

## VISION TO ACTION: DELIVERING OUTCOMES FOR PEOPLE AND THE PLANET

### KEY TAKEAWAYS FROM 2022

**IMPACT WITHOUT CONCESSION:** At Global Endowment Management (GEM), our impact investment managers continue to build our conviction that we can deliver positive outcomes without sacrificing returns. Today, 47% of our impact investments are held with diverse managers.<sup>1</sup> These managers invest in companies that reduce carbon emissions and waste, provide banking and credit opportunities to first-time business owners, and drive better and more equitable outcomes in education, healthcare, and housing.

**IMPACT, NOT ESG:** We at GEM believe that ESG investing and impact investing are fundamentally different. In our view, impact investing is outcomes-based and centers on social and environmental stakeholders. This is different from ESG, which mitigates financial risk and is investor-centric. While both are important, growing concerns and controversy about the rigor of ESG investing underscores our commitment to impact investing to drive outcomes for people and the planet.

**ADVANCING THE FIELD:** After identifying gaps in the market for commodities and public real estate strategies that meet our rigorous impact and return expectations, our team innovated. We invested in a manager developing the infrastructure for carbon trading—building the market for carbon credits as a commodity—and partnered with a long-time manager to create a bespoke public real estate strategy that meets the needs of our clients.



# TABLE OF CONTENTS

OUR IMPACT TODAY.....3

A RIGOROUS APPROACH.....4

MEASURING IMPACT AT GEM.....5

INVESTMENT CASE STUDIES.....6

LIVING OUT OUR VALUES.....14

ADDITIONAL RESOURCES.....16

## GEM'S IMPACT TEAM

**MEREDITH  
HEIMBURGER**

PARTNER,  
HEAD OF IMPACT



**BRANDON ZEIGLER**  
DIRECTOR



**PU-NING CHIANG**  
ANALYST



## OUR IMPACT TODAY

From our initial research on impact investing more than a decade ago, to our first-of-its-kind partnership with the Impact Management Project (IMP) to develop our GEM IMP Framework,<sup>2</sup> to our pioneering total portfolio impact approach, Global Endowment Management (GEM) has established our firm as a leader in rigorous, authentic impact investing that supports our clients in reflecting their values in their portfolios. Through this work we've honed our approach, learned what works, and innovated where we found opportunity.

We center our work around measuring stakeholder impact to enable our clients to drive positive outcomes while meeting their long-term financial needs. Our approach is grounded in rigorous impact measurement to shift capital effectively and efficiently to those investments that contribute to solving pressing social problems. This approach goes beyond ESG investing, which only considers ESG factors in an effort to mitigate financial risk.

**Over the last ten years, we've helped our clients deploy approximately \$5.8 billion towards positive social and environmental outcomes, while maintaining the same high bar for returns.<sup>3</sup>**

This represents nearly 58% of our total assets under management.<sup>4</sup>

Our innovative impact endowment program delivers meaningful social and environmental benefits alongside our clients' return objectives.<sup>5</sup>

In our impact endowment program today, 47% of managers are diverse-led or contribute meaningfully to racial or social equity.<sup>1</sup>

### THEIR PORTFOLIOS INCLUDE COMPANIES THAT HAVE:

- Avoided over 700,000 metric tons of CO<sub>2</sub> emissions,<sup>6</sup>
- Reduced health-related school absenteeism by up to 40%,<sup>7</sup>
- Helped over 7.5 million people access a bank account or credit for the first time, and<sup>8</sup>
- Provided care to over 10,000 patients per month in the comfort of their own home, prevented nearly 100,000 ER visits and 3,000 hospitalizations, and saved its patients over \$225 million in healthcare costs.<sup>9</sup>

