

# Haas Socially Responsible Investment Fund

## Annual Report

May 2014

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University of California

**Berkeley**

Haas School of Business



CENTER FOR  
**RESPONSIBLE  
BUSINESS**

Haas School of Business at UC Berkeley

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## INTRODUCTION

The 2013-2014 academic year was yet another exciting period of growth and development for the Haas Socially Responsible Investment Fund ("Fund"). Some of this growth has certainly come in the form of returns - 13.72% between May 1, 2013 and April 30, 2014. However much of the Principals' growth over the last year has been through the learning-by-doing model that they are fortunate to experience by managing this \$2.2 million fund.

With the help of the Center for Responsible Business, the 2014 Principals were able to significantly increase awareness of the Fund's mission. Through expanded recruiting efforts, the Fund received applications from 20% of the first-year FT MBA class. This resulted in the onboarding of eight 2015 Principals, a record for the Fund.

During the 2013-2014 academic year, the Principals worked to further refine the investment process in order to better leverage resources and the Principals' analytical abilities going forward. Over the last year The Principals have delved deeply into the operations of the Fund, making key decisions on everything from portfolio diversification to voting processes with the intent of supporting the Fund's long-term success. The annual board meeting held in February also provided us with an opportunity to receive and utilize valuable feedback from industry experts on the Fund's operations. Since then the Fund's team has developed mechanisms to more effectively engage the Advisory Committee members throughout the year.

One important decision over the last year was the Principals' choice to measure the Fund's performance relative to the KLD, an index designed to maximize exposure to positive environmental, social and governance (ESG) factors while exhibiting risk and return characteristics similar to those of the MSCI USA Index. The Fund Principals believe it serves as a better benchmark than the Russell 3000 by demonstrating the Principals' stock picking skills among a universe of superior ESG companies.

In addition, at the beginning of fall 2013, Nick Shea transitioned the Fund's performance tracking and reporting from the legacy Excel spreadsheet to Bloomberg's Portfolio platform, which has allowed and will allow for an infinitely more robust financial performance tracking and analysis.

Lastly, the Fund has experienced a significant amount of positive public exposure over the last few months. This spring the Center for Responsible Business (CRB) ran a crowdfunding campaign for the Fund. The campaign was a success, exceeding CRB's original goal and raising \$126,209 in donations, which will be generously matched by Charlie Michaels (BS '78) and Doris Michaels. Additionally, the Guardian published an article about the Fund, featuring Class of 2015 Principals Tom Garland and Nikita Mitchell. It highlighted the Fund's focus on the real-life experience Principals gain on ethical investing and praises the Fund's cumulative 50% outperformance over the last six years.

The Principals are grateful for CRB's continued support and the generous donations they have received through their efforts. The Principals have also been fortunate to have Nadja Guenster's leadership and Sumner Field's contributions, both of which have been critical to the Fund's success. Over the last several months the Class of 2014 Principals have worked diligently to pass the baton on to the Class of 2015 Principals, who will continue to lead the charge of fulfilling the Fund's mission to contribute to the field of social investing.

## INVESTMENT APPROACH

The HSRIF investment approach has evolved with each new class of Principals. Although the core fundamental investment philosophy is largely unchanged, each class has been able to leverage its unique skills and experiences to help enhance the investment process. The Principals evaluate each investment opportunity from both a fundamental value perspective and an ESG perspective. Consistent with prior years, the Principals' goal is to outperform the benchmark. Historically the Principals have used the Russell 3000 as a gauge of relative performance and risk exposure. During the past year, the Principals switched to the KLD index as they believe it is a better relative benchmark for the Fund. Although the Principals measure the Fund's performance against the KLD, they avoid managing to the benchmark.

During the 2013-2014 academic year, the Principals further refined the Fund's investment process to better leverage the Fund's resources and their respective backgrounds. Below are outlined some of the Fund's key investment process initiatives and other highlights from the past year:

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

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

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

Voting for investment decisions has changed virtually every year. Beginning in the fall, the Fund transitioned to an open voting format in which each Principal had to vote either to buy or sell (no in-between) and provide justification for the vote. Although the Principals recognize the possibility of groupthink in such an open process, they sought to encourage greater discussion and more position taking amongst the group. In the spring, the Principals have experimented with a blind voting process submitted online to attempt to mitigate potential group-based biases. They plan to further re-evaluate and refine the voting process as they learn from the experience.

### **Engagement with Advisory Board**

The Principals have continued to encourage involvement of the Advisory Board to better leverage the knowledge and experience of each board member. During the spring semester, board members were invited to attend either telephonically or in-person each full investment pitch meeting. These sessions proved to be highly productive as board members provided value-added insights that helped guide the discussion. The Principals plan to continue to further integrate board members in the investment pitch process. They also held an in-person board meeting on February 21<sup>st</sup>. The in-depth discussion covered the Fund's performance and investment process as well as the broader strategy for the Fund and current fundraising efforts. The Principals look forward to deepening their engagement with the board on multiple fronts.

### **Idea Generation and Investment Pitches**

The Principals further refined the idea generation process to better identify the most compelling investment opportunities to further research. The idea generation process typically starts with a high level discussion of potential new ideas generated from a diverse set of sources from which a subset are selected for a "quick pitch" consisting of a short investment memo that is presented to the group. Ideas that successfully make it through the "quick pitch" process become full investment pitches. The Principals

introduced greater discussion on the front-end of the idea generation process to more efficiently screen the numerous potential investment opportunities for further diligence. On the ESG front, the Principals have made a concerted effort to incorporate additional proprietary research to the process in addition to leveraging the available ESG research platforms.

**MSCI Follow-Up Meeting**

In November 2013, the Principals were fortunate to have MSCI's Sebastian Brinkmann and Anil Rao come to campus to meet with them for a follow-up discussion regarding the Fund's performance attribution and ESG research resources. MSCI's proprietary performance attribution and factor models provide a helpful framework to assess the Fund's ongoing investment performance. The Principals are also very grateful for MSCI's value-added ESG research platform.

## PORTFOLIO SUMMARY

As of April 30, 2014, the Fund's portfolio was made up of a diverse set of twelve (12) companies, one (1) ETF and cash:

Portfolio Without Cash		Portfolio With Cash	
Holding	Weight	Holding	Weight
Compass Minerals International (CMP)	5.99%	Compass Minerals International (CMP)	4.00%
DaVita HealthCare Partners (DVA)	7.50%	DaVita HealthCare Partners (DVA)	5.02%
Deere & Co. (DE)	3.04%	Deere & Co. (DE)	2.03%
Dollar Tree (DLTR)	6.11%	Dollar Tree (DLTR)	4.09%
Eaton PLC (ETN)	7.95%	Eaton PLC (ETN)	5.32%
Ecolab (ECL)	8.15%	Ecolab (ECL)	5.46%
Google-C (GOOG)	7.24%	Google-C (GOOG)	4.84%
Google-A (GOOGL)	7.34%	Google-A (GOOGL)	4.91%
MasterCard (MA)	7.86%	MasterCard (MA)	5.26%
PepsiCo (PEP)	7.05%	PepsiCo (PEP)	4.71%
Salesforce.com (CRM)	3.49%	Salesforce.com (CRM)	2.33%
Starbucks (SBUX)	6.05%	Starbucks (SBUX)	4.05%
iShares ESG Select ETF (KLD)	22.23%	iShares ESG Select ETF (KLD)	14.87%
		Cash	33.11%

Note: The double-listing of Google is a result of a 2-for-1 stock split that created a new share class (Class C) which has no voting rights

Compared to the April 30, 2013 annual report, this composition reflects the following changes in terms of holdings:

**Divestitures:** The Principals voted to divest from Accenture (ACN), Equifax (EFX), Norfolk Southern (NSC), SodaStream International (SODA) and Waste Management (WM). These divestures resulted from conversations regarding ESG factors as well as the financial condition of each company.

**Additions:** The Principals initiated positions in Dollar Tree (DLTR), Salesforce.com (CRM), SodaStream (SODA), and Starbucks (SBUX). The Principals are also in the process of adding SolarCity (SCTY), Mylan (MYL), Microsoft (MSFT) and WhiteWave Foods (WWAV) to the portfolio. These trades did not settle before the publication date of this report and are not included in the portfolio weighting. The Fund is aiming to have a minimum cash position after this rebalance.

Details regarding these Divestitures and Additions are provided later in the annual report.

**Composition of the Portfolio:** In general, the Principals strive to maintain a portfolio of ten to twenty positions. Each holding's weight in the portfolio is carefully assessed based on a combination of the following factors:

- 1) Analyst assessment of absolute company risk
- 2) ESG thesis conviction
- 3) Diversification value vs. the portfolio, both in terms of total beta and sector distribution
- 4) Analyst absolute return conviction

**Comparison vs. Benchmark:** The current benchmark for the Fund's performance is the iShares MSCI USA ESG Select ETF (KLD). The ETF seeks to track the returns of the MSCI USA ESG Select index. "The MSCI USA ESG Select Index is designed to maximize exposure to positive environmental, social and governance (ESG) factors while exhibiting risk and return characteristics similar to those of the MSCI USA Index. The Index is sector-diversified with high ESG ratings from each sector. Relative to the MSCI USA Index, the MSCI USA ESG Select Index tends to over-weight companies with higher ESG ratings and under-weight companies with lower ratings. Tobacco companies are not eligible for the Index."<sup>1</sup> While the discussion on benchmark selection is still on-going, the Principals believed choosing KLD as a benchmark would demonstrate their stock picking skills among a universe of superior ESG companies. However, it is important to note that the Principals do not constrain themselves to the MSCI USA ESG Select to identify new holdings.

Therefore, the Principals monitor the portfolio's composition and key statistics with respect to the iShares ESG Select ETF. The Principals have also included data on the Russell 3000, which was the benchmark previously used.

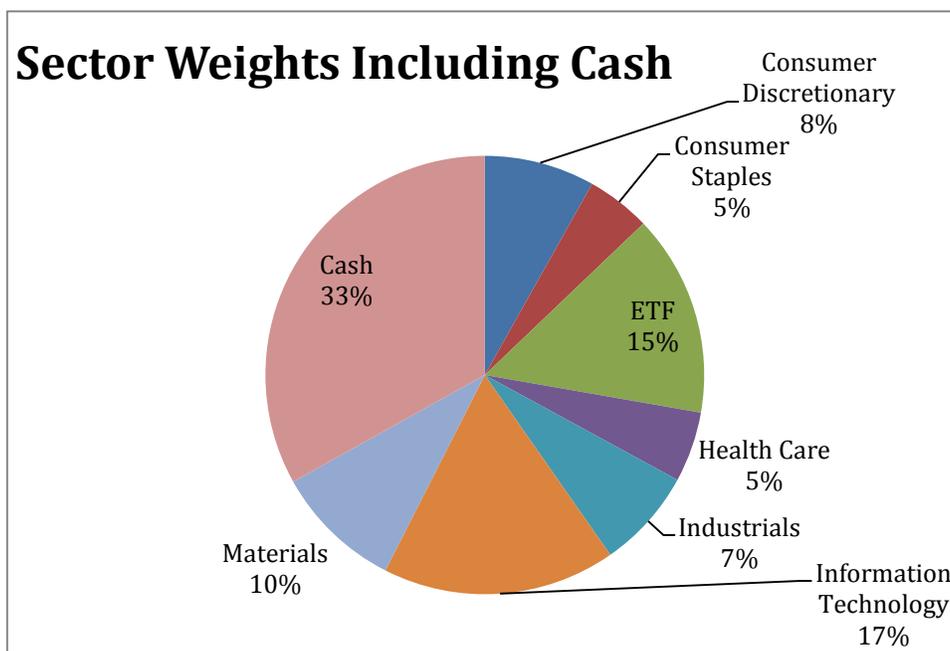
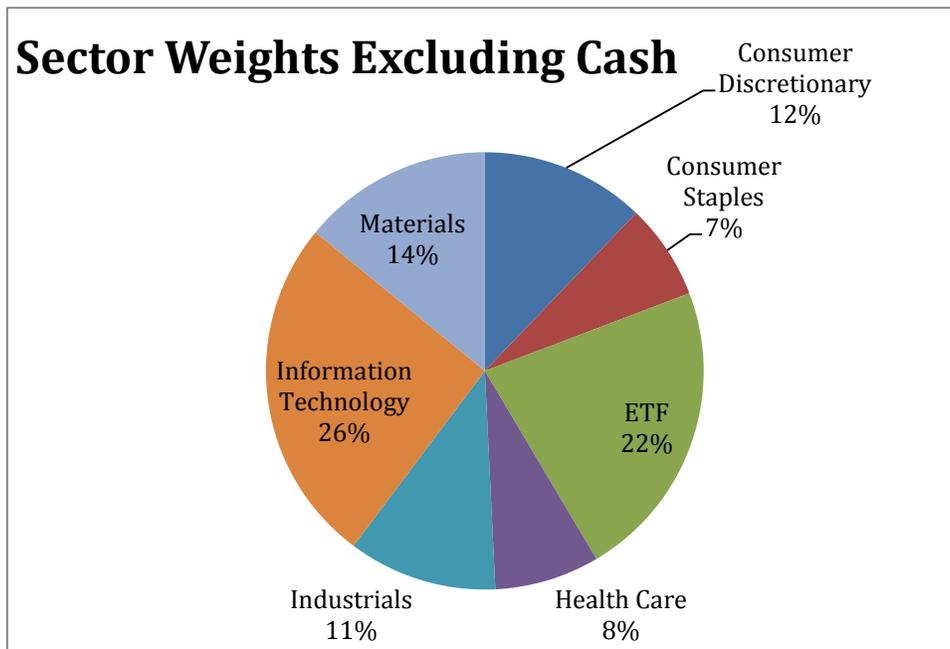
The following table shows a comparison between the Fund, its benchmark and the iShares ESG Select ETF in terms of weighted average market capitalization, average price-to-earnings ratio (P/E) and average dividend yield:

