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Financial Factors in Selecting Plan Investments

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Submitter Information

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General Comment

Over the last 200 years, the standards by which investment decisions are determined to be prudent have evolved. Following the Great Depression, investment in all stocks was considered "risky". Then fiduciaries realized that the risk and return characteristics of a portfolio needed to be understood in total rather than considering each holding in isolation. Over the past 25 years, the standard has again shifted to recognize that considering the environmental, social and governance characteristics of investments allows investors to address a set of risk factors that are material.

This is no longer a topic for debate. Decades of data from public and private markets, across asset classes, across types of investors has consistently demonstrated that investments which consider environmental, social and governance factors along side other measures of risk and return do as well -- and usually better -- than investments that don't. The experience of market volatility and decline YTD 2020 is only the latest period where we see that this is true.

I have attached a short digest of research regarding the performance of sustainable and impact investing through 2Q2020, how investors are reacting, how performance in this volatile period compares to similar past periods, and the outlook for sustainable and impact investing prepared by my nonprofit organization, Upstart Co-Lab.

Sincerely,

Laura Callanan

Founding Partner, Upstart Co-Lab
former Senior Deputy Chair, National Endowment for the Arts

Attachments

2Q2020 Highlights 07152020



2020 Highlights

as of July 15

Note: a number of planned activities have been delayed due to COVID-19.

Making the Case

In June, **Impact Entrepreneur** hosted a webinar on the impact of the creative economy, moderated by Laura Callanan, founding partner of Upstart Co-Lab, with Carolina Biquard, CEO of Fundación Compromiso; George Gachara, Managing Partner at HEVA Fund; and Jack Meyercord, Founder of Conscious Endeavors. The discussion covered opportunities impact investors are finding in the creative economy; challenges related to COVID-19; and how growing connectivity and the young population in the Global South combine to push creative industries front and center as a mechanism for economic and social changes.

Since March, Upstart Co-Lab has been framing the role for the creative economy and conscious capitalism in planning a just and equitable post COVID19 recovery. Currently, **Upstart is the only voice in the impact investing response to the economic crisis representing artists, arts organizations, and the broader creative economy.** To inform Upstart's efforts, we surveyed the fund managers, creative economy businesses, and real estate projects in our network to understand how the COVID-19 pandemic is affecting them. We are sharing examples of how social purpose businesses in the creative economy are getting their communities through these tough times, and preparing for a comeback through op-eds and earned media. Throughout the economic downturn, we are publishing a monthly digest of research on how impact investment is performing and insights as to why, available to our Member Community and other close allies in our network. We addressed the impact of the COVID-19 economic downturn on the creative economy in an opinion piece published by ImpactAlpha, *Investments in the creative economy will help drive an inclusive COVID recovery*; and on our webinar with Impact Entrepreneur, *Understanding the Impact of the Creative Economy*.

In April, Upstart launched new, password-protected **Member Community Resources** on the Upstart Co-Lab website. (Please see below for an explanation of the Upstart Member Community.) Spanning the best research and news in the impact investing field, these

materials are carefully curated to support the Member Community along their learning journey on impact investing and the creative economy. Also included is an archive of monthly Member Letters and video recordings of Quarterly Member Calls. These Member Resources are updated on a regular basis responding to shifts in the impact investing field and requests from Upstart Members.

Creative Impact / Impact Investing, a ‘design for good’ passion project of Carter Hales and Mitchell Press, is a new illustrated book featuring social purpose businesses in the creative economy (Creative Action Network, E-Line Media, Greenbelt Hospitality, Preemadonna, and Upriver Studios) plus impact investors Lorrie Meyercord and the Souls Grown Deep Foundation. Upstart will plan a book launch event for existing and prospective impact investors from family offices, foundations, and endowed arts organizations, as well as their advisors and gatekeepers. The program will include a moderated discussion with entrepreneurs and investors featured in the book followed by a reception. The Woodcock Foundation is underwriting this event. *TBD Fall 2020.*

