

Investing for Impact

An Overview for Donors

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Investing for Impact: An Overview for Donors

Introduction

“The idea that our investment decisions can have an impact on the wider world beyond financial return [has its roots in] a centuries-old tradition that held the owners of wealth responsible for the welfare of their broader community.”

Antony Bugg-Levine and Jed Emerson,
*Investing for Impact*¹

While the concept of using financial investments to further social causes and generate social and environmental good is not new,² the idea of investing for impact is more recently becoming a mainstream practice. John Goldstein, Managing Director of Goldman Sachs and co-founder of Imprint Capital Advisors suggests that “what is happening with investing for impact is actually discontinuous with history.” He adds that “while the ideas have been around for a while, people are taking a more sophisticated approach to investing for impact and the tremendous growth in the field is being driven by interests in values, a growing view of materiality, and the imperative to solve problems with limited resources.”

Today there are many different terms that describe the variety of approaches investors can take to align their values with their financial investing practices, or to have greater positive impact with their investments. These terms include socially responsible investing, environmental-social-governance (ESG) investing, impact investing, program-related investing, mission-related investing, negative screening, and more. For the purposes of this publication, we speak broadly about the ESG and “investing for impact,” spectrum while delineating more specific approaches and tools later in this document.

This publication is designed to help you think through the following questions regarding investing for impact:

1. What does it mean to invest for impact?
2. Why should I consider investing for impact?
3. How do I get started with investing for impact?
4. What legal considerations should I keep in mind?
5. How can I measure the impact of my investing?
6. What is the future of investing for impact?

This publication is written from the perspective that, as a recent publication by Arabella Advisors summarizes, “...years of experience teach that [investing for impact] is neither a panacea nor a pipe dream. It is one of the many tools we will need to use to address the complex social and environmental problems we face.”³

We hope this publication helps you understand impact investing and clarifies how you might engage in investing for impact within your own portfolio.

¹ Antony Bugg-Levine and Jed Emerson. *Impact Investing: Transforming How We Make Money While Making a Difference* (San Francisco: Jossey-Bass, 2011), 5–6.

² *Ibid.*

³ Arabella Advisors, Exponent Philanthropy and Mission Investors Exchange. “Essentials of Impact Investing: A Guide for Small-Staffed Foundations.” 2015.

1. What does it mean to invest for impact?

“There are several related investment approaches within the ‘investing with impact family’...including exclusionary investment screens (both positive and negative), systematic and explicit integration of environmental, social and governance (ESG) factors into traditional financial analysis, impact investing which intentionally seeks to create financial return as well as positive social and/or environment impact that is actively measured.”

World Economic Forum publication,
“Impact Investing: A Primer for Family Offices”

Investing for impact can best be described as three broad categories of financial investments that also incorporate an emphasis on achieving a social and environmental impact:

1. Environmental, Social, Governance (ESG) alignment

An ESG alignment approach to investing for impact is an outgrowth of the concept of socially responsible investing (SRI). Historically, socially responsible investing tended to involve negative or positive screening activities. For example, an investor might find certain areas not to their liking (e.g. tobacco, alcohol, firearms, for-profit prisons) and choose not to invest in publicly traded companies that engage in those activities. A positive screening approach might lead an investor to seek out and invest only in companies which promote values that they are more comfortable with, such as companies that emit fewer greenhouse gases relative to peers. SRI approaches have a connotation of negative returns, however, many of the screens were implemented without risk-management. More recently, ESG alignment in investing has evolved into more risk-managed approaches, typically in more passive indexed or indexed-like investing vehicles. Investors are now able to tilt away from (or exclude), and/or tilt towards certain ESG factors while maintaining the same basic financial characteristics of a conventional benchmark.

