



ENGAGING FAITH-BASED INVESTORS IN IMPACT INVESTING

JANUARY 2020

Acknowledgments

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About the Global Impact Investing Network

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. For more information, visit www.thegiin.org.

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Overview

Faith-based investors represent trillions of global assets under management¹ and have a long history as pioneers in responsible investing through such strategies as shareholder advocacy, divestment, and negative screening. However, despite this leadership, faith-based investors, as a whole, have yet to pursue major impact investing portfolios.

For faith-based investors already deploying other responsible investing strategies, impact investing—investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return—is a natural extension to continue deepening the impact their investment portfolios can achieve.² Given the vast wealth held by faith-based investors, activating their assets toward impact can lead to substantive contributions to global development agendas, such as the UN Sustainable Development Goals (SDGs) and Paris Climate Agreement.

In 2019, motivated by its mission of growing the scale and effectiveness of impact investing, the Global Impact Investing Network (GIIN) undertook a project to deepen engagement with the faith-based investing community. The purpose of the engagement was to understand how to best support more conscious and deeper impact allocations within faith-based investing portfolios. The GIIN team did this through a Faith-Based Investing Survey that included 33 respondents, one-on-one interviews with 32 individuals, and convenings with leaders from the faith-based investing community. This paper outlines key insights from the Faith-Based Investing Survey, interviews, and convenings along with proposed engagement strategies that could be assumed by field-building organizations—like the GIIN and others—to support faith-based investors on their impact investing journey.

KEY INSIGHTS

- 1** While the landscape of faith-based investors is extremely diverse, faith-based investors tend to pursue low-risk, market-rate investments for their portfolios.
- 2** Faith-based investors are often heavily reliant on their investment advisors to guide investment strategies.
- 3** Uptake of impact investing has been limited though faith-based investors have a history of utilizing other responsible investing strategies, such as negative screening and shareholder advocacy.
- 4** While there is variation in values across faiths, commonality does exist, and impact investing presents an opportunity to magnify these shared values through collaboration among faith-based investors and with secular impact investors.
- 5** In order to engage faith-based investors, it is advantageous to already be active in faith communities or to collaborate with other organizations trusted by faith-based investors.

1 While no specific figure has been estimated for total assets held by faith-based investors, there is strong evidence that illustrates vast accumulation of wealth by faith organizations. Shonil Bhagwat and Martin Palmer report that more than 7% of the Earth's land surface is owned by religious institutions (Nature, "Conservation: the world's religions can help," news release, September 2, 2009). The 2018 Global Islamic Finance Report estimated the Islamic finance industry at USD 2.4 trillion at the end of 2017 (Arabian Business, "Islamic finance industry grows 6% to be worth \$2.4trn," news release, June 14, 2018).

2 For more information, Amit Bouri, "[Why Impact Investing is a Natural Fit for Faith-Based Investors](#)," *Financial Times*, August 12, 2019.

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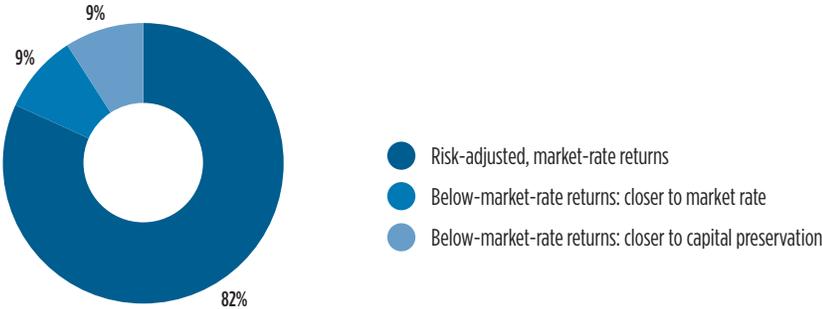
While the landscape of faith-based investors is extremely diverse, faith-based investors tend to pursue low-risk, market-rate investments for their portfolios.

Faith-based investors are reflected in a wide variety of organization types, including foundations, family offices, fund managers, pension funds, universities, local parishes, and national and international organizations.

According to the GIIN’s Faith-Based Investing Survey, 82% of the faith-based investor respondents target risk-adjusted, market rate returns. A main motivation for pursuing such returns is how faith-based investors see the purpose of their investment portfolios—namely, to fund programmatic work or retirement plans.

