Corporate Sustainability & Moving Towards Materiality: Lessons from the Peterson Speaker Series
- Fireside chat with John Wilson: Corporate Governance
- Berkeley Sustainable Business and Investment Forum 2016:
- Managing Sustainability (Amelia Miazad, Susan Mac Cormac, Judy Mares, Cynthia Nastanski)
- Corporate Sustainability: First evidence on materiality (George Serafeim and Amil Amel Zadeh)
- Going beyond compliance – Susanne Stormer, Renee Beaumont, Rosalind Hudnell, Priya Mathur, and Douglas Sabo
- Western North America Principles of Responsible Investing Conference, November 9-10, 2016

3.4 Other Activities

The class of 2017 principals introduced a semi-annual report and more frequent advisory board meetings. Small group of principals also worked on miscellaneous projects to run the class smoothly:

- Migrate from Wiki page to strategic repository Google Drive Folder for better maintenance and easier access
- Fund Admin team to minister the class agenda and enforce deliverables
- Recruit new class of HSRIF principals and hand over preparations to new class

4. Investment Performance

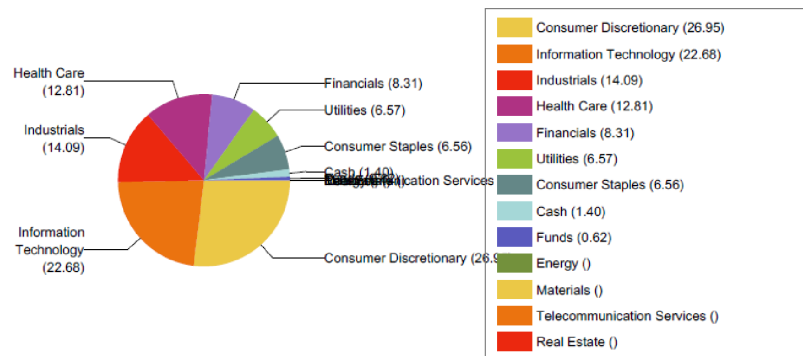
As of April 17, 2017, the Fund's portfolio was made up of a diverse set of sixteen (16) companies (approximately 98% of Fund's assets). The Fund's principals sought to maintain the sector and market capitalization diversification set forth by prior principals. In addition, the Fund's principals voted in favor of temporarily owning a socially responsible index in lieu of cash following the sale of individual securities when new investment opportunities have yet to be identified. The MSCI KLD DSI ETF (DSI) is a best-in-class, low fee, socially responsible index fund.

4.1 Portfolio Overview

	#	% Wgt	Mkt Val	Pos	Px Close	Cmcy
HSRIF INCL CASH OWNER	18	100.00	2,773,980			
PRUDENTIAL FINANCIAL INC		8.31	230,607	2,211.00	104.30	USD
SOUTHWEST AIRLINES CO		7.19	199,400	3,644.00	54.72	USD
CANADIAN NATL RAILWAY CO		6.90	191,397	2,584.00	74.07	USD
MICROSOFT CORP		6.88	190,809	2,914.00	65.48	USD
MASTERCARD INC - A		6.84	189,849	1,685.00	112.67	USD
AMN HEALTHCARE SERVICES INC		6.74	186,871	4,637.00	40.30	USD
WALT DISNEY CO/TH		6.71	186,030	1,635.00	113.78	USD
AMERICAN WATER WORKS CO INC		6.57	182,226	2,302.00	79.16	USD
UNILEVER N.V.-NY SHARES		6.56	181,938	3,550.00	51.25	USD
BRIGHT HORIZONS FAMILY SOLUT		6.50	180,372	2,501.00	72.12	USD
ALPHABET INC-CL A		6.47	179,577	210.00	855.13	USD
TOYOTA MOTOR CORP -SPON ADR		6.14	170,429	1,806.00	106.12	USD
GILEAD SCIENCES INC		6.08	168,551	2,527.00	66.70	USD
STARBUCKS CORP		5.54	153,796	2,648.00	58.08	USD
FIRST SOLAR INC		2.49	68,979	2,523.00	27.34	USD
HANESBRANDS INC		2.06	57,058	2,675.00	21.33	USD
US DOLLAR		1.40	38,798	38,798.00	1.00	USD
ISHARES MSCI KLD 400 SOCIAL		0.62	17,294	200.00	86.47	USD

	Wgt			Dividend Yield			Price to Earnings Ratio (P/E)		
	Port	Bench	+/-	Port	Bench	+/-	Port	Bench	+/-
HSRIF INCL CASH OWNER	100.00	100.00	0.00	1.43	1.89	-0.47	17.01	22.90	-5.88
PRUDENTIAL FINANCIAL INC	8.31	0.48	7.83	2.73	2.73	0.00	12.52	12.52	0.00
SOUTHWEST AIRLINES CO	7.19	0.09	7.10	0.73	0.73	0.00	14.66	14.66	0.00
CANADIAN NATL RAILWAY CO	6.90		6.90	1.56		1.56	21.47		21.47
MICROSOFT CORP	6.88	5.21	1.67	2.29	2.29	0.00	31.58	31.58	0.00
MASTERCARD INC - A	6.84		6.84	0.73		0.73	29.92		29.92
AMN HEALTHCARE SERVICES INC	6.74		6.74			0.00	18.23		18.23
WALT DISNEY CO/TH	6.71	1.85	4.85	1.31	1.31	0.00	20.17	20.17	0.00
AMERICAN WATER WORKS CO INC	6.57	0.15	6.42	1.89	1.89	0.00	28.16	28.16	0.00
UNILEVER N.V.-NY SHARES	6.56		6.56	2.67		2.67	26.34		26.34
BRIGHT HORIZONS FAMILY SOLUT	6.50		6.50			0.00	42.37		42.37
ALPHABET INC-CL A	6.47	2.72	3.75			0.00	30.46	30.46	0.00
TOYOTA MOTOR CORP -SPON ADR	6.14		6.14	1.74		1.74	9.42		9.42
GILEAD SCIENCES INC	6.08	0.95	5.13	2.89	2.89	0.00	6.30	6.30	0.00
STARBUCKS CORP	5.54	0.91	4.63	1.55	1.55	0.00	29.34	29.34	0.00
FIRST SOLAR INC	2.49		2.49			0.00	8.58		8.58
HANESBRANDS INC	2.06	0.09	1.97	2.25	2.25	0.00	11.45	11.45	0.00
US DOLLAR	1.40	0.11	1.29			0.00			0.00
ISHARES MSCI KLD 400 SOCIAL	0.62		0.62	1.37		1.37			0.00

4.2 Industry Diversification



4.3 Transactions

Compared to the 2016 annual report, the current portfolio composition reflects the following trades:

December 6, 2016

- LC (LendingClub): Sold 19,063 shares (entire position) at \$5.65 for proceeds of \$107,698
- VOD (Vodafone): Sold 5,186 shares (entire position) at \$24.54 for proceeds of \$127,254
- SI (MSCI KLD 400): Bought 2,875 shares at \$81.743 for \$235,018

March 17, 2017

- GILD (Gilead Sciences): Bought 2,527 shares at \$69.28 for \$175,071
- DSI (MSCI KLD 400): Sold 2,000 shares at \$87.58 for proceeds of \$175,160

April 17, 2017

- HBI (Hanes Brands): Bought 2,675 shares at \$21.318 for \$57,026
- DSI (MSCI KLD 400): Sold 675 shares at \$86.05 for proceeds of \$58,084

May 2, 2017

- Divested the portfolio proportionately to have around 78%/19%/3% equity/bond/cash with enough cash to support the CRB distribution.

4.4 Financial Performance Analysis

Year Ended March 31, 2017

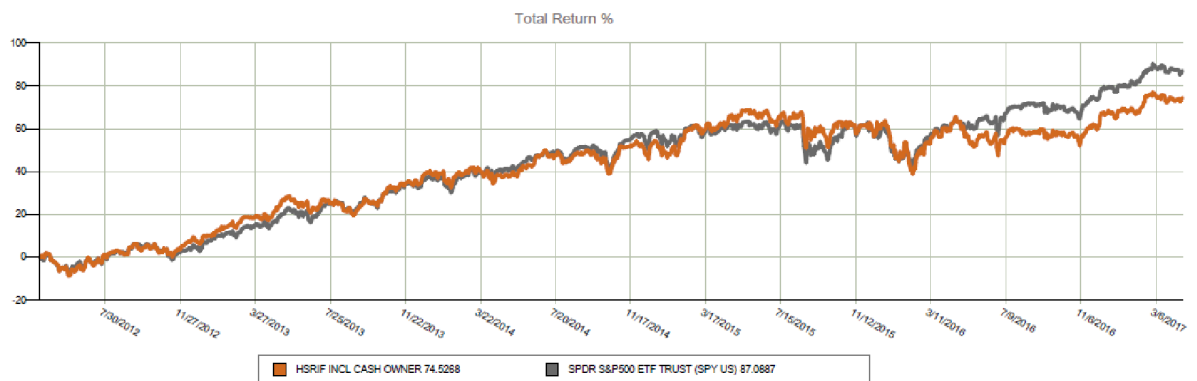
The Fund (including cash) realized a total return of +8.62% between March 31, 2016 and March 31, 2017, dramatically underperforming the S&P 500 which returned 16.88% over the same period. The Fund balance as of March 31, 2017 was \$2,777,602. The fund's net contribution during the year primarily reflects a withdrawal of \$76,462 on May 24, 2016.

	03/31/2016 - 03/31/2017 (\$)	Year to Date (\$)	One Year (\$)	Three Years (\$)	Five Years (\$)
Beginning Value	2,639,350.04	2,625,310.65	2,639,962.64	2,217,884.12	1,521,407.01
Net Contribution	-78,241.33	-383.05	-78,075.54	1,598.09	108,154.32
Change In Value	216,493.05	152,674.16	215,714.66	558,119.55	1,148,040.43
Ending Value	2,777,601.76	2,777,601.76	2,777,601.76	2,777,601.76	2,777,601.76
Portfolio Return	8.62%	5.82%	8.61%	7.44%	11.46%

The Fund's poor performance is almost entirely attributed to the 3-month

Annual Report Haas Socially Responsible Investment Fund

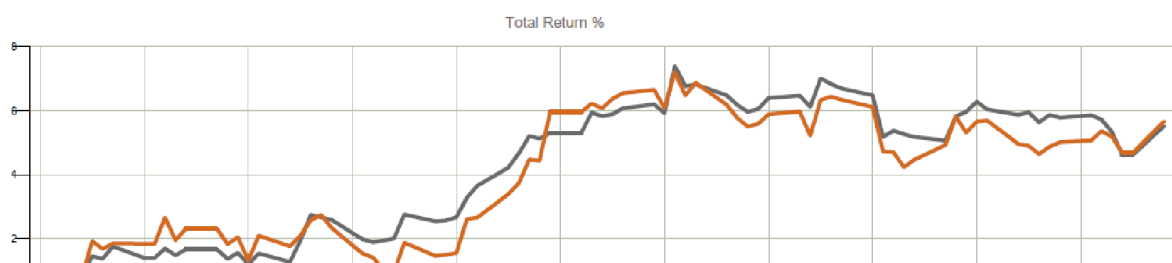
period between April 1, 2016 and June 30, 2016. During that period, the Fund realized a total return of (4.11%) while the S&P returned +2.46%, a one-quarter drag of over 6% that the Fund was unable to recover from in the balance of the year.



This sudden move was driven primarily by LendingClub (LC) which lost approximately half of its value during the quarter. On May 9, 2016, Renaud Laplanche (the co-founder and previous CEO) resigned from his position as CEO following an internal investigation that found he had violated the company's business practices. The Fund's new principals exited the position on December 6, 2016 at a price of \$5.65 per share.



The Fund's performance has stabilized year-to-date with a total return of +5.76%, slightly outperforming the S&P 500 at +5.54%.



This performance is amidst a continued struggling First Solar (FSLR), which is down (14.80%) YTD amidst a current dislocation in the solar industry. The principals continue to believe the position offers upside.

4.5 Financial Performance Analysis

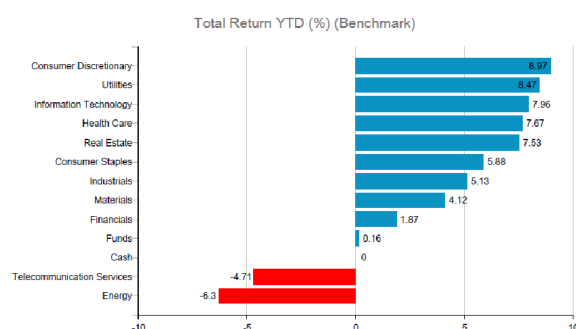
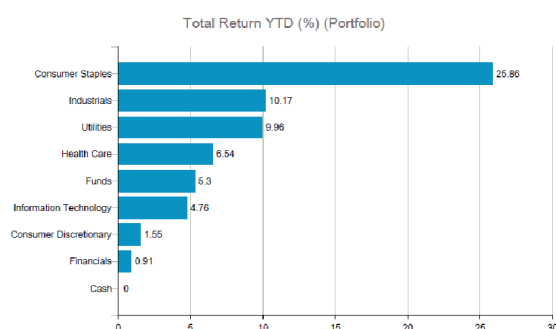
Individual Stock Performance History as of April 18, 2017

