



# Texas Association of Community College Foundations 2017 Annual Conference



Khalid Yasin, CHP

Senior Managing Consultant  
Portfolio Strategist—South Region  
PFM Asset Management LLC

With over 20 years of investment management and consulting experience, Khalid Yasin has been with PFM Asset Management since 2012 as the firm's Multi-Asset Class Portfolio Strategist for the South region, based in Orlando. Mr. Yasin's responsibilities include serving as Outsourced Chief Investment Officer ("OCIO") to foundations, endowments, colleges, universities, non-profits and public pension and OPEB plans in the southeast.

Prior to joining PFM, Mr. Yasin was Portfolio Manager at U.S. Trust, Bank of America Private Wealth Management from 2006 to 2012, where he managed over \$1 billion in private and institutional funds. In that time, he also served on the U.S. Trust Investment Strategy Committee helping guide over 400 investment professionals managing over \$370 billion in assets and utilizing over 2000 non-proprietary investment strategies. He also led sensitive bank relationships with some of the world's largest Sovereign Wealth Funds. From 1997 to 2006, he held multiple positions playing an instrumental role in growing the bank's wealth management businesses, including launching a Family Office division, implementing a national sales management process and a client retention program, helping increase profitability by over \$150 million annually. Prior to Bank of America, Mr. Yasin co-founded a private equity consulting boutique in Cairo, Egypt and ran the firm from 1994 to 1997.

His passion, outside of the investment management industry includes coaching youth soccer and helping the local community where he currently serves on the Board of Directors of the Space Coast Health Foundation in Melbourne, FL. Mr. Yasin graduated from the University of California at Berkeley with a bachelor's degree in International Political Economy and a concentration in Finance. He also completed the Trusted Advisor Program at the Crummer Graduate School of Business of Rollins College, and participated in the U.S. Trust Investment Management Program administered by the Wharton School of Finance. Mr. Yasin holds the Certified Hedge Fund Professional (CHP) designation.



Timothy Q. Nelson, MBA  
Vice President of Development  
Medal of Honor Museum Foundation

Timothy Q. "Tim" Nelson, MBA, is a graduate of Nyack College, Nyack, NY with a BS degree in Organizational Management and from Regent University, Virginia Beach, VA, earning an MBA. Tim also has earned graduate certificates Certified Financial from the University of Georgia and in Business Ethics from Colorado State University.

His experience serving as the CEO of the Midlands Technical College Foundation, Chief Development Officer for the Pamplin College of Business at Virginia Tech during \$1B campaign, and as Executive Director of Development at Regent University. In addition, he was an adjunct professor for the undergraduate business program at Mount Saint Mary College and for the graduate leadership program at Nyack College.

Tim's diverse experience includes founder managing partner at Brown Bag Training, Inc.; Vice President of Operations and Client Services at Fiserv, Manager at IBM Global Services, Senior Manager of Global Services at Macbeth – Kollmorgen, and as a consultant to a of including Bayer – Miles, RCA, General Electric, Westinghouse, and Litton Industries.

Tim is the current Vice President of Development the Medal of Honor Museum Foundation in Charleston, SC. As the Vice President of Development, Tim is charged with the development operations during the \$120M capital campaign.

He served in the US Army as Staff Sergeant in the European Air Defense Command. He also served in the National Guard as an infantry officer in the 23<sup>rd</sup> ID.

Over the years, Tim has been active in the community, as a Commissioner for the Montgomery County (VA) Parks and Recreation Department, on the development committee at Feeding America Southwest VA, as a former board member at Marriage Savers, is a past president of the Armed Forces Benefit and Aid Society – El Paso Chapter.

He also served the National Board of Directors for the Council for Resource Development. Tim is an active Brazilian Jiu-Jitsu practitioner and with his wife Christine, and their two dogs in West Columbia, SC. They have four grown children and two beautiful granddaughters.



# Before You Launch Your Next Campaign

February 18, 2017

PFM Asset Management LLC | 221 West 85 Street, Suite 200 | Austin, TX 78701 | 512.472.7199 | pfm.com

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## Your Presenters



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20+ Years of Investment Experience  
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**Tim Nelson, MBA**  
Vice President of Development  
Medal of Honor Museum Foundation  
40+ Years of Fundraising & Business Experience  
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Khalid YasIn – 25-minutes
- II. Maximize Fundraising Efforts: "the Ship is Ready to Sail"  
Tim Nelson – 25-minutes

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**I. Investment Best Practices – “Plug Any Holes in the Ship”**

Khalid Yasin – 25-minutes

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**Hire an Independent Custodian for your Assets**

Separating custody and safekeeping from your investment function is “One of the most important protections and a control against fraud”

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**Checks and Balances**

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graph TD
    IA[Investment Advisor] --- CF[College Foundation]
    A[Auditor] --- CF
    C[Custodian] --- CF
    IA --- A
    IA --- C
  
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**Investment Advisor**  
Fiduciary manages or advises investments

