The IESE Endowment

The IESE Endowment is an investment fund that seeks to support research activities and scholarship programs as well as the overall general institutional development of IESE. The Endowment is managed so that future generations will have at least the same capacity for action as the present generation (intergenerational equity).

The IESE’s mission is to develop leaders who can make a positive, deep and lasting impact on people, companies and society through their professionalism, integrity and spirit of service.

To carry out its mission, IESE offers programs and other educational activities, which are self-supporting from an economic standpoint, because they are financed through academic tuition fees. To ensure that resources are not an obstacle to completing a program at IESE, the school also offers scholarships and financial aid to students with outstanding academic credential and limited financial means.

Research is an essential part of IESE’s academic activities; it is indispensable for making a deep, global impact in the academic world, as well as in society as a whole. Research is financed by IESE and, as in other academic institutions, only partially through public funds available to research groups. In many cases, public funding is not sufficient.

IESE is the school of management of the University of Navarra. It is a not-for-profit institution that, since its establishment in 1958, has relied on the generous help of people—in many cases Alumni—, Sponsoring Companies and Institutions. This has allowed the school to strengthen its teaching and research activities and offer more support to students and doctoral candidates.

In order to provide continuity over time and avoid the negative effects of volatility in the economy on the stability of scholarship programs and research projects, IESE receives donations that are secured and invested in financial products, thus maintaining the purchasing power of the initial capital, and funding initiatives with the returns on the investments, always in accordance with the wishes of the donors.

The endowment is managed so that future generations will have at least the same capacity for action as the present generation (intergenerational equity). To this end, part of the return (interest, dividends, capital gains, etc.) is reinvested back into the fund itself, so that purchasing power is not lost due to the effects of inflation. Therefore the impact of a donation is permanent, allowing IESE to undertake more ambitious and long-term projects.

The Endowment’s management report is published yearly by IESE Business School along with IESE International Foundation, with the purpose of reporting on how they have managed financial investments. It aims to be an exercise in institutional information transparency. It is addressed mainly to donors of the funds that make up the endowment (as a means of stewardship and being accountable for the donations received), but also to the entire academic community (alumni, students, professors, employees, etc.), as well as to all those who are interested in the endowment management model, and to society in general.
At the close of the fiscal year that ended on 31 August 2022 the value of the endowment was €47.2M, 4% more related to the value at the beginning of the year. Since its inception, the endowment has distributed 14M€ (1.73M in 2021-22) which have been used for research projects and scholarships programs.

**Value of the main funds of the Endowment**

The Endowment’s various nominative funds are grouped into three sub-funds with different purposes: the Endowed Chairs Fund, which includes the endowments of the various IESE Chairs and other permanent funds of Research Centers; the Scholarships Fund; and the Unrestricted Fund, whose income can be used for any purpose that is consistent with the Endowment mission.

**Main funds of the endowment (at 31 August 2022)**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Value (M€)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowed Chairs Fund</td>
<td>€30.3M</td>
<td>64%</td>
</tr>
<tr>
<td>Scholarships Fund</td>
<td>€3.8M</td>
<td>8%</td>
</tr>
<tr>
<td>Unrestricted Fund</td>
<td>€13.1M</td>
<td>28%</td>
</tr>
</tbody>
</table>

**Evolution of the value of the Endowment**

The Endowment was established in 2011-12, and since then has doubled its market value to €47.2M. This increase (+7% annual) has been possible thanks to new gifts from Alumni and sponsoring companies. In 2021-22 the endowment grew by €1.8M, the net result of new gifts (€3.2M), distribution (€1.7M) and returns on investment.

