

IMPACT INVESTING – DONOR ENGAGEMENT

2017 FAOG Conference

Tuesday, 11:00am -12:00pm

Agenda

- Introductions
- Define the topic
- Panelist experience and case studies
- Moderated questions for panelists
- Group Discussion
- Audience Q&A

Moderator



Christine Searson
Vice President of Finance



Jean Adams
Chief Operating Officer



Bert Feuss
Senior Vice President
Investments



Maura Ridge, CAP®
Senior Philanthropic Planner/
Director of Professional
Advisor Programs

Impact Investing – Defined*

- **Socially-responsible investing (SRI)**, a portfolio construction process that attempts to avoid investments in certain stocks or industries through negative screening according to defined ethical guidelines
- **Environmental, social and governance (ESG)** investing, which involves integrating ESG factors into fundamental investment analysis to the extent that they are material to investment performance
- **Impact Investing** involves investing in projects or companies with the express goal of effecting mission related social or environmental change

* Commonfund Study “SRI to ESG: The Changing World of Responsible Investing”

Impact Investing Spectrum

Financial Only		Impact Investing				Social Only
Conventional Investment	Responsible Investment	Sustainable Investment	Mission-Related Investment	Program-Related Investment	Recoverable Grant	Conventional Grant
Investments selected with little or no consideration given to social, environmental or corporate governance factors	Investments selected to avoid those with material interests in ethically or environmentally questionable products	Proactive consideration of environmental, social and corporate governance practices that may reduce risk, enhance enterprise value and benefit society	Focus on high-impact solutions to societal challenges that can also generate a financial return	Focus on high-impact solutions to societal challenges that typically require a subsidized rate of return to succeed	Grants in support of high-impact solutions to societal challenges that may be repaid if successful	Grants in support of high-impact solutions to societal challenges that cannot generate a financial return

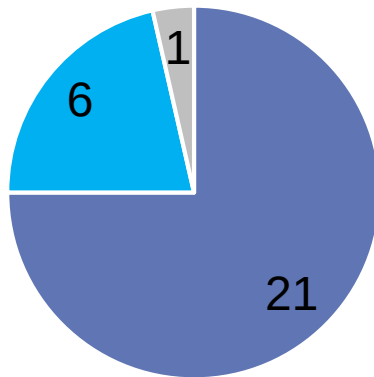
Impact Investing and Donor Engagement

- Additional tool to leverage scarce resources
- Catalyze additional investments
- Greater community impact in multiple sectors
- Generational shift/donor demand
- Competitive positioning vs. commercial DAF providers
- Broader trend advancing practice of impact investing

[MIE Community Foundation Peer Learning Group Impact Investing Survey – Preliminary Findings]

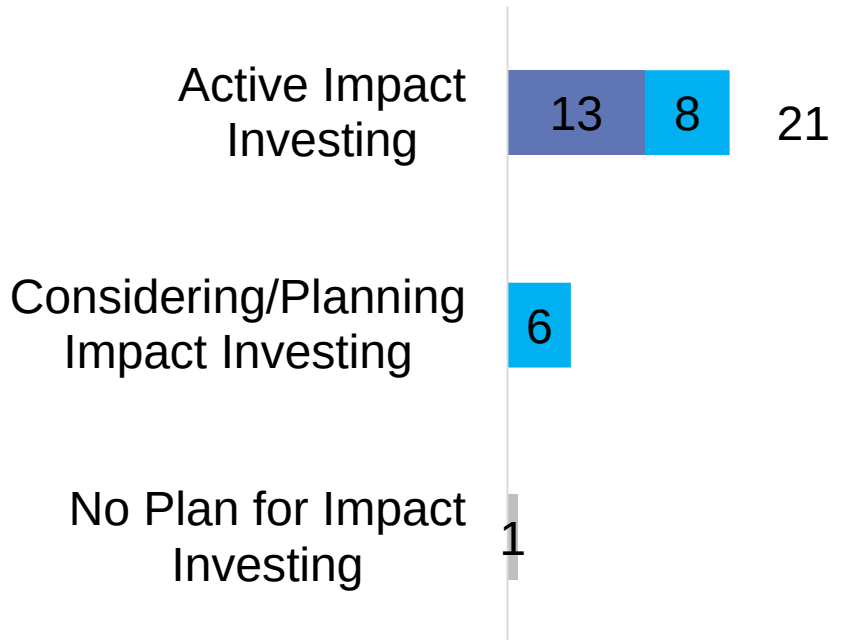
Donor Engagement – Majority (62%) of impact investing CFs actively engaged donors. Those who are not currently active plan to in the near future.

