

FULLY COMMITTED.

OUR ROADMAP TOWARDS A 100% IMPACT PORTFOLIO

INSPIRIT  FONDATION
FOUNDATION INSPIRIT

IN PARTNERSHIP WITH



JANUARY 2016

INSPIRIT FOUNDATION

We envision a more inclusive and pluralist Canada where our differences are valued and engaged, and everyone has an equal opportunity to thrive socially and economically. We work to promote inclusion and pluralism through media and arts, support for young change leaders and impact investing—specifically addressing discrimination based on ethnicity, race, and religion.

PURPOSE CAPITAL

Purpose Capital is an impact investment advisory firm that mobilizes all forms of capital—financial, social, physical, and human—to accelerate social progress. The Impact Advisory practice works with a range of investors, including foundations, family offices, financial institutions, and governments—to design, implement, and evaluate strategies to invest for impact.

WHAT IF YOU WOKE UP ONE MORNING TO LEARN THAT YOUR FINANCIAL INVESTMENTS HAD INADVERTENTLY CAUSED HARM?

That's what happened to a teachers' pension fund in California. Teachers happily contributed to the plan, trusting that their interests were being protected. Then, one day, the unthinkable happened. There was a school shooting, which mercilessly claimed the lives of 26 students and educators.

Under media scrutiny, it was revealed that the pension fund indirectly owned shares in Bushmaster, the manufacturer of the assault rifle used by the shooter.

But before rushing to judgment, it's important to understand that institutional investors don't always know the specific holdings they've invested in or the impact these investments have in the world. However, as foundations with mission-driven mandates, we ought to know. In addition to avoiding harmful investments like guns, cigarettes, and adult entertainment,

we could proactively seek out opportunities to create positive change through our capital.

Over the past decade, impact investing has emerged as the preeminent tool foundations use to gain deeper knowledge of our portfolios in order to create positive social and environmental outcomes. It's widely known that we already allocate at least 3.5% of our total assets to charitable endeavours. Typically, the other 96.5% is directed towards general market investments in order to continually finance the work.

As a relatively new Canadian foundation, we've spent the past five years respectfully carving out a space—within the sector and the communities we have the privilege of serving. With “scrappy” and ambitious roots in Vision Television, a groundbreaking network that dared to lead, we wondered how we might activate the other 96.5% of our assets in order to achieve a 100% impact portfolio.

Recognizing that a number of foundations in Canada have been engaged in impact investing over the past decade, we joined existing groups with the aim of exploring current best practices—and assessing how we might both embrace and customize them. It became apparent that, although the sector is moving in the right direction, there was an opportunity to create greater impact in terms of both percentage of portfolio allocation and social return. We found that external expertise was required to ground and refine our preliminary research and irrepressible optimism into a strategy. Although succinct, this document represents two years of a deeply collaborative and rigorous partnership with Purpose Capital.

As a leading impact investing advisory firm, Purpose Capital was able to provide us with a market perspective while responding to our specific needs and values. With their help, we were able to assess our risk tolerance and set a target return, debunk the “sacrifice returns for social good” myth, develop customized impact pillars, complete an Environmental, Social and Governance (ESG) audit, and begin to transform our portfolio.

While our collaboration continues, we thought it fitting to develop this roadmap, which shares our impact investing approach, celebrates our early investment stories, and outlines our commitment to a 100% impact portfolio. Using our process as a case study, Purpose Capital also contributes a special section debunking prevalent myths for foundations wanting to begin or deepen their approach to impact investing. Overall, foundations do critically important work to advance social equity through granting programs. Imagine the impact we could make if we were all **Fully Committed.**



Andrea Nemtin
President & CEO



Jory Cohen
Director of Social Finance & Investment

Statement of Commitment and 100% Impact

OUR DEFINITION OF 100% IMPACT is steeped in our mission of creating a more inclusive and pluralist society. For many, impact investing is a financial tool with social considerations; for us, it is an imperative for creating the systemic change needed to realize our mission. The Inspirit Foundation commits to aligning our entire portfolio with our values by intentionally investing 100% of our assets for impact by employing a mix of impact investing strategies in the following ways:

- Allocate 20% of our asset base toward private investments that contribute to an inclusive society through mission and program related investing
- Apply impact investing tools to our public portfolio, the remaining 80% of our asset base, including:
 - positive screens and ESG analysis
 - product choices inclusive of moving towards a lower carbon portfolio
 - shareholder engagement

