

Impact Investing at the Community Foundation of Ottawa

Presented by Brian Toller

Member, CFO Impact Investing Committee

Presentation to Oakville Community Foundation, Jan. 12, 2017



Doing More with Our Assets than Just Grants

- CFO has been on a social finance journey for more than 5 years.
- Asked ourselves: ***Can't we do more with our assets than just make investments, produce income, and provide grants?***
- Developed a two-pronged approach to social finance:
 - 1) A Responsible Investing strategy inside our endowment to more closely align our assets with our mission.
 - 2) An Impact Investing strategy, inside the endowment and in a separate fund, that could provide debt and equity financing for charities and non-profits.

Responsible Investing in CFO Endowment

RI Policy Components:

- 1) Best in Class Approach – integrating environmental, social and governance (ESG) factors in investment selection. Choosing best player rather than negative screening.
- 2) United Nations' Principles for Responsible Investment (UNPRI). Now 1395 signatories with \$60 trillion in assets.
- 3) Proxy Voting – encourages improved corporate behaviour. By owning a company you have a say, with negative screening, you don't.



Impact Investing – Responsible Investing 2.0

Impact Investing Policy:

- 1) **Definition:** *Impact Investing is the active investment of capital in assets and organizations to generate positive social or environmental impacts, as well as a financial return.*
- 2) **Investment Core Belief:** *By setting aside a portion of our endowment for Impact Investing, we believe we can generate a blended value return that can significantly multiply the impact we have on our community, while at the same time generating financial returns with an acceptable risk profile. Rather than choosing either a financial return, or a social benefit, we are seeking investments that do both.*

Impact Investing – Responsible Investing 2.0

3) **Getting to 10%** -- 5% allocation to Market Investments, and 5% to Direct Investments.

Market Investments

Asset class of endowment, market-rate return, with social or environmental benefit.

Direct Investments

Outside endowment in a separate fund, optional for donors. Market to below-market returns, principally debt financing to local charities.

4) **Impact Investing Committee:** includes members from Grants, Investment and F&A

5) **Types of Investments:** impact themes + those allowed and disallowed.

Community Foundation of Ottawa Current and Proposed Impact Investments

	Direct Investments – Impact Investing Fund			Market Investments – Endowment	
<i>Investment</i>	<i>Community Forward Fund</i>	<i>CFC Youth Catalyst Fund</i>	<i>CFO Social Enterprise Reserve Fund</i>	<i>Mercer Sustainable Opportunities Fund</i>	<i>New Market Funds Affordable Housing Fund</i>
Committed Capital	\$1, 280,000	\$50,000	\$100,000	\$5,000,000 US (\$6,500,000 CDN)	\$1,000,000
Drawn to Date	\$945,000	\$0	\$0	\$3,000,000 CDN	\$0
Asset Class	Private Debt	Private Debt or Equity	Small loans, some interest free	Private Equity (40%), Infrastructure (40%), Sustainable Timber (10%), Sustainable Agriculture (10%)	Real Estate
Asset Type	Investment Trust	Limited Partnership	--	Limited Partnership	Limited Partnership
Impact Theme Place	Loans to charities <i>Ottawa and national</i>	Youth employment <i>Ontario</i>	Social enterprise <i>Ottawa</i>	Climate change <i>global</i>	Affordable housing <i>75% BC and Alta., 25% national</i>
Projected Return	3%	3%	--	CPI + 5%	6% return/4% yield
Expected Time Frame	10 years	5-10 years	--	14 years	8 years
Total Committed Capital	\$1,435,000			\$7,500,000	
Target/Actual Allocation	5% / 1.25%			5% / 6.5%	

**Total Portfolio Value: \$110 million / Impact Investing Target (10%) \$11 million
Current & Proposed Committed Capital (8%) \$8.9 million**

Direct Impact Investments at CFO

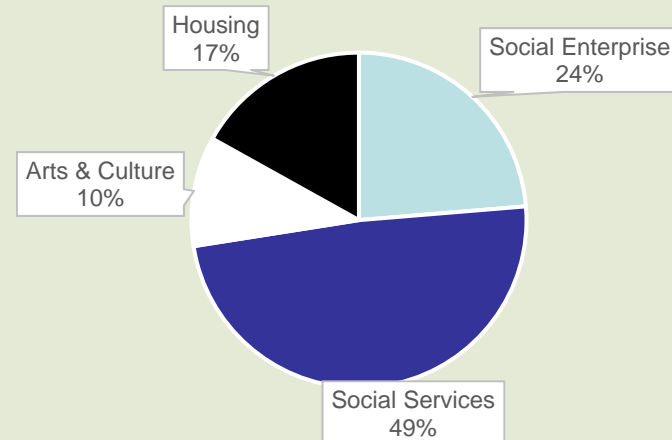
Community Forward Fund

- Raised \$11M from 9 foundations
- \$10M in loans, average rate of 5.7%, 51 months
- 80% secured with real estate

Ottawa Loans

- \$2.3M loans funded and approved, \$923k outstanding
- \$236k ave. loan size

Loans by Sector in Ottawa



Building Social Enterprise Capacity

CFO President & CEO, Marco Pagani, successfully pushed for Social Enterprise Platform at Bayview Yards.

- Social enterprise incubator inside enterprise innovation centre – one stop shopping
- Micro-finance: grants/loans/equity
- Business case development
- Powerful potential through procurement – Ottawa Community Housing, City, Universities, NCC.

