



## ***More for Mission: Current practices and trends in mission investing***

A growing group of foundations are increasingly thinking about their organizations as stewards of resources that can be applied to address some of the most challenging problems of their unique missions and program areas. The field of mission investing (MI) is making significant strides. Mission investing is another way for foundations to effect transformational change by using their long-term patient capital to invest in underserved markets. This type of investing by foundations can advance conventional commercial capital to flow into these markets. There are however many nuances and vagaries on many issues including; 1) foundation definitional questions and policy frameworks, 2) potential for expansion in MI and the landscape of intermediaries, and, 3) tracking the growth and success of mission investments. More for Mission seeks to create more transparency in the field of mission investing, be a catalyst to drive more capital into underserved markets, and benchmark the sector's progress. To that end, More for Mission conducted a survey with its network of foundation mission investors. The 13-question survey asked questions around definitional issues, foundation percentage allocations to mission investing, and how has the foundation's approach to mission investing been affected by the economic downturn.

### ***On Respondents***

The survey included 39 respondents across a range of foundation types: private and family wealth offices, community foundations with donor advised funds, and corporate foundations. The size of each foundation varies: 64% with a staff of 0-25 employees and 36% with a staff size of 25 and over. In terms of asset size, 28% are under \$50 million, 36% between \$50 and \$250 million in assets, and 36% \$250 million and over. Mission-driven investors each come to mission investing with different priorities based on their overarching mission and programmatic interests. Survey respondents priorities include: 20% in the environment, 25% in community development, and nearly 15% in education. Approximately half of the respondents specified a thematic focus beyond these three broad missions including: health and human services, land conservation, arts and culture, social entrepreneurship, and racial and social justice.

## ***On Language***

Defining mission investing can prove difficult as often a foundation has their own self-definition. More for Mission defines mission investing as follows:

*Driven by investor intent, mission investing focuses on the dual objectives of furthering social goals and earning financial returns. Our definition covers two distinct categories of investments: Market-Rate Investments (MRI) that support program goals and Program-Related Investments (PRIs) structured to create specific program benefits while earning a below-market return.*

Nearly all respondents answered that this language was generally consistent with their foundation's internal definition of mission investing. Respondents shared alternative definitions and variances on what constitutes a PRI or MRI for each individual foundation. Respondents also clarified the degree to which their investments *directly* support overall mission goals.

*The KL Felicitas Foundation notes: "Another way to say this is that PRIs lead with "impact first" and are financially sustainable; Market Rate Investments lead with "financial first" and also have a social mission. PRIs need to meet the social test first, but also meet our requirement of being as robust (with up to 500 basis point economic discount) as a similar non-social Market Rate Investment in the same asset class. Also, we invest based on mission and values that broadens our opportunities. We evaluate our investment strategy on the percentage of investments that meet our Sustainability, Mission and Social Investment (SMSI) criteria as well as our asset class allocation strategy."*

*The Gaylord & Dorothy Donnelley Foundation's criteria for market-rate mission investments is defined as: The investment must meet our land conservation or artistic vitality program goals and the capital must be deployed in one of our two geographic areas (Chicago region and Lowcountry of South Carolina.) Therefore, even though the foundation has an investment in a sustainable timber manager that conserves land through the placement of permanent easements, we do not count this as a mission-related investment.*

*The Tides Foundation notes: Market-rate investments, while screened, are more heavily weighted to negative screens and the investment may not be directly supportive of the mission.*

*The Hyams Foundation notes: The distinction we make is that our PRIs must relate to increasing the impact of a specific grantmaking strategy while our MRIs can relate to either our strategies or one of our three major program goals.*

*The Triple EEE Foundation's notes: 1. Market rate investments using positive and negative screens (equity and fixed income) 2. Shareholder advocacy (limited manner) 3. Market rate direct social investments—such as loans to worthwhile organizations and, 4. PRIs (in a limited manner).*

### ***On MI Motivation***

What is the primary driver for foundations to take up mission investing strategies? The majority of respondents reported they were in mission investing to realize market-rate returns that broadly support their mission, as well as below-market returns that create specific programmatic benefits. A small percentage viewed mission investing as a safe investment option while others were motivated by their interest in furthering their mission through shareholder advocacy. Foundations noted that they were essentially motivated by a desire to advance institutional responsibility—that investors have a responsibility to hold institutions accountable for their social and environmental impact. Others noted that they saw mission investing as a way to reflect the *values and mission* of the foundation rather than contradict them.

### ***On Numbers***

More for Mission supports mission investing in practice with the intent of increasing capital committed. More for Mission aims to show an increase in foundation mission-driven investments totaling 2% of foundation endowment assets—generating approximately \$10 billion in additional foundation mission-driven commitments from 2009-2012.<sup>1</sup> The survey of respondents captures the following data points that reflect the current dollars committed to mission investments at year-end 2008, potential growth at year-end 2009, and projected goals at year-end 2011.

- Current Mission Investments at year-end 2008<sup>2</sup>
  - Of respondents, assets in mission investments: 4.7%
- Projected Mission Investments at year-end 2009<sup>3</sup>
  - Of respondents, assets in mission investments: 6.9%
- Projected Mission Investments at year-end 2011<sup>4</sup>
  - Of respondents, assets in mission investments: 23%

---

<sup>1</sup> This figure is based on current total foundation assets, the Foundation Center estimates total foundation assets at year end 2008 totaled over \$530 billion - a decline of 21.9% from the previous year:

<http://foundationcenter.org/gainknowledge/research/pdf/fgge09.pdf>

<sup>2</sup> Approximate total assets based on information (year-end 2008 or most recently available) from the Foundation Center ([www.foundationcenter.org](http://www.foundationcenter.org)) or each individual foundation's total assets as noted in publicly available annual reports.

