The Social Impact of Social Impact Investing

William W. Towns, Ph.D., MBA
Adjunct Lecturer of Social Impact
J.L. Kellogg School of Management

February 5th 2020
We are living in seemingly crazy times
FREE HONG KONG DEMOCRACY NOW
Societal Recalibration Cycle

Data & Insights

Public Perception

Optimism

Disruptive Technology

Political Shifts
Public Perception
<table>
<thead>
<tr>
<th>Generation</th>
<th>Context</th>
<th>Behavior</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby boomer</td>
<td>Postwar, Dictatorship and repression in Brazil</td>
<td>Idealism, Revolutionary, Collectivist</td>
<td>Ideology, Vinyl and movies</td>
</tr>
<tr>
<td>Gen X</td>
<td>Political transition, Capitalism and meritocracy dominate</td>
<td>Materialistic, Competitive, Individualistic</td>
<td>Status, Brands and cars, Luxury articles</td>
</tr>
<tr>
<td>Gen Y (millennial)</td>
<td>Globalization, Economic stability, Emergence of internet</td>
<td>Globalist, Questioning, Oriented to self</td>
<td>Experience, Festivals and travel, Flagships</td>
</tr>
</tbody>
</table>
What impact can you have on improving the world?\textsuperscript{13}

- **Big Impact**: 30%
- **Moderate Impact**: 34%
- **Small Impact**: 22%
- **No Impact**: 8%
- **Don't Know**: 6%
THE MILLENNIAL IMPACT REPORT: VOTER REGISTRATION AND TURNOUT

- **Voter registration.** Initially, fewer millennial females than males reported having registered to vote in the 2016 election. As the campaign wore on, the percentage of females who said they’d registered declined, while the percentage of registered males remained steady. Election Day would show that nearly 10% more males (86%) than females (78%) were registered to vote.

- **At the ballot box.** Actual voting figures were lower on Election Day, as they normally are, with 65% of millennials saying they voted. However, 21% fewer females (55%) than males (76%) reported having voted.\(^8\) Surprising to those who held to the stereotypes of this generation, 39% of the millennials who cast a vote said they did so for Donald Trump — a figure further validated by 2017 research.\(^9\)

---

8 2016 Millennial Impact Report
THE MILLENNIAL IMPACT REPORT: VOTER REGISTRATION AND TURNOUT

- **Voter registration.** Initially, fewer millennial females than males reported having registered to vote in the 2016 election. As the campaign wore on, the percentage of females who said they’d registered declined, while the percentage of registered males remained steady. Election Day would show that nearly 10% more males (86%) than females (78%) were registered to vote.

- **At the ballot box.** Actual voting figures were lower on Election Day, as they normally are, with 65% of millennials saying they voted. However, 21% fewer females (55%) than males (76%) reported having voted. Surprising to those who held to the stereotypes of this generation, 39% of the millennials who cast a vote said they did so for Donald Trump – a figure further validated by 2017 research.¹⁰

---

¹⁰ 2016 Millennial Impact Report
The Millennial Impact Report: Voter Registration and Turnout

Voter registration. Initially, fewer millennial females than males reported having registered to vote in the 2016 election. As the campaign wore on, the percentage of females who said they’d registered declined, while the percentage of registered males remained steady. Election Day would show that nearly 10% more males (86%) than females (78%) were registered to vote.

At the ballot box. Actual voting figures were lower on Election Day, as they normally are, with 65% of millennials saying they voted. However, 21% fewer females (55%) than males (76%) reported having voted.8 Surprising to those who held to the stereotypes of this generation, 39% of the millennials who cast a vote said they did so for Donald Trump – a figure further validated by 2017 research.9

8 2016 Millennial Impact Report
THE MILLENNIAL IMPACT REPORT: VOTER REGISTRATION AND TURNOUT

➤ **Voter registration.** Initially, fewer millennial females than males reported having registered to vote in the 2016 election. As the campaign wore on, the percentage of females who said they’d registered declined, while the percentage of registered males remained steady. Election Day would show that nearly 10% more males (86%) than females (78%) were registered to vote.

➤ **At the ballot box.** Actual voting figures were lower on Election Day, as they normally are, with 65% of millennials saying they voted. However, 21% fewer females (55%) than males (76%) reported having voted.\(^8\) Surprising to those who held to the stereotypes of this generation, 39% of the millennials who cast a vote said they did so for Donald Trump — a figure further validated by 2017 research.\(^9\)

---

\(^8\) 2016 Millennial Impact Report  
The search for the truth is at the root of all Generation Z’s behavior.

