

Twelve Top-Performing Impact Investing Funds

Aavishkaar

ACCIÓN Texas Inc.

Bridges Ventures

Business Partners
Limited

Calvert Foundation

Deutsche Bank

Elevar Equity

Huntington Capital
MicroVest

RSF Social Finance

Small Enterprise

Assistance Funds

(SEAF)

W.K. Kellogg
Foundation

Figure I.1 Impact Targets of the Twelve Funds

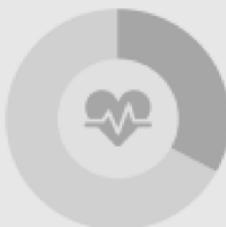
Impact Targets

Number of surveyed funds focused on each sector

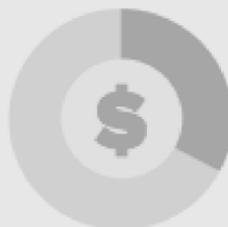
9/12 Business
Growth and Job
Creation



4/12 Health and
Wellness



4/12 Microfinance



3/12 Education and
Charter Schools



3/12 Sustainable
Agriculture



2/12 Affordable
Housing and
Community
Development



Figure I.2 Fund Investors and Financial Performance of the Twelve Funds

Fund Investors and Financial Performance

Who are the investors?



7/12: Funds received capital primarily from commercial investors seeking market rates of financial return

*Two of the twelve funds did not solicit external capital.



3/12: Funds received capital primarily from individuals, philanthropic foundations, and banks driven by regulation

What are they investing in?

Emerging Market Equity, Hybrid, and Debt Funds

Developed Market Equity and Hybrid Funds

Social Debt Funds

How did their investments perform?*

3–22%

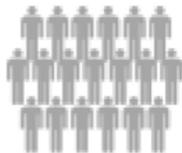
10–14%

0–3%

*Net internal rate of return

Figure I.3 Aggregate Impact of the Twelve Funds

Aggregate Impact



1.3
million

jobs created
or sustained



17
million

people provided
with access to
finance



40%

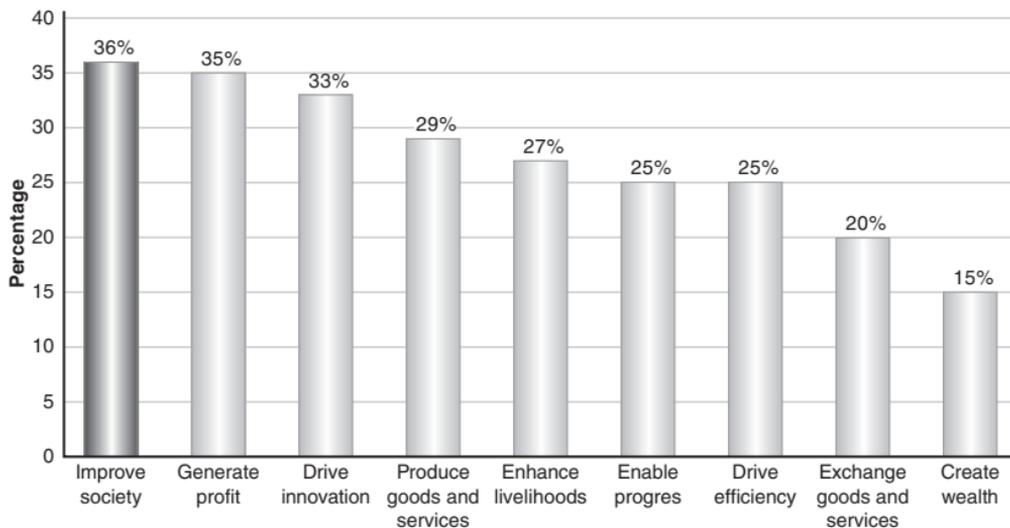
of all enterprises
receiving finance
led by women



60%

of all enterprises
receiving finance
led by individuals
from
disadvantaged
ethnic groups

Figure 1.1 Primary Purpose of Business According to the Millennial Generation



Note: All figures are the percentage of 4,982 survey respondents in eighteen countries, all of whom had college degrees, were employed full-time, and were born after January 1982, answering the question, “Which of the following words and phrases match your own belief as to what business is for?”

Source: Deloitte Global Services Limited. (2013, January). *Millennial Innovation Survey*. <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/dttl-crs-millennial-innovation-survey-2013.pdf>.

Figure 1.2 The Collaborative Capitalism Pyramid

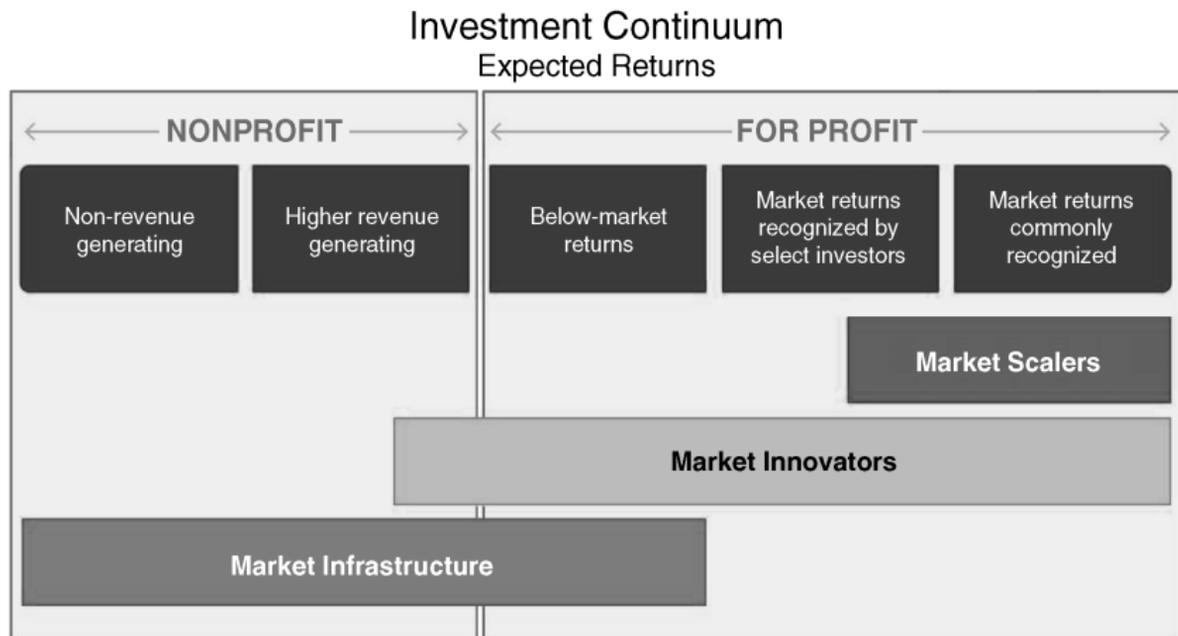


Figure 2.1 Actors in the Impact Investing Industry

ASSET OWNERS	ASSET MANAGERS	DEMAND-SIDE ACTORS	SERVICE PROVIDERS
<ul style="list-style-type: none">• High-net-worth individuals/families• Corporations• Governments• Employees• Retail investors• Foundations	<ul style="list-style-type: none">• Investment advisors• Fund managers• Family offices• Foundations• Banks• Corporations• Venture funds• Impact investment funds/intermediaries• Pension funds• Sovereign wealth funds• Development finance institutions• Government investment programs	<ul style="list-style-type: none">• Corporations• Small and growing businesses• Social enterprises• Cooperatives• Microfinance institutions• Community development finance institutions	<ul style="list-style-type: none">• Networks• Standards-setting bodies• Consulting firms• Nongovernmental organizations• Universities• Capacity development providers• Government programs