In addition to shifting our financial resources, we want to shift the perception of money in relation to social change. Issues of justice and inclusion have traditionally been addressed on the frontlines of grassroots movements. However, impact investing provides an opportunity for private and institutional investors, corporations, and finance professionals to play a role as important changemakers. That's why our strategy includes the following engagement and education initiatives:

- Seizing opportunities to collaborate with finance professionals in order to entrench impact investing in routine professional practice
- Expanding the traditional role of funding by supporting not-for-profit organizations with both grants and capital investments
- Contributing to impact investing conversations and initiatives to help build the field and create systemic changes, which benefit people and the planet



OUR ROADMAP

Since our inception, we have worked intentionally to go beyond traditional investing to catalyze positive change. Our 100% impact portfolio will shift the allocation of capital for positive impact while redefining our role with people and the planet by:

- Using our financial capital to support companies that behave responsibly
 - Engaging and respectfully challenging companies that have significant room for improvement
 - Moving the funder/grantee relationship beyond signing cheques to investing capital in the long-term vision of recipients with promise
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GUIDED BY VISION

Impact investing is not prescriptive; there is no "singular way" of doing it. Impact investing strategies are as varied as missions. It's important to articulate your own unique vision to clarify the right investments for your foundation. For us, this meant focusing on the conditions for creating more inclusive and pluralist communities, and then developing the following correlating impact pillars: **access to arts, culture, and services; livelihood; community infrastructure; and climate change.** These impact pillars are crucial to ensuring that our mission and overall social good remains at the forefront of every investment decision.

2 IMPACT PERFORMANCE AUDIT

In order to establish our current benchmark and a clear vision for impact investing, we led an audit of our current portfolio. While most audits are based on ESG screens, we engaged in a deeper process aligned with our vision. This involved using our four impact pillars as performance metrics and included:

- Analyzing the impact of our current investments—every investment has an impact, either positive or negative
- Taking accountability for outcomes of our investments, both intended and unintended
- Setting financial and impact targets with our board of directors, which included difficult conversations pertaining to capital reallocation

3 COMPARATIVE REVIEW

As with most things, there is no need to reinvent the wheel when developing an impact investing strategy. Most foundations are engaged in one or more forms of impact investing strategies: program-related investing, mission-related investing, shareholder engagement, and responsible investing. Within the Canadian context, we have been inspired by the mission-related investing approaches of the J.W. McConnell Family Foundation, Edmonton Community Foundation, and the Hamilton Community Foundation. In the area of shareholder engagement, we're learning from the Atkinson Foundation and others' achievements. The Community Foundation of Ottawa got us started on responsible investing. If we look farther afield in the sector, foundations like KL Felicitas Foundation, Heron Foundation, and Tides Foundation are demonstrating the increased positive impact of using multiple strategies concurrently. Drawing on the best practices of these foundations and other sector leaders, we've designed a comprehensive framework to build a 100% impact portfolio. [See framework on following page.](#)

OUR 100% IMPACT PORTFOLIO FRAMEWORK

PRIVATE EQUITY, DEBT, AND REAL ESTATE		PUBLIC MARKETS		
PROGRAM-RELATED INVESTING	MISSION-RELATED INVESTING	SHAREHOLDER ENGAGEMENT	INTENTIONAL PRODUCT CHOICE	RESPONSIBLE INVESTING—ESG
DEFINITION Below-market returns for measurable positive impact	DEFINITION Investments that achieve missions and give market-rate return	DEFINITION Actively engaging as a shareholder to influence the behavior of companies	DEFINITION Directing investments to a particular sector or geography to increase positive impact	DEFINITION Investments that take into consideration ESG factors
INVESTMENT Immigrant Access Fund	INVESTMENTS Community Forward Fund, Renewal, InvestEco, Centre for Social Innovation, Artscape, YSI Capital Fund	INVESTMENTS SHARE—developing a reconciliation framework for shareholder engagement	INVESTMENTS CGOV Fossil Fuel Free Fund, CC&L Infrastructure Fund, Oikocredit	INVESTMENTS CC&L Canadian, U.S., and Global Equity Funds
Below Market Return	Market Rate or Above Return			



ARTICULATE A BIG GOAL WITH MANY MILESTONES

Our process began with a big vision, articulated in our statement of commitment. Recognizing that shifting millions of dollars in assets is an ambitious goal, we then established a high-level timeline of five years and included the following milestones:

