

## A Fish Story

**New fund backed by Packard Foundation aims to boost sales of sustainable seafood, reward investors.**

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**NEW YORK (CNN/Money) - The term “fish stock” is usually associated more with haute cuisine than high finance, but a new investment fund backed by the Packard family foundation is seeking to change all that.**

The people behind the Sea Change Investment Fund, which opened for business Monday, say it's the first to try to tap the power of the market to encourage sustainable fishing practices and make the world's oceans healthier—while providing solid returns for investors.

Sea Change started with a \$10 million seed loan from the David and Lucile Packard Foundation and another \$10 million from private investors, who were not identified by the San Francisco-based company running the fund.

“We believe that the market can play a key role in improving the health of the oceans,” Jim Leape, the Packard foundation's director of conservation and science, said in a statement. The foundation's investment is a 10-year loan that pays a fixed interest rate of 1 percent.

Andreas Merkl, chairman of the firm running the fund, Sea Change Management, said that while the fund is closed to new investors now, it's looking at a five-year time frame for its investments and to provide a “compelling return” for investors.

The fund is seeking to capitalize on the recent boom in venture capital investing as well as the steady growth of socially conscious investing.

Last year, venture capital fundraising surged, with 170 funds raising \$17.6 billion, up 19 percent from the previous two years combined, according to a joint study by Thomson Venture Economics and the National Venture Capital Association, whose Web site is [www.nvca.org](http://www.nvca.org).

As far as overall socially responsible investing, total assets in all types of U.S. social and environmentally responsible investing jumped 240 percent to \$2.16 trillion from 1995 to 2003, versus 174 percent growth in the overall universe of assets under professional management over that period, according to the latest statistics from the Social Investment Forum ([www.socialinvest.org](http://www.socialinvest.org)).

## **Seeking change**

The Sea Change fund belongs in a growing subcategory of socially responsibly investing called "double bottom line" investing, which goes beyond just screening out companies that invest in tobacco or defense to investing for a desired social effect.

"These [double bottom line] funds use capital to achieve social purpose and bring one's investment in line with one's philosophy about what is important in the world," said Kerwin Tesdell, president of the New York-based Community Development Venture Capital Alliance—a group for venture capitalists who invest in businesses that operate in low-income communities.

As far as socially responsible funds open to general public, there were 200 funds with about \$151 billion in assets in 2003, according to the Social Investment Forum, up 11 percent since 2001.

Sea Change's missions are to achieve a reasonable rate of return while helping to brand, market and distribute seafood products caught or raised using environmentally friendly methods, Merkl said in an interview.

The fund will not invest directly in fisheries that catch fish in an environmentally safe manner.

Rather, it will use what Merkl calls strict financial guidelines to invest in suppliers and distributors developing more efficient ways to brand and market the catch to end users—restaurants, supermarkets and other outlets. That way, Merkl and others involved hope to boost the market for sustainable seafood products—one of the biggest problems facing the industry today.

Because of the current complex fish distribution system it is "difficult to track premium products from the boat to the consumer," Merkl said.

Merkl hopes his fund will help spur distributors and suppliers to emulate a company like Horizon Dairy, which distributes organic milk on behalf of U.S. organic dairy farmers, and build brand awareness for sustainable seafood.

## **Demand growing?**

A study conducted by the Packard Foundation found growing demand for just that type of food, according to Leape at the Packard Foundation.

He said that sustainable fishing has grown from a niche to the mainstream, and companies such as hotel operator Host Marriott Corp, food distributor Sysco Corp. and supermarket owner Royal Ahold are all interested in the product.

At the same time, more and more fisherman are following sustainable fishing methods, Leape said. "There is a need for them to find each other," he added,

referring to producers and distributors.

Seafood industry consultant Howard Johnson, an adviser to the fund, said supermarket chain Whole Foods Market's success demonstrates that many consumers want healthful, safe and natural foods and will pay a premium for it.

The accepted definition of sustainable fishing is set by the London-based Marine Stewardship Council (MSC), a non-profit, independent organization ([msc.org](http://msc.org)).

To receive MSC certification, a fishery must work to keep fish populations healthy and comply with local, national laws and international standards and agreements, among other requirements. U.S. fisheries that have earned the MSC certification include Alaska Salmon and Alaska Pollock.