Figure 1: Target returns

n = 33



Source: GIIN

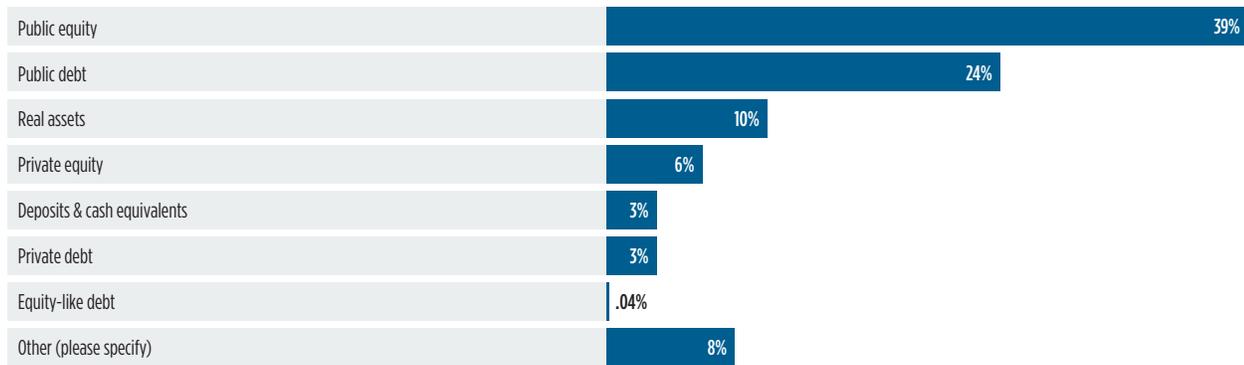
Many faith-based investors are organizations with modest investment portfolios. These organizations, such as smaller, local congregations, may be interested in advancing their faith values through investments but have limited internal capacity to focus on developing and deploying investment strategies. Moreover, they tend to see programmatic activities (e.g., worship services, outreach to marginalized communities, provision of healthcare services) as their primary objective and vehicle for delivering real world change and impact, and their investment portfolio as a vehicle to fund this programmatic work.

Some faith-based investors manage larger pools of capital, typically overseeing endowments or pensions funds. Like their smaller counterparts, faith-based investors with endowments, such as national religious organizations or foundations, also rely on their investments as a source of funding for their programmatic work. Therefore, they are hesitant to invest in unfamiliar strategies, wary pursuing new types of investments may risk the financial performance of their portfolios. Similar to their secular counterparts, faith-based pension funds also pursue market-rate returns. As fiduciaries, these asset managers have clients reliant on them to manage their pensions for retirement and as a result, aim for predictable, steady market-rate returns.

Taking a snapshot from the Faith-Based Investing Survey, respondents, as a whole, show a preference for investing in the public markets. Over 60% of respondents’ total reported AUM is placed through public equity or public debt instruments. During interviews, many faith-based investors cited a need to pursue low-cost and low-risk investment solutions, and that public market products were more attractive in this regard compared with private market investments. However, the Faith-Based Investing Survey also shows that respondents are pursuing asset classes in the private markets, such as real assets, private equity, and private debt. With these instruments, there is often a preference to invest in low-cost and low-risk options as well. Interviewees shared some of the barriers they faced when assessing private market opportunities; at times, high costs associated with due diligence and management fees or limited track record of fund managers prevented them from pursuing certain private market investments.

Figure 2: Asset allocations by instrument

n=29; four respondents did not share AUM data. Respondents may allocate to a single instrument or multiple instruments.



Note: 'Other' includes inclusive finance, hedge funds, absolute return strategies using private debt and equity-like-debt, hard currency guarantees, infrastructure pooled funds, and loan guarantees.

Source: GIIN

2

Faith-based investors are often heavily reliant on their investment advisors and consultants to guide investment strategies.

Several interviewees noted the limited internal capacity to directly manage their investment portfolios. Very few faith-based institutions have established in-house teams with investment experience, largely due to limited resources to hire dedicated investment staff. As a result, many faith-based investors turn to advisors and consultants for this function. These specialists then become key decision-makers in how faith-based investing portfolios are allocated and tend to serve in this role for a long period of time. While investment advisors and consultants specializing in impact investing do exist and are a growing group of service providers, they have had limited access to the faith-based investing community. This likely occurs due to the long-standing relationships between faith-based investors with their traditional investment advisors and consultants. If advisors and consultants for faith-based investors are not informed or interested in responsible investing strategies, including impact investing, faith-based investors will have little to no exposure to these opportunities.

