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What Justin Rockefeller Learned About Impact Investing

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Justin Rockefeller explains how families can pursue social and environmental impact without abandoning financial discipline or long-term investment goals.

Perhaps no other family is more synonymous with both capitalism and philanthropy than the Rockefellers. The family's fortunes in oil have made it possible for them to invest in initiatives that ultimately benefited society. Standard Oil Founder John D. Rockefeller, one of history's greatest entrepreneurs, gave away more than $530 million to charity before his death in 1937. Through family foundations and in other ways, his descendants have dedicated themselves to channeling their wealth for a better world.

A fifth-generation descendant of John D. Rockefeller, Justin Rockefeller works in technology, impact investing and philanthropy. He is a board member of Rockefeller Brothers Fund, a philanthropic foundation that famously announced in 2014 that it was divesting from fossil fuels -- the bedrock of the original Rockefeller fortune. Two years later, another family foundation, the Rockefeller Family Fund, also announced that it would no longer invest in fossil fuels.

To provide other families with the knowledge and network they need to make more impact investments more effectively, Justin co-founded The ImPact, a social enterprise that aims to increase the probability and pace of addressing social problems by improving the flow of capital to businesses creating measurable social impact. In an in-person interview with EIX editor Kim Eddleston, he shared his insights about how entrepreneurs and businesses can learn from one another about aligning investment and values, without compromising the returns that ensure that the investment continues to spur positive change far into the future.

Aligning Values and Investment

Kim Eddleston: *Can you talk about what your experiences with the Rockefeller Brothers Fund taught you about aligning values with investments?*

Justin Rockefeller: Sure. The fund is a private foundation that my grandfather and his brothers started in 1940; I serve on the board and the investment committee. We have several program areas that we focus on, one of which is sustainable development – think fighting climate change.

We as a board and as an investment committee really thought about whether we should be investing the endowment in coal companies and fossil fuel companies at the same time we were trying to help the environment. While we know that our family name is strongly linked with fossil fuels, we also saw that how we invest our endowment does have an impact. We realized that our investment decisions can help or hurt our mission, and we had to make sure the two aligned.

So in September of 2014 we announced that we had begun the divesting of fossil fuels from the endowment. The whole Rockefeller family wasn't pulling out of fossil fuels -- just this particular foundation with eight family members on its board. The irony, of course, is that fossil fuels generated the fortune that made the RBF's endowment possible, and we've been divesting of them. However, we saw it as somewhat akin to a cancer-fighting foundation investing in tobacco companies and thought it was something that was incompatible with our mission.

Our actions had to be sound financially as well as morally. We started to divest earlier in 2014 at about $106 a barrel, which turned out to be a good financial decision. Our board then had to consider what we should do with the money that we divested. Our strategy has been investing in managers whose work directly

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aligns with our mission, and now about 42% of our endowment is invested in this way. We are moving, slowly and prudently, towards 100%, but it's a multi-asset class endowment, so these things take time. But we feel very good about the path that we're on, and frankly, we're handily beating our benchmarks too.

Getting Family Members On Board

KE: *Was it difficult to convince other family members to change course?*

JR: It actually wasn't. We just needed assurance that it was still possible, even without fossil fuels, to invest the endowment in a way that wouldn't compromise returns or meaningfully increase risk. We wanted the Rockefeller Brothers Fund in the future to have the same purchasing power it has today. So we kept the same requirements for returns and risk, but with an added layer of an impact focus for a certain percentage of the endowment. Working with our outsourced chief investment office, Perella Weinberg Partners, our investment committee confirmed that we could do this in a way that does not compromise returns or increase risk. Then there wasn't much resistance.

KE: *Tell us about The ImPact and how you started it.*

JR: We are a nonprofit network of family businesses, family offices, and family foundations committed to impact investing -- understanding the positive and negative impacts of what we own, and moving more money in a direction that reflects our values. The ImPact makes it possible for us to learn from one another.

I cofounded The ImPact with other impact investors because we saw that there was a lot of interest in values-based investing, but not a lot of information on how to get started. Because of my work with Rockefeller Brothers Fund, a lot of people were asking for advice about what works and what doesn't.

KE: *What makes The ImPact different from other investment firms?*

JR: The ImPact isn't an investment firm; it's a nonprofit social enterprise. We are not selling a product. It's a network of families who want to learn from each other, and we do so in several ways. One way is education -- we publish papers and case studies, and make those available on TheImPact.org, our website. We also share information with one another through retreats, dinners, trips, and lots of conversations across our global network.

The right data are critical. We leverage Addepar, which is a financial technology company where I also work. Addepar is software that powers data aggregation, portfolio analysis, and reporting for the values-aligned portion of our members' portfolios, so that they can learn from one another, see inside each other's anonymized portfolios, discover managers and deals they didn't know about, make more informed decisions, allocate capital more efficiently, drive more dollars into the space, and encourage entrepreneurs and other managers to launch more products that address societal and environmentmental challenges. In short, these data help derisk the universe of investable opportunities out there, making it more likely our members will invest for impact.

Surprises and Challenges

KE: *What about this experience has surprised you the most?*

JR: How quickly the interest in the field of impact investing is skyrocketing, mainly because women and Millennials are passionate about it -- which means the wealth managers who want to manage their money are interested too. So wealth managers now are coming up with more solutions and really asking their clients, not just about their financial goals, saving for kids' college tuitions or how many homes they want to own, but also about the causes that they care about, their values, and how to align their investment portfolio with those values.

KE: *And what has been the biggest challenge?*

JR: It's still about transparency. The field hasn't yet agreed on standards for metrics and language, but those are side bickerings. The point is that what we do with money has moral consequences, and people now are able to align their values and their investments in a way that couldn't be done 20 years ago because of more compelling investable opportunities. You didn't have the plethora of entrepreneurs focused on building impact companies.

KE: *How has your focus inspired the other foundations that your family runs? Are they also thinking about impact investing?*

JR: Other family foundations have either moved in this

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direction of divesting fossil fuels, or of pursuing mission aligned investing, or are looking very seriously at it.

Advice for Entrepreneurs

KE: *From what you've learned, what advice can you offer an aspiring entrepreneur who really does want to start a business that has social impact?*

JR: They should think of their social impact business as a business first. With social impact businesses, the more financial success you have, and thus your investors have, the more positive impact you'll have. Tesla is a good example. Its market cap is $50 billion at this point. The better they do financially, the more positive impact they'll have in the world across battery storage, electric vehicles, and the other innovations.

So look for that combination. Something you really care about, and something where the more money you make, the more positive impact you're going to have, and vice versa. Job creation is of course one component. But think about other societal and environmental benefits that could result from your work.

KE: *As a family business scholar I have to ask you, with all that you've done to change the investments as a Rockefeller, how does that make you feel? Now that you're a dad, how do you feel about your legacy?*

JR: I am a father now, and I'm frankly proud -- because if you think about the history of our family, there are ties back to capitalism and also philanthropy. Impact investing sits right at the intersection of philanthropy and capitalism.

And so I see this work as a continuation of family values and family traditions, but with a new twist and perhaps a more sustainable business model for younger generations who want to make money and also have a lot of positive impact. I think that this field of impact investing is making increasingly clear that is indeed possible.

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