In partnership with Rockefeller Philanthropy Advisors, Upstart is publishing a **new report on cultural institutions and mission-related investing**. This report will serve as an introduction and guide to getting started with impact investing, specifically oriented to cultural institutions with lessons from first-mover museums and other arts organizations, and examples of relevant impact investing opportunities in the creative economy. *TBD Fall 2020.*

Upstart Co-Lab, in partnership with NESTA (London) and Fundación Compromiso (Buenos Aires) is spearheading a **new global report on impact investing in the creative economy** with contributions from colleagues around the world including Creative Capital, the HEVA Fund, the Local Initiatives Support Corporation, the National Endowment for the Arts, Purpose Ventures, Veris Wealth Partners and others. The report’s Afterword is by cellist Yo-Yo Ma. *TBD Fall 2020.*

Building the Coalition

In June, Upstart Co-Lab publicly announced its new **Member Community which brings together donor-advised funds, private foundations, and endowed cultural institutions to invest with funds, businesses, and real estate projects in the creative economy expected to have commercial success and generate environmental and social impact**. Members include the Bonfils-Stanton Foundation, BRIC, Creative Capital, the Jessie Ball duPont Fund, Martha J. Fleischman, Neil Hamamoto, Lorrie Meyercord, the Souls Grown Deep Foundation, an anonymous donor-advised fund and an anonymous family foundation. These 10 Members

represent in aggregate over \$1 billion in investment capacity. Additional funding for the Member Community is provided by the Compton Foundation, the David Rockefeller Fund, and the Ford Foundation. The announcement was Forbes and Barron's as a significant milestone in impact investing. Members have access to Upstart Co-Lab's proprietary pipeline of 150 investment opportunities in sustainable food, ethical fashion, social impact media, creative places, and other creative industries, and benefit from bespoke learning opportunities. Upstart Co-Lab sources and screens portfolio opportunities aligned with Members' impact and financial priorities, tracks Members' investments, supports their learning journeys, and shares insights from this experience with the field.

Upstart Co-Lab had planned a set of convenings in 2020 to introduce endowed cultural institutions to mission-related investing, and to launch new impact investing vehicles at the intersection of community development and the creative economy. Due to COVID-19, the in-person meetings were cancelled and virtual convenings are planned for Summer and Fall, with in-person events to be rescheduled for 2021.

- ***Our Museums: A Conversation About Values and Mission-Related Investing (originally to be hosted by the Pocantico Center of the Rockefeller Brothers Fund)*** will bring together the directors, trustees, and C Suite leaders of 15 major museums, together with impact investing advisors and foundation leaders who have already made the journey to impact investing. The goals of the meeting are to socialize the concept of mission-related investing, address frequently asked questions, and share best practices for implementing an impact investing portfolio. Museums in the US have in aggregated \$40 billion in their endowments; almost none of this capital is amplifying museum mission and values. The museums committed to participate include the Art Institute of Chicago, the Asian Art Museum of San Francisco, the High Museum of Art, MASS MoCA, the Museum of Fine Arts – Houston, the National Gallery of Art, the Nelson-Atkins Museum of Art, the New Museum of Contemporary Art, the New Orleans Museum of Art, the Peabody Essex Museum, the Pérez Art Museum Miami, the Phillips Collection, Studio Museum in Harlem, the Virginia Museum of Fine Arts, and the Whitney Museum of American Art, as well as the Souls Grown Deep Foundation. Impact investing leaders committed to participate include Jamie Martin (Morgan Stanley), Andrew Lee (UBS), Jessica Matthews (JP Morgan), Clara Miller (Heron Foundation), Tom Mitchell (Cambridge Associates) and Rick Segal (ReThink Capital Partners). *Virtual convening July 16, 2020.*

