



The Annie E. Casey Foundation

Mission-Related Investing

Putting Your Assets to Work for Maximum Impact



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Bay Area Equity Fund

- \$75M private equity fund
 - Invests in companies in low income communities of the Bay Area
 - Partnership with Bay Area Council for deal flow and workforce development
- \$1.65M Casey equity investment (PRI)
 - 10 year partnership
 - Originally set PRI-like return expectation of 10-12%
 - Now performing in top quartile and expect 20+%



- 10 year goal of 1,500 new jobs created
 - Cumulative jobs created since inception (2010Q1): 2,125
 - Cumulative jobs for low-income individuals created: 1,224

Topics of Presentation



- Definitions
- Benefits of mission investing
- Field data and trends
- Mission investing in practice
 - Spring Creek Advisors
 - AECF
- Resources

Defining Mission Investments



Conventional Philanthropic Investing Continuum

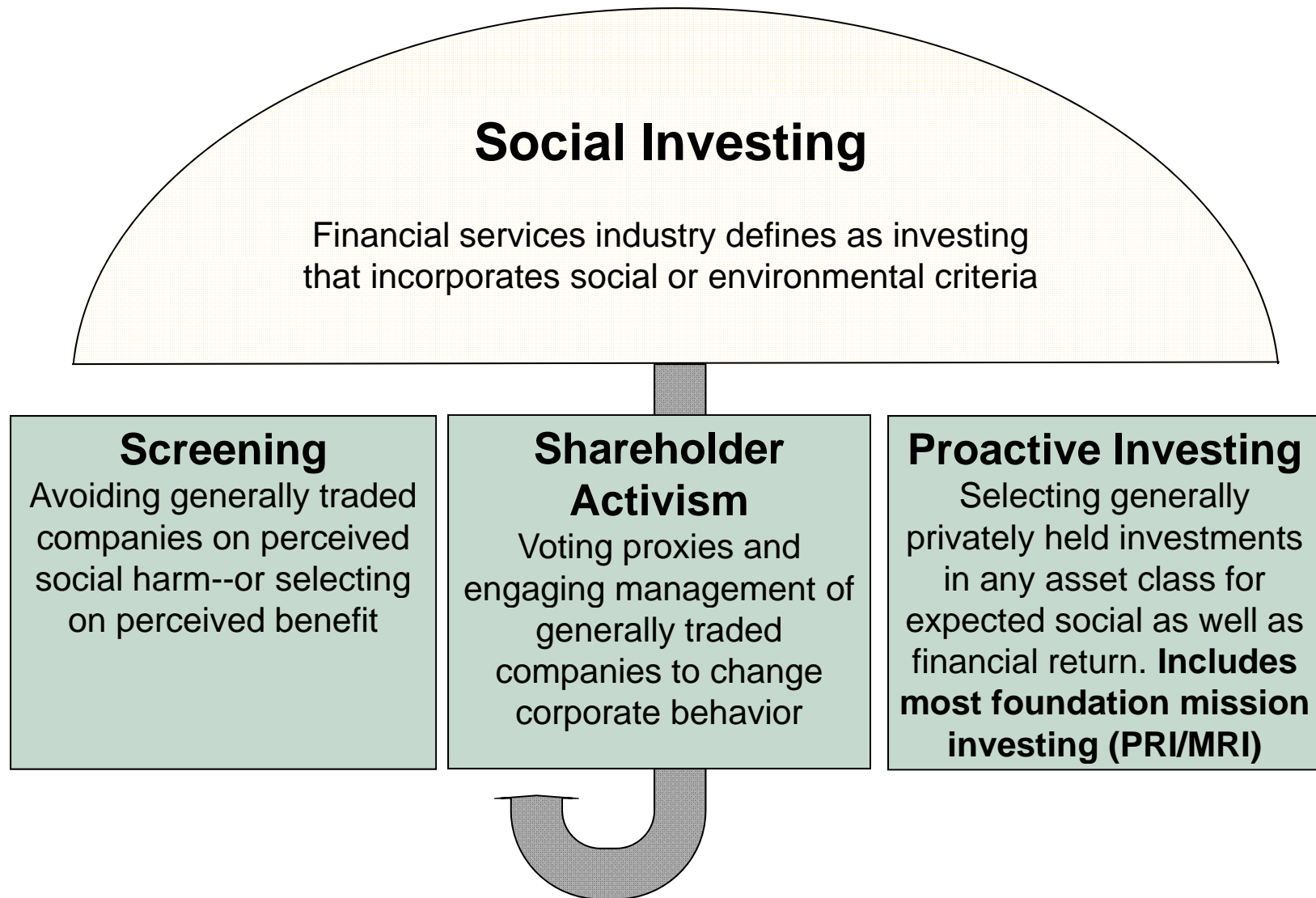
**Fund
Grants from
Earnings
~ 5% of assets**

