

# 2012 Conservation Trust Investment Survey

## PRESENTATION TO REDLAC ASSEMBLY NOVEMBER, 2013



ACACIA PARTNERS, LP



# TOPICS

- About the Conservation Trust Investment Survey (CTIS) and What's New
- Key Findings from 2012 CTIS Data
- Upcoming Studies and Features



# The CTIS.....

- Collaboration between Conservation Finance Alliance, Wildlife Conservation Society, RedLAC and CAFÉ
- Started in 2006 ... the 2012 report is the 6<sup>th</sup>
- The CTIS is about and for CTF's – It's only as good as the data we collect – your participation is critical!



# Goals of the CTIS

- Knowledge sharing and learning among CTFs
- Information for donors
- Assistance for new & emerging CTFs
- Critically relies on participation
- 16 RedLAC participants this year
- We need to know what would make participation easier, better, more appealing?



# Analysis in the CTIS Report

- Financial Returns
- Risk Strategy & Asset Allocation
- Typical Benchmarks/  
Performance Standards
- Investment Location/Currency
- Investment Strategy
- Professional Advisors
- Spending Rates
- Qualitative Case Studies
- Currency and Inflation Impact
- Regional Analysis



# What's New with CTIS

Three-year capacity building grant from the Gordon & Betty Moore Foundation, the Linden Trust for Conservation and Acacia Partners

This funding enables

- Full-time CTIS Project Manager
- Dedicated CTIS section of the CFA website (live at the end of 2013)
- Supplemental educational material related to investment management (articles, features, webinars)
- Developing a sustainable long-term business plan for the CTIS



# New in 2012

## Creation of CTIS Advisory Committee

John Adams (UBS Arbor Group; CFA Executive Committee)

Fernanda Barbosa (fmr Secretariat, CFA)

Karine Barcelos (Secretariat, CFA)

Carl Bruessow (MMCT, Café Executive Committee)

Sylvie Goyet (Fiba, CFA Executive Committee)

Scott Lampman (USAID)

Kathy Mikitin (Consultant)

Ravaka Renavaison (Secretariat, Café)

Lorenzo Rosenzweig (FMCN, CFA Executive Committee)

Ann Marie Steffa (Secretariat, RedLAC)

Juan Pablo Vallejo (Fondo Accion)

Ray Victurine (WCS, CFA Executive Committee)

# New in 2012

## Public Disclosure

- Checking “yes” to first question, gives access to responses from others that also checked “yes”
- The published CTIS Report will continue to report analysis and trends, not individual data
- 31 of 36 CTFs agreed to participate in data sharing
- Password-accessible file from the new CTIS web presence
- Glossary – Linked to Practice Standards

