

Investor Perspectives on Social Enterprise Finance

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On behalf of:



ClearlySo

Current state of social investment

- Offers blend of financial and social returns
- Business and investment models increasingly understood & refined
- Gap between investors' and enterprises' requirements narrowing
- investors expressing interest
- Two new developments:
Big Society Bank, public sector opportunities

Aims of the project

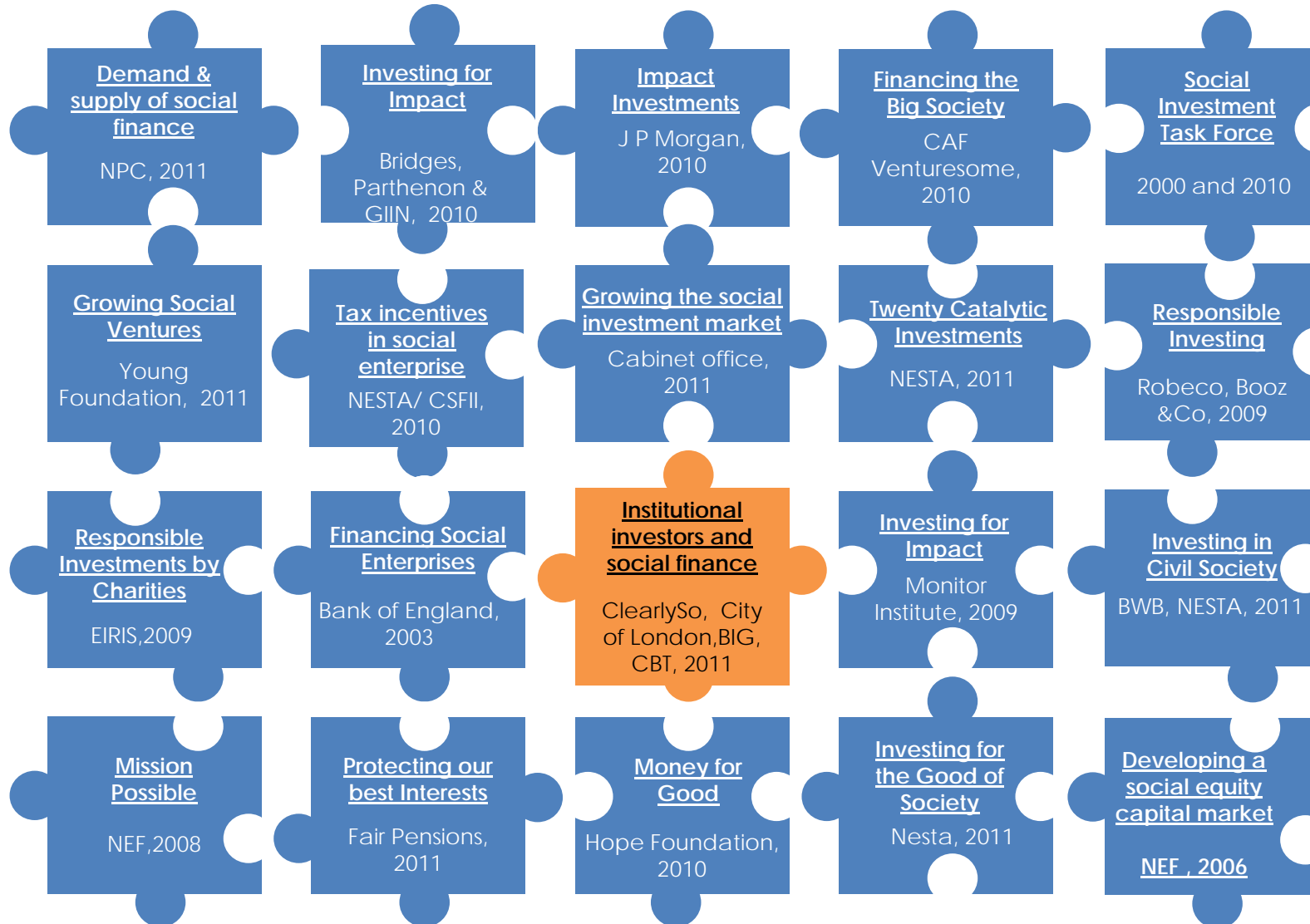


To ask institutional investors:

