



Council of New Jersey Grantmakers
Investment Forum
for Foundations
and Endowments

Opening Plenary Session

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Investment Portfolio Oversight: What You Have to Get Right

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Introduction

- ❖ **You work at a small non-profit,**
- ❖ **Or you are on the board**
- ❖ **First of all, thank you for your service!**
- ❖ **Secondly, here are some thoughts on how to oversee your endowment ...**



Three things you need to get right

- ➡ **Asset allocation: the risk/return trade-off that is best for your organization**
- ➡ **Hiring the right asset manager**
- ➡ **Building a productive working relationship with that firm**



Asset Allocation

- ❖ **Should be based on the specifics of your organization**
- ❖ **How much volatility in annual payout can you tolerate?**
 - **If not a lot, careful about equities and other volatile assets**
 - **What is your time horizon? Really?**
 - **How dependent are you on gifts? Are they correlated with stock prices?**



Asset Allocation

- ❖ **Most of us don't have to lead the league in investment return**
 - **Volatility is painful and lowers return**
 - **The “search for alpha” can be expensive**
 - **However, with a zero interest rate policy still in place, bonds are not the safe choice they are supposed to be**
- ❖ **The best choice is based on really knowing who you are**



Choosing the Right Manager

First, decide what you want, particularly who does what –

- ❖ **Asset Allocation: Consultative.** This is ultimately up to you, but good thinkers can help you decide.
- ❖ **Manager Hiring: Should be their call.** This is probably what they specialize in (and you don't). They are full time on this job.
- ❖ **Reporting: Again, consultative.** Start with what you want and look at their standard package. But make sure you are getting the information you need, or look elsewhere.



Choosing the Right Manager

- ❖ **Know how valuable you are as a client. If you're not a very valuable client to a given manager, that matters.**
- ❖ **Who will be your front line contact? What is their role in the organization?**
- ❖ **How do they make decisions about managers?**
- ❖ **Ask for more than a track record (although ask for that, too). What were some tough decisions they made?**

There is no formula!



Building a Productive Working Relationship

❖ Remember your respective roles:

- You are an unpaid, part-time volunteer, or
- You are a specialist in something other than investments
- They are full-time (hopefully) professionals

❖ That should guide the respective roles:

- You – Oversight and asset allocation
- Them – Day to day work on the portfolio
- Together – Develop an understanding of when you want to be consulted



Building a Productive Working Relationship

❖ Get the basics right:

- Meeting frequency
- Reporting at and between meetings
- Movements of cash into and out of account
- Other points of interest



Building a Productive Working Relationship

❖ Performance reporting:

- **Critical issue: should be discussed in the hiring process**
- **How do they evaluate managers? Is there a consistent framework?**
- **How do you evaluate them? What time frame and performance expectation?**



Summary

- ❖ **Asset allocation most important and your decision**
- ❖ **Manager should want your business and you should want them**
- ❖ **Well-defined roles are key to successful relationship**

