February 2016

INVESTING WITH PURPOSE:

Unlocking the Economic Potential of Impact Investments

BAY AREA COUNCIL
ECONOMIC INSTITUTE

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About This Report

The Bay Area Council Economic Institute would like to thank Bank of the West Wealth Management Family Wealth Advisors for their partnership and generous support in the creation of this report.

The Economic Institute also wishes to thank the following reviewers for providing their valuable insight and expertise throughout the research process:
Michael Dorsey – Partner, Bay Area Equity Fund
Sidney Johnston – Executive Director, The Development Fund
Lenny Mendonca – Director Emeritus, McKinsey & Company

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Impact investing bridges the divide between philanthropy and traditional investing practices, bringing private capital to bear on social issues while generating financial gains.

The Global Impact Investing Network has proposed a concise definition for impact investments: "Investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return."

However, the definition of what truly encompasses impact investing remains the subject of much debate today, as terms such as double bottom line (or even triple bottom line), responsible investing, and values-based investing all have been used as a synonym for impact investing, and at other times as separate and distinct strategies. Investors and other stakeholders often cite this lack of commonly understood terminology as a key barrier to the growth of the impact movement. This paper seeks to provide financial advisers and investors with a better understanding of an investment vehicle in evolution.

Because impact investments can cut across asset classes and can have a wide range of financial return expectations, it can be difficult to categorize impact investments under one single umbrella. Through a survey of a broad range of impact investors, JP Morgan and the Global Impact Investing Network (GIIN) have estimated that the overall impact investing industry grew to $60 billion of invested capital in 2015, much of which is invested through private equity and venture capital funds.

Given that this amount represents only a small fraction of global investment activity, many stakeholders from multiple sectors have worked to draw more mainstream capital into the field as a way to simultaneously make profits while addressing global needs. Industry estimates suggest that the impact investment market could reach $400 billion to $500 billion in just a few years, providing a significant amount of capital to drive new market-based solutions to social and environmental issues in both the developing and developed world.

Classifying the Social Returns to Impact Investing

Impact investments can span a wide variety of asset classes and geographic focuses, but their social impact targets can generally be grouped into three areas:

1. **Creating social value through new products or services –** Probably the most common theme for impact investors is to organize around an issue area. Common impact objectives include, but are not limited to: sustainable agriculture and food systems; financial inclusion for marginalized individuals; educational opportunities; expanded access to low-cost health services; conservation of natural resources; clean energy; climate change mitigation; and access to safe drinking water.

2. **Generating new employment opportunities for disadvantaged populations –** While new products can create new opportunities, the companies producing these products do not always employ local workers. Microfinance investments are a classic example of providing small enterprises with an ability to scale and grow. Other investment types have targeted growing companies that employ low-income or low-skilled workers.

3. **Investing in specific geographies –** There are impact investors that will look to grow companies within specific economically disadvantaged areas of the globe, but more often, geography-first impacts are made through investments in real assets. This often comes in the form of housing, through international property funds or domestic low-income housing tax credits.

Classifying the Financial Returns to Impact Investing

Early research in the impact investment field pointed to two distinct groups of investors—those whose investment philosophy was "impact-first" and those that were "finance-first." Impact-first investors seek to generate social or environmental returns and are often willing to give up some financial return if needed—these investments are said to yield concessionary returns. Finance-first investors are typically commercial investors who seek market-rate returns while achieving some social or environmental goals. These investors might look for commercial products that add social or environmental value (e.g., solar lanterns in developing countries) or they might respond to tax policies that provide subsidized returns for certain types of investments that otherwise provide below market-rate returns (e.g., for affordable housing in the U.S.).

This separation, while still useful in thinking about the range of investment options, does not necessarily mean there is or should be an impact-return trade-off in all impact investments. In fact, two recent studies have found that impact investment funds that target market-rate returns perform similarly to traditional private equity and venture capital funds:

- In 2015, Cambridge Associates and GIIN launched the Impact Investing Benchmark. For funds launched since 1998, the Impact Investing Benchmark yielded an internal rate of return of 6.9%, versus 8.1% for comparable traditional funds.

- A 2015 survey of 53 impact investing private equity funds conducted by the Wharton Social Impact Initiative sought to enumerate the extent to which fund managers will sacrifice mission in exchange for financial returns. These funds yielded approximately a 13% return (both realized and unrealized) between 2000 and 2014. This rate of return is nearly identical to the two benchmark indices used—the Russell Microcap/Russell 2000 index and the S&P 500.

Bringing Impact Investing to the Mainstream

New benchmarking of financial returns for impact investments has begun to move the industry away from the zero-sum thinking that financial returns had to be traded for social returns. However, many structural constraints still limit the industry's growth, and new investors to the field are still met with many questions and difficulties. These include:

- Preserving fiduciary responsibility while investing for impact

- Small scale of impact investment funds

- Insufficient fund track records

- Lack of fit within existing asset allocation frameworks

- Complexity of measuring social returns

Impact investment funds and the organizations that are thought leaders in the impact investing space, including GIIN, B Lab, and the Aspen Network of Development Entrepreneurs, are playing a critical role as impact investing begins to filter deeper into the asset allocation philosophy of institutional investors and philanthropic groups. Impact funds—where the majority of impact investment dollars are placed—can begin to pull capital into the market in a more strategic way, and service providers—which are bringing some measure of consolidation to financial and social return data—have an opportunity to form more meaningful and powerful networks.

Government has also played a key role in building the impact investing industry into what it is today. Policies such as the Community Reinvestment Act and the institution of tax credit programs have created demand and incentives for targeted impact investments. Additionally, domestic governmental organizations such as the Overseas Private Investment Corporation (OPIC) and multilateral development banks on other continents have been making impact investments for years. Going forward, the public sector can continue to create synergies and alignment between many of the issues that are important to both impact investors and government.

The following list presents recommendations for structural adjustments in the impact investing field and changes to public policy—all of which would help to create a more robust market for impact investments.

1. Create better segmentation across impact investing funds

The continued misunderstanding around what actually constitutes impact investing has been perpetuated in part by the many funds that classify themselves as impact investors. In fact, these funds operate across a wide spectrum of investment philosophies. In the JP Morgan/GIIN survey, 55% of respondents targeted market-rate returns, 27% targeted below market-rate returns, and 18% focused on capital preservation. Each of these respondents falls under the impact investment category as it currently stands today—as each combines some aspect of social and financial return. However, the industry could create greater understanding amongst mainstream investors if it segmented itself in a more strategic way, separating those funds and investment opportunities that can generate returns comparable to other traditional investments from those that set out to trade financial return for social return.

2. Pool funds with similar investment and impact objectives

Small deal sizes and the need for enhanced due diligence continue to be limiting factors for the growth of the impact investing industry. To entice large institutional investors to make larger capital contributions, funds with overlapping investment philosophies and impact objectives should explore consolidation. Fund collaboration and partnership is not common practice today in the traditional investment space, as it would require fund managers to share some of their investment decision-making authority. What is more likely, however, is the creation of impact "funds of funds," whereby large investments could be made into a larger fund that then makes many smaller investments into individual impact funds.

3. Agree to a common set of values and principles around impact measurement

While significant progress has been made through IRIS (Impact Reporting and Investment Standards) and GIIRS (Global Impact Investing Rating System)—two systems for measuring the social impacts of companies and investment funds—a more uniform system for measuring and reporting social and environmental impact is needed; until it is achieved, investors will continue to struggle with the meaning of social impact. According to the JP Morgan/GIIN survey, only 27% of respondents use the same metrics to measure social returns for all companies across the portfolio, and more than 30% track impacts through proprietary frameworks that are not aligned with external standards, like IRIS. It may be impossible to boil social impact down into a single number or metric, but there is an opportunity to report on a limited set of common measures for every fund without burdening fund managers and financial advisers with additional costs and duties.

4. Leverage the role of philanthropy in the impact investing space

Philanthropic investments can be used to help grow social enterprises (companies combining commercial and social goals) to a point where their business models and impact philosophies can be proven to traditional investors. They can also provide investment types that can catalyze more traditional capital to enter the market through loan guarantees or first-loss layered investments.

Foundations making investments into social enterprises also complete extensive due diligence before placing their capital, which could be leveraged to lower due diligence costs for the entire impact investing sector. By utilizing existing impact investing industry networks, such as GIIN, impact investment data from foundations could be shared with mainstream investors in a way that disseminates best practices on deal-structuring, return expectations, and impact measurement.

5. Continue to revise public policies that can restrict the flow of capital into impact investments

Over the last few years, federal policies for foundations and pension funds have made it easier for capital to flow to impact investments. National policy should continue to be adjusted to bring more capital to bear on social issues, which could come in two forms:

- Provide greater clarity surrounding the requirements for impact investments to qualify for Community Reinvestment Act (CRA) credit. Currently, CRA investments need to be tied to geography, thereby making it difficult for large banking institutions to invest in impact funds that do not have a focus on a single domestic geographic area.
- Broaden the reach of the Small Business Investment Company (SBIC) Impact Fund. To qualify as an SBIC Impact Fund, impact funds must target 50% of their invested capital toward a distinct impact sector, economically distressed areas, early stage companies that have received federal awards, or energy saving investments. This limited menu of options disqualifies many impact funds that have broader impact philosophies.

6. Provide public sector investments alongside impact investments through innovative mechanisms

Innovative investment structures and public-private partnerships have been used most frequently to address domestic housing issues, with the New York City Acquisition Fund and the Bay Area Transit-Oriented Affordable Housing Fund providing best practices for the use of public funds to spur mainstream impact investment. These flexible structures utilize funding from government to reduce risk for mainstream investors.

The public sector can also catalyze investments in early stage high-impact companies through tax incentives for investors. Much in the same way that the Low Income Housing Tax Credit and New Markets Tax Credit have subsidized investments in low-income communities, similar credits could be offered to impact investors that make investments in early-stage companies that are hoping to create public benefit. In the UK, investors that make qualifying investments under the Social Investment Tax Relief program can deduct 30% of the cost of the investment from their income tax liability.

7. Create policy guidance to bring impact metrics into mainstream financial reporting

The Financial Accounting Standards Board sets the generally accepted accounting principles (GAAP) for traditional companies in the U.S., while the International Accounting Standards Board ensures comparability of financial information across international markets. There is no similar standard-setting body that creates principles that apply to all social enterprises. For the sector to achieve the transparency and accountability it needs to attract mainstream capital, more uniform accounting standards should be set—especially for entities that operate under the benefit corporation legal designation. Currently, many impact enterprises willingly enroll in GIIRS impact measurement; however, some form of impact tracking should be mandated through public policy.

1

INTRODUCTION

Money managers have long had multiple options when putting their clients' funds to work. Traditional asset classes—stocks, bonds, and cash equivalents—are joined by alternative direct investment opportunities in real estate, commodities, and derivatives. More and more, funds are being created that leverage expertise in venture capital and private equity through debt and equity investments. Each of these investment vehicles has a distinct risk profile and investor expectations, and all have one key investment motive: maximizing financial returns.

