



**GIANT, IMPORTANT DISCLAIMER: WE AREN'T GIVING LEGAL, TAX OR FINANCIAL ADVICE. PLEASE SEEK YOUR OWN COUNSEL FOR ANY DONATIONS. MANY OF THESE QUESTIONS ARE OPEN TO SOME INTERPRETATION, ARE GENERAL IN NATURE OR ARE UNIQUE TO A PARTICULAR JURISDICTION. ASSUME ALL ANSWERS ARE WRONG UNTIL YOU/YOUR DONOR CONFIRMS WITH HER/HIS ADVISOR.**

**Q & A from “Unique Donor Investment Options: Concentrated Positions and Direct PE/Real Estate Investments in DAFs, SOs and LLCs”  
<Aug, 2023>**

<b>With all of these great businesses, what is your succession plan or successor managers for all these lines of business?</b>	Thanks for the question. Ryan is my successor (though I hope to work until I keel over) and we have a 27-person team at this point so lots of generals and lots of lieutenants.
<b>Will you be sharing slides?</b>	Not directly but covered this at start of webinar - we will send a link for the whole webinar recording that will have all the slides in that format. You can view all past webinars (35+) on our website at <a href="https://charitablesolutionsllc.com/webinars/">https://charitablesolutionsllc.com/webinars/</a>
<b>Bryan will live forever.</b>	Bryan doesn't want to live forever but two webinars ago, I did the topic on Longevity Risk and new mortality tables. I am supposed to live to 98 based on the Blueprint Mortality Calculator. I can't make this up, but I could live two more years if I started drinking 2-3 alcoholic drinks per week (I don't drink) and I stopped playing tennis/pickleball 6 days a week (4 is where it is optimal but I have an addiction so won't stop that either).
<b>Thanks Bryan, hopefully you are good for a very, very long time! You are not replaceable!</b>	



<b>Have you used "indemnification" agreements from a donor to cover capital calls that might be due from the charity?</b>	We have in some cases, when the donor was unwilling to contribute for the full capital call amount.
<b>How much can you rely on the expertise of the donor to advise on the investment?</b>	A fair amount - in particular in a DAF context. The donor can provide all kinds of non-binding advice but will know the investment much more than we otherwise would.
<b>From a risk perspective, do you look at these from an aggregate balance sheet perspective or do you look at risk on a per deal basis?</b>	Great question - that will be covered in a slide or 2 under Fiduciary oversight. This means we (meaning Ryan) did a FANTASTIC job logically laying out the presentation!
<b>Do you attempt to calculate an IRR the performance of the total group of private investments? To help determine if this headache is worth the additional time.</b>	Not really since we only do these in siloed DAF so more on the donor's side than ours.
<b>Do you have criteria for vetting a donor for their investment expertise?</b>	Yes and no. Donors are typically referred over by trusted partners, who we do rely on. They're subject to our normal DAF intake process, which involves some "Know Your Donor" info. collection. The particulars of the proposed investment are usually more critical. As mentioned, we do like to focus on certain fields, i.e., health and environmental.
<b>What's the worst thing that has ever happened with a donor or a gift?</b>	With these types of gifts, we had a donor who wanted a longer-term hold, and 10 days after receipt it went from \$89 million to \$11 million. And, general litigation that comes up infinitely more with real estate/private company holdings than a Balanced Mutual Fund.

**No question about willingness to receive a gift of a PE interest in kind, upon appropriate review--have done that numerous times. Different is making a proactive decision as an institution to take relatively liquid assets and invest them in PE. So, threshold question: leaving aside egos and marketing hype, is there any evidence that PE returns, net of the heavy fees, typically beat out investments in, say, low cost, and admittedly boring index funds that hold publicly traded securities? There is skepticism out there re PE, on the part of people who aren't making money on PE, see, e.g., here:**

**<https://carey.jhu.edu/articles/research/private-equity-business-not-all-its-cracked-be>**

This is the critical question for most charities, and it's one that we can't really answer for them. It comes down to trust in the donor and appetite for risk, considered against the returns that could be earned with a more conservative portfolio of index funds. Anecdotally, there definitely are some PE investments that have been home runs. Others, perhaps not as much. But we are specifically looking at this in the DAF context, which may be different from how other charities view alternative investments of this sort.

Thank you!