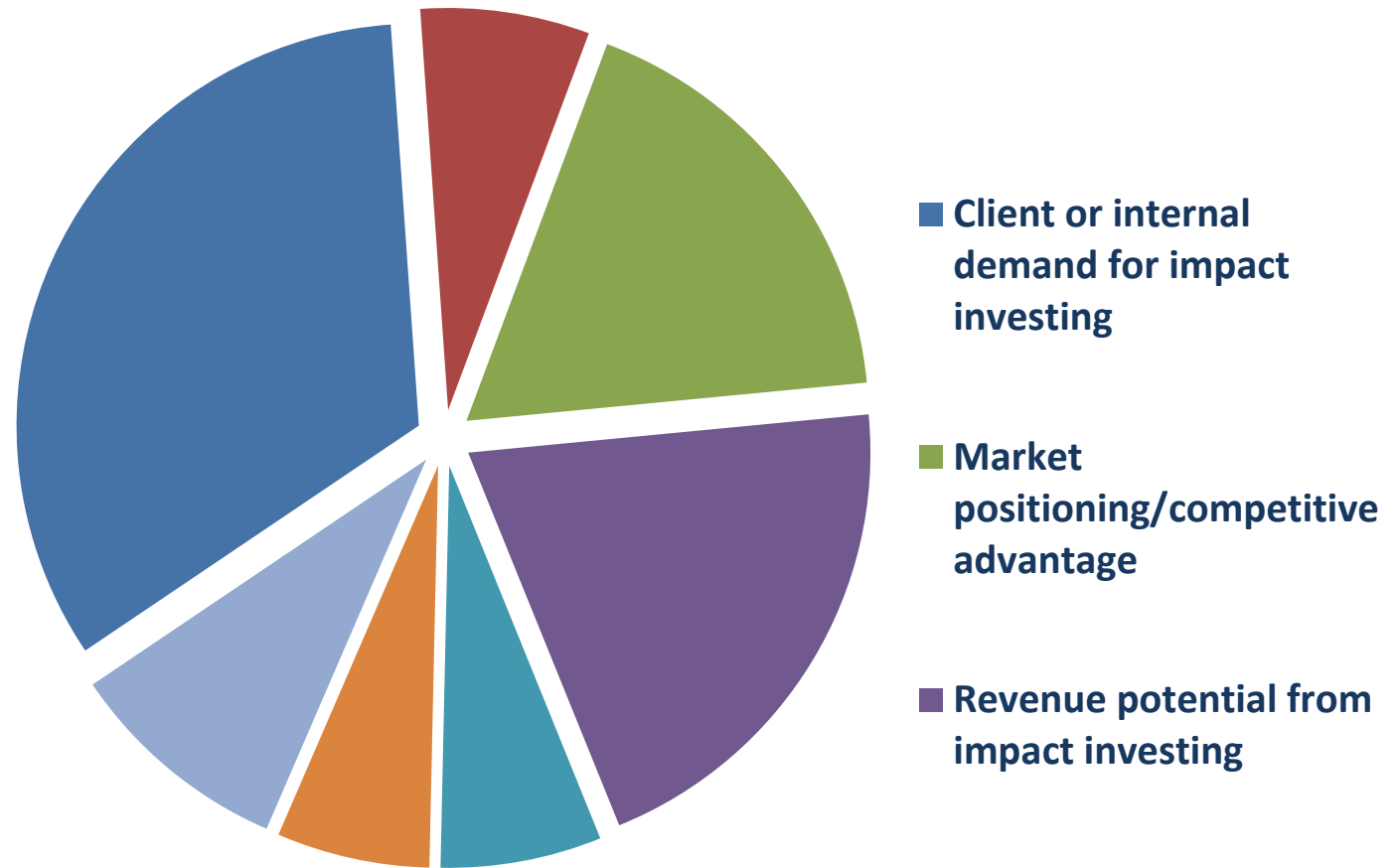
- What do they think about social investment?
- What stops them from engaging?
- What kind of investment products suit investors?
- How well do current vehicles suit them?

