

ImpactEnterpriseFund

Fact Sheet



“The world is on the brink of a revolution in how we solve society’s toughest problems. The force capable of driving this revolution is ‘Social Impact Investing’, which harnesses entrepreneurship, innovation and capital to power social improvements”
- G8 Social Impact Taskforce, 2014

KEY TERMS

The Impact Enterprise Fund	The Impact Enterprise Fund will be New Zealand’s first domestically-focused Impact Investing Fund. The Fund is a collaboration between the Ākina Foundation, New Ground Capital and Impact Ventures. The Fund will invest in New Zealand businesses.
Investment Focus	The Fund will provide funding across a range of investment stages, from seed and start-up to replacement capital, but focus primarily on expansion opportunities. Investments will be equity and/or debt in scalable businesses that deliver tangible societal and/or environmental returns from their operations (Impact Businesses), alongside attractive financial return prospects.
What is Impact Investing?	An investment that is made with the intention of generating a measurable and beneficial societal and/or environmental impact, alongside a financial return for the investor.
Fund Size	The minimum Fund Size is \$10m and the maximum Fund Size is \$15m.
General Partner	Impact Enterprise Partnership GP Limited, a special purpose vehicle owned equally by Ākina Foundation and New Ground Capital Ltd. The General Partner is supported by the Fund’s Investment Adviser, Impact Ventures.
Alignment of interest	Members of the General Partner, the Investment Adviser, and their associated parties, have committed to invest at least 5% of the minimum committed capital on the same terms as other investors.

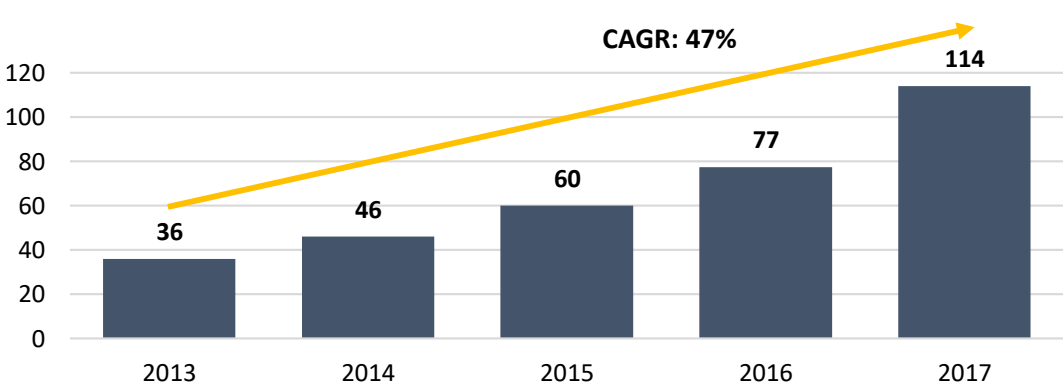
INTRODUCTION TO IMPACT INVESTING

Impact Investing is an investment class that is suitable for investors who want to generate a measurable and beneficial societal and/or environmental impact alongside a financial return on their investment capital. Impact Investing sits in the investment spectrum between Responsible Investing, i.e. investments that have been screened for Environmental, Social or Governance (ESG) Factors, and traditional Philanthropy, which is purely focused on maximising societal and environmental returns on grants deployed.

INVESTING SPECTRUM

Investing			Grant Making
Traditional Investing	Responsible Investing	Impact Investing	Philanthropy
Maximising financial returns for any given level of risk is the sole objective	Investments are screened based on ESG Factors, alongside expected risk and financial return profile	Investments made with the intention to generate societal and/or environmental impact alongside a financial return	Financial returns are disregarded in favour of societal and environmental solutions

GLOBAL IMPACT INVESTING NETWORK MEMBERS FUM (US\$ BILLIONS)⁽²⁾



RETURNS ACHIEVED BY IMPACT FUNDS



Target market-rate financial returns

A study conducted by JP Morgan and the Global Impact Investing Network published in 2015 found that a sample of 51 Impact Investing funds targeting market rate returns have performed comparably with traditional Private Equity and Venture Capital funds⁽¹⁾.



Social and/or environmental return on capital

Measuring and reporting on the impact of investments is a critical component of Impact Investing. A variety of measurement methodologies have been developed, and most funds will report a combination of standardised metrics (such as reporting against the 17 United Nations Sustainable Development Goals) and proprietary metrics.

IMPACT INVESTING IN NEW ZEALAND

Impact Businesses are increasingly making up a substantial proportion of participants in New Zealand’s start-up sector, regularly found in accelerator cohorts or pitching to the New Zealand angel clubs.

Examples of New Zealand Impact Businesses



SUPPORTIVE ENVIRONMENT FOR IMPACT INVESTING

A rapidly growing pool of Impact Businesses and entrepreneurs has come to the attention of the investment community in New Zealand over the past five years. The sector has been supported by increases in Government funding, a growing presence of incubators and accelerators for start-up businesses, and rising awareness of international agreements, such as the 2015 Paris Agreement and the UN’s Sustainable Development Goals.

