Executive Summary

Report Overview
The goals of the New York Community Trust’s national environment grants program are to minimize climate change, preserve biological diversity, and reduce or eliminate toxins. Earlier this year, the Trust hired Katherine Pease & Associates (KP&A) to do a feasibility study of the possibility of making some investments in green technologies that support these primary goals. KP&A was asked to: 1.) clarify what, if anything, other foundations are doing in this space; 2.) identify potential investment opportunities; and 3.) recommend the best options for pursuing the Trust’s wish to put more of its assets to work in pursuit of its mission.

This report is divided into four sections:
1. **Research Themes** — an overview of the cross-cutting themes.
2. **Foundation Scan** — profiles of nine foundations’ green investment strategies.
3. **Local Opportunities** — a summary of opportunities in New York.
4. **Recommendations** — a detailed discussion of the Trust’s opportunities for green investing.

Research Scope of Work

**Literature review.** KP&A reviewed over 60 primary and secondary sources, including reports, white papers, PowerPoint presentations, investor analyses, and web sites. Sources were drawn from investment advisory firms, foundations, investment intermediaries, policy specialists, and economic development experts—all of whom had different expertise in green technologies and investing.

**Expert Interviews.** KP&A conducted interviews with 22 experts, including nine foundation representatives, six investors; and seven policy and technology specialists.

Overview of Findings
This section summarizes KP&A’s key findings and their broader implications for the Trust’s investment strategy.

**The market is moving towards a model of “sustainable investing.”** Although our scope of work was limited to finding opportunities for the Trust to invest a portion of its assets in green technologies, the investment specialists we spoke to urged the Trust to think about green technology as one part of a broader focus on “sustainable investing”—an approach that seeks to maximize long-term financial returns by investing in companies with superior social, environmental, and governance performance.

**Economies of scale matter for green investing.**
Given the relatively modest amount of money the Trust is thinking about investing, the Trust will likely be constrained by high transaction costs and limited access to deals. Regarding market-rate investments, the Trust will likely not have access to the best venture capital and private equity investments, nor will it have significant influence over green companies in public markets. The Trust will be similarly constrained in below-market investments (i.e., program-related investments), where several factors mitigate against making sound investments. Chief among these is the fact that there are very few green investment intermediaries, which are the customary mechanism for pooling risk, conducting research, structuring deals, and lowering transaction costs. Consequently, the Trust will likely have to buy or build investment expertise; yet, without the economies of scale that come from a larger investment, the per-unit cost may be prohibitive.

**Good green investing requires a long-term, global approach.**
Green technologies are attracting a lot of global venture capital. Emerging green technologies are sprouting up in China, India, Europe, and Israel—with the U.S. playing catch up. The upshot is that investors need a global reach to identify the best opportunities. That said, there are still decent opportunities in local markets, but they will likely not offer the highest financial prospects. In either case, green investing requires patience and a long-term focus. The window for venture capital deals is typically five to ten years, and even when companies trade publicly,
their stock prices tend to be extremely volatile since their markets are still emerging, their technology is new, and their shares lightly traded.

*Implications: Green investing, particularly in new markets and emerging technologies, is not for the faint of heart. It requires patience and a stomach for volatility.*

Few foundations invest explicitly in green technologies. Most foundations we looked at use environmental considerations as one of several criteria for mission-related investing. Several have invested in public green investment funds as a part of their asset-allocation strategy, but few have made direct investments in green technology companies. Most experienced PRI-makers cautioned against making direct investments, preferring to invest through intermediaries—like loan funds—which are still emerging for green technologies.

*Implications: The Trust will likely have to develop its own green strategy and investment models—or co-invest with another emerging funder. Either way, it means higher transaction costs—but also an opportunity to develop internal expertise and open up a new field.*

There may be opportunities for local green investing, but it will likely have to be in the below-market PRI space. Based on what we heard and found, there may be opportunities for the Trust to invest in green companies in and around New York City—especially in greening small businesses and in green real estate and energy companies. But given that these would be risky investments in opaque markets, the Trust would almost certainly have to structure investments as PRIs.

*These strategies include the following:*  

**Market-Rate**

*Green the Current Portfolio.* Hire a qualified investment manager to identify green assets with similar risk/return profile as current assets. A number of possible manager options are identified in Appendix B.

**Below-Market (PRIs)**

*Consider Co-Investing in projects through the NYC Investment Fund’s Cleantech Initiative.* Launched in January 2007, NYCIF’s new Cleantech Initiative has a number of promising below-market investment opportunities. NYCIF is open to partnering with the Trust.

*Develop an Independent “Evergreen” Fund to Target Investments in NYC.* There is a dearth of investment intermediaries targeting green companies. With the right commitment and partners, the Trust could seed its own investment fund. This is high-risk, but there’s a potential to make a major social impact.

*Build a Stepping Stone to PRI Investing.* With the right investment strategy, and a cooperative advisory firm, the Trust could use its for-profit investment strategy as a tool to build its in-house investment expertise.
Research Themes

1. The Market is Moving Towards “Sustainable Investing.” Although our scope of work was limited to finding opportunities for the Trust to invest a portion of its assets in green technologies, the investment specialists we spoke to urged the Trust to think about green technology as one part of a broader focus on “sustainable investing”—an approach that seeks to maximize long-term financial returns by investing in companies with superior social, environmental, and governance performance. The traditional investment community, several investors noted, still assumes that they have to sacrifice returns if they seek to align assets and mission, but “third generation” social investors have shown that the opposite is true: over the long-term, the best-performing companies are those with superior social, environmental, and governance practices.

A recent study by Mercer, the sustainable investment advisory service, found that 66% of global fund managers believe that environmental/social/governance (EFG) frameworks will be integrated into mainstream processes and strategies within 3-10 years. Our own research revealed several trends driving the market towards sustainability:

“We do not think that sustainability means one has to suffer [financial] value for [social] values.”

Superior Returns. The biggest barrier to sustainability investing has been the widespread perception among many asset managers that green investing equals under-performance. Conventional thinking has held that, to the extent that environmental screening limited the investment universe, green investments were inherently penalized. Yet recent investment performance and academic studies say otherwise. Last year, the United Nations Environment Programme Finance Initiative published an analysis of 20 academic studies of socially responsible investment performance, which found that, in all but three instances, ESG factors had a neutral or positive impact on portfolio performance. Likewise, a recent global analysis by the advisory firm Innovest found that companies with above-average performance on reducing carbon emissions outperformed companies with below-average carbon management by an annualized rate of return of 3.06%. Meanwhile, Goldman Sachs, the bluest of Wall Street’s blue chip firms, reported that incorporating ESG frameworks with “long-term industrial analysis and returns-based analysis” helped them pick 44 stocks across five industry sectors—energy, metals & mining, food & beverage, pharmaceuticals, and European media—that outperformed the MSCI World Index by 25% since August 2005.

