



Impact Investing

Getting to Know You

Goal

To provide a framework for thinking about impact investing and hopefully, some useful information about products and ideas

Perspective

History & Context

The Evolution of an Industry

Development Focus

Institutional & UHNW

Marketplace Building

An Industry Emerges

World Bank
Inter-American Development Bank
IFC
African Development Bank
FMO

Mission Related Investments
Socially Responsible Investing
Green Investments
Social Impact Funds
Principle Related Investments
Environmental Funds
Philanthro-capitalism
Microfinance

Rockefeller Foundation Impact Initiatives

Impact Reporting & Investment Standards (IRIS)

Global Impact Investing Network (GIIN)

Aspen Network of Development Entrepreneurs (ANDE)

International Assoc of Microfinance Institutions (IAMFI)

CGAP

Monitor Group

UN Principles of Responsible Investing (UNPRI)

Global Impact Investing Rating System (GIIRS)

Correlation's Take Action

Social Venture Network (SVN)

IMPACT INVESTING

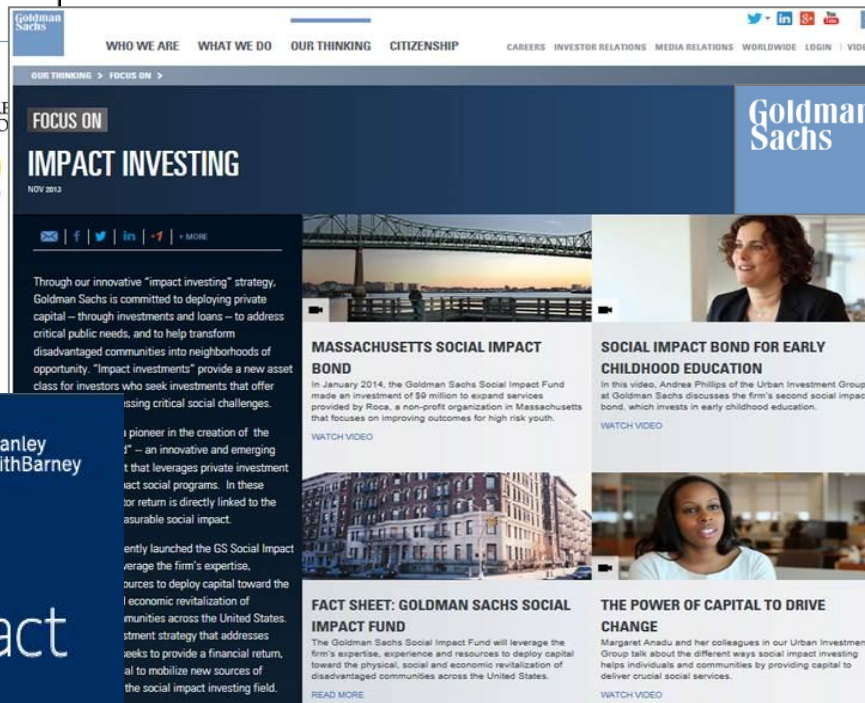
1940s – 1970s

1980s & 1990s

2005 - 2010

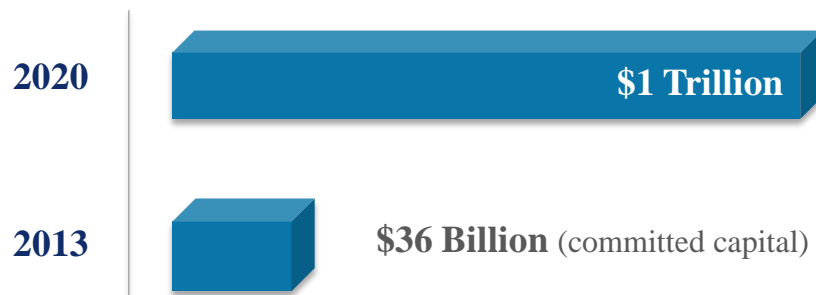
2010 and Beyond

Who is Focusing on Impact Investing?



Impact Investing Today

ESTIMATED MARKET SIZE



Source: World Economic Forum, 2014

INSTITUTIONAL DEMAND

U.S. Pension Funds	
6%	Have made an impact investment
64%	Expect to make an impact investment in the future
60%	Expect market rate returns on impact investments

“We see the U.S. State Department’s ability to catalyze and scale the impact economy as a tremendous opportunity to address investment in a way that enables the United State’s greater foreign policy goals and creates sustainable value for business”

- Kris Balderston
Special Representative
Global Partnership Initiative
Office of the Secretary of State

“We are moving beyond the capitalism / philanthropy dichotomy by combining them together in a movement toward creative capitalism”

- Bill Gates
Founder, Microsoft
Chairman, Gates Foundation

“Commerce and entrepreneurial capitalism take more people out of poverty than aid”

