

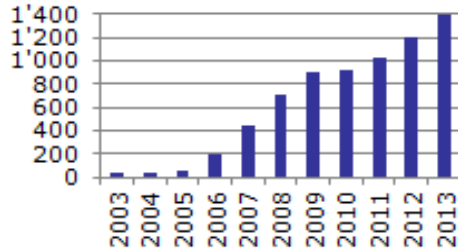
Impact Investments: How Mature is the Industry?

14th Lunch & Learn Chaire Philanthropie ESSEC



responsAbility at a Glance

Who we are



- Private Asset Management Company Founded in 2003
- Over 1.4 billion in Asset Under Man
- Products in various asset classes (debt, equity, etc.)
- Focus on investment themes: Finance, Agriculture, Healthcare, Energy and Education
- Geographical focus: Emerging Economies
- 100 employees
- 5 offices in Switzerland, France, Peru, Kenya, India
- FINMA-regulated asset manager
- Strong focus on risk management, transparent reporting and corporate governance

The Impact Investment Ecosystem

One term with many meanings!



- The term, as such, became popular in **2009**, and the industry has basically adopted the Global Impact Investment Network (GIIN) definition, which states that “**investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return**”
- Regarding **sectors or sub-segments**, most of the industry players agree on the following typology:
 - Access to Finance, Agriculture/Fair Trade, Access to Energy, Access to Water
 - Access to Education, Environment, Housing & Community Infrastructure
- Across the globe more than **300 impact investment funds**, including socially responsible investing vehicles (SRI), microfinance investment structures, Bottom of the Pyramid (BoP) venture funds, and others, are active in this sector.
- Many **foundations** (Rockefeller, Omidyar, Gates), **networks** (Global Impact Investing Network GIIN, Aspen Development Entrepreneurs Network ANDE, European Venture Philanthropy Association EVPA), **academic institutions** (Duke, Harvard, Oxford), **specialized asset managers** (responsAbility, Triodos, Bamboo Finance), and **mainstream financial institutions** (JPMorgan, UBS, Deutsche Bank) have entered this space

Impact Investing – the next hot topic?

Big players are moving in – a global trend?

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Impact investing: Doing good, doing well.

Attitudes to achieving a social impact are changing. Where once philanthropy and charitable donations were seen as the only means of assisting communities in need, now the philosophy of impact investing is taking root amongst private investors and companies alike.

Marco Marconi, Head of Philanthropy and Values-Based Investing, examines the philosophy and impetus behind this investment style and asks how it can address development issues in Asia.

What is 'impact investing'?
Some years ago, when eBay founder Pierre Omidyar announced he was managing part of his foundation assets in a way that would both further social good and generate financial returns, he joined a growing movement of thought leaders. They are united in the belief that delivering social change at scale requires more capital than classical philanthropy and government resources can provide.

Dubbed 'impact investing', this investment style aims to balance the quest for profit with meeting environmental and human needs. By applying the financial mindset that investments should generate returns, social and environmental returns are measured alongside financial returns—via more accurate benchmarks and measurable outcomes.



Deutsche Bank launches Impact Investment Fund I

November 2011 | London

Deutsche Bank is proud to announce the launch of its 'Impact Investment Fund I'. It will seek to provide finance to social enterprises via intermediaries with the aim of generating both positive social impact and a financial return, as well as seeking to play a role in encouraging and developing the social finance market. Deutsche Bank is the first investment bank to create a discrete, ring-fenced fund to invest in this nascent asset class, which complements our Corporate Social Responsibility (CSR) activities in the UK.

The fund itself will be to a maximum of £10million, to be invested over the next three years, and to be repaid over 10 years. Deutsche Bank has created a bespoke Social Impact Scorecard that takes a weighted approach to assessing an investment. The Scorecard assesses the targeted financial return, the anticipated social impact, the governance and transparency of reporting and how a particular transaction is helping to develop the market overall.

Investments will be centred around three of the Bank's five global CSR pillars: education, sustainability and social investments.



