

# Endowment Management Report

2022-2023



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# 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 credentials 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.





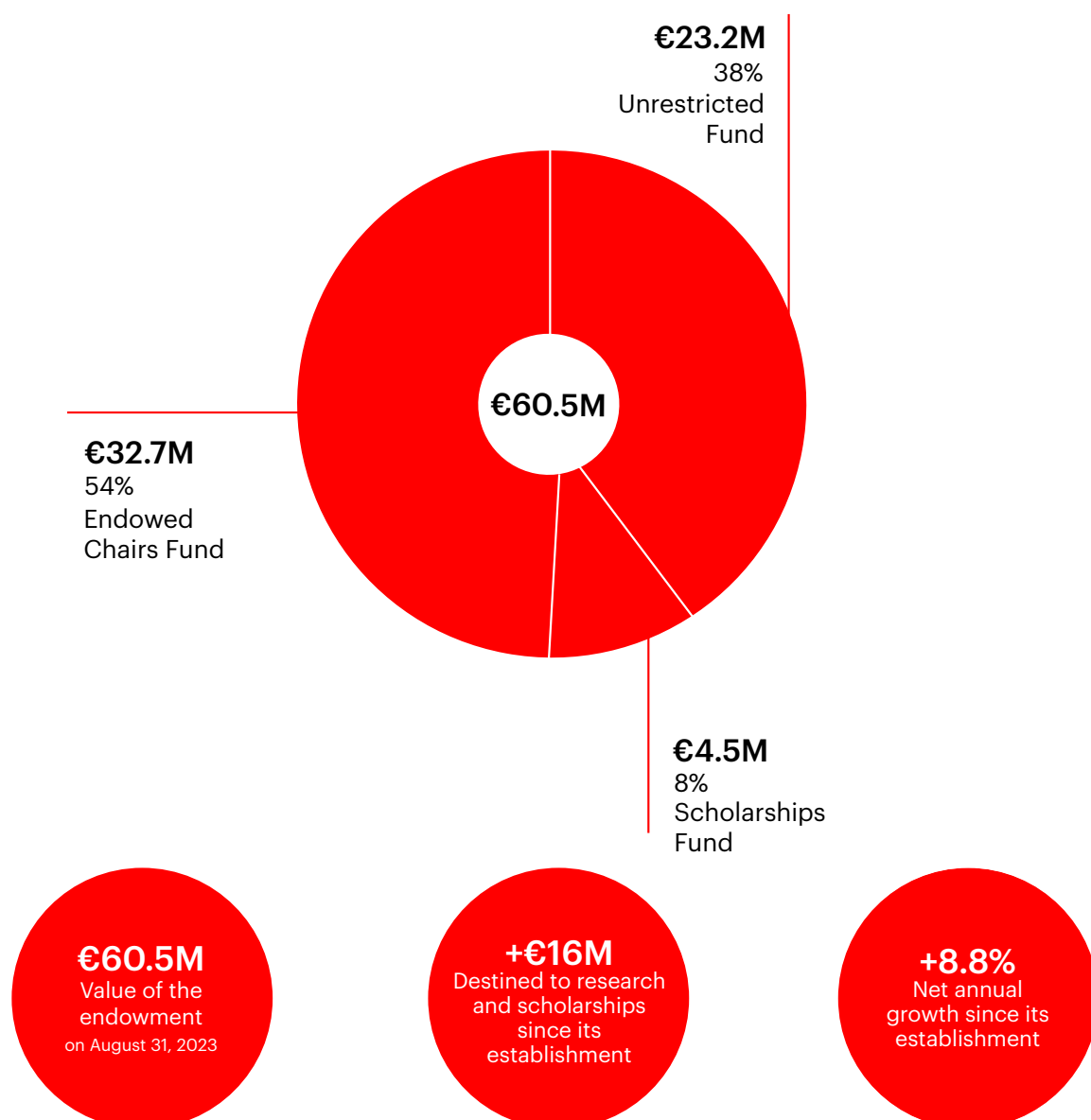
# Evolution of the Endowment

At the close of the fiscal year that ended on August 31, 2023 the value of the endowment was €60.5M, which represents an increase of 28% vs. the value at the beginning of the year. Since its inception, the endowment has distributed almost €16M (€1.84M in 2022-23) which has 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.

