



PPHA 36150 ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) AND IMPACT INVESTING

COURSE INFORMATION

Course Number: PPHA 36150
Term: Winter 2024
Class Day & Time: Mondays, 5:00-7:50pm
Room #: Keller TBD

Lecturers: John Oxtoby, joxtoby@uchicago.edu
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Teaching Assistant: TBD
Office Hours: TBD

COURSE SUMMARY

This course provides an introduction to asset management and the ESG/Impact Investing spectrum. Impact investing is a strategy to generate positive, measurable social or environmental impact alongside a financial return. According to one estimate, investors now consider environmental, social and governance (ESG) factors across \$12 trillion of professionally managed assets, a 38 percent increase since 2016.

Exploring ESG and Impact Investing requires a basic understanding of asset management. Investment management requires investors, whether acting as principals (investing their own funds) or as agents (investing on behalf of others) to maximize the return on their investments. The first class will lay out the investment management landscape, principally from a US perspective. Students will learn the difference between publicly held and privately held investments and various asset classes, such as equities (stocks), fixed income (debt) bonds, and alternative investments. Second, discussion of the various types of investment vehicles available: mutual funds, exchange trade funds, private funds (limited partnerships), and the regulation of these funds and their managers.

The remainder of the course will focus on the principles and techniques that underpin various models of impact and sustainable investing. Students will come away with a broad understanding of the impact investing landscape across different asset classes such as public market investing, private equity, venture capital, and fixed income. Each week we will cover a different topic such as the history of socially responsible investing, whether tradeoffs exist between returns and impact, climate change and opportunities related to sustainable investments, active shareholder engagement, data-driven approaches to impact measurement, and careers in impact investing.

The focus for the course will be practical, building on the instructors' experience in the public policy, impact and ESG investing fields. Classes will include guest speakers and case studies to illuminate key topics and highlight career paths.

Required Readings:

“Background Note: Examining the Case for Sustainable Investing.” Shawn Cole, Vikram Gandhi and Caitlin Lindsay Reimers Brumme.

“Note on the Asset Management Industry.” Clayton Rose and Scott Waggoner.

Cases and articles as assigned in the class outline.

COURSE REQUIREMENTS

There are three deliverables due over the course of the Winter Quarter. Detailed assignment descriptions will be made available on Canvas.

Written Assignment #1	January 29, 2024	15%
Written Assignment #2	February 20, 2024	15%
Group Project	March 4, 2024	30%
Cold Call	Ongoing	10%
Attendance & Participation	Ongoing	30%

Written Assignment #1: Short response paper selecting a stock and performing a qualitative and quantitative analysis to evaluate its ESG strengths and weaknesses.

Written Assignment #2: Short response paper selecting a venture capital or private equity impact fund and discussing alignment with impact investing objectives.

Group Project: Presentation and write-up of ESG proxy proposal with both “for” and “against” sides represented.

Cold Call: Each student will be cold called at least once during case discussions over the quarter. It is expected that students will be able to share key details from the case with the class and connect them to broader questions we are seeking to ask and answer during the quarter.

Attendance & Participation: This course is a discussion-based class with your preparedness and participation being the most important factor for success. We have a few classroom expectations that will contribute to your Attendance & Participation grade:

- Attendance is mandatory with the exception of pre-approved absences. Please refer to the Harris attendance policies for a list of approved absences.
- Computers are not allowed during the case discussion, lecture, or during discussions with guest speakers.
- Name tents are required to receive attendance credit.