Systems Thinking as a Proxy for Quality. The drive towards sustainable investing—of which environmental considerations are simply one aspect—is being driven by the recognition that, over the long-term, the best-performing companies will be those that respond strategically and systematically to an increasingly complex world. “Sustainable investing is the explicit recognition that environment, climate, social, governance, geopolitical, and ethical factors matter in an investment context,” said Peter Knight, president of U.S. business for Generation Investment Management. “We do not think that sustainability means one has to suffer [financial] value for [social] values. If you find those companies, you will out perform. We start out with our mission delivering superior performance – sustainability is a mark of quality.” This view is increasingly borne out by the data. In a recent article on sustainable investing in the Chronicle of Philanthropy, Steven Viederman, the former president of the Jesse Smith Noyes Foundation and a pioneer in responsible asset management among foundations noted that Innovest Strategic Value Advisors, a leading financial-research company, found “increasing evidence showing that superior performance in managing climate risk is a useful proxy for superior, more strategic corporate management, and therefore for superior financial value and shareholder value-creation.”
**Regulatory Change.** Regulatory policy is also a long-term driver of financial value. Congress has considered nearly a dozen cap-and-trade compliance proposals, and most experts agree that the U.S. will likely have some sort of cap on carbon emissions under the next administration. Likewise, 53 cities—including New York—offer incentives or set requirements for green building design. Eleven federal agencies, 17 states, and 10 countries have passed green building requirements. Several respondents noted that the upcoming presidential election will likely have profound implications for green investors. “The real issue is the way in which the different presidential candidates are willing to use tax and subsidy policy to alter the environment in which the markets function,” said Jed Emerson, one of the leading thinkers in the field of blended-value investing. Barack Obama favors more aggressive policies aimed at reducing greenhouse gases, while John McCain, who is far more hospitable to reducing carbon emissions than the current administration, would likely eschew tough regulations.

2. **Economies of Scale Matter for Green Investing.** Another theme we heard was the importance of economies of scale in green investing—for both market-rate and below-market strategies. Among market-rate investments, the amount of money an investor has to invest has a direct bearing on their ability to achieve their environmental and financial goals. In private equity markets, the best venture capital and asset management firms seek out investors with the largest pocketbooks—sovereign wealth funds, pension funds, and university endowments. In public equities, an investor’s ability to move a particular company, much less an industry, is directly proportional to the investor’s ownership stake. In the below-market (program-related investment) space, a limited pool of funds affects investment strategy in two important ways: by limiting the investor’s ability to spread risk across a portfolio of investments, and by increasing the average transaction cost for investments.

**Market-Rate Investments**

**Private Equity.** Several respondents observed that in regards to venture capital for renewable energy or green/clean tech, the best deals are going to the top VC firms, who, as noted, seek out large institutional investors first. “There’s too much money looking at too few deals,” said Jed Emerson. Unless an investor is in the top-tier networks for deal flow, Emerson noted, they are likely to end up with deals that others have passed on. “The good VC folks have a sense of what’s smart money, realistic expectations, because they know the space. It’s not as bad as the dot-com period, but it’s the same idea. I’ve heard a number of venture folks talk about the amount of money that’s flowing and unless you’re really well positioned in the pipeline, everyone else sees deals that are higher up on the food chain.”

**Public Equities.** Likewise, a relatively modest financial investment won’t likely have much influence on green business practices in public financial markets. It takes a lot of money to reshape business as usual, several investors noted. Picking great green stocks, for instance, may net an investor an above-average rate of return, but it will not reshape the debate about global warming, for instance—at least not in the short term. “To be blunt, $2 million in this space really doesn’t matter,” said one foundation representative. “Others are pumping hundreds of millions or billions. Even if we collectively cobble together $1 billion in assets in philanthropy you have to ask, Is that much in this space?”
Below-Market Investments

Spreading Risk. One of the bedrock principles of modern investing is spreading risk across a portfolio of investments. This is why foundations have asset managers and individuals have mutual funds. In the market for program-related investments, foundations typically turn to investment intermediaries—community development banks, credit unions, community development venture capital funds—to help them pool risk. A recent study of mission-related investment intermediaries conducted by FSG Social Impact Advisors found a dearth of environmental investment intermediaries, in sharp contrast to the robust infrastructure supporting investments in economic and community development.1 (On the other hand, FSG did find 94 intermediaries that used the environment as one of several focus areas. Of this larger cohort, almost all were publicly traded national and international equity and bond funds—i.e., commercial mutual funds, not PRI funds.) Simply put, the products simply may not exist that would allow the Trust to spread its risk across a portfolio of green PRIs.

Transaction Costs. The shortage of green PRI intermediaries means that the Trust will likely incur higher transaction costs if it chooses to move ahead with program-related investing. In addition to pooled risk, investment intermediaries lower transaction costs by offering economies of scale, specialized expertise, and a broader pipeline of potential investments. As a consequence, the Trust will have to build or buy the internal expertise necessary to source opportunities, conduct due diligence, structure deals, and manage reporting—all of which would allow the Trust to spread its risk across a portfolio of green PRIs.

Volatility in Small-Cap Companies and Emerging Markets. A long-term strategy is even more important when it comes to investing in green technologies, where many of the products and services are new and the markets are unproven. The investment horizon for most green venture capital funds is five-to-ten years. And even when green technology companies go public, most have small market capitalizations and greater price volatility. Vic De Luca, president of the Jesse Smith Noyes Foundation noted, for instance, that Winslow, a growth fund specializing in green companies that manages some of the foundation's assets, has delivered outstanding returns but with high volatility. (Winslow's Green Growth Fund (WGGFX), has an annualized five-year return of 22.04%, but it's down 22.25% for the year-to-date.) "These guys really know what they're doing, but you have to be prepared for a roller-coaster ride," De Luca said. "These are small-cap companies with emerging technologies. If you want to do big things, you have to have money to park and let it happen."

