5. TRACK RECORD OF 12 PRIVATE IMPACT INVESTMENT PORTFOLIOS

This section provides details (including the realized financial return) of impact investment portfolios of 12 HNWIs, their family offices or foundations, profiled in the Guide. The portfolios are composed of a broad range of investments across asset classes and geographies and provide evidence that impact investing can generate attractive financial returns and meet the expectations of wealth holders. Further information on the motivation, investment approaches and adopted strategies of these private investors can be found in the case studies, reference to which is provided in the respective summary paragraph.

ALMAGOR, DANNY AND LIBERMAN, BERRY (SMALL GIANTS, AUSTRALIA): Small Giants is the single-family office of Berry Liberman and Danny Almagor (see pp.52–53 for case study). Managed under the total portfolio (TP) approach, every investment is aligned with their family values. The portfolio generated a return of approximately 15%, driven by the healthy performance of real estate allocation, which is actively managed by Small Giants and Impact Investment Group, an impact investment asset manager co-founded by the family. Private equity holdings are valued at cost and are not included in the calculation of return. The Strategic Asset Allocation (SAA) and the details of the Small Giants' portfolio are provided below.

ASSET CLASS	SAA	EXAMPLES OF INVESTMENTS	RETURN (gross, as of 31/12/2015)
Cash	5%	Cash deposits in co-operative banks, engagement strategy for mainstream deposits at NAB.	Bank rates (1–3%)
Fixed Income/Hybrid	10%	**Chepstowe:** wind farm in Victoria, Australia. Solar farms in Australia.	Target 10–12% (unrealized); performance on track
Public Equity	5%	**GreenEarth Energy**	Shares down 20% since purchase in 2014
Real Assets	50%	Green real estate with elements of social impact through allocation of space for social enterprises. **EPA** Building (equity), **TAC** Building (equity), **Oxford and Peel** (property development), etc.	Overall asset class return target: 20% EPA: 30% IRR realized (10% yield + capital appreciation from sale in 2014). TAC: 10% current yield (on schedule). Oxford and Peel: 30% IRR (unrealized, on schedule)
Private Equity and Debt	30%	**Hub Australia** (professional co-location space for innovative start-ups, 3-yr loan). **Hub Australia** (3D-printing design start-up, equity). **Goodstart** Early Learning (daycare centers, 8-yr note).	Hub Australia: 12% interest (realized) Beehive: written off Goodstart: 12% (realized, fully repaid after 5 yrs)
Total	**100%**		**~15%**

Source: Principals.

BRENNINKMEIJER, STEPHEN (ANDROMEDA/WILLOWS, UK). The *Andromeda Fund* (2003–07) was a venture capital fund, founded and led by Stephen Brenninkmeijer (see case study on p.193), and funded through the COFRA Group, a family holding of the Brenninkmeijers. Andromeda focused on catalytic, impact-driven, commercially viable companies in BoP markets, or those supplying to/sourcing from them. As of 2007, Stephen continued to invest his personal capital for impact, having formed *Willows Investments*. It provided private equity and debt capital to impact-driven companies and funds focused on financial services for the poor, education, healthcare, and social entrepreneurship.

a. Willows performance: The list of current Willows portfolio companies can be found at www.willows.uk.com. Stephen had three full and two partial exits on his equity investments, realizing returns (gross IRR) of above 19% over the respective holding periods of between three and ten years. In addition, a debt portion of one investment has been fully repaid, yielding a 5.5% annual interest over the period of five years. While many of the current investments are performing according to expectations, some companies have struggled. For example, Stephen was severely diluted on one of his investments when, following unsatisfactory performance and over-indebtedness, new capital had to be raised at significantly lower valuation. Another company had trouble with governance and the personal situation of the founders, which put the business in jeopardy. Stephen does not expect to recover his capital fully on these investments. Generally, investments required patience and willingness to provide additional cash infusions.

b. Andromeda performance: The table on the next page details the composition and performance of the Andromeda portfolio.

INVESTEE NAME	IMPACT OBJECTIVES	REGION	INVESTMENT YR	EXIT YR	RETURN (IRR, gross)
FreeCom: Refurbisher of second-hand computers.	Bridge the digital divide	South Africa	2002–04	2005	Write-off
Accion: Microfinance equity fund providing access to finance to the poor.	Access to finance for the poor	US	2003	2007	6.8%
Celtel: First mobile-phone company in East Africa with access to rural areas.	Digital divide, poverty alleviation	Kenya, Tanzania, Uganda	2004	2007	147.0%
Eziba: Handicraft retailer sourcing products from artisans based in BoP markets.	SME development, poverty alleviation	US	2002–04	2005	Write-off
ProCredit: A group of 17 local microfinance banks lending to individuals and small businesses in BoP markets.	Access to finance, SME development	Germany	2004	2007	20.2%
responsAbility: Social-investment platform involved in microfinance, agriculture, access to energy, etc.	Access to finance	Switzerland	2004	2007	4.2%
OptiNoze: Innovative drug-delivery and vaccination company.	Cheaper and more effective vaccination	Norway	2002–06	Not realized	Valued at cost
Total					**23% IRR, 1.7x**

Source: Principal.

