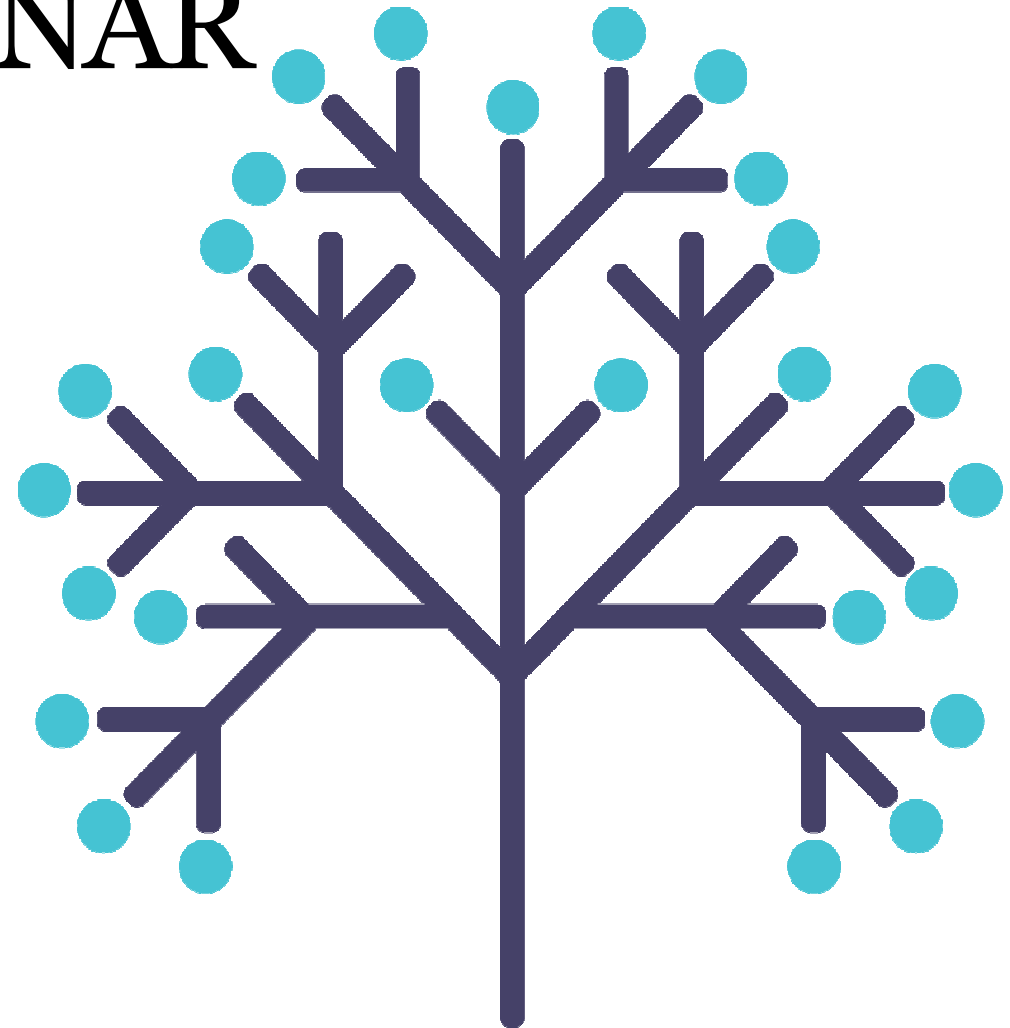


SIINSA IMPACT INVESTMENT BREAKFAST SEMINAR

JOHN MCLEOD

JBWERE

AUGUST 2014



Australian Giving Trends



Impact Australia



The PAF Report



Disaster Giving



JBWere Social Leadership Program

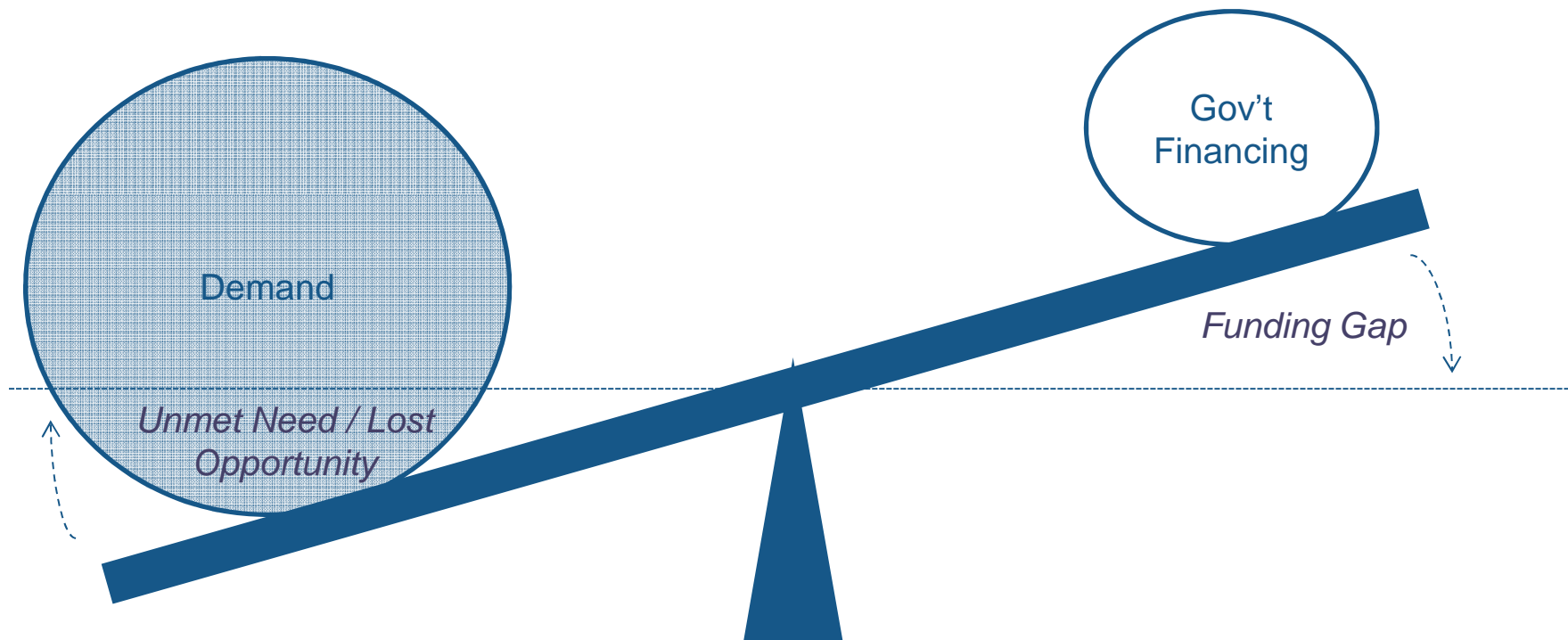


Non-Profit Leadership - Emerging Themes

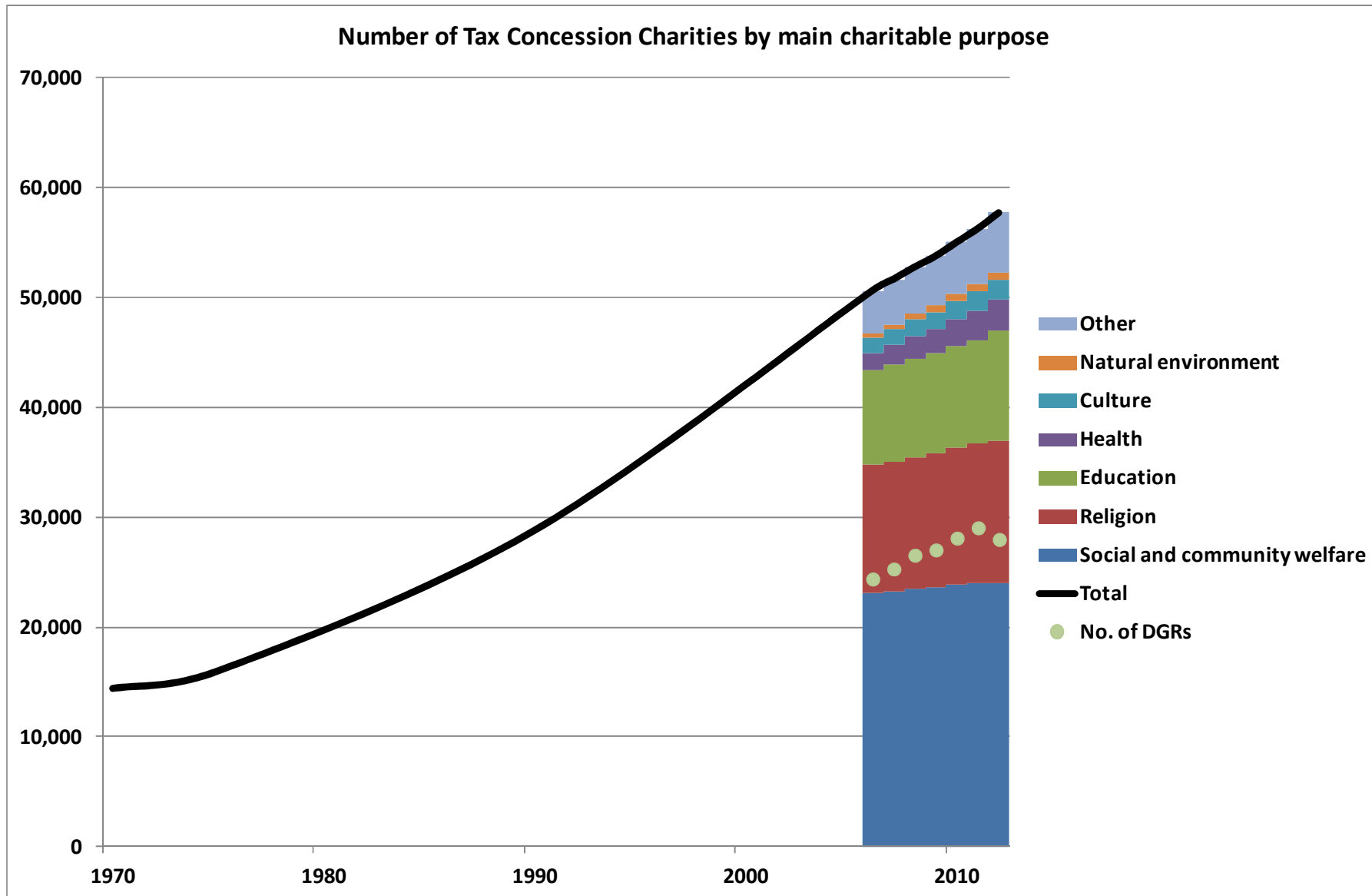