2. Environmental, Social, Governance (ESG) integration

An ESG integration approach to investing involves focusing on “non-classical” financial factors of investments, such as environmental, social, and governance issues, alongside conventional investment analyses. For example, an investor might look at a company’s water usage, waste treatment, or renewable energy practices relative to other companies. On the social side, investors might look at a company’s human

rights practices, supply chain management, and the proportion of women in senior positions and on boards. Relevant governance factors are focused on a whole host of issues related to the alignment between the investor, the leadership of the companies, and their overall practices. For example, an investor might proactively choose to invest in companies who have implemented employee ownership programs or pay living or fair wages. Overall, the ESG-integrated investor today is focused on where ESG factors can add material value, either through managing their exposure to areas of ESG risk (for example, potential larger oil spills and resultant stock dips due to poor environmental controls) or areas of potential growth (for example, renewable energy companies benefiting from the transition to a lower carbon economy) related to ESG factors.⁴

3. Impact investing

Hugh Lawson, Global Head of ESG Investing at Goldman Sachs Asset Management suggests that the category of “impact investing goes a step further than ESG.”⁵ According to the Global Impact Investing Network (GIIN) definition, impact investments are “investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.”⁶ An impact investment might be made in a company that produces a technology related to the environment or a bank that provides low-income loans to small businesses looking to create clean energy options in coal country. Lawson notes that most impact investing opportunities tend to be in private markets where the investor has a little more control over the underlying project.

Specific Considerations for Foundations

Goldstein explains that for foundations in particular, there are additional tools which are a subset of impact investing, that arise as a result of the federal tax code or organizational structure. A majority of investors focus on the first category of impact investing described below – market rate impact investments – due to fiduciary obligations and return targets. However, there are also some investors interested in concessionary investments or investments that might function as philanthropic grant substitutions.

⁴ Materiality is a fundamental principle of mandated disclosure in the United States. The concept of materiality recognizes that some information is important to investors in making investment decisions. <http://bit.ly/2dn1Ruq>.

⁵ Video Interview. “The New Bottom Line – ESG Investing.” Goldman Sachs Asset Management. July 14, 2015. <http://bit.ly/2dAoeQ3>.

⁶ GIIN definition “About Impact Investing,” Global Impact Investing Network, 2014, <http://bit.ly/2dNBb9B>

1. Market rate impact investments – These are often called mission-related investments (MRIs). These are investments that meet three criteria: a) there are drivers of growth and profitability that make a compelling business case for the investment, b) there is a competitive pricing dynamic, and c) there are high quality general partners you can invest with who are specialized and knowledgeable. In other words, these are impact investments that are targeting a market rate of return alongside some sort of positive impact
2. Concessionary impact investments – These are typically described as “low-risk, lower-return investments” or program-related investments (PRI) after a section of the federal tax code governing their use by foundations. These are investments which produce a positive impact and which aim to return capital along with some modest return, but for which you could likely make more money elsewhere
3. Philanthropic grant substitution investments – These are “high-risk” impact investments, and sometimes also encompass riskier PRIs. These are investments where there is substantial potential impact but also a high risk of not getting your money back; they are also investments for which you might have written a grant check instead (e.g. you expect no financial return because there is a non-trivial chance that will happen)

According to the Center for Effective Philanthropy’s 2015 Investing and Social Impact report, only 41% of foundations engage in impact investing (including MRIs and PRIs), and another 6% plan to do so in the future. The relative proportion of dollars allocated to impact investing is also small, with only two percent of the average endowment dedicated to this practice.⁷ Philanthropy significantly lags other sectors in the practice and adoption of investing for impact, although there are several exceptions to this which are noted later in this paper.

⁷ Center for Effective Philanthropy. Investing and Social Impact: Practices of Private Foundations. May 2015. <http://bit.ly/2dVBQaL>.

2. Why should I consider investing for impact?

“Impact investing has the potential to enable every foundation, regardless of size, to pursue its philanthropic mission more effectively. It can help individual donors, families, foundations with few or no staff, and all sorts of giving entities put more and different types of capital to work for social good. Even better, it can deliver philanthropic impact alongside financial returns – which can enable reinvestment of those funds in pursuit of even more social good.”

*Essentials of Impact Investing:
A Guide for Small-Staffed Foundations*

There are five possible reasons why you may choose to consider investing for impact:

1. You want your investments to be aligned with your values

Many investors pursue investing for impact in order to align their investments with the values of the individual, family and/or foundation. In an age of increased transparency and availability of data, it is both easier to understand exactly what you own, and also creates more impetus for mission-aligned individuals or organizations to alter portfolios in order to create better alignment between their values and their investments. Some foundations and nonprofits, for example, have come under public scrutiny for holding investments that are directly antithetical to the organization’s stated mission (e.g. a cancer nonprofit holding investments in tobacco companies).

