



MARY REYNOLDS BABCOCK FOUNDATION

- Family foundation with \$189 million in assets, 100% mission/values aligned
- Working in 11 states in the Southeastern U.S. to help move people & places out of poverty
- \$10 million allocation for PRIs (\$6.5 million deployed or committed) to support community economic development, asset development and job creation

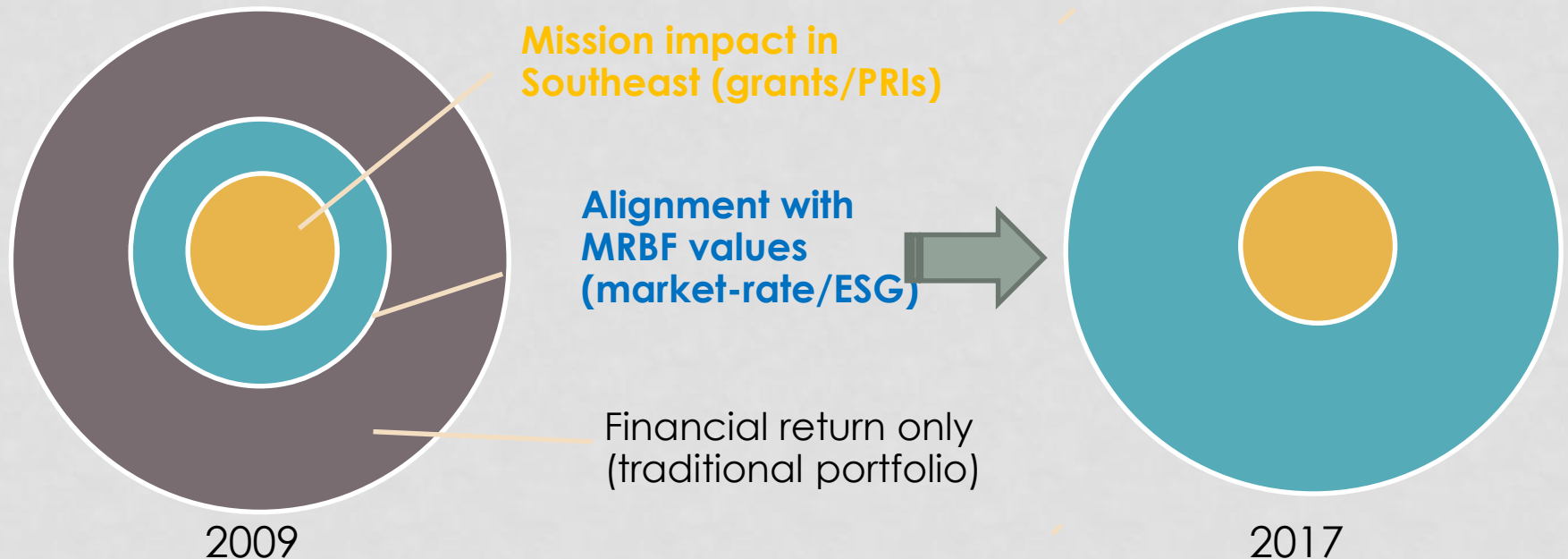


WHY MISSION INVESTING?

- Grants alone cannot achieve scale and impact on addressing poverty. Market-based strategies must be part of the solution.
- Program-Related Investments (PRIs) can deliver social returns, leverage growth and increase sustainability of “anchor” organizations that provide access to capital in low-wealth communities.
- Market-rate mission investing allows MRBF to align investments with values without sacrificing returns.

APPROACH TO MISSION INVESTING

The Babcock Foundation believes that, in addition to grant making, our financial investments can be an effective tool for achieving positive impact. Beginning in 2005, we made a commitment to align our diverse portfolio with our mission, first by building out a strategic PRI portfolio, then by aligning our market-rate investment portfolio with the foundation's values for environmental, social and governance issues.



INVESTMENT POLICY

- Investment objective: to preserve and enhance the foundation's inflation-adjusted purchasing power while providing relatively predictable and stable returns that meet spending requirements.
- Integrate ESG and impact investment criteria across the entire portfolio, consistent with fiduciary responsibility to achieve competitive market returns.
- Commitment to align investments with foundation's mission – includes market-rate investments (MRIs) and below-market program-related investments (PRIs). PRIs are made from a separate budget with strategies and policies to advance our mission.

