



Speech by Rip Rapson:

Student-managed investment fund a way to nurture local talent, connect to local opportunity

Kresge-supported effort at Oakland University offers undergraduates real-world experience.

September 30, 2015

Delivered Sept. 30, 2015, at a press conference at Oakland University announcing the formation of a \$2 million student-managed investment fund carved out of The Kresge Foundation's \$3.5 billion investment portfolio and intended to provide real-world investment experience to OU undergraduates while exposing them to local career opportunities in investment management. Foundation President and CEO Rip Rapson was preceded by Chief Investment Officer Rob Manilla.

Rob Manilla:

It's great to be back here at my alma mater – the school that well prepared me for the first part of my career in the automotive industry, and for the position I've held for the past decade leading the investment office at The Kresge Foundation.

Working in this community for 30 years now, I have seen and am completely convinced that our homegrown and locally trained young people can fully compete with their peers at better known or, perhaps, more prestigious institutions across the country.

For the past number of years, our Kresge investment office has offered a three-year rotation program for undergraduates to work as an investment analyst and help manage our \$3.5 billion corpus.

Since the program started several years ago, we've recruited locally, regionally and across the country at schools like Northwestern, University of Chicago, Notre Dame, Amherst and the like.

And those searches have been worthwhile. We have placed some incredible young people who have done a fantastic job. At Kresge they have worked alongside some of the best investment managers in the field and have learned how to be an investment analyst at a private foundation.

Surprisingly to them – and maybe to you, too – being an investment analyst at a foundation is very consistent with the same role at a publicly held company or bank. And I'm proud to say that each of our analysts has moved on to successful investment careers in the private and public sectors.

What struck me a few months ago when we were beginning to plan our last round of recruiting was the paradox of needing to jump on a plane to visit out-of-state campuses when the talent exists locally, and how increasingly difficult it is to recruit local graduates.

What we've experienced specifically with finance and economics graduates is that the brightest students head off to the big banks and private-equity groups in New York City or Chicago for their first professional experience.

It's as if they aren't aware – or don't take seriously – the many rewarding job opportunities that exist within metro Detroit's public, private and philanthropic sectors.

As you know, this region is home to hundreds of private and publicly held companies, academic and health institutions, foundations and nonprofit organizations that manage pension plans, endowments and trusts. And each of those organizations employs investment analysts and managers to protect and grow their assets.

In an effort to bring more attention to investment-career opportunities at Kresge and other local organizations, I'm pleased to announce that Kresge has carved out a \$2 million fund that Oakland University students will manage as part of a new course titled Managing Investment Funds. The course has been designed to teach students the essentials of portfolio management, stock selection and portfolio evaluation.

Right here in this lab, students will apply that learning by analyzing S&P 500 securities and make recommendations to invest the initial \$2 million. They will monitor the portfolio and make adjustments to maximize the performance of their fund. If there are gains, the fund will benefit. And if there are losses, they will assess their investment strategies to recover.

And with the help of the class advisory board, which includes six investment professionals who work here in metro Detroit, the class will expose undergraduates to the local companies and career opportunities right here in our backyard.

These students typically wouldn't get this kind of hands-on experience until their first postgraduate job. And it will make them more competitive for their first professional position.

I am really looking forward to watching these students hone their skills ... and even see what we might take away from their fresh investment strategies. And, selfishly, I'm looking forward to this class building a robust pipeline of qualified, experienced graduates that we can hire into Kresge's rotation program and give visibility to our peers in this market as they recruit new talent.

Before I turn it over, I would just like to applaud Kresge President and CEO Rip Rapson for agreeing to this edgy idea. And I'd like to thank President Hynd, Dean Mazzeo and the OU board of trustees for embracing this concept when we came to you many months ago.

Certainly there were great complexities to create a new curriculum, identify a skilled professor and build out this amazing data-analysis lab. So I applaud you for your investment in this program, too, and for sharing the desire to train bright minds and retain them to make a difference right here in our own community.

Thank you.

Rip Rapson:

Thank you, Dean Mazzeo and President Hynd, for having us here today. I'm pleased and privileged to be at this enthusiastic institution.

One of the best parts of my job is to see firsthand how the mission of our founder has played out in communities across the country, and how it continues to manifest in new and exciting ways to fulfill Sebastian's Kresge's mandate to "promote human progress."

Let me share a quick history about our foundation – and maybe a reminder to the few people here that are of a certain age. Our founder pioneered the S.S. Kresge five-and-dime store chain, which could be found on almost every Main Street across the U.S. and later morphed into Kmart. A quarter-century into his successful business career, he marked his good fortune by creating The Kresge Foundation right here in metro Detroit with an initial gift of \$1.6 million in 1924.

It is incredible to think that Kresge's relationship with this institution dates back more than 50 years. At that time, the foundation exclusively awarded capital challenge grants for brick-and-mortar projects that helped build our nation's hospitals, community centers, shelters, museums and universities. In doing so, we helped the nonprofit world learn important lessons about strategy and goal achievement.

Kresge's support here on the OU campus in the early 1960s was graciously recognized in the naming of your main campus library, which is just a few yards away from where we stand. And through the 1980s, Kresge continued to invest in the university by helping to establish the Meadow Brook Music Festival, contributing to the renovation of historic Meadow Brook Hall and providing support to the Oakland University Art Gallery.

Part of Kresge's engagement with Oakland University is led by our Education team. I'd like to introduce Bill Moses, who directs that team, and Chera Reid, an Education team program officer. Over the past few years, Bill and Chera have supported OU's annual statewide student-success conference, arguably the most important convening of public universities in Michigan. The conference priority lies within the sweet spot of Kresge's education work, which is centered on designing and sharing interventions that increase student success among low-income and students of color.

Over the past decade, Kresge has transitioned from a strategy of building buildings to one that deploys an ever-widening array of tools to advance pathways of opportunity in arts and culture, education, environment, health, human services and community development in Detroit.

Just two weeks ago we announced our commitment to make social investments a priority of the foundation by establishing a \$350 million pool for projects that create and accelerate social change.

Much of the credit for that move lies with Rob Manilla. Like his other CIO peers down the street at Chrysler – or at Dow Chemical, Whirlpool or any other public company – Rob's role as chief investment officer is to manage and grow Kresge's corpus so that we can sustain our grantmaking and social investment work.

But Rob isn't your average philanthropic investment manager. He just thinks bigger and constantly challenges his team to work at the edge of their comfort zone. And as the foundation has expanded its tool kit to use a broader array of financial instruments, Rob has fundamentally recalibrated his responsibilities accordingly. One very tangible outcome is the student-managed investment fund.

When Rob came to me with a plan to bolster the pipeline of local investment professionals, I have to admit that I hesitated for a minute. Did he really just say he wanted undergrads to manage a \$2 million chunk of our portfolio? But it was a brilliant idea. I gave him the go-ahead to see how you would all react. We're just

delighted that you've embraced it so fully and enthusiastically. Certainly this semester is a pilot – with one class in 2015 – but I have complete confidence that the course and, more importantly, the students, will excel from the practical job training they will gain in the classroom from their professor and their best-of-the best team of class advisers.

And we know this class is a success when the other Michigan companies – the GMs, the Fords, the Strykers and Mascos, and the local foundations and pension funds – are fighting to recruit graduates of this program.

Thank you.

Read news about the [student-managed investment fund](#).