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Preliminary Report to the Concordia Student Union on Concordia's Investment Practices

Concordia University is an institution that significantly affects economic growth. Concordia has large investments, is responsible for research and innovation, and provides education and job training. The report, *Concordia: An Economic Force Connected to its Community Study on the Impact of Concordia University*, statesⁱ

“Concordia University makes a major contribution to the economies of Montreal and Quebec. Every year, it generates nearly \$1.3 billion in quantifiable benefits, a contribution three times greater than its annual operating expenditures. Few institutions, whether public or private, can boast such a leverage effect. The university’s economic impacts are felt most strongly in three areas [...] First, nearly 90,000 Concordia graduates work in Quebec. Their university education contributes to an increase in productivity of \$623 million. Furthermore, research conducted and disseminated by the university brings \$177 million into the Quebec economy. Lastly, spending by Concordia and by its students and visitors from outside Quebec generates \$464 million in value added, resulting in the creation of more than 7,000 jobs. (p. 5)

For decades, influential economists like G.K. Galbraithⁱⁱ have pointed out that economic growth should be focused on areas of the economy that are useful, that promote social and physical well being and that are not harmful to us and/or the biosphere. Galbraith suggests that the quantity of productive outputs is not as important as the quality of what these products bring to society. Concordia agrees with this position. In the report mentioned previously, it also states,

“[...] Concordia’s impacts far exceed these quantifiable elements. Through its integration into the social, economic, cultural and community fabric of Montreal and Quebec, Concordia makes exceptional contributions to enhancing the quality of life and economic potential of Quebec society.” (p. 5)

Concordia's Commitment to Responsible Environmental Stewardship and Sustainability

Concordia University is “committed to responsible environmental stewardship through all the Universities activities and functionsⁱⁱⁱ”. This includes the companies that Concordia contracts^{iv}, the companies that Concordia allows to perform their research^v, and the companies that Concordia invests in^{vi}.

Concordia's report, mentioned above, states,

“Concordia is committed to leading in sustainability. It has undertaken to raise public awareness and promote innovation to address the issues involved. This initiative is a demonstration of its resolve to democratize access to knowledge and expertise, and to engage the community in dialogue through various events outside the traditional educational framework. Thanks to its

many activities, Concordia organizes citizen participation and encourages its employees, professors and students to participate in the many social initiatives offered in its environment. Always dynamic, the university stands out as an engaged and thoroughly engaging institution.” (p. 7)

What kind of economic growth does Concordia participate in? Does Concordia's commitment to environmental stewardship and sustainability extend to their investment practices? This research report focuses on how Concordia participates in the growth of future commodities by looking at their financial investment practices.

Investments and Growth

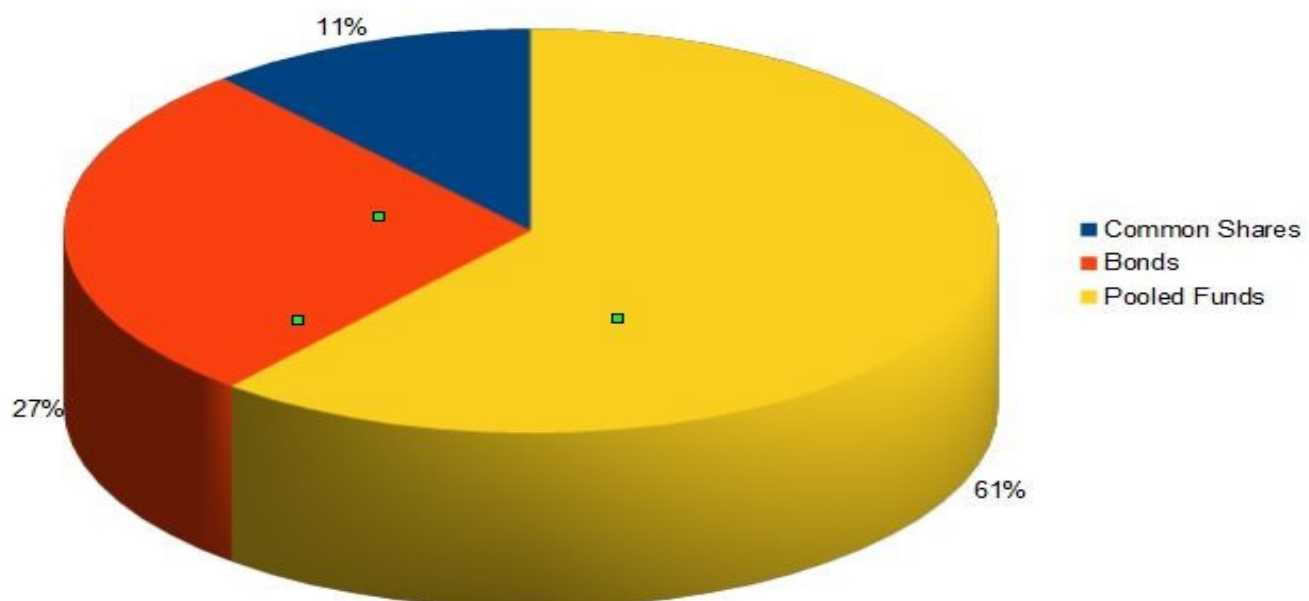
In order for economic growth to occur, companies need investments to expand upon and improve their buildings, machines and equipment (constant/fixed capital^{vii}) and to maintain their day-to-day operations at a higher capacity^{viii} (variable/working capital^{ix}). These investments can be obtained internally, by reinvesting a company's profits back into their own business and/or externally from banks, governments and share holders. Concordia participates in the growth of various types of industries by investing approximately \$120 million from the Concordia Foundation in 2013, \$107 million in 2012 and \$116 million in 2011 (see Appendix A).

