PEERY FOUNDATION INTERVIEW

Jessamyn Lau is Program Leader for the Peery Foundation, where she helps shape the foundation's strategy, develops programs, strengthens the foundation's portfolio, and supports existing grantees. Jessamyn's MBA from Brigham Young University and time spent with Ashoka U have given her the perspective and skill-set to help the foundation develop new methods to support and build the field of social entrepreneurship.

What is the mission of the Peery Foundation?
The Peery Foundation is a Palo Alto-based family foundation established in 1978 by Richard Peery. The Peery family also maintains a donor advised fund at Silicon Valley Community Foundation to avail ourselves of their services and facilitate our programmatic investments. Our mission is to strengthen youth and families to build lives of dignity and self-reliance. We do this by investing in and serving social entrepreneurs and other leaders who are working to empower youth and families living in poverty in the San Francisco Bay Area and around the world. We primarily invest in early to mid-stage social entrepreneurs who are effectively addressing the issues of poverty.

How did the Peery Foundation decide to move into the realm of impact investing?
Our primary function is to support and serve the social entrepreneurs we work with. We try to keep our funding as flexible as possible. Peery Foundation funding is generally unrestricted and the structure of a grant is often co-crafted with the entrepreneur. We have come to realize that entrepreneurs with differing business models, or at differing life-cycle stages, need different types of capital. Once we believe in a social entrepreneur their model for addressing poverty we want to always be open to providing the type of capital that they need at the time they need it. We also recognize the importance of putting more of our resources to work behind our mission, including our corpus in the future.

What resources did the Peery Foundation use to get started?
When we began making higher impact grants, we decided to follow smart funders as a low-risk way of building a portfolio. When we began making impact investments, we decided to take the same approach. We began with trusted advice from our peers, as well as support from the University Impact Fund (UIF). Since we don't have staff at the Peery Foundation with traditional business investing experience, UIF was able to ease us in to the new language and process by preparing deal screens, investment summaries and competitive analysis for us. This enabled us to fairly painlessly sort through investing opportunities and begin to question which deals would or would not be a good fit for us, and to identify why.

How does the Peery Foundation find suitable impact investing opportunities?
We are part of the angel impact investing network, TONIIC, which sources and screens impact deals for their members. Being part of this network is also educational for us, as we get exposure to the deal flow process and the chance to build relationships with other more experienced investors. Much like our philanthropic funding, we also source impact investments through our networks of grantees, advisors

and peer funders. We find that the smart social entrepreneurs that we fund usually know of other smart social entrepreneurs in our area of focus that we should know about. We are also finding that our current grantees are growing their enterprises to the point that they are ready for investment capital, which we have provided in some cases as a complement to our current grant funding.

What is your due diligence process?

We believe in due-diligence that fits the partnership in question. The Foundation has a history of operating on trust, and believes that sometimes a handshake can be enough. When funding partnerships are being analyzed which involve larger investments with multi-year commitments, there is certainly cause for a more rigorous analysis of the partnership.

When an organization lands on our radar, an initial screen is conducted to determine its coherence with our mission and existing portfolio. If it looks like a potential fit, a deeper analysis of the people, the idea, and impact is carried out. We aim to minimize the organization's time spent by avoiding proposals, collecting documents they should already have, i.e., business plan, financials, recent proposal, and talking with experts in their field. Our goal is to understand the model to an appropriate depth, and to do so quickly and painlessly.

Aside from justifying funding decisions, we believe that due-diligence should lead toward a deeper understanding of the model, but more importantly an understanding of the entrepreneur behind it. No amount of paper can substitute for the confidence and trust needed to make an investment.

How do you ensure coherence with mission and programmatic goals?

We have looked at many of investment opportunities. In the end, we have found that the companies and entrepreneurs that were a strong fit looked very similar to our philanthropic grantees and nonprofit entrepreneurs. Both must be mission aligned and focused on poverty solutions and lively hood creation, but they happen to need a different type of capital for where they are in their life cycle. So in the long term we expect our impact investing activity to almost seamlessly align with our program goals.

What is the role of the donor advised fund when you already have a family foundation?

We are an extremely small team of three people working on a number of portfolios and initiatives. We don't have in-house expertise for the higher level financial or legal due diligence needed for impact investing. We've worked around this in two ways. First, we currently only co-invest with other funders we know and trust who are willing to open up their due diligence and term sheets to us. Second, we work with professionals from the community foundation where we have the DAF, who review and perform additional due diligence and then monitor and manage the investments for the duration of the investment. Some investments can be quite complex with warrants and conversion to equity features and can last for a decade or more. We know the community foundation has the necessary expertise and will be around for the long-term. Overall this has greatly simplified the process for us and significantly lowered the barrier to entry.

In our philanthropic funding we're not paper heavy and our agreements are very trust-based. It was definitely daunting at first to explore this new realm of traditional investment due diligence and contractual agreements. In addition to resources at Silicon Valley Community Foundation, we've also found the kind of support we need to help us make the leap fairly painlessly through the Toniic Network and University Impact Fund. With their help, we still feel like we're able to retain our low-paper, trust based partnership approach to the extent that makes sense.

Can you share some recent impact investments?
Three recent programmatic investments made through the Peery Fund at Silicon Valley Community Foundation include Proximity Designs, a nonprofit social enterprise, and Lumni Inc. and SMV Wheels, both of which are for-profit social enterprises.

Proximity designs, builds and markets affordable products and services that help vulnerable small plot farm households in Myanmar to be more productive, increase their incomes and transform their lives. Their primary product line is foot-operated irrigation pumps that help farmers grow high-value crops during the six months of the year when there is no rain. Increased productivity translates into doubling and tripling of annual incomes and that means financial and food security, all of which builds lives of dignity and self-reliance for families.

Lumni is a pioneer in the field of human capital financing. The company designs and manages social-investment funds that invest in the education of diversified pools of students. In exchange, each student commits to pay a fixed percentage of income for 120 months after graduation. Lumni provides financing to students in Chile, Colombia, Mexico, Peru and the United States.

SMV Wheels provides asset based loans and vocational support to rickshaw drivers and cart operators throughout India. They envision a community transformed through the confidence and increased disposable income that comes with asset ownership.

How has working through a community foundation benefited you?
Working with Silicon Valley Community Foundation allows us to focus on impact, while they focus on the important details necessary for each deal to work effectively. We have confidence that the community foundation has our backs with regards to the legal, financial administration and monitoring aspects of our impact investments. We know we can pick up the phone and have a real conversation with someone who is already familiar with our philanthropic priorities, which in turn is informing our budding impact investing activity. SVCF has made it possible for us to move into impact investing without skipping a beat.

What advice do you have for others thinking about impact investing?
While it is of course prudent to ensure you have the capacity to dot the i's and cross the t's when it comes to investing, it is entirely possible to find support and resources externally to get started in impact investing. You don't need a grand strategy to begin. Start with a handful of investments that help you get your feet wet as well as your team and board more comfortable with impact investing. Look for those willing to share or who are deliberately building the field of impact investing - it's a very collaborative group!

Jessamyn, thank you for sharing your experience with us!