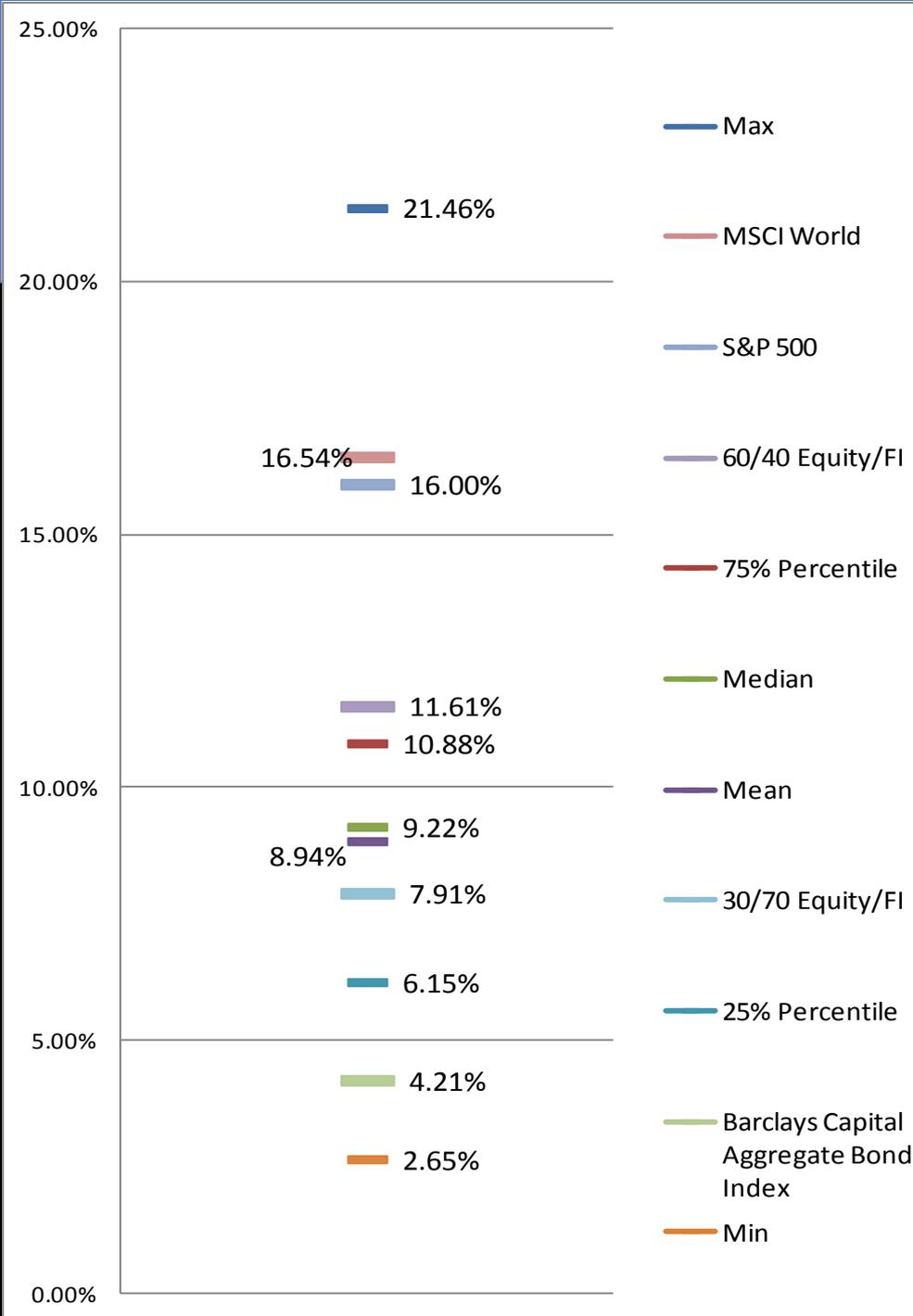


# 2012 CTIS Participants -- Assets

- Funds range from \$1.3M to \$120M (USD equivalent)
- Average fund size is \$14M
- 21 CTFs manage one fund; 10 manage two or more
- Data includes 31 endowments and 14 sinking funds
- Average total assets for a CTF are \$21.1M (USD)
- Total invested assets for all reporting CTFs: \$672M (USD)

