

GENERAL SERVICE FOUNDATION

No Small Change: Using Our Assets to Drive Racial, Gender and Economic Justice



SEPTEMBER 2022

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ACKNOWLEDGEMENTS

We are grateful to GSF's Investment Advisor Search Committee comprised of Robin Snidow, Chair of GSF's Board of Directors, Marcie Musser, GSF Board Member and Investment Committee Chair, Griff Foxley, GSF Board Member, Dimple Abichandani, GSF Executive Director and Bill Reppinger, GSF's Chief Financial Officer. We thank Steven Godeke and Sarah Cleveland for their support of the search process and for their work on this white paper.

Introduction

Who We Are

General Service Foundation (GSF) seeks to amplify the visions and voices of leaders who are advancing a bold vision for a just world. GSF takes a holistic approach to supporting organizations that contribute to a broad, sustainable, intersectional movement for justice. We provide resources to work led by communities most impacted by injustice because they have the deepest wisdom about the changes that are needed.

GSF prioritizes support for organizations that advance racial, gender and economic justice. We are particularly interested in supporting strategies that include visionary organizing, alliance-building, cultural and narrative work, and/or leadership development efforts.

GSF is a family foundation founded in 1946 by Margaret and Clifton Musser from Iowa with family wealth generated by timber and other industries. C.R. Musser was troubled by chaotic conditions in the world but hopeful that the Foundation would do some good for humanity. Knowing he couldn't see 50 years ahead, he gave our founding board freedom to undertake whatever work they believed was important. He counseled us to respond to changing conditions, admit mistakes, keep their expectations realistic, and enjoy solving problems together.

Over seven decades, we have followed this advice while working toward a just and sustainable world. Our board membership now represents the third, fourth and fifth generations of the family, as well as non-family trustees who come from the social justice sector. Our history shows a pattern of focusing on the pivotal causes of the day. In the 1940s and '50s, we were working on industrial and race relations. In the early '60s, reproductive health became a priority, followed by the environment and peace. GSF's grantmaking now is centered on support for organizations building power and advancing racial, gender and economic justice. In practice, this evolution reveals a unified belief that justice connects many issues and true power is sustained by mobilizing people on the ground.

Our Investment Advisor Search

GSF's current endowment of approximately \$70 million has grown primarily from investment returns over the life of the Foundation. Fourteen years ago, we began exploring impact investing by dedicating 10% of the endowment to this approach. These impact investments now account for approximately 32% of the

endowment and have been primarily in environmentally-themed funds. In May 2021, GSF's Board voted to move all of our assets into impact investments that align with our mission, and we began a search for a new investment advisor to support our efforts to align 100% of our investments with our mission and values. We retained [Godeke Consulting](#) to help us with a search process that included an Open Call for Letters of Interest and ultimately the Request for Proposal for a new advisor.

We launched the Open Call for Letters of Interest in the summer of 2021 and received 35 responses. The firms represented a broad range of advisory businesses including large global financial institutions, independent outsourced chief investment offices (OCIOs), non-profit and endowment investment consultants, wealth management firms and impact advisor boutiques. The pool of candidates included firms that work with full discretion and non-discretion as well as some asset managers who also provide advisory services. Attachment 1 lists the participating firms.

Six firms were then selected to respond to a more detailed Request for Proposal, and we ultimately selected Syntrinsic Investment Counsel in the Spring of 2022 after reviewing the proposals and interviewing 3 finalist firms. We have now begun the process of working with our new advisor to deepen the alignment of our endowment with our racial, gender and economic justice values and mission.

Our Goals for This Report

Our goal was to incentivize advisors to participate in the Open Call for Letters of Interest (LOI) and to provide the field with a snapshot of the current impact investing advisor landscape and possibilities with the hope that the investment advisor field can become more inclusive, equitable and concerned with justice. We thank the participating advisors for sharing their expertise and insights with us. We hope sharing our journey of shifting our investments to drive racial, gender and economic justice will be useful to you as we all work to use our voices to be better stewards of our assets.

Robin Snidow

ROBIN SNIDOW
Board Chair

Dimple Abichandani

DIMPLE ABICHANDANI
Executive Director

Learning from the Advisors

Our Open Call for Letters of Interest had a focus on mission aligned investing. Through the 35 responses to the questions in our LOI, we gathered some key insights and knowledge about how investment advisors are thinking about racial, gender and economic justice. While there is consensus on some topics, advisors also had distinct views and voices which we have pulled out and highlighted.

