



Interview of Lisa Hagerman, Director, More for Mission

**Interviewed by Ted Howard, Executive Director
& Steve Dubb, Research Director, The Democracy Collaborative
December 2010**

Lisa Hagerman

Lisa Hagerman is the Director of [More for Mission](#), based at the Initiative for Responsible Investment at Harvard University. More for Mission is a research and advocacy initiative dedicated to promoting the concept of mission investing and influencing foundations to take up mission investing practices. More for Mission's network of foundations includes 90 mission-driven foundations representing \$34 billion in total assets.

Tell us about your background. How did you become interested and involved in the movement for mission investing?

My background includes ten years of banking experience, three of which were at Wells Fargo, where I was provided an opportunity to work with their community development department and promote the Bank's minority lending initiatives. I have always had a strong interest in community development and regional economic development issues. My work with Belden Daniels of Economic Innovation International, a Boston-based consulting firm that builds privately capitalized community equity funds, provided an opportunity to work on directing private capital towards funds having social, environmental, and economic impact. My doctoral work with Tessa Hebb and Gordon Clark at Oxford University on the Pension Funds & Urban Revitalization Initiative, a four-year project sponsored by the Rockefeller and Ford Foundations, was an opportunity to examine this practice from the public pension fund perspective —under the name of economically targeted investing. It is exciting to be working with foundations and see the potential for significant institutional dollars to flow into the underserved markets.

Tell us about More for Mission – how it began, its goals, your work, who is involved.

More for Mission has now been in existence for just over two years. We started in September 2008 and were initially housed at the Institute for Responsible Investment of the Boston College Center for Corporate Citizenship and are now at the Initiative for Responsible Investment of the Harvard Kennedy School, run by David Wood. We were

founded with the financial support of three foundations - pioneers in the field of mission investing: the Annie E. Casey Foundation, F.B. Heron Foundation, and the Meyer Memorial Trust. This initiative was originally called the 2% Campaign — that is, advocating that foundations allocate two percent of their endowment assets to mission-related investments. When I was brought on to manage this effort we changed the name to “More for Mission.” We found that two percent was too high of a hurdle for the larger foundations and too small for the smaller foundations, some of which may be at 100 percent of their investments aligned with the mission of the organization.

In the spring of 2010 our [Funders Circle](#) expanded to seven foundations, which, in addition to the three co-founders (Annie E. Casey Foundation, F.B. Heron Foundation, and Meyer Memorial Trust), now includes the Cleveland Foundation, the Mary Reynolds Babcock Foundation, the Jessie Smith Noyes Foundation, and the W.K. Kellogg Foundation. We are glad to have our supporters cross types of foundations (private and community) and across regions of the country showing this is a national movement. At the same time our home moved from Boston College to the Harvard Kennedy School.

Is Veris Wealth Partners, for example, one of those groups?

Yes. Michael Lent, a Partner with Veris Wealth Partners and Trustee of the Edward W. Hazen Foundation, moderated a panel at More for Mission’s national conference in September on the dynamics of the foundation/consultant relationship and balancing organizational goals. In particular, we are reaching out to the large institutional consultants to better understand the landscape and breadth and depth of offerings in mission investing or more broadly responsible investing. The More for Mission website includes a section listing of [consultants](#) – both dedicated mission-related investment consultants and the large institutional consultants with a dedicated mission related or responsible investment team. Sandra Urie, CEO of Cambridge Associates, was the keynote speaker at More for Mission’s national conference. In collaboration with Cambridge Associates we offer our foundation members access to Cambridge’s proprietary listings of approximately 270 fund managers offering public and private mission-related funds across asset classes and strategies, including community investing, ESG investing, and double bottom line real estate.

We want to show that mission investing is a viable field with foundation investors, investment intermediaries, and a growing base of consultants in the industry.

Are other types of institutions getting into the mission investing space? Universities? Hospitals? Pension Funds? Others?

Yes. Other institutional investors have taken up mission investing but under a different name—for example, targeted investing for public pension funds and faith consistent investing for faith-based investors. More for Mission created an [Affiliates Circle](#) in Spring 2010 to show that this is a concept across institutional investors addressing the

opportunities targeted investing can bring to their investment practice and unique institutional goals. More for Mission seeks to collaborate with other institutional investors including public sector pension funds, faith-based organizations, and university endowments. More for Mission affiliates include: [The International Interfaith Investment Group](#) (3iG), the [Interfaith Center on Corporate Responsibility](#) (ICCR), the [Responsible Endowments Coalition](#) (REC), and [TIAA-CREF](#).

I think that whatever the language used — whether it is faith-consistent investment for religious investors or targeted investing for pension funds – it’s a way to show that *mission investing* is a concept that extends beyond the foundation sector and that there could be opportunities in the future to leverage co-investment.

Is there anything analogous to More for Mission among universities, where, for example, universities get together like foundations have—or are they all doing their own thing?