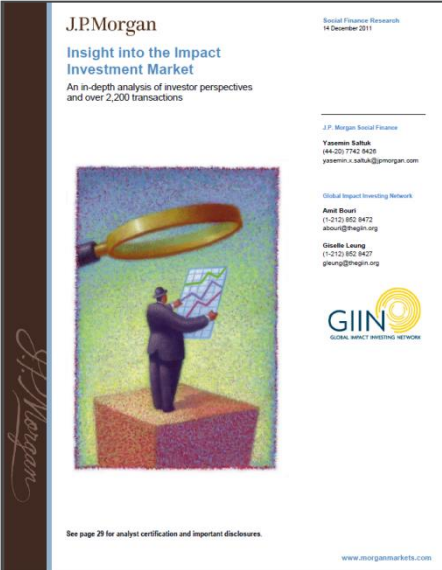
Research Institute

Thought leadership from Credit Suisse Research and the world's foremost experts



Investing for impact

How social entrepreneurship is redefining the meaning of return



J.P.Morgan

Insight into the Impact Investment Market

An in-depth analysis of investor perspectives and over 2,000 transactions

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GIIN
GLOBAL IMPACT INVESTING NETWORK

See page 29 for analyst certification and important disclosures.

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Capital Markets for Social Good







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Startseite » Invest » Impact Investing: Rendite für alle

INVEST BILANZ 13/11 01.07.2011

Von: Hansjörg Ryser

Impact Investing: Rendite für alle

Die Finanzierung sozialer Projekte wird zur neuen Anlageklasse.

EU to boost Social Entrepreneurship Funds

Source: unquote | 12 Jan 2012



The European Commission has proposed an initiative to stimulate and stabilise investments in social businesses across the EU, in order to drive sustainable economic growth. Anneken Tappe reports

- Broadly speaking, impact investors fall into two **categories**:
 - ❖ **“Impact first” investors** who aim to maximize social and environmental impact and are prepared to accept below market-rate returns
 - ❖ **“Finance First” investors** who seek investment vehicles that offer market-rate or above returns while secondarily generating social or environmental impact
- In the past 4 years, there has been an ongoing penetration of the impact investment marketplace of potential investors and partners who bring a range of interests
 - ❖ **Foundations and DFIs:** Supporting the public good infrastructure, test new models for scaling social change; and engaging with co-investment partners to share risk, and leverage their asset (Rockefeller, Omidyar, DFID, USAID)
 - ❖ **Banks and conventional capital:** Seeking partners who can share risk and/or deliver subsidy that enables them to more fully address local credit and other needs (JPMorgan Social Finance, UBS)
 - ❖ **Intermediaries:** Seeking the opportunity to mobilize capital for the replication and scaling of tested models and the development of new models to solve additional problems (Acumen Fund, Root Capital)
 - ❖ **Governments:** Needing a range of private sector partners to leverage scarce public resources (UK’s Big Society Capital, NY Social Impact Bond)

The Impact Investment Ecosystem

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One industry with many numbers

