

Impact Investing

Presented by

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What is impact investing?



“Impact investments are investments made ... with the intention to generate measurable social and environmental impact alongside a financial return.”

Impact investing is a radical departure from the bifurcated worldview...



...but flows out of decades of socially-oriented investing



Socially responsible investing



Community development finance

International development finance

Impact investing

Fair trade

Social enterprise

So what's new?



From

Financial Institutions

- Motivated to lend by Community Reinvestment Act regulations, either directly to communities or via CDFIs

Foundations

- Low-return PRIs, primarily in U.S. housing/community development



Government

- Encouraged impact investment through tax credits focused on housing, facilities (LIHTC, NMTC)

To

- Setting up diverse funds that respond to client interest & business opportunities

- Exploring much wider range of investments



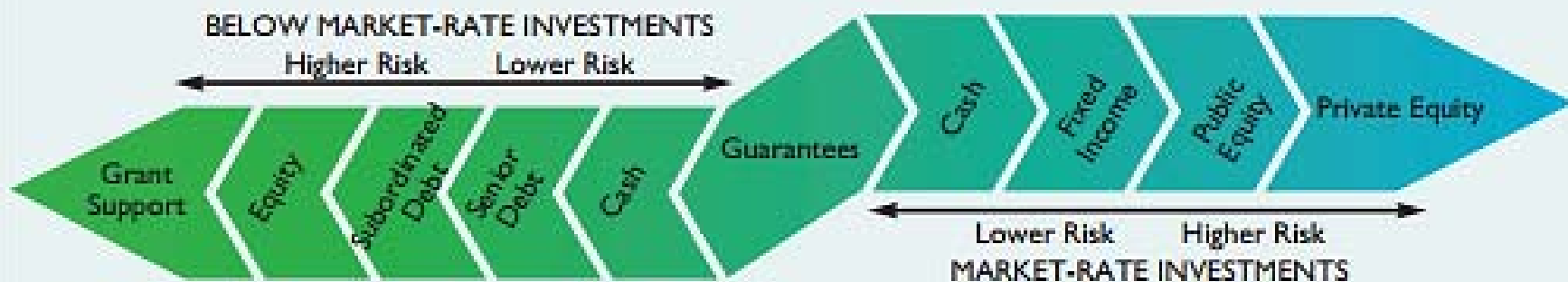
- Integrating impact investing into endowment management



- White House exploring across issues
- G8 2014 impact investing focus
- Benefit Corporation legislation

Impact Investments: A Spectrum of Tools

FIGURE 1. F.B. HERON FOUNDATION CONTINUUM OF MISSION-RELATED INVESTMENTS



Source: F.B. Heron Foundation.

So what does this mean for nonprofits?



Does your organization have capacity to engage in impact investments?



Impact investing could make sense if...

- Size** 
 - The potential deal is large enough to warrant the high transaction costs
- Financial Expertise** 
 - You have a sophisticated understanding of finance to navigate investment process, communicate your financial story, and *identify clear repayment* to investors
- Human Capital** 
 - (Enough of) staff and board members are not trapped in bifurcated worldview, time/capacity to see the deal done
- Social Capital** 
 - You have an anchor investor or access among your current supporters, collaborators, and networks
- Intellectual Capital** 
 - You have necessary performance data and systems to articulate your impact

Know yourself: does your investment opportunity match investor interest?



Investment purpose

- Expand established operation
- “Bridge” finance to proven revenue-generating activity
- Start-up financing for new area of operation with likelihood of very high profitability
- Start-up financing for new area of operation that will not make large profits

Likely investment

- Loan from wide range of investors
- Loan from existing supporters/community finance intermediary
- Equity-like investment with likelihood of strong financial return
- Not likely to happen (unless it’s a “recoverable grant”)



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