



Innovative Finance Inclusion

Israeli Student-led ESG Investing Fund: Business Plan

**Student-led ESG Investing Fund
for Israeli HEIs**

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1 Introduction

This project studies how to implement a student-led investment fund in several universities across Israel. There are currently no investment funds in Higher Education Institutions (HEIs) in Israel and we expect to learn from the experience of investment fund at the University of Deusto in Spain. We believe that this initiative has the capacity to grow and create interest from other groups that could develop similar ideas. We hope that this can lead to a better understanding of finance and investment methods for students across Israel which can help form the next generation of investors.

The fund will be centered around the education of its members, and it will be run by students, allowing them to personally experience investing. The club will look to make a profit through ESG investment strategies, which have become much more relevant nowadays due to businesses adopting and fighting for ESG goals.

To start the fund, we will create a structure, investment plan, education curriculum, and other critical components necessary for a successful fund to get started. We will set objectives and strategies to meet them, as well as some alternatives in case some ideas are not plausible when it is time to put them into practice.

To make sure that all the information we obtain is useful and legitimate, we will have support from teachers in Spain. We will also consult Israeli experts on areas that could be substantially different between Spain and Israel, like financial legislation.

We received help from Israeli economic and financial experts. These experts contributed to the writing of the business plan in the areas of regulation, conduct of academic institutions, market characterization, administration involved in opening an investment club, and more.

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2 Mission & Vision

Our mission is to bring together students, entrepreneurs and investors, and create new models for sustainable enterprises with a focus on innovation, execution, and long-term growth. To connect social performance with financial return, and to create a new education platform for students.

Our vision is to create a leading example of a club that spans 10 or more HEIs in Israel and is formed by over 50 members in each of them by 2025.

3 Objectives

Before beginning our project, we should consider what exactly we are trying to accomplish.

This project has one main objective: **To develop a business plan focused on how to set up the first ESG investment fund in academia in Israel.** By doing this, we are trying to prove that capital invested in ESG can drive measurable social change and financial return and provide actual learning of the ESG practice, as well as generate interest in the field of ESG. We want a fund that will allow students to experience investing while acquiring financial knowledge that will help them in today's and tomorrow's economic environment.

In order to carry out our main objective of the project, we can discern the following secondary objectives:

- Attract attention towards the fund in order to gain members and personnel with the capacity to teach and manage.
- Analyze possible competitors and challenges to overcome.
- Create a working methodology for education inside of the club.
- Discern the viability of an ESG fund that is also centered around profit.
- Create a synergetic structure between several of the different university funds.
- Encourage women's involvement in the financial management of the fund.



4 Business Model Canvas

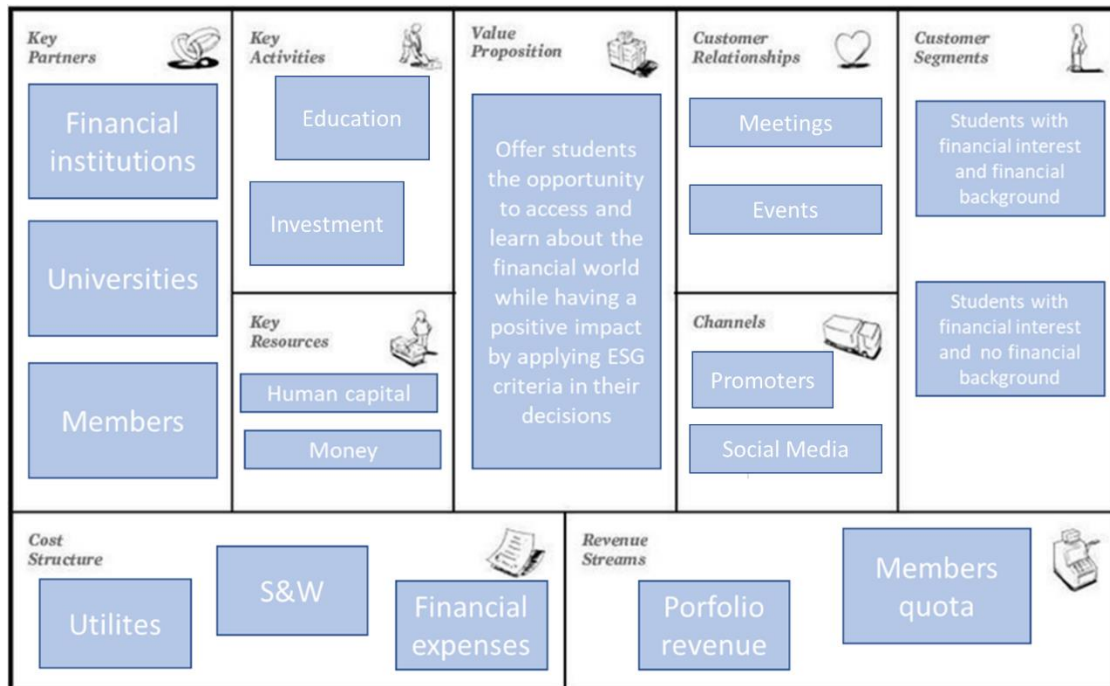


Figure 1 Business Model Canvas



5 PESTLE Analysis

The PESTLE analysis is a tool used to understand and track the environment a business is operating in. It is particularly useful when the company is trying to implement a new strategy or introduce a new product or service into the market, thus it is used for our fund:

Political: Israel has been called the 'start-up nation' due to its focus on promoting new businesses¹. This focus has been going down for the last few years. Between the years 2014 and 2020, the number of start-ups being established in Israel decreased from 1400 to about 520. Having fewer alternatives for national investments is a problem for a fund like ours that aims to mostly invest nationally and have a positive impact on society.

Economical: In general, interest rates have been low for deposits and bonds due to the pandemic and the war between Russia and Ukraine. This means that stocks and other riskier assets are becoming more attractive. In the future, this might somewhat change. Regardless, understanding and operating with this kind of financial asset will certainly help students.

Social: ESG investment is gaining constant attention. Many people care more and more about the economic, social and environmental factors that our fund promotes. The ability to invest in highly ESG rated companies and making a profit can create positive social change.

Technological: Improvements in technology could force the fund to adapt. For example, if online dealers improve their services, the club might want to use them instead of banks to operate in the stock market. New investment tools allowing for better access to information might come out into the market, similar to Bloomberg but at much more affordable costs. Technological opportunities should be taken quickly and effectively.

Legal: We must look into the taxation for the two sources of income the fund has, stock increase in price (capital gains) and dividends. In Israel, the income tax derived from capital gains is 25%, paid of course when the stock is sold and taking inflation into account. For dividends, a 25% withholding tax is also applied². Both are significant, which makes sense due to the increased attention the country is receiving as an investment hub for international brokers.

Environmental: Disregarding the small amount of electricity consumed by the computers the students will use during the meetings, and those of the brokers that will make the transactions, the fund does not have any environmental impact. Also, investing in green companies and encouraging others to do the same should have a positive effect on the environment.

¹ Israel I., 2020.

² Israel M. o., 2018



6 Demand Analysis

A survey was conducted as part of WP1 of the IFI project across Israeli and European HEIs in Spain, Italy, and The Netherlands. The survey results are used to discern if there is latent interest in this kind of project.

6.1 Sustainability

Q9:How familiar are you with the term 'sustainability'	Israel (N=555)		Europe (N=956)		Total (N=1511)	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Extremely familiar (1)	133	23.96%	109	11.40%	242	16.02%
Very familiar (2)	157	28.29%	398	41.63%	555	36.73%
Moderately familiar (3)	134	24.14%	360	37.66%	494	32.69%
Slightly familiar (4)	56	10.09%	75	7.85%	131	8.67%
Not familiar at all (5)	75	13.51%	14	1.46%	89	5.89%
Total	555	100.00%	956	100.00%	1511	100.00%

Figure 2 Familiarity with Sustainability by Nation

We can see that there is no lower interest and knowledge in sustainability between Israel and Europe. A greater percentage of Israelis are extremely familiar with sustainability (23,96% compared to 11,40%). Although it is also true that there are many more slightly familiar or not familiar at all in Israel when compared to Europe (24,60% versus only 9,31%).

This data shows that there could well be interest in a fund that specializes in ESG investing amongst the recipients of this questionnaire.

6.2 What courses are more significant/important?

Europe N=956 (multiple choice)							
	Extremely important	Very important	Moderately important	Slightly important	Not at all important	N Total	Percent
Management & Economics	27	74	56	10	14	181	18.9%
Engineering & Technology	26	51	41	13	30	161	16.8%
Law	29	46	14	3	10	102	10.7%
Education	14	23	7	1	4	49	5.1%
Health / Medicine	18	22	11	5	15	71	7.4%
Social Sciences	39	69	22	3	10	143	15.0%
Natural Sciences	18	19	21	3	15	76	7.9%
Design & Art	2	1	0	0	0	3	0.3%
Humanities	35	51	27	5	14	132	13.8%
Other	35	38	26	5	9	113	11.8%
Total	243	394	225	48	121	1031	100%

Figure 3 European Survey Results on Course Significance

Israel N=598 (multiple choice)							
	Extremely important	Very important	Moderately important	Slightly important	Not at all important	N Total	Percent
Management & Economics	20	28	21	1	11	81	14.6%
Engineering & Technology	8	12	20	2	15	57	10.3%
Law	7	4	4	2	1	18	3.2%
Education	31	22	23	3	10	89	16.0%
Health / Medicine	8	7	5	0	8	28	5.0%
Social Sciences	35	30	19	3	13	100	18.0%
Natural Sciences	7	3	11	2	4	27	4.9%
Design & Art	14	10	7	3	3	37	6.7%
Humanities	20	9	13	1	4	47	8.5%
Other	32	31	20	11	20	114	20.5%
Total	182	156	143	28	89	598	100%

Figure 4 Israeli Survey Results on Course Significance

There are some considerable differences between Europe and Israel in this case. What we are looking for are high levels of perceived importance, mostly towards economics. Social sciences are also important to the extent that some do relate to ESG initiatives. In Europe, the most important careers are management and economics. In Israel, on the other hand, social sciences and education are considered more important. This does throw some doubt on whether there will be enough interest among participants that can translate into members of an ESG investment fund. Nevertheless, management and economics is still considered important according to the survey, with 20 people saying it is “extremely important”, and 28 considering it “very important”. Therefore, we consider there is enough interest in the student fund to attract members.

