



Hedge Fund Investing and the Sustainability Challenge

*The New York Hedge Fund Roundtable
August 12, 2010*

*Jed Emerson
Blended Value Group*

Perspective of...

- Managing Director, Integrated Performance
 - Uhuru Capital Management (*Fund of Hedge Funds*)
- Senior Fellow, Generation Investment Management Foundation, London/New York (*Global Public Equity*)
- Strategic Advisor, Sustainable Private Equity Funds (*PE, Sustainability-Focused*)
- Founding Board, Pacific Community Ventures (*Venture Capital, Community Development-Focused*)
- Founding Director, REDF/HEDF (*Venture Philanthropy*)
- Advisor, Strategic/Venture Philanthropy Funds/Foundations (*Philanthropy*)
- Founding Director, Larkin Street Services (*Social Enterprise/Social Entrepreneurship*)
- Faculty Appointments (*Thought Leader, Academic Researcher*)
 - Harvard/Stanford Business Schools
 - Visiting Research Fellow, Oxford University

At the Beginning and End of the Day,
there are really only 2 questions:

- *Are you and your assets maximizing your full, potential value?*
- *Are all your assets strategically aligned to achieve your 10 year goals and attain your 30+ year vision?*

What does it mean to be a Fiduciary?

- ❖ Definition of Fiduciary Responsibility has evolved over time
- ❖ Fiduciaries may consider not only financial return, but how extra-financial factors could effect that return over time
- ❖ Fiduciaries often also involved in defining mission and intent of foundations, investment funds, family offices and so on...
- ❖ Trustee vs Professional vs Advisory Fiduciary Responsibilities, in various related roles with differing incentives and motivations
- ❖ The Future of Millennial Fiduciaries and Disgruntled Boomers

A Winning Philanthropic Business Model?

For every dollar you donate, 95 cents is invested in the pursuit of financial return and a nickel is invested in our business...

*(Insert **your** business here: Small Business Development, Education, Social Change, Environment, Economic Development...)*



95% of your assets are, at best, neutral to your institution's mission....



....while 5% of your assets drive 100% of your mission.

What Percent of Your Capital is Advancing Your Mission?

The New Golden Rule

Portfolio size does not define the breadth of one's vision nor determine the tools you may use to create the future you desire

Translation:

*Your financial AUM and charitable Payout
are not your current value
nor your future potential!*

A Value Equation

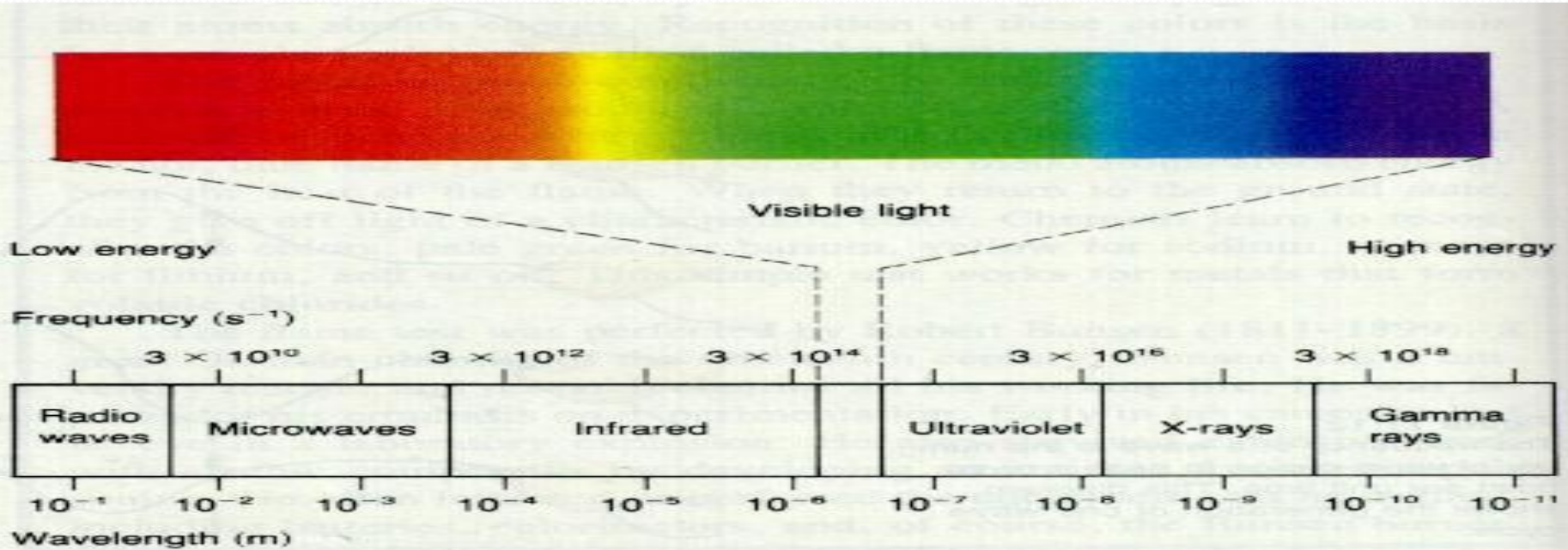
The Power of Social and
Environmental Factors to
Impact Financial
Performance