What Types of Industry does the Concordia Foundation Help Grow?

The Concordia foundation holds three types of investments: common shares, bonds and pooled funds^x. Concordia currently holds 61% of its investments in pooled funds, 27% in bonds and 11% in common shares (see Figure 1).

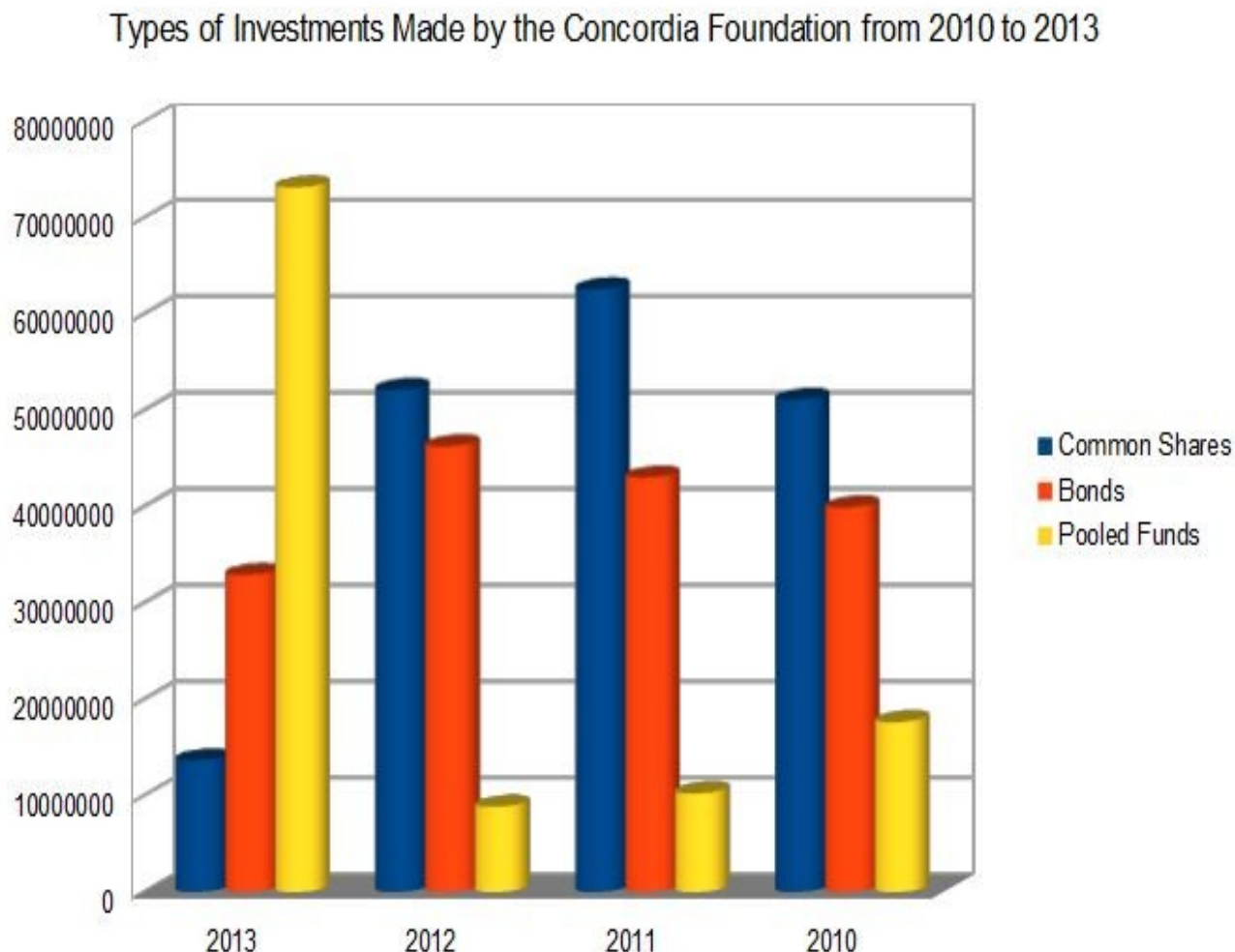
Figure 1

Types of Investments Made by the Concordia Foundation in 2013



Since 2012, the Concordia Foundation have shifted the majority of their investments from common stocks to pooled funds while keeping their bonds fairly consistent (see Figure 2).