~200

IMPACT INVESTMENT FUNDS
GLOBALLY¹

8

BILLION
IN COMMITTED CAPITAL IN
2012²

25

MILLION (US\$)
MEDIAN IMPACT INVESTMENT
SIZE IN 2012²

34

PERCENT
IMPACT FUNDS INVESTING IN
SUB-SAHARAN AFRICA²

1

TRILLION (US\$)
OPTIMISTIC MARKET
POTENTIAL ESTIMATE BY
2020³

47

BILLION (US\$)
ASSETS THAT US FOUNDATIONS
DEPLOY TO IMPACT INVESTING⁴

48

PERCENT
UK PENSION FUNDS THAT EXPECT
TO HOLD IMPACT INVESTMENT
POSITIONS BY 2014⁵

268

COMPANIES
COMPANIES RATED BY
GIIRs IN Q32012*

106

ORGANIZATIONS
MEMBERS OF GIINT

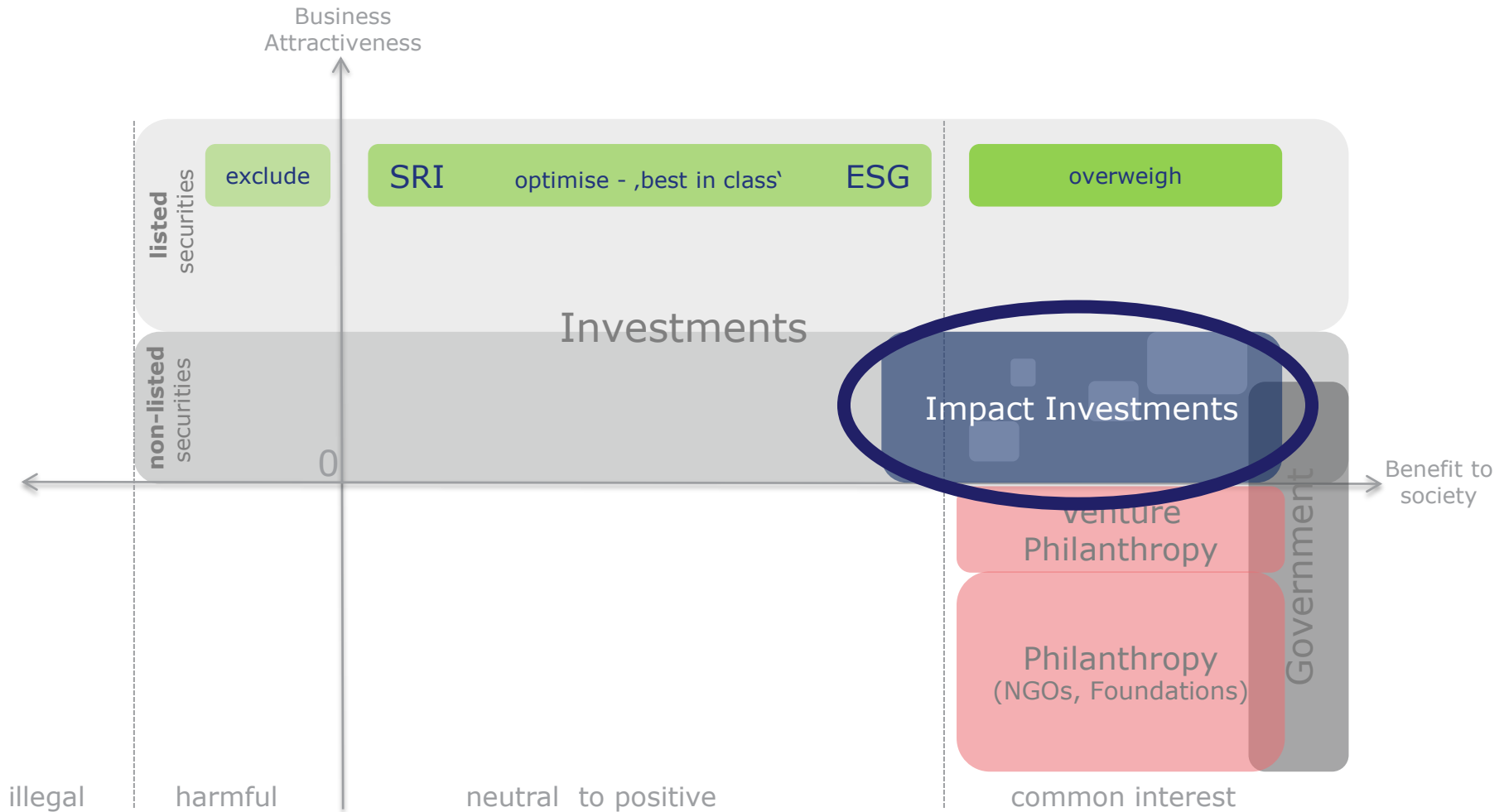
Source: World Economic Forum

- Based on the databases ImpactAsset 50 and GIIN ImpactBase, the top 50+ impact investing funds active in developing countries represent almost **US\$9.0 billion of Asset under Management (AuM)**
- When looking at **sub-segments of impact investing**, and specifically within “access to finance”, **over 72% of AuM is related to microfinance investing** and managed by microfinance asset managers.
- Other sectors with significant assets are:
 - ❖ Small and Medium Enterprise Finance (US\$1.3 billion)
 - ❖ Agribusiness (US\$585mm)
 - ❖ BoP services: Education, Health, Water (US\$250mm)
 - ❖ Environment (US\$220mm)
- **Public investors and donors** are the main providers of funding while about one third of the assets raised came exclusively from private individual and institutional investors
- The majority of the sampled funds (based on AuM) are expecting **near to market rate of returns**

Mapping the Impact Investment world

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Components and the core of the cloud



- Interest in impact investing has certainly grown in the past four years reaching a **positive momentum** in flows of assets, sector infrastructure and public awareness.
- However, there are several important **challenges** that need to be addressed in order to move into a mature subsector within the investing industry:
 - ❖ Information on the **financial and social performance** of impact investments is scarce and often not available; despite emergence of robust effort to standardize these measures such as GIIRS) and IRIS
 - ❖ There have been few pooled-funds, deal syndications, or other mechanisms that could bring down the **cost and risk of executing** an impact investment strategy for a significant number of potential investors, especially from the private sector
 - ❖ The growing excitement around the **overall market potential and the higher return expectations** of some newer entrants raise important questions for industry players: Are we creating inflated expectations that can't be met?
- Experts believe that this industry should build and **learn on the back of years of investing in microfinance**, and stakeholders should take stock of the lessons already learned from that sector.

Thank you for your Attention

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