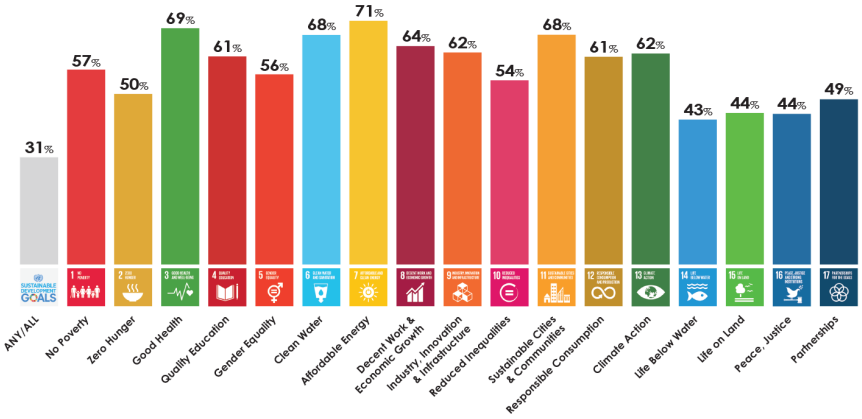
Who, What, Where and How: 440 Investors

A deepening view of impact investing

March 2019



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THE NETWORK

Impact investing continues to grow in popularity, but three key issues get in the way toward widescale adoption by the majority of investors:

1. Spread globally

Impact investors are **spread around the world**, investing all around the globe.

This makes it incredibly difficult for those seeking funding to find these investors.

It also means that investors tend not to know each other. If they do, they tend only to meet once or twice per year at impact investing events.

2. Interests vary

Impact investors have specific areas of interests, thus even when there are two dozen investors in a single room, the chance of them liking any one investment is rare.

The UN has organized **17 distinct sustainability goals**, but #1, *No Poverty* includes everything from the poorest billion people to affordable housing in New York City.

3. Investorflow

Meanwhile, in reality, most impact investments come from investors talking to other investors, not from companies pitching investors.

The problem isn't a lack of dealflow, nor a lack of crowd, but efficiently matching the right deal to the right investor, or more simply… the problem isn't **dealflow** but **investorflow**.

investorflow.org is an online network where impact investors share deals with each other, with the system forwarding only those deals that fit the investor's specific interests, filtered by: sector, geography, stage, and ticket size. All deals are posted by fellow impact investors who are leading or committed to the proposed investment, who are speaking on their own behalf and seeking co-investors.

These key issues are true not only for early-stage impact startup investing, but for impact investing in every asset class, and are the same issues that make it next to impossible for grantors to syndicate grants or to make blended capital investments.

Launched in **January 2017**, in just over two years the investorflow.org network has grown to **440 individuals**, **family offices**, **foundations**, **funds, investing groups**, and **support organizations**. Each of these investors provided a profile describing their investing interests, and this report summarizes an analysis of these profiles.

METHODOLOGY

Methodology

This report summarizes the profiles of the first 440 investors who joined the investorflow.org network. By definition, from that action, these 440 people and organizations are early adopters and thus may not be representative of impact investors as a whole.

Inclusion Criteria

A requirement of joining the investorflow.org network is the completion of a confidential profile. The profile survey includes required questions on home location, investment geography, sectors, stages, and expected investment sizes, plus a number of optional questions. Many questions include an "other" response.

In summarizing the analysis of these profiles, we have excluded responses that do not fit the ontology. In addition, not every optional question was answered, so the number of responses for each question is sometimes fewer than 440.

Data Accuracy

The purpose of the profiles is for each investor to receive dealflow filtered for their particular interests, and thus it is expected that investors have answered the profile questions to the best of their abilities. That said, all the answers are self-reported, and investorflow.org has not attempted to verify the information investors have provided.

Bias

The investorflow.org team has no knowledge of a comprehensive survey of impact investors and thus has no statistical mechanism to adjust for bias in the profile data. Our data set is biased toward U.S.-based investors, as investorflow.org is headquartered in Seattle, Washington, the vast majority of investors participating in our platform report that they reside in the U.S, and a few dozen of these investors were solicited at American-based impact investing events.

Refinement

This is the fourth update of this analysis, each growing in numbers of investors and depth of the analysis of their investing interest and activity. The first report was published in May 2017 after the first 151 investors joined the network, the second in August 2017 after the first 205 investors joined, and the third in February 2018 with 327 investors.