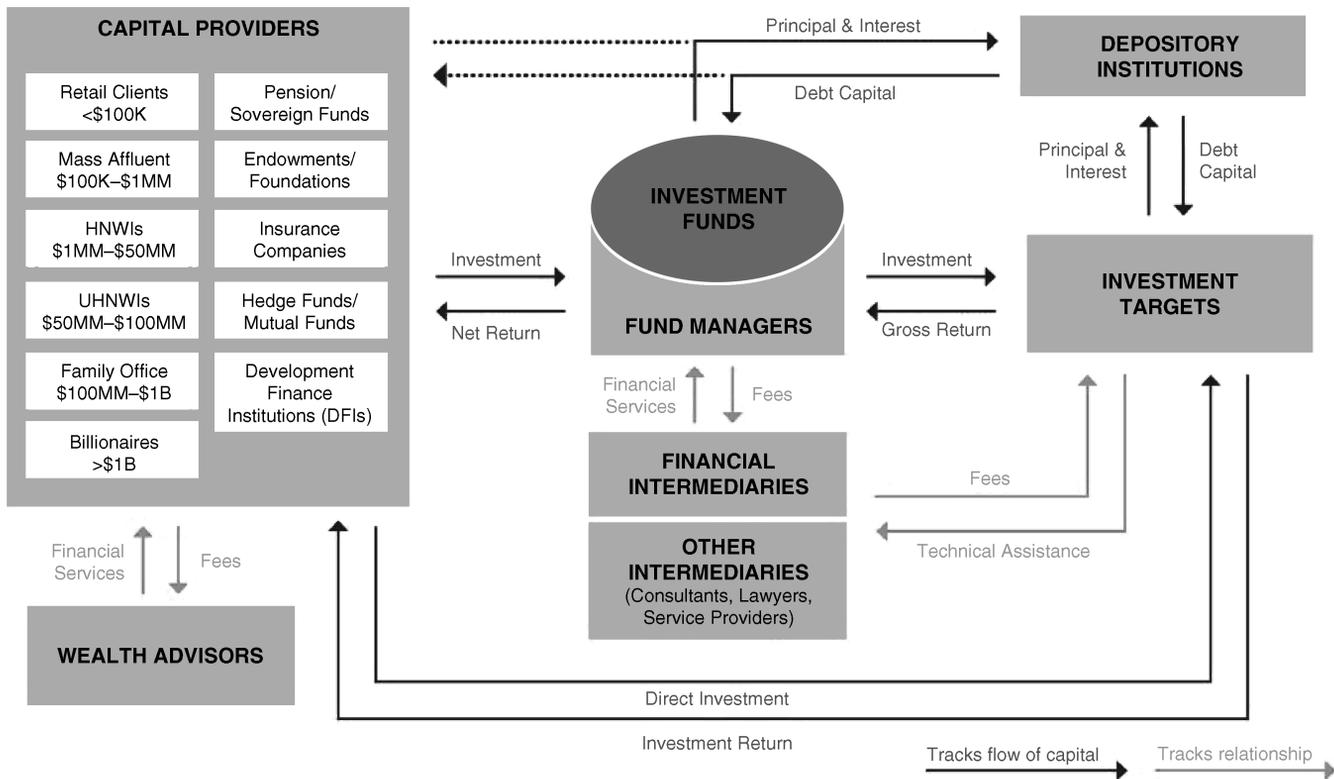
Source: Jackson, E. T., and Associates. (2012, July). *Accelerating Impact: Achievements, Challenges and What's Next in Building the Impact Investing Industry*. Rockefeller Foundation. <http://www.rockefellerfoundation.org/blog/accelerating-impact-achievements>.

Figure 2.2 Investment Continuum for Market Development



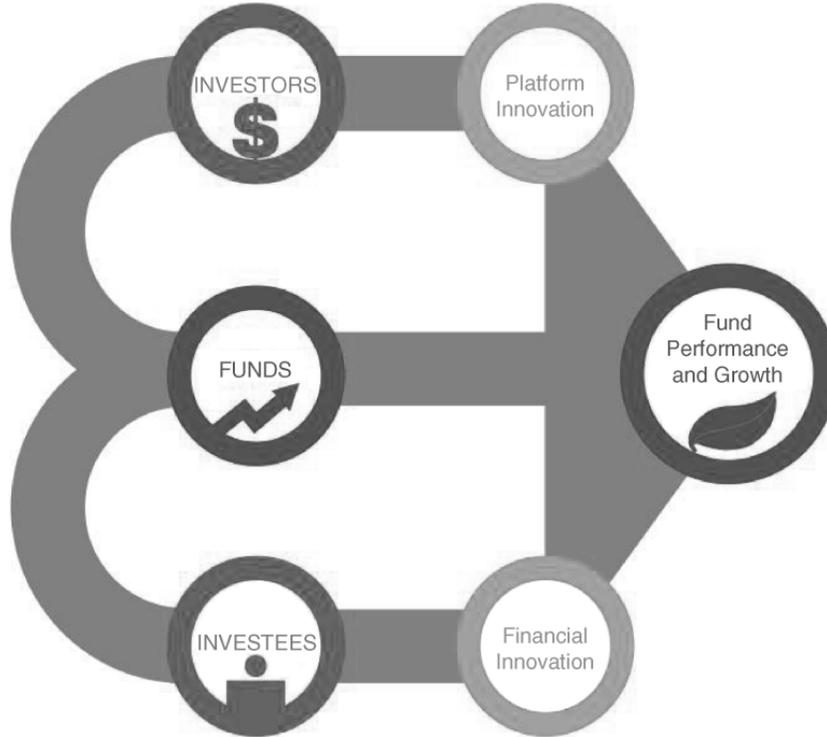
Source: Bannick, M., and Goldman, P. (2012, September). *Priming the Pump: The Case for a Sector Based Approach to Impact Investing*. Omidyar Network, http://www.omidyar.com/sites/default/files/file_archive/insights/Priming%20the%20Pump_Omidyar%20Network_Sept_2012.pdf.

Figure 2.3 The Impact Investment Ecosystem



Source: Bryce, J., Drexler, M., and Noble, A. (2013, September). *From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors*, p. 12. http://www3.weforum.org/docs/WEF_II_FromMarginsMainstream_Report_2013.pdf.

Figure 2.4 A Model of Fund Performance and Growth



Source: Clark, C., Emerson, J., and Thornley, B. (2012, October). *A Market Emerges: The Six Dynamics of Impact Investing*. http://www.pacificcommunityventures.org/uploads/reports-and-publications/The_Six_Dynamics_of_Impact_Investing_October_2012_PCV_CASE_at_Duke_ImpactAssets.pdf.

Table 2.1 The Twelve Funds: Size and Strategy

Fund	Location	Size	Strategy
Aavishkaar: India Micro Venture Capital Fund	Mumbai, India	\$9,428,270	Equity fund targeting early-stage rural enterprises
ACCIÓN Texas Inc.	San Antonio, TX, USA	\$29,782,042	Community development financial institution providing microloans
Bridges Ventures: Sustainable Growth Funds I and II	London, UK	\$184,575,000	Equity fund targeting high-growth, high-impact businesses
Business Partners Limited: Southern African SME Risk Finance Fund	Johannesburg, South Africa	\$331,300,000	Equity and debt fund targeting small and medium-size enterprises
Calvert Foundation: Community Investment Note	Bethesda, MD, USA	\$242,000,000	Fixed-income security available to retail investors that channels capital to community development in United States and abroad
Deutsche Bank: Global Commercial Microfinance Consortium I	New York, NY, USA	\$80,600,000	Structured fund providing direct loans and other financial products to microfinance institutions

