

Our work as a market champion

We act as a **champion**, increasing the use of **social investment** and building understanding with charities, social enterprises and investors.

Social issue led programs



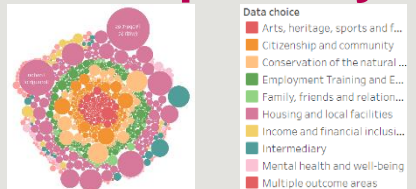
Goodfinance.org.uk



Social impact bonds



Transparency



Practical impact management



Charity Bonds



Pensions for purpose

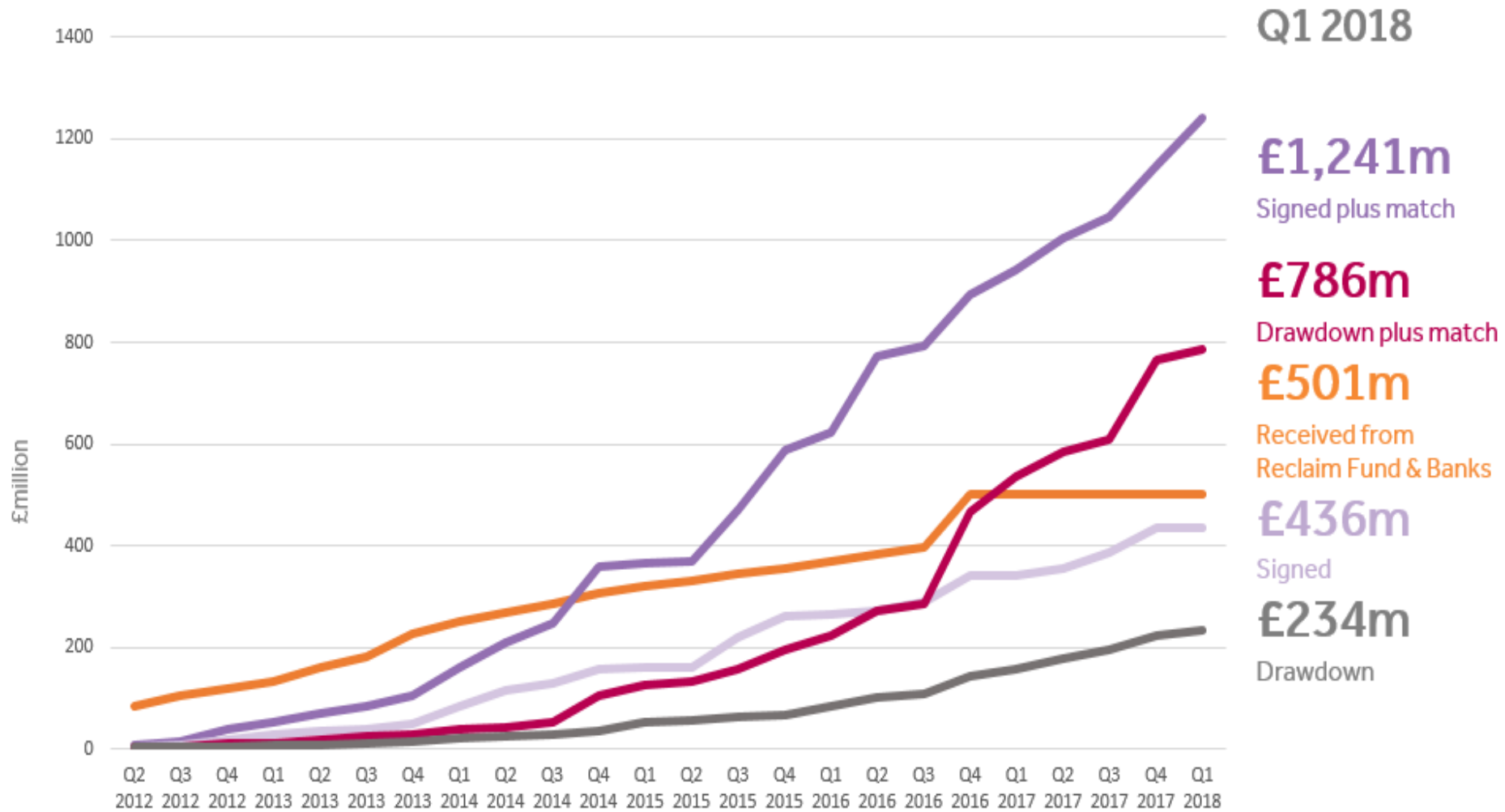


Social investment tax relief



Social venture funds

Progress on financials



Progress on impact & reporting

In six years through our investment portfolio **we have helped improve the lives of people across the UK**