Holding	Market Cap (BN)	P/E	Dividend Yield
<b>Russell 3000</b>	<b>\$73.21</b>	<b>17.61</b>	<b>1.85%</b>
<b>iShares ESG ETF</b>	<b>\$73.70</b>	<b>18.49</b>	<b>1.33%</b>
Compass Minerals International (CMP)	\$3.09	23.57	2.42%
DaVita HealthCare Partners (DVA)	\$14.39	16.73	0.00%
Deere & Co. (DE)	\$34.18	10.04	2.21%
Dollar Tree (DLTR)	\$10.72	18.89	0.00%
Eaton PLC (ETN)	\$34.69	16.89	2.41%
Ecolab (ECL)	\$31.62	30.43	0.96%
Google (GOOG)	\$355.71	28.40	0.00%
Google (GOOGL)	\$355.71	28.40	0.00%
MasterCard (MA)	\$88.06	27.26	0.39%
PepsiCo (PEP)	\$130.20	19.39	2.64%
Salesforce.com (CRM)	\$32.61	N/A	0.00%
Starbucks (SBUX)	\$53.54	14.93	1.40%
<b>Total Portfolio</b>	<b>\$80.59</b>	<b>20.61</b>	<b>1.08%</b>

<sup>1</sup> "MSCI USA ESG Select Index: Methodology", *MSCI Index Methodology*, July 2010.

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

**Sector Weighting:** 4/30/2014



## FINANCIAL PERFORMANCE ANALYSIS<sup>2</sup>

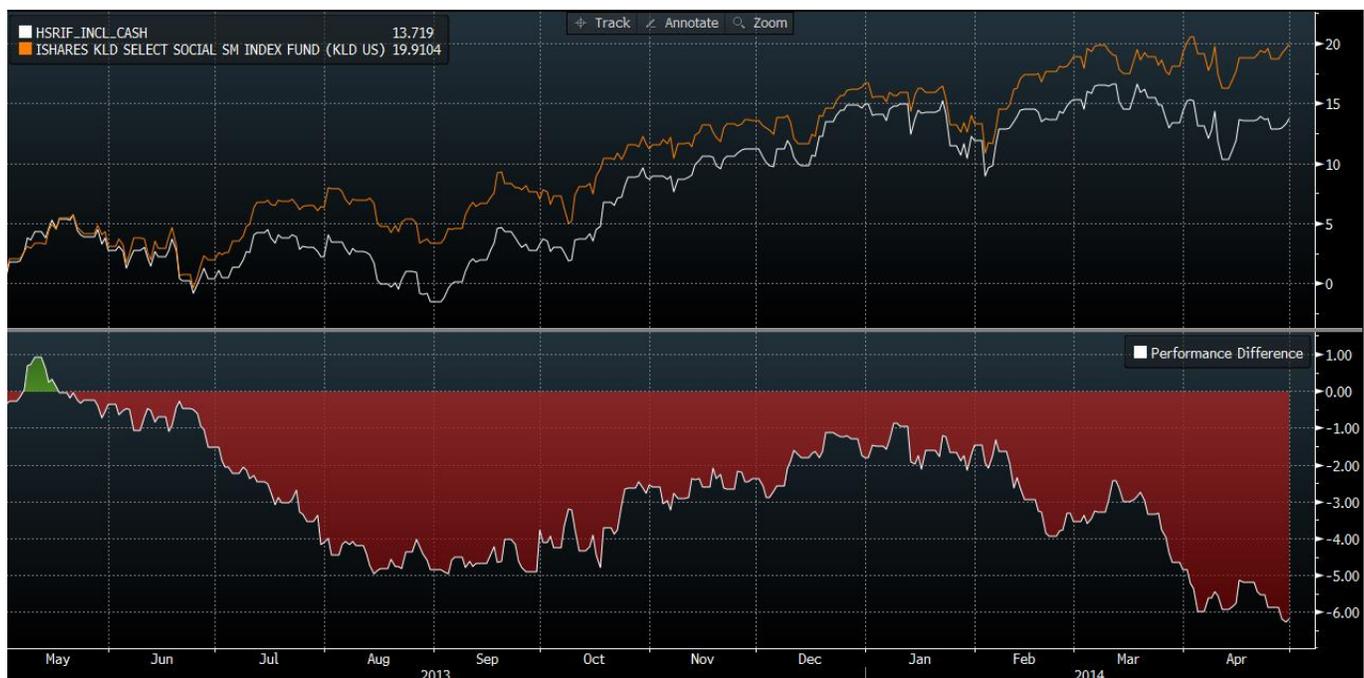
### Year Ended April 30, 2014

The Fund realized a total return of 13.72% between May 1, 2013 and April 30, 2014, underperforming the iShares MSCI USA ESG Select ETF's total return of 19.91% by 619 basis points. The Fund balance as of April 30, 2013 was \$2,274,667.22. The Fund received the following cash deposits from donations: \$40,000 on January 23, 2014; and \$100,100 on September 19, 2013. The Fund also started to receive proceeds from the CRB-led crowdfunding campaign with a deposit of \$68,583.54 on April 23, 2014. Because the Fund's return is calculated on a holdings-basis, cash withdrawals and deposits have no impact on returns calculations. Excluding cash holdings, the Fund realized a total return of 15.32% between May 1, 2013 and April 30, 2014.

In 2013Q4, Principals rolled the Fund's outstanding cash balance, resulting from position sales and cash deposits, into the iShares MSCI USA ESG Select ETF in order to avoid cash drag and increase the Fund's exposure to broad market movements.

As explained above, over the past year, the Fund's Principals chose to measure the Fund's performance relative to the iShares MSCI USA ESG Select ETF.

### *HSRIF performance relative to KLD (including cash), 05/01/2013-04/30/2014*



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

- Cash drag in summer 2013 and spring 2014 in a market environment where equity indices kept on reaching new records on a weekly basis;

<sup>2</sup> Bloomberg computes performance on a holdings basis. Performance reflects total returns for the benchmark, i.e. dividends are reinvested. However, dividends generated by HSRIF holdings flow to cash.

- Overexposure to underperforming sectors, e.g. Industrials, Consumer Staples and Technology; and underexposure to overperforming sectors, e.g. Utilities, Health Care and Financials;
- A few holdings that negatively impacted contribution to return, e.g. PG&E, Starbucks, and SodaStream;
- Finally, on-boarding the Fund's largest class of 8 new Principals somewhat detracted Principals from focusing more attentively to managing the Fund's holdings.

**HSRIF performance relative to KLD (excluding cash), 05/01/2013-04/30/2014**



**Top 10 and Bottom 10 Contributors to Return, 05/01/2013-04/30/2014**



## Monthly Returns

The following tables provide absolute and relative monthly total return performance data for the Fund between 2011 and 2014 to-date.

### *HSRIF monthly absolute performance, 01/01/2011-04/30/2014*

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	1.14	-0.16	2.20	-0.03	0.78	-2.39	-1.64	-4.55	-9.38	13.54	-0.15	-0.17	-2.3
2012	6.01	1.36	2.19	0.98	-7.87	5.02	2.56	0.90	2.62	-1.21	2.56	1.93	17.7
2013	4.74	2.84	3.01	3.57	1.30	-2.31	1.85	-3.69	4.87	5.22	2.32	3.36	30.2
2014	-2.67	3.10	-0.86	-0.54	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	-1.1
<b>Average</b>	<b>2.30</b>	<b>1.78</b>	<b>1.64</b>	<b>0.99</b>	<b>-1.93</b>	<b>0.11</b>	<b>0.92</b>	<b>-2.45</b>	<b>-0.63</b>	<b>5.85</b>	<b>1.58</b>	<b>1.71</b>	<b>11.1</b>

### *HSRIF monthly performance relative to KLD, 01/01/2011-04/30/2014*

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	-0.39	-3.72	2.46	-3.40	2.05	-0.98	0.35	1.66	-3.26	1.94	-0.26	0.28	-3.5
2012	1.10	-2.80	-0.71	1.81	-0.71	3.37	2.38	-1.69	0.31	0.89	1.43	0.90	7.0
2013	-0.96	0.90	-1.15	2.18	-0.90	-1.14	-2.50	-0.85	1.27	1.32	0.22	0.57	-1.4
2014	0.26	-1.80	-1.12	-1.15	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	-3.8
<b>Average</b>	<b>0.00</b>	<b>-1.86</b>	<b>-0.13</b>	<b>-0.14</b>	<b>0.15</b>	<b>0.42</b>	<b>0.08</b>	<b>-0.29</b>	<b>-0.56</b>	<b>1.38</b>	<b>0.46</b>	<b>0.59</b>	<b>-0.4</b>

## Cumulative Performance Charts

The following charts show the Fund's historical cumulative absolute and relative performance. For the last 3 years, the Fund outperformed KLD by 378 basis points.

### *HSRIF performance relative to KLD, 05/01/2011-04/30/2014*



Since inception, the Fund outperformed the iShares Russell 3000 ETF by 45.8%. The iShares Russell 3000 ETF (IWW) is used as a proxy to the Russell 3000 Index (RAY). Due to current account restrictions,

Bloomberg does not provide underlying holdings for the index, which prevents using the actual index in the performance analysis.<sup>3</sup>

**HSRIF performance relative to IWW, 05/05/2008-04/30/2014**



**Historical Performance**

Following is a presentation of yearly returns for the Fund, absolute and relative to KLD and IWW.

**HSRIF historical performance relative to KLD and IWW, 05/05/2008-04/30/2014<sup>4</sup>**

	2008	2009	2010	2011	2012	2013	2014
HSRIF	-6.6%	17.9%	7.7%	-2.3%	17.7%	30.2%	-1.1%
IWW	-43.9%	23.7%	17.0%	1.0%	16.4%	33.5%	2.1%
KLD	N/A	N/A	14.4%	1.3%	10.7%	31.6%	2.7%
Relative to							
IWW	37.3%	-5.8%	-9.3%	-3.3%	1.3%	-3.3%	-3.2%
KLD	N/A	N/A	-6.7%	-3.5%	7.0%	-1.4%	-3.8%

<sup>3</sup> KLD was incepted in May 2009 and can thus not be used to measure relative performance since inception.

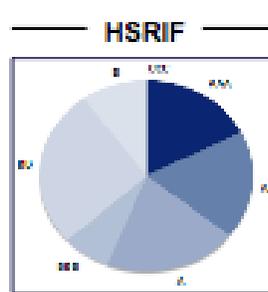
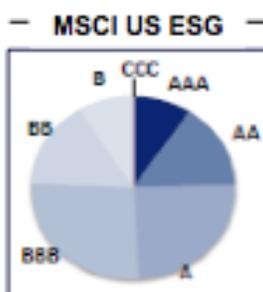
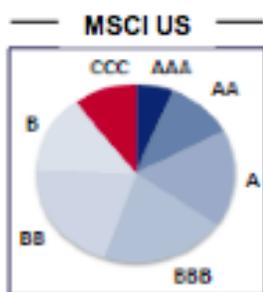
<sup>4</sup> 2008 data is from HSRIF inception on 05/05/2008. 2014 data is to 04/30/2014. KLD data is unavailable prior to 5/2009.

