

Creating Value towards Impact Investing

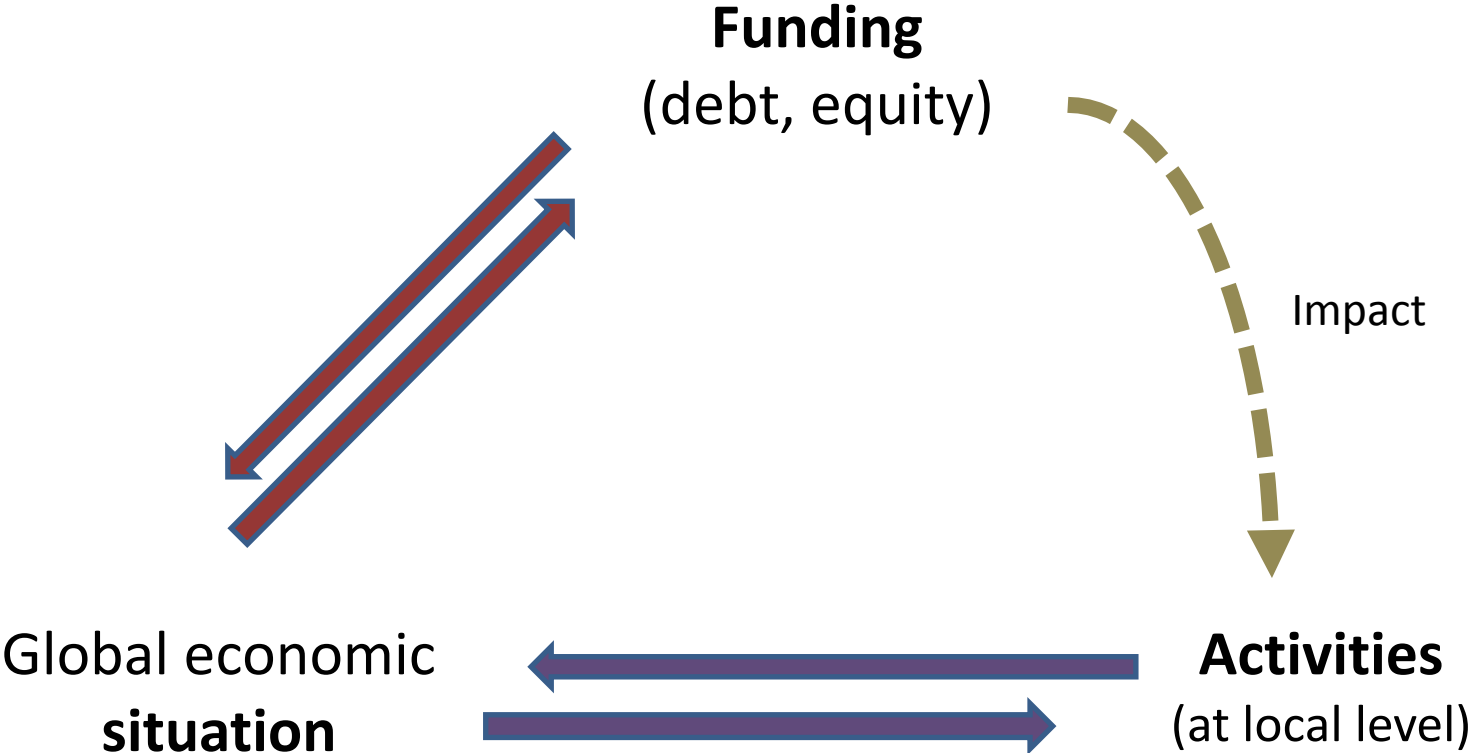
Definition and application

- Context and Definition
- Value analysis
- Concrete cases
- Lessons learned

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The socio-economic context



A relation of cause and effect

The scope of **challenges facing society today** can no longer be solved with a purely **philanthropic approach** :

- threat of possible climate change
- poverty leading to major political instability
- human rights issues
- supply change management (e.g. food security)
- scarcity of primary resources
- demographic challenges
- etc ...

heat-up *your*
investments,
not *his* home.



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Conceptual definition of Impact Investing

No standard definition ...

*“Any profit-seeking investment activity that intentionally generates measurable benefits for the society” **

4 key-characteristics of Impact Investing

- **Profit** as an objective
- **Intentional**, pre-determined social impact
- **Positive correlation** between the intended social impact and the financial return of the investment
- **Measurable** social impact

