

T100 Focus: the frontier of SDG investing

How Toniic members make an impact on the United Nations' Sustainable Development Goals



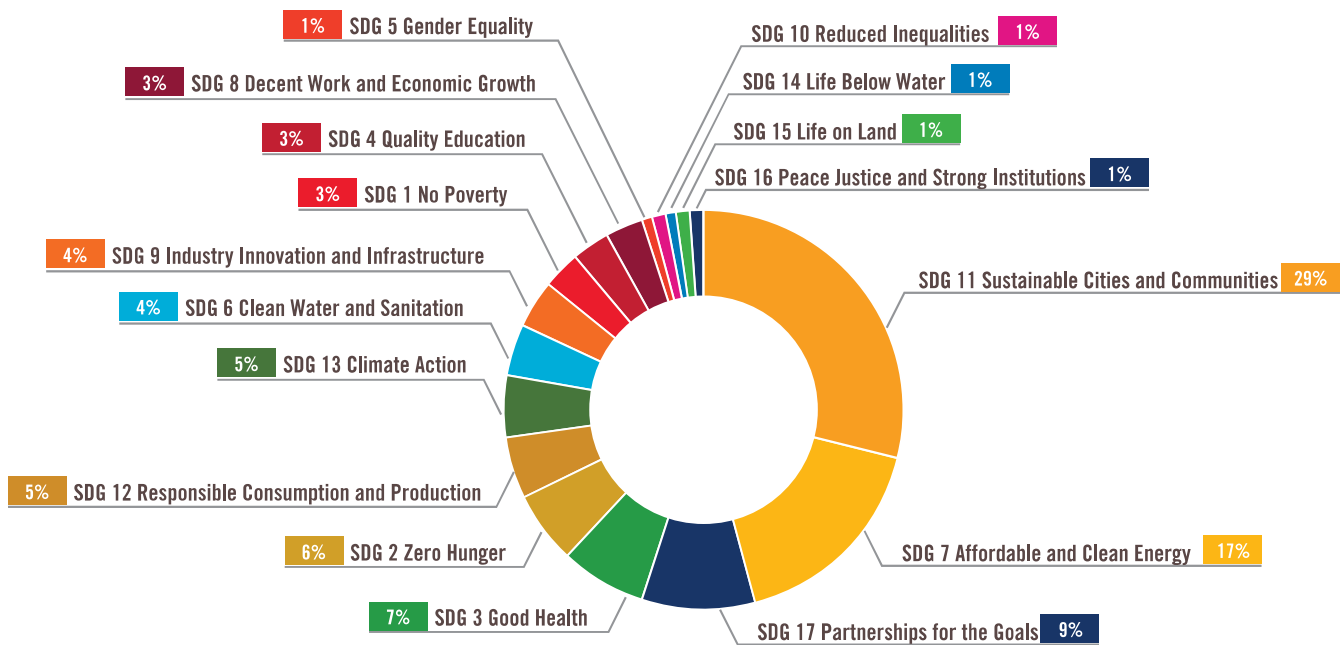
T100 Focus: The Frontier of SDG Investing

How Toniic members make an impact on the United Nations' Sustainable Development Goals

Impact investing contributes to solving the world's biggest problems, which are well-framed by the United Nations' Sustainable Development Goals (SDGs). [Toniic's T100: Powered Ascent report](#), part of a longitudinal study of investment portfolios that are seeking deep positive net impact, provided the first look at how private impact portfolios are addressing the SDGs across asset classes. This briefing digs into the underlying data from 76 portfolios, totaling \$2.8 billion in committed capital, to get a sense of where the most active impact investors see opportunities, the types of investments they're making, and what they're investing in.

T100 participants have embraced the SDGs for their potential to unite the public sector, companies, and investors around a shared language and common set of issues. To encourage that synergy, Toniic has collaborated with members and the impact industry to create the [SDG Impact Theme Framework](#). Available to any impact investor, this evolving framework aligns common impact themes with the SDGs to clarify global investment opportunities.

Many of the investments in T100 portfolios are private and illiquid, with aspirations for tremendous impact that goes far beyond what is typically achievable with public market investments. These portfolios also go beyond the current media darlings, such as clean energy, to include themes such as affordable housing, green building, and smart cities. Understand these investors and you understand a vibrant and radical new form of capitalism.