Difficulties with the traditional nfp funding model

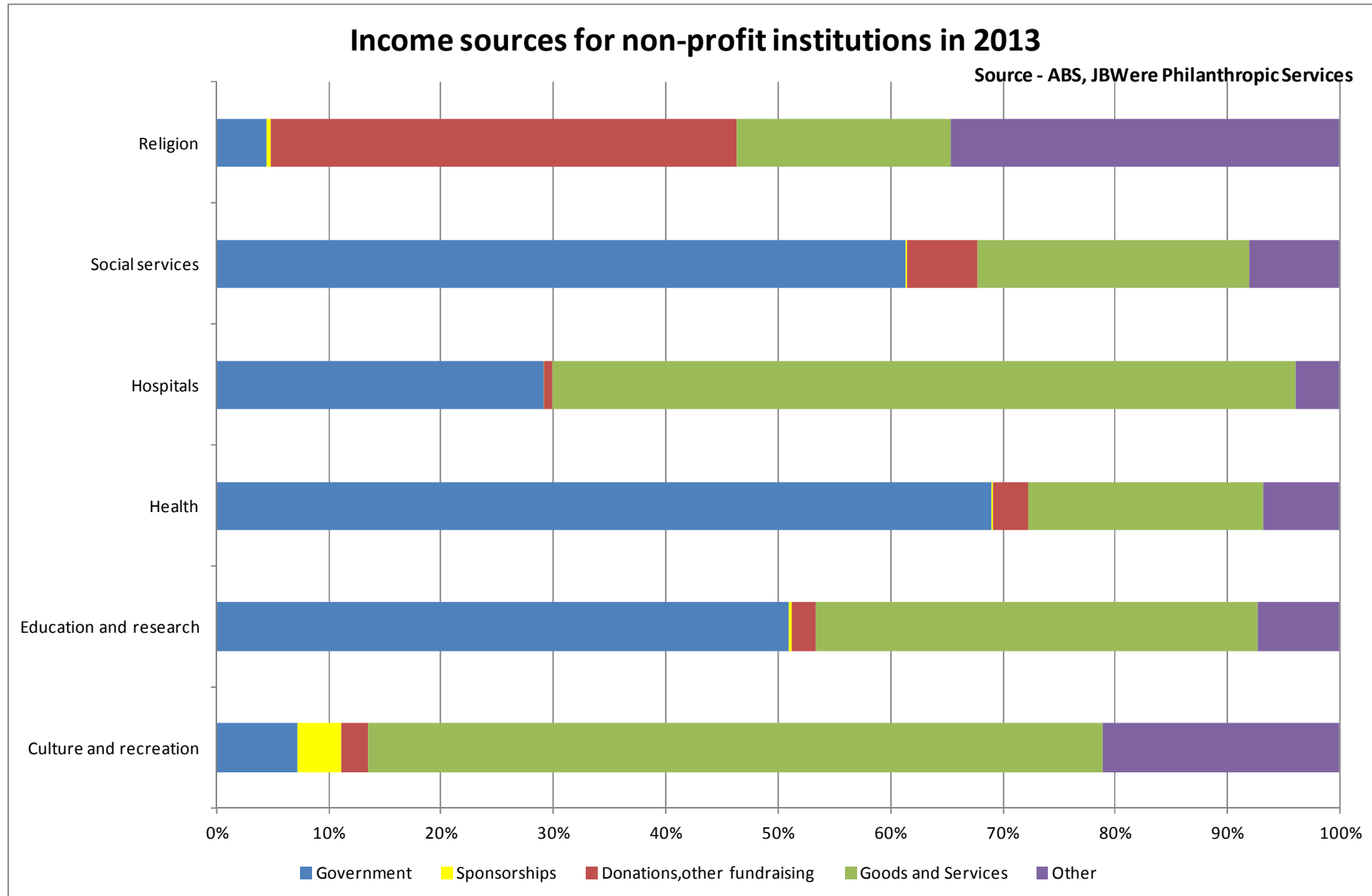
- Reliant on short term support from Government and philanthropy
- The size of these available funding pies is limited
- No guarantee of sustainability makes it difficult to focus on long term solutions
- We want them to run like businesses but fund them like charities