Highlights include:

HOUSING AND LOCAL FACILITIES
 £370M COMMITTED 132 INVESTMENTS

2,000 
 more people live in suitable housing

87% 
 of tenants reported that finding a property has a positive impact on their support networks and relationships




98% 
 of Golden Lane residents reported that they feel safe and secure



<p>CITIZENSHIP AND COMMUNITY £43.9M COMMITTED 68 INVESTMENTS</p> <p>250,000 PEOPLE benefiting from funds raised by community energy projects</p> <p>1,500 PEOPLE use the Unit 360 Skatepark each week</p>	<p>EMPLOYMENT, TRAINING AND EDUCATION £38.6M COMMITTED 74 INVESTMENTS</p> <p>26,000 jobs and training opportunities created</p>	
<p>PHYSICAL HEALTH £23.4M COMMITTED 34 INVESTMENTS</p> <p>165,000 PEOPLE have taken part in physical activity</p>	<p>ARTS, HERITAGE, SPORT AND FAITH £23.0M COMMITTED 66 INVESTMENTS</p> <p>300,000 PEOPLE have taken part in arts and cultural events</p>	<p>MENTAL HEALTH AND WELLBEING £15.7M COMMITTED 29 INVESTMENTS</p> <p>30,000 PEOPLE are receiving online support for their mental health</p>
<p>INCOME AND FINANCIAL INCLUSION £14.3M COMMITTED 18 INVESTMENTS</p> <p>24,000 affordable loans provided</p>	<p>FAMILIES, FRIENDS AND RELATIONSHIPS £10.7M COMMITTED 28 INVESTMENTS</p> <p>5,000 children accessing nurseries or childcare</p>	<p>CONSERVATION OF THE NATURAL ENVIRONMENT £8.1M COMMITTED 9 INVESTMENTS</p> <p>2m kwh of renewable energy generated</p>

Progress on building the ecosystem



6x increase in risk capital flows in social investment	8x increase in social investment intermediaries with over £50m under management	82% of social sector agencies say they feel they understand social finance
Access created to provide small loans to small charities and social enterprises 	£ 1.25 billion available to charities and social enterprises 	1000+ charities and social enterprises have used BSC finance
71% of investments in the 50% most deprived areas	20% pa is the rate of expansion of Social investment	It recycles!
3 countries have already replicated BSC, with several more soon	Goodfinance.org.uk the online guide to social investment	£ 2.40  of co-investment for every £1 of BSC

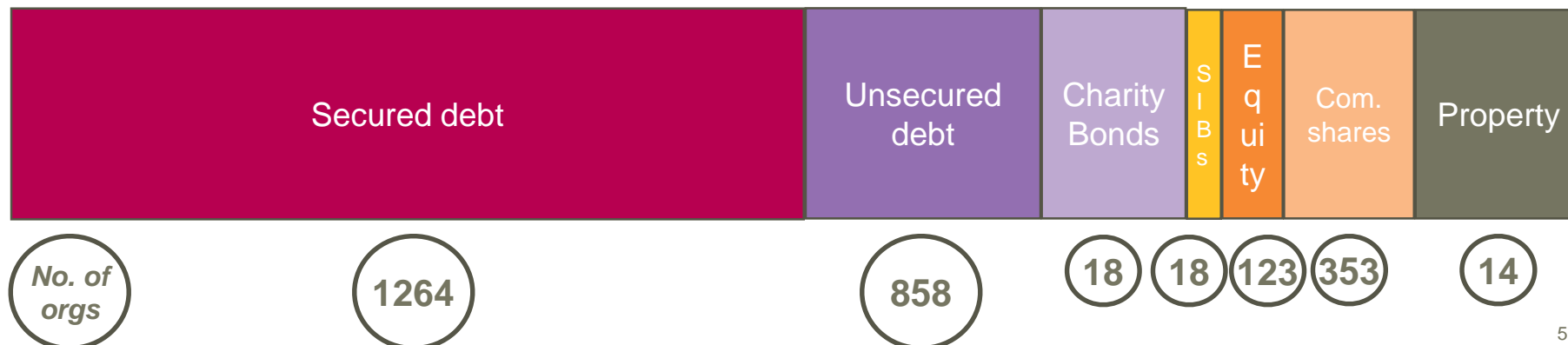
BSC commitments have increased product diversity...

