Shifting the Lens

A De-risking Toolkit for Impact Investment
Executive summary

The debate about a supply-demand mismatch in impact investing has often centred on its characterisation as a relatively high risk strategy and therefore on whether sufficiently high risk-adjusted financial returns are achievable. This report shifts the lens: while demonstrating a track record of sufficient financial return is one way to bring supply-and-demand into line (and is a key step forward for the impact investment industry), another approach is to adjust the risk side of the equation – to ‘de-risk’ impact investment.

Despite the compelling win-win of generating both a financial and societal return, the addition of an impact lens to investment propositions has increased the sense of risk for many asset owners, deterring or even prohibiting them from entering the market. One way to reduce this sense of risk (and to scale the market) is to wait for the industry to prove itself. We do not have time. As one interviewee for this report remarked, ‘it takes 10 years to build a 10 year track record’ and yet the societal challenges that impact investing can address are too urgent to wait this long.

To help accelerate the de-risking of impact investments, this report unpacks the general ‘sense of risk’ associated with impact investing into five distinct risk factors that are most deterring asset owners. It then investigates de-risking features that can mitigate each one. The result is a practical de-risking toolkit for those designing impact investment products, brought to life by a catalogue: real-world examples of de-risking features already at work, on which we hope the market will readily build. The report closes with actionable recommendations for those investing, or facilitating investment, into the market.

To broaden the market, we need to clarify the risks and, when they are real, to mitigate them.

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To-date, much of the activity (and even more of the discussion) in impact investment has focused on higher risk opportunities. This is partly because early players in impact investing have tended to be pioneers who, by their very nature, are prepared to bear the risk that no one else is willing to bear. It may also be due to a belief that high risk investments are necessary to achieve social impact. This report acknowledges the pressing need for such higher-risk investment strategies; like grant-making, they are critical to our ability to address tough societal challenges. However, a continued need for high risk-taking does not preclude a sizeable opportunity to create impact through lower-risk investments. To broaden the market, we therefore need to clarify the risks and, when they are real, to mitigate them. This report takes a practical look at how this might be done.
Over the last decade, we have seen both the supply and demand side of impact investing accelerate rapidly. On the demand side, charitable organisations are becoming increasingly market-based, enterprise is becoming more socially-motivated and the public sector is increasingly ‘spinning out’ provision of services. On the supply side, a broadening range of asset owners are beginning to engage with the idea of combining financial and social returns. Yet, despite some progress, a sense of inadequacy persists, with some saying that there is too much capital chasing too few investable projects and others concerned that there is too much demand and not enough supply of capital.

This supply versus demand issue is probably less a question of quantum and more one of how well the two are matched — about how well aligned the risk/reward requirements of capital suppliers are to the risk/reward profiles of the organisations that need it. In addition, even where there could be a match between investor appetite and available product, many of the advisors and intermediaries that connect product to asset owners are not yet marketing it to them.

The debate about this mismatch has often centred on the notion that impact investing is a relatively high risk strategy and that the issue is whether an investment product can deliver sufficiently high risk-adjusted financial returns. This report shifts the lens: while demonstrating a track record of sufficient financial return is one way to bring supply-and-demand into line (and is a key step forward for the industry), another approach is to adjust the risk side of the equation — to ‘de-risk’ impact investment.

Our interviews (See Methodology, p24) suggest that a significant portion of asset owners, representing the lion’s share of potential capital available, simply cannot participate in the market today because of a variety of risk factors, or perceived risk factors, whether on a commercial or impact-first basis. To broaden the market, we therefore need to grow the range of lower risk opportunities available for investors. This report takes a practical look at how this might be done.

Definition
Impact investments are investments made with the intention to generate measurable social and environmental impact alongside a financial return. Investments can target a range of returns from below market to market rate.1

A significant portion of asset owners simply cannot participate in the market today because of a variety of risk factors, or perceived risk factors.2

Target audience
By looking at the impact investment market through a risk lens, the intention is to accelerate action across the value chain: from those supplying capital (asset owners), from those developing investment products (both frontline organisations and intermediaries) and from those connecting the two (which we shall call ‘matchmakers’ and take to include both advisors and government). In particular, we aim to provide useful, practical recommendations and examples, with the hope that it will translate into greater matching of capital and product — and ultimately into more capital flowing in service of society.

A note on the role of Government
As a matchmaker, government can either participate directly in the impact investment market (to encourage others) or influence impact investing through policy or regulation. It can seek to increase the amount of capital for investment (supply development), increase the availability or strengthen the capacity of capital recipients (demand development), or adjust the terms of trade, market norms, or prices (directing capital).

At a national level, the use of ‘government’ in this document refers to a country’s local and regional governing bodies, as well as central government. At the international level, it refers to government-funded development banks and international development agencies.

1 Source: www.thegiin.org
2 Defined as investors who primarily aim to generate social or environmental good and are willing to give up some financial return if they have to (Monitor Institute, 2009).
3 For an in-depth discussion of this topic see ‘A framework for Policy Design and Analysis’, Insight, 2011.
‘Unpacking’ risk

In an investment context, risk is the probability that the performance of an investment will be different than expected.\(^4\) This has two implications: risk is multi-factored, since poor performance can be driven by a range of factors (what we will call ‘risk factors’) and risk is subjective, since it is always relative to an investor’s particular expectations.

With this in mind, adjusting the risk side of the equation is not a one-size-fits-all approach. It requires an understanding of who the target investor is and what they expect, which risk factors are therefore most relevant, and how to lower the probability that those risk factors will affect performance.

Performance expectations vary by, and within, each category of asset owner. While a comprehensive study of all asset owners allocating (or seeking to allocate) to impact investment is well beyond the scope of this brief, interviews with a wide range of asset owners and advisors globally revealed certain shared concerns about aspects of performance where impact investments, relative to other investment options, may fall short.

__Exit risk__

Without liquidity, or the perception of liquidity, huge sections of the investing community will not be able to participate in the impact investment market.\(^5\)

__Capital risk__

Many asset owners are concerned more about loss of principal than about the upside potential when considering impact investments.\(^6\)

Retail investor

Capital risk is the risk of an asset owner losing any of the original investment amount, in either real or nominal terms. Lower risk asset owners are often concerned more about loss of principal (downside risk) than about the return potential (risk of generating upside) when considering impact investments. Of these, some are seeking a market-rate product (lower risk with lower commensurate return). Others are behaving as impact-first investors (willing to forgo some or all yield for the sake of high impact) but only if their principal, or a significant portion of their principal, is protected. A good example of those concerned about capital risk might be the trustees of foundation endowments, who need to believe that, in their lower-risk investment strategies, they can at least recover their principal, from which they can then continue generating the income needed for grant-making.

Some large banks, ‘testing the water’ with small impact investing funds on their own balance sheet, have expressed similar concerns, believing that future success in mainstreaming impact investment among their clients rests first and foremost on the ability to demonstrate capital protection.

We have not included a discussion of other important risk factors, such as market risk, operational risk or currency risk. While these factors are equally relevant to impact investments, the addition of an impact lens was not cited as significantly increasing the presence of these factors.

__Exit risk__

While ‘patient capital’ and illiquid products are critical to achieving certain forms of impact, many investors formally require there to be the ability to sell the security, even if they choose not to exercise this right. Others, particularly high net worth and retail investors, may like the flexibility to sell their investments to help manage cash flow needs or at least know that this option is available. At the same time, wealth advisors may have a fiduciary duty to insist on the provision of liquidity for a product before they can market it.

In addition, even tradable impact investment products can be perceived as carrying liquidity risk since, as a new product with unfamiliar profile, many asset owners believe they might struggle to find a buyer when they want to sell, being forced to sell at a significant discount to market value.

\(^4\) Source: [www.investopedia.com/terms/r/risk](http://www.investopedia.com/terms/r/risk)

\(^5\) See The Blue Sweater, Novogratz, for a more developed thesis on the importance of patient capital to impact investing.

\(^6\) Bridges Ventures | Bank of America | Shifting the Lens | 7
Unquantifiable risk

“Risk is a function of understanding, and there is a black box when it comes to impact investing.”

Financial advisor

The economist Frank Knight defined risk as ‘quantifiable’. In other words, risk is something that can be measured (historical standard deviation of returns, or volatility, being the most common measurement approach used in the stock market). When asset owners consider an investment product, they will look at a variety of data points, such as historical performance (of both product and team), regulation, current and forecast events and human behaviour in order to estimate (sometimes accurately, sometimes very crudely) how an investment will perform over time. What an asset owner cannot quantify, however, is the probability of risk factors occurring which they do not necessarily know are relevant or even exist. We call this ‘unquantifiable risk’.

While all investments carry risk, unquantifiable risk applies to situations in which the world is not well-charted. Since impact investment is not yet a mainstream strategy – in terms of its investment products and investment teams – asset owners can find quantifying the level and type of risk involved particularly challenging.

Unquantifiable risk is of particular concern to wealth advisors – the gatekeepers to a wide range of institutional and high net worth investors – who, bound by fiduciary responsibilities, are typically uncomfortable recommending a product that they struggle (and are not necessarily incentivised) to situate alongside more traditional investment opportunities.

Transaction cost risk

“It’s a struggle to see more institutional investors entering this space, when the ticket size is so small.”

Pension fund

Each investment an asset owner makes usually incurs transaction costs (the time and money spent on due diligence, deal structuring and ongoing monitoring of the asset), and the smaller the transaction the greater the risk that these costs will be out of proportion with potential returns and therefore prohibit investment. We call this Transaction cost risk. Furthermore, even if an asset owner’s average investment size can be accommodated by a product, many asset owners will have concerns if their investment represents too significant a percentage of the product’s investor base, since the presence of experienced co-investors provides additional due diligence assurance, as well as cost-sharing if performance is poor and the investors need to ‘step in’.

