


WAYS TO INVEST IN THE SDG'S

PETER LUPOFF

NET IMPACT

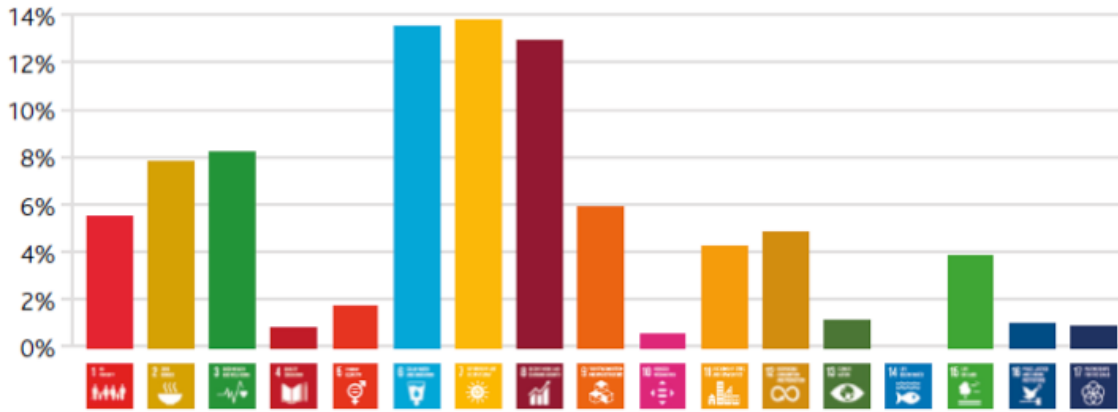




Net Impact mobilizes our community of students and young professionals to use their skills and careers to drive transformational social and environmental change.

Over 100,000 strong, our emerging leaders take on social challenges, protect the environment and orient businesses and products toward the greater good.





WAYS TO INVEST IN THE SDG'S

Articulating Mission and Values – The Road Map, The Impact Plan

- **Motivation: Why are You Interested in Impact Investing, the SDG's as a Lens?**
 - Believe in ability to get economic return while making positive social/environmental impact
 - Heritage, Expression of Values, Legacy
- **Issues: What Issues Do You Seek to Address Through Investment?**
 - Social/Environmental
 - Geographic
- **Create an Impact Plan - Akin to the Mission Statement of any Social Enterprise**
 - Component of business plan, informs culture and daily activities
- **UN Sustainable Development Goals (SDG's) Have Become the Accepted Way to Express Impact Objectives**



SUSTAINABLE DEVELOPMENT GOALS



The Social/Environmental Menu

- Access to energy
- Access to financial services
- Access to information
- Affordable housing
- Agricultural productivity
- Capacity building
- Community development
- Conflict resolution
- Disease-specific prevention and mitigation
- Employment generation
- Equality and empowerment
- Food security
- Generate funds for charitable giving

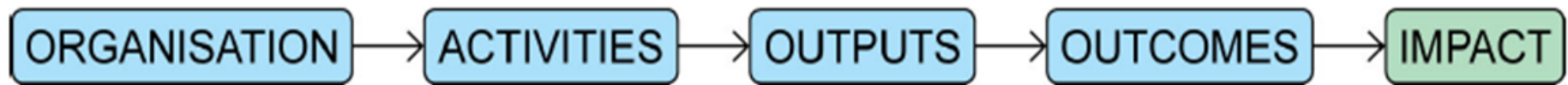
- Natural resources conservation
- Pollution prevention & waste management
- Sustainable energy
- Sustainable land use
- Water resources management

Articulating Mission and Values - The Road Map Guiding the Impact Plan

- **Approaches: The How and When of Your Theory of “Change”**
 - Through policy, advocacy, research, grassroots, national vs local
 - In Support of Philanthropic Efforts or to Attract More Traditional Capital?
 - Really, at what stage are you investing?
- **Involvement: The Who. How Engaged do you want to be?**
 - Active vs Passive, deals vs Funds
 - “Hands dirty”?
 - The “3 currencies of value” – cash, effort, contacts
- **Evaluation: What is Your Time Horizon, Definition of “Success”?**