Impact Investing Program



- Yes
- Not Yet, but Considering/Planning
- No, Not likely/Not in the plan in the near future

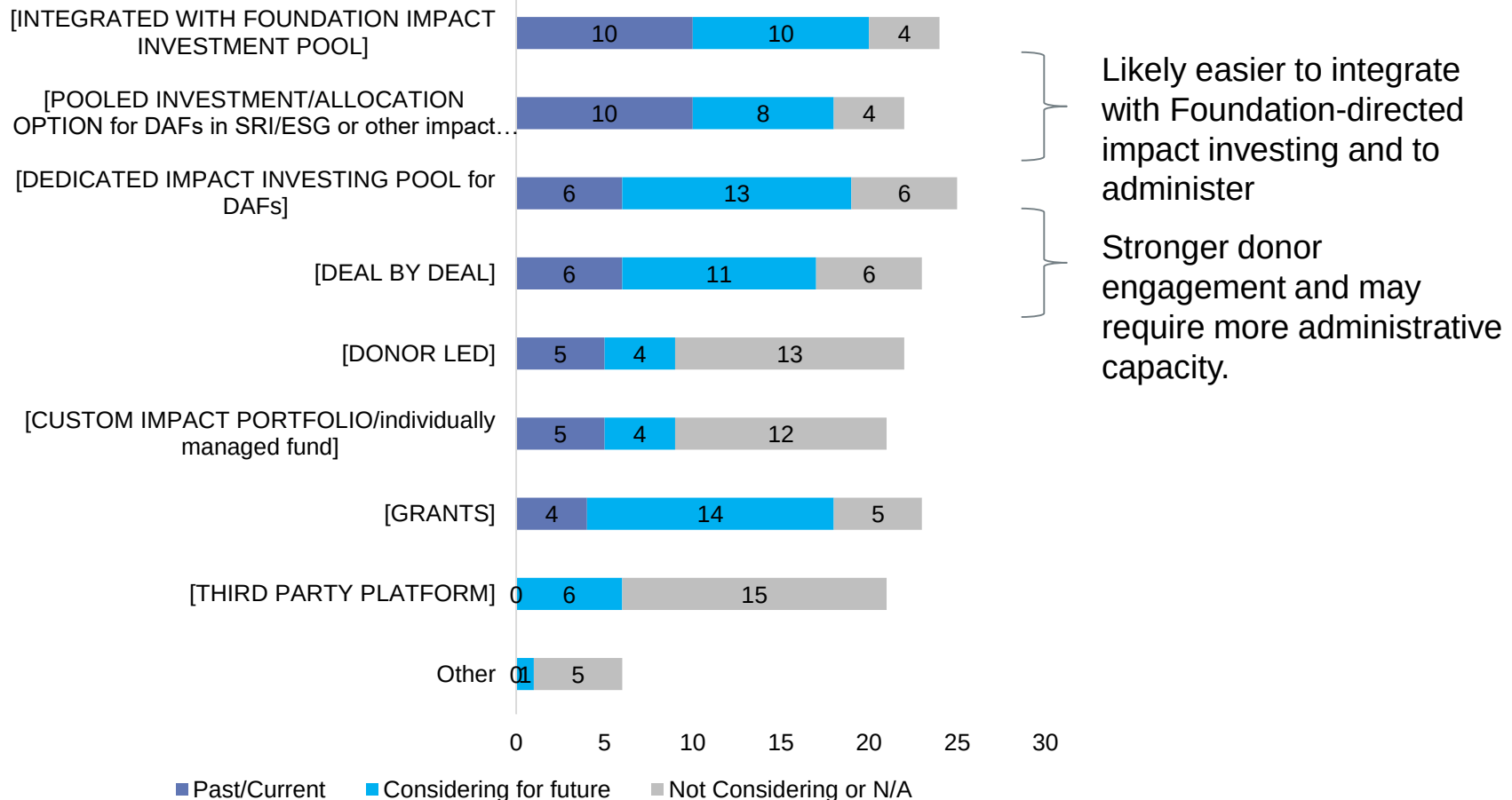
Donor Engagement



- Yes
- Not Yet, but Considering/Planning
- No, Not Likely

Strategies Used for Donor-Directed Capital Impact Investing Programs

Donor Directed Capital Impact Investing



[MIE Community Foundation Peer Learning Group Impact Investing Survey – Preliminary Findings]

