

ASPECTS



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is a periodic newsletter discussing finance, investments and the economy

Volume III

Overview

Financing education

Endowments

Discretionary Fund Management

Where education is life

Schools, colleges and universities are the life spring that feed our youth and nurture them to realise their potential. Effective educators employ their value orientation, trained human resources and financial capital to shape our tomorrow.

Good schools draw strength from good financial management, as it helps clear the path to imparting quality education.

sponsored by the government usually charge nominal fees and above budget financial needs are prioritised against a larger slate of

Education is a primary civilisational need

expenditures. On the other hand, private and semiprivate schools rely primarily on tuition, boarding/lodging fees and internal accruals. Voluntary private grants and donations from alumni and wealthy individuals and institutions have been an important source of funds, more so in Western countries.

Attracting voluntary grants can aid finances

The world renowned Harvard University has an endowment via grants and donations of US\$ 37.1 Billion and returns from endowment investments take care of as much as 30% of the annual operating budget of the university, while preserving the value of the base corpus for future generations.

The endowment is professionally managed and overseen by a board. Historically grants to the endowment have been “purpose specific” or for the broader good of the institution. Evidently, endowment returns enable better education, financial aid and industry leading research among others.



Financial Management

With many schools and colleges being privately or semiprivate managed, financial management is ever more important.

A few principles for effective management of discretionary funds - funds in excess of those needed for ongoing expenses, can go a long way towards providing financial stability.

A stratified approach to fund management can be helpful

Firstly, institutions would benefit from clarity on their financial goals and the timeframes over which those have been defined. Additionally, discretionary fund management should be in sync with the broader operating and financial targets.

Secondly, having a stratified approach to investments can be helpful. Consider a 3 pronged framework

- a) A portion of the funds earmarked for meeting relatively fixed ongoing expenses
- b) Another portion invested in diversified equity and other asset classes for providing growth over a 5+ year horizon
- c) A third portion in making targeted long dated investments for meeting specific purposes e.g. investing in land today for a planned school facility 5-7 years out

Thirdly, funds should be professionally managed and aim for tax efficient returns

Finally, a transparent process could provide confidence and clarity to administrators and donors (both existing and prospective) that the institutions corpus is being managed well.

Effective financial management is a journey of sorts, and with the right approach one can minimise surprises and get to see results faster.

About us

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For customised solutions, research and advise, or to discuss ideas for preserving and growing your wealth, please contact us and we would be pleased to arrange a discussion

Nitin Sood, CFA

Ramesh Chand Sud

Operating Partner

Partner

Telephone: (+91) 7807319569 (Primary), (+91) 177 2626764

Email: nitin.sood@northplainscapitalpartners.com

Webportal: www.northplainscapitalpartners.com

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