# A RIGOROUS APPROACH



**When it comes to impact investing, we've found that investors typically have two questions:**

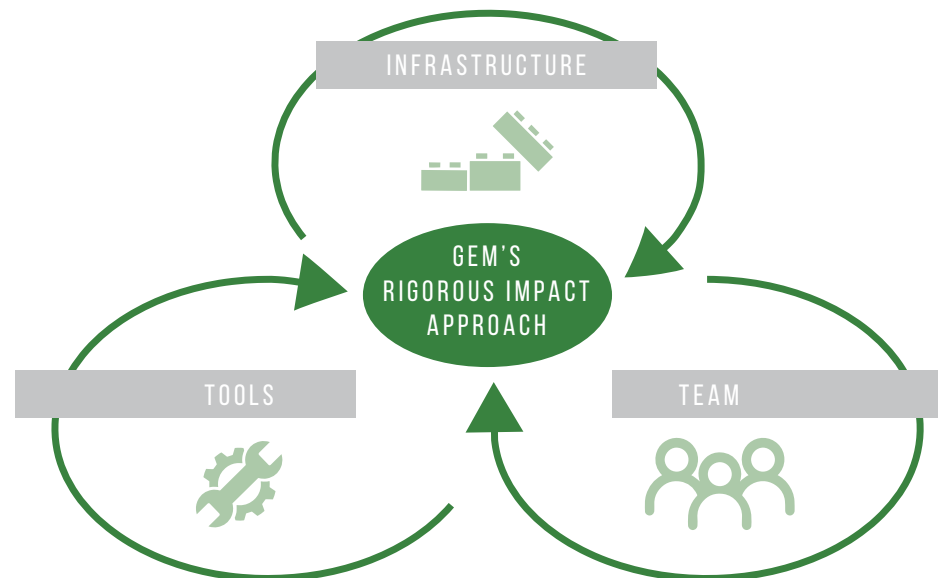
1

WHAT IS IMPACT?

2

HOW DO YOU MEASURE IT?

Over the years, we've developed the tools, team, and infrastructure to address these questions. We leverage leading academic and non-profit research, our relationships with the managers we invest in, and detailed, thorough analysis to underwrite the outcomes experienced by stakeholders as a result of each of our investments across every asset class in our portfolio.



# MEASURING IMPACT AT GEM

We apply the GEM IMP framework to measure the impact of every investment we make on five stakeholders: customers, planet, employees, supply chain, and community.

We invest primarily with active investment managers; therefore, we measure impact in terms of (1) the portfolio score to quantify the impact of portfolio companies on the five stakeholders, and (2) the manager score to quantify the investment manager's actions that contribute to positive outcomes and/or avoid negative outcomes for stakeholders.

Our clients have complex, multi-asset class portfolios designed to achieve their risk, return, and impact objectives. We provide transparency to GEM clients regarding the impact classification of investments in their portfolios, and partner with them to develop portfolios that meet their unique objectives.<sup>10</sup>

## The ten years we've spent doing this work have reinforced three beliefs we've long held:

1

**IMPACT INVESTING IS OUTCOMES-BASED.** While ESG is a risk assessment tool, impact investing is centered on measuring and managing outcomes experienced by the stakeholders—the people and planet—that come into contact with investments.

2

**IMPACT IS MULTI-DIMENSIONAL.** One investment can impact several stakeholders. Industries like manufacturing can benefit customers while harming the planet. Meanwhile, clean energy can decrease reliance on fossil fuels, but—when done poorly—can displace entire communities. This requires careful analysis to understand implications of all investments on all stakeholders.

3

**IT IS POSSIBLE TO INVEST FOR IMPACT WHILE ALSO GENERATING ALPHA.** Our program requires that all GEM investments meet the same rigorous due diligence standards. For impact investments, this means mobilizing client capital to deliver meaningful social and environmental outcomes without sacrificing returns. Our approach seeks to enable investors to generate outsized returns while utilizing their endowed assets to yield positive social and environmental outcomes.<sup>5</sup>