Portfolio	YTD	1 Month	3 Month	1 Year	Initiated*	Basis	Mkt. Price
PRUDENTIAL FINANCIAL INC	0.2%	-5.1%	0.4%	37.2%	4/6/2016	\$71.89	\$103.54
MICROSOFT CORP	5.4%	0.9%	4.7%	17.7%	5/9/2014	\$39.77	\$65.35
CANADIAN NATL RAILWAY CO	9.9%	2.6%	5.4%	17.1%	12/2/2015	\$60.02	\$73.55
MASTERCARD INC - A	9.1%	-0.1%	3.9%	16.5%	4/29/2013	\$57.37	\$112.35
SOUTHWEST AIRLINES CO	9.8%	2.9%	8.9%	16.3%	12/2/2015	\$47.14	\$54.37
WALT DISNEY CO/THE	9.2%	1.8%	5.4%	15.4%	12/8/2014	\$95.24	\$113.66
AMN HEALTHCARE SERVICES INC	4.8%	-6.7%	8.5%	13.7%	4/23/2015	\$24.11	\$40.53
UNILEVER N.V. -NY SHARES	24.8%	3.0%	23.8%	12.3%	12/2/2015	\$44.41	\$51.18
ISHARES MSCI KLD 400 SOCIAL	5.0%	-1.2%	3.4%	11.3%	12/6/2016	\$81.74	\$86.26
AMERICAN WATER WORKS CO INC	9.4%	3.9%	9.8%	11.1%	1/27/2015	\$56.15	\$79.47
BRIGHT HORIZONS FAMILY SOLUT	3.0%	3.1%	2.3%	10.8%	12/2/2015	\$66.34	\$72.14
ALPHABET INC-CL A	7.9%	-2.0%	3.3%	9.6%	3/11/2011	\$357.75	\$852.90
TOYOTA MOTOR CORP -SPON ADR	-9.5%	-5.4%	-10.4%	2.4%	4/6/2016	\$98.98	\$105.19
STARBUCKS CORP	4.6%	4.1%	0.1%	-4.0%	12/12/2013	\$36.94	\$58.33
HANESBRANDS INC	-1.1%	5.2%	-6.7%	-23.3%	4/17/2017	\$21.32	\$21.17
GILEAD SCIENCES INC	-6.9%	-3.4%	-7.2%	-32.1%	3/17/2017	\$69.28	\$66.01
FIRST SOLAR INC	-14.8%	-14.1%	-22.3%	-54.1%	4/6/2016	\$63.02	\$26.89

Portfolio Risk and Valuation Characteristics

Characteristics	Port	Bench	+/-
Wgt	100.00	100.00	0.00
Equity	Port	Bench	+/-
Dividend Yield	1.43	1.89	-0.47
Price to Earnings Ratio (P/E)	17.01	22.90	-5.88
Price to Cash Flow Ratio (P/CF)	9.48	13.31	-3.83
Price to Book Ratio (P/B)	2.87	3.60	-0.73
Total Debt to Common Equity	75.52	93.21	-17.69
Current Ratio	1.30	1.51	-0.21

	3 Months		6 Months		Year to Date	
Portfolio Statistics	Port	Bench	Port	Bench	Port	Bench
Standard Deviation (Annualized)	8.48	6.83	9.98	7.60	8.47	6.78
Downside Risk (Annualized)	5.76	4.64	6.43	4.92	5.72	4.54
Kurtosis	0.12	1.01	2.82	3.31	0.02	0.86
Skewness	0.24	0.12	0.88	0.94	0.25	0.20
Semivariance (Annualized)	7.96	6.22	8.79	6.49	7.83	5.99
VaR (ex-post)	-0.71	-0.57	-0.79	-0.65	-0.70	-0.45
Var Gaussian	-0.80	-0.64	-0.93	-0.71	-0.79	-0.62
Tracking Error (Annualized)	4.53		5.42		4.51	
Bear Tracking Error (Annualized)	3.79		4.78		3.80	
Bull Tracking Error (Annualized)	5.28		6.01		5.24	



5. Holding Company Evaluations

5.1 Alphabet, Inc.



Stock Name: Alphabet Inc Class A (GOOGL)

Principal: Mostafa AbdelAziz

Investment Thesis

Google is the leading search engine that continue to benefit from the strength of its platform through advertisements. A lot of hidden value in all the new ventures that Google is going in, the most prominent of which is self-driving cars

Business Description

- Google is an American multinational technology company specializing in Internet-related services and products. These include online advertising technologies, search, cloud computing, software, and hardware.
- Alphabet is divided into two main parts:
 - Google: where Google Maps, search, chrome and YouTube falls under
 - Other:
 - Nest: smart home products (internet of things)
 - Fiber: improving and providing super-fast internet
 - Google X: trying to find the next big thing (big breakthrough)
 - Google Ventures: funding new bold ideas
 - Calico: invests in human life fights age related disease

Business Analysis

Industry

Though Google doesn't disclose the amount of infrastructure it has under its possession it has one of the largest and strongest infrastructure in the technology space. Estimates of 2008 claims that Google has around 36 data centers with average CAPEX investment that ranges between \$300-600M to build and equip one. Another important data point is that Google has around 900,000 servers as of 2011, to put in perspective the significance of this figure Google consumes around 0.01% of the entire world electricity consumption. This shows the high barriers to entry of any competitors whether existing or new

Competitive Advantage

1. **Dominance as the leading search engine:** Google is estimated to control over 71% of the entire search engines. The market is fragmented with other websites with the closest second Bing which control around 11%. To better explain the dominance of Google, Yahoo the closest competitor 5 years ago market share dropped from 17% to nearly 7% currently (10% drop in less than 5 years)
2. **Innovative services:** Google services including the renown "Google Search," Gmail, Blogger, Google Finance, Google Docs, Google Apps, Adsense, and

Google Chrome, just to mention a few. Other new services include Google trips, where Google is trying to go into the digital tourism sector. The incredible value of Google's services lies in the fact that Google can offer nearly all of their services at zero cost to web users. Because of the number of services and users, Google is able to offer an attractive advertising model and make billions of dollars every year. Because of its infrastructure, Google is able to offer an incredible range of services.

Financial Performance

1. Strong 2Q Results (+23% in 1Q16 to +25) 2Q the company's strongest revenue growth in more than 4 years. The primary drivers remain mobile and YouTube, including benefits from the 3rd mobile ad unit established in 3Q15. a) strong revenue growth (~20%) driven by mobile and YouTube
2. Continued cost discipline w/~116 bps of Google Segment margin expansion in '16
3. Better optimized capital structure and returns to shareholders
4. Attractive valuation at 24x 2017E GAAP EPS and 19x 2017E non-GAAP EPS.

ESG Analysis

Summary:

- Google Green is focused on improving the environment:
 - Google data centers use 50% less energy than typical data centers
 - Google is the largest corporate purchaser of renewable energy on the planet
- Google came in 1st in Forbes 10 companies with the best CSR reputation (tie with Microsoft, BMW and Walt Disney)
- US news reports that Google has been ranked the top company in CSR on three factors including workplace, citizenship and governance. The company has been carbon neutral since 2007

Valuation

- Current price \$836/share (\$584bn) vs. \$957/share consensus
- EV/EBIT 11.0x vs a mean average of 17.9 from Bloomberg comparable
- ROE 15.16% one of the highest in the tech sector

5.2 AMN Healthcare Services



Stock Name: AMN Healthcare Services, Inc. (AMN)

Principal: Scott Anderson

Investment Thesis

Demand for healthcare staffing services is expected to increase greatly with increased spending on healthcare and the projected shortfall of nurses and physicians. As an innovator in healthcare workforce solutions, AMN differentiates itself from competitors through its MSP, vendor management systems, and recruitment process outsourcing offerings.

Business Description

AMN Healthcare is the innovator in healthcare workforce solutions and staffing services to healthcare facilities across the nation. AMN Healthcare workforce solutions – including managed services programs, vendor management systems and recruitment process outsourcing – enable providers to successfully reduce complexity, increase efficiency and improve patient outcomes within the rapidly evolving healthcare environment. The Company provides unparalleled access to the largest network of quality clinicians and physicians through its innovative recruitment strategies and breadth of career opportunities. Clients include acute-care hospitals, government facilities, community health centers and clinics, physician practice groups and many other healthcare settings.

Business Analysis

Industry

- Demand for healthcare staffing services is expected to increase greatly with increased spending on healthcare and the projected shortfall of nurses and physicians
- By 2024, healthcare employment is expected to grow by 16.4%, according to the U.S. Bureau of Labor Statistics, adding 5 million more professionals
- The current shortage of physicians is projected to grow by approximately 100,000 by 2025
- A surge of registered nurses are expected to retire over the next two to three years

Competitive Advantage

- 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
- The company already has over 100 of these comprehensive MSP relationships, which is more than any other firm in the industry

Financial Performance

- AMN has demonstrated persistent growth, including a 17% CAGR in revenue over the last five years and a 33% CAGR for EBITDA over the last five years.
- Revenue in 2016 alone increased by 30% to \$1.9B, the highest in the company's history.

- EBITDA margins of 12% in 2016 continue to reflect the company's industry leadership (industry median is 6%, according to FactSet).

Risks

- Consolidation and concentration of buyers lead to pricing pressure: An increase in clients' use of intermediaries such as vendor management service companies and group purchasing organizations as well as consolidation of healthcare systems may provide these organizations enhanced bargaining power.
- Regulatory risk: The healthcare industry is subject to extensive and complex federal and state laws and regulations. The company provides workforce solutions and services on a contract basis to clients, who pay directly. Accordingly, Medicare, Medicaid and insurance reimbursement policy changes generally do not directly impact us. Nevertheless, reimbursement changes can and do indirectly affect the demand and the prices paid for the company's services. Additionally, a repeal of the Affordable Care Act could negatively affect the demand for the company's services. The challenge to the classification of certain of our healthcare professionals as independent contractors could also adversely affect profitability.

ESG Analysis

Summary:

- AMN 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.

Pros:

- AMN produces a biennial corporate social responsibility report and CSR activities are highlighted to the company's directors during quarterly meetings
- The company's governance was recognized by the New York Stock Exchange (NYSE) Governance Services and the Corporate Secretary as best-in-class for ethics, compliance, risk, and governance programs
- The company's humanitarian efforts included providing staff and resources for medical and community development assistance in the rural hills of Guatemala

Cons:

- While the company highlights its successes, it offers very little insight into future opportunities and areas for improvement. We would like to see additional disclosure on reach goals.

Valuation

- Our Discounted Cash Flow suggests a current intrinsic value of \$40/share, matching the current trading price of \$40. We believe a reasonable 12-month price target is \$43/share, reflecting continued returns on equity. The average analyst target is \$44.56.
- Key assumptions in the DCF include sales growth steadily declining to 3% in steady state, modest tax rate decline from 33% to 27.5% in steady state based on the current political environment, stable balance sheet ratios, and a weighted average cost of capital of 9.4%.
- AMN currently trades at a Price/Earnings multiple of 16x (industry median of 14x), reflecting a discount to healthcare services companies but a premium to commercial staffing companies
- While analysts believe the days of seeing 20%-plus organic growth from AMN may have passed, AMN should continue to generate solid earnings growth during the

next few years due to the aging population in the United States, the shortage of healthcare workers, market share gains attributable to the company's MSP strategy, the growth of alternative workforce solutions, and solid margin expansion.

5.3 American Water Works Company



Stock Name: American Water Works Company, Inc (AWK)

Principal: Pablo Arroyo/Laura Niño

Investment Thesis

According to the American Water Works Association, approximately \$1 trillion is necessary to maintain and expand water service to meet demand over the next 25 years.

The largest publicly traded water service provider by market cap, American Water Works maintains a massive geographic footprint, providing services to about 15 million customers in 47 states and Ontario, Canada.

Business Description

- **American Water** is a public utility company operating in the United States and Canada. It was founded in 1886 as the **American Water Works & Guarantee Company**.
- American Water also owns subsidiaries that manage municipal drinking water and wastewater systems under contract and others that supply businesses and residential communities with water management products and services

Business Analysis

Industry Rivalry

- The company faces a small number of competitors
- High capex requirements in order to enter and compete in the industry
- AWK is the largest publicly traded water utility company with a customer base of 15M people and 49K miles of pipeline.

Competitive Advantage

- Regional diversification allows the company to make acquisitions in areas close to where it is already operating
- Substantial regional diversification helps mitigate regulatory, environmental and disaster risks

Financial Performance

- The company has a dividend growth of 10.27% for the last 5 years
- AWK has been increasing its TL/TA ratio and decreasing its current ratio over the last years in order to spur growth

Risks

- Subject to significant political and regulatory risk
- Significant Cap Ex is required in order to maintain and expand
- Weather, natural disaster and availability of water supplies could negatively impact water resources and affect water demand

ESG Analysis

Summary:

- Good growth opportunities for the industry
- Was the first utility company to be added to the Dow Jones Sustainability North America Index

Pros:

- The AWK sustainability report includes the company's priorities, policies and approaches to corporate responsibility. AWK was the first the largest investor-owned US water and wastewater utility company to install a social responsibility report

Cons:

- Big natural monopolies can lead to rate increases
- New mergers and acquisitions with local small/medium water companies could lead to job losses within certain areas

Valuation

- Current price \$80.77 (\$14.4B market cap) vs. \$82.89 consensus.
- PE 28.74x, a ratio a little higher than the sector average of 23.39x (source: Bloomberg)
- Dividend yield 1.86%

5.4 Bright Horizons Family Solutions



Stock Name: Bright Horizons Family Solutions (BFAM)

Principals: Donald Hoang and Warot Wainiya

Investment Thesis

Bright Horizons is an established leader in employer-sponsored child care with a 25-year track record. It has long-term contracts with blue chip customers and attractive mix of stable core revenues, potentially resulting in predictable margin expansion. Bright Horizons appears well positioned to benefit from the attractive child care growth trends.

Business Description

- BFAM is a leading provider of employer-sponsored child care and early education services as well as other services designed to help employers and families better address the challenges of work and life. Their service offerings include center-based full service child care and early education, back-up dependent care, and educational advisory services. The company provides center-based full service child care, back-up dependent care and educational advisory services to more than 1,100 clients across the United States, the United Kingdom, Ireland, the Netherlands, Canada and India.
- Bright Horizons has been recognized 17 times as one of FORTUNE magazine's "100 Best Companies to Work For" and is one of the UK's Best Workplaces as designated by the Great Place to Work Institute.

Business Analysis

Industry

- BFAM is the global heavyweight in its self-created industry. Management has maintained long-term financial targets of the high single digits for organic growth of its employer-sponsored child care centers. BFAM also has an M&A strategy of purchasing single centers and small chains in the non-US markets.
- There is a potential political / legislative impact in the near future from US childcare assistance and tax policies. Anticipated impact on BFAM is unpredictable and unknown.

Competitive Advantage

- BFAM's reliability/experience with running child care and early education services for its large corporate client base provides a narrow moat for service these types of large-scale employers.

Financial Performance

- Profitability: BFAM has demonstrated consistent YoY growth for 14 years. Over the past 5 years, gross margin has improved steadily from 23.0% to 24.9% and EBITDA margin has grown steadily from 15.0% to 18.2%.