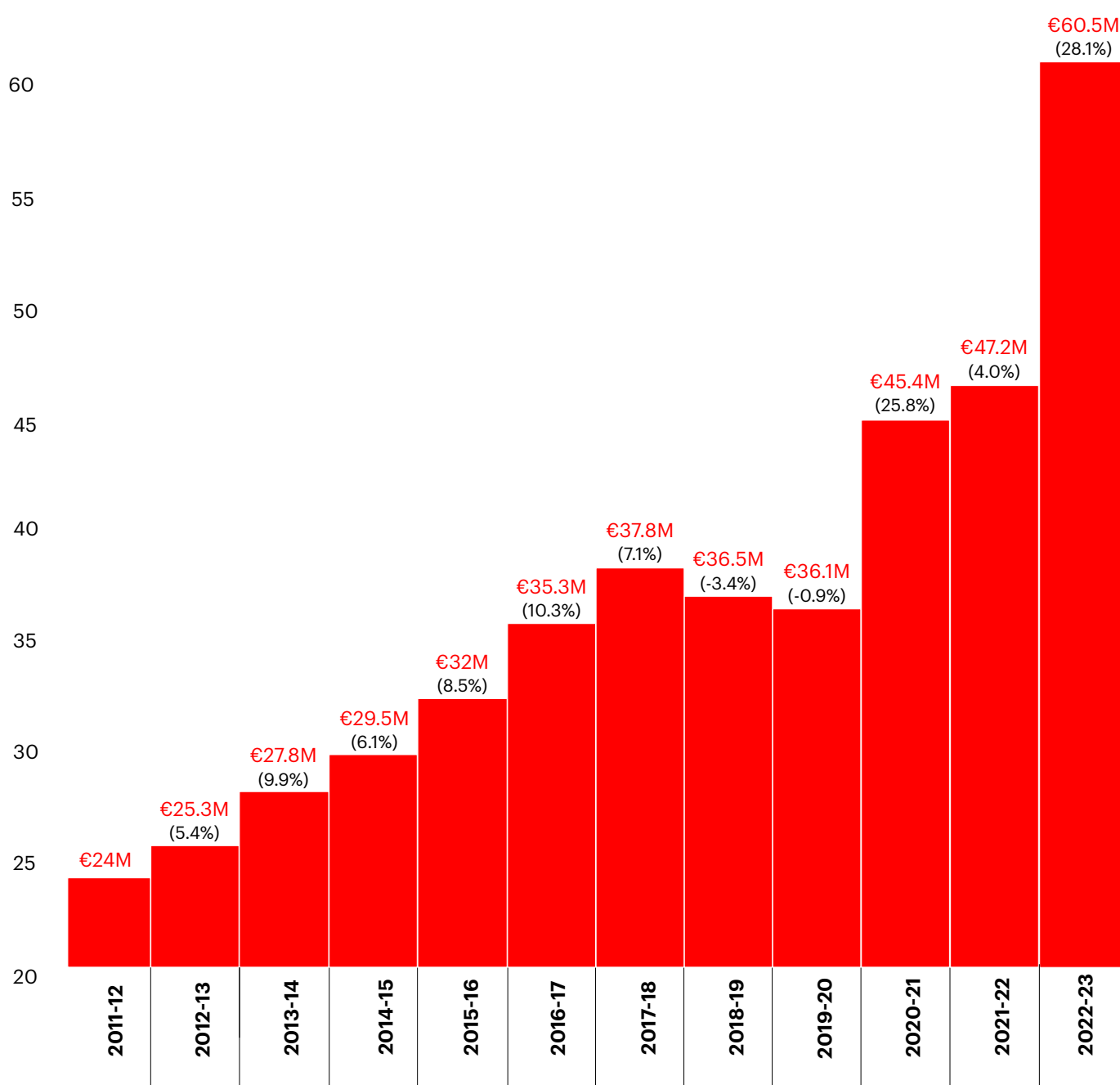
Main funds of the endowment (as of August 31, 2023)



