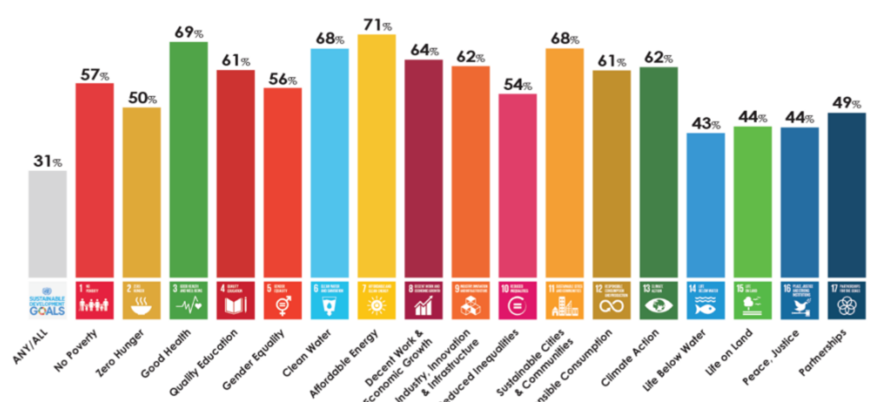
Who, What, Where and How: 500 Investors

Looking at the interests of impact investors

January 2021




Luni Libes
luni@investorflow.org


Matt Eldridge
matt@investorflow.org

THE VISION

The vision for **investorflow.org** is simple:

Step 1 – The future begins when an impact investor comes across an amazing mission-driven startup, affordable housing project, solar farm, poverty alleviation scheme, or a new fund or other pool of capital. Something sufficiently amazing that the investor not just commits to invest, but takes one other small extra action.

Step 2 – The investor posts the opportunity on investorflow.org, the free, online, global network of self-identified impact investors.

Step 3 –investorflow.org shares that opportunity with a portion of the network, often 10% to 20%, specifically those whose interests match the first investor. The rest of the network doesn't have to filter out what they'd consider noise, the network does that for them.

Step 4 – Between the filtering and the scale of the network, a half dozen other investors join in with the first and within weeks the opportunity is **fully funded**.

In this ideal future, the investee needs only to find one lead investor and the others flow from there. In this ideal future, today's experience of investees spending months of frustrating conversations searching for the right investors is eliminated.

Meanwhile, for the investors, the network grows into more of a social network, with an ability to follow other investors, see the deals they are seeing, and share learnings.

The key to making this vision a reality is scale. 500 investors is not close to the critical mass of investors needed to fully fund posted deals. Perhaps with 1,000 members we'll see the first case like that.

We will continue to grow the investorflow.org network in the 2020s. If you have yet to join, what are you waiting for? If you've yet to invite all your friends and colleagues, help us get to critical mass to see this vision turned into reality.

The world is full of impact investors. How many? No one knows. We're working on gathering together as many impact investors together as possible. Together, we are lot more valuable than alone:

Global Movement

Impact investors are **spread around the world** and invest 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.

Varied Interests

Impact investors have specific areas of interests, thus even when there are two dozen investors in a single room, the chance of any 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.

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 a free, online network where impact investors can find each other, share deals with each other, and more efficiently move capital together.

Only members can post deals. That rule rids the system of most of the noise that investors have to filter out. Investorflow.org then helps further by filtering the deals by geography, sector, size, and more, sharing them only with investors who match.

At scale, the vision is that once one impact investor has discovered a great investment, they can craft one email, share it with the investorflow.org network, and the rest of the necessary funding will be quickly gathered, letting the investee get back to work making impact.

Launched in **January 2017**, over 500 investors have since joined the investorflow.org network, with **491** active **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.

If you are an impact investor and not yet a member, what is stopping you? It's free. It's easy. It's quick. And it works.

Methodology

This report summarizes the first 511 investors who joined the investorflow.org network. There are currently 491 active memberships, with the difference due to 20 people having left their impact investing jobs over the past four years. These 500+ people and organizations are, by their action in signing up, 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 491.

