
T100: Insights from Impact Advisors and Consultants 2017

## Key Findings

Impact advisors and consultants surveyed about their impact practice see:

- A significant increase in the depth and diversity of impact intermediary offerings
- Sector growth led by client demand
- Challenges, but none deemed insurmountable
- Accomplishments and optimism as milestones achieved
- Financial returns on target, while impact measurement remains a work in progress
- Outlook = Growth



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# **about** toniic and the 100% impact network

Founded in 2010, Toniic is the global action community for impact investors. As a non-profit member organization, Toniic serves individuals, family offices, foundations, endowments, funds, and members of the public committed to aligning their investments with their values across all asset classes.

Toniic envisions a global financial ecosystem creating positive social and environmental impact. With that vision at its core, the mission of Toniic is to empower impact investors to contribute to the development of this sustainable global ecosystem.

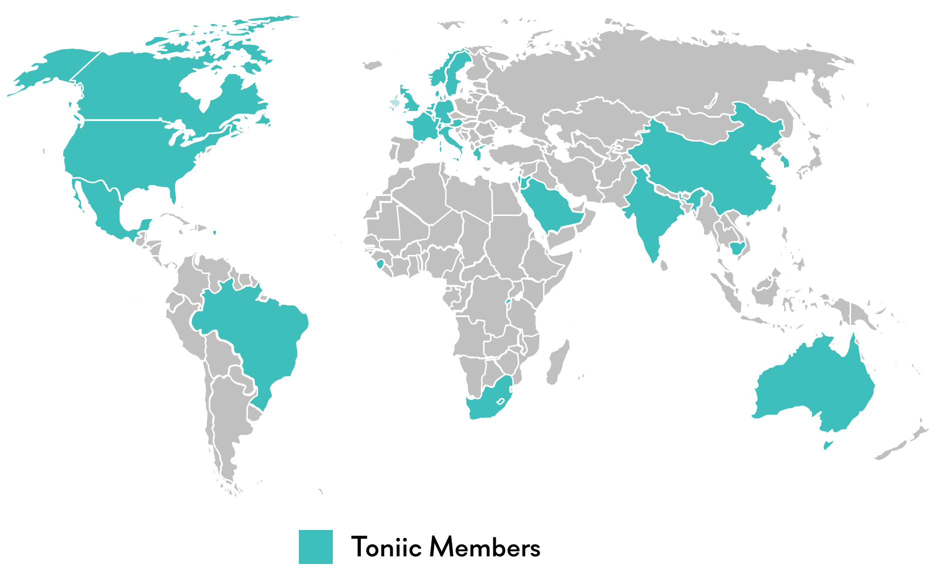
As of this writing, Toniic is comprised of members in over 20 countries. Our members reflects a diverse range of asset sizes, targeted impact themes, legal structures, and investment geographies.

For more information about Toniic, please visit **www.toniic.com**.

The 100% Impact Network is a sub-network of Toniic. Its members are principal-level investors who have intentionally committed to moving 100% of an investment portfolio to investments that create positive social and environmental impact. Within a trusted network of peers, "100%ers" have committed to sharing their impact portfolios with each other. The 100% Impact Network provides these investors with a powerful suite of tools as well as a trusted community built on values where they can share their investment approaches and lessons learned among the membership.

As of this writing, the 100% Impact Network is comprised of members actively moving approximately $4 billion into impact investments. Of this, more than $2 billion has already been deployed.

## Toniic - a global community



# preface

Dear Reader,

My partner and I began our journey into impact 17 years ago. The first step, finding the right investment team, took five years. Moving our portfolio to 100% impact took another ten years.

Today, there are more firms and product offerings to choose from than ever before. Yet, information on impact intermediaries, especially for non-institutional investors, remains sparse, despite the growth of this industry.

This report sheds light on the growing number of small, medium and large impact intermediaries emerging worldwide in an effort to demystify, inspire and activate private asset owners and investment intermediaries as they consider and develop their own impact practice.

The participants in this report are working with members of the Toniic 100% Impact Network to help them achieve their 100% Impact Portfolios. They have generously opened the "door" to their practices, and through participation in a detailed survey and interviews, are allowing us to peer inside.

What we see is a dedicated, articulate, optimistic, innovative, and definitely persistent group of entrepreneurial founders as well as large company intrapreneurs[1]. Beyond fulfilling their clients' impact needs, they are building new impact products and services to deepen the impact of their firms and impact peers. They are volunteering their time to strengthen and grow the impact ecosystem. And all of them, while cognizant of the challenges, are optimistic there are solutions and a bright future for impact.

We are indebted to our members, their impact intermediaries and the Toniic team for taking what was a glimmer of an idea and bringing it to life in this report.

In gratitude,

Lisa Kleissner
Editor-in-Chief

1 "Employees who use entrepreneurial skills within a large firm. Source: http://www.investopedia.com/terms/i/intrapreneur.asp

# **about** the T100 project

The lack of compelling case studies and data (both quantitative and qualitative) have been cited as primary reasons impact investors and traditional investors stay on the sidelines. In addition, many financial advisory firms and product providers do not yet see a business case for the development of impact-related products and services, nor has the academic community fully embraced the research opportunities.

The first report, "T100 Launch: Insights from the Frontiers of Impact Investing" (T100: Launch), was published in December of 2016. This report combines an analysis of data from 51 Toniic 100% Impact Network member investment portfolios with stories of their personal journeys into impact. These portfolios represent $1.65 billion of capital committed to impact investments, with $1.14 billion already deployed.

In this report, "T100: Insights from Impact Advisors and Consultants," we explore the evolving practices of impact advisors and consultants who are working with 38 of the "T100: Launch" participants helping them move to a 100% impact portfolio.

## T100 Tools and Resources

T100 is a multi-year project. The following materials have been or are being developed based on research conducted by the project team in partnership with Toniic members and impact intermediaries.

Further information about the T100 project is available at http://www.toniic.com/T100

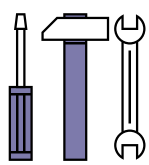
### Publications

*Evidence & Thought Leadership*

- **T100: LAUNCH – Insights from the Frontier of Impact Investing**, 2016
- **T100: Insights from Impact Advisors and Consultants**, 2017

**For release in 2017**

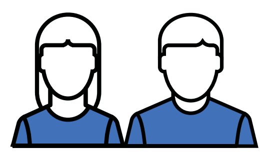
- T100: Portfolio Insights Update, 2017



### Tools

*Investor Flow and Portfolio Mapping Tools (see Appendix in this Report)*

- **Toniic Diirectory** – A publicly accessible, Toniic member-sourced catalog of more than 1,000 impact investments across asset classes that form the basis of the "T100: Launch" report
- **Toniic Portfolio Tool** – A downloadable Excel-based tool that can be used to organize and visualize impact investment portfolios



### Videos, Podcasts and Investor Profiles

*The Personal Journey*

- **T100: 100% Investor Videos**
- **T100: 100% Personal Journeys**
- **T100: Impact Advisor Podcasts**

# **about** this report

## Purpose

From the 2016 “T100: Launch” report we learned the importance of impact intermediaries and their role in helping investors move their portfolios successfully into 100% impact. Specifically, we learned that:

- Investors working with advisors are moving faster into impact than their impact peers without advisors;
- Impact portfolios are the result of collaboration between the participating Toniic members and their intermediaries; and
- Impact intermediaries are providing a diverse set of products and services to assist their clients’ ability to achieve and manage their 100% impact portfolios.

We also learned that there is limited publicly available information on impact firms and impact practitioners. To solve for this, 37 impact practitioners generously shared their insights. This report:

- Highlights different approaches, perspectives, and business models;
- Demonstrates the growing range of innovative impact products and services;
- Explores trends, challenges and successes faced by practitioners; and
- Is intended to inspire asset owners and managers as they embark on their own journey into impact.

## Research Methods

This report is based on 37 survey responses from impact advisors and consultants worldwide who are partnering with 38 Toniic 100% Impact Network members to move their portfolios to 100% impact.

The survey included a total of 40 questions about the practice and experiences of impact intermediaries. Questions focused on services advisors and consultants offer to their clients, how they approach impact measurement and management, their engagement and view on the development of the impact ecosystem, and lessons learned. We asked about their outlook and plans for the next 3 to 5 years. In-depth interviews were conducted with 13 of the intermediaries to explore select topics inspired by their survey responses.

## Impact Intermediary Data

| Domicile/ Size of organization | | Africa | Asia | Europe | Middle East | USA & Canada | Total |
|---|---|---|---|---|---|---|---|
| Small firm | 1 – 10 employees | | | 7 | 1 | 6 | **14** |
| Medium firm | 11-50 employees | 1 | 1 | 1 | | 8 | **11** |
| | 51 – 100 employees | | | 1 | | 5 | **6** |
| Large firm | 1,001-5,000 employees | | | | | 1 | **1** |
| | 10,000+ employees | | | | | 5 | **5** |
| | Total | **1** | **1** | **9** | **1** | **25** | **37** |

## Note on Inferences

This report does not purport to be a statistically significant sample size from which one can draw definitive conclusions. Some of the report limitations arise from legal and regulatory constraints, from the essentially private nature of some of data, and from Toniic's evolving understanding of how to improve the precision of our questions and analysis. In this report, where we make inferences about why particular trends emerge from the data, we do so cautiously and label those inferences as such. The data reported by participants has not been audited.

## Key References

As previously mentioned, there is limited public-facing material that explores the evolving landscape of impact intermediaries serving non-institutional asset owners. The following publications may provide the reader with additional resources for their journey into impact.


1. The Investment Integration Project (TIIP), 2017. Subscription based database for comparison of asset owners and managers on a variety of different fundamental, as well as systems-level, criteria. http://tiiproject.com/subscription-sample-investor-comparison/
2. Schiller, B., 2017. **How To Invest Your Money Responsibly, Sustainably, Or For Impact (They're Not the Same).** An exploration of the different impact categories with a six-question checklist from Amit Bouri, CEO of the GIIN, designed to help you assess an impact advisor. https://www.fastcompany.com/40417097/how-to-invest-your-money-responsibly-sustainably-or-for-impact-theyre-not-the-same
3. Toniic, 2016. **T100: Launch – Insights from the Frontier of Impact Investing.** An analysis of aggregated portfolios, survey data and personal stories from over 50 Toniic 100% Impact Network members. http://www.toniic.com/T100
4. Confluence Philanthropy, 2016. **Finding Your Way to the Right Impact Investing Advisor: A Resource Guide.** Available to Confluence Philanthropy Members; publicly available list of Advisor Members here: http://www.confluencephilanthropy.org/Advisors
5. Oliver Wyman, 2016. **Women in Financial Services.** Second Edition of an analysis of nearly 400 financial service organizations in 32 countries with a focus on gender diversity issues in the financial services industry. http://www.oliverwyman.com/content/dam/oliver-wyman/global/en/2016/june/WiFS/WomenInFinancialServices_2016.pdf
6. Global Impact Investing Network, 2016. **Impact Investing Trends: Evidence of a Growing Industry.** https://thegiin.org/assets/2016%20GIIN%20Annual%20Impact%20Investor%20Survey_Web.pdf
7. Toniic, 2016. **Millennials & Impact Investment.** An analysis of survey data and personal stories from millennials engaged in impact investing, from exploration through to execution. https://www.toniic.com/millennials-and-impact-investment/
8. Impact Economy and the Money Management Institute (MMI), 2014. **Serving Client Demand for Impact Investing: A Hands-on Guide for Financial Advisors and Senior Management.** http://www.impacteconomy.com/papers/IE_FINDINGS_SCDII_EN.pdf
9. **Gateways to Impact**, 2012. An industry survey of financial advisors on sustainable and impact investing. http://www.calvertfoundation.org/storage/documents/Gateways-to-Impact.pdf
10. Swiss Sustainable Finance, 2017. **Sustainable investing: A unique opportunity for Swiss Private Wealth Management – Ten arguments and practical tools for client advisors.** http://www.sustainablefinance.ch/en/sustainable-investing-a-unique-opportunity-for-swiss-private-wealth-management-_content---1--3099.html