<sup>3</sup> Approximate total assets based on information (year-end 2008 or most recently available) from the Foundation Center ([www.foundationcenter.org](http://www.foundationcenter.org)) or each individual foundation's total assets as noted in publicly available annual reports.

<sup>4</sup> Approximate total assets based on information (year-end 2008 or most recently available) from the Foundation Center ([www.foundationcenter.org](http://www.foundationcenter.org)) or each individual foundation's total assets as noted in publicly available annual reports.

The survey results show a significant increase in the 2011 forecasted percentage in mission investing due to that a few of the largest foundations chose not to respond to this question. 18 respondents reported that they were either: in the process of establishing their goal for 2011 or have not yet decided on a % goal.

### ***On MI in the Economic Downturn***

25% of respondents indicated that the economic downturn had increased their commitment to mission investment while 60% stated that it had no effect and 15% commented that it had caused them to slow down their mission investments. While these challenging economic times have caused some foundations to take a step back, it is interesting to hear what our More for Mission members are saying as they aggressively pursue an increased allocation to mission investments:

*Our commitment is strong and growing. It has made our cash deposit strategy more relevant.* The W.K. Kellogg Foundation

*Our Mission Aligned Investments did so well that we are now working to move 100% of the portfolio into these types of investments.* KL Felicitas Foundation

*The foundation hasn't changed its MRI activities as a result of the economy. Our faith in the potential value of MRI has not been shaken and we're continuing to explore it.*  
The Russell Family Foundation

*The economic downturn has increased our committed to mission investing as we look for ways to continue to have a local impact.* Central Indiana Community Foundation

*We have been in the process of developing our mission investing strategy and the economic downturn has informed the development of that strategy and has forced us to re-evaluate our traditional investment philosophy and approach.*  
The California Endowment

*The downturn actually assisted in the development of the initiative. "Market Returns" from perceived "safer" investments were a board impediment against taking up mission investing practices. That argument was removed with the market decline of traditional investments.* Community Foundation of the Ozarks

*Our positive return in 2008 (and good 2009 results so far) show the financial wisdom in using mission investing exclusively or at least as a hedge against other riskier investments. Thus we will continue to be 100% mission invested.*  
The Triple EEE Foundation

*Our mission portfolio performed very favorably compared to our non-mission portfolio in 2008. It benefited from a healthy allocation to insured deposits in community development banks and low-income designated credit unions and program-related investments. Overall, we are tightening our underwriting and monitoring protocols, but remain committed to a diversified and robust mission portfolio.*  
The F.B. Heron Foundation

### ***On Shareholder Activism***

More for Mission also includes shareholder advocacy as a component of mission investing. Nearly 70% of the More for Mission network noted that they were not active in shareholder advocacy—whether filing shareholder resolutions or voting proxies. The More for Mission foundations that were particularly active in shareholder advocacy with a recorded number of shareholder resolutions or proxy votes cast included:

*Jessie Smith Noyes Foundation: Proxies voted for 308 companies.*

*The Russell Family Foundation: In 2008, TRFF co-filed shareholder resolutions with Walden Asset Management for three companies in which we were invested: 1) Dentsply (dental supply firm); 2) Kadant (paper pulp business); and 3) Middleby (food service equipment). In addition, TRFF exercised proxy votes on 16 different shareholder resolutions.*

*The Skoll Foundation, for the year ending 2008, voted 4, 378 resolutions on 458 ballots using the RiskMetrics' voter proxy platform.*

Some foundations specifically noted areas in which they had an influence through shareholder advocacy work that included supporting environmental, social, and governance initiatives, Darfur divestment, educational initiatives, sustainability reporting, executive compensation, and voting proxies directly through a foundation's separate account in the US Community Investing Index.

Some foundations noted that they used proxy-voting services or voted in accordance with the Interfaith Center on Corporate Responsibility (ICCR) proxy voting recommendations.

## *List of Respondents*

---

### 39 More for Mission Foundations

Annie E. Casey Foundation  
Blue moon fund  
Boston Foundation  
California Endowment  
Central Indiana Community Foundation  
Christopher Reynolds Foundation  
Cleveland Foundation  
Colorado Health Foundation  
Community Foundation for Greater Atlanta  
Community Foundation of the Ozarks  
Consumer Health Foundation  
Edward W. Hazen Foundation  
Environment Now  
Gaylord & Dorothy Donnelley Foundation  
F.B. Heron Foundation  
Hitachi Foundation  
Jacobs Center for Neighborhood Innovation  
Jessie Smith Noyes Foundation  
John E. Fetzer Institute, Inc.  
John R. Oishei Foundation  
Kalamazoo Community Foundation  
KL Felicitas Foundation  
Louisiana Disaster Recovery Foundation  
Lutheran Community Foundation  
Merck Family Fund  
Meyer Memorial Trust  
Needmor Fund  
Rasmuson Foundation  
Russell Family Foundation  
S.H. Cowell Foundation  
Seattle Foundation  
Skoll Foundation  
Solidago Foundation  
Triple EEE Foundation  
Tides Foundation  
W.K. Kellogg Foundation  
William Caspar Graustein Memorial Fund  
Winthrop Rockefeller Foundation