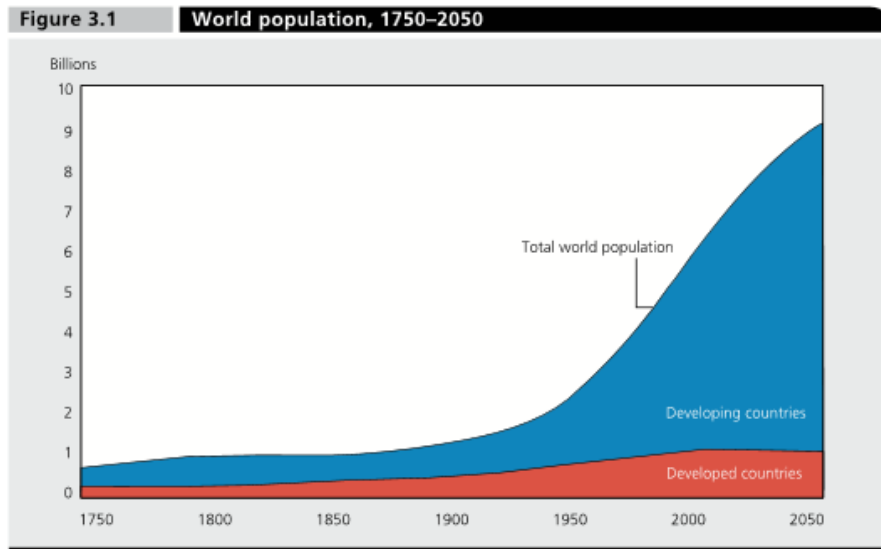
- Bono of U2
Singer, Venture Capitalist,
Philanthropist

Why is it important?

**Reducing Poverty & Advancing
Sustainability Takes More Than
Government Aid and Philanthropy Can
Do Alone**

Key Drivers of Impact Investing Trend

- 1) Recognition by world leaders that current trajectory is not sustainable



Growing Populations Demand More:

- Land
- Food
- Water
- Housing
- Energy
- Goods & Services

- 2) Generation X and Millennial Generations demanding business to play a more active role in society
- 3) Financial crisis demonstrated that we need a new norm. Nothing is inherently wrong with capitalism, there just needs to be more transparency and accountability.

Who Is Driving Demand?

- Millennials
- Women

Millennials

- The largest generation in history
 - ~ 80 million individuals born in U.S. between 1980 and 2000
- They have a different world view, as
 - Consumers
 - Business School graduate job seekers
 - Investors

Millennials as Consumers

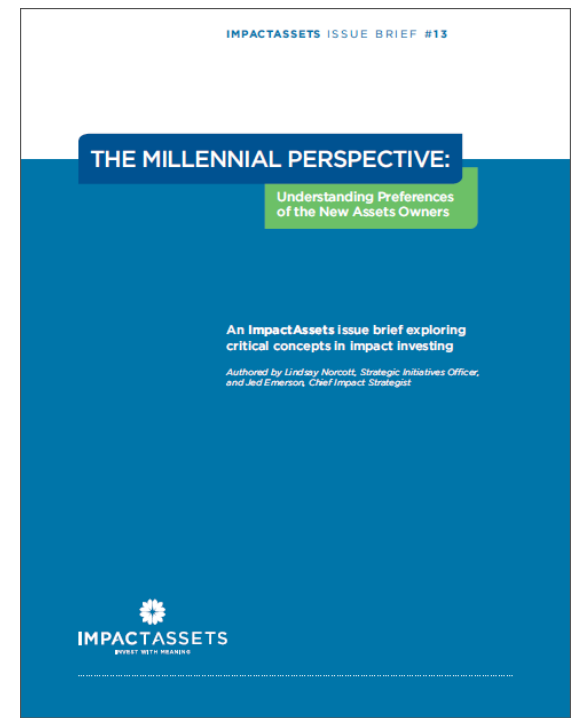
- They buy in line with their values
- Interaction and experience is critical
- They need to feel valued
- Facts drive their actions – information is at their fingertips

Millennials as Business School Graduates

- 22 of the top 25 business schools in the U.S. have “impact investing” programs
- 86% of MBAs believe business has the most potential to meet society’s biggest challenges & seek those employers
- 90% of MBAs are willing to exchange financial benefits for a strong commitment to social good

Millennials as Investors

- Over the next several decades, **\$41 trillion** is expected to transfer to the Millennials
- This next generation is demanding business to play a more active role in society



Women Driving Demand

- 65% believe it is important to view investments through the lens of their impact on society and the environment¹
- Currently control 60% of U.S. wealth and estimated to grow to two thirds by 2030