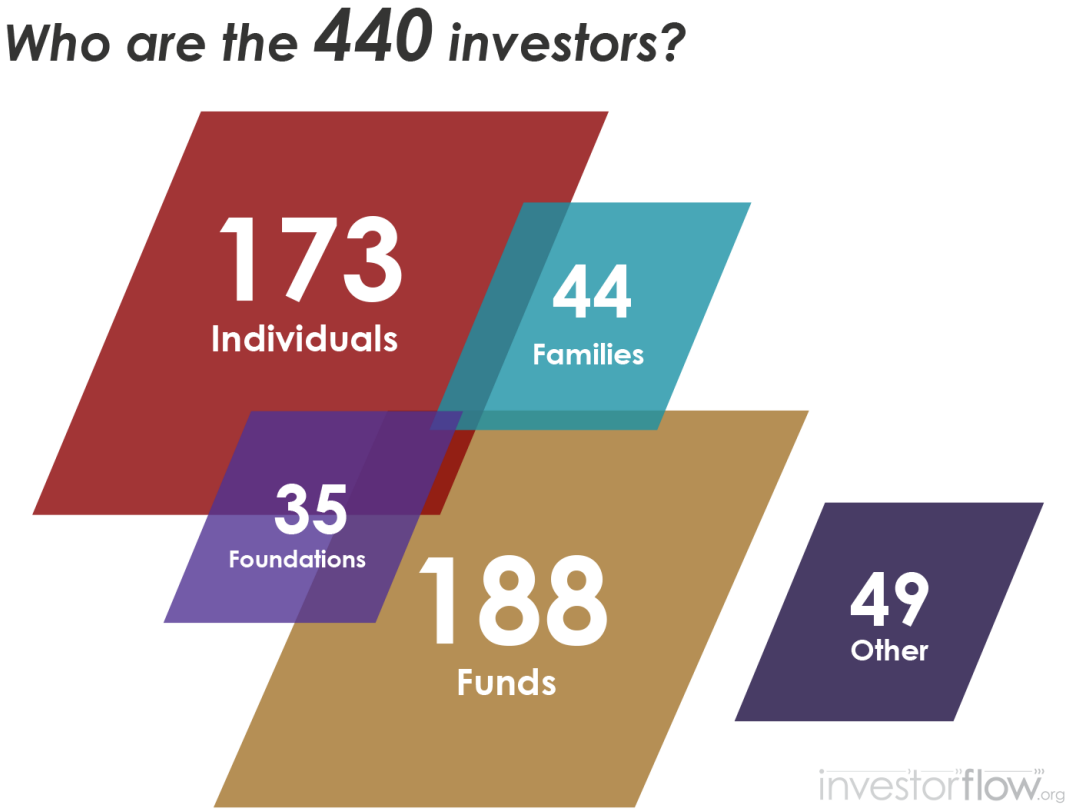
WHO?

Who?

Who are these investors? They are a broad selection of people and organizations, whose commonality is that they self identify as *impact investors*, using their own definition of that term.

Given that they are the first to join this new network and are impact investors, these individuals and entities are early adopters, many of whom are pioneering impact investing in their home cities and social groups.

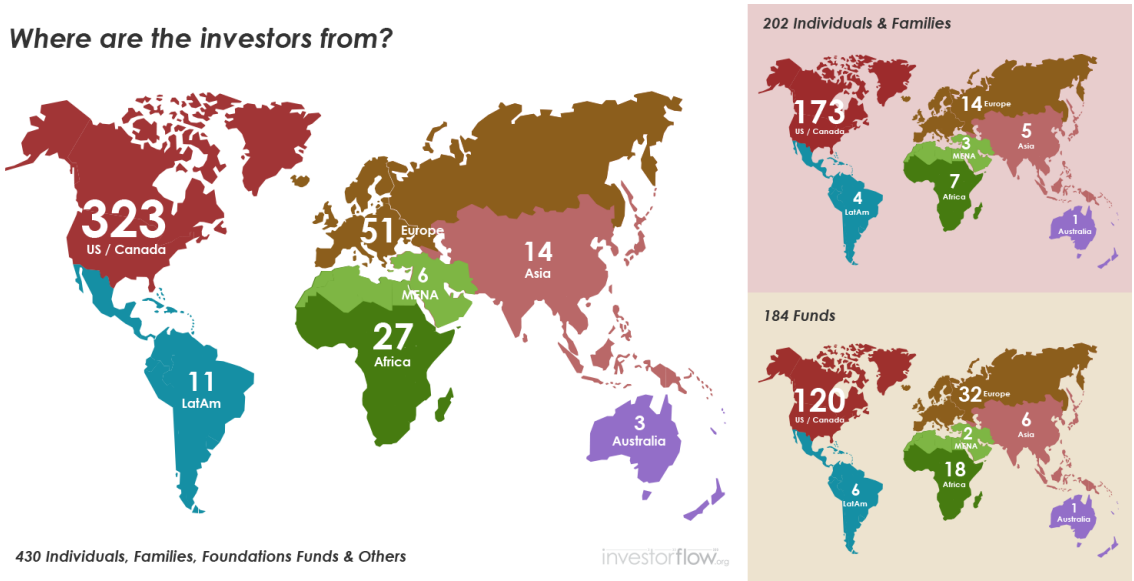
Of the first **440** investors, **173** are individuals plus another **44** are family offices. **188** are organized as funds and **35** are foundations. The remaining **49** include impact investing groups and impactful asset managers. These values sum to 489 as some of the investors self-identify into multiple categories.