Polling – How Many?

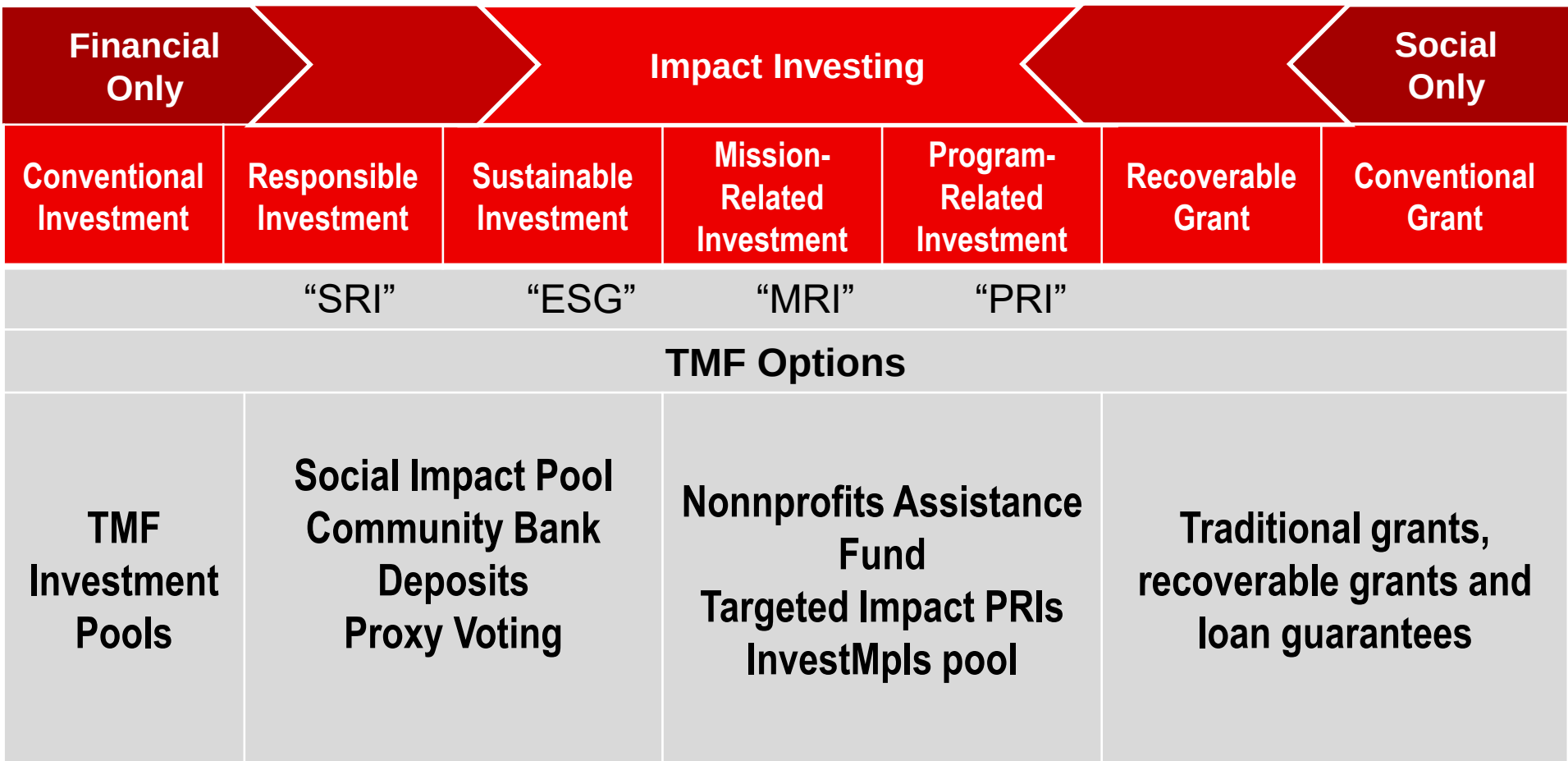
- No SRI or impact investing strategies at this time?
- Just getting started with maybe an SRI option for your donors or proxy voting in your investments?
- Offer a below-market loan pool option for their donors to co-invest in?
- Are now integrating impact investment strategies into their donor or other investment pools?

