

# Pensions & Investments

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## New brokerage firm donating profits to charities

By Joel Chernoff

BRIDGEPORT, Conn. — AltruShare Securities LLC is a brokerage firm with a heart.

The five-month-old institutional brokerage firm funnels most of its profits through two charitable foundations that invest in “underserved” communities.

Last week, AltruShare planned to give a two-thirds ownership stake to two foundations. The Tides Foundation, San Francisco, and the Underdog Foundation, New York, will reinvest profits generated by the brokerage firm in community-based philanthropy and ventures. (The remaining third is held by socially oriented venture funds that financed the startup, and by employees.)

The ownership structure is designed to be particularly attractive to public pension fund officials, who seek to get an added bang for their commission buck. Profits from their commission dollars will be reinvested in proportion to the amount of business generated from a particular locality.

Thus, if a state generates 20% of the firm’s commissions, then 20% of profits will be reinvested in that state, explained Peter Drasher, managing partner.

The \$215.2 billion California Public Employees’ Retirement System, Sacramento, started trading through the firm in August, wrote spokesman Brad Pacheco in an e-mail to *Pensions & Investments*. Mr. Pacheco said further details were unavailable.

### Shift in focus

The model also is designed to move away from the traditional focus of community investment on real estate, instead focusing on public school education, youth development and job training in underserved areas.

“These communities are not about buildings, they’re about people,” said Mr. Drasher, who had devoted two decades to buying and selling foreign securities for Arnhold and S. Bleichroeder Advisers LLC, New York.

Mr. Drasher teamed up with fellow industry veteran Dawn Edwards, who spent 20 years at several firms including a 10-year stint at Lazard Freres & Co. LLC and the past six years on the global transition management team of BNY Brokerage Inc., both based in New York. She now is AltruShare’s president.

The firm has two traders, and can provide pre-trade and post-trade analytics, block trading and trading capabilities for equities, options and exchange-traded funds.

But AltruShare’s special mission is helping America’s “emerging markets,” a phrase that Mr. Drasher borrowed from Phil Angelides, California state treasurer.

“I live in Westport, Conn., and Bridgeport is 10 miles down the road, but it’s like another country,” Mr. Drasher said. While located in prosperous Fairfield County, 96% of Bridgeport students are economically disadvantaged, according to SchoolMatters, a ser-

vice of Standard & Poor’s. Also, one-quarter of children under age 18 live in households that fall below the poverty line, according to the U.S. Census Bureau.

AltruShare’s gift to the foundations was in the form of a donor-advised fund. This way, the brokerage firm’s advisory board will make recommendations on where community investments are made, but discretion ultimately resides with foundation officials.

Serving on the advisory board is David Berge, chairman of the Underdog Foundation and a former chairman of the Social Investment Forum, and Robert Shultz, former corporate pension executive with RJR Nabisco and IBM Corp. who now is an executive recruiter and a director of several investment funds.

To steer investments, AltruShare is sponsoring research that will identify areas of need. Already, reports on six states and cities, including California, Ohio and Pennsylvania, have been conducted by outside researchers, including the Tides Foundation.

AltruShare also plans to fund research on different industries, including profiles on companies that engage in community investment. The technology industry is first up, while others are planned for the oil and gas and the health-care industries. Those reports may be helpful to socially responsible investors seeking to identify firms with strong community investment records.