MISSION THROTTLE

Mission Throttle
Impact Investing Strategy Development Project
Consolidated Summary of Interviews

Founded in 2009, Mission Throttle has been pursuing a vision of "a world where capitalistic solutions and philanthropic values converge to accelerate community impact." The organization's interdependent strategic pillars have historically focused on "buckets" of work including 1) advising mission-driven organizations how to create an entrepreneurial culture, scale their programs and generate earned revenue to attract investment capital, 2) market-rate and concessionary investments in social enterprises, and 3) supporting intermediaries intent on moving forward impact investing tools, platforms and solutions.

After 6 years of success in its Advisory pillar, Mission Throttle decided to spin-off the practice effective 6/30/19. This spin-off has afforded Mr. Fisher, founder of Mission Throttle, time to refresh, rethink and redirect the organization's journey, while leveraging his assets and energy to accelerate the impact investing field.

To inform Mission Throttle's future impact investing strategy, a series of interviews were held with national thought leaders driving the impact investing space to better understand the ecosystem's current state. These thought leaders represent significant expertise and a variety of perspectives, including leaders at large foundations, development finance institutions, and intermediaries; advisors working with family offices and foundations; founding board members of social enterprises; educators, and ecosystem builders. Our mentors were immensely generous with their time and thoughtful in their responses, providing valuable insight and perspective. Mission Throttle has developed a summary of key themes emerging from these interviews below, including A) recent positive ecosystem developments, B) critical ecosystem gaps and challenges, C) definitions of success for the future of impact investing, and D) an overview of select innovative organizations working to move impact investing forward. This summary is not intended to be comprehensive, but rather to capture common themes noted across interviews. It is Mission Throttle's hope that this summary will provide a dynamic reflection point from which collaborative strategies may be developed to best accelerate impact investing can be launched. The following questions were posed to our mentors:

1. ***What are the three most exciting developments/changes you have seen in the impact investing ecosystem in the recent past?***

   A. ***Growing client demand for social impact economy/impact alignment is expanding****.* Driven by social consciousness, investors are increasingly demanding counsel on aligning their portfolios with their personal values. This client push has forced advisors to provide value-added advice to retain their clients on one side, while questioning how their fee generation will be affected in the long run. In response to this demand, significant new social capital is entering the market[1]. The majority of mentors (71%) note that the recent announcements of large firms' entry into impact investing (e.g. KKR, TPG, etc.) is a significant ecosystem development.[i] These firms' will significantly increase Assets Under Management (AUM) for impact investing (an indicator of growth trends) and validation for future deployment. This demand promotes the need for scale necessary to serve both retail and institutional clients, a trend likely to continue to validate and

[1] Sizing the Impact Investing Market-GIIN Copywrite 2019

increase social impact AUM. Mentors are positive that this growth is driven by growing consumer demand for investments that align with their values. This trend will undoubtedly grow as wealth is transferred to the next generation (women being the majority[2]) who insist on their capital generating both financial and positive social/environmental returns. Mentors feel talent acquisition and retention of this impact-minded millennial workforce will also push firms' interest into impact investing (see below). Mentors' optimism for the outcomes of this development is often tempered with a concern about these firms' authentic dedication to impact and their ability to meaningfully deploy new assets.

B. ***Strong demand for talent recruitment and increasing education for impact investing professionals****.* Many mentors (36%) note that there is an increasing amount of talent wanting to be involved in the impact investing ecosystem. Mentors believe this is being driven by the growth of millennials entering the workforce who demand careers with impact. There is also growing demand for educational opportunities to support impact investing professionals, ranging from dedicated classes and institutes at business schools (e.g. Center for the Advancement of Social Entrepreneurship at Duke's Fuqua School of Business, Sorenson Impact Center at the David Eccles School of Business at the University of Utah, etc.) to references in trade journals and professional certifications (e.g. inclusion of ESG in CFA materials, etc.). Mentors note that these developments require additional advisors exhibiting both strong financial/investment management experience combined with a strong impact culture.

