

IP Faith-Based Investing Show 1

Participation and Growth in Faith-Based Investing

This is Investor Perspectives. I'm the host of Investor Connect, Hall T. Martin, where we connect startups and investors for funding.

In our new Investor Perspectives series entitled "Faith-Based Investing in a Post-COVID World", you'll hear about participation and growth in faith-based investing.

As the COVID pandemic passes, we emerge into a new era. The faith-based investing space is now undergoing tremendous change as we shift to a post-COVID world. Faith-based investing takes precedence with many investors in the financial industry. We have investors and startup founders describe the changes coming up.

Our guests are:

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We hope you enjoy the show.

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[01:27] Our first guest is Steve Gatena, Founder and CEO at Pray.com. Pray.com is the world's #1 app for daily prayer and faith-based audio content. Pray.com is the easiest way to incorporate prayer into your daily life. Pray.com is the only religious app in history to become a Top 5 grossing Lifestyle app in the Apple app store and the company has been named as one of the Best Places to Work by the Los Angeles Business Journal as well as one of the world's fastest-growing mental health apps by Sensor Tower. Steve, thank you for joining us.

Steve Gatena: Thanks for having me on. I appreciate it.

Hall Martin: Great. So tell us more about your work and what you do.

Steve Gatena: So pray.com is the world's number one app for daily prayer and faith based audio content. We're the easiest way to incorporate prayer into your daily life. A lot of people use our app to learn the Bible through audio Bible stories, they use our app to read scripture, and they use our app to pray every day.

Hall Martin: Great. So let's talk about the growth in the faith driven investing space. What do you see going on there?

Steve Gatena: I think we were probably the first consumer business to raise a proper venture round in the faith space. I remember back in 2016, when I went to Silicon Valley and started pitching venture capitalists on Sand Hill Road, and our first set of investors, our first ever investor was Josh Elman from Greylock, and we also had an investor named Mike Jones from Science, which is in LA, and both of them were pretty visionary investors, they really understood what I wanted to build with pray.com, and they understood that there was an opportunity to build a massive direct to consumer media platform that could be the digital destination for faith.

[03:19] Our next guest is Shane Enete, Associate Professor of Finance at Biola University and Investment Analyst at Inspire Investing. Inspire invests in some of the most impactful companies in the world, but also seeks to be one of the most impactful companies in the world. Every year, Inspire donates at least 50% of corporate profits to impactful charities with their Give50 campaign. Shane, thank you for joining us.

Shane Enete: Oh, you're welcome. My pleasure.

Hall Martin: So what is your participation in faith-based investing so far?

Shane Enete: It's been something that's been a deep passion of mine for most of my life. When I first became a Christian, I was passionate about investing at 15 years old, and was leading team investing seminars, and at the time, it was before internet brokerage, and before the

whole Robinhood. And so I had to educate others on how to buy stocks outside of a broker, because they had that online commission that you'd lose half your money if you tried to buy individual shares. So I just was passionate about this idea of investing, and, as a Christian, it seemed at odds with the life of Christ, and it seemed like most investing was about trying to make money, and Jesus didn't seem to be interested in that. And so, I, even at an early age, wanted to integrate the two, wanted to build a bridge between this world of investing with risk and return at the forefront, and in this world of Jesus, who seemed to want to have us call us to abandon ourselves to him, and to leave all behind. And so, I wanted to see, because I just naturally love stocks and investing, was there a way to be a Jesus follower, a lover of Jesus, and still fully engage in the art and science of investing. So yeah, early age, and so, I went into investing in the industry out of college, did finance at USC, and was a forensic accountant PIMCO, one of the largest bond traders in the world; and then went on to value stocks at a mutual fund company called Brandes, they had about a 100 billion at the time, and I valued insurance companies primarily in the Benelux area in Europe, in Japan and in the Bermuda area with all the reinsurance companies. And so really, during that process of applying investment philosophy to an investment process, seeing how to value things, how to identify intrinsic value, just always was struggling to figure out is there a way to integrate this with my faith. I don't just want what I do to be separate of my love of Jesus, and I just, it's very easy to segment it, it's very easy just to kind of like separate the two domains, the two worlds and say, this is where I make money over here, and then let me, on Sundays, I go to church, and this is where I love Jesus. And so, I wanted to work in industry for about 10 years, and then go into academia after that, and really push and see how can I integrate faith and money in an academic setting. So Biola University where I ended up was a perfect place, because one of their taglines is think biblically about everything, and I wanted to think biblically about investing. And so, when I started at Biola, I got connected with Inspire Investing, and they were looking for some thought leadership in the area. And so, it was a perfect match, just because it was an area I wanted to dive more into. And so, yeah, so that really got me kind of knee deep in the area, and really have just been trying to publish, and to produce products ever since that are helping kind of push the industry towards more maturity.