I would say REC [the Responsible Endowments Coalition], part of More for Mission’s Affiliates Circle, is similar in trying to bring university endowments together. However, REC is unique in their important work with student organizers on responsible investment training, and having students participate on university endowment investment committees helping to establish responsible investing programs at the university.

There seem to be a lot of terms associated with socially conscious forms of investing – impact investing, double and triple bottom-line investing, socially responsible investing, PRIs, MRIs, etc. What do you see as the important distinctions among these categories? At its most basic, what is mission investing?

More for Mission’s constituents are foundations that are “mission investors.”

We define a mission investor as a foundation seeking investment opportunities that align with the mission of the organization, whether that be through market-rate mission-related investments (MRIs) that broadly support the mission of the organization while seeking market-rate returns, or below market program related investments (PRIs) structured to create specific programmatic benefits, and for a private foundation can count towards the five-percent payout requirement. MRIs use the other 95 percent of foundation endowment assets towards investments seeking financial returns while having social and environmental benefits to society.

At its core, mission investing is driven by investor intent and aligns with an investor institution’s goals and objectives. A mission investor’s goals are different than, say, a public pension fund, which has a fiduciary duty to reach targeted returns meeting benefit obligations while also seeking alternative investments having economic development impacts in their state. Every investment has impact, it depends on the investor’s intent as to the nature of the investment – targeted financial returns while also having social and

environmental benefits. A mission driven foundation investor's reason for being is rooted in their mission furthering their unique institutional goals. That said, each foundation may have its own self-definition and has an overall concept of mission investing particular to its own unique mission and investment goals.

Can you give us some specific examples of the types of investments that are being made in this space?

Some mission investment examples come from our recent national conference at the Harvard Kennedy School as highlighted on a panel on mission investing across asset classes. [DBL Investors](#), a venture capital firm that spun out of JP Morgan in 2008 has invested in innovative companies like Tesla Motors, SolarCity and Revolution Foods that are creating quality jobs for lower income people while addressing climate change and serving healthy lunches to our nation's school children - especially in disadvantaged areas. The first fund (Bay Area Equity Fund I) will create over 5,000 new jobs, many of which are entry-level, high-quality jobs with livable wages, stock option programs and quality benefit packages. DBL Investors portfolio companies are also leaders in employee programs, community engagement and environmental stewardship. For example, Solar City (the largest US installer of residential and small commercial solar power systems) has partnered with the City College of San Francisco and Young Community Developers to offer a solar training program for economically disadvantaged residents of the Bayview/Hunter's Point neighborhood of San Francisco. The program is the first-of-its-kind scholarship program funded by a privately held solar company. One of More for Mission's co-founders, the Annie E. Casey Foundation, enjoyed top quartile returns in the Bay Area Equity Fund I that it has now invested in DBL Investors Fund II from the alternative asset allocation of their endowment.

Another example, that also presented at the More for Mission national conference, is State Street Global Advisors, which has developed a [Community Investing Index Strategy](#), which is a mission investment product in publicly listed stock. The Community Investing Index Strategy seeks to match the return and characteristics of the U.S. Community Investing Index. Created in 2005 by the [F.B. Heron Foundation](#) in collaboration with Innovest Strategic Value Advisors [now MSCI ESG Research] the Index is comprised of approximately 330 large and mid-cap companies across sectors that show proactive engagement with economically underserved populations in rural and urban communities. The methodology evaluates a universe of companies across three pillars of community performance: strategic alignment, workforce development & wealth creation, and community engagement & corporate philanthropy. The Index is a trademark of the F.B. Heron Foundation and has been licensed for use by [State Street Global Advisors](#)

An example of a fixed-income mission investment is [Community Capital Management](#), a fixed income portfolio manager. [Meyer Memorial Trust](#) is an investor in Community Capital Management as it allowed them to meet a geographic focus in the state of Oregon and address the foundation's programmatic areas of affordable housing, community and

economic development. In this case, Community Capital Management replicates the Barclays Aggregate Bond Index to construct a portfolio targeting the State of Oregon and economic development activities in Oregon. For Meyer Memorial Trust, Community Capital Management custom created a portfolio of single-family agency pools that target low- and moderate-income borrowers in Oregon, ABS – small business loans in low- and moderate-income communities. Many of the businesses within Meyer Memorial Trust's portfolio are located in historically underutilized business (HUB) zones or are women-owned businesses.

The mission-investing field seems to be gathering a lot of momentum. Is it growing? How many institutions are involved? How much money are we talking about?

The More for Mission network now includes 90 foundations representing \$34 billion in total assets. In some cases foundations are at less than two percent of endowment assets in mission investing and in others they are at nearly 100 percent. In terms of dollars committed to mission investing we conducted a survey in the fall of 2009 showing that, of respondents, \$1.3 billion dollars was committed to mission investing at year-end 2008 or 4.7 percent of respondents' aggregate assets. We are now in the process of tabulating results from a 2010 survey to be able to show the growth in mission investing.