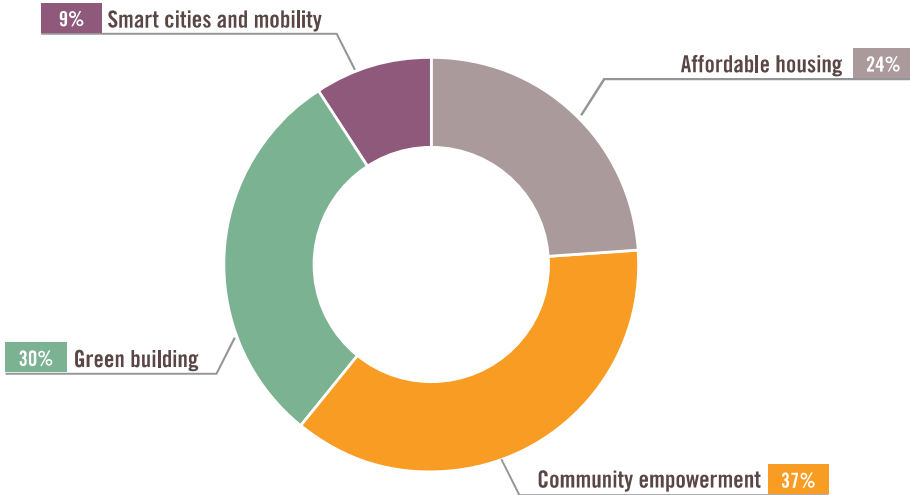


All 17 SDGs are addressed in the aggregated T100 portfolios, but this briefing focuses on five SDGs that account for more than 60 percent of the invested capital in the study—**SDG 11: Sustainable Cities and Communities, SDG 7: Affordable and Clean Energy, SDG 3: Good Health, SDG 2: Zero Hunger, and SDG 12: Responsible Consumption and Production.** Because systemic challenges require integrated solutions, impact investments often relate to more than one SDG; for this briefing we sorted investments by the SDG they primarily address.

While the data show investments across asset classes for these five SDGs as a group, it's clear that each goal provides distinctive opportunities. Private equity is the most common investment in SDG 12 and SDG 7. Public equity is the top asset class in SDG 3, reflecting the scale of healthcare solutions, and real assets dominate in SDG 11 and SDG 2, where fundamental needs such as land acquisition for sustainable agriculture require more patient capital. We have provided representative investments for each SDG, but there are many more in the [Toniic Diirectory](#), a publicly accessible online catalog of over 1,600 impact investments searchable by SDG. We encourage you to explore it.

SDG 11: Sustainable Cities and Communities

SDG 11 is the top target of T100 portfolios, accounting for 29 percent of SDG investments in four subtheme areas. Community empowerment attracts the largest share of funding (37 percent), followed by green building (30 percent), affordable housing (24 percent), and smart cities and mobility (9 percent). Nearly half (49 percent) of investments aligned with SDG 11 are in real assets. Fixed-income investments in community lending, however, dominate community empowerment, helping to make it the most liquid theme. Investors targeting smart cities and mobility are largely making early-stage private equity investments with the expectation of extraordinary returns. T100 portfolios contain no public equity investments in SDG 11, indicating that place-based direct and fixed-income investments offer a better opportunity to advance the Sustainable Cities and Communities goal than publicly listed investments.



Toniic member Lital Slavin on her experience investing in an urban renewal project in Israel:

“Real estate is not my area of expertise, [but] the vision is being realized through a partnership of investors, local NGOs, the municipality, and the community. I think it will be one of the major impacts of my life if we are successful—a template for urban revitalization that benefits the residents and does not displace them.”

Read her story on page 5.

Toniic Diirectory: 222 Investments Listed in SDG 11



Following are three representative examples.
Find more in diverse asset classes and regions at www.toniic.com/toniicd.

Community Empowerment Real Assets, Fund, US & Canada

OpenPath Investments provides socially responsible investment opportunities in multifamily residential housing in nine western U.S. states. The heart of the model is the Urban Village property management program, which encourages residents to function as a traditional community and incorporate sustainable practices, thereby improving their quality of life while making a broader regional impact.

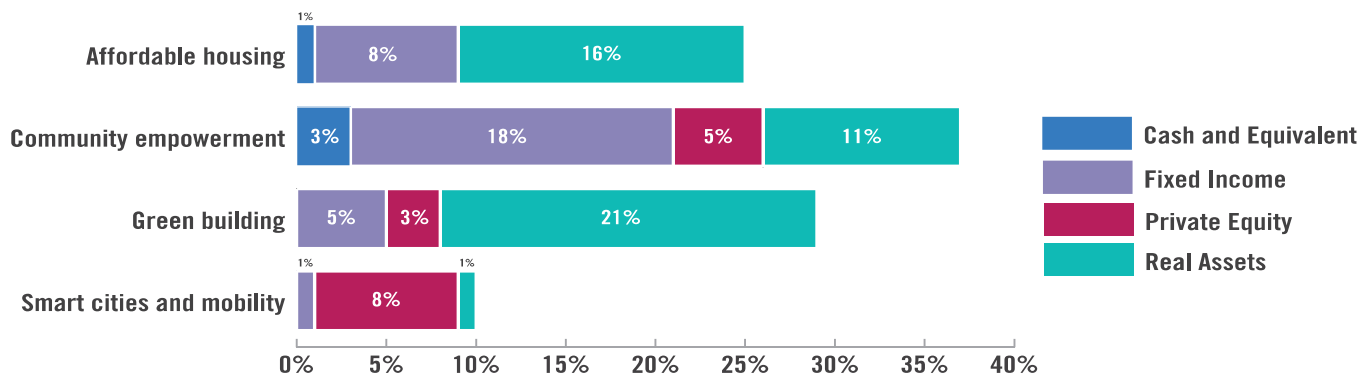
Affordable Housing Real Assets, Fund, Europe

Real Lettings Property Fund sources, purchases, and refurbishes one- and two-bedroom properties in Greater London. The Real Lettings team of the St Mungo’s charity then leases the units to families and individuals who may be at risk of homelessness. It expects to help over 1,000 people and provide investors with a commercial risk-adjusted return on their investment through both rental yield and capital appreciation on properties.

