



The Annie E. Casey Foundation

ESG Analysis: AECF Social Investments Program



SRI In the Rockies
October 25, 2009

Christa Velasquez

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)



- 10 year goal = 1,500 new jobs created
 - Cumulative jobs created since inception: 1,610
 - Cumulative jobs for low-income individuals created: 872

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
- \$100 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 (SI dashboard)

Evolution of Social Investing at AECF



➤ Phase 1 (1998-2004)

- \$20 million allocation of endowment
- Restricted to place-based *Making Connections* sites

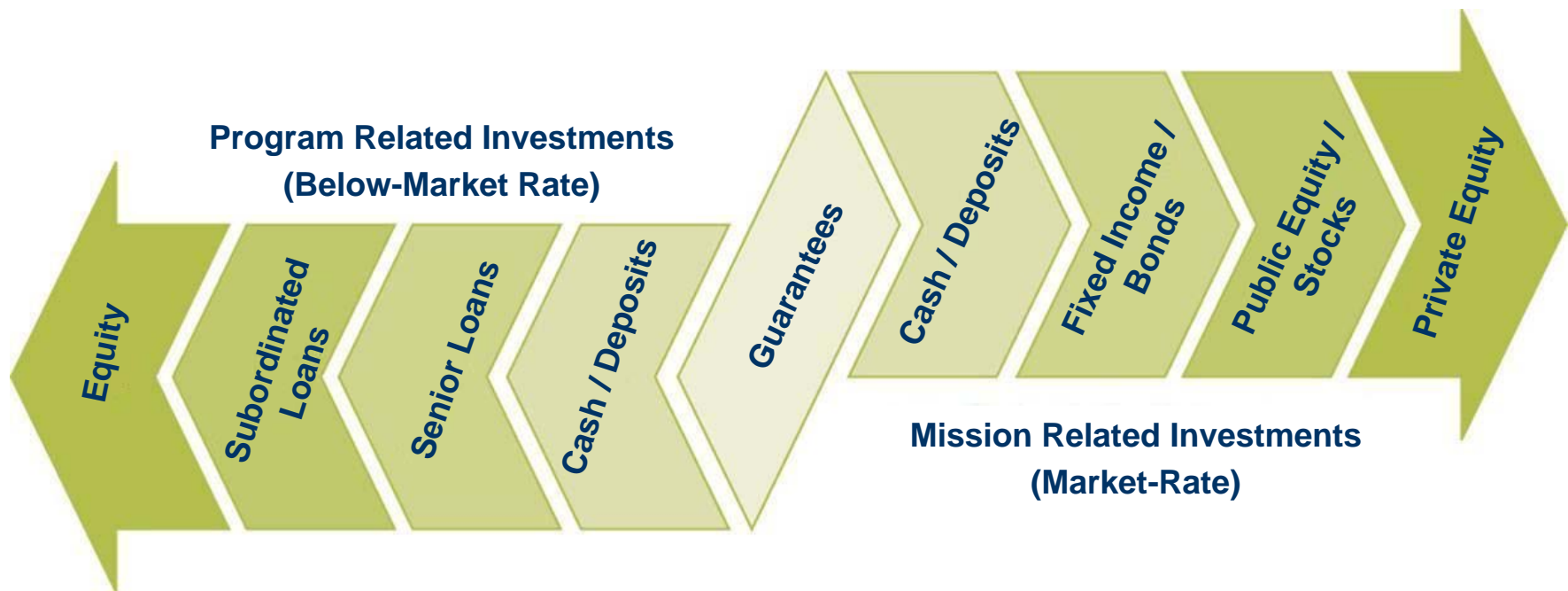
➤ Phase 2 (2004-2008)

- \$100 million allocation of endowment
- Eligibility expanded to all Casey places and program areas

➤ Phase 3

- Priority of President and CIO
- Social factors can be considered in all endowment investments
- Social investments grouped into a mission portfolio and a positive – values driven portfolio
- Developing specific tests to determine mission relatedness
- Initiated More for Mission Campaign

