



NEW MARKET FUNDS

Purposeful Performance

*Investment opportunities with lasting
community benefit*

Expanding Access to Impact Investment (EAI)

Social Investment Funds – Preliminary Findings & Solution Feedback
Session (Zoom)
September 17, 2020

Welcome

- Welcome
 - Background
 - Session Objectives
 - Share abbreviated EAll findings to date
 - Explore stakeholder viability in collaborating on; education, marketing and capital raising initiatives
 - Refine insights and identify the most actionable areas for collaboration at this time
 - Identify initiatives worth advancing (short-, long-term)
- + Test out a method of group information sharing and decision-making (bonus learning)

Agenda

12:00 - Welcome, Intros, Session Objectives (10)

12:10 - Project Overview- Summary of Findings + Deeper on Opportunity Areas + Discussion(25)

12:35 - Intro to Process/Go to Breakout Sessions (35)

1:10 - Short Break (if needed) (5)

1:15 - Regroup, Share Findings, Discuss + Prioritize (30-35)

1:50 - Next Steps (10)

2:00 - Session Concludes

Pacific Standard Time

EAI Project Overview

EAI Project Objective:

New Market Funds Society, as Ecosystem Partner in the Investment Readiness Program, has initiated EAI to explore barriers and opportunities to expand access to investing in Canadian Social Investment Funds (SIFs) from non-institutional investors : Retail, HNWI, Family Offices, and Wealth Advisors. <https://newmarketfunds.ca/irp/>

The EAI work seeks to address the following key areas:

- Marketplace issues, investor attitudes/behaviours, SIF operating realities and regulatory/legal environment
- What has/hasn't worked in raising capital, why? (investor/SIF/stakeholder perspectives)
- Assessing (private) investment transaction platforms and opportunities to utilize technology to better access capital
- **Identification of gaps and opportunities (market-based & technological) in our realm of influence (excluding policy)**
- SIF feedback and rapid market testing (what can realistically be implemented, short/long term?)
- Reporting back to ESDC

Approach: Innovation & Implementable Solutions Focused

- Iterative (lean) and focused on practical solutions, SIF/investor feedback and testing, to benefit broad range of Canadian SIFs - (report required but secondary to solution development)

Team: (Bios included in IRP info linked above)

Derek Ballantyne - NMF Exec. Lead

Dawn Bowles - Market Development & Investor Acquisition

Travis Inlow - Technical & Regulatory/Securities Implications

Lena Courcol - Project Coordination

Process & Status

Nov/19 – Mar /21

Project strategy & plan development

Nov 19 –
Jun 20

Secondary research roundup (directional)

Primary interviews with Canadian investment platforms to understand technology and barriers/opportunities for SIF use in accessing capital

Review of Canadian legal and securities regulations (with legal support) applicable to SIFs

- Primary interviews with investors, advisors and stakeholders (paused due to COVID and reprioritized)

Primary SIF interviews & preliminary findings



Jul –
Dec 20

- National research with “Everyday Investors” = \$25K-\$1M (In process w/Angus Reid - findings by end of Aug)
- Share Stage 1 Findings, opportunities and potential direction for SIF feedback /to inform next set of research outreach (Aug.)
- Resumption of advisor, investor, stakeholder interviews refined to reflect SIF feedback and key opportunity areas (Aug-Sep)

- Share legal/securities resource guide to incorporate any additional practical experience from SIFs
- Incorporate additional insights and refine key opportunities (including viability) for rapid testing & SIF feedback (Oct)
- Rapid test and refine with learnings (timing to be decided)
- Agree final key opportunities for further exploration/implementation and recommendations (timing to be decided)

Jan –
March 21

- Report & recommendation development/submission to ESDC (Jan-Mar 2021)

Secondary Findings + Primary Research (to date)

Secondary (non-inst.) Investor Research Round Up (from recent, relevant Canadian & International research) :

Top Barriers for “Impact Investments”: (Expanded GIIN Definition)

- Awareness & Understanding
- Performance, Risk (actual and perceived), Liquidity
- Difficulty to Find, Access, Manage Suitable Investments (through usual investment channels)

Primary Research Interviews to Date: *EAll is very grateful to everyone who has provided feedback to the project so far - Thank You.*

- 15 of approx. 25 Investors/advisors/stakeholders (still in progress)
- 3 Platforms
 - CoPower
 - DealSquare/Frontfundr
 - SVX
- 11 SIFS * Selected as representative of Canadian Marketplace by fund type/impact area:

*Active Impact Investments
Community Forward Fund
CoPower Green Bonds
Fiducie du Chantier de l'économie
sociale/Cap Finance
New Commons Development Fund
New Market Affordable Housing Fund*

*Raven Indigenous Capital Partners
Rhiza Capital
Social Enterprise Fund
Verge Capital Management/Pillar
Windmill Microlending*

* Approx. \$250M in AUM - 16% Non-Inst. (More fulsome data required across sector to track progress)

Research Areas:

- Fund Operations
- Marketing, Education, Capital Acquisition & IR (Sales)
- Distribution Advisors/Platforms
- Regulatory Considerations

Select Key Primary Findings

Awareness + Understanding + Perception of Risk

Investors tend to invest in what they know or can easily understand

- SIFs use a variety of marketing channels to promote offerings and varying messaging to explain “impact investing” - multiple approaches with different messaging confuses marketplace and adds to perception of risk
- SIFs mostly present themselves to the marketplace as unique with complex messaging and identify as “different” despite having similarities to more known types of investments (private equity, debentures, etc.)
- Most SIFs must also undertake education process with investors before selling them on the investment itself
- SIFs often don’t have either in-house resources, or the budget to allocate for dedicated education, marketing and capital raising activities.