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 U.S.-based impact investing events.

Refinement

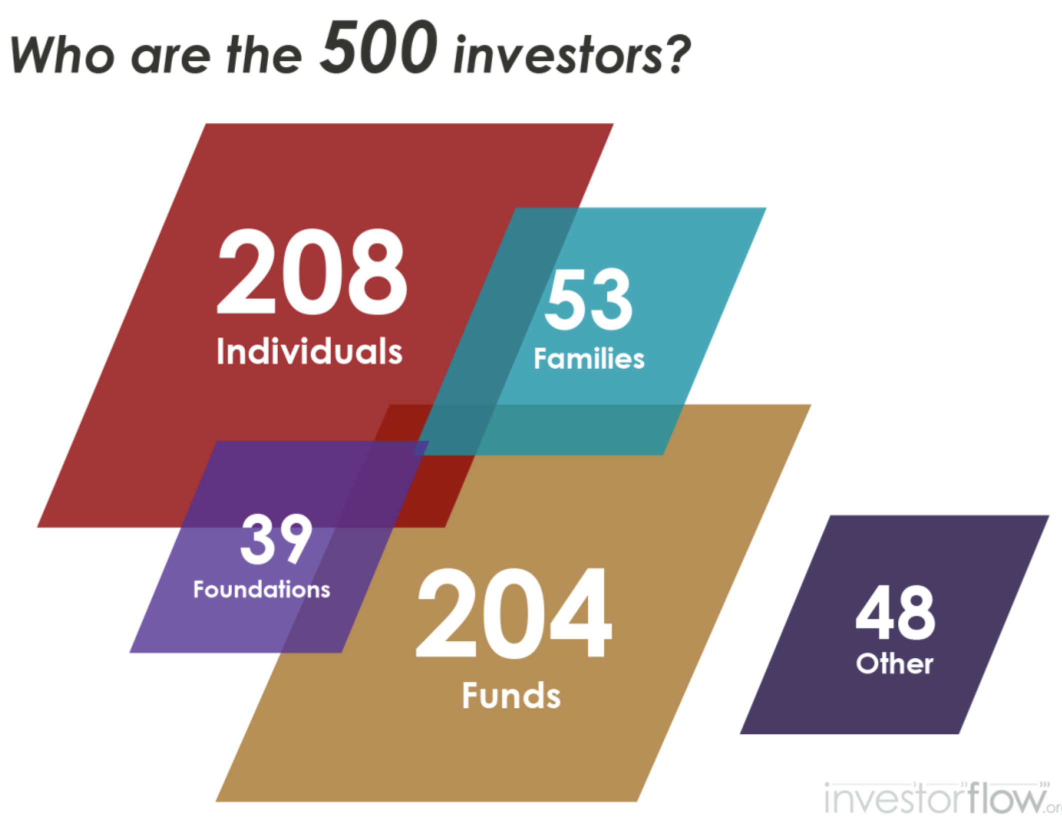
This is the fifth update of this analysis, each growing in numbers of investors and depth of the analysis of their investing interest and activity. The first report was published in May 2017 with just 151 investors, the second in August 2017 after 205 investors joined, the third in February 2018 with 327 investors, and the fourth in March 2019 at 440 investors.

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.