C. ***Increasing focus on diversity, equity, and inclusion*****.** Mentors (29%) indicate the growing interest in enhanced techniques involving diversity, equity, and inclusion as a positive development. They proffer that traditional financial institutions are consistently challenged to attract diverse talent and inclusive advisors and managers. Several mentors believe that there is a focused effort to address these issues across all business lines (including impact investing) to ensure that opportunistic capital is equitably invested to include communities impacted by the capital.

Other exciting developments noted by mentors include: increasing use of catalytic capital, improvements in impact reporting, emerging leadership role of foundations driving cross-sector collaboration, a broadening impact investing lens using the UN's Sustainable Development Goals (SDGs), supportive policy changes, the recent business roundtable announcement declaring that maximizing shareholder value is not the sole purpose of business, impact organizations' increasing access to more traditional capital markets, increasing pressure on foundations to align their investments with their missions, and reflection and sharing of learnings by pioneers of impact investing.

2. What are the three most critical needs of today's Impact Investing ecosystem?

A. ***Standardized impact definitions metrics and reporting with normalized language***. The most consistent comment by mentors regarding ecosystem needs was around standardized impact definitions and reporting (50%). Many mentors believe that despite past progress, impact investing is still a fractured ecosystem with a lack of consistent, understandable definitions for a broader audience and too little customization of metrics and reporting for the impact investor and investees. Several mentors believe that a simpler definition of impact may address concerns about the "purity" of investments made by large new funds entering impact investing. Mentors also note that there is an emerging trend of impact evaluation/reporting focused on the United

[2] Women Leading the Way in Impact Investing, page 2

Nation's Sustainable Development Goals (SDGs). While many firms utilize SDGs as a framework, additional effort is necessary to fully operationalize and standardize this framework for impact measurement and management. Many mentors note that this process will be resource-intensive and perhaps less enticing for stakeholders in the ecosystem eager to deploy capital. There is also a need for more compelling, accessible, and transparent storytelling that can communicate both qualitative and quantitative data. While several mentors feel that some firms are tracking and analyzing impact data well, no one organization was identified for a compelling methodology consumable by interested parties.

B. ***Increased ecosystem building and effective infrastructure linking investors and entrepreneurs*.** Many mentors (43%) feel that more effective infrastructure and additional education are key needs to further facilitate relationships between social investors and entrepreneurs. Mentors value the leverage and efficiency of conventional capital markets and feel there exists a tremendous opportunity to make impact investing equally efficient. Mentors have mixed responses on whether an investee pipeline platform could be a viable infrastructure solution to accelerate capital connections. Mentors also note a need for improved education and technical assistance for social entrepreneurs to better balance the value dynamics between these entrepreneurs and investors. Some feel that accelerators could play a critical role in building this infrastructure and enhancing entrepreneurs' education.

C. ***Documentation and storytelling of successes/failures to support continued investor education and interest***. Several mentors (36%) believe that as impact investing continues to mature, it is critical for those who helped pioneer its practice to share both successes and failures. This documentation/storytelling will not only bring more investors to the table, but also develop a set of best practices and avoid duplicating mistakes. Mentors feel that family offices and foundations interested in "dipping their toes" into impact investing will particularly benefit from these learnings but had mixed responses regarding the ideal venue and format for sharing these lessons. Additionally, a communal repository is needed by the system to capture experience, share data with benchmarks, and lessons learned. Mentors believe this is a critical need for encouraging more investors into the ecosystem.

D. ***Need for concessionary capital and more flexible investment structures***. New entrants into impact investing are filling the need for market-rate capital; however, several mentors (29%) note a continuing need for concessionary, risk tolerant capital to fund unproven ideas and/or support the full spectrum of expected outcomes. While Program-Related Investments (PRIs) could help address these needs, mentors believe that there is a continued lack of education and experience at many foundations regarding PRIs. Headline risk plays a role in this fear. Several mentors also identify the need to utilize alternative capital structures, noting that venture capital fund models built on defined exits may not align with all social enterprises and impact sectors. While mentors note some funds successfully implementing alternative investment vehicles (e.g. demand dividend or other equity-like structures), none were identified as succeeding at scale. Additionally, mentors believe that the ecosystem must keep an open mind to other innovative solutions going forward.

