

THE IMPACTASSETS HANDBOOK FOR INVESTORS

GENERATING SOCIAL AND ENVIRONMENTAL
VALUE THROUGH CAPITAL INVESTING

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Getting to Impact

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As we have stated throughout this book, impact investing is simply good, sound investment practice augmented with an impact lens—namely, consideration of how your capital may be invested with an eye toward various levels of financial return together with the generation of different types of social and environmental impact.

My expectation is as you approach the execution of your impact investing strategy you will follow a few key practices:

- Assess who you are, what type of values drive your life and where you want to be in years to come.
- Understand what your options are for investing and assess what you may already be invested in today, from cash to direct investments and everything in between.
- Educate yourself regarding the various strategies and approaches available to you within both impact and traditional investment options and then.
- Invest your capital with a goal of long-term performance and not short-term gain.

I also hope after you've taken the time to read the good words of those who contributed to this book, you will read other books on both impact investing and traditional investing practices, absorb the information in some of the papers you'll find on the various

resource pages we list at the end of this book and become knowledgeable yourself about these strategies before you decide to invest for impact. This is what I tell the families I advise and this is how Mia and I try to approach our own investing.

That said, some folks will enter this discussion ready to act now—to invest today with whatever amount of capital you feel appropriate and learn about impact investing by actually *doing* impact investing. If that is true of you, then you might consider engaging in some “test cases.” What I mean by that is to put your toe in the water with a smaller amount of capital to see how it goes, see how your assumptions play out and learn about the practice of impact investing through participating in a more limited way with options that could give you a chance to learn through doing. If you’re working without a formal advisor to help guide your process, should you “bet the farm” on strategies you are still learning about and at a time when you’re still exploring the overall field of impact investing? Of course not!

But there are still ways you can begin to participate in impact investing at the same time you continue to learn, experiment and educate yourself about the field and its promise. If that sounds appealing, perhaps some of the options we list below will be of interest to you!

First off, if you have your checking account with a major, international banking institution, consider moving your money to either your local community bank, a credit union or an entity such as Beneficial State Bank, New Resources Bank, Mighty Deposits or other entities providing not simply financial services, but advancing a community or sustainability agenda in the world. For more information on these ideas, see the *Move Your Money Project* website for articles and resources.

Once you have your own cash flow in order, explore some of these¹ additional options:²

Calvert Foundation (CF), through their lending fund, finances affordable housing and small business development. CF allows you to target your investment within a variety of thematic areas, such as social enterprises, community care and local development. Their community investment note can be invested in for as little as \$20 and offers a range of returns and terms (0–4 percent over 1 to 15 years).

RSF Social Investment Fund (RSF), has made hundreds of loans to for-profit and nonprofit organizations ranging from sustainable agriculture to housing and community services. For a \$1,000 minimum, you can invest for 90 days in a note with 0.75 percent interest rate, reset on a quarterly basis. RSF has hundreds of impact investors as a part of their community and connects investors with investees through a variety of activities and events. In 2014 alone, RSF lent nearly \$14 million to 70 plus social enterprises in the United States and overseas.

Cooperative Capital Fund of New England provides financing and capacity-building support to cooperative ventures, with a preference for those cooperatives located in and serving lower income neighborhoods. Investments made out of the fund act like equity for participating cooperatives, but don't require the cooperatives to surrender control to outside investors. Investors earn 5 percent per annum.

Working Capital for Community Needs (WCCN) takes investment capital from impact investors and uses it to finance entrepreneurs throughout Latin America. Over the past 25 years, they have lent approximately \$110 million and serve approximately 25,000 people per year. Two-thirds of their borrowers are women and half are from rural areas. With a \$1,000 minimum, WCCN offers an easy way to learn about and participate in microfinance.

CRA Fund (retail offering) is a bond fund available to individual, retail level impact investors. Invested capital is lent to support community development and affordable housing throughout the United States. Created with a mutual fund structure, this fund offers liquidity to investors with a \$2,000 minimum. Since inception, CRA Fund has placed over five billion dollars into the market.

Equal Exchange (EE), through a partnership with Eastern Bank, offers FDIC-insured certificates of deposit with a \$500 minimum to investors. These deposits are used to secure a line of credit that EE then draws upon to finance its fair trade purchases from farmers and cooperatives overseas. There is a 36-month term at a guaranteed fixed rate of interest.

TriLinc Global Impact Fund lends to small and medium enterprises (SMEs) in emerging markets. SMEs are often too large to receive microfinance loans, but not big enough for major commercial banks; TriLinc seeks to fill that financing gap. Minimum

investment is \$2,000 and targeted returns of about 7 percent, but investors must have a net worth of at least \$250,000 of investible capital (not including your home or other hard assets). TriLinc focuses upon sub-Saharan Africa and Latin America.

Greenbacker Renewable Energy is a limited liability company offering shares to investors starting at \$2,000 and making distributions to shareholders as well as offering share buyback, on a quarterly basis. Funds are used to support expansion of renewable energy projects primarily in the United States.

ImpactAssets (IA)—the organization producing this book!—is a nonprofit financial services organization that manages \$300 million in donor advised funds (DAFs) as well as investing its capital on an impact basis, in collaboration with its DAF clients. In 2016, IA introduced two types of investment notes (one targeting microfinance and the other sustainable agriculture) with an investor minimum of \$25,000. The notes have a five-year term and targeted financial return of 3 percent.