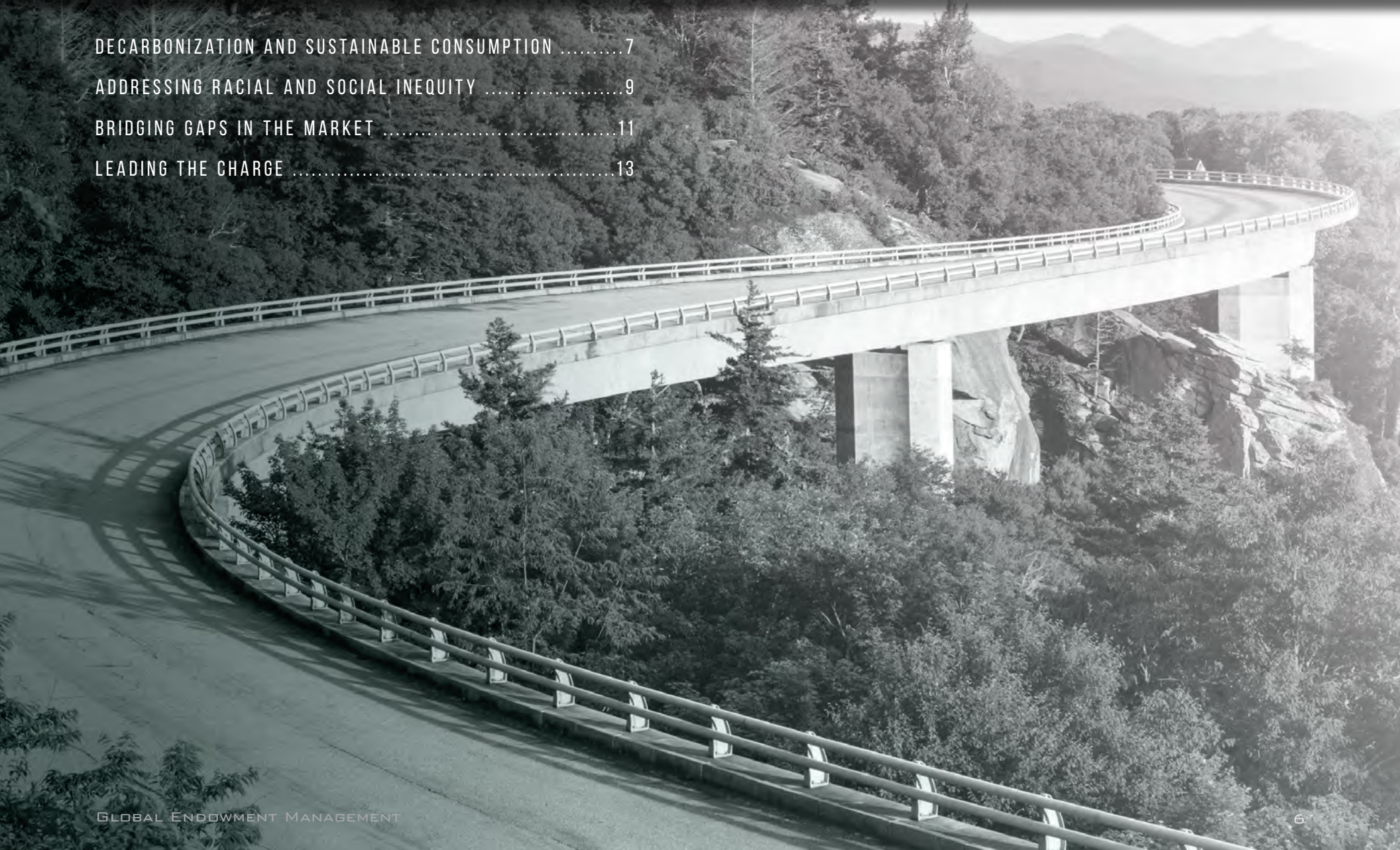
### In Focus:

**We support our clients in investing in the broader context of the world around us. Our impact investments help address pressing challenges facing a variety of stakeholders, advance the UN Sustainable Development Goals<sup>11</sup> and support the stated values and objectives of our clients.**

VISION TO ACTION: DELIVERING OUTCOMES FOR PEOPLE AND THE PLANET

# INVESTMENT CASE STUDIES

DECARBONIZATION AND SUSTAINABLE CONSUMPTION .....	7
ADDRESSING RACIAL AND SOCIAL INEQUITY .....	9
BRIDGING GAPS IN THE MARKET .....	11
LEADING THE CHARGE .....	13



# CASE STUDY: DECARBONIZATION AND SUSTAINABLE CONSUMPTION

## The problem:

In 2022, the Intergovernmental Panel on Climate Change (IPCC) published its sixth annual report assessing the state of climate for policy makers. The report found that, across several modeled scenarios,

**“there is at least a greater than 50% likelihood that global warming will reach or exceed 1.5°C in the near-term, even for the very low greenhouse gas emissions scenario.”**

According to the report, the world is due to exhaust its carbon budget as soon as 2031.<sup>12</sup> With the year 2022 capping a string of “warmest years on record,”<sup>13</sup> and rates of extinction 10-100x higher than the years before,<sup>14</sup> the global threat facing human health, biodiversity, and society has never been greater. But it is also an opportunity: We must act with urgency to invest in a new, sustainable, regenerative economy.