Applying the Impact Plan, Articulating the Mission

- **The Impact Plan Sets Out What is Your Purpose, What You will Do to Achieve this Purpose and what is “Success”**
 - The Impact Plan is a sort of “chain”, connecting an organization via its activities, to its outputs, outcomes and impact
- **Social Enterprises will Have an Impact Plan, an Impact Investor Should as Well**
 - Enterprises will consider Impact Risk and Impact Generation, in addition to economic return objectives
 - An Impact Investor will look to their managers (if passive) or deals (if active) to make the same assessment
 - Social Enterprises and Impact Investors can fail to achieve their projected impact, financial return or both



Asset Allocation - Investment Options for Driving Impact & Financial Returns Across Various Asset Classes

	CASH	FIXED INCOME	PUBLIC EQUITIES	PRIVATE EQUITIES
Above ↑	<ul style="list-style-type: none"> • FDIC Insured CDs • Community Bank CDs and Money Market 	<ul style="list-style-type: none"> • SRI Corporate Bonds • Gov't Credit • CRA Qualified Bonds • Small Business Loans • Micro-Finance • International Bonds • Municipal Bonds 	<ul style="list-style-type: none"> • Global Sustainable • Passive Sustainable • Socially Screened • Domestic • International • Small Cap Specialty • Alternative Energy • Healthy Living/Wellness 	<ul style="list-style-type: none"> • Private Equity Funds • Sustainable Funds • Alternative Funds • Clean Tech • Green Real Estate • Direct Private Equity • Sustainable Forestry and Agriculture Funds
Market Rate				
↓ Below	<ul style="list-style-type: none"> • Community Bank CDs and Money Markets 	<ul style="list-style-type: none"> • Community Loan Funds • Loan Guarantees • Micro-Finance • CDFI linked deposits • PRIs 		<ul style="list-style-type: none"> • Direct Private Equity

CASE STUDIES – RSL, KL FELICITAS, CALVERT – IMPACT PLAN AND APPLICATION



RSL Social Finance

Founded in 1936, charitable until late '90s and expanded for-profit

Offers funds (mostly debt)
Deeply entrepreneurial seeking “breakthrough ideas” at intersection of social change and finance

Impact First Investor



KL Felicitas

Founded in 2000, a logical extension of Charly and Lisa Kleisner core beliefs

Grants, social loans, loan guarantees and private equity
Commitment to high touch and “holistic approach”
Both Impact First and Financial First Investments



Calvert Foundation

Launched in 1988 with mission to maximize flow of capital to disadvantaged communities

Offers community notes at below-market interest rate; Donor advised funds
Impact First Investor

CASE STUDIES - TRANSLATING IMPACT THEMES INTO IMPACT INVESTMENTS



RSL Social Finance



KL Felicitas



Calvert Foundation

Food & Ag: region-first and sustainable practices

Education: intellectual, emotional, aesthetic and social needs of children, adults; job training, consumer education

Ecological: energy/eco-efficiency, green products, remediation, environmental trusts and defense