Impact risk

“Impact risk is particularly real for those whose existence depends on achieving targeted societal outcomes.”

Foundation

As with financial analysis, understanding the impact risk of an investment is as important as understanding its potential for impact return. Impact risks can take various forms. For example, there may be a lack of evidence that an intervention will lead to the desired outcome. Even if the intervention is successful, the investment could cause displacement, leading to reduced or no net benefit.

Or, the investment may create positive change for its target beneficiary but a negative change for other stakeholders, which reduces or undermines its impact. In this respect, impact risk is directly linked to reputational risk.

For the asset owner providing concessionary capital, choosing between an impact investment product and another tool to create social outcomes (such as foundations making grants or the government allocating taxpayer money), the impact risk is greater still: the product needs to demonstrate that the investor’s foregone financial return will generate equivalent or superior outcomes relative to an alternative approach to achieving the same impact.
Perspectives of asset owners

Here, we summarise some of the significant performance expectations of a variety of key asset owners, highlighting the risk factors that are therefore of most relevance to each group.

### Performance expectation: Capital preservation, at a minimum in either real or nominal terms

**Relevant risk factor: Capital risk**

- Lack of clarity about whether competitive risk-adjusted financial returns are widely achievable has led to a focus on limiting downside.
- Role as conscientious ‘steward’ of people’s pensions means a focus on capital growth and makes protection against losses a priority.

**Banks**
- Own balance sheet

**Pension funds**
- Role as conscientious ‘steward’ of people’s pensions means a focus on capital growth and makes protection against losses a priority.

**Foundations**
- • Mission-Related Investment (MRI)®
- • Programme Related Investment (PRI)®

**Family Offices & HNWIs**
- • Multi family offices
- • High Net Worth Individuals (HNWIs)/Single family offices

**Retail investors**
- Generally wealth is for retirement purposes or for the next generation, making capital preservation, at a minimum, a priority.

### Performance expectation: Minimal ‘unknowns’: an understanding of risk factors that are relevant to an investment

**Unquantifiable risk**

- ‘A testing the water’ attitude can mean a willingness to venture into uncharted territory, providing capital risk is reduced (see above). However, rigorous internal risk, operational and compliance requirements inhibit initial impetus.
- Many funds rely on external advisors, who are not incentivised (from a liability and fee perspective) to offer products without track record that can not be benchmarked easily within conventional portfolios.
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**Transaction costs in proportion with potential returns**

- Requirement sufficiently large capital outlay to justify expenditure on due diligence, structuring and management of impact investments. Preference for cost-sharing with other asset owners.
- Size of institutions and emphasis on financial returns has led many to have strict rules about investment size, % holding within fund products and management fees.

**Pension funds**
- Role as conscientious ‘steward’ of people’s pensions means a focus on capital growth and makes protection against losses a priority.
- MRI: Concern about erosion of capital base (ability to generate income for grantmaking) makes capital preservation, at minimum, a priority.
- PRI: Intention to re-cycle funds to achieve further impact requires (some level of) capital preservation.

**Foundations**
- MRI: Unfamiliar products imply trustees play a more active role in decision-making, since ability to calculate risk is viewed as core to fiduciary duty (to ensure sufficient income and capital growth for future grantmaking activity).
- PRI: Willingness to venture into uncharted territory depends on potential for impact ‘upside’.

**Family Offices & HNWIs**
- MRI: For those HNWIs investing directly, willingness to venture into uncharted territory depends on potential for impact ‘upside’.
- PRI: However, many funds rely on external advisors, who are not incentivised (from a liability and fee perspective) to offer products without track record that can not be benchmarked easily within conventional portfolios.

**Retail investors**
- Unfamiliar products are a challenge for Independent Financial Advisors (from a liability and fee perspective), who want to show clients a product with track record and to benchmark that product within conventional portfolios.

### Performance expectation: Sufficiently liquid investments to meet uncertain cash flow demands

**Exit risk**

- Financial institutions investing in debt products are less concerned about liquidity. However, capital requirements (both Basel III and Solvency II) include investment liquidity considerations, so additional capital may be required for less liquid and unrated investments.
- Long-term investment strategy means liquidity not a top priority, although exit path must be clearly defined.

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### Performance expectation: Impact evidence that is sufficiently robust to justify diversion of funds from other opportunities

**Impact risk**

- Impact performance has to be sufficiently compelling to justify transaction costs (see Transaction cost risk above).
- Protecting against the reputational risk of poor impact performance often viewed as priority.
- Critical that impact performance is sufficiently cost-effective to justify opportunity cost of capital, i.e. to justify diverting funds from grantmaking (PRI) or to diverting funds from existing ‘tried and tested’ investments that optimise surpluses for grantmaking (MRI).

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6 Investments made by foundations that seek to achieve specific social and/or environmental goals, while targeting market-rate financial returns comparable to similar non-impact-focused investments.

7 Investments made by foundations to support charitable activities that involve the potential return of capital within an established time frame. PRIs must meet specific requirements under the federal tax code in order to qualify: a PRI must be primarily for a charitable purpose, and may not be used for electioneering or lobbying.

8 The obligation to act in the best financial interest of the client.

9 The level of impact benefit created relative to the level of cost incurred.
7 ways to de-risk

If these various risk factors are deterring more investors from entering the impact investment market, how can they best be mitigated? What product features can be introduced to ‘de-risk’ impact investment products?

Through interviews with a wide range of practitioners, we identified 7 key de-risking features.

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<thead>
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<th>De-risking feature</th>
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<td>Exit risk</td>
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<td>Unquantifiable risk</td>
<td>Placement &amp; distribution, Technical assistance</td>
</tr>
<tr>
<td>Impact risk</td>
<td>Impact evidence</td>
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</table>

**DOWNSIDE PROTECTION**

‘Downside protection’ is broadly defined as a feature that limits the potential financial loss for an investor in the event of poor investment performance. In a classic risk-reward approach, downside protection occurs when issuers establish a capital ‘stack’ – for example, junior equity might provide the first layer of downside protection, preferred equity or mezzanine debt the second and senior debt the third, representing the top of the capital stack. Each ‘layer’ is conditioned by the fact that their potential financial returns from the underlying investment are commensurate with the risk they are taking.

There are cases, however, where the financial risk-reward profile of the underlying investment does not lend itself to a capital stack. Perhaps the investment’s potential financial return is not sufficient (or perceived to be sufficient) to attract investors to form a lower layer, or perhaps the lower-risk investor needs even more protection than the lower layer(s) can provide. In such cases, it is possible to synthetically build forms of downside protection into the product in order to help accommodate the lower-risk investor, who could otherwise not participate. One version of this is collateralisation, where an asset is pledged as security in the event of poor repayment. Collateral can take the form of specific assets (e.g. real estate), pools of assets (such as mortgage-backed securities), promissory notes or deposit accounts. Other versions include third party guarantees9, the use of impact-first capital to absorb first losses10, insurance and tax benefits.

These downside protection mechanisms can prove a particularly relevant and cost-effective tool for the impact-first investor, whose prioritisation of impact means that they can ‘flex’ the financial risk-reward profile of their own investment just enough to attract lower-risk capital that could not otherwise participate. By catalysing a capital stack, the impact-first investor can channel more capital to their target social outcomes, significantly furthering their impact.

**BUNDLING**

Bundled products offer asset owners the opportunity to buy a single product that comprises two or more different underlying investments. A good example of this is a traditional fund structure, which allows an investor to place capital with an intermediary, who spreads the risk across multiple underlying investments. Our definition would go further than this, defining ‘bundled’ as the deliberate aggregation of product that is sufficiently dissimilar in profile in order to provide diversification. For example, an intermediary could construct a multi-asset portfolio with property-backed debt balancing higher-risk equity investments, or with liquid product balancing illiquid. Alternatively, an intermediary could bundle a range of investments that are of the same asset class but create exposure to sufficiently different sectors or geographies.

**TRACK RECORD**

Of all features, track record – both financial and social – is the most inherent, and also the most challenging in the impact investment industry. While there are examples of products that have already built up an impressive track record, a relatively fragmented and small-scale industry will necessarily have a limited track record.

At the same time, there are increasing examples of well-established managers (with strong track records in investing strategies) starting to partner with impact investment experts (either through joint ventures or by bringing the impact analysis skills in-house). There are also cases where existing impact investors, with a track record of delivering one kind of impact investment product, are adding new products to their existing platform, which draw on their core skill set of combining financial and social returns. First-time fund managers (or first-time products) can build credibility with investors by ‘bolting on’ to an existing platform (benefitting from the experience, networks and ‘back-end’), rather than starting from scratch.

While these strategies do not create a track record in its pure sense (since the full team has not worked together before or the manager has not executed against the precise strategy before), the presence of team members who have worked together for a long time, with brand recognition, can provide comfort to some asset owners. Finally, in as young a market as this, the track record and credibility of co-investors can also help to de-risk an overall investment proposition.

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1. For a detailed discussion of this feature, see Catalytic First Loss Capital (GIIN, October 2013).
2. A type of credit enhancement in which a third party agrees to make good on the event that the company or person who has promised to make the payment defaults.
LIQUIDITY

Liquidity (or illiquidity) is a more inherent feature of each asset class, although there are increasingly creative ways that investors are enhancing illiquid products with more liquid features. We define a liquid impact investment as any product that is tradable on a platform, where the platform may be a widely used exchange or a smaller listing that matches buyers with sellers by providing detailed product information (including financial and impact track record, as well as associated risks). Liquidity can be influenced by a range of factors, including the quality and type of legal documentation, the number of trading platforms and market-makers, transaction costs and overall market transparency.

