investorflow.org

Who, What, Where and How: 327 Investors

A deepening view of impact investing

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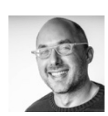

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THE NETWORK

Impact investing is on the rise, 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. Lack of 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 receive deals that fit their 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.

Launched in **January 2017**, in just over a year our network has grown to **327 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 327 investors who joined the investorflow.org network. By definition, from that action, these 327 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 327.

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 third of what is planned to be a series of similar reports, 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 and the second in August 2017 after the first 205 investors joined.

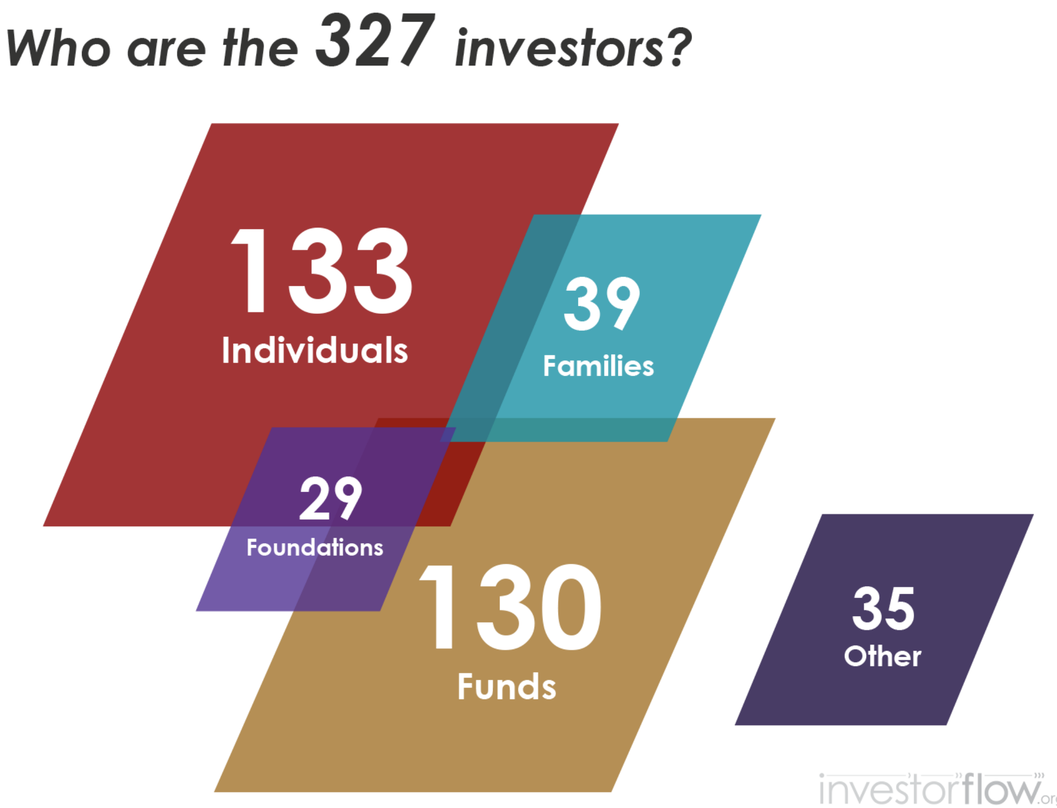
WHO?

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 **327** investors, **133** are individuals plus another **39** are family offices. **130** are organized as funds and **29** are foundations. The remaining **35** include impact investing groups and impactful asset managers. These values sum to 366 as 12% of the investors self-identify into multiple categories.



A good example of the overlap is Chris Bentley, a member of Investors' Circle and advisor to Serious Change Investments, an early stage impact investing fund.

WHO?

An extreme example is investorflow.org co-founder Luni Libes, a member of the Seattle Impact Investing Group and Investors' Circle, who operates Fledge, an impact accelerator and seed fund, and who runs his single family office.

For a variety of reasons, not all of the investors want their participation shared publicly. The following lists thus only include information from a subset of the members.

The individuals are members of a large variety of impactful groups including:

ANDE, Ashoka, Austin Foodshed Investors, B Corp, Clean Tech Alliance, Confluence Philanthropy, Conveners.org, E8 Angels, Entrepreneur's Organization (EO), Fledge, Global Impact Investing Network (GIIN), Gratitude Railroad, Investors' Circle, iPar, Mission Investors Exchange, MCE Social Capital, Net Impact, Next Wave, Nexus Global Youth Summit, Opportunity Collaboration, Purpose Investment Network, Pymwymic, Seattle Impact Investing Group, Slow Money, Social Venture Network (SVN), Sorenson Impact Center, Toniic, The United Nations, Unreasonable, Women Investing for a Sustainable Economy, and the YPO Social Enterprise Network.

