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The Alpha in Impact

How operating with an impact objective can add financial value for investors

A TIDELINE PUBLICATION WITH IMPACT CAPITAL MANAGERS

TIDELINE

IMPACT CAPITAL MANAGERS

***The Alpha in Impact* is published by Tideline in partnership with Impact Capital Managers (ICM). The report was authored by Amy Bell, John Griffith, and Ben Thornley. Angel Njenga, Megan Cosgrove, Tristan Hackett, and Lin Rui Li-Alcorn from Tideline also contributed to the research.**

Tideline presents *The Alpha in Impact* as a contribution to the field of impact investing. We would like to thank the Ford Foundation for providing generous support for the report's design and launch, the ICM for its close collaboration throughout the research process, and particularly the 13 ICM members who participated in interviews and contributed transaction-level data, including:

- Karl Khoury, Arborview Capital
- Chris Cozzone, Greg Shell, and Warren Valdmanis, Bain Capital Double Impact
- Brian Trelstad, Bridges Fund Management
- Jacob Haar and Rachel Balmy, Community Investment Management
- Nancy Pfund and Lisa Hagerman, DBL Partners
- Paul Borissow, Global Environment Fund
- Kesha Cash and Yusill Scribner, Impact America Fund
- Dan Hanson, JANA Partners
- Mark Grovic and Jason Palmer, New Markets Venture Partners
- Matt Greenfield, Rethink VC
- Dave Kirkpatrick and Emma Sissman, SJF Ventures
- Maya Chorengel and Frank Thomas, The Rise Fund
- Daniel Pianko, University Ventures

About Tideline

Tideline is a consulting firm that provides tailored advice to clients developing impact investing strategies, products, and solutions. With a team of 17 based primarily in San Francisco and New York, Tideline has a deep bench of experience spanning financial services, investment management, strategic philanthropy, public policy, and community and international development. Since the firm's founding in 2014, Tideline has provided a wide range of advisory services, including business and investment strategy design, product development, due diligence, customized research, and impact management. Tideline's clients include large institutional foundations, wealth management firms, large family offices, mainstream investment managers, community and international development finance institutions, and non-governmental organizations.

About Impact Capital Managers

Impact Capital Managers (ICM) is a network of market-rate investment managers in North America deeply committed to impact investing. Collectively representing more than $8 billion in impact-focused capital, ICM members seek to deliver superior financial returns and clear and measurable impact as a core part of their investment strategies. The network was formally launched in April 2018 with the goals of fostering the growth of market-rate impact investing through the sharing of best practices, promoting a diverse talent pipeline, and developing thought leadership for a broad group of stakeholders. Please see www.ImpactCapitalManagers.com for a complete list of ICM members.

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FOREWORD FROM THE CO-CHAIRS OF IMPACT CAPITAL MANAGERS (ICM)

In February 2017, a group of general partners (GPs) of impact-focused venture capital and private equity funds met at Harvard Business School to share experiences and insights into the growing field of market-rate impact investing. The conversation revealed a consistent pain point among GPs: having to make the case to investors that investing with impact did not necessarily require a trade-off in financial returns. In fact, many of the GPs agreed that impact is often an advantage.

That meeting at Harvard led to the formation of the Impact Capital Managers (ICM) network. We are now up to 35 members strong (and growing) managing more than $8 billion in market-rate capital under investment strategies with a clear impact mission.

At the top of ICM's agenda is to address the enduring skepticism by many investors that there is no "impact alpha"—that is, the assumption that a commitment to impact must mean a compromise on investment performance rather than a boost to returns. As many studies have demonstrated, impact investments can perform in line with—and sometimes better than—relevant benchmarks. But those studies are often silent on the role of impact in contributing to those returns. While we can each speak individually to the ways in which our respective investment strategies link and maximize return and impact—and point to dozens of track records that support it—the market lacks a more general articulation and demonstration of the ways in which impact contributes to investment performance.

The ICM Steering Committee has been pleased to partner with Tideline on *The Alpha in Impact*, a report that identifies and analyzes the many ways that operating with an impact objective adds financial value for fund managers, their investors, and the firms in which they invest. This first-of-its-kind report represents a meaningful step toward a more rigorous definition of "impact alpha" to support this rapidly growing field.

In addition to making the case for impact alpha, the ICM network is filling a clear need for collaboration and learning among a peer group of managers who share the same experiences in raising capital and investing in, supporting, and exiting mission-driven companies in North America. Working together, we hope to ensure that the market is more aware of these best practices and our commitment to diversity, equity, and inclusion as central components of how market-rate managers deliver measurable social and environmental impact and competitive financial returns to our investors.

We hope you enjoy this first report and consider joining or supporting our network.

Sincerely,

Dave Kirkpatrick
Managing Director
SJF Ventures

Brian Trelstad
Partner
Bridges Fund Management

On behalf of the ICM Steering Committee
Karl Khoury, Arborview Capital
Greg Shell, Bain Capital Double Impact
Stephen DeBerry, Bronze Investments
Josh Cohen, CityLight Capital
Nancy Pfund, DBL Partners
Hope Mago, HCAP Partners
Mark Grovic, New Markets Venture Partners
Matt Greenfield, ReThink VC
Monika Mantilla, Small Business Community Capital
Daniel Pianko, University Ventures

EXECUTIVE SUMMARY

For years, stakeholders in the impact investing field have debated whether investment managers can consistently deliver market-rate financial returns while achieving meaningful and measurable social or environmental impact. While there is already compelling evidence that the answer is "yes," further accumulation of experience and more comprehensive data will be needed to resolve the debate once and for all.[1]

This report offers a new way of thinking about the relationship between financial returns and social and environmental impact. Instead of debating whether impact objectives detract from the financial performance of a fund, it identifies the ways in which impact objectives enhance financial performance, based on transactions in the portfolios of market-rate investment managers. This concept is known as "impact alpha."[2]

Tideline's research identified 10 unique drivers of impact alpha—i.e., the ways in which operating with an impact objective not only supports the achievement of defined social and environmental outcomes, but also enhances investment management and adds financial value for investors and investees. We organized the 10 drivers around three core areas of responsible fund management (see below).[1]

The activities that underlie each of these three categories lead to specific sources of financial value—ranging from increased deal flow and higher win rates, to more attractive terms at entry, to increased revenues and lower capital and operating costs. In the following sections of the report, we describe those linkages in more detail and explore each of the 10 drivers of impact alpha resulting from accessing opportunities, creating value, and strengthening outcomes. For each driver of impact alpha, we provide at least one real-world example of the driver in action.

We hope this report sparks a crucial discussion about how fund managers can pursue financial targets alongside social or environmental objectives, guided and informed by further research. As we demonstrate throughout the report, there is ample evidence that financial and impact goals are not contradictory—rather, they are often complementary.

FIGURE 1: THE THREE CORE COMPONENTS OF IMPACT ALPHA

Accessing unique and high-quality investment opportunities.
Impact investment managers are able to leverage impact-focused networks, relationships, and expertise to unlock unique, high-quality investment opportunities.

Creating value across the portfolio.
Impact investment managers bring market insights and networks that help to design more effective businesses, build authentic brands, and attract differentiated sources of talent and capital.

Strengthening outcomes through operational rigor and risk management.
Impact investment managers bring additional rigor and discipline to operations, stakeholder engagement, and risk management, helping to reduce costs and strengthen returns.

1 GIIN. *GIIN Perspectives: Evidence on the Financial Performance of Impact investments.* (2017).
2 Impact Alpha. *Overheard at SOCAP18: The alpha in impact, billions to trillions, women-led solutions, elite charade?* (2018).

FIGURE 2: THE 10 DRIVERS OF IMPACT ALPHA

DEFINING "IMPACT ALPHA"

For the purposes of this report, impact alpha refers to the ways in which operating with an impact objective enhances investment management and adds financial value for investors, fund managers, and their investees.

Background on impact investing

The market for impact investing—investments made into companies, organizations, and funds with the intention of generating social or environmental impact alongside a financial return—has grown in size and diversity in recent years. The Global Impact Investment Network's (GIIN) 2018 Annual Impact Investor Survey included 226 respondents—each a self-identified impact investor—representing a total of $228 billion in assets under management. By comparison, the GIIN's inaugural survey in 2010 included only 24 respondents with $2 billion in assets.[3]

Nearly two-thirds of respondents to the latest GIIN survey reported that they seek market-rate financial returns, and market-rate investors accounted for approximately 95 percent of all impact investing assets.[4] While market-rate investors make up the lion's share of the market, it is important to note that below-market-rate investments play a critical role in filling financing gaps and catalyzing large-scale, market-rate impact investments.[5]

Since "impact investing" emerged as a standalone term in 2007, there has been vigorous discussion in the market as to whether financial returns and positive societal impact can be pursued as parallel objectives.[6] Specifically, many investors have questioned whether market-rate, risk-adjusted returns can be achieved when impact is also a core objective.

Several recent studies assessed the financial performance of commercially oriented impact investing funds against market peers and found that private impact funds can yield competitive returns.[7] The following are summaries of four particularly relevant studies:

- A 2017 study by Cambridge Associates, which found that impact private equity and venture capital funds launched between 1998–2014 achieved a pooled return of 5.8 percent, with roughly a quarter of funds achieving double-digit returns.[8]
- A 2015 study from the Wharton Social Impact Initiative, which found that impact-focused private equity funds launched between 2000–2014 generated a gross rate of return of 12.9 percent, which is nearly identical to public market equivalents.[9]
- A 2017 study from McKinsey, which found that impact private equity and venture capital investments in India returned 11 percent to investors on average.[10]
- A 2013 study from the International Finance Corporation (IFC), which found that IFC impact investments through emerging market private equity funds yielded a portfolio internal rate of return of 20 percent, outperforming both developed market private equity and emerging market listed stocks.[11]

Despite these promising findings, there is a need for more research to identify and illustrate the linkages between financial returns and social and environmental impact. As the market grows in depth and experience, this research can become more refined by asset class, geography, and impact and investment strategy.

We should also acknowledge and celebrate that some impact investment strategies may seek to optimize and accelerate key impact returns, such as mitigating climate change or addressing poverty, rather than investment returns. While this study focuses on market-rate financial strategies, a wide range of below-market-rate investments and grant-funded initiatives will also be required to address the world's most pressing challenges.

3 J.P. Morgan, *Impact Investments: An emerging asset class* (2010).
4 GIIN. *Annual Impact Investor Survey 2018.* (2018).
5 Tideline is currently partnering with the MacArthur Foundation to publish a report that articulates the importance and prevalence of "catalytic" below-market-rate impact investments. That report is scheduled to be released in early 2019.
6 Investopedia.com *Impact Investing.* (Accessed 2018).
7 GIIN. *GIIN Perspectives: Evidence on the Financial Performance of Impact Investments.* (2017).
8 Cambridge Associates. *PE/VC Impact Investing Index & Benchmark Statistics.* (2017).
9 Wharton Social Impact Initiative. *Great Expectations: Mission Preservation and Financial Performance in Impact Investing.* (2015).
10 McKinsey & Company. *Impact investing: Purpose-driven finance finds its place in India.* (2017).
11 International Finance Corporation (IFC). *The Case for Emerging Market Private Equity.* (2013).