Growth in charity numbers, but funding can't keep up

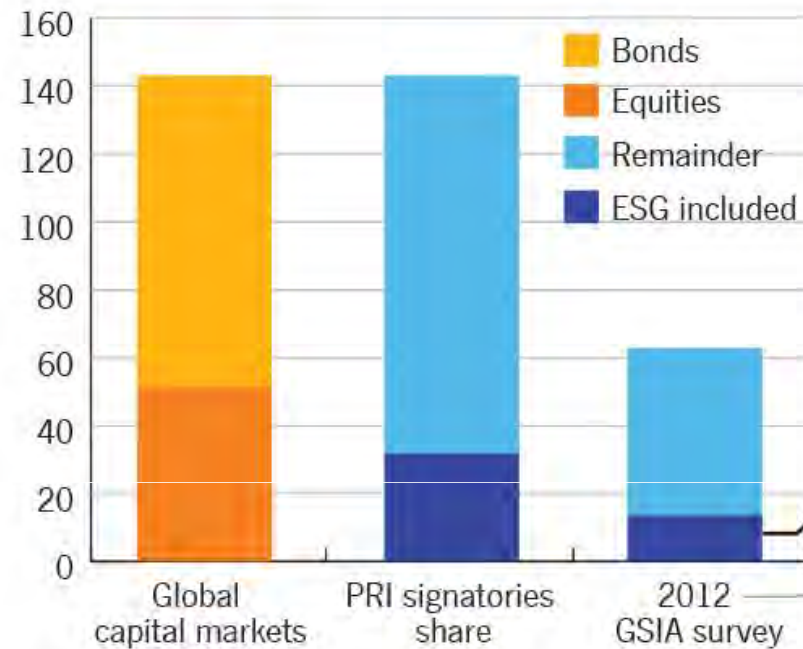


Charities received \$107 billion in income in 2013



Traditional assets are starting to be managed with ESG strategies

Assets invested with ESG issues considered, US\$ trillion

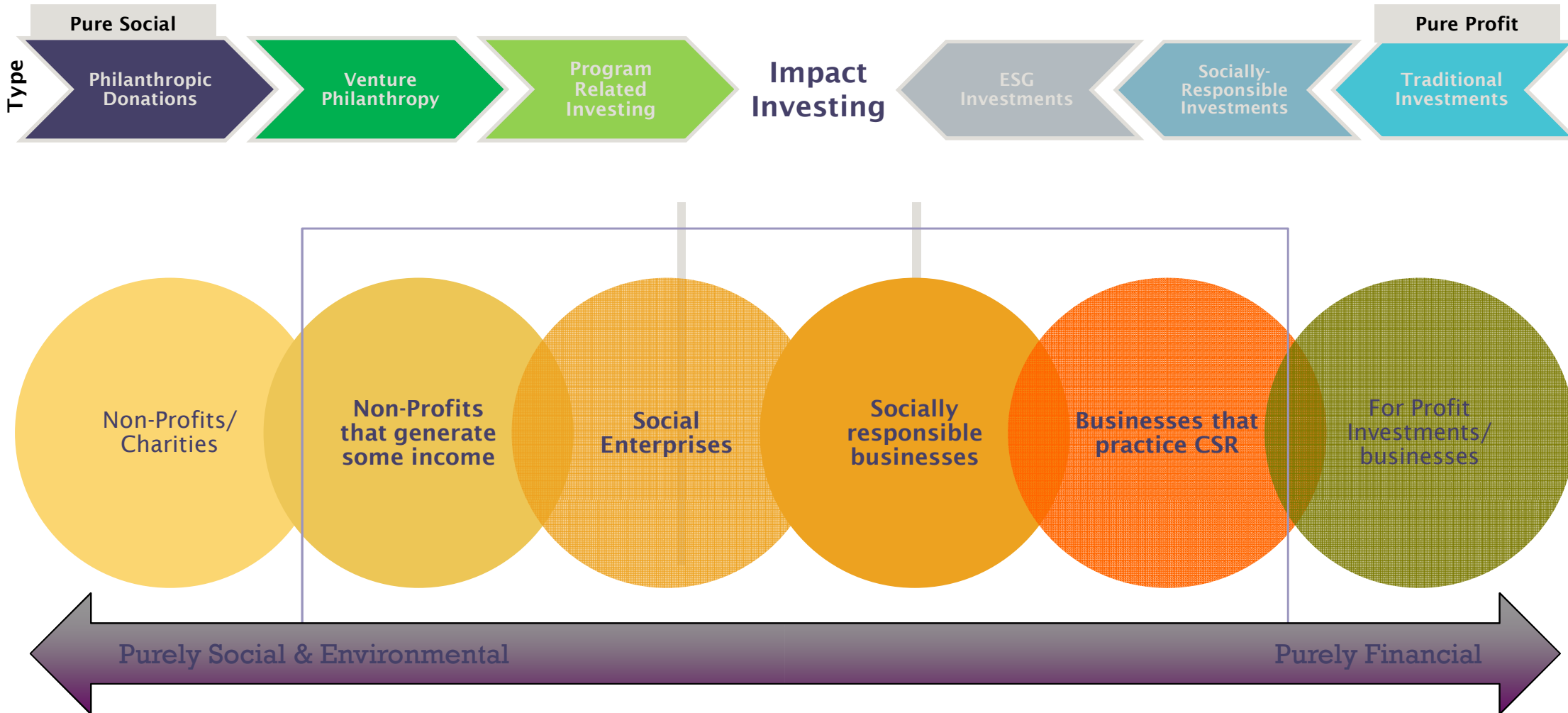


GSIA survey, 2012: ESG assets by strategy



Sources: Global Sustainable Investment Alliance, *Global Sustainable Investment Review 2012, 2013*; www.unpri.org.

An organisational spectrum



What Is Impact Investing?