## ESG PERFORMANCE ANALYSIS

In terms of ESG performance, the Fund continues to monitor and track the environmental, social and governance factors of its portfolio companies. The Principals do this through proprietary frameworks and assessments, in addition to the usage of the MSCI US ESG index as a source for information on companies. While the Principals do reference the MSCI index, they complete holistic ESG assessments that do not fully rely on MSCI rankings in order to make investment decisions.

Although the Principals do not directly seek to compare themselves to the MSCI indices, data reveals that the Fund is investing in companies with greater environmental, social and governance scores compared to both the MSCI US and MSCI US ESG indices. The Principals are also more heavily weighted in AAA to A rated companies.

Portfolio Score	Current		Year Ago	
	HSRIF vs. MSCI US	HSRIF vs. MSCI US ESG	HSRIF vs. MSCI US	HSRIF vs. MSCI US ESG
Overall Score	27.4%	4.2%	29.2%	4.1%
<b>ESG Scores</b>				
Environmental	7.4%	4.6%	-3.6%	-6.9%
Social	14.9%	0.9%	12.0%	-0.5%
Governance	30.3%	17.5%	22.6%	12.8%
<b>Distribution of ESG Ratings</b>				
AAA	11.4%	8.2%	13.9%	9.8%
AA	7.1%	3.0%	0.7%	-3.5%
A	2.7%	-4.4%	13.1%	5.2%
BBB	-13.1%	-19.4%	-14.7%	-16.4%
BB	6.4%	11.4%	1.8%	2.8%
B	-4.3%	1.2%	-3.8%	2.1%



## Compass Minerals International (NYSE: CMP)

GICS Sector: Materials  
Industry: Metals & Mining



**Company Description:** Compass Minerals International (CMP) is a major producer of salt, magnesium chloride, and sulfate of potash (SOP) specialty fertilizer in North America. It is also a large producer of salt in the U.K. CMP provides salt for use in highway, consumer and industrial deicing, water care, and animal nutrition in North America and the U.K. (~80% of revenues) and specialty fertilizer for use with high value crops worldwide (~20% of revenues). The company also has a small records management business (DeepStore) in the U.K. that utilizes excavated portions of a salt mine for secure underground document storage.

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

From an ESG perspective, Compass provides the necessary, life-saving service of deicing the nation's highways. It should be noted that deicing-salt, when applied in excessive amounts, can cause harm to plant life. However, the Principals believe Compass is the best in its class in terms of a comprehensive CSR policy and its position as a market leader should encourage other players in the space to follow suit. The company's solar evaporation facilities are a great example of a core business strategy that is also good for the environment as it is both green and low-cost. Compass also has an excellent safety record and even includes safety metrics in determining management compensation.

**Outcome:** CMP has been a portfolio holding since May 2012. Shares have been flat over the past year, as recent severe winter weather from "polar vortexes" have boosted volumes and offset weakness in pricing resulting from prior consecutive winters of mild weather. In its most recent earnings release, CMP reported Q4 2013 sales that increased 45% year-over-year to \$387.4 million, boosted by a 56% improvement in salt segment sales, while specialty fertilizer sales rose 8%. Q4 2013 net earnings increased 94% to \$58.4 million (\$1.73 per diluted share), and FY 2013 net earnings were up 47% to \$130.8 million (\$3.88 per diluted share). Cash flow from operations rose 57% to \$238.3 million in FY 2013 from \$151.7 million in FY 2012, leading management to increase the company's quarterly dividend by 10%, to \$0.60 per share.

Salt segment sales rose to \$323.1 million from the previous year's weather-depressed result of \$206.7 million. Strong winter weather in most of the company's key service territories produced a 79% increase in highway deicing sales volumes. Specialty fertilizer sales increased to \$61.4 million from \$56.6 million in the 2012 quarter driven primarily by a 9 percent year-over-year increase in sales volumes. The average selling price for specialty fertilizer remained steady with the prior-year quarter at \$626 per ton. Sequentially, the average selling price declined \$20 per ton due to a less favorable regional sales mix than in the third quarter of 2013. The Fund voted to continue to hold and monitor the stock in April 2014.

## DaVita HealthCare Partners, Inc. (DVA)

**GICS Sector:** Healthcare  
**Industry:** Specialized Health



### Company Description:

DaVita HealthCare Partners Inc. operates in two major business segments. The company's largest line of business is providing kidney dialysis services to patients suffering from chronic kidney failure and end stage renal disease. As of December 31, 2013, DaVita operated or provided administrative services at 2,074 outpatient dialysis centers in the United States serving approximately 163,000 patients. DaVita also operates 73 outpatient dialysis centers in 10 countries.

HealthCare Partners manages and operates medical groups and affiliated physician networks in California, Nevada, Florida, Arizona, and New Mexico in its pursuit to deliver excellent-quality health care in a dignified and compassionate manner. As of December 31, 2013, HealthCare Partners provided integrated care management for approximately 765,000 managed care patients.

### Investment Pitch:

DaVita is a market leader with a 33% share of the dialysis market in the U.S. The market also remains strong with patient demand growing at 4-5% per year. DVA's kidney dialysis business remains stable and the acquisition of HealthCare Partners last year provides great growth opportunity given trends in the U.S. healthcare market. Integrated healthcare service providers should experience greater demand given concerns over rising healthcare costs; HCP is well-positioned to take advantage of this consumer shift in the industry.

DaVita's core business shows a commitment to social responsibility as they continuously promote early chronic kidney disease detection, sustainable practices, support local communities, and deliver quality care. DaVita's company-wide green policies are particularly strong. Additionally, the level of corporate giving to local communities, partnerships with non-profits to provide dialysis care to underserved areas, and donations and volunteer efforts at the corporate and individual level remains high.

### Outcome:

As of April 30, 2014 DVA is 5.24% of the Fund's portfolio. The Fund originally invested 2.5% of the portfolio at \$118.65 per share in April 2013, and an additional 2.5% at \$125.98 per share in May 2013. DVA then executed a stock split in September 2013, resulting in adjusted purchase prices of \$59.33 and \$62.99, respectively. As of April 30, 2014, DVA's stock price was \$69.30.

# Deere & Company (NYSE: DE)

**GICS Sector:** Industrials

**Industry:** Construction & Farm Machinery



**JOHN DEERE**

**Company Description:** Deere operates in three segments: Agriculture and Turf, Construction and Forestry and Financial Services. The John Deere Agriculture and Turf segment manufactures and distributes a line of agricultural and turf equipment and related service parts. John Deere construction, earthmoving, material handling and forestry equipment includes a broad range of backhoe loaders, crawler dozers and loaders, four-wheel-drive loaders, excavators, motor graders, articulated dump trucks, landscape loaders, skid-steer loaders, log skidders, log loaders, log forwarders, log harvesters and a range of attachments. The John Deere Financial Services segment primarily finances sales and leases by John Deere dealers of new and used agriculture and turf equipment and construction and forestry equipment.

**Investment Pitch:** Deere is set to capitalize upon the long-term, global megatrends of population growth, income growth and rural-to-urban migration. By 2050, the world's population is expected to reach 9 billion, which is an additional 2 billion mouths to feed. To meet this greater expected demand for food, agricultural production needs to increase by 70%, the vast majority of which will come from yield and productivity gains as opposed to expansion of new farmland. The world is also expected to witness continued rural-to-urban migration. In 2010, more than 50% of the planet's population lived in cities for the first time in human history, and that number is expected to hit 70% by 2050. A reduced rural workforce will lead to an increase in mechanized farming and the use of Deere's products.

Because of these megatrends, Deere is projecting revenue of \$50 billion in 2018, up from \$36 billion in 2012 (+38%). The greatest opportunity for Deere exists outside of the United States. Deere earned approximately 1/3 of its revenue from outside of North America in 2010, and the company is estimating that number to increase to 1/2 of its revenue by 2018. Deere is focused on expanding in Brazil, Russia, China and India in particular.

In its most recent earnings release, Deere reported record earnings that grew 27% year-over-year. Revenue increased 10% and the company highlighted high commodity prices, strong farm incomes and favorable levels of demand for farm machinery. Deere has been underperforming the S&P recently due to concerns over continued global growth and recent drops in the prices of soft commodities due to new supply and a stronger U.S. dollar. This presents an attractive entry point to take advantage of recent weakness to buy into a company at less than 10x forward earnings with outstanding long-term fundamentals and macroeconomic tailwinds.

Deere frames its ESG commitment as "Citizenship" and focuses on three key areas: Safety, Environment, and Philanthropy. The Company has put out a Global Citizenship Report to provide details on progress made throughout the year in these topics. Deere has also been acknowledged by outside groups, including by Forbes, for the fifth consecutive year, as one of the Top 50 Most Admired Companies and by Ethisphere Institute, for the seventh consecutive year, as of the World's Most Ethical Companies. The company is rated AA by MSCI.

**Outcome:** DE has been a portfolio holding since April 2013, establishing an initial position size of 2.5% of the total portfolio at \$88.97/share. Share price, currently up over 11% from purchase, recovered following significant end of year sales. For the fiscal year, Deere reported income of \$3.54 billion on net sales and revenues of \$37.8 billion. Income was up 15% on a 5% increase in sales and revenues. This year's growth is forecasted to be strong particularly in emerging markets. The Principals voted to increase the Fund's current position in DE.

# Dollar Tree, Inc. (NASDAQ: DLTR)

**Sector:** Services

**Industry:** Discount, Variety Stores



**Company Description:** Dollar Tree is the leading operator of discount variety stores offering products at the \$1.00 price point (\$1.25 in Canada). The company operates stores under a number of brands including Dollar Tree, Deal\$, Dollar Tree Deal\$, Dollar Tree Canada, Dollar Giant and Dollar Bills. Note the Deal\$ branded stores also sell items for above the \$1.00 price point.

As of February 1, 2014, Dollar Tree operated 4,812 stores in 48 states and the District of Columbia as well as 180 stores in Canada representing a total of 43.2 million square feet. The company's stores are located in a broad range of diverse geographies including metropolitan areas, mid-sized cities and small towns.

**Investment Pitch:** Dollar Tree has a significant organic growth opportunity with potential for up to 7,000 stores in the U.S. and 1,000 stores in Canada. Unit economics are highly compelling at >30% cash-on-cash. The company also has a strong history of positive same-store-sales both during and after the downturn as the company's unique positioning allows it to capture consumers trading down as well as increasing size of basket. Furthermore, Dollar Tree's highly flexible order-by-order merchandising model allows it to buy to its target margins and facilitate a "treasure hunt" shopping experience. There are also meaningful growth opportunities through the Deal\$ format, online channel, add-on acquisitions and existing store remodels/expansions.

Although Dollar Tree's CSR efforts are not meaningfully differentiated from its mass channel competitors, the company has a unique positioning as a value-oriented retailer and has helped grow and sustain a new segment of retail focused on creating value for the lower end of the market.

**Outcome:** In December 2013, the Principals voted to invest in Dollar Tree with an approximate 5% position size.

# Eaton Corporation (NYSE: ETN)

GICS Sector: Industrials

Industry: Electrical Equipment



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

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

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

From an ESG perspective, Eaton's diverse portfolio of energy-efficient products, strong supply chain management policies, and internal commitment to sustainability add value by driving revenue growth, controlling costs at the company-level and across the supply chain, and mitigating supply-chain risk. MSCI rated Eaton AAA on 1/3/13, primarily for its environmental stewardship. Eaton is focused on reducing GHG emissions, water consumption, and waste generation, and their strong ESG has been recognized by numerous parties: listed on the Carbon Disclosure Project's Index of S&P 500 companies that practice exemplary environmental reporting; named as one of the "100 Best Corporate Citizens" in *Corporate Responsibility* magazine for the fifth straight year; and listed on the Ethisphere Institute's list of "World's Most Ethical Companies" for the seventh straight year.

**Outcome:** ETN has been a portfolio holding since November 2010, with shares up nearly 50% in that time frame and more than 25% in the past year.

The Fund voted to continue to hold the stock in April 2014.

## Ecolab (NYSE: ECL)

GICS Sector: Materials

Industry: Specialty Chemicals



**Company Description:** Ecolab is a global leader in water, hygiene and energy technologies and services that provide and protect clean water, safe food, abundant energy and safe environments. Its over 44,000 employees develop and market premium programs, products and services for the hospitality, foodservice, healthcare, industrial and energy markets in approximately 170 countries. Ecolab generated \$13.3b in global net revenue in FY2013.