6.3 Statements on Sustainability

	Israel N=598 (multiple choice)								Europe N=956 (multiple choice)							
	1	2	3	4	5	Mean	std.	1	2	3	4	5	Mean	std.		
I think these topics are only relevant for certain disciplines/professions	154 (27.7%)	92 (16.6%)	74 (13.3%)	41 (7.4%)	26 (4.7%)	2.21	1.25	304 (31.8%)	321 (33.6%)	56 (5.9%)	84 (8.8%)	35 (3.7%)	2.03	1.12		
I think sustainability is relevant to everyone regardless of their field	14 (2.5%)	18 (3.2%)	39 (7%)	105 (18.9%)	210 (37.8%)	4.24	1.05	6 (0.6%)	16 (1.7%)	31 (3.2%)	160 (16.7%)	586 (61.3%)	4.63	0.72		
I wish there were more courses on campus dealing with these topics	19 (3.4%)	28 (5%)	71 (12.8%)	99 (17.8%)	169 (30.5%)	3.96	1.16	10 (1%)	26 (2.7%)	215 (22.5%)	308 (32.2%)	238 (24.9%)	3.93	0.89		
I wish there were more practical / professional opportunities (i.e. career / marketplace / NGOs / internship) connected to sustainability	15 (2.7%)	13 (2.3%)	70 (12.6%)	110 (19.8%)	180 (32.4%)	4.1	1.05	10 (1%)	15 (1.6%)	163 (17.1%)	319 (34.4%)	302 (31.6%)	4.1	0.87		
Once I have made my money, then I can give to society through charity, so I do not need to think about social impact and sustainability now	220 (39.6%)	95 (17.1%)	42 (7.6%)	15 (2.7%)	18 (3.2%)	1.76	1.08	324 (33.9%)	281 (29.4%)	107 (11.2%)	61 (6.4%)	27 (2.8%)	1.98	1.07		

Figure 5 Survey Results on Sustainability



Sustainability appears to be more present in the minds of Israelis compared to Europeans. The majority of participants always lie on the extreme that favors sustainable thinking on the Israeli side. Most strongly disagree that sustainability is only relevant in some disciplines, or that there is no need to think about sustainability until after having made money. The largest group also strongly agrees with the need for more courses that deal with this topic on campus, and with that, there are more opportunities, including clubs, that deal with these issues.

After analyzing the survey, it is clear that if we founded an ESG investment fund in academia in Israel, there should be a very high level of interest and involvement from the students.

7 Porter's Five Forces

Porter's five forces is a business analysis model that helps companies define why a selected industry can sustain different levels of profitability. The model was published in Michael E. Porter's book, "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980. The Five Forces model is widely used to analyze the industry structure of a company as well as its corporate strategy. Porter identified five undeniable forces that play a part in shaping every market and industry in the world. The five forces are frequently used to measure competition intensity, attractiveness, and profitability of an industry or market.

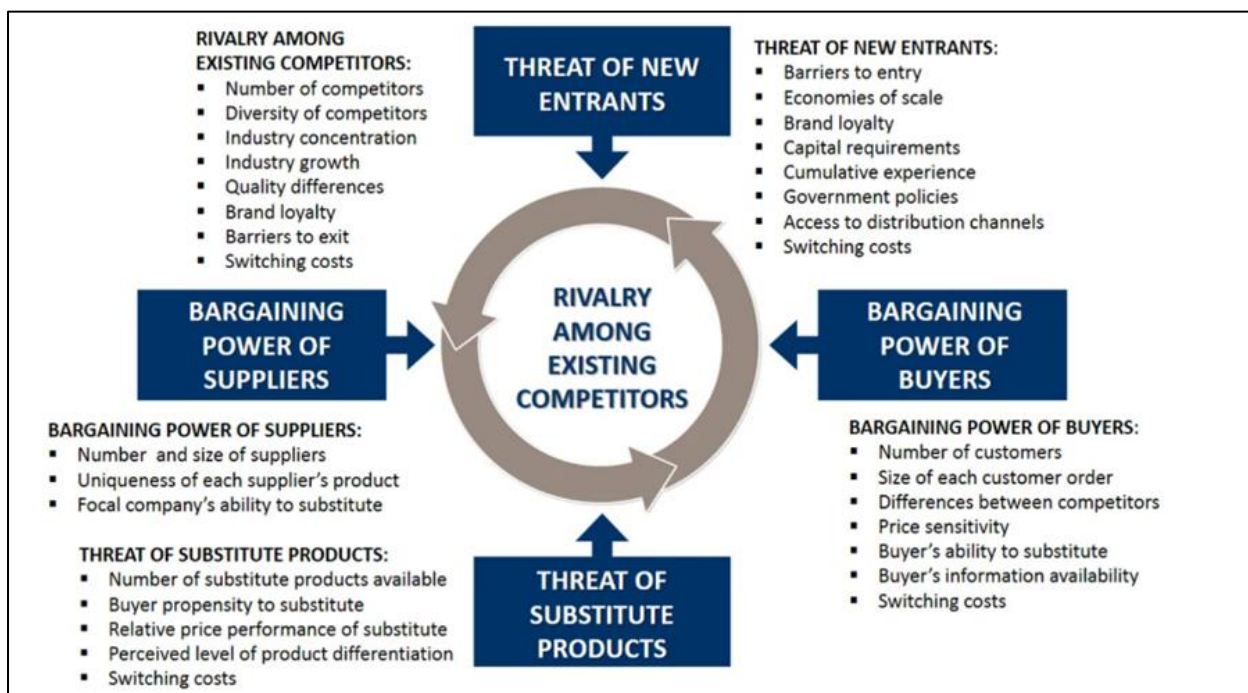


Figure 6 PORTER'S 5 Forces

Clearly, these variables are very relevant for normal businesses that offer and sell products or services to customers in a market. An investment fund does not operate in the same type of market as these businesses. We will adapt the analysis in order to carry out tasks efficiently, we can look at the fund from a commercial point of view, because in the end we are offering a product, just not a conventional one. We will be offering our future partners/members training in finance, both practical and theoretical, with a special focus on sustainability and the opportunity to be an active participant in the financial decisions of a financial entity. Each member just needs to pay an entrance fee which will give them a stake and a vote in the club.

The following sections provide additional details on each of the five forces.



7.1 Rivalry Amongst Existing Competitors

First, we must divide the existing competitors into two groups, the ones offering educational services, and those offering financial services. There are many in both industries, so competition is fierce.

First off, our main financial competitors are exchange-traded funds (ETFs) and investment funds or banks. Students could decide to invest themselves in these types of funds instead of in ours. ETFs simply buy stocks based on a company's market capital, which means that they will always follow market trends almost perfectly. The idea behind them is that constant economic growth will lead to constant gains in the stock market without the need for company valuation. Investment funds operate just like the one examined here. They use investment criteria to try and beat the market, obtaining higher returns on average than index funds, although they also charge higher commissions.

Now that we know of other types of funds we can look into our student-led investment fund. It will be competing against other funds for returns, and mostly it will try to beat the market. Any fund that consistently beats the market is considered very successful, even more so while being focused on ESG investment.

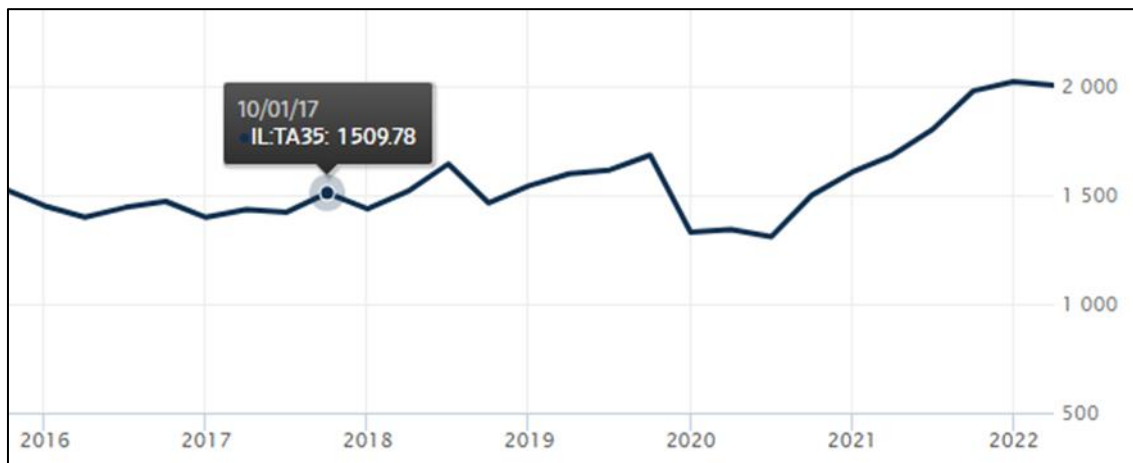


Figure 7 Tel-Aviv 25 Index 2016-2022

The figure above shows historical data for the TA-35 index, which tracks the market capitalization of the 35 biggest Israeli enterprises. The y-axis comes from a mathematical formula that basically stays consistent with the number and value of tradable stocks that each company inside the exchange has on the market. Our fund should try to beat this trend-line, obtaining higher returns than an index fund, while investing in highly rated ESG companies in the Tel-Aviv exchange.

On the other hand, there are non-financial competitors which offer educational services similar to what our fund provides. There are several entities that compete in this regard, universities, content creators in YouTube and social media personalities can all offer



investment and financial courses. These competitors have very different levels of recognition, highly influential universities and other institutions offer official courses like the Chartered Financial Analyst (CFA). This course costs about 2,550\$ and the students obtain an official diploma upon its completion³. Some universities, like Yale or MIT, offer online courses, which are sometimes free, but their certification comes with an additional fee⁴. On the other hand, competitors like Youtube or social media creators offer free content and advice, but its reliability might vary, and we believe that the previous alternatives are almost always much better. The strong point of this fund is that it offers financial services as well as financial education, which is something no other competitor provides.

7.2 Threat of New Entrants

The financial sector is well-established, as we have seen, a lot of competitors gather a lot of the market share and it's very difficult for new businesses to be competitive, mainly due to the initial investment required and the fact that the financial industry is based on trust, making it harder for newcomers to find their ground. Competitors more focused on the educational aspect of the fund have easier ways of entry, many individual content creators can offer financial advice, and already established universities can start offering financial courses. We do not consider other investment clubs created in the university as a potential competitor, given that no club has been made up until this point and its inception now would be very unlikely.