Investments Intended to Create Positive Social Impact with Financial Return

Provide capital

- Transactions currently tend to be private debt or equity investments
- We expect more publicly traded investment opportunities will emerge as the market matures

Expect financial returns

- The investment should be expected to return at least nominal principal
 - Grants and donations should be excluded
 - Market-rate returns in scope

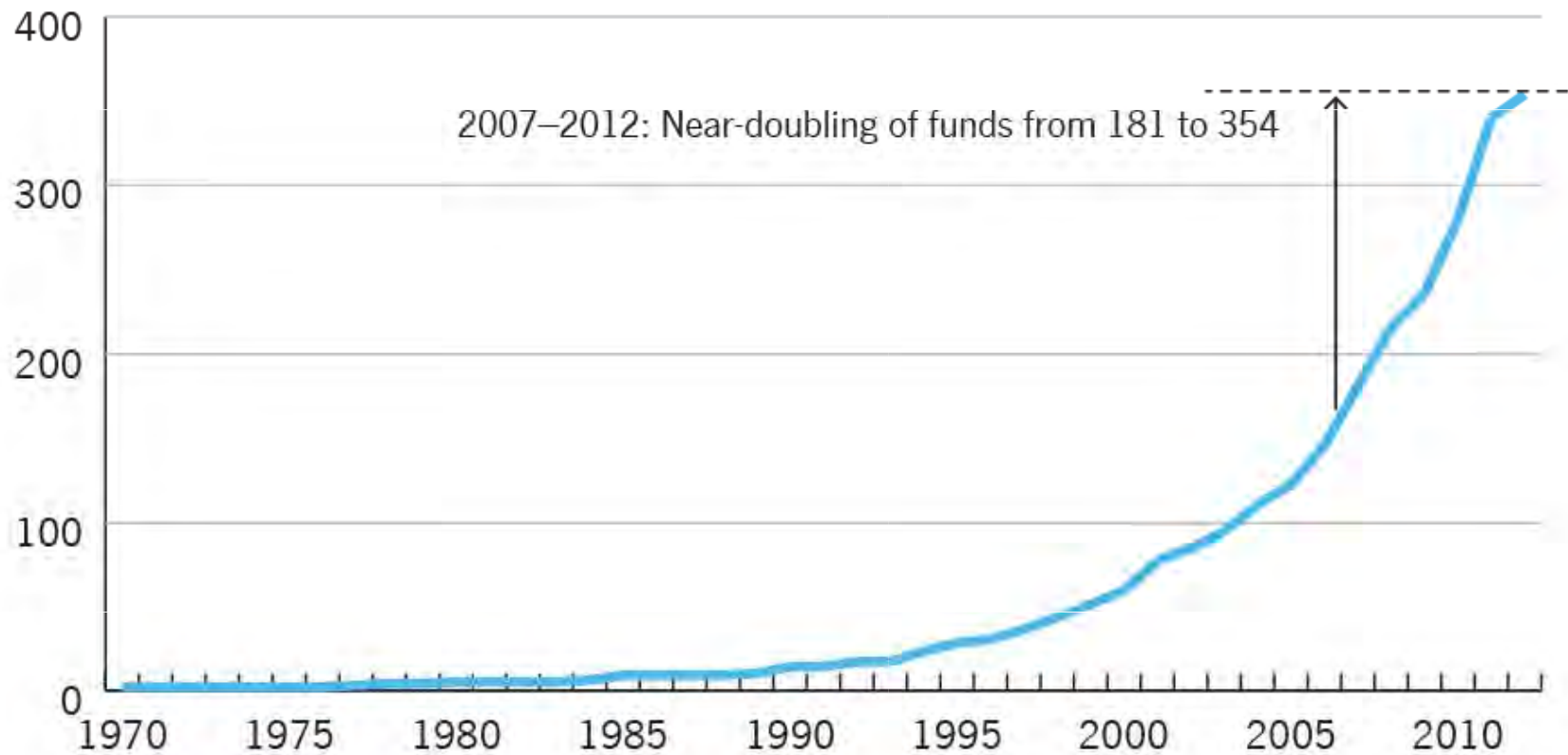
Business designed with intent...

- The investment should be designed with intent to make a positive impact
- This differentiates impact investments from investments that have unintentional positive social consequences

... to generate positive social and/or environmental impact

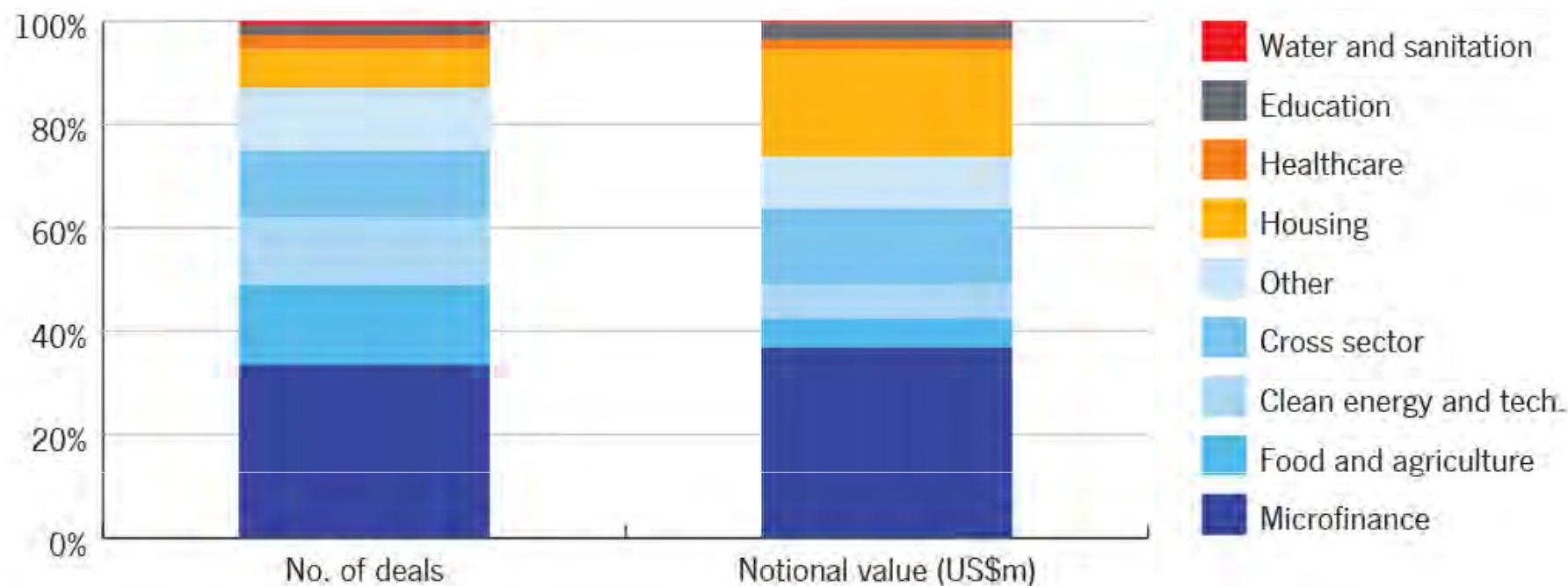
- Positive social and/or environmental impact should be part of the stated business strategy and should be measured as part of the success of the investment

