



More for Mission: Expanding the Field

September 21, 2010

Jenny Russell, Merck Family Fund

John LaPann, Federal Street Advisors

Who We Are

- Merck Family Fund
 - 📁 Founded 1954
 - 📁 Family Foundation
 - 📁 All family on Board
 - 📁 Assets \$50 million
 - 📁 Grants \$3 million+
 - 📁 Interest in environment and sustainable communities
 - 📁 4 employees
- Federal Street Advisors
 - Founded 1991
 - Assets \$3.5 billion
 - Advises families and foundations
 - Foundation assets \$1 billion
 - Independent, objective firm with 28 employees

Evolving Relationship

- Merck Family Fund hired Federal Street Advisors in 2003
- Relationship has evolved over the years with understanding of Merck Family Fund's interests and objectives
- Growth of investment options within industry have expanded
- Underlying primary goal unchanged:

How can the foundation best use its capital to further its mission?

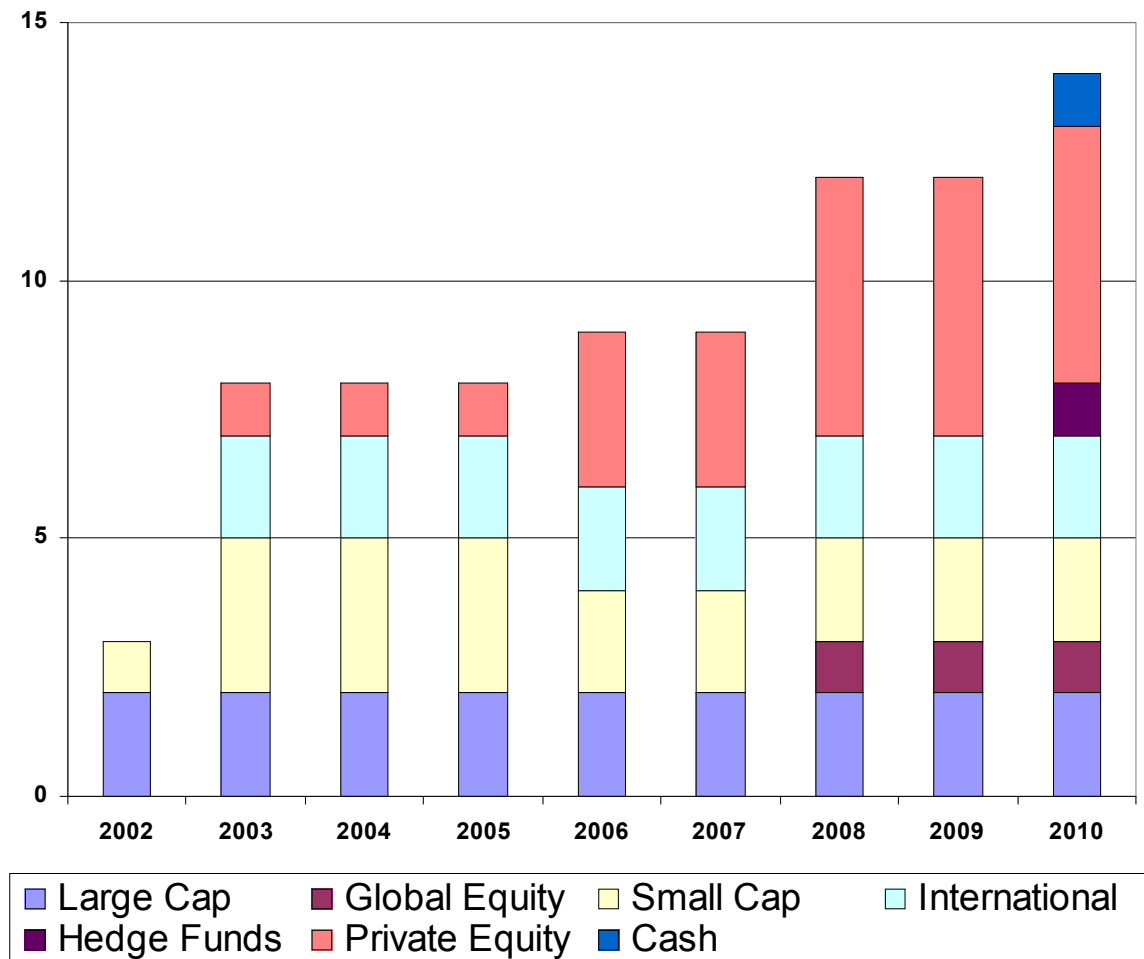
The First Year

- First steps
 - Define objectives
 - Return and risk expectations
 - Asset allocation and manager selection
 - Mission-related focus
- Reduce exposure to concentrated position in Merck stock
 - Initially more than one-third of portfolio
- Diversify the portfolio into small cap and international equity strategies
 - Screened for gambling, alcohol and tobacco
 - Small cap equity increased to 20% from 1%
 - International equity increased to 15% from 0%

