

The Power of Mission Investing: One Family's Story

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Presenters

Richard Woo
Chief Executive Officer
Russell Family Foundation

Lisa Hagerman
Director
More for Mission

Zac Russell
Intern
Russell Family Foundation

About the Presenters



Lisa Hagerman

Director,
More for Mission at Harvard University
617.496.2213

lisa_hagerman@hks.harvard.edu



Richard Woo

Chief Executive Officer
Russell Family Foundation

www.trff.org

Zac Russell

Intern
Russell Family Foundation

www.trff.org

More for Mission Goals

- Legitimize concept and practice of mission investing within the foundation and responsible investment communities
- Create network of foundations committed to mission investing
- 85 foundation CEOs have signed on representing over \$31 billion in total assets (as of November 2010)
- Help foundations acquire the tools and information needed to better align their investments with their mission
- Website: <http://www.moreformission.org/>

What is Mission Investing?

Seeking opportunities to align a foundation's financial investments with the mission of the organization, while maintaining long-term targeted financial returns.

Comes in various labels:

- **Program Related Investments (PRIs)** – below-market returns designed to create specific programmatic objectives
- **Mission-related market-rate investments (MRIs)** – seek market-rate returns that broadly support mission and programmatic objectives
- **Sustainable screens on public equities**
- **Shareholder Advocacy** – filing shareholder resolutions and voting proxies

From Concept to Execution

1. Board's comfort level with the philosophy of aligning investments with their mission, whether endowment or 5% payout
2. Defining Goals: What counts as mission investing for your organization?
3. Mission investing as part of a strategic portfolio asset allocation approach
4. Organization's capacity to execute on their mission investing strategy

Barriers to Mission Investing

- Board risk aversion, perception of fiduciary duty, no guiding mission investing policy
- Traditional view that foundation seeks to outperform market with 95% and create high impact through grants
- Generations may come to mission investing from different perspectives
- Investment Officers and Program Officers working in silos
- Gatekeepers may be unfamiliar with investment intermediaries and concept of mission investing
- Execution: sourcing mission investment deals and defining impact

