

# *Jewish* Impact Investing: What Differentiates It?



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# ‘Traditional’ Impact Investing

- Impact investing has gone through evolutions
  - From Negative screens → Targeted positive investing
  - ESG → SDGs (specificity, targeted impact)
- Alphabet Soup: SRI, VBI, CSR
- Double Bottom-Line:  
Profitability + Impact → Sustainability!

# Differentiating *Jewish* Impact

- What differentiates ‘regular’ impact investing from ‘Jewish’ impact investing?
  - Core Jewish values often invoked:
    - תיקון עולם *Tikkun Olam* (repairing the world)
    - צדק *Tzedek* (justice/righteousness)
    - חסד *Chesed* (mercy/kindness)
- Are these specifically Jewish values, or are they Universal/generic?

# Interlude: Jewish Philanthropy

- Focus on the United States
  - Allows for comparison of Jews with other religious/ethnic groups and the general population
  - Jews comprise 0.19% of the World population  
14,787,200 / 7,691,430,000
  - Jews comprise 1.73% of the USA population  
5,700,000 / 329,153,000
- We're a very small part of the population, but we're impactful!

Source: [https://link.springer.com/chapter/10.1007/978-3-030-78706-6\\_7](https://link.springer.com/chapter/10.1007/978-3-030-78706-6_7) (2020 Data)

# Interlude: Jewish Philanthropy

- Jews play an outsized role in American philanthropy
  - 76% of Jews in America give to charity, as compared to 63% of other Americans
  - An average of \$2,526/year, as compared to Protestants (\$1,749), Catholics (\$1,142) [2017 Data]

Source: <https://givingusa.org/just-released-giving-usa-special-report-on-giving-to-religion/>

- As a rule, Jews tend to give *less* to religiously-specific causes, and *more* to secular/generic causes

Source: <https://nonprofitquarterly.org/americas-jewish-community-leads-per-capita-giving/>

→ Universal causes/values are important to Jews!

# Building a Taxonomy

- Easy to map Jewish values to **ESG!**
  - Environmental → *Tikkun Olam*
  - Social → *Chesed*
  - Governance → *Tzedek*

(with some obvious ‘bleed’ between the categories!)

- If the Universal values are deemed to be determinants of what is considered “Jewish”, then just about every impact investment is also “kosher”!

# Need for a Taxonomy

- Given that it's easy to map Jewish values to coincide with Universal values,  
(and that we [apparently] care for those values as a community!)  
It's fair to say that the impact investing field (writ large) is a good thing from a Jewish perspective!
- If we're looking to narrow the field a bit, and be thoughtful about our approach from a Jewish perspective, **then** we probably need to be a bit more particularist...

# The Jewish Taxonomy

- In order for something to be considered a *Jewish* impact investment, it needs to simultaneously:
  - Be an impact investment (generically)
  - Have a particularist/Jewish-centric aspect
    - This can either be by population-served, having a Jewish advocacy component, or utilizing an approach which is uniquely-Jewish, and not simply universal
- Essentially, “Judaism” (in some form) needs to be part of the “double bottom-line”



# Israel: The *Triple* Bottom Line

- Israel, as the nation-state of the Jewish people, **inherently** creates a special-status category for the Jewish impact investor
- Given Israel's majority Jewish population (74.2%), a social impact business in Israel inherently becomes a Jewish impact business due to the population being served
- In essence, this turns an impact business with a *double* bottom-line into one that's actually *triple* (from a Jewish investor's perspective) ["Israel" is a dimension of impact]

# Israel: Broader Perspective

- A social impact venture focusing on the Arab population of Israel (20.9%) will **also** fit the taxonomy, as a benefit to one segment of society will be felt by all, including the Jewish majority
- Given that “Israel” is (itself) a dimension of impact, in order to fit the taxonomy, a company based in Israel will need to demonstrate a double bottom-line *in addition* to simply being in Israel

# Investment Funds in Israel

- Pooled investments in Israel may occupy a middle ground, classification-wise
- Israeli funds aiming to achieve an impact clearly fit the taxonomy
  - e.g., a fund indexed to the TA-125 Fossil Fuel Free Climate Index
- Broad Israeli market funds are in the taxonomy, but classified separately
  - They are currently held by many Jewish investors specifically as an impact-related portfolio holding

