

IMI
GREENWICH

INVESTMENT MANAGEMENT INSTITUTE

Presents

**THE SPRING 2009 ENDOWMENTS AND
FOUNDATIONS
FORUM**

April 26 - 28, 2009

**The Longboat Key Club and Resort
Longboat Key, FL**

Sponsored by:

VICTORY CAPITAL MANAGEMENT

CONFERENCE PROGRAM

2009 ADVISORY BOARD

Maurice Maertens, Chief Investment Officer; **New York University**
Barbara Aaron, Vice President; Finance and Administration; **UNC Management Co.**
David Mothershed, CIO; Department of Investments; **The Salvation Army Southern Territory**
Elizabeth Frank, Chair; Investment Committee; **YMCA Retirement Fund**

IMI

Presents

THE SPRING ENDOWMENTS AND FOUNDATIONS FORUM

APRIL 26 – 28, 2009

SUNDAY, APRIL 26TH

3:00 PM

REGISTRATION

Pick up your conference materials in the Lobby by the Front Desk.

3:30 PM

WELCOME AND INTRODUCTIONS (John Ringling Room)

Ellen Taylor

Managing Director

Investment Management Institute

3:45– 4:30

WHEN WILL THE BLEEDING STOP? THE CREDIT CRISIS, YOUR PORTFOLIO, AND YOUR RISK PARAMETERS

Most E&Fs are reeling after the massive losses suffered last year related to the credit crisis. How can you protect your investment pool moving forward?

- ❖ Do you stay the course or act proactively?
- ❖ What about transparency and liquidity issues?
- ❖ What do your consultants say: rebalance or stay the course?
- ❖ What is the role of leverage in your organization's portfolio?
- ❖ How do distressed debt opportunities affect your risk profile? What about other opportunistic options?
- ❖ What are the challenges going forward?

Moderator: Dorothy Weaver
Trustee, Investment Committee
Wellesley College

4:30 – 5:15

HOW MUCH LIQUIDITY DO YOU NEED?

In the clamor over frozen investment pools and money markets in the fallout from the credit crisis, we will explore a number of relevant questions:

- ❖ How much liquidity do you need to maintain in your endowment or foundation?
- ❖ What happened to these assumptions in the fall of 2008?
- ❖ What is the best vehicle to use to safeguard your funds?
- ❖ Should you limit your allocations to hedge funds and private equity to preserve your liquidity?
- ❖ How do you monitor your risk potential during illiquid times such as existed during last year's credit crunch?
- ❖ The new liquidity: what is it and how does it impact you?

6:00 – 7:00

COCKTAILS BY THE POOL

"Barefoots" Bar, outside of main building

7:00 – 9:00

DINNER

MONDAY, APRIL 27TH

7:30 – 8:30 AM

REGISTRATION AND BREAKFAST ROUNDTABLES

*Serve yourself a Continental Breakfast and report to the room that corresponds with your chosen roundtable. You also pick up **your conference materials** at this time if you were unable to do so on Sunday.*

Roundtable A: RESPONSIBLE INVESTING: GROWING FOCUS ON CORPORATE GOVERNANCE

- A total breakdown in governance has been a major factor in credit crisis-related losses over past year
- Shareholders have duty to provide oversight and vote proxies on socially responsible issues facing the company, like executive compensation
- Those Wall Street executives who "lived by the sword, died by the sword" in eliminating long-held uptick rule and allowing "naked shorting", among other rules that were disbanded
- Growing consensus that extravagant CEO exit packages must be slashed as so vividly illustrated during credit meltdown: No more golden parachutes or golden coffins should be consensus
- The need to rein in proxy requests for approval of stock options; egregious abuses seen in recent years
- Also at issue is stock dilution problem hidden in proxy statements

Moderator: Nancy Smith
Member, Investment Committee
The Philadelphia Foundation

Roundtable B: IMPACT OF FASB STATEMENT 157: HOW ARE YOU SURVIVING YOUR AUDIT?