Fund managers, associates, and advisors are from the following funds:

100xCapital, 49th State Angel Fund, access2innovation, Acumen Fund, Adobe Capital, AgDevCo, AHL Venture Parnters, Ascender, Ascent Rift Valley Fund, The Atmospheric Fund, Beneficial Returns, Bethnal Green Ventures, Beyond Capital Fund, Capital 4 Development, Capria Ventures, Closed Loop Partners, Community Ventures, The Conservation Fund, COSEF, D3Jubilee, Echelon Partners, Element 8 Fund, Engineers Without Borders (Canada), Fledge (Seattle), Fledge Peru, Global Partnerships, Gratitude Railroad, Hayden Capital, Impact Accelerator Ltd., Impact Africa Capital Partners, Impact Engine, Impact First Investments, Impact Ventures, Investisseurs et Partenaires, Marigold Capital, Meraki Fund, Mercy Corps' Social Venture Fund, NAVF, New Media Ventures, New Summit Investments, Next Wave, opes impact fund, Oregon BEST, Investors' Circle Patient Capital Collaborative (PCC), Pique Fund, Portland Seed Fund, Pyfera Growth Capital, Reinventure Capital, Roots Equity Group, Seedstars, Serious Change Investments, Silicon Valley Social Venture Fund (SV2), SJF Ventures, Social Investment Scotland, Social Stock Exchange, SOW (Asia), SWAN Venture Fund, TriLinc Global, True Wealth Ventures, Unitus Seed Fund, Varshney Capital, VestedWorld, Wireframe Ventures, Working Capital for Community Needs, Inc (WCCN)

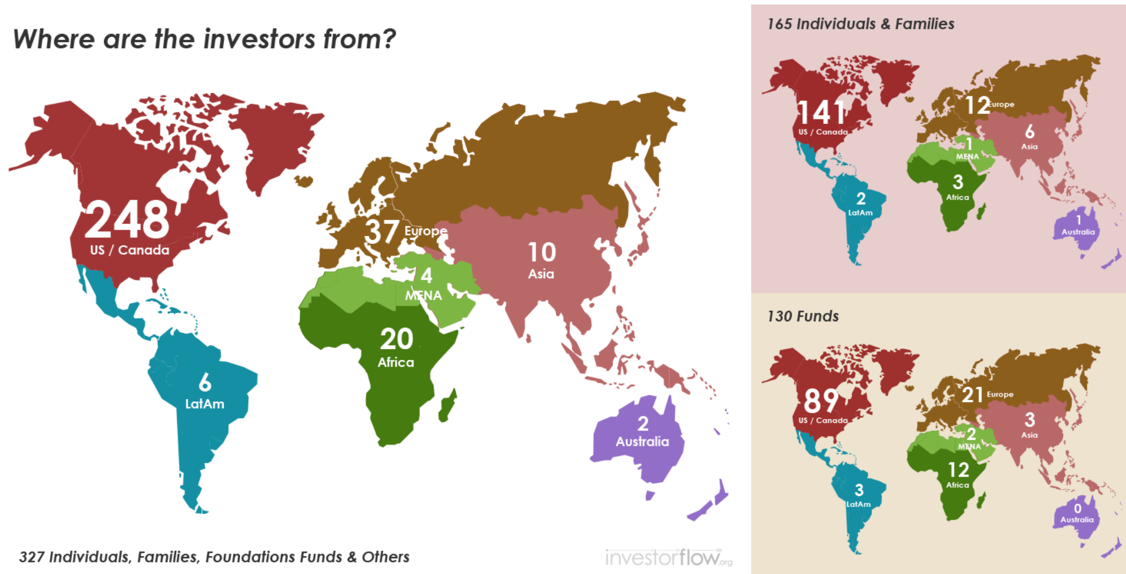
Impact investing groups/event teams include:

Gratitude Railroad, Opportunity Collaboration, Toniic, plus most of the new owners of SOCAP (the largest impact investing conference), Intellecap (who run the SANKALP conferences), and Adobe Capital (who run FLII, the impact investing conference for Latin America).

