

While divestment advocates push colleges and universities to rid their endowments from fossil fuels, more and more schools are deciding to reject activists' calls and keep their portfolios intact. But, surprisingly, only a few of these schools have actually made those internal analyses on the financial impacts of divestment public. Now, a new report led by Dr. Bradford Cornell, a visiting professor of financial economics at Caltech and a senior consultant at Compass Lexecon, finds divestment at five top U.S. colleges risks the loss of millions of dollars every year, providing no financial gain for universities while having no tangible impact on the targeted energy companies.

## AMONG THE STUDY'S KEY FINDINGS:

*If these Universities were to divest, how would their endowments have performed?*

	Annual returns reduced by...	Translated into annual loss of...	% loss over 50 years
<b>HARVARD UNIVERSITY</b>	- 0.30%	(\$107.81m)	15.94%
<b>YALE UNIVERSITY</b>	- 0.21%	(\$51.09m)	11.27%
<b>COLUMBIA UNIVERSITY</b>	- 0.16%	(\$14.43m)	8.30%
<b>MASSACHUSETT INSTITUTE OF TECHNOLOGY</b>	- 0.14%	(\$17.75m)	7.40%
<b>NEW YORK UNIVERSITY</b>	- 0.12%	(\$4.16m)	6.12%

On average, these universities would see an annual shortfall of **0.23%** (risk-adjusted) losing an average of **12.07%** over a 50-year timeframe. Combined, these five schools would experience an annual loss of **\$195 million**.

### FAST FACTS:

Dr. Cornell's report analyzes five distinguished universities with sizable endowments who are currently under pressure to divest, and created a model to track portfolio performance with and without fossil fuel holdings for each schools.

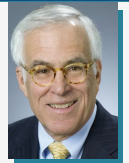
The model found divestment would lead to financial losses and calculated an average combined annual shortfall for all five universities of \$195 million.

Harvard University fared the worst, missing out on a possible \$107 million of earnings in just one year. Yale followed, with a loss of \$51.09 million.

In no instance did the report find divestment had a positive impact on endowment performance, nor is the divestment movement likely to have any impact on the capital of fossil-fuel related companies.

Endowment portfolios are usually linked to overall university spending, and a major shortfall in performance could mean cost-cutting in areas like research, student aid, and faculty size.

### ABOUT DR. CORNELL



#### CALTECH

**Professor,  
Financial Economics**  
California Institute  
of Technology

#### UCLA

**Fmr. Professor, Finance**  
UCLA School of Mgmt.

#### WFA

**Former Vice President,**  
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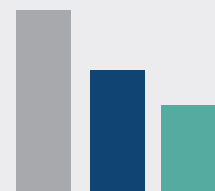
#### COMPASS LEXECON

**Senior Consultant,**  
Compass Lexecon



**Author**  
of two books on  
finance and securities

### EXPECTED COMBINED ANNUAL FINANCIAL LOSSES FOR 5 SCHOOLS



↓ **\$195M**  
each year.

## DIVESTMENT DOESN'T MAKE MUCH FINANCIAL SENSE

"Every bit of economic and quantitative evidence available to us today shows that the only entities punished under a fossil-fuel divestment regime are the schools actually doing the divesting—with virtually no discernible impact on the targeted companies." (Professor Daniel R. Fischel, University of Chicago Law School, February 15)

"Divestment doesn't affect the ability of fossil fuel companies to raise capital: For each institution that divests, there are other investors that take its place. As long as the world still continues to rely on fossil fuels, and consumes them at current rates, the companies that supply them will have a ready market for their products." (Professor Robert Stavins, Harvard University, August 2015)

"We will just say right up front that even people who are in favor of the divestment movement ... also concede that there will probably be no price impact on the valuation of the companies...It's purely a symbolic move." (Economist Christopher Fiore, May 2015)

## INSTITUTIONS AGREE

### HARVARD UNIVERSITY

"The endowment is a resource, not an instrument to impel social or political change. ...I also find a troubling inconsistency in the notion that, as an investor, we should boycott a whole class of companies at the same time that, as individuals and as a community, we are extensively relying on those companies' products and services for so much of what we do every day." (President Drew Faust, October 2013)

### COLUMBIA UNIVERSITY

"The merits of the case are not clearly on one side, nor are we sure that Columbia's divestment would send a signal more powerful than engagement. It seems unlikely to us that divestment from fossil fuel would 'revoke a social license' when we continue to use fossil fuels day after day in every aspect of our lives." (Advisory Committee on Socially Responsible Investing, February 2015)

### MIT

"The committee rejected the idea of a blanket divestment from all fossil fuel companies, primarily because of (i) a view that any positive effect could be diluted by lumping together firms that differ dramatically in their roles in the climate issue, and (ii) a concern that such action could cause significant loss of engagement opportunities with companies (including research funding and opportunities to influence corporate behavior)." (MIT Climate Change Conversation Committee, July 2015)

### UNIV. OF CALIFORNIA, BERKELEY

"The majority of Task Force members believe that the cumulative benefit from the University's divestment from fossil fuels would not outweigh the total costs incurred from the divestment of fossil fuels from the University's \$91 billion investment portfolio." (Board of Regents Task Force on Sustainable Investment, September 2014)

### TUFTS UNIVERSITY

"Even the most conservative model showed that the endowment would experience a significant loss of return—\$75 million in market value over the next five years—in large part because of our investments in commingled funds. o put the projected impact in perspective, \$75 million would provide endowment income to fund scholarships for 100 undergraduates or annual stipends for 125 Ph.D. students, or fund the entire 2012 state appropriation for the Cummings School of Veterinary Medicine." (President Tony Monaco, February 2014)

### NEW YORK UNIVERSITY

"In order to eliminate the \$139 million in fossil fuel investments, NYU would have to liquidate relationships with 39 funds that together account for 38% of the endowment, or \$1.3 billion. The Working Group concluded this was not financially prudent." (Executive Vice President for Finance and IT Martin Dorph, March 2015)



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