## HOW WE DO IT:

Case Study: Decarbonization and Sustainable Consumption

### We focus on high-impact solutions to overlooked and under-addressed problems in the climate space.

We invest in managers who are driving efforts to create sustainable consumption and production while decarbonizing existing systems.



One example is **Summa Equity Partners**, an EU-based manager that invests in resource efficiency, changing demographics, and tech-enabled transformation.

The firm has a particular focus on decarbonizing buildings and reducing waste, two of the largest global emitters. Summa Equity invested in an energy management company working in 300,000 buildings across eleven countries and saving 10-15% of their energy consumption, significantly reducing CO<sub>2</sub>-equivalent emissions year-over-year. The same firm continued its partnership with an environmental services business that in 2022 helped avoid 66,600 tons of CO<sub>2</sub>, equivalent to not using 154,000 barrels of oil. **Collectively, the manager's portfolio companies have helped avoid nearly one million tons of CO<sub>2</sub>, equivalent to removing over 150,000 vehicles from roads.**

The last year also underscored the importance of a stable electrical grid. Wind and solar energy can be unreliable—it isn't always sunny or always windy—forcing energy grids to default to traditional sources, like natural gas, particularly during periods of peak demand. Unpredictable weather has been surging in recent years, making outages more frequent.<sup>15</sup> In 2022, the U.S. electrical grid faced an onslaught of extreme weather; blackouts might have been more widespread, but were mitigated by surplus energy from high winds and heavy sun exposure.<sup>16</sup>



That's why GEM's investment in one of the largest battery storage projects in the world remains as relevant today as ever, helping to bridge a key gap in the renewable space. **The project has 200 megawatts of capacity that can be fed into the grid during periods when wind and solar alone are insufficient.** This significantly reduces carbon emissions from energy use, while decreasing the cost of delivered energy and creating the smoothing effect required to effectively use renewables, especially in a changing climate. It also significantly reduces environmental stress from land and water usage associated with less efficient sources of power.

Our investments in groups like these advances the just transition in two ways: (1) We accelerate the development of solutions to under-addressed or overlooked problems in the climate space, and (2) we generate meaningful positive impact for the planet and the communities it supports.



# CASE STUDY: ADDRESSING RACIAL AND SOCIAL INEQUITY

## The problem:

**Following a period of significant upheaval, VC funding to Black startup founders fell by more than 50% in 2022.<sup>17</sup>**

It's a reality that underscores a continued challenge: Today, neither outcomes nor opportunity are equal. Of the investment industry's \$82 trillion in assets, a little over 1% is managed by women and people of color, collectively.<sup>18</sup> Even less by those who are Black. For fund managers of color, a seminal Stanford study found that the better the manager performs, the less likely they are to receive funding from LPs.<sup>19</sup> At the same time, the United States has a 10x wealth gap between Black and white households.<sup>20</sup> Even when holding other factors equal, this gap's persistence among even the wealthiest households illustrates how pervasive it is: Among the top 1% of American households, the median net worth for Black families is \$1 million, while the median for white families is \$12 million.<sup>20</sup>

Women and founders of color also receive significantly less funding from investors. Black founders are more likely to have a loan denied or receive less than requested relative to their white counterparts with the same qualifications.<sup>20</sup> Meanwhile, studies have found gendered bias in

how venture capitalists review founder pitch decks.<sup>21</sup> Investors spend 50% more time scrutinizing the "traction" section of presentations from women-led teams, 24% more time reviewing the product, and 30% less time reviewing the ask. Black women are the least likely to receive venture funding; they receive only 0.5% of all venture dollars despite being the fastest growing demographic of entrepreneurs.<sup>22</sup>

These are just some of the key inequities that stifle social mobility, innovation, and opportunity, and they are intimately interwoven with where and how capital is allocated. They underscore the need to invest with a racial and social equity lens, and for an economy that undoes historical and present-day harms and creates opportunity for all.

