MISSION-RELATED INVESTING

INSIGHTS AND PERSPECTIVES

CAMBRIDGE ASSOCIATES

2018

Introduction

The Mission-Related Investing (MRI) specialists at Cambridge Associates have worked closely with our clients for over a decade to develop investment programs that integrate a broad range of strategies that include: environmental, social, and governance (ESG) considerations; negative screening; impact investments; program-related investments; and active ownership.

Through this work, we have both contributed to the development of mission-related investing and gained deep insights into the evolution of the field. We continue to enhance our understanding of the motivations and challenges facing mission-related investors, as well as associated trends in the broader investment industry.

In early 2016, we conducted our first client survey that explored current institutional thinking and practice in the mission-related and impact investing space. Responses provided direct insights into how investors are thinking about mission-related investing. We conducted another survey in 2018 to identify changes in the field over the past two years and to understand possible future trends.

The results presented in this report are organized around three main topics:

- Investment Structure
- Implementation Strategies
- Governance and Measurement

In concert with our topical research and engagement with field-building organizations, the views and actions of practitioners as expressed in these survey results paint a more holistic picture of the MRI landscape.

Highlights

OVERVIEW

- Of the 148 Cambridge Associates clients that responded to the 2018 survey, 54 reported engaging in mission-related investing—a small, but meaningful, increase (8%) relative to our 2016 survey results.
- Those 54 respondents primarily engage in mission-related investing because doing so: (1) serves their mission, (2) aligns with their institutional values, and/or (3) reflects stakeholder interest.
- Institutions that do not engage in mission-related investing mainly cited that their mission is solely addressed via programmatic/philanthropic activities and/or that there is a perceived negative impact on financial performance.

INVESTMENT STRUCTURE

- The ways in which responding institutions incorporate mission-related investing most often include: developing an Investment Policy Statement (IPS) that integrates MRI priorities, principles, and decision criteria; and informing their investment managers that MRI/ESG is important.
- Half of the institutions implementing MRI strategies have less than 5% of their long-term investment pool allocated to mission-related investing. Over the past five years, approximately half of the respondents reported they increased their allocation to mission-related investing. And, almost two-thirds reported plans to increase their allocation to mission-related investing over the next five years.

IMPLEMENTATION STRATEGIES

- Institutions continue to employ a range of strategies to achieve MRI objectives, including ESG, impact, negative screening, and program-related investments. Notably, ESG implementation surpassed negative screening as the most commonly selected strategy, in contrast to 2016 survey results.
- Social equity and community investing are common thematic areas of focus.
- New to the 2018 survey is a section on how social equity is being implemented into MRI portfolios based on the increasing interest we have seen in the topic. This section illustrates that 25% of institutions engaging in mission-related investing consider social equity in investment decision-making. A further 26% anticipate considering social equity in the future.

Highlights (continued)

GOVERNANCE AND MEASUREMENT

- MRI objectives are often formally incorporated into an institution's investment policy, but governance and oversight of MRI programs are less consistently applied. The majority of respondents reported discussing MRI strategies at board or investment committee meetings occasionally, and three quarters reported having no staff dedicated to mission-related investing. Given these findings, it is not surprising that many institutions cited resource constraints as a challenge to implementing MRI strategies.
- The greatest reported benefit of implementing an MRI strategy is better alignment of institutional activities and operations, while the greatest challenge is a lack of adequate investment options. Although the limited availability of investment options was also the greatest identified challenge in the previous survey, the total number of respondents identifying this problem has decreased since two years ago.
- Investors continue to be focused on the financial performance of MRI programs. The largest number of institutions reported financial results as the primary means by which they measure the success of their MRI programs, followed by social or environmental results.
- Expectations for impact reporting are becoming standard among investors: 51% of respondents seek reporting on the social and/or environmental outcomes of mission-related investments, and an additional 13% intend to do so in the future. The majority rely on manager-reported data.

Other MRI Resources

For more information on certain aspects of mission-related investing, please see the following publications:

- "Gender Lens Investing: Impact Opportunities through Gender Equity," Cambridge Associates Research Report, 2018. This paper reviews gender equality and its impact on economic growth; makes a case for gender lens investing as an alpha engine; provides an overview of gender lens investing; and outlines opportunities for investment.
- "Social Equity Investing: Righting Institutional Wrongs," Cambridge Associates Research Report, 2018. This report highlights the current state of social equity in the United States, eight core social equity issue areas, and lessons learned in constructing portfolios that are responsive to social equity investment objectives.
- "Considerations for ESG Policy Development," Cambridge Associates, 2017. This short piece outlines considerations for incorporating ESG factors into the development of investment policy statements (highlighting the key elements of purpose, priorities, and principles), as well as a blueprint for incorporating language around the Paris accord.

OVERVIEW

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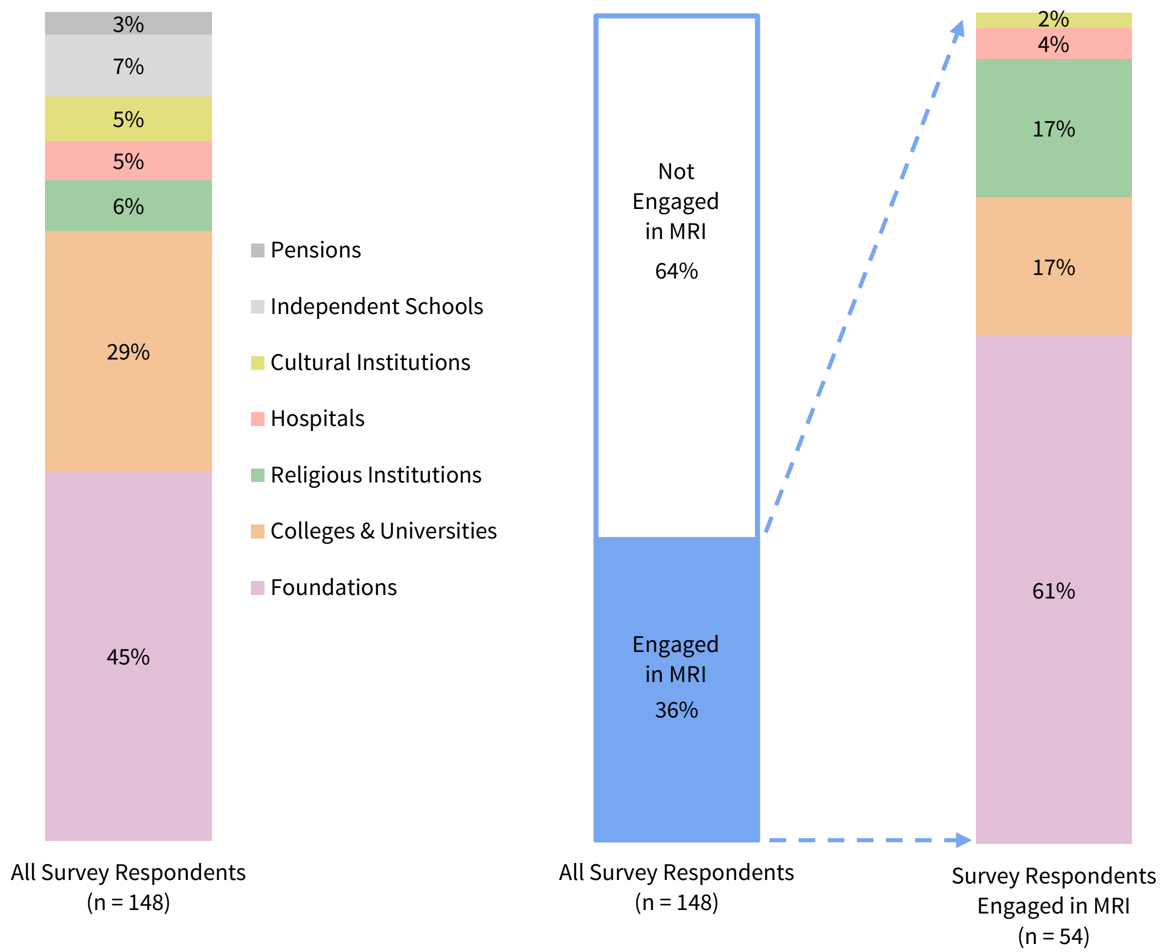
Mission-related investing has experienced 8% growth over the past two years, as measured by changes in survey responses

- The 148 respondents to our 2018 MRI survey represent a diverse group of institutions; however, the majority of responses came from foundations and colleges & universities. This is similar to 2016.
  - Neither families nor high net worth individuals were surveyed in 2016 or 2018.
- Of the 148 respondents:
  - Nearly 75% are familiar with mission-related investing.
  - 36% of institutions are actively engaged in mission-related investing, which is an increase from the 2016 level of 31%.

OVERVIEW OF SURVEY RESPONDENTS

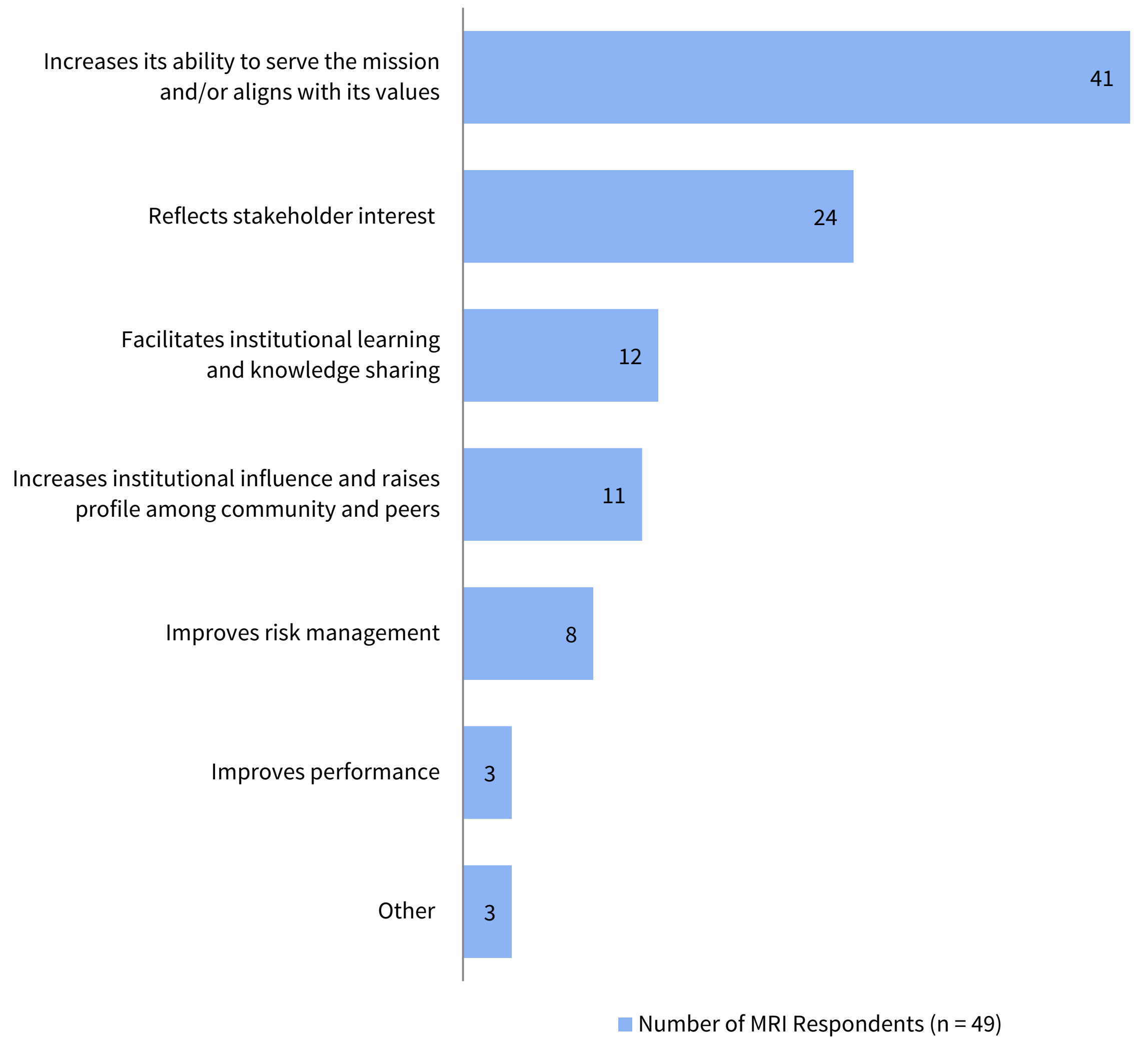


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Foundations includes other non-profit institutions. Religious institutions also includes one religiously affiliated hospital.