Panel Presentation

- **Why?**
 - Did you start this program?
- **What?**
 - Does the governance look like?
 - What types of investments are there?
- **How?**
 - Is your program structured?
 - How are donors engaged?

The Minneapolis Foundation

Donor Engagement Options for Impact Investing



**MINNEAPOLIS
FOUNDATION**

INVESTMPLS

A New Investment Option for Charitable Assets

- **\$10 million revolving pool**
- **\$5 million unrestricted endowment/\$5 million Donor Advised Funds**
- **Fixed Income return**
- **5 year commitment**
- **Goals:**
 - ✓ **Economic Vitality**
 - **High quality job training programs and business development in distressed neighborhoods = 1,500 new living wage jobs by 2020**
 - ✓ **Education:**
 - **Creation and expansion of high-performing schools = 10,000 high-quality seats for low-income students of color by 2020**



MINNEAPOLIS
FOUNDATION

Where Your Giving Goes Further

Silicon Valley Community Foundation

Donor Engagement Options for Impact Investing



Impact Investing Options at SVCF

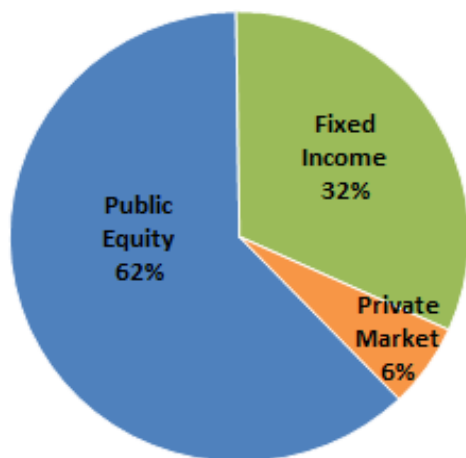
Traditional Investment Pools	1. Social Impact Pool 2. Capital Preservation Pool 3. Individually Managed Fund	Customized Philanthropy Services	Traditional grants and recoverable grants
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SVCF Social Impact Pool

- Seeks **competitive financial returns** alongside meaningful, positive social and environmental benefits
- Addresses four broad **impact themes**:
 - **sustainable global growth**
 - **inclusive economies**
 - **healthy communities**
 - **community development**
- Broadly diversified across public equity, fixed income and private market strategies
- Managers integrate **ESG** factors into stock selection
- Most strategies exclude alcohol, tobacco, weapons, nuclear power and gambling
- Utilizes **SDGs** to frame social purpose of portfolio

Performance June 30, 2017		
		Benchmark*
1 year	14.9%	12.7%
3 year	5.6%	4.2%
5 year	9.2%	8.1%
7 year	8.9%	8.4%
10 year	5.3%	4.3%
* 75% MSCI All Country World 25% Bloomberg Barclays US Aggregate.		

