

# Impact Investing at Hamilton Community Foundation

Putting more of our assets to work for good

## Overview

Hamilton Community Foundation’s mission is: To drive positive change by connecting people, ideas and resources. Although investments in traditional public markets have served us well in providing income for granting, we believe our investments can increasingly support our mission. While most of our investments remain in traditional portfolios, we are exploring impact investing as a way to put more of our assets to work for good, by using a measured approach balancing innovation, risk and results.

## HCF’s Traditional Investment

Through donors’ generosity and the stewardship of successive boards, HCF has built a substantial endowment. Carefully invested by two firms, (Jarislowsky, Fraser and Connor, Clark

& Lunn), the endowment has, over time, generated income to make grants and pursue our community goals. Approximately 75 percent of HCF’s assets (some \$93 million) are invested in this portfolio: all funds except for the Young Fund and a portion of the Community Fund as illustrated below.

## HCF’s Impact Investments

We are exploring impact investing with a smaller segment of our assets, moving carefully under expert guidance, using The Young Fund as a pilot with the encouragement of Bill Young Jr., donor-advisor to the fund.

Many terms are used to describe impact investing: Environmental, Social, Governance (ESG), socially responsible, mission-related etc. At HCF, we use the umbrella term “impact investing” to define a portfolio that consists of three parts:

Source	Component	
The Young Fund	<b>1 ESG public market</b> Public market investments using investees’ environmental, social and governance practices as important investment considerations. This portfolio is being used as a pilot to assess and compare performance with HCF’s traditional public market portfolio. It is managed by Guardian Capital.	<b>\$27 million</b>
	<b>2 Direct impact</b> Investments in funds and organizations that are made intentionally to produce both positive social and/or environmental returns while also seeking financial returns.	<b>7 million</b>
Community Fund	<b>3 The Hamilton Community Investment Fund</b> An amount established by HCF’s board to invest in and/or provide loans to charities, not for profits and social enterprises in the Hamilton area. HCF has partnered with the Community Forward Fund, a Canadian non-profit that specializes in financing for nonprofits and charities to support this effort.	<b>5 million</b>
	<b>Total impact investing portfolio</b>	<b>\$39 million</b>

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The impact investment approach has the potential to offer ancillary benefits to the Foundation. The *direct impact* portion can mitigate the impact of stock market volatility – like that seen over the last decade – as it offers investment opportunities beyond the traditional public markets. *The Hamilton Community Investment Fund* portion can help to address the limitation of depending completely on investment returns to support our work in Hamilton. Overall, impact investing also has the potential to create a new value proposition, attracting new donors who want to see their gifts invested differently, and having impact right away.

## Risk and Governance

Oversight of the ESG public market portfolio continues to be provided by HCF's Finance and Investment Committee. Direct impact investments and the Hamilton Community Investment Fund are overseen by HCF's Impact Investing Advisory Committee. Both committees are supported by expert consultants in these investment areas, and both are accountable to the Board of Directors.

These new investment strategies are managed with the rigour of our traditional portfolio. Investments must pass a meticulous due diligence process that evaluates mission and financial returns, coupled with level of risk – recognizing that while risks may be higher than the traditional portfolio, they must still be acceptable when viewed in the context of the entire portfolio and the social/environmental return.

## In Summary

By setting aside a portion of the endowment for impact investing, we believe we can significantly multiply the Foundation's impact on our own and other communities while supporting the growing movement toward more sustainable investing. We remain focused on generating financial returns with an acceptable risk profile and expect that, by pursuing a disciplined impact investing strategy, financial returns on the total impact portfolio will meet the return requirements of our traditional investment portfolio while providing additional social return.



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For Hamilton, For Ever

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