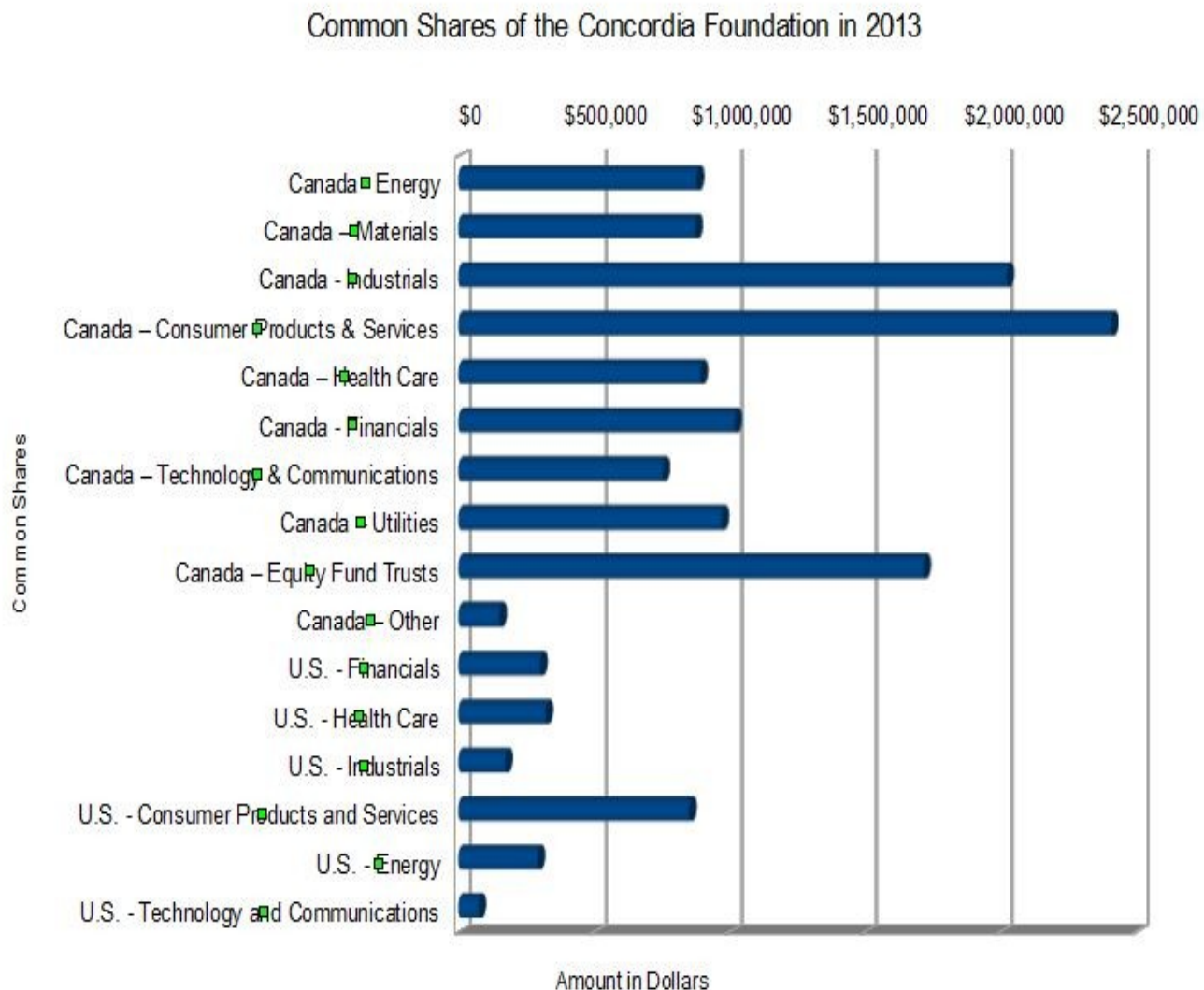
Figure 2



Common Shares

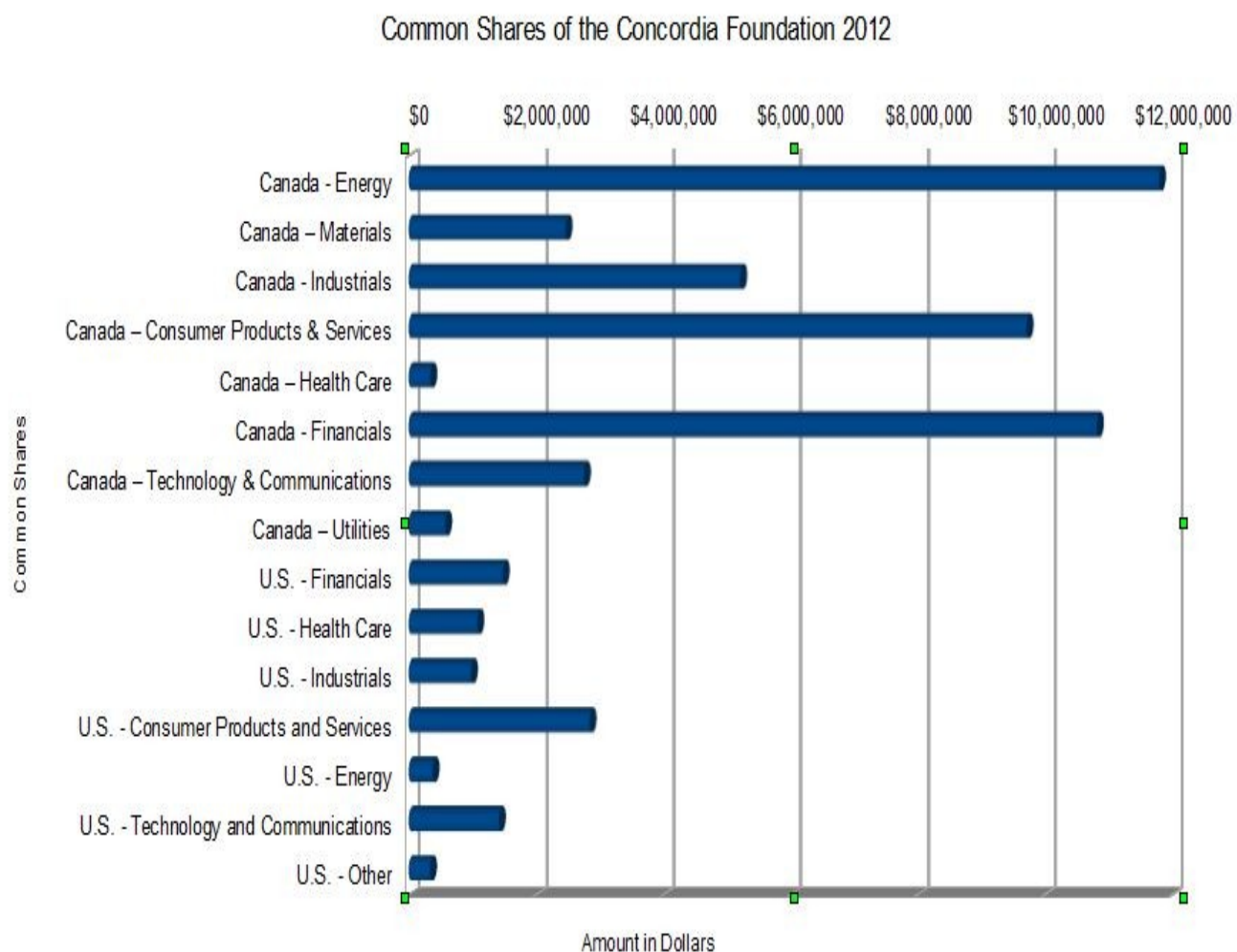
The Concordia Foundation has approximately \$13.7 million dollars invested in common shares. The majority of its common shares are invested in Canadian consumer products and services, Canadian industrials and Canadian equity funds. For a complete breakdown of the Concordia Foundation's common share holdings of 2013, please see Figure 3.