Hall Martin: Great. Well, tell us more about your work and what you do.

Shane Enete: So I'm an Associate Professor of Finance at Biola. I got my PhD and personal financial planning, have my credentials, the CFA, CFP, CAIA, _____ Alternative Investments. And I started a CFP board certified program at Biola, so the students can really, you know, students who want to do finance, they can either go into the financial planning side where they're advising households, or they can go kind of into the institutional side, corporate side where they're managing under a CFO or an accounting department. And so, I've kind of helped develop the program that's launching students into the advising side. And so, they take the classes that are CFP board certified, and they sit for the CFP exam when they graduate, then they go on and hopefully have a great career in financial planning, and also, trying to develop other system, university wide financial education and financial literacy programs at Biola, and in the churches around. I'm currently working with the largest Latino church in LA, and trying to

develop more financial literacy programs for the financially vulnerable populations, particularly in LA. But yeah, so that's basically what I've been doing. It's been super fun.

Hall Martin: Great. Let's talk about the growth in the faith driven investing space, what do you see happening there?

Shane Enete: It's just been growing alongside the ESG growth, you know, about five years ago, the stat was a fourth of all active management has some sort of ESG component, has some sort of non-financial elements in its process, non-financial criteria. And so, it's been an incredible growth of both ESG and SRI, Sustainable and Responsible Investing. And I think, swept up in that there's been also an incredible growth of faith investing, and there's different terms, just like the ESG has had lots of different terms as its evolved. It used to be SRI, which was Socially Responsible Investing, and then that evolved into Sustainable and Responsible Investing. And now, it's been solidly ESG for a while, but I think it's evolving outside of that as well. But within the Christian space, it was socially responsible investing, and then, it's kind of some are trying to say it's ESG, within the social aspects of it, but another common term would be the BRI, Biblically Responsible Investing. So the BRI space has grown just an incredible way. Inspire Investing, who I work for, they're consistently listed in the top 10 or top 20 fastest growing advisors and their assets have grown quite a bit as they've produced these ETF products that have done really well, and have kind of scratched a niche for people who are wanting to invest in a biblically responsible way. But yeah, I'd say, it's pretty own just as fast, if not faster as a broad ESG movement.

[09:56] Our next guest is John Siverling, Director of Private Markets at OneAscent Capital. OneAscent Investment Solutions manages a variety of values-based investment strategies designed to help investors live aligned with what they value most. Their broad suite of investment solutions includes turnkey models, individual strategies, and retirement portfolios that combine a disciplined investment process and a commitment to values-based investing. John, thank you for joining us.

John Siverling: Hall, thank you – thank you for having me on.

Hall Martin: Great. So what is your participation in faith based investing so far?

John Siverling: Sure. So I've been in faith based investing, I think, probably for 15 years plus. It really began after I had been in an early stage venture development, venture capital work for 10 years before that. So 15 years ago or so, I was a part of a small group that formed and launched, and then I led a group called the Christian Investment Forum, which was a trade association of kind of faith aligned mutual fund families and investment professional, investment managers, all seeking to kind of have a faith approach to how they looked at investing in the public space. Our goal was to really advance the ideas, the concepts, and visibility of faith based investing to a broader audience of advisors, but also investors themselves. And so, through that process, we recently merged Christian Investment Forum with another organization, and that led me to join OneAscent this last year, and formed OneAscent Capital with the team at OneAscent. So

OneAscent itself is empowering advisors to build the kingdom, trying to align kingdom values with investments through world class turnkey solutions. So really, they've been helping advisors for five plus years on the public side, and the goal here was to incorporate that same concept, the same values based investing approach in the private side to create a private market solution, a program of private market offerings to the clients of OneAscent, as well as to others interested in private equity that's aligned with their faith, while still delivering a private equity like return.

