



McConnell Foundation Impact Investing Annual Report

Portfolio Overview and Investment Profiles
2019





Acknowledgements

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– **Erica Barbosa Vargas**, Director of Solutions Finance

Preface

McConnell started its journey of impact investing

in 2007 when we made a \$10 million bridge loan to finance part of the construction of Quest University. The loan was repaid in full with interest in 2009. This was an important milestone for us. The experience of making a direct investment in a grantee and making a decent return at a time when the financial markets were going through great instability, gave us the confidence to further explore impact investing as means of advancing our philanthropic objectives. In 2010 we made our second impact investment, in a private equity fund investing in clean energy, sustainable food and fair-trade companies.

In 2012, with newly introduced regulatory guidelines from the Canada Revenue Agency on how Foundations could deploy Program Related Investments, we began the implementation of our Board's mandate to allocate 5% of our endowment in impact investing. We intentionally took a responsive approach to building the portfolio, holding back any assumptions about what legal structure the recipient organization should have in order to be considered an impact investment. Instead, guided by the exploratory and whole-systems approach that underlies much of McConnell's program work, we concentrated on understanding how impact could be generated by different types of investments, and whether impact investing could be implemented through all asset classes.

Our review process of opportunities concentrated on intended outcomes, the value-proposition (both impact and financial), and the process by which outcomes would be generated.

At the highest level, our investment thesis began with the following overarching impact goals:

- 1. Scale impact** (across a range of domains and sectors)
- 2. Strengthen the capacity** of the community sector
- 3. Build the marketplace** through financial innovation and by shifting institutional behaviour.

These objectives remain the same today, with the addition of a **4th goal: to build and strengthen ecosystems of innovators**. What has changed at a deeper level over the years is our appreciation of the mechanisms by which these objectives can be achieved, and as a result, an adjustment of our internal policies as they relate to the management of our entire endowment. The Board has confirmed a commitment to invest 100% of the Foundation's assets using a series of responsible investing strategies with no overall limit for impact investing.¹

¹ – The foundation's impact investing policy currently establishes a 3% limit on program-related investment, 7% limit on market-building MRIs, and no limit on Institutional-grade impact investments .

Our financial objectives at a portfolio level and allocation for the different types of impact investments² are as follows:

Return targets & allocation policy

Impact investment type	Return target	Allocation policy	
		%	Comments
Institutional MRIs	4.5% real return	Uncapped	Must fit within existing Statement of Investment Policies and Procedures (SIPP) asset classes.
Market-building MRIs		7%	Must fit within existing SIPP asset classes.
Loan guarantee	Inflation-hedge		Must be related to granting program(s).
Conventional PRIs		3%	Must be related to granting program(s).

Our impact investment portfolio today, totalling \$106 million in commitments and representing 16% of total assets under management, consists of a **diverse set of investments**: guarantees, blended finance instruments, concessionary debt, infrastructure, outcomes-based contracts, private equity, venture capital, public equity and fixed income. The impact being generated is also diverse, with areas of focus including: improving the lives of vulnerable people and communities; building new economies and markets that are inclusive; improving environmental, social and governance practices of corporations; building green urban infrastructure; introducing new financial models in the market, and more.

² – Definitions for the different types of impact investments are found in the Glossary section.

Not all our investments have been successful. As a result, early in our experience we learned about the importance of capacity building for organizations seeking to shift from a grant and subsidy business model to that of an enterprise. To be able to address this, we needed to strengthen our own internal capacity to assess the investment readiness of organizations, and to determine which financial instruments or combination of instruments would be appropriate for the impact that we collectively sought and for the readiness of the delivery partners. Impact investing in its most genuine execution really requires strong investment acumen and a deep understanding of how change is being generated on the ground, without compromising on either.

The past 10 years have been an extraordinary learning journey for us thanks to the work of our investment partners — our investees — and even those who are not part of our current portfolio but whose work we learned about during the review process.

One of the most valuable lessons has been the resulting expansion of our own understanding of and vision for the promise of mobilizing investment capital to improve the state of the world. It is precisely this enhanced perspective that we hope to offer to our audience with this snapshot report.

In the following section you will find:

- A selection of portfolio-level breakdowns of financial and impact characteristics with data as of Q4 2019.
- Individual profiles for each of our active investments containing our rationale for investing in them and the financial terms of our agreement, as well as a report on some Key Performance Indicators (KPIs) and the Sustainable Development Goals (SDGs) advanced by the investee. For some of the investments the KPIs are representative of the social or environmental outcomes sought on the ground. For others the KPIs represent outputs of their activities. The inclusion of the different indicators was dependent on data availability and collection at the time of this report. We expect that over time we will be able to report increasingly on environmental and social outcomes. For now, they are all labelled as Impact KPIs.

— **The McConnell Team**, July 2020



Table of Contents

02	Acknowledgements
03	Preface
06	Table of Contents
07	Glossary
09	Portfolio at a Glance
12	– Portfolio Overview
13	– Portfolio History
14	– Portfolio Evolution
15	– Financial Breakdown
16	– Impact Categories
17	– Drilling Down Further into the Portfolio
16	Program Related Investments
17	– How to Read Our Profiles
31	Mission-Related Investments
44	Exited Investments

Glossary

In order to make this report accessible to a wider audience we would like to offer our definitions of a few of the key terms used in this report and in the investment profiles.

Asset class is a category of financial instruments which have similar financial structures and behave similarly in the marketplace. McConnell invests across asset classes and holds impact investments in private debt, public equities, and private equity, among others.

As of Q4 2019 is to say that the data in this report is from the year before December 31, 2019.

Commitment amount is the amount of capital that McConnell has agreed to provide to the investee.

Successful exits are exits that have yielded the expected financial return while also achieving the intended impact outcomes. For private equity fund investments, for example, successful exits would be those that demonstrated a growing scale of impact between the time of investment and exit.

Target return is based on the Foundation's expectation of financial earnings over the return of initial investment capital.

Flexible capital is a category of McConnell's target return. Investment indicated as flexible capital may yield a financial return that is in line with risk-adjusted market rates or may display certain concessionary elements.

Vintage year is the starting "milestone year" when each investee began the operations. Given the diverse nature of McConnell's impact investing portfolio, its definition differs slightly between investees. For most funds, it refers to the year in which the investee made their first fund investment. For other funds, it references the start date of related activities. In many cases, the vintage year will precede the year of McConnell's investment.

Mission-Related Investments (MRIs) are investments made in either for-profit or non-profit funds with the intent of achieving mission-related objectives and normally earning risk-adjusted market-rate financial returns. We distinguish between two types of MRIs: institutional MRIs and market-building MRIs.

Institutional MRIs exhibit the following characteristics:

- Have an established track record in terms of financial performance.
- Have a deep, knowledgeable and experienced team.
- Follow a clear, repeatable and proven investment process.
- Attract institutional financial players (pension funds, endowments, etc.).
- Are of a significant size.
- Examples in our portfolio include BlackRock Global Renewable Power Fund, Area One Farms Farmland Fund and Real Ventures Venture Capital Fund.