The most common reason for making a mission-related investment is that it increases the ability to serve the mission and/or aligns with the values of the institution

- This was the most popular response across the majority of institution types engaged in mission-related investing. Nearly 90% of foundations and religious institutions selected it as an option.
- Stakeholder interest, from groups such as students, donors, and board members, was the second most common reason institutions engage in mission-related investing.
- The least common responses included performance motivations and risk management.

REASONS INSTITUTIONS ENGAGE IN MISSION-RELATED INVESTING

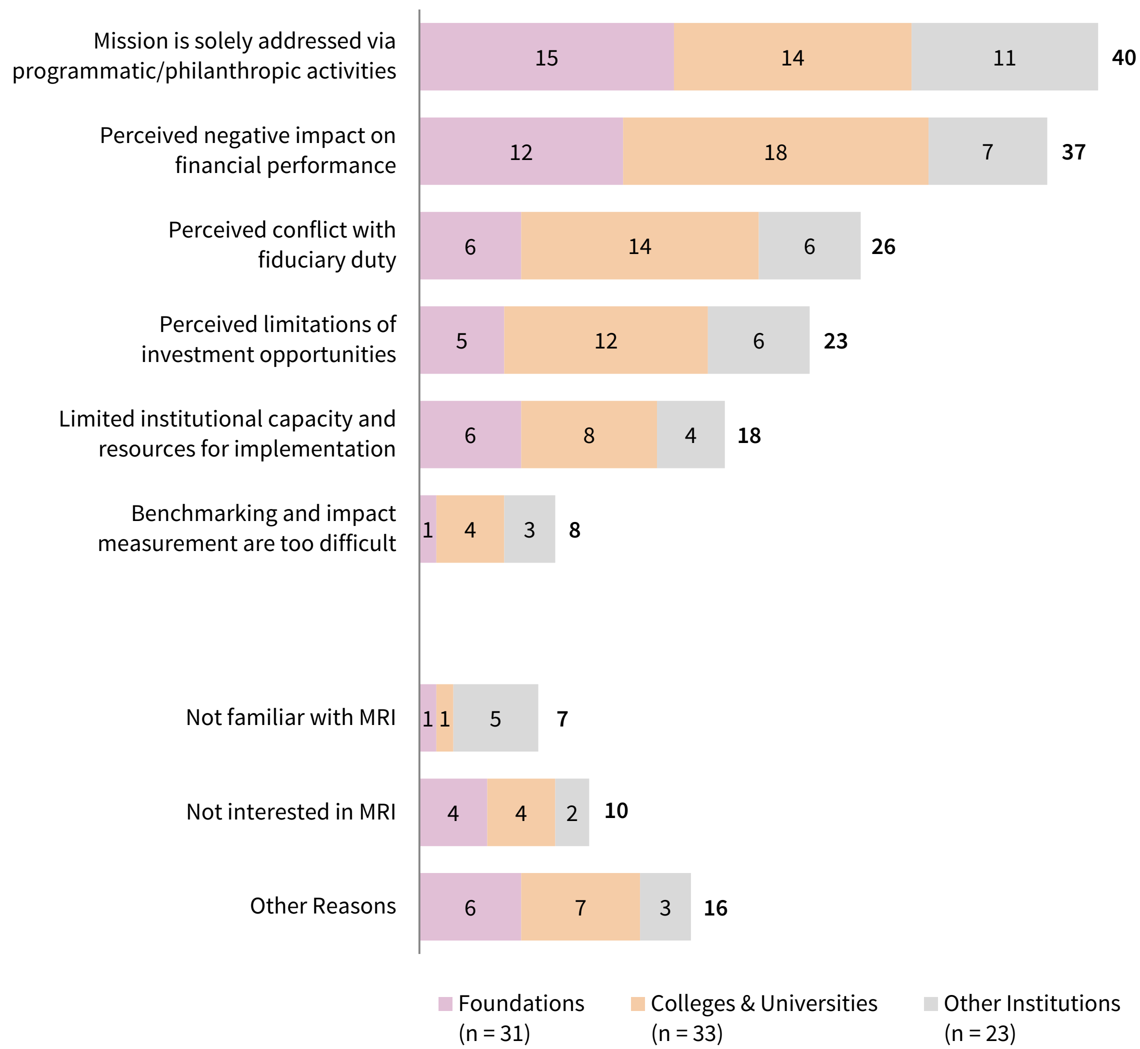


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Note: Respondents had the option to select multiple answers.

Investors choosing not to engage in mission-related investing cited a variety of reasons, ranging from the mission being addressed via other avenues to concerns around performance and fiduciary duty

- Of the 148 survey respondents, 64% are not currently engaged in mission-related investing, compared to 69% in 2016.
- Of those respondents not engaging in mission-related investing, a small percentage (15%) anticipate seeking exposure in the future, while many more (44%) do not anticipate doing so. The remainder are undecided.
    - The majority of respondents seeking to make mission-related investments in the future expect to begin doing so in the next one to two years.
    - Over half of the undecided institutions are interested in learning more about mission-related investing.

REASONS INSTITUTIONS ARE NOT ENGAGED IN MISSION-RELATED INVESTING



Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Respondents had the option to select multiple answers. Foundations includes other non-profit institutions. "Other institutions" includes cultural & research institutions, hospitals, independent schools, and religious institutions.

INVESTMENT STRUCTURE

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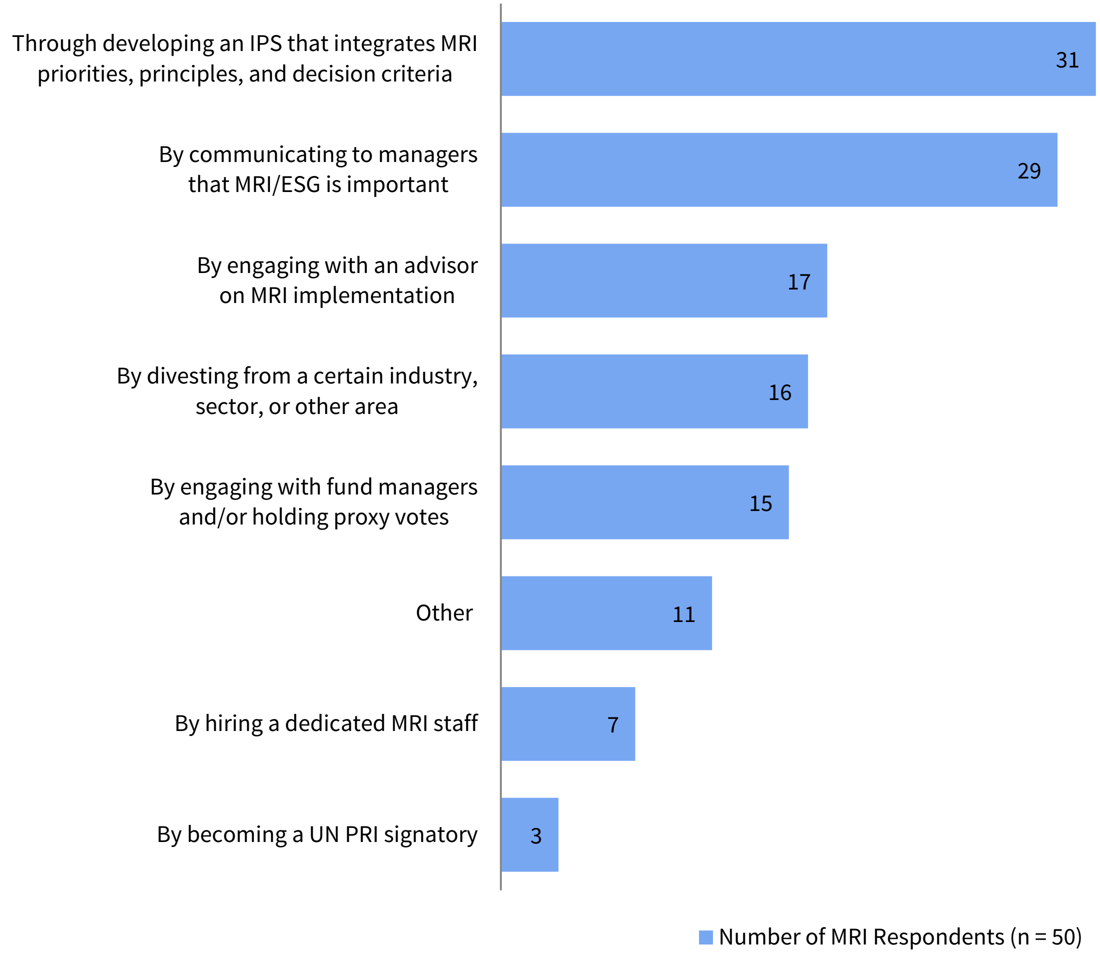
The two most common ways of incorporating mission-related investing into investment decision-making are including it in the Investment Policy Statement (IPS) and communicating to managers that MRI/ESG is important

- Some institutions are engaging with fund managers and/or hold proxy votes, or even have divested from a certain industry or sector.
- Becoming a United Nations Principles for Responsible Investment (UN PRI) signatory and hiring dedicated MRI staff are the least common responses.
    - Many institutions do not have the resources to take either of these actions and therefore are using other approaches, including engaging with an advisor to help with MRI implementation.

HOW MISSION-RELATED INVESTMENTS ARE INCORPORATED

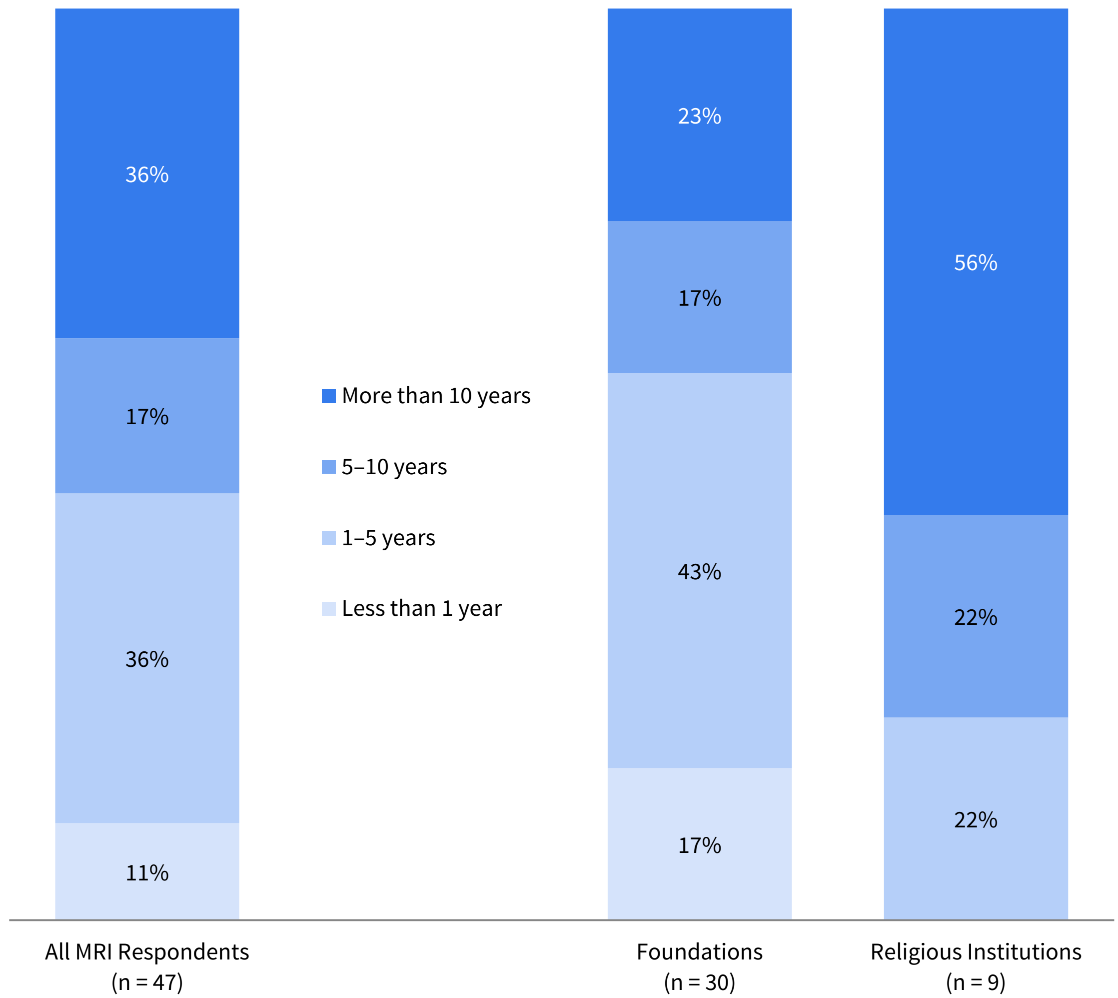


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Note: Respondents had the option to select multiple answers. For more information on UN PRI signatories, please see the glossary.