Key macro trends supporting Impact Investing globally include:

1 Shift to a low carbon economy	The threat of global warming has incentivised nations to find ways to significantly reduce emissions
2 Supply chain transparency	Consumers are increasingly demanding to know where products are from and the nature of the production processes employed
3 Sustainable consumption and the shared economy	There is increasing awareness of the need to live within the resource limitations of the planet. Consumers are focussing on how to minimise the use of materials and discharge of waste
4 Rise of the millennial generation	This ‘values-driven’ generation are integrating their beliefs into their employment choices, consumption practices, investment decisions and day to day interactions
5 Population growth	Growing demand for natural resources to feed a population of 9.7 billion by 2050 ⁽³⁾ provides substantial challenges for the planet and global economy

1. Cambridge Associates and GIIN, Introducing the Impact Investing Benchmark 2015
2. GIIN, Annual Impact Investor Survey
3. UN DESA report, World Population Prospects: The 2015 Revision

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The Fund will identify and invest in businesses it expects will deliver long term shareholder value creation, alongside tangible societal and/or environment returns for its investors.

INTRODUCING THE IMPACT ENTERPRISE FUND

There are many New Zealand businesses that are looking to make a positive impact upon society through the development of their commercial operations. It is our view that these businesses are currently restricted in their ability to achieve scale by the absence of an aligned capital market able to provide investment of the appropriate nature, and at the right time, to support their purpose.

The Fund will help to address this gap, supporting eligible Impact Businesses through:

- 1 A source of appropriate growth capital
- 2 Operational and strategic expertise
- 3 Best practice governance and reporting processes
- 4 Access to domestic and international networks
- 5 An increased profile
- 6 In time, potential to access further investment capital

INVESTMENT STRATEGY

Portfolio composition: The fund will seek to make 8 - 15 investments, holding a diversified portfolio of investments across a range of instruments, sectors and business stages.

Sector focus: No specific focus, but likely targets include industries such as sustainable food production and agriculture, healthcare, clean energy, housing and education.

Stage of investment: The Fund will provide funding across a range of investment stages, but focus primarily on expansion opportunities.



SEED



EXPANSION



REPLACEMENT CAPITAL



BUYOUT

GENERAL PARTNER AND INVESTMENT ADVISER

The General Partner is the manager of the Fund, Impact Enterprise Partnership GP Ltd, an equally owned joint venture between New Ground Capital Ltd and Ākina Foundation. The General Partner is supported by the Fund's Investment Adviser, Impact Ventures.

General Partner



New Ground Capital was established in 2014 and became NZ's first investment manager to be issued a Managed Investment Service license by the Financial Markets Authority. New Ground's mission is to identify areas of untapped capital demand and investment appetite, and to develop new solutions that fulfil those opportunities.



Ākina is New Zealand's leading social entrepreneurship and enterprise development organisation. Since 2012, Ākina has built the capability of Impact Businesses and developed new market and investment opportunities in the sector. Ākina has been promoting and supporting Impact Investment since 2014.

Investment Adviser



Impact Ventures Limited is a company established to be the manager of an New Zealand focussed Impact Investing fund and provide corporate finance advisory services. The members of Impact Ventures have significant Investment Banking experience.

OUR PEOPLE

The Fund has a highly experienced Board and Investment Committee, bringing a range of domestic and international experience in social investment, private equity and funds management, institutional and investment banking and sustainable business practices. The General Partner and Investment Adviser teams combine to bring a diverse and highly complementary range of professional backgrounds and skill sets that are ideally suited to the structure, scale and objectives of the Fund.

Board of Directors

The General Partner has an experienced Board of Directors that oversees the Fund's operations. The Board currently comprises; Independent Chairman David Woods, representatives from Ākina Foundation Gavin Fernandez and Louise Aitken, and representatives of New Ground Capital Limited Roy Thompson and Joy Marslin, as shareholders of the General Partner.

Investment Committee

All investment decisions of the Fund must be approved unanimously by the Investment Committee. The Investment Committee currently comprises; Sophie Haslem, Bruce Sheppard and Martin Stearne.

Impact Enterprise Fund Team

The Fund will utilise the existing operations of the Ākina Foundation, New Ground Capital and Impact Ventures, with the team lead by Dave Allison, Chris Simcock and Jonathan Holden.

ACTIVE MANAGEMENT APPROACH

- The combination of the General Partner and the Investment Adviser provides a number of experienced professionals to provide operational and strategic advice, financial planning, network access and other areas of expertise to investee companies. The complementary and diverse skill sets of the day-to-day management team lend themselves to a collaborative approach to portfolio management.
- We expect our active involvement in the portfolio companies to result in improvements in financial performance and delivery of impact outcomes.

RETURN OBJECTIVES

The Fund has two primary objectives; delivering market-rate financial returns, and delivering tangible societal and environmental outcomes.

Financial returns

- The Fund aims to achieve a minimum internal rate of return of 10% p.a., deriving income from appreciation in the value of the Fund's interests, dividends and interest receipts
- The Founding Members are incentivised by the carried interest fees to achieved returns in excess of 15% p.a.

Impact outcomes

- The Fund's goal is to grow Impact Businesses in NZ, scaling their societal and environmental outcomes as their operations expand
- The Fund will diligently measure and report on its impact
- The Fund will favour investment in businesses with well-developed and rigorous impact measurement processes and strategies