

A COMMON SENSE RISK FRAMEWORK IN UNCERTAIN TIMES

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BUT FIRST, A MISSION MOMENT

- On September 28, 2016, the type 1 diabetes (T1D) community reached a breakthrough with the FDA's approval of the Medtronic hybrid closed-loop system. The system is the first ever approved to automate the dosing of insulin to regulate blood sugar levels.
- Further, the system kept people with T1D within their desired blood sugar range **73.4% of the time, vs. 67.8%** without the system. At night, the most dangerous time for blood sugar highs and lows, the difference was even more pronounced, **76.4% in range vs. 67.8%** without the system.
- This major step in technology would not have been possible without the support of partners like JDRF and the [Helmsley Charitable Trust](#) and everyone in the T1D community who has contributed their time, energy, and financial support over the last decade.

BUT FIRST, A MISSION MOMENT

Alert: Product and Safety Notice



COMING SPRING 2017.
THE MINIMED® 670G SYSTEM.
THE WORLD'S FIRST
HYBRID CLOSED
LOOP SYSTEM.

LEARN MORE



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BACK TO THE PROGRAM...

In 2015, inflows from the Helmsley estate were largely complete, so Investment Staff developed a new Strategic Plan with the following goals:

- Earn 5% plus inflation
- Allow the Investment Program to take desired and necessary risks while avoiding undesired and unnecessary risks
- Avoid volatility targets
- Avoid forecasting

THE PROBLEM WITH VOLATILITY...

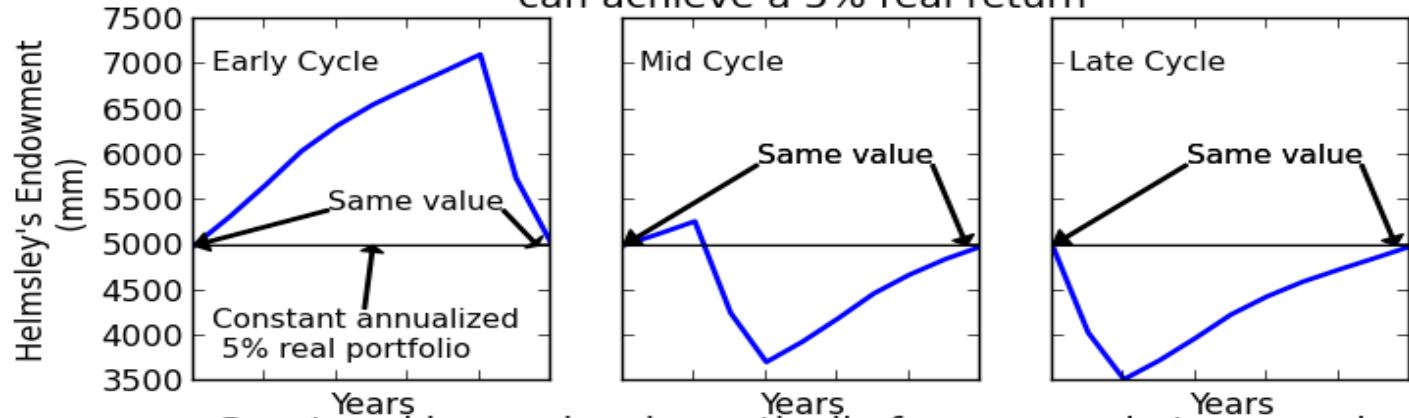
At Helmsley, we view volatility as

- **The price of earning a return:** If one limits the price one is willing to pay for something, then by definition one is limiting the universe of available options.
- **A potential investment opportunity:** Volatility rises the most when the need for action is greatest, so budgeting volatility can freeze an organization at the worst time.

