"Putting Your Money Where Your Mouth Is"

Winthrop Rockefeller Foundation's Journey to Values-Aligned Investing

Adena J. White

Social-impact organizations are guided by a fundamental question: "How do we stay true to our mission?"

For grantmaking institutions, the most obvious answer to this question is an examination of the organizations and initiatives of the endowment funds as well as its strategic priorities. In the words of philanthropic professional James W. Frick, "Don't tell me what you value. Show me your budget, and I'll tell you what you value."

Imagine if foundation professionals took a proverbial peek behind the curtain and investigated the investments funding that budget. Would these investments support the mission of the foundation – or would they actively undermine it?

Andrea Dobson has devoted her nearly 23-year tenure with the Winthrop Rockefeller Foundation to ensuring its endowment portfolio aligns with its values. She serves as the chief operating and financial officer of the Little Rock-based foundation, which has a mission "to relentlessly pursue economic, educational, social, ethnic, and racial equity for all Arkansans."

"I'm not the public face of the foundation; I'm on the backside," Dobson said. "I am a person who really loves a spreadsheet but also wants to find meaning in my work. But I'm as committed to the mission as those who work in the programmatic area, and I firmly believe that the tools I work with can be deployed in the same way to achieve that mission."

Dobson understood that the first step toward values-aligned investing was to achieve buy-in from WRF's board of directors who were involved in overseeing the investments.

"I certainly play an advisory role, and they trust my opinion," she said. "But at the end of the day, they're the ones who are fully responsible, so their understanding of what we're doing and why we're doing it is critical."

Achieving Board Buy-In

On the heels of the global financial crisis, the Winthrop Rockefeller Foundation's board made a commitment in 2009 to prioritize the racial and gender diversity of its investment managers after a serendipitous meeting with the Heron Foundation.

WRF's board was in the early stages of exploring values-aligned investing and was learning how to begin from peers with similarly sized endowments. They invited representatives from Heron to attend one of their board meetings. During the meeting, they discovered that Heron's portfolio was generating favorable returns while other foundations – including WRF – were grappling with negative returns.

"Part of the reason was that they were investing in mission-aligned funds – in their case, affordable housing in New York – when other people weren't," Dobson said. "It was eye-opening for our board that a foundation could make positive returns with this type of investing, even in a horrible market.

"In our case, the amount of money we had invested had contracted significantly. The financial crisis showed us that we needed to think about values-aligned investing in more than a theoretical way; we needed better returns to continue our mission work."

Although WRF's board of directors developed a clear understanding in 2009 of what they wanted the foundation's investable assets to achieve, Dobson said they did not start making meaningful progress until they began working with a new investment advisor firm at the end of 2015.

"It's a journey," she said. "We work with investment advisors and then also with investment firms. And when we started our journey, there was a learning curve on both sides."

The Quest for a Purposeful Partnership

When searching for a new investment advisor, the Winthrop Rockefeller Foundation prioritized working with firms that aligned with its mission while not compromising the profitability of its returns. The board ultimately selected Cambridge Associates to find investment opportunities congruent with the foundation's commitment to advancing economic, educational, social, ethnic, and racial equity.

"The work of any foundation is to issue grants that solve any number of challenges and issues," said Tom Mitchell, managing director and partner at Cambridge Associates. "It would be unfortunate if those grant dollars are trying to fix programs that capitalistic investments helped create.

“You can complement and help advance your mission while being thoughtful about investing. It all comes down to purpose, priorities, and principles.”

Mitchell said hiring an investment advisor aligned with its mission was “top line” for the Winthrop Rockefeller Foundation. He added that WRF’s portfolio had undergone a “radical transformation” since 2015, and Cambridge Associates has evolved.

“Both of our institutions have gotten smarter by working together,” Mitchell said. “We interrogate different ideas, ask the important questions, and ensure it meets the financial return. We can only invest in diverse managers because our clients are asking for it. And WRF has been able to do impactful work because of their clear true north.”