Global Focus. Although much of the investment capital for green technologies comes from institutional investors based in the United States, the money is being invested all over the world. Cleantech firms based in the U.S. accounted for $2.5 billion, or 83% of the $3.1 billion invested worldwide in the sector in 2007, yet the U.S. still lags behind Europe, where alternative energy has been a priority for years.2 India and China are also important players in emerging Cleantech markets. "You really need a global focus to invest in green technology," said Generation's Peter Knight. The solutions won’t only come from the U.S. Further, it is helpful to have a full spectrum view of the capital structure, to understand what the venture world is thinking ... as companies grow, if you had a perspective to think that part of our goal is to focus the investment community to look more long-term. That’s a better way to invest. In many respects we return to Finance 101 which says that 70-80% of a company is tied to its long-term ability to generate revenue. It’s not enough to just fill out your model and figure out what’s going on quarter to quarter. You’ve got to integrate long-term research."

Green is a Long-Term, Global Strategy. For a variety of reasons, sustainable investing and green technology investing are long-term investment strategies. Generation’s Peter Knight drew a sharp contrast between the long-term orientation of sustainable investors and the short-term orientation of other strategies. “The investment market is totally short-term oriented, in which case you’re really trading, not investing. We

3.
look at how they evolve, you could see the start and then the adoption of these technologies. The key is to understand how these technologies can be integrated into building efficiency, the utility industry or the auto industry.”

4. Green Technology is Seen as a Driver of Local Economic Development. Several respondents we interviewed were cautiously optimistic that green technology could be a driver of economic development. Most notably, the Cleveland Foundation has made a $1 million PRI to JumpStart, an “evergreen” nonprofit business incubation fund, to help spur alternative energy investments. According to Bob Eckardt, Cleveland Foundation senior vice president for programs and evaluation, the PRI is part of a broader effort to aid Cleveland’s struggling economy. In addition to investing in JumpStart, the Cleveland Foundation is investing up to 2% of the foundation’s assets in local economic development. Further, they are actively encouraging other large 501(c)(3) organizations, such as the local symphony and hospitals, to invest up to 2% of their endowments’ assets in local economic development. “For us, local is important. A lot of the advanced energy stuff we’ve seen in Cleveland is not the sexy stuff – reducing the energy use in a manufacturing process such as steel – it’s not only fuel cells or wind turbines, it’s energy-use savings, gas-house reduction off of existing use, not so much break-through technologies. Because there’s a lot of manufacturing here, it makes sense. The economic development goal for us trumps the greener technologies goal. But green technologies have the opportunity to advance economic development needs.” Several respondents saw similar opportunities in New York City for cultivating jobs at the nexus of green technology and local economic development—some of which we explore in detail in the following sections.

5. Froth in the Green Technology Market. Finally, a cautionary note. According to the research firm CleanEdge, U.S.-based venture capital investments in energy technologies nearly tripled from $917 million in 2005 to $2.4 billion in 2006. As a percent of total VC investments, energy tech increased from 4.2% in 2005 to 9.4% in 2006. Over the last seven years, venture investments in energy technologies have increased from less than 1% of total venture investments to nearly 10%.” That means that there is a lot of money chasing a limited number of new technologies and good deals—and, as Eric Janzen, managing director of the venture capital firm Osborn Capital, pointed out in a recent article for Harper’s Magazine, that is a recipe for an investment bubble.

At the very least, the glut of venture capital for green technologies will make it harder for the Trust to get in on good deals. “It’s the wild west,” noted Jenny Russell of the Merck Family Fund. “There are huge opportunities, but the big investment companies are getting into it in a big way, so there’s more money out there to invest than deals to invest in.” For a newcomer like the Trust—as well as many others in the foundation community—Russell counsels an abundance of caution when considering where to put their money. “The culture of investments and VC is not exactly a kumbaya world, so it’s sometimes hard to have information shared [regarding] new funds and what’s available.”
Environmental investing has historically been one aspect of a broader universe of what is typically known as socially responsible investing. Beginning in the 1960s, a new breed of “socially responsible” investors, led by churches and wealthy individuals, began excluding companies that engaged in businesses—tobacco, nuclear power, weapons, etc.—that ran counter to investors’ values. These negative screens constitute the first generation of socially responsible investing. In the 1980s and 1990s, a second generation of responsible investors sought to include companies whose business practices aligned with investors' values—so-called “positive screens.” More recently, a third generation of responsible investors has sought to analyze and quantify how extra-financial criteria—notably environmental, social, and corporate governance—influence long-term corporate performance. Led by firms such as Innovest and Generation Investment Management, the current generation of investors is showing that companies with superior environmental, social, and governance policies are better financial investments.

With this history in mind, we found very few foundations that were investing through an explicitly green lens. In most cases, the foundations that tried to align their investment strategies with their missions used green criteria as one of several screening categories under the aegis of mission-related/socially responsible investing. The universe of mission-related investing is defined by three broad issues:

Program-Related Investments and Mission-Related Investments

**Legal Definitions and Requirements**

Although program-related investing and mission-related investing are often used interchangeably, there are legal ramifications for each term. In short, program related investments are an exemption to foundations’ fiduciary duty to protect the corpus—a duty that most foundations have interpreted as an obligation to seek the highest financial return possible, regardless of the social cost. Mission-related investments are an effort to integrate extra financial criteria into market-rate investments.

**Program-related investments** are an explicit exception to the rule—a below-market investment that a “prudent investor” would not make but for the investment's social purpose. PRIs must meet three criteria:

1. The investment’s primary purpose must be to advance the foundation’s charitable objectives;
2. neither the production of income nor appreciation of property can be a significant purpose; and
3. the funds cannot be used directly or indirectly to lobby or for political purposes.

**Mission-related investments**, by contrast, are financially prudent investments that are nevertheless aligned with the foundation's mission. In most cases, foundations fulfill their fiduciary obligation by seeking a risk-adjusted rate of return for MRIs comparable with other investments in its asset class. Thus an environmental funder would seek out a AAA-rated bond to underwrite wetland restoration rather than a AAA-rated bond from a nuclear power company. Many mission-related investors also advocate proxy voting as a means to influence corporate behavior and improve financial performance.
1. Mission-Related Investing is Diverse. Mission-related investment falls along a continuum from below-market to market rate, with grants on one end and private equity at the other. To see how the F.B. Heron Foundation conceives of this continuum see figure 1.