The Next Six Years – Investments

- 2004 through 2010
 - Exited Merck stock in a deliberate fashion (now 1%)
 - Added and later exited a hedge fund of funds strategy
 - Moved between large cap, small cap, and international equity managers as better choices were identified
 - Researched and funded investments in six private equity strategies with a climate change focus
 - Added a sustainable global equity fund
 - Added a long/short equity hedge fund with a renewable energy opportunity set
 - Purchased a CD from a local community-oriented bank with SRI focus

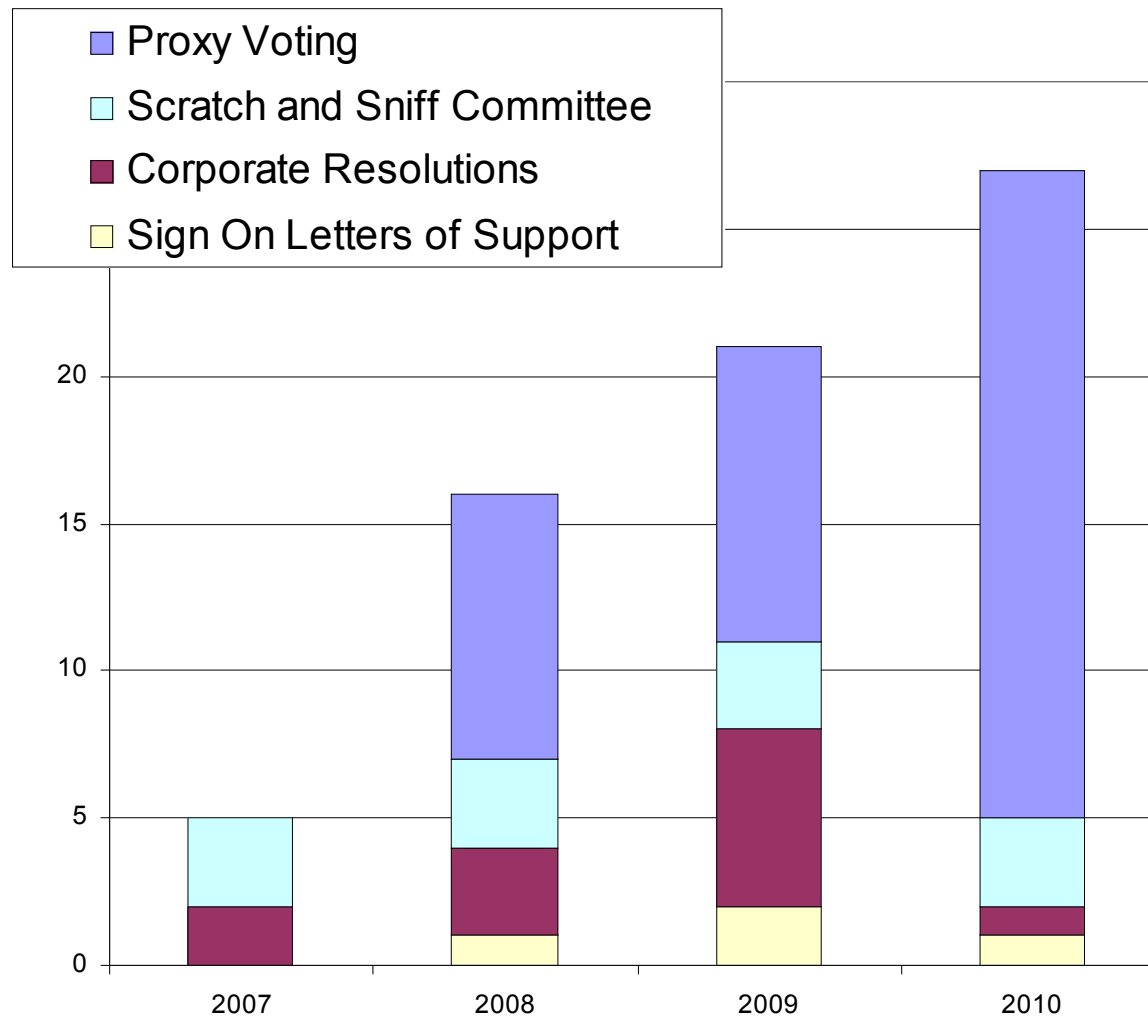
Growth in Number of Investment Strategies with SRI or Sustainable Focus