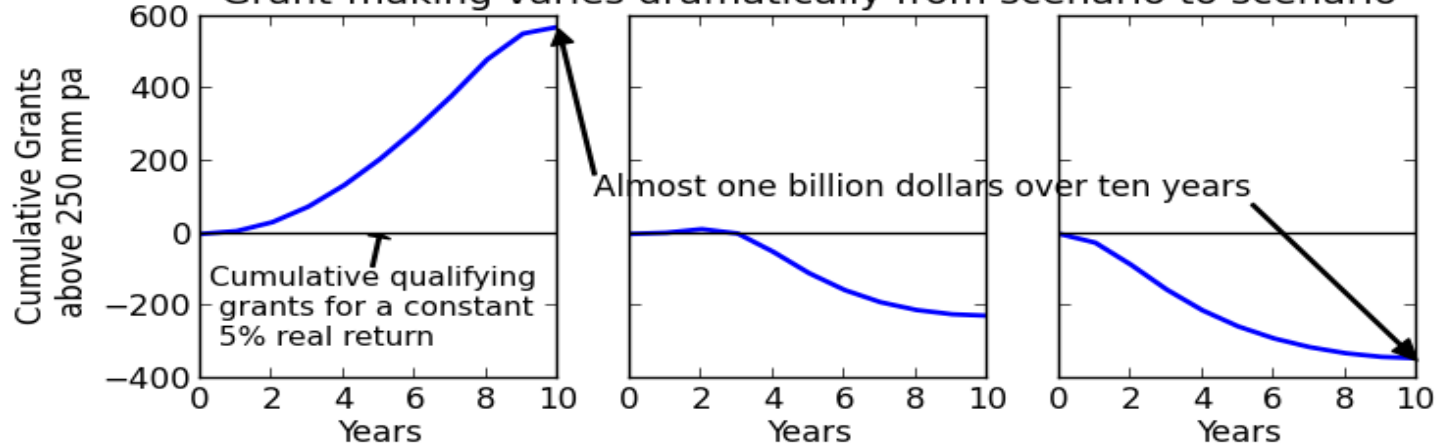
Additionally, since volatility is a statistical measure, it is 100% backward looking.

THE PROBLEM WITH VOLATILITY...