CLASS OUTLINE

Date	Topic	Key Concepts	Required Readings	Objectives/Questions
Jan. 5*	Asset Management, Public and Private Markets, Portfolio Management	<ul style="list-style-type: none"> • Introduction to major asset classes: public equities, fixed income, private equity, venture capital, hedge funds; Risk and return characteristics • Legal and regulatory landscape • Public markets: individual securities, mutual funds, index funds, ETFs; active vs passive management • Private markets: leveraged buyout funds, growth equity, venture capital, stages of funding • Other: Bonds, real estate, other real assets • Role of institutional investors: sovereign wealth funds, public and corporate pensions, endowments, foundations, family offices 	Yale University Investment Office: 2015 (HBS)	<ol style="list-style-type: none"> 1. What is asset management? 2. What are the primary asset classes and their relationships? 3. What are public equity investment vehicles and strategies? 4. What are the different private equity investing strategies? 5. What are the strengths and weaknesses of public equities and private equity? 6. What are institutional investors? 7. Who manages investment portfolios and why? 8. How is portfolio performance measured and managed?
*Class will meet in person from 5:00-6:30pm		<p>Guest Speakers:</p> <p>Jeff Ubben, Founder, Inclusive Capital</p>		
Jan. 8	Origins, Definitions, and the Case for ESG and Impact Investing	<ul style="list-style-type: none"> • History of impact investing • Market return vs. concessionary returns across the asset class continuum <p>Guest Speakers:</p> <p>TBD</p>	Goldman Sachs: Making an Imprint in Impact Investing (HBS)	<ol style="list-style-type: none"> 1. When and why did impact investing start? 2. What is the continuum of returns in impact investing? 3. What is the role of impact investing or ESG in a portfolio?
Jan. 19*	Public Market Strategies		Generation Investment	<ol style="list-style-type: none"> 1. Why integrate ESG into public equity strategies?

	*Class will meet via Zoom from 5:00-6:30pm	<ul style="list-style-type: none"> ESG toolkit: negative/positive screening, ESG integration, thematic investing, engagement <p>Guest Speakers: TBD</p>	Management (HBS)	<ol style="list-style-type: none"> How is ESG integrated into public equity strategies? What ESG tools are available to public equity investors?
Jan. 22	Private Market Strategies	<ul style="list-style-type: none"> ESG in private equity funds ESG in venture capital <p>Guest Speakers: TBD</p>	Raya Partners: Profitability and Purpose	<ol style="list-style-type: none"> Why integrate ESG into private equity strategies? How is ESG integrated into private equity strategies? What ESG tools are available to private equity investors?
Jan. 29	Investor Activism and Stewardship	<ul style="list-style-type: none"> Shareholder activism Proxy voting Proxy advisory firms Universal owners <p>Guest Speakers: TBD</p>	Engine No.1: An Impact Investing Firm Engages with ExxonMobil (A) (B) (HBS)	<ol style="list-style-type: none"> How do investors influence corporate behavior? What tools are available to investors? How do activists exert pressure on firms to change?
Feb. 5	Impact Investing	<ul style="list-style-type: none"> Impact funds Mission related investing and endowment alignment <p>Guest Speakers: TBD</p>	Michigan's Social Venture Fund: Founding the Nation's First Student-Run Impact Investing Fund	<ol style="list-style-type: none"> Who are impact investors? What is the role of financial returns in impact investing? How are institutional investors using impact investing to achieve their mission?
Feb. 12	Emerging Trends in Impact	<ul style="list-style-type: none"> Impact measurement Opportunity zones; Place-based investment B Corps <p>Guest Speakers: TBD</p>	The Rise Fund: TPG Bets Big on Impact (HBS)	<ol style="list-style-type: none"> How do investors measure and report their impact? How are investors using innovative financial tools to address environmental and social issues?

Feb. 19	Public Policy	<ul style="list-style-type: none"> • U.S. Regulatory context • Global Regulatory landscape • Single and double materiality • Voluntary disclosure standards • Role of NGOs and investor coalitions <p>Guest Speakers: TBD</p>	<p>IMPAAKT: Harnessing Collective Intelligence to Improve ESG Ratings</p>	<ol style="list-style-type: none"> 1. How do policymakers and regulators shape the ESG investing industry? 2. What is the role of the SEC? 3. What key principles underpin U.S. and international regulatory approaches to ESG disclosure?
Feb. 29	Group Projects and Career Panel	<ul style="list-style-type: none"> • Presentation of final group projects • Career panel with mid-career ESG and Impact Investing professionals <p>Guest Speakers: TBD</p>		