# acknowledgments

## Impact Advisors and Consultants

This report would not have been possible without the 37 impact intermediaries from 12 countries who participated in the T100 Advisor Survey in late 2016. We thank them for their time and dedication, not only to this project, but to building the field of impact. More information on these firms can be found at http://www.toniic.com/t100/insights-from-impact-intermediaries-2017. In alphabetical order by firm:

| | | | |
|---|---|---|---|
| 1919 Investment Counsel | Alison Bevilacqua* | Principal | Cincinnati, USA |
| Abacus Wealth Partners | Brent Kessel | CEO | Santa Monica, USA |
| Align Impact, LLC | Jennifer Kenning* | CEO & Co-founder | Santa Monica, USA |
| Ascent Private Capital Management | Jonathan Firestein | MD, Private Capital and Impact Investing | San Francisco, USA |
| Athena Capital Advisors | William McCalpin | Managing Partner | Lincoln, USA |
| Ballentine Partners | William Tickle | Director of Impact Investing | Boston, USA |
| Beyond Family Office | Orit Vaknin* | Partner | Tel Aviv, Israel |
| Bienville Capital | Jack Meyercord* | Head of Impact Investments, Portfolio Manager | Boston, USA |
| Blended Value Group | Jed Emerson | Founder | San Francisco, USA |
| Bridges Fund Management | Clara Barby* | Partner and Head of Impact+ | London, UK |
| Brownson, Rehmus & Foxworth | Adam Durfee | Lead Advisor | San Francisco, USA |
| Cambridge Associates | Jessica Matthews | Managing Director | San Francisco, USA |
| Challenger 88 | Wolfgang Hafenmayer | Partner | Zurich, Switzerland |
| Colorado Capital Management | Steven Ellis | President | Denver, USA |
| First Affirmative Financial Network | Laura Isanuk | Business Development Manager | Denver, USA |
| Future-Fit Foundation | Martin Rich | Co-founder | London, UK |
| Grieg Investor | Gudleik Njå* | Partner | Oslo, Norway |
| HIP Investor Inc. | R. Paul Herman* | CEO | San Francisco, USA |
| I-DEV International | Patricia Chin-Sweeney | Senior Partner | San Francisco, USA |
| IVM Caring Capital | Hans Volberda | Partner | Amsterdam, Netherlands |
| Merrill Lynch - New York | Harrison Fischer | Financial Advisor | New York, USA |
| Merrill Lynch - San Francisco | Mary Foust<br>Alena Meeker* | Senior Vice President<br>First Vice President | San Francisco, USA |
| MissionPoint Partners | Adam Rein | Managing Director | Boston, USA |
| Morgan Stanley | Dan Rosenstein | Financial Advisor | New York, San Francisco, USA |
| onValues, Ltd | Ivo Knoepfel* | Founder & MD | Zurich, Switzerland |
| Open Capital Advisors | Annie Roberts* | Partner | Nairobi, Kenya; Kampala, Uganda; Lusaka, Zambia |
| Principium Investments, LLC | Michael Tracy | Principal & CIO | Boulder, USA |
| Roots of Impact | Bjoern Struewer | Founder & CEO | Frankfurt, Germany |

## Impact Advisors and Consultants (cont.)

| | | | |
|---|---|---|---|
| Snowball LLP | Paul Blyth | Managing Director | London, UK |
| SNW Asset Management | Glen Yelton | Head of Impact Research | Johnson City, USA |
| Sonen Capital | Raúl Pomares* | Founder | San Francisco, USA |
| UBS Financial Services - Colorado | Kathy Leonard* | Senior VP & Portfolio Mgr. | Denver, USA |
| Unitus Capital | Neha Mudaliar | Director | Bangalore, India |
| Veris Wealth Partners | Casey Verbeck | Director | Boulder, USA |
| Wire Group | Tera Terpstra* | Managing Partner | Utrecht, Netherlands |
| N/A | Anonymous (2) | N/A | USA |

**Respondents who provided an additional interview.*


## 100% Impact Network Members

Our gratitude goes out to the 100% Toniic Impact Network members. This report would not have been possible without their collaboration in partnership with their impact intermediaries.

## Research, Co-Writing and Design Team

We thank our dedicated team for making this report a reality. We would like to acknowledge Kristin Siegel, Senior Program Development Coordinator, Toniic 100% Impact Network; Lisa Kleissner, Editor-in-Chief, Co-Writer, and Interviewer; Mark Sayer, Lead Writer; Charly Kleissner, 100% Impact Network Strategist; Alan Pierce, Data Analysis Support; Dario Parziale, Manager, Financial Research and Analysis; Jen Yamasaki, Sakicreative.com, Designer; and Amando Balbuena III, Sonen Capital, Data Visualization and Graphic Designer.

Thank you to the following reviewers whose collective wisdom added much value: Tim Radjy and Lisa Scheible Willems, AlphaMundi Foundation; Veerle Berbers, Berbers Consulting; Evita Zanuso, Big Society Capital; Lisa Renstrom, Bonwood Social Investments; Dana Lanza, Confluence Philanthropy; Liesbet Peeters, D. Capital Partners; Martin Helsper, Bank Julius Bär Europe AG; Ingrid Stange, Partners for Change; William Burckart, TIIP; and Elise Lufkin.

## Sponsors

The report was made possible with support from:

- AlphaMundi Foundation
- Toniic 100% Impact Network Members
- Participating Impact Advisors and Consultants

Sponsor profiles are located inside the back cover of this report.

# **report** lexicon

Note: In this report, impact advisors and consultants are also referred to interchangeably as "intermediaries," "practitioners," and "respondents."

**401k.** A 401k is a feature of a qualified profit-sharing plan in the United States that allows employees to contribute a portion of their wages to individual accounts. Since its inception in 1978, the 401k plan has grown to be the most popular type of employer-sponsored retirement plan in America. https://www.irs.gov/retirement-plans/401k-plans and http://www.investopedia.com/articles/retirement/08/401k-info.asp

**AUM.** Assets under management (AUM) is the total market value of assets that an investment company or financial institution manages on behalf of investors. http://www.investopedia.com/terms/a/aum.asp#ixzz4iUq2LRAw

**B Analytics.** A customizable platform for measuring, benchmarking, and reporting on impact. http://b-analytics.net/

**Baby Boomers.** Generally refers to people born between 1946 and 1964.

**Blended value concept.** Refers to an emerging conceptual framework in which non-profit organizations, businesses, and investments are evaluated based on their ability to generate a blend of financial, social, and environmental value." https://en.wikipedia.org/wiki/Blended_value

**Intrapreneur.** Employees who use entrepreneurial skills within a large firm. http://www.investopedia.com/terms/i/intrapreneur.asp

**Generation X.** Generally refers to people born between 1965 and 1980.

**GIIRS Fund Ratings.** Delivers a comprehensive accounting of a fund's impact on workers, customers, communities and the environment. http://b-analytics.net/giirs-funds

# **report** lexicon (cont.)

**Impact Categories.** In our survey, we defined impact categories consistent with the Group of 8 (G8), World Economic Forum (WEF) and Global Impact Investing Network (GIIN) definitions:

**Responsible/SRI:**

"Socially Responsible Investments" or "Responsible" involves the negative screening of investments due to conflicts or inconsistencies with personal or organizational values, non-conformity to global environmental standards, adherence to certain codes of practice, or other such impact performance criteria. The term "Responsible" is further used to capture investment activity that may proactively contain a social or environmental component in its strategy.

**Sustainable/ESG:**

"Environmental, Sustainable and Governance" or "Sustainable" investments move beyond a defensive screening posture and are actively positioned to benefit from market conditions by integrating environmental, social and governance (ESG) factors into core investment decision-making processes. This category can include corporate engagement, innovations and new markets that are recognized as a path to growth, with positive social and environmental benefits.

**Non-Impact:**

These investments follow the traditional investment approach with an emphasis on profit maximization without any explicit or intentional regard for social and/ or sustainable factors or externalities.

**Thematic Investments (Thematic):**

"Thematic" (also known as Mission) investments have a focus on one or more impact themes, such as clean energy or access to clean water. These are highly targeted investment opportunities in which the social and/ or environmental benefits are fully blended into the value proposition of a commercially positioned investment. This category also includes, but is not limited to, investments that seek to optimize a desired social or environmental outcome, without regard to competitive return. These investments may trade off financial return for greater impact where a more commercially oriented return is not yet available. When practiced by US private foundations, there is the option to consider this a Program-Related Investment (PRI), as defined by US tax law.

**Impact investing.** Within Toniic, impact investing is used as an umbrella term to define an investment approach that intentionally seeks to create both financial return and positive social and/ or environmental impact that is actively measured. For the purposes of the T100 Project, impact investing includes investments across asset classes, Program-Related Investments (PRI) and Mission-Related Investments (MRI).

**IRIS.** Stands for "Investment Reporting Impact Standards," a catalog of generally-accepted performance metrics. https://iris.thegiin.org

**Millennials.** Generally refers to people born between 1981 and 2000.

**Multi-select question.** A question that asks the person surveyed to select a discreet number of responses, sometimes in priority order, from a list of options.

**Single-select question.** A question that asks the person surveyed to select one answer from a list of options.

# key findings

## Significant increase in the depth and diversity of the impact intermediary offering

Once the domain of small impact intermediaries, the impact marketplace is now attracting a vast array of new entrants, including large financial institutions. The survey findings indicate an evolution in the intermediary industry, with increasing product and service offerings to suit more and more impact investors' needs, irrespective of their geographic location, portfolio size, asset class or impact focus. With 43% of the reporting enterprises now advising exclusively for impact, this suggests a growing viability for firms with a 100% impact focus.

## Sector growth led by client demand

With 100% of the intermediaries expecting to see their business grow with increases in client demand, and 32% stating they expect a "significant increase," many are broadening their offerings, innovating, increasing staff levels and even competing for business. Clients–especially 2nd generations, millennials, and women–are pushing the agenda forward. One respondent reflected, "We have a lot of competition. I think it's exciting. Seven years ago, we had to explain what an impact advisor was and prove how we would add value. Today the conversation is more about how are we different from the competition."

## Challenges, but none deemed insurmountable

Impact measurement and trust building are at the forefront of challenges. Also, solving for access to appropriate investment opportunities for clients remains a priority. As measurement advances, building client trust, and trust within larger organizations will assist intermediaries as they seek to balance financial returns, risk, and impact returns.

## Accomplishments and optimism as milestones achieved

All survey respondents shared one or more success story, from engaging with new impact clients and transitioning existing clients into impact, to creating new products, and becoming a viable 100% impact advisory business.

## Financial returns on target, while impact measurement remains a work in progress

Clients and intermediaries alike target mostly market rate returns. However, while intermediaries are focused on products to achieve this, they also provide services for capital preservation and sub-market returns. Clients expect their impact to be managed, measured and reported. Currently, many advisors are adopting qualitative metrics, while the sector strives to achieve a robust methodology for managing, measuring and reporting purposes within 3 years.

## Outlook = Growth

Growth is being seen in the number of investors, advisors, consultants in the space, the breadth and depth of products and services, and the level of talent entering the ecosystem.

# **who** are the impact intermediaries and **who** are their clients?

The 2012 "Gateways to Impact"[2] report surveyed over 1,000 US financial advisors to gauge their interest in sustainable and impact investing. This survey revealed a strong interest among advisors in learning more about this type of investing. Of those that expressed interest, the majority were women advisors, advisors with advanced certifications, and advisors managing portfolios in the range of US $1 to US $10 million.

Five years on, we argue that impact investing has arrived. Today impact advisories and consultancies are experiencing steady growth in the USA. And, there is also a small, but growing community of impact intermediaries emerging in Europe, the Middle East, and Asia.

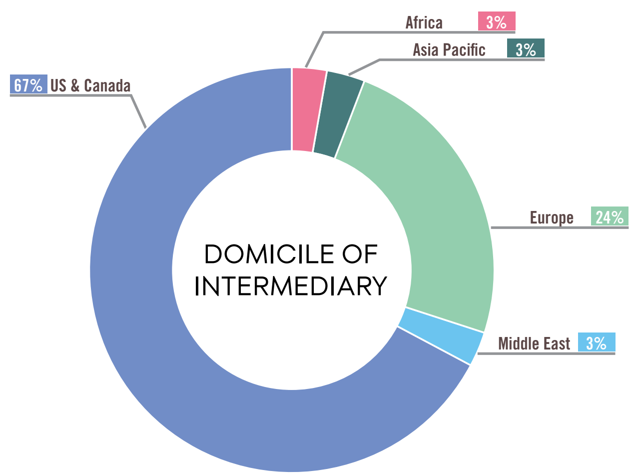
What remains elusive, though, is the insight and voice of these impact practices and their practitioners. This report sets out to address this while offering the reader a glimpse into 37 impact advisories and consultancies worldwide–in the practitioners' own words.

Please note that participants in this survey describe their roles using a variety of titles–impact wealth managers, impact investment advisors and managers, investment consultants, management consultants and financial advisors, and/or impact-focused family offices. For the purposes of this report, the following terms are used interchangeably to refer to the survey participants: advisors and consultants, intermediaries, practitioners, and respondents.

## Impact Intermediary Firms

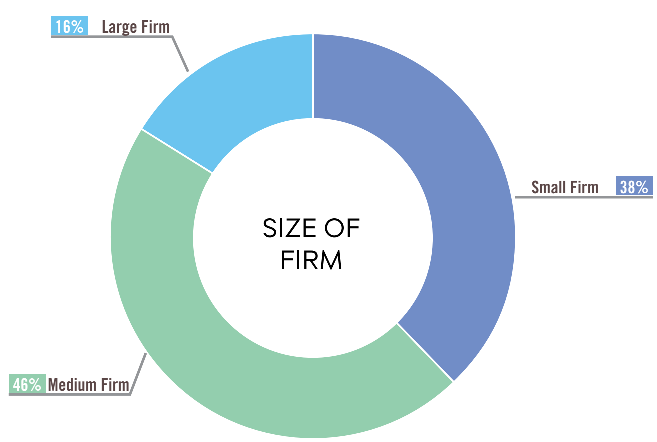
### Location

While the bulk of reporting firms are based in North America, impact practices are taking root around the world. Not surprisingly, given the relative depth of the impact ecosystem in the USA and Canada, North American firms represent two-thirds of the respondents. As the table on page five and the chart on the right demonstrate, intermediaries surveyed reside in twelve countries spanning four continents, serving impact clients worldwide.