Mission Investing and Family Philanthropy

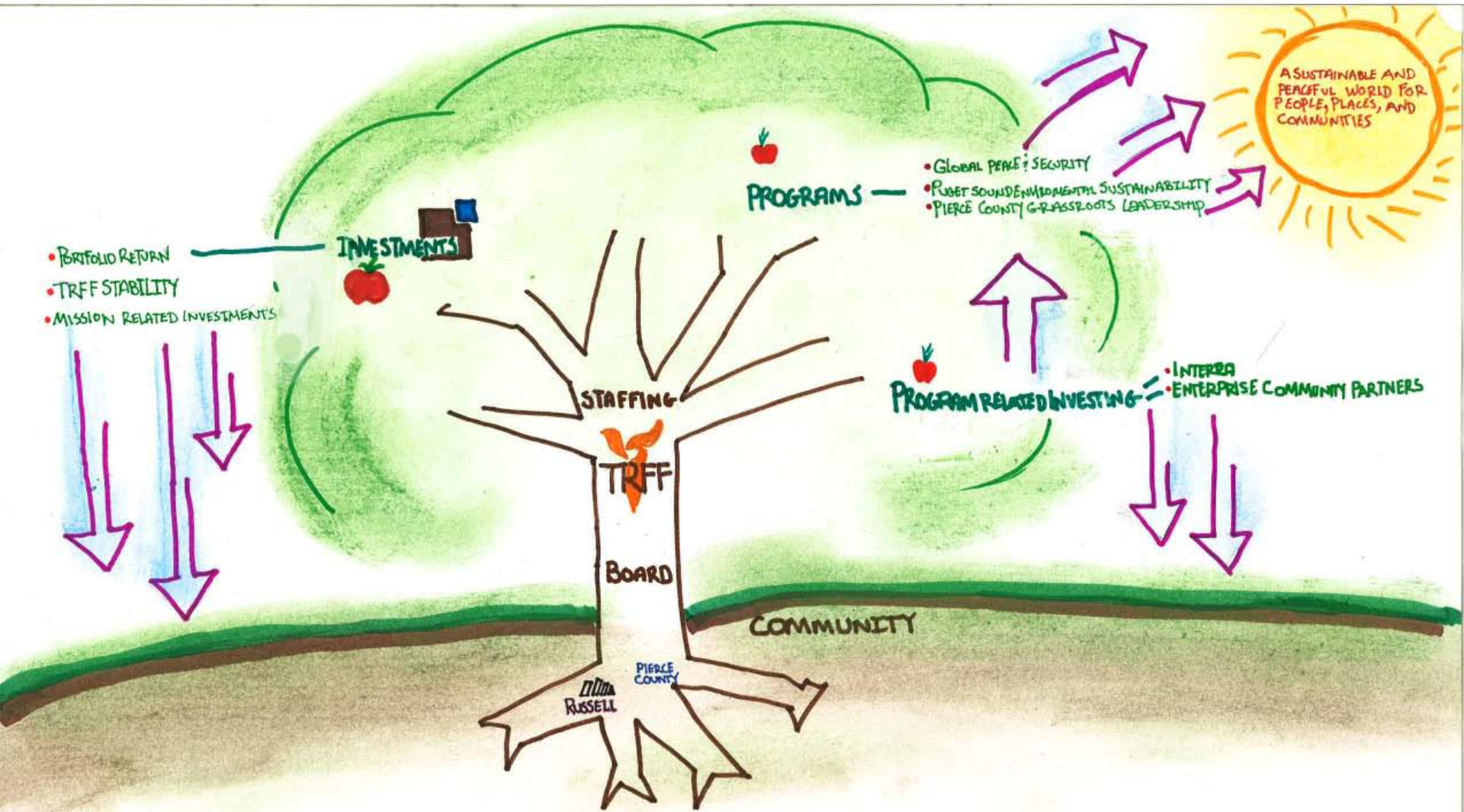
- Values—practice aligns family values with investment philosophy
- Community—opportunity to foster sustainable growth in your community
- Environment—family generations' interest in addressing climate change, building sustainable cities, advancing sustainable agriculture
- Engage—younger generations, as practice offers way to align personal interests/values with discipline of mission investing/responsible investing
- Opportunity—for younger generations to learn the trade and become engaged as stewards of sustainable resources and financial capital

One Family Foundation's Approach: The Russell Family Foundation

- Started with a \$1M pilot mission investment allocation in 2004
- As of March 2010 the foundation has expanded that pool to \$10M and now invests approximately 8% of its endowment in mission-related investments
- Richard Woo, Chief Executive Officer, The Russell Family Foundation notes:

"If we expect to align our philanthropic mission with our investment goals, then we need to work hard to ensure greater alignment between our program staff and our investment advisors. That is the operating system that makes MRI work."