Figure 3



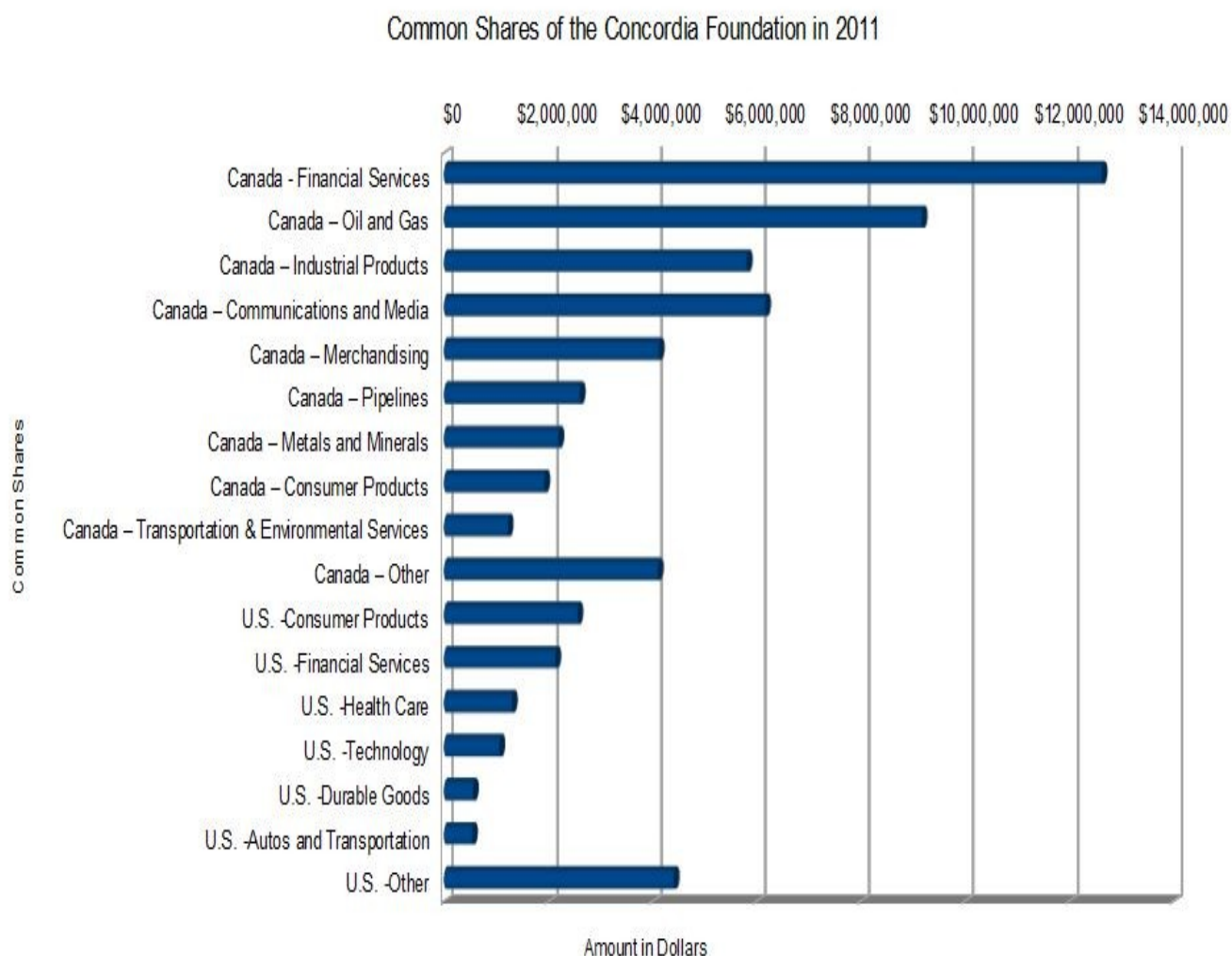
From 2012 to 2013, the Concordia foundation sold approximately \$38.5 million dollars of its common shares including approximately \$11 million dollars worth of shares in energy, \$9 million dollars worth of shares in financials and \$7 million dollars worth of shares in communications and media. To see the Concordia Foundation's common share holdings for 2012, please see Figure 4.