### Size

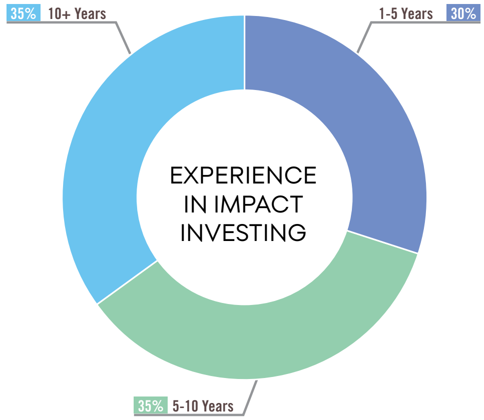
The median firm size ranges from 11 to 50 employees. The majority of firms (over 80%) in this survey have fewer than 100 employees. Firms range from small (38% in the 1 to 10 employee range), to medium (46% in the 11 to 100 employee range), to large (16% in the 1,000+ employee range).




2 Source: http://www.calvertfoundation.org/storage/documents/Gateways-to-impact.pdf

## Impact Services

Impact services range from strategy consulting, to investment and impact management, to product creation (such as funds or platforms).
A majority of respondents have been providing impact services for more than five years. A third have been doing so for well over 10 years, and in two cases more than 30 years (SRI services[3]).



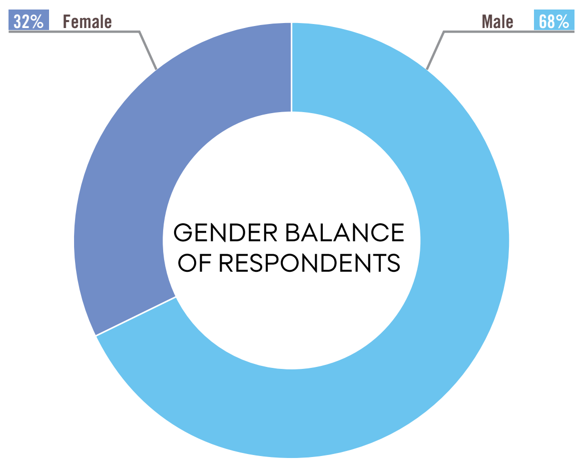

## Impact Focus

As expected, **the smaller the firm (in terms of number of employees), the higher the percentage of business focused on impact investing related services.** Forty-three percent of the reporting firms focus 100% on impact services and products. Fifty-seven percent have impact services as a part of a larger, typically more traditional service offering.

| 80% | 58% | 32% | 18% |
|---|---|---|---|
| IS THE AVERAGE FOR ORGANIZATIONS WITH **1 TO 10 EMPLOYEES** | IS THE AVERAGE FOR ORGANIZATIONS WITH **11 TO 50 EMPLOYEES** | IS THE AVERAGE FOR ORGANIZATIONS WITH **51 TO 100 EMPLOYEES** | IS THE AVERAGE FOR ORGANIZATIONS WITH **1,000+ EMPLOYEES** |

## Achieving Gender Balance

The financial industry has a long way to go on gender balance[4]. Alena Meeker of Merrill Lynch says, *"A 2015 report from Morningstar notes that nationwide women are sorely under-represented in the financial industry in the US[5]."* The "Gateways to Impact" findings suggest that women advisors have the interest to be first movers into impact. In our survey, one-third of the respondents are women. This stands in stark contrast to most percentages we observed in reports on the topic of women in finance over the past three years[6]. Orit Vaknin of Beyond Family office observes, *"We are two female partners, something that is already very different in the male dominated financial industry in Israel."* Perhaps impact investing can offer a pathway for progress on this issue.




3 "An investment that is considered socially responsible because of the nature of the business the company conducts." Source: http://www.investopedia.com/terms/s/sri.asp
4 Oliver Wyman, 2016. Women in Financial Services. Second Edition of an analysis of nearly 400 financial service organizations in 32 countries with a focus on gender diversity issues in the financial services industry. Source: http://www.oliverwyman.com/content/dam/oliver-wyman/global/en/2016/june/WiFS/WomenInFinancialServices_2016.pdf
5 Source: http://news.morningstar.com/articlenet/article.aspx?id=781996
6 Source: http://www.thinkadvisor.com/2016/06/30/where-are-all-the-women-in-financial-services?slreturn=1495807599

### Entrepreneurial Founders and Large Firm Intrapreneurs

## A Personal Journey

Although the thread that links the survey respondents is their work in impact, their journeys into impact have been diverse. Ivo Knoepfel of onValues was an environmental scientist engineer who only by chance entered the financial world. Annie Roberts of Open Capital Advisors worked for Boston Consulting Group and, inspired by her work, moved to Nairobi to start Open Capital Advisors and realize her dream of living and working in emerging markets. Jack Meyercord of Bienville Capital acquired field experience in the hedge fund industry, which prompted his move into impact resulting in his need to find a new home for his impact practice. R. Paul Herman, armed with a degree in economics and finance, started at McKinsey and then took a more unconventional path to Ashoka and finally Omidyar Network before initiating his impact practice, HIP Investor. Kathy Leonard from UBS Financial Services was determined to be a lawyer, but took a job at E.F. Hutton because she thought she should first learn to manage money.

## Intermediaries are also “All In”

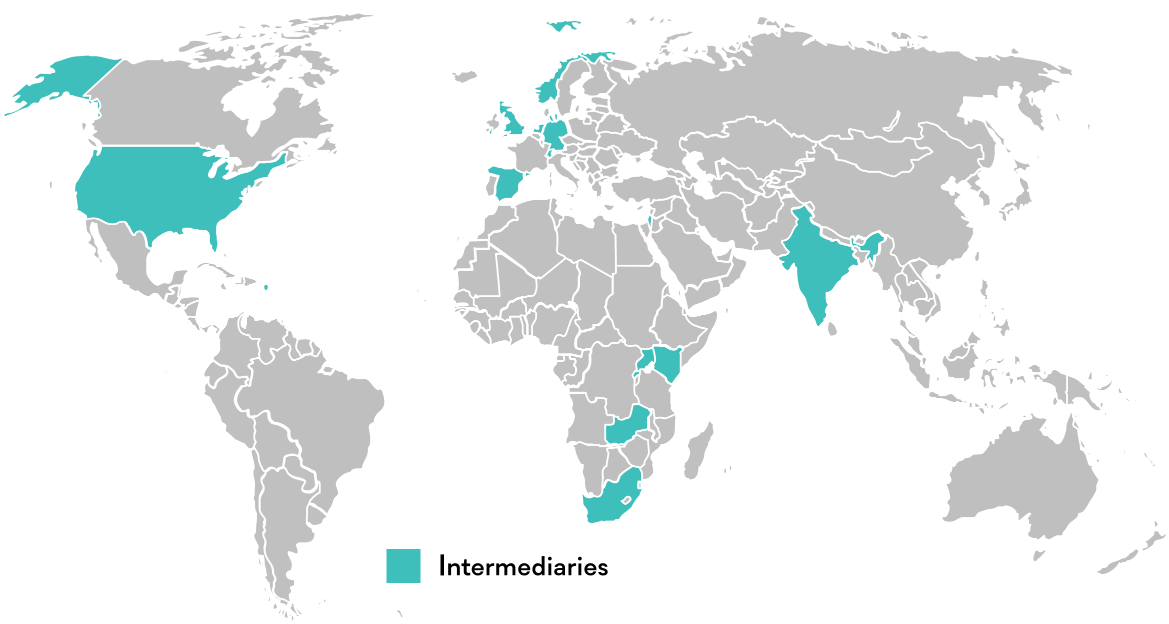
Whether an intraprenuer in a large global firm or an entrepreneurial founder, all respondents are deeply engaged in building and investing in their impact practice. For some with investable capital, they are configuring their own impact portfolios. For others who have retail access only, they are keen to see more retail products developed for the market.

Gudleik Njå of Greig Investor says that a personal impact investment strategy sometimes leads to new business. *“I have personally invested in some impact funds,”* says Njå. *“So, when I first met one of my clients, we were talking about the same investments and interests.”*

For others, lack of access to quality retail impact products are a driver. *“I am a retail impact investor. So, the topic of democratizing impact investing is important to me,”* notes Ivo Knoepfel of onValues.

And, for many small and medium size firm founders, founder sweat equity and capital investment in their firm set them on their path. *“From a personal and professional perspective, I’m ‘all in’. Every business and client relationship, and every resource I have is committed to impact and advocating for impact,”* shares Raúl Pomares founder of Sonen Capital.

### Intermediaries – a global community



## Clients

Survey respondents were selected because they represent an asset owner who participated in the "T100: Launch" report. They also have other clients pursing impact. Some are portfolio investors, but most are doing impact opportunistically or as a portion out of a larger pool of capital.

With 100% of the intermediaries expecting to see their businesses grow due to client demand, and one-third stating they expect a "significant increase," many are expanding their offerings, innovating, increasing staff levels and focusing solely on impact-related business.

### Clients Served

The respondents serve mostly individuals, foundations and family offices. They are also serving, to a lesser degree, retail clients, institutional clients and others like multinational corporations, 401K providers, pension funds, and government. This profile mirrors, to a large extent, the "T100: Launch" report findings.

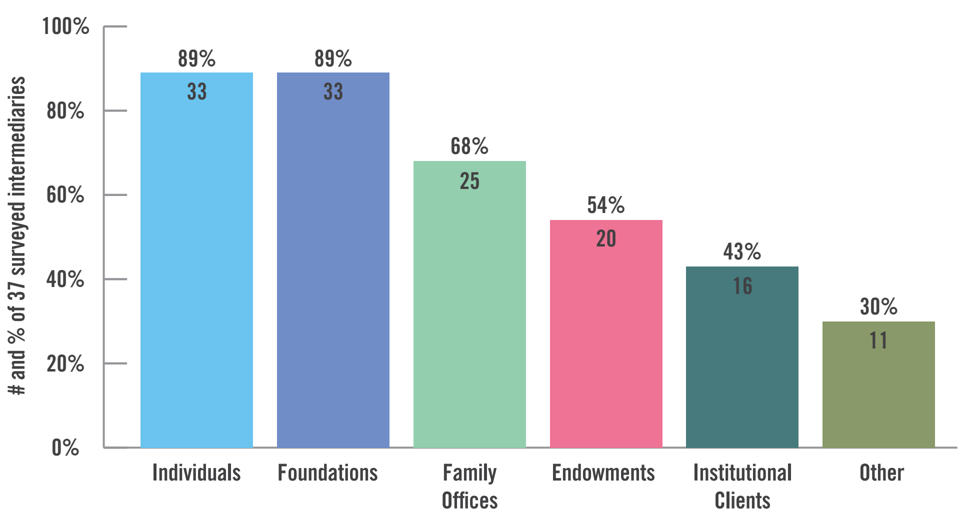
Alison Bevilacqua of 1919 Investment Counsel notes, *"We have a variety of clients within the firm, ranging from the high net worth individual client or family foundation to very institutional clients like an endowment for a high school and some pension funds. 10% of our clients are impact and 90% are traditional."*

While institutions have been slow to embrace impact, Raúl Pomares of Sonen Capital observes, *"We are starting to see more interest from the US institutional market. What lies ahead of course is the deepening of democratization of impact through the development of a robust retail market-place."* On the investment manager side, he added, *"We see major financial institutions coming into the space–Imprint's acquisition by Goldman Sachs, TPG's announcement, and UBS's $5 billlion commitment to impact, for example."*

Irrespective of size, when impact is the objective, Clara Barby of Bridges Fund Management concedes that *"talking with a family office about their impact strategy is very different than talking with senior people at DFID (UK Department for International Development). What is interesting is that in the end you get to the same place: organizational values and priorities."*

### Client Entities

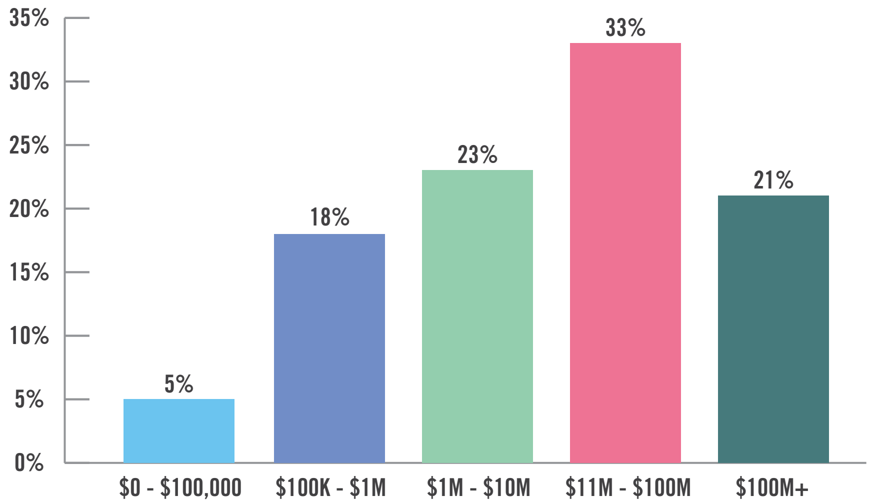
The following survey data aligns with the "T100: Launch" report where individuals, foundations and family offices were the most represented.