BFAM's financial performance has some seasonality. Enrollment typically declines during the summer months (Q3) and then increases again the fall (Q4)

- Leverage: BFAM is highly levered, at 4.2x EBITDA. However, the majority of this debt does not mature until 2020. The Company's \$1.3B senior secured credit facilities consist of \$1.1B in secured term loan facilities and \$225.0MM revolving credit facility
- Liquidity: BFAM has increased its access to a revolving credit facility from \$100MM to \$225MM as of November 2016. Since the Company has low capital expenditure needs, and most families pay up front for their children's daycare tuition, BFAM has more than enough liquidity to cover operating expenses. Historically, debt financing has been obtained to fund management's undertaking of acquisitions of facilities for new and existing child care and early education centers and to fund a share repurchase program

Risks

- Economic conditions, demand for child care, and corporate discretionary spending may negatively affect operating revenues
- Higher percentage of Profit and Loss (P&L) centers could pressure or help earnings
- Business dependent on hiring high quality teachers
- Significant debt on balance sheet may restrict current and future strategic decisions

ESG Analysis

Summary:

- BFAM provides full service employer-sponsored child care and education services that enable parents, especially mothers, to better meet family and work life challenges
- Based on ESG metrics, BFAM scores low in BBG governance discovery and board meeting attendance
- BFAM has a number of women in a list of executive officers and one third of women on board of directors

Pros:

- Diversity: Four of 11 Board members are female, including the Board Chair and Co-Founder. CFO is also female. In 2017, BFAM achieved a 100/100 score on the Human Rights Campaign's Corporate Equality Index for LGBT equality
- Small Environmental Benefit: By co-locating daycare with parent workplaces, BFAM is helping to reduce the distance that parents commute to take their kids to daycare, hopefully reducing auto emissions.
- Working Conditions: BFAM is focused on attracting and retaining a highly skilled workforce. Consistently named as a top employer by 3rd party sources in the US, UK and the Netherlands. One of Fortune Magazine's 100 best places to work for 16 consecutive years
- Social Impact: Provide high quality care and education for young children in a safe and healthy environment

Cons:

- Board governance: Board Chair and CEO are separate positions. Only 20% of board directors are independent. Concerns about the influence of Bain Capital, which holds 3 out of 11 Board seats and owns slightly over 20% of outstanding shares. However, in theory, Bain's interests and incentives should be aligned with the rest of shareholders

Valuation

- Current price \$71.99 (\$4.3B market cap) vs. \$76.86 sell-side consensus vs. \$79.69 HSRIF valuation (updated eVal model for April 2017)
- Forward EV/EBITDA - FY1 is 15.8x

5.5 Canadian National Railway Company



Stock Name: Canadian National Railway (CNI)

Principal: Laura Niño

Investment Thesis

CNI is one of a kind railroad operator, equipped with the most unique rail network and healthy margins that would protect the company in the case of downturns in the economy or other headwinds. In addition, the adoption of new technologies in locomotive and transportation logistics, position CNI as a leader in environmental impact and worker safety in the industry. Nevertheless, given the already healthy margins and dependency on commodity prices, growth and improvement in the next couple of years might prove challenging.

Business Description

- CNI is a rail and related transportation services company 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
- Transports various goods, such as automotive, coal, fertilizers, food and beverages, forest products, shipping grains, metal and minerals, petroleum and chemicals, and specialty crops
- 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

Business Analysis

Industry

- Oil pipeline in Canada soon to reach maximum capacity will drive increase rail transportation for this type of commodity
- Potential regulatory changes in Canada may affect pricing. In addition, possibility of re-negotiation of trade agreements with certain countries may have an impact on carload volumes

Competitive Advantage

- Only railway with access to both coasts and Gulf of Mexico. In addition, they have exclusive rights on some ports on the pacific that
- Best in kind margins. It has on average more than 100 basis point on EBIT, EBITDA and Net margin vs comp set median

Financial Performance

- Strong revenue growth along the past few years, excepting 2016 when faced with industry headwinds and smaller ship volumes due to the low commodity prices
- Nevertheless, have been able to maintain and even improve operating margins, as well as cash flow generation
- Capital expenditures have been consistent in the past few years, leaving a strong cash position to repay debt, dividends and do stock buybacks

Risks

- Dependence to commodity related markets
- Lack of economic reacceleration or a slowdown from currently low levels of growth would drive revenue and margin pressure for a pick-up in earnings growth in 2017
- A prolonged period of low fuel prices and excess capacity in the North American truckload market would pressure CNI's ability to successfully convert over-the-road freight traffic to rail intermodal
- U.S. and Canadian dollar currency risk
- Unionized employees represent a significant portion (73%), thus reduced flexibility to negotiate labor terms
- Regulatory changes in the Canadian market might impact the ability to set prices

ESG Analysis

Summary:

- Intensified focus on health and safety, as well as GHG reduction initiatives
- Minimal governance concerns: since board tenure is in excess of 20 years; Low gender diversity: three women directors out of eleven

Pros:

- Fuel efficiency programs that have achieved an 18% reduction of energy consumption in 10 years. In addition, they are currently investing in CNG tractors in focusing on intermodal transportation to further reduce fuel consumption and carbon emissions
- Over 73% of workers covered by collective bargaining agreements. In addition, CNI offers several non-compensation benefits (such as a sector-leading employee share ownership program and performance incentives to select employees). The company also has strong training and professional development programs, which are offered widely and undertakes regular employee surveys
- CNR has a number of strategies in place, such as including Health and Safety metrics as a factor in executive compensation. The company has also shown improvement on several metrics, such as Lost Time Injury Rate, down 6.2% (2014: 6.45 injuries/million hours; 2015: 6.05) which may be early signs of a long-term trend

Cons:

- High exposure to risks associated with carbon emissions and regulations, tax systems, and trading schemes. Given the current political context. It is to be seen the effects of changes in policy on this front
- CNI recently had to lay off a major proportion of its employees, which, given the high percentage of unionized labor, can result in reduced morale and may increase risks of collective labor protests
- Despite health and safety strategies these only partially offset the risks associated with CNR's freight rail business. This exposure translates in risk of increased costs and disruptions

Valuation

- Current price C\$97.44 (C\$74.1B market cap) vs. \$99 consensus median
- EV/EBITDA 12.9x, one of the highest among peers (10.76x median)
- Dividend yield 1.7%

5.6 First Solar Inc.



Stock Name: First Solar (FSLR)

Principal: Warot Wainiya

Investment Thesis

FSLR is the strongest solar company in the US given its low-cost technology and full vertical integration across solar value chain. FSLR's innovative manufacturing process will allow it to reduce costs to increase competition. It has good ESG practice. Given the historical financial performance, FSLR is a safe investment but might not generate high return.

Business Description

- FSLR designs, manufacturers, and sells PV solar modules with thin-film semiconductor technology. It also designs, constructs, and sells, entire systems composed of the cells that it makes. It operates in two segments, components and systems.

Business Analysis

Industry

- Solar industry heavily relies on government subsidies, e.g., investment tax credit (ITC), feed-in-tariff.
- Low-cost Chinese manufacturers put a pressure on US solar manufacturers, compressing margins.
- In 2016 US market size is ~10GW, expected to grow to 12GW in 2021. The market is oversupply due to Chinese manufacturers.

Competitive Advantage

- FSLR is a fully integrated solar company across the value chain.
- System efficiencies, cost reductions, and capabilities are not easy to replicate for other players that are not similarly integrated.
- FSLR continuously invests in R&D to enhance product efficiency and cost reductions.
- FSLR has high creditability which allows FSLR to offer meaningful system warranties.

Financial Performance

- In 2016, FSLR's revenue was \$2.9B down 18% due to the extension of ITC that has shifted demands further.
- It had net losses of \$358M due to impairment charges of \$819 as FSLR wrote off its old products to prepare for its Series 6 model which has lower cost while having the same efficiency.
- In 2015, it had 22.1% EBITDA margin, 14.4% net profit margin, and 10.4% ROE. The overall financial ratios are better than industry average.

Risks

- The key challenge for FSLR is to lower its costs to compete with Chinese manufacturers and to make solar commercially viable without subsidy.
- Solar market depends on government subsidies. The US investment tax credit is expected to end in 2021.
- Solar has very few, low barriers to entry, and there is a chance that the current period of irrational pricing and overcapacity will be a repeating theme in future years.

ESG Analysis

Summary:

- FSLR manufactures and develops clean energy, having good ESG practice by nature of its business.

Pros:

- From 2012 to 2015, FSLR has recordable injury rate around 0.4, a lot lower than industry average of 4.9.
- FSLR focuses on saving energy and water and reducing waste and greenhouse gas emission.

Cons:

- FSLR lack of diversification as no woman is in a list of executive officers

Valuation

- FSLR doesn't have current P/E and neither EV/EBITDA due to its negative profits.
- FSLR current price as of 4/18/2017 was \$26.89 per share vs \$32 consensus.

5.7 Gilead Sciences Inc.



Stock Name: Gilead Sciences (GILD)

Principal: Donald Hoang

Investment Thesis

GILD is a promising value play in the biopharmaceutical industry given its strong franchises in HIV and HCV, products in development for NASH (\$35B market opportunity), continued presence in emerging markets, and strong balance sheet

Business Description

- Gilead Sciences is a powerhouse in the antiviral, infectious disease space, with specific expertise in HIV and HCV therapeutics
- Historically, it's known for its work in HIV – single tablet regimens – and global health efforts in combating the AIDS epidemic
- Recently, it has been known for its hepatitis C virus (HCV) franchise of Sovaldi, Harvoni, and Epclusa - three drugs that cure a previously chronic and fatal disease

Business Analysis

Industry

- Trump administration's on healthcare is more likely to affect hospitals and health systems, as opposed to pharma
- Pricing in the US market subsidizes the rest of the world; Value-based reimbursement and market access increasing impt.

Competitive Advantage

- GILD has a wide moat in both the HIV and HCV markets due to its leadership in oral, antiviral therapeutics
- Excellent track record in M&A – 2003 acquisition of Triangle and *Emtriva* and 2012 acquisition of Pharmasset and *Sovaldi / Harvoni* (8-12 week oral treatments for HCV with 90%+ cure rates)

Financial Performance

- Prime player in the M&A market with over \$32B in cash on hand and a strong cash flow
- Strong potential of pipeline; specifically GS-4997 (ASK-1 inhibitor) for NASH (\$35-40B market size for 600MM+ by 2022)
- JAK1 inhibitor for autoimmune diseases on the horizon, currently in Phase III trials for three different conditions

Risks

- Maturing HCV market; revenue from Solvadi/Harvoni franchises dropping from \$14.8B to ~\$9B in 2017
- Drug pricing pressures and patent expiration, specifically tenofovir in 2017; maturing HCV market with declines 44% y-o-y

ESG Analysis

Summary:

- Excellent access to life-saving medications in development countries (HIV franchise)
- Pricing controversy in 2013 with HCV franchise launch; however, UK's National Institute of Health and Care Excellence benchmark Gilead's HCV therapies at less than \$50,000 per Quality-Adjusted Life Year (QALY). Note that any therapy that adds QALYs at less than \$60,000 per QALY is considered to be cost-effective
- Minimal governance / international bribery concerns; Low gender diversity: two women directors out of eleven directors

Pros:

- Gilead gave \$447MM in cash to nearly 2,000 non-profit orgs in 2015. Grantees worked on issues of access to care, reducing disparities, and advancing patient education on HIV/ AIDS, HCV, and PreP (HIV prevention)
- Gilead is the recognized leader in access to medication initiatives, with direct board involvement; distribution channels include regional partnerships providing Viread and Truvada at cost (\$3.5/patient/month) and generic partners in India, South Africa, and China
- Access programs reach 130 developing countries and 8.7 million HIV patients worldwide

Cons:

- Environmental metrics: MSCI assessment is that Gilead is in compliance with applicable regulation, but does not report additional environmental goals and metrics
- Pricing controversy with HCV franchise
- Executive compensation: former CEO and current Chairman John Martin realized \$232MM of incentive pay in 2015 (tied to performance incentives across 20 year tenure and a greater doubling of revenue as a result of the Pharmasset acquisition)
- Board diversity: 2 out of 10 are women

Valuation

- Current price \$70.48 (\$93.6B market cap) vs. \$82.18 consensus vs. \$101.11 valuation
- EV/EBIT 5.9x, one of the lowest ratios in the biopharmaceutical industry considering the leveling off of the HCV franchise
- Dividend yield 2.95%

5.8 Hanes Brand



Stock Name: Hanes Brands (HBI)

Principal: Eddie Gandevia

Investment Thesis

Largest manufacturer of innerwear and activewear apparel with a portfolio of brands each with leading market shares. HBI has among the lowest cost position in replenishment-driven product categories and with brand conscious consumers. Strong acquisition platform and track record. 'Bottom of cycle' conditions make it attractive to buy now.

Business Description

- Hanesbrands manufactures innerwear and activewear apparel under brand names including Hanes, Champion, Maidenform
- Products are marketed through wholesale and direct channels, with about 35% of sales to mass merchants in the United States and 10% to midtier and department stores. Direct to consumer was 5% of sales and 26% was international
- Approximately 72% of merchandise is produced in the company's manufacturing facilities or through third-party contractors

Business Analysis

Industry

- Innerwear and activewear market has been flat to very modest decline (~-1%) as the industry undergoes a transformation from large bricks and mortar to smaller stores and greater volume in online channels
- Hanes' portfolio of brands hold the number-one or -two market shares in each of the core apparel categories, and has grown market share during this transformation. Its products are found in 80% of American households

Competitive Advantage

- HBI has a moderate to strong competitive moat driven by its owned and controlled supply chain, strong brand portfolio and market share positions, and its scale economies that creates an effective acquisition platform
- The company operates 52 manufacturing facilities, mostly in Asia, Central America, and the Caribbean Basin. In 2016, approximately 72% of units sold were from finished goods manufactured through a combination of owned and operated facilities and third-party contractors that perform some steps (cutting/sewing). This affords HBI one of the lowest cost positions in the industry not just in the U.S. but globally
- Hanes' portfolio of brands hold the number-one or -two market shares in each of the core apparel categories in which it competes and is found in 80% of American households.