Number of impact investment funds globally, 1970–2012



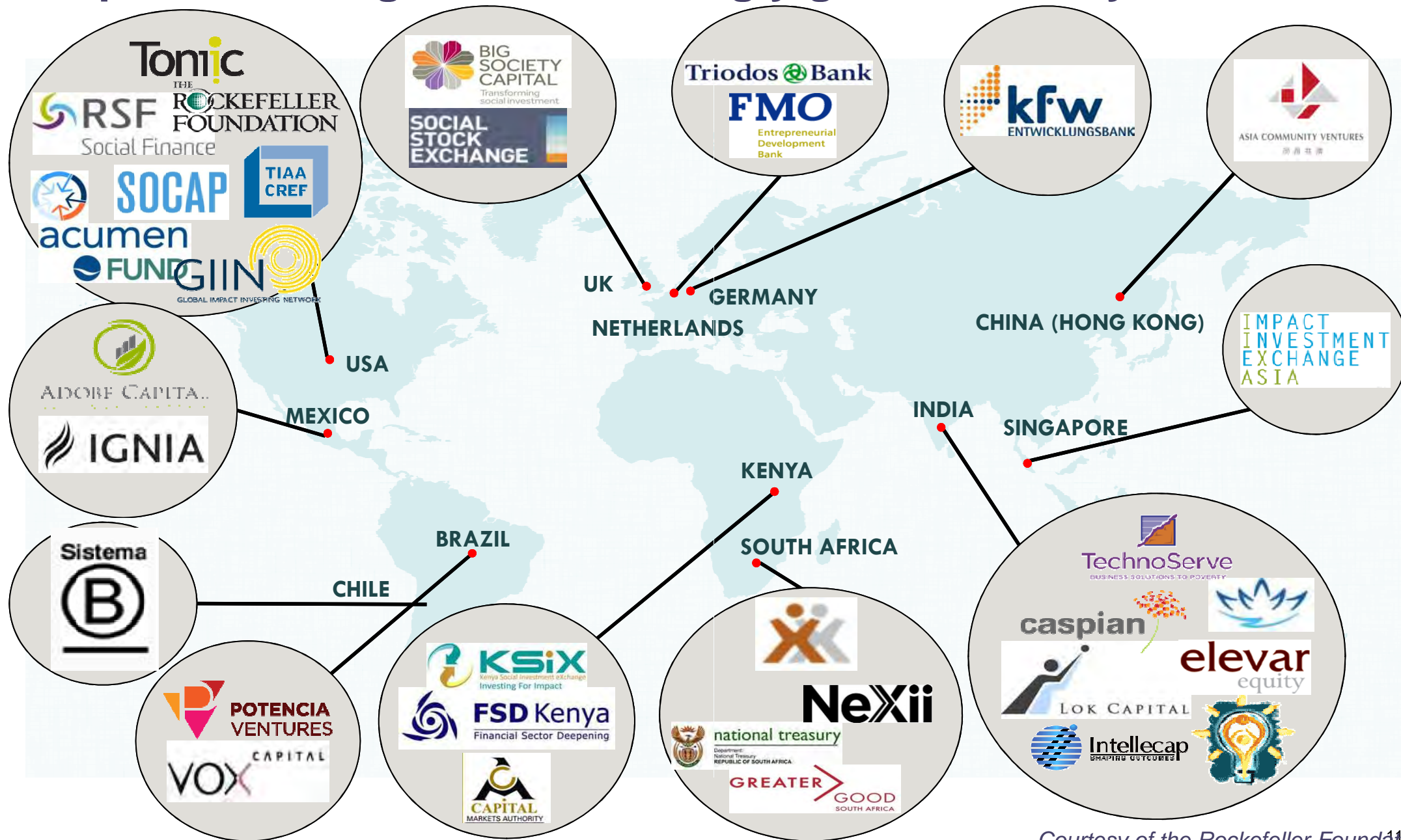
Source: C Clark, J Emerson and B Thornley, *A Market Emerges: The Six Dynamics of Impact Investing*, The Impact Investor project, 2012

Global impact funds, investment by sector during 2011



Source: Y Saltuk, A Bouri & G Leung, *Insight into the Impact Investment Market: An in-depth analysis of investor perspectives and over 2,200 transactions*, JP Morgan and the GIIN, 2011

Impact investing is an increasingly global industry



Growing options across sectors and asset classes

ILLUSTRATIVE LANDSCAPE OF IMPACT THEMES WITH ASSET CLASS EXPOSURES										
	ASSET CLASSES									
	Liquidity	Income & Wealth Preservation			Capital Appreciation & Wealth Growth			Inflation Protection		
	Cash / Cash-Alternatives	Notes / Other Debt Obligations	Bonds	Absolute Return/ Low Equity Cor-related	Public Equity	Equity Long/ Short	Private Equity	Real Estate	Commodities, Timber & other Real Assets	
SOCIAL, ENVIRONMENTAL OR BLENDED IMPACT THEMES	Climate Change	Green Bank Deposit		Tax-exempt Green Bonds	CO2 Trading	Positive & Negative Screening		Clean Tech Venture Capital	Green REITS	
	Energy			Screened Corporate Bonds	Alternative Energy Project Finance	Exchange Traded Funds (ETF's)	Renewable Energy	Energy Efficiency Venture Capital		Sustainable Feedstocks
	Water			Corporate Infrastructure Bonds	Water Treatment Project Finance	Unit Investment Trust, Closed End Funds	Water Funds	Water Technology Venture Capital		Water Rights
	Community Development	Community Bank CD's	Foreclosure Repair		Microfinance Institutions Debt	Shareholder Proxy Voting		Community Development Venture Capital	Transportation - Smart Development Funds	
	Social Enterprises	Social Bank Deposits	Social Enterprise Credit			Micro-Cap Listed Social Companies		Small & Medium Enterprise	Conservation / Ecotourism	
	Health & Wellness				Structured Public Note			Consumer Product Venture Capital	Organic Farming	
	Sustainable Development	Trade Finance Guarantee / Deposit		Smart Growth Municipal Bonds	Blended Debt/ Equity Hybrid Structures	Thematic Screening			Ranch Land, Agriculture	Timber
	Education	Linked Deposit / Guarantee		Charter School Bonds				Education Private Equity	University Green Building	

Source Rockefeller Philanthropy Advisors'