SVCF Social Impact Pool



PUBLIC EQUITY STRATEGIES		62%
SSgA U.S. Community Investing Index	Large Cap Equity	
Aperio Group	Small Cap Equity	
Ariel	Small Cap Equity	
Boston Common	International Equity	
Kabouter	International Small Cap Equity	
Aberdeen	International Equity	
Generation Asia Ex-Japan	Emerging Markets Equity	
FIXED INCOME STRATEGIES		32%
TIAA-CREF Social Choice Bond Fund	U.S. Aggregate Fixed Income	
Nikko Green Bond Fund	Global Bonds	
Microvest Short-Duration Fund	Short Duration Global Bonds	
Vanguard Group	Inflation Protected Securities	
PRIVATE MARKET STRATEGIES		6%
Bain Capital Double Impact Fund	Private Equity	
Ecosystem Integrity Fund III	Private Equity	
HCAP Partners	Private Credit	
TPG Alternatives and Renewables	Private Equity	

SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE DEVELOPMENT GOALS	GOAL	PUBLIC EQUITY STRATEGIES	FIXED INCOME STRATEGIES	PRIVATE MARKET STRATEGIES
1 NO POVERTY	End poverty in all its forms everywhere.	✓		
2 ZERO HUNGER	End hunger, achieve food security, improve nutrition, promote sustainable agriculture.			✓
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages.	✓		✓
5 GENDER EQUALITY	Achieve gender equality and empower all women and girls.	✓	✓	
6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all.	✓	✓	✓
7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, and sustainable energy for all.	✓	✓	✓
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, productive employment and decent work.	✓	✓	✓
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, inclusive and sustainable industrialization and foster innovation.	✓	✓	✓
10 REDUCED INEQUALITIES	Reduce inequality within and among countries.	✓	✓	✓
11 SUSTAINABLE CITIES AND COMMUNITIES	Make communities inclusive, safe, resilient and sustainable.	✓	✓	✓
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns.	✓	✓	✓
13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts.	✓	✓	✓

SVCF Capital Preservation Pool

- Stable value cash pool seeking **competitive financial returns**
- Up to 50% may be laddered into **insured** deposits through CDARS
- Up to 5% in **non-insured** deposits at top performing CDFIs
- 100% of deposits are with local CDFIs and community banks
- 0.50% 1 year return through July 31, 2017

Deposit Institutions	Lending Focus
Beneficial State Bank	Disrupt conventional banking / underserved
Self-Help Federal Credit Union	Responsible lending to low/mod-income
Community Bank of the Bay	Business and green lending
New Resource Bank	Environment, health, education, community
East West Bank	Immigrant consumer and business lending

Individually Managed Funds Various Impact Investing Strategies

- IMF 1** Low carbon, fossil fuel free portfolio advised by Merrill Lynch
- IMF 2** Passive equity with ESG overlay managed by Northern Trust
- IMF 3** Passive equity with custom screens and ESG tilt at Aperio and Parametrics
- IMF 4** Up to 5% of private equity allocation in direct, seed-stage venture capital

