

“One of the exciting things about the substantial increase in mission investing over the last few years is the opportunity to influence markets to contribute to social outcomes. Collectively foundations’ mission investments can harness the enormous power of markets and steer them toward places, populations and purposes important to philanthropy.”

**Douglas W. Nelson**  
President & CEO,  
*Annie E. Casey Foundation*

Welcome to the More for Mission Campaign Spring Newsletter, a publication of the More for Mission Campaign Resource Center (CRC). This first newsletter introduces the More for Mission Campaign and offers a brief overview of happenings in the field of mission investing.

## MISSION INVESTING: A BRIEF OVERVIEW

Mission Investing is a relatively new concept that addresses a long-standing concern: how can foundations better leverage their assets to achieve their mission? Thanks to a growing investment infrastructure of products and services, and more open consideration of risks and opportunities for investments that create social and environmental good, foundations are turning to mission investing as a tool that allows them to use more resources to meet their institutional goals.

Mission investing can take many forms – from market-rate (MRI) to below-market (PRI) strategies – and it can focus on a wide range of social and environmental goals. The keys are investor intent and a rigorous integration of financial and mission-related analysis.

Private, family, community and corporate foundations are investing their corpus in a range of investment products, from community banks that serve low- to moderate-income areas, to public equity funds that set standards and advocate for change, to venture funds that support low-carbon technologies, to real estate funds that promote social equity and environmental sustainability.

While many investment vehicles are still new, and the field itself faces skepticism, mission investing seems to be approaching critical mass, with active stakeholder collaborations catalyzing mission investing in the United States and abroad. One of the most exciting developments in mission investing is the development of opportunities for foundations to invest collaboratively, with each other and with other institutional investors, to help create market opportunities for social good where they may not yet have been developed.

## The More for Mission Leadership Committee

As of May 2009, the More for Mission Campaign is composed of a Leadership Committee comprising 34 foundation CEOs and executive directors that represent approximately \$25 billion in assets. The Leadership Committee includes various foundation types including private and family foundations (22 as of May 2009), community foundations (nine as of May 2009) that approach mission investing differently given varied funding structures, and corporate foundations (three as of May 2009) that may maintain close ties with the donor company on investing policies. The group ranges from smaller foundations with \$10 million in assets to larger foundations with \$8 billion in assets. Foundations within the network come to mission investing from different perspectives yet they all share the goal of leveraging their assets to create positive impact.

“On the investment side, we’re fairly averse to risk since our donors have asked us to be stewards of their gifts in perpetuity. Because we’ve found that our mission investments have performed well over time, we now feel comfortable dedicating 2 percent of our investment portfolio to them.”

**Ronald B. Richard**  
*President & CEO, Cleveland Foundation*

## LEADERSHIP COMMITTEE

The Campaign’s Leadership Committee includes representatives from some of the most respected foundations in the nation.

|  |                                  |
|--|----------------------------------|
| Annie E. Casey Foundation                    | Hyams Foundation                 |
| Baton Rouge Area Foundation                  | Jacobs Family Foundation         |
| Betsy & Jesse Fink Foundation                | Jessie Smith Noyes Foundation    |
| Blue Moon Fund                               | Kalamazoo Community Foundation   |
| The Boston Foundation                        | KL Felicitas Foundation          |
| The California Endowment                     | Lutheran Community Foundation    |
| Christopher Reynolds Foundation              | Mary Reynolds Babcock Foundation |
| Cleveland Foundation                         | Meyer Memorial Trust             |
| Columbus Foundation                          | Mitchell Kapor Foundation        |
| The Community Foundation for Greater Atlanta | Needmor Fund                     |
| Consumer Health Foundation                   | Prudential Foundation            |
| Deutsche Bank                                | Russell Family Foundation        |
| Edward W. Hazen Foundation                   | S.H. Cowell Foundation           |
| F.B. Heron Foundation                        | Seattle Foundation               |
| Gaylord & Dorothy Donnelley Foundation       | Skoll Foundation                 |
| Hitachi Foundation                           | Tides Foundation                 |
|  | Vermont Community Foundation     |
|  | W.K. Kellogg Foundation          |

## PARTICIPATING ORGANIZATIONS

Participating organizations believe in leveraging their assets to achieve mission goals, may be engaged in starting the practice and desire to learn from the sharing of resources through the More for Mission Campaign.

