



Investing in Positive Impact

To secure a strong financial foundation for Washington University, Washington University Investment Management Company (WUIMC) seeks to generate the highest investment returns over the long term within established risk boundaries. WUIMC believes that the long-term pursuit of financial returns is inherently biased toward investments that have highly positive impact. Therefore, companies whose core goods and services address major global social and environmental issues — such as climate change, food insecurity, lack of access to health care, resource degradation — have the potential to generate significant returns over the coming decades. With that in mind, WUIMC seeks to partner with skilled investment managers that identify and source access to businesses and companies pursuing solutions to complex issues and that are able to capitalize on disruptive investment opportunities.

This is a first effort to highlight the complexion and tone of investments within the endowment portfolio. However, it is an industry-wide challenge to evaluate the positive impact of just a single company; it is an even a bigger challenge to report on an entire portfolio. WUIMC partners with over 100 external managers who invest in more than 3,000 individual holdings globally. This presents several complexities: there are no impact reporting standards that apply uniformly across the portfolio (different metrics apply with differing magnitudes from company to company); almost 40 percent of the portfolio is invested in private companies that do not have regulated reporting requirements; and reporting regulations for public companies are in the early stages of standardizing SRI/ESG reporting metrics. Accepting these challenges, this annual report represents an initial but important attempt to shed light on the amount of positive impact within the endowment's investment portfolio.

WUIMC is pleased to report that the Washington University portfolio has a substantial level of investment in companies seeking solutions to large and complex societal problems. Approximately 23 percent of the endowment (roughly one out of every five endowment dollars) is currently invested by WUIMC's external managers in positive impact companies. Over 14 percent of the endowment (more than \$1 billion dollars) is currently invested in companies providing access to health care, education, and financial services for the underserved, and in companies pursuing advancements in life sciences and disease research. Investments in clean tech and renewable energy continue to grow as these businesses gain traction in the marketplace. Notably, the endowment has virtually no investments in coal; this is a striking example of market forces at work as coal becomes a decreasing segment of global energy markets.

It is important to note that many positive impact companies are venture-capital-backed startups where the initial investment dollars are small, but the potential disruption, impact, and investment returns are significant. While some of the exposures are relatively small — clean tech and renewable energy, for example — the potential impact and solutions are substantial if successful.

Given the varying degree of company-specific transparency across the portfolio, WUIMC has developed its own framework for reporting on the portfolio's positive impact. The framework is informed by an extensive review of third-party market data and relies to a substantial extent on the reporting of WUIMC's external investment managers. The goal is to keep up to date on best practices and continue to improve reporting on the positive impact in the endowment portfolio.

POSITIVE IMPACT AREAS	DESCRIPTION	EST. % AT 6/30/19	\$ VALUE INVESTED
FINANCIAL INCLUSION	Accessibility to affordable and secure financial products and services	6%	\$524 M
HEALTH CARE	Access, affordability, and innovations in life sciences and disease research	5%	\$489 M
EDUCATION & EMPLOYMENT	Provisions of early childhood education, vocational training, and human resource development	3%	\$292 M
TECHNOLOGY	Access to technology; advancements in manufacturing, semi-conductors, and communications	3%	\$249 M
HOUSING	Investments in affordable housing, construction, and fair-lending programs	2%	\$153 M
FOOD TECH & SUSTAINABLE AGRICULTURE	Expansion of global food supply and sustainable agricultural practices	2%	\$144 M
PRODUCT & LABOR SAFETY	Development of workplace and consumer product safety, mobility devices, and data security/privacy	1%	\$85 M
CLEAN TECH & RENEWABLE ENERGY	Enhancement of solar, hydro and wind power, grid engineering, water management, and zero-emission transportation	1%	\$80 M
TOTAL POSITIVE IMPACT		23%	\$2,016 M

Two of the endowment's indirect portfolio holdings that demonstrate commitment and vision to positive impact are:



MODERNA, INC. (HEALTH CARE ADVANCEMENTS)

Moderna's goal is to develop treatments for a wide range of diseases and conditions, including infectious diseases, rare genetic diseases, cardiovascular diseases, and cancer. The company was founded in 2010 as a drug discovery and development company that creates messenger RNA (mRNA) sequences for potential use as medicines in patients. Cells use mRNA to help the body produce and create its own therapeutic proteins. If successful, Moderna's platform could have broad and disruptive potential across the biopharma landscape.



SCATEC SOLAR (CLEAN TECHNOLOGY)

Scatec Solar delivers affordable, rapidly deployable, and sustainable clean energy worldwide. The company — founded in 2007 as an independent solar power producer — develops, builds, owns, and operates solar power plants and has a total of 1.9 gigawatts in operation and under construction on four continents. It has a goal of reaching 4.5 gigawatts in operation and under construction by year-end 2021. Scatec's operating solar plants avoided about 650,000 tons of greenhouse gas emissions in 2018, underlining the positive climate impact of the company.