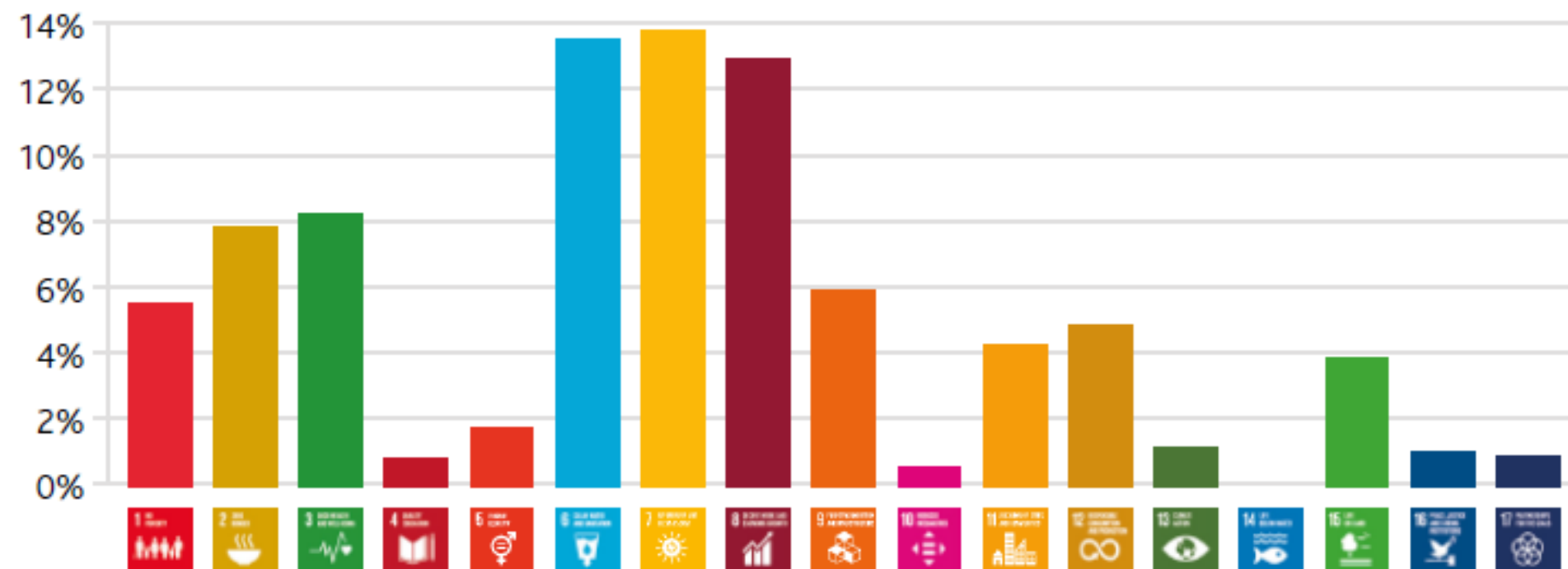
Broad Mandate: Seeking social enterprises that 1) provide goods & services to the poor; 2) employ poor/disadvantaged; 3) are majority-owned by poor/disadvantaged communities

Emphasis on rural communities and families (skews US domestic)

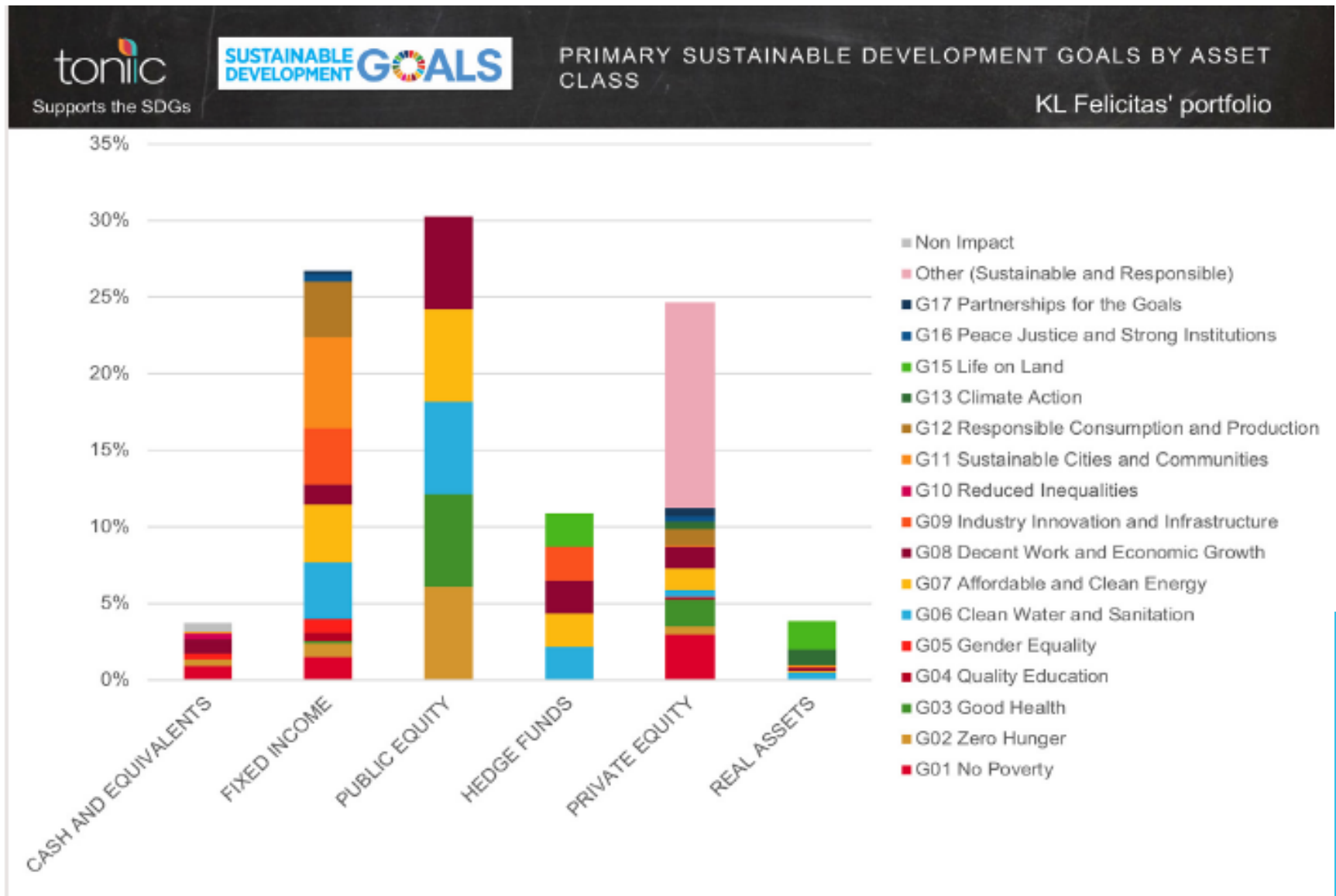
End Poverty: Financing local (US) community development financial institutions, affordable housing developers, other local social enterprises