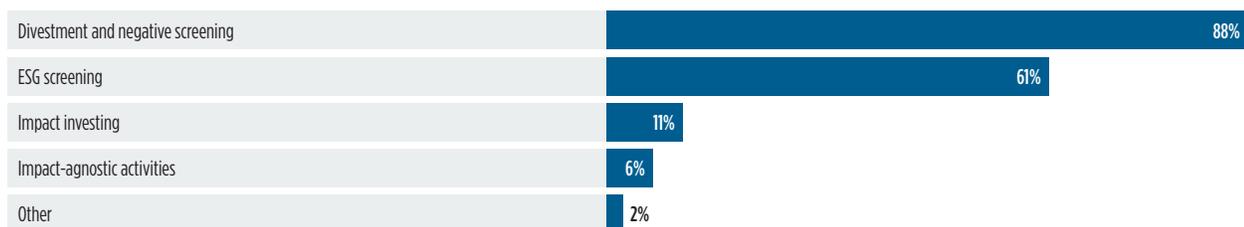
3

Uptake of impact investing has been limited though faith-based investors have a history of utilizing other responsible investing strategies, such as negative screening and shareholder advocacy.

Respondents utilize a variety of investment strategies shaped by the tenets and values of their respective faiths. The predominant strategies reported by respondents are divestment and negative screening (88%) and ESG screening (61%). Impact investing only represents 11% of the respondents' reported total AUM.

Figure 3: Asset allocation by investing strategies

n=29; four respondents did not share AUM data. Respondents may utilize multiple investing strategies.



Note: 'Other' includes biblically responsible investing, Christian faith-based investments with intended spiritual return strategies, and environmental screening.

Source: GIIN

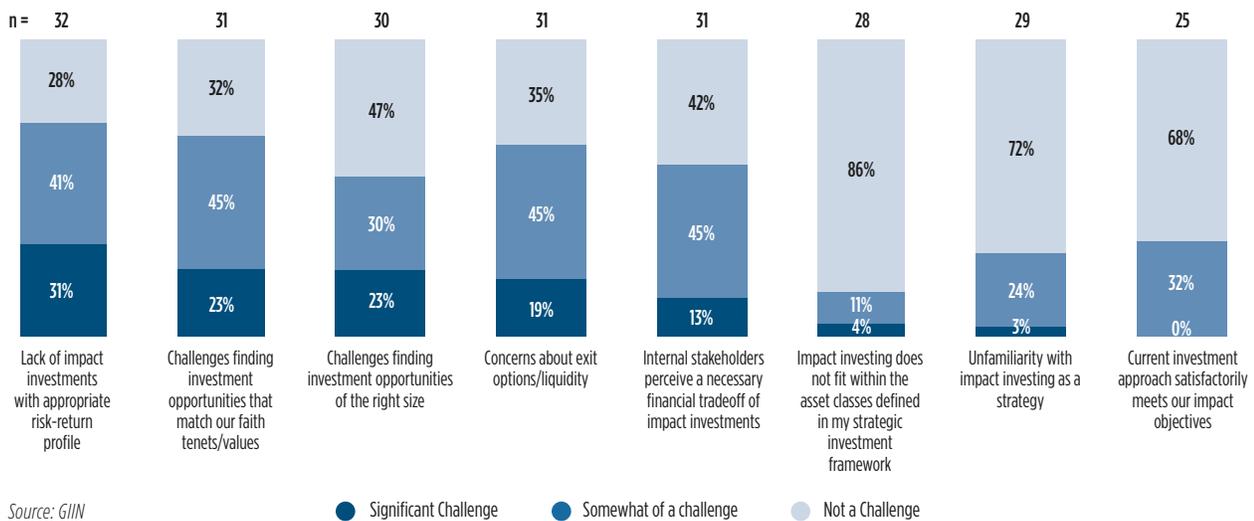
Through interviews and write-in survey responses, several faith-based investors also noted their commitment to shareholder engagement, leveraging their rights as shareholders of publicly-traded corporations to bring positive change within the corporations.

While impact investments are available across asset classes and the risk-return spectrum, several faith-based investors interviewed perceived impact investing as only available through private market investments or as generating below-market returns. These perceptions may explain some of the key challenges reported by faith-based investors.

