The Challenges & Opportunities of Impact Investing
IMPACT INVESTING:
INVESTMENTS intended to
generate social or
environmental benefits
as well as
FINANCIAL RETURNS

Aligning investing practices with impact goals is a practice that can be traced back to the Quakers & Ben Franklin

IMPACT INVESTING & FOUNDATIONS
Program-Related Investments (PRIs) are investments made by Foundations to support charitable activities.

Unlike grants, PRIs provide foundations a return on their investment through repayment and interest on loans or return on equity, allowing the foundations to recycle their resources.
WHAT ARE REQUIREMENTS OF A PRI?

A PRI is an investment that possesses all of the following characteristics:

- Its primary purpose is to accomplish a charitable, educational, or other similar purpose.
- The production of income or capital appreciation is not a significant purpose of the investment.
- It is not made to influence legislation or campaign on behalf of a candidate for public office.

FOUNDATION INVESTMENTS

- Grants
- Mission or Social Investments
- Endowment Investments

Programmatic Returns

Financial Returns

SOCIAL + FINANCIAL GAIN = INVESTING FOR IMPACT

- Donating
- Impact Investing
- Investing

- Beneficiaries
- Impact Objectives
- Impact Score
- Impact Evidence
- Impact Report
- Impact Evaluation

- PRI
- MRI
TRADITIONAL PHILANTHROPY

Fund
Grants from Earnings ~ 5% of assets

Invest
Endowment Assets 95% of assets

Seek only social return by making grants
Seek only financial return to fund grants while preserving or growing endowment

NEW PHILANTHROPIC INVESTING CONTINUUM

Grants
Recoverable Grants
PRIs: Program-Related Investments
MRIs: Mission-Related Investments
Endowment Investments

Primary Motivation: Social Return
Primary Motivation: Financial Return

PRI BENEFITS FOR FOUNDATIONS

- Mission: more assets working towards mission, augments grants
- Feasibility: proof of concept (prove creditworthiness)
- Leverage: attract other capital from banks, corps, gov’t by taking real/perceived risk
- Flexibility: fill financing gap, variable structure & terms
- Recyclable: can be deployed for new projects
- Size: can fund larger projects that exceed typical grant amounts
- Pay-Out: can help meet distribution requirement
- Strength: foster sustainability, increase accountability
BENEFITS: LEVERAGE OTHER CAPITAL

• PRI investors are willing to accept lower financial returns and/or higher risk for achievement of targeted social outcomes
• Buffers risk and/or enables others to receive greater returns
• Induces more financially motivated investors to invest capital

Bottom Line: more capital from banks, corporations & gov’t going toward issues you care about

IMPACT INVESTING & LIVING CITIES

Members have pioneered the use of PRIs as early as the 1960s.

Seventeens of our members together accounted for 25% of total PRI dollars invested between 2000-2010.

DALLAS IMPACT INVESTING COLLABORATIVE

Align resources towards learning, innovation, and shared investment