Invests overseas via microfinance, fair-trade, community development initiatives

KL FELICITAS IMPACT PORTFOLIO WEIGHTING BY SDG



KL FELICITAS IMPACT PORTFOLIO WEIGHTING BY ASSET CLASS























Implementation- the Devil is in the Details (and where you are coming from)

- **The Impact Aspect Makes Particularly Prone to Execution Shortcomings**
 - Unlike traditional investing, with research, trading, portfolio management, operations, legal, tax, accounting obligations pretty well understood, the Impact Component of Returns is the 'unflexed muscle' for traditional managers
 - Unlike philanthropy, and training in Socially Responsible Investment (criteria), the inverse - Traditional Investing Disciplines - is how those migrating from philanthropy could get in trouble (the 'unflexed muscle')
- **Conflicts of Interest that Can Occur with Twin Goals of Financial and Impact Returns**
 - Lack of consensus on measurement of Impact
 - Lack of consensus amongst Investment Firm, Sources of Capital, Investment Companies on objects
 - Imposition of Philanthropic perspective on due diligence, returns
 - Work out conflicts (do we undo the impact while reaching to recover financially?)

XYZ Family Office - Investment Policy Statement

Appendix

1. Better livelihoods for underserved communities	      
2. Women's education and employment opportunities	   
3. Infrastructure for sustainable and impact investing	 
4. Sustainable food and agriculture	  
5. Climate change mitigation and resource efficiency	   

XYZ Family Office - Impact Data Summary

	<ul style="list-style-type: none"> • 37.3 million people with access to basic services • Over 26 million people benefitting from cost savings generated • \$5.2bn in savings generated • 15,700 mortgages or loans for affordable housing 		<ul style="list-style-type: none"> • 6 million customers with affordable, clean energy products • 17.8 million metric tonnes of greenhouse gas (GHG) emissions, including CO₂, avoided or offset—equivalent to that produced annually by 3.8 million cars²³ • 2.7 million MWh renewable energy generated—equivalent to average annual energy use of 685,000 U.K. households²⁴
	<ul style="list-style-type: none"> • \$33.7m loans disbursed to agri-businesses • 665,000 smallholder farmers reached with loans • 397,500 hectares of land under sustainable management or cultivation—equivalent to almost one million football pitches • Over 26,000 tons of organic or fair trade food produced—equivalent to 48 million meals[†] 		<ul style="list-style-type: none"> • 1,300 small and growing businesses received loans and 86 microfinance institutions financed • \$107m disbursed or invested in small and growing businesses (SGBs) with environmental and social impact • 65,000 jobs created by commercial loans and stakeholders supported directly with income
	<ul style="list-style-type: none"> • Over 1.3 million people with access to healthcare and healthcare support • 115,000 people breathing cleaner air 		<ul style="list-style-type: none"> • 21,300 acres of land permanently protected—equivalent to over 20,000 football pitches • 600,000 acres of land restored or under sustainable management—equivalent to the size of Mauritius • 472 miles of stream protected or restored—equivalent to more than twice the length of the River Thames
	<ul style="list-style-type: none"> • 633 million litres of water purified in 2016—equivalent to daily basic requirements of 1.7 million households[‡] • 1,134 active toilets with over 53,436 daily uses • 2,469 metric tons of waste safely removed and treated • 69,000 acres of freshwater bodies and wetlands present on protected and sustainably managed land 		<p>* Several of the IIF investors contribute to SDGs beyond the seven listed above. The Social Stock Exchange and ImpactAssets, for example, contribute to SDG 17 (Partnerships for the Goals) by mobilising capital towards impact investments, and Purpose Global runs campaigns on several issues, such as gun violence (SDG 16) and climate change (SDG 13).</p> <p>† United States Department of Agriculture defines a meal as 1.2lbs of food.</p> <p>‡ World Health Organisation specifies that between 50 and 100 litres of water per person per day are required to meet basic needs.</p>