Three of the top four challenges to pursuing impact investing relate to financial characteristics, including lack of impact investments with appropriate risk-return profile, challenges finding investment opportunities of the right size, and concerns about exit options/liquidity. Again, these results could largely be driven by investors' perceptions about private equity, rather than impact investments across asset classes, though further inquiry is needed to confirm this definitively. Another top challenge cited relates to non-financial concerns, specifically challenges finding investment opportunities that match faith tenets and values.

Figure 4: Faith-based investor challenges in pursuing impact investing

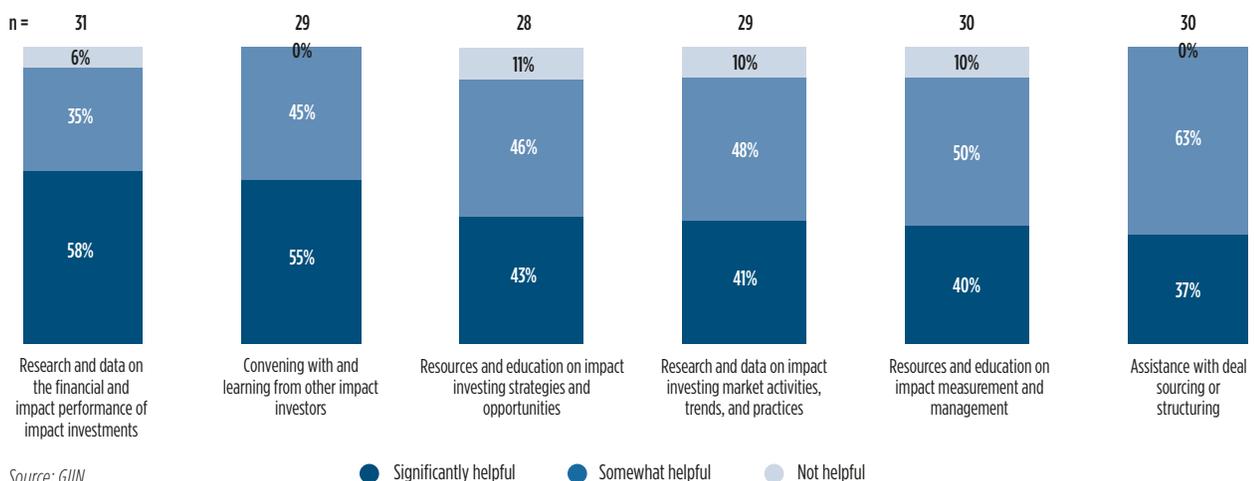
Number of respondents shown above each bar.



Respondents were asked what would help them or other faith-based investors to allocate more capital to impact investments. Over 50% of respondents indicated research and data on the financial and impact performance of impact investments and convening with and learning from other impact investors would be significantly helpful resources.

Figure 5: Support for impact investing

Number of respondents shown above each bar.

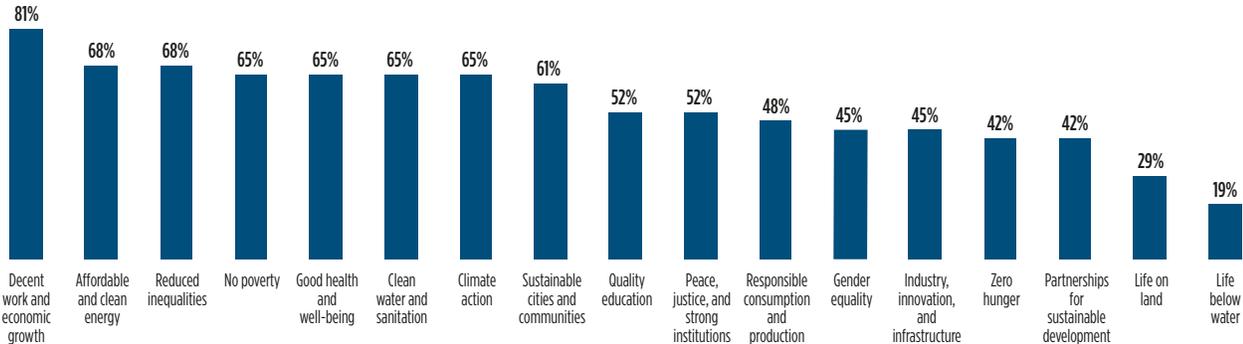


4 While there is variation in values across faiths, commonality does exist, and impact investing presents an opportunity to magnify these shared values through collaboration among faith-based investors as well as with secular impact investors.