Figure 4



In 2011, the Concordia Foundation reported its common shares in a different manner than in 2012 and 2013. In 2011, the labels oil and gas, pipelines, metals and minerals appear on the financial report instead of energy, materials and utilities. Please see Figure 5 for the Concordia Foundation's common shares in 2011.

Figure 5

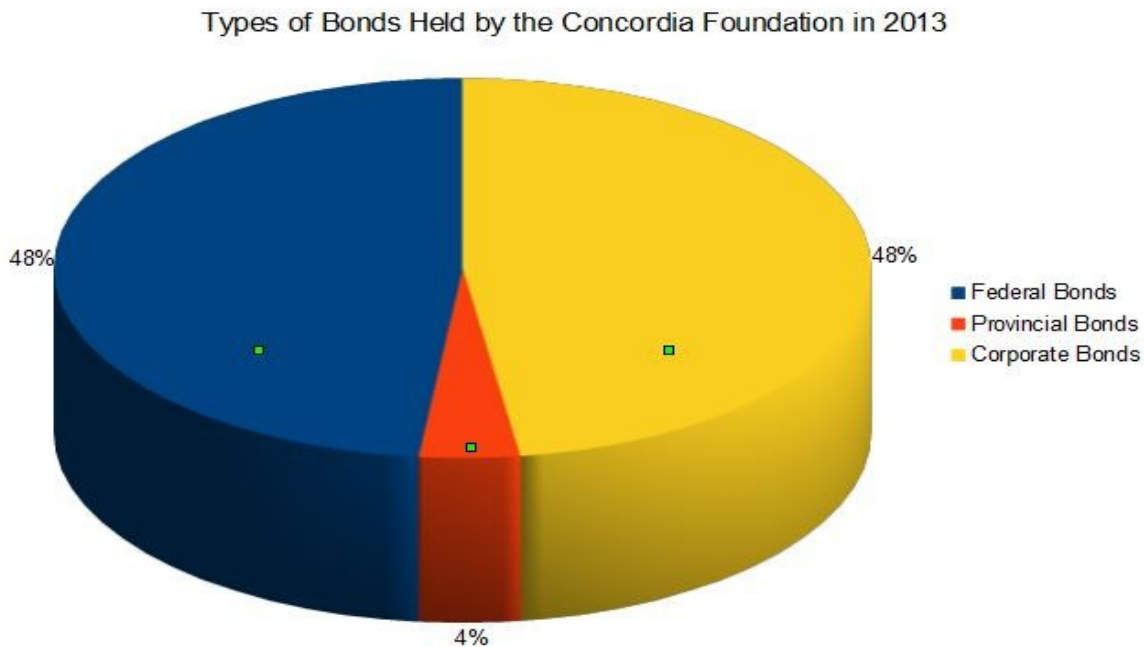


The information in the Concordia Foundation's financial statements regarding common shares are extremely ambiguous. They do not reveal anything about the specific companies or precise types of economic activity that are receiving the investments - i.e. under energy, we do not know what type of energy forms (renewable or nor renewable) or which company is receiving the investment. Unfortunately, the Concordia Foundation will not release more specific information regarding their investments in common shares.

Bonds

The Concordia Foundation currently invests \$33 million dollars in three types of bonds: federal bonds at 1.5% to 4.25%, provincial bonds at 2.9% to 5.75%, and corporate bonds at 2.05% to 12.2% (please see Figure 6).