TECHNICAL ASSISTANCE

Technical assistance can be a de-risker by addressing complexity or performance gaps that an impact lens might add to an investment strategy. Technical assistance can take a variety of forms, including: improving financial controls, upgrading management information systems, training staff, improving corporate governance, financing riskier business development activities (e.g. to test new markets), providing impact assessment training and implementing systems or procedures essential to exit. In some cases, such technical assistance is provided as part of day-to-day investment management (and a higher management fee is often required as a result). However, it is also increasingly separated out and provided through a ‘sidecar’ vehicle (often funded by grants), which is tailored to the specific needs of the product.

In addition, our research also highlighted an interesting variation of technical assistance provision: the increasing number of impact investment products that are part of a larger investment management platform, where a new product can benefit from an experienced ‘headquarters’, which provides standardised best practice support, either global or regional (and often cross-fertilised), across the platform.

PLACEMENT & DISTRIBUTION

A product with placement and distribution is backed by an advisor who can communicate and demystify the product to unfamiliar audiences (providing useful comparators, as well as contextualising the product within the asset owner’s overall portfolio). The ideal advisor also has a wide distribution network. While there are some specialist advisors emerging, effective placement and distribution can also occur when a product is marketed by a credible, well-known brand name. For larger transactions, as with mainstream markets, a number of advisors or underwriters will need to work together to sell the investment, and potentially take responsibility for managing the ongoing liquidity needs.

IMPACT EVIDENCE

A product with impact evidence has defined an impact strategy together with its stakeholders and worked collaboratively, using a credible methodology, to track progress against the expectations set. Impact evidence is most robust when the product’s method of intervention is well-understood and is supported by a randomised control trial (RCT) or other scientific study that demonstrates the causal link between the investment’s outputs and the asset owner’s target social outcomes. Since this level of evidence is typically far too costly for earlier-stage impact investments, a credible methodology will combine primary research (such as customer surveys, stakeholder feedback forums and qualitative interviews/case studies) with reasonable efforts to analyse additionality (that the positive change would not have occurred anyway). Products with strong impact evidence also demonstrate an understanding of their costs to deliver the target outcomes, which can be benchmarked against other comparable approaches. This cost-effectiveness analysis is particularly important for the impact-first investor, who wants their foregone financial return to address a social issue as efficiently as possible.

Finally, a product with strong impact evidence focuses not just on its target outcomes but also on its wider stakeholder impacts, in order to spot and manage any negative unintended consequences or externalities and, ideally, turn these into value creation opportunities. In this respect, lower-risk impact investment products overlap with those other responsible and sustainable investment products that deeply integrate Environmental, Social and Governance factors (ESG) into their investment management.

11 A study design that randomly assigns participants into an experimental group or a control group. As the study is conducted, the only expected difference between the control and experimental groups is the outcome variable being studied.
De-risking catalogue

Taking an empirical approach, our research considered a wide variety of impact investment products that are employing, or starting to employ, these de-risking features.

We have selected 20 products, chosen for their various combinations of features. Drawn from around the world and across asset classes, this ‘catalogue’ provides real world examples of de-risking features at-work.

The following case studies should not be used as recommendations for an Impact Investment portfolio, but rather serve as a guide to the breadth of opportunities that exist in the sector.

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<thead>
<tr>
<th>Asset Class</th>
<th>Geog of Impact</th>
<th>Example Product</th>
<th>Annualised Return Target</th>
<th>Downside Protection</th>
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<th>Track Record</th>
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<th>Placement &amp; Distribution</th>
<th>Impact Evidence</th>
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<tbody>
<tr>
<td>Cash</td>
<td>USA</td>
<td>Hope Credit Union</td>
<td>N/A</td>
<td>○</td>
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<tr>
<td>Debt</td>
<td>USA</td>
<td>California FreshWorks Fund – Senior debt</td>
<td>ISDA® mid-market swap rate plus 225-275 bps to investors</td>
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<tr>
<td>Debt</td>
<td>USA</td>
<td>Calvert Foundation Community Investment Notes</td>
<td>0.3% to investors</td>
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<td>Debt</td>
<td>USA</td>
<td>Community Capital Management CRA Qualified Investment Fund</td>
<td>4.65% annualized since inception (6/30/99) for CRA investor shares</td>
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<tr>
<td>Debt</td>
<td>Global</td>
<td>Finethic</td>
<td>4.6% net to investors</td>
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<td>Debt</td>
<td>Global</td>
<td>Gates Global Health Investment Fund – Senior tranche</td>
<td>7% net return to the fund</td>
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<td>Debt</td>
<td>UK</td>
<td>Golden Lane Housing Bond</td>
<td>4% to investors</td>
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<tr>
<td>Debt</td>
<td>USA</td>
<td>Habitat for Humanity’s FlexCAP Notes</td>
<td>3.0-4.25% to investors</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
<td></td>
<td>○</td>
</tr>
<tr>
<td>Debt</td>
<td>India</td>
<td>IFMR Multi Originator Securitisation (Mosec™)</td>
<td>N/A</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
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</tr>
<tr>
<td>Debt</td>
<td>Asia</td>
<td>Microfinance Initiative for Asia Debt Fund – Senior debt</td>
<td>4% to investors</td>
<td>○</td>
<td>○</td>
<td>○</td>
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</tr>
<tr>
<td>Debt</td>
<td>USA</td>
<td>New York City Acquisition Fund – Senior debt</td>
<td>3% to investors</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
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</tr>
<tr>
<td>Debt</td>
<td>UK</td>
<td>Scope Bond</td>
<td>2% to investors</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
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</tr>
<tr>
<td>Debt</td>
<td>UK</td>
<td>Threadneedle UK Social Bond Fund</td>
<td>In line with a UK corporate bond index^{12}</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
<td></td>
<td>○</td>
</tr>
<tr>
<td>Public Equities</td>
<td>UK</td>
<td>Good Energy Transferable Shares</td>
<td>N/A</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
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<td>○</td>
</tr>
<tr>
<td>Public Equities</td>
<td>UK</td>
<td>Triodos Renewables Ordinary Shares</td>
<td>9-10% to investors</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td></td>
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<td>○</td>
</tr>
<tr>
<td>Private Equity</td>
<td>Africa</td>
<td>African Agriculture Capital Fund – Senior tranche</td>
<td>15% annual gross compounded return</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
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<td>○</td>
</tr>
<tr>
<td>Social Impact Bond</td>
<td>USA</td>
<td>Social Finance NY State Workforce Re-entry 2013 LLC – A-1 tranche</td>
<td>Up to 12.5% dependent on social outcomes</td>
<td>○</td>
<td>○</td>
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</tr>
<tr>
<td>Social Impact Bond</td>
<td>Australia</td>
<td>Westpac Social Benefit Bond – Senior tranche</td>
<td>Up to 10% dependent on social outcomes</td>
<td>○</td>
<td>○</td>
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</tr>
</tbody>
</table>

Key

| Downside Protection | 100% protection of principal | Some features that provide partial principal loss protection |
| Track Record | Track record of product and product manager > 10 years | Track record of product and/or manager 5-10 years |
| Liquidity | On-demand liquidity, typically through established exchange | Featured on a marketplace that connects buyers and sellers on a ‘matched bargain’ basis, or product provides some liquidity through allowing redemptions |
| Bundled | Bundled | |
| Placement and Distribution | Wide placement and distribution by credible brand name | |
| Technical Assistance | Technical assistance facility provided alongside investment product | |
| Impact Evidence | Credible assessment methodology, plus 3rd party verification or objective measurement of outcomes | Credible assessment methodology |

^{12} Such as Merrill Lynch i Non Gilt Index currently yielding 4% p.a.
## Recommendations

**How can we encourage the use of these product features to mitigate risk?**
Below we summarise the ‘de-risking toolkit’ for product developers, followed by recommendations for how asset owners, government and advisors can help accelerate the adoption of these de-risking features in the market.

With each recommendation, we provide a real world example, where steps are already being taken, that may provide inspiration.

### Recommendations for Product Developers: ‘The De-risking Toolkit’

<table>
<thead>
<tr>
<th>Risk factor</th>
<th>De-risking product feature(s)</th>
<th>Example</th>
</tr>
</thead>
</table>
| **CAPITAL RISK** | DOWNSIDE PROTECTION | • Collateralisation  
• First loss / Guarantees  
• Insurance | Habitat for Humanity International’s bond product, FlexCAP, uses both a cash reserve and a guarantee mechanism to lower risk for a range of investors, including pension funds, insurance companies and banks. In addition, FlexCAP’s notes are secured by a collateral assignment of general obligation notes from Habitat affiliates. |
| | BUNDLING | • Diversification through a multi-asset portfolio  
• Diversification through a range of investments that are of the same asset class but create exposure to sufficiently diverse sectors or geographies | Calvert Foundation’s Community Investment Notes support a diversified portfolio of nearly 150 organizations in the U.S. and around the world in a wide range of impact sectors including international microfinance, U.S. community development, affordable housing, social enterprise, and fair trade. |
| **LIQUIDITY** | • Listed on a widely used exchange  
• Listed on a secondary market that matches buyers with sellers  
• Documentation that facilitates easy ownership transfer  
• Larger deal size (see also Bundling) | The disability charity Scope has issued a bond programme, which is listed and trades on the Euro MTF market in Luxembourg offering daily liquidity, while also being listed on the UK’s Social Stock Exchange. It should be noted, however, that its current small scale inhibits liquidity. |
| **EXIT RISK** | BUNDLING | • Scale through a multi-asset portfolio  
• Scale through a range of investments that are of the same asset class but create exposure to sufficiently diverse sectors or geographies | Finethic Microfinance S.C.A., SKAV-SIF microfinance sub-fund is a microfinance investment vehicle (MIV) that bundles a wide range of loans diversified by country, region, institution, and investment size. It was created in 2006 with the institutional investor in mind, and is currently $161M in size. |
| **TRANSACTION COST RISK** | **UNQUANTIFIABLE RISK** | • ‘Bolt-ons’ to an existing platform  
• Credible co-investors  
• If a new team, then a relevant combination of experiences; if a new product, then sufficiently similar characteristics to conventional products | The UK Social Bond Fund has been set up by Big Issue Invest, bringing social impact expertise, in partnership with Threadneedle, which brings a strong track record of investing as the UK’s 4th largest retail fund manager. |
| | PLACEMENT & DISTRIBUTION | • Inclusion on advisory platforms  
• Backing by credible brand name with wide networks, e.g. large banks | Westpac’s Social Benefit Bond, focused on reducing the number of children entering the foster care system, was effectively arranged and placed by two leading Australian banks, Westpac and Commonwealth. |
| | TECHNICAL ASSISTANCE | • ‘Smart subsidy’ vehicles  
• Best practice ‘cross-fertilisation’ through multi-fund platform | The United States Agency for International Development (USAID) has contributed a $1.5m grant to fund a Technical Assistance facility that sits alongside the African Agricultural Capital Fund. |
| | IMPACT EVIDENCE | • Clear impact strategy and credible assessment methodology  
• Cost-effectiveness of product relative to comparable options | Golden Lane Housing’s bond supports specialized housing to disabled populations. The organization measures its impact on the people who have moved into its housing through a progression tool based on Mencap’s ‘What Matters to Me’ framework that allows it to report on the long-term outcomes that the move has made in terms of quality of life and independence of the tenants. It also considers financial impact – identifying the cost to the public purse of moving into a property purchased with bond monies versus alternative housing. |