# Jewish Impact Investing Taxonomy

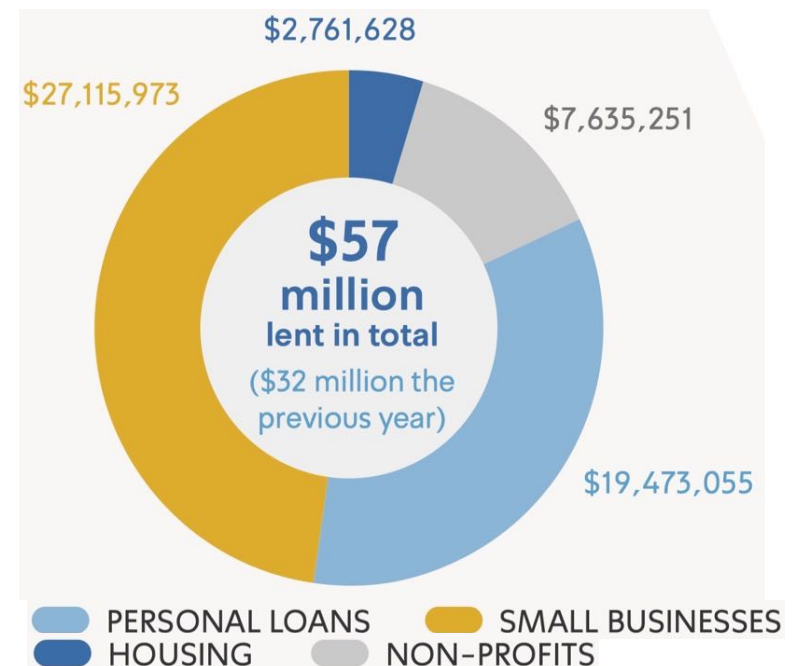
- Aggregating all of these concepts, a synthesis is formed, with *four* major categories:
  - ESG/SDG, with a Jewish impact (ESG/SDGj)
  - ESG/SDG, in Israel (ESG/SDGi)
  - Funds, with a Jewish intent (FUNDj)
  - Funds, or pooled exposure, with an Israel focus (FUNDi)
- Additionally, investments will be tagged as Active/Passive, Public/Private, etc.

# Example of ESG/SDGi:



- Formerly the Israel Free Loan Association (IFLA)
- Creating a “Social Bank” structure, similar to CDFI
  - Affordable loans (3-5%) for small business creation in the social/geographic periphery (underserved populations)
  - Funded with impact loans (5-Year, 1%) and philanthropy

- \$115 million under management
- \$400 million lent since 1990
- Now making 3,000 loans per year (2,000 in 2019)
- Lending \$57 million per year (\$20 million in 2019)
- More than 68,000 loans made since 1990
- Interest-free lending fund of \$55 million (Ogen - Free Loan Fund)
- \$60 million low-interest lending fund (Ogen - Social Loan Fund)
- 1,000 volunteer small business and non-profit mentors
- Financial coaching for 1,000 families per year



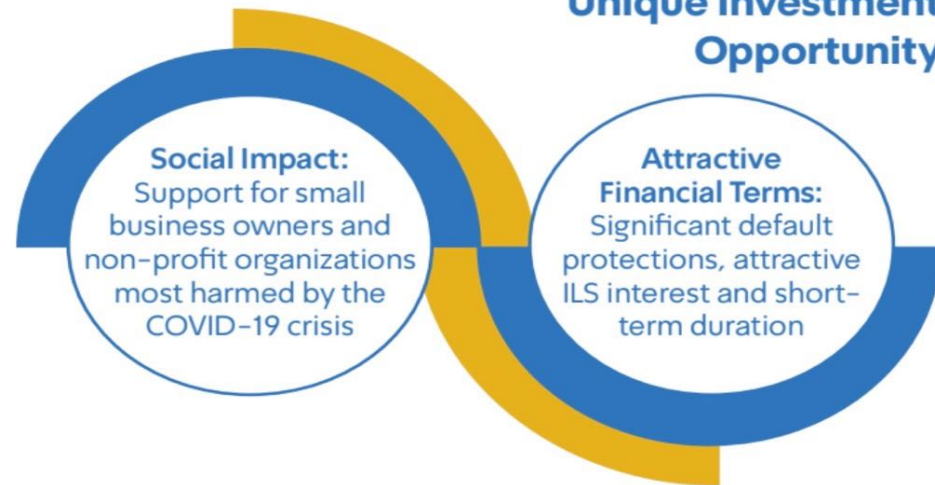
# Ogen Tranches Securitization

Israel's first securitized impact bond, backing affordable credit for underserved small businesses and non-profit organizations