![Mission-Related Investment Continuum](image1)

(figure 1)

2. Screening and Shareholder Activism. Among market-rate investments, foundations used the following strategies for aligning money and mission across different asset classes—cash, fixed income, public equity, and private equity: (see figure 2)

![Market-Rate Investment Instruments: Green MRIs](image2)

(figure 2)

- **Negative Screening.** Ruling out companies with poor environmental track records, or industrial sectors (Big Oil, nuclear) that are environmentally destructive.

- **Positive Screening.** Seeking out companies with environmentally friendly business practices. This also includes investing in best-of-class companies in all business sectors—i.e., investing in oil and gas companies that do a comparably better job of managing their environmental footprint than their peers. Sophisticated investors are using positive screens to realize higher financial performance through good environmental stewardship.
Shareholder Activism. Voting proxy shares and bringing shareholder resolutions to address environmental issues and their impact on the company’s bottom line.

3. Little Below-Market PRIs in Green Technology. Surprisingly, we found very few below-market investments targeting green technologies, although environmental conservation—a green PRI if there ever was one—has attracted significant support from PRI-makers. In 2005 alone, for instance, the Packard Foundation invested nearly $25 million in environmental PRIs, mostly in conservation.

![Hypothetical Below-Market Investments: Green PRIs](figure 3)

**Grants**
- Example: Current grants portfolio

**Equity**
- Example: Ownership stake in social-purpose enterprise that provided retrofitting services for home-owners and jobs for low-income people

**Loans**
- Example: Below market loan for gap-financing in green low-income housing development

**Subordinated Debt**
- Example: Second-position mortgage to help finance a green manufacturing facility

**Cash**
- Example: Cash deposit in BethEx Credit Union (Bronx), which then lent the money to local green small businesses.

Environmental Investing: An Overview of Foundation Strategies

**Nathan Cummings Foundation.** The Nathan Cummings Foundation has been at the forefront of using proxy voting to accomplish its social and environmental goals. “We don’t view our approach as ‘green’ investing, but rather responsible investing. We take the approach of an active shareholder,” said Lance Lindblom, the foundation’s president. While the foundation does not screen stocks out of its portfolio, it does aggressively vote its proxies, joining with other shareholder activists to bring or support proxy resolutions targeting environmental, social, and governance issues. “Our philosophy is that implementing policies to enhance energy efficiency, increase transparency or simply improve a corporation’s corporate governance practices is good for long-term shareholder value. Rather than divest from a company that appears to be doing a poor job of addressing a given issue—and leave a premium on the table for bad management—we use our standing as share owners to push for better disclosure and improved environmental, social and governance practices.”

**Skoll Foundation.** Founded in 1999 by Jeff Skoll, eBay’s former president, the Skoll Foundation seeks, in the words of COO Richard Fahey, “to make sure that our investment management overlaps with our program goals.” The foundation’s assets are managed by Capricorn Investment Group (CIG), a private investment firm founded by Skoll. CIG and Skoll use Innovest’s Intangible Rating System to screen out investments in companies that rate relatively poorly on ESG factors in their industries. “We don’t use a green filter per se,” Fahey says, “but we do have an environmental overlay in our strategy. All things being equal, we look to go green whenever possible, particularly with regards to the foundation’s investments in the energy and commodities sectors.” Skoll’s green investments include a venture capital stake in Tesla, the electric car company and a biodiesel facility. Finally, the foundation votes its proxies in accordance with guidance from Ceres, the largest coalition of investors, environmental organizations, and other public interest groups in the U.S.—a step the foundation sees as a baseline “greening” activity.
**Boston Foundation.** Though the Boston Foundation does not invest explicitly for green outcomes, George Wilson, the foundation’s chief investment officer, notes that the foundation, a public charity like The New York Community Trust, has achieved modest progress on some mission-related issues. It has aggressively divested from companies doing business in Sudan (Darfur), and the foundation votes its proxies in a socially responsible manner. The foundation’s leading program areas include housing, workforce development, and education. Most of the PRI activity that the foundation has engaged in has been in the housing area; however, the Board of Trustees recently approved $2 million in new PRIs which included a $500,000 investment in Cambridge Energy Alliance that will support a new energy management program. The program is designed to increase clean energy generation, cut peak energy consumption by 15 percent, and reduce greenhouse gas emissions by 10 percent in the first five years for the city and its residents.

**Sallan Foundation.** The Sallan Foundation is an operating foundation based in New York City whose mission is to promote “useful knowledge for greener cities.” With an initial endowment of $1.5 million, Sallan’s main activities are writing and publishing about green cities, and hosting convenings, lectures, and policy forums. According to Nancy Anderson, the executive director, the foundation takes a fairly conservative approach to managing its portfolio. Most of the assets are in bonds with a smattering of conventional and alternative-energy equities.

**Jesse Smith Noyes.** A longtime leader among foundations in the field of socially responsible investing, the Jesse Smith Noyes Foundation has developed one of the most comprehensive strategies for aligning assets with mission. It deploys both negative and positive screens in four areas: toxic emissions, extractive industries, and environmental justice; sustainable agriculture and food systems; reproductive health and rights; and a sustainable and socially just society. “Our goal is to harmonize our mission and investment strategy,” said Vic De Luca, Noyes’ president. The foundation’s portfolio is managed by nine different firms. De Luca estimates that about 15% of the foundation’s assets are in green investments, including green venture capital funds. Finally, the foundation votes its proxies and engages in company dialogues in consultation with SRI advocates and fund managers.

**Cleveland Foundation.** Of all the foundations we spoke with, the Cleveland Foundation is arguably the most similar to The New York Community Trust. As noted above, its principal strategy related to green technologies has been to invest in JumpStart, a local nonprofit economic development organization. The foundation has made a $1 million PRI to JumpStart specifically for alternative energy investments that will spur economic development in the region. However, to date JumpStart has only drawn $317,000 of its PRI funds. In addition to this PRI, the Cleveland Foundation is dedicating 1-2% of its assets to local economic development opportunities. Knowing how great the needs are, the foundation is actively campaigning to get other large nonprofit organizations in the area, such as the symphony and hospitals, to also devote a small percentage of their endowments’ assets to local economic development. Although this effort does not have an explicit focus on green investments, it is assumed that a portion of the economic development investments will be in green technologies.