- ❖ The definition of, and methods used, to determine fair value
- ❖ It's based on guidelines, not regulations
- ❖ How did you resolve valuation problems through your auditors?
- ❖ The assumptions about risk inherent in a particular valuation technique used to measure fair value
- ❖ Expands disclosures about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition
- ❖ Its application in pricing of alternatives/derivatives is holding E&Fs hostage

Moderators: Fran Coopersmith
Senior Consultant
Asset Strategy Consultants

Michael Gutnick
Senior Vice President, Finance
Memorial Sloan Kettering Cancer Center

Roundtable C: DISTRESSED v. "STRESSED" DEBT

The silver lining of the turbulent markets, liquidity squeeze, and economic uncertainty created new opportunities from distressed credit markets. Beyond the headline news, the distressed market has quietly escalated. In 2008 high yield defaults totalled \$5.8 billion, nearly double the value of those in 2007. But the questions for investors around this opportunity are still complex:

- ❖ Is the time right or is it still too early to invest?
- ❖ Some "stressed" options offer high returns, but lower risk, like investment grade corporate bonds
- ❖ What segments are compelling? What segments are fraught with pitfalls?
- ❖ Are there signs of recovery on the horizon or is the environment deteriorating?

GENERAL SESSIONS:

8:45 – 9:30

SPENDING POLICY IN AN ERA OF RISING INFLATION AND ZERO INTEREST RATES

- ❖ Endowment funds remain challenged by the low return, high volatility environment while facing huge erosions of their endowments since fall
- ❖ What have you done to prepare your organization for lackluster returns?
- ❖ Are your return assumptions realistic, given the continued weakness in equities?
- ❖ Comparison of historic spending rates v. investment returns
- ❖ How has the financial crisis impacted your spending?

Moderator: David W. Bahlmann
President and CEO
Ball State University Foundation

9:30 – 10:15

<TBA>
Victory Capital Management

10:15 – 10:30

MORNING REFRESHMENT BREAK

10:30 - 11:15

BERNIE MADOFF AND THE NONPROFIT WORLD

When news broke that long-time Wall Street insider Bernard Madoff had “made off” with billions of dollars that had been entrusted to him by institutional investors, the enormous losses rocked the E&F universe. Many savvy investors, including Mort Zuckerman and Elie Wiesel, had been caught up unknowingly in the \$50 billion Ponzi scheme, as Madoff himself described his fraudulent operations. But how could sophisticated institutional investors ask so few questions when allocating their portfolio assets? And how could the scam have persisted for so long, without any sniff of impropriety on the part of regulators or fiduciaries? But the question that has E&Fs really nervous is, how many more Madoffs are out there?

Moderator: Victor Hymes
Chair, Investment Committee
Oberlin College

11:15 – 12:00

<TBA>

12:00 – 1:00

LUNCHEON ROUNDTABLES:

Roundtable A: IS THIS THE END OF SECURITIES LENDING?

- ❖ A look at the status of collateral in securities lending activities
- ❖ With so many cash collateral pools deeply underwater, will most plan sponsors shy away from sec lending in the future?
- ❖ Stock loan programs have long been considered “easy money”; what happened?
- ❖ Are there more losses yet to be revealed?

Moderator: Robert Leech, CFA

President and CEO

The Presbyterian Church (USA) Foundation

Roundtable B: SHOULD COMMODITIES BE PART OF YOUR 2009 ASSET ALLOCATION?

- ❖ How much of an impact do shifting fundamental factors have on prices?
- ❖ Inflation’s resurgence is likely due to the financial bailout and the resulting growing deficits
- ❖ What effect do endowments, foundations, and other institutional managers have in adding these asset classes to portfolios?
- ❖ Will the bull market in soft and hard commodities return in 2009?
- ❖ What about OPEC and the oil markets?

Roundtable C: EVALUATING AND SELECTING MANAGERS IN A LOW RETURN/HIGH VOLATILITY ENVIRONMENT

After last fall’s market implosion and credit freeze, endowment and foundation investment officers are now looking for ways to recover losses and enhance portfolios. Before doing so, there are a variety of issues to be considered. Portfolio construction and manager selection are two of the most critical. The discussion will also include an examination of these questions:

- ❖ How do you select a manager when the greatest amount of alpha is often generated by newer funds?
- ❖ What is the correct beta for your fund?
- ❖ What tools are currently available and how investment officers might employ them in the current low-return/high volatility market environment?

