



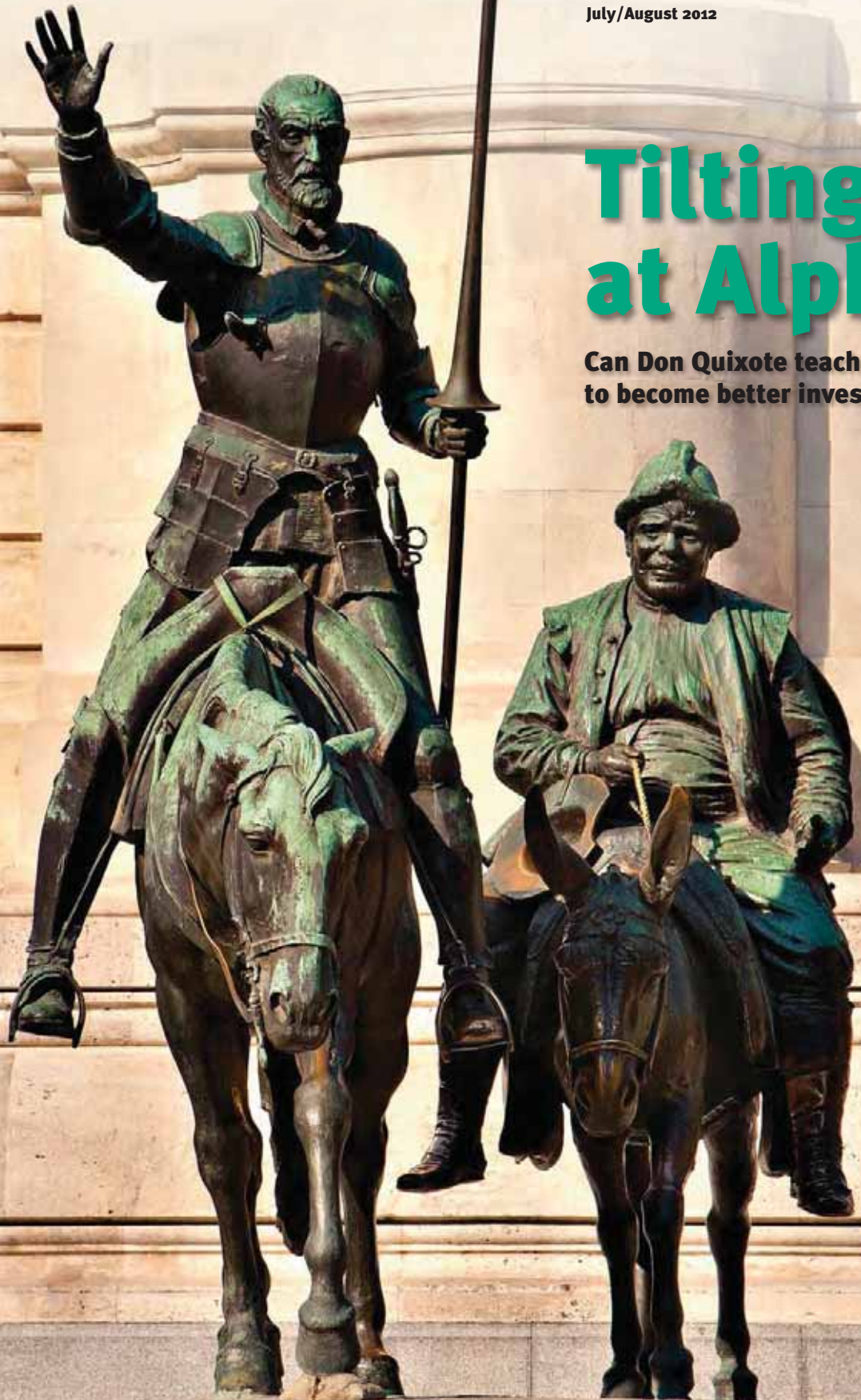
**CFA Institute**

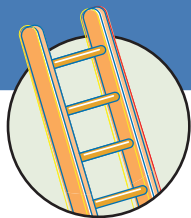
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July/August 2012

# Tilting at Alpha

**Can Don Quixote teach us how to become better investors?**





## KEY POINTS

- The financial acumen and skill set of professional investors can translate to charitable and philanthropic endeavors.
- CFA Institute members report serving in a variety of positions supporting causes that range from the arts to economic development.
- Advice for professionals interested in getting involved includes taking small steps, managing time commitments carefully, and focusing on enthusiasm (“If you’re not excited about it, you shouldn’t be there”).