Market-building MRIs exhibit some or all of the following characteristics:

- Target the development of a new intermediary, financial instrument, investment thesis or scope of intervention.
- Play a role in building the marketplace and help attract larger pools of capital.
- The Foundation's participation could be considered catalytic.
- Examples in our portfolio include Investeco, Greensoil, MaRS, Renewal2 & Renewal3 private equity funds.

Program-Related Investments (PRIs) are investments made in either for-profit or non-profit funds to further the foundation's programmatic objectives and to generate financial returns, with a tolerance for below-market rates of return. We distinguish between two types of PRIs: loan guarantees and conventional PRIs.

Loan guarantees exhibit the following characteristics:

- In addition to fees that may be charged, commitments made under the form of guarantees are still productive towards the endowment's financial return.
- Examples in our portfolio include the Maison du Développement Durable (\$3M) and the Desjardins Loan Guarantee Program (\$5M).

Conventional PRIs exhibit some or all of the following characteristics:

- Target the development of a new intermediary, financial instrument, investment thesis or scope of intervention.
- Play a role in building the marketplace and help attract larger pools of capital. The Foundation's participation could be considered catalytic.
- Examples in our portfolio include New Markets Affordable Rental Equity Fund, Fiducie affordable housing renovation debt fund, CoPower revolving debt warehouse, ABSCAN Indigenous housing debt pilot fund.

Development stages

The life cycle of a firm is divided into different stages that indicate which phase of growth they are in and range from pilot to mature.

Pilot projects or funds are a small scale preliminary initiative conducted in order to evaluate feasibility, duration, cost, impact, and improve upon the design prior to performance of a full-scale fund

Early stage firms are typically implementing a first full-scale fund, with a repeatable and clear process in place.

Consolidation stage firms are in a growth stage and moving beyond the first fund but may not have reached full sustainability at the firm level. At this stage the firm may be expanding the types of investors and partnerships it has

Mature stage firms or funds are of sufficient scale and capacity to be sustainable and can engage a diverse range of investors, including institutional investors.

Impact categories

The types of impact goals advanced by the investee, categorized according to McConnell's own portfolio objectives.

Scaling impact

This category applies to investments in which the capital is directed to impact enterprises or projects that are growing and therefore can scale out positive societal impact.

When the capital is invested through funds into impact enterprises, e.g. private equity funds, the scaling happens as a function of increasing market share and reach of socially or environmentally impactful products and services.

When the capital is invested in projects, the scaling is a direct function of the increase in number of beneficiaries of the project, as is the case in e.g. outcomes based contracts.

Strengthening Community Sector

This category applies when the investment enables new tools or financial mechanisms to finance organizations in the Community Sector as a whole. E.g. new type of loan for charities and non-profit organizations. It may also apply when the investment helps strengthen the financial profile of non-profit and charitable organizations through mechanisms like credit enhancements or other. E.g. guarantees.

Other forms of strengthening competitiveness and capacity of the sector may be considered.

Building the marketplace through financial innovation

This is a category that applies when the deal is being structured under a relatively new financial model or instrument in the market, or when a known financial model is being repurposed to serve a new market and/or with participation of new players.

“New” refers to either first instance of the model or the model is still at “proof of concept” phase in a new market; i.e. not mainstream.

Building the marketplace through influencing institutional behavior

This is a category that applies when the investment is intended to influence institutions in a way that has important sustainability implications in society and the economy as a whole. Examples of this would be targeted shareholder activism in companies operating in communities relevant to the Foundation’s work. Another example would be an investment structured in a way that incentivizes

participation of new types of investors

Building ecosystems

This is a category that applies when the investee not only directs capital to impact companies and organizations, but either through the investment or complementary activities, is nurturing and builds ecosystems and infrastructure to support entrepreneurs, organizations and communities.