- Like a number of leading foundations, trend toward a mission-related investment (MRI) target of 20% of our entire portfolio
- Develop a program-related investment (PRI) fund specific to our mission
- Further develop our lower carbon portfolio strategy by shifting capital to renewable energy sources
- Through ESG analysis and intentional product choice, ensure that all of our investments are incrementally increasing our positive impact without sacrificing financial returns
- Demonstrate that responsible investing and ESG considerations are a competitive advantage in achieving a strong financial return, reducing risk, and increasing positive impact

TRACK AND SHARE THE JOURNEY

Impact investing is an emerging field, with ongoing collaboration and learning among affinity groups and networks. Organizations at the forefront are surveying largely uncharted terrain. In addition to strategies and best practices, it's important to track progress and share stories illuminating the lessons and nuances of our individual impact investing journeys.

As of January 2016, we have:

- Invested 5% of our assets in seven Canadian mission-related investments directly aligned with our mission pillars: access to arts, culture, and services; livelihood; climate change; and community infrastructure
- Shifted 32% of our public fixed income and equity investments to increase their positive impact
- Begun to transition to a lower carbon portfolio and increase our allocation to environmentally sustainable investments

Our Impact Stories

Through our investment activities, we intentionally look to achieve positive impact in the access to arts, culture, and services; livelihood; community infrastructure; and climate change. Whether in a private equity fund such as InvestEco Sustainable Food Fund or Renewal3, a community bond that provides collaborative co-working spaces at the Centre of Social Innovation, or direct investment in young social entrepreneurs through the YSI Capital Fund, we actively seek opportunities to achieve our mission through investing. Here are some of our impact stories:

ARTSCAPE

Artscape has 30 years of experience creating affordable space for artists to live and work in Toronto, and transforming communities through intentional creative placemaking. By purchasing office space in one of the Artscape developments, Inspirit was able to create comfortable and accessible space for staff and stakeholders while supporting Artscape in its mission. It's a vibrant and cooperative work space that values art, social innovation, and community.

IMMIGRANT ACCESS FUND

Each year, highly skilled newcomers arrive in Canada with hopes of building a better life. However, many are not afforded opportunities because their professional credentials are not recognized. Immigrant Access Fund (IAF) provides loans to unemployed or underemployed newcomers to help them take the necessary steps to work in the field they were trained in before coming to Canada. Recognizing that creating meaningful professional opportunities for everyone is an important inclusionary factor, we provided a loan guarantee which requires no outlay of capital but which allows IAF to extend more loans to highly skilled newcomers.

OIKOCREDIT

When Oikocredit—a cooperative that offers capital to microfinance institutions in developing countries—launched a fixed income investment product for the Canadian market, we joined them as an early adopter. Moving a traditional Guaranteed Investment Certificate (GIC) to Oikocredit—a stable company with \$1 billion in assets under management—made sense for us and offered a higher return while maintaining liquidity and increasing positive impact. We felt encouraged by the positive change that our investment would make in the lives of entrepreneurs, mostly women in developing countries.

COMMUNITY FORWARD FUND

Charities and not-for-profit organizations require sound financing and financial planning to sustainably achieve their missions. However, these well-intentioned organizations often lack the financial track record and requirements to access capital in the traditional way. That's where Community Forward Fund comes in. By providing access to loans and financial coaching, Community Forward Fund allows charities and not-for-profits to improve their current financial picture and plan for the future. We strongly believe in the value of access to capital and financial planning for purpose-driven organizations, so we became an early investor.

IMPACT BEGINS WITH KNOWLEDGE

Inspirit Foundation's impact investing journey has been an inspired and ambitious endeavour. We have had the privilege of helping the Foundation translate its objectives into reality. This has also informed our work with other foundations and deepened our knowledge of the key success factors. In order to support other foundations to join Inspirit in achieving a 100% impact portfolio, we have identified five key myths that need to be addressed, and developed three core insights.



Five Key Myths

MYTH No. 1

IMPACT INVESTING INVOLVES A TRADE-OFF ON FINANCIAL RETURNS.