- Chino Cienega Foundation
- College Success Foundation
- The Fetzer Institute
- Flora Family Foundation
- The Health Foundation of Central Massachusetts
- William Caspar Graustein Memorial Fund

## THE STEERING COMMITTEE

The Steering Committee is composed of the initial founders of the campaign and current co-chairs – the Annie E. Casey Foundation, the F.B. Heron Foundation, and the Meyer Memorial Trust. The three foundations provide the financial support for the CRC and oversee the work of the CRC – setting work agendas, budgets and funding targets. The Steering Committee will likely be expanded in 2009 to grow the Campaign and its funding mechanism that would continue the structure beyond the role of the three initial co-chairs. The Campaign Resource Center (CRC) is housed at the Institute for Responsible Investment, a project of the Boston College Center for Corporate Citizenship. The CRC supports the campaign by gathering and disseminating information, building networks of interested investors and providing thought leadership in the field.

For more information about the Campaign and its resource center,  
visit [www.moreformission.org](http://www.moreformission.org)

# MISSION INVESTING IN PRACTICE: EXAMPLES FROM THE LEADERSHIP COMMITTEE

“A significant part of our strategy involves sharing what we have learned about the full range of investments, asset allocations and rates of return available with trustees, investment committees and program staff of other foundations. The Campaign is a great platform to further that effort.”

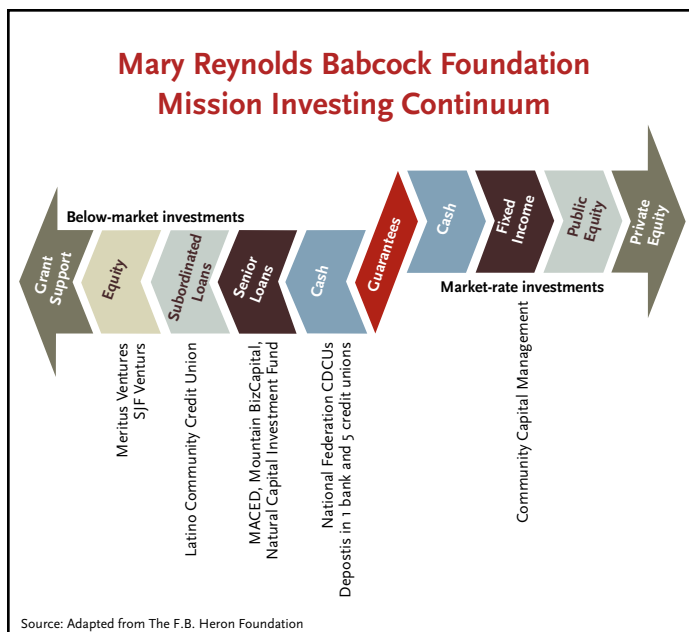
**Sharon King**  
President,  
F.B. Heron Foundation

The majority of the members of the Leadership Committee started mission investing in the late 1990s and early 2000 with a few starting as early as the 1980s. Here we offer a few highlights that reveal the range of investments and scope of the field.

- **The Baton Rouge Area Foundation** has real estate investments that not only turn a profit, but also care for people and the planet. The Foundation, with Commercial Properties Realty Trust as its manager of properties, has rebuilt an abandoned hotel in downtown Baton Rouge, converted a has-been mall into a thriving office complex and is building a low-carbon traditional neighborhood development in Raleigh, North Carolina. The Foundation also is reviving inner-city neighborhoods through an alliance with a nascent redevelopment authority.
- **The California Endowment** committed \$75 million in late 2008 to mission investing. The foundation will seek opportunities for mission investments that align with the California Endowment’s new 10-year strategic direction (2010-2020): Building Healthy Communities. The goal of this place-based strategy is to transform distressed California communities into neighborhoods that are safe and healthy places for children to grow and learn. The California Endowment has recently selected 14 communities impacted by low health outcomes, yet with the potential to develop into model communities.
- **The Community Foundation for Greater Atlanta** has focused its mission-based investments (as of December 31, 2008) on certificates of deposits and market rate fixed income securities that support the communities the foundation serves. Investments include CDs in Citizens Trust Bank backed by the Certificate of Deposit Account Registry Service (CDARS) and a fixed income investment in Access Capital that manages a community investment bond fund. As of February 2009, mission investing as a percentage of total assets is at 3.92 percent.
- **The Consumer Health Foundation (CHF)** initially entered mission investing through its service contracts, for instance, using local minority contractors for catering, office supplies, and other internal services. This later was expanded to include local and minority fund managers for its investments. At the same time, CHF uses the tools of equity screening for harmful industries and program-related investments, bringing the total amount of its corpus in mission investing to 33 percent of its assets (as of March 2009).
- The role of business in society – particularly the role business can play in ameliorating poverty – is the mission focus of **The Hitachi Foundation**. To support this work through its investments, The Hitachi Foundation targets companies whose work forces and community practices have a positive impact on low-wealth people and communities. To do this the board has approved 5 percent of the investment portfolio to mission investing in the Community Investing Index (CII). CII provides a methodology for selecting investments among the S&P 900 that align with their investment priorities. In particular they are interested in companies that are putting policies and practices in place that benefit low-wealth workers.
- The **Mary Reynolds Babcock Foundation** mission investments show how grants and PRIs can work together. The Foundation believes that grants alone cannot achieve scale and impact on moving people and places out of poverty. Market-based strategies must be part of the solution, and Program-Related Investments can leverage growth and increase sustainability of high-performing “anchor” organizations. See case example below:

**We want to collect more stories on investments and collaborations among investors.  
Please send us your stories to [lisa.hagerman@bc.edu](mailto:lisa.hagerman@bc.edu)**

**Case example:** Mountain BizWorks provides training, coaching, and access to capital for low-income and minority entrepreneurs in the 12 western-most counties of North Carolina. MRBF initial grants supported staff and organizational development for expansion, operating support for business technical assistance and establishment of a small loan pool. An equity grant to affiliate Mountain BizCapital in 2005 matched a federal grant for loan fund capital. In 2006 the foundation made a \$200,000 PRI as debt capital to expand the loan fund to meet growing demand for business loans and increase Mountain BizWorks' earned income and self-sufficiency. The combination of grants and a PRI over nearly a decade has offered capacity building and leverage to expand Mountain BizWorks impact and sustainability.



- For more than a decade the **Needmor Fund** was in the unique position of being 100 percent mission invested, after initiating a mission investing program in 1984. Although its 100 percent mission invested portfolio consistently outperformed its benchmarks, this year Needmor's Finance Committee allocated 5 percent to an unscreened long/short equity hedge fund to reduce portfolio volatility. The majority of Needmor's funds are in public equities with investments in individually managed accounts at top tier social investments and firms. Needmor works with its managers to develop screens, vote proxies and file, sponsor shareholder resolutions.

Examples from the Needmor Fund portfolio: 17 percent of deposits in cash, Needmor places CDs in community banks using Calvert's CD portfolio. The foundation also asks grantees to identify community banks in their communities and works to get them included in Calvert's list. Their fixed income investments, at 12 percent, include investments in Calvert Social Investment Bonds and Access Capital Strategies. Needmor invests in sustainable public equities, at 70 percent, in individually managed accounts at several top tier social investment firms that earn market rate returns.

- The Russell Family Foundation** took the approach to start out with a mission investing pilot program and "put their toe in the water." The foundation started investing in 2004 with a \$1million pilot. In 2006 it allocated 5 percent of its portfolio to mission investing. As of 2009 the foundation's mission investing allocation is approximately 8 percent across MRI vehicles. The foundation did not establish a formal MRI definition which it found allowed for exploration of different opportunities.
- The Seattle Foundation** started mission investing with a geographically targeted investment fixed income portfolio of \$5 million in Community Capital Management, a fixed income money manager with extensive experience in community development financing, and manager of a portfolio for The Seattle Foundation. Bonds held in the portfolio have provided financing for a variety of purposes, including single-family home mortgages, development of multi-family housing, small business loans, brown-field redevelopment, assisted living facilities and purchase of a series of bonds on behalf of the Seattle Foundation that financed a loan to a skilled nursing community, the Regency Auburn Rehabilitation Center in Auburn, Wash. The community center is located in a moderate-income census tract where 15 percent of the population lives below the poverty line, and 100 percent of the center's 93 beds are reserved for Medicare and Medicaid recipients. As a community foundation, donors are invited to participate in The Seattle Foundation's Mission Investment Program through their donor advised funds or supporting organizations.
- The Skoll Foundation's** mission investing approach is in many fund managers and direct investments in private companies that align with mission, such as resource sustainability and alternative energy themes. As a responsible and principled investor, the Skoll Foundation votes its proxies on public equities in separate accounts, which are approximately 8 percent of total assets (as of August 2008) and uses mission-based screens on both public equities and fixed income investments. Finally, the foundation's PRI allocation is about 3 percent of current investments.