Among foundations, most have chosen not to share their names at this time, but of those that have, early participants include: the impact investing team from the world's largest foundation, The Bill & Melinda Gates Foundation; an international foundation publicly announced by then-Secretary of State Hillary Clinton, the UN Alliance for Clean Cookstoves; and leading-edge organizations that are raising awareness about social justice issues within the impact investor community, such as Transform Finance.

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. **248 of 327** total investors (over three quarters). 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.

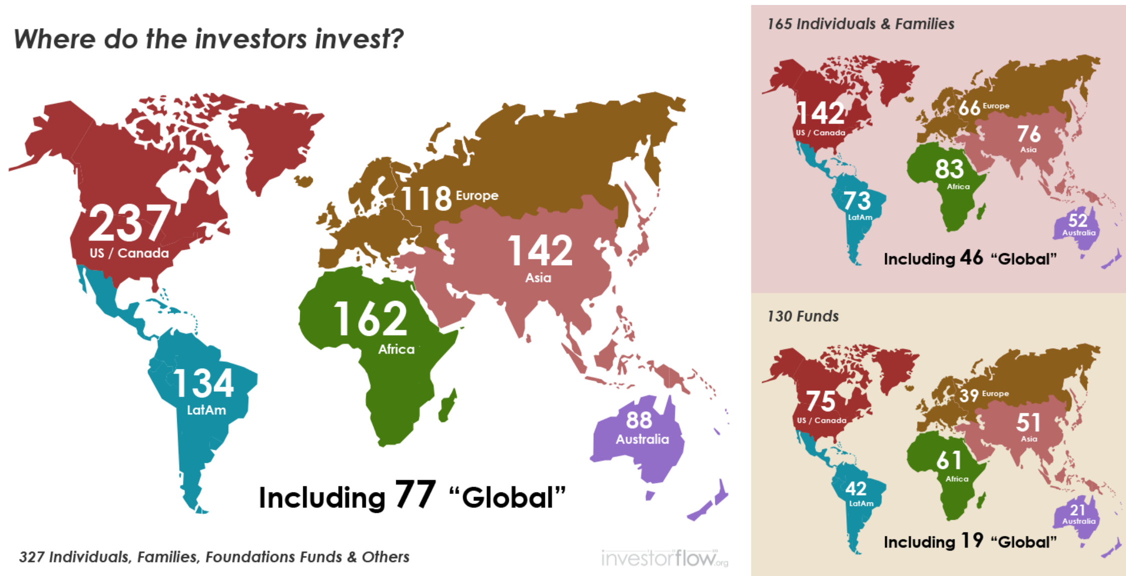
We do expect that there are in fact more impact investors in North America than in other regions of the world, but not at the disproportionate level seen in this report. We anticipate that the proportion of European and Asian impact investors on our network will catch up over time.

Splitting out the individuals/families and funds shows that much of the concentration of Americans and Canadians is from individuals/families, as the percentages by region have grown for funds in all regions but Australia.

For the home location, we split out the Middle East and North Africa, as 4 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.



77 of the 327 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.

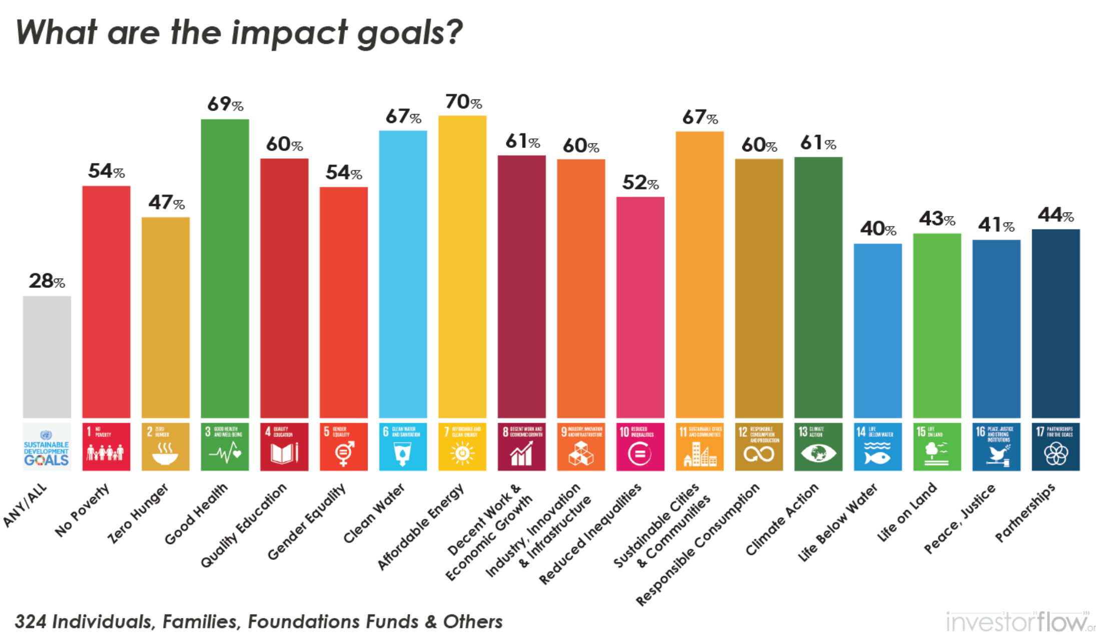
Of the 89 funds based in the U.S. and Canada, only 75 are investing in North America, and this includes the 19 funds who report that they invest globally (i.e., anywhere).