Portfolio at a Glance

Portfolio overviews,
Financial breakdowns
and Impact categories
Q4 2019

Portfolio Overview

Foundation's total assets



\$670 M by percentage

54% Passive responsible investing

33% Active responsible investing

13% Impact investing

7% MRI IG: Institutional

3% MRI MB: Market-building

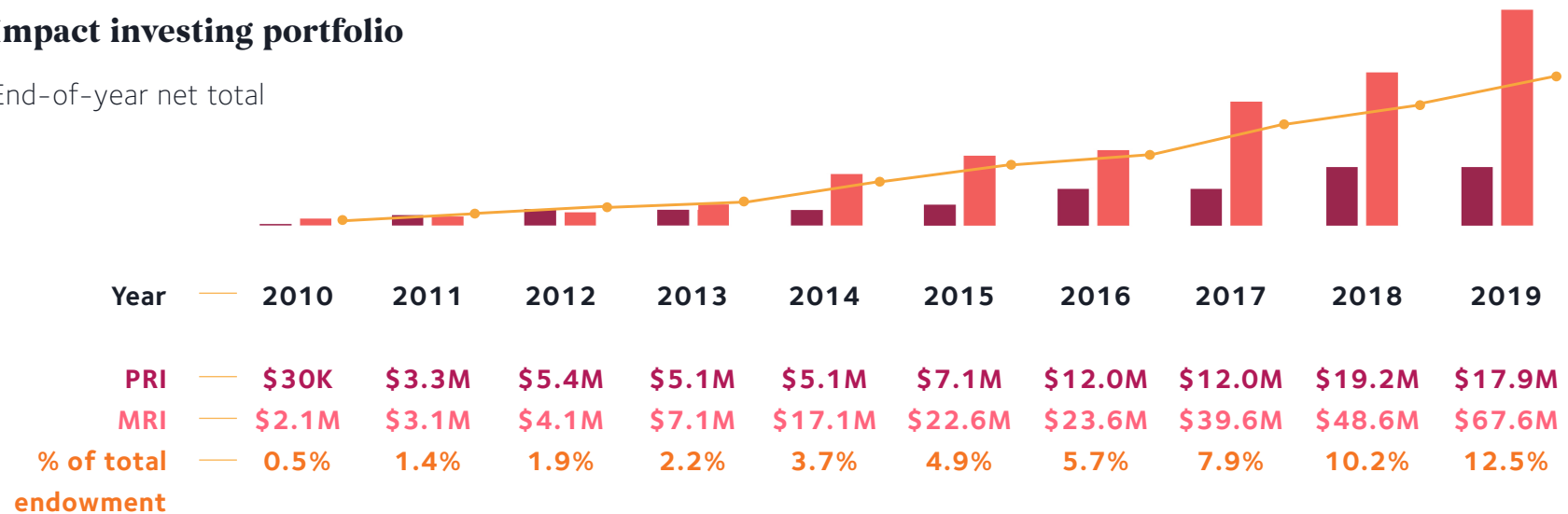
2% PRI

1% Loan Guarantee

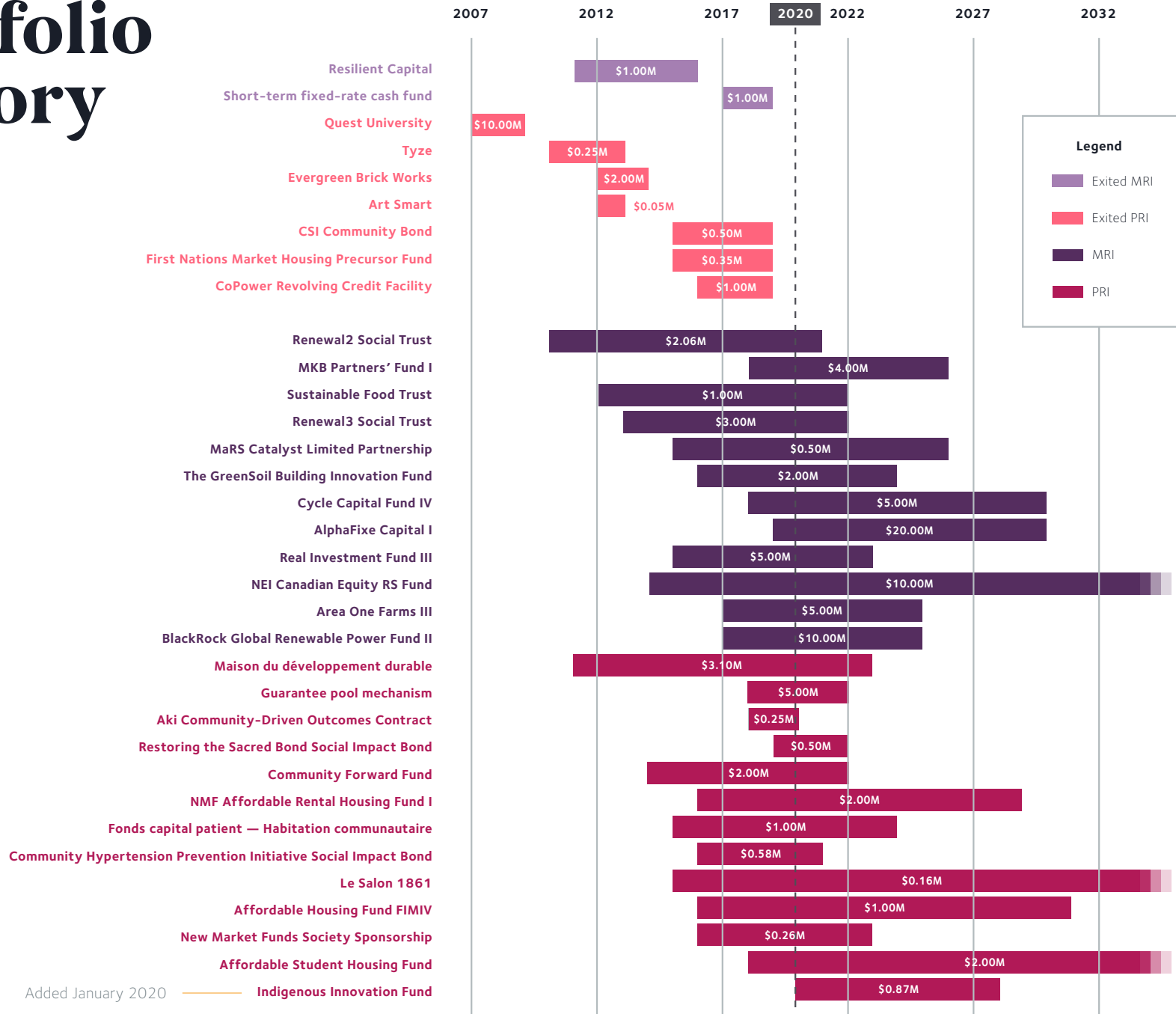
4% of endowment is granted annually;
100% of the portfolio is invested with
targeted negative screens.

Impact investing portfolio

End-of-year net total



Portfolio History

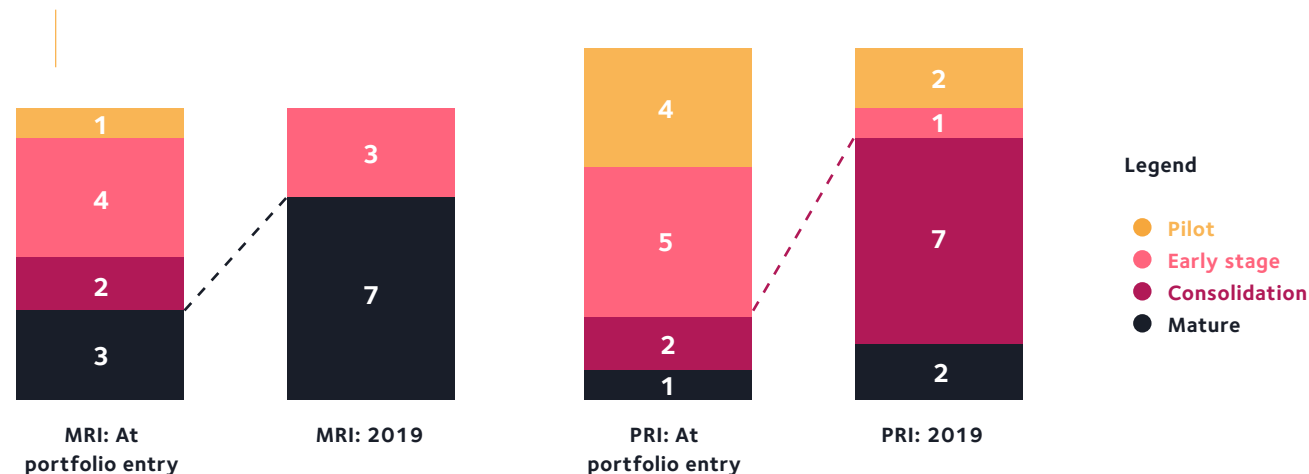


Portfolio Evolution

We are interested in understanding the evolution and growth of the impact investing market. To do this through our own portfolio we look at two metrics: 1) the total assets under management by the funds in which we invest, and 2) the development stage of our investees over time. Twelve of our investments have reached more mature stages over an average of 4.7 years.

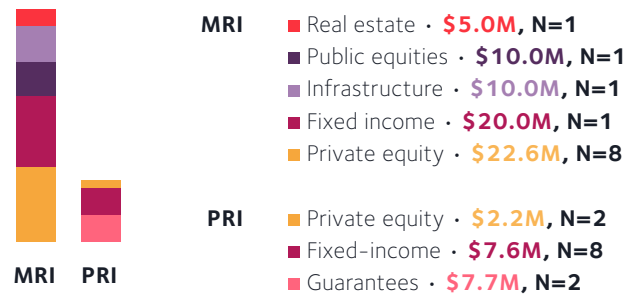
Type	McConnell's investment	Total fund / Project size	
MRI	\$48M	40x	\$1.9B
PRI	\$17M	10x	\$174M
Total	\$65M	33x	\$2.1B

Development stage of McConnell investees



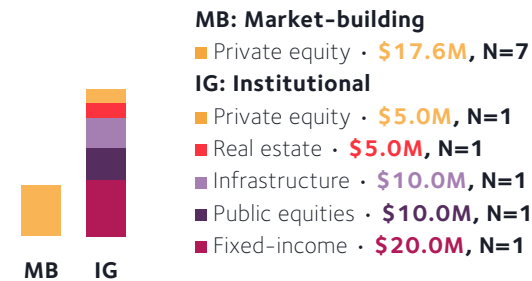
Financial Breakdown

Portfolio by asset class



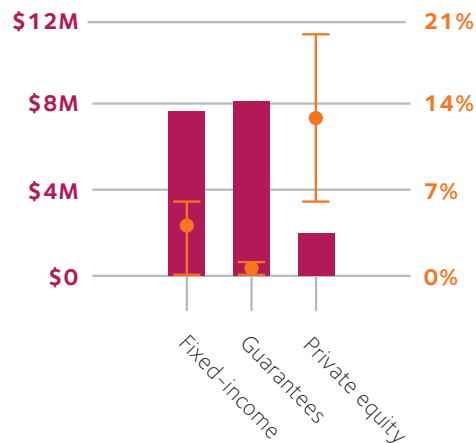
MRI Type by asset class

Numbers represent amount committed in CAD.