- When Hanes can internalize high-volume styles, we estimate that it saves as much as 15%-20% and we see the company moving toward producing 85%-90% internally over time, providing a significant operating margin driver

Financial Performance

- The business has returned high double digit returns on invested capital and EPS growth over the last 10 years

Risks

- The core business risks are sluggish industry growth, customer concentration, short term changes to tax regulations or a fundamental shift in the behavior of consumers

ESG Analysis

Summary:

- HBI stands out as all recently set environmental objectives have been met or surpassed, and is publically tracked
- Shown generally strong performance on material ESG issues – major innovations in water, energy, carbon and waste reduction relative to public stated goals (between 20 and 40% reductions since 2007, with further goals set for 2020)
- ESG improvement opportunity in transitioning away from cotton as key fabric (85% currently), increasing board diversity (2 of 11 directors women) and preparing for more stringent chemical reporting standards (though they currently surpass these)

Pros:

- HBI stands out as all recently set environmental objectives have been met or surpassed, and is publically tracked
- Environment: Water reduction of 31% vs 2007, targeting 50% by 2020; waste to landfill down 27% since 2007; energy and carbon footprint reduction of 25% and 21%
- Social: founding member of Sustainable Apparel Coalition; 80% of products made in owned or dedicated facilities, and globalized standards applied; \$2 mm invested in 76 community projects funded from environmental savings
- Governance – 8 of 11 directors independent; fair and long term compensation program driven by business fundamentals

Cons:

- Sourcing – given reliance on cotton (a pesticide and water intensive fabric), may need to accelerate move towards alternative fibers (initiative to replace with Flax underway)
- Labor management – minimal employee engagement practices relative to peers
- Chemical management - may be required to adopt more stringent chemical reporting requirements (though practices exceed current standards)
- Board diversity – only 2 of 11 female directors

Valuation

- Current price \$21.2 represents a 30% discount to DCF valuation of \$27.5 based on moderate revenue growth assumptions (~4.5% CAGR '17 to '21) constant to slightly eroding margins (FCF CAGR of ~2.9%) to accommodate continued investment in integrating acquisitions and adverse forex / material costs
- HBI is trading below a 2 year forward P/E at 9.8x vs 13.8x suggesting medium term appreciation potential, and sits well below historic P/FCF and relative S&P levels

5.9 Mastercard Inc.



Stock Name: MasterCard Inc. (NYSE: MA)
Principal: Lu Pan

Investment Thesis

- One of the two runaway leaders in a low-competition tightly-controlled payment process market
- Strong growth supported by global shift toward card-based and electronic payment
- Defendable business characterized by high incremental margins and low capital expenditures and high free cash flow
- Clear strategy to actively participate in all types of electronic payment and payment flows through continuous technical innovation and well-thought acquisitions
- Volume in the fast-growing markets of Latin America, Asia, the Middle East, and Africa expanding at a double-digit rate implies a long-term positive for MasterCard.
- Services business at 25% of total revenue serves as a growth contributor/differentiator
- Potential for shareholder-friendly actions including additional share repurchases and/or higher dividend

Business Description

MasterCard Inc is a technology company in the payments industry. The Company connects consumers, financial institutions, merchants, governments and businesses, enabling them to use electronic forms of payment instead of cash and checks. It provides authorization, clearing and settlement services in a safe and secured payment processing network, on top of which value-added product and services, such as Rewards and Commercial Product Reporting, are also established. It currently processes transactions from more than 210 countries and territories and in more than 150 currencies.

Revenue Streams:

- **Domestic assessments fees:** fees charged to issuers and acquirers based primarily on the **dollar volume of activity** on cards and other devices that carry our brands where the merchant country and the issuer country are the **same**.
- **Cross-border volume fees:** fees charged where the merchant country and the issuer country are **different**.
- **Transaction processing fees:** charged for both domestic and cross-border transactions and are primarily **based on the number of transactions**, consisting of switched transactions (including authorization, clearing and settlement) and connectivity fees charged for network access etc.
- Other revenues: other **payment-related products and services**, such as consulting, security service, and loyalty and rewards solutions fees.

Business Analysis

Industry

- 85% of total worldwide retail transactions are still conducted via cash or check, providing a huge pie for all electronic payment companies
- While cards account for 90% of contactless payments over the next 5 years, high-profile players such as Apple is pushing for digital transactions
- US in-store mobile payment volume to reach \$503 billion by 2020 at CAGR of 80%
- Increasing emphasis on payment security under heightened regulation
- Rising competition from the three-party payment networks (e.g. American Express), third-party processors (First Data) and alternative payment systems/other entrants (e.g. Alipay)

Competitive Advantage

- A brand well known to and trusted by users of payment systems
- Powerful network effect provides greater incentives for banks, merchants and customers to transact using MasterCard services
- Barrier to establish a secured payment processing network are notably high: technology, traffic and regulation challenge etc.
- Its ability to provide services to both sides of the network, merchants and issuing banks, created a powerful moat from low-cost payment providers

Financial Performance

- 13% YOY growth on a currency neutral basis in 2016, primarily driven by increases across, partially offset by higher rebates and incentives.
- Net Revenues generated in US was 38% of total revenue in 2016, while higher growths are seen in all non-US regions
- Services, comprised of Safety & Security, Advisors, Loyalty and Processing, accounts for 25% of Mastercard's revenue, indicating a CAGR of 24% since 2013
- Repurchased 37 million shares of our Class A common stock for \$3.5 billion in 2016
- Attractive ROE at 69.5% (due to less intangible assets compared to Visa) is much higher than its peers.

Risks

- Increased competition from alternative payment processing mediums, such as mobile wallets.
- Strategic partners might move to other competitor's platform or start their own payment service unit.
- Payment systems are highly scrutinized in major jurisdictions, such as EU, Russia and China, hence subjected to material impacts from regulator and legislative changes.
- The business needs to meet ever higher requirement on privacy, data protection and security, which incur higher operating costs and impacts its growth.

ESG Analysis

Summary:

As a financial service/technology company, Mastercard's major play in ESG lies in its social capital, i.e. whether it provides access and affordability to customers and whether it enhances protection to data security and customer privacy. The company focuses a lot in financial inclusion in emerging market, but is controversial in Anticompetitive Practices and Product Safety & Quality in matured markets like in EU. Given the complexity of the payment market and the majorly dual play in card processing networks, the overall ESG practice of Mastercard is considered positive.

Pros:

- The social impact of Financial Inclusion for the banked and underbanked is broad and significant. MasterCard have been working with governments across several geographies to develop and roll out electronic payments solutions and social payment distribution mechanisms.
- MasterCard and UN Women formed a partnership to drive financial inclusion of women, beginning with a Nigerian pilot program in 2015.
- Mastercard has been named #7 on Fortune's second annual "Change the World" list, based on its efforts to transform the delivery of humanitarian aid (MasterCard Aid Network)
- Mastercard recently appointed a strong chief inclusion officer to deliver on the company's integrated global diversity and inclusion strategy.
- Board independence: 11 out of 12 are outside directors

Cons:

- Ongoing antitrust investigations and increasing regulatory scrutiny over interchange fees raise concerns over the company's business.
- Dual class share structure may hinder minority shareholders' rights.
- Data security practices in ongoing improvement to resolve risks of data breaches in sensitive cardholder information
- Board Diversity: 3 out of 12 are women

Valuation

- Current price \$112.52 (\$121.3B market cap) vs. \$123 consensus vs. \$115.90 valuation
- P/E NTM=25.2x, trading at premium to its payment processing peers
- Dividend yield 0.78%
- Projected EPS Long Term Growth Rate=15.8%
- **RECOMMENDATION** - Hold

5.10 Microsoft Corporation



Stock Name: Microsoft (MSFT)

Principal: Eddie Gandevia

Investment Thesis

Microsoft will continue to be a dominant technology company as it leverages its entrenched leadership position in enterprise and consumer productivity software while successfully establishing itself as a leader in cloud services and mobile

Business Description

- Microsoft is a global provider of software, hardware, and services
- Its business is organized into three segments: productivity and business processes (including Microsoft Office and Dynamics), intelligent cloud (including Azure, Windows Server OS, and SQL Server), and more personal computing (including Windows Client, Xbox, Surface, phones, and Bing search advertising)
- These segments represent 28%, 25%, and 46% of sales, respectively

Business Analysis

Industry & Competitive Advantage

- Microsoft has established a major competitive advantage driven by its installed base of over 350 million enterprise and consumer devices across their suite of productivity applications creating a strong network effect and high customer switching costs. It continues to maintain 90% market share of the PC operating system market, and new form factors (such as mobile and tablet) are as yet seen as complementary rather than replacements of the core PC platform. However, the influx of new device forms, longer PC refresh cycles, and Microsoft's poor performance in mobile and tablet device markets, this market will be flat to declining, with Microsoft maintaining ~80% share over the medium term.
- Despite imminent loss of market leadership to Linux in enterprise servers, Microsoft's established installed base and successful Azure launch means it is well positioned to manage the transition to greater cloud services, and as of now, provides a far superior product suite to the other new or likely entrants (Google, Salesforce, Oracle, IBM).
- Microsoft's personal computing devices will not be a significant driver of its performance going forward, but coupled with the favorable adoption of Microsoft 10, it may serve to slow any attrition of developers leaving the Microsoft ecosystem

Financial Performance

- Microsoft has very high rates of return on Equity and Assets – significantly outperforming its industry peers. However, recent years has seen slowing revenue growth (5yr growth of 4%, 3 yr growth of 3% and last year -8%), marked declines in returns on assets and equity (-7% pts since 2013), and reduced profitability (net margin ~20% vs 28% in 2013 and above 30% in 2011). It's balance sheet is strong, but with increasing amounts of leverage (2.7x up from 1.8x in 2013). It has strong cash holdings – sufficient to support continued investment, coupled with a healthy

and steady dividend of 15%

Risks

- **Competitive pressure**, especially on their emerging strengths - the aggressive entry into cloud services by a serious competitor (e.g. Google)
- **Faster decline of their core business** driven by an accelerated adoption of new form technologies (mobile, tablet)

ESG Analysis

Summary:

- Microsoft has a very active ESG policy, with the findings detailed in their sustainability report. A key issue will be ethical sourcing and manufacturing, ensuring that its supply chain and partnerships adhere to strict standards. It has developed an auditing framework, publishing the results in its report. On other ESG metrics, it performs well – it joined the first international standard on privacy for cloud computing, operates carbon neutral, employs 41% minorities, 30% of executives are women or minorities and growing

Pros:

- Sector-leading approach and comprehensive controls to ensuring privacy and data security
- Remains employer of choice within technology industry with strong diversity

Cons:

- Human capital management challenges associated with the Nokia sale and restructuring from 2014

Valuation

- DCF Valuation suggests \$72 / share, with upside and downside risks fairly moderate and evenly weighted. Downside risk will be driven by increased competition in cloud and faster attrition in their core enterprise and productivity software suites. Upside risks will be driven by greater leadership in cloud, continued adoption of Windows 10, and greater mobile/tablet penetration/transformation.
- Consensus analysts suggest a valuation of \$70 vs \$65 today (8% upside; assumes 5yr topline growth ~9%), with analysts fairly evenly split between hold and buy ratings, reflecting a PE ratio of 21 and other cashflow multiples moderately above industry averages.

5.11 Prudential Financial Inc.



Stock Name: Prudential Financial Inc.

Principal: Claudia Silva

Investment Thesis

Prudential Financial is in a unique position to enjoy sustainable growth given its advantage in terms of brand, switching costs and for its exposure to the aging population long-term trend. The operations of the firm seem to be well-run. Among peers, The ROIC is 6.3%, higher than the median of 3.1%, and combined with a relatively low 4.2% of D/A give us a ROE of 9.8%, also higher than median of 4.4%. After Trump, interest rates have gone up and more expectations in terms of deregulation would be positive for stock performance.

Business Description

Prudential Financial, Inc. provides financial products and services including life insurance, annuities, retirement-related services, mutual funds and investment management to individual and institutional customers through proprietary and third-party distribution networks. It operates through the following divisions: U.S. Retirement Solutions and Investment Management; U.S. Individual Life and Group Insurance; International Insurance; Closed Block; and Corporate and Other operations.

Business Analysis

Industry

- Industry has been constrained by moderate economic growth and low interest rates
- There are opportunities to increase efficiency and growth by creation of innovative products and incorporation of more technology (IoT and Robo-advisors)
- Operational transformations, through the renovation of legacy systems also provide both an opportunity and a challenge

Competitive Advantage

- PRU enjoys a solid reputation within the financial sector, which gives it an advantage in terms of brand power
- It also has a switching costs competitive advantage that is hard to lose, especially when you are one of the biggest players in the industry (#2 largest life insurer in the US)

Financial Performance

- PRU has demonstrated moderate but persistent growth, including a 4% CAGR in revenue over the last five years and a 3.6% CAGR for free cash flow over the same period.
- Revenue in 2016 increased by 8% to \$57B and ROIC is 6.3%, higher than competitors' median of 3.1%

Risks

- **Mortality/life expectancy risk:** PRU carefully balances retirement and life insurance product mix so that life expectancy risk is greatly mitigated
- **Interest rate risk:** PRU is affected by movements in interest rates directly due to the nature of their business. They try to mitigate this risk by matching duration of assets and liabilities
- **Overseas risk** (mostly from Japanese business): Foreign currency risk and big investments in Japanese Government Bonds, due to the large business in Japan
- **Regulatory Risk:** In 2013, PRU was named a "systemically important financial institution" (SIFI). Post Dodd-Frank, it is still unclear what additional restrictions will impact SIFIs.

ESG Analysis

- In terms of material ESG aspects, the firm is accurately addressing all the material aspects for financial services:
 - **Fair marketing and advertising:** Prudential hired a Chief Customer Officer in 2014 to help ensure the customer experience is positive, and to make sure important information is communicated to customers in an effective way.
 - **Lifecycle impacts of products and services; and social impacts on assets and operations:** as of 2013, \$2.9 billion invested in renewable power projects; started investing in green bonds in 2013 (\$14 million as of May 2015); as of 2014, had provided \$2 billion in impact investments. Also, the firm only works with vendors that have respectable CSR in place.
 - **Systematic risk management:** among many other risk mitigations, PRU has a risk committee at the board level (comprised only of independent directors), to oversee this issue.
 - **Business ethics and transparency of payments:** the firm has an extensive Code of Conduct and a Corporate Governance and Business Ethics Committee that revises all the political activities and related expenses that the company intends to implement.
- The MSCI rating is 4.92 (A)
- Included on the KLD 400

Valuation

- eVal model valuation: **\$110** / share vs current price of **\$107.87**
 - Tried to match 2017-2018 forecasts to consensus FactSet estimates, includes revenue drop in 2017 due to interest rate and FX headwinds
 - Terminal sales growth of 3% (average of past 4 years is 14.6%)
 - Net margins very conservatively forecasted to decline from current 10% to below 6% in terminal year
 - Cost of equity modeled at 10%
 - Leverage remains flat as a percent of assets
 - Dividend payout ratio remains flat

- FactSet analyst consensus is \$113.73 / share (little upside of 5.4%)
- It seems fair priced compared to its peers (its current P/E NTM is 10.1x compared to the median of its peers of 10.25x) and not extremely expensive compared to its 5Y historical average of 8.3x
- Compared to the 18.24x NTM P/E expected for the S&P, it looks in a much better position than the broad market

5.12 Southwest Airlines



Stock Name: Southwest Airlines Co. (LUV)

Principal: Sathish Veeraraghavan

Investment Thesis

Southwest with 44 consecutive years of profitability with its low cost operational strategy is trading at 10% below consensus price target. The international expansion strategy maintaining its share in the domestic market is a key catalyst that would help drive growth in the future.