BSC committed investments



 BSC significant role in establishing/expanding

Social Investment Market (outstanding investments)



WHY HAVE AN IMPACT INVESTMENT WHOLESALER?



The challenges facing society are growing.

Governments and philanthropy are struggling.

The financial system is poorly aligned to solving these problems and faces lack of trust.

Impactful enterprises struggle to raise the capital they need to deliver at scale.

As a result, people remain excluded and in disadvantage.

There are some serious market gaps including:-

- > origination
- > long term capital
- > mispricing of risk
- > misaligned incentives
- > secondary market gaps
- > scale and complexity
- > viability of intermediaries
- > opaque investment terms
- > poor navigation

The good news is that we have a growing number of investors that are seeking opportunities and products which are trusted and deliver positive impact.

Impact intermediaries are developing.

Impact finance can put fuel in the tank of the growing movement of impact enterprises.

Technology and innovation is creating new opportunities.

Impact focused agencies can help people step forward and out of disadvantage.

However this is not yet operating as scale, nor fast enough to meet the challenges.

Impact investment wholesalers can speed up the development of impact ecosystems.

We need to move now, to grasp the momentum of investors and enterprises at this critical point of opportunity.

A GSG WORKING GROUP IS FINALISING A REPORT ON IMPACT INVESTMENT WHOLESALERS

Creating and running impact investment wholesalers

Definitions

The value created

Case studies

Options for capitalisation

Framework for appropriate choices for each country

WHAT IS AN IMPACT INVESTING WHOLESALER?

An impact investment wholesaler is dedicated to

- > achieving measurable positive impact on people and planet,
- > by providing catalytic financing to funds, other intermediaries and enterprises,
- > drawing in additional capital, and
- > supporting the development of the impact ecosystem

KEY CHARACTERISTICS OF IMPACT INVESTING WHOLESALERS

- Focuses on goals, **adjusting** its theory of change and practice as it learns
- **Puts the social issue first** and designs financial engineering to suit
- **Provides investment capital**, through funds, other intermediaries and enterprises
- Develops its market **beyond its own investments**
- Upholds a high standard of **ethical impact focused practice**
- **Measures, manages and reports its impact**
eg utilising the Impact Management Convention
- ...and may have a number of other roles depending on country circumstances