### Recommendations for Asset Owners

**‘Matchmakers’**

- **Product developers**

**18**

Bridges Ventures | Bank of America

**19**

Shifting the Lens | Bank of America
Recommendations for Asset Owners

Risk factor | De-risking product feature(s)
--- | ---

**DOWNSIDE PROTECTION**

Multi-layer investing: In addition to catalysing a ‘capital stack’ for third party investors, asset owners, such as foundations, should consider using their grant or programme-related funding to provide downside protection for their own endowment allocation, which can then invest in a more senior tranche of the same project. In this scenario, the risk to the asset owner may be no more than if it had used only grant funding to support the initiative but it can allocate a far larger amount of capital to achieving its target social outcomes. For the foundation ‘arms’ of banks and other corporates, this may also be a way to attract commercial funds from the main corpus. This shift from ‘two pocket’ thinking to a thoughtful and strategic application of an asset owner’s entire capital base is proving a smart way to further impact. Asset owners could also request that product developers consider downside protection for individual elements of the product, for example, factoring in the cost of insurance products to mitigate political risk or currency risk associated with frontier markets.

*Example*

Civic Builders (a US-based school facilities developer working with underserved communities) uses grant capital to provide credit enhancement for Civic’s charter school capital projects. For example, for the Democracy Prep Charter School, Civic used a USD $300,000 grant to provide first loss protection for its additional – USD $1.4m equity investment. www.civicbuilders.org

*Example*

There are specialised intermediaries emerging, such as DeRisk (the first insurance marketing agent to be authorized by the Multilateral Investment Guarantee Agency), to help private impact investors take advantage of the downside protection mechanisms offered by the World Bank and other public bodies. www.deriskas.com

**BUNDLING**

Portfolio construction. Until there is a wider choice of well-diversified investment products, we encourage asset owners to construct bundled portfolios with products that provide diversified financial and impact exposure.

*Example*

The XL Felicitas Foundation (XLF) now has 85% of its asset base allocated to impact, diversified across all asset classes and a wide range of societal outcomes. In order to achieve index-competitive, risk-adjusted returns, KLF has made a particular effort to avoid overexposure to any particular theme, sector, manager or company – sometimes even allocating to cash, cash equivalents or short-term debt when the desired exposures could not be matched with acceptable impact investments. www.xlfelicitasfoundation.org

**BUNDLING**

Request for proposals. To encourage bundling, asset owners (either individually or in groups) should challenge product developers to bring opportunities forward that match the investment allocations the asset owners are prepared to commit. If asset owners issue Requests for Proposals (RFPs) that have a relatively long development timeline, this will create sufficient time for product developers to allow sufficient time for product developers to understand asset owners’ requirements and build products with de-risked features that meet investor needs.

*Example*

In 2013, five local UK government pension funds published an expression of interest advert in the Financial Times, stating that they were looking for opportunities that satisfy both financial and societal needs ‘to challenge asset managers to bring opportunities forward on a sufficient scale to match the investment allocations pension funds are prepared to commit.’

http://blueandgreentomorrow.com/2013/05/24/uk-pension-funds-to-look-at-social-impact-investment

**TRANSACTION COST RISK**

**De-risking product feature(s)**

**IMPACT RISK**

**UNQUANTIFIABLE RISK**

**TECHNICAL ASSISTANCE**

Partner & package. We encourage supplementary asset owners (such as an impact investor and enterprise-oriented philanthropist) to partner in order to provide a package of support, such as a sidecar grant facility alongside investment. By distinguishing between traditional investment management costs and those additional technical assistance costs particular to impact investment, asset owners can break down murky (often high) management fees into sensible investment management costs and smart strategic grants. Ideally this disaggregation will also help the asset owner observe a reduction in technical assistance requirements as a product (and its surrounding market) matures.

*Example*

In 2011, the Grassroots Business Fund (GBF) successfully closed a USD$49m private investment fund alongside an additional USD$11.5m in grants from donors to benefit the non-profit arm of GBF, which has been set up to provide business advisory services to clients in the fund, with a particular focus on enhancing financial and strategic planning, corporate governance, human resource management, marketing, supply chain management, and management information systems (MIS). While some asset owners chose to either invest or donate, others, such as the Netherlands Development Finance Company (FMO) both invested in the fund and provided a grant to the non-profit arm for business advisory services. www.gbfund.org

*Example*

Acumen Fund’s Best Available Charitable Option (BACO) methodology is a practical approach for estimating the cost-effectiveness of comparable (and available) approaches for addressing a specific social issue. The output of the methodology, the BACO ratio, compares the net cost per unit of social impact of a given approach relative to the best available alternative. Put another way, BACO answers the question: ‘For each dollar invested, how much social output will a given option generate over its lifecycle relative to the best available charitable option?’ For any impact investor or grantmaker who believes that the optimal approach for solving a specific social or environmental issue is that which has the lowest net cost per unit of social impact, the BACO methodology provides a quantitative estimate of whether a proposed investment or grant opportunity will meet their objective.


**TRACK RECORD**

Compare like-for-like. Even if a product is new, it may have similar characteristics to other, more mainstream products. For example, some impact investment products have transparent cash flow profiles and government as the ultimate creditor. While these products may not have formal credit ratings, if publicly rated entities stand behind the cash flows, this helps to support the credit analysis. The growth of ‘use of proceeds’ bonds, most specifically the World Bank Green Bonds, is helping attract investors to support high impact outcomes from specific projects, while enjoying the support of the umbrella credit rating of the issuing entity.

*Example*

The International Finance Facility for Immunisation (IFFIm) uses long-term pledges from donor governments to help market ‘vaccine bonds’ in the capital markets, making large volumes of funds immediately available for the Global Alliance for Vaccines and Immunisation (GAVI) programmes. With the World Bank as its treasury manager, the bonds hold an A+ rating, allowing IFFIm to raise more than USD 4.5 billion to date from both institutional and individual investors seeking a market-rate financial return alongside social impact. www.iffim.org/about/overview
### Recommendations for ‘Matchmakers’