The Next Six Years – Broader Impact Through Investments

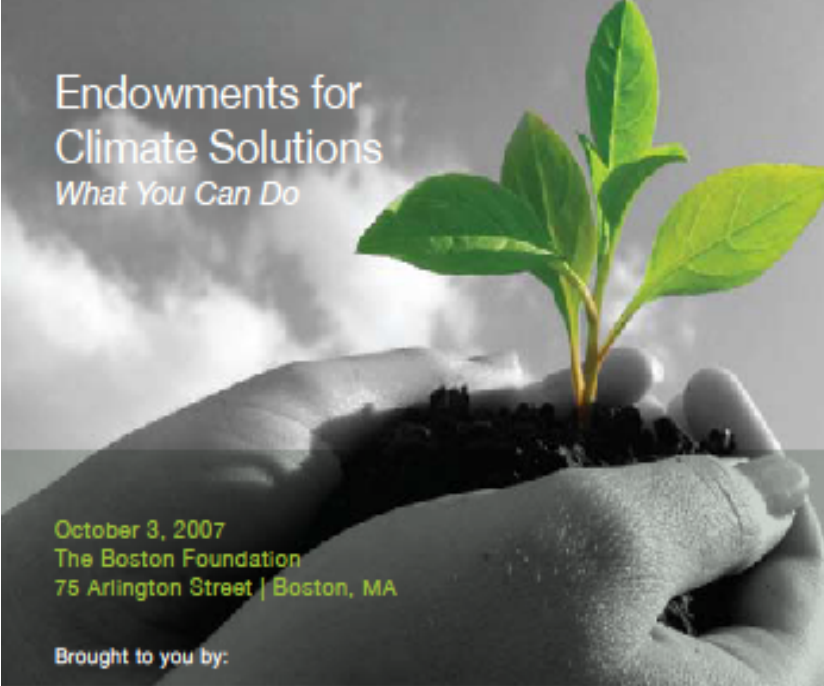
- 2004 through 2010
 - Increased shareholder engagement
 - Proxy voting
 - Shareholder resolutions
 - Heightened engagement of Finance Committee
 - “Scratch and Sniff” committee
 - Evolution of Investment Policy Statement and screens
 - Co-sponsored climate solutions conferences in Boston (2007) and NYC (2008)
 - Resulted from a shared interest in a comprehensive discussion of climate solutions among foundations and endowments

Shareholder Activism




Results of Shared Interest

Endowments for
Climate Solutions
What You Can Do




October 3, 2007
The Boston Foundation
75 Arlington Street | Boston, MA

Brought to you by:




FEDERAL STREET
ADVISORS



MERCK FAMILY FUND
Protecting the Natural Environment.
Strengthening the Global Community.

The *New*
New Economy:
Investing With a Climate
Change Lens During
Challenging Times



November 20th, 2008
New York, NY

© 2008 The Boston Foundation. All rights reserved. This presentation is for informational purposes only and does not constitute an offer of any financial product.

Excerpt from the Merck Family Fund Investment Policy Statement

- *In awarding grants, the Merck Family Fund's vision is to 1) maintain, restore, and protect the natural environment and sustain a healthy planet for future generations; and, 2) revitalize the social fabric and the physical landscape of the urban community. The investments should not conflict with this goal.*
- *Portfolio will seek to exclude: investing in corporations that profit (more than 10%) from*
 - *gambling or tobacco products or services.*
 - *producing nuclear power, or from mining or processing uranium.*
 - *mine gold.*
 - *In addition, a committee of the Family Fund may review portfolio holdings and exclude investments in companies involved in other areas not aligned with the Family Fund's objectives, such as companies that manufacture or sell weaponry.*
 - *Whenever possible, investments will be sought in corporations that favor the protection of the environment, diminish the effects of pollution and that implement environmentally appropriate practices.*
- *In order to further align the Family Fund's investment portfolio with its vision and objectives, trustees will vote proxies of companies in the portfolio with guidance from respected investment managers, currently Boston Common, Walden, and Generation, or other organizations such as As You Sow.*