Mission Investing: The Russell Family Foundation Story

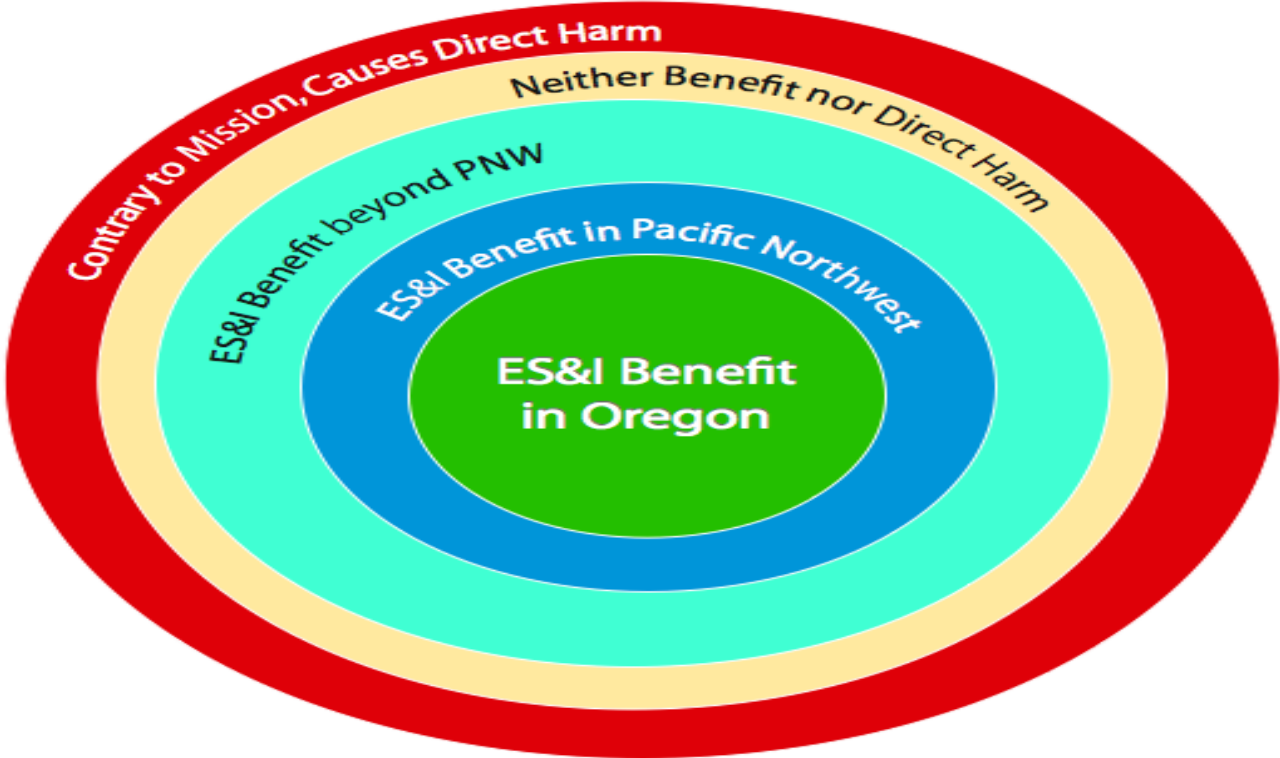


Mission Investing Strategy and Policy Statement

- A mission investing strategy and policy statement is a first step
- Policy statement is the roadmap—lays out how the foundation integrates core strategies into their investments and commits financial officers, program officers, and consultants to implement that policy
- Examples from current mission-driven foundation investors on More for Mission website:
<http://www.moreformission.org/page/11/mission-investing-policy>

Meyer Memorial Trust (MMT) Mission Investing Strategy

MMT's Mission-Related Market Rate Investment Strategy
"Maximizing Impact"



E = Environmental S = Social I = Economic Impact

Meyer Memorial Trust

Selection from General Statement of Investment Objectives and Policies

- The primary long-term investment objective of the endowment is to earn a total rate of return that exceeds the spending rate plus long-term inflation (as measured by the Consumer Price Index) plus the costs of managing the investment fund and allowable administrative expenses. Thus, if the spending rate averages 5%, the rate of inflation averages 3%, and investment management and allowable administrative costs average 1%, then total return should exceed 9% per year. Performance against this objective should be measured over rolling periods of at least ten years and monitored in the interim. The medium-term objective for the endowment is to outperform each of the capital markets benchmarks in which assets are invested, measured over rolling periods of five years or complete market cycles, with emphasis on whichever measure is longer.
 - Investments that further Meyer Memorial Trust's mission are a priority of the Trust. Investments in Oregon and the Pacific Northwest and managers that consider environmental, social, and governance (ESG) and economic impact factors are examples. When appropriate investment options are available, the Board of Trustees will seek out and consider mission related investment managers in manager searches.
- Source: www.mmt.org

Merck Family Fund

Excerpt from Investment Policy Statement

Portfolio will seek to exclude: investing in corporations that profit (more than 10%) from