**Market value of the endowment (Millions of euros)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (M€)</th>
<th>Annual Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>€35.3M</td>
<td>-10.3%</td>
</tr>
<tr>
<td>2012-13</td>
<td>€32M</td>
<td>+8.5%</td>
</tr>
<tr>
<td>2013-14</td>
<td>€29.5M</td>
<td>-8.1%</td>
</tr>
<tr>
<td>2014-15</td>
<td>€27.8M</td>
<td>+9.9%</td>
</tr>
<tr>
<td>2015-16</td>
<td>€29.5M</td>
<td>+6.7%</td>
</tr>
<tr>
<td>2016-17</td>
<td>€32M</td>
<td>+8.5%</td>
</tr>
<tr>
<td>2017-18</td>
<td>€35.3M</td>
<td>+11.0%</td>
</tr>
<tr>
<td>2018-19</td>
<td>€37.8M</td>
<td>+7.3%</td>
</tr>
<tr>
<td>2019-20</td>
<td>€36.5M</td>
<td>-3.4%</td>
</tr>
<tr>
<td>2020-21</td>
<td>€36.1M</td>
<td>-0.9%</td>
</tr>
<tr>
<td>2021-22</td>
<td>€47.2M</td>
<td>+25.8%</td>
</tr>
</tbody>
</table>
The management of the fund is based on financial portfolio investment theory. Through analysis that takes the objective of the investment into account, a very long-term investment horizon and the capacity of the fund to withstand losses for a particular period, a portfolio that optimizes returns is designed, always within an acceptable risk exposure.

IESE’s Executive Committee and the Board of the IESE International Foundation are ultimately responsible for the management of the endowment. These bodies approve the “IESE Investment Policy”.

The IESE endowment Investment Policy Statement establishes three investment objectives:

- Maintain the purchasing power of the fund, after spending, inflation and expenses (intergenerational equity).
- Reliably finance activities each year with a percentage of the fund.
- Having achieved the above, maximize the total long term returns, adjusted for the risk assumed.

The policy will also determine the Asset Allocation to which it should tend to in the long term. The need to generate sufficient returns to finance endowment spending for expenses and, at the same time maintain purchasing power, justifies a equity bias in the Strategic Asset Allocation, in the area of equities or classes with similar returns. The desire to provide the portfolio with a level of protection from sharp falls explains the presence of fixed income and also some of the alternative strategies, thanks to the low correlation that exists between these asset classes. Finally, the need for annual liquidity justifies maintaining a percentage in cash & equivalents.

Long-term Strategic Asset Allocation (SAA)

<table>
<thead>
<tr>
<th>Asset class</th>
<th>SAA</th>
<th>Range</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>55%</td>
<td>(±1,000 bp)</td>
<td>MSCI Index (50% ACWI + 50% Eu)</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>15%</td>
<td>(±1,000 bp)</td>
<td>Barclays Ag. Bond Ind. (50% Gl. + 50% Eu)</td>
</tr>
<tr>
<td>Cash or Equivalent</td>
<td>5%</td>
<td>(±400 bp)</td>
<td>Spanish Treasury Bills 6-months</td>
</tr>
<tr>
<td>Alternative Strategies</td>
<td>25%</td>
<td>(±500 bp)</td>
<td>HRFI-I Liquid Alternative UCITS Macro Index</td>
</tr>
<tr>
<td>Absolute Return HF</td>
<td>7%</td>
<td>(±300 bp)</td>
<td>Euronext IEIF REIT Europe</td>
</tr>
<tr>
<td>Real Estate / Infrastructure</td>
<td>4%</td>
<td>(±300 bp)</td>
<td>DB Liquid Commodity Balanced Index</td>
</tr>
<tr>
<td>Commodities / Natural Res.</td>
<td>6%</td>
<td>(±300 bp)</td>
<td>MSCI All Country World Index</td>
</tr>
<tr>
<td>Other classes: Private Equity</td>
<td>4%</td>
<td>(±300 bp)</td>
<td>MSCI All Country World Index</td>
</tr>
</tbody>
</table>

The investment Policy establishes the benchmarks against which the returns obtained for each asset class and for the endowment as a whole are measured in the medium to long term. The benchmark of the portfolio for the endowment as a whole is made up of the benchmarks for each asset class with the specific weight established for that class by the strategic asset allocation. It is also compared with the passive benchmark: 60% Equities, 40% Fixed Income.
In deciding on how and where to invest, the endowment aims to remain consistent with IESE mission and values in the context of its Responsible Investment Policy.

