

How Social Entrepreneurs Can Unlock the Trillions Needed for Climate Solutions



What is a recoverable grant?

Recoverable grants are just what they sound like – a grant that can potentially return capital to your MS GIFT account. Donors can use recoverable grants to fund specific revenue generating programs and initiatives – and if the nonprofit achieves their goals, the organization then returns the money to your MS GIFT account, where it can be used for additional grantmaking.

Many social entrepreneurs recognize that climate change is one of the existential global challenges of this generation. In response, many have worked to reduce their carbon footprint and advocate for green policies. Now, some are also exploring how they can use their investment portfolios to bulwark against the climate crisis. Climate solution capital flows are currently nowhere near the estimated financial need.[†] Social entrepreneurs can play a vital role in bridging this gap, helping mitigate the intensity of climate change and protect the most vulnerable communities — as well as build financial resiliency to climate-related risks. For those interested in investing for the climate, this approach, created by our partner, CapShift, an industry-leading platform for catalytic philanthropy, lays out the first steps to identify goals, set investment strategies, and explore existing solutions.

Find your North Star.

Based on feedback from dozens of families, CapShift has found that three commonly pursued goals for climate investing are mitigation, resiliency, and alpha.

Mitigation: Reduce, prevent, or remove heat-trapping greenhouse gas emissions in the atmosphere, addressing the root cause of warming. Examples include renewable energy, electric vehicles, and biofuels.

Resiliency: Help vulnerable communities and economic systems adapt to the impacts of climate change, reducing potential risks and damage. Examples include sustainable small-scale agriculture, smart electric grids, and flood resistant water infrastructure.

Alpha: Boost investment returns and reduce volatility by mitigating climate-related risks and investing in climate opportunities. Examples include fossil-fuel-free private portfolios, electric vehicle infrastructure, and carbon credit generation.

[†] Climate Policy Initiative, "Global Landscape of Climate Finance 2021," December 2021.

Ways and means.

CapShift has identified three main investment strategies that social entrepreneurs can lean on to achieve these goals: align, build, and catalyze.

Align: With a focus on public investments, divest or realign portfolios to avoid climate-related risks.

Build: Invest in equity, debt, or project finance funds to scale deployment of profitable solutions.

Catalyze: Support trailblazing ideas with patient capital by accepting a higher risk, lower return, or a longer lock-up period.

Plan and act.

While each social entrepreneur's focuses, goals, and approaches may differ, there are four common steps that are key to establishing a successful climate-focused portfolio:

- setting impact and financial goals,
- developing a strategy to achieve these goals,
- taking action to invest, and
- creating iterative feedback loops to improve performance over time.

Many social entrepreneurs have already successfully built 100% climate-aligned investment portfolios spanning multiple asset classes and strategies. For those interested in pursuing this type of strategy in your Morgan Stanley GIFT donor advised fund, there are a number of options available. In the following pages, we've provided the list of recoverable grant opportunities available to MS GIFT account holders, many of which are focused on catalytic, impact-first climate opportunities.

CapShift provides sourcing, diligence, reporting, and other services to help social entrepreneurs create climate focused portfolios. In collaboration with CapShift, MS GIFT donors can now work with their advisor to discover, recommend, and monitor recoverable grants. If you would like to learn more about how you can use recoverable grants to impact the climate crisis please reach out to recoverablegrants@morganstanley.com to begin a conversation.

This report and included sample portfolio does not constitute an offer to sell or a solicitation of an offer to purchase any security. Any such offer or solicitation would only be made pursuant to an offering memorandum or prospectus. All investments entail a high degree of risk and no assurance can be given that the investment objective will be achieved or that investors will receive a return of their capital. Any investment opportunities highlighted in this presentation are presented for illustrative purposes only. Opportunities may not be suitable for all investors due to differences in risk tolerance, investor status, and investment time horizons, amongst other factors. Additionally, investments may not achieve stated social, environmental, or similar objectives.

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Recoverable Grants Available at Morgan Stanley GIFT

MAY 2023



ENVIRONMENT

BLUE FOREST FRB CATALYST FACILITY, LLC



Focus: Conservation
Min. Grant: \$50,000
Nonprofit Fee: 1% of out-standing principal
Term: 10 Years
Geography: California and Western United States
Annual Operating Budget: \$1,160,000[†]

DESCRIPTION

Recoverable grant financing ecological restoration projects on public and private lands that reduce wildfire risk and improve landscape resilience

IMPACT

Finance ecological restoration that reduces the risk of catastrophic wildfire.

