
The Annie E. Casey Foundation

**The Soundness of Community Investing:
AECF Social Investments Program**





Forward Community Investments
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*St. Joseph's Center
Oakland, CA*

- Affordable housing
 - 59 senior
 - 89 family units
- 15,000 sq ft commercial space
 - targeted to nonprofits and resident services


**Affordable Housing PRI
Northern California Community Loan Fund**



- \$10M Lower San Antonio Community Development Loan Fund
 - \$8M loans, \$2.25M grants
 - Predevelopment and acquisition grants and loans for affordable housing projects in LSA
- \$2M Casey loan
 - 7 years @ 2.5% annual interest
 - \$250,000 aggregate grants from MC and SI
- 7 year goal of 200 units of affordable housing
 - To date financed 275 units and 19,000 sq. ft. commercial space

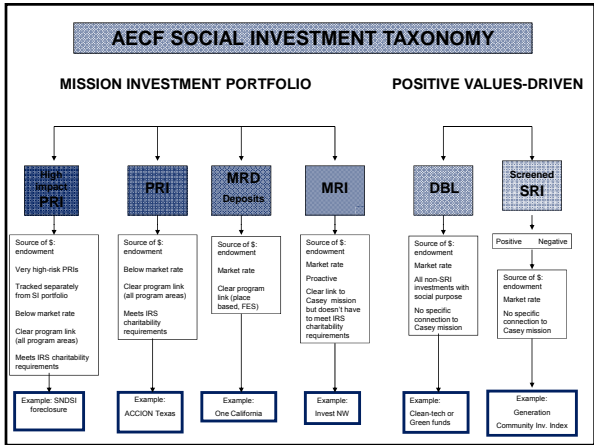
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AECF Approach and Philosophy



- Social investments complement grantmaking and provide an additional philanthropic tools
 - Seek double bottom line—financial and social return
 - Seek to fill a financing gap
- \$100 million allocation of endowment
 - Different risk profile from other foundations
 - Place based and thematic investments
- Flexible terms but always invest through financial intermediaries
- Leverage/co-investment requirement
 - Influence other investors and share risk
- Systems in place to track financial and social returns (SI dashboard)


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Latino Community Credit Union



- \$100,000 deposit in Latino Community Credit Union
 - Founded in 2000 to serve Latino and immigrant communities
 - \$79 million in assets, fastest growing credit union in the country
 - 97% of members are minorities, 97% of members are low-income
- Financial Education
 - Financial education is a key component of LCCU's services to the unbanked
 - 9,700 participants, and 270 graduates of a six-part education program
 - Creation of a customized financial education curriculum for immigrants
- Supports relationship between CFES and innovative financial institution



SI Portfolio




	# of Investments	\$ of Investments
PRI*	20	\$54.5 M
MRI* (market rate)	1	\$ 1.5 M
MRD (market rate)	22	\$ 6.2 M
TOTAL	43	\$62.1 M
Guarantees	4	\$43.8 M

*CDFIs or CDFI sponsored entities=11, other intermediaries=4

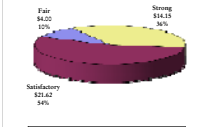
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Portfolio Risk Rating



- Semi-annual risk rating of SI portfolio (excluding deposits and guarantees)
 - rated on a scale from 1 to 5 based on four risk factors: financial, programmatic, organizational, and external
 - Rating as of 12/31/08 of 2.9 (3.0 in 2007 and 2008)


PRI & MRI Risk Analysis
Actual Based on Commitments (Millions)



Total Commitment Rated: \$39,770,000

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AECF SI Results to Date



	Total Projected	Actual to date (12/31/08)
Charter school slots	6,300	2,065
Child care slots	175	329
Commercial space developed (sq ft)	2,174,082	472,982
Jobs created	3,909	2,914
Housing units developed	11,470	1,712
Affordable housing units developed	6,596	2,505
Small businesses financed	301	79

SI Results to Date



- Financial results
 - Expected financial return of 3.3% for entire portfolio
 - At FYE 2008 best performing portfolio in endowment
 - Low volatility
- Leverage/co-investment
 - \$324 million in direct co-investment
 - \$114 million leverage from guarantees
 - Project financing generates significant additional indirect public and private leverage
- Influence
 - PRI Makers Network
 - More for Mission Campaign
 - Individual investments and program/topic areas

