



MISSION POSSIBLE:

Emerging opportunities for
mission-connected investment

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Executive summary

'... for most foundations... 95 per cent of capital assets are managed in pursuit of increasing financial value, with zero per cent consideration for the institution's social mission... However, shouldn't a foundation's investment strategy seek to maximize not only financial value, but social and environmental value as well?'

Jed Emerson¹

This report considers how foundations might use a proportion of their endowment in support of the change they set out to create – their mission. It explores the potential of 'mission-connected investment' or MCI – defined as investment which *promises a market return but also helps to achieve mission* – a win-win for foundations.

MCI has considerable potential – if the 50 largest European foundations (by assets) were to dedicate just five per cent of their endowments to MCI, this would represent an additional €3.6 billion available for social-purpose activity.²

Our research found that, despite the potential, relatively few foundations invest in accordance with their mission. One of the major barriers is perceived to be a lack of awareness amongst foundations and investment managers of appropriate MCI opportunities. This report responds by presenting an inventory. This inventory shows that a range of MCI opportunities exist across a broad range of asset classes and mission areas – making MCI a feasible option for a large number of foundations.

However, our work also indicates that MCI is not an easy option.

- It requires trustees to be more actively engaged in choosing investments than most currently are.
- It takes more time and is more resource-intensive than conventional investment practice.
- It requires specialist advice – which is currently in relatively short supply.

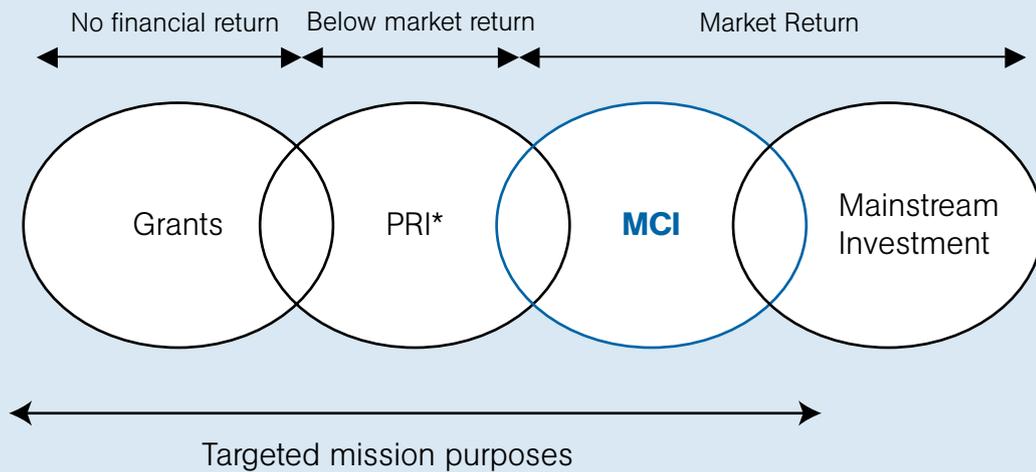
Barriers to change within the investment market and foundations themselves need to be overcome if MCI is to become an activity in which significant numbers of foundations participate rather than just a pioneering few.

This report shows why MCI represents a significant opportunity for foundations to further their commitment to their mission and outlines some of the key issues which need to be addressed if MCI is to achieve its potential. Information was collected from a web-based survey and interviews with foundation staff and investment professionals including investment managers and advisers, asset managers and product providers based in the UK, Continental Europe and the United States. This was augmented by a review of published material including that produced by financial data providers for example, Bloomberg.

Why MCI?

MCI represents a strategic opportunity for foundations to achieve a greater impact by utilising a greater proportion of their resources for mission. Recent interest in this approach stems from the way that MCI, by combining the effort to achieve financial

Figure 1. The spectrum of investment and grant activity of foundations



**PRI (Programme Related Investment) – Investment by foundations primarily for mission purposes which generates returns that are typically below market levels.*

return with mission, addresses the risk to reputation where a foundation's investment is shown to be in direct conflict with the objective of its grants programmes. Yet MCI offers far more than simply protection of reputation.

MCI can enable foundations to broaden their investment horizon and explore new ways to realise their mission. New strategic opportunities emerge from incorporating the knowledge and the goals inherent in foundations' grant activities into their investment approaches. Profitable investment in assets producing environmental or social gain can be part of the alchemy of investment related to grant programmes and to grants themselves.

MCI can also lever greater investment than foundations are able to make directly via grants. Foundations which combine grants and different investment techniques, including MCI, can, over time, develop the space for additional investment by others, including commercial investors, which can transform the enterprises they support.

A combination of financing tools, grants and investment with below-market-rate returns have developed microfinance to a level where a number of funds now have commercial legitimacy and raise considerable funds from the private sector with the target of returns at market levels.

A survey by the European Foundation Centre found that the grant and investment activities of foundations could be described as an overlapping spectrum. Foundations' activity is determined by two key factors: the goal of achieving the mission and the need to create and sustain an income. MCI should be viewed as an addition to the tools already available to foundations.

Figure 1, adapted from the European Foundation Centre's 2006 survey report, shows the approaches available to foundations. Increasingly foundations are exploring space on the spectrum where both objectives – achieving mission and achieving a financial return – are realised. Where the investment offers a market return in addition to contributing to mission this represents an opportunity for MCI.

Mission investment has developed considerable momentum recently. New dedicated mission investment funds have been established, expertise and knowledge amongst intermediaries and advisors have increased, and above all, a number of foundations have committed portions of their endowments to mission investment.

'Investment returns from mainstream markets are not uniform. This is related to risk and to the methodology of calculations. Potentially, for capital growth the potential is as good as ordinary investment, but perceptions of market returns are crucial. So if the market believes they're not going to make return then they are valued very low, wrongly even.'

**Mark Campanale,
London Bridge Capital**

'Some trustees have a very odd attitude to risk. When one new foundation first went into the market, investing several hundred million pounds worth of cash in a classically traditional range of assets, it lost four per cent of the value of its endowment in less than a month; in a year over 20 per cent of its value had been wiped out. This was judged by the trustees to be OK – an acceptable risk; the advice of specialist advisers had been followed and the poor performance by the investment managers was typical of the industry in that year. The proposal that the trustees should 'risk' five per cent of the cash in mission connected property investments was firmly rejected by the trustees (and the advisers) as 'too risky' – it would not have lost 20 per cent of its value in its first year! This 'orthodoxy', this investment 'culture' is the backdrop to a general reluctance on the part of foundations to consider MCI. Yet, if implemented appropriately, there need not be any sacrifice in return from MCI – just the win-win of market return and increased resources mobilised in pursuit of mission.'

David Carrington, Independent consultant

Most of these developments have been in the United States providing a possible roadmap for foundations considering investing in MCI. Cambridge Associates is partnering three US foundations (F. B. Heron, Annie E. Casey and Meyer Foundations) to develop a research initiative to explore the potential and practical necessities of mission investment. The Heron Foundation commits over 20 per cent of its endowment to mission investment while the \$3.1 billion Annie E. Casey Foundation has allocated \$100 million dollars to mission-related investments. Also in the United States, the \$7.8 billion W.K. Kellogg foundation has established a \$100 million fund for social and mission-related investing in the United States and Africa. International efforts, including in Europe, have been developed. The Bellagio Forum for Sustainable Development, an international network of grant-providing institutions, and the European Social Investment Forum have developed a primer for responsible investment management of endowments.

The definition of MCI as an approach that seeks to achieve mission and a market return is necessarily a high threshold to overcome when assessing potential investment opportunities. This is not to suggest that MCI is superior to the other existing forms of social investment and grants that are used to achieve mission. Rather MCI is one of a number of financing techniques which are appropriate to distinct contexts. Where grants are appropriate to support new and innovative activities that may not generate a financial return, MCI is a way of positively exploiting emerging opportunities to make a market return and contribute to mission.

Key issues

Perceptions of MCI

There is a perception that MCI is not compatible with the fiduciary duties charity law imposes on trustees. This is based, however, on the mistaken premise that MCI necessarily involves a sacrifice in return. This is a view often reinforced by the investment community. The message most usually given is that any restriction on investment options can undermine return, a fact that is equally true of any investment style irrespective of social investment approaches.

The reality is that normal investment rules apply to MCI – and MCIs can be incorporated into investment portfolios in a way that spreads risk and maximises return. MCI opportunities are selected above others because of their match with mission – but crucially no compromise need be made about return.

It is also sometimes assumed that MCI is an all or nothing approach. However, the small number of foundations who have engaged strategically and successfully with MCI initially dedicate only a small portion of their portfolio to MCI. Once confidence and experience has been established, this percentage can grow. MCI is properly considered an additional component of the existing methods available to foundations. Their efforts to achieve their mission via grants or social investment tied to their programme (grant) activities can be augmented and enabled by also having an MCI strategy.

Organisational barriers

The silos that exist in many foundations – with finance and programme staff not engaged in meaningful dialogue – are a major barrier to MCI. The most significant organisational barrier, however, is the way in which the majority of large foundations manage their endowments. They delegate investment decision-making to investment managers within an agreed investment strategy and asset allocation policy. However, few managers have any knowledge or awareness of MCI opportunities and therefore do not select them. This resistance to social investment represents missed opportunities; hence an MCI approach can also be a way of widening the investment spectrum relative to current practices.

A related problem is that foundation staff and trustees often lack the confidence, and sometimes the expertise, to challenge advisers and managers. The onus is on foundations to challenge investment managers, encouraging them to learn more about MCI.

Specialist MCI advisers are already starting to emerge. With the help of such advisers foundations might take a relatively small proportion of funds out of their endowment to invest actively, in line with their general investment policy, in high-grade MCI opportunities.

The depth of the market

For some mission areas there is no great depth of MCI options. Greater choice and market depth is developing in certain mission areas, however, such as the environment and microfinance, and it is likely to develop in others. Foundations may encourage this growth by supporting early stage funds or other MCI initiatives by offering grants or below-market-rate loans or other investment. This money can help organisations demonstrate their viability, enabling those with real potential to develop and grow and in many cases to attract MCI and fully commercial investment.