Smart Cities and Mobility Private Equity, Fund, Global

Urban.Us provides venture capital to startups that are reimagining cities and fighting climate change in the sectors of real estate, public safety, transport, logistics, water, energy, waste, air quality, construction, architecture, Internet connectivity, and local government. Urban.Us also works with pre-seed companies through URBAN-X in partnership with BMW/MINI, and connects ventures with a network of over 1,500 investors, founders, and advisors focused on the intersection of startups and cities.

T100 SDG 11 Investments by Asset Class





Case study: Transforming a Community

As urban areas continue to expand, people all over the world struggle with inadequate infrastructure, pollution, and lack of services. This context gives a sense of urgency to investors pursuing SDG 11: “Make cities and human settlements inclusive, safe, resilient, and sustainable.” One example is Lital Slavin, a founder of the Tel Aviv impact investment firm Beyond, who has joined forces with fellow Toniic members in an urban renewal effort that will directly address the challenges facing a community in Haifa, Israel’s third-largest city.

Looking for investments they could “put their heart into,” in 2017 Slavin, her Beyond co-founders Berry Liberman and Danny Almagor joined fellow Toniic members Noa and Yoav Maoz. Together, they conceived a multiyear project to fix aging infrastructure and create affordable housing in Haifa’s Hadar neighborhood. The investors engaged a research unit from Tel Aviv University to help develop the project’s vision and determine how best to address the effects of long-term neglect—no streetlights, no sidewalks, few services—without dislocating the community.

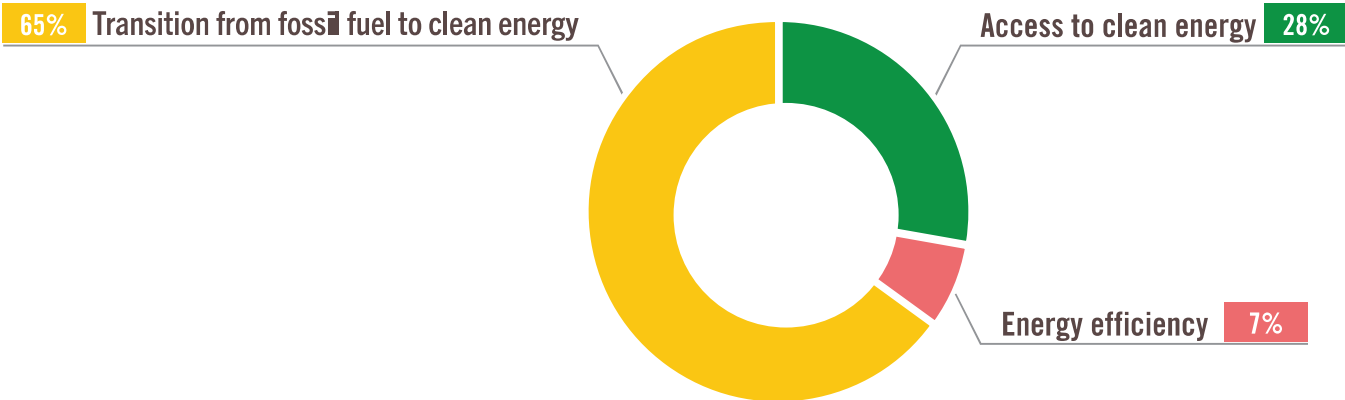
The 18-month process wasn’t easy, Slavin says, but “if you approach it with the right intention, then everything is manageable.” One of the best moments, she recalls, was when the team managed to bring together the municipality, the community, the neighborhood council, philanthropists, and their growing network of impact investors. “Once you realize the impact you can create, you want to be a part of it.”

The Hadarim Fund is now under way, with the goal of building 150 residential units, creating local jobs, and generally supporting the community by pushing the municipality to deliver on its commitments and invest more in education. The team has raised 40 million shekels (approximately US\$11.5 million) and intends to double that amount. Equity investors in the project are a mix of local and regional investors, as well as international investors with ties to Israel. The investment yields modest returns in the first 10 years, about 2 to 3 percent on an annual basis. But if everything works out, equity investors will see appreciation in the value of the buildings after 10 years. The IRR is expected to be close to 7%. Some of the capital will also support neighborhood ventures, which will benefit the whole community.

The Fund applies a workplan for achieving social, environmental, and economic impact in the Talpiot Market area of Hadar. The workplan is broken down into measurable indicators in the areas Health and Happiness, Equity and Local Economy, Culture and Community, Land and Nature, Travel and Transport, and Materials and Products, enabling the team to track and monitor change over time. Through data collection, tenant surveys, and research, the Fund gathers information on the direct impact of assets and resource contributions made by the Fund, and by tenants of the project. The Fund’s objectives are to develop a model for urban renewal in neighborhoods that are part of the geo-social periphery and to lead and realize a pioneering project in the Hadar neighborhood, generating a critical mass of 100 apartments over next three years.

SDG 7: Affordable and Clean Energy

SDG 7 attracts the second-largest amount of capital across T100 portfolios, claiming 17 percent of SDG investments in three theme areas. The transition from fossil fuels to clean energy gets the lion's share (65 percent), followed by access to clean energy (28 percent), which includes off-grid innovations in frontier markets, and energy efficiency (7 percent). T100 members are making SDG 7 investments across asset classes, including fixed income, private equity, public equity, and real assets. Returns expectations are high for this goal, possibly due to the relatively high exposure to private equity, especially in the area of access to clean energy area. Energy efficiency, on the other hand, offers the highest liquidity.