**Investment Pitch:** Fund Principals initially invested in Ecolab in Spring 2013 and increased its position in Fall 2013 for the following reasons:

- 1) Ecolab's sectorial foci align well with global secular trends, including population growth, resource scarcity, and industrialization;
- 2) Ecolab's impressive growth – both organic (driven by its innovation leadership and a growing customer base) and acquisition-driven (Nalco, Champion);
- 3) As a global leader in cleaning, foods safety, health protection, and the industrial water and energy sectors, Ecolab's incredibly strong ESG activities are core to its business and operations;
- 4) Ecolab's resource conservation efforts coupled with an enormous customer base support enormous net energy and water resource savings directly as a result of its core business activities.

**Outcome:** The Fund entered a position in Ecolab in April 2013, with a purchase price of \$83.10, and increased its position in October 2013, at a purchase price of \$100.32. As of April 29<sup>th</sup>, 2014, Ecolab's price is \$104.95, representing a share price increase of 26.3% since initial purchase and 4.6% since position addition.

In 1Q14, ECL's posted a 23% rise in adjusted earnings per share (excluding special gains and charges) to \$0.74. The 26.4% jump in 1Q14 adjusted earnings were attributable to strong sales growth and operating margins on account of cost efficiency programs and synergies; however, earnings were flat relative to consensus estimates. ECL's Global Industrial segment – driven by Food & Beverage and Water – grew 3.1%; its Global Institutional segment 3.1%; and its Global Energy segment 77.7% - on account of the Champion acquisition. Regionally, Latin America, Asia Pacific, and North America (in that order) are driving revenue growth. Going forward, ECL anticipates adjusted gross margin of 47% and higher earnings per share (between \$4.10 and \$4.20) compared with 2013 – in line with industry and Fund Principal estimates.

Given Ecolab's emphasis on innovative products and services to help customers lower operating costs and its appropriate price increases to help offset higher costs and strategic investments, Fund Principals believe that ECL will continue to expand its margins and leverage productivity and efficiency improvements to both drive profitability and merger synergies.

Fund Principals recommend that the Fund hold its current ECL position (currently approximately 6% of total account assets).

# Google Inc. (NASDAQ: GOOG, GOOGL)



**GICS Sector:** Information Technology  
**Industry:** Internet Software & Services

**Company Description:** Google Inc. is one of the leading internet technology and advertising companies in the world and is the largest internet search engine. The Company maintains an index of web sites and other content and makes them freely available on the Internet through its automated search technology. Advertising revenues made up 96% of its revenues in 2010 and 2011, 92% of its revenue in 2012 and 93% in 2013. The company's additional revenues are derived from Motorola mobile, its enterprise products (Google Apps), as well as display advertising management services to advertisers, ad agencies, and publishers.

**Investment Pitch:** A clear leader in its industry, Google is positioned to continue to experience significant growth over the next several years, including international expansion and the potential acquisition of Motorola Mobility, which could add 17,000+ patents to the company's portfolio. Google remains the market share leader in search and video content (YouTube) and though competition is increasing in both these areas, the Principals expect Google to remain the market share leader. International expansion and new revenue channels could pressure operating margins, but on a dollar basis, the Principals anticipate strong revenue and net income growth.

Google has only recently appeared as a high performer in various sustainability metrics, suggesting that the market has not yet fully realized the scope or potential impact of its sustainability program. In turn, this suggests that the value to be gained from these initiatives is not yet incorporated into its stock price. In 2011, Google added three notable ESG initiatives, including Google for Nonprofits, Google Dengue & Flu Trends and child protection measures through google.org in collaboration with the National Center for Missing and Exploited Children.

**Outcome:** Google's share price on April 28<sup>th</sup>, 2014 was \$522.98, compared to the Fund's initial purchase price of \$277.12 in October of 2009 (increase of 89%). In a rebalancing in March 2011, the Fund purchased an additional 160 shares at \$288.64.

Looking back on the past year, GOOG shares experienced strong growth after a second consecutive year in which Google crossed over \$50 billion in revenue (\$57.86 billion). In 2012, the company generated \$50.18 billion in revenue, which was up from \$37.91 billion in 2011. Moreover, Google agreed to sell its Motorola Mobility handset business to Lenovo, alleviating itself of a business unit that lost \$384m in Q4 2013. Google retains a superior patent portfolio and is now well-insulated against future intellectual property attacks. In April 2014, Google announced a two-for-one stock split. The stock split has created a Class C share (GOOG) along with the original Class A share (GOOGL). Mr. Paige has stated that Google's board, which spent more than a year considering the move, decided the new structure is in the best interest of the company and shareholders.

In Q4 2013, net revenue increased 19% year over year and website revenue increased 22% year over year. Moreover, strong licensing and other growth driven by Google Play sales and network sales created revenue of \$1.6 billion (Street estimate: \$1.4 billion), a 9.9% YoY growth. Paid click growth accelerated to 31% year over year, beating Wall Street estimates of 24%. 2013 was also a great year for Google's ongoing ESG initiatives. Google awarded Kiva.org a \$3 million Global Impact Award to help Kiva create the new initiative Kiva Labs, which is designed to it easier for environmental and development projects to access crowd funding. Furthermore, Google was ranked #1 in Forbes 2013 "Companies with the Best CSR Reputation" Ranking. The Fund voted to continue to hold and monitor the stock in April 2014.

# MasterCard Incorporated (NYSE: MA)



**GICS Sector:** Services

**Industry:** Business Services

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

**Investment Pitch:** MasterCard is an attractive investment because secular trends to non-cash payments position MasterCard well in the global payments space. MasterCard also has a highly scalable business model. Personal consumption expenditure growth will support MasterCard’s top-line growth via its vast network and robust market share. MasterCard’s wide geographic exposure provides great global diversification and growth upside. MasterCard also has several upside catalysts. It benefits from an increased cross border volume multiple with higher transaction payment fees. Its partnership with China UnionPay also positions MasterCard well for future long-term opportunity for growing credit card payments in China. It has also had excellent, shareholder-friendly financial performance and has sustained double digit revenue growth, with 50% operating margin and strong cash flow generation ability.

From an ESG perspective, MasterCard’s efforts to increase financial inclusion are directly tied to its strategic goals and its bottom line. It has launched many win-win corporate citizenship programs, which truly embody the goal of “Doing Well by Doing Good.” In its September 20, 2012 Investment Community Meeting, MasterCard highlights financial inclusion as a key part of its overall global strategy.

**Outcome:** The Fund Principals voted to enter with approximately 5% of the Fund’s total portfolio allocation in May 2013 at an average price of \$538.89/share. Since buying into the position in May 2013, MasterCard has exceeded three-year targets in less than a year. A 10x stock split resulted in a stock price of ~\$78 in March 2014. Strong financial performance due to international growth coupled with a strong and unchanged ESG story linked to financial inclusion makes MasterCard an attractive investment to remain in the portfolio.

In April 2014, Fund Principals voted to hold and monitor MasterCard.

# PepsiCo, Inc. (NYSE: PEP)



**Sector:** Consumer Staples

**Industry:** Food, Beverage, and Tobacco

**Company Description:** PepsiCo, Inc. is a global food, snack, and beverage company with a diverse product portfolio including 22 brands that generates more than \$1 billion in annual retail sales. The company's products can be found in more than 200 countries around the globe and include leading brands such as Pepsi-Cola, Mountain Dew, Lays, Gatorade, and Tropicana. The company operates four business units including PepsiCo Americas Foods, PepsiCo Americas Beverages, PepsiCo Europe, and PepsiCo Asia, Middle East, and Africa. The company originally incorporated in 1919.

PepsiCo competes primarily on the basis of price, quality, product variety, and distribution. The company focuses its efforts on manufacturing, marketing, and distributing its products in three separate categories: "fun-for-you," "better-for-you," and "good-for-you."

**Investment Pitch:** PepsiCo is a strong investment opportunity with growth potential. As the global middle class grows, demand for the company's products will significantly increase, along with global appetite for its newer line of "healthy" offerings. The company has an attractive valuation, returns significant cash to investors, and faces relatively inelastic demand. From an ESG perspective senior leadership has pursued a number of "shared value" initiatives, and the company has a sizable charitable giving program.

**Outcome:** In March of 2014 the Principals reviewed the Fund's investment in PepsiCo. As expected the company has continued to aggressively pursue growth in emerging markets and earned \$923 million more revenue in 2013 than 2012, bringing total revenue to \$66,415 million. Management predicts a 7% increase in EPS for 2014 and promises a 35% increase in cash return for investors. As a stable stock with low market risk, PepsiCo continues to be a financially positive investment for the Fund.

During the review, the Principals raised concerns about the company's ESG strategy in terms of a business model primarily focused on unhealthy foods, water management, and recent controversies surrounding its palm oil and sugar sourcing policies. There are also some reports that the company's shared value initiatives have proven unprofitable and may be scaled back. However, responding to pressure from advocacy groups and shareholder activism, the company made a new commitment towards sustainable palm oil sourcing signaling a willingness to change its supply chain practices. Indra Nooyi, a female CEO with a strong CSR agenda and a champion of its "Pepsi for Good" initiative, continues to lead the company.

The Principals voted to maintain the Fund's position in PepsiCo.

## Salesforce.com, Inc. (NYSE: CRM)



**GICS Sector:** Information Technology

**Industry:** Internet Software and Services

**Company Description:** Salesforce.com, Inc. is a provider of enterprise cloud computing services. The Company is dedicated to helping customers of all sizes and industries worldwide transform themselves into “customer companies” by empowering them to connect with their customers, partners, employees and products in entirely new ways. The Company provides customers with the solutions they need to build a next generation social front office with social and mobile cloud technologies.

**Investment pitch:** Salesforce, which sells Customer Relationship Management (CRM) software, operates within a fast-growing segment of the software industry. Expected annual growth of the CRM software market is 15% through 2017 when it reaches \$36 billion in annual sales. Salesforce has exhibited strong growth with revenues growing the previous three years greater than 30% year-over-year YoY. Salesforce’s acquisition of ExactTarget provides strong synergies and solid partner in digital marketing and analytics.

From an ESG perspective Salesforce runs the Salesforce Foundation that touts the 1/1/1 Pledge. The goal of this program is to donate 1% of Salesforce’s equity, 1% of employees’ time and 1% of Salesforce’s products to improving communities around the world. Since inception the program has given over \$53 million in grants, 580,000 hours of community service, and provided product donations for over 20,000 nonprofits. Salesforce also encourages other companies to take the 1/1/1 pledge. MSCI has maintained their rating of A for Salesforce with no controversies within any categories.

**Outcome:** From a financial perspective the Principals hold that the stock is still undervalued and worthy of investment. The past year has seen the stock float close to the Principals’ target price, but has since drifted back down. The stock will require further review because their stellar sales growth does appear to be slowing down (37% in 2012, 35% in 2013 and 33% in 2014). In addition, their CFO, Graham Smith, will be leaving the company in March of 2015. Strong financials coupled with an excellent ESG story have led us to continue to hold Salesforce as part of the Fund’s portfolio as of April 2014

# Starbucks Corporation (NASDAQ: SBUX)

GICS Sector: Consumer Discretionary

Industry: Restaurants



**STARBUCKS®**

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

**Investment Pitch:** Starbucks is a best in class example of a company who has consistently and strategically integrated sustainability within its core business model. The Principals feel that the sustainability initiatives they have undertaken over the past 8 years will produce not only realizable cost savings but also risk management in the tough economic climate; particularly in their ethical sourcing initiatives. Similarly, discretionary goods have taken significant hit over the past year, Starbucks included, but the Principals feel that the Company's focus on sustainability as well as continued expansion into new geographic areas will offer a competitive advantage over competitors as the market continues to rebound.

**Outcome:** The Fund Principals initially voted to invest in SBUX at the end of 2013. Despite strong performance in 2013 (12% increase to \$14.9 billion) and record fiscal second quarter 2014 sales of \$3.9 billion, SBUX has been one of the lowest performing positions in the Fund's portfolio. YTD return as of May 1, 2014 is -9.6%. However, given the company's best in class sustainability strategy and Wall Street analysts' belief in share value upside the Fund Principals are confident in the value of the SBUX position in the Fund's portfolio over the 3-Year investment horizon.

## Accenture Plc. (NYSE: ACN)

**Sector:** Services

**Industry:** Management Services



**Company Description:** Accenture is engaged in providing management consulting, technology and outsourcing services. The Company's business is structured around five operating groups, which together consists of 19 industry groups serving clients in industries globally. The Company's segment includes Communications, Media & Technology, Financial Services, Health & Public Service, Products and Resources.