Over the last decade, the idea of impact investing—marrying financial returns with social returns—has moved from a nascent investment theory employed by a few philanthropic organizations and forward-thinking fund managers to a widely known buzzword in the investment industry. However, while momentum around impact investing has grown, it remains challenged by numerous questions and investor misperceptions that have kept the movement from gaining mainstream support in the investment community. In fact, the Investment Management Summit hosted by *The Financial Times* in October 2015 yielded the following list of thoughts from financial advisers on impact investing:[1]

- "I cannot tell what is an impact investment and what is not."
- "I cannot be sure what impact my investment is really having."
- "I fear impact investments are not made with the same financial rigor as other investments."
- "Even when I was persuaded of the idea, I could not find enough opportunities that would have an impact on my client's chosen problem."

Thought leaders in the impact investing industry and even traditional asset managers continue to grapple with these issues today, because the idea of what exactly encompasses impact investing remains relatively undefined. While this analysis will not attempt to provide definitive answers and solutions to the concerns listed above, it does seek to provide financial advisers and money managers with a better understanding of an investment vehicle in evolution.

1. Foley, Stephen. "Impact investing must be more than a buzzword," *The Financial Times*, November 1, 2015. Accessed at: http://www.ft.com/cms/s/0/fd5d5a8a-7e37-11e5-98fb-5a6d4728f74e.html#axzz3qS6fyPQf.

Using data from the fifth annual survey of impact investors compiled by JP Morgan and the Global Impact Investing Network (henceforth written as the "JP Morgan/GIIN survey"), ImpactBase's catalogue of impact investment funds, and other recent data sources, this paper offers a framework for integrating impact investing into a broader portfolio strategy by detailing trends, strategic opportunities, return potential, and risks. In addition to reviewing the opportunities for impact investing to grow, this paper will challenge several myths that limit its usage and will provide solutions for overcoming perceptual, institutional, and legal barriers.

To provide examples of impact investing in practice, the report uses case studies of Bay Area impact funds and their investments. The Bay Area's position as a leader in venture capital—in 2015, nearly 50% of all venture capital investments made in U.S. companies were made in the Bay Area (including San Francisco and Silicon Valley)[2] —along with its robust innovation ecosystem, has allowed the region to catalyze a broader impact investing movement that now extends across the U.S. and the globe.

Throughout the following chapters, this paper will answer the following questions:

1. What education of investors and money managers needs to take place to deploy more assets in an impactful manner?

2. As the impact investing trend grows, where can standards, definitions, and collective understanding be improved so that best practices are captured and improved upon?

3. What barriers to investment can be addressed via changes to perception, institutional practice, and government policy?

2. Data taken from PricewaterhouseCoopers/National Venture Capital Association MoneyTree Report.

Spotlight on Impact:

BAY AREA EQUITY FUND

Overview:

One of the first impact investing funds to demonstrate an ability to generate above-market-rate returns was the Bay Area Equity Fund (BAEF). Launched in 2004, BAEF is managed by DBL Investors in partnership with the Bay Area Council, which established two real estate equity funds and a revolving loan fund for redevelopment efforts in addition to BAEF. The $75 million private equity fund was capitalized by investments from foundations, pension funds, banks, insurance companies, and individuals that sought to grow companies in parts of the Bay Area with historically high unemployment levels. BAEF invested in 18 developing Bay Area companies, with notable successful investments in Tesla Motors, Pandora, SolarCity, BrightSource Energy, and Revolution Foods.

Financial and Social Impact:

As of the end of 2014, BAEF had produced a 4.1x cash-on-cash return to limited partners and an internal rate of return of 24%, a significant financial return considering that the holding period covered an economic recession. For comparison, the top quartile return of comparable investment funds tracked by Cambridge Associates was 9.3% over the same period. In addition to financial returns, BAEF portfolio companies produced more than 15,000 jobs over a 10-year period (well above the initial goal of 1,500 jobs), while engaging the community through workforce training programs.

Investment Example:

BrightSource Energy, headquartered in Oakland, is a global designer and developer of concentrating solar thermal technology that produces steam for electric power, petroleum, and industrial process markets. The company's solar thermal energy systems generate power the same way as traditional power plants—by creating high temperature steam to turn a turbine. However, instead of using fossil fuels or nuclear power to create the steam, BrightSource uses the sun's energy. At the core of the company's proprietary solar thermal system is a next-generation solar field design that enables the creation of high pressure, high temperature steam. The steam can then be integrated with conventional power plant components for electricity generation or for use in industrial process applications.

2

IMPACT INVESTING

Defining the Field

The term "impact investing" was created in 2007 at a convening of leaders from the fields of finance, philanthropy, and economic development, which created the building blocks of a more cohesive worldwide network of impact investors. While investors and philanthropists were practicing many of the ideals of impact investing before this meeting took place, it was the first attempt to build common language and strategies around investing with an eye on more than financial returns.

The definition of what truly encompasses impact investing remains a subject of much debate today, as a simple internet search will yield broad ideas of what an impact investor is and the types of investments and returns available to those investors. Terms such as double bottom line (or even triple bottom line), responsible investing, and values-based investing all have been used as a synonym for impact investing, and at other times as separate and distinct strategies. Investors and other stakeholders often cite this lack of commonly understood terminology as a key barrier to the growth of the impact movement.[3]

As a jumping off point for the analysis of impact investing undertaken in this report, the Global Impact Investing Network (GIIN)—an organization dedicated to increasing the scale and effectiveness of impact investing—has proposed a concise definition: "Investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return."

Intentionality is critical to the definition, as many investments have both a financial and social or environmental component to them—for example, an investment in wind energy—but they are made solely with financial return in mind. Additionally, evidence and measurement of social or environmental change is a required element of impact investing.

Shedding Light on the Capital Spectrum

While the definition cited above can help investors understand what is not an impact investment, knowledge of what falls under the impact investment category remains abstract. Given that impact investments can cover a number of different investment vehicles and strategies, investors are often

3. Goldman, Paula and Lauren Booker. "Parsing Impact Investing's Big Tent," Stanford Social Innovation Review, June 10, 2015. Accessed at: http://ssir.org/articles/entry/parsing_impact_investings_big_tent.

The Capital Spectrum: Delineating Different Types of Purpose Investing

		Responsible Investing		Impact Investing		
	Traditional	Responsible	Responsible 2.0	Finance-first Impact	Impact-first	Philanthropy
Focus	Emphasis on profit maximization with limited or no focus on environmental, social, or governance (ESG) factors	Passive management of ESG risks across a wide range of factors in order to screen out investments from portfolio consideration	Active focus on ESG opportunities as value drivers to screen in investments measured against social or environmental metrics	Deliver a measurable ESG return by focusing on opportunities that provide a market-rate or market-beating financial return	Emphasize measurable environmental, social, or governance returns that may require some financial trade-off	Focus on one or more issue areas where the attainment of ESG goals requires a 100% financial trade-off
Impact Intent	None	Neutral	Modest	High	High	Maximum
Return Intent	Maximum	Maximum	Maximum	High	Moderate	Low to None
	Finance-Only	Purpose Investing				Impact-Only

Source: Sonen Capital

met with confusion when they approach the topic. To overcome the lack of clarity around the definition of impact investing, a spectrum of investment capital can be identified that details all investment types that fit the definition. The spectrum is bounded on the left by traditional investing, which emphasizes maximizing returns without consideration of any other environmental or social factors. On the right side of the spectrum, philanthropy takes nearly an opposite approach—focusing on environmental and social factors with little regard for financial return. Between these two poles lie a number of different strategies that bridge the divide between philanthropy and traditional investing practices, which can be given the name "purpose investing."

Responsible Investing: As for-profit investors began to move into the purpose investing space years ago, their first strategy for integrating financial and social returns was the so-called "negative screen." Negative screening entails eliminating companies from investment consideration because of undesirable characteristics in their industries or products. For example, polluting energy companies, producers of vices (e.g., tobacco or alcohol companies), and companies and governments that effect political harm are generally excluded in responsible investing portfolios. The approach of negative screening can, however, result in portfolios that underperform broader markets, either because of gaps in key sectors or unintended risk concentration.[4]

Responsible Investing 2.0: A more active approach to responsible investing includes "positive screens" for investment opportunities. This strategy focuses on opportunities to improve environmental, social, and governance ("ESG") concerns through investment selection and shareholder advocacy efforts. This is also the part of the spectrum most commonly associated with Socially Responsible Investing ("SRI") and Values-Based Investing ("VBI"), both of which focus on achieving strong portfolio returns with certain ESG criteria in mind. According to a Morgan Stanley analysis, the long-term annual returns of one public equity index tracking companies scoring highly on ESG criteria has exceeded the S&P 500 by 45 basis points since 1990.[5]

4. "Maximizing Impact: Values-Based Investing Across the Spectrum," Merrill Lynch Private Banking and Investment Group, July 2014. Accessed at: http://www.pbig.ml.com/publish/content/application/pdf/GWMOL/PBIG_ARTDTNUR_2015-07.pdf.

5. "Sustainable Reality," Morgan Stanley Institute for Sustainable Investing, March 2015. Accessed at: https://www.morganstanley.com/sustainableinvesting/pdf/sustainable-reality.pdf

Finance-First Impact Investing: Attempting to invest in high-impact solutions to global problems, the finance-first impact investing strategy seeks to employ private capital in companies, sectors, and geographies where social and environmental needs are creating growth opportunities that can yield market-rate or market-beating returns. In combining a strong impact philosophy with a desire to create market-rate returns, this capital deployment strategy is the "sweet spot" for many impact investors, but is also an area where little institutional knowledge has been built around developing investment opportunities, quantifying overall performance, and evaluating impacts.

Impact-First Investing: Requiring some financial trade-off, impact first investment strategies are often categorized by "concessionary returns" (i.e., belowmarket-rate returns). Investments utilizing this strategy would otherwise go unmade if market considerations were the only driver for capital deployment. While profit and social returns are not mutually exclusive under an impact-first investment framework, foundations and high net worth family offices often are able to utilize impact-first investing techniques to complement their grant-making and charitable efforts because they do not have the same fiduciary responsibility as institutional money managers. As an example, the Omidyar Network employs a flexible capital model that includes impact investments in for-profit businesses alongside traditional grants in nonprofit organizations.

When considering the impact investing field in total for this report, only the areas of Finance-First Impact Investing (with market-rate returns) and Impact-First Investing (with concessionary returns) are included under the impact investing umbrella. This report will focus on building the knowledge base within these slices of the capital spectrum, with a particular focus on Finance-First Impact Investing, as its ability to generate returns that are comparable to other instruments makes it a viable investment option for many, if not all, institutional investors and high net worth individuals.

The Evolution of Putting Money to Work for Impact

While the range of strategies that make up impact investing can be neatly packaged into groupings using the capital spectrum, the instruments used to incorporate these strategies are much more diverse and do not lend themselves to easy categorization.

It has been argued that impact investments are their own asset class[6] —akin to equity and fixed income—with a corresponding due diligence process, return expectation, and risk management requirement that is distinct from any other type of investment. Others think of impact investing not as an asset class, but as a wide range of investment vehicles that can be an integral part of portfolio creation—more of a lens through which to judge risk, return, and value creation rather than a specific investment class.[7]

In practice, impact investing requires both a differentiated approach to investment selection and management, as well as an enhanced ability to judge how impact can be integrated into broader portfolios. The following sections will explore impact investing's evolution in the context of different portfolio strategies to better illustrate how dollars have been and can be deployed to produce both impact and financial return.

Investing through Philanthropy

The roots of the impact investing movement are closely linked to philanthropy. It was the Ford Foundation, in 1968, which made a pioneering move by making program-related investments (PRIs) in minority business development, the production of low-income housing, and the preservation of the environment.[8] These loans—many of which were never repaid—complemented the foundation's grant-making portfolio and provided synergies with its mission.