## The Financial Altruist Next Door

For some members, charity provides the ultimate return on investment

BY LORI PIZZANI

**F**ounder, treasurer, board member—such titles are often held by CFA Institute members. But in some cases, these positions have little to do with investment performance or corporate governance. Instead, members and charterholders are putting their financial knowledge and business savvy to work on behalf of charitable and philanthropic causes.

To learn more about their experiences, *CFA Magazine* spoke to several CFA charterholders who donate time, energy, and expertise to help alleviate poverty, improve access to education, or promote economic development, among other humanitarian aims.

### Seeing the World

As a frequent traveler to Latin America for her former investment management job at Pictet Asset Management, Katy Vatis, CFA, was struck by the economic conditions in many countries she visited. “When you’re in some place like [Rio de Janeiro],” she says, “you can’t ignore the poverty. Just outside your five-star hotel, you can see the poverty.”



Vatis

In 2006, she was staying in Rio de Janeiro with a friend who introduced her to an orthopedic surgeon who was on a two-week business trip teaching other doctors in Brazil how to treat clubfoot, a congenital birth defect. While the treatment’s success rate was 93%, the surgeon was searching for sources of funding to offset her cost of travel, accommodations, and teaching workshops. Pooling ideas as to how to raise that money, within two weeks La Vida, a new charitable organization, was born. Vatis continues to serve as the co-founder and chairperson of La Vida, which was registered that August as a U.K. charity. By October, Vatis says that they held their first fundraiser and raised all of the money (£27,500) the surgeon needed. “We said, ‘let’s keep this going,’” Vatis recalls.

La Vida has since broadened its mission to distribute funds to individuals living in poverty through myriad health and education programs that include student scholarships, school expansions, community health education, and medical training to an expanding area that encom-

passes Brazil, Bolivia, Colombia, Ecuador, Guatemala, Mexico, and Peru. The organization has no formal office and no overhead. Everyone who works for the charity is a volunteer, and each pays his or her own expenses for travel, etc. “Every penny not wasted goes to the cause,” says Vatis. Consequently, according to Vatis, La Vida is able to use 97% of raised money toward projects. (The money comes from two annual fundraisers.)

Vatis, who currently works as an educator/researcher at GLG Research in London, uses a variety of skills to run the La Vida charity, including those learned from the CFA Program. “It’s all about analysis of projects, use of the funds, how many people you can help, and then choosing the projects with the best [potential] outcome, just like choosing a stock,” Vatis says of her redeployed skills. “It’s a lot of work, but not that much for all of the good you can do.” She estimates that so far, La Vida has raised £260,000 and helped 25,000 people. “If we help cure a child with a clubfoot, we’re helping the family,” she adds.

Her involvement has been a learning experience. She found out, the hard way, that you can get burned. Early in La Vida’s history, lacking the proper checks being in place, some money raised wasn’t spent on what it was intended for. “It wasn’t a lot of money, but it was frustrating,” she says. Still, Vatis’ passion drives her to continue helping the world. “You have to find something that you are really passionate about—it can’t be a burden—and then you will find the time even when you are busy,” Vatis says. “This charity doesn’t exist unless I am here.”

### Making a Difference Locally

For Todd Kobayashi, CFA, his charitable endeavors center on helping needy children living in the inner city of Kansas City, Missouri.



Kobayashi

Kobayashi is currently a managing director and investment strategy consultant for Sageview Advisory Group in Parkville, Missouri. At his previous employer, however, one of the corporate goals was to grow the surrounding communities and address their needs. “Early childhood was a prime mover for developing communities,” Kobayashi says.

Founded in 2008, Operation Breakthrough’s mission is

Career Connection is a new column that will appear in each issue of *CFA Magazine*. Want to ask a career-related question or suggest a topic for us to explore? Please contact Lori Pizzani at dapizzanis@aol.com.

to help children who are living in poverty develop to their fullest potential by offering a safe, loving, educational environment as well as empowering families through referral services and emergency aid. Programs include after-school programs for 6- to 15-year-olds, summer youth programs, and day-care programs for 323 preschoolers and infants whose parents work. Kobayashi currently serves as a board member and a member of both the strategic planning and finance committees for Operation Breakthrough. As such, he says his biggest challenge lies in determining what to do and what not to do, and he often uses the skills he acquired through the CFA Program.