Toniic member Jochen Wermuth on his SDG 7 approach:

“We have started to divest from oil companies and invest in renewables and resource efficiency across asset classes. . . . On the private equity side, we invest in companies that change the world we live in by producing, for example, electric power in new and cheaper fashions. We also invest in electric cars that use their batteries to charge the grid.”

Toniic Diirectory: 194 Investments Listed in SDG 7



Following are three representative examples.
Find more in diverse asset classes and regions at www.toniic.com/toniicd.

Access to Clean Energy

Private Equity, Fixed Income, Direct Investment, Sub-Saharan Africa

M-KOPA sells affordable solar power through retailers in Kenya, Uganda, and Tanzania. At the start of 2018, M-KOPA had connected over 600,000 homes to affordable solar power and was adding 500 new homes every day. Customers will save an estimated \$450 million over the next four years while gaining 75 million hours of kerosene-free lighting per month.

Energy Efficiency

Private Equity Fund, US & Canada

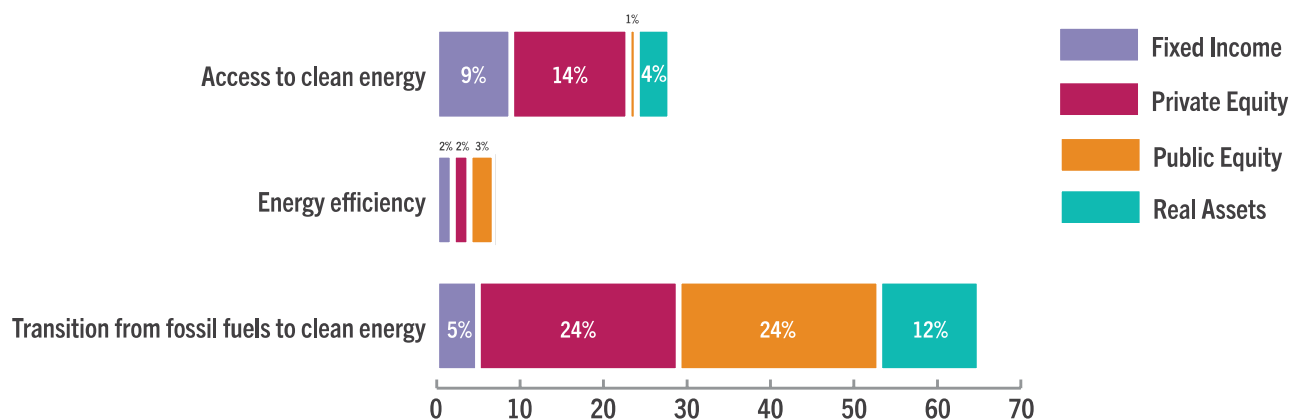
SJF Ventures provides equity financing of \$1 million to \$10 million to companies seeking growth. The firm looks to partner with entrepreneurs who are committed to positively impacting the world with businesses focused on capital resource efficiency, sustainability, and technology-enhanced services. Energy efficiency and infrastructure is one of several SJF focus areas.

Transition from Fossil Fuels to Clean Energy

Fixed Income Fund, US & Canada

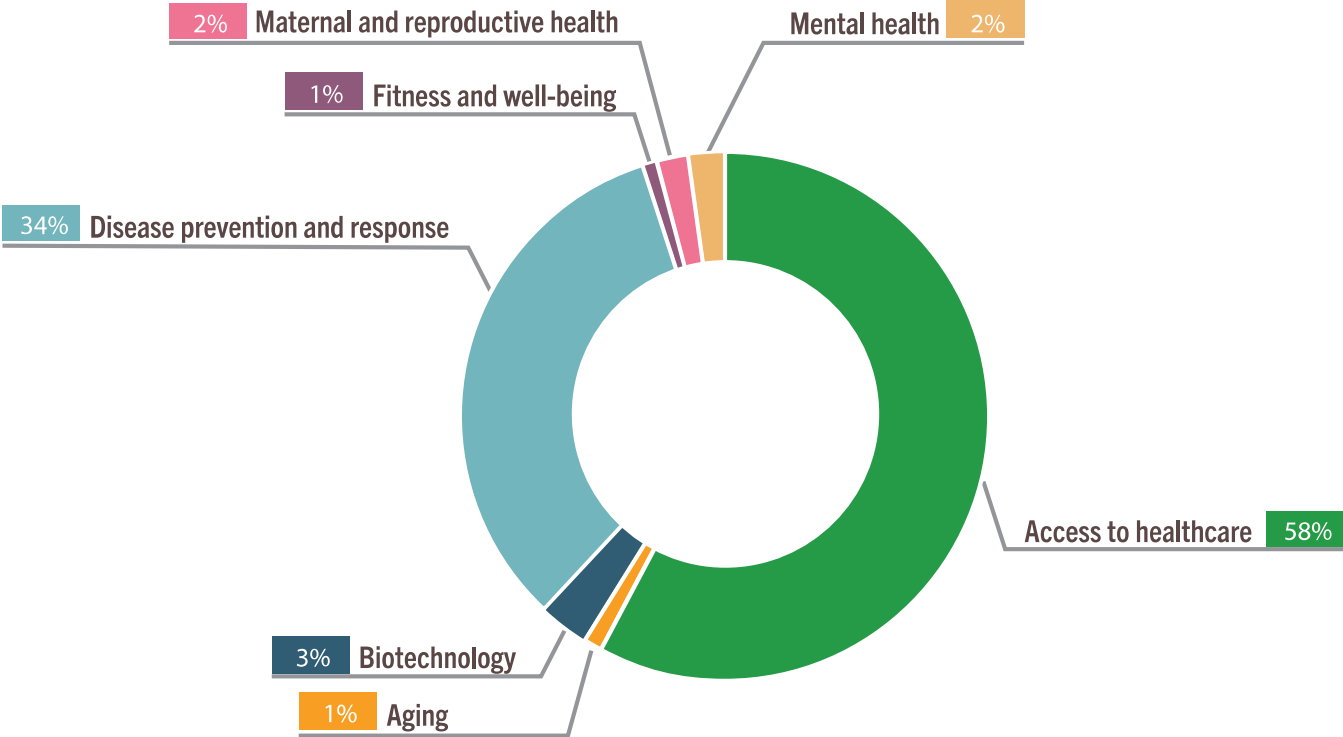
Wunder Capital provides construction and term financing for commercial solar projects. The company strives to make investing in large-scale U.S. projects simple by sourcing projects from its growing national network of installer partners and using proprietary software to perform rigorous diligence on each project.