- The **Vermont Community Foundation** mission investments totaled 17 percent of assets at the end of 2008. Of that, 5.2 percent was dedicated to its “Vermont Investments” program to support Vermont companies, agencies, or intermediaries that promote healthy and vital Vermont communities. The foundation’s Vermont Investments cross all asset classes including cash, fixed income, mortgage backed securities and venture capital. An example in the Vermont Investment program includes a community development investment in Access Capital and a venture capital investment with FreshTracks Capital. Broader socially responsible investments include Generation and Prentiss Smith. The foundation is also active in guiding its proxy votes and filing shareholder resolutions on issues such as community accountability with Connoco Phillips and Say on Pay with Oracle.

### Commonly Cited Barriers to Mission Investing:

- Board risk aversion
- Lack of formal MI policy
- Traditional view that grants alone create impact
- Generational differences in approach to mission investing
- Investment officers and program officers working in silos
- Gatekeepers unfamiliar with MI concept and infrastructure

### A note on Fiduciary Duty

“A prudent fiduciary will ultimately choose to analyze not just risk and return but how an investment aligns with the foundation’s mission and values. Reasonable care will encompass not just risk but social impact.”

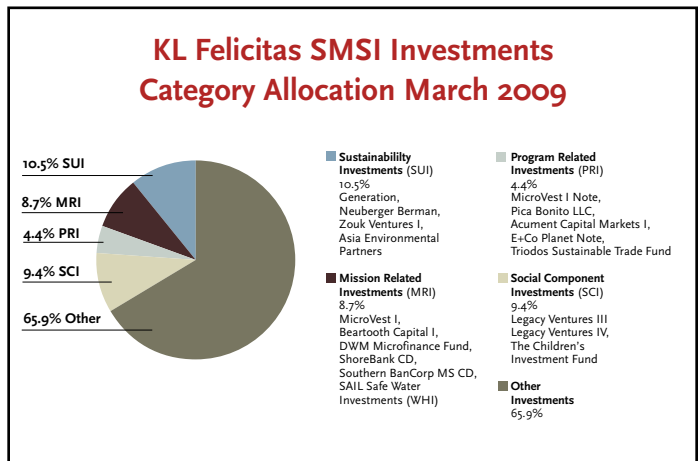
**Doug Stamm**  
CEO,  
Meyer Memorial Trust

The More for Mission Campaign Resource Center defines mission investing as driven by investor intent, and focuses on the dual objectives of furthering social goals and earning financial returns. The term Mission Investing covers two distinct categories of investments: Market-Rate Investments that support program goals and Program-Related Investments (PRIs) structured to create specific program benefits while earning a below-market return.

### How Leaders Define Mission Investing

The field of mission investing has many overlapping definitions. A sample below of language specific to each foundation:

- **The Annie E. Casey Foundation uses the term social investing** rather than mission investing to describe its endowment investments made in direct support of Casey’s mission. Casey’s core SI portfolio is composed of Mission-Related Deposits (MRDs), Program-Related Investments (PRIs) and Mission-Related Investments (MRIs). The Annie E. Casey Foundation uses the term “social investing” as an umbrella term to mean any kind of non-grant investment that is made to generate financial and social returns specific to the foundations’ mission. The Annie E. Casey Foundation requires a program sponsor to support and champion a social investment. If there is no programmatic interest in the deal the foundation will not consider the deal.
- **KL Felicitas Foundation has its unique definition for mission investing:** Sustainability, Mission, Social Component Investments (SMSIs) that seek financial returns approximating the average risk-adjusted returns of similar investments made without regard to sustainability, mission or social considerations – the only exception being Program Related Investments. Below details the foundation’s example SMSI investments:



- **The Kalamazoo Community Foundation** PRIs and BRIs (business-related investments) are a set of community economic growth tools that provide below market rate loans to assist shorter-term (5-20 years) non- and in qualifying cases for-profit business expansion. The Community Foundation also utilizes loan guarantees primarily in neighborhood redevelopment, as well as venture capital limited partnerships to incent business start-ups. Under some circumstances, for-profit equity investments can be an added tool.

- **The Needmor Fund's mission investing policy states,** "We believe that a foundation lives out its mission and values not only through the organizations it supports, but also by how it uses its assets. Mission related investing is an investment process that considers the social and environmental consequences of investments in addition to financial analysis and performance. It contributes to strategic philanthropy by using all of a foundation's resources-investment and grantmaking dollars to achieve the foundation's mission and values."

