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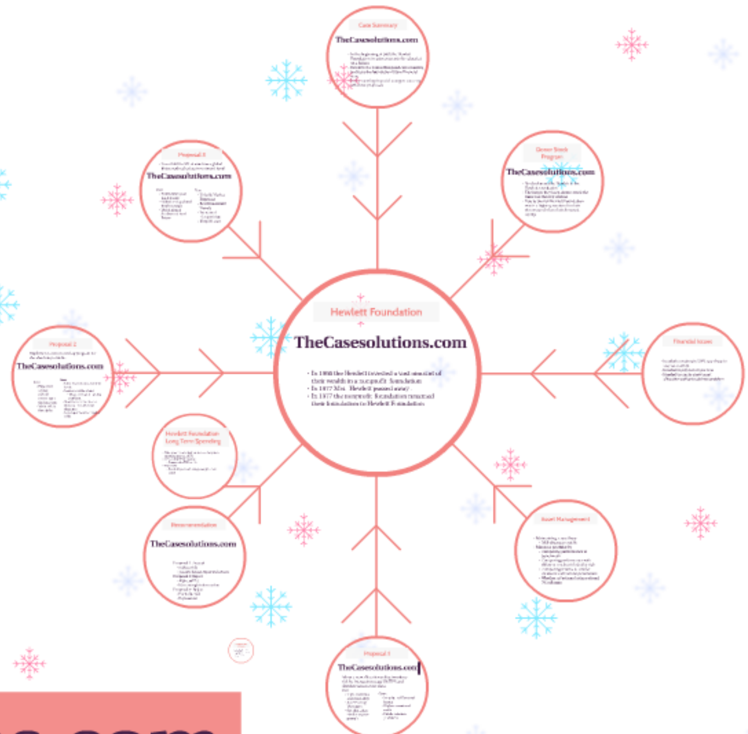

Hewlett Foundation

TheCasesolutions.com

- In 1966 the Hewlett invested a vast amount of their wealth in a nonprofit foundation
- In 1977 Mrs. Hewlett passed away .
- In 1977 the nonprofit foundation renamed their foundation to Hewlett Foundation

Case Summary

TheCasesolutions.com

- In the beginning of 2005 the Hewlett Foundation investment portfolio valued at $6.4 Billion
- Hewlett CIO Laurie Hoagland call a meeting to discus the foundation future financial state.
- In the meeting financial mangers came up wih three proposals

Donor Stock Program

- Stocks donated by Hewlett to the Hewlett foundation
- The longer they keep donors stock the more risk the may endure
- Due to the risk Hewlett Foundation wants a higher premium for their donors stock than their domestic equity.

Proposal 2

Implement a return overlay program for the absolute portfolio

Pros
- Expected higher overall return over the long run
- Main risk is the alpha

Cons
- Must market on consistent basis
- Losses must be stated
  - May cause grant-giving problem
- Short terms investment does not fit with fund objective
- Leveraged returns- higher risks

Proposal 3

- To commit to 5% of assets to a global distressed real estate investment fund

Pros
- Profitability past track record
- skilled and qualified fund manager
- Multicultural database of Real Estate

Con
- Volatile Market Exposure
- Bad Investment Trends
- Increased Competition
- illiquid asset

Recommendation

Proposal 1 : Accept
- reduce risk
- greater future expected return

Proposal 2: Reject
- Alpha of 2%
- Not enough information

Proposal 3- Reject
- Portfolio risk
- Reputation

Proposal 1

Adopt a new allocation policy to reduce risk by increasing usage US TIPS and absolute return asset class

Pros

- higher returns, lower volatility
- Access to top Managers
- Set allocation similar to peer group's

Cons

- Supply and Demand issues
- Higher associated costs
- Public relation problems