Customized Philanthropy Services

Mission- and Program-Related Investments

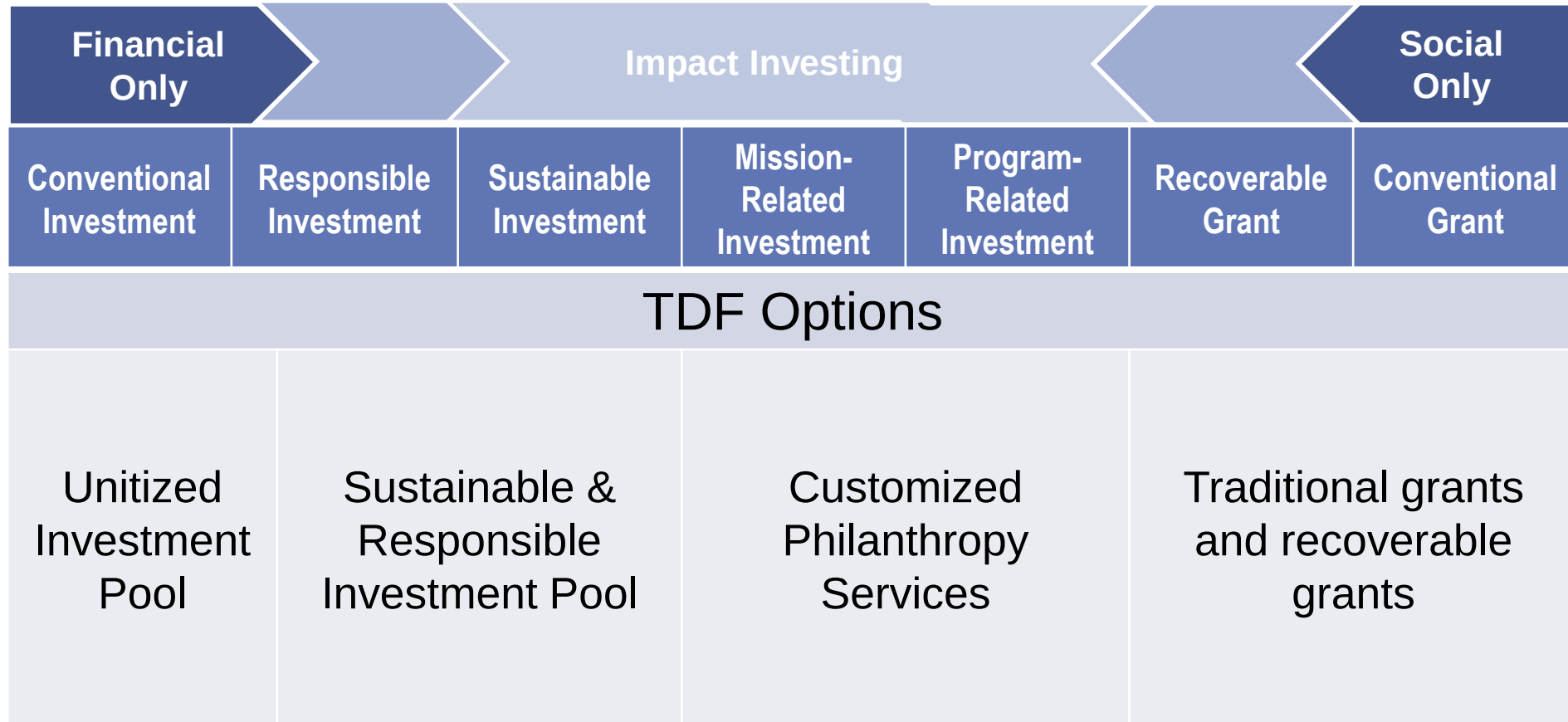
- Fee-for-service offering for due diligence and administration
- Initial due diligence and funding billed at staff hourly rates
- Legal expenses, if applicable, billed to donor's fund at cost
- \$600 annual fee for ongoing administration and monitoring
- Donor profile: high net worth with staff or financial advisor, but lacks capacity or know-how; corporations with private foundations

Examples (20 to-date):