RECOVERY DETAILS

Up to the full grant amount + 1% additional recovery net of fees at completion of the grant period

CAPITAL GOOD FUND – IMPACT+ SOLAR FUND



Focus: Energy
Min. Grant: \$25,000
Nonprofit Fee: 25 bps to Capital Good Fund on recovery of funds
Term: 15 Years*
Geography: United States
Annual Operating Budget: \$4,380,000[†]

DESCRIPTION

Good Fund's community-based lending supports the Solar Impact+ Fund, generating fixed-income returns and jobs with clean energy projects in low-income communities and communities of color

IMPACT

Support clean power, cost savings, and jobs for "solar deserts."

RECOVERY DETAILS

Up to the full grant amount, with the potential for +2.25% additional annual recovery. 1/20th of grant amount +2.25% recovered annually with remaining recovery in the final year

*The 15-year recoverable grant term will be amortized over 20 years

REALIZE IMPACT - REGENERATIVE AGRICULTURE



Focus: Regenerative Agriculture
Min. Grant: \$25,000
Nonprofit Fee: \$500 one-time up front fee + an additional 1% on any recovery
Term: 3 years
Geography: United States
Annual Operating Budget: \$231,638[†]

DESCRIPTION

Advancing regenerative agriculture across the U.S. by targeting investments into community-focused funds that are committed to the long-term health of the soil, water, pollinators, workers, and community

IMPACT

Strengthening the availability of inclusive and flexible financing to small businesses across the value-chain of regenerative agriculture that have limited access to conventional, affordable capital.

RECOVERY DETAILS

Potential for up to grant amount at completion of grant period + up to 3% additional annual recovery, gross before fees*

*In order to help donors maximize the impact of their recoverable grant, donors can select a potential recovery rate of up to 3% on their grant. Donors that select lower recovery rates are directly benefiting small businesses across the US by lowering the cost of capital out to enterprises that are advancing regenerative agriculture.

[†] 2020 operating budget provided to CapShift by Morgan Stanley GIFT via GuideStar as of March 2023

VERTUE LAB



Focus: Energy
Min. Grant: \$50,000
Nonprofit Fee: Greater of fixed fee (\$125-475k pro rata) or 1-3% of funds raised.
Term: 10 Years
Geography: Pacific Northwest United States
Annual Operating Budget: \$1,750,000[†]

DESCRIPTION

Recoverable grant into nonprofit-sponsored venture fund that invests catalytic capital in climate tech companies with an emphasis on women, BIPOC, and rural entrepreneurs

IMPACT

Catalyzing capital for an equitable and thriving climate technology sector.

RECOVERY DETAILS

Grant amount + 5% annual recovery + 80% of any additional proceeds at completion of grant period



SOCIAL NEEDS

AFFORDABLE CENTRAL TEXAS – AFFORDABLE HOUSING



Focus: Housing
Min. Grant: \$50,000
Nonprofit Fee: None
Term: 5 Years
Geography: Austin, Texas
Annual Operating Budget: \$604,069[†]

DESCRIPTION

Nonprofit supporting affordable multifamily properties in the Austin area

IMPACT

Maintain affordable rental rates for Austin's working professionals.

RECOVERY DETAILS

Up to the full grant amount at completion of the grant period + 2% additional annual recovery recovered quarterly.

FAIR FOOD FUND



Focus: Food and Agriculture
Min. Grant: \$50,000
Nonprofit Fee: None
Term: 5 Years
Geography: United States
Annual Operating Budget: \$14,120,000[†]

DESCRIPTION

Advance health, wealth, and racial equality by supporting food enterprises

IMPACT

Nonprofit fueling food entrepreneurs through catalytic capital, wrap-around business services, and a commitment to place-based impact investing collectives.

RECOVERY DETAILS

Up to the full grant amount + 1.5% annualized additional recovery at completion of the grant period.

UNICEF BRIDGE FUND - UKRAINE RESPONSE



Focus: Healthcare
Min. Grant: \$50,000
Nonprofit Fee: None
Annual Management Fee
Term: 2 Years
Geography: Global
Annual Operating Budget: \$63,490,000[†]

DESCRIPTION

Bridge fund accelerating vaccines and essential supplies to at-risk children, including emergency supplies delivery to the over 7.5 million Ukrainian children affected by war

IMPACT

Accelerate delivery of lifesaving supplies to children in need.

RECOVERY DETAILS

Up to the full grant amount at the end of the grant period.

[†] 2020 operating budget provided to CapShift by Morgan Stanley GIFT via GuideStar as of March 2023



PACIFIC COMMUNITY VENTURES



Focus: Financial Services
Min. Grant: \$25,000
Nonprofit Fee: 1.5%
Term: 5 Years
Geography: California
Annual Operating Budget: \$3,399,729[†]

DESCRIPTION

Recoverable grant funding businesses owned by women and entrepreneurs of color in California.

IMPACT

Create opportunities for underserved communities through equitable access to jobs, healthcare, education, affordable housing and healthy foods.

RECOVERY DETAILS

Up to the full grant amount at end of grant period + 1.5% additional recovery recovered annually.