## Loan Portfolio Structure



## Unique Investment Opportunity

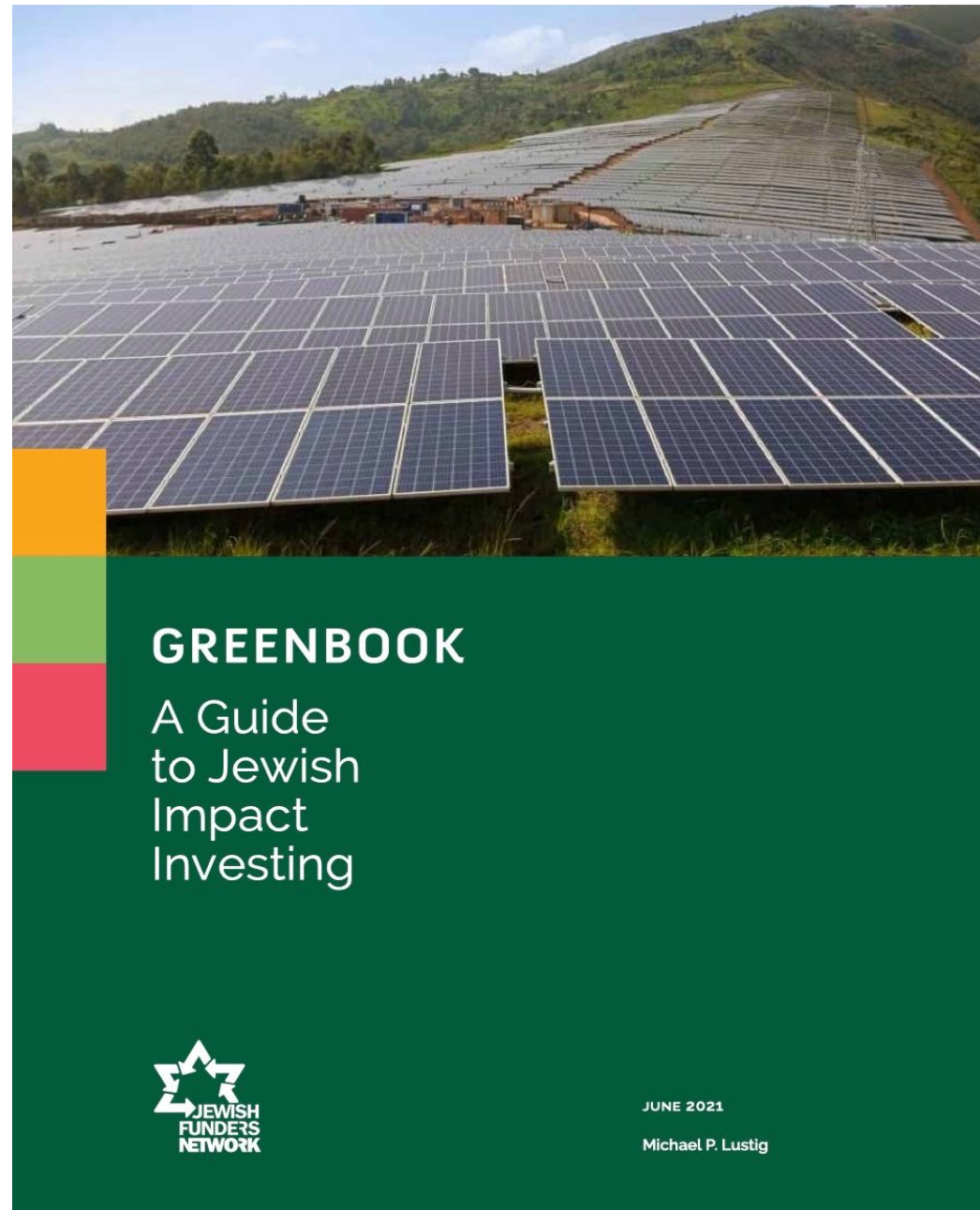


Source Type	Amount (ILS)	Weight	Annual Interest Rate	Default Coverage	Payment Frequency	Payment Principal	Average Life	Modified Duration
Senior Debt	25,000,000	50%	1.15%	50-100%	Quarterly	Quarterly-Within 2.75 Years	1.5	1.4
Regular Debt-A	12,500,000	25%	1.8%	25-50%	Quarterly	Quarterly-From 2.75 for 1.5Years	3.6	3.4
Regular Debt-B	5,000,000	10%	2.8%	25-50%	Quarterly	Quarterly-From 4 Years for 1 Year	4.6	4.2
Philanthropy	7,500,000	15%	0.0%	0-15%				
<b>Total</b>	<b>50,000,000</b>	<b>100%</b>	<b>1.31%</b>					

## Further Work . . .

- The taxonomy that's been developed is *not* meant as a “be-all / end-all”, but *rather* as a starting-point for more thought & discussion
- Among the ideas to be further considered is the creation of the “Jewish SDGs”, which would allow for more granular expression of the chosen [*sic*] categories
  - These “JSDGs” would have much broader use, as well!

For more on  
this topic →  
(including  
illustrative  
Case Studies)



<https://www.jfunders.org/greenbook> a guide to jewish impact investing