

# All In: Aligning Assets to Mission on Local, National and Global Scales



As a values-led, user-centered, place-based philanthropy and investor in Central Wisconsin, Incourage is committed to leveraging 100% of its assets toward a vision of realizing a community that is prosperous, inclusive, healthy and sustainable.

In urban as well as rural regions across the nation, realizing such a vision is a long-term process that requires engagement of local business owners, workers and residents, local investment to boost business start-up and expansion, and active ownership of regional, national and global companies that employ local workers. Flexibility to respond to changing market conditions is also critical, as the nature of production and competition change dramatically over time.

## Combining Local, National and Global Investments

Incourage has learned first-hand the importance of this multi-faceted approach. Located within the nation's top paper and wood manufacturing state, traditionally recognized as America's Dairyland, as well as the world's largest cranberry-producing region, Incourage operates within a largely rural area. The region's productive bogs, farms and forests long supplied local households, as well as manufacturers and distributors who employed residents to create world class consumer and industrial products.

The region's industries are increasingly challenged by global economic forces, ranging from wholesale restructuring of the paper industry with the rise of digital media and lower-cost timber imports, to the rise of corporate agribusiness and ongoing price volatility for the region's broad range of agricultural products.

Increasingly taking the place of traditional farms and mills are large corporate employers, ranging from big box retailers to the nation's fast food providers. These companies employ a growing number of the state's residents, affecting everything from wage levels to public benefits and land use policies. While sustainable agriculture, renewable energy innovations and web-based businesses offer new opportunity, emerging sectors also carry potential risks that require careful cultivation and oversight.

To respond to evolving conditions and deliver on our commitment to work with residents in realizing a community that works well for all people, Incourage combines investing in local businesses, farms and development organizations, with active ownership and strategic investments in regional, national and global companies that employ workers in our region.

## Starting at Home

Incourage began local investing almost a decade ago with insured deposits in local banks and credit unions. We then allocated a portion of our fixed-income portfolio to regional high-performing Community Development Financial Institutions (CDFIs) that provide financing to local affordable housing, health and human service organizations as well as businesses. We next acquired our downtown's underutilized Tribune building and residents joined us in determining that this historic building on the Wisconsin River will be the site for a regional accelerator to fuel local entrepreneurialism. We are allocating alternative investments to private equity holdings that promote the long-term ownership of local companies in local hands, particularly among experienced women entrepreneurs and entrepreneurs of color.

## Shareholder Advocacy

In tandem with these regional investments, Incourage acquires strategic holdings in traded companies whose operations have a significant bearing on local communities, including paper companies and large retailers. Incourage votes its shares and otherwise gives voice to resident concerns in favor of positive moves by these companies, such as increases in their minimum wage. While fostering a business environment that embraces innovation and change, we promote practices that also steward local

## Impact Investing Timeline

- 2009**  
Up to 1% of assets for impact investing  
Insured deposits in local depositories
- 2010**  
Initial Wisconsin CDFI investment
- 2011**  
Up to 3.5% of assets for impact investing
- 2012**  
Additional Wisconsin CDFI investment  
Tribune real estate investment
- 2014**  
Committed to 100% alignment of assets with mission
- 2015**  
Researched place-based, values-aligned approaches
- 2016**  
Approved 100% for Mission Investment Policy Statement  
Began design of Wisconsin passive index fund  
Established active ownership in select local companies
- 2017**  
Additional Wisconsin CDFI investment  
Launched Wisconsin Shared Stewardship Equities Fund, a passive index fund  
Launched regional private equity strategy
- 2018**  
Launched shareholder engagement and network on responsible restructuring  
Researching innovating fixed-income product with state finance agency

worker, community and environmental interests. Given ongoing restructuring in our region's core industries such as paper, Incourage engages directly with corporate management to argue for responsible restructuring that safeguards the long-term interests of workers and the community. We work in partnership with like-minded shareholders, stakeholders and public officials to set new standards for how corporations manage transitions.

### **Innovating for Impact – Wisconsin Shared Stewardship Equities Fund**

Building on our targeted efforts as well as broader advances in the impact investing field, Incourage recently launched the Wisconsin Shared Stewardship Equities Fund (WSSEF), a customized, publicly traded, passive equity index fund that prioritizes or tilts toward companies that are providing employment in Wisconsin.

As with any passive index fund, the investment objective is to deliver returns in line with a benchmark index – here, the Russell 3000 – with minimal tracking error or deviation from the expected benchmark return. The impact objectives for the WSSEF are to reinforce Wisconsin employers with strong labor and environmental practices while engaging constructively with companies that might enhance their operations in these areas.

Structurally, Incourage weights WSSEF portfolio holdings on whether the companies employ workers in Central Wisconsin, have headquarters in Wisconsin or have employees more broadly in the state. It prioritizes companies that have good workforce and governance practices and are working to create a new economy based upon environmentally sustainable solutions. Through these criteria, the WSSEF promotes growing business in Wisconsin while outperforming the Russell 3000 on fair labor standards and expected clean tech revenues.

The WSSEF allows for proxy voting and shareholder dialogue to encourage responsible practices and business growth in Wisconsin. Here, Incourage applies its broader **connected capitals** approach that engages its own and the community's moral, human, social, intellectual, reputational and natural capital, along with financial capital, to advance the vision of a community that works well for all. Operating from a central belief that people are our most important asset, Incourage works with residents, employers, investors, and other partners to foster the conditions for strong corporate performance as part of inclusive, healthy and sustainable regional economies. We engage with our partners to build value chains of regional suppliers that circulate dollars to build local wealth and resiliency, aligning our own spending and offering transparency and a full accounting of our performance to all our stakeholders.

### **Leveraging Experience**

Across its impact investing strategies, Incourage taps experience from over a decade of working with regional employers to create quality jobs and ensure that any resident who wants to work has opportunities to prepare for and secure a family sustaining job, and advance in a career over time. While the criteria for a "quality job" vary by industry and other factors, Incourage works with employers to incorporate elements advanced by many impact investors, including a living wage, basic benefits, career and wealth building opportunities (including potential employee stock ownership), and a workplace that balances employee and business needs. Incourage brings insight from a long partnership with the National Fund for Workforce Solutions as one of its first rural grantees. We are expanding our partnerships that foster environmental sustainability practices, ranging from carbon disclosure to energy-efficient operations and renewable energy sources.

### **Partnering for a Sustainable Future**

Incourage has worked with trusted advisors to develop the WSSEF strategy, including Aperio Group, Avivar Capital, Colonial Consulting and Network Impact. We welcome the opportunity to work with co-investors and strategic partners in the WSSEF, broader regional investment strategies and models for inclusive, sustainable development that can be replicated in rural or urban communities nationwide.

#### **Wisconsin Shared Stewardship Equities Fund**

Identifying companies for the Wisconsin Shared Stewardship Equities Fund (WSSEF) required customized research as accessible, contemporary data on which publicly traded companies employ workers in Wisconsin's zip codes were not readily available. An initial review of Fortune 500 companies employing Wisconsin workers was underweighted in the energy sector. Research on 325 energy companies from the Russell 3000 led to identifying 15 more companies with employees in the state. Research by MIT Sloan School graduates further expanded the data set to support an WSSEF portfolio that could outperform the Russell 3000 on Incourage's place-based and social criteria, while reflecting higher clean tech revenues than occur in the Russell 3000 benchmark index.

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