

IN PURSUIT OF DEEP IMPACT AND MARKET-RATE RETURNS: KL FELICITAS FOUNDATION'S JOURNEY

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SONEN CAPITAL

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Disclaimer

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ABOUT THIS REPORT

Impact investing—investment whose goals are simultaneously and measurably both social and financial, aiming for private return as well as public good—is now a very significant asset pool. By some estimates,¹ in 2016, over \$10 trillion of global assets were using sustainable strategies—including environmental, social, and corporate governance (ESG) factors, impact and community investing, and sustainably themed investing.

Even more significant is the rate at which sustainable investment is growing—up 41% from 2014.² As interest from individuals, institutions, and foundations gathers pace, so too has the involvement of global blue chip financial institutions, normally best known for a relentless focus on the single bottom line of pure financial return: BlackRock, UBS, Goldman Sachs, Bain Capital, and TPG are just a few of the institutions that now offer impact investment solutions to their clients.

If we are to ensure that this growing pool of assets has measurable and relevant impact—and as a result is able to continue to attract further flows of capital—then it is vital, now more than ever, that we do our very best to assess the social and environmental outcomes of those investments and get a handle on the likely impact of that capital. These efforts need to be transparently measured and widely reported. Without such transparency, the risk is that impact falls short of expectations, investors are disappointed, and the field fails to grow, loses momentum, or worse. Fund managers such those illustrated in the report—that are setting the pace in demonstrating impact—are to be applauded.

Charly and Lisa Kleissner are an important part of this growing movement. Through their KL Felicitas Foundation (KLF), managed by Sonen Capital, they now have over 13 years of experience in investing their \$10m of foundation assets for impact. From day one, transparency—both on the financial returns and the social and environmental impact achieved by their investments—has been paramount. Learning from, and sharing, their failures as well as their achievements matters to them deeply; their mission is to transform the global financial system so that, one day, every investment made by any individual or institution accounts for its social and environmental impact—positive or negative. They see their role as challengers of traditional investment approaches, encouraging and enabling investors by building evidence, creating powerful tools, and co-creating support networks.

This review of KLF's social impact, combined with eleven years of financial performance data of their portfolio, is just one element in achieving their mission. To respond to the increasing demand for open datasets on impact-investing portfolios, the Kleissners have devoted significant time and resources to the Toniic Institute's T100 project—a multi-year study aggregating 76 impact investment portfolios (representing over \$3.5bn of assets)—so that others can understand the intentions, impact, and financial risk and returns of impact investors.

NPC is delighted to have been KLF's impact partner for almost three years. We work together, along with its investment manager, Sonen Capital, to understand the impact of KLF's investments. Our work has shed light on two fundamental lessons:

1. Despite challenges for investors and investees, it is possible to measure the outcomes of a wide spectrum of investments across different asset classes and impact categories.
2. Impact (of varying degrees) can be achieved while gaining a financial return (of varying levels).

Throughout this document, we use the word 'impact' in relatively broad terms. We understand that in its truest sense, impact refers to the long-term difference achieved for individuals, families, communities, or the planet. But this is often extremely hard to measure, and more so for enterprises in the impact investment space where data is patchy and of varying quality—where we often must make do with proxies for impact such as outputs or number of people reached.

KEY FINDINGS

The Kleissners' goal with their foundation has been twofold: to create a 100% impact portfolio, with the deepest possible impact while achieving market-rate returns for the portfolio as a whole; and to build the impact investment field.

They do this by: making transparent the contents and performance of their portfolio; and by providing financial and non-financial support to cultivate networks, catalyse the work of others in the field, and develop new organisations and programmes where gaps are identified.

This report is an update of our 2015 review of the KL Felicitas Foundation, [*Investing for impact: Practical tools, lessons and results*](#).³ We have amended our approach—focusing on **financial returns** as well as **social impact**, building on Sonen Capital's publication of KLF's financial returns, [*Evolution of an impact portfolio: From implementation to results*](#).⁴

We have assessed a wider spectrum of investments including publicly listed investments, considered their contribution towards the [*UN's Sustainable Development Goals \(SDGs\)*](#)⁵, and engaged with investees on their data. We also updated our [*Impact Risk Classification framework*](#)⁶ to align with the latest thinking in the impact-investing field, particularly drawing on the work of the [*Impact Management Project*](#).⁷

For reasons discussed in our previous report, we do not uniquely attribute impact to KLF; instead, in all cases, we say that KLF's investment, often as one among many investors, contributed towards the social impact outlined below.*

Social impact

The majority of KLF's investments are delivering on their own impact goals. For example, there are now 20,000 households cooking with BioLite's clean, efficient HomeStove, compared to just over 4,000 in 2014. Companies supported by Core Innovation Capital I are serving 25.3 million financially under-served customers in the US—up from 19.1 million in 2014, saving them over \$5bn. By the end of 2016, Lyme Forest Fund III had permanently protected over 117,000 acres of high conservation priority land—up from almost 62,000 acres in 2014. MicroVest's portfolio companies

have over 300,000 active borrowers, compared to under 200,000 in 2014. And by 2016, Better Ventures, through its investees, had cumulatively enabled 3.2 million individuals to access essential services (such as energy and healthcare), compared to less than half a million in 2014. These are just a few examples of some of KLF's thematic investments.

The sustainable elements of the fund are achieving social and environmental impact. For example, the portfolio companies of Sonen Capital's Global Equity Strategy (public market investments selected for best-in-class ESG practices) demonstrate better social and environmental performance than the benchmark†: significantly lower (43%) water use and slightly lower (3%) water intensity than the benchmark, while the carbon emissions of the portfolio were more than five times lower than the benchmark.⁸

Impact First investments can be higher risk. There are some investments within the portfolio that have not succeeded in becoming viable enterprises—despite very strong impact propositions. For example, SMV Wheels, a social enterprise providing a rent-to-own service for bicycle rickshaw drivers in India, is no longer in business due to a challenging business environment and inadequately skilled management. FAIM, which uses modern plant propagation techniques to improve the productivity of Rwandan farmers, struggled to achieve a sustainable business model. And Living Forest, an eco-development of forestland, lost its land in foreclosure. These failures are limited within the portfolio, mainly apply to Program-Related Investments (PRIs)* or other Impact First investments, and reflect the risk-taking approach of KLF. Indeed, **we would suggest that an impact investor that does not have failures among their investments may not be reaching for hard-to-achieve impact.**

KLF's investees are contributing to 16 of the 17 UN Sustainable Development Goals (SDGs)—the exception being SDG 14: Life Below Water.⁹ The SDGs serve as a good proxy for looking at impact across a diverse impact portfolio and there is value in aggregating similar outcomes under their broad headings. This can bring rigour to analysing the data and seeing what can be compared. Table 1 summarises the key SDGs KLF investees are targeting and the ways in which they have contributed to the outcomes.

* See the box on page 17, 'Contribution or attribution?.'

† The MSCI All Country World Index (ACWI).

‡ See Glossary on page 81 for definition.

Table 1: Key SDGs to which KLF investees have contributed*

	<ul style="list-style-type: none"> • 37.3 million people with access to basic services • Over 26 million people benefitting from cost savings generated • \$5.2bn in savings generated • 15,700 mortgages or loans for affordable housing 		<ul style="list-style-type: none"> • 6 million customers with affordable, clean energy products • 17.8 million metric tonnes of greenhouse gas (GHG) emissions, including CO₂, avoided or offset—equivalent to that produced annually by 3.8 million cars[§] • 2.7 million MWh renewable energy generated—equivalent to average annual energy use of 685,000 U.K. households^{**}
	<ul style="list-style-type: none"> • \$33.7m loans disbursed to agri-businesses • 665,000 smallholder farmers reached with loans • 397,500 hectares of land under sustainable management or cultivation—equivalent to almost one million football pitches • Over 26,000 tons of organic or fair trade food produced—equivalent to 48 million meals[†] 		<ul style="list-style-type: none"> • 1,300 small and growing businesses received loans and 86 microfinance institutions financed • \$107m disbursed or invested in small and growing businesses (SGBs) with environmental and social impact • 65,000 jobs created by commercial loans and stakeholders supported directly with income
	<ul style="list-style-type: none"> • Over 1.3 million people with access to healthcare and healthcare support • 115,000 people breathing cleaner air 		<ul style="list-style-type: none"> • 21,300 acres of land permanently protected—equivalent to over 20,000 football pitches • 600,000 acres of land restored or under sustainable management—equivalent to the size of Mauritius • 472 miles of stream protected or restored—equivalent to more than twice the length of the River Thames
	<ul style="list-style-type: none"> • 633 million litres of water purified in 2016—equivalent to daily basic requirements of 1.7 million households[‡] • 1,134 active toilets with over 53,436 daily uses • 2,469 metric tons of waste safely removed and treated • 69,000 acres of freshwater bodies and wetlands present on protected and sustainably managed land 	<p>* Several of the KLF investees contribute to SDGs beyond the seven listed above. The Social Stock Exchange and Impact Assets, for example, contribute to SDG 17 (Partnerships for the Goals) by mobilising capital towards impact investments, and Purpose Global runs campaigns on several issues, such as gun violence (SDG 16) and climate change (SDG 13).</p> <p>† United States Department of Agriculture defines a meal as 1.2lbs of food.</p> <p>‡ World Health Organisation specifies that between 50 and 100 litres of water per person per day are required to meet basic needs.</p> <p>§ www.epa.gov/greenvehicles/greenhouse-gas-emissions-typical-passenger-vehicle</p> <p>** World Energy Council (2014) Energy Efficiency Indicators.</p>	

There has been an improvement in the impact practice of the portfolio since the 2015 analysis. Most investees (63%) are now classified in the top two stages of impact practice compared to less than half of investees in 2015. In part, this reflects the evolution of our Impact Risk Classification (IRC) framework (discussed further on pages 18–20) where we have placed greater emphasis on commitment to impact (through principles and purpose), and acknowledgement that outputs can be a demonstration of impact so long as evidence exists that activities generate impact. However, it also reflects a growing focus on impact reporting within the impact investing sector, as borne out by our interviews with investees.

Failure to achieve appropriate levels of impact should be grounds for divestment or re-categorisation. There are two investments (out of 35 analysed using the IRC, representing less than 2% of the portfolio's value) that are not sufficiently pursuing social or environmental impact goals to be categorised as 'thematic' investments. KLF should choose to either re-categorize them as 'sustainable' or divest from these holdings.

Investor contribution

The Kleissners contribute more than just investment capital to their investees: they create additional financial leverage enabling enterprises and funds to attract other investors, provide mentoring and strategic advice, and are advocates for their investees, raising their profile. Through an online survey of KLF investees, (to which 93% responded), we found the following:

- **Nearly three in four respondents felt that KLF enabled them to attract additional funding** and nearly **half said KLF enabled them to increase revenue generation**. In a few cases there was some disappointment that KLF's involvement did not lead to as much new funding as expected.
- **Half the respondents felt KLF's advisory role had a positive impact on their organisation**—most often through strategic planning advice, support with impact measurement, and mentoring and coaching. A similar proportion also saw the positive impact of KLF's advocacy, particularly noting how KLF had raised their profile with other investors.
- **Several organisations referred to the credibility or 'stamp of approval' gained from having KLF as an investor**, and the two most common words to describe KLF were 'supportive' and 'leaders'.

Financial performance

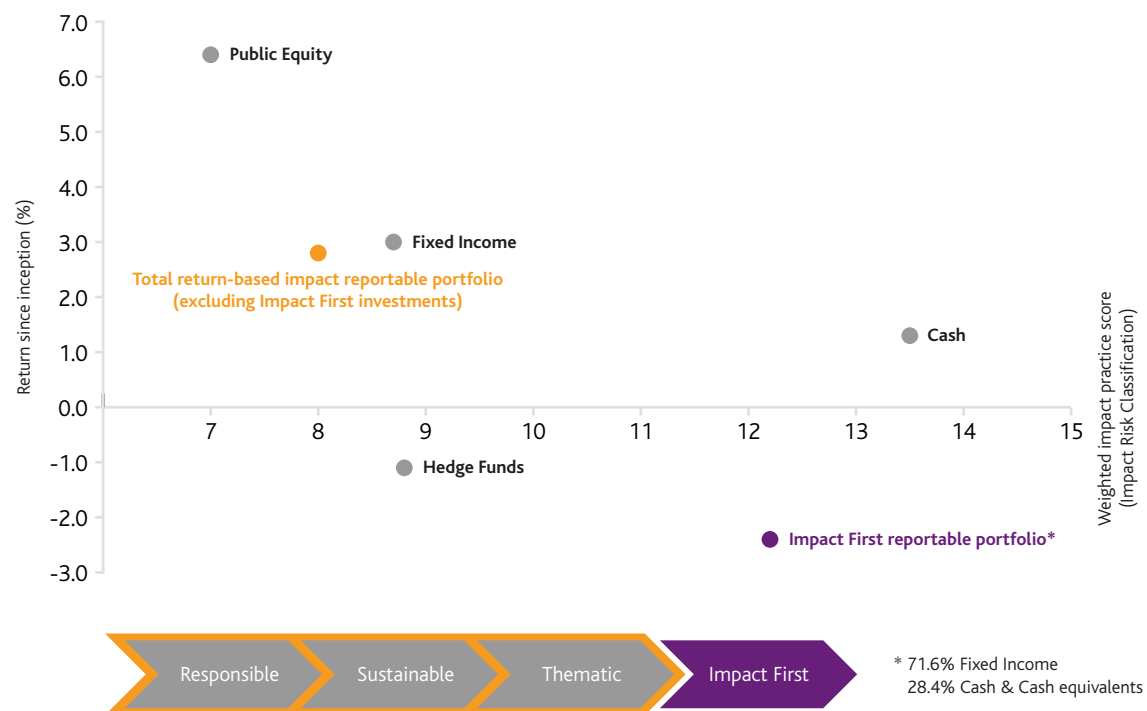
The Kleissners promote transparency across every aspect of the Foundation and regularly publish the financial performance of their portfolio. On a weighted total portfolio basis net of performance fees, the KLF **total return-based impact reportable portfolio** (ie, all investments with reportable performance, excluding Impact First investments) **has returned 2.75% pa since inception, outperforming the benchmark.** The **Impact First reportable portfolio** (made up of KLF's Program-Related Investments (PRIs), often accompanied by a grant) **has returned -2.5% pa since inception.** The aim to date of KLF's Impact First investments has been to achieve 0% returns, although they haven't quite achieved that goal due to their intentional risk-taking with the PRIs, prioritising social impact over financial return with this portion of their portfolio.

The performance data (shown on page 58–60) is at the total portfolio level and by asset class—including cash equivalents, global fixed income, global public equity, hedge funds, and the Impact First reportable portfolio (constituting 71% of the portfolio). Specifically, this report

details the performance of the Return-Based Impact Portfolio created by KLF, and more specifically those investments with so-called 'reportable' performance (ie, performance that can be marked to market on a regular basis). Program-Related Investments or other Impact First (below-market rate) investment returns are also explored and reflected. For purposes of accuracy and reliability, impact private equity and real assets investments (due to their immature stage in the investment lifecycle) are not included in the return calculations.

There is broadly an inverse relationship between financial return and impact practice. Figure 1 shows the market-weighted average Impact Risk Classification (IRC) score plotted against the financial performance of the asset classes since inception. It illustrates that Impact First investments have a higher average IRC score (ie, more advanced impact practice) and a lower financial return than the rest of the portfolio. See pages 18–20 for more on the IRC, and page 14 for more on the Responsible, Sustainable, Thematic and Impact First categories.

Figure 1: The relationship between Impact Risk Classification and financial return



Field building

In addition to direct support for investees, the Kleissners devote significant time, energy, and resources to building the impact investment field as part of their theory of change. They focus specifically on growing the number of effective social entrepreneurs, impact investing intermediaries, and investors. As with the investment portfolio, we have not attributed KLF's impact to specific outcomes, but have identified that KLF has contributed towards:

- **creating and supporting four accelerators** to build the capacity and impact of social enterprises, collectively reaching 1,105 social entrepreneurs, with \$239m of capital raised by these enterprises attributable to these accelerators;
- **creating and supporting impact investing intermediaries:** \$484m has been raised through first-time impact investing funds that KLF has been involved with from the outset, which between them have 378 investors; a further \$767m of assets are jointly managed for 973 clients by impact investing intermediaries supported by KLF;
- **creating and supporting investor networks**—specifically the Toniic Institute, which now has over 160 members representing almost 400 impact investors from 22 countries; there are now over 85 members representing 130 impact investors in a subgroup of Toniic, the 100% Impact Network; between them, members of this subgroup have committed 100% of their combined \$5bn of assets to positive social or environmental impact; and
- **developing tools to help current and potential impact investors**, such as the Toniic's T100 project, publishing the aggregated portfolios of over 75 of the 100% Impact Network members.

Insights from the investees

Through interviewing 17 of KLF's investees about their approach to impact measurement and its challenges, we found the following:

There is a growing focus on impact measurement and management, being driven more by organisations themselves rather than investors. This is particularly the case when business metrics and impact metrics are so closely aligned and where tracking impact data is central to understanding and improving revenue generation. However, more investors are demanding to see qualitative data, such as case studies, in order to better understand impact.

The emphasis remains on tracking and reporting outputs rather than outcomes or impact. But output data, in some cases, can be sufficient if there is clear evidence of the link between outputs and the positive impact on people's lives and environments.

Several organisations are digging deeper beneath the data—for example, looking at user engagement, the profile of users (such as their household income), or feedback on the quality of goods and services provided, rather than just counting units sold.

New initiatives and technology are helping both basic measurement and deeper quality assessments. Acumen's Lean Data approach was highlighted by several investees as moving the field forward.

Lack of time and lack of resources are the most significant challenges, along with getting reliable data from investees (particularly small or early-stage). This is resulting in funds becoming more selective about the metrics they report on or requests from investees—focusing on those critical to the investment thesis.

SDGs are seen as a useful framework by most investees, whereas GIIN's [IRIS catalogue of impact metrics \(iris.thegiin.org\)](https://iris.thegiin.org) were regarded by some as less relevant (and in some cases not even known about). There were mixed views about other standards, such as GIIRS ratings and B Corp certification—some organisations have benefited from the rating process, while others are concerned they are too unwieldy, not relevant, or come with the risk of constraining them to a particular direction.

ABOUT THE KL FELICITAS FOUNDATION

Charly and Lisa Kleissner believe in a future where the financial system accounts for positive (and negative) social and environmental impact; they dedicate the entirety of their resources towards this vision through their KL Felicitas Foundation, through other non-foundation assets, and through their own significant time and effort.

The Kleissners set up their foundation in 2000 and spent the first few years developing their strategy, influenced by attending The Philanthropy Workshop's donor education programme. Their initial aim was to help social entrepreneurs develop and grow sustainably, and invest with a double or triple bottom-line return. However, they were not able to find an advisor who could help them. They were introduced in 2004 to the concept of 'blended value' by Jed Emerson,¹⁰ and the notion that non-profit organisations could create economic value while for-profit organisations could achieve both social and environmental impact. This led to their decision to move from socially responsible investing (SRIs or negative screening) in their foundation's assets into impact investments, working with wealth manager Raúl Pomares, to achieve the deepest possible impact while achieving market rate returns for the portfolio as a whole.

These were early days for impact investment, with very few established methods or products, and it took until 2014 before 99.5% of their foundation assets were invested for impact, albeit with the majority of the portfolio invested in sustainable or ESG funds. It was during this phase, in 2011, that Raúl Pomares founded Sonen Capital, with KLF as one of its investors and initial clients and providing valuable advice, to help other investors with similar ambitions to KLF.

As they shifted their foundation assets to impact, Charly and Lisa were also hands-on with early-stage social businesses, whether by providing strategic advice, taking board positions, or creating and supporting social enterprise accelerators. At the same time, they were becoming advocates for impact investment, sharing what they learned and the expertise they were developing to encourage and support other investors, as well as build the capacity of intermediaries and contribute towards tools and standards. From the very early days, a vital

part of sharing was a pioneering level of transparency: Sonen Capital published a series of detailed reports on the financial performance of KLF's investment portfolio; [NPC's initial report for KLF in 2015](#)¹¹ was one of the first attempts in the field to understand and compare the social and environmental impact of a wide range of investments within a portfolio.

Much of the Kleissners' recent work has focused on propagating an ethic of transparency. While ESG investment may be more mainstream today, it remains all too opaque in terms of what the investments are achieving. The Kleissners firmly believe that it is imperative for the industry to openly share its datasets to enable the comparison of social and financial returns. They have created, or are involved in, various initiatives to this end, such as the T100 project, a multi-year study publishing details of the aggregated portfolios of 76 Toniic 100% Impact Network members (known as '100%ers').

In recent years, the Kleissners have shifted their focus to challenging the traditional investment industry, particularly through influencing family offices, high net worth individuals, and foundations. Much of this has been done through the Toniic Institute, an organisation the Kleissners co-founded in 2013 bringing together and supporting an international network of impact investors. KLF has also spent considerable effort on the democratisation of impact investing—helping to create products for smaller investors with lower entry levels—much of this through its support of Impact Assets (see page 63).

The Foundation's theory of change

A theory of change links an organisation's goals to its activities, setting out the intermediate steps and causal links needed for the final aim to be achieved. At NPC, we see **theory of change** as the starting point in all our work measuring impact or thinking about strategy for impact.¹² The KL Felicitas Foundation's theory of change illustrates how the various strands of the Kleissners' work contribute towards their overarching goal of transforming the global financial system to maximise positive social and environmental impact.

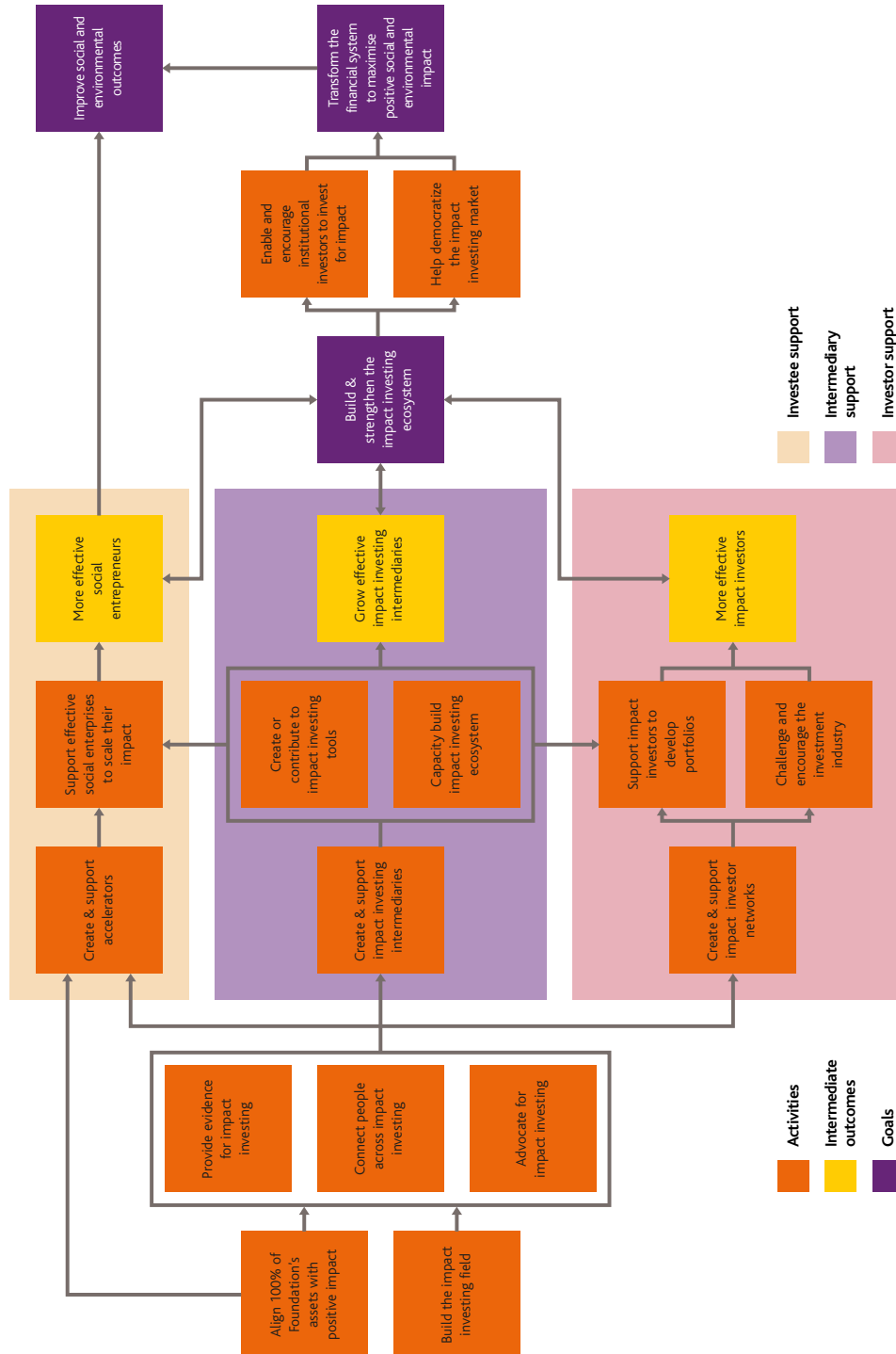
The two strands of the Kleissners' work are:

- **aligning 100% of their foundation's assets with positive impact and achieving market rate returns for the portfolio as a whole**—developing an impact portfolio across asset classes as an example and inspiration to other investors, as well as having direct effects on investees and beneficiaries; and
- **building the impact investment field**—by making transparent the contents and performance of their portfolio and enabling and encouraging the transparency of other impact investors' portfolios, and by providing financial and non-financial support to cultivate networks, catalyse the work of others in the field, and develop new organisations and programmes where gaps are identified.

Through this they aim to achieve three intermediate outcomes which are necessary precursors to a strong impact investing ecosystem:

- **more effective social entrepreneurs**—includes directly supporting early-stage social enterprises through portfolio investments, grants, and hands on support as well as the Foundation's efforts in supporting enterprise accelerators;
- **more effective impact investing intermediaries**—involves developing and supporting organisations that provide the key infrastructure, resources, and knowledge for the ecosystem to function; this includes working to develop and promote shared tools and resources to connect impact investors to effective social enterprises (such as supporting Sonen Capital, the T100 portfolio tool, and supporting first-time funds); and
- **more effective impact investors**—working to bring other investors into the field (both institutional and individual) and in so doing influence capital to move to impact; part of this is about encouraging personal transformation regarding individuals' financial decisions, but also challenging the investment industry as a whole.