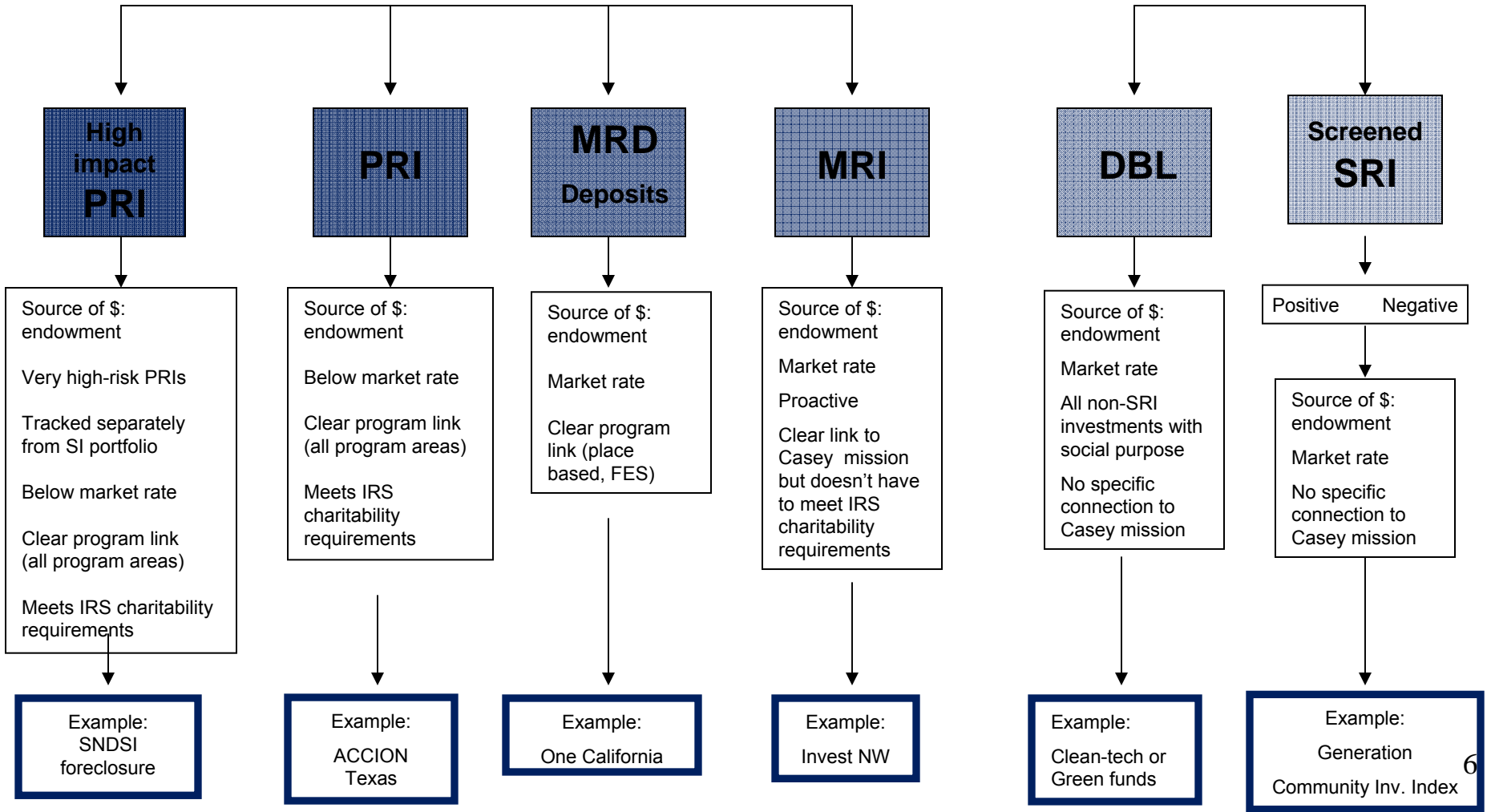
Social Investment Continuum



AECF SOCIAL INVESTMENT TAXONOMY

MISSION INVESTMENT PORTFOLIO

POSITIVE VALUES-DRIVEN



ACCION Texas



- AECF focus on improving family economic success on San Antonio's West Side
 - Interest in creating/sustaining micro and small businesses
- ACCION Texas, an established loan fund that makes micro and small business loans



- **\$500,000 loan at 3% for 5 years**
 - Targeted to AECF neighborhoods of interest
 - Grant support for staffing/operations
 - Financial and programmatic requirements (job creation)
- **Follow-on investment at year 3 for additional \$500,000**

SI Results to Date



➤ Financial results

- Expected financial return of 3.3% for entire portfolio
- At FYE 2008 best performing portfolio in endowment
- Very little volatility