The "impact alpha" thesis

As this discussion continues in financial and academic circles, a number of market-rate investment managers—including those that comprise the ICM network—have begun to build track records as impact investors, providing tangible, but non-coordinated, evidence of the efficacy of a mission-driven investment approach. In fact, these investors posit that their strategic focus on impact, rather than being a drag on financial returns, actually adds value to a portfolio and enhances investment performance. This concept is known as "impact alpha."

To date, impact alpha has primarily been described anecdotally in ways unique to each individual manager, without rigorous study or evaluation. This report begins to bridge that gap in knowledge and research.

In several sections, we identify and describe 10 distinct drivers of impact alpha—i.e., the ways in which operating with an impact objective enhances investment management and adds financial value for investors and investees. Before exploring those drivers in detail, it is important to ground the discussion in a high-level understanding of the management approach undertaken by impact investors across asset classes, sectors, and geographies.

Background on impact investment management

Successful investment managers are generally able to articulate and demonstrate three critical factors to their stakeholders: 1) they have identified an investable market opportunity with compelling fundamentals that support their risk and return objectives; 2) there is a robust pipeline of investable assets or projects that capitalize on this market opportunity; and 3) the manager has a team in place with the knowledge and experience to execute on that pipeline. Central to successful execution is the ability to access the identified pipeline, create value across the portfolio once investments are negotiated and closed, and strengthen outcomes through operational rigor and risk management.

Managing an impact investing strategy differs only from this general approach in the integration of impact considerations throughout the investment process. To be successful, an impact investment manager asks the following high-level questions at each stage of the investment process, as Figure 3 below illustrates.

While a focus on impact does not replace good investment management, there is emerging evidence that the addition of impact considerations to the investment process can enhance overall portfolio performance. The following sections of the report discuss the core drivers of impact alpha in detail.

FIGURE 3 : THE BASIC PROCESS FOR MANAGING IMPACT INVESTMENTS

Investment strategy development	**Deal generation**	**Due diligence**	**Investment management**	**Exit planning**
Does the investment thesis describe an opportunity to deliver commercial returns and significant societal benefit, with a sufficiently robust pipeline to justify pursuing the strategy?	Can we identify high-potential businesses or projects that have a demonstrable understanding of their potential to drive positive impact in a manner that is synergistic with business growth and financial sustainability?	Can we assess the risks and opportunities of the investment with the same level of rigor and discipline employed by the best conventional managers, while gaining additional impact insights?	How should we support the investment to maximize the potential of achieving investors' impact and return objectives? In what ways can we leverage impact-driven perspectives and relationships to create value for the portfolio?	What exit strategy best positions the investment for long-term impact and growth, while achieving our goals? How can we align with a strategic partner for a win-win transaction?

RESEARCH APPROACH

To develop the research findings shared in this report, Tideline facilitated a working session with ICM members in which the group created a list of prospective drivers of impact alpha. We then scrutinized the drivers as part of a comprehensive review of the impact investing literature and tested them in direct interviews with 13 ICM members with combined assets under management of more than $4 billion.[12]

The interviews focused on more sharply defining the drivers of impact alpha and surfacing evidence of those drivers in action within each manager's experience and portfolio, as demonstrated by improved financial and operational outcomes in a specific investment that can be attributed to the driver. The Tideline team gathered detailed information on each transaction, via written questionnaires and follow-up discussions, to better understand and scrutinize the context and events connected to each instance of impact alpha. We concluded our analysis by cataloging each transaction that provided evidence of at least one driver, based on our assessment.

Participating fund managers were diverse, having executed investments across sectors, including clean energy, alternative lending, education technology, consumer goods, and healthcare, among others. However, the group is still a limited sample and does not intend to represent the full universe of market-rate impact investors. For example, most of the managers are in private equity or venture capital, with one debt fund and one hedge fund. The majority of managers also invest under $500 million in assets, and most have been in existence for 10 years or fewer.[13]

Finally, while the report findings and conclusions are anchored in detailed insights from 29 individual transactions, the data is self-reported, and the linkage between impact considerations in the investment process and ultimate portfolio performance is a matter of professional opinion. For the most part, the transactions cited in this report are examples of "winners" in each fund, but the strategies deployed by fund managers with these companies were informed by their work across extensive portfolios, including lessons learned from underperformers.

Additional study across a wider sample of managers and deals—including access to detailed performance data that can be compared to both peers and the broader market—is merited to bring added rigor to the work. In the meantime, we hope this report spurs robust discussion and research on the topic.

12 See the Appendix for a list of all participants, as well as members of ICM.
13 For a full list of ICM managers who participated in the research, see the appendix.
14 For a full list of the transactions included in this report, see the appendix.

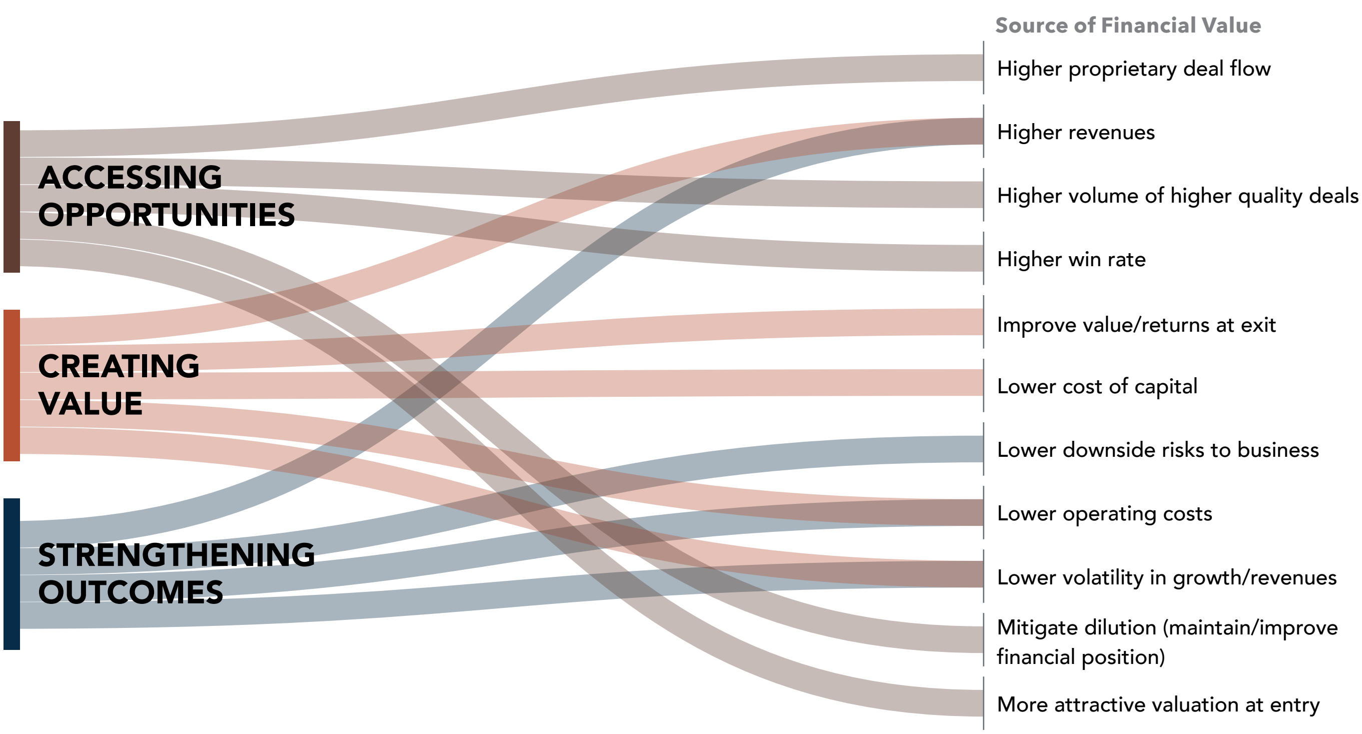
DRIVERS OF IMPACT ALPHA

Our research revealed 10 "drivers" of impact alpha, defined as distinct ways that operating with an impact objective enhances investment management and adds financial value for investors, fund managers, and their investees. We have organized the drivers around three core components of sound investment management:

- **Accessing opportunities**—how fund managers leverage networks and other relationships to access unique, high-quality investment opportunities.
- **Creating value**—how fund managers use unique market insights and expertise to design more effective businesses.
- **Strengthening outcomes**—how fund managers reduce costs and fortify returns by improving business operations and responsibly managing risks.

The activities that underlie each of these three categories lead to specific sources of financial value—from increased deal flow and higher win rates, to more attractive terms at entry, to increased revenues and lower capital and operating costs. Below is a high-level summary of how the strategies employed by impact managers in each category drive financial performance, based on the information gathered from interviews with ICM members and the transaction-level data they provided. We provide more detail on each source of financial value throughout this section of the report.

FIGURE 4 : HOW THE KEY COMPONENTS OF IMPACT ALPHA LEAD TO FINANCIAL VALUE FOR FUND MANAGERS AND INVESTORS



Accessing Opportunities

Impact investment managers can unlock unique, high-quality investment opportunities by leveraging impact-focused networks, relationships, and expertise. managers reported that this helped to increase proprietary deal flow and the overall volume of higher-quality deals. Further, the values alignment or shared sense of mission each manager developed with prospective investees increased their win rate, helped them secure better terms at investment—including a more attractive valuation at entry—and helped to maintain or improve their financial position over the life of the investment.

There are three key drivers of impact alpha under this category:

Driver #1
Find investment opportunities through mission-aligned networks

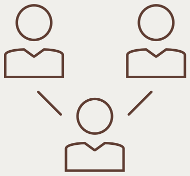
Driver #2
Uncover investment opportunities through deep market expertise

Driver #3
Align values with investees

"We partner with companies that have a shared sense of mission with us to create thriving businesses whose products and services create measurable, positive social and environmental impact. We use research to identify impact pathways generated by the companies' core products and services. Entrepreneurs welcome and embrace this and because of it, they seek investment and partnership from The Rise Fund."

Maya Chorengel, The Rise Fund

Driver #1 Source investments through mission-aligned networks



Impact investment managers find opportunities through unique networks of mission-aligned actors, including impact-oriented investors and funders, philanthropic foundations, and non-profit organizations. Exposure to these stakeholders can help managers access a proprietary set of investment opportunities through direct introductions, referrals, and partner recommendations.[15]

Examples of this driver in action include:

Revature, based in Reston, Virginia, works with corporate partners to recruit, develop, and place technology talent through no-cost coding immersion programs and other services. The founder of Revature was first introduced to University Ventures (UV), an education-focused investment firm, when he heard the fund's managing director, Ryan Craig, speak at a conference. Craig spoke about the "twin crises" of college unaffordability and student unemployment, and the need for universities to focus more effort on workforce readiness and career development. The founder then approached Craig and shared his company's vision of creating pathways for students into entry-level IT positions, which eventually led to UV's investment. The founder of Revature was particularly interested in working with UV because of the firm's focus on impact.

UV MADE A $20 MILLION EQUITY INVESTMENT INTO REVATURE IN 2016. THE COMPANY'S ANNUAL REVENUES ROSE BY 30 PERCENT BETWEEN 2016 AND 2017 AND ARE EXPECTED TO GROW SIGNIFICANTLY IN THE COMING YEARS AS STUDENT ENROLLMENT AND CAREER PLACEMENTS INCREASE.