BERBERS, VEERLE (BELGIUM): Veerle is a HNWI, involved in impact investing since 2004 (see p.83 for case study). Veerle integrates impact investments into her wealth management portfolio and targets 100% alignment over time (currently 53%). The portfolio details as of end-2015 are provided below. The portfolio has performed generally at par with the market, with microfinance investments standing up well during the 2008 crisis and PE investments primarily not yet realized.

ASSET CLASS	SAA	IMPACT PORTION	EXAMPLES OF IMPACT INVESTMENTS	RETURN ON IMPACT INVESTMENTS (gross, as of 31/12/2015)
Cash	15%	80%	Triodos Bank CD	0.5% average interest over 3 yrs
Fixed Income/ Private Debt	7%	95%	**Triodos Fair Share Fund** (TFSF): microfinance hybrid (debt and equity) fund with daily trading. **SAIF Bastion fund** (SAIF): Debt to SMEs in East Africa and Latin America serving low-income populations. **Tayo Japan Bond** (TJB): solar project development in Japan **Blue Orchard MF Fund** (BOMFF): microfinance.	TFSF: 6.6% annualized average return over 5 yrs (2010–15) SAIF Bastion: 3.5% annualized return over 3 yrs (2013–15) TJB: 2% annual return for 3 years + 1.75x investment multiple, unrealized BOMFF: 3.6% annualized return since 2004
Public Equity	16%	30%	**DoubleDividend Equity Fund** (DDEF): Sustainable equity fund (positive screening). **Triodos Sustainable Pioneer** (TSPF): Sustainable small and mid-cap fund, thematic focus on medtech, climate protection, etc. **Think Sustainable World, Dimensional Global Sustainability Core Equity Fund, iShares Dow Jones Europe Sustainability:** sustainable trackers (ST).	DDEF: 9% annualized 3-year return TSPF: 11.6% annualized 5-year return ST: At par with global equity markets
Hybrid	7%	0%	Engagement with fund manager	N/A
Real Assets	39%	60%	Green properties in the Netherlands and Belgium	4% rental income (property appreciation not taken into account)
Private Equity	16%	84%	**Goodwell MDC1:** Dutch-based microfinance equity fund focused on India (2009 vintage). **InReturn East Africa Fund:** P/E fund invested in SMEs in East Africa (2009 vintage). **Sarona Frontier Markets Fund II:** global fund of funds in emerging markets (2014 vintage). **Aqua-Spark:** Global sustainable aquaculture fund (seed investor, 2014 vintage). **Belgian Eco Energy** renewable energy production and supply company (since 2012).	Goodwell MDC1: unrealized, on track for target gross IRR of 11% InReturn: unrealized, held at 0.8x cost Sarona: unrealized, 15–20% target gross IRR Aqua-Spark: unrealized, 12% NAV increase after 1 year Belgian Eco Energy: unrealized
Total	**100%**	**53%**		

Source: Principal.

6. EXAMPLES OF SUCCESSFUL INVESTMENT FUNDS/PRODUCTS[3]

This section provides examples of successful investments across a range of asset classes, detailing their financial and impact performance. It shows the broad potential of impact investing across the investment market, and provides some insight into the available strategies. This section does not represent an investment recommendation and is not intended to be comprehensive, presenting a sample of investment options available on the market.

A CASH/CASH EQUIVALENTS

NAME	REGION	INSTRUMENT
Charity Bank	UK	Certificate of deposit

Description: Charity Bank (CB) is a savings and loans bank with a mission to use money for good, founded in 2002. CB finances social enterprises, charities, and social-housing providers, with the support of depositors and investors who want to use their money to facilitate social change in their communities.

Impact: The bank lends its money only to mission-driven organizations in the UK. Key impact themes are social/health care, affordable housing, education, sustainable development, the Arts, and community regeneration. Since inception in 2002 CB has made loan approvals of over £250m, which has helped charities and social enterprises to make a difference to the lives of more than 1m people across the UK. The 2014 survey of borrowers revealed the following impact of CB: 95% said that their CB loan had made a major or significant contribution toward the achievement of their mission and 85% said that their loan had improved the quality of support they could offer the people they work with. Sixty-six percent of the projects financed would not have happened without CB.