1:00 – 5:30

GOLF, TENNIS, DEEP SEA FISHING, AND THE BEACH

6:00

COCKTAIL RECEPTION

7:00 – 9:00

DINNER

lobby.

Join us for after-dinner conversation at the Sands Pointe bar off the

TUESDAY, APRIL 28TH

8:00 – 9:00 AM

BREAKFAST ROUNDTABLES

Serve yourself a plate of eggs, bacon, fruit or cereal and report to the room that corresponds with your chosen roundtable topic.

Roundtable A: CHEAP OR CHALLENGING: IS IT TIME TO BUY U.S. STOCKS?

- ❖ The corrosive effect of the subprime mortgage collapse began to cause credit spreads to widen and market liquidity to dry up by late 2007
- ❖ A lack of trust still overhangs stock markets
- ❖ With hedge fund redemptions rampant, and institutional as well as individual investors moving portfolios into cash holdings, is it time to rebalance?
- ❖ With many investors sidelined, could these levels represent a buying opportunity?
- ❖ How do you choose a manager in this environment?

Roundtable B: WILL REDEMPTIONS STOP HEDGE FUNDS IN THEIR TRACKS?

A look at the hedge fund universe after the severe market downturn following the credit implosion sparked huge fund redemptions. We'll also discuss the plethora of hedge fund collapses over the past decade and what potential managers and institutional investors have learned from those failures. Some questions to think about:

- ❖ Why do some hedge funds fail and others reap up hefty profits for clients?
- ❖ Is more oversight pending after regulators were lambasted after loss upon loss hit the Wall Street financial services industry?
- ❖ Is it mainly an issue of greed, fraud, or laissez faire?
- ❖ How much leverage should be accorded hedge funds by Wall Street firms? Should it be the same extreme amounts given their own internal hedge funds?
- ❖ Finally, will the broadening credit crunch spur any additional bankruptcies in the alternative field?

Roundtable C: "UNDERWATER" ENDOWMENTS: THE PROBLEM OF FUNDING SCHOLARSHIPS AND JUSTIFYING TUITION INCREASES

Over the past decade colleges and universities have uniformly upped the price tag for tuition at their institutions, offering little rationale and putting less well-to-do parents under financial duress. But Ivy League universities have begun to offer plans under which parents making from \$60K to \$80K per year will be allowed to

enroll their most academic children tuition free. As the ongoing credit crisis has depleted endowments, this raises some important questions:

- ❖ What is the real cost of spending by universities/colleges?
- ❖ What happens to tuition increases now that the credit crisis has greatly reduced endowments and impacted parents' ability to pay the already skyrocketing fees?
- ❖ How will scholarships be funded? A look at "the Brandeis model"

GENERAL SESSIONS:

9:15 – 10:00

SUSTAINABLE ASSET MANAGEMENT STRATEGIES

- ❖ Growing focus on fighting global warming to protect institutional assets
- ❖ Are you considering investing in water preservation and distribution systems? Water is often not where it is needed
- ❖ Will China's environmental shortfalls dampen its economic growth? How to bring it into compliance with global protocols
- ❖ Wind, solar, and nuclear energy as renewable and sustainable energy options are growing but have they gained much traction among E&Fs?

Moderator: Sarah Cleveland
Senior Consultant
Watson Wyatt Investment Consulting

10:00 – 10:45

2009 MARKET OUTLOOK: WHERE DO WE GO FROM HERE?

- When will credit spreads realign to 2007 levels?
- Will energy-related inflation concerns spur late 2009 Federal Reserve rate hikes?
- How long until stocks bottom out? Or have they already?
- Is it time to rebalance?
- Are bonds still a good diversifier or will they remain volatile due to residual mortgage strains and an uncertain Fed monetary policy?
- Are derivatives a buy at these depressed levels?
- What about liquidity strains? Have they abated yet?

10:45 – 11:00

FORUM WRAP UP

Participants will have the opportunity to ask additional questions of moderators of the individual sessions during this time as well as suggest topics for future roundtables.

Moderator: Linda Gunneson
Senior Managing Director
Investment Management Institute

