

Esmée Fairbairn Foundation  
Finance Fund

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Social Investment Fund Manager

# Background – The Foundation

- Founded in 1961, Esmée Fairbairn Foundation aims to improve the quality of life for people and communities in the UK now and in the future.
- One of the largest independent grant-makers in the UK. Endowment of ~£820m
- Grants of £30-35 million annually towards the charitable work of constituted not for profit organisations and charities .
- Operate a £26 million Finance Fund which invests in organisations that aim to deliver both a financial return and a social benefit.

# How we started social investment

- 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.....2008 to present day

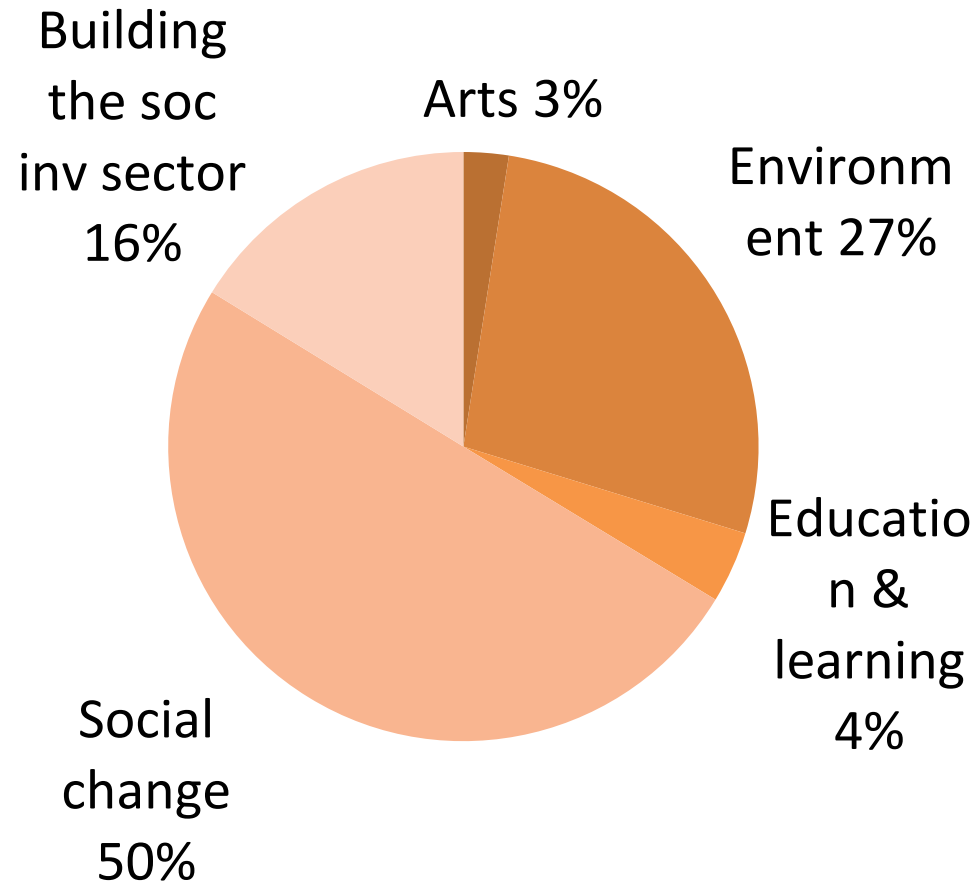
# Initial strategic objectives

- To make our money work harder by recycling it.
- To match the funding mechanism to the need of the recipient more appropriately.
- To increase the overall size of the funding cake.
- To contribute to market development.

