

ICR 1

Office of the Executive Vice President for Finance and Administration
February 17, 2022

Members, Investment Committee of the Board of Trustees:

EXPANSION OF MISSION RELATED INVESTMENT PROGRAM

Recommendation: that the Investment Committee approve an expansion of mission related investment programs to an aggregated commitment level of up to \$10 million.

Background: Mission related investments are designed to directly support the University of Kentucky and provide clear benefits for UK students, staff, and/or faculty. The endowment portfolio's existing mission related investment program was established in December 2013 when the Investment Committee approved a commitment of up to \$5.1 million for the Student Managed Investment Funds (SMIF) Program. This commitment amount was allocated equally across two academic programs: the Undergraduate program for Finance majors and the Masters of Science in Finance.

This proposal allows for additional commitments to mission related investment programs as deemed prudent and appropriate by the UK Chief Investment Officer. As described in the attached document, the initial expansion of the mission related investment program is a new SMIF focused on Responsible Investing. All new investment commitments will be communicated at regular meetings of the Investment Committee, per the existing process for new investments.

Action taken: Approved Disapproved Other _____

January 31, 2022

TO: Members, Investment Committee of the University of Kentucky Board of Trustees

FR: Chris Clifford, PhD
Chair, Department of Finance and Quantitative
Methods

RE: Proposed expansion of UK Student Managed Investment Fund (SMIF) program

The purpose of this memorandum is to propose an expansion of the UK SMIF program. As currently configured, the SMIF program is divided across two academic programs, the undergraduate finance major (where it has operated for almost 25 years), and the Masters of Science in Finance (MSF) program which was created in 2017. The total amount initially approved in 2013 for student management was \$5.1 million, and funding began the following year. The full commitment level was reached in 2017 with additional funding to provide an equal allocation for the two programs. The combined market value of the two SMIF portfolios amounts to over \$8 million as of today.

Today, we are proposing to expand the SMIF program with an additional commitment of \$2 million to a new SMIF focused on Responsible Investing (sometimes called ESG investing). In addition to the focus on Responsible Investing, there are two significant changes with this SMIF compared to the existing program: (1) it will be open to all students across the University who fulfill two prerequisite courses with a grade of B or better, one relating to Finance (FIN300) and one relating to Environmental Science; and (2) it will be co-taught with an instructor from Gatton's Finance Department and an instructor specializing in sustainability.

SMIF programs exist at most major universities in the U.S., with amounts under student management ranging as high as \$52 million. While ESG investing has become an extraordinarily popular style within the investment community, there are few universities currently offering a dedicated SMIF. In terms of assets under management, UK's offering will be among the largest among any US universities.

It is also worth noting that the Gatton College has made a significant investment in the SMIF program. Thanks to a gift, students have 24/7 access to the state-of-the-art Seale Finance Learning Center along with the companion Seale Finance Training Room. These two facilities offer, among other things, access to a dozen fully equipped Bloomberg terminals. In addition, thanks to funding provided by another gift, a team of Gatton students annually take an extended Wall Street trip to meet with major investment banks and investment firms. These resources have contributed to the ability of our students to consistently obtain employment with major investment firms on Wall Street and throughout the U.S.