

THE SURDNA FOUNDATION CAMBRIDGE ASSOCIATES CASE STUDY

ABOUT SURDNA

Meet the Surdna Foundation, a five-generation family foundation located in New York City that seeks to foster sustainable communities in the United States, guided by principles of social justice and distinguished by healthy environments, inclusive economies, and thriving cultures. For more than 100 years, Surdna has maintained a tradition of innovative service for those in need of help or opportunity.



CONNECTING MISSION AND INVESTMENTS

Social Justice is central to Surdna's mission and the foundation has a long history of seeking values-aligned investments, particularly those with BIPOC investment managers. In 2014, the Surdna Board of Trustees decided to scale the foundation's impact by making a dedicated commitment to impact investments that would not only promote greater representation among managers, but also allocate capital to investments that would complement Surdna's work to foster sustainable and inclusive communities.

A working group composed of Board and staff members embarked on a learning journey, in collaboration with Cambridge Associates, to better understand the mission-related investments (MRI) landscape, how best to position their billion-dollar endowment to maximize its impact on the communities they serve, and what tools were available to them.

The initial challenge was building consensus that Surdna could invest for impact without compromising returns. The Board committed to creating a \$100 million impact investing mandate to include both MRIs and program-related investments (PRI), bridging the gap between their grants and their investments. They also decided to apply more social equity criteria to investment decisions across the entire endowment.



Surdna is working to support the creation of just and sustainable communities in which low-wealth and communities of color have the power to self-determine the ownership, control, and stewardship of land and its infrastructure assets.

This case study does not imply that the Surdna Foundation endorses Cambridge Associates or the services that we provide.



Surdna Foundation

GETTING STARTED

The goal of the initial impact investing mandate was to elevate mission priorities in investment decision criteria to drive measurable social and environmental impacts, influence others, and advance Surdna's mission for social equity and sustainability for all.

Before implementing, the Board had to decide how the portfolio would be structured and governed. First, they decided to have all investment decisions overseen by one investment committee. Having worked with Cambridge Associates for more than 20 years as an outsourced non-discretionary investment office, the Board decided that Cambridge Associates would advise on both the impact portfolio and the rest of the endowment to promote holistic thinking and efficient execution. They also hired a Director of Impact Investing to ensure in-house accountability and provide a liaison between Surdna constituencies.

The team at Cambridge Associates recommended that the impact investing program contribute to the total endowment risk/return profile rather than have a distinct asset allocation and benchmark. This allowed Surdna to focus more on private investments, where expectations for impact and financial returns were highest.

Now, more than six years later, Surdna has allocated their \$100 million, and the impact portfolio has proven to be a key driver of performance, impact, and engagement with the market. This success, so far, supports the idea that impact investing can generate measurable impacts and competitive returns. The Board and staff are excited about the ways their strategy is helping to increase opportunities for BIPOC businesses and communities, combat climate change, and influence peers to follow suit. Today, almost two-thirds of the endowment's assets under management are invested in managers with strong diversity characteristics — many of which are tackling issues like racial bias within financial systems and local economies. Surdna's peers, recognizing their leadership in the space, are also investing in many of the same managers, thus creating a multiplier effect.



Surdna invests in artists, culture-bearers, designers, and media-makers of color who partner with their communities to radically imagine racial justice and foster the conditions for just systems and practices to be adopted.

LESSONS LEARNED

1

BUILD CONSENSUS Surdna's nine-month exploration of impact investing gave them time to learn the MRI landscape and its implications in the context of their endowment. The working group included Board members and staff, with support from Cambridge Associates, to evaluate alignment of the portfolio, so that diverse perspectives from every corner of the Foundation could be considered.

2

CONSIDER ROLES By spending time to redesign the governance process, Surdna was able to optimize the investment process as well as impact outcomes — including the decision to maintain one Investment Committee to oversee all investments (existing, MRI, and PRI). Surdna also hired its first Director of Impact Investing to work closely with Cambridge Associates to assess the pipeline of opportunities and collaborate with program colleagues at Surdna to ensure PRIs were advancing innovation and impact where grants were limited.

3

BE CLEAR ON OBJECTIVES From the beginning, Surdna wanted its impact investing program to complement the total portfolio's risk and return

objectives. Mission-related investments were expected to exceed endowment performance benchmarks while meeting impact expectations and measurability. Surdna also evolved its thinking around PRIs—recognizing them to be an opportunity to take calculated risks that could maximize impact by addressing market failures, testing new models of financing, and backing nascent investment teams to build institutional capacities and capabilities.

4

ENGAGE MANAGERS Surdna developed a clear thesis for impact around social justice, climate, and community priorities and used it to encourage managers to do more. As a result of their early support and consistent engagement, Surdna has seen managers take big steps forward in impact reporting and increasing diversity within their teams and portfolio. By integrating their priorities and values into the diligence process, Surdna believes that this broader manager diligence can be as revealing as a performance record, ultimately improving manager selection and reducing risk.

5

LEARN FROM & INSPIRE OTHERS Surdna's Board, Investment Committee, and staff met with



peers already implementing impact investing strategies. They leaned on Cambridge Associates' experience working with other client portfolios of similar size within the space. While there were fewer examples of successful implementation in 2015 than today, Surdna's decision to meet with others helped leverage key learnings and now helps other organizations implement programs and, in some cases, invest in the same managers, thus furthering their impact.

6

REFLECT & ITERATE Surdna's Board and Investment Committee, in partnership with Cambridge Associates, frequently assess the progress of their impact investing program to identify areas for improvement, all in pursuit of greater mission alignment across the total portfolio. As Surdna seeks to do more —be more aligned, drive more impact, benefit more stakeholders —the impact investing portfolio reflects the value of taking risk in the name of mission.

Surdna supports and invests in the growth of robust, sustainable economies with diverse businesses owned by people of color and the advancement of equitable economic development.