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



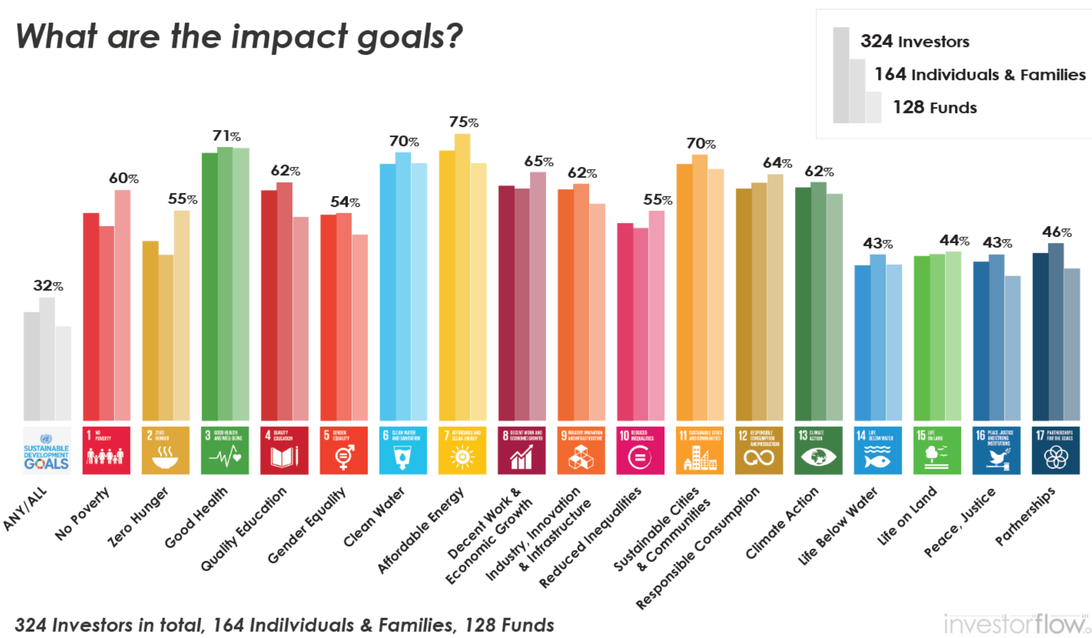
29% of the investors answered "Any/All" declaring that they are agnostic to sector when investing. This value has been added to the data for each of the sectors:

54%	1 No Poverty	70%	7 Clean Energy	61%	13 Climate Action
47%	2 Zero Hunger	61%	8 Decent Work	40%	14 Life in Water
69%	3 Good Health	60%	9 Industry / Infrastructure	43%	15 Life on Land
60%	4 Quality Education	52%	10 Inequality	41%	16 Peace / Justice
54%	5 Gender Equality	67%	11 Sustainable Cities	44%	17 Partnerships
67%	6 Clean Water	60%	12 Responsible Consumption	28%	Any/All

Note: The reported percentages for goals 1 through 7 are lower in this report vs. our previous reports as we discovered an error in our analysis tool-chain that was double-counting some of those values.

Given how little public information is available on the popularity of each of these goals among investors generally, it is difficult to know if the results shown in the chart above are typical of other impact investors.

One way to help determine what constitutes "typical" is to break down the results by individuals and families vs. funds. The chart below shows the same values as above in the leftmost column, then breaks out data for 164 individuals and families in the middle column, and that of 128 funds in the rightmost column.

