

2018

Market Momentum: Impact Investing & High Net Worth Canadians

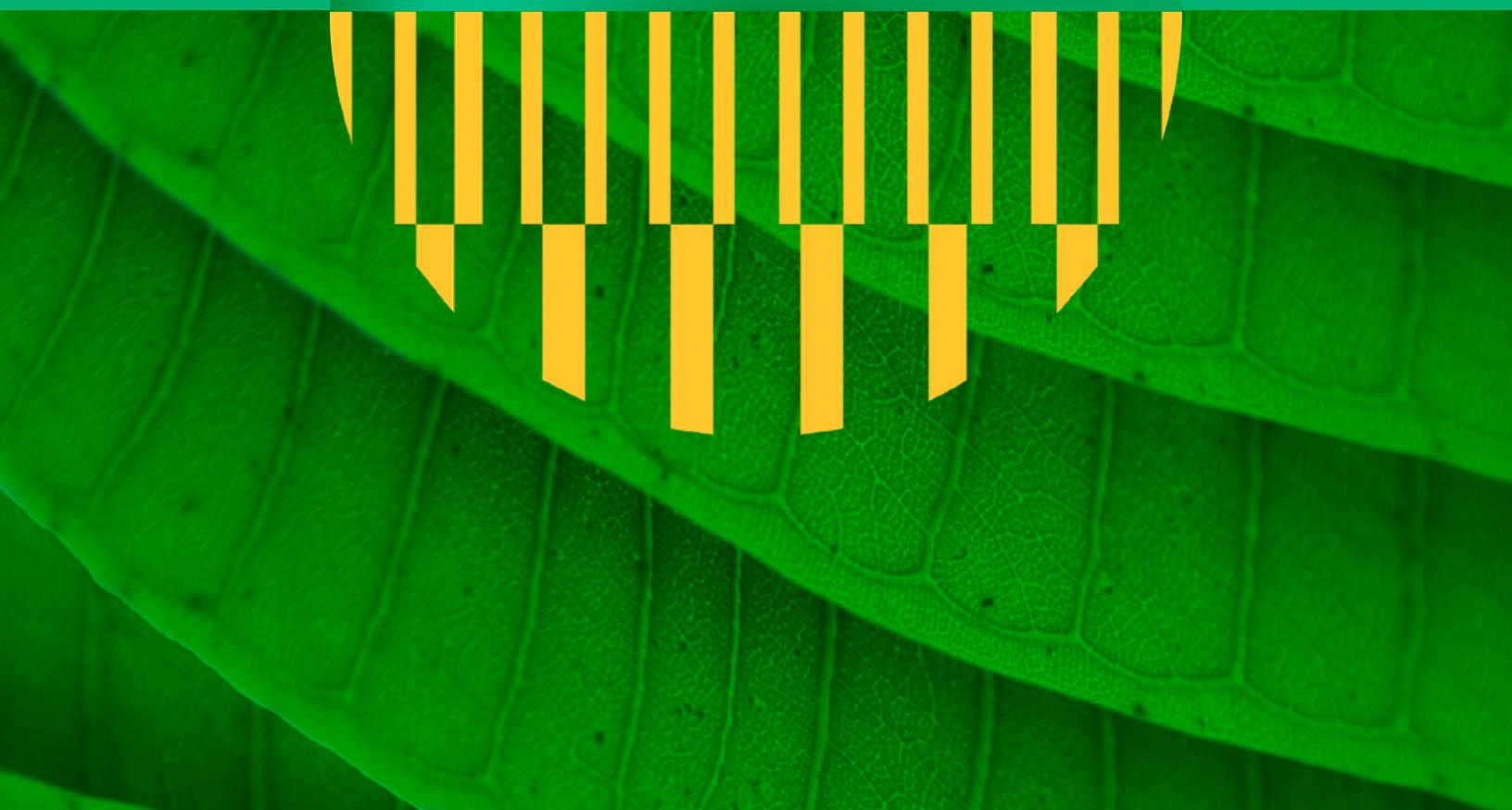




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Objective

In 2017, SVX began a research and engagement initiative to develop a greater understanding of high net worth individuals' interest in and experience with impact investing. To date, Canadian studies and research on impact investing has focused on investments made by large institutional investors and funds. As such, there is a lack of in-depth insights into individual investors' views on impact investing. The aim of this report is to provide a comprehensive perspective of high net worth individuals (HNWIs) in Canada and their investment preferences, interests, barriers and levers.

- **Engage:** Grow the base of prospective and active HNWIs participating in impact investing; and
- **Involve:** Drive participation in future impact investing networks, events and initiatives, particularly among project partners, to convert interest to action.

277 individual investors were surveyed for this research project. This work was supported by our government partners, as well as by numerous financial institutions, advisors and our investor community.

Overall, we are seeking to achieve the following goals.

- **Educate:** Develop an improved understanding of impact investing among a key investor segment;
- **Insight:** Display data collected from investor engagement surveys and provide novel information, trends and outlooks on impact investors;

Trends and Highlights

1. The vast majority of Canadian HNWIs are interested in impact investing

- 89.8% of all investors surveyed expressed some degree of interest in impact investing
- More significant interest was shown by investors who are more experienced, younger, wealthier and female

2. Many Canadian HNWIs are active impact investors or would like to make impact investments in the next year

- 33.5% of all respondents have already invested with impact, with 19.1% of investors currently considering options
- 47.9% of all respondents indicated plans to increase their allocation of assets toward impact investing in the next year

3. Canadian HNWIs want to invest with their existing banks or financial advisors

- 51.5% of all respondents would be interested in making impact investments only through financial institutions or advisors
- Almost 3 in 4 respondents (73.2%) sourced from a general pool of financial institution clients would pursue impact investing options with their current financial institutions or advisors
- The reliance on financial institutions or advisors increased with the respondents' age

4. Canadian HNWIs are willing to take some risk and pay additional fees for impact investing

- 47% of all respondents were willing to take at least some risk with portions of their portfolios

- 48.6% of all respondents were willing to pay additional fees to facilitate impact investing transactions, if required
- 37.1% of respondents sourced from a general pool of financial institution clients would be willing to pay increased fees to facilitate impact investing options

5. There are barriers to impact investing among Canadian HNWIs

- The top three barriers are:
 1. Lack of qualified advice and expertise
 2. Lack of viable products and investment options
 3. Lack of liquidity

Highlights of active and interested impact investors

There is a high potential market for impact investing amongst high net worth individuals in Canada. One in three HNWIs responded as a current impact investor, with almost 90% expressing interest of investors surveyed, over 52% are investing or intending to invest for impact over the course of the upcoming year. There are some key characteristics of current and prospective impact investors:

Gender:

Women were slightly more interested than men to explore impact investing options

 **91.8%**  **89.0%**

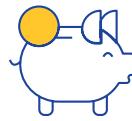
Age:

Younger investors (25-54) were more likely to pursue impact investing options



Asset classes and products:

Investors were most interested in public equity (including impact ETFs), green bonds, and private equity



Wealth Level:

Retail investors and HNWIs with high total investible assets (>\$10 million) showcased most willingness towards investing with impact

Sector interest:

Investors were most interested in:



Energy & Cleantech



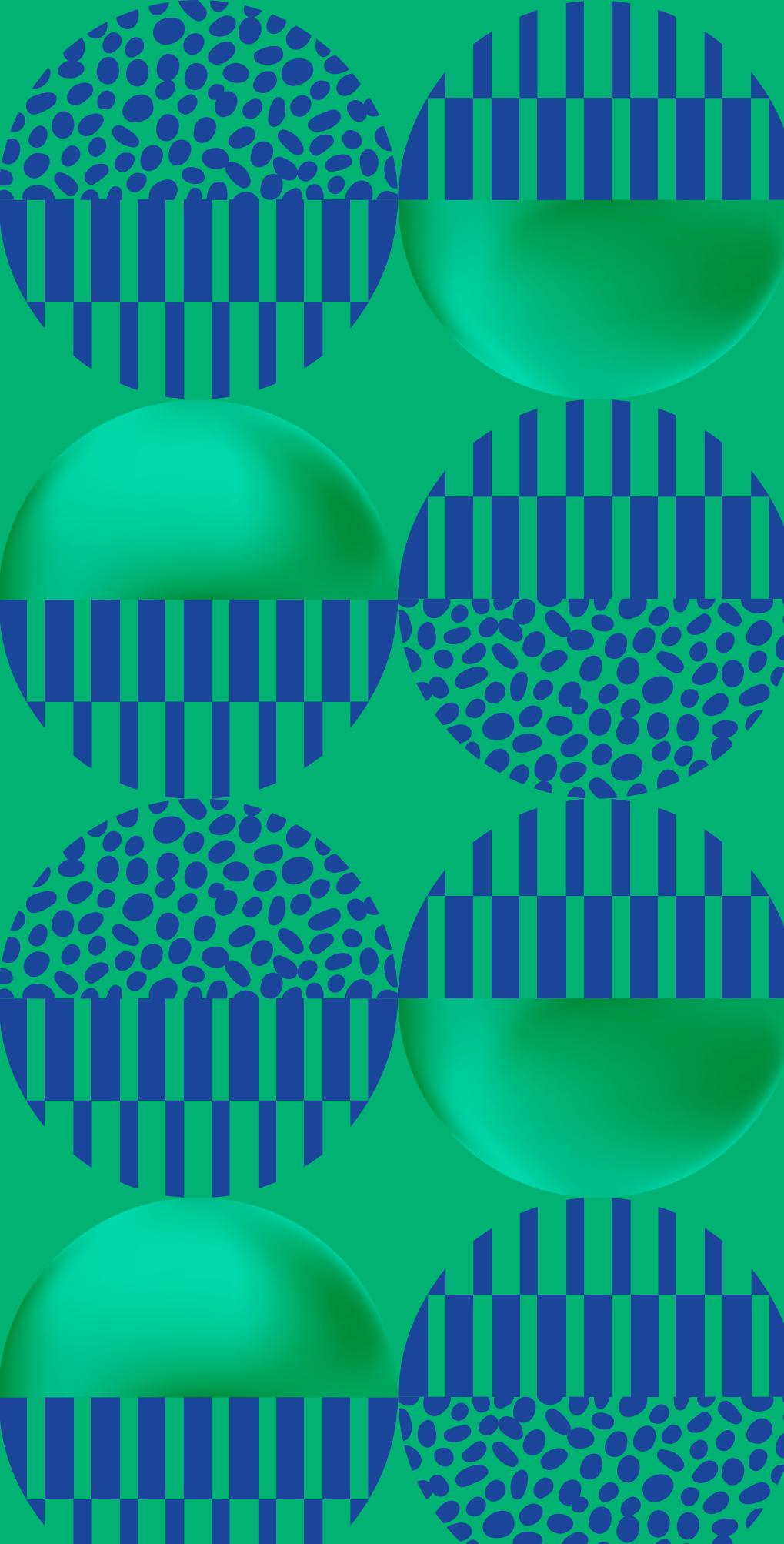
Health & Wellness



Food



Education



Summary of recommendations

Individual high net worth investors

Ask for impact: Raise questions about portfolio composition, impact investment options and impact measurement during regular engagement with wealth managers or investment advisors.

Financial institutions and advisors

Offer impact options: Develop a diverse pipeline of impact investment products and offerings across asset classes in collaboration with impact investing market stakeholders.

Train and hire for impact: Acquire and develop staff expertise in impact investing through professional development, ongoing training, and hiring activities.

Impact ventures and funds

Manage and measure impact: Manage businesses and offerings with clear, direct, intentional and measurable impact to establish advantage and a unique value proposition for investors.

Background

What is impact investing?

According to the Global Impact Investing Network, impact investments are: "Investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return."¹

Examples of impact investments include:

- a private equity investment in an early-stage company focused on early childhood education;
- a community bond investment in a solar power co-operative;
- an exchange-traded fund composed of positive impact companies that derive a majority of their revenue from products and services that align with the United Nations' Sustainable Development Goals; or
- a social impact bond that is funding the prevention of youth homelessness.

What are the characteristics of an impact investment?

At its core, impact investing is really an approach to any investment that:

- **has an intention to achieve a positive social and/or environmental impact** through a business model that aims to tackle a market shortfall, problem or externality. For example, Oliberté aims to support workers' rights and provide employment in Sub-Saharan Africa through a sustainable lifestyle brand that includes footwear and accessories. An underlying investment may also seek to improve existing conditions by using responsible principles in their procurement, production, distribution channels, environmental footprint, worker rights and community. Sustainable consumer products companies like Klean Kanteen and Seventh Generation would be examples of companies that intend to improve current approaches to business.