- **W.K. Kellogg Foundation** mission-driven investing (MDI) is a process whereby the Foundation invests its assets in a way that realizes both financial and social returns, also known as "double bottom line" investing. The goal of the Kellogg Foundation's mission-driven investment program is to understand how to better leverage the Foundation's assets for mission purposes. It hopes to recycle capital and preserve its endowment while driving mission impact and potentially extend upon this initial effort.

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## Mission Investing News

Mission investing covers a lot of territory, and there is an increasingly powerful stream of activities, conferences, reports, and investments of interest to the field. Here are a few recent items in which the Campaign Resource Center has been involved – for more, see our web site at [www.moreformission.org](http://www.moreformission.org).

### Climate-Related Investment handbook published

The Boston College Institute for Responsible Investment has just published the "Handbook for Climate-Related Investment across Asset Classes", a survey of portfolio-wide strategies for investors to manage the risks and opportunities related to climate change. The handbook is a follow-on to the Handbook on Responsible Investment Across Asset Classes published in late 2007. It covers eight asset classes – cash, fixed-income, public equity, private equity, real estate, hedge funds, commodities and infrastructure – and is meant to help investors:

- Devise a portfolio-wide strategy to climate-related investing;
- Identify the asset class specific considerations for climate-related investing;
- Highlight existing and potential investment opportunities across asset classes.

The Handbook is available at [www.moreformission.org](http://www.moreformission.org).

### Responsible investment consultants convene at Boston College

On April 2, a group of 35 consultants and other stakeholders from across the country gathered at Boston College to discuss the field of responsible investing consulting at a one-day event, "The Evolution of Responsible Investment Consulting." Attendees ranged from larger consultancies to boutique firms, and included a few asset managers and other stakeholders as well. The day included dialogue on the state of the field and definitional issues, crafting a methodology in

responsible investing, and tools needed to advance the field on both the demand and supply side.

The lively discussion ranged widely, suggesting that there are many avenues to explore in this emerging field. Four noteworthy points are:

- The field of responsible investment products is relatively deep, and getting deeper. Consultants did not point to a lack of product as a barrier to growing the field, although they did note that the relative newness of many products remains an issue.
- There remains relatively little consensus on how to define and measure social and environmental impact, with most consultants either using a you-know-it-when-you-see-it approach, or deferring judgment on social and environmental issues to their clients. Major efforts are under way on field definition and impact assessment, but they have yet to take hold in day-to-day practice.
- Though different consultants and advisers focus on different kinds of products, there is a marked division in the approach to public equities vs. alternative investments, a division based on the ability to measure tangible impacts, and the different due diligence processes used for different kinds of investments.
- Finally, asset allocation practices remain relatively unaffected by the development of responsible investment. Instead, allocations are made according to standard considerations, and investors and their advisers then seek to locate responsible investment alternatives within those allocations. It remains to be seen whether a wider acceptance of mission investing remains an addition to, or leads to a more fundamental rethinking of allocation practices.

The Boston College Institute for Responsible Investment will publish a white paper on the field of responsible investment consulting in the summer of 2009.

### Federal Reserve offices host mission investing discussions

On April 1, a group of foundations, bankers, and other stakeholders gathered to talk about “Impact through Innovation” at the Federal Reserve Bank of Richmond’s office in Charlotte, N.C., in collaboration with Wall Street Without Walls. The mission investing panel included a presentation on the More for Mission Campaign, consultants in the field, and examples of mission investing from the Mary Reynolds Babcock Foundation across both PRIs and MRIs.

On Feb. 19, a workshop on “Investing with Impact” was held at the Los Angeles Office of the Federal Reserve Bank of San Francisco. The event brought together foundations from Southern California interested in mission investing – with the discussion on both below-market investments and market-rate investments across asset classes of fixed income, private equity (venture capital), and equity real estate. The More for Mission Campaign Resource Center moderated a panel on mission investment opportunities in real estate. A panel on the institutional investor experience showed the range of institutional investors in mission investing with speakers from the F.B. Heron Foundation and the Los Angeles Fire & Police Pension Commission. The importance of mission investing as an overall investment strategy for foundations was emphasized throughout the day. The event

was a collaborative effort, sponsored by Wall Street Without Walls, the Milken Institute, the Federal Reserve Bank of San Francisco, Bay Area Council, Southern California Grantmakers, Association of Small Foundations, Rockefeller Philanthropy Advisors, AltruShare Securities, and Impact Community Capital.