**Invest
Endowment
Assets
95% of assets**

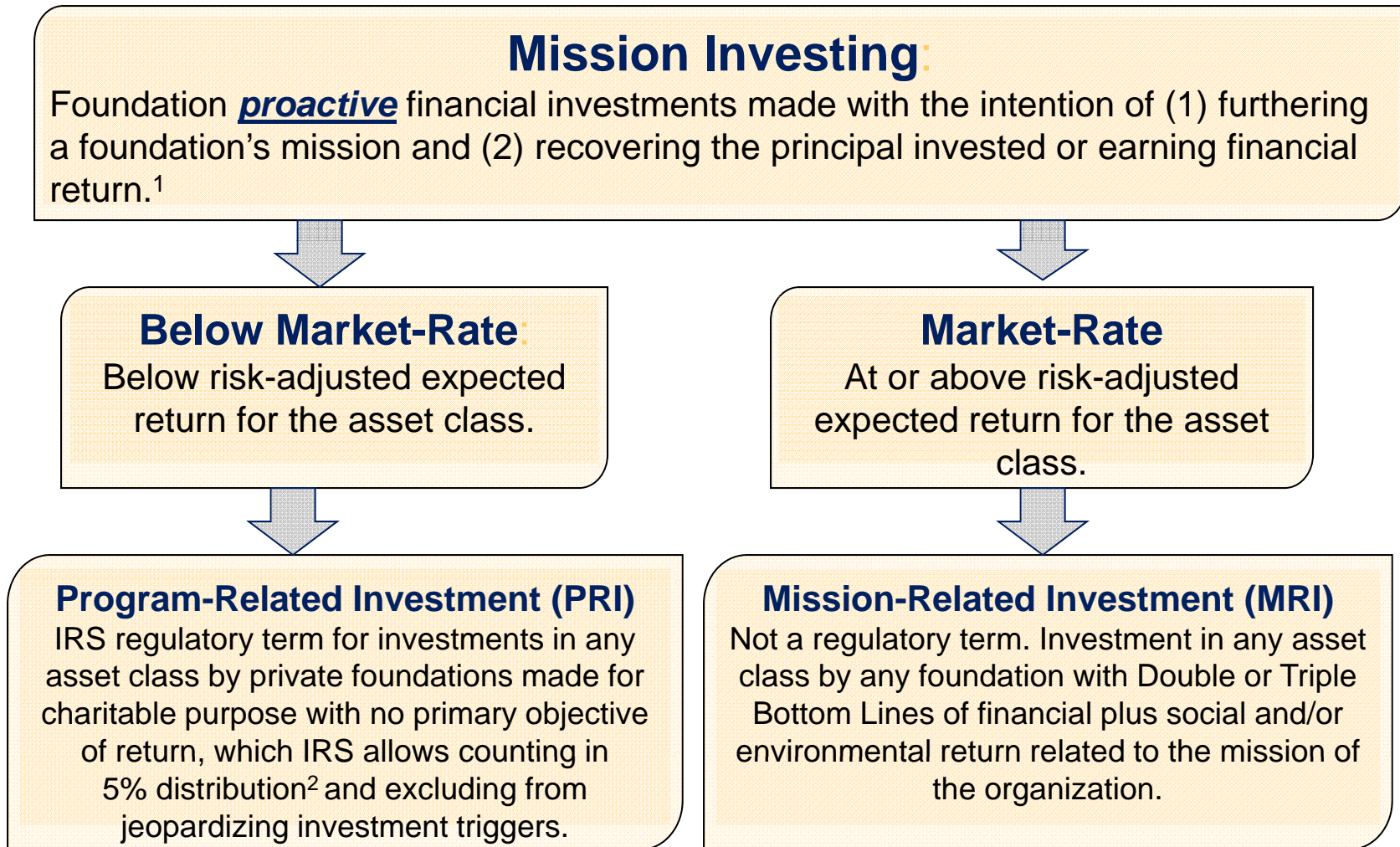
*Maximize social return
w/ grants funded by
at least 5% of assets
per year*