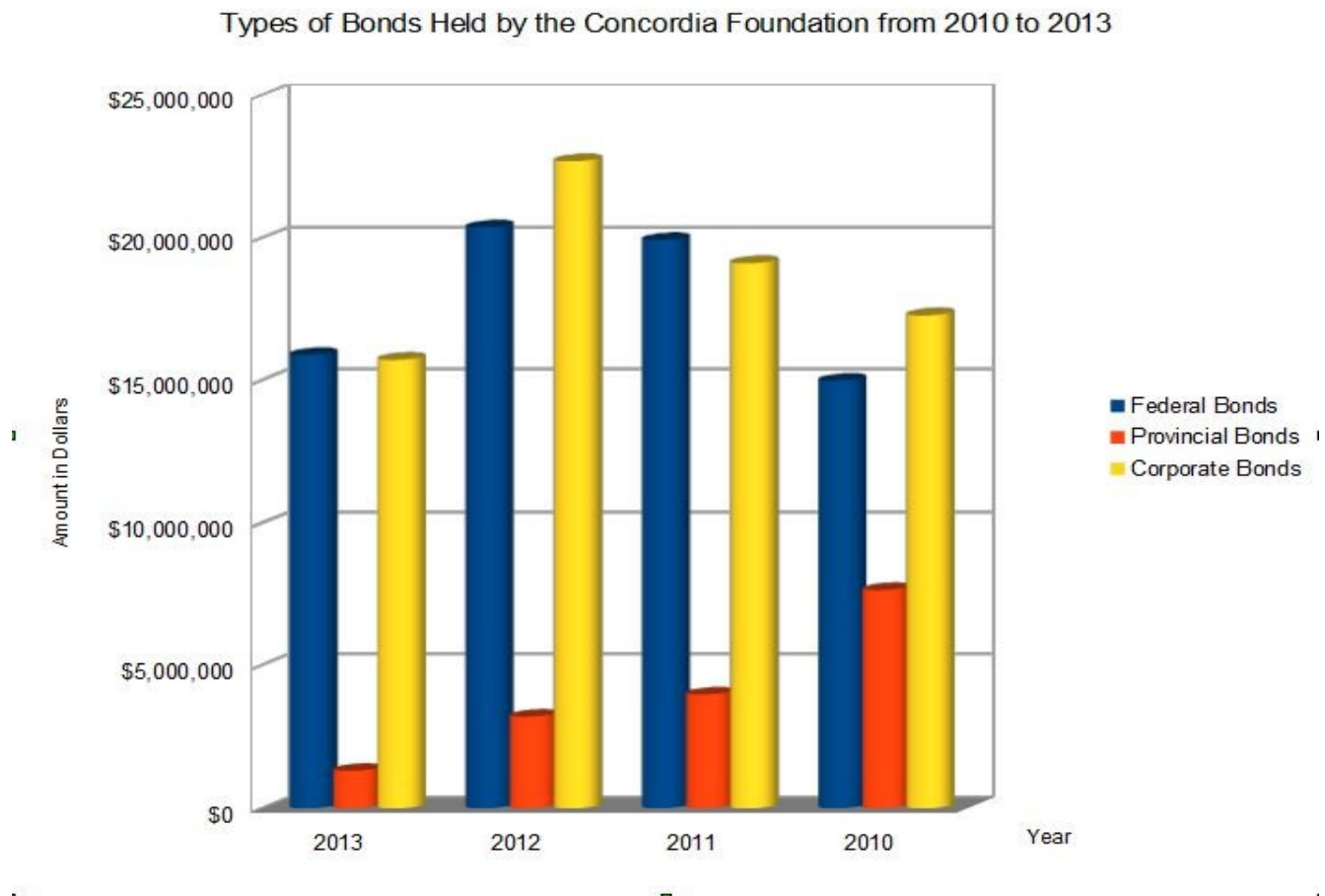
Figure 6



The Concordia Foundation sold \$13 million of its bonds between 2012 and 2013. Since 2010 bond holdings have remained fairly constant compared to common shares and pooled funds. Please see Figure 7 for a breakdown of the Concordia Foundation's bond holdings from 2010 to 2013.

The information in the Concordia Foundation's financial statements regarding corporate bonds are also extremely ambiguous. Again, they do not reveal anything about the specific companies or precise types of industry that are receiving the bonds. Unfortunately, the Concordia Foundation will not release more specific information regarding their investments in corporate bonds.

Figure 7



Pooled Funds

The Concordia Foundation currently invests \$73 million dollars in pooled funds. This amount has increased by \$64.3 million dollars from 2012 to 2013. To see the types and amounts of investments in pooled funds, please see Figure 8.

The Concordia Foundation uses the following firms to manage its pooled fund portfolios. None of them specialize in socially responsible investments.