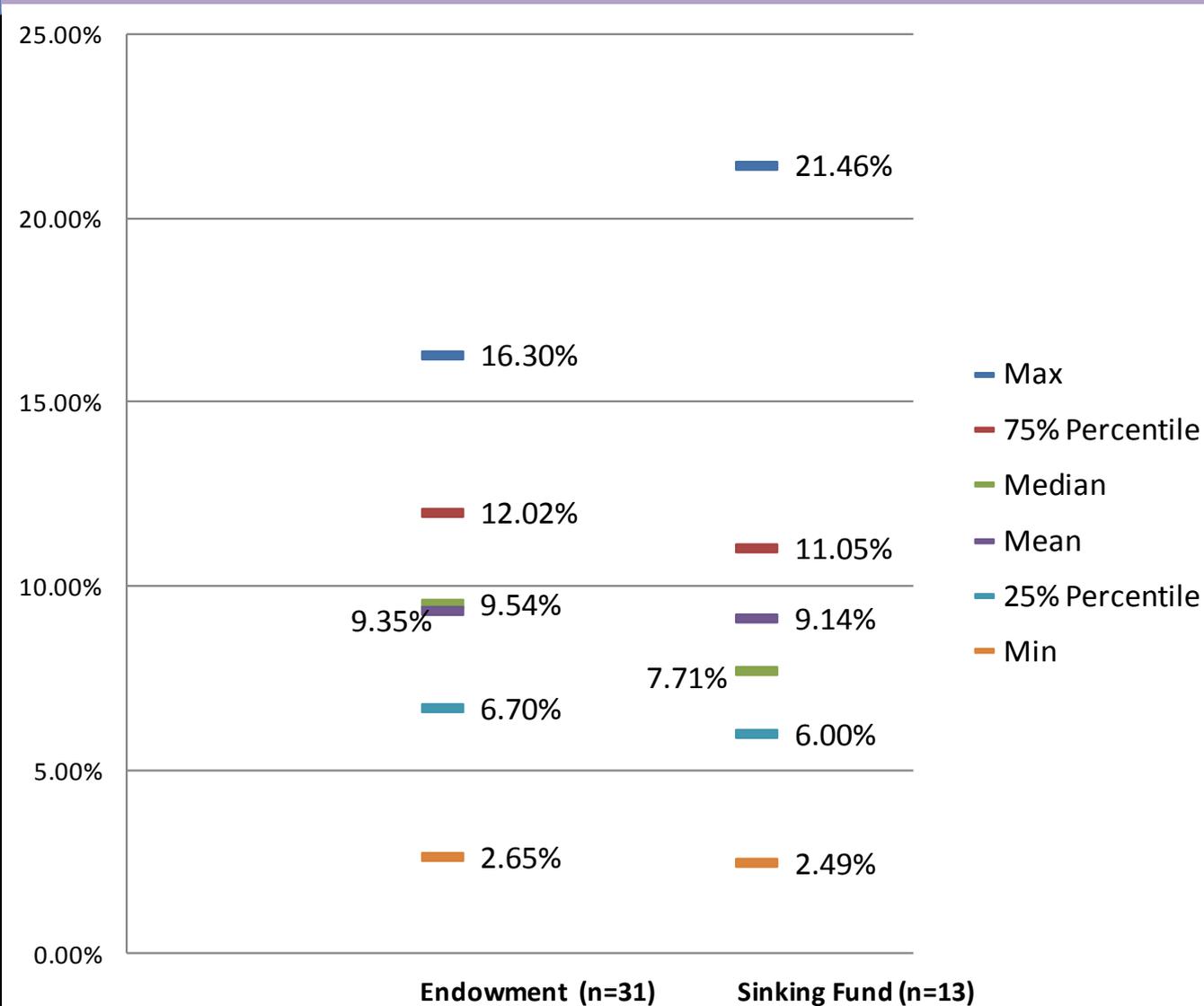


# Range of Nominal Organizational Returns



- One CTF exceeded both the S&P 500 and the MSCI World indices
- 27 CTFs exceeded the BCABI
- Six CTFs exceeded a hypothetical portfolio of 60% equity (MSCI World) and 40% bonds (BCABI)

# Range of Fund Returns



# What do those with top returns have in common?

10 CTFs with 10+% returns:

2 – invested domestically – given domestic inflation, real returns were negative and 3.4%, respectively

1 – invested in local fixed income – even with local inflation, real returns were nearly 15%. However, not representative

Remaining 7:

- Invested in US or US/Domestic portfolios

- Relatively sophisticated investment consultants or advisers

- Equities ranging from 15-66%

- Most have a small exposure to alternatives (hedge funds, REITs, commodities) and/or other instruments (subordinated debt, preferred stock)

- Diversification of markets (US, domestic, international/global, emerging markets) and asset sub-classes

# Nominal returns by region

Region	Average returns
Africa	8.09%
Eastern Europe/Asia/Oceania	10.69%*
Latin America/Caribbean	8.3%
Overall	7.93%

**\*Removing the outlier, returns are 9.35%**

Region	Endowment	Sinking Fund
Africa	8.2%	
Eastern Europe/Asia/Oceania	9.7%	12.8%
Latin America/Caribbean	9.8%	8.0%
Overall	9.3%	9.1%