T100 SDG 7 Investments by Asset Class



SDG 3: Good Health and Well-Being

T100 portfolios have 7 percent of their capital in SDG 3, with most investments supporting access to healthcare (58 percent) and disease prevention and response (34 percent). Investments are split between private equity (48 percent), providing capital for startups developing new products and business models that can move the needle on global health, and public equity (49 percent), with a focus on companies whose economies of scale increase access. Members are supporting disease prevention primarily through direct investments, and access to healthcare primarily through investments in actively managed funds.



Toniic member Ruth Shaber on using the right capital for the problem:

“In my social sector of women’s health and reproductive health, sometimes the best philanthropic intentions have resulted in a distortion in the marketplace and caused unexpected negative consequences. You can’t solve all the problems with the same type of money. In fact, doing this prevents the development of a healthy and appropriate marketplace for products and services. Being able to bring a spectrum of capital with different impact and financial return expectations is going to bust things wide open.”

Toniic Directory: 118 Investments Listed in SDG 3



Following are three representative examples.
Find more in diverse asset classes and regions at www.toniic.com/toniicd.

Access to Healthcare Fixed Income, US & Canada

LegWorks is a for-profit social enterprise whose mission is to help people walk with confidence through the use of prosthetic devices. In the developing world, LegWorks builds partnerships to provide prosthetic knees to people who typically would not have access to them or funds to buy them.

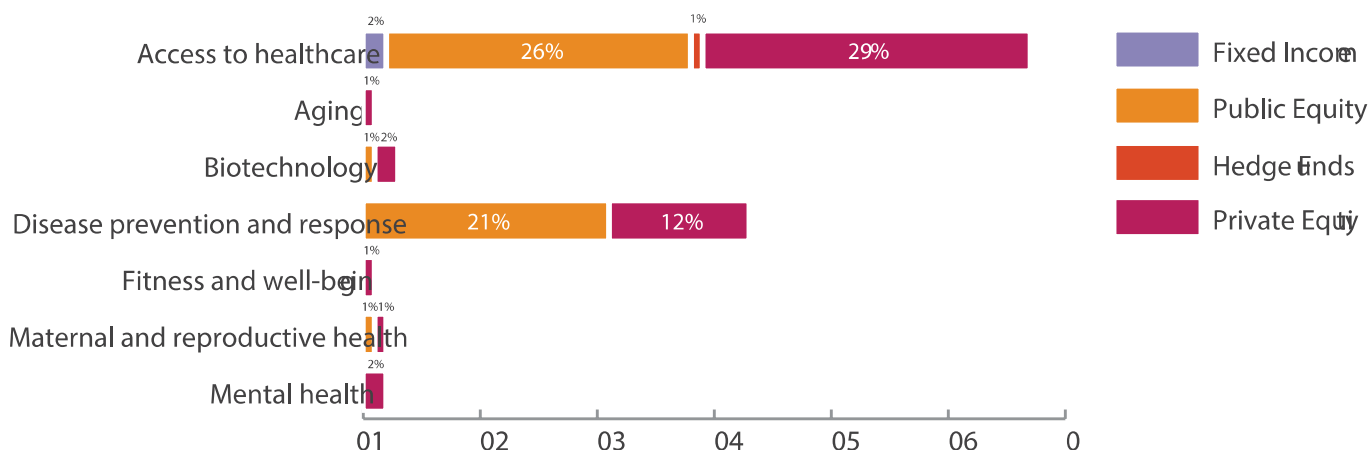
Disease Prevention and Response Private Equity, Africa

The **Global Health Investment Fund** is a \$108 million social impact investment fund that finances the development of drugs, vaccines, diagnostics, and other interventions against diseases that disproportionately burden low- and middle-income countries, with an emphasis on infectious diseases and maternal and infant health issues.

