Mission Align 360

CRAIG STYLES, MORGAN STANLEY
Mission Align 360°

Morgan Stanley Philanthropy Management
Step 1: Organizational Assessment
- Gain an understanding of your organization's mission, values and objectives
- Address SRI/ESG/Impact Investment goals
- Review and evaluate investment policy statements

Step 2: Asset Allocation Studies
- Objective-driven asset allocation
- Spending policy simulations
- Optimize risk and return to achieve objectives
- Set asset allocation strategy

Step 3: Investment Manager Analysis and Due-Diligence
- Unparalleled Due-Diligence by Global Investment Management Analysis (GIMA) staff
- Size and Scale enable access and favorable investment manager pricing
- Select active and passive investments per strategy

Step 4: Ongoing Review & Monitoring
- Regular investment performance reviews with trustees
- Review progress toward objective
- Review manager performance versus appropriate benchmarks and peer group
- Steps repeated as needed

Holistic Advice to Grow Your Assets - Philanthropy Management
- Private Label Donor Advised Funds
- Best Practices in Fundraising and Crowdfunding
- Board Development and Governance
- Fundraising and planned giving consulting

Board Member/Trustee Education
- Well informed boards make better decisions
- Education topics addressed at review meetings
- Topics include: fiduciary responsibilities, alternative investments, socially responsible investing, active versus passive investments, behavioral finance, modern portfolio theory (MPT) and portfolio construction.

“In the trustees of endowed institutions are the guardians of the future against the claims of the present. Their task is to preserve equity among generations.”

-James Tobin, Nobel Prize winning Economist at Yale University
The Stapleton Fox Group at Morgan Stanley

Steven B. (Steve) Stapleton, CFP®, CIMA®
• Senior Vice President and Wealth Advisor with 33 years financial services industry experience, all with Morgan Stanley.
• CIMA®, Certified Investment Management Analyst.
• CFP®, Certified Financial Planner™ practitioner.
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• MBA, Bellarmine University.
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A Snapshot: 360° of an Organization

Organizations transitioning to Mission Align 360° are encouraged to consider all available pools of capital for alignment. An organization can align for impact include:

- **FINANCIAL CAPITAL**: Investments that seek to achieve specific social and/or environmental goals while targeting market-rate financial returns.
- **PHILANTHROPIC CAPITAL**: A broad term which describes capital that has no, or low, expectation of financial return such as grant-making and program related investments.
- **HUMAN CAPITAL**: The collective skills, talents, knowledge or other intangible assets of individuals that can be used to create economic value for the individuals, their organization or their community.

Organizations transitioning to Mission Align 360° are encouraged to consider all available pools of capital for alignment.
# Mission Align 360°: Spectrum of Approaches

## MINIMIZING MISSION MISALIGNMENT

<table>
<thead>
<tr>
<th>Definition</th>
<th>ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INTEGRATION</th>
<th>THEMATIC EXPOSURE</th>
<th>IMPACT INVESTING</th>
<th>PROGRAM RELATED INVESTMENTS</th>
<th>GRANTS</th>
</tr>
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<tbody>
<tr>
<td><strong>Restriction Screening</strong></td>
<td>- Managing exposures by intentionally avoiding investments based on specific criteria</td>
<td>- Proactively considering ESG criteria alongside financial analysis to identify opportunities and risks during investment process</td>
<td>- Focusing on themes and sectors dedicated to solving sustainability-related domestic and global challenges</td>
<td>- Allocating to investment funds focused on private enterprises structured to deliver specific positive social and/or environmental impacts</td>
<td>- Awarding non-repayable funds to businesses, individuals or other entities to help promote and advance mission of foundation</td>
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## INCREASING DIRECT IMPACT

- Managing exposures by intentionally avoiding investments based on specific criteria
- Proactively considering ESG criteria alongside financial analysis to identify opportunities and risks during investment process
- Focusing on themes and sectors dedicated to solving sustainability-related domestic and global challenges
- Allocating to investment funds focused on private enterprises structured to deliver specific positive social and/or environmental impacts
- Employing varying financing methods (loan guarantees, lines of credit, equity investments, etc.) to achieve mission
- Awarding non-repayable funds to businesses, individuals or other entities to help promote and advance mission of foundation

Financial Capital

Philanthropic Capital

Human Capital Strategy & Implementation
The Mission Align 360° process facilitates an examination of an organization’s human, philanthropic, and financial capital to advance its mission and impact.