Business Description

- Southwest Airlines Co. (the “Company” or “Southwest”) operates Southwest Airlines, a major passenger airline that provides scheduled air transportation in the United States and near-international markets. For the 44th consecutive year, the Company was profitable, earning \$2.2 billion in net income. It launched international service in 2014, and serves 11 international destinations.
- Largest domestic air carrier in the United States based on number of passengers

Business Analysis

Industry

- Competition – High, Bargaining power of customer – High, Bargaining power of Supplier – High, Threat of new entrants – Low (capital intensive and regulated), Threat of substitutes – Low (due to extremely low prices for short distance flights)

Competitive Advantage

- Low cost operational strategy - point-to-point service, faster turnaround, low cost secondary airports, and strong employee culture.

Financial Performance

- Leader in key operational metrics – sales growth 6.5%, EBITDA margins 25%, and load factor 85.3
- Leader in key profitability metrics – profit margins over 10%, ROA over 10%, and ROIC over 30%

Risks

- Zika virus threat impacting international expansion strategy in Latin America.
- Increase in labor cost might negate the low cost advantage.
- Competition in the domestic markets putting pressure on the load factor.

ESG Analysis

Summary:

- Ranks high across all the metrics Sustainalytics ESG Score 85 compared to industry average of 54, ESG disclosure score 47 compared to industry average of 31. MSCI rating: A (top 25%)

Pros:

- GHC emissions (metric tons CO2/1000ASM) improved from 0.145 (2011) to 0.134 (2015)
- Fuel efficiency (ASMs/gallon) improved from 68 (2011) to 74 (2015)
- Safety training (hours) 500000 (2011) to 800000 (2015)
- Labor relations: Successfully negotiated with pilot unions on new contract after 4 years
- Stands out in customer service compared to peers

Cons:

- Anticompetitive practices: Class action suit against AirTran for baggage fees collusion with another airline.
- Product safety and quality: Feb 2017- clips wings with another airline, 2016 – 2 emergency landings – cabin pressure loss and cockpit smoke hazard

Valuation

- Current price \$57 (\$93.6B market cap) vs. \$63 consensus
- P/E (NTM) = 14x compared to median of 10x, EV/Rev = 1.7x compared to median of 1x, EV/EBITDA = 5.8x compared to median of 4.9x
- Dividend yield 0.7%

5.13 Starbucks Corporation



Stock Name: Starbucks (SBUX)

Principal: Pablo Arroyo

Investment Thesis

At last count, nearly 19 million individuals have downloaded and use the Starbucks mobile app. As of the end of the company's fiscal second quarter, transactions done with the mobile order and pay feature of the app doubled year-over-year. Starbucks is processing eight million orders per month through this channel. Expect that number to keep growing.

Business Description

- **Starbucks Corporation** is an American coffee company and coffeehouse chain. Starbucks was founded in Seattle, Washington in 1971.
- As of November 2016, it operates 23,768 locations worldwide, including 13,107 (+170) in the United States, 2,204 (+86) in China, 1,418 (-12) in Canada, 1,160 (+2) in Japan and 872 in South Korea (bumping United Kingdom from 5th place) (Differences reflect growth since Jan 8, 2016)

Business Analysis

Industry Rivalry (high)

- The company faces a large number of competitors, which have different sizes, specialties and strategies.
- The strong force of competition is also due to the low switching cost. Which means that it is easy for customers to shift to other brands. Nevertheless, the company hold around 59.2% of the market share in the coffee industry.

Competitive Advantage

- Although, the company concentrated on diversifying its business away from coffee to, its consumer product goods segment and food, Starbucks has some out with new and innovative products.
- Unlike most big companies that are focusing their revenue model towards franchises, Starbucks refuses to do so in order to control its value and culture.

Financial Performance

- Five year constant revenue growth
- Strong potential growth in new markets, especially in Asia
- Same-store sales in the Americas and China beat growth expectations

Risks

- The company plans to expand in China. A completely new market for the company.
- New company's new electronic product are creating more queues in its store. The learning curve could affect potential store sales.

ESG Analysis

Summary:

- Excellent growth opportunities and great market potential.
- Supply chain risk, the company buys coffee from local growers.
- Strong ESG indicators and socially conscious company

Pros:

- Starbucks has always taken into account how important is to well treat its employees, as it can be seen in the low attrition rate the company has
- The company's sustainable report constantly trace the impact of the company's actions on its ESG goals.

Cons:

- Controversy has arisen due to its hiring policy.
- The company is very bureaucratic and that could not allow Pricing controversy with HCV franchise

Valuation

- Current price \$58.35 (\$85.04B market cap) vs. \$64.01 consensus.
- PE 30.87x, compare to an industry average of 41.09x (source: Bloomberg)
- Dividend yield 1.54%

5.14 Toyota Motor Corporation



Stock Name: Toyota Motors (TM)

Principal: Scott Anderson

Investment Thesis

Toyota Motors announced global sales of 10.2 million units in 2016, making it the second largest automaker in the world, trailing Volkswagen only slightly (despite VW's 2015 emissions scandal). Toyota, however, has demonstrated leadership in energy and reliability and taken a lead in Electric and Hybrid vehicle sales, with increased participation in the US market. Toyota also caters to the mainstream market. Despite new fears of "peak auto," Toyota's stock offers a compelling risk/reward as the company continues to innovate.

Business Description

Toyota Motor Corp. engages in the manufacture and sale of motor vehicles and parts. It operates through the following segments: Automotive Operations, Financial Services, and All Other. The Automotive Operations segment designs, manufactures, assembles and sells passenger cars, minivans, trucks, and related vehicle parts and accessories. It is also involved in the development of intelligent transport systems (ITS). The Financial Services segment offers purchase or lease financing to Toyota vehicle dealers and customers. It also provides retail leasing through lease contracts purchase by dealers. The All Other segment deals with the design and manufacture of prefabricated housing, information technology related businesses that includes a web portal for automobile information called GAZOO.com, and sales promotions for KDDI communication related products. The company was founded by Kiichiro Toyoda on August 28, 1937 and is headquartered in Toyota, Japan.

Business Analysis

Industry

- Demand for healthcare staffing services is expected to increase greatly with increased spending on healthcare and the projected shortfall of nurses and physicians
- By 2024, healthcare employment is expected to grow by 16.4%, according to the U.S. Bureau of Labor Statistics, adding 5 million more professionals
- The current shortage of physicians is projected to grow by approximately 100,000 by 2025
- A surge of registered nurses is expected to retire over the next two to three years

Competitive Advantage

- 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
- The company already has over 100 of these comprehensive MSP relationships,

which is more than any other firm in the industry

Financial Performance

- While sales have slowed (+1% 5-year CAGR), profitability remains strong with EBITDA margins of 14% leading peers (median of 12.4%).
- Analysts forecast resumed top-line growth in 2018 despite some fears of slowed industry sales.

Risks

- Consolidation and concentration of buyers lead to pricing pressure: An increase in clients' use of intermediaries such as vendor management service companies and group purchasing organizations as well as consolidation of healthcare systems may provide these organizations enhanced bargaining power.
- Regulatory risk: The healthcare industry is subject to extensive and complex federal and state laws and regulations. The company provides workforce solutions and services on a contract basis to clients, who pay directly. Accordingly, Medicare, Medicaid and insurance reimbursement policy changes generally do not directly impact us. Nevertheless, reimbursement changes can and do indirectly affect the demand and the prices paid for the company's services. Additionally, a repeal of the Affordable Care Act could negatively affect the demand for the company's services. The challenge to the classification of certain of our healthcare professionals as independent contractors could also adversely affect profitability.

ESG Analysis

Summary:

- Toyota leads in clean tech: 13% of its vehicles sold globally are hybrids and the company proactively participates in smart mobility projects to develop new opportunities with next generation technologies. However, product safety and quality risks continue to impact all major automakers. Additionally, Toyota ranks poorly on governance due to limited board independence.

Pros:

- Toyota has, under the "New Vehicle Zero CO2 Challenge," decided to challenge itself to reduce vehicle CO2 emissions by 90 percent in comparison with 2010 levels, by 2050. To realize this, in addition to mileage improvement of engine-driven vehicles, Toyota will promote the development of next-generation vehicles with low or zero CO2 emissions.
- The Prius was released worldwide in 2000, making it the first mass-produced hybrid vehicle. The U.S. EPA and California Air Resources Board (CARB) rate the Prius as among the cleanest vehicles sold in the United States based on smog-forming emissions. The 2016 Prius Eco ranks as the all-time most fuel efficient gasoline-powered car available in the US without plug-in capability.
- Toyota demonstrates some elements of best practice in its approach to the management of quality related risks, such as certification requirements for Tier 1 suppliers and educating suppliers through CSR meetings. The company also has test facilities and employee education programs on quality issue.

Cons:

- Toyota Motor is one of the companies at the center of the Toyota 'keiretsu' (a set of companies with interlocking business relationships and shareholdings) with a variety of ancillary firms, namely its suppliers and customers, being other key members, such as Denso. Toyota appointed its first three non-executive directors in 2013, but as of June 2016 the company continues to lack board majority

independence (3/11).

- Toyota Motor repeatedly announced recalls of its vehicles worldwide for faulty airbag inflators made by Japanese supplier Takata Corp from 2013 to 2017.

Valuation

- Our Discounted Cash Flow suggests a current intrinsic value of \$127/share, reflecting a significant premium to the current share price of \$105/share. We believe a reasonable 12-month price target is \$135/share, reflecting continued returns on equity. Analyst consensus rating is “Hold” with a target price of \$125/share.
- Assumptions in the DCF include modest sales declines (1-4% per year) over the next ten years, returning to 0% (flat) sales growth in the terminal period, modest tax rate decline from 30% to 27.5% in steady state, stable balance sheet ratios, and a weighted average
- TM currently trades in line with peers with a Price/Earnings multiple of 9x despite a stronger balance sheet and leading sales position.
- The automotive sector trades at a significant discount to the overall market due to concerns over long-term growth rates and continued margin pressure. We believe these concerns are fully priced into the stock and TM currently offers a compelling risk/reward.

5.15 Unilever NV



Stock Name: Unilever (UN)

Principal: Rob Uvanović

Investment Thesis

Unilever's key investment thesis is that the company is both profitable as well as focused on sustainability, in producing many of the leading eco-friendly brands. They are poised for growth in emerging markets and while the CPG industry overall is stagnant, they are trying to purchase key new companies and diversify. Unilever has recently tried to shift their focus from food products to personal care products, which makes sense given the nature of both industries and the potential margins and growth potentials. Unilever is a market leader in sustainability and has taken a long-term approach to growth, meaning they represent good value in a long-term focused fund.

Business Description

- Unilever is known for its personal care products such as Axe, Dove and Dermalogica, as well as its food products such as Hellman's, Heartbrand, Lipton, Blue Band and Knorr
- Unilever has a core competency in emerging markets, with 57% of its business occurring there, with the CPG market in developed economies stagnating overall.
- Recently, Unilever was the subject of a hostile takeover bid from Kraft-Heinz, which is outright rejected, which represents a strong reaction and commitment by the board to its sustainability goals and independence.

Business Analysis

Industry

- Overall, CPG sales are slowing, which is why Unilever has shifted to M&A in the eco-friendly CPG brand space in order to diversify into new markets, as well as shift from food to personal care.
- Emerging markets remains the majority of Unilever's business, which represents both a competitive advantage as well as a risk due to the uncertain nature of these markets and the current political climate surrounding globalization.

Competitive Advantage

- Unilever has a strong competitive advantage in its entrenchment in the supply chain of retailers (an intangible asset) and a cost advantage. The firm's broad portfolio of products across multiple categories and supermarket aisles creates a

<p>virtuous cycle of competitive advantages, comprising intangible assets, switching costs, and cost advantages, that new entrants simply could not replicate.</p> <ul style="list-style-type: none"> • It's diversity in geography is also a competitive advantage due to its strong presence in emerging markets, which can represent a major source of moat as these economies continue to grow while the developed economies stagnate with regards to CPG products. • Unilever's Sustainable Living Plan is unique to the business world <p>Financial Performance</p> <ul style="list-style-type: none"> • In 2016, overall growth was 3.9%, but emerging markets growth was 6.5%, with growth being primarily driven by volume growth in Asia • Sustainable Living brands grew 40% faster than the rest of the business <p>Risks</p> <ul style="list-style-type: none"> • Price has increased 20% due to failed Kraft-Heinz offer, meaning that Unilever is reaching new highs and is potentially becoming expensive • Emerging markets slowdown would represent a strong financial shock to Unilever, which is a possibility given the current global political climate surrounding globalization • M&A purchases in the eco-friendly space may not represent strong long-term value if the business case for these products does not pan out
ESG Analysis
<p>Summary:</p> <ul style="list-style-type: none"> • One of the only companies in the world with a true sustainable living plan in which stakeholders are measured upon ESG metrics • Gold Standard for CPG industry in incorporating sustainability at every aspect of the value chain and in addressing material issues within the industry <p>Pros:</p> <ul style="list-style-type: none"> • Has goals of sourcing 100% of our agricultural raw materials sustainably and enhance the livelihoods of people across our value chain • 46% of managers are women • By 2016, over 600 Unilever sites were sending zero non-hazardous waste to landfill <p>Cons:</p> <ul style="list-style-type: none"> • Brands such as Axe and other skin whitening products represent a contradiction on the core sustainability mission of Unilever • Sustainability plan has not been successfully carried out in its entirety with environmental metrics being a mixed bag in terms of results
Valuation
<ul style="list-style-type: none"> • Current price \$50.66 (\$152.7 market cap) vs. \$53.00 consensus vs. \$57.00 valuation • EV/EBIT 16.4 represents a relatively high ratio, and the highest that Unilever has been in its history due to the Kraft offer • Dividend yield 2.84%

5.16 Walt Disney Company



Stock Name: Walt Disney (DIS)

Principal: Tummy Nguyen

Investment Thesis

Strong HOLD - Walt Disney presents an attractive investment profile with steady performance, healthy long term growth and strong ESG profile. The company has consistently executed and delivered high value projects across business segments and maintain profit margin due to exceptional brand value and loyalty. Disney has competitive advantage from brand to technology in sectors with high barrier to entry. The company's global expansion and recognition will enable companies to gain market share and continue growth. As a consumer facing business and to protect brand value, Disney has comprehensive and transparent ESG practice and integrated into the company operation as well as its supply chain. Strong cash position, savvy M&A team and diversified business portfolio will enable the company to overcome subscriber decline headwind for cable network segment. There are several rumors on potential acquisition bids for Disney.