- The **Federal Reserve Bank of New York will host a convening on mission-related investing for NYC’s top cultural institutions** curated by Upstart Co-Lab. NYC’s museums, libraries, performing arts organizations and other cultural institutions steward endowments of more than \$15 billion in aggregate. This meeting will assemble leadership of NYC’s large endowed cultural organizations for a practical orientation to impact investing aligned with institutional mission and values. The agenda will cover the what, why, and how of impact investing; address FAQs such as comparative financial performance; and share the experiences of foundations and other peer investors. *To prepare for the conversation, an opinion piece by Upstart Co-Lab was published on the Medium channel of the NY Fed reaching 7,200 readers. TBD Fall 2020.*
- **Upstart will convene artist-endowed foundations from across the country to advance mission-related investing** by private foundations funded by the estates of America’s greatest visual artists, composers, and writers. This builds off 2019 when Upstart Co-Lab supported the Andy Warhol Foundation in allocating 25% of its endowment to a socially responsible strategy, and helped the Souls Grown Deep Foundation adopt a 100% for impact investing policy. *Scheduling TBD.*
- **The Rockefeller Foundation will host Upstart Co-Lab, Local Initiatives Support Corporation, and Enterprise Community Partners to launch new investment vehicles featuring the inclusive creative economy as part of comprehensive community development.** An anchor funder of Upstart’s work connecting impact investing to the creative economy in low-income communities, Rockefeller will host a kickoff for LISC's new national note program featuring the inclusive creative economy, and Enterprise’s new Opportunity Zone fund which will include creative economy projects. The target audience for the launch is gatekeepers, especially wealth advisors serving UHNW art collectors and artists; CIOs for museums and other endowed cultural institutions ready to align their endowments with their mission; and foundations with mission-related investment commitments and art programs. *TBD Fall 2020.*
- Upstart Co-Lab is planning educational **events to socialize our Creativity Lens among impact investors and art lovers in partnership with impact wealth advisors JP Morgan, Fidelity, and Fiduciary Trust Company.** This is an opportunity to introduce UHNW clients of leading financial institutions to the potential for businesses and real estate connected to art, design, culture, heritage, and creativity to deliver environmental and social impact, as well as financial return. *TBD Fall 2020.*

Bringing Deals to Market

Upstart continues to **comprehensively source and track investment opportunities in the creative economy across asset classes**. This is a unique and proprietary resource; opportunities are shared with the Upstart Member Community as the basis for investment decision-making. The team has initiated efforts to expand the number and quality of new opportunities: developing relationships with sourcing partners (i.e. incubators, accelerators, angel networks); revamping the initial screening process; allowing creative economy entrepreneurs to submit their details via the Upstart website; upgrading our internal tracking system. Upstart has also refined its due diligence process.

Upstart is working with Community Investment Management (CIM) on to address the economic disruption of the COVID-19 pandemic. The goal of this **US Small Business Response Fund** is to deliver positive social impact and market rate returns by financing small businesses; Upstart is focused on making sure this capital reaches small businesses in creative industries. The Fund will invest in short duration credit assets generated by innovative credit providers, such as financial technology companies and other companies providing alternative credit products that are addressing the immediate financing needs for small businesses and small business owners underserved by the traditional banking sector. CIM's existing loan vehicle has a 25% exposure to creative economy businesses. In its strategic partnership with CIM, Upstart is working to ensure this new Fund will also reach women entrepreneurs and entrepreneurs of color leading businesses in the creative economy, and is advising on communications and outreach to impact investors who prioritize the creative economy.

Upstart Co-Lab is **working with CDFI partners on new creative economy funds** to drive environmental and social impact in low-income communities through the creative economy. Based on the success of the \$6.2 million NYC Inclusive Creative Economy Fund, launched by the Local Initiatives Support Corporation (LISC) in collaboration with Upstart Co-Lab, LISC is preparing to announce a new national Notes program which will provide capital to support their projected \$100 million in Inclusive Creative Economy businesses and real estate projects over the next 5 years. Upstart Co-Lab is also working with Enterprise Community Partners to qualify a pipeline of Inclusive Creative Economy projects for Enterprise's new national Opportunity Zone Funds.