DK Energy^{xi}

Leith Wheeler^{xii}

Lazard Global Thematic^{xiii}

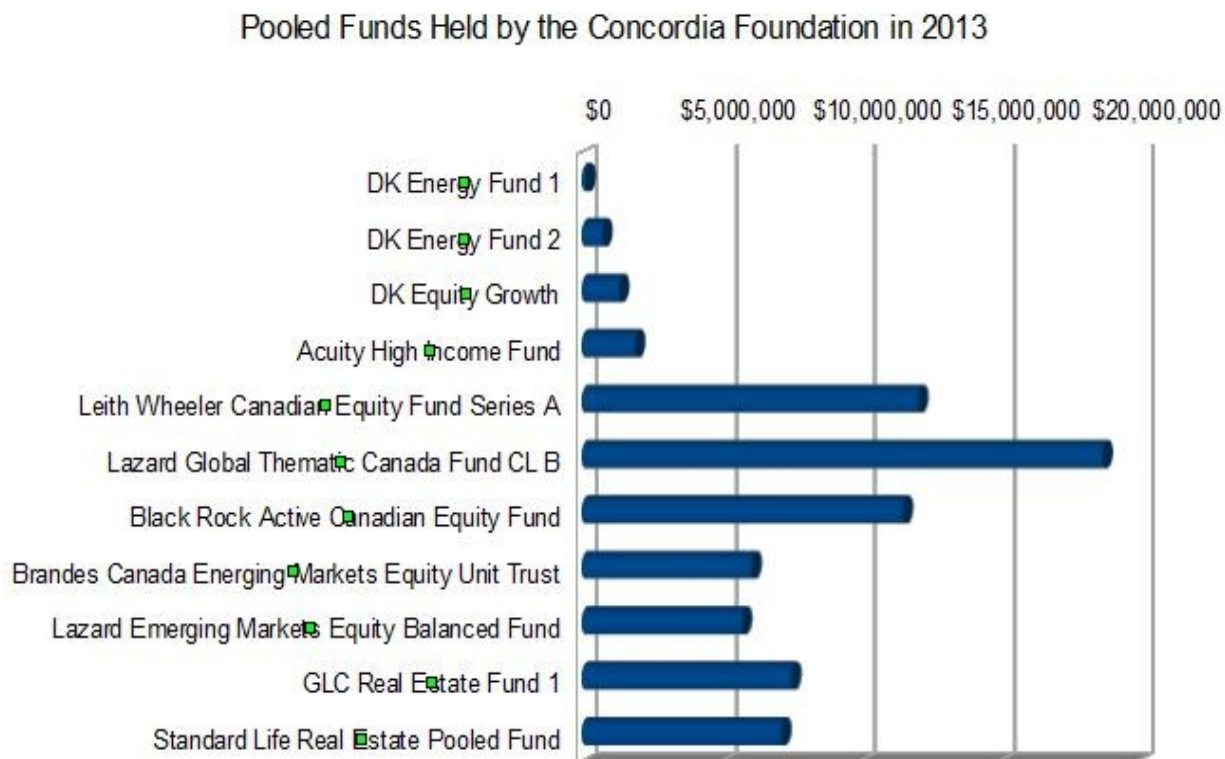
Blackrock Active^{xiv}

Brandes^{xv}

GLC Real Estate^{xvi}

Standard Life Real Estate^{xvii}

Figure 8



In October 2013, the Concordia Foundation updated the information regarding their pooled funds. Please see Figure 9 for a complete list of pooled funds portfolio managing firms currently contracted by the Concordia Foundation.

The Concordia Foundation also use the following companies to manage their portfolios. These companies also do not specialize in socially responsible investing.

Greatwest Life^{xviii}

CIBC Mellon^{xix}

Beutel Goodman^{xx}

Claret^{xxi}

Figure 9

New Investment Policy and New Managers - In Process of Implementation as of October 2013

Asset Allocation (Endowment Portfolio)

Manager	Fixed Income	Canadian Equities (Large Cap)	Canadian Equities (Small Cap)	Global Equities	Emerging Markets	Real Estate	Cash & Equivalents	Total
Beutel Goodman	29.4%	-	-	-	-	-	0.5%	29.9%
Blackrock	-	10.2%	-	-	-	-	-	10.2%
Leith Wheeler	-	10.0%	-	-	-	-	-	10.0%
Claret	-	-	8.9%	-	-	-	0.3%	9.2%
Lazard	-	-	-	15.0%	4.9%	-	-	19.9%
Brandes	-	-	-	-	5.1%	-	-	5.1%
Greatwest Life	-	-	-	-	-	6.3%	-	6.3%
Standard Life	-	-	-	-	-	6.2%	0.0%	6.2%
CIBC Mellon - Cash Account	-	-	-	-	-	-	3.2%	3.2%
Total Portfolio	29.4%	20.2%	8.9%	15.0%	10.0%	12.5%	4.1%	100.0%
over/(under) policy range	-	-	-	-	-	-	-	-
maximum	65%	30%	15%	20%	15%	18%		
target	32%	20%	10%	15%	10%	13%		
minimum	10%	10%	5%	5%	5%	5%		

*Numbers may not add due to rounding



The information in the Concordia Foundation's financial statements regarding pooled funds are more ambiguous than common shares because the portfolio of a pooled fund changes frequently over time. Once again, the Concordia Foundation will not release more specific information regarding their investments in pooled funds.

Getting Back to the Question, What Types of Industry does the Concordia Foundation Help Grow?

With the information available to us, we cannot answer the question as to what types of industry the Concordia Foundation helps grow. In recap, the Concordia Foundation's Financial Statements do not give us essential information like the names of companies or details about the industries that receive investments. Mutual funds are hard to track because they vary considerably over time. Furthermore, although requests have been made, the Concordia Foundation will not provide us with more meaningful information about the financial statements.

Where to Go From Here?

On November 15th, 2013, I met with Bram Freedman, president of the Concordia Foundation, and Marc Gauthier, treasurer of Concordia University. We discussed the shortcomings in using the financial statements of the foundation to evaluate whether the Concordia Foundation invested in companies that were in line with Concordia University's environmental policies. The Concordia Foundation president agreed to begin designing a socially responsible investment plan.

On Sunday, November 24th, 2013, Bram Freedman e-mailed the Concordia Student Union and Graduate Student Union requesting their participation in a Joint Responsible Investment Working Group. The group will consist of:

- 2 or 3 Board members from the Foundation
- 3 representatives of CSU/GSA/ASFA (a total of 3)
- Erik Chevrier
- Bram Freedman
- Marc Gauthier (University Treasurer)

The Joint Responsible Investment Working Group will be meeting for the first time in January 2014.