There are many ways Investments can achieve a 5% real return

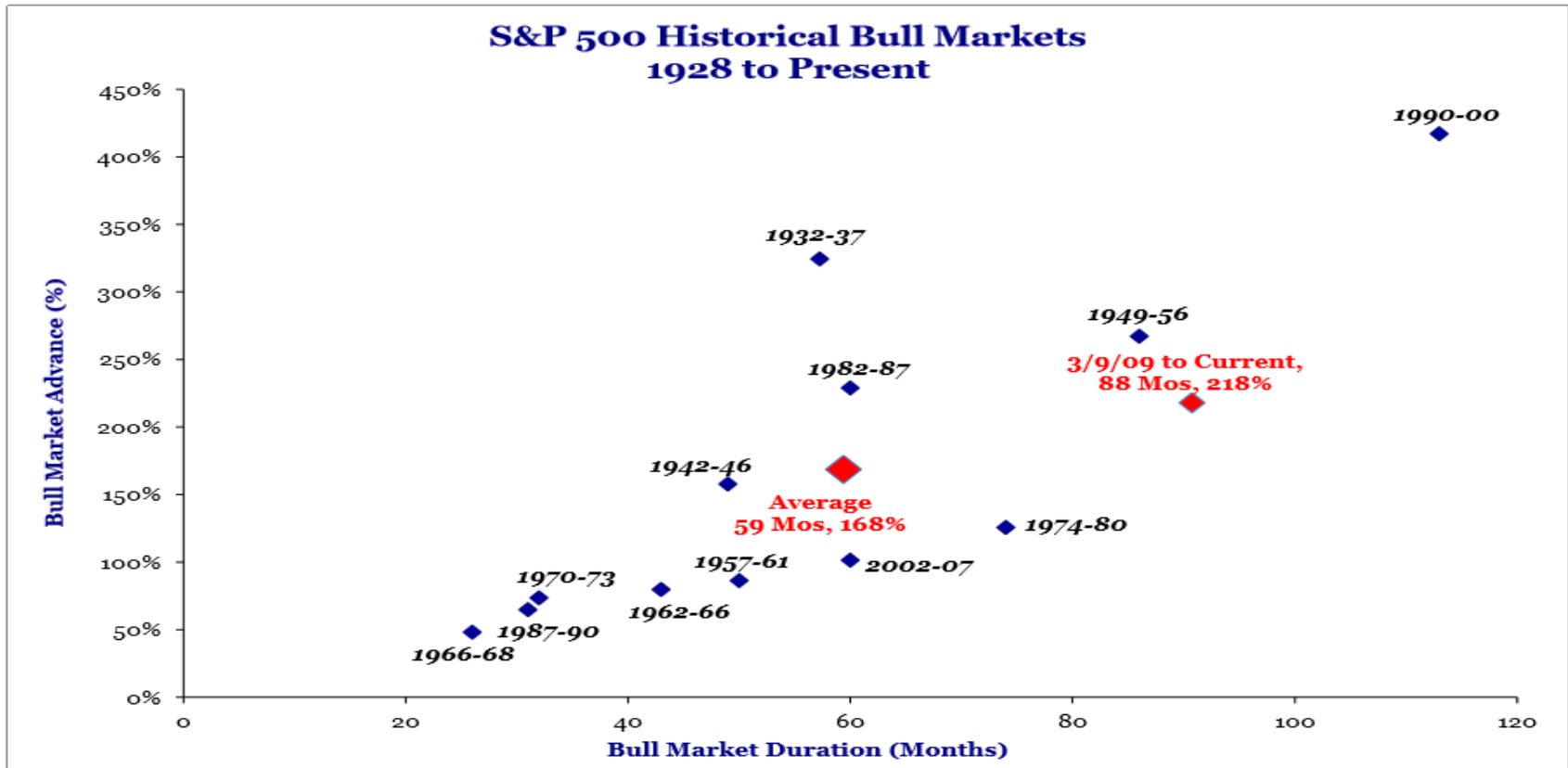


Grant-making varies dramatically from scenario to scenario



IF NOT VOLATILITY, THEN...?

An Investment Program is at greatest risk when it cannot adapt appropriately to changing market dynamics. Bull markets do not last forever.



LIQUIDITY!