**Doris Duke Charitable Foundation.** The mission of the Doris Duke Charitable Foundation is to improve the quality of people’s lives through grants supporting the performing arts, environmental conservation, medical research and the prevention of child maltreatment, and through preservation of the cultural and environmental legacy of Doris Duke’s properties. In recent years, the foundation has made market-rate mission related investments in cleantech venture funds and certified timber funds. On the grantmaking side, the board approved a $100 million Climate Change Initiative in February 2007, which seeks to help build a clean energy economy by supporting the design of optimal pricing policies for greenhouse gases, as well as the design of policies aimed at accelerating the development and deployment of clean-energy technologies. Although there is no specific coordination between the mission-related investment strategies and the Climate Change Initiative, the new climate program and other new areas of grant-making have caused the foundation to increase its payout rate above the 5 percent legal requirement for private foundations. Consequently, the investment committee has to consider the increased payout as it develops its asset allocation strategy. Nonetheless, it is continuing its commitment to mission related investments.
The F.B. Heron Foundation. Widely recognized as a leader in mission-related investing, the $300-million Heron Foundation has developed a portfolio that seeks to align its market-rate investments with its mission to complement its grantmaking and below-market investments. About 25% of Heron’s assets are in mission-related investments in different asset classes. These range from grants and concessionary debt and equity PRIs at the below-market end of the continuum to market-rate (but mission-focused) private equity investments at the other end of the spectrum. Most of Heron’s mission-related portfolio focuses on wealth creation for low-income people, but the Foundation always welcomes a green overlay. “I would say that any green investing has been more of a bonus,” says Investment Officer Kate Starr. “Our main interest is in wealth creation, though we have turned our attention to the way that community development and green investing intersect, and we’re excited when we see it.”

Merck Family Fund. Among other things, the Merck Family Fund invests in climate change and sustainability. Their investment policy includes investing a minimum of 5% of their assets in alternative investments, primarily in the form of venture capital. Recently, however, they began investing in Generation Resource Management’s private equity fund focused on sustainability. Jenny Russell, executive director of Merck, is anxious to build the internal commitment and expertise to sustainable investing, particularly around alternative energies and climate change. To this end, Merck sponsored a meeting of funders in 2007 called Endowments for Climate Solutions. The meeting will be replicated in the fall of 2008 in partnership with Rockefeller Philanthropy Advisors and other foundations.

Blue Moon Fund. Recently created from the restructuring of the W. Alton Jones Foundation, the board of the Blue Moon Fund has decided to invest 25 percent of its financial assets in investments in PRIs and MRIs. Unlike many of the other foundations we spoke to, the Blue Moon Fund has decided that in order to achieve its goal of integrating programs and investments, and seeding sustainable projects that will positively impact the environment and climate change, it will look for innovative projects around the world to invest in directly. Given the complexity of this endeavor, the far reaching geographies in which Blue Moon Fund pursues its program work, and the fact that the investments exist in rapidly-changing and sometimes very different markets, the Blue Moon Fund is developing a stable of consultants with financial, business, and technical expertise who provide due diligence for prospective investments and negotiate deals. Blue Moon Fund has previously done a number of PRIs both domestically and internationally investing in both non-profits and for profit companies. Recently the foundation closed its first truly mission driven, market rate investment. This is an investment in an organic heirloom tomatoes farm in Northern Virginia that will promote local farming, organic farming practices, renewable energy technologies and reduce global warming. The original strategy involves a bridge loan with a 15 percent annual return rate, and the option to convert up to 50% of the investment into equity. Diane Edgerton Miller, the President of the Blue Moon Fund, is eager to partner with other funders who are interested in investing in projects that will primarily help address climate change and sustainability.

2% for Mission Campaign Overview

Finally, it is worth nothing that the Annie E. Casey Foundation, F.B. Heron Foundation, and Meyer Memorial Trust have announced a Campaign to increase mission investing activity by a total of two percent of all U.S. foundation assets over the next five years. Based on current endowment levels, more than $10 billion of incremental investments will be committed over the next five years. The partner foundations recently announced that the Institute for Responsible Investment at the Boston College Center for Corporate Citizenship will serve as the “2% for Mission” Campaign Resource Center.

The Campaign encourages foundations – private, community and corporate – to consider how to better leverage their assets to achieve mission-related goals. Foundations are asked to commit two percent of their endowments—above and beyond charitable distributions—to investments such as program-related investments, mission-related investments and mission-related deposits. This can take the form of adding strategic
PRIs to existing grantmaking. In some cases, foundations may make market-rate investments that promote or enhance mission objectives. Foundations can also engage as shareholders through proxy voting, shareholder advocacy and other efforts related to an institution's mission goals. Whichever tool a foundation chooses, the objective is to more fully leverage philanthropic resources for mission.

The goals for the five-year Campaign are to successfully foster:

1. Increasing mission investing activity by up to at least 2% of foundation endowments, generating $10 billion more in commitments.

2. A robust mission investment environment encouraged and supported by the development of a broad range of professionally managed investment pools and products that are structured to provide different risk/return profiles.

3. An investment support infrastructure that includes high-quality technical assistance, which enables foundations to make mission investments.

Campaign Operations

The “2% for Mission Campaign” Leadership Committee is comprised of foundation executives committed to advancing mission investing within their own organizations and beyond. This is a proactive commitment to broadly promote mission investing and challenge other foundations to raise the bar. The Leadership Committee is charged with overseeing long-term implementation and evaluation of the Campaign.

Tools and Support

The Leadership Committee is establishing a Campaign Resource Center, which will provide greater access to technical assistance and serve as a clearinghouse of mission investing resources. Examples of resources include fund of fund products focused on urban revitalization, green technology and clean technology; Cambridge Associates recently announced a business unit to provide research and support for mission-related investments; and PRI Makers database of mission-related investment deals. Foundations leading this effort will also share case materials, legal templates, due diligence protocols and reporting formats.

Christa Velasquez at the Annie E. Casey Foundation is the primary point person for the campaign.
Green Investing: Local Opportunities

Given the size of New York City’s finance sector, its size as a potential market for green products of all stripes, its energy consumption, and Mayor Bloomberg’s commitment to greening the city, we expected to find a surfeit of green investment opportunities. But we did not and nor have others. A recent study on the Cleantech industry in New York State published by the Partnership for New York City found that Cleantech investments in New York lagged far behind other regions. (see sidebar) “Most Cleantech investment is going to America’s traditional centers of entrepreneurial tech-sector activity, namely California and Massachusetts,” the report noted. If this does not change, New York risks repeating its experience with the information technology and biotechnology industries, where companies came to New York to raise money and sell their products, but created most of their jobs and paid most of their taxes in other states.”