Recommendations

This report makes seven recommendations based on learning from current practice designed to address the barriers to MCI and move the agenda forward. We characterise these recommendations as a call to action.

1. Promoting MCI

More must be done to promote MCI. This could be achieved through a number of means:

- A series of events and seminars for foundation staff, investment managers and advisers.
- Articles in the specialist press.
- A 'how to' guide – containing more practical advice on incorporating an MCI approach into investment practice for the UK and in the European investment sphere.
- The development of a series of case studies on how foundations have actively implemented such an approach and what it involves.
- Incorporating MCI appropriately into the training and materials already provided to finance committees and foundation staff on endowment management.

Appropriate institutions to enable this process already exist, including the Association of Charitable Foundations (ACF), the European Foundation Centre (EFC) and the UK Social Investment Forum (UKSIF).

'I see this as analogous to private equity. This is an area of specialist investment management expertise and needs to be catered for by the establishment of specialists to whom the client, or their appointed fund manager, can make long-term commitments.'

**Richard Robinson,
Schroders**

'... the reality is that what we really have between the two parties is a Mexican standoff. It is far more likely that charitable foundations agree to put 10 per cent of their portfolio in risky assets than one per cent into a mission driven investment and they would be encouraged to do so by the entrenched views of the investment community whose narrow definition of wealth creation still prevails.'

**Caroline Mason,
Investing for Good**

2. Clarifying the regulatory position

The Charity Commission must amend its guidance on the investment of charitable funds to clarify that MCI is compatible with the fiduciary obligations of trustees. Currently, the fact that MCI is permitted is inferred rather than explicit. This encourages trustees to be cautious and means that they are reluctant to challenge the orthodox investment advice they tend to be given.

3. Developing a new alliance

Foundations interested in developing MCI should come together to form an alliance to develop and share MCI practice. These foundations should initially commit to dedicating a percentage of their endowment portfolio to MCI, determined according to the overall size of their investment capital and their level of tolerance for risk.

In addition to developing its own practice and products, the alliance could undertake a range of activities designed to promote MCI more generally including:

4. Supporting the development of MCI practice

Foundations need to be supported in challenging investment managers to take MCI approaches seriously. Specific materials must be developed on working with and through investment managers in pursuit of an MCI strategy.

5. The development of intermediaries

Foundations interested in making MCIs might work through specialist intermediaries with expertise in identifying appropriate investment opportunities. Such expertise would be time consuming and expensive for individual foundations to acquire themselves, but currently a sufficient support infrastructure is lacking. Work must be undertaken identifying specialist intermediaries and promoting their development and growth.

6. Appropriate advice and support

Work must be undertaken to identify those advisers with the experience and expertise to contribute to the development of MCI strategies and a listing developed which foundations generally can access. Foundations should have the opportunity to provide feedback on the quality of service received from particular providers.

7. Developing new MCI funds

The feasibility of developing specific themed investment funds i.e. health and social care, the arts and other untapped mission areas needs to be explored. Such funds would make it easier and cheaper for charities to take an MCI approach.

'... the drive and direction must come from the trustees... You cannot expect a fund manager to do the trustees' job for them. It is being naive, in my view, to think that traditional fund managers will switch to MCI other than through a specific brief that attracts a commercially agreed fee.'

Brian Sweetland, Friends Provident Foundation

Introduction

This report is concerned with foundation practice and discusses what we term ‘mission-connected investment’ or MCI. By MCI we mean investment from the foundation’s endowment which furthers its mission and provides returns at market levels. We use this new term in part because of the widespread confusion revealed in our research about key definitions and concepts amongst foundation staff and trustees as well as their advisers and investment managers.

A common assumption is that mission connected, or any similar terminology, relates to any form of investment with a social return regardless of whether or not the return is the market rate for the asset class. Further, many seem to believe that if an investment contributes to mission this necessarily means a sacrifice in return. Our findings show that this expectation need not be the case.

Information was collected from a web-based survey and interviews with foundation staff and investment professionals including investment managers and advisers, asset managers and product providers based in the UK, Continental Europe and the United States. This was augmented by a review of published material including that produced by financial data providers for example, Bloomberg. Quotations featured in the report are taken from the interviews, unless otherwise referenced.

Some of those we spoke to during the research for this project, which included foundation trustees, investment advisers, social investment experts and legal experts, characterised MCI as a distinct range of products or a distinct market segment. In our view this is not helpful and can be misleading. MCI is an approach to making investment decisions. It is an approach according to which some investment options are more attractive than others because they contribute to mission *as well as* promising a market return. This suggests that more work is needed – more discussion and debate to try and raise awareness and understanding of MCI. We hope that this report will stimulate such discussion and debate.

Emerging MCI opportunities

At the core of the report is an inventory which provides an indication of the range of MCI opportunities currently available. It is not an exhaustive list of all investment opportunities that could be characterised as such. Our research shows that potential MCI investments exist across a range of mission areas and asset classes. The majority of these opportunities, however, are concentrated in a few key mission areas – microfinance and the environment – which rely on a few asset classes to raise investment.

The inventory demonstrates that MCI opportunities already exist in a variety of mission areas including: microfinance; environmental improvement; promoting the charitable, voluntary and social enterprise sectors; health and social care; education; social housing; the arts and education. The potential take-up of these opportunities by foundations will, of course, depend on them finding a match between their specific charitable mission and corresponding investment opportunities. Many charitable foundations have general charitable purposes, however, a fact which opens the possibility of an MCI approach based on investment across a broad range of asset classes.

As yet there are not as many MCI opportunities as there might be – although microfinance and environmental improvement exist across the majority of asset classes, they predominate in only a few asset classes, such as fixed income funds.

Nevertheless innovative investments are emerging to serve a broader range of mission(s) and it appears clear that, over time, these alternatives will become more numerous and varied providing greater opportunities for foundations to take an MCI approach.

A greater number of MCI opportunities is likely to come on stream as more social enterprises are set up and prosper.

It is also important to see MCI in context. It should be viewed as one approach amongst many, including giving grants. MCI is not necessarily superior to other foundation approaches. Rather each responds to different needs and opportunities. An MCI approach is not necessarily an attempt to replace orthodox investment techniques but can augment the range of techniques that seeks to create a balanced and varied portfolio.

Drivers for greater interest in MCI

MCI, though still in its infancy, is a tool that can help foundations maximize their impact in a way current approaches that separate grant activities from income generation cannot. Increasingly, some foundations are coming to believe that, where practicable, they should use their capital as well as their income in support of mission. This view has been encouraged by the furore following an *LA Times* article in January 2007 revealing that the Gates Foundation was investing in companies whose activities undermined its mission. A follow up article in the *LA Times* at the end of 2007 focuses on a number of US foundations who have recently made a public commitment to MCI, in part in recognition of the reputational risk of investing mission blind.

This report

Our research indicates that even foundations that are aware of the theoretical advantages of developing an MCI approach lack understanding of what it means in practice. This report surveys what foundations are doing and seeks to learn from it. A key finding is that while an MCI approach could be an important component of foundations' overall investment strategy, barriers within foundations and in the investment marketplace discourage it.

The report is structured into four sections, the first expands on our definition of MCI, the three sections which follow provide:

- A survey of current practice.
- Examples of MCI opportunities.
- Proposals for the actions needed to encourage MCI.

Defining MCI

In this report we use the term MCI to describe some of the investment practices of foundations. This is not a term in common currency. We coined it because there is no generally understood term for the activities that we examine here. We define an investment as an MCI if it:

Targets a market rate of return and also helps a foundation to achieve its mission³

The focus is on investments made from the foundation's capital base, or endowment, where the primary motivation in making an investment is the return but the investment also contributes to achieving the foundation's mission.

How does MCI relate to other forms of social investment?

Social investment means taking social or environmental factors into account when making investment decisions. The term encompasses Socially Responsible Investment (SRI) which involves applying ethical screens which use either positive or negative criteria to inform investment choices (for more detail see Box 1) and techniques or approaches developed by foundations and peculiar to them – namely Programme Related Investment (PRI) and MCI.

A PRI, while it may generate a good financial return, is an investment primarily motivated by a desire to achieve mission. Foundations often make PRIs from income rather than capital because they typically do not produce market-level returns on investment. They can take the form of loans, generally at rates of interest below the market when adjusted for risk, or quasi equity enabling the development of a new social product or service. Such investments are generally seen as a complement to grant giving; they are provided when a loan or quasi equity investment makes more sense than a grant. For example, a PRI-supported project, if successful, may generate significant revenues or the supported organisation needs a loan to temporarily even out cash flow.

In some instances foundations have provided PRIs to organisations that have been highly successful and the investment has generated a return at or near market rates. One of the foundations leading MCI practice in the United States cites examples of organisations it supported with PRIs in the 1990s in which it now invests from endowment because they are producing market returns.

Box 1. Socially Responsible Investment (SRI)

The financial markets have developed a range of different products and approaches which fall within the category SRI. All investors, including foundations, institutional and individual investors, have access to or can utilise such products or approaches.

SRI involves applying ethical screens which use either positive or negative criteria to inform choices. For example, 'we will not invest in tobacco companies' or 'we will invest in companies with good employment practice'. The term SRI is also used to describe shareholder activism; foundations holding equity in companies seek to influence company practice via their voting rights or make direct representations to companies on a range of issues in order to encourage better practice.

Box 2. Terminology for foundation approaches – PRI and MCI

While the term PRI is becoming better understood in the UK and Europe, it has a specific origin.

The term PRI was used by the US Congress in the Tax Act of 1969. This legislation defines it as any investment by a foundation that meets the following three tests:

1. Its primary purpose is to further the objectives of the foundation.
2. The production of income or the appreciation of property cannot be a significant purpose.
3. It is not used to lobby or support lobbying.