Business Description

The Walt Disney Company is an entertainment company. The Company operates in four business segments: Media Networks, Parks and Resorts, Studio Entertainment, and Consumer Products & Interactive Media.

Business Analysis

Industry

- *Media & Broadcasting:* (40% of Rev) Heavily regulated industry with subscribers' numbers has declined while advertising expenditure has grown 2.7%. Disney has the largest market share (20%). The main objective is to incorporate streaming services and stay ahead of technology in creating and distributing content to consumers. Industry is estimated to grow at 1.2% after 5 years of 4.9%.
- *Park & resort:* Industry is in growing stage, annual growth slow to 2%. DIS has 50% of US market share. Firms with IP portfolio and offers vacation package will outperform. Number of international visitors is estimated to increase but could stay flat or drop in the new administration. China and emerging market offers double digit growth but number of competitors also increases.
- *Studio:* annual growth rate 2.7%. 2nd largest global market share in a low concentration industry. Movie production and distribution is in mature stage in which major studios have advantage in financing and marketing projects. However, digitalization has lower previous barriers including high cost for equipment, location and distribution. Firm that adapt best with new technology will outperform.
- *Consumer products and interactive Media:* seasonal industry with large opportunity

to monetize IP of characters & stories so advantageous for Disney but product safety risk is high in the supply chain. Dynamic power toward buyers such as Hasbro, Lego, Mattel.

Competitive Advantage

- Brand appeals to children and adult + IP on timeless characters and consistent pipeline
- Strong influence to supply chain, ability to attract top talents and premium pricing power
- Perfect recipe for blockbusters: Deep resource, talents, brand and distribution network
- Advanced IT & big data capacity that enable consistent great customer experience, manage inventory and cost structure
- Global strategic locations and partnerships

Financial Performance

- In FY 2016 ROA: 10.42, RoIC 13.73, RoE 21.39
- LTM Rev: \$55.2B, Est rev growth for FY 2017 and 2018 are 2.4% and 6.2%
- EBITDA Margin improved from 29.7% (FY 2015) to 30.5% LTM and est to be 32% in FY 2018. Net income Margin is estimated to grow from 16.6 LTM to 17% FY 2018
- EPS growth 11% in FY 2016 and forecasted to be 13.1% in FY 2018
- FCF 7.7B LTM to 9.9B in FY 2018

Risks

- Piracy and technology changes
- Customer welfare and safety in parks and toys
- Economic downturn impact discretionary spending and regulation could hamper international travel

ESG Analysis

Summary:

Transparent disclosure with policies set up and implemented on all material ESG areas

Pros:

- E: Made significant progress and continue to reduce carbon emission, water usage, paper waste from amusement parks, corporate offices to manufacturing facilities
- E: Practice responsible supply chain with international labor standard, responsible sourcing, product safety and footprint with 90%+ visibility into the supply chain and frequent audits
- S: Better diversity and inclusion than peers with 52% women in the workforce and policy promoting diversity and equality in gender characters and stories
- G: 90% independent Directors

Cons:

- Little info on succession plan post Bob Iger
- Accident on theme park and inequality gender pay for actresses
- 3 women on 11 BoD

Valuation

- Current price: \$114.44, analyst target: \$95 - \$130 consensus \$119.41

6. Events

6.1 Peterson Speaker Series

Corporate Sustainability & Moving Towards Materiality: Lessons from the Peterson Speaker Series

by Shanna Hoversten, MBA/MPH '16

Over the course of the 90-minute discussion, the panelists introduced numerous ideas and insights as to how companies and investment funds can implement corporate sustainability in strategic and material ways. I'll pass along just a few of the critical lessons here:

- Strategic is the operative word in making Environmental, Social & Governance (ESG) initiatives work. As our panelists explained time and again, focus is critical when implementing sustainability initiatives within a company. Stormer noted that all too often, ESG metrics become a synonym for everything that is not financial and too often companies take the 'kitchen sink' approach to looking at these things. At Novo Nordisk, they started by asking: "what does it mean to be sustainable?" For their company, it meant continuing to be around in the future for the patients within the communities they serve. With this context set, Stormer and her team could better focus on the sustainability metrics that mattered. In other words, Novo Nordisk focused on the metrics that mattered most, and as Serafeim reiterated: "well-run organizations are focused organizations."
- Contemporary investment beliefs are changing to make way for ESG. Mankikar explained how after the financial crisis, CalPERS began to think more comprehensively about their assumptions around risk. The result was a new set of investment beliefs: (1) that value creation beyond traditional means requires attention to not only financial capital, but natural and human capital as well, and (2) that risk is not fully expressed in traditional metrics like volatility, and this is where ESG metrics can add a lot of value.
- Measuring ESG can require some creativity. As Stormer explained, Novo Nordisk wanted to know how well they were doing in terms of reaching patients with their medications. While measuring pharmaceutical volumes is easy, measuring the number of lives impacted is not. Stormer and her team worked across the organization to come up with a proxy to measure this and published the metric in the company's annual report. Though Stormer faced some initial criticism for reporting what was "just an estimate," the organization later discovered the value of this benchmark; Novo Nordisk could now set yearly targets for improved patient reach, thereby amplifying their impact in a more precise way.
- How do you judge the authenticity of a company's sustainability efforts? This can be a tricky task even for experts in the field; as Serafeim noted: "almost all companies will say they are the most sustainable company in the world; you go to some oil & gas company websites and if you didn't know better you would think they were the WWF." But in this era of 'good-washing,' Serafeim has come up with a test to judge authenticity: go to the CFO. Any sustainability effort that is authentic must have financial resources behind it, so if the CFO does not know about the initiative, that is pretty telling of its importance within the organization.

Mankikar added that she judges authenticity by talking to the Board of Directors. In her experience, an initiative is authentic if: (1) a company is willing to make their Board available to talk about sustainability, and (2) if the Board is conversant on the topic.

One of the biggest takeaways from the panel was that this is an area of tremendous opportunity in the future. As Hanson commented, investments in ESG are not simply a fad; while we can all think of some ‘fluffy’ sustainability initiatives, more and more we are seeing initiatives with true materiality. This is good news for Haas students – as Mankikar explained, companies are looking for people who can speak the language of finance while also bringing the context of ESG issues. With this in mind, the Berkeley-Haas Center for Responsible Business hopes to provide Haas students with the resources to continue driving this shift in thinking about corporate sustainability and to help them deliver value to their companies through the material use of ESG.

6.2 Governance Roundtable

Fireside chat with John Wilson: Corporate Governance

Corporate governance is important because of the agency problem arising from the fact that investors are different from the management of the company.

Governance issues in most cases can be traced back to the failure of metrics used by the company at fault.

Examples:

Transocean used two safety metrics: total recordable incident rate and total potential severity rate. In 2010 both these rates decreased compared to 2009 and the executives got safety bonuses in 2010 even when the rig in Gulf of Mexico blew up.

Wells Fargo: Unintended consequences of using sales targets and overweighting top performance led to poor sales practices and ultimately governance failure.

Framework for governance due diligence:

First, understand the metrics that the company has chosen. Are these the right metrics? Has the management put lot of thought behind choosing these metrics?

Second, check the quality of disclosure against compensation.

6.3 Berkeley Sustainable Business and Investment Forum 2016

Managing Sustainability – Amelia Miazad, Susan Mac Cormac, Judy Mares, Cynthia Nastanski

Three key takeaways from the session:

First, sustainability has become so critical the panel emphasized the need for sustainability committee on the board of companies.

Second, Judy Mares from DOL reiterated the fact that client fiduciaries were revised last year to include ESG guidance since they might be material. Investment managers when they sign the principles of responsible investing the manager has to express what it means to him/her.

Third, ESG language currently is focused on risk management but people also have to talk about the return aspect to reach broader audience.

6.4 Corporate Sustainability: First evidence on materiality – George Serafeim and Amil Amel Zadeh

Three takeaways from the session:

First, when one tries to correlate ESG metrics to company performance the signal to noise ratio is low since 80% of the data is immaterial. George and his team of researchers at Harvard showed that by using only SASB recommended materiality sustainable metrics for a company higher correlation is seen between ESG metrics and company performance. So the key is to separate material ESG metrics from immaterial ESG metrics.

Second, materiality for a particular industry/sector remains similar in the short-term but over the long-term say 10 years the metrics that are material might change due to change in the industry landscape.

Third, Data providers such as MSCI, Sustainalytics should continue to collect as much data as possible since different data might be relevant for different stakeholders such as investors, customers, employees, and other stakeholders.

6.5 Going beyond compliance – Susanne Stormer, Renee Beaumont, Rosalind Hudnell, Priya Mathur, and Douglas Sabo

Learnings from the 2016 Berkeley Sustainable Business & Investment Forum (BSBIF)

By Samantha Penabad, CRB Student Advisory Board & MBA '18 Candidate, and David Cogswell, CRB Student Advisory Board & MBA '18 Candidate

On October 27 and 28, business leaders and academics convened at UC Berkeley for the Berkeley Sustainable Business & Investment Forum (BSBIF). Originally launched in 2015, the BSBIF provides a forum for conversations and panels on sustainable business practices, risk mitigation, reporting, and capital allocation. This year's event brought together leaders from companies like PepsiCo, Visa, and Patagonia as well as institutional investors such as CamberView Partners and

CALPERS to share learnings on sustainable, long-term value creation. Among the many key takeaways from the two days, here are three highlights that particularly resonated with the attendees:

- 1) Sustainability investments enhance value for shareholders – if we can collect the right data, on *material* indicators

Focusing on material sustainability issues can achieve positive results for investors, according to Professor George Serafeim of Harvard Business School. In his recent research, “Corporate Sustainability: First Evidence on Materiality,” Serafeim evaluated the performance of firms by distinguishing between investments focused on material and immaterial sustainability issues. He found that firms rated highly on material sustainability dimensions perform better than firms with poor ratings, indicating that material sustainability investments can indeed create value. For investors, this can be an important consideration when weighing investment decisions.

Unfortunately, collecting the right data to inform these investment decisions can be challenging. In fact, about 80% of data currently collected is immaterial, so investors end up sifting through a lot of noise. Thus, the challenge is not the need for more data; rather, the sector needs structured, standardized data with consensus around what is material for a given industry. The first step in this process involves agreeing on a handful of material sustainability metrics, by industry, and disclosing firms’ performance on those metrics.

- 2) Data is essential for speaking to investors – if we know how to look at it, and at what level to present it

The value of good ESG data cannot be overlooked – it can allow investors to assess a company’s performance relatively quickly “in their language”, and provides irrefutable evidence of a company’s ability to execute on their sustainability strategy. Today, there exists tremendous appetite from investors to condense all factors into a simple score. And yet, ESG investing leaders cautioned against our reliance upon that disposition, warning that averaging too much data across dimensions can dilute important findings of where along environmental, social and governance factors companies are excelling and where they are under-performing.

Instead, attendees advocated for first beginning with the context of an industry, to know which data points carry most weight. Organizations such as SASB have developed robust measurement frameworks that allow business leaders and investors to break out ESG performance into relevant metrics. And finally, the increasing prominence of integrated reporting, especially from European counterparts, provides a venue by which companies can discuss their ESG performance, not by the publishing of a single number, but rather by capturing their ESG data alongside their financial and other operational data, and translating the story

- 3) Sustainability deserves a special focus – but it also deserves to be integrated into all operations.

There is variability amongst companies regarding whether and how they represent sustainability across their organizations – from board of directors, to top leadership, and down through their operational structure. Research shows that of the Fortune 100/500, about a third have a specific CSR committee, and another third integrate it within another committee such as Nomination & Governance, Audit or Risk, within organizations, attendees reporting having distinct Sustainability or CSR units, as well as developing matrix responsibilities that integrated sustainability strategy into each functional area or business unit*.

Even more striking than the diversity of approach, was the common realization that sustainability strategy and organizational structure was both an experiment to be tested in different forms, as well as a journey to be had – recognizing that as organizations mature, their need for separate versus integrated sustainability efforts shift.

“In order to focus on [sustainability], sometimes you need to separate it out, but ultimately the goal is to integrate it... and so that’s where the tension is. [Integrating sustainability] ...is the ultimate goal, but it’s also risky, because you risk dilution of impact,” summed up one business leader.

4) Looking Ahead

Participants across the various panels expressed optimism about the progress made in institutionalizing sustainable investment practices. Moving forward, we can expect investments to be more tightly integrated with the United Nations Sustainability Development Goals, the Principles for Responsible Investment, and guidance from the Sustainability Accounting Standards Board. While continued progress will require a long-term perspective in overcoming key challenges, the energy in the room at BSBIF showed that these investors, academics, and business leaders are certainly up to the task.



6.6 Western North America Principles of Responsible Investing Conference, November 9-10, 2016

The Western North America Principles of Responsible Investing (WNA PRI) Conference provided an opportunity for the HSRIF to participate in the convening of some of the largest and forward thinking asset owners, managers and service providers in the responsible investing network from across the USA. With several trillion dollars in assets under management represented, the conference provided an opportunity for sharing of best practices and discussion of frontier topics facing the responsible investing ecosystem in the US.

The HSRIF partnered with the WNA PRI organizing committee to host the conference, and participated as a panel member in one of the discussions on the second day, in the hope of developing a long-term partnership with the WNA PRI and the associated members.

Topics discussed over the course of the two-day conference included, Climate Change, Income Inequality, Education and metrics, as well as providing an opportunity for each party present to describe their business model and approach to responsible investing.