2. You believe in a changing world where issues like climate change and inequality are going to be increasingly material to long-term investment returns

Goldstein suggests that “whether you have a moral standpoint on climate or not, from an investment standpoint it’s hard to look at a five-year span where the coal sector lost 90% of its market value and say climate isn’t a material part of looking at your investments.” In fact, over a decade ago, the United Nations launched the Principles for Responsible Investment in April 2006 at the New York Stock Exchange. These principles are based on the notion that environmental, social, and governance (ESG) issues such as climate change and human rights can affect the performance of investment portfolios and therefore should be considered alongside more traditional financial factors if investors are to properly fulfill their fiduciary duties. As of April 2016, over 1500 institutions representing over \$45 trillion in

assets under management have signed on to the Principles, including Fidelity, KKR, and CALPERS.⁸

3. You believe in the power of market forces to create and solve problems, and/or you believe nonprofits do not hold 100% of the best models for solving social and environmental problems

For a dedicated philanthropist, the idea that 100% of the best models for solving social and environmental problems are concentrated in nonprofit organizations is an unlikely proposition. Elizabeth McGeeveran, Program Director for Impact Investing at The McKnight Foundation describes their perspective saying: “We do this for leverage. 5% goes to grants, but then we use parts of the endowment to synergistically support or further our grantmaking goals. For many social and environmental challenges the market creates or solves the problem. We want to harness market forces that can help us solve the problem.”

4. You want to be a better philanthropist and access every available tool in order to achieve the most positive impact possible

In her blog post entitled “The McKnight Foundation’s Secret Sauce,” Wolford comments that “Impact investing allows us to engage with and learn from groups and individuals we would not ordinarily work with and will provide us with a new toolbox that we can use in other programs to achieve our mission. We believe we can learn more about markets in ways that will make our grantmaking smarter.”

5. You want to engage the younger generation in your family’s wealth and investments

Investing for impact can be an effective family engagement strategy. It presents the older generation with a financial literacy platform for the younger generation and a way for them to get involved with the family’s financial decisions. Investing for impact can also provide the younger generation with an opportunity to take on leadership in an area within the family office.

Overall, there are many possible reasons to consider investing for impact. Clara Miller of the F.B. Heron Foundation in her publication “Building a Foundation for the 21st Century” sums it up: “In a very real sense, all foundations are already doing ‘impact investing.’ They just don’t know if their impact is positive or negative.”⁹

⁸ <https://www.unpri.org/about>.

⁹ Miller, Clara. “Building a Foundation for the 21st Century.” F.B. Heron Foundation. January 25, 2016. <http://bit.ly/2dAozlu>. Page 10.

3. How do I get started with investing for impact?

"In a lot of cases, the hardest part about getting started with investing for impact is simply getting started."

John Goldstein
Managing Director, Goldman Sachs
and Co-Founder, Imprint Capital

If you are wondering how to get started with investing for impact, it may be that you fall into one of two categories Goldstein has observed amongst individuals and organizations considering this work:

1. You are actively stuck – some of your stakeholders disagree about whether and how to get started with investing for impact
2. You are passively stuck – your stakeholders do not know where to begin

In the case of being actively stuck, the key is to move stakeholders from focusing on the broad and nebulous question of whether impact investing “works”, to focusing on how impact investing can be an investment process or governance approach. If you are actively stuck, analyze whether what feels like a bottleneck is really a bottleneck. For example, one family office had a trustee who wanted to allocate 2% of the endowment towards investing for impact, while another trustee wanted the endowment 100% invested as such; they were arguing over the depth of a hypothetical market that neither had much knowledge of. The trustees seemed to be at an impasse. Goldstein recounts, however, that they were eventually able to agree by focusing on an investment process and governance approach to make progress. They agreed to use the same investment process to guide their decision-making; they held managers to the same level of investment scrutiny and rigor, but expanded their pipeline of managers to include some impact managers under consideration. After three years their portfolio was more than 60% invested for impact, but most importantly, every stakeholder thought he or she had won. The bottleneck was a perception that the trustees held different points of view, when in reality they just had different predictions for what would happen with their investments.

In the second case of being passively stuck, Steven Godeke, Adjunct Professor of Finance, Leonard N. Stern School of Business at New York University suggests: “a good first step is to ‘own what you own’.”