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THE BENEFITS OF LIQUIDITY BUDGETING

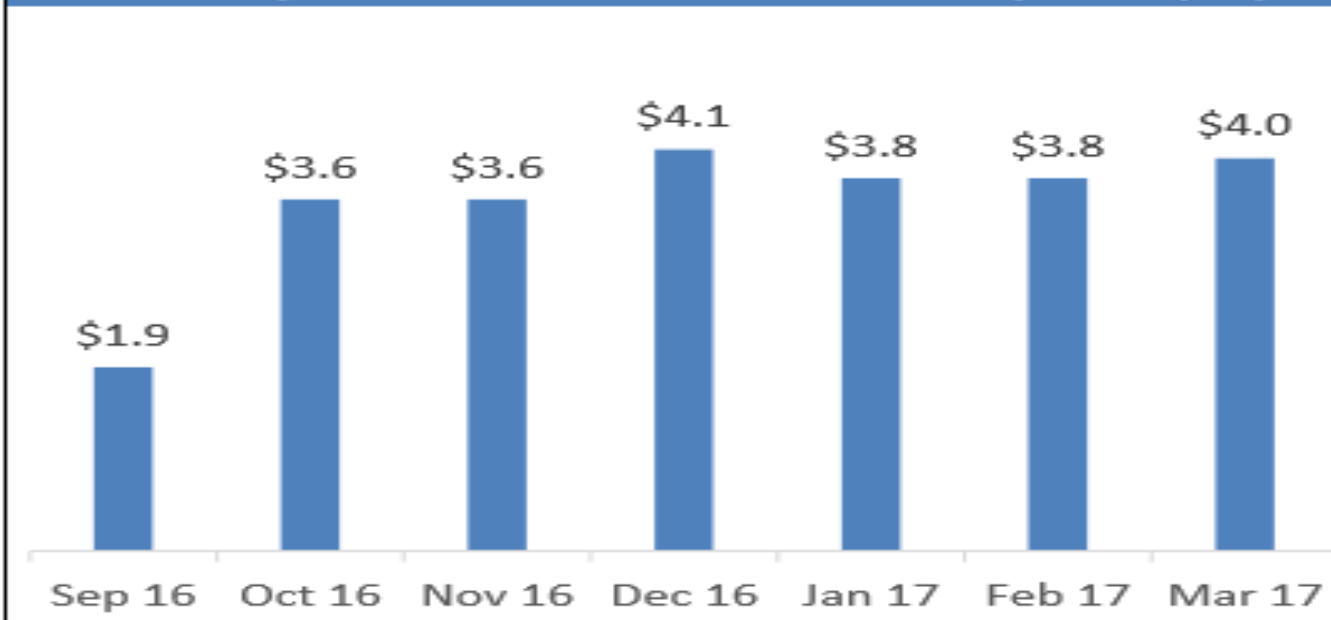
- Easy to measure. Often contractual (negotiable?)
- Everyone understands it.
- Investigating manager liquidity can highlight problems in their investment strategy.
- Budgeting by liquidity forces the question “Am I being compensated enough for the lock-up?”
- It aligns Investment with Grantmaking.