WHERE?

Where?

Where are these investors from, and is it true that impact investing is not as local as traditional investing?



So far, the vast majority of investors in the network are from the U.S. and Canada. **323 of 430** total investors (over three quarters of those who provided this information). However, this is somewhat misleading, as investorflow.org is based in the U.S., and has been recruiting members at U.S.-based impact investing events.

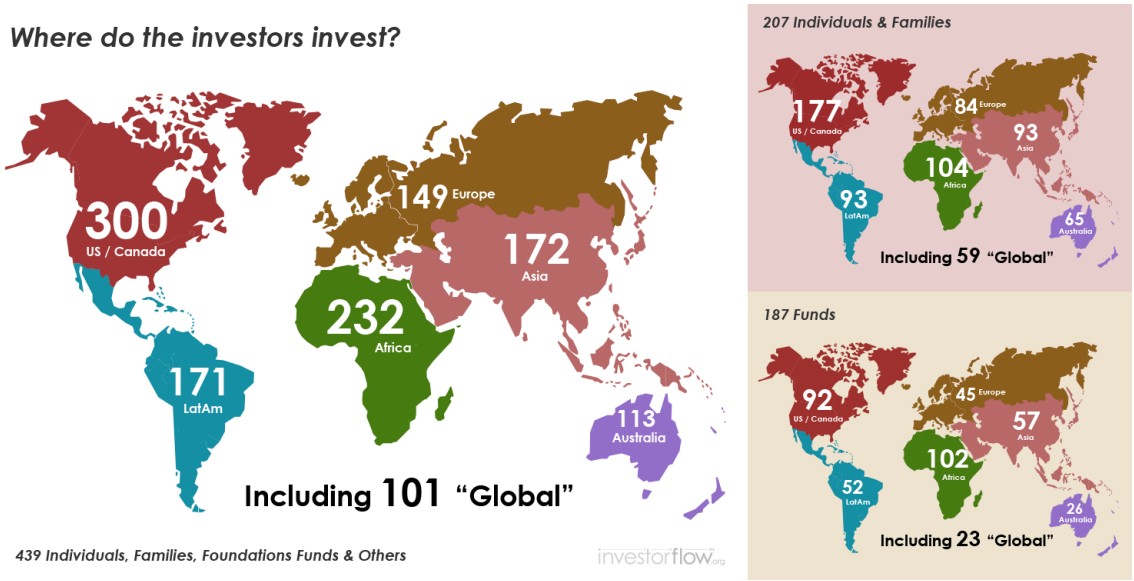
We do expect that there are in fact more impact investors in North America than in other regions of the world, but not at the disproportionate level seen in this report. We anticipate that the proportion of European and Asian impact investors on our network will catch up over time.

Splitting out the individuals+families and funds shows that concentration of Americans and Canadians is stronger from the individuals+families, but the funds are also primarily based in the U.S. and Canada..

For the home location, we split out the Middle East and North Africa, as 6 of the investors come from Dubai, Israel, Lebanon, and Tunisia.

WHERE?

What is most interesting is that the home location of the investors has little to do with the locations where they invest. Impact investing is a global pursuit.



101 of the 429 investors will invest anywhere, so we include this number of global investors in the total count for each continental region. In percentage terms, 24% of the investors in the network call themselves global investors, seeking impactful investments wherever they occur.

The most surprising fact from this analysis is that Africa is the second most popular region, both for individuals/families as well as funds. Latin America and Asia have less interest, but more interest than Europe.

Looking solely at the funds, there are more surprises. Africa is the most popular region for investments, more than the U.S. and Canada. Most impact investing funds seem to be targeting emerging markets.