6.7 Finance Teach-In: Professor Bob Eccles on the Socially Responsible Investing landscape and paths into SRI, March 9th

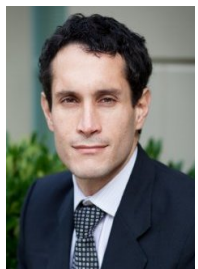
Bob Eccles, the world renowned ESG investor, spoke with the HSRIF on March 9th regarding his firm, Arabesque Partners, which is the world's first ESG quant fund, as well as giving the Principals a sense of what some other established and emerging firms are doing in the SRI space. He delved into a short preview of "S-Ray", which Arabesque was to release to the public shortly after the event and focused on talking about what key takeaways were relevant from his strategy to the HSRIF.

7. HSRIF Governance

7.1 HSRIF Principals 2016-2017



Scott Anderson - Before Haas, Scott began his career underwriting small business loans at a start-up commercial bank that was committed to serving Twin Cities-based entrepreneurs. In an effort to broaden his skill set, he later transitioned to corporate finance, supporting Ameriprise Financial's asset management division. After quickly learning the mutual fund industry, he supported analytical projects targeted at growing Columbia Threadneedle's distribution capabilities and product profitability. Later, he was promoted to lead planning and forecasting for the \$350B asset manager, collaborating cross-functionally to provide P&L results to senior leadership. At Haas, Scott hopes to expand his financial acumen further and support innovative, sustainable enterprises grow their businesses. In addition to HSRIF, Scott is a Haas Student Ambassador and an active member of the Finance and Investment Clubs. He holds a B.B.A. in Finance, Investments, and Banking from the University of Wisconsin, Madison.



Pablo Arroyo – Prior to Haas, Pablo spent four years in corporate finance at Induval SAC, a well-established industrial Peruvian company. As a Project Manager, he analyzed, evaluated and created new solutions that increase the company's financial efficiency. His projects included debt restructure, risk management, cost allocation and a new business unit development, all of which had a significant impact on the company's overall growth. Pablo graduated top of his class at Universidad de Lima, Peru, with a bachelor in Business Administration. He is an avid surfer that has traveled all around the South American coastline.



Eddie Gandevia - Eddie is the Center for Responsible Business Fellow, and Entrepreneurial Finance Fellow at Haas. Immediately prior to Haas, he worked for Cranemere, a Private Equity firm, in New York where he helped evaluate and acquire businesses in the U.S. and Europe operating in the consumer, sustainability and industrial sectors. Before this, Eddie spent several years in strategy consulting for McKinsey & Company serving clients in the retail/consumer, energy and mining sectors based out of New York and Sydney. Prior to McKinsey, Eddie launched and sold an EdTech firm that developed learning tools for high school students in Australia. Eddie has Law (honors) and Philosophy degrees from the University of New South Wales, Australia.



Donald Hoang - Before joining Haas, Donald advised biopharma clients on commercialization strategy at C1 Consulting in San Francisco. His work spanned multiple therapeutic areas including neuroscience, immunology, oncology, and rare diseases. Previously, he was a health economics and outcomes researcher in the field of cardiac electrophysiology at the VA Palo Alto Health System. Donald also served as the Board Co-Chair of San Francisco Adult Day Services Network, a nonprofit dedicated to improving access to healthcare for 2,000 elderly adults. At Haas, Donald is the Co-President of the Haas Healthcare

Association and of the Haas Wine Industry Club. As a HSRIF Principal, he is excited to draw upon his undergraduate studies in human rights within the International Relations department at Stanford University.



Scarlett Li - Prior to Haas, Scarlett has been working in Debt Capital Markets Origination for a total of 5 years in 3 different investment banks in Hong Kong. During her time at HSBC, Standard Chartered Bank and Wells Fargo Securities, her main responsibility was to cover client accounts across all industries from debt capital markets (DCM) product perspective. She has assisted more than 30 companies achieve their debut debt financing in the international capital markets. Her latest role as a Vice President in the Capital Markets Asia team with Wells Fargo Securities has provided her the experience on how to set up a new business in a competitive landscape. At Haas, Scarlett is Co-President of the Private Equity Club and active in the Investment Club. She holds a B.B.A. in Finance from Fudan University in Shanghai, China.



Mostafa Abd El Aziz - Mostafa was born in Cairo, Egypt. He had his undergraduate bachelors from the American University in Cairo, he graduated with a major in finance and a minor in economics. Upon his graduation, he joined EFG-Hermes, one of the leading investment banks in the Middle East. He spent the next 8 years in the Asset management department and moved up the ranks from an analyst to an associate vice president by 2015. Though his region/industry had huge turmoil in the last five years, two revolutions in Egypt, financial crisis and high oil prices volatility, Mostafa was not only able to keep his post but also succeeded to become a portfolio manager at the end of his tenor at EFG. Mostafa has a strong passion for development work and has a number of engagements with NGOs in Egypt. He established the micro finance division for one of Egypt's NGO and constructed a program that offers self-sufficiency to villagers.



Tummy Nguyen - Tummy worked in higher education sector in New York City for five years before coming to Haas. She was a manager at Manipal Education Americas, a private medical school and part of a global education services provider. At MEA, she spearheaded the financing efforts with the CFO and secured investments for the student loan program, which enables more than a thousand students to pursue their medical education. She was awarded the MaGE Excellence award in India. Tummy aspires to connect financial resources to mission-driven ventures and programs to develop sustainable solutions for social challenges. At Haas, Tummy is a member of Haas Impact Investing Network and co-chair of the Asia Business Bridge Conference. Tummy is originally from Vietnam and the first female in her family to go to college. She graduated Summa Cum Laude from University of Nevada, Las Vegas with a B.S. in Business Administration.



Laura Niño - Prior to Haas, Laura worked for five years in Private Equity in Colombia. At her last position, as a Director at Metro, a developer and asset manager, she focused on structuring investment projects, which included performing market research, financial analysis, fund raising and project management in Colombia, Peru and Chile. Prior to joining Metro, Laura worked for 3+ years as investment analyst at Corficolombiana and SEAF, where she monitored an investment portfolio and performed profitability analysis and valuation of potential investments. In addition, Laura was a board member of Corporación Síndrome de Down, a non-profit organization that works with Down's Syndrome children and families to promote social inclusion. She worked with management to secure donations and to achieve financial sustainability of the organization. Laura received her BS in Economics from Universidad de Los Andes.



Lu Pan - Prior to Haas, Lu worked at Credit Suisse Singapore for 5 years gaining extensive expertise in OTC Derivatives and Counterparty Credit Risk. Most recently, she was a senior business analyst, leading a team specialized in delivering solutions to Credit Scenarios and Stress Testing changes across investment trading portfolios (Exchange Traded / OTC derivatives, Secured Finance Transactions and Prime Brokerage business). She also strategized and executed OTC Derivatives (Credit, Rates & Exotic products) trade capture, straight-through processing and cash flow validation testing requirements. Lu came to Haas to augment her business acumen and explore opportunities in the financial industry. At Haas, she is taking active leadership in Finance Club and Asian Business Club. She also serves as the Student Regional Representative on admission initiatives. Lu has an Electrical Engineering degree and a minor in Financial Math from National University of Singapore. She has also passed the CFA Level III exam.



Claudia Silva - Before coming to Haas, Claudia was a Portfolio Manager at Banchile, the largest financial services company in Chile. She managed nine Equity Mutual Funds with a little more than \$450 million in AUM that invested in US, European and Asian equities. Her main responsibilities were defining and implementing different fund strategies and detecting new market opportunities. At Haas, Claudia is an Investment Management Fellow, Co-President of the Investment Club and an active member of the Women in Leadership and Latin America Clubs. She holds a B.S. in Industrial Engineering from the Pontificia Universidad Catolica in Chile.



Rob Uvanović - Prior to Haas, Rob spent four years as the Executive Director of America SCORES New York, an education and youth development nonprofit working with low-income children in Harlem public schools. He was responsible for leading a team of board members, staff and teachers in accelerating both programmatic and fundraising growth, resulting in expansion to 12 new schools over his four years. Previously, Rob consulted for Storelli Sports, an Italian startup soccer brand, as well as worked at the United Nations and the Deshpande Foundation. Rob came to Haas to be able to leverage his passion and previous

experience in the social impact sector to make a larger impact internationally within emerging markets, having previously worked in India, Brazil, South Africa and Benin. At Haas, Rob is active in the Haas Impact Investing Network and Haas Soccer Club. Rob holds a BA in International Affairs from Northeastern University.



Sathish Veeraraghavan - Sathish is currently working full-time as a product marketing manager at KLA-Tencor while pursuing M.B.A at Haas. Sathish's strengths include new market entry strategy, envisioning next generation product, capital budgeting, and client management. Prior to product marketing role he has innovated new products as an advanced technology engineer and has integrated new products in semiconductor manufacturing plants across US and Asia as a consultant. He has been awarded eight patents for technological innovations that form the backbone of one of KLA-Tencor's product. Sathish holds a M.S in Mechanical Engineering from University of Wisconsin – Madison and a B. Tech in mechanical engineering from Indian Institute of Technology – Madras. Sathish is also an active investor in technology, retail, and commodity stocks and aspires to forge a career in socially responsible investing.



Warot Wainiya - Prior to Haas, Warot began his career as a credit analyst at Siam Commercial Bank, the largest commercial bank in Thailand. He was responsible for analyzing risks and returns of renewable energy projects. After two years, Warot joined Avantgarde Capital as an investment banker associate. He designed a financial restructuring plan for the government's student loan fund and developed a business plan for the first integrated transportation ticketing system in Thailand. Apart from government-related projects, he led all execution elements of a variety of transactions including M&A, IPO, financial restructuring, among others. Given exposures in social-related projects, Warot is highly interested in investments that give both social and financial returns. Warot is a CFA Charterholder and holds a bachelor's degree in Civil Engineering and a master's degree in International Economics and Finance from Chulalongkorn University in Thailand.

7.2 HSRIF Board of Directors 2016-2017

The members of our Advisory Committee have played an invaluable role with the Fund, and we cannot thank them enough.



David 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, CFA is a senior portfolio manager at Nelson Capital and lead PM for socially responsible investing (SRI). Before joining Nelson Capital in 2004, Lloyd was a Senior Vice President at Harris Bretall Sullivan & Smith in San Francisco where he served as Director of Quantitative Research and provided research coverage for the healthcare, basic industry and energy sectors. Before joining Harris Bretall in 1995, he spent four years as Senior Research Analyst at KLD, a Boston research firm specializing in social investment research. At KLD, he did much of the initial quantitative work in the development of the Domini Social Index.

Lloyd is a Research Fellow at the U.C. Berkeley Haas Business School's Center for Corporate Responsibility, and serves as Program Administrator for the Moskowitz Prize. He has published numerous articles on SRI in academic journals, and authored a chapter on SRI for the Oxford Handbook of Corporate Social Responsibility, which will be published in 2007. He holds a B.A. from Vassar College, an M.B.A. from Babson College, and is a Chartered Financial analyst. In 1999, he received the SRI Service Award for his contributions to social investing.



Jo Mackness is Executive Director of the Center for Responsible Business at the UC Berkeley Haas School of Business. Committed to 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.



Kellie A. McElhaney is the John C. Whitehead Faculty Fellow of Corporate Responsibility and the Executive Director of the Center for Responsible Business at the Haas School of Business, University of California, Berkeley. She developed and launched this new center in January 2003, which has helped place corporate responsibility squarely as one of the core competencies and competitive advantages of the Haas School. Kellie teaches multiple courses on Strategic Corporate Social Responsibility in all of the Haas School's degree programs, which include in-depth student consulting engagements with companies on high-visibility strategic CSR challenges. Her research focus is in the area of analyzing companies- CSR strategy, and its fit with their core business objectives and core competencies. She consults to several Fortune 500 companies in developing an integrated CSR strategy, bridging her academic focus with the practitioner world. She is a member of the UN Global Compact Faculty and serves on the Association for Corporate Growth Strategic Philanthropy Advisory Committee. Kellie was recently named a 2005 Faculty Pioneer for Institutional Impact by the biennial report, Beyond Grey Pinstripes. Prior to joining Haas, she spent nine

years at the University of Michigan Business School, where she was adjunct professor of corporate strategy and managing director of the Corporate Environmental Management Program (CEMP). Before joining academia, she was in the acquisitions and mergers area of commercial banking. Kellie holds a Ph.D. from the University of Michigan, a M.A. from Ohio University, and a B.A. from the University of North Carolina, Chapel Hill.



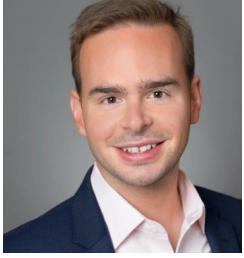
Charles F. Michaels, CFA is the Founder, Managing Partner, and Portfolio Manager Sierra Global Management. Mr. Michaels was born in Europe and has spent much of his personal and professional life there, including six years with Goldman Sachs & Co. in London and Zurich. Mr. Michaels served as a vice president 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 an investment consultant with Cambridge Associates in Menlo Park, CA. Michael advises a number of universities, foundations, other nonprofit institutions and private clients on investment issues such as asset allocation strategy, manager selection, and investment program evaluation. In addition, Michael is part of Cambridge's Mission Related Investing group. Before joining Cambridge, Michael was a summer associate at Pacific Community Ventures, a non-profit/venture capital hybrid organization. At PCV, Michael identified, performed due diligence and valued potential investments for the \$60+ million venture capital portfolio. Prior to graduate school, Michael 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. Michael is a graduate of the Haas School of Business at UC Berkeley and was an inaugural member of the portfolio management team for the Haas SRI Fund. Michael received a BS in Finance with a minor in Mathematics from Georgetown University.



Scott Pinkus is a retired partner from Goldman Sachs and the current Chairman of the MFE Steering Committee at the Haas School of Business. Scott currently focuses much of his attention on investing in and advising various new business ventures, and is involved in a number of not-for-profit activities. His particular interest is in the area of social impact investing. He has been the Chairman of the MFE Steering Committee since the inception of the program in 2001.



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, CFA 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.

APPENDIX – HSRIF FALL 2016 SYLLABUS



MBA/EWMBA 292J

Haas Socially Responsible Investment Fund (HSRIF)

(**Tentative fall 2016 syllabus: Information below is subject to revision**)

Instructor

Dan Hanson hanson@haas.berkeley.edu

Office hours : By appointment + typically immediately after class

Thursdays, 12:30pm-2pm and/or 6pm-9:30pm + special events

Room C324, Cheit Hall

Course Overview

The HSRIF is an important component of Haas's leadership role in sustainable investing, and we together have the opportunity to contribute to maintaining and advancing that leadership. The increased interest and relevance of sustainability in financial markets creates an opportunity for Haas graduates to make an increasingly meaningful and differentiated impact.