Biotechnology Public Equity, Global

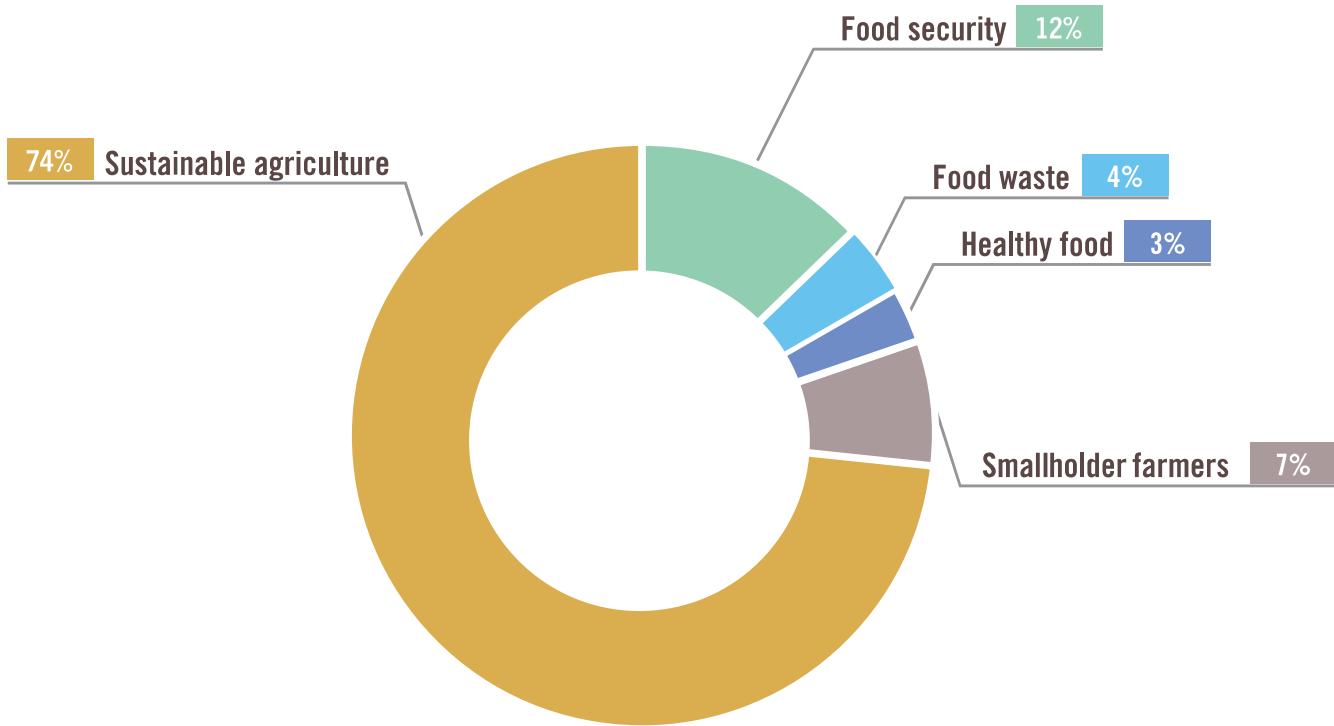
Novo Nordisk is a global healthcare company with a 95-year history of innovation and leadership in diabetes care. Drawing on this heritage, the company works to help people defeat other serious chronic conditions: rare bleeding disorders, growth hormone-related disorders, and obesity.

T100 SDG 3 Investments by Asset Class



SDG 2: Zero Hunger

SDG 2 accounts for 6 percent of capital allocations in T100 portfolios. Sustainable agriculture is the predominant theme, with investments mainly through real assets (36 percent) like sustainable farmland, private equity (21 percent), and fixed income (17 percent). Direct investments in companies account for two-thirds of SDG 2 allocations; the remaining third are investments through funds. T100 participants accept a longer timeline for returns in this area (more than half of the investments have liquidity of greater than five years), reflecting the need for more patient capital to support transformative change in sustainable agriculture.



Toniic member Matt Patsky on appropriate returns:

“When you’re looking at it from the full scope of the spectrum of capital, some of your investments should scale financially. In some cases you can be catalytic and you can get a financial return, and that’s beautiful.” Other cases call for a different approach. “For example, when Root Capital is doing a note program, they will offer an interest rate return they think they can afford to pay to borrow the money. We at Trillium then sit back and think, ‘Well, what do we need to earn?’ versus ‘What can we earn?’”

Toniic Diirectory: 101 Investments Listed in SDG 2



Following are three representative examples.
Find more in diverse asset classes and regions at www.toniic.com/toniicd.

Food Waste

Fixed Income, Direct Investment, US & Canada

More than 20 percent of the fruits and vegetables grown in the United States never make it off the farm because they aren't perfect enough for grocery stores, resulting in billions of pounds of wasted produce every year. **Imperfect Produce** finds a home for this "ugly" produce, sourcing it from farms and delivering it to customers' doors. Since 2015, the company has helped save 40 million pounds of food.

