

Using Impact / Programme Related Investments to support social change (and education, arts and the environment)

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Some definitions

- Language alert: same words used to mean different things and different words to mean the same thing
 - e.g. Program Related Investment has a specific US meaning (investing from spend requirement); UK meaning of Programme Related Investment is typically from endowment and in pursuit of charitable mission
- It helps to know where you are on the spectrum
 - Range from Responsible Investment, to Socially Responsible Investment, to “finance first” impact investment, to “mission first” social impact investing....to grant making

Historical & philosophical

- The mainstream financial markets have become less “social” more detached from the general economy
 - The gap between the mainstream and where we are seems wider
- There is a “break” between general finance and the charity, social enterprise and solidarity economy
 - The pensions, savings products, and regular flows of money in the economy are not usually invested in the not for profit social economy
- *While the recession, financial crisis and austerity drive interest in social investment, the above factors still apply, unless we do something different*



EFF Background

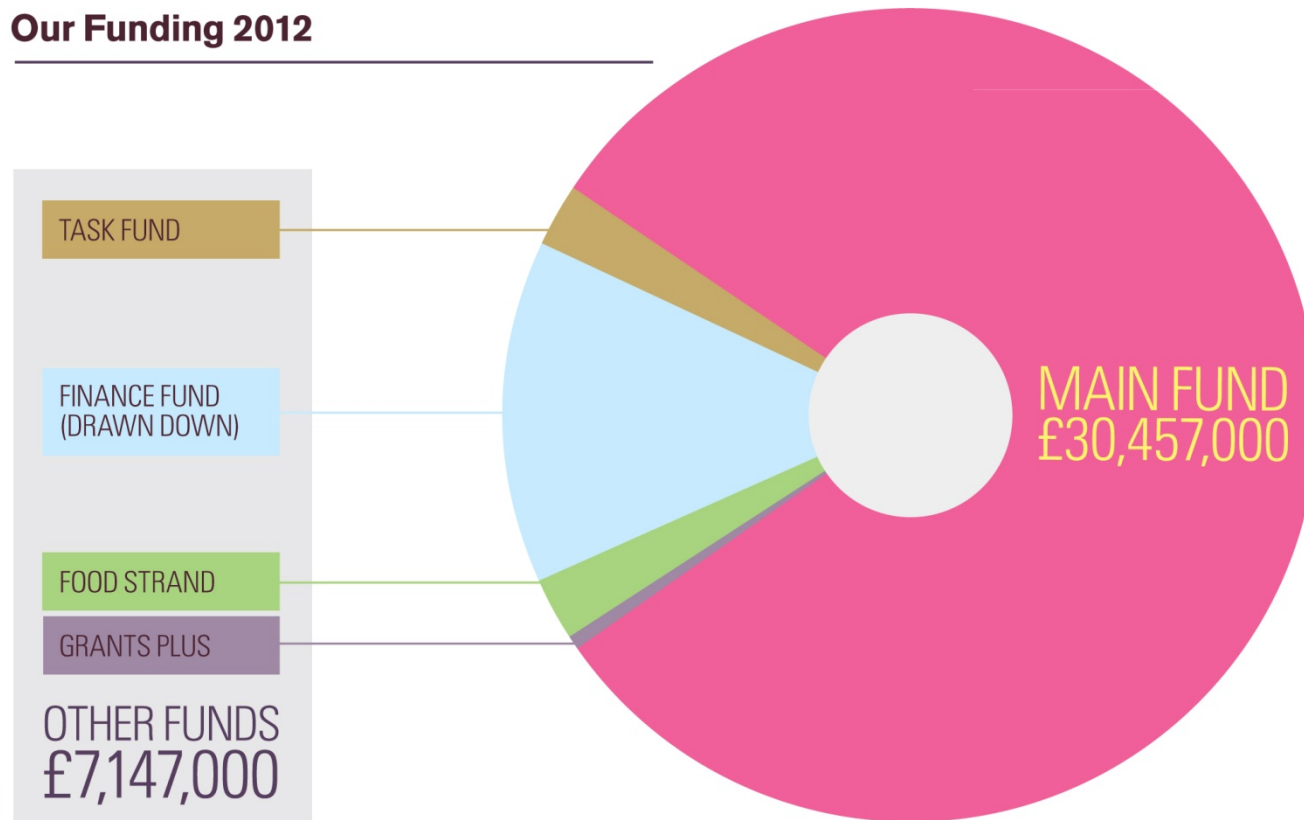
- 1961 – established by Ian Fairbairn
- Independent Trust in the name of his wife, Esmée
- All his shares in M&G Investments
- £850m endowment (expendable)
- Interest in financial education, enterprise and new ideas to improve the quality of life in the UK
- Four broad areas of interest:
 - Education
 - Environment
 - Social change
 - Arts and Heritage