<table>
<thead>
<tr>
<th>Risk factor</th>
<th>De-risking product feature(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DOWNSIDE PROTECTION</strong></td>
<td></td>
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<tr>
<td>Government as a catalyst. There are increasing examples from around the world that the government is well-positioned to bring stakeholders together and provide entrepreneurial, catalytic first loss capital or guarantees, either alone or sitting alongside philanthropy. In addition to guarantee schemes for cash and debt products, we particularly encourage more governments to catalyse the growth of impact equity markets, by providing first loss funding at either the fund- or fund-of-fund level. Governments can also provide downside protection through tax schemes. While tax incentives are often used to enhance upside (such as capital gains relief), they can also protect downside, entitling investors to tax relief in the event of loss. For example, the UK’s Enterprise Investment Scheme (EIS) allows for capital loss on EIS shares to be set against income in the year the loss arises. For a high tax rate payer this equates to 35% of the EIS shares. Combined with income tax relief, the investor has a downside loss protection of 65p in the £1 invested. The introduction of such a scheme for impact investments more broadly would represent a compelling adaptation of this existing scheme. As well as participating directly in capital stacks, governments can play a key role in clarifying the regulatory considerations when providing downside protection. This will enable trustees of foundations to allocate with confidence, rather than concern over conflict with fiduciary duty.</td>
<td>Example Governments can play a catalytic role at a local, regional, national and even international level. For example, at an international level, USADF has a partnership with Acumen to provide a 50% loan guarantee (pay-passthrough, not first-loss) to local banks to lend to Acumen investors. With this downside protection, local banks become engaged with high impact enterprises, providing crucial working capital to enterprises otherwise perceived as too risky, while USADF’s risk share frees up some of Acumen’s own capital to take higher risk equity and equity-like investments elsewhere. <a href="http://www.acuman.org">www.acuman.org</a></td>
</tr>
<tr>
<td><strong>CAPITAL RISK</strong></td>
<td></td>
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<tr>
<td>EXIT RISK</td>
<td></td>
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<tr>
<td>LIQUIDITY</td>
<td></td>
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<tr>
<td>Secondary markets; liquidity ‘back-stops’. The presence of a vibrant secondary market for impact investments would provide comfort to investors that they could sell a security, even though they may be unlikely to exercise the right. In order to catalyse the growth of secondary markets, we encourage governments to work with intermediaries to help develop innovative liquidity back-stop guarantee schemes, as well as encouraging more market-makers to come forward. Issuers seeking larger amounts can consider using multiple underwriters, who can work together to both share risk and be prepared to invest in developing the market.</td>
<td>Example Ethex offers a not-for-profit brokering service in the trading of shares in ethical businesses, providing its members with information about suitable investment opportunities, as well as a platform to build a personal portfolio of shares and bonds. The initiative lists each opportunity with detailed information (including financial track record and associated risks, as well as social impact performance), bringing greater transparency to impact investment products and encouraging greater liquidity through a secondary marketplace. <a href="http://www.ethex.org.uk">www.ethex.org.uk</a></td>
</tr>
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<td></td>
</tr>
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<td></td>
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<tr>
<td>TECHNICAL ASSISTANCE</td>
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<tr>
<td>Investment-readiness. Governments, as well as philanthropists, are well-positioned to provide technical assistance funding – both for frontline enterprises and for impact investment intermediaries such as fund managers. To help address investor concerns about the availability of suitable investment opportunities in a nascent market, the government is particularly well-positioned to provide technical assistance pre-investment (otherwise known as ‘investment-readiness funding’).</td>
<td>Example The UK government’s Department for International Development (DFID) has launched a £75m Impact Fund to invest in promising impact investment intermediaries, backing businesses targeting low-income populations in sub-Saharan Africa and South Asia. Alongside, DFID has also funded a £5m technical assistance facility designed to support investee companies in which the DFID Impact Fund managers will deploy capital. The facility supports transitional companies in need of ‘the kind of support that goes beyond the scope of traditional investor-investee relationships’ and funding is available both pre- and post-investment. <a href="http://www.cdtgroup.com/dfid-impact-fund">www.cdtgroup.com/dfid-impact-fund</a></td>
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<tr>
<td><strong>TRACK RECORD</strong></td>
<td></td>
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<td>Specialise and collaborate. Specialist knowledge of the impact investment market will enable advisors to identify products with track record more easily, as well as to situate newer products alongside comparable opportunities in clients’ portfolios, which will go a long way to helping mitigate perceived risk factors. While there are increasing specialist teams on the ESG front, the group of impact investment specialist advisors remains small. With bigger financial firms interested but often unmove by the slivers of demand they observe, and with specialists often better poised to handle these needs, there may be an opportunity to create ‘win-win’ commercial arrangements between big institutions and specialists. For an in-depth discussion of this topic, see “The Power of Advice in the UK Sustainable and Impact Investment Market”, Bridges Fellowship Report, Nicklin, 2012</td>
<td>Example Imprint, a registered investment advisor exclusively focused on impact investing, often works in partnership with a client’s traditional advisor to deploy impact investment platforms across asset classes and issue areas. For example, Imprint was approached by a family with a broad social mission to invest in a specific geographic focus in Baltimore. Working side-by-side with the individual’s existing wealth manager, Imprint weaved both market rate, mission-related investments into the client’s portfolio and developed a targeted Baltimore investment strategy. <a href="http://www.imprintacap.com">www.imprintacap.com</a></td>
</tr>
<tr>
<td><strong>PLACEMENT AND DISTRIBUTION</strong></td>
<td></td>
</tr>
<tr>
<td>Placement platforms. We encourage governments, in combination with philanthropists and social investors, to catalyse private placement platforms for the sector. These can showcase a wide range of products, as well as provide a ‘pre-screening’ service, which will help de-mystify impact investments and better allow investors to compare and benchmark. Big Society Capital in the UK funds similar models in countries like Australia and the US are well-positioned to provide support to these infrastructure developments.</td>
<td>Example Ethex offers a not-for-profit brokering service in the trading of shares in ethical businesses, providing its members with information about suitable investment opportunities, as well as a platform to build a personal portfolio of shares and bonds. The initiative lists each opportunity with detailed information (including financial track record and associated risks, as well as social impact performance), bringing greater transparency to impact investment products and encouraging greater liquidity through a secondary marketplace. <a href="http://www.ethex.org.uk">www.ethex.org.uk</a></td>
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**Asset Owners**

**Product development**

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**Asset Owners**

**Product development**
Concluding remarks

This report has sought to clarify the risk factors most especially associated with impact investment and to provide a de-risking toolkit for mitigating them. In doing so, we in no way recommend that de-risked products should be introduced at the expense of higher risk ones – this is about broadening capital flows.

We do, however, hope that this toolkit sparks a practical dialogue between asset owners and product developers, so that investors previously deterred from the market by risk can participate and impact-driven organisations can access the capital they urgently need. Through a range of examples, we also hope to have provided a glimpse of the powerful role that government and advisors can play to de-risk the industry and match supply with demand.

Finally, through the many case studies provided here, which showcase innovative de-risking efforts at-work around the world, we hope this report highlights the importance of drawing on our global collective learning as we seek to grow the market.

Methodology

This report was created after original interviews with a wide range of sector participants, as well as an extensive review of existing literature on impact investment. It reflects more than 70 interviews conducted with a range of product developers, advisors and asset owners about their experiences with impact investment. The interviews focused on identifying key risk factors especially associated with impact investments, as well as relevant mitigation strategies. The interviews were subsequently translated into a ‘de-risking toolkit’ aimed at product developers, along with recommendations for how asset owners, government and advisors can help accelerate the adoption of de-risking features in the market.

The report takes an empirical approach by providing a catalogue of 20 real-world case studies that provide concrete examples of de-risking features at-work. All cases selected are from existing investment products (with some much newer than others) and were chosen for their various combinations of asset class, de-risking features and impact. The Appendix to the report provides detailed case studies for each of the products described in the ‘Catalogue’. In each asset class, there are other compelling case studies that have not been covered and the authors do not seek to make investment recommendations through this report; rather they wish to illustrate the range and breadth that is emerging in the sector.

This paper contains general information only. Nothing in this paper constitutes investment advice. You should consult a suitably qualified financial services or legal expert on any specific issues or matters.

Appendix – catalogue of product

Ecology Building Society’s Foundations Share Account
Liquid savings account to support green properties

<table>
<thead>
<tr>
<th>De-risked Product Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downside Protection: The account is covered by the Financial Services Compensation Scheme. An eligible shareholder is entitled to claim up to £85,000. The Society maintains a promise to pay no less than 1.00% gross on the account.</td>
</tr>
<tr>
<td>Placement &amp; Distribution: The account is available directly from the Society and can be accessed through Ethex (<a href="http://www.ethex.org.uk">www.ethex.org.uk</a>).</td>
</tr>
<tr>
<td>Liquidity: Deposits are liquid and can be withdrawn without notice or penalty.</td>
</tr>
</tbody>
</table>

Impact Evidence:
Environmental impact is a core part of the lending decision and integrated into pricing structure through interest rate discounts based on energy efficiency. Evidence of energy efficiency standards achieved is collected through this process, along with other environmental features of projects. Case studies are used to identify contribution to wider social and environmental benefits and evidence of additional. A high level of member feedback is achieved through the Society’s Annual General Meeting, member surveys and online engagement (blogs and social media), as well as frequent two-way correspondence.

Track Record:
Since 1981, it has successfully made loans to over 2,000 projects.

Hope Credit Union
Liquid cash deposits to support U.S. community development

<table>
<thead>
<tr>
<th>De-risked Product Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downside Protection: Federally-insured by the National Credit Union Administration.</td>
</tr>
<tr>
<td>Liquidity: Deposits are liquid.</td>
</tr>
<tr>
<td>Track Record: Hope Credit Union has a 19 year track record in community development banking.</td>
</tr>
</tbody>
</table>

Impact Evidence:
HOPE has an extensive policy and evaluation expertise that allow it to effectively monitor and report on the organization’s impact. Through publicly available resources and member surveys, HOPE measures environmental conditions and the outcomes it creates for credit union members. Key performance indicators include # of consumers, mortgage and small business loans and # of member owners.
California FreshWorks Fund – Senior Debt
Senior debt in public-private partnership loan fund to support healthy foods

<table>
<thead>
<tr>
<th>Cash Deposits</th>
<th>Debt</th>
<th>Public Equity</th>
<th>Private Equity</th>
<th>Social Impact Bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description: Southern Bancorp is the third largest development bank in the U.S. It was founded in 1986, after then Governor Bill Clinton and the Winthrop Rockefeller Foundation announced an initiative to end decades of economic decline in rural Arkansas by creating new trends in investment in people, jobs, business and property. Today, Southern’s family of companies includes a CDFI community bank and a CDFI non-profit organization serving Arkansas and Mississippi. Southern Bancorp mobilizes deposits through accounts or Community Deposit Certificates, which help it achieve its mission by providing loans to people, businesses and organizations in the rural communities it serves.</td>
<td>Downside Protection:</td>
<td>Placement &amp; Distribution:</td>
<td>Bundled Product:</td>
<td>Technical Assistance:</td>
</tr>
<tr>
<td>Liquidity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size: $125M fund size with $100M in senior debt</td>
<td>Terms: All-in tenor 13 years. Facility features 3-year Draw Period, and each Project Loan can have a term of up to 10 years</td>
<td>Impact Evidence: Southern has originated over $3bn in loans – primarily to individuals and organizations in some of the proudest areas of the U.S. It has three 20-year goals for its communities: reducing the gap in a) poverty rate, b) employment rate, and c) educational attainment between county and national averages by 50%.</td>
<td>Track Record:</td>
<td></td>
</tr>
<tr>
<td>Target Returns: 2.5% (for retail investors)</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

De-risked Product Features
- Liquidity: Deposit accounts and CDs are liquid
- Downside Protection: All deposits are FDIC-insured
- Track Record: Southern has a 25+ year successful track record in rural development banking

Impact Evidence: Southern is developing a social metric program that will evaluate and help optimize progress towards its three goals focused on poverty, employment, and education. In 2011, it identified key metrics and baselines for these goals, and reports on key performance indicators including asset purchases facilitated by IDA accounts, and % of individuals receiving credit counseling.