LearnPlatform, an education technology company based in Raleigh, North Carolina, measurably improves student outcomes by helping educators and administrators find, buy, manage, and analyze classroom technology. New Markets Venture Partners (NMVP), a leading education-focused venture capital fund based in Maryland, was first introduced to the company at the Kaplan Techstars incubator in 2014, and later reconnected in 2017 through the Learn Launch conference. LearnPlatform had received seed funding from the Michael & Susan Dell Foundation and the Bill & Melinda Gates Foundation—two organizations NMVP knew well, given a shared focus on improving education outcomes. New Markets was also a strategic partner with other notable LearnPlatform investors, including Edovate Capital, AT&T Aspire, University Ventures (UV), and Emerson Collective. Those mutual relationships were a driving force behind NMVP's decision to invest in LearnPlatform.

NMVP MADE A $1.5 MILLION EQUITY INVESTMENT IN LEARNPLATFORM IN 2018. WHILE IT IS TOO SOON TO ASSESS THE INVESTMENT'S FINANCIAL PERFORMANCE, EARLY RESULTS HAVE BEEN PROMISING.

Driver #2 Uncover opportunities through deep market expertise

In pursuing impact objectives, many impact fund managers develop deep sector expertise that enhances their ability to find value in, and execute deals from, traditionally untapped markets. Access to less competitive deals can also drive economic value for managers.

Examples of this driver in action include:

Unirac, based in Albuquerque, New Mexico, manufactures mounting systems that fix solar panels to roofs, buildings, and other surfaces. When Global Environment Fund (GEF), a private equity fund based in Maryland, invested in Unirac, the fund projected that the solar market was entering a period of significant growth, grounded by the fund's deep expertise in renewable energy and environmental conservation. GEF identified Unirac's product as a key enabling technology for this expansion, which resulted in a lucrative business opportunity.

GEF INVESTED $7.8 MILLION IN UNIRAC IN 2006. AT THAT TIME, THE COMPANY WAS GENERATING ABOUT $6 MILLION IN ANNUAL REVENUES. BY THE TIME GEF EXITED THE INVESTMENT IN 2010, UNIRAC'S REVENUES WERE NEARLY $65 MILLION.

Drexel Metals is a Louisville, Kentucky-based company and leading provider of "standing seam" metal roofing systems, a more durable and energy-efficient alternative to traditional tar-based shingle roofing. Drexel uses portable fabrication machines to provide "on demand" systems that increase flexibility, reduce inventory and lower transportation and other costs for customers. Arborview Capital, an impact-focused growth equity firm with expertise in energy-efficient building products, understood that this unique approach was a potential game-changer in the roofing market, which led the firm to make a 2011 equity investment in Drexel.

ARBORVIEW SUCCESSFULLY CLOSED A $6.1 MILLION EQUITY INVESTMENT IN DREXEL METALS IN 2011 AND ANOTHER $4.0 MILLION OVER SIX YEARS. BY THE TIME THE MANAGER EXITED ITS INVESTMENT IN 2017, DREXEL'S ANNUAL REVENUES HAD GROWN FROM $18 MILLION TO MORE THAN $52 MILLION.

NEXTracker, based in Fremont, California, manufactures technologies that enable solar panels to track the sun's movement over the course of a day, allowing for greater energy generation. NEXTracker was spun out of Solaria in 2012 and received early financing from DBL Partners. Soon thereafter, SJF Ventures, an impact venture capital fund based in Durham, North Carolina, led NEXTracker's Series B financing in December 2014, despite solar being generally out of favor with traditional venture capitalists at the time. SJF engaged with NEXTracker for a year before the investment and ultimately provided financing because of the company's accelerating sales, unique product technology and industry veteran leadership, as well as the team's demonstrated commitment to environmental sustainability.

SJF LED A $5 MILLION EQUITY INVESTMENT ROUND WITH NEXTRACKER IN 2014, LEVERAGING A $20 MILLION DEBT FINANCING. NINE MONTHS LATER, NEXTRACKER WAS ACQUIRED BY GLOBAL MANUFACTURER FLEXTRONICS FOR $330 MILLION, GENERATING A STRONG RETURN FOR SHAREHOLDERS AND THE TEAM.

CircleUp is a San Francisco-based company that provides capital and resources to scale early-stage consumer product businesses. From CircleUp's years of experience in equity financing, the company identified a lending gap overlooked by conventional lenders. The companies that CircleUp funded on the equity side often also sought credit, but few could obtain suitable credit options. In 2017, Community Investment Management (CIM) partnered with CircleUp to launch a lending product, building on the company's successful equity offerings and proprietary data-science platform, Helio. With Helio as the primary sourcing tool, CircleUp is helping to create a more fair and transparent approach to small business lending. CIM has supported CircleUp to respond to a market gap of underserved borrowers by providing strategic debt capital. CIM's facility offered CircleUp the flexibility to test their innovative asset-based lending solution and refine according to borrower needs and demands.

CIM PROVIDED A DEBT FACILITY OF UP TO A $100 MILLION TO CIRCLEUP IN 2017. SINCE THEN, CIM HAS INVESTED IN OVER 100 SMALL BUSINESSES THROUGH CIRCLEUP, 43 PERCENT OF WHICH CIM IDENTIFIES AS "IMPACT BUSINESSES" AND 54 PERCENT OF WHICH ARE OWNED BY WOMEN, MILITARY VETERANS, OR PEOPLE OF COLOR.

Driver #3 Build values alignment with investees

A clear impact framework enables fund managers to develop deeper, values-aligned relationships with mission-driven founders and owners, helping to ensure that priorities are integrated before and during investment. Alignment around impact, values, and purpose can also lead to more constructive outcomes in negotiations, including more favorable valuations.

Examples of this driver in action include:

Mayvenn, based in Oakland, California, is an e-commerce platform for independent hairstylists throughout the country. Impact America Fund's (IAF) partnership with Mayvenn's founder began with a shared commitment to creating economic opportunities for low-income communities and communities of color. Thanks in part to this strong mission alignment, IAF was invited to participate in a bridge financing round for Mayvenn before its Series A investment. IAF then introduced the company to a number of other prominent venture capital firms, one of which eventually led the company's Series A round. Despite being oversubscribed, the founder of Mayvenn reserved space for IAF to participate as a significant investor, largely as a result of the fund's strong relationship with the founder and shared commitment to impact.

IAF INITIALLY INVESTED $500,000 IN MAYVENN IN 2014. OVER THE NEXT THREE YEARS (2014–2017), THE COMPANY'S ANNUAL REVENUES ROSE BY 468 PERCENT. IAF HAS MADE FOLLOW-ON INVESTMENTS IN MAYVENN, BRINGING THE FIRM'S TOTAL INVESTMENT IN THE COMPANY TO $2.25 MILLION. IN NOVEMBER 2018, MAYVENN COMPLETED A $23 MILLION SERIES B FUNDING ROUND LED BY ESSENCE VENTURES.[15]

Springboard Education, based in Lexington, Massachusetts, provides high-quality after-school programs at public, charter, and private schools across the United States, administered by credentialed teachers. Bridges U.S. Sustainable Growth Fund, an impact private equity fund based in New York and London, invested in the company in 2015. Before the investment, Bridges was competing with another bidder that did not have a focus on impact, but the owners of Springboard preferred to partner with an impact investor to deepen the business' mission and strengthen its social outcomes.

BRIDGES MADE A $6.7 MILLION EQUITY INVESTMENT INTO SPRINGBOARD EDUCATION IN 2015. OVER THE PAST YEAR ALONE, SPRINGBOARD HAS GROWN FROM 50 SCHOOLS WITH APPROXIMATELY 3,500 STUDENTS TO 110 SCHOOLS WITH APPROXIMATELY 4,700 STUDENTS, AND ANNUAL REVENUES HAVE INCREASED BY 56 PERCENT SINCE BRIDGES' INITIAL INVESTMENT.

Tiber is a St. Louis-based global network of progressive medical and health sciences universities, including Ponce Health Sciences University in Puerto Rico. Tiber's education platform leverages big data to help its university partners assess performance, personalize learning and signal the right career pathway for each student. In 2014, University Ventures (UV) made an equity investment to acquire Ponce and helped convert the university from a nonprofit organization to a B-corporation. During that process, the university's leadership made it clear that mission would be a key consideration in any decision to sell, and UV agreed to both keep the campus in Ponce and maintain current levels of Puerto Rican enrollment.

UV INVESTED $30 MILLION TO ACQUIRE PONCE IN 2014. SINCE UV'S INVESTMENT, REVENUES HAVE GROWN 40 PERCENT, FROM $28.4 MILLION IN 2015 TO $40.9 MILLION IN 2018. BOARD PASSAGE RATE FOR PONCE SCHOOL OF MEDICINE STUDENTS WENT FROM 75 PERCENT TO 93 PERCENT IN THE SAME TIME PERIOD.

15 Techcrunch.com. *With a new deal for customers and a fresh $23 million, Mayvenn extends its hair care business.* (Accessed 2018).

Creating Value

Impact investment managers bring market insights and networks that help to design more effective businesses, build authentic brands, and attract differentiated sources of talent and capital. In doing so, managers have successfully smoothed the path to growth and sustainability for their investees, increasing revenues, and reducing operating costs. They have also been able to access public and philanthropic sources of capital that support the impact objective and thereby reduce their cost of capital. The more experienced managers in our sample have also demonstrated that these impact-linked value creation activities have supported stronger returns or valuation at exit.

There are four key drivers of impact alpha under this category:

Driver #4
Leverage impact expertise to develop more effective businesses

Driver #5:
Enhance investee branding and storytelling

Driver #6:
Attract and retain manager and investee talent

Driver #7:
Unlock public and philanthropic capital

> *"Some of the most direct benefits an impact focus brings to our portfolio result from the stronger, values-aligned relationships that can be created with all stakeholders, including a company's employees, suppliers and customers. Developing and managing relationships with a shared sense of purpose creates an alignment of interests that helps our companies navigate opportunities and the inevitable risks that can occur over time."*
>
> **Karl Khoury, Arborview Capital**

Driver #4 Leverage impact expertise to develop more effective businesses

A focus on impact leads to market insights from fund managers, helping them better anticipate and understand shifts in demand, especially in markets with values-driven consumers or purchasers. Managers can further leverage this knowledge to engage investees in developing a clearer and more compelling value proposition and, relatedly, in designing products and solutions that best respond to the market need.[16]

Examples of this driver in action include:

Farmers Business Network (FBN), based in San Carlos, California, is an ag-tech company that provides member farmers with agronomic information and unbiased insights about each of their fields, powered by billions of data points from across FBN's network. DBL Partners, an impact venture capital firm based in San Francisco, first invested in the company in 2014 and then invested out of a later fund in 2017. Building on DBL's deep expertise in organic and environmentally sustainable farming—connected to the firm's focus on impact—DBL worked with FBN's senior management to help explain why and how organic farming could be a financially and environmentally valuable opportunity for the company's members, contributing to higher retention of farmers in the network and higher revenues.

DBL PARTNERS FUND III MADE ITS INITIAL $12.5 MILLION EQUITY INVESTMENT INTO FBN IN 2017. DBL'S FUND II IS ALSO AN INVESTOR IN FBN. THE COMPANY HAS GROWN SIGNIFICANTLY SINCE ITS FOUNDING, ATTRACTING A STRONG INVESTOR GROUP INCLUDING KLEINER PERKINS, GV, ACRE VENTURES, TEMASEK, AND T. ROWE PRICE.