“On the finance side,” he says, “we’re looking at budgets, deciding how we spend these grants and of what size, and asking ‘Does this make sense?’ and ‘Can we sustain this?’” He is often engaged in project budget analysis and must decide where to cut if Operation Breakthrough has to trim funding, especially as state funding has been drying up. Consequently, Operation Breakthrough has turned to more private fundraising to fill the gap. “I think a lot of it is trying to figure out how to operate within the budget you have, especially in a money-losing situation, where you have to find the sustainability level,” Kobayashi says.

“The best thing is seeing the big differences you can make for innocent kids. You never know who will be a superstar,” he says. The downside? “We can only afford to help so many kids.”

### Serving with Grace

During the typical work week, Andrew Aran, CFA, is a partner at Regency Wealth Management in Midland Park, New Jersey. But over the past 20 years, he has been involved with faith-based nonprofit groups and charities. Currently, he donates his energies to the Bergen County, New Jersey, chapter of the New Canaan Society, a Christian organization founded in 1995. For the past five years he has served as the group’s treasurer. Aran also serves on the advisory board of Street 2 Street, an inner-city youth organization that, among other things, holds basketball tournaments.

Aran applies his financial and analytical skills to help these organizations with planning, logistics, delegating, governance, and diligence while infusing his own personal integrity and ethical beliefs. “Most nonprofits are good at relationship skills, but few have business people,” he says.

Why did he get started donating his time and energies? “There’s more to life than just looking after your own interests,” he says. “I am encouraged that we can make a difference. Sometimes, it’s small; sometimes, it’s larger or a reward not in a tangible sense but in a spiritual sense.”

He encourages other CFA charterholders to get involved with a charitable organization that parallels their passions, even though most have to carefully manage their time commitments. “Don’t say yes to everything,” Aran



Aran

cautions. “Avoid doing something you don’t like. If you’re not excited about it, you shouldn’t be there.”

### The Art of Charitable Work

Richard Pyle, CFA, serves as the executive vice president and chief investment officer of Sanibel Trust Captiva Company in Tampa, Florida. He has also served as the voluntary vice chairman and trustee of the pension board for the past three years. “Our role is to preserve the assets of the plan for the benefit of employees,” he says. “We are responsible for the asset allocation while the actuary delivers us the report as to whether the plan is over- or underfunded. We are not responsible for the returns.”



Pyle

He was asked to serve on the board by the town’s mayor because the board didn’t have many financially savvy members and the plan wasn’t hitting its return target. He agreed to join the board, brought along other investment professionals, and replaced the hired consultant.

Pyle also has served for four years as the treasurer of Big Arts, which provides high-quality cultural, educational, music, and artists’ programs for residents of Sanibel Island and surrounding communities. Big Arts offers myriad programs that include a speaker series, jazz shows, and Broadway-quality theater presentations. Half of its revenue is derived from ticket sales; the other half comes from donations. Pyle works with the charitable organization’s comptroller to monitor the group’s financials as well as donations. “I like being the number two or three guy,” he says. “I make sure that everything goes OK.”

“The CFA Program offers a lot of financial knowledge that can be helpful to organizations. Some organizations have very good financial controls and processes, but some are floundering,” says Pyle. “A person who understands income statements, balance sheets, and investments has a lot they can bring to organizations.”

But Aran cautions those ready to serve a charitable group to take small steps. “I think you have to make sure you don’t take on more than you need to in these organizations. You may agree to be treasurer, and then they ask you to be in charge of fundraising too,” he says. “You’ve got a job and have a responsibility to your clients first. But it’s a great networking opportunity and you can meet very, very interesting people outside of your usual work group.”