To recommend ways to increase engagement in social investment

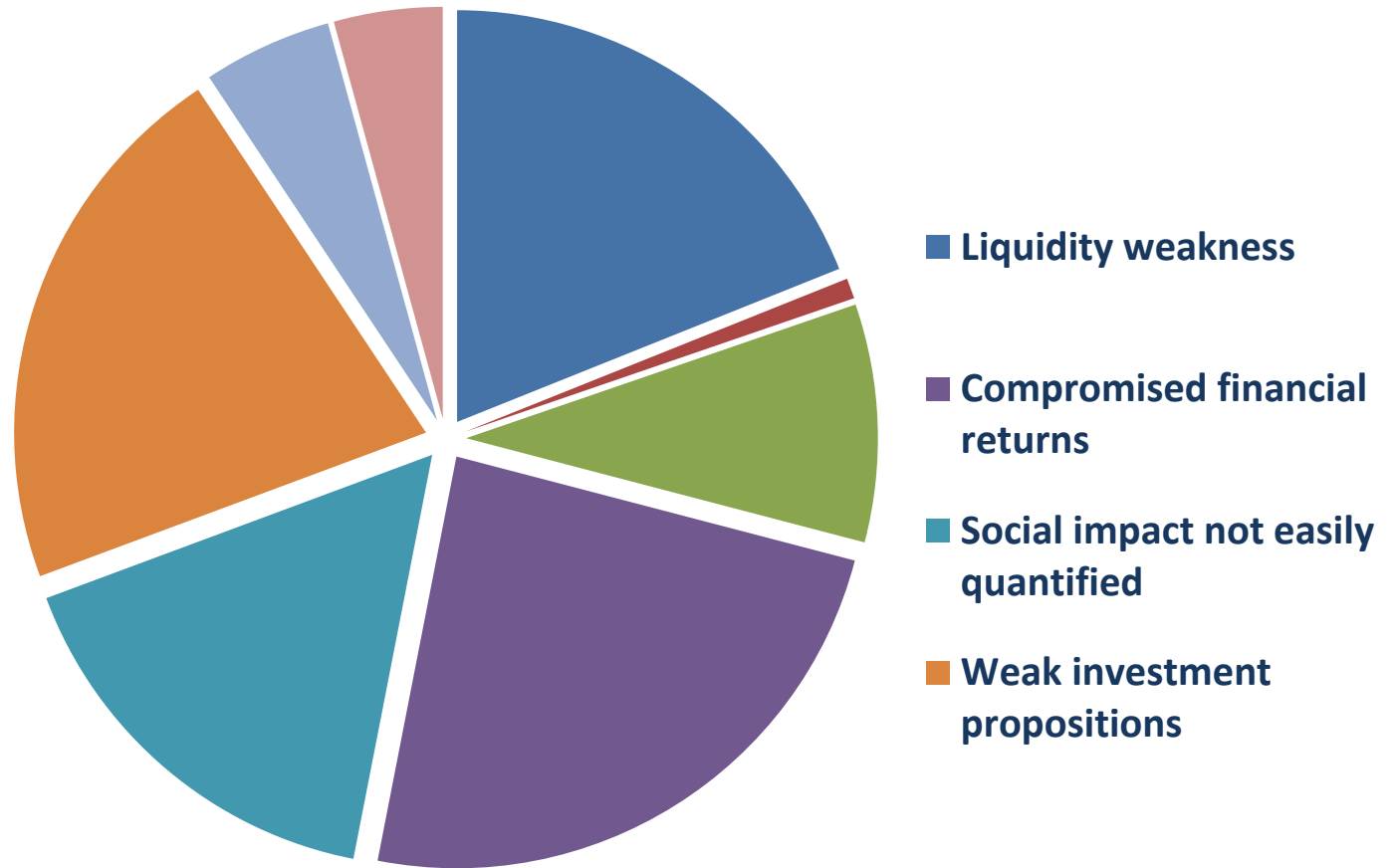