BrightBytes is a San Francisco-based education management company that improves the way schools learn through individualized, research-based analysis. Rethink Education, an education-focused impact venture capital fund, invested an initial $2.5 million in the company in 2013, and has since invested an additional $4 million. Since its initial investment, Rethink has used its expertise in the sector to help the company design and build two new modules—one with best practices on student data privacy and another with predictive analytics on dropout prevention. The firm also helped BrightBytes secure the intellectual property rights for one of those modules.

RETHINK EDUCATION MADE A $2.5 MILLION EQUITY INVESTMENT INTO BRIGHTBYTES IN 2013 AND HAS SINCE INVESTED AN ADDITIONAL $4 MILLION. THE COMPANY'S ANNUAL REVENUES HAVE INCREASED MORE THAN 50-TIMES SINCE RETHINK'S INITIAL INVESTMENT.

GRO-WELL Brands is a leading producer of natural and organic lawn and garden products based in Phoenix, Arizona. After the Global Environment Fund (GEF) invested in the company in 2017, GEF encouraged management to conduct a market study to better understand what its customers valued in making product decisions. GRO-WELL found that customers were not only drawn to the company's focus on organic products, but also valued locally sourced products. Based on these results, GEF and GRO-WELL shifted part of the company's focus to organic, locally sourced products formulated for local conditions, which led to new branding and product enhancements. Both GEF's and the company's commitment to sustainability enabled an easy transition away from using synthetic fertilizers and additives in GRO-WELL's products, in direct response to market demand.

GEF MADE A $11.3 MILLION EQUITY INVESTMENT INTO GRO-WELL IN 2017. IN THE FIRST YEAR AFTER GEF'S INVESTMENT, GRO-WELL IS ON TRACK TO POST MORE THAN $40 MILLION REVENUE, A 13 PERCENT YEAR-OVER-YEAR INCREASE.

CLEAResult, based in Austin, Texas, is the largest provider of energy efficiency solutions in North America, working with utility companies and other organizations to design and maintain energy optimization services. When The Rise Fund invested in the company in 2018, CLEAResult was already a leading energy efficiency program provider to utility companies across the U.S. and Canada. Building on The Rise Fund team's focus on and commitment to reducing atmospheric carbon, which stemmed from the fund's mandate around social and environmental impact, CLEAResult is now leveraging its existing relationships with utilities to explore growth opportunities that, given its business model, will help drive collinear expanding impact and increased profitability. This includes expanding services to include additional distributed energy resources such as electric vehicle charging infrastructure, aggregated energy load management, and energy storage deployments, all of which can be managed to shape energy use and allow for greater adoption of low carbon renewable power.

16 For example, a 2013 survey conducted by PWC of private equity firms across 18 countries found that incorporation of environmental, social, and governance (ESG) considerations—related to but distinct from impact investing—creates value for investors, both in terms of managing risk and spotting opportunities. See: PWC. *Putting a Price on Value.* (2013)

Driver #5 Enhance investee branding and storytelling

Guiding investees to sharpen and amplify their "impact stories," alongside the business case, can help to build an authentic brand that resonates with impact-focused consumers.[17] This branding can drive revenue growth by promoting consumer loyalty (resulting in less churn and shorter sales cycles) and differentiating a company or product from its competitors (resulting in more pricing power).[18]

Examples of this driver in action include:

Vital Farms, based in Austin, Texas, is the largest national supplier of pasture-raised eggs in the U.S. SJF Ventures was Vital Farm's first institutional investor in 2013, and Arborview Capital, a venture capital fund based in Chevy Chase, Maryland, invested in the company in 2014 in partnership with SJF Ventures and others. Since then, Vital Farms has built a differentiated brand that stands for ethical food, higher animal welfare, and superior product quality. That brand has helped to create a strong and loyal customer base, which, in turn, has helped drive revenues when the company moved into new product lines, such as grass-fed butter and pre-packaged hard-boiled and peeled eggs for snacking.

ARBORVIEW CAPITAL MADE A $3.75 MILLION EQUITY INVESTMENT INTO VITAL FARMS IN 2014. SINCE THEN, ANNUAL REVENUES HAVE INCREASED FROM $27 MILLION IN 2014 TO MORE THAN $100 MILLION IN 2018.

Revature, the career development company described earlier, worked with University Ventures (UV) to rebrand as a career accelerator, following UV's equity investment. Part of that transition was to refine Revature's impact story, with a dual focus on improving college affordability and making college graduates more employable. This rebranding helped the company expand partnerships with leading universities—including Arizona State, Davidson, and Florida State—and cultivate a pipeline of quality talent, leading to a significant increase in job placements and revenues.

Transloc is a transit technology company based in Durham, North Carolina. SJF Ventures, also based in Durham, invested in Transloc in 2016 and played a key role in helping the company reposition itself within the transit sector. Before SJF's investment, Transloc was struggling to establish its position and articulate a compelling technology orientation in a relatively competitive market versus well-funded competitors. In an effort to better represent the company's impact mission and technological innovation, SJF encouraged TransLoc to rebrand its product offerings—as well as its impact story—to better align with the needs of large public transportation agency clients. This strategic effort raised the status of the company and contributed to two early bids for acquisition. Sustain VC—another ICM member—also invested in the company.

SJF MADE A $3 MILLION EQUITY INVESTMENT AND CO-LED WITH FONTINALIS PARTNERS AN $8 MILLION SERIES A ROUND FOR TRANSLOC IN 2016. THE COMPANY WAS ACQUIRED BY THE SMART MOBILITY SUBSIDIARY OF FORD MOTOR COMPANY IN EARLY 2018, DELIVERING AN EXCELLENT RETURN FOR INVESTORS, FOUNDERS, AND THE TRANSLOC TEAM THROUGH A BROAD-BASED STOCK OPTION PLAN.

ConnXus, based in Mason, Ohio, is a software company specializing in global supplier management. ConnXus products help corporations build inclusive, transparent, and risk-compliant supply chains. Impact is inherent in ConnXus' business model. The company was founded by a procurement expert frustrated by the archaic, often segregated supplier databases that house women-, minority-, veteran-, and LGBTQ-owned businesses. The goal was to integrate diversity and sustainability into the overall procurement process to help corporations develop healthier global supply chains. Since investing in ConnXus, Impact America Fund (IAF) has been instrumental in helping the company's founder communicate the high-impact nature of its work and the underlying value proposition of its product platform, with a focus on attracting investors and corporate clients who care about long-term value creation. The Social Entrepreneur Fund (TSEF)—another ICM member—also invested in the company.

IAF INITIALLY INVESTED $250,000 IN CONNXUS IN 2014 AND HAS MADE FOLLOW-ON INVESTMENTS TOTALING $1.1 MILLION. AT THE TIME OF THE INITIAL INVESTMENT, THE COMPANY WAS DEVELOPING ITS CORE PRODUCT AND SERVING 10 EARLY-MOVER CORPORATE CLIENTS. TODAY, CONNXUS HAS 95 CORPORATE CLIENTS AND STRONG CHANNEL PARTNERS.

17 For example, according to a 2017 survey, 89 percent of Americans would switch brands to one that is associated with a good cause, given similar price and quality, and 76 percent would refuse to purchase a company's product or services upon learning that it supported an issue contrary to their beliefs. See: CONE. *2017 Cone Communications CSR Study.* (2017).

18 For example, according to a 2016 survey conducted by the UN Global Compact and Accenture, 80 percent of CEOs believe that demonstrating a commitment to societal purpose is a differentiator in their industry. See: UN Global Compact & Accenture. *Agenda 2030: A Window of Opportunity.* (2016).

Driver #6 Attract and retain manager and investee talent

A focus on impact attracts high-quality, committed talent, including at the investment manager and investee levels. In some cases, when there is deep mission alignment, the investee can attract talent on more favorable terms, including lower salaries.[19] [20] A corporate culture grounded in mission and purpose can also motivate employees to stay with a company through uncertainty.

Examples of this driver in action include:

Impact Fitness is a Michigan-based company that operates low-cost gyms focused on underserved communities in Michigan, Indiana, and Canada as a franchisee of Planet Fitness. The company's mission is to build fitness among low-income communities and improve member health through increased gym usage. Bain Capital Double Impact (BCDI), Bain Capital's first impact investing business, partnered with Bridges U.S. Sustainable Growth Fund and others to acquire Impact Fitness in 2016. Due in large part to the company's mission, Bain Capital was able to recruit Dr. Sara Bleich, a health policy professor from Harvard, as a behavioral insights consultant to help bring more people into the gym. The company's mission and impact were also key factors when recruiting a high-performing CFO to Impact Fitness, who helped strengthen the company's finances.

ACQUIRED BY BCDI AND BRIDGES IN DECEMBER 2016, IMPACT FITNESS HAS GROWN FROM 13 GYMS TO 22 GYMS AS OF APRIL 2018 THROUGH NEW STORE OPENINGS AND AN ACQUISITION.

Rachio is a Denver, Colorado-based water management company that provides Internet-connected "smart sprinkler" controllers and flow meters that allow residential and small commercial customers to manage their irrigation systems remotely from a mobile device. Since Arborview Capital first invested in the company in 2015, Rachio has been able to recruit and retain strong talent given the company's focus on water conservation and environmental impact as a key selling point.

ARBORVIEW MADE A $2.9 MILLION EQUITY INVESTMENT IN THE COMPANY IN 2015, FOLLOWED BY A SUBSEQUENT INVESTMENT OF $1.2 MILLION. SINCE ARBORVIEW'S INITIAL INVESTMENT, RACHIO'S REVENUES INCREASED MORE THAN THREEFOLD, FROM $5 MILLION IN 2015 TO $16 MILLION IN 2017.

19 For example, according to one study, candidates who received information about an employer's corporate social responsibility submitted wage bids that were 44 percent lower, for the exact same job, than applicants responding to ads where the CSR information was left out. See: Fortune. *Why Socially Responsible Companies Pay Less for Top Talent.* (2016).

20 This is particularly true for Millennial workers. According to a recent survey, 79 percent of Millennials would choose a lesser paying job with a company they knew was socially responsible. See: Forbes, *What Millennials Want in the Workplace (And Why You Should Start Giving it to them).* (2014).

Driver #7 Unlock public and philanthropic capital

A company's—and an investment manager's—commitment to and pursuit of impact-aligned goals can lead to opportunities for accessing public and philanthropic capital, including through grants, low-interest loans, guarantees, and other alternative forms of financing. In the short-term, this can lead to a lower cost of capital, and in the long-run, to increasingly larger sources of impact-driven investment.

Examples of this driver in action include:

ZOLA Electric—(formerly Off.Grid:Electric)—is a San Francisco-based company that provides affordable, reliable, and renewable energy to communities in Africa that currently lack access to electricity. After investing in the company in 2015, DBL Partners helped the company launch the Million Solar Homes Fund, a first-of-its-kind, $45 million fund that finances the leasing of ZOLA's distributed solar systems in Tanzania. The fund was supported by a $5 million grant from USAID's Development Innovation Ventures program, along with low-interest loans from a number of private mission-driven investors, including the David and Lucile Packard Foundation, Ceniarth, and the Calvert Foundation. None of these funding sources would have been possible without ZOLA's clear mission and focus on impact, and DBL's investment in the company was a key consideration for funders before making the loans.