EXAMPLE REPORTS

X. Cash Available¹ (bn)

In 30 days:	\$1.9
In 60 days:	\$3.6
In 90 days:	\$3.6

IX. Monthly Amount Available for Redemption¹ (bn)



THE HELMSLEY LIQUIDITY CONSTRUCT

Safe

Examples:

Treasuries

Investment
Grade

Sovereign and
Corporates

Liquid

Examples:
Public Long-
biased Equity:
Developed
Markets,
Emerging
Markets

Commodities

Semi Liquid

Examples:
Emerging
Markets Small
Capital,
Frontier Equity

Hedge Funds

High Yield &
Emerging
Markets Debt

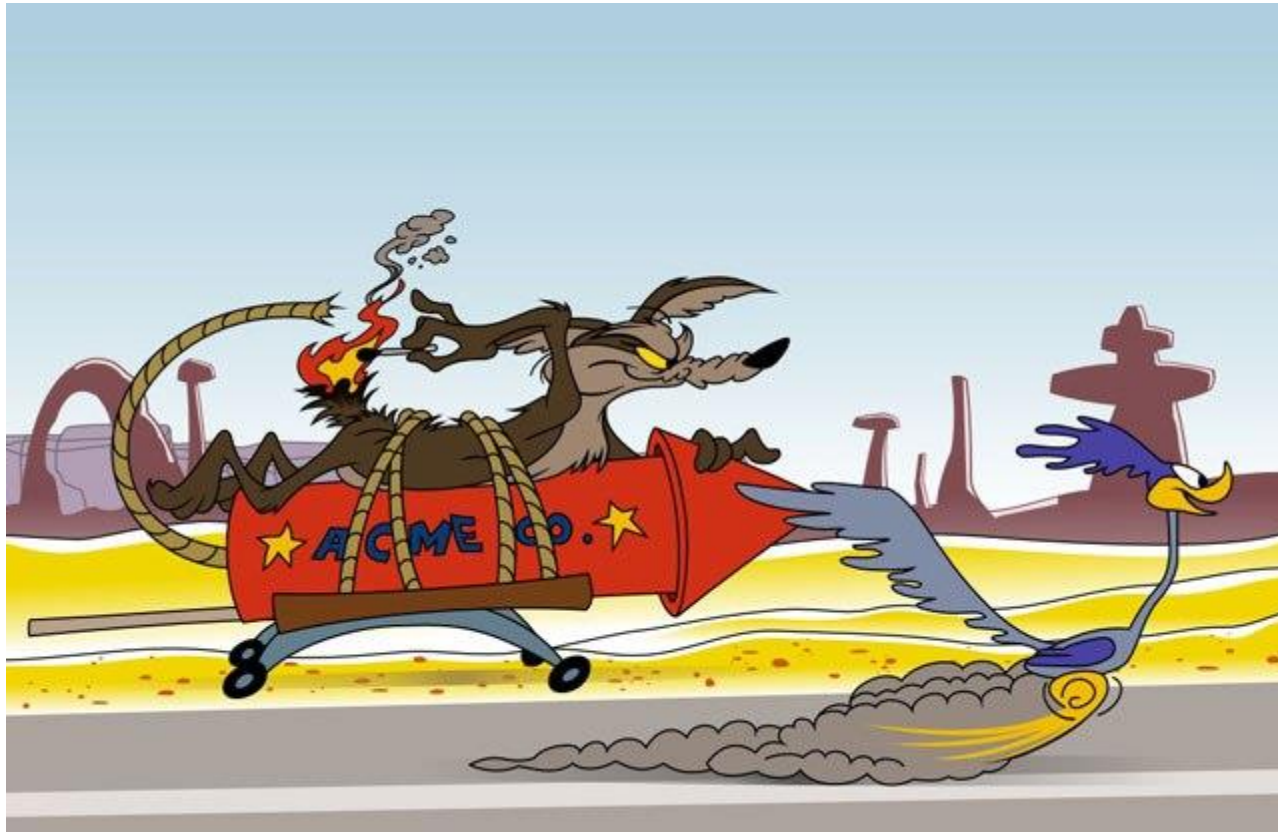
Illiquid

Examples:
Private Equity
& Venture
Capital

Real Estate

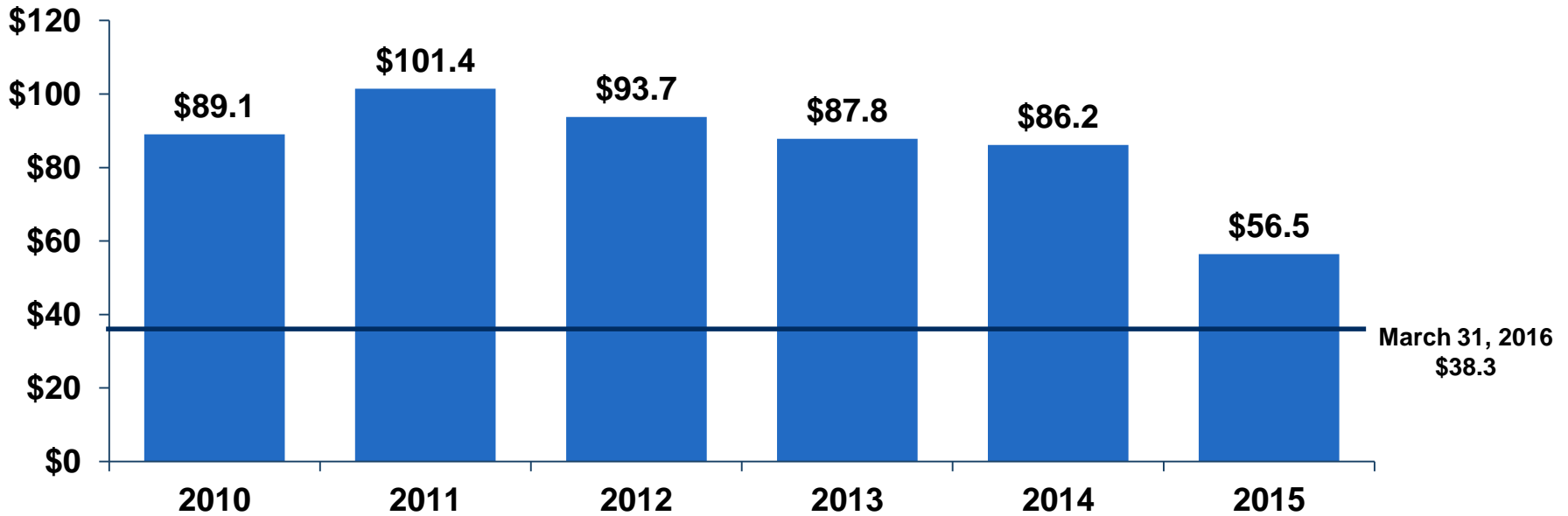
Royalties &
Private Debt

HOW WRONG CAN WE AFFORD TO BE?



