



FINC-GB.3355
Impact Investing in Family Offices

Course Syllabus

Steven Godeke
Adjunct Professor of Finance
NYU Stern School of Business
44 West 4th Street
New York, NY 10012
e-mail: sgodeke@stern.nyu.edu

Richard M. Levich
Professor of Finance
NYU Stern School of Business
44 West 4th Street
New York, NY 10012
e-mail: rlevich@stern.nyu.edu

Course Description

Investing for social and environmental impact is gaining wider acceptance within the institutional investment community. Many, and perhaps most, pension funds and endowments have sizeable holdings in environmental, social, and governance (ESG) related investments and integrate ESG strategies into their portfolios. Dozens of mutual funds and even exchange traded funds (ETFs) carry a “sustainable” moniker selecting investments on the basis of ESG characteristics in addition to traditional risk-return criteria.

Building on a companion course (FINC-GB.3348) that surveys the principles and techniques of impact investing, this seminar-style course offers students an opportunity to develop their knowledge of impact investing using a complementary approach. This course combines the experience of a semester-long consulting engagement focused on a live impact investing opportunity or challenge facing a family office with classroom lectures, case discussions and expert guest speakers from the impact investing field.

Among established institutional investors, the mission and objectives of family offices are likely to be more varied than the metrics that commonly drive mutual fund or pension fund managers. In particular, with multi-generational investment horizons and the ability to flexibly deploy capital, family offices sit in a unique position to incorporate impact investment strategies into their operations.

This course assembles a small number of family or multi-family offices, each one supporting a project designed around a theme or objective specific to the family office’s needs. The project serves as a focal point for students to deepen their knowledge of impact investing and develop an awareness of the issues facing institutions that engage in ESG related investments.

Course, Consulting Engagement and Deliverables

- Student teams of 3-4 MBAs will undertake a 12-week consulting engagement to complete a quantitative analysis of a “live” impact investing opportunity/challenge facing the family office.
- Commitments from 4-6 family offices and proposed project descriptions will be known by the start of the class. Students will rank their interests among the available projects.
- The family office will actively engage with the team and will receive a customized work product at the end of the semester addressing a clear business need.
- Students will be expected to work 5-10 hours per week on the consulting project in addition to the class. While the bulk of the work may be done remotely by the students, the opportunity to visit and meet with the family office team will be a key part of the learning experience.
- The seminar format will offer a blend of in-class lectures, case discussions, guest lectures and open clinic sessions during which the students will receive support from Stern faculty and have the opportunity to reflect on their experiences and learn about the consulting projects of their fellow students.
- Family office clients will also be invited to participate in specific sessions with the opportunity for peer-to-peer learning among the NYU Stern Family Office Council participants.
- The final consulting deliverable will be a presentation to the client with the family office providing feedback and an assessment of the student team.

Grading and Deliverables

Activity	% of Total Grade
Project Charter (Scope of Work)	10%
Preliminary draft of project report	10%
Final draft of project report	10%
Final project presentation	30%
Written Reflections	20%
Class Participation	20%
Total	100%

Important Note:

As a participant in this Stern Solutions course, you are a representative of Stern to our important partners with whom we maintain ongoing productive and multifaceted relationships. We work closely with them over multiple months to prepare them for a student team. Prior to enrolling in this course, please make sure that you can commit to the required time for the project portion (approximately 10 hours per week) and that all course dates work for you. If you enroll in this course, you are committing to be fully engaged and do your best work throughout the course.

Students who register for this course will not be permitted to drop after **December 11, 2017.**

Course Philosophy:

The fields of investment and environmental and social policy development have operated separately despite the fact that many challenges facing the world will require integrated solutions that can successfully combine the capital markets with policy objectives. Traditional models describing the interaction of the private and public sectors do not capture the complexity of how private investors, philanthropists, non-governmental institutions (NGOs) and the public sector are now working together. We will consider how capital markets, asset management and investment and commercial banking can be harnessed to create positive environmental and social impacts.

Course Schedule:

<p>Session 1: February 6th</p>	<p>Introduction to course and concepts / The case for creating impact from the investor’s perspective</p> <p>Classroom: 1st Half: Review of syllabus and introduction to impact investing; 2nd Half: Formation of teams and review of Project Charter, Kick-off Meeting Agenda and Project Tracker.</p> <p>Fieldwork: Coordinate team logistics, roles and values; schedule kick-off client meeting.</p> <p>Required Readings: Barron’s Penta, “Family Foundations: Millennials Take Charge,” December 10, 2016, http://www.barrons.com/articles/family-foundations-millennials-take-charge-1481346318.</p> <p>Global Impact Investing Network, Impact Investing Trends, Evidence of a Growing Industry, 2016, PDF on NYUC.</p> <p>T100 Launch Report: Insights from the Frontier of Impact Investing, TONIIC, 2016, PDF on NYUC.</p> <p>Trelstad, Brian, “Impact Investing: A Brief History,” Capitalism and Society: Vol. 11: Issue. 2, Article 4, 2016, PDF on NYUC.</p> <p>Recommended Impact Investing Readings for Throughout the Semester:</p> <p>Global Impact Investing Network, “Spotlight on the Market, The Impact Investor Survey,” May 2016, PDF on NYUC.</p> <p>Global Impact Investing Network Research: https://theqiin.org/knowledge-center/</p> <p>Godeke, Steven and Raul Pomares, Solutions for Impact Investors: From Strategy To Implementation, Rockefeller Philanthropy</p>
-------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p>Advisors, (Introduction and Chapter 4), 2009, PDF on NYUC.</p> <p>Short Guide to Impact Investing, Case Foundation, 2015, PDF on NYUC.</p> <p>US SIF Foundation, The Impact of Sustainable and Responsible Investment, June 2016, Executive Summary and Introduction, PDF on NYUC.</p> <p>US SIF Foundation, Report on U.S. Sustainable, Responsible and Impact Investing Trends 2016, November 2016.</p>
<p>Session 2: February 13th</p>	<p>Theories of Change and Impact Measurement</p> <p>Classroom: 1st Half: Theories of change and impact measurement case discussion; 2nd Half: Group clinic session; submit kick-off meeting agenda.</p> <p>Fieldwork: Kick-off meeting with clients; then finalize project charter (scope of work) for projects.</p> <p>Case: Ebrahim, Alnoor and V. Kasturi Rangan, “Acumen Fund: Measurement in Impact Investing (A) and (B),” HBS Cases, 9-310-011 and 9-106-043, 2010, Course Pack.</p> <p>Required Readings: Grantcraft, The Ford Foundation, “Mapping Change: Using a Theory of Change to Guide Planning and Evaluation,” PDF on NYUC.</p> <p>Harvard Business School Social Enterprise Initiative, Measuring the Impact in Impact Investing, 2014. PDF on NYUC.</p> <p>Watch Video: Bridgespan, “Intended Impact and Theory of Change,” YouTube, October 15, 2012: https://www.youtube.com/watch?v=_NSIINWfFAk</p> <p>Recommended Readings: Accelerating Impact Investing Initiative, Financing Social Innovation: Analyzing Domestic Impact Investing Policy in the United States, 2015, PDF on NYUC.</p> <p>Jackson, Edward T., Interrogating The Theory of Change: Evaluating Impact Investing Where It Matters Most, <u>Journal of Sustainable Finance & Investment</u>, 3:2, 95-110, 2013, PDF on NYUC.</p> <p>Morgan, Will and Danielle Ginach, Sonen Capital 2015 Annual</p>

	<p>Impact Report, April 2016. PDF on NYUC.</p> <p>Review GIIN's IRIS Metrics website and video: https://iris.thegiin.org/</p> <p>Weinstein, Michael, Ralph M. Bradburd, <u>The Robin Hood Rules for Smart Giving</u>, Columbia University Press, 2013.</p>
<p>Session 3: February 20th</p>	<p>Impact Measurement Approaches</p> <p>Classroom: 1st Half: Guest speaker: Michael Weinstein, Chief Program Officer, Robin Hood; 2nd Half: Debrief of initial client meetings and faculty feedback for teams; Submit project charter (scope of work) and written reflection.</p> <p>Fieldwork: Ongoing project research and team meetings.</p>
<p>Session 4: February 27th</p>	<p>Financing development and access to services</p> <p>Classroom: 1st Half: Case discussion, 2nd Half: Guest Speaker: Ana Demel, Board Member of Pro Mujer and Adjunct Professor of Law at NYU.</p> <p>Case: Chu, Michael and Regina Garcia Cuellar, "Banco Compartamos: Life After the IPO," HBS Case 9-308-094, 2008, Course Pack.</p> <p>Fieldwork: Ongoing project research and team meetings.</p> <p>Required Readings: De Soto, Hernando, "The Mystery of Capital, Finance and Development," IMF, March 2001, http://www.imf.org/external/pubs/ft/fandd/2001/03/desoto.htm.</p> <p>Recommended Readings: Rosenberg, Richard, "CGAP Reflections on the Compartamos Initial Public Offering: A Case Study on Microfinance Interest Rates and Profits," CGAP Economic Development Unit, PDF on NYUC.</p> <p>Compartamos, "A Letter to our Peers," PDF on NYUC.</p> <p>Bamboo Finance, 2015 Impact Report</p>
<p>Session 5: March 6th</p>	<p>Environmental Finance</p> <p>Classroom: 1st Half: Environmental finance, eco-system services, real assets and water, 2nd Half: Alex Markham, VP Encourage Capital.</p>