KLF's theory of change



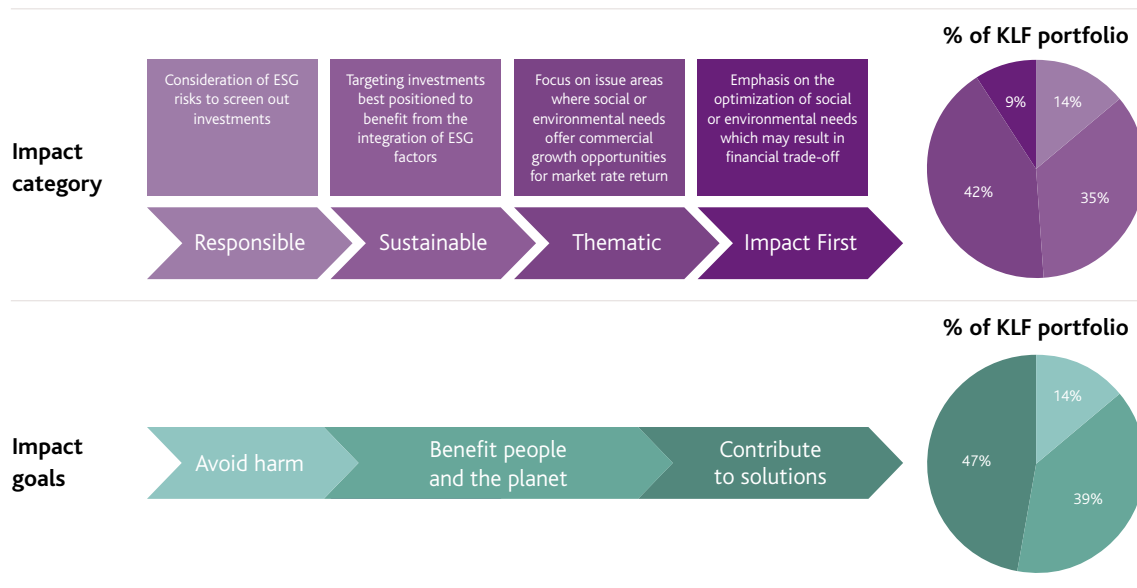
Snapshot of the Foundation's investment portfolio

KLF's investment portfolio was valued at \$9.5m as of 31 December 2016. Of this, 99.4% was invested in assets striving for positive social or environmental impact, with the remaining \$56,000 held in non-impact cash deposits (in transition for new investment). We refer throughout this section to this 99.4% as KLF's impact portfolio (43 out of 45 total investments). In addition to its investments, KLF provides grants of around 2.5% of its corpus per annum, most of which are aligned with KLF's field building work. Some of these grants are blended with investment capital to help build the capacity of investees. The remaining 2.5% of the annual grant distribution is typically targeted at Impact First investments. KLF also acts as a loan guarantor, providing a \$1m guarantee to a non-profit organisation that lends to microfinance institutions (MFIs) and small and growing businesses (SGBs)—KLF pays out small amounts (treated as grants) if and when an MFI or SGB fails to repay a loan.

KLF impact portfolio by impact category

Sonen Capital developed a spectrum for impact investing with four categories of impact—**Responsible, Sustainable, Thematic, Impact First**—moving from less to more integral impact (from left to right in Figure 2). All investments within the portfolio are categorised into one of the four categories in purple. The **Impact Management Project**¹³ has developed three broad archetypes of investor impact goals—those which **try to avoid harm to people and planet**, those aiming to generate **benefits for people and planet**, and those aiming to meaningfully **contribute to solutions** for specific social or environmental challenges. These goals are overlaid with Sonen's impact categories.

Figure 2: Impact investing spectrum*



* Adapted from Sonen Capital & Impact Management Project

The impact portfolio consists of 43 investments with a combined value of \$9.45m—14 direct investments in companies and 29 fund holdings. Most of the investments are Thematic and Impact First (51% between them), and some of the investments straddle two impact categories. (See Appendix 1, pages 74–77, for a full list of investments.) 86% of the portfolio is split between benefitting people and contributing to solutions. But in the forthcoming phase—KLF 3.0—the intention is to use the majority of the capital to contribute to solutions, that is, going deeper into impact (see page 73).

The portfolio ranges across all asset classes, although KLF's investments in hedge funds and public equity tend to be more sustainable / thematic, whereas the Impact First investments tend to be situated within the fixed income and private equity asset classes.

Figure 3: KLF impact portfolio by asset class as of 31 December 2016

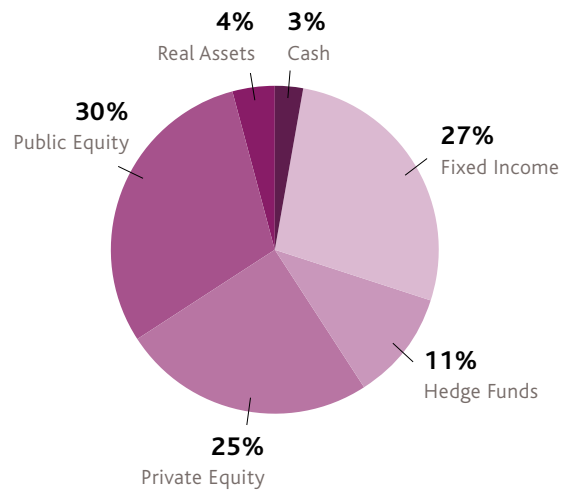
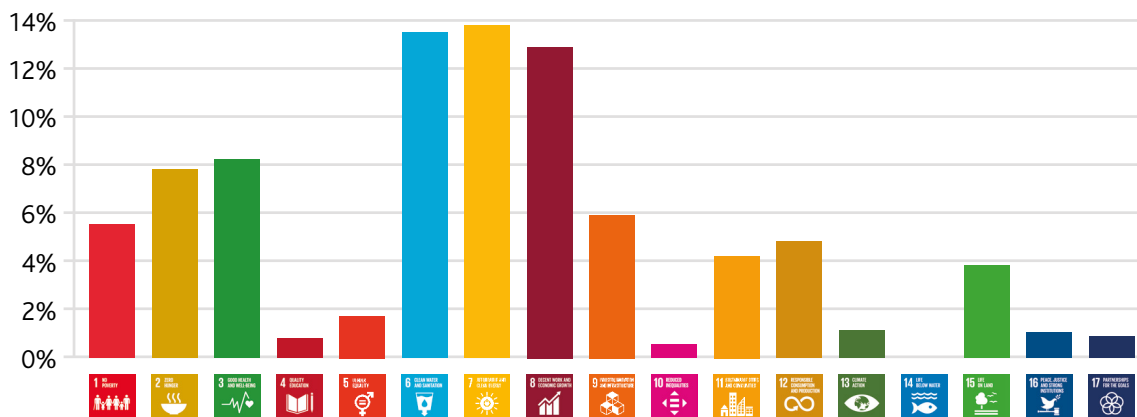


Figure 4 illustrates the spread of the portfolio across the SDGs. There is only one SDG (14—Life below water) where there is no exposure; while the SDGs with highest

weighting include SDG 7—Affordable and clean energy, SDG 6—Clean water and sanitation and SDG 8—Decent work and economic growth.

Figure 4: KLF impact portfolio—weighted exposure towards SDGs*



* For each investment, we have counted up to the top five SDGs each is targeting, but assumed their activity is equally divided between the SDGs, rather than attempting to breakdown activity between different SDGs. We have then accounted for each investment's value in the portfolio when creating a weighted exposure of the whole portfolio.

APPROACH AND TOOLS USED FOR THIS REPORT

This report is an update to our work with KLF in 2015 and the publication of ***Investing for impact: Practical tools, lessons and results***.¹⁴ Our approach has evolved, specifically with respect to engaging in more dialogue with investees. We also adapted our framework to align with latest thinking in the impact investing field, particularly drawing on the work of the ***Impact Management Project***.¹⁵

Approach

In what follows, we focus on five key aspects:

1) Social impact of the KLF investment portfolio

Our approach to measuring the social impact of KLF's investment portfolio involved several elements and the application of three tools:

- collecting **impact data** from the investees;
- identifying the applicable **UN Sustainable Development Goals (SDGs)**, with the help of Toniic's SDG tool, aligning them with the investment portfolio and, producing an *aggregated report on the impact level of investees*;
- applying the NPC **Impact Risk Classification Tool** to each

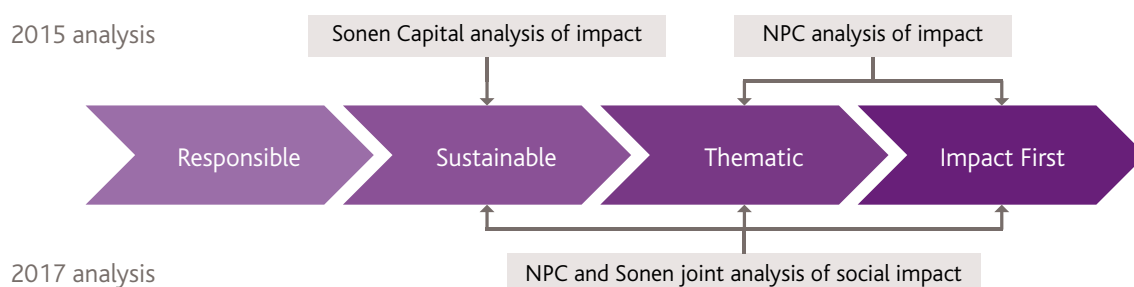
investee, to *understand the impact risk* of each investment;

- applying the **Impact Management Project's** dimensions to select investees to provide a *deeper understanding of impact*; and
- **surveying KLF's investees** to understand the *non-financial contribution* of KLF towards each investee.

All investees were shown our analysis and provided with the opportunity to update and validate the data and comment on our Impact Risk Classification applied to their own organisation.

The analysis was conducted over a wider portion of KLF's portfolio than in 2015—this time we also looked at the sustainable portion of the portfolio, building on the impact analysis done by Sonen Capital.

Figure 5: The focus of this report compared to 2015



2) Financial performance of the KLF investment portfolio

This report incorporates the financial returns achieved from the portfolio since inception, building on the publication of Sonen Capital's earlier report, *Evolution of an impact portfolio: From implementation to results*.¹⁶

3) Field building

In addition to analysing the portfolio, we assessed Charly and Lisa's field building work to understand their contribution towards three key goals in their theory of change: more effective social entrepreneurs, more effective impact investing intermediaries, and more effective impact investors.

4) Learning from the investees

Telephone interviews were conducted with 17 of KLF's investees to gather their views on impact measurement, including their approaches and how that might have changed, their capacity, and the challenges they face.

5) Reviewing exits, work-arounds and write-downs

As a seasoned impact investor, KLF has broad experience with exiting, work arounds, and the writing-down of investments. We have investigated some of KLF's exits in order to provide lessons for the wider field.

Contribution or attribution?

Throughout our analysis, we do not attempt to directly attribute outcomes reported by investees to KLF—that is, consider only the portion of impact that can be reasonably linked directly to KLF's investment; instead we have taken the contribution approach—reporting all results taking place to which KLF has contributed in part. We realise that there are risks of double-counting and over-claiming through the contribution approach when there are multiple

investors involved. We also believe there are significant risks of under-claiming—especially where KLF's investment may have leveraged additional capital or where the Kleissners provided additional support, advice or advocacy for the fund or enterprise. A recent study by the Donor Committee for Enterprise Development showed attribution of results is only carried out by very few impact investors due to the difficulties of doing so accurately.¹⁷

The cost of impact management

Measuring and managing social impact requires commitment, time and resource. Quite how much of each is required depends on a number of factors—such as the complexity of the foundation, the number of investees, and the depth of analysis (although it is not generally related to the value of the investments). And as we have learnt, it is often difficult to provide exact costs of a project at the outset, especially

when working at the frontier of knowledge and incorporating constantly evolving frameworks. As an indication, this project for KLF has taken around six months to complete. We hope that providing details of tools and frameworks used, and being as transparent as possible about our approach, will help other investors wishing to undertake their own management.

Tools

We used a combination of three tools to assess the impact of KLF's investment portfolio:

- The **UN Sustainable Development Goals**: these are gaining traction in both the non-profit and for-profit world as a framework for classifying impact.
- NPC's **Impact Risk Classification**: a tool that looks at the impact practice of a portfolio.
- The **Impact Management Project**: a shared approach seeking to shape how we measure and manage impact.

The UN Sustainable Development Goals



The first tool we have used is based on the **UN's Sustainable Development Goals (SDGs)**.¹⁸ These are a set of 17 global goals covering a broad range of social and environmental issues including poverty, hunger, health, education, climate change, gender equality, and social justice. They are intended to stimulate action over the next fifteen years in areas of critical importance for humanity and the planet. The SDGs can be used as a framework for understanding how an enterprise, or a fund's activities, align with globally shared impact goals and for presenting impact data. They also serve as a useful framework for collating the reported impacts of a diverse range of portfolio investees.

The SDG approach allows us to collate and report key aspects of output and outcome data from a diverse range of impact investments within the KLF portfolio. It is a challenging and time-consuming exercise due to the variety, breadth, and extent of impact data reported

by investees. As such, it may not be suitable for all investors. However, we feel that although it is difficult, it is valuable—an approach that can bring rigour to analysing the data and seeing what can be compared. If related to an investor's goals within a particular field, it can help an investor understand what is being achieved or where there is room for improvement; and instead of impact being reported as a collection of individual stories, it groups data together to create a more holistic picture.

But, as always, aggregation needs to be approached with caution relating to the differences in data reporting—hence the push for shared reporting standards within sectors is very welcome and should make this process easier. **The GIIN's Navigating Impact work**,¹⁹ providing impact strategy guidance by sector such as smallholder agriculture and clean energy, is helpful in this regard.

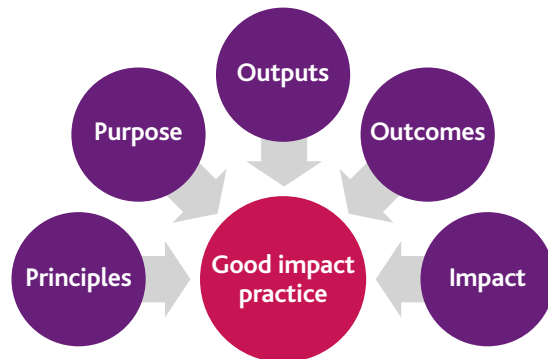
Investors can also access Toniic's SDG framework tool (www.toniic.com/t100) where their own portfolio can be aligned to and analysed by SDG and compared to other impact investment portfolios (see Figures 10 and 11 on pages 24 and 25).

NPC's Impact Risk Classification (IRC)

What is the IRC?

The IRC is a systematic framework that enables comparison of impact practice across the impact spectrum. It encourages organisations to learn and improve—by not only setting out standards of impact measurement and reporting but also encouraging impact **reporting transparency**. From NPC's experience of impact measurement over the past fifteen years, we argue that a developed, intentional impact measurement process is likely to be associated with greater focus on impact, and by extension, an increased probability of impact. In short, what gets measured, gets managed.

Figure 6: NPC's Impact Risk Classification



The IRC assesses how robust an organisation's evidence of impact is, and how much *thought* and *focus* the organisation has given to how it (expects to) generate impact. Good impact practice is rated on five measures—principles, purpose, outputs, outcomes and impact.

Who benefits from using the IRC?

Investors can use the IRC to compare impact practice between investees and encourage improvement and greater transparency. The IRC on its own is not a due diligence tool—investors will need to assess other risk factors, alongside impact risk, such as leadership risk, execution risk, and external factors—but the IRC can be included as part of that pre-investment process. It can also help guide impact management plans, that is, setting goals and KPIs, and collecting, analysing, and learning from data.

Investees (funds or enterprises) can use the IRC as a framework for improvement and to assess how close they are to best impact practice.

Why is the IRC useful?

The IRC provides a framework for judging the relative impact practice of different enterprises or funds. It encourages transparent and consistent reporting of impact data to enable meaningful analysis of impact reports. It can be applied across all types of investment (fund or enterprise), sectors, and asset classes from ESG funds to thematic, high impact direct investments.

The IRC is designed to be most useful when comparing a range of investments with limited impact data. It considers both the theory underpinning practice and the evidence that activities lead to impact, which means it can apply to early-stage organisations yet to gather data.

The IRC incorporates key aspects of other frameworks, such as B Corp status, Nesta standards of evidence, IRIS metrics, GIIRs ratings, and Sonen Capital's AIMS framework (see Glossary, pages 81–82, for more details).

How does it work?

The IRC is light touch and practical. The assessment can be based on public information (such as a website or annual reports) combined with investor updates or other impact data where available, and can be completed in one to two hours per investee. There are four steps.

Step 1: Score each component of impact practice from 0–3:

- **principles**—evidence that impact is integral to an organisation and drives decision-making;
- **purpose**—evidence of an impact thesis, theory of change, or logic model, and understanding of who experiences outcomes;
- **outputs**—quality, consistency, and relevance of data showing the scale of goods or services delivered and people reached;
- **outcomes**—quality, consistency, and relevance of data (quantitative and qualitative) showing whether change had taken place as a result of the goods or services; this can include existing data or evidence that demonstrates the likelihood that outcomes flow from activities; and
- **impact**—evidence of thinking about, and data showing, additionality of the outcome over what might have happened anyway, however limited this is by the absence of a true control group.

Step 2: Calculate overall impact practice score

Add up scores from each of the five components. The maximum score will be 15.

Step 3: Identify Impact Risk Classification

Classify each investment into one of four stages based on impact practice score.

Stage 1:	Stage 2:	Stage 3:	Stage 4:
0–6	7–9	10–12	13–15

The higher the stage, the more advanced the impact practice, and therefore the greater chance of the organisation achieving its impact goals.

Step 4: Map scores and stages across the portfolio

Compare individual scores and averages (that is, by asset class) across the portfolio.

The IRC provides an understanding of the impact risk—the risk of the intended impact not being achieved, although other risk factors, such as the external environment, governance, and operational capacity also matter. It is then up to investors to decide whether that intended impact is compatible with their values.






We have put together a short guide on the IRC, with guidance on how to use it, at www.thinkNPC.org/IRC.

The Impact Management Project

People experiencing impact—and organisations delivering it—have worked with Bridges Impact+ team to share their understanding of impact. The result—the Impact Management Project—is a series of shared fundamentals—the five dimensions of impact—which

can be used to shape how we talk about, measure, and manage impact, and are included in the case studies. The five dimensions are what, how much, who, contribution, risk. See Figure 7 below.

Figure 7: The Impact Management Project's five dimensions framework

Data	<ul style="list-style-type: none"> Type of outcome(s) Importance of outcome(s) 	<ul style="list-style-type: none"> Depth of effect in time period Number of people affected in time period Time period effect lasts for Time taken for effect to occur 	<ul style="list-style-type: none"> Demographic data Environmental data Geographic data 	Benchmarked performance across WHO, WHAT, and HOW MUCH	Risk factors, e.g. evidence risk
Analysis	 <p>WHAT</p> <p>What outcomes does the effect relate to, and how important are they to people (or the planet) experiencing it?</p>	 <p>HOW MUCH</p> <p>How much of the effect occurs in the time period?</p>	 <p>WHO</p> <p>Who experiences the effect, and how underserved are they in relation to the outcome?</p>	 <p>CONTRIBUTION</p> <p>How does the effect compare and contribute to what is likely to occur anyway?</p>	 <p>RISK</p> <p>Which risk factors are material, and how likely is the effect different from the expectation?</p>
Assessment	<p>Important negative outcome(s) Important positive outcome(s)</p> <p>← Neutral outcome(s) →</p>	<p>Marginal effect Deep effect</p> <p>← For few For many →</p> <p>Short-term Long-term</p> <p>← Slowly Quickly →</p>	<p>Well-served Underserved</p> <p>← →</p>	<p>Much worse than what is likely to occur Much better than what is likely to occur</p> <p>← →</p>	<p>Low risk High risk</p> <p>← →</p>

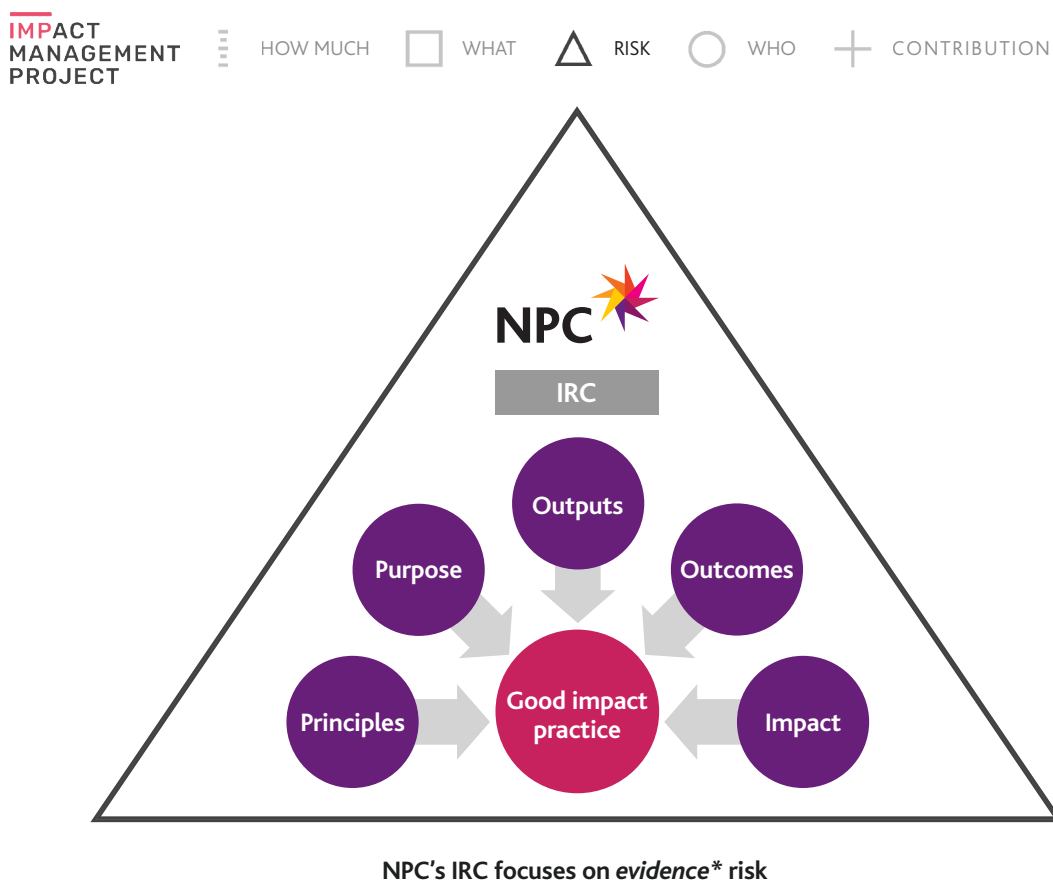
More information can be found at www.impactmanagementproject.com

Combining the Impact Risk Classification with the Impact Management Project

The five dimensions of the Impact Management Project provide a useful focus on key aspects to consider when evaluating the impact of a project. It is helpful to explore one of those—impact risk—by using NPC’s IRC. Combining these two tools provides a fuller understanding of an organisation’s impact—assessing the robustness of data (impact risk) by considering how much impact has been achieved, of what, and for whom (impact goals). There are additional elements of risk that

should also be assessed, such as execution or external factors, but this would take an in-depth conversation with, or due diligence process on, each investee, and is not gleaned from the types of information provided publicly or shared with investors. Figure 8 shows how we have combined the dimensions in the Impact Management Project with NPC’s IRC, using the latter to clarify one aspect of the former.

Figure 8: Combining the IRC and the Impact Management Project’s framework



* Other commonly relevant risk factors: external risk, execution risk, stakeholder participation risk, drop-off risk, unexpected impact risk, efficiency risk, contribution risk.
For more info: www.impactmanagementproject.com/understand-impact/risk

SOCIAL IMPACT OF THE KLF INVESTMENT PORTFOLIO

In this section, using the tools listed in the previous section, we bring together four different perspectives on the social impact of the KLF investment portfolio.

1. Consider the aggregate impact as it relates to seven of the UN's Sustainable Development Goals, **estimating the impact that the portfolio as a whole has on each SDG.**
2. Apply NPC's Impact Risk Classification to the portfolio; this allows us to **compare impact practice of investments across the portfolio.**
3. Summarise the added value of the contribution of the Kleissners' **non-financial support towards the investees themselves.**
4. Present **six representative investment case studies**, both funds and enterprises. Here, we show how the first two perspectives, when allied to the Impact Management Project's 'dimensions of impact', enable us to present a clear summary of the impact of the investments on their beneficiaries.

Impact by Sustainable Development Goal

The SDGs serve as a useful framework for collating the reported impacts of the KLF portfolio. For example, two investees, MA'O Organic Farms—a certified organic farm addressing food insecurity in Hawaii—and Sonen Global Equity, through its portfolio company Trimble Inc.—which helps increase crop productivity—are both contributing to SDG 2, Zero Hunger.

The SDGs relate to social progress both in developing and developed countries. For example, Access Capital Community Fund is addressing affordable housing and community development in the US, and Social Impact Partnership's Peterborough Social Impact Bond is aimed at reducing re-offending in an area of the U.K.

Between them, KLF's investees are contributing in some way to 16 of the 17 SDGs, as illustrated in Figure 9. For every investment, we have counted up to the top five SDGs which each is targeting, but assumed an equal weighting between those SDGs rather than estimate the breakdown in activity between SDGs. We have then accounted for each investment's weighted value in the portfolio. The Toniic framework (see page 65) is a useful tool for looking at the alignment of a portfolio with the SDGs, as Figures 10 and 11 show.

Spotlight on: SDG 5— Gender equality



The Kleissners have an interest in gender equality throughout both their investment portfolio and their field building activities. However, SDG 5 is not one of the top seven SDGs examined in detail in the report, as the aggregate value of the investments exposed to SDG 5 is smaller than many others, as illustrated in Figure 9 overleaf. And importantly, the Kleissners are considering the gender effect of the portfolio in a more holistic way—not just based on the activities of their investments in promoting gender equality amongst their beneficiaries, or counting women co-founders, women on boards or women employees, but assessing the whole investment process in terms of decision makers, influencers, designers, and thought leaders, drawing on the work of the Tara Health Foundation²⁰, the Criterion Institute²¹ and Catalytic at Large²².