*Maximize financial return
to fund annual grant
payout of at least 5% of
assets while preserving
endowment*

Social Investing Definitions



Mission Investing Definitions



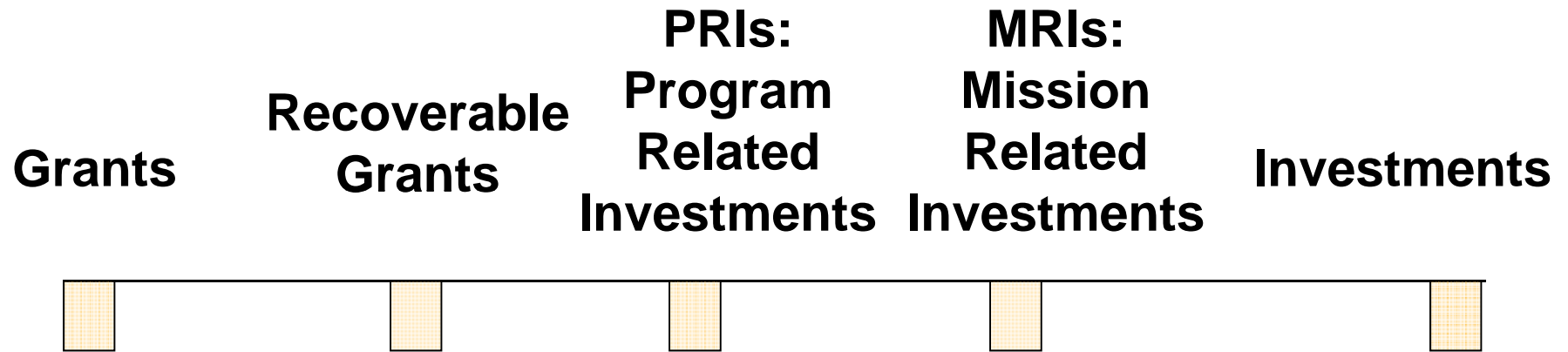
Social Investment Definitions



- PRIs only category with a legal IRS definition
 - Primarily to achieve program goals
 - Terms must be below market on a risk-adjusted basis
 - Does not support lobbying
 - Must be investigated, documented and monitored

- Foundations may make other mission-driven/social investments that don't qualify as PRIs
 - Financial return primary or equal goal with social return
 - Emerging philosophy of using all (or more) assets to support mission
 - Terms may include
 - Social investing, Mission investing
 - Socially responsible investing
 - Mission-related investing
 - Integrated investing
 - Double/triple bottom line investing