DBL PARTNERS FUND III MADE ITS FIRST $10.5 MILLION EQUITY INVESTMENT INTO ZOLA ELECTRIC IN 2015. DBL WAS JOINED BY FRENCH ENERGY COMPANIES EDF AND TOTAL, AS WELL AS EXISTING INVESTORS INCLUDING OMIDYAR, VULCAN CAPITAL, AND ZOUK CAPITAL. IN 2017, DBL INVESTED AGAIN IN A ROUND LED BY NIGERIA-BASED HELIOS INVESTMENT PARTNERS, HELPING TO BUILD BOTH AN AFRICAN AND GLOBAL INVESTMENT PROFILE FOR THE COMPANY.

Springboard Education is the after-school education company described earlier. After investing in Springboard Education, the Bridges U.S. Sustainable Growth Fund identified a federal voucher program that could provide a new source of revenues for Springboard. Bridges' market expertise and focus on social impact was an important factor in this discovery. Bridges then worked with company management to develop operational capabilities—including in marketing, enrollment, and reimbursement—to qualify for and successfully tap into the voucher program. The vouchers helped Springboard increase enrollment in existing schools and forge partnerships with new schools, a key driver for the company's revenue growth.

Fit4D is a New York City-based personalized coaching and medical adherence platform that seeks to improve the lives of people living with diabetes worldwide. The company was recently awarded a grant from the Robin Hood Foundation for the purpose of better serving Latino and immigrant patients in the Bronx. SJF Ventures is working with Fit4D and other health portfolio companies, such as Solera Health, to secure foundation and other support to more rapidly service low-income patients.

SJF LED A SERIES A FINANCING FOR FIT4D IN 2015 AND THE COMPANY CLOSED ON A NEW $4 MILLION FINANCING ROUND IN 2018. SINCE ITS INCEPTION, FIT4D HAS SERVED MORE THAN 83,000 PATIENTS.

Strengthening Outcomes

By focusing on social and environmental outcomes throughout the investment process—alongside financial results—impact investment managers bring additional rigor and discipline to operations, stakeholder engagement, and risk management. This has helped managers identify and exploit opportunities to drive revenues and growth, lower operating costs, and mitigate downside risks for the businesses they support.

There are three key drivers of impact alpha under this category:

Driver #8
Promote discipline and efficiency in operations through impact accountability

Driver #9
Establish credibility with impact-driven stakeholders

Driver #10
Optimize social, environmental, and reputational risk management

"Impact investors partner with mission-driven companies and their leaders to help them to scale and to increase their social impact by creating accountability and strengthening systems to track results and reward achievement. Clarifying the social purpose of an organization energizes key constituents—management, employees, customers, and others—allowing a company to reach for new heights, both commercial and social."

Warren Valdmanis, Bain Capital Double Impact

Driver #8 Promote discipline and efficiency in operations through impact accountability

Impact investing requires rigorous measurement and reporting of social and environmental benefits, often with a focus on operational metrics and data that can provide additional insights into the management of a business. Among other examples, some fund managers work with companies to create incentives for senior managers to prioritize sustainable business practices and long-term economic returns.[21]

Examples of this driver in action include:

Vital Farms, the agricultural company described earlier, was faced with a significant product surplus following an avian flu outbreak in 2016, due in part to consumer fears over contaminated eggs. As several competitors walked away from their contracts with suppliers, Vital Farms—with the full support of its board of directors—elected to honor the majority of its farm contracts, in large part because of the company's commitment to stakeholders under the philosophy of "conscious capitalism." The decision cost Vital Farms significant dollar losses in the short-term, but strengthened the company's relationships throughout the supply chain, which ultimately improved long-term financial performance. These sustainable business practices are one reason Vital Farms has consistently received high "B Impact Scores" from B Lab, the non-profit that assesses the B Corporation certification, and recently transitioned to become a legal benefit corporation.[22]

Impact Fitness, the gym company described earlier, was required by Bain Capital Double Impact following the firm's investment in 2016 to link a meaningful part of management bonuses to impact metrics, a strategy which has proven to be an effective driver of performance. Gym memberships increased by 12 percent in one year, and the company's B Impact Score increased by 67 percent during the same period. In addition, a strong sense of mission among gym staff—some even carry cards with the company's principles and motto—has been reported to improve morale and to reduce turnover by 25 percent among lower-wage employees in one year.[23]

21 According to a meta-study from Oxford University that reviewed more than 200 of the "highest quality academic studies and sources on sustainability," 88 percent of reviewed studies found that companies with robust sustainability practices had better operational performance. See: Arabesque Partners & University of Oxford. *From the Stockholder to the Stakeholder: How Sustainability can Drive Financial Outperformance.* (2015).

22 Vital Farms received a B Impact Score of 82 in 2014 and 2015, 72 in 2016, and 81 in 2017.

23 Figure provided by Bain Capital Double Impact, based on 2018 August YTD compared to 2017 August YTD.

Driver #9 Establish credibility with impact-driven stakeholders

Clear impact goals and reporting can also help to build credibility, align interests, and generate goodwill with policymakers, advocates, and others who represent beneficiaries or shape the operating environments of managers and their investees. In some cases, that goodwill can translate into a "license to operate" in politically sensitive sectors, and in others it can lead to policy changes that strengthen a company's financial results.

Examples of this driver in action include:

Lighter Capital is a Seattle-based financial technology company that provides non-dilutive growth capital to early-stage tech companies in a fraction of the time it takes to raise funds from traditional sources. In 2015, Community Investment Management (CIM), an impact investment firm based in San Francisco, partnered with Lighter Capital as a debt provider to help scale up its lending platform. After structuring the facility, CIM encouraged Lighter Capital to become a signatory to the Small Business Borrowers' Bill of Rights (BBoR), which calls for fair, transparent, and responsible loans to small businesses. As a result of signing onto the BBoR, Lighter Capital strengthened its borrower-centric business practices such as APR disclosure and began reporting borrower payment data to credit bureaus, allowing borrowers to benefit from positive payment behavior.

CIM CLOSED A $100 MILLION DEBT FACILITY WITH LIGHTER CAPITAL IN 2015. CIM'S FACILITY ENABLED LIGHTER CAPITAL TO DEPLOY OVER $125 MILLION IN LOANS TO OVER 270 BUSINESSES ACROSS 29 STATES.

Advanced Microgrid Solutions (AMS) is a San Francisco-based company that provides energy management services to customers, utilities, asset owners, and operators. After DBL Partners invested in the company in 2017, representatives from DBL met with several state policymakers in California to advocate for policies that would drive more business toward solar and energy storage and encourage the entrance of privately owned utilities companies into the market. DBL's reputation among policymakers, partially because of the firm's long track record of delivering financial returns and social and environmental impact, played a role in policy development by lending an investor voice to the dialogue. This perspective led to positive carbon-related outcomes while helping AMS' financial bottom line.

DBL PARTNERS FUND III MADE ITS FIRST $3.75 MILLION EQUITY INVESTMENT INTO AMS IN 2015. SINCE THEN, SEVERAL STRATEGIC INVESTORS HAVE JOINED AS OWNERS, INCLUDING ENERGY IMPACT PARTNERS, SOUTHERN COMPANY, AND GE VENTURES.

Driver #10 Optimize social, environmental, and reputational risk management

An impact framework generates data and perspectives that are not part of traditional under-writing and due diligence, which can expose hidden risks, such as those related to the climate, the political environment, legal issues, or reputation. These data and perspectives can also help to identify and mitigate key challenges early in the process, for example by enhancing product and worker safety or supply chain sustainability and transparency. In the near-term, fund managers leverage these insights to help companies optimize their supply chain and overall operations.[24]

Examples of this driver in action include:

Mayvenn, the e-commerce platform described earlier, was founded by an entrepreneur with deep ties to the indepen-dent, low- and moderate-income hairstylists that the platform serves. Given the number of extractive business practices targeting low-income communities, Mayvenn's leadership is hyper-aware of the reputa-tional risks it could face in its business operations. For example, shortly after Impact America Fund (IAF) invested in the company, Mayvenn's management began conducting in-depth surveys of its subscriber base of hairstylists to determine how to better support them and establish a more effective and timely way of paying out earned commissions. The company discovered that a large number of stylists living in rural communities did not have a bank account and preferred to receive earnings in cash and immediately. These findings not only informed the company's growth strategy but also redoubled Mayvenn's commitment to designing affordable products and transparent systems that respond directly to the needs of its core subscribers.

"IMPACT ALPHA" AND PUBLIC INVESTMENTS

The bulk of this report focuses on impact investments in the form of private equity and private debt, which make up the majority of reported global impact investments. However, investors can also achieve meaningful social and environmental impact through publicly traded stocks and bonds, which also play an important role in the universe of market-rate impact investments.

Public impact investments tend to take two forms. First, investors can assess opportuni-ties based on certain environmental, social, and governance (ESG) criteria, informed by both company-reported and third-party data sources, and frameworks like the Sustainability Accounting Standards Board (SASB). Second, investors can engage in shareholder activism to encourage companies to adopt or improve ESG practices.[25]

Both activities can be drivers of impact alpha. For example, a recent Harvard study found that companies with strong sustainability policies significantly outperform their counterparts over the long term.[26] Another study found that public stock markets fail to fully incorporate material ESG information into pricing and investment decisions, which can lower returns to shareholders over time.[27] And when Oxford University reviewed more than 200 of the "highest quality academic studies and sources on sustainability," 80 percent of the reviewed studies showed that prudent sustainability practices positively affect investment performance.[28]

One example of these principles in action is JANA Partners, a New York City-based hedge fund that specializes in event-driven investing and shareholder activism. In 2018, the firm announced the launch of the JANA Impact Capital Fund, a new market-rate fund that will invest in public companies addressing social and environmental challenges.

24 Beeck Center for Social Impact & University, Georgetown. *Risk and Opportunity Inc: Managing Sustainability Risks as Profitable Opportunities.* (2016).
25 The ImPact. *Public Equity and Impact Investing: A Primer for Families.* (2016).
26 Robert G. Eccles, Ioannis Ioannou, and George Serafeim. *The Impact of Corporate Sustainability on Organizational Processes and Performance.* (2016).
27 Simon Gloßner, *The Price of Ignoring ESG Risks.* (2017).
28 Arabesque Partners & University of Oxford, *From the Stockholder to the Stakeholder: How Sustainability Can Drive Financial Outperformance.* (2015).