Figure 9: Weighted exposure of KLF investments towards the SDGs

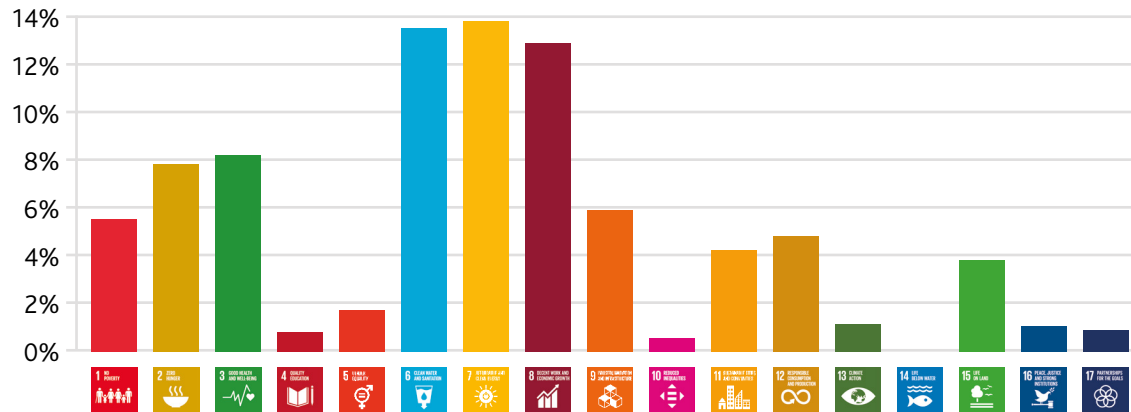


Figure 10: Tonic framework used to show the KLF portfolio's primary SDG alignment by asset class

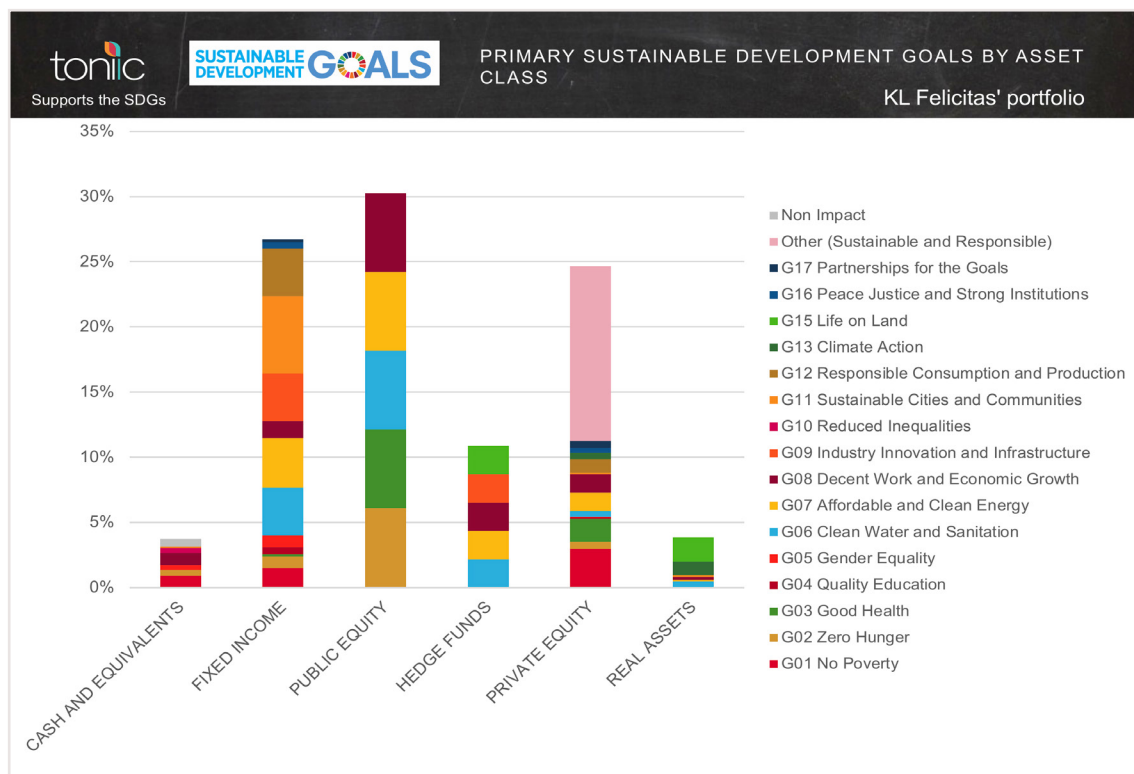


Figure 11: Toniic framework used to show how the KLF portfolio's impact themes align with the SDGs

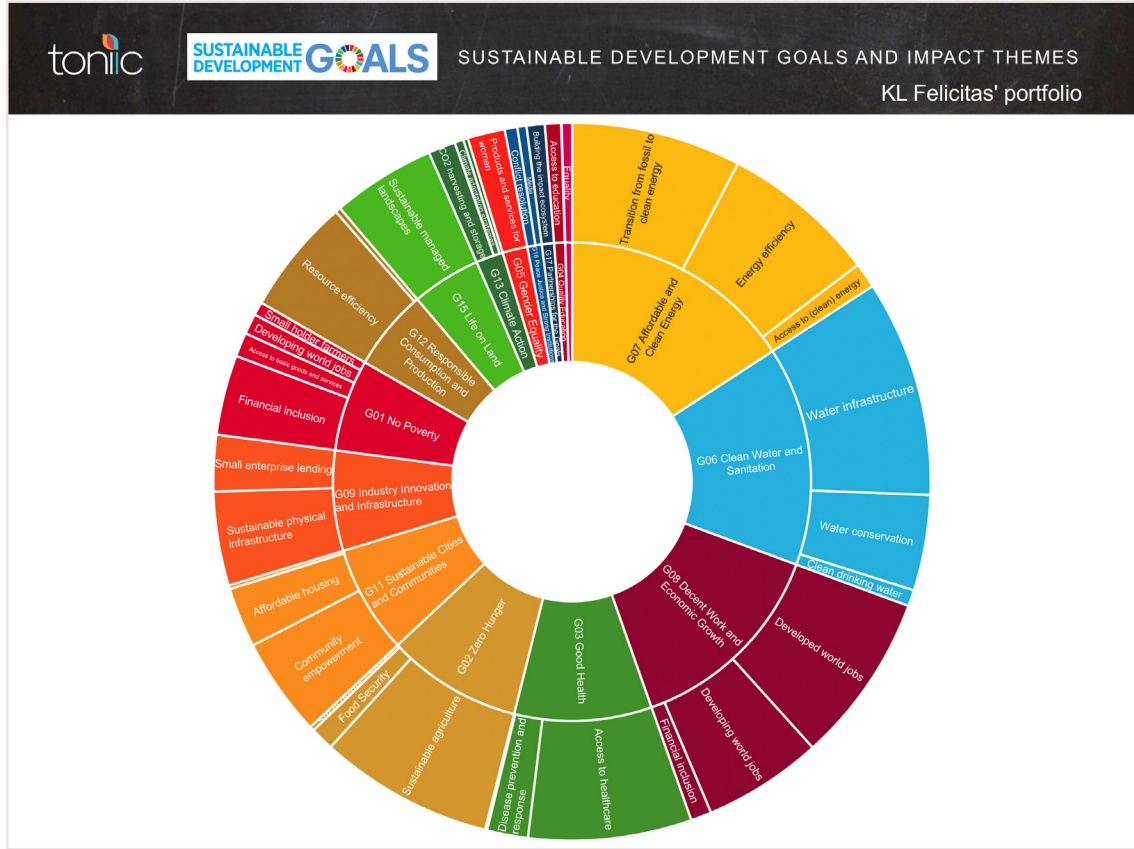


Table 2, using a selection of impact data taken from individual investees' impact reports around the most common SDGs*, gives an overview of the impact of the KLF portfolio in each area.



Table 2: Impact data reported by KLF investees relating to common SDGs

	<ul style="list-style-type: none"> • 37.3 million people with access to basic services • Over 26 million people benefitting from cost savings generated • \$5.2bn in savings generated • 15,700 mortgages or loans for affordable housing 		<ul style="list-style-type: none"> • 6 million customers with affordable, clean energy products • 17.8 million metric tonnes of greenhouse gas (GHG) emissions, including CO₂, avoided or offset—equivalent to that produced annually by 3.8 million cars²³ • 2.7 million MWh renewable energy generated—equivalent to average annual energy use of 685,000 U.K. households²⁴
	<ul style="list-style-type: none"> • \$33.7m loans disbursed to agri-businesses • 665,000 smallholder farmers reached with loans • 397,500 hectares of land under sustainable management or cultivation—equivalent to almost one million football pitches • Over 26,000 tons of organic or fair trade food produced—equivalent to 48 million meals[†] 		<ul style="list-style-type: none"> • 1,300 small and growing businesses received loans and 86 microfinance institutions financed • \$107m disbursed or invested in small and growing businesses (SGBs) with environmental and social impact • 65,000 jobs created by commercial loans and stakeholders supported directly with income
	<ul style="list-style-type: none"> • Over 1.3 million people with access to healthcare and healthcare support • 115,000 people breathing cleaner air 		<ul style="list-style-type: none"> • 21,300 acres of land permanently protected—equivalent to over 20,000 football pitches • 600,000 acres of land restored or under sustainable management—equivalent to the size of Mauritius • 472 miles of stream protected or restored—equivalent to more than twice the length of the River Thames
	<ul style="list-style-type: none"> • 633 million litres of water purified in 2016—equivalent to daily basic requirements of 1.7 million households[‡] • 1,134 active toilets with over 53,436 daily uses • 2,469 metric tons of waste safely removed and treated • 69,000 acres of freshwater bodies and wetlands present on protected and sustainably managed land 	<p>* Several of the KLF investees contribute to SDGs beyond the seven listed above. The Social Stock Exchange and Impact Assets, for example, contribute to SDG 17 (Partnerships for the Goals) by mobilising capital towards impact investments, and Purpose Global runs campaigns on several issues, such as gun violence (SDG 16) and climate change (SDG 13).</p> <p>† United States Department of Agriculture defines a meal as 1.2lbs of food.</p> <p>‡ World Health Organisation specifies that between 50 and 100 litres of water per person per day are required to meet basic needs.</p>	

Table 3: KLF investment portfolio—exposure to SDGs

SDGs	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Access Capital Community Investment Fund	✓		✓					✓			✓						
Acumen Capital Markets I, LP	✓	✓	✓				✓	✓									
Adobe Social Mezzanine Fund I, LP	✓		✓	✓				✓			✓						
Asia Environmental Partners (Offshore) LP						✓	✓					✓	✓				
Beartooth Capital I & II, LP						✓							✓		✓		
Better Ventures II, LP	✓		✓				✓	✓									
BioLite			✓				✓										
Cleantech Europe I (B) and II (A) (Zouk Capital)							✓					✓					
Core Innovation Capital I	✓																
DWM Microfinance Fund	✓				✓			✓									
Eco Trust Forests II						✓		✓							✓		
Ecosystem Investment Partners II, LP						✓							✓		✓		
EKO Green Carbon Fund												✓	✓		✓		
FAIM (Forestry & Agricultural Investment Management)	✓	✓															
FoodStand			✓														
Global Partnerships/ Eleos Social Venture Fund LLC	✓		✓	✓		✓	✓										
Grassroots Business Fund	✓							✓									
ImpactAssets	✓	✓															✓
Kealopiko Inc	✓				✓			✓				✓					
Living Forest															✓		
Lyme Forest Fund III TE, LP						✓							✓		✓		
MA'O Organic Farms		✓		✓													
MicroVest Fund II A	✓				✓			✓									
MicroVest GMG Local Credit Fund, Ltd	✓				✓			✓									
MicroVest Short Duration Fund LP	✓				✓			✓									
MicroVest+Plus LP	✓				✓			✓									
Persistent Energy Partners	✓						✓										
Pico Bonito Real Assets Real Estate															✓		
Purpose Global LLC			✓										✓			✓	
RSF Social Finance		✓		✓								✓					
Sail Safe Water Partners LP/ Waterhealth Int			✓			✓		✓									
SMV Wheels	✓							✓			✓						
Social Impact Partnership																✓	
Social Stock Exchange																	✓
Sonen Global Equity		✓	✓			✓	✓	✓									
Sonen Global Fixed Income						✓	✓		✓		✓	✓					
Sonen Global Multi Strategy Irish Feeder						✓	✓	✓	✓						✓		
Sonen Global Sustainable Real Assets							✓				✓				✓		
Southern Bancorp CD	✓							✓			✓						
Triodos Sustainable Trade	✓	✓						✓		✓							

Limitations and challenges of using the SDG framework

Only a minority of the investments currently report their impact by SDG. Consequently, we have grouped metrics reported by KLF investees to specific targets set by the UN within each SDG. However, this has its challenges: in some cases, data reported under one SDG could equally be reported under another—for instance, investments in sustainable agriculture could impact SDG 2 (Zero hunger), SDG 8 (Decent work and Economic growth), and SDG 15 (Life on land). Furthermore, some of the UN's outcomes overlap between SDGs: for example, UN

target 8.3 'Increase productive activities, jobs, innovation and small enterprises, including access to financial services' relates closely to UN target 9.3 'Increase the access of small-scale industrial and other enterprises to financial services, credit and their integration into value chains and markets'. We have categorised most of KLF's investees relating to growing small businesses through loans under SDG 8 rather than SDG 9 but this could be debatable.

The data we use is taken directly from investees' impact reports, websites, or investor updates. We have not made any assessment here about the robustness of the data or assessed how reported data is linked to mission or impact. In part, this reflects the diversity of the KLF portfolio, which makes it harder to assess the aggregated impact of activities. The more focused a funder—perhaps focused on only one or two SDGs—the easier it is to make a stronger case about impact. As KLF moves into its third phase of concentrating on only two SDGs, we

expect it will be easier to assess its contribution towards those specific goals, and crucially, identify gaps and opportunities for its capital to have maximum leverage.

Where possible, the data reflects achievements in 2016, however in some cases data reflects impact since inception. Table 3 on page 27 gives an overview of the investment portfolio showing in which areas individual investments are contributing to the UN's SDG goals.

Exploring the 'top seven' SDGs in more detail

We now consider the top seven SDGs to which KLF investments have made the most significant impact. In each case, we consider those particular aspects of the SDG most in focus, giving specific case studies and examples of the social impact of different initiatives within the investment portfolio.

For each of the SDGs analysed, we have shown how the investees contribute not just towards the overall SDG, but towards specific UN targets (as laid out within each SDG at sustainabledevelopment.un.org/sdgs)

SDG 1: NO POVERTY

End poverty in all its forms everywhere



19 Investees*

KLF investments have contributed to SDG 1 through:

- 37.3 million people with access to basic services;†
- over 26 million people benefitting from cost savings generated;‡
- \$5.2bn in savings generated;§ and
- 15,700 mortgages or loans for affordable housing.**

Outcome UN 1.2: Reduce individuals living below national poverty line

Acumen Capital Markets I (ACMI) finances companies that are working in a variety of ways to tackle poverty. For example, ACMI investee NRSP Microfinance Bank offers microcredit, savings, and other banking services to rural Pakistan with a focus on agri-finance services to low-income farmers. ACMI supports their investees to implement Acumen's Lean Data approach—using light touch surveys to understand key impact issues, including the proportion of customers living below international poverty lines. Lean Data surveys reveal that an average of 55% of ACMI's 25.4 million portfolio companies' customers, around 14 million people, live below international poverty lines. **FAIM** works to reduce poverty in farming communities by producing virus free plants for food security. Through seasonal working capital loans, **Triodos Sustainable Trade Fund** helps farmers bridge the period from harvest time until final payment by their buyers.

Outcome UN 1.4: Increase individuals with access to basic services (banking, land rights, technology)

KLF is invested in four **MicroVest** funds that between them support the growth and improvement of a sustainable financial infrastructure in the countries where they operate. In 2016, MicroVest reached 12.3 million borrowers through 86 portfolio companies. **Core Innovation Capital** invests in companies that deliver more efficient, well-designed financial products that save people time and money, and create upward mobility. Core's portfolio companies reached over 25 million consumers in 2016 and saved them over \$5 billion versus the most common alternatives in the market. **ImpactAssets** has served almost 900,000 microfinance

borrowers and 11 low income financial institutions between 2011 and 2016 through its Microfinance Plus Note.

The mission of **Grassroots Business Fund (GBF)** is to grow viable businesses that generate sustainable earnings or cost savings for people in Africa, Asia, and Latin America. In 2016, GBF investees supported nearly 1.2 million individuals directly with cost savings—4.75 million people including dependents. GBF investees provided \$15.7m in annual cost savings through goods such as cook stoves and agricultural equipment. Through its women-centred finance with education initiative, **Global Partnerships / Eleos SVF Fund** aims to empower women living in poverty by investing in microfinance institutions (MFIs) that deliver credit and savings bundled with education. They have delivered education covering topics such as basic financial literacy, health, nutrition, business, and money management to over 700,000 people.

Better Ventures' investee, Sail Internet, provides fast, affordable internet for under-served communities. The **Adobe Social Mezzanine Fund I** invests in small Mexican companies that provide products and services addressing the needs of 'bottom of the pyramid' communities in Mexico, such as investees providing affordable housing.

Southern Bancorp combines traditional banking and lending services with financial development tools such as credit advice and public policy advocacy. In 2016, Southern Bancorp made 1,727 loans to support or create affordable housing, opened more than 9,000 accounts to help people save, and provided 96 clients with financial counselling. Southern Bancorp also offered free assistance to nearly 3,000 people filing their tax returns, resulting in \$6.28m in tax refunds and credits. Through the **Access Capital Community Fund**, 13,993 low-to-moderate income homebuyers have gained access to mortgages since the fund's inception and 50,789 affordable rental units have been funded.

MCE Social Capital uses a loan guarantee model to finance lending to MFIs and small and growing businesses, particularly focused on women in rural areas. Over its twelve-year history, MCE has disbursed over \$155m in loans to 104 institutions in 46 countries, with a default rate of around 2%. At the end of 2016, 410,297 additional people had received loans from MFIs financed by MCE.

* These investees have SDG 1 as one of the top five SDGs that they contribute to.

† Core Innovation Capital Impact Audit Report 2016; Southern Bancorp Annual Report 2016; MicroVest Social Impact Report 2017; and Adobe Social Mezzanine Fund I Annual Report 2016.

‡ Grassroots Business Fund Investor Report Q1 2017; Core Innovation Capital Impact Audit Report 2016.

§ Core Innovation Capital 2016 Impact Dashboard.

** Access Capital Community Fund Investor Deck Q3 2017; Southern Bancorp Annual Report 2016.

SDG 2: ZERO HUNGER

End hunger, achieve food security and improved nutrition and promote sustainable agriculture



7 Investees*

KLF investments have contributed to SDG 2 through:

- \$33.7m loans disbursed to agri-businesses;†
- 665,000 small holder farmers reached with loans;‡
- 397,500 hectares of land under sustainable management or cultivation§ (equivalent to almost one million football pitches); and
- over 26,000 tons of organic or fair-trade food produced (equivalent to 48 million meals).

Outcome UN 2.1: End hunger and increase access to safe, nutritious and sufficient food

FAIM demonstrates modern farming techniques in developing countries and helps farms to produce virus free plants. Using FAIM plants, it is common for farmers to see five to ten times increase in crop production.

Outcome UN 2.3: Increase agricultural productivity and incomes of small-scale farmers

Sonen Global Equity provides access to a portfolio of global all cap equities optimised for financial return and impact. An example portfolio company, Trimble Inc., sells positioning technologies in the agricultural sector that help increase crop productivity through optimized water and nutrient inputs.

Triodos Sustainable Trade Fund provides finance to support the development of sustainable value chains, with a specific focus on fair trade and organic farming. Triodos'

investments target farmers in developing and emerging countries by supporting sustainable value chains to give farmers the security that they will be paid fairly and on time. €28.7m was disbursed in loans in 2016 through 28 partners, benefiting 184,000 smallholder farmers.

Acumen Capital Markets (ACMI) portfolio company Juhudi Kilimo finances agricultural assets for smallholder farmers and rural enterprises across Kenya, allowing them to purchase breeds of dairy cows that are better yielding than traditional cows. Juhudi loans have impacted 35,000 smallholder farms as of December 2016. Over 25,000 smallholder farmers have been served through the **ImpactAssets** Sustainable Agriculture note between 2011 and 2016.

Outcome UN 2.4: Increase agricultural area under productive and sustainable agriculture

MA'O Organic Farms is a certified organic farm which addresses food insecurity in Hawaii by growing and distributing healthy organic produce while educating, training and empowering local young adults. In 2016, MA'O produced 69 tons of organic food on nine acres of organic farmland. In 2016, **Triodos Sustainable Trade Fund** farmers produced 126,000 metric tons of food, of which 26,000 tons was fair trade or organic. The fund's farmers farmed 98,000 hectares of sustainably cultivated land.

* These investees have SDG 2 as one of the top five SDGs to which they contribute.

† Triodos Sustainable Fund Trade Annual Report 2016

‡ Triodos Sustainable Fund Trade Annual Report 2016, ACMI 2016 Annual Review

§ Triodos Sustainable Fund Trade Annual Report 2016, MA'O Organic Farms personal correspondence

SDG 3: GOOD HEALTH AND WELLBEING

Ensure healthy lives and promote well-being for all at all ages



10 Investees*

KLF investments have contributed to SDG 3 through:

- over 1.3 million people with access to healthcare and healthcare support;† and
- 115,000 people breathing cleaner air.‡

Outcome UN 3.3: Reduce incidence of communicable diseases (AIDS, tuberculosis, malaria, neglected tropical diseases, hepatitis and others)

WaterHealth uses flexible asset financing to provide decentralized, scalable, safe and affordable water solutions to under-served communities throughout the world. Their delivery model involves purifying local water sources to WHO drinking water quality standards. Without access to clean water people may be forced to use contaminated sources, putting them at risk of disease. In Veeravlli, a village in India, the community reported that the most common illnesses such as diarrhoea, common cold, and fever were much reduced since they had access to a clean source of water, despite flooding in and around the village.

Outcome UN 3.8: Increase coverage of health services, and access to medicines and vaccines

Several funds invest in organisations that contribute to better health services. For example, **Acumen Capital Markets I** investee Ziqitza Health Care provides life support ambulance services to patients experiencing a medical situation for a fee. ZHC impacted over 1.3 million lives in 2016 and around 75% of its customers earn less than \$2.50 per day. **Adobe Social Mezzanine Fund I** investee SalaUno provides medical and surgical treatment in diagnostic eye clinics in Mexico City. SalaUno employed 33 caregivers in 2016, of whom 30 were licenced medical staff. During 2016 SalaUno operated on 1,923 patients, with 98% of surgeries conducted preventing or reversing blindness in patients.

Global Partnerships / Eleos Social Venture Fund

partner, Penda Health, provided over 60,000 individuals with access to high quality, affordable healthcare as of June 2017. **Sonen Global Equity** portfolio company, Merck, ranks fourth in the Global Access to Medicine Index (rating the distribution of life-saving machines, vaccines and diagnostics accessible to low- and middle-income populations). **Better Ventures'** investees K4Connect has enabled better health and quality of life for 318 seniors by building an automation and health monitoring system that connects smart devices into a single, unified system, and 6,000 nursing home facility beds have been financed through the **Access Capital Community Fund** since inception.

Outcome UN 3.9: Reduce the number of deaths and illnesses from hazardous chemicals, pollution and contamination

BioLite's HomeStove reduces particle matter and carbon emissions by up to 90%. As a result, 114,555 people are breathing cleaner air. **Purpose's** Climate Lab convened the Delhi Breathe coalition and led a campaign calling for action on air pollution in Delhi. The campaign resulted in a commitment by the Health Minister to improve accessibility to air pollution data.

FoodStand aims to make healthy eating easier and more accessible through a free app which promotes 'community-powered Good Eating challenges'. The app was downloaded 16,200 times in January 2017, and between them users consumed 12,000 more servings of fruit and vegetables and avoided 23,000 carbonated drinks.

* These investees have SDG 3 as one of the top five SDGs to which they contribute.

† ACMI 2016 Annual Review; Adobe Social Mezzanine Fund I Annual Report 2016; Global Partnerships/Eleos Social Venture Fund, Investor Report Q1 2017; BetterVentures 2016 portfolio update; Access Capital Community Fund Investor Deck Q3 2017.

‡ BioLite 2016 impact report.

SDG 6: CLEAN WATER AND SANITATION

Ensure availability and sustainable management of water and sanitation for all



11 Investees*

KLF investments have contributed to SDG 6 through:

- 633 million litres of water purified in 2016[†] (*equivalent to daily basic requirements of 1.7 million households*);[‡]
- 1,134 active toilets with 53,436 daily uses;[§]
- 2,469 metric tons of waste safely removed and treated;^{**} and
- 69,000 acres of freshwater bodies and wetlands present on protected and sustainably managed land.^{††}

Outcome UN 6.1: Increase in number of individuals accessing safe and affordable drinking water

WaterHealth purify local water sources to WHO drinking water quality standard—it aims to reach 100 million customers by 2020. To date, the initiative has set up more than 500 water centres which purify local water sources, giving 5 million people access to clean water.

Outcome UN 6.2: Increase in number of individuals accessing adequate sanitation and hygiene, and reduce open defecation, with special attention to the needs of women and girls

Global Partnerships / Eleos Social Venture Fund partner, Sanergy, had impacted 139,063 lives in 2016 through their clean, affordable toilets and their waste management business.

Outcome UN 6.4: Increase water-use efficiency to address water scarcity

Sonen Global Equity's portfolio companies demonstrate significantly lower (43%) water use and slightly lower

(3%) water intensity (m³ of water use per US\$ in sales) than the benchmark (MSCI ACWI IMI ND Index).

An example of one of **Sonen Global Fixed Income's** investees is the DC Water and Sewer Municipal Bond. DC Water provides wastewater collection and treatment services to more than two million Washington metro area customers. **Sonen Global Multi Strategy** has invested in Australia's successful water rights trading market, helping restore the water ecology in the Murray Darling Basin and establishing more efficient use of water within this arid region. **Asia Environmental Partners** invests in water quality treatment infrastructure, along with other clean energy businesses.

Outcome UN 6.6: Protect and restore water-related ecosystems, including mountains, forest, wetlands, rivers, aquifers and lakes

Lyme Forest Fund III invests in US timberland and rural real estate with important conservation attributes. Land sustainably controlled by Lyme Forest Fund III in 2016 included freshwater bodies covering 37,000 acres. Since inception, **Beartooth Capital** have restored 624 acres of wetlands and ponds and 18 miles of river and creeks. Since inception **Ecosystems Investment Partners** have restored 29,000 acres of wetlands and 77 miles (124km) of streams.