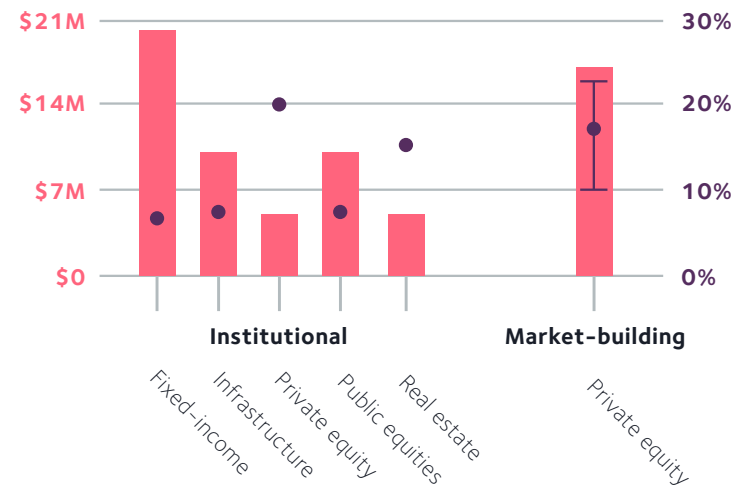
PRI asset class / Financial return

■ = Amount committed ● = Average expected rate of return



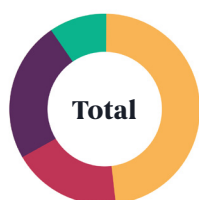
MRI asset class / Financial return

■ = Amount committed ● = Average expected rate of return

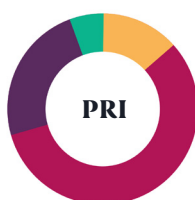


Impact Categories

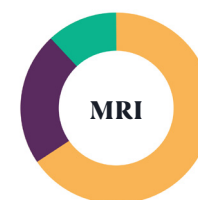
The Foundation's 25 impact investees pursue a combination of the following goals and objectives, which have been broken down into the impact categories below.



48% Scaling impact
24% Building marketplace
10% Building ecosystems
18% Strengthening community sector



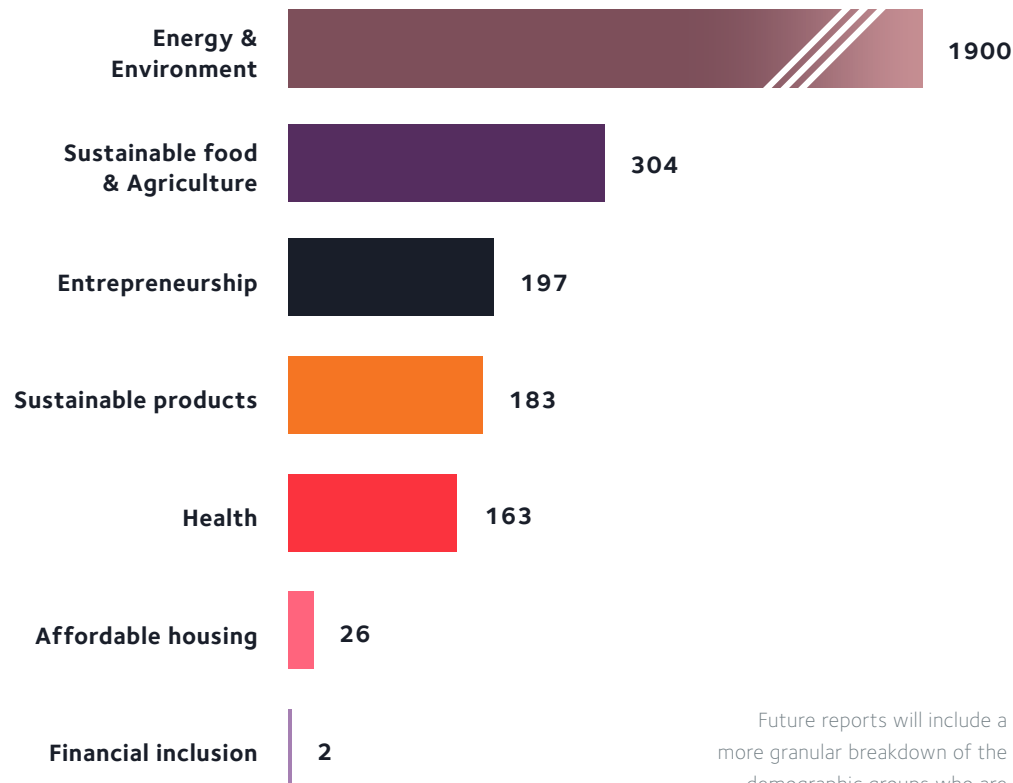
13% Scaling impact
24% Building marketplace
6% Building ecosystems
57% Strengthening community sector



66% Scaling impact
23% Building marketplace
11% Building ecosystems
0% Strengthening community sector

Drilling Down Further into the Portfolio

Millions of dollars invested by domain



Future reports will include a more granular breakdown of the demographic groups who are served by our investments, either as founders or as beneficiaries.

Highlights

\$2.1B across 1133 projects by for-profits

\$282M across 589 individuals

\$38M across 59 loans to non-profits

% of investees serving particular demographics:



52%
Young people



48%
Women



35%
Low-income families



26%
Immigrants / New arrivals



13%
Indigenous people



Program-Related Investments (PRIs)

Investment profiles and
Key Performance Indicators (KPIs)
Q4 2019

Your Guide: How to Read Our Profiles

Manager - Product Name

Asset class • A category of financial instruments with similar financial structures and similar behaviour in the marketplace.

CRA category • How McConnell categorizes the investment (PRI or MRI). This categorization has implications for Canada Revenue Agency purposes.

Committed amount • The amount of capital McConnell has agreed to provide to the investee.

Target return • See glossary.

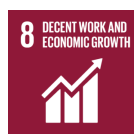
Year of investment • Year in which McConnell confirmed participation in the deal.

Vintage year • See glossary.

Term • The length of time for which the investment is contracted to last.

Investment timeline

Q4 2019



Targetted Sustainable Development Goal (SDG)

Domain: The McConnell granting area that the investment relates to
McConnell impact categories: The category of impact which this investment relates to.

Impact KPI



KPI

(Key Performance Indicator)
related to the investment

Description

Summary of the investment manager and their activities.

Rationale

Summary of why the Foundation decided to pursue the investment and the strategic fit with McConnell's own program and mission objectives.