There is often the perception that impact investing underperforms, relative to traditional strategies focused solely on financial returns. However, a range of academic and market studies show this simply isn't true. Impact investing can generate market rate returns across asset classes, and ESG analysis can often provide a more robust assessment of risk factors (including, and beyond, risk mitigation). Inspirit Foundation, like other foundations, has taken the time to construct strategies that generate a range of expected returns. And among these, only program-related investing deliberately provides the channel to target a lower financial return if the investment is deeply aligned with the foundation's charitable goals.

MYTH No. 2

FOUNDATIONS ARE NOT ALLOWED TO DO IMPACT INVESTING.

Impact investing is not a breach of fiduciary duty. Investing in a manner that is mission-consistent is allowable within the guidelines described by the CRA. For Inspirit, impact investing was incorporated into the investment policy and either fulfills the test of prudent investment, generating anticipated market returns, or falls within the CRA's program-related investment guidelines.

MYTH No. 3

THE AVAILABILITY OF IMPACT OPPORTUNITIES IS LIMITED.

While the universe of impact investment opportunities is not comparable to traditional markets, there is a growing set of ways to engage across asset classes, regions, and sectors. Responsible investing has grown to be a mainstream, trillion-dollar industry in Canada, with a huge array of publicly traded equity and fixed-income investment opportunities on offer. And there continues to be steady growth and innovation in market platforms, impact investment funds, and community-based assets. The impressive growth of the green business sector—which produces new products at large scales as well as emerging opportunities in sectors such as housing and renewable energy—is increasingly accessible and attractive to institutional investors.

MYTH No. 4

MISSION IS ACHIEVED THROUGH GRANTING, NOT INVESTING.

In a traditional mindset, the predominant impact tool available to foundations was their granting capabilities. Increasingly, as foundations address even more complex challenges, they are seeking new ways to leverage their assets to address systems rather than symptoms. Impact investments can be directed in ways that build on, leverage, and complement the grantmaking role of foundations. Inspirit recognized that impact investing could be a key strategy to make significant progress on its ambitious mission. This underlines the importance of ensuring that both streams of activity—granting and investing—are more than complementary; that, together, they generate an amplified impact.

MYTH No. 5

IMPACT INVESTING IS DIFFICULT AND EXPENSIVE.

This is somewhat true. Impact investing requires a commitment of time and expertise—but perhaps more importantly, a strong leadership commitment with a dose of courage. This is an emerging field, with much to learn. Thankfully, there is a knowledgeable and generous community of pioneering foundations that have been willing to support their peers in their respective journeys. Inspirit’s own leadership commitment through its board and staff team were supported by working with external consultants—including us at Purpose Capital—on the impact investment strategy, implementation, and sector field-building. Colleagues at Sustanalytics provided expertise on responsible investment and ESG issues. Using external consultants allowed the Inspirit Foundation to maintain a degree of comfort while building internal capacity, with a relatively modest budget commitment. What was most critical was that, at the outset of the journey two years ago, everyone at the table recognized—and were comfortable with—the fact that it would be an iterative “learning by doing” process.

Three Considerations

THERE IS NO ONE WAY TO DO IMPACT INVESTING.

Impact investment strategies are as varied as missions, and the first step is simply recognizing that every foundation can potentially activate its investments—to supplement its grants—in service of its mission. Each foundation should go through an honest assessment of their motivations, objectives, goals, preferences, constraints, opportunities, and risks.

THERE IS NO PERFECT INVESTMENT – AIM FOR A BALANCED PORTFOLIO.

One of the most challenging issues is reinforcing the fact that no single investment opportunity would be able to “check off all the boxes”. As with traditional investments, a portfolio approach to impact investing is needed to consider how a portfolio of investments could (together) be aligned with the targets and benchmarks that were set for it.

UNDERSTAND YOUR IMPERATIVES AND OPPORTUNITIES.

Every foundation, through its board, Investment Committee, and mission, emphasizes different aspects of what’s important. Acknowledge these, work within them as best as you can, but also be prepared to confront them. For example, there can be liquidity constraints in direct investments or in private equity funds, so timing of investment decisions become important.

LET'S MAKE MORE

IMPACT.

We are not the largest foundation in the country, nor do we have the biggest endowment. That said, even the largest foundations lack the resources to independently change social or financial systems. And that's okay, because we believe that courage, not size, has always been the driver behind sustainable social change. In addition to goodwill, expertise, and innovation, the foundation sector has combined assets of \$55 billion. Imagine how much positive impact and long-term social change we could make if we were all **Fully Committed to a 100% impact portfolio.**

Please join us.

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