Hall Martin: Great. Let's talk about the growth in the faith driven investing space, what do you see going on there?

John Siverling: Sure. Well, so, I mean, 15 years ago, there were only a handful of investment options when we were first starting Christian Investment Forum, there were probably 15 or so funds that were available to the retail investor. And frankly, many of them were kind of below average in terms of their performance, but today over the last 15 years, you have seen over a 100 funds and ETFs are in the market now. Many of them have five-star ratings from Morningstar, and they're all using different approaches to this idea of kind of a values or faith based ESG investing, but they cover all various categories of that space. So it's really continued to grow quite a bit over the last, let's say, 15 years, there's now about five-zero, \$50 billion in assets in those products in that market. But that opportunity is still small, and that's probably about 1% of the addressable market, when it comes to a public markets values based investing approach. Now, on the private side, I'd say that we're probably years behind where the public markets were, so we're in that stage of maybe the second inning of the nine inning game, whereas the public markets are much further along, in terms of kind of the maturing and growing of this space. But we're on that same trajectory, which is exciting to be a part of it, and kind of grow this part of the broader private equity entrepreneur, venture capital and impact marketplaces. So while there are like \$6.6 trillion in assets under management within broader, within the private equity space, there's only about maybe 3 to 4 billion that's in kind of a faith based impact investing approach. So we're still in a very early stage, but when we see the market demand out there, both from entrepreneurs, but also really from a lot of the limited partners who are in this space, so you see, I think, statistics say two thirds of limited partners or private fund investors want to make ESG investing a more integral part of how they look at investing into companies and into funds and into entrepreneurs. So we're seeing that growth happen around us. And so, the opportunity is still huge for us to go forward.

[14:13] Our next guest is Endel Liias, Founder and Managing Principal at Nexus Impact Advisors. Nexus Impact Advisors is a boutique consultancy specializing in faith-driven impact investing. They work with a range of clients — from individual investors, angel networks, and family offices to foundations, non-profits, and investee companies — to increase the flow of capital from purpose-driven investors to high-impact organizations that create wealth, reduce poverty, and effect meaningful change. Endel, thank you for joining us.

Endel Liias: _____ Hall, thanks for having me on.

Hall Martin: Great. So tell us about your participation in faith based investing so far?

Endel Liias: Sure, I'd be happy to. So I started out in this space in 2013, and my background was a mix of mission work and work in the enterprise development field, so really market based solutions to poverty, which effectively is impact investing these days. And so, that is using capital to solve some of these really intransigent challenging social problems. And so, as it relates to faith based investing, I got involved with a group called the Carpenters Fund back in 2013, and that was a senior loan syndicate that basically helped to provide senior debt to ministries in businesses overseas that were looking to expand but couldn't afford the cost of local capital. So we provide them debt, and they would be able to grow and there would be a good return to investors. Fast forwarding a bit, in 2016, I started Nexus Impact Advisors, and the idea, or, sort of the operating thesis was that there is this burgeoning faith driven investing ecosystem, and a lot of interest from both entrepreneurs to have some guidance, but also, and more importantly, from investors to understand what the opportunities were in the marketplace. And so, Nexus is a small consulting firm. I have a few different colleagues that I work with, but do most of the work myself, and work with high net worth individuals, angel networks, family offices, family foundations, and some nonprofits. And there's a few different kind of buckets of work that we do, and, I guess, I would summarize them really into three things. The first is the area of research, and when I first started in this space, as I mentioned, there was this tremendous level of activity that was starting up and quite exciting. But at the same time, and what I mean by that, specifically, is there was a number, there's lots of entrepreneurs with cool ideas, investors looking at getting interested, other stakeholders, intermediaries, numbers of funds coming on the market, accelerators, incubators, all this stuff, but it was quite disparate. And so, there wasn't any cogency to the marketplace or real clarity about what is this faith driven investing marketplace. And so, we put together a very brief study, it was a landscape for Christian investing, which is an attempt to effectively summarize the marketplace in just a few pages, what is biblically responsible investing and faith driven investing, what does it look like in the public markets, in the private markets, who are the key players, what's the size of this marketplace, and a few more details to give people some help on that. And the study is a bit outdated at this point, but it's still available online at nexusimpactadvisors.com.