CFFAC – Community Forward Fund

Asset class
Fixed income

CRA category
PRI – Conventional

Committed amount
\$2,000,000

Target return
Flexible capital

Year of investment
2014

Vintage year
2014

Term
Open-ended structure

Investment timeline
Q4 2019



Domain: Multiple sectors

McConnell impact category 2: Strengthen community sector capacity

McConnell impact category 3: Build the marketplace through financial innovation

Impact KPI

18

active
loans



\$8.9M

in active
loans

69%

of loans directed
to non-profits*



31%

of loans directed
to charities*

*in \$ outstanding

Description

The Community Forward Fund provides loans to Canadian charities and non-profits to advance a more sustainable charitable and non-profit sector. The organization offers educational resources, such as financial workshops, to enhance the financial literacy of its borrowers and enable them to better manage their current and future financial needs.

Rationale

The Foundation's investment is specifically directed towards charitable borrowers that would otherwise not likely have access to loan financing. These loans enable charitable organizations to be more independently financially sustainable and to better plan for their long-term programs. Fund investors benefit from regular income distribution payments.



Fiducie – Fonds d'aide à la rénovation de l'habitation communautaire

Asset class
Fixed income

CRA category
PRI – Conventional

Committed amount
\$1,000,000

Target return
Flexible capital

Year of investment
2015

Vintage year
2015

Term
7 (+2)

Investment timeline
Q4 2019



Domain: Affordable housing

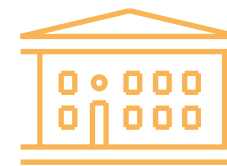
McConnell impact category 2: Strengthen community sector capacity

Impact KPI



19
loans authorized
(4 loans repaid)

382
affordable units
financed



73%
of average market
rate for renters

Description

The principal mission of the *Fiducie du Chantier de l'économie sociale* has been to foster the expansion and development of collective enterprises by increasing their access to financing and enhancing the capitalization of social economy enterprises. La Fiducie designed this Fund to enable the renovation of non-profit and cooperative housing in a way that would not impact the rent paid by tenants.

Rationale

The mission of the *Fonds d'aide à la rénovation de l'habitation communautaire* (FondsARHC) [Fund to assist community housing renovations] is to enable repairs or renovations to existing affordable rental real estate buildings in a way that preserves the initial rent affordability. Patient loan capital is offered to eligible housing co-operatives and non-profits to finance major work they would otherwise be unable to afford.



Asset class
Fixed income

CRA category
PRI – Conventional

Committed amount
\$2,000,000

Target return
Flexible capital

Year of investment
2018

Vintage year
2018

Term
20

Investment timeline
Q4 2019



fiducie
du Chantier
de l'économie sociale

Fiducie – Le Fonds d'investissement pour logement étudiant (FILE)



Domain: Affordable housing

McConnell investing goal 2: Strengthen community sector capacity

Impact KPI



2 projects
invested in

305
affordable units
financed



40%
of average market
rate for renters

Description

The principal mission of the *Chantier de l'économie sociale la Fiducie* has been to foster the expansion and development of collective enterprises by increasing their access to financing and enhancing the capitalization of social economy enterprises. Through this Fund, La Fiducie is committed to building affordable housing units for students in several cities including Montreal, Quebec City and Sherbrooke

Rationale

The Fund provides debt to build and operate affordable student housing projects led by cooperatives and non-profits. Its objective is to build 500 units for students near university campuses in Montreal and across Quebec. This Fund is an opportunity to create a new offering in Quebec's student housing market that aligns with the principles of the social economy. Furthermore, the investment significantly aligns with the missions of the Foundation's RECODE and Cities for People initiatives.



Heart & Stroke – Community Hypertension Prevention Initiative

Asset class

Fixed income – Social Impact Bond (SIB)

CRA category

PRI – Conventional

Committed amount

\$579,410

Target return

Flexible capital

Year of investment

2016

Vintage year

2016

Term

5

Investment timeline

Q4 2019



Domain: Health & Health services

McConnell impact category 1: Scale impact across domains and sectors

McConnell impact category 3: Build the marketplace through financial innovation

Impact KPI



4,000 participants

out of a targeted 7000 participants
at end of the Social Impact Bond's term



-5.0 mmHg

average change in participant's
blood pressure to date

Description

The Heart and Stroke Foundation (HSF) works with communities across Canada to prevent disease, save lives and promote recovery. They have successfully tested health awareness and hypertension prevention initiatives through volunteer-run blood pressure screening for adults across Canada, supportive coaching services, and guidance for positive behavioural change.

Rationale

This \$3.4M Social Impact Bond (SIB) scales the HSF's CHPI hypertension prevention program in three provinces and aims to prove the case for scaling the program nationally. The success of this project would have four significant impacts: measurably improve the health in a statistically significant population sample; influence government to finance and scale the program nationally; demonstrate the value of preventative programs; and demonstrate the potential of pay-for-performance contracts.



SFNNC - Restoring the Sacred Bond

Asset class

Fixed income - Social Impact Bond

CRA category

PRI - Conventional

Committed amount

\$500,000

Target return

Flexible capital

Year of investment

2019

Vintage year

2019

Term

3.5

Investment timeline

Q4 2019



Domain: Reconciliation

McConnell impact category 1: Scale impact across domains and sectors

McConnell impact category 3: Build the marketplace through financial innovation

Impact KPI



26 mothers

supported in program to date out of a targeted 87 mothers at end of the Social Impact Bond's term



1 mother and child reunified to date and **10** children in the care of mother or family since birth out of **12** participating mothers who have given birth with the program's support

Description

Southern First Nations Network of Care (SFNNC), an integral part of Manitoba's Child and Family Services since 2003, delivers culturally appropriate child & family services to First Nation citizens across the province of Manitoba. The organization acts as the investment manager in this product, working with Wijiiji'idiwag Ikwewag to deliver doula birth assistance services to Indigenous mothers who are at risk of having their child apprehended.

Rationale

Child apprehension often creates long-term damage to a child's future prospects. This \$2.6M prevention-based program is an opportunity to achieve positive health and social outcomes, demonstrate the effectiveness of a culturally appropriate birth helper to at-risk mothers, reduce systemic biases in the health care system, and incent the Province to finance and scale the program over the long-term.



Asset class

Recoverable grant

CRA category

PRI – Conventional

Committed amount

\$250,000

Target return

Flexible capital

Year of investment

2018

Vintage year

2018

Term

2

Investment timeline

Q4 2019



Raven Indigenous Capital Partners - Aki Community Outcomes Contract



Domain: Reconciliation

McConnell impact category 1: Scale impact across domains and sectors

McConnell impact category 3: Build the marketplace through financial innovation

Impact KPI

3

First Nations
communities



\$28,366

in average energy savings
costs (per home, per year)



31

geothermal systems
completed

Description

Raven Indigenous Capital Partners was founded in 2018 and is already recognized as a leader in the Canadian social finance space for its work in building a reconciliation economy. Raven structures and manages investment platforms that support the development of Indigenous communities and entrepreneurs, and serves as a bridge between private capital and Indigenous values.

Rationale

Indigenous communities in Canada have long experienced energy poverty in the form of high-cost, high polluting diesel power systems. Manitoba-based Aki Energy — an Indigenous-owned and managed social enterprise — has developed an alternative: hiring and training Indigenous community members to install solar and geothermal systems, reducing energy costs and GHG emissions. This investment directly supports Aki's future work.