While New York has been a leader with respect to “green” policies and incentives that support energy efficiency and a cleaner environment, the report continued, the majority of these programs are focused on the adoption of Cleantech technologies by local residents, businesses, and government rather than on encouraging the creation of new companies or projects in the state. The report concludes, “The consumer orientation of New York’s public policy reflects the fact that environmental concerns have driven the agenda, rather than economic development.”

That said, we did uncover a number of overlooked opportunities for green investing embedded in New York City’s unique local market. On the other hand, there are also a number of important constraints, both internal and external, that the Trust will have to overcome.

What is Cleantech?

Cleantech is new technology and related business models offering competitive returns for investors and customers while providing solutions to global challenges. The concept of Cleantech embraces a diverse range of products, services, and processes that are inherently designed to achieve the following goals:

- Provide superior performance at lower costs;
- Greatly reduce or eliminate negative ecological impacts; and
- Improve the productive and responsible use of natural resources;


Source: Cleantech Network, LLC
Opportunities
Green Collar Jobs and the Real Estate Industry. Several interview respondents argued that the greening of New York City’s real estate industry held several investment opportunities. As Tokumbo Shobowale, chief operating officer at the New York City Economic Development Corporation, put it, “Building is an inherently local activity. Businesses that are located here have an advantage in green construction.” Greener buildings are also an opportunity for achieving greater environmental impact. “Seventy-nine percent of New York City’s carbon footprint comes from heating, lighting, and cooling of buildings,” said Nancy Anderson of the Sallan Foundation, whose forthcoming report, Decoding the Code, examines the green potential of the city building code. “The biggest impact is from greening our building stock.” Generally speaking, respondents highlighted the opportunities presented by the following converging trends:

Local Law 86. In October 2005, New York City passed Local Law 86, which requires that all new public buildings be certified to meet green standards. Effective as of January 2007, Local Law 86 is expected to affect approximately $12 billion of construction in the City’s ten-year capital plan.

Greening of the NYC Building Code. The City is currently in the process of “greening” the NYC building codes, a process that will open up new opportunities as green standards get built into the regulatory structure of the Department of Buildings.

Public Incentives for energy generation and efficiency. The New York State Energy Research and Development Authority (NYSERDA) is a public benefit corporation that focuses on environmental effects of energy consumption, development of renewable resources, and advancement of innovative technologies. NYSERDA invests nearly $150 million per year in incentive programs aimed at boosting energy generation, efficiency, and conservation.

While real estate is undoubtedly a critical economic engine in New York City, even in the current market, its unclear whether green collar industries will present viable investment opportunities. Last year, the Apollo Alliance published a report entitled “Growing Green Collar Jobs” which argued that PlaNYC 2030, Mayor Bloomberg’s much-heralded environmental initiative could produce “thousands” of new green collar jobs in the following areas: energy efficiency and upgrades, efficient building operations, and energy management. While the report does a good job of describing the potential for green collar industries, it is disappointingly short on data—wage levels, market size, market structure, market barriers, etc., not to mention issues like supply chains and workforce readiness.

External Constraints
Poor market data
- Lack of firms to spread risk
- Lack of clear exit strategy
- Difficulty pooling risk
- Market fragmented, comprised of small firms
- High transaction costs for lots of small investments

Internal Constraints
- Lack of PRI experience
- Investment dollars may be too little to have real impact
Nevertheless, there may be an opportunity for the Trust to make program related investments in this space. There are also huge caveats, notably the lack of reliable economic and market data, a fragmented market of small independent firms, and, in the case of venture capital or other equity investments, the lack of a clear exit strategy. That said, these investments could include:

- Capitalizing a loan fund for independent contractors engaged in energy upgrades and retrofitting 1-4 family homes;
- Securitizing green energy tax credits and using them to capitalize green real estate developments (similar to how low-income housing developers securitize low-income housing tax credits and use them as equity capital for housing development);
- Making a direct investment in energy services firms providing co-generation services for manufacturing firms; or
- Buying bonds to underwrite construction of low-income green housing.

**Greening NYC’s Manufacturing Sector.** Several of the policy specialists we interviewed felt that there was an opportunity to help existing NYC manufacturers go green. Carlton Brown, COO of the sustainable development firm Full Spectrum, noted, for instance, that Queens-based Crystal Windows, one of the largest manufacturers of windows on the East Coast, is losing out on the market for green windows simply because he lacks the know-how and financing to manufacture high-efficiency windows. “We order our windows from a company in Wisconsin,” Brown said. “But I would much prefer to buy local.” Muhammad Yunus [the founder of the Grameen Bank], Brown continued, talks about the importance of teaching potential borrowers to think about their market opportunities. “If you think about the opportunities for companies that are not currently green, what they need is additional capital and market understanding.” Investments could include:

- Creating a loan or private equity fund that would underwrite new equipment purchases, lines of credit, or loan guarantees for companies wishing to green their operations.
- Funding (probably through grants) an investment advisory service that would provide business planning, investment services, and consulting for small manufacturing firms.

**Co-Investing With the Blue Moon Fund.** The Blue Moon Fund, a family foundation based in Charlottesville, VA, is eager to partner with other funders who want to address climate change through for-profit investments. The Blue Moon Fund is currently developing a stable of consultants to source, vet, and structure deals, and the Trust would be welcome to co-invest in deals in New York and elsewhere (see page 12 for more details on the Blue Moon Fund).
Recommended Strategies

Green the Current Portfolio. In our view, the easiest strategy the Trust could pursue towards its goal of green investing is to hire a good investment advisory firm to help think through how the Trust could “green” a portion of its current portfolio. As noted above, new analytical tools have made it possible for trustees to make the business case that sustainable investing is part of their fiduciary duty. There are a plethora of investment advisors and consultants in mission-related investing, and qualified investment managers could help identify low-hanging fruit among various asset classes—green venture capital funds, green mutual funds, green bond funds, green REITs, etc. For examples of investment advisors and managers who work in green investments, see Appendix B.

That said, several respondents warned that the Trust should be prepared for resistance from trustees and investment managers. “The thing that’s repeated over and over again is that the advisors will think about any way to throw up challenges,” said the Merck Family Fund’s Jenny Russell. Part of it, she continued, is related to the fact that sustainable portfolio management is new territory: “Be prepared to hear ‘You’re going to make less, you’ll have more risk.’” The challenge is to show, according to the data, that greening the portfolio is a better long-term investment strategy.