**Investment Pitch (4/1/2010):** Accenture is a leading firm in the professional services industry, providing management consulting, technology, and outsourcing services to corporations and governments throughout the world. Accenture's clients include 94 of the Fortune Global 100 companies and over three-quarters of the Fortune Global 500. This exposure to companies operating in rapidly developing international markets has led to and will continue to drive Accenture's revenue growth and margin expansion. Additionally, Accenture is recognized as having best-in-class CSR programs. Accenture is known as a thought leader that contributes to the CSR literature as a result of regular reports produced by its employees. This exposure to the cutting edge of CSR practices positions Accenture well to benefit from emerging CSR trends. However, analysts regularly overlook this aspect of Accenture's operations, and as a result the benefits of these initiatives have not been incorporated by market participants into the company's stock price.

**Outcome:** In March of 2014 the Principals reviewed the Fund's investment in Accenture. Accenture had not only underperformed the market significantly in the preceding 12 months (7.87% vs the S&P 500's 19.23%), but its rapid increase in beta and poor relative earnings performance suggest that the firm's revenues are becoming increasingly cyclical. This holding was a good diversifier in the Fund's portfolio and has brought strong returns over the past 4 years. However, it now appears richly-valued both on an absolute and relative basis, making now a good time to lock in the Fund's profits and seek out opportunities with greater growth potential. The ESG story is satisfactory, but the Principals should consider the wider impacts of the company's core business operations and the long-standing (and highly profitable) partnerships it maintains with firms such as BP.

The Principals agreed to sell the entire Accenture holding on March 19<sup>th</sup>. It was sold on April 23<sup>rd</sup> at \$79.31.

# Brookfield Properties (NYSE: BPO)

GICS Sector: Financials

Industry: Real Estate Investment Trusts

**Brookfield Properties**

**Company Description:** Brookfield Properties Corporation (BPO) is a publicly owned real estate investment firm. The firm engages in the ownership, development, and management of premier commercial properties in major cities across the US, Canada and Australia. BPO's strategy focus on high-quality office properties provides significant exposure to rising values of high-quality office assets in primary markets, driven by rising market rents and property cash flows and abundant low-cost mortgage debt financing.

**Investment Pitch:** BPO leverages its best-in-class sustainability initiatives to design and build premium-rated properties that appeal to both environmentally conscious and luxury-oriented tenants. The company believes that its efforts toward carbon efficiency will lead to cost savings that will drive greater free cash flow as well as the longevity of the demand for LEED certified office buildings. BPO has a premium quality portfolio, and its portfolio is consistently well-leased, with long-term lease profiles matched with diversified, quality tenants (such as top financial, government, and energy sector companies). BPO also has a strong development pipeline that poises the company for future growth. Near term financial catalysts for the company include: reduced lease rollover exposure, leasing progress on its nearer-term lease maturities, continued refinancing at attractive interest rates, select property sales at attractive pricing/low cap rates, closing of residential asset sales, and continued exploration into new markets. The company maintains a strong liquidity profile with over \$20 billion in cash.

BPO's overall value proposition is highly integrated with its business case and organizational alignment. A large proportion of its portfolio has met the relevant regional green building standards, and there is evidence of further improvement of the energy efficiency of its US properties. BPO's efforts in strategic community engagement through public arts and events add to its brand recognition for the users of its properties.

**Divestiture Rationale:** Given the lackluster performance of BPO's major clients in the financial services and the slower-than-normal recovery pace of the US real estate market, the Fund Principals voted to exit BPO on 10/10/2013 after Brookfield Property Partners LP (BPY-U) offered on 9/30/2013 to buy the shares of BPO that it didn't already own to consolidate holdings and created one of the largest commercial real estate landlords. BPO planned a tender offer of the New York-based landlord's shares for stock or cash at a value of \$19.34 each. That was 15 percent more than BPO's closing price on 9/27/2013. The deal was valued at \$5 billion based on Hamilton, Bermuda-based Brookfield Property's closing share price. The Principals believed that the position was fully valued; without much upside, the Principals divested the position given the following risks: (1) Dependence on Few Business Sectors: Though BPO offers services to a wide range of customers, its client base is heavily concentrated towards three sectors, namely, financial services, government, and oil and gas. In 2013, major portion of the company's tenants were from the financial services sector, and followed by while government, oil and gas sector. (2) Dependence on Few Customers: BPO was highly dependent on select clientele to generate a large part of its revenues. Its top five tenants included Bank of America/Merrill Lynch, Government & Government Agencies, CIBC, Suncor Energy, and RBC.

## Darling International Inc. (NYSE: DAR)

GICS Sector: Consumer Staples

Industry: Food Products



**Company Description:** Darling International collects and recycles animal by-products, bakery waste and used cooking oil from poultry and meat processors, commercial bakeries, grocery stores, butcher shops, and food service establishments. After Darling completed the acquisition of Griffin Industries in December 2010, the company was re-organized into two segments: 1) Rendering (animal by-products) and 2) Bakery (bakery waste).

**Investment Pitch:** The Principals originally invested in Darling due to its unique business model of recycling waste into usable consumer products that are both environmentally sensible and profitable to produce. As the only national renderer and with its dominant market position, Darling is best equipped to capture national corporate accounts and produces substantial free cash flow with little credit risk. From an ESG perspective, the Principals see Darling as a good fit within the Fund due to the environmental benefits the core business generates along with the commitment the company shows toward environmental and safety compliance. Darling's core business of rendering, recycling, and recovering food by-products and waste reduces carbon output throughout the entire value chain. Furthermore, rendered bio-fuels produce less environmental harm than corn-based ethanol and act as a base for other alternative fuels. Darling demonstrates its commitment to the environmental, health, and safety by performing to a standard beyond regulatory compliance.

**Outcome:** Since the Fund purchased the stock in April 2009 at just under \$5/share, Darling has performed incredibly well, reaching a \$20.60 share price in October 2013. Darling's share has continued to rise, recovering from a 15% fall in stock price in May 2012, as the company missed Q1 2012 earnings due to lower raw material volumes and depressed end product pricing.

As the only national player in the rendering space, Darling should continue to dominate the market. The rendering business, however, has been negatively affected by lower prices for commodity goods, in addition to decreased demand for fats. Darling is looking to international rendering markets and non-rendering businesses for future growth. As of October 7th, 2013, Darling announced the intent to buy Netherlands based Renderer Vion Ingredients for \$2.2Billion (valuation was at \$2Billion) with an anticipated closing date in January 2014. The acquisition will increase Darling's exposure in the European market, which has suffered throughout the past year, and further diversify the product line point of view.

After deliberation, Fund Principals voted to divest from Darling, given uncertainty around the core rendering business and an inability to fully cover the position given the complexity of the company's business operations.

The Fund divested from Darling in December 2013 at a price of \$20.10.

# Equifax (NYSE: EFX)



GICS Sector: Industrials

Industry: Commercial Services

**Company Description:** Equifax is a leading global provider of consumer and business credit information. Equifax's products primarily assist businesses in making underwriting and marketing decisions. Equifax acquires and manages comprehensive databases containing the credit applications and repayment histories of consumers. The company derives its revenue from the sale of a wide variety of services, including credit reports and scores, risk management tools, fraud services such as identify verification and authentication, mortgage reporting and settlement solutions, and collection services. Lastly, the company's TALX subsidiary (acquired in 2007) provides employment and income verification services and other human resources outsourcing services to businesses in the U.S.

**Investment Pitch:** As one of three credit bureaus in the United States, Equifax is a leading company in an oligopoly. The company has an estimated market share of approximately 35%. Equifax enjoys a wide "moat" around its business primarily due to its database asset, which contains demographic, wealth, purchase, and payment data going back more than 100 years. Replicating the company's database of over 300 million records is virtually impossible. In addition, the company benefits from a network effect because by having data, firms transact with Equifax, which in turn provides Equifax with new data, enhancing its entrenched position as a market leader. Equifax also benefits from significant switching costs for large business customers who house Equifax technology internally in order to directly access the Equifax database.

From an ESG standpoint, Equifax's core business is socially responsible. Equifax is an essential part of the lending cycle in many countries, facilitating home ownership and access to capital (a home loan in the U.S. is not made without accessing Equifax's database). Also, Equifax's services empower individuals to understand and better manage credit, protect their identity (avoid identify theft and fraud), and maximize their financial well-being. Equifax's services help protect those that cannot afford to become indebted from becoming so. Finally, Equifax is a leader in its industry in terms of advancing transparency among credit rating agencies.

**Outcome:** The Fund initiated its Equifax position in December 2010 at \$35.45. Since then, Equifax has outperformed the Russell 3000 and grown trading at ~\$71 in March 2014. Equifax has benefited from a recovering housing market, increased mortgage refinancing, differentiated product offering, and international presence in Latin American and European markets. From a CSR perspective, Equifax's business is creating value in providing access to financial services internationally for both consumers and businesses. However, their CSR reporting and transparency leaves much to be desired and they have instances of questionable business activity related to consumer privacy and data.

Given expected growth that appears to be flattening relative to past performance and an ESG story which has some cracks, Fund Principals decided to divest from the position in April 2014 and was sold on April 23<sup>rd</sup> at \$69.84.

# Mattel, Inc. (NASDAQ: MAT)



**GICS Sector:** Consumer Discretionary

**Industry:** Leisure Equipment & Products

**Company Description:** Mattel designs, manufactures and markets a variety of toy products worldwide that are sold into retail distribution as well as directly to consumers. Mattel's portfolio of brands and products include Mattel Girls & Boys Brands, Barbie fashion dolls and accessories, Polly Pocket, Little Mommy, Disney Classics, Monster High, Hot Wheels, Matchbox, Tyco R/C vehicles and play sets, CARS, Radica, Toy Story, Max Steel, WWE Wrestling, Batman, Fisher-Price, Little People, BabyGear, Imaginext, View-Master, Dora the Explorer, Go Diego Go!, Thomas and Friends, Mickey Mouse Clubhouse, Sing-a-ma-jigs, See 'N Say, Power Wheels, and American Girl Brands.

**Initial Investment Pitch:** Mattel is the largest toy manufacturer in the world with significant positive attributes including strong brand names, a top-tier global distribution network, excellent management, and international growth potential. The company has some of the best and most consistent margins in the industry due to its ability to leverage its scale and empower employees to drive efficiencies. From an ESG perspective, Mattel has strong CSR initiatives that include responsible manufacturing, sustainable sourcing, philanthropic programs, and a commitment to product safety. The company's commitment to ESG is likely to set it apart from its much smaller peers who may be unable to have the same level of dedication to product safety and environmental issues.

**Divestiture Rationale:** Fund Principals reviewed Mattel in September 2013, at which point no major changes had happened to the company since the previous February 2013 review. Mattel remained a cyclical, growth story, with potential support from the growth of the emerging markets middle class. However, the stock had reached its \$42 target price. Valuation at 14.2x fwd. P/E appeared rich compared to mild projected growth for a company operating in a highly cyclical and competitive industry, where new fads may alter the playing field overnight. Finally, from an ESG standpoint, Mattel had always showed a more reactive than proactive attitude. Principals also questioned the role of Mattel in the Fund's ESG-focused portfolio, scrutinizing issues such as product safety and gender norms. As a result, weighing potential growth prospects against a rich valuation and a questionable ESG story, Principals voted to divest the position at \$41.95 on 9/10/2013. The Fund had initiated its position on 05/03/2012 and realized a total gain of \$22,945.63 on the name. The stock is down 8.31% since divestiture.

## Norfolk Southern (NYSE: NSC)

GICS Sector: Industrials

Industry: Road & Rail



**Company Description:** Norfolk Southern Corporation controls one of the largest freight railroads on the East Coast of the United States. The company operates approximately 21,000 rail route miles in 22 states and the District of Columbia, serves every major container port in the eastern United States, and provides connections to other rail carriers. Collectively, Norfolk Southern operates the most extensive intermodal network in the East. The company employs approximately 28,500 people.

**Investment Pitch:** NSC is an attractive investment because of the high barriers to entry in the railroad industry, the company's revenue and profitability growth prospects, and the direct link between the company's cost-saving ESG practices and its bottom line. The capital intensity and regulation of the railroad business effectively limits new entrants. Meanwhile, the distribution industry continues to experience a shift from its current trucking majority to rail due to the compelling economics of rail versus trucking. Furthermore, improved intermodal rail transport and increased highway congestion will continue to strengthen this secular trend. Further financial return upside comes from a combination of pricing increases and cost cutting, which should enhance operating margins. Lastly, the company has a track record of returning cash to investors through dividend payouts and share buybacks. In 2012, NSC repurchased more than \$1 billion of stock, representing roughly 5% of the market cap. In addition, the company paid out \$624 million in dividends, representing a dividend yield of ~2.5% at current prices.