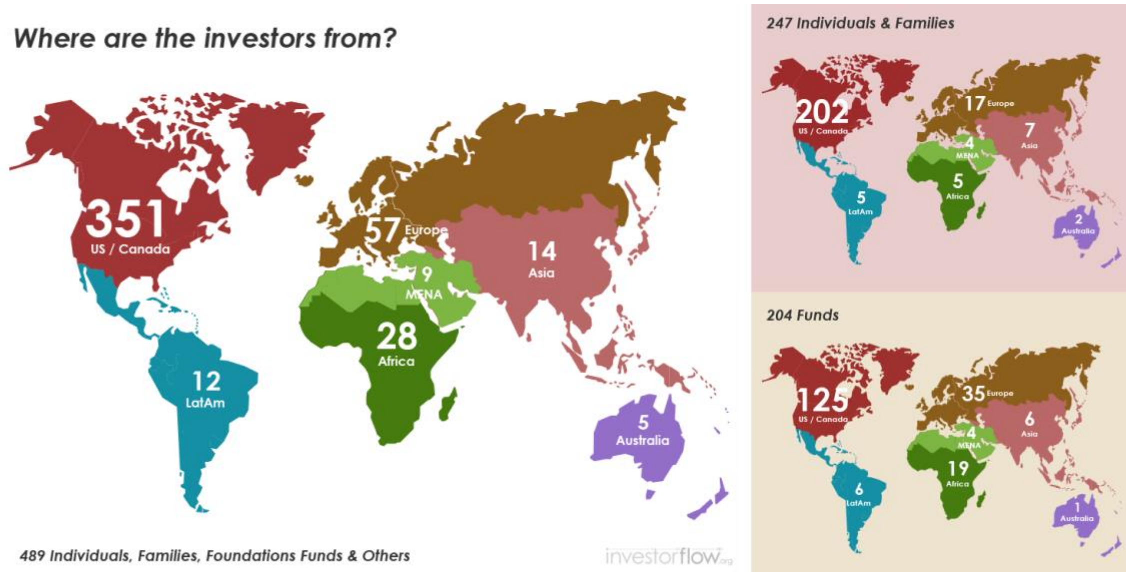
208 of the members are individuals plus **53** family offices, with some members representing both. **204** are organized as funds and **39** are foundations, again with some overlap in not only those two categories, but across all four categories. Many impact investors invest using multiple organizations.



The remaining **48** members include impact investing groups and impactful asset managers.

Where?

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



The vast majority of investors in the network are from the U.S. and Canada. **351 of 489** who answered this question. Does the U.S. dominate impact investing? Maybe. The annual surveys conducted by the Global Impact Investing Network (GIIN)[1] show a similar bias, but both organizations are based in the U.S. and that likely skews this data to some extent.

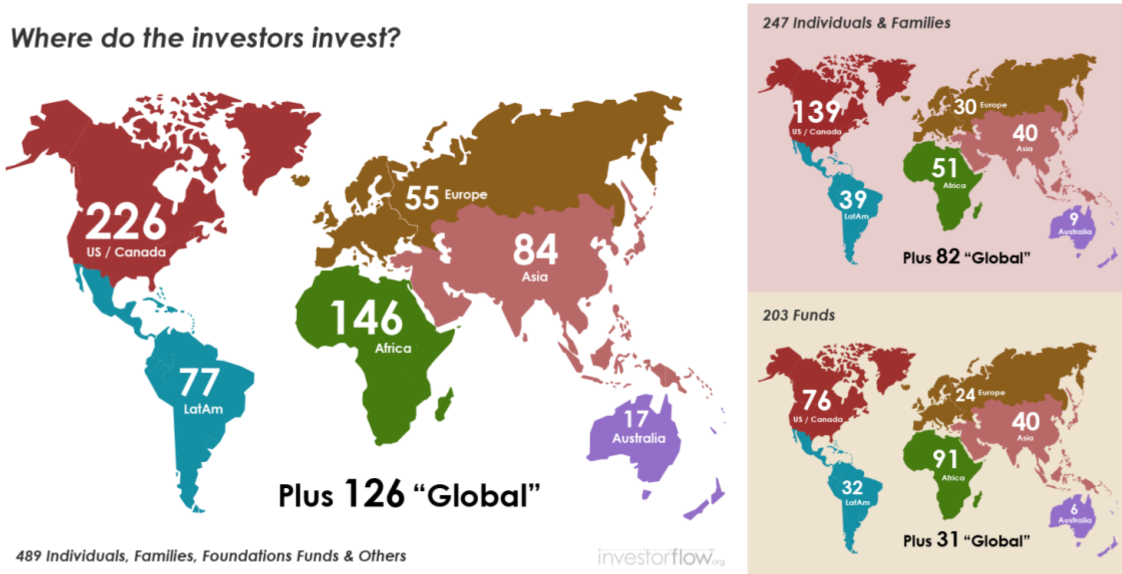
Are there more impact investors in Africa than in Asia and Latin America? Maybe. All signs beyond the survey point to Africa being a hotbed of impact investing. Perhaps not more than Asia and LatAm combined, but almost certainly more impact investing activity in Africa than those other two regions.