- **measures and reports impact**

for underlying investments. This may include tracking and reporting data such as the tonnes of greenhouse gas emissions reduced or the number of persons employed from marginalized communities. Ideally, one would also ensure that these figures are reasonably verifiable, both internally and externally, over time.

- **achieves a financial return** from return of principal and below market rate to market rate and even market-beating financial return. Although philanthropy is complementary, through a blended finance model, impact investing does not include charitable contributions.

Moreover, impact investments cut across a range of asset classes and products, from private debt and equity to traditional investments including cash equivalents, fixed income, real estate and publicly traded shares to more novel investments like social impact bonds and carbon credits.

1. Global Impact Investing Network (GIIN). [What you need to know about impact investing](#). Retrieved from: <https://thegin.org/impact-investing/need-to-know/#s1>

Ideally, impact investments have the following additional characteristics:

• They achieve deep or wide

impact at scale. Deep impact is defined as change in a community or neighbourhood, or changing the quality of life of a particular group of people. One example is an enterprise like Tecla that is improving the quality of life for people with barriers to communication or mobility. Wide impact is defined as

a change at a national or global scale with modest or high growth that can touch the lives of thousands or millions of people. For example, Lucky Iron Fish has positively impacted the lives of tens of thousands of people in countries across the globe by preventing iron deficiencies and anemia.

• They align with particular sectors, including:

clean technology: sustainable technologies in agri-tech, energy, smart cities and water;

work and learning: work and learning technology innovations creating opportunity for all Canadians;

health and wellness: diagnostic devices, digital health, assistive technologies, remote health technology and health information management;

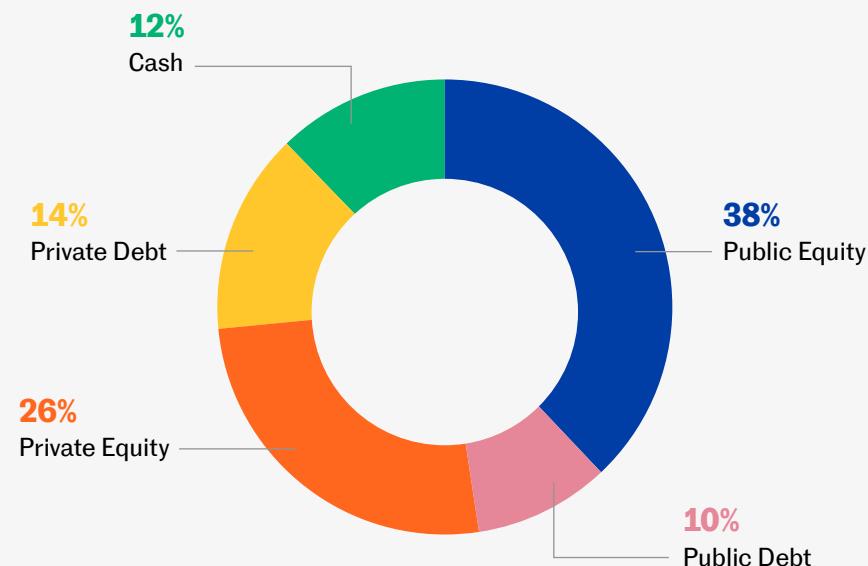
food: natural, local and organic foods, fair trade, and ethical and sustainable food; and

social inclusion: employing or serving persons with disabilities, persons living in poverty, First Nations individuals, and new Canadians, and providing affordable housing.

• They align with certain standards and frameworks for measuring and managing impact. There are a number of leading industry standards that have been developed for the impact investing marketplace. The B Impact Assessment developed by B Lab examines impact on the environment, community and workers, as well as the governance and business operations of ventures. It provides a proven and verifiable third-party standard where ventures can be compared across industries and geographies. The Impact Reporting and Investment Standards (IRIS) developed by the Global Impact Investing Network (GIIN) can provide guidance on metrics. Some organizations have also chosen to organize and align their metrics with the UN's Sustainable Development Goals. Moreover, there are a number of frameworks that can be leveraged to help track and improve impact over time. The general Theory of Change framework or systems like Bridges Impact+ are very helpful.

Example: Model 100% Impact Investment Portfolio Across Asset Classes, Cordes Foundation 2015²

CORDES FOUNDATION 100% invested for impact.



Impact Examples	Comment
Boston Common International ADR Portfolio	Public-equity portfolio of international corporations scoring highly on human rights and environmental impact
Green Alpha Next Economy	Public-equity portfolio of green companies addressing economic/environmental challenges affecting the eco-efficiency of operations
Soko	Direct investment in for-profit women-owned enterprises connecting artisans in the developing world with the global consumer marketplace
Sarona Frontier Markets Fund II	Fund-of-funds vehicle investing via local fund managers in small- and medium-size enterprises in frontier and emerging markets

2. Milburn, Robert. [Impact Investing Done Right](https://www.barrons.com/articles/impact-investing-done-right-1448684226). Barron's. November 28, 2015. Retrieved from: <https://www.barrons.com/articles/impact-investing-done-right-1448684226>

What are examples of impact investments?

Genus Capital's Fossil Free High Impact Equity Fund	Addenda Capital's Impact Fixed Income Fund	Oikocredit	SolarShare	First Nations Bank of Canada
The fund seeks to make positive social and environmental impacts in addition to generating better financial results. It focuses on investing in global companies that are leaders in areas including renewable energy, energy efficiency, water and waste management, low- and negative-impact products, and sustainable agriculture, as well as access to healthcare, education and technology.	Addenda Capital's Impact Fixed Income product focuses on issuers or investments with the sustainable capacity to deliver a positive social and/or environmental impact alongside competitive returns, spanning a diverse range of securities, including corporate bonds, government bonds, preferred shares, commercial mortgages and private debt.	Oikocredit is a worldwide co-operative and social investor that provides funding to the microfinance sector, fair trade organizations, co-operatives and small- to medium-size enterprises.	SolarShare is Canada's largest renewable power co-operative. It develops commercial-scale solar energy installations and provides a pathway for citizens to invest in solar power.	First Nations Bank of Canada is a Charter 1 bank that provides financial services including mortgage, commercial and individual lending to over 12,000 Aboriginal and non-Aboriginal customers.
Impacts in energy and environment, health and wellness, work and learning, and social inclusion: multiple Sustainable Development Goals (SDGs)	Impacts across four broad themes, including climate change, health and wellness, education and community development: multiple SDGs	Impacts in energy and environment and social inclusion: SDGs including no poverty, zero hunger, gender equality, affordable and clean energy, and decent work and economic growth	Impact in energy and environment: SDGs including sustainable cities and communities, climate action, and responsible consumption and production Metrics: Greenhouse gas and CO2 emission reductions, MW of solar energy	Impact in social inclusion: SDGs including no poverty, reduced income inequalities, sustainable cities and communities, and decent work and economic growth Metrics: Number of customers, number of houses financed and number of businesses supported
Market rate	Market rate	Below market	Risk-adjusted market rate	Risk-adjusted market rate
Public equity	Fixed income	Cash equivalent/ Fixed income	Private debt	Private equity

NB: Categorized according to: 1. Description / Intention; 2. Impact; 3. Return profile; 4. Asset class

What is the size of the impact investment market?

There are billions of dollars in assets dedicated to impact in Canada and around the world. In Canada, the impact investing market was \$9.2 billion in 2015.³ Around the world, there were \$135 billion in assets dedicated to impact investing that same year.⁴ As of 2017, roughly 200 of the top global impact investing organizations managed nearly \$114 billion in total assets.⁵ That number doubled to nearly \$228 billion in total assets in 2018.⁶

The impact investing market is growing and it is projected to have continued growth. There was \$22 billion in new capital committed globally in 2016. By 2020, it is projected that the global impact investing market will be over \$300 billion.⁷

Trillions of dollars will be seeking social, environmental and financial performance over the next decade. The world's largest investors, like BlackRock,⁸ and the largest pension funds, like CalPERS,⁹ have identified the long-term risk of investing without considering the impact on society, workers and the environment.

What is the performance of the impact investment market?

Study after study, conducted by organizations ranging from Morningstar to the University of Oxford, and in countries including the United States, Australia and Canada, **demonstrates** the fact that companies that support their workers, their community and the environment achieve financial performance that is equal to or better than their counterparts.^{10, 11, 12, 13, 14}

Impact investors report that the relative performances of their impact investments are meeting or exceeding their expectations.

- According to a recent RIA Canada survey of asset owners and asset managers, 65% of survey respondents target competitive returns at or above market rate, an increased percentage from its last survey.¹⁵ Of that group, 96% said their impact investment's performance either met or exceeded their expectations.
- According to the GIIN's 2017 global Annual Impact Investor Survey of asset owners and managers, 90% of investors reported that their investments were meeting or exceeding their expectations.¹⁶

The actual performance of impact investments has also demonstrated strong returns.

- In 2015, the **Wharton School at the University of Pennsylvania** analyzed 53 impact private equity funds, assessing 170 underlying investments designed to seek market-rate returns (from 2000 to 2014). These investments produced a **12.94% internal rate of return**, near identical performance to the study's selected benchmark, a spliced Russell Microcap/Russell 2000 index.¹⁷
- From 2000 to 2010, the **International Finance Corporation** invested \$2 billion in 124 emerging market private-equity funds. In aggregate, these funds achieved an internal rate of return of 19.7%, outperforming benchmark returns of 14.2%.¹⁸

- In a 2017 global study of impact asset owners seeking market-rate returns by the **GIIN**, average gross return expectations for debt were 7% in developed markets and 9.2% in emerging markets. For equity, average gross return expectations were 13.4% in developed markets and 16.5% in emerging markets.¹⁹

Moreover, the financial performance of public impact equity has been shown to perform in line with or better than traditional public equity. (see **FIGURE 1**)

3. RIA Canada. [Canadian Impact Investment Trends Report 2016](#). October 2016. Retrieved from: <https://www.riacanada.ca/impact-trends/>

4. Markets and Markets. [Impact Investing Market by Illustrative Sector](#). July 2017. Retrieved from: <https://www.prnewswire.com/news-releases/impact-investing-market-worth-307-billion-usd-by-2020-633853493.html>

5. Global Impact Investing Network. [Annual Impact Investor Survey 2017](#). May 2017. Retrieved from: https://thegin.org/assets/GIIN_AnnualImpactInvestorSurvey_2017_Web_Final.pdf

6. Global Impact Investing Network. [Annual Impact Investor Survey 2018](#). May 2018. Retrieved from: https://thegin.org/assets/2018_GIIN_Annual_Impact_Investor_Survey_webfile.pdf

Ibid. 7. BlackRock. [Focus on Society and Profits Shareholder Letter](#). Jan 2018. Retrieved from: <https://www.blackrock.com/corporate/investor-relations/larry-fink-chairmans-letter>

8. CalPERS. [Sustainable Investing](#). Jan 2018. Retrieved from: <https://www.calpers.ca.gov/page/investments/governance/sustainable-investing>

10. CNBC. [The truth is finally starting to emerge about socially responsible investing](#). June 16, 2017.

11. Clark, Gordon, Andreas Feiner, and Michael Viehs. [From the Stockholder to the Stakeholder](#). March 2015.

12. USSIF. Performance and SRI. As found on <https://www.usif.org/performance>.

13. Australian Ethical. [Making a case for ethical investment](#). The Guardian. January 22, 2018.

14. RIA Canada. RI Performance Myth. As found on: <https://www.riacanada.ca/r-i-and-performance/>

15. RIA Canada. [Canadian Impact Investment Trends Report 2016](#).

16. Global Impact Investing Network. [Annual Impact Investor Survey 2017](#). May 2017. Retrieved from: https://thegin.org/assets/GIIN_AnnualImpactInvestorSurvey_2017_Web_Final.pdf

17. Wharton School at the University of Pennsylvania. [Great Expectations: Mission Preservation and Financial Performance in Impact Investing](#). September 2016. Retrieved from: <https://socialimpact.wharton.upenn.edu/wp-content/uploads/2016/09/Great-Expectations-Mission-Preservation-and-Financial-Performance-in-Impact-Investing.pdf>

18. International Finance Corporation. [The Case for Emerging Market Private Equity](#). February 2013.

19. Global Impact Investing Network. [Annual Impact Investor Survey 2017](#). May 2017. Retrieved from: https://thegin.org/assets/GIIN_AnnualImpactInvestorSurvey_2017_Web_Final.pdf

FIGURE 1: Traditional Index Performance vs. Sustainable Index Performance in 2017²⁰



It is clear that it is a great idea for both your pocketbook (or retirement savings) and the planet to invest for positive impact.