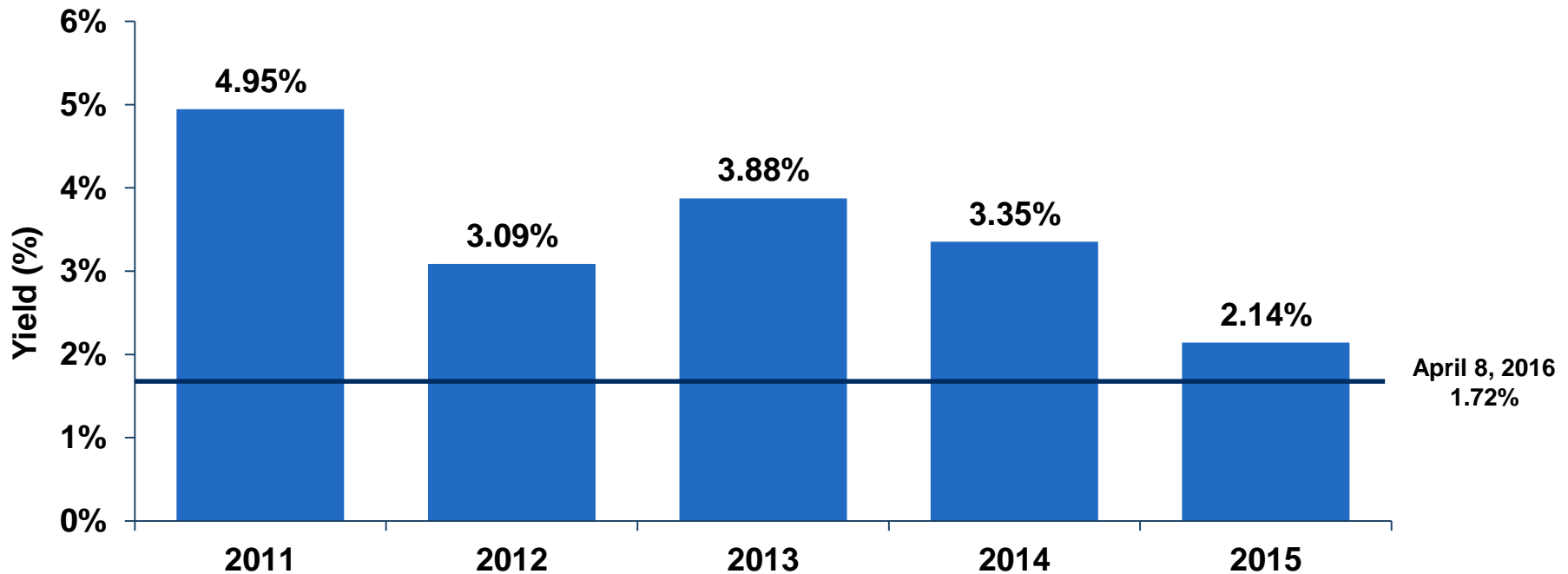
FORECASTING IS HARD

Crude Oil forward curve prediction for 2016

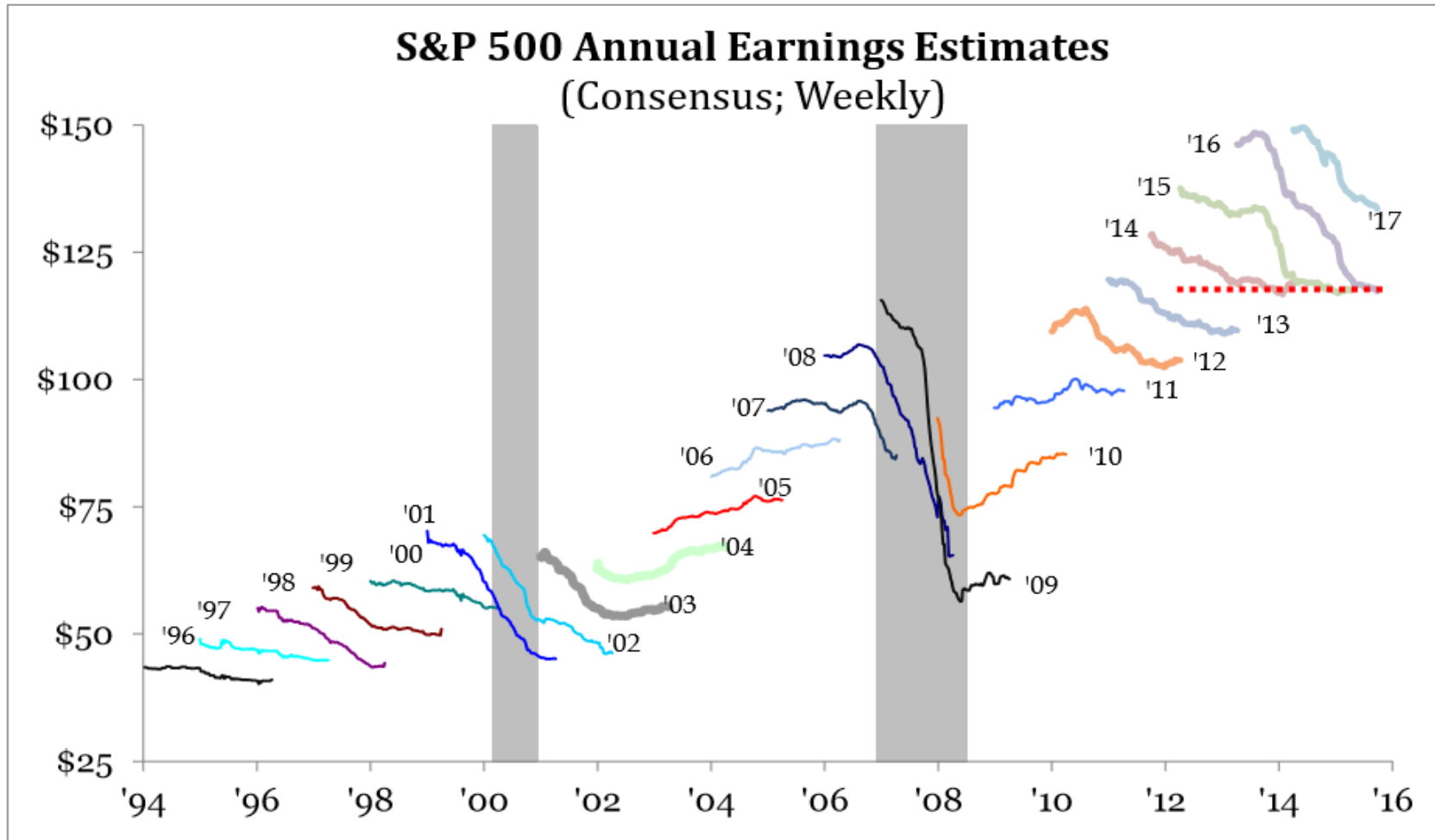


FORECASTING IS HARD

10-Year US Treasury forward yields for 2016



FORECASTING IS HARD



WORK WITH WHAT THE MARKETS OFFER

