

The current economic mess: how does it impact the our community?

M. Kapor

The current economic situation is worrisome and unclear

- Current downward spiral triggered by sub-prime mortgage meltdown, followed by credit market freeze-up, and now plunge in equity values
- Consensus is that we are only partway through the pain, expect more
- We have suffered some losses, but due to investment philosophy, doing much better than others

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Observations from Experts on Politics and the Economy

- De-regulation of financial markets went too far
 - Too much leverage (ratio of debt to capital)
 - Too little transparency (no one understood the derivatives)
- Reagan-era ideology of “government is the problem” has had its day
- But new “social compact” (21st Century New Deal?) not yet clear, much less well-supported (MK’s over-the-horizon view)

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Our orgs have been impacted less than others

- We pursue a distinctive investment strategy
 - Focus on companies that are at least 51% of the solution
 - Longer term investment horizon
 - Unique blend of what types of investments we make
- We work with great money managers
- Our recent performance has been better than the broader market

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What does this mean overall for us ?

- We will continue to honor all of our existing commitments
 - Maintain existing staff levels
 - Keep commitments to grantees
 - Investment commitments
- It would be unwise to pursue expansion in this climate
 - No significant headcount additions
 - Delaying capital expenses (office expansion, etc.)
 - No major new initiatives

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