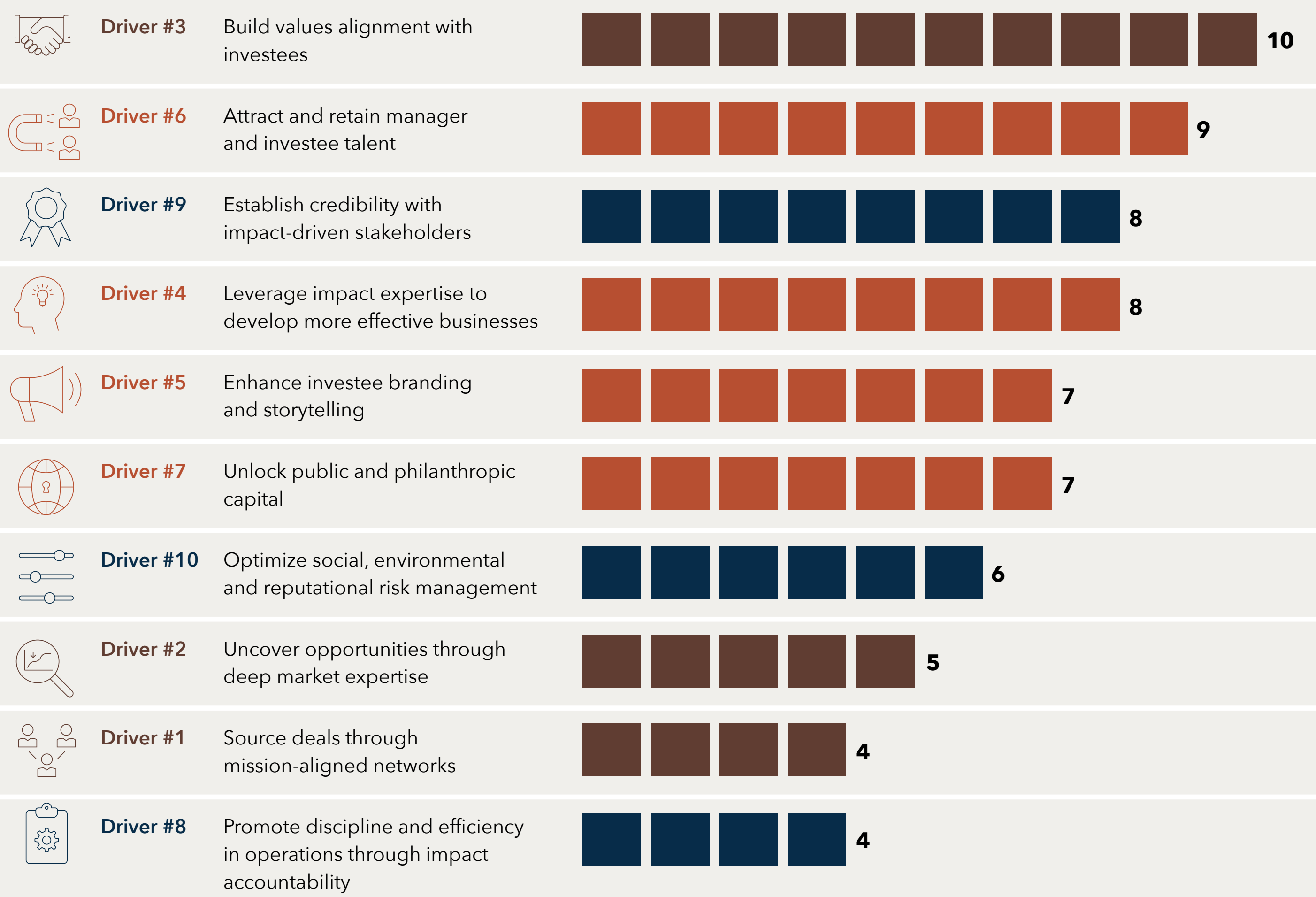
PREVALENCE OF EACH DRIVER OF IMPACT ALPHA

Tideline collected data on 29 transactions from ICM members, assessing which of the 10 drivers of impact alpha were exemplified in each deal. The chart below shows the prevalence of each driver in the sample of transactions. Readers should note that this is a self-selected and self-reported sample and is not intended to represent the broader impact investing market.

As the data illustrate, the two most common drivers in the sample were: a) building values alignment with investees; and b) attracting and retaining manager and investee talent. Both of these drivers speak directly to the value of having a clear mission and purpose beyond delivering financial returns as a differentiated means to access opportunities and talent.

The least common drivers were: a) sourcing deals through mission-aligned networks; and b) promoting discipline and efficiency in operations through impact accountability. These drivers can be interpreted as having less direct or distinct links to financial outcomes compared with other drivers and managers without an explicit focus on impact. In general, the drivers under the "creating value" and "accessing opportunities" categories were more prevalent than those in the "strengthening outcomes" category.[29]

FIGURE 4: NUMBER OF TRANSACTIONS THAT REFLECT EACH DRIVER OF IMPACT ALPHA



29 Drivers in the "creating value" and "accessing opportunities" categories had an average prevalence of 7.5 and 7, respectively, while drivers in the "strengthening outcomes" category had an average prevalence of 5.7.

THE IMPORTANCE OF DIVERSITY, EQUITY, AND INCLUSION IN RESPONSIBLE FUND MANAGEMENT

Many ICM members have described the importance of racial, ethnic, gender, and socioeconomic diversity in their fund management strategies. Among other benefits, ICM members reported that an explicit focus on diversity and inclusion compels fund managers and company leadership to seek out perspectives and viewpoints that are often underrepresented in the decision-making process, which can lead to valuable market insights and lucrative investment opportunities.

One example is the Impact America Fund (IAF), an Oakland-based venture capital fund that seeks to invest in entrepreneurs using market forces to "catalyze the economic liberation of underserved communities in America." According to Kesha Cash, founder and general partner of IAF, "we have found that entrepreneurs from overlooked communities have a deep understanding of the problems they are solving—and how to build and scale a business around them—combined with a profound, personal sense of the impact on the broader community. And there's no shortage of bold ideas and investible businesses coming from these communities—the shortage is of investors with the cultural fluency to find and fuel these opportunities with capital and access."

These statements are backed by strong evidence. A recent study published in the Harvard Business Review found that venture capital firms comprising "similar" investment partners significantly underperformed more diverse firms, measured in terms of gender, ethnicity, schooling, and work history. For example, the success rate of acquisitions and initial public offerings was 26 percent lower, on average, for investments by partners with the same ethnic backgrounds, compared with partners who had more diverse ethnic backgrounds.[30]

As of June 2018, 25 percent of the fund managers represented in ICM are women, and 25 percent are managers of color, compared with just 8 percent and 2 percent, respectively, for the broader venture capital field.[31] While this represents promising progress, both data points show that much more effort needs to be made to narrow the gender and racial diversity gap across the financial services sector and that, by doing so, investors can expect stronger financial outcomes.

30/31 Paul Gompers, Silpa Kovvali, HBR.org *The Other Diversity Dividend. (2018).*

CONCLUSIONS

This report is intended to start a new conversation among current and prospective impact investors. Instead of continuing to debate whether or not operating with an impact objective detracts from a fund's financial performance, Tideline's research provides clear evidence that impact objectives can actually contribute financial value for fund managers and their investors.

The evidence is compelling, yet the topic requires more research to: a) test, validate, and update the drivers of impact alpha, based on an analysis of portfolio-level data across impact and non-impact funds; b) quantify the additional financial and impact value achieved through each driver; and c) provide further resources and tools for impact venture capital and private equity fund managers to further accelerate impact and returns.

We hope the report contributes meaningfully to the ongoing discussion about the benefits, challenges, opportunities, and limitations associated with market-rate impact investing. We also hope that it provides a basis for a more nuanced conversation on the many ways that impact investment managers achieve alpha through differentiated, impact-driven approaches to accessing deals, creating value, and strengthening outcomes.

Appendices

Case Study 1
Vital Farms

Investee	ICM Manager	Sector
Vital Farms	Arborview Capital	Sustainable Food
Location	**Geography**	**Investment Type**
Austin, TX	National (U.S.)	Equity (Series A)
Investment Date	**Investment Amount**	**Co-Investors From ICM**
September 2014	$3.75 million	SJF Ventures

About Arborview Capital
Arborview invests in high growth, impact-focused companies that can deliver top-tier financial returns. All of the firm's portfolio companies are mission-driven in areas such as energy and water efficiency, resource efficiency, and sustainable food.

About Vital Farms
Vital Farms is the largest national supplier of pasture-raised eggs and grass-fed butter. Its core mission is to bring ethically and sustainably produced food to the table by sourcing from a collection of family farms that are committed to sustainable agricultural practices and humane treatment of farm animals. Vital Farms is a certified Benefit Corporation.

Social/Environmental Impact
- *Job creation:* Since 2007, Vital Farms has created more than 100 high-quality jobs that pay a living wage and provide benefits, stock options, and bonus programs.

- *Ethical treatment of animals:* Vital Farms' laying hens receive 108 square feet of outdoor living space as well as nutrient-dense supplemental feed when not on pasture.

Business Results
- Annual revenues have increased from $27 million in 2014 to more than $100 million expected in 2018.

Examples of Impact Alpha

CREATING VALUE
Recognizing the strength of Vital Farms' brand and early product success, the Vital Farms Board encouraged and supported the company's recent expansion into two new product lines, pasture-raised butter and snackable peeled, hardboiled eggs. Both products have resulted in a greater total addressable market, higher revenues, and in many cases, higher margins

Specific drivers of impact alpha include:
- Leveraging impact expertise to develop more effective businesses
- Enhancing investee branding and storytelling

STRENGTHENING OUTCOMES
Following a 2016 avian flu outbreak that eliminated millions of egg-laying hens throughout the United States, egg producers built up massive laying hen numbers that resulted in overcapacity across the market. Within months, egg producers and distributors were left "long" on eggs and faced an 80–90 percent commodity price decrease. Despite achieving continued growth under these difficult conditions, Vital Farms also had overbuilt capacity and faced a difficult decision. Recognizing that the company's response to the crisis would directly affect its supplier farmers, whose success is an integral part of the company's impact mission, the board and management agreed to maintain their supplier contracts.
In the short-term, this decision resulted in a loss. However Vital Farms has maintained positive long-term supplier relationships which have been a critical advantage in the company's continued growth. Ultimately, Vital Farms' decision to prioritize long-term supplier relationships in the face of a crisis was directly related to the company's commitment to impact.

Specific drivers of impact alpha include:
- Promoting discipline and efficiency in operations through impact accountability

Case Study 2
Impact Fitness

Investee Impact Fitness	**ICM Manager** Bain Capital Double Impact	**Sector** Health
Location Michigan	**Geography** U.S. and Canada	**Investment Type** Equity (acquisition)
Investment Date December 2016	**Co-Investors From ICM** Bridges Fund Management	

About Bain Capital Double Impact

Bain Capital Double Impact (BCDI) makes private equity investments in mission-oriented, for-profit lower middle-market companies. The firm partners with companies that offer products, services, or business models that create positive social impact at scale, focusing on health and wellness, sustainability, and community building.

About Impact Fitness

Impact Fitness operates low-cost gyms focused on underserved communities in Michigan, Indiana, and Canada as a franchisee of Planet Fitness.

Social/Environmental Impact

- *Increased access to fitness:* Impact Fitness has grown from 13 gyms to 22 gyms (as of April 2018) and membership increased by 12 percent from 2016–2017. 45 percent of Impact Fitness members have never been members of a gym before.

- *Improved member health:* Impact Fitness has conducted analysis of member behavior and developed pilots to increase member usage and retention. Member usage increased by 12 percent from 2016–2017.

Examples of Impact Alpha

CREATING VALUE

To improve health outcomes and access to fitness for members, the company recruited Dr. Sara Bleich as an advisor on health initiatives. Given Dr. Bleich's expertise in public health, as a professor of Public Health Policy at the Harvard T.H. Chan School of Public Health, Impact Fitness' impact focus was critical in retaining her support. The company's mission and impact were also key factors when recruiting a high-performing CFO who helped to strengthen the company's finances.

Specific drivers of impact alpha include:

- Attracting and retaining manager and investee talent

STRENGTHENING OUTCOMES

After investing in the company in 2016, Bain Capital Double Impact established rules that linked a meaningful part of management bonuses to impact metrics, which has proved to be an effective driver of performance. Gym memberships increased by 12 percent and the company's B Impact Score increased by 67 percent in one year. In addition, a strong sense of mission among gym staff—some even carry cards with the company's principles and motto—has been said to improve morale and reduce turnover among lower-wage employees and to reduce turnover by 25 percent among lower-wage employees (2018 August YTD vs. 2017 August YTD).