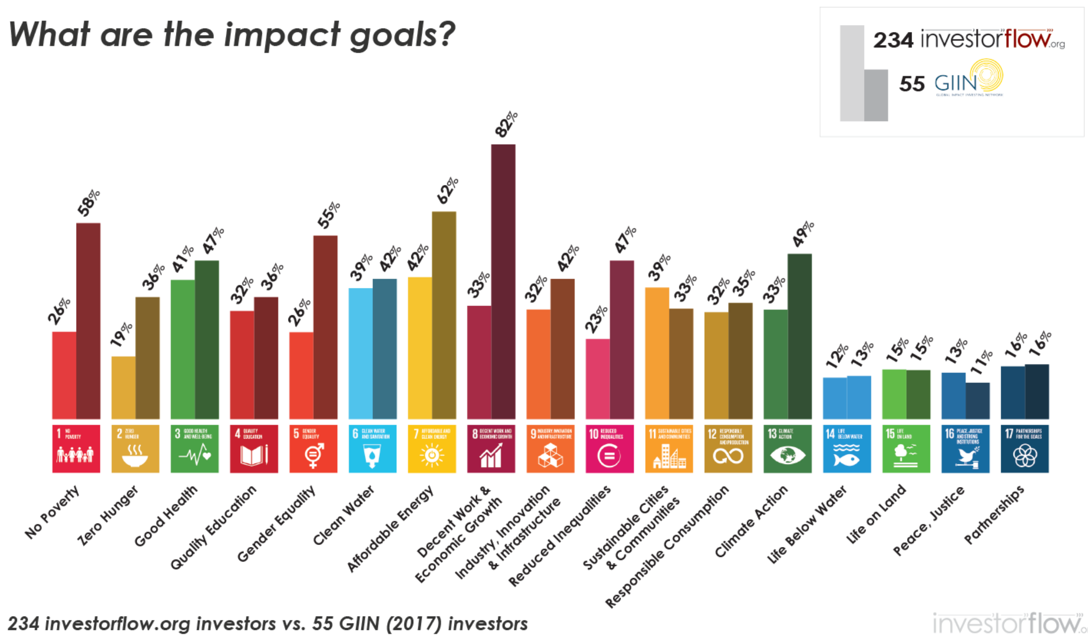


How respondents answered differs little by type of investor. The popularity of all the goals but 1 No Poverty and 2 Zero Hunger differs by less than 5%. This correlation between individuals and funds may simply be demonstrating the fact that many of the impact funds are small, and not yet concentrated 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 dramatically different from goal to goal. The most popular goals have interest of 75% of the investors, while the least popular are barely over half that value.

Do remember that these values include the 28%-32% 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.

Another test for "typical" is to compare these results with the latest survey from the Global Impact Investing Network (GIIN), published May 17, 2017.[1] In the chart below, the 234 investorflow.org investors are displayed on the left, and the 55 GIIN survey respondents who use the UN SDGs are displayed on the right. For the investorflow.org investors, the "Any/All" values have been removed, as the GIIN survey did not include this option.



The differences in these results are significant for most of goals 1 through 10, but this is likely due to the specific question asked by each survey. investorflow.org asks its investors which sectors they *intend* to invest in, GIIN asks its survey participants whether they use the UN Sustainability Goals in their impact *measurement*, and if so, which ones.

The other differences are likely caused by the large variance in size and scale of the two investor groups. The GIIN survey is limited to investors who have made at least $10 million in impact investments or who have made at least 10 impact investments, and as such, the respondents are primarily large foundations and funds. The majority of investorflow.org investors are individuals (or individuals represented by family offices) with significantly fewer assets under management and fewer investments in total than GIIN survey respondents.