For many respondents, mission-related investing is not new: over half of MRI-engaged institutions have been active in the space for at least five years

- Over the past two years, the number of institutions making mission-related investments for five years or less has grown from one-third in 2016 to nearly one-half in 2018, which may indicate the growth of new entrants in the field.
- Religious institutions, though a small subset of respondents, reported the longest experience with mission-related investing, reflecting a long-standing tradition of values-based investing through exclusionary screening, among other strategies.
- Foundations are relatively newer entrants, with 60% of these institutions reporting five years or less of MRI activity. However, certain foundations have been implementing MRI strategies for more than a decade, helping shape the field.

LENGTH OF TIME INSTITUTIONS HAVE BEEN MAKING MISSION-RELATED INVESTMENTS

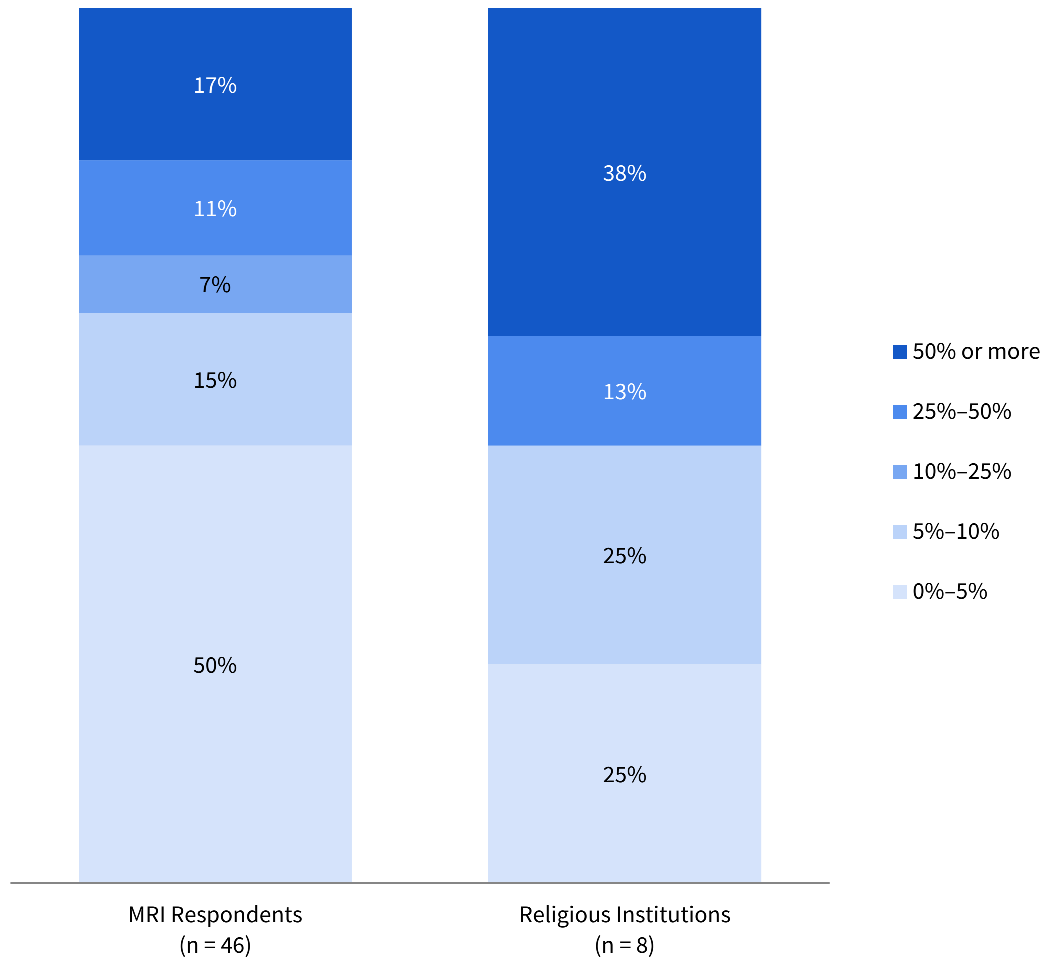


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Foundations includes other non-profit institutions. Religious institutions includes one religiously affiliated hospital.

Half of respondents engaged in mission-related investing allocate less than 5% of their portfolio to mission-related investments, although some institutions have much higher allocations

- The majority of foundation respondents reported having small allocations to mission-related investing, since most invest on an opportunistic basis or have dedicated carve outs that are a portion of the total endowment. However, some foundations have portfolios that are 100% MRI allocated.
- Religious institutions' allocations to mission-related investing are unique compared to other respondents. Over 50% of religious institutions have at least 25% of their portfolio allocated, which is often implemented through exclusionary screens.
- Respondents indicated that they have mission-related investments across all asset classes, although public equity and fixed income were identified as the most common.

PERCENTAGE OF THE LONG-TERM INVESTMENT PORTFOLIO THAT IS ALLOCATED TO MRI

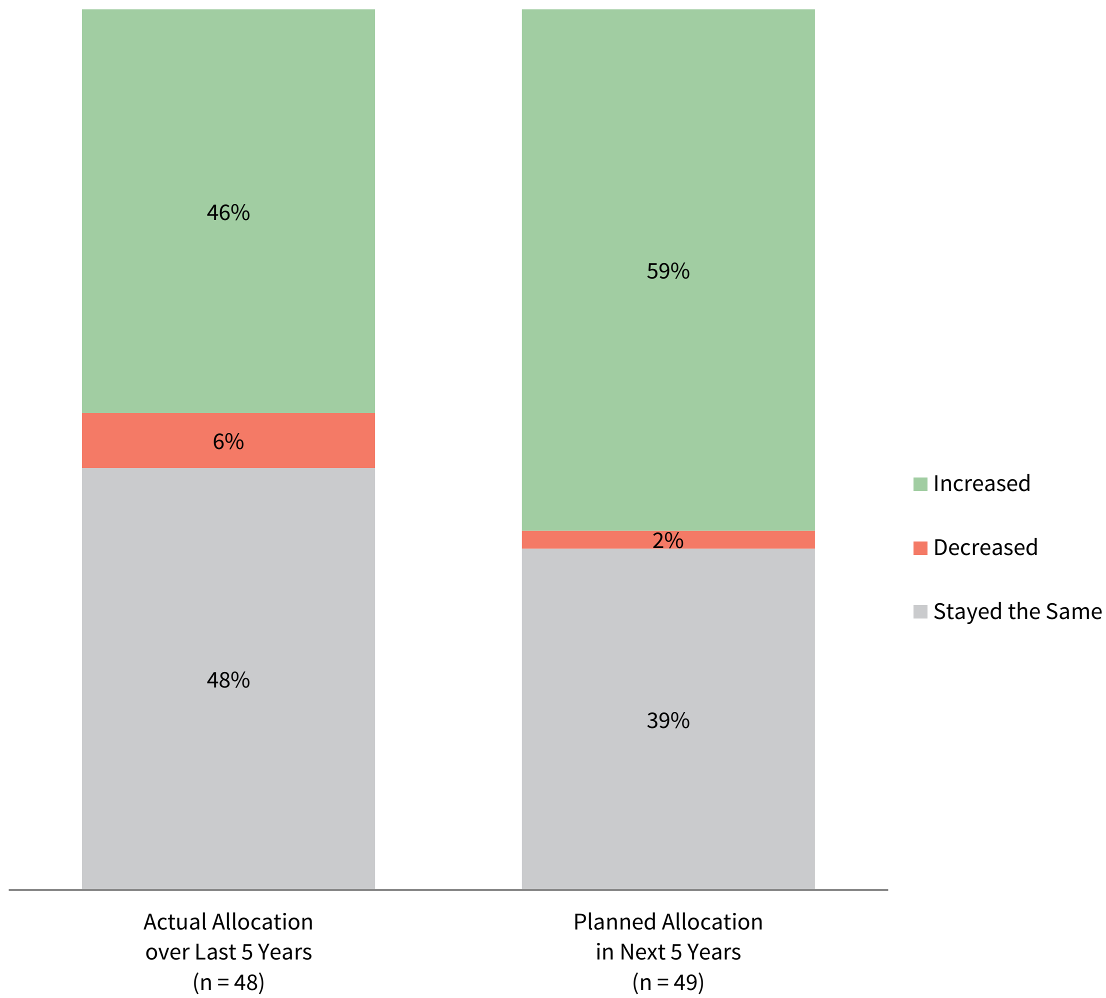


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Note: Religious institutions includes one religiously affiliated hospital.

Of respondents engaged in mission-related investing, nearly half have increased their allocation to those investments over the past five years, and nearly two-thirds plan to increase their allocation over the next five years

- Most institutions looking to increase allocations have indicated they will integrate mission-related investments throughout the portfolio.
- Approximately two-thirds of foundations and religious institutions plan to increase their MRI allocations over the next five years. Other client types are more likely to keep their allocations the same.
- Only one respondent expects to decrease their allocation over the next five years, which may point to a long-term commitment to MRI integration by investors in the field.
- These trends are consistent with 2016 responses, proving that institutions' actual and planned MRI allocations have remained the same.

TRENDS IN ALLOCATION TO MRI IN THE LONG-TERM INVESTMENT POOL

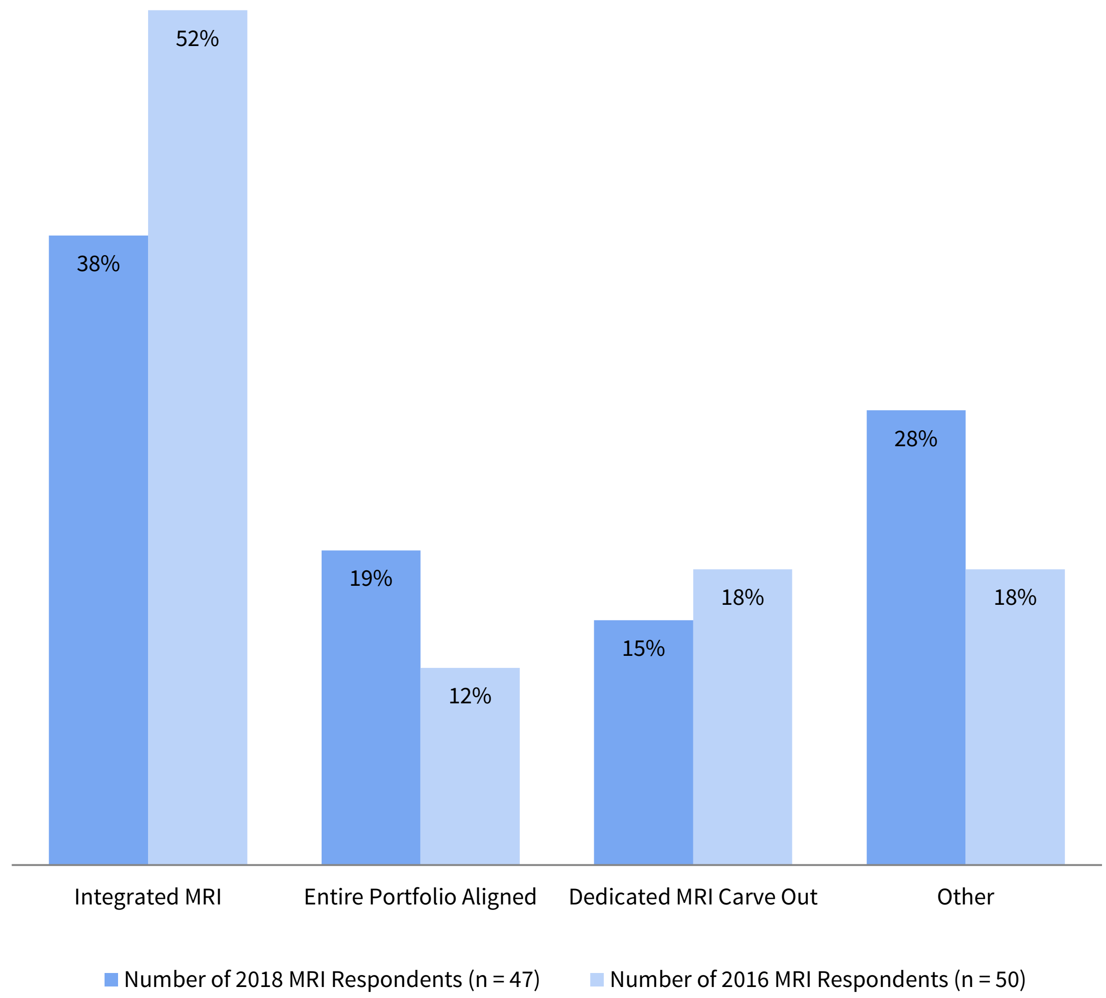


Source: Cambridge Associates Mission-Related Investing Survey 2018.