The two smaller boxes show this geographic division by individuals+families and by funds. The one pattern that pops out is that there seems to be more individual impact investors in the U.S. and Canada vs. funds, while the opposite is true in Europe. That too does seem to fit reality seen outside of this analysis.

For the home location, we split out the Middle East and North Africa, as 9 of the investors come from Dubai, Israel, Lebanon, Tunisia, and Turkey.

[1] The latest GIIN survey is available at https://thegiin.org/research/publication/impinv-survey-2020.

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.



126 of the 489 investors answering this question will invest anywhere. In percentage terms, 25% of the investors in the network call themselves global investors, consistent with past reports.

In prior reports we included the global investors in the regional numbers. In this report we do not, to better show the capital flows out into the emerging markets. Note how 146 investors are specifically investing in Africa despite only 28 investors based there, 77 investors investing in LatAm from 12 based there, and 84 investing in Asia with only 14 based there.

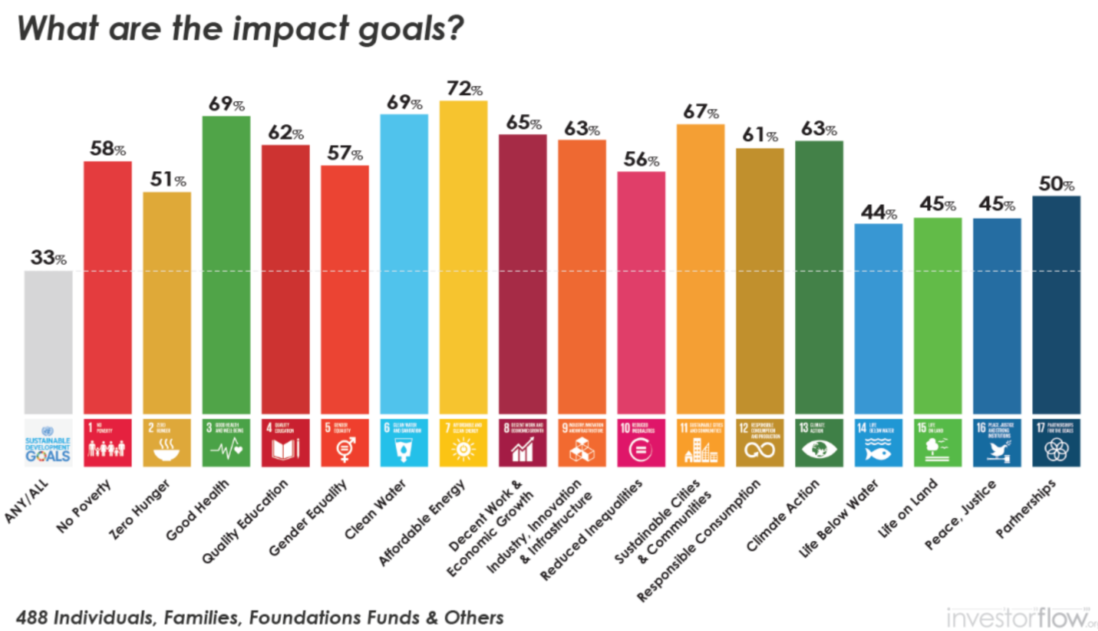
Despite being a developed economy, even Australia follows this pattern. 17 investors called out Australia as a target region, but only 5 members of the network live there.