The UK Social Investment Task Force, when it reported in 2000, recommended that the Charity Commission clarify that charities, particularly charitable foundations, could make PRIs. In response, the Charity Commission produced guidance on social investment which explicitly said that PRIs are not investments in the usual sense because their primary motivation is contribution to mission. It is, therefore, legitimate for PRIs to generate returns below market levels although they may do better.

Another term commonly used in the United States but not found in this report is mission-related investment (MRI). Some foundations, including the Heron Foundation, use it as a blanket term to cover both PRI and MCI.

Others use the term MRI to describe the range of activity described here as SRI (for example, the Jessie Smith Noyes Foundation). Some have adopted other terms to describe what is defined here as MCI. For example, the McArthur Foundation describes it as 'investment in support of programme'.

In the UK a recent report published by the Esmée Fairbairn Foundation, Ashden and CAF uses the term 'investment plus' for what this report terms MCI.

These examples illustrate that terminology is still evolving and common definitions are not as yet established.

MCI is an investment approach that targets returns but also poses the strong positive screening question: 'does this investment contribute to my foundation achieving its mission?'

MCI is a relatively new approach and is regarded as more challenging than other forms of social investment. PRI is regarded as an extension of grant giving. Most foundations with an SRI policy require investment managers to use a limited number of obvious negative screens i.e. they choose not to invest in tobacco stocks or arms manufacturers. MCI, by contrast, requires foundations to actively choose investments.

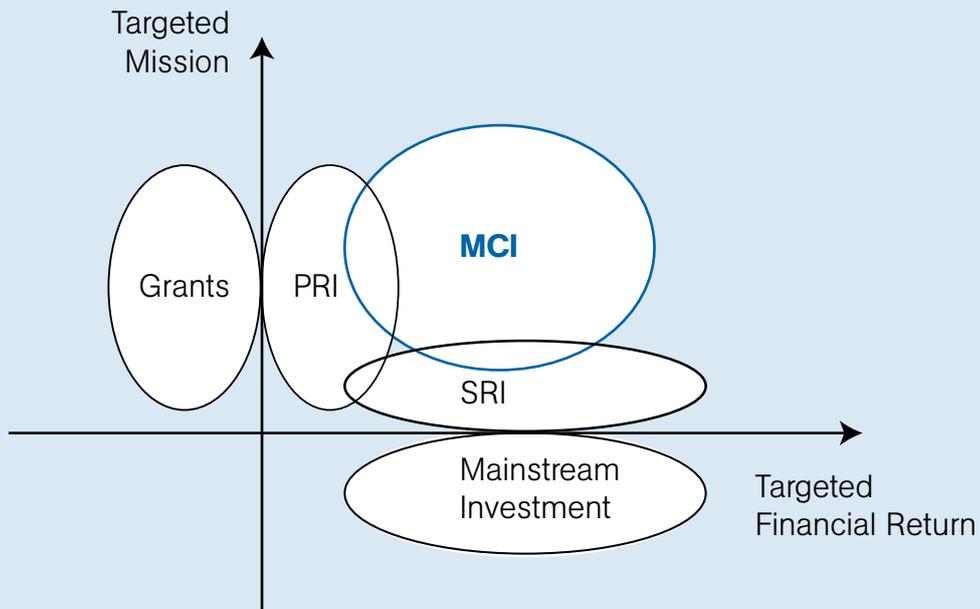
Figure 2 shows how MCI sits in relation to other foundation investment approaches and charitable activities, relative to MCI's contribution to achieving mission and generating financial return generated.

It is important to note that MCI overlaps with both PRI and SRI. For example, a PRI investment by a foundation which begins to achieve market-level returns may subsequently be part of an MCI strategy. Also, where SRI products cohere with a foundation's mission then such SRI may be part of its MCI strategy.

Where any individual investment or asset sits *will not necessarily be the same* for every foundation. Indeed the decision to invest for a foundation is based on (i) the return offered for the given level of risk and in some instances (ii) the contribution to mission.

The placing of an investment will change from investor to investor and from investment decision to decision.

Figure 2. Balancing mission and financial return: tools available to foundations



Adding an MCI approach to the array of techniques available to foundations strengthens their ability to achieve their mission. Where an opportunity exists to make an MCI investment – essentially achieving financial returns and furthering mission – then why would a foundation decline the chance to do so?

Our research found that opportunities to invest via an MCI approach are still relatively limited compared to both PRI and SRI. However, MCI is potentially a strategic opportunity for foundations to marshal more resources toward their mission. As a technique, MCI has one great advantage over the traditional ‘twin-track’ approach taken by large institutional foundations whereby the endowment capital is separated from the programme budget. The endowment is invested to make profits which are subsequently distributed as grants via the programme work. While these boundaries are already blurring in the form of PRI and SRI, MCI can take this a step further when the context permits.

A key finding of this report is the frequently under-utilised capacity of a foundation to exploit the full range of tools at its disposal in the form of the different investment approaches available. As a consequence of grants or PRI, some investment vehicles have achieved investment-readiness which means commercial and MCI-driven investment can now be sustained.

Box 3. Foundations and social investment in the UK

SRI: A recent survey by academics at Glasgow University found that only 55 per cent of large charities had a formal SRI policy and nine per cent an informal policy. This compares to a survey in 2003 which reported that only 40 per cent of large charities had policies (whilst a third of those that did not were considering adopting one). These findings are supported by a number of other studies.

PRI: A 2003 members’ survey conducted by the Association of Charitable Foundations (ACF) indicates that more than 20 of over 300 members have offered loan finance in the form of PRIs, and/or invested in intermediaries such as Venturesome.

No large-scale surveys of foundation use of PRI or MCI have been undertaken in the UK.

Current practice

This research showed low levels of understanding of MCI amongst foundations and relatively little practice:

'MCI is not well understood by foundations, only recently has it gotten on the radar screen. Mostly it is a curiosity, only to some is it of genuine interest, and of those only a few are implementing it.'

Luther M Ragin Jnr, the FB Heron Foundation

There was general agreement, however, that a greater number of foundations are likely to make MCIs over the next two to five years. This was for a variety of reasons including that foundations are starting to think more critically about their role, as John Kingston of Venturesome says:

'... the furore around the Gates foundation is stimulating a more holistic view of what being a philanthropic institution means... Recognition is emerging that endowments also have to work for the charitable purpose of a foundation.'

This section examines current practice with the aim of creating a better understanding of how and why pioneering foundations are making MCIs and the barriers that need to be overcome if the aspiration for greater foundation engagement is to be realised.

A spectrum of involvement

While relatively few foundations are making MCIs, there is nonetheless a spectrum of involvement from proactive at one end to accidental at the other.

Some foundations are proactively involved. Proactive involvement means that foundations are looking across asset classes for appropriate investment opportunities. In some instances it also means developing tools or vehicles which can be shared with others to stimulate MCI in particular thematic areas:

'One solution we attempted was to start a new fund with managers we believe in... and once that work has been done; the costs of mimicking our approach are much lower than we have endured.'

Eva Thornelof, Mistra Fund, Sweden

Others describe their MCI as unintended i.e. when particular investment opportunities arose which cohered with mission they took advantage of them but they did not seek them out:

'The investment committee has invested in a medical venture company, strictly as an investment however. The fact that it aligns with our mission is welcome but incidental.'

James Brooke Turner, Nuffield Foundation.

It seems that foundations are approaching MCI from several different directions. Some explore MCI because they are dissatisfied with the general SRI approaches of 'best in class' or weak negative or positive screens. Others come to it from the perspective of programme i.e. they have made PRIs, some of which will have been highly successful and have generated market or near market returns.

Box 4. The Noaber Foundation

The Noaber Foundation has two main goals::

1. to stimulate social entrepreneurship in developing countries and underprivileged communities by means of ICT; and
2. to encourage cooperation in the provision of particular health and social care services.

For example, in the area of health and social care, it is concerned that in the future older people will not be able to access services catering to their needs because of a lack of investment in research and development and product testing.

It has therefore developed a three-stage model of investment from its programme funds:

1. Grants are provided to enable the development of innovative ideas.
2. 'Social venture capital' enables projects that might become sustainable to be implemented.
3. Through social venture capital finance the foundation continues to support initiatives which might be picked up by mainstream venture capitalists.

Its financing takes the form of loans, subordinated loans, loan guarantees and equity. It applies different criteria regarding risk and levels of return to social venture capital and venture capital. Generally, in the case of social ventures, the investment period is longer.

Operating on the borders of MCI

A number of foundations are operating on the borders of MCI and are contributing to its development using their programme spend. Examples include foundations:

1. providing grants or making investments in social enterprises some of which might grow into profitable businesses;
2. stimulating commercial investment in projects with a social return by taking high risk stakes; and
3. investing in learning to show the financial viability of social projects.

The Noaber Foundation in the Netherlands does all three (Box 4).

In effect, a number of foundations are using programme funds to develop and/or promote MCI investment opportunities. A number of the experts we interviewed saw this as a crucially important and distinctive role for foundations. The positive example often quoted here is microfinance – foundations provided the initial funds for microfinance institutions. Such institutions are now attracting billions of dollars from mainstream investors:

'Maybe the focus should be on leveraging in money... Hence microfinance's success in structuring... debt to place the higher risk with more generous ethical investors which then allows investors solely concerned with financial returns to become involved.'

Adam Ognall, UKSIF

Experimental and strategic investment: evolving an MCI approach

A recent article in the *Stanford Social Innovation Review*⁴ categorises foundation involvement in mission investing, which incorporates PRI and MCI, as either experimental or strategic. Strategic falls into two distinct categories: integrated and leveraged.

At an initial, experimental stage, foundations might be making PRIs, generally in response to requests from funded organisations, using programme or segregated

Box 5. Two examples of foundations making strategic use of MCI

The Joseph Rowntree Charitable Trust (JRCT) – UK

All JRCT's investments are aligned with its charitable objectives: seeking the creation of a peaceful world, political equality and social justice. Its investments are screened and it also has a shareholder activism strategy. Eighty-seven per cent of its assets are managed externally, 13 per cent are managed in-house. Some of the 13 per cent takes the form of MCI.