¹U.S. Trust 2013 Insights on Wealth and Worth Survey

Investor Demand

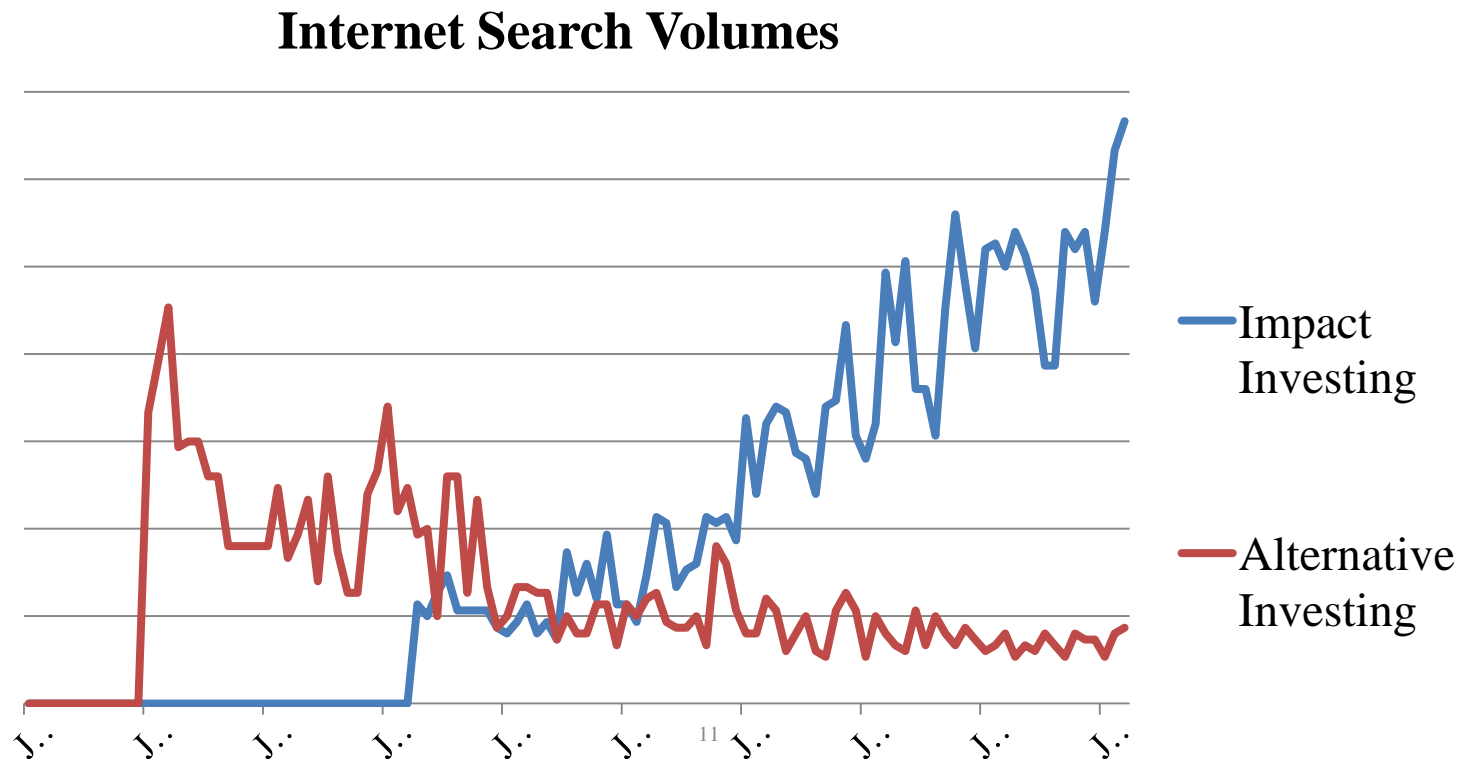
Key Findings from Independent Research

- \$650 billion of identified market opportunity
- ~87% of individual investors are open to impact investing but need to know more
- Client retention – 3% without impact investments vs. 90% with impact investments



Investor Demand

Impact Investing has overtaken alternative investing when it comes to internet search volumes, as shown below



So, What Is It?

Impact Investing - By Definition

phi-lan-thro-py

/fe'lanTHrepe/

Noun

The desire to promote the welfare of others, expressed esp. by the generous **donation of money** to good causes.