What we're seeing here is that in terms of geographic preferences, impact investors act more like philanthropists than traditional investors. In traditional startup investing, 80% of capital is deployed in the investors' home region and more than 50% of that in the investors' home city.

Impact investing is instead global, which means your ideal co-investor for a deal in Kigali might live 8,000 km from you, and not once in your life might you ever be in the same city at the same time, let alone meeting face to face. Same for a deal in Mumbai or Bogota or apparently, even Sydney. That is the problem investorflow.org was built to fix.

What Sector?

This is our **favorite** insight to report on, as this is the first deep analysis of the popularity of the UN Sustainable Development Goals (SDGs). This doesn't tell us which SDGs are most important or most urgent, but which are most investable, as defined by hundreds of active impact investors.

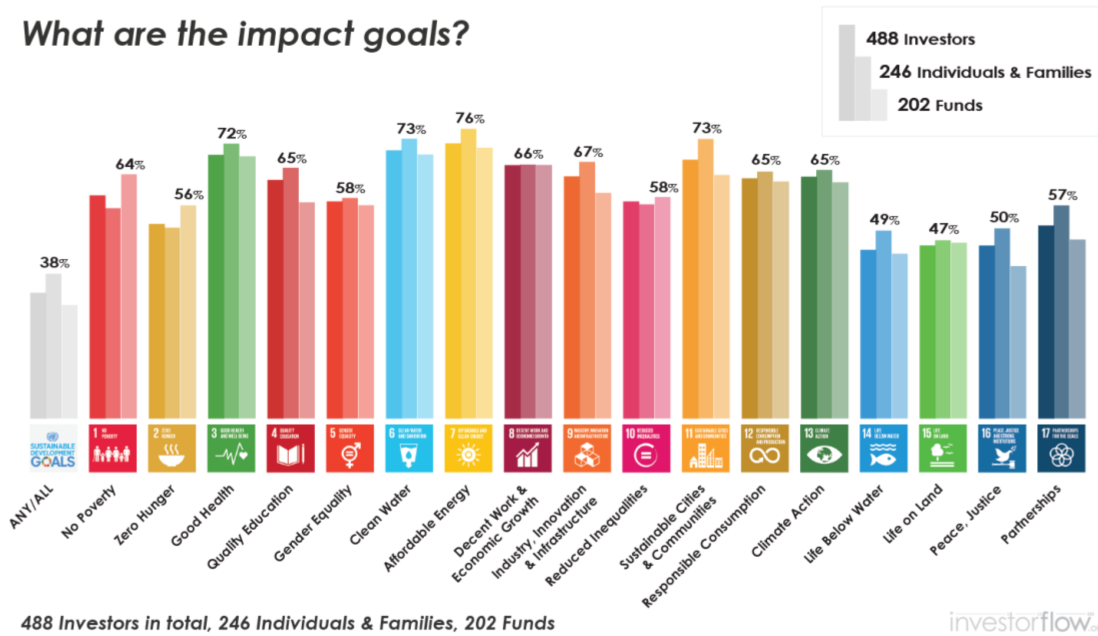


33% of the investors answered "Any/All" declaring that they are agnostic to sector when investing. The more investors we survey, the higher this reported number. This value has been added to the values for each of the goals and in the above graph the dotted line shows the added popularity of each individual SDG above that floor:

58%	1 No Poverty	72%	7 Clean Energy	63%	13 Climate Action
51%	2 Zero Hunger	65%	8 Decent Work	44%	14 Life in Water
69%	3 Good Health	63%	9 Industry / Infrastructure	45%	15 Life on Land
62%	4 Quality Education	56%	10 Inequality	45%	16 Peace / Justice
57%	5 Gender Equality	67%	11 Sustainable Cities	50%	17 Partnerships
69%	6 Clean Water	61%	12 Responsible Consumption	33%	Any/All

The percentages are nearly identical with past reports. There are no other public reports on the popularity of 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 246 individuals and families in the middle column, and that of 202 funds in the rightmost column.