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ACCION Texas

- AECF focus on improving family economic success on San Antonio's West Side
 - Interest in creating/sustaining micro and small businesses
- ACCION Texas, an established loan fund that makes micro and small business loans
 - \$500,000 loan at 3% for 5 years
 - Targeted to AECF neighborhoods of interest
 - Grant support for staffing/operations
 - Financial and programmatic requirements (job creation)
 - Follow-on investment at year 3 for additional \$500,000



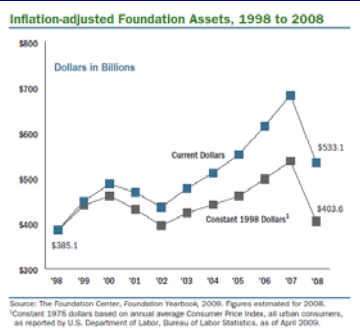
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Why Mission Investments/Community Investments Now?

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Endowment Returns 1998 -2008



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Why Mission Investments Now?



- Make better choices with fewer resources
- Achieve both financial and mission goals with limited resources
- 2008 financial returns on Mission portfolios outperformed rest of endowment
- Lower volatility compared to traditional capital markets

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Sample of Mission Investment Portfolios

Preliminary results from six foundations reveal:

Asset Class	Range in Annual Returns 19-97-08	Example Industry Benchmark
Cash	.6 to 4.5 % respondents: 6	Citigroup 3-Month U.S. Treasury Bill Index 1.3 %
Fixed Income	3.1 to 22 % respondents: 3	Barclays' Capital Aggregate Bond Index 5.41 %
Public Equities	5 to 17 % respondents: 2	S&P 500 (8.49) %
Venture Capital	5 to 20 % respondents: 3	Thomson Reuters' U.S. Private Equity Performance Index (20.9) %
Equity Real Estate	(9) to (22) % respondents: 1	NCREIF Property Index (6.5) %
Program Related Investments	1.3 to 5 % respondents: 4	Long-term rate of inflation 2.5 %


Source: More for Mission Campaign, Spring 2009 Newsletter

The F.B. Heron Foundation reports a return of 3% on program-related investments (through 10.31.08) and estimates the annual return for 2008 will be 3.6%.


The Vermont Community Foundation, reports that as of 9.30.08 the Vermont Community Foundation's mission investments of \$5.8 million in the state of Vermont returned 2.6% per annum during the last five years (net of management fees).

The Annie E. Casey Foundation reports a return of 3.5% on its Social Investment portfolio (includes deposits, PRIs and MRIs) for YE 2008.


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Bay Area Equity Fund 

- Oakland Making Connections neighborhood-Lower San Antonio
- BAEF: \$75M double bottom line venture capital fund
 - Invests in companies in low-income communities in the Bay Area
 - Focus on job and wealth creation, environmental and social impacts
 - AECF PRI: 10 year \$1.65M equity investment
 - Performing in top quartile of all equity funds
- Portfolio company: Revolution Foods
 - Provides healthy meals and nutrition education to schools
 - 80% of schools have > 75% of students eligible for program
 - 200 employees, 75% are entry level jobs targeted at residents of LMI communities
 - National organic snack food product line




The Soundness of Community Investing





- Established development finance infrastructure and strong network of CDFIs
- Federal government support of CDFI industry
- Mission and expertise of CDFIs and other community investing intermediaries to do the difficult investments
- High proportion of earned income promotes sustainability
- Responsible financial products and patient capital generate consistent performance
- Social impact multiplied by recycling investment \$

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Impact Capital 

- AECF Making Connections work concentrated in White Center, Seattle
 - Created White Center Community Development Assoc.
- Impact Capital, experienced financial intermediary (LISC affiliate)
 - Provides real estate financing products and community building support to nonprofit community based organizations in the Pacific Northwest
- \$2 million loan @ 2% for 7 years
 - 100% targeted to White Center
 - Preference for WCCDA projects
- Grants for the provision of technical assistance to White Center CDA

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