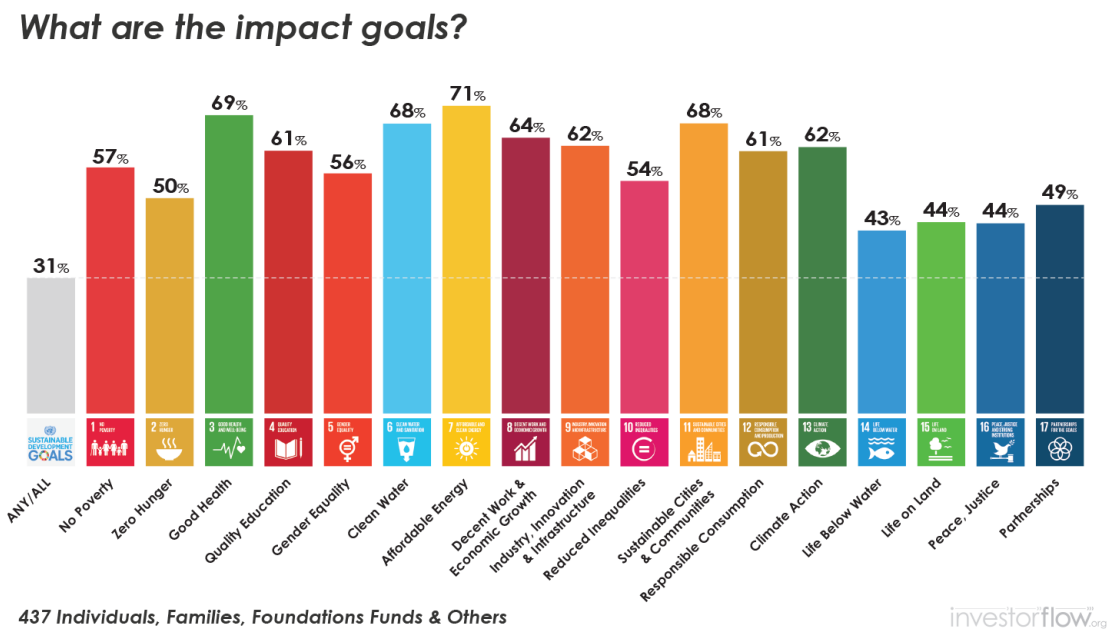
On balance, impact investing is flowing capital from the developed countries into the developing world. That is not surprising, as the same happens in philanthropy. What we're seeing here is that in terms of geographic preferences, impact investors are acting much more like philanthropists than traditional investors, who typically keep 50% of their capital in their home city and 80% in their home region, and just about nothing beyond the borders of their home country.

WHAT?

What Sector?

What are these investors investing in? Investorflow.org has adopted the UN Sustainable Development Goals (SDGs) as its ontology of impact sectors. While these 17 sectors are now a de facto standard in the industry, they are not detailed enough to truly capture the tastes of every impact investors. The UN does offer a set of more specific sub-goals, but we chose not to include them in our investor survey because we believe such complexity might dissuade some investors from completing the survey. We view the 17 SDGs as a good starting point.

The following results are based on the 437 investors who reported a preference for investing toward one or more of the UN goals. The missing investors instead chose to explain their investment sectors in open-ended "other" responses, which we do not include in these results.