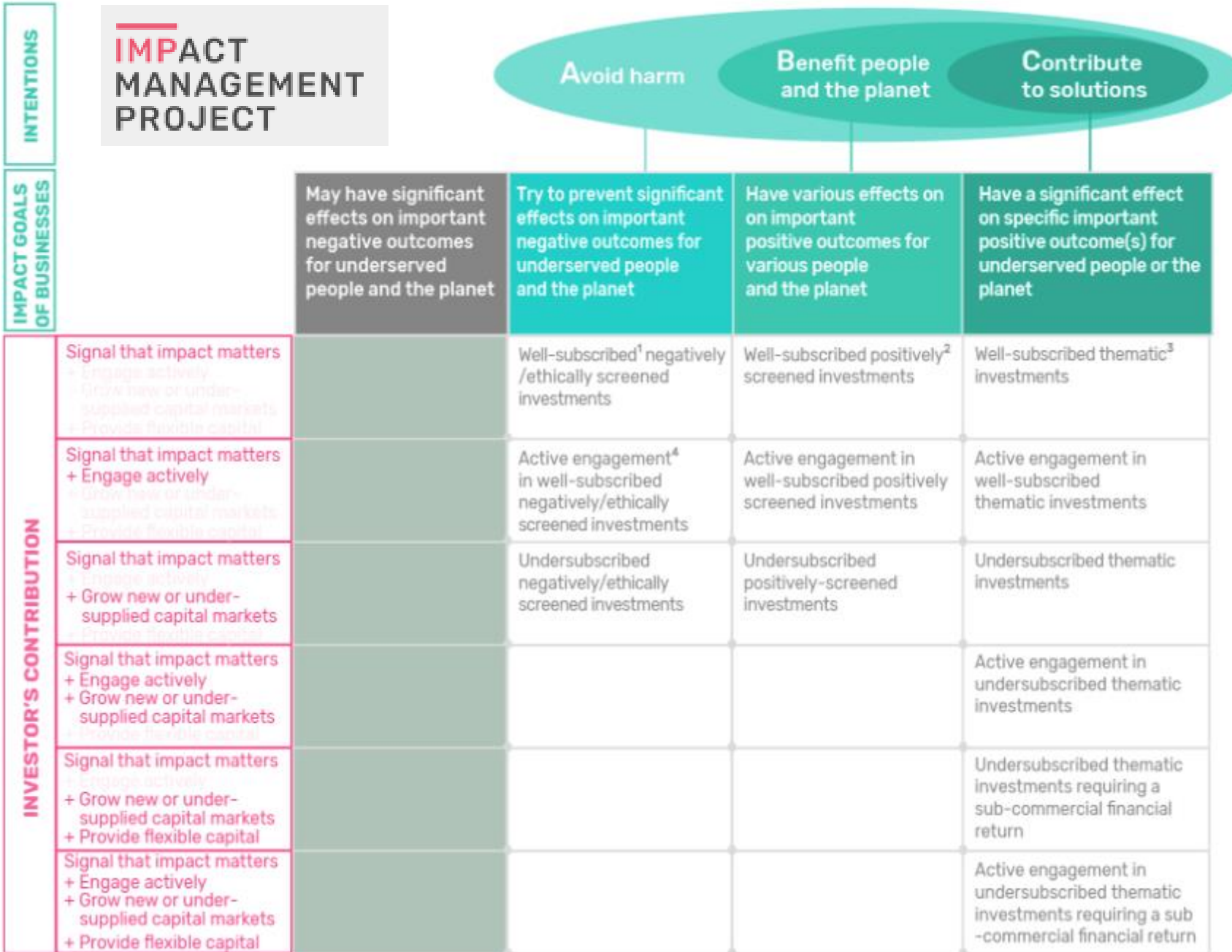
WHAT CAN WHOLESALE IMPACT INVESTOR DO?



