Esmée Fairbairn Foundation
Finance Fund

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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

- Building the social investment sector: 16%
- Environment: 27%
- Education & learning: 4%
- Social change: 50%
- Arts: 3%
Allocation by product type

- Debt: 30%
- Equity: 4%
- Quasi-equity: 4%
- Land Purchase: 17%
- Social Impact Bond: 9%
- Fund: 33%
- Other: 3%

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Rate of commitments

social investment intermediaries

land purchase fund (£3.3m)

£m

2008 2009 2010 2011 2012 2013 2014
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