## HOW WE DO IT:

Case Study: Addressing Racial and Social Inequity

### We invest with a racial and social equity lens, and into fund managers whose investments and operations address pressing issues facing communities.



One example is **Precursor Ventures**. Our investment in Precursor addresses several issues related to diversity in venture capital.

First, Precursor is 100% Black-led, a rarity among venture capital firms. Second, Precursor's investments in women- and people of color-owned portfolio companies provides initial funding to underrepresented entrepreneurs and attracts follow-on investors, thereby increasing the likelihood of long-term success. These businesses often work to solve pressing and overlooked problems for communities of color. Finally, these investments, and the activities of the founder in the broader startup and venture ecosystem, help create a wealth of diversity among the decision makers in investing, technology, and business. Recent investments include a business—led by a woman of color—that addresses the lack of diversity in corporate boards and senior management by connecting companies with women board members and executives of color; and a Latino-led app that enables its users to hire local students and young people for simple outdoor yardwork.



Another example is **BBG Ventures**. BBG is an all-woman-led venture capital firm investing in underrepresented founders, and especially in women-led founders.

In an industry where less than 1% of funding goes to women of color, approximately 30% of companies in BBG's most recent fund are led by Black or Latina women. Around 70% of their companies have women of color as founders. Meanwhile, BBG's portfolio companies are solving pressing problems. In 2022, these included a company focused on equitable access to maternity care and a financing platform that makes fertility treatment more affordable and accessible; a global care empowerment solution enabling leading employers to support employees caring for loved ones or themselves; and a mobile infrastructure company supporting first responders and disaster teams by enabling connectivity anywhere on earth.

Our investments in managers like BBG and Precursor represent the initial step in a domino effect: An investment in a diverse manager changes the narrative around who is able to generate wealth and who holds decision-making power; it expands access to capital for diverse entrepreneurs at the earliest stages; and it supports solutions to pressing problems for all communities.

# CASE STUDY: BRIDGING GAPS IN THE MARKET

## The problem:

**In a multi-asset class portfolio, each asset type plays an important role in driving returns and mitigating risk. Each asset class also carries its own set of risks and opportunities for the environmental and social stakeholders it affects.**

**In some asset classes, impact is highly variable making it difficult to identify opportunities that effectively mitigate harm or benefit stakeholders.**

In 2022, we undertook an extensive research project to understand the impact of commodities investments on stakeholders. We found that most commodities, even when sustainably sourced, carry some form of risk to the planet and supply chain stakeholders. After conducting similar research last year regarding real estate investment trusts (REITs), we found that these vehicles often have exposure to assets like private prisons and detention centers, manufactured housing, and oil and gas refinement, that may cause stakeholder harm or be misaligned with the goals of mission-driven investors. In cases like these, we innovate.



## HOW WE DO IT:

Case Study: Bridging Gaps in the Market

### **We invest in and develop strategies to address key gaps in the market.**

Green Trading Capital (GTC) is an environmental commodity manager that is building the economic infrastructure for carbon trading. Rather than invest in traditional commodities, like metals, GTC invests in emissions trading systems (ETS). ETSs are a market-based approach to controlling pollution by providing economic incentives for achieving reduction in emissions. In an ETS, entities that fail to reduce emissions are at an economic disadvantage since they are forced to internalize the cost of their pollution. However, ETSs are an emerging market, with limited infrastructure to support adoption and participation. Today, GTC enables participation in ETSs like California's cap-and-trade program. By acting as a vehicle enabling investment in the growing carbon market, GTC contributes to the movement of capital towards this important emissions reduction tool.

Similarly, when we found last year that the market for passive real estate strategies that take meaningful action to avoid stakeholder harm and drive outsized returns was limited, we partnered with a long-term GEM manager to develop a new strategy that excluded many of the potentially harmful sectors found in REITs: private prisons, oil and gas refinement, firearms, and tobacco.

