

Impact Investing at the John D. and Catherine T. MacArthur Foundation

Since 1986, MacArthur has made [impact investments](#) to support a global, diverse array of nonprofit and for-profit organizations. Today, the Foundation has dedicated \$500 million of its assets to a separately managed impact investment portfolio. This capital provides relatively large debt and equity investments and guarantees to social enterprises, nonprofits and funds dedicated to achieving positive social, economic and environmental change.

By integrating the Foundation's impact investments staff within core programmatic teams for select areas of work, we use impact investments in concert with other forms of philanthropic support to further the accomplishment of key strategic goals.

[Our approach](#)

Foundations have unusual flexibility as impact investors, allowing us to unlock other, larger sources of capital that, in turn, fuel significant and lasting progress.

In our experience, this requires more than intention to do good or to find good investments. It generally requires special effort and expertise to make investments that a particular social sector enterprise will find useful. Organizations serving people who are economically poor, working in disinvested or undeveloped regions and aiming to realize larger public benefits often face significant economic constraints, policy risks and other challenges that make them less financially attractive to or more difficult and costly for conventional lenders and investors to consider.

Accordingly, MacArthur seeks to act as a strategic high-impact investor in three main ways:

- Fueling sector, market and enterprise development by providing a test-bed for innovation, enabling new organizations to build track records, scale and strength, and holding recipients accountable for discipline that makes them more successful and sustainable;
- Providing risk mitigation and devising innovative financial vehicles or structures;
- Experimenting with promising capital market practices or interventions in order to inform the development of new or improved subsidy, tax incentives and regulatory mandates.

While prioritizing situations in which ordinary investors are unwilling or unable to provide capital in sufficient amounts, or on terms that are workable on their own, we seek to avoid "crowding out" other conventional capital sources and remain mindful that, often, grants may be the more suitable or only form of appropriate support.

Learn more about the Foundation's approach in this October 2015 [Inside Philanthropy interview](#) with MacArthur's Managing Director for Impact Investments, Debra Schwartz.

MacArthur's focus: Taking on a new, market-making role

In addition to using impact investments as a core "tool" for our own work, we are building out a major marketplace innovation capacity, creating new investment products and platforms that unlock more capital for the social sector by making it easier for others to participate in high-impact investments.

Most recently, we launched a \$100 million collaboration called *Benefit Chicago* with Calvert Foundation and The Chicago Community Trust. More collaborations and experiments of this kind are underway. We believe significant structural and practical gaps continue to block the flow of capital in the impact investment marketplace. Bridging these gaps systemically will require purposeful action and new forms of risk-taking by private foundations and others with large amounts of permanent flexible capital.

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Together, we must purposefully build easier, more diverse and efficient ways to raise and deliver capital within the the impact investment marketplace. New, large-scale, financially sophisticated, yet philanthropically minded syndication and market-making capacity is essential. Without this, we do not believe that impact investments can fully “democratize” or “mainstream” in ways that reach the full spectrum of outstanding, innovative and fast-growing social sector enterprises.

Examples

The following examples illustrate how MacArthur uses investments, as well as grants, to extend its reach, deepen its impact, and to help inform and strengthen the fast-growing impact investment field.

[Housing Partnership Equity Trust](#): A \$10 million MacArthur impact investment in 2013 anchored the formation of the nation’s first and only nonprofit-sponsored REIT, a fast-growing social enterprise with more than \$200 million in total capital thanks, in large measure, to an added \$12.5 million guaranty in 2015 -- MacArthur’s first ever “liquidity facility.” Read more in the [Wall Street Journal](#), which covered its launch.

[Window of Opportunity](#): A 15-year \$150-million initiative which has spurred the preservation of hundreds of apartment properties, providing better homes and improving communities for more than 250,000 people nationwide. A combination of impact investments and grants leveraged more than \$6 billion in capital for these critical housing assets and expanded the social sector’s capacity to meet the nation’s ongoing critical need for a more robust and secure supply of quality affordable rental housing.

[NEXT Awards for Opportunity Finance](#): A \$70 million collaboration initiated a decade ago by MacArthur, and funded jointly by Wells Fargo, Prudential and the Kresge Foundation, providing loans and grants to fuel the growth and impact of innovative Community Development Financial Institutions across the US.

[Oxford University's Säid School of Business](#): A grant supporting [“The Landscape of Social Impact Investment Research: Trends and Opportunities”](#) lays out a research agenda to better inform policy, practice and market development.

[ImpactUS](#): A grant to Enterprise Community Partners will help establish this new online investment marketplace—ImpactUS—where social-purpose financial intermediaries can issue securities and raise capital to revitalize low-income areas, help nonprofits expand their capacity and provide responsible banking alternatives to expand access to credit and combat predatory lending.

About MacArthur

The John D. and Catherine T. MacArthur Foundation supports creative people, effective institutions and influential networks building a more just, verdant and peaceful world. MacArthur is placing a few big bets that truly significant progress is possible on some of the world’s most pressing social challenges, including [over-incarceration](#), [global climate change](#), nuclear risk and significantly increasing capital for the social sector. In addition to the [MacArthur Fellows Program](#), the Foundation continues its historic commitments to the role of [journalism](#) in a responsible and responsive democracy; the strength and vitality of our headquarters city, [Chicago](#); and generating new knowledge about critical issues.

MacArthur is one of the nation's largest independent foundations. Organizations supported by the Foundation work in about 50 countries. In addition to Chicago, MacArthur has offices in [India](#), [Mexico](#) and [Nigeria](#).

See more at www.macfound.org