

Museums Discover Impact Investing

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[Laura Callanan, Founding Partner, Upstart Co-Lab](#)

CFM first flagged impact investing as a trend of significance to museums [in 2013](#), inspired by a talk Seth Miller gave at SXSW in which he declared that “every time you spend a dollar, you are creating the world you live in.” Impact investing is the management of funds to advance mission-related values as well as achieve financial returns. One of our mentors and advisors on this topic has been Laura Callanan, founding partner of the nonprofit [Upstart Co-Lab](#) and former Senior Deputy Chair of the National Endowment of the Arts. Today on the blog, Laura shares the outcomes of a new report on the state of impact investing in the museum sector. Though the report specifically surveyed art and design museums, its findings are relevant to museums of all kinds.

—Elizabeth Merritt, VP Strategic Foresight and Founding Director, Center for the Future of Museums, American Alliance of Museums

“Museums will help chart a path to a more equitable future not only through the artists they present and the audiences they engage, but by what they invest in and who they hire to manage those investments. It’s possible to make investments count for the mission, as well as the bottom line.”

Thirty-two percent of art museums report that they are considering how their values can guide their endowment investment strategy—but only 13 percent are currently investing with a social and environmental impact, compared with 47 percent of universities and 51 percent of foundations.

These are among the findings in *Cultural Capital: The state of museums and their investing*, a new report from [Upstart Co-Lab](#), the [Association of American Museum Directors](#), and the [Black Trustee Alliance for Art Museums](#) which shares the results of a first-of-its-kind survey on the investment practices of independent museums of art and design in the US.



Sixty-one museums holding ten billion collective dollars responded to the survey, ranging from those with endowments of ten million to one billion dollars. In the report, eight museums share stories of their experience to date: Brooklyn Museum, Contemporary Arts Museum Houston, Crocker Art Museum, Currier Museum of Art, the National Gallery of Art, the Portland Museum of Art, and The Walters Art Museum.

Key Findings

- Ninety percent of respondents cite values alignment as the most significant driver of their impact investing conversation.

- Thirty-five percent report that a portion of their endowment portfolio is currently managed by BIPOC and/or women fund managers in alignment with a stated commitment to values of diversity, equity, and inclusion.
- The museums most actively engaged in impact investing have boards and leadership teams who are championing the conversation.
- Nearly half of respondents report having some impact investing expertise on the investment committees of their boards—suggesting knowledge and experience are key.
- Unlike the issue of tainted donations, where they have been visible and vocal, artists and the public are not engaged on the topic of aligning museum endowments with values and mission. Donors are similarly unengaged.
- Barriers to action include persistent questions which are easily resolved: the ability to achieve targeted financial returns, the ability to measure impact, and the availability of quality impact investing products across asset classes.

What About Financial Returns?

The top cited concern among survey respondents was their ability to achieve targeted financial returns while integrating mission and values into their investment strategy. However, there is a preponderance of evidence demonstrating that impact investment does not inherently sacrifice financial return, and can actually *outperform* conventional investment strategies. As just one data point, Morgan Stanley's [study](#) of the performance of nearly eleven thousand sustainable mutual funds from 2004 to 2018 concluded that “there is no financial trade-off in the returns of sustainable funds compared to traditional funds, and they demonstrate lower downside risk.” Museums can feel confident that hitting financial targets is within reach.

Respondents want quality impact investing products across asset classes. While this was a legitimate concern twenty-five years ago, the type and number of impact investing products have expanded significantly, with ample offerings now available in all major asset classes.

Respondents also sought assurance that their impact would be measurable, meaningful, and commensurate with their museum's ethos. While measuring social and environmental impact is ongoing and evolving as impact investing grows overall, the question of impact measurement should not cause delay in adopting an impact investing strategy for museum investors.

How to Get Started

Museums begin their impact investing journeys in a number of ways, including, for example, writing a statement of diversity as part of their investment policy statement, placing capital with a local Community Development Financial Institution (CDFI) or Black-owned bank, and being intentional about hiring more BIPOC and women fund managers.

As with any change management, having champions is critical to start and drive the conversation, and move it into action. A strong commitment from the board, including the investment committee, is essential to moving from talk to walk.

To ensure success, the top leadership at museums should clearly define their priorities within their impact investing journey—from centering a specific value like manager diversity to a broader commitment to ESG practices. Clarity from the outset is essential.

Drawing from established organizational values is another best practice when undertaking any of these activities, whether updating an investment policy statement, selecting fund managers, or allocating assets. Doing so recognizes that endowment investing strategy can and should be a part of the holistic expression of the museum's mission.

Though impact investing efforts can be as simple as picking [the S&P 500 ESG](#) (a broad-based, market-cap-weighted index that is designed to measure the performance of securities meeting sustainability criteria, while maintaining similar overall industry group weights as the S&P 500), they can also extend well beyond that. For example, both the Contemporary Arts Museum Houston and The Walters Art Museum in Baltimore have invested in increasing affordable housing in their surrounding communities as part of their values-aligned investing activities.

Looking Ahead

More than just an ethical opportunity to put your money where your mission is, impact investing could be crucial to securing the support of future donors. At least thirty trillion dollars will transfer from the baby boomer generation to Generation X and millennials in the coming decades, and it is estimated that 70 percent of this wealth will go to women. Museums that want to continue to inspire philanthropic support will have to authentically connect with this new group of influential NextGen donors, whose priorities often differ from baby boomers, by being conscientious and consistent in their expression of values in everything they do. That includes how, where, and with whom they invest their endowments. Directors of development and investment committees must take note of statistics like these:

- While only 25 percent of baby boomers are likely to consider impact investments, 33 percent of Generation X and 43 percent of millennials are likely to consider them.
- Sixty-one percent of women between the ages of thirty and forty choose their investments based on their social or environmental impact.
- Eighty-six percent of NextGen art collectors rank social impact and purpose-led investment as their highest motivation when buying art.
- Thirty-two percent of art collectors over age thirty-five rank social impact and purpose-led investment as their highest motivation when buying art.

Conclusion

Everyone committed to the future of America's museums can play a part in shifting museum endowments to impact investing. One of the simplest actions that donors, staff, and artists can take is letting the museums they work with know why values-aligned investing is important to them. Given that the most successful transitions to impact investing are led from the board and leadership team level, seeking out education, recruiting, and hiring for diversity and impact investing expertise, and making impact investing goals a part of strategic planning and annual reporting are all effective tactics.

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