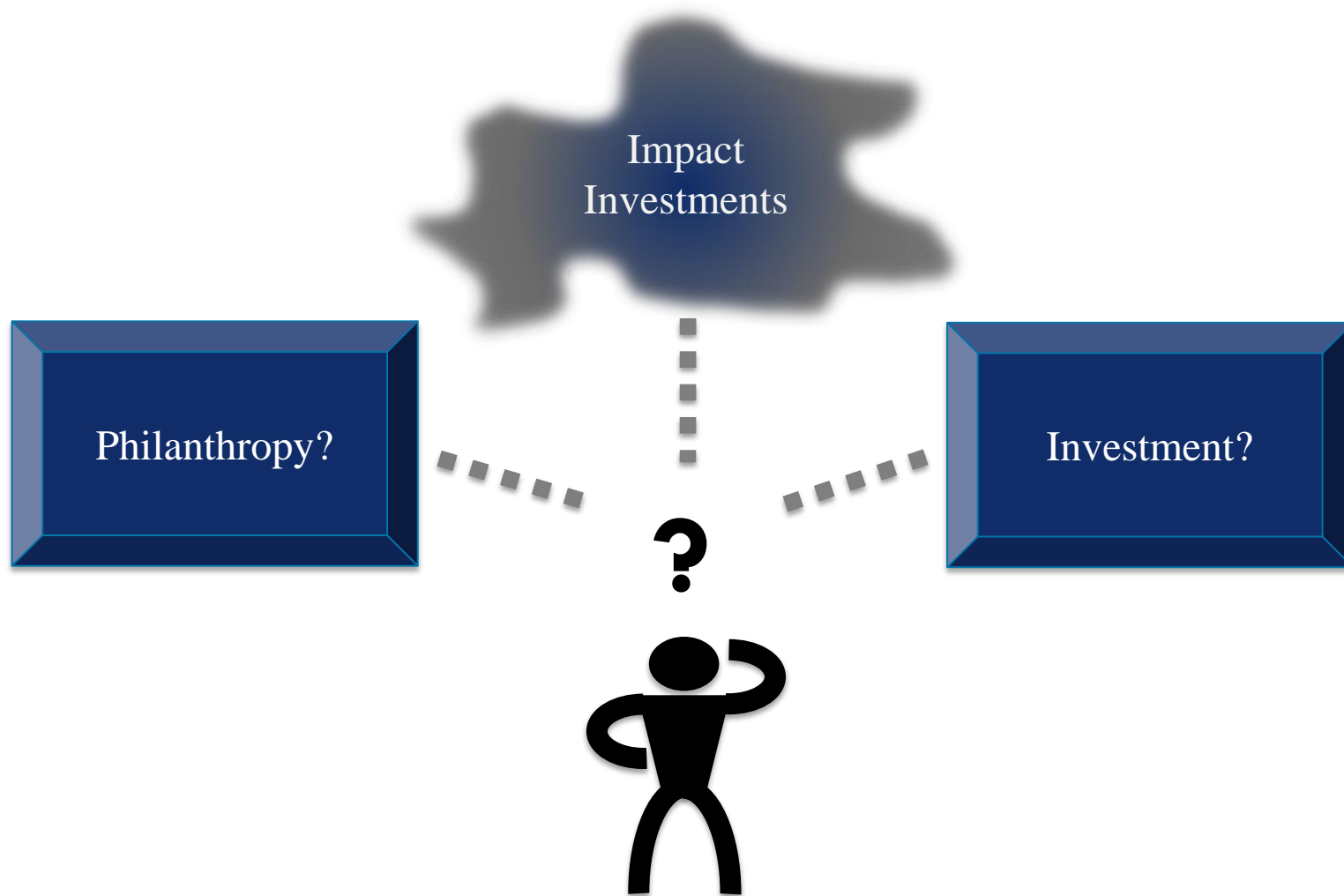
in-vest-ment

/in'ves(t)ment/

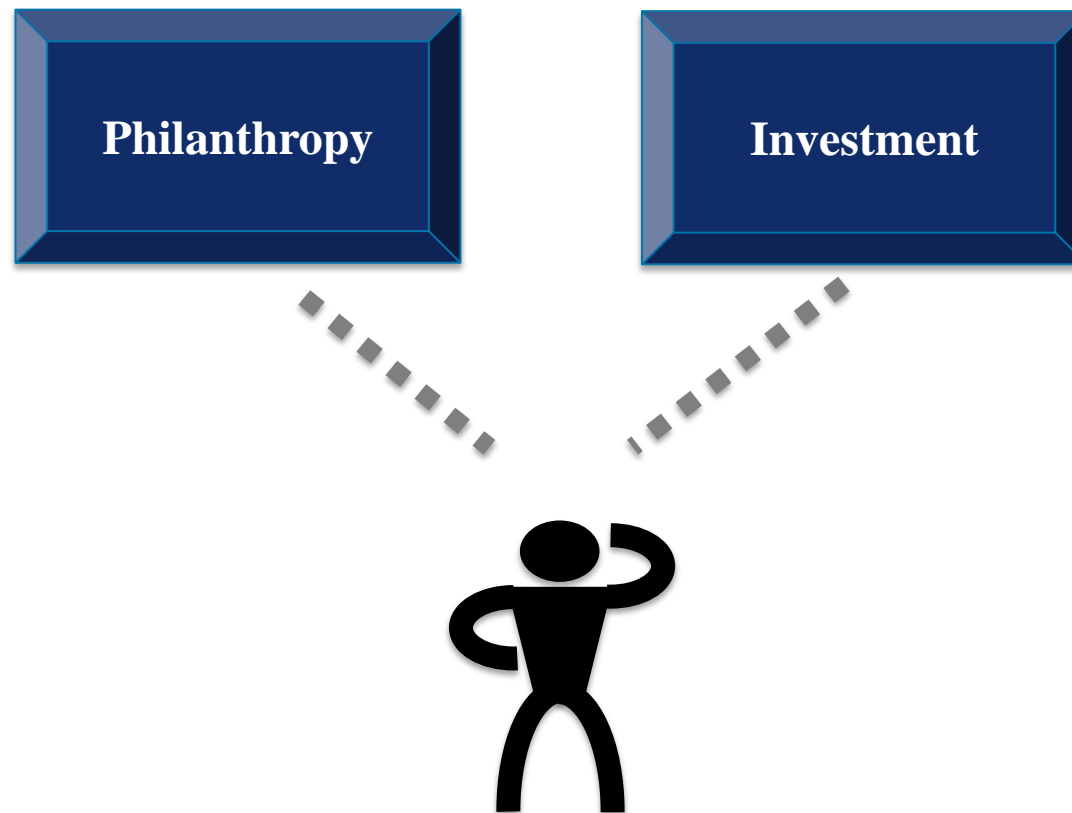
Noun

The action or process of investing money **for profit** or material result.