The Ecotrust Forest III fund acquires industrially managed forests in the Pacific Northwest of the US for transition towards sustainable management and community-based ownership. The intended benefits of the fund's investments include protection of drinking water quality: 2,000 acres of forestland maintained by Ecotrust provide directly filtered drinking water for local communities.

* These investees have SDG 6 as one of the top five SDGs to which they contribute.

† WaterHealth Q1 2017/18 investor report.

‡ World Health Organisation defines between 50 and 100 litres of water per person per day are required to meet basic needs

§ Global Partnerships/Eleos Social Venture Fund, Investor Report Q1 2017.

** Ibid.

†† Ecosystems Investment Partners 2016 Report; Beartooth Capital 2016 Annual Report to Investors; EcoTrust Annual Report 2016; 2016 Annual Report, Lyme Forest Fund III LP and Lyme Forest Fund III TE LP.

SDG 7: AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all



12 Investees*

KLF investments have contributed to SDG 7 through:

- six million customers with affordable, clean energy products;[†]
- 17.8 million metric tons of greenhouse gas emissions, including CO₂, avoided or offset[‡] (equivalent to CO₂ produced annually by 3.8 million cars);²⁵ and
- 2.7 million MWh renewable energy generated[§] (equivalent to average annual energy use of 685,000 U.K. households).²⁶

Outcome UN 7.1: Increase access to affordable, reliable and modern energy services

Acumen Capital Markets I investee D.light Design Inc. manufactures and sells affordable, high-quality solar lighting solutions to off-grid households: 96% of their customers previously using kerosene have eliminated its usage and 780 kilograms of CO₂ is being averted annually per household. As of September 2016, the company had sold over 10,000 Solar Home Systems (SHS) on its PAYGO platform in Kenya and cumulatively has sold 250,000 SHS units since 2012.

Through its investments in solar energy via investee SunFunder, **Better Ventures** has contributed to 2.7 million people gaining access to reliable solar energy. By June 2017, **Global Partnerships Eleos SVF** partner, PayGo Energy, had provided 56 households with access to affordable, clean energy products (efficient LPG cooking stoves on a pay-as-you-go basis).

Zouk's **Cleantech I and II** funds create environmental impact through investments in the development and manufacturing of solar, water, and energy-efficiency technologies. For example, through investee Off Grid Electric, 120,000 low-income customers in Tanzania have access to clean, affordable energy.

Outcome UN 7.2: Increase the share of renewable energy in the global energy mix

BioLite creates impact through the development and distribution of safe, affordable and desirable clean energy

products for people in emerging markets: 20,000 households are cooking with a BioLite HomeStove (halving wood requirements), and 95% of customers are still using the HomeStove after three years. Over 40 million watt-hours of electricity were generated by the HomeStove in 2016 and since inception over 75,000 tons of CO₂ have been avoided.

Asia Environmental Partners invests in businesses that deliver clean energy and environmental services, particularly energy efficiency, clean energy distribution infrastructure, and renewable energy projects. **Sonen Global Sustainable Real Assets'** clean power investments generated 1.6 million MWh of renewable energy, avoided 1.1 million tons of CO₂ emissions by the end of 2016, and provided 740,000 people with access to clean power. **Sonen Fixed Income** fund invested in German Development Bank KfW's green bonds—issued to finance renewable energy projects. KfW is expected to save the equivalent of 2.2 million tons of greenhouse gas emissions annually through projects financed. Portfolio companies in Zouk's **Cleantech II Fund** reduce greenhouse gas emissions by 1.1 million tons each year and generated 1.1 million MWh of renewable energy.

Outcome UN 7.3: Improve energy efficiency

The total weighted carbon emissions of the **Sonen Global Equity** portfolio in 2016 was 5.4 times better than the market benchmark (MSCI ACWI IMI ND Index). Since 2012, the fund has reduced carbon emission intensities (tons of carbon emissions per US\$m in sales) and in 2016 the average carbon intensity of the portfolio was 42% better than the above benchmark. **Sonen Fixed Income** fund has invested in World Bank Green Bonds, issued to upgrade and green Rio de Janeiro's urban rail system involving the purchase of 60 electric powered, energy efficient trains. By the end of the project there will be a reduction in CO₂ of 34,000 tons.

Better Ventures investee, UtilityAPI, has created software that streamlines access to utility usage and billing information for prospective clean energy customers, saving time and money. It has assessed 52,000 meters and avoided 323,000 metric tons of carbon to date.

* These investees have SDG 7 as one of the top five SDGs to which they contribute.

† ACMI 2016 Annual Review; BioLite 2016 impact report; Better Ventures Q4 2016 Quarterly Report; Cleantech II Investors reports 2016; and Sonen Global Sustainable Real Assets Impact Report 2016.

‡ Better Ventures Q4 2016 Quarterly Report; BioLite 2016 impact report; Sonen Global Sustainable Real Assets Impact Report 2016; Cleantech II ESG report; Sonen Capital

2016 Annual Impact Report; EcoTrust Annual Report 2016; EKO Green Carbon metrics august 2017; and Adobe Social Mezzanine Fund I Annual Report 2016.

§ BioLite 2016 impact report; Cleantech II ESG report; Sonen Global Sustainable Real Assets Impact Report 2016.

SDG 8: DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



18 Investees*

KLF investments have contributed to SDG 8 through:

- 1,300 small and growing businesses received loans and 86 microfinance institutions financed;[†]
- \$107m disbursed or invested in small and growing businesses with environmental and social impact;[‡] and
- 65,000 jobs created by commercial loans and stakeholders supported directly with income.[§]

Outcome UN 8.3: Increase productive activities, jobs, innovation and small enterprises, and access to financial services

Several investments in the KLF portfolio focus on supporting small business growth and productive employment opportunities. **MicroVest** is an asset management firm investing in unbanked and under-served markets, providing capital to low-income financial institutions. These institutions then extend productive loans to micro, small and medium sized businesses and in 2016 had a total of 12.3 million active borrowers. **Access Capital** makes market rate investments to support low- and moderate-income home ownership, affordable rental housing units, small business loans, low-income rural housing, health care and community economic development projects. It has made 478 small business loans since inception. **Adobe Social Mezzanine Fund I** investee Vehiculous Liquidos Financieros has made loans to over 350 SMEs in Mexico.

Southern Bancorp combines traditional banking and lending services with financial development tools such as credit advice and public policy advocacy. Its commercial, small business and micro-loans supported the creation or retention of 6,000 jobs in 2016, and its commercial and non-profit borrowers have created or maintained an estimated 33,000 full-time equivalent construction and permanent jobs over the past four years. About 70% of these jobs pay at least a living wage of \$25k.

Kealopiko, a women-owned Hawaiian eco-fashion brand, trains and employs women in a very low-income area to manufacture environmentally friendly clothing.

Grassroots Business Fund's mission is to grow viable businesses that generate sustainable earnings or cost savings for people in Africa, Asia, and Latin America. GBF investees are estimated to have driven over \$45m of economic value, including \$29.1m in incremental income for farmers, artisans, other workers and their families. The **Adobe Social Mezzanine Fund I** invests in early stage, impact-driven initiatives and provides capacity building support. To date, eight companies have received investment, achieving average revenue growth of 37% during 2016.

Sonen Global Multi-Strategy seeks idiosyncratic investments in inefficient niche markets. The fund has invested in a trade finance fund, providing financing to enterprises in over 30 African countries, creating jobs as well as increasing food security. **Triodos Sustainable Trade Fund** provides finance to support the development of sustainable value chains. Finance from Triodos helps fair trade and organic farmers to increase productivity and generate income. In 2015, Triodos supported 104,000 farmers in rural areas.

Outcome UN 8.5: Increase productive and decent employment for all, and equal pay for work of equal value

Better Ventures investee, Werk, is an online marketplace of flexible work opportunities for professional women, building an ambitious community to challenge traditional work models. It currently has 3,500 subscribers. In 2016, 71% of **MicroVest's** 12.3 million microfinance clients were women and 50.2% of **Adobe's** borrowers were women.

Acumen Capital Markets I investee, Labornet, provides work-integrated job training for informal sector labour (eg, construction, beauty) in India. In 2016 it certified over 100,000 students with around a 73% poverty focus. **SailSafe's Waterhealth** water centres promote job growth. Each centre permanently employs at least two maintenance workers from the local community as well as labourers, plumbers, and electricians while the centres are being built.

96% of land owned by **Ecotrust Forests II** is located in economically distressed, low-income communities. To date they have invested over \$29m into these communities.

* These investees have SDG 8 as one of the top five SDGs to which they contribute.

† Access Capital Community Fund Investor Deck Q3 2017; Adobe Social Mezzanine Fund I Annual report 2016; Southern Bancorp Annual Report 2016; and MicroVest Impact report 2017.

‡ Better Ventures Q4 2016 Quarterly Report; Adobe Social Mezzanine Fund I Annual report 2016; ACMI 2016 Annual Review; Global Partnerships/Eleos Social Venture Fund, Investor Report Q1 2017; Grassroots Business Fund Investor Report Q1 2017; and Core Innovation Capital, Q1 2017 Report.

§ Southern Bancorp Annual Report 2016 and email correspondence; Grassroots Business Fund Investor Report Q1 2017.

SDG 15: LIFE ON LAND

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



10 Investees*

KLF investments have contributed to SDG 15 through:

- 21,300 acres of land permanently protected[†] (equivalent to over 20,000 football pitches);
- 600,000 acres of land restored or under sustainable management[‡] (equivalent to the size of Mauritius); and
- 472 miles of stream protected or restored[§] (equivalent to more than twice the length of the River Thames).

Outcome UN 15.1: Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems

Since inception, **Ecosystem Investment Partners II** has fully restored 29,000 acres of wetlands and 79 miles of streams; 375 miles of streams and seven freshwater springs have been protected through the Eco Trust Forests II fund; and since **Beartooth Capital's** inception, 624 acres of wetlands and ponds and 18 miles of river and creeks have been restored.

Outcome UN 15.2: Increase amount of forests regenerated or under sustainable forest management

Eco Trust Forest II manages 72,000 acres of ecologically significant forestland in Oregon and Washington, of this, 4,600 acres have been permanently protected or transitioned to long term owners and 70,000 acres have been opened to the public for non-motorized hunting and recreation. Five million tons of CO₂ are stored by Eco Trust Forest Management's forestland—equivalent to the annual emissions from over one million cars. Meanwhile, since inception, **EKO Green Carbon's** projects have 250,000 acres of forest under improved management.

In 2016, **Lyme Forest Fund III** directly controlled 169,000 acres of land under sustainable management. Nearly 9,000 acres were permanently protected in 2016, 117,000 acres over the life of the fund. Lyme's approach

to sustainable forest management includes a focus on restoring and maintaining biodiversity. Over the life of the Fund, over 12,000 acres of native trees have been planted and nearly 600,000 metric tons of sustainably-harvested timber products sold.

Over the anticipated 42-year life span of the project, **Pico Bonito** expects to reforest over 6,200 acres with over 1.2 million trees planted in the forest areas surrounding Pico Bonito national park in Honduras.

Outcome UN 15.3: Combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods

Sonen Global Multi Strategy has invested in Australia's successful water rights trading market, helping restore the water ecology in the Murray Darling Basin and establishing more efficient use of water within this arid region. **Sonen Global Sustainable Real Assets** investments in timber properties total 172,000 acres of sustainably managed landscapes.

Outcome UN 15.5: Reduce degradation of natural habitats, protect biodiversity and threatened species

A fencing project delivered by **Beartooth Capital**, in conjunction with the National Parks and Conservation Association (NPCA) ripped out fencing that was hazardous and an impediment to antelope, grizzly bears, bison and other wildlife. With the property border less than eight miles from Yellowstone National Park, this fencing project is expected to have a major impact on wildlife migration.

Restoration and reserves on **Eco Trust Forest's** land protect habitats for over 35 rare, threatened, and endangered species, while their sustainable forest management practices increase tree species and age diversity. **Lyme Forest Fund III's** project restoring wetlands and streams in South Carolina is preserving and enhancing foraging habitats for birds, including the threatened wood stork.

* These investees have SDG 15 as one of the top five SDGs to which they contribute.

† Sonen Global Real Assets Impact Report 2016; EcoTrust Annual Report 2016; Beartooth Capital 2016 Annual Report to Investors; and 2016 Annual Report, Lyme Forest Fund III T LP and Lyme Forest Fund III TE LP.

‡ Sonen Global Real Assets Impact Report 2016; 2016 Annual Report, Lyme Forest Fund III T LP and Lyme Forest Fund III TE LP; Beartooth Capital 2016 Annual Report to Investors; and EKO Green Carbon metrics August 2017 (not published?).

§ EcoTrust Annual Report 2016; Ecosystems Investment Partners 2016 Report; and Beartooth Capital 2016 Annual Report to Investors.

Impact practice across the portfolio

This section applies the **Impact Risk Classification (IRC)** to the majority (85%) of investments in the KLF portfolio. This analysis enables us to understand and compare the impact practice of every investment, and to help drive decision-making for the Foundation.

Each investment is scored from zero to three in five key areas—principles, purpose, outputs, outcomes, and impact (see pages 18–20 for more on our approach, or the full guide [Assessing the impact practices of impact](#)

[investments](#)²⁷). The total of these scores (from 0–15) places the investment in one of four stages; the higher the stage, the more advanced the impact practice. It is our belief that a developed, intentional impact measurement process ('impact practice' for short) is likely to be associated with a greater focus on—and, by extension, an increased probability of—impact. The table below shows the IRC in detail for the six case studies (pages 46–57) with more details on how each score is reached underneath.

Table 4: Impact Risk Classification for selected KLF investments

	Principles	Purpose	Outputs	Outcomes	Impact	IRC
Adobe Social Mezzanine Fund I, LP	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓	✓ ✓	Stage 3
Better Ventures Fund II, LP	✓ ✓	✓ ✓	✓ ✓	✓	✓ ✓	Stage 2
BioLite	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓ ✓	✓ ✓	Stage 4
Lyme Forest Fund III TE, LP	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	Stage 4
Sonen Capital Global Fixed Income Strategy (sustainable portion)*	✓ ✓ ✓	✓	✓		✓	Stage 2
Sonen Capital Global Fixed Income Strategy (thematic portion)	✓ ✓ ✓	✓ ✓	✓ ✓	✓	✓	Stage 3
Sonen Capital Global Sustainable Real Assets	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	✓ ✓	✓ ✓	Stage 3

* Sonen Capital's Fixed Income Strategy buys fixed income investments that align with specific sustainability criteria or thematic impact objectives. Around 55% of the investments are sustainable (where sustainability factors and financial returns drive investment selection, investing in companies that display ESG leadership), and 42% thematic (where targeted themes, such as climate change, renewable energy and waste management, and financial returns drive investment selection, investing in companies whose businesses specifically address social or environmental challenges). A small proportion (less than 3%) are responsible investments.

Principles: We are looking for evidence that impact is integral to the organisation and drives decision-making. For example, all **Adobe Social Mezzanine Fund I** (score 3/3) investees, as well as the fund itself, are GIIRS rated and impact appears to drive business decisions.

Purpose: We are looking for evidence that the organisation has an impact thesis or theory of change, and a strong understanding of how it will generate impact, and for whom. For example, **Better Ventures** (score 2/3) invests in businesses that provide goods with intentional social or environmental impact, but we find no evidence of a theory of change. There is some understanding of who receives effects (customers), but limited discussion of how need is addressed. **Access Capital Community Fund** (score 3/3) has a clear impact thesis and all investments are screened to ensure their primary purpose is community development.

Outputs: We are looking for evidence that the organisation reports, or the fund collates, consistent data that demonstrates the depth and scale of its delivery, potentially against targets or benchmarks. For example, **Sonen Capital's Sustainable Real Assets** (score 2/3) has selected core and supplemental impact metrics (for example, people with access to clean power) to report on annually, cross referenced to the SDGs. The sustainable portion of **Sonen Capital's Fixed Income** (score 1/3) reports carbon emission intensities for the countries in which investments are made compared to regional averages, however, very little other data is reported, or available to be reported.

Outcomes: We are looking for evidence that the organisation measures, or the fund collates, data on the changes it generates through its activities, or has sufficient evidence of the likelihood that outcomes flow from activities. For example, **Lyme Forest Fund III** (score 3/3) reports its outcomes with year on year comparisons with evidence that activity generates impact (such as land permanently conserved). This data is complemented by detailed case studies.

Impact: We are looking for evidence that the enterprise's activity, or fund's investment, creates additional effect beyond what would have happened anyway. For example, **Better Ventures** (score 2/3) does not specifically measure how much of the services or products provided by their businesses would have been offered by others, but their PreSeed works implies they are starting to address this.

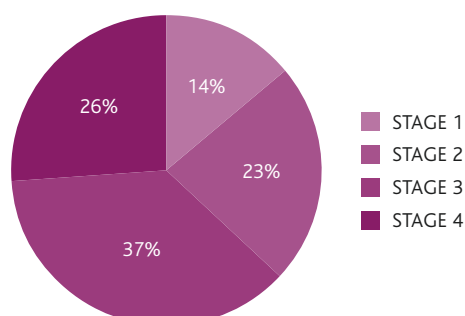
Comparing Impact Risk Classifications

The key findings from our analysis of applying the IRC across the portfolio are:

- **Most investees score high on Principles and Purpose**, indicating strong impact intention and a strong understanding of how activities will generate impact.
- **Few investees excel in demonstrating the additionality** of their work (that is, the impact they create above what would have happened anyway), though some are starting to think about this. We know that this is hard, however there is value in doing this at a sector level—as evidenced by the microfinance industry where in-depth studies have uncovered a truer sense of impact than simple output or outcome measures.
- **Cash, real assets, and fixed income investments tend to be associated with the strongest IRC scores**; public equity is the weakest.
- **The average IRC of the investments in funds was broadly the same as the average IRC of direct investments in enterprises.**
- **There is broadly an inverse relationship between financial return and impact practice.** Impact First investments have a higher average IRC score and a lower financial return than the rest of the portfolio.

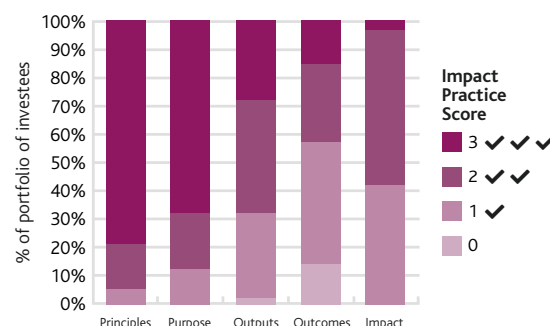
The portfolio represents a spread of investments at different stages of the impact-management journey, as shown by Figure 12. The majority of investments are classified as Stage 3 or 4 (63%), while 14% are at Stage 1. There are two investments (out of 35 analysed using the IRC) that are not sufficiently pursuing social or environmental impact in order to be categorised as 'thematic' investments. KLF may choose to either re-categorise them as 'sustainable' or divest from these holdings. These investments represent less than 2% of the portfolio's value.

Figure 12: Breakdown of KLF portfolio by Impact Risk Classification



This is an upwards shift from our assessment of the KLF portfolio in 2015. Previously, less than half of investments were classified as Stage 3 or 4, compared to 63% in 2017. In part, this reflects the development of the IRC framework, where we have placed greater emphasis on commitment to impact (through principles and purpose), and acknowledgement that outputs can be a demonstration of impact so long as evidence exists that activities generate impact. However, it also reflects a growing focus on impact reporting within the impact investing sector (see our interviews with investees on page 67).

Figure 13: KLF Investees' impact practice score by component



When breaking the scores down into the individual components that make up the impact practice score (Figure 13) we can see that across the portfolio investees are most advanced in their impact principles, with 94% scoring either 2 or 3, and purpose, with 89% scoring either 2 or 3. This is unsurprising as it is unlikely any organisations scoring a 0 or 1 for principles would fit the Kleissners' values and requirements. It is also reassuring to see strong scores on purpose, which imply the majority of investees have a clear mission as well as a strong understanding of who experiences the effect of their goods or services, the resulting outcomes, and their importance.

Impact Risk Classification by impact type and asset class

Table 5: Average IRC score by impact type

Impact type	Average IRC Score
Impact First	11.7
Thematic	9.9
Sustainable	8.0
Total portfolio	10.2

Table 5 shows the average IRC score by impact type. As we would expect, Impact First investments have the highest IRC score, while Sustainable investments have the lowest. Impact First investments have more developed theories of how impact is generated and a greater focus on impact data collection and reporting.

Table 6: Average IRC score by asset class

Asset class	Average IRC score
Cash	12.0
Real Assets	11.4
Fixed Income	10.8
Hedge Funds	9.5
Private Equity	9.3
Public Equity	7.5
Total portfolio	10.2

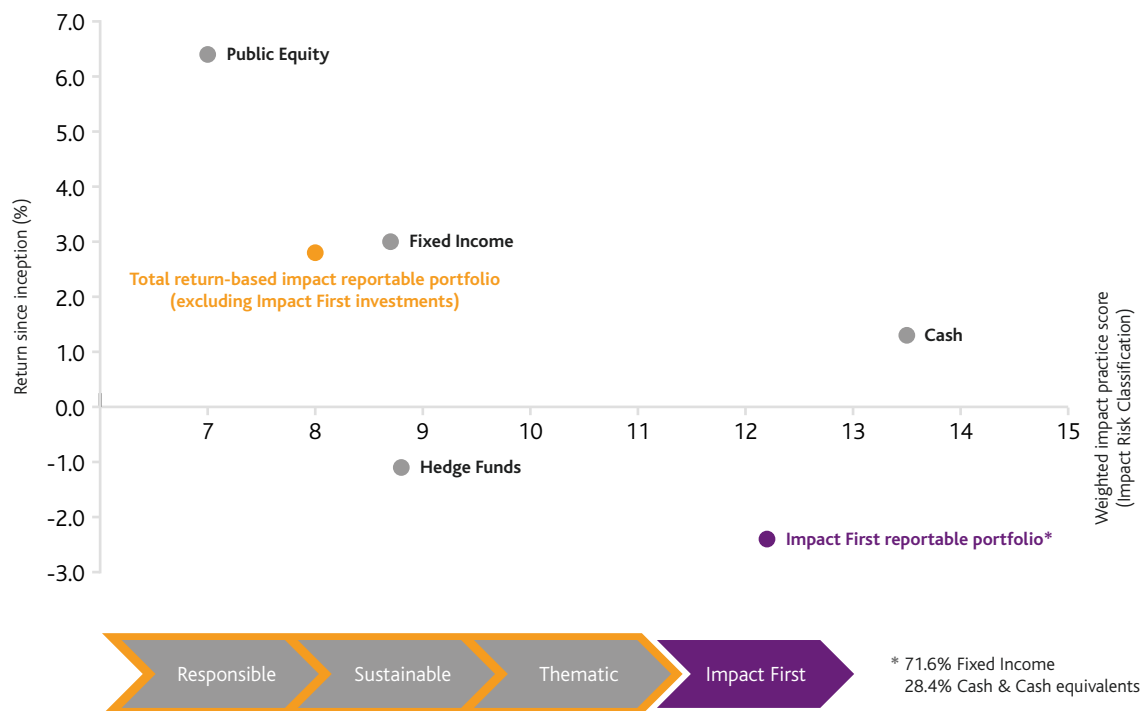
Table 6 shows the average IRC score by asset class. Cash, fixed income, and real assets are associated with the highest IRC scores, while public equity has the lowest. We should avoid reading too much into average scores, which in places are influenced by the number of investees in each class (for example, there are only two cash, hedge fund and public equity investees),* however some of the themes can be expected. For example, the real asset investments are almost all environmental or conservation organisations (such as Lyme Forest Fund III or Beartooth Capital) which are based on existing evidence that outputs such as 'trees planted' result in increased CO2 absorption and longer term, positive impacts on climate change. Conversely, public equity investments tend to have a lower IRC rating because they are mainly funds investing in organisations with best ESG practices regardless of their activity, rather than in organisations intentionally creating impact.

Impact Risk Classification against financial return

Figure 14 shows the market-weighted average impact practice score plotted against the financial performance of the asset classes since inception.[†] The Impact First investments, which are selected to optimise social and environmental needs and may trade off financial return,

do have a higher weighted average impact practice score and a lower financial return than the rest of the portfolio. Although we caution against reading too much into this limited data, higher financial returns tend to be associated with lower impact practice scores.

Figure 14: The relationship between Impact Risk Classification and financial return



We had hoped to plot the Impact Risk Classification (IRC) against the historic returns for each investment. However, performance data is only available at the total portfolio level and by asset class—including cash equivalents, global fixed income, global public equity, hedge funds, and the Impact First reportable portfolio—but not for

individual investments. In addition, financial return data is not available for impact private equity and real asset investments due to their immature stage in the investment cycle. Of the 45 investments in the portfolio, 17 are included in the Sonen performance figures, covering 71% of the value of the portfolio (see pages 74–77).

* See Appendix for full list of investees by asset class.

† Average asset class scores in Figure 14 include only those investments with reportable financial performance, and hence may differ from the average scores in Table 6.

Investor contribution

KLF not only provides investment capital to the organisations in its portfolio, but also additional support for a significant number of organisations (both companies and funds). Using the Impact Management Programme's definitions of investor contribution (see Appendix 1), KLF's support for investees may be summarised using the categories below.

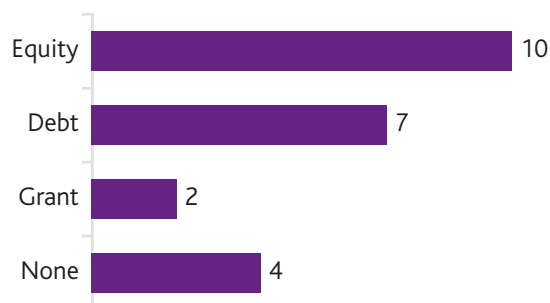
One aim of this report was to establish the impact of KLF's support on each investee, alongside the impact of the investee on people or the planet. We therefore conducted an online survey of all KLF's investees in September and October 2017. The survey had an excellent response rate (26 out of 28 investees replied) allowing us to express the results in terms of percentage of respondents.

Investor contribution	Type of KLF support
Signal that impact matters	All KLF investees align with their values.
Engage actively	KLF investment is accompanied by training, business and strategic advice and coaching. KLF may help raise the profile of the investee or provide access to networks.
Grow new or undersupplied capital markets	KLF investment creates additional financial leverage through investing in new financial structures, (first-time funds or social impact bonds), taking a cornerstone investment or bringing in public finance.
Provide flexible capital	KLF recognises that certain types of business require acceptance of disproportionate risk-adjusted financial return to generate certain kinds of impact. KLF may combine investment with grant funding.