In the 1980s, during very high unemployment in the north of England, a venture capital fund was set up to support businesses trying to grow in that region. JRCT bought units in the fund. It invested because it was concerned about unemployment in the region. The investment turned out to be profitable. JRCT continues to hold a £3 million investment in the fund. JRCT has also invested, on a much smaller scale, in a company that publishes Christian books – hoping for synergy between the company and the Trust's periodic need to help with publishing projects. More recently JRCT has agreed to co-finance employee buy-outs.

The FB Heron Foundation

'We ask – "how do you achieve maximum mission?" The answer is we need to use a broader array of tools.'

Luther M Ragin Jnr, Vice President of Investments

The FB Heron Foundation aims to build wealth in low-income communities. It has led the field in the United States in developing MCI. It also provides PRI and has developed MCI products.

In 1996 the Foundation began an investigation of how its endowment could be used to support its charitable purposes in response to concern from trustees that it was not using its resources to maximum effect. At first, fixed assets aside, it found relatively few investment options that would both generate a market rate of return and related to its charitable purposes. It therefore decided that it would become involved incrementally pursuing only the most attractive MCI opportunities. More recently, it has helped develop the sort of products it aspires to invest in.

It has purchased asset-backed securities issued by Habitat for Humanity enabling the expansion of the organisation's self-help housing programmes. It has bought municipal bonds that provide 'soft-second mortgages' for low-income first-time homebuyers. It has invested in private equity funds supporting commercial real estate projects in low-income communities and provided financing for businesses that wish to relocate to them.

Twenty-four per cent of Heron's portfolio is invested to achieve its charitable purposes. MCI was the highest-performing segment of its portfolio in the period from 2000 to 2002, until the equity markets rallied in 2003. MCI has not changed the foundation's asset allocation. It is in line with many foundations' portfolios, comprising 65 per cent equity, 25 per cent fixed income and 10 per cent alternative investments. The total investment return for 2005 achieved a rank in the second quartile of the Russell/Mellon Foundation Universe.

The Heron Foundation invested in the research and development of the Community Investment Index. This is a positively screened fund that comprises publicly listed companies that have a good record in supporting low-income communities through workforce development, wealth creation and corporate philanthropy. The Index had a 15 per cent return in 2006. Heron is now part of an initiative, launched in January of 2008, which could serve as a model for developing the infrastructure and capacity for MCI amongst European foundations and their investment advisers. Cambridge Associates, a specialist adviser and consultancy, is partnering with the Heron Foundation, The Annie E. Casey Foundation and The Meyer Memorial Trust to develop a research initiative for Mission Related Investing, a term analogous to MCI but which is defined more broadly to include all forms of social investments, including negatively screened products.

The initiative will systematically produce a series of reports on specific investment areas allowing the partner foundations to invest with more confidence and clarity as part of a mission-led investment approach. Importantly, all of the partner foundations have set aside significant proportions of their portfolio to invest according to these principles.

endowment funds. At the next stage of integration they proactively seek out investment opportunities that extend beyond loans, allocating some programme or endowment funds for the purpose. In the final stage they are developing an integrated approach to how they manage their money, both capital and income, and are using investment to influence market forces and bring in other investors and businesses.

The article concludes:

'... foundations need to become strategic in their mission investing, selecting investments that directly advance their core missions, coordinate their grant making, and leverage market forces to achieve large scale social change.'

It acknowledges however, that very few foundations in the United States are using their money in this holistic manner. Instead, many are only experimenting with one-off mission investments, and only a few have graduated to a more strategic approach.

Box 5 highlights examples of foundations engaging strategically with MCI.

Why make MCIs?

Pioneering foundations often say that MCI is about maximising impact:

'This approach enables the trust to use its assets for sustainability purposes.'
Victoria Hornby, Sainsbury Family Charitable Trusts

A variety of factors have led them to MCI:

Congruence with mission

There is often a clear link between their mission and investment opportunities likely to generate market or close to market returns for example, they are seeking environmental improvement and they are interested in the development of clean technologies or they are seeking to address poverty and are interested in helping under advantaged communities access finance. (See Box 6 for more about mission.)

Using the appropriate financing tool

In some instances the commercial nature of the undertaking means that an investment structured on market lines is appropriate whereas a grant or loan from a programme budget would not be:

'In one case we were asked to invest in new technology and had it been a charitable donation then the trust would be in a minority where other backers would receive a profit, so we would have been subsidising, potentially, commercial investors.'

Victoria Hornby, Sainsbury Family Charitable Trusts

Box 6. Mission

Some of the foundations interviewed suggested that certain mission goals are better suited to MCI than others. The most likely candidates were deemed to be the environment, community finance or redevelopment. But it was also pointed out that interesting opportunities exist and more will be coming on stream in health and social care, education and the arts. Some mission areas, such as political and social rights, are considered problematic. Investments that attempt to address this did emerge, however, such as the Bernard van Leer Foundation in the Netherlands which invests in IT companies with the mission of improving Israel/Palestine relations. And, advocates of MCI suggested that foundations with a real interest would have little difficulty finding appropriate investments with a link to mission:

'... some foundations fail to find a link to their mission due to lack of imagination and effort to research the genuine possibilities.'

Jean Philippe de Schrevel, BlueOrchard

'... MCI is limited only by the creativity of the foundations themselves.'

Doug Bauer, Rockefeller Philanthropy Advisers

Some foundations that expressed an interest in MCI still have difficulties because there is a lack of clarity about their mission; they are formed for general charitable purposes and therefore find it difficult to determine specific thematic areas in which to make MCIs. A pragmatic approach for such foundations, however, would be to match MCI to the priorities used for programme or grant spending.

Also, in this particular instance, the level of investment needed to have an impact was too great to come from the programme budget.

To build/influence markets

Some foundations with a proactive or strategic approach to MCI describe it in the context of helping either to encourage mainstream investment in particular thematic areas or in MCI more generally.

The barriers

When we interviewed Malcolm Hayday from Charity Bank he referred to the:

'bizarre situation that corporations and private entities are experimenting with triple bottom lines but foundations are still very conservative.'

Our research suggests that the main reason for this is the way in which most foundations conceive of investment. Most financial managers, both staff and trustees, think entirely in terms of financial return and

'... any mention of social objectives... is a turn off.'

Michelle Giddens, Bridges Community Ventures

This means that MCI is not on the agenda of most foundations. Most are unaware of its significance and its potential relevance to them.

Another fundamental problem is the way in which most foundations manage their investments. Most are passive rather than active – delegating individual decisions to a manager with a mandate. Few investment managers are aware of MCI opportunities and/or tend to be conservative about the asset allocations they recommend and the stock selections they make. For many foundations, too, the bulk of their endowment is placed in conventional pooled funds.

'Therefore a triangle of obstruction occurs where no single authority exists to break all those hurdles and refocus on institutional mission.'

John Kingston, Venturesome.

A number of contextual points are important here:

Legal restrictions

'Some think that considering anything other than maximizing return is a sin... There is great suspicion regarding ethical investment, vehement opinions against it exist amongst many trustees.'

David Emerson, Association of Charitable Foundations (ACF)

There is a perception that MCI is not compatible with the fiduciary duties that charity law imposes on foundation trustees. However, this is based on two mistaken assumptions:

1. First that MCI involves a sacrifice in return. By definition MCIs seeks market returns for their particular asset class (see the next section of this report for more detail).
2. Secondly, that MCI is riskier than other investments – MCIs do not necessarily carry greater risk than other similar investments in the same asset class.

MCI does have organisational and resource implications. One important feature of MCI is that it can require more active trustee engagement with investment managers. This is not entirely negative as it can be seen to encourage a greater depth of fiduciary oversight.

Box 7. Charity law and MCI

The Trustee Investment Act (2000) requires trustees to have regard to the suitability of any investment they propose to make. Charity Commission guidance explains that where a charity has an SRI policy, the duty to consider suitability involves recognising the need for consistency with that policy.

The general rule is that charities can invest in a socially responsible way, screening out particular sorts of investments, as long as these decisions do not result in the charity losing out financially. It is clear from this that charities can make MCI investments i.e. use strong positive screens which link investments with mission since an MCI approach, by definition, seeks to generate market returns.

There are only two exceptions to the general rule that financial considerations have to be pre-eminent:

1. Investment in a particular type of business would conflict with the charity's aims.
2. An investment might hamper its work, either by making potential beneficiaries unwilling to be helped because of the source of the charity's money, or by alienating supporters.

In addition, trustees can accommodate the views of those who consider a particular investment to be inappropriate on moral grounds, provided they are satisfied that this would not involve 'a risk of *significant* financial detriment'.

Box 8. Expendable endowment and MCI

Two foundations suggested to us that having expendable endowments was a factor encouraging MCI. One said:

'All of our trusts have expendable endowments. They could spend everything as and when they want to, enabling the setting-aside of a portion of endowment... [For MCI]'

One reported that this gave them confidence that if their MCIs were not successful and they lost the capital they would not be in breach of their fiduciary responsibility to maintain the endowment.

Many major foundations have expendable endowments. It is generally only very long-established foundations that have a permanent endowment. In the UK, even they can now get permission from the Charity Commission to adopt a total return approach to investment. This means that they can spend a portion of their endowment provided that their decision-making balances the needs of present and future beneficiaries.

Our research highlighted the problem that in the absence of a positive statement by the Charity Commission that MCI is explicitly permitted – it is common for trustees and their investment advisers to assume that it is prohibited:

'The Charity Commission does a good job on the PRI side of things, but it's not done anything on the MRI side to support charities engaged in this activity.'

Malcolm Lynch, Wrigleys Solicitors

See Box 7 for further information about charity law and MCI and Box 8 for information on expendable endowment and MCI.