### Building Sustainable Solutions

Nolan Watson, CFA, always knew he wanted to be a humanitarian. “I had planned on having a career on the humanitarian side but got roped into business,” says the current president and CEO of Sandstorm Gold and Sandstorm Metals & Energy, two publicly traded corporations in Vancouver, Canada. His father encouraged him to become a business person first and then learn how to manage and raise money, further cautioning him that the goal wasn’t to become a humanitarian but to become a *smart* humanitarian. ▶▶

But Watson believed there was more to life than just making money for himself. Although he had served as the CFO of Silver Wheaton, a multi-billion-dollar public company, he dropped out of business school to pursue his humanitarian interests and six years ago founded his own charity, Nations Cry. The organization focuses on education-based development in Sierra Leone, West Africa. As president of Nations Cry, Nolan takes no salary, and 100% of all donations go directly to the cause. He says Nations Cry will continue to focus on long-term sustainable solutions and refuse to spend money on North American salaries.



Watson

“When you think about charitable work, understand how to take developing nations into becoming developed nations,” he says. “Understand what these countries need beyond just hospitals or dealing with foundations.” Watson is adamant that humanitarian energies must be invested in creating a future, sustainable independence rather than a dependence on charity. “Lots build elementary schools, but there’s not enough money going toward middle schools, high schools, and college levels. Right now, we sponsor a college funding program,” he says. “Don’t just teach them to read.” Nations Cry is currently building a school in Sierra Leone that it will eventually also run.

Much of the CFA Program curriculum has relevance for developing markets and countries, notes Watson. “Obviously, if you want to go in, you have to understand how businesses work, finances, capital flows, and about capital markets,” he says. “A CFA charterholder understands better than any other professional what is required to attract investment capital.” Nolan Watson delivered a presentation at TEDx Vancouver in November 2011 titled “Compassion Kills,” which is available on YouTube.

### Grassroots and Social Media

By day, Danny Mah, CFA, serves as the director of investment banking at Clarus Securities in Calgary, Canada. But in his free time, he’s using social media and a grassroots approach to raise awareness for the Uend Foundation.

Launched in 2007 under its former name, Christmas-Future, Uend aims to encourage and empower North Americans to refocus a portion of their annual gift-giving budget toward strategic and sustainable projects within the developing world and help eradicate poverty. The foundation is currently funding a variety of projects in Ghana, Mexico, Uganda, Sri Lanka, Haiti, and South Africa that include clean-water initiatives and efforts to help communities feed themselves. “If you take 1% of North Americans’ Christmas spending, you could eradicate world poverty,” says Mah, who serves as the treasurer. “Where we can help a community to become more sustainable, we are also

helping children, who then can help their communities.”

Mah got involved with the organization in 2009 after reconnecting with a friend from his alma mater, the University of Alberta. Mah was intrigued to learn that his friend, who was doing philanthropic work, had gone traveling throughout the developing world and had sold all of his worldly possessions in order to fund a new charity aimed at bettering the world’s needy denizens. Mah said to himself, “If he can do that, I can join the charity’s board.”

Uend has also developed a special social studies school program that has been approved for use in Alberta that teaches children how they can make a difference. For example, children are encouraged to shift some birthday money toward the charity. “If you can get that generation to start thinking that way, it’s great,” Mah adds.

“Everything I learned from my financial background and the CFA Program helped me. That’s why I took the treasurer’s role,” he says. “There’s some cash management, but it really leverages my financial background toward trying to help run and grow a start-up organization.”

“Explore it!” is his advice to other CFA charterholders seeking to get involved with a charity. He suggests getting involved, even if it’s in a small way, such as being the point person at work for a particular charity or serving on a specific committee of a charity. “Then you will be exposed to charities and it will get your juices flowing.” If that doesn’t spark your interest, then open your wallet to a favorite charity, Mah says. “An easier way is to just donate. Most CFA charterholders likely have more money than time, so find a charity to donate to that you can take pride in—or ownership in—if you make a large donation.”



Mah

For more information on how you can volunteer with CFA Institute, go to “Vision & Values” under the “About” tab at [www.cfainstitute.org](http://www.cfainstitute.org). Select “Global Community” in the left-hand column, and then click the “volunteer participation” link at the bottom of the page. Members should also contact their local member society to get involved at the local level. ▀

*Lori Pizzani is an independent financial services journalist based in Brewster, New York.*

### RECOMMENDED RESOURCES

“Take It for Granted,” *CFA Magazine* (Sept/Oct 2011) ([www.cfapubs.org](http://www.cfapubs.org))