Foundation 3.0

Why impact and program related investments should be part of foundations’ toolbox
• Venture Philanthropy & Social Investment work to build stronger societal purpose organisations by providing them with both financial and non-financial support in order to increase their societal impact.

• The VP/SI approach includes the use of the entire spectrum of financing instruments (grants, equity, debt etc.) and pays particular attention to the ultimate objective of achieving societal impact.
Organizations can create ‘blended’ social and financial value

**SOCIAL PURPOSE ORGANISATIONS [SPO’s]**

- **Charities**
  - Grants only; no trading
- **Revenue Generating Social Enterprises**
  - Trading revenue and grants
  - Potentially sustainable >75% trading revenue
  - Breakeven all income from trading
  - Profitable surplus from trading
- **Socially Driven Business**
  - Profit distributing Breakeven
- **Traditional Business**
  - CSR Company
  - Company allocating percentage to charity
  - Mainstream Market Company

- **Impact only**
- **Impact first**
- **Financial first**
- **Financial only**

**Venture Philanthropy**

**Social Investing**

**Based upon: John Kingston, Venturesome**
endowed foundation

Endowment management

Impact management
endowed foundation

Endowment management

Impact management

Why VP?
Increased impact as SPO:\n- improves service delivery (81%)
- improves management (69%)
- more sustainable and fundable (68%)
- clearer focus on impact (91%)
- improve impact measurement (84%)

Why PRI?
- educational effect of investment
- investment encourages sustainability
- more efficient use of money (recycling)

1 Inspiring Scotland’s first 5 yrs – an independent research
endowed foundation

Endowment

Fiduciary duty?

Negative screening!
endowed foundation

- The full horses’ power!
- Balanced PRI portfolio will give:
  - diversified and manageable risk
  - net positive financial return
- How MRI / II?
  - in house < > outsourced
  - direct < > indirect (funds)
  - flexibility on impact theme
  - flexibility in geography
  - impact measurement bottom-up
- What MRI / II?
  - VC/PE dominant asset class
  - debt < > equity
  - emerging or developed markets

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Strategic Round Table 3-4 July 2014
Foundations’ return

18% PRIs and 4% grantmaking has the same expected return as 0% PRIs and 5% grantmaking.

Mission-Related investing for Foundations and Non-Profit Organizations; Practical Tools for Mission/Investment Integration; Trillium Asset Management
in conclusion

VP and PRI = must **CONSIDER** on impact mngt side

Impact Investment = must **DO** on endowment mngt side
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