Trustees

The idea of MCI is attractive in theory to most foundations, how could it not be? Getting a market return from investments which contribute to achieving mission is a win-win. Trustees seem to be inherently more conservative than other investors, however, and therefore less likely to adopt new or innovative approaches:

'Charities are taking a long time to get into hedge funds. They tend to be more weighted to public equity, and domestic equity, than other types of even cautious investors.'

Adam Ognall, UKSIF

'It is the nature of most trustees....that they have a traditional view about how to invest the charity's assets.'

Tracey Reddings, formerly of the Charities Aid Foundation (CAF)

The context for this is that trustees regard themselves as stewards – the money they are investing is not their own. They are obliged to balance the needs of present and future beneficiaries and they require a stable return in order to maintain planned spending including staff salaries.

Investment managers and advisers

Our research also found that the conservatism of foundation trustees is reinforced by investment advisers and managers:

'Some investment managers don't raise the 'ethical question' with charity clients or even discourage them from considering social or environmental issues.'

Sam Collin, EIRIS Foundation

Investment managers tend to be inherently conservative; to paraphrase Keynes – it being better to fail conservatively than to succeed through innovation. Much counsel against MCI, or any form of SRI, on the basis that any limit on the universe from which investments can be selected can impact on returns.

Many investment managers are likely to be unaware of MCI opportunities. This is perhaps inevitable given the supply of product:

'Few investment managers have the time to review the whole universe for small opportunities, there is an absence of track records, and also small investments are costly to investigate.'

Jean Philippe de Schrevel, BlueOrchard

The picture is not all bleak however; some advisers and managers have developed expertise in making investments which contribute to mission. One example is Rathbone Greenbank:

'This year we did £2.5 million roughly, of investment in MCI or PRI, which are outside of our main market concerns. We do this either on behalf of individuals or big charity clients with a keen interest... and momentum is building.'

Mark Mansley, Rathbone Greenbank

More advisers are likely to develop this expertise as knowledge of MCI increases, as demand grows and opportunities mature.

Outcomes and impact

One perceived barrier to MCI is the absence of social impact measures:

'Work is emerging... we still need simple and understandable metrics which are not costly to carry out regularly.'

Jean Philippe de Schrevel, BlueOrchard

Some considered social impact metrics useful in order to justify an assumed sacrifice in return. The need is not regarded as great, however, once it is clear that MCI, properly understood, does not involve a sacrifice in return.

Others expressed some skepticism about the feasibility of developing robust, transferable metrics:

'... but it is unlikely to ever be state-of-the art, as social impact is in the eye of the investor and a single metric suitable to all is probably impossible to attain.'

Luther M Ragin Jnr, FB Heron Foundation

This debate obviously relates to a much broader issue about how foundations measure the social impact of their financing including their grant and PRI spend.

An inventory of MCI opportunities

As **nef**'s inventory indicates, there are an increasing range of MCI opportunities.

Introducing the inventory

Information for the inventory was collected from a web-based survey and interviews with foundation staff and investment professionals including investment managers and advisers, asset managers and product providers based in the UK, Continental Europe and the United States. This was augmented by a review of published material including that produced by financial data providers for example, Bloomberg.

The general feeling amongst the experts that we interviewed during the course of our research is that there is significant discussion about MCI but little action:

'There's a lot of debate about it – a lot of fine rhetoric but in practice very few foundations are pursuing it.'

One conclusion of the European Foundation Centre's Social Investment Group is that a major barrier to action is a lack of awareness of MCI opportunities. Their discussions led to the research which informs this publication.

The inventory is not an attempt at a comprehensive compendium of MCI opportunities – rather we sought to provide an indication of the range of opportunities available across a broad range of asset classes and mission areas to give foundations a sense of the possible range.

Constructing the inventory

Constructing the inventory according to our definition of MCI raised contentious issues of interpretation fundamental to understanding what MCI is.

Market returns in an uncertain market place

MCI, by definition, covers investment with returns in line with the particular asset class in the wider market, i.e. those where a normal return might reasonably be predicted. However, applying this approach to the possible MCI universe was not unproblematic, not least because of the problem of defining what is normal.

The concept of market-level financial returns is more subjective than it initially appears. Estimating whether the returns an asset offers are at the normal market level is dependent on the level of risk. The recent turmoil in financial markets has demonstrated the danger of assuming that estimation of risk is an exact science. An appropriate market-level investment for any investor depends also on the other components of their portfolio and whether the investments are likely to increase or decrease in value at the same time.

A market-level investment is therefore a decision that an investor has to make in light of his or her own investment ethos and risk preference. To gain the possibility of greater returns, it is necessary to take more risks. Every investment decision requires a judgement of whether the expected returns are competitive. This involves analysing historical performance of an asset, and what return is normally achieved by its peer group of assets. Hence judging whether any financial asset is offering a competitive level of return is contingent on other assets' performance, both of its peers and the other investments that the investor owns. What may be a prudent

MCI investment for one investor may not be in another investor's case given what they own, their targeted return and their risk preferences.

The inventory covers investments offering normal returns for its asset class. This means investments with a reasonable income and security of capital. It includes investments in which conventional investors have a considerable stake, for example bonds which have been rated as highly secure by credit rating agencies. However, the focus on 'normal market-level' returns masks a number of complexities. Some of the products in the inventory are small and lack liquidity – this increases the cost of investing in them and reduces the likelihood of realising a profit. Such opportunities were characterised as 'near-market' by many of the experts we interviewed.

Financial products were considered for the inventory if they had 'market-level' returns when their targeted returns were broadly in line with the performance of similar assets.

Mission connected?

The inventory concentrates on entities with an explicit social or environmental goal or funds investing in such organisations. This focus means, however, that the inventory has not included a number of potentially valid MCI opportunities where the investment is made in mainstream business or in funds comprising such businesses, which is typical of very many SRI products now broadly available.

The inventory does not feature some potentially valid MCI opportunities. Many products have been developed as 'ethical' within the SRI field which are relatively easy to access, are well-known and well-understood. The inventory serves to show how MCI investors could seek to go further than the current horizon of ethical investments. However, the principal investment focus of such funds is typically on the mainstream business sector where participants are not mission-focused themselves. The investments are only indirectly or as a secondary priority targeting any sort of mission, whereas an MCI investment strategy seeks to align these two factors more explicitly. This does not mean that mainstream ethical investment is necessarily inappropriate to an MCI strategy.

The inventory includes individual businesses with a clear mission. Nevertheless, depending on its mission, a foundation could invest in mainstream companies as part of its MCI strategy if the company's activities are sufficiently aligned with the mission goals of the foundation's MCI strategy.

For example:

- A foundation seeking to combat unemployment in a particular locality might invest in a range of businesses in the geographic area in order to assist their growth and hire more employees.
- A foundation seeking to improve the environment by discouraging car ownership might invest in a rental company or car club which seeks to replace the need for private cars.

In both these instances, these companies help to achieve the respective mission goal but this is a side effect of their work rather than its main purpose.

Even the SRI funds that use strong positive screens to weight investment towards companies with a better social or environmental record than their peers may or may not be potential MCI investments. Only if the specific goals and investment techniques of the fund are closely aligned to a foundation's mission and its MCI strategy would these mainstream ethical investment products fit within its MCI investment portfolio.

The inventory

This section discusses the potential MCI investments included in the inventory – which is provided in full in Appendix 1. It is not an exhaustive listing of all potential MCI investments but is designed to representatively demonstrate the breadth of investment opportunities that could be mission connected. The examples provided highlight the diversity of potential investment approaches, via different asset classes (not simply equity funds), in different regions and for different mission goals. The inventory is structured to provide information about the class of asset of the investment, the expected return and the mission it contributes to. It also includes information about the terms of the investment and the use to which invested funds are put.

The inventory features fifteen different asset classes and includes: savings accounts; a variety of loans – direct, senior and subordinated; bonds; private equity, venture capital and property funds and asset backed securities. It includes a spectrum from low risk and low return asset classes to high risk and potential high return asset classes. For example, at the low risk end of the asset class spectrum – The Ecology Building Society offers a 4-5 per cent interest rate on its savings account, guaranteeing just over five per cent interest for the first fifteen months of investment. At the high risk end of the spectrum the China Environment Fund, developed and managed by a Chinese University, is targeting a 20 per cent rate of return on venture capital for small and medium sized businesses in China working in the areas of recycling and renewable energies.

Our specific findings in relation to the inventory are as follows:

Some specific mission areas – namely the environment and microfinance – already offer a diversity of MCI opportunities, while others are less developed

While the inventory reflects a broad range of missions, only microfinance and the environment offer the possibility of investment across a significant number of the asset classes featured. Microfinance and renewable energy technology have witnessed considerable growth over the last five to ten years and provide a diversity of MCI opportunities (see Box 9 for further information about the growth of

Box 9. The growth of microfinance

The growth of microfinance is an interesting case study in how a sector incorporating and developed on the basis of grants and non-commercial loans can grow to a stage where it can support commercial investment and therefore leverage significant finance.

Despite considerable growth, it is estimated that, at best, the microfinance industry meets only 10 per cent of the estimated \$300 billion potential demand. This demand is for commercial and philanthropic investment including that provided by governments. The shortfall drives innovation in investment products and funds that provide market returns and which offer MCI opportunities to foundations.

Microfinance shows recent and rapid growth. Evidence suggests that in 2006 the largest 74 investment vehicles represented approximately \$2 billion of microfinance investments, an increase from 43 vehicles with approximately \$500 million in 2004. This includes investment on commercial and below-market terms; despite a pattern of growth most of these investment vehicles are relatively small and the top ten largest investment vehicles represent over 67 per cent of the assets held.

It is important to note that the vast majority of international investment in microfinance is made on the basis of 'preservation of capital' where investors do not demand market returns, just that their initial investment is protected. In addition to grants and quasi-commercial investment, this leaves a small proportion of funding that demands market returns. Indeed, even amongst the largest microfinance funds, only a handful is focused on commercial investment. The second-largest microcredit fund, Oikocredit, caps returns at two per cent. Examples of commercial microfinance investment vehicles are included in the inventory.