### Canadian investors look at real estate and employment issues

Mission investing comes in many forms: the Atkinson Charitable Foundation in Canada, for instance, has undertaken a multistakeholder project backed by the Atkinson Charitable Foundation, designed to create a model Responsible Contracting Policy for Canadian investors, as a way to address the social problems caused by precarious employment especially in the property services sector. Engagement with real estate fund managers can be understood as both a way to improve long-term performance by supporting stable and quality employment and as a tool for achieving the foundation’s mission to promote social justice.

As part of this work, the Boston College Institute for Responsible Investment participated in a study, with Shareholder Association for Research and Education (SHARE) and the Carleton Centre for Community Innovation, on the potential for Responsible Contracting Policies to be adopted in Canada. You can find a copy of the study at [www.moreformission.org](http://www.moreformission.org).

The Boston College More for Mission Campaign Resource Center (CRC) is the vehicle for implementing the Campaign’s goals and serves as a resource for foundations seeking tools and information on mission investing. The CRC coordinates foundations that are pioneers, early adopters, and those new to the practice, to disseminate information and encourage cross fertilization in the field. The CRC is housed within the Boston College Institute for Responsible Investment and connects explicitly with the Institute’s mission to promote long-term, values-driven wealth creation through the discipline of responsible investment. The CRC offers access to research on the field, implementation tools and links to potential investment opportunities through its web site found at: [www.moreformission.org](http://www.moreformission.org).

#### Why join?

- Cost free way to network with foundation peers, have access to thought leaders, and learn from people in the field
- Quarterly calls with industry experts on trends in mission investing
- Access to working groups on issue specific topics such as rural investment, community development, and green jobs
- A way to demonstrate commitment and leadership in the field

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# HOW ARE MISSION INVESTMENTS PERFORMING?

“At year end 2008 the Annie E. Casey Foundation’s social investment portfolio was the best performing part of the foundation’s endowment. With an expected return of 3.5 percent we’re the only part of the endowment in positive territory. It is interesting, because Casey made the unusual choice of making program-related investments with below-market rates of return out of our endowment.”

**Christa Velasquez,**  
Director of Social Investments

The financial crisis makes this a very difficult question to answer in unprecedented times with PRIs outperforming conventional investments. The CRC aims to gather more comprehensive data with a call for more research and potential collaboration with the Foundation Center on the performance and growth of mission investments.

The More for Mission Campaign is collecting mission investment returns from its Leadership Committee members

to assess how mission investments are doing in the economic downturn. The survey requests annual (at year-end 12-31-08) returns on mission investments across both market rate and below-market, program-related investments. Below are very preliminary results, we encourage participation to build the robust dataset the field needs to grow.

## Preliminary results from six foundations reveal:

| Asset Class                 | Range in Annual Returns 12-31-08<br>respondents: 6 | Example Industry Benchmark                                      |
|-----------------------------|--|---|
| Cash                        | .6 to 4.5 %<br>respondents: 6                      | Citigroup 3-Month U.S. Treasury Bill Index 1.8 %                |
| Fixed Income                | 3.1 to 22 %<br>respondents: 3                      | Barclays Capital Aggregate Bond Index 5.41 %                    |
| Public Equities             | 5 to (37) %<br>respondents: 2                      | S&P 500 (38.49) %   |
| Venture Capital             | 5 to 20 %<br>respondents: 3                        | Thomson Reuters’ U.S. Private Equity Performance Index (20.9) % |
| Equity Real Estate          | (9) to (22) %<br>respondents: 2                    | NCREIF Property Index (6.5) %                                   |
| Program Related Investments | 1.3 to 5 %<br>respondents: 4                       | Long-term rate of inflation 2.5 %                               |

## What are the goals of the More for Mission Campaign?

- Build a network of foundations active in mission investing, share best practices and lessons learned in this emerging field
- Support foundations in their efforts to become more efficient, effective and active in using all of their assets to achieve their institutional goals
- Promote research and thought leadership around key aspects of mission investing in practice, including specific types of investments, and specific issue areas
- The campaign will track the growth of mission investing over a five-year period, and will highlight new strategies, opportunities and lessons learned as the community of mission investing stakeholders grows.

Institute for Responsible Investment



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