Investing edition

Everybody’s business: in Gustavson’s classrooms

Education about investing gets exciting in Basma Majerbi’s MBA 530 Managerial Finance course when she hands students wads of cash and tells them to go make more.

They use StockTrak, an online portfolio simulation that allows them to trade bonds, stocks and other securities based on real time market prices in stock exchanges around the world. The trick, in this assignment, is that they must do it in a socially responsible way.

Student teams, each working as a fund manager, compete for the business of a very rich client. He has set some criteria for managing a starting fund of $500,000, and wants to see a policy statement that outlines the fund’s Socially Responsible Investment (SRI) strategy before deciding who to trust with his remaining wealth.

“The teams start with the same amount of money and develop their own SRI standards to select their portfolio,” says Dr. Majerbi, “but they have to convince the client with more than high returns. Most importantly, they have to choose securities based on their research about companies’ CSR and/or sustainability performance.”

She adds, “The exercise helps students understand the basics of investing in a practical way, and also forces them to learn more about SRI strategies and do their own research.”

The results have been surprising, with the top three teams achieving returns between 7.8 and 10.5 percent in just over two months, more than double the performance of standard benchmarks such as the S&P/TSX or S&P500 for the same period.

“The portfolio competition was the best part of the course,” said Kelly Loudoun afterward. “It was an exciting and engaging experience. We all knew about SRI and ethical investing, but this gave us a chance to apply it.

“In addition,” he concludes, “it was a breath of fresh air when some of our most ethical stocks were also our top performers.”

UVic = Harvard?

UVic has a chance to lead the charge for socially responsible – and, yes, lucrative – investment, according to this article in the Huffington Post.

Harvard University recently decided to reassess its own policy in light of student pressure to divest from fossil fuel investments.

UVic’s Faculty Association is holding a webvote on the issue until May 20.

HBR and Bloomberg dispel Myth #1

It's a common misperception that responsible or sustainable investments are all in the hug-yourself, warm-feeling, good-intention category, with the inevitable consequence of lower ROI.

Nothing could be further from the truth, according to "Companies that invest in sustainability do better financially," HBR blog, Sept 19, 2012 and Bloomberg, Sept 21, 2012.

Cities buy into CSR investment

Eleven American mayors intend that their cities will join universities in the growing move to divest their investment funds of fossil fuel holdings according to "U.S. Cities Joining Push to Dump Fossil Fuel Investments," Thomson Reuters Foundation, April 26, 2013.

Haas crowdfunds its CSR investment exercise

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