Since 2004, over \$500 million has been raised commercially via structures such as asset-backed securities and this is expected to grow significantly. According to the investment bank Morgan Stanley, annual issuance for microfinance investment could reach \$3–4 billion *annually* in the next five to 10 years.⁵

Box 10. Comparable risks for the asset class

The inventory includes investment grade or rated bonds and other debt based products. Investment grade is a term used to indicate that a bond is considered by a credit rating agency as likely to meet its repayment obligations. Examples included in the inventory are:

- The Wellcome Trust bond which has the strongest possible rating for credit worthiness (rated AAA by S&P).
- Morgan Stanley and BlueOrchard issued asset-backed securities investing in microfinance institutions. These offer a range of tranches for investors looking at different levels of risk and return. The most secure of these is rated AA by S&P, indicating a very low level of risk.

In addition:

- The European Investment Bank has issued the EPOS II Climate Change Bond to finance its work funding renewable and alternative energy projects. The fund guarantees redemption of 105 per cent of the value of the bond.

microfinance) – this is likely to have lessons for how we encourage and promote MCI across a wide range of social missions.

Opportunities exist for direct investment or to invest through pooling mechanisms, such as bonds or funds

Just under half of the investment opportunities set out in the inventory are direct investments – 22 out of the 47 featured. Direct investments are those where the investor engages directly with a particular entity – either buying shares or making a loan. They contrast with indirect investments where investors' money is pooled together in a fund. Direct investments have the disadvantage that transaction costs are high. The foundation may, however, have a relationship with the organisation and significant knowledge about the field in which it operates which provides additional comfort that both investment capital and income are secure.

Some pioneers have been developing pooled funds in support of specific social purposes; for example, BlueOrchard, a Switzerland-based microfinance investor, offers several funds including asset-backed securities. In under a decade, it has developed into a credible investment vehicle that invests for social purposes:

'We recognised from the start that the traditional institutional investors would only come to our products if we had an excellent five-year track record whereas at the beginning, we would essentially count on investments from high or ultra net worth investors able and willing to act as pioneer investors and catalysts.'

Jean Philippe de Schrevel, BlueOrchard

Investments in the inventory, by definition, offer normal market returns, but many have a different risk profile to conventional investment

It is generally assumed that MCI equates with lower returns. The investment opportunities included in the inventory, by definition, promise normal market returns for their asset class. The next question is do they carry a higher level of risk in relation of the capital invested or the promised return than other investments in the same asset class? In many instances, they do not (see Box 10 for some examples).

Some of the investment opportunities in the inventory are small scale. The obvious problem with small investments is that the transaction costs associated with them are high. They take significant time and energy to manage relative to the amount invested and the likely return. Lack of liquidity is also a problem since investments which are impossible or difficult to realise might be regarded as being of little real value.

Also, in some instances, the way in which the investment opportunity is structured may be unfamiliar. They may be innovative in positive ways however; for example, a

Box 11. Benchmarking

A benchmark is a standard against which investment managers' performance is judged. Major market indices, such as the FTSE 100, are often used for this purpose, though a plethora of other indices and measures are also utilised.

The nature of many products and investments that incorporate social, ethical or environmental goals makes them more difficult to benchmark. This is partly because they use innovative or unorthodox financial structures, such as the European Investment Bank's EPOS II Climate Change Bond described in Box 10. It is also because many socially focused products are new or part of new sectors that lack a track record of financial performance.

Insistence on the use of benchmarks is an obstacle to MCI. Benchmarking favours products that are not necessarily better investments but are easier to market and manage because they are easily comparable to the general market.

bond with slightly lower returns than the norm but which guarantees redemption at 105 per cent after a certain period.

A relevant question here is, are these challenges – smallness, lack of liquidity, unfamiliar structures – inherent to MCI or would they apply to any new company or fund? These challenges would apply regardless to new companies and financial products.

Some types of MCI investment are counter cyclical i.e. when mainstream investments are doing well, they may underperform; when mainstream investments are doing badly, they may overperform. This means that such investments do not compare favourably with accepted industry benchmarks. However, there are advantages to their counter cyclicity: some US foundations see MCI as a valuable approach which helps foundations diversify their portfolios and spread risk.

All this said, the inventory includes a number of examples of investment opportunities which are easily traded and where there are accepted industry benchmarks gauging their performance for example, listed equities in the environmental field (see Box 11 for more about benchmarking).

Examples of MCI opportunities

Box 12 provides thumbnail sketches of some of the MCI opportunities contained in the inventory. These demonstrate the variety and range available across asset classes reflecting different mission areas.

Box 12. Examples of MCI products

Loan: Baxi Partnership Limited (BPL)

Enterprise innovation

The Baxi Partnership Limited (BPL) is a UK, trust-owned company. BPL's mission is to assist employees in buying-out their companies. Since beginning operation in the year 2000 BPL has assisted eight companies with over 700 employees to convert to employee ownership. It utilises an innovative model whereby a private company is bought for the employees with funds provided by BPL in the form of a loan and preference shares. Future profits are distributed to the employees by means of the issue of shares in the company, dividends and performance bonuses.

A major UK foundation has agreed in principle to an MCI investment from its endowment capital by which it will co-finance employee buy-outs with BPL. The investment is expected to return at least eight per cent and will mature after eight years.

This is one of the simpler forms of direct MCI. Risk factors are clear and related to the performance of the employee-buy-out companies. It is not a tradable investment, for example, via a secondary market, so part of the risk of such an MCI is the necessity of a long-term commitment and the absence of an exit for the investor before the investment is repaid.

Fixed Income: The Dexia Micro-Credit Fund

Microfinance and development

The Dexia Micro-Credit fund is a fully commercial investment fund specialising in investment supporting microfinance. It invests in microfinance institutions and provides refinancing.

The fund operates in 19 developing countries in South America, Asia and Eastern Europe, financing 30 institutions. The fund is managed by BlueOrchard Finance, based in Switzerland. It is a specialist in the field of microfinance.

The Fund targets a return of 1–2% in excess of the six-month US Dollar LIBOR (London Interbank Offer Rate). Funds such as these are amongst the most liquid of potential MCI investments as they have a broad investor base and can be easily bought and sold. Foundations whose mission includes supporting microfinance initiatives in developing countries can freely invest capital in such a fund as it is both liquid and fully commercial. Most investors in this fund are commercially focused despite its social mission.

There are a number of risk factors. The investments in microfinance institutions are unsecured. The currency risk due to investing in different countries is fully hedged, but any investments in emerging markets bear the increased risks associated with developing economies.

Senior Debt: Deutsche Bank Eye Fund

Healthcare and development

The Deutsche Bank Eye Fund is an innovative fund seeking to improve the quality of healthcare in the developing world by investing in and supporting a sustainable eyecare sector.

The fund is innovative because commercial investment partners a grant component to achieve a healthcare mission. The fund is mainly comprised of senior debt (senior debt is prioritised for repayment over other debt during liquidation) to attract commercial investment, but also has a subordinate debt and grant element funded by development agencies.

The Eye Fund provides low-interest debt financing for investment in eyecare programmes, in coordination with grant funding that seeks to build capacity via training, organisational development and increasing the scale of health programmes.

The senior debt seeks to provide a return on investment of six per cent. This investment has an unproven, innovative structure. It is backed by Deutsche Bank, however, and is explicitly seeking to attract social investors who do not want to sacrifice return or take on additional risk.

Bond Issue: Ecotricity

Environment

Ecotricity is a UK energy supplier piloting renewable energy generation. In operation since 1996, the company builds wind turbines and sells electricity.

Sponsored by Triodos Bank UK, Ecotricity conducted a £2.5 million five-year bond issue in 2006. The bond pays seven per cent interest. A bond is a debt security; effectively the owner of the bond is providing debt capital to the issuer, in this case Ecotricity. Interest is paid via a coupon and the value of the bond (the principal) is returned to the investor upon maturity when the bond expires.

There are risk factors attached to even a straightforward investment structure such as a bond. The risk attached to all bonds is of non-repayment. In addition, however, this bond issue is very small scale. Hence the bond is likely to lack liquidity –investors cannot easily sell their holding and will be expected to hold on to the bond until expiry.

Convertible Loan Stock: Organic Farm Foods

Fairtrade and environment

Organic Farm Foods is a producer of organic fruit and vegetables and fairtrade produce. The company has been a leader in developing the marketplace for organic production and organic fairtrade options.

Arranged by Triodos Bank UK, this investment mixes aspects of debt and equity in the form of a convertible loan stock. This bond is issued as normal but also provides the option to convert the bond into a predetermined number of shares in the company issuing the bond.

The Organic Farm Foods Convertible Loan Stock pays a return eight per cent per annum. Again, an element of the risk attached to any bond is the likelihood that the issuer will be unable to honour the debt, and this determines the value of the investment.

Private Equity: BlueOrchard

Microfinance

Traditionally microfinance funding has been focused on lending and providing debt capital to microfinance initiatives. This new fund (2007) from BlueOrchard seeks to invest in leading microfinance initiatives and start-ups in developing nations. The fund targets a return of 15 per cent and has a 10-year term. This is a commercially focused fund. The high return reflects the increased risk attached to equity investment in diverse companies. The targeting of a higher return is consistent with private equity funds in orthodox commercial areas. Minimum investment is \$250,000 indicating the high degree of liquidity relative to most social investment that this fund can expect, making it more attractive to commercially focused investors.

There are risks associated with investing in microfinance globally. When investing in developing markets or in markets new to microfinance there is a risk that the success witnessed elsewhere will not be replicated. In addition, the sector's track record is based on debt financing through loans to existing microfinance institutions. This fund is experimenting with the relatively untested approach of taking equity investments in microfinance start-ups.