➤ Leverage/co-investment

- \$324 million in direct co-investment
- \$114 million leverage from guarantees
- Project financing generates significant additional indirect public and private leverage

➤ Influence

- PRI Makers Network
- More for Mission Campaign
- Individual investments and program/topic areas

AECF SI Results to Date

SI Impact Results as of 12/31/08



	Total Projected	Actual to date (12/31/08)
Charter school slots	6,300	2,065
Child care slots	175	329
Commercial space developed (sq ft)	2,174,082	472,982
Jobs created	3,909	2,914
Housing units developed	11,470	1,712
Affordable housing units developed	6,596	2,505
Small businesses financed	301	79

SI Lessons

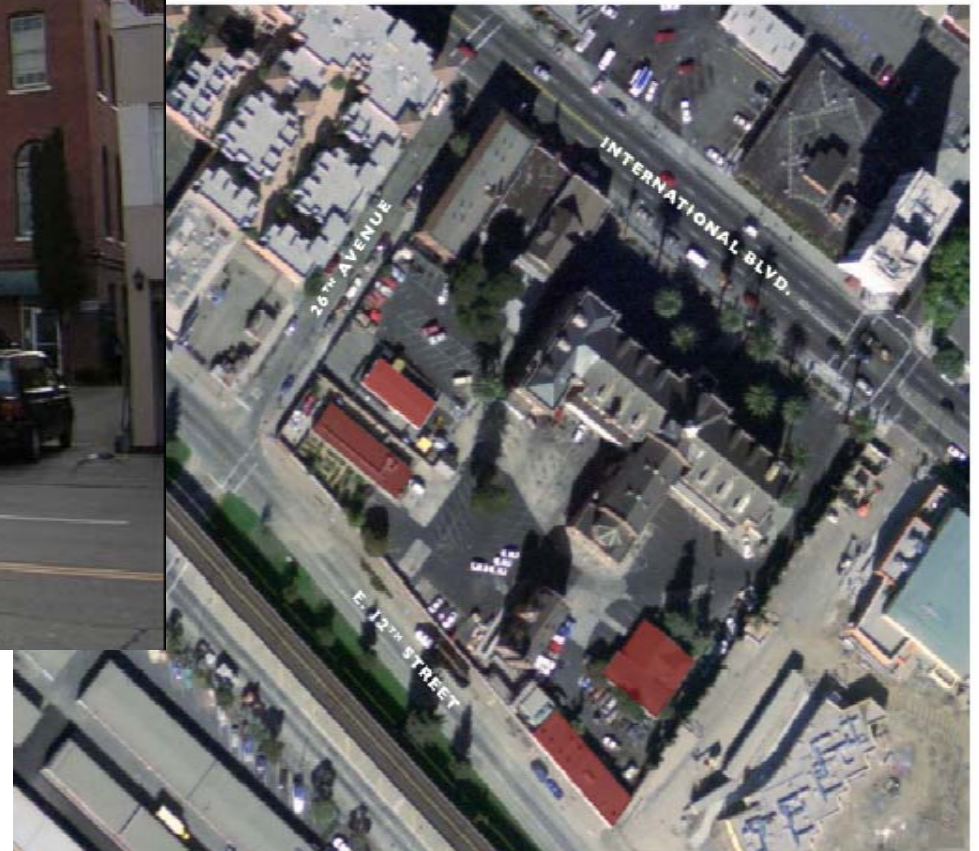


- Every investor has a different entry point
- Every investor has different definition of mission-related
- Education and capacity building for AECF staff, partners
- Link to program/mission critical
- Not every idea/organization appropriate for an investment
- Deals can take time to develop
 - Grant support sometimes necessary to do deal
- Leverage takes time and money
- Ongoing management needed to maintain relationship (financial and programmatic)

St. Joseph's Center Oakland, CA



- Affordable housing
 - 59 senior
 - 89 family units
- 15,000 sq ft commercial space
 - targeted to nonprofits and resident services



Northern California Community Loan Fund



- \$10M Lower San Antonio Community Development Loan Fund
 - \$8M loans, \$2.25M grants
 - Predevelopment and acquisition grants and loans for affordable housing projects in LSA

- \$2M Casey loan
 - 7 years @ 2.5% annual interest
 - \$250,000 aggregate grants from MC and SI

- 10 year goal of 200 units of affordable housing
 - To date financed 281 units and 18,900 sq. ft. commercial space