Why is it important to understand the investment interests and activities of Canadian HNWIs?

Canadian HNWIs hold a significant and growing portion of total capital in Canada, which could be dedicated to tackling social and environmental problems.

According to a 2016 report by the Canadian Securities Institute and Investor Economics, 5% of households in Canada are currently considered to be high net worth, meaning they have at least \$1 million to invest. By 2022 this number will grow to 7% of households. Combined, those households will control 66% of all of the wealth in Canada. By 2024, the total assets of the high net worth households in the country are expected to be \$4.3 trillion or 69.5% of total person wealth.²¹

Moreover, HNWIs are often the first movers in making impact investments, and they have capital available for taking new and novel approaches to investing.

Investment leaders such as Sir Ronald Cohen in the United Kingdom and Bill Young in Canada, and networks of high net worth impact investors such as Tonic and ImPact Network in the United States, have been critical to the development and momentum of the impact investment marketplace.

In other countries and around the world, there has been demonstrated interest and activity in impact investing among HNWIs.

- According to the Morgan Stanley Institute for Sustainable Investing's 2017 survey of one thousand individual investors, 75% reported an interest in impact investing. Further, 86% of millennials reported an interest in impact investing.²²
- According to a recent survey by U.S. Trust, 45% of all high net worth investors in the United States either own impact investments or are interested in adding them to their portfolios.²³
- In 2016, according to Capgemini, 92% of HNWIs ascribed some level of importance to driving social impact, with 60% of HNWIs reporting that it was extremely or very important.²⁴

By determining interest and activity in impact investing among HNWIs in Canada, we can gauge the potential for market growth, inform the future strategies and activities of Canadian financial institutions and financial services firms, and provide valuable insights for the current market of impact issuers, investors and intermediaries.

20. BlackRock data sourced from MSCI as of 03/31/2017. Disclaimer: Index returns are for illustrative purposes only. Index returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Index returns do not represent actual fund performance. For actual fund performance, please see the BlackRock product list or iShares product list. **21.** National Bank. [Boomers leading rise in high net worth Canadians](#). September 23, 2016. Retrieved from: <https://ideas.nationalbank.ca/boomers-leading-rise-in-high-net-worth-canadians/> **22.** Morgan Stanley Institute for Sustainable Investing. [Sustainable Signals: New Data from the Individual Investor](#). August 2017. Retrieved from: http://www.morganstanley.com/pub/content/dam/msdotcom/ideas/sustainable-signals/pdf/Sustainable_Signals_Whitepaper.pdf **23.** US Trust. U.S. [Trust Insights on Wealth and Worth June 2017](#). Retrieved from: <https://www.ustrust.com/articles/insights-on-wealth-and-worth-2017.html> **24.** Capgemini. [Top Ten Trends in Wealth Management in 2016](#). 2016. Retrieved from: https://www.capgemini.com/wp-content/uploads/2017/07/wealth_management_trends_2016.pdf

Methodology

This report includes data collected from Canadian HNWIs through an anonymous online survey distributed to investor and partner networks of SVX in the fall of 2017. The organizations that received the survey included impact investing networks, financial institutions and financial advisors. The survey was limited to Canadian investors who were randomly selected.

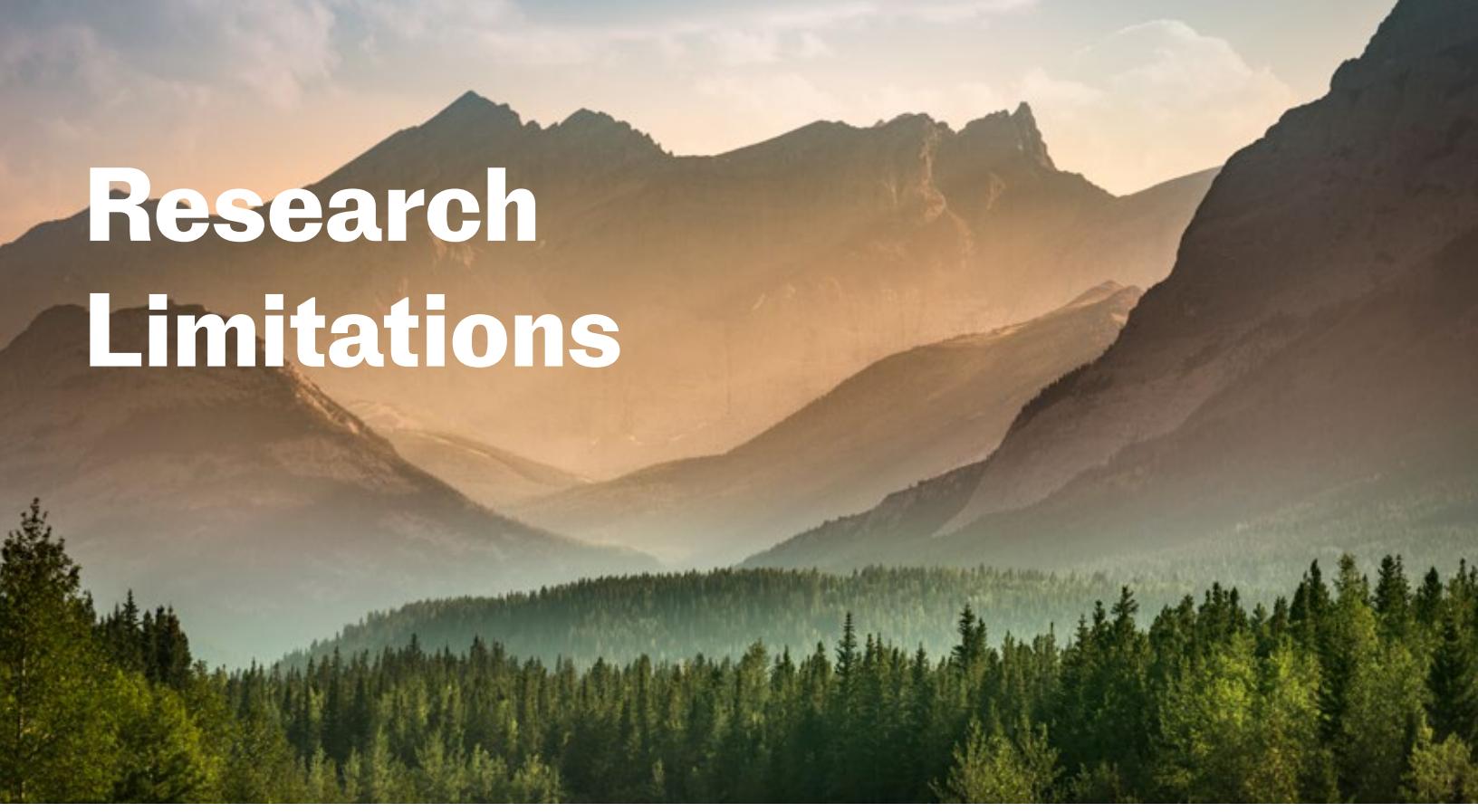
The 21-question survey was based on similar tools employed in the United States and was designed to gain an understanding of the overall profiles, interests, activities, and barriers and levers of HNWIs as they relate to impact investing. The findings in the following report are subjective to the information of respondents at the time the survey was completed.

The survey consisted of a combination of multiple choice and multi-select forms of questioning. Free-form text response questions were not prominently featured. Data analysis of the survey results included analysis based on the entire cohort, as well as breakdowns based on demographic and institutional factors. All respondents represented

themselves as individual investors, not as representatives for the whole of an organization or fund.

Seven investors were interviewed in-person on a voluntary basis to provide further personal insights into the survey responses and their previous investing experiences as a whole. Notable quotes, comments and personal experiences are shared in the report under anonymity to respect individual information.

This report does not encapsulate the estimates of the overall trends of impact investing or HNWIs in Canada. The analysis provided here is based only on a collected sample by SVX and is intended to provide an informative snapshot.



Research Limitations

Variance in completion rates across the whole of the survey

Due to fatigue, loss of interest or other factors, select respondents did not complete all of the questions of the survey, leaving latter questions unanswered. There were also respondents who selected specific questions to answer and left other questions blank. Respondents who completed less than 25% of the survey were removed from the results. Overall, 71% of respondents completed all survey questions and 79% completed at least half of the survey.

Imbalance of demographic in respondents

Certain demographic factors were not evenly represented among all survey respondents. Distinguishable identifiers, such as individuals' gender, total net worth, age group and self-reflected investing experiences, did not reflect an even distribution, as certain cohorts were more prevalent in the respondents. Less-represented demographic groups were more likely to be influenced by outliers. The imbalance of demographic factors

may be attributed to simply reflect the market makeup of the HNWI population in Canada, explaining why some demographic groups are featured more heavily in the survey respondent than others.

Source of respondents

The survey respondents were enlisted mostly from financial institutions, investment advisors, with some respondents from impact investing networks and mission-aligned organizations. We did not wish to survey exclusively from SVX channels which more strongly draw from early adopters of impact investing. Although the makeup of the HNWIs who responded from each of the separate distribution channels was random, the respondent segment may not statistically represent the general population of all HNWIs in Canada. There may yet be overweighting of impact investors in the sample, based on their willingness to respond to such a survey. At various points in this report, analysis was completed to compare HNWIs from impact investing networks with general HNWIs

sourced from financial institutions where there is a far lower likelihood of prior connection with or knowledge of impact investing.

Unavoidable bias

With all survey research, certain biases are always present and unavoidable. Respondents may interpret the phrasing of questions and answers differently than intended by the surveyors. The ordering of multiple-choice answers may also influence respondents' answers, due to either the recency or primary effect.

Demographics

A total of 277 Canadian HNWIs responded to the survey. Of those respondents, 70 investors reported that they are impact investors, having previously made investments based on impact.

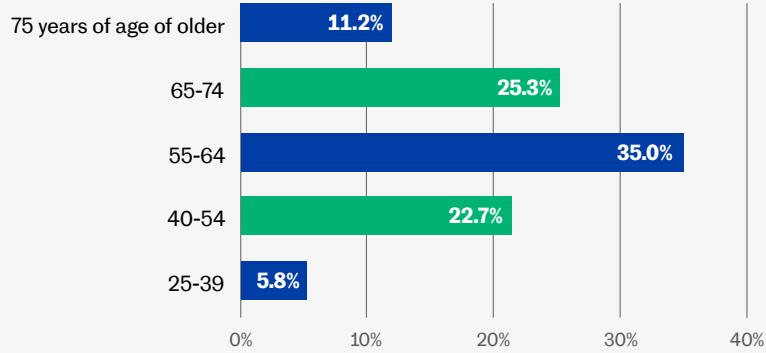
Primary location

Most provinces and territories were represented in the survey, with the exception of the Yukon, Nunavut, Northwest Territories and Prince Edward Island. The provinces with the most prominent number of respondents were Ontario (42.6%), Quebec (32.1%), British Columbia (13.7%) and Alberta (7.2%). The total number of respondents from other provinces accounted for less than 5% of all respondents.

Age

Respondents ages 55 to 64 were the most heavily represented cohort at 35%. No investors below the age of 25 responded to the survey.

FIGURE 2: Age of all survey respondents (n=277)



Gender

Respondents mostly identified as male, with 74.6% identifying as male and 23.2% as female. Five respondents preferred not to disclose their gender identity.

Total investible assets

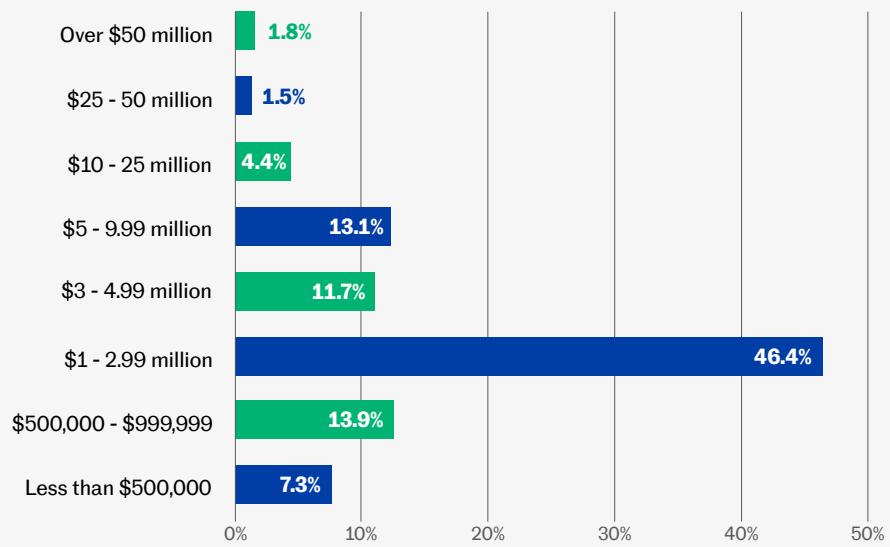
Almost half of all respondents classified their total investible assets in the \$1 to \$2.99 million range. Not many ultra high net worth individuals responded to the survey; only 3.3% of all respondents indicated they had total investible assets of over \$25 million (9 individuals total). (see FIGURE 3)

Personal investment experience (self-reported)

Under a normal distribution, more than half of all respondents (52.2%) reported having an average level of investment experience, 21% reported having extensive investment experience and 19.9% indicated they were limited in investment experience. It should be noted that this question was filled under the discretion of the respondent.