Attracting additional funding

Nearly three quarters of respondents said KLF enabled them to attract additional funding, while almost half said KLF enabled them to increase their revenue generation. Additional funding was mostly in the form of equity and debt (Figure 15). Four investees reported that support from KLF did not enable them to attract any additional funding.

Figure 15: What kind of additional funding has KLF enabled you to attract? (n = 23)

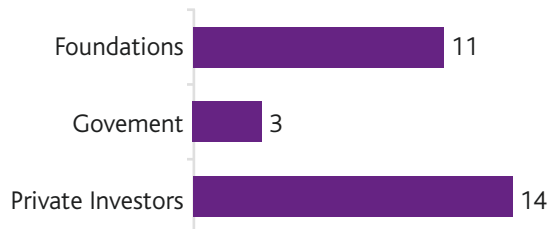


KLF's early investment into many of our funds not only signalled to the market but also helped scale those funds to become more attractive for other investors.

MicroVest

Most of the new funders attracted due to KLF's involvement have been private investors and foundations (Figure 16). Over one third of investees attracted multiple kinds of new funders.

Figure 16: What kind of additional funders has KLF enabled you to attract? (n = 22)



67% of investees felt that KLF had a positive impact on their ability to attract additional funding or increase their earned revenue. Comments on KLF's involvement and influence were generally positive, although in a few cases investees felt that it did not lead to as much as expected. For example, one company hoped that their connection with KLF would help them get more funding through the Toniic network, but this did not materialise, even after their investment round was placed on the Toniic platform.

The participation of an established, well-known impact investor such as KLF has provided the fund credibility with prospective investors.

Global Partnerships / Eleos Foundation Social Venture Fund

Advisory input

Over a third of respondents said that KLF provided some form of advice, with a handful receiving multiple forms of advice. Strategic planning has been the most common form of advisory input provided by KLF (Figure 17). Additional types of advice provided include:

- discussion and guidance before launching a fund;
- collaboration with other; prospective participants during start-up phase; and
- advocacy, networking and credibility.

Figure 17: Has KLF provided you (either directly or paid for) with any of the following? (n = 11)



Opinions varied on the impact of KLF's advisory role: 50% of respondents felt that KLF's advisory role had a positive impact on their enterprise or fund, although some noted that while KLF was highly engaged at the start, it took a more passive role later. Others felt they did not receive any mentoring or advice, but those who did found it to be valuable.

Lisa's contributions on our bi-annual investor calls have proven quite useful—around new product development [...] and otherwise.

Purpose Global

Advocacy role

Almost half the respondents felt that KLF had played a role in promoting their enterprise or fund. An equal number (12 respondents) did not know whether this was the case. This is most likely because investees recognised they would not always be present to observe KLF's promotional activity, indicating the need for an alternative measure for this aspect of KLF's work. For those who felt that KLF had played a role here, it was in the following respects:

- raising their profile with other investors, foundations, and peers (11 responses);
- raising their profile within their field (eight responses); and
- facilitating access to investor networks (seven responses).

Meanwhile, none of the investees felt that KLF provided them with access to markets.

Over two thirds of respondents felt that KLF's advocacy role had had a positive impact on their enterprise or fund, although ten investees felt they did not know if this was the case, or if it applied to them.

“ Even though the Foundation has been great in promoting the fund and raising its profile, we believe that we could definitely make more use of the advocacy programs that the Foundation offers [...] and further benefit from the network of international peers. ”

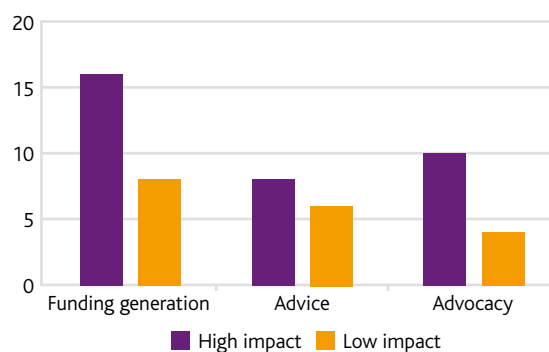
Adobe Social Mezzanine Fund I

KLF's financial, advisory and advocacy impact

Comparing the different ways that KLF has supported its investees, getting financial leverage had the biggest impact* and KLF's advisory role the least. However, although two thirds of respondents felt KLF helped them to attract additional funders or increase revenue generation, the rest did not—suggesting that this is an area where KLF could have greater consistency in how it supports investees.

* We asked each investee to rate KLF's impact on a scale of 1–7 (1 = 'no impact', 7 = 'significant positive impact'); responses are then grouped into High impact (responses 5–7) and Low impact (responses 1–3).

Figure 18: How would you rate KLF's influence/role in the following areas? (n = 26)



General feedback

Many of the investees would like to be more engaged with KLF. A few of the European investees mentioned how the involvement of a US foundation has been very important for them. KLF's credibility and networks have helped investees by raising their profile in various circles. Other forms of informal support were valued: nearly all investees feel very comfortable about approaching KLF if a problem ever arose for them.

“KLF is a stamp of approval for investors who really care about impact.”

Better Ventures

“... just knowing they are there if we have any questions about anything, with a helping kind hand that is genuine and supportive of our company.”

Kealopiko

'Supportive' and 'leaders' were the two most commonly used words used to describe KLF (see Figure 19). Most investees offered their thanks and appreciation for all the help and support KLF has provided, while others felt they could learn more from KLF by engaging more—and in different ways:

Figure 19: At this point in time, what is the one word that best describes KLF?



“We appreciate your efforts to support the work of companies/ investments across the full portfolio, us included, and would love to better understand the aggregate findings where possible to see what lessons learned we could apply to our work, too! Thanks so much for that.”

Purpose Global

Impact of individual investments—six case studies

The following case studies bring together all the data and tools in a two-page dashboard of six KLF investees where we include:

- enterprise or fund information;
- KLF's investment information—date, value, asset class, and KLF's intentions with the investment;
- Impact Management Project analysis—assessing how much has been achieved, of what, and for whom;
- NPC's Impact Risk Classification (IRC)—each organisation is given a Stage 1 to 4 classification based on its impact practice;
- KLF's investor contribution, 'beyond capital'—as gained from our online survey of investees;

- SDG impacts achieved and contributions made—through core output and outcome metrics and illustrative examples indicating how these relate to the UN targets set as part of the SDG framework; and
- enterprise or fund impact narrative.

The case studies that we selected illustrate the diversity of the portfolio and are a mix of funds and enterprises, different asset classes, and range across the impact spectrum—from Impact First through to sustainable investments. The variety of examples shows how the framework and tools can be applied to any investment providing a useful overview of the dimensions discussed.

Impact Management Project Dimensions

For each of the case studies, we have assessed where each fund or enterprise sits on the various dimensions of impact (explained in more detail on page 21). This is not scientific and requires a level of judgment, particularly for funds with a diverse portfolio of investees, but it provides some understanding (and enables comparison) of *how much* impact has been achieved, of *what*, and for *whom*.

Impact Risk Classification

The higher the Impact Risk Classification (Stage 4 being the highest), the more advanced its impact practice. This is helpful for an investor to understand the risk of the intended impact being achieved.

Together, the two frameworks provide a full understanding of an organisation's impact, assessing the robustness of data (impact risk) around the impact goals.

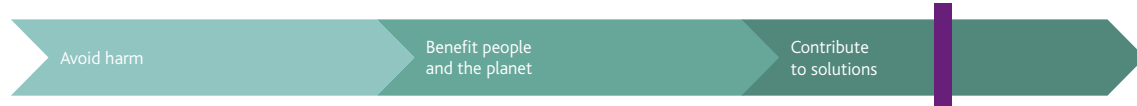
ADOBE SOCIAL MEZZANINE FUND I LP

About the fund

Year founded:	2013	Target geography:	Mexico
Location of fund:	Mexico	Capital committed:	\$20.2m

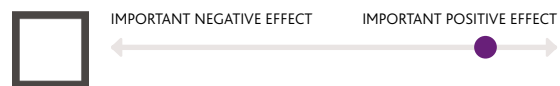
About the KLF investment

Date of initial investment:	2013	Value of KLF investment:	\$48,797
Asset class:	Private equity	Impact type:	Impact First



WHO

Adobe Social Mezzanine Fund I invests in Mexican companies with fewer than 50 employees, less than \$10m in sales, strong potential for growth, and the potential for significant social or environmental impact. The Fund has a particular emphasis on products and services addressing the needs of 'bottom of the pyramid' communities in Mexico and addressing local and global environmental issues.



WHAT



The fund provides both capital and strategic support to its investees through the social and environmental accelerator, New Ventures Mexico. Adobe Capital aims to provide its investors with 'competitive, risk-adjusted returns ... that support the early growth of promising impact-focused enterprises in key sectors'. The Fund's investments are split across housing (28% of the portfolio in 2016), energy (11%), financial services (26%), health (15%), education (17%), and sustainable products (3%).

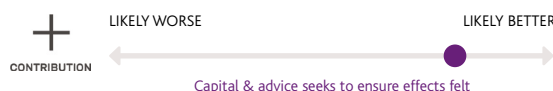


HOW MUCH

FOR FEW FOR MANY

SHORT-TERM LONG-TERM

SLOWLY QUICKLY



Impact Risk Classification: Stage 3





RISK

Principles	Purpose	Outputs	Outcomes	Impact
✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓	✓ ✓

Impact focus clearly incorporated into investment criteria. Third GIIRS rating (2017). Good output data and some outcome measures with limited case studies. Additionality achieved through embedding social or environmental impact in business models.

KLF investor contribution: medium

Signal that impact matters	✓	As with all KLF investees, investment aligns with values.
Engage actively		
Grow new or undersupplied capital markets	✓	As an investor in a first-time fund, KLF's influence has been significant in helping Adobe raise additional capital from foundations, family offices, and others.
Provide flexible capital	✓	As an Impact First investment, KLF accepts disproportionate risk-adjusted financial return to generate a certain kind of impact.

Impact achieved: contribution to SDGs					
SDG	Relevant impact target*	Relevant impact metrics	2014	2015	2016
 3 GOOD HEALTH AND WELL-BEING	UN 3.8 Increase coverage of health services, and access to medicines and vaccines	Caregivers employed†	19	23	30
		Legally blind patients operated†	1,662	1,788	1,923
		Surgeries that prevent or reverse blindness†	93%	94%	98%
 4 QUALITY EDUCATION	UN 4.3 Increase access to affordable and quality technical, vocational and tertiary education	Accumulated student loans‡	6,631	8,755	10,537
		Percentage of women borrowers‡	39.3%	49.4%	50.2%
		Percentage of low-income borrowers‡	41.0%	53.2%	44.3%
 8 DECENT WORK AND ECONOMIC GROWTH	UN 8.3 Increase productive activities, jobs, innovation and small enterprises, including access to financial services	Companies receiving investment**	4	5	7
		Investment in portfolio companies (\$m)**	5.9	10.1	11.0
		Average revenue growth of portfolio companies (y/y)**	77%	57%	37%
 11 SUSTAINABLE CITIES AND COMMUNITIES	UN 11.1 Increase access to adequate, safe and affordable housing and basic services	Individuals housed (both investees) (via investees <i>Habitacion y Vida Habvita</i> and <i>Comunidades que Renacen</i>)	7,007	7,804	12,216§

Social or environmental impact achieved (examples from portfolio companies):

- Adobe investee *Comunidades que Renacen* sold 1,671 affordable homes during 2016—an increase of 98% since 2012 when 213 homes were sold. The homes sold in 2016 housed more than 6,800 individuals. Since inception, the company has also refurbished more than 3,300 homes and has drawn on the support of more than 50,500 volunteers to deliver 310,000 volunteer hours.
- Investee *Habitacion y Vida Habvita* also contributes to affordable housing, with particular focus on housing in rural areas. During 2016, *Habvita* built more than 1,250 homes

housing approximately 5,400 individuals. The company also created a US immigrant sales programme targeting Mexican immigrants living in the USA who regularly send remittances back to their relatives in rural Mexico.

- Investee *NatGas*, based in Queretaro in central Mexico, operates natural gas fuelling stations and converts vehicles to natural gas. The company opened its fourth natural gas fuelling station in 2016, with four further stations in the pipeline for 2017. The company reports that fuel it provided in 2016 replaced 24.7 million litres of gasoline, resulting in a CO2 reduction of 59,225kg.

Case study

SalaUno Salud is a healthcare provider based in Mexico City and was established in 2011. It offers low-cost cataract and other types of eye surgeries via its Diagnostic Clinics. Adobe Social Mezzanine Fund I invested in *SalaUno* in 2014. During the last quarter of 2016, *SalaUno* began work constructing its new Surgical Hub, which opened in Q2 2017. The Hub is

located in central Mexico City and employs more than 150 people. *SalaUno* also doubled the number of its Diagnostic Clinics in 2016, performing 5,424 surgeries—meaning the company has conducted almost 24,000 surgeries since 2011. 98% of the surgeries conducted by *SalaUno* in 2016 either prevented or reversed blindness in company's patients.

Please note that this information does not constitute investment advice. Please see disclaimer on page 2.

* Targets adapted from UN SDG Global Indicator Framework, as developed by the Inter-Agency and Expert Group (IAEG-SDGs). Metrics however tend to be investee specific, rather than the UN SDG indicators.

† via investee *SalaUno*

‡ via investee *FINAE*

§ Figure for individuals housed in 2016 combines data from investees *Habitacion y Vida Habvita* (5,416 individuals housed) and *Comunidades que Renacen* (6,800 individuals housed). Earlier data is for individuals housed by *Habitacion y Vida Habvita* only.

** Whole portfolio

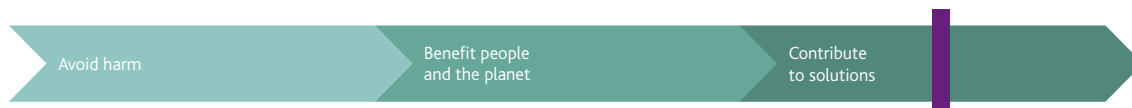
BETTER VENTURES

About the fund

Year founded:	2011	Target geography:	Global
Location of fund:	US	Capital committed:	\$21m

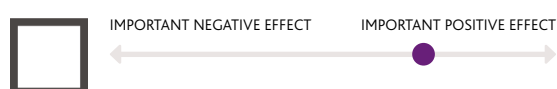
About the KLF investment

Date of initial investment:	2014	Value of KLF investment:	\$37,525
Asset class:	Private equity	Impact type:	Thematic



WHO

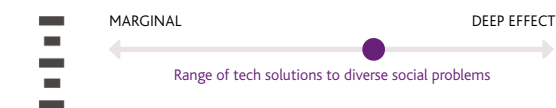
Better Ventures provides funding and support to technology companies pursuing social and environmental outcomes. Most investees are based in California. The technology they develop impacts people globally in some cases, though the majority of products are more likely to be adopted in developed economies.



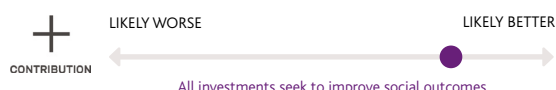
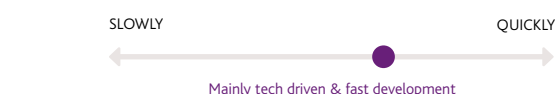
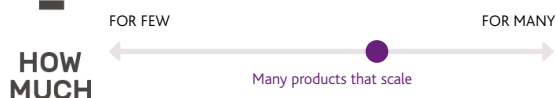
WHAT



Better Ventures backs entrepreneurs building scalable and capital-efficient technology companies that address big global challenges—particularly technology-driven innovations for sustainability, health diagnostics, and increased access to life-improving opportunities.



HOW MUCH



Impact Risk Classification:

Stage 2

RISK




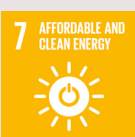
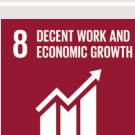
Principles	Purpose	Outputs	Outcomes	Impact
✓✓	✓✓	✓✓	✓	✓✓

Better Ventures has a clear impact focus in its principles and purpose. Core, high level output metrics on people and environment are collected and aggregated across the portfolio. It could go further in its analysis of outcomes, including qualitative data. Better Ventures' PreSeed work implies additionality, though additionality is not measured.

KLF investor contribution: medium

Signal that impact matters	✓	As with all KLF investees, investment aligns with values.
Engage actively	✓	KLF have been instrumental in introducing other investors to the fund—particularly through the Toniic network. KLF's investment is a 'stamp' of approval for other impact investors considering the fund.
Grow new or undersupplied capital markets	✓	Investing in a first-time fund.
Provide flexible capital		

Impact achieved: contribution to SDGs

SDG	Relevant impact target*	Relevant impact metrics	2014	2015	2016
	UN 1.4 Increase individuals with access to basic services (banking, land rights, technology)	Individuals with access to essential services (000) (for whole fund)	417	1,853	2,877
	UN 3.4 Reduce premature mortality from non-communicable diseases, promote mental health and well-being	Number of seniors with access to better health and quality of life (via investee K4 Connect)	N/A	N/A	318
	UN 5.1 Reduce incidence of discrimination against women and girls	Number of subscriptions to online marketplace of flexible work opportunities for professional women (via investee Werk)	N/A	N/A	3,500
	UN 7.2 Increase the share of renewable energy in the global energy mix UN 7.1 Increase access to affordable, reliable and modern energy services	CO2 emissions avoided (metric tons) (for whole fund)	31,000	146,000	562,000
	UN 8.3 Increase productive activities, jobs, innovation and small enterprises, including access to financial services	Jobs created (for whole fund)	114	195	232
		Job placements (via investee Localwise)	N/A	c1,500	5,900
		Individuals with access to reliable energy (via investee Sun Funder)			2.7m

Social or environmental impact achieved (examples from portfolio companies):

- Better Ventures looks for significant and measurable social or environmental impact potential that is created directly through the use of a company's products or services or through the supply chains that produce and deliver them. It is a high-engagement seed fund that provides capital, expertise, and an extensive business network to help start-ups with impact.

- Better Ventures PreSeed initiatives provide early-stage founders with resources, community, and support to help them launch and grow successful businesses that also benefit the community.
- By the end of 2016, the cumulative impact of Better Ventures' portfolio companies includes 3.3 million people impacted, 232 jobs created, and 562,000 tons of carbon offset.

Case studies

Sun Funder is a solar finance platform that unlocks capital for off-grid solar businesses in emerging markets, where over 2.5 billion people lack access to reliable energy. Its work both reduces carbon emissions and enables access to energy for people without such access. To date, it has made \$15m of loans and avoided 222,000 metric tons of carbon.

Local Wise is an online job marketplace that connects local businesses with local workers based on trust and reputation, leading to better employment outcomes.

It facilitates and empowers workers to find good work while enabling local business economies to thrive. To date, it has led to 5,900 job placements.

Utility Api is enterprise software that streamlines access to utility usage and billing information for prospective clean energy customers, enabling the shift to a clean energy economy and playing a direct role in reducing carbon emissions. To date, it has accessed 52,000 meters and avoided 323,000 metric tons of carbon emissions.

Please note that this information does not constitute investment advice. Please see disclaimer on page 2.

* Targets adapted from UN SDG [Global Indicator Framework](#), as developed by the Inter-Agency and Expert Group (IAEG-SDGs). Metrics however tend to be investee specific, rather than the UN SDG indicators.

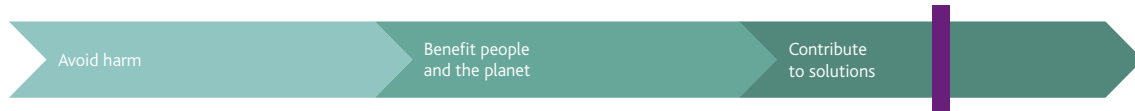
BIOHITE

About the fund

Year founded:	2010	Target geography:	Global
Location of fund:	USA	Capital committed:	Private

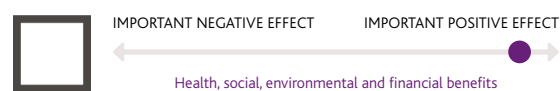
About the KLF investment

Date of initial investment:	2011	Value of KLF investment:	\$89,737
Asset class:	Private equity	Impact type:	Impact First



WHO

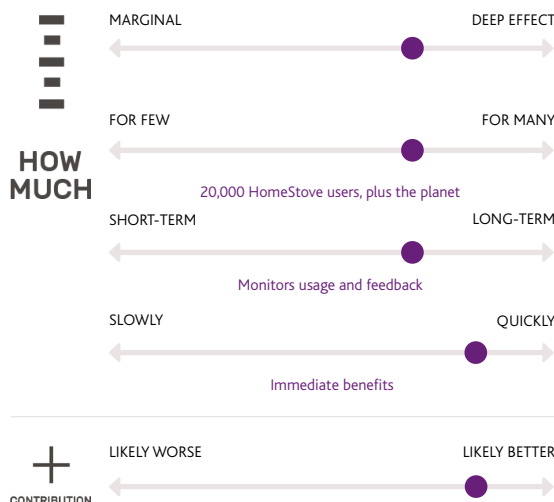
Around three billion people worldwide cook meals on smoky, open wood fires—the majority of them with little or no access to electricity. Open fire cooking causes over four million deaths per year through respiratory illness. BioLite's HomeStove and other energy solutions benefit rural households in off-grid communities in India and sub-Saharan Africa. BioLite also benefits the planet through its energy-efficient cooking and lighting products targeted at the recreational market.



WHAT



BioLite produces clean, efficient, affordable cookstoves with electronics charging capability and lighting, thereby reducing negative health impacts and need for fuel, increasing off-grid energy access and improving financial well-being for its customers. It operates a parallel innovation model, supporting the emerging markets business until it is commercially self-sufficient with sales of cooking, charging and lighting products from the recreation market in the developed world, which encourage a switch from fossil fuels.



Impact Risk Classification: Stage 4

RISK



Principles	Purpose	Outputs	Outcomes	Impact
✓✓✓	✓✓✓	✓✓	✓✓✓	✓✓

Clear impact report, effort to assess customer feedback (quality and usage of products). Creating an additional effect in emerging markets—new clean and affordable energy products. Strong learning ethos.

KLF investor contribution: high

Signal that impact matters	✓	As with all KLF investees, investment aligns with values.
Engage actively	✓	Introduced BioLite to other investors and enabled BioLite to raise additional capital.
Grow new or undersupplied capital markets	✓	KLF was first investor leading the way for initial investment round in innovative business model.
Provide flexible capital	✓	As an Impact First investment, KLF accepts disproportionate risk-adjusted financial return to generate a certain kind of impact.

Impact achieved: contribution to SDGs

SDG	Relevant impact target*	Relevant impact metrics	2014	2015	2016
	UN 3.9 Reduce the number of deaths and illnesses from hazardous chemicals, pollution and contamination	People breathing clean air (cumulative)	20,975	41,085	100,000
	UN 7.1 Increase access to affordable, reliable and modern energy services UN 7.2 Increase the share of renewable energy in the global energy mix	Households cooking with HomeStove (cumulative)	4,195	8,217	20,000
		Watt-hours generated by HomeStove (cumulative)	7,755,425	27,517,028	69,314,508
		Tons of CO2e offset by HomeStove (since 2013)	8,316	30,583	75,253

Social or environmental impact achieved:

- 20,000 households are now cooking with a HomeStove (which uses 50% less fuel than an open fire) and 95% of customers are still using the HomeStove after three years.
- Over 40 million watt-hours of electricity were generated by the HomeStove in 2016. Through its clean energy products, BioLite has generated over 100 million watt-hours since beginning operations in emerging markets.
- The HomeStove reduces particle matter and carbon emissions by up to 90%. As a result, over 100,000 people are breathing cleaner air.
- An estimated \$270 per year is saved per family from reduced expenditure on fuel, lighting, and phone charging.
- Since 2013, BioLite's HomeStoves have offset over 75,000 tons of CO2e by reducing the amount of greenhouse gas emissions that would otherwise have come from a household's smoky open fire. These savings are independently verified by the Gold Standard Foundation and CDM, the leading carbon accreditation bodies. BioLite offsets all the carbon it produces as an organisation and then sells surplus carbon credits, re-investing revenue generated into its emerging markets' work.

Case study

Mary, based in a village near Kampala, Uganda, saw her neighbour cooking on a BioLite HomeStove and jumped at the chance to explore an alternative cooking method. The smoke from her open fire had made cooking a painful task, it caused her eyes and nose to sting and she worried about her children's health as they were constantly coughing and sneezing. One year later, Mary, now a HomeStove owner, finds cooking comfortable. She can boil water for morning tea without causing her children to wake up coughing. Her family even offers to help her

cook meals and after eating, they enjoy plugging an LED light into the HomeStove and sharing stories from the day. Mary's favourite part about becoming a HomeStove owner is the savings. Her old cooking fire required excessive amounts of firewood but her HomeStove is efficient and uses 50% less fuel. She purchases less wood and is saving 50,000 UGX (\$15) each month. That extra money is going directly towards her children's school fees.

Please note that this information does not constitute investment advice. Please see disclaimer on page 2.

* Targets adapted from UN SDG [Global Indicator Framework](#), as developed by the Inter-Agency and Expert Group (IAEG-SDGs). Metrics however tend to be investee specific, rather than the UN SDG indicators.

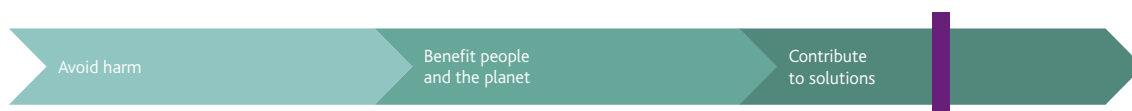
LYME FOREST FUND III TE, LP

About the fund

Year founded:	2010	Target geography:	USA
Location of fund:	USA	Capital committed:	\$160.4m

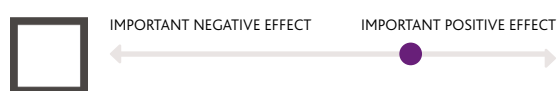
About the KLF investment

Date of initial investment:	2011	Value of KLF investment:	\$58,802
Asset class:	Real Assets	Impact type:	Thematic



WHO

45 million acres of US working forests are at risk of development and fragmentation over the next 15 years. Lyme Forest Fund III targets high conservation priority forestlands to increase the continuous acreage of conserved land and open space. The Fund aims to protect native flora and fauna, and to support people and companies working on the land in a sustainable way.