Elevar Equity: Unitus Equity Fund and Elevar Equity II	San Francisco, CA, and Seattle, WA, USA; Bangalore, India	\$94,000,000	Equity funds supporting essential services for the “bottom of the pyramid”
Huntington Capital: Huntington Capital Fund II, LP	San Diego, CA, USA	\$78,000,000	Mezzanine debt fund
The W.K. Kellogg Foundation: Mission Driven Investments	Battle Creek, MI, USA	\$100,000,000	Diversified strategy including a portfolio of direct investments in impactful enterprises
MicroVest: MicroVest I, LP	Bethesda, MA, USA	\$48,500,000	Hybrid low-income financial institution fund
RSF Social Finance: RSF Social Investment Fund	San Francisco, CA, USA	\$101,000,000	Social enterprise loan fund
Small Enterprise Assistance Funds: Sichuan SME Investment Fund, LLC	Washington, DC, USA; Chengdu, China	\$22,512,500	Equity fund targeting small and medium-size enterprises

Table 2.2 The Twelve Funds: Financial and Social Performance

Fund	Financial Performance	Social Performance
Developed Market Equity and Hybrid Funds		
Bridges Ventures: Sustainable Growth Funds I and II	Successful exits have generated multiples ranging from 1.6 to 22x.	Has placed over 80% of portfolio in underserved areas, catalyzing more than £435M in investment and creating more than fifteen hundred jobs (40% in underserved areas).
Huntington Capital: Huntington Capital Fund II, LP	13.78% net internal rate of return (IRR) at March 31, 2013	352 total jobs created; of the 2,811 total portfolio company employees at December 31, 2012, 78% reside in low- to moderate- income areas; nine of sixteen portfolio companies (56%) are owned or operated by an ethnic minority individual or female.
The W.K. Kellogg Foundation: Mission Driven Investments	Two realized exits out of six total direct investments, delivering IRRs of 46% and 65%.	The MDI program's investments support WKKF's theory of change, which addresses social conditions, such as improving the quality of and equitable access to food, education, and health care for vulnerable families; 53,300 vulnerable kids were supported through direct investments, which accounted for 75% of the MDI total.
Emerging Market Equity and Hybrid Funds		
Aavishkaar: India Micro Venture Capital Fund	20% IRR on investments and 13% IRR net of fees. Six complete exits: three with IRRs between 12% and 39% and three at discount to principal; two partial exits with 45% and 63% IRRs and three write-offs.	Varies by company. Highlights include 101,817MT of CO ₂ emissions reduced; 10.5 million dairy farmers with increased incomes; 145,500 people with disabilities gaining access to computer/web services; and 344,925 people accessing financial services through rural ATMs.

Table 2.2 (Continued)

Fund	Financial Performance	Social Performance
Business Partners Limited: Southern African SME Risk Finance Fund	In excess of 2.5× original capitalization returned to shareholders via dividends between 2005 and 2013; 7% average ROE from 2003 to 2013	Since 1981, total of over \$1.5 billion invested in more than 69,500 SMEs, creating or sustaining more than 550,000 jobs.
Deutsche Bank: Global Commercial Microfinance Consortium I	Targets met for all investors (3%–7% IRR) in 2010, except Class B Equity (3.5% IRR, met in 2012, below 12% IRR target)	Active clients served by investees: 2.6 million. Estimated number of loans to entrepreneurs: 732,146.
Elevar Equity: Unitus Equity Fund and Elevar Equity II	UEF: 21% realized IRR, net to LPs	Sixteen companies introduced more than twelve essential services to eleven million households.
MicroVest: MicroVest I, LP	7.6% net IRR to LP investors, within 7.5% to 8% IRR target; full interest paid to note/debt investors	Clients receiving financial services (at MV I's largest size): roughly 3.5 million microentrepreneurs. Women clients for LIFIs in the MicroVest I portfolio: 52% on average.
SEAF: Sichuan SME Investment Fund, LLC	11.38% net IRR and 22.73% gross IRR as of June 30, 2013	21% average annual increase in employment and 17% average annual increase in wages at each portfolio company since SSIF investment; 58% of jobs created for low-skilled workers.

Social Debt Funds

ACCIÓN Texas Inc.	2%–3% return to investors	Since inception, the organization has made over 13,400 loans totaling \$145 million, and has preserved or created thirteen thousand jobs. In 2012 alone, ATI disbursed 919 loans totaling \$18 million.
Calvert Foundation: Community Investment Note	Investors select from available rate and term combinations, currently ranging from one year at 0.5% to ten years at 3.0%. 100% principal and interest repayment to more than 13,500 investors over twenty years.	Since 1995, more than 13,500 investors have invested nearly \$1 billion in the portfolio of nonprofits and social enterprises worldwide. Metrics are tracked through IRIS and CARS.
RSF Social Finance: RSF Social Investment Fund	1.26% average interest rate (2009–2013). No investor has lost money, and the loan fund has less than 2% default rate over twenty-eight years.	Impact differs within each focus area, but overall, borrower impact increased by a normalized average of 7 points on the B Impact Rating System from 2011 to 2012, meaning they increased their impact even as they expanded their business as a result of loans received from a mission-aligned lender.

Table 2.3 The Twelve Funds, Capital In and Capital Out

Fund	Capital In: Investor Base	Capital Out: Investment Recipients
Aavishkaar: India Micro Venture Capital Fund	<ul style="list-style-type: none">• Primarily individuals• Some tax-advantaged foundations• One investment from a government entity late in the day	Early stage
ACCIÓN Texas Inc.	<ul style="list-style-type: none">• Government (through subsidies provided to CDFIs)• Banks motivated by regulation• Large investments and significant grant support from private foundations	Early stage
Bridges Ventures: Sustainable Growth Funds I and II	<ul style="list-style-type: none">• Seed investment from government• Institutional and foundation capital, deployed independently, but also motivated by government partnership• Individuals	Growth stage
Business Partners Limited: Southern African SME Risk Finance Fund	<ul style="list-style-type: none">• Seed investments from government, philanthropy, and corporations	Early stage

Table 2.3 (Continued)

Fund	Capital In: Investor Base	Capital Out: Investment Recipients
Calvert Foundation: Community Investment Note	<ul style="list-style-type: none"> • Core investments from thousands of individuals • Many faith-based, foundation, and other institutional investments 	Growth stage
Deutsche Bank: Global Commercial Microfinance Consortium I	<ul style="list-style-type: none"> • Catalytic support from DFIs • Institutional investors as senior noteholders • Foundations and individuals in high-risk equity tranches 	Growth stage
Elevor Equity: Unitus Equity Fund and Elevor Equity II	<ul style="list-style-type: none"> • Foundations • Individuals • Endowments • Emerging Markets Funds 	Early and growth stage
Huntington Capital: Huntington Capital Fund II, LP	<ul style="list-style-type: none"> • Core of institutions making economically targeted investment, including pension funds, and banks motivated by regulation • Foundation mission-related investments 	Later growth stage
The W.K. Kellogg Foundation: Mission Driven Investments	<ul style="list-style-type: none"> • Capital sourced entirely from the foundation's endowment 	Later growth stage
MicroVest: MicroVest I, LP	<ul style="list-style-type: none"> • Core of private foundation, individual, and commercial investors • Late investment from a DFI in senior notes 	Later growth stage
RSF Social Finance: RSF Social Investment Fund	<ul style="list-style-type: none"> • Core of individual investors • Associated philanthropic resources 	Early to growth stage

Table 2.3 *(Continued)*

Fund	Capital In: Investor Base	Capital Out: Investment Recipients
SEAF: Sichuan SME Investment Fund, LLC	<ul style="list-style-type: none">• Core investor base includes one DFI and one institution motivated by policy-oriented economic development obligations	Growth stage