Financial return: 0.5–2.02% per year, depending on the account type, length of the deposit and its amount. CB has had a loan-default rate of 0.4% since inception in 2002 and has never defaulted on a deposit. The bank is a member of the Financial Services Compensation Scheme (FSCS), which guarantees 100% of the first £75,000 of eligible deposits.

NAME	REGION	INSTRUMENT
Vancity	Canada	Certificate of deposit

Description: Vancouver City Savings Credit Union (Vancity) is the largest member-owned community credit union in Canada, with C$18.6bn in assets, 59 branches, and more than 509,000 members. A member of the Global Alliance for Banking on Values, it uses deposits to lend to and invest in local businesses, organizations, and initiatives that create positive economic, social, and environmental impact. Vancity provides specialized financing solutions that combine grants, micro-credit, start-up financing, traditional loans, mortgages, and lines of credit with cash flow and growth financing.

Impact: Vancity has provided over C$2.17bn of financing to impact-driven organizations since it began tracking in 2011. These community impact loans support aboriginal communities; community-minded organizations; co-operative and credit union syndicates; affordable housing and social-purpose real estate projects; women-/immigrant-owned businesses; local, natural, and organic food ventures; environmental and energy efficiency; and microfinance and poverty reduction. Community impact loans made up over 49% of its total business/commercial loans in 2015. Nineteen percent of Vancity's total assets are invested for impact, targeting 50% by 2020, and 10.4% of its employees have a disability. Through its Shared Success Program, Vancity returns profits to its members and community partners in its annual payout of 30% of net earnings — C$19.5m in 2015. In 2008–15, Vancity made charitable donations worth over C$57m.

Financial return: Current annual interest rate on a certificate of deposit is in the range 0.7%–1.1%, depending on the type of deposit and the amount. In the last 10 years, Vancity has consistently had a loan-default rate of less than 1% and has never defaulted on a deposit. Further, the certificate of deposit is guaranteed by Credit Union Deposit Guarantee Corporation.

B FIXED INCOME

NAME	REGION	INSTRUMENT
Higher Education Note I	Emerging and Developed Markets	Structured Note

Description: The US$25m Higher Education Note, developed by Credit Suisse (CS), affords exposure to a diversified portfolio of bonds, issued by Prodigy Finance and composed of high-quality loans to Masters students. The note has a 12-year maturity, with quarterly repayments composed of interest and the amortizing principal. CS provides a secondary market (option to exit) and has set a 2% cumulative residual value as first-loss protection. The note has been developed by CS, in partnership with Prodigy Finance and CS Foundation. CS is a global bank involved in impact investing since 2002, currently managing US$3bn in assets across a range of innovative financial vehicles and a variety of sectors, including microfinance, education, agriculture, and nature conservation. Prodigy Finance is the student-loans underwriter, with a strong track record in higher education since 2007 and a solid risk-management process in place (>99% performing loans).

Impact: Prodigy provides loans to students on affordable terms, including moderate interest rates, no collateral, and a 1–2-year grace period. The note will allow 500+ talented, but underprivileged, students, to access best-in-class higher education. Seventy-five percent of students come from emerging markets and 82% have no alternative financing available. A 97% average increase in salary is expected after graduation. Foreign students also receive access to global networks and expertise that they can bring back to their home countries, contributing to economic and social development.

Financial return: The note bears an annual interest rate of 3-month US dollar LIBOR rate +4.50%, resulting in an expected net IRR to investors of 4.0% in US dollars. Since inception in August 2014, the investors have been receiving current income in line with target returns.

NAME	REGION	INSTRUMENT
Golden Lane Housing	UK	Charity Bond

Description: £1.8m bond issued in 2003 by Golden Lane Housing (GLH) to finance the acquisition and development of affordable/adapted housing for people with disabilities. It was the first bond issued by a national charity, available to retail investors. It was structured by Triodos Bank UK, had a tenor of 10 years, and an interest rate of 4%. GLH is a UK-based enterprising charity[?] that buys, adapts, and rents out homes to people with learning disabilities. Since inception in 1998, it has invested £83m in building and buying over 600 properties, helping over 1,500 people with disabilities across England and Wales. Following the repayment of the first bond in 2013, GLH raised a further £10m unlisted bond (with Triodos Bank UK), and then raised an £11m listed bond (through Retail Charity Bonds plc).

Impact: GLH provides high-quality rented housing tailored to meet the needs of those living with disabilities. Bond proceeds were used to support GLH's commercial borrowing, enabling the purchase of 68 houses for 152 people with learning disabilities. The bond also helped GLH to scale its activities and impact by enabling access to commercial financing — in 2003, the net assets of GLH were only £280,000; the success of this bond enabled GLH to issue a £11m retail charity bond in 2014.

Financial return: Interest of 4% and principal amount paid in full, as scheduled (full repayment by April 2013).