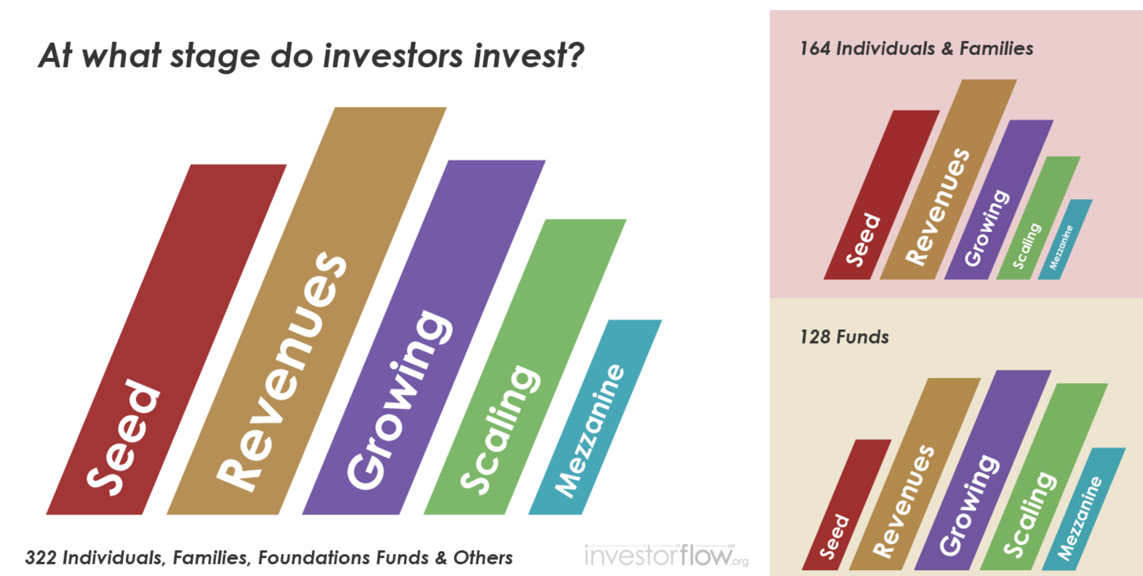
We look forward to future GIIN survey results, to see if their results better match our results as the size of their survey increases, and as their members begin to use the UN SDGs to describe their preferred impacts, rather than proprietary ontonologies.

[1] Mudaliar, Abhilash et al, *Annual Impact Investor Survey 2017*, Global Impact Investing Network, 2017.

What Stage?

At what stage of development are the companies that impact investors prefer? The initial group of impact investors targeted by investorflow.org are those who invest in impactful startups. It is thus not a surprise to find that this group has an interest in the private equity asset class.

Private equities can be further subdivided by the stage of the startup. There are no standards for naming stages, so here are the investorflow.org definitions: *Seed* investments are for pre-revenue companies. *Revenues* represents companies earning between $10,000 and $100,000 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.

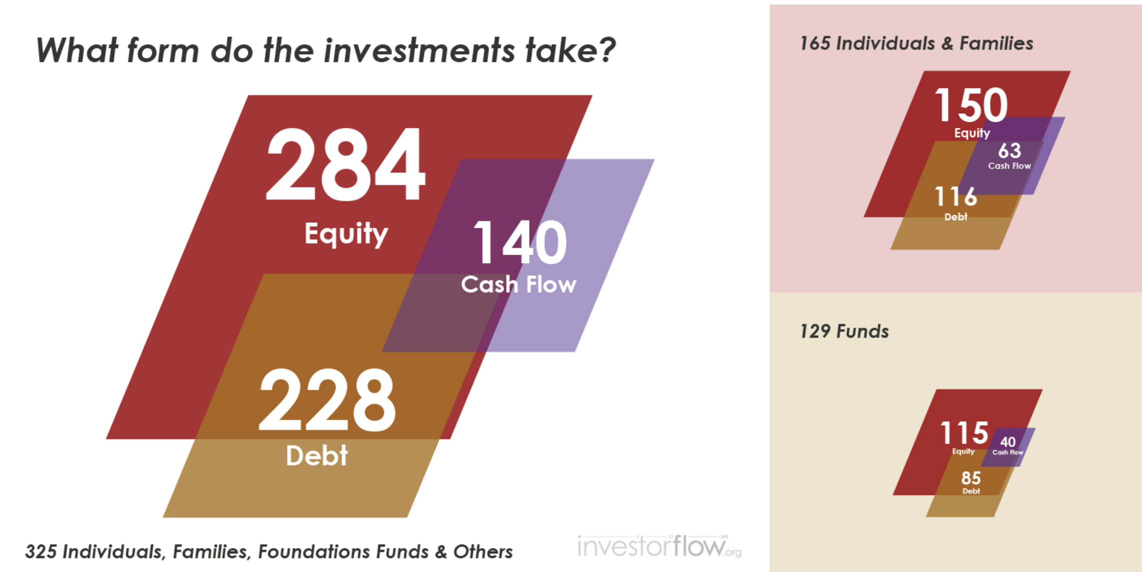


Not surprisingly, investors prefer investing in companies with revenues rather than those without, but overall 86% of investors and 76% of the funds said they invest in the Seed stage. It is also not surprising to see that individuals and families tend to invest in earlier stages than funds. What is 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.