Figure 2.5 Investor Base and Investment Strategy of the Twelve Funds

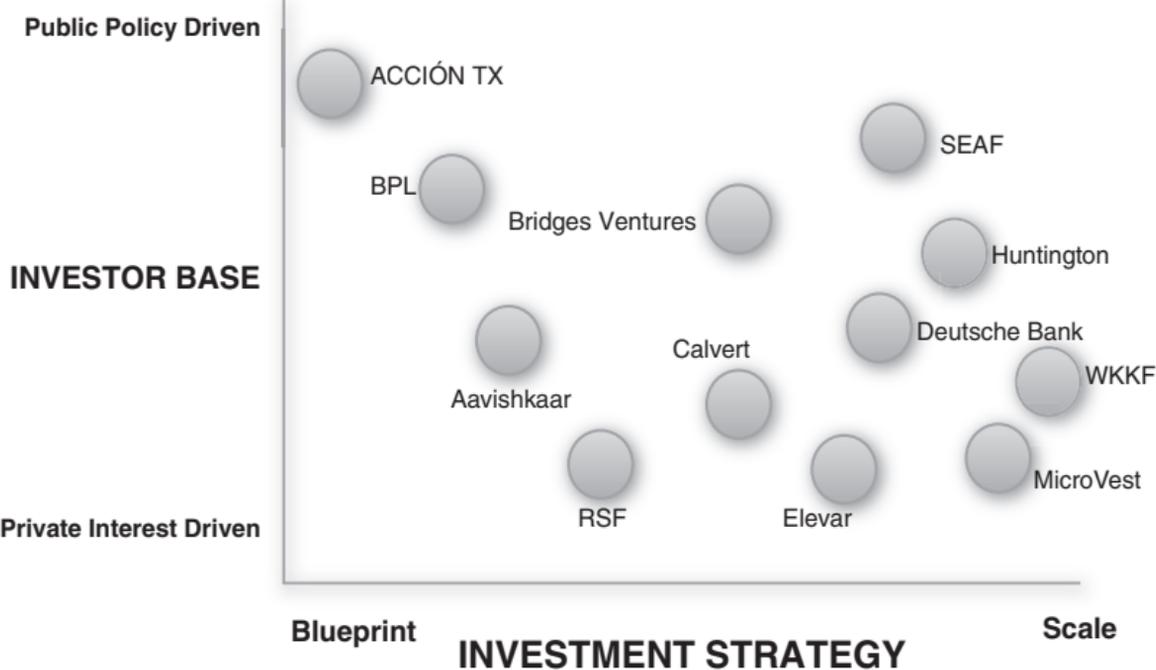


Figure 2.6 The Four Types of Investment Funds

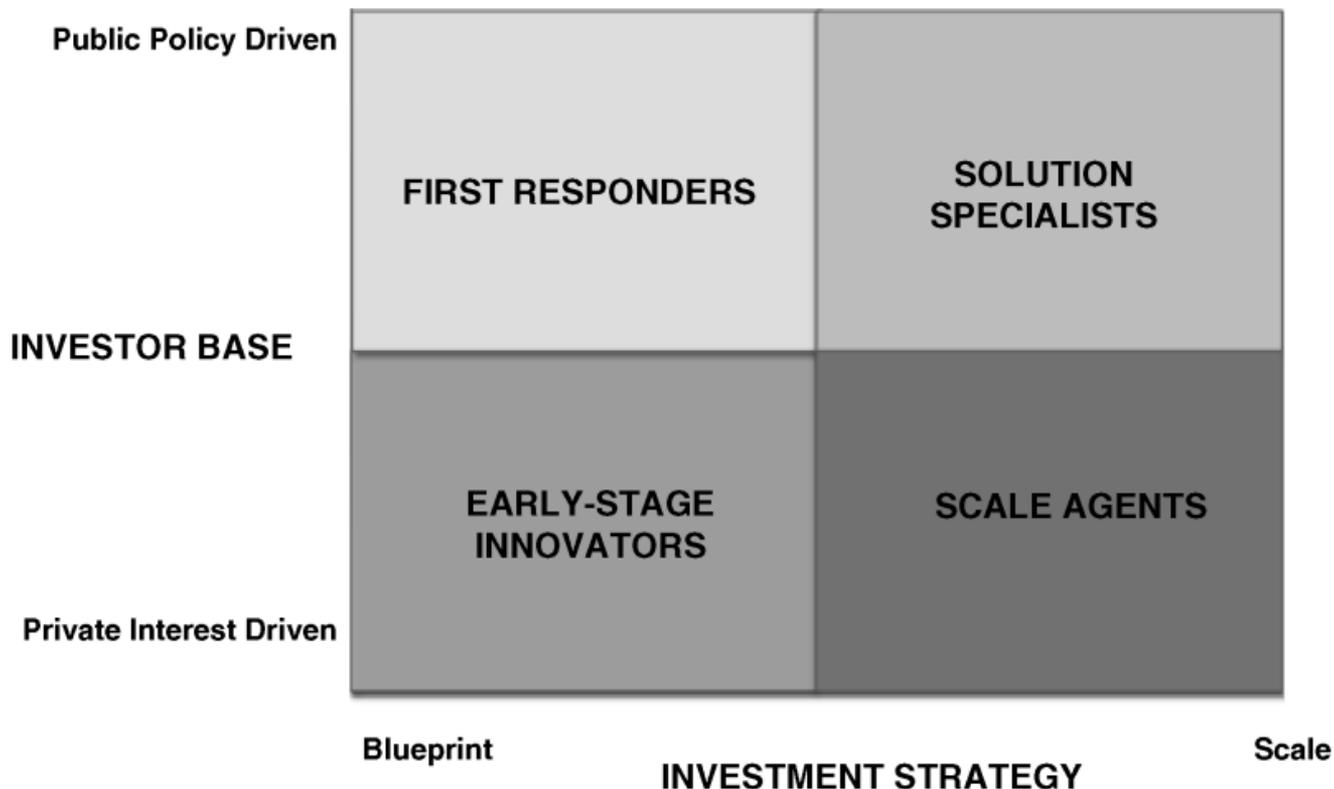
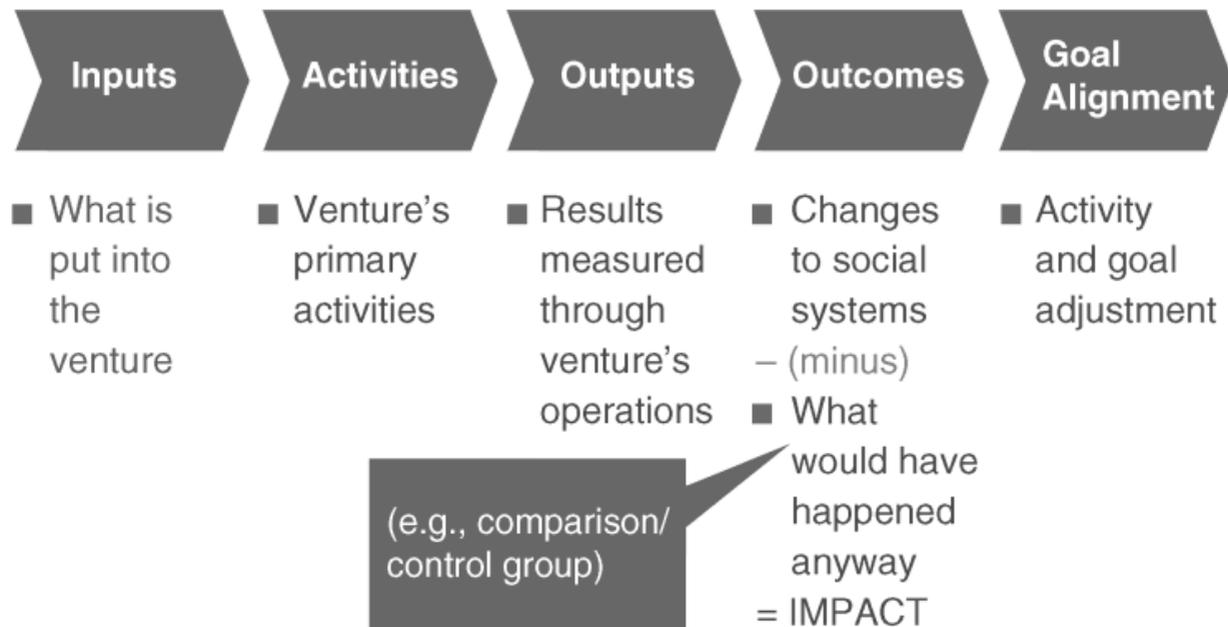


Figure 3.1 Impact Value Chain/Logic Model



Source: Adapted from Clark, C., Rosenzweig, W., Long, D., and Olsen, S. (2004). *Double Bottom Line Project Report: Assessing Social Impact in Double Bottom Line Ventures*, http://www.riseproject.org/DBL_Methods_Catalog.pdf.