While PRIs must primarily serve a charitable purpose and are treated similarly to grants for tax purposes, philanthropic organizations have increasingly moved to mission-related investments (MRIs) as a way to address areas of social need while simultaneously building capital. Any investment in which the investor intends to generate both a social return as well as a financial return could qualify as an MRI—thus putting it squarely within the impact investing spectrum.

Examples of MRI practices for philanthropic organizations can include something as simple as holding cash deposits at community-owned banks and lending institutions, to direct equity or debt investments in companies or funds that seek to advance the social aim of the foundation.

The Growth of Impact Investing Funds

While foundations may have begun the impact investing movement, fund managers at both large financial institutions and newly capitalized funds have accelerated the trend by raising capital from philanthropic interests, high net worth individuals, and pension funds. The JP Morgan/GIIN global survey of impact investors found that nearly 75% invest via intermediary funds.[9] The number of these funds is also growing tremendously, with 215 of the 310 funds tracked by ImpactBase opening since 2009.[10] Nearly half of these funds are venture capital and private equity funds. These types of funds take ownership stakes in companies that are not publicly traded through negotiated transactions—investments that are high-risk and relatively illiquid, but that can have attractive return potential.

6. "Impact Investments: An Emerging Asset Class," J.P. Morgan Global Research, The Rockefeller Foundation, and Global Impact Investing Network, November 29, 2010. Accessed at: http://www.jpmorganchase.com/corporate/socialfinance/document/impact_investments_nov2010.pdf

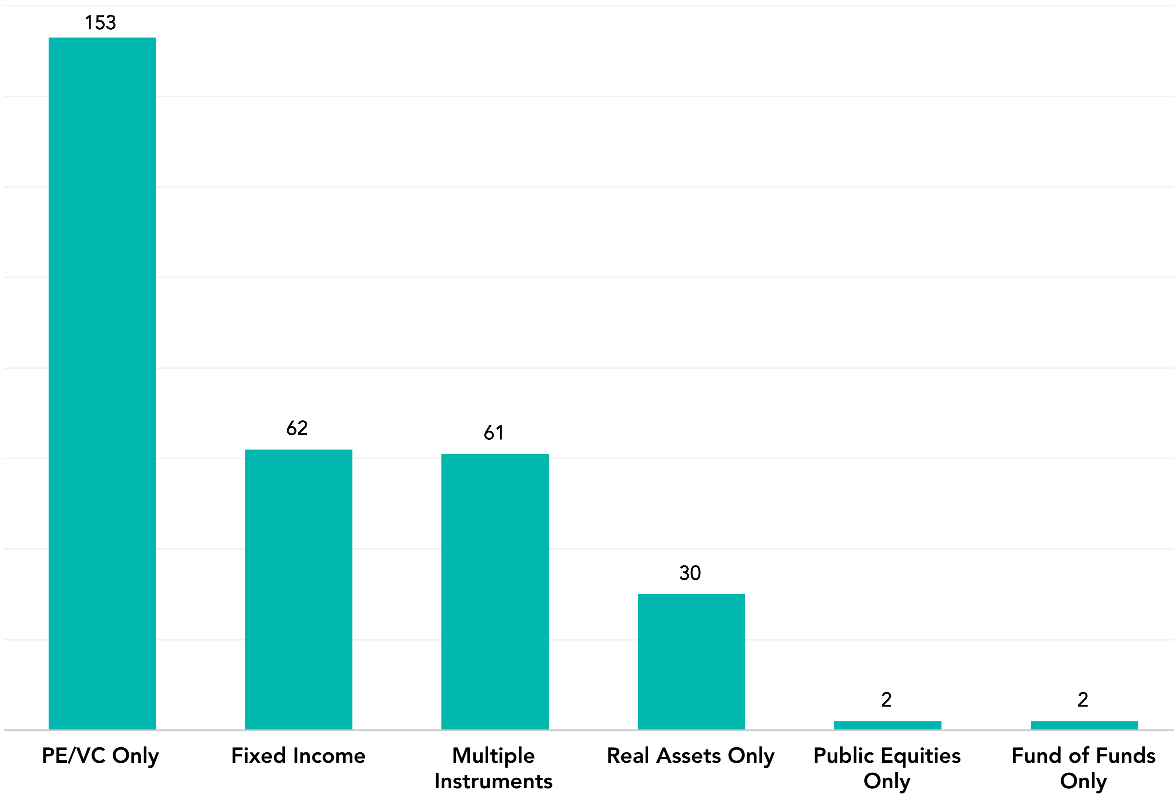
7. "Evolution of an Impact Portfolio: From Implementation to Results," Sonen Capital in collaboration with The KL Felicitas Foundation, October 2013. Accessed at: http://apsocialfinance.com/wp-content/uploads/2014/11/2013-10-evolution-of-an-impact-portfolio-final.pdf.

8. "Investing for Social Gain: Reflections on Two Decades of Program-Related Investments," Ford Foundation, December 1991. Accessed at: http://www.fordfoundation.org/pdfs/library/Investing_For_Social_Gain.pdf.

9. "Eyes on the Horizon: The Impact Investor Survey," J.P. Morgan Social Finance and Global Impact Investing Network, May 4, 2015. Accessed at: http://www.thegiin.org/assets/documents/pub/2015.04%20Eyes%20on%20the%20Horizon.pdf.

10. "ImpactBase Snapshot: An Analysis of 300+ Impact Investing Funds," ImpactBase Impact Investment Fund Database, April 2015. Accessed at: http://www.thegiin.org/assets/documents/pub/ImpactBaseSnapshot.pdf.

Asset Class Distribution of Funds Tracked by ImpactBase



Source: ImpactBase Snapshot, April 2015

Asset class strategies and geographic focuses of these funds fall into numerous buckets, but their social impact targets can generally be grouped into three areas:

1. **Creating social value through new products or services** – The most common theme for impact investors is to organize around an issue area. Common impact objectives include, but are not limited to: sustainable agriculture and food systems; financial inclusion for marginalized individuals; educational opportunities; expanded access to low-cost health services; clean energy; conservation of natural resources; climate change mitigation; and access to safe drinking water.

2. **Generating new employment opportunities for disadvantaged populations** – While new products can create new opportunities, the companies producing these products do not always employ local workers. Microfinance investments are a classic example of providing small enterprises with an ability to scale and grow. Other investment types have targeted growing companies that employ low-income or low-skilled workers.

3. **Investing in specific geographies** – There are impact investors that will look to grow companies within specific economically disadvantaged areas of the globe, but more often, geography-first impacts are made through investments in real assets. This often comes in the form of housing, through international property funds or domestic low-income housing tax credits. Other examples of real property investments include sustainably forested timberlands and critical infrastructure investments in developing countries.

The Next Wave of Impact Investment Innovation

Fund investments remain the most likely avenue for impact investors to enter the market. However, social impact bonds, vaccine bonds, and green bonds provide examples of new structures that can provide investors with a combination of financial return and social impact.

Social Impact Bonds (SIBs), sometimes known as pay-for-success contracts, provide an innovative way for impact investors to put their money to use to address social issues. In partnership with local and/or state governments and non-profit service providers, social impact bonds use private capital to fund and scale innovative social programs that provide quantifiable public sector savings. Under this approach, both governments and investors can benefit from funding successful programs—as payments are only made from government to the private investor if the program meets targeted outcomes. SIBs have only recently emerged as an investment vehicle, with New York City launching the first SIB contract to reduce prison recidivism among juvenile offenders in August 2012. Goldman Sachs funded the program and the company could make up to a 5% annualized return on its investment if prison recidivism falls by more than 20% over the four-year investment period.[11]

Vaccine bonds were first issued in 2006 and have continued to be well received by institutional investors many years later. They provide up-front capital to organizations partnering with the Global Alliance on Vaccines and Immunization, which works to vaccinate youth in developing counties. Issued by the International Finance Facility for Immunization, the bonds are fully securitized by sovereign donors' future aid contributions. Recent issuances have received AAA ratings from credit rating agencies, signifying the lowest risk of default. Under this structure, vaccinations can occur at a much faster pace in developing countries because the aid becomes front-loaded—as opposed to organizations having to wait to vaccinate each year based on government donations received—and investors' capital is paid back over time through sovereign aid contributions.

Green bonds are debt securities—similar to corporate bonds or municipal bonds—that can be issued by development banks, corporations, or government to fund climate-related or environmental projects. Originally utilized by the World Bank in 2008 to support its strategy to introduce innovation in climate finance, the green bond market has grown from $4 billion in 2010 to over $41 billion in 2015.[12,13] Green bonds differ from traditional bonds only in that their proceeds are earmarked for environmental projects, such as those in the areas of sustainable water management, energy efficiency, renewable energy production, and biodiversity conservation. Bond issuers clearly define the environmental projects they plan to support and report back to investors on the use of proceeds. Green bonds generally yield financial returns comparable to similarly rated traditional bonds, though their green characteristics allow issuers to reach new investors and raise awareness of environmental programs.

11. Preston, Caroline. "Getting Back More Than a Warm Feeling," *New York Times*, November 8, 2012.

12. "What are Green Bonds?" The World Bank and the Public-Private Infrastructure Advisory Facility (PPIAF), 2015. Accessed at: http://treasury.worldbank.org/cmd/pdf/What_are_Green_Bonds.pdf

13. Data for 2015 taken from Climate Bonds Initiative. Accessed at: https://www.climatebonds.net/.

Spotlight on Impact:

SANTA CLARA COUNTY PAY-FOR-SUCCESS PROJECT

Overview:

California's first pay-for-success contract was launched in Santa Clara County in August 2015 to provide housing and supportive services to the chronically homeless. Under the initiative, called Project Welcome Home, the county has partnered with Abode Services, a national leader in innovative housing services. Abode will provide homeless individuals with access to community-based clinical services and permanent supportive housing designed to end the participants' homelessness and provide ongoing physical and behavioral health services.

Social Impact:

The project intends to serve 150-200 chronically homeless individuals over six years who are frequent users of the county's emergency rooms, jail, and mental health facilities—all of which pose a cost to the county to operate. It is estimated that the 2,800 persistently homeless residents of Santa Clara County have average public service costs of $83,000 per year.

Investment Summary:

Project Welcome Home has received $6.9 million in senior and subordinate loan funding from private and philanthropic funders—including the Sobrato Family Foundation, The California Endowment, Health Trust, The Reinvestment Fund, the Corporation for Supportive Housing, The James Irvine Foundation, and Google.org. The Laura and John Arnold Foundation is also providing capital for the project evaluation, which will be undertaken by the University of California, San Francisco. Palantir Technologies is providing the county with software and related services in support of the project.

Under the pay-for-success contract, Santa Clara County will only make payments to funders if Project Welcome Home meets pre-determined outcomes, thereby ensuring that taxpayer dollars are only spent if the program is successful. Funders will be repaid based on the number of months of continuous stable housing achieved by project participants. The project's target impact is for more than 80% of participants to achieve 12 months of continuous stable tenancy. If this outcome is achieved, success payments will repay funders their principal investment and annual interest. If the project reaches higher levels of impact, Santa Clara County could pay out a maximum of $8 million to investors over six years—funding directly associated with the savings accrued through the success of Project Welcome Home.