	<p>Fieldwork: Ongoing project research and team meetings</p> <p>Required Readings: Conservation Finance From Niche to Mainstream: The Building of an Institutional Asset Class, Credit Suisse, 2016.</p> <p>The 21st Century Investor: CERES Blueprint for Sustainable Investing, 2016, PDF on NYUC.</p>
<p>Spring Break Week of March 12th</p>	<p>NO CLASS</p>
<p>Session 6: March 20th</p>	<p>Environmental Finance</p> <p>Classroom: 1st Half: Climate Change Investing. Endowment Fossil Fuel Divestment Debate. 2nd Half: Structured Peer Review Session with faculty and teams. Submit initial draft project deliverable to faculty; assess progress and challenges to date.</p> <p>Fieldwork: Ongoing project research and team meetings</p> <p>Required Readings: Mercer, Investing in a Time of Climate Change, 2015, PDF on NYUC.</p> <p>Mercer and the Center for International Environmental Law, “Trillion Dollar Transformation: Guide to Climate Change Investment Risk Management for US Public Defined Benefit Trustees, 2016.</p> <p>Mercer, How Low Can Your Go? Introducing Low-Carbon and Fossil- Free Passive Equity Options, 2016, PDF on NYUC.</p> <p>Rockefeller Brothers Fund, Divestment Statement, 2016.</p> <p>Review Divest / Investment Campaign Site: http://divestinvest.org/</p>
<p>Session 7: March 27th</p>	<p>Structuring Impact Investments</p> <p>Classroom: 1st Half: Structuring impact investments, case discussion, 2nd Half: Guest Speaker: Sebastian Vanderzeil, Cornerstone Capital.</p> <p>Case: Michael Chu and Lauren Barley, “Omidyar Network: Pioneering Impact Investment,” HBS Case 9-303-090, Course Pack.</p> <p>Fieldwork: 2nd Meeting with clients – present preliminary deliverable; receive feedback.</p>

<p>Session 8: April 3rd</p>	<p>Integrating ESG into public markets, standards and reporting</p> <p>Classroom: 1st Half: Case Discussion, 2nd Half: Guest Speaker, Lenora Suki, Bloomberg LP</p> <p>Fieldwork: Incorporate feedback on preliminary deliverable and continue project work.</p> <p>Case: Sandra J. Sucher, Matthew Preble, "Generation Investment Management," HBS Case 9-613-002, Course Pack.</p> <p>Zoltán Nagy, Altaf Kassam, Linda-Eling Lee (MSCI), "Can ESG Add Alpha? An Analysis of ESG Tilt and Momentum Strategies," June 2015, PDF on NYUC.</p>
<p>Session 9: April 10th</p>	<p>Due diligence process and impact investment advisor selection</p> <p>Classroom: 1st Half: Feedback on Preliminary Report and Assess Progress, submit 2nd written reflection. 2nd Half: Review of Jessie Smith Noyes Impact Advisor Selection.</p> <p>Jessie Smith Noyes Foundation Letter of Interest: http://www.noyes.org/impact-investing/</p> <p>Morgan Stanley Institute for Sustainable Investing and Bloomberg, "Sustainable Signals: The Asset Manager Perspective," November 2016, PDF on NYUC.</p>
<p>Session 10: April 17th</p>	<p>Innovations in Impact Investing</p> <p>Classroom: 1st Half: Investment Funds Pitches; 2nd Half: Social Impact Bonds, Pay for Success and Public Private Partnerships.</p> <p>Fieldwork: Ongoing project work and team meetings</p> <p><u>Required Readings:</u> Impact Investing 2.0 – The Way Forward: Insight from 12 Outstanding Funds, November 2013, NYUC.</p> <p>Case Studies of 6 Funds from Impact Investing 2.0 Report, NYUC</p> <p>Impact Investing 2.0 Video: https://www.youtube.com/watch?v=8Hv0Xs--qnc&feature=youtu.be</p>

	Gustafsson-Wright, Emily, "The Potential and Limitations of Impact Bonds: Lessons from the First Five Years of Experience Worldwide," Brookings, 2016.
Session 11: April 24th	Classroom: Rehearsal of Client Presentations; Fieldwork: Finalize client report and presentation; 3 rd meeting with client to present final draft, receive and incorporate feedback.
Session 12: May 1st	Presentation of final reports / 6 groups: 30 minutes/group; 15 min. presentation + 15 min. Q&A with audience of students and all project clients; submit final project and 3rd written reflection.

Course Readings:

All required readings are either available on the NYU Classes site or part of an electronic coursepack which has been created and available through the NYU Bookstore. On the NYU Class site, the readings are in folders for each week. Study questions will be provided for most of the cases the week before the case is discussed in class.

Recommended Readings each week and at the back of this syllabus are optional and include materials which will supplement your knowledge in a specific area. These should also be helpful for the Team Projects. Relevant materials and articles are also posted on my website: www.godekeconsulting.com

Class Attendance and Participation:

Given the experiential learning nature of the course and the reliance of cases and guest speakers, students are required to attend each class prepared to discuss the required readings and topics for the week. Students are required to attend all classes. Unexcused absences will negatively affect grades.

Important Notice:

In order to allow students with no prior background in impact investing to register for this course, the topics for several classroom lectures in this course will be similar to those in FINC-GB.3348, Investing for Environmental and Social Impact. The primary focus of this course, however, is the preparation of a report which responds to a real-life impact investing challenge facing a family office.