Other needs identified by the group include: trusted leadership, enhanced convening/collaboration, support for other intermediaries including CDFIs, more diverse asset bases for impact investing fund managers, expansion into new geographic markets, increased demand from HNWI to continue driving adoption, improved access to impact investment products for general public, alternative incentive structures for foundation CIOs, a general need to continue innovating and questioning conventional wisdom, and improved contextual understanding of traditional capital markets to increase ability to create change.

3. How will the ecosystem define success in three years?

1. ***Increased investor demand for impact investing as a critical tool in their value alignment journey.*** Mentors acknowledge the evolution of tools employed for impact-oriented investing. Those include positive/negative screens, responsible investing, ESG and (direct or indirect) impact investing with social entrepreneurs. Creating knowledgeable one-stop firms to partner with clients during their journey is essential. ***Goal**: $1 Trillion invested in impact investing by 2023!*

2. ***Acceptance of a standard, meaningful and understandable impact metrics***. Many mentors (29%) continue the discussion of the need for consistent impact metrics and reporting by again noting its critical role in the success of impact investing. Mentors had varied perspectives on the tradeoffs between robust and rigorous vs. higher-level, more efficient metrics that would enable comparison between like-kind investments and/or across portfolios. Mentors feel that metrics for the ecosystem as whole need to move beyond simple measures of AUM, financial only returns, and dampened risk tolerance. ***Goal**: An agreed upon standard for impact measurement driven by investor risk tolerance /return objectives.*

3. ***Integration of impact considerations throughout all investment decisions***. Several mentors (29%) describe a consistent consideration and integration of impact expectations in all investment decisions as a definition of success for the ecosystem. There were mixed perspectives on current progress towards this goal. While some feel the impact of every investment was understood by those making investment decisions, others believe that many investment committees were carving-out capital to placate members interested in impact investing. ***Goal: Over half of funders will pause to consider what type of capital is optimal for scale before defaulting to donative support.***

Additional definitions of success noted by mentors included: a repository of social investing lessons learned readily available to the public, understanding of best forms of capital for various social enterprises, rigor and professionalism throughout the ecosystem, asset managers' use of their own treasuries for impact investing, and solving the climate crisis.

4. *Which individuals or groups are driving the most pivotal and positive change in the movement?*

Mentors provided a range of innovative organizations working to accelerate the impact investing ecosystem. Several are highlighted below to represent the range of initiatives currently undertaken by organizations filling various roles (fund, foundation, measurement/metrics intermediary, etc.) in the ecosystem.

- ***Adobe Capital (Fund)***
  Founded in 2012, Adobe Capital is an impact investing firm specializing in flexible, alternative capital structures (quasi-equity and mezzanine) for Latin American social enterprises. As part of the New Ventures Group, an organization focused on supporting impact entrepreneurs in Latin America, Adobe Capital also offers technical assistance and access to a network of mentors.

Adobe Capital's 2018 Six Year Impact Report indicates a total of 10 investments across a range of impact sectors with 1 exit to-date. Adobe Capital's 2017 exit was from NatGas, a leading firm in Mexico's vehicular natural gas industry. This exit was featured in a recent GIIN report.

- ***The Reinvestment Fund (CDFI)***
  The Reinvestment Fund (TRF) is a CDFI with offices in Baltimore, Philadelphia, and Atlanta. TRF focuses on making investments and developing policy solutions to improve community access to education, health centers, and healthy food. TRF has made two investments in social impact bonds; one launched in 2014 in Cuyahoga County, Ohio aimed at reducing the amount of time homeless children spend at "out-of-home" foster care, and the other in 2015, supporting a Santa Clara, CA initiative providing community-based clinical services and housing to reduce homelessness. Other initiatives include PolicyMap, a subsidiary that collects, analyzes, and presents curated maps and data available to a range of paying customers. PolicyMap customers include Brown University, MacArthur Foundation, Citi, and USDA. TRF has utilized its expertise in data collection and analytics to assess and identify opportunities to improve the early childhood education ecosystem in Atlanta, Newark, Washington D.C., and Philadelphia.