New Philanthropic Investing Continuum

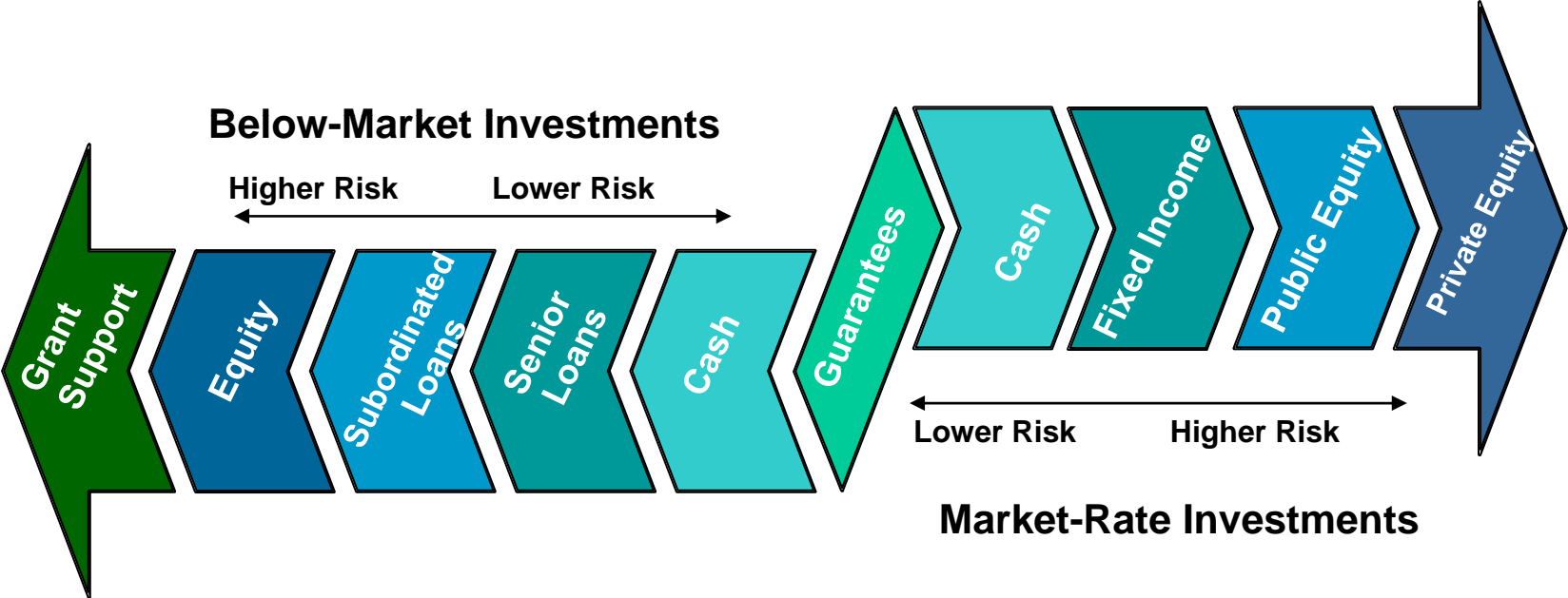


***Primary Motivation:
Social Return***

***Primary Motivation:
Financial Return.***

*Foundation may screen
endowment assets and/or vote
proxies on holdings for
mission alignment*

Social Investment Continuum Across Traditional Asset Classes



Source: F.B. Heron Foundation Mission-Related Investing Continuum

Why Mission Investing?



Mission Investing Motivation



- Scale of needs outstrips grant resources
- Timing of project financing needs often outstrips grant resources
- Alignment concerns: “the other 95%”
- Fewer dollars for grants in down markets
- Pressure to grant with up markets or endowment
- No influence on access to commercial capital for nonprofits and other social enterprises
- No leverage of vast government and capital markets assets

