

Foundations seek positive net impact across a spectrum of capital

New report from Toniic dispels misconceptions about 100% mission-aligned investing, shows that foundations could deploy far more capital to solve big world problems

SAN FRANCISCO, April 21, 2020—Foundations that align their endowment investments with their mission are able to meet their fiduciary duty, generate returns, make greater impact and create liquidity in their portfolios, asserts a Toniic report released today.

These findings are important because foundations, with an estimated \$1.5 trillion in endowment funds worldwide, could be a major force in mitigating crises like the ongoing COVID-19 pandemic, catalyzing climate action and addressing the United Nations' Sustainable Development Goals—yet they have hesitated to invest these funds in line with their missions.

The *T100 Focus Report: Foundations on the Road to 100%* is the first in the T100 Project—Toniic's longitudinal study of investors building 100% impact portfolios—to focus solely on foundations. The 18 portfolios studied represent \$1.7 billion in committed capital. While that is a fraction of the global pool, the foundations managing them are leaders in banishing the misconceptions that have kept others on the sidelines of impact investing.

“Most foundations today approach mission-aligned investing, if they do it at all, with extreme caution. They worry that such an approach is either foolhardy or just not viable. The foundations in the T100 cohort prove that these worries are unfounded misconceptions,” said Adam Bendell, CEO of Toniic. “They are at the other end of the spectrum, moving quickly toward their goal of 100% alignment with mission and overcoming constraints.”

Separating myth from reality

Foundations surveyed for the T100 Project cited “overcoming myths about impact investment financial performance” as the top challenge they face in unlocking endowment capital for mission-aligned investments. The report counters the most common misconceptions with the realities of T100 portfolios, including these:

- **Misconception:** Fiduciary duty prevents mission alignment of endowment investments.
Reality: Fiduciary duty compels mission alignment of endowment investments, and 38% of survey respondents reported that they believe impact investments yield higher financial returns than traditional investments in the long term (over seven years); 62% believe they yield the same returns.
- **Misconception:** Foundations need more liquidity than 100% mission-aligned portfolios can provide.
Reality: T100 foundations have sufficient liquidity in all impact classes, with 67% of the foundations' investments providing liquidity in less than 90 days.
- **Misconception:** Only private equity investments have impact.
Reality: T100 foundations invest for impact across all asset classes. Public equity (36%) and fixed income (32%) are the largest asset class allocations in the studied portfolios.

The report also does away with the belief that foundations do not have the necessary resources or staff to pursue impact investing. The T100 survey, which included foundations with assets ranging from less than \$10 million (one-third) to over \$100 million (one-quarter), found that:

- While large foundations usually silo their grant-making staff from their investment staff, both sides of the foundation can work together to maximize impact.
- Small foundations are moving quickly and nimbly to deepen the impact of their investments.
- Even foundations with little experience in impact investing have tools and resources at their disposal, including investment advisors, to strive for 100% mission alignment.

A blueprint for mission-aligned investing

The United Nations estimates a \$2.5 trillion funding gap each year in order to achieve the Sustainable Development Goals by 2030. One way foundations can begin closing this funding gap is to ensure that all foundation resources are fully aligned with the mission; this includes investments along with programs, grants and philanthropy.

The *T100 Focus Report: Foundations on the Road to 100%* shows that foundations can do this now, with resources on hand and without compromising their financial stability.

The report is available for download at www.toniic.com/T100. Previous reports from the T100 Project include:

- [T100 Focus Report 2019: The Frontier of SDG Investing](#) (2019)
- [T100 Powered Ascent Report](#) (2018)

About Toniic and the T100

Toniic is the global action community for deeper impact investing. Its members, from more than 20 countries, share a vision of a global financial system creating positive social and environmental impact. More than half of Toniic members are also members of the Toniic 100% Network. These investors have committed to deploying 100% of investments in an investment portfolio toward deeper positive net impact.

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