

Mission-Related Investing: Bealight Foundation's Approach

Social Economy Centre

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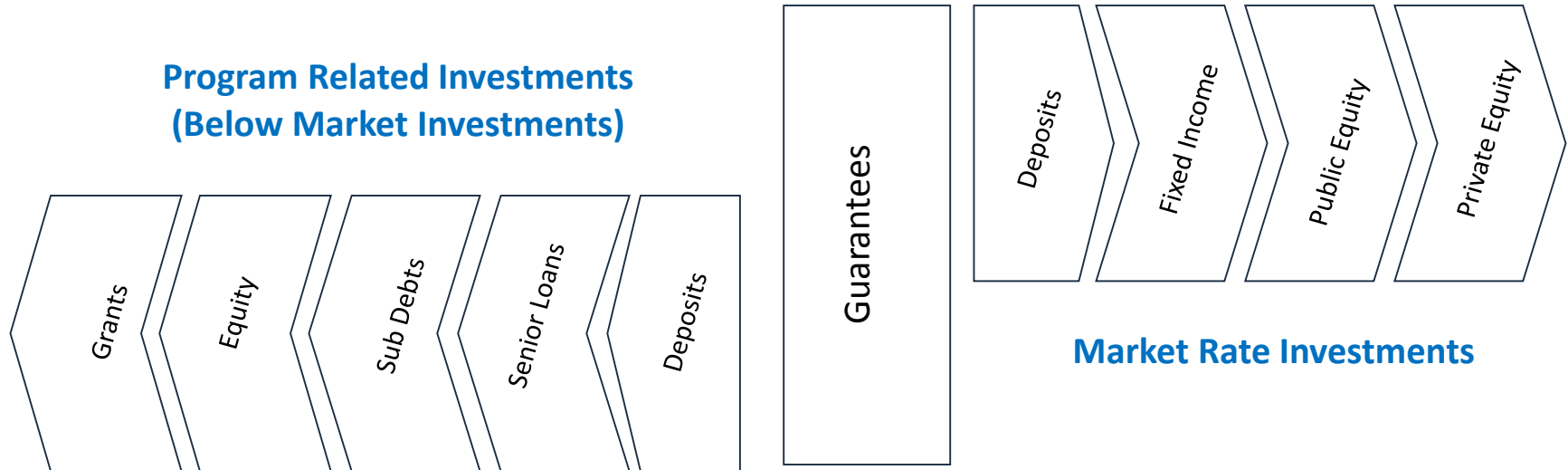
Bealight Foundation

I love the question the FB Heron Foundation asked themselves more than 10 years ago:

“Should a foundation be more than a private investment company that uses some of its excess cash flow for charitable purposes?”

What F.B. Heron Did

Bealight Foundation



- Since 1996 have made Investments across this spectrum
- Dozens of investments in affordable housing projects, community loan funds, community development venture capital funds, community banks, etc.

Heron - Today

Bealight Foundation

- Goal is that 100% of investments will be mission-related (currently at approximately 60%)
- Historically 2nd quartile investment performance, so no sacrifice to finance return
- Have eliminated organizational separation of grant-making and investments

- First recommendation of the Canadian Task Force on Social Finance was that foundations should invest at least 10% of their assets in mission-related investments
- This recommendation has been endorsed by both Community Foundations of Canada (CFC) and Philanthropic Foundations of Canada (PFC)
- The focus of many foundations has now moved from “Why” to “How”

Some of the “How” Challenges

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- Finding enough quality investment opportunities across the asset class spectrum
 - Shortage of intermediaries - meaning transaction costs are relatively high and requires development of in-house expertise
 - Canadian blueprints to follow - similar to FB Heron
 - Accepted methodologies for measuring social returns

Solutions to “How” Challenges

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- While still an emerging field in Canada, new investment opportunities are being developed quickly (will illustrate on next few slides)
 - A number of foundations are partnering on sharing due diligence costs, lowering transaction fees and the need for in-house expertise
 - New Canadian intermediaries or institutes emerging: Purpose Capital, Centre for Impact Investing, New Markets Funds, Trillium Housing, Community Forward Fund
 - Canadian blueprints are beginning to emerge: Hamilton Community Foundation, Edmonton Community Foundation, Ottawa Community Foundation, the McConnell Foundation, Bealight Foundation, to name a few

Case Study: Bealight

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- Canadian private foundation with approximately \$7 million of assets
 - Investment policy statement explicitly states that investment strategy will incorporate mission-based investments
 - Approximately 40% of current investments are mission-based or community investments with the goal of eventually becoming 100% mission invested
 - All “conventional” investments are chosen using socially responsible investment (SRI) screens

1. Community Hiring Loans

- Several dozen loans with original principal of over \$3.5 million to companies committed to community hiring
- Interest rates tied directly to community hiring outcomes: rates decrease as community hiring increases (typically start at 9% and can be reduced to 4%)
- 8 loans of over \$600k repaid in full (including \$250k to Renaissance, \$185k to Atira Property Management)
- Net return after any write-offs of approximately 5%
- 1,600 community hires
- RBC investment in our community employment loan portfolio

2. Other Mission-Based Investments

- \$250k Renewal Partners 2 Fund
- \$250k Investeco Fund
- \$150k Loan to Centre for Social Innovation for new building (fully repaid)
- \$100k Saronia Frontier Markets Fund
- \$100k Greenchip Global Equity Fund (public equity, slightly out-performed)
- \$100k Vancity Resilient Capital Fund
- \$50k New Globe Schools
- \$100k TREC SolarShare Co-operative
- \$100k CoPower Fund
- \$150k Loan to Centre for Social Innovation for another new building
- \$100k Trillium Housing Fund
- Interest free loan to New Market Funds

Financial Returns

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- Easy to measure on Community Employment Loan Portfolio and all other mission related loans
 - Easy to measure on Resilient Capital structured as a GIC and Greenchip Global Public Equity Fund
 - Harder to measure on private equity vehicles like Investeco and Renewal partners

Social Returns

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- Relatively easy to measure on Community Employment Loan Portfolio (# of jobs, job retention/advancement)
 - Harder to measure for all other mission related investments
 - A number of organizations attempting to establish common measurement practices: GIIN, SIAA (Social Impact Analyst Association), SROI Network, Charity Intelligence
 - A number of consultants with specialized knowledge to help with this challenge: Purpose Capital, SiIMPACT, Social Asset Measurements, to name a few

1. Community Foundations of Canada (National Program / Mission-Related Investing)
 - Covers subjects like fiduciary / legal issues, case studies, research and trends, “how to” from the Edmonton Community Foundation
2. Philanthropic Foundations of Canada (resource library on mission-related investing)
3. MaRS Centre for Impact Investing
4. The F.B. Heron Foundation (<http://fbheron.org>)