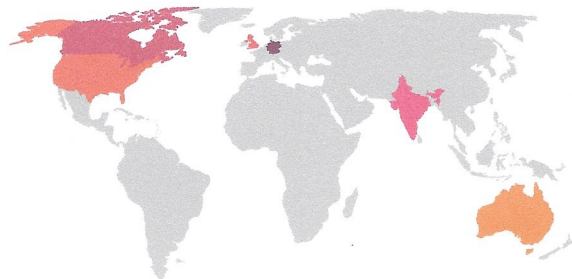


# 10 INNOVATIONS IN GLOBAL PHILANTHROPY

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Concepts worth spreading in the UK

Plum Lomax and Rachel Wharton  
October 2014

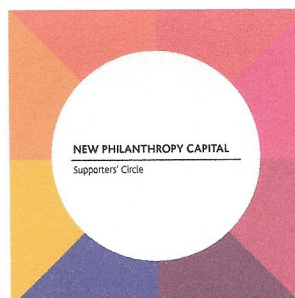


With thanks to those who provide NPC with the core funding  
we need to explore new areas and opportunities:

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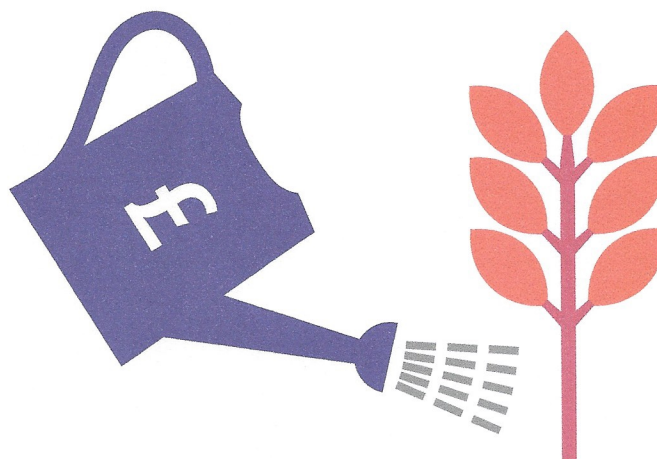
 **OAK**  
FOUNDATION

the TUIXEN  
FOUNDATION





# 100% IMPACT INVESTING



## What is it and what's new?

Impact investing is a form of socially responsible investing, where investments into companies, funds or organisations seek a social or environmental return as well as a financial one. While this paper focuses on philanthropy, impact investment is crucial to some of the trends we have focused on, including collaboration and layered funding. Most innovations in impact investment can be grouped into one of four themes: financing vehicles (funds, bonds, social impact bonds); information or transactional platforms and networks for investors (Global Impact Investing Network, Kiva, Impact Investment Exchange<sup>49</sup>); standards around measurement (IRIS indicators<sup>50</sup>); and fiscal or legal developments (for example tax incentives).

We are particularly interested in foundations that have previously been traditional grant-makers taking an impact investing approach with some, or all, of their assets. Traditionally, foundations invest their assets to gain the best financial returns and distribute the income as grants. Programme-related investments (PRI) are a step up, where investments aligned with the foundation's social purpose are made from the foundation's distribution pot (not its capital) and hence may seek a sub-market financial return. Mixed-motive, or impact-first investments, fit between the two approaches—the investment seeks a social or environmental outcome but may not be closely aligned to the foundation's objectives, and can be made using its asset base<sup>51</sup>. The vast majority of people investing for impact are only using a portion of their money for this purpose.

## Why does it matter?

Some foundations, known as 100% impact investors, are seeking to use their entire asset base to achieve varying degrees of social impact; it is this approach that we feel is particularly innovative and could lead to more and better philanthropy. These foundations can potentially put all their resources to work towards social change, rather than just those that they distribute as grants or set aside for social investments. 100% impact investing doesn't just mean foundations investing in ethical funds which screen out the bad things (for example tobacco and arms), but actively looking for social impact across all their different asset classes, even cash. Dedicating a larger percentage of UK foundations' assets to impact investment (albeit with varying degrees of social returns) could lead to significantly greater social impact.

## Who's doing it?

Charly and Lisa Kleissner, through their **KL Felicitas Foundation**<sup>52</sup> are a prime example of 100% impact investors. A small but growing number of other foundations likewise take this 100% approach to impact investing. The **F.B. Heron Foundation**<sup>53</sup> also stands out among US foundations as committed to earning a social return on all its assets.

The UK has a handful of foundations operating in this way, willing to make impact investments from their endowments, such as the **Panahpur Foundation**<sup>54</sup>, but we expect more will move in this direction as the regulatory environment develops and the track record of such investments grows.





## Innovation 9: KL Felicitas Foundation

Organisation	Country of origin	Year of origin	Target audience
KL Felicitas Foundation	US	2000	Foundations
Why it's innovative		Contribution to more or better philanthropy	
By seeking a social return with 100% of its assets, the foundation maximises its impact and drives an increase in total global assets invested in this way by educating, influencing and supporting other foundations. High potential for more UK foundations to adopt this approach.		<ul style="list-style-type: none"><li>• Using more / all assets</li><li>• Peer pressure</li></ul>	

In 2000 Charly and Lisa Kleissner put US\$10m into their family foundation, the KL Felicitas Foundation. From the outset they made a commitment to allocate 100% of this endowment to holdings consistent with the values and purpose of the foundation, which is to support early-stage social enterprises to develop and grow sustainably.

The foundation has constructed its portfolio to seek a social or environmental and financial return across all of its asset classes—cash, bonds, equity, hedge funds and real assets. 3% of its portfolio is dedicated to early-stage, high-impact investments, 2% to grants to support the impact ecosystem, and the rest to achieve a market, or better, return.

As well as making their own assets work for maximum social impact, the Kleissners are driving the 100% impact investing movement through promoting their approach and educating and empowering other investors. They created the 100% Impact Network, a peer network of around 40 family offices, high-net-worth individuals and foundations that have committed all their assets to positive social or environmental impact—the network has combined assets of over US\$3.5bn. The KL Felicitas Foundation's dedication to transparency also helps to promote

impact investing. By publishing its investment strategy and information on its portfolio's performance<sup>55</sup>, the foundation has demonstrated that impact investments can perform at, or better than, industry-standard financial benchmarks. It is due to publish a report later this year on the social impact achieved across its portfolio.

The KL Felicitas Foundation has shown that aligning 100% of assets with social values through impact investing is an achievable and successful strategy that others could replicate. The leadership that Lisa and Charly demonstrate in encouraging others to follow suit is admirable and likely to be transformative.

*'This initiative has the potential to transform how foundations are dealing with their investments, dramatically increasing the potential of creating social impact from money that is currently invested in financial markets'*

*Paula Jancso Fabiani, IDIS, Brazil*