3

THE CURRENT LANDSCAPE IN IMPACT INVESTING

All of the details surrounding impact investing described previously have come into greater focus over the last few years. As socially motivated enterprises that are ripe for impact investments have increased in number and traditional financial markets have become more volatile, impact investing has piqued interest from investors, policymakers, and business leaders.

Sizing the Impact Investing Market

Given the breadth of investments that make up the impact investing space, estimating the total size of the market has proven difficult. However, JP Morgan and the Global Impact Investment Network (GIIN) have surveyed a group of fund managers, banking institutions, and foundations for each of the last five years in an attempt to better understand trends, investor activity, and performance of impact investments. In 2015, a sample of 146 impact investors showed a total of $60 billion in assets under management, 35% of which is proprietary capital and the remaining 65% is managed on behalf of clients (mainly through funds). Other key findings of the survey include:

- Investments in North America totaled 40% of assets under management, with emerging markets combined making up roughly half of invested funds.
- The housing sector accounted for 27% of respondents' assets under management. Microfinance and financial services accounted for an identical 27%. The next largest impact sectors were Energy (10%), Healthcare (5%), and Food & Agriculture (5%).
- Nearly three-quarters of total assets under management were invested in private debt and private equity. Publicly traded investments accounted for just 11% of total assets under management.
- Mature companies received over 90% of respondent's impact investments. Just 9% of funds were committed to start-up companies or seed stage businesses.

While impact investing remains just a small slice of total global financial markets, it has grown from $46 billion in total assets to $60 billion in just one year, according to the JP Morgan/GIIN survey. This number primarily tracks private debt and equity transactions, with most seeking a market-rate financial return. It is also estimated that $59 trillion has been invested in mainstream funds that have publicly committed to incorporate environmental, social, and governance factors into their investment decisions as of April 2015.[14] This amount of invested capital with at least some social motivation becomes even larger when philanthropic investments with little or no financial return are included.

If only a small amount of this capital moved further down the spectrum toward generating and measuring social and financial returns, impact investment could expand rapidly. Previous estimates from the Monitor Institute and JP Morgan predicted the impact investment market could reach $400 billion to $500 billion by 2020 (although it now appears those estimates will not be reached).[15,16] In 2012, the Calvert Foundation estimated a market potential of $650 billion, a more than 10 times multiple in invested capital from where the industry stands today.[17] With these estimates of market size, many stakeholders from multiple sectors have been drawn into the field as a way to simultaneously make profits while addressing global needs.

The Actors of the Impact Investing Industry

Supply Network		Impact Investing	Demand Network	
Sources of Impact Capital	Asset Managers	Forms of Finance	Impact Organizations	Service Providers
High Net Worth Individuals	Investment Advisors	Private Equity	Income-Generating Nonprofits	Standards-Setting Organizations
Corporations	Fund Managers	Private Debt	Socially Responsible Corporations	Consulting Firms
Governments	Family Offices	Public Instruments	Microfinance Banks	Crowd Funding
Retail Investors	Banks	Hybrid Debt/Equity	Development Banks	Government Programs
Foundations	Insurance Companies	Social Impact Bonds	Social Enterprises	Accelerators
Employees	Pension Funds	Real Assets		International NGOs
	Sovereign Funds	Mezzanine Capital		

Source: Rockefeller Foundation and the UK's Social Impact Investment Taskforce

14. Data taken from the UNEP Finance Initiative and UN Global Compact, "PRI: Principles for Responsible Investment." Accessed at: http://www.unpri.org/news/pri-fact-sheet/.

15. Monitor Institute. "Investing for Social & Environmental Impact: A Design for Catalyzing an Emerging Industry," January 2009. Accessed at: http://monitorinstitute.com/downloads/what-we-think/impact-investing/Impact_Investing.pdf.

16. "Impact Investments: An Emerging Asset Class," J.P. Morgan Global Research, The Rockefeller Foundation, and Global Impact Investing Network, November 29, 2010. Accessed at: http://www.jpmorganchase.com/corporate/socialfinance/document/impact_investments_nov2010.pdf.

17. Calvert Foundation. "Gateways to Impact: Industry Survey of Financial Advisors on Sustainable and Impact Investing," June 2012. Accessed at: http://gatewaystoimpact.org/images/gatewaystoimpact.pdf.

Impact Investing Stakeholders

Shifts in investor perception and the increasing number of companies that have been created to address an area of global need are major drivers in impact investment's momentum. Additionally, a diverse and growing set of actors has helped to build an industry infrastructure and networks that are critical in attracting new capital and investable opportunities. The preceding chart depicts four groupings of impact investing stakeholders and the forms of investment employed for impact:

Sources of Impact Capital

Skyrocketing public deficits and increasing social needs have led many individuals to believe that public sector and philanthropic solutions will not be sufficient to meet the world's many problems going forward. Additionally, a new generation of more altruistic investors and entrepreneurs are beginning to look beyond charitable giving for more market-based approaches to driving desired outcomes. A poll conducted by Morgan Stanley of high net worth investors found that four in 10 investors age 25 to 54 are now considering investing in funds that focus on positive social and environmental change in the next three years, which falls to 32% among those 55-64, and 25% among those over 65.[18] Morgan Stanley has also found that 72% of individual investors believe that companies that score well on ESG criteria can lead to higher profitability and are better long-term investments.[19]

Attitudinal changes have not just occurred in individual investors. More institutions are focusing on their environmental and social impacts. This movement first came through corporate social responsibility (CSR) programs, as CSR reporting is now a mainstream business practice worldwide, undertaken by 71% of 4,100 companies surveyed by KPMG in 2013.[20]

While CSR generally differs from impact investing in that there is no financial return motive, it is clear that more institutions are beginning to act with social and environmental ramifications in mind. This is especially true for entities with large cash holdings, including diversified financial institutions, insurance companies, and pension funds. This grouping contributed over 50% of all invested capital in the impact investing field, according to the JP Morgan/GIIN survey of 146 impact investors from 2015.[21]

Asset Managers

While asset owners began to clamor for impact options, the limited number of advisers and fund options that could incorporate impact investing into profitable portfolios proved to be an initial obstacle. The number of fund options is now growing tremendously—as detailed in the previous section—cutting across geographies, sectors, asset classes, and impact themes.

It is not just small, specialized funds that are being formed. In 2015 alone, investment bank Goldman Sachs acquired Imprint Capital, a brand name in the impact investing field; BlackRock began selling an impact fund to clients; and Bain Capital created a new investment platform focused on social impact. Additionally, the number of new mutual funds that aim to align investments with values has increased to 18 in 2015 from just three in 2014. Assets in these types of responsible investing funds have jumped to $134 billion in September 2015 from $93 billion at the end of 2010, according to Morningstar data.[22]

18. Morgan Stanley, "Investing with Impact: Creating Financial, Social, and Environmental Value," 2014. Accessed at: https://www.morganstanley.com/assets/pdfs/articles/investing-with-impact.pdf.

19. Morgan Stanley, Institute for Sustainable Investing, "Sustainable Signals: The Individual Investor Perspective," February 2015. Accessed at: https://www.morgan-stanley.com/sustainableinvesting/pdf/Sustainable_Signals.pdf.

20. KPMG International, "The KPMG Survey of Corporate Responsibility Reporting 2013," January 31, 2014. Accessed at: https://www.kpmg.com/Global/en/Issue-sAndInsights/ArticlesPublications/corporate-responsibility/Documents/corporate-responsibility-reporting-survey-2013-exec-summary.pdf.

21. "Eyes on the Horizon: The Impact Investor Survey," J.P. Morgan Social Finance and Global Impact Investing Network, May 4, 2015. Accessed at: http://www.thegiin.org/assets/documents/pub/2015.04%20Eyes%20on%20the%20Horizon.pdf.

22. "Collins, Margaret and Sangwon Yoon. "BlackRock Targets Idealistic Millenials With Do-Good Investing." Bloomberg Business, October 12, 2015.

A large piece of impact asset management is also accomplished through public sector development finance institutions. For example, the U.S. government's development finance institution, the Overseas Private Investment Corporation (OPIC), utilized $222 million in federal funding to make impact investments in 2013.[23] OPIC direct investments included support for a network of schools throughout rural Kenya and a loan to a microfinance lending institution—both of which will help OPIC drive its impact mission and create financial returns.

Impact Organizations

Social enterprises, which can be for-profit or non-profit organizations that operate with a social mission, are the major recipients of impact investments, and their numbers have been growing. In the UK, close to one-third of all social enterprises identified are three years old or younger.[24] However, many of these social enterprises are not prepared for infusions of new capital. Part of the solution to this issue has come through public policy decisions, such as new corporate forms being allowed in the U.S. to give social enterprises room to operate more freely.

Among these new forms are flexible purpose corporations, low-profit limited liability corporations (L3C), and benefit corporations. The most widely adopted form has been the benefit corporation legal designation, which differs from a traditional C-Corporation in that it allows for-profit businesses to operate with consideration of other factors in addition to profit. To date, 31 states have passed legislation that enable benefit corporations, removing legal impediments that otherwise would prevent businesses from having a socially motivated core mission.[25]

The nonprofit organization B Lab was instrumental in developing model benefit corporation legislation, and it is also building a global community of Certified B Corporations that must achieve a minimum score on a social and environmental impact assessment. The group

Government and Impact Investing

Multiple federal programs have drawn capital into impact investing. First, the Community Reinvestment Act (CRA), enacted in 1977, requires banks to help meet the needs of the communities in which they operate. Banks of a certain size are subject to assessments that evaluate lending activities, the range of services provided, and community investment. Many banks achieve their investment targets by leveraging federal tax credits for affordable housing (via the Low Income Housing Tax Credit) and small business real estate (via the New Markets Tax Credit) investments through Community Development Financial Institutions (CDFIs). While much of the capital related to CRA has moved into capital-intensive real estate deals in low-income areas, a next wave for these types of investments could be linked to health, education, or social services.

Secondly, the Small Business Administration formed the Small Business Investment Company (SBIC) Impact Fund in 2011 to catalyze investments in impactful businesses. The SBIC Impact Fund makes $200 million in capital available each year to private equity funds making impact investments. To qualify for SBIC Impact Fund debt financing, funds must commit to investing at least 50% of their capital in impact.

23. "OPIC Committed $2.7 billion to High-Impact Sectors in 2013," Overseas Private Investment Corporation, May 30, 2014 [Press Release]. Accessed at: https://www.opic.gov/press-releases/2014/opic-committed-27-billion-high-impact-sectors-2013.

24. "The People's Business: State of Social Enterprise Survey 2013," Social Enterprise UK, 2013. Accessed at: http://www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf.

25. Data taken from B Lab, "State by State Status of Legislation." Accessed at: http://benefitcorp.net/policymakers/state-by-state-status.

of 1,550 Certified B Corporations includes Klean Kanteen, Beneficial State Bank, Numi Organic Tea, Patagonia, and Sungevity. This network has allowed impact investors to find for-profit social enterprises more easily, review their annual benefit reports, and greatly reduce due diligence prior to making an investment decision.

Service Providers

One of the key elements of continuing to build the impact investment marketplace is the ability for investors to measure and understand their social returns based on standard industry practices. Multiple initiatives have begun to create platforms that make impact measurement more standardized.

