

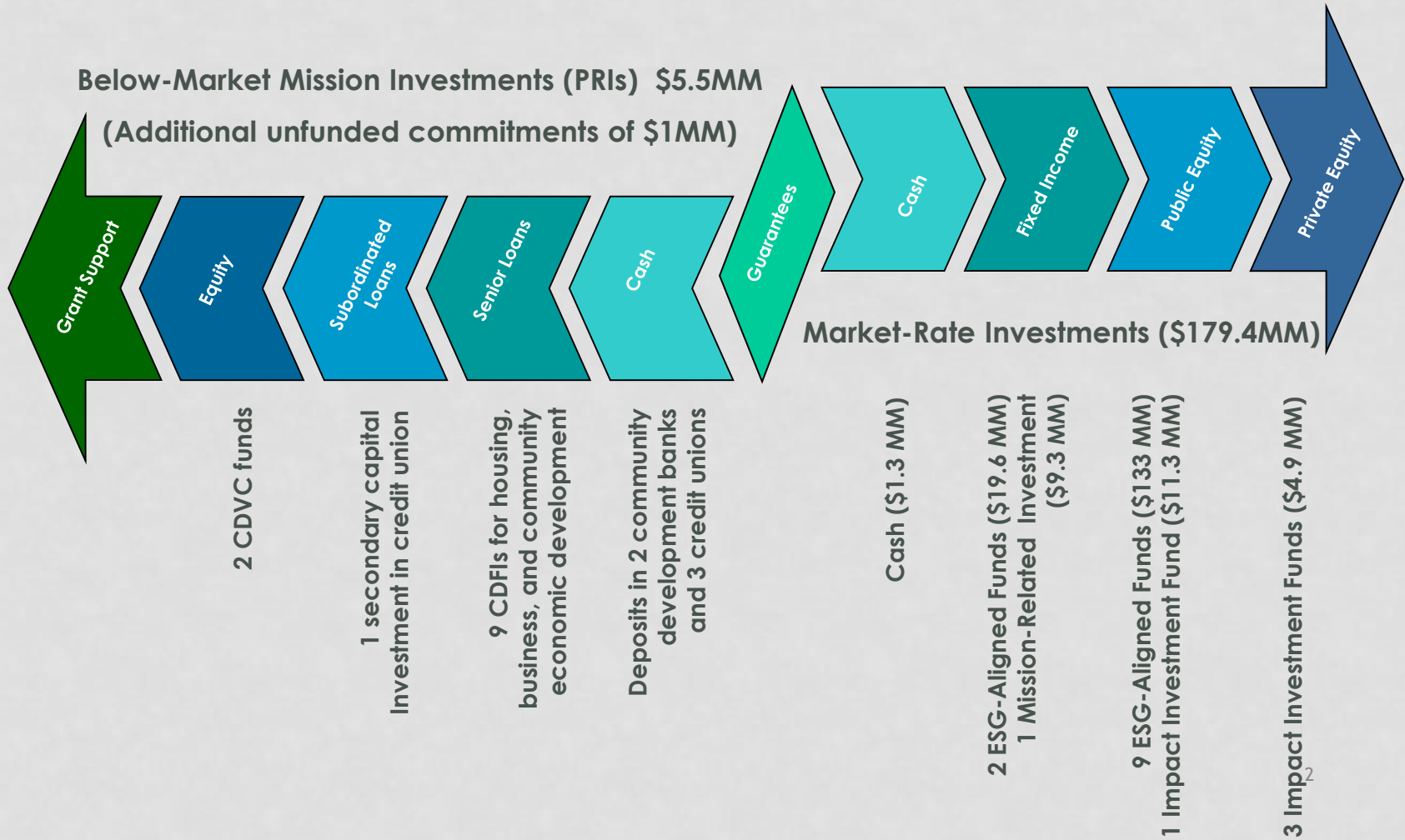


MARY REYNOLDS BABCOCK FOUNDATION

- Working in 11 states in the Southeastern U.S. to help move people & places out of poverty
- Family foundation with \$189 million in assets, 100% mission/values aligned
- \$10 million allocation for PRIs (\$6.5 million deployed or committed) to support community economic development, asset development and job creation



Mary Reynolds Babcock Foundation Current Portfolio



THE BABCOCK FOUNDATION STORY: HOW DID WE GET THERE?