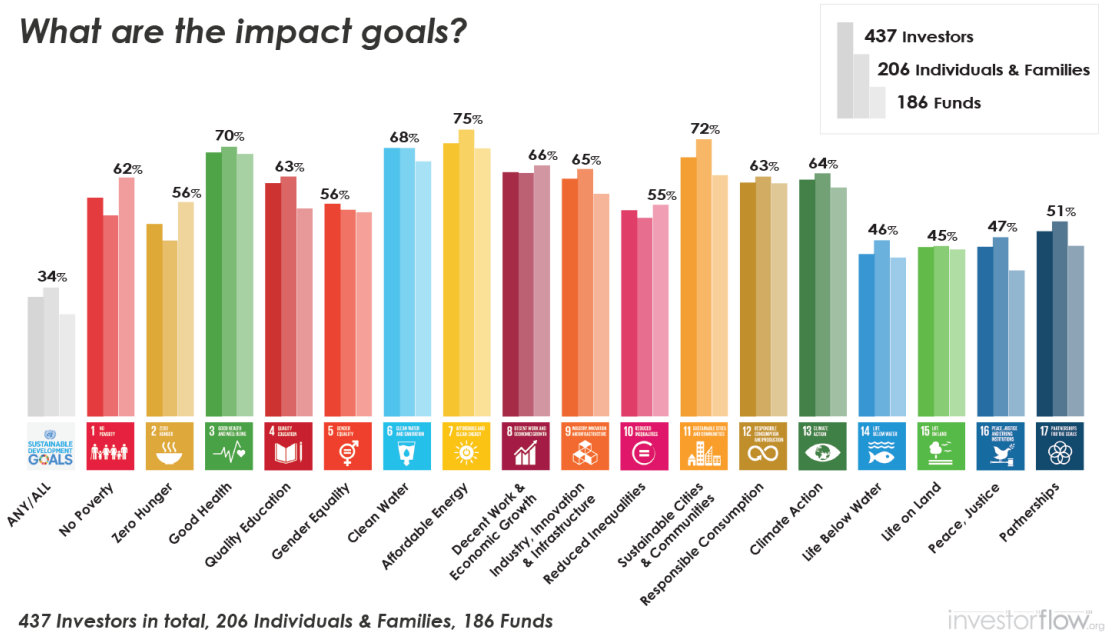


31% of the investors answered "Any/All" declaring that they are agnostic to sector when investing. This value has been added to the values for each of the goals:

57%	1 No Poverty	71%	7 Clean Energy	62%	13 Climate Action
50%	2 Zero Hunger	64%	8 Decent Work	43%	14 Life in Water
69%	3 Good Health	62%	9 Industry / Infrastructure	44%	15 Life on Land
61%	4 Quality Education	54%	10 Inequality	44%	16 Peace / Justice
56%	5 Gender Equality	68%	11 Sustainable Cities	49%	17 Partnerships
68%	6 Clean Water	61%	12 Responsible Consumption	31%	Any/All

The percentages are nearly identical with past reports. There are no other public reports on the popularity of the these goals among investors, but given the consistency seen in this analysis, these values seem to be accurate.

We have further broken down these results by individuals+families vs. funds. The chart below shows the same values as above in the leftmost column, then breaks out data for 206 individuals and families in the middle column, and that of 186 funds in the rightmost column.



The popularity differs very little by type of investor. The popularity of each goal differs by less than 5%. This correlation between individuals and funds may simply be demonstrating the fact that many of the impact funds are small, and not yet concentrated by specific UN SDGs. Or it may be that the investors in these funds are driving their preferences into the sectors of the funds, and that matching the general pattern for individual impact investors.

For both individuals/+families and funds, the popularity of the 17 goals is different from goal to goal. The most popular goals have interest of 75% of the investors, while the least popular are only 45%.

Do remember that these values include the 27%-34% choice of Any/All, thus the last four goals are specifically chosen by less than 15% of the investors. If there is one lesson from this analysis, it is that the conservation goals of 14 Life Below Water and 15 Life on Land and the social justice goal of 16 Peace & Justice may be more difficult concepts to wrap into investable forms, with the same true for 17 Partnerships for the Goals.

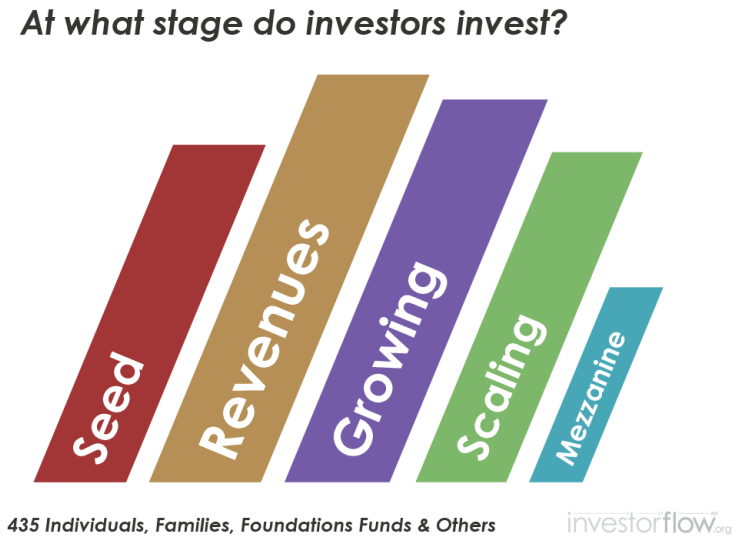
WHAT?

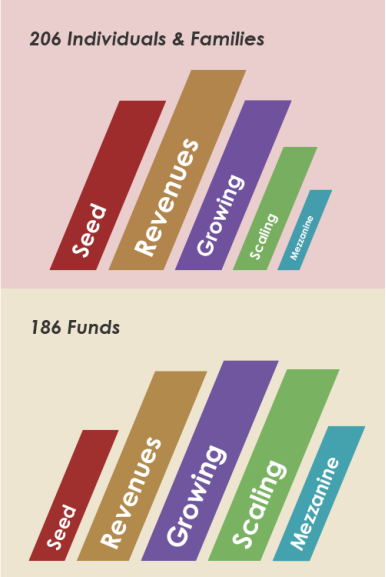
What Stage?