Explore Opportunities for Green PRIs. Although the market opportunities for green program-related investing around green buildings, distributed energy, and small-scale manufacturing are far from clear, we believe they are worth further exploration. Ideally, the Trust could get its feet wet with a relatively safe program-related investment—say, a below-market investment in a green loan fund targeting New York City. But, with the exception of the New York City Investment Fund (which recently opened a Cleantech sector) such intermediaries do not appear to exist. We see two possible avenues for the Trust to consider:

Benefits
- Easy to buy sound expertise
- Investment products exist across all asset classes

Drawbacks
- Resistance from current fund managers
- Lack of local focus
- May be difficult to build internal capacity if investments are outsourced
**Approach the NYC Investment Fund About Investing in its Cleantech Initiative.** In January 2007, the New York City Investment Fund launched a new Cleantech Initiative, which will focus on New York City-based companies in a number of industrial sectors: energy management, alternative energy, sustainable materials, and air and water technologies. Guided by an advisory group of private sector experts, the Fund is especially interested in companies or projects that help meet “some of the energy, emissions reductions, and air/ water quality goals laid out in Mayor Bloomberg’s PlaNYC 2030.” To date, the Fund has made three Cleantech investments—one in Solar Energy Systems Holding, Inc., another in Consumer Powerline, a company that helps consumers reduce their use of high-cost peak power, and a third in OwnEnergy, a Brooklyn-based company that partners with landowners to develop renewable energy projects. Maria Gotsch, the Fund’s President and CEO, outlined a couple of opportunities for the Trust to invest alongside the Fund:

1. Providing letters of credit to support independent contractors’ purchase of hybrid black cars.
2. Investing in a loan fund for tenants of a Cleantech industrial park on Staten Island.

**Develop an Independent “Evergreen” Fund to Target Green Investments in NYC.** Evergreen investment funds are social-purpose investment funds that recycle financial returns back into the fund instead of paying off investors. The Trust could create a nimble investment fund that could provide market-rate or below-market debt and equity to Cleantech, green manufacturing, energy generation, and other “green collar” companies. For example, the Acumen Fund, which was seeded by the Rockefeller Foundation, provides patient capital in the form of debt and equity financing for nonprofit and for-profit enterprises targeting the developing world. The Trust could establish a similar blended value fund targeting green enterprises in NYC. In our view, this is really about figuring out how to invest effectively in small businesses. Done right, it could boost local ownership, cultivate local markets and supply chains for green products, and expand employee ownership.

**Build a Stepping Stone to PRI investing.** Given where the Trust is now, there’s no reason it couldn’t split the difference—invest in Cleantech venture funds over a two- to three-year time horizon, while learning the space and building internal expertise. Another option would be to learn the ropes by co-investing on discrete green projects with an experienced PRI-maker. Several experienced PRI-makers urged the Trust to move cautiously. As the Heron Foundation’s Kate Starr noted, an incremental approach proved to be hugely beneficial as her foundation built its experience one investment at a time. “It takes effort on your part to start looking under rocks, but in doing that you develop your own priorities and criteria. After that, things start coming to you. There’s also an infrastructure in place now, such as the PRI Makers Network, that didn’t exist when Heron got started.”
Conclusion

While we found no slam-dunk investment opportunities for the New York Community Trust to leverage its financial assets on behalf of its programmatic environmental goals, we did find several viable opportunities the Trust may want to explore further. As noted, the easiest and cheapest option is to find green assets that fit into the Trust’s current risk/return profile. Locally, New York City’s real estate sector, along with a robust set of public subsidies, present several solid options for investing in green collar jobs. The Trust may also have an opportunity to co-invest with like-minded foundations, though the Trust will likely either have to invest outside of New York for solid financial returns, or accept below-market returns in exchange for social returns.

Whatever option the Trust elects to pursue, it will need to think strategically about how it can build the internal expertise necessary to source, vet, and structure green investments. The dearth of green investment intermediaries presents is both a challenge and an opportunity. On one hand, the Trust will likely not have access to the expertise, pooled risk, and lower cost structure intermediaries offer to investors in other fields. On the other hand, with the right investment strategy, the Trust could establish itself as a pioneer in the foundation community in the field of mission-focused green investing. Finding the right strategy will not be easy, but it will be interesting.
Endnotes

1. Mercer Research. Presentation for private client, shared with the authors.
6. See “What is Responsible Investment?” at www.mercer.com/ri
Appendix A

Sources Interviewed

Funders
1. Andrew Bowman, Director, Climate Change Initiative, Doris Duke Charitable Foundation
2. Bob Eckardt, Senior Vice President for Programs and Evaluation, Cleveland Foundation
3. Richard Fahey, COO, Skoll Foundation
4. Lance Lindblom, President, Nathan Cummings Foundation
5. Vic De Luca, President, Jesse Smith Noyes Foundation
6. Diane Edgerton Miller, President, Blue Moon Fund
7. Jenny Russell, Executive Director, Merck Family Fund
8. Kate Starr, Investment Officer, F.B. Heron Foundation
9. George Wilson, CIO, Boston Foundation

Investors
1. Marc Brammer, Director of Research, Innovest Strategic Value Advisors
2. Jed Emerson, Visiting Fellow, Skoll Center at the Said Business School, Oxford University
3. Maria Gotsch, President and CEO, New York City Investment Fund
4. Peter Knight, President, Generation Investment Management
5. Jason Scott, CEO, EKO Asset Management
6. Saul Shapiro, CEO, Sustainable Technology Solutions

Policy Experts
1. Nancy Anderson, Executive Director, Sallan Foundation
2. Carlton Brown, Chief Operating Officer, Full Spectrum of New York
3. Joan Byron, Director, Sustainability and Environmental Justice Initiative, Pratt Center for Community Development
4. Adam Friedman, Executive Director, New York Industrial Retention Network
5. Rich Liroff, Executive Director, Investor Environmental Health Network
6. Karen O’Brien, Executive Director, Advancing Green Chemistry
7. Tokumbo Shobowale, Chief Operating Officer, New York City Economic Development Corporation
Appendix B

The following is a list of investment advisors and managers who were identified as possible resources for The New York Community Trust. Katherine Pease & Associates does not endorse or promote any particular advisor or manager.

Green Fund Advisors and Managers

Fund Advisors

Calvert Foundation Advisory Services (www.calvertfoundation.org). Calvert Foundation’s Advisory Services program, Community Investment Partners (CIP), is a leading provider of program-related investment advisory services—a “one-stop shop for community investing.” With over 10 years of experience, CIP helps channel capital to community projects in an efficient, disciplined, and recoverable manner. Products and services include the following: Due Diligence Reports; Program Design and Portfolio Management; Loan and Investment Administration; Community Development CD Pools; and Investment Note Offerings/PRI Placements.