**Average fund returns**

# Asset Allocation and Returns by Size of CTF

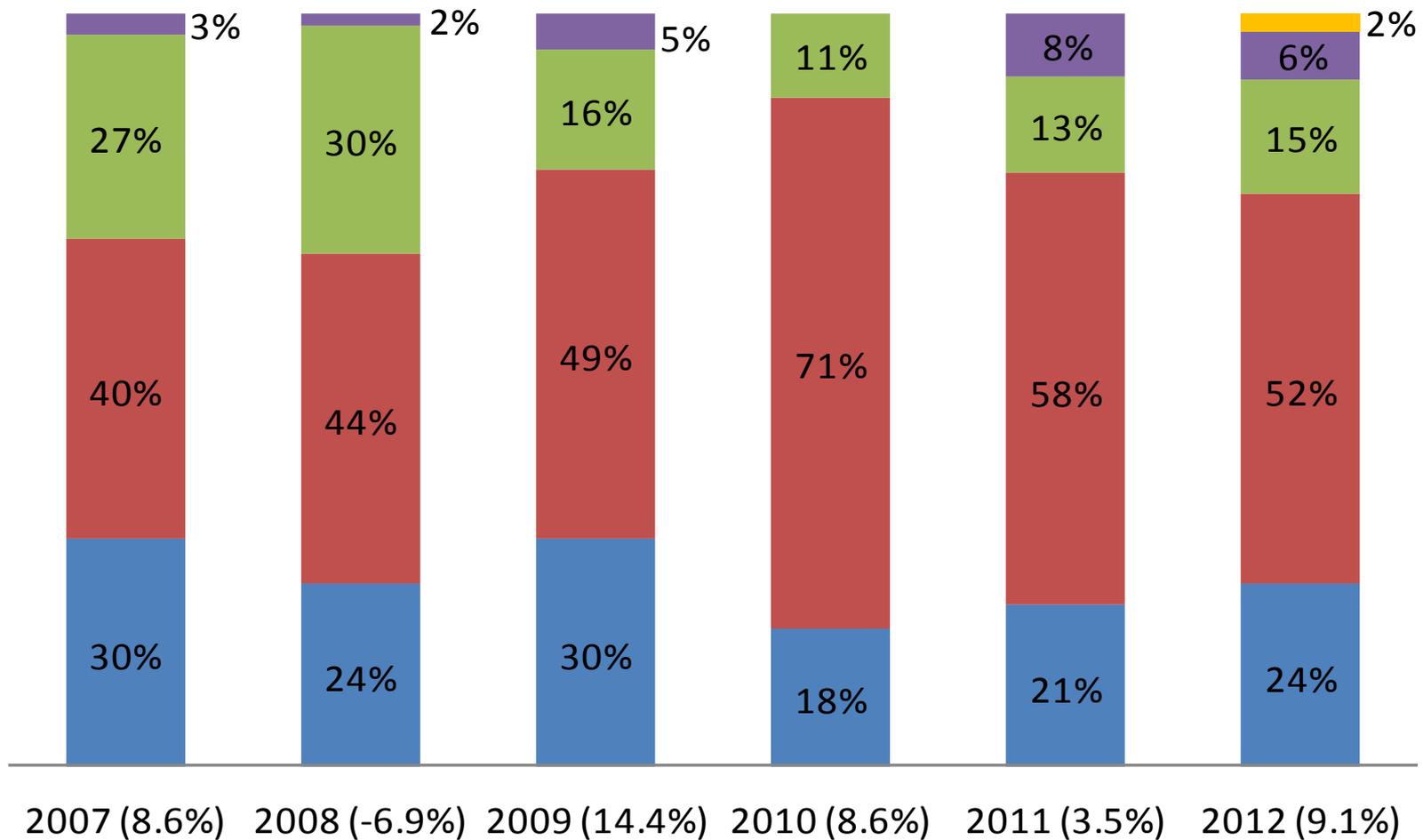
Asset Class	Overall	Endowment	Sinking Funds
Equities	24.05%	31.2%	7.6%
Alternatives	6.43%	4.7%	3.2%
Cash	15.43%	19.4%	6.5%
Fixed Income	51.88%	41.7%	82.6%
Other	2.30%	3.3%	0.0%

Size	Average returns
0-10M (USD equiv)	10.54%*
10-20M (USD equiv)	7.50%
20M+ (USD equiv)	8.52%
Overall	8.94%

**\*Removing the outlier, returns are 9.54%**

# Average Fund Asset Allocation Over Time

Equities Fixed Income Cash Alternatives Other



# Asset Allocation of the 75<sup>th</sup> %ile CTF

(10.88% return)

Asset Class	% of Portfolio
Equities	50.3%
Alternatives	15.7%
Cash	3%
Fixed Income	31%
Other	0%

Nominal return 10.28%

**Equity:** US Large & Small-Mid Cap, Emerging Markets, International

**Alternatives:** Domestic Real Estate, US REITs

**Cash:** US Money Market

**Fixed Income:** About evenly split between US & Global

Asset Class	% of Portfolio
Equities	54%
Alternatives	0%
Cash	13%
Fixed Income	33%
Other	0%

Nominal return 10.7%

**Equity:** US dollar portfolio invested in international (different markets)

**Alternatives:** None

**Cash:** US Money Market

**Fixed Income:** Global fixed income

# Typical Fees

US & European portfolios tend to use financial consultants and financial advisers

Domestic portfolios more likely to be invested in domestic bonds AND tended not to report fees