Faith-based investors often cited advancing human dignity and protecting the environment as values they use to guide investment decisions. These values align with commonly-pursued impact investing themes, including the United Nations Sustainable Development Goals (SDGs). The SDGs represent key development goals that aim to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030.

The top three SDGs pursued through respondents’ faith-based portfolio were decent work and economic growth (81%), affordable and clean energy (68%), and reduced inequalities (68%). These SDGs also appear as top themes for respondents of the [2019 Annual Impact Investor Survey](#)—the GIIN’s flagship research report and the largest industry survey of impact investors in the market today. The commonalities between faith-based investors and impact investors’ interests in the SDGs suggest opportunities for collaboration to pursue shared social and environmental goals.

Figure 6: Targeted SDG-aligned themes
 n=31; optional question. Respondents could indicate multiple themes.



Source: GIIN

Evidence from the GIIN’s Faith-Based Investing Survey and *2019 Annual Impact Investor Survey* also suggests that faith-based investors and impact investors are not yet aligning around shared interests. Faith-Based Investing Survey respondents stated a top challenge their organizations face in pursuing impact investing is finding investments aligning with their faith tenets and values. In the GIIN’s *2019 Annual Impact Investor Survey*, fund managers, who raise capital from faith-based investors, were asked about this experience. Similar to the Faith-Based Investing Survey findings, the top challenge cited by fund managers was that their fund did not target specific impact themes of interest to faith-based investors.³ A deeper investigation into these results is needed to determine what is causing this misalignment. There could be a mismatch in the impact offered by fund managers and impact sought by the faith-based investors, so the development of new faith-based investor products may be needed. Or perhaps there could be a mismatch in communication between secular impact investors and faith-based investors on the intended impact of the investment, indicating a need to develop common language to articulate aligned interests. Determining the cause will be important to facilitate more faith-based investing capital into impact investments.

Table 1: Fund manager challenges in raising capital from faith-based investors
 n = 33; optional question.

Challenge	Difficulty ranking
Fund does not target the specific impact themes of interest to faith-based investors	85
Investor lacks knowledge or familiarity with impact investing	81
Investor does not believe its target returns will be achieved or is concerned about exit options / liquidity	76
Investor is satisfied with ESG / negative screening options	57
Investor is satisfied with ‘doing good’ through its operations	46
Investment size being sought by investor is too large	32

Note: Data from the *2019 Annual Impact Investor Survey*. Respondents ranked their top three challenges in raising faith-based investor capital. Total scores were calculated by giving top challenges a score of three, second-highest challenges a score of two, and third-highest rankings a score of one, then multiplying these by the number of respondents selecting each option.

Source: GIIN

³ Abhilash Mudaliar, Rachel Bass, Hannah Dithrich, and Noshin Nova, [2019 Annual Impact Investor Survey](#) (New York: Global Impact Investing Network, 2019).

5

In order to engage faith-based investors, it is advantageous to already be active in the faith communities or to partner with existing, trusted faith-based partners.

While leading faith-based impact investors are active in the market, faith-based organizations, as a whole, are not a prominent group within the impact investing community. For organizations interested in engaging faith-based investors, they should be aware of how religious groups are organized and potential barriers these organizational structures pose in reaching those who hold influence over faith-based assets. For example, many faiths are not organized in centralized structures (e.g., Buddhism, Judaism, Quakerism) and therefore cannot be engaged through a single governing body. As such, systematically reaching large numbers of such faith-based investors can be challenging. On the other hand, there are faiths organized with centralized governing bodies (e.g., Catholicism, Mormonism); however, these governing bodies tend to manage their finances privately and information on their investment strategies and interests is not readily available.

There are several existing networks that have a history and track record of supporting faith-based investors, many of whom engaged the GIIN as interviewees, outreach partners, and/or workshop attendees for this project. A number of faith-based networks indicated that their members would like to learn more about impact investing. This interest provides an opportunity and entry point for partnership between faith-based networks and impact investing specialists looking to support faith-based investors in moving more capital to achieve positive, measurable social and environmental impact results.