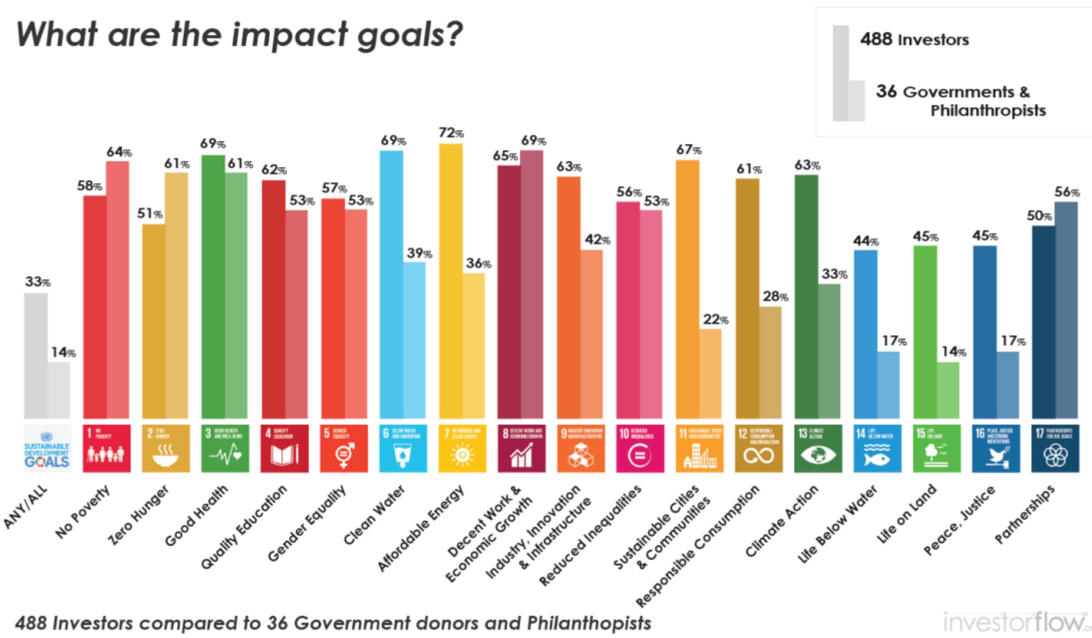
The popularity differs very little by type of investor. The popularity of each goal differs by less than 5%. This correlation between individuals and funds may simply be demonstrating the fact that many of the impact funds are small, and not yet concentrated by specific UN SDGs. Or it may be that the investors in these funds are driving their preferences into the sectors of the funds, and that this in turn matches 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 76% of the investors, while the least popular are only 47%.

Do remember that these values include the choice of Any/All. This accounts for the differences seen in goals 14, 16, and 17, as the 38% of individuals/families will invest in any goal while only 29% of the funds reported being goal agnostic. Given that 9% difference, it is even more surprising to see how aligned these two subgroups of investors goals seem to be.

If the individuals, families, and funds all have similar goals, perhaps there is a difference between impact investors and philanthropists?

Back in 2019, investorflow.org and Intellecap partnered to better understand the attendees of the Sankalp Africa conference in Nairobi, Kenya. 290 of the attendees filled out an investorflow.org profile including 36 government foreign development offices, global foundations, and other philanthropists.



36 is a small sample, but comparing their responses to the 488 members of investorflow.org gives us an early insight into the differences of how investors and donors view the SDGs.

The biggest difference is again in ANY/ALL response, with only 14% of the philanthropists having a broad interest across all of the SDGs. Remember that the ANY/ALL answer is added into the other values, and yet 1 Poverty and 2 Hunger are still ranked higher by the philanthropists and 3 Health, 4 Education, and 5 Gender are all closely aligned in popularity.

