THE CENTER FOR EFFECTIVE PHILANTHROPY

Since John E. Andrus founded the Surdna Foundation in 1917, five successive generations of the Andrus family have worked toward supporting effective solutions to contemporary social challenges. Sometimes, finding the most effective solution has involved taking a risk. In 2014, the Surdna board and staff began thinking about whether we should engage in impact investing to deepen our impact and further our mission of fostering sustainable communities and charting the path to social justice. We had made a few program related investments (PRIs) the previous year, but in 2014 we began asking whether we could systematically incorporate impact investing into our work more broadly.

Surdna is celebrating its centennial year in 2017. Reaching this milestone has made us all the more conscious of the extraordinary efforts of previous generations to invest our endowment wisely, which in turn has helped the foundation grow and expand its work to create social change. With this in mind, we approached the prospect of starting an impact investing program with the clear understanding that any such change in investment strategy could only be done under the condition that we continue to protect the corpus for the future — just as our predecessors had done before us.

To get started in our exploration, we created a board-staff working group to learn more about the state of the impact investing marketplace and what opportunities and tools were available to us. The working group committed to a nine-month process, including reviewing our existing PRI portfolio, understanding mission related investing (MRI) and how it differs from PRI, assessing the available investment tools, and learning from other foundations that have committed to impact investing. The Giving Practice, Veris Wealth Partners, and Cambridge Associates served as guides to help us review our current investment portfolio and advised us on the potential pathways to build an impact investing portfolio.

Through this learning process, we came to appreciate that all of our capital — intellectual, social, and financial — has a shared purpose. We believe that leveraging investment capital can play a role in service of our mission, and that investment activities can both inform and enhance philanthropic activities.

The Center for Effective Philanthropy's May 2015 *Investing and Social Impact* report found that while many foundations are interested in impact investing, and close to half have committed at least some money toward it, the investments are often small — around just two percent of endowments. After going through a nine-month learning process, we understand how complex the decisions are when deciding whether to shift capital to impact investing. But through this explorative process, we found that shifting a larger portion of our endowment was the right way for us to make change.

And so at the conclusion of our learning process, the Surdna board unanimously agreed to commit approximately 10 percent of our endowment — $100 million — toward impact investing. By creating a separate pool of a significant size, we will be able to explore and understand how best to construct an investment portfolio that can meet the risk, return, and impact objectives of the foundation. This will also enable us to make meaningful investments in more mission-aligned funds, as well as support new investment managers in the impact sector, thus enhancing the foundation's overall impact.

Since learning from others was such an important part of our work to determine our strategy, we decided to develop a report, "Mapping the Journey to Impact Investing," to share our path to impact investing and help inform and prepare others who may be interested in taking a similar step. Our top recommendations for fellow funders considering a shift to impact investing can be summed up as follows:

1. **Start with a framework.** To enable the staff and board to have a shared understanding of all the facets of impact investing, begin by defining terms and

understanding the tools that can be utilized as part of an impact portfolio. In our experience, this framework helped all the participants in the process to use the same language, which is especially important for boards which, by nature, drop in and out of many complex issues over time. An overall framework and toolkit also helped us see that making the decision to pursue an impact investing approach includes a broad range of activities, and is not strictly about investments alone.

2. **Listen to voices of experience.** Through our learning process, and as we ramped up our efforts, we continually relied on other mission-driven organizations like the McKnight Foundation, which is a leader in the impact investing field and shared many of their experiences with us. This helped us to determine how Surdna fits into the impact investing landscape. By attending conferences on mission investing and visiting peer organizations, our staff and board members became more familiar with the territory and brought back new knowledge and enthusiasm to our working group.

3. **Analyze your current portfolio.** It was critical for our working group, staff, and board to review our existing PRIs, MRIs, and endowment to better understand the financial and impact performance of each. This enabled us to appreciate the potential impact and returns of shifting to impact investing.

Looking back at our learning process — and looking ahead as we begin this shift — we hope that by being open about our successes and failures, Surdna can also be a model for other organizations exploring impact investing.

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