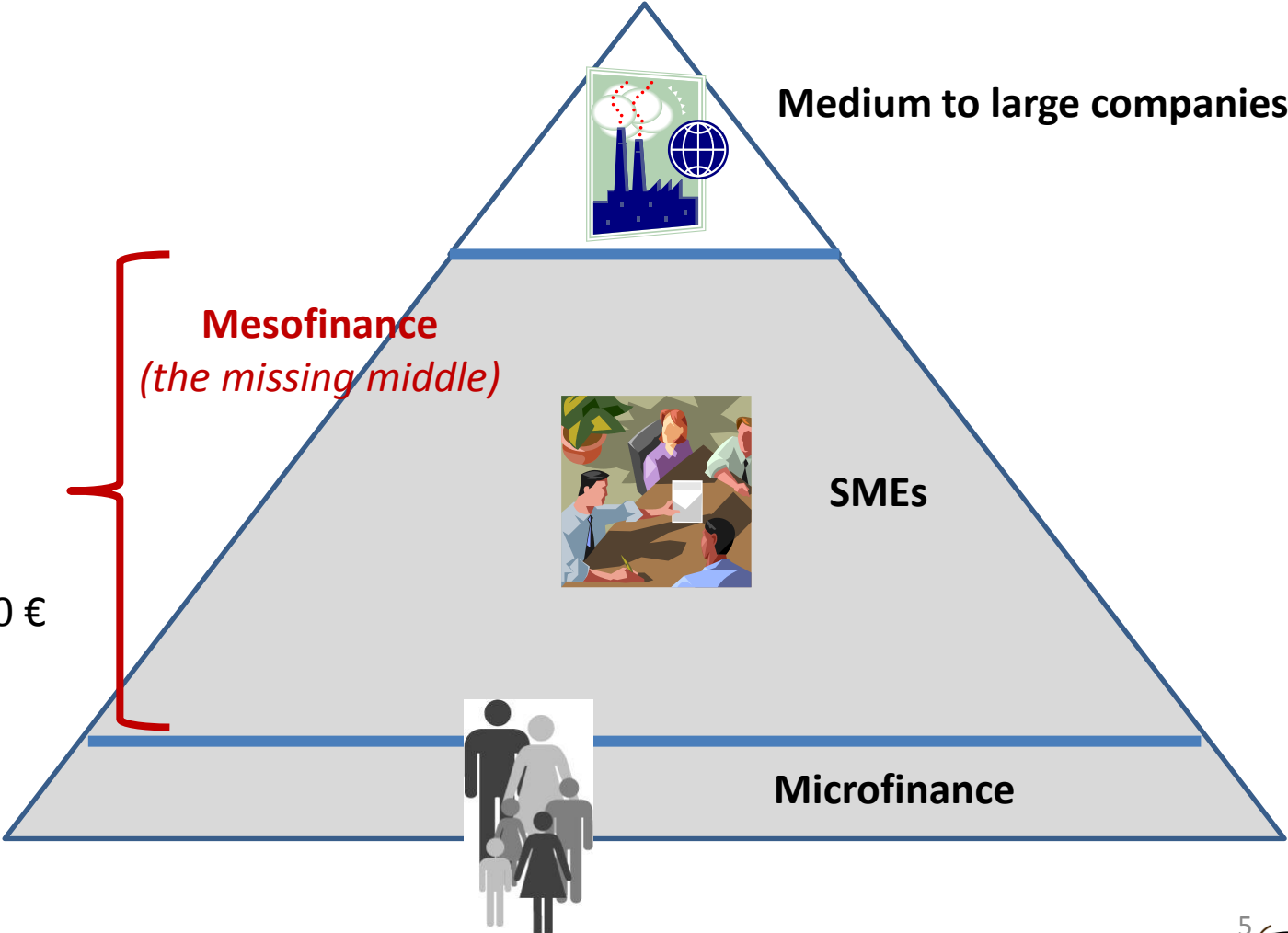
A Tower of Babel: Terms Currently Used

Source : Monitor Institute



* « An unconventional perspective on Impact Investing », IESE Business School - 2011

Investment targets



Profile :

- startups
- going concerns

Investment needs :

100.000 to 2.000.000 €

Methodological approach ...

A methodology applicable whatever :

- the **location** (worldwide)
- the **activity** (industry – agriculture – services)
- the **business development's step** (start-up – going concern)

2 processes of VALUE CREATION

Appraisal process :

1. a conventional **Due Diligence**-process (101 questions)
2. a **scoring** system
3. a set of criteria to comply with for Labelling

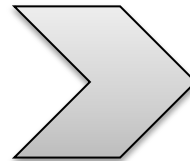
Monitoring process :

- **social-environmental** Key Performance Indicators
- a **technical assistance plan** (applicable on a case by case basis)



PEERS Direct Investment

Concrete Cases



What surveys say ...



... what we are experiencing

What surveys say ...

Opportunities:

Growing interest among capital providers

Greater recognition of the need for effective solutions to social and environmental challenges

A steadily developing track record with early successes

A flock of talent

Challenges:

Lack of efficient intermediation

Lack of enabling infrastructure

Lack of sufficient absorptive capacity for capital

What surveys say ...

Recommandations to accelerate the growth of Impact Investing :

- **Increase the talent pool** of investment professionals
- **Collaboration is essential** for finding quality deal flow, sharing knowledge, increasing learning and developing new investment vehicles
- **Not waiting for perfect metrics** on social / environmental impact to invest

What we are experiencing ...

1st rule : Scarcity lies in the good investment opportunities, not in the investment flow

- Secure the projects sourcing, with building strong networks
- Maintain strict due-diligence standards

2nd rule : Dialogue with the business owner / stakeholders never stops

- Share common values (not just check professional skills & financial projections)
- Cross-check information steadily

3rd rule : Emotion is – in a certain extent – part of the decision-making process to invest

- Tell the story and report thoroughly
- Get investors involved ...

4th rule : But ... at the end of the day, financial performance comes first

- No philanthropy

What we are experiencing ...

Impact Investing is not « *investment as usual* ». It requires :

- social / environmental awareness
- opened dialogue between the parties
- patient capital (mini. 5 years)
- risk-taking mind

Main asset classes fitting for Impact Investing :

- Fixed income (including private debt and mezzanine financing)
- Venture capital / Private equity
- Real assets (including real estate, commodities, timber, etc ...)

Investors appear to be more cautious how their money is used ...

- Family offices** ... address a range of challenges (climate change, poverty ...)
- Clients of leading private banks** ... provide them with more choices than just traditional investment and philanthropy
- Private foundations** ... making investments in areas related to their social mission
- Private equity funds** ... provide growth capital
- Mutual funds** ... dedicate a portion of their assets to social / environmental income generating businesses
- Pension funds / sovereign wealth funds** ... deploy capital in ways that benefit the communities they serve
- Corporations** ... improve the lives of the poor while creating profitable products & services
- Governments** ... support economic development in poor areas