

FOREWORD

The invested assets of endowments and foundations are a major resource of society, both in the US and the UK. They support education and scientific research, as well as cultural and charitable institutions. Endowments of colleges and universities in the US total more than \$250 billion, and US foundation assets are now more than \$500 billion. While the size and scope of similar institutions in the UK is not nearly as large, endowments and foundations are very important resources for the same activities there. There are 60-70,000 organizations involved, and a very large number of Trustees who have assumed fiduciary responsibility for investing their assets by serving as a member of a finance or investment committee .

Forty years ago, when I was a young officer of TIAA-CREF*, I became aware that most college and university endowment funds were not being well managed. Endowments then were usually managed by committees of trustees who met periodically to choose specific stock and bond investments, which they did not monitor closely thereafter. Investment results were poor. Working with William C. Greenough, then Chairman of TIAA-CREF, and aided greatly by studies sponsored by the Ford Foundation, in 1971 we established a new service called The Common Fund for Nonprofit Organizations (known as the Commonfund Group today) to pool endowment investments, and bring them high quality, full time professional management of their investments. This proved to be much more effective, and eventually led to a basic change in the way all endowments were managed. Professional investment management, which was rare in the 1960's, has become virtually universal today. The role of trustees has evolved from choosing investments to selecting and monitoring professional managers, as well as setting guidelines for investment policy and asset allocation.

These are neither simple nor easy tasks, and are made more difficult by the fact that it is quite common for membership on Finance or Investment Committees to rotate every few years. Trustees who assume the fiduciary responsibility for the management of an endowment or foundation need to have a clear understanding of what their responsibilities are, as well as what aspects of investment management are more appropriate to delegate to professional managers.

* TIAA_CREF provided a nationwide retirement program for US colleges & universities

There are probably something on the order of 250,000 individuals who find themselves serving on such committees, and perhaps as many as 50,000 are new to the task each year. These are typically people who have had success in business and professional careers, but may have had limited experience with the daunting challenge of successful investment management.

When Chris Russell first spoke with me about writing this book two years ago I was very supportive, because I knew from experience how much it was needed. I have shared with him the insights I have gained from helping establish and manage the Commonfund programs, and working with hundreds of trustee groups for many years.

TRUSTEE INVESTMENT STRATEGY is a valuable resource and reference for all trustees of endowments and foundations. Chris Russell brings the knowledge and perspective gained from a successful career in professional investment management with the Robert Fleming group in London, and later in managing a large international investment program formed jointly by Flemings and T. Rowe Price in the US. His clients included a number of prominent endowments and foundations, and he has experience serving as director and trustee himself.

He has done an outstanding job of distilling this knowledge and experience into a clear and comprehensive summary of the important principles and concepts that will help trustees discharge their responsibilities effectively, and avoid some of the mistakes that others have made. He has labored long and hard, and produced a valuable work that deserves to be on the bookshelf of every trustee who has fiduciary responsibility for the investment of endowment or foundation assets.

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