## Evolution of the value of the Endowment

The Endowment was established in 2012, and since then has almost tripled its market value to €60.5M. This annual increase of c.9% has been possible thanks to new gifts and to the good returns on the investments. In 2022-23 the endowment received an extraordinary amount of €10M from the IESE historical reserves and new gifts of €3.3M from Alumni and sponsoring companies.

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



# Investment Policy

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 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 also determines the Asset Allocation in the long term. The need to generate sufficient returns to support the endowment spending and, at the same time maintain purchasing power, justifies a bias on equities or other asset 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 of some alternative strategies seeking a low correlation between asset classes. Finally, the need for annual liquidity justifies maintaining a percentage in cash.

## Long-term Strategic Asset Allocation (SAA)

Asset class	SAA	Range	Benchmark
Equities	55%	(±1.000 bp)	MSCI Index (50% ACWI + 50% Eu)
Fixed Income	15%	(±1.000 bp)	Barclays Ag. Bond Ind. (50% Gl. + 50% Eu)
Cash	5%	(±400 bp)	Spanish Treasury Bills 6-months
Alternative Strategies	25%		
Absolute Return HF.	11%	(±500 bp)	HRFI-I Liquid Alternative UCITS Macro Index
Real Estate / Infrastructure	4%	(±300 bp)	Euronext IEIF REIT Europe
Commodities / Natural Res.	6%	(±300 bp)	DB Liquid Commodity Balanced Index
Private Equity	4%	(±300 bp)	MSCI All Country World Index

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. The result is also compared with the passive benchmark: 60% Equities, 40% Fixed Income.



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# Investment **committee**

IESE's Executive Committee, together with the Board of Trustees of the IESE International Foundation, set up the Investment Committee made up of alumni experts in this field, in order to receive guidance on issues related to financial investments. In carrying out its functions, the Committee follows the general directives approved in its IESE endowment Investment Policy Statement.



**Jaime Alonso Stuyck**

Committee Chairman  
Director of the IESE  
International Foundation



**León Bartolomé - MBA '84**

Managing Director  
of Alcarama



**Eusebio Díaz-Morera - MBA '69**

Vicepresident of EDM



**Pablo Fernández**

Professor of Financial  
Management, IESE



**Francisco García Paramés - MBA '89**

President of Cobas AM



**Pablo González - MBA '90**

Managing Director  
of Abaco Capital



**Jordi Gual**

Prof. of Economics, IESE  
President of Vidacaixa



**Christopher Ivey - MBA '01**

Head of European Private Client  
Practice, Cambridge Associates



**Rob Johnson**

Venture Capitalist  
Visiting Professor, IESE

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# Responsible Investing

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.

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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.









# Investment Performance

During the period from September 1, 2022 to August 31, 2023, the net return obtained by the IESE Endowment has been +4.0%, in line with the portfolio benchmark (4.1%) and with the passive benchmark 60/40 (4.6%).

With this result, the average annual return for the last three years has been 9.9% (vs. 6.1 % for the portfolio benchmark and 4.2% of passive benchmark 60/40), and for the last ten years it has been 5.3% (vs. 4.1% of the portfolio benchmark and 5% of passive benchmark 60/40).