The first was the Impact Reporting and Investment Standards (IRIS), created by the Rockefeller Foundation in 2008, which provides a common reporting language to describe social and environmental performance and ensure uniform measurement and articulation of impact across portfolios. IRIS offers a library of more than 400 widely used social and environmental metrics, such as the number of permanent female employees, amount of charitable donations, and energy conserved. IRIS is a very flexible measurement system, allowing investors to choose the metrics that are most pertinent to their portfolio companies. According to ImpactBase, 96% of tracked funds use performance metrics to quantify their impacts, half of which use IRIS-compatible metrics.[26]

The Global Impact Investment Rating System (GIIRS) uses IRIS indicators to assess and rate the impact of companies and funds, similar to the way that Morningstar rates mutual funds or Moody's rates credit risk. GIIRS provides holistic fund rating details that allow investors to benchmark impact performance based on a number of criteria tracked through GIIRS. ImpactBase reports that approximately 18% of the impact funds it has identified are rated by GIIRS.

26. "ImpactBase Snapshot: An Analysis of 300+ Impact Investing Funds," ImpactBase Impact Investment Fund Database, April 2015. Accessed at: http://www.thegiin.org/assets/documents/pub/ImpactBaseSnapshot.pdf.

Spotlight on Impact:

BETTER VENTURES, LLC

Overview:

Better Ventures, LLC is an impact investing fund using private equity to fund and support early-stage technology companies pursuing social and environmental objectives. Better Ventures is based in Oakland and is a certified B-Corp with 100% of its assets under management targeted toward impact. Typically investing between $100,000 and $250,000 at the seed stage, the firm is actively involved with company founders to help them build successful companies.

Portfolio Impact:

The firm's investment portfolio currently consists of 15 companies that are building scalable models that address global challenges across three themes:

- Opportunity: Includes web and mobile technologies that provide individuals with access to life-improving opportunities
- Health: Includes technologies that improve diagnosis and better preventative health
- Sustainability: Includes innovations that accelerate the transition to a more sustainable economy

Investment Example:

Eko Devices is a Berkeley-based company that is harnessing the power of the smartphone through a stethoscope attachment that allows physicians to digitally visualize a patient's cardiovascular data. The Eko Core stethoscope attachment amplifies heartbeat sound and wirelessly streams it to a smartphone or tablet. With an iPhone or iPad app, physicians can record, save, and share patient heart rate data. Eko Devices has also partnered with numerous electronic health record companies, which allows physicians to sync their patients' heart sound reports directly to a health records management system with one click. The company closed a $2 million funding round in early 2015 and is undergoing a clinical trial with the University of California, San Francisco's department of cardiology to test Eko Core's assessments of patients against an echocardiogram.

4

DECISION POINTS FOR IMPACT INVESTORS

Despite the myriad of organizations that have become involved in impact investing and the potential for growth that has been documented by multiple organizations, impact investing remains a novelty to many mainstream investors. In fact, a 2013 survey by the CFA Institute found that only 15% of 727 financial advisors had a clear understanding of the principles of impact investing.[27] This section aims to illuminate the wide range of decisions that impact investors face. These same decision points also represent the many uncertainties facing investors, which limit their ability to bring comprehensive financial and social strategies to bear in the most high-impact way.

Choosing the Right Strategy to Create Social Impact

An investor's approach to financial returns is likely the biggest decision in moving into the impact investing space. A range of financial return targets has been generally accepted throughout the impact investing industry: market-rate returns, concessionary returns, and capital preservation. The ability to match the impact-return expectations of investor capital with appropriate deals remains a difficulty for impact investors—it was the number one challenge to the growth of the impact investing industry cited by respondents in the JP Morgan/GIIN investor survey.

While the impact-first or finance-first framework need not apply to all investments made in the space, it can be useful when creating investment philosophy. It can also help lead investors to choose the social issues that they want to effect. For example, an investor that leans more toward social impact (which might be a foundation or high net worth individual) might be more willing to invest in a social enterprise providing business services to entrepreneurs in Latin America. On the other end of the spectrum, a mainstream investor with fiduciary duty to clients might find more appeal in a company that matches its sales of eyeglasses in developed countries with product donations in developing countries.

Direct or Indirect: Picking an Investment Form

The unique features of impact investing—which include more involved due diligence and tracking of impacts—have made investing through a fund the predominant mode of investment. This approach allows specialized funds to grow expertise in the area of impact investing, leaving providers of capital (e.g., mainstream financial

27. Hayat, Usman. "Do Investment Professionals Know About Impact Investing?" CFA Institute, July 11, 2013. Accessed at: https://blogs.cfainstitute.org/investor/2013/07/11/poll-do-investment-professionals-know-about-impact-investing/.

institutions, pension funds, and foundations) with less effort in monitoring investments and an easier ability to diversify their investment base. However, there are advantages to making direct investments into social ventures, including having more control over the investment process and greater visibility to company operations and social impacts. Most impact investment decisions made by large institutional investors or small investment offices carry the same choice: either create expertise within the organization to make direct investments or undertake extensive due diligence on funds and fund managers.

Geographic Focus: Where to Invest

Many impact investment funds have a geographic focus—largely choosing to focus on social impact in developing countries or in developed ones. Impact investing is sometimes associated with enterprises that focus on bettering the lives of the "base of the pyramid" population—the approximately four billion people globally who live on less than $5 per day.[28] Over half of all social enterprises operate in the developing world, which has more acute needs that create more opportunities for socially-minded enterprises to sustain financially-viable business models.[29]

Geography	Illustrative Examples of Measurable Social or Environmental Outcomes
Developing Countries	Use of land for the development of housing to support socioeconomic growth.
Developed Countries	Entrepreneurial firms' development of innovative products focusing on clean energy and efficiency.
Sector	**Illustrative Examples of Measurable Social or Environmental Outcomes**
Community Development	Number of people employed within low-income community.
Agriculture	Increase in crop yield as a result of improved technology or training.
Education	Number of e-books delivered to students via new sharing technology.
Energy	Number of people served with electricity generated from biomass.
Environment	Acres of farmland sustainably harvested.
Financial Services	Total amount of microcredits given to new businesses in developing areas.
Health	Number of people with access to real-time medical information.
Real Assets	Reduction in the rate of homelessness among major US cities.

28. Rangan, V. Kasturi, Michael Chu, and Djordjija Petkoski. "The Globe: Segmenting the Base of the Pyramid," Harvard Business Review, June 2011. Accessed at: https://hbr.org/2011/06/the-globe-segmenting-the-base-of-the-pyramid.

29. "IRIS Data Brief," Global Impact Investing Network, March 2014. Accessed at: http://www.thegiin.org/assets/binary-data/IRISData_Brief_Beneficiaries_2014.pdf.

In developed economies, impact investing can target a full range of sectors, from healthcare to education to resource conservation. Domestic-focused funds and Community Development Financial Institutions have also carved out investment niches close to home, providing capital to enterprises that create jobs locally or in areas underserved by traditional capital providers.

Measuring Impact

JP Morgan and GIIN's impact investor survey from 2015 found that 99% of the respondents measure the social and/or environmental performance of their investments. The willingness of the impact industry to measure investment outcomes does help provide clarity to a very diverse set of investments, but impact-tracking still spans a wide range of metrics that vary by social impact sector. Impacts can be business model specific—bringing benefits to customers through products and services—or process specific—accruing to workers, the surrounding community, or the environment. This bifurcation creates complexity in tracking social outcomes and in comparing them to other impact investment opportunities. The preceding table highlights the diversity of measurable social or environmental outcomes across geographic and sector-specific impact strategies.

Exiting an Investment: Liquidity with Long-Term Mission Intact

Impact investing's fairly short track record as an investment approach means that examples of successful exits of venture investments through acquisition or initial public offering is limited. The JP Morgan/GIIN survey of 146 impact investors shows only 76 exits—17 are in the microfinance sector, where impact investing made the greatest inroads years ago, starting with Grameen Bank.

To increase the probability of reaching an investment exit point, over 50% of impact investors employing private equity structure "tag along" or "drag along" clauses in their investment terms.[30] These clauses give minority shareholders the right to join any deal in which the majority shareholder is selling its stake. Other impact investment deals have structured revenue-sharing agreements or demand dividends that offer investors small returns based on income earned in the absence of a liquidity event such as an initial public offering or acquisition.

With the majority of impact investment exits coming in the form of company sales to strategic or financial buyers, some impact investors also grapple with the risk of a company's mission falling away after it has been acquired. While fund managers may be pressured to find liquidity for their investments to allow investors to realize returns, they can also work to ensure the preservation of portfolio companies' missions. To accomplish this, many funds use an "embedded impact" strategy, which utilizes a pre-investment screening process that allows investments only in companies with inherently impactful core business models, thus making long-term impact integral to the long-term viability of the company even if ownership changes.

30. "Eyes on the Horizon: The Impact Investor Survey," J.P. Morgan Social Finance and Global Impact Investing Network, May 4, 2015. Accessed at: http://www.thegiin.org/assets/documents/pub/2015.04%20Eyes%20on%20the%20Horizon.pdf.

Spotlight on Impact:

MCE SOCIAL CAPITAL

Overview:

MCE Social Capital is an impact investing firm with offices in San Francisco, New York, and Washington, D.C. The firm utilizes foundations, nonprofit organizations, corporations, and high net worth individuals to back loans to MCE from institutional lenders. MCE uses this pool of capital to lend to microfinance organizations serving entrepreneurs in developing countries.

Portfolio Impact:

Using this innovative guarantor-backed model, the firm has issued over $93 million in loans to more than 50 organizations that reach hundreds of thousands of people in over 30 countries.

Investment Example:

Friendship Bridge is a non-profit organization that focuses on providing loans and educational services to women in underdeveloped areas of Guatemala. The organization offers renewable microloans to primarily indigenous women with low education levels. Friendship Bridge encourages women to become leaders in their communities by remaining part of their program even after loans are repaid. In 2014, Friendship Bridge served 29,669 clients, provided 201,349 hours of non-formal education, and achieved $6.43 million in loan portfolio value with 95% client satisfaction.

5

RETURN CONSIDERATIONS FOR IMPACT INVESTORS

While the definitions and thinking around impact investing have congealed since the term was coined in 2007, there continues to be much debate among industry participants about what types of investors and investments truly count under the definition of impact investments. The most hotly debated of these is the trade-off between financial return and social impact, or if there should be a trade-off at all. This section seeks to aggregate data on the returns achievable through an impact investing strategy, analyzing market-rate social investments made in the venture capital and private equity asset classes. These vehicles make up the largest portion of impact investment funds—as detailed in the following chart—and have been studied most extensively.