- Eye Fund, PRI, \$500,000, subordinated debt – eye hospitals
- Root Capital, PRI, \$75,000, subordinated debt – microfinance
- Lumni, PRI, \$25,000, convertible debt – student finance
- Notable Labs, MRI, \$100,000, Series A preferred stock – cancer
- Vital Farmland, MRI, \$150,000, limited partnership – sustain ag

The Denver Foundation

Donor Engagement Options for Impact Investing



THE DENVER FOUNDATION



THE DENVER FOUNDATION

Our Program's Evolution

- Social and Responsible Investing
 - Addition of SRI pool in 2010
 - Investments considered based on one or more ESG criteria
 - Historically good performance
 - \$73M in that pool after 7.5 years
- Move into Community Impact Loans
 - 2013 – Board of Trustees approved using \$1M of Foundation reserves
 - Loans made in line with our priority program areas
 - Impact Investing Committee was formed to set strategy, and review and approve loans.



THE DENVER FOUNDATION

Our Program's Evolution

- Donor Involvement
 - Raised \$300K in gifts and co-investments
 - Created Impact Investing Pool for donors
 - Also participating in projects as they arise
 - Denver Social Impact Bond
 - Greenline Small Business Capital Fund
 - Made PRI's from donor-advised funds
 - Several members of Social Venture Partners-Denver came together to make a loan to one of their grantees and are looking for other projects to invest in

MODERATED QUESTIONS

GROUP DISCUSSION

What, so what, now what?

Q&A

Resources



OMIDYAR NETWORK
A WORLD OF POSITIVE RETURNS

- **Guides / Case Studies**
- [Primer for Families Series](#), The ImPact (2016)
- [Impact Investor Issue Briefs](#), ImpactAssets (2016)
- [The Foundation of Good Governance for Family Impact Investors: Removing Obstacles and Charting a Path to Action](#), Cambridge Associates (2016)
- [More than Measurement: A Practitioner's Journey to Impact Management](#), Skopos Impact Fund and Bridges Venture (2016)
- [Short Guide to Impact Investing](#), The Case Foundation (2014)
- [Impact Investing: A Primer for Family Offices](#), World Economic Forum (2014)
- [Navigating the Territory: A Guide to Impact Investing for Donors](#), The Philanthropic Initiative (2014)
- [Omidyar Network: Pioneering Impact Investment](#), Harvard Business School (2013)
- [E-Guide to Early Stage Global Impact Investing](#), Toniic (2013)
- [Impact Investing: A Framework for Decision-Making](#), Cambridge Associates (2013)
- [The Good Investor: A Book of Best Impact Practice](#), Investing for Good (2013)
- [Philanthropy Road Map - Guide to Impact Investing](#), Rockefeller Philanthropy Advisors (2012)
- [How I Did It: EBay's Founder on Innovating the Business Model of Social Change](#), Harvard Business Review (2011)



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Resources

- **Books**

- [*Catalyzing Wealth for Change: Guide to Impact Investing*](#) by Julia Balandina (2016)
- [*The Power of Impact Investing*](#) by Judith Rodin and Margot Brandenburg (2014)
- [*The Impact Investor: Lessons in Leadership and Strategy for Collaborative Capitalism*](#) by Cathy Clark, Jed Emerson and Ben Thornley (2014)
- [*New Frontiers of Philanthropy*](#) & [*Leverage for Good*](#) by Lester Salamon (2014)
- [*Impact Investing: Transforming How We Make Money While Making a Difference*](#) by Antony Bugg-Levine (2011)
- [*Solutions for Impact Investors: From Strategy to Implementation*](#) by Steven Godeke and Raúl Pomares with Albert V. Bruno, Pat Guerra, Charly Kleissner, Hersh Shefrin (2009)