Calvert Foundation Community Investment Notes
Community Development Notes offered via multiple channels

<table>
<thead>
<tr>
<th>Cash Deposits</th>
<th>Debt</th>
<th>Public Equity</th>
<th>Private Equity</th>
<th>Social Impact Bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description: Calvert Foundation is a Community Development Financial Institution that empowers investors to empower communities. Through its Community Investment Note, Calvert Foundation connects individual investors with organizations working around the globe developing affordable housing, creating jobs, protecting the environment, and working in numerous other ways for the social good. Calvert Foundation has more than $200 million invested in roughly 150 nonprofits and social enterprises working in approximately 80 countries. It makes slightly below-market-rate loans to its portfolio companies. Borrowers are selected based on their financial and operational self-sufficiency and their ability to build strong, healthy communities.</td>
<td>Downside Protection:</td>
<td>Placement &amp; Distribution:</td>
<td>Bundled Product:</td>
<td>Technical Assistance:</td>
</tr>
<tr>
<td>Liquidity:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size: $2,500 (for retail investors)</td>
<td>Terms: Various terms of 1 – 20 years</td>
<td>Minimum Investment: $30 to $1,000 depending on purchase method</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

De-risked Product Features
- Impact: Calvert Foundation’s Notes address the following impact areas: affordable housing, microfinance, women’s empowerment, fair trade and sustainable agriculture, small business development, and critical services like education and health care.
- Track Record: Calvert Foundation is a Community Development Financial Institution that empowers investors to empower communities.

California FreshWorks Fund – Senior Debt
Senior debt in public-private partnership loan fund to support healthy foods

<table>
<thead>
<tr>
<th>Cash Deposits</th>
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</thead>
<tbody>
<tr>
<td>Description: The California FreshWorks Fund (CFF) is a public-private partnership loan fund which finances grocery stores and other forms of fresh food retail and distribution in underserved communities throughout California. The fund also provides grants on a limited basis and for targeted activities. The fund was created in partnership with The California Endowment, NCB Capital Impact, J.P. Morgan Chase and other community and industry government partners.</td>
<td>Downside Protection: The fund’s impact is three-fold: 1. Access to healthy food as a means to improve health outcomes. 2. Spur economic development that supports healthy communities. 3. Encourage innovation in healthy food retailing and distribution.</td>
<td>Placement &amp; Distribution: Deal structuring and syndication of senior debt by J.P. Morgan Chase.</td>
<td>Bundled Product:</td>
<td></td>
</tr>
<tr>
<td>Liquidity:</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Size: $125M fund size with $100M in senior debt</td>
<td>Track Record: NCB Capital Impact has an established track record of healthy foods lending in California. Furthermore, NCBIC partners with Emerging Markets Inc., an organization which has extensive knowledge of the California market and the grocery industry. The California Endowment is also an important programmatic partner, bringing local market expertise.</td>
<td>Impact Evidence:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Terms: All-in tenor 13 years. Facility features 3-year Draw Period, and each Project Loan can have a term of up to 10 years</td>
<td>Track Record: NCB Capital Impact has an established track record of healthy foods lending in California. Furthermore, NCBIC partners with Emerging Markets Inc., an organization which has extensive knowledge of the California market and the grocery industry. The California Endowment is also an important programmatic partner, bringing local market expertise.</td>
<td>Impact Evidence:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target Returns: 2.5% (for retail investors)</td>
<td>Economic Development/Job Creation</td>
<td></td>
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</tr>
</tbody>
</table>

De-risked Product Features
- Liquidity: Deposit accounts and CDs are liquid
- Downside Protection: All deposits are FDIC-insured
- Track Record: Southern has a 25+ year successful track record in rural development banking

Impact Evidence: Southern is developing a social metric program that will evaluate and help optimize progress towards its three goals focused on poverty, employment, and education. In 2011, it identified key metrics and baselines for these goals, and reports on key performance indicators including asset purchases facilitated by IDA accounts, and % of individuals receiving credit counseling.

Community Capital Management CRA Qualified Investment Fund
U.S. fixed-income fund with a focus on community development

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<tbody>
<tr>
<td>Description: Community Capital Management CRA Qualified Investment Fund is a U.S. fixed-income fund with a focus on community development. The Fund’s investment objective is to provide a high level of current income consistent with the preservation of capital by investing in community development initiatives that are deemed to be qualified under the U.S. Community Reinvestment Act of 1977. These include investments in single-family, multi-family, and economic development loan-backed securities.</td>
<td>Downside Protection:</td>
<td>Placement &amp; Distribution:</td>
<td>Bundled Product:</td>
<td>Technical Assistance:</td>
</tr>
<tr>
<td>Liquidity:</td>
<td></td>
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<tr>
<td>Size: $1.5bn (at 12/31/13)</td>
<td>Terms: Various terms of 1 – 20 years</td>
<td>Minimum Investment: $500,000 (for CRA and Institutional Investors) $2,500 (for retail investors)</td>
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</tbody>
</table>

De-risked Product Features
- Impact: The Fund focuses on community development initiatives that serve low and moderate-income individuals and families, and underserved and distressed areas. Recent investments include a low-income housing tax credit property for seniors, and a taxable municipal bond to finance energy audits and efficiency improvements.
- Track Record: Community Capital Management, the Fund’s registered adviser, has a strong record in ESG portfolio management with a 15 year history.

Impact Evidence: Institutional investors receive detailed quarterly reports on the community impact of the Fund’s securities. Impact metrics include # of affordable rental units established, # of jobs created, and environmentally sustainable initiatives.
Debt
Debt
Debt
Debt
Shifting the Lens | Social Impact Bond
Social Impact Bond
Public Equity
Private Equity
Social Impact Bond
De-risked Product Features
Track Record: Unparalled i.e. 86 straight months of positive returns since inception (October 2006), net annualised return 5% p.a. in USD.
Funds (Manager) manages investments for leading pension funds. Advisor (Gimbals) has brokered >$1bn in microfinance investment in >200 MFIs in >100 countries.
Liquidity: 90 working day liquidity.
Bundled product: Finethic is well-diversified by country, region, institution, and investment size.
Placement & Distribution: Funds’ position as a trusted advisor to leading pension funds enhances Finethic’s distribution.
Impact Evidence: Finethic collects detailed impact data and tracks performance metrics on a monthly basis, including grading the Social Outreach value of the fund.

Target Returns: Above USD 3-year swap rate, with internal targets of 4–6% p.a. net to investors.

Cash Deposits
De-risked Product Features
Term: 90 working day liquidity.

Impact Evidence:

Size: $161mn (soft close target $250m)

Term: 90 working day liquidity.

Track Record: Above USD 3-year swap rate, with internal targets of 4–6% p.a. net to investors.

Finethic
Established and liquid global microfinance investment vehicle

Golden Housing Bond
Charity bond to provide much needed housing for people with a learning disability

De-risked Product Features
Placement & Distribution: Triodos Bank, a leader in sustainable finance, worked with Golden Housing to structure and place the bonds. The bonds are also offered through Ethex.
Liquidity: Ethex, a specialist not-for-profit set up to make ethical investment easy to understand and easy to do, is running the secondary market for Golden Housing.
Impact Evidence: GLH is using a progression tool to assess and report the difference the move has made to people in terms of their quality of life and independence. It also is looking at the impact on the bond on families, and the financial impact — identifying the cost to the public purse of moving into a property purchased with bond monies versus alternative housing.
Impact assessment is carried out in partnership with third party, Bangor University. Investors in the bond receive regular reports detailing the social impact.
Track Record: Builds on the previous success of their 2003 Social Investment Bond, which raised £1.8m and was redeemed in full in April 2013.

Cash Deposits
De-risked Product Features
Term: 5 years

Impact Evidence:

Size: £10m

Minimum Investment: £2,000 initially; £500 in secondary market.

Track Record: 7%+ p.a. net return to the fund

Habitat for Humanity’s FlexCAP Notes
Collateralized notes to support low-income housing with downside protection

De-risked Product Features
Downside Protection: is provided through: HVIH repayment guarantee of five percent of the value of the notes.
Each affiliate must deposit in a cash reserve account an amount equal to one quarterly payment under its FlexCAP loan.
Notes are full recourse obligations of the affiliates.
Track Record: Since FlexCAP’s inception in 1997, the program has had a 100 percent repayment rate.

Cash Deposits
De-risked Product Features
Term: 5 or 10 years note

Impact Evidence:

Size: £415m outstanding

Terms: 5 or 10 year notes

Track Record: 7%+ p.a. net return to the fund

Gates Global Health Investment Fund – Senior tranche
High-impact healthcare mezz fund with innovative 60% loss guarantee

De-risked Product Features
Cash Deposits
De-risked Product Features
Term: 90 working day liquidity.

Impact Evidence:

Size: $108M

Minimum Investment: $250,000

Terms: 10 years from the first closing date, extendable for two additional 1-year periods subject to approval.

Target Returns: 7%+ p.a. net to return to the fund

Finethic Microfinance S.C.A., SICAV-SIF microfinance sub-fund is a microfinance investment vehicle (MV) registered in Luxembourg and managed from Switzerland. Finethic (French = ethical) started with the Institutional Investor in mind, and created a product that met the stringent criteria for Pension Fund investors. Finethic’s fund manager (FundManager) has vast experience in investment risk management for institutional investors; this experience lead to unparalleled levels of diversification; caution in 2008-11, and expansion in 2012-13, this has served investors well as they have yet to experience a down month since launch in 2008.

