



JEWISH

JEWISH INVESTOR NETWORK INSIGHTS ON FCI

This is a short extract from Investment Insights for the Jewish Community to Further the UN’s Sustainable Development Goals (SDGs), July 2017.

JLens is a network of thousands of Jewish institutions and individuals exploring investing through a uniquely Jewish lens. In 2017 JLens was asked to convene Jewish institutions to consider how they might further the SDGs.

A very old concept

The topic of “impact investing” has become quite popular lately, but it is simply a modern approach based on a very old concept – investing with one’s values to improve the world and minimize harm. Faith communities were the earliest proponents of impact investing and there are many Jewish teachings on ethical investment and business practices. According to Dr. Meir Tamari of Jerusalem’s Business Ethics Center, more than 100 of the 613 commandments in the Torah relate to business conduct, a number that far exceeds all the commandments concerning kosher food.

Impact investing is the newest component of the Socially Responsible Investing (SRI) movement that began a few decades ago, primarily in the Christian community, to divest from Christian sin stocks (such as alcohol, gambling, adult entertainment, weapons, tobacco, abortifacients, and contraception). At the time, the SRI movement’s Christian orientation and emphasis on negative screening and divestment did not attract Jewish communal investors.

However, impact investing's emphasis on measurable positive impact to address global challenges has sparked significant interest in the Jewish diaspora community and in Israel. This concept aligns beautifully with Jewish wisdom. Additionally, while the SRI field used to be narrower, with a one-size-fits-all approach, now investments can be customized to a wide range of value sets and thematic impact priorities, resulting in an influx of new investors and capital. Finally, numerous studies have demonstrated that investors can meet their financial goals while also achieving impact and mission-alignment.

Investment capital in the Jewish community

Within the Jewish community, investment capital is highly decentralized. There is no hierarchy or governing body that dictates investment parameters or prohibitions, and decision-making is localized at each institution, often in committee structure. There are hundreds of institutional investors in the Jewish community globally, ranging from federations and community and private foundations to endowments and pensions.

These institutions overwhelmingly invest with the traditional focus of solely maximizing financial return in order to sustain the operations of communal institutions that support important needs in the Jewish community and global society. As a result, community leaders take the stewardship of these funds very seriously, and new methodologies for making investment decisions are not easily introduced.

Complicating the adoption of impact investing further is the fact that, often, investment decisions are made by one group, while decisions on communal impact are made by a completely different group. Both groups of decision-makers must collaborate in order to succeed at impact investing.

At JLens, we have observed from our network that the first step to explore impact investing is often the hardest. But when the above obstacles are overcome, Jewish institutions can begin the process of embracing impact investing and determining a unique path forward. Even within the Jewish community, there will never be a one-size-fits-all approach, but there are many areas for collaboration, both within the community and with other faiths.

Impact investing offers an additional benefit to faith communities beyond the imperative to address global challenges as identified by the SDGs. All faiths share a similar goal: to pass on faith tenets that are meaningful to younger generations. Impact investing is a topic that is popular with younger generations and is guided by personal and communal values, making it a perfect opportunity to explore faith-based perspectives on social, environmental, and ethical considerations that are essential for impact investing.

97% want to make a positive impact

In 2013 JLens conducted a survey of rabbis and found that 97% of respondents believed that investors should strive to make a positive impact on society and the environment. In the survey's summary report entitled "Impact Investing: Rabbinic Perspectives," Rabbi Irving "Yitz" Greenberg wrote:

"Investing is one of the most powerful areas of economic, social, and political impact. Done right, investing can create the infrastructure of a better life, enabling a higher level of human dignity and health for all. To overcome poverty and hunger, to push forward equality and justice, to heal the environment, to create a more liveable world for us and for our future generations - can there be a more noble set of goals?"

How to start the process

Jewish institutions interested in moving forward with impact investing may wish to start the process by considering:

1. The size and allocation of the institution's investments
2. The existing Investment Policy Statement and whether it requires an update to allow for mission-aligned investing
3. The best way to bring both the investment and impact decision-makers together for long-term collaboration
4. The variety of investment options that will generate impact and mission-alignment while meeting the institution's long-term financial goals
5. How impact will be measured and communicated to the institution's stakeholders