An integrated approach to incorporating mission-related investments into a portfolio remains the most common program structure among respondents

- A plurality of respondents have integrated their mission-related investments alongside traditional investment managers in the broader portfolio. Compared to the 2016 results, the popularity of this approach declined.
- A smaller subset of institutions seek to align their entire portfolio with MRI objectives.
  - Religious institutions frequently are entirely mission aligned and commonly implement through negative screening.
- Another subset of institutions, which consists primarily of foundations, have carved out a portion of the long-term investment portfolio to devote to mission-related investing.

PROGRAM STRUCTURE USED BY INSTITUTIONS MAKING MISSION-RELATED INVESTMENTS



Sources: Cambridge Associates Mission Related Investing Survey 2016 and 2018.
Notes: "Other" responses include: negative screening only, opportunistic investments, a combination of options, and structures still being developed. The definition of structure varies by institution.

IMPLEMENTATION STRATEGIES

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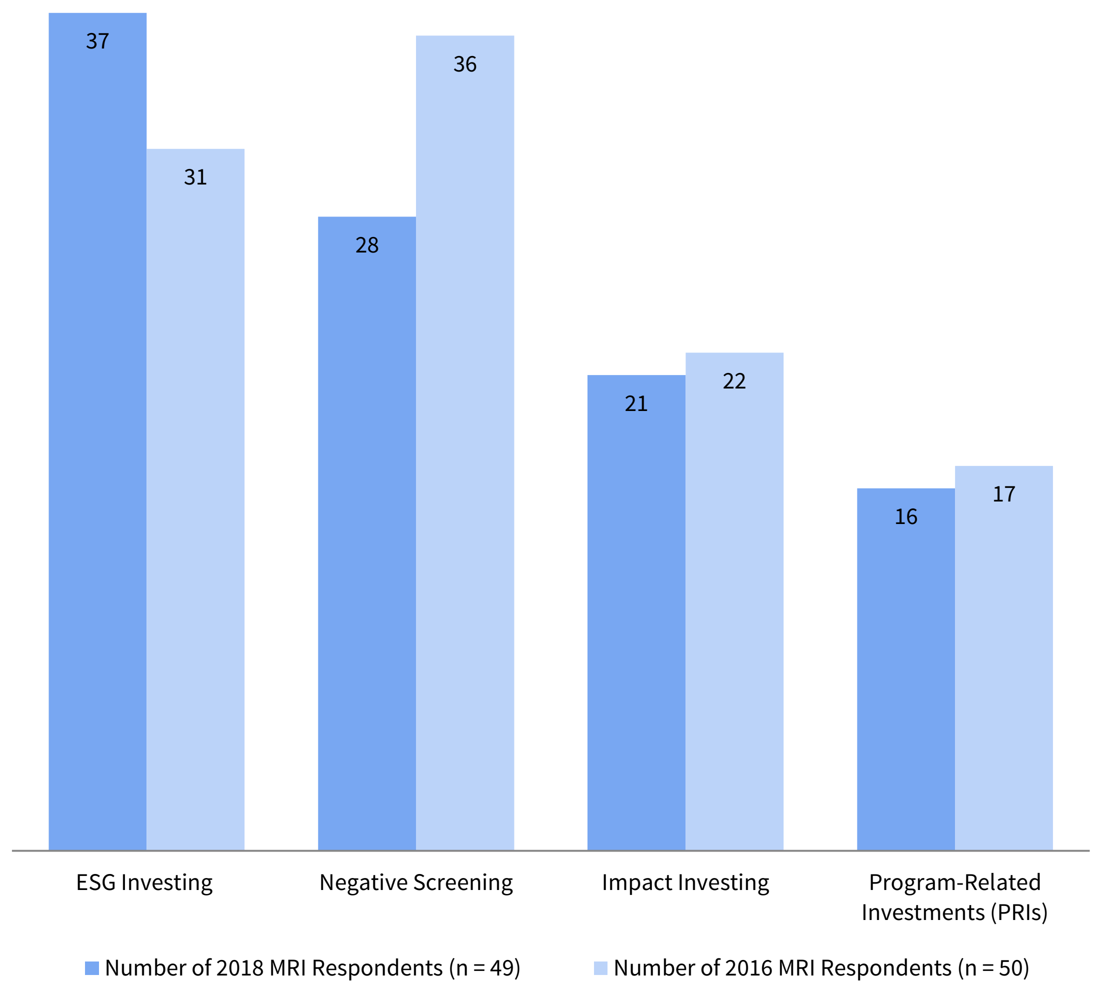
MRI-engaged institutions invest across a spectrum of strategies: two-thirds of respondents reported employing two or more MRI strategies

- In 2018, ESG was the most employed strategy, with negative screening following closely behind. This stands in contrast to our 2016 results.
  - This may reflect that investors are focusing more on the positive social and/or environmental impacts their investment decisions have.
- Foundations reported the greatest diversity of implementation strategies.
- Among the respondents that intend to implement mission-related investing in the future, ESG and impact investing were the two most commonly cited strategies that they seek to employ.

TYPES OF MRI STRATEGIES EMPLOYED

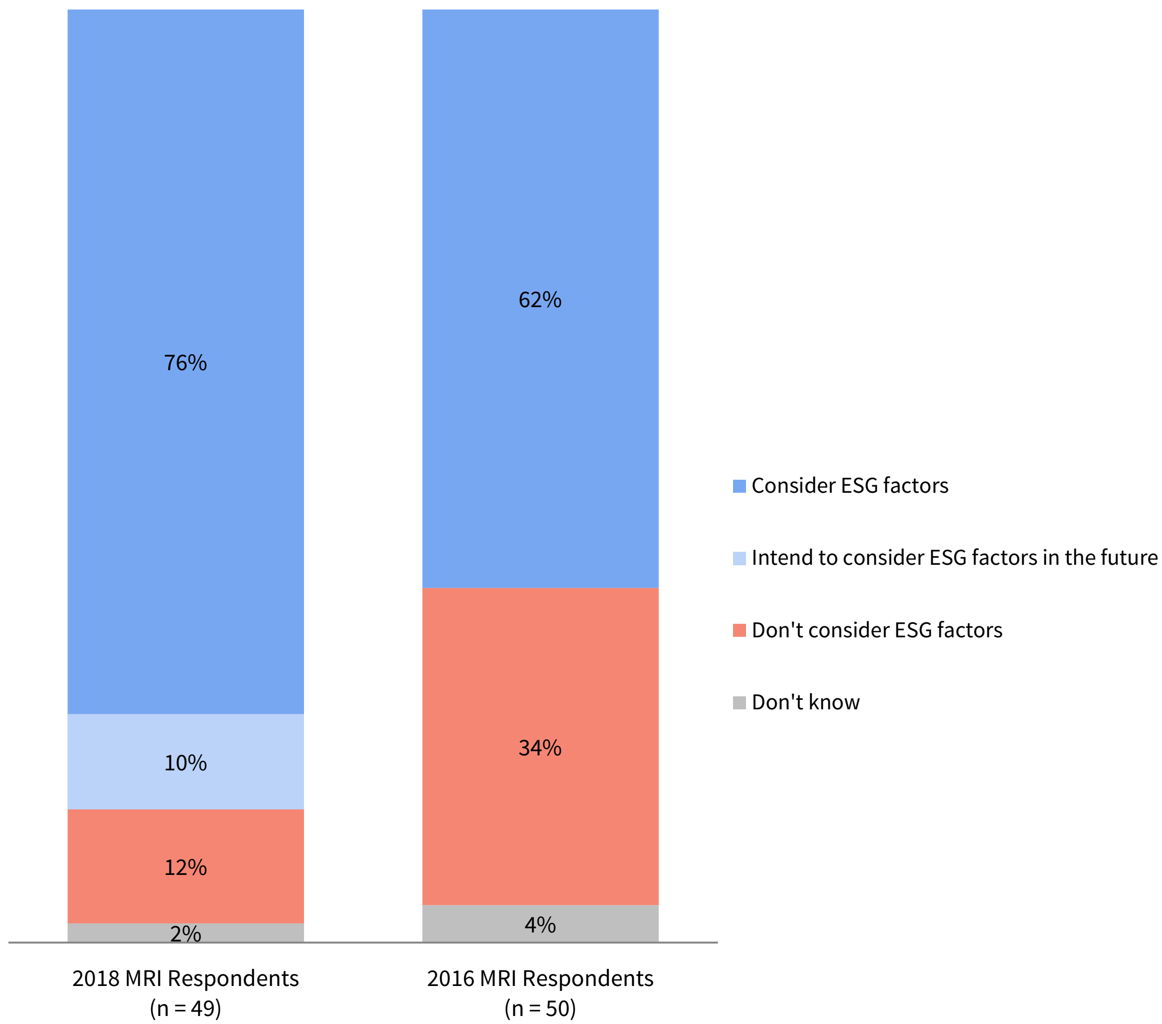


Sources: Cambridge Associates Mission Related Investing Survey 2016 and 2018.
Notes: Respondents had the option to select multiple answers. For more information on these strategies, please see the glossary.

Consideration of ESG factors is common across institution types and interest continues to grow

- 76% of MRI-engaged respondents reported considering ESG factors during their investment process; a further 10% intend to consider ESG factors in the future.
- Those currently considering ESG or intending to consider ESG in the future increased by nearly 25% over 2016 results.
- Nearly 80% of these institutions highlighted public equity as the asset class in which they have invested the most capital in ESG strategies.
- Notably, public equity was also reported as an asset class that respondents would like to invest more in, but find the opportunity set more limited. Hedge funds were cited as having the most limited opportunity set, with no respondents integrating ESG in the asset class.

CONSIDERATION OF ESG FACTORS IN INVESTMENT DECISIONS

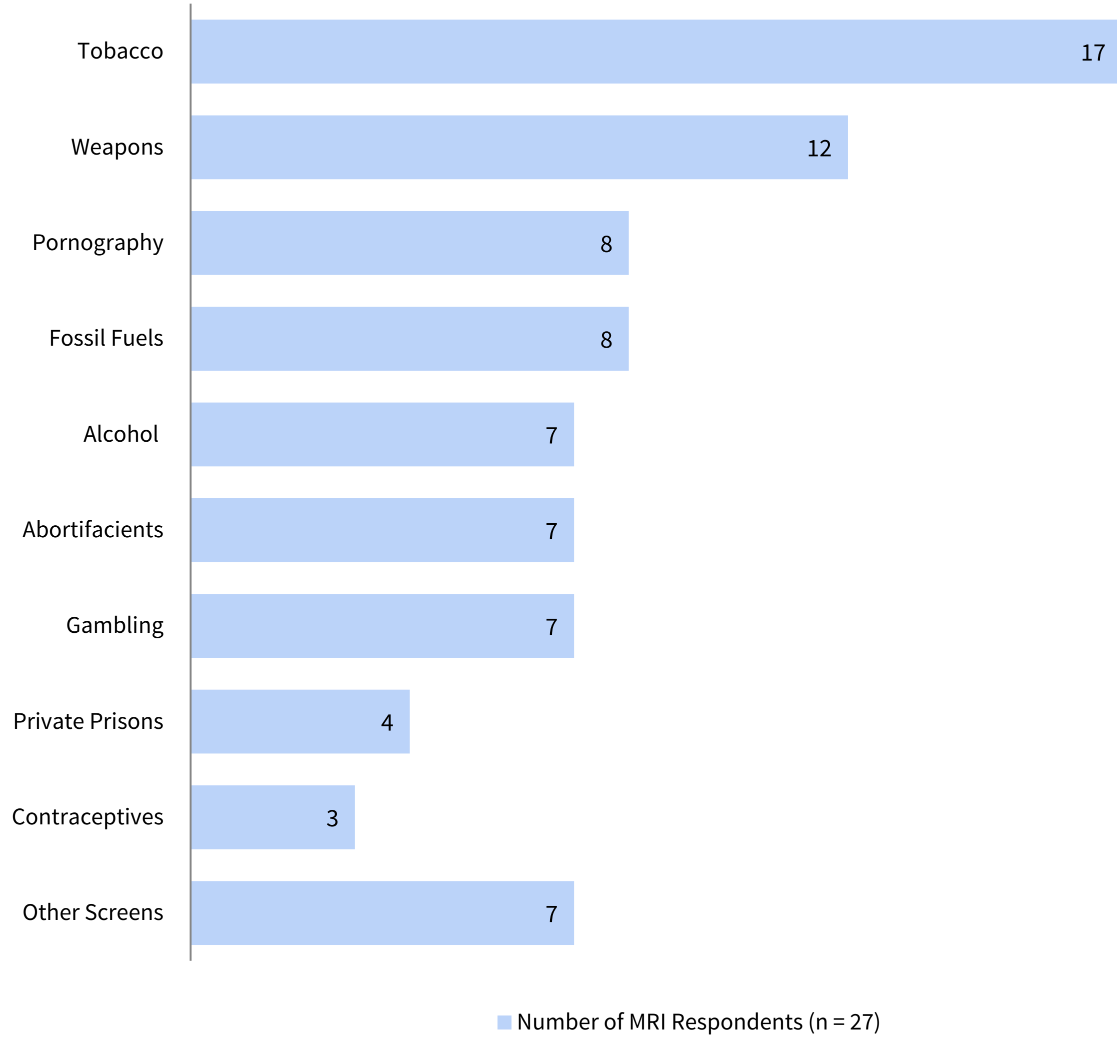


Sources: Cambridge Associates Mission Related Investing Survey 2016 and 2018.
Notes: "Intend to consider ESG factors in the future" was not an option in the 2016 survey. For more information on ESG investing, please see the glossary.