Cambridge Associates (www.cambridgeassociates.com). Cambridge Associates specializes in providing investment advisory services to the nonprofit sector, offering traditional consulting services along with investment advice and research, alternative asset research and performance monitoring. Cambridge serves more than 600 institutions, including colleges and universities, secondary schools, foundations, religious institutions, research organizations, corporations, and private clients.

EKO Asset Management Partners (www.ekoamp.com). A spin-off of Generation Investment Management, EKO is a specialized investment management company that leads and manages investments in assets with unrecognized or unrealized ecological value. EKO is a mission driven business dedicated to achieving meaningful and sustainable profits over the long term, as well as scalable economic, social, and environmental impacts. EKO’s main focus is on providing capital to projects through special purpose and fund vehicles, but the firm also offers certain advisory, brokering, and financial services to companies, NGOs, investors, and governments.

Federal Street Advisors (www.federalstreet.com). Federal Street oversees more than $5 billion in assets. The firm works in a wide range of areas, including: asset allocation; money management; and income tax and cash flow projection. Advisors objectively identify money managers best suited to carry out an investment plan, evaluate the managers on an ongoing basis and provide the client clear information about their progress. The firm will measure the performance of individual managers and of the investment program as a whole and compare it with relevant benchmarks, looking at a manager’s risk and how it fits with other managers in the overall program. A dedicated research staff evaluates equity, bond, and alternative asset managers for potential inclusion in client portfolios.

Innovest (www.innovestgroup.com). Innovest represents more than $7 trillion in assets under management in over 20 countries. Their clients include: institutional investors; governments; foundations/endowments; universities; non-profit organizations and think-tanks. Using Innovest’s benchmarking assessments and sector reports, consultants have access to an array of non-traditional performance indicators that affect their client base. Their strategy combines robust “extra-financial” analysis with more traditional fundamental, quantitative, and qualitative approaches. Innovest is widely recognized as one of the leading providers of information to investors seeking to make best-in-class investments using non-financial screens.

Mercer Consulting (www.mercer.com). Mercer has been providing investment advice to corporations, foundations, trustees, and endowments for more than thirty years. Mercer deals with every aspect of institutional investing from strategy, structure, and implementation through to ongoing portfolio management. Mercer has over 2,700 clients with assets in excess of $3.5 trillion supported by over 600 full-time consultants. Mercer has carved out a niche as a leader in socially responsible investment strategy.

Fund Managers

Aquillian Investments (www.aquillian.com). Aquillian Investments, LLC is an investment consulting firm specializing in alternative asset opportunities, such as venture capital, real assets, hedge funds, com-
Commodities, and direct investments. Founded by Brian Dunn, former director of Investors’ Circle, Aquillian manages PRI and MRI investing for foundations with a strong focus on the environment.

**Capricorn Investment Group** ([www.capricornllc.com](http://www.capricornllc.com)). Founded by former eBay President Jeff Skoll, Capricorn Investment Group managed Skoll’s private wealth, as well as the assets for the Skoll Foundation. Like many private investment managers, there is little public information about Capricorn Investment Group, though the Skoll Foundation’s COO, Richard Fahey, indicated that introductions could be made.

**E+Co** ([www.eandco.net](http://www.eandco.net)). E+Co specializes in investing in local small and medium enterprises (SMEs) that supply clean and affordable energy to households, businesses and communities in developing countries. The firm’s “enterprise centered model” offers business development services and investment capital to enterprises. E+Co’s growth and sustainability plans strive to balance investments in first-of-a-kind enterprises across a variety of clean energy sub-sectors (“investing for width”) and making a number of subsequent investments in those sub-sectors that show the most promise for impact (“investing for depth”). Where E+Co realizes the potential and need for deepening its commitment to promising sub-sectors, it will consider establishing a specialized fund and a related affiliated fund management company to create the focus and concentration desired by investors.

**Expansion Capital Partners** ([www.expansioncapital.com](http://www.expansioncapital.com)). A pioneer in Cleantech venture capital Expansion Capital was the only VC to be a Founding Investor of the Cleantech Venture Network, which is the world’s leading conference and data provider to the Cleantech investment community. The firm’s current fund invests in US and Canadian enterprises with revenues of $2-$30 million, combined with prospects for attaining $30-$100 million in revenues within 3-5 years. Expansion Capital has offices in New York and San Francisco.

**Global Environment Fund** ([www.globalenvironmentfund.com](http://www.globalenvironmentfund.com)). Established in 1990, the Global Environment Fund (GEF) invests in businesses that provide cost-effective solutions to environmental and energy challenges. The firm manages private equity dedicated to clean technology, emerging markets, and sustainable forestry, with approximately $1 billion in aggregate capital under management. GEF’s investors include prominent endowments, foundations, family offices, and pension funds. The GEF investment team has completed more than 30 private equity or early-stage technology investments in businesses operating in all of the world’s major geographical regions.

**SJF Ventures** ([www.sjfund.co](http://www.sjfund.co)) SJF Ventures provides equity financings from $500K to $5MM, solo or in syndicates, to companies seeking expansion capital. They focus on the Cleantech, technology-enhanced services and premium consumer products sectors. Investment areas include renewable energy and efficiency, organic and healthy consumer products, digital media and marketing services, electronics recycling, and outsourced business services. SJF Ventures is selective in identifying teams, markets, and business models that can achieve rapid sales, strong profitability, and premium exits.

**Winslow Management** ([www.winslowgreen.com](http://www.winslowgreen.com)). Winslow is widely recognized as a pioneer in the rapidly growing field of green investing. The firm serves a wide variety of clients – corporate pension plans, non-profit foundations, endowments, charitable trusts, and high net worth individuals – with separately managed account services. Winslow offers institutional investors additional service and support for their boards and portfolio consultants.

**Generation Investment Management** ([www.generationim.com](http://www.generationim.com)). Generation is an independent, private, owner-managed partnership established in 2004. They focus on the economic, environmental, social, and governance risks and opportunities that can materially affect a company’s ability to sustain profitability and deliver returns. They prefer performance-based fees, typically based on long-term performance. Generation’s strategy is to invest in long-only, global, public equities with a concentrated portfolio of 30-50 companies.