

# Impact Investing at BCF

## What is Impact Investing?

Impact investing refers to investments made into companies, organizations, and funds with the intention of generating a measurable, beneficial social impact as well as a financial return.

## Why Engage in Impact Investing?

BCF is interested in adding “impact investing” to our toolkit of grantmaking, initiatives, and advocacy because it will:

- Align more of our capital with our mission
- Generate benefit to the community as well as financial returns
- Further our commitment to racial equity
- Differentiate BCF from other philanthropic funds

## Community Foundations and Impact Investing

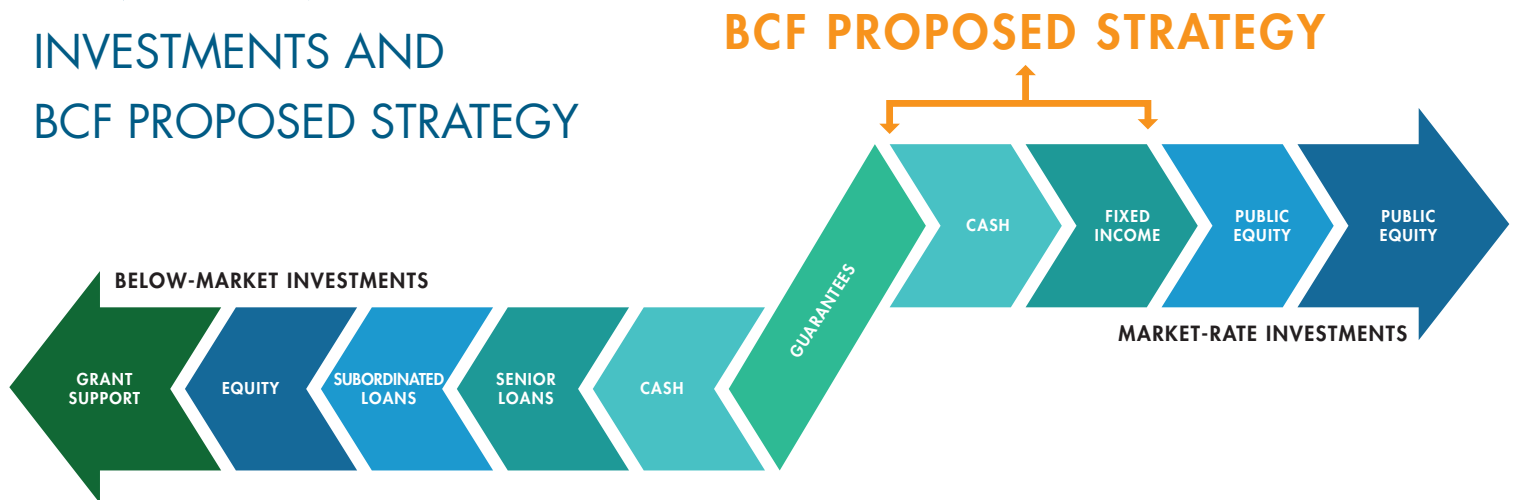
Many community foundations have begun to create impact investing programs. We examined the practices of 26 community foundation peers who employ impact investing as part of their portfolio, and found that all of

them invested part of their grantmaking budget and/or endowment, and many offered donors the option of moving part of their existing donor-advised fund or to invest new contributions in the impact investment pool. Some of the foundations we looked at make direct investments, some use intermediaries, and some have even created intermediaries where none existed for this purpose. Impact investing by community foundations includes loans to foster homeownership, affordable rental housing, nonprofit facilities, social enterprises, utilities, small businesses, and more. There is typically, although not always, some connection to the foundation’s priority grantmaking areas.

## BCF’s Proposed Strategy

We propose to partner with community development financial institutions (CDFIs) to lend our money locally to projects that benefit the Baltimore community, particularly communities of color. We will begin our impact investment pool with a portion of BCF assets currently in the fixed income portion of the BCF Pool and in the Money Market Pool. We will invite donors to co-invest.

## RANGE OF IMPACT INVESTMENTS AND BCF PROPOSED STRATEGY



We have created a sample portfolio of potential intermediary partners based upon the following assumptions:

- We will begin with up to \$4 million available for impact investments.
- We aim to achieve a blended return of approximately 3.0%.
- We will ladder the notes, with the term length not to exceed one market cycle of 7 years.
- We will aim to minimize risk and further diversify our portfolio with investments that are market- and interest rate neutral.
- We will target the Baltimore region for benefit from these investments.
- We will align loans with our grantmaking priorities and our commitment to racial equity.

	Healthy Neighborhoods Inc.	Harbor Bank CDC	The Reinvestment Fund	The Calvert Foundation	Enterprise Community Loan Fund
<b>Investments in</b>	Home ownership	Small business	Healthy food access	Social enterprise, housing, community facilities	Rental housing, community facilities
<b>Year Founded</b>	2001	1982	1985	1988	1996
<b>Total Assets</b>	\$30.5 million	\$288 million	\$950 million	\$290 million	\$250 million
<b>Sample ROI</b>	4%	3.25%	2.25%	2%	2.5%
<b>Sample Term</b>	7 years	5 years	5-6 years	5 years	5 years
<b>Past performance</b>	95% repayment	98.5% repayment	100% repayment	100% repayment	100% repayment
<b>Racial equity lens on investments?</b>	Yes	Yes	No	No	No
<b>BCF's participation catalytic?</b>	Yes	Yes	No	Yes, in creation of ladder portfolio	No

## Staff Recommendation

BCF should invest up to \$4 million of its fixed income assets into a new "Baltimore Pool." An initial investment of \$750,000 to \$1 million in four or five of the vehicles in the sample portfolio would be a market-neutral component in our fixed income allocation. The Impact Investment Sub-Committee of BCF's Investment Committee will choose and monitor each of the loans. Simultaneous to investing BCF funds in the "Baltimore Pool," we will begin our education and engagement with current and prospective donors and invite their participation in the new Pool.