Figure 3.2 Theories of Change Example, Constructed for Grameen Bank

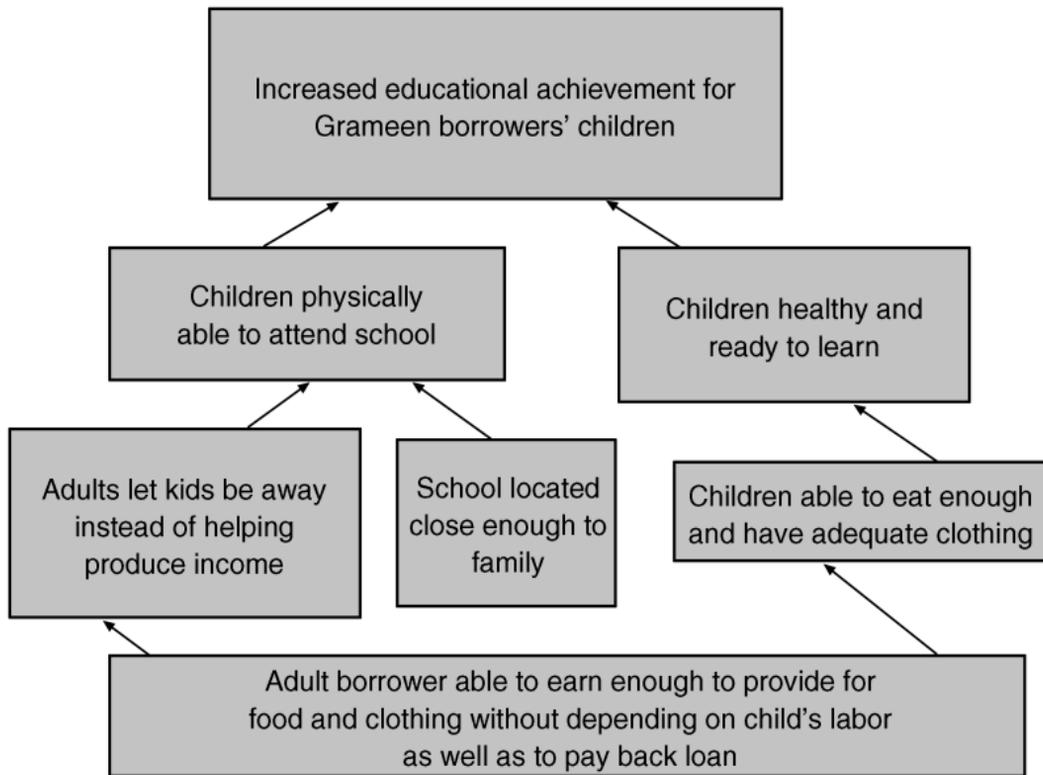


Table 3.1 Investment Thesis of Change Examples

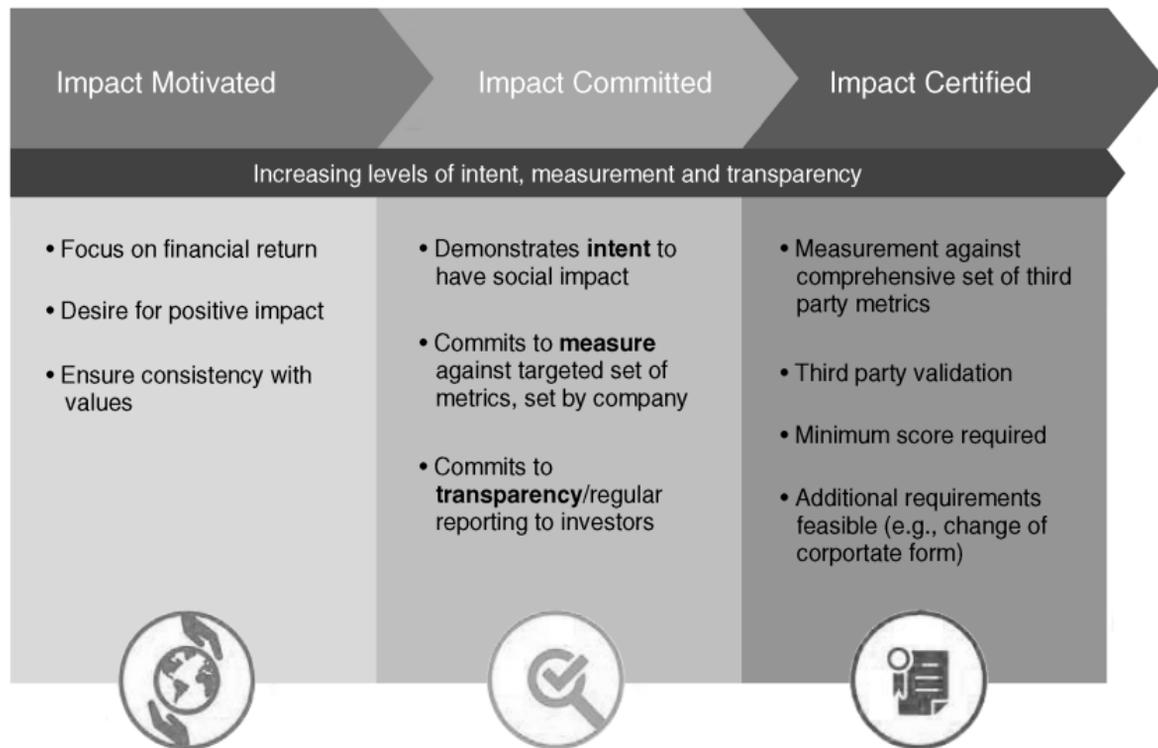
	Social Objective	Source of Capital	Investment Approach	Investment Targets	Outputs	Outcomes
Aavishkaar	Improve the quality of life in rural and underserved communities in India	Primarily individuals and socially motivated institutions	Early-stage equity	Enterprises in agriculture, health, water and sanitation, education, information and communication technology	Production of goods and services; hiring	Varies by company: creating local livelihoods, and products and services that reduce the vulnerabilities of low-income and rural populations
Deutsche Bank	Attract fiduciary investors to microfinance	Public sector, impact investors, and institutions	Structured product to reduce risk, making primarily direct loans	Balanced portfolio of microfinance institutions at different stages of growth and in different places	Loans to underserved entrepreneurs	Access to capital in underserved communities; proof of concept for LPs, through financial success

Table 3.2 Elevar Equity's Core Impact Themes

Theme	Question	Subquestions	Sample Indicative Metrics
Customer Demographics	Is the business centered on the target customer?	What percentage of customers do not otherwise have access to services or are unable to afford services at currently available price points?	<ul style="list-style-type: none">• Increase in percentage of customers without credit score/records• Increase in average income of borrowers• Increase in number of RSBY¹⁰ insurance customers• Increase in numbers of underserved districts in which hospitals or bank/MFI branches have been set up• Increase in number of customers with no prior banking products
Customer Financial Strength	Does the product or service help strengthen the customer's balance sheet?	Does it help reduce expenses or increase income? Does it help build a long-term asset?	<ul style="list-style-type: none">• Reduction in borrowing, rental, and transaction costs compared to status quo• Increase in value of asset (such as land or a building)• Improvement in health (long-term asset creation)