Asset class

Venture capital

CRA category

PRI – Conventional

Committed amount

\$830,000 –
Up to \$1,000,000
contingent on fundraising

Target return

Flexible capital

Year of investment

2020

Vintage year

2019

Term

8 (+2)

Investment timeline

Q4 2019



Raven Indigenous Capital Partners - Raven Indigenous Impact Fund



Domain: Reconciliation

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI



4 companies
financed since inception



100%
of companies led by
Indigenous entrepreneurs

Description

Raven Indigenous Capital Partners was founded in 2018 and is already recognized as a leader in the Canadian social finance space for its work in building a reconciliation economy. Raven structures and manages funds that support the development of Indigenous communities and entrepreneurs, and serves as a bridge between private capital and Indigenous values.

Rationale

The Fund seeks to revive an Indigenous economy in Canada by investing venture capital in early- and growth-stage Indigenous-led enterprises. The manager supports its investees — the entrepreneurs — with partnerships, business guidance, and network connections in addition to financial capital. The Fund presents a sustainable, values-driven approach to community resilience and economic empowerment.

The legal documents for this investment were completed in January 2020. The Impact KPIs relate to the Fund's accomplishments up to December 2019.

26 — McConnell Foundation Impact Investing Annual Report, Overview and Investment Profiles, Q4 2019 (December 31, 2019)



New Market Funds Society – Sponsorship Loan

Asset class

Recoverable grant

CRA category

PRI – Conventional

Committed amount

\$269,000

Target return

Return of capital

Year of investment

2016

Vintage year

2016

Term

10

Investment timeline

Q4 2019



Domain: Multiple sectors

McConnell impact category 3: Build the marketplace through financial innovation

Impact KPI



\$66M

assets under management in impact investment products across Canada



1707

partner and staff hours contributed to developing the social finance ecosystem (in 2019)

Description

New Market Funds Society (NMFS) is a charity that supports the development of Canada's social finance ecosystem. Together with New Market Funds Inc. (a BCorp), it achieves this through structuring and fundraising new impact investing products, engaging in policy discussions and supporting the development of other organizations. NMFS's mandate is strongly aligned with the Foundation's goal of addressing Canada's complex social, environmental and economic challenges.

Rationale

In 2013, NMFS raised its first round of sponsorship funds from five impact investing organizations from across Canada: Vancity, Trico Foundation, Bealight Foundation, RISQ (QC) and Tides Canada. The Foundation's participation supports the development of new social innovation and social finance products. As a Board member, the Foundation has the opportunity to collaborate and participate in the organization's priorities.



New Market Funds – Rental Housing Fund I LP

Asset class

Private equity

CRA category

PRI – Conventional

Committed amount

\$2,000,000

Target return

Market-rate

Year of investment

2017

Vintage year

2017

Term

10 (+2)

Investment timeline

Q4 2019



Domain: Affordable housing

McConnell impact category 1: Scale impact across domains and sectors

McConnell impact category 2: Strengthen community sector capacity

McConnell impact category 3: Build the marketplace through financial innovation

Impact KPI



**1 investment
of \$800K**

49
affordable units
financed



Rent at
59%
of average area median
income

Description

New Market Funds Society (NMFS) is a charity that supports the development of Canada's social finance ecosystem. Together with New Market Funds Inc. (a B Corp), it achieves this through structuring and fundraising new impact investing products, engaging in policy discussions and supporting the development of other organizations. NMFS' mandate is strongly aligned with the Foundation's goal of addressing Canada's complex social, environmental and economic challenges.

Rationale

The NMF Rental Housing Fund I LP supports non-profits and co-operatives that own and operate affordable multi-family rental properties across Canada. The Fund provides equity financing which is gradually transferred back to the local housing operator. This investment facilitates community ownership of affordable real-estate projects and maintains long-term housing affordability.



Asset class
Fixed income

CRA category
PRI – Conventional

Committed amount
\$1,000,000

Target return
Flexible capital

Year of investment
2016

Vintage year
2016

Term
15

Investment timeline
Q4 2019



Bâtir son quartier – Fonds investissement Montréal IV



Domain: Affordable housing

McConnell impact category 4: Build and strengthen ecosystems of innovators

Impact KPI



2 loans

to non-profit providers

151

affordable units
financed



83%

of average market
rate for renters

Description

The Fonds d'investissement de Montréal (FIM), managed by an independent board of directors, enables non-profit organizations and housing co-operatives to purchase, renovate and improve rental properties in order to create healthy, affordable and safe housing for low- and modest-income households. The four investment phases of FIM are coordinated by Bâtir son quartier, a non-profit social economy enterprise with more than 40 years of experience in creating supportive living environments.

Rationale

This Fund is the manager's fourth iteration of their successful strategy. It provides an opportunity to improve access to housing, enable non-profit and co-operative building operators to build their equity, and puts private capital at the service of local Montreal communities.



Asset class

Direct private equity

CRA category

PRI – Conventional

Committed amount

\$160,000

Target return

Flexible capital

Year of investment

2015

Vintage year

N/A

Term

Open-ended structure

Investment timeline

Q4 2019



GI Quo Vadis – Le Salon 1861



Domain: Cities & civic assets

McConnell impact category 4: Build and strengthen ecosystems of innovators

Impact KPI



30+

community events



1

heritage building preserved
and repurposed for commercial
and community activities

Description

Gestion immobilière Quo Vadis Inc. is a B Corp real estate developer, founded in 1993. It preserves and restores historically and architecturally significant buildings, providing commercial opportunities for creative and innovative entrepreneurs that integrate business, culture and community. Quo Vadis specializes in working with small and medium-sized businesses to meet their rental needs.

Rationale

Le Salon 1861 repurposed a local church into a community space and business real estate. This pilot project hopes to inspire further development of historical buildings as collaborative spaces across Canada, to encourage social innovation, create synergies within communities, and establish best practices in responsible real estate. Investing in Le Salon 1861 allows the Foundation to partner in a landmark project of civic revitalization.



Asset class

Fixed income

CRA category

PRI – Loan Guarantee

Committed amount

\$3,095,000

Target return

N/A

Year of investment

2010

Vintage year

N/A

Term

13

Investment timeline

Q4 2019



équiterre

Équiterre – Maison du développement durable



Domain: Energy & Environment

McConnell impact category 2: Strengthen community sector capacity

Impact KPI



Successfully accessed loan financing and constructed the building to LEED Platinum standards.

Description

La Maison du développement durable (MDD) [Centre for Sustainable Development] provides a space for reflection, innovation, education, synergy and collaboration around sustainable development. Eight socially and environmentally focused organizations created MDD in downtown Montreal as a demonstration green building and a place to house their operating activities.

Rationale

The Foundation's guarantee enabled financing from banking institutions for the building's initial construction costs. The Foundation's strong balance sheet allowed the bank to offer a more reasonable interest rate on MDD's loan. This guarantee helped enable the creation of one of Quebec's greenest buildings — the first LEED Platinum certified building in the province.



Asset class

Fixed income

CRA category

PRI – Loan Guarantee

Committed amount

\$5,000,000

Target return

1% on guaranteed amounts

Year of investment

2019

Vintage year

N/A

Term

Open

Investment timeline

Q4 2019



CAISSE.
D'ÉCONOMIE.
SOLIDAIRE.

