

Advisory Committee on Investment Responsibility

Wednesday, March 17

3:00 p.m. – 4:00 p.m.

Meeting Summary

The Advisory Committee on Investment Responsibility (ACIR) met by videoconference on Wednesday, March 17, 2020. The meeting began at 3:03 p.m. with Chair Lawrence Baxter presiding.

ACIR members attending, in addition to the chair, were Gianni Affi (*DSG student rep*), Austin Bath (*GPSC student rep*), Craig Burnside (*faculty*), Gina-Gail Fletcher (*faculty*), Tracy Futhey (*administrator*), D. Sunshine Hillygus (*faculty*), Chris Lott (*ex-officio*), Shrey Majmudar (*DSG student rep.*), Tori Nevois (*ex officio*), Gabriella Shull (*GPSC student rep.*), Martin Smith (*faculty*), and Fred Sutherland (*trustee*). Absent were Jeff Howard (*alumni*), Scott Gibson (*administrator*), and Anil Madhok (*advisor*).

Also attending was Robert McGrail, director of legal affairs, DUMAC and Michele Wittman, executive assistant, Public Affairs and Government Relations.

Chair Baxter welcomed and thanked all members in attendance. Chair Baxter reviewed the agenda and goals for the meeting. He introduced Mr. McGrail who informed the committee on DUMAC's position in Carbon Underground 200 holdings.

Carbon Underground 200 Holdings. Chair Baxter provided background on the Carbon Underground 200 list. The list is used as the criterion for reviewing Duke's positions in fossil fuel companies. Although divestiture has not been recommended, the ACIR does believe that there should be an increasing focus on such investments and efforts to avoid them wherever possible.

Mr. McGrail shared that DUMAC is also looking at other ways to provide more transparency, and the Carbon Underground 200 list is only one way in which they have control of direct investment decisions. The direct portfolio managed by DUMAC includes indirect purchases over which it has control and investments that have direct exposure to a certain region or index. DUMAC does not pick the names of companies directly, but is aware of those included in the exposure categories or parameters chosen in the investment strategy. Derivatives, on the other hand, are not direct investments but are risk management devices that provide exposure to certain baskets dependent on portfolio investment strategy. Because of the way exposure and derivative investments work, DUMAC is not "invested" in any fossil fuel companies, even though derivatives held by DUMAC might refer to such companies from time to time. DUMAC also has no proxy voting for derivatives. These investments are complicated and to the untrained eye, could appear hypocritical, but properly understood they

do not indicate “investment” in the referent companies themselves, and they often constitute “bets” against the viability of such companies.

A comment from an attendee was made that if Duke could be more specific about what derivatives to invest in, this might make a difference by steering investors away from certain kinds of investments. This is unlikely to have such effect, but Duke does not want to be accused of violating its own statement on divestiture. Students should be assured that they are being heard regarding their concerns. The language could perhaps be revised to update the Board of Trustees statement from 2019-2020. Mr. McGrail offered to suggest language for a policy statement that could be presented to President Price and the Board of Trustees to consider. DUMAC continues to consider different markets for investment portfolio construction and strategies.

Chair Baxter thanked Mr. McGrail for his time and expertise. Mr. McGrail offered to circulate a construct of wording to encourage investment managers to stay away from certain funds accompanied with a stronger statement on direct investments to the ACIR for review.

Chair Baxter opened the possibility of holding a spring open educational forum. The committee did not express an opinion either way and the option to hold a spring forum was left open.

In closing, Chair Baxter thanked everyone for their time and reminded the committee members that there will be a meeting scheduled in the spring.

The meeting was adjourned at 3:59 p.m.

Submitted by Michele Wittman