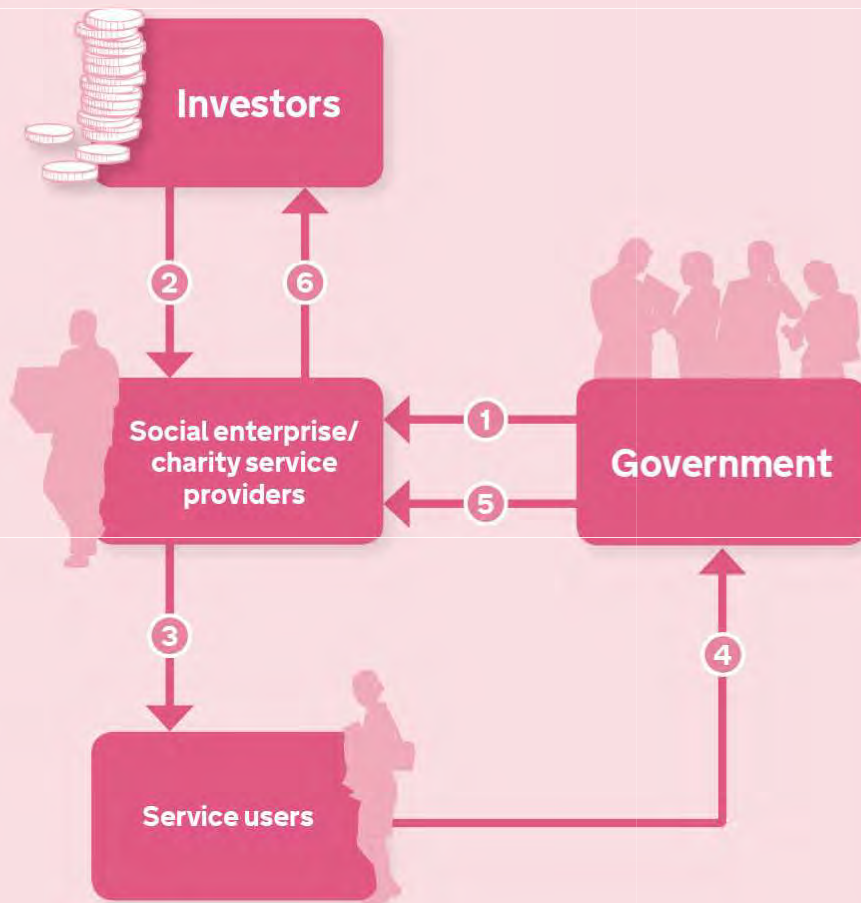
Funding options and appropriate sources of investment

- There are a number of forms that investments can take ranging from debt to equity.
- In addition, the levels of risk can be varied to suit the needs of different investors. Linking the right capital to the right part of the operation is important. This “layering” of risk is a particularly powerful tool in structuring an impact investment.
- Issues around liquidity, valuations and possible exit opportunities for equity investors need to be considered.

Social Impact Bonds – how do they work?

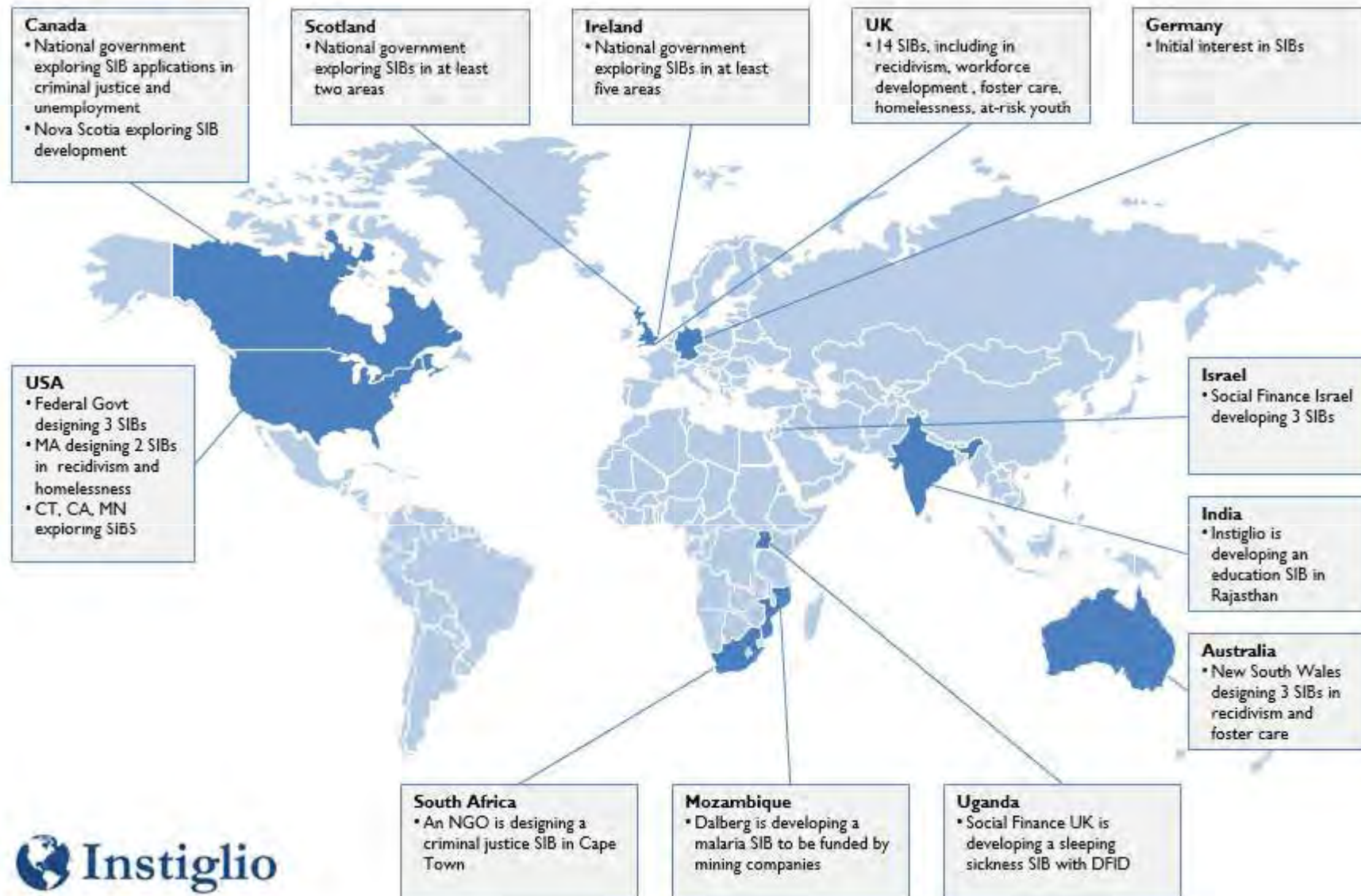
Social Impact Bond Model

1. PbR contract – government agrees to pay a service provider if and when it achieves certain outcomes
2. Investors provide up front finance to fund the provision of services by a social enterprise or charity
3. Social enterprise/charity service providers deliver services to service users
4. Improved outcomes for services users and savings to government
5. Government pays if and when agreed outcomes specified in the PbR agreement are achieved
6. Outcome payments from government provide a return to investors