Caisse d'économie solidaire Garantie Solidaire



Domain: Multiple sectors

McConnell impact category 2: Strengthen community sector capacity

McConnell impact category 3: Build the marketplace through financial innovation

Impact KPI



projects

\$850K

guaranteed by
the foundation



\$1.5M

total guaranteed
by the 3 partners

\$3.3M

total financing
of projects enabled

Description

La Caisse d'économie solidaire desjardins (CES) is the leading financial institution dedicated to non-profits, unions and social enterprises in Quebec. It is part of the Desjardins Group, which is the largest association of credit unions in North America, managing over \$260 billion in assets for its members.

Rationale

This guarantee to the Caisse is committed equally by the McConnell, Chagnon, and Saputo Foundations. Its purpose is to enable community organizations — including charities, non-profits and small co-operatives — to access credit at lowered borrowing rates than they would through specialized funds. This investment directly supports the Foundation's mission by creating a new financial product that provides community organizations with access to financing.



Mission-Related Investments (MRIs)

Investment profiles and
Key Performance Indicators (KPI)
Q4 2019



NEI

NEI Canadian Equity RS Fund – NEI Investments

Asset class
Public equity

CRA category
MRI – Institutional Grade

Committed amount
\$10,000,000

Target return
Market-rate / Benchmark:
S&P/TSX Composite

Year of investment
2015

Vintage year
2010

Term
Open-ended fund

Investment timeline
Q4 2019



Domain: Multiple sectors

McConnell impact category 1: Scale impact across domains and sectors

McConnell impact category 3: Build the marketplace by influencing institutions and corporations

Impact KPI



successful dialogues with investees on focus areas such as: executive pay, environmental practices and business ethics etc.



22/34

investees in the portfolio engaged by NEI

Description

NEI Investments is Canada's responsible investing leader, offering a broad range of investment solutions. All of NEI's solutions benefit from the application of select responsible investing approaches including exclusionary screens and proprietary Environmental, Social and Governance (ESG) evaluations of company holdings, corporate engagement and proxy voting, and policy and advocacy work.

Rationale

NEI does shareholder engagement based on significance and severity of ESG risks and portfolio exposure. By actively promoting ESG improvements in a selected set of the publicly-traded companies it invests in, NEI influences the agenda of priorities for shareholder engagement, shifts companies' behaviours and achieves impact at a large scale. This product enables the impact investing portfolio to include public equities.



Asset class

Fixed income

CRA category

MRI - Institutional Grade

Committed amount

\$20,000,000

Target return

Market-rate / Benchmark:
FTSE Canada Universe
Bond Index

Year of investment

2019

Vintage year

2017

Term

Open-ended structure

Investment timeline

Q4 2019



AlphaFixe

AlphaFixe Capital – Green Bond Fund



Domain: Energy

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI



60.9%

of portfolio financing provincial
and municipal projects

276

tCO₂eq/\$M
avoided emissions



86% less

carbon intensive per \$M
than the FTSE index

Description

Founded in 2008, AlphaFixe Capital Inc. is a leading ESG fixed income investment manager. The Firm's investment philosophy relies on a rigorous risk management process and prioritizes flexibility and capital preservation. AlphaFixe has been a UNPRI signatory since 2009 and applies Environmental, Social and Governance (ESG) factors to investment decision making across portfolios. AlphaFixe launched the first Green Bond Fund in Canada in 2017.

Rationale

Green bonds are debt instruments that finance projects that directly contribute to a low carbon-economy. This Green Bond Fund enables the Foundation to support infrastructure and efficiency projects led by companies, regional and federal governments, or supranational organizations.



Real Ventures – Investment Fund III

Asset class

Private equity

CRA category

MRI – Institutional Grade

Committed amount

\$5,000,000

Target return

Market-rate

Year of investment

2015

Vintage year

2014

Term

10 (+2)

Investment timeline

Q4 2019



Domain: Entrepreneurship

McConnell impact category 1: Scale impact across domains and sectors

McConnell impact category 4: Build and strengthen ecosystems of innovators

Impact KPI



50 partner hours

per month spent at entrepreneurship events



63 companies supported

Description

Real Ventures is an entrepreneur-focused investment platform of seed- and early-stage venture funds that emphasize building the early-stage startup ecosystem in Quebec and Ontario. They support and invest in entrepreneurs that are at the lead of emerging technological ecosystems, disrupting existing industries and business models.

Rationale

Given Real Ventures' contribution to stimulating the Canadian venture capital industry and their values-driven approach to investment selection, there is clear alignment from both the target return and ecosystem-building perspective. The Foundation's investment relationship and strategic partnership with Real Ventures facilitates knowledge transfer and collaboration for further developing social innovation and social finance activity in Montreal and across Canada.



Area One Farms – Fund III

Asset class

Private equity

CRA category

MRI – Institutional Grade

Committed amount

\$5,000,000

Target return

Market-rate

Year of investment

2017

Vintage year

2015

Term

10

Investment timeline

Q4 2019



Domain: Sustainable food systems

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI



23,691

acres farmed with no-till farming*

*No-till farming is an agricultural technique for growing crops or pasture without disturbing the soil through tillage.



24

incentivized families (and 15 living wage employees)

Description

Area One Farms operates four private equity funds in the Canadian farmland sector, with activity mainly in Alberta and Ontario. The Fund partners with established farm operators to acquire and increase the productivity of off-market farmland, creating value through stable long-term capital growth and annual crop-based income.

Rationale

The Fund enables the sustainable expansion of family-owned farms while encouraging innovative farmland practices to improve farmers' financial returns and environmental sustainability. In the context of the Foundation's work in supporting more sustainable food systems, investing in farmland represents an opportunity to engage and have impact in a key area of the food system.



Asset class

Infrastructure

CRA category

MRI - Institutional Grade

Committed amount

\$7,500,000

Target return

Market-rate

Year of investment

2017

Vintage year

2016

Term

10 (+2)

Investment timeline

Q4 2019



BlackRock

BlackRock – Global Renewable Power Fund II



Domain: Energy

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI



6.6M MWh

clean energy produced



3M tCO₂

greenhouse gas reductions

Description

BlackRock, Inc. is the world's largest asset manager with over \$6 trillion in assets under management. They have substantial industry experience, insight, and technical expertise across market sectors, and have the largest global private markets renewables platform with \$6 billion AUM.

Rationale

The BlackRock Global Renewable Power Fund II seeks attractive risk-adjusted returns through a diversified portfolio. The Fund focuses on wind and solar renewable power assets in OECD countries. This Fund is an opportunity to leverage the Foundation's endowment in the transition to a lower-carbon global future.

Cycle Capital – Cycle Capital Fund IV

Asset class

Private equity

CRA category

MRI – Market-building

Committed amount

\$5,000,000

Target return

Market-rate

Year of investment

2019

Vintage year

2019

Term

12 (+2)

Investment timeline

Q4 2019



Domain: Energy & Environment

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI



Description

Cycle Capital Management was founded in 2009. It is a Montreal-based cleantech venture capital firm with an office in Toronto and Qingdao China, and a presence in New York and Seattle. The Firm focuses on early commercialization-stage businesses across sectors such as sustainable agriculture, green lot, green chemistry, renewable energy, and energy efficiency, sustainable transportation and smart cities.