**AFFIRM**
Mission of charitable organization, including how it was created, is currently pursued, and how it is envisioned for the future

**DEVELOP**
An integrated investment policy statement (IPS) that clearly articulates impact goals alongside financial goals and charitable mission

**DETERMINE**
Potential uses of capital (market-rate investments, human, and philanthropic) that support and drive mission

**MONITOR**
Portfolio performance for adherence to IPS and operational performance for adherence to mission; identify opportunities to activate capital to further impact

**EXAMINE**
The efficiency of the internal structure and operating model (Spending Policy Statement) in regard to achieving mission; identify key team responsible for collective mission-alignment implementation

**EVALUATE**
Use of capital (human, financial and philanthropic) according to mission-alignment, impact approach and financial goals

**ALLOCATE & TRANSITION**
Capital to mission-aligned strategies

**CONNECT**
To stakeholders (donors, peer organizations, and external networks) and leverage available resources
# Affirm the Mission

## AFFIRM ORGANIZATION’S MISSION

By affirming your organization’s mission statement, you can successfully define your organization’s purpose and provide key stakeholders with a clear vision of what the organization is working to achieve.

## SAMPLE QUESTIONS

- How is our mission currently pursued? Does our mission statement accurately reflect our work?
- What external market forces have impacted our ability to deliver on our mission?

## POTENTIAL ACTIONS

- Complete Discovery Questionnaire
- Review Mission Statement
## Examine Internal Operating Efficiency

<table>
<thead>
<tr>
<th>EXAMINE INTERNAL OPERATING EFFICIENCY</th>
<th>Transitioning to Mission Align 360° requires an assessment of your organization’s human, philanthropic, and financial capital and how such capital is allocated in order to accomplish your mission.</th>
</tr>
</thead>
</table>
| SAMPLE QUESTIONS                    | • Do we have appropriate processes in place to achieve our vision?  
  • Have we defined a link between the teams that manage programs and investments? |
| POTENTIAL ACTIONS                   | • Determine internal champions of the Mission Align 360° Process  
  • Refine and establish processes that will promote Investing with Impact |
## Develop an Integrated IPS

<table>
<thead>
<tr>
<th>DEVELOP INVESTMENT POLICY STATEMENT</th>
<th>Investment Policy Statements that integrate Investing with Impact considerations should guide decisions that influence aligning assets and goals, and provide direction for prioritizing all available resources.</th>
</tr>
</thead>
</table>
| SAMPLE QUESTIONS                    | • How do we define our endowment’s value and how do we want to preserve or generate it?  
• How do we align our mission with existing or new financial objectives around the balance of risk and return? |
| POTENTIAL ACTIONS                   | • Custom Solutions Outsourced CIO (OCIO)  
• Integrate Impact Criteria into an Investment Policy Statement (Broad Impact, Gender Diversity, Catholic Values, Climate Change) |
**Evaluate Existing Assets**

<table>
<thead>
<tr>
<th>EVALUATE EXISTING ASSETS</th>
<th>Your organization’s assets should be evaluated according to both mission alignment and positive impact and financial goals.</th>
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</table>
| SAMPLE QUESTIONS         | • How do we quantify and evaluate the impact current assets are making?  
                            • Are we invested in assets that erode our mission? |
| POTENTIAL ACTIONS        | • Determine the impact approach being used on each asset class  
                            • Determine portion of portfolio aligned to impact; where potential gaps exist and where impact should be strengthened |
# Determine Potential Uses of All Capital Pools

## DETERMINE POTENTIAL CAPITAL USE

Achieving Mission Align 360° requires an open mind and creative thinking, and encourages organizations to consider all available pools of capital for potential allocation toward its mission.