At Helmsley, we make an effort to understand what the markets are telling us, because markets move in cycles.

We all know bull markets end, we just don't know when.

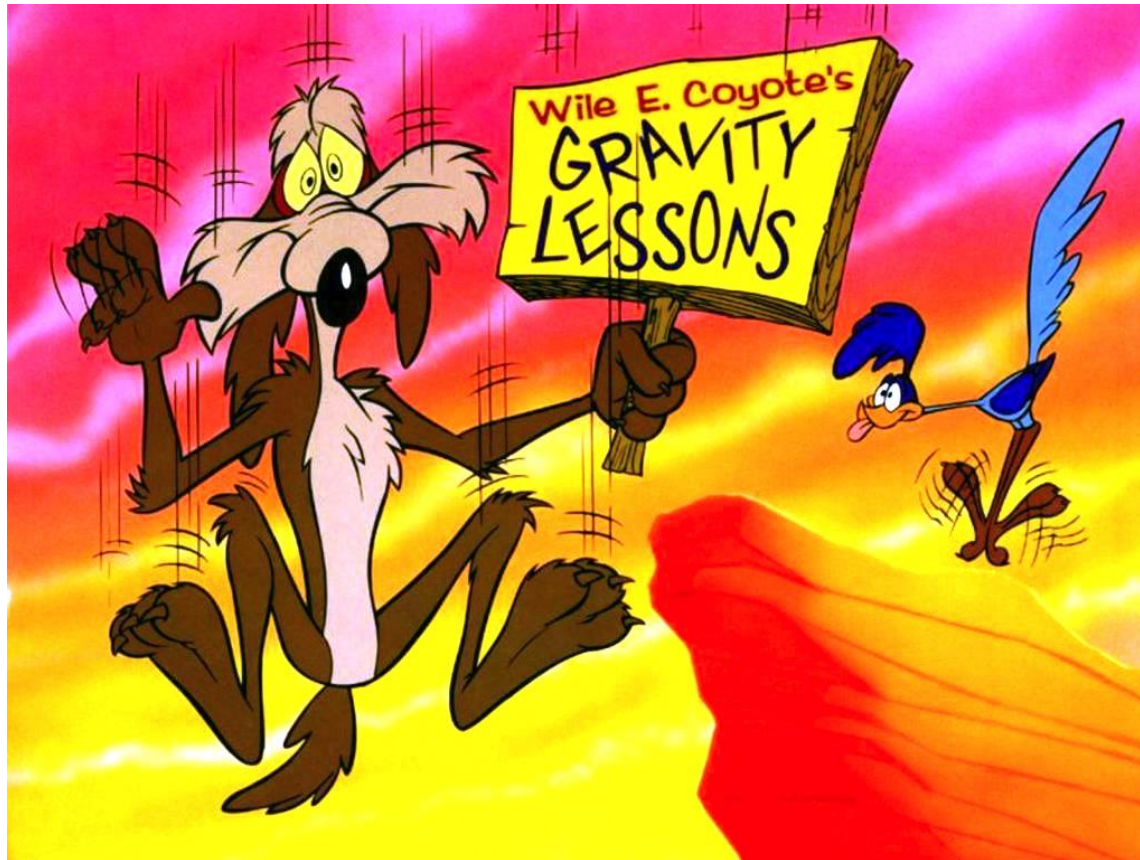
We built our Strategic Plan around Liquidity so we can react quickly.

AND BE READY TO ADAPT!