## Asset Allocation as of August 31, 2023

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

Asset Allocation	Sit. on August 31, 2023 Target		
Equities	31,514	52%	55%
Fixed Income	7,410	12%	15%
Alternative Strategies	16,544	27%	25%
Cash	5,073	9%	5%

(Thousands of Euros)

### Alternative strategies in detail

Alternative Strategies	Sit. on August 31, 2023 Target		
Absolute return	8,759	14%	11%
Real Estate	2,143	4%	4%
Commodities	4,218	7%	6%
Private Equity	1,424	2%	4%

(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 2022-23 the performance in the equities portfolio has been 6.7% vs. 8.8% 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 has been 6.7%, vs. 8.1% 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 2022-23 was 6.9%, compared to -2.9% 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 this class has been 5.5%, compared to 0.5% 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:

### 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 2022-23, was -4.8% vs 2.8% of the asset class benchmark, the HRFI-I Liquid Alternative UCITS Macro Index. The average return since the inception of the class in 2015 has been 0.6%, compared to 0.8% 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.

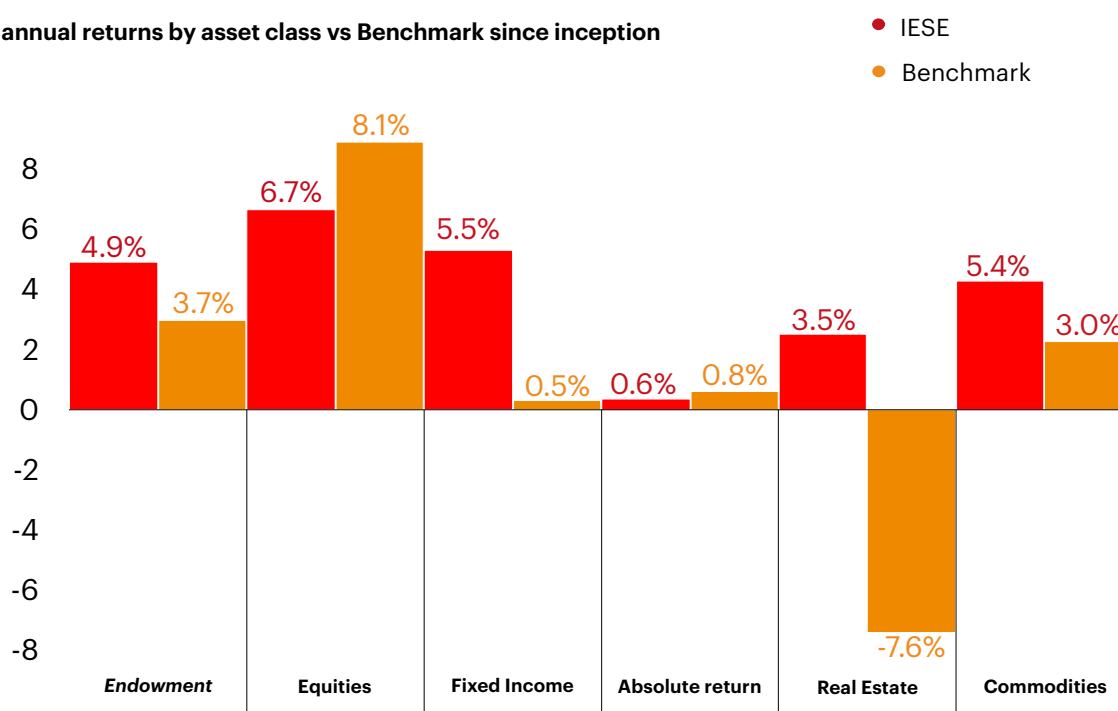
The return on the Real Estate portfolio in 2022-23 was 14.4%, compared to -18.1% for the asset class benchmark, the REIT Europe Index. The average return since the inception of the class in 2015 has been 3.5%, compared to -7.6% for the asset class benchmark.

### 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 geo-political 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 2022-23 was -6.9%, compared to -4.4% for the asset class benchmark, the DB Liquid Commodity Index. The average return since the inception of the class in 2015 has been 5.4%, compared to 3% for the asset class benchmark.