XYZ Family Office 100% Impact Portfolio

SDGs	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Access Capital Community Investment Fund	✓		✓					✓			✓						
Acumen Capital Markets I, LP	✓	✓	✓				✓	✓									
Adobe Social Mezzanine Fund I, LP	✓		✓	✓				✓			✓						
Asia Environmental Partners (Offshore) LP						✓	✓					✓	✓				
Beantooth Capital I & II, LP						✓							✓		✓		
Better Ventures II, LP	✓		✓				✓	✓									
BioLite			✓				✓										
Cleantech Europe I (B) and II (A) (Zouk Capital)							✓					✓					
Core Innovation Capital I	✓																
DWM Microfinance Fund	✓				✓			✓									
Eco Trust Forests II						✓		✓							✓		
Ecosystem Investment Partners II, LP						✓							✓		✓		
EKO Green Carbon Fund												✓	✓		✓		
FAIM (Forestry & Agricultural Investment Management)	✓	✓															
FoodStand			✓														
Global Partnerships/ Eleos Social Venture Fund LLC	✓		✓	✓		✓	✓										
Grassroots Business Fund	✓							✓									
ImpactAssets	✓	✓															✓
Kealopiko Inc.	✓				✓			✓				✓					
Living Forest															✓		
lyme Forest Fund III TE, LP						✓							✓		✓		
MA'O Organic Farms		✓		✓													
MicroVest Fund IIA	✓				✓			✓									
MicroVest GMG Local Credit Fund, Ltd	✓				✓			✓									
MicroVest Short Duration Fund LP	✓				✓			✓									
MicroVest+ Plus LP	✓				✓			✓									
Persistent Energy Partners	✓						✓										
Pico Bonito Real Assets Real Estate															✓		
Purpose Global LLC			✓										✓			✓	
RSF Social Finance		✓		✓								✓					
Sail Safe Water Partners LP/ WaterHealth Int.			✓			✓		✓									
SMVWheels	✓							✓			✓						
Social Impact Partnership																✓	
Social Stock Exchange																	✓
Sonen Global Equity		✓	✓			✓	✓	✓									
Sonen Global Fixed Income						✓	✓		✓		✓	✓					
Sonen Global Multi Strategy Irish Feeder						✓	✓	✓	✓						✓		
Sonen Global Sustainable Real Assets							✓				✓				✓		
Southern Bancorp CD	✓							✓			✓						
Triodos Sustainable Trade	✓	✓						✓		✓							

XYZ Family Office Impact Portfolio by SDG



Reporting by SDG

SDG 1: NO POVERTY

End poverty in all its forms everywhere



19 Investees*

- KLF investments have contributed to SDG 1 through:
- 37.3 million people with access to basic services;¹
 - over 26 million people benefitting from cost savings generated;²
 - \$5.2bn in savings generated;³ and
 - 15,700 mortgages or loans for affordable housing.⁴

Outcome UN 1.2: Reduce individuals living below national poverty line

Acumen Capital Markets I (ACMI) finances companies that are working in a variety of ways to tackle poverty. For example, ACMI investee NRSP Microfinance Bank offers microcredit, savings, and other banking services to rural Pakistan with a focus on agri-finance services to low-income farmers. ACMI supports their investees to implement Acumen's Lean Data approach—using light touch surveys to understand key impact issues, including the proportion of customers living below international poverty lines. Lean Data surveys reveal that an average of 55% of ACMI's 25.4 million portfolio companies' customers, around 14 million people, live below international poverty lines. **FAIM** works to reduce poverty in farming communities by producing virus free plants for food security. Through seasonal working capital loans, **Triodos Sustainable Trade Fund** helps farmers bridge the period from harvest time until final payment by their buyers.