## SAMPLE QUESTIONS

- How do we decide what opportunities align best with our mission?
- What is the optimal asset allocation that aligns with our financial and impact objectives?

## POTENTIAL ACTIONS

- Examine the impact of each strategy in regard to achieving the mission
- Use Bridge to Mission approach and allow for creative solutions
Allocate and Transition Assets

<table>
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<tr>
<th>ALLOCATE AND TRANSITION ASSETS</th>
<th>An organization has numerous opportunities to allocate capital across the spectrum of Mission Align 360° approaches to produce greater positive impact.</th>
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<tbody>
<tr>
<td>SAMPLE QUESTIONS</td>
<td>• What assets are we able to transition (divest, invest or reallocate) now?</td>
</tr>
<tr>
<td></td>
<td>• Do we plan to transition further assets in the future? When?</td>
</tr>
<tr>
<td>POTENTIAL ACTIONS</td>
<td>• Decide whether a carve-out or gradual transition to Mission Align 360° is appropriate</td>
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<tr>
<td></td>
<td>• Speak with investment managers of funds that are being considered for a mission-aligned portfolio</td>
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Monitor Portfolio

<table>
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<tr>
<th>MONITOR PORTFOLIO</th>
<th>Impact measurement is a key evaluative tool to assist your organization in understanding the value of your investments.</th>
</tr>
</thead>
</table>
| SAMPLE QUESTIONS  | • Why do we monitor grants, mission alignment and financial performance? How and at what frequency?  
                   • What impact data is available and most applicable to our mission? |
| POTENTIAL ACTIONS | • Work with an advisor to set procedures and guidelines for monitoring impact  
                   • Stay up-to-date with proxy voting and shareholder engagement results |
## Connect to Stakeholders

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<tr>
<th>CONNECT TO STAKEHOLDERS</th>
<th>Publicly sharing your organization’s journey to Mission Align 360° will assist the board, staff, donors, stakeholders and peer organizations in understanding the steps taken to better achieve their mission and values.</th>
</tr>
</thead>
</table>
| SAMPLE QUESTIONS | • What resources are there to stay up-to-date on ideas we value?  
• How do we share results and success stories with the public? |
| POTENTIAL ACTIONS | • Employee education: Investment team to educate employees on impact of financial goals on constituencies and foundation’s bottom line  
• Highlight case studies: Connect financial stories to mission |
How much more of your organization’s mission can be achieved if you maximize and leverage all available pools of capital for innovative and mission-focused efforts?
Mission Align 360°: Case Study

A decades old institution grappling with leadership turnover seizes opportunity to conduct holistic review of the organization across all capital pools to ensure better mission alignment under new leadership.

**AFFIRM**
Mission is still relevant based on how nonprofit has restructured over the last decade and ways to avoid mission drift that previously plagued organization.

**DEVELOP**
An integrated investment policy statement (IPS) that clearly articulates newly developed impact goals alongside financial goals and charitable mission.

**DETERMINE**
Near term use of capital to create stability after period of volatility and review long-term deployment of capital in support of mission.

**MONITOR**
Portfolio performance for adherence to IPS and operational performance for adherence to mission; identify opportunities to activate capital to further impact.

**EXAMINE**
Leadership structure and relationship to board to create greater opportunity for leadership success and mission alignment with a reduction in turnover.

**EVALUATE**
Current use of capital according to mission-alignment strategy, revised impact approach and financial goals.

**ALLOCATE & TRANSITION**
Capital to mission-aligned strategies under auspices of new leadership team and refreshed board of directors.

**CONNECT**
To stakeholders (long-time and new donors, organization members, and external networks) and leverage available resources.
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