Average annual returns by asset class vs Benchmark since inception





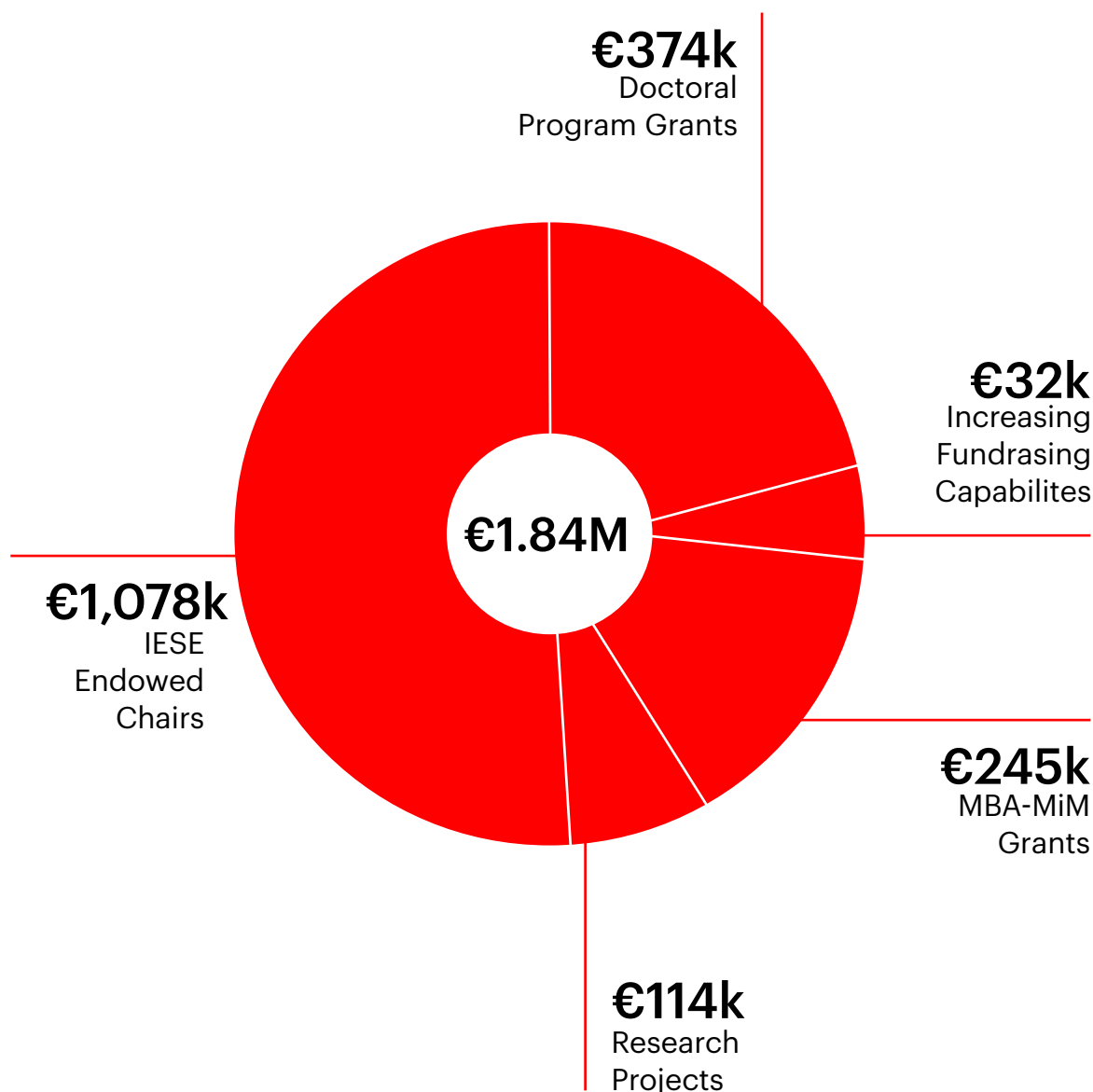


# Endowment **Impact**

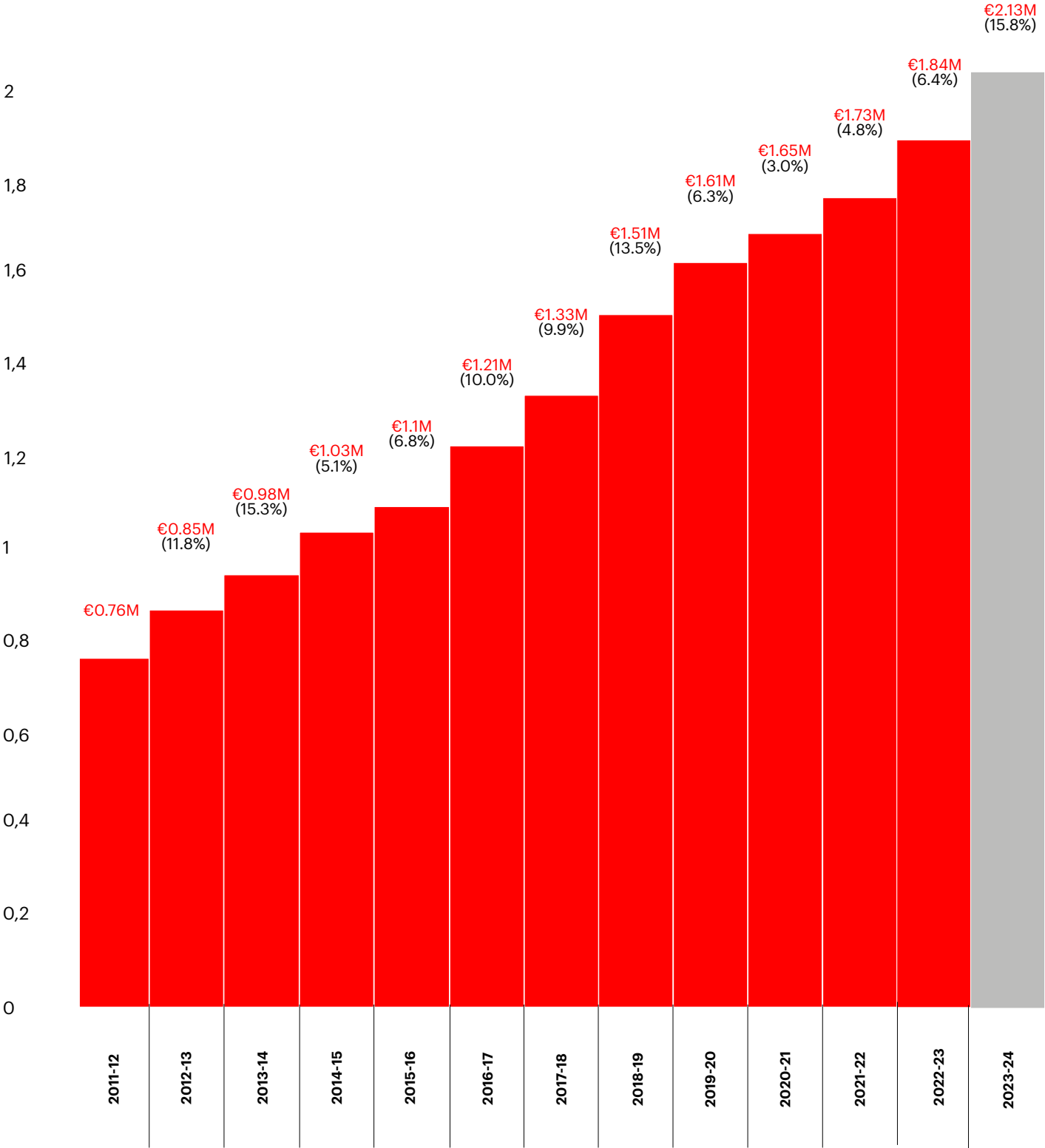
The returns from the IESE Endowment are wholly put towards financing scholarships and research programs. In accordance to the regulations approved in the Investment Policy, the Endowment annually distributes for different activities 4.3% of the average value of the fund during the last three academic years. According to this rule, in 2022-23 it has distributed the amount of €1.84M, which represents an increase of 6.4% compared to the previous academic year. In 2023-2024, it is expected to distribute €2.13M, which would amount to €18M since inception.

