Social Capital Conference (SoCap09)
Fort Mason – San Francisco
September 1 - 3, 2009

Plenary Panel
What Sells: True Tales of Amazement and Horror from the Fundraising Circuit

Shari Berenbach, Calvert Foundation
Brian Trelsted, Acumen Fund
Don Shaffer, RSF Social Finance
Penelope Douglas, Pacific Community Ventures
Moderator: Stuart Davidson, Labrador Ventures, Board of Acumen Fund

Purpose: What's it like to be raising money for impact investing in the midst of the worst market of the past 50 years? Who's interested now, and what messages are resonating? Are investors more open to impact investing at a time when other diversification strategies have failed?

Sheri Berenbach – Calvert Foundation
Positive experience – 2008 best year ever! Raise capital and sound returns. Investors are staying the course. Track record and credibility mean something! Investors are bringing it over to community investor mode – context is 3% ROI not federally insured – working in retail investment space.

As a micro-credit pioneer, Shari has served in 24 countries and manages $300M in community-invested assets. Calvert is currently reaching out to new investors. Calvert is marketing to investors as well as to third party channels and is looking for solid investment opportunities.

After unprecedented turmoil, fund raising was a Positive experience for the last year or so for Calvert 2008 was their best year ever. Growing in '09 to raise capital and generate sound investment return. Investors are staying the course and not opting for early redemption.

Investors are attracted to social value and a convenient way to incorporate it into a large fund. Investors are not ready to deal with the social science metrics SROI calculator, would prefer to keep it simple. Looking for genuine intermediaries – bring ROI and credibility.

Brian Trelsted –Acumen Fund

Who is investing in whom? There is confusion in the environment – mixing philanthropy with investment capital. The Lehman Brothers bankruptcy has been challenging in terms of recovering funds because they were a major investor. Acumen is predominantly funded by U.S. philanthropists and is seeking international philanthropists to add to the mix.

Most businesses are combinations of "Cash plus hope." Especially true of emerging players in emerging industries – hope sells. Donors want to know that investment fund managers care about metrics but not about the metrics themselves.

Competition – funding companies is where the tension is –big companies coming in and changing the mission of the philanthropic investment that was in initial seed money.

Don Shaffer – RSF Social Finance

Rudolf Steiner-influenced, donor advised fund. 100% of assets for mission related assets – food, education, arts, mezzanine fund and core fund. The Social Investment Fund is for environmental stewardship/agriculture.

RSF primarily works with independents and retail investors investing as little at $1,000 and he thinks more people will come their way for investing. Looking for those with deep social impacts for investing and believes there is a lot of demand in the marketplace.

Sees today's markets as both good and bad: complex, opaque and autonomous vs. direct, transparent and based on relationships. The inertia period – need 5% to15% of market share – very sluggish to get to that goal.

RSF has seen very few redemptions and are experiencing a period of inertia but it's still sluggish in the grand scheme of things. There's not as much liquidity as '05 to '08.

They are responding to investors and small foundations – audiences not thinking about modern portfolio theory. They tend to want "all in" – all their assets in this type of investing. They find out what really matters to their investors and motivate the introspective thinking in the consumer.

They don't use traditional sales tools (not a giant wallet) to enter into co-creation relationships: who are the pioneers, who's moving things forward. They don't use quantitative metrics at the outset.

Different levels of funds: Deep Social; Mezzanine; PRI Fund – Small family funds

Penelope Douglas – Pacific Community Venture

PCV is experiencing unprecedented challenges. They're challenged by an absence of credit. Becoming very relevant is the irony. Their investors are a variety of institutions and individuals with a variety of expectations. California has been challenged in the economic downturn. PCV stimulates economic development in California's low-income areas.

Small business needs other types of capital – working capital is only one part. There are great opportunities that need a comprehensive approach. Health care as a small business is a good example. She has some great new deals in her pipeline.

Success in the space means discipline and rigor – the courage and the discipline to follow through on investment thesis. LPs or pension funds are becoming more appreciative of the long-term view – coupled with what they are trying to impact. PCV is building a platform on creativity but not to the detriment of the goals. It is important for then to set expectations.

New investment – lots of opportunities to invest in small businesses but they also need other capital and other tools to grow.

Findings

Are co-investments stacked deals?

Investors have an idea of where they are in the stack. It's a very effective model where the mission stays true and financial requirements are met. However, there is not a lot of stacking right now as SoCap Venture is going through a difficult time. Social investment is an attractive laboratory. The interest is in smart strategy and not actually moral or ethical.

What's driving the push toward Social Capital/Social Investment? What and why are (people/institutions?) motivated to make investments?

Access to credit is drying up. Foundations are leading the PRI charge. The individual investor wants to make their mark and then will invest more. Panelists don't see retail investors in SoCap as a force yet.

What expectations are set for investors?

Must balance the tension between raising money and the current situation. Most important factors for success are rigor and discipline. Measure regularly. Must become more appreciative of personal relationships and long- term views. Build a platform on creativity and entrepreneurism.

Does impact sell? Is it quantifiable?

Avoid the standard needs assessment process and instead develop relationship with investor and enter into a co-creation process with investors. Metrics are no the most important thing. Need to create relationships. Focus on individuals and small family foundations. Sell return on impact. "Cash and hope." Cash will equal demonstrated impact. Work through third party financial professionals. Investors looking for true social value; not interested in complex measures. (Tim Freundlich has developed more simplistic SRI measures.)
Investors looking for good, solid investment opportunities that have social impact and create returns over the long term. Long-term investors consult with investment professionals and micro-finance groups.

Spectrum of capital – How to position to sectors.

Classes with venture to growth capital are using equity as a vehicle. We must determine as a society how to meet the objectives of a more sustainable society. We can only increase as assets if know how much they're valued at. RSF has a core societal investment fund for deep social impact projects and added a PRI fund for small family foundations to help them invest. Investors seeking to get more engaged in the social investment space and want the majority of their assets invested in this sector. Meet the needs of small businesses, more vehicles in family of funds gives PCV a different set of investors. Trying to draw in full spectrum of investors.

Competitive dynamics needed to get to scale and grow the sector.

All panelists committed to building out the social investment marketplace. Each has different focuses and collaborates with the others. There are other initiatives to build out marketplace: John Simon, Impact Investment Banking. Is an emerging industry with room for lots of players to bring it to scale. There is more capital chasing fewer deals in the sector. There is trouble creating scalable business models "from here to there." Must find a way for something other than money to be powerful. Stay anchored in the concept and find things we value other than money.

Look at the infrastructure side, e.g.. Rockefeller Foundation for access to what's out there by interest, what's out there to invest in. Must do a good job of determining what matters to investors. The depth of the financial crisis encourages people to be more introspective about investing.

Practical Implications

Competition – want to build out and fill the space – each has unique expertise and collaborate with each other in the spirit of populating the space! Building out the marketplace: investing in banks and other structures, there is room for a lot of players.
The marketplace is more crowded. Not sure who's raising money for whom.
Some people are becoming more receptive to Social Capital, but Funds need to demonstrate social change and financial ROI. Scale will be a challenge. The scalable business model is that in which something other than money is being valued.

Keywords: Social enterprise, fundraising, money, social capital, investors.

Type: Conference Panel

Lisa B. Saxe
lisa@greenmba.com
www.greenmba.com
Green MBA of Dominican University of California