- ***Impact Management Project (Measurement / Metrics Intermediary)***
  The Impact Management Project (IMP) is a community of impact investing practitioners working to build consensus on measuring and managing impact. The IMP seeks to align global standards for: a) processes for managing impact (practice), b) frameworks and indicators for measuring and reporting impact (performance), and c) rating and valuation for comparing impact (benchmarking). The IMP's work includes a consensus on the definition of impact along five dimensions (what, who, how much, contribution, and risk) as well as an impact classification guide that maps investment products by asset class and impact class (impact class is classified by the impact goals of the product from "A" – Act to Avoid Harm, to "B" – Benefit Stakeholders, to "C" – Contribute to Solutions, and the investor strategies that contribute to that impact, from 1-6).

- ***Sorenson Impact Foundation (Private Foundation)***
  Based in Salt Lake City, Utah, Sorenson Impact Foundation ("SIF") was founded in 2012 by Jim Sorenson following the sale of Sorenson Communications, which focused on products that enhanced communication for the deaf and hard of hearing. SIF's mission is "to invest in innovative, scalable solutions to the world's most pressing needs." SIF is dedicated to accelerating impact investing and its initiative includes ecosystem building, making direct investments, and partnering with other leaders in the impact investing market, including SoCap, The US Impact Investing Alliance, GIIN, and MIE.

  Starting in 2017, SIF began working to expand its impact investing activities beyond PRIs and set a goal of moving 100% of its $144m assets to impact investments by 2020. In the first 18 months of this initiative, SIF has aligned 50% of its assets with its mission, and published a case study documenting its journey and promoting this path for others. SIF has utilized Sepio Capital, a San Francisco-based, multi-family office and institutional advisory firm focused on impact investing, to develop and implement this alignment strategy.

  Jim Sorenson also endowed the Sorenson Impact Center at University of Utah's Eccles School of Business ("SIC"). SIC created a unique program, "Impact Fellows," that recruits' students from four local universities to gain investment experience, including conducting due diligence and presenting to the SIF Investment Committee.

- ***Arnold Ventures***:
  Originally created as the Arnold Foundation, this organization's mission is to "invest in evidence-based solutions that maximize opportunity and minimize injustice". Originally funded to evaluate randomized control trials of interventions to ensure their impact was long lasting. The organization has since pivoted to focus on interventions that create systems-level changes driving savings and assessing opportunities to reinvest those returns.

Although this impressive group of mentors is not statistically significant in numbers, our confidence in their heart and vast experience in moving the impact investing ecosystem is reality. Mission Throttle is blessed by this network of pioneers, mentors and partners. We sit on your shoulders and stand in awe of your leadership.

Mentors:
- Melanie Audette (MIE)
- Tony Berkley (Prudential)
- Tina Castro (Avivar Capital)
- Kathy Clark (Duke)
- Kim Dempsey (Kresge)
- John Dennison (SharedX)
- John Duong (Lumina)
- Jed Emerson (Blended Value)
- Kimberlee Cornett (Kresge)
- Deb McKeon (San Diego Community Foundation)
- Cynthia Muller (Kellogg)
- Rehana Nathoo (Spectrum-Impact)
- Jennifer Oertel (Jaffe)
- Tracy Palandjian (Social Finance)
- Tom Reis (retired)
- Jane Reisman (ORS Impact)
- John Rogers (MSCO)
- Sterling Speirn (retired)
- Doug Bitonti Stewart (Fisher)
- Joel Wittenberg (Kellogg)

---

[i] Any percentages quoted refer to the proportion of total mentors (n=14) who discussed a given development/market need/definition of success for a significant time during an interview. This qualitative analysis inherently includes subjectivity. While efforts were made to conduct interviews using a consistent format, some conversations evolved organically and/or were limited by time constraints, therefore precluding more rigorous analysis. For later interviews conducted on specific topics, insights are captured qualitatively but not included in the calculations of ecosystem-wide developments, needs, etc. Percentages are not statistically significant due to the sample size.