## Endowment distribution in 2022-23

(Thousand of Euros)



**Annual distribution**  
(Millions of euros)



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## 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	Creand Entrepreneurship and Banking Chair
Banco Sabadell Chair of Emerging Markets	Eurest Chair of Excellence in Services
Bertrán Foundation Chair of Entrepreneurship	Grupo Santander Chair of Financial Institutions and Corporate Governance
Boehringer Ingelheim Research Fund Chair	IESE Foundation Chair of Corporate Governance
CaixaBank Chair of Sustainability and Social Impact	Indra Chair of Digital Strategy
Carl Schroeder Chair in Strategic Management	Intent HQ Chair on Changing Consumer Behavior
Carmina Roca and Rafael Pich-Aguilera Women and Leadership Chair	Jaime Grego Chair of Healthcare Management
CELSA Chair of Competitiveness in Manufacturing	Joaquim Molins Figueras Chair of Strategic Alliances
Chair of Business Ethics	José Felipe Bertrán Chair of Governance and Leadership in Public Administration
Chair of Corporate Finance	Juan Antonio Perez López Chair
Chair of Family-Owned Business	Puig Chair of Global Leadership Development
Cobas A.M. Chair for Pensions and Savings for Retirement	Schneider Electric Sustainability and Business Strategy Chair

A man with short brown hair and glasses, wearing a dark suit and a white shirt, is speaking. He is holding a small yellow object in his right hand and gesturing with his left hand. The background is a plain, light-colored wall.

**Franz Heukamp**

**IESE Dean**

**“The Endowment is a tool for **academic excellence**: it allows us to strengthen research and to attract the best talent.”**



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## Outstanding Projects

Responsible business is a key topic for IESE, encompassing all aspects of business activity across Environmental, Social and Governance (ESG) areas. By way of example, we present results from two research projects supported by the Endowment that have been published during the 2022-2023 academic year.

## Sustainability & Executive Pay

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Executive compensation linked to environmental, social and governance (ESG) targets is increasingly common, especially in Europe. But is ESG pay just another form of greenwashing or does it encourage executives to actually do better for the planet? And what about corporate profit?

New research by IESE's Gaizka Ormazabal and Igor Kadach, together with Shira Cohen of San Diego State University and Stefan Reichelstein of Stanford University, examines the impact of ESG-linked compensation on environmental and financial performance. The global study, "Executive Compensation Tied to ESG Performance: International Evidence", was published in the Journal of Accounting Research.

Based on data from nearly 4,400 firms in 21 countries, the study finds that the percentage of listed companies linking executive pay to ESG performance jumped to 38% in 2021 from just 1% in 2011. ESG pay is surging across countries – though the US is lagging behind in this trend -- and industries, especially in those sectors with high environmental impact. Among the industries where it's most common are:

petroleum and natural gas; utilities; and non-metallic and industrial metal mining.

Companies adopted ESG pay for a range of reasons: as an incentive to safeguard the company's economic results, since ESG metrics are viewed as indicators of future financial performance and potential risks; because it aligns managerial objectives with the interests of shareholders and others; and because ESG pay strengthens a company's other green credentials.

Importantly, the study finds emerging evidence that ESG pay – if structured carefully and correctly -- can be instrumental in lowering companies' carbon emissions. ESG pay adopters tend to lower their carbon dioxide emissions, a key environmental metric.

The greener compensation also leads to better ESG scores from outside ratings agencies. But there's no evidence that ESG pay benefits financial returns or stock prices in the short term – and in fact the opposite may be true. The study finds no positive association with financial outcomes such as return on assets, and even finds a decrease in stock returns after the adoption of ESG pay.