SUPPLEMENTAL READINGS

Class 1: Asset Management, Public and Private Markets, Portfolio Management

- [Note on the Asset Management Industry](#), Harvard Business School
- [Asset Management Company](#), Corporate Finance Institute
- [Modern Portfolio Theory](#), Corporate Finance Institute
- [Impact Investing Asset Classes](#), Impactivate by Glenmede
- [7 Types of Alternative Investments Everyone Should Know](#), HarvardBusiness School Online

Class 2: Origins, Definitions, and the Case for ESG and impact investing

- [Why we're all impact investors now](#), Chicago Booth Review
- [From there to here: 50 years of thinking on the social responsibility of business](#), McKinsey & Company
- [Milton Friedman Was Wrong](#), The Atlantic
- [Investing in Social Good Is Finally Becoming Profitable](#), The New York Times
- [The Investor Revolution](#), Harvard Business Review
- [Social-Impact Efforts That Create Real Value](#), Harvard Business Review

Class 3: Public Market Strategies

- [Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals](#), CFA Institute
- [The Impact of Corporate Sustainability on Organizational Processes and Performance](#), Management Science
- [ESG and financial performance: aggregated evidence from more than 2000 empirical studies](#), Journal of Sustainable Finance and Investment
- [Board Memo 2022: Sustainability and Beyond](#), Harvard Law School Forum on Corporate Governance

Class 4: Private Market Strategies

- [Five ways that ESG creates value](#), McKinsey & Company
- [Great Expectations: Mission Preservation and Financial Performance in Impact Investing](#), Wharton Social Impact Initiative

Class 5: Impact Investing

- [A Short Guide to Impact Investing](#), The Case Foundation
- [Untapped Opportunities: How Is Impact Investing Poised to Grow?](#) Knowledge @ Wharton
- [The Alpha in Impact: How operating with an impact objective can add financial value for investors](#), Tideline

Class 6: Emerging Trends in Impact Investing

- [How catalytic capital can support sustainable agriculture](#), Environmental Defense Fund
- [Catalytic Capital at Work](#), MacArthur Foundation
- [Just Good Business: An Investor's Guide to B Corps](#), Yale Center for the Business and Environment

Class 7: Investor Activism

- [Shareholder Voting Trends \(2018-2022\): Executive Summary](#), The Conference Board
- Yonca, Ferri, and Stubben (2021): [Board of Directors' responsiveness to shareholders: Evidence from shareholder proposals](#)

- Barko, Cremers, and Renneboog (2017): [Shareholder Engagement on Environmental, Social, and Governance Performance School](#)

Class 8: Public Policy

- [About the SEC's Climate Proposal](#), KPMG
- [White House Executive Order on Climate-Related Financial Risk](#), The White House
- [Fact Sheet - ESG Disclosures for Investment Advisers and Investment Companies](#), SEC

Class 9: Climate Risk and Climate Investing

- [Green Bond Principles](#), International Capital Markets Association
- [Climate risk: An investor resource guide](#), Principles for Responsible Investing
- [Climate Solutions Investments](#), Harvard Business School

Additional Perspectives on ESG and Impact Investing

- [ESG Investing Shines in Market Turmoil, With Help From Big Tech](#), TheWall Street Journal
- [Why the Sustainable Investment Craze Is Flawed](#), The Wall Street Journal
- [ESG Investing Can Do Good or Do Well, but Don't Expect Both](#), The Wall Street Journal
- [Sustainable Investing Bubbles Can Change the World—and Sink Your Portfolio](#), The Wall Street Journal
- [Investing to Stop Climate Change Is Trickier Than It Seems](#), The Wall Street Journal
- [For Big Oil's Future, Look to Big Tobacco's Past](#), The Wall Street Journal
- [ESG Investing – A broken system needs urgent repairs](#), The Economist
- [Asset Managers – The saviour complex](#), The Economist
- [ESG fund fees – How to charge more](#), The Economist
- [The warm glow](#), The Economist
- [Internalising the externalities](#), The Economist
- [The signal and the noise](#), The Economist
- [Missionary creep](#), The Economist
- [Measure less, but better](#), The Economist