How Advisors Approach 100% Mission Alignment

Describe your investment process and how you develop impact investing portfolios for clients including your capabilities across asset classes. Have you worked with any clients with a 100% mission alignment objective? If so, please describe the transition process.

100% mission alignment requires advisors to bring an additional set of tools, skills and rigor to the advisory relationship. While GSF's mission focuses on racial, gender and economic justice, we sought to understand the overarching frameworks, processes and approaches advisors use to work with their clients to build mission alignment across their assets. While advisors will ultimately create or transition specific investments and strategies in a portfolio, mission alignment starts with the exploration and discovery of clients' values, investment and impact goals, spending, risk appetite, and governance process to define the purpose of the portfolio.

“ Prior to making a single investment recommendation, it is critical to understand how a client views society, our financial system and the role capital and influence play in shaping lives.”

“ Our typical process is to identify the long-term impacts, or outcomes, that an investor wishes to manifest. A critical next step is identifying how, precisely, the investor wishes to measure success: what data points will inform the investor on his or her progress toward these outcomes? If an investor knows the impact s/he wishes to see, and how this impact will be measured, it becomes much easier to identify suitable investments that will generate these outputs.”

“ We begin by understanding client objectives across a full range of both investment (returns, risk appetite, illiquidity, etc.) and impact (understanding values, preferred values expressions, impact targets, etc.) factors. In our view, long-term mission alignment of a portfolio is a continuously iterative process.”

By combining impact goals and investment goals, advisors work with their clients to create a theory of change for investment assets. The process can then be captured and codified in the investment policy statement. Mission aligned investment advisory adds a new set of services to the advisory process.

| Traditional versus Mission Aligned Investment Advisory | |
|--|---|
| Traditional Investment Advisory | Mission Aligned Investment Advisory |
| Establish Risk Tolerance | Start with Values, Issues and Impact Goals |
| Set Return Goals | Understand Purpose of Portfolio |
| Identify Time Horizon | Engage Stakeholders |
| Set Strategic Asset Allocation | Develop Impact Themes and Lenses |
| Select Asset Managers | Assess Impact Intentionality of Asset Managers |
| Define Portfolio Construction | Work Across Asset Classes |
| Create Reporting Structure | Establish Impact Measurement and Management Reporting |
| Investment and Impact Goals are Captured in Investment Policy Statement | |

While many elements of mission alignment can be applied across impact themes and lenses, GSF wanted to look specifically at how investment advisors approach racial, gender and economic justice investing.



Racial, Gender and Economic Justice Investment

Describe your firm's approach to racial, gender and economic justice. What do you see are the challenges and opportunities? How does your analysis drive your decision making?

Some advisors presented thoughtful systems analysis that calls out the political and economic systems that have led to injustice, acknowledged the problem of structural racism and articulated how investment could be a lever of change to begin to address it.