## Boards of Directors & Purpose

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Crisis after corporate crisis reminds us of the crucial role of boards of directors — all too often highlighting how many boards are falling short in their supervisory role. That can and must change, according to *Boards of Directors in Disruptive Times: Improving Corporate Governance Effectiveness*, a new book by Prof. Jordi Canals.

In the book, Canals offers a detailed analysis of why the prevailing model of corporate boards is failing in an era of accelerated change and radical transformation. He merges theory with real-life examples of strategic challenges faced by some of the world's largest companies.

Canals argues that we need a new governance model, guided by purpose. In this new model, shareholders, boards of directors and senior managers are fully aligned to develop the company — not with an eye on the next quarter's earnings report, but with a commitment to the long term. As geopolitical and economic uncertainty grows, the need for this new model is urgent, Canals writes.

This more holistic model for companies better reflects today's environment of rapid change, in which board members serve as stewards and drivers of long-term sustainable value. Under this framework, board members are keenly aware of the firm's corporate purpose, challenges and opportunities, and their alignment with the overall strategy and stakeholder expectations. The five key pillars of this comprehensive model are: emphasis on long-term value creation; governance based on purpose; strategic and entrepreneurial mindsets; sustainability (financial and non-financial); and a human group with a collegial board dynamic.

By adapting this new approach, boards will become known more for the effectiveness of their corporate governance than for the shortfalls in their supervision and guidance.

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## 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 foment 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.





***“My first master’s program was not funded, so my parents and friends really helped me but it was obviously a huge sacrifice for them. When I was choosing my PhD, I didn’t want to put them through the same thing again,”***

# Grace Gitonga

Nairobi (Kenya) **PhD**

IESE doctoral candidate Grace Gitonga, was born in Kericho, Kenya, located in the highlands of the Kenyan Rift Valley. Growing up, her father was employed at one of the region’s tea plantations, which is one of the major cash crops for the Kenyan economy.

The funding she received through the IESE Foundation was a key factor in her decision to join IESE’s PhD program. Without financial support, it is very difficult to pursue higher education outside of Kenya, Grace explains.

“My first master’s program was not funded, so my parents and friends really helped me but it was obviously a huge sacrifice for them. When I was choosing my PhD, I didn’t want to put them through the same thing again,” Grace says.

Grace stresses that by offering scholarships, IESE is able to develop business leaders and management knowledge among African professionals, which is one of the school’s central objectives.



***“The financial support I received gave me a sense of relief and support as I pursued my goals.”***

# Ankit Chawla

Patiala, Punjab (India) **MBA**

Ankit's path to IESE's Barcelona campus was an unconventional one. After working as a medical doctor in the Indian Air Force, he decided to pursue his MBA with the objective of making a positive impact on society.

“It's not typical that doctors leave medicine in India. Usually, if you become a doctor, you stay a doctor,” explains Ankit.

The scholarship he received from the IESE Foundation helped him both financially and – most importantly – psychologically as he mapped out his future.

Ankit was able to cover the expenses of the MBA through the financial support he received, while also taking out a personal loan. Born in the small village of Patiala, Ankit's father is a small business owner, while his brother is an engineer.

“The financial support I received gave me a sense of relief and support as I pursued my goals,” he says. “It made a huge difference.”



***"I really appreciated the scholarship provided by IESE.  
It helped me a lot and I like to share my story to encourage future students."***

# Maggie Wang

Hong Kong (China) **MiM**

Without financial support from IESE, Maggie Wang might not have tackled the school's Master's in Management (MiM) degree in Madrid. Being a particularly debt-averse person, Maggie – who was born in China – was reluctant to take on the risk of a loan and the possibility of having to pay it back over an extended period of time.

Thanks to the financial support she received from the IESE International Foundation, along with her own personal savings, she was able to cover the costs of the full-time degree.

"I didn't need to be concerned about having a part-time job or doing extra work to pay for things," she said. Instead, she could devote her time fully to the demands of her studies and preparing for job interviews and submitting applications.

"I really appreciated the scholarship provided by IESE. It helped me a lot and I like to share my story to encourage future students," she said.









# www.iese.edu

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