The founding documents of the HSRIF show that the fund aspires to be innovative:

"The Fund is a mechanism to generate new ideas that will ultimately contribute to the field of Socially Responsible Investing."

The fund principals are urged to reject conventionality and pursue "creative thinking". That creates both an opportunity and a challenge, as the objectives of creativity, innovation and experimentation need to be combined with the responsibility and risks inherent in fund management.

Sound "sustainable investing" must first be sound investing, and a combination of practitioner and theoretical knowledge are important components to a curriculum for students in the area of sustainable finance.

Fundamental investing is a multidisciplinary field, and that is likewise true for the evolving area of sustainable investing (aka known as SRI, ESG, CSR, RI, impact investing). As an Applied Innovation course, the HSRIF will combine both “science and art” and “book smarts and street smarts”. A number of projects will allow the HSRIF to build and institutionalize frameworks for investing and assessing social impact. The HSRIF also provides a forum to connect academics and practitioners of sustainable investing, and to advance best practices in sustainable investing.

HSRIF Objectives:

The Principals will provide innovative leadership and work as a team to advance the HSRIF. To do so effectively will require collaborating with the Advisory Committee, the Center for Responsible Business, and the broader community. Specific objectives include:

1) Investment Framework & Philosophy

HSRIF Objective: Make investment decisions based on sound fundamental analysis. Learn and practice the art of securities analysis, which includes ESG Integration.

2) Corporate Reporting, Accounting & Communication

HSRIF Objective: Effectively navigate and interpret corporate reports, to develop investment, business and industry insights.

3) Governance: Owner Rights & Accountability to Stakeholders

HSRIF Objective: Be conversant in the state of corporate governance today, and bring an engaged stewardship approach to HSRIF.

4) Business in Society: “External Rate of Return”

HSRIF Objective: Take stock of and communicate portfolio holdings’ business practices, including measures of external impact on society environment.

5) Asset Owner Objectives

HSRIF Objective: Be accountable as fiduciaries in the same way we hold management teams accountable. Write the HSRIF annual report as an integrated report—effectively communicating financial and ESG aspects of decision-making, and impact, to HSRIF stakeholders. Innovate to define best practices in ESG portfolio communication.

Class Norms

Everybody in the HSRIF classroom has agreed to make a significant commitment to advance the mission of HSRIF. As such, please treat your classmates, Haas visitors, guest speakers, and instructors with the highest degree of respect and professionalism. Be prepared for class, act with integrity, and work together. There is a “no device” policy (only exception is when giving presentations, as required). The Berkeley Code of Conduct is a floor not a ceiling.

Grading Policy

- 1) Participation (20%)
- 2) Peer review (20%)
- 3) Projects (group and/or individual) (20%)
- 4) Stock updates pitches (group and/or individual) (20%)
- 5) HSRIF Semi Annual Report, which will draw from the above. The Semi Annual report will in turn drive content for the Spring term Annual Report document, a key component to the overall success of the course, and grade. (20%)

HSRIF Potential Student Projects—Fall 2016

Project Management: Manage Workstreams for Class

Fundamental Analysis

Investment Report Template

Checklist

Tearsheet; Investment Thesis & Risks;

Business Practice Scorecard

ESG Issues & Impact Assessment

Idea Generation / Comps

Reporting

Investment Performance Reporting

Risk Analysis & Management

ESG Exposure Reporting Tools (Heatmap)

Business (ESG) Impact Assessment

"Dashboard"

Scorecard

Quantitative Analysis

HSRIF view on Materiality

Moskowitz Prize & Broader Literature Review

CROWN database

Outside Experts & Guest Speakers

Berkeley Sustainable Business & Investment Forum Oct 27C28

UN PRI Western North America Nov 9C10

Field Trips

Review of ESG Indices

Fiduciary Perspectives

CIO/Asset allocation/fiduciary mandate

Investment Philosophy & Policy Statement

Review of HSRIF Annual Reports

Post Mortem Analysis of HSRIF Investment Decisions

Proxy Voting & Engagement

Reading and discussion topics for September 8, 2016:

The Little Book that (Still) Beats the Market (Joel Greenblatt)

- How can the formula still work 10 years after publication (and launch of www.magicformulainvesting.com etc.)?
- Is the magic formula "factor betting"?
- How else could "Value" and "Quality" attributes be defined?
- What other attributes (or "factors") drive long term business and investment results?
- What is a value trap?
- Do "screens" (or factor investing approaches) increase the risk of identifying value traps?
- How to do the opposite? ("always invert")

The Little Book that Builds Wealth (Pat Dorsey)

- What is an "economic moat"?
- What are common attributes of moats? Are these outcomes or drivers?
- Can a business with a sustainable competitive advantage not have a high ROIC?
- What are some examples of successful (& unsuccessful) companies with:
 - Great products;
 - Strong market share;
 - Great execution; and
 - Great management.
- What are some examples of successful (& unsuccessful) companies with:
 - Intangible assets;
 - Customer switching costs;
 - Network effects;
 - Cost advantages.

Having done the above, for your examples:

- Are these "successful" companies likely to be good investments?
 - How would you think about determining?
 - Remember, whether you like a "company" is distinct from liking a "security" as an investment.
- How relevant were ESG issues in your appraisal?
 - How would you think about determining?
 - How do you think about what might be "material"?
 - How does management communicate? How can you measure ESG issues? Are these issues "priced in" to the stock?

For September 15 class, complete Quality Investing, and we will continue the above discussion with regard to both examples in the HSRIF and your own examples, in particular make note of the many case studies in Quality Investing. (Should the case studies comprise a "buy list" for HSRIF?)

Haas Socially Responsible Investment Fund (HSRIF)

Fall 2016 reading list

August 25, 2016

Investment Framework

Required

[14] Pat Dorsey. *The little book that builds wealth: Morningstar's knock out formula for finding great investments*. Exhibit 11.1: The Moats Process. Hoboken, New Jersey: John Wiley Sons, Inc., 2008, p. 145. url: <https://www.youtube.com/watch?v=YFS5JBgz1Xc>.

[18] Benjamin Graham. *The intelligent investor: a book of practical counsel with a new preface and appendix by Warren E. Buffett*. 4th ed. Chapter 8: The investor and market fluctuations, Chapter 20: "Margin of safety" as the central concept of investing, Appendix 1: The superinvestors of Graham and Doddsville. New York: Harper Business, 1973.

[21] Joel Greenblatt. *The little book that still beats the market*. Hoboken, New Jersey: J. Wiley & Sons, 2010.

[24] Dan Hanson. "ESG investing in Graham & Doddsville". In: *Journal of Applied Corporate Finance* 25.3 (Sept. 2013), pp. 20–31. url: <http://us.jflglobal.com/en/articles/esg-investing-graham-doddsville/>.

[40] L. J. Rittenhouse. *Investing between the lines: how to make smarter investment decisions by decoding CEO communications*. New York: McGrawCHill, 2013.

Additional

[5] Warren E. Buffett and Lawrence A. Cunningham. *The essays of Warren Buffett: lessons for corporate America*. Ed. by Lawrence A. Cunningham. 4th ed. Durham, North Carolina: The Cunningham Group and Carolina Academic Press, 2015.

[8] James C. Collins. *Good to great: why some companies make the leap ... and others don't*. New York: Harper Business, 2001. url:

<http://www.jimcollins.com/tools/diagnostic-tool.pdf>.

- [43] John Mackey and Rajendra Sisodia. *Conscious capitalism: liberating the heroic & spirit of business*. Boston, Massachusetts: Harvard Business Review Press, 2013.
- [11] Lawrence A. Cunningham, Torkell T. Eide, and Patrick Hargreaves. *Quality investing: owning the best companies for the long term*. Petersfield, Hampshire: Harriman House Ltd, 2016.
- [13] Pat Dorsey. *Dorsey Asset Management publications & commentary*. url: <http://dorseyasset.com/pubs.html>.
- [16] Philip A. Fisher. *Common stocks and uncommon profits and other writings by Philip A. Fisher*. New York: Wiley, 2003.
- [32] Peter Lynch and John Rothchild. *Beating the street*. New York: Simon & Schuster, 1993.
- [43] Philip M. Rosenzweig. *The halo effect— and the eight other business delusions that deceive managers*. New York: Free Press, 2007.
- [47] Peter J. Tanous. *Investment gurus: a road map to wealth from the world's best money managers*. New York: New York Institute of Finance, 1997, pp. 167, 213.
- [48] William Thorndike. *The outsiders: eight unconventional CEOs and their radically rational blueprint for success*. Boston, Massachusetts: Harvard Business Review Press, 2012.

Fundamental Analysis

Required

- [37] David Nincic. *Fundamental equity analysis: a primer*. 1999. url: <http://www.fusioninvesting.com/Files/reading/equity-analysis-primer-wharton.pdf>.

Additional

- [6] Adam Calamar. *Return on equity: a compelling case for investors*. Apr. 15, 2016. url: <https://www.jenseninvestment.com/wpcontent/blogs.dir/1/files-mf/1460992868WP23v4.pdf>.
- [17] Atul Gawande. *The checklist manifesto: how to get things right*. New York: Metropolitan Books, 2010.

[41] David Owen Robinson. *Annual reports RIP*. June 28, 1998. url: <http://faculty.haas.berkeley.edu/robinson/NYTAR.htm>.

[44] *SASB engagement guide for asset owners asset managers*. 1.0. Sustainability Accounting Standards Board. 1045 Sansome Street, Suite 450, San Francisco, CA 94111, July 2016. url: <http://using.sasb.org/wpContent/uploads/2016/07/SASBCEngagementGuide.pdf?submissionGuid=c6a99341C70b9C48c3C927aCe8972b36452c>.

[50] Jason Zweig. *16 favorite annual letters from an investor who's read more than 1,000*. Apr. 1, 2016. url:

<http://blogs.wsj.com/moneybeat/2016/04/01/16Cfavorite-annual-letters-from-an-investor-whos-read-more-than-1000/>.

[51] Jason Zweig. *It's time for investors to re learn the lost art of reading*. Apr. 1, 2016. url: <http://blogs.wsj.com/moneybeat/2016/04/01/its-time-for-investors-to-re-learn-the-lost-art-of-reading/>.

[52] Jason Zweig. *The best annual letters from an investor who read nearly 3,000 of them*. July 11, 2016. url: <http://blogs.wsj.com/moneybeat/2016/07/11/the-best-annual-letters-from-an-investor-who-read-nearly-3000-of-them/>.

Reporting and Accounting

Required

[25] Dan Hanson and Rohan Dhanuka. "The "Science" and "Art" of High Quality Investing". In: *Journal of Applied Corporate Finance* 27.2 (June 2015), pp. 73–86. url: <http://www.jflglobal.com/en/articles/The-Science-Art-of-High-Quality-Investing/>.

[42] Jean Rogers. *Re: concept release on business and financial disclosure required by Regulation SMK*. Sustainability Accounting Standards Board. July 1, 2016. url: <https://www.sec.gov/comments/s7-06-16/s70616-25.pdf>.

[17] Robert G. Eccles and Michael P. Krzus. *The integrated reporting movement: meaning, momentum, motives, and materiality*. Hoboken, New Jersey: John Wiley & Sons, Inc., 2015.

Additional

[35] Baruch Lev and Feng Gu. *The end of accounting and the path forward for investors and managers*. Hoboken, New Jersey: John Wiley & Sons, Inc., 2016.

Governance

Required

[19] Jeff Gramm. *Dear chairman: boardroom battles and the rise of shareholder activism*. Chapter 5: Ross Perot versus General Motors: The Unmaking of the Modern Corporation. New York: Harper Business, 2015.

[30] David F. Larcker and Brian Tayan. *Corporate governance matters: a closer look at organizational choices and their consequences*. 2nd ed. Indianapolis, Indiana: Pearson, 2015.

Additional

[1] Keith Ambachtsheer. "The case for long-termism". In: *Rotman International Journal of Pension Management* 7.2 (2014).
url:<http://papers.ssrn.com/sol3/papers.cfm?abstract-id=2497508>.

[26] James Hawley, Keith Johnson, and Edward Waitzer. *Rethinking fiduciary duty in a 21st century context*. Mar. 30, 2012.
url:<http://www.law.harvard.edu/programs/lwp/pensions/conferences/pensions3-12/HAWLEY%20JOHNSON%20WAITZER.pdf>.

[27] Eric Jackson. *How many photo ops does it take to cut a stock in half? bringing Viacom back*. Jan. 15, 2016. url:

<https://assets.documentcloud.org/documents/2693288/Activist-Investor-s-Report-on-Viacom.pdf>.

[31] Matt Levine. *T. Rowe Price voted for the Dell buyout by accident*. May 13, 2016. url:<https://www.bloomberg.com/view/articles/2016-05-13/t-rowe-price-voted-for-the-dell-buyout-byaccident>.

[51] Robert A.G. Monks and Nell Minow. *Corporate governance*. 5th ed. Chichester, West Sussex, U.K.: John Wiley & Sons, Inc., 2011.

[39] James S. Riepe. "Best practices in corporate governance". In: *Global perspectives on investment management: learning from the leaders*. Vol. 2006. 1. CFA Institute, 2006. url:

<http://www.cfapubs.org/doi/pdf/10.2469/op.v2006.n1.4377>.

[45] Steven Davidoff Solomon. *Another Hershey Deal May Come Unwrapped. Maybe It Should*. July 5, 2016. url:

<http://www.nytimes.com/2016/07/06/business/dealbook/another-Hershey-deal-may-come-unwrapped-maybe-it-should.html>.

[67] Lynn A. Stout. *The shareholder value myth: how putting shareholders first harms investors, corporations, and the public*. San Francisco, California: Berrett-Koehler, 2012.

[73] R. Ian Tricker. *Corporate governance: principles, policies, and practices*. 2nd ed. Oxford; New York: Oxford University Press, 2015.

Business History

Additional

[4] John Brooks. *Business adventures: twelve classic tales from the world of Wall Street*. New York: Weybright and Talley, 1969. url: [http: / / www . openroadmedia.com/ebook/business-adventures/](http://www.openroadmedia.com/ebook/business-adventures/).

[7] Steve Coll. *Private empire: ExxonMobil and American power*. New York: Penguin Press, 2012.

[34] Bruce G. Hoffman. *American icon: Alan Mulally and the fight to save Ford Motor Company*. New York: Crown Business, 2012.

[74] Sam Walton and John Huey. *Sam Walton, made in America: my story*. New York: Doubleday, 1992.