ROOT CAPITAL



Focus: Food and Agriculture
Min. Grant: \$25,000
Nonprofit Fee: None
Term: 3 Years
Geography: West Africa, East Africa, Central and South America, Southeast Asia
Annual Operating Budget: \$21,400,000[†]

DESCRIPTION

Nonprofit fund investing in small and growing agricultural businesses that reach and improve the livelihoods of small-holder farmers in the world's most vulnerable areas

IMPACT

Build rural resilience in the world's most vulnerable communities.

RECOVERY DETAILS

Up to the full grant amount at completion of the grant period

SEED COMMONS



Focus: Financial Services
Min. Grant: \$25,000
Nonprofit Fee: None
Term: 2 Years
Geography: United States
Annual Operating Budget: \$2,630,000[†]

DESCRIPTION

National loan fund network empowering locally anchored cooperative businesses that meet real community needs. Up to the full grant amount + 1% additional recovery net of fees at completion of the grant period.

IMPACT

Challenge inequality by channeling investment to marginalized communities.

RECOVERY DETAILS

Up to the full grant amount at completion of the grant period.

WORKING CAPITAL FOR COMMUNITY NEEDS



Focus: Microfinance
Min. Grant: \$25,000
Nonprofit Fee: None
Term: 2 Years
Geography: Latin America
Annual Operating Budget: \$1,180,000[†]

DESCRIPTION

Nonprofit fund investing in microfinance institutions that lend to the unbanked, to improve their lives and communities

IMPACT

Advance inclusive economic development in Latin America.

RECOVERY DETAILS

Up to the full grant amount + 1% annualized additional recovery at completion of the grant period

[†] 2020 operating budget provided to CapShift by Morgan Stanley GIFT via GuideStar as of March 2023

[‡] 2019 operating budget via GuideStar as of April 2023

If you're interested in learning more about or accessing any of these opportunities, please reach out with your financial advisor to recoverablegrants@morganstanley.com.

IMPORTANT INFORMATION

MORGAN STANLEY GLOBAL IMPACT FUNDING TRUST

The Morgan Stanley Global Impact Funding Trust, Inc. is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Morgan Stanley Global Impact Funding Trust ("MS GIFT") is a donor-advised fund. Morgan Stanley Smith Barney LLC ("MSSB") provides investment management services to MS GIFT. Back-office administration is provided by RenPSG, an unaffiliated charitable gift administrator. MS GIFT has engaged CapShift LLC ("CapShift") to provide certain administrative and support services to MS GIFT's Recoverable Grant offering. CapShift is an impact investing platform that empowers philanthropic and financial institutions, along with their clients, to mobilize capital for social and environmental change.

Recoverable grants are a form of charitable giving. Recoverable Grants are irrevocable gifts made to nonprofit public charities and must comply with all guidelines of the U.S. Internal Revenue Service ("IRS"), including but not limited to ensuring that no Prohibited Benefits are conferred to any Disqualified Persons or supporting organizations, Private Non-Operating foundations, or for direct or grassroots lobbying purposes, as those terms are defined under the applicable IRS rules and regulations. While there is potential for grant recovery to the donor's MS GIFT account, donors should be prepared that funds may not be recovered and that there is no guarantee of impact results. Recovery of funds is not legally required and is performed on a best-efforts basis as determined by each nonprofit in accordance with the terms outlined in the applicable Letter of Intent (LOI).

MS GIFT and CapShift assembled this collection of nonprofit organizations ("List"). The List is not comprehensive, but is intended to stimulate philanthropic ideas and encourage philanthropic giving. The Recoverable Grants included in this List are an illustration of a form of charitable giving that may complement a donor's impact goals but there are many other charities and philanthropic endeavors to consider, and we encourage you to explore any other options that appeal to you and your family.

This material is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. It is also not a solicitation or endorsement by CapShift, MS GIFT, or MSSB on behalf of the charities named.

If you choose to support any of the charities or philanthropic endeavors listed or any other charity that you separately identify, we recommend that you evaluate the charity or philanthropic endeavor, and make your own independent decision as to its legitimacy and merits. Although the statements of fact and data included in this List have been obtained from, and are based upon, sources that MS GIFT, MSSB, and CapShift believe to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed.

While we believe that MS GIFT provides a valuable philanthropic opportunity, contributions to MS GIFT are not appropriate for everyone. Other forms of charitable giving may be more appropriate depending on a donor's specific situation. Of critical importance to any person considering making a donation to MS GIFT is the fact that any such donation is an irrevocable contribution. Although donors will have certain rights to make recommendations to MS GIFT as described in the Donor Circular & Disclosure Statement, contributions become the legal property of MS GIFT when donated.

The Donor Circular & Disclosure Statement describes the risks, fees and expenses associated with establishing and maintaining an MS GIFT account. Read it carefully before contributing.

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