From an ESG investment perspective, the company's business is directly enhanced by the environmental goals of the company and its customers. NSC will benefit from its customers' sustainability objectives because the company can transport goods in a fuel-efficient manner. To capitalize on this trend, NSC created the "Green Machine," a carbon footprint analyzer that allows shipping companies to estimate emissions savings by choosing rail instead of highway. In 2011, NSC reduced its greenhouse gas emissions by 2% per revenue-ton mile and achieved the best safety record for large railroads in North America for the 22nd consecutive year.

**Outcome:** NSC has advanced approximately 30% since the Fund purchased it in 2011 and roughly 25% over the past year.

Many aspects of the investment thesis from 2011 remains intact: 1) high barriers to entry, 2) secular shift from truck to rail, 3) business enhanced by environmental goals, 4) room to improve operating margin, and 5) cash flows being returned to investors. The company has continued to boost its payouts from dividends and stock buybacks, and valuation appears reasonable compared to the overall market and CSX, which is its closest competitor. NSC has been able to navigate the soft coal market (nearly one quarter of NSC's revenue) effectively in recent years, with revenues and net income continuing to grow.

HSRIF Principals decided to sell the position over concerns surrounding the ESG aspect of the investment. While rail is a "greener" and more fuel-efficient mode of transportation than truck and NSC is taking steps to reduce its carbon footprint, NSC is still a major consumer of fossil fuels (diesel) and emitter of carbon and GHG. Additionally, the company earns the majority of its revenue from "dirty" industries – coal, chemicals, autos, paper/forestry and other commodities.

The Fund voted to divest its position in April 2014, and sold its position on April 23<sup>rd</sup> at \$95.46.

# PG&E Corp. (NYSE: PCG)

GICS Sector: Utilities

Industry: Multi-Utilities



**Company Description:** PG&E is an \$18.7 billion holding company and utility engaged in the generation, procurement, and transmission of energy in California, and is one of the largest utility holding companies in the U.S. The company also is involved in the generation, procurement, transmission, and distribution of electricity as well as the procurement, transportation, storage, and distribution of natural gas.

**Investment Pitch:** Pacific Gas & Electric is one of the largest combination natural gas and electric utilities in the United States, serving approximately 15 million people in Northern and Central California. PG&E's stable earnings are expected to grow moderately over the long run. Moreover, because the market is regulated, a healthy rate of return is guaranteed to the company through the ongoing adjustment of rates. Concerns for other utilities regarding the volatile cost of natural gas for generation purposes are diminished for PG&E because it is an integrated gas and electric utility.

From an ESG perspective, the Fund has selected the company for its prioritization of safety and reliability. Given the nature of the business, these two aspects are a critical component to distinguish leaders from average players. The 2010 San Bruno accident has significantly tested these priorities, but a change in leadership as well as increased investment in safety measures show a dedication to improvements. Recently, the company has also become an example for other utilities to reduce carbon emissions through proactive procurement of renewable resources in its generation portfolio. These initiatives were accompanied by a strong effort to promote energy efficiency among consumers and upgrade the infrastructure required to meet a higher standard of savings.

**Divesture Rationale:** Fund Principals updated the investment thesis and voted to exit PCG, the Fund's longest position, on 9/19/2013. Prior to the divesture, the Fund believed that PCG remained a waiting game with continued delays in resolution of San Bruno, the uncertain timing of general rate case resolution, and the transmission rate case. The HSRIF understood how value could be found in PCG shares with reasonable resolution of the three big issues, but with late 2013 looking to be on the early side for ultimate San Bruno resolution, the Principals felt the upside did not merit the forbearance of unfavorable outcome of the San Bruno case. The following depicted uncertainties by the time of the thesis update:

- **San Bruno:** Path to resolution now feels closer to a year-end event with the docket closing 9/23/2013 at the earliest using the most recent order of the Administrative Law Judge (ALJ). A PD would come within 60 days and Commission approval 30-45 days later, leaving an optimistic Nov/Dec resolution. Concurrently, PCG's request to re-open the docket sat at ALJ and if approved could push the schedule further.
- **General Rate Case:** Settlement talks are scheduled for 8/12/2013 with history pointing to a fall settlement (if at all) and final resolution sometime in '14; however the Principals wondered whether a GRC deal was feasible prior to San Bruno closure.
- **Transmission Rate Case:** PCG filed its T015 rate case on 7/24/2013, requesting the '14 transmission revenue requirement using a 10.9% ROE (10.4% base plus 50 bp ISO addr) vs. the T014 case's 9.1%.

The Fund exited the position on 9/19/2013, sold at \$42.23 with a capital gain of 3.25%. PCG was later charged with federal felonies for the San Bruno tragedy on 4/1/2014 along with a proposal of \$2.5 billion of fines and penalties.

# SodaStream International (Nasdaq: SODA)

GICS Sector: Consumer Staples

Industry: Food & Beverage



**Company Description:** SodaStream manufactures home beverage carbonation systems and related products, which enable consumers to easily transform ordinary tap water instantly into carbonated soft drinks and sparkling water. SodaStream offers a highly differentiated and innovative solution to consumers of bottled and canned carbonated soft drinks and sparkling water. The products are environmentally friendly, customizable and fun to use. In addition to home beverage carbonation systems, SodaStream develops, manufactures and sells exchangeable carbon-dioxide (CO<sub>2</sub>) cylinders, as well as consumables, such as CO<sub>2</sub> refills, reusable carbonation bottles and flavors to add to the carbonated water. SodaStream currently sells its products through over 60,000 retail stores in 45 countries, including Wal-Mart, Target, Bed Bath & Beyond, Macy's, Kohl's, JCP, Best Buy and Amazon. SodaStream has flavor partnerships with companies such as Kraft, Ocean Spray and Campbell's.

**Investment Pitch:** The investment thesis for SodaStream revolved around the following 7 factors: 1) strong growth, 2) long growth runway, 3) long-term earnings visibility, 4) no competition (yet), 5) reasonable valuation, 6) high short interest, and 7) environmentally friendly business. At the time of the pitch, SodaStream was growing revenue by approximately 30% year-over-year, and the company grew revenue by over 4x from 2009 to 2013. To put SodaStream's 2012 revenue of \$426.3 million in perspective, Coca-Cola and Pepsi reported 2012 global sales of \$48 billion and \$65.5 billion, respectively. SodaStream's annual revenue is less than 1% of Coke & Pepsi's combined revenue, showing a long growth runway for the company. SodaStream expects to growth substantially in the future, and has issued long-term, 2016 guidance of \$1 billion in sales. There is very limited competition in the home soda maker market. While market share data is hard to come by, SodaStream reports that it has conducted surveys that reveal that it has the largest market share in each of the dozen of the largest markets in which it operates. The surveys also show that there is a lack of a competing home beverage carbonation system in the significant majority of other markets around the world, including the United States. SodaStream has 54.5% of its float sold short, which creates the potential for an enormous short squeeze.

Finally, its environmentally friendly offering is at the heart of SodaStream's business and makes it a suitable investment for an SRI portfolio. SodaStream's vision is to create a world free from bottles by offering an alternative to plastic bottle consumption. One SodaStream carbonator makes 60 liters or 180 cans of beverage, and then is re-filled and reused. One SodaStream reusable bottle can make as many as 50,000 liters of carbonated drink (assuming 3 year shelf life). The environmental cost to produce the plastic bottles and transport the goods to consumers is also high, as it requires a tremendous amount of oil and water to manufacture plastic bottles. Since January 2009, SodaStream claims to have saved the world from over 1 billion plastic bottles. SodaStream is poised to take advantage of the long-term trend of environmentally conscious consumption by consumers.

**Outcome:** SodaStream was a short-lived position in the HSRIF portfolio. After initiating the position in late 2013, the Principals voted to divest SodaStream in April 2014 due to a combination of factors:

- *Oxfam Controversy* – Oxfam brought to light the fact that SodaStream is operating a factory in an occupied settlement in the West Bank.
- *Weak Financial Performance* – SodaStream issued weak earnings guidance in January 2014, which sent the stock down 30% from peak to trough in 2014. The stock recovered somewhat, but the Principals questioned the ability of SodaStream to execute going forward.

The HSRIF sold its position in SodaStream in April 2014 at \$46.20 for a loss of approximately 12%.

# Waste Management (NYSE: WM)

GICS Sector: Industrials

Industry: Commercial Services



**Company Description:** Waste Management, Inc. is the nation's largest provider of waste collection, transfer, recycling and disposal services, operating with the slogan "Think Green." The company operates 271 landfill sites (more than its two closest competitors combined), 345 waste transfer facilities, and 390 collection operations. WM also manages a growing portfolio of recycling, waste-to-energy and landfill gas-to-energy projects, as well as independent power production plants and sustainability advisory services, based on the strategic view "not that the waste stream is going away, but that parts of it are being diverted to recover greater value from the materials that make up that stream." The company's 43,000 employees serve customers in the US and Canada, and WM also has a waste-to-energy joint venture in China.

**Investment Pitch:** The waste management business is no longer just a collections business; it's more about waste processing business and WM is positioned to lead in this area. Specifically, actual landfill volume hit a plateau in 2006. Part of this is based on economic conditions (as GDP grows, waste output grows), but the growth rate of landfill volume will likely not increase as fast as before as the economy recovers due to consumer interest in recycling and the adoption of a "zero waste" mentality. These consumer/household trends are beginning to transfer to the commercial waste sector as large companies like Wal-Mart are instituting stringent recycling policies; these actions put pressure on other corporations to follow suit from a CSR perspective and are supported by customer demand. In addition to its innovations and operational efficiencies in recycling processes, WM is finding more ways to reuse waste materials through either processing recycled materials or converting waste to alternative energy forms. Although these two revenue segments are the smallest, they are high margin and high growth and will be the long-term drivers of the company's growth.

Environmental sustainability initiatives are central to the company's core revenue lines and primary strategy. In 2009, the company reorganized its operations to integrate the management of its recycling business with its other solid waste businesses, in four regional operating units. When considering the follow-on energy generation and recycling opportunities from collection, transfer and landfill operations, management points out that a full 50% of its revenue stream can be considered "green" and is working actively to increase that proportion.

**Divesture Rationale:** The Fund Principals entered with approximately 5% of the Fund's total portfolio allocation in May 2011 at ~\$39.46. In March, 2014, the Fund decided to exit the position based on the following reasons: (1) Most of local governments promulgated "zero-waste" regulations, which impacted WM's recycling business significantly and forced to WM to assess a \$262 million asset impairment loss; (2) The original investment thesis in betting on growth in WM's waste-to-energy business did not work out during the holding period. Revenue from the renewable industry sector from 2011 to 2013 shrank or at best remained stagnant. WM ended up taking a \$483 million goodwill impairment loss and a \$144 million asset impairment loss. The viability of its waste-to-energy business was challenged by the "zero waste" regulations as the public started to see wastes as resources; (3) WM's ESG ranking was downgraded by MSCI from BBB to BB due to its violations in labor management and toxic emissions/waste. In 2013, WM utilized replacement workers in face of confrontations with its unionized employees. Its waste-to-energy conversion process emitted hazardous fumes and generated solid waste containing dioxins and traces of heavy metal as arsenic, cadmium and mercury. The Principals exited at \$41.84, deriving a capital gain of 6.03%.

## SolarCity (NYSE: SCTY)

**Sector:** Energy

**Industry:** Renewables



SolarCity is a company offering installation, monitoring and repair services of solar energy systems in the U.S. Through innovative financing structures, SolarCity makes clean energy available to homeowners, businesses, schools, non-profits, and government organizations at a lower cost than they pay for energy generated by burning fossil fuels like coal, oil, and natural gas. The Fund found this company compelling due to its transformative impact on solar energy through financial innovation coupled with its strong growth potential in a burgeoning \$63 billion electricity market. At its core, SolarCity is helping people and organizations reduce their carbon footprint and their utility bills. Significant revenue growth and cost declines is expected which point to a financial valuation of 40% over the current market price.