Social Impact Bonds – early days but strong interest

SIBS WORLDWIDE

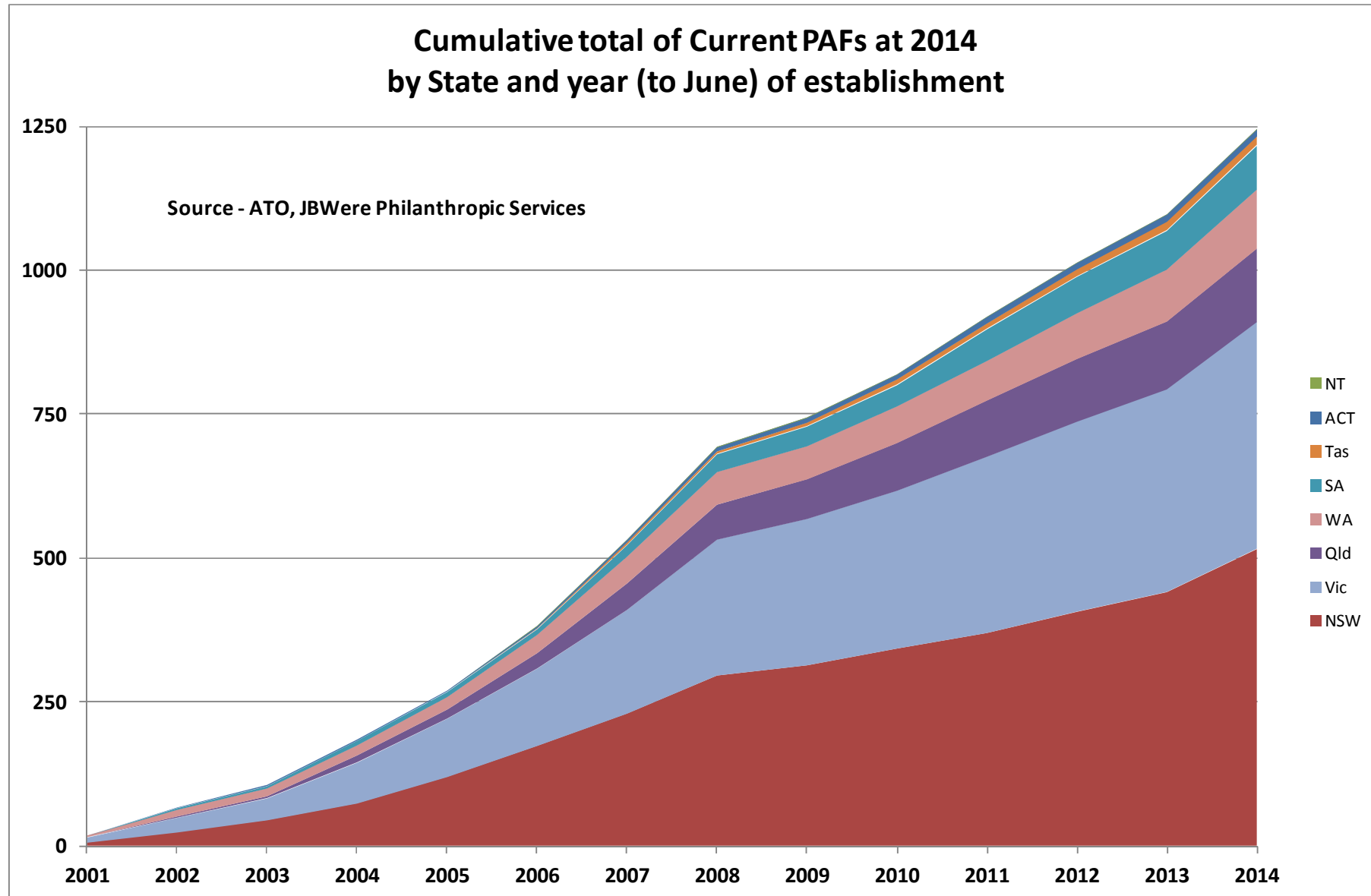


Funding options and appropriate sources of investment

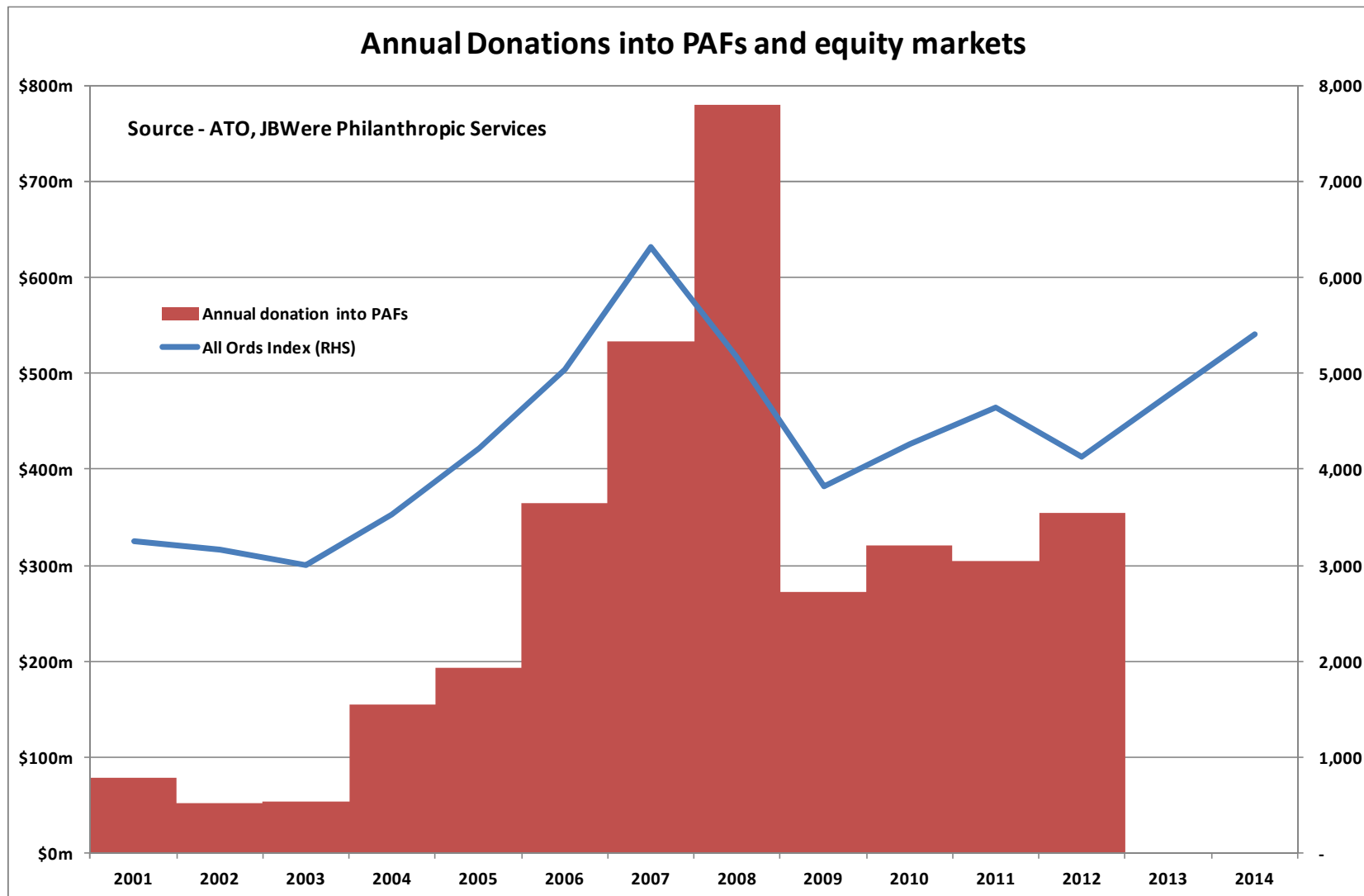
- There are currently investors representing the full range of possible financial supporters in Australia. However, no sector has yet seen the majority of its cohort support Impact Investment. The motivations and risk profiles of each investor will be different.