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Q & A



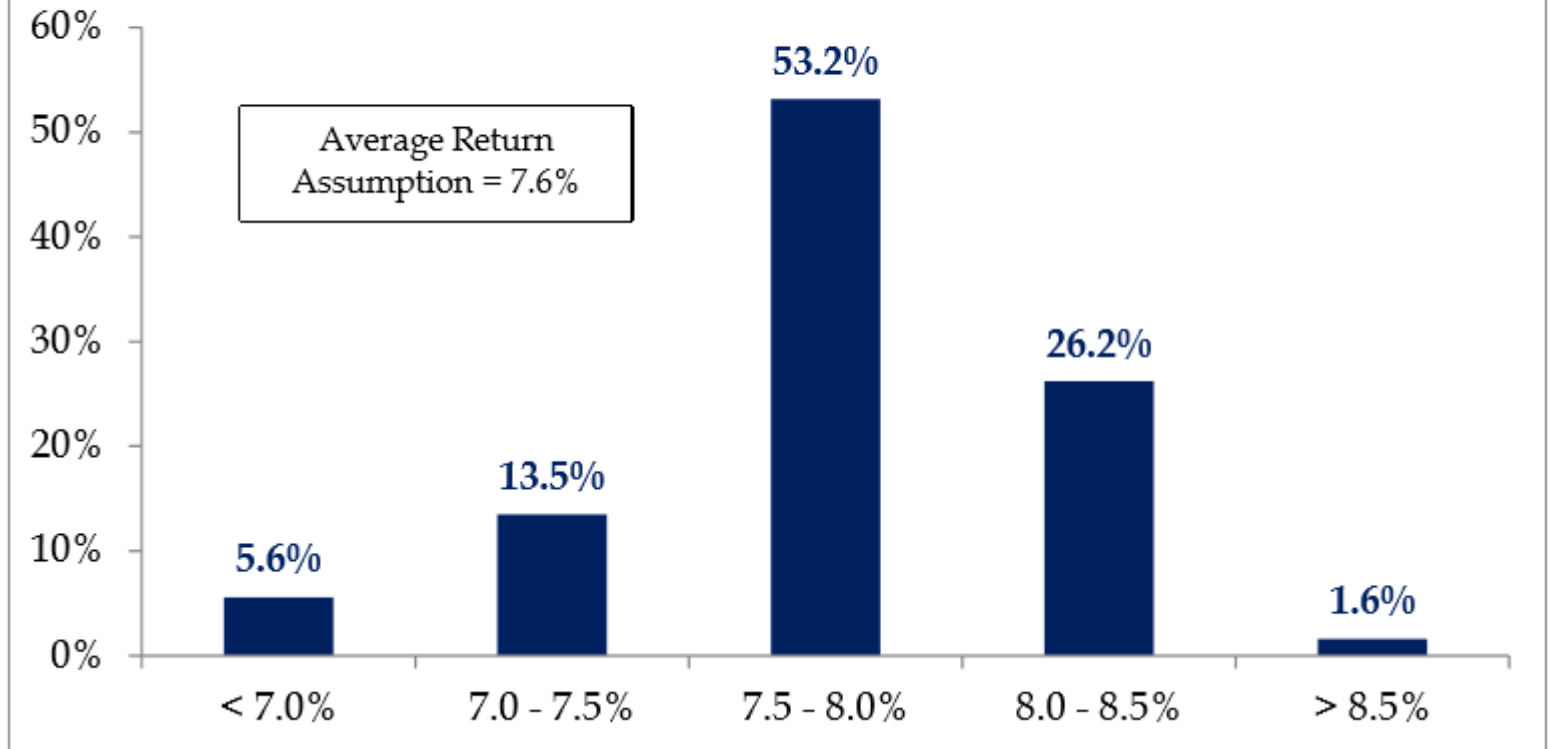
THANK YOU

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% Distribution of Investment Return Assumptions for Public Pension Plans



Average Inflation, Treasury Yields, Valuation and Tax Rates by Decade

	CPI Y/Y % Change	S&P 500 Operating P/E	10 Year Treasury Yield	Dividend Tax Rate	Capital Gains Tax Rate
1950s	2.1%	12.6	4.7%	90.5%	25.2%
1960s	2.3%	18.1	7.7%	80.3%	25.4%
1970s	7.1%	12.5	10.4%	70.2%	42.8%
1980s	5.6%	11.7	7.8%	48.4%	23.2%
1990s	3.0%	19.5	6.3%	36.7%	25.7%
2000s	2.6%	20.1	3.6%	24.2%	16.5%
Average	3.8%	15.8x	6.7%	58.4%	26.5%
Current	1.1%	21.4x	1.6%	23.8%	23.8%