Benchmarking Returns to Impact Investments

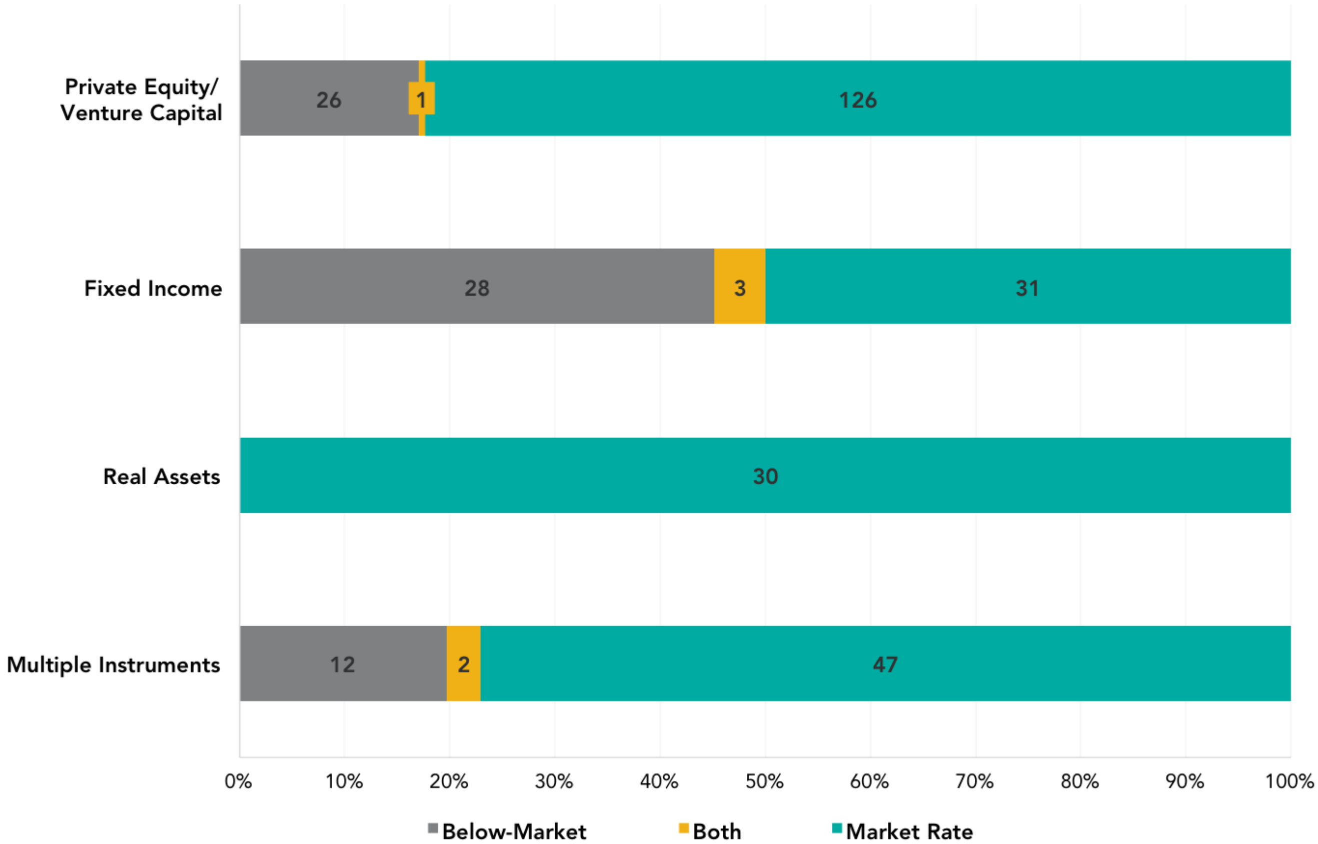
Early research in the impact investment field pointed to two distinct groups of investors—those whose investment philosophy was "impact-first" and those that were "finance-first."[31] Impact-first investors seek to generate social or environmental returns, but are often willing to give up some financial return if needed—these investments are often said to yield concessionary returns. Finance-first investors are typically commercial investors who seek market-rate returns while achieving some social or environmental goals. These investors might look for commercial products that add social or environmental value (e.g., solar lanterns sold in developing countries) or they might respond to tax policies that provide subsidized returns for certain types of investments that generally provide below market-rate returns (e.g., for affordable housing in the U.S.).

However, this separation, while still useful in thinking about the range of investment options, does not necessarily mean there is or should be an impact-return trade-off in all impact investments. This segmenting of the market has made it difficult for mainstream institutional investors to fully comprehend the field—leaving them on the sideline rather than putting their money to work for impact.

Traditional investors view investment opportunities through the lens of risk-return trade-offs, meaning that taking more risk in an investment should yield potential for greater returns (and greater losses). This same type of relationship does not always apply to impact investing, where more impact does not have to

31. Monitor Institute. "Investing for Social & Environmental Impact: A Design for Catalyzing an Emerging Industry," January 2009. Accessed at: http://monitorinstitute.com/downloads/what-we-think/impact-investing/Impact_Investing.pdf.

ImpactBase Funds by Financial Return Philosophy



Source: ImpactBase Snapshot, April 2015
For illustrative purposes only. Not a recommendation of a specific investment or investment strategy.

be traded for lesser financial returns, nor must investors choose one objective over the other.

Multiple recent analyses serve as the impact investing market's first attempts to quantify the financial return of their investments:

Cambridge Associates and GIIN 2015 Impact Investing Benchmark

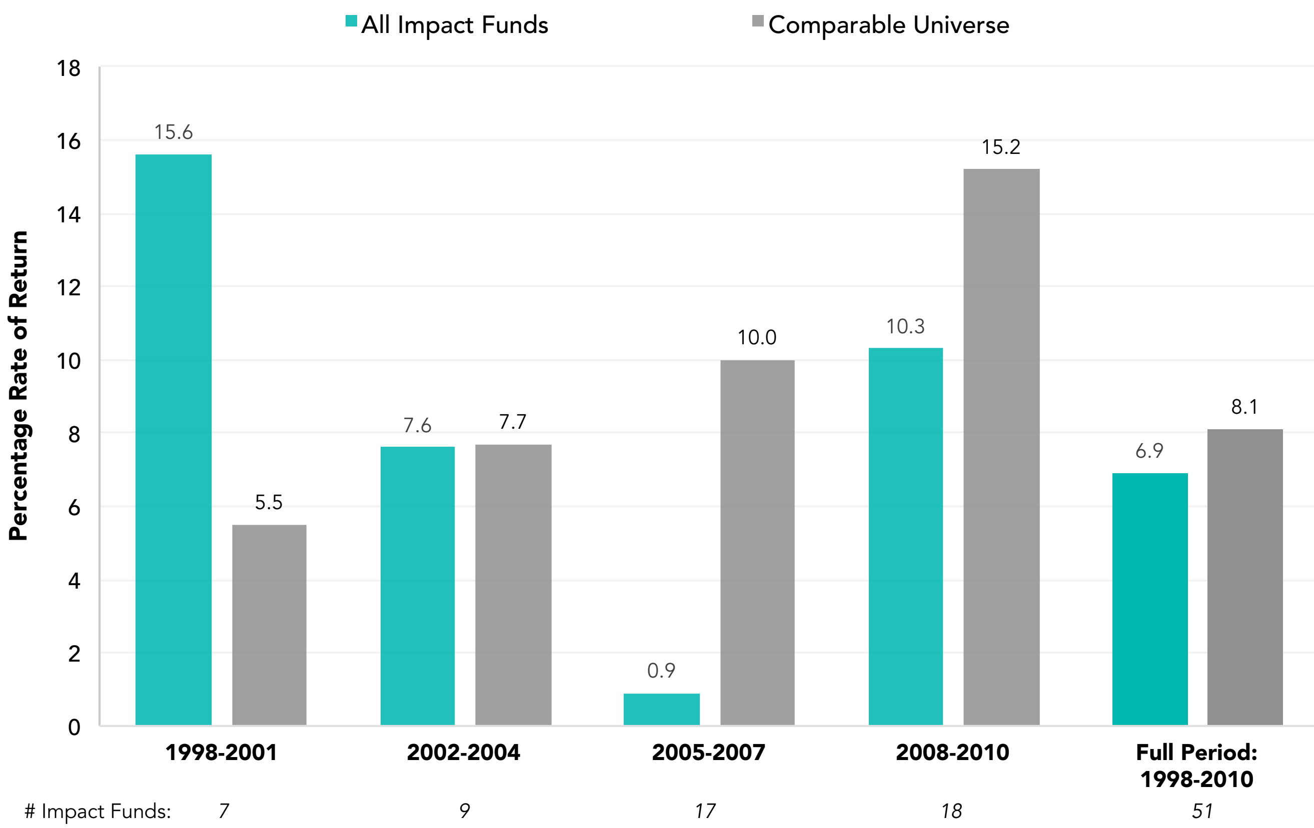
In 2015, Cambridge Associates and the Global Impact Investing Network launched the Impact Investing Benchmark. The benchmark contains 51 private investment funds, pursuing a range of social objectives, with vintage years between 1998 and 2010. These funds are private equity, venture capital, or mezzanine debt vehicles, as investing in these types of funds is a common vehicle for impact investors. Cambridge Associates' mission-related database shows that of 579 private funds tracked, 392 are private equity or venture capital focused.

While not all impact investing funds aim to garner market-rate returns, the impact investing benchmark restricts itself to only those funds targeting risk-adjusted market-rate returns. This means the 51 funds in the benchmark all target an internal rate of return of 15% or higher, which is in line with most traditional funds of the same nature.

The 51 funds included in the benchmark have assets under management of $6.4 billion. They tend to be fairly small in size and relatively new: 27 of the 51 funds raised less than $50 million, and 35 of the 51 funds began in 2005 or later. In the comparable universe of funds (made up of traditional profit-only investment funds), which totaled 705, 71% raised over $100 million and nearly half were launched pre-2005.

Across all vintage years, the Impact Investing Benchmark yielded an internal rate of return of 6.9%, versus 8.1% for the funds in the traditional comparable universe. Performance varies significantly by vintage year, as displayed in the chart below. Older impact investing funds, many of which have been fully realized and are now closed, have significantly outperformed the peer group, while newer funds have not achieved the same type of financial success. These findings show that, for the funds included in the benchmark, financial returns do not necessarily have to be sacrificed in order to yield social impact, though exits may take longer to materialize when compared to traditional venture capital.

Impact Investing Benchmark Performance by Vintage Year



Source: Global Impact Investment Network, Impact Investing Benchmark
For illustrative purposes only. Not a recommendation of a specific investment or investment strategy. Past performance is no guarantee of future results.

Wharton Social Impact Initiative

A recent survey of 53 impact investing private equity funds conducted by the Wharton Social Impact Initiative sought to enumerate the extent to which fund managers will sacrifice mission in exchange for financial returns. To do this, the Wharton Social Impact Initiative asked a set of questions that were specific to investment liquidity events—the point in time when financial returns are realized by investors. One of these questions collected data on the performance of realized investments (those in which a pay-out had occurred through acquisition or other means).

Wharton also collected data on firm characteristics, and found similar results to Cambridge Associates and GIIN. Venture capital and private equity comprised nearly two-thirds of capital commitments and 70% of the number of funds. Respondents' fund size was relatively small, with 41 of 53 funds having assets under management below $50 million. Additionally, 60% of 53 respondents (32 funds) reported themselves as seeking market-rate returns.

Within the 53 impact investing private equity funds surveyed, the analysis produced return data for 170 individual investments in impact companies. These investments yielded approximately a 13% return (both realized and unrealized) between 2000 and 2014. This rate of return is nearly identical to the two benchmark indices used—the Russell Microcap/Russell 2000 index and the S&P 500. The study also found that mission-aligned exits, where investors believed the social or environmental mission of the company persisted after the investment exit, yielded returns that were on par with non-mission-aligned exits.

Spotlight on Impact:

CORE INNOVATION CAPITAL

Overview:

Core Innovation Capital, with offices in Los Angeles and San Francisco, is a venture capital fund focused on investing in high-growth financial technology that can empower low- and middle-income Americans. The firm has 12 portfolio companies that were selected due to their ability to make exponential improvements in consumers' economic security, mobility, and access. Core Innovation Capital partners with the Center for Financial Services Innovation, a leading consumer finance think tank, giving its portfolio companies access to leading industry partners, market research, and consumer insights.