Investor Type	Examples
Private Foundations	Donkey Wheel, McKinnon and McLeod Family Foundations, The Grace and Trawalla Foundations
Corporate Foundations	MLC Foundation, Westpac Foundation
Private Companies	Small Giants, Family Offices
Superannuation Funds	Christian Super
Banking Institutions	Bankmecu, Foresters Community Finance, NAB, Westpac
Communities	Hepburn Community Wind, Yackandandah Community Development Company
Governments	State and Federal through Social Impact Bonds and SEDIF and specific schemes

Private Ancillary Funds – a continuing good news story



Donations into PAFs should rise further



The Impact Investing market in Australia

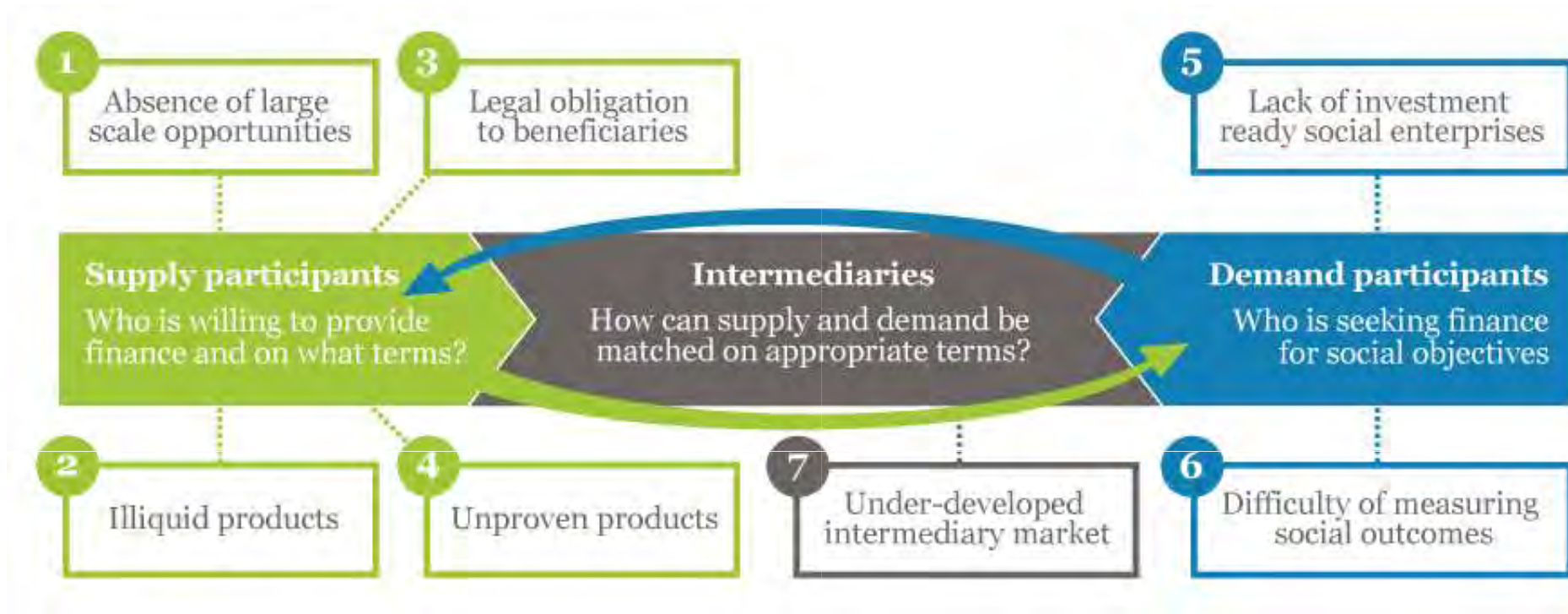
Source – JBWere Philanthropic Services

Origin for Impact Investment in Australia ^^^^	Asset Base (A\$m)	% currently	% in 2018	\$m in 2013	\$m in 2018
Superannuation funds ^^^^^	1,600,000	0.01%	0.04%	160	940
Private Ancillary Funds ^^^^^^	3,000	0.75%	3.00%	23	132
Other Charitable Trusts ^^^^^^	5,000	0.25%	2.00%	13	147
Corporate Foundations				5	25
Family Office/HNWI				30	150
Banking Institutions/CDFIs				750	1,208
Communities				30	48
Other				464	632
Total				1,474	3,283

^^^^ note that currently US pension funds have around 0.026% of assets invested in Impact investments

^^^^^ note that currently US foundations have around 1% of assets invested in Impact investments

The impediments to growing Impact Investing in Australia are gradually being overcome



Source: Impact Australia Report and SVA

Other logistics, where to from here....

- The choice of legal structure may be important. If a nfp was approached to have joint equity in an enterprise, how could they do that?
- The use of intermediaries can smooth the path

Examples of intermediaries active in impact investing in Australia			
Type	Examples		
Investment readiness intermediary	<ul style="list-style-type: none"> • Social Traders • Social Firms Australia • Social Ventures Australia Hubs • Centre for Social Impact 	<ul style="list-style-type: none"> • Social Enterprises Sydney • Social innovation in Western Australia (SiiWA) • The School for Social Entrepreneurs 	<ul style="list-style-type: none"> • Knode • Impact Investing Australia • The Difference Incubator
Specialist financial intermediary	<ul style="list-style-type: none"> • Foresters Community Finance • Social Enterprise Finance Australia • Social Ventures Australia Social Finance • Community Sector Banking • Indigenous Business Australia • Unitus Capital & Impact • Indigenous Stock Exchange 	<ul style="list-style-type: none"> • Impact Investment Group (Small Giants) • Donkey Wheel • Ethinvest • Australian Ethical Investment • Grace Mutual • Net Balance • Landcare Revolving Loan Fund 	<ul style="list-style-type: none"> • Fair Loans Foundation • Many Rivers Microfinance • Maleny Credit Union • Australian Small Scale Offerings Board • Fitzroy and Carlton Community Co-operative
Mainstream financial intermediary	<ul style="list-style-type: none"> • JBWere • Evans and Partners • Ethinvest 	<ul style="list-style-type: none"> • AMP Capital • Perpetual Investments • Mercer Investments 	<ul style="list-style-type: none"> • Bankmecu • Colonial First State Investments

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