Venture Capital: Triodos Opportunities Fund

General charitable purposes

The Triodos Opportunities Fund is a venture capital fund. Venture capital funds typically invest in new or growing businesses. Triodos applies this investment approach in the Fund to social enterprises. It targets investment in companies with a social or environmental mission and a demonstrable social impact, which benefits a clearly identifiable stakeholder group

The fund targets a return of 10 per cent with a minimum investment of £30,000. The risks of venture capital stem from the unproven nature of the companies that it targets for investment. The purpose of doing so via a fund, however, is to spread this risk across different ventures.

This sort of investment vehicle allows investors who have a broad or general mission (in addition to seeking returns) to invest in innovative enterprises across a range of different mission goals.

Property Fund: Igloo Urban Regeneration Fund

Urban regeneration, economic development and environment

Igloo is a fund for urban regeneration via investment in physical regeneration in the UK.

The mission of the fund is to promote regeneration and economic rehabilitation via property development

investments that also seek to generate environmental benefits. Igloo applies its SRI criteria and works in partnership with a developer to ensure fulfillment of social, economic and environmental benefits.

The fund targets a return of 15 per cent, requiring a minimum investment of £5 million. The risk factors in such a fund are generally limited. Property funds allow investors to benefit from investment in a range of property-based projects. A key risk factor is the possibility of a general slowdown in economic growth and general property values.

An MCI investor can benefit from investing in such a fund due to the security offered by investing in property and from the range of potential mission benefits that are sought.

Bond: Golden Lane Housing Bond

Health and social services

The bond, sponsored by Triodos Bank, pays one per cent above the Retail Price Index.

This is an innovative approach to financing the housing needs of people with learning disabilities, with the charity Mencap involved in identifying the targets of the financing. This mission indicates the potential breadth of mission areas that MCI can address through investment approaches. The research findings revealed considerable unease about the possibility of financing or supporting certain goals such as health or social care. However, by addressing the broader needs of this target group, in this case housing, the investment can improve well-being and livelihoods using the financing to purchase housing property.

The risks of a bond are focused on the ability of the borrower to honour repayment commitments. The use of the financing to purchase property allows the bond to be secured against real assets which are also put to the use of the social mission inherent to the investment.

Direct Loan: Belu Water (social enterprise)

Environment and social enterprise

The research findings revealed that a foundation has made a direct loan to Belu Water to provide working capital for its growth and operational needs. The loan is over a five-year period and is providing a return of eight per cent.

Belu Water is a pioneering social enterprise which is innovatively developing bottled water products that do not have the damaging environmental impacts normally associated with bottled-water production. Additionally, revenues from purchases are also supporting charitable work focused on issues of water access and need.

As a direct loan, this simple structure allows a foundation to have a direct relationship with the recipient of the investment finance ensuring that, unlike larger indirect investments in ethical investment vehicles, close monitoring can be maintained on the mission.

Moving beyond the rhetoric

MCI is an approach with enormous potential. If the 50 largest European foundations by assets dedicated just five per cent of their endowments to MCI then an additional €3.6 billion would become available for social-purpose projects.⁶

While MCI enables foundations to dedicate a larger proportion of their resources to mission – it's not an easy option.

- MCI requires trustees to be more actively engaged in choosing investments than most currently are.
- It takes more time and is more resource intensive than conventional investment practice.
- It requires specialist advice – which is currently in relatively short supply.

In addition, in some mission areas, the market lacks depth i.e. many MCI opportunities are small scale and/or lack liquidity. This means that a lot will have to change if MCI is to become an activity in which significant numbers of foundations participate rather than just a pioneering few.

Quite fundamental shifts in practice are needed and these will not happen overnight. This section therefore sets out a five-year programme of work aimed at changing the environment and making it more conducive to MCI. On the basis of our research, we recommend seven specific actions which should be taken to follow up on this report in order to move the agenda forward. We characterise these as a call to action. One clear message from the research is that we need to move beyond the rhetoric:

'... Advocacy needs to be replaced by action, which requires more skills and a different infrastructure and capacity.'

John Goldstein, Imprint Capital

1. Promoting MCI

More must be done to promote MCI – this work should comprise a range of activities:

- A series of events and seminars for foundation staff, investment managers and advisers.
- Articles in the specialist press.
- A 'how to' guide – containing more practical advice on incorporating an MCI approach into investment practice focused on the UK and European contexts.
- The development of a series of case studies on how foundations have actively implemented such an approach and what it involves.
- Incorporating MCI into the training and materials provided to finance committees and foundation staff on endowment management.

Stakeholder organisations need to develop communities of appropriate partners including the Association of Charitable Foundations (ACF), the European Foundation Centre (EFC) and the UK Social Investment Forum (UKSIF) to develop better understanding of the possibilities for MCI.

2. Clarifying the regulatory position

The Charity Commission must amend its guidance on the investment of charitable funds to clarify that MCI is compatible with the fiduciary obligations of trustees. Currently, the fact that MCI is permitted is inferred rather than explicit. This encourages trustees to be cautious and means that they are reluctant to challenge the orthodox investment advice that they tend to be given.

3. Developing a new alliance

A number of the experts that we interviewed pointed to the value of foundations forming an alliance to consider how MCI might best be pursued and appropriately promoted. This appears to have paid significant dividends in the United States:

'Ten years ago MCI was virtually non-existent. It was the commitment of a relatively small group of practitioners that created and stimulated deal flow which brought the MCI sector into existence and improved the quality and diversity of opportunities available.'

Luther M Ragin Jnr, FB Heron Foundation

Foundations interested in developing MCI should come together to form an alliance to develop and share MCI practice. This alliance should initially be developed on a UK basis but might gradually be developed to include a wider group of Continental European foundations. These foundations should initially commit to dedicating 2.5–5 per cent of their endowment to MCI.

In addition, to developing its own practice and products the alliance might undertake a range of activities designed to promote MCI more generally including:

4. Supporting the development of MCI practice

Foundations need to be supported in challenging investment managers. Specific materials must be developed on working with and through investment managers in pursuit of an MCI strategy.

5. The development of intermediaries

One of the lessons of foundations making PRIs is the value of working through specialist intermediaries. Such intermediaries specialise in providing loans and other forms of investment to organisations working in particular geographic or thematic areas. They have expertise which it would be time consuming and expensive for individual foundations to acquire. In the same way, foundations interested in making MCIs might work through specialist intermediaries with expertise in identifying appropriate investment opportunities. Work must be undertaken identifying such intermediaries and promoting their development and growth.

6. Appropriate advice and support

Work must be undertaken to identify advisers with experience/expertise to contribute to the development of MCI strategies and a listing developed which foundations generally can access. Foundations should have the opportunity to provide feedback on the quality of service received from particular providers.

7. Developing new MCI funds

Work must be undertaken examining the feasibility of developing specific themed investment funds i.e. health and social care, the arts, education and others. Such funds would make it easier and cheaper for charities to make MCIs. The model for their development might be Common Investment Funds (CIFs). Given the role of the Charities Aid Foundation (CAF) in developing and testing CIFs – over 30 are now available in the market – it is proposed that CAF, working with appropriate partners, takes this work forward.

Appendix 1: Inventory of MCI

This inventory is not an exhaustive listing of all potential MCI investments but is designed to representatively demonstrate the breadth of investment opportunities that could be mission connected. The examples provided highlight the diversity of potential investment approaches, via different asset classes (not simply equity funds), in different regions and for different mission goals. The inventory is structured to provide information about the class of asset of the investment, the expected return and the mission it contributes to. It also includes information about the terms of the investment and the use to which invested funds are put.

Asset Type	Name	Area	Arranger/ Provider or Investor	Expected financial return or benchmark
Savings Account	Charity Deposit	UK	Ecology Building Society	4.2 gross variable
Savings Account	ShoreBank Certificate of Deposit	US	Shore Bank	4-5%, and guarantee 5.09% for 15 months
Overdrafts	Overdrafts provided by Triodos UK (some of which are linked to the Small Firms Loan Guarantee Scheme)	UK*	Triodos Bank UK	Determined on case-by-case basis and linked to base
Direct Loan	Direct Loans provided by Triodos UK (some of which are linked to the Small Firms Loan Guarantee Scheme)	UK*	Triodos Bank UK	Determined on case-by-case basis and linked to base (fixed rate option for 1st 10 yrs)
Direct Loan	Loan to Baxi Partnership	UK	JRCT	8-10%
Direct Loan	Loan to Belu	UK	Life Water Ltd	8-10%
Subordinated Loan	Charity Bank notes	UK	UK Foundation investor	4%
Subordinated Loan	Direct loan	UK	Friends Provident Foundation	4-5%
Subordinated Loan	Direct loan	UK	Ecology Building Society	150-200 basis points above LIBOR
Subordinated Loan	Direct loan to private company	Sweden	Ekobanken	4-5%
Fixed Income Fund	BBVA - Codespa Microfinanzas	n/a	BBVA	Libor USD 6 months + 1%- 2%
Fixed Income Fund	Citibank Microfinance Fund (to be launched Oct 07)	n/a	CITIBANK	Libor USD 6 months + 1% - 2%
Fixed Income Fund	Dexia Micro-Credit Fund	n/a	Dexia -BIL	Libor USD 6 months + 1%-2%
Fixed Income Fund	Saint-Honoré Microfinance Fund	n/a	Banque Privée Edmond de Rothschild	Libor USD 6 months + 1%
Fixed Income Fund	HSBC Microfinance fund (to be launched Oct 07)	n/a	HSBC	Libor USD 6 months + 1% - 2%

* Bank also operates in Netherlands, Spain, Belgium and Germany

There are 48 individual investments, drawn from 16 different asset classes. Of these, 18 are investments in the UK and pertaining to UK-focused missions. The remainder are similarly focused in Europe, the United States and in Asia. Some invest globally for missions that have no geographic boundary.