Investors can begin by understanding which industries and businesses and various ESG exposures you are currently supporting through your investments, and the types of impacts your investments are already creating. This may be done through a conversation with your advisor, who can either help you identify whether you want to avoid certain industries, or seek out additional opportunities in industries or business models you want to support. Godeke adds that for those individuals, who know they want to further a specific impact theme such as environmental conservation or education, “you will do well to develop a clear theory of change to provide you with a pathway to begin to make and assess investment in those fields.” Some common categories in which investors seek impact include community development, small business finance, health and wellness, education, microfinance and financial inclusion, sustainable consumer products and fair trade, natural resources and conservation, renewable energy and climate change, sustainable agriculture and development.¹⁰

However, Goldstein’s experience has shown that “in a lot of cases, it can be challenging to find an actionable entry point to investing for impact that is neither overly reactive and ad hoc, nor ocean-boiling and paralyzing.” In these situations, Goldstein suggests you find an appropriate starting point at the intersection of three key factors:

1. Your objectives: financial, mission, learning;
2. Your context: the content and structure of your portfolio, processes for how you invest your money; and
3. The external context: the existence of high quality market opportunities.

There are a number of resources available to guide organizations from the beginning exploration stages through implementation (see Recommended Resources). Wolford recommends:

- First, make sure your board is committed to exploring the idea and then, if the exploration is positive, make sure the board is committed to going forward...
- Second, ensure a deep commitment to cross-organizational collaboration
- Third, to thine own self be true...do it in ways that are consistent with the foundation’s “personality”
- Fourth, do not create a new silo for impact investing. Integrate it with your current program

¹⁰ World Economic Forum publication, “Impact Investing: A Primer for Family Offices”

so that you will be using everything you have already learned from grant making and your other work to inform how to conduct impact investing

- Fifth, given that this is emergent work, enter it with curiosity, humility, and adaptability¹¹

Overall, in getting started with investing for impact, a helpful concept is to not let the perfect become the enemy of the good. In their publication “Impact Investing: A Primer for Family Offices”, the World Economic Forum suggests the following guiding principles when beginning on the journey to invest for impact:

- Acknowledge there is no one-size-fits-all approach – investors instead should define an approach that suits their motivations and unique context
- Avoid analysis paralysis – the key is to engage in some capacity at first and then course-correct and re-evaluate
- Work with and around challenges – recognize and acknowledge challenges, determining which ones are show-stoppers and which ones can be creatively addressed
- Be willing to shape the opportunity – some investors choose to take an active role in developing the marketplace. Success in impact investing often requires that investors think multiple steps ahead of the current landscape.¹²

Lastly, we appreciate the wisdom imparted by McGeeveran who recommends you: “Seek expert advice from people who know how to do this. Or, work with your own consultant or manager. Good ones are willing to go on the learning journey together.”

¹¹ Wolford, Kate. “The McKnight Foundation’s Secret Sauce.” Point of View. www.aspeninstitute.org.

¹² World Economic Forum. “Impact Investing: A Primer for Family Offices.” A Report by the World Economic Forum. December 2014. p. 11.

4. How should fiduciaries view investing for impact?

“More and more people in the nonprofit sector are realizing that the market is a powerful tool to accomplish good, not simply a vehicle to make money, and that pursuing a thoughtful impact investment strategy is consistent with good fiduciary behavior.”

Tomer Inbar,
Patterson, Belknap, Webb & Tyler

impact. He adds, “At the end of the day, investing for impact is about using good process and care. It’s not a question of ‘can we’ or ‘should we’, rather ‘How can we do this well?’” ESG factors, when integrated into a rigorous investment process, can help manage risks and find growth opportunities, ultimately fulfilling a fiduciary’s goal of maximizing shareholder value.

When it comes to investing for impact, fiduciaries often fall into one of two opposing viewpoints. One view posits that fiduciary duty means a sole focus on maximizing financial returns. With this perspective, an emphasis on any factors (e.g. ESG concerns) other than the financial bottom line could be a violation of the fiduciary responsibility.

A second viewpoint argues that ESG risk factors could be potentially material to the bottom line. For example, adverse environmental events such as oil spills, water contamination, and improper waste disposal can significantly impact a company’s bottom line, in addition to creating significant negative press, both of which can impact stock price. Additionally, positive ESG factors may be potentially beneficial to the long-term sustainability of an investment and could therefore be material considerations.