Specific drivers of impact alpha include:

- Promoting discipline and efficiency in operations through impact accountability

Case Study 3
Springboard Education

Investee	ICM Manager	Sector
Springboard Education	Bridges Fund Management	Education
Location	**Geography**	**Investment Type**
Lexington, MA	National (U.S.)	Equity (Series A)
Investment Date	**Investment Amount**	
April 2015	$7 million	

About Bridges Fund Management
The Bridges U.S. Sustainable Growth Fund is a private equity firm that invests in ambitious growth companies that are tackling pressing social and environmental challenges. The fund targets companies operating in the healthcare, education, or sustainable living sectors, with a focus on underserved markets.

About Springboard Education
Springboard provides high-quality after-school programs at public, charter, and private schools across the United States, administered by credentialed teachers.

Social/Environmental Impac
- *Access to quality before- and after-school programming:* In the 2017–2018 school year, 20 percent of the student population served were lower income (voucher, free and reduced lunch, and scholarship recipients).

Business Results
- Over the past year alone, the company has grown from 50 schools with roughly 3,500 students to 110 schools with roughly 4,700 students.

- Annual revenues have increased by 56 percent over the same period.

Examples of Impact Alpha

ACCESSING OPPORTUNITIES
Before the investment, Springboard was considering potential equity investments from both a local "finance only" investor and Bridges. Given the high-impact nature of the company, Springboard's leadership was optimistic about the opportunity to partner with an impact investor to deepen the mission of the business broadly. With nearly identical deal terms, company leadership chose to pursue funding with the values-aligned investor.

Specific drivers of impact alpha include:
- Building values alignment with investees

CREATING VALUE
After investing in the company, Bridges identified a federal voucher program that could provide a new source of revenues for Springboard. Bridges' deep market expertise and focus on social impact were key factors to this discovery. Bridges then worked with management to develop operational capabilities (e.g., marketing, enrollment, reimbursement, etc.) to qualify for and successfully leverage the voucher program. The vouchers helped Springboard increase enrollment in existing schools and forge partnerships with new schools, a key driver for the company's revenue growth.

Specific drivers of impact alpha include:
- Unlocking public and philanthropic capital

STRENGTHENING OUTCOMES
In order to participate in the voucher program described above, Springboard needed to obtain a license and achieve certification from state Departments of Health and Human Services. Bridges helped company leadership secure the necessary certifications, and Springboard's social mission was an important factor throughout that process.

Specific drivers of impact alpha include:
- Establishing credibility with impact-driven stakeholders

Case Study 4
Lighter Capital

Investee	ICM Manager	Sector
Lighter Capital	Community Investment Management (CIM)	Financial Services
Location	**Geography**	**Investment Type**
Seattle, WA	National (U.S.)	Debt
Investment Date	**Investment Amount**	
December 2015	$100 million debt facility	

About Community Investment Management

CIM is an impact investment firm that provides strategic debt funding to scale and demonstrate responsible innovation in lending to traditionally underserved communities in order to advance financial inclusion and drive widespread adoption of such innovation by the financial mainstream.

About Lighter Capital

Lighter Capital is a financial technology company that has created a new fundraising path for early-stage tech companies. The company offers revenue-based financing that provides founders with up to $3 million of non-dilutive growth capital in a fraction of the time it takes to raise from traditional sources.

Social/Environmental Impact

- *Access to capital for traditionally underserved businesses and entrepreneurs:* 31 percent of CIM businesses funded through Lighter Capital are owned by women, military veterans, or people of color.

- *Support to impact businesses:* 18 percent of businesses funded by CIM capital are impact businesses, meaning they expressly seek to create a positive social, environmental, or economic change in their community.

Business Results

- Since late 2015, CIM's facility with Lighter Capital has contributed to the deployment of over $125 million in loans to over 270 businesses across 29 states.

Examples of Impact Alpha

ACCESSING OPPORTUNITIES

CIM works with its lending partners by providing strategic debt facilities that help to scale growth while also aligning incentives for borrower and lending partner success. Not only does this structure serve as protection for CIM as an investor, it also ensures responsible and transparent financing for end borrowers which is core to CIM's mission. This alignment of values contributes to the financial health and performance of CIM, Lighter Capital, and their underlying small business borrowers.

Specific drivers of impact alpha include:

- Building values alignment with investees

CREATING VALUE

CIM has been supportive in Lighter Capital's recruiting efforts. The firm was supportive in introducing candidates in the company's hiring efforts, which includes a current key team member with a seasoned financial, strong operational, and robust impact investing background. The hire has since become an internal advocate for furthering the company's impact footprint and helped to develop Lighter Capital's impact mission.

Specific drivers of impact alpha include:

- Attracting and retaining manager and investee talent

STRENGTHENING OUTCOMES

CIM encouraged Lighter Capital to sign onto the Small Business Borrowers' Bill of Rights (BBoR), a product of the Responsible Business Lending Coalition (RBLC) that seeks to drive responsible practice in the small business lending sector. In the face of increasing scrutiny and criticism of irresponsible and predatory lending in the small business market, Lighter Capital signaled their commitment to fair, transparent, and responsible lending practices to borrowers, the RBLC, and the broader industry by signing the BBoR. Lighter Capital structured its product to be inherently transparent for entrepreneurs with a stated repayment amount, no fees, no financial covenants and simple legal documents.

Specific drivers of impact alpha include:

- Establishing credibility with impact-driven stakeholders
- Optimizing social, environmental, and reputational risk management

Case Study 5
Mayvenn

Investee	ICM Manager	Sector
Mayvenn	Impact America Fund	Technology / e-commerce
Location	**Geography**	**Investment Type**
Oakland, CA	National (U.S.)	Equity
Investment Date	**Investment Amount**	
December 2014 (initial investment)	$2.25M (total since 2014)	

About Impact America Fund

IAF invests in entrepreneurs who are scaling systemic change by making better quality products and services more affordable, creating information chains to facilitate market transparencies, and opening up supply and/or developing tools that help grow small businesses.

About Mayvenn

Mayvenn is an e-commerce platform that empowers thousands of independent hair stylists and majority solopreneurs to be direct sellers of products without having to hold and manage inventory. The African-American haircare industry grosses $9 billion annually, but the beauticians who make the community look and feel good every single day historically have no means to participate in the value and well-being they create.

Social/Environmental Impact

- Through the platform, more than 50,000 stylists have subscribed and active stylists have earned a total of $20 million in commissions, which has helped increase their incomes and support their communities.
- Mayvenn stylists generate up to 40 percent more client revenue without having to buy or manage inventory.

Business Results

- In the first three years of Impact America Fund's investment (2014–2017), Mayvenn's annual revenues rose by 468 percent.
- In November 2018, Mayvenn completed a $23 million Series B funding round.

Examples of Impact Alpha

CREATING VALUE

IAF's relationship with Mayvenn's founder began with a shared commitment to creating economic opportunities for low-income communities and communities of color. Thanks in part to this strong mission alignment, IAF was invited to participate in a bridge financing round for Mayvenn before the company's Series A investment. IAF then introduced the company to other prominent venture capital firms and investors, one of which led the company's Series A round and another who recently led the company's Series B round. Despite being oversubscribed in Series A, the founder of Mayvenn reserved space for IAF to participate as a significant investor, largely because of the fund's strong relationship with the founder and shared commitment to impact.

Specific drivers of impact alpha include:
- Building values alignment with investees

CREATING VALUE

Following IAF's initial investment, the firm encouraged Mayvenn's leadership to remain laser-focused on the low- and moderate-income mass market, despite initial challenges, and develop language to better articulate the platform's impact on its stylists, who are majority black women microbusiness owners. Demonstrating and communicating the platform's benefits to the community of stylists is critical to delivering on Mayvenn's value proposition and a key driver of the company's growth.

Specific drivers of impact alpha include:
- Leveraging impact expertise to develop more effective businesses

STRENGTHENING OUTCOMES

Mayvenn was founded by an entrepreneur with deep ties to the independent, low- and moderate-income hairstylists that the platform serves. Given the number of extractive business practices targeting low income communities, Mayvenn's leadership is hyper-aware of the reputational risks it could face in its business operations. For example, shortly after Impact America Fund (IAF) invested in the company, Mayvenn's management began conducting in-depth surveys of its subscriber base of hairstylists to determine how to better support them and establish a more effective and timely way of paying out earned commissions. The company discovered a large number of stylists lived in rural communities, did not have a bank account and preferred to receive earnings immediately in cash. These findings not only informed the company's growth strategy but also redoubled Mayvenn's commitment to designing affordable products and transparent systems that genuinely meet the needs of its core subscribers.

Specific drivers of impact alpha include:
- Optimizing social, environmental, and reputational risk management

Case Study 6
NEXTracker

Investee NEXTracker	**ICM Manager** SJF Ventures	**Sector** Energy technology
Location Fremont, CA	**Geography** Global	**Investment Type** Equity (Series B)
Investment Date December 2014 (exited September 2015)	**Investment Amount** $3 million to lead a $5 million Series B round, which also leveraged $20 million in debt	**Co-Investors From ICM** DBL Partners

About SJF Ventures
SJF invests in high-growth companies that create a healthier, smarter, and cleaner future. The firm's mission is to catalyze the development of highly successful businesses that drive lasting, positive changes. SJF's investments address issues related to climate, poverty, education, health, and employment.

About NEXTracker
NEXTracker designs and manufactures technologies that enable solar panels to track the sun's movement, allowing for greater sunlight capture over the course of a day. The company's product offers a significant breakthrough in horizontal tracking, with lower costs, better performance, and more flexibility for project design.

Social/Environmental Impact
- *Mitigating climate change:* NEXTracker shipped nine gigawatts of solar project trackers worldwide as of 2018. These projects collectively produced enough clean energy to avoid the CO2 emission equivalent of powering 700,000 U.S. homes or operating 1,600,000 cars

Business Results
- Nine months after SJF Ventures led the company's Series B financing, NEXTracker was acquired by global manufacturer Flextronics for $330 million, generating a strong return for shareholders.

Examples of Impact Alpha

ACCESSING OPPORTUNITIES
SJF Ventures led NEXTracker's Series B financing in December 2014, despite solar being generally out of favor with traditional venture capitalists at the time. SJF engaged with NEXTracker for a year before the investment and was ultimately driven to provide financing due to the company's rapid sales growth, unique product technology, industry veteran leadership, and the team's demonstrated commitment to environmental sustainability.

Specific drivers of impact alpha include:
- Uncovering opportunities through deep market expertise

STRENGTHENING OUTCOMES
Unlike most traditional VCs in the solar industry, SJF actively engages in policy dialogue at the state and federal level, often in collaboration with portfolio companies. For example, the manager has advocated for renewables, energy efficiency, and net metering policies in North Carolina, California, and Virginia in partnership with NEXTracker. The firm seeks to provide a voice on policies that support sustainable energy and to open up solar markets across the country.

Specific drivers of impact alpha include:
- Establishing credibility with impact-driven stakeholders

Case Study 7
Revature

Investee	ICM Manager	Sector
Revature	University Ventures (UV)	Education to employment
Location	**Geography**	**Investment Type**
Reston, VA	Select U.S. markets	Equity (Series A)
Investment Date	**Investment Amount**	
January 2016	$20 million	

About Impact University Ventures
UV is an investment firm reimagining the future of higher education and creating new paths from education to employment. UV portfolio companies are making higher education more affordable, pioneering entirely new approaches to learning, and helping employers think differently about how and where they discover talent.