	Term	Min investment	Max investment	Use	Mission areas
	Open ended	£25	£125,000		Environment, Community, Regeneration
	1-3 yrs	USD 2500			Community and Micro Finance
	Up 12 mths, renewable	£25k	£10m		Social/environmental
	Up to 25 yrs	£25k	£10m		Social/environmental
	Over 5 years	None	None	Start-up Capital	Enables and support employee ownership
	Over 5 years	n/a	£400k	Working Capital for Belu Mineral Water product; for environmentally sustainable bottled water production	Environment, Climate Change, Water resources
	Redeems 2012	n/a	n/a	Fixed rate subordinated unsecured notes for working capital	Environment, Community, Regeneration
	Over 5 years	100k	£250,000	Capital for leveraging other finance	Community Finance/Micro Finance
	10-15 years	£250,000	£500,000		Environment, Community, Regeneration
	Over 5 years	EUR 50,000	none		Environment, Community, Regeneration, Education, Health, Social Care, Arts/Culture
	Open-ended	n/a	None	Invest in unsecured partly FX hedged debt from microfinance initiatives in Lat. Am.	Latin American Microfinance
	Open-ended, 2,5 yrs lock-up	tbd	None	Invest in unsecured debt partly FX hedged from microfinance initiatives	International Microfinance
	Open-ended	\$10,000 / E10,000	None	Invest in unsecured debt fully FX hedged from microfinance initiatives	International Microfinance
	Open-ended	EUR 25,000	None	Invest in unsecured debt from second level microfinance initiatives	International Microfinance
	Open-ended	tbd	None	Invest in unsecured / not FX hedged debt from microfinance initiatives	International Microfinance

Appendix 1 (Cont'd.)

Asset Type	Name	Area	Arranger/ Provider or Investor	Expected financial return or benchmark
Senior Loan	Loan or syndicated loan by Ecology Building Society	UK	Ecology Building Society/joint (syndicated)	1-2% over base
Senior Loan	Deutsche Bank Eye Fund	n/a	Deutsche Bank	6%
Bond	HBOS Social Housing Bond Programme	UK	HBOS	Range of tranches paying coupons linked to Libor or Euribor
Bond	Ecotricity Bond £2.5 million	UK	Triodos UK	7%
Bond	Golden Lane Bond for Mencap	UK	Triodos UK	Paying 1% above inflation measured by RPI
Bond	EPOS II: Climate Awareness Bond	EU	European Investment Bank	Guaranteed redemption of 105% of nominal value, redeems up to 75% of FTSE4Good European Environmental Leaders
Bond	Wellcome Trust AAA Bond	UK	Wellcome Trust	Capital Appreciation and principal
Convertible Bond	Solon A.G. Convertible bond	Germany	Solon A.G.	Coupon 4.5%
Convertible Bond	Organic Farm Foods Convertible loan stock	UK	Organic Farm Foods	8%
Listed Equity Fund	Clean Water Asia Fund	Asia	CLSA Capital, Singapore	Absolute Return Fund, launched 01/05/07
Listed Equity Fund	First Trust NASDAQ (R) Clean Edge (R) U.S. Liquid Series Index Fund	US	First Trust	Target 0.95% correlation with NASDAQ Clean Edge U.S. Liquid Series Index
Listed Equity Fund	POWERSHARES WILDERHILL CLEAN ENERGY PORTFOLIO	US	PowerShares	Target 0.95% correlation with WilderHill Clean Energy Index
Listed Equity Fund	Impax Environmental Markets Ply	UK	Impax and Dresdner Kleinwort Wasserstein	Perf: over 5 years +37%; benchmarks MSCI World and ET50
Direct Unlisted Equity	Charity Bank Preference shares	UK	Tudor Trust	9.34%
Direct Unlisted Equity	Baywind Energy Cooperative	UK	Fenland Green Power Co-operative Limited	8-10%
Direct Unlisted Equity	Integra Social Enterprise Fund	Slovakia	Integra	6-10%
Direct Unlisted Equity	Triodos Renewables Plc	UK	Triodos UK	7-10%

	Term	Min investment	Max investment	Use	Mission areas
	10–25 yrs	25k	£1m	Capital to projects providing social and/or environmental benefits	Environment, Community, Regeneration
	5 years	None	n/a	Capital investment, program expansion, bridge financing	Health
	5/10/20 years	None	n/a		Social Housing
	5 years	£5,000	None	Working Capital, R&D, Investment for wind energy	Environment
	10 years	£500	None	Social Housing	Mental Health
	Redeems in 2012	None	n/a	Project finance as selected by EIB; option to convert yield above 25% into carbon reduction	Climate change; renewable energy and energy efficiency innovation
	Redeems in 2036	None	n/a	General Purposes of the Trust	Funding for Wellcome Trust objectives, healthcare, scientific research,
	Redeems in 2010	None	n/a	Working Capital	Environment
	n/a	£30,000	n/a	Working capital	Organics, Environment
	Open	\$5,000,000	None	Companies involved in clean water and waste management technologies	Environment
	Open	Inception price \$20	n/a	Investing in companies involved in clean energy, solar energy and biofuels	Climate Change, Environment
	Open	n/a	n/a	Companies engaged in clean-energy technologies; solar photovoltaic, biofuels and advanced batteries	Environment, Climate Change
	Open	none	n/a	Investment in companies involved in technologies for alternative and efficient energy, water treatment, pollution control and waste technology	Environment, Climate Change
	Over 5 years	No	None	Equity Capital	Voluntary Sector Support
	n/a	£300	£20,000	Finance for Fenland Cooperative and Wind Propsect Ltd for local investment into local production of wind energy, with 20% tax benefit scheme and track record of returns of over 5%	Climate Change and Renewable Energy
	Over 5 years	EUR 100k	No		Community and Micro Finance
	Open	£20 in secondary market, £980 at offering	None	Investment Capital for small-scale renewable energy projects	Environment, Climate Change

Appendix 1 (Cont'd.)

Asset Type	Name	Area	Arranger/ Provider or Investor	Expected financial return or benchmark
Private Equity Fund	PCH-FIP Brazilian Small Hydropower investment Fund	Brazil	LaGuardia Foundation and Globalbank	Target 13%
Listed Equity Fund	Triodos Renewables Europe Fund	EU	Triodos Bank	6-10%
Private Equity Fund	BlueOrchard Equity Fund	n/a	BlueOrchard	USD IRR 15%
Venture Capital Fund	China Environment Fund 2004	China	Tsinghua Venture Capital of Tsinghua University, China	Target 25%
Venture Capital Fund	Triodos Opportunities Fund	UK	Triodos UK	10%
Venture Capital Fund	Bridges Community Development Ventures	UK	Bridges	11-15%
Direct Property Investment	DLV Invest	Slovakia	Integra	11-15%
Property Fund	Triodos Vastgoedfonds	Netherlands	Triodos Fund Management	6-15%
Property Fund	Igloo	UK	Morley	IRR 15%
Property Fund	ECOS Fund Limited	UK - Southwest	ECOS Homes	Target 8-9% interest, no capital appreciation but buyback at original price offered but not guaranteed
Balanced fund	Oasis Fund (to be launched Oct 07)	n/a	Oasis Finance	6-10%
Asset Backed Securities	Enterprise Social Fund	US	Deutsche Bank	2.5% and 5.5% with 20% loss guarantee
Asset Backed Securities	Blue Orchard Microfinance Securities 1	global	OPIC and BlueOrchard	Range of tranches - paying coupons linked to US Libor
Asset Backed Securities	Blue Orchard Loans for Development 1 (BOLD)	global	Morgan Stanley and Blue Orchard	Range of tranches - paying coupons linked to Euribor, US Libor
Asset Backed Securities	Blue Orchard Loans for Development 2 (BOLD 2)	global	Morgan Stanley and Blue Orchard	Range of tranches - paying coupons linked to Euribor, US Libor
Asset Backed Securities	responsAbility Global Microfinance Fund	global	responsAbility Social Investment Services	Targeting to exceed USD money market rates

	Term	Min investment	Max investment	Use	Mission areas
	7 years capital return	Euro	None	Local currency investment capital for the development of small-scale hydroelectric products	Environment, Renewable Energy, Climate Change
	Open	1 share	None	2/3 Equity and 1/3 Subordinated debt for renewable energy power plant projects	Environment, Renewable Energy, Climate Change
	10 years	USD 250,000	None	Invest in equity of leading, transforming and start up Microfinance companies	International Microfinance
	Closed; 5 years, with various exits strategies	\$3,000,000	None	Venture capital for Chinese SMEs; recycling/resource recovery/ renewable energy and efficiency and resource management	Environment, Climate Change
	5-7 years	£30,000	None	Venture Capital for companies with a demonstrable social impact and benefit a clearly identifiable stakeholder group	Environment, Community, Regeneration, Education, Health, Social
	Over 5 years	No	no	Seed and venture capital	Regeneration
	Over 5 years	EUR 75k	No	?	Community and Micro Finance, Social Care
	Open	1 share	None	Property investment for sustainable development, and sustainable management of property	Regeneration, social development, environment and sustainable development
	2016	5,000,000	N/A	Property development and investment	Regeneration
	Flexible	£500	£20,000	Equity Capital for zero-carbon property development	Climate Change
	5 year initial lock-up	\$250,000	None	Mix of long and short term debt and equity for social entrepreneurship	International social entrepreneurs
	5 years	n/a	n/a	Finance for social housing and low-income housing by the Enterprise Social Fund	Regeneration, Social Housing
	7 years	n/a	None	Invest in unsecured debt from microfinance initiatives	International Microfinance
	5 years	n/a	None	Invest in unsecured debt from microfinance initiatives	International Microfinance
	5 years	n/a	None	Invest in unsecured debt from microfinance initiatives	International Microfinance
	Open	USD 1000	n/a	Invest mostly via debt, though some equity, in microfinance funds or directly in microfinance institutions	Microfinance and fair trade

Endnotes

- 1 Emerson J (2003) *Where money meets mission: breaking down the firewall between foundation investments and programming* Stanford Social Innovation Review (Summer 2003).
- 2 This is based on most recent statements of endowment size to the EFC (European Foundation Centre) by its members. Available on www.efc.be/eu/research
- 3 It is important to emphasise that no investment, social or otherwise, guarantees its performance.
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