Further, 6.18% of respondents identified as investment professionals and only 0.72% said they had no prior investment experience.

FIGURE 3: Total investible assets of survey respondents (n=272)



Survey Findings

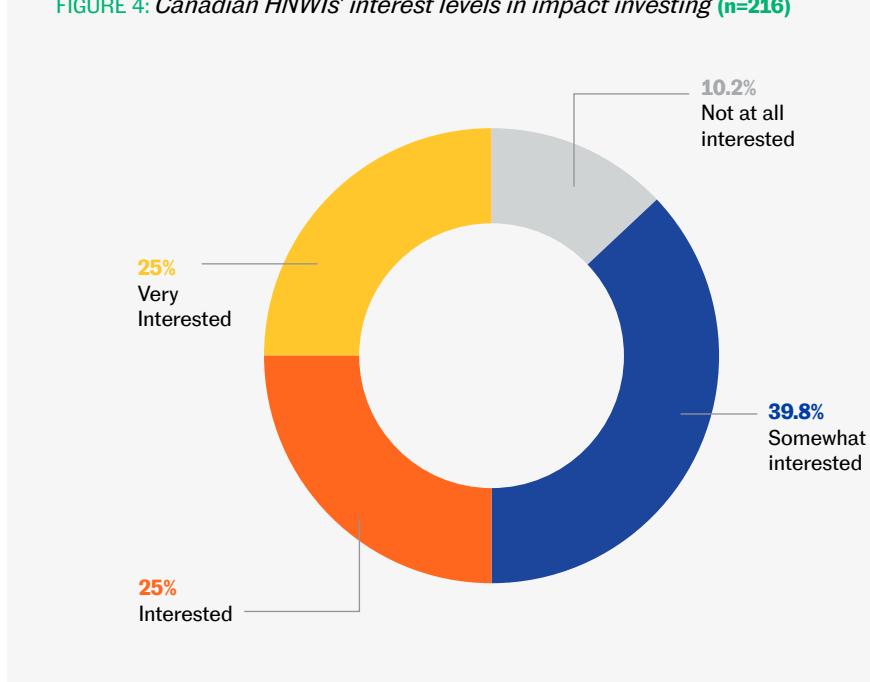
Interest levels

Of the responses received pertaining to overall interest level in impact investing, almost 90% of all respondents indicated having an interest in impact investing. Further, 50% of investors indicated concrete levels of interest beyond being only somewhat interested. Respondents sourced from financial institution clients had similar results, with 84.4% showing interest in impact investments, while 15.7% reported they were very interested in opportunities to invest based on social and environmental impact.

This finding mirrors the general trend in the investor population, as more and more investors are becoming aware of and interested in the benefits that can be provided by impact investing strategies. The amount of total impact investment assets in the United States experienced a 33% increase over two years from 2014,²⁵ while Canadian research indicated a 123% increase in total impact investment assets under management over two years from 2013.²⁶

Younger investors are more likely to be keenly interested in impact investing. Investors ages 25 to 39 had the highest

FIGURE 4: Canadian HNWIs' interest levels in impact investing (n=216)



amount of responses in the interested or very interested categories at 61.6%, higher than any other age group. Further, there is a distinct trend of decreasing interest in impact investing as age increases. This trend may be due to a variety of factors—for example, older investors may begin to factor in retirement options in their investment decisions.

The millennial generation has been shown to be a significant factor in driving the growth of sustainable investment choices, with Morgan Stanley finding that millennials are twice as likely to pursue investing

25. US SIF. *Report on US Sustainable, Responsible and Impact Investing Trends 2016*. Retrieved from: [https://www.usssif.org/files/SIF_Trends_16_Executive_Summary\(1\).pdf](https://www.usssif.org/files/SIF_Trends_16_Executive_Summary(1).pdf) 26. RIA Canada. *Canadian Impact Investment Trends Report 2016*.

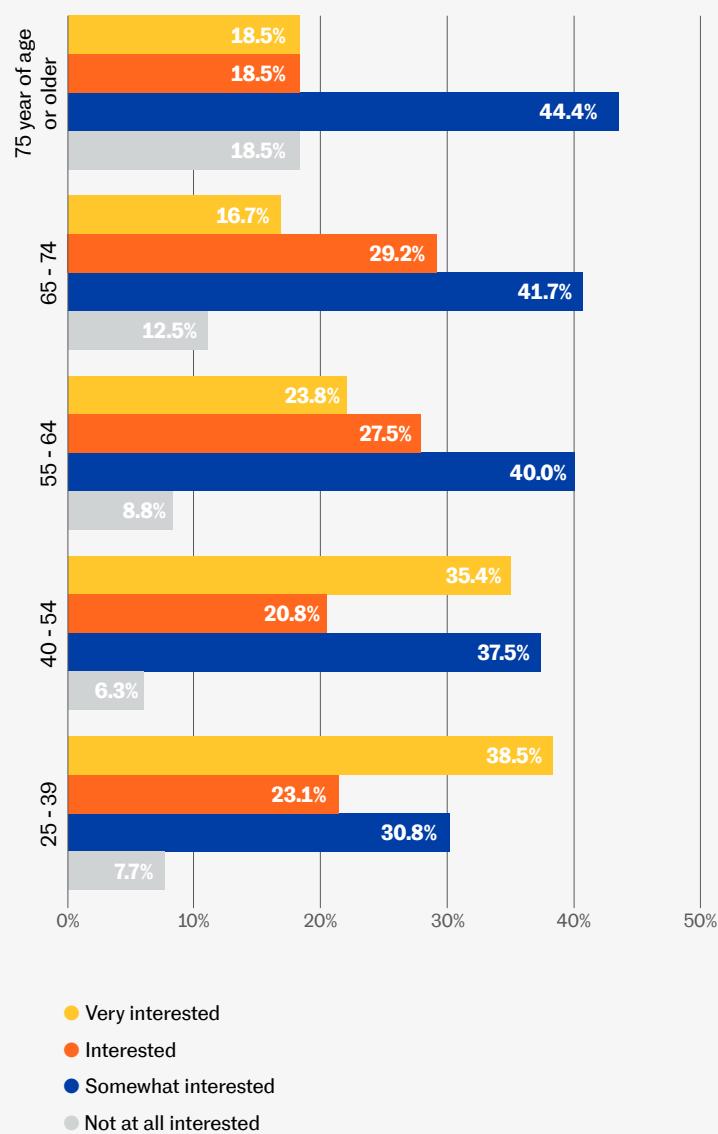
options with social or environmental targets when compared to the general investing population.²⁷

We are also currently in the midst of the largest wealth transfer in history between baby boomers and millennials/Generation X, as a projected \$30 trillion will be passed down globally. Combined with the overwhelming interest in impact investing from younger HNWIs, this presents an unprecedented opportunity for the emergence of impact investing strategies, especially as millennials age and become more prominent in the investor community. (see FIGURE 5)

Looking at the gender breakdown of impact investing interest, female HNWIs have a slightly stronger level of being somewhat interested in impact investing compared to males: 91.8% of female respondents indicated being at least somewhat interested in impact investing, compared to 89.0% of male respondents. Further, 61.7% of female respondents are either interested or very interested in impact investing, compared to only 43.3% of male respondents.

Distinguishing a clear trend in investors' interest levels based on their total investible assets is slightly more difficult. Albeit a small sample size, ultra high net worth individuals (those with investible assets of over \$25 million) showed a very strong interest in pursuing impact investing. Interestingly, those at either end of the total asset spectrum showed the greatest interest in impact investing, as investors with less than \$500,000 and more than \$10 million in total investible assets were the highest numbers of respondents who were either interested or very interested. This indicates that, in general, retail investors, along with individuals in the upper ranges of HNWIs, expressed the most interest in impact investing.

FIGURE 5: Interest in impact investing based on investor age (n=216)



Geographically, Ontario investors have the greatest overall interest in impact investing, with 93.9% being at least somewhat interested and 48% being either interested or very interested. Investors from British Columbia have the most concrete amount of interest, with 58.1% either interested or very interested, the highest percentage across the most prominent provinces surveyed. Quebec investors also show very high levels of interest in impact investing but, comparatively, are slightly less inclined, with 55.8% of respondents either interested or very interested.

Investors are clearly very interested in impact investing and what it can offer their portfolios. **Many investors have already begun integrating impact into their portfolio and are looking to do more.** 33.5% of all survey respondents have already invested with impact, with a further 19.1% of investors currently considering options. Even within the control group of investors sourced from financial institutions, impact investment activity was relatively high: 24.1% of these HNWI investors reported that they had invested for impact, along with an additional 20.6% investigating impact options.

HNWIs are also likely to begin increasing their allocation of assets toward impact investing in the near future. The survey results indicate that **47.8% of total investors are likely to increase asset allocation to impact investing in the next year by at least 1% of all investments or more.**

There is a similar display level of actionable interest in clients of financial institutions, with 47.1% of all interested institutional investors planning to increase their impact investing allocation in the next year. Along with substantial interest, HNWIs in Canada are ready to act on their interest in impact investments in the near future. (see FIGURE 7)

FIGURE 6: Interest in impact investing based on HNWIs' total investible assets (n=216)

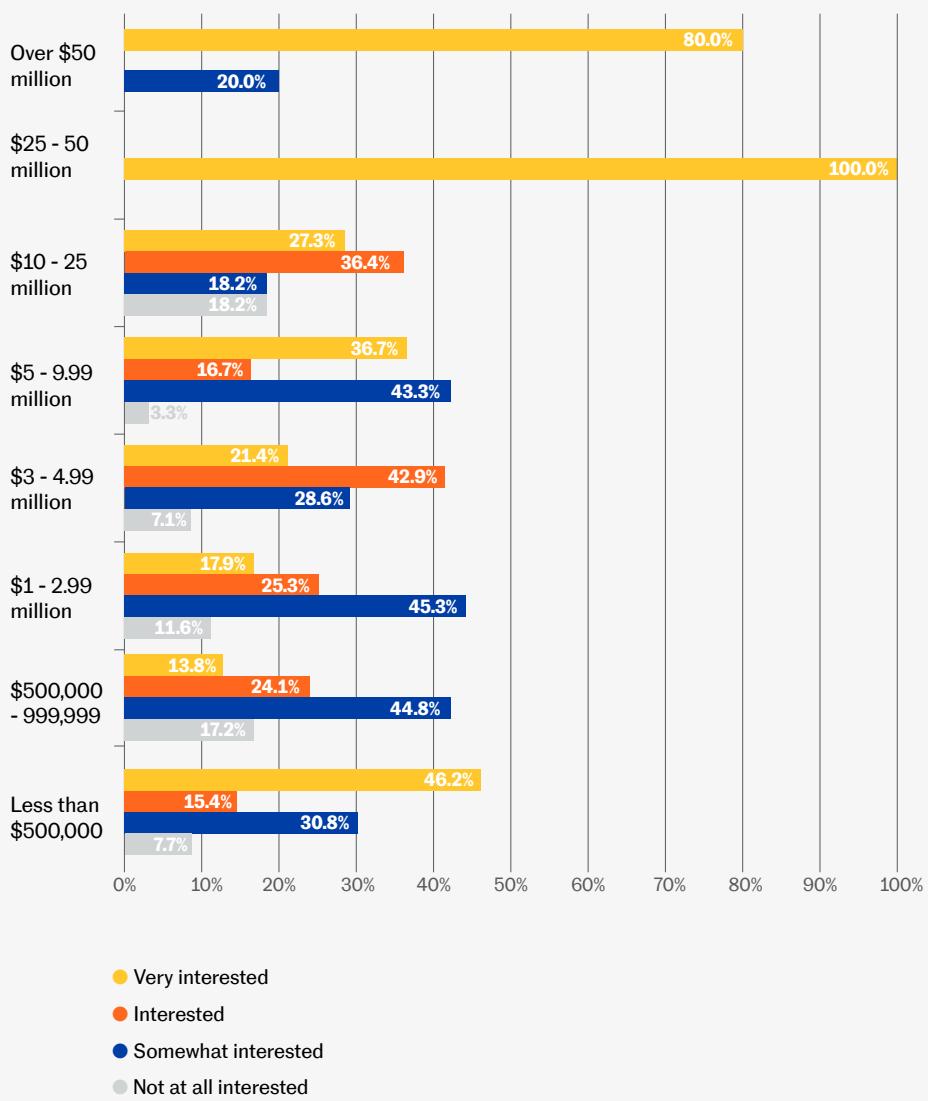
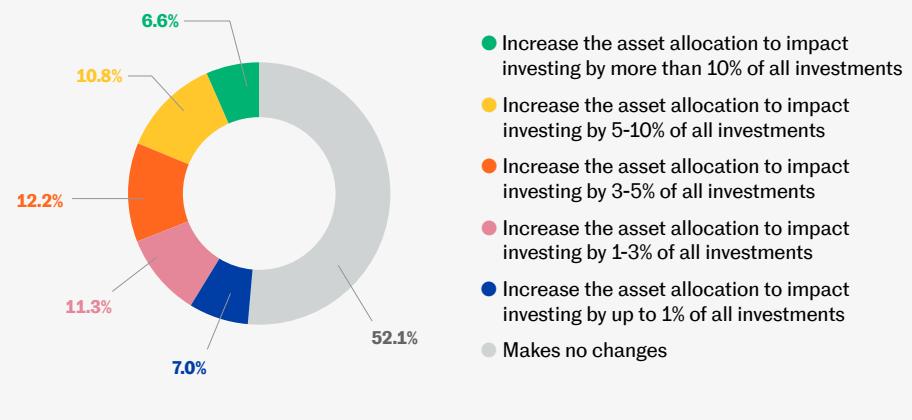