Distribution: Wealth Advisors

Difficult for Advisors to “sell” and yet, mission-aligned Advisors are trying despite challenges:

- Multiple challenges to distribute through investment Dealers due to strict regulatory requirements, and competitive investment products
- No incentives to motivate traditional wealth advisors to find ways to understand and incorporate SIFs into their practices and most can't be compensated for selling them
- Marketing to Wealth Advisors is labour intensive and is usually dependant on the SIFs ability to leverage personal relationships and networks and find the “right type of Advisor” - not a sustainable, scalable approach
- Wealth Advisors/Dealers are accustomed to a level/type of marketing and sales and a particular vetting process that aren't possible for most SIFs
- Public Impact Funds are a gateway to SIF Investment – usually comes first
- **Participating Advisors** (predominantly Fee Based) are usually mission-aligned themselves and have been a key referral source for SIFs but investments must be completed off-book and often at arms-length with no or little education or marketing support from SIFs

Distribution: Multi-Fund Platforms

Platforms: (i.e SVX/Frontfundr) haven't been effective on "as is"

- Online platforms haven't been widely successful in raising non-institutional capital for SIFs
- Platforms do not provide the extensive marketing support to issuers require to expand their investor base
- Platforms attract self-driven individuals who are comfortable making own investment decisions, which is a smaller subset of investors
- Despite being on a platform, marketing & sales primarily remain the SIFs obligation, which are labour intensive and require personal relationships/networks

Summary of Preliminary Findings & Opportunity Areas

- Most SIFs want to access non-institutional investors citing “democratization of impact investment” but currently viewed as not financially viable given time and expense needed
- Most are looking to up their ticket size at this time (until there is a more viable way of accessing smaller investors)
- Broad awareness and understanding are critical first steps and key success factors in getting more funds into SIFs -ALL types of investors - Doing this well is beyond the internal skill sets and budgets for the vast majority of SIFs - Sector aggregation/organization can overcome this
- Reducing investor risk, and perception of risk is another critical factor that can be achieved through a combination of many activities incl.; product construct, effective education, sales, marketing, efficiencies in investor/deal matching, and 3rd party vetting
- Wealth advisors are important and will come along, but it will take time and has many barriers and steps to move through- can be accelerated by directly supporting the “already convinced” advisors and creating market demand (“pull” from their clients)
- Legal forms, regulatory and securities implications are complex and will likely remain that way - the opportunity is in finding ways to reduce costs of access and navigation for SIFs as well as reducing investor exposure to unnecessary complexities (where possible)
- Platforms are useful, but not without professional marketing, sales and investor/advisor acquisition components, or connections to front end them

OPPORTUNITY:

- SIFs on their own are small - likely won’t ever have the high budgets that mainstream investment orgs do, but **TOGETHER** could benefit from opportunities to **collaborate** for economies of scale in multiple areas
- The **value proposition of the funds themselves** (once understood) AND the **willingness & ability of the sector to come together is the competitive advantage we hold over traditional investments**
- We have an **opportunity to capitalize on this now** to **address the key barriers** we face in **accessing sustainable capital from more mainstream investor segments**

Possible Ways to Organize SIF Sector for Collaboration

Economies (and Efficacy) of Scale

Increasing Awareness & Understanding

Credibility/Risk

Ease & Efficiency of Access



Collaborate on “External Facing” Activities

3. Areas of Exploration:

1. Messaging, PR, Marketing
2. Education programs & resources
3. Capital raising & investor relations

Why These?

- Scale (Competitive advantage)
- Foundational activities to support all types of investors and investment channels
- Some implementable in short term

Specific Opportunity Areas for Exploration (Today)

3 Areas for Group Exploration:

1. **How might we collaborate** to develop affordable, professional and unified sector **messaging, PR and SIF marketing** for different types of investor segments while also communicating the respective uniqueness & value proposition for each fund?
2. **How might we collaborate** to develop affordable, professional and harmonized **educational programs and tools** for respective (Retail, HNW, Advisor) investor segments in ways that are useful to many/all of us?
3. **How might we collaborate** on affordable, efficient and **competitive investment capital raising & IR activities**, while also communicating the respective uniqueness and value proposition of for each fund?

Feedback?

Seven 25

Isabelle Swidersky

Meaghan Kennedy

Ashley Touchton

30 Minutes

3 Groups

Findings Discussion & Next Steps

Regroup

30 - 40 Minutes

Thank you!

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