

## Maximizing Impact Across Your Portfolio

### AN OVERVIEW OF TRENDS AND IMPACT TOOLS

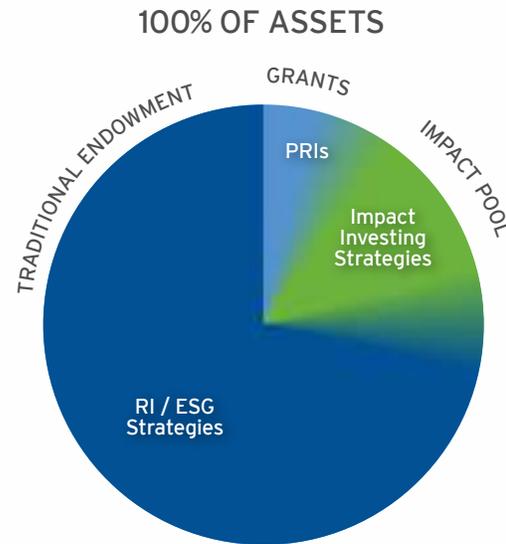
#### Every Investment Has an Impact

Whether we call it impact investing or not, investments represent a choice across competing alternatives that consequently have an impact on the world - people, environment, society - and on portfolio returns. Balancing impact across these categories have been of interest to investors for decades. Increasingly, foundation investors are realizing that they can achieve balance by utilizing a greater portion of their assets towards fulfilling their mission. Engaging 100% of a foundation's assets for impact in a mission aligned manner, is certainly more compelling than granting just 3.5%.

Impact and mission alignment can be achieved in the same asset classes as traditional investing. There are strategies and product options within cash, fixed income, equity, and

alternatives (e.g. real estate) within both public and private markets. Foundations employ a variety of strategies, from Responsible Investment (RI) in public markets to high impact investments in private equity. Purpose Capital has worked with foundations across this spectrum, from those that have allocated as little as 5% to those that have allocated 100% of their portfolio to impact.

Foundations have three pools of capital they can use to maximize impact and mission alignment: **traditional endowment, an impact pool, and grant capital.** Regardless of whether any specific pool of funds have been designated for impact, there are multiple investment strategies Foundations can deploy in order to achieve better alignment with their mission.



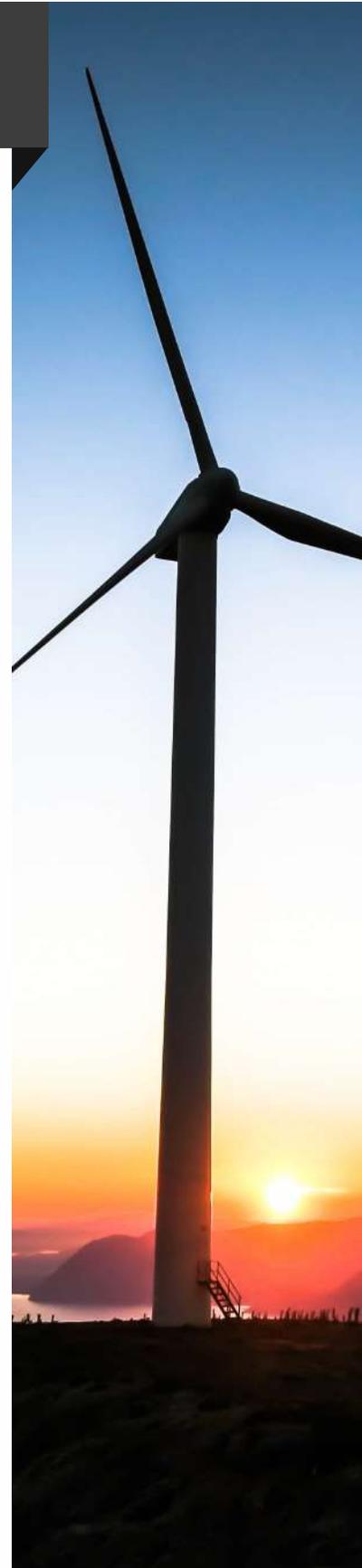
#### ASSET CLASS / VEHICLE

- Public Equity
- Fixed Income
- Cash
- Real Estate / Infrastructure
- Private Equity
- Private Debt
- Venture Capital
- Charities / Non-Profits
- Social Enterprises

#### Traditional Endowment

Traditional endowments are a foundation's primary asset and needs to be taken into consideration when looking to maximize impact. The scale of impact generated from investment of endowment funds can be more significant than the impact generated by grants.

Foundations should incorporate RI and Environment, Social, and Governance (ESG) practices for the endowment investments across the traditional asset classes such as public equity, fixed income, cash and alternatives.



## CONTINUED...

This includes considering the following activities and changes to the investment policy (for direct investing and external managers):

1. **Become a signatory to the [United Nations Principles for Responsible Investing \(UNPRI\)](#) and implement the principles into the investment process.** This includes implementing steps to adhere to the 6 principles such as incorporating ESG into the investment process and joining working groups to learn and share with other members.

2. **Integrate ESG considerations into the investment analysis and portfolio construction.** This could include positive or negative screens, or sector divestment.

3. **Commit to a shareholder engagement program and proxy voting.** This would include using ownership positions to vote proxies and advocate for better policies on environmental issues, labor conditions, board diversity or other issues important to a foundation etc.

### Impact Pool

Foundations often begin their impact investing journey with a dedicated impact pool. A certain percentage (5%-10%) of the traditional endowment is "carved out" and set aside, outside of the scope of the primary investment

policy. This pool is dedicated to high impact solutions aligned with the foundation's mission and often invested in private equity and private debt. It is the case now that high impact solutions can be found beyond private equity. There exist a number of direct investment opportunities in real estate, infrastructure, water and agriculture.

In many cases, recipients of impact investments from foundations are local charities or previous grantees, which have achieved a certain capacity in their operations and are ready to take on debt, equity or other forms of risk capital. A number of blended finance options are available for investment in these opportunities at or below market rates.

### Grant Capital

Grant capital is used to support organizations that are creating deep impact, such as charities and non-profits. However these organizations may not necessarily have a revenue-generating business model that would allow them to repay capital or earn a return. In the long-run these organizations may continue to rely on grants in perpetuity or refine their business model in order to generate returns to take on risk capital. Program related investments (PRIs) are a vehicle for investors to support charitable organizations that may potentially provide a return of capital.

## HAVE MORE QUESTIONS?

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