Research Project from Here On

Until the Joint Responsible Investment Working Group meet in January, I will focus my research on socially responsible investments. I will identify which socially responsible investments can be applied to the Concordia Foundation and I will locate other institutions who have adopted similar socially responsible investment plans.

References

Galbraith J. K., (2001) *The Affluent Society*, Houghton Mifflin Company.

Marx, K.(1976), *Capital Volume 1*, Penguin Books Classics, New York

Stanford, J., (2008) *Economics for Everyone: A Short Guide to the Economics of Capitalism*, Fernwood Publishing

- i http://www.concordia.ca/content/dam/concordia/publications-reports/docs/Concordia_economic_impact_E.pdf
- ii John Kenneth Galbraith wrote, “The final problem of the productive society is what it produces.” (p. 186)
- iii Concordia’s environmental policy preamble, “Concordia University is committed to responsible environmental stewardship through all the University’s activities and functions. While recognizing that every member of the University community shares in this responsibility, the University shall provide leadership through its operations, teaching and research. The University shall strive to be at the forefront of environmental leadership and shall encourage University community members to begin initiatives in line with concepts outlined in this policy.”
<http://www.concordia.ca/content/dam/common/docs/policies/official-policies/VPS-5.pdf>
- iv Concordia’s environmental policy on contracting companies” All planning, construction and renovation projects undertaken by the University shall consider employing universal barrier-free design, locally-produced, reused, recycled and/or sustainably harvested materials as well as recycling and/or reusing demolition, renovation and construction waste. Green building principles shall be utilized where financially feasible in all significant projects, incorporating issues such as optimal energy efficiency, life-cycle costs, high indoor environmental quality, and reduced water consumption, to minimize environmental degradation and enhance the well-being of the University community. Whenever financially feasible, renewable energy sources shall be implemented to meet the University’s energy needs.”
<http://www.concordia.ca/content/dam/common/docs/policies/official-policies/VPS-5.pdf>
- v Concordia’s policy on research and the environment, “Sustainability is a major focus of the technology industry and the environmental cluster where researchers are examining some of the most pressing environmental concerns of our time, including the impact of human activity, geopolitical trends, environmental risk factors and resource scarcity. In response, Concordia researchers are seeking new society-wide ways of decreasing our environmental footprint and reconceiving and redesigning the energy systems we use, the items we manufacture and the buildings we live in.”
http://www.concordia.ca/content/dam/concordia/services/research/docs/Strategic_Research_Plan_2013-2018.pdf
- vi Concordia’s environmental policy on commodity purchasing,. Derivative trading involves purchasing future commodities, ” Wherever feasible in terms of financing, sourcing and availability, the University shall attempt to purchase goods that are ecologically benign, including items that are energy efficient, locally produced, made from post-consumer recycled and/or renewable materials, are recyclable, non-toxic and/or organic, should they meet or exceed the requirements as specified by the departmental end users. The University shall also work to consider life cycle costs and impacts when assessing products and equipment for procurement and, when possible, will tender to suppliers that are local and/or committed to environmental sustainability”
<http://www.concordia.ca/content/dam/common/docs/policies/official-policies/VPS-5.pdf>
- vii According to Jim Stanford, fixed capital refers to the building structures and machines and equipment owned by a company. He wrote, “The two major types of fixed capital are structures (buildings, factories, offices, pipelines) and machinery and equipment (machines and tools of all kinds, computers and software, telecommunications equipment, transportation equipment).” (p. 140) Marx uses the term constant capital to refer to the means of production, or what Jim Stanford refers to as fixed capital. He wrote, “That part of capital, therefore, which is turned into means of production, i.e. the raw materials the auxiliary material and the instruments of labour, does not undergo any quantitative alteration of value in the process of production. For this reason, I call it the constant part of capital, or more briefly, constant capital.” (317)
- viii Galbraith writes, “Economic growth – the expansion of economic output – requires an increase in the quantity of the productive plant and equipment of the country or in its quality or, as in the usual case, in both.
- ix According to Jim Stanford, working capital refers to funds that maintain the daily operations of a company. He wrote, “Businesses also invest in smaller amounts in working capital to pay for the day-to-day operating costs.” (p. 140) Marx uses the term variable capital to refer to working capital as variable capital. Marx focuses on variable capital as the cost of the workforce. Marx wrote, “On the other hand, that part of capital which is turned into labour-power does undergo an alteration of value in the process of production. It both reproduces the equivalent of its own value and produces an excess, a surplus-value, which may itself vary, and be more or less according to circumstances. This part of capital is continually being transformed from a constant into a variable magnitude. I therefore call it the variable part of capital, or more briefly, variable capital.” (p. 317)
- x The information regarding the investments held by the Concordia Foundation was obtained via the Concordia Foundation Financial Statement 2011, 2012 and the draft budget for 2013. See appendix A.
- xi <http://dkenergy.co.in/>
- xii <http://www.leithwheeler.com/>
- xiii <http://www.lazardnet.com/>
- xiv <http://https://www.blackrock.com/>

xv	http://www.brandes.com/
xvi	http://www.glcrealestate.com/
xvii	http://www.standardlife.ca/
xviii	http://www.greatwestlife.com/
xix	http://www.cibcmellon.com/
xx	http://www.beutelgoodman.com/
xxi	http://claret.ca/