



## Council of New Jersey Grantmakers Investment Forum for Foundations and Endowments

Wednesday, October 19, 2016

Leaders of private foundations and endowed charities convened on October 19, 2016 in Somerset, New Jersey for the Council of New Jersey Grantmakers' 2<sup>nd</sup> biennial Investment Forum for Foundations and Endowments. The only independent conference in New Jersey dedicated to the stewardship of a foundation or charity's endowment, the Investment Forum offered presidents, CEOs, executive directors, CFOs, trustees, and finance and investment committee members a day of high level learning from leading advisors and practitioners about current best practices for successful endowment management.

Three plenary and ten interactive workshop sessions featured recognized investment experts and social sector practitioners on a wide range of topics: from considering a framework for risk in uncertain times and how to prevent investment fraud; to changing and evaluating an investment advisor, constructing a portfolio and managing the investment process; to investing a small non-profit portfolio, alternative investments, what to invest in when nothing looks good and managing a portfolio today for the long term. A networking breakfast, sponsor marketplace, and cocktail reception rounded out the day's agenda.



*Pictured, L to R: Bill Gibson, The Leavens Foundation, and Marsha Atkind, Healthcare Foundation of New Jersey; Erika McDaniels, Glenmede; William Leavens, The Leavens Foundation, and Cornelia Spring and Michael Pages, J.P. Morgan; Michael O'Neill and Bill Engel, The Hyde and Watson Foundation, and Annmarie Puleio, The Fred C. Rummel Foundation.*

# CNJG

COUNCIL OF NEW JERSEY GRANTMAKERS  
*Harnessing Philanthropy's Potential*

111 WEST STATE STREET TRENTON, NEW JERSEY 08608



# THREE PLENARY SESSIONS

Three major plenaries punctuated the day’s gathering and featured leading experts from the philanthropy, investment and regulatory sector.

## OPENING PLENARY



In his opening plenary address “A Commonsense Risk Framework in Uncertain Times,” keynote speaker Joshua Fenton, Director of Investments for The Leona M. and Harry B. Helmsley Charitable Trust (pictured left), posited that when stewards of endowments are faced with the decision between managing their portfolio to ensure the endowment lasts into perpetuity *and* maximizing today’s returns, the biggest risk that must be considered isn’t market volatility. Instead, it is more important to be sure the target rate of return set for the portfolio is rational. He discussed the critical value of taking a balanced approach to investing so that when the market presents attractive opportunities, the portfolio will have enough liquidity to allow for aggressive reallocation. By honestly managing expectations for portfolio performance, stewards will allow themselves enough room to be wrong without having to worry about making a mistake that could be catastrophic in the long-term.

## LUNCHEON PLENARY

The day’s luncheon plenary session, “Market Outlook: Managing Your Portfolio Today for the Long Term,” offered a compelling perspective on market trends and their potential impact on endowment portfolios over time. Moderated by Alma DeMetropolis, President of J.P. Morgan’s New Jersey Market (pictured right), panel experts included John Church, Senior Portfolio Manager, Glenmede; Ted Leh, Managing Director, Goldman Sachs; and Michael Vaknin, Chief Markets Economist, J.P. Morgan. The group offered wide ranging views on a host of topics, among them geopolitical events such as Brexit and a post-Obama presidency; the slow pace of recovery and the potential for another economic recession; risks posed by China; continuing low inflation due to cheap oil prices; and where to invest to assure the ability to meet a 5% pay-out requirement when market realities dictate a 4% norm, among many others. One panelist urged endowments to invest aggressively and for the long-term, while exercising caution in over-extended areas of the market. Another advised on the wisdom of having a sound investment policy statement based on mission and lifespan with firm “guard rails” in place to protect asset allocations. With those parameters in mind, for most endowments, a 70/30 or 80/20 allocation to equities makes sense over the long term.