Our investment in sustainable commodity managers like GTC helps to mitigate the catastrophic impacts of pollution—on our planet and our health. Meanwhile, our development of innovative strategies helps mitigate stakeholder harm in an industry with otherwise variable outcomes, and advances the goals and objectives of our mission-driven investors while ensuring their ability to extend their impact into perpetuity.



# LEADING THE CHARGE

## Client Spotlight: The Winston-Salem Foundation

GEM partners with our clients to develop portfolios to meet their unique needs across risk, return, and impact objectives. Where possible, we pool assets to increase scalability and decrease costs—two key barriers to impact investing for endowments and foundations. The Winston-Salem Foundation is a community foundation that supports charitable programs in the greater Forsyth County area of North Carolina. The Foundation's primary focus is building an inclusive economy and advancing equity in education.

At GEM's annual investor conference in 2022, the Winston-Salem Foundation management team learned about GEM's impact investing offering and was inspired to explore further. After carefully considering their fiduciary responsibility, the board concluded that investing in alignment with the Foundation's mission and values was also an essential part of their duty. The team was impressed by GEM's innovative approach to impact investing, so they ultimately elected to allocate assets to GEM's impact portfolio.

GEM was honored to partner with the Foundation to meet both its investing and impact goals. Our impact portfolio aims to deliver the same level of returns as our traditional endowment-style investment programs, while avoiding investments with potentially negative impact and delivering meaningful positive outcomes to stakeholders.<sup>5</sup>



# LIVING OUT OUR VALUES

DIVERSITY, EQUITY, AND INCLUSION .....15

THE GEM FOUNDATION .....15

COMMUNITY ENGAGEMENT .....15



# LIVING OUT OUR VALUES

## Our Commitment to Diversity, Equity, and Inclusion

We aim to cultivate an organization that reflects the richness and range of experiences and identities we engage with each day. We believe that diversity—a mix of people who offer various perspectives, experiences, and values—is an asset. Research shows that diverse teams are more creative, focused on facts, and make better decisions than homogenous groups. Equity and inclusion unlock the value of diversity through intentional orchestration of communication, engagement, and professional development opportunities to create a deep sense of belonging. GEM's commitment to DEI bolsters our judgment, our integrity as professionals, and our respect for all. We are committed to enacting real, meaningful impact in our firm, our community, and beyond.



## The GEM Foundation

Established in 2013, the GEM Foundation is an employee-led organization that makes philanthropic grants to local organizations. In 2022, the Foundation donated \$77,500 across the following organizations:

- **Commonwealth Charlotte's** Generation 2080 program, which is dedicated to reversing generational poverty;
- **Eliminating the Digital Divide (E2D)** to build a new lab in Charlotte;
- **ROC** to train high school students in construction-related trades; and
- **Communities in Schools** to support 4,000 students across 55 schools.

In addition, 81% of GEM employees requested matching gifts, for a total of \$50,000 donated to 75 local organizations.

## Community Engagement

In 2022, 50% of GEM employees volunteered 950 hours of time to support seven local organizations. Through our partnership with **Heart Math Tutoring**, 30% of GEM team members provided 460 hours of one-on-one tutoring to students in Charlotte.

# ADDITIONAL GEM RESOURCES

## Guide to Impact Investing



## Impact Measurement for Complex Portfolios



## Investing for Equity



# ABOUT GLOBAL ENDOWMENT MANAGEMENT

Global Endowment Management (GEM) is a leading Outsourced Chief Investment Office (OCIO) providing institutional investment capabilities for endowments, foundations, and other long-term investors. For over fifteen years GEM has stewarded the financial assets of our clients to enable them to fulfill their missions. GEM's history is deeply rooted in endowment-style investing, with today's approach modernized to offer custom solutions tailored to each client's unique investment needs. For more information visit [www.globalendowment.com](http://www.globalendowment.com).