Proposed Engagement Strategies

Based on insights from surveys, interviews, and a workshop with leaders from the faith-based investing community, this section offers ideas for engagement strategies that aim to support faith-based investors in considering and implementing impact investing. The strategies below are envisioned to be led by a network or industry body, like the Global Impact Investing Network, and assumes the faith-based investor audience to have an in-house CFO or CIO and managing a portfolio of investments across asset classes.

ENGAGEMENT STRATEGIES

1 Build the case for impact investing as a tool to further faith-based organizations' missions and values.

2 Equip faith-based investors with the means to access relevant impact investment products.

3 Partner to amplify work and increase reach to faith-based investors.

1. Build the case for impact investing as a tool to further faith-based organizations' missions and values.

One of the biggest barriers to impact investing for faith-based investors is their perception about impact investments—what they are and how they can fit into their investment portfolios—rather than a fundamental incompatibility between impact strategies and faith-based investing. Many faith-based investors have limited experience and knowledge about impact investing and are not aware of the opportunities it presents to further their organization's financial and non-financial goals. In order to address these barriers, a strong case for impact investing should be developed that demonstrates how impact investing can meet financial mandates while also contributing to the organizations' mission-related goals. This case for impact investing should be tailored to key decision makers overseeing faith-based investment portfolios.

Related to financial mandates, the case for impact investing should demonstrate how this investment strategy can fit into a conventional portfolio and across different asset classes, recognizing that faith-based investors typically pursue low-risk, market-rate investments. Evidence on financial performance of impact investments to date will be a key component of this awareness building.⁴ Related to furthering an organization's mission, compelling messaging should be developed that expands the notion of values-aligned investing beyond negative screening and inspires faith-based investors to pursue investments that can affect the positive change they want to see in the world. It will be important to engage influential faith-based investing peers and faith leaders in shaping this messaging and helping to disseminate this case for impact investing.

⁴ For more information, Abhilash Mudaliar and Rachel Bass, [GIIN Perspectives: Evidence on the Financial Performance of Impact Investments](#). (New York: Global Impact Investing Network, 2017).

2. Equip faith-based investors with the means to access relevant impact investment products.

Faith-based investors seek practical guidance on how to begin impact investing strategies. An important first step is to equip faith-based investors to articulate their impact needs. In being able to state the positive, measurable impact objectives they expect through their portfolios, faith-based investors can signal to services providers and potential co-investors the types of investments they would like to pursue. Because faith-based investors tend to utilize investment advisors and consultants, gaining clarity on their impact needs allows them to request that their advisors and consultants seek out investment opportunities that meet these impact expectations.

Efforts that directly link faith-based investors with a pipeline of impact investment products should also be considered. Faith-based investors could meet in small, affinity groups to share deal flow, or structured networking could be designed between faith-based investors and impact fund managers with aligned interests. Whatever the format, these pipeline-building efforts could be organized around a specific thematic rallying point, like the Sustainable Development Goals (SDGs). As discussed above (see Figure 6), collaboration may be particularly compelling around the most commonly targeted SDGs, such as decent work and economic growth (SDG 8), affordable and clean energy (SDG 7), and reduced inequalities (SDG 10).

3. Partner to amplify work and increase reach to faith-based investors.

The landscape of faith-based investors is vast. No single organization would be able to support the needs of all faith-based investors, particularly given the diversity of both faiths and geographies. Networks, fund managers, investment advisors, and consultants currently or planning to support faith-based investors should be encouraged to amplify their activities and avoid duplication by finding opportunities for partnership where priorities align. Whether building synergies within individual faiths or across faiths, partnerships should take into account when customization is needed on messaging and building resources for particular communities. At the same time, partnerships should also consider where technical aspects of impact investing would be universal no matter which faith-based investors are engaged. For example, faiths might explain the relevance of the SDGs differently, but likely would utilize similar impact and financial analysis for SDGs investments. Moreover, there are existing tools and resources that can be shared with faith-based investors on the technical aspects of impact investing. Common impact measurement and management systems, like the GIIN's [IRIS+](#)⁵, can guide faith-based investors in measuring, managing, and optimizing the impact of their investments. In addition, financial performance studies⁶ on impact investments have been published by the GIIN and by other organizations, which can be utilized by the faith-based investing community.

Strategic partnerships among service providers can allow organizations to amplify their respective core competencies and build a more comprehensive set of resources for faith-based investors. As a result, faith organizations will have greater opportunity to leverage their investments to achieve their financial and mission-related goals.