**College Foundation**

**Auditor**  
Provides independent verification

**Custodian**  
Independent pricing, reporting, and safekeeping of assets

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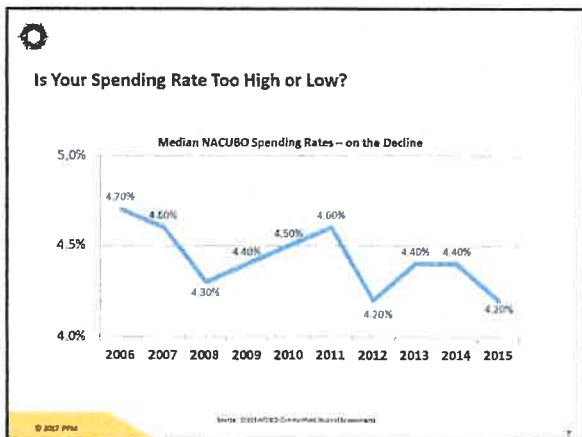
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- ### Spending Policy Considerations
- Keep spending rate well below 5% annually (try 4.0% or lower)
  - Use a better smoothing formula (longer smoothing period such as 10-years is as effective as Yale/Stanford Rules)
  - Cap annual increase in scholarships at below 5% regardless of returns
    - Example: although assets appreciated by 14% last year, spending will not increase by more than 5%
  - Create a "spending reserve fund" from excess returns to provide a cushion for spending during market downturns
  - On new endowments, ask donors if you can hold-off on scholarships for the first 1-3 years to help the fund get established
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- ### Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA")
- Two main parts:
    - Investment standards
    - Endowment spending rule
  - Eliminated the "historic dollar value" limitation on expenditures from endowment funds
  - An Institution may spend as much as it deems "prudent" and subject to donor intent
  - Allows a board to release or modify donor restrictions with donor's consent or court consent
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**Recognize Investment Advisory Conflicts**

- Is our advisor an Independent, SEC Registered Investment Advisor?
- Are they willing to commit to being a fiduciary in writing?
- Did you review their Form ADV Parts 1 and 2 for potential conflicts?
  - Takes custody of your assets
  - Financial arrangements with third parties
  - Double-dip fees from underlying funds
  - Commissions
  - Directed brokerage
  - Soft dollars
  - Competing client interests (high-net-worth or retail)

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**Focus on the Most Important Decision**

Sources of Investment Return

Source	Percentage
Asset Allocation	91.4%
Security Selection	4.6%
Market Timing	2.1%
Other Factors	1.8%

Source: S&P Dow Jones "Determinants of Fund Returns" Financial Analysts Journal, March 2015

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**Use Passive Management to Reduce Costs**

Average Fund Expense Ratio

Management Type	Average Fund Expense Ratio
Active	0.79%
Passive	0.20%

Source: Morningstar, Inc. 2013 Fee Study (2014 data)

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**Passive Outperforms Active Most of the Time**

Percentage of Active Funds Beaten by Index

	One Year	Three Years	Five Years	Ten Years
U.S. Equity	90%	87%	95%	88%
International Equity	55%	55%	61%	60%
EM Equities	42%	77%	68%	82%
High Yield	75%	81%	89%	97%
EM Debt	75%	89%	92%	82%

Source: IFAA, as of 10/31/15, 2016

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**Passive Outperforms in Down Markets Too**

Percentage of Active Funds Beaten by Index During Prior Two Bear Markets

Fund Category	Benchmark	2008	2000 to 2002
All Cap Funds	S&P 500	54%	53%
All Mid-cap Funds	S&P Mid-cap	74%	77%
All Small-cap Funds	S&P Small cap	83%	71%

Source: S&P Global Indices, as of 10/31/15, 2016

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**Active Manager Performance Does Not Persist**

None of "Top Quartile" performing active managers remain in top quartile

	# of Funds	% of Funds Remaining			
		Sep 2012	1 Year	2 Years	3 Years
<b>Top Quartile Funds</b>					
All Domestic Equity	660	40.61	3.48	0.30	0.00
Large-Cap Equity	246	33.33	10.57	0.81	0.00
Mid-Cap Equity	95	43.16	16.84	3.16	0.00
Small-Cap Equity	151	39.07	9.93	1.32	0.00
Multi-Cap Equity	168	29.76	7.74	0.00	0.00

Source: S&P Global Indices, 2012

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Recap

1. Independent custody and safekeeping of assets
2. Update Spending Policy to best practices
3. Understand and follow Texas "UPMIFA" law
4. Recognize investment conflicts of interest
5. Focus on Asset Allocation (not security selection)
6. Manage costs through passive management
7. Avoid the lure of "alternative investments"

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II. Maximize Fundraising Efforts: "the Ship is Ready to Sail"

Tim Nelson - 25-minutes

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State the obvious!

- You must raise money
- A quality audit is needed to tell you where you stand. Implementing the audit will improve the elements
  - WHY / WHAT
    - Culture for Philanthropy
    - Mission
    - Vision and Planning
    - Case for Support
  - WHO
    - Leadership
    - Relationship Management
    - Staffing
  - HOW
    - Operations/Infrastructure

•Analysis Paralysis

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**Act while Analyzing**

- Where am I going?
- Why am I doing this?
- People give - build a major gifts list.
- Work the list.