## CLOSING PLENARY

A panel on “Investment Fraud and How to Prevent It Happening to You,” the subject of the closing plenary, offered a fascinating look at the world of fraudulent investment activity from experts who have investigated and prosecuted some of the most infamous perpetrators in history including Madoff Securities, Oakmont Stratton (the “Wolf of Wall Street”), First Jersey Securities and New Era Philanthropy, along with one former convicted CFO connected to the HealthSouth fraud.



Moderated by Laura Posner, Bureau Chief of the New Jersey Bureau of Securities, (pictured left, along with panelists), the panel’s members included Dan Alonso, General Counsel, Exiger; Rick Barry, Head of Rick Barry Consulting; Aaron Beam, Beam Speaks; Brian Cosgriff, Special Agent, FBI; and Paul Roberts, Supervisory Special Agent, FBI. Panelists concurred about ways that endowment investors can spot fraud by evaluating an investment firm’s culture and the people at the top; recognizing when there is an excessive emphasis on “making the numbers”; and being aware of product offerings and levels of earnings that don’t seem realistic. Among the suggestions they shared to prevent becoming a victim of fraud were to do research and due diligence through online searches and with the help of qualified legal and accounting

advisors; get to know more than one person at a firm rather than relying on a single individual for information and advice; and make sure to understand investment choices, as the complexity of options continues to increase.



Pictured, L to R: Tom Calimano, PNC; Closing Plenary audience; Chris Petermann, PKF O’Connor Davies

# 10 INTERACTIVE PANEL SESSIONS

The Investment Forum’s interactive panel sessions reflected both the interest of foundations and endowed charities in learning more about best investment practices and the expertise of panelists from leading asset management firms, financial services institutions, professional advisors and practitioners in the field. Several panels focused on helping organizations maximize their relationship with their investment provider, whether an outsourced CIO, consultant or an internal committee. Whatever the model, panelists offered comprehensive insight into how to be best prepared if the need arises to change a provider; effectively evaluate the results of an existing provider; as well as deciding the best model for the organization.

Other panels talked about the importance of understanding how best to invest an endowment, whether the size of the portfolio is small, medium or large. Attendees were provided with timely information on the most up-to-date thinking about constructing and maintaining a diversified investment portfolio that can achieve stated objectives. A session on new approaches to portfolio construction highlighted two timely trends, namely factor-based and time-span portfolios.

Other sessions honed in on specific investment categories such as alternatives and the case for active vs. passive investing. What to invest in even when nothing on the financial landscape seems appropriate for an organization’s needs offered relevant insights for all attendees. Finally, a session on good governance surveyed important topics on which stewards of all foundation and endowed charities should remain abreast. These ran the gamut, from industry legislation requiring ongoing compliance such as the Prudent Investor Act, how to detect investment fraud, effective approaches to board development, and understanding the fiduciary responsibilities inherent in serving on a foundation or other non-profit board.

## PANEL SESSIONS AND SPEAKERS:

### THE INS AND OUTS OF CHANGING YOUR INVESTMENT PROVIDER

*The nuts and bolts of making the switch*  
**Eric Macy**, Managing Director, Russell Investments  
**Kevin Matthews**, Managing Director, SEI  
**Chris Petermann**, Partner, PKF O’Connor Davies  
*\*Hans Dekker*, President, Community Foundation of New Jersey

### ASSET ALLOCATION STRATEGY

*Best practices that ensure you achieve your objective including asset allocation, discipline, managing risk and more*  
**Amanda Agati**, Investment Strategist, PNC Institutional Asset Management  
**John Simmons**, Senior Investment Strategist, William Blair  
**Kei Sasaki**, Northeast Regional CIO, Wells Fargo  
**Joe Serzan**, Senior Managing Director, Peapack-Gladstone  
*\*Bill Conger*, Trustee, Morristown Medical Center

### NEW APPROACHES TO PORTFOLIO CONSTRUCTION

*A look at trends including factor-based and time-span portfolios*  
**Chris Woida**, Director, BlackRock  
**Michael Lipper**, Trustee, New Jersey Performing Arts Center  
*\*Bill Gibson*, Trustee, The Leavens Foundation, Inc.