When initially launched, investorflow.org was only trying to lessen the friction in funding impactful startups. Over time investors began posting investment opportunities for other asset classes.

Focusing just on startup investing, most investors prefer investing during specific stages of growth of the companies. There are no standards for naming these stages, so here are the investorflow.org definitions:

Seed investments are for pre-revenue companies. *Revenues* represents companies earning between $10,000 and $50,000 in annual revenues. *Growing* companies are those with $50,000-$250,000 in annual revenues. *Scaling* are growing companies that have yet to crack $1 million in annual revenues. *Mezzanine* financing is for companies above $1 million in revenues.



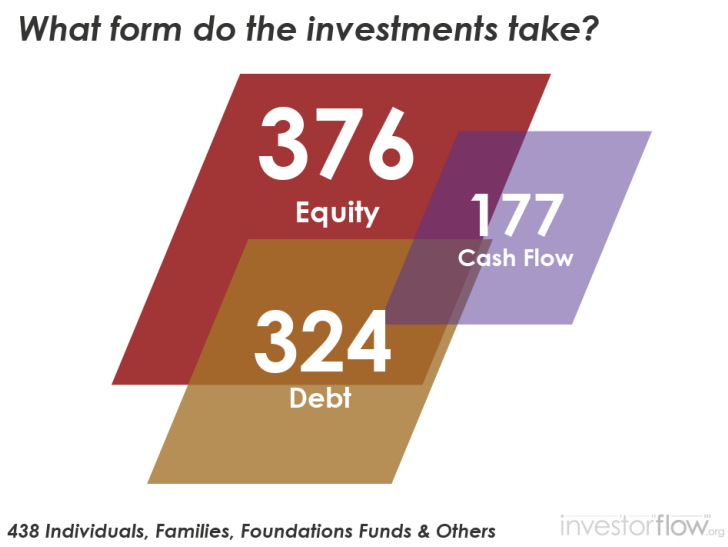


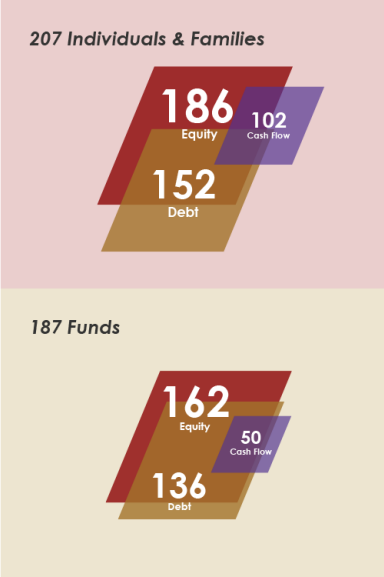
Not surprisingly, investors prefer investing in companies with revenues rather than those without, but over half of the individual investors funds said they invest in the Seed stage. It is also not surprising to see that individuals and families tend to invest in earlier stages than funds. What is surprising is the lack of late-stage financing in the network. We have heard anecdotal tales of a gap in such financing, and these results are showing that neither individuals, families, nor funds are looking to provide that capital. This may be due to a lack of Private Equity funds targeting impact companies or it may be gaps in previous stages leading to a lack of dealflow for the latter-stage companies.

HOW?

How?

What form do these investments take? Private equity investors use a variety of investment structures. The two most common are *Equity* (including Convertible Notes) and *Debt*. One up-and-coming style is revenue-based or profit-based investments, which we are calling *Cash Flow*.





What is surprising in these results is the amount of overlap between these three forms of investment. For impact investors it seems the form of investment is flexible. The previous section demonstrated that this network includes a significant percentage of early-stage investors, and traditionally early stage investments are structured as equity, not debt.

Splitting out individuals/families and funds, we can see a similar pattern for individuals and families, but even more overlap for the funds. Non-impact investment funds tend to focus on either equity or debt, not both. The 187 funds profiled show that impact funds tend not to specialize.