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Our funding

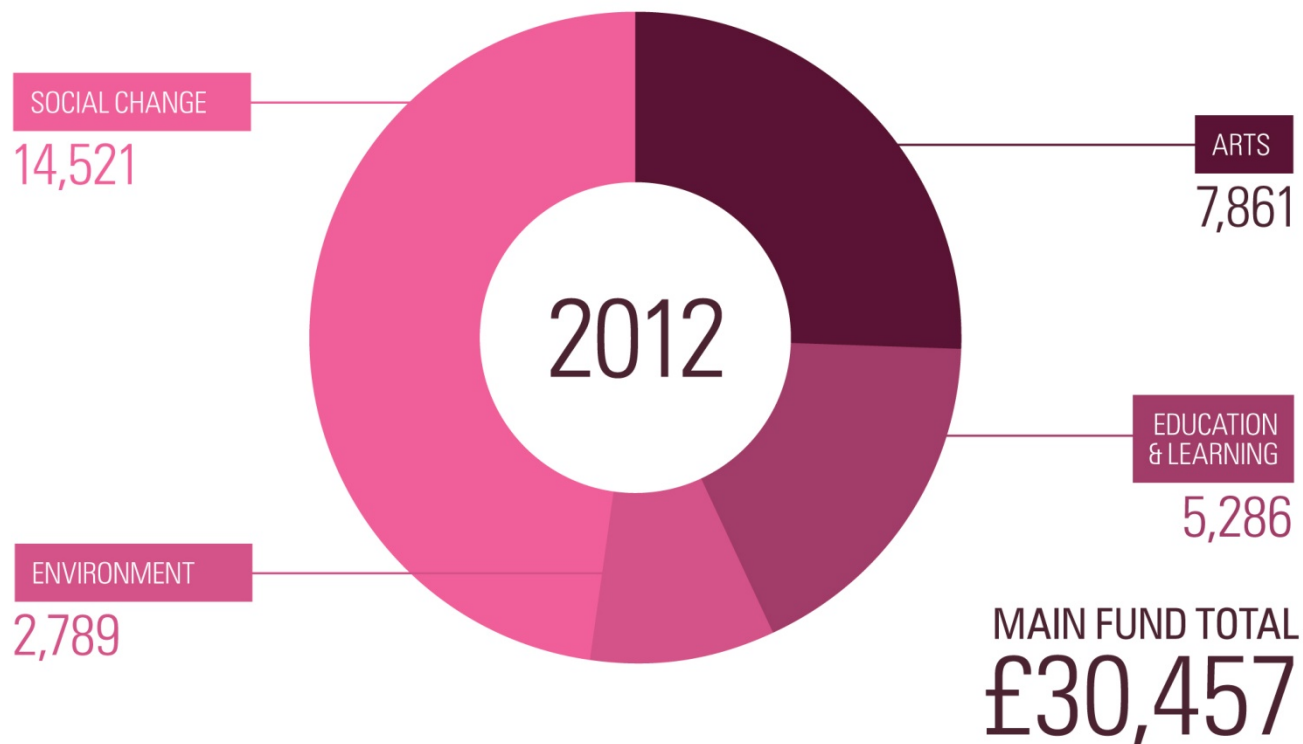
Our Funding 2012



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Breakdown of grants

Breakdown of Main Fund spend
by sector in 2012 (£,000s)



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Finance Fund – why we did it

- We have an interest in new sources of funding for charity
- Charities need finance for the same reasons as any SME
- Legal structures and practices make access to conventional finance more difficult



We started organically

- 1997 - £150,000 to on-lend to charities
- 2003 Golden Lane Housing Bond
- 2004/5 two property loans
- 2005 intermediaries (CAF Venturesome, Charity Bank)
- ...then we piloted 2005-2007
- Then we ran a pilot fund, the “Finance Fund”.....2008 to present day

Finance Fund

- Commitments: £35m to achieve £26m drawn
 - £24m historic commitments, £17m historic drawdown
 - Repayments: £4.9m of capital has been repaid to us to date.
 - Provisions: we have made £0.6m of provisions to date (of which write-offs are £0.1m).
- Average investment size: £364K
- Average term of investments: 7 years
 - 2.6% IRR (before costs) 1.7% after costs?