With Community Investment Management and Nest, Upstart is developing a **global working capital fund for artisan businesses** to address systemic challenges that prevent increased market access for artisan businesses, and limit the ability of brands to source from a more

diverse array of artisan businesses poised for growth. A key component of the global creative economy, the artisan sector is among the largest informal economies, employing more than 300 million people. The global artisan economy is projected to reach a valuation of \$985 billion by 2023, and is one of the primary means of employment for women globally. This 18 month R&D effort (including a 6 month, \$5-\$10 million pilot fund) will engage brand partners Eileen Fisher, Target, and Williams Sonoma; and 5 or more artisan businesses located in 3 or more countries to be selected from India, Indonesia, Mexico, the Philippines, the U.S., and the continent of Africa. The goal is to develop a better understanding of the working capital needs of artisan businesses once they have obtained a purchase order and have the opportunity to scale in partnership with a multinational fashion or home goods brand. The learnings from the pilot, including feedback from participating partner organizations, will guide the development of a larger fund in the near future.

Upstart serves as **creative economy domain partner for CapShift**, an impact investment platform for donor advised fund (DAF) sponsors. CapShift helps donors discover and invest in social enterprises, community organizations, impact fund managers, or in pools of responsible funds developed to address large global challenges. Upstart Co-Lab is also the **creative economy domain partner for Small Change**. Small Change is a platform for crowdfunding impact investment for real estate projects that change cities and neighborhoods for the better.

Media and Speaking Opportunities

Upstart Co-Lab has become a recognized thought leader in conversations spanning impact investing, community development, social entrepreneurship and the arts. Earned media and speaking engagements help amplify Upstart's work and the work of strategic partners and contribute to building the field.

2020 Media Highlights

- NESTA: *Rebuilding the creative economy with conscious capital: A view from the United States*
- The NonProfit Times: *Upstart Co-Lab Finds \$1 Billion For Impact Investments*
- Forbes: *Upstart Co-Lab's Member Community: \$1B Of Impact Investing Capacity For The "Creative Economy"*
- ImpactAlpha: *LeBron James signals opportunity for 'empowerment' media with \$100 million raise*

- *Philanthropy News Digest: Upstart Co-Lab launches creative economy impact investing coalition*
- *Grantmakers in the Arts: A Coalition Will Bring Together \$1 Billion of Impact Investing to the Creative Economy*
- *ImpactAlpha: Upstart Co-Lab investor coalition commits to shift capital to creatives*
- *Barron's: Upstart Co-Lab Creates Member Coalition to Spur Creative Economy*
- *Federal Reserve Bank of New York: Creative Solutions in the Time of COVID-19*
- *Invest for Good: The Art of Impactful Investing*
- *ImpactAlpha: Investments in the creative economy will help drive an inclusive COVID recovery*
- *Poetry of Impact: Laura Callanan & The Creative Economy*
- *Barron's: Investing in the Creative Economy is a Boon to Artists and Communities*
- *ImpactAlpha: Resilience and disruption: Agents of Impact share lessons from the pandemic*
- *ImpactAlpha: UK's Nesta raises £20 million impact fund for the creative arts and culture*
- *ImpactAlpha: How 'Just Mercy' producer Scott Budnick is leveraging box-office appeal for social impact*
- *Making Money More: Lorrie Meyercord, Investing in the Arts*
- *The Conscious Investor: Why Impact Investors Need to Be Paying Attention to the Creative Economy*
- *Inside Philanthropy: Looking for Greater Stability and Impact, an Arts Grantmaker Shift its Funding Model*
- *SoCap Money + Meaning Podcast: Investing in the Creative Economy*

2020 Speaking Highlights

- *Nest Access to Capital Webinar (September 2020)*
- *Impact Entrepreneur Webinar: Impact of the Creative Economy (June 2020)*
- *Creative Capital Artists Retreat Cancelled due to COVID-19*
- *Fundación Compromiso: Connecting the Dots: Impact Investing Breakfast (Buenos Aires, Argentina) Postponed due to COVID-19*
- *San Andres University: The Creative Economy Entrepreneurship Ecosystem (Buenos Aires, Argentina) Postponed due to COVID-19*
- *National Interagency Community Reinvestment Conference: Investments in the Creative Economy (Denver, CO) Cancelled due to COVID-19*
- *NYU Social Innovation Symposium: Social Entrepreneurship - The Business Model of the Future (New York City)*