



GUIDE TO IMPACT INVESTING

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Grantmakers In Health's (GIH) *Guide to Impact Investing* offers a framework to help funders think strategically about the potential of impact investing and move forward with investment strategies that can enhance achievement of their missions. The guide provides an overview of the spectrum of various impact investment types, and presents case studies of foundation investments. It explores the strategic benefits and added impact of these strategies, and the challenges funders have encountered along the way. The guide also includes how-tos and practical information for funders wanting to get started.

This report is grounded in the view that foundation resources are scarce relative to both philanthropy's aims and society's needs. Effective philanthropy, therefore, leverages resources as fully as possible, combining convening, networking, communications, and policy initiatives with grantmaking to drive social change. As a set of tools, impact investment strategies offer funders tremendous power to shape, accelerate, and scale desired results.

Broadly defined as foundation financial investments that advance mission while recovering principal or earning a financial return, impact investments are generally privately held investments that foundations make to achieve a type or scale of social impact that they could not achieve through grantmaking alone. This includes making debt and equity investments to promote organizational scale and sustainability, leveraging capital from conventional investors, recycling charitable dollars, and aligning foundation investment strategy with mission. Impact investments can also be structured for any program area, asset class, or expected financial return level.

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As an investment approach, impact investing is gaining acceptance as prudent for both risk management and generating attractive long-term returns. Despite this potential, it is not a magic bullet or an end in itself. It is a means to greater impact and a complement to effective grantmaking and other philanthropic activity. Success requires planning, new team structures, traditional financial investment skills, and social metrics.

This sector is developing rapidly and delivering important financial and social results; however, it remains young. Foundations are actively involved in the field's continued evolution, through both their mission investing and also grants and commissions for continued field development, including trade associations, financial and social performance tracking, and new investment product development.

Many terms are used to describe the practice of impact investing, reflecting the field's continued evolution. Widely used terms include *social investing*, as well as *mission-* and *program-related investing*.

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Effective impact investing strategies and implementation plans call upon investment, financial, and program professionals within foundations to work together. They also create significant opportunity to collaborate and co-invest with external funders and other investors whose program, sectoral, or geographic interests present mutual interests. This can include foundations focused on community development, education, and the environment, as well as place-based funders such as community foundations. It can also include faith-based investors, health systems, banks, insurance companies, pension funds, and government agencies that share health funders' interest in building healthy communities, and often bring extensive mission investing experience.

Realizing the promise of impact investing at a scale that addresses the needs of underserved communities and people throughout the nation will require significant additional capital to be mobilized. Collaboration among funders and other stakeholders can bring such resources to bear. Collaboration will also advance the art of impact investing, accelerate learning, and lower transaction costs and risks.

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