Rationale

This Fund enables the Foundation to participate in scaling proven clean technologies across North America while supporting the growth and development of Canadian entrepreneurs. The technologies financed through this investment each aim to facilitate the transition to a more sustainable, lower-carbon economy.



Asset class

Private equity

CRA category

MRI - Market-building

Committed amount

\$1,000,000

Target return

Market-rate

Year of investment

2012

Vintage year

2012

Term

8 (+2)

Investment timeline

Q4 2019



InvestEco

InvestEco – Sustainable Food Fund



Domain: Sustainable food systems

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI

6

social enterprises
financed since inception



\$1.6M

invested per company
on average



100%

of investees are
social enterprises

Description

InvestEco Capital Corp. is a B Corp that was founded in 2003. It has been a leader in recognizing that growth in environmentalism provided a business opportunity not yet tapped by the mainstream investment industry. The Fund acquires material interests in small to medium-sized growth-stage private companies that promote sustainable food and agriculture solutions in North America.

Rationale

The Fund finances social enterprises across North America that offer sustainable consumer grocery products and use innovative, responsible production methods. The Fund offers an above-market target return while enabling the Foundation to support innovative companies that provide healthy and sustainable food alternatives.



Asset class

Private equity

CRA category

MRI - Market-building

Committed amount

\$2,062,280

Target return

Market-rate

Year of investment

2010

Vintage year

2010

Term

10 (+2)

Investment timeline

Q4 2019



renewal

Renewal Funds – Renewal2 Social Investment Fund



Domain: Multiple sectors

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI

10

social enterprises
financed since inception



\$3.9M

invested per company
on average



4

successful exits
to date

Description

Renewal Funds invests in scalable, early-stage companies across North America that are working towards a triple-bottom-line economy. Renewal finances companies that offer more sustainable alternatives to consumers across food, wellbeing and technology products. Having been in operation since 2008, Renewal Funds is a market leader in structuring this type of impact investment, and has been recognized by GIIRS Best for the World Fund.

Rationale

The Fund finances social enterprises across North America that use innovative, responsible production methods. The Fund offers an above-market-rate target return while enabling the Foundation to support highly scalable companies creating sustainability-conscious products for consumers. While maintaining the focus on responsible consumption, the Fund has also invested in related cleantech developments.



Asset class

Private equity

CRA category

MRI - Market-building

Committed amount

\$3,000,000

Target return

Market-rate

Year of investment

2013

Vintage year

2014

Term

10 (+2)

Investment timeline

Q4 2019



renewal

Renewal Funds – Renewal3 Trust



Domain: Multiple sectors

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI

14

social enterprises
financed since inception



\$3.6M

invested per company
on average



2

successful exits
to date

Description

Renewal Funds invests in scalable, early-stage companies across North America that are working towards a triple-bottom-line economy. Renewal finances companies that offer more sustainable alternatives to consumers across food, wellbeing and technology products. Having been in operation since 2008, Renewal Funds is a market leader in structuring this type of impact investment, and has been recognized by GIIRS Best for the World Fund.

Rationale

The Fund finances social enterprises across North America that use innovative, responsible production methods. The Fund offers an above-market-rate target return while enabling the Foundation to support highly scalable companies creating sustainability-conscious products for consumers. While maintaining the focus on responsible consumption, the Fund has also invested in related cleantech developments.



Greensoil – Building Innovation Fund

Asset class

Private equity

CRA category

MRI – Market-building

Committed amount

\$2,000,000

Target return

Market-rate

Year of investment

2016

Vintage year

2015

Term

9 (+3)

Investment timeline

Q4 2019



Domain: Energy & Environment

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI

11

companies financed
since inception



\$2.4M

invested per company
on average



5

cleantech companies
in portfolio

Description

Greensoil PropTech Ventures operates a private equity fund that invests in North American products that enhance the operation or resource efficiency of real estate infrastructure. The manager takes strategic minority positions in companies that create efficiency value through products, services and technologies.

Rationale

Through this Fund, the Foundation is able to support the development and scaling of energy-efficient innovations in the real estate sector while yielding an above-market-rate target return. Given the high emission intensity of real estate and infrastructure, the technologies this Fund supports are key to transitioning to a lower-carbon economy.



MaRS

MaRS – Catalyst Limited Partnership



Domain: Energy & Environment

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI

10

social enterprises
financed



\$335K

invested per company
on average



Participated in

50 events

related to the impact
investing ecosystem

Description

The MaRS Centre for Impact Investing (MCII) is a social finance hub and project incubator that was designed to increase the awareness and effectiveness of social finance. It catalyzes new capital, talent and collaborative initiatives to mobilize private capital for public good and deliver innovative market-based solutions to Canada's social and environmental challenges.

Rationale

The Fund targets promising seed-stage ventures with high growth potential and core social purpose aims. This investment could prove beneficial for demonstrating the growing opportunities in impact investing.



MKB MACKINNON,
BENNETT & CO.

MacKinnon, Bennett & Co. – MKB Partners Fund

Asset class

Private equity

CRA category

MRI – Market-building

Committed amount

\$4,000,000

Target return

Market-rate

Year of investment

2017

Vintage year

2016

Term

10 (+2)

Investment timeline

Q4 2019



Domain: Energy

McConnell impact category 1: Scale impact across domains and sectors

Impact KPI



7 companies
financed



\$5.2M invested
per company on average

Description

MacKinnon, Bennett & Co. is a specialized Montreal-based private equity firm that provides growth capital to companies at the forefront of innovation in next-generation energy and transportation sectors. They structure and manage investments with the mission of accelerating the energy and transportation transformation while making a sustainable impact and generating attractive returns. They have invested in on- and off-grid solar generation, digitized traffic services, home energy management and the mobility sectors.

Rationale

By investing in products and services contributing to a low-carbon economy, the MKB Partners Fund directly aligns with the Foundation's low carbon economy objectives. The fund addresses a significant funding gap in the Canadian cleantech ecosystem for growth- and commercialization-stage companies. Furthermore, this investment is an opportunity to leverage current market trends to deploy environmentally sustainable solutions while yielding strong expected returns.



Exited Investments

Exited (Closed) Investments



9
exited
investments



2
losses



7
with full return
on investment

Manager - Product	Term	Impact Area	Instrument
Vancity - Resilient Capital	2011 - 2016	Multiple sectors	Fixed income - Secured deposit
Caisse d'Économie Solidaire - Cash Fund	2017 - 2019	Multiple sectors	Cash
Quest University	2007 - 2009	Education	Fixed income - Loan
Plan Institute - Tyze	2010 - 2013	Health & Health services	Private equity
Evergreen Brick Works	2012 - 2014	Environment	Fixed income - Loan guarantee
Art Smart	2012 - 2013	Arts & Culture	Fixed income - Loan
CSI - Community Bond	2015 - 2019	Entrepreneurship	Fixed income - Loan
ABSCAN - First Nations Market Housing Precursor Fund	2015 - 2019	Reconciliation	Real estate - Loan
CoPower Inc. - Revolving Credit Facility	2016 - 2019	Energy	Fixed income - Loan



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