SerenityShares launched an impact ETF, or exchange traded fund, that invests in “solutions” oriented companies but has the traditional characteristics and liquidity of a standard ETF. Many investors like ETFs for their potential transparency and ease of management.³

And these are just the opportunities one can find after a bit of online research. New organizations and products are being launched each week, so you would do well to subscribe (for free!) to many of the newsletters various networks and impact-oriented publications offer if you are to keep up with developments in the field. While perhaps not as easy as picking prescreened options off-the-shelf, with a bit of effort you can put together a set of investments that reflect your goals and interests. Remember: make investments only in firms and products you have fully assessed and whose strategies you understand. Good marketing should not take the place of your own good due diligence!

As you are looking for opportunities, be sure to check out the offerings of some of the larger wealth management and advisory firms. While it's probably safe to say they are not going to change the face of financial capitalism, several are working to bring the power of their institutions to the challenge of bringing retail level,

impact investing products to market. For example, *Morgan Stanley* offers their Investing with Impact Access Balanced and Investing with Impact Access Equity products, each with a \$10,000 minimum. And *Blackrock Impact* is offering strategies such as its BIRAX Impact US Equity Fund. Other investment groups are rolling out new offers as well, so check the firms you like best and ask what they either offer or have in the works—and if they don't offer an impact fund or retail investor option for one, let them know you want one! The reason we've gotten this far over recent years is due to client demand!

In addition to going through investment firms, you can also work with platforms offering you ways to create and execute your own strategy. For example, *OpenInvest* is an impact investing platform available to those with \$3,000 to invest and helps guide you through the process with both low fee requirements and broad exposure. As one of its founders describes it, “OpenInvest (<https://openinvest.co>) is a Y Combinator-backed start-up offering the world's first Socially Responsible Investing (SRI) platform for retail investors, and beyond. Our team of senior technologists from the hedge fund industry and civil society leaders is mainstreaming ethical finance by making it easy, personalized, and social. Divest-invest with a swipe, vote shareholder resolutions, participate in mass campaigns, measure your impact, and claim the power that is rightfully yours in public markets.” Definitely worth checking out to see if it meets your needs.

Or you might like *Swell*, an impact investment platform that aims to deliver purpose with profit. They identify high-impact, high-growth potential companies working toward progress in a number of industries. You can invest in one or all of their thematic portfolios that are based on solving important social and environmental challenges such as Green Technology, Renewable Energy, Zero Waste, Clean Water, Healthy Living and Disease Eradication. Swell says they are unapologetically selective about the companies in its portfolios, and use a double filter to optimize for impact and returns. Each company in Swell's portfolios derives revenue directly from their theme, which means they're walking the talk in terms of impact. And they are working to keep pricing simple, with a flat fee (0.75 percent) as low as the price of

a daily cup of coffee per year (based on a minimum investment of \$500).

If you're interested in exploring other options for retail level impact investing, the arrival of "robo" tools to help impact investors is also a promising development. These "robo" tools help individual investors search for the best offerings in exchange traded funds and other impact investment products. *Motif Impact* is described as "a values-oriented digital investing solution ... and will use the platform's digital investing solution to help users determine their risk tolerance, allocate to investments and set a glide path. Trading to rebalance user accounts occurs at no cost, and subscribers can replace investments within their motifs without incurring commissions or fees."⁴ Other options are in development as we go to press with this book.

And, finally, crowdfunding will have a significant impact upon how impact investors will move money over coming years. As *Fast Company Magazine* recently reported, across over 2,500 crowdfunding platforms active across the world in 2015 crowdfunding as a sector managed over 35 billion dollars in capital flows, of which 70 percent was in some form of charitable giving while the balance was in some form of equity investment.⁵ While there are a number of platforms currently under development, a good guide to the field was recently published by Toniic and the European Crowdfunding Network.⁶

Still looking for more options to explore?

Try Credibles (<https://credibles.co/>) to engage in local food sourcing, Cutting Edge X (<http://cuttingedgex.com/>) for direct public offerings, check out the Muni Bonds at Neighborly (<https://neighborly.com/>) or if you're interested in leads on community investment opportunities, try ImpactUS (<http://www.impactusmarketplace.com/>). And, finally, there are a growing number of general resource sites such as Good With Money (<http://good-with-money.com/about-us/>) that bring together other resources to assist you in your research efforts!

The bottom-line is nose around, do some research, talk to folks who write blogs and traffic in impact and in a bit of time you'll find the right platform to move your money from inactive to active impact!

Notes

- 1 This list includes investment options included in a *Christian Science Monitor* article (many of which are well known) as well as other opportunities identified by the author, *You Can Be an Impact Investor!*, Published February 18, 2016, Accessed April 18, 2017, “Got \$20?”, <http://www.csmonitor.com/Business/new-economy/2016/0218/Got-20-You-can-be-an-impact-investor>.
- 2 All information is taken from organizational websites. You must review all placement and offering documents yourself to confirm information and receive notice of the specific terms of whatever investment you are considering!
- 3 “SerenityShares Launches Impact ETF,” Published April 18, 2017, Accessed April 19, 2017, <https://www.etfstrategy.co.uk/serenityshares-launches-impact-investing-etf-26584/>.
- 4 Published March 8, 2017; Accessed April 19, 2017, <http://www.etfa-mag.com/news/it-s-not-a-robo--motif-launches-custom-automated-impact-investing-31734.html>.
- 5 How Will the Rise of Crowdfunding Reshape How We Give to Charity?,” Published March 3, 2017, Accessed March 27, 2017, “https://www.fastcompany.com/3068534/how-will-the-rise-of-crowdfunding-reshape-how-we-give-to-charity?utm_content=buffer452f4&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer.”
- 6 “Crowdfunding for Impact,” Accessed April 19, 2017, <http://www.toniic.com/wp-content/uploads/2013/12/CrowdfundingForImpact.pdf>