The IESE Endowment has an entirely social character, in that all the returns are destined to projects and scholarships, and thus favor academic and social development. In order to better fulfill its social purpose, the Endowment seeks to maximize the return on its financial investments. This is achieved not only through adherence to the ethical and institutional values of the institutions, but also in such a way that is consistent with its Responsible Investment Policy, which is part of IESE's Investment Policy, summarized below.

IESE is aware that Environmental, Social and Governance (ESG) risks stem from factors as varied as environmental issues, human rights, discriminatory practices, child labor, bribery, corruption, etc. They also understand the ethical implications of some investment decisions, related not only to investment practices but also to the main activity of some companies and their impact on society. In cases of direct investment, the Investment Committee avoids investing in companies whose mission or practices are misaligned with IESE values, such as companies promoting abortion practices, euthanasia, controversial weapons, or committing serious or systematic human rights violations, such as murder, torture, deprivation of liberty, corruption, forced labor and the worst forms of child labor, etc.

In very few cases the endowment investments are made by direct participation in the share capital of companies, or through debt issued by companies, while the great majority of investments are channeled through collective investment vehicles.

For this reason, in the selection of external managers, efforts are made by the Investment Committee to comply with the most appropriate criteria in these matters (ESG), and the manager’s own policy and capabilities in ESG and on responsible investment. Thus, the Responsible Investment Policy includes an exhaustive list of sample questions to use in the screening of managers.

As a management school, IESE should provide the business world, and society in general, with practical solutions to the most pressing problems of the moment, including those related to the energy transition and other aspects of ESG. In this sense, faced with the alternative of divestment or engagement (getting involved in the search for solutions), IESE prefers to commit to the search for solutions that solve problems in a practical way, in line with justice and social inclusion. In this sense, IESE expects external managers to engage with companies through a sensible and transparent use of the right to vote granted by the ownership of shares (active ownership), and to open an informal dialogue with their directors in order to promote ethical conduct and better management of ESG risks and opportunities.

IESE is a member of the United Nations Global Compact, and signatory to the Principles for Responsible Management Education.
During the period from September 1, 2021 to August 31, 2022, the net return obtained by the IESE Endowment has been +0.7% (vs. -2.9% of the portfolio benchmark and -8.1% of passive benchmark 60/40).

With this result, the average annual return for the last three years has been 6.5% (vs. 4.8% for the portfolio benchmark and 3.2% of passive benchmark 60/40), and since its inception in 2011-12 it has been 4.8% (vs. 3.9% of the portfolio benchmark and 4.6% of passive benchmark 60/40).

**Asset Allocation to 31st August 2022**

Absolute and relative distribution of the endowment among the four major classes

<table>
<thead>
<tr>
<th>Asset Allocation</th>
<th>Sit. on 31 August 2022</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>24,860</td>
<td>53%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>6,093</td>
<td>13%</td>
</tr>
<tr>
<td>Alternative Strategies</td>
<td>13,834</td>
<td>29%</td>
</tr>
<tr>
<td>Cash &amp; Equivalents</td>
<td>2,367</td>
<td>5%</td>
</tr>
</tbody>
</table>

(Thousands of Euros)

Alternative strategies in detail

<table>
<thead>
<tr>
<th>Alternative Strategy</th>
<th>Sit. on 31 August 2022</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute return</td>
<td>7,487</td>
<td>16%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>1,153</td>
<td>2%</td>
</tr>
<tr>
<td>Commodities</td>
<td>4,547</td>
<td>10%</td>
</tr>
<tr>
<td>Other: Private Equit</td>
<td>647</td>
<td>1%</td>
</tr>
</tbody>
</table>

(Thousands of Euros)

**Results by Asset Class**

**Equities**

This class provides revaluations in stock price and, in some cases, dividends. Traditionally, this type of asset has achieved greater returns in the long term than fixed income, at the cost of assuming higher levels of volatility.