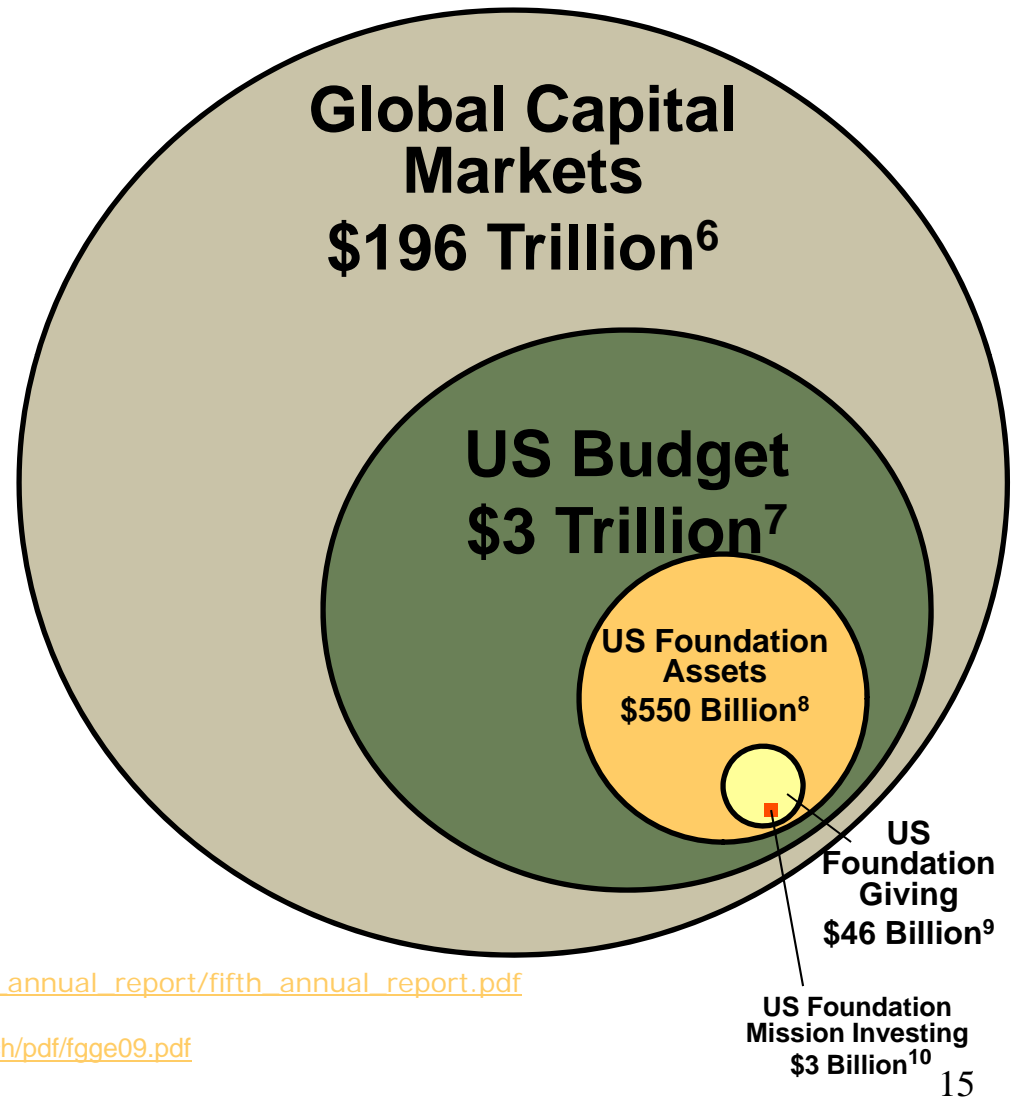
Mission Investing Motivation

Stakeholder	Strategic Benefits
Foundation	Impact, recyclable, flexible, scale, leverage, payout, partnership, learning, alignment, feasibility, credibility
Investee	Proof of concept, credibility, managerial discipline, scale and sustainability, capacity/leverage, partnership
Society/ Market	Market development /innovation catalyst, policy catalyst, efficient use of charitable resources, accountability in social sector, sustainable organizations

Mission Investing Field Data and Trends

Sidebar: Benchmarking Foundation Resources to US Government and Capital Markets

“One of the most effective ways to alleviate, and sometimes even to eliminate, social suffering is therefore to supplement, leverage, or alter the incentives of conventional capital markets. Foundations can achieve this not only by making grants, but also by using their endowments to craft market-based solutions to social problems.”¹¹



⁶ Source: www.mckinsey.com/mgi/reports/pdfs/fifth_annual_report/fifth_annual_report.pdf

