

# South Australian Impact Fund

Presentation for EAB  
June 2022



# The story so far...



## Social Impact Investment Network of SA (SIINSA)

### 2017

- First Social Impact Bond: Hutt Street Centre



## Member driven agenda

### 2018 - 2019

- Building literacy
- Advancing the agenda
- Forming partnerships
- Learning together



## Established working group

### 2020

- Past and present SIINSA Board members
- Recommendation of Thinkers in Residence program
- Remnants of the Purpose Council
- Advice from past Chief Entrepreneur



## Interviews & consultation

### 2021

- Exploring the landscape – investment pipeline, investors, structure
- Wide ranging – purpose companies, NFPs, indigenous, across sectors, mature/early stage
- Advice from other impact funds and experts

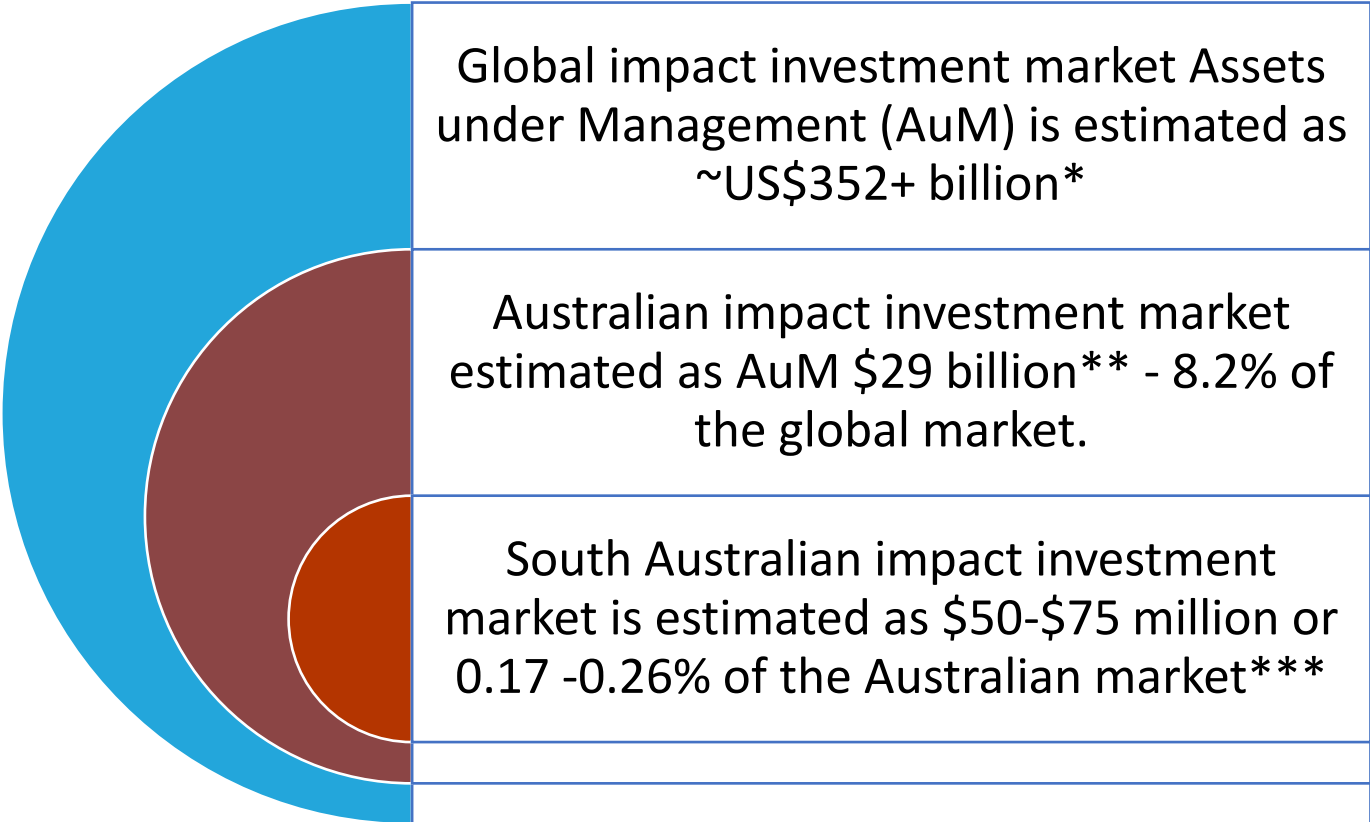


## Where we are at now

### June 2022

- Pitch deck complete
- Business case complete
- Draft IM complete
- Testing assumptions and model
- Working with anchor investors
- Finding supporters