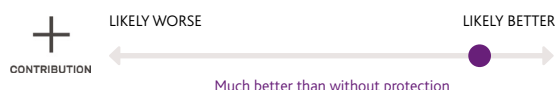
WHAT



Lyme Forest Fund III invests in US timberland and rural real estate with important conservation attributes. Lyme sells conservation easements, which permanently restrict land development, but still allow Lyme to generate income through sustainable timber harvesting, leasing land for recreation and selling ecosystem services. The fund also invests in mitigation banks (a degraded property that Lyme restores to original ecological condition) and sells credits to project developers who need to mitigate their impacts.



HOW MUCH



CONTRIBUTION

Impact Risk Classification: Stage 4

RISK



Principles	Purpose	Outputs	Outcomes	Impact
✓✓✓	✓✓✓	✓✓✓	✓✓✓	✓✓✓

Clear focus and purpose, and business model fully aligned with impact goals. Good output data and some outcomes with case studies and year on year comparison. Approach to land preservation means outcomes likely to be sustained.

KLF investor contribution: medium

Signal that impact matters	✓	As with all KLF investees, investment aligns with values.
Engage actively		None directly, but through KLF's leadership, Lyme is encountering more investors interested in committing 100% of their portfolio to impact.
Grow new or undersupplied capital markets		
Provide flexible capital		

Impact achieved: contribution to SDGs

SDG	Relevant impact target*	Relevant impact metrics	2014	2015	2016
	UN 6.6 Protect and restore water-related ecosystems, including mountains, forest, wetlands, rivers, aquifers and lakes	Fresh Water Bodies Present PI7170 (acres)	42,396	37,251	37,251
	UN 15.2 Increase amount of forests regenerated or under sustainable forest management	Sustainably Managed Land Area (acres) OI6912	223,247	170,169	169,153
		Permanently Protected Land Area (acres) PI3924	1,927	46,189	8,907
		Native Trees Planted (acres) PI3848	4,686	2,245	2,825

Social or environmental impact achieved:

- Lyme closed The Lyme Forest Fund III in 2010 with \$160.4m of committed capital. By the end of the Fund's investment period in August 2014, Fund III had made twelve investments involving, in total, approximately 230,000 acres of land. Over half of the Fund's portfolio—current and historic—had been permanently protected by the end of 2016.
- In 2016, all of the Fund's timberland holdings maintained official certification from the Sustainable Forestry Initiative (SFI). The SFI conducts annual reviews to ensure 'sustainable forest management that

encompasses a variety of responsibilities including maintaining forest productivity and health and protecting water quality, biological diversity and special sites'.

- Over the life of the Fund, as of December 2016, forestry operations had planted over 12,000 acres of native trees and sold nearly 600,000 metric tons of sustainably-harvested timber products.
- Lyme also creates jobs in the sustainability industry—with 30 full time equivalent employees working for enterprises financed or supported by the Fund in 2016.

Case study

In February 2014, the Fund partnered with Eco-Capital Advisors to purchase 2,555 acres of undeveloped real estate in South Carolina, with the intention to establish the Mill Creek Mitigation Bank. The property had long been coveted as a conservation priority by government and conservation groups. The Bank protects three miles along the Congaree River and its location is ideal for creating habitat corridors and connectivity to surrounding wetlands, tributaries and riparian areas. Upon the initial acquisition, the Fund

sold 1,786 acres to Richland County and reserved a mitigation use rights easement over those acres, which grants the right to develop and operate a mitigation bank on the property.

In 2016, the Mill Creek Mitigation Bank received its Mitigation Banking Instrument (permit) and first credit release. As a condition of the permit, the Fund is preserving, enhancing and restoring streams and wetlands associated with the Congaree River.

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* Targets adapted from UN SDG [Global Indicator Framework](#), as developed by the Inter-Agency and Expert Group (IAEG-SDGs). Metrics however tend to be investee specific, rather than the UN SDG indicators.

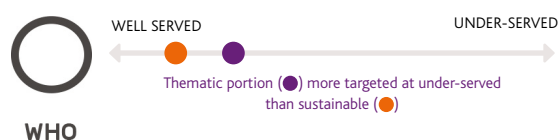
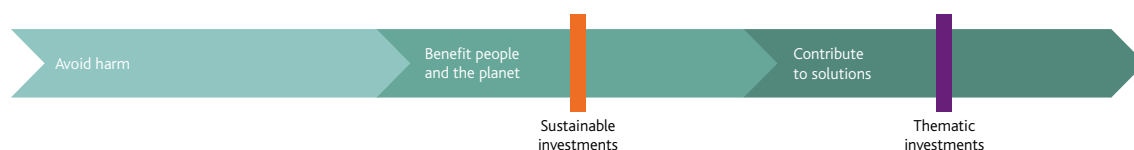
SONEN CAPITAL GLOBAL FIXED INCOME STRATEGY

About the fund

Year founded:	2011	Target geography:	Global
Location of fund:	USA	Capital committed:	\$111.6m

About the KLF investment

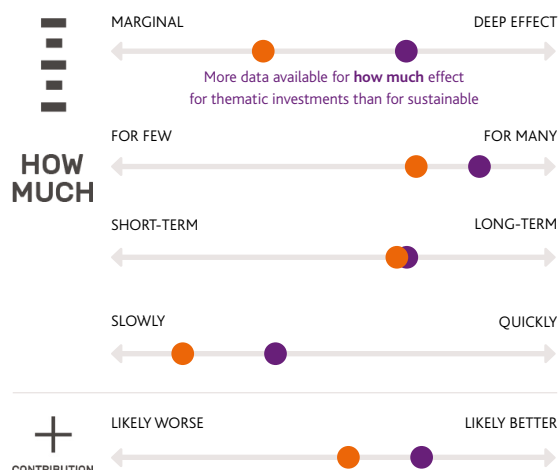
Date of initial investment:	2011	Value of KLF investment:	\$1,732,221
Asset class:	Fixed income	Impact type:	Sustainable ● Thematic ●



Sonen believes that public market investing can help address large-scale global challenges and can contribute to specific positive global social and environmental returns. Exposure is to fixed income investments that align with specific sustainability criteria or thematic impact objectives. Sustainable investments are measured by how they operate and manage related environmental, social or governance risks and opportunities. Thematic investments are evaluated on what organisations do, for example goods and services that directly address specific social or environmental needs.



Sonen invests in managers that use advanced Environmental, Social and Governance (ESG) risk and opportunity analysis to enhance their origination and evaluation of underlying global bonds. Sustainable investments involve an evaluation of ESG factors and look for companies that display ESG leadership in business practices. Thematic investments focus on climate change adaptation and mitigation, such as infrastructure (low-carbon transport), renewable energy, energy efficiency and waste management, specifically through exposure to Supranational and Corporate Green Bonds.



Impact Risk Classification: Stage 2





RISK

Principles	Purpose	Outputs	Outcomes	Impact
✓✓✓	✓✓	✓		✓

Sonen produce an annual impact report which maps the portfolio to SDGs. Thematic holdings have a more direct and tangible connection with impact than sustainable although both struggle to evidence outcomes due to the nature of the investment.

KLF investor contribution: medium

Signal that impact matters	✓	As with all KLF investees, investment aligns with values.
Engage actively		KLF provided some strategic input during Sonen's early days.
Grow new or undersupplied capital markets	✓	KLF invested in Sonen funds, but also directly invested in the firm which helped Sonen to grow and support other investors with similar values and requirements.
Provide flexible capital		

Impact achieved: contribution to SDGs			
SDG	Relevant impact target*	Relevant impact metrics	
 6 CLEAN WATER AND SANITATION	UN 6.3 Improve the quality of water by reducing pollution and reducing untreated wastewater	Proportion of wastewater safely treated	Fund invested in the DC Water and Sewer Municipal Bond. One of DC Water's facilities can treat more than 380 million gallons of sewage per day for more than two million Washington metro area customers.
 7 AFFORDABLE AND CLEAN ENERGY	UN 7.1 Increase access to affordable, reliable and modern energy services	Renewable energy share in total final energy consumption	Fund invested in German Development Bank KfW's green bonds—issued to finance renewable energy projects. KfW is expected to save the equivalent of 2.2 million tons of GHG emissions annually through projects financed.
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	UN 9.1 Improve quality, reliable, sustainable and resilient infrastructure	CO ₂ emissions avoided Number of people with access to better transport	Fund invested in World Bank Green Bonds, issued to upgrade and green Rio de Janeiro's urban rail system. It aims to reduce 34,000 tons of CO ₂ and serve an additional 70,200 passengers per day by project end.
 11 SUSTAINABLE CITIES AND COMMUNITIES	UN 11.6 Reduce the adverse environmental impacts of cities by paying attention to air quality and waste management	Proportion of urban solid waste regularly collected	Fund invested in NYC Resource Corporation's bond which supports the installation of machinery at a solid waste disposal facility that processes 35% of all waste paper generated in New York.

Social or environmental impact achieved:

- The strategy made specific contributions to six of the UN Sustainable Development Goals, including health, water, energy, infrastructure, sustainable cities, and responsible consumption/production (four of which are illustrated above).
- In 2016, 55% of Sonen's fixed income strategy included sustainable holdings across sovereign, corporate and municipal bonds. Municipal bond holdings highlight leadership in sustainable urban planning, especially

around wastewater recapture, recycling and reuse across the US

- About 40% of Sonen's fixed income strategy provides thematic exposures through Agency Backed Securities (ABS) such as those issued by Fannie Mae, municipal Bonds, corporate Green Bonds and supranational Bonds (such as World Bank and the European Investment Bank bonds). Within thematic investment, the top five sectors are community development (36%), alternative energy technology (10%), energy efficiency (9%), housing (9%), and clean power generation (7%).

Case study: Asian Development Bank, Indian Solar Transmission Sector Project

The bond funds energy transmission and distribution in India. With its massive and power-hungry economy, India has been experiencing power deficits. This lack of a reliable energy supply constrains the country's growth potential as well as making it difficult for the country's population to access reliable electricity. In order to meet growing demand, the government has set ambitious renewable energy goals—including the development of largescale solar parks.

Case study: Georgia Power Green Bonds

Georgia Power is an electric utility that services over two million residential and 300,000 commercial customers in the state of Georgia. The utility is involved in generation, purchase, transmission, distribution and sale of electric energy. Projects for the corporate Green Bonds include a collaborative agreement with the US military to build, own and operate solar installations that align with the military's goals for energy reduction and independence. Collectively, installations are planned to generate a total of 166MW of capacity across five military bases in Georgia. The 30MW facility at Fort Benning was operational as of July 2016. The 200 acre site uses over 134,000 PV panels at or below grid parity, demonstrating solar as a clean, reliable and affordable source of energy.

Please note that this information does not constitute investment advice. Please see disclaimer on page 2.

* Targets adapted from UN SDG [Global Indicator Framework](#), as developed by the Inter-Agency and Expert Group (IAEG-SDGs). Metrics however tend to be investee specific, rather than the UN SDG indicators.

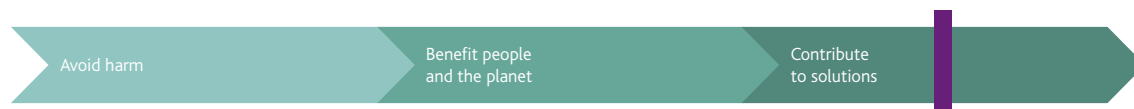
SONEN CAPITAL GLOBAL SUSTAINABLE REAL ASSETS

About the fund

Year founded:	2014	Target geography:	Global
Location of fund:	USA	Capital committed:	\$77m

About the KLF investment

Date of initial investment:	2014	Value of KLF investment:	\$35,077
Asset class:	Real assets	Impact type:	Thematic

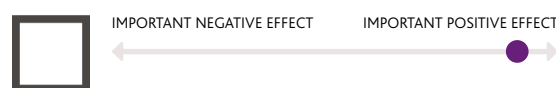
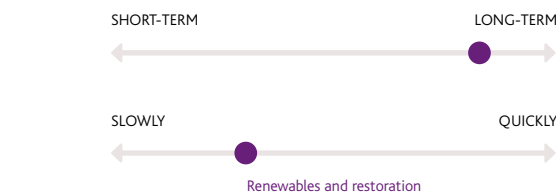


WHO

The strategy invests in real assets that address global pressures such as climate change, population growth, and overuse of natural resources. Through these investments Sonen seeks to accelerate the transition to a low-carbon economy, promote resource efficiency, and increase the stock of land, water and trees under sustainable management.



HOW MUCH



WHAT



Sonen's global sustainable real assets strategy focuses on addressing resource scarcity by focusing on four intended environmental outcomes: sustainability, efficiency, renewability, and restoration. These outcomes form the Foundation from which underlying investments are considered and evaluated for impact performance. To date, investments have been made in green real estate, clean power, and sustainable timber.

Impact Risk Classification: Stage 3

RISK




Principles	Purpose	Outputs	Outcomes	Impact
✓✓✓	✓✓✓	✓✓	✓✓	✓✓

The strategy has a clear theory of change reflected in impact frameworks for specific sectors. Sonen produces a comprehensive annual impact report including key IRIS metrics. The report analyses investments against the SDGs and includes a wide selection of case studies.

KLF investor contribution: medium

Signal that impact matters	✓	As with all KLF investees, investment aligns with values.
Engage actively		Introduced BioLite to other investors and enabled BioLite to raise additional capital.
Grow new or undersupplied capital markets	✓	KLF invested in Sonen funds, but also directly invested in the firm which helped Sonen to grow and support other investors with similar values and requirements.
Provide flexible capital		

Impact achieved: contribution to SDGs

SDG	Relevant impact target*	Relevant impact metrics	2015	2016 (cumulative)
 7 AFFORDABLE AND CLEAN ENERGY	UN 7.1 Increase access to affordable, reliable and modern energy services UN 7.2 Increase share of renewable energy in global energy mix	Number of people with access to clean power	537,629	739,574
		Total energy produced from renewable sources (MWh)	571,256	1,571,692
 11 SUSTAINABLE CITIES AND COMMUNITIES	UN 11.1 Increase access to adequate, safe and affordable housing and basic services UN 11.C Increase number of sustainable and resilient buildings utilizing local materials	Percent of properties located in low-income census tracts	US 16% Africa 100%	29%
		Total number of units	1,642	4,372
 15 LIFE ON LAND	UN 15.2 Increase amount of forests regenerated or under sustainable forest management UN 15.1 Ensure conservation, restoration and sustainable use of terrestrial ecosystems and forests	Total land under sustainable management (acres)	136,695	171,551
		Permanently conserved land (acres)	20	7,404

Social or environmental impact achieved:

- Over the year, Global Sustainable Real Assets (GSRA)'s clean power investments generated 1.57 million MWh of renewable power, and avoided just over one million tons of CO₂ emissions, the equivalent of removing more than 227,000 passenger vehicles from the road for one year.
- GSRA expanded its investments in clean power to include an operational hydropower project in Indonesia where only 5% of all energy consumption is from renewable sources. Additional clean power investments in the United States included three windfarms and expanded distributed roof top solar solutions.
- GSRA's investments in green real estate now include over 4,372 residential units, 72% of which are third party sustainability-certified for energy and water savings and reduced materials use.
- GSRA's investments in sustainable timber have increased land under sustainable forest management from just under 137,000 acres to over 171,000 acres and permanently conserved more than 7,400 acres of high conservation value land (from 20 acres in 2015).

Case study: Green real estate

In 2015, GSRA completed its allocation to International Housing Solutions (IHS), a South African green real estate manager. Africa has an acute shortage of affordable housing (in South Africa alone there is an estimated shortfall of 600,000 units). By the end of 2016, IHS had closed ten separate investments in South Africa for a total of 3,158 units of workforce housing; 80% of these will adhere to the IFC's Edge green building standard. More than 8,700 units across 22 projects are in the pipeline for 2017 and 2018. The green units result in energy savings of more than six million KWh/year (equivalent to more than ten million miles driven in a passenger car), CO₂ savings of more than 5,400 metric tons per year, and water savings of over 34 millions gallons per year.

Case study: Clean power

In 2016, GSRA made a second investment in overseas renewable power production—Berkeley's third renewable energy fund, Renewable Energy Asia Fund II (REAF II). This fund will invest in 10 to 15 renewable energy projects in South and Southeast Asia with a focus on India, Indonesia and the Philippines, where 244 million, 41 million, and 11 million people, respectively, still lack access to electricity. Power generation from renewable sources is growing strongly as renewables enter the mainstream energy sector. Underlying projects will provide both environmental and social benefits. As of 31 December 2016, REAF II was operating one hydropower project in Indonesia and had four other projects under construction. Total production capacity across these five projects is anticipated to be 67 MW.

Please note that this information does not constitute investment advice. Please see disclaimer on page 2.

* Targets adapted from UN SDG [Global Indicator Framework](#), as developed by the Inter-Agency and Expert Group (IAEG-SDGs). Metrics however tend to be investee specific, rather than the UN SDG indicators.

FINANCIAL PERFORMANCE OF THE PORTFOLIO

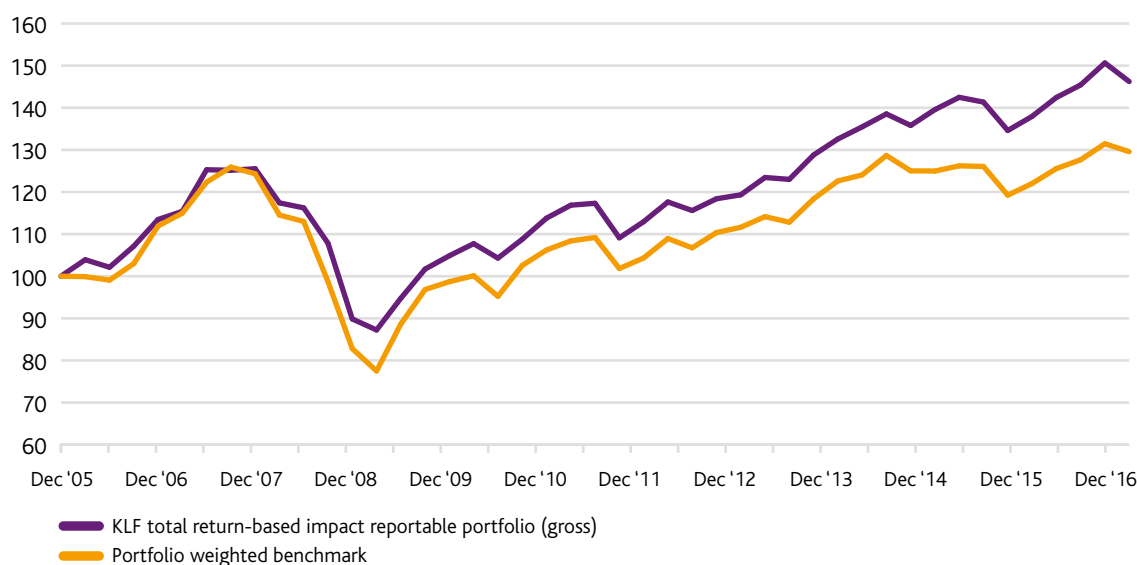
In 2004, the KL Felicitas Foundation took a decision to move towards a 100% impact portfolio. Since then the portfolio has divested its non-impact assets as impact investment opportunities increased and now almost 100% of the portfolio is invested for impact.

Over the past five years the portfolio has also reduced its US investments in public markets in favour of global strategies which can provide a broader set of investment opportunities. The financial performance figures for the portfolio reflect this journey. KLF is one of very few impact investors that has openly published performance figures (for more information, see [Sonnen Capital's Evolution of an impact portfolio: From implementation to results](#))²⁸ and the subsequent performance update²⁹.

The chart below shows that the total KLF Return-Based investments were able to compete with, and outperform, widely accepted financial benchmarks. Specifically, this chart details the performance of the Return-Based Impact Portfolio created by KLF, and more specifically those investments with so-called 'reportable' performance (ie, performance that can be marked to market on a regular basis). These

investments include the investments in the cash, fixed income, public equity and hedge fund asset classes but excludes the Impact First reportable portfolio (KLF's Program-Related Investments—PRIs). For purposes of accuracy and reliability, impact private equity and real assets investments (due to their immature stage in the investment lifecycle) are not included in the return calculations. For purposes of comparability, results are reported net of all transaction costs and underlying investment management fees. Net returns include consulting fees paid by KLF for investment advisory services. Of the 45 investments in the portfolio, 17 are included in the financial performance figures—and these 17 investments represent approximately 71% of the Foundation's total assets (indicated by an asterisk in the table of investments in Appendix 1 on pages 74–77).

Figure 20: KLF total return-based impact reportable performance (gross) versus portfolio weighted benchmark,* since inception (January 2006)



* The portfolio-weighted benchmark is a blend of the 3-Month Treasury Bill, Barclays Global Aggregate Index, MSCI ACWI IMI Index, and HFRI Fund of Funds Index. The blend is designed to approximate the exposures found in the reportable portion of KLF's impact portfolio. Each component of the benchmark is weighted in exactly the same proportion as the investments in the portfolio and is re-weighted on a quarterly basis to account for changes in investment sizes. For illustrative purposes, the graph above shows the growth of an investment of \$100 over the designated period (but is based on actual returns for the actual amounts invested).

Figure 21: KLF total return-based impact reportable performance (gross) versus portfolio weighted benchmark since inception (1/2006) as of 31 December 2016*

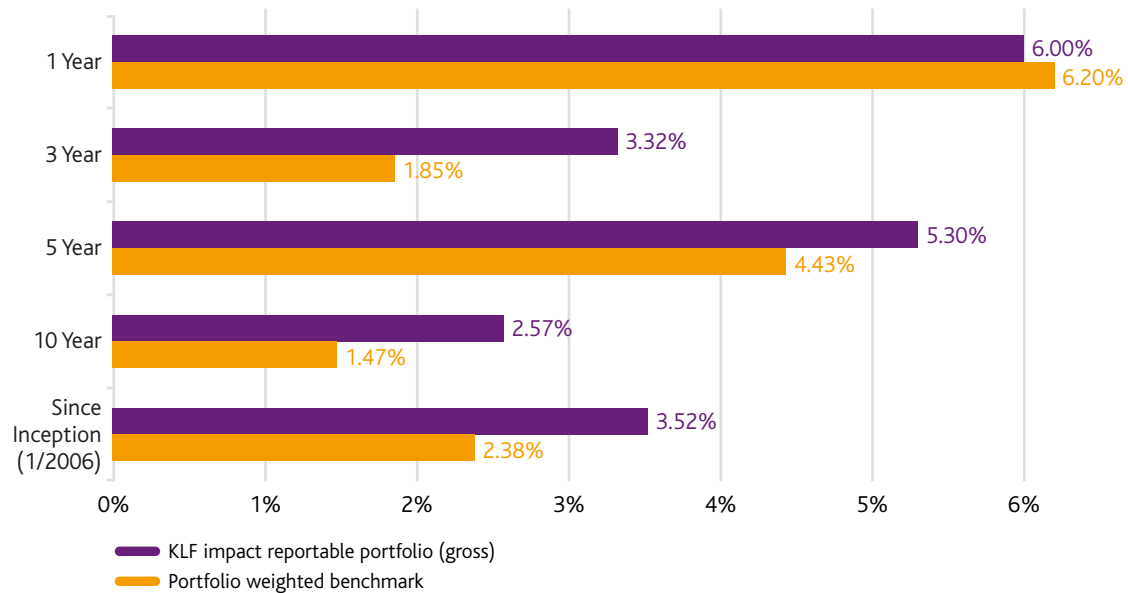


Table 7: KLF total return-based impact reportable performance (gross) versus portfolio weighted benchmark since inception (1/2006) as of 31 December 2016*

	1 Year	3 Year	5 Year	10 Year	Since Inception	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
KLF Impact Reportable Portfolio	6.00%	3.32%	5.30%	2.57%	3.52%	-1.16%	5.27%	11.11%	5.65%	-0.74%	8.51%	16.71%	-28.43%	10.63%	13.47%
Portfolio Weighted Benchmark	6.20%	1.85%	4.43%	1.47%	2.38%	-2.37%	1.91%	9.86%	6.99%	-1.79%	7.62%	19.20%	-33.40%	11.08%	11.93%

- * (1) Performance has been calculated on a time-weighted basis and periods greater than one year have been annualized.
(2) Gross performance is shown after the deduction of transaction costs, underlying investment management fees paid to the managers of applicable funds, and miscellaneous portfolio expenses. Certain performance results presented in the table above precede Sonen Capital's formation in 2011. Returns include reinvestment of dividends and distributions.
(3) The above asset classes consist of cash, fixed income, public equity and hedge funds.
(4) The portfolio-weighted benchmark is a blend of the 3-Month Treasury Bill, Barclays Global Aggregate Index, MSCI ACWI IMI Index, and HFRI Fund of Funds Index. The blend is designed to approximate the exposures found in the reportable portion of KLF's impact portfolio. Each component of the benchmark is weighted in exactly the same proportion as the investments in the portfolio, and is re-weighted on a quarterly basis to account for changes in investment sizes.

Table 8 shows the net financial performance of the portfolio since its inception in 2006 and for one, three, five, ten years and since inception on January 2006. Net of performance fees, the Total Return-Based Impact Reportable Portfolio has returned 2.75% annually since

inception, exceeding the benchmark of 2.38% pa. The table also includes the returns of KLF's Impact First Reportable Portfolio (consisting of KLF's PRIs). See the table on pages 74–77 for a list of all investments included in these performance figures.

Table 8: Financial performance of KLF Return-Based Impact Reportable Portfolio (net of all management fees) vs benchmark, as of 31 December 2016*

Asset Class	1 Year	3 Year	5 Year	10 Year	Since Inception
KLF Return-Based Impact Cash Equivalents [†] (since 5/2008)	1.85%	2.21%	1.60%	1.32%	1.32%
3-Month Treasury Bill	0.25%	0.11%	0.10%	0.79%	1.16%
KLF Return-Based Impact Global Fixed Income [‡] (since 1/2006)	1.94%	0.12%	0.18%	3.42%	3.05%
Bloomberg Barclays Global Aggregate	2.09%	-0.18%	0.21%	3.29%	3.59%
KLF Return-Based Impact Global Public Equity [§] (since 10/2007)	9.54%	5.22%	10.81%	5.66%	6.41%
MSCI ACWI IMI	8.37%	3.25%	9.62%	3.84%	5.29%
KLF Return-Based Impact Hedge Funds ^{**} (since 12/2006)	2.95%	-10.39%	-3.22%	-2.48%	-1.01%
HFRI Fund of Funds	0.44%	1.17%	3.41%	1.31%	2.10%
KLF Total Return-Based Impact Reportable Portfolio ^{††} (since 1/2006)	5.22%	2.55%	4.52%	1.81%	2.75%
Portfolio Weighted Benchmark	6.20%	1.85%	4.43%	1.47%	2.38%
KLF Impact First Reportable Portfolio ^{‡‡}	4.51%	-8.50%	-7.31%	-3.06%	-2.46%
CPI	2.23%	1.19%	1.37%	1.82%	1.88%

* Performance has been calculated on a time-weighted basis and periods greater than one year have been annualized. Certain performance results presented in the table above precede Sonen Capital's formation in 2011. The Foundation's asset allocation in its public market portfolio since the end of 2012 has had a greater orientation to global strategies. This change is reflected by the elimination of allocations to KLF's previous US public equity and US fixed income investments. The performance shown for the Foundation's global equity and global fixed income performance incorporate the performance of previous allocations to US equities and US fixed income.