Nearly 60% of respondents engaged in mission-related investing reported applying negative screens to some or all of their portfolios. The specific exclusions vary by institution type

- Tobacco and weapons were the most commonly employed negative screens in both 2016 and 2018.
  - Little change occurred in screen preferences, indicating that they are generally influenced by the core values of an institution.
- Some screens were common among some client types, such as abortifacients and contraceptives for religious institutions.
- Negative screens are commonly used in public equity allocations.

NEGATIVE SCREENS TAKEN INTO ACCOUNT DURING THE INVESTMENT PROCESS

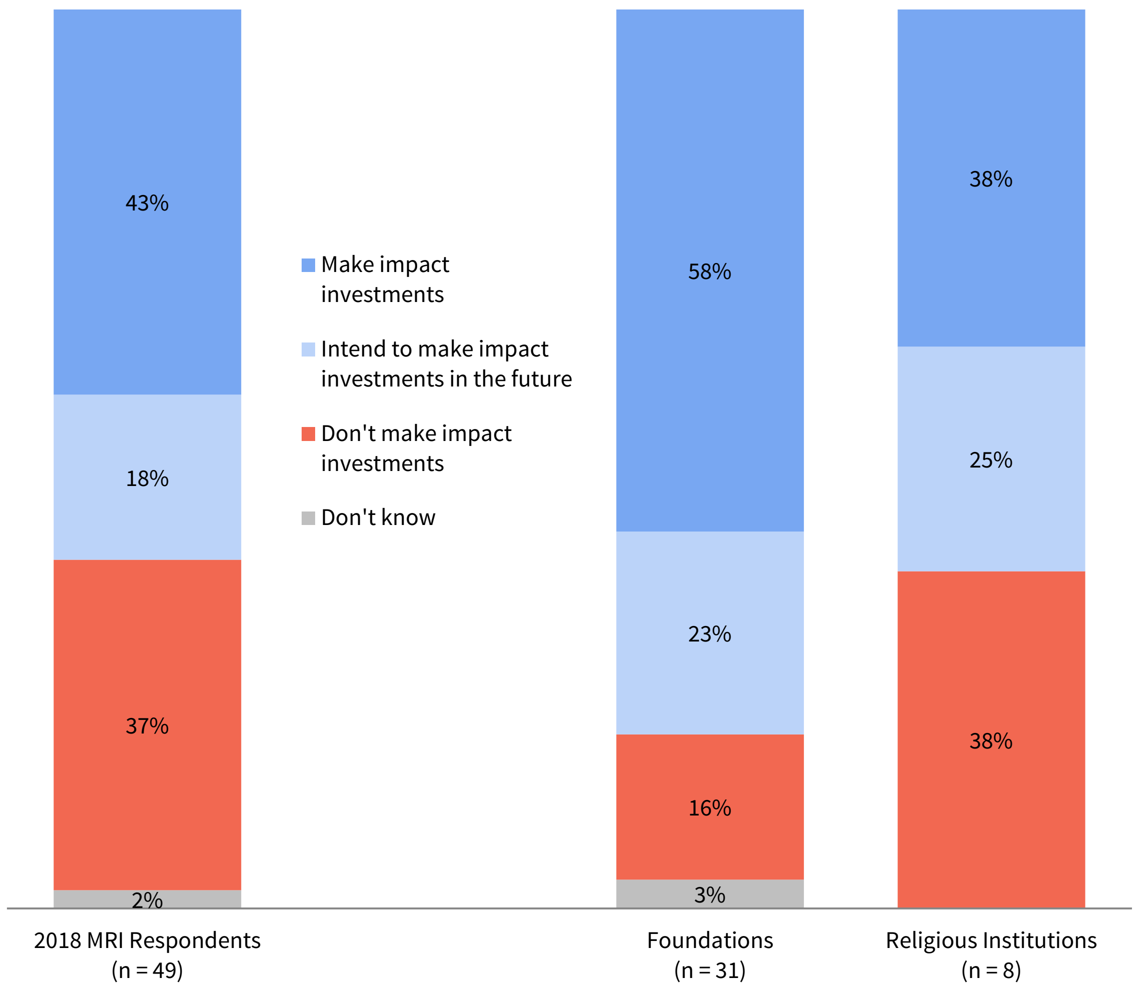


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Respondents had the option to select multiple answers. "Other Screens" includes: nuclear; Sudan; health care, biotech & pharmaceuticals; food commodities; opioids; and asbestos. For more information on negative screening, please see the glossary.

43% of MRI respondents make impact investments, most of which are foundations. This result is consistent with our 2016 survey

- Foundations compose approximately 85% of respondents making impact investments; nearly 60% of which make impact investments. An additional 23% intend to make them in the future.
- Religious institutions (15% of MRI respondents) are less active in impact investing, but still have meaningful exposure.
- Respondents noted having the most impact investing capital in fixed income, PE/VC, and real assets. These asset classes offer investors a more direct ownership stake, which is important to many impact investors.
- Hedge funds were listed as the asset class with the fewest opportunities for making impact investments.

INSTITUTIONS MAKING IMPACT INVESTMENTS

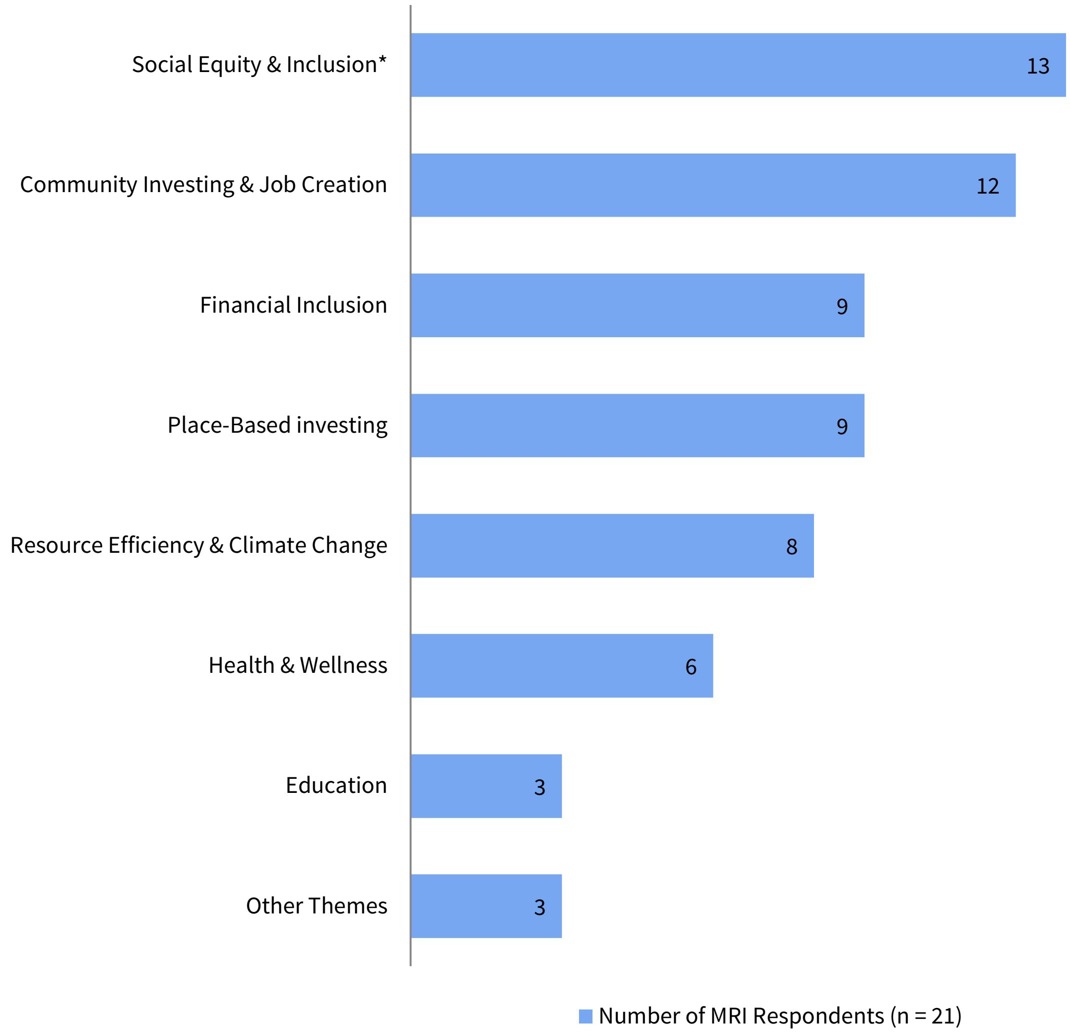


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Foundations includes other non-profit institutions. Religious institutions also includes one religiously affiliated hospital. For more information on impact investing, please see the glossary.

Impact investments are made most frequently to target socially oriented themes, according to survey respondents

- In 2018, the most commonly reported impact theme among MRI-engaged institutions was social equity and inclusion, followed closely by community investing and job creation.
- Nearly 75% of MRI-engaged institutions responded that their impact investments address more than one theme.
  - Some respondents have purely social or environmental focuses, while others have overlapping areas of interest.
- Among respondents that do not currently make mission-related investments, but intend to in the future, the most commonly reported themes of interest were social equity and resource efficiency. Education and health and wellness were close behind.

IMPACT INVESTMENTS: THEMES WITH THE MOST INVESTED CAPITAL

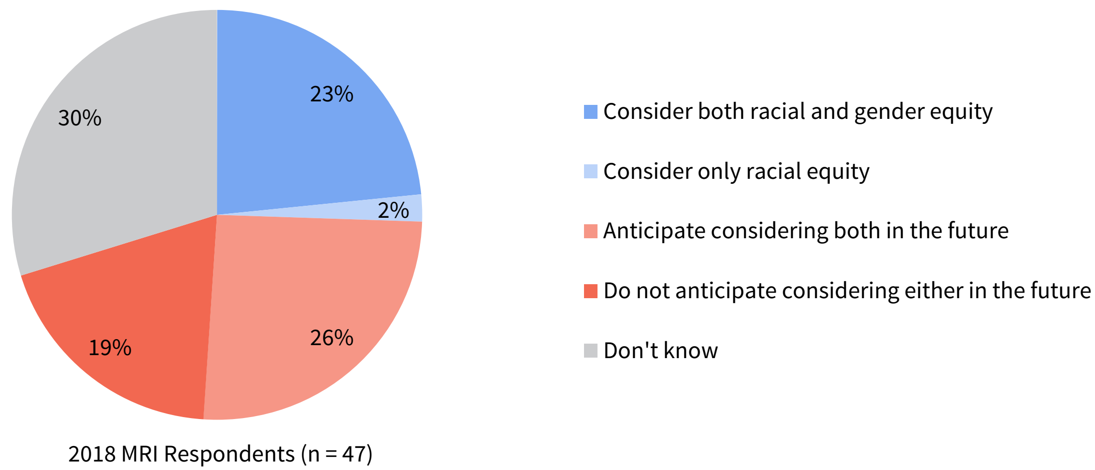


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Respondents had the option to select multiple answers. "Other themes" includes: organizational strategy; agriculture, water quality and housing; and historic preservation.
* Including, but not limited to, racial and/or gender equity.