## Microsoft (NYSE: MSFT)

**Sector:** Technology

**Industry:** Software & Services



Microsoft is the world's largest software company. Over 80% of its revenue and nearly all of its profits continue to be derived from the Windows OS, Windows Service, and Office. Under new CEO Satya Nadella, Microsoft is embracing the winds of change in the world of big tech and the Principals believe the firm's well established product suite is positioned to thrive in the new world. Recent launches such as Office 365 for the Apple iPad and Enterprise Mobility Suite display an increased willingness to invest in non-Windows platforms in pursuit of opportunities in mobile and cloud services. Further, Microsoft's ESG qualities were recently upgraded from AA to AAA by MSCI – a reward for the firm's exemplary performance in all areas of ESG and its significant improvements in human capital management. Lastly, whilst Microsoft's P/E ratio of 14.72 is mildly rich relative to its peers (Oracle 13.89, Apple 12.95), its cash-adjusted P/E ratio is 11.80 (vs Oracle's 15.23). This is an important metric given Microsoft's cash-heavy balance sheet and the likelihood of an increased dividend and/or share buyback. Given the strength of its established product suite, its favourable strategic position, and the Principals' revenue forecasts, this points to some considerable upside remaining in this stock.

## **Mylan (NYSE: MYL)**

**Sector:** Healthcare

**Industry:** Drugs – Generic



Mylan Inc., a Pennsylvania-based global pharmaceutical company, develops, manufactures, markets, and distributes generics, branded generics, and specialty pharmaceuticals. The company currently has 42 first-to-file Abbreviated New Drug Applications pending, which, according to IMS Health, represents an estimated \$25.4 billion in annual brand sales. While the company has a large and diverse portfolio of over 1,200 pharmaceuticals some of its target disease areas include HIV/AIDS, diabetes, cancer, hepatitis, allergies, chronic obstructive pulmonary disorder, and other infectious disease. Mylan’s mission centers on providing affordable access to pharmaceuticals and targets those disease areas that have large patient populations in high- and low-income countries, helping to contain costs and improve health worldwide.

The company is currently at an inflection point as it has acquired Agila, the injectables unit of Strides Acrolab, and has forged strong partnerships with Biocon, India’s top biotechnology firm. These moves position the company to develop biosimilars, an emerging area of generics targeting chronic disease and requiring capabilities in biotechnology. Biosimilars promise significant demand from patients struggling with the high cost of insulin, heart treatments, and other large protein therapies. As a stable player in generics with a proven record in navigating regulatory hurdles, winning patent litigations, and supporting large-scale global health initiatives, Mylan is a strong financial and social investment for the Fund.

## **WhiteWave Foods (NYSE: WWAV)**

**Sector:** Consumer Staples

**Industry:** Food-Dairy Products



The WhiteWave Foods is a leading consumer packaged food and beverage company focused on high-growth product categories that are aligned with emerging consumer trends. They manufacture, market, distribute, and sell branded plant-based foods and beverages, coffee creamers and beverages, premium dairy and organic greens and produce products throughout North America and Europe. Their products include Silk, International Delight, Horizon Organic, Earthbound Farm, and Land-O-Lakes in North America and Alpro in Europe.

WhiteWave’s mission is to “change the way the world eats for the better by providing consumers with innovative, great-tasting food and beverage choices that meet their increasing desires for nutritious, flavorful, convenient and responsibly produced products.” From an environmental perspective WhiteWave tracks and attempts to reduce greenhouse-gasses, waste and water usage. Socially they encourage their employees to participate in their volunteering program with 98% of employees participating.

## ACCOMPLISHMENTS

Every year presents new opportunities to grow the Fund in a diversity of ways. The 2013-2014 academic year has been no exception. The Fund's key accomplishments during the period include the following:

- I. **Advisory Committee Involvement & Communication.** During the February 2014 Advisory Committee meeting, members and Principals discussed increased involvement with and communication to the Advisory Committee. In response, Advisory Committee members were invited to and participated in Principals' long-pitches over a three week period. Further, it was decided that communication be increased through informal periodic emails regarding activities of the Fund Principals.
- II. **Bloomberg Transition.** At the beginning of fall 2013, Nick Shea transitioned the Fund's performance tracking and reporting from the legacy Excel spreadsheet to Bloomberg's Portfolio platform (<PORT>). This has allowed and will allow for an infinitely more robust financial performance tracking and analysis. The legacy spreadsheet computed returns using total portfolio value, which was manually adjusted for cash deposits and withdrawals, cash additions from dividends, and corporate actions on a monthly basis. Bloomberg now performs these calculations automatically. Bloomberg also allows to easily analyze performance excluding cash. Finally, while the Principals are still learning the full capabilities of <PORT>, Bloomberg provides a multitude of tools to slice and dice performance data and better understanding the Fund's performance drivers.
- III. **Crowdfunding.** In spring 2014, the Center for Responsible Business ran a crowdfunding campaign for the Haas Socially Responsible Investment Fund. The campaign successfully raised \$126,209 in donations, greatly exceeding the original goal of \$100,000. With a generous match by Charlie Michaels (BS '78) and Doris Michaels, the Fund gained over \$250,000 in new capital for its student Principals to invest. A complete acknowledgement of donors concludes this Annual Report.
- IV. **Media.** In April, the Guardian Newspaper of the UK wrote an article on the activities of the HSRIF. The article generously highlighted the successes of the Fund since its inception and explained its investment processes. First-year Principals Nikita Mitchell and Tom Garland and Center for Responsible Business Faculty Director Kellie McElhaney were interviewed for the article. Some interesting extracts from the article include; "Call it capitalism with a conscience: the fund's student managers spend their time in a high-stakes, purpose-driven learning lab, where they wrestle through the fine details of what it means to be responsible for and manage a \$2m investment vehicle. The Principals are principled, argue passionately for responsible corporate citizenship and are less fazed by the quarterly client pressure of an investment house. This is, in a way, part of Haas' secret sauce." The Fund will endeavor to continue its promotion through the media in the coming years.
- V. **New Voting Process.** During the Spring semester, a new voting process for investments was devised and implemented for the Fund. The purpose of the new process was to maintain efficiency and impartiality whilst eliminating the risk of groupthink. It is likely that this process will be subject to change over time, especially with the introduction of a new class of Principals next year. An overview of the new process is as follows:
  - a. Blind voting has been implemented using an online Google form
  - b. Existing stocks – updates:
    - Scheduled update and discussion
    - Blind voting in accordance with the recommendation (hold or sell)

- A 50% majority on the stock's overall story must be secured in on the hold or sell vote
  - If hold is the voted option, there is a discussion and vote on the secondary conviction of add, hold, or trim. This may be discussed openly at the meetings.
- c. New stocks – long pitches:
- Pre-release of long pitch names - One veto vote granted to each Principal
  - Long pitch followed by discussion
  - 2 votes are conducted: one on ESG and one on financials
  - A 50% majority must be secured on both for the stock to be approved as a potential investment.
  - Force ranking will be used to distinguish the more favored additions from the less favored. Consideration should be given to diversification benefits as well as quality of the stock. The Principals will use 3 buckets for force rankings – green, amber, and red. The bucket allocations will determine the amount of capital invested in each approved stock. As time goes on and portfolio becomes more fully invested, existing holdings may be included in the force ranking since it is likely that positions will need to be sold in order to release capital for new investments.

VI. **Onboarding Process.** This year the Principals made an effort to bolster the onboarding process even further than the year before by designating and designing three sessions specifically catered to first-years onboarding in January and February. New elements included an in-person ESG investing lecture by Nadja Guenster, a session on portfolio theory and a 3 semester roadmap for new Principals on the Fund experience. The Principals also covered fund history, portfolio company overviews, financial performance, ESG performance, ESG strategies, MSCI database tool and financial modeling for position evaluation.

VII. **Recruiting.** The Fund experienced an exponential growth in interest this past year. With the help of the Center for Responsible Business, the 2014 Fund Principals were able to increase awareness of the Fund's mission and recruit talented individuals to join the incoming Principal class. Over the 2013-2014 academic year, the 2014 Principals attended the general Club Fair, Social Impact Club Fair and held a catered lunch information session.

The increased marketing efforts of the 2014 Principals helped draw nearly 40 actively interested students. To accommodate the overwhelming interest in the Fund and growth in assets under management, the 2014 Fund Principals decided to increase the incoming 2015 Principal class to 8 students. The Fund set a record in 2013-2014 and received 52 applications –an increase of more than 250% from last year's applications.

With so many qualified applicants, the process of selecting a subset of students to formally interview was difficult and required tremendous amount of collaboration between the 2014 Principals. As a group, the 2014 Principals wanted to focus on bringing in a diversified set of viewpoints to create a collaborative and unique experience for the incoming class. Of the 52 applicants, 27 were formally interviewed by second-year Principals and 8 were officially selected to join the Fund.

The increase in interest and visibility of the Fund is a true testament to the relevance and importance of socially responsible investing. The Principals are very excited about the success of our latest recruiting efforts and look forward to continuing to build the Fund's brand both on and off campus in the upcoming years.

### **Vikas Bhagat**

In the five years prior coming to Haas, Vikas worked as a senior analyst at Analysis Group, an economics and finance consulting firm. While at Analysis Group, Vikas worked primarily on cases involving the investment decisions of portfolio managers for 401(k) retirement plans, large multi-billion dollar pension plans, and mutual funds. As a senior analyst, Vikas managed a case team that modeled peer group performance and fee structure for a large mutual fund provider, which eliminated damages of \$15 billion and helped earn a decisive win in the largest mutual fund case to go to trial in more than twenty years. Vikas is at Haas to expand his understanding of portfolio management and to learn how investors make decisions when faced with uncertainty. Vikas graduated from the University of California, Irvine with cum laude honors and earned a B.A. in Economics and minor in Management.

### **Garnett Booth**

Before Haas, Garnett worked for 4 years as an asset-backed securities trader at Barclays Capital in New York, where he focused on auto, credit card and student loan debt. Garnett also spent 1 year at early-stage agriculture start-up mOasis, which manufactures an in-soil technology that allows farmers to grow higher yielding crops using less water. Garnett decided to apply to Haas to learn more about finance and socially-responsible business. He received his undergraduate degree from Harvard, where he concentrated in Economics. In his free time, Garnett enjoys playing squash and spending time with his wife and two puggle puppies.

### **Kevin Chang**

Prior to Haas, Kevin was elected Taiwanese Student Representative to 2002 United Nations Student Summit in Japan. After he graduated from National Chengchi University, he worked in the Air Force as a lieutenant selected to lead an independent platoon of 30 soldiers in a strategically essential checkpoint to air defense mission. During his two-year service in the air force, he won numerous awards in the national combat drills because of his outstanding leadership skills and expertise in military maneuvers. Later, with his passion for international business, he joined PwC Assurance and Advisory Services to work with Fortune 500 companies. After getting his US CPA license, he was enlisted to be part of the pioneering team to focus on US middle-market tech companies going IPOs in Asia. Before he left PwC, he had helped those companies successfully raise more than \$1bn capital in the open market. As Haas, Kevin is the VP of the Finance Club and an active member of Technology, Asian Business and Wine Industry Clubs.

### **Samantha Fernandez**

Samantha comes to the Haas MBA program after spending seven years working in the social enterprise and international impact investing space. She was a strategy consultant to corporate philanthropists, foundations and non-profit networks at The Bridgespan Group. Additionally, she worked for three years in Investor Relations and Business Development at Root Capital, an international finance fund supporting rural businesses in Latin America and Africa. At Haas, Samantha is focused on understanding how to sustainably bring technology, product and financial access innovations to markets worldwide. She plays an active leadership role in the Global Social Venture Competition, International Development & Enterprise Club and the Design & Innovation Strategy Club. She holds a B.A. in Economics and Latin American Studies from the University of North Carolina at Chapel Hill.

### **Nick Shea**

Prior to Haas, 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. In tandem, Nick co-founded Vital Corporate Advisors, a venture dedicated to allowing South East Asian microfinance institutions to change people's lives through corporate financial advisory. This experience, along with his

undergraduate involvement with Gawad Kalinga and Supporting Education in Rural China, raised his awareness of our world's socio-economic imbalances. Nick came to Haas to bridge his interest for finance and sustainability by exploring how modern finance can be used towards a positive impact. Nick is also dedicated to expand the Haas investment brand as Co-President of the Investment Club. He graduated magna cum laude from Georgetown University with a B.A. in Economics and Chinese. He is also a CFA Candidate and passed Level I in June 2012.

**Eric Yanagi**

### **Megan Bradford**

Megan comes to the Haas MBA program following a career in international development and philanthropy. Prior to Haas, she managed international grant and impact investments for the Evangelical Lutheran Church in America, focused in healthcare, education and microfinance in Africa, Latin America and Southeast Asia. Megan came to Haas with a specific goal of increasing her understanding of other financial models with multiple bottom lines. At Haas, she is an Investment Banking Fellow, Forte Fellow, Berkeley Board Fellow and has an active leadership role in the Global Social Venture Competition and the Haas Impact Investing Network. She holds a B.A. in Philosophy and Religion from Drake University in Des Moines, Iowa.