Closing Thoughts

Critical issues of climate change, social injustice, and inequality plague communities across the world. To address these herculean challenges, the financing of promising solutions is required at the level of trillions of dollars per year. For millennia, faith organizations have been combatting societal concerns through their community outreach and programmatic work. In modern times, faith organizations are also leveraging their investments through divestment, negative screening, and shareholder activism to push for change they want to see in the world. Impact investing is another tool and powerful opportunity for faith-based investors to advance their mission, values, and financial goals. Through tailored messaging on the case for impact investing, practical guidance and resources on how to get started, and strategic partnerships, faith assets can be reallocated with deeper purpose. Collectively, these unlocked financial assets will contribute to a vision shared by faith and secular communities alike—an evolution to a more equitable and sustainable world.

5 IRIS is the catalog of generally accepted performance metrics within the IRIS+ system, managed by the GIIN. For more on IRIS+, see <http://iris.thegiin.org>.

6 For more information, Abhilash Mudaliar and Rachel Bass, [GIIN Perspectives: Evidence on the Financial Performance of Impact Investments](#). (New York: Global Impact Investing Network, 2017).

APPENDIX 1. List of Participants

This project was made possible through the participation of the following organizations via the GIIN's Faith-Based Investing Survey, interviews, and/or workshop.

Anthos Fund and Asset Management	ICD, private sector arm of the Islamic Development Bank
Arabella Advisors	IDEAS
Bright Portfolios	Inspire Investing
Britain Yearly Meeting of the Religious Society of Friends (Quakers)	Interfaith Center on Corporate Responsibility (ICCR)
Calvert Impact Capital	Islamic Markets
The Caprock Group	Jewish Community Foundation of San Diego
Caritas Foundation Austria	Jewish Funders Network
The Catherine Donnelly Foundation	JLens Network
Catholic Charities of Forth Worth	Lion's Den
Catholic Extension	Mercy Investment Services
Catholic Relief Services	Merrill Lynch
Christian Brothers Investment Services	Missionary Sisters of the Sacred Heart
Christian Investment Forum	NEPC
Christian Super	Nexus Impact Advisors
Church Commissioners for England	OIP Trust
Church Investors Group	Phenix Capital
Church of Sweden	Portocolom
Church Pension Fund	RFI Foundation
Cordaid Investment Management B.V	Roots of Impact
Criterion Institute	SABR Business Design
Development Capital Strategies	Shared Interest
Ecumenical Council for Corporate Responsibility (ECCR)	SHINE Campaign
Everence	Sinapis Group
FADICA (Foundations and Donors Interested in Catholic Activities)	Skopos Impact Fund
FaithInvest	The Social Investment Consultancy
Fajr Capital	Sovereign's Capital Management
Finance in Motion GmbH	Trinity Church Wall Street
Franciscan Sisters of Mary	Triodos Investment Management
Friends Fiduciary Corporation	Triple Jump
Funds for Life	UCC Church Building & Loan Fund
Glenmede	UK Islamic Finance Council
Grameen Capital India	UNDP Indonesia
Graystone Consulting	Unitarian Universalist Association
GreenFaith	University of Zurich
His Fund	Veriti Management
	Wespath Benefits and Investments
	World Resources Institute (WRI)

APPENDIX 2. Outreach Partners

The GIIN appreciates assistance from the following organizations, which helped to encourage faith-based investors in their networks to participate in the GIIN's Faith-Based Investing Survey.

Calvert Impact Capital
Catholic Impact Investing Collaborative
Catholic Relief Services
Ecumenical Council for Corporate Responsibility (ECCR)
FaithInvest
Intentional Endowments Network
Interfaith Center on Corporate Responsibility (ICCR)
JLens Investor Network
Mission Investors Exchange
Nexus Impact Advisors

Contact the GIIN

The GIIN invites members of the faith-based investing community to collaborate. For more information on the GIIN's faith-based investing activities and opportunities to engage, please contact Sean Gilbert, Director at the GIIN, at sgilbert@thegiin.org.

Disclosures

The Global Impact Investing Network ("GIIN") is a nonprofit 501c(3) organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

Readers should be aware that the GIIN has had and will continue to have relationships with many of the organizations identified in this report, through some of which the GIIN has received and will continue to receive financial and other support.

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