7.3 Bargaining Power of Suppliers

We will consider suppliers to be the entities we partner with, that will carry out our financial activities. This could be banks, hedge funds, online dealers, and others. Since the market is overcrowded with said entities, their bargaining power will be very limited, especially taking into consideration the size and uniqueness of the fund. They will benefit from positive relationships with the fund, given that we could also supply them with a potential workforce later on. They could also benefit from publicity as partners of the club.

The universities involved will also be suppliers, given that we need their resources, such as classrooms for meetings, and staff as promoters for the club and as managers during the early stages of the club.

7.4 Bargaining Power of Buyers

In this particular case, the buyers will be potential members of the fund, because of the way it is structured. They are also stakeholders, so their bargaining power will be high, without them the fund will never start. Their initial investment is what will constitute the

³ Schweser, 2021

⁴ Staff, 2019



equity of the fund. This means they are an essential part of the fund, providing equity and playing an active part in its management and operations.

7.5 Threat of Substitute Products

There is some risk of students preferring similar products to the investment club. An important feature of the fund is its focus on ESG investing, and there are several ESG investment competitions that students can participate in. Some examples are the Morgan Stanley sustainable investment initiative⁵, and the sustainable investment competition created by CFA society and supported by some consultancies such as EY. These competitions allow students to simulate investing in ESG companies with virtual dollars. We consider that these products can act as substitutes but since they are temporary (usually one semester or year), they should not pose a problem in the long term. Besides, they are lacking the educational factor that the club offers.

⁵ Stanley, 2022



8 Marketing Plan

Marketing is always an important part of any business. In our case, it is even more so, as the implementation of this fund demands a certain number of participants. It is also a new initiative so marketing will be fundamental in order to make the club known and to capture the attention of as many students as possible.

8.1 Customer Persona

Name	David
Age	18-25
Location	University in Israel
Interests	Finance, Economics and Learning
Spending Power	Medium, it is not important as the initial investment of 100\$ could be taken back at any time
Challenges	Little technical knowledge about finance
Stage of Life	Learning phase, young adulthood
Education	University, currently enrolled
Internet	Active on social media
Characteristics	Eager to learn, responsible and professional
Difficulties	Lack of technical knowledge
Goals	Acquire knowledge on sustainable finance

Table 1 Customer Persona #1

Name	Julie
Age	18-25
Location	University in Israel
Interests	Finance, Economics and Learning
Spending Power	Medium, it is not important as the initial investment of 100\$ could be taken back at any time
Challenges	Keep interest while the students with least knowledge catch up
Stage of Life	Learning phase, young adulthood
Education	University, currently enrolled
Internet	Active on social media
Characteristics	Eager to learn, responsible and professional
Difficulties	Keep commitment and interest while the other students learn the basic knowledge required to be active in the club
Goals	Acquire knowledge on sustainable finance

Table 2 Customer Persona #2



8.2 Segmentation and Targeting

The most relevant thing when segmenting is the criteria used for the process. In this case, variables that define the relevant characteristics of the potential members of the fund. Here it is important to highlight that managing one's financial resources is a basic need, however there are different ways of addressing this not necessarily through a fund. Therefore, beyond segmenting the entire market, a filter will initially be implemented to select candidates eligible to enroll as members of the club through different variables.

- 1. Place of residence:** This is a demographic variable that could affect the fund's capability to attract members.
- 2. Financial exclusion:** Demographic variable, there may be people unable to afford the fees to enroll in the club and therefore unlikely to join.
- 3. Financial literacy:** Psychographic variable, referring to the knowledge that a person has in the field of personal finance, as mentioned this could be an inconvenience but will most likely be addressed in the form of education by the fund.
- 4. Reticence:** Behavioral variable, it is difficult to convince those who simply do not believe that an investment fund led by students could be profitable. It is something that over time would most likely change but at the beginning may be an issue.

Having done this initial targeting, it seems clear that, even if an individual lies within the target audience, he or she is not necessarily going to expect the same from the fund. As we mentioned before, there are two types of personas that we are going to focus on, so despite having a heterogeneous pool of "customers" it is possible to address each of them individually and give them a targeted response. To do this, it is necessary to describe the relevant variables for such profiling:

- 1. Financial literacy:** Interesting psychographic variable to determine the level of knowledge, education, and fund interaction, which will also determine the needs in terms of education for the members, dividing them into those with and without prior financial knowledge.
- 2. Financial attitudes:** This variable refers to the disposition a potential customer has towards financial decisions and opportunities.

8.3 Differentiation and Competitive Advantage

Differentiation is a key aspect when defining a marketing plan. Potential customers need to know why we are different from other investment platforms, and why we are better. The attributes that will be highlighted meet a series of requirements to make them valid competitive advantages according to Kotler⁶. They are important, distinctive, superior, communicable, and profitable.

⁶ Kotler, 2012



- 1. Education & operations:** The most important feature that distinguishes our fund from the rest is that we offer financial education, as well as involvement in the financial decisions made by the fund.
- 2. ESG:** We offer the possibility to invest in companies that not only earn a profit, but also help the communities in which they operate, treat their employees with care and respect, are concerned and act towards improving the environment, etc. Learning how to evaluate companies through ESG and financial metrics will be very valuable now and in the future for the members of the club.
- 3. Community:** A strong community is something that the members will appreciate before enrolling which provides a limitless source of advice, networking, and education. In addition, a strong community is a defence mechanism against the competition, since the alternatives we have priorly seen do not offer this sense of community.

Furthermore, the best competitive advantage that this fund offers is the possibility to learn and experience investing, which no other market alternative offers, especially for people who do not have strong financial backgrounds.

If we had to summarize in a few words, the reason why students should join this fund is that “This fund offers the best combination of knowledge, sense of community and hands-on experience that other entities cannot compete with”.

8.4 Marketing Mix

8.4.1 Product

The product we will be offering as we have said throughout the business plan is very simple, we offer the opportunity to be an active member of a student-led investment fund that focuses on sustainable investments applying ESG criteria, this will entitle the members to receive education on finance, develop their investment skills, propose investment alternatives to the club and also if elected to be part of the managerial board of the fund.

8.4.2 Price

The “buy-in” or price that the potential members would pay to be able to be members of the fund will be a onetime entry payment of a hundred dollars which will entitle full membership to the potential candidate.

8.4.3 Place

The fund, despite being an inter-university project the placing of meetings will take place in each of the universities so the potential members would be able to apply and attend the meetings in the university they are enrolled in.



8.4.4 Promotion

Promotion for the fund will mostly be transmitted via e-mails, digital marketing and promoters, accentuating our value proposition around ESG investing, education in finance, and the possibility of finding a career in the industry after club members finish their university degrees.

8.4.4.1 E-mails

E-mails should be sent to all students just to make sure that they know of the existence of the club. There could be some problems due to privacy issues. Mostly because students might not have given consent to receive information about clubs in their universities. To resolve this, we could send e-mails only to students of certain faculties, business and economics, which have more likely given consent. We could also first send an e-mail to all students asking who would like to receive information about clubs and only send e-mails to those who agree.

8.4.4.2 Promoters

A small group of very interested students could be selected to make a small presentation with key points from this document and spend a few days going around their university explaining the club's goals, values, features, etc. A teacher could also be suitable for this role of prescriptor, mainly if there is someone in the university that usually takes on this type of task and is well known and liked by the students.

8.4.4.3 Digital Marketing

It is not news that engagement has changed over the last years since our targeted audience will be students presumably between the ages of eighteen and twenty-five so making a campaign based on social media could be extremely beneficial since our main objective is to attract students from different backgrounds, a diffusion based on social media should be fitting towards this goal. Facebook and Instagram are the social media platforms that we suggest, the feedback we got from students in Israel was that these are the most widely used in universities.

These platforms allow advertisers to filter by area and profile, allowing us to advertise strictly in the universities and age groups we are looking for.



9 General Characteristics and Processes

We will explain the general characteristics of the club, as well as how it should function in order to be successful.

9.1 Initial Investment

Members will pay 100\$ to join the fund. This money will be invested during the following investment period. It is a singular payment, there will be no more voluntary payments, we want all members of the fund to have same amount of money invested, maintaining the same voting power for all members of the club, including managers. Although the amount of money invested will change over time, every member will retain the same voting rights. All members will have the same voting rights and the same skin in the game. This is important for commitment when investing, people act very differently when it is their own money that is on the line.

The money invested can be taken out whenever the members require, but most likely because the fee is very small, most students will leave their money in the fund as a gesture of solidarity towards their fellow students once they leave university, helping the fund grow.

9.2 Investment Portfolio

The club is centered around environmental, social and corporate governance (ESG) investing, so it will only invest in highly ESG valued assets. Given that we want to drive social change and see a financial return, we should invest primarily in equity. The risk is higher, but these types of investment have been shown to have greater potential of return. The fund should focus on investing locally in the Tel-Aviv stock exchange, in stocks with high ESG scores. Later on, once the fund is better known and has more experienced members, investing in smaller companies could be possible.

9.3 Teachers' Roles

Each university should have its own staff members to manage the fund, only for its first year. Staff members will help with the creation of the fund, keeping meetings in order, resolving conflicts in the club, etc. Board members will then carry these out after the first year of activity in the fund. We believe that 1 staff member per 50 students will be sufficient.

9.4 Meetings

There will be weekly meetings inside of each university, in a free classroom. These will be educational meetings that will last 1 hour, and will be used to discuss economics, finance or possible investments in the future.

Given that the universities are not very far apart, an annual or biannual in-person meeting can also take place. Every member of the club can participate and make friends with students from other universities with similar interests in finance and economics. It will also



be a good opportunity for students to work with people from other universities, by analyzing business sectors or investment opportunities together.

9.5 Investment Process

ESG investing is usually long-term, therefore we do not want to buy and sell assets every few days or weeks. Having said this, we do want members to make decisions on which investments to buy and which to sell. To find common ground between both ends, we have decided on a 3-month investment period, meaning that the fund will only alter its portfolio every 3 months, except given extraordinary circumstances. The number of assets that will be sold and bought during each investment period will depend on the situation, but we will look to sell and/or buy between 6-10 different assets. The members of the board will be the ones to decide on the range of stocks to invest/divest. These 6-10 transactions should stay between 10 - 20% of the total assets of the fund, highlighting the fund's focus on long-term investment.

The members of the club will anonymously write down 2 companies, one to divest from and one to invest in. After that, members can vote and the 3 - 5 companies with the highest number of votes will be invested and divested from. Any ties will result in another vote. If the tie persists, the board members will be the ones to make the final decision.