### EVALUATING INVESTMENT MANAGERS: PEOPLE, PROCESS AND PHILOSOPHY

*What you need to know to derive the results you want, and how to evaluate along the way*  
**John Church**, Senior Portfolio Manager, Glenmede  
**Mark Hathaway**, Managing Director, U.S. Trust  
**Christopher Moore**, Managing Partner, Massey Quick  
*\*Frank Barra*, Treasurer & Secretary, F.M. Kirby Foundation

### INVESTING A SMALL ENDOWMENT PORTFOLIO

*Choices, options and fiduciary responsibilities*  
**Jack Plym**, Managing Director, J.P. Morgan  
**Andy Keith**, Managing Director, U.S. Trust  
**John Holman III**, Trustee, The Pingry School  
*\*Theresa de Leon*, Managing Director, PNC Wealth Management

### ACTIVE VS. PASSIVE INVESTING

*Which approach should you use and when?*  
**Daniel J. Scansaroli**, Vice President, J.P. Morgan  
**Stephanie Kenary**, Vice President, Goldman Sachs  
**Doug Grim**, Senior Investment Strategist, Vanguard  
**Kei Sasaki**, Northeast Regional Chief Investment Officer, Wells Fargo  
*\*Marsha Atkind*, Executive Director, Healthcare Foundation of New Jersey

### WHAT TO INVEST IN WHEN NOTHING LOOKS GOOD

*Navigating the challenges of a low-interest rate environment*  
**Clay Erwin**, Global Head of Equities, J.P. Morgan  
**Sean Rhoderick**, Managing Director, PNC  
**Antonio DiCosola**, Senior Consultant, Pavilion  
**Glen Corbitt**, Managing Director, Peapack-Gladstone  
*\*Cynthia Evans*, Chief Financial Officer, Geraldine R. Dodge Foundation

### ALTERNATIVE INVESTMENTS

*What to consider whether you’re adding to your portfolio or want to maximize what you already have*  
**Kevin Matthews**, Managing Director, SEI  
**John Simmons**, Senior Investment Strategist, William Blair  
**David Vincent**, Executive Director, UBS Global Asset Management  
**Stewart Massey**, Managing Partner, Massey Quick  
*\*Warren Tranquada*, Chief Operating Officer, New Jersey Performing Arts Center

### GOOD GOVERNANCE: FROM POLICIES TO PRACTICE

*A range of topics for board and staff including key fiduciary responsibilities, the Prudent Investor Act, recruiting a board that works, detecting fraud, and more*  
**Susan McDermott**, Chief Investment Officer, Pavilion  
**Lisa Schneider**, Managing Director, Russell Investments  
**Michael Unger**, Chief Administrative Officer, The Atlantic Foundation  
*\*Bill Engel*, President, The Hyde and Watson Foundation

### DIFFERENT APPROACHES TO MANAGING THE INVESTMENT PROCESS

*CIO, consultant, or committee run – how do you determine what’s best for your organization?*  
**Joe Clark**, Vice President, Goldman Sachs  
**Don Rosenthal**, Trustee, Healthcare Foundation of New Jersey  
**Bill Gibson**, Endowment Committee Member, New Jersey Symphony Orchestra  
*\*Tom Byrne*, Managing Member, Byrne Asset Management

*\*Denotes panel facilitators.*





Pictured L to R:

*"Investing a Small Endowment Portfolio" panelists Jack Plym, J.P. Morgan; Andy Keith, U.S. Trust; John Holman III, The Pingry School; and Theresa de Leon, PNC.*

*Luncheon plenary session, "Market Outlook: Managing Your Portfolio Today for the Long Term," moderated by Alma DeMetropolis, J.P. Morgan with panelists Ted Leh, Goldman Sachs; Michael Vaknin, J.P. Morgan; and John Church, Glenmede.*

*"Active vs. Passive Investing" panelists Stephanie Kenary, Goldman Sachs and Kei Sasaki, Wells Fargo.*

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