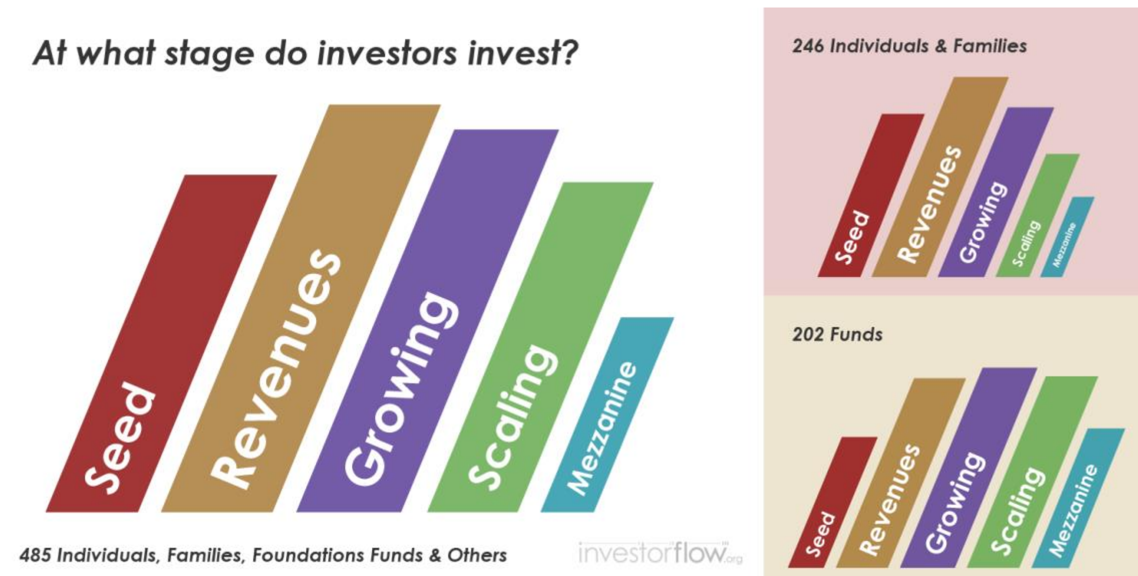
It is only when we get to goals 11 through 16 where the 19% difference in ANY/ALL clearly appears, but the 30%-40% drop in 6 Clean Water, 7 Affordable Energy, 11 Sustainable Cities, and 12 Responsible Consumption seems to show that some goals are better suited to for-profit investing rather than impact-only donations.

What Stage?

At first, investorflow.org was focused on eliminating the friction of funding impactful startups. That quickly expanded to investment in all asset classes.

In 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.