# Where is the gap in the SA market?



Global impact investment market Assets under Management (AuM) is estimated as ~US\$352+ billion*
Australian impact investment market estimated as AuM \$29 billion** - 8.2% of the global market.
South Australian impact investment market is estimated as \$50-\$75 million or 0.17 -0.26% of the Australian market***

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The South Australian impact market is significantly under invested:

- If SA held its 5.6% economic share of the Australian impact investment market, this would equate to ~\$1.6 billion of investment in funds – 53 times the current level of AuM.\*\*\*
- There are numerous impact sectors and businesses requiring capital in SA, providing significant and diverse investment opportunities for impact investors.

\* GSIA

\*\* RIAA

\*\*\* *The impact investment market and considerations for the establishment of a South Australian Impact Fund - Dec 2021*



# The Fund Model





# Place-based impact

## The SA flavour

Disability and ageing

Arts and culture

Agriculture and aquaculture

## Sustainable Development Goals



### Target 3.8

Universal health coverage, including financial risk protection, access to quality essential health-care services and access to essential medicines and vaccines



### Target 11.1

Ensure access for all to adequate, safe and affordable housing

### Target 11.4

Strengthen efforts to protect and safeguard the world's cultural and natural heritage



### Target 4.7

Appreciation of cultural diversity and of culture's contribution to sustainable development



### Target 12.2

Achieve the sustainable management and efficient use of natural resources

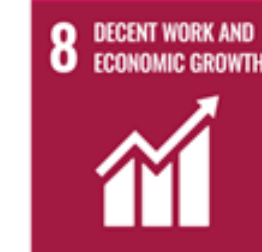
## Cross cutting themes



Investing in female founders



Investing in First Nations enterprises



Growing the SA economy  
Growing South Australian jobs

# Case 1 – Wanna Mar Blue Fin Tuna Joint Venture

- In an industry first, Wanna Mar is a new commercial tuna farming joint venture between Traditional Owners, Far West Coast Investments and the Stehr Group.
- Based in Port Lincoln in South Australia, the joint venture provides Traditional Owners with the opportunity to help shape the future of the Southern Bluefin Tuna industry in Australia into a more sustainable, ethical and equitable industry.
- Far West Coast Investments is an organisation representing the interests of native title holders in the region with strong connections to saltwater country, and the Stehr Group is one of Australia's largest Southern Bluefin Tuna producers. Wanna Mar, meaning 'sea food' in Mirning and Wirangu languages, is a 100% Indigenous-owned commercial fishing venture which has acquired 25 tonnes of Southern Bluefin Tuna quota for traditional waters in the region.
- Wanna Mar secured initial grant support of \$3.5million in 2020 to launch this significant joint venture and plans to grow the business through debt finance and equity investment. These strategic investments in the Wanna Mar Stehr joint venture will enable Indigenous Australians to take their rightful place in the fishing industry, and to be front and center in growing the Southern Bluefin Tuna sector.





# Case 2 - APY Art Centre Collective

The APY Art Centre Collective (APYACC ) supports 10 remote APY art centres to work with a united vision and voice on joint business initiatives and collaborative artistic projects. APYACC increases the capacity of APY art centres and supports their important work in communities by focusing on:

- New market exploration, especially for young and emerging artists
- Strategic business development
- Innovative, collaborative regional art projects

APYACC has an annual turnover of \$4,993,986, a demonstrated track record and strong yearly growth in sales, employment and profit. It has the ability to service debt for the growth of important new ventures which will generate significant and sustainable long term social, economic and cultural returns to Anangu artists and communities. Up to 80% of profit is reinvested into the ten remote art centers and artists APYACC supports.





# Case 3 – Ageing

- ~450,000 Australians live with dementia, and with ~250 Australians diagnosed with the disease daily, the number of Australians with dementia is expected to double over the next generation.
- HESTA's Social Impact Investment Trust invested \$19 million of the \$25 million required for the Korongee dementia-specific aged care home in Tasmania.
- Investors in the Trust aim to earn a market-based return for HESTA members and achieve a measurable social impact.
- HESTA launched the Impact Investing Trust with an initial \$30 million in 2015, at the time one of the biggest single commitments by a superannuation fund to the Australian market.
- HESTA has since grown its commitment to \$70 million, with the Trust aiming to catalyse the development of the Australian impact investment market. HESTA has invested in a range of projects which focus on core social issues in Australia including social, affordable and disability housing and employment for those experiencing disadvantage.
- The 12-house purpose-built aged care village for people with dementia and can accommodate 96 residents.
- The asset is managed by Social Ventures Australia.