Hall Martin: Well, let's talk about the growth in the faith driven investment space, what do you see going on there, how fast is it growing and where's it coming from?

Endel Liias: Yeah, I would say that there's growth on a number of different fronts, and it's coming from really all angles. On the demand side, you have investors increasingly, and by investors, I mean, all kinds, at the institutional level, as well as the individual level and even the retail level, so I distinguish that from an accredited investor. But becoming aware of the importance of stewarding capital in a way that is it honors God, and that is really holistic and aligns with their values, and so, realizing not only that that's important, but that they can actually do that through public markets, through private markets, whatever it may be – so there's an increasing demand for faith driven investing opportunities. On the supply side, there

is just an abundance of opportunities out there, new products, there's multiple now faith driven funds, there's a new faith driven fund of funds, a couple of them actually. But these run across asset classes, and I think probably the best place that captures the _____ of this is the Faith Driven Investor website, I'm sure you're familiar with them, and they just outline all the asset classes from real estate to venture capital and private equity to public equities, mutual funds, exchange traded funds. And so there's just this plethora now of new opportunities and places to put capital, whether you're just a regular person investing your 401(k) or if you are an accredited investor or a high net worth or foundation or something like that. And then a couple other thoughts on the growth of it, I'd say, the channels are also quite interesting. And what I mean by that are the ways in which you can engage in faith driven investing. So it's not just through your own personal investments, although that's certainly possible, but folks can do it through donor advised funds now, you can actually make faith driven investments, and there's returns that cycle back in there, you can do it through trusts, of course, everyday retirement accounts, 401(k)s. And so, there's a lot of different options there. And then, in terms of the overall growth of the market, I did some research a couple of years ago that tried to estimate the size, and I'd be happy to share a few thoughts on that, but it wouldn't be fully scientific, it will be estimations.

[19:32] Our next guest is Jeff Shafer, CEO at CommonGood Capital. CommonGood is a financial services firm aligning capital with the values and goals of investors. They provide advisors a curated platform of private alternative investments that mobilize capital to generate competitive returns as well as meaningful impact in communities around the world. Jeff, thank you for joining us.

Jeff Shafer: Well, it's a pleasure to be here.

Hall Martin: Great. So tell us more about your participation in faith based investing, what are you working on these days?

Jeff Shafer: Yeah, so first of all, that's a very big question, because you almost have to start with, how do you define faith based investing. So I'm not going to delve into that yet. But let me at least give you a little bit of background of how I got into what I'm going to broadly call impact investing, which also does touch into faith based investing. what stood out to me was not only the competitive returns that one can generate, candidly, competed with what I had been involved with for 20 years; probably equally important, if not more important, was two vignettes of the residents who lived in these apartments prior to this group coming in and buying these assets, putting new capital, and putting new management. And then, of course, they were there _____ post, and they talked a little about it. And one said, they've given me my dignity back. A second one said, oh, I'm so excited to have people coming to my house. And that's when the light bulbs went on for me where power, capital has power, and every investment is either, is doing something, whether it's good, whether it's neutral, or whether it's bad. And so, out of that, I ended up leaving, took me another year or so to leave to go help wealth advisors and really the financial industry, think about what does it mean to be a steward of your investment capital. We talk about stewardship when it comes to charity and giving, but

historically, it's not been on the investment capital. And so, that's why, and that's how I come at this whole faith based investing and/or impact investing. To answer your question specifically, I personally started investing in 2014-2015 in several different investments, private equity, one of them was investing in faith based management companies, and IT, healthcare, and some other groups, but it was essentially management teams that had a faith and they wanted to integrate those values throughout their company. I've also done stuff in the affordable housing space, done some private equity, and what's called financial inclusion. That is this idea that 2 billion people don't have access to the financial system, it creates a myriad of problems. And so, I've invested in that, and then mobile home communities. And since then, I've done, we at a CommonGood have done a number of things, but that's how originally we got into the space.