FIGURE 7: Investors plan to allocate assets toward impact investments in the next year (n=213)



Diving deeper into more general investment interests, the survey results show that, in the presence of the various types of asset classes and investment products on offer, major interests lay within the following order: 1) public equity; 2) direct private equities; 3) impact ETFs; and 4) green bonds. Public debt investments, either direct or via funds, are not of significant interest to the survey respondents. The main sectors of interest are enterprises focusing on energy and the environment, including cleantech, followed closely by enterprises in the health and wellness sector.

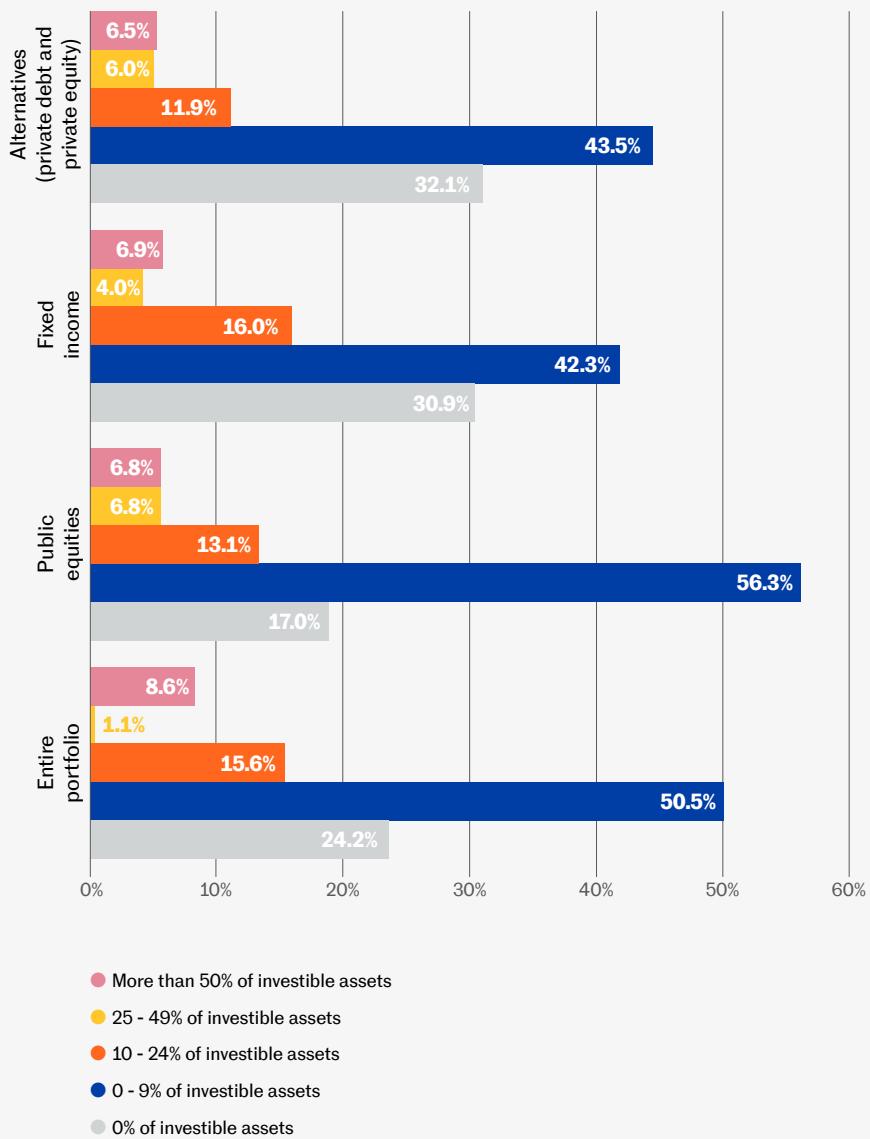
Portfolio strategies and tool usage

Diving deeper into how HNWIs manage their capital, we asked the respondents what percentage of different asset classes they would be willing to direct toward impact investing.

The results indicate that **48.1% of respondents are willing to move up to 10% of their investible assets toward investing options with beneficial social or environmental returns.** Further, 14.2% are open to allocating up to 25% of their investible assets toward impact investing, and 4.4% are willing to allocate up to 50% of their assets. Interestingly, even more respondents (7.2%) are willing to invest more than 50% of their total assets in impact options. Of this group, 31.4% would do so with their entire portfolio.

Public equities is the asset class that most investors would potentially use to invest in impact options; only 17.0% of respondents would not move any assets of this type toward impact investing. Most respondents would also utilize their entire portfolio toward impact investing, with 75.8% indicating they would be willing to allocate a percentage of their entire portfolio with social/environmental returns in mind alongside financial returns. (see FIGURE 8)

FIGURE 8: Percentage of assets of different asset classes investors are willing to invest in impact investments (n=186)



In terms of impact investing opportunities, there are several avenues investors can utilize to manage their portfolios, including specialized boutique impact investing firms and established financial institutions or advisors. Of the total respondents, **51.5% are interested in impact investing opportunities available through their financial institutions or advisors.** Further, 11.3% are interested in exploring opportunities through specialized impact investing firms and platforms, while 15.5% are interested in utilizing both specialized firms and financial institutions. Additionally, 21.6% indicated they are most likely to explore impact investing on their own. (see FIGURE 9)

Older HNWIs have an increased likelihood to invest in impact options via their financial institutions. Interestingly, only 25% of respondents between the ages of 25 and 39 would pursue impact investments through their financial institutions, compared to 81.8% of HNWIs ages 75 years and older.

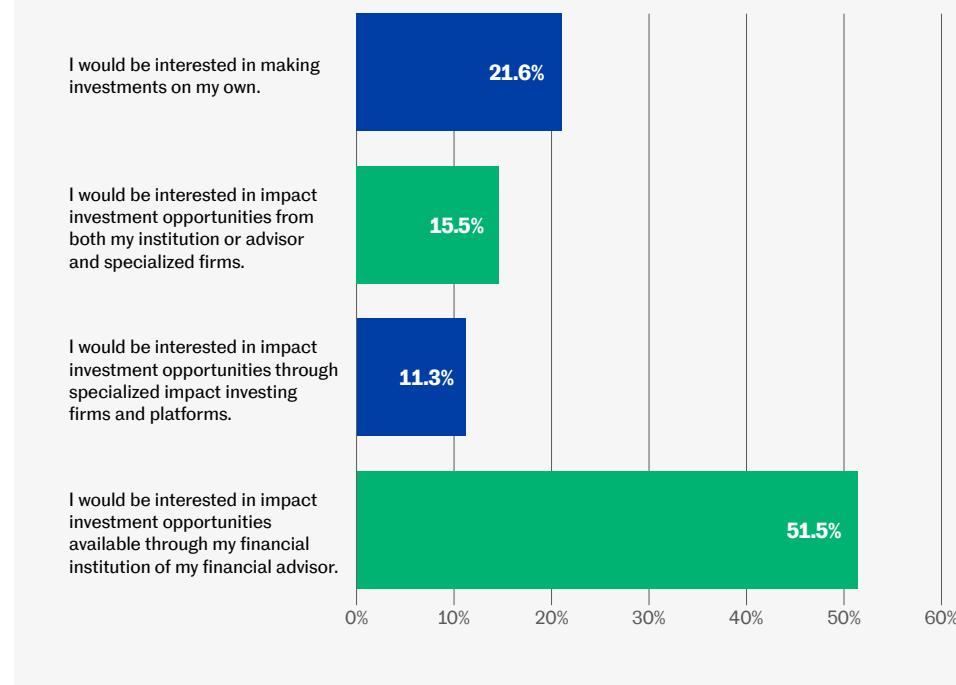
Current clients of financial institutions show an even stronger disposition toward exploring impact investing opportunities with their current advisors, with 73.2% preferring this option. A further 11% are interested in a combination of utilizing specialized firms alongside their financial institutions in considering impact investing options.

“If [financial institutions] are willing to enter this market and are fully prepared, then I say bring them on.”

- Investor A

Impact investing offers diverse opportunities for potential investors, especially ventures at different stages of growth. According to the survey results, 43.9% of HNWIs are most comfortable investing in mature publicly traded

FIGURE 9: Investors' interests in impact investing through various channels (n=215)



companies, while 28.9% prefer growth and scaling companies, and 27.2% prefer seed- and early-stage investments, such as low-revenue startups.

“Working with startups and private offerings gives me opportunities that provide more clarity and hands-on involvement... It's all about the story.”

- Investor B

A crucial aspect of impact investing is the performance of measuring the potential impact an investment may have, both in the short and long term. There are a variety of strategies investors can apply in this area, and 53.3% of the survey respondents who have reviewed impact options indicate they do so through written qualitative reports. Other measurement options include: metrics aligned with industry standards, such as the IRIS (Impact

Reporting and Investment Standards) (26.7%); standard frameworks and assessments such as GIIRS, GRI and SASB (14.7%); and proprietary metrics and/or frameworks that are not aligned with any external methodologies (14.7%). Of the respondents, 13.3% also indicated they did not measure social or environmental performance in their impact investments. Monitoring and identifying impact metrics are crucially important activities when investing responsibly and today's investors are becoming increasingly aware of this need.

“I’m [always] looking for more than I’m getting in terms of metrics of impact performance.”

- Investor C

Perception of performance and risks

In terms of potential risks that may be taken on during the impact investment process, 59.5% of all respondents are willing to take on at least a little additional risk with a portion of their portfolios. Risk here is defined as potential financial losses that may result from frontier region investments, early-stage venture risks or industry-specific factors that can arise from impact investing opportunities. (see FIGURE 10)

Female investors are more willing to take on additional risk; only 30.6% of all female respondents indicated they are unlikely to take on any additional risk for impact investing, compared to 44.2% of male respondents. Younger investors are more likely to explore riskier options, with 30.8% of respondents ages 25 to 39 prepared to take on a lot more risk with a portion of their portfolio to facilitate impact investing.

It is also worth noting that investors who show greater interest in impact investments are much less risk averse: 46.5% of somewhat interested respondents indicated they are open to taking at least a little bit of risk, compared to 79.2% of interested respondents and 84.3% of very interested respondents.