About Revature
Revature is a technology talent development company providing structured pathways to employment for college students.

Social/Environmental Impact
- *Employment readiness:* College graduate job placements increased by 130 percent between 2016–2017.
- *Job placement:* Revature expected to facilitate more than 1,500 job placements in 2019, which will represent a 70 percent increase from 2017.

Business Results
- Annual revenues rose by 30 percent between 2016 and 2017, and revenues are expected to continue to rise significantly in the coming years as student enrollment and career placements increase.

Examples of Impact Alpha

CREATING VALUE
Revature was introduced to UV at an education-focused conference where a UV representative was a speaker. The CEO specifically approached the UV team because he shared the firm's commitment to solving the dual crises of college affordability and student employability. Before investment, UV committed to supporting the Revature team implement efficient internal processes, develop its brand, expand its sales team, and most importantly, build university partnerships to build its student pipeline. Building on the introduction to Revature's CEO, UV demonstrated an expertise in the education sector and values alignment when pursuing the investment opportunity that solidified trust with the company's leadership and enabled them to execute a competitively priced Series A equity investment.

Specific drivers of impact alpha include:
- Sourcing deals through mission-aligned networks
- Building values alignment with investees

CREATING VALUE
Historically, Revature operated solely as a staffing company, without a direct impact focus. UV was instrumental in supporting the company's effort to rebrand as a career accelerator, with a particular focus on achieving employment outcomes for students. This rebranding helped Revature to build and expand partnerships with leading universities—including Arizona State, Davidson, and Florida State—and cultivate a pipeline of new students, leading to a significant increase in revenues.

Specific drivers of impact alpha include:
- Enhancing investee branding and storytelling
- Establishing credibility with impact-driven stakeholders

Members of Impact Capital Managers

FIRM / FUND	FUND TYPE	YEAR FOUNDED	LOCATION
Arborview Capital*	VC	2008	Chevy Chase, MD
Bain Capital Double Impact*	PE	2015	Boston, MA / New York, NY
Better Ventures	VC	2010	Oakland, CA
Bridges U.S. Sustainable Growth Fund*	PE	2014	New York, NY
Bronze VC	VC	2009	East Palo Alto, CA
City Light Capital	VC	2004	New York, NY
Community Investment Management*	Debt	2014	San Francisco, CA
Cranemere	PE	2012	London, UK / New York, NY
DBL Partners*	VC	2003	San Francisco / Palo Alto, CA
Ecosystem Integrity Fund	VC	2010	San Francisco, CA
Energy Foundry	VC	2013	Chicago, IL
Generation Investment Management	PE	2004	San Francisco, CA
Global Environment Fund*	PE	2000	Bethesda, MD
HCAP Partners	PE	2000	San Diego, CA
Illumen Capital	PE	2018	Oakland, CA / Washington, DC
Impact America Fund*	VC	2014	Oakland, CA
Impact Engine	VC	2012	Chicago, IL
JANA Impact Capital*	Hedge Fund	2018	New York, NY
Morgan Stanley Impact SBIC	PE	2012	New York, NY
New Markets Venture Partners*	VC	2003	Fulton, MD
Pegasus Capital Advisors	PE	1996	Cos Cob, CT / New York, NY
PG Life (Partners Group)	PE	2018	Baar, CH / New York, NY
Reach Capital	VC	2015	Palo Alto / San Francisco, CA
Renewal Funds	VC	2008	Vancouver, BC
Rethink VC*	VC	2012	White Plains, NY
Small Business Community Capital	PE & Debt	2015	Stamford, CT
SJF Ventures*	VC	1999	Durham, NC / New York, NY / San Francisco, CA / Seattle, WA
Sustain VC	VC	2007	Boston, MA / Durham, NC / Philadelphia, PA
The Builders Fund	PE	2015	San Francisco, CA / Salt Lake City, UT
The Rise Fund*	PE	2016	San Francisco, CA / India / China / Africa / SE Asia / Latin America
Social Entrepreneurs' Fund	PE	2012	New York, NY
Three Roots Capital	PE & Debt	2016	Knoxville, TN / London, KY
University Ventures*	VC	2011	New York, NY
Uprising	VC	2013	San Francisco, CA
Wireframe Ventures	VC	2016	San Francisco, CA

* Participated in an interview and contributed transaction-level information for *The Alpha in Impact* as a member of the ICM Steering Group

ICM members and transactions included in the research

MANAGER*	PORTFOLIO COMPANY	COMPANY DESCRIPTION	HQ LOCATION	GEOGRAPHIC LOCATION	SECTOR
Arborview Capital	**Vital Farms**	Vital Farms is the leading ethical and transparent food brand supplying pasture-raised eggs and grass-fed butter.	Austin, TX	National (US)	Agriculture
	Drexel Metals	Drexel Metals is a leading fabricator of standing seam metal roofing, which is the most energy efficient and durable roofing material.	Louisville, KY	North America	Efficient building products (roofing)
	Rachio	Rachio provides a smart sprinkler controller that brings the smart home outdoors and allows users to manage their sprinkler system from any smart mobile device.	Denver, CO	National (US)	Water efficiency / IoT
Bain Capital Double Impact	**Penn Foster**	Penn Foster is a leading skills-focused education company creating career pathways to high-growth occupations for opportunity youth and adult learners.	Scranton, PA	National (US)	Education
	Impact Fitness	Impact Fitness operates low-cost gyms focused on underserved communities in Michigan, Indiana, and Canada as a franchisee of Planet Fitness.	Michigan	Michigan, Indiana	Health
	Sustainable Restaurant Group	Sustainable Restaurant Group (SRG) is the world's first certified sustainable sushi restaurant group and the operator of Bamboo Sushi and QuickFish Poke Bar.	Portland, OR	Oregon, Colorado	Hospitality
Bridges Fund Management	**Springboard Education**	Springboard Education is a provider of high-quality after-school programs at public, charter, and private schools in the United States, administered by credentialed teachers.	Lexington, MA	National (US)	Education
Community Investment Management	**CircleUp**	CircleUp is a fintech company that provides capital and resources to scale early-stage consumer product businesses.	San Francisco, CA	National (US)	Financial services
	Lighter Capital	Lighter Capital is a fintech company that has created a new fundraising path for early-stage tech companies.	Seattle, WA	National (US)	Financial services

ICM members and transactions included in the research

MANAGER*	PORTFOLIO COMPANY	COMPANY DESCRIPTION	HQ LOCATION	GEOGRAPHIC LOCATION	SECTOR
DBL Partners	**ZOLA Electric**	ZOLA Electric (formerly Off.Grid:Electric) is the world's first massively scalable off-grid electric company, using distributed renewable energy to sell power as a service to customers who suffer from an expensive grid, an unreliable grid, or have no electrical grid access at all.	San Francisco, CA	Tanzania	Energy
	Advanced Microgrid Solutions	Advanced Microgrid Solutions (AMS) is an energy platform and services company that designs, develops, optimizes, and monetizes energy assets to maximize customer value, provide dynamic grid and utility services, and earn revenues in wholesale energy markets.	San Francisco, CA	National (US)	Energy (technology)
	Farmers Business Network	Farmers Business Network is an independent and unbiased, farmer-to-farmer agronomic information network.	San Carlos, CA / Sioux Falls, SD	National (US)	Information technology
Global Environment Fund	**GRO-WELL Brands**	GRO-WELL Brands is the largest company in the Southwestern United States specializing in the production and marketing of all natural and organic products.	Phoenix, AZ	National (US)	Natural resources
	Global Forest Products	Global Forest Products is an environmentally sustainable, vertically integrated forestry company that manages 56,805 hectares of plantation forests certified by the Forest Stewardship Council and operates three large sawmills and a plywood plant.	Mpumalanga, South Africa	South Africa	Natural resources
	Unirac	Unirac is the leading manufacturer of photovoltaic mounting systems in North America.	Albuquerque, NM	National (US)	Energy
Impact America Fund	**Mayvenn**	Mayvenn is an e-commerce platform empowering thousands of independent hair stylists and majority solopreneurs to be direct sellers of products by opening and operating their own online storefronts.	Oakland, CA	National (US)	Technology (e-commerce platform)
	ConnXus	ConnXus is a SaaS model revolutionizing supplier diversity by making it easy and affordable for enterprise clients to better manage, expand, and implement supplier diversity programs to ensure more contract opportunities for minority-, women-, veteran-, and LGBT-owned businesses.	Mason, OH	National (US)	Technology (supplier management)

ICM members and transactions included in the research

MANAGER*	PORTFOLIO COMPANY	COMPANY DESCRIPTION	HQ LOCATION	GEOGRAPHIC LOCATION	SECTOR
New Markets Venture Partners	**Learn Platform**	LearnPlatform is the comprehensive edtech management and rapid-cycle evaluation system for educators and administrators to organize, streamline, and analyze their classroom technology.	Raleigh, NC	National (US)	Education
	Credly	Credly is a leading digital credential service provider helping the world recognize lifelong achievement with the most popular platforms for verifying, sharing, and managing digital credentials and badges.	New York, NY	National (US)	Education
Rethink Education	**BrightBytes**	BrightBytes is an education management company that improves the way schools learn through individualized, research-based analysis.	San Francisco, CA	National (US)	Education
	General Assembly	General Assembly transforms careers and teams through dynamic courses in coding, data, design, and business.	New York, NY	Global (20 campuses worldwide)	Education
	Ellevation Education	Ellevation Education is the only web-based software platform specifically designed for English language educators and the learners they serve.	Boston, MA	National (US)	Education
SJF Ventures	**NEXTracker**	NEXTracker advances the power plant of the future with flexible solar tracker and storage innovations that empower solar power plants of all sizes to increase performance and reduce costs.	Fremont, CA	Global (5 continents)	Energy (technology)
	Fit4D	Fit4D is a diabetes coaching solution that enables Certified Diabetes Educator clinicians to scale their reach and deliver effective, personalized, one-on-one care.	New York, NY	National (US)	Health
	TransLoc	TransLoc delivers flexible, demand-driven micro-transit technology and services to municipal transit agencies.	Durham, NC	National (US)	Technology

Appendix C

ICM members and transactions included in the research

MANAGER*	PORTFOLIO COMPANY	COMPANY DESCRIPTION	HQ LOCATION	GEOGRAPHIC LOCATION	SECTOR
The Rise Fund (TPG)*	**Cellulant**	Cellulant is an award-winning mobile commerce company operating a one-stop payments ecosystem in Africa, connecting businesses and governments to the increasingly mobile consumers.	Kenya and Nigeria	Africa (11 countries)	Technology (fintech)
	CLEAResult	CLEAResult is the largest provider of energy solutions in North America, helping to design and maintain energy optimization services for utility companies and institutional, commercial, and industrial organizations.	Austin, TX	North America	Energy
University Ventures	**Revature**	Revature is a technology talent development company providing a turn-key talent acquisition solution for corporate and government partners and no-cost coding immersion programs for university graduates.	Reston, VA	DC; Tampa; New York; Dallas; Orlando; Morgantown (WV)	Education and employment
	Tiber	Tiber is a global network of progressive medical and health sciences universities, including Ponce Health Sciences University in Puerto Rico.	St. Louis, MO	US & Latin America / Puerto Rico	Health education

*JANA Partners participated in the research effort but did not contribute transaction-level information, since no transactions had been closed at the time of publication.

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