



Investment & Disbursement Survey

Executive Summary

2018-2020

This report presents the results of a member survey conducted by Millani Inc. on behalf of Philanthropic Foundations Canada (PFC) in May 2021, capturing FY 2018 to FY 2020 data from 93 foundations. To further contextualize the questionnaire, Millani conducted eight interviews and three focus group sessions with a sampling of PFC members. The purpose of the survey was to assess members' views regarding three specific areas:

- 1. Management of Investment Portfolios and Performance
- 2. Potential Changes in the Disbursement Quota (DQ) and Charitable Expenditures
- 3. Responsible, Impact- and Mission-related Investments

The majority of respondents have endowed assets (86%) and which are distributed between large- (asset sizes valued at over \$100 million) (35%) and medium-sized foundations (assets sizes between \$10 and \$100 million) (49%), with some responses from smaller foundations (assets sizes valued under \$10 million) (16%).

Overall, investment portfolios are diversified across broad asset categories, with an important allocation towards Canadian equities. A significant increase towards alternative investments in targeted asset mixes was highlighted by the survey as compared to previous years.

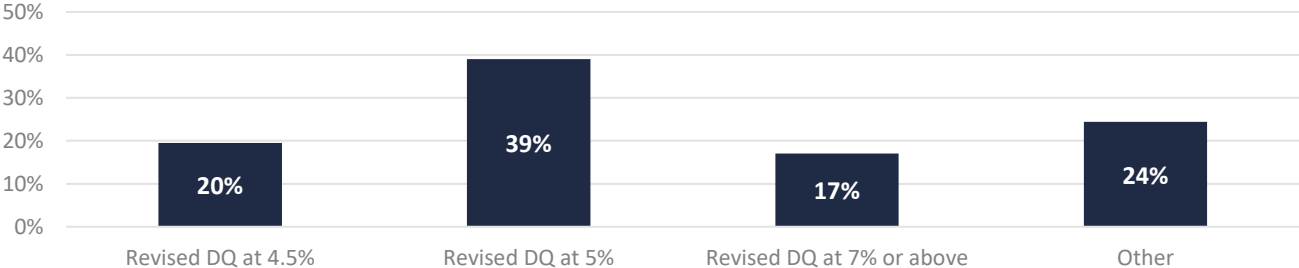
Key findings:

The annual gross average rate of return for the period of FY 2018 to FY 2020 was 7.4%, with the highest return rate in 2019 at 10.6%, and an average return rate of 8.4% for FY 2020, despite the COVID-19 market correction earlier in the year.

From 2018 through 2020, the rate of grant disbursement steadily increased over the full three-year period. A growing proportion of foundations disbursed in grants at a rate above the current DQ of 3.5%, with 75% of respondents indicated that their organizations disburse more than 3.5%.

In response to the proposed adjustment to the DQ, of PFC members who responded to the survey, 66% were in favor of a revised temporary DQ at 5% or more, while 56% were in favor of a revised permanent DQ at 5% or more, indicating that it would be financially sustainable for their organization.

If the disbursement quota were to increase permanently (i. e. five years or more), what levels would be financially sustainable for your organization?



Most foundations were supportive of a temporary and permanent revised DQ to be higher than 3.5%. However, many highlighted the need to review the DQ calculation periodically (every five years or so) to ensure it considers significant factors such as market return, based on a model portfolio, and assets allocated to mission-related investments.

Participating foundations raised an important question regarding whether any policy mechanisms will be implemented to ensure that funds go to additional organizations, rather than simply a potential doubling of funds to existing donees. Addressing the issue of qualified donees directly influences the potential impact of the additional grant capital an increased DQ would unlock.

On responsible investment practices, 54% of respondents indicated that at least a portion of their organization's endowment funds are managed under a responsible investment strategy, and 43% currently devote a portion of their assets to impact investing. Survey participants highlighted a need for education on Responsible Investing/Impact Investing, as well as improved tools and mechanisms for collaboration, to be better equipped to activate the value that their investment strategy can bring to advancing their mission.

“People [in philanthropy] are just starting to come to the conclusion that we are sitting on billions of dollars that we can influence, I think there is an opportunity to do so.”

Foundations are well-positioned to advance their missions through granting, investing, and active ownership. They are looking for practical tools and pragmatic guidance on how to do so efficiently and without straining resources. This opens opportunities for collaboration and sharing efforts to further advance the philanthropic sector in Canada.

Moreover, as impact investing is still an emerging space in Canada, accounting on average for 7.9% of total portfolio assets for foundations that engage in impact investing activities, it would require a concerted effort by foundations and the investment community to develop the market and create a strong pipeline of opportunities that can appease various foundations' investment appetite.



ABOUT PFC

We strengthen Canadian philanthropy – in all of its diversity and in its pursuit of a just, equitable, and sustainable world. For more information on Philanthropic Foundations Canada visit www.pfc.ca or contact us at info@pfc.ca.

MONTRÉAL : 1095 rue St-Alexandre St., Montréal, Québec, H2Z 1P8

TORONTO: c/o Foundation House 2 St. Clair Avenue East, Suite 300 Toronto, Ontario M4T 2T5