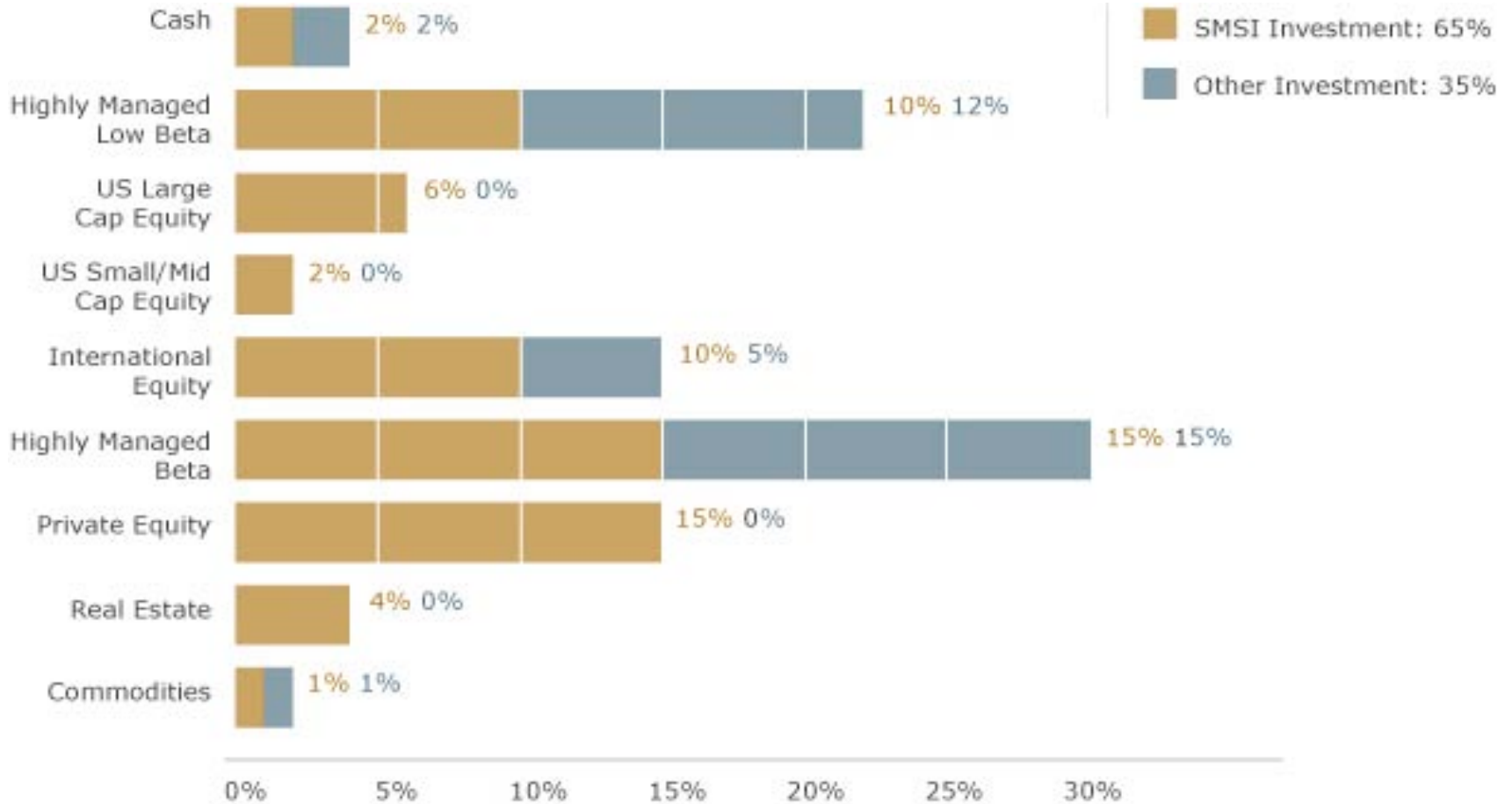
- gambling or tobacco products or services.
- producing nuclear power, or from mining, processing uranium, mine gold.
- In addition, a committee of the Family Fund may review portfolio holdings and exclude investments in companies involved in other areas not aligned with the Family Fund's objectives, such as companies that manufacture or sell weaponry.

Whenever possible, investments will be sought in corporations that favor the protection of the environment, diminish the effects of pollution and that implement environmentally appropriate practices.

In order to further align the Family Fund's investment portfolio with its vision and objectives, trustees will vote proxies of companies in the portfolio with guidance from respected investment managers, currently Boston Common, Walden, and Generation, or other organizations such as As You Sow.