In some cases, certain impact investing opportunities may come with additional fees to account for all-comprehensive due diligence, management services and additional metric certifications. Additional fees are defined as fees that are over and above the average investment management expense fees (approximately 2%). (see FIGURE 11)

The survey results indicate that 48.6% of all respondents are open to potential additional fees in the pursuit of impact investing opportunities. Female respondents are slightly more open to these fees, with 53.2% indicating they are willing to pay additional fees if

FIGURE 10: Amount of risk investors would be willing to undertake in their portfolio to increase impact investment abilities (n=215)

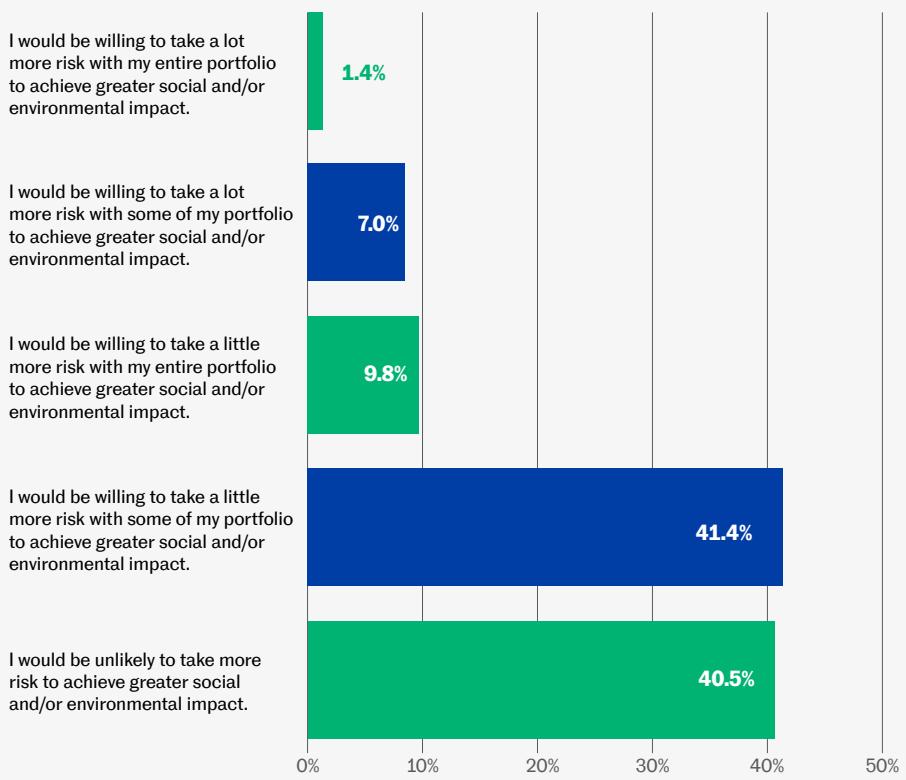
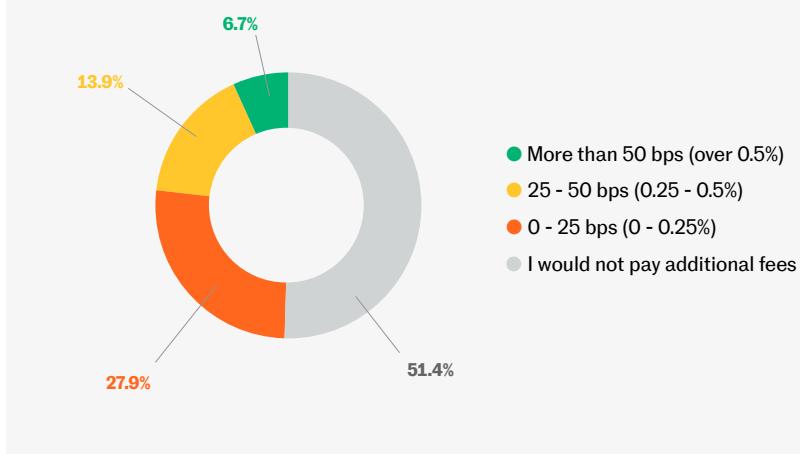


FIGURE 11: How much high net worth investors would be willing to pay in additional fees to facilitate impact investments (n=208)



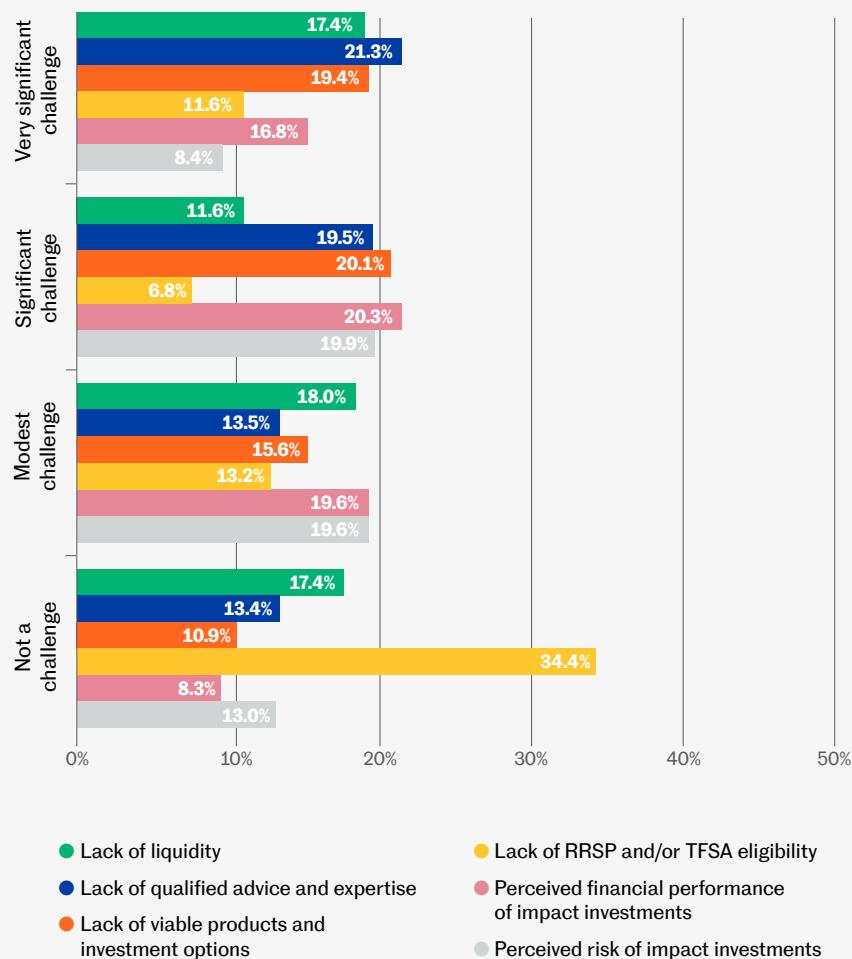
necessary, compared to 47.5% of male respondents. More than 1 in 3 respondents (42.4%) who indicated they would be likely to pursue impact investing through their financial institutions and advisors are also open to paying additional fees. Again, as investors' interest levels increase, they are more likely to be open to paying the increased fees associated with impact investments. One in three respondents (33.5%) who are only somewhat interested in impact investing are willing to pay additional fees for impact investing if required.

Current clients of financial institutions are also willing to undertake more risk and pay additional fees to accommodate for impact investing options in their portfolios. More than half of these respondents (50.7%) indicated they are willing to take on additional risks to achieve greater social and/or environmental impact. Likewise, 37.1% of current financial institution clients are open to paying additional fees in relation to impact investing.

These findings suggest a clear emergence of a select group of investors within this cohort who are very open to the potentials of impact investing. Clients are clearly interested in the prospect of adding impact investment options to their portfolios in the near future, and are also willing to accept additional risk management and fees in the process. This particular set of clients has a specific set of needs that need to be met, needs that arise from opportunities they would like to pursue with their current institutions.

Of the clients that currently have committed capital toward impact investing options, a large majority indicated a preference toward either market or risk-adjusted returns. Of these clients, 40% have targeted market-rate returns, with 43.2% targeting risk-adjusted rate returns. Further, 75.2% of these investors also indicated that their impact investments have either been in

FIGURE 12: Biggest barriers to impact investing as selected by HNWIs (n=186)



line with their expected returns or have even exceeded their financial targets (excluding investments that respondents have deemed to have uncertain performance at the time of survey completion). This shows that most impact investors understand the unique profile of impact investing, yet still expect a competitive return and are largely getting it or even exceeding their expectations.

Market outlook: Barriers and levers

It is clear from the survey findings that there is a high level of general interest in impact investing options among Canadian HNWIs. However, there are still certain barriers that are preventing potential investors from making any or additional investments in the field.

The most common issue to be deemed a very significant challenge (at 21.3%) is the lack of qualified advice and expertise about impact investments. The lack of viable products and investment options and the lack of liquidity in impact investments are the other issues perceived as barriers by respondents, at 19.4% and 17.4% respectively.

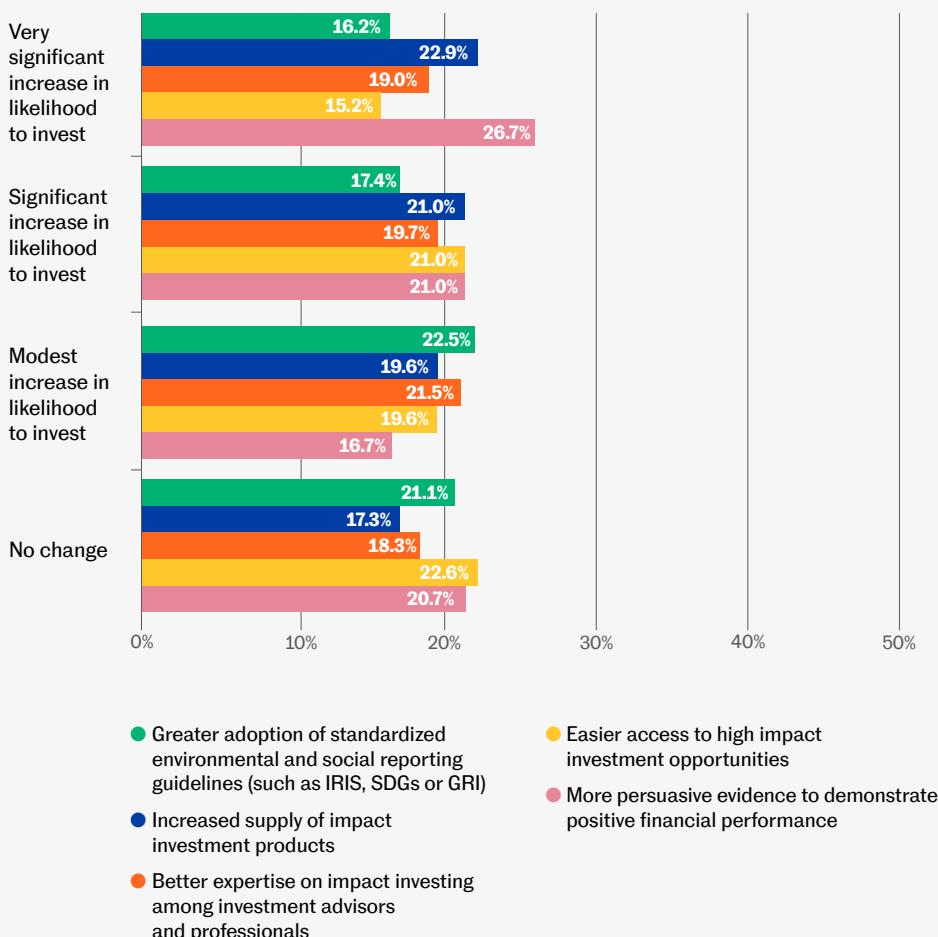
The not-a-challenge option that was selected the least by respondents was the issue of perceived financial performance of impact investments, suggesting that this is also perceived as a strong barrier by Canadian HNWIs. Other popular responses highlighted the length of time required to research, analyze and undertake due diligence of impact investment opportunities, as well as the investor's own lack of knowledge and understanding, leading to unfamiliarity with impact investing as a whole. (see FIGURE 12)

Identifying the major levers that can motivate previously unconverted investors to making steps toward impact investing is paramount in continuing the growth of responsible and sustainable investments. Unsurprisingly, the factors that are most likely to increase an investor's likelihood to invest in social or environmental impact opportunities resonate with the common barriers previously identified.

The strongest factor that would result in a very significant increase in the likelihood to invest, at 26.7%, is having more persuasive evidence to demonstrate positive financial performance. An increased supply of impact investment products (22.9%) and better expertise on impact investing among investment advisors and professionals (19.0%) were also strong factors that are likely to significantly increase the likelihood of investors pursuing impact investing. These two factors were also the least selected options among factors that would not inspire any change toward impact investing, suggesting that these were levers that were more likely to instill any amount of change in investor behaviours. (see FIGURE 13)

Taking a closer look at current clients of financial institutions, 23.1% of respondents indicated that having more persuasive evidence to demonstrate positive financial performance and the greater adoption of standardized environmental and social reporting guidelines were the two strongest levers with significant likelihood to encourage future impact investments. Better expertise on impact investing among investment advisors and professionals was also shown to be the factor most likely to increase the likelihood to invest for investors, as it was the lowest selected option under factors likely to instill minimal changes in investment strategy.