9.6 Education

The main idea of this club is to have its members discuss events happening in the world. They will then relate these events to effects that occur in the economy, which will be reflected in the value of companies in the stock market.

Students should form groups and be in charge of analyzing news that relates to different business sectors. Deutscher Investment club, for example, has some of its members be in charge of the energy, industrial and banking sectors. This makes meetings more fluid and interesting as each member specializes in certain areas and can teach the rest.

Some members of the fund will not be enrolled in a business or economics degree, they might not know the basic micro- and macroeconomic principles necessary to understand how certain events have an impact on the economy. During the early stages of the year, new members in this group should be guided by the board members in each university through some basic economic principles, like inflation, utility, offer & demand, etc., in order for them to be able to actually participate in the club's meetings.



10 Club Management

The club will first be managed by teachers, but after the first year, some students should be able to carry out the role of managers in the club. Elections will be carried out every year, the president and all board positions will be elected by the members of the club, each with the same voting rights. Only members who have been a part of the club for one year or more will be eligible to apply for management positions.

10.1 Management Positions

President: He/she is the representative of the Investment Club for all purposes, he/she will be involved in all processes of the club and their vote will count double if there are ties in decisions inside of the management board. The president's name will be featured in the fund account, and once investment decisions are approved, the president will be the one responsible for carrying out the order. Given the importance of this role we recommend electing a president who has taken up other roles in the organization before electing him/her directly for this role, not including the first president of the club of course.

Vice-president: The "vp" is the second most important representative of the club, it has a secondary power, below the one the president has, when it comes to the transmission of orders relating to investment transactions. He or she's main role in the organization is to assist the president. This role is usually considered transitional; it doesn't necessarily have to be this way but usually the person who has been chosen to enrol as a vice-president is building up relationships with the partners and learning how to conduct the club's business successfully for when they ascend to the role of president. It doesn't necessarily have to work like this, but in most clubs its very common for most vice-presidents to transition and be elected as president for their following year.

Secretary: The secretary is in charge of the cohesion of the club per se, this means that the person occupying this role is going to be in charge of setting meetings, and documenting the affairs discussed in said meetings in the books which must be then signed and approved by the president, as well as selecting the venues and coordinating the tools and resources that are going to be needed in said meetings. For example, if a guest speaker is coming and requires specific equipment, a projector for example, the secretary will be the one to guide the guest speaker to the venue and make sure the projector and other equipment are in order.

Treasurer: The treasurer is the person in charge of the accounting of the club and of the economic affairs, collecting the members' initial investment and informing them periodically, usually done by monthly reviews on how the club is performing. Furthermore, the treasurer along with the president, oversees the club's expenses account, used for meetings, marketing, etc.

11 Club Structure

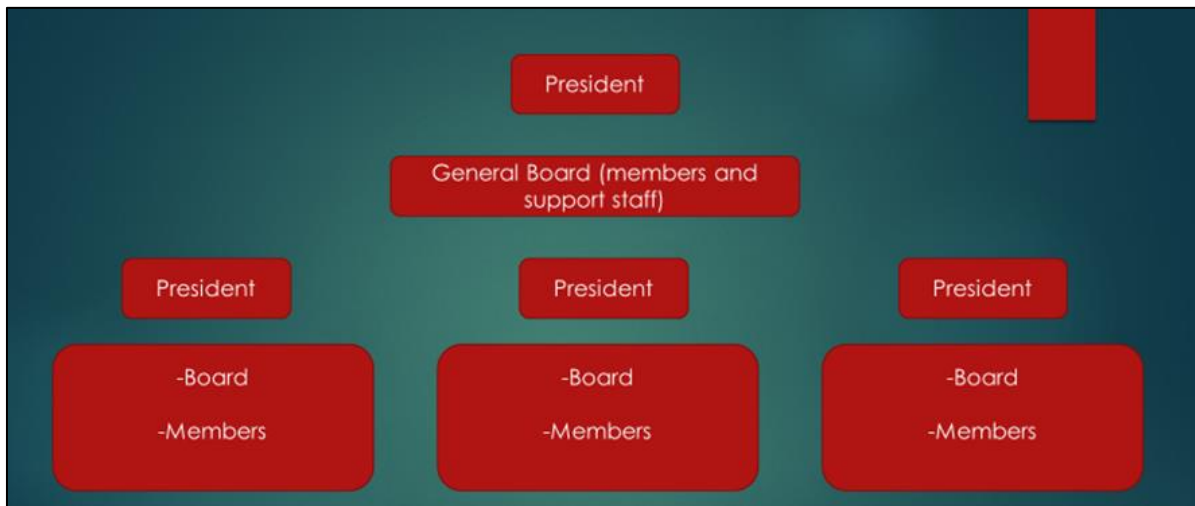


Figure 8 General Overview of the Club Structure

As can be seen, the club is divided into two layers, each consisting of a president and board members.

11.1 First Layer: University Branches

These are the groups that will be managed in every university composed of their students.

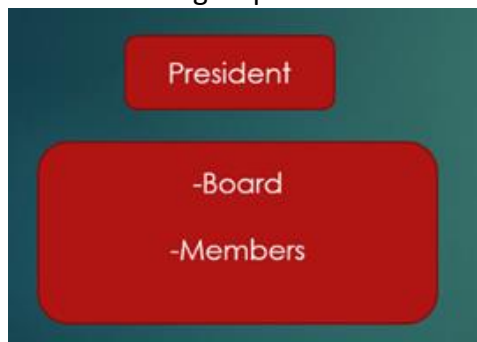


Figure 9 First Layer Overview

They will manage the responsibilities of setting and guiding the meetings, as well as helping newer members of the club with weak financial backgrounds. They will also write reports on the evolution of the club’s meetings and their portfolio to discuss later on in general meetings with investment clubs from other universities.

11.2 Second Layer: Upper Management and General Board

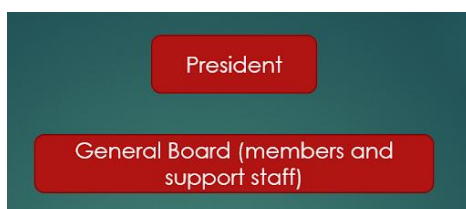


Figure 10 Second Layer Overview

The general board will be in charge of appointing the general meetings for the club, making sure to respect most of the time constraints that board and regular members from other universities might have, these meetings should be annually or bi-annually.

This board will be composed of all the club’s presidents and if the fund expands to other universities, they will be in charge of several other matters. They can change the investment criteria or apply new rules to the club. They will also oversee, prepare, and



coordinate the events that the joint club organizes (bring speakers, go to events, participate in an investment league, etc.).

11.3 Women in Management

We also find it important to include a section on women in financial management in this chapter. Looking at the professional environment and careers, despite both genders starting on the same level, men dominate the C-suit area of companies. In order to avoid this in our organization we thought it necessary to implement a policy of women managers. According to a study carried out by Deloitte insights “In 2021, the proportion of women in leadership roles within financial services firms is 24% and is projected to grow to 28% by 2030—still below parity”.

In order to promote parity in the fund we recommend that “no board can be formed only by people from the same gender”. We suggest keeping the percentages of members reflected on the board, giving some priority to female members. Given that the club has 4 managerial positions, if the members are 35% female, the board should be occupied by two women and two men.

It has been proven as we can see on the paper “New-Techniques-for-Decision-Making-under-Uncertainty” that women managers in financial entities bring higher returns when there is uncertainty in the market. Female managers risk-taking policies are generally more effective than men, and since the market has been especially volatile these last few years, we believe it makes sense to prioritize adding female managers to the club’s board.



12 About ESG

What is ESG? Put simply, ESG means using environmental, social and governance factors to evaluate companies and countries on how far advanced they are regarding sustainability.

It is very complicated to find a source for accurate ESG metrics and ratings. Not only this, but the metrics used for ESG criteria are different depending on the source material. Some rating agencies will give higher emphasis to some issues, like diversity in the workplace, fair wages, and inclusion, mostly social concerns. Others will focus more on environmental sustainability and care more for issues such as greenhouse gas emissions, or plastic production. This means that when planning on whether to invest in a company, we should investigate what criteria have been used when giving said company an ESG rating.

12.1 ESG Ratings

Most ESG rating agencies order companies in one of two scales. One ranging from 0 to 100 score, 100 being the best possible score. Others use ranges from CCC to AAA, triple-A being the best. The first agency we considered was Bloomberg, but its university servers cost \$2,000/month. This would be a valuable investment if the university has further use for it, but it would not be a justifiable cost just for an investment club of this scale.

As an alternative, we will look into Morgan Stanley Capital International (MSCI), they offer a free tool with information on ESG ratings for many different companies. Their rating measures a company’s resilience to long-term, industry material environmental, social, and governance (ESG) risks; it uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. The criteria that MSCI uses when giving companies ratings from CCC to AAA are as follows:



Figure 9 Morgan Stanley ESG Rating Model

With this, we have a general tool that allows the club to find companies with high ESG ratings. There are many other rating agencies that could be consulted when thinking about possible investments, but we have chosen Morgan Stanley because of their great reputation and because they provide very concrete measurements for every company they rate.



3 Pillars	10 Themes	35 ESG Key Issues	
Environment	Climate Change	Carbon Emissions Product Carbon Footprint	Financing Environmental Impact Climate Change Vulnerability
	Natural Capital	Water Stress Biodiversity & Land Use	Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste Packaging Material & Waste	Electronic Waste
	Environmental Opportunities	Opportunities in Clean Tech Opportunities in Green Building	Opportunities in Renewable Energy
Social	Human Capital	Labor Management Health & Safety	Human Capital Development Supply Chain Labor Standards
	Product Liability	Product Safety & Quality Chemical Safety Financial Product Safety	Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing Community Relations	
	Social Opportunities	Access to Communications Access to Finance	Access to Health Care Opportunities in Nutrition & Health
Governance*	Corporate Governance	Ownership & Control Board	Pay Accounting
	Corporate Behavior	Business Ethics Tax Transparency	

Figure 10 MSCI ESG Key Issue Hierarchy

This table shows a rough outline of what Morgan Stanley considers most important when looking at key ESG issues in companies. Of course, this might not be completely aligned with most members of the club, and we might want to use different metrics to decide on whether a business has a high enough ESG focus for us to invest. If this is the case, we can look at a breakdown of ESG metrics for Microsoft for example.