Outcome UN 1.4: Increase individuals with access to basic services (banking, land rights, technology)

KLF is invested in four **MicroVest** funds that between them support the growth and improvement of a sustainable financial infrastructure in the countries where they operate. In 2016, MicroVest reached 12.3 million borrowers through 86 portfolio companies. **Core Innovation Capital** invests in companies that deliver more efficient, well-designed financial products that save people time and money, and create upward mobility. Core's portfolio companies reached over 25 million consumers in 2016 and saved them over \$5 billion versus the most common alternatives in the market. **ImpactAssets** has served almost 900,000 microfinance

borrowers and 11 low income financial institutions between 2011 and 2016 through its Microfinance Plus Note.

The mission of **Grassroots Business Fund (GBF)** is to grow viable businesses that generate sustainable earnings or cost savings for people in Africa, Asia, and Latin America. In 2016, GBF investees supported nearly 1.2 million individuals directly with cost savings—4.75 million people including dependents. GBF investees provided \$15.7m in annual cost savings through goods such as cook stoves and agricultural equipment. Through its women-centred finance with education initiative, **Global Partnerships / Eleos SVF Fund** aims to empower women living in poverty by investing in microfinance institutions (MFIs) that deliver credit and savings bundled with education. They have delivered education covering topics such as basic financial literacy, health, nutrition, business, and money management to over 700,000 people.

Better Ventures' investee, Sail Internet, provides fast, affordable internet for under-served communities. The **Adobe Social Mezzanine Fund I** invests in small Mexican companies that provide products and services addressing the needs of 'bottom of the pyramid' communities in Mexico, such as investees providing affordable housing.

Southern Bancorp combines traditional banking and lending services with financial development tools such as credit advice and public policy advocacy. In 2016, Southern Bancorp made 1,727 loans to support or create affordable housing, opened more than 9,000 accounts to help people save, and provided 96 clients with financial counselling. Southern Bancorp also offered free assistance to nearly 3,000 people filing their tax returns, resulting in \$6.28m in tax refunds and credits. Through the **Access Capital Community Fund**, 13,993 low-to-moderate income homebuyers have gained access to mortgages since the fund's inception and 50,789 affordable rental units have been funded.

MCE Social Capital uses a loan guarantee model to finance lending to MFIs and small and growing businesses, particularly focused on women in rural areas. Over its twelve-year history, MCE has disbursed over \$155m in loans to 104 institutions in 46 countries, with a default rate of around 2%. At the end of 2016, 410,297 additional people had received loans from MFIs financed by MCE.

Reporting by SDG

SDG 2: ZERO HUNGER

End hunger, achieve food security and improved nutrition and promote sustainable agriculture



7 Investees*

KLF investments have contributed to SDG 2 through:

- \$33.7m loans disbursed to agri-businesses;[†]
- 665,000 small holder farmers reached with loans;[‡]
- 397,500 hectares of land under sustainable management or cultivation[§] (equivalent to almost one million football pitches); and
- over 26,000 tons of organic or fair-trade food produced (equivalent to 48 million meals).

Outcome UN 2.1: End hunger and increase access to safe, nutritious and sufficient food

FAIM demonstrates modern farming techniques in developing countries and helps farms to produce virus free plants. Using FAIM plants, it is common for farmers to see five to ten times increase in crop production.

Outcome UN 2.3: Increase agricultural productivity and incomes of small-scale farmers

Sonen Global Equity provides access to a portfolio of global all cap equities optimised for financial return and impact. An example portfolio company, Trimble Inc., sells positioning technologies in the agricultural sector that help increase crop productivity through optimized water and nutrient inputs.

