

FORUM 2018

Held in Orlando, Florida, March 11 - 13, 2018



Commonfund recently hosted its 20th annual Commonfund Forum in Orlando, Florida. The event brought together 400 institutional investors from the U.S., Puerto Rico, the Virgin Islands, Canada, Chile and the United Kingdom in a 2.5 day conference. Sessions explored cyclical and tactical investment trends and, importantly, strategies to help institutions support their missions. More than 60 experts from investment firms, academia, public policy and think tanks convened in general sessions, major addresses and breakout sessions.

10 KEY TAKEAWAYS FROM FORUM 2018

- 1 Late Cycle, But Not Over Yet** — In the opinion of many panelists – as well as Forum attendees completing a brief survey – the long bull market is generally seen as being in September or October, if its length is gauged on a calendar year – late but not at the end. [Investors should focus even more intently on building resiliency into their portfolios.](#)
- 2 Lessons in Leadership** — Dr. Robert M. Gates shared what he has learned over 50 years of public service – simple plans, faithfully executed, can cut through the mire of bureaucracy to reform organizational culture. Further, great leaders listen and respond to their teams and embrace the power of compromise.
- 3 Evolving Asset Allocation** — [Endowments' pursuit of long-term returns of CPI plus 5 percent is interrupted periodically by reversals in financial markets.](#) Proprietary Commonfund research demonstrates that the length of time institutions' returns remain below their long-term CPI+5 trendline can be more important than the depth of the decline or the volatility of returns, negatively impacting their ability to fund their mission. Thus, strategic asset allocation policy should be optimized to reduce the risk of prolonged drawdowns.
- 4 After the G-Zero** — The global order that prevailed since the end of the Second World War has hit its limits. A breakdown in longstanding political equilibria is making policymakers both less able and less willing to collaborate internationally. The result: a G-Zero world characterized by a growing vacuum in global governance and with it, the greatest geopolitical risk in a generation.
- 5 Policy Protects** — [Investment policy is the number one reason institutions outperform individual investors.](#) It is risk management. It defines asset allocation and encourages counter-cyclicality through rebalancing. Now is a good time to stress test your policy and ensure it is resilient.
- 6 Sustainable Investing as Good Governance** — [ESG](#) has evolved beyond socially responsible investing (SRI). The latter depended mostly on exclusions—what not to invest in. Investing based on environmental/social/governance (ESG) principles is much more flexible and proactive, and thus addresses one of the chief concerns associated with SRI: heightened potential for portfolio underperformance.
- 7 The Value of Diversity** — Nonprofit institutions would be serving their own interests (in pursuit of better investment returns) by looking more closely at diverse investment managers in both public and private markets. Firms that are minority- and/or women-owned and operated want to compete on the basis of performance and many – although comparatively new firms – are building solid track records.
- 8 Earning the Liquidity Premium** — Speakers acknowledged the incredible pace of fundraising and enormous growth of the [private capital industry](#) and the potential impact on valuations and future returns. Consensus approach: search out smaller managers and smaller funds with operational expertise and the ability to find and create value and have multiple exit opportunities. Also, don't follow the crowd – survey responses cited emerging markets as today's best opportunity.
- 9 While Scarce, Alpha Matters** — The past few years have proved challenging for active management. But, expectations for future market returns are muted, heightening the need for diversifying sources of alpha to achieve CPI+5 target returns.
- 10 The Fallacy of "Impossible"** — Mick Ebeling, CEO of [Not Impossible Labs](#), shared the secret to doing what was previously thought to be impossible: find the one person or thing that ignites your passion and commit to do something.



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