***Client Entities (37 respondents, multi-select question)***

## Client Asset Size

Intermediaries are managing impact across a wide range of portfolio sizes, with most between $1-100m.




***Size Range of Client Portfolios Managed for Impact (37 responses, single-select question)***

## Movement, But Hurdles Remain

Frustratingly, hurdles remain for retail and institutional clients. Products for smaller portfolio owners are still scarce. Raúl Pomares of Sonen Capital feels that *"the marketplace will continue to require, if not demand, products that can accommodate smaller ticket sizes."* One respondent wondered whether the broader range of asset sizes served was enabled by the increase in the number of mutual funds and ETFs with ESG type philosophies. Some good news from the survey is that even with product scarcity respondents are able to help clients with relatively small impact portfolios access right-sized advice, products and services.

R. Paul Herman of HIP Investor, points out that we need an *"impactful financial system that allows people to vote or march with their money such that if they want to invest for impact, they can. Currently, people are restricted from investing in a way that is meaningful to them and that is what we are trying to scale up."*

Clara Barby of Bridges Fund Management says that *"large financial institutions, with so much internal compliance, have difficulty introducing impact investing products. It comes down to individuals willing to take a leadership role inside these organizations to push the agenda forward."*

Interia, mindset, and compliance are not the only problems. Ivo Knoepfel from onValues points out that *"one of the disappointments has been that foundations are taking much longer to get started."* As a result, Knoepfel has to *"engage in providing capacity building to foundations and regulators."* This approach is seeing some success. Knoepfel shares that *"several European countries are now accepting the blended value concept[7]."* And, in fact, Knoepfel notes that foundations have invested in the first impact bond in Switzerland focused on the issue of migrants.

7 "...refers to an emerging conceptual framework in which non-profit organizations, businesses, and investments are evaluated based on their ability to generate a blend of financial, social, and environmental value."
Source: https://en.wikipedia.org/wiki/Blended_value

And there are blind spots. Jack Meyercord of Bienville Capital says that *"smaller endowments, like universities with $400 or $500 million, have not taken the leap into 100% impact. The president's house might be Platinum-LEED Certified, the school might have a heavy environmental focus, yet they often don't have a sustainability practice or an impact investment policy in place. The outsourced CIO model has also not embraced impact investing in a big way."*

Product solutions are also a challenge. Jack Meyercord of Bienville Capital shares that, *"I come out of the hedge fund industry and wonder what impact investors are thinking regarding hedging strategies. The impact industry needs to have a clear answer to this if it is to attract institutional capital."*

Despite these cautions, there is good news coming out of this survey. Client demand is acting as a catalyst to move some of the more agile customers. R. Paul Herman of HIP Investor notes that, *"with our 401k partners our fossil-free portfolios were added to nine 401k plan sponsors in the fourth quarter of 2016. As companies begin to switch 401k providers to fulfil their employees' demand for impactful investing choices, this spurs the movement of agile firms and 401k providers to grow faster by becoming more attentive to impact."*

## Women and Millennials[8]

Respondents share that women, more often than men, are asking for impact related services (60% women, 40% men) while Gen Xers and Baby Boomers make up 78% of current client lists. The "T100: Launch" report was made up of 85% Gen Xers and Baby Boomers. This aligns with numerous industry reports.[9]

Clara Barby of Bridges Fund Management sees *"a lot more women coming into impact investing and women often being the ones who really want to go deep,"* while Jack Meyercord of Bienville Capital points out that *"daughter-in-laws are driving a lot of inbound queries about impact investing."* Alena Meeker of Merrill Lynch confirms that, *"our firm has done research that points to the fact that millennials, and women in particular, are asking for impact more and more."*

While millennials represent only 22% of the survey respondents' clientele, Ivo Knoepfel of onValues notes the rise in millennial interest. *"For the first time, 25- and 35-year-olds are approaching us here in Europe. They seem quite at ease in asking for independent advice. We see the clientele expanding–not just at the ultra-high net worth level, but also smaller private banking clients."*

8 Definitions: Millennials are generally defined as the generation born between 1981 and 2000, Generation X generally between 1965 and 1980, and Baby Boomers generally between 1946 and 1964.
9 Source: http://greenalphaadvisors.com/women-and-millennials-leading-the-charge-in-sri/;
Source: http://www.ustrust.com/ust/pages/insights-on-wealth-and-worth-impact-investing-2016.aspx

# **why** are intermediaries moving into impact?

Intermediaries shared personal as well as business reasons for moving into impact. Stories range from addressing client demand, to a personal epiphany, to the desire to address a business opportunity.

## Demand

As noted earlier, 100% of the respondents see their business growing and one-third expect a significant increase in clients in the coming year.

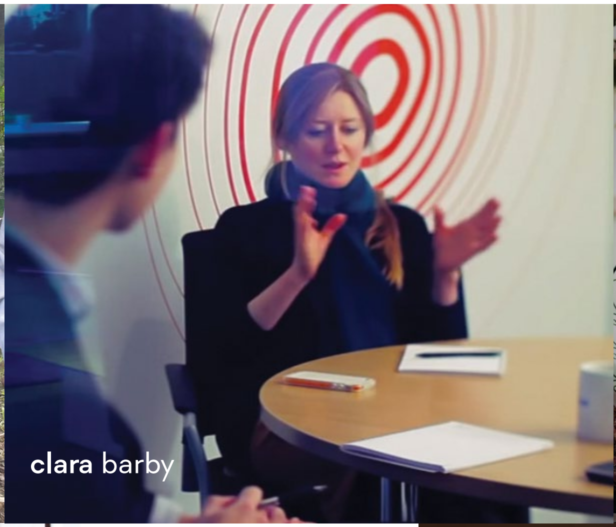
> *"I kept getting asked by my clients for help navigating this area. I looked for the right resources for them, but they kept coming back asking me to help. I spent the first half of my career focused on understanding investments and structures and how large families work together. I am using this to help families now make better decisions around their legacy."*
> ***Jennifer Kenning (Align Impact)***

*“The practice started about 40 years ago because we had clients that wanted portfolio designs that would not violate their faith-based values while providing competitive returns.”* ***Alison Bevilacqua (1919 Investment Counsel)***

*“Two accelerants to the process of finding a new home for my emerging impact practice were the acquisition of Imprint Capital by Goldman Sachs and Blackrock Impact being announced. After the Imprint announcement, I had 50 people call me back to say, “Can you come back in and talk again?”* ***Jack Meyercord (Bienville Capital)***

*“I have had over time a couple of clients that are ‘all in’ and that pushed me, in a positive way. I think it influenced my work to see what others are doing and being inspired to not sit back.”* ***Kathy Leonard (UBS Financial Services)***


**annie** roberts


**clara** barby


**brent** kessel


**martin** rich

**neha** mudaliar


**jack** meyercord

## Personal Epiphany

*"I was working for a large family office and I loved what I was doing, loved investing and felt like this was my calling. Then my first child was born. I was looking at her and thinking to myself, do I want her to do what I am doing? And the answer was clear to me in that moment–the answer was no."* ***Orit Vaknin (Beyond Family Office)***

*"To build a global society where we value both planet and people and everything in it, we have to do something different. For us it's more about the switch people make from thinking and being exclusive to thinking and being inclusive. We believe you have to align, not just your financial assets, but also your personal assets, your talents, your community work and your spiritual assets."* ***Tera Terpstra (Wire Group)***

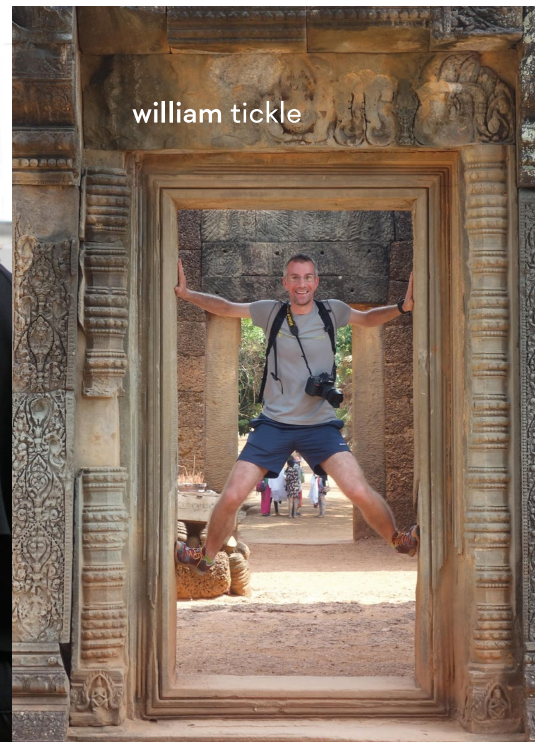





*“I spent months traveling in China and India because I traded Asian public equity markets for 17 years. Watching the degradation of the environment and companies openly bragging about polluting rivers was frustrating, but, it was seen as a competitive advantage. Then I started to think, there’s got to be a better way.”* ***Jack Meyercord (Bienville Capital)***

*“I grew up in a family that really focused on justice and fairness and how individuals, in relationship to an institution, frequently don’t get a fair chance to succeed. I worked for McKinsey, then Ashoka and finally Omidyar Network. Seeing how so little capital was going to support organizations trying to solve systemic global challenges, I started HIP (Human Impact and Profit) inspired by what I learned along the way. So that was the genesis for how to move money in a way that builds a better world.”* ***Paul Herman (HIP Investors)***








## Opportunity

*"I started this firm because I did not see anyone else doing this. My co-founder, Andreas Zeller, is a former investment banker. I worked with Boston Consulting Group. We were both working with large companies and saw how different it is than working with smaller companies who have smaller resources. We realized that if we don't help to facilitate the smaller deals, there won't be larger deals in Africa in the future."* ***Annie Roberts (Open Capital Advisors)***

*"I grew up in a first-generation immigrant family with strong values and ideas around social justice and a love of the environment. My clients were asking me to help them build an aligned portfolio and the traditional investment firms were not interested. I was thinking wait a second, if these clients are asking for this and incumbents are not offering any kind of real solutions, that sounds like a business opportunity."* ***Raúl Pomares (Sonen Capital)***

*"If you find a good fund manager or investment that has integrated impact into their own culture, my experience is that it's a risk mitigation tool."* ***Gudleik Njå (Grieg Investor)***

# the **business** of impact

### How are intermediaries building their practice?

## Starting Up

Most respondents were inspired by client requests for impact-related services. Some took the bold step of building an independent practice, while others looked to embed themselves in a larger firm's infrastructure.

> *"I had been doing Socially Responsible Investing (SRI) for 34 years. I was running my own Registered Investment Advisory and had lost a couple of requests for proposals because of the size of our firm. I decided I would either stop or move to a bigger firm. UBS was a good fit because they were already doing SRI."* ***Kathy Leonard (UBS Financial Services)***
>
> *"I realized that if we were to be successful, we needed to provide more than advice – we needed to build the 'pipes' to access the best investments. And that required leaving a large traditional firm and starting my own company."* ***Raúl Pomares (Sonen Capital)***

## Building a Viable Practice

Supporting the premise that the impact ecosystem continues to mature and deepen, **the most telling statistic is that 43% of respondents now dedicate their whole practice to impact products and services**, suggesting demand from impact investors is sufficient to enable some intermediaries to be financially viable relying solely on the impact sector. Of this number, 80% have been providing impact-related work for over 5 years.

Startup capital often comes from founder sweat equity and/or customer equity investments and earned revenue. Tera Terpstra of Wire Group shares that *"we work with three founding families who have committed to fund us for three years and in return, receive 5% of Wire Group shares."* Annie Roberts of Open Capital Advisors notes that "sweat equity and revenues" helped jumpstart her firm.

Earned revenue for smaller size companies is mostly comprised of retainer or consulting fees, while larger size companies' fees are often based on assets under management or assets under advisory plus specific consulting/brokerage-type revenues on a project-by-project or transactional basis.

> *"We engage anywhere from hourly to fixed fee to performance-based fees."*
> ***Annie Roberts (Open Capital Advisors)***
>
> *"We are financial and investment advisors, so we are getting paid a fixed sum or basis points of assets under management."* ***Gudleik Njå (Grieg Investor)***
>
> *"The service of the SRI team or ESG[10] screening or impact investing is part of the client service. Our fees are based on assets under management with a sliding scale depending on whether a client is an individual or an institution."*
> ***Alison Bevilacqua (1919 Investment Counsel)***

However, demand is one thing, while satisfying it with a viable business model is another. Some challenges cited are limitations on fee structures dictated by the type of firm, fee structures that don't work for smaller clients, and impact management that is not cost efficient for the client or the intermediary.