Impact Investing Challenge

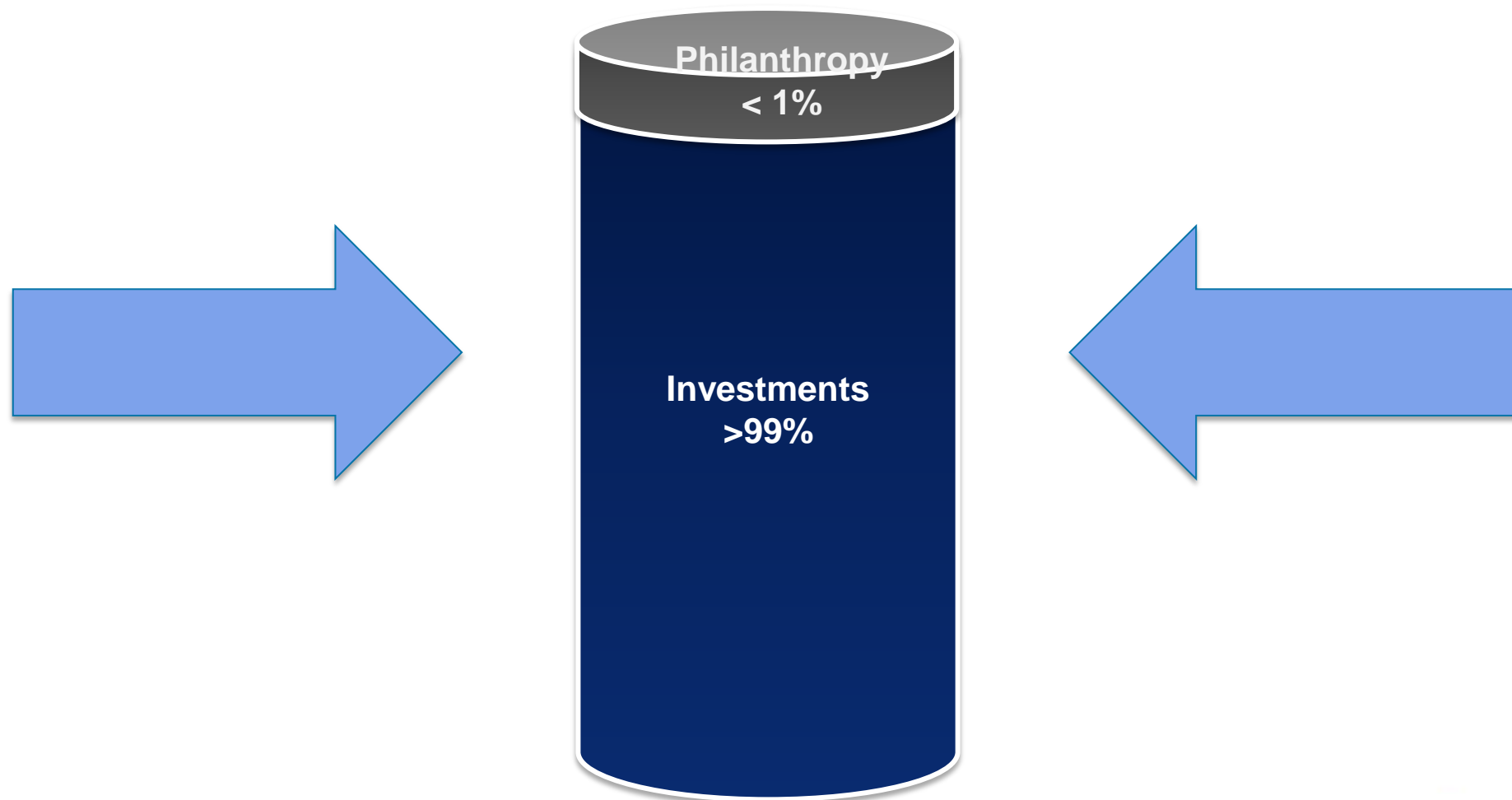


Investor Reality



Need to Engage the 99%

**\$51 Trillion U.S. in Individual
Investable Wealth**

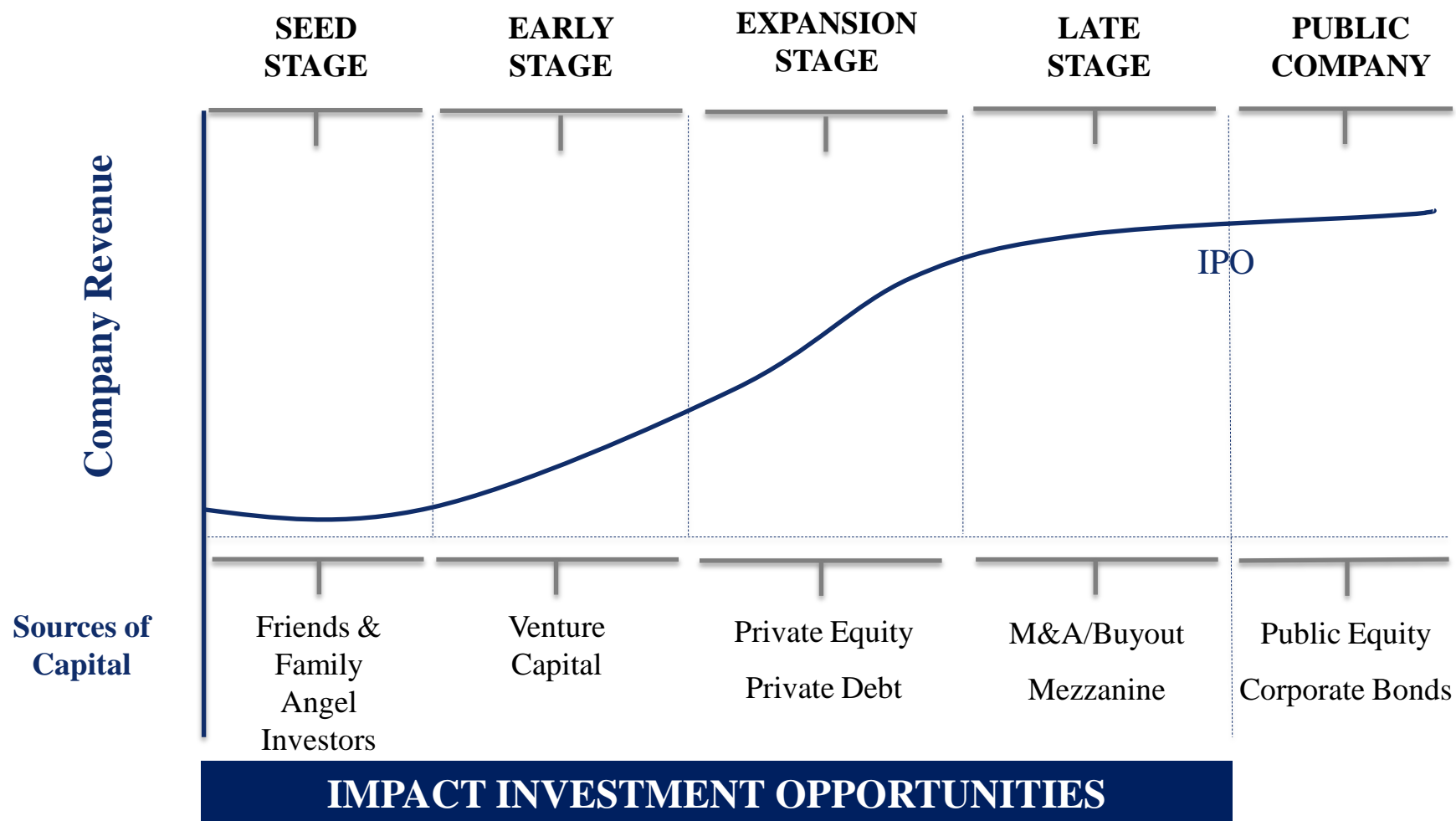


Context for Framework

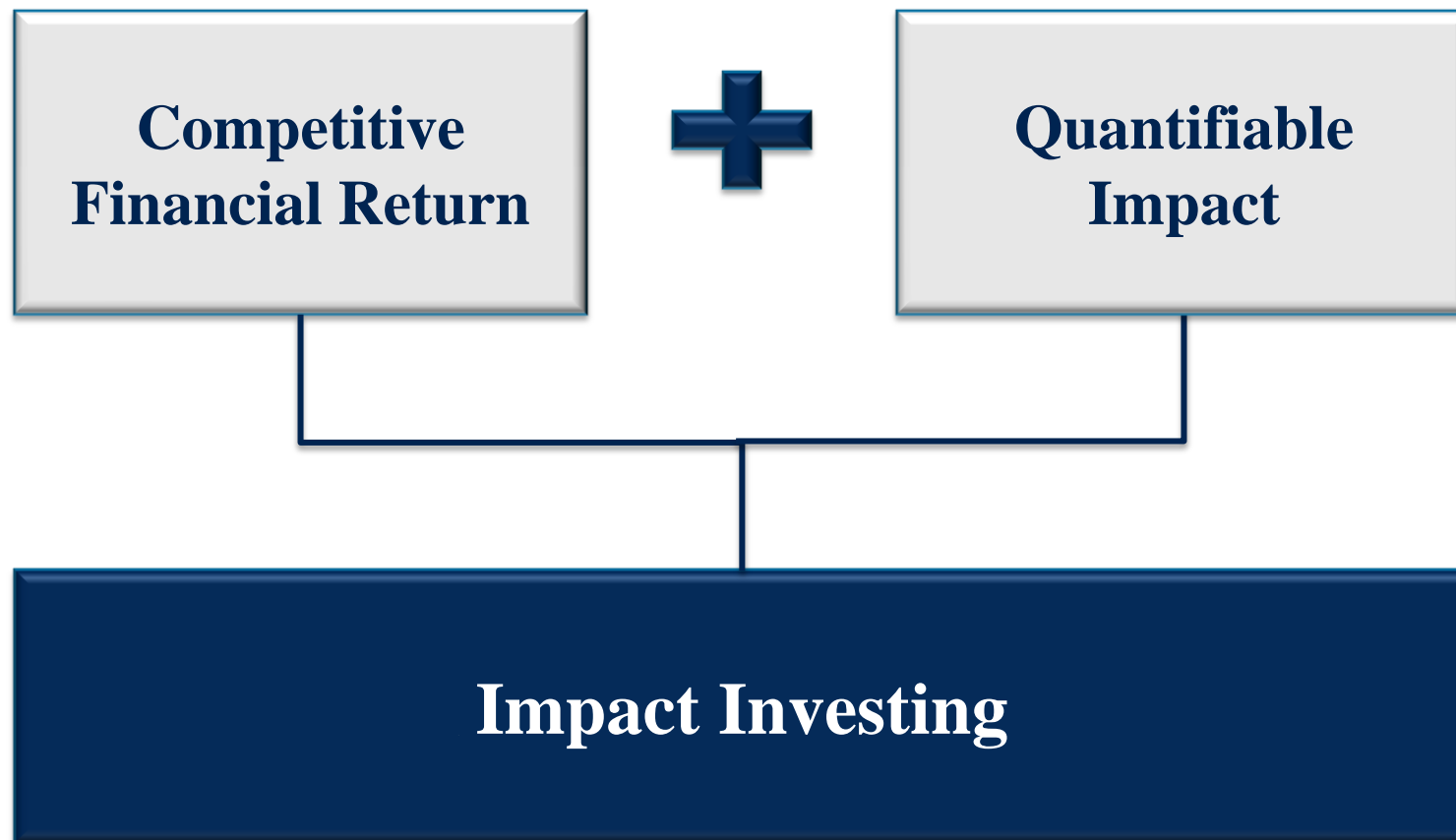
Review of Investing Basics

Investing 101

Growth Stages of a Company

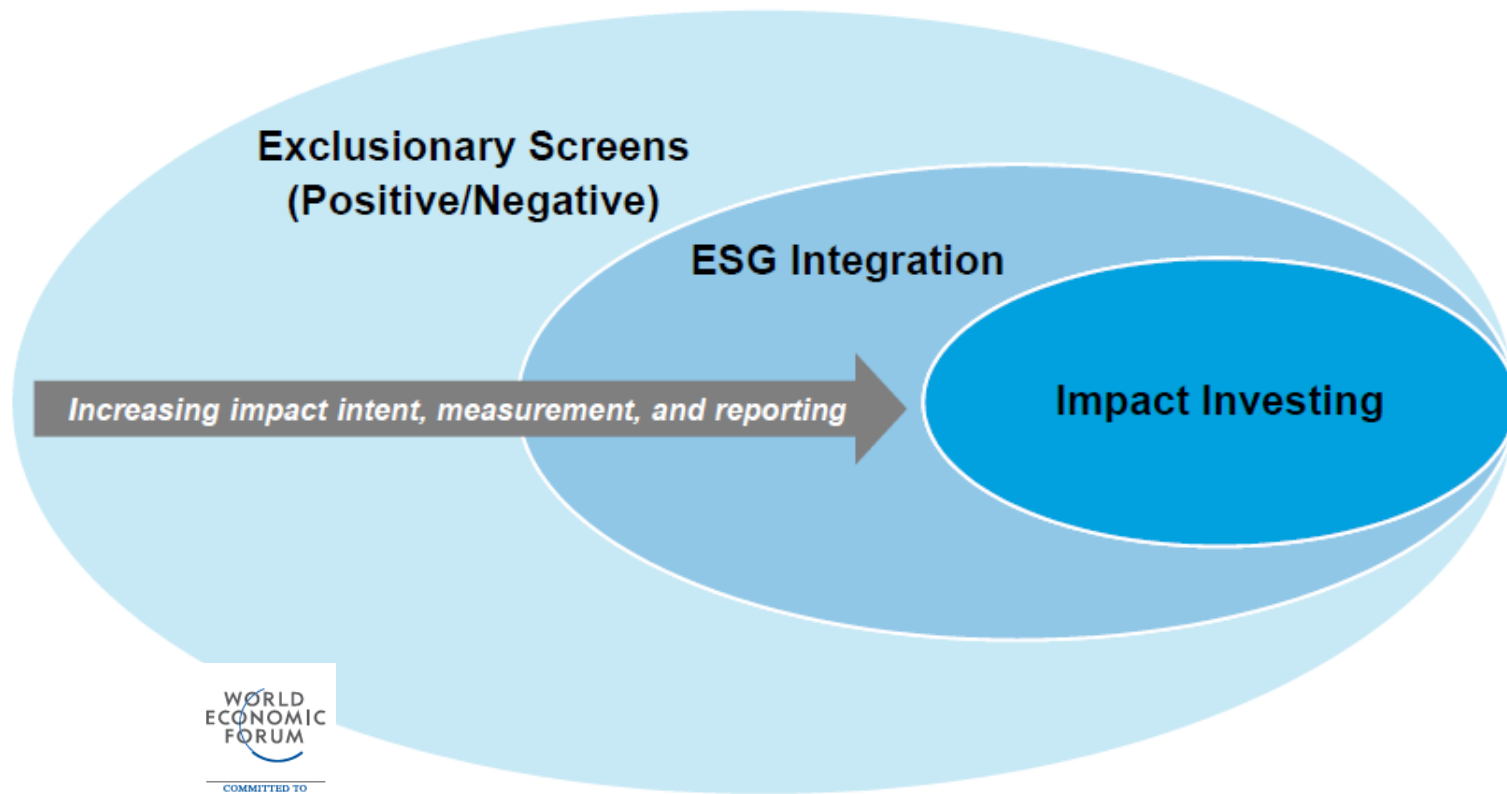


“And, And” Investing



ESG *versus* Impact

Figure 1: Sustainable and Responsible Investing Approaches



ESG

ENVIRONMENTAL

SOCIAL

GOVERNANCE

Company's Business Practices & Policies

- Meets environmental standards for industry
- Avoids ozone depleting substances
- Practices energy efficiency
- Avoids exploitative child labor practices
- Provides healthcare
- Engages in fair hiring practices
- Proper management oversight
- Transparent financial reporting
- Effective systems of internal controls and risk mitigation

Vs.

IMPACT

ECONOMIC DEVELOPMENT

SOCIAL

ENVIRONMENTAL

Company's Intended Measurable Non- Financial Return

- Job creation
- Wage growth
- Increase in employee ownership
- Increased access to clean water
- Health improvement
- Access to finance to underserved population
- Pollution reduction
- Land remediation
- Water conservation

Potential for Better Performance

- Potential for better returns
 - Recent studies are showing that companies which incorporate ESG in their business practices and policies, outperform their peers that don't
 - \$1 invested in a portfolio of “**high sustainability**” companies between 1992 and 2010 would have **outperformed** a control group by **47%**
- Potentially **lowers the risk** of your portfolio
 - Impact Investments are **typically non-correlated** – they are investments in private companies, so, not subject to market swings and investor sentiment