Fee structures average

US --0.74%

Euro -- 0.51%

Domestic – 0.2%



# Endowment Management

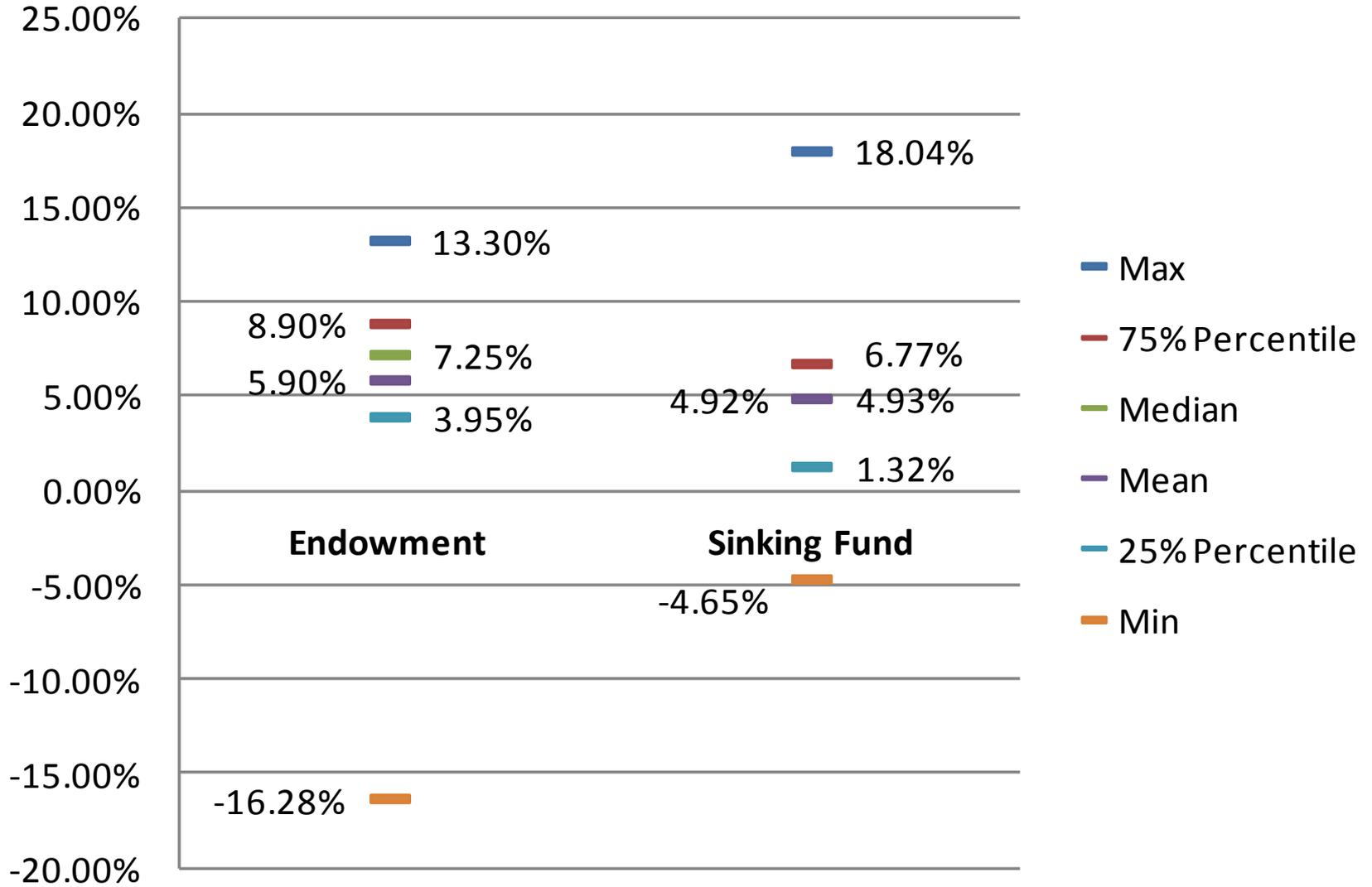
- Long-term goal: Preserve purchasing power for future generations
- 76% of the CTFs listed “preserve real value of endowment” as their first or second investment priority
- To preserve purchasing power: investment returns – spending – inflation = 0, over time
- To grow endowment in real terms
  - Earn more
  - Spend less
  - Add to capital through additional fundraising

# What is the impact of inflation?

- Overall average return (nominal versus real) drops from 9.07% to 5.56%
- Four (of 51) funds show negative real returns (two endowments, two sinking funds)
- One-third of endowment funds generated zero or negative returns if we consider returns, inflation and a (hypothetical) spending rate of 4%



# Real Returns



# Spending Rules

Actual spending practices by endowments vary widely

Examples include

0%

100% of returns after inflation

5% on a three year moving average

5-6%

All capital gains added to capital reserve; up to 1/3 of annual interest can be added to capital reserve; remaining interest income must be spent no later than the year following the year earned

Income from fixed income investments



# What's Next

Development and Launch of CTIS web presence (at [www.conservationfinance.org](http://www.conservationfinance.org))

Articles & webinars

Shared CTIS database

Endowment performance over time

Assessing the CTF's investment management capacity and hiring professional advisors

Risk

Pooling

Program-Related Investing

CTF identified topics



# For More Information

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