In 2021-22 the performance in the equities portfolio has been -10.6% vs. -5.4% of the benchmark for this asset class which is calculated taking equal parts of the MSCI All Country World Index and the MSCI Europe Index. The average return since the inception of this class in 2013-14 has been 6%, vs. 8% for the asset class benchmark.

**Fixed income**

Bonds and similar instruments generate interest up until the maturity of the securities. They can be kept until then or sold on the secondary market before maturity, if the price or other factors make that advisable.

The return on the Fixed Income portfolio in 2021-22 was 9.1%, compared to -13.7% for the asset class benchmark, which is calculated taking equal parts of the Global and European versions of the Barclays Aggregate Bond Index. The average return since the inception of the class in 2010-11 has been 5.4%, compared to 0.7% of the asset class benchmark.
Alternative Strategies

The use of such investment strategies seeks to find opportunities with high returns adjusted to the risk assumed, while trying to look for low correlation with equities. These can help improve the risk - return characteristics of a portfolio. Within these strategies, in addition to a small share in Share Funds, it has been decided to use the following:

**Absolute return**

Within the different types of Hedge Fund offered by the market, the inclusion of this class has been sought to contribute to the diversification portfolio, choosing only defensive and market neutral strategies that contribute de-correlation of the equity markets for a reasonable price, and avoiding directional strategies.

The performance of the Absolute Return portfolio in 2021-22, was 10.5% vs 17% of the asset class benchmark, the HRFt-I Liquid Alternative UCITS Macro Index. The average return since the inception of the class in 2015 has been 1.5%, compared to 2.1% for the asset class benchmark.

**Real Estate**

Real estate investments can be an attractive alternative to traditional strategies and can add value not only through the revaluation of assets, but also through the effect of the continuous flow of rental income. In addition, they provide good protection against inflation.

The return on the Real Estate portfolio in 2021-22 was 2.3%, compared to -21.8% for the asset class benchmark, the REIT Europe Index. The average return since the inception of the class in 2015 has been 2%, compared to -6% for the asset class benchmark.

**Commodities**

Commodities are non-made physical goods such as those produced in the mining sector (precious or industrial metals, etc.), whose prices basically depend on supply and demand, and are affected by geopolitical factors and the weather. Although subject to a certain price volatility, which can at times be high, investment in commodities may provide low or even negative correlation with the stock and debt markets, protecting against unexpected inflation hikes.

The return on the Commodities portfolio in 2021-22 was 24.9%, compared to 19.7% for the asset class benchmark, the DB Liquid Commodity Index. The average return since the inception of the class in 2015 has been 7.3%, compared to 4.1% for the asset class benchmark.

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<table>
<thead>
<tr>
<th>Average annual returns by asset class vs Benchmark since inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2010 for Fixed Income, 2013 for Equities, 2015 for other classes)</td>
</tr>
<tr>
<td><strong>IESE</strong></td>
</tr>
<tr>
<td>Endowment</td>
</tr>
<tr>
<td>Equities</td>
</tr>
<tr>
<td>Fixed Income</td>
</tr>
<tr>
<td>Absolute return</td>
</tr>
<tr>
<td>Real Estate</td>
</tr>
<tr>
<td>Commodity</td>
</tr>
<tr>
<td>Commodities</td>
</tr>
</tbody>
</table>
The returns from the IESE Endowment are wholly put towards financing scholarships and research programs. In accordance to the regulations approved in the Investment Policy, the Endowment annually distributes for different activities 4.4% of the average value of the fund during the last three academic years. According to this rule, in 2021-22 it has distributed the amount of 1.73 M, which represents an increase of almost 5% compared to the previous academic year.