### **Tom Garland**

Prior to joining Haas, Tom worked for Barclays Wealth & Investment Management in London and Hong Kong. During his tenure at Barclays, Tom spent time as an options sales-trader in both the London and Hong Kong offices before moving to become a private wealth manager in Barclays' London office. This role saw him co-manage a large book of high net worth client portfolios, advising on investments, asset allocation, and structuring whilst engaging in business development. Tom attended Durham University in the UK for undergrad, where he received a 1st class honours degree in Politics and played for the university's rugby team. Tom is a keen rugby player, having played professionally in Hong Kong and the US, and is now coaching the Haas rugby team whilst playing for the Olympic Club in San Francisco. Tom passed all 3 levels of the CFA at the first attempt.

### **Nikita Mitchell**

Nikita started her career at Deloitte Consulting where she worked with federal agencies to achieve their missions through strategic planning, financial management and business model analysis. In pursuit of an opportunity to use her skills for greater social impact, she switched into the nonprofit sector and has worked for a diverse set of both national and community-based nonprofits. Nikita's passion for socially responsible business started after helping found a club as an undergrad that explored the intersection of business and social change. She is a StartingBloc Social Innovation Fellow, and at Haas she is focused on marketing, design thinking and innovation. Nikita is also the President of the MBA Association, a Student Liaison for the Consortium Graduate School of Management Fellowship program and a Forte Fellow.

### **Naoko Miyamoto**

Prior to Haas, Naoko spent five years working in public finance and government in San Francisco. She has experience working as an economic researcher at the Japanese Consulate covering science and technology, energy and environment, and the local economy in Northern California and Nevada. Naoko spent three years working at Public Financial Management, a consulting firm providing financial advisory services to state, local, and regional government clients. Though she covered many sectors, Naoko focused primarily on advising airports with the sale of municipal bonds for large capital projects totaling over \$3 billion. Later, Naoko joined San Francisco International Airport to manage its \$300 million short-term debt program. At Haas, Naoko hopes to broaden her experience into the private sector and explore social impact opportunities. She plays an active leadership role in the Global Social Venture Competition and MBA Association as the VP of Social. Naoko received her B.S. in Foreign Service from Georgetown University.

### **Aarthi Rao**

Before joining Haas, Aarthi worked in global health and education policy at the Results for Development Institute based in Washington, DC and New Delhi. She assessed pro-poor programs and policies and developed options to strengthen them on behalf of clients including major foundations, multi-lateral organizations, and developing country governments. Most recently, Aarthi co-led an initiative to jumpstart

global health R&D in India and led an assessment of a private school chain serving slum communities in Hyderabad. She came to Haas to build on her foundation in program management and policy analysis to explore corporate responsibility and high impact philanthropy. She holds a BA in Public Health with honors from the Johns Hopkins University.

### **Chad Reed**

Prior to Haas, Chad served for five years as a Middle East specialist in the US intelligence community before transiting to a career in energy and sustainability consulting. During his time with the Rockefeller-funded ARISE initiative, Reed convened stakeholders from private sector financial institutions and public sector enabling entities to develop solutions to match and accelerate the flow of capital to sustainable and resilient urban infrastructure projects, and spoke at the 2013 Resilient Cities conference in Bonn, Germany. Before that, he identified, scoped, and prioritized \$640,000 in energy efficiency and sustainability investments with a net present value of over \$800,000, and annual carbon emissions reductions equivalent to taking over 240 cars off the road for Ingersoll Rand's Center for Energy Efficiency and Sustainability. At Haas, Chad is a Center for Responsible Business Alumni Scholar, a VP in Net Impact, and is taking an active leadership role in organizing the 15th annual Global Social Venture Competition. Chad holds a B.A. from The George Washington University and an M.A. from The Johns Hopkins University.

### **Ryan Stanley**

Ryan began his career on the fixed-income trading desk at M&T Bank in Baltimore, Maryland. Ryan joined M&T as a sales associate but was quickly promoted into a trading role. He has experience trading a wide variety of fixed-income products including treasuries, corporate bonds, municipal bonds, agency debt, and money market securities. Ryan also worked as a research analyst at Biegel & Waller in Columbia, Maryland. Biegel & Waller is an investment advisory firm managing nearly \$500 million in separately managed accounts. Ryan's interest in socially responsible investing is exploring what makes a company socially responsible and does that lead to outsized returns? Ryan is the Co-President of the Finance Club, the Vice President of Communications for the Investment Management Club, and a CFA Charterholder. He holds a BA in Economics with a minor in Statistics from the University of Maryland, College Park.

### **Bari Wien**

Prior to coming to Haas, Bari worked as a Research Associate at Yingli Solar, the largest solar panel manufacturer in the world. She did market research and sales analytics to expand Yingli's presence in the Americas. Before entering the solar industry, she cofounded a \$1 million Revolving Green Loan Fund at Dartmouth College, where she also received her B.A. in Environmental Studies & Economics. Bari came to Haas to focus on finance and explore how market-based tools can make clean energy access universal. She is a member of the Energy & Environment team in the Haas Impact Investing Network and VP Partnerships for the Berkeley Energy & Resources Collaboration.

## ADVISORY COMMITTEE



**George Dallas** is an independent advisor in the fields of corporate governance, business ethics and responsible investment. He is currently Chairman of the International Corporate Governance Network's Business Ethics Committee, a member of the Fixed Income Steering Committee of the Principles for Responsible Investment and is a member of the Private Sector Advisory Group of the Global Corporate Governance Forum, which is linked to the World Bank.

Until January 2014 Mr. Dallas served six years as Director of Corporate Governance at F&C Investments in London, where led F&C's global policies relating to corporate governance, including proxy voting, remuneration and engagement matters. He has been active engaging companies in the area of business ethics, and has a sectoral focus in financial institutions. From 2008 to 2014 he was also a member of the Investment Committee of the Association of British Insurers.

Prior to joining F&C in January 2008, Mr. Dallas was a Managing Director at Standard & Poor's, where he served in a range of managerial and analytical roles, including head of Governance Services, head of Global Emerging Markets, and regional head for S&P's credit rating services in Europe. Mr. Dallas began his career as a corporate lending officer at Wells Fargo Bank in 1981, before joining S&P in 1983.

Mr. Dallas has written extensively on corporate governance and international finance and edited the book *Governance and Risk* (McGraw-Hill, 2004). Mr. Dallas holds a BA degree, with distinction, from Stanford University and an MBA from the Haas School of the University of California at Berkeley.



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



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



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



**Paul Maa** is an Associate at New Island Capital focused on private equity investments in the areas of alternative energy and the environment. Prior to joining New Island, he worked at Room to Read, a social venture with infrastructure and education operations in Sub-Saharan Africa, South Asia, and Southeast Asia. Previously, Paul was a private equity professional at Gryphon Investors, where he was responsible for investments in consumer and industrial sectors, and an investment banker at Lehman Brothers, where he focused on M&A, debt, and equity offerings for industrial companies. Paul has also served as Co-Chair of the Global Social Venture Competition and currently sits on the Advisory Board of the Haas Socially Responsible Investment Fund. Paul holds a BA in Mathematical Methods from Northwestern University and an MBA from the Haas School of Business at UC Berkeley.



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

Her Corporate Responsibility work focuses in three areas: (1) Analyzing and developing companies' CSR strategy and its alignment with corporate strategy, business objectives, core competencies, and value creation; (2) Exploring the linkage between women, business leadership, and corporate sustainability (3) The business value and opportunities in branding, communication and CSR. She has written a book entitled ***Just Good Business The Strategic Guide to Aligning Corporate Responsibility and Brand (2010)*** on these focus areas, as well as given a **TED talk** on the topic.

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

Kellie keynotes for companies and organizations all over the world, and consults to Global 1000 companies in developing integrated CSR strategy and women's investment strategy, bridging her academic focus with the practitioner world. Her client list includes HP, Gap, eBay, McDonalds, Levi, Wal-Mart, Target, Clorox, Ernst & Young, NVIDIA, Blue Cross Blue Shield, Nokia (Finland), Navigant, Volunteer Match, Ford Motor Company, PG&E, Driscolls Berries, Triage Consulting Group, Ulster Bank (Ireland), Kimberly-Clark, Frontline, Accenture, StatoilHydro (Norway), Yum! Brands, Chevron, ING, Energizer Holdings, Inc., Pandora Internet Radio, Aboitiz (Philippines).

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



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

**Jon D. Neuhaus** is a Senior VP in Morgan Stanley's Private Wealth Management Group. Jon has worked for 9+ years in private wealth management: Morgan Stanley Private Wealth Management; Citi Smith Barney in the Family Office; and Merrill Lynch's Private Banking & Investment Group. Before graduating from business school, Jon worked at Deloitte Consulting Group and, after two years, co-founded a management consulting firm which advised Fortune 15 companies.

Jon graduated with a MBA from the Kellogg School of Management at Northwestern University. He received his B.A. with high honors in Political Science and History and high distinction in general scholarship from U.C. Berkeley. He is a graduate of Phillips Exeter Academy and an active member in the Alumni Association. Jon also is an active member of City Year, a youth service/leadership development organization, in which Jon served full-time in Boston (prior to matriculating at Berkeley) and later in Chicago. He coaches Little League in Palos Verdes, CA, and also serves on the Board of Trustees of Rumsey Hall School in his hometown of Washington, CT. Jon resides in Berkeley and Hermosa Beach, CA.



**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.



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



**H. Michael Williams** is currently Vice Chair of the UC Berkeley Foundation and the Immediate Past Chair of the Foundation's Campaign Steering Committee. Mike retired in 2009 as Vice Chair, Capital Markets for Barclays Global Investors, the world's largest institutional asset manager at the time. Other roles at BGI included Head of the Global Index and Markets Group, where he was directly responsible for over \$1.1 trillion in assets, Head of Global Securities Lending and CEO, President and Trustee of BGI's mutual funds. Before joining BGI in 1993, Mike was a debt trader and corporate finance officer for Bank of America. He began his career at Data Resources, Inc. In addition to his service on the UC Berkeley Foundation Board of Trustees, Mike is on the Advisory Boards of the UC Berkeley Division of Equity and Inclusion and Bronze Investments and several nonprofit boards, including the California Heritage Fund. Mike has a BA in Economics from UC Berkeley and an MBA in Finance from the UCLA Anderson School of Management. He and his wife Jeanne have three children and reside in Lafayette, California.

## ACKNOWLEDGEMENTS

In spring 2014, the Center for Responsible Business ran a crowdfunding campaign for the Haas Socially Responsible Investment Fund. The Fund successfully raised \$126,209 in donations, greatly exceeding the original goal of \$100,000. With a generous match by Charlie Michaels (BS '78) and Doris Michaels, the Fund gained over \$250,000 in new capital for its student Principals to invest. Sincere gratitude to the enthusiastic supporters who believed in vision of the Fund: elevating Haas students' rare, real-world experience of active portfolio management in the SRI space. Thank you for supporting Berkeley-Haas students and the future of sustainable finance.

### \$100-\$499

Adam Valainis (MBA '10)	Kimberly Tripp (MBA '11)	Tenny Frost
Alana Tucker (MBA/MPH '14)	Kristen Mannix (MBA '11)	Vince Digneo (MBA '88)
Amy Dickie (MBA '07)	Kyle Sandburg (MBA '11)	Zach Bonsall (MBA '13)
Aron Cramer	Lisa Feldman (MBA '95)	Kimberly Wirtz (MBA '93)
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Chao Zhang (MBA '13)	Lynelle Cameron (MBA '01)	Aiphi Wang (MFE '09)
Christina Meinberg	Mal Warwick	Paul Maa (MBA '13)
Dan Kanivas (MBA '12)	Margot Kane (MBA '08)	Jesse Purewal (MBA '07)
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Katherine Brewer	Rob Kaplan (MBA '07)	

### \$500-\$999

Pin Kwok (MBA '09)	Anne Simpson	Henry Sohn
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### \$1,000-\$4,999

Bo Miller	Jo Mackness (MBA '04)	Nadja Guenster
Dave Stangis	Kellie McElhaney	Terry Mackness
David Sherman (MBA '85)	Lloyd Kurtz	David Kepler
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### \$5,000-\$9,999

Margo Alexander	Ari Frankel (MBA '10)	Erik Peterson
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### \$10,000

Tom Perkins
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### \$25,000

Larry Johnson (BS '72) and Victoria Johnson
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### \$40,000

Scott Pinkus
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