FIGURE 13: Levers likely to increase an investor's likelihood to invest in impact options in the future (n=185)





Looking Forward

What does this mean for the market? What can stakeholders do?

To our knowledge, this is the first survey on impact investing to have an exclusive focus on Canadian HNWI investors. It is clear that the interest in exploring investment options that can have a positive social and/or environmental impact is at an all-time high. More than ever, investors are looking to make investments that reflect their own personal values and issues that are close to their heart, while also achieving competitive market-rate returns.

Investors are already beginning to take action and plan for a future in which impact investing will have an important presence in investment portfolios. Although investors are seeking competitive or even above-average returns, most recognize the need for compromise, specifically in higher risk profiles, as well as in potential additional management fees. With the support of the industry, investors are ready to bring impact investing to the forefront of the capital world.

For the ecosystem to respond and aid in the growth of the impact investing market, information is needed to show the movement in investor behaviours and interests. While several other avenues remain to be fully explored, we believe that several findings from this report will resonate with various stakeholders and will help them to take the next steps on their impact investing journeys.

Beachhead market

Before outlining recommendations, it is especially relevant for the market to understand that there is a beachhead market of interested and active impact investors. Having a better understanding of this segment can inform investors in their efforts to self-organize, institutions in the development of their business strategies, and ventures and funds in seeking capital.

As previously mentioned, we found that a staggering 89.8% of all respondents, across all demographic characteristics, indicated an interest in impact investing. We also reviewed the survey results for the respondents who had the highest degree of interest, articulated by

responding that they are “very interested” in impact investing on the survey. These respondents paint a strong picture of who might be among the early adopters of current or future impact investing offerings should they be presented with the opportunity.

Leading-edge impact investors are likely to be found among women in the 25 to 39 (38.5%) or 40 to 54 (35.4%) age range. Their top five sectors of investment interest in order of preference are: 1) energy and the environment; 2) health and wellness; 3) sustainable food; 4) education; and 5) social inclusion. These women are looking at portfolio-wide strategies and are willing to take on a little more risk to start to execute on these strategies, starting with individual public equities, direct private equity, impact ETFs and green bonds, followed by public equity funds. These leading investors are likely to be ultra high net worth individuals, as 100% of respondents with \$25 to \$50 million in assets—and 80% of respondents with over \$50 million in assets—indicated they are very interested in impact investing.

Recommendations

Individual high net worth investors

Ask for impact: Raise questions about portfolio composition, impact investment options and impact measurement during regular engagement with wealth managers or investment advisors.

It is important to know that investors, writ large, are not only interested in making investments that have a positive social impact, but are ready to do so with some of their assets over the coming year. Fellow investors can often offer different perspectives and further insights, with the possibility of uncovering unique investment products. Increased opportunities for discourse on impact investing among peer investors may well influence broader individual investing behaviours.

More and more research is showing that financial returns, sustainability, social responsibility, serving underserved markets, impact value creation and risk management are mutually reinforcing.²⁸

^{29, 30, 31, 32} While defining impact can be perceived as an unscientific and an un-analytical endeavour by some, we encourage investors to review how leading industry organizations prioritize, analyze for materiality, and describe how to evaluate impact according to the world's most pressing challenges.^{32, 33}

We encourage investors to seek out a range of stakeholders that can provide support for the journey.

• **Stakeholders from priority impact sectors** to holistically understand current challenges and solutions

• **Peer impact investors** to provide guidance with new asset classes and to learn from the examples of others

• Investor networks and groups

where investors can gain access to emerging exempt market investment opportunities and benefit from group due-diligence processes

• **Investment advisors** who show willingness to review investment policy statements for impact and can review portfolios holistically

The leading barrier keeping investors from acting on their interests in impact investing is the lack of qualified and readily available advice and expertise. Individual investors have the ability to articulate requests to their investment and wealth advisors to better understand: 1) how their portfolios currently align with their values; and 2) what options exist to change this.

^{28.} GIIN. *GIIN Perspectives: Evidence on the Financial Performance of Impact Investments*. 2017. Retrieved from: <https://thegiin.org/research/publication/financial-performance-of-impact-investments/>

^{29.} Yale Center for Business and the Environment. *Just Good Business: An Investor's Guide to B Corps*. 2018. Retrieved from: <https://cbeiyale.edu/our-stories/the-value-of-b-corps-what-investors-need-to-know>

^{30.} Harvard Business Review. *How and Where Diversity Drives Financial Performance*. 2018. Retrieved from: <https://hbr.org/2018/01/how-and-where-diversity-drives-financial-performance>

^{31.} FSG. *Introducing the Corporate Racial Equity Advantage*. 2017. Retrieved from: <https://www.fsg.org/blog/introducing-corporate-racial-equity-advantage>

^{32.} Calvert. *The Financial and Societal Benefits of ESG Integration: Focus on Materiality*. 2017. Retrieved from: <https://www.calvert.com/calvert-serafeim-series-report-materiality.php>

^{33.} GIIN. *What You Need To Know About Impact Investing*. 2018. Retrieved from: <https://thegiin.org/impact-investing/need-to-know/>

^{34.} Big Society Capital. *Big Society Capital: Social Impact Tests*. 2015. Retrieved from: https://www.bigsocietycapital.com/sites/default/files/pdf/Social%20Impact%20Assessment%20Matrix%202019-05-15.docx_.pdf



Impact investing, like all forms of investing and asset utilization, is inherently a personal choice. The investor-advisor relationship is also a personal one, based on an advisor's ability to understand an investor's life goals and priorities, and to manage assets to achieve these targets. It is natural that conversations about how investments are built and managed in accordance with a client's values could be part of the conversation.

There is no wrong way to start the conversation about impact investing.

i. It can start by asking an advisor **what they understand about impact investing** and about the impact investing portfolios they have recommended for other clients. Some advisors are able to build impact considerations into investment policy statements. We have provided a **table** with a snapshot of various considerations for the impact investing spectrum (see **FIGURE 14**)

ii. Asking about **negative portfolio screens** and selecting investments that filter out assets in sectors such as tobacco, weapons and gambling, for example, is an easy first step to discuss with an advisor.

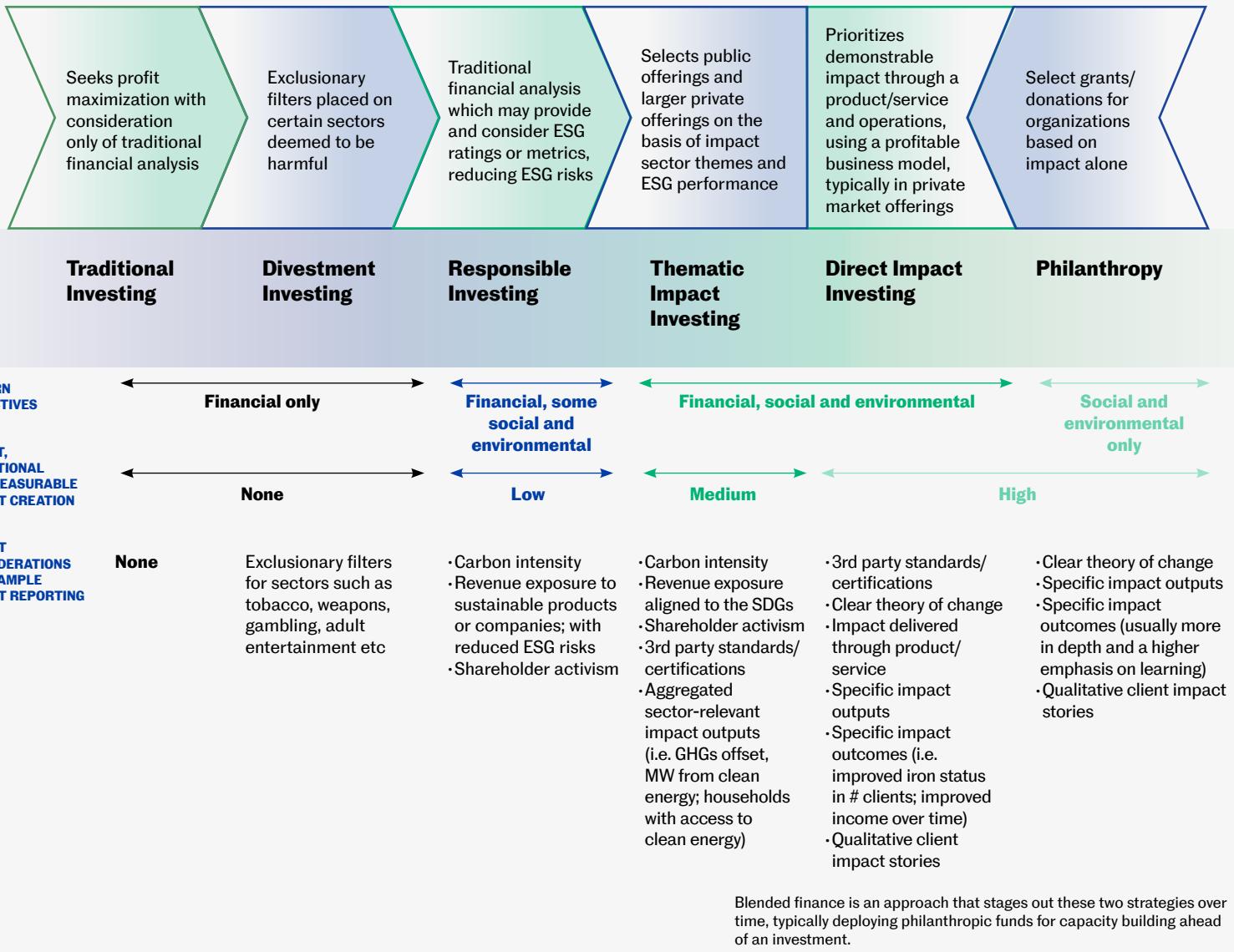
iii. A potential next step includes seeking options for **responsible or thematic investments in public equities**. An advisor can be asked to recommend investment managers who are familiar with responsibly managed mutual funds. These portfolios often report on responsible investing metrics such as environmental, social and governance (ESG) ratings for operations, carbon exposure indices or revenue exposure aligned to Sustainable Development Goals. These metrics should be readily available for review and analysis.

In addition to speaking about the product's financial discipline, knowledgeable managers should have a strong understanding of the logic for its impact thesis. To what extent can they speak of the additionality of investment for impact creation, the intentionality of that impact and the company's ability to execute it at scale?

Managers should also be able to articulate why they've had to decline companies or funds from inclusion to impact portfolios on the basis of their impact.

iv. With **growth-oriented private equity portfolios**, we encourage investors to seek managers or networks where they can learn about earlier stage enterprises that are not just limiting their negative externalities, but are also actively creating solutions to our global challenges. This could include investing in impact venture capital funds, social impact bonds or angel investments with companies creating specific solutions for a social or environmental need. These options should have even greater reporting to demonstrate additionality and the achievement of impact over time.

TABLE 1: Investment Spectrum



Financial institutions and wealth managers

Offer impact options: Develop a diverse pipeline of impact investment products and offerings across asset classes in collaboration with impact investing market stakeholders.

Train and hire for impact: Acquire and develop staff expertise in impact investing through professional development, ongoing training, and hiring activities.

The fact that a lack of available products, qualified advice and expertise on impact investing was seen as one

of the top barriers by investors who are also willing to pay additional fees for such services, shows that this area is a significant opportunity for wealth managers. The rise in demand for impact investing services—especially from younger and female investors—is difficult to ignore.^{35, 36, 37} New wealth holders are significantly focused and sophisticated in using their wealth to generate financial and social return in a sustainable manner. It goes without saying that the financial performance of impact investments leads in its significance for investors. Advisors can refer to groundbreaking research on the industry by leaders such as Wharton

and the Global Impact Investing Network to point to the overwhelming evidence that proves financial returns and positive impact can come hand in hand.

As it stands, 66% of inheritors will look to discontinue working with their parents' advisors, finding themselves unable to relate to people who often do not understand their priorities and values.³⁸ We are in the early days of

35. Morgan Stanley Institute for Sustainable Investing. [Sustainable Signals: New Data from the Individual Investor](#).

36. RIA Canada. [Millennials, Women and the Future of Responsible Investing, 2016](#). Retrieved from: <https://www.riacanada.ca/millennials-women/> 37. CB Insights. [Research Briefing: Wealth Tech in 2018](#). Retrieved from: <https://www.cbinsights.com/research/impact-investing-millennials-fintech>

impact investing. Managers have the opportunity to differentiate themselves with expertise and advice relating to impact investing that will help with client retention and client acquisition during the \$30 to \$59 trillion transfer of wealth over the coming decades.^{39, 40} Keeping up to date with the ever-changing landscape of impact investing will be crucial for advisors to maintain a competitive edge. This may involve being aware of the newest impact-focused product releases or having an overall understanding of the additional processes that are required in approving impact offerings.