Source: Executive Office, Merck Family Fund, <http://www.merckff.org/>

KL Felicitas Foundation 2010 Asset Allocation



Targets shown relative to the asset class itself, and as % of overall portfolio

SMSI Definition:

Sustainability Investments (holistic sustainability – environmental, social, spiritual)

Mission Related Investments (seek financial returns similar to conventional investments)

Social Component Investments (allocate part of profits directly or indirectly to social enterprises)

Source: <http://www.klfelicitasfoundation.org/>

Mission Investing Opportunities

Across asset classes:

- Banking
- Fixed-income
- Public equities
- Private equity
- Real estate

Across issue areas:

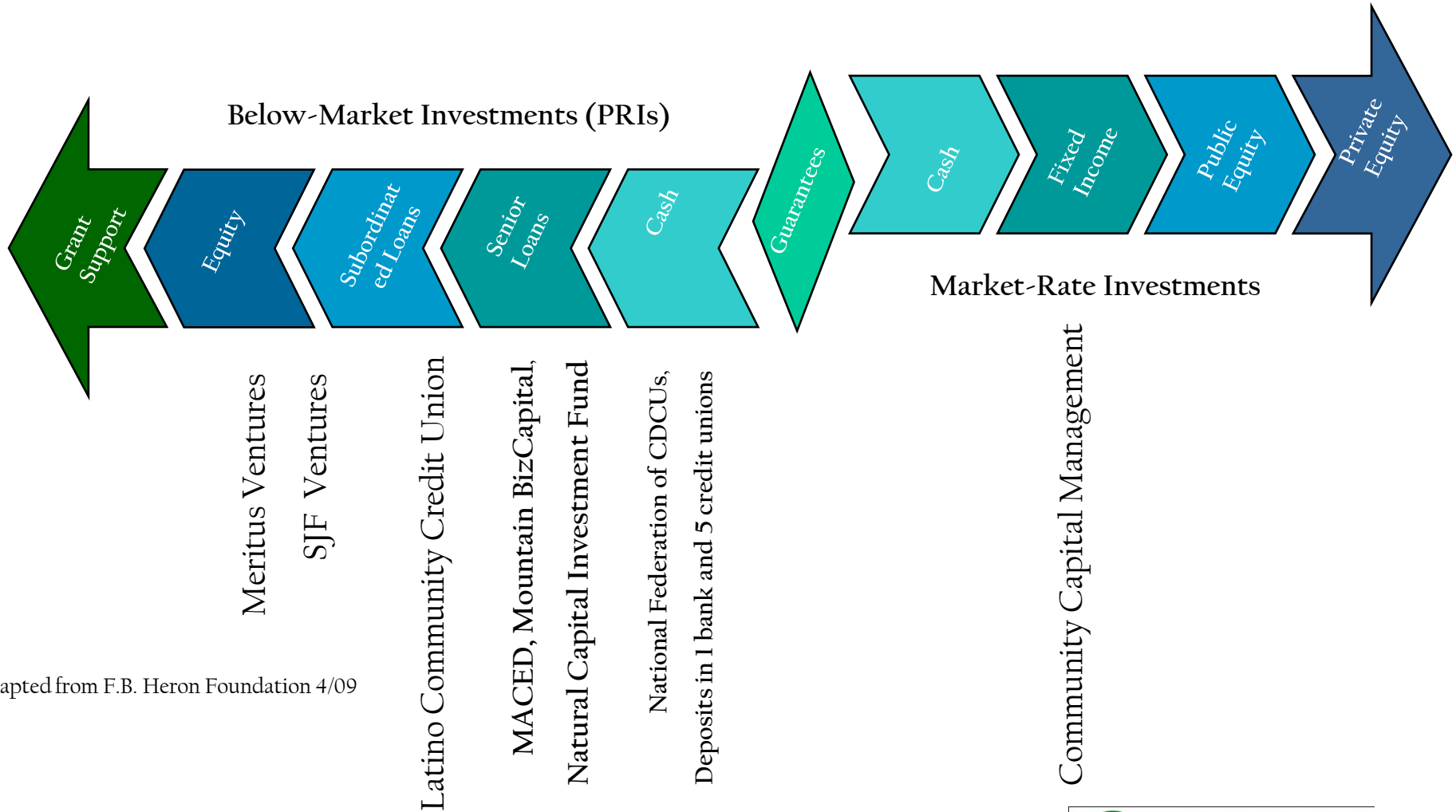
- Environment/Energy
- Economic Development/Job Creation
- Urban Regeneration/Sustainability
- Education
- Health
- Land Conservation
- Sustainable Agriculture
- Affordable and Workforce Housing
- Rural