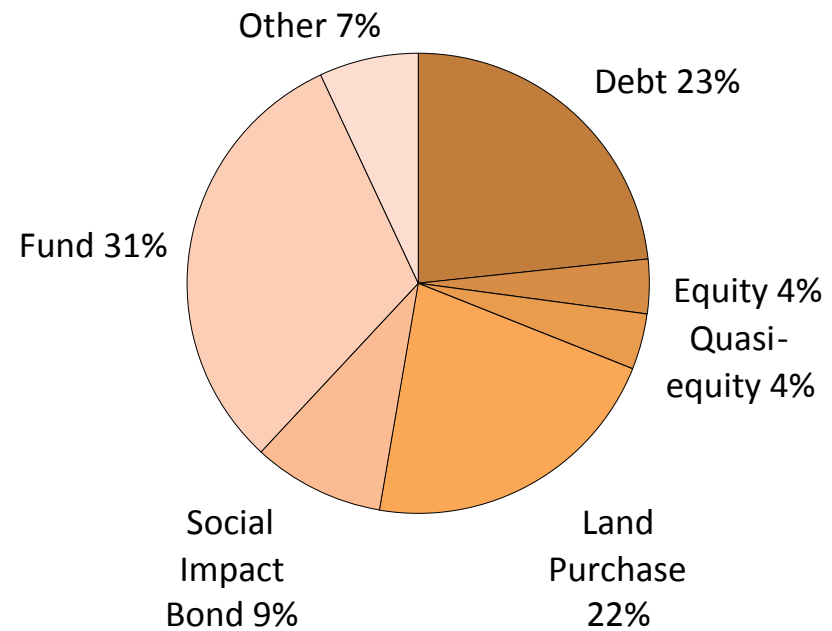
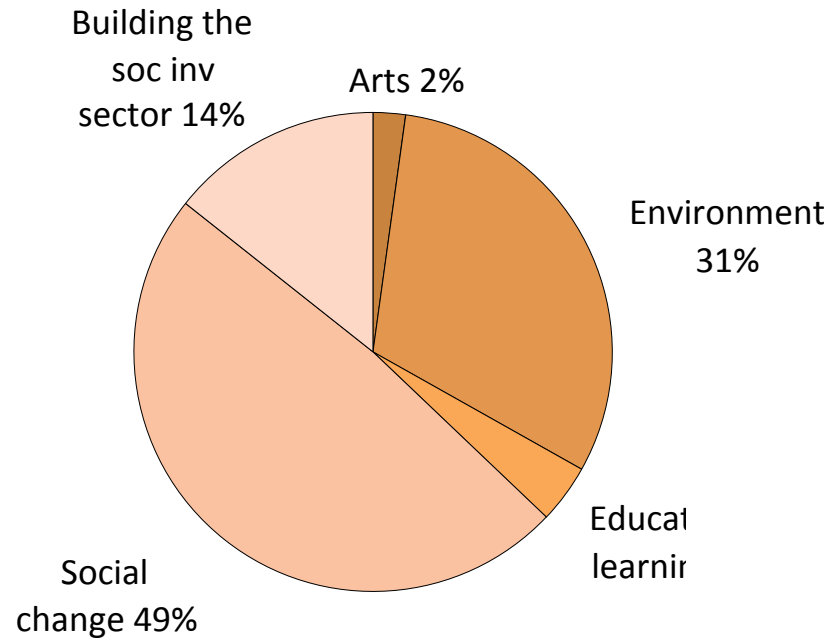


How we do it

- Direct investments into enterprises and charities
- Where we see a pattern, look for funds and intermediaries to do it better and lever in additional funds