⁷ Source: www.gpoaccess.gov/usbudget/

⁹ Source: www.foundationcenter.org/gainknowledge/research/pdf/fgge09.pdf

¹⁰ Source: Estimate, GPS Capital Partners, LLC

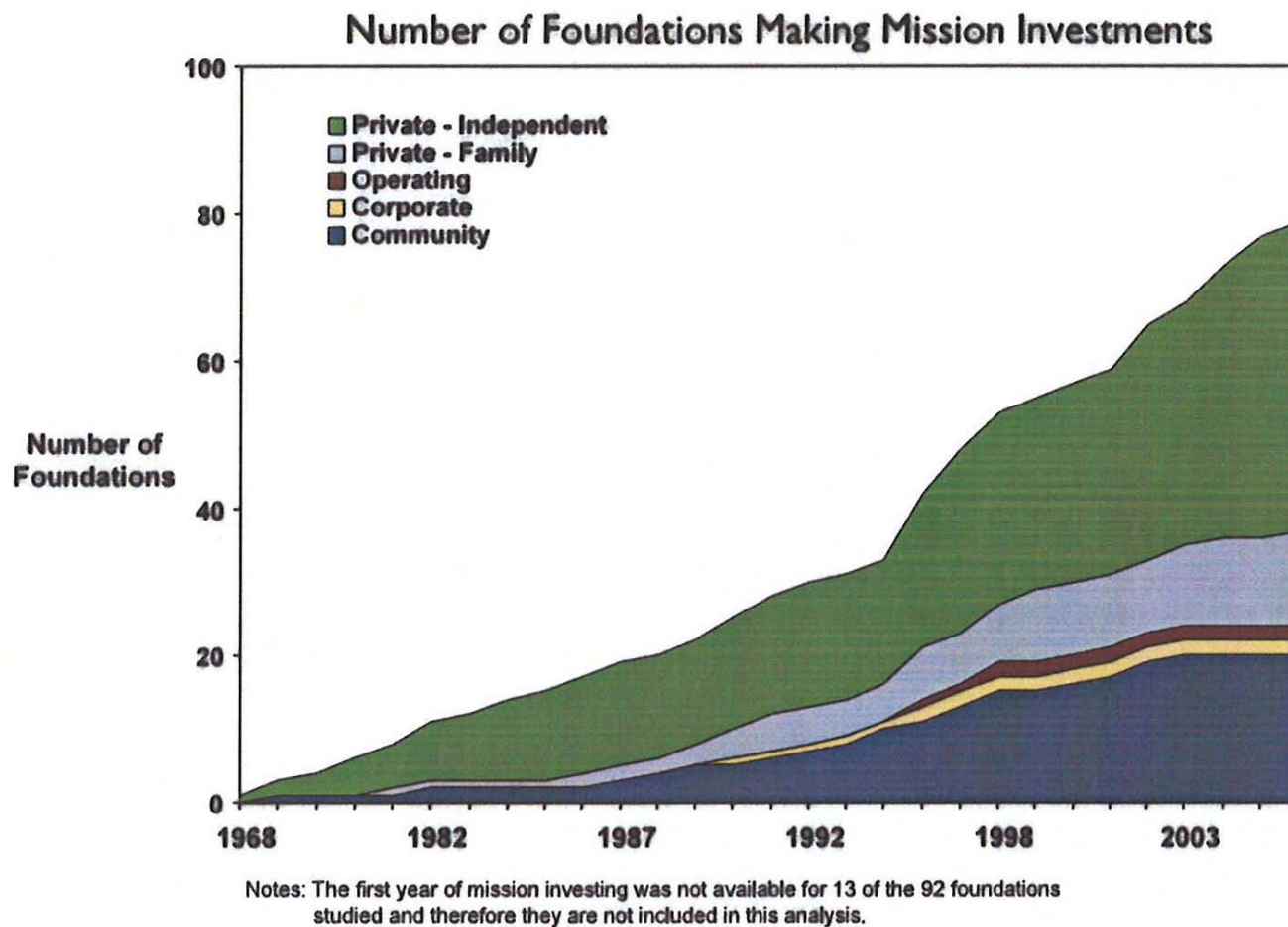
¹¹ Source: www.ssireview.org/images/articles/2007FA_feature_kramer_cooch.pdf

