MaRS | CENTRE FOR IMPACT INVESTING

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Meet the Investors

There is currently a range of established and emerging financial actors in Canada. For a comprehensive list of available social finance funds, please visit the MaRS Centre for Impact Investing, Directory of Funds.

Banks

A major portion of the involvement of Canadian financial institutions in social finance has been through the lens of socially responsible investing (SRI). SRI is loosely defined as an investment approach that includes non-financial, ethical (e.g. social and environmental) objectives, and negatively screening public equity funds to avoid the support of damaging activities (such as tobacco, pollution, and natural habitat depletion). SRI in Canada amounts to $609 billion and has been growing steadily over the last decade.
According to Thomsen Reuters, 65% of SRI funds outperformed non-SRI benchmarks in 2009 across nearly all asset classes.

Impact investing is now being explored by banks wishing to be perceived as solution providers with respect to social and environmental issues. Investment bankers, wealth advisors, and fund managers are beginning to seek impact-focused products in response to client demands. This reality leads to information sharing between bank departments and serves to increase the amount of innovative social finance activity occurring within the institutions.

Community Development Finance and Credit Unions

Community development finance encompasses initiatives that relate to financing community economic development (CED) and social economy initiatives. According to the Social Investment Organization, there exists a total of $1.397 billion in community investment assets in Canada, an increase from $800 million in 2006.

Caisses Desjardins du Quebec is a founding leader in developing the Quebec social economy. For community-based organizations in Ontario, the Caisses populaires de l'Ontario provides mortgages, operating lines of credit, and bridge financing.

Vancity, Canada's largest credit union, boasts over 400,000 members and $14.5 billion in assets. It has adopted a leadership role in Canadian social finance by exploring new vehicles to complement foundation funding efforts, and has appointed a Senior Executive of Social Finance to focus on growing this segment of business. Among its related programs is a micro-loan initiative that extends loans of up to $5,000 in working capital; and start-up and growth financing of between $100,000 and $5 million per deal.

Vancity Community Capital is a social finance leader specializing in providing growth capital such as subordinated debt, mezzanine financing, and patient capital to small- and medium-sized businesses and social enterprises based in British Columbia. Since formation over 10 years ago, Vancity Capital has financed over 200 businesses and social enterprises. Loan terms for social enterprises tend to span from three to five years, with each deal ranging from $50,000 to $10 million. A triple-bottom line approach is used to evaluate social finance deals.

Foundations

Public and private foundations are in the 'business' of extending grants to charitable organizations and other qualified donees in order to support social, cultural, or environmental goals. Collectively, Canadian foundations hold close to $34 billion in assets.

Traditionally, a relatively minor portion of the total assets are granted, leaving the endowment or interest-generating portion for traditional investments in order to steward the core assets for future uses.

Increasingly, inspired by the positive impact of Program-Related Investments (PRI's) in the U.S., Canadian foundations wish to unleash the power of their core capital holdings.

Inspired by PRI's, mission-related investing (MRI) involves a foundation's use of its assets (beyond interest earned on those assets) to invest in strengthening communities. Community Foundations of Canada is playing a lead role in collecting best practices and designing systems for MRI, so that as many foundations as possible can participate.

Currently, MRI is in its infancy in Canada, and is still considered to be a niche activity undertaken by a handful of trailblazing foundations. The reasons for limited foundation uptake vary: these include increased due-diligence costs associated with these deals, challenges in properly managing the investment, and the need for better impact measurement. News of Canadian successes is expected to shift this practice from 'niche' to mainstream in relatively short order.

Most MRI activity to date has focused on asset building (helping organizations purchase real estate or undertake capital renovations).

The Bealight Foundation is one of the pioneering Canadian foundations engaged in MRI. Bill Young's blog on SocialFinance.ca, called 'Foundations Need to Step Up' is a call to action for more Canadian foundations to embrace this practice.

The Canadian Task Force on Social Finance recommends that Canada's public and private foundations invest at least 10% of their capital in mission-related investments (MRI) by 2020 and report annually to the public on their activity. When this recommendation is fulfilled, it will mobilize $3.4B to align foundation investment with their public benefit mission.

In May 2011 The Community Foundations of Canada launched a Canadian Impact Investing Matrix with over one hundred investment vehicles available to Canadian Investors. The Matrix is an attempt to map out the landscape of investments that achieve both a financial return and a positive social or environmental impact.