Sustainable Agriculture

Private Equity, Fund, US & Canada

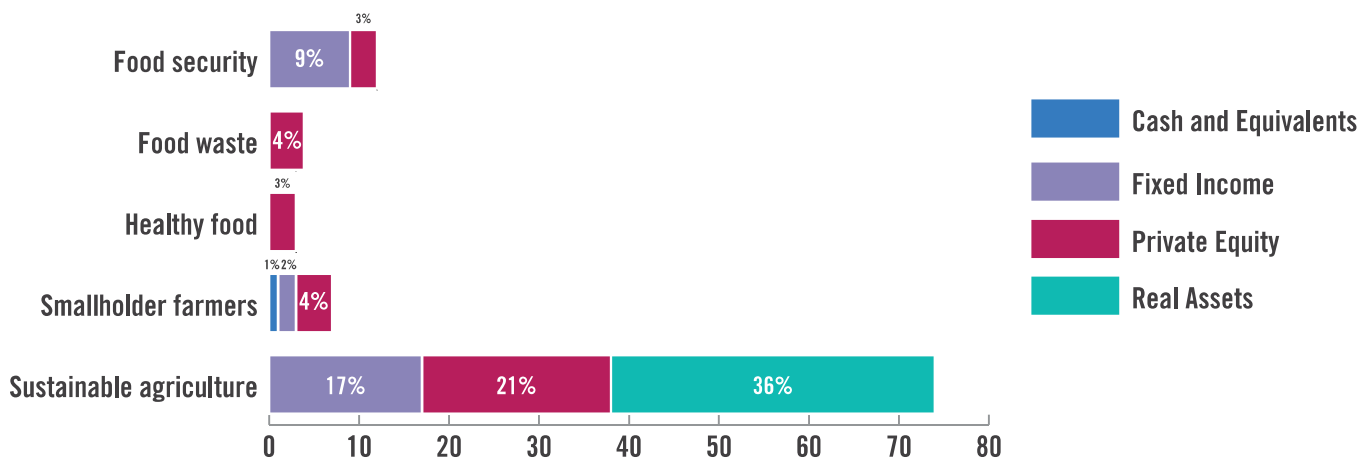
InvestEco Sustainable Food Fund focuses on financing high-growth sustainable food and agriculture companies because it believes the sector will be particularly important to improving environmental and health outcomes. Since its founding in 2002, InvestEco has invested in over 15 private companies in a variety of sustainability sectors.

Smallholder Farmers

Fixed Income, Fund, Global

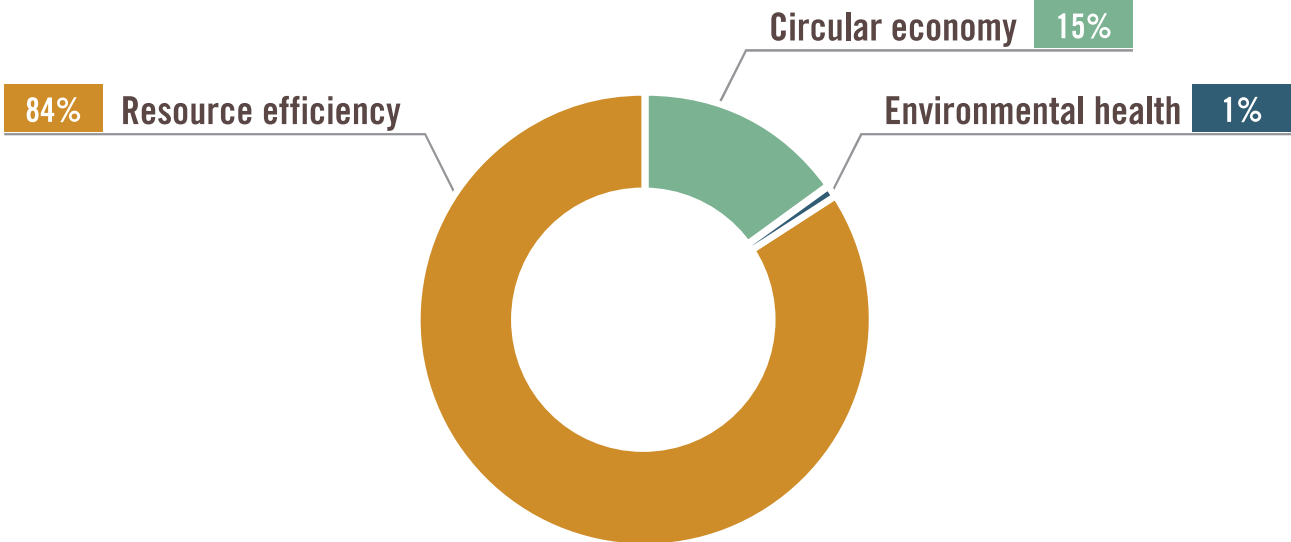
Root Capital is a nonprofit social investment fund that gives loans ranging from about \$200,000 to \$2 million to enterprises in rural Africa and Latin America whose credit needs are too big for microfinance and too small or risky for commercial banks. Borrowers also receive financial training and market connections. Root Capital has loaned more than \$1.2 billion to 665 grassroots businesses over the past 17 years, reaching more than 1 million farm families.

T100 SDG 2 Investments by Asset Class



SDG 12: Responsible Consumption and Production

SDG 12 accounts for 5 percent of T100 investments. Reflecting the widespread need to minimize resource extraction and use of toxic materials, investors have found a great variety of opportunities in resource efficiency. That subtheme accounts for 84 percent of SDG 12 commitments, equally distributed among fixed income, private equity, and public equity investments. The remainder of SDG 12 allocations is almost entirely invested in more complex circular economy solutions (15 percent), all in private equity and mainly through funds. Environmental health accounts for 1 percent.