As the authors of the GSAM Perspectives publication “Fiduciary Responsibility: Integrating Environmental, Social and Governance Issues” observe: “As with most aspects of investing, fiduciary responsibility in ESG and impact investing does not lend itself to all-or-nothing answers.” The article goes on to state that “for fiduciaries to meet their obligations, it is essential that the consideration of ESG does not diminish the rigor applied under “traditional” investment diligence, but instead supplements it. To that end, when integrating ESG into the investment process, fiduciaries must measure and manage for risks that are introduced to the portfolio to ensure that ESG is accretive or, at the very least, costless.”¹³

Goldstein observes that the question of fiduciary responsibility has been a tremendous red herring, especially for foundations as they consider investing for

¹³ GSAM Perspectives, “Fiduciary Responsibility: Integrating Environmental, Social and Governance Issues.” <http://bit.ly/2dVdatY>.

5. How can I measure the impact of my investing?

“All enterprises, regardless of tax status, produce both social and financial results, on a spectrum from positive to negative, including ‘neutral.’ Their financial and social performance is measurable and varies over time. The conscientious investor takes note of both.”

F. B. Heron Foundation
2014 Investment Policy Statement¹⁴

Measuring the financial impact of your investing is relatively easy. Measuring the social or environmental impacts of your investing can be a bit more challenging. It is important, however, that measurement challenges do not become a prohibitive barrier to doing the work of investing for impact.

We have observed that impact measurement has become its own “pseudo-science”, and almost separate from the questions it should seek to answer: namely, how do we use metrics to measure what we do, and how do we use metrics to better inform our investing? Experts spend a lot of time debating what constitutes “true” impact. While measurement is important in order to avoid investments that have false, or potentially even negative social and environmental impacts, these theoretical debates about measurement offer limited practical advice on how to actually measure impact. The evolving efforts around measurement serve as an ongoing impetus to improve this work, however.

We believe measuring the impact of your investing differs across the three categories of investing for impact:

1. ESG Alignment – In this case, simply understand what you want alignment with in your investments. If you do not want private prisons, coal, or tobacco in your investment portfolio then measure the presence or absence of those items in your portfolio; the same holds true for ESG exposures you want to overweight, such as carbon efficiency or a greater percentage of women on boards and in executive positions.
2. ESG integration – ESG analytics for ESG integrated portfolios are more challenging to manage. Large publicly traded companies are complicated and constantly changing, and are

also neither “all good,” nor “all bad” on a variety of important ESG factors. Therefore you need to be mindful of strengths and limitations of the available data. In evaluating external ESG integrated managers, it is important to consider the following factors:

- Firm ethos – is an ESG sensibility embedded into the firm’s core mission and approach?
- Investment strategy – how and where do these factors fit into the manager’s investment strategy? How are they reflected in actual holdings?
- Resources – what capabilities, competencies and resources (staff, external resources, etc.) do they have?
- Process – how strong and consistent is their process?
- Engagement – how do they work with their investees?

3. Impact investing – This approach to measurement is relatively straightforward. Every investment has to have financial piece and impact thesis, namely: “Why will this investment achieve something positive?” Another way to approach measuring the impact of your investing is to find a small set of core metrics that are material to the investment and central to the drivers of performance. In this way, the social measures are mission critical to the enterprise and the investee is likely to already be tracking the data – therefore the odds of mission drift are low for the investment overall. For example, one might invest in an alternative energy company whereby the appropriate measure of success is the number of terawatts of power saved. This company would naturally be interested in tracking terawatts saved as a measure of its success and scale and this measure would be closely tied to the company’s core business and revenue growth projections.

In the industry, there are several approaches to creating a standard set of social and environmental impact metrics to increase the transparency and credibility of impact reporting. Unfortunately, as investing for impact is still a relatively nascent field, “there are a variety of methods for tracking and reporting on social impact. As investors and investees move to adopt new measurement systems and processes, they find there is not one agreed upon approach or a ‘silver bullet’

¹⁴ Miller, Clara. Building a Foundation for the 21st Century. F.B. Heron Foundation. January 25, 2016. <http://bit.ly/2dAozlu>. p.11.

solution for impact measurement and reporting,”¹⁵ according to Insight at Pacific Community Ventures.