# ENDNOTES

<sup>1</sup> Managers are considered diverse if (a) 25% or more of the firm founders/owners are non-white and/or non-male, and/or (b) 25% or more of the key decision-makers for the strategy in which GEM invests are non-white and/or non-male. Managers are considered as having a racial or social equity lens if they score a 1 or 2 on GEM's proprietary equity scales, the details of which can be provided upon request. Excludes strategies and firms where (a) GEM has not committed to a new fund after 2015 and/or (b) the strategy accounts for less than 0.1% of the Endowment Fund's capital and GEM does not plan to add capital; and/or (c) GEM is the primary decision-maker in an exposure-enhancing index strategy. Public material managers are all Public Equity managers from which GEM is not currently redeeming.

<sup>2</sup> For more information on the Impact Management Project, visit their website at <https://impactfrontiers.org/norms/>.

<sup>3</sup> Represents net asset value of strategies with material managers that at least meet GEM's minimum bar for impact—Acts to Avoid Harm—as of 1/1/2023.

<sup>4</sup> Assets under management as of 1/1/2023.

<sup>5</sup> Returns are not guaranteed.

<sup>6</sup> Statistics provided to GEM by underlying portfolio manager, Summa Equity.

<sup>7</sup> Statistics provided to GEM by underlying portfolio manager, Owl Ventures.

<sup>8</sup> Statistics provided to GEM by underlying portfolio manager (not disclosable due to confidentiality restrictions).

<sup>9</sup> Statistics provided to GEM by underlying portfolio manager, Oak HC/FT.

<sup>10</sup> Custom allocations require investing through a customized fund-of-one structure which typically incurs a higher expense load than a pooled vehicle.

<sup>11</sup> "The 17 Goals | Sustainable Development." United Nations. <https://sdgs.un.org/goals>.

<sup>12</sup> Pörtner, Hans-Otto, et al., editors. Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. 2022.

<sup>13</sup> Cheng, Lijing, et al. "Another Year of Record Heat for the Oceans." Advances in Atmospheric Sciences, 2023. <https://doi.org/10.1007/s00376-023-2385-2>.

<sup>14</sup> Species Extinction Rate Hundreds of Times Higher Than in Past 10 Million Years, Warns Secretary-General Observance Message, Urging Action to End Biodiversity Loss by 2030. United Nations, May 22, 2022. <https://press.un.org/en/2022/sgsm21291.doc.htm>.

<sup>15</sup> Surging Weather-Related Power Outages. Climate Central, September 14, 2022. <https://www.climatecentral.org/climate-matters/surging-weather-related-power-outages>.

<sup>16</sup> Domonoske, Camila. "Intense Cold Strained, but Didn't Break, the U.S. Electric Grid. That Was Lucky." NPR, December 30, 2022. <https://www.npr.org/2022/12/30/1145988772/intense-cold-strained-but-didnt-break-the-u-s-electric-grid-that-was-lucky>.

<sup>17</sup> Metinko, Chris. "Special Series: VC Dollars To Black Startup Founders Fell More Than 50% In 2022." Crunchbase News, February 22, 2023. <https://news.crunchbase.com/diversity/venture-funding-black-startups-2022>.

<sup>18</sup> "Knight Diversity of Asset Managers Research Series: Industry." Knight Foundation, December 7, 2021. <https://knightfoundation.org/reports/knight-diversity-of-asset-managers-research-series-industry>.

<sup>19</sup> "Race Influences Professional Investors' Judgments." Stanford News, August 12, 2019. <https://news.stanford.edu/2019/08/12/race-influences-professional-investors-judgments>.

<sup>20</sup> Fitzgerald, Dylan. "Radical Collaboration for Black Wealth Creation." Living Cities, <https://livingcities.org/resources/radical-collaboration-for-black-wealth-creation>. Accessed March 21, 2023.

<sup>21</sup> Frost, Nick. "How VC Bias in Viewing Pitch Decks Can Affect Fundraising Success." DocSend, August 14, 2020. <https://www.docsend.com/blog/how-vc-bias-in-viewing-pitch-decks-can-affect-fundraising-success>.

<sup>22</sup> Kunthara, Sophia. "Black Women Still Receive Just A Tiny Fraction Of VC Funding Despite 5-Year High." [Crunchbase News, July 16, 2021. https://news.crunchbase.com/diversity/something-ventured-black-women-founders](https://news.crunchbase.com/diversity/something-ventured-black-women-founders).

# IMPORTANT NOTES

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