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10 "Environmental, social and governance (ESG) refers to the three central factors in measuring the sustainability and ethical impact of an investment in a company or business. Source: http://www.cfapubs.org/doi/abs/10.2469/ccb.v2015.n11.1

*"We are an independent consultancy serving wealth owners only, charging time-based or retainer fees. This is challenging as revenues fluctuate and clients are not always willing to pay for bespoke services. As a consultant who does not manage money directly, our options are limited."* ***Ivo Knoepfel (onValues)***

*"It is extremely difficult to find a viable business model, so we are actively exploring partnerships."* ***Tera Terpstra (Wire Group)***

## How has the industry evolved in the last 5 to 10 years?

### Responses below touch on the following major themes:

- Steady growth
- Embraced by a wider audience
- Significant innovation in product development
- More competition

### A wider audience with implications

Growth means evolving product and service offerings. But it also can result in unintended consequences.

*"The focus has evolved from just analyzing companies' negative effects, to proactive indicators of impact outcomes taking centre stage. Conferences have grown from 100 to thousands of participants. Women and millennial are quickly entering the field. Foundations are taking a growing lead role. Mainstream interest in impact investing is here."*
***Casey Verbeck (Veris Wealth Partners)***

*"Impact investing has expanded to include the full spectrum of asset classes. However, there is an emerging conflation of ESG Integration and impact investing driven largely by firms seeking to position themselves to benefit from the growth and expansion of the approach. There is a broader acceptance of impact investing as a valid approach and the myths regarding poor investment performance are becoming less prevalent."*
***Glen Yelton (SNW Asset Management)***

Kathy Leonard of UBS Financial Services notes that the impact ecosystem is now embraced by an audience that can bring much more money into the space. *"Traditional firms can bring financial rigor, greater acceptance by a wider audience, a fresh set of eyes and significant resources to the table."*

### Competition

In a recent ImpactAlpha[11] article, Fran Seegull of the US Impact Investing Alliance, and Christina Leijonhufvud of Tideline describe "traffic jams", the result of more competition in the impact intermediary space, and the need for better "lane markers and turn signals."

*"In the coming few years, more people will become interested in the impact investing space and more money will look to flow towards impact. There seems to be a competition for nomenclature and terminology, however, that risks diluting the meaning of impact investing. This seems to be both the opportunity and the risk for the sector. It will be very important how this tension is resolved."* ***Jack Meyercord (Bienville Capital)***

11 Source: https://medium.com/impactalpha/road-work-ahead-smoothing-the-flow-of-impact-investing-with-lane-markers-and-turn-signals-9a8808baa3a

Competition is also resulting in a more discerning investor community.

> *"In Kenya, we have a lot of competition. I think it's exciting. Seven years ago, we had to explain what an advisor was and prove how we would add value. Today the conversation is more about how are we different from the competition. I think this is a result of the market-building work that the whole sector has invested in."*
> ***Annie Roberts (Open Capital Advisors)***

## How have their businesses changed?

Responses touch on the following broad themes:

- Broadened service offerings over time
- Increased staff levels and new impact specific job descriptions
- Volume of products increased

> *"When we first started in 2010, we only provided advice directly to social entrepreneurs seeking to raise capital. We heard incredible demand in the market from impact investors who also needed access to high-quality advisory services. We have grown our team substantially from three full-time staff to 50+ today. We invest heavily in local talent development, and have today seen promotions within our team directly from our university graduate scheme to our management team. We have also expanded our advisory service to include talent development beyond strategy, operations & financial controls."*
> ***Annie Roberts (Open Capital Advisors)***

> *"We have broadened our offering as the field has broadened. There are many more managers with many more niches that can be collaborated with than there were 10 years ago."*
> ***William Tickle (Ballentine Partners)***

> *"As certain clients' needs have evolved toward the alignment of values, we have worked to add impact as the third axis along with risk and return when building and managing client portfolios. Our approach blends the rigor of traditional investment with an understanding of complex social and environmental issues."*
> ***William McCalpin (Athena Capital Advisors)***

> *"We started with SRI related investment more than 10 years ago, and this has evolved to more of a focus on impact investing."* ***Gudleik Njå, (Grieg Investor)***

> *"Originally, we provided due diligence on private deals and outside managers. We have added an actively managed public equity vehicle for sustainable and impact focused investing."*
> ***Jack Meyercord (Bienville Capital)***

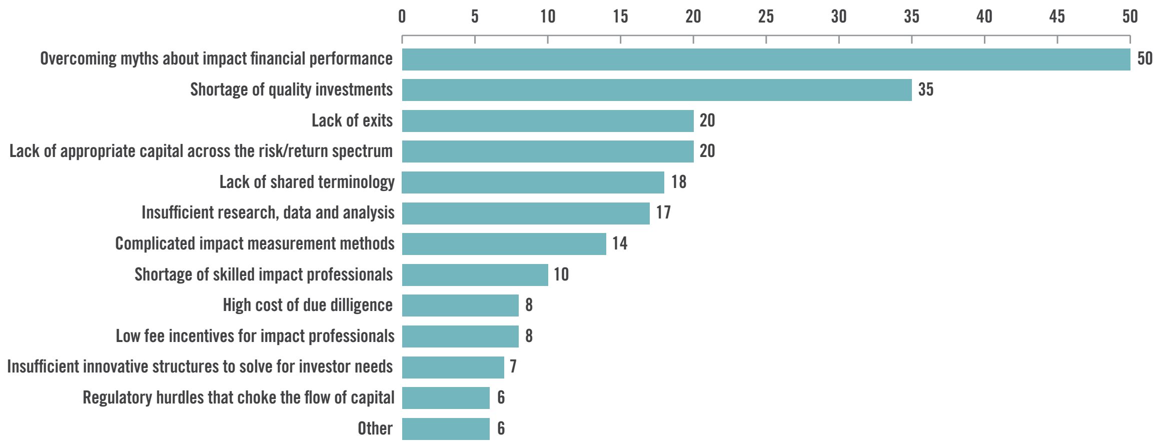
> *"Our growing knowledge and sophistication with respect to impact investment alternatives allows us to attract and serve larger clients."*
> ***Steven Ellis (Colorado Capital Management)***

> *"We have broadened our coverage of corporate, agency, and municipal issuers of debt. We have added strategies focused on the environment, education, and gender equity. We now have employees fully devoted to impact investing."*
> ***Glen Yelton (SNW Asset Management)***

## Challenges, Accomplishments, Lessons

### Challenges

Respondents cited **overcoming myths about impact financial performance** as the biggest industry challenge, followed by a **shortage of quality investments**.




***Top Three Industry Challenges (36 respondents, cumulative weighted score)[12]***

100% Impact Network members, noted similar themes among their top three challenges in the "T100: Launch" report as follows:

- Overcoming myths about impact financial performance
- A shortage of quality investments
- Complicated impact measurement methods

**Trust building**

To address myths about performance, intermediaries overwhelmingly cited trust building with clients and within their own organizations as key.

> *"Building trust and proving there is enough quality pipeline available."*
> ***Tera Terpstra (Wire Group)***

> *"Moving past skepticism to formulate long-term plans of action."*
> ***Jonathan Firestein (Ascent Private Capital Management)***

**Building trust within large organizations**

For intrapreneurs, building trust within large organization has its own challenges.

> *"This is a big process of change. And not just at UBS, but everybody is trying to change the way people think about the impact their money has. Historically I have tried to be strategic at a large firm and patience has paid off. But I also understand that change is harder for some people, no matter where you are on the spectrum. Even though they might articulate that they want the impact tent to be really big, they may not actually feel comfortable once it starts to get big."* ***Kathy Leonard (UBS Financial Services)***

12 See multi-select question in lexicon on page 10. Top three responses were weighted (e.g. top choice = 3 points, second choice = 2 points, and third choice = 1 point) to derive the ranking in this chart.

**Finding appropriate opportunities**

A continuing challenge will be finding appropriate opportunities that meet thematic, liquidity, risk and asset size constraints.

> *"Balancing the constraint of finding investment opportunities in the thematic areas the clients are interested in while trying to develop a multi-asset class portfolio."*
> ***Jack Meyercord (Bienville Capital)***
>
> *"We have been looking at Green Bonds, but only found three or four that were right-sized and interesting enough for our clients."* ***Tera Terpstra (Wire Group)***
>
> *"Balancing the need for liquidity and safety with the desire to put more of the balance sheet into private equity for the greatest impact."* ***Brent Kessel (Abacus Wealth Partners)***
>
> *"It is "easier" to identify fossil-fuel neutral, but as clients become hyperaware to the full spectrum of on-goings in the world–water, food, and energy to name a quick few–they all mix together as issues that impact how we invest diligently."*
> ***Laura Isanuk (First Affirmative Financial Network)***

**Managing the impact of investments**

Managing the impact of investments from intention through to exit is a work in progress for all intermediaries. Two key challenges are cited here. For more on impact measurement, refer to page 35.

> *"Drawing out the impact statement (i.e. the impact investment policy)."*
> ***William Tickle (Ballentine Partners)***
>
> *"Lack of available data related to impact outcomes."*
> ***Glen Yelton (SNW Asset Management)***

**Attracting the right team**

Attracting the right team members will impede growth.

> *"We have a talent gap. It is difficult to find good lead advisors with a solid wealth management, multi-family office experience who are passionate about the impact work."*
> ***Jennifer Kenning (Align Impact)***

## Accomplishments abound

The feeling of accomplishment among the respondents is high. Words like "fun," "empowerment," and "greater impact" reveal that the act of helping a client move into impact is having a positive impact on the intermediaries and their sense of job satisfaction.

> *"Empowerment! Clients are empowered to make better financial decisions when they can engage with their investments on their terms."* ***William Tickle (Ballentine Partners)***
>
> *Helping clients to articulate their impact goals and explore the landscape of opportunities as they move their investment portfolios closer to personal and mission driven values alignment."*
> ***William McCalpin (Athena Capital Advisors)***
> *"...a college endowment going 100%, implementing impact across all asset classes." and*

*"...401(k) plan portfolios starting to go fossil-free and gun-free."*
***Paul Herman (HIP Investor)***

*"Helped at least a dozen families move to a majority or 100% impact portfolio."*
***Ivo Knoepfel (onValues)***

*"We created the first impact investing benchmarks to analyze the performance of private equity, venture capital, and real assets investment funds pursuing social and/or environmental impact."* ***Jessica Matthews (Cambridge Associates)***

Ivo Knoepfel of onValues sees his *"role and vision for impact investing as helping families, across generations, fully align their wealth with their values. Our biggest satisfaction is when we see that wealth becomes meaningful again for them, a valuable resource for positive impact, as opposed to a burden."*

*"Our approach creates a paradigm shift with our clients in their thinking. Once they understand that impact is holistic they have started to look at their wealth, family business and their philanthropic activities from the same lens."* ***Tera Terpstra (Wire Group)***

*"What we are seeing are clients who have made their wealth and are now at an inflection point wondering about their personal legacy. It's a lot of fun to work with someone who's not looking to be in a race with their neighbor, but rather in the race of doing well and incorporating values in their investments."* ***Orit Vaknin (Beyond Family Office)***

## Lessons learned

Lessons learned, while many, can be summed up as follows:

- Patience and pragmatism are essential
- Education and partnerships are key. Share your failures
- There is no "one size fits all" solution for impact
- The impact learning journey is personal and goes as long and deep as clients wish

Respondents shared that building a client/advisor relationship, when impact is the objective, requires patience, perseverance, and a healthy dose of pragmatism. As one respondent observed, *"change is a process,"* and *"you can not be in it for the recognition."* Another mused that *"clients often need our support to go beyond strategic advice into very practical application."*

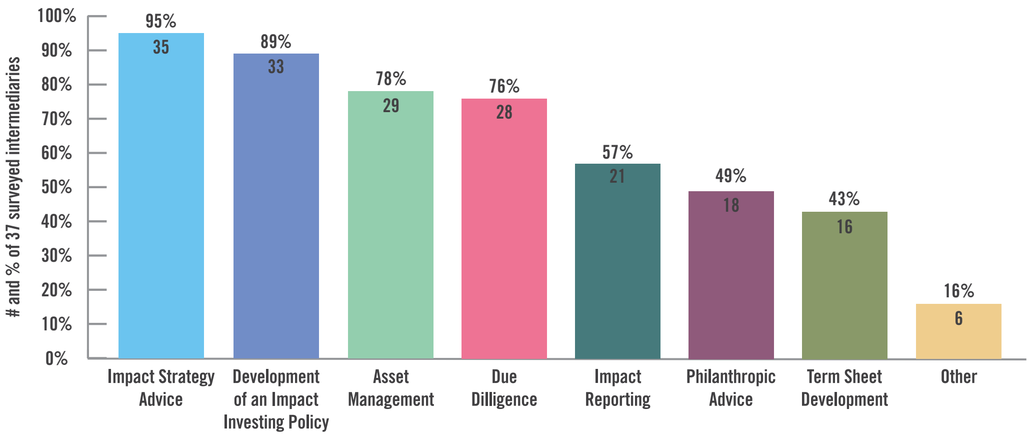
Respondents pointed to education as key to adoption, citing the need for investors to have a better understanding of the dynamic impact landscape in order to feel confident to take their first steps.