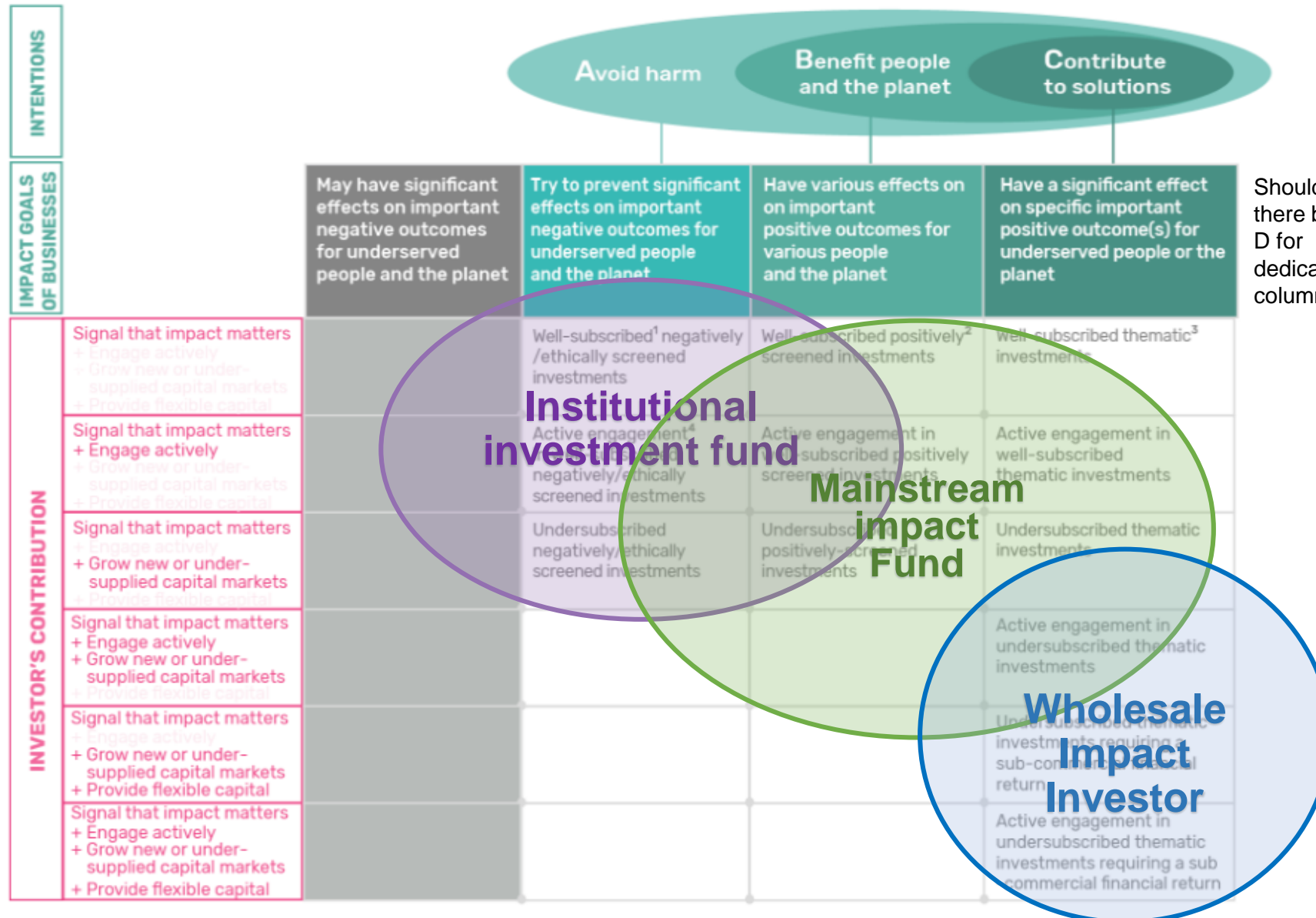
- Build **capacity & scale** of intermediaries that meet the needs of impact enterprises
- A **pool of capital** which can leverage in additional investment at multiple levels
- Uses **market wide perspective** to take stock of the landscape, strategically allocate resources, and create new instruments and models
- **Long term** leading a shift in culture in tackling society's problems
- Provide **confidence** to enterprise and intermediary layers
- Self-sufficient, independent, sector agnostic, **allowing agility**
- **Trilingual** conversations with coinvestors, intermediaries, front line organisations
- Act as **knowledge aggregator** and partner around the breadth and depth of complex social issues and impact finance
- Be embedded in and ecosystem with capability to **spread best practice**
- Build a **diverse & resilient market**, rather than being a monopoly

CREATING MULTIPLE IMPACTS

- Contributing to **deep impact** in underserved areas and themes, at the front line
- **Developing the market** which will engender further deep impact at the front line
- Being committed for the **long term** to deep impact, both at wholesaler and front line levels, so that the capacity built through investment sustains and grows impact for the long term, **improving endurance risk**
- Helping impact enterprises to reach the stage where **mainstream** funds can invest



MAPPING WHOLESALE IMPACT INVESTORS VIA IMPACT MANAGEMENT PROJECT



Should there be a D for dedicated column?

South Korea Social Benefit Fund: Executive Summary

- Korean government finalized its “Promotion Policy for Social Finance”
 - includes a plan to establish a **wholesale fund**
- Announcement made by Prime Minister on 8 Feb, 2018,
 - supports from Ministries of Finance, Strategy, Employment & Labor, and SME & Startups (Presidential approval already obtained)
- The fund will raise **300 B Won** (about 290 M USD) for the next five years
- More than **50% should come from private sector**, remainder from **government**
- Preparation for SBF will start immediately with target launch by the end of 2018
- Operations and governance of SBF will be private-based
 - the government promises to play the assistance and support roles
- Social finance in Korea is nascent
 - grants and subsidies are common, investment and loans are not frequently used
- **Fully wholesale** no direct investment
- **Independent** governance
- Government will initiate “Social Finance Intermediaries Certification System”
 - to pre-select a group of dedicated intermediaries
- Related measures to increase lending and guarantees to social organisations
 - including funds for specific areas of work from the relevant ministries
- Commenced work late 2017, launch expected late 2018