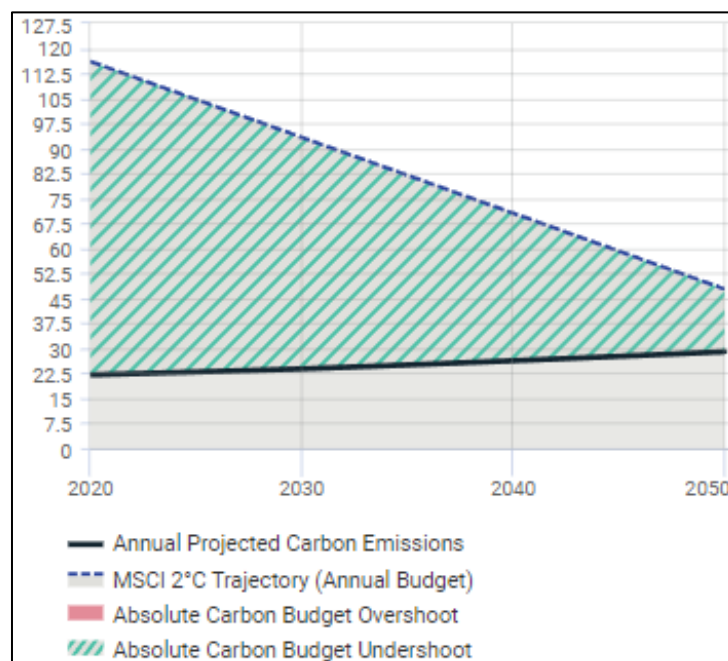


Figure 11 Microsoft Absolute Emissions (Megatons CO2)

The chart above shows Microsoft's expected CO2 emissions, which would be very interesting for us if we consider global warming to be one of the most important metrics when investing. This is just one example; we can use this tool to look at graphs and tables for many other ESG metrics.

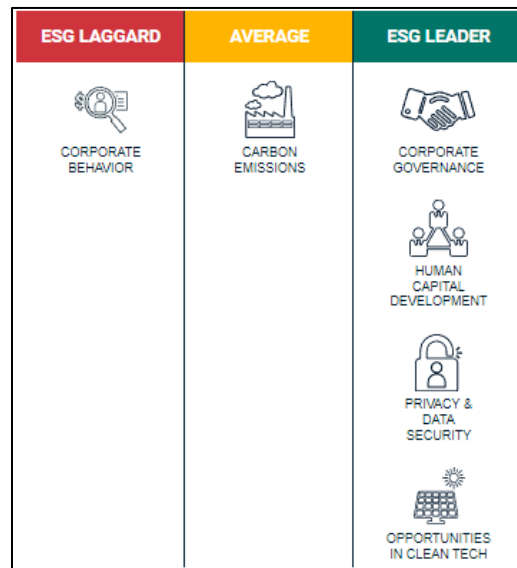


Figure 12 Microsoft Absolute Emissions (Megatons CO2)10

The figure above shows Microsoft in comparison with other companies in the same industry, as well as data that should probably be considered when investing in a company using ESG metrics. With this methodology we can not only look at a company's ESG rating, but we can also breakdown how this rating has been calculated and analyze whether we believe it is accurate and the company is worth investing in.

Some Tel-Aviv exchange listed companies are not included in the MSCI tool; therefore, we recommend using Sustainalytics as a back-up tool. Sustainalytics shows a more superficial analysis than MSCI but has access to a wider range of companies. The platform does not give and ESG score, it shows and ESG risk rating. Higher risk implies a worse ESG rating, it might be a little confusing at first, but it is a simple as knowing that high ESG risk means a low ESG score and vice versa.

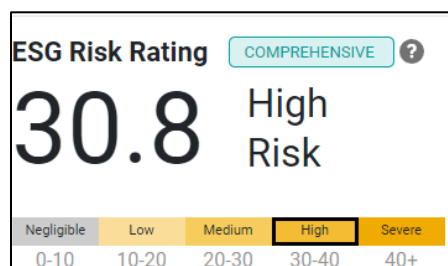


Figure 13 ESG Rating for Teva Pharmaceutical Industries



12.2 Greenwashing

The term greenwashing is used when talking about businesses that preach ESG values, but then do not actually deliver on their promises. It could also be used when a company portrays something as being sustainable, but after some analysis, the positive impact is negligible. A good example of this is plastic packaging. Many businesses have jumped on the idea that their plastic is recyclable and therefore has no impact on the environment. This is very misleading, given that only 9% of recyclable plastic actually gets recycled⁷.

When following an ESG investment strategy, it is important to not fall into some companies' fake ESG initiatives, and to look at everything with a grain of salt. Make sure that all investments are made in companies that actually care about people and the environment.

12.3 ESG Investment Funds

There are already some ESG investment funds worldwide. They mainly focus on enabling investors to develop and integrate responsible investing policies and practices, engage in responsible investment issues, and monitor portfolio company practices through screening solutions. They also provide climate data, analytics, and advisory services to help financial market participants understand, measure, and act on climate-related risks across all asset classes⁸. Some examples are ISS or Ethics.

Both ISS and Ethics have their own ESG goals. They invest in companies that share these goals, incentivizing companies to share in their goals, or they will not receive investments⁹.

The funds also assign values of importance to certain ESG metrics for companies, such as technology, social responsibility, production process, etc. They will then order businesses according to these metrics and their profitability¹⁰. This university fund should aim for a similar procedure, while understanding the limitations of the ESG rating tools proposed in this paper which can never show the complete picture of a company.

⁷ 9 Percent of Plastic Worldwide is Recycled, OECD SAYS, 2022

⁸ ISS, 2021

⁹ Landier, 2020

¹⁰ Duuren, 2016



13 SWOT Analysis

SWOT analysis is a tool used to understand a business' internal (strengths and weaknesses) and external (opportunities and threats) competitiveness. Even though it is mainly used when analyzing businesses, it is also relevant for a university fund.

<p>Strengths</p> <ul style="list-style-type: none"> - The first ESG university student-led funds in Israel, this will attract attention and interest allowing us to increase the initial capital for the fund. - A framework is in place to learn from other similar funds and implement their successful strategies in this project. 	<p>Weaknesses</p> <ul style="list-style-type: none"> - Weak business and financial background from some potential students joining the fund. - Difficult access to information when compared to using Bloomberg tool, which greatly enhances the club's ability to find financial information. - Some more weaknesses would appear if the fund expanded to more universities: <ul style="list-style-type: none"> ○ Coordination between many students from different universities. ○ Physical distance between members of the club will complicate where general meetings should take place.
<p>Opportunities</p> <ul style="list-style-type: none"> - Proving that ESG investment strategies are successful and could lead to more ESG investing from other parties. - Universities' reputation could improve, attracting attention from more potential students. - It could help develop connections with financial firms by attracting guest speakers, students could be motivated to work for them while learning about real-life experiences from the financial world. 	<p>Threats</p> <ul style="list-style-type: none"> - Lower interest in the club than expected could not generate the clout needed for enough staff to help in the initial running of the club. - Negative returns on investment could lead to people losing interest in ESG investments or university funds in general. The students have some skin in the game, but they are not invested heavily so this should not be too big an issue. - Difficulty attracting guest speakers from important financial firms.

Figure 14 SWOT Analysis



14 Fund Account

A very important consideration we must make is whether we want the funds' money to be deposited in a bank in an investment account, or a stockbroker platform. In order to make a decision, we have chosen to analyze both options through a real example.

We will be using BBVA as an example for a bank and eToro as a stock broker platform. In both cases we will want to look at account opening costs, holding fees and transaction fees.

	BBVA	eToro
Account opening costs	0	0
Holding fees	0.20%	\$10/month after 1 year of inactivity ¹¹
Transaction fees	\$10 + 0.25% if 20,000+\$* ¹²	0

Table 3 Associated Account Costs

*All transactions have a \$10 fee, and an extra 0.25% in transactions with amounts greater than \$20,000 only charged on the amount that surpasses \$20,000. This means a \$20,001 transaction would still basically cost \$10.

Even though just by looking at the table, it would seem like eToro or other trading platforms are clearly better suited to operating with stocks, this is not so cut and dry. The reason platforms like eToro can operate on 0 fees and still make a profit is due to what in finance we call a spread. A spread in this case refers to the difference between two prices, the bid price (highest buying price) and the ask price (lowest selling price). For example, when a buyer wants to buy a stock at a 10\$ price, the broker will actually buy it when the stock's value is at \$9.90. In this example, the spread is \$0.10 or 1%. The spread will be higher for eToro, as this is the way online dealers¹³ make money in the absence of commissions. Still, the general consensus is that this is worth it when trading, as the commission charged by banks will be higher than the spread difference charged by online dealers.

For a fund such as this one focused on long-term investment, in which actual operations will only occur every 3 months, excluding extraordinary situations, it would most likely make more sense to use a bank. Holding fees are only 0.20% for this type of investment account and transaction fees make up a very low cost. Having a bank account also allows the managers of the club to ask for advice and clear any doubts with the bank in question, which will have much better customer service than a digital broker like eToro.

¹¹ eToro, 2022

¹² BBVA, 2022

¹³ Dealers are similar to brokers but they earn money through the spread, brokers have to buy and sell stocks at market price, they make money through direct commissions



In the case of the Deusto Investment Club, we have a partnership with Fineco. Fineco is a department that focuses on private banking inside of Kutxabank, a bank that operates only in Spain. Fineco acts as the asset manager for the fund, they will make the operations that the managers of the club ask for, they help with the opening of the fund, they update which members can have access to the account each year when club managers change, etc. This partnership comes at no extra cost to the club, as Fineco also benefits from this. Mainly, they gain some publicity, as partners for the first investment club in Spain and because they have close relationships with members of the club, they can scout young investors in the club that show potential and offer them internship positions at the end of their careers.

This fund should look for a win-win situation similar to what we have here. It will be the first university fund led by students in Israel, and it will focus on ESG investment.

This is most certainly a very attractive marketing opportunity for national banks in Israel that could benefit the same way as Fineco does here and will offer better terms and fees to the club.

14.1 Update

The account to be used has a \$30 monthly holding cost and an initial investment requirement of \$30,000, which can be negotiated.

Our recommendation is to definitely try to bring that initial investment value down. Each university will need to find 300 students, paying \$100 each to cover that amount. This is very unreasonable, and any difference between those \$30,000 and the money provided by the students will need to be covered by the university. Luckily, we expect this to not pose much of a problem, given that this is not a cost, but a minimum amount to open an account. Therefore, the university could simply remove its investment, if necessary, once the club is operational.



15 Costs

In this section, we analyze all the costs related to opening and running the club.