Endowment distribution in 2021-22
(Thousand of Euros)

- €210k: Doctoral Program Grants
- €175k: Increasing Fundraising Capabilities
- €1.020k: IESE Endowed Chairs
- €240k: MBA-MiM Grants
- €85k: Research Projects

Annual distribution
(Millions of euros)
Chairs and Research Projects

Around two thirds of the returns goes towards financing research projects directed by the IESE faculty, who, as part of their academic task, conduct rigorous research projects that are at the same time relevant to business reality.

A part of these projects is carried out under the wings of the Research Chair, working groups directed by an IESE professor, whose objective is to further research in a particular area of interest, publishing the results of this activity for the academic and business communities. The Chairs currently endowed represent the materialization of the generous collaboration of Alumni, companies and foundations that are highly committed to the development of knowledge in the world of business management.

The current IESE Endowed Chairs are:

- Abertis Chair of Regulation, Competition and Public Policy
- Banco Sabadell Chair of Emerging Markets
- Bertrán Foundation Chair of Entrepreneurship
- CaixaBank Chair of Sustainability and Social Impact
- Carl Schroeder Chair in Strategic Management
- Carmina Roca and Rafael Pich-Aguilera Women and Leadership Chair
- CELSA Chair of Competitiveness in Manufacturing
- Cobas Chair for Pensions and Savings for Retirement
- Chair of Business Ethics
- Chair of Family-Owned Business
- Crèdit Andorrà Entrepreneurship and Banking Chair
- Eurest Chair of Excellence in Services
- Fuel Freedom Chair for Energy and Social Development
- Chair of Corporate Finance
- Grupo Santander Chair of Financial Institutions and Corporate Governance
- IESE Foundation Chair of Corporate Governance
- Indra Chair of Digital Strategy
- Intent HQ Chair on Changing Consumer Behavior
- Boehringer Ingelheim Research Fund Chair
- Jaime Grego Chair of Healthcare Management
- Joaquim Molins Figueras Chair of Strategic Alliances
- José Felipe Bertrán Chair of Governance and Leadership in Public Administration
- Nissan Chair for Corporate Strategy and International Competitiveness
- Puig Chair of Global Leadership Development
- Schneider Electric Sustainability and Business Strategy Chair
- SEAT Chair of Innovation

Chairs and Research Projects

Franz Heukamp
IESE Dean

“The Endowment is a tool for academic excellence: it allows us to strengthen research and to attract the best talent.”
By way of example, we present results from three research projects supported by the Endowment that have been published during the 2021-22 academic year.

Gender and innovation

Why are women’s diseases, women’s anatomy and women’s needs more generally overlooked by inventors? Rigorous research by IESE’s Sampsa Samila points to the gender imbalance in the realm of scientific R&D.

Analyzing more than 430,000 U.S. biomedical patents filed between 1976 and 2010, Professor Samila worked with Harvard’s Rembrand Koning and McGill’s John-Paul Ferguson to find significant evidence that who is doing the inventing affects what is being invented, while highlighting missed opportunities revealed by this pattern. Their paper “Who do we invent for? Patents by women focus more on women’s health, but few women get to invent” was published in leading journal *Science* in June 2021 and was featured in *Nature* soon after.

This prominent study found that, in 1976, only 6.3% of biomedical patents came from women-led teams, but that figure grew to 16.2% in 2010. They find evidence that this 10-percentage-point increase has resulted in significantly more innovations for women’s health. There’s also evidence that women, who currently make up about 35% of STEM scientists, aren’t more plentiful in the ranks of patented inventors for a few reasons — including gender bias in the labor market and in managerial decisions regarding which R&D opportunities are deemed worth pursuing.

“Effectively, the results are showing that labor market inequality could lead to product market inequality,” Professor Samila explains. “Discrimination in the labor market is not just an issue for the individuals affected, it also affects the entire society due to the absence of the contributions of those who were discriminated against.” The good news is that lowering barriers faced by women should help boost innovation and economic growth overall.