In the midst of all these metrics and approaches to measurement, Eric Kessler, Founder and Managing Director of Arabella Advisors observes that, “the most obvious and biggest thing people forget is to make sure your intended results are understood from the beginning...quantify what you are expecting your investment to generate in the next five years.” He adds “I’m continually surprised by how many donors and investors do not clarify their expected outcomes from the beginning. You can’t measure your results if you haven’t defined your expected results from the beginning.”

Some of the best advice we heard about how to measure the impact of your investing comes from Elizabeth McGeeveran at The McKnight Foundation. She advises, “decide why you are measuring. Ask yourself ‘who is the audience for these data?’ I would not recommend measuring for the sake of measurement – creating information no one will use.”

¹⁵ Insight at Pacific Community Ventures, “Aligning Capital with Mission: Lessons from the Annie E. Casey Foundation’s Social Investment Program.” May 2016. <http://bit.ly/2dn1YWF>.

6. What is the future of investing for impact?

"When a nearly 2,000-year old institution with more than a billion followers says that it wants to apply market-based solutions to solve the world's most intractable problems, influential leaders are bound to take notice."

"The Catholic Church's Vision for Impact Investing"
Devex Impact¹⁶

As stated in the introduction, there is currently tremendous growth and interest in investing for impact. For example, in June 2016, impact investing experts and Catholic leaders from around the world convened in Rome to explore how the Catholic Church and other faith-based institutions can harness the power of impact capital to attain and sustain their social mission. These individuals and institutions are developing strategies, forming partnerships, and laying the foundation for catalyzing private investment to serve the poor and vulnerable, engaging one of the oldest institutions in the world in investing for impact.¹⁷

Recently, many mainstream financial institutions have entered this arena of impact investing¹⁸ based on the prospect of earning market-rate returns. Prudential has committed to investing an additional \$1 billion in socially responsible businesses by 2020,¹⁹ Bain Capital launched the Double Impact Fund,²⁰ focused on projects with significant, measurable social impact; and Goldman Sachs acquired Imprint Capital Advisors to build its ESG and impact investing capacity for high-net worth and institutional clients.

Interest in investing for impact is growing as core drivers of impact investing have accelerated across sectors and around the world. Some drivers are financial – investors increasingly believe that ESG considerations can lead to better long-term sustainable value, both from a risk and return perspective. Some drivers are regulatory – whereas the statement “there’s risk around investing in coal” sounded idealistic years ago, now proposed SEC rules clearly state that coal companies must disclose environmental risks as they could be material to their business and investors.²¹ ESG and impact issues are

now firmly of economic consequence for companies and investors; they are no longer purely “values based” concerns.

Some demand drivers are also generationally driven. According to a recent US Trust study,²² social impact investing is the preferred approach for young high net worth clients. Similarly, other studies have found millennials are more interested in prioritizing social, environmental issues and the greater good when selecting an investment strategy. Universities around the world are experiencing pressure from their students and going beyond simply divesting from fossil fuels to actively investing in social and environmental change. A majority of millennial investors also express a preference for social impact investing,²³ see their investments and philanthropy as nearly indistinguishable from each other; and want to buy products from companies and work for institutions that invest for impact. This can create a virtuous cycle whereby millennials are driving innovation in terms of products and service providers, which are then driving models of success, taking the theory of investing for impact and making it into plausible practice.

Kessler predicts that “investing for impact will become ubiquitous and it will move from a nice idea to something that on a generational basis becomes central to everyone’s investment philosophy...people will ensure that a majority of investments will be at the very least doing no harm and for many doing practical good.” He adds, “just like every kid coming out of business school wants to be a social entrepreneur, this younger generation of people generating and inheriting wealth are learning about investing for impact in school and when they are in their 40s and 50s there is going to be a massive demand for this.”

Judith Rodin and Margot Brandenburg write in “7 Things We’ve Learned About Impact Investing in 7 Years” that “aspirational estimates suggest that impact investments could one day represent 1 percent of professionally managed global assets, channeling up to hundreds of billions of dollars towards solutions that can address some of our biggest problems, from poor health to climate change.” The authors of “Essentials of Impact Investing” predict that by 2020, the total impact investing market size could reach between \$400 billion and \$1 trillion.²⁴

¹⁶ <https://www.devex.com/news/the-catholic-church-s-vision-for-impact-investing-88339>

¹⁷ www.viiconference.org – Vatican Impact Investing Conference

¹⁸ <http://www.blackrockimpact.com>.