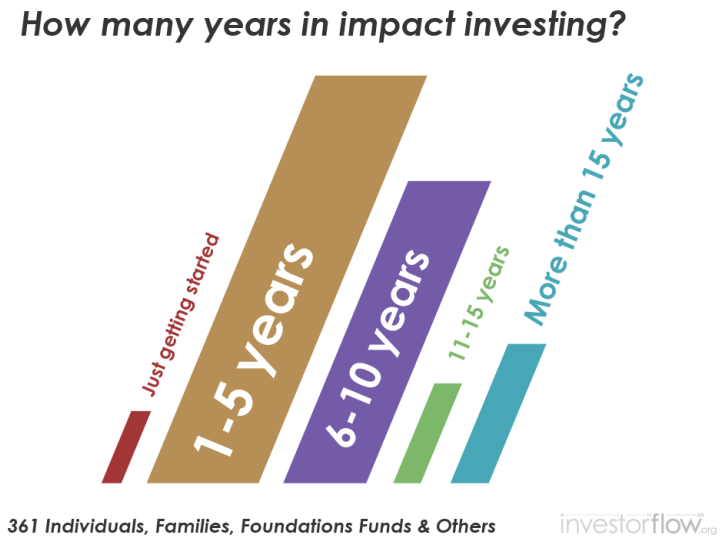
The investor profile is specifically designed to be short, and thus there are no related questions to dig into the questions this analysis opens. In the future, investorflow.org will supplement the profile data with annual surveys to better understand these and other questions to probe deeper into the minds of impact investors.

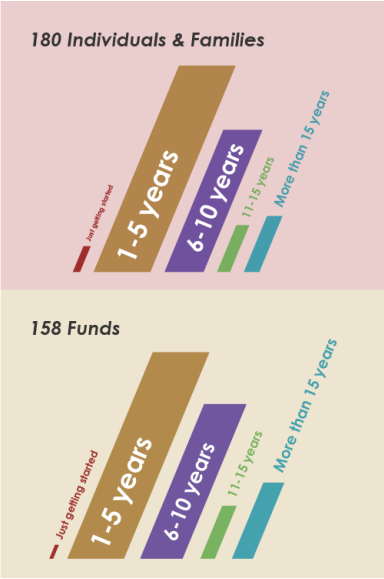
WHEN?

Impact Investing Experience?

How long have investors been impact investing? How many years of experience is "normal" for an impact investor? How many unique investments? How much capital has been deployed? These are all questions rarely asked within what seems to be a rather new corner of investing.

The investorflow.org profile survey includes a series of optional questions which help answer these questions:

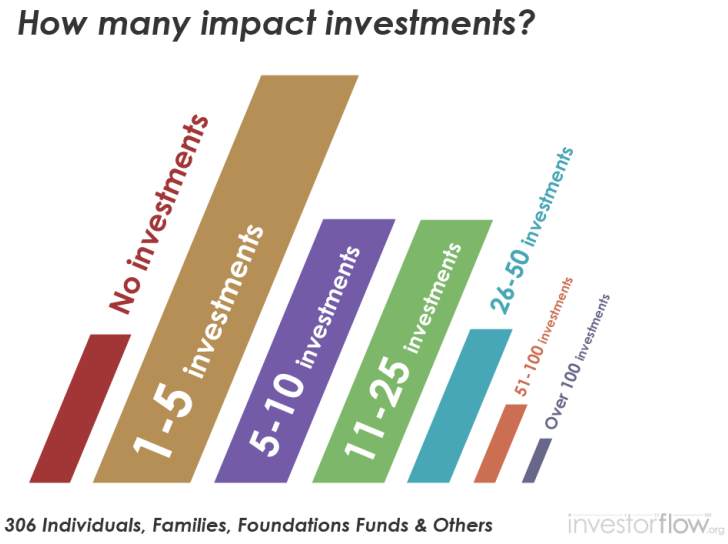


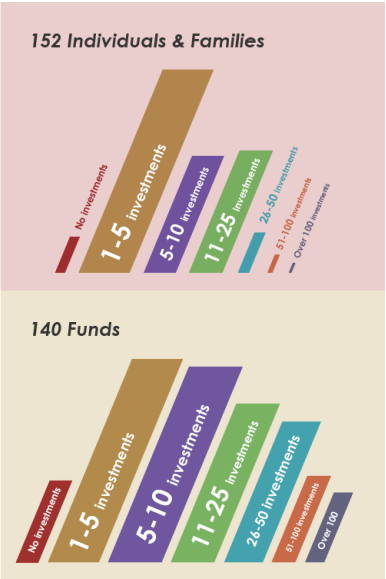


The responses clearly demonstrate how new impact investing is for both individuals and funds. 4% of investorflow.org investors are "just getting started." 50% of the investors have been investing in impact for one to five years, and 27% for six to ten years. Only 18% of the investors have been investing for 11 or more years.