Notable Industry Trends



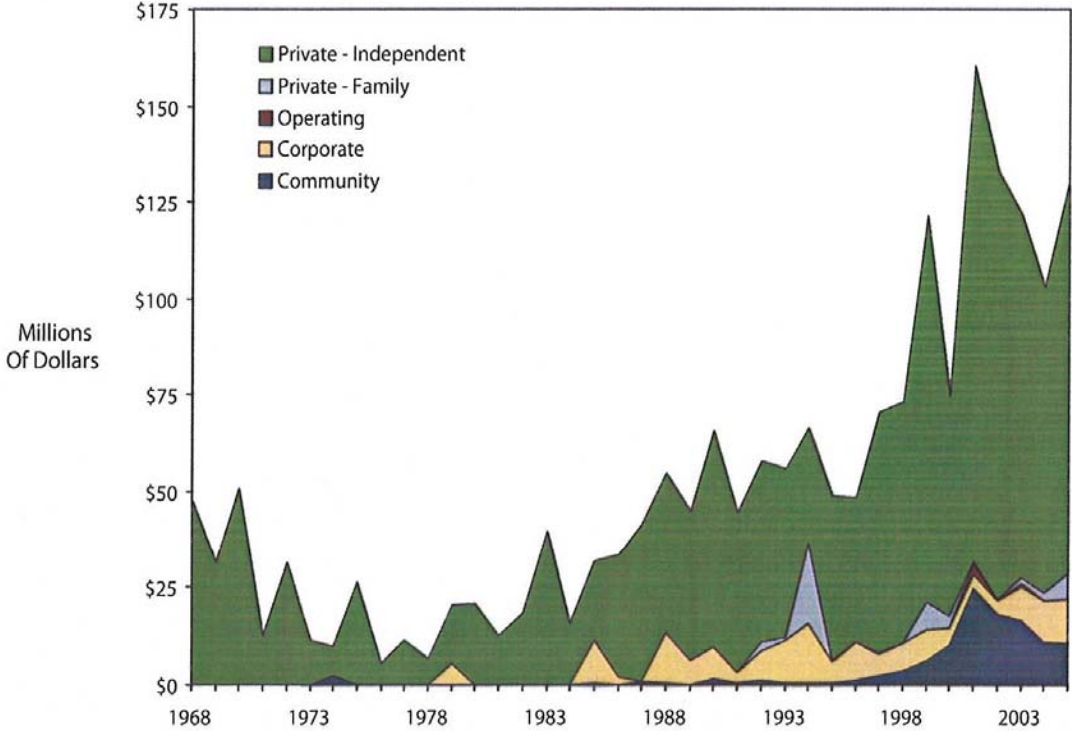
- Increased promotion and awareness
 - Industry networks
 - Large, high-profile foundations publicly announcing initiatives
- Increased desire to incorporate environmental, social and governance (ESG) issues into investment strategy
 - SRI assets rose more than 324% from 1995 to 2007
- Efforts by several investors to increase product supply
- Trend towards more proactive investment with a real impact, not just exclusionary screens
- Rapid adoption of the UN Principles for Responsible Investing (UN PRI)
- Continued pressure from activist organizations