¹⁹ <http://bit.ly/2dbiGeb>.

²⁰ <https://www.baincapital.com/businesses/double-impact>.

²¹ <https://www.sec.gov/rules/proposed/2016/33-10098.pdf>.

²² <http://bit.ly/2dn1QGM>.

²³ “Millennials Want their Investing to Make a Difference”, onwallstreet.com, June 14, 2016, Nicholas Yeap.

²⁴ Arabella Advisors. “Essentials of Impact Investing: A Guide for Small-Staffed Foundations.” p. 8.

Conclusion

“Philanthropy is...first and foremost, an orientation to life, available to and shared by all, every day, and second, a distinctive part of commerce with a specific role in it, rather than an island protected from it. Money and mission were never meant to be apart.”

Clara Miller,
Building a Foundation for the 21st Century

While there are many areas of investing for impact that need improvement – from the availability of tools, to the development of impact measurement, to clarification of language – impact investing is becoming no longer a question of “whether it works”, but instead a question of “how do I do this, and do it well?”. In closing, we pose the following thought from McGeeveran of The McKnight Foundation: “the fact is, every single dollar you invest has an impact. It’s just a matter of whether you choose to pay attention to it or not.”

This publication has been designed to help as you consider investing for impact. An extensive list of recommended resources for each of the six questions can be found in the bibliography. For more information on this topic or additional assistance with philanthropic topics, please contact your Goldman Sachs Private Wealth Advisor

Recommended Resources

1. What does it mean to invest for impact?

- Greene, Sean. “A Short Guide to Impact Investing.” October 2015. The Case Foundation. <http://bit.ly/2dVFAIY>.
- Rockefeller Philanthropy Advisors. “Impact Investing: An Introduction.” <http://bit.ly/2dVCFQx>.
- The Center for High Impact Philanthropy. “Program-Related Investments: Is There a Bigger Opportunity for Mission Investing by Private Foundations?” <http://bit.ly/2e2FNKj>.

2. Why should I consider investing for impact?

- Etzel, Michael. “Philanthropy’s New Frontier—Impact Investing.” *Stanford Social Innovation Review*. November 9, 2015. <http://bit.ly/2cZqW28>.
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Organizations

- Arabella Advisors – www.arabellaadvisors.com – Arabella helps foundations, families, investors, and corporate clients achieve greater good with their resources. Arabella offers a comprehensive suite of philanthropy services including: planning and strategy development, outsourced foundation management and philanthropy support, family engagement, and support for impact investing. Arabella also offers platforms to support and host donor collaboration, new initiatives, and policy advocacy.
- Confluence Philanthropy – www.confluencephilanthropy.org – A nonprofit network of over 200 foundations that builds capacity and provides technical assistance to enhance their ability to align the management of assets with organization mission to promote environmental sustainability and social justice.
- GIIN – www.theqiin.org – A nonprofit organization which offers information and resources to investors, including a global directory of impact investing funds (Impactbase), a discussion guide (Assessing Impact Strategy) which lists questions to ask impact investment professionals, and a set of metrics to measure and describe social, environmental and financial performance (IRIS).
- ImpactAssets – www.impactassets.org – A nonprofit financial services firm dedicated to impact investing. It publishes an annual data-base of experienced private debt and equity impact investment fund managers.

- Investors Circle – www.investorscircle.net – An early-stage impact investor network made up of individual angel investors, professional venture capitalists, foundation trustees and officers and family office representatives.
- Missions Investors Exchange – www.missioninvestors.org – Represents more than 200 foundations and mission investing organizations. Offers workshops, webinars and a library of reports, guides, case studies and investment policy templates. The goal is to share tools, ideas and experiences to improve program-related and mission-related investments.
- The McKnight Foundation – www.mcknight.org/impact-investing – The McKnight Foundation’s website has a special section devoted to impact investing which includes the McKnight investment framework, detailed information on its investments, a description of their triple bottom line, an explanation of their investment process, and a resource library.
- Toniic – www.toniic.com – An international impact investor network promoting a sustainable global economy and offering peer to peer opportunities to share, learn together, co-invest and nurture enterprises and funds.

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6. What is the future of impact investing?

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