The Power of Financial
Assets to Generate
Social and Environmental
Impact

Total Portfolio Performance:
Multiple Returns and
Blended Value Creation

Visible vs. Invisible Value



*Enhanced Analytics and Research Frameworks to Assess /Track
Financial and Extra-Financial Aspects of Firm Performance and Capital Returns*

Sustainable Finance as Risk Mitigation

- ❧ *Sustainable Finance integrates financial, social, and environmental considerations into decision making, facilitating improved risk management and higher return on investment.*
- ❧ *Financial institutions can potentially be affected by social and environmental issues through the operations of their clients. Social and environmental issues within a financial institution's portfolio may translate into business risks for the financial institution.*
- ❧ *There are three types of risk a financial institution could be exposed to arising from the social and environmental issues of their clients: credit risk, liability risk and reputational risk.*
- ❧ *[IFC Web Site](#)*

Solutions for Impact Investors

Rockefeller Philanthropy Advisors

ILLUSTRATIVE LANDSCAPE OF IMPACT THEMES WITH ASSET CLASS EXPOSURES

	ASSET CLASSES								
	Liquidity	Income & Wealth Preservation			Capital Appreciation & Wealth Growth			Inflation Protection	
	Cash / Cash-Alternatives	Notes / Other Debt Obligations	Bonds	Absolute Return/ Low Equity Correlated	Public Equity	Equity Long/ Short	Private Equity	Real Estate	Commodities, Timber & other Real Assets
Climate Change	Green Bank Deposit		Tax-exempt Green Bonds	CO2 Trading	Positive & Negative Screening		Clean Tech Venture Capital	Green REITS	
Energy			Screened Corporate Bonds	Alternative Energy Project Finance	Exchange Traded Funds (ETF's)	Renewable Energy	Energy Efficiency Venture Capital		Sustainable Feedstocks
Water			Corporate Infrastructure Bonds	Water Treatment Project Finance	Unit Investment Trust, Closed End Funds	Water Funds	Water Technology Venture Capital		Water Rights
Community Development	Community Bank CD's	Foreclosure Repair		Microfinance Institutions Debt	Shareholder Proxy Voting		Community Development Venture Capital	Transportation - Smart Development Funds	
Social Enterprises	Social Bank Deposits	Social Enterprise Credit			Micro-Cap Listed Social Companies		Small & Medium Enterprise	Conservation / Ecotourism	
Health & Wellness				Structured Public Note			Consumer Product Venture Capital	Organic Farming	
Sustainable Development	Trade Finance Guarantee / Deposit		Smart Growth Municipal Bonds	Blended Debt/ Equity Hybrid Structures	Thematic Screening			Ranch Land, Agriculture	Timber
Education	Linked Deposit / Guarantee		Charter School Bonds				Education Private Equity	University Green Building	

SOCIAL, ENVIRONMENTAL OR BLENDED IMPACT THEMES

A Fundamental Investment Approach



Long-term Investment Horizon

Assessment of both financial risk and how environmental and social factors may impact our attainment of high financial performance and returns