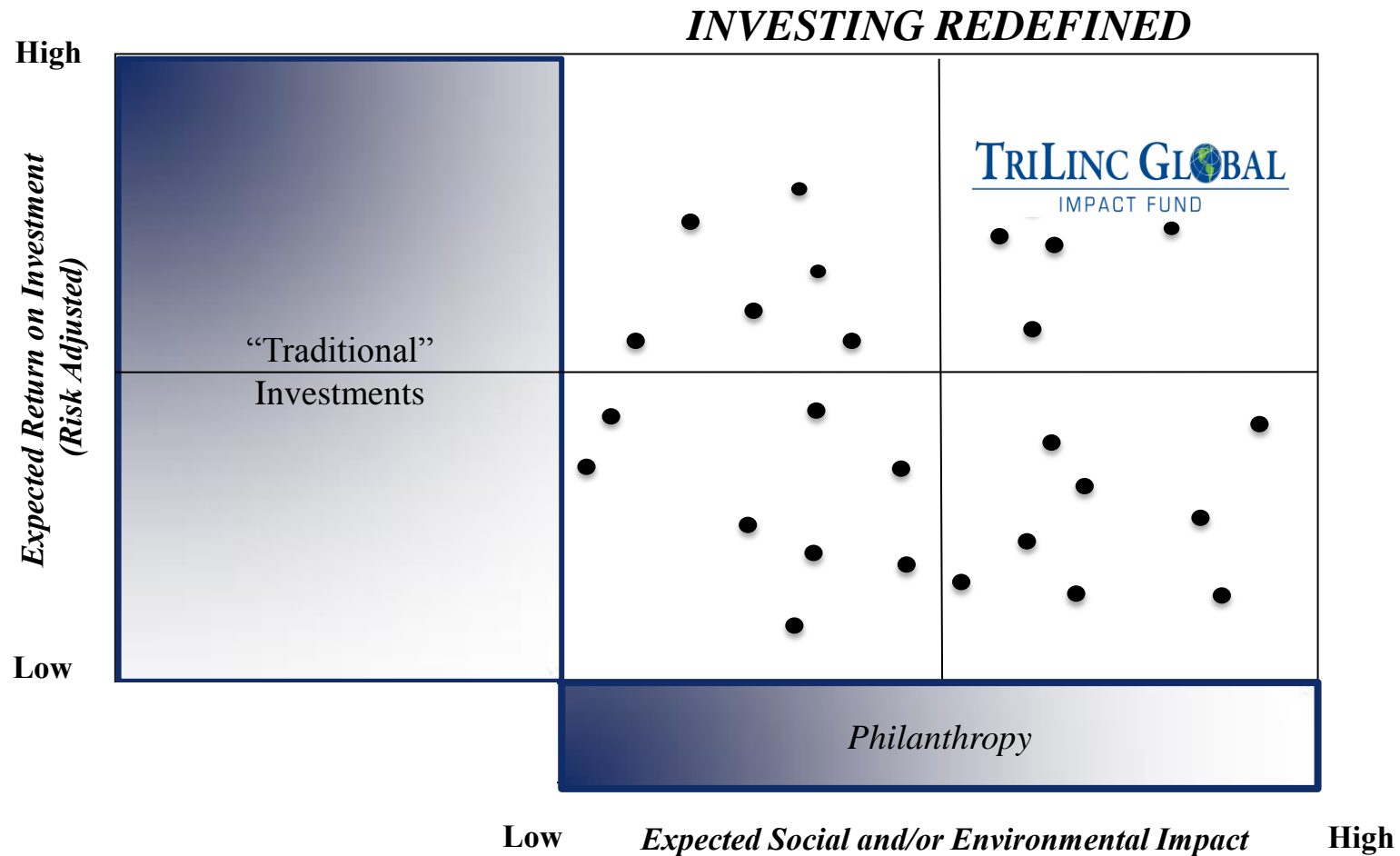
Common Current View

		<i>“Impact First”</i>	<i>“Financial First”</i>
<i>Expected Impact</i>	<i>High</i>	<p><i>Triodos Products</i> (3 – 6% Returns)</p> <p><i>SEAF Funds</i> (23% Gross IRR)</p> <p><i>Procredit</i> (15% Target IRR)</p>	<p><i>Generation Investment Management</i> (25 – 30% Target IRR)</p> <p><i>Lyme Northern Forest Fund</i> (22% IRR)</p> <p><i>Sarona Funds</i> (12 - 15% Target IRR)</p>
	<i>Low</i>	<p><i>Root Capital</i> (2.5% Returns)</p> <p><i>Calvert Social Finance Notes</i> (1 – 2.5% Returns)</p> <p><i>RSF Social Finance Notes</i> (1% Returns)</p> <p><i>Acumen Funds</i> <i>Charity Bank</i> (0% Returns) (0.5 - 3% Returns)</p>	<p><i>Green Real Estate Funds</i> <i>SRI Mutual Funds</i></p> <p><i>Traditional Mutual Funds</i></p>
		<i>Low</i>	<i>High</i>
		<i>Expected Return on Investment</i>	

Context for Framework

An Alternative View

Impact Investing Opportunity



Big Themes

Economic Development

- Job creation
- Community development
- Brownfield renovations

Energy Efficiency

- Greening of America
- Cleantech

Rising Consumer Demands

- Affordable housing
- Sustainable consumer products
- Critical infrastructure

Resource Scarcity

- Water
- Sustainable natural resource use
- Real assets

We have both
the OPPORTUNITY
and
the IMPERATIVE
to bring about compelling change!

Thank You