Toniic member Ditte Lysagaard Vind explains her hands-on circular economy approach in her backyard:

“There are a lot of old houses, in particular in the countryside in Denmark, that are abandoned due to urbanization and in need of demolition. If we use part of the material from the old houses to build the new ones in the city, it will enable better living conditions, local jobs creation, and CO² emissions reduction—cost neutral.”

Toniic Diirectory: 61 Investments Listed in SDG 12



Following are three representative examples.
Find more in diverse asset classes and regions at www.toniic.com/toniicd.

Circular Economy

Private Equity, Fund, Europe

Circularity Capital is a specialist private equity firm that uses the circular economy as a framework to support businesses that decouple their growth from resource constraints, enhance resource productivity, and drive competitive advantage.

Environmental Health

Direct Fixed Income, Global

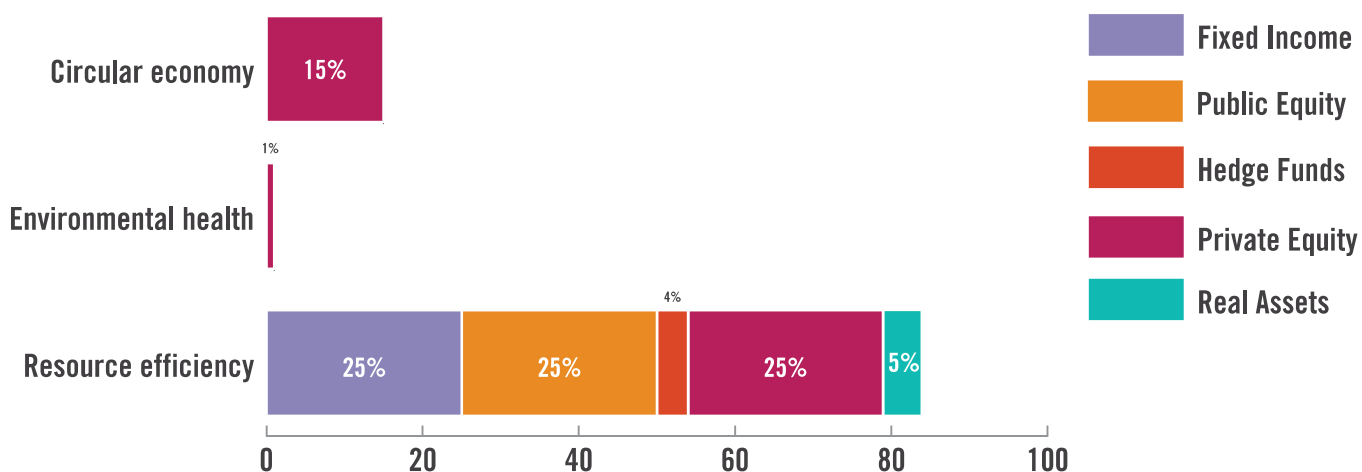
French multinational **Veolia Environnement** provides water management, waste management, and energy services. The company's initiatives include a traceability and treatment system for drug residues in wastewater for Skejby Hospital in Aarhus, Denmark; cleaning up the Grand Paris Express yards; and indoor air quality monitoring at the Sheraton Hotel in Dubai.

Resource Efficiency

Public Equity, Fund, Global

The **Invesco Cleantech ETF** is based on the Cleantech Index™, with equities of companies in multiple sectors that derive at least 50 percent of their revenues from products or services that add economic value by reducing cost and raising productivity or product performance while reducing resource consumption and negative impacts on the environment and public health.

T100 SDG 12 Investments by Asset Class





Data for this research brief is derived from the T100 Project data set. The project is a longitudinal study of the investing experience of Tonic 100% Impact Network members. Previous reports from this study include [T100: Launch](#) and [T100: Powered Ascent](#). With the T100 Project, Tonic seeks to:

- Inspire and enable other investors to explore impact investing and accelerate their impact investing journeys,
- Demonstrate to financial intermediaries that there is a significant and growing market for impact-generating investment products and services, and
- Empower the research community to begin exploring systemic issues such as impact risk factors, the availability and accessibility of specific impact themes within each asset class, and how best to incorporate externality pricing into security valuation and analysis.



Investment examples are drawn from the Tonic Diirectory, a publicly accessible, Tonic member-sourced catalog of more than 1,500 impact investments across asset classes. The Diirectory can be accessed at www.tonic.com/tonicd.



The Sustainable Development Goals were developed by the United Nations, and use of their themes/images does not imply endorsement by the United Nations. The [subtheme framework](#) was developed by Tonic as a public good to allow impact investors to align their investments with the SDGs and thereby find greater alignment and synergy in global investment opportunities.

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Tonic is the global action community for deeper impact investing. Its mission is to catalyze deeper net positive impact across the spectrum of capital. Tonic is a nonprofit supporting a global network of high net worth individual, family office, and foundation asset owners by curating an interactive community, educational resources, and investment opportunities in all asset classes.

For more information about Tonic or the T100 project, [visit \[visit tonic.com/T100\]\(http://visit.tonic.com/T100\)](http://visit.tonic.com/T100) or contact T100@tonic.com



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