Base our investing upon deep research: Qualitative and Quantitative assessment of investment opportunities, understanding their commitment to sound governance

Invest with managers who seek to be fully transparent and operate Uhuru Capital Management with full transparency for our investors with regard to our own exposure and risks

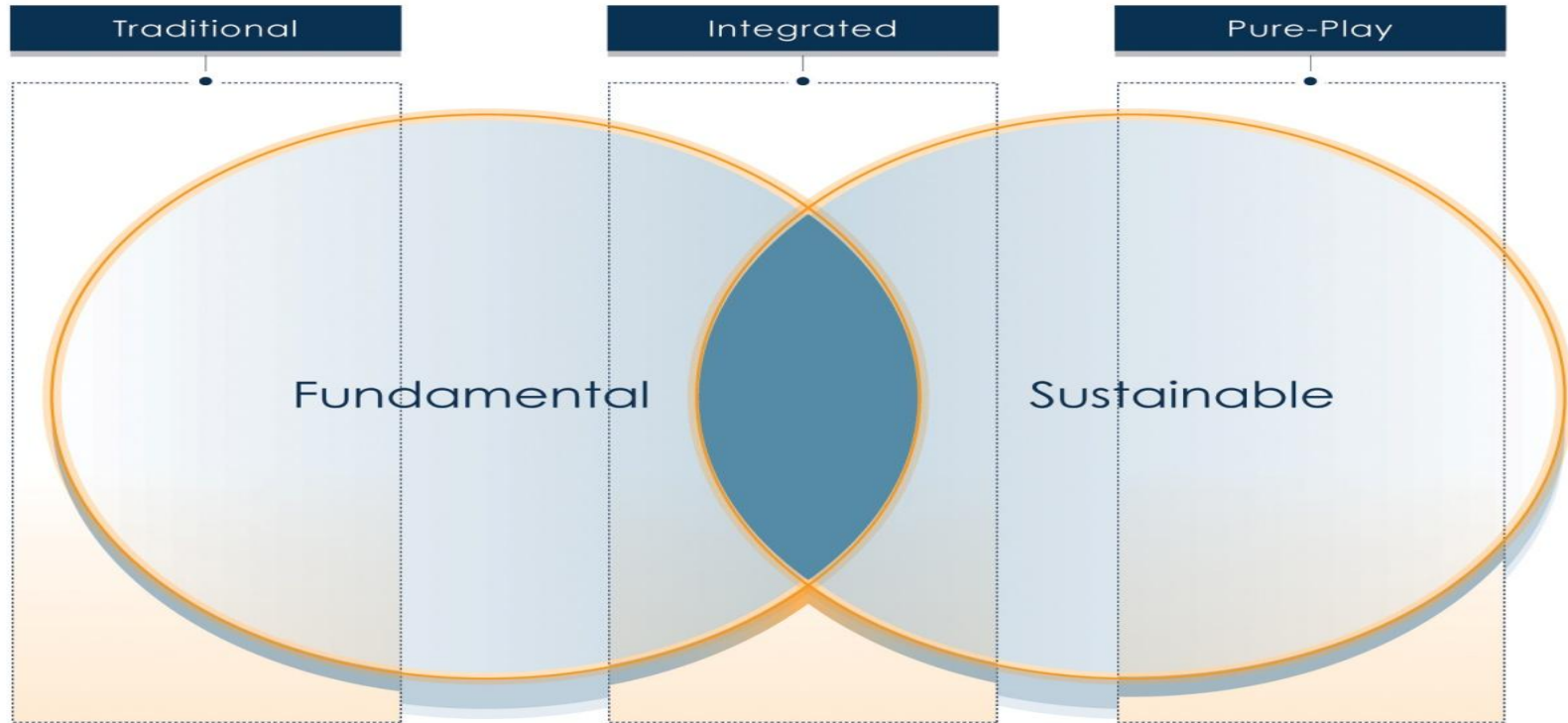


Focus on managers with responsible, thoughtful and fundamental fund strategies

Place resources with smaller, independently thinking funds who do not seek to distort the markets in which they invest

Invest with managers supporting "low to no leverage"

From Capital Market Catalysts to Millionaire Market Revolutionaries



The Future of Finance