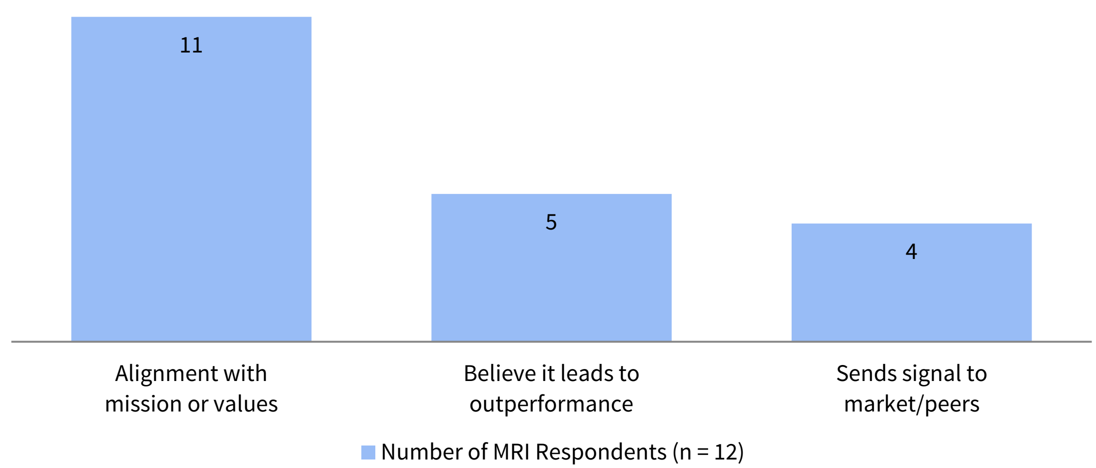
25% of respondents engaged in mission-related investing consider racial and/or gender equity in investment decisions

- The primary reason for making social equity investments is alignment with mission or values.
- Most respondents are interested in a range of themes, including increasing access to capital for female entrepreneurs and entrepreneurs of color, workplace equity, and products and services that benefit female populations and populations of color.
- In addition to making these social equity investments, a majority of institutions participate in field building events, such as conferences and seminars, and some actively engage with their investment managers around these topics.
- PE/VC and public equity are the two most commonly reported asset classes for implementing these strategies.

CONSIDERATION OF RACIAL AND GENDER EQUITY IN INVESTMENT DECISIONS



MOTIVATIONS FOR CONSIDERING RACIAL AND GENDER EQUITY IN INVESTMENT DECISIONS

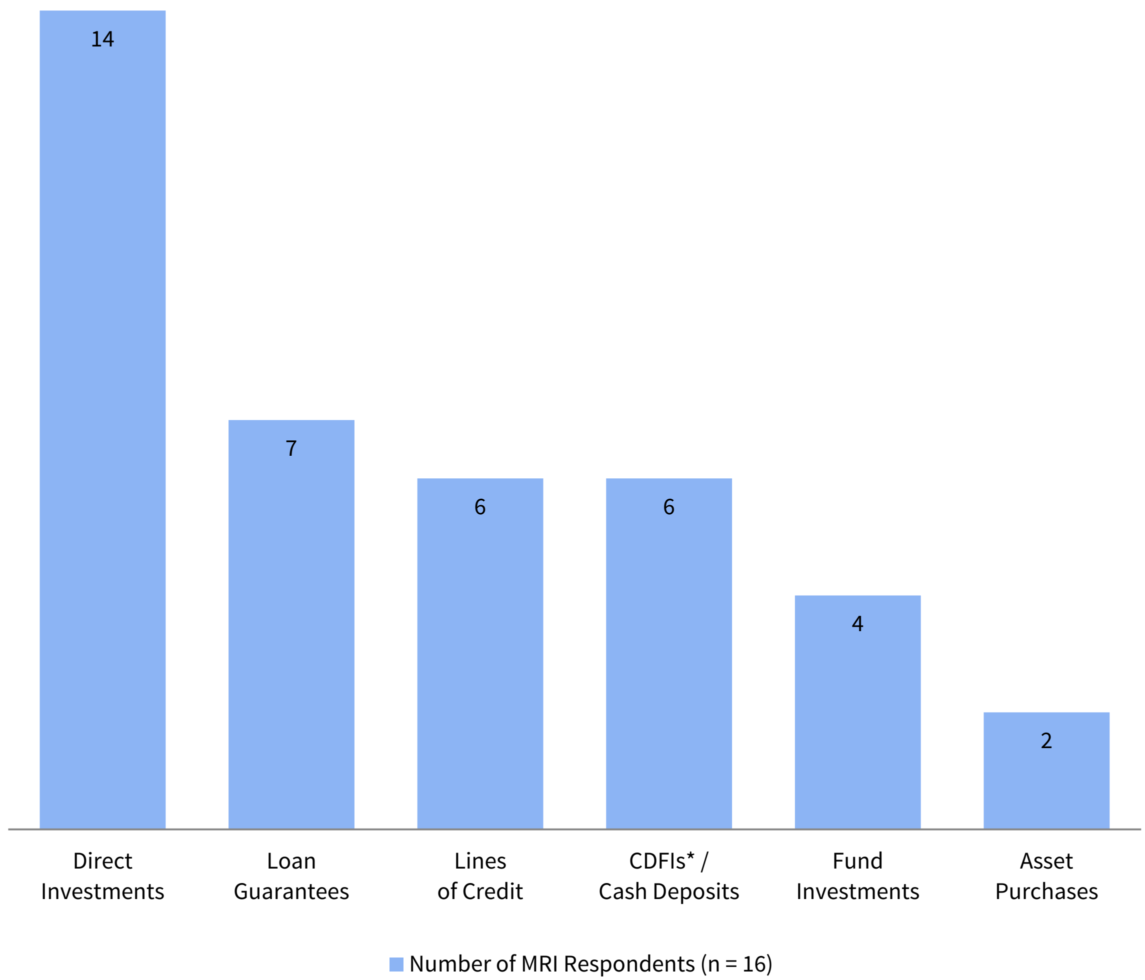


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: In the bottom chart, respondents had the option to select multiple answers. For more information on social equity, please see the glossary.

Program-related investments (PRIs) are another implementation strategy that can take a variety of forms

- Though PRIs were not a common form of implementation across all MRI-engaged institutions, most foundations reported making PRIs.
- Approximately 60% of institutions making PRIs reported using more than one form of implementation.
- Nearly 90% reported that they measure the financial performance of PRIs separately from the long-term investment pool.
- All institutions reported that their program staff and/or finance or investment staff are responsible for the institution's PRI strategy. None reported using an external advisor.

STRUCTURES USED TO MAKE PROGRAM-RELATED INVESTMENTS

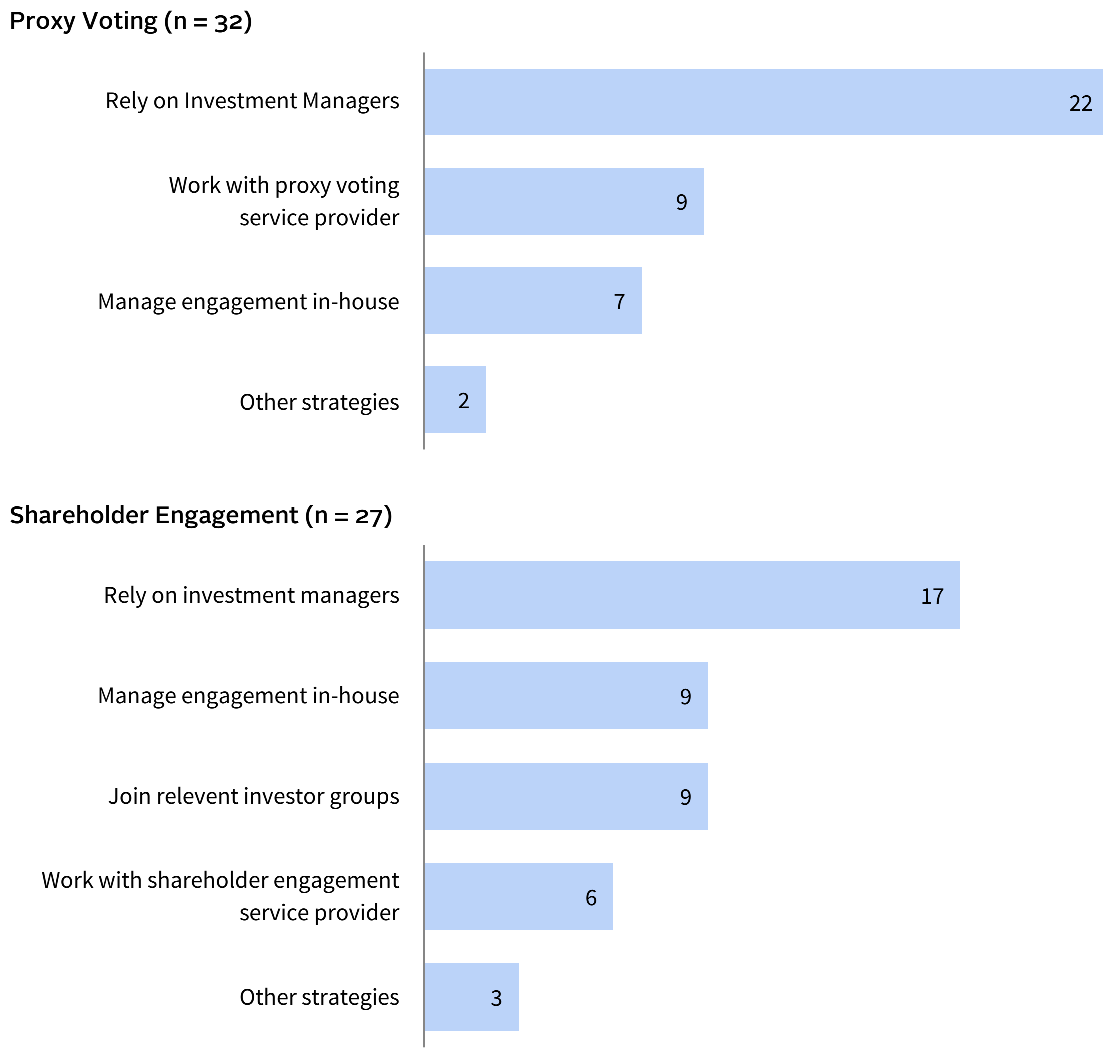


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Respondents had the option to select multiple answers. For more information on program-related investing please see the glossary.
* Community Development Financial Institutions.

The majority of MRI respondents participate in at least one form of active ownership through shareholder engagement or proxy voting

- Relying on investment managers is the most common method of implementation for both shareholder engagement and proxy voting.
  - For proxy voting, the second most common method was working with an external service provider.
  - Methods of implementation are more evenly distributed for shareholder engagement—after relying on investment managers, managing engagement in-house and joining relevant investor groups are the most common responses.
- Most of the institutions managing active ownership in-house had more than $1 billion in assets under management.

HOW INSTITUTIONS ENGAGE IN ACTIVE OWNERSHIP STRATEGIES



Source: Cambridge Associates Mission-Related Investing Survey 2018.
Note: Respondents had the option to select multiple answers. For more information on active ownership, proxy voting, or shareholder engagement, please see the glossary.

GOVERNANCE AND MEASUREMENT

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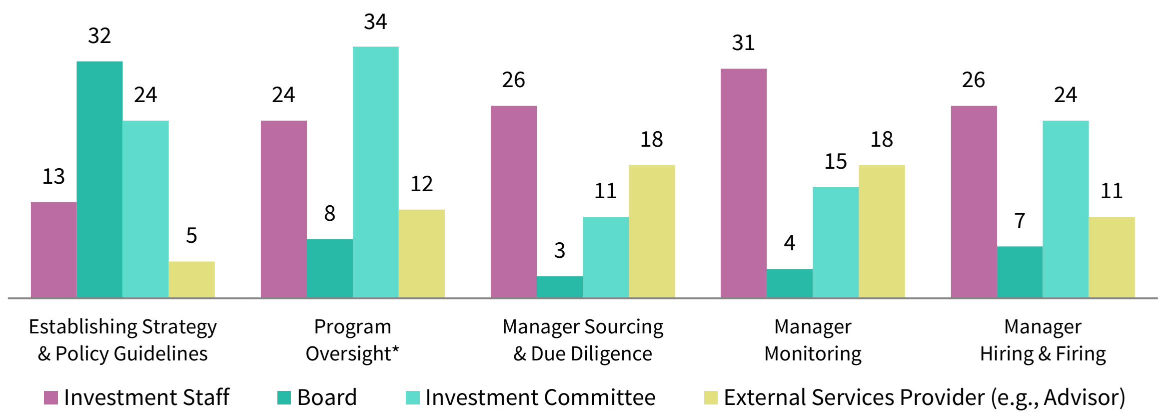
There is no one-size-fits-all approach for development and oversight of MRI programs

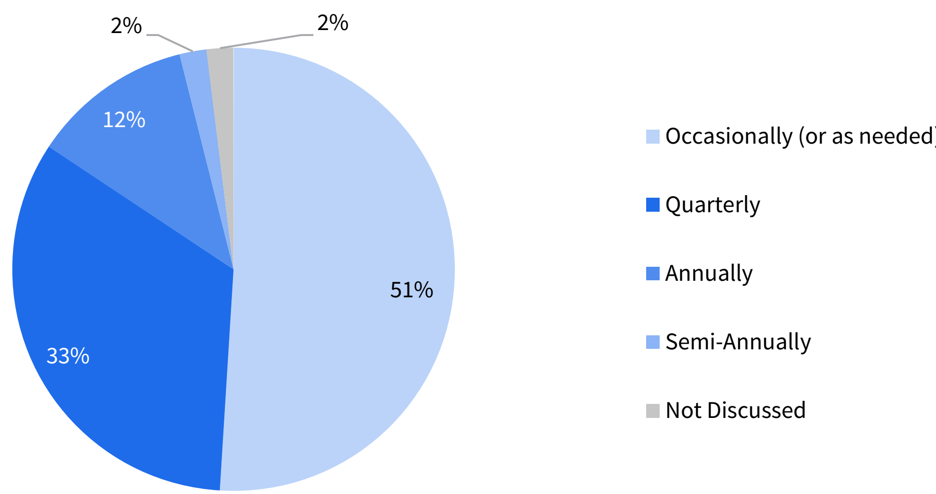
- Most MRI-engaged institutions only involve the board to help establish strategy and develop policy guidelines. The investment committee and staff tend to be active across all MRI activities.
- Approximately 75% of institutions have no dedicated MRI staff. Most of the institutions with more than one dedicated staff member have over $1 billion in assets. However, this is consistent with many investment functions and is not specific to mission-related investing.
- For most respondents, MRI strategies are not a regular agenda item at board or investment committee meetings.
- Foundations were most likely to address MRI strategy regularly, accounting for 76% of respondents that discussed it quarterly.