Mitchell said an equitable approach to investing is the right thing to do and makes sense financially. The Winthrop Rockefeller Foundation has achieved positive investment outcomes using its mission as a guiding principle. Part of this is because WRF invests in ideas and underrepresented firms that mainstream investors are not considering.

“We still have our criteria,” said Dr. Sherece West-Scantlebury, CEO of the Winthrop Rockefeller Foundation. “It has to be profitable – they have to have a return – and their practices still have to be humane and aligned with the vision, mission, and goals of WRF. We have found organizations that are aligned, and they are headed by women, by people of color, and by white people. The key is to make sure there is alignment.”

The Impact of Values-Aligned Investing

Dobson cited an astonishing statistic about the inequities of investing. In the United States, approximately $80 trillion is being managed by professional investors. Of that, less than 2% is managed by diverse or women-led firms. Winthrop Rockefeller Foundation has intentionally addressed those inequities within its portfolio.

“We now have 44% of our portfolio invested with firms led by women and people of color, and 80% of our portfolio is values-aligned at this point,” Dobson said.

Winthrop Rockefeller Foundation’s commitment to this change has led to outperformance in 2022. Dobson said the foundation beat its benchmark by 400 basis points or 4%, and its three-year and five-year returns are similarly positive compared to peer groups.

“If you look at the data nationally, research shows time and time again that money invested with diverse-led and sustainability-focused funds outperforms more conventionally managed funds,” she said. “And yet people choose not to do it.”

Mitchell attributed this apprehension to a concern among some investors that people are losing sight of economic fundamentals. They argue that values-aligned investing may result in "too much emotion" and insufficient discipline in investment decisions.

"Because of these biases, we are not availing ourselves of the best opportunities, and people are shutting out great ideas," he said. "By being guided by the mission, we have helped clients find interesting opportunities they can get behind while having a return on impact."

West-Scantlebury added that values-aligned investing is not a trend but a consciousness.

"This is about being aware of how your endowment dollars are being spent and making sure they are spent in ways that align with your mission statement and values."

A Guide to Equitable Investing

For foundations that are ready to commit to values-aligned investing, West-Scantlebury, Mitchell, and Dobson all shared the same advice: Just get started.

"It is in your control to change it," West-Scantlebury said. "Once you begin the process and make your first investment, you will attract all the others."

Dobson provided a few practical tips for foundations that plan to adopt this approach to investing:

1. **Assess your current investments.** Take a close look at your investment portfolio and determine if it supports your foundation's stated goals and values or if it undermines the mission you are trying to accomplish.

2. **Join relevant organizations committed to transforming investment practices.** Organizations such as Confluence Philanthropy, Mission Investors Exchange, and the Diverse Asset Managers Initiative provide access to resources, education, and connections to help build your understanding of aligning your investments with your values.

3. **Learn from peers.** Just as the Winthrop Rockefeller Foundation's board connected with leaders at the Heron Foundation when WRF first began to navigate this process, Dobson encourages foundation professionals to visit with peers who have embarked on a similar journey. "Cultivate a peer group that can guide you through the process and share their experiences and insights with your team or board," she said.

4. **Start small.** Dobson reiterated that the process of values-aligned investing is a long-term commitment. Begin by taking small but meaningful steps. For a staff member looking to build board acceptance, for example, Dobson suggested that one way to start would be to transfer cash to a depository institution more aligned with your mission. “For place-based foundations, this could be as simple as depositing money into a community development financial institution as opposed to a national financial institution,” she said. “For foundations focused on racial equity, this could mean using a Black-owned bank.”

Dobson emphasized that while capital markets have perpetuated economic, racial, and social inequities, these same financial tools can be leveraged to create a more just, sustainable, and equitable society.

“This is common sense investing,” she said. “This is putting your money where your mouth is and aligning your beliefs with where your money is actually investing.”

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