<p>Product/Service Quality (as Measured by Customer Satisfaction)</p>	<p>Does the business offer significant improvement in quality or reduction in price as compared to the current alternatives? Is the customer satisfied?</p>	<p>How satisfied is the customer as compared to next best alternative? How strong is demand for and uptake of products and services?</p>	<ul style="list-style-type: none"> • Increase in average tenure and occupancy levels at hostels • Increase in word-of-mouth customer referrals • Increase in staff productivity (ease of customer acquisition)
<p>Scale</p>	<p>Is the business able to scale and cater to large, unmet customer demand?</p>	<p>How is the number of customers growing? What is the value of products sold? What kind of presence does the business have, in terms of locations covered, number of units set up, etc.</p>	<ul style="list-style-type: none"> • Increase in # of loans disbursed • Increase in # of hospital beds or patients treated • Increase in # of customers with better homes • Increase in # of homes sold to migrant workers
<p>Capital Leverage</p>	<p>Are our investments attracting capital to this space?</p>	<p>How much debt/equity capital has the company raised?</p>	<ul style="list-style-type: none"> • Amount raised for every dollar invested by Elevar • Mix of commercial versus social sources of capital

Figure 3.3 Impact Investing Impact Commitment Spectrum



Source: Case Foundation. (n.d). "A Short Guide to Impact Investing." <http://casefoundation.org/impact-investing/short-guide>.

Figure 3.4 The Impact Investing Fund Life Cycle: Mission First and Last

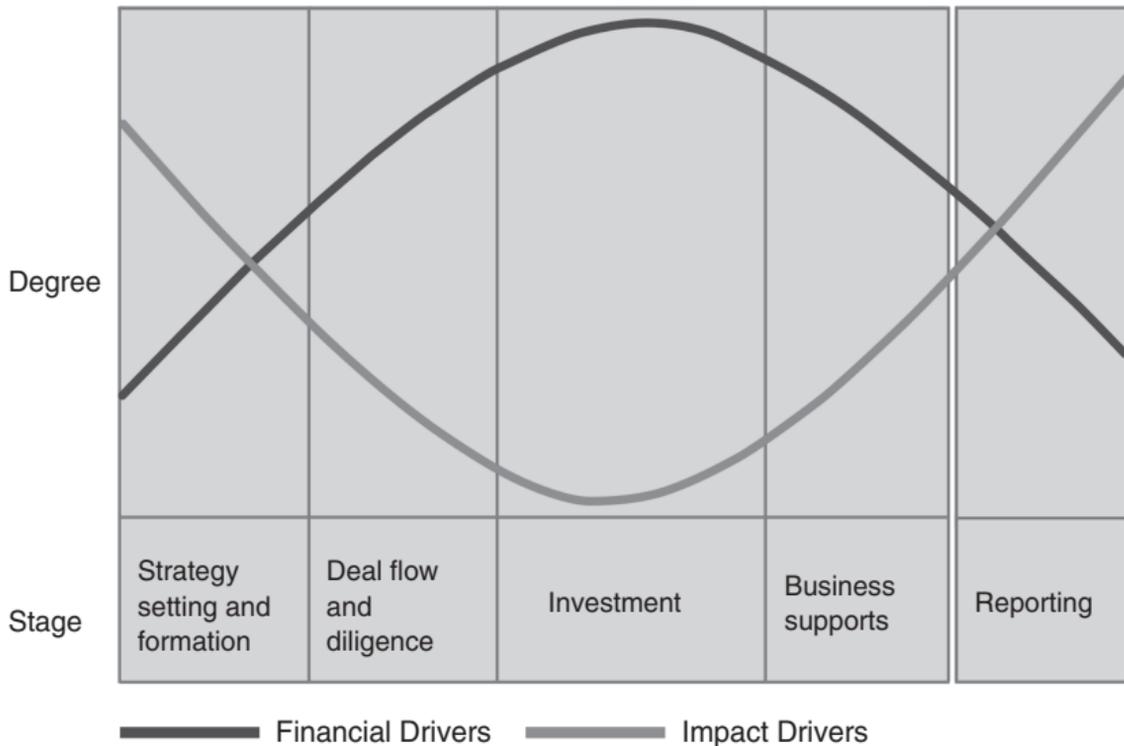
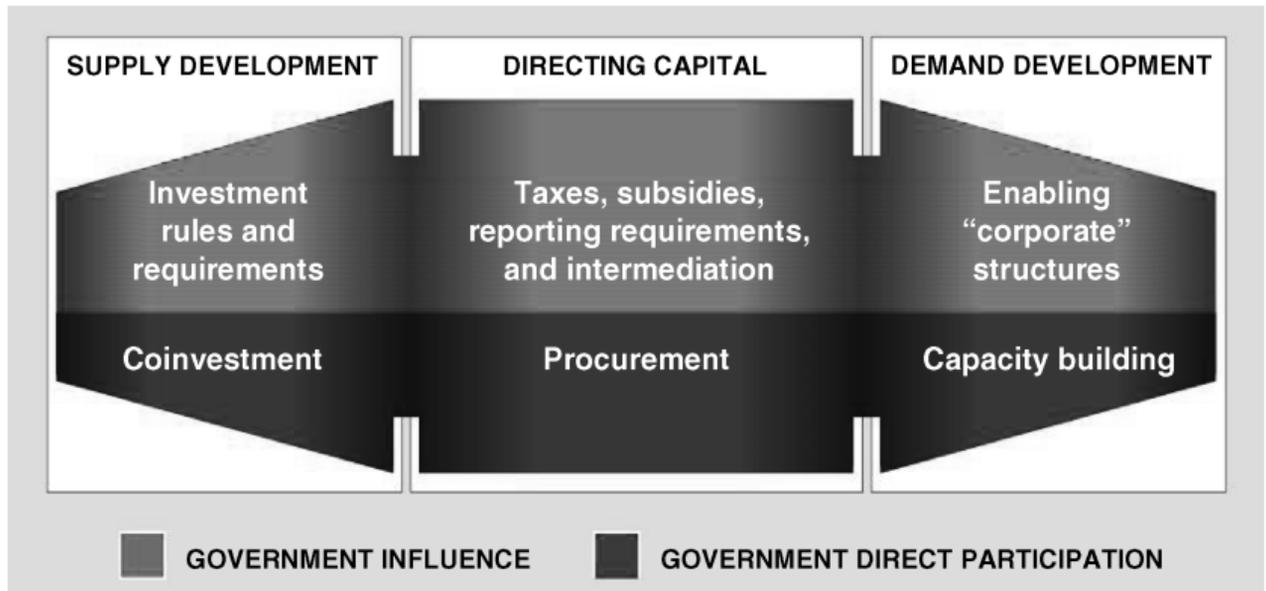


Figure 4.1 A Policy Framework for Impact Investing



Source: Thornley, B., Wood, D., Grace, K., and Sullivant, S. (2011, January). *Impact Investing: A Framework for Policy Design and Analysis*. InSight at Pacific Community Ventures and the Initiative for Responsible Investment at Harvard University. <http://www.pacificcommunityventures.org/reports-and-publications/impact-investing-a-framework-for-policy-design-and-analysis/>.