PRI POLICY

- \$10 million allocation, \$1 million maximum per PRI
- Risk allocation for diversified portfolio
- PRIs limited to intermediaries
 - MRBF does not have the capacity for direct investing
 - Core business of CDFIs, pooled funds is lending and investment
 - CDFIs are important part of infrastructure for addressing poverty
- Purpose of PRIs:
 - Access to capital (insured deposits)
 - Small business development, housing and community development (revolving loan funds)
 - Job creation (venture capital)

PRI STRATEGY

- In *priority places*, PRIs and grants are integrated for greater impact on foundation outcomes: economic opportunity for low-wealth people, including job creation, housing and community investment
- PRIs may support *new approaches* to achieving economic opportunity or systems change that increases impact, attracts new partners or advances learning
- Across the Southeast, PRIs support key CDFIs that provide *critical infrastructure for addressing poverty*, providing access to capital for minority and low-income communities

PRI IMPACT: CURRENT PORTFOLIO

- **Affordable Housing - \$800,000**
 - \$84.5 million invested by CDFIs, leveraging \$376 million in additional financing
 - 4,485 units of affordable housing
- **Business Development - \$2,081,700**
 - \$46.6 million invested by CDFIs, leveraging \$107.6 million in additional financing
 - 7,335 jobs created or retained
- **Community Economic Development - \$1,100,000**
 - \$4.6 million invested by CDFIs, leveraging \$25.1 million in additional financing
 - 272 jobs created or retained, 144 units financed
- **Access to Financial Services - \$1,260,000**
 - 154,176 credit union members served
 - \$899 million in mortgage loans
 - \$568 million in consumer loans
 - \$1 billion in commercial loans

Natural Capital Investment Fund:

- Provides flexible loans to small, rural natural-resource based businesses.
- Anchor for growing local food and renewable energy sectors in Appalachia
- In 15 years grew from \$100,000 revolving loan fund to \$30 million CDFI working across 9 states. Invested \$26 million in 183 businesses, creating over 3,000 jobs.



Babcock's evolving role as funder/investor partner:

- Operating grants to build organizational capacity and growth
- Opportunity grants for key strategic planning moments or projects
- Capital grants to strengthen balance sheet and provide permanent capital for leverage
- PRIs for expanding lending capacity, staged to organization's growth

IMPACT INVESTMENT STORY

NATURAL CAPITAL INVESTMENT FUND

SJF Ventures:

- Invests in high-growth companies to catalyze lasting, positive change
- Since 1999, invested in 52 companies, creating 8,080 quality jobs with benefits and creating social impact through clean energy, local foods, education and health.



Babcock's role as funder/investor partner:

- Project grant to nonprofit affiliate to support employee asset development
- PRI in 2005 for community development venture fund as risky “first fund”
- Follow-on MRI investment in 2016 in SJF IV as proven market-rate fund

IMPACT INVESTMENT STORY

SJF VENTURES

BABCOCK'S PATH TO MISSION INVESTING

1980s

- Experimented with PRIs
- Lessons learned (intermediaries)

2004

- Identified mission investing as strategy for achieving mission

2005

- Board/staff training
- Established board/committee roles

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MISSION INVESTMENT STRATEGY

*Invested since 2005

2005

- Co-invested with Heron Foundation (MRI and PRI)

2006

- Adopted PRI policy
- 2 new PRIs – learning by doing

2006-
2012

- Built PRI portfolio to \$5 million

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MISSION INVESTMENT STRATEGY

2009

- Established MRI policy but little progress over next 5 years

2014

- Hired new investment consultant
- Adopted new investment policy with full ESG integration

2015

- Hired new managers, full implementation by end of 2016

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MISSION INVESTMENT STRATEGY

LESSONS LEARNED

- Engage and educate trustees
- Tap into expertise (peers and experts)
- Learn by doing - jump in!
 - Insured deposits are safe and easy entry point
 - Intermediaries make PRIs easier and less risky
 - Co-invest with experienced mission investors
- Use risk allocation to mitigate risk in PRI portfolio
- Push your investment consultants – include them in learning about this growing field
- PRIs and grants are complementary tools to increase impact (but be aware of different relationships between grant maker and investor)

RESOURCES

- Mission Investors Exchange – one-stop shop for foundation investors: www.missioninvestors.org
- Aeris – data, analysis and rating system for CDFIs: <http://www.aerisinsight.com/>
- Global Impact Investors Network (GIIN) – network of investors building the field of impact investing: <https://thegiin.org/>
- B Lab and GIIRS – resource for social impact metrics: <http://b-analytics.net/giirs-ratings>
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