For 2018, we have expanded the scope of investorflow.org beyond startups, and have begun extended the investor profiles to include other asset classes. Future reports will include analysis of that data.

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, the results are similar. For individuals and families, 72% of the equity investors also invest using debt structures (108 of 150). For the funds, this drops only to 62% (72 of 115). Again, traditional early-stage funds specialize in equity or debt.

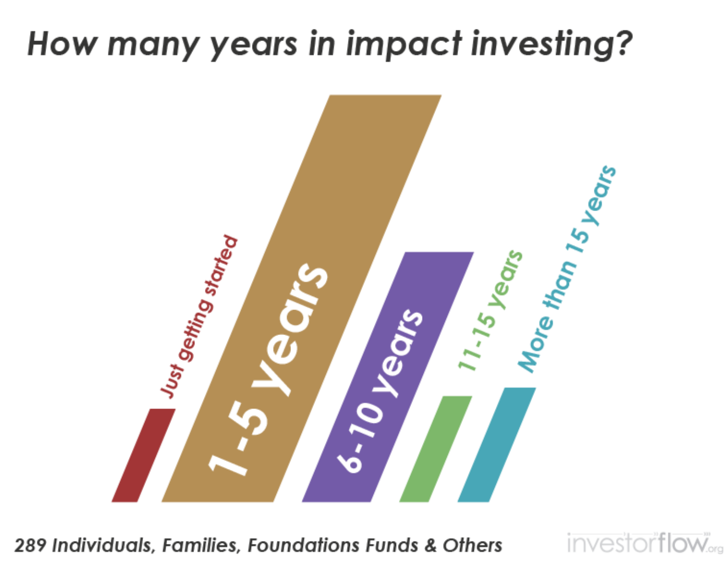
The investor profile is specifically designed to be short, and thus there are no related questions to dig into the questions this analysis opens. In the future, investorflow.org will supplement the profile data with annual surveys to better understand these and other questions to probe deeper into the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

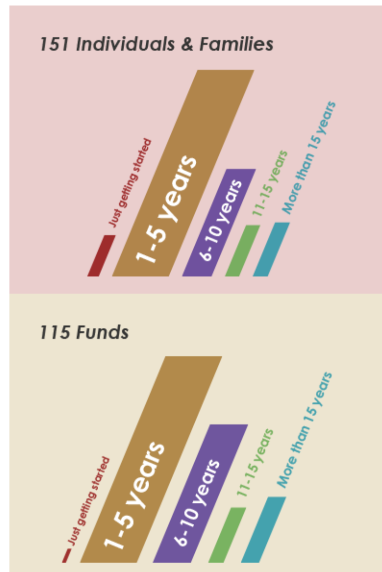
WHEN?

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:



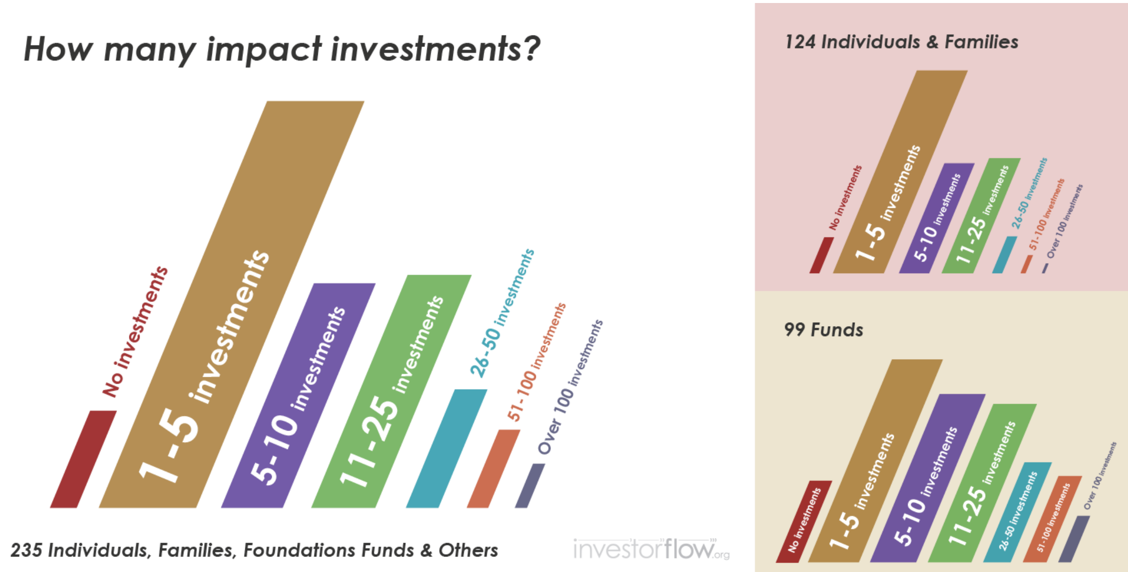


The responses clearly demonstrate how new impact investing is for both individuals and funds. 5% of investorflow.org investors are "just getting started." 50% of the investors have been investing in impact for one to five years, and 27% for six to ten years. Only 18% of the investors have been investing for 11 or more years.