[†] KLF Return-Based Impact Cash Equivalents performance is shown net of all fees, including Sonen Capital's cash strategy management fee of 25 basis points.

[‡] KLF Return-Based Impact Global Fixed Income performance are shown net of all fees, which includes Sonen Capital's fixed income management fee of 50 basis points.

[§] KLF Return-Based Impact Global Public Equity Performance is shown net of all fees, which includes Sonen Capital's public equity management fee of 50 basis points. Performance is shown up to 30 November 2012, after which KLF was not invested in Return-Based Impact Global Public Equity. The Foundation reinvested in the asset class in January 2013.

^{**} KLF Return-Based Impact Hedge Fund performance is shown net of all fees, which includes Sonen Capital's hedge fund management fee of 75 basis points prior to 2016. For 2016 the fee was 1%.

^{††} KLF Total Return-Based Impact Reportable Portfolio performance is shown net of all fees, which includes Sonen Capital's managed account fee of 75 basis points.

^{‡‡} KLF Impact First Reportable Portfolio performance is shown net of all fees, which includes Sonen Capital's impact first management fee of 50 basis points.

For additional disclosure, see Appendix 3.

FIELD BUILDING

As well as building a 100% impact invested portfolio, the Kleissners spend a significant amount of time and energy, alongside a number of annual grants, helping to build the impact investing ecosystem, as demonstrated in their theory of change on page 13. This is to achieve their final goal of transforming the financial system to maximise positive social and environmental impact. Their work to build the field can be split into three main aims:

- **To grow the number of effective social entrepreneurs**, through creating and supporting incubators and accelerators which in turn help entrepreneurs tackling social and environmental challenges to scale their impact.
- **To grow the number of effective impact investing intermediaries**, through creating and supporting fund managers and advisory firms to establish impact funds or services, investing in innovative first-time funds, and contributing to practical impact investing tools.
- **To grow the number of impact investors**, through creating and supporting investor networks, and challenging the investment industry (including wealthy individuals, family offices, foundations as well as traditional investment funds) to alter their policies and practices to take impact into account.

The 2015 report, *Investing for Impact: Practical tools, lessons and results* provided detail on each of the various organisations and projects that the Kleissners have either created or been significantly involved with since 2000. In this report, we have focused only on the projects to which the Kleissners have devoted the majority of their time since 2015. However, we have still aggregated up the key metrics which we track to assess the impact of all of their field building work relating to each of the three outcomes above.

SDG 17: Revitalize the global partnership for sustainable development



The final of the UN's SDGs revolves around building partnerships between governments, the private sector, and civil society, recognising the transformative power that private resources can have on sustainable development objectives. Growing the impact investment field directly relates to this goal—encouraging more assets to be used to benefit under-served people and the planet, often alongside the provision of vital capacity building and infrastructure development. We therefore acknowledge that KLF is contributing, through both its investments and its field building activities, towards SDG 17.

Outcome: more effective social entrepreneurs

Accelerator programmes that the Kleissners have created or supported include:

- Dasra Social Impact
- the Central and Eastern European Investment Ready Programme (IRP)
- the Hawaii Investment Ready Programme
- The Miller Center for Social Entrepreneurship's Global Social Benefit Institute programme

Spotlight on: Hawaii Investment Ready Programme (HIR)

This accelerator was co-founded by the Kleissners and the Kamehameha Schools in 2013. Three cohorts of 88 entrepreneurs have now completed the programme, which, through coaching, mentoring, and peer-to-peer support gives social entrepreneurs the tools they need to strengthen their financial sustainability, business model, and governance so they can have more impact. It focuses on indigenous and island social enterprises with scalable solutions to local or global issues, and links the enterprises to philanthropists and investors. Lisa is heavily involved, designing and delivering the programme, and two of KLF's investees, MA'O Organic Farms and Kealopiko, were in the first and second cohort.

“ We recently received a \$1.6m Department of Commerce EDA grant to construct a new facility, with \$400,000 coming from local foundations. Our experience in the Hawaii Investment Ready Cohort 1, and KLF's investment, supported our drive to secure these funds. ”

Gary Maunakea-Forth,
MA'O Organic Farms

Impact achieved

4

ACCELERATORS CREATED AND/OR SUPPORTED

1,105

SOCIAL ENTREPRENEURS STARTED THE PROGRAMMES*

\$239m

OF CAPITAL RAISED THAT CAN BE ATTRIBUTED TO THE ACCELERATORS

* Dasra and HIR data up to 2014/15; IRP and GSBI up to 2016/17.

Outcome: more effective impact investing intermediaries

Impact investing intermediaries that the Kleissners helped create or supported include:

- **Sonen Capital**, a dedicated impact investment management firm
- **Total Impact Capital**, an impact merchant bank which raises capital for impact enterprises and foundations
- **ImpactAssets** which runs a donor-advised fund and thematic loan funds for smaller investors

- A number of **first-time funds**, with the aim of getting them established, providing seed capital, and proving their model to attract further investors—some of the funds have gone on to raise further capital through follow-on funds including Beartooth Capital, Zouk Ventures CleanTech Europe, Better Ventures, Aqua Spark, Global Partnerships/Eleos Social Venture Fund, and Encourage Capital's EKO Green Carbon Fund

Spotlight on: ImpactAssets

A non-profit financial services firm that increases the flow of capital into investments that deliver financial, social, and environmental returns, ImpactAssets runs an innovative donor-advised fund, The Giving Fund, where assets are invested for positive social and environmental impact and donors give grants to non-profits. It has also developed low entry investment products for smaller investors. It has raised \$327m in assets, of which 49% are invested in impact investments. To date (2011–2016), the fund has awarded \$117m in grants to 10,967 recipients. It has published 15 issue briefs, read by over 8,800 readers, and has 142,000 users of the IA 50 Fund

Manager Database. KLF has supported ImpactAssets with a loan, a grant, and has provided time and expertise.

“ Having Charly as our Board Chair and formerly Investment Committee Chair has provided immeasurable benefit. He is smart, passionate, committed to impact, and is a touchstone for our entire organisation. ”

Sally Boulter, ImpactAssets

In addition to the above, Charly and Lisa continue to drive forward impact measurement in the field. In the past year, Charly has been very involved with the Impact Management Project (IMP) facilitated by Bridges Impact+, a project involving over 700 practitioners across geographies and disciplines, that has developed shared fundamentals on impact measurement and management. In particular, Charly has been able to bring the voice of the individual investor as well as that of the smaller and entrepreneurial family foundations to the project. The focus has been on the

intentionality of the investor as well as the experience of impact management from a 100% portfolio perspective—as experienced by dozens of 100% practitioners who participate in Toniic's T100 project (see page 65 for more detail). This report draws on some of the lessons and frameworks of the IMP project and the IMP project has been influenced by NPC's Impact Risk Classification methodology. The next version of the T100 project will integrate major portions of IMP's methodology into the open source impact portfolio tool, available on Toniic's website.

Impact achieved

\$484m

RAISED TO DATE THROUGH FUNDS THAT KLF IS INVOLVED WITH*

378

INVESTORS BETWEEN THEM†

\$766.5m

OF ASSETS JOINTLY MANAGED FOR 973 CLIENTS BY IMPACT INVESTING INTERMEDIARIES THAT KLF ARE INVOLVED WITH, AS OF DECEMBER 2016

* A combination of first and second time funds.

† Not unique investors—some likely to be invested in more than one fund.

Outcome: more effective impact investors

Impact investor networks that the Kleissners have helped create or have supported include:

- **Toniic Institute**, a global community of around over 160 members representing almost 400 impact investors from 22 countries, spanning individual investors, family offices, foundations, and institutions. Members are empowered by Toniic as impact investors through sourcing deals, sharing due diligence, co-investing and knowledge building. See box on page 65 for tools that the Kleissners have helped Toniic create.
- **100% Impact Network**, a subgroup of Toniic, currently comprising over 85 members representing 130 impact investors who have committed to invest 100% of their combined \$5bn assets to positive social or environmental impact. See box on page 65 for details of the T100 project, analysing the portfolios of members of this network.
- There are several other initiatives and networks that the Kleissners have supported, either through grants, their time, or both. These include **The Philanthropy Workshop**, **Mission Investors Exchange**, **PYMWYMIC** (Put Your Money Where Your Meaning Is Community), the **Latin American Impact Investing Forum**, and **Social Capital Markets** (SOCAP).
- Charly and Lisa are also members of **NPC's Supporters' Circle**—a network of experienced philanthropists that support NPC's work, helping NPC to address important questions on behalf of the sector through its independent think tank and innovation projects.

“Charly and Lisa are important advocates in the impact investing space. As a result of their leadership, we are encountering more and more investors and potential investors interested in investing for impact.”

Peter Stein, Lyme Forest Fund

Challenging the investment industry

The Kleissners' vision of transforming the financial system involves challenging the status quo of the current investment industry; they work hard to demonstrate the viability of the impact investing approach through show-casing their own foundation's portfolio, as well as supporting other thought-leaders in values-aligned investing. Their advocacy work includes speaking at events, running seminars, giving media interviews, publishing blogs, articles and e-guides, and coaching individuals, families, and private groups.

“KLF's public pronouncements of the successes and track record of their impact investments have definitely broadened the overall field which indirectly is tremendously helpful for us.”

William Jacobsen, MicroVest

While the Kleissners certainly would not claim credit for the growth in impact investing that has occurred, it is fair to say that their work has in some small way contributed to growing the field as follows:

Impact achieved

\$10.9trn

OF GLOBAL ASSETS USING SUSTAINABLE INVESTMENT STRATEGIES IN 2016, UP 41% FROM 2014^{*30}

\$114bn

OF IMPACT INVESTING ASSETS UNDER MANAGEMENT BETWEEN 209 IMPACT INVESTING ORGANISATIONS³¹

69

EVENTS SPOKEN AT BY CHARLY AND/OR LISA IN 2016–2017

* This figure includes integrating ESG factors, impact/community investing, and sustainability-themed investing.

Spotlight on: Toniic's Impact Portfolio Tool and T100 Project

Toniic's open-source Impact Portfolio Tool (available for download at www.toniic.com/t100/)—the development of which the Kleissners supported—allows any impact investor to document all of their impact investments and non-impact investments in a portfolio. For each investment, investors can specify asset class, impact category, primary and additional SDGs, impact geography, financial return profile, liquidity profile, impact expectation ratings, market value, and other relevant data fields.

These data points are helpful to investors building an impact portfolio as it means they can track the portfolio's evolution and how it is meeting their impact targets through the generation of multiple charts and visual frameworks.

Toniic collects this data from their members annually as part of their T100 project—a multi-year research project that analyses portfolios and approaches to impact investing based on the 100% Impact Network. The goal of the project is to have at least 100 of the '100%ers' participate in the project in order to populate a statistically robust research study aimed at building an evidence base about impact investors and their practices.

Based on that data, Toniic publishes the open source Toniic Directory, a searchable directory of all impact investments of the T100 participants. This year, 76 impact portfolios, representing ~\$3.5bn in committed impact capital and over 1,800 impact investments, have participated in the T100 project.

The impact portfolio tool allows an investor to document the impact of individual investments. Investors can

specify multiple SDGs as well as outcome and output metrics. Investors can fill out the impact metrics either top down (starting with SDG's and working their way down to outcomes and outputs) or bottom up (starting with outputs, working their way up to outcomes and SDGs). The tool then aggregates the data across all the participating portfolios, as illustrated in Figure 22 below, using SDG 1—No Poverty as an example.

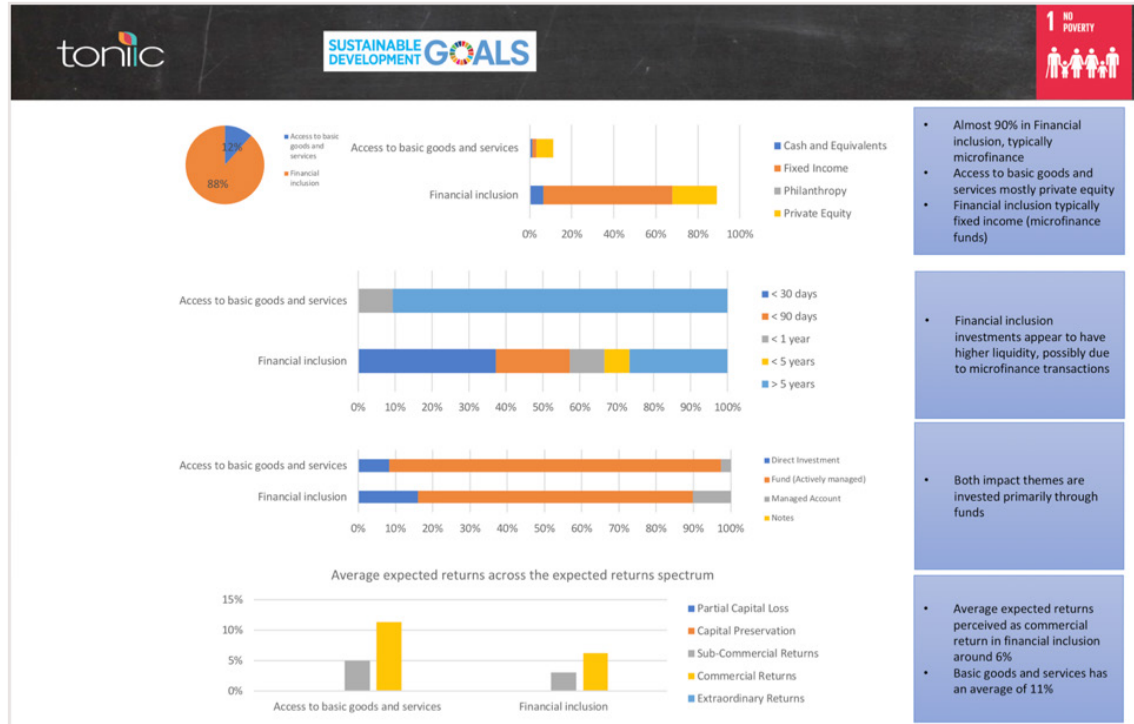
Connecting the impact intentions of the investor with the impact intentions of the investees as well as the impact on the ultimate beneficiaries is the next great opportunity to explore. Toniic is looking at ways to open up the impact portfolio tool to enable that.

Toniic and The Rockefeller Foundation have recently published a case study³² to analyse progress made towards the T100 project's goals, based on interviews with T100 investors, fund managers and advisors, staff and partners.

“The Toniic portfolio tool is a great tool to not only look sideways in terms of what others are doing and how they are making conventional asset allocation decisions, but it also helps us question ourselves and reflect on our approach: this is what's working, and this is what's not working with our investments in impact over time. I think it's a different perspective ... of looking at how efficient you are out there in the field.”

Dhaval Patel,
100% Impact Network member

Figure 22: Screenshot of Tonic's SDG Impact Theme Framework



This shows Tonic's SDG Impact Theme Framework—which allows impact investors to align their investments with the SDGs and thereby find greater alignment and synergy in global investment opportunities. The screenshot uses data from 76 portfolios and how they align with SDG 1—No Poverty, demonstrating the

split by asset class, liquidity, type of investment and expected returns. Financial inclusion investments appear to have higher liquidity, possibly due to microfinance transactions that are more commonly performed through short-term fixed income funds.

LEARNING FROM THE INVESTEES

We spoke to 17 of KLF's investees—both funds and enterprises—about their approaches to impact measurement and reporting, the challenges and opportunities it presented, and the role of their investors in shaping impact reporting.

Impact organisations, more than investors, are driving developments in impact measurement

The majority of organisations we spoke to reported a growing focus on impact measurement and reporting. Often, this is driven by business requirements—for example, where data on impact and business metrics align—or to help with raising capital. In a small number of cases, quantitative impact measurement is being driven by investors (for example, by requesting KPI data on key outcomes). And while few organisations we spoke to felt pressure from investors to do more than they already do in terms of quantitative impact measurement, several reported increasing interest from investors in qualitative data, such as case studies. Nearly all organisations reported that some, if not all, of their investors are very interested in seeing impact reports. However, across the board, investors are generally more interested in financial performance (or business viability) rather than impact returns. Developments in impact measurement are therefore more likely to be driven by the organisations themselves, particularly those who see their business as deeply aligned with impact, where tracking data is central to understanding and improving their revenues and hence impact, rather than as a requirement of investors.

“ Investors want stories not just data, particularly while the data isn't perfect. ”

MicroVest

One trend that was noted is that later stage funders tend to be less likely to ask for impact metrics than early stage investors, the latter a stage where impact concepts tend to be less proven. This can be challenging, given that early stage organisations are less able to produce impact data than more mature impact businesses.

Data collection is focused on outputs, with a growing interest in quality of user interaction

Many organisations talked about the overlap of business metrics and impact metrics and hence the focus on tracking and reporting outputs. Most seem confident about the link between this sort of output data (such as the number of participants or units sold) and the positive impact generated in people's lives, although only some are able to point to existing research or evidence to underpin this link. For example, all of Foodstand's work is based on clinical evidence that reducing consumption of fizzy drinks and eating more fruit and vegetables has positive health impacts if the programme is maintained. Therefore, tracking participation and engagement is key to their success and built into their applications.

“ We were founded to provide financial products and services that that improve financial health and transform people's lives and communities. Therefore, we need to understand not just if that's happening but how we can maximize our impact. ”

Southern Bancorp

For funds, many felt the extensive due diligence processes before an investment is made are sufficient to demonstrate that activities generate impact. We recommend that investors continue to ask for evidence about these linkages post-investment. And where funds gather data from investee enterprises—which often have limited resources or capacity for data collection—many focus on metrics that companies already have embedded in everyday activities. This approach is intended to reduce the reporting burden on enterprises or investees, and some funds find it also lends itself better to aggregation at the portfolio level. Global Partnerships, for example, explained how they do not want to capture every output, but only request the metrics that are core to understanding the investment thesis of each enterprise, focusing on what is meaningful for their own beneficiaries.

In addition, we noted several organisations striving to get deeper beneath the data—keen to understand how clients are using or enjoying the goods or services provided, or a clearer idea of the profile of their users. BioLite, for example, uses call centres to collect customers' feedback and usage data on their HomeStoves. We were particularly impressed by Southern Bancorp hiring third party researchers to explore the relationship between their loans and jobs created, rather than relying on industry standards that suggest a \$25,000 loan is equivalent to one job created. Again, in all cases this user data is driven by the organisations' quest to create a better product or service, ultimately to increase revenue and therefore, simultaneously, impact.

Lack of time and resources is the most significant challenge for impact measurement

The most significant challenge, for all KLF investees, is the lack of time and financial resources for impact measurement and reporting, even for those where measurement is driven by business requirements. Most feel they have the skills and knowledge to go further with impact measurement but lack the time or budget, especially for reporting. And while some organisations do have dedicated teams or staff focused on impact, others require staff to add this on to their existing responsibilities. A small number of organisations have increased staff capacity on impact measurement and reporting in recent years, but almost all felt there was space to go further.

“ You need to remember that social enterprises are amazingly resource constrained—and if they have to choose between spending a unit of effort in generating impact or reporting impact, they will opt for the former. ”

BioLite

In response to lack of time and resources, several organisations mentioned that they have reduced the number of metrics they report on, or—if funds—requests from investees.

“ The businesses we support are already stretched to do financial reporting, if you add impact reporting to that—that’s pushing them to the limit. ”

Grassroots Business Fund

Other challenges include the difficulty of measuring outcomes (that is, changes in people's lives as a result of products or services), and the complexity of measuring impact across sectors and geographies where standards or definitions may vary. Another challenge is around 'attribution' of impact.

Several funds noted that getting reliable, good quality data from small investees was particularly challenging. While some funds offer technical impact measurement assistance to investees, most lack the capacity to do so. Some enterprises receive impact measurement support from their investors, for example Acumen supports some of its investees with its Lean Data approach.

“ We are working with enterprises to understand desired outcomes and define core output and outreach indicators that can be consistently measured—a task that is easier said than done. ”

Global Partnerships / Eleos SVF Fund

Aggregation at a fund level, although seen as important for both learning and marketing purposes, provides its own challenges. Better Ventures started by tracking metrics by company, but now tracks about three high level metrics across the portfolio to help them understand how the portfolio itself is performing. Global Partnerships have also developed one indicator, lives impacted, that can be rolled up across the fund—not just a measure of lives reached, but an in-depth, nuanced investigation of quality and scale of impact per investee.

SDGs are useful for mapping impact, but there are mixed feelings about other shared approaches

Several organisations find the SDGs a useful framework for mapping impact, particularly due to their breadth, detail, and the fact they are relatively easy to understand and apply. The perennial risk raised by some is that the SDGs can be used as an impact ‘rubber stamp’, particularly by corporates making a case for impact.

However, few organisations are using IRIS metrics and not all investees had heard of them. Of those that had, some felt they were not sufficiently relevant to their business or could restrict reporting options. However, others using IRIS metrics are positive about the benefits and see them as useful, or a useful start, to shared metrics.

We found mixed views about accreditations such as B Corp certification and GIIRS ratings. Some organisations have gone through the ratings process and find the approach useful; others are concerned they are too ESG focused, that they come with risks attached, constraining them in a particular direction, or that the resources to go through a ratings process are too significant to justify the benefits.

Certain industries are moving ahead in shared approaches to impact measurement, providing opportunities for engagement by both investees and investors. Two that were mentioned as useful were the Smallholder Agricultural Finance initiative—particularly the database of metrics where data can be cross-checked—and the Social Performance Task Force initiative within the Microfinance industry.

REVIEWING EXITS, WORK-AROUNDS, AND WRITE-DOWNS

Impact investments generate financial returns in different ways, depending on the asset class: interest on cash or debt instruments, dividends or capital gains for equity holdings, rental income or sale of property for real assets, and other more unusual methods such as revenue participation models or repayment rates dependent on social outcomes.

For some investments, a financial return is earned during the lifetime of the project; for others, an exit may be required involving a buy-out or listing of the company for equity investments, or, for debt investments, the return of the principal investment along with interest.

This is clearly a vital element of impact investment, and although this report is mainly focused on the social and environmental performance of KLF's investment portfolio, we also report financial performance where possible. There is little information in the market about exits in this field: partly this is because many impact deals are still in their infancy, partly this is due to the prevalence of private equity deals and their implicit opaqueness. We also sense some reluctance by investors to discuss some of the projects that have ended, especially the less (financially) successful ones.

Given that its portfolio is spread across a wide range of financial instruments across all asset classes, and has been developed over the past 14 years, KLF has experienced a number of different types of exit which provide some interesting learnings for the wider field.

Examples of different types of exit within the KLF portfolio:

Successful project completed, capital (and interest) repaid

KLF was one of 17 impact investors in 2010 in the world's first Social Impact Bond (SIB) in Peterborough in the U.K. (see box). KLF provided £50,000 of the total £5m raised and was one of only two non-U.K.-based funders. The programme was terminated in 2015; it successfully reduced re-offending of short-sentenced prisoners by more than the 7.5% target set by the U.K.'s Ministry of Justice, resulting in a repayment of investors' initial capital plus 17%, representing a return of just over 3% pa over the period of investment. Another successful recent KLF exit is from the EKO Green Carbon Fund, outlined in the box below.

Organisation closure, with either zero or partial repayment of investment

E+Co was a US-based not-for-profit which made investments, and provided technical assistance and business development support, to over 200 SMEs providing clean energy solutions in developing countries. In 2008, KLF invested \$100,000 in an eight-year note issued by E+Co, paying a 5% annual coupon. E+Co was seen as a pioneer of impact investments at the time, raising private capital alongside foundation grants and government funding. However, the organisation ran into difficulties and ceased operating in 2012. Problems included a lack of business and financial acumen, inadequate monitoring systems, and insufficient capacity to provide the technical assistance and handholding necessary for the SMEs to succeed. Ultimately this resulted in a high rate of bad debt, high staff turnover, and leadership disintegration. E+Co was restructured and KLF managed to recoup around 60–80% of their initial investment and still hold a small remainder interest through their Persistent Energy Partners investment.

Organisation still operating, but either full or partial write-off of investment

In 2009, KLF invested around \$150,000 in two rounds of debt financing in Health Point, a for-profit company providing clean water and health care, including tele-medical services, to villages in rural India. The water purification business was very successful, generating great demand, but the tele-medicine offering failed to attract sufficient patients to cover its costs, despite developing innovative solutions to encourage greater patient flow. Eventually, the company spun off the more successful water business to an Indian company, and the tele-medicine side of the business was placed into a foundation. KLF's investment was written off in full, despite Charly chairing the company, providing critical advice, and trying to rescue the health side.

Voluntary divestment from existing organisations or funds, recycling capital for greater impact

Given KLF started its impact investment journey in the early 2000s, when investment opportunities were scarce, many of their earlier investments (especially non-PRIs) were in micro-finance funds or depositing cash in CDFIs. These were successfully generating some social impact, but not as deep as the Kleissners wished. As more impactful opportunities arose, KLF withdrew its capital and reinvested elsewhere.

A recent example of this was KLF's withdrawal of investment from Root Capital in 2016. KLF initially invested in Root in 2009 when it was small and had not yet scaled up. Although Root could arguably be shown to have delivered some of the best social impact within KLF's portfolio, they are now a well-proven model, able to attract a wide range of investors. KLF decided its capital would add more value deployed in higher risk structures elsewhere—this is a good example of KLF leading best practice, compared to other investors that might remain invested while financial returns are being delivered.

Spotlight on: EKO Green Carbon Fund

In 2012, KLF joined a group of pioneering investors to support the launch of the EKO Green Carbon Fund. This was a first-time fund that was going to invest in the newly developing regional carbon markets in the US. Although faced with numerous risks, KLF was committed to supporting the development of a market-based solution to critical environmental needs. Through rigorous due diligence and in the manner which it ultimately structured its investment, KLF was confident that it had mitigated risk to the extent possible and committed to the Fund.