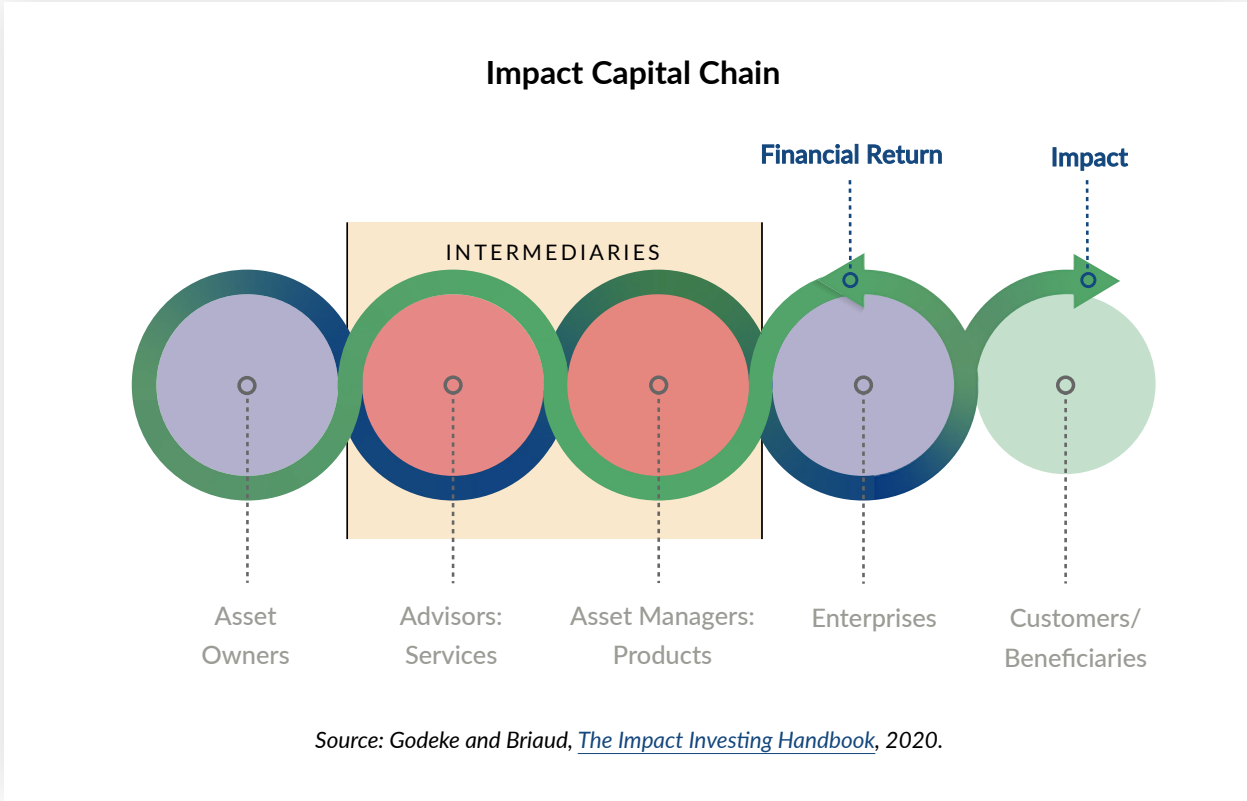
“ *Systemic racism continues to manifest itself throughout the investment process, both in unconscious biases that cut off black, indigenous and people of color (BIPOC) from access to capital (compared to their white peers) and from leadership positions. Capital can be reallocated toward a virtuous cycle where increased BIPOC ownership & opportunity is bolstered, significant financial opportunities that were previously ignored are pursued, and the entire financial ecosystem is benefitted.*”

“ *Our commitment to systemic change drives our approach and belief in the intersectional nature of all racial, gender, economic and environmental justice issues.*”

Key Points Raised and Approaches:

- Injustice as a moral as well as economic imperative
- Access to capital and opportunities is not equitable
- Need to address own internal implicit bias
- Wealth concentration at societal level drives racial and gender wealth gaps
- International contexts of injustice and diversity
- Investors can drive equitable practices within companies through shareholder engagement
- Importance of diversity data disclosure
- Intersectionality of race, gender and economics

The advisors had distinct approaches to how they define and would seek to address racial, gender and economic justice based on how they understood their role and leverage to influence the broader Impact Capital Chain of asset owners, advisors, asset managers, enterprises and communities.



Some advisors followed clients and wanted to simply implement client preferences and definitions of diversity while others tried to lead their clients. While some advisors focused exclusively on their own internal diversity, equity and inclusion activities, others were more expansive in their thinking and aspired to influence enterprises, communities and systems.

| Racial, Gender and Economic Justice is Practiced By Advisors Along a Continuum | | | |
|--|---|---|--|
| | | | + Investment in BIPOC Communities - 9 Advisors |
| | | + BIPOC-led and -owned Firms - 9 Advisors | |
| | + Diverse Manager Selection - 12 Advisors | | |
| Internal Firm Diversity - 3 Advisors | | | |

Barriers and Breakthroughs

What breakthroughs and barriers have you experienced in your firm’s work to create racial, gender and economic justice across the impact investing capital chain (asset owners, advisors, asset managers, enterprises, and customers/ beneficiaries)?

The barriers that advisors highlighted included structural constraints such as data and education gaps, gatekeeper intermediaries, increased concentration of wealth and need for more standards and universal definitions. Awareness and behavioral practices were also seen as hindrances to real progress. BIPOC respondents cited personal examples of barriers they and their firms have experienced. Many of the breakthroughs were in response to the barriers and included implementing racial and gender surveys, investing directly into communities in order to break through the gatekeepers, and focusing on emerging fund managers as a way to access distinct networks and investment opportunities.