Investment Example:

Vouch, a San Francisco-based startup, bills itself as the first social network for credit. The company offers loans to people who have their friends and family "vouch" for them by guaranteeing the loan if the borrower defaults. Through the application of this type of data to the underwriting process, Vouch can target borrowers who traditionally have poor access to credit. With $9.6 million of venture capital raised, the company hopes to continue to attract people looking to consolidate debt (usually from credit cards), young people new to credit who tend to be upwardly mobile, and immigrants who have high provable income but thin credit files in the United States.

6

THE DIFFICULTY OF BRINGING IMPACT INVESTING TO THE MAINSTREAM

New benchmarking of financial returns for impact investments presented in the previous section has begun to move the industry away from the zero-sum thinking that financial returns have to be traded for social returns. However, many structural constraints still limit the movement's growth, and new investors to the field are still met with many of the questions posed in the introduction to this report. These difficulties include:

- Preserving fiduciary responsibility while investing for impact
- Small scale of impact investment funds
- Insufficient fund track records
- Lack of fit within existing asset allocation frameworks
- Complexity of measuring social returns

Preserving Fiduciary Responsibility while Investing for Impact

While the sample sizes in the surveys cited previously still remain just a small portion of the entire impact investing industry, they are the first sets of robust data that exist about returns. These figures clearly show that market-rate returns are achievable; in fact, the majority of funds tracked by the GIIN ImpactBase Snapshot target market-rate returns or above for their asset classes. Additionally, the JP Morgan/ GIIN survey of 139 impact investors found that 92% reported their investments either outperformed or were in line with return expectations. Even with these data, many mainstream investors still feel that impact investing is just a noble way to lose money. In a survey of pension funds by Deloitte, only 9% felt that impact investing is a viable investment approach, and only 6% of respondents were making investments in impact funds.[32]

Small Scale of Many Impact Investment Funds

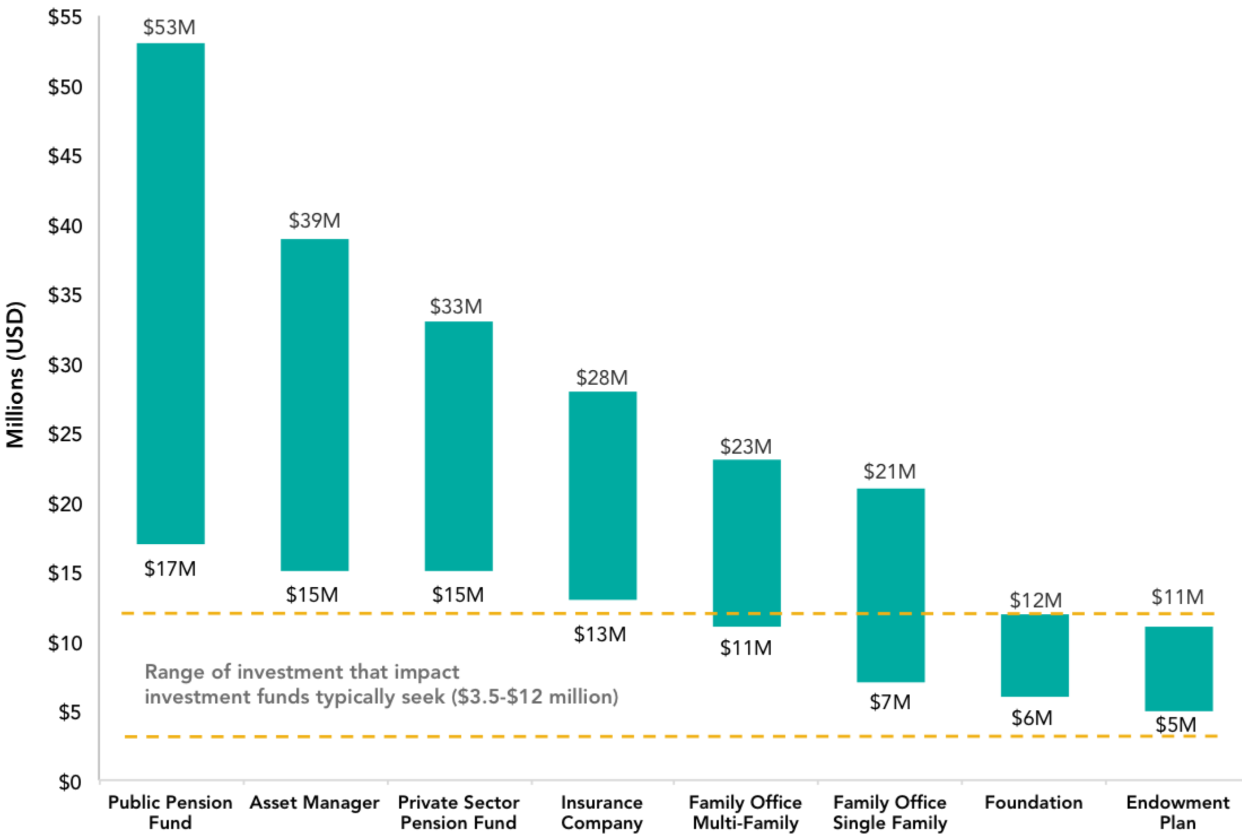
GIIN's ImpactBase Snapshot reports a $110 million average target for assets under management from 179

32. "From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors," World Economic Forum, September 2013. Prepared in collaboration with Deloitte Touche Tohmatsu.

impact investing funds. For comparison, the 705 traditional funds used in the Cambridge Associates/GIIN Impact Investing Benchmark reported average fund assets of $415 million.

The relatively small size of the investments possible in the impact space poses two issues for mainstream investors. First, many large institutional investors require large "bite sizes" for each investment made. Large portfolio investors often will have to put the same amount of due diligence effort into a $1 million investment as they would for a $100 million investment; therefore, they often shy away from smaller deal sizes given the effort required and the minimal dollar amounts involved. Secondly, mainstream investors often do not want to hold a substantial percentage of any investment vehicle. By joining with other investors, investments become more liquid because they can be sold more easily to other holders.

Average Range of Private Equity Investment Commitments, 2012



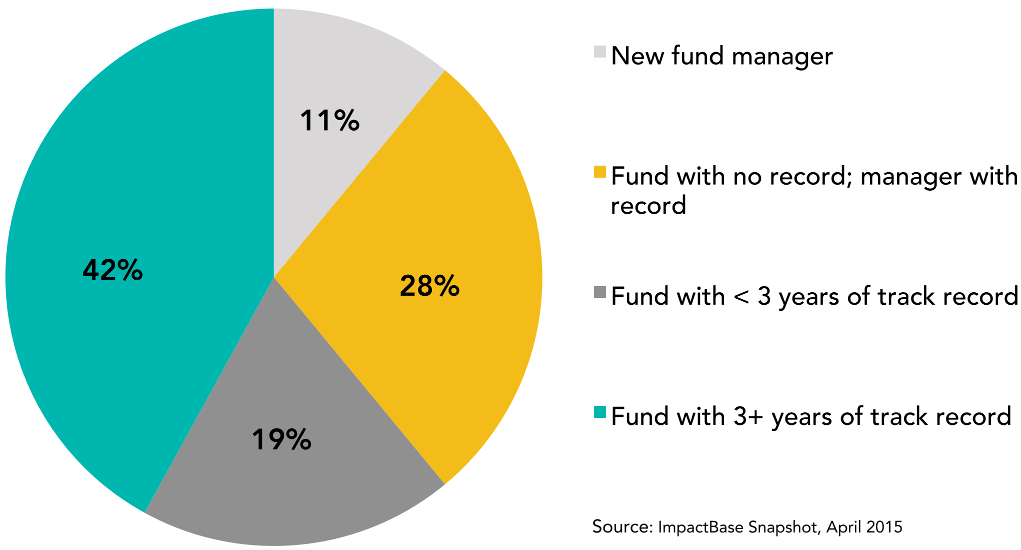
Source: World Economic Forum, Deloitte Analysis

Taking large "bite sizes" in impact investing funds would require investors to be one of few capital providers, thereby limiting the appeal of impact fund investment. The chart above depicts this situation, illustrating that impact investment funds usually seek investment sizes in the range between $3.5 million and $12 million, below the ideal range for most large institutional investors.

Insufficient Fund Track Records

Institutional investors place much value in a fund manager's track record. Given the relative age of the impact investing industry, few funds are able to provide investors with detailed information on historical performance. The depth of fund manager experience that would make traditional investors comfortable enough to move their money into impact funds has not yet been demonstrated, as less than 50% of the more than 300 funds tracked by GIIN's ImpactBase have track records greater than three years.

Track Records of ImpactBase Funds



Source: ImpactBase Snapshot, April 2015

Lack of Fit in Existing Asset Allocation Frameworks

Most traditional investment practices are organized around asset classes—with groups focusing on investments in equity, fixed income, real estate, and other areas. Institutional investors often find placing impact investing into a specific asset class to be unclear. While impact investing is most often associated with venture capital and private equity, it does span across asset classes.

To become a responsible player in the impact investing field, institutional investors would either need to create an entirely new group to manage these types of investments, which the California Public Employees Retirement System has done through its Targeted Investment Programs unit.[33] Alternatively, different asset class teams would need to be educated on the merits of impact investments and their unique financial and social return characteristics. TIAA-CREF provides a useful example of impact investing integration, as it has a team that looks at possible social and environmental returns on a deal-by-deal basis and then partners with asset class managers to execute the transaction in a way that enables tracking of social metrics.[34]

33. Thornley, Ben. "The Impact Investing Grounds Are Shifting," The Huffington Post, October 16, 2012. Accessed at: http://www.huffingtonpost.com/ben-thornley/the-impact-investing-grounds_b_1968667.html.

34. "From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors," World Economic Forum, September 2013. Prepared in collaboration with Deloitte Touche Tohmatsu.

Complexity of Measuring Social Returns

Institutional investors are accustomed to using widely recognized terms to discuss the performance of their investments. When looking at any investment opportunity, there are certain quantitative metrics that investors will turn to in order to understand the risks and opportunities in any deal. Revenue, operating income, and free cash flow mean the same thing across asset classes. These same types of quantitative metrics do not exist in the impact investing space to measure outcomes. While IRIS reporting does track operating impact metrics (including employee hiring and environmental performance) and product impact metrics (like number of units sold) it is difficult to compare investments across impact areas. For example, is providing affordable education to hundreds of rural African villages a better outcome than selling thousands of water purification devices? Ranking these outcomes is difficult, or impossible, for many impact investors.

With the difficulty in linking impact outcomes to any widely used financial metrics, many impact investment funds will invest only in enterprises in which the business model is fundamentally tied to the social or environmental outcome. If a company that provides solar installations on low-income housing units is performing well financially, it can be inferred that the company is also succeeding in its social mission. However, not all impact investments have this linkage (e.g., sustainable forestry operations may not be profitable while still having impact), making the field a complicated one to navigate for mainstream investors looking to invest in impact.

Spotlight on Impact:

PACIFIC COMMUNITY VENTURES, LLC

Headquartered in San Francisco, Pacific Community Ventures, LLC is a private growth equity firm focused on providing capital and resources to high-growth, consumer-facing California businesses that bring significant economic gains to low-to-moderate income employees. The fund invests in companies across a wide range of industries, currently managing over $60 million in assets.