The impact of fracking

Crossing disciplines as the world’s best-selling science journal, *Science* published a second article by IESE Business School faculty last year. In “Large-Sample Evidence on the Impact of Unconventional Oil and Gas Development on Surface Waters,” IESE’s Pietro Bonetti and coauthors find evidence that ties the technique of hydraulic fracturing — better known as fracking — to increased salt concentrations in surface waters. And they conclude that better water measurement is needed in order to fully understand fracking’s environmental impact down the road.

Fracking is considered by many to be the most important change in the energy sector since the introduction of nuclear-generated electricity more than 50 years ago — and a controversial one. Critics point to health and environmental concerns, especially the threat fracking could pose to water supplies.

This paper links fracking to certain increased salt concentrations by using a geo-coded database that combines surface water measurements with 46,479 hydraulic fracturing wells from 24 shales across 408 watersheds from 2006 to 2016. The coauthors specifically seek out concentrations of bromide, chloride, barium and strontium because these ions are usually found in high concentrations in flowback and produced water from wells, and they do not biodegrade and have been found several years after spills. Using a statistical approach, Professor Bonetti et al. identify anomalous changes in ion concentration associated with new wells in the same watersheds.

While the elevated levels they discovered were very small and within the bounds of what the U.S. Environmental Protection Agency considers safe, the researchers note that better water quality data is needed to fully understand the surface water impact of unconventional oil and gas development. In other words, more transparency in reporting could better serve energy security and the common good.
Scholarships

The scholarships enable Doctoral Program (Ph.D.) MBA and MIM students to finance their post-graduate studies. They are awarded to students with excellent academic records and preferably with limited economic resources, or from countries eligible for development aid. There are also grant programs that foster diversity, equity and inclusion.

In many cases, Doctoral Program graduates begin their academic career as professors in business management schools around the world, so these grants have a strong multiplier effect, typical of trainer training programs. Scholarships for the MBA and MIM also have a significant social impact thanks to the actions of managers with a high degree of professional training, aware of the social problems faced by the company and modern society.

Mert Çetin
Ankara (Turkey) PhD

The costs of conducting quality academic research are often not fully understood, explains Mert Çetin, a Ph.D. candidate from Ankara, Turkey. In addition to tuition and living expenses, researchers also need to pay to have and maintain expensive IT equipment. Thanks to an IESE International Foundation scholarship, Mert has been able to cover his expenses for the first two years of his doctoral program.

“Doing research is a full-time job and you have to be focused,” says Mert. The IESE International Foundation scholarship allowed him to launch his academic career, without worrying about how to pay his bills, while cementing his long-term goal of becoming a professor at a top European university. Meanwhile, he is particularly enjoying the close contact he has with IESE’s professors and students.

“After a while it starts to feel like you’re at home. You’re around people that you know and that you can count on.”

“After a while it starts to feel like you’re at home. You’re around people that you know and that you can count on,” he notes. By offering funding, IESE can attract talented future scholars who will later assume positions at top universities. This, in turn, helps burnish IESE’s brand around the world.
After first setting her sights on a top-notch MBA degree, it took Amaka Ndubisi several years to apply to a program.

“I felt it was impossible,” said Amaka, who hails from Enugu, Nigeria. “Each time she looked at the costs, she felt her dream was out of reach. “It discouraged me severely.”

To her great surprise, IESE offered the assistance she needed.

“I am a people person,” says Amaka, noting that the case-method approach was ideal for her as it offered the opportunity to learn directly from classmates’ professional experiences.

Most importantly, however, she appreciated IESE’s focus on forming ethical leaders. “In a world increasingly focused on profits, I felt it was very important to choose the school that focused on the human side of business while maintaining a high level of excellence.”

She commends IESE for the financial assistance it provides. “Students from economically disadvantaged backgrounds and with academic potential should not be shut out from pursuing their dreams and contributing to building a better world, just because they cannot afford it,” she says.