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**Understanding Your Situation  
Set a Goal**

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**Community College Fundraising National Data**

Category	Average Total Assets (\$ Millions)	Average Funds Raised (\$ Millions)
Average	7.1	0.8
Top 10%	15.1	1.9
Top 25	34.7	3.5

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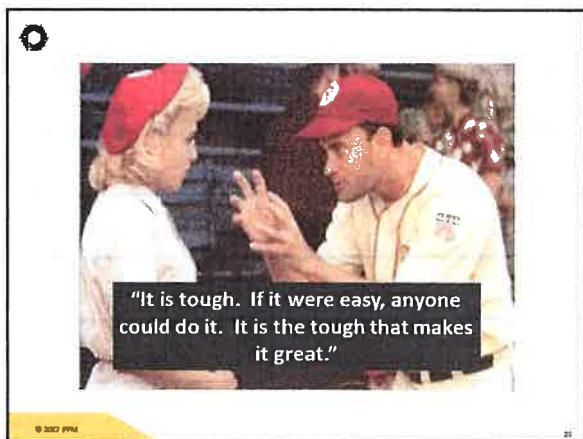
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**Know Why!**  
(Donor/Need Alignment)

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**Build a big list**  
*Life blood*  
*Fuel*  
*Oxygen*

Can't raise a gift if you don't have a list.

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Get a Pad!



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Keys to the list!

- Think out of the box
- Concentrate on top 20
- Categorize –
  - ❖ Interested (small or large)
  - ❖ No interest
  - ❖ Yet to call
- List is dynamic

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Do the Work

- The single biggest success factor in fundraising is belief
- Know your “needs” and be able to talk about them
- Know the secret

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The one thing...

**You must**

**Ask to Get!**

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- Keys to asking and getting**
- Be real
  - Be conversational
  - Don't be afraid to tell them what is needed
  - Be ready to move on (list is dynamic)

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**“Pick up the pieces”**  
**(Incorporate the audit)**  
**BUT....do so while raising**  
**money**

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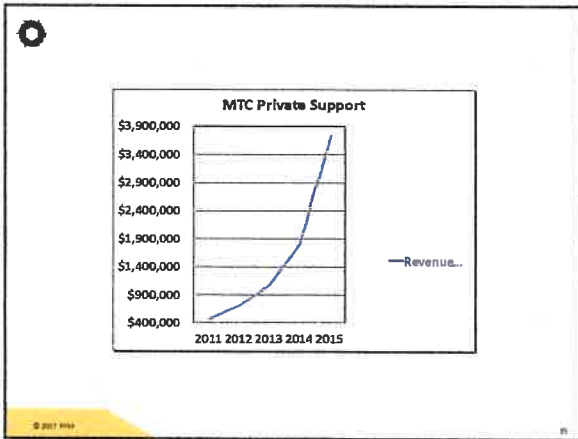
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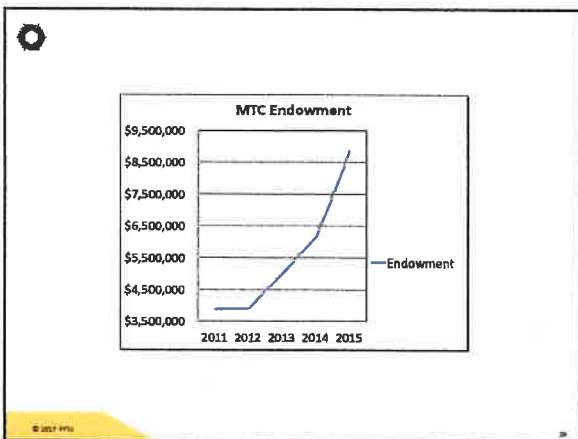
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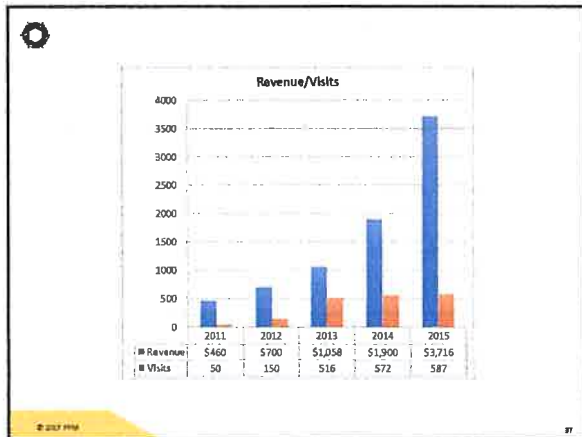
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- Final Take Away**
- Have an audit done – work it
  - Know where you are and where you are going
  - Buy a yellow pad, build a list
  - Get good at telling your story
  - See lots of people
  - Do the above while fixing the issues

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