RESPONSIBILITY FOR DEVELOPING AND EXECUTING MRI POLICIES

Number of MRI Respondents (n = 50)



FREQUENCY OF MRI STRATEGY DISCUSSIONS AT BOARD OR INVESTMENT COMMITTEE MEETINGS



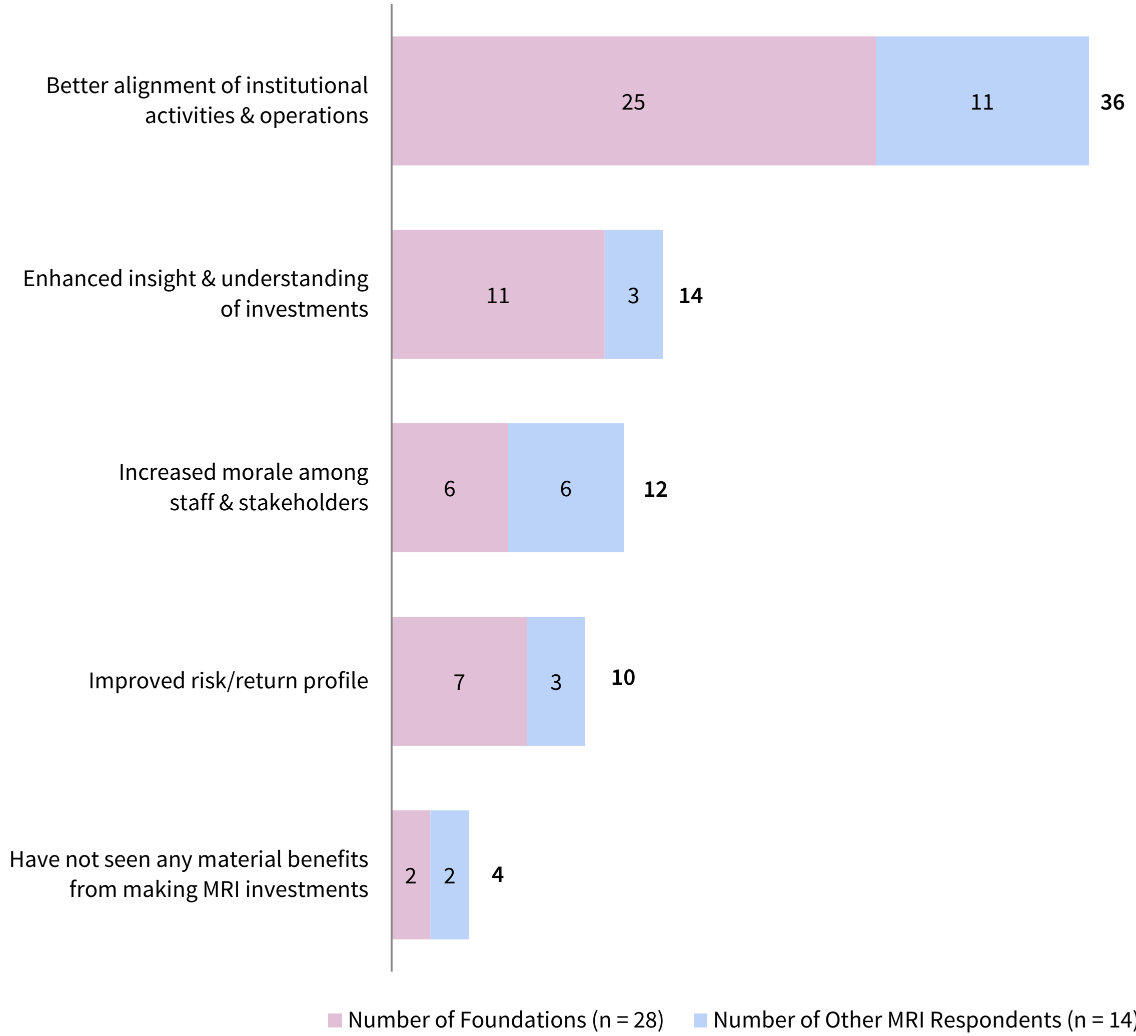
2018 MRI Respondents (n = 51)

Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Respondents had the option to select multiple answers for who has responsibility to develop and execute the MRI program. The following categories received a limited number of responses and are not shown in the chart: Non-Investment Staff (e.g., Program Staff), Dedicated Subcommittee, and Other.
* Program Oversight includes policy interpretation and program evaluation.

The most significant benefit of implementing MRI strategies is better alignment of institutional activities and operations—which is consistent with the most common reported reason for making mission-related investments

- Foundations reported MRI strategies benefited the institution most through alignment with the core mission and grant making activities; however, other institution types reported seeing material benefits across a broader range of themes.
- A small, but not insignificant, number of respondents noted that implementing MRI strategies improved their risk/return profile.

BENEFITS IN IMPLEMENTING MRI STRATEGIES

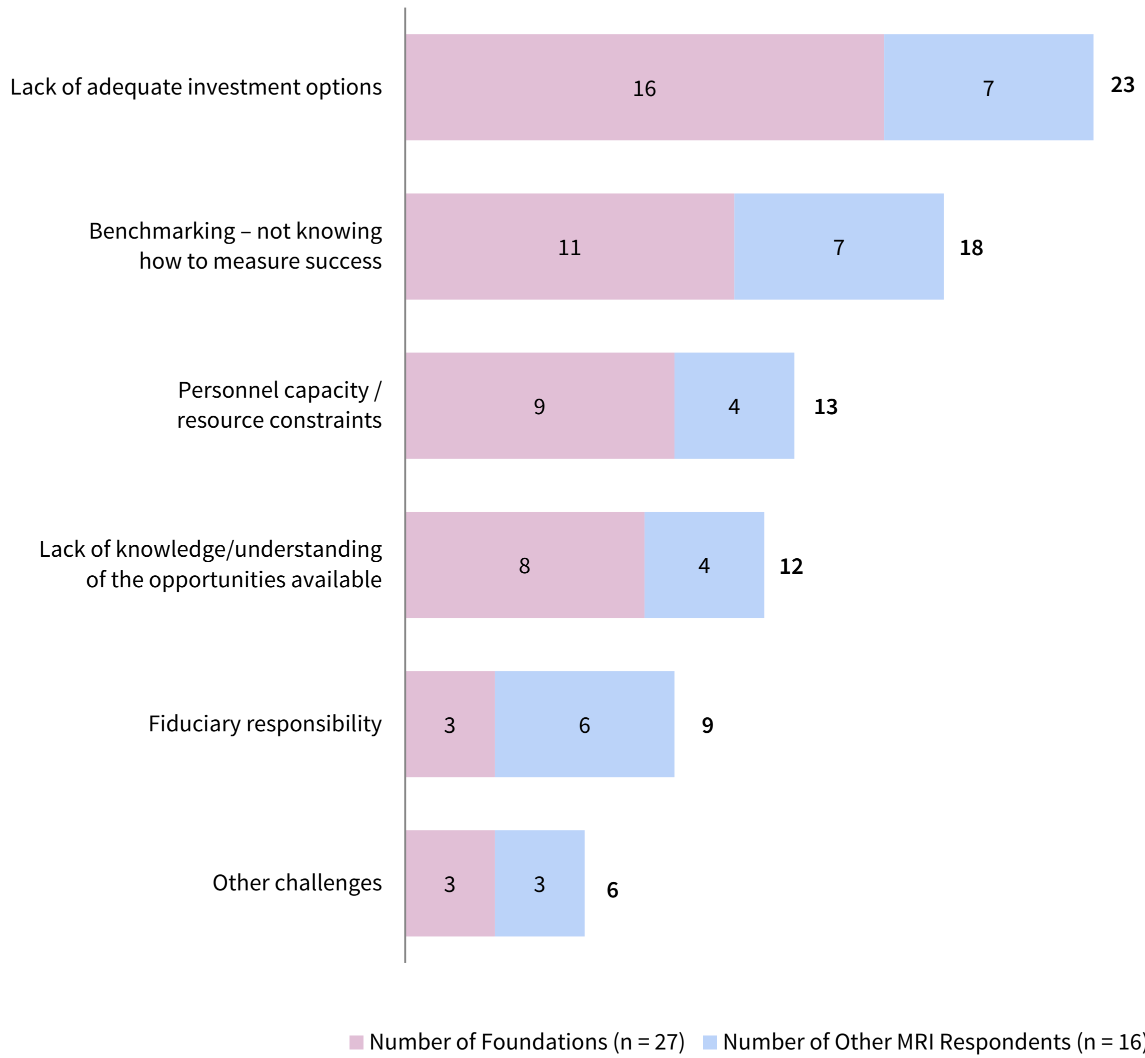


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Foundations includes other non-profit institutions; "Other MRI respondents" includes colleges & universities, religious institutions, cultural institutions, and hospitals. Respondents had the option to select multiple answers.

When considering challenges to implementing MRI programs, MRI respondents cited a limited investment universe as a primary concern

- The number of respondents citing the limited investment universe as a challenge declined in 2018 relative to our 2016 survey, which may reflect the growth in investable strategies in recent years.
- Benchmarking was also cited as a key concern, reflecting the uniqueness of MRI strategies.
- Although personnel capacity is still a common challenge among respondents, concerns fell in 2018 relative to the 2016 results.

CHALLENGES IN IMPLEMENTING MRI STRATEGIES

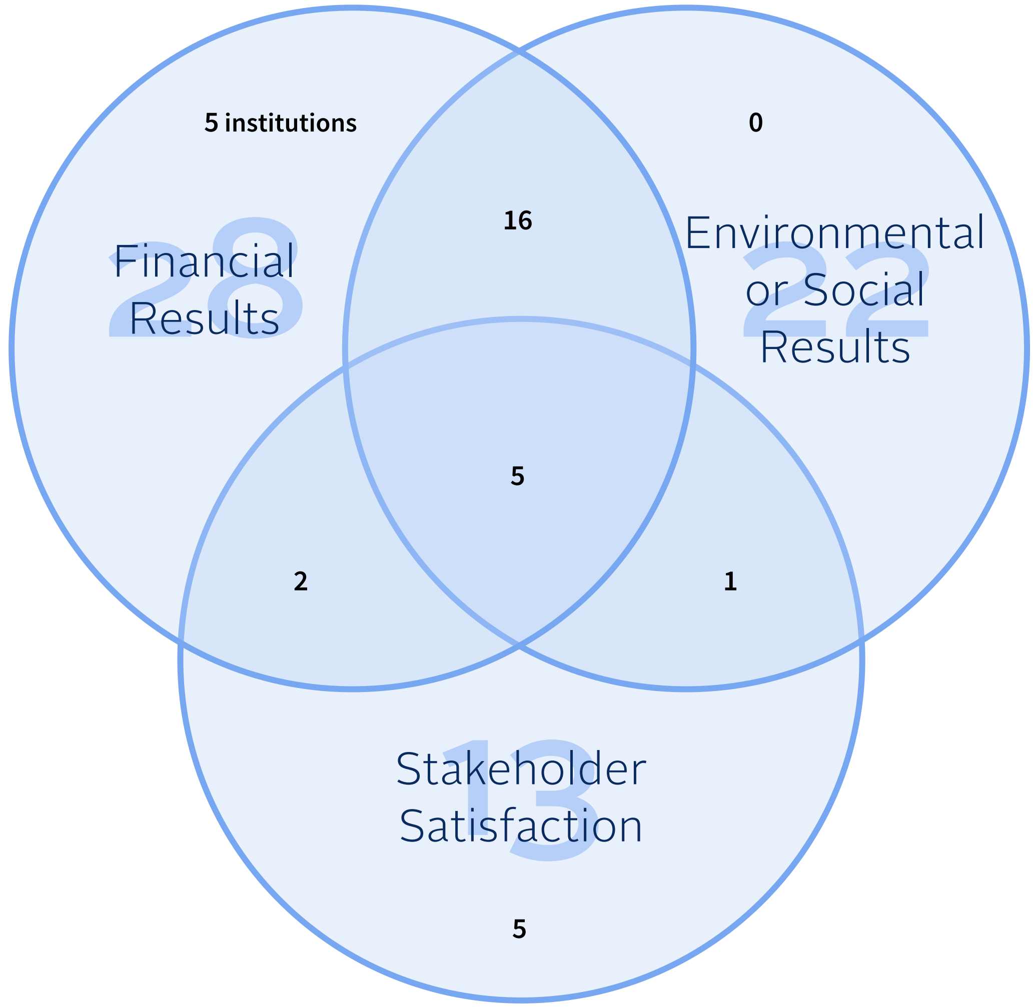


Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Foundations includes other non-profit institutions; "Other MRI respondents" includes colleges & universities, religious institutions, cultural institutions, and hospitals. Respondents had the option to select multiple answers. "Other challenges" includes portfolio transparency, lack of clarity around the meaning and definition of socially responsible investing, and higher fees.