In November 2017, the EKO Green Carbon Fund made its sixth and most significant distribution to investors. As a result, the Fund has exited from most of its investments with just a couple more distributions from residual sales expected over the course of the next year. At this time, these results put the Fund's net LP IRR at 36% and the net cash-on-cash returns at 2.5x, generating a financial return which exceeded its original underwriting thesis. Additionally, the Fund helped change the way the carbon market works, has helped protect hundreds of thousands of acres of forests, has helped sequester millions of tons of carbon, and has channelled much needed funds to under-served and deserving communities like the White Mountain Apache tribe.

Learnings for the field

Taking risks is part and parcel of working for impact

Part of the point for impact investors, especially those deeply concerned with creating social or environmental impact, is to take some risk. Therefore, it is not that surprising that some investments considered here have not generated any financial return (or have been fully or partially written off). But these less financially successful examples within.

KLF's portfolio have been in the form of PRIs, where there was an implicit understanding of the financial risk, partly mitigated in some cases by KLF providing additional support—either in the form of a grant, or non-financial support such as board membership. And as recently highlighted by Bolis and West, the most impactful social enterprises delivering innovative solutions often require significant subsidy—and over long periods of time.³³ More worrying would be the failure of sustainable investments that explicitly target market returns with lower impact aims.

Liquidity aids scale

The impact investment field can only grow and thrive if liquidity is enhanced and exits are enabled. Debt will only get the market so far, but equity is really required for

greater scale. This is one of the reasons for KLF's recent investment in the U.K.'s Social Stock Exchange, which aims to help retail investors participate in the impact economy. The Social Stock Exchange is doing this by screening and clearly identifying publicly traded companies with deep and meaningful impact. Because of this, retail investors don't need to do the difficult part of conducting impact due diligence to know that they are investing in impactful publicly traded companies.

Investor contribution can make hard decisions harder

Exits are not always easy. In the case of Health Point, Charly was board chair, and he had brought in other investors. Providing additional 'investor plus' support can be a huge bonus to an enterprise, but at times can make it harder for the investor to exit in a timely fashion.

Exits provide key learning opportunities

Even when an investment does not work out financially, there is often a great deal of learning that can be applied by the wider field and to future investment decisions. And in some cases, impact can still be preserved post exit if the organisation continues to exist in some form (such as Healthpoint's water business).

Spotlight on: Peterborough Social Impact Bond (SIB)

The Peterborough SIB, launched in 2010, was developed and managed by Social Finance. It was designed to reduce reoffending through a series of rehabilitative interventions for three cohorts of short-sentenced male prisoners for a year after their release from Peterborough prison (U.K.). Intended to run for three years, it was terminated after the second cohort due to a change in government policy on probation management—Transforming Rehabilitation. The SIB was independently evaluated, showing that it succeeded in its mission of reducing reoffending of the two cohorts by 9%, triggering repayment to investors.

KLF's motivation for investing in the SIB was to support a new model for funding and delivering social change. Part of the SIB's success has been the replication of SIBs worldwide—there are now 108 SIBs in 24

countries, which between them have raised over \$392m. KLF's risk has paid off—they have been involved in an innovative project, received repayment, and seen social impact in the process—and as a result are involved in other SIB initiatives. But questions on SIBs remain: they are perceived by some as costly to run. This cost could be a reflection of the fact that SIBs explicitly incorporate generic good practices, like: tight project management of a group of charities working together; long-term funding; rigorous impact management throughout, using of real-time data to change interventions where necessary—all encouraged by engaged investors wanting a financial return.

Social Finance will be sharing full learnings from this SIB in due course.

LOOKING FORWARD: KLF 3.0

The Kleissners have gone through the process of designing and implementing a 100% impact portfolio with a ten-year track record of competitive financial returns as well as impact results. In parallel with this process, through their KL Felicitas Foundation the Kleissners have been leveraging their capital and inspiring others to follow suit—as demonstrated in [Toniic's T100 project](#)³⁴.

Demonstrating competitive financial returns, or what the industry calls risk-adjusted market-rate returns, requires that the average financial return of the investments in each asset class meets or exceeds the industry benchmark in each asset class. It is not surprising that these benchmarks are comprised of investments that the Kleissners could never invest in, not only because of the lack of intentional and measured positive impact but also because of their substantial negative impacts.

KLF is entering a new phase in its impact investing journey. From its initial focus on avoiding harm—detoxifying the portfolio from negative investments—it is now engaged in investing in funds and enterprises both benefitting people and the planet and contributing to solutions. The Kleissners have now decided to dedicate the next ten years of their Foundation to designing and implementing a 100% thematic impact portfolio, driven by the desire to contribute to the major themes of **climate change mitigation** and **social justice**. They refer to this effort as **KLF 3.0**.

By defining a floor of 0% financial return, they are freeing themselves from the shackles of inadequate and irrelevant financial benchmarks, and will offer KLF 3.0 as a modern benchmark for a 100% impact portfolio for these themes. The impact risk they are willing to take will inform the investment opportunities in various asset classes, not the other way around.

The Kleissners are not alone in that effort. A dozen 100%ers are taking a similar approach already, and they anticipate more portfolios to follow this approach, particularly Foundation portfolios. This approach flips Modern Portfolio Theory on its head, and puts impact squarely at the centre of portfolio design and implementation.

The Kleissners are committed to sharing their experience transparently with the impact eco-system as they embark on this next leg of their impact journey.

APPENDICES

Appendix 1: Complete list of KLF investments and grants as of 31 December 2016

Investment	Fund or company	Impact profile	Summary
Cash and Equivalents			
MicroVest Short Duration Fund LP*	Fund	Thematic	An asset management firm investing in unbanked and under-served markets. It provides private capital to low-income financial institutions which then extend productive loans to micro, small and medium sized businesses.
RSF Social Investment Fund*	Fund	Impact First	Investing, lending and providing services that support social enterprises working in food and agriculture, education and the arts, and ecological stewardship.
Southern Bancorp CD*	Company	Thematic	A bank and development organisation which provides low-cost financial services and advice to under-served families and communities in the American Mid-South.
Triodos Sustainable Trade*	Fund	Impact First	A fund which provides finance to support the development of sustainable value chains, with a specific focus on fair trade and organic farming.
Fixed income			
Access Capital Community Investment Fund*	Fund	Thematic	A fund making market-rate investments to support low and moderate income home ownership, affordable rental housing units, small business loans, low-income rural housing, health care and community economic development projects in North America.
Acumen Capital Markets I, LP*	Fund	Impact First	Debt, convertible debt, equity, and quasi-equity financing of small- and medium-sized enterprises in Africa and Asia.
DWM Microfinance Fund*	Fund	Thematic	An asset manager and investment bank that promotes sustainable economic and social development internationally through investment in inclusive financial institutions.
ImpactAssets*	Company	Impact First	A non-profit financial services firm that increases the flow of capital into impact investments through a donor-advised fund, where assets are invested for social or environmental impact and donors give grants to non-profits.
Kealopiko Inc	Company	Impact First	A Hawaiian eco-fashion brand, training and employing women in a low-income area to manufacture environmentally friendly clothing with designs relating to Hawaiian culture and ancestry.
MA'O Organic Farms*	Company	Impact First	A certified organic farm which addresses food insecurity in Hawaii by growing and distributing healthy organic produce while educating, training and empowering local young adults.
MicroVest GMG Local Credit Fund, Ltd*	Fund	Thematic	See description of MicroVest Short Duration Fund LP

* All investments marked with an asterisk are included in the financial returns calculation on page 58–60.

MicroVest+Plus LP*	Fund	Thematic	See description of MicroVest Short Duration Fund LP
SMV Wheels*	Company	Impact First	A social enterprise providing a Rent-to-Own service for bicycle rickshaw drivers in India.
Social Impact Partnership*	Company	Thematic	A social impact bond aimed at reducing reoffending among prisoners discharged after serving a sentence of less than 12 months.
Social Stock Exchange*	Company	Thematic	A company whose purpose is to develop the impact investment market through providing impact businesses the opportunity to access public financial markets.
Sonen Global Fixed Income*	Fund	Sustainable / Thematic / Responsible	Sonen provides access to a portfolio of global fixed income strategies diversified across sectors, maturities and geographies, aimed at optimizing investment returns and impact.
Hedge Fund			
Sonen Global Multi Strategy Irish Feeder*	Fund	Sustainable / Thematic	A globally diversified portfolio of investments with low correlation to public equity and bond markets. It seeks investments in niche markets that support the efficient use of scarce resources, the transition to a low carbon economy, and provide small and medium enterprises access to capital.
Private Equity			
Adobe Social Mezzanine Fund I, LP	Fund	Impact First	A fund which provides capital and technical assistance to SMEs that have developed innovative business models focused on alleviating poverty by serving underprivileged BoP communities or creatively addressing local or global environmental issues.
Asia Environmental Partners (Offshore) LP	Fund	Thematic	A fund that invests in renewable/green energy, waste management, and water treatment in Asia.
Better Ventures II, LP	Fund	Thematic	A fund that provides finance and support to technology companies pursuing social and environmental outcomes with business models that scale.
BioLite	Company	Impact First	A company that produces clean, efficient cookstoves with electronics charging capability and lighting, reducing negative health impacts and need for fuel while increasing off-grid energy access. It operates a parallel model, supporting the emerging markets business with sales of cooking, charging and lighting products for the recreation market in the developed world.
Cleantech Europe I (B) and II (A) (Zouk Capital)	Fund	Thematic	Zouk Capital is a private equity and venture fund manager that specializes in clean technologies and infrastructures. Cleantech I is a fund focused on renewable energy and resource efficiency technologies. All Cleantech II portfolio companies have ESG considerations that are integral to their value proposition and business model.
Core Innovation Capital I	Fund	Thematic	Core invests in companies that deliver more efficient, well-designed financial products that save people time and money.

* All investments marked with an asterisk are included in the financial returns calculation on page 58–60.

FAIM (Forestry & Agricultural Investment Management)	Company	Thematic	FAIM uses modern plant propagation techniques to provide clean, healthy plants alongside modern farming technique instruction and marketing assistance to its farming partners in Rwanda.
FoodStand	Company	Thematic	Foodstand is a free app which promotes healthy eating through 'community-powered Good Eating Challenges'.
Global Partnerships/ Eleos Social Venture Fund LLC†	Fund	Thematic	An impact-led fund investing in early-stage social enterprises to expand opportunity for people living in poverty in East Africa. The fund was created to address the 'pioneer gap' by supporting early stage social enterprises with a combination of investment capital and advisory support.
Grassroots Business Fund	Fund	Impact First	A fund that invests in viable businesses that generate sustainable earnings or savings for people with low incomes in Africa, Asia and Latin America. The model provides portfolio companies with a blend of investment capital and business advisory services
Legacy Venture III & IV LLC	Fund	Responsible	Venture funds with an agreement that the principal and returns get donated to investor's cause of choice.
MicroVest Fund II A	Fund	Thematic	See description of MicroVest Short Duration Fund LP.
Persistent Energy Partners	Fund	Impact First	A fund investing in and building early stage ventures providing access to clean energy and other essential services in under-served markets.
Purpose Global LLC	Company	Thematic	A campaign and strategy organisation that works with clients to build and support movements on political, social, health and environmental issues, such as climate change, gun violence, marriage equality and the refugee crisis.
Sail Safe Water Partners LP / WaterHealth Int	Company	Thematic	WaterHealth uses flexible asset financing to provide de-centralized, scalable, safe and affordable water solutions to under-served communities.
Real Assets			
Beartooth Capital I & II, LP	Fund	Thematic	A private real estate fund investing in the ranch land market to generate financial returns through the restoration and protection of ecologically important land.
Ecosystem Investment Partners II, LP	Fund	Thematic	EIP acquires properties in North America with degraded aquatic resources or species habitats, restores them, and ensures they are permanently protected. Creates 'mitigation banks' and sells these credits to public and private permittees who need to offset unavoidable ecological impacts.
Eco Trust Forests II	Fund	Thematic	A fund managed by Ecotrust Forest Management (EFM) that acquires industrially managed forests in the Pacific Northwest of USA for transition towards sustainable management and community-based ownership.
EKO Green Carbon Fund	Fund	Thematic	A fund that invests in carbon offset projects, stimulating the carbon offset market whilst preserving land.

* All investments marked with an asterisk are included in the financial returns calculation on page 58–60.

† Global Partnerships Fund excluded from KLF portfolio valuations as KLF committed funds in 2016, but capital was not drawn down until 2017. The fund is still included in the impact analysis in this report.

Living Forest	Company	Impact First	Mixed-use eco-development alongside permanently protected forests with high ecological value.
Lyme Forest Fund III TE, LP	Fund	Thematic	An equity fund that invests in US timberland and rural real estate with important conservation attributes.
Pico Bonito Real Assets Real Estate	Fund	Impact First	A direct investment, protecting key forest areas surrounding Pico Bonito national park in Honduras through restoration, reforestation, and agroforestry.
Sonen Global Sustainable Real Assets	Fund	Sustainable / Thematic	Sonen provides access to a portfolio of global real assets strategies diversified across sectors, investment stages and geographies aimed at optimizing investment returns and meaningful impact.

Public Equity

Sonen Global Equity*	Fund	Sustainable / Thematic	Sonen provides access to a portfolio of global equities, optimized for financial return and impact. The strategy seeks attractive opportunities across financial and impact sectors and geographies.
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Loan Guarantees	Summary of organisation	Purpose of guarantee
MCE Social Capital	A non-profit firm that uses a pioneering loan guarantee model to generate economic opportunities for people, particularly women, in more than 30 countries.	MCE finances its lending to microfinance institutions (MFIs) and small and growing businesses (SGBs) by collecting philanthropic pledges from foundations and individuals—which get called on (and treated as a grant) if an MFI or SGB fails to repay a loan.
Grants made in 2016	Summary of organisation	Purpose of Grant
Hawaii Island Youth Corps	A voluntary programme which engages and empowers youths and young adults of Hawaii through experience-based education, cultural studies, mentoring and employment.	'Ohana Capital Program for Hawaii Investment Ready Programme / Building impact eco-system in Hawaii
Presencing Institute	An awareness-based action research community for profound societal innovation and change.	Theory U Lab in support of program / Theory U process used in KLF's work with their networks
Toniic Institute	Global community of impact investors.	Operational Support & T100 Support
Social Impact International	A global programme for social entrepreneurs that combines mentoring with skills training and access to capacity-building and funders.	Operational Support

* All investments marked with an asterisk are included in the financial returns calculation on page 58–60.

Appendix 2: The KLF portfolio, impact goals and investor contribution

The Impact Management Project (IMP) has developed some shared fundamentals about how to talk about, measure,

and manage impact, outlined below. We have mapped the KLF portfolio onto the IMP's definition of impact goals and investor contribution. For more information, see impactmanagementproject.com.

IMPACT MANAGEMENT PROJECT

Impact goals

The extent to which businesses set goals to prevent negative impact and increase positive impact depends on their intentions which typically fall into one of three broad categories:

- those who try to **avoid harm** to their stakeholders, either because they care about being responsible citizens or because they want to mitigate risk, or both;
- those who do not just try to avoid harm but also want to generate **benefits for their stakeholders**, either because they believe businesses that have positive effects on the world will sustain long-term financial performance or because they believe that businesses should serve society, or both; and
- those who try to avoid harm and generate benefits for their stakeholders but also want to **contribute to solutions** to specific social or environmental challenges for a particular stakeholder group.

Investor contribution

The impact goals of an investment are a function of the impact goals of the underlying business, or portfolio of businesses, that the investment supports plus the contribution that the investor makes to enable the business(es) to achieve those impact goals. Investors can:

- **Signal that impact matters:** choose not to invest in or to favour certain investments such that, if all investors did the same, it would ultimately lead to a 'pricing-in' of effects on people and planet by the capital markets more broadly. Some people think of this as 'values alignment'.

- **Engage actively:** use expertise and networks to improve the environmental or societal performance of businesses. Engagement can cover a wide spectrum of approaches—from dialogue with companies to investors taking board seats and using their own team or consultants to provide hands-on management support (as often seen in private equity). A significant dialogue with companies, including about environmental, social, and governance factors, is a normal part of the fund management process. However, the phrase 'engage actively' reflects a strategy that involves, at a minimum, significant proactive efforts to improve businesses' effects on people and the planet.

- **Grow new or undersupplied capital markets:** anchor or participate in new or previously overlooked opportunities that offer an attractive impact and financial opportunity. This may involve taking on additional complexity, illiquidity, or perceived disproportionate risk. In public equities, bonds, or infrastructure, an investor might move from holding mainly well subscribed issuances (which is just a signalling strategy) to participating in a higher proportion of undersubscribed issuances.

- **Provide flexible capital:** recognise that certain types of businesses will require acceptance of lower risk-adjusted return in order to generate certain kinds of impact. For example, creating a new market for previously marginalised populations might require very patient capital that cannot offer a commercial return.

Table 9 brings together the impact goals of the businesses being invested in and the strategies that investors use to contribute to impact. KLF's portfolio is mapped onto this framework. It illustrates the different types of its investments that fit into the three different impact goals, and how KLF contributes as an investor. 14.5% of the portfolio is in investments that avoid harm, 38.7% is **benefitting people and the planet**, while the majority (46.8%) is actively **contributing to solutions**. For every investment in the portfolio, KLF signals that impact matters, but it also contributes in other ways to some of the investments—such as providing coaching and mentoring to investees, helping investees raise additional capital, investing in new types of financing structures (such as the Peterborough Social Impact Bond), and providing grants alongside capital. More information on KLF's investor contribution is detailed on pages 41–44.

Table 9: KLF portfolio mapped to the Impact Management Project's matrix

		IMPACT GOALS					
		AVOID HARM		BENEFIT PEOPLE & PLANET		CONTRIBUTE TO SOLUTIONS	
INVESTOR'S CONTRIBUTION	Signal that impact matters + Engage actively + Grow new or undersupplied capital markets + Provide flexible capital	Cash Private equity Public Fixed Income	0.6% 13.4% 0.5%	Corporate bonds, sovereign bonds Positively screened public equities Sustainable alternatives Thematic private equity Thematic public debt	10.0% 17.4% 7.1% 1.0% 2.1%	Thematic private equity Thematic real estate Thematic private debt	0.5% 3.1% 2.4%
		Total	14.5%	Total	37.7%	Total	6.0%
	Signal that impact matters + Engage actively + Grow new or undersupplied capital markets + Provide flexible capital						
		Total	0.0%	Total	0.0%	Total	0.0%
	Signal that impact matters + Engage actively + Grow new or undersupplied capital markets + Provide flexible capital			Thematic private equity	1.0%	Thematic cash Thematic private equity Thematic real estate Thematic alternatives Supranational bonds, Corporate green bonds, municipal bonds Thematic public equities	3.1% 2.3% 0.6% 3.8% 7.7% 12.8%
		Total	0.0%	Total	1.0%	Total	30.4%
	Signal that impact matters + Engage actively + Grow new or undersupplied capital markets + Provide flexible capital					Thematic private debt Thematic private equity	1.0% 1.0%
		Total	0.0%	Total	0.0%	Total	2.1%
	Signal that impact matters + Engage actively + Grow new or undersupplied capital markets + Provide flexible capital						
		Total	0.0%	Total	0.0%	Total	0.0%
	Signal that impact matters + Engage actively + Grow new or undersupplied capital markets + Provide flexible capital					Thematic private debt Thematic private equity Thematic real estate	3.5% 4.7% 0.1%
		Total	0.0%	Total	0.0%	Total	8.3%
		Overall total	14.5%	Overall total	38.7%	Overall total	46.8%

The Impact Management Project will be working with KLF to produce a fuller report examining their portfolio using their framework later in 2018.

Appendix 3: Additional disclosures

Financial performance presented in this report was calculated by Cairn Investment Performance Consulting ("Cairn"), a third-party independent firm to perform a calculation of the cash flows and returns of each security into which KLF had invested over the analysis period (2006-2015). Performance for the year 2016 was calculated by Sonen Capital, LLC. Additional cross-sections of the portfolio have since been examined to give a more complete picture of the investments over the analysis period. Sonen Capital employed the same methodology used by Cairn for the 2016 performance calculations.

Performance has been calculated by Cairn (except for 2016, which was calculated by Sonen). Information used to calculate the performance and statistics included herein were provided by underlying investment managers and custodian statements. Neither Cairn or Sonen audited or verified the information provided.

Methodologies used to calculate investment returns are as follows:

1. Returns reflect the investment of all income. Residual cash in brokerage accounts has been included. Interest on fixed income investments has been accrued. Returns have been calculated using the Modified Dietz methodology for quarterly time periods, which time-weights cash flows on a daily basis. All statistics are presented in US dollars, and include the effects of foreign currency translation for applicable investments. Quarterly returns have been geometrically-linked to calculate annual and cumulative returns.
2. All investments have been valued at least quarterly, when market values or fair values are available. Certain investments are only valued annually or may be carried at cost until valuations become available from the underlying fund manager. Values provided by underlying fund managers have not necessarily been audited or verified.
3. Gross performance is shown after the deduction of transaction costs, underlying investment management fees paid to the manager of applicable funds, and miscellaneous portfolio expenses. Gross performance does not reflect investment management fees paid by KLF for investment advisory services. Net performance includes the additional expense of consulting fees paid by KLF for investment advisory services.

GLOSSARY

This brief lexicon is provided for readers who may not be familiar with the concept of impact investing. This is adapted from *Evolution of an impact portfolio*, published by Sonen Capital, which reflects the framework subscribed to by KLF.³⁵

100% Impact Investment: The intentional commitment by asset owners of 100% of their assets to positive social or environmental impact.

Asset class: A group of securities that exhibit similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations. The three main asset classes are equities (stocks), fixed-income (bonds) and cash equivalents (money market instruments).³⁶

B Corps: For-profit companies certified by US-based non-profit, **B Lab**, to meet rigorous standards of social and environmental performance, accountability, and transparency. B Corps must complete the B Impact Assessment and earn a reviewed minimum score of 80 out of 200 points, satisfy the requirement that the company integrate B Lab commitments to stakeholders into company governing documents, and sign the B Corp Declaration of Interdependence and Term Sheet.

Debt investment: This is essentially a loan, so the return is fixed and not related to performance. However, there is a risk that the investee will be unable to pay back the debt.³⁷

Equity investment: This is when the return is related to the performance of the asset, that is, the level of profit or the value of the shares.³⁸

ESG—Environmental, Social and Governance—Factors: Issue areas considered material in having an impact on business performance. Examples of these factors across each of these three categories include environmental risks such as more stringent regulation related to emissions and waste, or resource depletion; social risks such as worker safety and health or the use of child labour; and governance risk such as the presence of bribery and corruption within a business, or mismatched or illegal incentives.

Global Impact Investing Rating System (GIIRS): A third-party impact evaluation and ratings system developed in the US **GIIRS**³⁹ provides both company and fund impact ratings derived from the **B Impact Assessment**⁴⁰. For companies, a GIIRS rating is comprised of an overall score

and two ratings: one for its impact models, and one for its operations. The Impact Model Rating recognizes business models that are specifically designed to solve social or environmental problems through company products or services, target customers, value chain, ownership, or operations. The Impact Operations Rating evaluates the impact of the business in how it operates. This is sometimes referred to as ESG (Environmental, Social and Governance) practices. For funds, a GIIRS Rating is comprised of a Fund Manager Assessment Rating and two Investment Roll-Up Ratings, the latter comprising an Overall Impact Business Model (IBM) Rating and an Overall Operations Rating. The Fund Manager Assessment covers topics regarding a fund's policies and practices in deploying and managing its capital. The Investment Roll-Up Ratings are weighted averages of the portfolio companies' impact business model and operations ratings based on the amount invested in each company.

Impact Investing: Investing with the intent to generate both financial returns and purposeful, measurable, positive social or environmental impact.

Impact Investment Spectrum: A spectrum that defines approaches of investment management based on the level of impact that exists in an impact portfolio. The four categories used by Sonen Capital in organizing KLF's impact portfolio to determine level of impact, moving from less to more integral impact, are the following:

- **Responsible:** Also known as Socially Responsible Investing (SRI), this approach 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 binary impact performance criteria. Sonen Capital further use the term 'Responsible' to capture investment activity that may proactively contain a social or environmental component in its strategy.

- **Sustainable:** Sustainable investments move beyond a defensive screening posture, actively looking for investments that are positioned to benefit from market conditions by integrating environmental, social and governance (ESG) factors into core investment decision-making processes. This can include corporate engagement, innovations, and new markets that are recognized as a path to growth, with positive social and environmental benefits, such as, for example, alternative energy.
- **Thematic:** Thematic or mission investments have a particular focus on one or more impact themes, such as clean water or deforestation, and work to channel investment allocations in those particular directions. These are highly targeted investment opportunities in which the social or environmental benefits are fully blended into the value proposition of a commercially positioned investment.
- **Impact First:** Investments that seek to optimize a desired social or environmental outcome, without regard for competitive return. They are open to trading off financial return for more 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 Reporting and Investment Standards (IRIS):

A catalogue of generally accepted, mostly quantitative impact metrics; originally a 2008 initiative of the Rockefeller Foundation and subsequently a project of the **Global Impact Investing Network (GIIN)**⁴¹. The metrics are useful for projects where the indicators currently listed might be relevant, such as development of education systems in developing countries. Indicators include outputs—the products, services or facilities resulting from activities, such as the number of toilets built per school; and outcomes—the changes, benefits, or learning resulting from activities, such as improved educational attainment. It is not a prescriptive list—GIIN encourages

organisations to develop further indicators which can also sit on the platform.

Nesta Standards of Evidence: A framework placing evidence of impact on a scale of one to five—to help provide confidence in the evidence provided to show that an intervention is having a positive impact.⁴²

Non-Impact Investments: Investments made for the sole purpose of financial return, without any explicit consideration given to the social impact of the investments.

Program-Related Investments (PRIs): PRIs were created under Section 4944 of the Tax Reform Act of 1969. Under Section 4944, private foundations are allowed to make 'Program-Related Investments' if the following conditions are met:

- the primary purpose of the investment is to advance the Foundation's charitable objectives;
- neither the production of income nor appreciation of property is the primary purpose; and
- the funds cannot be used directly or indirectly to lobby, or for political purposes.

These are often loans made at below-market rates to enterprises addressing social and environmental challenges and are often made in alignment with a foundation's values to address a lack of available, flexible capital to early-stage enterprises. PRIs are considered to be Impact First investments and were pioneered by the Ford Foundation in 1968.

Sonen Capital's AIMS Framework: A propriety framework developed by Sonen Capital that describes impact creation through four dimensions: Additionality, Intentionality, Measurability, and Scale.

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TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy which occupies a unique position at the nexus between charities and funders, helping them achieve the greatest impact. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

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