15.1 Management

15.1.1 Staff Members

Teachers will only be needed for the first year of the club. The average salary of a university professor in Israel is 111 ILS or \$33.3 an hour¹⁴. If we assume that they will work an average of 1 hour per week. Assuming 10 teachers for all universities involved working for 40 weeks in 1 a year the total cost would be \$13.320.

Given the amount this would cost, it would be better to find teachers who are interested in helping students. It will just take 1 hour a week for 1 year, so it will barely increase their workload. In case there are no staff members interested, the university should pay for these costs, which would constitute a very small part of a university's budget and only last for one year.

15.1.2 President & Board Members

These are students and will not be paid for filling these positions. The reasons for applying for them should be an interest in investing in and managing a club, which will also help when applying for jobs.

15.2 Working Space

Classrooms should be free when the club meetings take place. Allowing the members of the club to use one of these free classrooms should not cost anything.

15.3 Utilities

The main cost of utilities will be calculated using the average consumption of laptops. This lies between 50 and 100 W/h¹⁵ so we will consider 75W/hour. The price of kW/hour in Israel is \$0.171 USD¹⁶. Assuming 500 members using a laptop for 1 hour a week the cost comes out at roughly 256.6\$ per year. The universities should also pay this cost. The room used by students will be in their respective universities and the increase in the energy bill is negligible.

¹⁴ Professor Salary in Israel, 2022

¹⁵ How much power does a computer use? And how much CO2 does that represent?

¹⁶ https://www.globalpetrolprices.com/Israel/electricity_prices/, 2022



15.4 Depreciation

We consider no depreciation. The assets used by the club are from the members and the universities, they should be the ones to consider depreciation.

15.5 Marketing Costs

Marketing costs won't be especially high, since the club will be mostly promoted internally in the university using email blasts and promoters (students and teachers). Regarding social media costs, we researched the following, but we advise to double check the prices since depending on the country they may be subject to change.

Company	Price per 1,000 impressions (\$)	Price per click (\$)
Facebook	7.19	0,97
Instagram	6.70	0.20 – 2.0

Table 4 Digital Marketing Costs for Facebook and Instagram

Given the similar price ranges, we have chosen Instagram, which is generally more popular with younger audiences. Let's look at an example in which we use Instagram to advertise to 10,000 students, of which 100 click on our ad.

$$\text{Cost for impressions} = \frac{6.70 \cdot 10,000}{1,000} = \$67,00$$

$$\text{Cost for clicks} = 1.10 \cdot 100 = \$110.00$$

Coming out at a total cost of \$177,00, which is very low compared to the potential reach of 10,000 students.

15.6 Account

All these costs are calculated considering that the account used is from BBVA.

Operating Costs: As we have been informed, there are no opening costs.

Holding Fees: \$120/year.

Transaction Fees: As we have been informed, there are no transaction fees.



16 Investment Methodology

It is very important to understand how investment methods work, and how the club should evolve in their use over time. During all stages, the club should invest in companies with high ESG scores.

16.1 Early Stages of the Club

- Invest in stocks that offer high dividend yields, this will at least guarantee some future value.
- Diversify the portfolio by buying stocks from companies that operate in different sectors of the economy.

16.2 Value Investing

Value-based investing is an investment strategy that focuses on stocks that investors and the market generally undervalue. The stocks sought by value investors are usually cheap relative to the underlying earnings and profits of their companies. Investors pursuing a value investment strategy assume that share prices will rise as more and more people realize the true intrinsic value of the company's underlying business.

The greater the difference between intrinsic value and the current share price, the greater the margin of safety for value investors seeking investment opportunities. Since not all securities turn around a company, this margin of safety is important for securities investors to minimize their losses if they are wrong in their valuation of a company.

16.3 Equity Valuation Methods

There are two main schools of equity valuation, models based on the intrinsic value of a company, and models based on the relative value of a company.

Relative valuation methods look at a company's value in relation to others similar to itself. We will not be discussing these methodologies here, as they require analyzing many companies per sector which would be too time-consuming for a student-led fund.

Intrinsic valuation studies companies using a simple concept, the business' market value and its intrinsic value. If intrinsic value = market value, we will say the company is fairly valued; if intrinsic value < market value, the company is overvalued; and if intrinsic value > market value, the company is undervalued. The market value of a company is widely available in the form of stock prices, which means that the challenge lies in how to evaluate the intrinsic value of a company.



The most popular intrinsic method to value a company is the Discounted Cash Flow (DCF) model, which values a company based on its cash flow generation capacity.

The formula used is as follows:

$$FCF = NE + DE - WC - CapEx + \Delta Debt$$

- FCF: Free Cash Flows; the cash a company generates after taking into consideration cash outflows that support its operations and maintain its capital assets¹⁷.
- NE: Net Earnings
- DE: Depreciation
- WC: Working Capital (Short-term assets – short-term liabilities)
- Capex: Capital Expenditure; money used to upgrade and maintain physical assets.

$$EV = \frac{FCF_1}{(1 + K_e)} + \frac{FCF_2}{(1 + K_e)^2} + \dots + \frac{FCF_n + TV_n}{(1 + K_e)^n}$$

- EV: Equity Value
- K_e : Cost of Equity Capital (%)
- TV: Terminal Value; the value of the business after the forecasted period, assuming the business will keep growing at the same rate.

Equity valuation models are theoretical, but they can give a rough estimate of what intrinsic value a company has and allow us to decide whether an investment venture will be profitable. The most notable drawbacks are that they do not consider the actual situation of the market, they require assumptions to be made when plotting the value of their variables, and they do not compare companies in similar sectors to discern which companies are in a weak or strong position relative to their competitors. Using these methods should simply serve as guidance for the investor.

16.4 Modern Portfolio Theory

Modern portfolio theory is a mathematical framework used to assemble a portfolio so that the expected return is maximized for a given level of risk¹⁸.

Diversification is key in reducing risk. Having a portfolio made from stocks of companies that operate in many different industries. The relationship two stocks have with each other is called the covariance (COV). For example, two banks that operate in the same

¹⁷ Richardson, 2006

¹⁸ Elton, 1997



country will usually have covariances close to 1, whereas a bank and a company in the energy sector will have covariances closer to 0. The ideal portfolio will be one that assesses the individual risk of assets, their relation to one another, and expected returns, and maximizes return as much as possible while minimizing risks.

- Expected return ($E(R)$) will be the sum of all stock returns multiplied by their weighted average in the portfolio.
- The portfolio variance or risk (σ) will include the weighted averages of all variances and the covariance between assets.

For a two-asset portfolio, they would be calculated as follows:

$$E(R) = w_A \cdot E(R_A) + w_B \cdot E(R_B)$$
$$\sigma_p^2 = w_A^2 \cdot \sigma_A^2 + w_B^2 \cdot \sigma_B^2 + 2 \cdot w_A \cdot w_B \cdot COV(a, b)$$

Of course, similarly to the free cash flow model, these values are entirely predictive. It is not possible to know what the expected return will be, nor can we know the exact risks associated with an asset or the correlation it has to another. This is a theoretical model that mainly explains why diversification, which the fund should apply by investing in different companies from different sectors in the Tel-Aviv exchange, is important when managing a stock portfolio.

16.5 Best in Class

Best in class means investing in the companies that best perform in certain metrics. This club will look to invest in one of the leading companies in whichever ESG metrics it values most, by making use of the MSCI tool as seen in figure 14.



17 Profit & Loss Forecast

For every project it is important to try and understand what could happen in the future. In this case, we will be making a P & L forecast for the fund. Of course, because it is a forecast, we have to make up a scenario that is believable. We will consider an initial investment of \$50,000, which would account for 500 students investing \$100 each. The P & L statement will consider the fund opening in January 2023, and this will be the P & L statement for that yearly period.

P & L	USD (\$)
Expenses	
Salaries, Benefits & Wages ¹	-
Utilities ²	-
Depreciation ³	-
Amortization ⁴	-
Advertising & Promotion ⁵	177.00
Other expenses ⁶	120.00
TOTAL EXPENSES	297.00
Price Variation of Financial Assets ⁷	1,000.00
Financial Gains ⁸	-
Financial Loses ⁹	-
Exchange differences ¹⁰	-
Results from operations ¹¹	-
Dividends ¹²	1,500.00
FINANCIAL PROFITS	1,500.00
PROFITS BEFORE TAX	1,203.00
Taxes ¹³	300.75
NET INCOME	902.25

Table 5 P & L forecast

1: Refer to 16.1.

2: Refer to 16.2 & 16.3.

3 & 4: 16.4.

5: Refer to 16.5.

6: Here we want to include the costs of opening the fund, lawyers and bank commissions, transaction fees. Refer to 16.6.

7: This value is dependent on whether our investments have increased or decreased in value. Only assets currently in our portfolio are included in this account. We have assumed a 2% increase in value. These profits will only be included in financial profits after the sale of the assets.

8: We have no financial gains because these are the fees collected by the managers of the fund, but given this is a student-led fund, there will be no paid positions.

9: There will be no financial losses which usually come from the pay-back of bank loans.

10: By investing nationally, we will not need to consider any exchange differences.

11: The value shown here included the profit or loss incurred from the sale of financial assets. We have chosen 0\$ given that it will depend completely on how well the fund performs, and we want to give a conservative estimate for the first year,

12: Profit obtained from dividends during the accounting period. For this example we simply used a 3% dividend yield. It would also be important to know which number of dividends are not taxed. In Spain, for example, the first 3.000€ profit from dividends do not get taxed. The Brokerage Company should have information regarding this.

13: Tax rate in Israel for both capital gains and dividends is 25%.



18 Israeli View – Implementation in Separate Funds of HEIs

18.1 Project Description

The student association of each academic institution in Israel will independently open a "corporation account" with the brokerage firm. Through the legal authority of the Student Association which allows it to collect money from the students, any academic institution will be able to establish an "investment club", which will be an investment option for all students with no financial experience who want to invest their money, and for students who want to gain knowledge and experience in managing the portfolio of the student club.

Each investment club will have a student who will manage the day-to-day activities of the club with the assistance and mentoring of a lecturer on behalf of the university.

Investing students have the option to pay a membership fee, become a club member and receive the benefits of knowledge, experience and networking that the club offers its members. In addition to professional lectures on the capital market and all the benefits outlined above, club members will meet on a monthly basis, in these meetings, they will update and review the portfolio's activities, plan investment strategies, and perform a fundamental and technical analysis of other possible investment channels.