Australia: “blueprint to market” for Impact Capital Australia

- Led by Impact Investing Australia and the Australia National Advisory Board
- Building on **existing social sector activity** and intermediary funds
- Aim is to add scale and provide a multiplier effect
- Intended as **majority wholesaler, minority direct funds**, plus market developer
- Gathered wide support across social and financial sectors
- **Independent** of government, collaborative with partners
- Wide deployment universe: all areas of social need
- Seeking Australian\$300 M
- Target **50-60% governments and 30-40% financial institutions, 10% philanthropy**
- Improving lives, reducing demands on government services
- Strong business plan and support but still no government agreement



In collaboration with:



ATKearney

ashurst



Portugal Social Innovation, Portugal



Origins

The European Structural and Investment Funds allotted €25.8 B to Portugal over 2014-2020.^[iii] Portugal's Minister of Regional Development wrote the plan to allocate that money. Over 2013 and 2014, MAZE (formerly the Laboratório Investimento Social) lobbied the Minister to allocate some of the money to impact investment instruments.

Basics	
Purpose	To catalyze the social investment market as a way to generate new solutions for social problems.
Year Opened	2014
Geographic Limits	Portugal outside Lisbon and the Algarve
Amount Held	€125 M (€70 M to give grants and €55 M to invest)
Amount Invested	Not yet investing
Amount Given as Grant	€3.5 M in capacity-building grants (99 grants) €7 M in venture philanthropy grants (35 grants) €1.5 M in social impact bond outcome payments (three social impact bonds)
Amount Co-Invested	Not yet investing
Grantees	Social enterprises, venture philanthropists and social purpose organizations
Investees	Equity: For-profit social enterprises Debt: Nonprofit and for-profit social enterprises
Investment Tools	Equity investments and loan guarantees
Source of Capital	European Structural and Investment Funds (85%) and the Portuguese government (15%)

[Model in design], Japan



Origins

Japan's wholesaler grew out of worry that the country's philanthropic resources could not match the social problems of an aging society. Japanese donors gave an amount equivalent to about 0.2% of GDP in 2014, compared to 1.5% in the US and 0.6% in the UK.

Japan Fundraising Association. (2015). *Giving Japan 2015*

Basics	
Purpose	To promote solutions to social problems difficult for the public sector to address.
Year to Open	2019
Geographic Limits	Japan
Amount Held	~¥70 B per year (projected) - cUS\$ 500 M
Amount Invested	Not yet operating, expected to be 20%
Amount Given as Grant	Not yet operating, expected to be 80%
Amount Co-Invested	Not yet operating
Immediate Investees / Grantees	Regional and community foundations
Final Investees / Grantees	Social purpose organizations
Financial Tools	Grants, loans and investments
Source of Capital	Dormant accounts

Sources of finance for wholesalers



- Dormant accounts
- Public financial institutions
- Government spend
- Institutional investors
- Other sources

Challenges for investing in impact

- **Origination:** lacking the skills to originate for both impact and return
- **Complexity:** adds burden for investors
- **Misjudged risk:** insufficient information to accurately estimate risk
- **Flexibility:** few investors can tolerate illiquid, small size, high risk, low prices
- **Weak secondary markets:** exiting a social enterprise can be complex; most investments in social enterprises are not tradeable

Theory of change

- Market failure model
- Capitalising social sector model

Designing a wholesaler

- What are you trying to achieve?
- Build a market or be the market?
- Measuring and managing impact
- Governance
- How much money is right?
- Pricing your capital
- Involving co-investors
- Eligibility questions
- Wholesale or retail or both
- Investment or also grants?
- What kind of staff?

Lessons learned

- Agility in the market
- Recognising where you are most useful
- Developing the market not becoming the market
- Timelines and resilience

Social enterprises can improve people's lives

Social impact investment can boost the capacity of social enterprises

Impact investment wholesalers can speed up the development of social impact investment

Creating a market development agency builds an effective and lasting ecosystem