When evaluating outcomes, investors consider financial performance as the most important measure of an MRI program's success

- This finding indicates very few investors engaging in mission-related investing are willing to sacrifice returns for mission alignment. This is consistent with our 2016 survey results and with our experience working with clients.
- Approximately half of the respondents using financial performance as a measure of success are also considering social and environmental results.
- Foundations—more so than any other institution type—are considering social and environmental results alongside financial performance.

METRICS USED TO EVALUATE THE SUCCESS OF MRI PROGRAMS
Number of Institutions (n = 46)



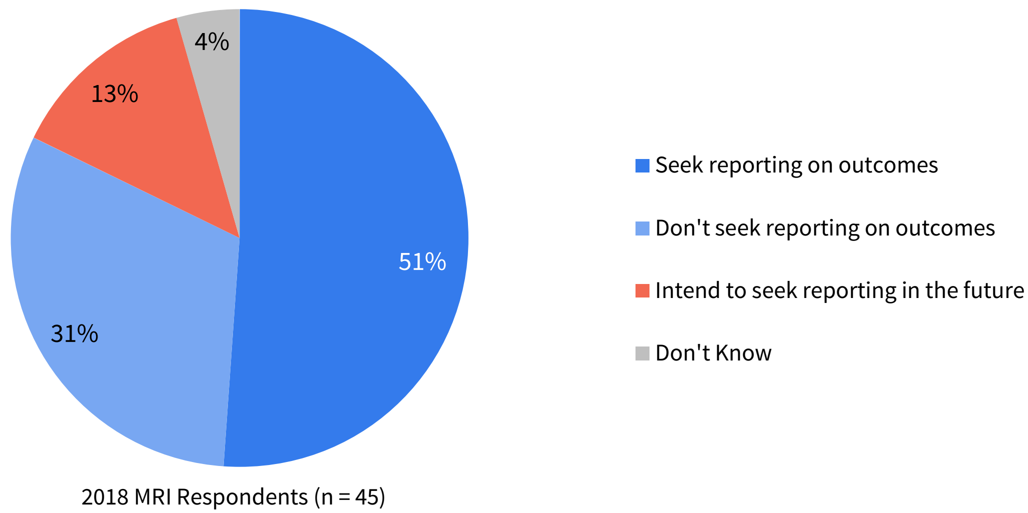
Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: Respondents had the option to select multiple answers, including "Other." Two respondents chose only "Other" (success of startup businesses, screen compliance and percentage of managers integrating ESG, and methods still being developed); those responses are not depicted. Ten institutions indicated that the success of the MRI program is not measured.

Many MRI respondents actively seek reporting on social and/or environmental outcomes to help assess investment impact

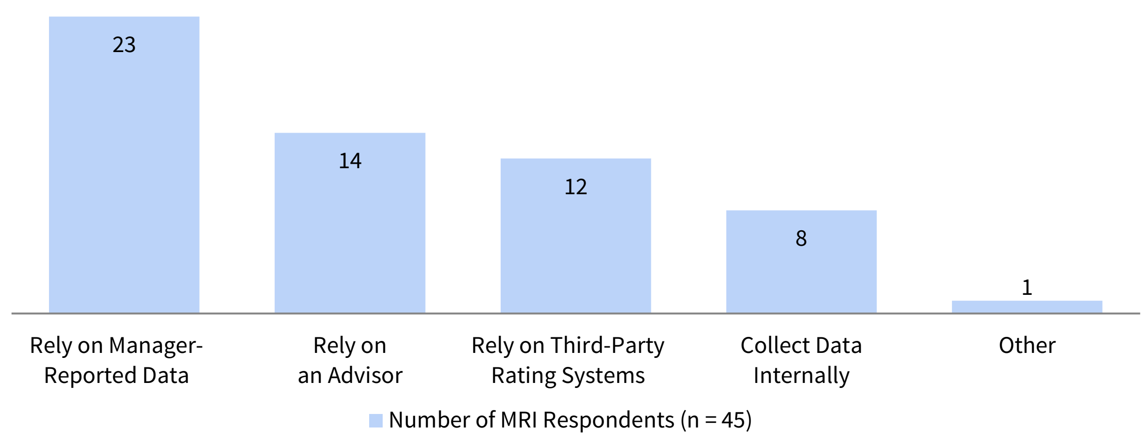
- Over 80% of institutions believe it is important that investment managers report on their social and/or environmental outcomes.
- The majority of institutions rely on manager reported data, advisors, or third party rating systems.
- Less than 5% of respondents seek to align their impact outcomes with the United Nations Sustainable Development Goals.*
- There has been increasing interest around impact reporting in recent years. However, the lack of data standardization and differing client requirements currently makes quantifying impact and comparing investment strategies difficult for most respondents engaging in mission-related investing.

* For more information on the United Nations Sustainable Development Goals , please see the glossary.

INSTITUTIONS THAT ACTIVELY SEEK REPORTING ON THE SOCIAL AND/OR ENVIRONMENTAL OUTCOMES OF MISSION-RELATED INVESTMENTS



METHODS INSTITUTIONS USE TO COLLECT SOCIAL AND/OR ENVIRONMENTAL IMPACT DATA



Source: Cambridge Associates Mission-Related Investing Survey 2018.
Notes: For the bottom chart, respondents had the option to select multiple answers. Seven institutions indicated that collecting impact data was not applicable to their institution.

APPENDIX

- NOTES ON THE DATA
- GLOSSARY

CAMBRIDGE ASSOCIATES

Notes on the Data

- In March 2018, Cambridge Associates invited clients to participate in a study of MRI practices; 148 clients participated. Of those respondents, 110 reported that they are familiar with mission-related investing, 33 reported that they are not familiar, and 5 reported that they are unsure. Furthermore, 54 reported that they are engaged in mission-related investing, and 94 reported that they are not engaged.
- The 148 clients that responded "yes" or "no" to engagement in mission-related investing are composed of colleges & universities (43), foundations (47), cultural & research institutions (8), independent schools (11), pensions (4), hospitals (8), religious institutions (8), and other non-profit institutions (19). Throughout the report, other non-profit institutions (not shown) are grouped with foundations, and one religiously affiliated hospital (of the eight total hospitals) is grouped with religious institutions.
- The 54 clients that reported engaging in mission-related investing (referred to as “MRI respondents” in this report) are composed of:
  - 33 foundations (including seven “other non-profit” institutions);
  - 9 colleges & universities;
  - 9 religious institutions (including one religiously affiliated hospital);
  - 2 hospitals; and
  - 1 cultural & research institution.
- Not all participants answered all questions in the survey. Therefore, some data may represent responses from a smaller pool of institutions than the total universe. The notation of *n* represents the number of institutions included in each analysis.
- Percentages may not sum to 100% due to rounding.
- The median assets under management for survey respondents is $512.5 million, with the largest having $50 billion.
- Respondents are located globally, with the majority (85%) in the United States; other domiciles of respondents include Australia, Denmark, Italy, New Zealand, Switzerland, and the United Kingdom.

Glossary of Terms

Mission-Related Investing Overview

MISSION-RELATED INVESTING (MRI): The practice of using investments to directly achieve, or be aligned with, an institution's mission or programmatic goals. Cambridge Associates uses the term mission-related investing to encompass a range of strategies and approaches—including, but not limited to: negative screening; environmental, social, and/or governance (ESG) investing; impact investing; and program-related investing (PRI)—as detailed below.

NEGATIVE SCREENING

The practice of excluding a security or securities from a portfolio based on certain ESG criteria (i.e., tobacco, firearms, and coal). Negative screening is typically employed to avoid objectionable exposures to better align a portfolio with the investor's mission or values.

ESG INVESTING

The incorporation of ESG criteria into investment analysis, decision-making, and portfolio construction (i.e., carbon emissions, labor rights, and board composition). Consideration of ESG factors may be used as a tool for both risk mitigation and the identification of investment opportunities.

IMPACT INVESTING

The practice of investing capital with the objective of achieving positive social and/or environmental impact alongside a financial return. Impact investing opportunities are available in many asset classes, but are typically made with the intent to create specific, measurable social or environmental outcomes.

PROGRAM-RELATED INVESTING

Investments made by foundations to support charitable activities that involve the potential return of capital within an established time frame. PRIs are counted as part of the annual distribution (at least 5% of its endowment) a US private foundation is required to make to maintain non-profit status as mandated by the IRS.

Additional Terms

ACTIVE OWNERSHIP: Using the position as a shareholder to influence corporate culture and to shape corporate policies and decisions. Specific active ownership strategies include: proxy voting, filing shareholder resolutions, and engagement with corporate management.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs): Private financial institutions that are dedicated to delivering responsible, affordable lending to low-income, low-wealth, and other disadvantaged people and communities.

COMMUNITY INVESTING: The practice of directing capital to communities that are underserved by traditional financial services institutions. Community investing involves providing access to credit, equity, capital, and basic banking products that these communities otherwise lack.

FINANCIAL INCLUSION: The delivery of financial services at affordable costs to unbanked and under-banked populations. This includes microfinance strategies.

GENDER EQUITY: See Social Equity on next page.

IMPACT MEASUREMENT: Gathering, analyzing, monitoring, and managing social and/or environmental metrics for underlying investments, and reporting and acting on outcomes.

Glossary of Terms (continued)

LOAN GUARANTEES: The practice of an investor pledging collateral assets to provide a guarantee to a financial intermediary, which in turn makes a loan to a third-party organization.

PLACE-BASED INVESTING: Targeting a specific place (neighborhood, community, city, state, etc.) through an array of potential investments across asset classes.

PROXY VOTING: An avenue by which investors have the potential to influence a company's operations, corporate governance, social responsibility practices, etc., by voting its proxy statement in a manner that is consistent with the investor's mission objectives.

RACIAL EQUITY: See Social Equity.

SHAREHOLDER ENGAGEMENT: A form of active ownership in which investors exercise their rights as shareholders by engaging with corporate management and/or proposing or co-filing shareholder resolutions around issues that matter to them. For example, investors might encourage corporations to disclose environmental reporting, reduce executive compensation, or increase diversity at the board level.

SOCIAL EQUITY: Ensuring fair treatment and equality of opportunity and access for all in areas such as civil rights, freedom of speech, education, financial systems, healthy/safe communities, etc., regardless of background. Background encompasses, but is not limited to race, ethnicity, gender, sexual orientation, and/or socioeconomic status.

WORKPLACE EQUITY: Ensuring fair treatment and equality of opportunity in the workplace, regardless of background. Background encompasses, but is not limited to race, ethnicity, gender, sexual orientation, and/or socioeconomic status. Examples of workplace equity initiatives include equal pay, equal advancement opportunities, and equal benefits.

UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT (UN PRI): An international network of investors working together to understand the investment implications of ESG issues and to support signatories in integrating these issues into investment and ownership decisions, guided by the following six principles:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the principles.
6. We will each report on our activities and progress toward implementing the principles.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS: 17 goals addressing major world issues to be achieved by 2030, as agreed upon by 193 United Nations member states in 2015. The SDGs are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity.

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