Investment Example:

New Leaf Paper is a benefit corporation based in Oakland. It is the largest paper company in the United States focused exclusively on sustainable papers. Since 1998, New Leaf Paper has produced environmentally responsible papers that compete aesthetically and economically with leading virgin-fiber papers. The company has also championed the shift toward sustainability in the paper industry, as it was first to market 100% post-consumer papers of high-quality brightness and printing specifications, including the first-ever 100% post-consumer recycled fiber coated papers.

7

INVESTING IN MARKET INFRASTRUCTURE TO ENABLE INCREASED IMPACT

To scale the value created by the impact investing market, stakeholders across the public, private, and philanthropic sectors need to continue to build market infrastructure around impact investing. Much like traditional financial markets, impact markets need enabling public policies, platforms to share market information, standardized reporting systems, and more transparent data. Many firms and organizations have already committed valuable resources to building infrastructure in these areas for impact investing. But for the movement to reach its full potential, innovations in market building need to occur at a broad level, rather than on an investment-by-investment or fund-by-fund basis.

The following recommendations are separated into two buckets. The first grouping highlights those areas of market-building that could be accomplished by those organizations closely linked to the impact investing movement (i.e., investors, philanthropists, intermediaries, and social enterprises). The second grouping targets public policies that could be implemented or improved nationally to create a more robust impact investing marketplace.

Structural Recommendations for the Impact Investing Field

Impact investment funds and the organizations that are thought leaders in the impact investing space—including GIIN, B Lab, and the Aspen Network of Development Entrepreneurs—are playing a critical role as impact investing begins to filter deeper into the asset allocation philosophy of institutional investors and philanthropic groups. Impact funds—where the majority of impact investment dollars are placed—can begin to pull capital into the market in a more strategic way, and service providers—which are bringing some measure of consolidation to financial and social return data—have an opportunity to form more meaningful and powerful networks.

1. Create Better Segmentation Across Impact Investing Funds

The continued misunderstanding around what actually constitutes impact investing has been in part perpetuated by the many funds that classify themselves as impact investors. In fact, these funds operate across a wide spectrum of investment philosophies. In the JP Morgan/GIIN survey, 55% of respondents targeted market-rate returns, 27% targeted below market-rate returns, and 18% focused on capital preservation. Each of these respondents falls under the impact investment category as it currently stands today—as each combines some aspect of social and financial return. However, the industry could create greater understanding amongst mainstream investors if it segmented itself in a more strategic way, separating those funds and investment opportunities that can generate returns comparable to other traditional investments from those that set out to concede financial return for social return. In any case, clear articulation of investment theses and return expectations should become the norm for impact investment fund managers.

2. Pool Funds with Similar Investment and Impact Objectives

Small deal sizes and due diligence requirements continue to be a factor limiting the growth of the impact investing industry. To entice large institutional investors to make larger capital contributions, funds with overlapping investment philosophies and impact objectives should explore consolidation. Fund collaboration and partnership is not common practice today in the traditional investment space, as it would require fund managers to share some of their investment decision-making authority. What is more likely, however, is the creation of impact "funds of funds," whereby large investments could be made into a larger fund that then makes many smaller investments into individual impact funds. Funds of funds could have a geographic focus, which could generate demand from institutional investors that do not have a particular type of impact they seek to obtain, but want to invest in impactful social enterprises.

3. Agree to a Common Set of Values and Principles Around Impact Measurement

IRIS serves as the impact investing industry's taxonomy, governing the way companies, investors, and others define their social and environmental performance. It incorporates sector-specific best practices and produces benchmark reports that capture major trends across the impact investing industry. It also allows impact investors to choose a sector of focus in which to measure impact, including agriculture, education, energy, environment, financial services, health, housing, land conservation, and water. While significant progress has been made through IRIS and GIIRS, a more uniform system for measuring and reporting social and environmental impact is needed; until it is achieved, investors will continue to struggle with the meaning of social impact.

In addition to IRIS metrics, many impact funds calculate their social returns using their own methodologies as a means to market to potential investors. According to the JP Morgan/GIIN survey, only 27% of respondents use the same metrics to measure social returns for all companies across the portfolio, and more than 30% track impacts through proprietary frameworks that are not aligned with external standards, like IRIS.

It may be impossible to boil social impact down into a single number or metric, but there is an opportunity to report on a limited set of common measures for every fund without burdening fund managers with additional costs and duties. In its report, the World Economic Forum cited an opportunity to create an industry association of impact investors that could agree to adhere to common reporting metrics.[35] The Community Development Venture Capital Alliance is one such domestic association that seeks to disseminate best practice information among its members.

4. Leverage the Role of Philanthropy in the Impact Investing Space

In many impact investments that seek concessionary returns, the largest providers of capital are philanthropic sources—putting money to work in the space between grants and market-rate investments. These philanthropic investments can be used to help grow social enterprises to a point where their business models and impact philosophies can be proven to traditional investors. They can also provide investment types that will bring greater scale to impact investment products, and they can catalyze more traditional capital to enter the market by providing loan guarantees or first-loss layered investments. For example, the prison recidivism social impact bond in New York was structured in a way that Goldman Sachs' $9.6 million loan was guaranteed by a $7.2 million grant from

35. "From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors," World Economic Forum, September 2013. Prepared in collaboration with Deloitte Touche Tohmatsu.

Bloomberg Philanthropies, protecting Goldman Sachs' investment to a certain degree if the program failed.

Foundations making investments into social enterprises also complete extensive due diligence before placing their capital, which could be leveraged to lower due diligence costs for the entire impact investing sector. By using existing impact investing industry networks, such as the GIIN, impact investment data from foundations could be shared with mainstream investors in a way that conveys best practices on deal-structuring, return expectations, and impact measurement.

Policy Recommendations for the Public Sector

Government has played a key role in building the impact investing industry into what it is today. Policies such as the Community Reinvestment Act and the institution of tax credit programs, including the Low Income Housing Tax Credit and the New Markets Tax Credit, have created demand and incentives for targeted impact investments. Additionally, domestic governmental organizations such as the Overseas Private Investment Corporation (OPIC) and multilateral development banks on other continents have been making impact investments for years. Going forward, the public sector can continue to implement policies that support the impact investing field, creating synergies and alignment between many of the issues that are important to both impact investors and government.

1. Continue to revise policies that can restrict the flow of capital into impact investments

In two significant announcements in 2015, federal policies have made it easier for capital to flow to impact investments. First, the Internal Revenue Service announced that foundations' mission-related investments (MRIs) will not automatically be subject to a tax on any investment gains. Previously, foundations were taxed on investment gains when the investment might jeopardize the foundation's purposes by creating losses. Under the new guidance, foundation managers can exhibit prudent care—thus shielding themselves from taxes—by considering the relationship between the investment and the foundation's charitable purposes.

Second, the U.S. Department of Labor announced new guidance for private pension funds that will enable fund managers to consider economic, environmental, social, and governance factors in addition to financial return while maintaining their fiduciary duty to fund participants. This move is similar to an announcement made in 1979 that allowed pension fund managers to allocate investments to high-risk sectors, including venture capital. Before that announcement, pension funds supplied just 15% of U.S. venture capital; but by 1988, that percentage had risen to 46% of a $3 billion industry.[36]

These announcements can push impact capital off the sidelines into investments and bring money in from across the capital spectrum, as foundations may be more willing to accept lower financial returns and pension funds will choose to seek market-rate return potential. National policy should continue to be adjusted to bring more capital to bear on social issues, which could come in two forms:

- Provide greater clarity surrounding the requirements for impact investments to qualify for Community Reinvestment Act (CRA) credit. Currently, CRA investments need to be tied to geography, thereby making it difficult for large banking institutions to invest in impact funds that do not have a focus on a single domestic geographic area.
- Broaden the reach of the Small Business Investment Company (SBIC) Impact Fund. Between 2011 and 2014, the $1 billion SBIC Impact Fund provided

36. "Private Capital, Public Good: How Smart Federal Policy Can Galvanize Impact Investing – and Why It's Urgent," US National Advisory Board on Impact Investing, June 2014. Accessed at: http://www.nabimpactinvesting.org/

capital to private equity funds managing just $176 million invested in 17 companies.[37] To qualify as an SBIC Impact Fund, impact funds must target 50% of their invested capital toward a targeted impact sector, within economically distressed areas, in early stage companies that have received federal awards, or toward energy saving investments. This limited menu of options disqualifies many impact funds that have broader impact philosophies.

2. Provide investments alongside impact investors through innovative mechanisms

Though many impact investors have focused their efforts on the venture capital asset class given the need for funding to scale impact, governments have been integral in the creation of entirely new impact products. Innovative investment structures and public-private partnerships have been used most frequently to address domestic housing issues, with two loan funds providing best practices for the use of public funds to spur mainstream impact investment:

- New York City Acquisition Fund: This fund provides loans to developers in exchange for the creation and preservation of affordable housing units in New York. A consortium of banks provides the loans, but the City of New York provides a guarantee (together with philanthropic sources) to cover the banks' losses up to a certain point if they occur. The guarantee helped to attract capital into the fund and reduced the banks' exposure to losses.
- Bay Area Transit-Oriented Affordable Housing (TOAH) Fund: This $50 million fund provides loans to developers of affordable housing near transit stations. It was creatively structured by the Metropolitan Transportation Commission (MTC) to leverage $10 million in federal transportation funding. Funding provided by MTC acted as a first-loss reserve, meaning MTC will not see any financial returns until senior loans provided by Morgan Stanley and Citi Community Capital are fully repaid with market-rate interest.

These flexible structures utilize funding from government to create market-rate returns for mainstream investors. The public sector can also catalyze investments in early stage impactful businesses through tax incentives for investors. Much in the same way that the Low Income Housing Tax Credit and New Markets Tax Credit have subsidized investments in low-income communities, similar credits could be offered to impact investors that make investments in early-stage companies that are hoping to create public benefit. In the UK, investors that make qualifying investments under the Social Investment Tax Relief program can deduct 30% of the cost of the investment from their income tax liability. Capital gains on these investments are also deferred as long as the gain is invested in another qualifying social investment.

3. Create guidance to bring impact metrics into mainstream financial reporting

The Financial Accounting Standards Board sets the generally accepted accounting principles (GAAP) for traditional companies. While B Corporations certified by B Lab must complete an assessment of their impact performance, there is no national standard-setting body that creates principles that apply to all social enterprises. With social and environmental impacts directly tied to the business models of many impact businesses, measurement of these metrics should be just as important as the measurement of financial indicators.

For the sector to achieve the transparency and accountability it needs to attract mainstream capital, more uniform accounting standards should be set—especially for entities that operate as a benefit corporation. Currently, many impact enterprises willingly enroll in GIIRS impact measurement; however, some form of impact tracking could be mandated through public policy. The Sustainable Accounting Standards Board and the Global Reporting Initiative provide models that are being applied both domestically and internationally, helping large corporations to integrate sustainability metrics within their financial reporting and decision-making processes.

37. "Background on the White House Roundtable on Impact Investing: Executive Actions to Accelerate Impact Investing to Tackle National and Global Challenges," June 25, 2014. Accessed at: https://www.whitehouse.gov/sites/default/files/microsites/ostp/background_on_wh_rountable_on_impact_investing.pdf.

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