There are also a growing number of organizations helping different types of investors at various stages of this practice. More for Mission continues to collaborate with other learning networks, investor circles, and affinity groups (e.g. PRI Makers Network, Global Impact Investing Network (GIIN), Confluence Philanthropy) to build the field.

Do mission related investments generally provide returns at below-market rate, or at market rate? Is this really a sound investment strategy for a foundation or an institution?

We are trying to help foundations think about moving beyond traditional grant making and use their endowment assets in ways they further their mission. These investments span both below-market PRIs and, in particular, using endowment assets in market-rate mission related investments (MRIs). For some foundations, with the downturn in the economy, their PRIs ended up being the best performing part of their portfolio. Getting comprehensive data on returns can be a challenge – we aim to improve on this. On MRIs, Luther Ragin, Chief Investment Officer, at the F.B. Heron Foundation presented data received from Cambridge Associates at More for Mission's national conference. The data compared public equity ESG Managers to Cambridge Associates Manager Universe over a 4 year time period showing ESG managers were at par and in some cases outperformed traditional managers in the Cambridge Associates database. A similar comparison was done for private equity cleantech deals and private equity real estate managers.

According to the Social Investment Forum, over \$2 trillion total is invested in socially responsible investment, but sometimes the portfolios of screened funds are difficult to distinguish from a standard S&P Index Fund. How would I know a mission-related investment when I saw it?

What makes an investment a mission investment is that in some way, shape, or form it is driven by a financial return, at least on the market-rate side, but also has ancillary social, environmental, and economic impacts. Investments across the mission investing spectrum have a common distinction—they either tightly or loosely align with the foundation's broader mission/programmatic objectives and geographic focus. In public equities, they can know that their investments are not running contrary to their mission, unlike a famous case, profiled in the *Los Angeles Times* in 2007, where one side of the foundation was investing in petroleum companies while their grant making side was funding grant programs to improve health caused by the effects of these companies. So it is really about how much these investments are loosely or tightly meeting a foundation's mission/programmatic or geographic interests.

As you know, a major issue and challenge for economic development and community building in low-income neighborhoods is the lack of access to capital. Does mission investing offer a new source of such capital? What kinds of projects does mission investing provide financing for and what are other kinds of projects for which deeper levels of subsidy are required?

PRIs meet specific programmatic objectives. A guarantee is another way that a foundation can use their endowment to get capital to entities that would not otherwise receive a loan from a conventional lender. These instruments are examples of getting capital out to areas that have historically lacked access to capital. Thinking of the spectrum, and depending on programmatic interests, a foundation can move from a grant to a PRI—this ultimately gets more capital into distressed low-income communities in a more sustainable way.

Are there policy implications? Are there things that the government can do to help expand mission investing – either carrots or sticks?

For the foundation community, it is not per se about prescribing any particular mission investment standard but about disclosure and modifying the 990-PF [nonprofit Internal Revenue Service form for private foundations]. Bill McCalpin, Interim President, at the F.B. Heron Foundation published an article on the topic three years ago for the NYU Charity Law Center (can be found in the [selected readings](#) in the resources section of the More for Mission website). The article, "A Standard for Disclosure: Endowed Foundations, Investments and Institutional Mission" proposes the use of the IRS 990-PF to publicly disclose how investments relate to mission. The article's objective is to advance a proposition (and invite critical discussion of it) the proposition being, "as a matter of expected, good practice, an endowed grant-making foundation should disclose

– regularly and publicly – how its investment strives to advance the institution’s mission.” What it proposes mirrors advice on the investment of charitable funds that the Charity Commission for England and Wales has provided to the charities it regulates.

Where do you see this field going in the next 10 years?

I think we are on a solid path to the foundation community integrating a higher percentage of their endowment assets with institutional goals, values, and missions. Foundations are increasingly seeing the practice of mission investing as an investment discipline helping achieve mission objectives across thematic interests, populations served, and geographies – and with a guiding mission investing policy statement and the right resources will soon say, of course, why shouldn’t we consider this?

Over the next 10 years the field will expand for the better -- with more interest and a convergence from the various players: mission-driven foundation investors committing capital, quality mission-driven investment vehicles realizing financial returns and deploying capital in challenging underserved markets (may be catalyzed by investor demand), and large institutional consultants expanding the breadth and depth of services in this area (may largely need to be driven by client demand). There will be a need for continuing education at the foundation trustee level, breaking down silos between investments officers and program officers, and structuring in some cases smaller mission investment committees with external consultants. There will also be potential for co-investments across institutional investors, for example mission-driven foundation investors, Taft- Hartley pension funds, faith-based investors, and university endowments.

Anything else you would like to add?

We are all part of a larger movement to expand the field and get more capital into investments having both financial returns along with social and environmental benefits. Success is when there is no longer a need to persuade foundations that this is a goal.

For more information on More for Mission, see: www.moreformission.org.