

# MRI PILOT FUND

## MISSION RELATED INVESTMENT IN GERMANY

GERMANY

FUNDING

Foundations are a key player in the realm of funding for social initiatives, most widely known for grant-making. Typically, foundations fulfil their mission by distributing the income derived from the investment of their endowment assets. However, most investments of foundations are not directly consistent with their mission and vision for a variety of reasons:

On the one hand, there is often a lack of capacity within foundations to align their endowment investments with their social objectives. In many cases, foundations lack the financial expertise to apply different financial instruments to invest in social impact initiatives; Especially when endowments are managed by external entities, mission-related and asset-management functions are strictly separated. Furthermore, it requires a lot of resources to find and develop an appropriate impact investment pipeline.

On the other hand, foundations traditionally have to commit to fiduciary duties that force them to invest their endowment in asset classes that provide very conservative risk-return profiles, with low threat of losing the endowment. In many cases, such traditional screening does not allow to invest in more innovative, social impact investments.

While endowments are invested in traditional assets, that are not related to the mission and vision of the foundation, the returns from these investments, the grant-making assets, are used to foster social or environmental benefit in line with the foundations mission statement. Mission Related Investment Funds (MRI Funds) are increasingly seen as suitable vehicles to overcome this duality by investing endowment assets in financially viable social and environmental impact initiatives: low market interest rates as well as an increasingly mature impact investment ecosystem offer the opportunity for foundations to align their mission with their fiduciary duties.

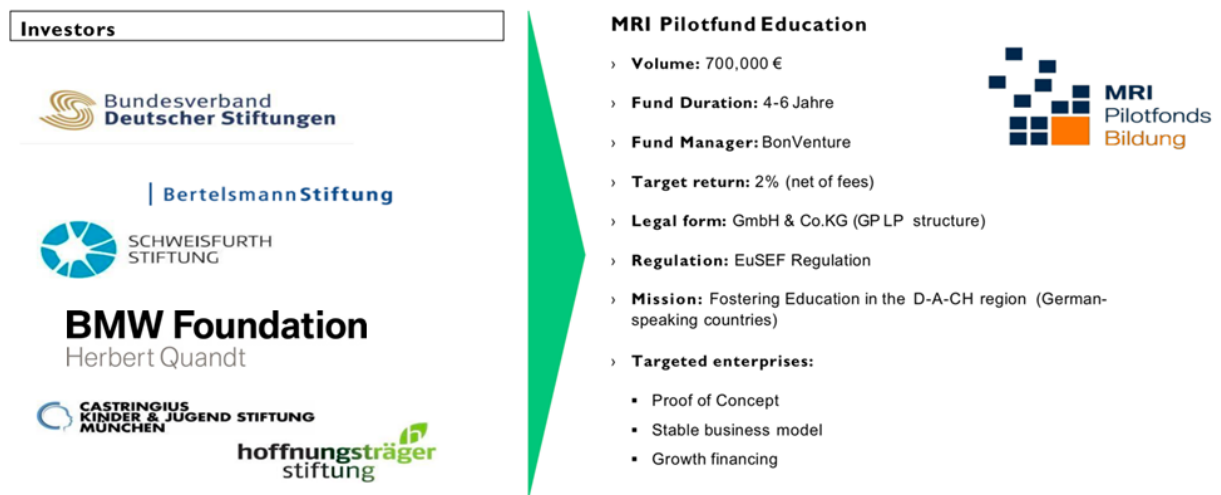
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In 2013, following an initiative of the BMW Herbert Quandt Foundation together with the Association of German Foundations (Bundesverband Deutscher Stiftungen), an expert committee on Impact Investment was created, consisting of 15 foundations pioneering the impact investment movement in Germany. The committee acts as a think tank to develop impact investment opportunities for foundations and to support the establishment of suitable vehicles for philanthropic investments of endowment assets.

As such, the German Mission Related Investment Pilot Fund (MRI-Pilotfonds) was established in 2014 in Partnership between the private impact investment sector and the philanthropic sector. Six foundations as well as the Association of German Foundations each invested EUR 100,000 into a fund that is managed by BonVenture, a seasoned private impact investment fund manager.

The MRI Pilot Fund is structured as a European Social Entrepreneurship Fund (EuSEF), which gives the fund a legal and regulatory set-up that is uniform and replicable across Europe. The goal of the fund is to test and establish investment vehicles for foundations to align their endowment investments with their societal objectives.

The MRI Pilot Fund, albeit very small in size, aims to foster educational outcomes in German-speaking countries while aiming for a return of 2% (net of fees). The reason for focussing on educational initiatives in this pilot project is that educational outcomes build a common denominator for most foundations in Germany. Since spring 2016, all capital is deployed to three different companies, and the investments are foreseen to exit within 4 to 6 years. The investees are [Mobiles Lernen gGmbH](#), [Kinderzentrum Kunterbunt](#) and [DoNature gGmbH](#).



## IMPLICATIONS AND OUTLOOK

Through the MRI pilot fund, more resources are made available for selected and tested Social Enterprises. However, the main target of the MRI pilot fund is to serve as a proof of concept and model for similar funds with other thematic focus. In order to ensure the risk-return profiles that comply with the fiduciary duties, companies funded under the MRI are in growth or development stage, showcase a fully developed business case and a tested concept. However, the limited size as well as time horizon of the fund allows for very little resources to manage the fund efficiently.

At this point it is still very early to draw conclusions from the MRI pilot fund. However, at this stage, all investments are well on track, both in financial as well as social terms, and a positive relationship between the invested foundations and BonVenture is building. On the longer run, a positive outcome of this pilot fund may significantly affect the way foundations are investing their endowments - both nationally as well as internationally: According to estimates of experts in the field, the social economy's funding gap could be met easily if German foundations had the vehicles to invest only 5-10% of their endowment in Mission Related Investment Funds.

## MORE INFORMATION

In March 2017, the EVPA held a Webinar on the topic [Webinar #9: Foundations and Impact Investment](#), where the Mission Related Pilot Fund is presented by both investing as well as initiating

entities of the project. entities of the project.

For more information, please contact the EVPA Policy Team, or Jochen Herdrich, Partner at BonVenture and responsible for the MRI fund.

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