Hall Martin: Great. Well, let's talk about the growth in the faith driven investing space, what do you see happening here, and what's driving it?

Jeff Shafer: Yeah, so there's been massive growth, I don't know how to quantify it. I've not seen anything numerically, maybe somebody has got it, but let me just give you some anecdotes. So first of all, faith based investing can be argued the very first impact investing. If you go back even – you can go back to Biblical times, but let's just even go back the last 200 years, oftentimes, it's credited that Quakers who started to exclude certain investments out of their portfolios. And then, of course, today, from there, it's migrated from social responsible investing, which is simply screening negative sin stocks out to ESG, which is environmental, social, and governance, that's scoring companies based on those metrics. And if they hit a certain score, they become investable, or this broader theme called impact investing, where you're not only measuring financial returns, but the non-financial metrics as well, and that tends to be where you see a lot of the faith based investments. But let me give you some anecdotes here. Faith Driven Investors, Faith Driven Entrepreneur, I don't know if you all have heard of that organization, they were not around four or five years ago. I was actually at the first brainstorming meeting in California when this was just an idea, and it was probably two or three months ago that they hosted a two-day session 300 cities across the globe, thousands of people listening to this idea of faith based investing. So that's a movement, it wasn't even around five years ago. That's one. Another group that I know, Nehemiah Project, they've been training biblical entrepreneurship for 20 plus years. They now have trained people in 38 different countries. They trained 20,000 entrepreneurs and 2000 they've coached, and so, like, all of that stuff is coming to light. I can name a bunch of other ones. But some other stuff that's just important to note, go to – a number of corporations today have employee resource groups where they're focused on faith and people can go, not only from investment perspective, but obviously just of like-mindedness, Target's got stuff, Ameriprise, American Express – Ameriprise, which is a financial services company, they have a group of faith based advisors. Morgan Stanley has the same thing. So we are seeing it significantly grow. We even at CommonGood, we are advising \$3 billion donor advised fund who's faith driven, and bringing impact investing for the first time into their group. And again, it's a combination of impact investing and faith based investing. These were discussions five-six years ago that were not being had.

[25:09] Our next guest is Kenn Kelly, CEO at Never Settle. Never Settle is a global award-winning digital marketing agency helping businesses build a bigger story. They serve both enterprise and small businesses and develop impactful user experiences through technology and marketing solutions to help you build a bigger story that drives results for your business, all at a price you can afford. Kenn, thank you for joining us.

Kenn Kelly: Yeah, thanks for having me on. I'm excited to be here.

Hall Martin: So tell us more about your work and what you do, and what is your participation in faith based investing so far?

Kenn Kelly: Yeah, so my work, I've started a handful of companies, the current one is a digital marketing agency, and we do marketing, branding apps, web development for businesses. And we also are similar to a incubator, but we're more like a studio, in that, we partner with companies who invest into early stage companies and help them see their ideas come to life, and that could be investing in services or cash. But we do that in addition to the agency, and then as a personal investor, I've invested into a handful of different companies myself.

Hall Martin: Great. So let's talk about the growth in the faith driven investing space, what do you see going on there?

Kenn Kelly: The biggest thing I see is I see a desire for people to invest in meaningful things, and not having it be specifically tied to NGOs or nonprofits. So I feel like there's something stirring in people where they're starting to even consider, even their tithing dollars, and considering what does it mean to be a steward over these resources that God's trusted them with, and there's kind of two, you know, there's two kind of traditional ways of giving, if you will, where you kind of have this engine of growth where you're generating wealth, and then you're pushing it into things, and you're just continuing to have this engine of growth. But I'm starting to see in the faith driven, like, investor community, people thinking about some of their tithe money as, how do I steward this really well, and what if my tithe could actually be an engine of growth that multiplies itself. So investing into businesses that get a return, that then are reinvested or re-given as their tithe.

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