# Key fund elements

## Origination

- SA focus – minimum 50% assets under management to be deployed in SA
- Impact first
- Local SA network provides access to investments

## Mandate

- Size: \$50-70m
- Min 50% SA, <50% National
- Target - 75%+ SME (private equity) business – growth capital + <25% venture capital/early stage
- Debt (20-40%); equity (40-60%); Fund of Impact Fund\* 0-20%
- Focused on disability and ageing, agriculture and aquaculture, arts and culture
- Evergreen fund
- Wholesale investors into simple managed investment scheme structure

## Active risk management/governance

- Diversification
- Governed by highly-experienced directors with a proven track record
- Experienced Investment Committee applying robust investment process
- Active engagement
- Experienced and diverse team, portfolio manager and boards

## Returns

- Expected returns: 6-12% pa (income yield 3–5% pa)
- Blended returns from debt and equity investments
- Uncorrelated to traditional investments in single asset classes

## Impact

- Investees with deep experience in delivering sustainable social and environmental impact
- Measurement of impact

## Fees

- 1.80% management & admin fee
- 10% impact performance fees
- 10% financial performance fee

\* Fund of Impact Fund – allocation of \$ to other impact funds, rather than direct investments into companies.

# Fund team - roles and responsibilities

<b>Role</b>	<b>Key responsibilities</b>
Portfolio Manager / CEO / Lead	<ul style="list-style-type: none"><li>• Team leader and face of fund – market, Investment Committee, investors, investees</li><li>• Asset origination</li><li>• Lead on all transactions with Portfolio Manager</li></ul>
Investment Director	<ul style="list-style-type: none"><li>• Origination</li><li>• Transactions with Portfolio Manager</li></ul>
Investment Analyst	<ul style="list-style-type: none"><li>• Analysis of market and support on transactions</li></ul>
Chief Impact Officer	<ul style="list-style-type: none"><li>• Origination</li><li>• Impact assessment for all transaction</li><li>• Impact measurement</li><li>• Impact reporting</li></ul>
Head of Distribution and Investor Relations	<ul style="list-style-type: none"><li>• Fund raising and managing investor relations, including reporting</li></ul>
Administration, marketing and communications	<ul style="list-style-type: none"><li>• Information and dealing with all outsourced providers</li><li>• Positioning and marketing the fund</li><li>• Business administration</li></ul>

\*Employees to be SA based, with an option for one investment professional based in Eastern states to originate assets for the <50% national fund allocation.



# Financial Model





# Financial Model

## Lean staffing model

Business case tests different variables.

Lean staffing of six employees to six, combined with focus on smaller number of higher value transactions to manage transaction costs results in profitability in 2026 and in all accumulated losses being recovered in 2029.

	Set-up	2H-2022	2023	2024	2025	2026	2027	2028	2029	2030
AUM \$ million	0	50	70	70	70	80	90	100	120	130
Revenues	0	225	1295	1295	1295	1480	1665	1850	2220	2405
Expenses	180	259	1490	1540	1590	1305	1500	1515	1530	1545
Profit before Tax	-180	-34	-195	-245	-295	175	165	335	690	860
Tax	-54	-10	-58	-73	-88	53	50	101	207	258
Net	-126	-24	-137	-172	-207	123	116	235	483	602
Cumulative	-126	-150	-286	-458	-664	-542	-426	-192	291	893



# Fundraising

## **Start-up capital and operating budget**

The SA Impact Fund will need to raise capital to fund the start of the business.

- Salaries, and expenses in the region of \$1.5m per annum
- Fees based on 1.8% per annum on AUM cover expenses to break even when the fund gets to scale, depending on variables in the staffing model and investment portfolio.
- If the Fund was to raise and grow AUM progressively over 2-3 years, the fund would operate at a loss until year 4–6 (depending on key variables) and will require working capital to support the business.
- As a ‘first time’ Fund manager, it is probable the SA Impact Fund will need to raise working capital of \$0.7-0.8m per annum for the first 4-6 years of the Fund

## **Investment Fund**

The Fund is looking to raise a minimum of \$50 million (first close in FY22/23) and a target amount of \$70 million by 2024.

# Next Steps

## **Current activity**

- Testing the business case with investors and channel/gatekeepers
- Discussion with potential anchor investor

## **Challenges re next steps**

- Funds needed to set up entity
- Need to broaden/refresh the team to bring relevant experience for next stage (build the team)
- Anchor investment required
- Enabling/facilitating conditions and signalling from govt. This requires a team effort from the State