“ The breakthrough comes from the evidence that exclusion is unacceptable from both a social justice and a financial fiduciary standpoint.”

“ We have found the path to creating racial, gender and economic breakthroughs in the impact investing capital chain is long and is often driven by external catalyzing events that tend to force the hands of asset owners.”

“ While I do not personally dwell on it, I am fully aware of being one of only six African American owners of an investment advisory firm serving institutional clients.”

“ We see that the asset management and financial services industries change at the speed of investor demand. While advisors are gatekeepers, they ultimately answer to their clients.”

| Barriers and Breakthroughs to Racial, Gender and Economic Justice | |
|---|--|
| Barriers | Breakthroughs |
| Data gaps (pay, racial and gender diversity) | Use diversity surveys and questionnaires in due diligence and set minimum requirements |
| Increasing concentration of wealth at societal level | Use private capital to drive change |
| Intermediaries between asset owners and communities are blocking change | Invest directly into communities / beneficiaries |

| | |
|--|--|
| Lack of education among individuals and institutions | Signal and amplify diversity activities externally |
| Lack of universal definition / standard for racial and gender equity | Advance investor collaboration and alliance building |
| Inertia and incrementalism perpetuate incumbent firms | Diverse managers find distinct investment opportunities and can create competitive advantage |
| Lack of empathy and self-awareness | Be proactive with education |
| Cultural norms of industry remain white and male | Focus on first-time founders and fund managers |

Concrete Actions for General Service Foundation

What concrete actions would you suggest for GSF to align our investments with our racial, gender and economic justice mission?

The advisor recommendations for GSF consisted of broad strategies and best practices in addition to concrete actions and tactics. They ranged from establishing upfront guidelines for due diligence of fund managers and investments as well as suggestions for specific investment themes for portfolio construction, monitoring investments, and field building.

“Simply selecting fund managers and companies to include in the portfolio isn’t enough.”

“Investing for the inclusive economy we all need and will benefit from means letting go of the status quo investment models, and moving beyond the very outdated “modern portfolio theory” to a postmodern view of diversification.”

Upfront Guidelines and Best Practices

- Develop rigorous framework for a racial justice investing lens
- Establish an explicit definition of diversity for purposes of assessing the portfolio

- Request a breakdown of gender and ethnicity in order to target opportunities with Black and Latinx investment managers
- Set a requirement that all investment manager searches include candidates that meet certain parameters pertaining to racial, gender, and economic justice
- Invest in intermediaries that are active in your target justice themes
- Focus on emerging diverse managers
- Incorporate justice goals and diverse manager goals into investment policy statement
- Establish minimum representation requirements for all private holdings and managers
- Establish impact measurement and management goals

Impact Themes and Tools for Portfolio Construction:

- Work across all asset classes including catalytic investments
- In public markets, increase the number of diverse managers and screen holdings based on diversity criteria
- Deploy shareholder engagement and proxy voting
- Make direct community investments
- Invest in underserved communities, minority- and women-owned businesses; increased homeownership and access to capital for communities of color
- Follow a holistic approach of integrating themes of racial equity, social justice, and environmental justice

Shifting the Investment Industry toward Justice

Given that only 1.3% of U.S. investment assets are managed by substantially and majority diverse-owned firms, how is your firm working to address this inequity, and what advice would you give to GSF on how we could help make the investment industry more equitable?

Advisor's Internal Reflections and Actions

Most advisors have given thought to how they can best approach shifting the industry while focusing on the actions that they can control. It was important to see that the advisors are translating their broad diversity statements into the restructuring of their core operations and processes.

- Build diverse teams by asking what voices or perspectives are missing from our team
- Restructure due diligence process to address implicit bias
- Remove consideration of any investment that doesn't meet specific gender/BIPOC criteria
- Use our position in the market to signal that diversity matters
- Explore and diligence the power dynamics in investment and impact evaluations
- Push the database providers to develop and provide better diversity data
- Expand fund manager surveys to include community impacts of funds

Your Assets are Your Voice

In their advice to GSF, the advisors called on asset owners to use their voices and their assets to drive change. While there are clear structural gaps in data, real change in the industry will only arrive when the asset owners take action.