Figure 4.2 Example of How Policy Has an Impact on a Fund and Investees



Selection of Notable Policies

Community Reinvestment Act: requires banks to invest in the low-income communities in which they have branches

Program-related investment tax laws: allow philanthropic foundations to make charitable investments that count toward their annual payout requirement of 5 percent

SBA 504 loan program: government guarantees for asset-backed loans to SMEs

CDFI Fund (US Department of the Treasury): registers and provides subsidy to special-purpose institutions committed to operating predominately in low-income communities

SBA Small Business Development Centers: 900 service delivery points providing a wide array of technical assistance to SMEs

SBA 8(a) Business Development Program: provides advantages in federal procurement to businesses owned by disadvantaged groups including ethnic minorities

Figure 5.1 The Capital Stacks in Deutsche Bank's Global Commercial Microfinance Consortium I

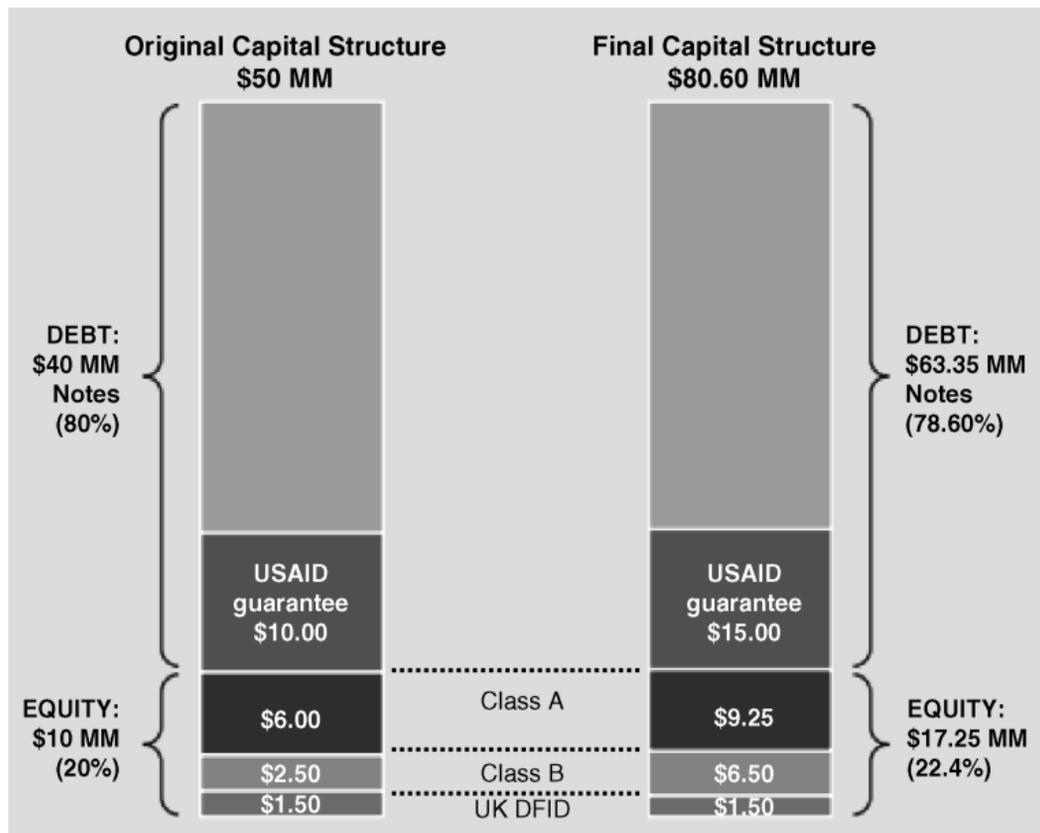


Table 6.1 Sector Concepts and Quotations

Sector	Priority	Key Concepts	Example
Public	Improving the quality of life for all citizens	<ul style="list-style-type: none">• Market systems, failures, and externalities• Public goods• Efficacy and scale	Ben McAdams, mayor of Salt Lake County, commenting on a new United Way of Salt Lake results-based financing initiative for low-income preschool students: “In other states where rigorous standards and a high-quality curriculum have been used to offer preschool to economically-disadvantaged children, the return on investment has been 7 to 1—that is a \$7 benefit to the local budget—money not needed for special education, crime or public assistance as well as higher wages for consumer spending—for each dollar invested. It’s the right thing to do for children, and the fiscally responsible course for taxpayers.” ⁵
Business and finance	Maximizing risk-adjusted returns	<ul style="list-style-type: none">• Risk mitigation and return on equity• Efficiency• Supply and demand• Price and willingness to pay	Andrew Kuper, founder and president of Leapfrog Investments, featured in the <i>Financial Mail</i> (South Africa) discussing his firm’s second fund:

			<p>“Kuper says there is little point in selling to people earning less than \$1.25/day. The sweet spot is from \$1/25 to \$10/day. He says Leapfrog is not the kind of private equity fund that sacks half the workforce and then gears up the balance sheet. “We are there to help with operations. Among the partners there is expertise in product design, distribution and regulation.”⁶</p>
<p>Nonprofit and philanthropy</p>	<p>Doing good in the world</p>	<ul style="list-style-type: none"> • Theories of change • Catalytic investment and innovation • Articulation of demonstrated outcomes 	<p>Molly Baldwin, founder and executive director of Roca, the nonprofit delivering services under the largest pay-for-success financing in the United States, aimed at reducing youth recidivism in Massachusetts:</p> <p>“The Massachusetts Pay for Success Initiative is about changing the odds. It’s about confronting the stubborn trends of incarceration and poverty among justice-system-involved young men, and standing in solidarity to say to these young men, ‘We will not leave you behind, you deserve more than jail or prison, and we will give you our time and support to help you make a better future for yourself and your community.’”⁷</p>

Table RG.1 The Mission First and Last Tool Kit

Step	Strategies
Gaining clarity: use the investment thesis of change as an anchor for understanding, internalizing, and communicating precisely the value you propose to add.	Think hard about how, precisely, your investment is making an impact, compared to others (through extensive research, reflection, and engagement with peers).

Table RG.1 (Continued)

Step	Strategies
	<p>The investment thesis of change includes six elements:</p> <ul style="list-style-type: none">• The “change,” or social outcome, that is being pursued• The source of capital for pursuing that change• The fund’s investment approach• The fund’s investment recipients• The activities (outputs) of investment recipients made possible by the provision of capital• The outcomes that these outputs will lead to, and how they will be measured.
<p>Aligning internally: the way you structure, govern, and manage your fund speaks volumes to mission.</p>	<p>Think concretely about operational and ownership strategies that will ensure that a fund’s entire staff, board, and any other affiliated parties are on the same page and working collaboratively toward shared goals, including using the following questions:</p> <ul style="list-style-type: none">• Does your governance structure include a mission perspective?• How strong and resilient are your internal feedback loops? Do they incorporate feedback from external stakeholders?• Are there concrete opportunities to embed mission in compensation strategies and through other operational policies and practices?