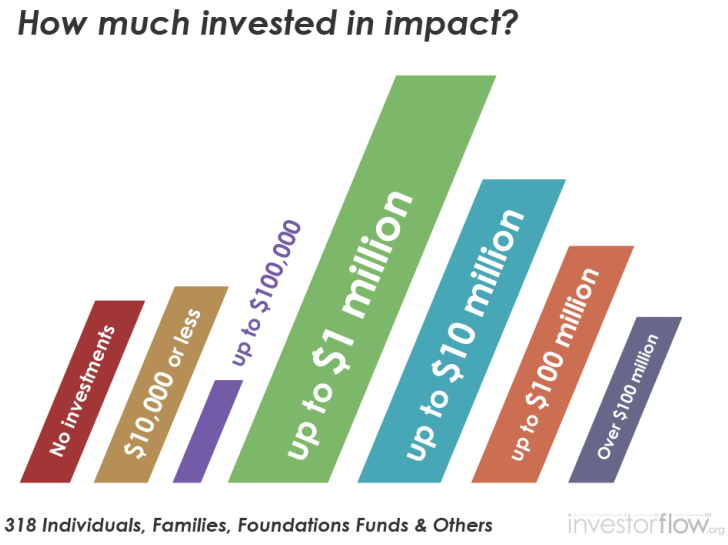
Comparing the 180 individuals and families to the 158 funds who answered this question, the results are not dramatically different. More of the fund managers have 6 to 10 years of experience, and only 2% are just getting started.

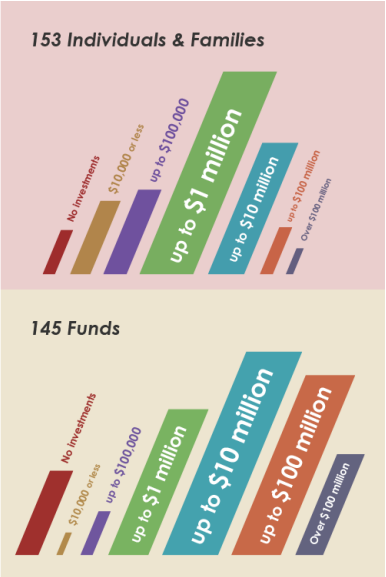
More telling than years of experience is the number of impact investments and amount of capital deployed:





The typical impact investing portfolio is just 1-5 investments. This is not at all surprising given how new impact investing is to most investors. Neither is it surprising to see that the number of investments in the portfolio of the funds is larger than that of the individuals and families. Half the funds have more than 10 investments, and 20% of the funds have more than 50.





The biggest difference between individuals/families and funds is seen in the size of the investment portfolios as measured in dollars. Half of the funds have invested over $10 million whereas half of the individuals have invested less than $1 million.

CONCLUSION

Concluding Thoughts

Several key conclusions emerge from our analysis of investorflow.org's growing network of investors:

- **Tastes vary little by type of investor.** Impact investors are quite similar in terms of geographies, sectors, and investment structures no matter whether these investors are individuals, family offices, or funds.

- **Impact is global.** The majority of impact investors reside in the U.S., but the target geography of investments spans the world, especially reaching into emerging markets.

- **Sector goals vary.** All of the 17 UN Sustainable Development Goals have interest from investors, but there is less interest in the four goals at the end of the list: 14 Life in Water, 15 Life on Land, 16 Peace / Justice and 17 Partnerships.

- **Individuals/family offices invest differently from funds.** Individuals and family offices invest earlier and invest less money than funds. Funds invest more in growth capital, more often, and with larger amounts of capital.

- **Equity is the most common deal structure.** While cash flow deal structures are increasingly appealing to impact investors due to the lack of traditional exits among impact ventures, equity continues to be the most common deal structure.

- **Impact investing is relatively new.** Few impact investors have been investing with impact for more than five years. This is not only true for individuals and family offices, but also for funds.

NEXT STEPS

How You Can Help

How you can help? The world needs impact now more than ever. There are several ways in which investorflow.org and the impact investing ecosystem need your help:

1. **Sign up.** Join our network. Membership is free. Sharing deals is currently free too, although we anticipate having a listing fees for investors who post deals once our network reaches critical mass. To sign up, simply fill out the confidential profile at http://investorflow.org/profile-survey.

2. **Spread the word.** Do you belong to an impact investing group? Or do you have peers, friends or colleagues who share your interest in impact investing? Let them know about investorflow.org, and how we make it easier for you to find or share deals that matter to you.

3. **Partner.** Do you run an event with impact investors as attendees? If so, then consider partnering with investorflow.org to profile those participants, using the analysis of our audience to tune the content of the event and to help foster more and better connections between attendees.

4. **Help us scale.** We're a project of Realize Impact, a U.S.-based nonprofit organization. Our mission is to improve the impact ecosystem. We are actively seeking individual and institutional charitable contributions to help us automate our operations and refine the value we bring to impact investors worldwide. With your help, we can make more impact happen globally by bringing impact investing into the mainstream. To learn more, visit investorflow.org/donate.

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