Impact objectives are, by their very nature, diverse and often personal. Some portfolio themes are bespoke, while some impact themes are finding a broader audience within advisories, like gender lens investing. The personal journey is not exclusive to the clients, but rather, as seen in the responses from the intermediaries, this is a personal learning journey for them, too.

# **what** do impact intermediaries offer?

## Services

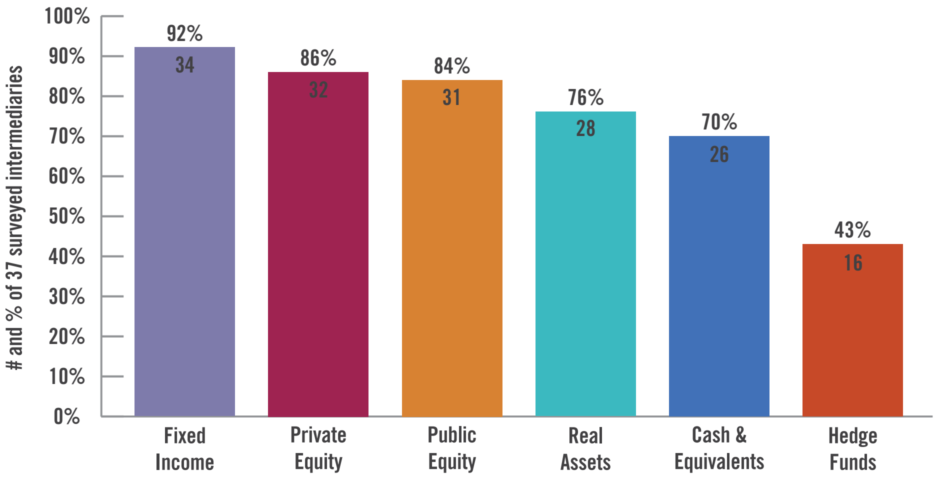
The top four services provided for clients are:
- Impact strategy advice
- Impact policy development
- Asset management
- Due diligence services




***Range of Services (37 respondents, multi-select question)***

## Asset Classes

Most respondents indicated that they advise on most asset classes. A few limit their scope. *"We focus on public equities and fixed income. We learned to understand what we do and do it well, and look to partners for the other assets classes,"* shared Alison Bevilacqua of 1919 Investment Counsel.



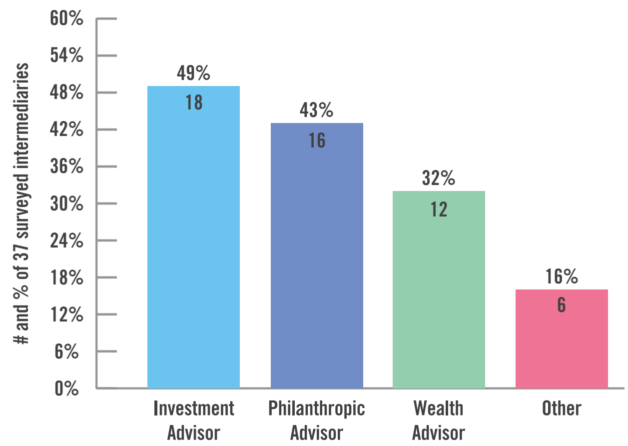

***Range of Asset Classes (37 respondents, multi-select question)***

While intermediaries report that they advise on fixed income, private equity and public equity as their top three in priority order, the line-up is different for the 100% Impact Network members. In the "T100: Launch" report, of the aggregated portfolios, 29% were invested in public equity, 21% in private equity and 19% in fixed income.

## Key Collaborators

Collaboration among financial professionals is seen as essential to ensure a full client service offering. In addition to investment, philanthropic, and wealth intermediaries, most respondents stated they worked with one or more tax experts, attorneys, and/or financial and estate planners.

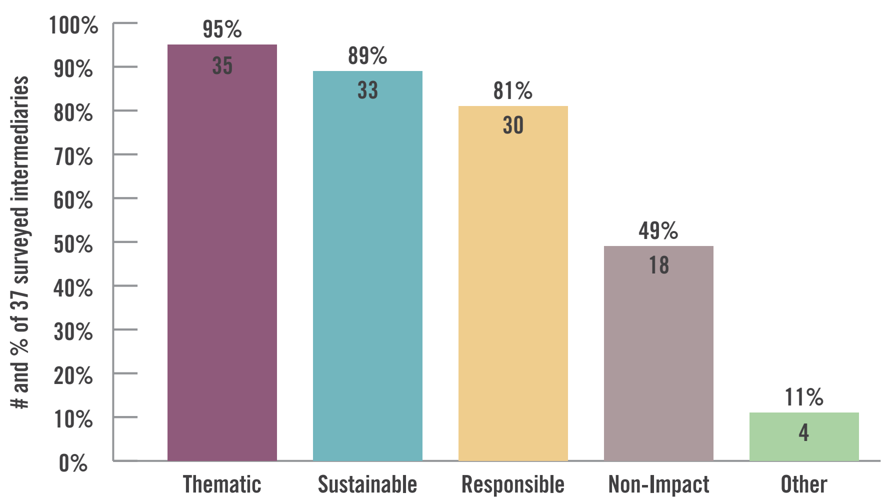
Raúl Pomares (Sonen Capital): *"In the early days, the tools and resources were limited. Today there are more third party impact service providers that we can take advantage of. We also take a collaborative approach with the underlying managers. We require that they report on impact, and we help them design their strategy for capturing the impact data."*




***Key Collaborators (37 respondents, multi-select question)***

## Impact Categories

Most respondents shared they provide advice across all general impact categories with **thematic most prominent**[13]. This mirrors what we saw in the "T100: Launch" report. Toniic 100% Impact Network members are working to move away from sustainable and responsible and increase their thematic holdings.

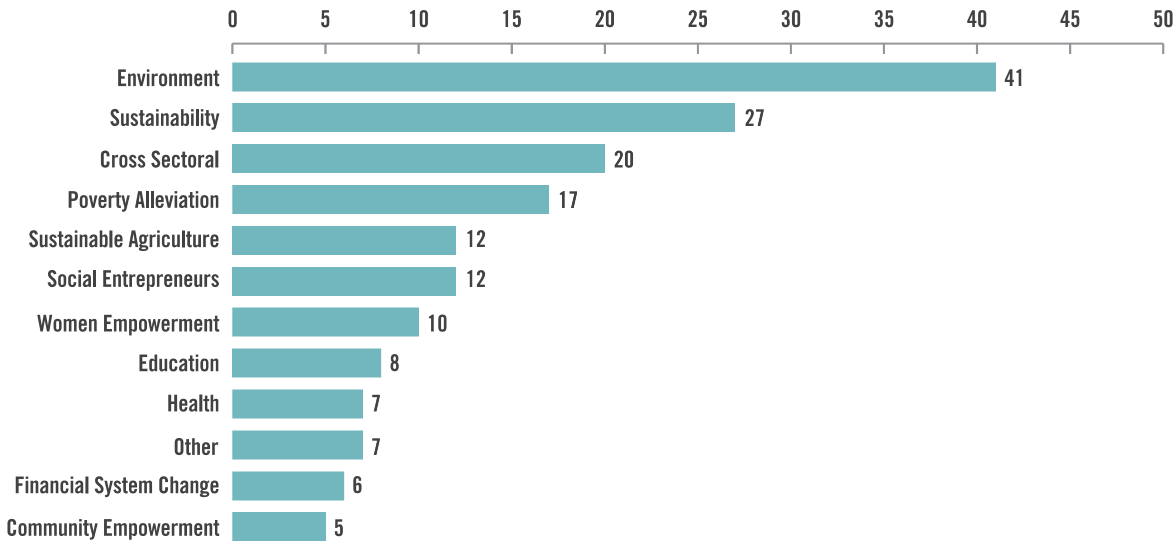



***Range of Impact Categories (37 respondents, multi-select question)***

13 Impact Categories. In our survey, we defined impact categories consistent with the Group of 8 (G8), World Economic Forum (WEF) and Global Impact Investing Network (GIIN) definitions. See detailed descriptions of each impact category in the Report Lexicon in the front of this report.

## Impact Themes

In terms of themes intermediaries are advising on, the environment dominates. On average 32% of the portfolios reporting in the "T100: Launch" invested in environmental themes.




***Top Three Impact Themes (37 respondents, cumulative weighted score)***[14]

## Product and Service Innovation

Impact firms tend to be structured similarly to general advisory and investment firms (being predominately financed by client fees). To address gaps in impact services and products, some small and medium firms have developed unique impact tools and products targeting their customers and peers.

> *"I am building a platform so that family office clients and advisors can use us as their outsourced impact solution."* ***Jennifer Kenning (Align Impact)***

> *"Over the last 7 years we have built a total concept for our clients which includes designing strategies, building and managing portfolios, wealth education, and family bonding."*
> ***Tera Terpstra (Wire Group)***

> *"We set out to create an impact-focused platform, like a 21st-century version of Morningstar."*
> ***R. Paul Herman (HIP Investor)***

> *"I think innovation will come from family offices because they are often nimbler and show strong leadership. However, when large development organizations, like the Department for International Development (DFID) do a small shift in their thinking it can also have large ramifications. And I think we are going to see more innovation coming from wealth managers, too."* ***Clara Barby (Bridges Fund Management)***

> *"We created a multi-manager multi-asset class comprehensive access platform. It was a necessary tool of the ecosystem infrastructure needed to deploy capital on behalf of the type of client we were serving. I think we may have been the first ones to build this type of platform."*
> ***Raúl Pomares (Sonen Capital)***

14 See multi-select question in lexicon on page 10. Top three responses were weighted (e.g. top choice = 3 points, second choice = 2 points, and third choice = 1 point) to derive the ranking in this chart.

## Giving Back to Develop the Ecosystem

Some respondents are actively volunteering to strengthen the impact infrastructure. Jennifer Kenning of Align Impact volunteers her time as an advisor for Impact Assets. Ivo Knoepfel (onValues), while not providing consulting services to asset managers, provides ad-hoc feedback to asset managers aimed at improving the quality of impact strategies offered to his clients. Clara Barby (Bridges Fund Management) leads an open global conversation on impact management. Sonen Capital hosts public impact management webinars sharing their methodology with a rapidly growing audience.

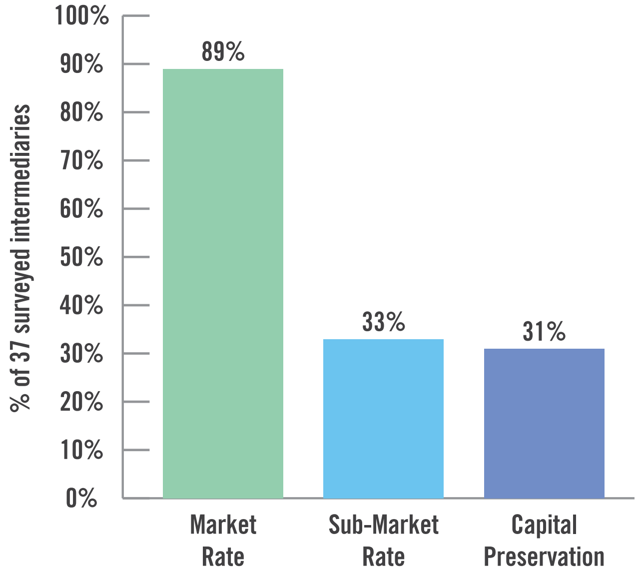
# **financial** and **impact** returns

## Financial

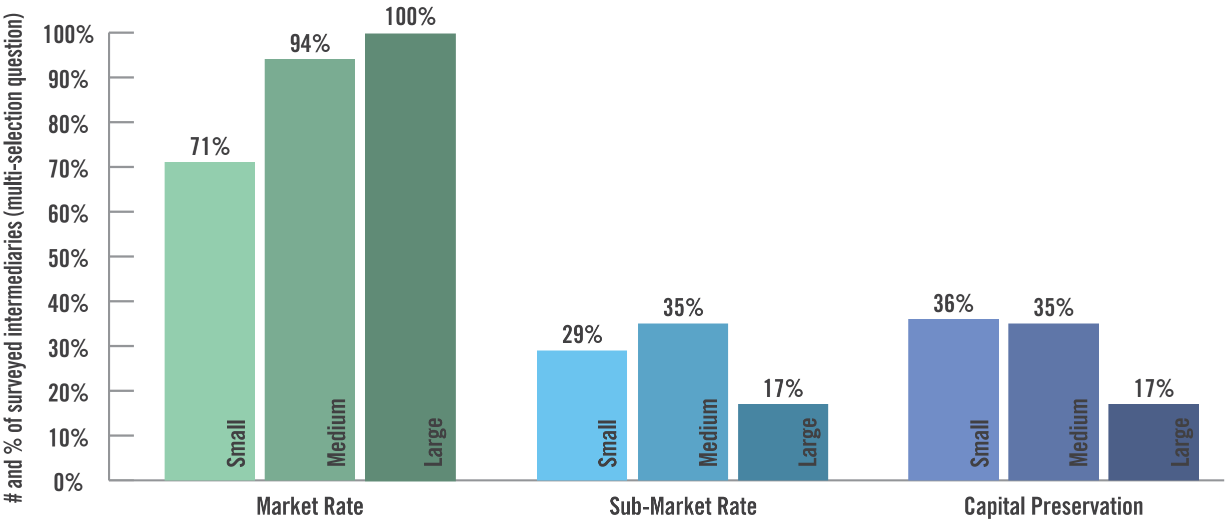
Intermediaries are predominately targeting market rate returns.

