

Finding Your Way to the Right Impact Investing Advisor: A RESOURCE GUIDE

A Publication for the Benefit of the Confluence Membership



CONFLUENCE PHILANTHROPY
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Introduction

You've made the decision to begin to align your investment portfolio with your personal values or your organization's mission. How do you start? Impact investing. Mission-related investing. Socially responsible investing. ESG. Shareholder resolutions. There are so many new terms. What do they all mean? Where do you go to learn about the field?

This guide is designed to help you find your way. It was created to help asset owners who want to better understand the landscape of mission-aligned investing become more comfortable with many of the commonly used terms in this field. It is also intended to help you determine what questions to ask an impact investment advisor about the services they offer. In addition, this resource serves as a guide to some impact investment advisors who specialize in these services across all asset classes¹.

"Finding Your Way to the Right Impact Investing Advisor" has three goals:

1. To explain some of the terminology commonly used by the impact investment community.
2. To explain the impact investment field's advisory landscape and to help asset owners determine what questions to ask when seeking a new impact advisor.
3. To summarize the services offered by some of the top impact investment advisors who specialize in working with the philanthropic community and offer the ability to invest across all asset classes.

About Confluence Philanthropy

Confluence Philanthropy emerged out of the 2008 financial crisis with a mission to educate, organize and support philanthropists and their investment advisors to better align their investments with their social and environmental goals.

Representing a broad network of more than \$70 billion in philanthropic assets under management, and \$3.5 trillion in managed capital, the Confluence membership is an international network comprised of private, public, and community foundations, individual donors, and the top investment firms in impact investing.

In the spirit of our motto, 'Own What You Own,' Confluence Philanthropy empowers its membership, which has grown to represent over one-sixth of U.S. philanthropic donors, to move capital towards impact investing through education and strategic partnership building. Working foundation by foundation, supporting change makers within each member organization, Confluence has helped to guide over \$43 billion in assets. This guide is designed to accelerate that process, by providing a resource to our members so that you can take the first steps towards finding a new advisor with better information and greater confidence.

For the purposes of this resource, we define impact investing² as: *investing capital with the objective of achieving measurable positive social and/or environmental impact alongside financial returns.*

¹ "Asset class" refers to the different categories of investment options such as equities (stocks), fixed-income (bonds), cash (money market funds) and real estate. Within impact investing, it can also refer to private equity or venture capital.

² Also called mission-related investing.

This Excerpt

The following is just an excerpt from Confluence Philanthropy's Resource Guide: "Finding Your Way to the Right Impact Investing Advisor." This resource is updated quarterly.

Interested in Accessing the Full Version?

Confluence offers the full version of this Resource Guide to members at no cost through our Member Resource Library, which contains over 200 publications and investment resources. To learn more about Confluence membership, please contact our Managing Director, David Estrada at david@confluencephilanthropy.org.

Non-members can reach out to purchase this publication.

Appendix C: Questions to Ask an Impact Investment Advisor

This document was created after speaking to Confluence members in both the philanthropic and impact investment community about the services an impact advisor should offer. Answers to these questions will give you, the prospective impact investor client, a clear sense of the advisor's impact investing capabilities and services offered.¹⁵ *Please note that these questions do not include data related to financial returns.*

1. Does your firm have an explicit definition of 'impact'? If so, please explain.
2. Does your firm have the ability to structure and perform due diligence program-related investments? Can you manage existing PRIs in a client's portfolio? If not, how do you refer clients interested in this type/class of investment?
3. Does your firm offer the ability to screen public equities based on a client's environmental, social, or governance (ESG) criteria? Do you have the capacity to work with asset managers who offer this service?
4. What percentage of your clients' public equities is currently screened using ESG criteria? If you advise both conventional and impact clients, please provide percentages for both your entire firm and your impact clients.
5. Do you provide a mechanism to track, report and measure the environmental and social returns of a client's impact investments? How specifically do you communicate with your clients about the impact performance of their investments/funds? What is the reporting process? Please elaborate (i.e. written quarterly reports? Annual report? Etc.)
6. Do clients have the capacity to vote proxies in favor of shareholder resolutions that align with their mission? Can your firm do this on their behalf? If not, do the asset managers you work with have the capacity to allow clients to vote their proxies?
7. Have you ever filed or co-filed a shareholder resolution on behalf of your clients (if applicable)? If so, how many? On what environmental or social issues? If your firm does not manage assets directly, do you work with managers who file shareholder resolutions?
8. How do you approach the fossil fuel divestment question? How do you advise clients who are interested in investing in climate solutions?
9. How much flexibility do clients have to align their portfolio with their social mission and values? What percentage of their portfolio can they allocate to high impact investments? For example, would a client have the option to commit to 100% impact?
10. Is there a pre-defined platform of investment options from which your clients must choose? If so, do clients have the flexibility to make investments outside of that platform?

¹⁵ Please contact Confluence to obtain a copy of our "New Advisor RFP," which includes financial data information.

11. Does your firm advise clients on making equity investments in private business opportunities (either direct or through funds) that align with their social or environmental mission?
12. How much of your impact AUM falls outside of ESG public equity investing strategies?
13. Do you, as an investment advisor or firm, have the freedom to perform due diligence on impact investment opportunities, even if off-platform? On what types of investments (i.e. direct equity investments/funds/other)?
14. How many employees (excluding client service and administrative staff) are engaged in sourcing and due diligence on impact investment opportunities? What percentage of their time is dedicated to this?
15. Do you monitor and report on the financial performance of off-platform, high-impact investments made on behalf of your clients?
16. Please indicate in which of the following asset classes you offer impact investment opportunities and whether they are direct investments or in funds, if applicable:
 - Private debt
 - Private equity
 - Public debt
 - Real assets
 - Equity-like debt
 - Deposit/cash equivalent
 - Public equity
 - Loan guarantee

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