If we, as asset owners, want to change the system, we need to engage directly.

Key Takeaways from the Search

Internal alignment is key

At GSF, we spent several years exploring mission aligned investments, and it has only been since our movement to 100% alignment that we are working to fully integrate our racial, gender and economic justice mission into our endowment. This led us to undertake the search for a new advisor.

Partner not just advisor

This work is centered around changing the underlying roles, responsibilities and practices of the asset owners and advisors while still interacting with the capital market system. Our advisor's role is not just that of a neutral allocator of capital to a pre-existing optimized set of investments, but rather it is also to innovate and create investments that reflect GSF's mission and goals.

Take action while building the field

Racial, Gender and Economic Justice Investing is still emerging as a practice, but by deploying capital to drive justice, we seek to incentivize the creation of investable opportunities that may not yet exist. Investment options and best practices are emerging and will require collaboration. We do not have the option of waiting for a full product offering to exist before we take action.

Systems change not changing of the guard

Changing the face of existing capital market structures will not address justice issues or shift any power - we need to look beyond the players to the systems. It is important that we not assume that diversity of investment managers is enough. Rather we want to push all managers and advisors to share our goal of having communities that have been shut out of power, be the ones who are benefiting from the flow of capital.

“ While it was heartening to see a consistent attention to racial and gender diversity in the LOI responses, diversity in the investment industry is not our end goal. Our goal is deploying capital in ways that advance racial, gender and economic justice.”

DIMPLE ABICHANDANI

Executive Director, General Service Foundation

GSF and our peers hold power in the current market system and we have an opportunity to more fully use our full influence and voices to drive resources to the communities we want to support. We look forward to working with our investment advisor and members of the philanthropic and investment communities to continue to expand this work of bringing justice forward.

Attachments

1. Firms Participating in GSF's Open Call for Letters of Interest
2. Networks, Organizations and Initiatives Provided by Firms



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Attachment 1

Firms Participating in GSF's Open Call for Letters of Interest

| | |
|---|---|
| AJF Financial Services | Impact Capital Strategies |
| Appomattox Advisory, Inc. | Blue Rider Group at Morgan Stanley |
| Arjuna Capital | Natixis Advisors, LLC |
| Avivar Capital, LLC | Neuberger Berman |
| Baseline Wealth Management | Nia Impact Capital |
| Bivium Capital Partners and Westfuller Advisors (Bivium-Westfuller) | Pivotal Advisors |
| Brightlight | Prime Buchholz LLC |
| CapShift | RockCreek |
| Chesapeake Asset Management | Rockefeller & Co. LLC |
| Clearbrook Investment Solutions, LLC | Sepio Capital |
| Consultiva Wealth Management, Corporation | SharePower Responsible Investing |
| Crewcial Partners, LLC | Social Impact Strategies Group |
| Fund Evaluation Group, LLC | Sonen Capital |
| Financial Management Strategies | SRI Wealth Management Group, RBC Wealth Management |
| Fiduciary Trust International LLC | Syntrinsic Investment Counsel LLC |
| Global Endowment Management, LP | Trillium Asset Management |
| Graystone Consulting | William Blair |
| GRID 202 Partners and Tiedemann Advisors | |

Attachment 2

Networks, Organizations and Initiatives Provided by Firms

- AAAIM: Association of Asian American Investment Managers (aaaim.org)
- Association of African American Financial Advisors (aaafainc.com)
- Confluence Philanthropy [Belonging Pledge](#)
- Criterion Institute (criterioninstitute.org)
- Diverse Asset Managers Initiative (diverseassetmanagers.org)
- Due Diligence 2.0 (duediligencecommitment.com)
- Innovation for DEI In Finance (idif.co)
- Institutional Limited Partners Association Diversity in Action Initiative (ilpa.org/ilpa_diversityinaction)
- NAIC: National Association of Investment Companies (naicpe.com)
- National Black MBA Association (nbmbaa.org)
- New America Alliance (naaonline.org)
- RJI: Racial Justice Investing (racialjusticeinvesting.org)
- SEO: Sponsors for Educational Opportunity (www.seo-usa.org)
- The 30% Coalition, (30percentcoalition.org)
- The Diversity Project In the UK (diversityproject.com)
- The Robert Toigo Foundation (toigofoundation.org)
- Wall Street Project (rainbowpushwallstreetproject.org/index.html)