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2020 Divestment Update

In November 2018 the Whitman College Board of Trustees approved steps to begin divesting the College's endowment from fossil fuels. The Board of Trustees defined this exposure through the Carbon Underground 200, an index of the top 200 publicly–traded fossil fuel reserve holders globally. This list of companies is updated every year to account for changes in companies and their underlying reserves and the College's exposure is updated to reflect these changes. This report provides an update of the actions made by the Investment Committee since that commitment towards divestment.

At the time of the decision to divest, the College's endowment had an approximate 0.92% exposure to those fossil fuel companies. In 6/30/2019 this exposure dropped to 0.51% and has since dropped in 6/30/2020 to 0.35%

	6/30/2018 Carbon 200 Fossil Fuel Exposure	6/30/2019 Carbon 200 Fossil Fuel Exposure	6/30/2020 Carbon 200 Fossil Fuel Exposure
Marketable Investment Managers	0.50%	0.30%	0.26%
Non-Marketable Investment Managers	0.42%	0.21%	0.09%
Total Portfolio Exposure*	0.92%	0.51%	0.35%

*Approximately 10% of investment holdings in the portfolio are confidential and not disclosed by managers

The Investment Committee and College staff made the following actions regarding divestment during FY 2020:

- The College made several new investments to investment managers that do not currently have or intend to have exposure to the Carbon Underground 200 companies. This included approximately $32 million of additional investments in fossil-fuel free ETFs. The investment committee previously committed to two funds with Generation Investment Management making active investments towards sustainable companies in 2014 and 2019. The 2019 fund is actively making investments in the space.

- As was done in 2019, the College reviewed quotes for selling to other investors the College's remaining interests in non-marketable investments with fossil fuel exposure in February 2020. Although the Board of Trustees did not commit to selling these assets before their investment terms end, the Investment Committee felt it prudent to evaluate it as a potential option. Based on these quotes the College would need to sell interests in these managers for a 40% discount. This discount is too significant to be viable, but the Investment Committee will continue to review this option. If the Committee does not sell these assets to another investor, they will gradually be cashed out based on the term of the fund (approximately 10 years). The portfolio's exposure in non-marketable funds just through the managers' gradual drawdown have already dropped the College's exposure to only .09% of the portfolio compared to 0.42% of the portfolio in June 2018.

- The investment committee withdrew $17M from Silchester a marketable manager with exposure to the CU200 and hired a new manager without this exposure. The investment committee also withdrew $5M from an additional marketable manager who had exposure to a newly added fund on the CU200. This manager was already identified as a source of future drawdowns. With these drawdowns the investment committee reduced its Carbon 200 fossil fuel exposure from 0.30% to 0.26% during the fiscal year in marketable investments.

Next Steps

The Investment Committee will continue to reduce its exposure to managers with Carbon Underground 200 exposure and dollar-cost average away from these investments to take appropriate steps towards divestment.