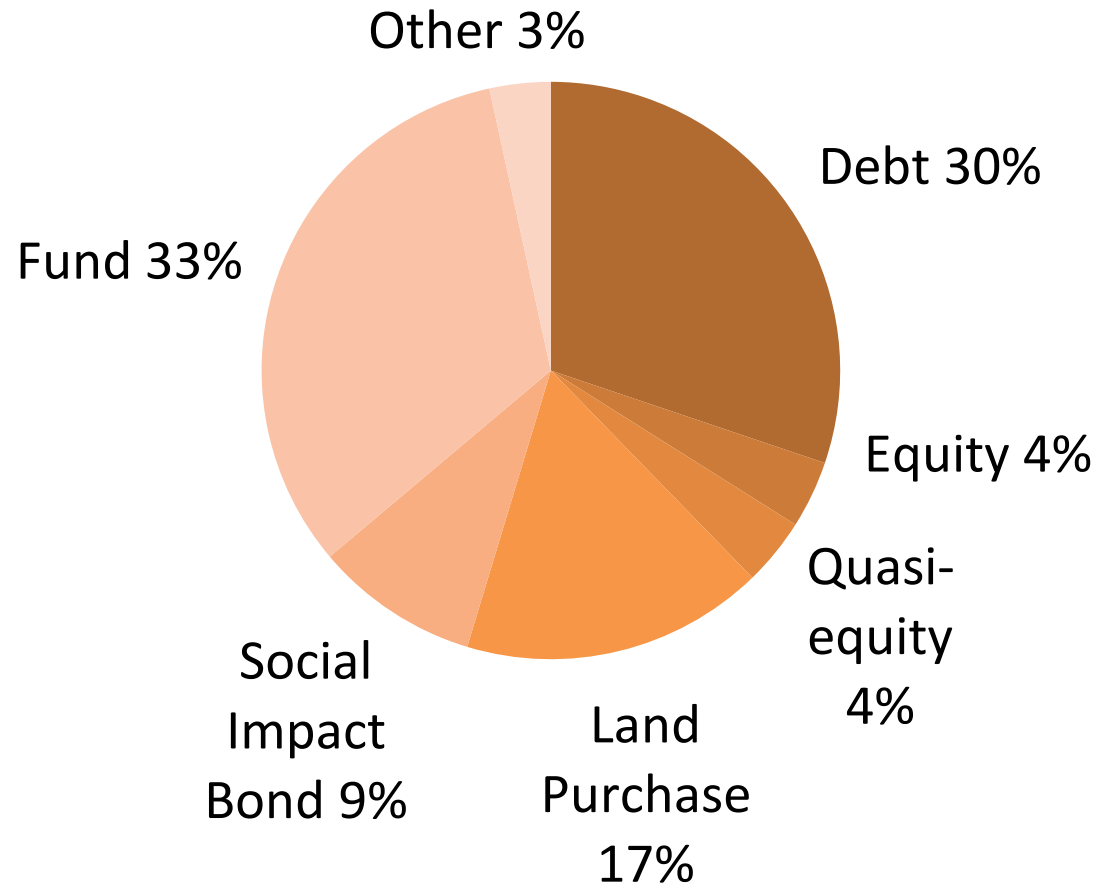
# Snapshot: Finance Fund

- Fund size: £26m
- Impact first fund
- Direct and indirect investments
- To date: £29m commitments, £21m drawn down, £7m repaid
- Average investment size: £360K
- Average term: 7 years
- Expected returns: 2.3% gross / 1.4% net
- Recycling rate: 32%