Context of the project



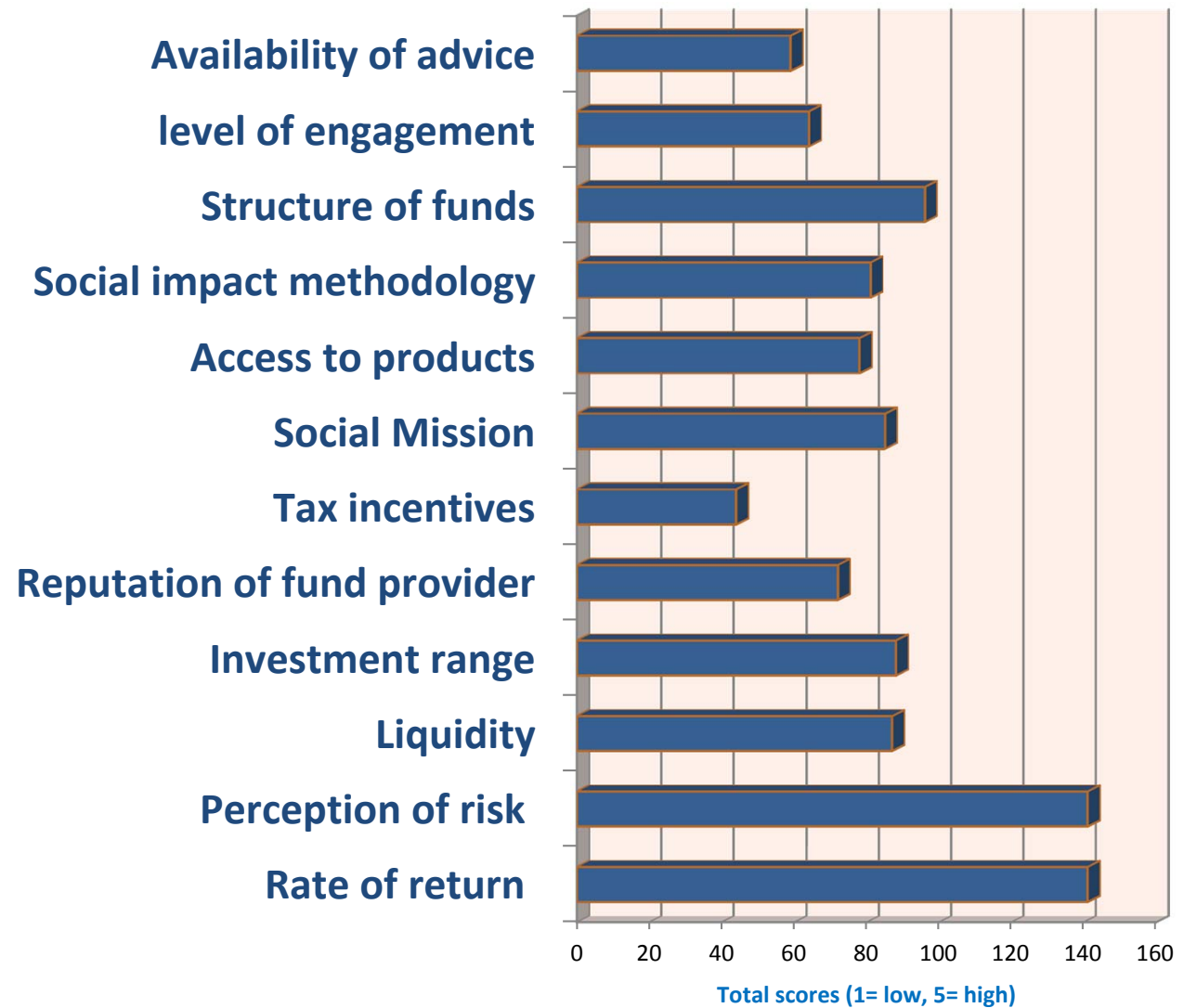
Drivers for social enterprise investment