However, the investment club advocates a long-term investment strategy that follows ETFs that meet the ESG criteria. Therefore, in order to reduce the short-term risk, the members of the investment club accompanied by the university mentor will be able to update the portfolio only once a quarter as needed.

18.2 Club Members

In order to be a member of the club that takes part in lectures, meetings, and decision-making, the student must pay membership fees and participate in the periodic meetings. Limited membership is only possible for students who are currently studying. Nevertheless, in order to invest money in the investment club there is no obligation to be a student, everyone is invited to join and will have to pay a management fee for managing the investment portfolio.

18.3 Market Potential Analysis

In order to understand the number of potential students who may deposit money in the portfolio of the investment club, below are data from a survey by the "Israel Securities Authority", which presents an optimistic situation regarding the number of young people interested in finding safe, cheap and profitable financial instruments in Israel (2021).

In figure below it can be seen that in recent years there has been a trend of people choosing to deposit their money in the capital market.

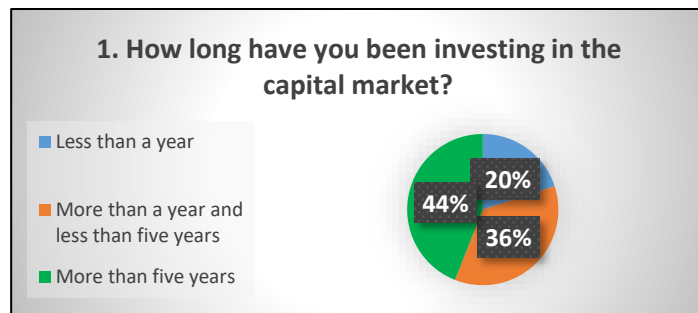


Figure 17 Israeli Survey 1st Question

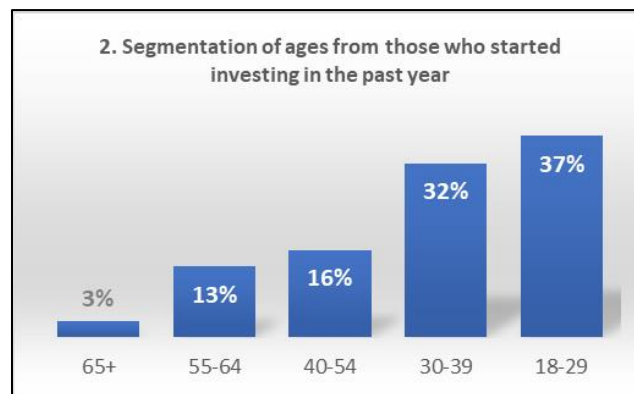


Figure 15 Ages of New Investors

The figure above shows the age distribution of investors who have chosen to start investing in the past year. It can be clearly seen that there is a growing trend of young people wanting to start investing their money. This trend is growing due to the awareness of the effects of inflation currently growing on the value of money and the importance of investing at an early age in order to maximize the return on investment.

From additional data, it was found that the main reason why investors choose to invest is long-term and future savings. This reason is mainly described by young people who want to achieve financial security in addition to their salary.

In the chart below it can be seen that out of those who choose not to invest in the capital market, the most significant reason why they avoid investing is that they feel inexperienced. The investment club can be a cheap and safe solution for those who want to invest but do not know how.

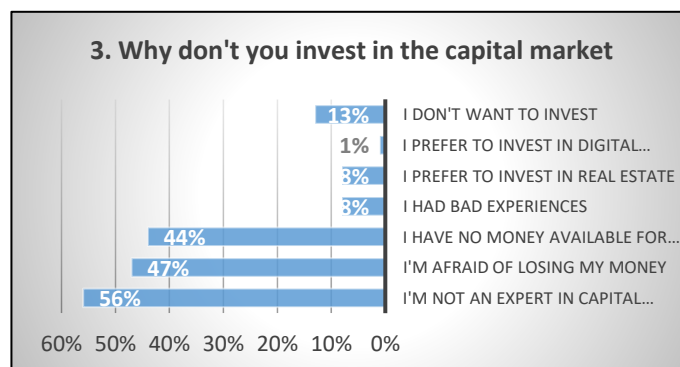


Figure 19 Reasons for not Investing



19 The Israeli College Business Model

(The model refers to a generic academic institution in Israel)

It is important to note once again, the essence of the investment club is to be a cheap and reliable option for young inexperienced investors looking for a place to deposit their money. In addition, the investment club will be a learning platform for students who want to gain knowledge about the capital market, passive investments, etc. Therefore, the Investments Club is a non-profit organization that is part of the student association, which exists through revenues arising from the collection of membership fees and management fees aimed at financing administrative and operational expenses.

19.1 Expenses

- Monthly management fee for the brokerage company: 100 NIS
- Annual expense for lectures and administration: 2,000 NIS
- Annual salary for the club's mentor: 5,000 NIS

Assumption: If the academic institution does not agree to pay an additional salary to the mentor lecturer, it will be possible to reach alternative solutions such as paying a salary to the mentor through financial alternatives such as overtime or bonuses. Further, we assume that through collaboration between academic institutions, the role of mentor can be performed by graduate students who will do so as part of their academic commitment. Therefore, the profit and loss report does not indicate the mentor's salary, which significantly reduces operating expenses.

Estimate of total annual expenses: 2,000 NIS.

19.2 Revenue

- Annual membership fee: 50 NIS (We expect that the investment club will have no more than 40 members in one academic institution).

Apart from the membership fees that will be collected from the club members and will be used to lower the administration costs, the investment club has no profit motives and its main purpose is to teach and gain experience of the club members. We believe that the academic institutions will agree to fund the project as a result of the low expenditure that will lead to significant learning among the club members.

19.3 Marketing

Advertising and distribution of investment clubs throughout Israel will be done largely through the student associations of the academic institutions. After a conversation with the CEO of the Student Association, we understand that they have the ability to do this through existing infrastructure and without much effort on their part.



The figure below presents an assessment of the profit and loss statement for the first three years:

profit and loss		<u>First year</u>	<u>Second year</u>	<u>Third year</u>
Club members	40			
Member's fee	50 ₪			
Management fees	0.50%			
Average investment amount	900 ₪			
Investors		600	1000	1400
Revenue				
management fee from deposit		2,700 ₪	4,500 ₪	6,300 ₪
Sales (membership fees)		2,000 ₪	2,000 ₪	2,000 ₪
Total income		4,700 ₪	6,500 ₪	8,300 ₪
Cost of sales				
Annual management Fee		1,200 ₪	1,200 ₪	1,200 ₪
Cost of sales		1,200 ₪	1,200 ₪	1,200 ₪
Gross profit		3,500 ₪	5,300 ₪	7,100 ₪
Expenses				
Advertising				
Legal service				
Administrative and general wage (Assuming payment alternative)		2,000 ₪	2,000 ₪	2,000 ₪
		-	-	-
Total expenses		2,000.00 ₪	2,000.00 ₪	2,000.00 ₪
Total profit		1,500.00 ₪	3,300.00 ₪	5,100.00 ₪

Figure 16 Profit and Loss

In addition, once the graduate students have accumulated enough relevant financial knowledge, the vision is that the investment club will be based on transferring knowledge from the graduate students to young students and thus it will be possible to save the mentor costs after several years.

19.4 Conclusions

After reviewing the options, the obvious conclusion is that the cheapest and most effective option for a project is to open an independent "corporate account" of the academic institution with the brokerage firm.

Although this option saves a lot of costs and regulatory complexity, it is important to remember that our institutions are not-for-profit associations. This means that it is not allowed to perform actions whose purpose is profit for the owners of the organization.



20 Israeli View – Implementation in the Central Fund of The National Union of Israeli Students

20.1 Introduction

The National Union of Israeli Students (NUIS) is an organization representing some 350,000 students in Israel and, as such, is home to the associations and student communities operating across the country. Its role is to empower the students in Israel by establishing bodies that specialize in social change, working professionally with decision makers and promoting the place and power of students: The leaders of tomorrow.

Over the years, The National Union of Israeli Students has emphasized the need for providing students with access to financial inclusion. Several projects have been launched as part of this effort, one of them is the “Money Time” project. Money Time is a program that operates on different campuses and is delivered by students for students. The program provides students with practical tools for wise and efficient financial management and encourages the students’ sense of ability to deal responsibly with a limited personal budget throughout their years at the academy and beyond.

Regarding the importance of the topic, The Union has collaborated with the IFI (Innovative Finance Inclusion in Academia and Field) project on the establishment of a student-led ESG (Environmental, Social, and Governance) investing fund in Israel. This project’s aim is to equip young Israeli men and women with tools for responsible financial conduct and help them recognize their power to influence the future while using the economy as an engine of social and environmental growth.

The vision behind the project was to bring together students, entrepreneurs, and investors to create new models for sustainable enterprises with a focus on innovation, execution, and long-term growth. As part of the aspiration to connect social performance with financial return, and to create a new education platform for change designated for academics and entrepreneurs using scholars’ knowledge and students’ skills, the establishment of the ESG investments fund in the Israeli academia was planned.

This plan aims to stimulate interest in the field of ESG and impact investing among the young generation and future investors and regulators, thus providing students with practical learning of ESG practice. The National Union of Israeli Students decided to take part in promoting the project for several reasons. First, as mentioned, The Union sees major importance in providing students with access to financial inclusion. This goal can be explicitly met in the form of a student-led investing fund. Second, the fund’s characteristics were built to enable a double bottom line in the form of corporate governance and sustainability alongside financial returns. Third, a broad student fund, operated by the National Union was expected to give expression to student decision-making alongside significant savings in the fund’s costs due to its size and form.

However, during the process, we encountered unprecedented regulatory difficulties in listing an investment fund with a large number of partners. After many attempts at a



solution failed, we realized that we had to stop the process of establishing the student led ESG investment fund and turn to different ways of achieving our goal.

20.2 The Evaluation of the Project

The project's inception was grounded in the recognition that no student led ESG investment funds existed within Israeli higher education institutions. In Israel, which is known as the “start-up nation”, the available funds operated by universities focus more on technology and high-tech rather than on social and environmental challenges.

Thus, in order to establish a student-led investing fund in Israel, we began by learning about the topic of students ESG funds and examining different forms of such funds which currently exist in numerous universities around the world. The preliminary stage was aimed at identifying cases for benchmarking that offer the implementation of similar ideas mainly in the USA and Europe. One was particularly relevant to the Israeli case, taking into consideration the structure of the Israeli higher education system, and thus was examined as an optional model for the establishment of a student-led ESG investment fund by the National Union of Israeli Students. The relevant case was a consortium of 12 Universities in the UK - “Impact 12”.