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Resources

- **Reports**
- [*Across the Returns Continuum*](#), Omidyar Network (2016)
- [*Insights from the Frontier of Impact Investing*](#), Toniic (2016)
- [*Annual Impact Investor Survey*](#), GIIN and J.P. Morgan (2016)
- [*Navigating Impact Investing: The Opportunity in Impact Classes*](#), Tideline with Cathy Clark (2016)
- [*Impact Investing Trends: Evidence of a Growing Industry*](#), GIIN (2016)
- [*Report on US Sustainable, Responsible and Impact Investing Trends*](#), US SIF (2016)
- [*Frontier Capital: Early Stage Investing for Financial Returns and Social Impact in Emerging Markets*](#), Omidyar Network (2015)
-
- 1991 Broadway Street, Suite 200, Redwood City, California 94063 Phone: 1.650.482.2500
-
- [*Essentials of Impact Investing: A Guide for Small-staffed Foundations*](#), Mission Investors Exchange, Exponent Philanthropy, Arabella Advisors (2015)
- [*Performance Update: Evolution of an Impact Portfolio: From Implementation to Results*](#),
- **Sonen Capital (2015)**
- [*Great Expectations: Mission Preservation and Financial Performance in Impact Investing*](#),
- **Wharton Social Impact Initiative (2015)**



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Resources

- [*Introducing the Impact Investing Benchmark*](#), GIIN and Cambridge Associates (2015)
- [*Impact Investment: The Invisible Heart of Markets*](#), Social Impact Investment Taskforce Established under the UK's presidency of the G8 (2014)
- [*Private Capital, Public Good*](#), US National Advisory Board on Impact Investing (2014)
- [*Charting the Course: How Mainstream Investors can Design Visionary and Pragmatic Impact Investing Strategies*](#), World Economic Forum (2014)
- [*Evolution of an Impact Portfolio: From Implementation to Results*](#), Sonen Capital (2013)
- [*Impact Investing 2.0: The Way Forward – Insight from 12 Outstanding Funds*](#), Pacific Community Ventures, CASE at Duke, ImpactAssets (2013)
- [*From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors*](#), World Economic Forum (2013)
- [*Priming the Pump: The Case for a Sector-Based Approach to Impact Investing*](#), Omidyar Network (2012)
- [*A Portfolio Approach to Impact Investing*](#), J.P. Morgan (2012)
-



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Resources

- **Videos**

- [*Program-Related Investment Rules for Private Foundations*](#), Learn Foundation Law (2015)
- [*Pierre Omidyar takes the tax hit to invest philanthropically in for- and nonprofits*](#), Bridgespan (2013)
- [*How Program-Related Investing Works*](#), Ford Foundation (2013)
-

- **Articles / Op-Eds**

- [*Blessed Returns*](#), Financial Times (2016)
- [*How a New Generation of Business Leaders Views Philanthropy*](#), Harvard Business Review (2016)
- [*Impact Investing tops the Most Promising Trends in Philanthropy*](#), Forbes (2015)
- [*Omidyar Network Pairs Grants With Investments To Solve Problems*](#), Forbes (2015)
- [*How to Leave a Mark*](#) by David Brooks, New York Times (2015)
- [*Making Wealth Worth More for Social Impact*](#) by Sal Giambanco, Huffington Post (2015)
- [*Is Social Impact Investing the Next Venture Capital*](#) by Sir Ronald Cohen and Matt Bannick, Forbes (2014)
- [*Impact Investing Goes Mainstream*](#), San Francisco Business Journal (2014)
- [*Case Foundation, Omidyar Network Back White House Effort To Spur Impact Investing*](#), Forbes (2014)



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Resources

- **Glossary and Profiles**
- [Glossary of terms](#), Mission Investors Exchange
- [ImpactBase](#) (Database) and Resource Library, Global Impact Investing Network
- [ImpactSpace](#), Impact IQ
- [Glossary of terms](#), TriLinc
-
- **Please note this list is not exhaustive. For additional impact investing resources, visit the [Global Impact Investing Network \(GIIN\) Resource Library](#), which features research, publications, news, and upcoming industry events.*