Impact: Finethic measures the capacity of its investments to contribute to building inclusive financial systems, increasing the depth and breadth of outreach and access to capital for the world population at the bottom of the global pyramid. It collects detailed impact data and tracks performance metrics on a monthly basis, including grading the Social Outreach value of the fund. The Finethic non-profit foundation is funded through management fees. The Foundation supports education, health-care, and child labour and micro entrepreneurial projects globally. Finethic also offers a 0% return share class for philanthropic investors; proceeds are used to fund the Finethic Foundation or other charitable causes.

As a result of the Gates Global Health Investment Fund – Senior tranche, the fund the Finethic Foundation or other charitable causes.

Habitat for Humanity International is a non-profit Christian organization that aims to accelerate home ownership in partnership with low-income families globally. In the U.S., it works through local affiliates which coordinate all aspects of home building in their local areas including fundraising, building site selection, partner family selection, house construction, and mortgage servicing on its no-profit mortgages. A Habitat affiliate’s most valuable asset is the mortgage portfolio it develops from selling homes to partner families.

In the U.S, Habitat administers the Flexible Capital Access Program (FlexCAP), which allows affiliates to borrow against selected mortgages in their portfolios, generating funding to serve more families. Habitat issues notes to investors which are secured by a collateral assignment of general obligation notes from participating Habitat affiliates.

Impact: Habitat’s vision is a world where everyone has a decent place to live.

Impact Evidence: FlexCAP Note investors receive semi-annual reports on social impact. KPIs include: Number of homes built, repaired, and rehabilited. Number of people housed. Number of women and children housed.

Cash Deposits
De-risked Product Features
Term: 5 or 10 years note

Impact Evidence:

Size: $41M outstanding

Terms: 5 or 10 year notes

Track Record:

Target Returns: 7%+ p.a. net return to the fund

Downside Protection
Description: New investment vehicle with innovative 60% loss guarantees by the Gates Foundation that provides mezzanine debt financing to advance the development of drugs, vaccines, diagnostics and other interventions for diseases that disproportionately burden low-income countries.

The fund was structured by J.P. Morgan Chase and the Bill and Melinda Gates Foundation with anchor support from Grand Challenges Canada, the German Ministry of Economic Cooperation and Development, and the Children’s Investment Fund Foundation. They see the fund as a cutting-edge alternative to traditional grant-based funding for global health.

Impact: There is an urgent need for new and affordable interventions in low-income countries, as an estimated 15 million people still die every year from infectious diseases, maternal, infant and child health issues, and nutritional deficiencies. The Fund hopes to accelerate the pathway of new treatments by providing critical capital.

Size: $108M

Minimum Investment: $250,000

Terms: 10 years from the first closing date, extendable for two additional 1-year periods subject to approval.

Target Returns: 7%+ p.a. net to return to the fund

De-risked Product Features
Cash Deposits
De-risked Product Features
Term: 90 working day liquidity.

Impact Evidence:

Size: $161mn (soft close target $250m)

Term: 90 working day liquidity.

Track Record: Above USD 3-year swap rate, with internal targets of 4–6% p.a. net to investors.

De-risked Product Features
Cash Deposits
De-risked Product Features
Term: 90 working day liquidity.

Impact Evidence:

Size: $161mn (soft close target $250m)

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Track Record: Above USD 3-year swap rate, with internal targets of 4–6% p.a. net to investors.

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De-risked Product Features
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De-risked Product Features
Cash Deposits
De-risked Product Features
Term: 90 working day liquidity.

Impact Evidence:

Size: $161mn (soft close target $250m)

Term: 90 working day liquidity.

Track Record: Above USD 3-year swap rate, with internal targets of 4–6% p.a. net to investors.
De-risked Feature

Description: In January 2010, IFMR Capital structured the first Medz™ transaction in India’s wholesale debt market. Several Medz™ transactions have been listed on the Stock Exchange since then. IFMR Capital has also facilitated a secondary trade, breaking a deal for which the entire transaction amount was sold by a Bank to an NBFC.

Impact Evidence: Working in high impact sectors such as microfinance, SME finance, affordable housing finance & CV finance, over 3 million households in 23 states in India have access to capital through IFMR’s structures & interventions. The impact is measured through regular social performance reports, field level monitoring reports & external reviews.

Track Record: The IFMR Capital Group has a track record of 6 years, having mobilized over USD 750 million of financing for 65 institutions through structured capital market transactions with a nil NPA / zero default record.

Microfinance Initiative for Asia (MIFA) Debt Fund – Senior debt

A Private-Public Partnership to promote financial inclusion in Asia

<table>
<thead>
<tr>
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<th>Social Impact Bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description: BlueOrchard Finance S.A. was founded in 2001 as a commercial manager of microfinance debt investments worldwide. To this day, the company has deployed in excess of USD 2bn in loans to microfinance institutions, providing access to credit to over 30 million individuals across 50 countries. MIFA, a strategic partnership between IFC and KfW, is the first microfinance initiative of its size to exclusively finance target microfinance institutions in Asia. BlueOrchard was appointed sole manager of the MIFA Debt Fund in 2012.</td>
<td>Downside Protection: The capital structure of the MIFA Debt Fund is comprised of three tranches (Junior, Mezzanine, Senior). Public investors in Junior Class C Shares (BMZ, EU) provide credit enhancement through a credit risk guarantee, thus improving the risk-return profile for private Senior Class A investors. Placement &amp; Distribution: IFC and KfW act as catalysts to crowd in private funding and are invested in the Mezzanine Tranche. Bundled Product: The investment universe of MIFA includes MFHs in 20 countries across Asia with a focus on Tier 2 and 3 institutions. Technical Assistance: A separate, donor-funded grant facility will provide Technical Assistance. Impact Evidence: The MIFA Debt Fund has clearly defined ESG objectives and reports on social and environmental outreach achievements on a quarterly basis. Track Record: BlueOrchard has a successful 15-year track record of managing global and regional funds making private debt investments in microfinance.</td>
<td>De-risked Feature Products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description: Scope is a private company and registered charity founded in 1952 that exists to make the UK a better place for disabled people and their families. In May 2012, Scope raised £20.5 million as the first tranche of its £45 million Social Bond Programme. The bond proceeds were invested in donor acquisition generating a monthly income to Scope of £291,000 during the financial year 2013/14. £1.6 million of the proceeds were invested in donor acquisition generating a monthly income to Scope of £291,000 during the financial year 2013/14.</td>
<td>De-risked Feature Products</td>
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</table>

New York City Acquisition Fund – Senior debt

Affordable housing fund which provides downside protection to senior lenders through subordinated investments from NYC and foundations

<table>
<thead>
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</thead>
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<tr>
<td>Description: The New York City Acquisition Fund (NYCAF), formed in 2006, provides loans to overcome the shortage of property available for affordable housing in New York City. The fund provides flexible, advantageous capital for the acquisition of property to developers of affordable housing communities – who either refinance existing units or engage in new construction of affordable housing. Impact: The fund aims to address the low-cost housing shortage in New York, to date, it has supported the creation or preservation of over 6,000 units. The fund has also had catalytic impact, spurring the creation of similar funds in Los Angeles, Atlanta, and Louisiana.</td>
<td>Downside Protection: A consortium of banks including J.P. Morgan Chase, Citibank, HSBC, Morgan Stanley, Wells Fargo and Deutsche Bank provided senior debt to the fund totaling $200 million while protection comes from subordinated loans of $28.8M from the City of New York and foundations including the Robin Hood Foundation, MacArthur Foundation, the Rockefeller Foundation and Enterprise Community Partners. Placement &amp; Distribution: The placing of senior debt was led by J.P. Morgan Chase. Impact Evidence: The NYCAF has enabled affordable housing developers to move quickly and be competitive with market rate developers in an increasingly tight market. The fund has supported a wide range of project types including preservation, mixed-income, rental and ownership. Track Record: The fund is managed by Enterprise Community Investment, Inc., the National Equity Fund and Forth Street Advisors. Citibank and Chase are Administrative Agents. The fund has selected an experienced group of non-profit and governmental lending institutions to originate and service its project loans including: Corporation for Supportive Housing, Enterprise Community Loan Fund, Local Initiatives Support Corporation, Low Income Investment Fund, and the New York City Housing Development Corporation.</td>
<td>De-risked Feature Products</td>
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Scope Bond

Liquid charity bond to support the disabled

<table>
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<tr>
<td>Description: Scope is a private company and registered charity founded in 1952 that exists to make the UK a better place for disabled people and their families. In May 2012, Scope raised £20.5 million as the first tranche of its £45 million Social Bond Programme. The bond proceeds were invested in donor acquisition generating a monthly income to Scope of £291,000 during the financial year 2013/14. £1.6 million of the proceeds were invested in donor acquisition generating a monthly income to Scope of £291,000 during the financial year 2013/14.</td>
<td>Placement &amp; Distribution: Investing for Good, a specialist social impact investment company, worked with Scope to launch the programme. BNY Mellon acted as fiscal agent and registrar, and Capital as nominee holder. The bonds are also listed on the Social Stock Exchange. Liquidity: The Scope Bond Programme is listed and trades on the Euro MTF market in Luxembourg [S]. Impact Evidence: The Scope Bond’s independent impact report, produced by The Good Analyst, is published annually. It analyses Scope across four dimensions: mission fulfillment, beneficiary perspective, wider impact and impact of contribution. Key performance indicators include: of people that have accessed Scope information online, and called the hotline, and of those who have maintained employment through its employment services. With the bond proceeds, Scope opened eleven new retail shops at a cost of £600,000. This investment is forecast to provide Scope with additional income of £210,000 during the financial year 2013/14. £1.6 million of the proceeds were invested in donor acquisition generating a monthly income to date of £215,000.</td>
<td>De-risked Feature Products</td>
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</tbody>
</table>
Threadneedle UK Social Bond Fund
Liquid, fixed income fund that supports economic development in the UK

<table>
<thead>
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<tr>
<td>Track Record</td>
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</tbody>
</table>

De-risked Product Features
Placement & Distribution: Distributed by Threadneedle Investments (institutional investors) and through IFAs and platforms (retail investors)

Bundled Product: The fund invests in a portfolio of debt instruments across the eight focus sectors in the UK:
- Economic
- Education
- Health
- Housing
- Employment
- Environment
- Inequality
- Enterprise

Liquidity: The fund is an Open-ended investment company structure with daily liquidity

Assistance: The fund will use its unique social assessment methodology to select potential investments taking into account factors like primary, secondary social outcome, geographical focus linked to level of social deprivation, and ESG assessment of the issuer. The fund also has a Social Advisory Committee which will monitor and verify social outcomes.