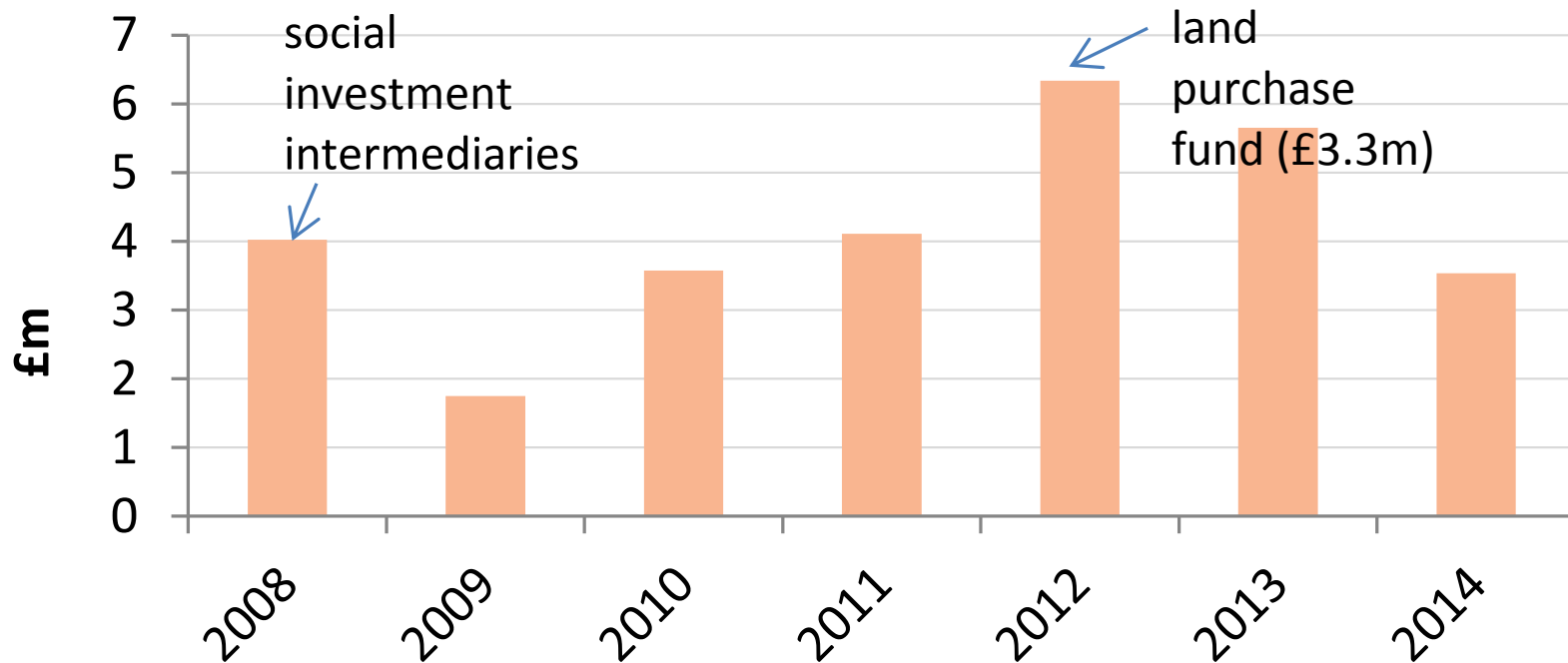
# Allocation by sectors



# Allocation by product type



# Rate of commitments





# How we do it

- Resource requirements:
  - How we started off
  - 2 full-time staff members
  - Skillset required
  - Working with grants managers
- Outsourcing due diligence and legal advice
- Collaboration with other investors
- Decision-making committee
- Feeding lessons back to management and trustees

# Revised strategic objectives

- Keeping mission on the table
- Focus on heartland
  - build the link between the Finance Fund and grant-making teams internally
  - we will place greater emphasis on helping the sectors we support understand and gain access to social investment where appropriate
  - seek out appropriate social investments in organisations closest to our heartland grant-making
- Increase the flow of funds into social investment
  - build market impetus by backing market building initiatives (emerging intermediaries and products)
  - encourage, grow and participate in initiatives and coalitions of those interested in social investment.

# Measuring social impact

- Justifying trade-off in financial returns?
- Tools in the market: Big Society Capital's outcomes matrix
- Our own way:
  - Bottom-up: three outcomes by each investee
  - Top-down: our objectives for investing
  - Not perfect yet!

# Lessons learnt

- Size of fund: drawdown vs. commitment
- Social impact: type of organisations (vs. grantmaking)
- Financial returns: risk/reward profile
- Sectors: some challenging (arts, education & learning)
- Responsive funder vs. creating products
- Learning over a longer time period
- Working together
- Gut instincts