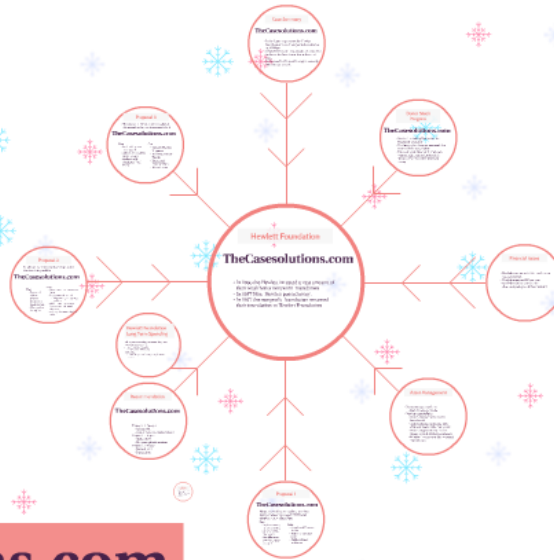
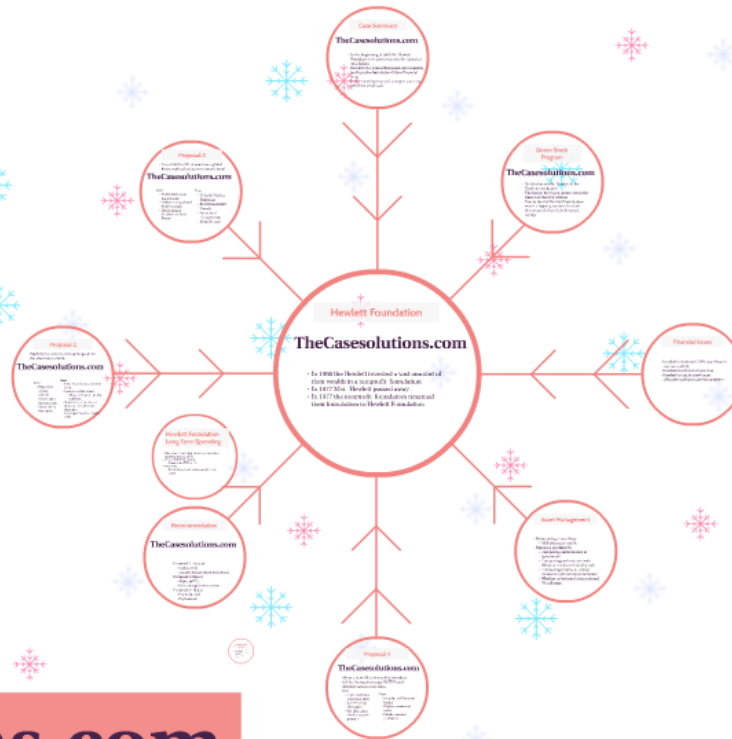


# Lifetime Networks: Andrea Wong



**TheCasesolutions.com**

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**Hewlett Foundation**

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- 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

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

## Donor Stock Program

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- 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

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### 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

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### 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

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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

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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