Minimum Investment: £15m at launch

Track Record: Threadneedle Investments, established in 1994, is the 4th largest UK retail fund manager. It has a strong track record in responsible investment and stewardship.

Impact Evidence: The fund will use its unique social assessment methodology to select potential investments taking into account factors like primary, secondary social outcome, geographical focus linked to level of social deprivation, and ESG assessment of the issuer. The fund also has a Social Advisory Committee which will monitor and verify social outcomes.

Target Returns: In line with a UK corporate bond index such as Merrill Lynch & Co Gilt Index currently yielding 4% p.a.

Good Energy Transferrable Shares
Liquid shares to support renewable energy in the UK

<table>
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<tr>
<td>Track Record</td>
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</table>

De-risked Product Features
Liquidity: Good Energy Group is a publicly-listed company that aims to lower UK carbon emissions by developing and distributing renewable electricity within the UK. The activities include: the supply of electricity and gas, renewable power generation, and Feed-In-Tariff administration for households generating their own renewable power.

Impact: The company’s goal is to be a catalyst for change in the UK energy market, by empowering individuals and businesses to switch to renewable electricity, generate their own renewable power, participate in local community energy initiatives and use energy more efficiently. It has over 35,000 domestic customers and 12,000 gas customers, and 55,000 Feed-in-Tariff customers.

Minimum Investment: £100

Source: Ether.

African Agriculture Capital Fund – Senior tranche
Agriculture-focused fund with capital earmarked for technical assistance

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<thead>
<tr>
<th>Description</th>
<th>Debt</th>
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De-risked Product Features
Liquidity: The fund will invest equity and bring expertise to up to 20 agriculture-related businesses in East Africa. The fund was established by USAID, in partnership with J.P. Morgan, the Bill & Melinda Gates Foundation, the Gatsby Charitable Foundation, and the Rockefeller Foundation. It is managed by Pearl Capital Partners, a specialized African agricultural investment fund manager based in Kampala, Uganda.

Impact: The fund will invest equity and bring expertise to up to 20 agriculture-related businesses in East Africa. The fund was established by USAID, in partnership with J.P. Morgan, the Bill & Melinda Gates Foundation, the Gatsby Charitable Foundation, and the Rockefeller Foundation. It is managed by Pearl Capital Partners, a specialized African agricultural investment fund manager based in Kampala, Uganda.

Target Returns: 15% annual gross compounded return

Source: Pearl Capital Partners, established in 2005, manages $46M across three agriculture funds in East Africa.

Triodos Renewable Ordinary Shares
Liquid shares to tackle climate change

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De-risked Product Features
Liquidity: Triodos Renewable shares are held by over 5,000 investors and can be traded on Capita’s online share portal, via a listed barrier in the UK. The fund will be available to all, via online platforms, and institutional investors from January 2014.

Placement & Distribution: Shares are placed and distributed through Triodos Bank.

Track Record: Over the last 7 years, annualised returns have been 7% p.a. (2% dividend yield, 5% capital appreciation).

Impact Evidence: Triodos Renewables key performance indicators include:
- MWh generated in 2013: 107,020 MWh
- Equivalent number of homes powered: 25,086 ha (4.266MWh/Home DECC)
- Equivalent tons of CO2 offset: 51,691 (0.483 CO2 a/MWh DECC)
- % of generation from brownfield (aka industrial) sites: one-third
- % turnover that is reinvested in the community: 7.7%
Social Finance NY State Workforce Re-entry 2013 LLC – A-1 tranche
Social impact partnership to reduce recidivism and improve employment in NY

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<td><strong>Description:</strong></td>
<td>The Social Finance NY State Workforce Re-entry 2013 LLC is a pioneering pay-for-success project in New York state that aims to reduce recidivism and improve employment for newly-released prisoners. The fund is a partnership between New York State, Social Finance, Bank of America Merrill Lynch, and the Center for Employment Opportunities. The pay-for-success partnership will fund intensive services to newly-released prisoners. Based on the success of the funded programs, New York State will repay investors’ capital plus a rate of return. The product was sold in class A-1 and A-2, where the former receive a ‘first-loss’ guarantee equal to approximately 10% of invested capital, and the latter do not get the guarantee.</td>
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<td><strong>Placement &amp; Distribution:</strong></td>
<td>The bond was arranged and placed by two leading double-A rated Australian banks, Westpac and CBA.</td>
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<td><strong>Bundled Product:</strong></td>
<td>The senior $7.5M social benefit bond tranche is capital protected (ie capital to be returned even if program is unsuccessful or TBS defaults). There is also a junior $2.5M tranche, which will be partially funded by TBS, the Westpac Foundation and the Commonwealth Bank of Australia (CBA) and will be marketed to other charitable foundations and philanthropists.</td>
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<tr>
<td><strong>Technical Assistance:</strong></td>
<td>The Rockefeller Foundation will provide 10% first loss protection – available to Class A-1 investors.</td>
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<td><strong>Liquidity:</strong></td>
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<td><strong>Impact Evidence:</strong></td>
<td>The goal of the program is to support families and reduce the number of kids entering the foster care system.</td>
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<td><strong>Track Record:</strong></td>
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**De-risked Product Features**
- **Downside Protection:** First-loss Protection: The Rockefeller Foundation will provide 10% first loss protection – available to Class A-1 investors.
- **Placement & Distribution:** Through Bank of America Merrill Lynch and through direct investment in the fund.

**Impact Evidence:**
- Repayment to investors is based on social outcomes, verified by a third party validator, and relies on three metrics: (1) reduction in recidivism, (2) increase in employment, and (3) compilation of a transitional job program. The first two metrics are evaluated against a control group. CHE has over 30 years experience providing intensive temporary job and employment services to former prisoners. A 2004-2007 randomized control study of its programs showed that it reduced time spent in prison by 30% over three years compared to control group.

**Target Returns:** Varies based on social outcomes. Max IRR of approximately 12.5%. Investors may lose all of their investment if the program does not meet certain measures of success.

**De-risked Product Features**
- **Downside Protection:** First-loss Protection: The Rockefeller Foundation will provide 10% first loss protection – available to Class A-1 investors.
- **Placement & Distribution:** Through Bank of America Merrill Lynch and through direct investment in the fund.

**Impact Evidence:**
- Repayment to investors is based on social outcomes, verified by a third party validator, and relies on three metrics: (1) reduction in recidivism, (2) increase in employment, and (3) compilation of a transitional job program. The first two metrics are evaluated against a control group. CHE has over 30 years experience providing intensive temporary job and employment services to former prisoners. A 2004-2007 randomized control study of its programs showed that it reduced time spent in prison by 30% over three years compared to control group.

**Target Returns:** Varies based on social outcomes. Max IRR of approximately 12.5%. Investors may lose all of their investment if the program does not meet certain measures of success.

Westpac Social Benefit Bond – Senior tranche
Australian social benefit bond focused on reducing children entering the foster care system

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<td>The Social Benefit Bond, launched in June 2013, is focused on reducing children entering the foster care system. It is expected to support up to 400 families in New South Wales over 5 years by giving them extra help to create safe homes where their children can thrive. The goal of the program is to support families and reduce the number of kids entering the foster care system.</td>
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<td><strong>Placement &amp; Distribution:</strong></td>
<td>The product was sold in class A-1 and A-2, where the former receive a ‘first-loss’ guarantee equal to approximately 10% of invested capital, and the latter do not get the guarantee.</td>
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**De-risked Product Features**
- **Downside Protection:** First-loss Protection: The Rockefeller Foundation will provide 10% first loss protection – available to Class A-1 investors.
- **Placement & Distribution:** Through Bank of America Merrill Lynch and through direct investment in the fund.

**Impact Evidence:**
- Repayment to investors is based on social outcomes, verified by a third party validator, and relies on three metrics: (1) reduction in recidivism, (2) increase in employment, and (3) compilation of a transitional job program. The first two metrics are evaluated against a control group. CHE has over 30 years experience providing intensive temporary job and employment services to former prisoners. A 2004-2007 randomized control study of its programs showed that it reduced time spent in prison by 30% over three years compared to control group.

**Target Returns:** Varies based on social outcomes. Max IRR of approximately 12.5%. Investors may lose all of their investment if the program does not meet certain measures of success.

**De-risked Product Features**
- **Downside Protection:** First-loss Protection: The Rockefeller Foundation will provide 10% first loss protection – available to Class A-1 investors.
- **Placement & Distribution:** Through Bank of America Merrill Lynch and through direct investment in the fund.

**Impact Evidence:**
- Repayment to investors is based on social outcomes, verified by a third party validator, and relies on three metrics: (1) reduction in recidivism, (2) increase in employment, and (3) compilation of a transitional job program. The first two metrics are evaluated against a control group. CHE has over 30 years experience providing intensive temporary job and employment services to former prisoners. A 2004-2007 randomized control study of its programs showed that it reduced time spent in prison by 30% over three years compared to control group.

**Target Returns:** Varies based on social outcomes. Max IRR of approximately 12.5%. Investors may lose all of their investment if the program does not meet certain measures of success.