Table RG.1 (Continued)

Step	Strategies
	<ul style="list-style-type: none"> • What resources do you commit to tracking and reporting impact? Does the effort feel cursory or foundational? • What resources are available to staff and other direct stakeholders for learning, through opportunities including formal training, participation in field-building events, or peer groups?
<p>Aligning externally with investors and other stakeholders: tune in to the motivations of investors, and the needs of a broader set of stakeholders, including their investees, the markets they operate in, and their users or customers.</p>	<p>Diagnose your performance in implementing formal paths to external alignment. Another set of questions should be useful:</p> <ul style="list-style-type: none"> • Are you familiar with what others are doing? Which funds are at the top of their game on alignment, and what does best practice look like? • Is there external buy-in for your internal practices and policies? • Have investors rallied around a relatively targeted set of social performance indicators that are consistent with your investment thesis of change? • Do investees clearly understand your mission, and vice versa? Are you supporting the mission-oriented needs of investees, and do you report to your investors and other key constituencies not just on fund

Table RG.1 (Continued)

Step	Strategies
	<p><i>performance</i>—that is, social outcomes—but on the fund <i>process</i> of engaging externally?</p> <ul style="list-style-type: none">• Do you actively engage in field building and work with peers on issues related to alignment?
<p>Tracking and reporting impact: tap a range of resources to develop robust accountabilities.</p>	<p>Commit to, and implement, high-quality impact evaluation, which includes</p> <ul style="list-style-type: none">• Clearly established and stated social and environmental objectives• Performance metrics and targets related to these objectives, using standardized metrics wherever possible• Monitoring and management of the performance of investees against these targets• Reporting on social and environmental performance to relevant stakeholders <p>Identify resources for both understanding impact evaluation as a practice more broadly, and the specific metrics and methods available to apply or adapt.</p>

Table RG.2 The Policy Symbiosis Tool Kit

Step	Strategies
<p>Acquire knowledge: know your market and the applicable policies.</p>	<p>Review the literature (and scan the market) with the goal of understanding the full array of policies that might be harnessed to increase the probability of both social and financial success in your space—not just those that act directly on your own organization.</p> <p>Join sector and field-level trade groups.</p> <p>Broaden your reading list.</p> <p>Verify and contextualize what you discover in consultation with peers, independent experts (for example, legal advisors), and core constituents, including investors and investees, who are themselves subject to the influence of policy.</p>
<p>Build partnerships: share your experiences as a leading practitioner and strengthen relationships with public officials and other constituents that make impact investing possible.</p>	<p>Be open and proactive about engaging with the public sector, including by considering the following questions:</p> <ul style="list-style-type: none">• Are there industry convenings where policymakers are not present? If so, why not?• Is there more you could do to help policymakers?• Do your political leaders at the local, regional, or national level know what you do?• Have you identified areas of shared concern with public officials?

Table RG.2 (Continued)

Step	Strategies
	<ul style="list-style-type: none"> • Are there any initiatives you could be pursuing jointly with public officials? <p>Share your insights as a practitioner with public officials:</p> <ul style="list-style-type: none"> • Blog regularly. • Maintain an active presence on social media. • Partner with established thought leaders. • Publish white papers and other research reports. • Participate on conference panels. • Participate in “advocacy days” together with peers. • Provide formal feedback on particular policy initiatives.
<p>Be visionary: embrace public purpose as a strategic objective.</p>	<p>Position your small but innovative impact within the bigger picture of social change that many policymakers have in mind.</p> <p>Have a robust investment thesis of change and articulate it boldly.</p> <p>Embrace the public purpose in your investment thesis of change, and ensure that this is confidently communicated to public officials.</p>
<p>Proceed with integrity: commit publicly to the highest ethical standards.</p>	<p>Sign on to public principles of ethical behavior.</p> <p>Demonstrate and communicate that operating with the highest standards of integrity is plain good business.</p>

Table RG.3 The Catalytic Capital Tool Kit

Step	Strategies
Know how: learn the tools of structured finance and multiparty transactions.	Study other transactions; talk to lawyers, accountants, and financiers; or start doing deals in the space and learn what some of the variations and norms are within your investment area of focus. Partner with third parties who have this knowledge.
Know who and why: understand the motivations of different types of investors and the way they use their capital to achieve various ends.	Read and do research outside your comfort zone and think about what other kinds of companies, funds, or partners may actually have an interest in the outcomes you care about. Cast a wide net and make lists of different kinds of partners based on geographic, impact, industry, and stage interests. (Imagine a sample investment in the portfolio and prepare an informal “ecosystem analysis” for that company.) Attend industry conferences, make new connections, ask a lot of questions, and try to figure out ways to build collaborative relationships with new parties. Find the right anchor or seed investor for your own fund,

Table RG.3 (Continued)

Step	Strategies
	<p>recognizing that a large portion of your limited partners will have strategic, and not just financial, reasons for investing.</p>
<p>Think expansively: revisit strategic objectives and approaches and determine whether you could be playing a more catalytic role.</p>	<p>Put the spotlight back on yourself and consider the following sample questions:</p> <ul style="list-style-type: none"> • What kind of catalytic role do you want to play, and which kinds are not acceptable to you? • Will you structure relationships for a set of diverse parties, or do you prefer to let someone else do that, and to step in when the opportunity seems to match your own interests? • What kind of leverage is most needed by your stakeholders? • What can you learn from your investees or other partners about what has been tried before? • How can you take advantage of other experts outside of your networks to help build a knowledge base of best practices that your fund can use going forward?
<p>Invest strategically: focus your efforts on an approach aligned with the organization’s mission.</p>	<p>Hone your ideas through interaction; don’t assume that one size fits all or that your plan in the abstract will work when it’s time to get detailed.</p> <ul style="list-style-type: none"> • Examples of engagement include meetings and networking, research, and communications.

Table RG.3 (Continued)

Step	Strategies
<p>Review collectively: track your catalytic impact individually, but also by examining the deal and the sector holistically, assessing the way your impact has influenced and coordinated with others.</p>	<p>Revisit best practices in tracking performance, with a focus on catalytic impact. For example:</p> <ul style="list-style-type: none">• If you were a seed investor in a deal, how much capital was leveraged afterwards?• If you were a sustaining investor, how well did that work for the fund or enterprise—has it met the recipient’s own sustainability goal? <p>Don’t be afraid to work directly with constituents, including investees, coinvestors, and actors in other parts of the market.</p> <p>Seek advice and support from third-party experts around best practices in your field.</p> <p>Share results and findings publicly so that other managers can learn from your work.</p>

Table RG.4 The Multilingual Leadership Tool Kit

Step	Strategies
<p>Learn: frame your goals and work through the distinct lenses of the business/finance, nonprofit/philanthropic, and public sectors.</p>	<p>Study the priorities and key concepts of the three sectors:</p> <ul style="list-style-type: none">• The public sector seeks to improve the quality of life for all citizens, in part by focusing on the concepts of market systems, failures, and externalities; public goods; and efficacy and scale.• The financial sector seeks primarily to maximize risk-adjusted returns, focusing on the concepts of risk mitigation and return on equity, efficiency, supply and demand, and price and willingness to pay.• The nonprofit sector seeks to do good in the world, focusing on the concepts of theory of change and of catalytic investment and innovation, and the clear articulation of demonstrated outcomes. <p>Look out for articles written by representatives from different silos—and those working hard to “bridge the divide,” such as the Global Learning Exchange on Social Impact Investing, an initiative of the UK Cabinet Office, the Impact Investing Policy Collaborative, and the World Economic Forum.</p> <p>Create conditions in your workplace that accommodate both formal and informal training and mentorship.</p>

Table RG.4 (Continued)

Step	Strategies
<p>Adapt: clarify your role by identifying core strengths and opportunities to add value.</p>	<p>Test your investment thesis of change against the following core, cross-sector elements:</p> <ul style="list-style-type: none"> • Does it address a market failure? • Is it consistent with other (noninvestment) approaches to addressing the social outcome at hand? • Is it catalytic, with the power to change market systems and bring new actors to the table? <p>Identify the key government, philanthropic, and financial stakeholders that are active in your focus area.</p> <p>Draft communication materials to test knowledge and messaging.</p> <p>“Find your voice” by workshopping ideas and language internally and with key external, cross-sector stakeholders.</p>
<p>Act: operationalize cross-sector approaches and play a truly multilingual role in the market.</p>	<p>Recruit multilingual leaders to your team.</p> <p>Invite multilingual leaders you admire to join a board or advisory board.</p> <p>Provide your current employees with a continuing education allowance to pursue classes that relate to your impact area.</p> <p>Continue to raise the bar on performance measurement.</p> <p>Advocate for policy that enables progress in your area of impact investing.</p>

Table RG.4 (Continued)

Step	Strategies
	<p>Volunteer with or donate to organizations that address your area of impact. These groups may be future strategic partners.</p> <p>Do pro bono work that applies your core skills to the impact areas in question.</p>