While market rate returns are a focus of most intermediaries, some clients are seeking a more segmented approach to the level and type of impact, as well as more of a focus on beneficiaries. Intermediaries are adjusting their approach to meet these new demands. This is contributing to a deeper conversation about impact investing across a spectrum of returns.

All firms assist their clients in targeting a range of returns. However, small and medium firms are providing more in the way of capital preservation and sub-market rate services. This suggests they are more able or willing to tailor services for their clients.



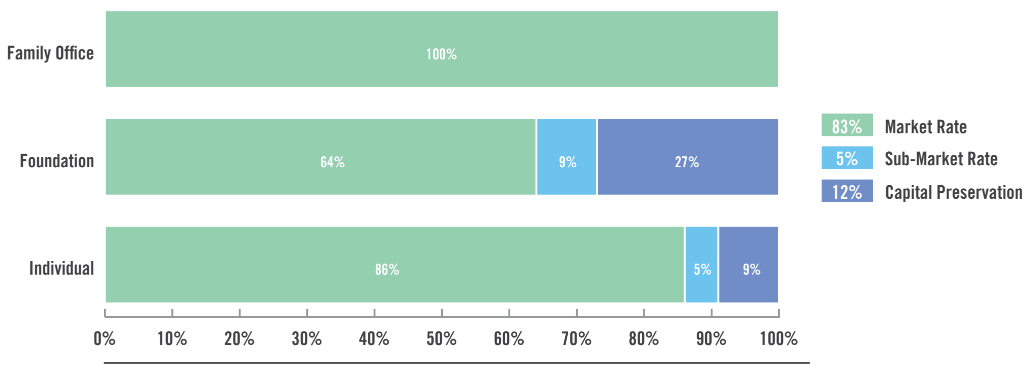

***Clients' Expectations of Financial Returns for Impact Portfolios (according to intermediaries) (37 respondents, multi-select question)***



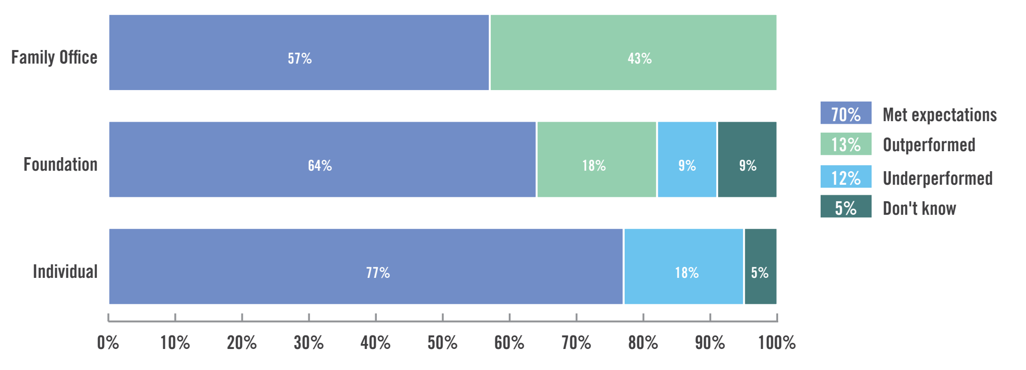

***Clients Financial Return Expectation Spectrum per Size of Firm (37 respondents, multi-select question)***

The charts below, extracted from the “T100: Launch” report, reflect return expectations and actual performance by investor entity.

**83% of survey respondents *expect* market-rate returns on their investments**. Further, **83% of those survey respondents stated that these expectations were either met or exceeded**. These results align with the GIIN[15] report for institutional investors.




***Financial Return Expectation by Investor Entity (40 portfolios)***




***Actual Financial Performance by Investor Entity (40 portfolios)***

A full 57% of the reporting family offices met their market rate return objectives, and 43% outperformed market expectations.

A full 64% of reporting foundations met their portfolio financial return expectations. Another 18% of the reporting foundations exceeded their portfolio financial return objectives, while 9% underperformed. The remaining 9% did not have performance data to report.

High Net Worth Individuals (HNWIs) mostly targeted market rate returns (86%), but also have a small allocation (9%) to capital preservation and an even smaller allocation (5%) to a sub-market return. Close to 80% of the reporting HNWI’s met their portfolio financial return expectations, while a little over 20% have not met their portfolio financial return expectations.

> *“For three-quarters of our clients, market rate is their mandate. However, we look across the spectrum of returns for our clients. We look to see what the client wants to accomplish and then determine what the right asset is to do that.”* ***Jennifer Kenning (Align Impact)***

> *“We are in the ‘market-rate’ product business and don’t offer product that is purposely structured to be below market. That said, we have helped clients with concessionary investments, too.”* ***Alison Bevilacqua (1919 Investment Counsel)***

15 Source: https://thegiin.org/knowledge/publication/annualsurvey2017

*"Because we've shown that the impact metrics correlate with higher returns, lower risk or both, the tension about 'do I have to trade something' goes away because on a portfolio basis it generally works."* ***Paul Herman (HIP Investors)***

*"One of the myths is that if you're investing socially, you're not creating a return. Merrill Lynch is saying that there is potentially protection on the downside and this kind of investing can lead to better returns. Impact is seen as a way to lower risk."* ***Alena Meeker (Merrill Lynch)***

*"Our clients don't believe in the 'market rate' concept. They are very open to relaxing return expectations or taking higher risks if they see tangible and strategic impact in areas that are still developing. That said, for markets that are mature, they expect returns comparable to traditional investments."* ***Ivo Knoepfel (onValues)***

*"If you do good, if you do it right, you can't help but make money and frequently make more money with less risk. Impact applied in a fundamental way can create stronger more resilient portfolios."* ***Paul Herman (HIP Investors)***

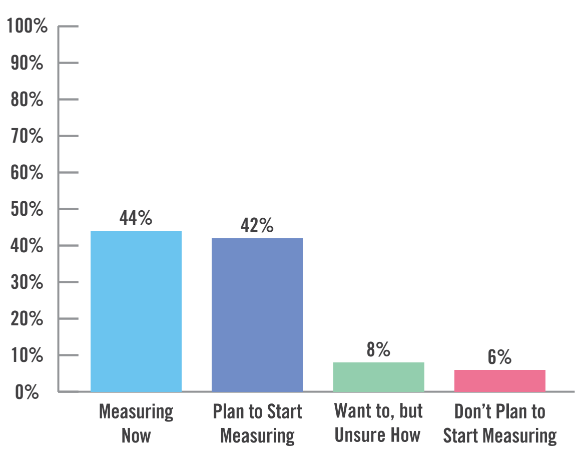
## Impact

Measurable impact, as identified in the "T100: Launch" report, is the holy grail of the impact investors' quest.

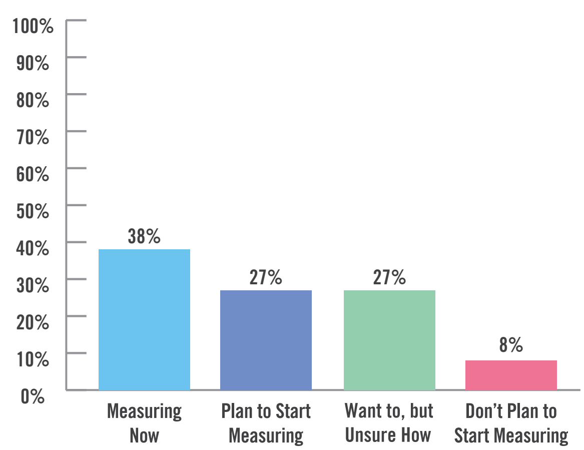
For most of the investors surveyed it is still a "work in progress." We asked respondents if they were measuring the impact of their clients' investments. Forty-four percent said yes, compared to 38% of the 100% Impact Network respondents. Further, 94% of the respondents want to or will continue to be measuring impact within three years. In addition, 92% of the investors want to be reporting in three years. Intermediaries and their clients seem aligned in their goal of measuring impact as well as to the timing needed to accomplish it.

This raises two questions. How will investors and intermediaries close the measurement gap in the next three years. And what will measurement look like?

Intermediaries
***(36 respondents, single-select question)***




100% Impact Network
***(40 respondents, single-select question)***




***Engagement in Impact Measurement***

## Impact Measurement Challenges

Intermediaries cite several significant challenges that stand in the way of meeting these stated goals. The top two are inadequate reporting from investees followed by the lack of use of standard metrics and taxonomy. These challenges affect firms regardless of size and geography. This aligns with investor responses in the "T100: Launch" report.

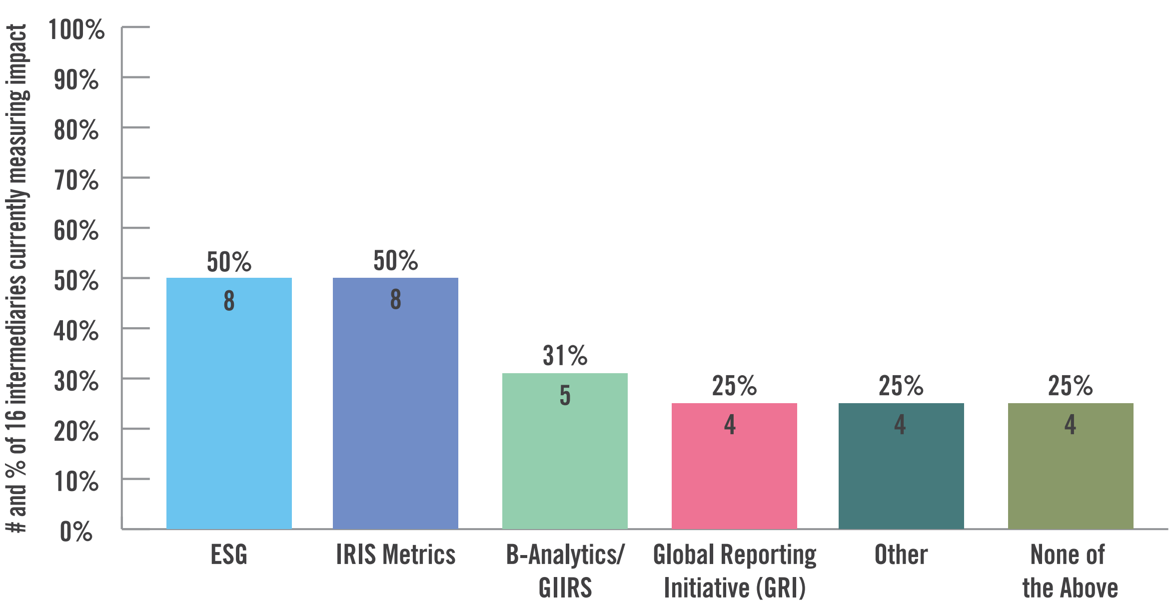
> *"I think the challenge on the direct side is that most things you're investing in are start-ups, which are under-resourced, and the entrepreneurs are already juggling a million things. I think that is why both impact investors and entrepreneurs have an incentive to start saying, 'Well, the impact is just embedded in the business model'."* ***Jack Meyercord (Bienville Capital)***

> *"We invest a lot of research in our thematic areas and then help the enterprises think about how to manage and report their impact."* ***Clara Barby (Bridge Fund Management)***

> *"We have to make a business and be economically viable. So, we decided to only include investments that measure impact."* ***Tera Terpstra (Wire Group)***

## Tools in Practice

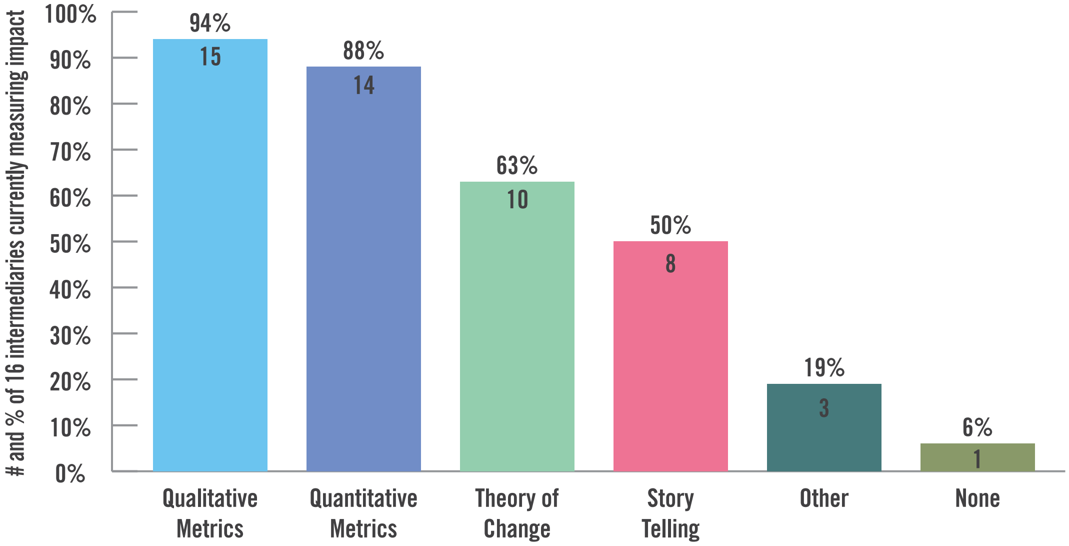
How are intermediaries and investors measuring now? Less than 50% of the respondents provided details regarding the tools they use to measure impact. Of those who responded, ESG[16] ratings and IRIS[17] taxonomies are the top two most used "off-the-shelf" tools. Per the "T100: Launch" report findings, investors' top two impact measurement tools are ESG and GIIRS [18]. ESG and IRIS enable output data collection. GIIRS provides a report on an enterprise or fund's impact using B Analytics[19]. Gathering data is an important first step. However, it is important to note that, for the surveyed intermediaries and their clients, data may not fully illuminate the targeted outcomes or impact.