- **‘Undefined ID’**
  “Don’t define yourself in only one way”
  - Expressing individual **truth**

- **‘Communaholic’**
  “Be radically inclusive”
  - Connecting through different **truths**

- **‘Dialoguer’**
  “Have fewer confrontations and more dialogue”
  - Understanding different **truths**

- **Realistic**
  “Live life pragmatically”
  - Unveiling the **truth** behind all things
DEPORT ALL ILLEGALS!

BUILD THE WALL, NICE AND TALL!
NO HUMAN BEING IS ILLEGAL
OPEN THE BORDERS!
NO BORDER NO BARRIER

BORDER COMMUNITIES AGAINST BREXIT
Thank You, Lord JESUS FOR PRESIDENT TRUMP
BLACK LIVES MATTER
ALL LIVES MATTER
With all the conflicting views how do we move our communities forward?
Placed Based Impact Investing
<table>
<thead>
<tr>
<th>Investment Strategy</th>
<th>Financial Return Objective</th>
<th>Social Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philanthropy</td>
<td>Not Seeking Financial Return</td>
<td>Proactively Seeking Social Impact</td>
</tr>
<tr>
<td>Impact Investing</td>
<td>Capital Repayment</td>
<td>Taking Into Account: Environmental, Social and Governance Objectives</td>
</tr>
<tr>
<td>Socially Responsible Investments</td>
<td>Below-Market Return</td>
<td>Unintentional Social Impact</td>
</tr>
<tr>
<td></td>
<td>Market-Rate Returns</td>
<td></td>
</tr>
</tbody>
</table>

**Investing/Financing Eco-System**

- **Social Organizations without revenues**
- **Social Organizations with Revenues**
- **Impact Organizations That Do Not Distribute Profits**
- **Impact Organizations That Do Distribute Profits**
- **For -Profit Businesses with Significant Impact Objectives**
- **For-Profit Businesses with no Significant Impact Objectives**

**Scope and Intensity**
Areas of persistent poverty have a need for capital

Large areas of the population living in poverty

Source: University of Wisconsin - Madison
Impact investments aim to generate *financial returns* along side specific measurable *beneficial social outcomes*
Why does Place based impact investing work?
It takes advantage of the **knowledge capital**, that already exist.
It is built on a community with a long tradition of **Civic Engagement**.
There is significant recognition of our Communities Importance to the overall health of our economy.
We need to bridge the gap between areas of low lending and available capital.
So how do we do it?
Investors who want to

Invest locally
Support impact enterprises
Get more than just profits on their investment
...and borrowers who need

Patient, flexible, risk tolerant capital

Support where and when they need it

Capital without sacrificing ownership
A case study
100% has been raised

- Donor-directed: $22.1M
- CCT-directed: $15.0M
- Institutional: $8.4M
- Retail: $0.6M

Remaining amount to be raised: $3.8M
64% has been committed

- **$256M** requested from **113** applications
- **$64M** committed to **19** investments
- **$6M** in anticipated investments
- **$30M** towards Housing Plan and Capstone

Goal: 100% committed by 12/31/19
Portfolio Overview
Nonprofits and For-Profits

$37M to nonprofits

$15.1M to for-profits

- Chicago Community Loan Fund
- CIC Community Investment Fund
- CRF USA
- CNI Chicago Neighborhood Initiatives
- FF
- LISC
- New Hope Community Capital, Inc.
- Self-Help Ventures Fund
- Autonomy Works
- DL3 REALTY LP
- Garfield Produce Co.
- NowPow
- NCF
- Sweet Beginnings
Intermediaries and Direct Investments

$42M invested with intermediaries

$10.1M of direct investments

- Chicago Community Loan Fund
- CIC
- CRF USA
- CNI
- FF
- LISC
- New Hope Community Capital, Inc.
- NCIF
- Self-Help Ventures Fund
- Autonomy Works
- DL3 Realty L.P.
- Garfield PRODUCE co.
- edovo
- NowPow
- beelove

Sweet Beginnings
In order to move forward we must all look inward and recognize that while we fight to address our particular issues; we simultaneously contribute towards them when we are unwilling to allow those who have voices different than ours to co-exist.
Thank You and OnWisconsin