Allocating professional development resources to responsible impact investment training, deliberately seeking impact investing products (both public and private) to allocate to portfolios, and developing a network of specialist advisors to support client agendas will be increasingly important. Public market funds are easily accessible through industry organizations like the Responsible Investment Association,⁴¹ while a strong case can be made for a centralized private market dealer like SVX. Otherwise, personal networks and connections are the only other avenues to acquire impact product offerings. Managers also have the opportunity to offer additional value-added services that incorporate a holistic analysis as well as recommendations based on their clients' life goals, risk tolerance and personal interest areas.

There are many ways that engaging over impact investing can provide a natural way to deepen the relationship between clients and managers.

i. During new client meetings or annual know-your-client conversations, managers can raise the topic of special interest areas or volunteer activities that are meaningful for the client. Cross-referencing these interests with the United Nations' Sustainable Development Goals (SDGs) could be a leading indicator to what clients' may also be interested in

investing in.⁴² Many impact investment offerings in public and private markets are aligned with the SDGs.

ii. A conversation regarding philanthropy can similarly be directed to present direct impact investing opportunities in the same sectors that are of importance to the client. For example, if a client has had a long history of donating to a non-governmental organization focused on global development, managers may ask whether the client has considered investing in an impact fund of funds focused on emerging markets. Or if a client consistently donates to a local hospital, the manager may ask whether they have considered making angel investments to a health technology startup that has a direct impact on treatment outcomes. If the client already has a donor-advised fund or a private foundation, asking whether those entities have considered making mission-related investments with their underlying assets might be appropriate.

Ventures and funds

**Manage and measure impact:
Manage businesses and offerings
with clear, direct, intentional and
measurable impact to establish
advantage and a unique value
proposition for investors.**

Canadian investors are seeking investment opportunities across all asset classes. In accordance with typical investment portfolios, we found a marginally higher amount of interest in public equities (inclusive of single equities, debt and mutual funds) relative to private equities (inclusive of direct private equities, debt and funds comprised of either debt or equity). Investment opportunities that present rich environmental, social and governance information, as well as impact data, can provide additional insights to value creation that are

driving businesses, which in turn create shareholder value.^{42, 43}

Investors will only become more educated when it comes to assessing opportunities for both financial and impact outcomes performance. They are always looking for more data to assess for both an investment's risks and its opportunities. Investees only stand to gain by being clear on how they differ from other investment opportunities in the market and articulating not only their potential for financial growth and return, but also how they have validated their social and/or environmental impact.

Issuers in private markets can articulate their impact in several ways.

• B Impact Assessment score: How the impact of a company's mission is reflected through its operations and corporate social responsibility, which can bear relevance for good governance and risk mitigation

• Vision and mission: Articulating what a company's overall goals are and how it intends to achieve this

• Impact metrics relevant for the product or service: Demonstrating how a company is creating value for stakeholders, clients or customers over the long-term, which often reinforces firm revenues

38. Investment News. [The great wealth transfer is coming, putting advisors at risk](http://www.investmentnews.com/article/20150713/FEATURE/150719999/the-great-wealth-transfer-is-coming-putting-advisors-at-risk). 2015. Retrieved from: <http://www.investmentnews.com/article/20150713/FEATURE/150719999/the-great-wealth-transfer-is-coming-putting-advisors-at-risk>

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41. RIA. [RI Funds – Quarterly Performance Reports](https://www.riacanada.ca/ri-funds-quarterly/). Retrieved from: <https://www.riacanada.ca/ri-funds-quarterly/>

42. United Nations Sustainable Development Goals: <https://sustainabledevelopment.un.org/sdgs>

43. Calvert. [The Financial and Societal Benefits of ESG Integration: Focus on Materiality](http://calvertfund.org/calvert-serafeini-series-report-materiality.php). 2017. Retrieved from: [https://calvertfund.org/calvert-serafeini-series-report-materiality.php](http://calvertfund.org/calvert-serafeini-series-report-materiality.php)

44. GIIN. [GIIN Perspectives: Evidence on the Financial Performance of Impact Investments](http://thegiin.org/research/publication/financial-performance). 2017. Retrieved from: [https://thegiin.org/research/publication/financial-performance](http://thegiin.org/research/publication/financial-performance)

Glossary



General

- **Impact investing:** Investments made into companies, organizations and funds with the intention to generate a measurable, beneficial social and environmental impact alongside a financial return
- **Investible assets:** An individual's income earnings, securities and investment accounts that can be easily converted to funding. Excludes physical assets, such as real estate, automobiles etc.
- **High-net-worth individual (HNWI):** An individual or family considered by Canadian securities commissions to be an accredited investor, defined by having a certain amount of assets and wealth
- **Accredited investors:** Individuals or organizations that satisfy the criteria defined by the Ontario Securities Commission's National Instrument 45-106 for an accredited investor. For individuals, this is based on financial assets, net assets or net income. For organizations, it can be defined based on organization type as well as net assets.

• **Eligible investors:** Individuals who satisfy the criteria defined by the Ontario Securities Commission for an eligible investor. This is based on net assets or net income.

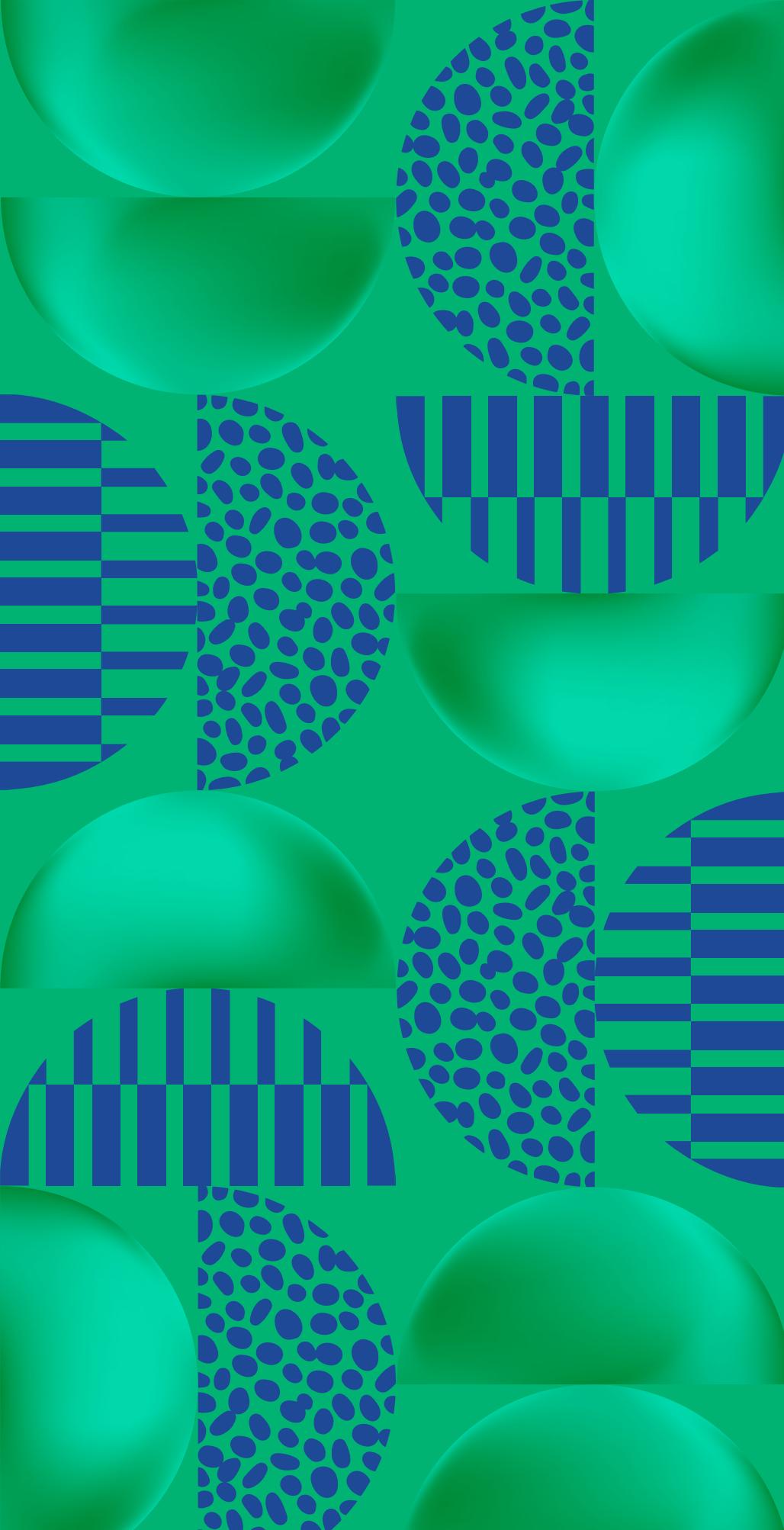
Investment products

- **Private debt:** Direct loans to companies or enterprises from a private investor or organization
- **Private equity:** Source of capital from investors who seek to directly invest in a privately held company (startups, early-stage ventures) not listed or traded on a public exchange
- **Public debt:** Investments via the purchasing of national treasury bills, notes and bonds
- **Public equity:** Source of capital from investors who seek to invest in companies listed or traded on a public exchange
- **Green bonds:** Fixed income financial instruments in which the proceeds are applied toward projects with positive, sustainable environmental and/or climate benefits

• **Impact ETF:** Exchange traded funds containing a collection of publicly traded securities specifically targeting companies that employ strong socially conscious practices, as well as building the business to drive positive change

Company stages and investment properties

- **Investing risk:** Degree of uncertainty that an investment offering will earn its expected rate of return. This can include factors such as inflation, market, liquidity, political, business, intellectual property or currency risks among others.
- **Mature company:** A publicly traded company with a stabilized scale and profitable operations
- **Growth and scaling company:** A later stage enterprise with a growing or positive EBITDA that is not traded on a public exchange
- **Seed- and early-stage company:** A startup or early-stage business, typically with less than \$1 million in revenue and limited operating history



Returns and expectations

- **Market-rate returns:** Average rate of returns generated by a series of similar investment options over time within a specific market
- **Risk-adjusted returns:** Refining an investment's rate of return by measuring how much risk is involved in the investment
- **Capital preservation:** Investment strategy seeking to protect the funds currently available in investment
- **Impact metrics:** Quantified indicators for measuring the social, environmental or financial performance of an organization. These can be custom built by individual organizations based on their sector-specific needs, or aligned to impact investing industry indicator sets such as the Impact Reporting and Investment Standard or UN Sustainable Development Goals indicators.
- **Impact standards:** A measure to determine if an organization has reached a certain threshold of impact in operations or performance that has been defined by an industry organization such as B Lab's B Impact Assessment, Fair Trade certification or the United States Department of Agriculture Organic certification
- **ESG performance:** A performance rating based on quantified indicators that are part of a standard set of environmental, social and governance characteristics. This applies to companies that are typically mature and publicly traded.



About SVX

SVX is an impact investing platform for ventures, funds and investors seeking social and/or environmental impact alongside the potential for financial return. SVX works across sectors including cleantech, health, education, food and social inclusion. It provides capital-raising support to enterprises and funds ranging from early-stage ventures focused on early childhood education and seeking seed-stage equity to solar power co-operatives seeking debt financing. SVX also helps investors—whether angels or family offices or everyday investors—to find and make good impact investments. It can help lead investors to syndicate their impact deals and supports investors in finding new investment opportunities that meet high financial, governance, impact and offering standards. SVX provides this support through its online platform and events, and also offers hands-on support with investors. SVX is a not-for-profit corporation powered by MaRS Discovery District and supported by TMX Group Inc., the Government of Ontario, Torys LLP and many other partners. SVX is registered as an Exempt Market Dealer in Ontario, Quebec, British Columbia, Alberta, Saskatchewan, and Manitoba.



About MaRS Discovery District

Located in the heart of Canada's largest and the world's most diverse city, MaRS is uniquely placed to lead change. As the world's largest urban innovation hub, MaRS is a place where today's moonshots become tomorrow's breakthroughs. It's a launchpad for startups, a platform for researchers and a home to innovators. MaRS helps these entrepreneurial networks advance the world together.