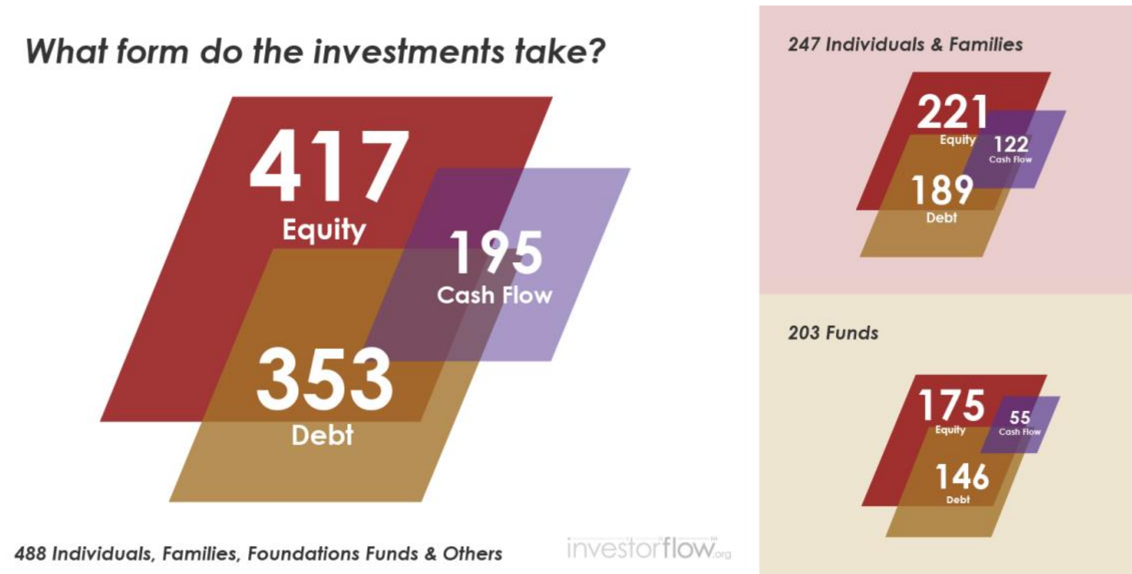


Not surprisingly, all investors prefer investing in companies with revenues rather than those without, but over half of the individual investors funds said they invest in the Seed stage too.

It is also not surprising to see that individuals and families tend to invest in earlier stages than funds. Likewise, there is an expected drop off in the number of investors who invest after $1 million in revenues, as there are far more investment opportunities for companies smaller than that major milestone.

How?

What form do these investments take? 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*.



For the individual and families, it is not surprising to see a big overlap in structures. Traditional funds tend to be either equity or debt, not both. Impact investing funds don’t seem to follow those norms, investing in multiple styles and structures.

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

This is a great example of where follow-up questions in the member profile could provide a lot more insight for this report. But those profiles exist to filter the dealflow and we purposefully ask a limited number of questions to keep the onboarding process as quick and easy as possible.

Concluding Thoughts

Several key conclusions emerge from our analysis of this network of investors:

- **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, families, and funds are similar.** The interests of impact investors does not significantly vary between individuals/families and funds. The only significant difference is that funds invest in later-stage opportunities, and from past reports we know funds tend to invest with larger checks.

- **Investors and philanthropists have different interests.** From our small look at the popularity of SDGs of government development offices and other philanthropists, their focuses differ from those of impact investors.

- **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.

- **500 investors is not critical mass.** The profile data doesn't tell us this fact, but four years of operations demonstrates that we need hundreds more investors before the vision of investorflow.org is achieved. While about 1/4 to 1/3 of deals shared on our network result in expressions of interest by potential co-investors currently, our goal is for this outcome on every shared deal. Share this report with your friends and colleagues and help us grow the network in 2021 to 1,000 members.

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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luni@investorflow.org

Matt Eldridge
matt@investorflow.org

Realize Impact

Investorflow.org is a project of **Realize Impact**, a U.S. public charity focused on helping increase the flow of impact investments. Our other big project is the new **Philanthropic Investment Grant** service, turning philanthropy into impact investing.

Three simple steps:

1. Make a **grant** from your donor advised fund or private foundation, recommending an impact investment.

2. Realize Impact does the diligence, reviews the terms, and makes the investment.

3. 99% of the investment returns are donated to a recommended DAF, foundation, or other 501(c)(3).

One small flat fee:

A one-time, flat fee of **$500** (or $0 for non-recoverable grants under $10,000)

Any philanthropic capital:

Donor Advised Funds

Fidelity/Schwab/Vanguard Charitable, any community foundation, any other DAF

Family Foundations

Donate from your family foundation, and let us worry about the details of investing

Direct Donations

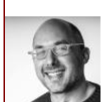
Donate cash or appreciated shares directly to Realize Impact, we're a charity

That's all:

Sounds simple because it is. Because it was designed to be as simple as possible.

So simple that dozens of donor/investors have used the service since it launched in February 2020, investing millions of dollars in dozens of companies and funds. See **RealizeImpact.org** for our portfolio of investments and turn-key funds.

Contact Information:



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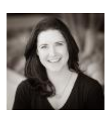

Lauren Kickham
lauren@realizeimpact.org