Triodos Sustainable Trade Fund provides finance to support the development of sustainable value chains, with a specific focus on fair trade and organic farming. Triodos'

investments target farmers in developing and emerging countries by supporting sustainable value chains to give farmers the security that they will be paid fairly and on time. €28.7m was disbursed in loans in 2016 through 28 partners, benefiting 184,000 smallholder farmers.

Acumen Capital Markets (ACMI) portfolio company Juhudi Kilimo finances agricultural assets for smallholder farmers and rural enterprises across Kenya, allowing them to purchase breeds of dairy cows that are better yielding than traditional cows. Juhudi loans have impacted 35,000 smallholder farms as of December 2016. Over 25,000 smallholder farmers have been served through the **ImpactAssets** Sustainable Agriculture note between 2011 and 2016.

Outcome UN 2.4: Increase agricultural area under productive and sustainable agriculture

MA'O Organic Farms is a certified organic farm which addresses food insecurity in Hawaii by growing and distributing healthy organic produce while educating, training and empowering local young adults. In 2016, MA'O produced 69 tons of organic food on nine acres of organic farmland. In 2016, **Triodos Sustainable Trade Fund** farmers produced 126,000 metric tons of food, of which 26,000 tons was fair trade or organic. The fund's farmers farmed 98,000 hectares of sustainably cultivated land.

Reporting by SDG

SDG 6: CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all



11 Investees*

KLF investments have contributed to SDG 6 through:

- 633 million litres of water purified in 2016¹ (equivalent to daily basic requirements of 1.7 million households);²
- 1,134 active toilets with 53,436 daily uses;³
- 2,469 metric tons of waste safely removed and treated;⁴ and
- 69,000 acres of freshwater bodies and wetlands present on protected and sustainably managed land.⁵

Outcome UN 6.1: Increase in number of individuals accessing safe and affordable drinking water

WaterHealth purify local water sources to WHO drinking water quality standard—it aims to reach 100 million customers by 2020. To date, the initiative has set up more than 500 water centres which purify local water sources, giving 5 million people access to clean water.

Outcome UN 6.2: Increase in number of individuals accessing adequate sanitation and hygiene, and reduce open defecation, with special attention to the needs of women and girls

Global Partnerships / Eleos Social Venture Fund partner, **Sanergy**, had impacted 139,063 lives in 2016 through their clean, affordable toilets and their waste management business.

Outcome UN 6.4: Increase water-use efficiency to address water scarcity

Sonen Global Equity's portfolio companies demonstrate significantly lower (43%) water use and slightly lower

(3%) water intensity (m³ of water use per US\$ in sales) than the benchmark (MSCI ACWI IMI ND Index). An example of one of **Sonen Global Fixed Income's** investees is the DC Water and Sewer Municipal Bond. DC Water provides wastewater collection and treatment services to more than two million Washington metro area customers. **Sonen Global Multi Strategy** has invested in Australia's successful water rights trading market, helping restore the water ecology in the Murray Darling Basin and establishing more efficient use of water within this arid region. **Asia Environmental Partners** invests in water quality treatment infrastructure, along with other clean energy businesses.

Outcome UN 6.6: Protect and restore water-related ecosystems, including mountains, forest, wetlands, rivers, aquifers and lakes

Lyme Forest Fund III invests in US timberland and rural real estate with important conservation attributes. Land sustainably controlled by Lyme Forest Fund III in 2016 included freshwater bodies covering 37,000 acres. Since inception, **Beartooth Capital** have restored 624 acres of wetlands and ponds and 18 miles of river and creeks. Since inception **Ecosystems Investment Partners** have restored 29,000 acres of wetlands and 77 miles (124km) of streams.

The Ecotrust Forest III fund acquires industrially managed forests in the Pacific Northwest of the US for transition towards sustainable management and community-based ownership. The intended benefits of the fund's investments include protection of drinking water quality: 2,000 acres of forestland maintained by Ecotrust provide directly filtered drinking water for local communities.

SDG 17 and Capacity Building



What is unique about the Net Impact member?

Many people want to make a difference, but turning good intentions into tangible impact can be hard.

The Net Impact member is tenacious: through the Net Impact community, they gain best-in-class learning on leadership, event planning, marketing, collaboration and more.



With the help of Net Impact, members gain the skills and experiences they need to make a lasting social and environmental impact now and throughout their careers.