Small Number of Foundations Are Making Social Investments



Annual SI Volume Growing But Still <\$200 Million

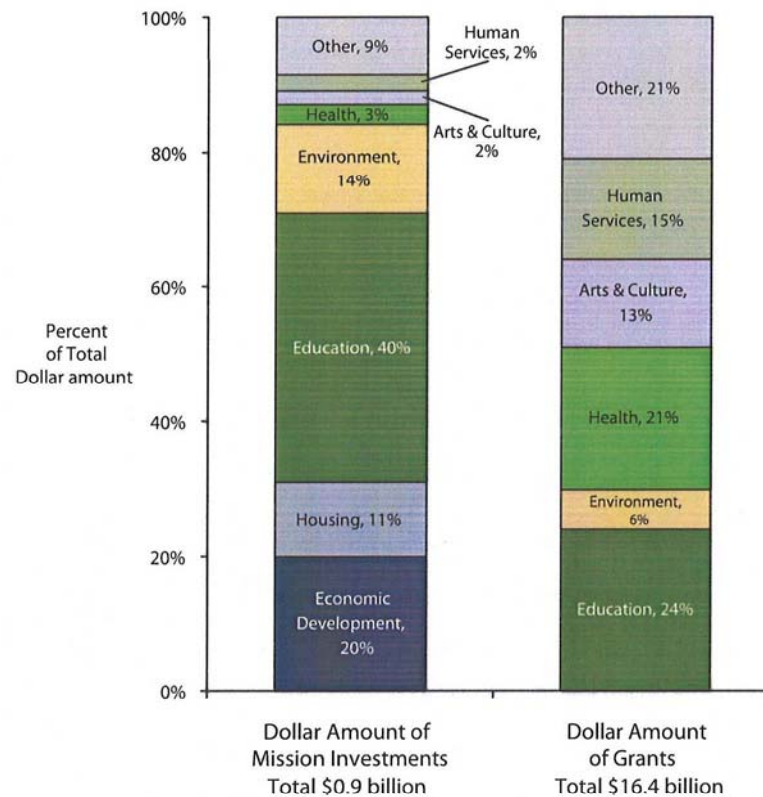
Dollar Amount of New, Committed Mission Investments Per Year
By Foundation Type in Constant 2005 Dollars



Notes: In constant 2005 dollars based on annual average CPI, all urban consumers as reported by the U.S. Department of Labor. To avoid major swings due to periodic investments, one foundation's infrequent and large equity investments are not included in this trend analysis. The first year of mission investing or the foundation size was not available for \$120 million of investments and therefore is not included in this analysis.

SI Program/Issue Areas

Comparison of Issue Areas Addressed by Mission Investments (2001-2005) Versus Grants (2005)



Note: 2005 grant data for all foundations is from Foundation Center's Foundation Giving Trends (December 2006) based on all grants of \$10,000 or more awarded by 1,154 of the largest foundations; grant data does not have Economic Development or Housing categories.

Marketable MRI Manager Categories in Cambridge Associates Database

MRI Category	Description
Environmental, Social, and Governance	Funds that integrate environmental, social and governance (ESG) concerns into their strategies, including integrated ESG analysis, screening, and engagement techniques
Faith-based	Funds that invest based on the precepts of a particular faith or values that cross denominational lines (e.g., Catholic values and Shariah-compliant)
Community Investing	Investments in US communities that are underserved by traditional financial services
Emerging Markets Development	Investments in developing regions to strengthen local economies, empower underserved populations, and increase global access
Clean Energy and Technology	Investments in emerging and proven renewable energy technologies, clean materials, and environmental efficiency

Social Investing Resources



- More for Mission Campaign: www.moreformission.org
- PRI Makers Network: www.primakers.net
- Global Impact Investing Network (GIIN): www.thegiin.org
- Foundation Center: www.fdncenter.org. (PRI Directory)
- Grantcraft: www.grantcraft.org (PRI grantcraft guide)
- Social Investment Forum: www.socialinvest.org
- Council on Foundations: www.cof.org (Resources for Grantmakers)
- Investor's Circle: www.investorscircle.net

Social Investing Resources



- Cambridge Associates Mission Investing Group: www.cambridgeassociates.com
- FSG Social Impact Advisors: www.fsg-impact.org (mission investing study)
- Monitor Institute: www.monitorinstitute.com (Investing for Social & Environmental Impact report: www.qk18ad7x79.web.aplus.net)
- Opportunity Finance Network: www.opportunityfinance.net (CARS rating system)
- Rockefeller Philanthropy Advisors: www.rockpa.org (trustee handbook)
- Foundations with SI experience

AECF Approach and Philosophy



- Social investments complement grantmaking and provide an additional philanthropic tools
 - Seek double bottom line—financial and social return
 - Seek to fill a financing gap
- \$125 million allocation of endowment
 - Different risk profile from other foundations
 - Place based and thematic investments
- Flexible terms but always invest through financial intermediaries
- Leverage/co-investment requirement
 - Influence other investors and share risk
- Systems in place to track financial and social returns

AECF SOCIAL INVESTMENT TAXONOMY

MISSION INVESTMENT PORTFOLIO

POSITIVE VALUES-DRIVEN