- Commitment: Trustees set goal to align more assets with mission and values (2004)
- Started with what/who we knew: Built on dormant PRI program and relationships with grantee partners to build strategic PRI portfolio (2005-2012)
- Revised investment policy and hired new advisor to help align total portfolio integrating ESG factors (2014-2016)

COMMITMENT: WHY MISSION INVESTING?

- **Stewardship:** Considering strategic use of 100% of assets is trustees' fiduciary responsibility
- **Values:** Commitment to explore aligning more assets with values without sacrificing returns
- **Strategy:** Grants alone cannot achieve scale and impact on addressing poverty. Market-based strategies must be part of the solution.

2005

- Co-invested with Heron Foundation
- Established board/committee roles
- Board/staff training

2006

- Learning by doing – first PRIs to grantees
- Adopted PRI policy and strategy

2006-
2010

Built strategic PRI portfolio of \$5 million

MARY REYNOLDS BABCOCK FOUNDATION

BUILDING A PRI PORTFOLIO

PRI STRATEGY

- PRIs support growth of CDFIs across Southeast to provide critical infrastructure for addressing poverty, Grants and PRIs integrated for greater impact.
 - Grants for operations, technical assistance, strategic planning
 - PRIs for loan funds, leverage traditional capital
- High-risk, high-impact PRIs with potential for leverage
- Impact in low-wealth communities: affordable housing, small business development, job creation, access to financial services

PRI POLICY

- \$10 million allocation, \$1 million maximum per PRI
- Risk allocation for diversified portfolio
- PRIs limited to intermediaries
 - MRBF does not have the capacity for direct investing
 - Core business of CDFIs is lending and investment
 - CDFIs are important part of infrastructure for addressing poverty
- Purpose of PRIs:
 - Access to capital (insured deposits)
 - Small business development, housing and community development (revolving loan funds)
 - Job creation (venture capital)

IMPACT: CURRENT PRI PORTFOLIO

- **Affordable Housing - \$800,000**
 - \$84.5 million invested by CDFIs, leveraging \$376 million in additional financing
 - 4,485 units of affordable housing
- **Business Development - \$2,081,700**
 - \$46.6 million invested by CDFIs, leveraging \$107.6 million in additional financing
 - 7,335 jobs created or retained
- **Community Economic Development - \$1,100,000**
 - \$4.6 million invested by CDFIs, leveraging \$25.1 million in additional financing
 - 272 jobs created or retained, 144 units financed
- **Access to Financial Services - \$1,260,000**
 - 154,176 credit union members served
 - \$899 million in mortgage loans
 - \$568 million in consumer loans
 - \$1 billion in commercial loans

Natural Capital Investment Fund

- Provides flexible loans to small, rural natural-resource based businesses.
- Anchor for local food and renewable energy sectors in Appalachia
- In 15 years grew from \$100,000 revolving loan fund to \$30 million CDFI working across 9 states. Invested \$26 million in 183 businesses, creating over 3,000 jobs.



Babcock's role:

- Grants for operations, strategic planning and capital
- PRI for relending

IMPACT INVESTMENT STORY

NATURAL CAPITAL INVESTMENT FUND

SJF Ventures:

- Invests in high-growth companies to catalyze lasting, positive change
- Since 1999, invested in 52 companies, creating 8,080 quality jobs with benefits and creating social impact through clean energy, local foods, education and health.



Babcock's role as funder/investor partner:

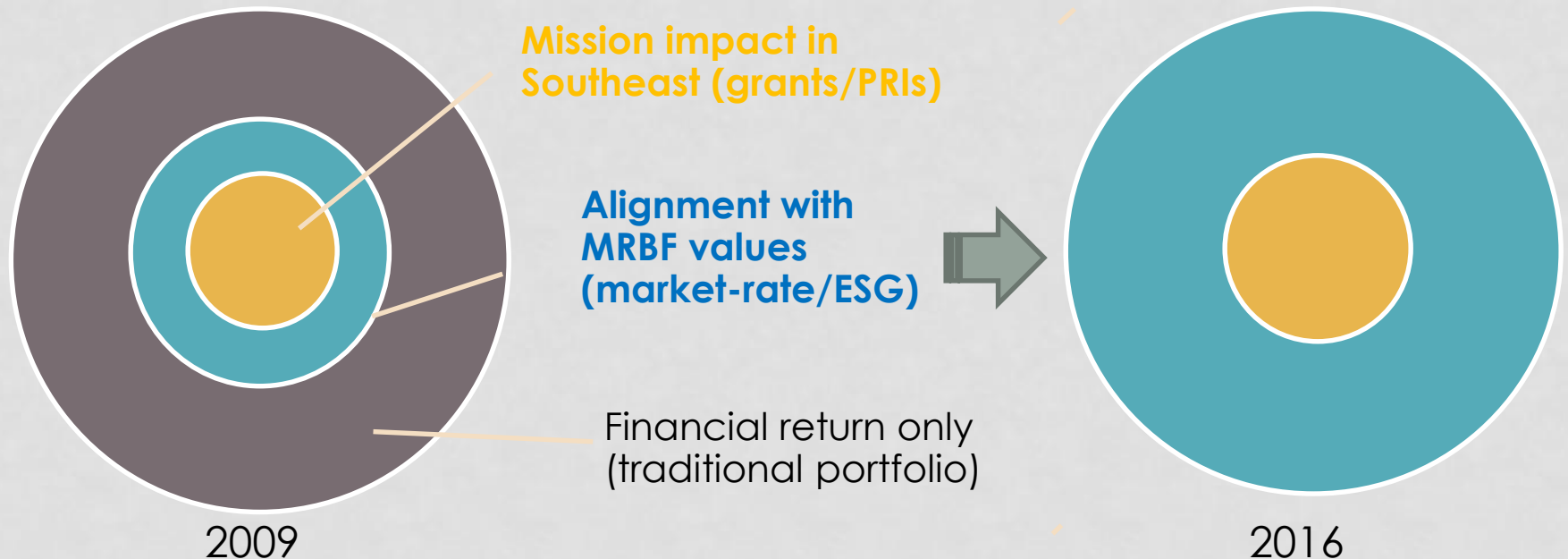
- Project grant to nonprofit affiliate to support employee asset development
- PRI in 2005 for community development venture fund as risky “first fund”
- Follow-on MRI investment in 2016 in SJF IV as proven market-rate fund

IMPACT INVESTMENT STORY

SJF VENTURES

APPROACH TO MISSION INVESTING

The Babcock Foundation believes that, in addition to grant making, our financial investments can be an effective tool for achieving positive impact. Beginning in 2005, we made a commitment to align our diverse portfolio with our mission, first by building out a strategic PRI portfolio, then by aligning our market-rate investment portfolio with the foundation's values for environmental, social and governance issues.



LESSON LEARNED: KNOW WHAT YOU OWN



2009

- Investment policy included impact investing goal, but little progress

2014

- Hired new investment consultant
- Adopted new investment policy with full ESG integration

2015

- Hired new managers, full implementation by end of 2016

MARY REYNOLDS BABCOCK FOUNDATION

ALIGNING ALL ASSETS

INVESTMENT POLICY

- Investment objective: to preserve and enhance the foundation's inflation-adjusted purchasing power while providing relatively predictable and stable returns that meet spending requirements.
- Integrate ESG and impact investment criteria across the entire portfolio, consistent with fiduciary responsibility to achieve competitive market returns.
- Commitment to align investments with foundation's mission – includes market-rate investments (MRIs) and below-market program-related investments (PRIs). PRIs are made from a separate budget with strategies and policies to advance our mission.

LESSONS LEARNED

- No “right” way: explore what fits your mission, expertise, relationships, resources
- Engage and educate trustees and program staff
- Learn by doing
 - Insured deposits are safe and easy entry point
 - Intermediaries make PRIs easier and less risky
 - Start with what and who you know
 - Co-invest with experienced mission investors
- Tap into expertise (peers and experts)
- Push your investment consultants – include them in learning about this growing field

RESOURCES

- Mission Investors Exchange – one-stop shop for foundation investors: www.missioninvestors.org
- Aeris – data, analysis and rating system for CDFIs: <http://www.aerisinsight.com/>
- Global Impact Investors Network (GIIN) – network of investors building the field of impact investing: <https://thegiin.org/>
- B Lab and GIIRS – resource for social impact metrics: <http://b-analytics.net/giirs-ratings>
- Mary Reynolds Babcock Foundation: (336)748-9222, Lavastian Glenn: glenn@mrbf.org, Jennifer Barksdale: jbarksdale@mrbf.org