By sector and asset

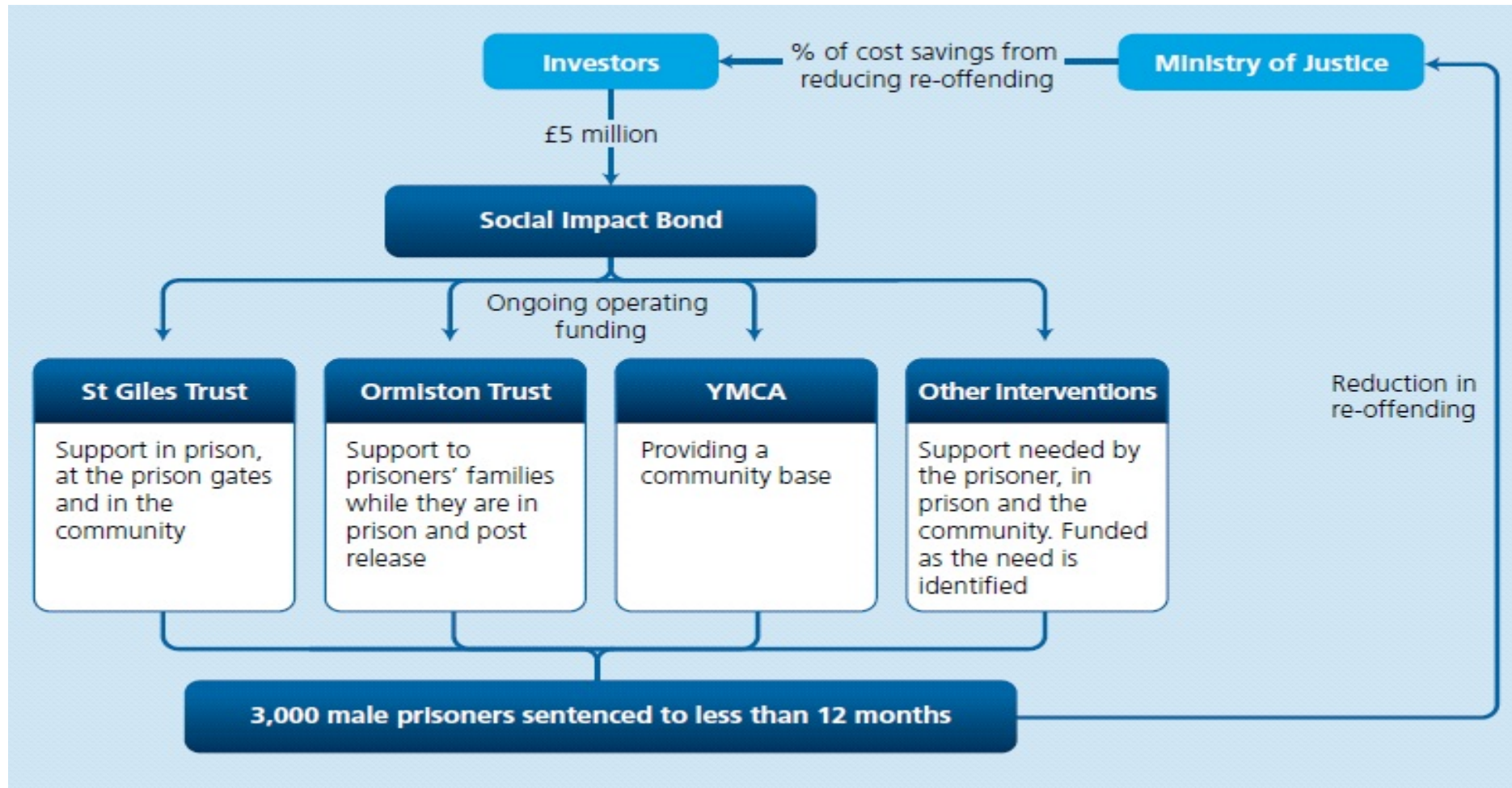


Sometimes it looks like this.....



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....and sometimes it looks like this



Challenges

- The skill set needed crosses the traditional foundation divide – needs both finance (investment) and grant making (understanding the social problem) skills
- Everything changes all the time; our portfolio is a series of waves of innovation we have backed
- Finding good deals and intermediaries in our areas of interest; improving, but you have to be patient
- It is not for every foundation; grants are important and needed

Solutions

- Learn from the investments;
 - a big advantage to the indirect investments (sit on their advisory board, observe Investment Committee)
- Use investees for analysis/due diligence outsourcing
 - Pay a fee to them to work for you
 - Specialist advisors emerging
- Work with others
 - Social Impact Investors Group 55+ people in trusts and foundations
 - SIIG market information days;
 - presentations by people raising investment; draws in other social investors too

Smaller foundations are engage

- Bank Workers Charity
 - Allocated £1m of endowment (c. £35m total size)
- Barrow Cadbury, Lankelly Chase, Friends Provident:
 - 5%/10% of endowments; £3m - £5m.
- Panaphur, KL Felicitas
 - £10m impact allocations (100% of endowment)
- City Bridge, Esmee
 - £20m, £26m/£35m

What does this mean:

- Most impact investing foundation allocations are “small”

What does the future look like?

- Remember the past
 - We have done this all before, generation by generation
 - Our experience might mirror the past
- Continued growth
 - Mainstream will redefine itself as impact investing
 - Some impact investing markets will prove themselves, get a track record and transition from uncertainty to risk
 - It will be easier; more choice, more people, greater familiarity

How to make the future happen

- Make it someone's problem (job) in the organisation, part time initially
- Plan simply what you want to do, based on what you want to achieve as a foundation; or embrace 'the strategy of no strategy'
- Use advisors to help you assess and understand investments that meet the plan; often "sole traders"
- Start quickly and for as long as possible, experiment, pilot, test, trial and examine; or claim you are doing so
- Work with other "fellow travellers" on the road and share honestly and openly
- Under-claim impact



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and.....enjoy the journey