Foundation examples:

- Mary Reynolds Babcock Foundation across Mission Investing Continuum
- Winthrop Rockefeller Foundation – Mission-related Cash

Mary Reynolds Babcock Foundation

MISSION INVESTING CONTINUUM



Adapted from F.B. Heron Foundation 4/09

Mission-related cash: An Easy Start

Example: Winthrop Rockefeller Foundation



- Certificate of Deposit with Hope Community Credit Union
- Fully insured by National Credit Union Share Insurance Fund (NCUSIF)
- High Impact CDs: portion of interest left with Hope to invest in technical and financial assistance programs that strengthen community infrastructure

Operating Cash – Southern Bancorp

Excerpt from RFP required elements of response:

Indicate how your bank's mission is aligned with the WRF goals

- Southern Bancorp is in 14 communities and is tightly aligned with mission of reducing poverty and strengthening communities
- Impact example: Southern helps manage a network of volunteer income tax prep sites. This is an important policy issue for Winthrop Rockefeller.

Sourcing Mission Investment Deals

Identifying potential mission investment opportunities that meet financial objectives and mission/programmatic objectives.

Due Diligence by Investment/Program Staff and/or Consultant

- Organization's investment track record, financial strength and strength of management
- Organization's ability to meet mission investment criteria:
 - Financial goals
 - Foundation Mission/Programmatic Fit and Potential Impact
 - Targeted Geography
- Organization's ability to leverage additional funds from other institutional investors.

Sourcing Mission Investment Deals

Restricted access to Cambridge Associates proprietary listing of 270 fund managers that offer public and private market mission-related funds across asset classes and mission investing strategies

Tailored search functions (by organization type and state) of community investing opportunities in US Treasury certified community development financial institutions (CDFIs)

- CDFI is a financial institution whose primary mission is to promote community development—providing credit and financial services to underserved markets and populations in low- and moderate-income areas across the country
- Tool to start mission-related cash investing – placing CDs or a foundation’s operating account with a CDFI

See details at: <http://www.moreformission.org/page/46/more-for-mission-members-only-portal>

Consultant–Foundation Relationship

Family Foundations often seek consultants to help in the MRI process.

- The Russell Family Foundation’s advisor is Threshold Group

Threshold’s Recent White Paper Series: “Evaluating Collaboration Models for Family Foundations and Their Investment Advisors” presents three models:

1. “Advisor as Fiduciary Sherpa”, in which the investment decision-making process is governed by traditional manager research and portfolio construction,
2. “Resident Expert” or “Internal Champion” at the Foundation serving as a lightning rod to advance the MRI agenda and conversations with advisors,
3. “Integrated Foundation/Consultant MRI Services”, in which a mission lens is applied to all investments and at the core of all conversations among trustees and advisors.

Source: Craig T. Muska, Investment Advisor, Threshold Group <http://www.thresholdgroup.com/>

Consultant–Foundation Relationship

Dedicated mission-related investment consultants that either:

- Advise their clients specifically on mission-related strategies (both PRIs and mission-related market-rate investments) or
- Broadly integrate environmental, social, and governance (ESG) factors in their investment management process

Institutional Consultants/Advisors

- With a dedicated Mission Related/Responsible Investment Team

See list at: <http://www.moreformission.org/page/12/consultants>

Additional Resources

- More for Mission National Conference at Harvard Kennedy School:
<http://www.moreformission.org/page/49/national-conference-september-2010-at-harvard-kennedy-school>
- Mission Investing Policy Statements: <http://www.moreformission.org/page/11/mission-investing-policy>
- Commentary on Mission Investing and Fiduciary Duty:
<http://www.moreformission.org/page/10/fiduciary-duty>
- Presentations from current mission-driven foundations and publications:
<http://www.moreformission.org/page/40/more-for-mission-publications-presentations>
- Impact Measurement: organizations that either rate or evaluate and report on an investment's social and environmental return:
<http://www.moreformission.org/page/23/impact-measurement>
- National events on mission investing: <http://www.moreformission.org/events>

National Center for Family Philanthropy

1101 Connecticut Avenue
Suite 220
Washington, DC 20036

Phone: 202.293.3424

Fax: 202.293.3395

ncfp@ncfp.org