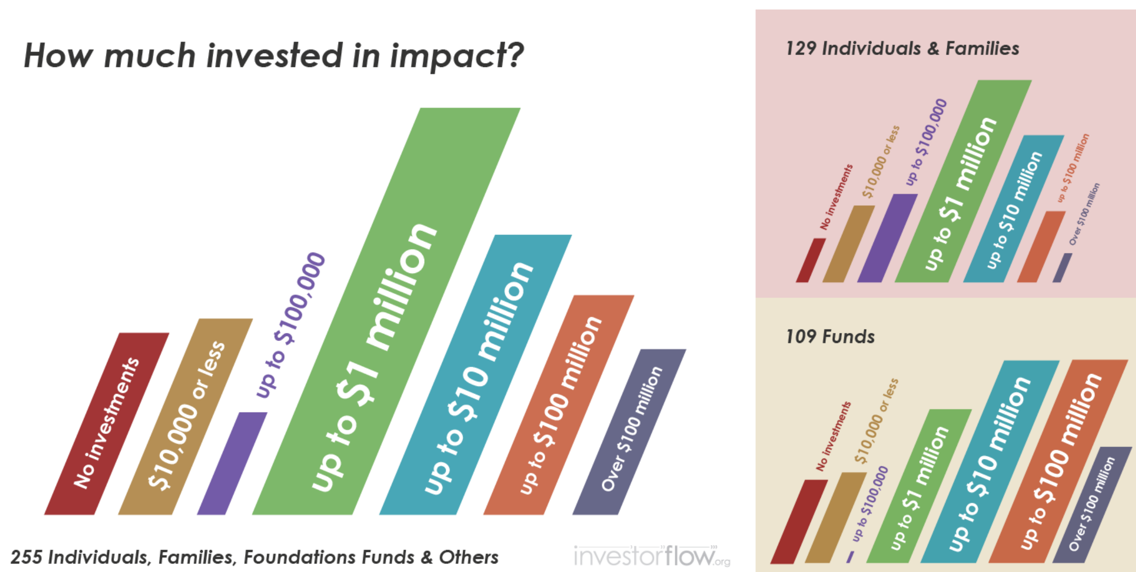
Comparing the 151 individuals and families to the 115 funds who answered this question, the results are not dramatically different. More of the fund managers have 6 to 10 years of experience, and only 2.6% are just getting started.

One change from previous reports is the slightly higher percentage of investors with more than 15 years of experience vs. those with 11-15 years of experience. This comes from recruiting investorflow.org members at Gratitude Railroad and SOCAP 365 PNW, which collected profiles from the speakers at those events. People invited to speak tend to be more experienced than the audience.

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 generally 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 vast majority of our impact investors reside in the U.S., but their investments span the world, and are made in emerging markets in particular.

- **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 (12%), 15 Life on Land (15%), 16 Peace / Justice (13%) and 17 Partnerships (16%).

- **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.

Other Observations

- **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.

- **Interest in impact investing is growing.** On average, more than one investor per weekday joins the investorflow.org network, and these include not only individuals, but also family offices, funds, foundations, and other investor groups and networks. We expect to accelerate this adoption rate in 2018, aiming for 1,000 investors onboard by the end of the year.

- **Investors want to share deals.** Since our launch in January 2017, investors have shared 26 deals on our platform, and we expect this to increase dramatically in 2018 as the network reaches critical mass.

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 platform. It's free to use, whether you are an individual or an organization. In the future, we anticipate listing fees for investors who post deals in search of co-investors – but only after our network reaches a larger size. To sign up, go to 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. **Help us scale.** We're a project of Realize Impact, a U.S.-based nonprofit organization. Our mission is to improve the impact ecosystem. While eventual listing fees will sustain our platform once we reach a certain scale, we need philanthropic support to get there. 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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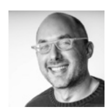

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