

Course Syllabus – DRAFT

**ISEN 451 Sustainable Investing (0.5 credit)
Northwestern University**

Course Synopsis: This course provides an overview of sustainable investing and identifies key asset types, tools and stakeholders in the sustainable investing community. This course draws upon principles of economics and finance to analyze and evaluate the effectiveness of various impact investment strategies.

Course Goals:

- Understand emerging models for defining and measuring sustainable investments
 - Review asset classes
 - Define sustainable investing
 - Explore the evolution of the sustainable investment industry— CSR and SRI
 - Develop an understanding of the tools used in sustainable investing (macro-trends, risk management, TLC etc.)
- Recognize key stakeholders in the sustainable investing industry
 - Compare the impact that internal and external stakeholders have on sustainable investing strategies
 - Analyze the role of public policy on sustainable investing
 - Identify investor trends
- Use acquired knowledge of the sustainable investing industry to investigate real world applications
 - Review and discuss case studies that exemplify different sustainable investment strategies
 - Consider the social and environmental impacts of each strategy

Grading/Assessment:

Grading will be based on the following rubric:

Component	Weight	Details	Due
Effort and Attendance	20%	Based on attendance and instructor assessment of preparations and participation in class; Instructor will use “warm call” method by listing names of those that he will call on at the beginning of class	Ongoing
Case Study Responses	40%	Submit 2-3 page responses to case questions as assigned (x4)	Weeks 1-4
Final Paper	40%	Assess the current market for sustainable investment vehicles and write a 1 page client summary on why this asset is recommend (and for what investor type). Build a 10 page detailed backup that supports your summary position.	Week 5

Grading Policy:

Grades will be assigned based on all the work you have completed during the semester following the traditional practice of A=90-100, B=80-89, C=70-79, D=60-69, F<60.

Letter Grade	Percentages	Letter Grade	Percentages
A	93 - 100 %	C+	77 - 79.9 %
A-	90 - 92.9 %	C	70 - 76.9 %
B+	87 - 89.9 %	D	60 - 69.9 %
B	83 - 86.9 %	F	< 60 %
B-	80 - 82.9%		

Required Course Materials:

- Reading & Cases to be assigned by Instructor may include:
 - o HBS Case Study – [Root Capital and the Efficient Impact Frontier](#) – Feb 2018
 - o [TPG and Rise](#) (HBR 2018)
 - o Ang Gao, Sustainable Investing Has Become Mainstream – Medill Reports – March 2018
 - o Mercer, Investment in a Time of Climate Change – 2019
 - o Mckinsey – A Closer Look at Impact Investing – March 2018
 - o Mckinsey – Catalyzing the Growth of the impact Economy – December 2018
 - o Cambridge Associates – Risks and Opportunities From the Changing Climate – 2015

- Harvard Business Review — Calculating the value of Impact Investing - Jan/Feb. 2019

Additional Course Materials:

- Athena Capital Advisors, Building Impact Portfolios – March 2018
- Callan 2017 ESG Survey – December 2017
- ICPM Climate Change Working Group, Climate Change for Asset Owners – June 2018

CLASS OUTLINE

Weekly Topic	Description
<p>1: Introduction to course & Sustainable Investing</p>	<ul style="list-style-type: none"> • Review asset classes & their characteristics <ul style="list-style-type: none"> ○ Equities (Stocks) ○ Fixed Income (Bonds) ○ Cash Equivalents ○ REITs ○ Commodities ○ Gold ○ Other (including sub-categories) • Role of derivatives, private equity, VC etc • Define sustainable investing • Review the origin of sustainable investing and how it has changed • <i>Discuss end of course paper</i> <p><u>Case Study Response #1:</u> Compare two types of sustainable assets and outline pros / cons of each</p>
<p>2: Assessing Impacts in Sustainable Investing</p>	<ul style="list-style-type: none"> • Direct Investment & sustainability <ul style="list-style-type: none"> ○ “No regrets” or Triple Bottom Line internal investments ○ Operational investments in sustainable practices – efficiency, renewable energy finance • Role of SRI, ESG, SASB – are they effective? • Scale in investing: Blackrock & Beyond • Alternative & activist investors – who are they and what role do they play? <p><u>Case Study Response #2:</u> Value Act Capital – Assess the VAC model vs. traditional ESG driven investment portfolios. Which is more impactful and why?</p> <p>Target Guest Lecturer: Jeff Ubben, Chairman, Value Act Capital</p>
<p>3: Tools & Models to Support Impact Investing</p>	<ul style="list-style-type: none"> • Develop an understanding of tools used to measure sustainable investments • Discuss role of TLC (transparency, longevity, certainty) and its relevance for sustainable investing

	<ul style="list-style-type: none"> • Assess risk impact of sustainable investments vs. traditional; discuss alpha (excess return), beta (volatility) • Cover other relevant topics such as arbitrage opportunity, etc <p><u>Case Study Response #3</u>: Risk & Sustainable Investing – is it riskier to be “green”?</p>
<p>4: Understanding Investor Needs & Building Sustainable Investment options</p>	<ul style="list-style-type: none"> • Identify different stakeholders involved in sustainable investing (internal vs. external) • Discuss needs of each investor type • Determine key criteria to evaluate • Review methods to value investments across criteria • Discuss asset structures <p><u>Case Study Response #4</u>: Assess investment needs and recommended investment type for Northwestern University</p> <p>Target Guest Lecturer: William H. McLean, Northwestern University, VP and Chief Investment Officer</p>
<p>5: Role of Government, Public Policy + “What Next”</p>	<ul style="list-style-type: none"> • Role of the government/public policy play in sustainable investments • Government / policy impact on asset pricing • Potential changes on the horizon in impact investing <ul style="list-style-type: none"> ○ Moving to the mainstream ○ Policy changes on the horizon ○ Outlook for major corporate that seek to attract and retain institutional investment ○ Role of disruptors (e.g. activists) <p><u>Final Papers Due</u>: Assessment of the current market for sustainable investment for a selected investor type (3-4 investor profiles to be provided by the instructor)</p>