***Standardized impact measurement methods (16 respondents, multi-select question)***

16 ESG. stands for Environmental, Social and Governance criteria and refers to the material factors that measure a company's sustainability and ethical performance.
17 IRIS. Stands for Investment Reporting Impact Standards is the catalog of generally-accepted performance metrics. Source: https://iris.thegiin.org
18 GIIRS Fund Ratings deliver a comprehensive accounting of a fund's impact on workers, customers, communities and the environment. Source: http://b-analytics.net/giirs-funds
19 B Analytics. A customizable platform for measuring, benchmarking, and reporting on impact. Source: http://b-analytics.net/

Ninety-four percent of the respondents use ***qualitative*** methods which are subjective, often anecdotal, and usually take the form of stories. Eighty-eight percent use bespoke quantitative metrics which are objective, tailored data collection tools specific to the investee and/or investors' needs. Many also use the Theory of Change[20] to guide the investment strategy design. In the "T100: Launch" report, investors preferred bespoke quantitative metrics over qualitative metrics, and stories more than the Theory of Change.




***Non-standard impact measurement methods (16 respondents, multi-select question)***

Although qualitative and quantitative methods are collected by well over 80% of the respondents, storytelling seems to currently, in practice, win out over data collection, as more useful both for the client as well as the intermediary.

*"Many millennials are looking for a more aggregated good story about the investment and not a super detailed report with too many figures and talk about measurements like standard deviation,"* says Gudleik Njå of Grieg Investor. Similarly, Alison Bevilacqua of 1919 Investment Counsel offers, *"our approach is still very story-oriented."*

*"We find that methods like GIIRS and IRIS don't adequately capture the impact of one business versus another. We prefer our clients tell their story. In one business, the impact might be life-changing, life-saving. In another, it might mean a broad-based shift in income. I don't think we have gotten to a point where we feel good about any standardized system."*
***Annie Roberts (Open Capital Advisors)***

A goal that seems elusive is the integration of impact performance into investment performance. Training fund managers is a start. *"Recently we were comparing two managers. One had top quality impact metrics. The other had just as good a product, but had not yet formalized its impact management process. So, we got permission from the one fund manager to share its process with the other,"* says Raúl Pomares of Sonen Capital.

Orit Vaknin of Beyond Family Office, like some of her peers, is waiting for the right solution. *"What we are doing now is qualitative only on the impact management side. In terms of quantifying the impact, we are not there yet. I would rather have this shortcoming than using something I am not comfortable with."* Most importantly, Vaknin concludes, *"Once we can manage the impact of our clients' investments, it will be a game changer."*

20 Theory of Change. A statement of how and why a desired change will happen in a particular context.
Source: http://www.theoryofchange.org/what-is-theory-of-change/

## Tool Evolution and Innovation

Will practitioner funded initiatives help close the measurement gap in the next three years? While it is not the scope of this paper to explore, or weigh in on the state of impact management in development, a few approaches that our survey respondents are engaged in deserve mention.

- ***Clara Barby (Bridges Fund Management/ Lead Facilitator of the Impact Management Project)***: Facilitating virtual and in-person conversations between people from different disciplines and worldviews to agree on shared fundamentals for how to talk about, measure and manage impact with the objective of a shared convention for impact management, illustrated through case studies and linked to a wide variety of practical resources
- ***Raúl Pomares (Sonen Capital)***: Integrating the UN Sustainable Development Goals[21] into their impact reporting
- ***R. Paul Herman (HIP Investor)***: Combining forces with Michael Van Patten to build an online platform to match retail investor personal values and measurable impact goals with investments
- ***Gudleik Njå (Greig Investor)***: Integrated a way for clients to access ESG data on their portfolio online and, for instance, calculate the carbon footprint of their investments

## Impact Measurement Reality Check

Impact investment measurement is nascent, with limited resources allocated to date and uncertainty as to whether there will ever be an "IRR" equivalent. The current measures are somewhat complicated and often not maintained. As one respondent to the "T100: Launch" report noted, *"accounting standards were devised 400+ years ago and still require refinement/improvement."*

One respondent shared a glimmer of hope. *"We have been engaging with some asset managers for more than 15 years and are finally, increasingly, getting annual and impact report."* Another shared the importance of setting expectations that *"impact reports will not be put out every quarter."*

Looking forward, Kathy Leonard of UBS Financial Services offers, *"UBS has committed to moving $5 billion into impact over the next 5 years. They can't do that without having infrastructure. As a result we are seeing tremendous focus, clarity and a renewed commitment to be a leader in sustainable investing."*

21 Source: https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals

# outlook

## Trends in the next 5 years

In the next 5 years, survey respondents note that they expect the following developments:

- More participants
- More products and services
- Increased capacity in the impact ecosystem

Respondents point to the rise of interest from younger generations. Many also call out the gender balancing opportunity that impact investing presents for women investors and intermediaries. As Paul Blyth of Snowball LLP surmises, *"there is increasing appetite for investors (including retail) to 'do good' and 'do well' with their investments."*

Concern as well as support was expressed for the increasing number of large industry players entering the field. William Tickle of Ballentine Partners reflects that *"increasingly, the lines between smart investing (efficient business models) and sustainable investing (efficient use of human capital and resources) are blurred."* As a result, he concludes, impact investing will become more mainstream. And it is the mainstreaming potential that is raising questions about "green" and "impact" washing[22], and the concern that the "tent" will get too big.

To stay ahead of these trends, respondents shared they will need to develop new strategies, and ways to tailor products and services to adapt to client needs. Mary Foust of Merrill Lynch suggests that *"the industry will have more cost-effective tools to allow for clients to design an impact portfolio for their exact desires."* For example, Adam Durfee of Brownson, Rehmus & Foxworth says, *"We will continue to evolve as the space continues to change and as client-specific impact needs dictate. I expect us to develop a deeper set of standard fund solutions for different interests, allowing clients to more quickly deploy capital in their areas of interest."*

Gudleik Njå of Grieg Investor plans to *"allocate more resources and expects to have a significant client growth in this area,"* while Paul Herman of HIP Investor will *"continue to focus on pioneering 1st-of-its-kind initiatives so others can join in, with the need to partner with large fund managers to commercialize our separately managed accounts[23] to more investors/audiences."*

Another product trend is a shift in focus from far flung geographies to a home country or region bias. Ivo Knoepfel of onValues says, *"After having invested for many years in the global south, clients are looking at issues closer to home such as migration issues in Europe, youth unemployment, and themes around integration into the work force. Sustainable social housing and sustainable infrastructure are also becoming important themes for our clients."*

Concern was expressed that the ecosystem growth could be slowed by lack of appropriately skilled talent. However, others, like William Tickle of Ballentine Partners, believes *"the sector will continue to grow and attract more top talent."*

If not slowed by a talent gap, Jed Emerson's of Blended Value take is that the sector will grow *"yet continue to debate fundamentals,"* a trend that could mean the tension Jack Meyercord of Bienville Capital flagged about nomenclature and terminology, and the potential dilution of the meaning of impact investing, will not be resolved in the next five years.

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22 Source: https://medium.com/impactalpha/spanish-oil-company-repsols-green-bond-has-critics-seeing-red-27eff571daf4
23 Separately Managed Account (SMA). Individual managed investment account.
Source: https://en.wikipedia.org/wiki/Separately_managed_account

## Looking forward

**As the impact ecosystem scales, so will its growing pains.** However, the intermediaries who participated in this survey are not only passionate about their work, but optimistic about what lies ahead. In fact, **intermediaries seem undaunted by the challenges**, no matter the size or complexity. They are working hard to prepare for the increase in demand by staffing up, and innovating on products and services. They are figuring out how to build viable practices. They are pouring energy and creative resources into building trust with their clients through effective, accountable impact management strategies. And they take great pride in being able to deliver a wide range of impact products and services for their clients.

As one respondent wisely pointed out, ***"At the end of the day, it is all about moving past the noise in the system to get to the more important task of co-creating the long-term plan for our planet."***

# appendix

## Check List for Hiring an Impact Advisor or Consultant[24]

Questions to ask when hiring an impact advisor, according to Amit Bouri, CEO of the Global Impact Investing Network (GIIN), a member association of foundations and investment firms, include the following:

1. How familiar are you with impact investing, and what types of impact investments have you recommended for other clients? (Inquire about the track record of the adviser in making impact investments.)
2. Can you give me an example of how you build portfolios around social and environmental issues your clients care about? (Ask to see an example portfolio.)
3. How do you assess impact performance of funds you recommend, both at the time of investment and over the life of the investment? (Ask to see evidence that social impact is being assessed along with financial performance.)
4. Can you give me some evidence your recommendations go beyond negative screening into investment in positive solutions? (Are the portfolio companies avoiding harmful impacts, or are they looking to make actively positive contributions through their activities?)
5. How do you avoid investing with funds or companies that may be “greenwashing” and are not actually impact investments? (Ask advisors what they consider as greenwashing and how they seek to expunge it from your portfolio.)
6. Can you give me some examples of “close calls” you’ve made on whether or not to include something in an impact portfolio? (Asking about decision-making illuminates whether advisors have considered impact investing’s complexity.)

It’s important, says Bouri, to identify advisors with real experience and understanding of what impact investing is, versus those who just claim experience and understanding.

24 Source: https://www.fastcompany.com/40417097/how-to-invest-your-money-responsibly-sustainably-or-for-impact-theyre-not-the-same

## Toniic Portfolio Management Tools

During the process of collecting data for T100 reports, the Toniic team developed two tools that can help impact investors better manage their portfolios, as well as source and compare their investment activity with their peers.

## Toniic Diirectory

An online searchable directory launching with over 1,000 impact investments across all asset classes sourced from the portfolios of Toniic members, especially 100% Impact Network participants, and other catalytic organizations in the impact ecosystem.

This tool is licensed to the public subject to the Creative Commons Attribution Non-Commercial No-Derivatives 4.0 International (CC BY-NC-ND 4.0) license.[25]

## Toniic Impact Portfolio Tool

Used to gather data for the "T100: Launch" report, the Excel-based Toniic Impact Portfolio Tool enables impact investors to document the interrelationships between asset classes and the impact of a portfolio of investments.

This easy-to-use tool allows an investor to classify every underlying investment by its intended impact, as well as other variables that investors take into consideration when designing their portfolios–such as liquidity, expected returns, geography, management structures, and more.

The outputs of the tool are visual representations of the individual portfolios, as well as investment data, which has been included in the Toniic Diirectory and this report.

This tool is licensed to the public subject to the Creative Commons Attribution-Non-commercial ShareAlike license version 4.0 International.[26]

25 https://creativecommons.org/licenses/by-nc-nd/4.0/
26 https://creativecommons.org/licenses/by-nc-sa/4.0/

# Sponsor Profiles

## AlphaMundi Foundation

The AlphaMundi Foundation is a 501(c)(3) registered in Washington, DC in 2016. The mission of the Foundation is to catalyze and scale investment in social enterprises that seek to improve the lives of the poor. The Foundation operates across three primary activities. First, the Foundation provides technical assistance to social businesses that are financially viable and have the potential to scale solutions to poverty at a national level or even across borders. Second, the Foundation supports impact measurement efforts, including GIIRS ratings and outcome and impact measurement through longitudinal field surveys of beneficiaries. Finally, the Foundation contributes to the scale up and mainstreaming of the impact investing industry by sharing best practices derived from the AlphaMundiGroup's decade of experience in Latin America and Africa, and by sponsoring industry associations and seminal reports making the case for impact investing through transactional data and practitioner insights. The Foundation is financed both by third-party grants and by AlphaMundi Group's 20-20 policy, which allocates 20% of all carry revenues from its for-profit investment funds to the Foundation.

"It's absolutely about the journey and how we can, on a personal as well as global level, build a more loving and sustainable society."

*Tera Terpstra, Wire Group*