Barriers to increased take up of social investment



Investors' priorities in an investment vehicle

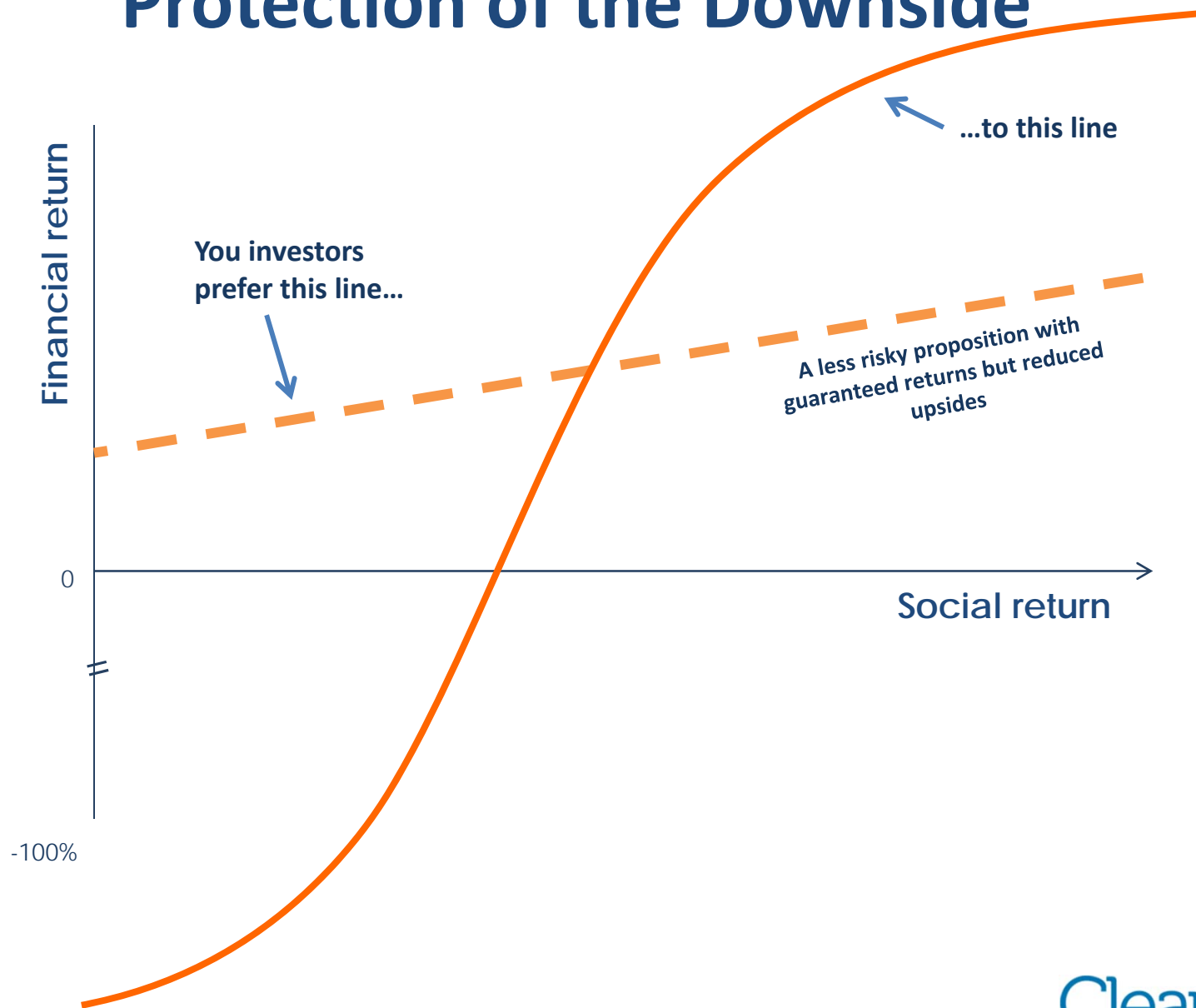


Investors' key features

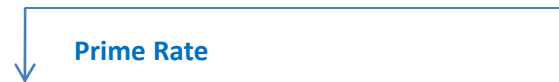
Although no one size fits all, investors in general sought :

- Liquidity – helps with risk
- Robust social impact measurement
- Large scale investment opportunities
- *Expected* returns near to market rate AND
- Protection of downside risk

Protection of the Downside



EXAMPLE OF UNDERWRITING IN SOCIAL INVESTMENT: INTERNATIONAL FINANCE FUND FOR IMMUNISATION



Adapted from Bridges Ventures, Parthenon, GIIN Report, Investing for Impact, case study across asset classes, 2010

How do existing products measure up?



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- Until recently, a shortage of investment products – see Annex
 - Many tailored for philanthropic and social investors – now widening
 - Expected rates of return seen as low, once risk accounted for
 - Little use of guarantee, underwriting or ‘tiered’ financing to mitigate risk
 - Liquidity limited, even ethical shares are difficult to trade - platforms
 - Direct investments into social enterprises are small scale – pooled funds

MANY NEW INITIATIVES UNDER DEVELOPMENT TO TACKLE THESE ISSUES

Investment Opportunities public sector spin-outs



- Open Public Services White Paper
- Offers investors large scale investment opportunities
- Real opportunity to shape new service delivery
- Timing is critical
- Need to create more tailored investment funds
- Incorporate mentoring and support into investment

**What could
accelerate take up
of social
investment?**



- Greater use of underwriting
- Increasing range of and access to products
- Clients expressing their interest
- Investors' requirements and integration of social impact
- Pooled products to offer scale and diversification
- Opportunities from public service contracts

Way forward



- Profit 'optimisation' key for sustainable returns
- Highly innovative sector
- Seek out new opportunities
- Opening up of public sector service widens the scope;
- partnership key
- Social impact gradually integrating into mainstream
- Collaboration will produce better results faster