20.3 “Impact 12”

Participating universities: Universities of Oxford, Cambridge, Northampton, Coventry, Aston, Birmingham, Cranfield, Keele, Leicester, Loughborough, Nottingham and Warwick.

Website: <https://www.impact12.com/>

In June 2021, a consortium of 12 UK universities announced the setting up of a ten-year impact fund that will support social or environmental ventures created by students and entrepreneurs located in and around those universities. The initial fundraising target of the consortium was to raise £8 Million from alumni networks and other impact investors. The capital raised will be deployed to support up to fifteen “mission-led university ventures” from across the partner universities.

The initiative, called “Impact 12”, was developed by Social Investment Scotland, an impact investor and responsible finance provider based in Edinburgh. The fund’s mission is to deliver societal benefits from innovative solutions focusing on health, wellbeing, society, and the environment generated by companies emerging from research, student entrepreneurial activity, accelerators, and entrepreneurial eco-systems. The fund will provide equity investment and debt, as well as access to financial and other expertise. Investments will range from £150,000 to £300,000 in seed and follow-on funding.



20.4 The Original Vision

The initial strategy entailed the establishment of an independent investment fund, in which The National Union of Israeli Students would serve as a limited partner and principal investor. The fund would incorporate the union's economic company, "Alhon," as a general partner, meaning a management partner.

The investment policy envisioned would be collaboratively developed and designed together with the investing students, and would ensure transparency for all stakeholders. Notably, the governance structure would empower board members to influence investment choices within the ESG domain and operational decisions at critical junctures.

To incentivize student participation, it was necessary to plan its activities and characteristics in a way that would make it attractive to students. One of the significant features for this purpose was the elimination of the need for initial capital. Since most investments require initial capital, more often than not an amount that the average student cannot afford, canceling this requirement would increase the attractiveness of the fund for students who otherwise would not invest their money at all, and allow them to enjoy the aggregate return of consolidating all investments under one fund.

However, during the process, an impediment arose in the form of limitations on the number of partners permitted in the fund. That is, eighteen Limited Partners only. This constraint hindered the inclusion of all interested students, prompting consideration of collaboration with the Tel Aviv Stock Exchange (TASE). The TASE was supposed to join the fund as a limited partner, assuming the role of an anchor investor, enabling students' investments to be routed through the exchange.

From a financial perspective, the National Union intended to invest approximately 70 million NIS, with the fund seeking external investments of up to 250 million NIS. In the first year of activity, approximately 20,000 students were expected to participate in the fund, each contributing a minimum investment of 1000 NIS, with no management fees and a relatively limited investment portfolio. Subsequent stages aimed to broaden student engagement and extend investment opportunities to non-student individuals.

20.5 Unforeseen Challenges

During the project's execution, unprecedented regulatory obstacles surfaced, primarily stemming from limitations associated with enlisting a substantial number of colleagues as partners in the investment fund. Despite efforts to address this through collaboration with the Tel Aviv Stock Exchange, new legal and bureaucratic complexities emerged, complicating the partnership. Additionally, expert opinions expressed reservations regarding non-profit organizations' acceptance of payments, further casting doubt on the union's position within the investment fund. Collectively, these challenges led to the realization that the envisioned student-led ESG investment fund could not be actualized.



20.6 Alternative strategy

Following the unsuccessful attempt to launch a student-led ESG investment fund, The National Union of Israeli Students has devised a new strategy to pursue the objectives of the initiative. Currently, the union allocates its funds into three streams, one of which is dedicated to investing in the ESG domains, with an emphasis on non-profit ventures and projects. The union's aim is to achieve a meaningful impact on the quality of life of students in Israel, by making investments that have a double bottom line. Meaning, investments that generate financial returns as well as social benefits, such as reducing the cost of living or the dropout rate from higher education. In addition, the union seeks to invest in other social projects that offer substantial financial profits that can be channeled back into the association's programs and ultimately benefit students through enhanced well-being and support services.

20.7 Summary

This part explores the efforts of the National Union of Israeli Students to establish a student-led Environmental, Social, and Governance (ESG) investment fund in Israel as part of the IFI (Innovative Finance Inclusion in Academia and Field) project. The initiative aimed to empower students in financial inclusion, responsible conduct, and impact investing. The project sought to emulate successful models from around the world, including the "Impact 12" consortium in the UK. The original plan involved creating an inclusive fund with student involvement, encouraging investment by eliminating the need for initial capital, and collaborating with the Tel Aviv Stock Exchange. However, regulatory challenges and legal complexities emerged, leading to the realization that the initial approach was not feasible. Consequently, the National Union redirected its focus, dividing its funds into a variety of channels, including ESG-focused investments, targeting non-profit projects to benefit students' lives. This paper discusses the journey of the project, the obstacles faced, and the subsequent strategy applied to achieve its objectives in promoting responsible financial behavior and social impact.

In conclusion, this section explores the National Union of Israeli Students' ambitious pursuit of establishing a student-led ESG investment fund. The initiative aimed to empower students in financial inclusion, responsible conduct, and impact investing, inspired by successful global models. The original vision encompassed a comprehensive fund with transparent governance and student participation, facilitated by strategic design elements. However, regulatory complexities proved insurmountable, necessitating a shift in strategy. The union subsequently redirected its focus towards channeling investments into ESG-driven projects with a dual bottom line, advancing financial gains and social impact to enrich students' lives.



21 Discussion and Conclusions

Consortium roundtable discussion dated 22/11/22.

21.1 Roundtable Discussion on Student-led Funds

Presenting partners: **Prof. Eli Gimmon** (THC), **Prof. Mikel Larreina** (UD), **Ms. Shir Horovitz** (NUIS), **Dr. Sharon Soroker** (THC), **Michael Raviv** (THC, Investment Specialist).

Prof. Eli Gimmon from Tel Hai College and **Ms. Shir Horovitz** from The National Union of Israeli Students opened the session with a presentation on the students led ESG fund. Following extensive research on other existing students led ESG funds around the world, and with the support of The University of Deusto, the decision that was taken is to create two models: A national student impact investment fund led by NUIS and local HEI ESG investment clubs.

The local ESG investment clubs will be set at local academic institutions. They will be entities with a license to invest and the investments will be led by students who can make decisions and gain experience from this process. This model is inspired by practices at University of Deusto.

At the national student impact investment fund led by NUIS, the investments will be managed by a professional team while NUIS will also be investing as an officially recognized and accredited body by the Israeli government. The fund will operate using a mobile application with the aim to stay in continuous communication with the students in all Israeli HEIs.

Shir explained that these initiatives will have educational character with regards to investing and managing someone's own money (especially as a student), encourage collaboration with industry, impact entrepreneurship and explain and mainstream for the students the "double profit" line.

The national fund aims to encourage students to be active participants in the economy instead of passive consumers and help them understand how their money can work for them and have real impact on the world. However, legally, the national fund cannot promote certain investments over others. Instead, it will maintain an influencing, engaging and educational character with regards to investing and give students the opportunity to learn, research and come up with ideas.

The intended educational character of the national fund was a "trigger" among the participants. It was emphasized that taking up this role is a big responsibility and must be prepared and studied well in advance. **Michael Raviv**, from Tel Hai College and an investment specialist, explained that the educational mission of the fund is basically the added value of this initiative. The investment part could be organized by professional brokers and students can turn to them whenever they need to. However, the reason they will not turn to professionals and stick with the national student club instead, is because the latter can keep them updated on what their money is used for, the impact it can have, and keep them



informed and engaged in the process. **Shir** explained that this role will be taken up by professionals, in collaboration with universities and academics.

Prof. Mikel Larreina from University of Deusto explained that the fund in Deusto is managed pro-bono by an investment house that, further to the purely altruistic purpose, it is also interested in developing investment-oriented skills among future potential workers and/or clients. Representatives from the investment house will attend the IFI meeting in June at Bilbao and will explain how similar companies can be engaged in collaborating with investment clubs or other actions conducted by students. It was also mentioned that in the early years of the Investment Club, the engagement of academics is critical in order to energize the group and to help them take decisions. Over time this support would be scaled down, though it would never eventually fade away.

21.2 Summary and Conclusions

The detailed business plan which was diligently prepared by students from University of Deusto along with students from Tel-Hai college provided an extensive ground for the study and the consideration of students led ESG funds. This work provided a sound business plan which provided a reference for discussions by all the partners of the Erasmus+ IFI project at the consortium meetings.

Upon discussions at the consortium meetings, participants indicated that there are great advantages to managing sustainable funds by students. However actual investment houses are not expected to overtake management of students' funds where the commission is too low in respect to the standards of current commercial funds. It was noted that academic institutions are not expected to subsidize students' funds. Therefore, based on current study the likelihood of establishing students' sustainable funds in individual academic institutes is quite low at this stage.

While trading with real money is subject to strict regulations and Israeli commercial investment houses were found to be unwilling to provide trading services without fees, another alternative is using simulation tools at the interested academic institutions. The implementation models can be based on virtual investment games with virtual engagement of investment houses while educating the students on the local, regional and national attributes of sustainable finance investments as were discussed by the European and Israeli partners.

An alternative to implementing students' funds separately in different Israeli HEIs, is the founding of a major central fund which the National Union of Israeli Students will manage. This potential fund which has been designed by the national students' union is expected to materialize the desired sustainable investments fund for Israeli students at all academic institutes. The current plan is to create one central fund which will be operated for the Israeli students' union by a designated professional investment house dealing with a substantial



large amount of money. The main source of investment will be the accumulated funds held by the students' union. In addition, a potential smaller source of fund may be gathered from all Israeli students who are members of the students' union and will be interested to invest in this novel fund.

This new initiative of the National Student Union of Israel is aimed at empowering students in financial inclusion, responsible conduct, and impact investing, inspired by successful global models. Investments will focus on ESG-driven projects with a dual bottom line, advancing financial gains and social impact to enrich students' lives. Due to current regulations, students will not be actually engaged in managing the fund and will not be responsible for decision making. However, the students will be virtually educated through this fund with the focus of sustainable finance. Due to the required licensing the establishment of this proposed new fund will probably take long time in the range of several years.



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Innovative Finance Inclusion

Israeli Student-led ESG Investing Fund: Business Plan

**Student-led ESG Investing Fund
for Israeli HEIs**

**Erasmus+ CBHE Project 619453
Innovative Finance Inclusion in
Academia and Field**

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